

Annual and Sustainability Report **2022**

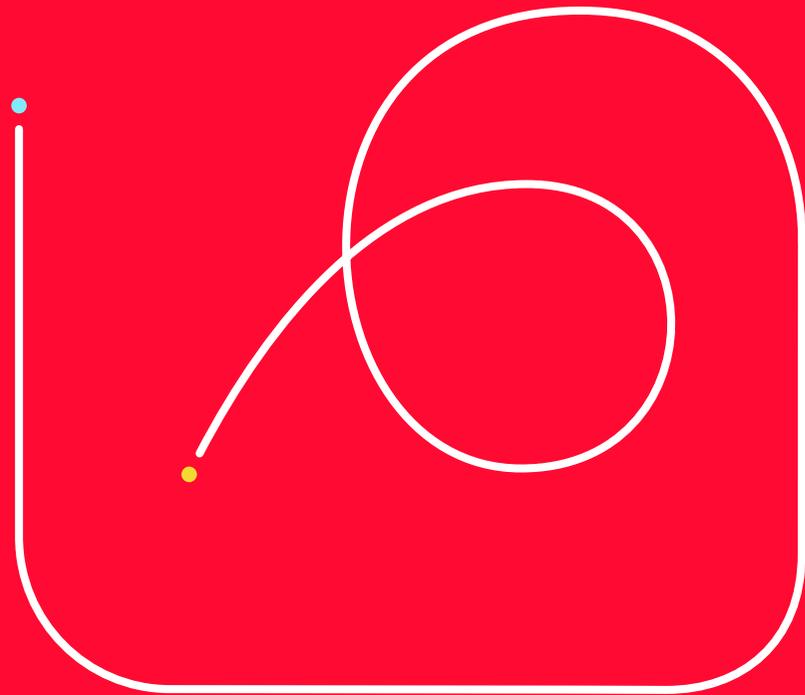
PLAY



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1. Review of the Year 2022



CEO review

A Year of Investment

2022 was a momentous year for PLAY, as we fully established our hub-and-spoke operations. We transported nearly 800,000 passengers on over 5,300 flights, surpassing our target for the year which demonstrated the strong reception of our airline in our markets. Even more impressive is that July was our first month of full hub-and-spoke operations and many of our destinations were new to our network. Our full-year load factor was 79.9%, an increase of 50% on the previous year. During certain months, our load factor was even higher than those of our competitors.

I am particularly proud of the acceptance we received in the Icelandic market. Based on data from the Icelandic Tourist Board, PLAY's share of Icelanders traveling abroad was nearly 25% in 2022 and even higher in key months. This is a significant accomplishment in a highly competitive market, and it is evident there is a strong demand for a low-cost airline in Iceland. We plan to continue expanding our market share by offering flights to even more exciting destinations across Europe and North America. Our on-time performance for the whole of 2022 was 87%, a world-class punctuality rate. These metrics demonstrate our ability to effectively adjust our network and capacity to meet market demand, as well as the proficiency and dedication of our operational teams in providing exceptional service to our passengers.

“
I am grateful for the dedication and hard work of our team, which has played a crucial role in our success
 ”

In 2022, we focused on strengthening our corporate culture, organizational structure, and technological infrastructure. We served 25 destinations in Europe and North America with a fleet of six A320/21 aircraft that will expand to 10 aircraft in 2023.

2022 was also an outstanding year of recognition for PLAY. Our dedication to providing exceptional service and our commitment to making a positive impact in our community and industry has been recognized by various organizations. One of the highlights of the year was receiving the Equality Scale from the Association of Women Business Leaders in Iceland for the second year in a row. This award recognizes our efforts in promoting gender equality and diversity within our workplace. In addition, we were thrilled to be awarded the Start-up of the Year for 2022 by CAPA - Center for Aviation. This award recognizes our innovative approach and exceptional performance in the airline industry. We were also very proud to gain recognition from Festa Center for Sustainability, the Iceland Chamber of Commerce and Stjórnvísir for the Sustainability Report of the Year Awards. This award highlights our commitment to sustainability and efforts to minimize our environmental impact. Last but not least, PLAY was awarded the Icelandic Satisfaction Scale Award in the airline industry.

The financial results for 2022 were not fully in line with our expectations. Despite our efforts to achieve a positive operational profit in the second half of the year, we were not able to meet our target due to a challenging external market environment. Factors such as high fuel prices due to the Russian invasion of Ukraine and covid-related issues in our revenue base had a negative impact on our performance. We have taken significant steps to address and improve this matter and have already seen a very positive development in our revenue generation while our operating costs are still lower than we anticipated, a great recipe for success.

Overall, 2022 was a successful year for PLAY, and our robust traffic numbers and strong performance show that we are absolutely on the right track of becoming a well-known brand in our market. I believe that we are also well on our

Birgir Jónsson,
Chief Executive Officer



way to realizing our objective of building a profitable low-cost airline operating a hub-and-spoke network between Europe and North America.

As we enter into 2023, we are optimistic about the future and believe that the challenges we faced in 2022 are behind us. We are delighted to offer our passengers twelve new destinations, which will take our summer network to 33 destinations in North America and Europe. We have seen a strong start to the year, with very healthy advance bookings and revenue growing nicely. We are committed to expanding our capacity this year, and we expect to carry between 1.5 and 1.7 million passengers in 2023 using 10 aircraft and employing over 500 people. We remain cautious about the global macroeconomic environment, but we believe that our positive revenue and unit cost trends will deliver positive EBIT results for the full year, which will be a significant achievement as 2023 will be our first whole year where we operate the full transatlantic network.

I am grateful for the dedication and hard work of our team, which has played a crucial role in our success and will continue to do so in the future. Their unwavering commitment has set a new standard of excellence in the industry. I am immensely proud to be on their team and I would sincerely like to thank them all for their hard work and dedication.

Who we are



PLAY is a new low-cost airline based in Iceland that launched operations in June 2021, operating between Iceland and Europe. PLAY started operating a hub-and-spoke network in April 2022, offering passengers one of the most environmentally friendly options when flying across the Atlantic Ocean.



Our long-term goal is to make PLAY a strong and leading brand in the markets we serve, and in our opinion, 2022 was a solid step in that direction.



Our employees are the center of our business and together, we are one team. Our workforce consists of professional enthusiasts with a great attitude. We encourage open communication and seek to create an environment where our people can evolve and grow within the company.



PLAY is an Airbus A320neo family operator. The A320 family is the newest generation of narrowbody aircraft with lower fuel consumption and a smaller environmental and noise footprint than older generation aircraft. The A320 family has size and range flexibility, allowing PLAY to reach small and larger markets close by and far away, so it perfectly fits PLAY's network.



We focus on safe, digital, sustainable and efficient practices. To succeed we have defined our core according to the following:

- Simplicity
- Discipline
- On-Time Performance (OTP)
- Low prices
- Playfulness
- Sustainability

Key Figures

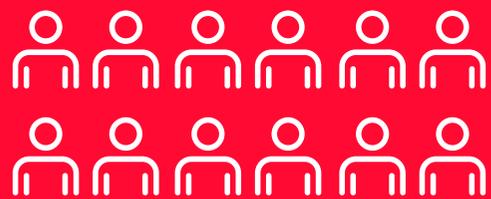
	2021	2022
1. Operating statistics:		
Number of flights	1,025	5,377
Percentage of arrivals ontime	95%	87%
Passengers flown (thousands)	100	789
Available seat kilometers (ASK) (millions)	487	2,809
Revenue passenger kilometers (RPK) (millions)	255	2,225
Stage length (km)	2,484	2,852
Load factor	53%	80%
Seats available (thousands)	196	982
2. Income statement:		
Operating revenue in \$ millions	16.4	139.9
Operating expenses in \$ millions	32.6	151.9
EBIT in \$ millions	-24.7	-44.1
EBIT margin	-151%	-32%
Net income/loss \$ millions	-22.5	-45.5
3. Balance sheet:		
Total assets in \$ millions	204.1	331.5
Total liabilities in \$ millions	136.7	293.0
Total shareholders equity in \$ millions	67.4	38.5
Equity ratio	33%	11.6%
Cash and cash equivalents (incl. restricted) \$ millions	51.7	36.2

	2021	2022
4. Share information:		
Share price at year-end	23.2	13.1
Earnings per share in \$ cents	-6.1	-8.0
5. Key statistics:		
Airfare revenue per passenger	118	134
Ancillary revenue per passenger	47	42
Yield per passenger	165	175
CASK* incl. fuel in \$ cents	8.4	6.4
CASK* excl. fuel in \$ cents	6.6	4.0
RASK** in \$ cents	3.4	4.8
Number of employees	150	323
Employees per aircraft	50	53.8
Number of aircraft	3	6
CO ₂ per RPK (grams CO ₂ per RPK)	98	66
CO ₂ emissions in tonnes from jet fuel	24,617	152,457

*Cost per Available Seat Kilometer

**Revenue per Available Seat Kilometer

PLAY at a glance



789k

flown passengers

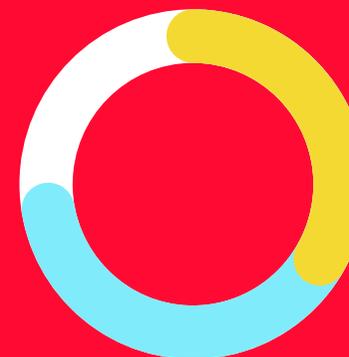


87%

On-time Performance

Passengers to Iceland
30%

Passengers from Iceland
36%



VIA passengers
34%

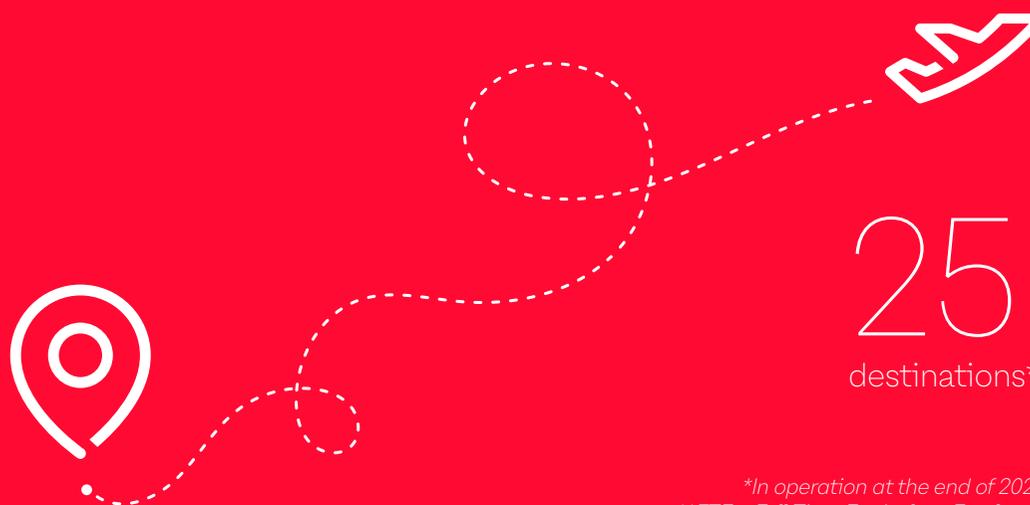


aircraft in operation*

49



FTE per aircraft**



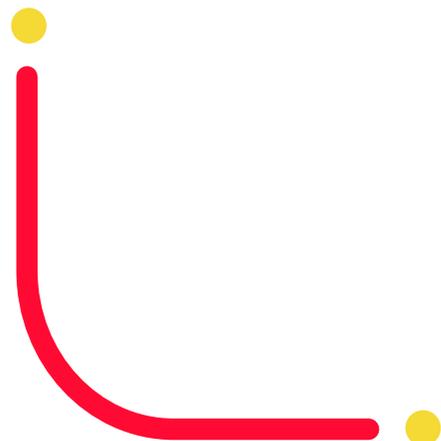
25

destinations*

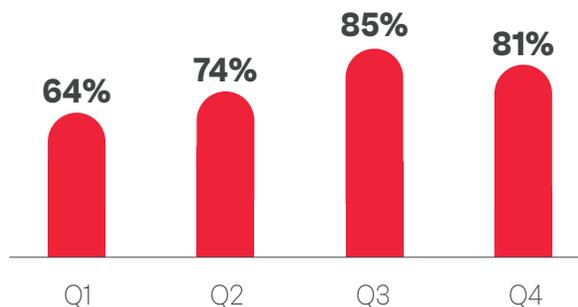
*In operation at the end of 2022
**FTE = Full Time Equivalent Employee

Positive demand trends despite challenging conditions

We saw positive trends throughout the year on the demand side of the business with improving load factor and unit revenue. Higher load factor also resulted in lower carbon emission per revenue passenger kilometer, which is one of our key performance indicators and an important indicator when it comes to measuring the sustainability of our operations.

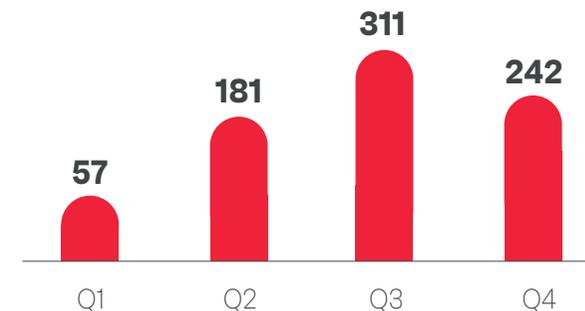


Load Factor



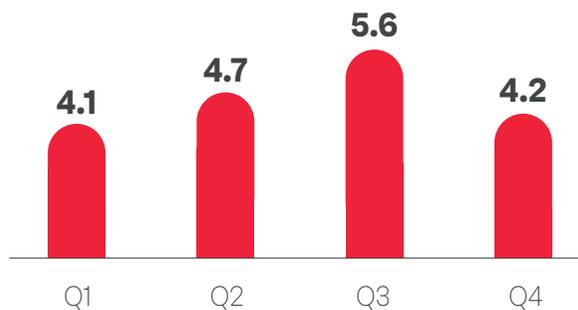
Flown Passengers

- thousands -



Revenue per Available Seat Kilometer

- in \$ cents -



Grams CO₂ per Revenue Passenger Kilometer



Source: Company data.

Financial highlights



USD **140** million
Revenue



USD **-44.1** million
EBIT

USD **36.2** million
Cash position



4.0 \$ cents
Ex-Fuel CASK



4.8 \$ cents
RASK



0
External IBD*

*IBD = Interest Bearing Debt

Major milestones in 2022

The year of 2022 was a very important year for PLAY, being the year we launched our hub-and-spoke network. The most significant event in 2022 was certainly PLAY's inaugural flight to the United States, whereby one of PLAY's long-term goals was reached. Our first flight to the U.S. was on April 20 to Baltimore/Washington D.C. This event marked a new chapter in the company's history as consumers on both sides of the Atlantic could connect via PLAY's hub in Iceland and enjoy the low fares that PLAY has to offer.

Following the U.S. launch, 12 new destinations, both in Europe and the U.S., were added to PLAY's network in May and June.

In 2022, PLAY transported 789,151 passengers on more than 5,300 flights. Considering that July was the first month of PLAY's full hub-and-spoke operations and most of the destinations were new to the network, we consider the passenger numbers for the year to be more than satisfactory and in line with our stated target for the year. The same can be said about the full-year load factor, which was 79.9% and 27 percentage points increase between years. On-time performance for the full year was at 87%.

Since January 2022, PLAY's share of Icelanders traveling abroad has been close to 25% based on numbers published by the Icelandic Tourist Board, and much higher in some key months. This is a considerable share of PLAY's home market, which is very impressive in a highly competitive environment and a clear indicator of the need for a low-cost airline in the market.



Our Journey

2021



Air operator certificate (AOC) issued

The Iceland Transport Authority issued an Air Operators Certificate (AOC) to PLAY on **May 15 2021**.

2021



Ticket sales launched

PLAY launched ticket sales on **May 18 2021**, and immediate consumer interest was apparent.

2021



Began operating scheduled flights

On **June 24 2021** PLAY started operating scheduled flights when it flew its first flight to London. Soon after the first flight, services to six other destinations in Europe were launched, including Alicante, Barcelona, Berlin, Copenhagen, Paris and Tenerife.

2022



Permits secured for flights to and from Canada

PLAY secured permits from Canadian authorities to start selling tickets in **November 2022**.

2022



Full hub-and-spoke

July 2022 was the first month of PLAY's hub-and-spoke operations.

2022



First flight to the USA

PLAY's first flight to the U.S. was on **April 20 2022** to Baltimore/ Washington D.C.

Sales and Distribution

Nine new destinations on sale

In 2022, PLAY announced flights to nine new destinations in the U.S. and Europe with most of them starting operations in the spring or summer of 2023.

The destinations are: New York and Washington D.C. in the U.S., Liverpool in England, Geneva in Switzerland, Porto in Portugal, Athens in Greece, Hamburg in Germany, Stockholm in Sweden and Warsaw in Poland.

Extended Distribution Network

In 2022, PLAY's distribution network has extended considerably and now includes over 50 global and local Online Travel Agents and Meta Search Engines, making it easier for our customer to buy tickets with PLAY through their known and trusted travel agencies.

PLAY also extended its virtual interline presence, joining Vueling Global and Worldwide by easyJet platforms to allow customers to travel to a wider variety of destinations by combining different airlines in one booking and payment transaction.



Operation

New aircraft delivered, and future aircraft secured

In 2022, PLAY's fleet consisted of six Airbus A320neo family aircraft, three A320neos and three A321neos, with an average age of 3.5 years.

In February, PLAY successfully took delivery of the second new A320neo aircraft from China Aircraft Leasing Group Holding (CALC). The first aircraft was delivered in November 2021.

In May, PLAY signed an agreement with AerCap for one A320neo aircraft which is a 2017 vintage model. The aircraft was delivered in July and entered the network in the same month.

In October, PLAY successfully took delivery of the first new A320neo aircraft from AerCap pursuant to the agreement signed in September 2021. This aircraft is scheduled to enter the network in spring 2023.

In November, PLAY successfully took delivery of the second new A320neo aircraft from AerCap pursuant to the agreement signed in September 2021. This aircraft is scheduled to enter the network in spring 2023.

Organization

Fast growing team

PLAY continued to grow in 2022 and trained and hired over 240 professionals. The PLAY team grew from 150 employees in 2021 to a team of 323 in the end of 2022.

PLAY celebrates diversity and keeps a focus on equality in all positions, with the gender ratio close to being equal in the company. PLAY's current employees are of 19 different nationalities, with an average age of 33.45 years.

An employee engagement survey was regularly conducted among all employees in 2022. The results for the latest one in 2022 were very positive, with an average engagement score of 4.19 (out of 5). The satisfaction score was 4.17 and pride in working for PLAY was 4.36.

Recognition and Awards

PLAY received **the Sustainability Report of the Year Award** from Festa Center for Sustainability, the Iceland Chamber of Commerce and Stjórnvísir.

PLAY received the **Equality Scale** from the Association of Women Business Leaders in Iceland.

PLAY was awarded **the Start-up of the Year** for 2022 by CAPA - Center for Aviation.

PLAY was awarded **the Icelandic Satisfaction Scale Award** in the field of airlines



Took sustainability to the next level

PLAY's guiding light in the sustainability journey is to constantly think about how the world is better off because PLAY is in it. The aviation sector has seen a rapid increase in sustainability awareness, and PLAY welcomes this development. Customers are more ecologically aware, and PLAY is fully aware of and eager to tackle the constantly changing rules and regulations on climate action.

By creating KPIs and developing a sustainability strategy based on a materiality evaluation in 2021, PLAY took its first step toward a more sustainable future. The year 2022 was a significant step for PLAY in the direction of sustainable development. In a joint venture with Klimate, PLAY began providing customers with the option to offset the carbon footprint of their flights in March. *See Chapter 5* for more details on PLAY's sustainable development, goals, and activities in 2022.

How We Create Value

Input

Performance

- 6 aircraft*
- 25 destinations*

People

- New employees
- Playfulness
- Employee well-being

Planet

- GHG emissions

Stakeholders

- Employees
- Airplane suppliers
- Aviation training facilities
- Airports and airport services
- Food producers
- Investors
- Local communities

Business model

Business strategy

Our Primary Goal
To make flying affordable for everyone.

Our Focus

Safe, digital, sustainable and efficient practices.

Our Core

Simplicity, discipline, On-Time Performance, low prices, playfulness and sustainability.

Our Way of Working

Ensuring high operational efficiency and quality by operating clear processes and focusing on our core.

