

SKEL

FJÁRFESTINGAFÉLAG

Condensed Interim Financial Statements

1. January – 30. June 2022

This is a translation of the Icelandic original. In the event of discrepancies between the Icelandic language version and any translation thereof, the Icelandic version will prevail.

Borgartún 26
105 Reykjavík
444 3440
skel@skel.is
www.skel.is

Table of contents

	Bls.
Report and statement of the Board of Directors and Chief Executive Officer	3
Income statement	5
Balance sheet	6
Statement of changes in equity	7
Cash flow statement	8
Notes	9

Report and statement of the Board of Directors and Chief Executive Officer

The condensed interim financial statements of the Company has been prepared in accordance with International Accounting Standard IAS 34, as adopted by the European Union, and additional requirements of the Act on annual accounts.

The objects of the Company are to own and manage companies that operate in areas such as retail and wholesale, administration of real estate, vessels and service stations. Also credit and investment activities and other business activities, or participation in commercial enterprises, as resolved by the Company's Board of Directors. The Company focuses on developing new opportunities with the companies in its asset portfolio, targeting long-term value creation.

Income from investment assets amounted to 6,849 million ISK over the period and profit amounted to 4,939 ISK. According to the Company's balance sheet as at 30 June 2022 the Company's assets amounted to 26,707 million ISK and liabilities amounted to 3,402 million ISK. Equity amounted to 23,306 million ISK and the equity ratio was 87.3%.

The preparation of this interim financial statement required changes in accounting policies from the preceding year. The Company meets the requirements laid down in International Financial Reporting Standard IFRS 10 to qualify as an investment company. Subsidiaries and associated companies are therefore classified as investment assets and no consolidated financial statement is prepared. Comparison figures are based on a consolidated basis and are therefore not fully comparable. Investment assets and liabilities are assessed at fair value and the change in valuation is entered in compliance with IFRS 9.

At the Annual General Meeting of SKEL Investment Company held on 10 March 2022, the Board of Directors of the Company was granted authorisation for the Company to acquire shares in itself in an amount corresponding to 10% of the Company's total share capital. No announcement has been made of any acquisition of shares under this authorisation. In addition, shareholders at SKEL's AGM approved a payment of dividends to shareholders in the amount of 500 million ISK. The dividends were paid to shareholders on 13 April 2022.

The AGM also approved a remuneration policy for SKEL with the amendments proposed at the meeting. Also, the AGM resolved to adopt a stock option plan for key management. The updated remuneration policy and stock option plan can be accessed on the Company's website.

A motion was adopted by the AGM to change the name of the Company to SKEL Investment Company to reflect the new objects of the Company

On 4 February 2022 Árni Pétur Jónsson, the CEO of the Company at the time, resigned from his post. Ólafur Þór Jóhannesson, former CFO of the Company, was appointed CEO. On 7 April 2022 it was announced that the Board of Directors of the Company had appointed Ásgeir Helgi Reyk fjörð Gylfason to the post of CEO of the Company and Magnús Ingi Einarsson as CFO. They took up their respective posts on 13 July 2022. At the same time Ólafur Þór Jóhannesson left his post of CEO.

Concurrently with the appointment of Ásgeir Helgi Reyk fjörð Gylfason and Magnús Ingi Einarsson the Board of Directors of SKEL resolved to enter into stock option agreements with them on shares in the Company in conformity with the provisions of the Company's stock option plan approved at the Annual General Meeting. The agreement has the purpose of interweaving the long-term interests of the Company, its employees and shareholders.

Report and statement of the Board of Directors and Chief Executive Officer

Statement of the Board of Directors and Chief Executive Officer

To the best knowledge of the Board of Directors and Chief Executive Officer, the interim financial statement of the Company has been prepared in accordance with International Financial Accounting Standard IAS 34 as adopted by the European Union. It is the opinion of the Board of Directors and Chief Executive Officer that the interim statement provides a fair view of the Company's performance and changes in cash over the period 1 January to 30 June 2022 and assets, liabilities and financial situation as at 30 June 2022.

The Board of Directors and Chief Executive Officer of SKEL Investment Company have today addressed the interim financial statement of the Company for the period 1 January 2022 to 30 June and hereby confirm the statement with their signatures.

Reykjavík, 11. ágúst 2022.

