

SKEL fjárfestingafélag hf. - Financial Statements 2023

Profit for the year 5,410 million ISK and ROE 16.4%

Transformation and development of companies:

- SKEL and Horn IV slhf collaborated to establish a service company called Styrkás. Styrkás's first major investment is Stólpi Gámar, along with the corresponding real estate. Styrkás previously owned Klettur and Skeljungur.
- Exploratory negotiations for the possible merger of Samkaup, Heimkaup, Lyfjaval, Orkan and Löður, following the restructuring of Heimkaup, which has commenced traditional retail operations.
- Kaldalón listed on the main market and the transformation of VÍS becoming evident.
- Purchase and call option to purchase 90 apartments at Stefnisvogur worth 8.1 billion ISK – all delivered apartments have been rented out. The purchase price was partly paid by SKEL's development properties, reducing the company's risk in that category.

Key indicators and results in Q4 2023

- Fair value changes of financial assets accounted for 3,874 million ISK.
- Operating expenses amounted to 502 million ISK
- Profit after tax amounted to 3,349 million ISK

Key indicators and results of 2023

- Profit after tax amounted to 5,410 million ISK, as compared to 17,517 million ISK in 2022
- Return on equity 16.4%, as compared to 47.3% in 2022
- Total assets at the end of the period amounted to 49,745 million ISK, of which listed assets accounted for 9,396 million ISK, unlisted assets 27,138 ISK and financial assets 6,107 million ISK
- Cash and government bonds at year-end was 5,663 million ISK
- Equity at year-end was ISK 37,610 million and the equity ratio was 76%
- Earnings per share 2.81 as compared to 9.05 in 2022
- Cashflow from operations amounted to negative 1,250 million ISK at year-end compared to 4,384 in 2022

Outlook for 2024

The Company engages in investment activities and will therefore not release budget for its operations. The budgets of companies owned by SKEL in part or in full are accessible along with the valuations of the companies in SKEL's investor presentation.

Ásgeir Helgi Reyk fjörð Gylfason, SKEL CEO:

The year 2023 was successful for SKEL. The company's goal is to seize opportunities to build a profitable operation and increase value creation in the long term. In 2023, the company continued to grow and develop its portfolio across various sectors, including business services, consumer market, financial market, and real estate market. Despite challenging economic environment, SKEL's operating performance was acceptable, and the company made a profit of 5.4 billion ISK corresponding to a return on equity of 16.4%. The operating companies owned by SKEL performed according to plans and, in some cases, even better. Looking ahead, we are optimistic about the year 2024 and the Icelandic economy. In the next two quarters, market participants can expect (i) updates on the progress of exploratory negotiations with Samkaup, (ii) further development of Styrkás, and (iii) milestones in the sale of Gallon.

Consumer market

Orkan performed well in 2023 with EBITDA amounting to ISK 1,9 billion, excluding the effects of IFRS 16, which is 56% over budget for the year. Continuing strong operations are expected, resulting in the valuation of Orkan and Löður increasing by ISK 4.2 billion during the year. At the end of the year, the combined value of the companies is ISK 9.2 billion.

Orkan's management aims to be the leading self-service company in Iceland and to fully participate in the energy transition. The company opened 6 fast charging stations during the year and as previously announced plans to open 10 more. Orkan has increased the number of 150 kW+ charging stations in Iceland by 60% and if the company reaches its goals, it will have increased the number of such stations in Iceland by 143% in two years. The sale of electricity aligns with the company's plans.

At the end of the first half of the year, Heimkaup finished its restructuring to become a holding company that encompasses several brands including Lyfjaval ehf., Orkan stores, 10-11, EXTRA, and holdings in various restaurants and Brauð og co. Gréta María Grétarsdóttir assumed the role of CEO of Heimkaup. Following these changes, the company's combined turnover is approximately ISK 11 billion, and efforts are underway to establish a new discount store.

SKEL is currently working on expanding its presence in the consumer market and entered into exploratory negotiations for the possible merger of Samkaup, Heimkaup, Lyfjaval, Orkan and Löður. The parties are expected to conclude their exploratory talks by 22 March 2024. SKEL believes that a merger would create exciting opportunities for growth. The combined company would be financially strong and have presence across the country, boasting around 150 outlets. The merger would result in an optimal distribution of income and generate an estimated annual turnover of ISK 70 - 80 billion, enabling it to take advantage of opportunities in the retail market for the benefit of consumers, employees and shareholders. If the merger goes ahead, the combined company would be an attractive investment opportunity and a viable candidate for listing on the Nasdaq OMX Iceland main market. This would significantly increase the percentage of SKEL's listed assets in the long term.

Corporate market and infrastructure

Styrkás' subsidiaries, Skeljungur and Klettur, performed well in the past year. Skeljungur's EBITDA increased by 22% year-on-year, surpassing expectations. The equity value of Skeljungur's is estimated to be ISK 8.1 billion. Similarly, Klettur's performance exceeded the forecasts made at the time of its purchase, and its equity value is estimated at 4.2 billion ISK. SKEL's 69.4% ownership in Styrkás is valued at ISK 9.7 billion, which is the last trading price of the company's share capital.

