

**Financial press release – Síminn hf. Q1 2018****Revenue and earnings increase**

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- Síminn's revenue amounted to ISK 6,874 million in the first quarter (Q1) of 2018, compared to ISK 6,723 million in the same period 2017. An increase by ISK 151 million or 2.2%.
- EBITDA amounted to ISK 2,231 million in Q1 2018, compared to ISK 2,099 million in the same period of 2017, up by ISK 132 million or 6.3%. The EBITDA ratio was 32.5% in Q1 2018, compared to 31.2% in the same period of 2017.
- Profit in Q1 2018 amounted to ISK 887 million, compared to ISK 774 million in the same period of 2017.
- Cash generated by operation amounted to ISK 2,390 million in Q1 2018, compared to ISK 2,427 million in the same period of 2017. Net cash from operating activities amounted to ISK 2,043 million in Q1 2018, compared to ISK 2,096 million in the same period 2017.
- Interest bearing debt amounted to ISK 17.6 billion at the end of Q1 of 2018, compared to ISK 18.4 billion at the end of 2017. Net interest-bearing debt amounted to 16.8 billion ISK at the end of Q1 2018.
- Net financial expenses amounted to ISK 182 million in Q1 2018, compared to ISK 207 million in the same period of 2017. Financial expenses amounted to ISK 241 million, financial income ISK 52 million, and foreign exchange income ISK 7 million.
- Síminn's equity ratio was 61.4% at the end of Q1 2018 and equity was 37,2 billion.

Orri Hauksson, CEO:

„The year 2018 is off to a good start. Revenues are increasing from last year and operating results are improving. This positive development has many explanations. We are seeing an increase and shift in our customer base towards younger customers, specifically in our mobile service, with increased consumer appreciation of the mobile product, Þrennan. Síminn's IPTV service is very popular among demanding Icelandic consumers. Continued improvements and innovations in our IPTV service have had the main objective to improve customer experience, in particular when and what content to consume.

This strategy has been highly successful, as attested by the change to an on-demand consumer behavior. Significantly increased mobile data consumption by tourists in Iceland has generated the same roaming revenue as in Q1 2017, before the roam-like-at-home regulation went into effect. The group's cash flow is strong and sustains the group's current investments and the renewed balance sheet, that was reduced last year by lowering debt with available cash.

Prices have started to increase for some of Síminn's traditional products, and we see further price changes next month, for certain number of our products. Wages in Iceland have been increasing rapidly during the past years and will continue as union based wage agreements will increase by 3% next month. Hence continuous management focus on cost control, simplification of processes, closing of legacy systems and increased automation is needed. Míla's investment in fibre infrastructure is proceeding well. Recently Míla and Gagnaveita Reykjavíkur finalized a co-operation agreement in laying fibre infrastructure, which is the most expensive part of fibre network access investments. This co-operation will decrease Míla's costs in connecting new homes. Possibly this will speed up fibre connection to areas which would otherwise have taken longer to finish.

Icelandic companies have been less engaged in buying IT products for the past months. Sensa has been affected by this development in the first quarter, but current service contracts and new projects are indicators of positive development in the immediate future. Sensa and Síminn are progressing well in moving their data center service to Verne Global data center close to the international airport, which will save the group substantial operating costs in the future. Furthermore, the co-operation with Verne will enable the group to sell world class data center services internationally. The first new customers have already started to use the group's data center service in Verne's facilities and their advantageous energy contracts that Verne made with the Icelandic power companies more than a decade ago.

Síminn's 4G network reaches virtually all homes in Iceland. The sustained deployment of our new 1Gb/s base stations continues to increase the data speeds of our mobile network. The United Nations (International Telecommunication Union) awarded Iceland the first prize for the best Information and communication technology (ICT) country in the world in 2017. This award illustrates that Iceland is currently the most advanced ICT country in the world. This is though not an endpoint for Iceland or Síminn. Síminn will not rest on its laurels, but continue to increase its mobile data speeds and coverage, introduce new TV and entertainment services, and to distribute its IPTV service over more networks than before. In light of this, we continue to be optimistic on behalf of our customers and shareholders for the near future."

