

Flyr



Fourth quarter 2021 report

The company

Flyr is low-cost carrier with a demand driven and sustainable business model, with focus on serving the Norwegian market with domestic and international flights from its base at Oslo Airport.

 <p>A Norwegian based LCC</p>	 <p>Modern, digital and efficient setup</p>	 <p>Demand driven route offering concentrated in high-margin markets</p>
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MISSION	MAIN PILLARS	VALUES
<p>Flyr offers easier and more responsible air travels – while taking customer experiences to new heights</p>	<ul style="list-style-type: none"> • Flyr will be relevant to guests by delivering outstanding customer service and experiences at affordable prices • Flyr will be efficient through operational excellence • Flyr will be an attractive employer by being transparent, inclusive, respectful and empowering towards all • Flyr will be digital through state-of-the-art integrated IT-systems 	<ul style="list-style-type: none"> <li style="margin-bottom: 20px;">  Responsible <li style="margin-bottom: 20px;">  United  Curious

Highlights fourth quarter

- Operations developing according to plan
- Two new aircraft received, increasing fleet to 5 aircraft in operation by end of quarter.
- Load factor strongly impacted by Omicron wave and government-imposed restrictions.
- Adjusting route offering to adapt to market development and minimizing financial effects of the pandemic
- Proven concept with robust and flexible operations and high customer satisfaction
- Signed aircraft order for 6 new 737-8 aircraft to be delivered during 2022, with option for further 4 aircraft. Positioned for building an environmentally efficient fleet
- Raised NOK 250 million in new equity, re-establishing financial buffer
- Improving load factor into 2022 and preparing operations for market recovery
- 44 routes to 38 destinations planned for the summer program

Operations developing according to plan

Fourth quarter 2021 was characterized by the Omicron wave of the Covid-19 pandemic impacting demand for air travel significantly. Despite the challenging market conditions, Flyr continued the building and development of the company to become an efficient and flexible low-cost carrier (LCC)

Entering 2022, all administrative and organizational functions are in place, the fully integrated booking-system is delivering on promises, the company's brand name recognition is growing, and the company's operations has been excellent.

Commenting on the fourth quarter, CEO Tonje Wikstrøm Frislid says: "Flyr is progressing according to plan, and we have been very well received in the market. We are very happy with the development and after a period heavily influenced by Omicron and government- imposed restrictions, we are now prepared for the summer season where we will offer 44 routes to 38 destinations."

Adapting to the volatile market conditions, the company has swiftly adjusted production and offering, proving the organizations inherent flexibility.

The company's strategy of demand driven growth remains, targeting domestic routes and selected European leisure destinations. Since commencement of first flights on June 30th, 2021, Flyr expanded its fleet with four aircraft, utilizing favorable terms securing capacity to fulfill the company's long-term ambitions.

Key figures

Unaudited

(1,000 NOK)	Q4 2021	YTD 31.12 2021	Full year 2020
Operating revenue	86 080	125 939	0
EBITDAR	-162 360	-381 782	-9 142
Operating profit (EBIT)	-183 336	-419 996	-9 379
Net profit/(loss)	-187 323	-437 045	-9 466
Book equity per share (NOK)		1,09	1 037,61
Equity ratio (%)		19,1 %	58,95 %
Cash and cash equivalents		209 731	13 840

Operational review

Traffic figures and ratios

Unaudited

	October 2021	November 2021	December 2021	Q4 2021	January 2022
Yield	0,60	0,47	0,49	0,52	0,42
Unit revenue (PASK)	0,37	0,27	0,24	0,29	0,24
Unit cost	0,83	0,89	1,06	0,93	
Unit cost ex fuel	0,63	0,65	0,81	0,70	
Number of FTE per aircraft	67	67	53	53	46
ASK (mill)	96,6	98,3	99,4	294,4	53,5
Guests (1.000)	62,90	60,58	51,55	175,03	30,00
Load factor	60,9 %	54,5 %	47,1 %	54,1 %	53,7 %
Avg. sector length (1.000 Km)	0,83	0,80	0,89	0,84	0,89
CO2 per aircraft/mo (ton)	1 772	1 575	1 467	1 595	1 035

Flyr's operations during the fourth quarter of 2021 was heavily impacted by the development in the new Omicron wave. As restrictions in society were gradually lifted after the summer, demand for travels increased, and outlook for the market was substantially improved entering the fourth quarter. However, as the Omicron wave hit towards the end of the period, demand for airline travels sharply decreased. Responding to this, Flyr immediately adjusted its route offering and level of production, adapting to market development.

