

Financial press release – Síminn hf. Q1 2022

## Revenue growth and improved results

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

- Revenue in the first quarter (Q1) of 2022 amounted to ISK 6,093 million compared to ISK 6,018 million in the same period 2021.
- EBITDA amounted to ISK 1,327 million in Q1 2022, compared to ISK 1,274 million in the same period of 2021, up by ISK 53 million or 4.2%. The EBITDA ratio was 21.8% in Q1 2022, compared to 21.2% in the same period of 2021. Operating profit EBIT amounted to ISK 574 million in Q1 2022, compared to ISK 504 million in the same period of 2021.
- Net financial expenses were positive by ISK 92 million in Q1 2022, but were negative by ISK 31 million in the same period of 2021. Financial expenses amounted to ISK 113 million, financial income ISK 200 million, and foreign exchange gain ISK 5 million. A change in financial expenses is due to a change in financing at the end of Q1 2021 and a capital gain from the sale of Síminn's shares in Auðkenni in Q1 2022.
- Profit in Q1 2022 amounted to ISK 553 million, compared to ISK 376 million in the same period of 2021. Profit for the period, together with discontinued operations, amounted to ISK 746 million.
- Interest-bearing debt including lease liabilities amounted to ISK 8.2 billion at the end of Q1 2022, compared to ISK 8.3 billion at the end of 2021. Net interest-bearing debt including lease liabilities amounted to ISK 4.5 billion at the end of Q1 2022 compared to ISK 4.8 billion at the end of 2021.
- Síminn's equity ratio was 43.9% at the end of Q1 2022 and equity was ISK 30.9 billion.

Orri Hauksson, CEO:

“The year is off to a good start and in line with our expectations. Altogether, modest growth in revenue, EBITDA and EBIT between years in the first quarter. We are proud of such a development in the transformation process that is currently taking place in the group and the tough competitive environment that prevails in the telecommunications and entertainment markets in Iceland.

Conclusion from the Competition Authority's regarding the acquisition of the French fund management company Ardian of our subsidiary Míla can be expected this summer. Various measures, such as the design of Síminn's future balance sheet, are waiting for the sale process

to be completed, but we want to make good use of the time in the meantime. Thus, it is now a priority within Síminn to build up human resources, service capacity and the organization of the company. Investments in Síminn's service infrastructure will be temporarily increased during the year, in order to strengthen the company for the new times ahead.

We have now advertised two new positions as managing director at the company, *Sales and Services* and *Sustainability and Culture*. The division of *Digitalization* and *Media and Marketing* are also a novelty and will be managed by Erik Figueras and Magnús Ragnarsson, in addition to which Óskar Hauksson will continue to be the Managing Director of *Finance*, which will change little from the current structure. Changes in projects within the company will also affect middle managers and the number of general employees, but the simplification that we intend to achieve will go through the company and shorten communication channels within it.

The group's staff has decreased significantly in recent years with outsourcing, sale of subsidiaries and a change in working methods. Thus, the company's new organization needs to reflect this development of the company, increase diversity in decision-making and build on digital customer service in a systematic way. The future of ServCo's such as Síminn is based on selecting excellent suppliers, working closely with them and managing the service to customers in a secure manner. We are therefore very pleased to rely on undisputed technology suppliers such as Ericsson from Sweden, Cisco from the United States and SAP from Germany. In addition, Míla and Sensa, which will soon be both former Síminn subsidiaries, will be part of the company's key suppliers.

We will also use the year to invest in transformations and the development of various systems and services. These include the 5G core system, enhanced TV services and digitalization. We have launched a new subscription, which includes internet via fiber optics and postpaid mobile service, which has been well received. Our product range for individuals, households and companies will change even further as the year goes on. Síminn is a mature company that operates various legacy systems and now can be an ideal time for shutting down many of them.

As mentioned earlier, Míla is still owned by Síminn, although in the financial statements it is classified as an asset held for sale. The company has increased investments in fiber-optic installation in homes, especially in rural areas and its 5G network is being built up rapidly now.

Various external factors are subject to uncertainty, as usual, but to an unusually large extent now. The war in Ukraine, rising prices, the development of the tourism industry in Iceland and changes in the exchange rate of the ISK are all factors that cannot be foreseen with certainty. So far, these factors together have had little effect on Síminn's operations from what could be expected, and in our opinion no major movements can be expected from such causes throughout the year. This assessment is partly because certain external factors interact and thus dampen the possible overall impact in either direction. On the other hand, the supply chain will continue to be slow due to the pandemic and now also due to the armed conflict. Both cause delays in the delivery of equipment. However, we can manage and maintain balance in most other aspects of our operations, so we are optimistic about the future after a good first quarter."

