



Condensed Consolidated Interim Financial Statements

1 January to 30 September 2018

Síminn hf.
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Contents

	Page
Endorsement and Statement by the Board of Directors and the CEO.....	2
Consolidated Income Statement.....	3
Consolidated Statement of Comprehensive Income.....	4
Consolidated Statement of Financial Position.....	5
Consolidated Statement of Changes in Equity.....	6
Consolidated Statement of Cash Flows.....	7
Notes to the Consolidated Financial Statements.....	8 -12
Quarterly Statements.....	13

Endorsement and Statement by the Board of Directors and the CEO

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 30 September 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. the first nine months of the year amounted to ISK 20.996 million according to the Consolidated Income Statement, compared to ISK 20.933 million for the same period 2017. Net profit for the first nine months of the year 2018 amounted to ISK 2.718 million, compared to profit of ISK 2.469 million for the same period 2017. Total assets as at 30 September 2018 amounted to ISK 60.569 million and total equity amounted to ISK 37.638 million according to the Statement of Financial Position. The Company's equity ratio was 62,1%. The Company paid ISK 311 million in dividend to its shareholders in the year.

The Annual General Meeting of Síminn approved on 15 March 2018 a reduction in capital and a share buyback program. The reduction amounted to ISK 194 million of nominal value. In accordance to the share buyback program the Company bought own shares of nominal value ISK 280 million for ISK 1.242 million. The share buyback program was completed on 26 June 2018.

In April Síminn hf. bought all shares in Advania MobilePay ehf. Before Síminn hf. owned shares in Advania MobilePay ehf. through its subsidiary Farsímagreiðslur ehf.

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 nine months ended 30 September 2018, its assets, liabilities and consolidated financial position as at 30 September 2018 and its consolidated cash flows for the nine month period ended 30 September 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 30 September 2018 and confirm them by means of their signatures.

Reykjavík, 30 October 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 30 September 2018

	Notes	2018 1.7.-30.9.	2017 1.7.-30.9.	2018 1.1.-30.9.	2017 1.1.-30.9.
Net sales	6	6.828	6.856	20.505	20.603
Cost of sales	7	<u>(3.371)</u>	<u>(3.380)</u>	<u>(10.283)</u>	<u>(10.313)</u>
Gross profit		3.457	3.476	10.222	10.290
Other operating income		141	100	491	330
Operating expenses	8	(2.156)	(2.113)	(6.711)	(6.692)
Operating profit		1.442	1.463	4.002	3.928
Finance income		49	74	153	343
Finance cost		(246)	(393)	(727)	(1.135)
Net exchange rate differences		<u>(14)</u>	<u>4</u>	<u>(9)</u>	<u>12</u>
Net financial items	9	(211)	(315)	(583)	(780)
Profit before tax		1.231	1.148	3.419	3.148
Income tax		(253)	(243)	(701)	(679)
Profit for the period		<u>978</u>	<u>905</u>	<u>2.718</u>	<u>2.469</u>
EBITDA		2.397	2.387	6.844	6.677
Profit attributable to					
Equity holders of the parent		978	907	2.718	2.496
Non-controlling interest		<u>0</u>	<u>(2)</u>	<u>0</u>	<u>(27)</u>
Profit for the period		978	905	2.718	2.469
Earnings per share					
Basic earnings per share		0,11	0,10	0,30	0,27
Diluted earnings per share		0,10	0,10	0,29	0,26

The notes on pages 8 to 12 are an integral part of these condensed consolidated interim financial statements

Consolidated Statement of Comprehensive Income 1 January to 30 September 2018

	Notes	2018 1.7.-30.9.	2017 1.7.-30.9.	2018 1.1.-30.9.	2017 1.1.-30.9.
Profit for the period		<u>978</u>	<u>905</u>	<u>2.718</u>	<u>2.469</u>
Items that may subsequently be reclassified to the income statement:					
Translation difference of foreign operations		0 (	15)	0 (	14)
Total comprehensive income for the period		<u>978</u>	<u>890</u>	<u>2.718</u>	<u>2.455</u>
Total comprehensive income for the period attributable to					
Equity holders of the parent		978	896	2.718	2.486
Non-controlling interest		<u>0</u>	<u>(6)</u>	<u>0</u>	<u>(31)</u>
Total comprehensive income for the period		<u>978</u>	<u>890</u>	<u>2.718</u>	<u>2.455</u>

