

Investor Presentation

H1 2023


17 August 2023

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FJÁRFESTINGAFÉLAG

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Our objective is to develop opportunities targeting long-term value creation

We are **active investors** with the clear objective of supporting strong management teams and entrepreneurs in **enhancing and developing** enterprises and business ideas

H1 2023

FROM INVESTOR PRESENTATIONS 2022:

„ Restructuring of Orkan’s retail section under review“

„ Emphasis on transformation and increased profitability in listed investments“

„ Development of leading service enterprise “

„ Reduced weight of fossil fuel in the investment portfolio “

„ Active participant in the energy transition“

Lyfjaval

Orkan buys all shares in Lyfjaval

Heimkaup

Gréta María appointed CEO of Heimkaup. The purchase of Orkan’s retail section and all shares in Lyfjaval announced

VÍS

The merger of Fossar og VÍS announced and later approved by shareholders and by the competition authorities

Kaldalón

When publishing their interim financial statements on August 31st 2023 the company will have achieved two of the four goals for listing on the main market

Klettur

Purchase of Klettur finalised

Styrkás

Holding company of Skeljungur and Klettur. The goal is to develop a leading service enterprise

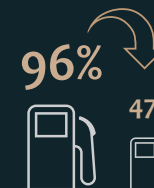
Horn IV

strong co-investor

Horn IV signed a subscription agreement for new equity in Styrkás for a value of ISK 3,500 million and thereby becomes the owner of 29.54% of the company's total share capital

Orkufelagið

Settlement for the sale of shares in SP/F Orkufelag completed on 3. August 2023



Orkan

The first fast-charging station opened in Birkimelur in July, planned to open 16 stations in the next 12 months

Vetnisfélagið

The share capital increase in Íslenska Vetnisfélagið has been completed and preparations for the construction of 4 hydrogen stations have begun.

Portfolio

28%

CONSUMER MARKET

ORKAN (100%)
Löður
Íslenska vetnisfélagið
Straumlind

Heimkaup (88%)
Lyfjaval
10-11
Other convenience stores
Restaurants

20%

CORPORATE MARKET

STYRKÁS (70%)
Skeljungur
Klettur

17%

REAL ESTATE

KALDALÓN (15.37%)

REIR ÞRÓUN (50%)

Other real estate and land

12%

CASH AND TREASURY BONDS

8%

FINANCIAL MARKET

VÍS (9.25%)

OTHER LISTED ASSETS

7%

INFRA-STRUCTURE

GALLON (100%)

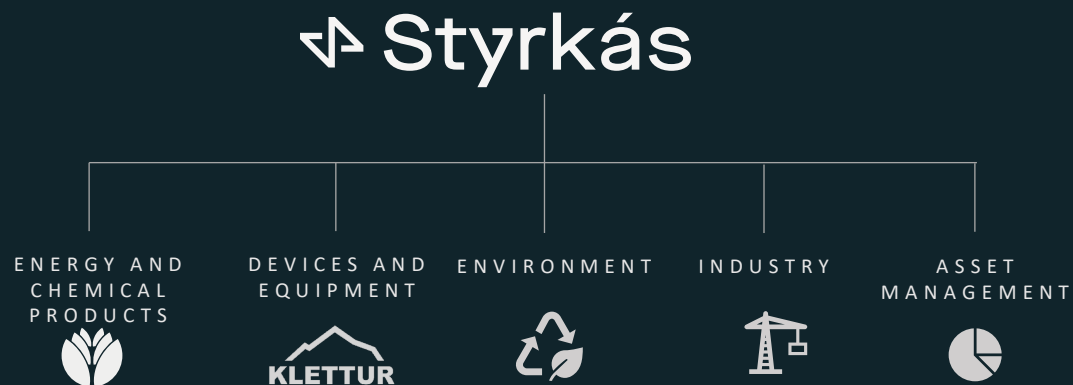
7%

ASSETS IN DIVESTMENT PROCESS

SP/F ORKUFELAGIÐ (48.3%)*

Styrkás

” Creation of a company servicing corporations across all industries “



GROUP
2023 E

Profit margin
6,632 m.kr.

EBITDA
1,981 m.kr.

Equity value (69,8%)
8,266 m.kr.

