



Fly PLAY hf.

CONDENSED INTERIM FINANCIAL STATEMENTS

1 January - 31 March 2022

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Endorsement and Statement by the Board of Directors and the CEO

Fly Play hf. is an Icelandic airline established in March 2019 and listed on the Nasdaq First North Iceland in July 2021. On 24 June, 2021 PLAY started operating scheduled flights when it flew its first flight to London.

PLAY is a low-cost airline operating flights between Iceland and Europe. PLAY offers low-cost flights and a safe and pleasant journey in new and comfortable Airbus aircraft. PLAY's primary goal is to make flying affordable for everyone.

The Condensed Interim Financial Statements for the period from January 1. to March 31. 2022 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for Interim Financial Statements (IAS 34). The Financial Statements are presented in US dollars, which is the Company's functional currency.

Operations in the three-month period ended 31 March 2022

According to the Condensed Interim Financial Statement total loss for the period was USD 11.2 million. Equity at 31 March 2022 amounted to USD 56.5 million, including share capital in the amount of USD 5.6 million and share premium of USD 85.4 million. Reference is made to the Statement of Changes in Equity regarding the information on changes in equity. The average number of full time employees was 173 in the period thereof 88 men and 85 women and salaries and related expenses amounted to USD 4.6 million in the period.

The effect on PLAY of the Russian invasion of Ukraine has so far been limited to the rise and fluctuation in fuel prices, but we are closely monitoring the impact on cost and revenue. Following the rise in fuel prices, PLAY implemented a fuel surcharge during the month of April. The surcharge varies between destinations and takes into consideration the length of flying and other factors.

Outlook going forward

PLAY believes that flexibility in scaling production to the demand has been crucial for PLAY, and we will continue to do so while the pandemic is still with us. 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 strong financial position.

PLAY has seen an increase in utilization over the first three months of the year and the expectation is that utilization will continue to improve in the coming months with the addition of the VIA market to PLAY's network when we start connecting cities in Europe and the U.S. April is an important month for PLAY as U.S. operations commence. PLAY's inaugural flight to Washington was on April 20, followed by the inaugural flights to Boston on May 10 and New York on June 9. VIA bookings have been growing in the past weeks, which strengthens PLAY's revenue base and utilization across the whole network.

In 2022, PLAY will serve 22 destinations in Europe and three in North America using a fleet of six aircraft. In spring 2022, PLAY will start service to the U.S. and at the same time move from a point-to-point network to a hub-and-spoke network. Our flights to the U.S. will strengthen PLAY's foundation as we open up the U.S. – Iceland market to low-cost travel and facilitate connections for passengers that want to take advantage of low-cost travel between the U.S. and Europe.

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

Statement by the Board of Directors and the CEO

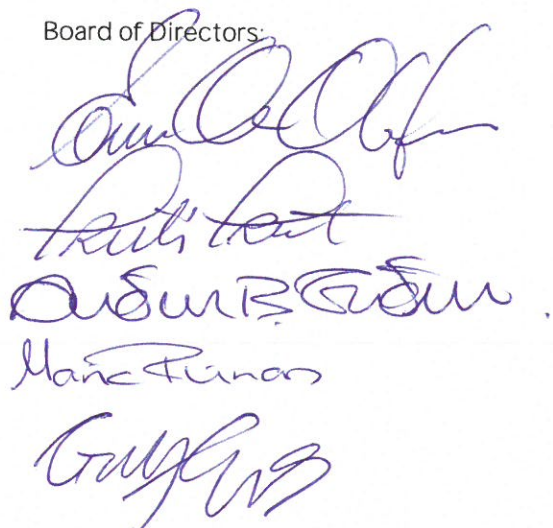
According to the Board of Directors' and CEO's best knowledge, the Condensed Interim Financial Statements give a true and fair view of the financial performance of the Company for the three-month period ended 31 March 2022, its assets, liabilities and financial position as at 31 March 2022 and its cash flows for the three-month period ended 31 March 2022.

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

The Board of Directors and the CEO have today discussed the Condensed Interim Financial Statements of PLAY for the three-month period ended 31 March 2022 and confirm them by means of their signatures.

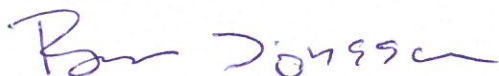
Reykjavik May 24, 2022

Board of Directors:



Handwritten signatures of the Board of Directors, including names such as Ólafur Þórsson, Friðrik Friðriksson, Ólafur Þórsson, and Gunnar Gunnarsson.

