



Fly PLAY hf.

CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS

1 January - 30 September 2023

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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 over 30 destinations.

The Condensed Consolidated Interim Financial Statements for the period from January 1 to September 30 2023 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for Interim Financial Statements (IAS 34). The Financial Statements are presented in thousands of US dollars, the Group's functional currency.

Operations in the nine-month period ended 30 September 2023

According to the Condensed Consolidated Interim Financial Statement loss for the period was USD 16.1 million whereas profit for the quarter was USD 5.2 million. On September 30, 2023, equity amounted to USD 25.5 million, including share capital in the amount of USD 6.8 million and a share premium of USD 101 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 433 in the period thereof 205 men and 228 women, and salaries and related expenses amounted to USD 31.7 million.

PLAY's cash position including restricted cash amounted to USD 39.2 million (including restricted cash) on 30 September 2023. This is an increase in cash position compared to end of last year and excluding investments in fleet expansion PLAY has had a neutral cash flow in 2023.

From the start of operations PLAY has entered into lease agreements for a total of 10 new aircraft. In the quarter PLAY signed Letters of Intent for two additional Airbus A320NEOs for 2025. Any further expansions of fleet will depend on if aircraft can be secured at the right terms.

During Q3 2023, PLAY operated flights to 33 destinations in Europe and North America. Capacity measured in available seat kilometers increased by 70% compared to Q3 2022. Load factor increased from 85% in Q3 2022 to 88.4% in Q3 2023. In Q3 2023, PLAY flew 540 thousand passengers which is 74% more than the number of passengers flown in Q3 2022, when PLAY flew 311 thousand passengers.

PLAY's total assets amounted to 494 million USD on September 30.

Outlook going forward

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

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

Statement by the Board of Directors and the CEO

According to the Board of Directors' and CEO's best knowledge, the Condensed Consolidated Interim Financial Statements give a true and fair view of the financial performance of the Group for the nine-month period ended 30 September 2023, its assets, liabilities and financial position as at 30 September 2023 and its cash flows for the nine-month period ended 30 September 2023.

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

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of PLAY for the nine-month period ended 30 September 2023 and confirm them by means of their signatures.

Reykjavik October 26, 2023

Board of Directors:

CEO:

Consolidated Interim Income Statement and other Comprehensive Income

	Notes	2023 Q3	2022 Q3	2023 1.1.-30.9	2022 1.1.-30.9
Revenue					
Transport revenue	6	110,173	59,852	216,057	102,010
		<u>110,173</u>	<u>59,852</u>	<u>216,057</u>	<u>102,010</u>
Operating expenses					
Aviation expenses	7	63,807	39,465	131,652	78,212
Salaries and other personnel expenses	8	12,083	6,736	31,733	18,029
Other operating expenses	9	6,197	3,062	17,079	9,435
		<u>82,087</u>	<u>49,262</u>	<u>180,464</u>	<u>105,676</u>
Operating profit (loss) before depreciation and Amortization (EBITDA)		28,086	10,590	35,593	(3,666)
Depreciation and Amortization	10	15,222	9,256	40,014	22,757
Operating profit (loss) (EBIT)		12,864	1,333	(4,421)	(26,423)
Financial income and expenses					
Financial income		575	8	1,419	395
Financial expenses		(7,338)	(3,752)	(16,731)	(8,114)
Foreign exchange		723	228	(74)	259
	11	<u>(6,041)</u>	<u>(3,515)</u>	<u>(15,386)</u>	<u>(7,460)</u>
Profit (Loss) before tax (EBT)		6,823	(2,182)	(19,806)	(33,883)
Income tax		(1,634)	(683)	3,692	5,449
Profit (Loss) for the period		5,189	(2,865)	(16,115)	(28,434)
Other comprehensive (loss) income					
Items that are or may be reclassified to the income statement on later date					
Net loss on fuel hedge, net of tax		5,262	0	2,505	0
		<u>5,262</u>	<u>0</u>	<u>2,505</u>	<u>0</u>
Total comprehensive profit (loss) for the period		10,451	(2,865)	(13,610)	(28,434)
Earnings per share					
Basic and diluted earnings per share (US cent)	15	0.8	(0.5)	(2.4)	(5.1)

