



**Condensed Consolidated Interim Financial Statements**

**1 January to 31 March 2018**

Síminn hf.  
Ármúla 25  
108 Reykjavík  
Kt. 460207-0880

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## Endorsement and Statement by the Board of Directors and the CEO

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The Condensed Consolidated Interim Financial Statements of Síminn hf. and its subsidiaries (together referred to as "Síminn" or the "Group") for the period 1 January to 31 March 2018 are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU.

The total sales for Síminn hf. for the first three months of the year amounted to ISK 6.874 million according to the Consolidated Income Statement, compared to ISK 6.723 million for the same period 2017. Net profit for the first three months of the year 2018 amounted to ISK 887 million, compared to profit of ISK 774 million for the same period 2017. Total assets as at 31 March 2018 amounted to ISK 60.554 million and total equity amounted to ISK 37.174 million according to the Statement of Financial Position. The Company's equity ratio was 61,4%.

The Annual General Meeting of Síminn approved on 15 March 2018 reduction in capital and a share buyback program. The reduction amounted to ISK 194 million of nominal value. The share buyback program starts in the second quarter of this year and allows buyback up to ISK 1.242 million.

### Statement by the Board of Directors and the CEO

According to the best of our knowledge the Condensed Consolidated Interim Financial Statements of Síminn hf. are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU. It is our opinion that these Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of Síminn hf. for the three months ended 31 March 2018, its assets, liabilities and consolidated financial position as at 31 March 2018 and its consolidated cash flows for the three month period ended 31 March 2018. Further, in our opinion the Condensed Consolidated Interim Financial Statements give a fair view of the development and performance of Síminn's operations and its position and describes the principal risks and uncertainties faced by Síminn hf.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Síminn hf. for the period 1 January to 31 March 2018 and confirm them by means of their signatures.

Reykjavík, 24 April 2018

### Board of Directors

Bertrand B. Kan, Chairman

Helga Valfells, vice chairman

Birgir S. Bjarnason

Ksenia Nekrasova

Sylvía Kristín Ólafsdóttir

### CEO

Orri Hauksson

## Consolidated Income Statement 1 January to 31 March 2018

	Notes	2018 1.1.-31.3.	2017 1.1.-31.3.
Net sales .....	6	6.756	6.602
Cost of sales .....	7	( 3.302)	( 3.246)
<b>Gross profit</b> .....		3.454	3.356
Other operating income .....		118	121
Operating expenses .....	8	( 2.275)	( 2.290)
<b>Operating profit</b> .....		1.297	1.187
Finance income .....		52	135
Finance cost .....		( 241)	( 352)
Net exchange rate differences .....		7	10
Net financial items .....	9	( 182)	( 207)
Profit before tax .....		1.115	980
Income tax .....		( 228)	( 206)
<b>Profit for the period</b> .....		<u>887</u>	<u>774</u>
EBITDA .....		2.231	2.099
<b>Profit attributable to</b>			
Equity holders of the parent .....		887	780
Non-controlling interest .....		<u>0</u>	( 6)
Profit for the period .....		887	774
<b>Earnings per share</b>			
Basic earnings per share .....		0,10	0,08
Diluted earnings per share .....		0,09	0,08

## Consolidated Statement of Comprehensive Income 1 January to 31 March 2018

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	Notes	2018 1.1.-31.3.	2017 1.1.-31.3.
<b>Profit for the period</b> .....		<u>887</u>	<u>774</u>
<b>Items that may subsequently be reclassified to the income statement:</b>			
Translation difference of foreign operations .....		0 (	2)
<b>Total comprehensive income for the period</b> .....		<u>887</u>	<u>772</u>
<b>Total comprehensive income for the period attributable to</b>			
Equity holders of the parent .....		887	778
Non-controlling interest .....		<u>0</u> (	<u>6</u> )
<b>Total comprehensive income for the period</b> .....		<u>887</u>	<u>772</u>