## **Q1 2018 Results**

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.

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

## Operations

	Q1 2018	Q1 2017	Change	Change in %
Net sales	6.756	6.602	154	2,3%
Cost of sales	( 3.302)	( 3.246)	( 56)	1,7%
Gross profit	3.454	3.356	98	2,9%
<i>Gross profit ratio</i>	<i>51,1%</i>	<i>50,8%</i>		
Other operating income	118	121	( 3)	-2,5%
Operating expenses	( 2.275)	( 2.290)	15	-0,7%
Operating profit	1.297	1.187	110	9,3%
<i>Operating profit/Net sales</i>	<i>19,2%</i>	<i>18,0%</i>		
<i>Finance income</i>	<i>52</i>	<i>135</i>	<i>( 83)</i>	<i>-61,5%</i>
<i>Finance cost</i>	<i>( 241)</i>	<i>( 352)</i>	<i>111</i>	<i>-31,5%</i>
<i>Net exchange rate differences</i>	<i>7</i>	<i>10</i>	<i>( 3)</i>	<i>-30,0%</i>
Net financial items	( 182)	( 207)	25	-12,1%
Income tax	( 228)	( 206)	( 22)	10,7%
Net profit	887	774	113	14,6%
Depreciation and amortisation	( 934)	( 912)	( 22)	2,4%
EBITDA	2.231	2.099	132	6,3%
<i>EBITDA ratio</i>	<i>32,5%</i>	<i>31,2%</i>		
EBIT	1.297	1.187	110	9,3%
<i>EBIT ratio</i>	<i>18,9%</i>	<i>17,7%</i>		

Total sales for Q1 2018 amounted to ISK 6,874 million compared to ISK 6,723 million for the same period 2017, up by 151 million or 2.2%. Adjusted for discontinuing operations the growth is 3.6%. Revenue from mobile amounted to ISK 1,541 million down by ISK 41 million or 2.6% between periods. Revenue from fixed voice amounted to ISK 498 million, down by ISK 48 million or 8.8% between periods. Revenue from data (internet & network) amounted to ISK 2,260 million, up by ISK 188 million or 9.1% between periods. Revenue from TV services amounted to ISK 1,167 million, up by ISK 161 million or 16.0% between periods. Revenues from IT services amounted to ISK 702 million, down by ISK 198 million, or 22% between periods.

About ISK 90 million of decline in IT service is due to the sale of Sensa AS, which was sold at the end of 2017. The decline is also due to variation over time in sales of goods in IT services. The share of data and TV services of the company's total revenue continues to expand, accounting for half of the group's revenue for Q1 2018.

Gross profit for Q1 2018 amounted to ISK 3,454 million, up by ISK 98 million or 2.9% from the same period in 2017. Operating expenses amounted to ISK 2,275 million, down by ISK 15 million or 0.7% from the same period in 2017.

EBITDA amounted to ISK 2,231 million in Q1 2018, compared to ISK 2,099 million for the same period in 2017, up by ISK 132 million or 6.3%. The EBITDA ratio is 32.5%, compared to 31.2% in the same period in 2017.

Depreciation and amortization amounted to ISK 934 million in Q1 2018, compared to ISK 912 million for the same period in 2017.

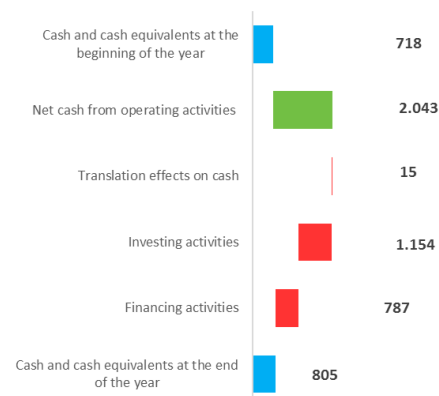
Net financial items amounted to ISK 182 million in Q1 2018 down by ISK 25 million compared to same period 2017.

Profit for the period amounted to ISK 887 million, compared to ISK 774 million for the same period in 2017.