Consolidated Statement of Financial Position as at 30 September 2023

	Notes	30.9.2023	31.12.2022
Assets			
Intangible assets		13,485	12,561
Right-of-use assets	12	363,567	224,385
Operating assets		12,540	6,723
Aircraft deposits & security instalments		13,820	10,934
Deferred tax assets		19,719	16,027
Non-current assets		423,131	270,630
Inventories		455	819
Trade and other receivables	13	27,894	22,861
Prepaid expenses		3,137	939
Restricted cash	14	8,710	6,590
Cash and cash equivalents	14	30,497	29,644
Current assets		70,693	60,853
Total assets		493,824	331,484
Shareholders equity			
Share capital		6,797	6,740
Share premium		100,988	100,587
Other components of equity		14,907	13,844
Accumulated loss		(97,220)	(82,685)
Total shareholder equity		25,472	38,486
Liabilities			
Provisions	16	70,506	51,108
Lease liabilities	17	261,423	152,463
Non-current liabilities		331,930	203,571
Provisions	16	27,605	16,601
Lease liabilities	17	26,178	17,260
Trade and other payables		41,988	27,223
Deferred income	18	40,652	28,342
Current liabilities		136,422	89,427
Total liabilities		468,352	292,998
Total shareholders equity and liabilities		493,824	331,484

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

	Share capital	Share premium	Other components of equity	Accumulated loss	Total equity
2022					
Balance at January 1	5,606	85,371	11,674	(35,254)	67,397
Share capital increase	26	181	0	0	207
R&D reserve transfers	0	0	1,532	(1,532)	0
Stock options	0	0	474	0	474
Total comprehensive loss	0	0	0	(28,434)	(28,434)
Balance at September 30	<u>5,632</u>	<u>85,552</u>	<u>13,681</u>	<u>(65,220)</u>	<u>39,644</u>
2023					
Balance at January 1	6,740	100,587	13,844	(82,685)	38,486
Share capital increase	57	401	0	0	458
R&D reserve transfers	0	0	925	(925)	0
Stock options	0	0	137	0	137
Total comprehensive loss	0	0	0	(13,610)	(13,610)
Balance at September 30	<u>6,797</u>	<u>100,988</u>	<u>14,907</u>	<u>(97,220)</u>	<u>25,472</u>

Consolidated Statement of Cash Flows

for the nine months ended 30 September

	Notes	2023 Q3	2022 Q3	2023 1.1.-30.9	2022 1.1.-30.9
Cash flows used in operating activities					
Loss for the period		5,189	(2,865)	(16,115)	(28,434)
Adjustments for					
Depreciation and amortization	10	15,222	9,256	40,014	22,757
Net finance expense	11	6,041	3,515	15,386	7,460
Stock options		46	26	137	474
Deferred income tax		1,634	683	(3,692)	(5,449)
		<u>28,132</u>	<u>10,616</u>	<u>35,731</u>	<u>(3,192)</u>
Changes in operating assets and liabilities					
Inventories, increase		541	(35)	364	(95)
Trade and other receivables, decrease (increase)		11,265	5,302	(3,219)	(16,229)
Trade and other payables, increase (decrease)		(33,567)	(14,032)	24,488	24,318
Restricted cash, decrease (increase)		(255)	226	(2,101)	(6,037)
Changes in operating assets and liabilities		<u>(22,016)</u>	<u>(8,539)</u>	<u>19,532</u>	<u>1,957</u>
		<u>6,116</u>	<u>2,077</u>	<u>55,262</u>	<u>(1,235)</u>
Cash from (used in) operations before int. and taxes					
Financial income received		575	195	1,419	729
Interest paid		(7,346)	(3,784)	(16,826)	(8,194)
Net cash from (used in) operating activities		<u>(656)</u>	<u>(1,513)</u>	<u>39,855</u>	<u>(8,700)</u>
Cash flows to investing activities					
Deposits		(1,956)	(510)	(2,886)	(2,296)
Investment of operating assets		(615)	(621)	(6,168)	(1,755)
Investment of intangible assets		(1,142)	(903)	(2,937)	(3,031)
Net cash used in investing activities		<u>(3,713)</u>	<u>(2,034)</u>	<u>(11,992)</u>	<u>(7,082)</u>
Cash flows from financing activities					
Repayment of lease liabilities and provisions	16. 17	(11,661)	(4,143)	(27,956)	(9,464)
Proceeds from share issue		458	(0)	458	207
Net cash (to)/from financing activities		<u>(11,203)</u>	<u>(4,143)</u>	<u>(27,498)</u>	<u>(9,257)</u>
(Decrease)/Increase in cash and cash equivalents		(15,572)	(7,690)	365	(25,038)
Effect of exchange rate fluctuations on cash held		2	(2,032)	488	(3,146)
Cash and cash equiv. at beginning of the period		46,067	33,268	29,644	51,731
Cash and cash equivalents at the end of the period		<u>30,497</u>	<u>23,547</u>	<u>30,497</u>	<u>23,547</u>
Investment and financing without cash flow effect					
Acquisition of right-of-use assets	17	0	(20,945)	(134,023)	(92,464)
New leases	12	0	20,945	134,023	92,464
Capitalized maintenance obligation under lease	16	0	(13,078)	(42,149)	(44,141)
New leases	12	0	13,078	42,149	44,141