## Consolidated Statement of Financial Position as at 31 March 2018

	Notes	31.3.2018	31.12.2017
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment .....		17.247	17.024
Goodwill .....		31.435	31.435
Intangible assets .....		3.252	3.226
Other financial assets .....	10	577	658
Non-current assets		<u>52.511</u>	<u>52.343</u>
<b>Current assets</b>			
Inventories .....	11	2.348	2.345
Accounts receivables .....	12	4.086	4.470
Other assets .....	13	804	736
Cash and cash equivalents .....		805	718
Current assets		<u>8.043</u>	<u>8.269</u>
<b>Total assets</b>		<u><u>60.554</u></u>	<u><u>60.612</u></u>
<b>Equity</b>			
Share capital .....		9.247	9.247
Reserves .....		16.406	16.406
Other statutory reserve .....		207	201
Other reserve .....		1.210	1.041
Retained earnings .....		10.104	9.386
Total equity		<u>37.174</u>	<u>36.281</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings .....		16.493	16.781
Deferred tax liabilities .....		803	817
Non-current liabilities		<u>17.296</u>	<u>17.598</u>
<b>Current liabilities</b>			
Bank loans .....		0	500
Accounts payables .....		2.870	2.950
Current maturities of borrowings .....		1.150	1.150
Taxes to be paid .....		431	345
Other liabilities .....	15	1.633	1.788
Current liabilities		<u>6.084</u>	<u>6.733</u>
Total liabilities		<u>23.380</u>	<u>24.331</u>
<b>Total equity and liabilities</b>		<u><u>60.554</u></u>	<u><u>60.612</u></u>

## Consolidated Statement of Changes in Equity 1 January to 31 March 2018

	Share capital	Reserves	Other statutory reserve	Translation- and other reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total equity
Total equity 1.1.2017 .....	9.444	17.105	216	467	7.235	34.467	( 207)	34.260
Net profit (loss) for the period .....					780	780	( 6)	774
Translation difference on foreign operation .....				( 2)		( 2)		( 2)
Total comprehensive profit for the period .....				( 2)	780	778	( 6)	772
Share option charge for the period .....			12			12		12
Total equity 31.3.2017 .....	9.444	17.105	228	465	8.015	35.257	( 213)	35.044
Total equity 1.1.2018 .....	9.247	16.406	201	1.041	9.386	36.281	0	36.281
Net Profit for the period .....				171	716	887	0	887
Other changes .....				( 2)	2	0		0
Share option charge for the period .....			6			6		6
Total equity 31.3.2018 .....	9.247	16.406	207	1.210	10.104	37.174	0	37.174

## Consolidated Statement of Cash Flow 1 January to 31 March 2018

	Notes	2018 1.1.-31.3.	2017 1.1.-31.3.
<b>Cash flow from operating activities</b>			
Operating profit .....		1.297	1.187
Operational items not affecting cash flow:			
Depreciation and amortisation .....		934	912
Gain on sale of fixed assets .....		0 (	4)
Other items not affecting cash flow .....		6	13
		<u>2.237</u>	<u>2.108</u>
Changes in current assets and liabilities:			
Changes in inventories .....	(	2)	( 175)
Changes in operating assets .....		367	1.296
Changes in operating Liabilities .....	(	212)	( 802)
		<u>153</u>	<u>319</u>
Cash generated by operation		<u>2.390</u>	<u>2.427</u>
Interest income received .....		55	132
Interest expenses paid .....	(	246)	( 454)
Payments of taxes .....	(	156)	( 9)
		<u>2.043</u>	<u>2.096</u>
<b>Investing activities</b>			
Investment in property, plant and equipment .....	(	1.073)	( 1.062)
Investment in intangible assets .....	(	110)	( 133)
Proceeds from sale of property, plant and equipment .....		1	148
Changes in other investment .....		28	7
		<u>( 1.154)</u>	<u>( 1.040)</u>
<b>Financing activities</b>			
Payments of non-current liabilities .....	(	287)	( 458)
Bank loans, increase .....	(	500)	0
		<u>( 787)</u>	<u>( 458)</u>
<b>Increase in cash and cash equivalents</b> .....		102	598
<b>Effect of exchange rate fluctuations on cash held</b> .....	(	15)	0
<b>Cash and cash equivalents at the beginning of the period</b> .....		718	3.667
<b>Cash and cash equivalents at the end of the period</b> .....		<u>805</u>	<u>4.265</u>



# Notes to the Consolidated Financial Statements

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## 1. Reporting entity

Siminn hf. (the "Company") is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Ármúli 25, Reykjavík. The condensed consolidated interim financial statements as at and for the three months ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as "Siminn" or the "Group") and Siminn's interest in associated companies. The Company is listed on Nasdaq OMX Iceland.

## 2. Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The Group's last annual consolidated financial statements is available on the company's website, [www.siminn.is](http://www.siminn.is), and in the company news release distribution network of Nasdaq Nordic: [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com).

These interim financial statements were approved and authorised for issue by the Company's Board of Directors on 24 April 2018.