### Cash flow

Cash generated by operation was ISK 2,390 million in Q1 2018, compared to ISK 2,427 million in the same period 2017. Net cash from operating activities was ISK 2,043 million in Q1 2018, compared to ISK 2,096 million in the same period 2017.

Investing activities were ISK 1,154 million in Q1 of 2018, compared to ISK 1,040 million in the same period 2017. Thereof, CAPEX amounted to ISK 1,182 million, which is an increase of ISK 135 million from the same period 2017. CAPEX ratio was 17.2% in Q1 2018, compared to 15.6% for the same period 2017.



### Balance sheet

Total assets amounted to ISK 60,554 million at the end of Q1 2018, compared to ISK 60,612 million at the end of 2017. Interest bearing debt amounted to ISK 17,643 million at the end of Q1, compared to ISK 18,431 million at the end of 2017. Net interest-bearing debt amounted to ISK 16,838 million at the end of Q1 down by ISK 875 million or 4.9% compared to end 2017. Net interest-bearing debt to EBITDA for the last twelve months was 1.93. The target ratio for Síminn is between 1.5 and 2.5.

	31.3.2018	31.12.2017
Non-current assets	52.511	52.343
Current assets	8.043	8.269
<b>Total assets</b>	<b>60.554</b>	<b>60.612</b>
Total equity	37.174	36.281
Non-current liabilities	17.296	17.598
Current liabilities	6.084	6.733
<b>Total equity and liabilities</b>	<b>60.554</b>	<b>60.612</b>
Equity ratio	61,4%	59,9%

Total equity amounted to ISK 37,174 million at the end Q1 and the equity ratio was 61.4%.

### Key events in the Q1 of 2018

- **Many more homes now have the possibility to connect to Míla's fibre network.** About 54 thousand homes in the capital area can now connect to Míla's Fibre-to-the-Home network. Additionally, Míla's has acquired and operates FTTH networks in a few municipalities outside the capital area.
- **Faster 4G networks.** The first 4,5G+ base stations are operational in the capital area. They deliver 1Gb/s speed. Additionally, the 4G network is continuously being densified with more base stations all over the country, and the deployment of the 700MHz low band spectrum provides a much stronger rural and indoors coverage.
- **All the family can now enjoy Spotify Premium.** Síminn has launched the service Spotify Premium for Family. With this subscription, up to 6 users can enjoy the Spotify service from a single account. The mobile data allowance will not be affected when Spotify is being streamed over the cellular network.

- **VÍS rewards Síminn.** Síminn received a security award from VÍS which reflects the great work Síminn has put in place for prevention and security. Síminn operates a Certified information security management system and does periodic awareness training for all employees.
- **Prenna grows.** The mobile service Prenna has been well received by the younger generation due to its large amount of data allowance.
- **Síminn Pay and Verifone in co-operation.** Around 200 retail stores accept payments today with Síminn Pay. Thanks to the co-operation with Verifone, Síminn Pay opens a number of new channels where payments will be even more simple.

### Guidance 2018

Guidance for the year 2018 is unchanged from what was presented in February 2018 and remains with EBITDA in the range of 8.4 – 8.8 billion ISK and CAPEX in the range of 4.3 – 4.6 billion ISK.

### Investor meeting 25 April 2018

An investor presentation will be held on Wednesday 25 April 2018 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:

[www.siminn.is/forsida/siminn/fjarfestar/fjarhagsupplýsingar/uppgjor](http://www.siminn.is/forsida/siminn/fjarfestar/fjarhagsupplýsingar/uppgjor)

and in Nasdaq's Iceland company news.

The meeting will be webcasted on:

<https://livestream.com/accounts/11153656/events/8151236/player>

### Financial calendar 2018

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|-------------------------------|----------------------------|
| • Q2 2018                     | Published 30 August 2018   |
| • Q3 2018                     | Published 25 October 2018  |
| • Q4 2018                     | Published 21 February 2019 |
| • Annual General Meeting 2019 | 21 March 2019              |

### Further information

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Note: This English version is a translation of the Icelandic text that accompanies the Q1 results.

*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.*