

Financial press release – Síminn hf. Q2 2018

Revenue and earnings increase

- Síminn's revenue amounted to ISK 7,153 million in the second quarter (Q2) of 2018, compared to ISK 7,254 million in the same period 2017. Adjusted for sold operations revenues are similar YoY.
- EBITDA amounted to ISK 2,216 million in Q2 2018, compared to ISK 2,191 million in the same period of 2017, up by ISK 25 million or 1.2%. The EBITDA ratio was 31.0% in Q2 2018, compared to 30.2% in the same period of 2017.
- Profit in Q2 2018 amounted to ISK 853 million, compared to ISK 790 million in the same period of 2017.
- Cash generated by operation amounted to ISK 2,118 million in Q2 2018, compared to ISK 1,986 million in the same period of 2017. Net cash from operating activities amounted to ISK 1,768 million in Q2 2018, compared to ISK 1,864 million in the same period 2017.
- Interest bearing debt amounted to ISK 17.9 billion at the end of Q2 2018, compared to ISK 18.4 billion at the end of 2017. Net interest bearing debt amounted to 17.7 billion ISK at the end of Q2 2018.
- Net financial expenses amounted to ISK 190 million in Q2 2018, compared to ISK 258 million in the same period of 2017. Financial expenses amounted to ISK 240 million, financial income ISK 52 million, and foreign exchange loss ISK 2 million.
- Síminn's equity ratio was 60.8% at the end of Q2 2018 and equity was ISK 36.5 billion.

Orri Hauksson, CEO:

„We are pleased with the group's continuing operational improvements in the second quarter. Margins and profits show a slight increase as compared to last year, and operating expenses continue to decline somewhat. We thus see improving operations in the total first half of the year vis-a-vis last year.

Roaming revenues and mobile traffic were somewhat lower in the spring than at the beginning of the year. Our TV products, fixed connectivity services and information technology, on the other hand, performed well in the quarter. It is also particularly pleasing to mention the success of Prenna (our flagship pre-paid mobile product, not least aimed at younger customers), as sales thereof continued to increase during the quarter. We are delighted to see a constantly increasing younger customer base in our mobile communications product offering at Síminn. Seasonality in our telecommunications revenues has declined in recent years with an enhanced and simplified product portfolio, and we are seeing Síminn's TV products in high demand throughout the year, including middle of the summer. In the third quarter, we introduced our latest TV product,

Síminn's *Television for Everyone*, which will ensure that all Icelanders can access Síminn's subscription service, regardless of which underlying network is being utilized. Síminn's subsidiaries also delivered improved results for the quarter. Sensa's information technology revenues, which tend to fluctuate within the year, increased from the previous quarter. In addition, Míla was successful in gaining new business in the quarter.

The level of infrastructure buildout in the country is high at present, and the group's investments are considerable, especially in fixed infrastructure which will last for decades. The buildout of Míla fiber optic cable in the capital area continues, but the focus has shifted to work in areas where Míla can share the costs of the rollout with Gagnaveita Reykjavíkur. In addition, Míla is offering new fiber optic connections throughout the country where infrastructure work is being carried out. However, after reaching a peak last year, going forward we expect to see the capital expenditure of the Group to slow down, as of this year.

In recent years, the operational focus has been to simplify the group, reduce our product offerings and increase automation. Our operating units are working more efficiently together and activities, which are not considered part of our core operations, are increasingly outsourced. We implemented the European Union's privacy regulations this spring, which again allows our customers to quickly obtain all of their personal information that we have in our possession at any given point in time. We are seeing increased consumer demands towards self-service and automation in addition to demands for foreseeable and transparent billing. We've enhanced our focus on the customer experience by establishing a digital taskforce, which works to a large extent on our close co-operation with the international telecommunications giant, Telefonica, is showing to be especially beneficial when implementing some of our key long-term strategy goals, such as further reducing service calls, increase system stability and lowering costs of technological operations."

1H 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 30 June 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 28 August 2018.

