



Fly PLAY hf.

CONDENSED INTERIM FINANCIAL STATEMENTS

1 January - 30 September 2022

Contents

	Page
Endorsement and Statement by the Board of Directors and the CEO	3
Interim Income Statement and other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Condensed Interim Financial Statements	9

Endorsement and Statement by the Board of Directors and the CEO

Fly Play hf. is an Icelandic low-cost airline that operates a hub-and-spoke model between Iceland, Europe, and North America. The company launched its services in June 2021 and was listed on the Nasdaq First North Iceland in July 2021. PLAY's primary goal is to make flying affordable for everyone. PLAY offers a safe and pleasant journey in new and comfortable Airbus aircraft to around 30 destinations.

The Condensed Interim Financial Statements for the period from January 1 to September 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, the company's functional currency.

Operations in the nine-month period ended 30 September 2022

According to the Condensed Interim Financial Statement total loss for the period was USD 28.4 million. On September 30, 2022, equity amounted to USD 39.6 million, including share capital in the amount of USD 5.6 million and a 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 239 in the period thereof 106 men and 133 women, and salaries and related expenses amounted to USD 18 million.

PLAY is still experiencing the effects of the Russian invasion of Ukraine, mainly due to the increase and fluctuation in fuel prices and rising inflation. PLAY has, however, seen a very positive development in unit cost per available seat kilometer (CASK), excluding fuel and emissions being lower than four US cents since May of this year and decreasing further over the last quarter or to about three US cents.

Over the first nine months of 2022, PLAY has experienced significant growth in load factor and number of passengers. The load factor went from an average of 63% in the first quarter of 2022 to 74% in the second quarter and 85% in the third 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 and 311 thous. in the third quarter. A key focus will be to maintain this rapid growth in the number of passengers while increasing their respective yields.

After some issues with the On-time performance (OTP) in the summer months of 2022 due to the transfer to a hub-and-spoke network and the problematic situation at European airports that struggled with staff shortages and subsequent delays, PLAY has had very good OTP in this quarter, and for the first nine months of 2022, OTP was 85.2%.

PLAY's total assets amounted to 328 million USD on September 30, and the equity ratio was 12.1%. The rights of use assets and lease liability rose in the quarter due to the arrival of new aircraft, further detailed in notes 12, 16 and 17.

Outlook going forward

PLAY believes that flexibility in scaling production to demand has been and remains crucial for PLAY. We will continue to focus on flexibility, demand-driven growth, and attractive value offering to the market. PLAY is well prepared to weather the uncertainty ahead with its healthy financial position.

In September 2022, PLAY advertised new positions for 150 flight attendants and 55 pilots. This milestone marked the most extensive hiring yet for PLAY and was a step in the company's ambitious growth plan. In October, PLAY also introduced new destinations such as Athens and Porto, further working toward becoming the leading airline between Iceland and the Iberian Peninsula.

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 nine-month period ended 30 September 2022, its assets, liabilities and financial position as at 30 September 2022 and its cash flows for the nine-month period ended 30 September 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 nine-month period ended 30 September 2022 and confirm them by means of their signatures.

Reykjavik November 3, 2022

Board of Directors:



CEO:



Interim Income Statement and other Comprehensive Income

	Notes	2022 1.1.-30.9	2021 1.1.-30.9
Revenue			
Transport revenue	6	102,010	6,748
Operating expenses			
Aviation expenses	7	78,212	7,665
Salaries and other personnel expenses	8	18,029	4,418
Other operating expenses	9	9,435	3,322
		<u>105,676</u>	<u>15,404</u>
Operating loss before, depreciation, financial items and tax (EBITDA)		(3,666)	(8,656)
Depreciation and Amortization	10	22,757	3,735
Operating loss (EBIT)		(26,423)	(12,391)
Financial income and expenses			
Financial income		395	9
Financial expenses		(8,114)	(844)
Foreign exchange		259	(1,491)
	11	<u>(7,460)</u>	<u>(2,325)</u>
Loss before tax (EBT)		(33,883)	(14,717)
Income tax		5,449	2,747
Loss for the period		(28,434)	(11,969)
Total comprehensive loss for the period		(28,434)	(11,969)
Earnings per share			
Basic and diluted earnings per share in US cent	15	(5.06)	(3.97)