Operations

In fourth quarter, the company had 1.856 flights, and a total of 3.298 since the start of operations at the end of June.

The first half year of operations has been highly successful, with great customer reviews. In particular the customer service and the simple booking process has been well received. A test of airline customer service published by the web magazine "The travel Inspector! in December, mentioned Flyr as the Nordic airline with the best customer service highlighting short response time and personal service and assistance.

During the quarter new routes and destinations were introduced, including flights from Trondheim and Bergen to Alicante, and from Oslo to Las Palmas, Barcelona, Berlin, Brussels, Palma de Mallorca, and Zadar in Croatia. of which several came into operation during the period.

However, due to the effects of the Omicron wave, the market situation deteriorated throughout the quarter, causing downsizing of planned production.

In October, the demand for airline travel increased after the restrictions in society was eased, and bookings showed a positive trend. In November, the trend was reversed due to the Omicron wave, and with the new government restrictions in place in December, the company experienced a severe drop in demand. There was increased demand for Christmas holiday travels, but below anticipated levels.

As a consequence of the development in demand, the company adjusted its route portfolio and postponed the start-up of several new destinations, including selected ski-destinations in Europe, mostly with effect from January 2022, but with some effects on production in December as well.

During the quarter, there has been continuing improvements in the IT technical infrastructure to enable introduction of new products and distribution capabilities.

The introduction of agent booking, and loyalty program is expected at the end of the first quarter of 2022, both initiatives important milestones for the further expansion of Flyr's distribution outreach.

Traffic development

In the fourth quarter, aircraft number four entered production in the beginning of October. Aircraft number five was received on December 20th and was immediately put into service for the Christmas traffic.

During the quarter, Flyr's total production measured as available seat kilometers (ASK) amounted to 294.4 million, an increase of 25% from the previous quarter.

A total of 175,032 guests travelled with Flyr in the quarter, which was an increase of 74% from third quarter. Load factor for the quarter was 54.1%. Load factor for October, November and December separately was 60.9%, 54.5% and 47.1% respectively, illustrating the significant impact of the Omicron outbreak in November.

Unit revenue (PASK) for the quarter was NOK 0.29 compared with NOK 0.17 in Q3.

Entering 2022, Omicron is still impacting travels and bookings in the winter program, however, as restrictions are gradually easing up, the company expects bookings to improve for travel in the summer program. In January the number of guests flown was 30 042, load factor was 53.7% and unit revenue (PASK) was NOK 0.24.

Operating performance

The operating performance in the first half year of operation has been successful. Since the start up, regularity (share of scheduled flights taking place) was 98.8% and punctuality (share of flights departing on schedule) was 89.7%.

In the fourth quarter, regularity was 98.9%, while punctuality was 83.7%. The punctuality in the quarter was affected by increased share of international destinations as well as the colder weather in December resulting in increased frequency in de-icing of aircraft.

At the end of the quarter, number of full-time employees (FTE) per aircraft was 53, down from 87 three months earlier, explained by the delivery of two new aircraft during the period. Based on planned production and future fleet expansion, Flyr's has a long-term ambition of 36 FTE per aircraft.

Financial review

Income statement

Operating revenues

Fourth quarter was Flyr's second quarter with operations. Total revenue in the quarter was NOK 86.1 million, of which NOK 3.3 million was ancillary revenues. Total revenue increased with 117% from the third quarter, with on average 1.5 additional aircraft in production.

Unit revenue (PASK) in the quarter was NOK 0.29, negatively impacted by the low demand towards the end of the quarter due to the Omicron spread. Unit revenue in the third quarter was NOK 0.17.

Unit cost breakdown

(1,000 NOK/NOK per ASK)	Q4 2021	Unit Cost
Personnel expenses	53 586	0,18
Airport and ATC charges	24 258	0,08
Handling charges	17 373	0,06
Technical maintenance expenses	26 344	0,09
Other operating expenses	58 090	0,20
Aircraft lease, depreciation and finance cost	25 012	0,08
Cost excl fuel	204 663	0,70
Aviation fuel	68 789	0,23
Total cost	273 452	0,93

Operating expenses

Total cost, including depreciation and interest on lease commitments was NOK 273.4 million during the quarter.