Assets
100% Skeljungur
100% Klettur – S&P

HORN IV INVESTS FOR ISK 3.5 BILLION AND WILL RECEIVE 29.5% OF ISSUED SHARES

VALUATION IS BASED ON PURCHASE PRICE

- The purchase price is based on the enterprise value of the group being ISK 11,200 million and the value of assets ISK 8,350 million
- Horn IV slhf., private equity fund managed by Landsbréfa hf. signed a subscription agreement for new equity in Styrkás worth ISK 3,500 million (29.54%)
- Book value is based on the purchase price. The equity value after the share capital increase is ISK 11,850 million and SKEL will own 69.8% in Styrkás after the equity increase

THE PHILOSOPHY

- New leading service enterprise
- Strong growth in key industries such as; energy production, tourism, aquaculture and heavy industry
- Increased demand for specialized services and equipment as a service
- An opportunity to combine many smaller service providers into one strong entity

THE VISION

- Build on strong foundations and expand operations with increased product offerings and customer focused services
- Emphasis on internal growth and targeted acquisitions and partnerships
- Get partners invested in the journey i.e. Horn IV private equity fund
- A strong shareholder agreement, where the aim is to be listed on the Icelandic Stock Exchange in 2027

Heimkaup

” Creation of a challenger in the retail market “

GRÉTA MARÍA APPOINTED CEO 1. JUNE 2023

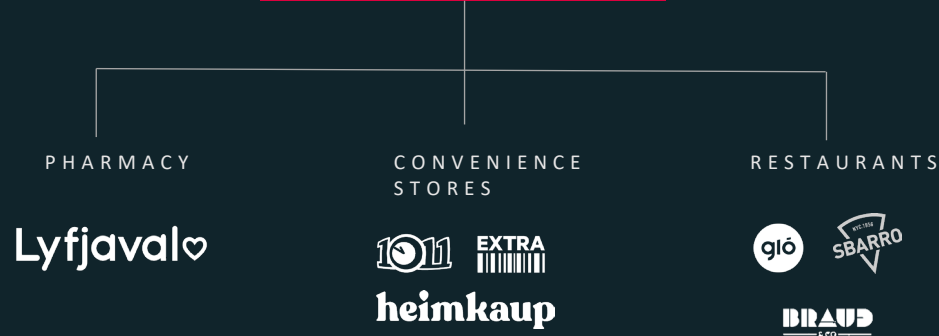
ESTIMATED SALES 2023

3.5 B.ISK.

6.5 B.ISK.

1 B.ISK.

heimkaup



Estimated sales 2023

11 B.ISK.

Stores

19

Customers

100+ thousand on mailing list

Employees

156

PURCHASE OF LYFJAVAL AND ORKAN'S RETAIL SECTION

- Book value is ISK 4,099 million (of which the value of Lyfjaval was ISK 2.5 billion at the end of last year)
- The purchase price is paid with new shares in Heimkaup
- Norvik og HIBB holding invest ISK 500 million in cash
- Plan to raise up to ISK 1.5 billion of equity to finance external growth

THE GROUP AFTER THE PURCHASE

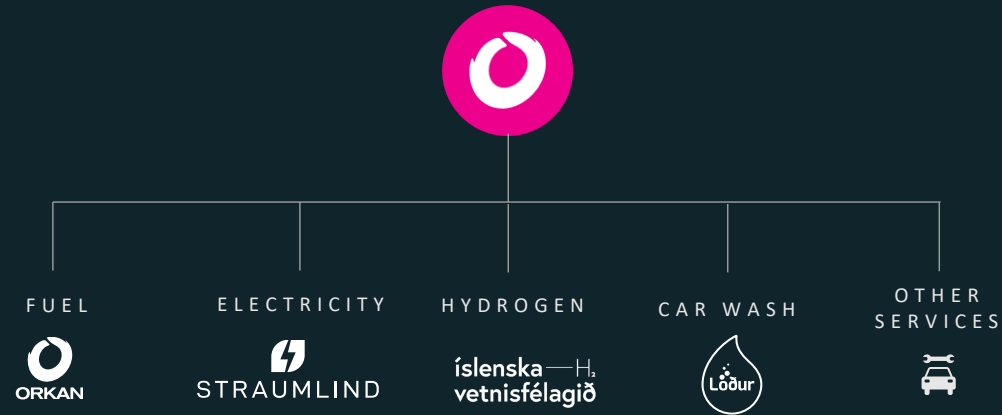
- 7 Lyfjaval pharmacies
- Brand, online store and goodwill of Heimkaup, incl. information about 100k+ users
- 9 convenience stores under the brand of 10-11, EXTRA and Orkan
- 8 Brauð og co. ehf. bakeries, 38% share, 2 Gló restaurants and 23% share in Sbarro
- The future plan is for retail stores and restaurants to be in 100% ownership of Heimkaup