CEO:



Handwritten signature of the CEO, Rannsóknir.

Interim Income Statement and other Comprehensive Income

	Notes	2022	2021
Revenue		1.1.-31.3	1.1.-31.3
Transport revenue	6	<u>9,639</u>	<u>0</u>
Operating expenses			
Aviation expenses	7	9,126	0
Salaries and other personnel expenses	8	4,631	202
Other operating expenses	9	<u>3,591</u>	<u>214</u>
		<u>17,348</u>	<u>416</u>
Operating loss before, depreciation, financial items and tax (EBITDA).....		(7,709)	(416)
Depreciation and Amortization	10	<u>5,603</u>	<u>0</u>
Operating loss (EBIT).....		(13,312)	(416)
Financial income and expenses			
Financial income		191	0
Interest expense		(1,582)	(2)
Foreign exchange		744	1
	11	<u>(647)</u>	<u>(1)</u>
Loss before tax (EBT).....		(13,959)	(416)
Income tax		<u>2,719</u>	<u>0</u>
Loss for the year.....		(11,240)	(416)
Total comprehensive loss for the year		<u>(11,240)</u>	<u>(416)</u>
Earnings per share			
Basic and diluted earnings per share in US cent	14	(2.0)	(1.0)

Statement of Financial Position

as at 31 March 2022

	Notes	31.3.2022	31.12.2021
Assets			
Intangible assets		11,239	10,677
Right-of-use assets	12	162,221	117,082
Operating assets		3,841	3,821
Aircraft deposits & security instalments		8,753	7,772
Deferred tax assets		8,658	5,939
Non-current assets		<u>194,713</u>	<u>145,291</u>
Inventories		320	282
Trade and other receivables	13	18,473	6,660
Prepaid expense		700	116
Cash and cash equivalents		42,127	51,731
Current assets		<u>61,620</u>	<u>58,789</u>
Total assets		<u><u>256,332</u></u>	<u><u>204,080</u></u>
Shareholders equity			
Share capital		5,606	5,606
Share premium		85,371	85,371
Other components of equity		12,599	11,674
Accumulated loss		(47,057)	(35,254)
Total shareholder equity		<u>56,520</u>	<u>67,397</u>
Liabilities			
Provisions	15	33,699	23,317
Lease liabilities	16	112,956	81,990
Non-current liabilities		<u>146,655</u>	<u>105,307</u>
Provisions	15	9,470	6,589
Lease liabilities	16	11,180	8,467
Trade and other payables		9,033	9,224
Deferred income	17	23,475	7,096
Current liabilities		<u>53,157</u>	<u>31,376</u>
Total liabilities		<u>199,812</u>	<u>136,682</u>
Total shareholders equity and liabilities		<u><u>256,332</u></u>	<u><u>204,080</u></u>

Statement of Changes in Equity for the three months ended 31 March

	Share capital	Share premium	Other components of equity	Accumulated loss	Total equity
2021					
Balance at January 1	417	0	6,366	(8,766)	(1,983)
R&D reserve transfers	0	0	1,056	(1,056)	0
Total comprehensive loss	0	0	0	(416)	(416)
Balance at March 31	417	0	7,422	(10,239)	(2,400)
2022					
Balance at January 1	5,606	85,371	11,674	(35,254)	67,397
R&D reserve transfers	0	0	563	(563)	0
Stock options	0	0	363	0	363
Total comprehensive loss	0	0	0	(11,240)	(11,240)
Balance at March 31	5,606	85,371	12,599	(47,057)	56,520