Business model

- **Low-cost culture** - emphasis on low-cost mentality and distribution model
- **People** - competent and professional employees
- **Financial** - strong shareholders and funding
- **BI & Digital focus** - progressive in customer-centric solutions
- **Outsourcing** - all non-core functions are outsourced
- **Modern and efficient fleet** - the most efficient and eco-friendly aircraft
- **Simple digital marketing** - strong and distinctive brand
- **Natural resources** - commitment to minimize our effect on the environment

Value creation

- **Market** - serving our market and fulfilling customer expectations
- **People** - being a future-proof company with focus on equal opportunities, support, and a safe and healthy culture
- **Shareholders** - creating return on investment
- **Sustainability** - raising awareness on sustainability in aviation. We are determined to utilize our operations to have a positive impact on all our stakeholders

Output

Performance

- On-Time Performance 87%
- Passengers 789K
- Load factor 80%

People

- 240 professionals trained and hired
- Employees from 19 different nationalities
- Average age of employees 33.45 years
- Total cabin crew promotions 42

Planet

- Energy consumption 408,599.29 kWh
- Water consumption 6,505.47 m³
- Greenhouse gas emission (Scope 1 and 2) 151,733.85 tCO₂

Outcome and impact

Connecting people and learning from others

PLAY facilitated close to 133,000 connections between Europe and North America in 2022

Passengers to Iceland

30%

Passengers from Iceland

36%

VIA passengers

34%

Waste from services

107,851 kg. from our aircraft**

UN Sustainable Development Goals



2. Market Environment



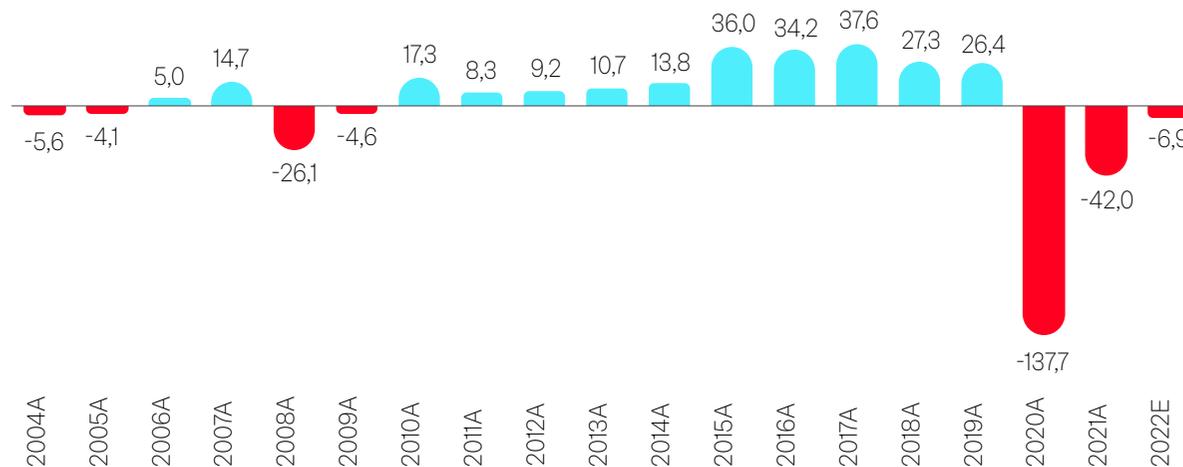
The Market Environment

Demand for air travel during the first half of 2022 was impacted by the surge in the number of COVID-19 cases due to the emergence of the Omicron variant at the end of 2021. Initial concerns around the new variant resulted in governments reintroducing restrictions on travel at the beginning of 2022. However, the Omicron variant ultimately proved less severe than previous variants and this, coupled with the spread of vaccinations, resulted in the relaxation of travel restrictions early in 2022. This meant that demand for air travel started to rebound with increased customer confidence, and the aviation industry continued its recovery from the COVID-19 pandemic, despite operational challenges and disruption experienced during the peak summer travel season.

The International Air Transport Association (IATA) expects that the global airline industry will post a US\$ 6.9 billion net loss in 2022, which is a significant improvement from the US\$ 42 billion net loss in 2021 and the US\$ 137.7 billion net loss posted in 2020.

Fuel is one of the largest cost items for airlines in 2022, fuel represented 38.3% of PLAY's total operating cost. The war in Ukraine that began with Russia's invasion on 24 February 2022 had a short-lived negative impact on demand but resulted in significantly higher and more volatile fuel prices than before the war started. The spot price for jet fuel fluctuated between USD 718 and USD 1,023 per metric ton within the financial year.

Global Airline Industry Net Profit/Loss
- US\$ billions -



Jet Fuel Price
- USD per metric ton -



Given Iceland’s position as a destination for leisure travel and that, generally, leisure travel has rebounded faster than business travel, passenger traffic at Keflavik International Airport (KEF) recovered strongly in 2022. By the end of 2022, total passenger traffic at KEF had fully recovered to 2019 levels.

Passenger Traffic at Keflavik International Airport - Monthly passengers as a percentage of 2019 -



The transatlantic market also continued to recover from the negative impacts of the COVID-19 pandemic. By the end of 2022, total seat capacity on direct service across the Atlantic was back up to circa 93% of the seat capacity on offer back in 2019, prior to the pandemic.

Direct Seat Capacity Across the Atlantic - Monthly capacity as a percentage of 2019 -



Our Fleet

Modern Fleet – PLAY's fleet consists of the Airbus A320neo family aircraft, which includes the A319, A320 and A321. All these types are narrowbody aircraft.

The A320neo family are one of the most successful aircraft ever produced, with passenger seating ranging from 140 to 244 seats and flight range of up to 7,400 km.

Operating a single family of aircraft provides multiple operational and cost advantages:

- All aircraft in the A320neo family are very similar. PLAY's flight and cabin crew only need to learn to operate one to be able to operate them all. A fleet that provides crew commonality enables us to stick to our core value of simplicity.
- Maintenance costs are lower due to the similarities within the family and because all aircraft are equipped with the same engine type.
- The new engines in the Airbus A320neo family have nearly 50% less noise footprint.

Fuel Efficient Fleet – the Airbus A320neo family has the newest engine technology. That means fuel consumption per block hour is 15-25% lower than older generation aircraft. The low-cost business model with high seat density, high seat factor, and investment in the latest aircraft technology will help minimize our operation's environmental impact, and enables a low emission rate measured in carbon emissions per passenger km.

 140 to 244
seats

 up to 7,400 km
flight range

 nearly 50%
less noise footprint

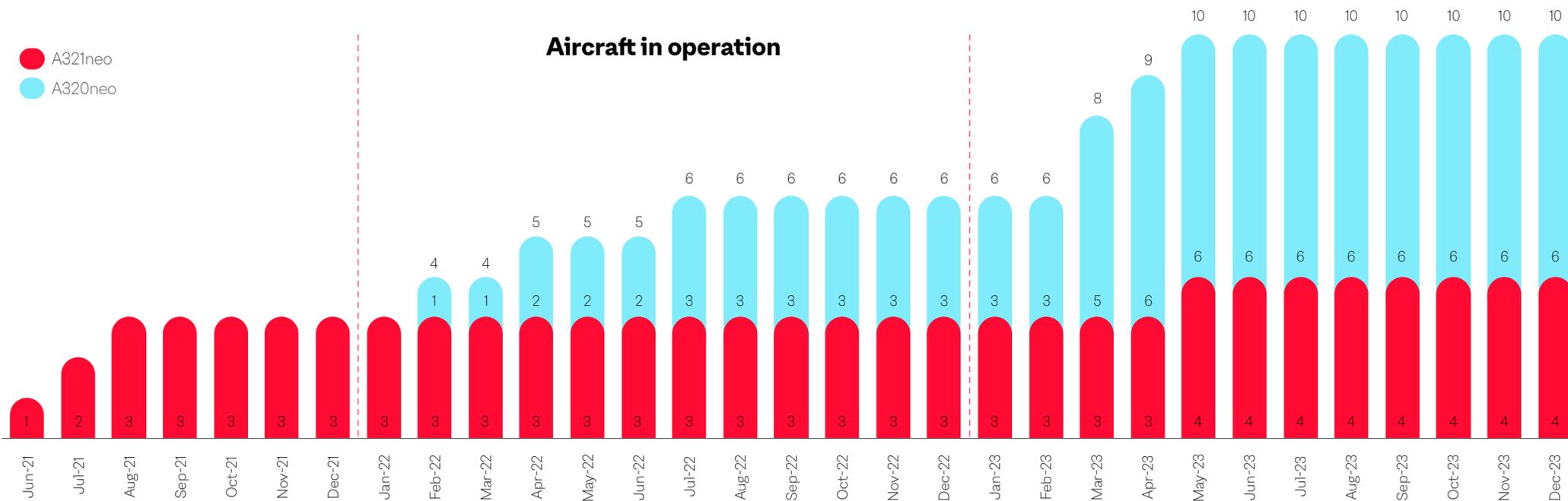
 15-25%
lower fuel consumption
per seat



PLAY's Past and Future Fleet

PLAY's fleet as of 31 December 2022 consisted of six Airbus neo aircraft in operation, three A320s and three A321s, up from three aircraft at the end of 2021.

By the end of 2023, PLAY's fleet will comprise ten Airbus neo aircraft, six A320s and four A321s.



Outlook 2023

A challenging 2022 is now behind us with a significant increase in the price of jet fuel but positive revenue and unit cost trends within the year.

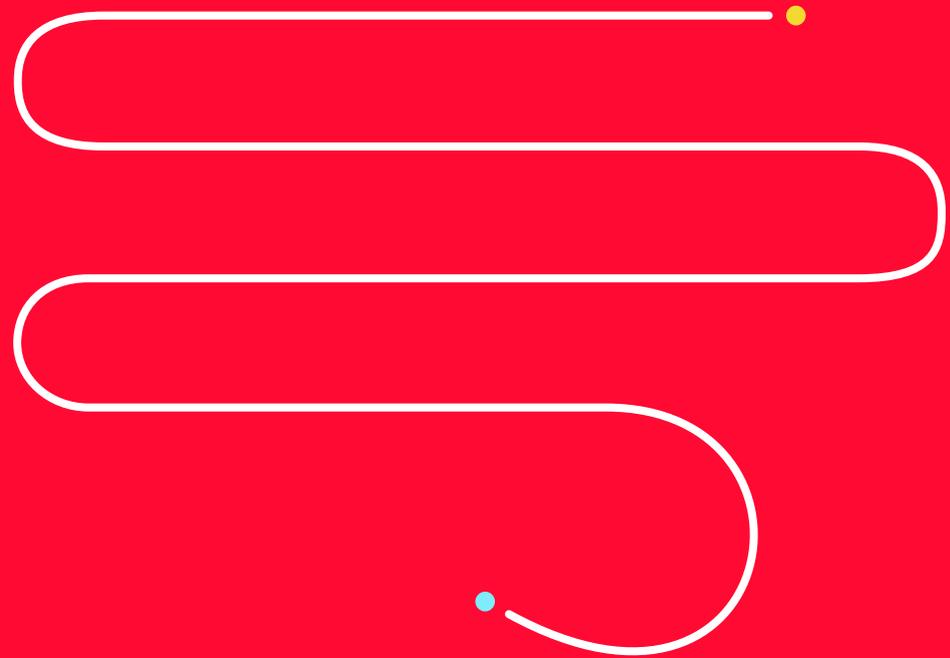
Although the macroeconomic outlook across the globe for 2023 looks uncertain, we remain positive on 2023 performance. The year has started with strong sales momentum resulting in forward bookings and revenue being higher than at the same time in 2022.

We will offer flights to 33 destinations in summer 2023 – five in North America and 28 in Europe. Thereof, twelve new destinations in North America and Europe. The new destinations are Toronto in Canada, Washington D.C. in the U.S., Stockholm in Sweden, Warsaw in Poland, Porto in Portugal, Hamburg and Dusseldorf in Germany, Athens in Greece, Billund, Aalborg and Aarhus in Denmark, Venice in Italy, and Glasgow in Scotland.

In 2023, PLAY expects to increase capacity, as measured in available seat kilometers, by 90-100% compared to 2022 and carry between 1.5 and 1.7 million passengers. The company expects positive EBIT results for the year 2023, subject to general uncertainty around the price of jet fuel, the labor market in Iceland and the global macroeconomic environment.



3.
**Report by
the Board
of Directors**



Distribution of shareholders

Number of shareholders on 31 December 2022 was 2,095 compared to 2,433 on 31 December 2021. At the end of the year, the number of legal entities holding shares in the company was 345 and the number of individuals was 1,750. The legal entities are pension funds, private equity funds, mutual funds, insurance companies and private investment companies.

The largest 20 shareholders in the company held 75% of issued shares combined. Please see table on the right for details.

A list of the 20 largest shareholders in the company is regularly updated and published on the company's website.

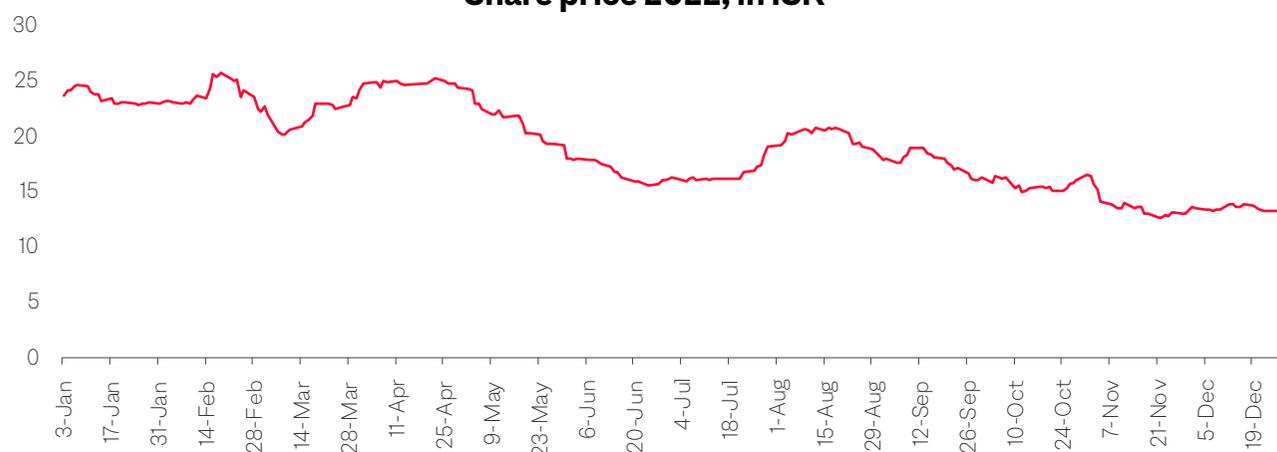
Number of shareholders Dec 31, 2022



Shareholders Dec 31, 2022

	Shares
Leika fjárfestingar ehf.	93,596,040
Birta lífeyrissjóður	81,186,433
Stoðir hf.	54,000,000
Stefnir - ÍS 5 hs.	41,326,523
Lífsvirk lífeyrissjóður	37,534,174
Fea ehf.	35,034,235
Stefnir - Innlend hlutabréf hs.	33,470,999
IS EQUUS Hlutabréf	32,909,123
Eignarhaldsfélagið Mata hf.	31,937,974
Festa - lífeyrissjóður	27,136,986
Kvika - Innlend hlutabréf	24,993,235
Vátryggingafélag Íslands hf.	21,557,390
Kvika - IHF hs.	20,746,327
IS Hlutabréfasjóðurinn	19,304,856
Kjartan Páll Guðmundsson	18,127,989
TM tryggingar hf.	16,705,574
Alpha hlutabréf	14,593,742
IS Einkasafn C	14,360,985
Kóngsbakki ehf.	13,045,306
IS Einkasafn D	11,460,394
Others	217,839,292
Total	860,867,577

Share price 2022, in ISK



Financial Review

In 2022, PLAY continued to scale up its operations with the addition of the hub-and-spoke network and increasing the number of aircraft in operation from three to six. PLAY experienced strong revenue growth in the year turning over a total of USD 140 million.

At the beginning of the year, the COVID-19 pandemic and the actions taken in response to its spread, including various government measures and travel restrictions, continued to impact PLAY's operations and financial results negatively. In Q3 2022, PLAY experienced difficult situations at many airports that still struggled with staff shortages causing delays for many airlines. In December, weather disruptions had significant impact on PLAY's operations resulting in an estimated USD 2.2 million in lost revenues and additional expenses. Capacity in 2022, measured in available seat kilometres (ASK), was 2,809 compared to 487.7 in 2021 while revenue passenger kilometres (RPK) were 2,225 compared to 259.6 in 2021.

As PLAY aspires to be a truly low-cost airline, the absolute key initiative for the company is to keep cost levels down in all aspects of its operation, without risking the safety of our passengers. PLAY's cost target of being under 4 US cents a unit (CASK ex-fuel) was reached in Q4 2022 and was in line with the target for the full year 2022.

PLAY's financial position and liquidity is healthy at year end 2022. In November, the company increased its share capital in total of USD 16 million. The company has no external interest-bearing debt.

Total loss amounted to USD 45.5 million in the year 2022 compared to USD 22.5 million in 2021. PLAY had a negative EBIT of USD 44.1 million compared to negative USD 24.6 million in 2021. Income tax from taxable loss is USD 9.9 million compared to USD 5.9 million in 2021.

Financial income and expenses were negative in the amount of USD 11.4 million primarily related to interest expenses of lease liabilities.

Income statement, million \$	2022	2021
Airfare	105.6	11.7
Ancillaries	32.8	4.7
Cargo	0.8	0.0
Other	0.6	0.0
Operating income	139.9	16.4
Aviation	(113.2)	(18.3)
Salaries	(25.5)	(8.6)
Other	(13.2)	(5.8)
Operating expenses	(151.9)	(32.6)
EBITDA	(12.0)	(16.2)
Depreciation and amortization	(32.1)	(8.5)
Operating result - EBIT	(44.1)	(24.7)
Financial income and expenses	(11.4)	(3.8)
Results for the period before tax - EBT	(55.5)	(28.5)
Income taxes	9.9	5.9
Net results for the period	(45.5)	(22.5)

Revenue

In 2022, the company saw strong revenue growth with the addition of the hub-and-spoke network and increase in aircraft in operations. Total revenue was USD 139.9 million compared to USD 16.4 million in 2021, with passenger revenue amounting to USD 105.6 million compared to USD 11.7 million in 2021.

Ancillary revenue, which consists of revenues charged for bags, seat assignments, inflight sales, and other service fees, amounted to USD 32.8 million compared to USD 4.7 million in 2021. PLAY started its cargo operations in 2022 and has seen significant positive growth in Q4 2022 and expects it to continue growing in 2023.

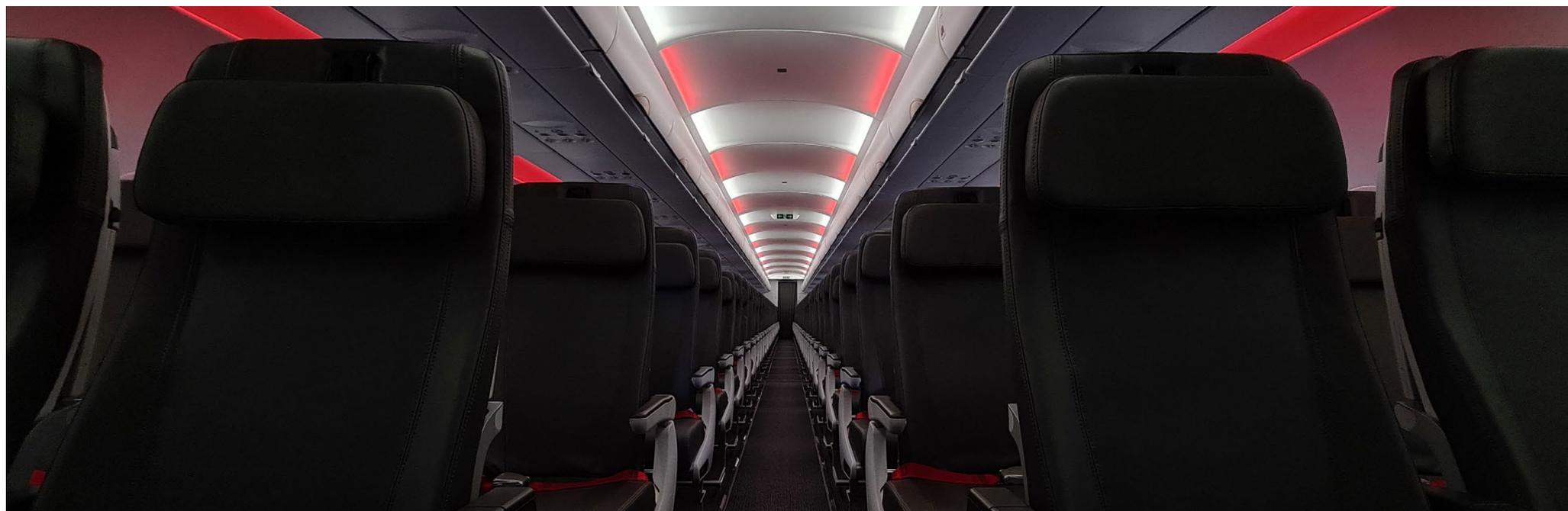
Income statement, million \$	2022	2021
Airfare	105.6	11.7
Ancillaries	32.8	4.7
Cargo and other	1.5	0.0
Operating income	139.9	16.4

Operating and financial expenses

In 2022, PLAY's total operating expenses (incl. depreciation) amounted to USD 184 million compared to USD 41.1 million in 2021. PLAY's unit cost, i.e., cost per available seat kilometre (CASK), was 6.4 US cents compared to 8.46 US cents in 2021.

