



Condensed Consolidated Interim Financial Statements

1 January to 30 September 2019

Síminn hf.
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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 2019 are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU. The Company has made a change in accounting policy for TV rights. See note 3. The Financial Statements are neither audited or reviewed by the Group's auditors.

The total sales for Síminn hf. the first nine months of the year amounted to ISK 21.175 million according to the Consolidated Income Statement, compared to ISK 20.996 million for the same period 2018. Net profit for the first nine months of the year 2019 amounted to ISK 2.310 million, compared to profit of ISK 2.718 million for the same period 2018. Total assets as at 30 September 2019 amounted to ISK 65.404 million and total equity amounted to ISK 36.240 million according to the Statement of Financial Position. The Company's equity ratio was 55,4%. The Company paid ISK 330 million in dividend to its shareholders in the year.

The Annual General Meeting of Síminn approved on 21 March 2019 a share buyback program. The share buyback program started in the third quarter of this year and allows buyback up to ISK 1.310 million. The Company purchased in the third quarter of the year own shares of nominal value ISK 205 million, for ISK 942 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 nine months ended 30 September 2019, its assets, liabilities and consolidated financial position as at 30 September 2019 and its consolidated cash flows for the nine month period ended 30 September 2019. 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 2019 and confirm them by means of their signatures.

Reykjavík, 29 October 2019

Board of Directors

Bertrand B. Kan, Chairman

Helga Valfells, vice chairman

Bjarni Þorvarðarson

Ksenia Nekrasova

Sylvía Kristín Ólafsdóttir

CEO

Orri Hauksson

Consolidated Income Statement and other comprehensive income for the period 1 January to 30 September 2019

	Notes	2019 1.7.-30.9.	2018 1.7.-30.9.	2019 1.1.-30.9.	2018 1.1.-30.9.
Net sales	5	6.958	6.828	20.539	20.505
Cost of sales	6	(3.523)	(3.371)	(10.539)	(10.283)
Gross profit		3.435	3.457	10.000	10.222
Other operating income		140	141	636	491
Operating expenses	7	(2.208)	(2.156)	(6.884)	(6.711)
Operating profit		1.367	1.442	3.752	4.002
Finance income		55	49	151	153
Finance cost		(296)	(246)	(953)	(727)
Net exchange rate differences		9	(14)	(12)	(9)
Net financial items	8	(232)	(211)	(814)	(583)
Profit before tax		1.135	1.231	2.938	3.419
Income tax		(238)	(253)	(628)	(701)
Profit for the period		897	978	2.310	2.718
Total comprehensive income for the period		897	978	2.310	2.718
EBITDA*		2.817	2.607	7.788	7.397
Earnings per share					
Basic earnings per share		0,10	0,11	0,26	0,30

*Restated, see in Note 3.

Consolidated Statement of Financial Position as at 30 September 2019

	Notes	30.9.2019	31.12.2018 Restated*
Assets			
Non-current assets			
Property, plant and equipment	3	23.875	18.059
Intangible assets		34.203	32.473
Other financial assets	9	450	424
		<u>58.528</u>	<u>50.956</u>
Current assets			
Inventories	10	1.702	1.437
Accounts receivables	11	3.638	4.313
Other assets	12	979	882
Cash and cash equivalents		557	1.246
		<u>6.876</u>	<u>7.878</u>
		<u>65.404</u>	<u>58.834</u>
Equity			
Share capital		8.828	9.033
Reserves		14.815	15.552
Other statutory reserve		154	154
Other reserve		460	456
Retained earnings		11.983	10.007
		<u>36.240</u>	<u>35.202</u>
Liabilities			
Non-current liabilities			
Borrowings		14.758	15.631
Finance leases	3	4.744	0
Payables		353	0
Deferred tax liabilities	13	835	898
		<u>20.690</u>	<u>16.529</u>
Current liabilities			
Bank loans		220	450
Accounts payables		3.298	2.997
Current maturities of borrowings		1.150	1.150
Current maturities of finance leases	3	546	0
Taxes to be paid		1.088	766
Other liabilities	14	2.172	1.740
		<u>8.474</u>	<u>7.103</u>
		<u>29.164</u>	<u>23.632</u>
		<u>65.404</u>	<u>58.834</u>

*Restated, see in Note 3.

