

**1. The travel industry is reporting negative impact on bookings from press coverage about the seismic activity in the Reykjanes peninsula.**

**a. Can you estimate the impact this had on bookings in January?**

The company's seat factor was below what our goals and expectations were before the seismic activity and subsequent eruption at the end of 2023. It is impossible to put an exact number on the impact these events had, and equally difficult to assess the impact of our countermeasures, which included changes to our flight schedule and sales strategy, but both had considerable impact.

Sales in January (not realized revenue) were good and according to plan.

**b. Is the frequent volcanic unrest repeatedly impacting the company's booking flow?**

When analyzing our own sales numbers and other data regarding searches for flights to and from Iceland, we conclude that the recent eruptions of 2024 have not negatively impacted the company's booking flow.

**2. Can you estimate the impact of the Air Traffic Controller strikes in December?**

The ATC strikes in December meant PLAY had to adjust the airline's flight schedule which caused significant delays to flights with associated costs. PLAY estimates that the cost amounts to approx. 2 million USD.

**3. What will the impact be on this year's CASK from last year's salary raises for pilots? What about the impact on the company's total payroll costs?**

PLAY estimates the changes to the pilot collective agreement at the end of last year to have caused Ex-Fuel CASK to be 1% higher than if there had been no changes made to the agreement.

**4. Your financial statement for 2023 states that the Financial Supervisory Authority (FSA) is currently investigating the company. Can you go into the details of this investigation and if it will impact operational results? Do you expect fines or legal costs that could affect business results?**

See Vísir's coverage on the matter along with an interview with PLAY's CEO, Birgir Jónsson: <https://www.visir.is/g/20242529164d/rannsoknin-snui-ad-upplysingagjof-en-ekki-vidskiptum>



**5. You have managed to keep your unit costs low and clearly succeeded in optimizing the business model. How do you intend to then increase unit revenue (RASK) as well? Do you not foresee an approaching threshold where passengers won't accept higher fares from a low-cost carrier?**

We believe there is plenty of room to increase the company's unit revenue (RASK). Firstly, PLAY considers the steep ramp-up phase of the company, necessary to drive down the airline's unit cost, to have also caused pressure on unit revenue, both in the form of a lower seat factor as well as lower revenue per passenger. With the slowing down of the growth phase we believe it will relieve this pressure which should result in further growth in the company's unit revenue.

Secondly, PLAY has launched a considerable number of new destinations in the past few years. Historically, it takes time for unit revenue in new destinations to increase since it takes time to promote the brand in a new market and with time, the company acquires more data and information about its new market to learn from. PLAY expects the investment in new destinations in recent years to yield a higher unit revenue going forward.

Thirdly, despite good results in efforts to increase the company's ancillary revenue, PLAY believes there's more room for improvement in that area, both in terms of increasing revenue from current ancillary services, such as baggage allowance and seat selection, as well as new products, see answer to question 12 below.

We believe we're not near a threshold where our customers can't abide higher fares. There are two ways to increase the company's revenue. On the one hand we can increase the seat factor and on the other hand we can increase revenue per passenger. PLAY believes there's plenty of room for improving the seat factor. The seat factor in 2023 was 83% which is a good result given the steep ramp up and the impact of seismic activity on our bookings, but compared to other airlines, we believe an even higher seat factor is more than realistic.

As previously stated, PLAY believes better results are a realistic goal when it comes to revenue per passenger. This is both in terms of the airfare itself and ancillary revenue.

**6. The airline's seat factor in 2023 was 83%. What are the 2024 goals and plans regarding the seat factor, which is a factor in the need for the proposed increase of capital?**

PLAY has not released seat factor goals for 2024, but the company expects the seat factor to increase in 2024 compared to 2023. Keep in mind that increasing the seat factor is not a goal in itself, but rather part of the goal of increasing the company's unit revenue. Unit revenue can be increased either by improving the seat factor and/or increasing revenue per passenger.

As stated in the answer to the previous question, PLAY believes there is room to improve the seat factor when comparing with other airlines' seat factor. Additionally, with the slowing down of the growth phase, we have a better chance to improve the seat factor and hopefully the unit revenue at the same time. In light of the information released in the 2023 Q4 presentation, PLAY expects unit revenue to increase later this year.

7. **According to regulation (EC) No 1008/2008, the Icelandic Transport Authority is obligated to temporarily revoke an air operating license if the air operator is experiencing financial difficulties. Has the Icelandic Transport Authority contacted you to inform you that this may be in progress?**

PLAY has not been notified of any such measures and does not expect to be given the fact that the company fulfills all requirements of business viability, is neither defaulting on loans nor is it struggling financially. PLAY has always maintained a good and stable relationship with the Icelandic Transport Authority regarding the airlines' operations when it comes to the safety and the business viability of the company.

8. **You have seen high turnover in your pilot staff recently. Can you estimate the cost of recruiting and training a new pilot?**

PLAY implemented changes to the pilots' collective agreement last fall and the pilot turnover has been insignificant since.

