

23 August 2022

Financial press release – Síminn hf. Q2 2022

## Strong core operations deliver a good quarter

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In the Interim Financial Statements of the Síminn Group for the second quarter of 2022, Míla is treated as a discontinued operation. The operations of the Síminn Group without Míla are discussed below.

- Revenue in the second quarter (Q2) of 2022 amounted to ISK 6,036 million compared to ISK 5,937 million in the same period 2021.
- EBITDA amounted to ISK 1,399 million in Q2 2022, up by ISK 81 million or 6.1% compared to the same period 2021. The EBITDA ratio was 23.2% in Q2 2022, compared to 22.2% in the same period of 2021. Operating profit EBIT amounted to ISK 682 million in Q2 2022, compared to ISK 543 million in the same period of 2021.
- Net financial expenses amounted to ISK 165 million in Q2 2022, compared to ISK 99 million in the same period of 2021. Financial expenses amounted to ISK 252 million, financial income ISK 90 million, and foreign exchange loss ISK 3 million.
- Profit in Q2 2022 amounted to ISK 410 million, compared to ISK 342 million in the same period of 2021. Profit for the period, together with discontinued operations, amounted to ISK 505 million.
- Interest-bearing debt including lease liabilities amounted to ISK 7.1 billion at the end of Q2 2022, compared to ISK 8.3 billion at the end of 2021. Net interest-bearing debt including lease liabilities amounted to ISK 5.7 billion at the end of Q2 2022 compared to ISK 4.8 billion at the end of 2021.
- Síminn's equity ratio was 44.0% at the end of Q2 2022 and equity was ISK 29.9 billion.

Orri Hauksson, CEO:

"Síminn's operations in the second quarter of the year follow closely behind the first, with both revenue and EBITDA increasing. Mobile revenues are now significantly growing year-on-year, partly due to increased travel to and from the country. Income from TV services and internet also increases somewhat. The operating outlook for the second half of this year is positive.

The main cost items change little between years, but a large part of Síminn's costs is predictable and based on long-term contracts with domestic and foreign suppliers. Exchange rate development has been favourable, but inflation weighs against it and will do so more heavily for the rest of the year. Labour costs increased by almost 5% year-on-year in the second quarter, mostly due to layoffs. Salary increases can be expected in the coming months. To some extent, this is due to more pressure on wages in general, in addition to the fact that

the upcoming collective agreements are a major factor of uncertainty in the company's expenses next year.

Síminn's structure was changed during the quarter, with the aim of shortening the company's communication channels and improving customer service. Two new managing directors have been appointed, Berglind Björg Harðardóttir, Sales and Services, and Erla Ósk Ásgeirsdóttir, Sustainability and Culture, and they have already made a positive impact on the business.

Míla, Síminn's subsidiary, performed well in the first half of the year and returned EBITDA results comparable to the same period last year. Síminn signed a share purchase agreement with the French fund management company Ardian on October 23 last year, but the company's sale process will be finalized on September 15 at the latest, when the deadline for the competition authorities to review the purchase will have passed. As stated in Síminn's announcement to the stock exchange last July 22, it has been agreed with the company's buyer that Míla's sale price will drop from ISK 78 billion to ISK 73 billion, as well as other changes to the purchase agreement. Síminn still hopes that Ardian's acquisition of Míla will be approved, as the competition authorities have for a long time believed that the sale of Míla to a third party is positive for competition, and that the acquisition will lead to further investments in telecommunications infrastructure in Iceland. A new arrangement after the sale is based on a solid business agreement between Síminn and Míla and would be beneficial for Síminn's operations and for Síminn's customers in the short and long term."

## 1H 2022 Results

### Operation

| Income statement                     | Q2       |          |        | 1H       |          |        |
|--------------------------------------|----------|----------|--------|----------|----------|--------|
|                                      | 2022     | 2021     | %      | 2022     | 2021     | %      |
| Net sales                            | 6.036    | 5.937    | 1,7%   | 12.129   | 11.955   | 1,5%   |
| Cost of sales                        | ( 3.597) | ( 3.692) | -2,6%  | ( 7.359) | ( 7.475) | -1,6%  |
| Operating expenses                   | ( 1.757) | ( 1.702) | 3,2%   | ( 3.514) | ( 3.433) | 2,4%   |
| EBIT                                 | 682      | 543      | 25,6%  | 1.256    | 1.047    | 20,0%  |
| Net financial items                  | ( 165)   | ( 99)    | 66,7%  | ( 73)    | ( 130)   | -43,8% |
| Income tax                           | ( 107)   | ( 102)   | 4,9%   | ( 220)   | ( 199)   | 10,6%  |
| Net profit from continuing operation | 410      | 342      | 19,9%  | 963      | 718      | 34,1%  |
| Discontinued operation               | 95       | 276      |        | 288      | 2.784    | -89,7% |
| Net profit                           | 505      | 618      | -18,3% | 1.251    | 3.502    | -64,3% |
| EBITDA                               | 1.399    | 1.318    | 6,1%   | 2.726    | 2.592    | 5,2%   |
| EPS from continuing operation        | 0,05     | 0,05     | 0,0%   | 0,13     | 0,09     | 44,4%  |

