

Financial press release – Síminn hf. Q4 2018 results

Increased EBITDA margin YoY

Full year 2018

- Sale in FY 2018 amounted to ISK 28,540 million, compared to ISK 28,433 million in FY 2017. Adjusted for sold operations revenues are up by ISK 357 million YoY (1.3% YoY).
- EBITDA amounted to ISK 8,752 million in FY 2018, compared to ISK 8,607 million in FY 2017, up by ISK 145 million (1.7% YoY). The EBITDA ratio was 30.7% in 2018, compared to 30.3% in 2017.
- Profit in FY 2018 amounted to ISK 282 million, compared to ISK 3,076 million in FY 2017. Decrease in profit is due to impairment loss of goodwill at Míla which amounted to ISK 2,990 million. If goodwill would not have been impaired the profit would have increased by around ISK 200 million YoY.

Q4 2018

- Síminn's revenue amounted to ISK 7,544 million in the fourth quarter (Q4) of 2018, compared to ISK 7,500 million in the same period 2017. Adjusted for sold operations revenues are up by ISK 85 million YoY (1,1% YoY).
- EBITDA amounted to ISK 1,908 million in Q4 2018, compared to ISK 1,930 million in the same period of 2017, down by ISK 22 million (-1.1% YoY). The EBITDA ratio was 25.3% in Q4 2018, compared to 25.7% in the same period of 2017.
- During the year ended 31 December 2018, the goodwill in relation to the operation of Míla ehf. was impaired by 2,990 million following adverse movements in the discount rate and the management decision to increase the speed of the fiber project rollout. The impairment loss is recognised in the consolidated income statement as separate line item within operating profit.
- Loss in Q4 2018 amounted to ISK 2,436 million, compared to profit of ISK 607 million in the same period of 2017. Without the impairment loss the profit for Q4 2018 would have been ISK 554 million.
- Cash generated by operation amounted to ISK 1,833 million in Q4 2018, compared to ISK 2,065 million in the same period of 2017. Net cash from operating activities amounted to ISK 1,684 million in Q4 2018, compared to ISK 1,285 million in the same period 2017.

- Interest bearing debt amounted to ISK 17.2 billion at the end of 2018, compared to ISK 18.4 billion at the end of 2017. Net interest-bearing debt amounted to 16.0 billion ISK at the end of 2018, compared to ISK 17.7 billion at the end of 2017.
- Net financial expenses amounted to ISK 205 million in Q4 2018, compared to ISK 343 million in the same period of 2017, down by 40% YoY. Financial expenses amounted to ISK 240 million, financial income ISK 60 million, and foreign exchange loss ISK 25 million.
- Síminn's equity ratio was 59.8% at the end of 2018 and equity was ISK 35.2 billion.

Orri Hauksson, CEO:

"2018 was a strong year for Síminn Group, both financially and operationally. Total revenue increased slightly, but unlike previous years there was a significant growth in retail revenue due to a growing customer base. Revenues from roaming and wholesale decreased as was expected. Operating expenses were kept under control, although general prices have risen somewhat, and the ISK currency depreciated in the latter half of the year. The result is that EBITDA grew year-on-year, as the Group aims for each year and the EBITDA ratio of the Group became the highest since 2006.

Síminn's media operations enjoyed an especially favorable run and customers with Síminn Premium TV exceeded 40,000 at the end of the year. The number of mobile customers has also increased and for the first time since competition began in the mobile market in Iceland in 1998, more mobile consumers are being transferred to Síminn from other service providers than those who leave us. Internet and other data services also continued to grow during the year at Síminn and at Míla's wholesale. The number of households with active fiber-optic connections from Síminn now reaches 20 thousand, out of the 80 thousand homes that the Group serves. In the second half of next year, more homes will be connected to the Group's fiber-optic network than the copper access network.

Míla enjoyed a great year with its highest EBITDA ever, both measured in ISK and as a percentage of revenue. To some extent, this success comes from individual projects in 2018, which will not be repeated this year. The main reason, however, are solid core operations. Míla's goodwill was impaired by almost three billion by the end of 2018 following an adverse movement in interest rates and acceleration of investments in the fiber-optic project due to external collaboration. The impairment loss sets its mark on the income statement and the balance sheet. Thus, various ratios will change, and the balance sheet decreases by the amount of the impairment loss. On the other hand, the impairment loss does not affect cash flow, tax payments or investment capacity and dividend payments.

Another and more significant change will be reflected in the company's balance sheet and income statement in 2019. The IFRS 16 Accounting Standard will now be incorporated, which means that the Group's lease agreements are recognized as assets and liabilities on the balance sheet and will be amortized annually in accordance with the lifetime of the contracts. Furthermore, the TV content rights will also largely be capitalized and amortized annually during the lifetime of the contracts. The overall effect on the Group's statements is that EBITDA margin and investments will increase, and the balance sheet will be larger. Just as with the impairment loss, these changes have no cash flow effect, nor does its economic reality change in any way.

