

25 October 2022

Financial press release – Síminn hf. Q3 2022

## Historical quarter

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The sale of Míla was completed on 30 September 2022. The sale has a significant impact on the company's interim financial statements.

- Revenue in the third quarter (Q3) of 2022 amounted to ISK 6,210 million compared to ISK 6,124 million in the same period of 2021.
- EBITDA amounted to ISK 1,790 million in Q3 2022, up by ISK 163 million or 10.0% compared to the same period 2021. The EBITDA ratio was 28.8% in Q3 2022, compared to 26.6% in the same period of 2021. Operating profit EBIT amounted to ISK 986 million in Q3 2022, compared to ISK 840 million in the same period of 2021.
- Net financial expenses amounted to ISK 84 million in Q3 2022, but were positive by ISK 29 million in the same period of 2021. Financial expenses amounted to ISK 165 million, financial income ISK 97 million, and foreign exchange loss ISK 16 million.
- Profit in Q3 2022 amounted to ISK 36,346 million including profit of sale of Míla. Profit from continuing operations in Q3 2022 amounted to ISK 718 million compared to ISK 707 million in the same period of 2021.
- Interest-bearing debt including lease liabilities amounted to ISK 7.3 billion at the end of Q3 2022, compared to ISK 8.3 billion at the end of 2021. Cash in the end of Q3 2022 amounted to ISK 33.9 billion, compared to ISK 3.5 billion at the end of 2021. Increase in cash is due to sale of Míla in the end of September 2022.
- Síminn's equity ratio was 80.4% at the end of Q3 2022 and equity was ISK 65.5 billion.

Orri Hauksson, CEO:

„The sale of Míla was finalized at the end of Q3. The significant capital gains realized by Síminn with the sale have put a particularly positive mark on the results, the company's balance sheet and return on equity. At the same time, Síminn's underlying operations are extremely strong and with a healthy growth. Thus, revenue in mobile, internet and TV increases over cost, which in turn increases margin and profits.

Síminn is now transformed into an agile service company which will be based on a low asset base and a reduced investment need. The company has selected strategic suppliers both in Iceland and abroad to co-operate with in the future. The certainty and flexibility in the company's wholesale agreement with Míla strengthens Síminn to primarily focus on product development and its customers. The development of telco and TV markets in Iceland has been affected by an ever-increasing competition for the needs of regulatory bodies rather than

consumers. Now that the vertical ownership of Síminn and Míla has been broken, various burdensome requirements of the past will no longer apply to Síminn and competitive forces will be better mobilized for the benefit of consumers.

We are very proud that Icelandic content production on Síminn TV recently won 20 Edda awards out of 27 possible, by far the most of all TV companies. The results are particularly pleasing since Síminn is the only major TV company in Iceland that does not receive direct public support. Furthermore, at the end of the year we will be utilizing 80 5G transmitters in the country, which are divided close to evenly between the capital area and rural areas. In three years, 95 percent of households will have access to our 5G system.

Síminn will soon introduce a new fintech solution aimed at making life easier for customers in a digital and flexible way. Síminn's previous loan products have been in steady growth that will be built on to appeal to a larger group than before. Various other exciting projects are underway.

On 26 October, the company holds a shareholders' meeting following the sale of Míla. The Board of Directors proposes that the company's share capital be decreased significantly by cash payment to shareholders, where Icelandic pension funds are majority shareholders."

## 9M 2022 Results

### Operation

Income statement	Q3			9M		
	2022	2021	%	2022	2021	%
Net sales	6.210	6.124	1,4%	18.339	18.079	1,4%
Cost of sales	( 3.681)	( 3.766)	-2,3%	( 11.040)	( 11.241)	-1,8%
Operating expenses	( 1.543)	( 1.518)	1,6%	( 5.057)	( 4.951)	2,1%
EBIT	986	840	17,4%	2.242	1.887	18,8%
Net financial items	( 84)	29	-389,7%	( 157)	( 101)	55,4%
Income tax	( 184)	( 162)	13,6%	( 404)	( 361)	11,9%
Net profit from continuing operation	718	707	1,6%	1.681	1.425	18,0%
Discontinued operation	35.628	350		35.916	3.134	1.046,0%
Net profit	36.346	1.057	3.338,6%	37.597	4.559	724,7%
EBITDA	1.790	1.627	10,0%	4.516	4.219	7,0%
EPS from continuing operation	0,10	0,09	11,1%	0,23	0,18	27,8%

