



**Fly PLAY hf.**

## **INTERIM FINANCIAL STATEMENTS**

**1 January to 30 September 2021**

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# Statement by the Board of Directors and the CEO

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The Interim Financial Statements for the period 1 January to 30 September 2021 have been prepared in accordance with the Financial Statements Act and generally accepted accounting principles of Iceland and are in all main aspects based on the same accounting principles as for the previous year. The Interim Financial Statements are presented in US dollars, which is the Company's functional currency. The Interim Financial Statements have neither been audited nor reviewed by the Company's independent auditors. The Company will adopt and implement International Financial Reporting Standards (IFRS) for the Financial Statements by the end of year 2021. No material changes in accounting principles are expected from this implementation, nor any material effect on the Company's financial position.

According to the Financial Statement total loss for the nine months period was USD 12.0 million. Equity at 30 September 2021 amounted to USD 77.0 million, including share capital in the amount of USD 5.6 million and share premium of USD 85.4 million. Reference is made to the Statement of Changes in Equity regarding the information on changes in equity.

PLAY holds a strong cash position with total liquidity of USD 42.0 million and cash and cash equivalent amounted to USD 62.7 million at 30 September 2021. This strong cash position enables PLAY to pursue business opportunities, follow through with its business plan and be prepared for turbulent market conditions.

PLAY took delivery of two additional Airbus A321neo in the third quarter of 2021. All three aircraft in operation are on favorable post-COVID market terms and a power-by-the-hour (PBH) arrangement for the first six months. In September, PLAY signed an agreement with GE Capital Aviation Services (GECAS) to lease three A320neo and one A321NX aircraft that will all join the fleet before the summer schedule 2023. The aircraft will be delivered to PLAY from August 2022 through February 2023 but will be in a storage program until joining the fleet in time for the summer schedule 2023.

The COVID-19 pandemic, and associated travel restrictions, continued to impact the global aviation industry, as well as PLAY's business, in Q3 2021. During the quarter, there were several positive changes to travel restrictions in Iceland and the countries served by PLAY in Europe. Booking trends have been less predictable than under normal circumstances, and changes to travel restrictions have created uncertainty for consumers. Although vaccination rates in the markets served by PLAY are increasing, the number of new confirmed COVID-19 cases is on the rise. Therefore, the uncertainty associated with the COVID-19 pandemic will remain for the foreseeable future. PLAY is well prepared to weather the uncertainty with flexible operations and a strong liquidity position.

The next months will see the expansion of PLAY's network as new destinations in Europe and North America get added and focus on preparations for the hub-and-spoke operations starting in spring 2022. In December, PLAY will open a new office in Vilnius, Lithuania. PLAY's headquarters and current flight operations, including all flight and cabin crew, will remain in Iceland. PLAY is taking this step early in its growth stage and there will be no layoffs in Iceland related to the opening of the new office. The company will simply expand partially in the new location.

We hereby confirm that the Interim Financial Statements for the period from 1 January to 30 September 2021, to the best of our knowledge, have been prepared in accordance with the Financial Statements Act and generally accepted accounting principles of Iceland and that the information in the accounts gives a true and fair view of the Company's assets, liabilities, financial position, and overall results.

Further, in our opinion, the Interim 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.

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

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The Board of Directors and the CEO have today discussed the Interim Financial Statements of PLAY for the period from 1 January to 30 September 2021 and confirm them by means of their signatures.

***Reykjavík November 4, 2021***

Board of directors:

Einar Örn, Chairman of the Board

Skúli Skúlason

Guðný Hansdóttir

María Rúnarsdóttir

Auður Björk Guðmundsdóttir

CEO:

Birgir Jónsson

# Income Statement for the nine months ended 30 September 2021

	Notes	2021 Q3	2021 YTD	2020 YTD
<b>Operating income</b>				
Transport revenue .....	4	<u>6,715</u>	<u>6,748</u>	<u>0</u>
<b>Operating expenses</b>				
Salaries and related expenses .....	5	2,962	4,418	298
Aviation expenses .....	6	7,223	7,665	0
Other operating expenses .....	7	<u>2,130</u>	<u>3,322</u>	<u>1,173</u>
		<u>12,315</u>	<u>15,404</u>	<u>1,471</u>
<b>Operating loss before depreciation and amortization (EBITDA) .....</b>		<b>( 5,600)</b>	<b>( 8,656)</b>	<b>( 1,471)</b>
Depreciation and amortization .....	8-10	<u>( 3,459)</u>	<u>( 3,735)</u>	<u>0</u>
<b>Operating loss (EBIT) .....</b>		<b>( 9,059)</b>	<b>( 12,391)</b>	<b>( 1,471)</b>
<b>Financial income and expenses</b>				
Financial income .....		7	9	0
Financial expenses .....		( 792)	( 844)	( 22)
Foreign exchange difference .....		<u>( 2,552)</u>	<u>( 1,491)</u>	<u>355</u>
		<u>( 3,337)</u>	<u>( 2,325)</u>	<u>333</u>
<b>Result for the period before tax (EBT) .....</b>		<b>( 12,397)</b>	<b>( 14,717)</b>	<b>( 1,138)</b>
Income tax .....		<u>1,595</u>	<u>2,747</u>	<u>0</u>
		<u>1,595</u>	<u>2,747</u>	<u>0</u>
<b>Net result for the period .....</b>		<b><u>( 10,802)</u></b>	<b><u>( 11,969)</u></b>	<b><u>( 1,138)</u></b>
<b>Earnings per share</b>				
Basic and diluted earnings per share in US cent .....		( 1.93)	( 3.97)	( 2.73)

# Balance Sheet as at 30 September 2021

	Notes	30.9.2021	31.12.2020
<b>Assets</b>			
Intangible assets .....	8	9,707	6,366
Right-of-use assets .....	9	171,061	0
Operating assets .....	10	2,813	0
Receivables and deposits .....		7,112	0
Tax assets .....		2,747	0
Non-current assets		<u>193,440</u>	<u>6,366</u>
Inventories .....		115	0
Accounts receivables and other receivables .....		7,471	230
Cash and cash equivalent .....		62,704	7
Current assets		<u>70,291</u>	<u>237</u>
<b>Total assets</b>		<u>263,731</u>	<u>6,603</u>
<b>Equity</b>			
Share capital .....		5,606	417
Share premium .....		85,371	0
R&D reserve .....		9,707	6,366
Accumulated losses .....		( 23,720)	( 8,766)
Total equity	11	<u>76,964</u>	<u>( 1,983)</u>
<b>Liabilities</b>			
Provisions .....	12	70,250	0
Lease liabilities .....	13	88,261	0
Non-current liabilities		<u>158,511</u>	<u>0</u>
Related parties .....		0	7,207
Provisions .....	12	6,784	0
Lease liabilities .....	13	6,962	0
Accounts payables .....		6,219	1,063
Accrued liabilities and expenses .....		1,480	315
Deferred income .....		6,811	0
Current liabilities		<u>28,256</u>	<u>8,586</u>
<b>Total liabilities</b>		<u>186,767</u>	<u>8,586</u>
<b>Liabilities and equity</b>		<u>263,731</u>	<u>6,603</u>

