



**Condensed Consolidated Interim Financial Statements**

**1 January to 31 March 2020**

Síminn hf.  
Ármúla 25  
108 Reykjavík  
Kt. 460207-0880

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## Endorsement and Statement by the Board of Directors and the CEO

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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 2020 are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU. The Financial Statements are neither audited or reviewed by the Group's auditors.

The total sales for Síminn hf. the first three months of the year amounted to ISK 7.246 million according to the Consolidated Income Statement, compared to ISK 6.962 million for the same period 2019. Net profit for the first three months of the year 2020 amounted to ISK 764 million, compared to profit of ISK 615 million for the same period 2019. Total assets as at 31 March 2020 amounted to ISK 65.717 million and total equity amounted to ISK 37.397 million according to the Statement of Financial Position. The Company's equity ratio was 56,9%.

In January the Company purchased all shares in Huxrad ehf. The acquisition has very little impact on the Company's operations and financial position.

The Annual General Meeting of Síminn approved on 12 March 2020 a share buyback program allowing buyback up to ISK 875 million of nominal value. The Company's dividend policy has been changed and dividends and buyback of own shares shall now be a minimum of 50 percent of profit after tax. Before the percentage was in the range of 20 - 50% of profit after tax.

The impact of the COVID-19 pandemic on the Group's operations, financial position and cash flow in the first quarter is negligible. Demand for the Group's core products has remained strong so far, but if the recession will last longer in the economy, it is unclear what the impact will be. The Company has reviewed its projections for the year and assessed the impact of the COVID-19 epidemic on projected operations, balance sheets and cash flows and at this time does not consider it necessary to change the company's earnings forecast. The Company has used its authorization in its loan agreement to postpone the repayment of the company's loans for the remainder of the year.

### Statement by the Board of Directors and the CEO

According to the best of our knowledge the Condensed Consolidated Interim Financial Statements of Síminn hf. are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU. It is our opinion that these Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of Síminn hf. for the three months ended 31 March 2020, its assets, liabilities and consolidated financial position as at 31 March 2020 and its consolidated cash flows for the three month period ended 31 March 2020. Further, in our opinion the Condensed Consolidated Interim Financial Statements give a fair view of the development and performance of Síminn's operations and its position and describes the principal risks and uncertainties faced by Síminn hf.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Síminn hf. for the period 1 January to 31 March 2020 and confirm them by means of their signatures.

Reykjavík, 28 April 2020

### Board of Directors

Jón Sigurðsson, Chairman

Helga Valfells, vice chairman

Bjarni Þorvarðarson

Kolbeinn Árnason

Sylvía Kristín Ólafsdóttir

### CEO

Orri Hauksson

## Consolidated Income Statement and other comprehensive income for the period 1 January to 31 March 2020

	Notes	2020 1.1.-31.3.	2019 1.1.-31.3.
Net sales .....	5	7.120	6.773
Cost of sales .....	6	( 3.802)	( 3.425)
<b>Gross profit .....</b>		<b>3.318</b>	<b>3.348</b>
Other operating income .....		126	189
Operating expenses .....	7	( 2.214)	( 2.430)
<b>Operating profit .....</b>		<b>1.230</b>	<b>1.107</b>
Finance income .....		47	50
Finance cost .....		( 256)	( 356)
Net exchange rate differences .....		( 61)	( 7)
Net financial items .....	8	( 270)	( 313)
Profit before tax .....		960	794
Income tax .....		( 196)	( 179)
<b>Profit for the period .....</b>		<b>764</b>	<b>615</b>
EBITDA .....		2.735	2.369
<b>Earnings per share</b>			
Basic earnings per share .....		0,09	0,07
Diluted earnings per share .....		0,09	0,07

