

Financial press release – Síminn hf. Q3 2023

New product offering generates revenue growth

- Revenue in the third quarter (Q3) of 2023 amounted to ISK 6,501 million compared to ISK 6,210 million in the same period 2022 and increased by 4.7%. Revenue from Síminn's core services, mobile, data and TV services increases by over 7% during the quarter.
- EBITDA amounted to ISK 1,811 million in Q3 2023, up by ISK 21 million or 1.2% compared to the same period 2022. The EBITDA ratio was 27.9% in Q3 2023, compared to 28.8% in the same period of 2022. Operating profit EBIT amounted to ISK 765 million in Q3 2023, compared to ISK 986 million in the same period of 2022.
- Net financial expenses amounted to ISK 126 million in Q3 2023, compared to ISK 84 million in the same period of 2022. Financial expenses amounted to ISK 303 million, financial income ISK 161 million, and foreign exchange loss ISK 16 million.
- Profit in Q3 2023 amounted to ISK 507 million compared to a ISK 718 million profit of continuing operation in the same period 2022.
- Interest-bearing debt including lease liabilities amounted to ISK 10.2 billion at the end of Q3 2023, compared to ISK 8.9 billion at the end of 2022. Cash in the end of Q3 2023 amounted to ISK 2.0 billion, compared to ISK 3.7 billion at the end of 2022. The balance of loans at Síminn Pay was ISK 2.5 billion at the end of Q3 2023, but was ISK 1.7 billion at the end of 2022.
- Síminn's equity ratio was 52.4% at the end of Q3 2023 and equity was ISK 18.0 billion.

Orri Hauksson, CEO:

“From the first two quarters of the year, revenues, EBITDA and EBIT are now increasing significantly. External cost increases have been rapid in recent seasons, and we have barely managed to keep income growth in line with increased expenses. The third quarter of this year was more profitable than before, which is often the case but that change is especially noticeable now, in addition to the fact that EBITDA grows slightly year-on-year, and EBITDA grows slightly year-on-year. We are still in the middle of the amortization process of our increased investments from the past two years, primarily due to contracts for popular TV content and new technologies with a short amortization period. In the long term, those investments will benefit the company, but have taken EBIT down significantly in recent quarters. The bottom has now been reached and EBIT has resumed its growth curve.

We have made numerous changes to our product offering during the year which seem to have met consumer needs well. Increasingly, Icelandic consumers are choosing to buy the complete

range of products from their telecommunications and television service providers that suits them, instead of hand-selecting each service element. In the case of Síminn, the number of packages sold has increased by 10% during the year, but the number of individual products such as internet services has decreased. The number of mobile customers has increased rapidly recently, both within and outside the package, and roaming income has grown somewhat with the number of tourists.

Overall, rapid and varied income development is taking place due to internal and external changes, which in turn has produced more versions than before of the transactions that households have with Síminn. Some households have thus reduced their bill, while others have chosen larger packages and added products. Síminn's biggest benefit in this product development is that we now meet more diverse needs than before, and not least for younger target groups than before.

Síminn's TV service is an example of a product that appeals more and more to younger audiences, but also to the solid core that has been in the business for a long time. Viewership has increased rapidly again, but only after the end of the pandemic did the amount of time people spent in front of the TV drop significantly. New viewing records are being set week after week, but the series about the band IceGuys, which has received an average of ten thousand plays per day since the first episode aired last October 6, is in the forefront. Foreign series, children's content and football also have their loyal viewers.

There is more of all the above ahead, especially high-quality Icelandic series until Christmas. Síminn is also involved in an exciting development project with HSÍ, which is the first of the Icelandic sports associations to sell access to the sport without intermediaries to viewers through Síminn's system. In this project, artificial intelligence plays a big role and is therefore extremely exciting for Síminn as a technology company. After the end of the year, on the other hand, it will be interesting to see how the production of television content develops in the world, but labor disputes in Hollywood could temporarily reduce the supply of new programs from this mainstay of the entertainment industry.