Consolidated Statement of Changes in Equity 1 January to 30 September 201

	Share capital	Reserves	Other statutory reserve	Translation- and other reserve	Retained earnings	Total equity
Total equity 1.1.2018	9.247	16.406	201	1.041	9.386	36.281
Net profit for the period				602	2.116	2.718
Payment of dividends (0,033588 per share)					(311)	(311)
Buyback of ordinary shares	(280)	(962)				(1.242)
Other changes				(231)	231	0
Share option charge for the period			14			14
Total equity 30.9.2018	8.967	15.444	215	1.412	11.422	37.460
Total equity 1.1.2019	9.033	15.552	154	456	10.007	35.202
Net Profit for the period					2.310	2.310
Payment of dividends (0,036534 per share)					(330)	(330)
Buyback of ordinary shares	(205)	(737)				(942)
Other changes				4	(4)	0
Total equity 30.9.2019	8.828	14.815	154	460	11.983	36.240

Consolidated Statement of Cash Flow 1 January to 30 September 2019

	Notes	2019 1.7.-30.9.	2018 1.7.-30.9. Restated*	2019 1.1.-30.9.	2018 1.1.-30.9. Restated*
Cash flow from operating activities					
Operating profit		1.367	1.442	3.752	4.002
Operational items not affecting cash flow:					
Depreciation		1.450	1.165	4.036	3.395
Gain on sale of fixed assets		(2)	(1)	(167)	(105)
Other items not affecting cash flow		0	6	0	18
		<u>2.815</u>	<u>2.612</u>	<u>7.621</u>	<u>7.310</u>
Changes in current assets and liabilities:					
Changes in inventories		(181)	(194)	(305)	174
Changes in operating assets		(50)	65	(180)	227
Changes in operating Liabilities		1.440	32	1.037	(368)
Changes in current assets and liabilities		<u>1.209</u>	<u>(97)</u>	<u>552</u>	<u>33</u>
Cash generated by operation		<u>4.024</u>	<u>2.515</u>	<u>8.173</u>	<u>7.343</u>
Interest income received		53	46	144	149
Interest expenses paid		(293)	(243)	(912)	(730)
Payments of taxes		(194)	(52)	(369)	(365)
Net cash from operating activities		<u>3.590</u>	<u>2.266</u>	<u>7.036</u>	<u>6.397</u>
Investing activities					
Investment in property, plant and equipment		(1.113)	(1.156)	(3.298)	(3.358)
Investment in intangible assets		(1.003)	(42)	(1.720)	(575)
Proceeds from sale of property, plant and equipment		1	6	4	133
Changes in other investment		0	0	28	28
Investment in subsidiaries		0	0	0	(26)
Changes in other investment		0	0	2	0
Investment activities		<u>(2.115)</u>	<u>(1.192)</u>	<u>(4.984)</u>	<u>(3.798)</u>
Financing activities					
Dividend paid		0	0	(330)	(311)
Buyback of ordinary shares		(942)	0	(942)	(1.242)
Proceeds from the exercise of share options		0	174	0	174
Payments of non-current liabilities		(287)	(287)	(862)	(862)
Payment of long term lease		(138)	0	(402)	0
Bank loans, increase		(57)	(575)	(230)	(500)
Financing activities		<u>(1.424)</u>	<u>(688)</u>	<u>(2.766)</u>	<u>(2.741)</u>
Increase (decrease) in cash and cash equivalents		51	386	(714)	(142)
Effect of exchange rate fluctuations on cash held		(4)	1	25	(6)
Cash and cash equivalents at the beginning of the period		510	183	1.246	718
Cash and cash equivalents at the end of the period		<u>557</u>	<u>570</u>	<u>557</u>	<u>570</u>

*Restated, see in Note 3.

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 2019 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

Statement of compliance

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 2018. 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.

The Group has applied IFRS 16 from 1. January 2019 in the financial statements. Changes to significant accounting policies are described in note 3.

These interim financial statements were approved and authorised for issue by the Company's Board of Directors on 29 October 2019.

Basis of measurement

These interim financial statements have been prepared on the historical cost basis.

Presentation and functional currency

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.

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.

3. Changes in accounting policies

The accounting policies applied in the consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018, except for the new significant judgements related to lessee accounting under IFRS 16.

The Group has initially applied IFRS 16 effective from 1 January 2019. The Group also changed its accounting method for TV rights. Previously, TV rights were accounted for as inventories under IAS 2 and expensed as material expense. Due to major changes in the TV business environment and in the Group's business model in recent years the Group's TV rights have been recognised as of 1 January 2019 as an intangible asset in accordance with IAS 38. The Group recognises a depreciation charge for TV rights.