## 3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

## 4. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

These interim financial statements are presented in Icelandic Krona (ISK), which is the Company's functional currency. All financial information presented in ISK has been rounded to the nearest million. These interim financial statements have been prepared on the historical cost basis.

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from 1 January 2018. They do not have any impact on the Group's accounting policies.

## Notes to the Consolidated Financial Statements

### 5. Operating segments

An overview of operating segments is set forward in same manner as regular reporting to the Board of Directors.

The Company operates within seven segments that sell services and equipment in different markets. The operating segments are as follows:

Operating segment:	Description:
Mobile: .....	Revenue from mobile services in Iceland and abroad, whether traditional GSM service, satellite service, wholesale mobile service or other mobile service.
Fixed voice: .....	Revenue from fixed voice service (fees and traffic) both retail and wholesale.
Internet & network: .....	Revenue from data service both wholesale and retail, incl. xDSL service, GPON, Internet, IP net, core network, local loop and access network.
TV: .....	Revenues from TV broadcast (fees, traffic and advertisement), TV distribution and Síminn TV.
IT services: .....	Revenue from hosting and operations, advisor fees, sold service and IT related hardware sales.
Equipment sales: .....	Revenue from sale of telco equipment.
Other revenue: .....	Revenue from i.e. sold telco service and hosting.

#### Operating segments 1.1.-31.3. 2018

	Mobile	Fixed voice	Internet & network	TV	IT services	Equipment sales	Other revenues	Total
Revenue .....	1.541	498	2.260	1.167	702	427	279	6.874
Expenses .....								( 4.643)
EBITDA .....								2.231
Depreciation .....								( 934)
Net finance cost .....								( 182)
Taxes .....								( 228)
<b>Net earnings for the period .....</b>								<b>887</b>
Capital additions .....								( 1.182)
Assets .....								60.554
Liabilities .....								23.380

#### Operating segments 1.1.-31.3. 2017

	Mobile	Fixed voice	Internet & network	TV	IT services	Equipment sales	Other revenues	Total
Revenue .....	1.582	546	2.072	1.006	900	371	246	6.723
Expenses .....								( 4.624)
EBITDA .....								2.099
Depreciation .....								( 912)
Net finance cost .....								( 207)
Share of earnings of associated companies .....								0
Taxes .....								( 206)
<b>Net earnings for the period .....</b>								<b>774</b>
Capital additions .....								( 1.047)
Assets .....								63.596
Liabilities .....								28.552

## Notes to the Consolidated Financial Statements

<b>6. Net sales</b>	<b>2018</b>	<b>2017</b>
Sales of service and goods is specified as follows:	<b>1.1.-31.3.</b>	<b>1.1.-31.3.</b>
Sales of service .....	6.036	5.869
Sales of goods .....	720	733
	<u>6.756</u>	<u>6.602</u>

No customer comprises more than 10% of net sales

### 7. Cost of sales

Cost of sales is specified as follows:

Salaries and related expenses .....	865	903
Cost of service sold .....	1.060	982
Interconnecting fees .....	198	218
Cost of goods sold .....	607	646
Capitalised work .....	( 191)	( 234)
Depreciation cost of sold services .....	763	731
	<u>3.302</u>	<u>3.246</u>

Cost of service sold consists of; material costs, service contracts, license fees, purchased services and telecommunications costs.

### 8. Operating expenses

Operating expenses is specified as follows:

Salaries and related expenses .....	1.144	1.145
Sales and marketing expenses .....	130	154
Housing and transportation cost .....	359	357
IT-Expenses .....	257	209
Bad debt write offs .....	( 41)	( 23)
Miscellaneous other expenses .....	255	268
Depreciation operating expenses .....	171	180
	<u>2.275</u>	<u>2.290</u>

### 9. Financial income and expense

Financial income and finance costs are specified as follow:

#### Finance income

Interest income .....	50	133
Dividend received .....	2	2
	<u>52</u>	<u>135</u>

#### Finance expense

Interest on borrowings .....	( 237)	( 327)
Indexation expenses .....	0	( 19)
Other finance expenses .....	( 4)	( 6)
	<u>( 241)</u>	<u>( 352)</u>

Net exchange rate differences .....	7	10
Net financial items .....	<u>( 182)</u>	<u>( 207)</u>

