

14 February 2023

Financial press release – Síminn hf. Q4 2022

## An eventful year behind

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- Revenue in the fourth quarter (Q4) of 2022 amounted to ISK 6,233 million compared to ISK 6,464 million in the same period 2021. The decline in income is due to sales of equipment, which decreased by 25%, and the sale of telecom equipment to Míla in 2021. Looking at the company's core products, income growth is 4.2%.
- EBITDA amounted to ISK 1,633 million in Q4 2022, up by ISK 350 million or 27.3% compared to the same period 2021. The EBITDA ratio was 26.2% in Q4 2022, compared to 19.8% in the same period of 2021. Operating profit EBIT amounted to ISK 703 million in Q4 2022, compared to ISK 373 million in the same period of 2021. Without cancellation of the competition fine in the amount of ISK 200 million EBITDA in Q4 2022 is ISK 1,433 million (23.0%) and EBIT ISK 503 million (8.1%).
- Net financial expenses amounted to ISK 389 million in Q4 2022, compared to ISK 13 million in the same period of 2021. Financial expenses amounted to ISK 223 million, financial income ISK 361 million, and foreign exchange loss ISK 145 million. A negative change in the fair value of a bond due to the sale of Míla is now part of the financial items, amounting to ISK 382 million.
- Profit in Q4 2022 amounted to ISK 670 million including discontinued operation. Profit from continuing operations in Q4 2022 amounted to ISK 381 million compared to ISK 310 million in the same period of 2021.
- Interest-bearing debt including lease liabilities amounted to ISK 8.9 billion at the end of 2022, compared to ISK 8.3 billion at the end of 2021. Cash in the end of 2022 amounted to ISK 3.7 billion, compared to ISK 3.5 billion at the end of 2021. The balance of loans at Síminn Pay was ISK 1.7 billion at the end of 2022, but was ISK 1.2 billion at the end of 2021.
- Síminn's equity ratio was 68.9% at the end of 2022 and equity was ISK 35.3 billion.

Orri Hauksson, CEO:

The year 2022 was one of the most eventful years in Síminn's history, which spans 117 years this fall. Several major events took place during the year one after another. One of the most satisfying things for the shareholders was the operating result in the last months of the year, which led to the year's result being the best in the company's operating history, even if the profit from the sale of Míla is excluded.

We are extremely proud of this success, as there were many things competing for the attention of employees and management during the year. These include organizational changes, personnel changes and new products that were introduced. We increased diversity in the management team and prepared the company for a new future by shortening the communication channels within it. Míla's sales process was also extremely extensive and turned out to be a long-drawn-out process. In that process, more than ISK 10 billion were needlessly transferred from Síminn's Icelandic shareholders to investors on the European continent.

On the other hand, the positive thing is that the transaction was finally approved by the competition authorities which leaves Síminn as a strong and agile service company. We now believe that we can handle demanding customers in the future with increased agility and efficiency. Now that Síminn no longer owns Míla, we trust that the regulators will lift their heavy public obligations for Síminn to be able to compete in the market on an equal basis, for the benefit of all consumers.

After the sale of Míla was initially concluded in October 2021, the company's board of directors decided that the management should investigate whether the company could use the money that could be expected from the sale, partially or entirely, in more profitable projects than those that Síminn's shareholders could reasonably find on his own. It turned out that investment opportunities for Síminn in Iceland will not be of such a magnitude that Míla's sales value is needed. It then became clear that Síminn's shareholders generally do not believe that Síminn should keep large sums of cash on hand for potential investment opportunities outside of Iceland.

The management's task was therefore to get Míla's sales value into the hands of the shareholders in an efficient manner. To do that, the share capital was reduced and paid to shareholders in the amount of ISK 31.5 billion last November and will be done again at the end of March in the amount of ISK 15.7 billion if the general meeting approves the board's proposals. The second payment became possible after the bond (seller's loan) for the sale of Míla was sold. The vast majority of Síminn's share capital is owned by Icelandic pension funds, and therefore all citizens benefit from these generous payments to shareholders. If, in the future, an investment opportunity arises for Síminn of such a magnitude that they once again demand increased financing for the company, the conversation will turn around and the board and management will then request new capital from shareholders.

