



Fly PLAY hf.

CONDENSED INTERIM FINANCIAL STATEMENTS

1 January - 30 June 2022

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Endorsement and Statement by the Board of Directors and the CEO

Fly Play hf. is an Icelandic airline established in March 2019 and listed on the Nasdaq First North Iceland in July 2021. On 24 June, 2021 PLAY started operating scheduled flights when it flew its first flight to London.

PLAY is a low-cost airline operating flights between Iceland, Europe and the United States. PLAY offers low-cost flights and a safe and pleasant journey in new and comfortable Airbus aircraft. PLAY's primary goal is to make flying affordable for everyone.

The Condensed Interim Financial Statements for the period from January 1 to June 30 2022 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for Interim Financial Statements (IAS 34). The Financial Statements are presented in thousands of US dollars, which is the Company's functional currency.

Operations in the six-month period ended 30 June 2022

According to the Condensed Interim Financial Statement total loss for the period was USD 25.6 million. Equity at 30 June 2022 amounted to USD 42.5 million, including share capital in the amount of USD 5.6 million and share premium of USD 85.6 million. Reference is made to the Statement of Changes in Equity regarding the information on changes in equity. The average number of full time employees was 222 in the period thereof 106 men and 116 women and salaries and related expenses amounted to USD 11.3 million in the period.

The effect on PLAY of the Russian invasion of Ukraine has so far been limited to the rise and fluctuation in fuel prices, but we are closely monitoring the impact on cost and revenue. Following the rise in fuel prices, PLAY implemented a fuel surcharge in March. The surcharge varies between destinations and takes into consideration the length of flying and other factors.

In the second quarter of 2022 PLAY experienced a significant growth in load factor and number of passenger. The load factor went from an average of 63% in the first quarter of 2022 to an average of 74% in the second quarter. The total number of passengers went from just over 56 thous. in the first quarter to just under 182 thous. in the second quarter. This trend has continued with 110 thous. passengers in July alone. June was a landmark month for PLAY as it was the first month when PLAY operated at its full hub-and-spoke network using six aircraft.

The On-time performance (OTP) in June was 79.1%, which, although not up to PLAY's usual high standards, is still more than satisfactory given the change to a hub-and-spoke network and the difficult situation at European airports that struggle with staff shortages and subsequent delays. PLAY has experienced delays in its schedule and suffered from costs associated with these delays. This cost is already built into the company's business plan and is in line with expectations and the norm in the industry.

PLAY reached its initial target of unit cost per available seat kilometer (CASK) excluding fuel and emissions being lower than four U.S. cents in May and June. This is very important for PLAY as we aim to offer the lowest fares in our markets, and a low-cost base is critical in achieving that. This also shows the underlying efficiency of our business model and is an encouragement as we strive to lower our costs even further as PLAY grows.

Outlook going forward

PLAY believes that flexibility in scaling production to the demand has been crucial for PLAY, and we will continue to do so with our focus being flexibility, demand-driven growth, and attractive offering to the market with the best prices and positive climate actions. PLAY is well prepared to weather the uncertainty with its strong financial position.

The increase in utilization over the first six months of the year with the addition of the VIA market to PLAY's network is a positive sign of the efficiency of the hub-and-spoke network. PLAY intends to further build upon this platform and is in the process of fully implementing a cargo business to increase the profitability of major routes.

Endorsement and Statement by the Board of Directors and the CEO, contd.:

Statement by the Board of Directors and the CEO

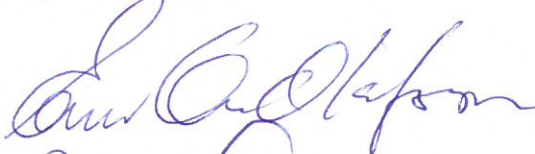

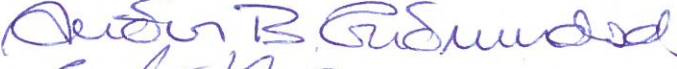

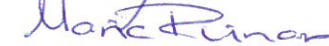
According to the Board of Directors' and CEO's best knowledge, the Condensed Interim Financial Statements give a true and fair view of the financial performance of the Company for the six-month period ended 30 June 2022, its assets, liabilities and financial position as at 30 June 2022 and its cash flows for the six-month period ended 30 June 2022.