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Consolidated Statement of Financial Position as at 30 September 2018

	Notes	30.9.2018	31.12.2017
Assets			
Non-current assets			
Property, plant and equipment		17.774	17.024
Goodwill		31.487	31.435
Intangible assets		3.219	3.226
Other financial assets	10	656	658
Non-current assets		<u>53.136</u>	<u>52.343</u>
Current assets			
Inventories	11	1.857	2.345
Accounts receivables	12	4.203	4.470
Other assets	13	803	736
Cash and cash equivalents		570	718
Current assets		<u>7.433</u>	<u>8.269</u>
Total assets		<u><u>60.569</u></u>	<u><u>60.612</u></u>
Equity			
Share capital		9.033	9.247
Reserves		15.552	16.406
Other statutory reserve		154	201
Other reserve		1.547	1.041
Retained earnings		11.352	9.386
Total equity		<u>37.638</u>	<u>36.281</u>
Liabilities			
Non-current liabilities			
Borrowings		15.918	16.781
Deferred tax liabilities	14	829	817
Non-current liabilities		<u>16.747</u>	<u>17.598</u>
Current liabilities			
Bank loans		0	500
Accounts payables		2.093	2.950
Current maturities of borrowings		1.150	1.150
Taxes to be paid		670	345
Other liabilities	15	2.271	1.788
Current liabilities		<u>6.184</u>	<u>6.733</u>
Total liabilities		<u>22.931</u>	<u>24.331</u>
Total equity and liabilities		<u><u>60.569</u></u>	<u><u>60.612</u></u>

The notes on pages 8 to 12 are an integral part of these condensed consolidated interim financial statements

Consolidated Statement of Changes in Equity 1 January to 30 September 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				641	1.855	2.496	(27)	2.469
Translation difference on foreign operation				(10)		(10)	(4)	(14)
Total comprehensive profit for the period				631	1.855	2.486	(31)	2.455
Payment of dividends (0,029171 per share)					(275)	(275)		(275)
Buyback of ordinary shares	(209)	(640)				(849)		(849)
Sold ordinary shares	9	19				28		28
Other changes				(13)	13	0		0
Change in non-controlling interest						0	152	152
Share option charge for the period			38			38		38
Share option exercised and vested during the period	69	110	(59)		59	179		179
Total equity 30.9.2017	9.313	16.594	195	1.085	8.887	36.074	(86)	35.988
Total equity 1.1.2018	9.247	16.406	201	1.041	9.386	36.281	0	36.281
Net Profit for the period				736	1.982	2.718	0	2.718
Payment of dividends (0,033588 per share)					(311)	(311)		(311)
Buyback of ordinary shares	(280)	(962)				(1.242)		(1.242)
Other changes				(230)	230	0		0
Share option charge for the period			18			18		18
Share option exercised and vested during the period	66	108	(65)		65	174		174
Total equity 30.9.2018	9.033	15.552	154	1.547	11.352	37.638	0	37.638

The notes on pages 8 to 12 are an integral part of these condensed consolidated interim financial statements