Several things developed against Síminn's interests at the end of last year. The exchange rate of the ISK fell which increased a significant part of Síminn's income in ISK. The collective agreements reached with most of the country's trade unions were a cause for celebration in themselves, but turned out to be more expensive than expected. The retroactivity of the contracts also increased labor costs for the year 2022 beyond expectations.

Many positive milestones were achieved in the operation. The US TV giant HBO chose Síminn at the end of the year to convey its quality content to Icelanders for the next season. This is part of a targeted improvement of Síminn's TV service for its customers. The authorities have also laid out long-term plans for 5G frequency licenses. That should be celebrated, as Síminn can now, with its suppliers, Míla, and Ericsson, design its secure 5G service for the long future throughout the country. At the end of last year, Síminn also took a new step into the world of financial technology and digital credit services, with the release of a credit card with flexible payment options called Léttkort. The reception has exceeded expectations and it is a pleasure to be able to offer borrowers flexible options. More exciting innovations are on the way.

Síminn invested significantly in digital infrastructure and TV content last year. The company's investments are now decreasing, but will remain significant this year, but will decrease rapidly thereafter. Looking at the year as a whole and the developments that have taken place, it is clear that the future is bright for Síminn."

## 2022 Results

### Operation

Income statement	Q4			12M		
	2022	2021	%	2022	2021	%
Net sales	6.233	6.464	-3,6%	24.572	24.543	0,1%
Cost of sales	( 3.874)	( 4.292)	-9,7%	( 14.914)	( 15.533)	-4,0%
Operating expenses	( 1.656)	( 1.799)	-7,9%	( 6.713)	( 6.750)	-0,5%
EBIT	703	373	88,5%	2.945	2.260	30,3%
Net financial items	( 389)	( 13)	2892,3%	( 546)	( 114)	378,9%
Income tax	67	( 50)	-234,0%	( 337)	( 411)	-18,0%
Net profit from continuing operation	381	310	22,9%	2.062	1.735	18,8%
Discontinued operation	289	344	-16,0%	36.205	3.478	941,0%
Net profit	670	654	2,4%	38.267	5.213	634,1%
EBITDA	1.633	1.283	27,3%	6.149	5.502	11,8%
EPS from continuing operation	0,08	0,05	60,0%	0,31	0,23	34,8%

Total sales for 2022 amounted to ISK 24,572 million, compared to ISK 24,543 million for 2021, up by 0,1%. Looking at the company's core products, revenue growth is 3.7%, but there is a decline in in other revenue. The decline is mostly related to sales of equipment, which decreased by almost 15%, sales of telecom equipment to Míla in 2021 and sales of Spotify subscriptions, but Síminn stopped reselling Spotify at the beginning of 2022.

Revenue from mobile amounted to ISK 6,029 million, up by ISK 425 m.kr. or 7.6% from last year. Revenue from fixed voice amounted to ISK 1,342 million, down by 14.6% from last year. Revenue from data (internet & network) amounted to ISK 7,591 million, up by ISK 249 million or 3.4% from last year. Revenue from TV services amounted to ISK 6,722 million, up by ISK 339 million or 5.3% from last year. Revenue from equipment sale amounted to ISK 1,838 million, down by ISK 310 million or 14.4% from last year. Other revenue amounted to ISK 1,050 million, down by ISK 444 million from last year. The decrease is due to Spotify and the sale of telecom equipment to Míla in the amount of ISK 500 million, while other items increased by ISK 55 million.

The cost of sales amounted to ISK 14,914 million and decreases by ISK 619 million or 4.0% from 2021, which is largely explained by a decrease in the cost of goods sold, which decreases due to lower equipment sales. Operating expenses amounted to ISK 6,713 million and decreases by ISK 37 million or 0.5% from 2021.