THE VISION

- The goal of the shareholders is to create a strong company in the retail market with a large revenue base
- Achieve simplification, better procurement, optimization and lower unit costs
- Both internal and external growth is planned
- Restructuring is being completed and the aim set for listing on the Icelandic Stock Exchange in 5 years
- We expect to promote the company better in the fall and bring in new partners

Orkan

„Servicing vehicles in a simple way“



SIMPLE BUSINESS MODEL WITH MINIMAL OVERHEAD AFTER THE RETAIL SECTION WAS SOLD

GROUP
2023E

Profit margin

4,109 million ISK

EBITDA

1,897 million ISK

Total value of equity

7,462 million ISK

72 energy stations
15 car washing stations
18 real estates
38 employees

PURPOSE OF THE COMPANY

A company that services vehicles;

- In a simple way
- With good locations (network effect)
- With smart automated services

It must be doable;

- At scale
- With technology

SMART SERVICES

- Smart payment solutions, Orkan recently introduced the Orkan Card to Apple/Google Wallet
- Gas cylinder vending machines
- Screen wash on pump
- Faster charging– 16 fast charging stations in the next 12 months
- Cheaper electricity at night with Straumlind

THE VISION

- Active participant in the energy transition
- Whether the vehicle needs energy, cleaning or other common services, Orkan will offer a service that takes care of its needs
- Investments in fast charging, hydrogen and better washing stations throughout the country over the next 3 years
- The share capital increase in Íslenska Vetrnisfélagið has been completed and preparations for the construction of 4 hydrogen stations have begun

Listed companies

KALDALÓN (15.37%) 2,464 m. ISK

SKEL has played a strategic role in the development of Kaldalón as the fourth Icelandic real estate company on the market. We believe that company's focus on simple operation, simple portfolio and minimal infrastructure will be successful in the long term.

Kaldalón recently completed the phase of issuing a bond framework for debt instruments. This is a big milestone for the company so it can later acquire market financing. Kaldalón's CEO announced recently that the management's plan and goals to list the company on the main market will be ready this quarter and preparation will begin as soon as goals are met.

SKEL's position in Kaldalón has increased since the beginning of the year by ISK 300 m. in nominal value and has decreased in market value by ISK 302 m. since 31.12.2022.

VÍS (9.25%) 2,747 m. ISK

SKEL is interested in participating in the journey that the board of directors have started to change a well-established insurance company to a growing company in the financial market. Although larger havoc and rising interest rates affect the company's performance, we are pleased that in a short time asset management and fund operations have been set up at SIV, a merger with Fossa investment bank hf. was approved with the decisive support of shareholders and the company has announced that there has been a turnaround in sales after 6 years of continuous decline.

We believe that the original reasons for the investment are still there. The company is in an ideal position to grow beyond the market as the brand is strong, the number of customers is significant, the company's finances are strong and there has been significant investment in the company's infrastructure in recent years. The company's managers have also managed to attract powerful managers to the company in recent months.

SKEL's position in VÍS is unchanged from the beginning of the year, ISK 157 m. in nominal value and has increased in market value by ISK 111 m. since 31.12.2022.

Financials

Income Statement H1 2023

INCOME STATEMENT 1.1.-30.6.23

| <i>ISK million</i> | H1 2023 | H1 2022 |
|---------------------------------------|---------------|---------------|
| Fair value change of financial assets | 2,065 | 496 |
| Financial income (–expenses) | 287 | 302 |
| Other income | 73 | 6,051 |
| Investment income | 2,424 | 6,849 |
| Salaries and related expenses | (266) | (406) |
| Other operating expenses | (141) | (230) |
| Operating expenses | (407) | (636) |
| Profit before tax | 2,017 | 6,213 |
| Income tax | 43 | (1,274) |
| Net profit for the period | 2,060 | 4,939 |