Statement of Financial Position

as at 30 September 2022

	Notes	30.9.2022	31.12.2021
Assets			
Intangible assets		12,209	10,677
Right-of-use assets	12	232,932	117,082
Operating assets		5,173	3,821
Aircraft deposits & security instalments		10,068	7,772
Deferred tax assets		11,388	5,939
Non-current assets		271,771	145,291
Inventories		377	282
Trade and other receivables	13	22,110	6,660
Prepaid expenses		3,713	116
Restricted cash	14	6,037	0
Cash and cash equivalents	14	23,547	51,731
Current assets		55,783	58,789
Total assets		327,554	204,080
Shareholders equity			
Share capital		5,632	5,606
Share premium		85,552	85,371
Other components of equity		13,681	11,674
Accumulated loss		(65,220)	(35,254)
Total shareholder equity		39,645	67,397
Liabilities			
Provisions	16	58,707	23,317
Lease liabilities	17	157,112	81,990
Non-current liabilities		215,818	105,307
Provisions	16	10,675	6,589
Lease liabilities	17	16,366	8,467
Trade and other payables		20,711	9,224
Deferred income	18	24,339	7,096
Current liabilities		72,091	31,376
Total liabilities		287,909	136,682
Total shareholders equity and liabilities		327,554	204,080

Statement of Changes in Equity for the nine months ended 30 September

	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	3,341	(3,341)	0
Total comprehensive loss	0	0	0	(11,970)	(11,970)
Balance at September 30	5,606	85,371	9,707	(23,720)	76,964
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	1,532	(1,532)	0
Stock options	0	0	474	0	474
Total comprehensive loss	0	0	0	(28,434)	(28,434)
Balance at September 30	5,632	85,552	13,681	(65,220)	39,644

Statement of Cash Flows

for the nine months ended 30 September

	Notes	2022 1.1.-30.9	2021 1.1.-30.9
Cash flows used in operating activities			
Loss for the period .....	(	28,434)	(11,969)
Adjustments for			
Depreciation and amortization	10	22,757	3,735
Net finance expense	11	7,460	2,325
Stock options		474	820
Deferred income tax .....	(	5,449)	(2,747)
		(3,192)	(7,837)
Changes in operating assets and liabilities			
Inventories, increase .....	(	95)	(115)
Trade and other receivables, increase .....	(	16,229)	(7,241)
Trade and other payables, increase		24,318	12,544
Restricted cash, increase .....	(	6,037)	0
Changes in operating assets and liabilities		<u>1,957</u>	<u>5,187</u>
Cash used in operations before interest and taxes	(	<u>1,235</u>)	<u>(2,649)</u>
Financial income received		395	0
Foreign exchange difference, realized		335	(750)
Interest paid .....	(	8,194)	(12)
Net cash used in operating activities		<u>(8,700)</u>	<u>(3,411)</u>
 Cash flows to investing activities			
Deposits .....	(	2,296)	(7,112)
Investment of operating assets .....	(	1,755)	(2,871)
Investment of intangible assets .....	(	3,031)	(3,805)
Net cash used in investing activities		<u>(7,082)</u>	<u>(13,788)</u>
 Cash flows from financing activities			
Repayment of lease liabilities	17	(9,464)	(2,041)
Loans from shareholders		0	2,793
Proceeds from share issue		207	80,917
Net cash (to)/from financing activities		<u>(9,257)</u>	<u>81,669</u>
 (Decrease)/Increase in cash and cash equivalents .....	(	25,038)	64,469
Effect of exchange rate fluctuations on cash held .....	(	3,146)	(1,772)
Cash and cash equivalents at beginning of the period		<u>51,731</u>	<u>7</u>
Cash and cash equivalents at the end of the period		<u><u>23,547</u></u>	<u><u>62,704</u></u>
 Investment and financing without cash flow effect			
Acquisition of right-of-use assets .....	(	92,464)	(174,274)
New leases	12	92,464	174,274
Capitalized maintenance obligation under lease	16	(44,141)	77,853
New leases	12	44,141	(77,853)
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 nine-month period ended 30 September 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 November 3, 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.-30.9	1.1.-30.9
Airfare	78,118	4,766
Ancillary	21,148	1,750
On board sales	2,466	231
Other revenue	278	0
Transport revenue total	102,010	6,748
7. Aviation expenses		
Aviation expenses are as follows:		
Aircraft fuel	44,215	2,702
Emissions permits (ETS)	4,628	0
Aircraft handling, landing and communication	21,569	2,866
Maintenance of aircraft	3,252	1,556
Catering	1,068	541
Other aviation expenses	3,481	0
Aviation expenses total	78,212	7,665
8. Salaries and other personnel expenses		
Salaries and other personnel expenses are specified as follows:		
Salaries	14,282	4,562
Accrued vacation	870	0
Pension fund contributions	1,518	535
Other salary related expenses	1,164	1,105
Stock options	474	0
Total salaries and other personnel expenses	18,308	6,201
Capitalized salary expenses	(279)	(1,783)
Salaries and other personnel expense recognized in the Income statement	18,029	4,418
Average number of full year equivalents	239	64.7
Employees at the end of the period	318	129
9. Other operating expenses		
Other operating expenses are as follows:		
Housing and office expenses	159	243
Marketing and sales expenses	4,029	1,173
IT cost	162	997
Travel and other employee expenses	2,510	537
Audit, legal and other professional services	2,494	316
Other operating expenses	80	56
Other operating expenses total	9,435	3,322
10. Depreciation and Amortization		
The depreciation and amortization are specified as follows:		
Amortization of intangible assets	1,497	464
Depreciation of right-of-use assets	20,857	3
Depreciation of operating assets	403	58
Depreciation and amortization recognized in profit or loss	22,757	3,735