Being a low-cost airline, emphasis was put on cost control from the very start of operations. Overall, PLAY was successful in keeping costs under control, e.g., with various systems, admin costs, salaries and other personnel expenses.

Fuel prices increased in 2022 compared to 2021 and fluctuated heavily during the year. Fuel costs and emissions trading costs were USD 70.5 million, representing over 38% of total operating cost in 2022. The impact of higher fuel prices in 2022, compared to the average price in December 2021, was USD 32.5 million.



Aviation expenses were USD 113,198 million compared to USD 18.3 million in 2021. Fuel cost was USD 61.8 million and emissions cost amounted to USD 8.7 million.

Handling, landing, air navigation, and line maintenance are the largest non-fuel related cost items amounting to USD 36.4 million.

Depreciation and amortization were USD 32.1 million, USD 29.4 million of which was related to right of use assets. Net financial expenses were USD 11.4 million, thereof interest expenses of lease liabilities were USD 8.1 million.

Income statement, million \$	2022	2021
Fuel	61.8	6.1
ETS	8.7	2.7
Staff cost	25.5	8.6
Distribution and marketing	5.3	2.4
Maintenance, materials and repairs	5.3	1.9
Airport, handling and en-route	31.1	5.8
Other expenses/(income)	14.2	5.1
Operating expenses	151.9	32.6
Depreciation and amortization	32.1	8.5
Operating expenses and depreciation	184	41.1
Financial income and expenses	11.4	3.8
Total expenses	195.4	44.9

Balance sheet and financial position

PLAY's balance sheet totalled USD 331.5 million at year end 2022 compared to USD 204.1 million at the end of 2021. PLAY took delivery of three aircraft for operation during 2022 and the right-of-use of assets were USD 224.4 million. Intangible assets were USD 12.6 million and are related to IT development costs. Aircraft deposits and other security instalments were USD 10.9 million. Trades and other receivables were USD 22.9 million, USD 20.2 million of which is the acquirer's unpaid ticket sales to PLAY. PLAY's cash position is healthy with cash and cash equivalents (including restricted cash) amounting to USD 36.2 million at year-end.

Shareholders' equity totalled USD 38.5 million, equalling an equity ratio of 11.6%. Non-current liabilities amounted to USD 203.6 million, all related to aircraft leases and maintenance reserves. Liabilities have no interest-bearing debt. Current liabilities were USD 89.4 million and consisted of USD 33.9 million of aircraft lease and provisions and deferred revenue was USD 28.3 million.

Assets, million \$	2022	2021
Intangible assets	12.6	10.7
Right of use assets	224.4	117.1
Operating assets	6.7	3.8
Receivables and deposits	10.9	7.8
Tax assets	16.0	5.9
Non-current assets	270.6	145.3
Inventories	0.8	0.3
Trade and other receivables	22.9	6.7
Prepaid expenses	0.9	0.1
Restricted cash	6.6	0.0
Cash and cash equivalents	29.6	51.7
Current assets	60.9	58.8
Total assets	331.5	204.1
Equity and liabilities, million \$	2022	2021
Shareholders equity	38.5	67.4
Provisions	51.1	23.3
Lease liabilities	152.5	82.0
Non-current liabilities	203.6	105.3
Provisions	16.6	6.6
Lease liability	17.3	8.5
Trade and other payables	27.2	9.2
Deferred income	28.3	7.1
Current liabilities	89.4	31.4
Total liabilities	293.0	136.7
Total equity and liabilities	331.5	204.1

Cash flow

Net cash flow from operating activities

The majority of PLAY's cash inflows from operating activities are derived from passenger ticket sales. Net cash flows from operating activities are also affected by movements in working capital items.

Operating cash flows decreased by USD 2.1 million, primarily due to the following factors:

- Operating cash flows before adjusting for changes in working capital deteriorated by USD 11.5 million over the year. This was driven primarily by the factors discussed previously such as increase in fuel prices.
- The positive contribution of working capital changes to operating cash flows was USD 9.4 million. The main driver behind the increase was deferred income and receivables related to forward bookings.

Net cash used in investing activities

Net cash used in investing activities decreased by 10.6 million and was mainly due to the following factors:

- Deposits paid for aircraft which amounted to USD 3.2 million
- Purchase of operating and intangible assets of USD 7.5 million

Cash flows from financing activities

The net cash from financing activities was USD 2.9 million due to a repayment of lease liability in the amount of USD 13.3 million and proceeds from share increase of USD 16.1 million.

More detailed information of the company's cash flow can be found on [page 51](#) in the report.

Hedging strategy

PLAY operates in an international and highly competitive environment sensitive to economic fluctuations and is exposed to a broad range of risks and opportunities. Risk management and risk assessment are of fundamental importance to ensure PLAY's long-term sustainable profitability and growth. Structured risk management minimizes risks and increases PLAY's financial stability.

PLAY's Board of Directors is responsible for setting the hedging policies, and the Chief Financial Officer and director of treasury and risk are responsible for implementing and maintaining the policies. PLAY monitors the effectiveness and reviews the implementation of all policies at appropriate intervals, at least yearly, considering their suitability, adequacy, and effectiveness.

Fuel price hedging

PLAY's fuel price hedging strategy aims to protect against sudden and significant increases in oil prices. It also prevents PLAY from being disproportionately disadvantaged in the event of a substantial price fall, thus mitigating volatility in its operations.



The hedging policy allows a physical hedge (fixed price) covering estimated fuel usage based on sold tickets and estimated load factor for the next 1-6 months. The hedging ratio can vary between 20-60% of the estimated fuel consumption for the period. The hedging ratio is higher near term and decreases the further out the flight is. Market situation and cost of hedging may factor into hedge ratios from time to time.

Currency hedging

PLAY's operational currency is the U.S. dollar (USD). PLAY is exposed to currency risk on sales, purchases, and borrowings denominated in other currencies. The most significant exposure will be on Icelandic krona (ISK), where cash inflows in ISK are expected to fall short of outflows due to various net cost-related items such as salaries and salary-related costs. Other notable currency risk exposures include the Euro (EUR) and the Scandinavian currencies. In addition to the cash flow, risk exposure of this kind affects the balance sheet.

PLAY seeks to reduce the impact of fluctuations on the foreign exchange rate on future cash flows by matching inflows and payments in each currency to the extent possible. The current cash flow is in balance and creates a natural hedge. Therefore, PLAY's short-term policy is not to hedge currency cash flow. The policy will be reevaluated once PLAY starts its hub-and-spoke model and the currency combination has changed. Long term, PLAY will follow a policy of hedging 50-80% of the net currency forecasted exposure, 3-9 months forward. Market situation and cost of hedging may factor into hedge ratios from time to time.

Policy of shareholder return and the Board's proposal for the distribution of profit

PLAY aims to deliver its shareholders a total return in excess of its cost of capital. While the company has a planned profitable growth path, the cash reserves are best utilized within the company. When a more moderate growth level is reached, the company aims to pay 50% of its after-tax profit to its shareholders in the form of dividends or share buy-back. Other factors which need to be considered and may affect these payments are factors like the company's earnings trend, financial position, and investment requirements. Dividends and share buy-back require a resolution by a shareholders' meeting following a proposal by the Board of Directors.

The Board of Directors proposes to the Annual General Meeting 2023 that no dividend be distributed for the fiscal year 2022.

Financing and capital management

Financing

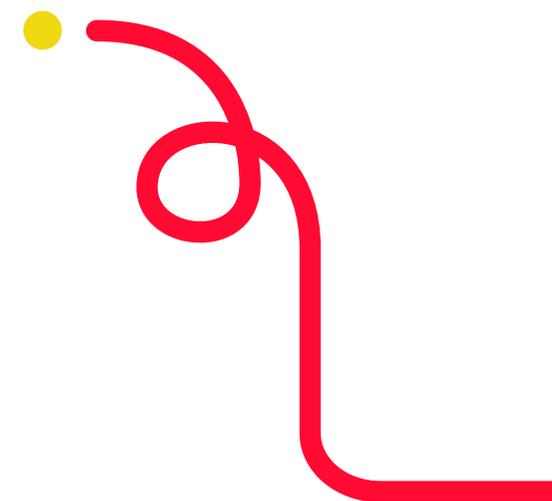
PLAY raised USD 16.1 million in a share increase during the year 2023. PLAY has no interest-bearing debt. In connection with aircraft transactions, the financing method is a very important factor that needs to be considered together with residual value risks and financing costs. When deciding on whether to own aircraft or lease, the decision needs to be based on cost, risk, and flexibility.

Aircraft fleet

PLAY currently operates a modern fleet of A321neo and A320neo aircraft. All of PLAY's aircraft are equipped with the latest engine technology that minimizes fuel burn, emissions and noise. In 2023, PLAY took delivery of three A321neo aircraft, which are all on long-term lease. In 2023, PLAY will take delivery of four additional aircraft ahead of summer 2023, taking the fleet to ten aircraft. All ten aircraft are on long-term leases with large international lessors.

Significant events after the accounting period

- In the first half of 2023 PLAY expects four new aircraft to be added into operations. The estimated effect on the balance sheet is USD 160-180 million.



Risk management

PLAY operates in an international and highly competitive environment sensitive to economic fluctuations, and is exposed to a broad range of risks and opportunities. Risk management and risk assessment are of fundamental importance for ensuring PLAY's long-term sustainable profitability and growth. Structured risk management minimizes risks and increases PLAY's financial stability.

The Board is ultimately responsible for determining the nature and the extent of the risks it is willing to take to achieve its strategic objectives and risk appetite. The Board also maintains PLAY's internal control systems and risk management.

PLAY's risk management will not focus on risk avoidance but on identifying and managing an acceptable level of risk. It will proactively identify, understand, and manage the risks inherent in PLAY's operations to support responsible, informed risk-taking concerning reporting reliability, compliance with laws and regulations, and flight safety matters. PLAY's objective is to minimize risk.

Risk management is a dynamic and ever-evolving area. PLAY's Board of Directors and management recognizes that they are responsible for controlling PLAY's assets and liabilities and protecting its employees, customers, stakeholders, and the environment against potential losses or harm. Our focus should be on minimizing uncertainty in achieving our goals and objectives and maximizing the opportunities to achieve our vision.



Risk management is an integral part of PLAY's corporate governance arrangements and is being built into the management processes as part of PLAY's overall framework to deliver constant improvements

Risk management process and framework

PLAY's Risk Management Policy is to apply best practices in the identification, evaluation, and cost-effective control of risk to ensure that risks are managed, eliminated, or reduced to an acceptable level. The policy and risk management system is in line with ISO 31000 standards and COSO methodology (Compliance and Reporting, Strategic, Operational).

The Board of Directors defines the risk policy and PLAY's risk appetite. It has delegated to the Risk Committee the task of monitoring the adequacy and effectiveness of the risk management systems.

The Board of Directors shall discuss PLAY's leading risk factors. They shall adopt risk policies, risk appetite, and implementation of risk management and ensure that internal rules and policies for risk management are reviewed at least annually.

The Board has set the following risk appetite:

- **Low-risk appetite** for risks that impact safety and security for individuals (passengers and employees) and organizations.
- **Moderate risk appetite** for risks that affect operational delivery or reputation.
- **High-risk appetite** to pursue quality improvements and innovation.

PLAY's risk management shall protect and add value to the organization and its stakeholders through supporting PLAY's objectives. They will do so by improving decision-making, planning, and prioritization with a comprehensive and structured understanding of the business activity, volatility, and



project opportunity or threat. The framework helps create an environment in which risk management is consistently practiced across the organization, and where management takes informed decisions to reduce the possibility of surprises.

The components of PLAY's risk management are defined by PLAY's business model and strategy, organizational structure, culture, risk category, and dedicated resources.

PLAY's risk management is a continuous and evolving process that is integrated into the culture of PLAY.

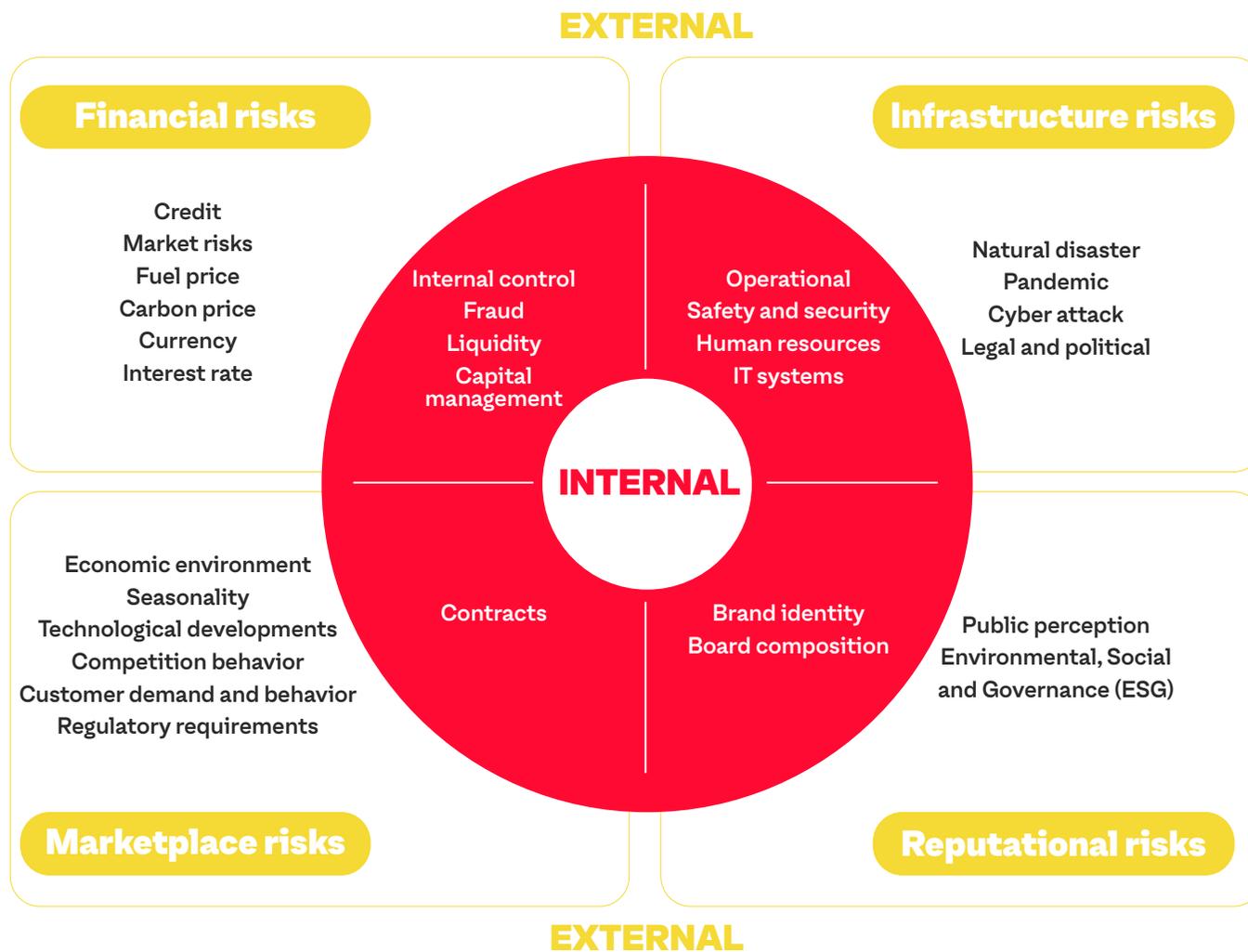
PLAY's risk assessment process should be an integral part of the strategy process and objective operational setting across the organization: This enables a holistic view of risks and opportunities.

PLAY's risk assessment includes the following phases:

- Identification of external and internal events affecting the achievement of objectives.
- Analysis of identified risks.
- Evaluation and prioritization of risks based on their significance and likelihood.

As part of the ERM process, risks are identified and collected in a risk register, categorized into categories and identified as internal or external risks. Risks will also be analyzed for likelihood and impact using a qualitative approach.

The following are some of the risk factors that PLAY believes are crucial to its operations and industry.



Risks relating to PLAY

The order in which risks are presented below does not reflect the likelihood of their occurrence or the magnitude of their potential impact on PLAY's business, financial results, operations, cash flows, or prospects.

Financial risks

Uncertain economic and financial market conditions can affect jet fuel prices, cost of carbon emission (UK/EU ETS and CORSIA credits, and carbon credits on voluntary market), interest rates, and currency exchange rates. There is no guarantee that liquidity and access to acceptably priced financing will always be sufficient or unaffected by external macroeconomic trends or financial market volatility, whether global or domestic. That, in turn, might have subsequent implications for PLAY's financing costs, the fair value of assets, and overall financial condition.

Credit risk (Counterparty risk)

PLAY is exposed to credit risk. Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is linked to trade receivables, investment in debt securities, bank deposits, and agreements with financial institutions related to hedging.

PLAY is aware of potential losses relating to credit risk exposure and seeks counterparties with established business experience and acceptable credit ratings to a reasonably practicable extent.

Liquidity risk and capital management

Liquidity risk reflects PLAY's ability to fulfill its payment obligations regarding financial and operational liabilities as they fall due. Liquidity risk management relies on a policy of minimum cash target levels considered satisfactory under both normal and strained conditions. A healthy cash position is fundamental to PLAY's financial strength and its ability to capture commercial opportunities as they arise. Therefore, we actively manage the safeguarding of our financial assets and monitor the viability of our banking, card acquiring, and hedging counterparties.

PLAY has agreements with acquirers that process customer credit card transactions. The acquirer bears the financial risk associated with tickets purchased for travel. The acquirer settles the cash related to the sale to PLAY in line with the agreed terms and holdback period. The acquirer may have liability if PLAY does not ultimately provide the air travel. PLAY's agreements allow acquirers to hold an amount of cash (referred to as a "holdback") equal to the total amount of advance ticket sales that the acquirer has processed, but for which PLAY has not yet provided the air travel. These holdback requirements can reduce PLAY's liquidity in the form of unrestricted cash and short-term investments by the amount of the holdbacks.

PLAY aims to maintain its cash and cash equivalents, highly liquid debt investments, and available credit facilities at a minimum of 25% of PLAY's annual fixed costs. PLAY's cash and cash equivalents (incl. restricted) amounted to USD 36.2 million at year-end. The level of cash exceeds the liquidity policy given the estimated fixed operating cost.

PLAY has formed a cautious cash management strategy to achieve better returns than are possible in a deposit account.

Market risks

Jet fuel price

One of PLAY's larger material costs is jet fuel, and thus PLAY's financial performance can be materially affected by variation in the price and availability of fuel. Jet fuel can be subject to significant price volatility due to fluctuations in supply and demand and investor behavior through speculative trading. These are influenced by political unrest, terrorist attacks, and producer market strategies.

Therefore, both the cost and availability of fuel are subject to economic and political factors beyond PLAY's control. Any increase in fuel prices may have a material adverse effect on PLAY's profitability. In 2022, fuel prices increased significantly as a result of the situation in Ukraine.

PLAY's risk policy allows a hedge covering estimated fuel usage based on sold tickets and an estimated load factor for the next 1-9 months.

The ratio is **up to 60%** of estimated fuel consumption for the time mentioned above.

The EBIT income is very sensitive against movements in oil prices. A 10% increase or decrease in oil prices would have affected the EBIT income by USD 6.2 million in the year 2022.

