



Fly PLAY hf.

CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS

1 January - 31 March 2023

Contents

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

Endorsement and Statement by the Board of Directors and the CEO

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

The Condensed Consolidated Interim Financial Statements for the period from January 1 to March 31 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 three-month period ended 31 March 2023

According to the Condensed Consolidated Interim Financial Statement loss for the period was USD 17.2 million. On March 31, 2023, equity amounted to USD 18.9 million, including share capital in the amount of USD 6.7 million and a 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 330 in the period thereof 163 men and 167 women, and salaries and related expenses amounted to USD 8.3 million.

PLAY holds a healthy cash position with cash and cash equivalent amounted to USD 37.6 (including restricted cash) million on 31 March 2023. This is an increase in cash position compared to end of last year and 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 aircraft. In 2022 the group received five new aircraft with three of them going into active operations in 2022. The other two went into storage until joining the fleet in March 2023. The ninth aircraft went into operation in April 2023 and the tenth is expected before end of June 2023.

PLAY had a year on year improvement in load factor of 14 percentage points resulting in a load factor of 78.4%. PLAY increased its capacity by 229%. PLAY had a OTP of 86.5% in Q1 2023 compared to 88.1% in Q1 2022.

PLAY's total assets amounted to 435 million USD on March 31. The rights of use assets and lease liability rose in the quarter due to the arrival of new aircraft, further detailed in notes 12, 16 and 17.

Outlook going forward

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

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 three-month period ended 31 March 2023, its assets, liabilities and financial position as at 31 March 2023 and its cash flows for the three-month period ended 31 March 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 three-month period ended 31 March 2023 and confirm them by means of their signatures.

Reykjavik April 27, 2023

Board of Directors:

CEO:

Consolidated Interim Income Statement and other Comprehensive Income

	Notes	2023	2022
Revenue		1.1.-31.3	1.1.-31.3
Transport revenue	6	32,741	9,639
		32,741	9,639
Operating expenses			
Aviation expenses	7	26,615	9,126
Salaries and other personnel expenses	8	8,270	4,631
Other operating expenses	9	4,917	3,591
		39,802	17,348
Operating loss before, depreciation, financial items and tax (EBITDA)		(7,061)	(7,709)
Depreciation and Amortization	10	10,640	5,603
Operating loss (EBIT)		(17,701)	(13,312)
Financial income and expenses			
Financial income		360	191
Financial expenses		(3,361)	(1,582)
Foreign exchange		(763)	744
	11	(3,764)	(647)
Loss before tax (EBT)		(21,465)	(13,959)
Income tax		4,221	2,719
Loss for the period		(17,244)	(11,240)
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		(2,421)	0
		(2,421)	0
Total comprehensive loss for the period		(19,666)	(11,240)
Earnings per share			
Basic and diluted earnings per share in US cent	15	(2.56)	(2.00)

Consolidated Statement of Financial Position

as at 31 March 2023

	Notes	31.3.2023	31.12.2022
Assets			
Intangible assets		12,962	12,561
Right-of-use assets	12	300,627	224,385
Operating assets		9,434	6,723
Aircraft deposits & security instalments		11,479	10,934
Deferred tax assets		20,248	16,027
Non-current assets		<u>354,749</u>	<u>270,630</u>
Inventories		483	819
Trade and other receivables	13	40,573	22,861
Prepaid expenses		1,657	939
Restricted cash	14	6,721	6,590
Cash and cash equivalents	14	30,917	29,644
Current assets		<u>80,351</u>	<u>60,853</u>
Total assets		<u><u>435,100</u></u>	<u><u>331,484</u></u>
Shareholders equity			
Share capital		6,740	6,740
Share premium		100,587	100,587
Other components of equity		14,291	13,844
Accumulated loss		(102,752)	(82,685)
Total shareholder equity		<u>18,866</u>	<u>38,486</u>
Liabilities			
Provisions	16	69,738	51,108
Lease liabilities	17	209,012	152,463
Non-current liabilities		<u>278,749</u>	<u>203,571</u>
Provisions	16	16,693	16,601
Lease liabilities	17	21,649	17,260
Trade and other payables		32,553	27,223
Deferred income	18	66,589	28,342
Current liabilities		<u>137,484</u>	<u>89,427</u>
Total liabilities		<u>416,234</u>	<u>292,998</u>
Total shareholders equity and liabilities		<u><u>435,100</u></u>	<u><u>331,484</u></u>