Profit after tax

2,060 m. ISK

OPERATING EXPENSES

ANNUALISED, ADJUSTED FOR
STOCK OPTIONS

2% of equity

FAIR VALUE CHANGES
OF OTHER INVESTMENT
ASSETS

2,189 m.ISK

FAIR VALUE CHANGES
OF LISTED SHARES

(124) m.ISK

Changes in fair value

BREAKDOWN OF FAIR VALUE CHANGES

| | |
|--------------------------------|--------------------|
| Orkan | 2,601 |
| Löður | (74) |
| Lyfjaval | 331 |
| Styrkás – Skeljungur – Klettur | (724) |
| Kaldalón | (302) |
| Gallon | (47) |
| VÍS | 111 |
| Other inv.assets | 102 |
| Other listed inv.assets | 67 |
| | 2,065 m.kr. |

ORKAN CHANGES

| | |
|---------------------------------------|---------|
| Orkan – Löður - Lyfjaval 31.12.22 | 8,671 |
| Fair value change Lyfjaval | 331 |
| Lyfjaval og retail section sold | (4,067) |
| Fair value change Orkan | 2,601 |
| Fair value change Löður | (74) |
| Fair value of Orkan – Löður 30.6.2023 | |

7,462 m.kr.

RATIONALE FOR FAIR VALUE CHANGES



Orkan is valued without the retail operations that were sold to Heimkaup during the period

Orkan's emphasis on lower operating costs, a simpler operating model and low prices have resulted in EBITDA being higher than budgeted. The budget was therefore updated for the valuation and the estimated EBITDA for 2023 will be ISK 1,648 million



Löður was slightly below budget, that can mainly be explained by constructions on new and larger washing facilities that have been delayed, but it is expected that they will now open in the second half of the year



42% share in **Lyfjaval** was purchased last March, but there were purchase and sale option agreements on shares that affected the value. The purchase price was ISK 331 million lower than the book value of the company at the end of last year



Styrkás: the purchase price is based on the enterprise value of the group being ISK 11,200 million and the value of assets ISK 8,350 million

Horn IV slhf., private equity fund managed by Landsbréfa hf. signed a subscription agreement for new equity in Styrkás worth ISK 3,500 million (29.54%)

Book value is based on the purchase price. The equity value after the share capital increase is ISK 11,850 million and SKEL will own 69.8% in Styrkás after the equity increase



Gallon was on budget in the first half of the year. The updated valuation is ISK 47 million. lower than the previous valuation. In the first half of the year, Gallon paid ISK 80 m. in dividends to SKEL