The cost of training a new pilot for the airline depends on the individual pilot having a license to operate the airline's particular aircraft or not. Recruiting an experienced captain takes less time and costs less than a pilot with less experience. Throughout its growth phase, the company has always mixed experienced and less experienced pilots during each recruitment period.

9. **Are there any financial conditions in your aircraft lease agreements, such as terms involving minimum cash position, grace periods, etc.?**

No, PLAY's lease agreements do not include any financial conditions.

10. **Low-cost carriers who intend to extend their network across the Atlantic have been known to retire such plans due to high costs and low yields. Have you considered skipping longer legs (such as to the USA) and focusing instead on shorter flights that are possibly more profitable for the company?**

Yes, PLAY considered the option to focus solely on flights to and from Iceland but found that this would not be an economically feasible option for the company. In this scenario it would for example not be possible to reach the size of the company needed to get competitive results in unit cost. It would also make it more difficult for the airline to maintain flight frequency and usage in many of the destinations PLAY operates flights to.

This frequent tale, that low-cost carriers can't operate flights across the Atlantic due to high costs and low yields, is in large part influenced by the fact that the airlines that have attempted this in the past have used wide-body aircraft for transatlantic flights, e.g. WOW air in part with Airbus A330 and Norwegian with Boeing 787. PLAY considers this type of aircraft to be ill suited to this type of operations due to high costs and low yields with regard

to risk.

- 11. Has the company considered reducing the number of destinations and increasing flight frequency to other destinations, given that the fleet size remains the same? Is the company comfortable with the current seat factor of destinations that were launched last year?**

The airline's network is constantly being developed and revised with the goal of increasing the company's profits. Since PLAY began operating a hub-and-spoke network in the spring of 2022, the average frequency of flights per destination over the summer has been increased with the goal to enhance connections within the network and increase the company's profits.

PLAY expects a higher seat factor to and from the destinations that were introduced to the network last year.

- 12. The company's ancillary revenue foundation has proved to be strong. What are the next steps in increasing ancillary revenue?**

PLAY reached important milestones in 2023 regarding developments of its booking engine, such as launching the branded fares or "bundles" which drastically increased ancillary revenue. PLAY has a long list of additional developments to further increase ancillary revenue which will be systematically implemented going forward, such as increasing cooperation with various travel agencies, self-service on board, additions to travel packages, loyalty services and constant improvements to upselling opportunities, digitally, at the airports and on board our aircraft.

- 13. Different companies have different agreements with their acquirer. A lot of sales in aviation happen in advance and part of the revenue is not delivered until the product has been delivered.**

- a. Can you estimate how much of the revenue is paid in advance by the credit card companies?**

PLAY's terms of trade are confidential.

- b. Is the company's acquirer Icelandic or foreign?**

The company's primary acquirer is a foreign company.

- 14. PLAY offered a lot of discounts and offers in December 2023 and January 2024. Can you give us an idea of the current booking status for 2024? Do you expect to profit from flights offered at a 25-50% discount as was the case around Christmas and at the beginning of this year?**



In the Q4 2023 Investor presentation, PLAY showed improving forward RASK compared to the same period in 2023. As displayed in the image, the company expects the unit revenue for Q1 2024 to be lower than Q1 2023. This is in large part due to the negative impact of the seismic activity on the company's booking flow at the end of 2023. However, the company's forward RASK is higher in the upcoming quarters than in 2023.

Part of a low-cost carrier's business model is offering special offers and very low prices on selected dates and destinations.

**15. A lot of foreign low-cost carriers have stopped offering cargo services because of the high costs associated with it. Do you intend to continue with these services? If yes, on what grounds? Can you shed light on the profitability of the company's cargo services?**

The main reason for foreign low-cost carriers to avoid cargo services is the effect they have on the turnaround time and aircraft servicing at the airports. Low-cost carriers such as Wizz Air and Ryanair in Europe and Frontier and Spirit in the USA depend on a short turnaround time at their airports to fully utilize their fleet. As a result, these low-cost carriers generally do not offer cargo services.

Due to Iceland's geographical location and PLAY's network, offering cargo services has no effect on the turnaround time at our airports. As a result, and because this operation has proved profitable, PLAY intends to continue providing these services. This has little effect on our daily business since all of the work entailed with selling and managing this service is outsourced and this requires little additional cost.

**16. Was mezzanine financing, for example, ever considered as an option when preparing the annual financial statement and plans to increase the company's share capital?**

PLAY has no objection to acquiring funds through various means, such as mezzanine financing. So far, the company's Board of Directors has preferred to finance the company with capital rather than borrowing.

**17. The company's cash position at year-end 2023 was USD 12.1 million. Is the cash position currently less? If so, how much so and at what point does the company consider the cash position to be critical and threaten its business viability?**

The company's current cash position is according to plan and is not considered to threaten the airline's business viability.