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

	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
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	<u>5,606</u>	<u>85,371</u>	<u>12,599</u>	<u>(47,057)</u>	<u>56,520</u>
2023					
Balance at January 1	6,740	100,587	13,844	(82,685)	38,486
R&D reserve transfers	0	0	402	(402)	0
Stock options	0	0	46	0	46
Total comprehensive loss	0	0	0	(19,666)	(19,666)
Balance at March 31	<u>6,740</u>	<u>100,587</u>	<u>14,291</u>	<u>(102,752)</u>	<u>18,866</u>

Consolidated Statement of Cash Flows

for the three months ended 31 March

	Notes	2023	2022
		1.1.-31.3	1.1.-31.3
Cash flows used in operating activities			
Loss for the period .....	(	17,244)	(11,240)
Adjustments for			
Depreciation and amortization	10	10,640	5,603
Net finance expense	11	3,764	647
Stock options		46	363
Deferred income tax .....	(	4,221)	(2,719)
	(	7,015)	(7,346)
Changes in operating assets and liabilities			
Inventories, increase		337	(38)
Trade and other receivables, increase .....	(	19,553)	(12,111)
Trade and other payables, increase		38,567	15,104
Restricted cash, increase		22	0
Changes in operating assets and liabilities		19,372	2,955
Cash used in operations before interest and taxes		12,357	(4,392)
Financial income received		360	0
Interest paid .....	(	3,432)	(1,579)
Net cash used in operating activities		9,285	(5,971)
Cash flows to investing activities			
Deposits .....	(	545)	(981)
Investment of operating assets .....	(	2,942)	(134)
Investment of intangible assets .....	(	1,022)	(1,011)
Net cash used in investing activities	(	4,510)	(2,127)
Cash flows from financing activities			
Repayment of lease liabilities	17	(4,102)	(2,132)
Net cash (to)/from financing activities		(4,102)	(2,132)
(Decrease)/Increase in cash and cash equivalents		674	(10,230)
Effect of exchange rate fluctuations on cash held		599	626
Cash and cash equivalents at beginning of the period		29,644	51,731
Cash and cash equivalents at the end of the period		30,917	42,127
Investment and financing without cash flow effect			
Acquisition of right-of-use assets	17	(64,989)	(35,781)
New leases	12	64,989	35,781
Capitalized maintenance obligation under lease	16	(20,918)	14,392
New leases	12	20,918	(14,392)

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 will operate 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 31 March 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 three-month period ended 31 March 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 April 27, 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.-31.3	1.1.-31.3
Airfare	23,163	7,056
Ancillary	8,232	2,202
On board sales	361	372
Cargo revenue	893	0
Other revenue	92	8
Transport revenue total	32,741	9,639
7. Aviation expenses		
Aviation expenses are as follows:		
Aircraft fuel	14,091	4,115
Emissions permits (ETS)	670	94
Aircraft handling, landing and communication	9,108	3,436
Maintenance of aircraft	1,469	749
Catering	107	113
Other aviation expenses	1,170	619
Aviation expenses total	26,615	9,126
8. Salaries and other personnel expenses		
Salaries and other personnel expenses are specified as follows:		
Salaries	6,617	3,353
Accrued vacation	388	397
Pension fund contributions	688	376
Other salary related expenses	531	282
Stock options	46	363
Total salaries and other personnel expenses	8,270	4,771
Capitalized salary expenses	0	(140)
Salaries and other personnel expense recognized in the Income statement	8,270	4,631
Average number of full year equivalents	330	173
Employees at the end of the period	418	188
9. Other operating expenses		
Other operating expenses are as follows:		
Housing and office expenses	40	48
Marketing and sales expenses	1,988	2,219
IT cost	20	81
Travel and other employee expenses	1,653	378
Audit, legal and other professional services	1,189	829
Other operating expenses	28	36
Other operating expenses total	4,917	3,591
10. Depreciation and Amortization		
The depreciation and amortization are specified as follows:		
Amortization of intangible assets	621	449
Depreciation of right-of-use assets	9,787	5
Depreciation of operating assets	231	114
Depreciation and amortization recognized in profit or loss	10,640	5,603