Balance Sheet 30.6.2023

Return on equity for the period

12.5%

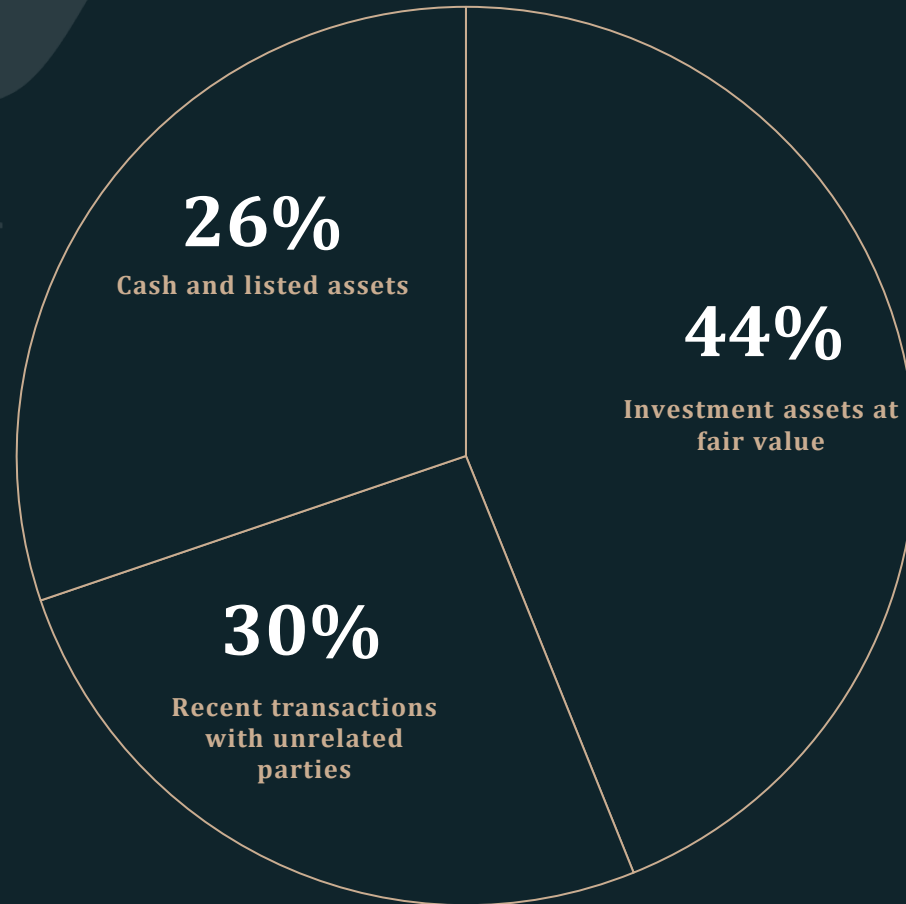
BALANCE SHEET 30.6.2023

| M.kr. | 30.6.2023 | 31.12.2022 |
|-------------------------------------|---------------|---------------|
| Cash and cash equivalents | 3,904 | 4,731 |
| Treasury bonds | 1,008 | 2,116 |
| Listed shares | 5,876 | 4,921 |
| Sold inv.assets at fair value | 2,917 | 0 |
| Other inv. assets at fair value | 24,627 | 23,137 |
| Investment properties at fair value | 1,140 | 690 |
| Other assets | 2,603 | 2,910 |
| Total assets | 42,074 | 38,505 |
| Equity | 34,946 | 33,430 |
| Debts to credit institutions | 2,806 | 2,515 |
| Deferred income tax liability | 2,014 | 2,014 |
| Other liabilities | 2,308 | 547 |
| Total liabilities | 7,127 | 5,075 |
| Total equity and liabilities | 42,074 | 38,505 |

ASSETS IN MILLION ISK

| | | | | |
|-----------------------|---|-------------------------|-------------------------------|---------------------|
| 8,266 Styrkás | 4,911 Cash and cash equivalents and treasury bonds | 2,917 Orkufelagið | 2,873 Gallon | |
| | | 2,747 VÍS | 2,464 Kaldalón | |
| 7,462 Orkan, Löður | 4,099 Heimkaup, Lyfjaval | | 2,623 Real estate and land | 1,753 Reir þróun |
| | | Other listed assets 665 | | |

Overview of assets



56%

ASSETS BOOKED AT LISTED PRICE OR BASED ON TRANSACTIONS BETWEEN UNRELATED PARTIES

CASH AND LISTED ASSETS

| | |
|--|-------|
| Cash and cash equivalents and treasury bonds | 4,911 |
| Vís | 2,746 |
| Kaldalón | 2,463 |
| Other listed assets | 709 |

10,830 m.kr.

RECENT TRANSACTIONS WITH UNRELATED PARTIES

| | |
|---------------------------------|-------|
| Styrkás (Skeljungur og Klettur) | 8,266 |
| Sp/f Orkufelagið | 2,917 |
| Klettagarðar | 1,023 |
| Real estate - Barónsstígur 2-4 | 450 |

12,656 m.kr.

INVESTMENT ASSETS AT FAIR VALUE

| | |
|-------------------------------------|-------|
| Orkan, Löður | 7,461 |
| Heimkaup, Lyfjaval, 10-11 and more | 4,099 |
| Gallon | 2,873 |
| Reir þróun | 1,753 |
| Loans, receivables and other assets | 1,250 |
| Real estate and land | 1,317 |

18,587 m.kr.

Summarized

SUMMARY

The operating companies that previously formed Skeljungur are performing well

The majority of the company's assets are now valued based on known market value or on the basis of transactions between unrelated parties

The sale of S/pf Orkufelagið has been completed

However, the right to sell still exists and a loan in the initial amount of ISK 460m

AHEAD

The development of Styrkás is off to a good start with cooperation with Horn and is fully funded for the medium term

The company looks, among other things, to increase investments in registered bonds, to northern Europe and to the real estate market in the coming seasons

Liquidity is strong and the share of listed assets, which by their nature can be sold at short notice, will increase

Questions?

Nánari upplýsingar veitir:

fjarfestar@skel.is

Additional material

Methodology of valuation

The companies that have not been part of recent transactions were valued, they are Orkan, Lööur, which is part of Orkan, and Gallon. Kvika Bank's consulting department was hired for the project, and the bank's valuation experts reviewed the companies' performance in the first half of the year. When deviations were significant, the companies' future budget were adjusted.

Methodology

Estimates of the fair value of companies owned by SKEL were based on *Discounted Cash Flow (DCF)*, using both *Free Cash Flow to Firm (FCFF)* and *Dividend Discount Model (DDM)*.

