

Financial press release – Síminn hf. Q3 2018

## Another good quarter at Síminn

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- Síminn's revenue amounted to ISK 6,969 million in the third quarter (Q3) of 2018, compared to ISK 6,956 million in the same period 2017. Adjusted for sold operations revenues are up by ISK 51 million YoY.
- EBITDA amounted to ISK 2,397 million in Q3 2018, compared to ISK 2,387 million in the same period of 2017, up by ISK 10 million. The EBITDA ratio was 34.4% in Q3 2018, compared to 34.3% in the same period of 2017.
- Profit in Q3 2018 amounted to ISK 978 million, compared to ISK 905 million in the same period of 2017.
- Cash generated by operation amounted to ISK 2,515 million in Q3 2018, compared to ISK 2,618 million in the same period of 2017. Net cash from operating activities amounted to ISK 2,266 million in Q3 2018, compared to ISK 2,178 million in the same period 2017.
- Interest bearing debt amounted to ISK 17.1 billion at the end of Q3 2018, compared to ISK 18.4 billion at the end of 2017. Net interest-bearing debt amounted to 16.5 billion ISK at the end of Q3 2018, compared to ISK 17.7 billion at the end of 2017.
- Net financial expenses amounted to ISK 211 million in Q3 2018, compared to ISK 315 million in the same period of 2017. Financial expenses amounted to ISK 246 million, financial income ISK 49 million, and foreign exchange loss ISK 14 million.
- Síminn's equity ratio was 62.1% at the end of Q3 2018 and equity was ISK 37.6 billion.

Orri Hauksson, CEO:

"We are pleased to announce that the operations of Síminn's Group are doing well in most areas. The competition for Icelandic consumers has rarely been tougher, but Síminn's customers continue to grow between quarters. Our television products are enjoying an especially favorable run and positive review from our customers, and more mobile consumers are being transferred to Síminn than those who leave us. Particularly it is a pleasure to welcome younger customers who increasingly look towards Síminn as an alternative provider of mobile services, use our kids card product in addition to the pre-paid solution Prenna. Internet customers have also increased and data usage is increasing steadily, whether on a mobile or a fixed line. The Group's IT division had a good quarter, and Míla continues to build its fiber-optic network in a cost-effective manner. Due to the success of our core product offering on the retail side, revenues, EBITDA and profit for the Group increase slightly year over year for the third quarter, even though both roaming and wholesale decreased over the same period. We also see growth in revenues, EBITDA and profit

for the year as a whole. Revenue from our information technology arm continues to fluctuate within the year as before, but increased for Sensa in the third quarter, and Sensa's outlook is strong for the remainder of the year. Míla systematically continues its build-out of its fiber optic system which is proceeding well and customers are switched to new connections in an efficient and stable manner every week. Such a change simplifies the Group's operating environment and reduces operating costs over time. We will use the next few years to ensure future proof world-class quality of connectivity and bitrate for households and companies across the country. While we continually expand our fiber network, we will continue to meet the needs and demands of our customers.

Advertising in Síminn's TV offerings now takes into account new technologies and behavioral changes in modern society. Less and less advertisements are now sold in linear television broadcasts, as well as the fact that the government's media operations enjoy a dominant position in Iceland in linear advertising. Now, almost half of Síminn's advertising revenues are provided by a methodology that was not available for television three years ago, but social media had used successfully for extended period of time. Thus, now different targeting groups will see different nonlinear ads at the same time while watching the same content. In the near future, it is planned to link directly TV advertising from Síminn's television systems with the same target groups on other platforms such as mobile apps and other software applications.

The Group's operating expenses remain under satisfactory control for the quarter, but on the horizon is a likely increase of various costs. Therefore, our cost is constantly under review, and we feel confident that we will be able to reduce various costs to counteract exchange rate and wage changes. "

## 9M 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 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.

These interim financial statements were approved and authorized for issue by the Company's Board of Directors on 30 October 2018.

### Operations

	9M 2018	9M 2017	Change	Change in %
Net sales	20.505	20.603	( 98)	-0,5%
Cost of sales	( 10.283)	( 10.313)	30	-0,3%
Gross profit	10.222	10.290	( 68)	-0,7%
<i>Gross profit ratio</i>	<i>49,9%</i>	<i>49,9%</i>		
Other operating income	491	330	161	48,8%
Operating expenses	( 6.711)	( 6.692)	( 19)	0,3%
Operating profit	4.002	3.928	74	1,9%
<i>Operating profit/Net sales</i>	<i>19,5%</i>	<i>19,1%</i>		
<i>Finance income</i>	<i>153</i>	<i>343</i>	<i>( 190)</i>	<i>-55,4%</i>
<i>Finance cost</i>	<i>( 727)</i>	<i>( 1.135)</i>	<i>408</i>	<i>-35,9%</i>
<i>Net exchange rate differences</i>	<i>( 9)</i>	<i>12</i>	<i>( 21)</i>	<i>-175,0%</i>
Net financial items	( 583)	( 780)	197	-25,3%
Income tax	( 701)	( 679)	( 22)	3,2%
Net profit	2.718	2.469	249	10,1%
Depreciation	( 2.842)	( 2.749)	( 93)	3,4%
EBITDA	6.844	6.677	167	2,5%
<i>EBITDA ratio</i>	<i>32,6%</i>	<i>31,9%</i>		
EBIT	4.002	3.928	74	1,9%
<i>EBIT ratio</i>	<i>19,1%</i>	<i>18,8%</i>		

Total revenue in 9M 2018 amounted to ISK 20,996 million compared to ISK 20,933 million in the same period 2017, up by 0.3%. Adjusted for sold operation the growth is 1.3%. Revenue from mobile amounted to ISK 4,643 million down by ISK 383 million or 7.6% between periods. Revenue from fixed voice amounted to ISK 1,427 million, down by ISK 137 million or 8.8% between periods. Revenue from data (internet & network) amounted to ISK 6,777 million, up by ISK 404 million or 6.3% between periods. Revenue from TV services amounted to ISK 3,499 million, up by ISK 469 million or 15.5% between periods. Revenues from IT services amounted to ISK 2,443 million, down by ISK 521 million, or 17.6% between periods. ISK 209 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 9M 2018.

