

Financial press release – Síminn hf. Q3 2019

TV services continue to grow

Q3 2018 interim statement has been restated according to changes made to treatment of TV rights.

- Síminn's revenue amounted to ISK 7,098 million in the third quarter (Q3) of 2019, compared to ISK 6,969 million in the same period 2018. A increase by ISK 129 million or 1.9%.
- EBITDA amounted to ISK 2,817 million in Q3 2019, compared to ISK 2,607 million in the same period of 2018, up by ISK 210 million or 8.1%. The EBITDA ratio was 39.7% in Q3 2019, compared to 37.4% in the same period of 2018. Considering changes due to IFRS 16, EBITDA at Q3 2018 amounted to ISK 2,802 million and EBITDA ratio was 40.2%.
- Profit in Q3 2019 amounted to ISK 897 million, compared to ISK 978 million in the same period of 2018.
- Cash generated by operation amounted to ISK 4,024 million in Q3 2019, compared to ISK 2,515 million in the same period of 2018. Net cash from operating activities amounted to ISK 3,590 million in Q3 2019, compared to ISK 2,266 million in the same period 2018.
- Interest bearing debt amounted to ISK 16.1 billion at the end of Q3 of 2019, compared to ISK 17.2 billion at the end of 2018. Net interest-bearing debt amounted to 15.6 billion ISK at the end of Q3 2019 down by ISK 414 million compared to year end 2018.
- Net financial expenses amounted to ISK 232 million in Q3 2019, compared to ISK 211 million in the same period of 2018, of that number ISK 67 million is related to IFRS 16 in Q3 2019. Financial expenses amounted to ISK 296 million, financial income ISK 55 million, and foreign exchange gain ISK 9 million.
- Síminn's equity ratio was 55.4% at the end of Q3 2019 and equity was 36.3 billion.

Orri Hauksson, CEO:

„We are satisfied with the performance in Q3 and EBITDA margin increased slightly between years. The operations of Síminn and Míla are according to plans in the latter half of this year and main changes in roaming and wholesale are now behind us. ARPU is rising in the residential market after years of sharp declines. However, there is still price pressure in the corporate market. Sales of cloud services are growing this year and Sensa is involved in a few sizable cloud projects. This trend affects margin of services which are moved to the cloud. Companies are to more extent using cloud services and the demand for services and solutions is growing. Sensa is taking steps to be a strong partner on that journey.

There is strong revenue growth in TV between years. The success of Síminn Sport has exceeded expectations since the product launched in Q3 and Síminn has successfully negotiated distribution

over major distribution channels. Síminn Sport is available to all viewers and interest is growing for this outstanding and particularly affordable service provided by Síminn. We therefore have high hopes for the product in coming months.

Síminn has also tried to negotiate distribution for Síminn Premium TV, our main television product, on more TV networks without succeeded so far. The reason is resistance from Sýn to distribute this most widely used TV content service in the country. This means that Síminn misses out on revenue opportunities and customers of Sýn excluded from subscribing to Síminn Premium TV. This discrepancy will be hopefully corrected next year.

Cost control is and will remain at the forefront of Síminn's operations. Number of FTE's has decreased by 40 since last year, and a similar change can be expected until next fall. The Group's investments have been high this year, as has been presented. The fiber rollout at Míla plays a key role and these long-term investments significantly increase the value of the Group's infrastructure over the coming years and decades. Furthermore, accounting changes related to content have pushed up investments. Systematic investments are also being made in Síminn's technology operations, which will benefit the group going forward.

