

Financial press release – Síminn hf. Q2 2019

Stable operation and positive outlook

Q2 2018 interim statement has been restated according to changes made to treatment of TV rights.

- Síminn's revenue amounted to ISK 7,115 million in the second quarter (Q2) of 2019, compared to ISK 7,153 million in the same period 2018. A decrease by ISK 38 million or 0.5%.
- EBITDA amounted to ISK 2,602 million in Q2 2019, compared to ISK 2,386 million in the same period of 2018, up by ISK 216 million or 9.1%. The EBITDA ratio was 36.6% in Q2 2019, compared to 33.4% in the same period of 2018. Considering changes due to IFRS 16, EBITDA at Q2 2018 amounted to ISK 2,581 million and EBITDA ratio was 36.1%.
- Profit in Q2 2019 amounted to ISK 798 million, compared to ISK 853 million in the same period of 2018.
- Cash generated by operation amounted to ISK 2,087 million in Q2 2019, compared to ISK 2,438 million in the same period of 2018. Net cash from operating activities amounted to ISK 1,735 million in Q2 2019, compared to ISK 2,088 million in the same period 2018.
- Interest bearing debt amounted to ISK 16.5 billion at the end of Q2 of 2019, compared to ISK 17.2 billion at the end of 2018. Net interest-bearing debt amounted to 16.0 billion ISK at the end of Q2 2019 down by ISK 22 million compared to year end 2018.
- Net financial expenses amounted to ISK 269 million in Q2 2019, compared to ISK 190 million in the same period of 2018. Financial expenses amounted to ISK 301 million, financial income ISK 46 million, and foreign exchange loss ISK 14 million.
- Síminn's equity ratio was 56.3% at the end of Q2 2019 and equity was 36.3 billion.

Orri Hauksson, CEO:

„We are satisfied with the Q2 results and the stable operations it reflects. EBITDA is growing between YoY quarters despite reduction in wholesale- and roaming revenue. EBITDA increases significantly from Q1 this year which was a quarter not in line with our expectations. Collective bargaining agreements were signed in Q2 and have effect from the beginning of the quarter. Wage cost is however lower than Q2 2018 as a result of reduction in FTE's effective from Q1 this year.

Mobile handset sales decline YoY. This is a global trend since consumers choose to stick with their handsets for longer. Margin from handset sales is low and the sales reduction has little effect on results. Sales of mobile subscriptions is far more important revenue than handset sales. Total mobile revenue continues to inch downwards. The decline is for the most parts related to wholesale- and roaming revenue whereas the core consumer revenues are experiencing a turnaround. Subscriptions are growing and Prena continues to be a success. The signs in the

mobile market are positive despite competitive environment where the fiercest competition remains in the corporate market.

IT revenues are growing between Q2 19 and Q2 18 despite the slowdown in the economy. Demand for IT products and services has not picked up this year and competition for projects is fierce. Results in Q2 are therefore encouraging but are not indicative of performance during the next quarters. Simultaneously to ongoing projects Sensa is working on number of new initiatives to build the foundation for even stronger company.

Infrastructure investments have been conducted at a fast and steady pace this year. At the end of the year Míla will have laid fiber optic cables towards around 80 thousand homes in Iceland. This is heavy capital expenditure while it being undertaken. However, it lasts for decades ones it has been done. As an example, the Síminn Group laid its first fiber in 1986, which is still in use.

TV revenues are performing well. Price changes in August 2018 increase TV and fixed line telephony revenue but reduce internet revenue. This effects YoY comparison. The focus is on the success of Premium TV services and the Home Package and in both cases, we have seen growth measured in thousands YoY. Now when the English Premier League (EPL) is a part of the Premium TV service offering our hope is for even greater success. In addition, EPL is sold standalone at reasonable prices and available over all types of TV distribution channels. Sales of the EPL have exceeded our expectations for the first weeks of the service and has proved to be a good fit with other product offerings of Síminn. Prices are kept reasonable to prevent illegal streaming of games. We will continue to offer our services to more homes than the around third of Icelandic homes that currently subscribe to the service at lower prices than before.

We are positive towards the upcoming winter. “

1H 2019 Results

Operations

	1H 2019	1H 2018	Change	Change in %
Net sales	13.581	13.677	(96)	-0,7%
Cost of sales	(7.016)	(6.912)	(104)	1,5%
Gross profit	6.565	6.765	(200)	-3,0%
<i>Gross profit ratio</i>	<i>48,3%</i>	<i>49,5%</i>		
Other operating income	496	350	146	41,7%
Operating expenses	(4.676)	(4.555)	(121)	2,7%
Impairment losses	0	0	0	-
Operating profit	2.385	2.560	(175)	-6,8%
<i>Operating profit/Net sales</i>	<i>17,6%</i>	<i>18,7%</i>		
<i>Finance income</i>	<i>96</i>	<i>104</i>	<i>(8)</i>	<i>-7,7%</i>
<i>Finance cost</i>	<i>(657)</i>	<i>(481)</i>	<i>(176)</i>	<i>36,6%</i>
<i>Net exchange rate differences</i>	<i>(21)</i>	<i>5</i>	<i>(26)</i>	
Net financial items	(582)	(372)	(210)	56,5%
Income tax	(390)	(448)	58	-12,9%
Net profit	1.413	1.740	(327)	
Depreciation	(2.586)	(2.230)	(356)	
EBITDA*	4.971	4.790	181	3,8%
<i>EBITDA ratio</i>	<i>35,3%</i>	<i>34,1%</i>		
EBIT	2.385	2.560	(175)	
<i>EBIT ratio</i>	<i>16,9%</i>	<i>18,3%</i>		

* Restated according to changes made to treatment of TV rights

Total sales for 1H 2019 amounted to ISK 14,077 million compared to ISK 14,027 million for the same period 2018, up by 50 million or 0.4%. Revenue from mobile amounted to ISK 2,785 million down by ISK 253 million or 8.3% between periods. Of this, the decrease in wholesale and roaming amounts to ISK 207 million. Revenue from fixed voice amounted to ISK 924 million, down by ISK 37 million or 3.9% between periods. Revenue from data (internet & network) amounted to ISK 4,278 million, down by ISK 346 million or 7.5% between periods. Revenue from TV services amounted to ISK 2,631 million, up by ISK 322 million or 13.9% between periods. Revenues from IT services amounted to ISK 1,872 million, up by ISK 290 million, or 18,3% between periods. Revenues from equipment sale ISK 865 million, down by ISK 111 million between periods.