Gross profit in 9M 2018 amounted to ISK 10,222 million, down by ISK 68 million or 0.7% from the same period in 2017. Thereof, increase of depreciation at Míla is ISK 105 million. Operating expenses amounted to ISK 6,711 million, up by ISK 19 million or 0.3% from the same period in 2017.

EBITDA amounted to ISK 6,844 million in 9M 2018, compared to ISK 6,677 million in the same period in 2017, up by ISK 167 million or 2.5%. The EBITDA ratio is 32.6%, compared to 31.9% in the same period 2017.

Depreciation amounted to ISK 2,842 million in 9M 2018, compared to ISK 2,749 million in the same period 2017.

Net financial items amounted to ISK 583 million in 9M 2018 down by ISK 197 million compared to same period 2017.

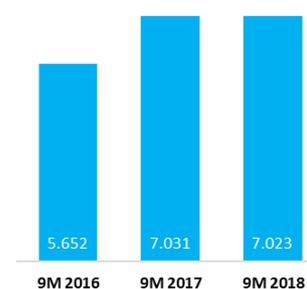
Profit for the period amounted to ISK 2,718 million, compared to ISK 2,469 million in the same period 2017. Up by ISK 249 million or 10.1%.

## Cash flow

Cash generated by operation was ISK 7,023 million in 9M 2018, compared to ISK 7,031 million in the same period 2017. Net cash from operating activities was ISK 6,077 million in 9M 2018, compared to ISK 6,138 million in the same period 2017. Paid taxes increase by ISK 343 million between periods.

Investing activities were ISK 3,478 million in 9M of 2018, compared to ISK 3,726 million in the same period 2017. Thereof, CAPEX amounted to ISK 3,480 million, which is a decrease of ISK 339 million from the same period 2017. CAPEX ratio was 16.6% in 9M 2018, compared to 18.2% in the same period 2017.

Cash generated by operation



## Balance sheet

Total assets amounted to ISK 60,569 million at the end of Q3 2018, compared to ISK 60,612 million at the end of 2017. Interest bearing debt amounted to ISK 17,068 million at the end of Q3 2018, compared to ISK 18,431 million at the end of 2017. Net interest-bearing debt amounted to ISK 16,498 million at the end of Q3 2018 compared to ISK 17,713 million at the end of 2017. Net interest-bearing debt to EBITDA for the last twelve months was 1.88. The target ratio for Síminn is between 1.5 and 2.5.

	30.9.2018	31.12.2017
Non-current assets	53.136	52.343
Current assets	7.433	8.269
<b>Total assets</b>	<b>60.569</b>	<b>60.612</b>
Total equity	37.638	36.281
Non-current liabilities	16.747	17.598
Current liabilities	6.184	6.733
<b>Total equity and liabilities</b>	<b>60.569</b>	<b>60.612</b>
Equity ratio	62,1%	59,9%

Total equity amounted to ISK 37,638 million at the end Q3 2018 and the equity ratio was 62.1%.

## Key events in Q3 2018

- **Siminn Set Top Box on open internet.** Our STB's are no longer limited to Siminn IPTV connections but function on all internet connections, xDSL, fiber or mobile.
- **Síminn Premium sVOD service shows continuous growth.** Usage of our sVOD service has set new records every month this year. Poor weather helped this summer but increased selection and more local content have pulled the wagon this fall.
- **Digitalisation. We launched two important pilot projects** (Smarter billing and Data offers) in our ongoing mission to simplify our offerings and improve customer satisfaction.
- **Continued investment in 4G and 4.5G.** Almost 50 new sites launched this summer and fall serving both rural areas and our maritime customers. 13 of those were located in the Westfjords.
- **Prenna mobile service in rapid growth.** Our prepaid Prenna service has grown by leaps and bounds all year and is showing no signs of slowing down.
- **Co-operation between Míla and Gagnaveita Reykjavíkur (GR).** The first areas that have been jointly worked on have been finished. The co-operation has gone well and expectation are that it will be continued in other new regions, where GR has already express intention to build fibre networks.
- **New homes in the fibre network.** Míla's customers in Reykjanesbær and Selfoss now have new fibre connections on schedule. Míla continues to add new homes to its fibre network all over the country. All new houses are connected to fibre and in addition there are multiple projects ongoing, especially in rural areas where homes only had access to PSTN, but now have access to powerful fibre network connections.
- **Exchange in Landssímahús.** A big project has been ongoing in the downtown exchange in Landssímahús to change the facilities into co-location facility. The facility in Landssímahús is one of the most important telecommunication hub in Iceland. It serves the downtown areas and the western capital area, where most of the important Icelandic institutions are located. It is very important that this co-location facility is professionally upgraded to minimize possible shocks to the telecommunication infrastructure, that could potentially have great impact on the community.

## 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 31 October 2018

An investor presentation will be held on Wednesday 31 October 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/8423882/player>

### **Financial calendar 2018**

- Q4 2018 Published 26 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 Q3 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.*