Carbon emissions price

Since the beginning of 2012, all airlines operating within Europe have been required to comply with the EU Emissions Trading Scheme (ETS), which commits them to secure carbon emissions permits or ETS credits in proportion to their carbon emissions. As of 2021, the UK is not included in the EU ETS. The UK has established the UK Emissions Trading Scheme for airlines operating within European destinations that fly from the UK.

PLAY is exposed to carbon emissions risk due to changing prices of ETS credits. Emissions permits (ETS credits) are mainly purchased to the extent that the purchase of emissions rights can have material effects on operations. In July 2021, the European Commission (EC) presented the Fit for 55 policy package, including a revision of the European Emissions Trading System (EU ETS).

Current EU legislation allocation of free allowances was only accessible for those aircraft operators operating in 2015. However, allocation rules may change in 2023, enabling aircraft operators operating at that time to apply for free ETS credits. Therefore, PLAY hopes to receive free allowances in 2024, i.e., for the operating year of 2023. Further proposed changes in the legislative framework aim to reduce the total amount of free ETS credits allocated to airlines, and phase them out by 2027. It is important to note that the above mentioned ideas of changes on the free ETS allowances have, at the date of this report, not been approved by the required EU legislative institutions.

The EBIT income is sensitive to movements in ETS credit prices. A 10% increase or decrease in ETS credit prices would have affected the EBIT income by USD 0.9 million in the year 2022.

Foreign currency risk

PLAY's functional currency is the U.S. dollar (USD). PLAY is exposed to currency risk on sale, purchase, and expenses in other currencies. The most significant exposure will be in Icelandic krona (ISK), where cash inflow in ISK is expected to fall short of outflows due to various net cost-related items such as salaries and salary-related costs. The ISK cash flow is still a long position as PLAY completed a share offering that raised approximately USD 16 million in new equity in 2022.

Other notable currency risk exposures include the Euro (EUR) and Scandinavian currencies. In addition to the cash flow, risk exposure of this kind affects the balance sheet.

PLAY seeks to reduce the impact of fluctuations in the foreign exchange rate on future cash flow through matching inflow and outflow in each currency to the extent possible, converting currencies into USD to ensure a balance in the cash flow and balance sheet.

Interest rate risk

PLAY does not have any interest-bearing debt.

Infrastructure risks

Operational

PLAY faces operational risks related to computer and communication systems, disruptions and interruptions in flight schedules, human resources,

third-party services, fleet development, the risk of delayed delivery of aircraft, compliance with aviation and securities regulations, among others.

Delays and cancelled flights occur for various reasons and impose increased costs on airlines. Possible causes include computer faults, accidents, labor unrest, weather conditions, delays by service providers, congestion, and unexpected maintenance.

Successful business performance depends largely on successful third-party service providers and an undisrupted supply chain mechanism, including a range of crucial suppliers, travel agents, air traffic control, ground services, maintenance support, IT service providers, etc. Any of these disruptions could seriously affect the profitability and performance of PLAY.

Human resources

To secure the necessary competence to carry out its business strategy, PLAY relies on key management members and other employees. There is no assurance that these employees will stay with the company. PLAY measures employee engagement and motivation regularly, which enables PLAY to monitor employee engagement on an ongoing basis.

Labor disputes and strikes

The airline industry is a labor-intensive industry. Most of PLAY's employees are unionized and are represented by several unions, each of which have their collective agreements on salaries and benefits. Each union contract comes up for renegotiation every few years, bringing with it a risk that the parties will not reach a satisfactory agreement, thus posing the risk of disruption through strikes.

Information technology and cyber risk

PLAY's operations are dependent on IT and other systems. Failure or disruption to IT or management systems, whether internal or external, could affect PLAY's ability to carry out its business operations and services to customers. Many factors that can cause such systems to fail are outside PLAY's control. PLAY makes every effort to minimize the risk of disruption to secure the company's business continuity.

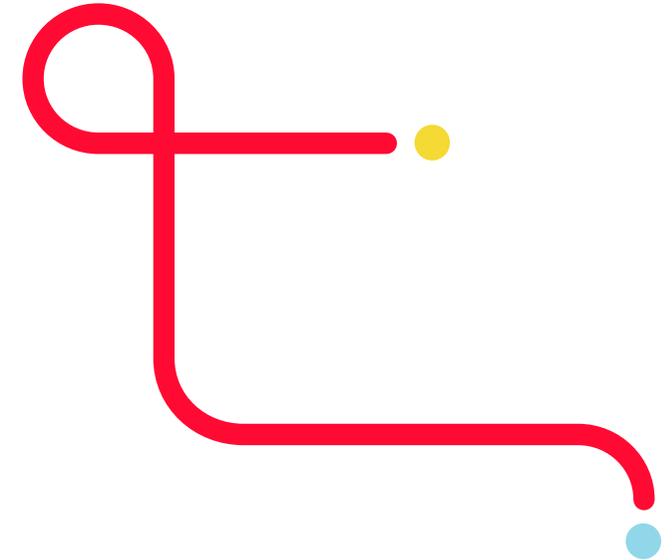
PLAY is exposed to various types of attacks on its IT systems. Moreover, all of PLAY's services and products are available online and subject to ongoing attempts at cyber-related fraud. There is always a risk that PLAY's cyber security measures might prove inadequate or inappropriate for preventing all attempts to attack its IT systems.

PLAY takes information security very seriously. To minimize the risk of cyber attacks, exposed parts of the IT infrastructure have undergone security assessments performed by Syndis, a leading information security company. Furthermore, PLAY has an ongoing agreement with Syndis to perform further evaluations and 24hr access to immediate support if an attack occurs.

PLAY needs to store and process personal information and other customer data to be able to conduct its business. PLAY must comply with data protection and data privacy laws and regulations. Those laws and regulations impose stringent data protection requirements and may impose high penalties for non-compliance, particularly regarding storing, sharing, using, processing, disclosing, and protecting personal information and other user data on its platforms. The

main regulations applicable for PLAY are the General Data Protection Regulation (EU) 2016/679 ("GDPR") and the local law implementations of GDPR, including the Icelandic Act no. 90/2018 on Data Protection and the Processing of Personal Data. PLAY is working with a third-party consultant to facilitate compliance with GDPR with regard to data storage and processing.

Any failure to comply with data protection and data privacy policies, privacy-related obligations to customers or third parties, privacy-related legal obligations, or any compromise of security that results in an unauthorized release, transfer, or use of personally identifiable information or other customer data may result in governmental enforcement, actions, litigation, or public statements against PLAY. Any such failure could cause the users of PLAY's services to lose trust in PLAY.



Marketplace risks

Economic environment

Several macroeconomic factors impact the air travel industry and, thus, will affect the demand for PLAY's services. For example, spending on leisure travel is discretionary, and economic conditions in PLAY's markets may be a significant driver for such demand. Adverse developments such as recession, increasing unemployment rates, increases in interest rates, or direct or indirect taxes, could reduce consumers' disposable income and cause a significant reduction in demand for travel.

Seasonality

The commercial airline industry has historically been subject to seasonal variations where demand usually increases from May to October and decreases from November to April. If PLAY cannot predict these variations correctly and adjust accordingly, PLAY may be subject to over or under capacity, which in turn may affect PLAY's business, financial results, and performance negatively.

Competition behavior

PLAY operates within a highly competitive industry, and pricing decisions heavily depend on the actions of other airlines. The airline industry is exposed to discounting due to the "perishable" nature of aircraft seats and the very low marginal cost of flying an additional passenger. New market entrants, mergers, acquisitions, consolidations, new partnerships, and pricing transparency in the air travel market could add to airline competition. Changes in competition

in any of PLAY's key transport markets, including the Icelandic market and the transatlantic market, could affect PLAY's profitability.

Customer demand and behavior

A significant part of an airline's operating expenses is fixed costs that cannot be scaled against the number of tickets sold or passengers or flights flown. Such costs include the cost of the aircraft, employees, and overhead costs of administration and infrastructure systems. Consequently, PLAY's results from operations may be affected by negative deviations in demand as PLAY will often not be able to reduce costs accordingly.

Regulatory requirements

The aviation industry is subject to extensive regulations, and PLAY's business is subject to complex rules and regulations imposed both in the European Economic Area (EEA), and in Iceland. The regulatory regime includes safety and security standards such as requirements and procedures relating to, without limitation, certification and supervision, flight operations, weather conditions, aircraft performance and equipment, maintenance, flight crew, cabin crew, and transportation of dangerous goods. Moreover, detailed EU regulations also implemented in the EEA relating to airport slot allocations, flight compensation requirements, and air carrier liability will apply to PLAY and requirements relating to environmental approvals for aircraft and reporting of emission levels.

Any changes to the regulatory environment in which PLAY operates can have a material adverse effect on PLAY's estimated costs, marketing strategy, business model, and ability to expand. That may negatively impact PLAY's activities and financial results. In the event that PLAY cannot comply with these extensive

and complex regulations to which it is subjected, it faces risks of, among other things, having its AOC or permits revoked.

The passengers that PLAY carries are subject to numerous taxes and charges. These taxes and charges may be increased for several reasons, e.g., new security measures or environmental legislation. Taxes and charges on passengers are normally imposed by national legislation and may regularly be subject to adjustment.

Reputational risks

Environment, Social and Governance (ESG)

Sustainability is an essential focus for PLAY. That includes creating and implementing environmental and socially responsible strategies and goals, centralizing data collection to increase our reporting capabilities and transparency, and a continued commitment to the highest ethical standards. Greenhouse gas emissions (GHG) and their potential impact on climate change are under increasing global regulatory focus. PLAY will monitor these factors very closely and take necessary actions. Aviation is already included in the EU and UK Emissions Trading System (EU ETS and UK ETS). PLAY will take part in the voluntary period of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), as the Icelandic Government has announced that Iceland will participate before the scheme is mandatory for all airlines.

Reputation

PLAY's reputation is vital for its business. Should PLAY's reputation be damaged, PLAY's customers and other stakeholders could lose trust in PLAY. Reputational damage could have a material adverse impact on PLAY's operations, earnings, and financial position.



Corporate governance

Regulatory framework

FlyPlay hf. (“PLAY” or “the Company”) is an Icelandic public limited liability company domiciled in Reykjavik. PLAY made its maiden flight in June 2021, and the following month, PLAY’s shares were listed on the Nasdaq First North Growth Market Iceland.

Corporate Governance at PLAY is based on Icelandic laws and the Company’s Articles of Association. Relevant Icelandic laws include the Act respecting Public Limited Companies no. 2/1995, the Act on Financial Statements no. 3/2006, and the Corporate Governance Guidelines published by the Iceland Chamber of Commerce, Nasdaq Iceland, and SA Confederation of Icelandic Enterprise, in addition to the Company’s Board of Directors Rules of Procedure.

Governing bodies

A shareholders’ meeting wields the supreme power in the Company. The Board of Directors is responsible for the business of the Company between shareholders’ meetings. An executive management team, consisting of six executives and led by the CEO, is responsible for the day-to-day business. The roles of the governing bodies and the profiles of the company’s management team are described in this chapter.

General meeting of shareholders

A shareholders’ meeting wields supreme power over the affairs of a Public Limited Company.

All shareholders are authorized to attend a shareholders’ meeting and to speak there. Shareholders’ meetings shall be convened with a minimum notice of three weeks and a maximum notice of four weeks. One vote is attached to each ISK 1 of share capital. Shareholders may, by means of a written proxy, grant a third-party authority to attend shareholders’ meetings and wield their voting right. The simple majority of votes will decide issues at shareholders’ meetings unless alternative instructions are provided by law or PLAY’s Articles of Association.

An Annual General Meeting shall be held before the end of August each year. Annual accounts and Auditors’ or Inspectors’ Reports shall be submitted at an Annual General Meeting.

The following matters shall be taken under consideration at Annual General Meetings:

- A** The Company’s Board of Directors shall report on the Company’s operations during the past year and its financial status at year’s end.
- B** The Company’s Financial Statements for the past year of operations along with comments by the Company’s Auditor shall be submitted for approval.
- C** A decision shall be made as to the handling of profit or loss and about dividend and contributions to a reserve fund.
- D** Election to the Company’s Board of Directors.
- E** Election of an auditor or auditing firm.
- F** Decision on remuneration to the Board of Directors, and if applicable to sub-committees of the Board.
- G** The Board’s proposal on remuneration policy.
- H** Proposals from shareholders to be included on the agenda.
- I** Debates and voting of other matters, lawfully tabled.

Auditor

At the Annual General Meeting, an auditor or auditing company shall be elected for the Company. The auditor shall audit the Company's accounts and submit their conclusions to the Annual General Meeting. An auditor may not be elected from the group of the Company's Directors or personnel. The operational and fiscal year is the calendar year.

Board of Directors

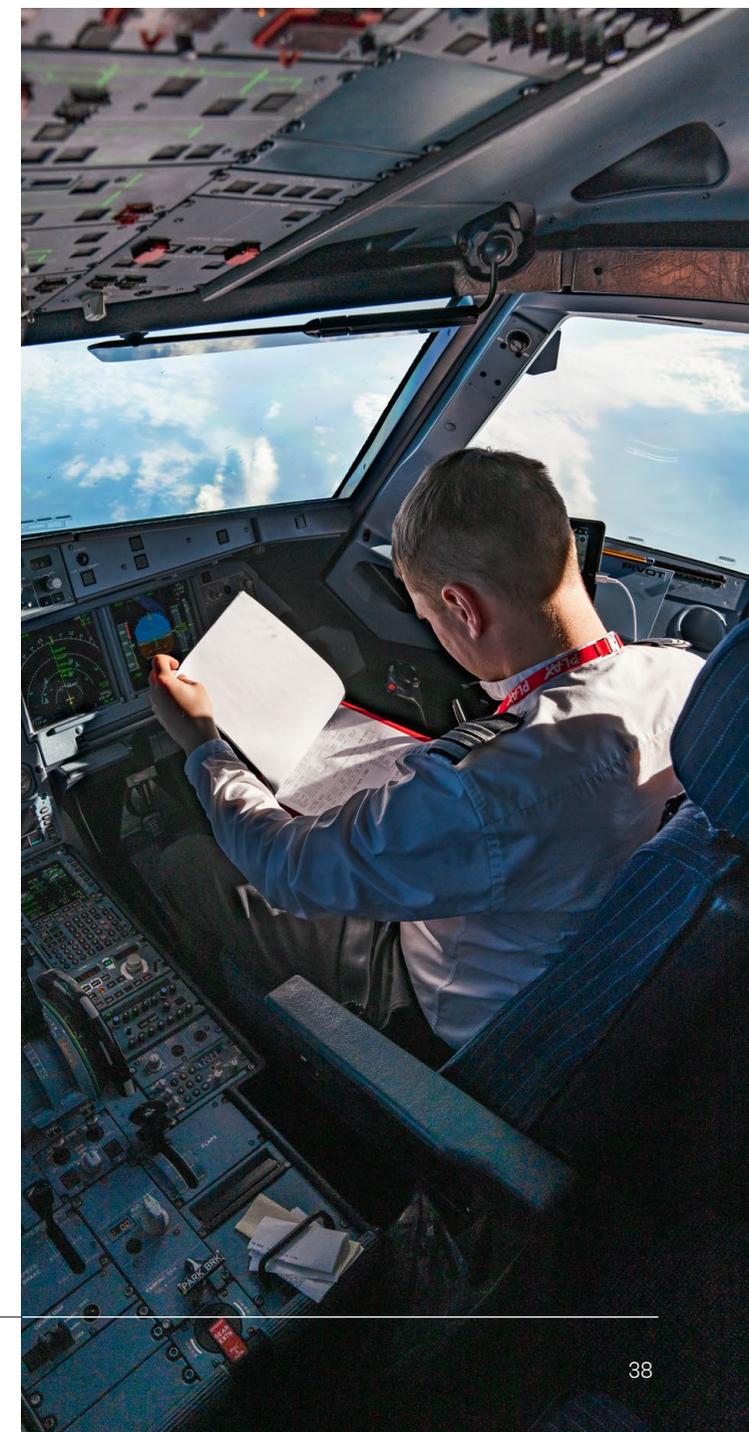
The Board of Directors of the Company shall consist of five directors, elected at the Annual General Meeting for a term of one year at a time. An alternate director shall also be elected at the Annual General Meeting for a term of two years at a time. The Company's Board of Directors shall have ultimate authority in company dealings between shareholders' meetings. The signature of the majority of the Board of Directors obliges the Company. Elections to the Board of Directors take place by majority vote, unless there is a legal requirement to the contrary.

The two women and the two men who receive the most votes in Board elections shall be considered duly elected, in addition to the candidate who receives the most votes out of the remaining candidates. The Company's Board of Directors undertakes company affairs and shall see to it that the Company's organization and activities be at all times in correct and good order. The Company's Board of Directors shall engage a CEO. The Company's Board and the CEO undertake the administration of the Company.

The Committees of the Board

The Board of Directors has established three Board committees that each work in accordance with procedural rules applicable to their area of expertise.

- **The Risk Committee** shall act as an independent advisor on creating and following a risk policy and monitor material risk factors in the Company's operations.
- **The Audit Committee** shall facilitate the quality of the Company's financial statements and other financial information. The committee shall also ensure that the Company's auditors are qualified and supervise processes with regard to accounting, financial risk monitoring, internal controls and auditing.
- **The Remuneration Committee** shall create a Company Remuneration Policy and carry out and monitor its implementation.



Share capital

The share capital of the Company is ISK 860,867,577, divided into shares of nominal value of one Icelandic krona per share. Each share is in the same class with the same rights.

The whole of the shares of the Company are listed on the Nasdaq First North Growth Market Iceland. This market is an MTF (Multilateral Trading Facility), as defined in EU legislation and as implemented in national law.

Authorization to increase share capital

In addition to ISK 860,867,577 issued and outstanding shares, the Company's Board of Directors is authorized to increase the Company's share capital by up to 44,153,035 shares of nominal value to fulfil the Company's obligations with certain stock option agreements with the Company's employees. Shareholders have waived their pre-emptive rights to new shares that will be issued on the basis of this authorization. This authorization with regard to stock option agreements is valid until 12 April 2026.

The Company's remuneration policy allows for a share-based incentive program in the form of option rights. Several option agreements have been made with key employees, as detailed below. The purpose of a long-term share-based incentive program is to align the interests of key employees with the long-term goals of the Company and its shareholders.

The Board of Directors of the Company has the authority to determine which employees are granted options and the specific terms thereof.

The Company has entered into option agreements with certain employees of the Company. At the end

of the year 2022, there have been three types of agreements made, as detailed below.

- The Company has granted Birgir Jónsson, the CEO of the Company, an option to purchase shares in the Company as part of his remuneration. Birgir has an option to purchase a total of 13,636,366 shares at a purchase price of ISK 16 per share. The option has a vesting period of 36-48 months from the commencement of employment. The option vests in two parts, whereas 50% vests and becomes exercisable after 36 months and the remaining 50% vests and becomes exercisable after 48 months. In both instances, the exercise period is 6 months from vesting. The vesting of the option is subject to certain conditions as set forth in the option agreement.
- The Company has granted several members of the management team and other key employees options to purchase shares in the Company as part of their remuneration. The employees have options to purchase a total of 16,666,669 shares in the Company, at a purchase price of ISK 8 per share. These options have a vesting period of one year and became exercisable in April 2022. The exercise period is 12 months, until April 2023, at which point the options expire. The options may be exercised at any time during the exercise period.
- The Company has granted the members of the executive committee options to purchase shares in the Company as part of their remuneration. The members have varied options to purchase a total of 13,850,000 shares, at a purchase price of ISK 16 per share. The options have a vesting period of 36-60 months from November 2022. The options vest in three, annual, equal parts. The vesting of the options is subject to certain conditions as set forth in the option agreements.

New shares will be issued to honor the Company's commitments under the option agreements, if and when vested options are exercised, pursuant to an authorization in the Company's Articles of Association, granting the Board of Directors the authority to issue a total of the aforementioned 44,153,035 new shares in the Company for the purpose of granting options to employees.

The Company's Board of Directors is, following approval by the Company's Remuneration Committee, authorized to establish an alternative bonus scheme. The scheme may include payments and benefits to employees, including cash, special pension payments and share-related rights, including options to purchase shares. These bonuses are not part of the fixed terms of employment of employees.

Further information with regards to PLAY's corporate governance is available on PLAY's website.

Members of the Board and their independence and shareholding

The following individuals were elected to serve on the Board at the last Annual General Meeting, held on 6 April 2022.