Total sales for 9M 2022 amounted to ISK 18,339 million, compared to ISK 18,079 million for the same period 2021, up by 1.4%. If adjusted for equipment sales to Míla and Spotify revenue that Síminn sold until the beginning of 2022, revenue increase by 2.3%. Revenue from mobile amounted to ISK 4,500 million, up by ISK 354 million or 8.5% between periods. Revenue from fixed voice amounted to ISK 1,063 million, down by 11.4% between periods. Revenue from data (internet & network) amounted to ISK 5,651 million, up by ISK 134 million or 2.4% between periods. Revenue from TV services amounted to ISK 4,948 million, up by ISK 209

million or 4.4% between periods. Revenue from equipment sale amounted to ISK 1,359 million, down by ISK 153 million or 10.1% between periods. Other revenue amounted to ISK 818 million, down by ISK 147 million between periods.

The cost of sales amounted to ISK 11,040 million and decreases by ISK 201 million or 1.8% from the same period last year. Operating expenses amounted to ISK 5,057 million and increases by ISK 106 million or 2.1% from the same period last year.

EBITDA amounted to ISK 4,516 million in 9M 2022, compared to ISK 4,219 million in 9M 2021, up by ISK 297 million or 7.0%. The EBITDA ratio is 24.6% in 9M 2022, compared to 23.3% in the same period in 2021.

Depreciation amounted to ISK 2,274 million in 9M 2022, compared to ISK 2,332 million for the same period in 2021, down by ISK 58 million between periods.

Net financial items amounted to ISK 157 million in 9M 2022 up by ISK 56 million compared to same period 2021.

Profit for 9M 2022 from continuing operations amounted to ISK 1,681 million compared to ISK 1,425 million during the same period in 2021. Profit for 9M 2022 with discontinued operations amounted to ISK 37,597 million.

## Cash Flow

Operating activities amount to a total of ISK 4,460 million in 9M 2022, compared to ISK 4,218 million during the same period in 2021. The increase in operating-related assets and liabilities in 9M 2022 is ISK 1,659 million.

Cash generated by operation was ISK 6,119 million in 9M 2022, compared to ISK 5,476 million during the same period in 2021. After interest and taxes, net cash from operating activities amounted to ISK 5,354 million in 9M 2022, compared to 4,807 m.kr. in 9M 2021.

Investing activities amounted to ISK 29,534 million in 9M 2022, thereof a payment of ISK 32,713 million related to the sale of Míla. In the third quarter, a large portion of English Premier League's rights are transferred from prepaid expenses to investment. Financing activities are negative by ISK 4,537 million in 9M 2022.

Cash flow	9M 2022	9M 2021
Operating profit	2.242	1.887
Depreciation	2.274	2.332
Gain on sale of fixed assets	( 56)	( 1)
<b>Total operating activities</b>	<b>4.460</b>	<b>4.218</b>
Changes in current assets and liabilities	1.659	1.258
<b>Cash generated by operation</b>	<b>6.119</b>	<b>5.476</b>
Net interest expenses paid during the period	( 208)	( 83)
Payments of taxes during the period	( 557)	( 586)
<b>Net cash from operating activities</b>	<b>5.354</b>	<b>4.807</b>
Investing activities	29.534	20.498
Financing activities	( 4.537)	( 19.096)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>30.351</b>	<b>6.209</b>
Translation effects on cash	( 8)	8
<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>33.852</b>	<b>6.952</b>

## Balance sheet

Total assets amounted to ISK 81,491 million at the end of Q3 2022 but were ISK 69,727 million at the end of 2021.

Interest-bearing debts, including lease obligations, were ISK 7,319 million at the end of Q3 2022, compared to ISK 8,294 million at the end of 2021. Cash at the end of Q3 amounted to ISK 33,852 million compared to ISK 3,509 million at the end of 2021. Increase in cash is due to sale of Míla in the end of September 2022. Cash and Síminn's Pay sonsumer loans over interest-bearing debt is ISK 28,023 million.

Equity amounted to ISK 65,480 million at the end of Q3 2022 and equity ratio was 80.4%.