Styrkás aims to become a leading service provider in the corporate market. In the autumn of last year, Landsbréf's Horn IV venture fund invested ISK 3.5 billion in Styrkás. Ásmundur Tryggvason was appointed as the company's CEO. Styrkás promotes multi-faceted services to the economy, which is currently undergoing extensive constructions and developments in infrastructure such as housing, transport, and energy.

Styrkás recently signed a purchase agreement to acquire Stólpi Gámar ehf. The transaction is currently being processed by the competition authorities. The objective of this purchase is to expand Styrkás' services and establish a third pillar in the company's operations in the field of property management and rental activities. Stólpi Gámar has already established a leading position in this area. The founder and CEO of Stólpi Gámar, Ásgeir Þorláksson, will join Styrkás' group of shareholders and further strengthen the company's holding. The goal is to list Styrkás hf. on Nasdaq Iceland no later than 2027.

Listed assets

In November, Kaldalón's shares were listed on the Nasdaq Iceland main market, and despite challenging market conditions, investors showed significant interest in the company. Additionally, the company sought financing from the bond markets. In 2023, SKEL's share in Kaldalón increased in nominal value by 30 million ISK and currently stands at 15.4% of the total share capital.

SKEL has supported the transformation and restructuring of VÍS, which was officially announced by the company's board in January 2023. We believe that there is ample space in the financial and insurance market for a sales-driven company. The combined entity, comprising VÍS, Fossar, and SIV, is a more robust company, with extensive licenses to offer financial services, a reliable customer base, and a great opportunity to attract increased foreign investment in Iceland.

The company aims to increase the proportion of listed assets in the portfolio, while reducing the proportion of unlisted assets to around 50%. At the end of the previous year, foreign assets accounted for only 3% of the company's portfolio, but the target is to increase the weight of such assets up to 30%. In 2023, the increase in listed assets, excluding VÍS and Kaldalón, amounted to ISK 3.4 billion.

Real estate

Last September, SKEL purchased 55 apartments totaling 5,905 square meters at Stefnisvogur in Reykjavík for ISK 4.9 billion. These apartments were delivered during the fourth quarter and have all been rented out. As part of the purchase agreement, SKEL secured the right to purchase an additional 35 apartments in the next building at Stefnisvogur, totaling 3,816 square meters. The price according to the call option is 3.2 billion ISK. It is expected that the apartments will be delivered before the end of 2024, should SKEL exercise its call option.

Part of the purchase price was paid by transfer of share in Reir Þróun ehf. Furthermore, if the call-option is exercised, SKEL will have sold all shares in Reir Þróun. This investment reduces the weight of development assets in the portfolio while adding to income generating real estate. It's important to note that SKEL plans to own the aforementioned apartments for the medium term.

Own shares and payments to shareholders

On April 12, 2023, SKEL paid out a dividend corresponding to ISK 0.31. per share or 600 million ISK. During the third quarter, SKEL launched two buy-back programs. In total, the company bought own shares for nominal value of ISK 57,554,742, at the average rate of ISK 13.9 per share. Total payments to shareholders in 2023 amounted to more than ISK 1.3 billion. The number of shareholders at the beginning of the year was 1,006 and at the end of the year 1,029.

SKEL has a policy of annually paying up to 1.5% of the company's total assets, deducting the amount used to purchase own shares between next general meeting and taking into consideration the company's financial situation, investment plans and market conditions, The Board of SKEL decided at today's board meeting that it would propose at the general meeting a dividend payout of 750 million ISK or 0.39 ISK per share.

Presentation meeting

An open presentation of the SKEL's annual financial statement will be held on 9 February in the Studio room at Reykjavik Edition. The meeting will begin at 8:30, with refreshments served from 8:15. At the meeting, Ásgeir Helgi Reyk fjörð Gylfason, CEO, and Magnús Ingi Einarsson, CFO, will present the results and highlights of the Company's operations.

The presentation material from the meeting will be made accessible on SKEL's website, <https://skel.is/fjarfestar>.

Annual financial statement 2023

The principal points of this report derive from SKEL's annual financial statement, which was approved at a Board meeting on 8 February 2023. The annual financial statement is drawn up in compliance with International Financial Reporting Standards (IFRS). The annual financial statement was audited by KPMG hf. and the audit report is unqualified. Further details are included in the annual financial statement, which is attached to this notice and accessible on www.skel.is

Financial calendar for 2024:

Financial statement for Q4 2022 and Annual Financial Statement for 2023: 8 February 2024

Annual General Meeting 2023: 7 March 2024

Financial statement for first half of 2023: 14 August 2024

Financial statement for second half of 2023 and Annual Financial Statement for 2023: 6 February 2024

Annual General Meeting 2024: 6 March 2025

For further information please contact Ásgeir Helgi Reyk fjörð Gylfason, fjarfestar@skel.is

Disclaimer:

This press release contains forecasts about the future prospects of the company. However, it is important to note that these forecasts are subject to uncertainties and may differ from actual results. SKEL is not obligated to update these forecasts to reflect events or circumstances that occur after the release of this statement. As an investor, it is your responsibility to not place undue reliance on the forward-looking statements made in this press release, as they are only valid at the time of issuance.