Notes

1. Reporting entity

Fly Play hf. (the "Group" or "PLAY") is a private limited company and domiciled in Iceland. PLAY is a low-cost airline which operates flights between North America and Europe. The registered office of the company is at Suðurlandsbraut 14 in Reykjavík, Iceland. The Company is listed on the Nasdaq First North Iceland effective from July 9, 2021.

The Condensed Consolidated Interim Financial Statements of the Company as at and for the period ended 30 September 2023 comprise the Company and its subsidiary (together referred to as "the Group" or "PLAY"). PLAY has one subsidiary which is PLAY Lithuania which is a private limited company and domiciled in Lithuania with its registered office at Lvivo g. 101, Vilnius. PLAY's ownership in PLAY Lithuania is 100%.

2. Basis of preparation

a. Statement of compliance

These Condensed Consolidated Interim Financial Statements of the Group are for the nine-month period ended 30 September 2023 and have been prepared in accordance with IAS 34 as adopted by the European Union.

The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Group's Annual Consolidated Financial Statements for the year ended 31 December 2022. The Financial Statements for the Group for the period ended 31 December 2022 are available upon request from the Group's registered office or at www.flyplay.com/financial-reports-and-presentations.

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

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors of Fly Play hf. on October 26, 2023.

b. Basis of measurement

The Financial Statements are prepared on a historical cost basis. Further details of the Group's accounting policies are included in the 2022 financial statements.

c. Going concern

These Condensed Consolidated Interim Financial Statements are prepared on a going concern basis.

3. Functional and presentation currency

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

4. Use of estimates and judgements

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

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2022.

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

Notes, cont.:

Measurement of fair values

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

5. Accounting policies

Standards issued but not yet effective

The accounting policies adopted in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group's annual Consolidated Financial Statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the Condensed Consolidated Interim Financial Statements of the Group.

Operating segments

The Group operates as a single operating segment.

Notes, cont.:

	2023	2022
6. Revenue		
Revenue is specified as follows:	1.1.-30.9	1.1.-30.9
Airfare	152,218	78,118
Ancillary	54,897	21,148
On board sales	4,666	2,466
Cargo revenue	2,685	158
Other revenue	1,592	120
Transport revenue total	216,057	102,010
7. Aviation expenses		
Aviation expenses are as follows:		
Aircraft fuel	65,681	44,215
Emissions permits (ETS)	8,099	4,628
Aircraft handling, landing and communication	43,233	21,569
Maintenance of aircraft	10,169	3,252
Catering	988	1,068
Other aviation expenses	3,482	3,481
Aviation expenses total	131,652	78,212
8. Salaries and other personnel expenses		
Salaries and other personnel expenses are specified as follows:		
Salaries	26,237	14,282
Accrued vacation	660	870
Pension fund contributions	2,624	1,518
Other salary related expenses	2,075	1,164
Stock options	137	474
Total salaries and other personnel expenses	31,733	18,308
Capitalized salary expenses	0	(279)
Salaries and other personnel expense recognized in the Income statement	31,733	18,029
Average number of full year equivalents	433	239
Employees at the end of the period	531	318
9. Other operating expenses		
Other operating expenses are as follows:		
Housing and office expenses	182	159
Marketing and sales expenses	6,056	4,029
IT cost	3,274	162
Travel and other employee expenses	6,620	2,510
Audit, legal and other professional services	858	2,494
Other operating expenses	88	80
Other operating expenses total	17,079	9,435
10. Depreciation and Amortization		
The depreciation and amortization are specified as follows:		
Amortization of intangible assets	2,013	1,497
Depreciation of right-of-use assets	37,150	20,857
Depreciation of operating assets	851	403
Depreciation and amortization recognized in profit or loss	40,014	22,757