Board of Directors

Jón Ásgeir Jóhannesson, Chairman of the Board of Directors
Gudbjörg Heiða Gudmundsdóttir
Nanna Björk Ásgrímsdóttir
Sigurður Kristinn Egilsson
Pórarinn Arnar Sævarsson

CEO

Ásgeir Helgi Reykjörð Gylfason

Income Statement 1. January to 30. June 2022

	Note	2022 1.4. - 30.6	2021* 1.4. - 30.6	2022 1.1 - 30.6	2021* 1.1 - 30.6
Investment income					
Fair value change of assets	3.	365	(67)	664	(102)
Financial income (expenses)		126	(133)	134	(224)
Income from investment properties	6.	1.826	2.558	6.051	4.970
		2.316	2.358	6.849	4.645
Operating expenses					
Salaries and related expenses		(294)	(893)	(406)	(1.876)
Other operating expenses		(87)	(1.090)	(230)	(2.182)
		(381)	(1.984)	(636)	(4.058)
Profit before taxes					
		1.935	374	6.213	587
Income tax		(338)	(82)	(1.274)	(126)
Net profit					
		1.597	292	4.939	461
Earnings per share		0,82	0,15	2,55	0,24
Diluted earnings per share		0,82	0,15	2,55	0,24

*Comparative amounts are based on consolidated numbers and are therefore not fully comparable.

The notes on page 9-10 are an integral part of these condensed financial statements.

Balance Sheet 30. June 2022

	Note	30.6.2022	31.12.2021*
Assets			
Investments at fair value	3 .	17.050	3.193
Investment properties		554	2.375
Receivables and other assets		1.567	19.142
Cash and cash equivalents		7.535	8.265
Total assets		26.707	32.975
 Shareholders equity			
Share capital		1.936	1.936
Share premium		4.140	4.200
Retained earnings		17.248	10.312
Total equity		23.323	16.448
 Liabilities			
Loans from financial institutions		661	8.611
Deferred tax liability		2.228	208
Other liabilities		495	7.707
Total liabilities		3.384	16.527
Total equity and liabilities		26.707	32.975

*Comparative amounts are based on consolidated numbers and are therefore not fully comparable.

The notes on page 9-10 are an integral part of these condensed financial statements.

Statement of Changes in Equity 1. January to 30. June 2022

	Share capital	Share premium	Statutory reserve	Restricted due to stock options	Foreign exchange difference	Restricted due to changes in fair value	Retained earnings	Parents company share	Minority share	Total
2022										
Shareholders equity 31.12.2021	1.936	3.210	501	1	0	400	10.214	16.262	186	16.448
Net profit							4.939	4.939		4.939
Change of accounting policy							2.595	2.595	(186)	2.409
Distributed dividends to shareholders							(500)	(500)		(500)
Stock option vesting				(1)				(1)		(1)
Restricted due to stock options				28				28		28
Shareholders equity 30.6.2022	1.936	3.210	501	28	0	400	17.248	23.323	0	23.323
2021										
Shareholders equity 31.12.2020	1.936	3.210	501	1	(834)	1.898	2.958	9.670	252	9.921
Net profit							466	466	(4)	461
Other comprehensive income					(103)			(103)	(14)	(116)
Total profit					(103)	0	466	363	(18)	345
Distributed dividends to shareholders							(350)	(350)		(350)
Shareholders equity 30.6.2021	0	0	0	0	(937)	1.898	3.074	9.682	234	9.916

*Comparative amounts are based on consolidated numbers and are therefore not fully comparable.

The notes on page 9-10 are an integral part of these condensed financial statements.

Cash Flow Statement 1. January to 30. June 2022

	Note	2022	2021*
		1.1. - 30.6.	1.1. - 30.6.
Cash flows from operating activities			
Net profit		4.939	461
Corrected for:			
Operating activities that do not affect cash flows .....	(	6.356)	998
Income tax		1.291	125
	(	126)	1.585
 Change in current assets and liabilities:			
Change in inventory		0	(1.314)
Change in trade receivables and other current assets		9.265	(2.510)
Change in trade payables and other current liabilities .....	(	4.746)	1.612
Received interest income		188	9
Paid interest expense .....	(	103)	(220)
Paid income tax		0	(36)
Net cash from operating activities		4.480	(873)
 Cash flows from investing activities			
Investments .....	(	4.305)	(624)
Proceeds from the sale of fixed assets	6 .	7.898	239
Received dividends		168	0
Changes in receivables from related parties .....	(	1.500)	4
Investing activities		2.261	(381)
 Cash flows from financing activities			
Dividends paid	6 .	(500)	(350)
Payment of long-term liabilities .....	(	6.416)	(373)
Other financing activities		0	1.681
Financing activities	(	6.916)	958
 Decrease in cash and cash equivalents .....	(	175)	(296)
 Cash and cash equivalents at beginning of year		7.711	1.078
 Foreign exchange difference		0	(31)
 Cash and cash equivalents 30.6.2022		7.535	751
 Investing activities that do not affect cash flows			
Proceeds from the sale of fixed assets		4.096	0
Loan to related companies .....	(	1.500)	0
Investments in companies .....	(	2.237)	0