Assets	30.09.2022	31.12.2021
Property, plant and equipment.....	2.312	2.219
Right-of-use assets.....	997	753
Intangible assets.....	21.870	19.403
Corporate bond.....	16.069	0
Other non-current assets.....	547	675
<b>Non-current assets</b>	<b>41.795</b>	<b>23.050</b>
Assets held for sale.....	0	36.929
Cash and cash equivalents.....	33.852	3.509
Other current assets.....	5.844	6.239
<b>Current assets</b>	<b>39.696</b>	<b>46.677</b>
<b>Total assets</b>	<b>81.491</b>	<b>69.727</b>

  

Equity and liabilities	30.09.2022	31.12.2021
Total equity.....	65.480	31.079
<b>Total equity</b>	<b>65.480</b>	<b>31.079</b>
Borrowings.....	5.953	5.943
Finance lease.....	786	653
Accounts payables.....	585	0
Deferred tax liabilities.....	485	604
<b>Non-current liabilities</b>	<b>7.809</b>	<b>7.200</b>
Liabilities held for sale.....	0	25.826
Other Current liabilities.....	8.202	5.622
<b>Current liabilities</b>	<b>8.202</b>	<b>31.448</b>
<b>Total equity and liabilities</b>	<b>81.491</b>	<b>69.727</b>

## Key events

- Earlier this month, the Reykjavík District Court annulled the decision of the Icelandic Competition Authority (ICA) from May 2020. The ICA's decision included that Síminn had violated two settlements Síminn made with the ICA and a fine of ISK 500 million was imposed. The ICA believed that there had been a breach of the settlement by the fact that Síminn's Home Package had included broadcasts of matches in the English Premier League from the autumn of 2019. Síminn, on the other hand, offered individual subscriptions to Síminn Sport and Síminn's Premium TV service as well as the company's telecommunications services. A subscription to the company's television service was significantly lower than the price of the Home package. Síminn believed that the ICA's decision was wrong and appealed to the Competition Appeals Committee, which annulled part of the decision, i.e. alleged breach of agreement regarding the separation of Síminn and Míla, and reduced the fine to ISK 200 million. It was Síminn's assessment that the position of the appeals committee regarding the remaining aspect was materially incorrect and appealed to the courts, which annulled the ICA's decision. It is both realistic and possible for customers to purchase telecommunications service from Síminn without buying a TV service that included broadcasts from the English Premier League. The district court agreed with Síminn's arguments and considered that the ICA had not proven that Síminn had violated the decision. Furthermore, the District Court agreed with the appeal committee's position regarding the aspect that the committee had previously annulled, but the ICA had sought to have the appeal committee's decision annulled. Fine altogether waived, which has a positive effect on EBITDA in Q4 by ISK 200 million.

- 65 5G transmitters have been installed, where 35 of them are in the capital area. By the end of the year, it is expected that around 80 5G transmitters will have been installed. The company plans that 95% coverage (PoP) will be reached by the end of 2025.
- Síminn and Reykjavík University have signed a five year partnership agreement to support women with excellent academic results to study technical subjects at RU. The aim of the co-operation is to get young women to consider technology as an education and to increase the number of women graduating from technology. Síminn pays tuition fees of the beneficiaries.
- Icelandic content from Síminn TV received 20 Edda awards, most awards of all television channels. Shows and films from Síminn received a total of 41 nominations. The awards are an encouragement to continue on the same path.
- Síminn Pay's lendings continue to increase and is currently around ISK 1.5 billion. The company recently introduced an electronic order book that replaces old-fashioned corporate and institutional order books. An electronic credit card will be introduced in the near future, which will offer more variety and flexibility. The company is constantly developing new products, and more innovations will be added in the near future.
- Síminn has recently sought to increase the importance of market funding. The first steps in this have been issuance of corporate notes. On 11 October Síminn received offers for ISK 3 billion with interest rates between 7.10 – 7.39%. Bids were accepted for ISK 1.1 billion at flat interest rates of 7.20%. This is a spread of 64 points on 6M REIBOR, which is Síminn's best result.
- The company has called a shareholders' meeting on 26 October, where a proposal to reduce the share capital with a payment to shareholders will be discussed. The proposal is to reduce the company's share capital by ISK 2,900 million, from ISK 7,300 million to ISK 4,400 million with a payment in the amount of ISK 31.5 billion. The company's equity ratio is now over 80%, which is far from the company's capital structure goals. It is not the company's policy to have significant cash that is not used in day-to-day operations or investments.

## Guidance 2022

The EBITDA guidance for 2022 has been updated twice in the past month. The initial EBITDA guidance was in the range of ISK 5.3 – 5.6 billion. At the end of September, the forecast was increased to ISK 5.8 – 6.1 billion, as uncertainty about the handling of sale expense for the sale of Míla had been eliminated, and on 11 October, it was increased to ISK 6.0 – 6.3 billion following the decision of the Reykjavík District Court for ISK 200 million reimbursement from the Icelandic Competition Authority.

CAPEX is estimated to be in the range of ISK 4.3 – 4.6 billion.

### **Investor meeting 26 October 2022**

An investor presentation will be held on Wednesday 26 October 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**

Shareholders meeting	26 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 Q3 2022 results of Síminn hf.