Notes, cont.:

11 Financial income and (expense)

Financial income and (expenses) is specified as follows:

	2022	2021
	1.1.-30.9	1.1.-30.9
Interest income on bank deposits	395	9
Interest expenses of lease liabilities	(5,764)	(832)
Other interest expenses	(186)	(10)
Card fees	(2,165)	(2)
Net foreign currency exchange rate gain (loss)	259	(1,491)
Net financial expenses	(7,460)	(2,325)

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	136,605	0	136,605
Depreciation	(20,577)	(280)	(20,857)
Indexed leases	0	102	102
Balance at September 30, 2022	231,400	1,532	232,932

13. Trade and other receivables

Trade and other receivables are specified as follows:

	30.9.2022	31.12.2021
Account receivables	596	310
Credit card receivables	20,119	4,812
Other receivables	1,395	1,538
	22,110	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 (775 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.-30.9	1.1.-30.9
Loss for the period attributable to equity holders of the Company	(28,434)	(11,969)
Weighted average number of shares for the period	5,618	3,012
Basic earnings per share in US cent per share	(5.06)	(3.97)
Diluted earnings per share in US cent per share	(5.06)	(3.97)

16. Provisions

Provisions for aircraft maintenance on leased aircraft are as follows:

	2022	2021
	1.1.-30.9	1.1.-31.12
Balance at the beginning of the period	29,906	0
Increases in provisions during the period	44,141	31,612
Utilization of provision during the period	(4,665)	(1,706)
Balance at the end of the period	69,382	29,906
Current provisions	(10,675)	(6,589)
Total non-current provisions	58,707	23,317

17. Lease liabilities

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

Lease liabilities are as follows:

	Rate	Year of maturity	Aircraft	Real estate	Total
Lease payments in USD	3.9%	9-10 years	172,141	0	172,141
Lease in ISK, indexed	4.3%	5 years	0	1,336	1,336
Total lease liabilities			172,141	1,336	173,477

	2022	2021
	1.1.-30.9	1.1.-31.12
Balance at the beginning of the period	90,456	0
New leases	92,464	92,877
Indexed leases	102	66
Payment of lease liabilities	(9,464)	(2,374)
Currency translation	(81)	(113)
Balance at the end of the period	173,477	90,456
Current maturities	(16,366)	(8,467)
Total non-current lease liabilities	157,112	81,990

Notes, cont.:

17. Lease liabilities cont.

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

Repayments 2022-2023	16,366
Repayments 2023-2024	18,337
Repayments 2024-2025	19,063
Repayments 2025-2026	19,726
Repayments 2026-2027	20,206
Subsequent repayments	79,779
Total lease liabilities	<u>173,477</u>

The Company has entered into lease agreements for a total of 10 new Airbus 320neo aircraft since beginning operations. The most recent was delivered in July (the sixth aircraft in our fleet). After the reporting period, in October, the company took delivery of one aircraft with another one expected later in Q3 2022 and further two aircraft expected to be delivered in Q1 2023.

18. Deferred income

Among current payables is recognized deferred income in the amount of USD 24.3 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 October 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 September 2022.