EINAR ÖRN ÓLAFSSON
Chairman

Einar Örn Ólafsson is a shareholder in the Company through different legal entities, and the chairman of the Board of Directors of PLAY. Einar is also the chairman of the Board of Terra hf. Einar was previously the General Manager of Fjarðalax, CEO of Skeljungur and before that held various management positions in banking. Einar holds an MBA degree from NYU, Stern School of Business, and an industrial engineering degree from the University of Iceland. Einar Örn is considered to be independent from the Company and its management team but is not considered to be independent from large shareholders in the Company.



ELÍAS SKÚLI SKÚLASON
Vice Chairman

Elías Skúli Skúlason is a shareholder in the Company through FEA ehf. and is the Vice-Chairman of the Board of Directors of PLAY. Elías Skúli has over 25 years of aviation and airline operations experience. Elías Skúli was one of the founders of Airport Associates (est. in 1997) and Bluebird Cargo (est. in 1999). At Bluebird Cargo, Elías Skúli served multiple key management roles, including CEO from 2007-2014. Elías Skúli is considered to be independent from large shareholders of the Company and its management team but is not considered to be independent from the Company.



AUÐUR BJÖRK GUÐMUNDSDÓTTIR
Board Member

Auður Björk Guðmundsdóttir is the COO of Info Capital ehf. She was previously a managing director at Two Birds, a fintech company, from 2018 - 2022 and a managing director at VÍS Insurance from 2005-2018. Auður has extensive experience in marketing, management, and strategic planning. She holds an MBA degree from Reykjavik University, an AMP degree from IESE Business School in Barcelona and a BA degree in Communications, PR & Marketing from the University of South Alabama. In 2011-2012, Auður sat on the Board of Directors of Icelandair as an alternate member. She is currently Vice-Chairman of the Board of Directors of Iceland Post, and a member of the Board of Origo, Vörður Insurance and Icelandic Trademark Holding. Auður is considered to be independent from the Company, its management team, and large shareholders in the Company.



GUÐNÝ HANSDÓTTIR
Board Member

Guðný Hansdóttir is a shareholder in the Company through Dalía. Guðný has over 15 years of experience in the airline industry. Guðný served as a Managing Director of cabin crew for Icelandair. She served as VP of Human Resources at Air Atlanta for 5 years. Other previous positions include Foreign Marketing Coordinator at Penninn Officeday, and VP of Human Resources for both Skeljungur and Innnes. Guðný holds an MBA degree from the Florida Institute of Technology and a BS degree in Marketing from the same school. Guðný has been vetted through an eligibility assessment by the Financial Supervisory Authority in Iceland. Guðný sat on the Boards of Parlogis and Mjöll Frigg. She is currently a Board member of Frumherji and VÍS Insurance, as well as being on the Remuneration Committee and Auditing Committee of the latter. Guðný is considered to be independent from the Company, its management team and large shareholders in the Company.



MARÍA RÚNARSDÓTTIR
Board Member

María Rúnarsdóttir is an independent investor. María previously worked as the CFO of real estate company SMI ehf. and Korputorg ehf., a consultant at KPMG Consultants and CFO of Svar technologies. She was also one of the founders of MINT Solutions ehf. María currently sits on the board of numerous companies, including Arctica Finance hf., MINT Solutions BV., Umbra ehf., Uniconta Iceland ehf., NMR ehf., and EA14 ehf. María has an MBA degree from MIT (Massachusetts Institution of Technology) in the United States and a BSc degree in Business from Reykjavik University. María is considered to be independent from the Company, its management team and large shareholders in the Company.



SIGURÐUR KÁRI KRISTJÁNSSON
Alternate Board Member

Sigurður Kári Kristjánsson is an independent attorney at law and a partner of the law firm Lögmenn Lækjargötu, where he has practiced law since 2011. Sigurður Kári was a Member of Parliament from 2003-2009 and served intermittently as an alternate Member of Parliament until 2011. Sigurður Kári is considered to be independent from the Company, its management team and large shareholders in the Company.

CEO

The CEO, or Chief Executive Officer, undertakes the main management of the Company's daily operations and represents the Company in all matters pertaining to ordinary operations. The CEO must obey the instructions of the Board of Directors. The CEO is responsible for accounting and the engagement of personnel. The CEO shall grant Board members and special examiners or auditors all information they may request concerning the operation of the Company, which has to be granted according to law.

Management team



BIRGIR JÓNSSON
Chief Executive Officer

Birgir has extensive experience in international management and operations, including in airline operation, as CEO of Iceland Express and later Deputy CEO of WOW air. Birgir was Össur's Regional Director in Asia, based in Hong Kong. He has lived and worked in Romania, Bulgaria and Hungary, where he was CEO of Infopress Group, one of the largest printing companies in Eastern Europe. He was CEO of Iceland Post and has also been involved in many projects in the field of restructuring and transformation across a diverse range of industries.

Birgir holds an MBA from the University of Westminster in London and a BA (Hons) from the University of the Arts London.



DANÍEL SNÆBJÖRNSSON
Chief Network Officer

Daníel Snæbjörnsson is the CNO at PLAY. Daníel has extensive experience within the aviation industry, having worked for both airports and airlines. From 2014 until joining PLAY, Daníel worked for both Icelandair and WOW within their network planning and scheduling teams. Prior to that, Daníel co-founded Altitude Aviation Advisory, a UK based consultancy firm focusing on the aviation industry. Daníel worked as a consultant for AviaSolutions/GECAS from 2007 until 2013 and as an Aviation Analyst at Ascend Worldwide from 2006 to 2007, based in the UK.

Daníel earned his bachelor's degree in Aviation Business Administration from Embry Riddle Aeronautical University. He later received a master's degree in Air Transport Management from Cranfield University. He holds an Icelandic Private Pilot's License.



GEORG HARALDSSON
Chief Information Officer

Georg Haraldsson is the CIO at PLAY and leads the company's Digital Development and Information Technology. Georg worked as an E-commerce and Distribution Manager for Iceland Express for 6 years and an E-commerce Manager for Dohop for a year. Georg held the position of Managing Director and Regional Sales Director in the Middle East for Marorka for a few years and as Product Director for Valka and CCO at Iceland Travel for a year. Georg also worked as The Chief Information and Digital Officer at Iceland Post.

Georg holds a bachelor's degree in Computer Science and a master's degree in International Business from the University of Reykjavik in association with IE Business School in Madrid.



GUÐNI INGÓLFSSON
Chief Operations Officer

Guðni has extensive experience within the aviation industry, working in various management and leadership positions at Iceland's largest airlines in the past few decades. Guðni was Head of Crew Resources at WOW air from 2018 until 2019 and his last position in his 22 years at Icelandair was Director of Crew Training. Guðni joins PLAY directly from Rio Tinto Iceland where he worked as Leader of Quality and Lean Management.

Guðni has a master's degree in Operations Research from The London School of Economics and Political Science (LSE).



JÓNÍNA GUÐMUNDSDÓTTIR
Chief People and Culture Officer

Jónína Guðmundsdóttir is the CPO at PLAY and leads the division of People and Culture, which includes the HR department, Payroll, Uniforms and Travel. Jónína's experience within the aviation industry includes her work for WOW air as Senior Vice President of Human Resources from 2015 until 2019. Before her career in aviation, she worked for the information technology service corporation Advania, as Human Resource Manager from 2012 until 2015. Jónína also worked in recruitment and as an HR consultant for Capacent from 2005 until 2012.

Jónína holds a bachelor's degree in Business Administration with a focus on tourism from the University of Akureyri and later earned a master's degree from Strathclyde University, where she studied Human Resources, focusing on the tourism and hospitality industries.



ÓLAFUR ÞÓR JÓHANNESSON
Chief Financial Officer

Ólafur is the CFO at PLAY and leads the division of Finance, which includes Legal. Ólafur has extensive experience working in finance, operations and business management.

Before coming to PLAY, Ólafur worked as CEO, Deputy CEO and CFO at Skeljungur hf. (SKEL fjárfestingafélag hf.) from 2019 until 2022. He has previously held various management positions, worked as an independent consultant, sat on various boards and been a certified public accountant and partner at PricewaterhouseCoopers.

Ólafur Þór has a cand.oecon degree in Business Administration from the University of Iceland and a certified public accountant degree.



SONJA ARNÓRSDÓTTIR
Chief Commercial Officer

Sonja Arnórsdóttir is the CCO at PLAY and leads the Company's efforts in sales, marketing, customer service, PR, revenue management and distribution.

Sonja holds a bachelor's degree in financial engineering from Reykjavik University and has worked in revenue and sales in the airline industry for the past 10 years. She worked as a revenue specialist at WOW air where she led a team of 10 and has been the Director of Revenue and Sales at PLAY since 2019.

Legal factors

The aviation industry is a highly regulated industry. PLAY is subject to numerous national and international laws and regulations that impact the costs and competitiveness of the airline.

Such industry-related laws and regulations include air traffic taxes, aviation security costs, passenger rights, obligations related to protecting the environment, take-off and landing rights, and night-flight bans. PLAY is also exposed to a range of measures related to the coronavirus pandemic such as constantly changing global border closures, minimum distance on board, and quarantine regulations. These measures have had a great impact on airlines all over the world.

Ongoing development of the aviation climate policy regulations is an example of how dynamic the legal environment of the airline industry is. PLAY needs to comply with the European Emissions Trading Scheme (EU-ETS), the UK Emissions Trading Scheme (UK-ETS), and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA).

Aviation climate regulation

The European Emissions Trading Scheme (EU-ETS) and the UK Emissions Trading Scheme (UK-ETS) are specific European/UK legislations that all airlines which operate within the EU and from the UK need to comply with. The EU-ETS is a cap-and-trade system under which airlines need to buy allowances to pay for their CO₂ emissions. The system is structured with the goal of decreasing the number of allowances available to buy in order to encourage sectors to decarbonize.

The price of ETS credits has risen since the inception of the scheme and remains unpredictable. This uncertainty highly affects PLAY, especially since the EU is not allocating any free allowances to new airlines that entered the market in 2021. As a result, PLAY must purchase all of its ETS requirements unlike some competitors which still receive some free allowances.

According to the newest submissions to the revision of the laws, PLAY may expect to receive free allowances for the operating year 2023 but delivered later following an official process. From 2024 – 2027, the EU plans to phase out the free allowances by 25% annually, which will impact all airlines that are subject to the ET-ETS system. The purpose of phasing out the free allowances is to encourage airlines (and other ETS compliant industries) to increase their emission reduction.

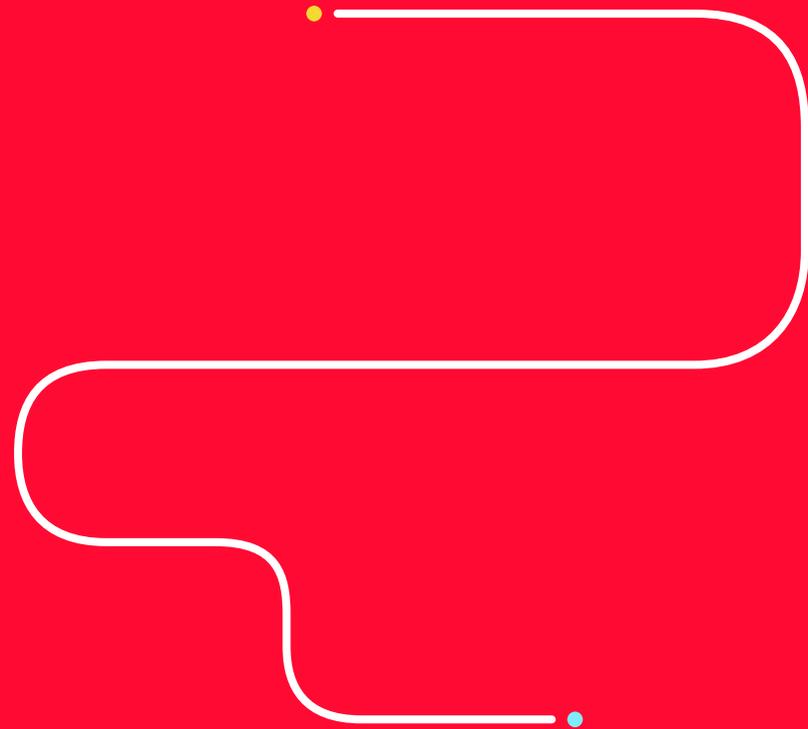
From 2024 – 2027, the EU plans to phase out the free allowances by 25% annually, which will impact all airlines that are subject to the EU-ETS system. The purpose of phasing out the free allowances is to encourage airlines (and other ETS compliant industries) to increase their emission reduction.

In 2021, the European Commission published the 'Fit for 55' legislative package, the EU's intermediate step towards the 2050 climate neutrality goals. As part of this legislative package, the European Commission proposed a legislation to support the uptake of sustainable aviation fuels (SAF) in pre-determined steps requiring airlines to purchase a minimum volume of 2% of SAF from January 2025 to 63% in

January 2050. At the end of 2022, final text of the legislative package was pending negotiations and formal adoption in the EU legislative process.

In addition to the EU-ETS and UK-ETS, PLAY needs to comply with the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA), a global CO₂ compensation scheme. The goal of CORSA is for airlines and other aircraft operators to offset any growth in CO₂ emissions above 2019 levels. The purpose is to stabilize aviation's net CO₂ emissions, while other emissions reduction measures, such as technology and sustainable aviation fuel, are pursued. The main difference between CORSA and the EU/UK ETS credits is that airlines can buy carbon credits on the carbon voluntary market and can use them to carbon offset the company's CO₂ emissions to compensate for its pollution.

4. Financial Statement



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 25 destinations at year end.

The Consolidated Financial Statements for the year 2022 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirements. The Financial Statements are presented in US dollars, which is the Group's functional currency. The Financial Statements have been audited by the Group's independent auditors.

Financial year 2022

According to the Consolidated Financial Statement total loss for the year was USD 45.5 million. Equity at 31 December 2022 amounted to USD 38.5 million, including share capital in the amount of USD 6.7 million and share premium of USD 100.6 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 252 in the year 2022 (2021: total 80) thereof 117 men and 135 women and salaries and related expenses amounted to USD 25.5 million in the year 2022 (2021: USD 8.6 million).

PLAY holds a healthy cash position with cash and cash equivalent amounted to USD 36.2 (including restricted cash) million on 31 December 2022. This healthy cash position enables PLAY to pursue business opportunities, follow through with its business plan, and be prepared for turbulent market conditions.

PLAY has entered into lease agreements for a total of 10 new aircraft since beginning operations. In 2021 the group took delivery of three Airbus A321neo. In 2022 the group received five new aircraft with three of them going into active operations and the other two went into storage until joining the fleet in time for the summer schedule 2023. The group has not started paying rent for the aircraft in storage and as such they have not been included in the group's right-of-use assets and liabilities.

PLAY's load factor improved throughout 2022 and resulted in 79.7% for the full year. The load factor in Q4 was 80.3% and almost 800 thousand passengers were flown in the year. PLAY has experienced significant growth and ramp-up up of operations with the introduction to the US market and via travel.

Full year revenues in 2022 were USD 140 million compared to USD 16 million in 2021. In the last quarter the company's cargo operations increased substantially and airport sales per passenger increased by 53% between Q3 and Q4 2022.

Outlook in 2023

PLAY believes flexibility in scaling production to the demand has been crucial for PLAY. Our focus will be 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 healthy financial position.

In 2023, PLAY's network will consist of nearly 40 destinations in Europe and North-America using a fleet of ten aircraft.

Endorsement and statement by the Board of Directors and the CEO

Share capital and resolutions

PLAY aims to deliver its shareholders a total return in excess of its cost of capital. While the group has a planned profitable growth path, the cash reserves are best utilised within the group. When a more moderate growth level is reached, the group aims to pay 50% of its after-tax profit to its shareholders in the form of dividends or share buy-back. Other factors which need to be considered and may affect these payments are factors like the group's earnings trend, financial position, and investment requirements. Dividends and share buy-back require a resolution by a shareholders' meeting following a proposal by the board of directors.

The Board of Directors proposes no dividend payment to shareholders in 2023 for the year 2022 and refers to the Financial Statement regarding the treatment of loss and other changes in equity accounts.

The number of shareholders at year-end 2022 was 2,095 (2021: 2,433). At year-end 2022 the 10 largest shareholders were:

	Number of Shares in ISK thousand	Shares in %
Leika fjárfestingar ehf.	93,596	10.9%
Birta lífeyrissjóður	81,186	9.4%
Stoðir hf.	54,000	6.3%
Stefnir - ÍS 5 hs.	41,327	4.8%
Lífswerk lífeyrissjóður	37,534	4.4%
Fea ehf.	35,034	4.1%
Stefnir - Innlend hlutabréf hs.	33,471	3.9%
IS EQUUS Hlutabréf	32,909	3.8%
Eignarhaldsfélagið Mata hf.	31,938	3.7%
Festa – lífeyrissjóður	27,137	3.2%
10 largest shareholders total	468,132	54.4%
Other shareholders	392,735	45.6%
	860,868	100.0%

Endorsement and statement by the Board of Directors and the CEO

Corporate governance and non-financial reporting

The Board of Directors has prepared a Corporate Governance Statement in compliance with the Icelandic Corporate Governance guidelines which are described in full in the Corporate Governance Statement in PLAY's annual and sustainability report. The Board of Directors are composed of five members, thereof two men and three women.

Further non-financial reporting information and details of corporate governance are accessible in PLAY's annual and sustainability report at PLAY website.

Information on matters related to financial risk management is disclosed in note 29 of the 2022 financial statements.

Statement by the Board of Directors and the CEO

We hereby confirm that the Consolidated Financial Statements for the year 2022, to the best of our knowledge, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Further, in our opinion, the Consolidated 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 Consolidated Financial Statements of PLAY for the year 2022 and confirm them by means of their signatures.

Reykjavik, February 15, 2023

Board of Directors:

Einar Örn Ólafsson, Chairman of the Board
Skúli Skúlason
Guðný Hansdóttir
María Rúnarsdóttir
Auður Björk Guðmundsdóttir

CEO:

Birgir Jónsson

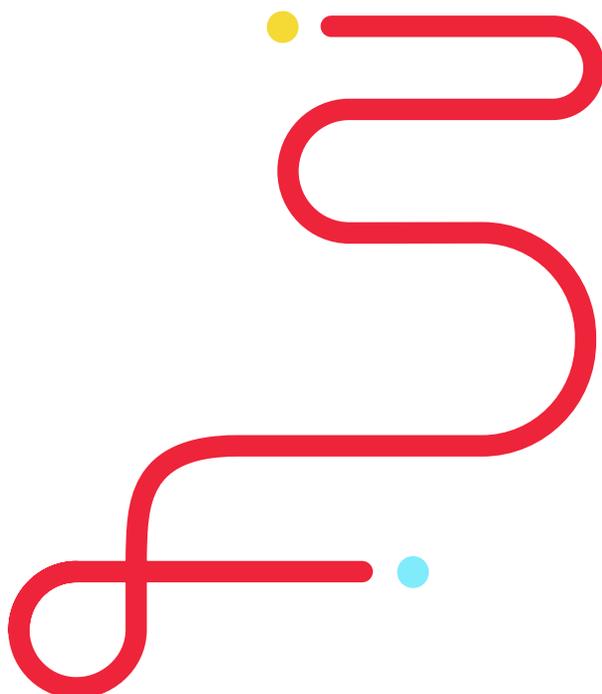


Consolidated Income Statement and Other Comprehensive Income for the Year 2022

	Notes	2022	2021
Revenue			
Transport revenue	6	139,905	16,436
Operating expenses			
Aviation expenses	7	113,198	18,259
Salaries and other personnel expenses	8	25,451	8,602
Other operating expenses	9	13,216	5,754
		151,865	32,614
Operating loss before depreciation, financial items and tax (EBITDA)		(11,960)	(16,178)
Depreciation and amortization	10	32,106	8,484
Operating loss (EBIT)		(44,066)	(24,662)
Financial income and expenses			
Financial income		516	491
Interest expense		(11,422)	(2,416)
Foreign exchange		(518)	(1,886)
	11	(11,424)	(3,811)
Loss before tax (EBT)		(55,490)	(28,473)
Income tax	12,18	9,943	5,939
Loss for the year		(45,547)	(22,534)
Total comprehensive loss for the year		(45,547)	(22,534)
Earnings per share			
Basic and diluted earnings per share in US cent	23	(8.0)	(6.1)

All amounts are in USD thousands

Consolidated Statement of Financial Position on 31 December 2022



	Notes	2022	2021
Assets			
Intangible assets	13	12,561	10,677
Right-of-use assets	14	224,385	117,082
Operating assets	15	6,723	3,821
Aircraft deposits & security instalments	17	10,934	7,772
Deferred tax assets	18	16,027	5,939
Non-current assets		270,630	145,291
Inventories	19	819	282
Trade and other receivables	20	22,861	6,660
Prepaid expense		939	116
Restricted cash	21	6,590	0
Cash and cash equivalents	21	29,644	51,731
Current assets		60,353	58,789
Total assets		331,484	204,080
Shareholders' equity			
Share capital		6,740	5,606
Share premium		100,587	85,371
Other components of equity		13,844	11,674
Accumulated loss		(82,685)	(35,254)
Total shareholders' equity	22	38,468	67,397
Liabilities			
Provisions	24	51,108	23,317
Lease liabilities	25	152,463	81,990
Non-current liabilities		203,571	105,307
Provisions	24	16,601	6,589
Lease liabilities	25	17,260	8,467
Trade and other payables	26	27,223	9,224
Deferred income	27	28,342	7,096
Current liabilities		89,427	31,376
Total liabilities		292,998	136,682
Total shareholders' equity and liabilities		331,484	204,080

All amounts are in USD thousands

Consolidated Statement of Cash Flows for the year 2022

	Notes	2022	2021
Cash flows used in operating activities			
Loss for the year		(45,547)	(22,534)
Adjustments for			
Depreciation and amortization	10	32,106	8,484
Net finance expense		11,424	3,811
Stock options		507	997
Income tax	12	(9,943)	(5,939)
		(11,454)	(15,181)
Changes in operating assets and liabilities			
Inventories, increase		(537)	(282)
Trade and other receivables, increase		(16,201)	(6,546)
Trade and other payables, increase		33,227	13,075
Restricted cash, increase		(7,136)	0
		9,354	6,247
Cash used in operations before interest and taxes			
		(2,100)	(8,934)
Financial income received			
Interest paid		(11,343)	2,350
		(12,927)	(10,858)
Cash flows to investing activities			
Deposits	17	(3,162)	(7,889)
Investment of operating assets	15	(3,501)	(3,972)
Investment of intangible assets	13	(3,971)	(5,171)
		(10,634)	(17,032)

All amounts are in USD thousands

Consolidated Statement of Cash Flows for the year 2022, contd.