Operations

	1H 2018	1H 2017	Change	Change in %
Net sales	13.677	13.747	(70)	-0,5%
Cost of sales	(6.912)	(6.933)	21	-0,3%
Gross profit	6.765	6.814	(49)	-0,7%
<i>Gross profit ratio</i>	<i>49,5%</i>	<i>49,6%</i>		
Other operating income	350	230	120	52,2%
Operating expenses	(4.555)	(4.579)	24	-0,5%
Operating profit	2.560	2.465	95	3,9%
<i>Operating profit/Net sales</i>	<i>18,7%</i>	<i>17,9%</i>		
<i>Finance income</i>	<i>104</i>	<i>269</i>	<i>(165)</i>	<i>-61,3%</i>
<i>Finance cost</i>	<i>(481)</i>	<i>(742)</i>	<i>261</i>	<i>-35,2%</i>
<i>Net exchange rate differences</i>	<i>5</i>	<i>8</i>	<i>(3)</i>	<i>-37,5%</i>
Net financial items	(372)	(465)	93	-20,0%
Income tax	(448)	(436)	(12)	2,8%
Net profit	1.740	1.564	176	11,3%
Depreciation and amortisation	(1.887)	(1.825)	(62)	3,4%
EBITDA	4.447	4.290	157	3,7%
<i>EBITDA ratio</i>	<i>31,7%</i>	<i>30,7%</i>		
EBIT	2.560	2.465	95	3,9%
<i>EBIT ratio</i>	<i>18,3%</i>	<i>17,6%</i>		

Total revenue in 1H 2018 amounted to ISK 14,027 million compared to ISK 13,977 million in the same period 2017, up by 0.4%. Adjusted for sold operation the growth is 1.6%. Revenue from mobile amounted to ISK 3,038 million down by ISK 166 million or 5.2% between periods. Revenue from fixed voice amounted to ISK 961 million, down by ISK 99 million or 9.3% between periods. Revenue from data (internet & network) amounted to ISK 4,624 million, up by ISK 439 million or 10.5% between periods. Revenue from TV services amounted to ISK 2,309 million, up by ISK 284 million or 14.0% between periods. Revenues from IT services amounted to ISK 1,582 million, down by ISK 607 million, or 27.7% between periods.

About ISK 170 million of the decline in IT service is due to the sale of Sensa DK 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 in 1H 2018.

Gross profit in 1H 2018 amounted to ISK 6,765 million, down by ISK 49 million or 0.7% from the same period in 2017. Operating expenses amounted to ISK 4,555 million, down by ISK 24 million or 0.5% from the same period in 2017.

EBITDA amounted to ISK 4,447 million in 1H 2018, compared to ISK 4,290 million in the same period in 2017, up by ISK 157 million or 3.7%. The EBITDA ratio is 31.7%, compared to 30.7% in the same period 2017.

Depreciation and amortization amounted to ISK 1,887 million in 1H 2018, compared to ISK 1,825 million in the same period 2017.

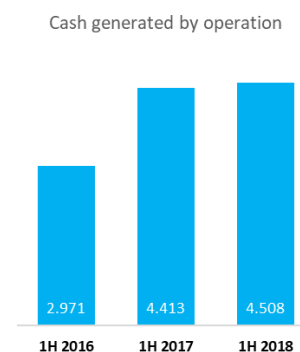
Net financial items amounted to ISK 372 million in 1H 2018 down by ISK 93 million compared to same period 2017.

Profit for the period amounted to ISK 1,740 million, compared to ISK 1,564 million in the same period 2017. Up by ISK 176 million or 11.3%.

Cash flow

Cash generated by operation was ISK 4,508 million in 1H 2018, compared to ISK 4,413 million in the same period 2017. Net cash from operating activities was ISK 3,811 million in 1H 2018, compared to ISK 3,960 million in the same period 2017.

Investing activities were ISK 2,286 million in 1H of 2018, compared to ISK 2,443 million in the same period 2017. Thereof, CAPEX amounted to ISK 2,288 million, which is a decrease of ISK 176 million from the same period 2017. CAPEX ratio was 16.3% in 1H 2018, compared to 17.6% in the same period 2017.