Notes, cont.:

11 Financial income and (expenses)

Financial income and (expenses) is specified as follows:

	2023	2022
	1.1.-31.3	1.1.-31.3
Interest income on bank deposits	360	191
Interest expenses of lease liabilities	(2,555)	(1,327)
Other finance expenses and transaction fees	(806)	(254)
Net foreign currency exchange rate gain (loss)	(763)	744
Net financial expenses	<u>(3,764)</u>	<u>(647)</u>

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	<u>222,939</u>	<u>1,446</u>	<u>224,386</u>
Balance at January 1, 2023	222,939	1,446	224,386
Additions	85,907	0	85,907
Depreciation	(9,683)	(104)	(9,787)
Indexed leases	0	121	121
Balance at March 31, 2023	<u>299,163</u>	<u>1,463</u>	<u>300,626</u>

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 and airport operators. The largest amount (6 m. EUR) is pledged against credit card claims and at the reporting date is restricted until the end of May but management expects it to be renewed. That amount is classified as restricted cash in the balance sheet. Other restricted cash amounts (1.4 m. USD) which are pledged against airport operators, handling agents and the tax authorities are restricted for 3 months or less and is classified among cash and cash equivalents.

Notes, cont.:

15. Earnings per share

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

Basic earnings per share

	2023	2022
	1.1.-31.3	1.1.-31.3
Loss for the period attributable to equity holders of the Group	(17,244)	(11,240)
Weighted average number of shares for the period	6,740	5,606
Basic earnings per share in US cent per share	(2.56)	(2.00)
Diluted earnings per share in US cent per share	(2.56)	(2.00)

16. Provisions

Provisions for aircraft maintenance on leased aircraft are as follows:

	2023	2022
	1.1.-31.3	1.1.-31.12
Balance at the beginning of the period	67,709	29,906
Increases in provisions during the period	20,918	44,141
Utilization of provision during the period	(2,195)	(6,338)
Balance at the end of the period	<u>86,431</u>	<u>67,709</u>
Current provisions	<u>(16,693)</u>	<u>(16,601)</u>
Total non-current provisions	<u>69,737</u>	<u>51,108</u>

17. Lease liabilities

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

Lease liabilities are as follows:

	Rate	Year of maturity	Aircraft	Real estate	Total
Lease payments in USD	3.88% - 6.69%	9-10 years	229,326	0	229,326
Lease in ISK, indexed	4.3%	5 years	0	1,336	1,336
Total lease liabilities			<u>229,326</u>	<u>1,336</u>	<u>230,661</u>

	2023	2022
	1.1.-31.3	1.1.-31.12
Balance at the beginning of the period	169,723	90,456
New leases	64,989	92,464
Indexed leases	14	140
Payment of lease liabilities	(4,102)	(13,256)
Currency translation	37	(81)
Balance at the end of the period	<u>230,661</u>	<u>169,723</u>
Current maturities	<u>(21,649)</u>	<u>(17,260)</u>
Total non-current lease liabilities	<u>209,012</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	21,649
Repayments 2024-2025	22,660
Repayments 2025-2026	23,672
Repayments 2026-2027	24,418
Repayments 2027-2028	25,400
Subsequent repayments	112,862
Total lease liabilities	<u>230,661</u>

The Group has entered into lease agreements for a total of 10 new Airbus 320neo aircraft since beginning operations. The most recent were delivered in March. After the reporting period, in April, the Group took delivery of one aircraft with another one expected later in Q2 2023 bringing the total number of aircraft in operation to ten.

18. Deferred income

Among current payables is recognized deferred income in the amount of USD 66.6 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 2022.

19. Events after the reporting period

Other than the addition of a new aircraft in April mentioned in note 17 no events have arisen after the reporting period of these Interim Financial Statements that require amendments or additional disclosures in the interim Financial Statements for the period ended 31 March 2023.