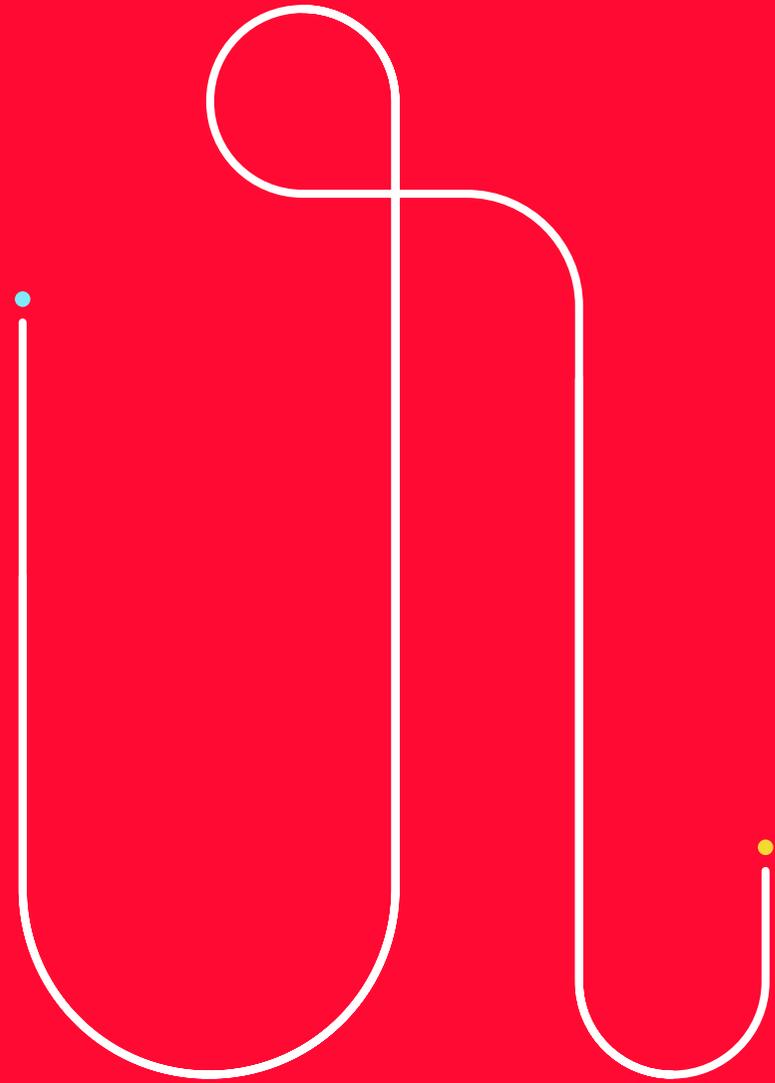
Further detail on financial performance, accounting principles and other explanatory notes can be found in PLAY's financial statements on our website FLYPLAY.com under investor relations

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	Notes	2022	2021
Cash flows from financing activities			
Repayment of lease liabilities	25	(13,256)	(2,374)
Loans from shareholders		0	2,793
Proceeds from share issue	22	16,129	80,917
Net cash from financing activities		2,873	81,336
Increase / (decrease) in cash and cash equivalents		(20,688)	53,446
Effect of exchange rate fluctuations on cash held		(1,400)	(1,722)
Cash and cash equivalents at the beginning of the year		51,731	7
Cash and cash equivalents at year end		29,644	51,731
Investment and financing without cash flow effect			
Acquisition of right-of-use assets	14	(92,464)	(92,877)
New leases		92,464	92,877
Capitalized maintenance obligation under lease			
Capitalized maintenance obligation under lease	25	(44,141)	(31,612)
New leases		44,141	31,612
Loans from shareholders			
Loans from shareholders		0	(10,000)
Share capital increase		0	10,000

All amounts are in USD thousands

5.
Report on
Sustainability



Sustainability

Our Sustainability Focus

PLAY – We are Safe, Simple and Sustainable

From day one, we have taken our commitments to run a sustainable airline very seriously. We do not pretend to be perfect in all our sustainability actions, but we will always seek to do our best every step of the way. We have continued to work on our sustainability initiatives, adding to the work done during our first year of operation where we, among other things, conducted a materiality assessment, set sustainability targets and KPIs and measured our carbon emissions (Scope 1, 2 & 3). This year, we have expanded our carbon emission calculations, increased our circularity thinking, put increased focus on our people and corporate governance.

We were clear from the start that the only fleet suitable for PLAY was the most modern and fuel-efficient aircraft to minimize fuel cost and carbon emissions. For that reason, PLAY only operates narrowbody Airbus A320/321neo aircraft.

We believe that taking meaningful actions to counteract climate change that affects both societies and nature is immensely important for its own sake and for our business.

We will not wait for zero-emissions technology before we take action, although we monitor all innovation closely. Meanwhile, we will set our focus on our KPI's towards carbon neutral operations, circular thinking and implementing sustainable aviation fuel.

We aim to establish partnerships and collaboration within the tourism industry, universities, tech and innovative companies and any other like-minded entities that share the incentive to work toward a more sustainable world. We are excited for our future collaboration.

We seek to embed sustainability into PLAY's DNA. Focusing on climate actions, circularity as well as our employees' and customers' welfare. Being a future-proof company with responsible business practices will enable us to run a playful and sustainable business.

All our sustainability initiatives are accessible on our website.

With our sustainability strategy, goals, and actions we are determined to utilize our operations to have a positive impact on the world. This enables us to minimize sustainability-related risks and seek potential opportunities – to serve our customers better, avoid unnecessary costs and realize financial savings.

How do we make sure that the world is better off because PLAY is in it?



We take responsibility for our impact



We focus on long-term value and vision



We seek to know our stakeholders and meet their requirements



We embrace collaboration and transformative change beyond our company

Our sustainability focus

PLAY's sustainability strategy is based on a materiality assessment that was conducted to prioritize the most material topics related to ESG.

PLAY acknowledges that all areas of sustainability are important. But to take the most impactful steps on the sustainability journey, a materiality assessment was conducted to prioritize our efforts. PLAY's materiality assessment shows what ESG topics are most important to PLAY and its stakeholders.

Some issues which are important to the business as a whole may not be prioritized in this matrix. The assessment focuses on sustainability topics, not specific operational topics.



Sustainability KPI's

Our focus is to build a strong and ambitious foundation for a safe take-off

Building on the sustainability factors that were most material to Play, targets were set that correlate to five of the United Nations (UN) Sustainable Development Goals (SDGs).



ENVIRONMENTAL FACTORS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

SOCIAL AND GOVERNANCE FACTORS

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

Climate Action

Measuring and reducing GHG emissions.
Offsetting GHG emissions in a responsible way.
Responsible procurement.

Circularity

Circularity at PLAY.
Procurement.

Wellbeing

Health and safety.
Non-discrimination.
Responsible marketing.

Future of work

Diversity and inclusion.
Labor practices.
Board diversity.

Responsible Business

Data security and privacy.
Ethics and anti-corruption.
Social impact of services.
Risk management.
Supplier code of conduct.

Our sustainability strategy

PLAY enables people to travel and discover the world in a responsible way, so we can, for the foreseeable future, continue to experience what the world has to offer.

We raise awareness of sustainability and are determined to utilize our operations to have a positive impact and a meaningful engagement with our stakeholders.



Being playful, focusing on simplicity, and showing discipline will be the key to maintaining the sustainability strategy in all of PLAY's activities.



CLIMATE ACTION

More fuel-efficient flights

Our focus to minimize our climate impact;

- Fuel-efficient aircraft fleet
- On a journey toward carbon neutral operations
- Reduce fuel consumption with fuel-saving initiatives



CIRCULARITY

Reduce, reuse and recycle

Our approach to circularity;

- Waste prevention with initiatives to reduce the total amount of waste
- Minimize all unnecessary packaging by optimizing procurement
- Eliminate single-use plastic while fulfilling regulations
- Collaborate with relevant partners to create circularity initiatives that fulfil strict industry regulations



RESPONSIBLE BUSINESS

Our impact

To succeed as a responsible business, we;

- Build relationships and partner up with like-minded companies, and NGOs
- We take every opportunity to raise awareness of sustainability for our customers and everyone that is interested
- We communicate our effort and actions to all stakeholders



FUTURE OF WORK

Our valuable employees

We seek to;

- Provide our people with the best work environment and culture that attracts and retains the best talent
- Provide equal opportunities, celebrate diversity and involve every employee's ideas, knowledge, and perspectives
- We equip our people to adapt to changes in the industry



WELL-BEING

Health and safety

We ensure well-being for everyone that PLAY impacts by:

- Establishing a supportive and playful culture
- Providing employees with comfortable uniforms and shoes that are meant for working on their feet
- We respect and react to the impact a worldwide pandemic has on mental health and fatigue, both physically and emotionally

The Environment

Environmental goals for 2025

PLAY is a new company growing at a rapid pace and therefore lowering our environmental impact is one of our main challenges. With the materiality assessment, we identified our most material topics in terms of sustainability and there is a consensus within the executive team that the goal of working toward carbon neutrality should be a high priority. The three main pillars that guide our sustainability journey in terms of the environment are:

#1

Working toward carbon neutral operations

#2

Circular thinking in all our operations

#3

Responsible procurement

How we will achieve our environmental goals?

- Sustainable aviation fuel (SAF) – will have an important role in making flying more environmentally friendly. PLAY is ambitious about reducing its carbon footprint and aims to implement SAF in their operations as quickly as possible. However, in the current environment, SAF poses challenges regarding accessibility and supply. Therefore, PLAY adjusted its goal to aim for at least 2% by 2025 as required by EU law, however we're aiming higher if possible.
- GHG reduction plan – we continue to improve calculations of PLAY's scope 1, 2 and 3 carbon emissions. Next is to finalize our reduction strategy followed by an action plan throughout 2030. The reduction strategy will be published in 2023 and updated on a regular basis.
- Carbon offsetting strategy – plays a significant role in our journey toward carbon neutral operations. We have established projects on voluntary offsetting for passengers, [see page 59](#). PLAY's carbon offsetting strategy is

underway and will be published in 2024, followed by implementation. The strategy will be published on our website.

- Circular thinking in our operations – for us to succeed in being a circular company, it is crucial that all employees understand it. PLAY has engaged its suppliers toward more circular packaging for onboard services. PLAY's ambitions extend beyond onboard services with our circular thinking, and we will publish a circularity strategy which extends to all operations in 2024.
- Responsible procurement – every company can have a great impact by implementing a procurement strategy with a focus on sustainable and ethical products. PLAY's supplier code of conduct will continue to be reviewed annually with ever-increasing focus toward more sustainable procurement. Procurement strategy for all PLAY's departments will be implemented by 2025.



PLAY's Partnership with Klimate.co



292.52 CO₂ tons

Removed by PLAY passengers*

At PLAY importance has been placed on providing passengers with the most climate-friendly flight option possible, crossing the Atlantic in the most environmentally friendly aircraft on the market. Even so the aviation industry is a high emitter of greenhouse gases. That is why PLAY's passengers now have the option to carbon offset their flights with high-quality carbon removal projects.

In the period between 29th of March 2022 to 31st of December 2022, PLAY's collaboration with Klimate resulted in PLAY's passengers removing 292.52 tons of CO₂ from their flights. Passengers have the opportunity to not only remove their emissions but also choose the permanence of their removal through different portfolios.

PLAY's initiative involved bringing awareness to passengers of the environmental impact that their flight has and address it with transparency by creating a communication value of this impact.

In May, we sat down with Mads Emil Dalsgaard, co-founder and CCO of Klimate to answer some frequently asked question about carbon offsetting. Mads Emil talked about the importance of carbon removal to mitigate climate change and the difference between permanence and costs.

If it sounds too good to be true, it usually is. That also goes for offsetting flight emissions. I'm super impressed with PLAY for offering high-quality carbon removal, even though it costs a lot more than other solutions out there

Mads Emil Dalsgaard,
Co-founder of Klimate.co



Scan the code to learn more about our carbon removal projects.

*In the period of 29th March 2022 to 31st December 2022

The Environment

Climate Action

We care about nature and the effect we have on the environment

It is clear that PLAY's biggest impact on climate and the environment is through our core business, operating our aircraft. Focusing on our aircraft, and constantly taking action toward increased fuel efficiency and to decarbonize our flights is key. Furthermore, jet fuel is the single biggest cost in PLAY's business. Therefore, addressing fuel consumption is a clear win. These are not new notions to us; we have already taken action to address this.

- We operate a young and modern fleet, A320neo and A321neo, which are two of the most fuel-efficient aircraft in the industry at the present time. This means our aircraft emit the least amount of CO₂.
- From day one, we have implemented fuel efficiency initiatives. It makes no sense to fly across the ocean with more fuel than required, with regard to both emissions and financial cost.
- We constantly seek to optimize quantities of supplies on board to prevent us taking unnecessary supplies over the Atlantic Ocean.
-

Since PLAY's inaugural flight, we have grown and

progressed every day over the past 18 months we have been in operation. As our business is growing, inevitably our carbon emissions have increased. According to regulations, PLAY adheres to the EU and UK Emissions Trading System (ETS) and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA). In addition, PLAY will develop a strategy to reduce GHG emissions and offsetting carbon emissions, but until the strategies are ready, offering passengers the option to offset their flight emissions with PLAY's co-operation with Klimate is an extra step. See more detailed discussion on [page 44](#) about EU ETS, UK ETS and CORSA.

We'll continue to optimize onboard weight and maintain our fuel efficiency initiatives. Flying our fuel-efficient aircraft is what our pilots do best, and this is their area of expertise. PLAY is continuously keeping an eye on how the usage of new technology is transforming the aviation sector.

Implementation of Sustainable Aviation Fuel (SAF)

We aim higher

We know that the environmental impact of flying is immense, and travelers are seeking out brands with clear sustainability policies. Unfortunately, the aviation industry still needs to rely on regular jet fuel, for the most part, and for that reason, it is difficult to decarbonize flights. Yet, we are still taking action.

We have measured our CO₂ emissions, and we will reduce our GHG emissions. We are committed to only using the most efficient aircraft on the market and using SAF in our operations as much as possible. The chemistry of SAF is relatively similar to that of regular jet fuel, but it impressively cuts carbon emissions by up to 80% over its lifecycle*. That is why SAF plays a critical role in an airline's journey to becoming greener and aim for carbon neutrality. Depending on the feedstock it uses, the production process, and the supply to the airport, SAF's sustainability varies.

PLAY has complied with Norway's and France's national SAF mandates implemented in 2022.

EU law states we must use 2% SAF by 2025 and 5% SAF by 2030 of which a minimum share of 0.7% must comprise synthetic aviation fuels. We monitor the SAF market and other technologies very closely and will increase our SAF ratio whenever possible and do our best to exceed the obligatory ratio of SAF if supply and accessibility permits.

*IATA

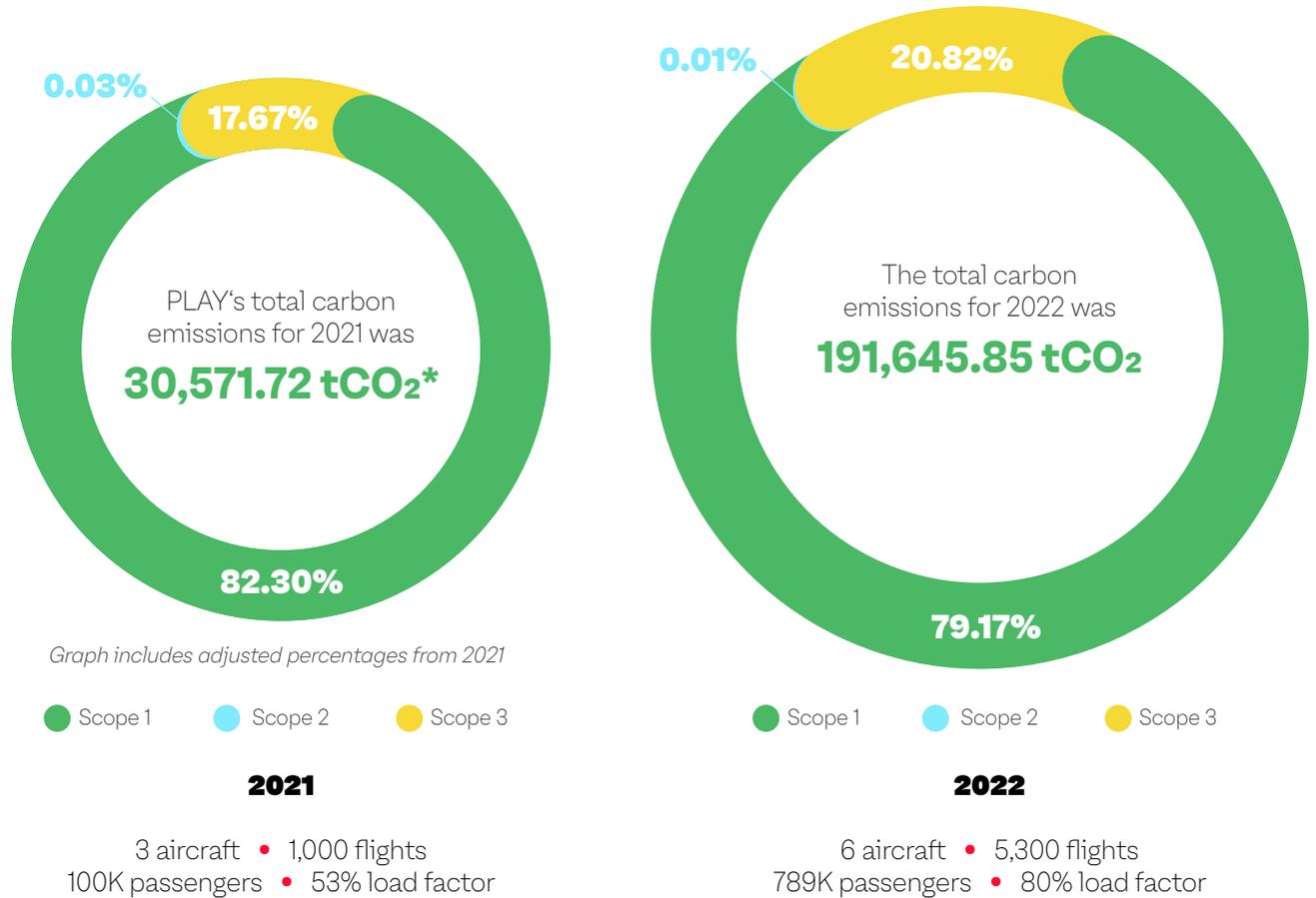
The Environment

Carbon Accounting

PLAY's single biggest source of emissions is generated from fuel. Scope 1 is by far the largest footprint at **79.08%**, followed by purchasing and delivering fuel from our fuel supplier (scope 3), which is responsible for **16.54%**.