Gross profit for 1H 2019 amounted to ISK 6,565 million, down by ISK 200 million or 3.0% from the same period in 2018. Operating expenses amounted to ISK 4,676 million, up by ISK 121 million or 2.7% from the same period in 2018.

EBITDA amounted to ISK 4,971 million in 1H 2019, compared to ISK 4,790 million for the same period in 2018, up by ISK 181 million or 3.8%. The EBITDA ratio is 35.3%, compared to 34.1% in the same period in 2018. Considering changes due to IFRS 16, EBITDA at 1H 2018 amounted to ISK 5,186 million and EBITDA ratio was 37.0%.

Depreciation and amortization amounted to ISK 2,586 million in 1H 2019, compared to ISK 2,230 million for the same period in 2018. Considering changes due to IFRS 16 Depreciation and amortization amounted to ISK 2,555 million in 1H 2018.

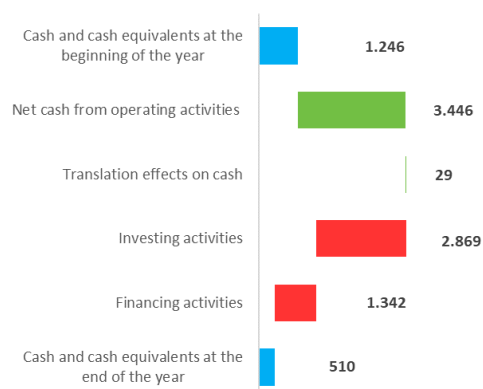
Net financial items amounted to ISK 582 million in 1H 2019 up by ISK 210 million compared to same period 2018. Of this amount, ISK 50 million are estimated for the judgment of the District Court of Reykjavík in the so-called TSC case. Expensed precautionary charge for the case amounts to a total of ISK 100 million.

Profit for the period amounted to ISK 1,413 million, compared to ISK 1,740 million for the same period in 2018.

Cash flow

Cash generated by operation was ISK 4,149 million in 1H 2019, compared to ISK 4,828 million in the same period 2018. Net cash from operating activities was ISK 3,446 million in 1H 2019, compared to ISK 4,131 million in the same period 2018.

Investing activities were ISK 2,869 million in 1H of 2019, compared to ISK 2,606 million in the same period 2018.



Balance sheet

Total assets amounted to ISK 64,475 million at the end of 1H 2019, compared to ISK 58,834 million at the end of 2018. Interest bearing debt amounted to ISK 16,473 million at the end of 1H, compared to ISK 17,231 million at the end of 2018. Net interest-bearing debt amounted to ISK 15,963 million at the end of 1H down by ISK 22 million compared to year end 2018. Net interest-bearing debt to EBITDA for the last twelve months was 1.65. The target ratio for Síminn is between 1.5 and 2.5.

	30.6.2019	31.12.2018
Non-current assets	56.953	50.956
Current assets	7.522	7.878
Total assets	64.475	58.834
Total equity	36.285	35.202
Non-current liabilities	20.732	16.529
Current liabilities	7.458	7.103
Total equity and liabilities	64.475	58.834
Equity ratio	56,3%	59,8%

Total equity amounted to ISK 36,285 million at the end of 1H and the equity ratio was 56.3%.

Key events in the Q2 of 2019

- The A number of employees worked diligently on the preparation of delivering the English Premier league, that is Síminn now holds the Icelandic rights for. This is a large project, but consists of many big and small projects that all came together in the third quarter so that Síminn Sport can deliver the English Premier League with distinction.
- Síminn's digital mobile network celebrated its 25th anniversary on the 15th of August. In the beginning there were only 11 base stations in the capital area and Akureyri. Today the mobile network offers extensive land and sea coverage, the number of base stations is close to a thousand and the selection of services has greatly increased, though still based on the same foundations as in the beginning. A good co-operation with Ericsson along with Síminn's experienced technical team has made all upgrades and operations much more convenient.

- Síminn has announced the phasing out of the PSTN network in steps next year. The network has served Icelanders well for over 35 years and is now beyond its lifetime. The fourth generation of voice networks is supplanting it, where voice is transported over IP and not over copper lines.
- Síminn's SVoD, Sjónvarp Símans Premium, keeps on continuously growing. Customers are increasing and viewership records are set every month, because of the great content that is available. Síminn has built a new administration system from the ground up, to keep control of and process all content that content providers deliver. The system automatically processes the content for streaming, broadcast and for different customer terminals. The system increases automation, reduces the risk of errors and brings Síminn much better viewership records than previously.

Guidance 2019

Guidance for the year 2019 is unchanged from what was presented in February 2019 and remains with EBITDA in the range of 10.2 to 10.7 billion ISK and CAPEX in the range of 6.0 to 6.4 billion ISK.

Investor meeting 28 August 2019

An investor presentation will be held on Wednesday 28 August 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/8776671/player>

Financial calendar 2019

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| • 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 Q2 2019 results of Síminn hf.

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.