# Consolidated Statement of Financial Position as at 31 March 2020

	Notes	31.3.2020	31.12.2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment .....		18.973	18.716
Right-of-use assets .....		4.954	5.118
Intangible assets .....		34.023	34.265
Other financial assets .....	9	470	472
		<u>58.420</u>	<u>58.571</u>
<b>Current assets</b>			
Inventories .....	10	1.844	1.751
Accounts receivables .....	11	3.283	4.188
Other assets .....	12	1.021	794
Cash and cash equivalents .....		1.148	217
		<u>7.296</u>	<u>6.950</u>
		<u>65.716</u>	<u>65.521</u>
<b>Equity</b>			
Share capital .....		8.750	8.750
Reserves .....		14.525	14.525
Other statutory reserve .....		154	154
Other reserve .....		457	456
Retained earnings .....		13.511	12.747
		<u>37.397</u>	<u>36.632</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings .....		15.151	14.481
Lease liabilities .....		4.498	4.632
Payables .....		0	353
Deferred tax liabilities .....	13	719	802
		<u>20.368</u>	<u>20.268</u>
<b>Current liabilities</b>			
Bank loans .....		400	600
Accounts payables .....		3.022	3.533
Current maturities of borrowings .....		288	1.150
Current maturities of lease liabilities .....		600	600
Taxes to be paid .....		1.049	894
Other liabilities .....	14	2.592	1.844
		<u>7.951</u>	<u>8.621</u>
		<u>28.319</u>	<u>28.889</u>
		<u>65.716</u>	<u>65.521</u>

## Consolidated Statement of Changes in Equity 1 January to 31 March 2020

	Share capital	Reserves	Other statutory reserve	Translation- and other reserve	Retained earnings	Total equity
Total equity 1.1.2019 .....	9.033	15.552	154	456	10.007	35.202
Net profit for the period .....					615	615
Other changes .....				1 (	1)	0
Total equity 31.3.2019 .....	9.033	15.552	154	457	10.621	35.817
Total equity 1.1.2020 .....	8.750	14.525	154	456	12.747	36.632
Net Profit for the period .....					764	764
Translation difference on foreign operation .....				1		1
Total equity 31.3.2020 .....	8.750	14.525	154	457	13.511	37.397

# Consolidated Statement of Cash Flow 1 January to 31 March 2020

	Notes	2020 1.1.-31.3.	2019 1.1.-31.3.
<b>Cash flow from operating activities</b>			
Operating profit .....		1.230	1.107
Operational items not affecting cash flow:			
Depreciation .....		1.505	1.262
Gain on sale of fixed assets .....		( 1)	0
		<u>2.734</u>	<u>2.369</u>
Changes in current assets and liabilities:			
Changes in inventories .....	(	117)	( 176)
Changes in operating assets .....		753	( 398)
Changes in operating Liabilities .....		364	267
		<u>1.000</u>	<u>( 307)</u>
Cash generated by operation		<u>3.734</u>	<u>2.062</u>
Interest income received .....		45	47
Interest expenses paid .....	(	258)	( 310)
Payments of taxes .....	(	125)	( 88)
		<u>3.396</u>	<u>1.711</u>
<b>Investing activities</b>			
Investment in property, plant and equipment .....	(	1.134)	( 998)
Investment in intangible assets .....	(	694)	( 180)
Proceeds from sale of property, plant and equipment .....		4	1
Changes in other investment .....	(	60)	28
Changes in other investment .....	(	51)	2
		<u>( 1.935)</u>	<u>( 1.147)</u>
<b>Financing activities</b>			
Payments of non-current liabilities .....	(	192)	( 287)
Payment of long term lease .....	(	144)	( 131)
Bank loans, increase .....	(	200)	( 450)
		<u>( 536)</u>	<u>( 868)</u>
Increase (decrease) in cash and cash equivalents .....		925	( 304)
Effect of exchange rate fluctuations on cash held .....		6	24
Cash and cash equivalents at the beginning of the period .....		217	1.246
Cash and cash equivalents at the end of the period .....		<u>1.148</u>	<u>966</u>

# Notes to the Consolidated Financial Statements

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## 1. Reporting entity

Síminn hf. (the "Company") is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Ármúli 25, Reykjavík. The condensed consolidated interim financial statements as at and for the three months ended 31 March 2020 comprise the Company and its subsidiaries (together referred to as "Síminn" or the "Group") and Síminn's interest in associated companies. The Company is listed on Nasdaq OMX Iceland.