EBITDA amounted to ISK 6,149 million in 2022, compared to ISK 5,502 million in 2021, up by ISK 647 million or 11.8%. The EBITDA ratio is 25.0% in 2022, compared to 22.4% in 2021. If

corrected for the cancellation of the administrative fine in Q4 2022 in the amount of ISK 200 million EBITDA is ISK 5,949 million and the EBITDA ratio is 24.2%.

Depreciation amounted to ISK 3,204 million in 2022, compared to ISK 3,242 million in 2021, down by ISK 38 million.

Net financial items amounted to ISK 546 million in 2022, compared to ISK 114 million in 2021.

Profit for 2022 amounted to ISK 38,267 million. Profit from continuing operations amounted to ISK 2,062 million, compared to ISK 1,735 million in 2021.

## Cash flow

Operating activities amount to a total of ISK 6,092 million in 2022, compared to ISK 5,501 million in 2021. Changes in operating-related assets and liabilities in 2022 are ISK 2,042 million.

Cash generated by operation was ISK 8,134 million in 2022, compared to ISK 4,402 million in 2021. After interest and taxes, net cash from operating activities amounted to ISK 7,240 million in 2022, compared to ISK 3,760 million in 2021.

Investing activities were positive, amounting to ISK 26,861 million in 2022, of which a payment due to the sale of Míla, minus sales costs, amounted to ISK 31,637 million. In the third quarter, a large portion of the English Premier League's rights moved from prepaid expenses to investment.

Financing activities are negative by ISK 33,889 million in 2022, but following the sale of Míla, the company's share capital was reduced with a payment of ISK 30.5 billion.

Cash flow	2022	2021
Operating profit	2.945	2.260
Depreciation	3.204	3.242
Gain on sale of fixed assets	( 57)	( 1)
<b>Total operating activities</b>	<b>6.092</b>	<b>5.501</b>
Changes in current assets and liabilities	2.042	( 1.099)
<b>Cash generated by operation</b>	<b>8.134</b>	<b>4.402</b>
Net interest expenses paid during the period	( 12)	( 77)
Payments of taxes during the period	( 882)	( 565)
<b>Net cash from operating activities</b>	<b>7.240</b>	<b>3.760</b>
Investing activities	26.861	19.031
Financing activities	( 33.889)	( 20.018)
<b>Changes in cash and cash equivalents</b>	<b>212</b>	<b>2.773</b>
Translation effects on cash	0	1
<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>3.721</b>	<b>3.509</b>

## Balance sheet

Total assets amounted to ISK 51,181 million at the end of 2022 but were ISK 69,727 million at the end of 2021.

Interest-bearing debts, including lease obligations, were ISK 8,867 million at the end of 2022, compared to ISK 8,294 million at the end of 2021. Cash at the end of 2022 amounted to ISK 3,721 million compared to ISK 3,509 million at the end of 2021. Net interest-bearing debt with lease liabilities and Síminn Pay consumer loans were ISK 3,449 million at the end of 2022 compared to ISK 3,571 million at the end of 2021.

On 29 January 2023, a bond that Síminn received as part of the sale proceeds of Míla was sold. The bond is booked among current assets at fair value at the end of 2022, which is almost ISK 15.7 billion.

Equity amounted to ISK 35,261 million at the end of 2022 and equity ratio was 68.9%.