Total carbon emissions in 2022 amounted to **191,645.85 tCO₂** compared to **30,571.72 tCO₂** in 2021*. Expanding our fleet from three to six aircraft and the addition of new destinations account for much of the increase in carbon emissions. Following our inaugural flight to North America in April 2022, our aircraft have also been used more frequently and are flying long distances, which also results in higher emissions.

We use Greenhouse Gas Protocol Standard guidelines to calculate our carbon footprint. Our Scope 1 and 2 carbon emissions have been verified by Verifavia, an external verification body. Please see the assurance statement from Verifavia on [page 80](#).



*Calculations corrected from previous reporting

Carbon Accounting 2022

Calculating our Carbon Emissions - Methodology

In line with the Greenhouse Gas Protocol, we categorize our emissions into direct and indirect emissions, i.e. in Scope 1, 2 and 3. Scope 1 is our direct emissions, covering jet fuel usage, deicing fluid and diesel/petrol for company-owned cars. Scope 2 is our indirect emissions and covers ground electricity consumption and hot water usage. Scope 3 is also for our indirect emissions from products and services we buy (food and drinks we sell on board, etc.), waste generation, business travel, employee commuting, and transportation of products and services we purchase.

This is the second year of collecting emissions data and we are still improving our calculations and data collection in terms of accuracy and coverage of scope 3 (our indirect carbon emissions).

What we include in our scope 3 calculations is presented in the following section, highlighting additions to last years reporting.

	Total tCO ₂	% of total tCO ₂
Scope 1		
Jet fuel	151,542.33	79.08%
Deicing fluid	176.60	0.09%
Diesel and petrol	3.18	0.00%
Total Scope 1	151,722.11	79.17%
Scope 2		
Electricity HQ, Keflavik Airport Office, GPU KEF, and Vilnius Office	10.41	0.01%
Heating HQ, Keflavik Airport Office, and Vilnius Office	1.43	0.00%
Total Scope 2	11.85	0.01%
Total Scope 1 and 2	151,733.96	79.18%
Scope 3		
Cat. 1 - Purchased good and services	475.68	0.25%
Cat.3 - Distribution of fuel purchased from fuel provider*	31,693.86	16.54%
Cat. 4 - Upstream transport and distribution - Distribution of products and resources we purchase	9.57	0.00%
Cat. 5 - Waste**	7,385.37	3.85%
Cat. 6 - Business travel	112.14	0.06%
Cat. 7 - Employee commute***	235.27	0.12%
Total scope 3	39,911.89	20.82%
Total Scope 1, 2 & 3	191,645.85	

*Average - data method used.

**Estimated numbers for waste from our aircrafts and Vilnius office.

***Estimated numbers for public transport in Vilnius.

Calculating our Carbon Emissions - Methodology

In terms of Purchased goods and services, we include all food for crew members, fresh food sold on board and other snacks and drinks. All products from the main menu sold on board were included in the calculations, which is the greatest addition in this category between this year's figures and last year's. Additionally, purchased goods and services take ground handling into account at Keflavík Airport, Iceland.

Fuel- and energy related activities, not included in scope 1 or scope 2, remained unchanged.

Upstream transportation and distribution for 2022 now includes calculations from PLAY's leading marine carrier. The calculations of upstream transportation of sold items onboard stayed the same, while the volume of goods sold on board increased.

Waste generated in operations includes the HQ in Reykjavík, catering at Keflavík Airport, waste from our aircraft, and PLAY's office in Vilnius, Lithuania. The calculations for waste in scope 3 were enhanced with a more accurate waste management system that allowed PLAY to see each waste breakdown based on categories. The waste from the aircraft was estimated using data from 395 flights operated in 2022. The estimated waste from our aircraft amounts to approximately 108 tons. The waste in Vilnius was estimated using calculations from Reykjavík HQ. Even though the weight is estimated, it was thought vital to include the waste from PLAY's Vilnius office in the calculations since additional factors from the Vilnius office are included in scope 2 and 3.

Business travel now includes hotel accommodation for PLAY crew members during layovers and for pilot simulation training abroad. As flights to the US started in April 2022, bus transfers to and from hotels for crew members in the US were added to the calculations. The number of business trips has increased since our first report. This is due to the expanded selection of locations, regular pilot simulation training, the connectivity of offices in Reykjavík and Vilnius, international conferences, and the fact that PLAY was in its first full year of operation in 2022. Business travel flights flown with PLAY are not included in the calculations.

Prior calculations for employee commuting estimations were based on all crew members that drive to Keflavík by car and office employees at HQ. Additionally, the calculations for 2022 include employee commutes for PLAY employees at the Operations Control Center in Keflavík Airport, employees working in Catering at Keflavík Airport, and Vilnius office employees. The following categories are not included in scope 3 emissions calculations: Capital goods, Upstream leased assets, Downstream transportation and distribution, Processing of sold products, Use of sold products, End-of-life treatment of sold products, Downstream leased assets, Franchises, and Investments.



Circularity

At PLAY we despise being wasteful so we aim to make the most of all our resources and enjoy them for as long as we can. That's why circular thinking is so important to us and we continue to find new opportunities in our operations to implement circular solutions. Our focus is on waste reduction, minimizing unnecessary packaging, eliminating single-use plastic and collaborating with partners.

In September 2022, PLAY replaced disposable cutlery for crew members with regular re-usable cutlery. Since the change was made, PLAY has saved approximately 330 kg of disposable cutlery for crew members in 2022. That means in 2023, PLAY will save approximately 1.73 tons of disposable cutlery for crew members.

Fresh food sold on board was modified in December 2022, and plastic wrapping was replaced with plastic-free paper packaging.

Waste on board

Until now, European and Icelandic legal requirements have stated all onboard waste should be incinerated. Thankfully, change is on the horizon, and we are keeping a close eye on the modification to the rules governing the classification of waste in air transportation.



Social Impact

Social goals for 2025

For PLAY to build and maintain a safe, supportive and playful culture is a key element to our success. As a listed company with high growth goals, PLAY takes its role of being a responsible business very seriously.

We are in a great position to have a positive impact on the communities where we operate. Furthermore, we want to raise awareness of sustainability in the aviation industry, for our customers and everyone interested in learning about it.

#1

Safe, supportive and playful culture

#2

Equal pay and opportunities

#3

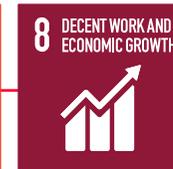
Create a positive impact with partnerships in our destinations

#4

Raise awareness regarding sustainability in the aviation industry

How will we achieve our social goals?

- We are one team at PLAY. Our employees are engaged and proud of their company. We will work hard and stay focused on maintaining high job satisfaction scores from employee surveys by continually engaging with employees.
- Building and sustaining a diverse and inclusive workforce takes training and access to information on the topic. Diversity and inclusion training is implemented in our training program, which is followed up by HR.
- We received an equal pay certificate in 2020. By following our current procedures, we will sustain that certificate.
- Equal gender ratio in the management team is a priority. We also put emphasis on equalizing the gender ratio in jobs where the gender ratio is imbalanced, for example by hiring more women to fly our planes and men as cabin crew.
- We do not tolerate harassment or discrimination. For every employee to be familiar with and understand our policy, we take all our employees through an annual, recurring training program on our anti-harassment and non-discrimination policy.
- Partnerships and collaborations are key elements for every company to succeed on their sustainability journey. PLAY aims to establish partnerships with like-minded tourist companies in Iceland to make sustainable travel more accessible in Iceland.
- PLAY is in a key position to raise awareness on sustainability. We will employ our connections and access to our customers to bring sustainability in the aviation industry to public attention.



Social Impact

Future of work

From day one, we focused on providing our people with the best work environment and culture. We believe that an excellent work environment, flexibility, and an effective culture are not only nice to have but necessary to attract and retain the best talent. We want our people to notice that we provide equal opportunities, that we celebrate diversity, and that every employee's idea, knowledge and perspective is important. To succeed in a competitive market and a fast-growing industry, we encourage and support our people to adapt to changes in the industry.

Our employees

Our employees are the core of our business, and together we are one team. Our goal is to keep hiring professionals with a great attitude who will help us strengthen our team. We encourage open communication and aim to create an environment where our people can evolve their roles within the company.

At PLAY, we are building a great team with a unique, diverse, and inclusive atmosphere. We are committed to providing a safe and positive environment for all our employees that is free from discrimination and harassment of any kind. We want to onboard optimistic and powerful people who want to change the course of aviation.

Training for our crew is highly regulated, and we

have increased the extent of the training more than required by regulations. Employees have access to courses and PLAY has established an educational plan for the next 18 months based on a focus group within the company.



We will not only hire new crew members as an increase in our aircraft fleet creates a need for new employees in various functions.

During the year, 240 new employees were hired, which resulted in even greater diversity in the workplace. At the end of the year PLAY's employees consisted of 19 nationalities, which we consider to be a great advantage. PLAY's employees' age ranges from 19 to 67 years old with an average age of 33.45 years.

PLAY puts a lot of effort into career development and emphasizing that people can grow within the company. In 2022, a number of pilots upgraded to be captains or undertook a pilot training role. At PLAY there were a lot of permanent hires of cabin crew members with increased responsibility, many had the opportunity to become senior cabin crew and/or instructors or cabin line checkers.

At PLAY's HQ and office in Vilnius, many have had opportunities to develop their career within the company and have obtained increased responsibility. Many employees have taken on management roles and others have moved between departments where previous knowledge within the company can be used to our advantage.

Social Impact

Employee Engagement

PLAY hosts regular Friday morning meetings where employees have a platform to relate their projects to others within the company. The Friday morning meetings are streamed on Workplace for all employees to increase accessibility to the meeting material. The meetings have also been used for other occasions, such as employee meetings to share information as well as training presentations, e.g. diversity and communication training from external parties.

Open crew meetings are held on a regular basis, as an opportunity for crew and management to have a dialogue about diverse topics and to easily share information.

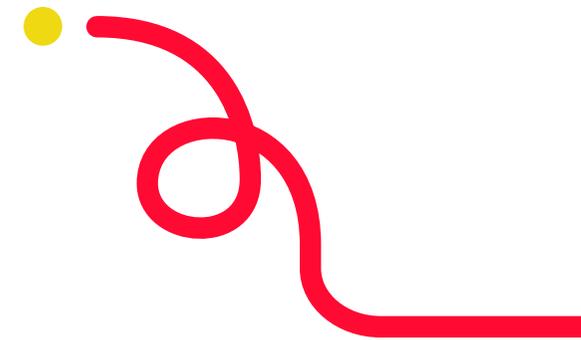
Five “PlayDays” for new cabin crew members were held in 2022. PlayDays are held for new employees to give them an opportunity to get to know all the departments of the company. It’s important that our cabin crew, as the face of our company, feels both welcomed and enabled and that they have a good knowledge of the company’s infrastructure.

In September 2022, we conducted a survey to measure job satisfaction, engagement and pride. The score in each category was on a range from 4.17 to 4.36 out of 5. This is a slight decrease from 2021, but we did expect it to be a challenge to maintain high scores while growing at our pace.

These scores are still outstanding and our workforce is truly engaged and happy at work, and they show

pride in working for PLAY. We believe we can do better and will continue to constantly work on securing high engagement scores by keeping it a part of our social KPIs.

We work with the results of each employee survey and for transparency, they are well presented within the company. We use a system that highlights for us which aspects of the survey need to be adapted and which aspects need to be maintained. The system creates a proposal for an action plan for each aspect of the survey that the board relies on when creating an action plan. As previously mentioned, a safe, supportive, and playful culture is key to our success.



An employee engagement survey was conducted in September by Gallup



4.19

**ENGAGED
WORKFORCE**

The results showed very high engagement among employees with a score of 4.19 out of 5.

Engagement in work was even higher among cabin crew members or 4.25.



4.17

**JOB
SATISFACTION**

The results showed very high job satisfaction among employees, with a score of 4.17.

Job satisfaction was higher among cabin crew members or 4.25.



4.36

PRIDE

The results showed very high pride in work, with a score of 4.36.

The results were higher among cabin crew members or 4.51.

Social Impact

Strategic Leadership Training

When we say that our employees are the core of our business, we genuinely mean it. We continue to invest in training of our leaders so they can grow to be even more exceptional in their leadership roles. Highly competent leaders are the key to our future success and growth. For that reason, we are training our management team with a full-year program to become the leaders that have the right competence to lead our company towards healthy growth and remarkable success in an incredibly competitive and evolving market.

The strategic leadership training is ongoing throughout the year and is a great benefit for the employees that have participated. We have collaborated with Thor Olafsson and the Strategic Leadership Group, both with the executive team and other management teams throughout the year. In December we had a leadership day for all managers within PLAY. SLG's continuous leadership training has proven to be a great success and useful to sync information and procedures.

Five cross-departmental culture workshops were held in March with the help of Strategic Leadership Group's highly qualified consultants. All employees were encouraged to participate and the outcome exceeded expectations. The primary benefit of the workshops was people meeting, interacting and understanding each other roles within the company. Several initiatives were launched following the workshops where the flow of information was addressed, including putting more information on Workplace as our main source of information flow. We also opened a PLAY idea box to make it easier for employees to spark ideas from all work units.

Responsible Business

To succeed as a responsible business we want to build relationships and partner up with like-minded companies and NGO's. PLAY has participated in collaborative platforms such as Responsible tourism in Iceland and attended a workshop organized by Business Iceland. PLAY is a member of Festa, Center for Sustainability.

We take every opportunity to raise awareness of sustainability, for our customers and everyone that is interested. This summer, PLAY's sustainability website was updated and also made accessible in Icelandic.

We communicate our effort and actions to our stakeholders. The 2021 sustainability report was presented in April, both within the company as well as publicly. PLAY's initiatives were introduced for collaboration with ISAVIA and in the University of Iceland's course Projectification and Sustainable Governance of Projects in May.

In December, a sustainability group was created on Workplace to open the discussion regarding PLAY's sustainability journey within the company.



Social Impact

Positive impact on all stakeholders

Gender equality and inclusivity

PLAY provides equal opportunities where each employee is valued based on their merits. **Equality is part of the company policy, and PLAY received an equal pay certificate in May 2020.** The certificate is to be renewed every three years.

In October, PLAY received the Equality Scale from the Association of Women Business Leaders in Iceland for the second year in a row. The Equality Scale is awarded to businesses that have an equal gender ratio in their executive-level positions.

We seek to establish a diverse group of employees that have different backgrounds and experiences.

Every job advertisement is aimed towards making it as accessible as possible to everyone. This is done by having it in English, using non-gender specific language and stating that at PLAY we are building a great team with a unique, diverse, and inclusive atmosphere.

PLAY is committed to providing a safe and positive work environment for all its employees, free from discrimination and harassment of any kind. Bullying, any kind of discrimination, sexual, or gender-based harassment is not tolerated. At PLAY, we show respect for our co-workers and strive to have good and healthy communication in the workplace.

Since its founding, PLAY has focused on issues of equality

PLAY's Board of Directors and executive team



Key management positions



Among all employees



PLAY has a policy on equal pay and opportunities:

- At PLAY, we celebrate diversity and do not discriminate based on sex, age, national origin, race, color, religion, disability, sexual orientation, gender identity, or other non-merit factors.
- Employees doing equal work shall receive equal pay regardless of gender or any other non-merit factors.
- PLAY is committed to providing a work environment free of discrimination, prejudice, bullying, sexual harassment, or any other kind of harassment or gender-based violence.
- PLAY is committed to giving employees the opportunity to coordinate work and family.
- PLAY's Equal Pay and Opportunity Policy applies to all individuals employed by PLAY, and it is their shared responsibility to work according to it.

Social Impact

Well-being

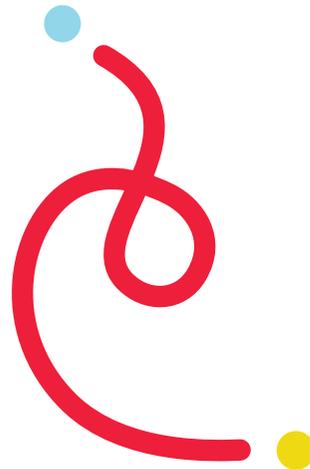
To provide our people with the best work environment and culture, it's important to focus on the well-being of employees. We aim to establish a supportive and playful culture where each and every employee feels like they are a part of a team and to facilitate that, we have established a peer support system within PLAY. The peer support system is ongoing and courses for peers have been held.

We also respect and react to the impact that the world pandemic has on mental health and fatigue. Therefore, PLAY provides employees with access to therapy sessions, paid for by the company. We have established a good cooperation with a psychologist service and our employees have easy access to those services.

Cabin crew uniforms

Forget running around in high heels – comfortable sneakers are the way to go. Instructions regarding hair, makeup, tattoos, and nail polish are gone. The uniforms are not gender-specific, and our crew can pick whatever works for them from a varied selection of outfits. As if that was not enough, they also manage to look simply amazing! Our uniforms are designed by famous Icelandic designer couple Gunni Hilmarsson and Kolla, who were keen to tackle a fresh take on what is usually a very traditional line of clothing.

PLAY's uniform has caused great delight among staff as well as passengers. Although our uniforms are comfortable, we have adapted them to better meet the needs of our staff. We have listened to the wishes of the employees and adapted the uniforms according to suggestions from the people who work in the uniforms, changing the uniform to increase the comfort of our employees who work in a very demanding work environment.



Governance

Governance goals for 2025

PLAY's corporate governance reflects how we structure and act to ensure the best interests of all our stakeholders (for example customers, employees, shareholders, communities, and policymakers). Good governance goes hand in hand with being a responsible business. Clear and transparent corporate disclosures and ethical business practices will minimize volatility and increase overall competitive advantages. Our governance goals for 2025 include an emphasis on the following areas:

#1

Code of Conduct

#2

Responsible Labor Practices

#3

Responsible Data Security and Policy

#4

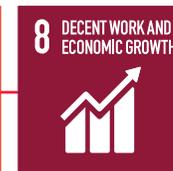
Climate Change Risk Management

#5

Internal Communication

How we will achieve our governance goals?

- Supplier Code of Conduct - being a responsible company means also choosing suppliers for their business ethics and environmental focus. Our tech operations have added supplier code of conduct to their vendor surveillance data sheet. We will continue to engage more of our larger suppliers to make sure that they follow our Supplier Code of Conduct. We will encourage collaboration and support on sustainability matters if needed.
- Employee's Code of Conduct – fused in our core is our ethical role towards our employees, shareholders, and the local communities we operate in and towards our passengers who choose to conduct their business with a safe and trustworthy company. All employees sign the Code of Conduct annually. And with regards to work conditions, of course, we always follow laws and regulations in every country where we operate.
- Data Security and Privacy Policy - 91% of all cybersecurity breaches are caused by human error. All employees will undergo relevant data security and privacy at least annually.
- Risk management due to climate change – climate risk will be a part of our risk management policy. Our first task is to identify climate risks and build a framework around how we will manage risk due to climate change. We will disclose our risk assessment according to relevant industry standards and timelines.
- Internal communications – in a growing company, a clear strategy on internal communications is key. Open dialog regarding all PLAY matters is encouraged and clear information pathways are in place.



Governance

How we manage sustainability

Despite being a young company, we have a view and structure on how we manage sustainability.

The Board of Directors

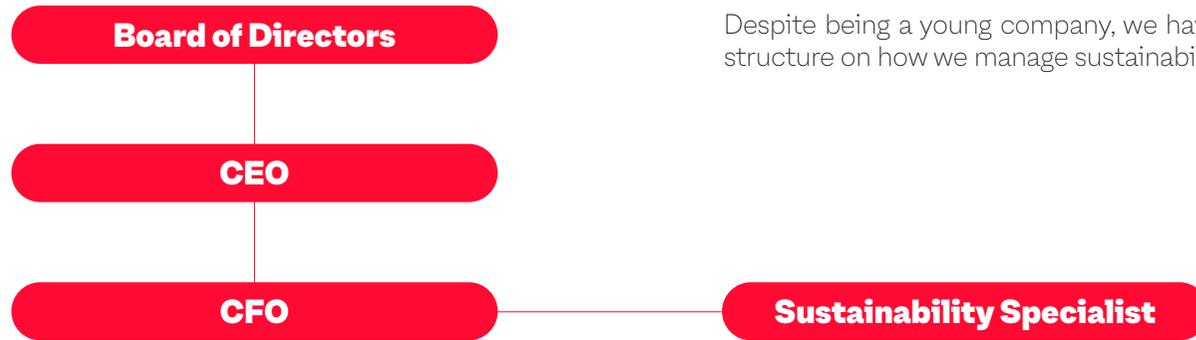
The Board reviews sustainability issues at Board meetings.