The Group's total investments will decline in the coming quarters from present levels. This is mainly due to the fast progress of the fiber rollout project. The total decrease in investment amounts to hundreds of millions next year. “

9M 2019 Results

Operations

	9M 2019	9M 2018	Change	Change in %
Net sales	20.539	20.505	34	0,2%
Cost of sales	(10.539)	(10.283)	(256)	2,5%
Gross profit	10.000	10.222	(222)	-2,2%
<i>Gross profit ratio</i>	<i>48,7%</i>	<i>49,9%</i>		
Other operating income	636	491	145	29,5%
Operating expenses	(6.884)	(6.711)	(173)	2,6%
Operating profit	3.752	4.002	(250)	-6,2%
<i>Operating profit/Net sales</i>	<i>18,3%</i>	<i>19,5%</i>		
<i>Finance income</i>	<i>151</i>	<i>153</i>	<i>(2)</i>	<i>-1,3%</i>
<i>Finance cost</i>	<i>(953)</i>	<i>(727)</i>	<i>(226)</i>	<i>31,1%</i>
<i>Net exchange rate differences</i>	<i>(12)</i>	<i>(9)</i>	<i>(3)</i>	
Net financial items	(814)	(583)	(231)	39,6%
Income tax	(628)	(701)	73	-10,4%
Net profit	2.310	2.718	(408)	
Depreciation	(4.036)	(3.395)	(641)	
EBITDA*	7.788	7.397	391	5,3%
<i>EBITDA ratio</i>	<i>36,8%</i>	<i>35,2%</i>		
EBIT	3.752	4.002	(250)	
<i>EBIT ratio</i>	<i>17,7%</i>	<i>19,1%</i>		

* Restated according to changes made to treatment of TV rights

Total sales for 9M 2019 amounted to ISK 21,175 million compared to ISK 20,996 million for the same period 2018, up by 179 million or 0.9%. Revenue from mobile amounted to ISK 4,308 million down by ISK 335 million or 7.2% between periods. Of this, the decrease in wholesale and roaming amounts to ISK 250 million. Revenue from fixed voice amounted to ISK 1,368 million, down by ISK 59 million or 4.1% between periods. Revenue from data (internet & network) amounted to ISK 6,420 million, down by ISK 357 million or 5.3% between periods. Revenue from TV services amounted to ISK 4,054 million, up by ISK 555 million or 15.9% between periods. Revenues from IT services amounted to ISK 2,737 million, up by ISK 294 million, or 12,0% between periods. Revenues from equipment sale ISK 1,321 million, down by ISK 111 million between periods.

Gross profit for 9M 2019 amounted to ISK 10,000 million, down by ISK 222 million or 2.2% from the same period in 2018. Operating expenses amounted to ISK 6,884 million, up by ISK 173 million or 2.6% from the same period in 2018.

EBITDA amounted to ISK 7,788 million in 9M 2019, compared to ISK 7,397 million for the same period in 2018, up by ISK 391 million or 5.3%. The EBITDA ratio is 36.8%, compared to 35.2% in the same period in 2018. Considering changes due to IFRS 16, EBITDA at 9M 2018 amounted to ISK 7,989 million and EBITDA ratio was 38.1%.

Depreciation and amortization amounted to ISK 4,036 million in 9M 2019, compared to ISK 3,395 million for the same period in 2018. Considering changes due to IFRS 16 Depreciation and amortization amounted to ISK 3,883 million in 9M 2018.

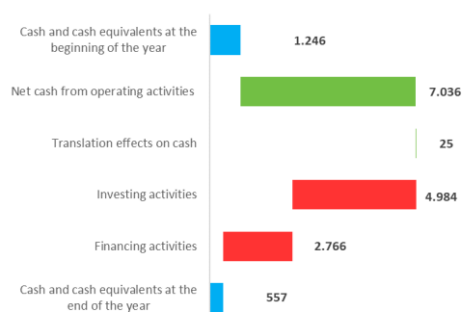
Net financial items amounted to ISK 814 million in 9M 2019 up by ISK 231 million compared to same period 2018, accounting changes related to IFRS 16 explain ISK 204 million of the amount. Included in financial items is a provision of ISK 50 million for the judgment of the District Court of Reykjavík in the so-called TSC case. Expensed precautionary charge for the case amounts to a total of ISK 100 million.

Profit for the period amounted to ISK 2,310 million, compared to ISK 2,718 million for the same period in 2018.