The valuation is to a large extent based on management's operating budgets and discussions between the appraisers and management.

Many of the estimates are based on actual changes in underlying figures and subsequently the inherent inflation premium of risk free interest is used for the estimate of future inflation of cash flow.

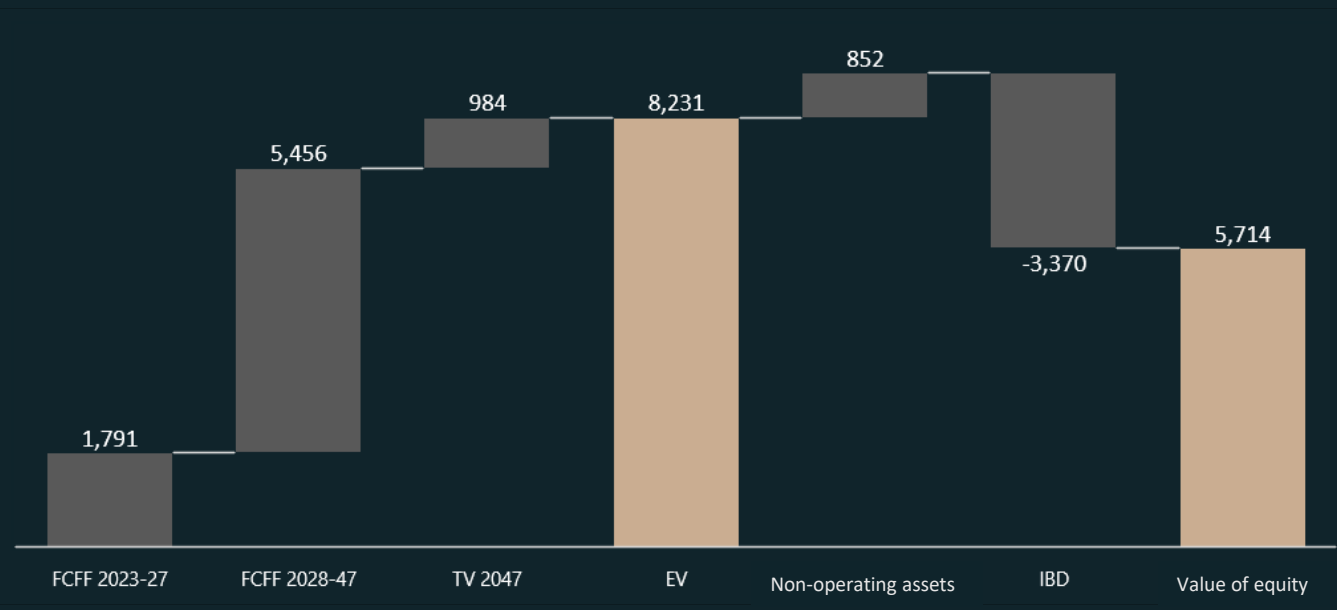
All operating figures exclude the impact of IFRS 16 in this presentation

The effect of that is that leases are charged among operating costs in the income statement and reduce EBITDA instead of the right of use being charged with depreciation and interest charged among capital items as required by the IFRS16 standard.

Orkan – valuation

EXCLUDES LÖÐUR, LYFJAVAL AND RETAIL OPERATION

RESULT OF VALUATION
VALUE OF EQUITY 5.7 BILLION ISK



PERFORMANCE AND FORECAST

| | 2023E | 2024E |
|-----------------|-------|-------|
| Gross profit | 3,633 | 3,450 |
| EBITDA | 1,648 | 1,461 |
| EBIT | 1,217 | 816 |
| Depreciation | 431 | 645 |
| Investments | 601 | 999 |
| Change to NWC | (62) | (56) |
| EBITDA / margin | 45.4% | 42.3% |
| Inv./margin | 16.5% | 29.0% |
| ROIC | 21.3% | 13.3% |

YIELDS NOMINAL VALUE

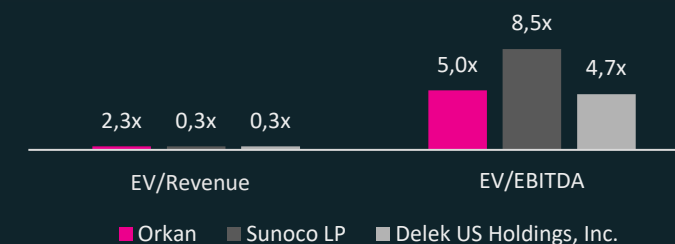
| | |
|-----------------|-------|
| WACC | 12.2% |
| Target leverage | 40.0% |