Although the quarter includes operation in all three months, the company has, entering the period, been fully staffed with administrative resources, and is continuously investing in the operational and technical infrastructure to introduce new products and functionalities and to manage the operational expansion and entry into the market.

Additionally, due to lead time for training and onboarding, flight crew are hired a few months before the introduction of new aircraft.

However, as new aircraft is gradually introduced to the fleet, the total number of FTE's per aircraft decreased with 35% from 84 at the end of third quarter to 53 at the end of fourth quarter, demonstrating that as the fleet grows, the need for additional administrative resources is limited.

Unit cost (CASK) in the period was NOK 0.93, including fuel. Excluding fuel, CASK was NOK 0.70 during the period, an increase of NOK

0.09 from the third quarter. The increase is due to lower utilization of aircraft in production.

Personnel expenses, including costs for administrative, crew and pilot personnel amounted to NOK 53.6 million in the quarter. Administrative personnel are per date close to fully staffed, and number of FTE's will not materially increase when adding further aircraft to the fleet for increased production. Unit cost (operating expenses per available seat kilometer) ended at NOK 0.18 for the quarter; a marginal decrease from NOK 0.19 in the previous quarter.

Airport ATC and Handling charges of NOK 24.3 million and NOK 17.4 million respectively, are entirely variable in nature, and reflect the production of 1.856 flights in the quarter. Unit cost was NOK 0.08 and NOK 0.06 the fourth quarter.

Technical maintenance expenses was NOK 26.3 million in the quarter. This includes expenses for external Part 145 organization, costs for accessibility to aircraft component

pool, in addition to accruals for future aircraft heavy maintenance. Unit cost of NOK 0.09 in the quarter, an increase of NOK 0.03 since the previous quarter, represent annual adjustments for maintenance expenses in addition to costs related to the ramp-up of the fleet in 2022.

Other operating expenses of NOK 58.1 million includes all other flight operating expenses, sales and distribution expenses and general and administrative expenses. Included in general and administrative expenses are the Company's investments in IT infrastructure and investments in building brand awareness. The unit cost in the quarter of NOK 0.2 is equal to the previous quarter.

Aviation fuel in the fourth quarter amounted to NOK 68.8 million, including ETS costs. During the quarter, jet fuel price increased 15% while average NOK/USD rate remained unchanged, resulting in a NOK 0.04 increase in unit cost during the quarter to NOK 0.23.

Depreciation in the quarter was NOK 21.0 million and primarily includes depreciation on aircraft leases and facilities capitalized according to IFRS 16. Additionally, included in unit cost in the period is interest cost on the same leases amounting to NOK 4.0 million.

Net financial items in the quarter were NOK -4.0 million. Interest expense on leased assets amounted to NOK 4.0 million during the quarter. Interest income was NOK 1.5 million, all offset by negative effects from revaluation of leases denominated in USD in the period.

The company has not recognized any tax income from taxable loss, and tax items in the period is NOK 0.

Net loss in the period was NOK 187.3 million.

Cash flow

Net cash flow from operating activities was NOK -118.6 million in the fourth quarter, equaling operating profit (EBITDAR) of NOK -162.4 million adjusted with positive effects on cash from changes in working capital due to the increase in number of aircraft and operations in the fourth quarter.

Changes in air traffic liabilities are mainly offset by changes in receivables, as there is 100% hold-back on credit card settlement due to the negative effects the industry is experiencing from the Covid-19 pandemic. Other adjustments are primarily related to non-cash effects of currency revaluation on liabilities.

Cash flow used on investment activities was NOK 16.6 during the quarter, whereof NOK 4.0 million is deposits paid on leased aircraft. Remaining invested amounts are spent on IT systems and infrastructure.

Cash flow from Financing activities was NOK -17.6 million in the fourth quarter, all related to the repayment of aircraft and facility lease arrangements.

Net cash flow in fourth quarter was NOK -152.8 million.