Cash flow

Cash generated by operation was ISK 8,173 million in 9M 2019, compared to ISK 7,343 million in the same period 2018. Net cash from operating activities was ISK 7,036 million in 9M 2019, compared to ISK 6,397 million in the same period 2018.

Investing activities were ISK 4,984 million in 9M of 2019, compared to ISK 3,798 million in the same period 2018.



Balance sheet

Total assets amounted to ISK 65,404 million at the end of 9M 2019, compared to ISK 58,834 million at the end of 2018. Interest bearing debt amounted to ISK 16,128 million at the end of 9M, compared to ISK 17,231 million at the end of 2018. Net interest-bearing debt amounted to ISK 15,571 million at the end of 9M

	30.9.2019	31.12.2018
Non-current assets	58.528	50.956
Current assets	6.876	7.878
Total assets	65.404	58.834
Total equity	36.240	35.202
Non-current liabilities	20.690	16.529
Current liabilities	8.474	7.103
Total equity and liabilities	65.404	58.834
Equity ratio	55,4%	59,8%

down by ISK 414 million compared to year end 2018. Net interest-bearing debt to EBITDA for the last twelve months was 1.57. The target ratio for Síminn is between 1.5 and 2.5.

Total equity amounted to ISK 36,240 million at the end of 9M and the equity ratio was 55.4%.

Key events in the Q3 of 2019

- The English Premier League has gone off to a good start. Subscriptions are over projected plans and viewing ratings are good. Fans of the EPL seem to be happy with Síminn's approach to the EPL with UHD broadcasts making a splash along with our continued effort to have personnel on the pitch when big games are broadcasted live which is a first in Icelandic broadcasting.
- Our GSM network celebrates its 25th anniversary this year. Our 4G network now covers 99.4% of the Icelandic population. 67 new 4G stations have been installed and 61 4G stations have been updated to bring even more bandwidth to more users. Tæknavarpið, an Icelandic podcast about technology did a mobile network speed test around the country where Síminn finished in 1st place.

- Over 30 digital robots are now active at Síminn, working around the clock. Our focus on automation and robotics have automated a lot of processes and tedious repeated tasks. The automation brings down cost and minimizes human error.
- Sjónvarp Símans Premium, our SVOD service continues to grow. Viewing numbers have never been better thanks to diverse selection of content for all age groups. Our choice of premiering Icelandic series as a whole instead of showing only one new episode a week has gotten great feedback from our subscribers. Síminn has opened discussion with Sýn hf. to make Sjónvarp Símans Premium available on their TV distribution network.
- Corporate security has been the main focus of Sensa past months. Time and effort has been put into helping companies to resist cyber-attacks on computer systems and employees. The emphasis is on security and health inspection of computer systems, as well as security awareness for employees, especially employees and managers who are authorized to request and arrange for transfer of funds.

Guidance 2019

Guidance for the year 2019 is unchanged from what was presented in February 2019 and remains with EBITDA in the range of 10.2 to 10.7 billion ISK and CAPEX in the range of 6.0 to 6.4 billion ISK.

Investor meeting 30 October 2019

An investor presentation will be held on Wednesday 30 October 2019 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 and a recording of the meeting will be available after the meeting on the company's investor relations website:

<https://www.siminn.is/umsimann/uppgjor> and in Nasdaq's Iceland company news.

The meeting will be webcasted on:

<https://livestream.com/accounts/11153656/events/8858806/player>

Financial calendar 2019

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| • Q4 2019 Results | Published 25 February 2020 |
| • Annual General Meeting 2020 | 19 March 2020 |

Further information

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Note: This English version is a translation of the Icelandic text that accompanies the Q3 2019 results of Síminn hf.

Síminn hf.

Síminn owns and operates the companies Síminn, Míla, Sensa and Radiómiðun. Síminn is Iceland's largest telco company and provides customers, both individuals and companies, with a comprehensive product offering in the field of telecommunications, entertainment and information technology.