Further, in our opinion, the Financial Statements and the Endorsement of the Board of Directors and the CEO give a fair view of the development and performance of PLAY's operations and its position and describes the principal risks and uncertainties faced by PLAY.

The Board of Directors and the CEO have today discussed the Condensed Interim Financial Statements of PLAY for the six-month period ended 30 June 2022 and confirm them by means of their signatures.

Reykjavik August 22, 2022

Board of Directors:

CEO:



Independent Auditor's Report

To the board and shareholders of Fly Play hf.

Introduction

We have reviewed the accompanying Interim Financial Statement of Fly Play hf. as of 30 June 2022. The Financial Statements comprise the Statement of Income, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Changes in Equity, a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of these Interim Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU and the Financial Statements Act. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

Scope of review

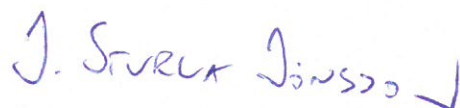
We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Statements do not give a true and fair view of the financial position of Fly Play hf. as of 30 June 2021, and of its financial performance and its cash flow for the six month period then ended with Financial Statements act no. 3/2006 in Iceland.

Reykjavik August 22, 2022

Grant Thornton endurskoðun ehf.



Sturla Jónsson
State Authorized Public Accountant

Interim Income Statement and other Comprehensive Income

	Notes	2022	2021
Revenue		1.1.-30.6	1.1.-30.6
Transport revenue	6	42,158	43
Operating expenses			
Aviation expenses	7	38,748	306
Salaries and other personnel expenses	8	11,293	1,500
Other operating expenses	9	6,373	1,855
		<u>56,414</u>	<u>3,660</u>
Operating loss before, depreciation, financial items and tax (EBITDA).....		(14,256)	(3,617)
Depreciation and Amortization	10	13,500	357
Operating loss (EBIT).....		(27,756)	(3,974)
Financial income and expenses			
Financial income		386	0
Financial expenses		(4,362)	(63)
Foreign exchange		31	1,055
	11	<u>(3,945)</u>	<u>991</u>
Loss before tax (EBT).....		(31,701)	(2,982)
Income tax		6,133	1,152
Loss for the period.....		<u>(25,569)</u>	<u>(1,830)</u>
Total comprehensive loss for the period		<u>(25,569)</u>	<u>(1,830)</u>
Earnings per share			
Basic and diluted earnings per share in US cent	15	(4.6)	(1.0)

Statement of Financial Position

as at 30 June 2022

	Notes	30.6.2022	31.12.2021
Assets			
Intangible assets		11,855	10,677
Right-of-use assets	12	207,429	117,082
Operating assets		4,708	3,821
Aircraft deposits & security instalments		9,558	7,772
Deferred tax assets		12,071	5,939
Non-current assets		245,621	145,291
Inventories		342	282
Trade and other receivables	13	28,598	6,660
Prepaid expense		2,240	116
Restricted cash	14	6,262	0
Cash and cash equivalents	14	33,268	51,731
Current assets		70,711	58,789
Total assets		316,331	204,080
Shareholders equity			
Share capital		5,632	5,606
Share premium		85,552	85,371
Other components of equity		13,300	11,674
Accumulated loss		(62,001)	(35,254)
Total shareholder equity		42,483	67,397
Liabilities			
Provisions	16	49,815	23,317
Lease liabilities	17	142,660	81,990
Non-current liabilities		192,475	105,307
Provisions	16	8,786	6,589
Lease liabilities	17	13,964	8,467
Trade and other payables		18,422	9,224
Deferred income	18	40,201	7,096
Current liabilities		81,373	31,376
Total liabilities		273,848	136,682
Total shareholders equity and liabilities		316,331	204,080