Sensa had a good fourth quarter 2018. In total, the company earned as much revenue in 2018 as in the previous year, except for the company's operations in Denmark, which were mostly closed

by the end of 2017. At the same time, the technical equipment and hosting environment of the Group was upgraded and moved in a first-class hosting facility in Verne Global data center. These projects are reflected in investments and operating expenses of the year. Already, a visible result of this change are more diverse service offerings and lower infrastructure cost. The outlook for the year is stable and offers various opportunities for increasing market share.

There are various risk factors in the operation of Síminn Group. The competition in the Icelandic market for both telecommunications and information technology is extremely fierce. Prices in the mobile market remain under great pressure and Iceland now has some of the lowest mobile prices in the Western world. Furthermore, disputes in the labor market will potentially make their mark in the coming weeks and months, affecting the operating environment of the Síminn group. The Group is however well prepared for conflicts and incidents in the negotiation between trade unions and employers. Possible strikes will cause greater harm to other sectors but are of course equally undesirable to Síminn as others, especially if they persist for a long period of time. Síminn's goal for the year is that wage costs remain similar between years. The number of full-time employee positions at Síminn has decreased in recent years, mainly due to an emphasis on automation and more efficient processes in recent quarters. Síminn will continue down the same path this year. For example, all products and services offered by Síminn will be offered to customers in self-service next year. Another example of successful re-engineering of processes that has been completed is digitizing our TV broadcasting environment and moving operations to the cloud. Customers make great demands for the stability of such services, but after the change, the systems that handle the service need far less human management than before, and the likelihood of an operational failure has decreased significantly.

The English Premier League rights give Síminn the opportunity to expand its product portfolio from next August, creating new and profitable revenue streams over the coming years. The impact of this change on this year results will be insignificant, but it will shape our future business immediately this summer. Overall, Síminn and its subsidiaries positions are strong in times of change and increased economic uncertainty. "

2018 Results

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies.

The consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on 26 February 2019.

Operations

	2018	2017	Change	Change in %
Net sales	27.925	27.992	(67)	-0,2%
Cost of sales	(14.479)	(14.418)	(61)	0,4%
Gross profit	13.446	13.574	(128)	-0,9%
<i>Gross profit ratio</i>	48,2%	48,5%		
Other operating income	615	441	174	39,5%
Operating expenses	(9.154)	(9.096)	(58)	0,6%
Impairment losses	(2.990)	0	(2.990)	-
Operating profit	1.917	4.919	(3.002)	-61,0%
<i>Operating profit/Net sales</i>	6,9%	17,6%		
<i>Finance income</i>	213	398	(185)	-46,5%
<i>Finance cost</i>	(967)	(1.535)	568	-37,0%
<i>Net exchange rate differences</i>	(34)	14	(48)	
Net financial items	(788)	(1.123)	335	-29,8%
Income tax	(847)	(720)	(127)	17,6%
Net profit	282	3.076	(2.794)	
Depreciation and amortisation	(6.835)	(3.688)	(3.147)	
EBITDA	8.752	8.607	145	1,7%
<i>EBITDA ratio</i>	30,7%	30,3%		
EBIT	1.917	4.919	(3.002)	
<i>EBIT ratio</i>	6,7%	17,3%		

Total revenue in FY 2018 amounted to ISK 28,540 million compared to ISK 28,433 million in FY 2017, up by 0.4% YoY. Adjusted for sold operation the growth is 1.3% YoY. Revenue from mobile amounted to ISK 6,132 million down by ISK 520 million or -7.8% YoY. Revenue from fixed voice amounted to ISK 1,882 million, down by ISK 214 million or -10.2% YoY. Revenue from data (internet & network) amounted to ISK 8,872 million, up by ISK 289 million or 3.4% YoY. Revenue from TV services amounted to ISK 4,803 million, up by ISK 685 million or 16.6% YoY. Revenues from IT services amounted to ISK 3,735 million, down by ISK 376 million, or -9.1% YoY. Decline in IT service is due to the sale of Sensa DK AS, which was sold at the end of 2017. The share of data and TV services of the company's total revenue continues to expand, accounting for half of the group's revenue.

Gross profit in FY 2018 amounted to ISK 13,446 million, down by ISK 128 million or 0.9% from FY 2017. Thereof, increase of depreciation at Míla is ISK 132 million. Operating expenses amounted to ISK 9,154 million, up by ISK 58 million or 0.6% from FY 2017. During the year ended 31 December 2018 the annual impairment test of goodwill was performed. Following adverse movements in key assumptions the carrying amount of Míla ehf. exceeded its recoverable value by ISK 2,990 million. The impairment loss is recognised in the consolidated income statement as separate line item within operating profit.