IFRS 16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, with right-of-use assets equal to lease liability at 1. January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Notes to the Consolidated Financial Statements

3. Changes in accounting policies, contd.:

Leases in which the Group is a lessee

The Group has recognised new assets and liabilities for its leases of buildings, cars and fiber optics. The nature of expenses related to those leases has changed because the Group recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

	Telecom equipment	Buildings	Other equipment	Total
Balance at 1.1.2019	156	5.350	61	5.567
Balance at 30.9.2019	151	5.036	55	5.242

The Group presents lease liabilities in non-current liabilities in the statement of financial position.

Leases in which the Group is a lessor

No impact is expected for other leases in which the Group is a lessor.

Impacts for the period

As a result of initially applying IFRS 16, the Group recognised ISK 5.242 million of right-of-use assets and ISK 5.290 million of lease liabilities as at 30 September 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the nine months ended 30 September 2019, the Group recognised ISK 502 million of depreciation charges and ISK 204 million of interest costs from these leases. Payment of lease liability was ISK 402 million.

TV rights, a change in accounting policy

The Company's TV right is now presented as an intangible asset in Non-current assets but were previously presented as inventories in Current assets. Because of that change the comparative information 31.12.2018 is restated. ISK 763 million are now presented as intangible asset but were previously presented as inventories and ISK 150 million are now presented in prepayments but were previously presented as inventories.

Also in relation to this change, the comparative information for cost of sales changes for the nine months ended 30 September 2018. Cost of service sold, i.e. material cost, is decreased by ISK 553 million and depreciation increases by the same amount. See note 6.

Notes to the Consolidated Financial Statements

4. 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.
Internet & network:	Revenue from data service, 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.-30.9. 2019

	Mobile	Fixed voice	Internet & network	TV	IT services	Equipment sales	Other revenues	Total
Revenue	4.308	1.368	6.420	4.054	2.737	1.321	967	21.175
Expenses								(13.387)
EBITDA								7.788
Depreciation and amortisation								(4.036)
Net finance cost								(814)
Taxes								(628)
Net earnings for the period								2.310
Capital additions								(5.014)
Assets								65.404
Liabilities								29.164

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								(13.599)
EBITDA								7.397
Depreciation								(3.395)
Net finance cost								(583)
Share of earnings of associated companies								0
Taxes								(701)
Net earnings for the period								2.718
Capital additions								(3.800)
Assets								60.569
Liabilities								22.931

Notes to the Consolidated Financial Statements

5. Net sales

Sales of service and goods is specified as follows:

	2019	2018
	1.1.-30.9.	1.1.-30.9.
Sales of service	17.785	17.899
Sales of goods from IT services and telecom	2.754	2.606
	<u>20.539</u>	<u>20.505</u>

No customer comprises more than 10% of net sales

6. Cost of sales

Cost of sales is specified as follows:

		Restated
Salaries and related expenses	2.483	2.497
Cost of service sold	2.627	2.507
Interconnecting fees	561	711
Cost of goods sold	2.545	2.338
Capitalised work	(636)	(638)
Depreciation cost of sold services	2.959	2.868
	<u>10.539</u>	<u>10.283</u>

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

7. Operating expenses

Operating expenses is specified as follows:

Salaries and related expenses	3.331	3.302
Sales and marketing expenses	433	401
Housing and transportation expenses	541	1.073
IT-Expenses	661	705
General and administrative expenses	841	702
Depreciation operating expenses	1.077	528
	<u>6.884</u>	<u>6.711</u>

8. Financial income and expense

Financial income and finance costs are specified as follow:

Finance income

Interest income	147	151
Dividend received	4	2
	<u>151</u>	<u>153</u>

Finance expense

Interest on borrowings	(674)	(706)
Interest expense from lease liability	(204)	0
Other finance expenses	(75)	(21)
	<u>(953)</u>	<u>(727)</u>

Net exchange rate differences	(12)	(9)
Net financial items	<u>(814)</u>	<u>(583)</u>

Notes to the Consolidated Financial Statements

	30.9.2019	31.12.2018
9. Other financial assets		
Other financial assets are specified as follows:		
Investment in other companies	47	46
TV programs for screening	182	149
Prepaid expense	13	15
Non-current receivables	208	214
Other financial assets total	<u>450</u>	<u>424</u>

10. Inventories

Inventories are specified as follows:

Finished goods	1.152	1.333
TV programs for screening	550	104
Inventory total	<u>1.702</u>	<u>1.437</u>

11. Accounts Receivables

Accounts receivables are specified as follows:

Accounts receivables	3.801	4.508
Allowances for doubtful accounts	(163)	(195)
Accounts receivables total	<u>3.638</u>	<u>4.313</u>