Financial position

Total non-current assets on 31 December were NOK 576.4 million, of which NOK 511.8 million is Right of Use assets, primarily aircraft and facility leases, recognized in statement of financial position according to IFRS 16. Year to date, NOK 21.1 million has been paid for long term deposits for aircraft leases.

Total current assets were NOK 282.2 million, of which cash and cash equivalents were NOK 209.7 million. Included in cash and cash equivalents is NOK 40 million in restricted funds, held for guarantees to suppliers and lessors. The restricted funds represent total guarantee frame, of which NOK 14 million is utilized at year end.

Total equity at the end of the year was NOK 163.9 million, equaling an equity ratio of 19.1%, a reduction of 39.8 %-points since year end 2020.

Long term liabilities of NOK 440.6 million are primarily related to aircraft and facility leases.

NOK 254.1 million in short term liabilities includes lease commitments falling due within 12 months of NOK 95.7. Remaining short term liabilities are related to ticket liabilities, trade liabilities and accruals and provisions.

On January 4th, 2022, the company's General Assembly approved the previously announced

fully underwritten rights issue in the Company to raise gross proceeds of NOK 250 million. The net proceeds will be used to re-establish the company's financial buffer, further increasing the financial foundation.

With a solid financial position, sound funding and liquidity, the company is well positioned to expand according to plans.

Risks and uncertainties

Flyr is exposed to a number of risk factors such as market risk, operational risk, financial risk and liquidity risk. The airline industry is undergoing an extremely challenging time due to the ongoing pandemic. Future demand is dependent on several factors. The development of the pandemic, customer demand as well as the industry competition post-Covid is uncertain and challenging to predict.

The company is exposed to currency risk, as a major part of the company's expenses are denominated in USD, such as aircraft leases and jet-fuel purchases. In addition, fluctuations in the prices of jet-fuel may impact the results negatively. Alongside the ramp-up in operations, the Company is in the process of developing sound risk hedging strategies in order to manage the impact these risk factors may cause.

According to IFRS 16, the Company's aircraft leases are recognized as a right-of-use asset denominated in NOK. The corresponding lease liability is denominated in USD. The currency exposure from recalculating USD liabilities into NOK is significant and may impact company earnings.

For more detailed information about risk factors, please see the Information Document dated 26 February 2021 and Prospectus dated 6 January 2022, both available at <https://www.flyr.com/reports-and-presentations>.

Outlook

Flyr was established during the ongoing Covid-19 pandemic with the aim to build a

sustainable and profitable business model by adapting and scaling production to meet the needs of the market.

To succeed as a start-up commercial airline in the current business environment, flexibility in scaling production to the demand is crucial. Our main focus is demand driven growth and ensuring attractive offering to the market. Expansion plans and the route network will be adjusted continuously depending on the pandemic situation.

Going into 2022, the company is seeing a trend where bookings are gradually made further from departure date for the European leisure destinations. However, for domestic travels bookings are still made close to departure date.

In addition to the 5 aircraft in operation in December, two additional aircraft are scheduled for operations in the first quarter. In December, the Company signed a lease contract with Air Lease Corporation for the delivery of 6 new 737-8 aircraft, with an option to lease further 4 new 737-8 aircraft with delivery in 2023. The first 6 aircraft is scheduled to be delivered in the period from Q1 until July 2022. The company targets a production capacity of 12-18 aircraft at YE 2022 (current firm orders would result in 12).

The company is well positioned to develop in line with plans. The majority of the planned administrative resources are currently in place, and additional employees will primarily be flight operating resources. Going forward we will ensure flexible and cost-efficient deployment of operations, targeting 38 FTE per aircraft in 2H 2022.

The 6 new 737-8 aircraft to be added to the fleet in 2022 will contribute to further cost-efficient operations and in particular lower cash burn, especially in the first years of operation, relative to operating 737-800's.

The company is targeting a CASK excl. fuel of 0,41-0,43 in 2H 2022 assuming 12 aircraft in production, dependent on route network.