Total sales for 1H 2022 amounted to ISK 12,129 million, compared to ISK 11,955 million for the same period 2021, up by 1.5%. Revenue from mobile amounted to ISK 2,882 million, up by ISK 220 million or 8.3% between periods. Revenue from fixed voice amounted to ISK 745 million, down by 7.5% between periods. Revenue from data (internet & network) amounted to ISK 3,728 million, up by ISK 36 million or 1.0% between periods. Revenue from TV services amounted to ISK 3,274 million, up by ISK 79 million or 2.5% between periods. Revenue from

equipment sale amounted to ISK 941 million, down by ISK 92 million or 8.9% between periods. Other revenue amounted to ISK 559 million, down by ISK 9 million between periods.

The cost of sales amounted to ISK 7,359 million and decreases by ISK 116 million or 1.6% from the same period last year. Operating expenses amounted to ISK 3,514 million and increases by ISK 81 million or 2.4% from the same period last year.

EBITDA amounted to ISK 2,726 million in 1H 2022, compared to ISK 2,592 million in 1H 2021, up by ISK 134 million or 5.2%. The EBITDA ratio is 22.5% in 1H 2022, compared to 21.7% in the same period in 2021.

Depreciation amounted to ISK 1,470 million in 1H 2022, compared to ISK 1,545 million for the same period in 2021, down by ISK 75 million between periods.

Net financial items amounted to ISK 73 million in 1H 2022 down by ISK 57 million compared to same period 2021. The reduction is due to 113 m.kr. capital gain from Síminn's holding in Auðkenni, which was sold earlier this year.

Profit for 1H 2022 from continuing operations amounted to ISK 963 million compared to ISK 718 million during the same period in 2021. Profit 1H 2022 with discontinued operations amounted to ISK 1,251 million.

## Cash Flow

Operating activities amount to a total of ISK 2,722 million in 1H 2022, compared to ISK 2,591 million during the same period in 2021. The increase in operating-related assets and liabilities in 1H 2022 is ISK 481 million.

Cash generated by operation was ISK 3,203 million in 1H 2022, compared to ISK 4,032 million during the same period in 2021. After interest and taxes, net cash from operating activities amounted to ISK 2,679 million in 1H 2022, compared to 3,524 m.kr. in 1H 2021.

Investing activities amounted to ISK 1,147 million in 1H 2022 and financing activities are negative by ISK 3,670 million in 1H 2022.

| Cash flow   | 1H 2022         | 1H 2021      |
|---|-----------------|--------------|
| Operating profit  | 1.256           | 1.047        |
| Depreciation and amortisation                                   | 1.470           | 1.545        |
| Gain on sale of fixed assets                                    | ( 4)            | ( 1)         |
| <b>Total operating activities</b>                               | <b>2.722</b>    | <b>2.591</b> |
| Changes in current assets and liabilities                       | 481             | 1.441        |
| <b>Cash generated by operation</b>                              | <b>3.203</b>    | <b>4.032</b> |
| Net interest expenses paid during the period                    | ( 176)          | ( 69)        |
| Payments of taxes during the period                             | ( 348)          | ( 439)       |
| <b>Net cash from operating activities</b>                       | <b>2.679</b>    | <b>3.524</b> |
| Investing activities  | ( 1.147)        | 20.876       |
| Financing activities  | ( 3.670)        | ( 18.160)    |
| <b>Increase (decrease) in cash and cash equivalents</b>         | <b>( 2.138)</b> | <b>6.240</b> |
| Translation effects on cash                                     | ( 6)            | ( 12)        |
| <b>Cash and cash equivalents at the beginning of the period</b> | <b>3.509</b>    | <b>735</b>   |
| <b>Cash and cash equivalents at the end of the period</b>       | <b>1.365</b>    | <b>6.963</b> |

## Balance sheet

Total assets amounted to ISK 67,979 million at the end of Q2 2022 but were ISK 69,727 million at the end of 2021.

Interest-bearing debt, including lease obligations, was ISK 7,057 million at the end of Q2 2022, compared to ISK 8,294 million at the end of 2021. Net interest-bearing debt, including lease obligations, was ISK 5,692 million at the end of Q2 2022 and increased by 907 m.kr. from the end of 2021. The ratio of net interest-bearing debt, including lease obligations over EBITDA LTM was 1.01.

Equity amounted to ISK 29,939 million at the end of Q2 2022 and equity ratio was 44.0%.

| Assets                             | 30.06.2022    | 31.12.2021    |
|------------------------------------|---------------|---------------|
| Property, plant and equipment..... | 2.195         | 2.219         |
| Right-of-use assets.....           | 690           | 753           |
| Intangible assets.....             | 19.191        | 19.403        |
| Other non-current assets.....      | 669           | 675           |
| <b>Non-current assets</b>          | <b>22.745</b> | <b>23.050</b> |
| Assets held for sale.....          | 37.223        | 36.929        |
| Cash and cash equivalents.....     | 1.365         | 3.509         |
| Other current assets.....          | 6.646         | 6.239         |
| <b>Current assets</b>              | <b>45.234</b> | <b>46.677</b> |
| <b>Total assets</b>                | <b>67.979</b> | <b>69.727</b> |