12. Other assets

Other assets are specified as follows:

Prepayments and accrued income	653	767
Other current assets	326	115
Other assets total	<u>979</u>	<u>882</u>

13. 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.....	898	817
Income tax posted to the income statement.....	612	825
Taxes to be paid.....	(675)	(744)
Deferred tax liability at the end of the period.....	<u>835</u>	<u>898</u>

14. Other liabilities

Other liabilities are specified as follows:

Accrued expenses	786	836
Salaries and related expenses	631	330
VAT	743	562
Other	12	12
Other liabilities total	<u>2.172</u>	<u>1.740</u>

Notes to the Consolidated Financial Statements

15. 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. Síminn rejected liability. Tölvun has filed a case before the District Court and claimed damages in the amount of 7 million ISK, Snerpa as also filed a case before the District Court and claimed damages in the amount of 40 million ISK. Hringidan sued Síminn as well and claimed damages in the amount of 899 million ISK. TSC ehf. has sued Síminn for damages in the amount of one hundred million ISK plus costs and interest due to alleged infringement of the Competition Authority's decision no 10/2005. The District Court of Reykjavík has concluded that Síminn should pay ISK 50 million plus costs and interest. Síminn has rejected the claims in all cases and countersued Vodafone. In the case of Vodafone against Síminn and Síminn's countersue against Vodafone, the District Court acquitted both companies. The case will be appealed to National Court. Síminn also appealed the District Court ruling in the case of TSC ehf. to the National Court and TSC has countersued the case to the National Court. In the case regarding Tölvun, Snerpa and Hringidan Síminn will file its written arguments in due time whereby all claims are rejected.

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 paid. 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 and the District Court dismissed the case due the failure to state the reasoning for the case. Vodafone later filed a motion to appoint two Court appointed Assessors. Gagnaveita Reykjavíkur has filed a claim against Síminn of 1.3 billion ISK. Síminn has rejected the claim and has pointed out that in the claim there are no arguments to conclude that conditions for liability damages existed. Síminn believes there is no base for the claim. Vodafone filed a complaint to the Competition Authority regarding the sale of broadcast from the English Premier League and demanded a mandated wholesale access to SíminnSport. The Competition Authority published its preliminary findings in July and believed that certain arrangements could be an infringement against the Competition Act and related decisions. The Authority emphasised that its opinion could change and requested further data and information. Síminn believes the opinion is in contradiction with earlier decisions of the Authority and is not substantiated with sufficient data. The Company is of the opinion that its sale of service is fully compliant with the competition law and related decisions.

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 has sued Vodafone for the District Court of Reykjavík and made a claim of 555 million ISK. The District Court dismissed the case and Síminn appealed the verdict to the National Court.

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.

16. Subsequent event

There are no subsequent events to report.

Quarterly Statements

Summary of the Company's operating results by quarters:

	1 F 2019	2 F 2019	3 F 2019	Samtals
Net sales	6.773	6.808	6.958	20.539
Cost of sales	(3.425)	(3.591)	(3.523)	(10.539)
Gross profit	3.348	3.217	3.435	10.000
Other operating income	189	307	140	636
Operating expenses	(2.430)	(2.246)	(2.208)	(6.884)
Operating profit	1.107	1.278	1.367	3.752
Net financial items	(313)	(269)	(232)	(814)
Profit before tax	794	1.009	1.135	2.938
Income tax	(179)	(211)	(238)	(628)
Profit for the period	615	798	897	2.310
EBITDA	2.369	2.602	2.817	7.788

	1 F 2018	2 F 2018	3 F 2018	4 F 2018	Samtals
Net sales	6.756	6.921	6.828	7.420	27.925
Cost of sales	(3.302)	(3.610)	(3.371)	(4.196)	(14.479)
Gross profit	3.454	3.311	3.457	3.224	13.446
Other operating income	118	232	141	124	615
Operating expenses	(2.275)	(2.280)	(2.156)	(2.443)	(9.154)
Impairment losses	0	0	0	(2.990)	(2.990)
Operating profit	1.297	1.263	1.442	(2.085)	1.917
Net financial items	(182)	(190)	(211)	(205)	(788)
Profit (loss) before tax	1.115	1.073	1.231	(2.290)	1.129
Income tax	(228)	(220)	(253)	(146)	(847)
Profit (loss) for the period	887	853	978	(2.436)	282
EBITDA*	2.404	2.386	2.607	2.124	9.521

*Restated, see in Note 3.