Condensed Interim Financial Statements

Statement of profit and loss and comprehensive income

Unaudited

(1,000 NOK)	Note	Q4 2021	YTD 31.12 2021	Full year 2020
Passenger revenues		82 756	121 979	0
Ancillary passenger revenue		3 324	3 960	0
Total operating revenues		86 080	125 939	0
Personnel expenses		53 586	129 252	4 671
Aviation fuel		68 789	115 842	0
Airport and ATC charges		24 258	42 113	0
Handling charges		17 373	28 978	0
Technical maintenance expenses		26 344	43 561	0
Other operating expenses		58 090	147 975	4 471
Total operating expenses excl depreciation		248 440	507 721	9 142
Operating profit/(loss) excl lease, depreciation and amortization (EBITDAR)		-162 360	-381 782	-9 142
Depreciation and amortizations	3	20 977	38 214	237
Operating profit/(loss) (EBIT)		-183 336	-419 996	-9 379
Net financial items	3	-3 987	-17 049	-87
Taxes		0	0	0
Net profit/(loss)		-187 323	-437 045	-9 466
Other comprehensive income		0	0	0
Total comprehensive income		-187 323	-437 045	-9 466
Earnings per share (NOK) - basic		-1,249	-3,330	-0,58
Earnings per share (NOK) - diluted		-1,249	-3,330	-0,58
No. Of shares at end of the period		150 000 000	150 000 000	30 000 000
Avg. No. of shares outstanding		150 000 000	131 260 274	16 339 286
Avg. no. of shares at end of the period - diluted		150 000 000	131 260 274	16 339 286

Statement of financial position

Unaudited

(1,000 NOK)	Note	31.12.2021	31.12.2020
Assets			
Non-current assets			
Intangible asset		34 574	4 985
Right of Use assets	3	511 813	5 311
Property, Plant and equipment		8 880	317
Deposits long term		21 123	0
Investments in subsidiaries		39	39
Total non-current assets		576 429	10 651
Current assets			
Inventory		5 288	0
Trade receivables		32 070	0
Other receivables		17 537	1 745
Prepayments		17 588	168
Cash and cash equivalents		209 731	13 840
Total current assets		282 215	15 753
Total assets		858 643	26 404
Equity			
Share capital		300	30
Other paid in capital		610 130	25 000
Retained earnings		-446 511	-9 466
Total equity		163 919	15 564
Liabilities			
Long term Liabilities			
Long term leasing liabilities	3	433 818	2 067
Provisions and other liabilities		6 840	0
Total long term liabilities		440 657	2 067
Short term liabilities			
Ticket Liabilities		32 704	0
Short term Leasing liabilities	3	95 746	2 595
Trade liabilities		51 070	2 928
Other short term liabilities		74 548	3 250
Total short term liabilities		254 067	8 772
Total equity and liabilities		858 643	26 404

Statement of changes in equity

Unaudited

(1,000 NOK)	Note	YTD 31.12 2021	Full year 2020
Equity - beginning of period		15 564	0
Total comprehensive income for the period		-437 045	-9 466
Share issue		585 400	25 030
Equity - end of period		163 919	15 564

Cash flow statement

Unaudited

(1,000 NOK)	Note	Q4 2021	YTD 31.12 2021	Full year 2020
EBT		-187 323	-437 045	-9 466
Paid tax		0	0	0
Depreciation and amortization		20 977	38 214	237
Changes in air traffic settlement liabilities		2 154	32 704	0
Changes in receivables		-161	-65 283	-1 913
Changes in current liabilities		45 668	125 742	6 138
Changes in inventory		-1 935	-5 288	0
Other adjustments		2 025	14 183	87
Net Cash Flow From Operating Activities		-118 596	-296 773	-4 916
Deposits paid		-4 002	-21 123	0
Investment in tangible assets		-4 016	-9 331	-333
Investment in intangible assets		-8 598	-31 916	-4 985
Other investing activities		0	0	0
Cash Flow From Investing Activities		-16 616	-62 369	-5 318
Proceeds from issuing new shares		0	585 400	25 030
Net interest paid		-2 960	-5 035	-87
Principal payments leases		-14 642	-25 332	-869
Net Cash Flow From Financing Activities		-17 602	555 034	24 074
Net change in Cash and Cash equivalents		-152 814	195 891	13 840
Cash and cash equivalents at beginning of period		362 544	13 840	0
Cash and cash equivalents at end of period		209 731	209 731	13 840

Selected notes to the interim financial statements

Note 1. Basis of preparation of quarter report

1.1. Base for statement

The condensed interim financial statements comprise Flyr AS, a limited liability company incorporated in Norway. The financial statements of the company for the year ended 31 December 2020 are available at www.flyr.com.