# Statement of cash flows for the nine months ended 30 September 2021

	Notes	2021 Q3	2021 YTD	2020 YTD
<b>Operating activities</b>				
Net result for the period .....	(	10,802)	( 11,969)	( 1,138)
Adjustment for:				
Depreciation and amortization .....	8-10	3,459	3,735	0
Accrued interest .....	13	800	844	0
Provisions .....	12	820	820	0
Tax asset .....		( 1,595)	( 2,747)	0
		<u>( 7,318)</u>	<u>( 9,318)</u>	<u>( 1,138)</u>
Change in current assets and liabilities:				
Change in inventories .....	(	115)	( 115)	0
Change in trade and other receivables .....		1,094	( 7,241)	100
Change in trade and other payables .....		6,023	13,264	( 480)
		<u>7,002</u>	<u>5,907</u>	<u>( 380)</u>
Operating activities		<u>( 317)</u>	<u>( 3,411)</u>	<u>( 1,518)</u>
<b>Investing activities</b>				
Deposits .....	(	3,886)	( 7,112)	0
Investment in operating assets .....	10	( 1,915)	( 2,871)	0
Investment in intangible assets .....	8	( 1,307)	( 3,805)	( 2,907)
Investing activities		<u>( 7,108)</u>	<u>( 13,788)</u>	<u>( 2,907)</u>
<b>Financing activities</b>				
Repayment of lease liabilities .....	13	( 2,041)	( 2,041)	0
Loans from shareholders .....	11	0	2,793	4,384
Proceeds from share issue .....	11	32,955	80,917	0
Financing activities		<u>30,914</u>	<u>81,669</u>	<u>4,384</u>
<b>Increase (decrease) in cash .....</b>		<b>23,489</b>	<b>64,469</b>	<b>( 40)</b>
Cash and cash equivalents at beginning of period .....		42,066	7	124
Foreign exchange difference on cash .....		<u>( 2,851)</u>	<u>( 1,772)</u>	<u>1</u>
Cash and cash equivalents at end of period .....		<u><b>62,704</b></u>	<u><b>62,704</b></u>	<u><b>85</b></u>
<b>Investment and financing without cash flow effect</b>				
Acquisition of right-of-use assets .....	(	143,935)	( 174,274)	0
New leases .....		143,935	174,274	0
Capitalized maintenance obligation under lease .....		77,853	77,853	0
Capitalized maintenance obligation under lease .....	(	77,853)	( 77,853)	0
Loans from shareholders .....		0	( 10,000)	0
Share capital increase .....		0	10,000	0

# Changes in equity for the nine months ended 30 September 2021

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## 1 January to 30 September 2020

	Share capital	Share premium	R&D reserve*	Accumulated loss	Total
Equity 1 January 2020 .....	417	0	2,121	( 2,608)	( 70)
R&D reserve transfers .....			2,907	( 2,907)	0
Loss for the period .....				( 1,138)	( 1,138)
Equity 30 September 2020 .....	<u>417</u>	<u>0</u>	<u>5,028</u>	<u>( 6,653)</u>	<u>( 1,208)</u>

## 1 January to 30 September 2021

Equity 1 January 2021 .....	417	0	6,366	( 8,766)	( 1,983)
Share capital decrease netted against losses .....	( 357)			357	0
Debt converted to share capital .....	784	9,216			10,000
Share capital increase .....	4,762	76,155			80,917
R&D reserve transfers .....			3,341	( 3,341)	0
Loss for the period .....				( 11,969)	( 11,969)
Equity 30 September 2021 .....	<u>5,606</u>	<u>85,371</u>	<u>9,707</u>	<u>( 23,720)</u>	<u>76,964</u>

\*See note 11



# Notes to Interim Financial Statements

## 1. General information

### Reporting entity

Fly Play hf. (the 'Company') is domiciled in Reykjavík, Iceland. The Company primarily operates in the airline industry. The Company is listed on the Nasdaq First North Iceland effective from July 9, 2021.

## 2. Summary of accounting principles

### Basis of preparation

These Interim Financial Statements are prepared in accordance with the Financial Statements Act and generally accepted accounting principles of Iceland and are in all main aspects based on the same accounting principles as for the previous year. The Interim Financial Statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The Interim Financial Statements are presented in US dollars, which is the Company's functional currency.

The accounting policies and methods of computation applied in these Interim Financial Statements are the same as those applied by the Company in its Financial Statements as at and for the year ended 31 December 2020.