## 2. Basis of accounting

### Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The Group's last annual consolidated financial statements is available on the company's website, [www.siminn.is](http://www.siminn.is), and in the company news release distribution network of Nasdaq Nordic: [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com).

These interim consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on 28 April 2020.

### Basis of measurement

These interim financial statements have been prepared on the historical cost basis.

### Presentation and functional currency

These interim financial statements are presented in Icelandic Krona (ISK), which is the Company's functional currency. All financial information presented in ISK has been rounded to the nearest million.

### Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

## 3. Changes in accounting policies

The accounting policies applied in the consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.



## Notes to the Consolidated Financial Statements

### 4. Operating segments

An overview of operating segments is set forward in same manner as regular reporting to the Board of Directors.

The Company operates within seven segments that sell services and equipment in different markets. The operating segments are as follows:

Operating segment:	Description:
Mobile: .....	Revenue from mobile services in Iceland and abroad, whether traditional GSM service, satellite service, wholesale mobile service or other mobile service.
Fixed voice: .....	Revenue from fixed voice service, fees and traffic.
Internet & network: .....	Revenue from data service, incl. xDSL service, GPON, Internet, IP net, core network, local loop and access network.
TV: .....	Revenues from TV broadcast (fees, traffic and advertisement), TV distribution and Síminn TV.
IT services: .....	Revenue from hosting and operations, advisor fees, sold service and IT related hardware sales.
Equipment sales: .....	Revenue from sale of telco equipment.
Other revenue: .....	Revenue from i.e. sold telco service and hosting.

#### Operating segments 1.1.-31.3. 2020

	Mobile	Fixed voice	Internet & network	TV	IT services	Equipment sales	Other revenues	Total
Revenue .....	1.386	445	2.166	1.583	1.042	418	206	7.246
Expenses .....								( 4.511)
EBITDA .....								2.735
Depreciation and amortisation .....								( 1.505)
Net finance cost .....								( 270)
Taxes .....								( 196)
<b>Net earnings for the period .....</b>								<b>764</b>
Capital additions .....								( 1.824)
Assets .....								65.716
Liabilities .....								28.319

#### Operating segments 1.1.-31.3. 2019

	Mobile	Fixed voice	Internet & network	TV	IT services	Equipment sales	Other revenues	Total
Revenue .....	1.357	465	2.135	1.331	951	425	298	6.962
Expenses .....								( 4.593)
EBITDA .....								2.369
Depreciation .....								( 1.262)
Net finance cost .....								( 313)
Share of earnings of associated companies .....								0
Taxes .....								( 179)
<b>Net earnings for the period .....</b>								<b>615</b>
Capital additions .....								( 1.177)
Assets .....								64.603
Liabilities .....								28.786

## Notes to the Consolidated Financial Statements

### 5. Net sales

	2020	2019
	1.1.-31.3.	1.1.-31.3.
Sales of service and goods is specified as follows:		
Sales of service .....	6.159	5.846
Sales of goods from IT services and telecom .....	961	927
	<u>7.120</u>	<u>6.773</u>

No customer comprises more than 10% of net sales

### 6. Cost of sales

Cost of sales is specified as follows:

Salaries and related expenses .....	875	870
Cost of service sold .....	963	873
Interconnecting fees .....	175	169
Cost of goods sold .....	892	820
Capitalised work .....	( 251)	( 218)
Depreciation cost of sold services .....	1.148	911
	<u>3.802</u>	<u>3.425</u>

Cost of service sold consists of; material costs, service contracts, license fees, purchased services and telecommunications costs.