Notes, cont.:

11 Financial income and (expenses)

Financial income and (expenses) is specified as follows:

	2023	2022
	11.-30.9	11.-30.9
Interest income on bank deposits	1,419	395
Interest expenses of lease liabilities	(11,446)	(5,764)
Other finance expenses and transaction fees	(5,284)	(2,351)
Net foreign currency exchange rate gain (loss)	(74)	259
Net financial expenses	(15,386)	(7,460)

12. Right-of-use assets

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

	Aircraft	Other	Total
Balance at January 1, 2022	115,372	1,710	117,082
Additions	136,605	0	136,605
Depreciation	(29,038)	(383)	(29,420)
Indexed leases	0	119	119
Balance at December 31, 2022	222,939	1,446	224,385
Balance at January 1, 2023	222,939	1,446	224,385
Additions	176,172	0	176,172
Depreciation	(36,830)	(320)	(37,150)
Indexed leases	0	160	160
Balance at September 30, 2023	362,281	1,287	363,567

13. Trade and other receivables

Trade and other receivables have increased due to increased bookings and are mostly due to claims on the companies acquirers (over 95% of the total amount).

14. Restricted cash, cash and cash equivalents

Restricted cash is held in bank accounts pledged against credit cards acquirers, tax authorities and airport operators. The largest amount (\$7.7 million) is pledged against credit card claims.

Notes, cont.:

15. Earnings per share

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

Basic earnings per share

	2023	2022
	1.1.-30.9	1.1.-30.9
Loss for the period attributable to equity holders of the Group	(16,115)	(28,434)
Weighted average number of shares for the period	6,747	5,618
Basic earnings per share in US cent per share	(2.4)	(5.1)
Diluted earnings per share in US cent per share	(2.4)	(5.1)

16. Provisions

Provisions for aircraft maintenance on leased aircraft are as follows:

	2023	2022
	1.1.-30.9	1.1.-31.12
Balance at the beginning of the period	67,709	29,906
Increases in provisions during the period	42,149	44,141
Utilization of provision during the period	(11,746)	(6,338)
Balance at the end of the period	<u>98,111</u>	<u>67,709</u>
Current provisions	<u>(27,605)</u>	<u>(16,601)</u>
Total non-current provisions	<u>70,506</u>	<u>51,108</u>

17. Lease liabilities

The Group has in total ten aircraft on lease which constitute a financial lease under IFRS 16.

Lease liabilities are as follows:

	Rate	Year of maturity	Aircraft	Real estate	Total
Lease payments in USD	3.88% - 6.69%	9-10 years	286,464	0	286,464
Lease in ISK, indexed	4.3%	5 years	0	1,137	1,137
Total lease liabilities			<u>286,464</u>	<u>1,137</u>	<u>287,601</u>

	2023	2022
	1.1.-30.9	1.1.-31.12
Balance at the beginning of the period	169,723	90,456
New leases	134,023	92,464
Indexed leases	55	140
Payment of lease liabilities	(16,209)	(13,256)
Currency translation	9	(81)
Balance at the end of the period	<u>287,601</u>	<u>169,723</u>
Current maturities	<u>(26,178)</u>	<u>(17,260)</u>
Total non-current lease liabilities	<u>261,424</u>	<u>152,464</u>

Notes, cont.:

17. Lease liabilities cont.

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

Repayments 2023-2024	26,178
Repayments 2024-2025	27,441
Repayments 2025-2026	28,668
Repayments 2026-2027	29,722
Repayments 2027-2028	31,177
Subsequent repayments	144,416
Total lease liabilities	<u>287,600</u>

18. Deferred income

Among current payables is recognized deferred income in the amount of USD 40.7 million due to sale of unflown flights and outstanding gift certificates at year end. Revenues from passenger flights are recognized in the statement of comprehensive income when the relevant flight has been flown.

19. Events after the reporting period

No events have arisen after the reporting period of these Interim Financial Statements that require amendments or additional disclosures in the interim Financial Statements for the period ended 30 September 2023.