IMPACT ON VALUE

- + Better results in operation
- Simple model
- Increased market share

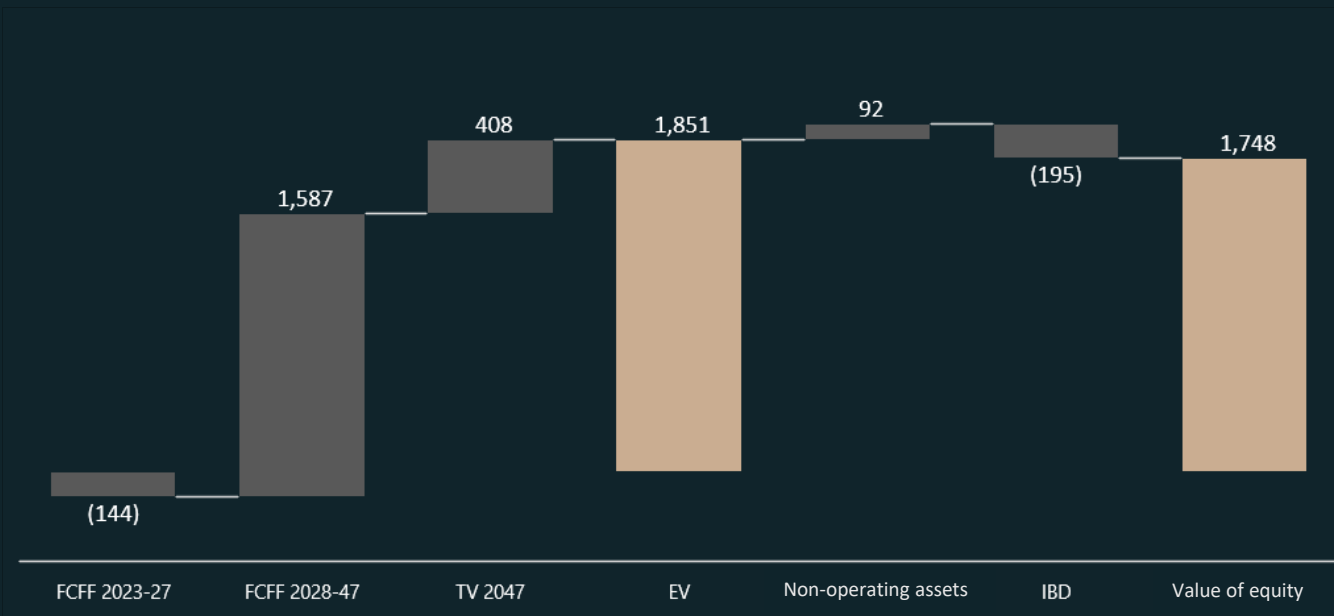
- Investments relating to energy transition
- Real margin growth projected at 0%

COMPARABLES 2023E



Löður – valuation

RESULT OF VALUATION
VALUE OF EQUITY 1.75 BILLION ISK



PERFORMANCE AND FORECAST

| | 2023E | 2024E |
|-----------------|--------|-------|
| Gross profit | 840 | 1,088 |
| EBITDA | 249 | 411 |
| EBIT | 149 | 307 |
| Depreciation | 100 | 85 |
| Investments | 1,030 | 460 |
| Change to NWC | (84) | (210) |
| EBITDA / margin | 29.6% | 37.8% |
| Inv./margin | 122.6% | 42.3% |
| ROIC | 18.8% | 20.6% |

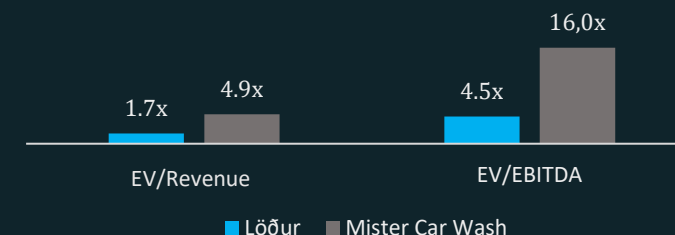
YIELDS NOMINAL VALUE

| | |
|-----------------|-------|
| WACC | 13.6% |
| Target leverage | 30.0% |

IMPACT ON VALUE

- +** Growth opportunities
- Leading brand
- Increased environmental awareness
- Investments
- Competition with car wash at home