### 7. Operating expenses

Operating expenses is specified as follows:

Salaries and related expenses .....	1.122	1.187
Sales and marketing expenses .....	125	131
Housing and transportation expenses .....	183	182
IT-Expenses .....	162	231
General and administrative expenses .....	265	348
Depreciation operating expenses .....	357	351
	<u>2.214</u>	<u>2.430</u>

### 8. Financial income and expense

Financial income and finance costs are specified as follow:

#### Finance income

Interest income .....	45	46
Dividend received .....	2	4
	<u>47</u>	<u>50</u>

#### Finance expense

Interest on borrowings .....	( 181)	( 231)
Interest expense from lease liability .....	( 64)	( 69)
Other finance expenses .....	( 11)	( 56)
	<u>( 256)</u>	<u>( 356)</u>

Net exchange rate differences .....	( 61)	( 7)
Net financial items .....	<u>( 270)</u>	<u>( 313)</u>

## Notes to the Consolidated Financial Statements

### 9. Other financial assets 31.3.2020    31.12.2019

Other financial assets are specified as follows:

Investment in other companies .....	47	47
TV programs for screening .....	126	143
Prepaid expense .....	12	40
Non-current receivables .....	285	242
Other financial assets total .....	<u>470</u>	<u>472</u>

### 10. Inventories

Inventories are specified as follows:

Finished goods .....	1.240	1.232
TV programs for screening .....	604	519
Inventory total .....	<u>1.844</u>	<u>1.751</u>

### 11. Accounts Receivables

Accounts receivables are specified as follows:

Accounts receivables .....	3.467	4.345
Allowances for doubtful accounts .....	( 184)	( 157)
Accounts receivables total .....	<u>3.283</u>	<u>4.188</u>

### 12. Other assets

Other assets are specified as follows:

Prepayments and accrued income .....	792	613
Other current assets .....	229	181
Other assets total .....	<u>1.021</u>	<u>794</u>

### 13. Deferred tax

Analysis of movements in the net deferred tax balances during the period is as follows:

Deferred tax at the beginning of the year .....	802	898
Income tax posted to the income statement .....	190	778
Taxes to be paid .....	( 273)	( 874)
Deferred tax liability at the end of the period .....	<u>719</u>	<u>802</u>

### 14. Other liabilities

Other liabilities are specified as follows:

Accrued expenses .....	1.001	888
Salaries and related expenses .....	701	327
VAT .....	890	618
Other .....	0	11
Other liabilities total .....	<u>2.592</u>	<u>1.844</u>

## Notes to the Consolidated Financial Statements

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### 15. Legal proceedings

The Company is currently involved in several legal disputes that relate to Competition, Media and Telecommunication Act. Sýn hf. (Vodafone) has sued Síminn for damages due to alleged margin squeeze. The amount of the claim is around 900 million ISK. Inter, an association of ISP, sent the Company a letter in 2015 claiming damages in the amount of three billion ISK due to alleged infringement of the Competition Act. Three companies within the association have requested the appointment of a court appointed assessor to estimate the alleged damages. They also changed the claimed damages to 300 million ISK. Síminn rejected liability. Tölvun has filed a case before the District Court and claimed damages in the amount of 7 million ISK, Snerpa as also filed a case before the District Court and claimed damages in the amount of 40 million ISK. Hringidan sued Síminn as well and claimed damages in the amount of 899 million ISK. TSC ehf. has sued Síminn for damages in the amount of one hundred million ISK plus costs and interest due to alleged infringement of the Competition Authority's decision no 10/2005. The District Court of Reykjavík has concluded that Síminn should pay ISK 50 million plus costs and interest. Síminn has rejected the claims in all cases and countersued Vodafone. In the case of Vodafone against Síminn and Síminn's countersue against Vodafone, the District Court acquitted both companies. The case will be appealed to National Court. Síminn also appealed the District Court ruling in the case of TSC ehf. to the National Court and TSC has countersued the case to the National Court. In the case regarding Tölvun, Snerpa and Hringidan Síminn has filed its written arguments whereby all claimers are rejected. IHM has claimed Síminn for 337 million ISK plus interest for unpaid expenses from 2009. Síminn has rejected this claim.