*Comparative amounts are based on consolidated numbers and are therefore not fully comparable.

The notes on page 9-10 are an integral part of these condensed financial statements.

Notes

1. The Company

SKEL Investment company hf. (the "Company") is an Icelandic limited liability company domiciled in Iceland. Its registered address is at Borgartún 26, Reykjavík.

The objects of the Company are to own and manage companies that operate in areas such as retail and wholesale, administration of real estate, vessels and service stations. Also credit and investment activities and other business activities, or participation in commercial enterprises, as resolved by the Company's Board of Directors.

2. Basis of the accounts

a. Declaration of compliance with international financial reporting standards

The condensed interim financial statement of the Company has been prepared in accordance with International Accounting Standard IAS 34, as adopted by the European Union, and additional requirements of the Act on annual accounts.

The board of directors of SKEL fjárfestingafélag hf. approved the interim financial statements on 11. August 2022.

b. Significant accounting principles

The preparation of this interim financial statement required changes in accounting policies from the preceding year. The Company meets the requirements laid down in International Financial Reporting Standard IFRS 10 to qualify as an investment company. Subsidiaries and associated companies are therefore classified as investment assets and no consolidated financial statement is prepared. Investment assets and liabilities are assessed at fair value and the change in valuation is entered in compliance with IFRS 9.

c. Reporting and functional currency

The interim financial statements are published in Icelandic krónur (ISK), which is the Company's functional currency. All amounts are disclosed in million ISK unless otherwise stated.

d. Evaluation and decisions

The preparation of interim financial statements in accordance to IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Valuations and underlying assumptions are under continual review. Revisions to accounting estimates are recognised in the period and future periods and future periods affected by the revisions.

e. Determination of fair value

The Company's financial statements and notes require estimates of fair value, both for financial assets and other assets and liabilities. Fair value has been determined for valuation and/or notes in accordance with the policies below. Where applicable, further information on assumptions in the determination of fair value is provided in the notes to the asset or liability in question.

To the extent possible the Company uses market information in the determination of fair value; where no such information is available management estimates are used.

Fair value is categorised into three levels based on the assumptions used in the estimate.

- Level one is based on quoted prices in active markets for identical assets and liabilities.
- Level two is based on direct or indirect market assumptions other than listed prices in an active market categorised under level 1.
- Level three is based on assumptions and data that are not available in the markets.

Notes

3. Financial assets at fair value

Participating interests in financial assets are categorised as follows:

Unlisted Companies	Share
Orkan IS ehf.	100,0%
Skeljungur IS ehf.	100,0%
Gallon ehf.	100,0%
Reir þróun ehf.	50,0%
S/P Orkufelagið	48,3%
WEDO ehf.	33,0%

Listed Companies	Share
Kaldalón hf.	18,0%
Vátryggingafélag Islands hf.	7,3%*

*The Company's interests in VÍS are on the one hand through 4.8% forward contracts (market value 1,486 million ISK on 30/06/2022) and on the other hand 2.5% in equity shares.

Holdings in Orkan IS ehf., Skeljungur IS ehf. and Gallon ehf. were valued by a third party at year-end 2021. The valuation was based on discounted cash flow. The interim financial statement of SKEL Investment Company of 30 June 2022 is based on this valuation and performance in the first six months. Interests in these companies and other unlisted interests will be revaluated concurrently with the preparation of the annual financial statement for 2022. Holdings in unlisted companies fall into level 2 in the estimate of fair value.

Holdings in listed companies are entered at the closing price on the reporting date, 30 June 2022.