### Use of judgements and estimates

As according to the Financial Statement Act, in the preparation of the Interim Financial Statements directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Management's responsibility also applies to the notes of the Financial Statements. The estimates and associated assumptions are based on historical experience and other factors deemed to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

## 3. Adoption of International Financial Reporting Standards (IFRS)

The Company will adopt and implement International Financial Reporting Standards (IFRS) for the Financial Statements for the year ended December 31, 2021. No material changes in accounting principles are expected from this implementation, nor any material effect on the Company's financial position

## 4. Revenue

Transport revenue is specified as follows:

	2021 Q3	2021 YTD	2020 YTD
Airfare .....	4,748	4,766	0
Ancillary .....	1,736	1,750	0
On board sales .....	230	231	0
Transport revenue total .....	<u>6,715</u>	<u>6,748</u>	<u>0</u>

## 5. Operating expenses

Salaries and related expenses are as follows:

Salaries .....	2,466	4,562	1,941
Pension fund contributions .....	266	535	250
Other salary related expenses .....	405	1,105	168
Capitalized salary expenses .....	( 175)	( 1,783)	( 2,061)
Salaries and related expenses total .....	<u>2,962</u>	<u>4,418</u>	<u>298</u>
Average number of employees .....	116.5	64.7	35.6

## Notes, contd.:

### 6. Aviation expenses

Aviation expenses are as follows:

	2021 Q3	2021 YTD	2020 YTD
Aircraft fuel .....	2,641	2,702	0
Aircraft handling, landing and navigation .....	2,720	2,866	0
Aircraft maintenance expenses .....	1,379	1,556	0
Catering .....	483	541	0
Aviation expenses total .....	7,223	7,665	0

### 7. Operation expenses

Other operating expenses are as follows:

Housing and office expenses .....	142	243	104
Equipment and other supplies .....	51	56	39
Marketing and sales expenses .....	673	1,173	0
IT cost .....	722	997	162
Travel and other employee expenses .....	287	537	72
Audit, legal and other professional services .....	255	316	795
Other operating expenses total .....	2,130	3,322	1,173

### 8. Intangible assets

Intangible assets and their amortization are specified as follows:

	Long-term cost	Software	Total
<b>Cost</b>			
Balance 1 January 2020 .....	976	1,144	2,121
Additions .....	2,766	1,479	4,245
Balance 31 December 2020 .....	3,742	2,623	6,366
Additions during the period .....	1,681	2,124	3,805
Balance 30 September 2021 .....	5,424	4,747	10,171
<b>Amortized</b>			
Amortization during the period .....	158	306	464
Balance 30 September 2021 .....	158	306	464
<b>Carrying amounts</b>			
1 January 2020 .....	976	1,144	2,121
31 December 2020 .....	3,742	2,623	6,366
30 September 2021 .....	5,266	4,441	9,707
Amortization percentage .....	10-20%	20-33%	

## Notes, contd.:

### 9. Right-of-use assets

Right-of-use assets and their amortization are specified as follows:

	Aircrafts	Other	Total
Additions during the period .....	173,244	1,030	174,274
Depreciated during the period .....	( 3,178)	( 35)	( 3,212)
Balance 30 September 2021 .....	<u>170,066</u>	<u>995</u>	<u>171,061</u>

### 10. Operating assets

Operating assets and their depreciation are specified as follows:

	Aircraft and flight equipment	Other property and equipment	Total
<b>Cost</b>			
Additions during the period .....	<u>2,068</u>	<u>803</u>	<u>2,871</u>
Balance 30 September 2021 .....	<u>2,068</u>	<u>803</u>	<u>2,871</u>
<b>Depreciation</b>			
Depreciation during the period .....	<u>36</u>	<u>23</u>	<u>58</u>
Balance 30 September 2021 .....	<u>36</u>	<u>23</u>	<u>58</u>
<b>Carrying amounts</b>			
31 December 2020 .....	<u>0</u>	<u>0</u>	<u>0</u>
30 September 2021 .....	<u>2,032</u>	<u>780</u>	<u>2,813</u>
Depreciation percentage .....	33%	14%	

### 11. Stockholders' equity

The Company's capital share at the end of the period amounted to 700.0 million ISK (\$5,606,339). One vote is attached to each share of one ISK.

In April 2021 the Company's share capital was decreased by netting part of its accumulated loss. Furthermore, the sole shareholder converted shareholder loans to equity valued at \$10.0 million. The Company then initiated a private placement with a transaction size of \$47.6 million.

In parallel with the listing of the Company's share on the Nasdaq First North a second part of the round of financing was launched in June 2021. The IPO resulted in \$35.0 million paid in capital. The subscription period was closed on 25 June and all subscriptions fully paid on 5 July.