Consolidated Statement of Cash Flow 1 January to 30 September 2018

	Notes	2018	2017	2018	2017
		1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Cash flow from operating activities					
Operating profit		1.442	1.463	4.002	3.928
Operational items not affecting cash flow:					
Depreciation		955	924	2.842	2.749
Gain on sale of fixed assets .....	(	1)	2	(105)	(2)
Other items not affecting cash flow		6	13	18	38
		<u>2.402</u>	<u>2.402</u>	<u>6.757</u>	<u>6.713</u>
Changes in current assets and liabilities:					
Changes in inventories	16	(209)	407	(315)	
Changes in operating assets	65	632	227	1.340	
Changes in operating Liabilities	32	(207)	(368)	(707)	
Changes in current assets and liabilities		<u>113</u>	<u>216</u>	<u>266</u>	<u>318</u>
Cash generated by operation		<u>2.515</u>	<u>2.618</u>	<u>7.023</u>	<u>7.031</u>
Interest income received		46	101	149	348
Interest expenses paid .....	(	243)	(535)	(730)	(1.219)
Payments of taxes .....	(	52)	(6)	(365)	(22)
Net cash from operating activities		<u>2.266</u>	<u>2.178</u>	<u>6.077</u>	<u>6.138</u>
Investing activities					
Investment in property, plant and equipment .....	(	1.156)	(1.276)	(3.358)	(3.566)
Investment in intangible assets .....	(	42)	(85)	(255)	(408)
Proceeds from sale of property, plant and equipment		6	6	133	155
Changes in other investment		0	43	28	64
Investment in subsidiaries		0	0	(26)	0
Changes in other investment		0	29	0	29
Investment activities		<u>(1.192)</u>	<u>(1.283)</u>	<u>(3.478)</u>	<u>(3.726)</u>
Financing activities					
Dividend paid		0	0	(311)	(275)
Buyback of ordinary shares		0	(528)	(1.242)	(849)
Proceeds from the exercise of share options		174	179	174	179
New borrowings		0	18.400	0	18.400
Payments of non-current liabilities .....	(	287)	(22.510)	(862)	(23.198)
Bank loans, increase .....	(	575)	0	(500)	0
Financing activities		<u>(688)</u>	<u>(4.459)</u>	<u>(2.741)</u>	<u>(5.743)</u>
Increase (decrease) in cash and cash equivalents		386	(3.564)	(142)	(3.331)
Effect of exchange rate fluctuations on cash held		1	1	(6)	(3)
Cash and cash equivalents at the beginning of the period		183	3.896	718	3.667
Cash and cash equivalents at the end of the period		<u>570</u>	<u>333</u>	<u>570</u>	<u>333</u>

The notes on pages 8 to 12 are an integral part of these condensed consolidated interim financial statements

Notes to the Consolidated Financial Statements

1. Reporting entity

Síminn 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 nine months ended 30 September 2018 comprise the Company and its subsidiaries (together referred to as "Síminn" or the "Group") and Síminn'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, and in the company news release distribution network of Nasdaq Nordic: www.nasdaqomxnordic.com.

These interim financial statements were approved and authorised for issue by the Company's Board of Directors on 30 October 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, with the exception that two new standards, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* are effective from 1 January 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The new standards do not have any impact on the Group's financial statements.

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.

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 form 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.-30.9. 2018

	Mobile	Fixed voice	Internet & network	TV	IT services	Equipment sales	Other revenues	Total
Revenue	4.643	1.427	6.777	3.499	2.443	1.432	775	20.996
Expenses								(14.152)
EBITDA								6.844
Depreciation								(2.842)
Net finance cost								(583)
Taxes								(701)
Net earnings for the period								2.718
Capital additions								(3.480)
Assets								60.569
Liabilities								22.931

Operating segments 1.1.-30.9. 2017

	Mobile	Fixed voice	Internet & network	TV	IT services	Equipment sales	Other revenues	Total
Revenue	5.026	1.564	6.373	3.030	2.964	1.244	732	20.933
Expenses								(14.256)
EBITDA								6.677
Depreciation								(2.749)
Net finance cost								(780)
Share of earnings of associated companies								0
Taxes								(679)
Net earnings for the period								2.469
Capital additions								(3.819)
Assets								60.787
Liabilities								24.799

Notes to the Consolidated Financial Statements

6. Net sales

	2018	2017
Sales of service and goods is specified as follows:	1.1.-30.9.	1.1.-30.9.
Sales of service	17.899	17.789
Sales of goods from IT services and telecom	<u>2.606</u>	<u>2.814</u>
	<u>20.505</u>	<u>20.603</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	2.497	2.653
Cost of service sold	3.060	2.857
Interconnecting fees	711	699
Cost of goods sold	2.338	2.498
Capitalised work	(638)	(600)
Depreciation cost of sold services	<u>2.315</u>	<u>2.206</u>
	<u>10.283</u>	<u>10.313</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	3.302	3.178
Sales and marketing expenses	401	450
Housing and transportation cost	1.073	1.060
IT-Expenses	705	639
Bad debt write offs	(25)	36
Miscellaneous other expenses	727	786
Depreciation operating expenses	<u>528</u>	<u>543</u>
	<u>6.711</u>	<u>6.692</u>

9. Financial income and expense

Financial income and finance costs are specified as follow:

Finance income

Interest income	151	318
Dividend received	<u>2</u>	<u>25</u>
	153	343

Finance expense

Interest on borrowings	(706)	(999)
Indexation expenses	0	(72)
Other finance expenses	<u>(21)</u>	<u>(64)</u>
	(727)	(1.135)

Net exchange rate differences	(9)	<u>12</u>
Net financial items	<u>(583)</u>	<u>(780)</u>

Notes to the Consolidated Financial Statements

10. Other financial assets	30.9.2018	31.12.2017
Other financial assets are specified as follows:		
Investment in other companies	189	221
TV programs for screening	180	99
Prepaid expense	67	229
Non-current receivables	220	109
Other financial assets total	<u>656</u>	<u>658</u>

11. Inventories

Inventories are specified as follows:

Finished goods	1.146	1.372
TV programs for screening	711	973
Inventory total	<u>1.857</u>	<u>2.345</u>

12. Accounts Receivables

Accounts receivables are specified as follows:

Accounts receivables	4.426	4.776
Allowances for doubtful accounts	(223)	(306)
Accounts receivables total	<u>4.203</u>	<u>4.470</u>

13. Other assets

Other assets are specified as follows:

Prepayments and accrued income	640	588
Other current assets	163	148
Other assets total	<u>803</u>	<u>736</u>

14. Deferred tax

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.....	686	702
Taxes to be paid.....	(674)	(323)
Prior year correction.....	0	(4)
Deferred tax liability at the end of the period.....	<u>829</u>	<u>817</u>

15. Other liabilities

Other liabilities are specified as follows:

Accrued expenses	767	922
Salaries and related expenses	651	311
VAT	843	544
Other	10	11
Other liabilities total	<u>2.271</u>	<u>1.788</u>

Notes to the Consolidated Financial Statements

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 in 2015 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. They also changed the claimed damages to 300 million ISK. 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 distribution of media content. The Competition Authority and Post- and Telecommunication Authority ruled that Síminn breached against media act no. 10/2018 and fined Síminn. The fine, 9 million ISK has already been payed. The Company believes that its actions are fully compliant with the relevant Acts and will appeal. Subsequently Vodafone has filed a claim against Síminn for compensation of 1.9 billion ISK. Síminn rejected the claim and pointed out that in Vodafone claim there are no arguments for compensation, nor an attempt to prove the alleged loss. Síminn believes there is no base for the claim from Vodafone.

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 appealed to the Supreme Court of Iceland which on 18 October 2018 confirmed the District Court ruling. The Supreme Court ruled that Síminn had sufficiently demonstrated that financial damage could have been attributed to Vodafone's conduct. Síminn will explore its legal rights following the Supreme Court judgment.

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

Summary of the Company's operating results by quarters:

	1 F	2 F	3 F	
	2018	2018	2018	Total
Net sales	6.756	6.921	6.828	20.505
Cost of sales	(3.302)	(3.610)	(3.371)	(10.283)
Gross profit	3.454	3.311	3.457	10.222
Other operating income	118	232	141	491
Operating expenses	(2.275)	(2.280)	(2.156)	(6.711)
Operating profit	1.297	1.263	1.442	4.002
Net financial items	(182)	(190)	(211)	(583)
Profit before tax	1.115	1.073	1.231	3.419
Income tax	(228)	(220)	(253)	(701)
Profit for the period	887	853	978	2.718
EBITDA	2.231	2.216	2.397	6.844

	1 F	2 F	3 F	4 F	
	2017	2017	2017	2017	Total
Net sales	6.602	7.145	6.856	7.389	27.992
Cost of sales	(3.246)	(3.687)	(3.380)	(4.105)	(14.418)
Gross profit	3.356	3.458	3.476	3.284	13.574
Other operating income	121	109	100	111	441
Operating expenses	(2.290)	(2.289)	(2.113)	(2.404)	(9.096)
Operating profit	1.187	1.278	1.463	991	4.919
Net financial items	(207)	(258)	(315)	(343)	(1.123)
Profit before tax	980	1.020	1.148	648	3.796
Income tax	(206)	(230)	(243)	(41)	(720)
Profit for the period	774	790	905	607	3.076
EBITDA	2.099	2.191	2.387	1.930	8.607