## Notes to the Consolidated Financial Statements

	31.3.2018	31.12.2017
<b>10. Other financial assets</b>		
Other financial assets are specified as follows:		
Investment in other companies .....	221	221
TV programs for screening .....	99	99
Prepaid expense .....	176	229
Non-current receivables .....	81	109
Other financial assets total .....	<u>577</u>	<u>658</u>
<b>11. Inventories</b>		
Inventories are specified as follows:		
Finished goods .....	1.462	1.372
TV programs for screening .....	886	973
Inventory total .....	<u>2.348</u>	<u>2.345</u>
<b>12. Accounts Receivables</b>		
Accounts receivables are specified as follows:		
Accounts receivables .....	4.324	4.776
Allowances for doubtful accounts .....	( 238)	( 306)
Accounts receivables total .....	<u>4.086</u>	<u>4.470</u>
<b>13. Other assets</b>		
Other assets are specified as follows:		
Prepayments and accrued income .....	649	588
Other current assets .....	155	148
Other assets total .....	<u>804</u>	<u>736</u>
<b>14. Deferred tax</b>		
Analysis of movements in the net deferred tax balances during the period is as follows:		
Deferred tax at the beginning of the year.....	817	442
Income tax posted to the income statement.....	223	702
Taxes to be paid.....	( 237)	( 323)
Prior year correction.....	0	( 4)
Deferred tax liability at the end of the period.....	<u>803</u>	<u>817</u>
<b>15. Other liabilities</b>		
Other liabilities are specified as follows:		
Accrued expenses .....	1.014	922
Salaries and related expenses .....	310	311
VAT .....	288	544
Other .....	21	11
Other liabilities total .....	<u>1.633</u>	<u>1.788</u>

## Notes to the Consolidated Financial Statements

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### 16. Legal proceedings

The Company is currently involved in several legal disputes that relate to Competition, Media and Telecommunication Act. Sýn hf. (Vodafone) has sued Síminn for damages due to alleged margin squeeze. The amount of the claim is around 900 million ISK. Inter, an association of ISP, sent the Company a letter to Síminn claiming damages in the amount of three billion ISK due to alleged infringement of the Competition Act. Three companies within the association have requested the appointment of a court appointed assessor to estimate the alleged damages. TSC ehf. has sued Síminn for damages in the amount of one hundred million ISK due to alleged infringement of the Competition Authority's decision no 10/2005. Síminn has rejected the claims in all cases and countersued Vodafone.

Síminn and Vodafone have been in a dispute regarding the distribution of media content. The Competition Authority and Post- and Telecommunication Authority have been investigating complaints from Vodafone regarding alleged infringement of Competition Act and/or Media Act. The Company believes that its actions are fully compliant with the relevant Acts. In December 2015 the District Commissioner of the Capital Area approved Síminn's request to impose an injunction against Vodafone due to the distribution of non-liner media content. Síminn consequently initiated a confirmation procedure before the District Court of Reykjavík. The District Court approved the Company's request in April 2017. Vodafone has appealed to the Supreme Court of Iceland.

Despite the uncertain nature of the outcome of these cases, it is the management opinion that the cases will not result in substantial financial cost. In those cases where the Company might be forced to pay damages, the cost is estimated by the management and recognised in the financial statement.

### 17. Subsequent event

There are no subsequent events to report.

## Quarterly Statements

	1 F 2017	2 F 2017	3 F 2017	4 F 2017	1 F 2018
Net sales .....	6.602	7.145	6.856	7.389	6.756
Cost of sales .....	( 3.246)	( 3.687)	( 3.380)	( 4.105)	( 3.302)
<b>Gross profit</b> .....	<b>3.356</b>	<b>3.458</b>	<b>3.476</b>	<b>3.284</b>	<b>3.454</b>
Other operating income .....	121	109	100	111	118
Operating expenses .....	( 2.290)	( 2.289)	( 2.113)	( 2.404)	( 2.275)
<b>Operating profit</b> .....	<b>1.187</b>	<b>1.278</b>	<b>1.463</b>	<b>991</b>	<b>1.297</b>
Net financial items .....	( 207)	( 258)	( 315)	( 343)	( 182)
<b>Profit before tax</b> .....	<b>980</b>	<b>1.020</b>	<b>1.148</b>	<b>648</b>	<b>1.115</b>
Income tax .....	( 206)	( 230)	( 243)	( 41)	( 228)
<b>Profit for the period</b> .....	<b>774</b>	<b>790</b>	<b>905</b>	<b>607</b>	<b>887</b>
EBITDA .....	2.099	2.191	2.387	1.930	2.231