  

| Equity and liabilities              | 30.06.2022    | 31.12.2021    |
|-------------------------------------|---------------|---------------|
| Total equity.....                   | 29.939        | 31.079        |
| <b>Total equity</b>                 | <b>29.939</b> | <b>31.079</b> |
| Borrowings.....                     | 5.949         | 5.943         |
| Finance lease.....                  | 594           | 653           |
| Deferred tax liabilities.....       | 406           | 604           |
| <b>Non-current liabilities</b>      | <b>6.949</b>  | <b>7.200</b>  |
| Liabilities held for sale.....      | 25.832        | 25.826        |
| Other Current liabilities.....      | 5.259         | 5.622         |
| <b>Current liabilities</b>          | <b>31.091</b> | <b>31.448</b> |
| <b>Total equity and liabilities</b> | <b>67.979</b> | <b>69.727</b> |

## Key events

- Síminn's new organization chart came into effect this summer, which adjusts the company's activities in line with technological development with shorter communication channels, more open communication, more diverse attitudes, faster decision-making, and a stronger culture. Two new managing directors have been appointed, Berglind Björg Harðardóttir leads Sales and Services and Erla Ósk Ásgeirsdóttir Sustainability and Culture.
- In May, Síminn together with the National Emergency Service (Neyðarlínan), Nova and Vodafone signed an agreement on cooperation, where these parties work together to ensure a good mobile connection in less populated and remote areas of Iceland. This will increase security as it will be possible to contact 112 as well as other phone numbers regardless of where the person buys their mobile service. The telecommunication companies will set up an active infrastructure in accordance with the proposals of Neyðarlínan, which provides masts and electricity.
- Síminn is no longer printing invoices and therefore invoices are now electronic only. The decision is for the good of the environment and in line with Síminn's sustainability policy.
- Icelandic productions in Sjónvarp Síminn received a total of 41 nominations for the Edda award. A total of 12 series and other content from Síminn received nominations, of which Systrabönd received 10 nominations and the movie Dýrið 13 nominations.

## Sale of Míla to Ardian

The sale of Míla to Ardian, which was announced on 23 October 2021, is still under review by the Icelandic Competition Authority (ICA). ICA announced on March 14 that it was going to investigate the transaction further. ICA deadline to complete investigation was then extended

to July 27. On July 1, ICA published its preliminary findings, and its assessment was that the transaction distorted competition and would not be approved without conditions or further explanation. On July 9, Ardian requested settlement discussion with the ICA, which extended ICA's deadline to finish the investigation until August 18. On July 17, Ardian informed Síminn that due to remedies that Ardian had offered to the ICA in the settlement discussion, Ardian was not prepared to complete the transaction based on the purchase agreement announced on October 23, 2021.

On July 22, it was announced that Síminn and Ardian had entered into a new agreement, whereby the main item of the agreement included an amendment of the purchase agreement concerning the total value of Míla, which was previously ISK 78 billion, as announced Síminn's on 23 October 2021, including the financial obligations assumed by the buyer. The amended agreement stated that total value of the transactions is ISK 73 billion, which is a decrease of ISK 5 billion. According to the amended purchase agreement, Síminn will be paid on closing about ISK 35 billion in cash and ISK 19 billion will be loaned in the form of a bond that Síminn provides to the buyer for three years. The bond was ISK 15 billion in the previous agreement. The bond is transferable and bears 4% interest, which is unchanged from the previous agreement. These changes to the purchase agreement mean that the estimated profit on the sale is now ISK 41.8 billion, considering the costs of the transaction, which is a decrease of ISK 4.6 billion from what was announced on October 23, 2021.

On August 11, Ardian requested an extended deadline to complete negotiations with ICA, and that deadline extends to September 15. Further deadlines are not available.

## Guidance 2022

The guidance for 2022 is unchanged and assumes that EBITDA for the group will be in the range of ISK 5.3 – 5.6 billion. CAPEX is estimated to be in the range of ISK 4.3 – 4.6 billion.

## Investor meeting 24 August 2022

An investor presentation will be held on Wednesday 24 August 2022 at 8:30 am at Síminn's headquarters in Ármúli 25, Reykjavík. During the meeting, Orri Hauksson CEO and Óskar Hauksson CFO will present the financial results. The meeting will be held in Icelandic. Documents for the meeting are available in Nasdaq's Iceland company news and on the company's investor relations website <https://www.siminn.is/umsimann/quarterly-results>.

The meeting is webcasted on: <https://www.siminn.is/fjarfestakynning>.

Those who wish to ask questions can send them to [fjarfestatengsl@siminn.is](mailto:fjarfestatengsl@siminn.is) and they will be answered at the end of the meeting.

## Financial Calendar 2022

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| • Interim report for the first nine months of 2022 | 25 October 2022  |
| • Announcement of the 2022 results                 | 14 February 2023 |
| • Annual General Meeting 2023                      | 9 March 2023     |

**Further information**

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Note: This English version is a translation of the Icelandic text that accompanies the Q2 2022 results of Síminn hf.