These unaudited condensed interim financial statements have been prepared in accordance with the rules and regulations of Oslo Stock Exchange and International Accounting Standard (IAS) 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements and should be read in conjunction with the financial statements for the company for the year ended 31 December 2020.

The accounting policies applied by the company in these condensed financial statements are the same as those applied by the company in its consolidated financial statements for the year ended 31 December 2020. The company started flight operations on 30 June 2021, and the financial statements for the first nine months of 2021 includes additional line items related to flight operations, compared to the financial statements of 2020. Accounting principles for the items not described in the 2020 annual report, is described below.

1.2. Accounting principles

This section outlines the accounting principles for items not described in the annual financial statements for the company for 2020.

1.2.1 Revenue recognition

Revenue is recognised when goods or services are delivered. Revenue is measured at fair value of the consideration received or receivable, net of discounts and indirect taxes.

Passenger revenue includes sale of flight tickets and is recognised as revenue when the flight is flown in accordance with the flight traffic program. Recognition of unused tickets as revenue is based on the expected breakage

amount of tickets remaining unused in proportion to the pattern of rights exercised by the passenger.

Customer compensations for delays or cancellations is a variable consideration in the contract and it is recognised as an adjustment to revenue.

Ancillary revenue includes sale of ticket related services, like advance seat reservations, additional baggage fees as well as different service fees, and sale of goods in the aircraft. The service revenue is recognized when the flight is flown in accordance with the flight traffic program, since it is considered as a contract modification instead of separate revenue transaction. The sale of goods is recognized when the goods are delivered to the customer.

Prepayments from customers are classified as ticket liabilities in the statement of financial position, until revenue is recognized when flight is flown.

1.2.2 Trade receivables

Trade receivables are amounts due from customers for services performed and goods sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Receivables from credit card companies are classified as trade receivables in the statement of financial position.

1.2.3 Provisions for aircraft maintenance

Provisions are recognised when the Company has a present legal or constructive obligation as the result of a past event, the fulfilment of the payment obligation is probable, and a reliable estimate of the amount of the obligation can be made. The amount to be

recognised as provision corresponds to the management's best estimate of the expenses that will be necessary to meet the obligation at the end of the reporting period.

The Company is obliged to return leased aircraft and their engines according to the redelivery condition set in the lease agreement. If at the time of redelivery, the condition of the aircraft and its engines differs from the agreed redelivery condition, the Company needs to either maintain the aircraft so that it meets the agreed redelivery condition or settle the difference in cash to the lessor. To fulfil these maintenance obligations, the Company has recognised airframe heavy maintenance, engine performance maintenance, engine life limited part, landing gear, auxiliary power unit and other material maintenance provisions. The provision is defined as a difference between the current condition and redelivery condition of these maintenance components. The provision is accrued based on flight hours flown until the next maintenance event or the redelivery and recognised in the aircraft overhaul costs in the income statement. The provision is reversed at the maintenance event or redelivery. The price of the flight hour depends on the market price development of the maintenance costs. Estimated future cash flows are discounted to the present value.

The final check and painting required at redelivery are considered unavoidable maintenance costs that realise when the aircraft is redelivered to the lessor, irrespective of the time or flight hours. The counterpart of the provision is recorded in the book value of the right-of-use asset at the commencement of the lease. Respectively, costs depending on the usage of the aircraft are not considered as part of the right-of-use asset cost, but these are recognised according to the principles presented above.

1.2.4 Aircraft leasing arrangements

Flyr assesses whether a contract that relates to tangible assets is, or contains, a lease in accordance with the IFRS 16. Lease agreements for tangible assets, where the contract conveys the right to use an identified asset for a period of time in exchange for consideration, are classified as leases.

The lease term is the non-cancellable period for which a lessee has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise the option.

At the commencement date of a lease, Flyr recognises both a right-of-use asset and a lease liability.

The lease liability is the present value of future lease payments. Lease payments for aircraft leases contain typically payments that depend on interest rates and indices, that are included in the measurement of the lease payments included in the measurement of the lease liability, using the interest or index rate at the commencement date of the lease.