Statement of Changes in Equity for the six months ended 30 June

	Share capital	Share premium	Other components of equity	Accumulated loss	Total equity
2021					
Balance at January 1	417	0	6,366	(8,766)	(1,983)
Share capital decrease netted against losses	(357)	0	0	357	0
Debt converted to share capital	784	9,216	0	0	10,000
Share capital increase	4,762	76,155	0	0	80,917
R&D reserve transfers	0	0	2,302	(2,302)	0
Total comprehensive loss	0	0	0	(1,830)	(1,830)
Balance at June 30	5,606	85,371	8,668	(12,542)	87,104
2022					
Balance at January 1	5,606	85,371	11,674	(35,254)	67,397
Share capital increase	26	181	0	0	207
R&D reserve transfers	0	0	1,178	(1,178)	0
Stock options	0	0	448	0	448
Total comprehensive loss	0	0	0	(25,569)	(25,569)
Balance at June 30	5,632	85,552	13,300	(62,001)	42,483

Statement of Cash Flows

for the six months ended 30 June

	Notes	2022 1.1.-30.6	2021 1.1.-30.6
Cash flows used in operating activities			
Loss for the period	(25,569)	(1,830)
Adjustments for			
Depreciation and amortization	10	13,500	357
Net finance expense	11	3,945	(991)
Stock options		448	0
Deferred income tax		(6,133)	(1,152)
		(13,808)	(3,617)
Changes in operating assets and liabilities			
Inventories, increase		(60)	0
Trade and other receivables, (increase) decrease		(21,532)	(4,499)
Trade and other payables, increase (decrease)		38,350	6,799
Restricted cash, increase (decrease)		(6,262)	0
Changes in operating assets and liabilities		10,496	2,300
		(3,312)	(1,317)
Cash used in operations before interest and taxes		(3,312)	(1,317)
Financial income received		386	0
Foreign exchange difference, realized		148	(1,444)
Interest paid		(4,409)	0
Net cash used in operating activities		(7,186)	(2,761)
Cash flows to investing activities			
Deposits		(1,786)	(3,230)
Investment of operating assets		(1,134)	(956)
Investment of intangible assets		(2,127)	(2,498)
Net cash used in investing activities		(5,048)	(6,684)
Cash flows from financing activities			
Repayment of lease liabilities	17	(5,321)	0
Loans from shareholders		0	2,793
Proceeds from share issue		207	47,628
Net cash (to)/from financing activities		(5,114)	50,421
(Decrease)/Increase in cash and cash equivalents		(17,348)	40,976
Effect of exchange rate fluctuations on cash held		(1,114)	1,079
Cash and cash equivalents at beginning of the period		51,731	12
Cash and cash equivalents at the end of the period		33,268	42,066
Investment and financing without cash flow effect			
Acquisition of right-of-use assets		(71,519)	(30,338)
New leases	12	71,519	30,338
Capitalized maintenance obligation under lease	16	(31,063)	0
New leases	12	31,063	0
Loans from shareholders		0	(10,000)
Share capital increase		0	10,000

Notes

1. Reporting entity

Fly Play hf. (the "Company") is a public limited company and domiciled in Iceland. PLAY is a low-cost airline which operates flights between Iceland and Europe. The registered office of the Company is at Suðurlandsbraut 14 in Reykjavík, Iceland. The Company is listed on the Nasdaq First North Iceland.

2. Basis of preparation

a. Statement of compliance

These Condensed Interim Financial Statements of the Company are for the six-month period ended 30 June 2022 and have been prepared in accordance with IAS 34 as adopted by the European Union.