Executive Team

The Chief Executive Officer monitors that decisions made on sustainability topics are actioned across the company. The CEO is responsible for updating the Board on sustainability issues.

Sustainability Specialist

The Sustainability Specialist reports directly to the CFO. The specialist is responsible for embedding sustainable thinking across the business in line with the strategy and leading all sustainability-related projects and programs.



Governance

Business ethics and Supplier Code of Conduct

Business ethics

We do not tolerate corruption or anti-competitive behavior. PLAY's Anti-Corruption and Bribery Policy and Anti-Slavery and Human Trafficking Policy apply to everyone who acts on behalf of PLAY. The Board of Directors has reviewed and approved the aforementioned policies.

Our value- and supply chain

Our suppliers provide us with products and services. The majority of these are related to aircraft operations and related services. To name a few:

- Airports and air navigation service providers
- Jet fuel providers
- Ground handling providers
- Food and drink suppliers
- Technical and aircraft maintenance
- IT supplier

As PLAY operates out of Iceland, many of our suppliers are situated at Keflavik Airport or in the capital area close to the airport. Due to our type of operation, we also have important suppliers in every location where we operate.



Governance

Business ethics and Supplier Code of Conduct

Supplier Code of Conduct

The purpose of our Supplier Code of Conduct is to ensure that our suppliers adhere to high standards of safe working conditions, fair and respectful treatment of employees, ethical practices and minimizing environmental and climate impact. With our Supplier Code of Conduct, we set clear expectations for our suppliers. This helps protect our brand. It furthermore gives us an important opportunity to engage with our suppliers. PLAY's Supplier Code of Conduct has been reviewed and approved by the Board of Directors.

All of PLAY's policies are published on our intranet which is accessible to all employees. PLAY's primary policies are publicly available on our website under Corporate Governance.

Supplier Code of Conduct Principles

People

- Health and safety - we expect our suppliers to work and operate in compliance with applicable laws, regulations, and industry standards.
- Safe and ethical behavior is fundamental in every relationship. We expect our suppliers to ensure that their employees are treated with respect and fairly comply with applicable laws on wage, compensation, working hours, minimum age of employment, and working conditions in the jurisdiction where work is performed.

Environment

- We measure and mitigate our climate impact and expect our suppliers to adopt procedures and practices to minimize their impact on the environment and have goals and actions to minimize waste and water usage.
- We prefer our suppliers to measure their CO₂ emissions and set measurable goals to decarbonize their emissions as well as utilize carbon offsets.
- Trustful collaboration is very important to us. Therefore, we engage with our suppliers and provide support on sustainability-related matters if needed and requested.

Business dealings

- Suppliers must act in compliance with the applicable laws, rules and regulations of the countries in which they operate.
- Suppliers must conduct their business in an honest manner, in compliance with competition laws in the jurisdiction where they operate, and comply with the Anti-Bribery Policy.
- Our suppliers must avoid conflicts of interest, comply with securities laws and tax obligations in the countries in which they operate, and abide by all relevant international trade laws.
- Our suppliers must respect human rights by not accepting any form of forced, involuntary or child labor, human trafficking, and modern slavery anywhere in their business or supply chains.

Data

- Our suppliers must protect all personal data that they process, collect, or manage in accordance with data protection laws in the countries in which they operate.

ESG Report 2022

Environment	Units	2021	2022
E1. GhG Emissions			
E1.1 Total amount, in CO ₂ equivalents, for Scope 1 (if applicable)	t CO ₂ e		
Jet fuel		25,139.96	151,542.33
Deicing fluid		18.93	176.60
Petrol/Diesel		0.75	3.18
E1.2 Total amount, in CO ₂ equivalents, for Scope 2 (if applicable)	tCO ₂ e		
Electricity		1.26	10.41
Heating		7.10	1.43
E1.3 Total amount, in CO ₂ equivalents, for Scope 3 (if applicable)	tCO ₂ e		
Purchase good and services		34.60	475.68
Distribution of fuel purchased from fuel provider		5,256.01	31,693.86
Upstream transport and distribution - distribution of products and resources we purchase		0.40*	9.57
Waste generated in operation		22.44	7,385.37
Business travel		19.56	112.14
Employee commute		70.72	235.27
Total Scope 1, 2 and 3		30,571.72*	191,645.85

<https://www.nasdaq.com/docs/2019/11/26/2019-ESG-Reporting-Guide.pdf>

*Calculations corrected from previous reporting

Environment	Units	2021	2022
E2. Emissions Intensity			
2.1 Total GHG emissions per output scaling factor - Scope 1 and 2 / Turnover	tCO ₂ /\$-million Revenue	1,534.63	1,084.59
2.2 Total GHG emissions per output scaling factor - Scope 1 and 2 / RPK (Revenue Passenger kilometer)		117	68
E3. Energy Usage			
Total amount of energy directly consumed			
Jet fuel	Mwh	97,367.46	469,059.59
Diesel	Mwh	0.71	10.52
Petrol	Mwh	2.01	1.51
E4. Energy Intensity			
Total direct energy usage per output scaling factor	Mwh/\$-million Revenue	5,937.21	3,352.91
E5. Energy Mix			
Energy usage by generation type			
Jet fuel	%	100.00%	100.00%
Diesel	%	0,00%	0,00%
Petrol	%	0,00%	0,00%

Environment	Units	2021	2022
E6. Water Usage			
E6.1) Total amount of water consumed			
Hot water	m ³	31,028	4,302*
Cold water	m ³	874	2,204
<i>*Difference partly due to relocation of HQ</i>			
E7. Environmental Operations			
E7.1) Does your company follow a formal Environmental Policy?	Yes/No	No	No
E7.2) Does your company follow specific waste, water, energy, and/or recycling policies?	Yes/No	No	No
E7.3) Does your company use a recognized energy management system?	Yes/No	No	No
E8. Climate Oversight / Board			
Does your Board of Directors oversee and/or manage climate-related risks? Yes/No	Yes/No	No	No
E9. Climate Oversight / Management			
Does your Senior Management Team oversee and/or manage climate-related risks?	Yes/No	Yes	Yes
E10. Climate Oversight / Management			
Total amount invested, annually, in climate-related infrastructure, resilience, and product development.	Number	None	None

Social	Units	2021	2022
S1. CEO Pay Ratio			
S1.1) Ratio: CEO total compensation to median FTE total compensation	Number	4.38:1*	4.27:1
S1.2) Does your company report this metric in regulatory filings?	Yes/No	No	No
<i>*December 2021</i>			
S2. Gender Pay Ratio	Number		
Ratio: Median male compensation to median female compensation*		1.10:1	1.40:1
<i>*December 2021</i>			
S3. Employee Turnover	%		
S3.1) Percentage: Year-over-year change for full-time employees		2%	10.9%
S3.2) Percentage: Year-over-year change for part-time employees		0%	0%
S3.3) Percentage: Year-over-year change for contractors and/or consultants		0%	0%

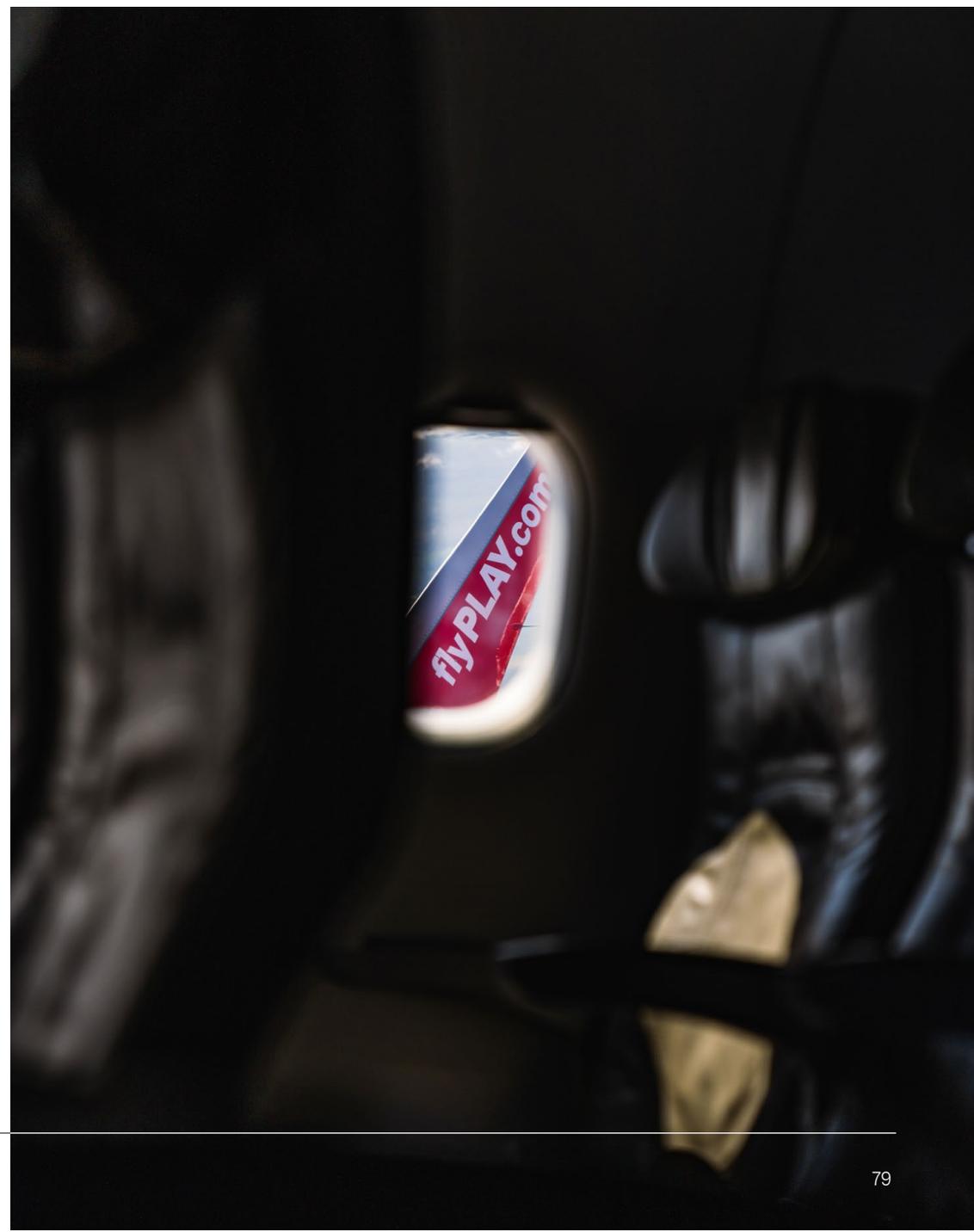
Social	Units	2021	2022
S4. Gender Diversity	Number		
S4.1) Percentage: Total enterprise headcount held by men and women			
Number of women in the company		72	171
Number of men in the company		74	152
S4.2) Percentage: Entry and mid-level positions held by men and women			
Number of women in entry and mid-level position		61	156
Number of men in entry and mid-level position		63	128
S4.3) Percentage: Senior and executive-level positions held by men and women			
Number of women in senior and executive-level positions		11	15
Number of men in senior and executive-level positions		11	24
S5. Part-time Worker Ratio	%		
S5.1) Percentage: Total enterprise headcount held by part-time employees		71%	12%*
S5.2) Percentage: Total enterprise headcount held by contractors and/or consultants		29%	0.3%
<i>*In the end of year 2022, Iceland</i>			
S6. Non-Discrimination	Yes/No		
Does your company follow a sexual harassment and/or non-discrimination policy?		Yes	Yes

Social	Units	2021	2022
S7. Injury Rate	%		
Frequency of injury events relative to total workforce time		0%	0%
S8. Global Health & Safety	Yes/No		
Does your company follow an occupational health and/or global health & safety policy?		Yes	Yes
S9. Child & Forced Labor	Yes/No		
S9.1) Does your company follow a child and/or forced labor policy?		Yes	Yes
S9.2) If yes, does your child and/or forced labor policy cover suppliers and vendors?		Yes*	Yes*
<i>*It's covered in PLAY's Supplier Code of Conduct</i>			
S10. Human Rights	Yes/No		
S10.1) Does your company follow a human rights policy?		Yes	Yes
S10.2) If yes, does your human rights policy cover suppliers and vendors? Yes/No		Yes*	Yes*
<i>*It's covered in PLAY's Supplier Code of Conduct</i>			

Governance	Units	2021	2022
G1. Board Diversity	%		
G1.1) Percentage: Total board seats occupied by women (as compared to men)		60%	60%
G1.2) Percentage: Committee chairs occupied by women (as compared to men)		50%	50%
G2. Board Independence			
G2.1) Does company prohibit CEO from serving as board chair?	Yes/No	Yes	Yes
G2.2) Percentage: Total board seats occupied by independents	%	60%	60%
G3. Incentivized Pay	Yes/No		
Are executives formally incentivized to perform on sustainability?		No	No
G4. Collective Bargaining	%		
Total enterprise headcount covered by collective bargaining agreement(s)		100%	98%

Governance	Units	2021	2022
G5. Supplier Code of Conduct			
G5.1) Are your vendors or suppliers required to follow a Code of Conduct?	Yes/No	Yes	Yes
G5.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?	%	0%*	N/A*
<i>*The Supplier Code of Conduct was first introduced in 2022 following the approval of the Board, the percentage is not available</i>			
G6. Ethics & Anti-Corruption			
G6.1) Does your company follow an Ethics and/or Anti-Corruption policy?	Yes/No	Yes	Yes
G6.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?		N/A*	96.76%
<i>*Anti-harassment and Non-discrimination Policy, Equal Pay and Opportunity Policy and Code of Ethics - September 2022</i>			
G7. Data Privacy	Yes/No		
G7.1) Does your company follow a Data Privacy policy?		Yes	Yes
G7.2) Has your company taken steps to comply with GDPR rules?		Yes	Yes

Governance	Units	2021	2022
G8. ESG Reporting	Yes/No		
G8.1) Does your company publish a sustainability report?		Yes*	Yes
G8.2) Is sustainability data included in your regulatory filings?		Yes*	Yes
<i>*Annual and Sustainability Report 2021 was PLAY's first Sustainability Report</i>			
G9. Disclosure Practices	Yes/No		
G9.1) Does your company provide sustainability data to sustainability reporting frameworks?		No	No
G9.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)?		Yes	Yes
G9.3) Does your company set targets and report progress on the UN SDGs? *		Yes	Yes
<i>*PLAY has sustainability related KPI's which are linked to the SDG's that the company has chosen to focus on.</i>			
G10. External Assurance	Yes/No		
Are your sustainability disclosures assured or validated by a third party?		No*	No*
<i>*Our Carbon reporting for scope 1 and 2 are verified by a third party.</i>			



Assurance Statement for scope 1 and 2 Carbon Emissions



VERIFAVIA SAS
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THIRD-PARTY ASSURANCE STATEMENT

Context

VERIFAVIA SAS ("VERIFAVIA") has been engaged by Fly PLAY to perform an independent verification with the limited assurance of the scope 1 and scope 2 carbon inventory data for the year 2022 (January 1st – December 31st). Scope 2 emissions were calculated using market-based emission factors, as provided by the respective service suppliers. Total CO₂ emissions are reported in the following table:

Reporting scope	CO ₂ emissions (tonnes)
Scope 1 (jet fuel, de-icing fluids, diesel & petrol)	151 722
Scope 2 (electricity and heat generated off-site)	11.85
Fly PLAY total 2022 Scope 1 & Scope 2	151 734

Criteria

We conducted the independent audit based on the following verification criteria:

- ISO 14065:2013 – *Greenhouse gases – requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition*
- ISO 14064-3:2019 – *Greenhouse Gases – Specification with guidance for the validation and verification of greenhouse gas emissions and removals*
- Chapter 10 of the *Greenhouse Gas Protocol – "A Corporate Accounting and Reporting Standard" (Revised Edition)*

Responsibilities

Fly PLAY is solely responsible for the preparation and reporting of their carbon inventory data, for any information and assessments that support the reported data, for determining the company's objectives in relation to carbon information and management, and for establishing and maintaining appropriate performance management and internal control systems from which reported information is derived.

In accordance with the verification contract, it is our responsibility to form an independent opinion, based on the examination of information and data presented in the sustainability appendix of Fly PLAY's annual report, and the company's ESG report (according to Nasdaq 2.0 reporting guide), and to report that opinion to Fly PLAY. We also report if, in our opinion:

- the carbon inventory data is or may be associated with misstatements (omissions, misrepresentations, or errors) or non-conformities; or
- the verification team/verifier has not received all the information and explanations that it requires to conduct its examination; or
- improvements can be made to the company's performance in monitoring and reporting of carbon inventory data.

We conducted our examination having regard to the verification criteria documents listed before. This involved email and teleconferencing discussions and on-site interviews during the January – February 2023 period, to interview the staff responsible to give us limited assurance that the amounts and disclosures relating to the data have been properly prepared in accordance with the requirements of the Greenhouse Gas Protocol in terms of relevance, completeness, consistency, transparency, and accuracy. This also involved assessing where necessary estimates and judgements made by Fly PLAY in preparing the data and considering the overall adequacy of the presentation of the data in the Carbon Footprint of Fly PLAY.

Independence statement

We confirm that VERIFAVIA and the verification team are independent of Fly PLAY and have not assisted in any way with the development of the carbon inventory or in the preparation of any text or data provided in the sustainability section of Fly PLAY's annual report, except for this Assurance Statement.

Opinion

We conducted a verification of the carbon inventory data reported by Fly PLAY as presented above. Based on the verification work undertaken to limited assurance, these data are fairly stated and contain no material misstatements or material non-conformities.

Paris, 23 February 2023



Mathias Grossmann
Aviation & Airports Director, VERIFAVIA

Sasikumar,
Aviation Manager, VERIFAVIA

VERIFAVIA

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Route Map 2023



Investor Relations Information

PLAY emphasizes providing relevant information to the market and being available for open dialogue with shareholders, analysts, and the media. PLAY held its first capital markets day in 2021 and has the ambition to continue with such activities in the coming future. PLAY also holds regular analyst and investor presentations when publishing quarterly reports.

IR Contact

Ólafur Þór Jóhannesson,
CFO Email: ir@flyplay.com

Annual General Meeting

PLAY's Board currently intends to hold the AGM on 7th of March 2023. The arrangements for PLAY's 2023 the AGM and details of the resolutions to be proposed, together with explanatory notes, will be set out in the notice of the AGM to be published on PLAY's website.

Independent Auditor

Grant Thornton
Suðurlandsbraut 20,
108 Reykjavík

Company's Registered Office

Fly Play hf.
Suðurlandsbraut 14,
108 Reykjavík

Corporate Website

PLAY's corporate website, www.flyPLAY.com, provides useful information including annual reports, traffic reports, financial results, and share price data, as well as background information about the Company and current issues and announcements.

Annual Report

PLAY's Annual Report and other financial information are available in English and can be downloaded at <https://www.flyplay.com/financial-reports-and-presentations>.

Financial Calendar

Monthly traffic data is generally issued on the seventh of every month or the following working day. The detailed financial calendar is available at www.flyPLAY.com/financial-calendar.

January 9, 2023	●	Traffic Report - December 2022
February 7, 2023	●	Traffic Report - January 2023
March 7, 2023	●	Annual Report 2023
March 7, 2023	●	Traffic Report - February 2023
March 7, 2023	●	Annual General Meeting 2023
April 5, 2023	●	Traffic Report - March 2023
April 27, 2023	●	1st Interim Report January - March
May 8, 2023	●	Traffic Report - April 2023
June 7, 2023	●	Traffic Report - May 2023
July 7, 2023	●	Traffic Report - June 2023
July 27, 2023	●	2nd Interim Report January - June
August 8, 2023	●	Traffic Report - July 2023
September 7, 2023	●	Traffic Report - August 2023
October 9, 2023	●	Traffic Report - September 2023
October 26, 2023	●	3rd Interim Report January - September
November 7, 2023	●	Traffic Report - October 2023
December 7, 2023	●	Traffic Report - November 2023

PLAY