Statement of Cash Flows

for the three months ended 31 March

	Notes	2022 1.1.-31.3	2021 1.1.-31.3
Cash flows used in operating activities			
Loss for the period .....	(	11,240)	(416)
Adjustments for			
Depreciation and amortization	10	5,603	0
Net finance expense	11	647	(1)
Stock options		363	0
Deferred income tax .....	(	2,719)	0
		<u>(7,346)</u>	<u>(417)</u>
Changes in operating assets and liabilities			
Inventories, increase .....	(	38)	0
Trade and other receivables, (increase) decrease .....	(	12,111)	28
Trade and other payables, increase (decrease)		15,104	82
Changes in operating assets and liabilities		<u>2,955</u>	<u>111</u>
Cash used in operations before interest and taxes	(	<u>4,392)</u>	<u>(306)</u>
Interest paid .....	(	1,579)	0
Net cash used in operating activities	(	<u>5,971)</u>	<u>(306)</u>
 Cash flows to investing activities			
Deposits .....	(	981)	0
Investment of operating assets .....	(	134)	0
Investment of intangible assets .....	(	1,011)	(1,056)
Net cash used in investing activities	(	<u>2,127)</u>	<u>(1,056)</u>
 Cash flows from financing activities			
Repayment of lease liabilities	16 (	2,132)	0
Loans from shareholders		0	1,358
Net cash from financing activities	(	<u>2,132)</u>	<u>1,358</u>
 Decrease in cash and cash equivalents .....	(	10,230)	(5)
 Effect of exchange rate fluctuations on cash held		626	1
 Cash and cash equivalents at beginning of the period		<u>51,731</u>	<u>7</u>
 Cash and cash equivalents at the end of the period		<u><u>42,127</u></u>	<u><u>2</u></u>
 Investment and financing without cash flow effect			
Acquisition of right-of-use assets	12 (	35,781)	0
New leases		35,781	0
Capitalized maintenance obligation under lease	15	14,392	0
New leases .....	(	14,392)	0

Notes

1. Reporting entity

Fly Play hf. (the "Company") is a public limited company and domiciled in Iceland. PLAY is a low-cost airline which operates flights between Iceland and Europe. The registered office of the Company is at Suðurlandsbraut 14 in Reykjavik, Iceland. The Company is listed on the Nasdaq First North Iceland.

2. Basis of preparation

a. Statement of compliance

These Condensed Interim Financial Statements of the Company are for the three-month period ended 31 March 2022 and have been prepared in accordance with IAS 34 as adopted by the European Union.

The Condensed Interim Financial Statements should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 December 2021. The Financial Statements for the Company for the period ended 31 December 2021 are available upon request from the Company's registered office or at www.flyplay.com/financial-reports-and-presentations

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

The Condensed Interim Financial Statements were approved by the Board of Directors of Fly Play hf. on May 24, 2022.

b. Basis of measurement

The Financial Statements are prepared on a historical cost basis. Further details of the Company's accounting policies are included in the 2021 financial statements.

c. Going concern

These Financial Statements are prepared on a going concern basis. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

3. Functional and presentation currency

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

4. Use of estimates and judgements

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

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

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Financial Statements as at and for the year ended 31 December 2021.

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

Notes, contd.:

Measurement of fair values

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

5. Accounting policies

Standards issued but not yet effective

The accounting policies adopted in the preparation of the Condensed Interim Financial Statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the Condensed Interim Financial Statements of the Company.

Operating segments

The Company operates as a single operating segment at this time.

Notes, contd.:

	2022	2021
6. Revenue		
Revenue is specified as follows:	1.1.-31.3	1.1.-31.3
Airfare	7,056	0
Ancillary	2,202	0
On board sales	372	0
Other revenue	8	0
Transport revenue total	9,639	0
7. Aviation expenses		
Aviation expenses are as follows:		
Aircraft fuel	4,115	0
Emissions permits (ETS)	94	0
Aircraft handling, landing and communication	3,436	0
Maintenance of aircraft	749	0
Catering	113	0
Other aviation expenses	619	0
Aviation expenses total	9,126	0
8. Salaries and other personnel expenses		
Salaries and other personnel expenses are specified as follows:		
Salaries	3,353	776
Accrued vacation	397	0
Pension fund contributions	376	102
Other salary related expenses	282	64
Stock options	363	0
Total salaries and other personnel expenses	4,771	942
Capitalized salary expenses	(140)	(739)
Salaries and other personnel expense recognized in the Income statement	4,631	202
Average number of full year equivalents	173	37
Employees at the end of the period	188	40
9. Other operating expenses		
Other operating expenses are as follows:		
Housing and office expenses	48	41
Marketing and sales expenses	2,219	0
IT cost	81	122
Travel and other employee expenses	378	(4)
Audit, legal and other professional services	829	36
Other operating expenses	36	18
Other operating expenses total	3,591	214
10. Depreciation and Amortization		
The depreciation and amortization are specified as follows:		
Amortization of intangible assets	449	0
Depreciation of right-of-use assets	5,040	0
Depreciation of operating assets	114	0
Depreciation and amortization recognized in profit or loss	5,603	0