The direct transaction cost of the two share offerings, the private placement in April and the IPO in June, amounted to \$1.7 million and was deducted from equity.

R&D reserve is derived from capitalization of R&D expenses in accordance with Article 16 of the Financial statements Act. Dividends cannot be distributed from the R&D reserve. The reserve is amortized through retained earnings or accumulated losses equally to the amortization of intangible assets. If intangible asset is sold or fully amortized or impaired, the reserve is fully amortized accordingly.

## Notes, contd.:

### 12. Provisions

Provisions for aircraft maintenance on leased aircrafts are as follows:

	30.9.2021	31.12.2020
Increases in provisions during the period .....	77,853	0
Utilization of provision during the period .....	( 820)	0
Balance 30 September 2021 .....	77,033	0
Current provisions .....	( 6,784)	0
Total non-current provisions .....	70,250	0

The expected timing of the outflows of economic benefits associated with the provisions at September 30, 2021, are as follows:

Used during 1.10.2021 - 31.12.2021 .....	1,170
Used during 2022 .....	7,627
Used during 2023 .....	8,963
Used during 2024 .....	9,833
Used during 2025 .....	9,941
Thereafter .....	39,500
Provisions for leased aircraft maintenance .....	77,033

### 13. Lease liabilities

The Company entered into lease agreements during the period which constitute a financial lease under IFRS 16, for three used Airbus 320neo aircraft and rent.

Lease liabilities at the end of the period are as follows:

	Rate	Year of maturity	Total
Lease payments in USD .....	3.9%	9-10 years	87,272
Lease payments in ISK, indexed .....	4.5%	5 years	989

Changes during the period are as follows:

	30.9.2021	31.12.2020
New leases .....	96,421	0
Accrued interest .....	844	0
Repayment .....	( 2,041)	0
Balance at 30 September 2021 .....	95,223	0
Current maturities .....	( 6,962)	0
Total non-current lease liabilities .....	88,261	0

Repayments of lease liabilities are distributed over the next 5 years as follows:

Repayments 1.10.2021 - 31.12.2021 .....	1,269
Repayments 2022 .....	8,177
Repayments 2023 .....	9,462
Repayments 2024 .....	10,163
Repayments 2025 .....	10,564
Subsequent repayments .....	55,589
Total lease liabilities .....	95,223

## Notes, contd.:

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### 14. Related parties

Related parties are the Company's parent, subsidiaries, affiliates, directors, the CEO, close family members of forementioned and other large shareholders with significant influence.

Liabilities due to related parties on December 31, 2020 were against one of the Company's shareholders, Fea ehf. The shareholder loan was converted to equity in April 2021.

There were no other transactions with related parties other than shareholders during the year.

### 15. Other matters

In Q3, PLAY signed a Letter of Intent that secures two A320neo aircraft that will join the fleet before summer 2022. Lease agreements for these both aircraft have not been signed yet but are expected to be signed in Q4 2021.

PLAY also signed an agreement with GE Capital Aviation Services (now AerCap) to lease three A320neo and one A321NX aircraft to join the fleet before the summer schedule 2023. The estimated delivery for these aircraft is in end of year 2022 and beginning of 2023, then on commencement date the right-of-use assets and lease liabilities will be recognize according to IFRS 16.

The COVID-19 pandemic, and associated travel restrictions, continued to impact the global aviation industry, as well as PLAY's business, in Q3 2021. During the quarter, there were several positive changes to travel restrictions in Iceland and the countries served by PLAY in Europe. But in the middle of July, the number of COVID-19 cases in Iceland started to rise as the Delta variant spread. This rise in the number of COVID-19 cases had a negative impact on sales in July and August as the number of new sold seats started to decline, and passengers that already had booked their travel with PLAY took advantage of the flexible terms offered by PLAY and moved their trip to a later date, which transferred revenue and load in time. To respond to this negative demand trend, PLAY's management decided to adjust the schedule for September and continues to position the Company in line with ongoing market conditions and when demand will return to more normal levels.