The Condensed Interim Financial Statements should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 December 2021. The Financial Statements for the Company for the period ended 31 December 2021 are available upon request from the Company's registered office or at www.flyplay.com/financial-reports-and-presentations

These Condensed Interim Financial Statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The Condensed Interim Financial Statements were approved by the Board of Directors of Fly Play hf. on August 22, 2022.

b. Basis of measurement

The Financial Statements are prepared on a historical cost basis. Further details of the Company's accounting policies are included in the 2021 financial statements.

c. Going concern

These Financial Statements are prepared on a going concern basis. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

3. Functional and presentation currency

These Financial Statements are presented in United States Dollars (USD), which is the Company's functional currency. All financial information presented in United States Dollars has been rounded to the nearest thousand unless otherwise stated.

4. Use of estimates and judgements

In preparing these Financial Statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Financial Statements as at and for the year ended 31 December 2021.

Determination of fair value is based on assumptions subject to management's assessment of the development of various factors in the future. The actual selling price of assets and settlement value of liabilities may differ from these estimates.

Notes, cont.:

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. Where applicable, further information about the assumptions made in determining the fair value of assets or liabilities are in the notes to the relevant assets and liabilities.

5. Accounting policies

Standards issued but not yet effective

The accounting policies adopted in the preparation of the Condensed Interim Financial Statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the Condensed Interim Financial Statements of the Company.

Operating segments

The Company operates as a single operating segment at this time.

Notes, cont.:

6. Revenue	2022	2021
Revenue is specified as follows:	1.1.-30.6	1.1.-30.6
Airfare	31,897	28
Ancillary	9,002	14
On board sales	1,239	1
Other revenue	19	0
Transport revenue total	<u>42,158</u>	<u>43</u>
7. Aviation expenses		
Aviation expenses are as follows:		
Aircraft fuel	20,624	66
Emissions permits (ETS)	2,478	0
Aircraft handling, landing and communication	10,791	92
Maintenance of aircraft	1,773	138
Catering	542	5
Other aviation expenses	2,539	6
Aviation expenses total	<u>38,748</u>	<u>306</u>
8. Salaries and other personnel expenses		
Salaries and other personnel expenses are specified as follows:		
Salaries	8,805	2,667
Accrued vacation	697	0
Pension fund contributions	921	269
Other salary related expenses	702	172
Stock options	448	0
Total salaries and other personnel expenses	<u>11,572</u>	<u>3,108</u>
Capitalized salary expenses	(279)	(1,608)
Salaries and other personnel expense recognized in the Income statement	<u>11,293</u>	<u>1,500</u>
Average number of full year equivalents	222	39
Employees at the end of the period	303	75
9. Other operating expenses		
Other operating expenses are as follows:		
Housing and office expenses	120	155
Marketing and sales expenses	2,960	486
IT cost	151	473
Travel and other employee expenses	1,410	503
Audit, legal and other professional services	1,671	218
Other operating expenses	62	19
Other operating expenses total	<u>6,373</u>	<u>1,855</u>
10. Depreciation and Amortization		
The depreciation and amortization are specified as follows:		
Amortization of intangible assets	949	0
Depreciation of right-of-use assets	12,304	150
Depreciation of operating assets	248	206
Depreciation and amortization recognized in profit or loss	<u>13,500</u>	<u>357</u>

Notes, cont.:

11 Financial income and (expense)

Financial income (expenses) is specified as follows:

	2022	2021
	1.1.-30.6	1.1.-30.6
Interest income on bank deposits	386	0
Interest expenses of lease liabilities	(3,433)	(49)
Other interest expenses	(112)	(13)
Card fees	(818)	(2)
Net foreign currency exchange rate gain	31	1,055
Net financial expenses	(3,945)	991

12. Right-of-use assets

Right-of-use assets and depreciation are specified as follows:

	Aircraft	Other	Total
Balance at January 1, 2021	0	0	0
Additions	122,663	1,826	124,489
Depreciation	(7,291)	(181)	(7,472)
Indexed leases	0	65	65
Balance at December 31, 2021	115,372	1,710	117,082
Balance at January 1, 2022	115,372	1,710	117,082
Additions	102,582	0	102,582
Depreciation	(12,125)	(180)	(12,304)
Indexed leases	0	68	68
Balance at June 30, 2022	205,830	1,599	207,429

13. Trade and other receivables

Trade and other receivables are specified as follows:

	30.6.2022	31.12.2021
Account receivables	500	310
Credit card receivables	27,341	4,812
Other receivables	756	1,538
	28,598	6,660

Credit card receivables have increased due to increased booking and a change in settlement rules with the current acquirer.