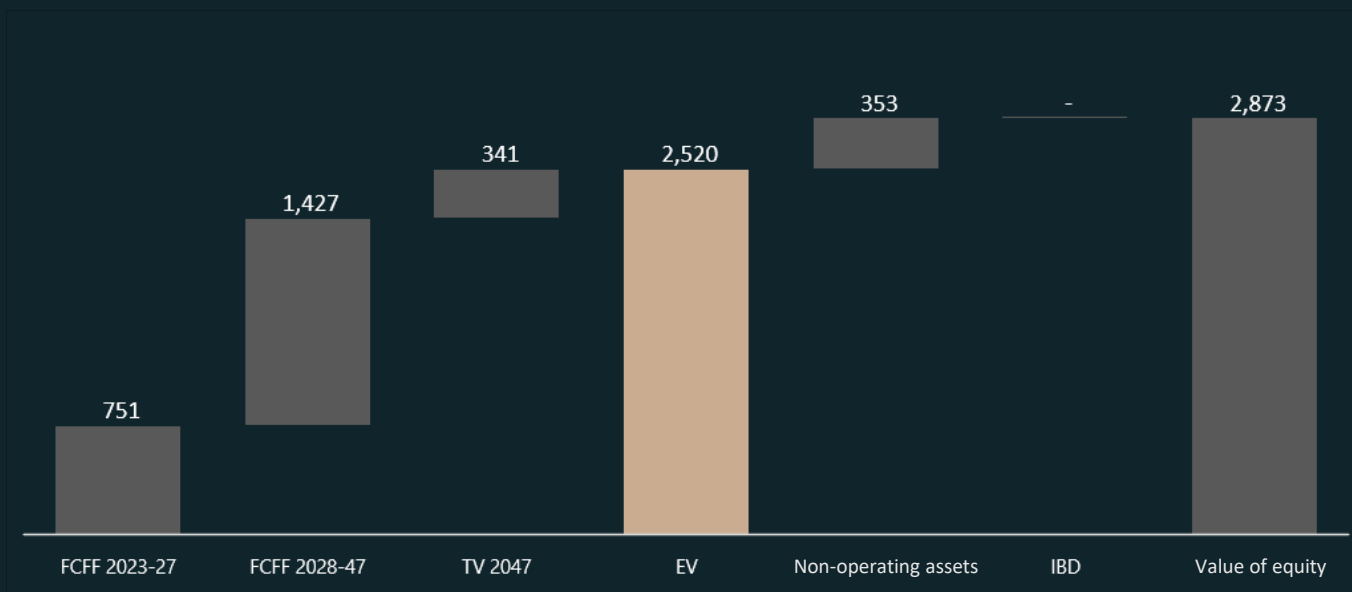
COMPARABLES 2023E





Gallon – valuation

RESULT OF VALUATION
VALUE OF EQUITY 2.9 BILLION ISK



PERFORMANCE AND FORECAST

| | 2023E | 2024E |
|------------------|-------|-------|
| Revenue | 580 | 682 |
| EBITDA | 275 | 353 |
| EBIT | 161 | 234 |
| Depreciation | 114 | 119 |
| Investments | 80 | 86 |
| Change to NWC | (56) | (3) |
| EBITDA / Revenue | 47.4% | 51.8% |
| Inv./Revenue | 13.8% | 12.6% |
| ROIC | 10.4% | 15.0% |

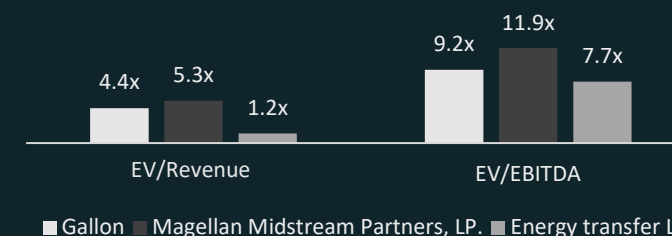
YIELDS NOMINAL VALUE

| | |
|-----------------|-------|
| WACC | 11.2% |
| Target leverage | 50.0% |

IMPACT ON VALUE

- + Improved utilisation
- Energy transition
- Emergency supplies
- Underutilised investment

COMPARABLES 2023E



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