Notes, contd.:

11 Financial income and (expense)

Financial income (expenses) is specified as follows:

	2022	2021
	1.1.-31.3	1.1.-31.3
Interest income on bank deposits	191	0
Interest expenses of lease liabilities	(1,327)	0
Other interest expenses	(254)	(2)
Net foreign currency exchange rate gain	744	1
Net financial expenses	<u>(647)</u>	<u>(1)</u>

12. Right-of-use assets

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

	Aircraft	Other	Total
Balance at January 1, 2021	0	0	0
Additions	122,663	1,826	124,489
Depreciation	(7,291)	(181)	(7,472)
Indexed leases	0	65	65
Balance at December 31, 2021	<u>115,372</u>	<u>1,710</u>	<u>117,082</u>
Balance at January 1, 2022	115,372	1,710	117,082
Additions	50,151	0	50,151
Depreciation	(4,945)	(95)	(5,040)
Indexed leases	0	27	27
Balance at March 31, 2022	<u>160,579</u>	<u>1,642</u>	<u>162,221</u>

13. Trade and other receivable

Trade and other receivable are specified as follows:

	31.3.2022	31.3.2021
Account receivables	424	310
Credit card receivables	15,786	4,812
Other receivables	2,428	1,538
	<u>18,638</u>	<u>6,660</u>

Credit card receivables have increased due to increased booking and a change in settlement rules with the current acquirer.

14. Earnings per share

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

Basic earnings per share

	2022	2021
	1.1.-31.3	1.1.-31.3
Loss for the period attributable to equity holders of the Company	(11,240)	(416)
Weighted average number of shares for the period	5,606	417
Basic earnings per share in US cent per share	(2.0)	(1.0)
Diluted earnings per share in US cent per share	(2.0)	(1.0)

Notes, contd.:

15. Provisions

Provisions for aircraft maintenance on leased aircraft are as follows:

	2022	2021
	1.1.-31.3	1.1.-31.12
Balance at the beginning of the period	29,906	0
Increases in provisions during the period	14,392	31,612
Utilization of provision during the period	(1,129)	(1,706)
Balance at the end of the period	43,169	29,906
Current provisions	(9,470)	(6,589)
Total non-current provisions	33,699	23,317

16. Lease liabilities

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

Lease liabilities are as follows:

	Rate	Year of maturity	Aircraft	Real estate	Total
Lease payments in USD	3.9%	9-10 years	122,568	0	122,568
Lease in ISK, indexed	4.3%	5 years	0	1,567	1,567
Total lease liabilities			122,568	1,567	124,135

	2022	2021
	1.1.-31.3	1.1.-31.12
Balance at the beginning of the period	90,456	0
New leases	35,759	92,877
Indexed leases	27	66
Payment of lease liabilities	(2,132)	(2,374)
Currency translation	24	(113)
Balance at the end of the period	124,135	90,456
Current maturities	(11,180)	(8,467)
Total non-current lease liabilities	112,956	81,990

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

Repayments 2022-2023	11,180
Repayments 2023-2024	12,626
Repayments 2024-2025	13,182
Repayments 2025-2026	13,704
Repayments 2026-2027	13,948
Subsequent repayments	59,494
Total lease liabilities	124,135

The Company has made new lease agreements for six new Airbus 320neo aircraft. One was delivered in March 2022 and another one is expected in Q2 2022, two of them in Q3 2022 and two in Q1 2023. The lease liability for the aircraft scheduled in the Q2 and Q3 of 2022 will amount to approximately USD 104.3 million and in the year 2023 USD 78.0 million.

17. Deferred income

Among current payables is recognized deferred income in the amount of USD 23.5 million due to sale of unflown flights and outstanding gift certificates at year end. Revenues from passenger flights are recognized in the statement of comprehensive income when the relevant flight has been flown. Increased booking and offering in travel locations has led to a significant increase in deferred revenue since year end 2021.

Notes, contd.:

18. Events after the reporting period

In May the company increased its total share capital in the amount of ISK 3.030.308 (188 thous. USD). After this increase the Company's capital shares amounted to ISK 703 million. This increase was done to facilitate employee stock options agreements and was done at the share price of 8 ISK per share.