Financial technology and the use of Síminn's revolving card Léttkort are growing the fastest of all the company's product categories. Loans at the end of October will amount to almost ISK three billion on the residential market. Companies that do business with Síminn have, just like households, increased the number of services they acquire from Síminn. The electronic order book for purchasing authorizations is the fastest growing part of Síminn's fintech services in the corporate market now. The system alone does not generate huge income for Síminn yet, but it is a good basis for further product offerings to companies.

Advertisements are also a rapidly growing product, as in our case they are based on viewing figures in real time from the target groups that the advertiser has set out to reach. Social media has long offered such precision online, while television has been a much less focused platform, until now.

There will be further news about the changed and strengthened revenue generation at Síminn. Mainly, such changes will increase the number of service lines offered by Síminn, but older products will also be discontinued. One can mention the analog telephone system, which has been useful to citizens for decades. From the beginning of next year, landline calls in Iceland will be based only on the internet unit IP. In addition to internal projects of that nature, it will be important in the coming months for Síminn - as well as other Icelandic companies - that our economic system ends its turbulent journey on a favorable path again."

9M 2023 Results

Operation

Income statement	Q3			9M		
	2023	2022	%	2023	2022	%
Net sales	6.501	6.210	4,7%	19.082	18.339	4,1%
Cost of sales	(4.113)	(3.681)	11,7%	(12.378)	(11.040)	12,1%
Operating expenses	(1.623)	(1.543)	5,2%	(5.259)	(5.057)	4,0%
EBIT	765	986	-22,4%	1.445	2.242	-35,5%
Net financial items	(126)	(84)	50,0%	(272)	(157)	73,2%
Income tax	(132)	(184)	-28,3%	(241)	(404)	-40,3%
Net profit from continuing operation	507	718	-29,4%	932	1.681	-44,6%
Discontinued operation	0	35.628	-100,0%	0	35.916	-100,0%
Net profit	507	36.346	-98,6%	932	37.597	-97,5%
EBITDA	1.811	1.790	1,2%	4.536	4.516	0,4%
EPS from continuing operation	0,18	0,10	80,0%	0,31	0,23	34,8%

Total sales for 9M 2023 amounted to ISK 19,082 million, compared to ISK 18,339 million in the same period 2022, up by 4.1%. Looking at the company's core products (mobile, data and TV), revenue growth is 7.8%.

Revenue from mobile amounted to ISK 4,854 million, up by ISK 354 million or 7.9% between periods. Revenue from fixed voice amounted to ISK 835 million, down by 21.4% between periods. Revenue from data amounted to ISK 5,963 million, up by ISK 312 million or 5.5% between periods. Revenue from TV services amounted to ISK 5,466 million, up by ISK 518 million or 10.5% between periods. Revenue from equipment sales amounted to ISK 1,261 million, down by ISK 98 million or 7.2% between periods. Other revenue amounted to ISK 703 million, down by ISK 115 million between periods. The decrease is mainly due to the sale of telecommunications equipment to Míla and resale of Spotify in Q1 2022.

The cost of sales amounted to ISK 12,378 million and increased by ISK 1,338 million or 12.1% from the same period last year, mainly due to increased amortization of content rights and increased costs from telecommunications suppliers due to high inflation. Operating expenses amounted to ISK 5,259 million and increased by ISK 202 million or 4.0% compared to the same period last year.

Depreciation amounted to ISK 3,091 million in 9M 2023, compared to ISK 2,274 million in 9M 2022, up by ISK 817 million. As mentioned before, the increase is largely related to the amortization of content rights, in addition to increased depreciation of IT assets.

Cash flow

Operating activities amount to a total of ISK 4,548 million in 9M 2023, compared to ISK 4,460 million during the same period in 2022. The decrease in operating-related assets and liabilities in 9M 2023 is ISK 405 million.