Eignir	31.12.2022	31.12.2021
Rekstrarfjármunir.....	2.466	2.219
Leigugeignir.....	941	753
Óefnislegar eignir.....	22.122	19.403
Aðrar eignir.....	580	675
<b>Fastafjármunir</b>	<b>26.109</b>	<b>23.050</b>
Eignir flokkaðar til sölu.....	0	36.929
Verðbréf færð á gangvirði.....	15.687	0
Handbært fé.....	3.721	3.509
Aðrir veltufjármunir.....	5.664	6.239
<b>Veltufjármunir</b>	<b>25.072</b>	<b>46.677</b>
<b>Eignir alls</b>	<b>51.181</b>	<b>69.727</b>
Skuldir og eigið fé	31.12.2022	31.12.2021
Eigið fé.....	35.261	31.079
<b>Eigið fé</b>	<b>35.261</b>	<b>31.079</b>
Skuldabréfálán.....	5.956	5.943
Leiguskuldbinding.....	731	653
Víðskiptaskuldir.....	639	0
Tekjuskattsskuldbinding.....	89	604
<b>Langtímaskuldir</b>	<b>7.415</b>	<b>7.200</b>
Skuldir flokkaðar til sölu.....	0	25.826
Aðrar skammtímaskuldir.....	8.505	5.622
<b>Skammtímaskuldir</b>	<b>8.505</b>	<b>31.448</b>
<b>Skuldir og eigið fé alls</b>	<b>51.181</b>	<b>69.727</b>

## Key events

- In December 2022, Síminn signed a contract with HBO, which guarantees customers of Síminn Premium TV service access to the latest TV content from HBO and HBO Max as well as a number of older titles. The popularity of this content has already started to be noticed at Síminn, both in the number of Premium TV customers and in the huge increase in amount of content played, which in January exceeded 5 million for the first time.
- Síminn Pay launched a new product, Léttkort, in November, a credit card where flexible payments are offered and customers pay at their own pace. The card is 100% digital and accessible on customers' phones. Customers with a mobile phone subscription with Síminn enjoy special offers where, among other things, there is no currency spread when using the card abroad. The card was launched in Apple Pay in November 2022 and in Google Pay in January 2023. At the end of 2022, the balance of loans with Léttkort had already exceeded ISK 200 million.
- When Míla was sold in Q3 of 2022, Síminn received part of the sale proceeds in the form of a bond in the amount of ISK 17.5 billion. The bond was transferable, for three years and with 4% interest. At the end of January 2023, Síminn sold the bond to a company run by Ardian, the buyer of Míla for ISK 15.7 million. Following the sale of the bond, Míla's sale proceeds are fully paid in cash.
- The development of Síminn's 5G system continues, but at the end of last year, over 80 transmitters had been installed across the country. 5G deployment is nowhere near over and an additional 60 new transmission sites are planned this year. The mobile

connection in Snæfellsnes has been improved with the installation of 5G transmitters in Ólafsvík and Stykkishólmur and improved coverage and speed in other places. In addition to the capital area, Dalvík, Ólafsfjörður, Siglufjörður, Patreksfjörður, Bíldudalur and Tálknafjörður is planned to be covered by 5G before summer.

- Síminn's Annual general meeting will be held at the Hilton Nordica on 9 March 2023. At the meeting, among other things, proposals for ISK 500 million dividend payment and reduction of share capital by 185 million shares by equalization of the company's own shares will be made. This is 4.2% of the issued shares in the company. In addition, a proposal will be made to reduce the company's share capital with a ISK 15.7 billion payment to shareholders. This is the same amount that was received for the bond due to the sale of Míla.

### Guidance 2023

The guidance for 2023 assumes that EBITDA for the group will be in the range of ISK 5.9 – 6.3 billion. CAPEX is estimated to be in the range of ISK 3.6 – 3.9 billion excluding licences and spectrum.

### Investor meeting 15 February 2023

An investor presentation will be held on Wednesday 15 February 2023 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/fjarfestar/quarterly-results>.

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

### Financial Calendar 2023

Annual General Meeting 2023	9 March 2023
Interim report for the first quarter of 2023	25 April 2023
Interim report for the first half of 2023	22 August 2023
Interim report for the first nine months of 2023	31 October 2023
Announcement of the 2023 results	20 February 2024
Annual General Meeting 2024	14 March 2024

### Further information

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