The right-of-use asset is measured at cost, comprising

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred; and
- an estimate of costs to be incurred in restoring the assets to the condition required by the terms and conditions of the lease.

The final check and painting required at redelivery are considered unavoidable maintenance costs that realise when the aircraft is redelivered to the lessor, irrespective of the time or flight hours. The counterpart of the provision is recorded in the book value of the right-of-use asset at the commencement of the lease.

After initial recognition, right-of-use assets are measured at cost less any accumulated depreciations and accumulated impairment losses. The assets are depreciated with a straight-line method from the commencement date to the shorter of end of useful life of the right-of-use asset and the end of lease term.

The aircraft lease agreements do not clearly define the interest rate implicit in the lease. However, since the fair values of the aircraft are provided publicly by third parties, Flyr is

able to calculate the implicit interest rate for each qualifying aircraft operating lease. The rate implicit in the lease is defined as the rate that causes the sum of the present value of the lease payments and the present value of the residual value of the underlying asset at the end of the lease to equal the fair value of the underlying asset. The implicit interest rate is determined by each aircraft lease contract separately.

Aircraft lease contracts are usually denominated in foreign currency (US dollars) and the foreign currency lease liabilities are revalued at each balance sheet date to the spot rate. The lease payments (lease payments made) are accounted for as repayments of the lease liability and as interest expense.

1.2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Board of Directors. The Company has one operating segment, which is airline passenger travel.

2. Judgements, estimates and assumptions

The preparation of condensed interim financial statements in accordance with IFRS require management to make judgements, estimates and assumptions which affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and assumptions used are based on various factors such as historical figures and management experience

and are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed interim financial statements, the significant judgments 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 for the period ended 31 December 2020. Additionally, in preparing the interim financial statements, the key critical judgements and estimation uncertainty are detailed below.

- The aircraft held under lease agreements are subject to specific redelivery conditions stated in the contracts as well as periodic maintenance programs as defined by the aircraft and engines manufacturers. To meet these requirements, the Company must conduct maintenance, both regularly and at the expiration of the leasing period. Provisions are made based on the estimated costs of overhauls and maintenance. In order to estimate these conditions, Management must make assumptions regarding expected maintenance costs.
- The aircraft leasing agreements does not detail the implicit interest rate, and Management must make assumptions as to the fair values and residual values of the aircraft in order to estimate the interest rate to measure the Right of Use asset and Lease liabilities at commencement dates.

3. Lease agreements

Right of use assets

Unaudited

<i>(1,000 NOK)</i>	Aircraft	Facilities	Sum
Aquisition cost			
Aquisition cost 1 January 2021	-	5 532	5 532
Additions	465 693	75 930	541 622
Aquisition cost 31 December 2021	465 693	81 461	547 154
Accumulated depreciations			
Accumulated depreciations 1 January 2021	-	221	221
Additions	29 581	5 539	35 120
Accumulated depreciation 31 December 2021	29 581	5 760	35 341
Carrying value 31 December 2021	436 112	75 701	511 813
Useful life	6 year	2-8 year	
Depreciation plan	Linear	Linear	

Leasing liabilities

Unaudited

<i>(1,000 NOK)</i>	31.12.2021
Lease liabilities 1 January 2021	4 663
Additions	537 323
Lease downpayments	(25 332)
Interest payments	(5 035)
Interest expenses	6 813
Effects of currency revaluations	11 132
Total lease liabilities 31 December 2021	529 564
Long term lease liabilities	433 818
Short term lease liabilities	95 746

Maturity profile for interest bearing liabilities

The below schedule shows the maturity dates for nominal amounts of lease liabilities in NOK on 31 December 2021.

Unaudited

<i>(1,000 NOK)</i>	
< 1year	87 413
1-2 year	87 585
2-5 year	267 742
> 5 year	94 298
Total interest bearing liabilities	537 038

4. Related parties

There have been no changes during the fourth quarter or the annual year 2021 in related parties compared to the description in in the Annual Report for 2020. There have been no significant transactions with related parties in 2021.