Cash generated by operation was ISK 4,143 million in 9M 2023, compared to ISK 6,119 million during the same period in 2022. After interest and taxes, net cash from operating activities amounted to ISK 3,413 million in 9M 2023, compared to 5,354 m.kr. in 9M 2022.

In Q1 2023, Síminn sold a bond that the company received as payment when Míla was sold, which explains the positive investment movements in the period.

Financing activities were negative, amounting to ISK 16,985 million in 9M 2023, which is mainly explained by the fact that in Q1 2023 the company's share capital was reduced by a payment amounting to ISK 15.6 billion.

Cash flow	9M 2023	9M 2022
Operating profit	1.445	2.242
Depreciation	3.091	2.274
Operational items not affecting cash flow	12	(56)
Total operating activities	4.548	4.460
Changes in current assets and liabilities	(405)	1.659
Cash generated by operation	4.143	6.119
Net interest expenses paid during the period	(100)	(208)
Payments of taxes during the period	(630)	(557)
Net cash from operating activities	3.413	5.354
Investing activities	11.869	29.534
Financing activities	(16.985)	(4.537)
Changes in cash and cash equivalents	(1.703)	30.351
Translation effects on cash	(39)	(8)
Cash and cash equivalents at the beginning of period	3.721	3.509
Cash and cash equivalents at the end of period	1.979	33.852

Balance sheet

Total assets amounted to ISK 34,262 million at the end of Q3 2023 but were ISK 51,181 million at the end of 2022.

Interest-bearing debts, including lease obligations, were ISK 10,210 million at the end of Q3 2023, compared to ISK 8,867 million at the end of 2022. Cash at the end of Q3 2023 amounted to ISK 1,979 million compared to ISK 3,721 million at the end of 2022. Net interest-bearing debt with lease liabilities and Síminn Pay consumer loans were ISK 5,713 million at the end of Q3 2023 compared to ISK 3,449 million at the end of 2022.

Equity amounted to ISK 17,953 million at the end of Q3 2023 and equity ratio was 52.4%.

Assets	30.09.2023	31.12.2022
Property, plant and equipment.....	2.472	2.466
Right-of-use assets.....	787	941
Intangible assets.....	21.276	22.122
Other non-current assets.....	581	580
Non-current assets	25.116	26.109
Corporate bond.....	0	15.687
Cash and cash equivalents.....	1.979	3.721
Other current assets.....	7.167	5.664
Current assets	9.146	25.072
Total assets	34.262	51.181

Equity and liabilities	30.09.2023	31.12.2022
Total equity.....	17.953	35.261
Total equity	17.953	35.261
Borrowings.....	7.466	5.956
Finance lease.....	566	731
Accounts payables.....	0	639
Deferred tax liabilities.....	331	89
Non-current liabilities	8.363	7.415
Other Current liabilities.....	7.946	8.505
Current liabilities	7.946	8.505
Total equity and liabilities	34.262	51.181

Key events

- The series about IceGuys has broken the viewership record on Síminn TV, three times. More Icelandic drama series will premiere on Síminn TV this winter than ever before.
- Updated product range has been well received by customers. More diverse subscription packages have been put on sale that include added value, e.g., with included wireless amplifiers and accessories for Apple Watch and Samsung smartwatches.
- Síminn was the first telecommunications company in Iceland to connect homes to a 10 Gbit/s internet connection.
- Síman's Community Fund sponsors five young women to study technical subjects at the University of Reykjavík. This is part of an effort to increase diversity in technical fields. Support for Vertonet, the organization of women in information technology, was renewed together with the fact that Síminn welcomed over 200 elementary school girls on Girls and Technology Day.

Guidance 2023

The guidance for 2023 is unchanged and 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 25 October 2023

An investor presentation will be held on Wednesday 25 October 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

Announcement of the 2023 results	20 February 2024
Annual General Meeting 2024	14 March 2024

Further information:

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Note: This English version is a translation of the Icelandic text that accompanies the Q3 2023 results of Síminn hf