Síminn and Vodafone have been in a dispute regarding distribution of media content. The Competition Authority and Post- and Telecommunication Authority ruled that Síminn breached against media act no. 10/2018 and fined Síminn. The fine, 9 million ISK has already been payed. The Company believes that its actions are fully compliant with the relevant Acts and will appeal. Subsequently Vodafone has filed a claim against Síminn for compensation of 1.9 billion ISK. Síminn rejected the claim and pointed out that in Vodafone claim there are no arguments for compensation, nor an attempt to prove the alleged loss. Síminn believes there is no base for the claim from Vodafone and the District Court dismissed the case due the failure to state the reasoning for the case. Vodafone later filed a motion to appoint two Court appointed Assessors and has filed a case against Síminn before the District Court and claimed damages of 125 million ISK. Síminn has rejected this claim and will file its written arguments soon. Gagnaveita Reykjavíkur has filed a claim against Síminn of 1.3 billion ISK. Síminn has rejected the claim and has pointed out that in the claim there are no arguments to conclude that conditions for liability damages existed. Síminn believes there is no base for the claim. Vodafone filed a complaint to the Competition Authority regarding the sale of broadcast from the English Premier League and demanded a wholesale access obligation on SíminnSport. The Competition Authority published its statement of objections in December 2019 and believed that certain arrangements could be an infringements against the Competition Authority Decision no 6/2015 and 20/2015. The Competition Authority considers that the imposition of penalties or remedies on the basis of Article 16 may be considered, without providing any further information thereof. The statement of objections does not constitute a binding administrative decision, but is written for the purpose of Síminn being able to exercise its right of opposition pursuant to Administrative law and for the matter to be fully investigated before a decision is made. The Company is still of the opinion that the arrangements for the sale of the Company's services are fully in accordance with the Competition Act and the decisions that the Company has made on the basis of the Competition Act.

Despite the uncertain nature of the outcome of these cases, it is the management opinion that the cases will not result in substantial financial cost. In those cases where the Company might be forced to pay damages, the cost is estimated by the management and recognised in the financial statement.

### 16. Subsequent event

There are no subsequent events to report.

## Quarterly Statements - unaudited

Summary of the Company's operating results by quarters:

	1 F 2019	2 F 2019	3 F 2019	4 F 2019	1 F 2020
Net sales .....	6.773	6.808	6.958	7.770	7.120
Cost of sales .....	( 3.425)	( 3.591)	( 3.523)	( 4.367)	( 3.802)
<b>Gross profit</b> .....	<b>3.348</b>	<b>3.217</b>	<b>3.435</b>	<b>3.403</b>	<b>3.318</b>
Other operating income .....	189	307	140	126	126
Operating expenses .....	( 2.430)	( 2.246)	( 2.208)	( 2.367)	( 2.214)
<b>Operating profit</b> .....	<b>1.107</b>	<b>1.278</b>	<b>1.367</b>	<b>1.162</b>	<b>1.230</b>
Net financial items .....	( 313)	( 269)	( 232)	( 231)	( 270)
<b>Profit before tax</b> .....	<b>794</b>	<b>1.009</b>	<b>1.135</b>	<b>931</b>	<b>960</b>
Income tax .....	( 179)	( 211)	( 238)	( 171)	( 196)
<b>Profit for the period</b> .....	<b>615</b>	<b>798</b>	<b>897</b>	<b>760</b>	<b>764</b>
EBITDA .....	2.369	2.602	2.817	2.728	2.735