5. Shareholder information

The 20 largest shareholders per 16 February 2022:

Shareholder	No.shares	% of total shares
OJADA AS	41 315 719	10,0 %
DIVA DUGNAD AS	22 424 165	5,4 %
SKANDINAVISKA ENSKILDA BANKEN AB	21 000 000	5,1 %
NORDNET LIVSFORSIKRING AS	19 394 536	4,7 %
KULTA INVEST AS	13 393 232	3,2 %
ORMESTAD TELLEF	7 921 822	1,9 %
NORDNET BANK AB	6 255 507	1,5 %
VERDIPAPIRFONDET FIRST GENERATOR	6 122 907	1,5 %
AVANZA BANK AB	5 988 035	1,4 %
AKTIV PORTFOLIO AS	4 131 579	1,0 %
CLEMCO HOLDING INVEST AS	2 754 386	0,7 %
MYKLESET KARL JOHAN SVERRE	2 000 000	0,5 %
LODEVOLDEN IV AS	1 904 000	0,5 %
VALSØ HOLDING AS	1 845 594	0,4 %
SKATTUM INVEST AS	1 500 000	0,4 %
TANNREG AS	1 500 000	0,4 %
TROMSØ EIENDOMSUTVIKLING AS	1 500 000	0,4 %
WHITEROCK CAPITAL AS	1 402 000	0,3 %
AS JEGARD	1 377 193	0,3 %
KBC BANK NV	1 306 502	0,3 %
Top 20 shareholders	165 037 177	39,9 %
Total shares outstanding	413 157 894	100,0 %

6. Events after reporting date

On 4 January 2022, an Extraordinary general meeting was held in Flyr AS. The general meeting approved the previously announced fully underwritten rights issue in the company to raise gross proceeds of NOK 250 million. On 31 January 2022, the company announced that the share capital increase relating to the Rights issue was registered with the Norwegian Register of Business Enterprises. After this, the Company's new share capital is NOK 826,315,788 divided on 413,157,894 shares, each with a nominal value of NOK 0.002.

Alternative performance measures

Flyr's financial statements are prepared in accordance with International Financial reporting standards (IFRS). In addition, the company presents alternative performance measures (APM), to describe its operational and financial performance in order to enhance comparability between financial periods and to enable better comparability relative to its industry peers. The alternative performance measures do not replace IFRS indicators.

The APMs are regularly reviewed by management and their aim is to enhance stakeholders' understanding of the company's performance. APMs are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data as described in the table below.

APM	Description	Reason to include
EBIT	Earnings before net financial items, income tax expense (income) Equivalent to operating profit in the income statement in the annual report.	Enables comparability of profitability regardless of capital structure or tax situation
EBITDAR	Earnings before net financial items, income tax expense (income), depreciation, amortization and impairment and aircraft leasing expenses	A measure of operating performance that enables comparison between airlines as it is not affected by the method used to finance aircraft
EBT	Earnings before income tax expense (income). Equivalent to profit (loss) before income tax expense (income) in the Income Statement in the annual report	Enables comparability of profitability regardless of tax situation.
Equity ratio	Total equity/ equity and liabilities x 100	Equity ratio provides information on the financial leverage used by the Company to fund its assets.

Other definitions

Item	Description
ASK	Available seat kilometers. Number of available passenger seats multiplied by flight distance
Average sector length	Total flown distance divided by number of flights
Load Factor	RPK divided by ASK, describes the utilization of available flights
RPK	Revenue passenger kilometers, Number of seats sold multiplied by flight distance
Passengers (PAX)	Number of passengers flown
Passenger revenue (PASK)	Total passenger revenue divided by ASK
Employees per aircraft	Total number of employees divided by number of aircraft
Unit cost (CASK)	Total operating expenses divided by ASK
Yield	Total passenger revenue divided by RPK

General information

Flyr AS
Nedre Vollgate 5
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www.flyr.com

Board of directors

Erik Braathen (Chair)
Tord Meling
Maurice Alexander Mason

Management

Tonje W. Frislid (CEO)
Brede G. Huser (CFO)
Thomas Ramdahl (CCO)
Asgeir Nyseth (COO)
Alf Sagen (CTO)
Frode Berg (CLSO)
Bjørn Erik Barman-Jenssen (CGOO)

Investor relations

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<https://www.flyr.com/investors>

Financial Calendar

Traffic figures for February will be released on 3 March 2022
Traffic figures for March will be released on 5 April 2022
Annual report for 2021 will be released 28 April 2022
First quarter 2022 results will be released 19 May