Financial assets entered at fair value are itemised as follows:

	Unlisted	Listed	Total
Financial assets entered at fair value 01/01/2022	11.056	0	11.056
Investment over the period	2.058	3.753	5.811
Sale over the period	0	(481)	(481)
Value adjustment over the period	783	(119)	664
Financial assets entered at fair value 30/06/2022	<u>13.898</u>	<u>3.153</u>	<u>17.050</u>

4. Stock options

On 7 April 2022 two executives were granted stock options in the Company. The holders of the stock options are entitled to purchase shares in the Company at the market value of the day on which the option was allocated, adjusted (upwards) with 7% fixed interest from the allocation date to the first possible exercise date for each exercise period. The exercise price on 07/04/2022 was 16.4280 per share.

The option does not confer entitlement to payment of dividends nor voting rights; the value of the option was calculated using the Black-Scholes model, market interest and fluctuation on the date of issue. In the course of the period 28 million ISK were expensed in the income statement to cover the options.

The key terms and conditions relating to the stock option are the following: the stock option agreements will be settled by delivery of shares.

Notes

4. Stock options ctued.

Contract date/ employees' right	No. of contracts, '000	Conditions for accrual	Contractual duration of option
Option issued to key officers on 7 April 2022	96.802	The accrual period is 07/04/2022 - 07/04/2025	Up to 6 years

As a rule, stock options will lapse prior to the accrual period if the employment relationship of a stock option holder with the Company is terminated.

5. Reclassification due to definition as investment company

At the start of 2022 a change was made in the definition of the Company's objects, transforming it into an investment company; for this reason holdings in subsidiaries and associated companies are entered at fair value through profit and loss and at the same time the subsidiaries were removed from the consolidation. The resulting value adjustment through profit and loss amounted to 69 million ISK. The presentation of items was adjusted concurrently. The impact of these changes on the Company's balance sheet were as follows on 1 January 2022.

	31/12/2021	Removed from consolidation	Value adjustment	Change in presentation	01/01/2022
Goodwill	3.315	(3.315)			0
Other intangible assets	11	(11)			0
Current Assets	9.183	(6.960)			2.223
Lease properties	1.617	(1.617)			0
financial assets at fair value through profit or loss	0	8.394	69		8.463
Shares in associated companies	3.193	(3.193)			0
Long-term receivables	381	30		(411)	0
Inventory	3.700	(3.700)			0
Receivables	3.095	(2.349)		(746)	0
Other short-term receivables	177	(91)		(86)	0
Loans to related companies	38	9.943		(9.981)	0
Receivables and other assets				11.224	11.224
Cash and Cash Equivalents	8.265	(554)			7.711
Total assets	32.975	(3.423)	69	0	29.621
Share capital	1.936				1.936
Share premium account	3.210				3.210
Restricted equity reserves	902				902
Retained earnings	10.214		2.595		12.809
Total equity attributable to equity holders of the Parent Company ..	16.262	0	2.595	0	18.857
Minority share	186	(186)			0
Total equity	16.448	(186)	2.595	0	18.857

Notes

5. Reclassification due to definition as investment company ctued.

	31/12/2021	Removed from consolidation	Value adjustment	Change in presentation	01/01/2022
Deferred income tax liability	30	925			955
Lease liabilities	1.530	(1.530)			0
Other long-term liabilities	104	(104)			0
Amounts owed to credit institutions	3.071	(346)		3.688	6.413
Amounts owed to credit institutions (short-term)	3.709	(21)		(3.688)	0
Accounts payable	2.442	(760)		(1.682)	0
Current maturities of long-term liabilities.	1.831	(1.167)		(664)	0
Current maturities of lease obligations	253	(253)		0	0
Debts to related entities	10	1.199		(1.209)	0
Income tax due	178	(178)			0
Other liabilities				5.921	5.921
Other short-term liabilities	3.368	(1.002)		(2.366)	0
Total liabilities	16.526	(3.237)			13.289
Total equity and liabilities	32.974	(3.423)	2.595	0	32.146

6. Other matters

In May the Court of Appeal ruled in SKEL's lawsuit against the State of Iceland regarding reimbursement of a tax, the transport cost equalisation tax, that was levied in 2016-2019. This returned 393 million ISK to the Company with added interest.

During 1.1-30.6.2022 investment properties were sold for ISK 7.417 million with capital gains of ISK 5.609 million.

On 13. April 2022 dividends were paid to shareholders of ISK 500 million.