## Q1 2022 Results

### Operation

| Income statement                     | Q1       |          |          |         |
|--------------------------------------|----------|----------|----------|---------|
|                                      | 2022     | 2021     | Change   | %       |
| Net sales                            | 6.093    | 6.018    | 75       | 1,2%    |
| Cost of sales                        | ( 3.762) | ( 3.783) | 21       | -0,6%   |
| Operating expenses                   | ( 1.757) | ( 1.731) | ( 26)    | 1,5%    |
| EBIT                                 | 574      | 504      | 70       | 13,9%   |
| Net financial items                  | 92       | ( 31)    | 123      | -396,8% |
| Income tax                           | ( 113)   | ( 97)    | ( 16)    | 16,5%   |
| Net profit from continuing operation | 553      | 376      | 177      | 47,1%   |
| Discontinued operation               | 193      | 2.508    | ( 2.315) | -92,3%  |
| Net profit                           | 746      | 2.884    | ( 2.138) | -74,1%  |
| EBITDA                               | 1.327    | 1.274    | 53       | 4,2%    |
| EPS                                  | 0,08     | 0,34     | (0,26)   | -76,5%  |

Total sales for Q1 2022 amounted to ISK 6,093 million, compared to ISK 6,018 million for the same period 2021, up by 1,2%. Revenue from mobile amounted to ISK 1,413 million, up by ISK 113 m.kr. or 8.7% between periods. Revenue from fixed voice amounted to ISK 378 million, down by 6.9% between periods. Revenue from data (internet & network) amounted to ISK 1,858 million, down by ISK 1 million or 0.1% between periods. Revenue from TV services amounted to ISK 1,673 million, up by ISK 48 million or 3.0% between periods. Revenue from equipment sale amounted to ISK 449 million, down by ISK 69 million or 13.3% between periods. Other revenue amounted to ISK 322 million, up by ISK 12 million between periods.

The cost of sales amounted to ISK 3,762 million and decreases by ISK 21 million or 0.6% from the same period last year. Operating expenses amounted to ISK 1,757 million and increases by ISK 26 million or 1.5% from the same period last year.

EBITDA amounted to ISK 1,327 million in Q1 2022, compared to ISK 1,274 million in Q1 2021, up by ISK 53 million or 4,2%. The EBITDA ratio is 21.8% in Q1 2022, compared to 21.2% in the same period in 2021.

Depreciation amounted to ISK 753 million in Q1 2022, compared to ISK 770 million for the same period in 2021, down by ISK 17 million between periods.

Net financial items were positive by ISK 92 million in Q1 2022 down by ISK 123 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 Q1 2022 from continuing operations amounted to ISK 553 million compared to 376 m.kr. during the same period in 2021. Profit Q1 2022 with discontinued operations amounted to ISK 746 million.

## Cash flow

Operating activities amount to a total of ISK 1,323 million in Q1 2022, compared to 1,273 m.kr. during the same period in 2021. The increase in operating-related assets and liabilities in Q1 2022 is ISK 313 million.

Cash generated by operation was ISK 1,636 million in Q1 2022, compared to ISK 2,507 million during the same period in 2021. After interest and taxes, net cash from operating activities amounted to ISK 1,472 million in Q1 2022, compared to 2,172 m.kr. in Q1 2021.

Investment activities amounted to ISK 222 million in Q1 2022, compared to ISK 1,482 million during the same period in 2021.

Financing activities are negative by ISK 994 million in Q1 2022. The largest part of this is due to the purchase of own shares during the period in the amount of ISK 930 million.

| Cash flow   | Q1 2022      | Q1 2021      |
|---|--------------|--------------|
| Operating profit  | 574          | 504          |
| Depreciation and amortisation                                   | 753          | 770          |
| Gain on sale of fixed assets                                    | (4)          | (1)          |
| <b>Total operating activities</b>                               | <b>1.323</b> | <b>1.273</b> |
| Changes in current assets and liabilities                       | 313          | 1.234        |
| <b>Cash generated by operation</b>                              | <b>1.636</b> | <b>2.507</b> |
| Net interest expenses paid during the period                    | (25)         | (115)        |
| Payments of taxes during the period                             | (139)        | (220)        |
| <b>Net cash from operating activities</b>                       | <b>1.472</b> | <b>2.172</b> |
| Investing activities  | (222)        | (1.482)      |
| Financing activities  | (994)        | (721)        |
| <b>Increase (decrease) in cash and cash equivalents</b>         | <b>256</b>   | <b>(31)</b>  |
| Translation effects on cash                                     | (6)          | (7)          |
| <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>3.759</b> | <b>697</b>   |

## Balance sheet

Total assets amounted to ISK 70,432 million at the end of Q1 2022 but were ISK 69,727 million at the end of 2021.