EBITDA amounted to ISK 8,752 million in FY 2018, compared to ISK 8,607 million in FY 2017, up by ISK 145 million or 1.7%. The EBITDA ratio is 30.7% FY 2018, compared to 30.5% in FY 2017.

Depreciation amounted to ISK 3,845 million in FY 2018, compared to ISK 3,688 million in FY 2017. Amortization (Impairment loss) amounted to ISK 2,990 million in FY 2018.

Net financial items amounted to ISK 788 million in FY 2018 down by ISK 335 million compared to FY 2017.

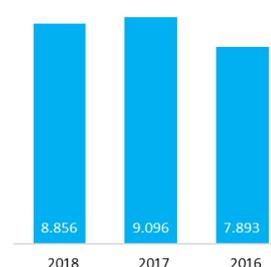
Profit for FY 2018 amounted to ISK 282 million, compared to ISK 3,076 million in FY 2017. Lower profit in 2018 is due to impairment loss at Míla.

Cash flow

Cash generated by operation was ISK 8,856 million in FY 2018, compared to ISK 9,096 million in FY 2017. Net cash from operating activities was ISK 7,761 million in FY 2018, compared to ISK 7,423 million in FY 2017.

Investing activities were ISK 4,614 million in FY 2018, compared to ISK 4,586 million in FY 2017.

Cash generated by operation



Balance sheet

Total assets amounted to ISK 58,834 million at the end of 2018, compared to ISK 60,612 million at the end of 2017. Interest bearing debt amounted to ISK 17,231 million at the end of 2018, compared to ISK 18,431 million at the end of 2017. Net interest-bearing debt amounted to ISK 15,985 million at the end of 2018 compared to ISK 17,713 million at the end of 2017.

	31.12.2018	31.12.2017
Non-current assets	50.193	52.343
Current assets	8.641	8.269
Total assets	58.834	60.612
Total equity	35.202	36.281
Non-current liabilities	16.529	17.598
Current liabilities	7.103	6.733
Total equity and liabilities	58.834	60.612
Equity ratio	59,8%	59,9%

Net interest-bearing debt to EBITDA for the last twelve months was 1.83. The target ratio for Síminn is between 1.5 and 2.5.

Total equity amounted to ISK 35,202 million at the end of 2018 and the equity ratio was 59.8%.

Key events in Q4 2018

- **Síminn's broadcast station, „Sjónvarp Símans“ is now in the cloud.** The broadcasting of „Sjónvarp Símans“ has been moved to the cloud. New platform will simplify all control the broadcasting schedule, minimize human error and decrease operational costs.
- **English Premier League on Síminn's TV platform.** Síminn and EPL (English Premier League) have signed an agreement for the rights for the English Premier League for the next three years, from next autumn to spring 2022. Síminn will bring innovative new programming

that has not been used before, e.g. 4K broadcasting and more league games than have been shown in previous years.

- **Síminn's SVoD service; „Sjónvarp Símans Premium“, continues to set records.** Viewership for „Sjónvarp Símans Premium“ increased week after week, every week. This enjoyable development is still proceeding. The main reason for this, is a superior selection of content for all age groups, that they can watch at their convenience.
- **Robotics are proceeding.** The introduction of robotics (Robotic process automation), where software is used to automate repetitive and time consuming business processes, has gone very well. This alleviates a lot of manual work. The development of this technology and further introduction of it will continue. Robotics helps to increase the speed of processes, better allocation of employees time for higher value work and decreases operational costs.
- **„Prennan“ is a success.** „Prennan“, prepaid mobile subscription, has reached 20.000 customers. The majority are in the younger age groups, that Síminn has found challenging to reach. Rollover data volume, „Safnamagn“, i.e. included unused data is rolled over to next month allocation.

Guidance 2019

The guidance for 2019 assumes that the company's EBITDA will be in the range of ISK 10.2 to 10.7 billion. The increase in EBITDA is due to changes in accounting policies. The company will implement IFRS 16, Lease agreements, as of January 1, 2019. In addition, the right to broadcast TV content will be capitalized among intangible assets. If no changes have occurred, the EBITDA guidance for 2019 would have been in the range of ISK 8.5 to 8.9 billion.

CAPEX is estimated to be in the range of ISK 6.0 to 6.4 billion. If the above-mentioned changes to the capitalization of TV rights had not been made, the CAPEX guidance for 2019 would have been ISK 4.4 to 4.8 billion.

Investor meeting 27 February 2019

An investor presentation will be held on Wednesday 27 February 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:

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/8562422/player>

Financial calendar 2019

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| • Annual General Meeting 2019 | 21 March 2019 |
| • Q1 2019 Results | Published 30 April 2019 |
| • Q2 2019 Results | Published 27 August 2019 |
| • Q3 2019 Results | Published 29 October 2019 |
| • 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 Q4 2018 results of Síminn hf.

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.