Balance sheet

Total assets amounted to ISK 60,042 million at the end of 1H 2018, compared to ISK 60,612 million at the end of 2017. Interest bearing debt amounted to ISK 17,930 million at the end of 1H 2018, compared to ISK 18,431 million at the end of 2017. Net interest-bearing debt amounted to ISK 17,747 million at the end of 1H compared to ISK 17,713 million at the end of 2017. Net interest-bearing debt to EBITDA for the last twelve months was 2.02. The target ratio for Síminn is between 1.5 and 2.5.

	30.6.2018	31.12.2017
Non-current assets	52.976	52.343
Current assets	7.066	8.269
Total assets	60.042	60.612
Total equity	36.480	36.281
Non-current liabilities	17.014	17.598
Current liabilities	6.548	6.733
Total equity and liabilities	60.042	60.612
Equity ratio	60,8%	59,9%

Total equity amounted to ISK 36,480 million at the end 1H 2018 and the equity ratio was 60.8%.

Key events in Q2 2018

- **Subscribers of Síminn's Premium SVoD service set new record in number of streams.** Diverse content and steady increase and renewal of content has had the consequences that new viewer records have occurred in every month this year.
- **Síminn has taken great strides in selfservice and has begun the robotics process automation.** Robotics process automation makes it possible to complete complex and time consuming tasks in only a few seconds. This has led to better operations and more satisfied customers.
- **Síminn Pay shortens ques at premier Icelandic football matches.** Instead of waiting in line all users of Síminn Pay can get tickets to a match without waiting in line.
- **Síminn's mobile customers can now access TV series on their phone.** As part of Síminn's mobile subscription service customers can access a large selection of TV series from Síminn's Premium SVoD.

- **Síminn's communication charter.** Síminn's staff cooperated to produce and approve a communication charter on bullying and harassment, and to promote mutual respect, trust and professionalism.
- **In the third quarter Síminn's TV service became open to all, regardless of network.** During the first half of this year Síminn informed the market that during the 3rd quarter Síminn's STB would be available over all networks and all customers could access Síminn's Premium TV service. The service is accessible over fibre, xDSL and mobile networks.
- **Cooperation with Gagnaveita Reykjavíkur, subsidiary of Reykjavík Utilities.** In April this year Míla and Gagnaveita Reykjavíkur reach an agreement to cooperate in laying of fibre to 4.200 homes in the capital area. With this cooperation comes better optimization in building fibre networks, with less duplication, shorter project time and less disruption for the community that the fibre is being layed in. The areas that are covered by this cooperation are in Gardabær, Hafnfjörður, and Mosfellsbær. In addition Borgarnes and Ásbrú have been added to the project.
- **New fibre network for the town of Kópavogur.** Míla has been working on a large fibre network for the town of Kópavogur. The project was tender out in the end of last year and involves connection with separate routes for key communication facilities and connection to the town's institutes.
- **Míla starts offering fibre connection to homes in Selfoss and Reykjanesbær.** In the beginning of May Míla started offering fibre connection to 1.500 homes in Reykjanesbær and in Selfoss in end of July. These are homes that already have ducts and to establish a fibre connection a fibre cable only needs to be blown into them.
- **Rural areas.** Míla has had various approaches to building fibre networks in rural areas for communities all over Iceland. The largest projects are Skagafjörður, Húnaþing vestra, Snæfellsnes, Rangarþing eystra and Grímsnes- and Grafningshreppur. Míla's approach has been various, from consulting work and designing fibre networks to laying the fibre in the ground.

Guidance 2018

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

Investor meeting 29 August 2018

An investor presentation will be held on Wednesday 29 August 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

and in Nasdaq's Iceland company news.

The meeting will be webcasted on:

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

Financial calendar 2018

- | | |
|-------------------------------|----------------------------|
| • Q3 2018 | Published 30 October 2018 |
| • Q4 2018 | Published 26 February 2019 |
| • Annual General Meeting 2019 | 21 March 2019 |

Further information

Orri Hauksson, CEO, tel. 354 550 6003 (orri@siminn.is)

Óskar Hauksson, CFO, tel. 354 550 6003 (oskarh@siminn.is)

Note: This English version is a translation of the Icelandic text that accompanies the Q2 results.

Síminn hf.

Síminn owns and operates the companies Síminn, Míla, Sensa, Farsímagreiðslur and Radíómiðun. 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.