Interest-bearing debt, including lease obligations, was ISK 8,245 million at the end of Q1 2022, compared to ISK 8,294 million at the end of 2021. Net interest-bearing debt, including lease obligations, was ISK 4,486 million at the end of Q1 2022 and decreased by 299 m.kr. from the end of 2021. The ratio of net interest-bearing debt, including lease obligations over EBITDA LTM was 0.81.

Equity amounted to ISK 30,895 million at the end of Q1 2022 and equity ratio was 43.9%.

| Assets                              | 31.03.2022    | 31.12.2021    |
|-------------------------------------|---------------|---------------|
| Property, plant and equipment.....  | 2.123         | 2.219         |
| Right-of-use assets.....            | 716           | 753           |
| Intangible assets.....              | 19.055        | 19.403        |
| Other non-current assets.....       | 544           | 675           |
| <b>Non-current assets</b>           | <b>22.438</b> | <b>23.050</b> |
| Assets held for sale.....           | 37.232        | 36.929        |
| Cash and cash equivalents.....      | 3.759         | 3.509         |
| Other current assets.....           | 7.003         | 6.239         |
| <b>Current assets</b>               | <b>47.994</b> | <b>46.677</b> |
| <b>Total assets</b>                 | <b>70.432</b> | <b>69.727</b> |
| Equity and liabilities              | 31.03.2022    | 31.12.2021    |
| Total equity.....                   | 30.895        | 31.079        |
| <b>Total equity</b>                 | <b>30.895</b> | <b>31.079</b> |
| Borrowings.....                     | 5.946         | 5.943         |
| Finance lease.....                  | 617           | 653           |
| Deferred tax liabilities.....       | 502           | 604           |
| <b>Non-current liabilities</b>      | <b>7.065</b>  | <b>7.200</b>  |
| Liabilities held for sale.....      | 25.936        | 25.826        |
| Other Current liabilities.....      | 6.536         | 5.622         |
| <b>Current liabilities</b>          | <b>32.472</b> | <b>31.448</b> |
| <b>Total equity and liabilities</b> | <b>70.432</b> | <b>69.727</b> |

## Key events

- Changes are planned in Síminn's organization chart that aim to increase flexibility in order to meet changes in the market. The new organization will support short communication channels, promote open communication, diversity and quicker decision-making, with a special emphasis on sustainability and self-service. The number of individuals on the company's executive board will increase by two and the company is already looking for two new managing directors. The number of middle managers decreases in connection with the changes and operational efficiency will increase. At the same time, increased investments will be made to accelerate digitalization.
- Innovation competition among employees (Magnificent March) was held for the second time. Many new projects were presented, and it has been decided to continue with 9 of them. Last year's winning project, voice control in Icelandic, has been in development for the past year and tests have begun. In connection with this, Síminn, in collaboration with Almannarómur and Reykjavík University, launched a new voice control project.
- Subscribers to Síminn Premium TV enjoy a variety of domestic programs. The Icelandic show, Venjulegt fólk, was popular this winter and the fifth series will be produced this summer. Other Icelandic show, Brúðkaupið mitt, was premiered on Síminn Premium TV this Easter, and the episodes have already reached over 100,000 views. View at English Premier League has increased significantly over the last three seasons. In August 2022, the first season of a new contract period with the Premier League begins.
- All operation related to Síminn's fintech solution was transferred to a subsidiary in the beginning of the year. The company's name is Síminn Pay ehf. and is fully owned by Síminn. There has been a steady increase in lending since the product was launched in May 2019. At the end of Q1 2022, total lending amounted to ISK 1,370 million and had doubled in one year. The operation is sustainable, and the new company is profitable. Síminn will expand its product range in the coming months. The total number of registered users of the Síminn Pay app are now 59 thousand.

## 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 27 April 2022

An investor presentation will be held on Wednesday 27 April 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 half of 2022        | 23 August 2022   |
| • 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 Q1 2022 results of Síminn hf.