14. Restricted cash, cash and cash equivalents

Restricted cash is held in bank accounts pledged against credit cards acquirers and airport operators. The largest amount (6 m. EUR) is pledged against credit card claims and at the reporting date is restricted until the end of March. That amount is classified as restricted cash in the balance sheet. Other restricted cash amounts (592 thous. USD) which are pledged against airport operators, handling agents and the tax authorities are restricted for 3 months or less and is classified among cash and cash equivalents.

Notes, cont.:

15. Earnings per share

The calculation of basic EPS has been based on the following net loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the same as basic earnings per share as the effect of warrants would not dilute the earnings per share only increase loss per share.

Basic earnings per share

	2022	2021
	1.1.-30.6	1.1.-30.6
Loss for the period attributable to equity holders of the Company	(25,569)	(1,830)
Weighted average number of shares for the period	5,611	1,812
Basic earnings per share in US cent per share	(4.6)	(1.0)
Diluted earnings per share in US cent per share	(4.6)	(1.0)

16. Provisions

Provisions for aircraft maintenance on leased aircraft are as follows:

	2022	2021
	1.1.-30.6	1.1.-31.12
Balance at the beginning of the period	29,906	0
Increases in provisions during the period	31,063	31,612
Utilization of provision during the period	(2,368)	(1,706)
Balance at the end of the period	58,601	29,906
Current provisions	(8,786)	(6,589)
Total non-current provisions	49,815	23,317

17. Lease liabilities

The Company entered into lease agreements during the period which constitute a financial lease under IFRS 16, for one additional used Airbus 320neo aircraft and rent bringing the total number of aircraft to five.

Lease liabilities are as follows:

	Rate	Year of maturity	Aircraft	Real estate	Total
Lease payments in USD	3.9%	9-10 years	155,128	0	155,128
Lease in ISK, indexed	4.3%	5 years	0	1,496	1,496
Total lease liabilities			155,128	1,496	156,624

	2022	2021
	1.1.-30.6	1.1.-31.12
Balance at the beginning of the period	90,456	0
New leases	71,540	92,877
Indexed leases	41	66
Payment of lease liabilities	(5,416)	(2,374)
Currency translation	3	(113)
Balance at the end of the period	156,624	90,456
Current maturities	(13,964)	(8,467)
Total non-current lease liabilities	142,660	81,990

Notes, cont.:

17. Lease liabilities cont.

Repayments of lease liabilities are distributed over the next years as follows:

Repayments 2022-2023	13,964
Repayments 2023-2024	15,313
Repayments 2024-2025	15,919
Repayments 2025-2026	16,535
Repayments 2026-2027	16,812
Subsequent repayments	78,081
Total lease liabilities	<u>156,624</u>

The Company has made new lease agreements for six new Airbus 320neo aircraft. The most recent was delivered in March 2022 with another one delivered just after the reporting period (in July), two more in Q3 2022 and two in Q1 2023. The lease liability for the aircraft scheduled in Q3 of 2022 will amount to approximately USD 104.3 million and in the year 2023 USD 78.0 million.

18. Deferred income

Among current payables is recognized deferred income in the amount of USD 40.2 million due to sale of unflown flights and outstanding gift certificates at year end. Revenues from passenger flights are recognized in the statement of comprehensive income when the relevant flight has been flown. Increased booking and offering in travel locations has led to a significant increase in deferred revenue since year end 2021.

19. Events after the reporting period

Other than the addition of a new aircraft in July mentioned in note 17 no events have arisen after the reporting period of these Interim Financial Statements that require amendments or additional disclosures in the interim Financial Statements for the period ended 30 June 2022.