

Financial press release – Síminn hf. Q4 2019

Revenue growth 4,7%

Q4 2018 interim statement has been restated according to changes made to treatment of TV rights.

- Síminn's revenue amounted to ISK 7,896 million in the fourth quarter (Q4) of 2019, compared to ISK 7,544 million in the same period 2018. An increase by ISK 352 million or 4.7%.
- EBITDA amounted to ISK 2,728 million in Q4 2019, compared to ISK 2,124 million in the same period in 2018, up by ISK 604 million or 28.4%. The EBITDA ratio was 34.5% in Q4 2019, compared to 28.2% in the same period in 2018. Considering changes due to IFRS 16, EBITDA at Q4 2018 amounted to ISK 2,586 million and EBITDA ratio was 34.3%.
- Profit in Q4 2019 amounted to ISK 760 million, compared to ISK 2,436 million loss in the same period in 2018. In Q4 2018, the goodwill in relation to the operation of Míla ehf. was impaired by ISK 2,990 million. Without the impairment loss the profit for Q4 2018 would have been ISK 554 million.
- Cash generated by operation amounted to ISK 2,092 million in Q4 2019, compared to ISK 2,333 million in the same period in 2018. Net cash from operating activities amounted to ISK 1,471 million in Q4 2019, compared to ISK 2,184 million in the same period in 2018.
- Interest bearing debt amounted to ISK 16.2 billion at the end 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 2019 up by ISK 29 million compared to year end 2018.
- Net financial expenses amounted to ISK 231 million in Q4 2019, compared to ISK 205 million in the same period in 2018, of that number ISK 66 million is related to IFRS 16 in Q4 2019. Financial expenses amounted to ISK 274 million and financial income ISK 45 million.
- Síminn's equity ratio was 55.9% at the end of year 2019 and equity was 36.6 billion.

Orri Hauksson, CEO:

„Last year's operations of the Síminn Group were solid and grew stronger as the year progressed. We were more than satisfied by the sales of our main product lines and the fact that Síminn appeals to the younger generation again. In addition, demand for Sensa's information technology products increased in the last quarter. However, such growth cannot be projected into the next quarters, as sales, implementation and consulting in the information technology segment can be volatile.

Demand for Síminn's television services increased during the year, especially in the latter part of the year. Such growth was largely foreseen as Síminn's new product, Síminn Sport, had full impact

for the entire quarter. However, it is not football that our customers spend most of their time watching. Our most popular television content is our Icelandic material, children's material and foreign reality TV about young people in search of love. In January 2020, we saw for the first time the number of individually streamed shows on Síminn TV Premium go over one million per week, which is a new record and shows interest in Síminn's diverse content offering. FTTH investments helped with internet revenue growth and mobile services revenue in the consumer market has balanced again after major changes in recent years, in areas such as wholesale and roaming. However, the fierce battle for customers in our markets continues, especially in the corporate market.

Síminn controlled its costs during the year with various actions. Wage costs are by far the largest single item of expenses in the company, but full-time employees decreased by 52 between years. At the same time, customer satisfaction increased significantly, according to the Icelandic Consumer Satisfaction Index, and were pleased to see the same positive trend in customer satisfaction from other NPS metrics. There are many intra-connecting factors that create this result. These include increased stability in the operations of our back-end systems, a new Síminn app that facilitates self-service and various measures to reduce unforeseen customer costs. Our 4G mobile network now covers 99.4% of the country's households and we continue our development towards 5G. Síminn thus systematically continues to work towards increased customer satisfaction. The focus in 2020, among other things, is to further enhance the reliability of service for existing customers and offer various innovations in the TV side of the business.

The Group's telco systems performed well in the severe weather and power failure that hit Iceland in the end of the quarter. As usually, our technicians were well prepared, not surprisingly, as we are used to heavy storms and bad weather here in Iceland. The reserve power we have at our disposal, together with the utilization of other reserve power owned by other infrastructure companies, made sure that telecommunications remained largely active in urban areas, apart from a few power outages in some areas, which turned off the telco equipment for some time. In December, our Group spent tens of millions in unforeseen cost that was needed to insure connectivity and keep basic communications going. The telco's in Iceland, together with Neyðarlínan, the National Emergency Service, and RÚV, the National Broadcasting Service, have now established partnerships to strengthen telecommunications in rural areas and more dispersed areas. In addition, Síminn, Sýn and Nova have launched preliminary talks on possible future collaboration regarding telco infrastructure in a broad sense. The aim is to utilize investments in the years to come in the most cost-effective way, and to see if and how the existing and future infrastructure can be shared. These talks will take into account the possibility to accelerate the development of new technologies, increase public safety, reduce waste and reduce environmental damage due to unnecessary construction.

Míla's FTTH effort was well executed last year and 17,000 new homes can now be connected to Míla fiber-optic network. The increase in FTTH connections was particularly strong in other areas than Reykjavík and vicinity, which is a new and positive development for the countryside. The Míla FTTH network now extends to the majority of the country's homes and we have seen the peak of the Míla's FTTH investments. The Group's investments in FTTH going forward will therefore continue decrease. Demand for Sensa's cloud-based specialist services increased sharply last year. Sensa has acquired the information technology company HUX to further support the increased focus on cloud-based services, such as artificial intelligence, security and cloud based data-flow.

Overall, the Group is well positioned for 2020. Despite the country's slower economy, we expect both improved EBITDA margin and stronger cash flow between the years. “

2019 Results

Operations

	2019	2018	Change	Change in %
Net sales	28.309	27.925	384	1,4%
Cost of sales	(14.906)	(14.479)	(427)	2,9%
Gross profit	13.403	13.446	(43)	-0,3%
<i>Gross profit ratio</i>	<i>47,3%</i>	<i>48,2%</i>		
Other operating income	762	615	147	23,9%
Operating expenses	(9.251)	(9.154)	(97)	1,1%
Impairment losses	0	(2.990)	2.990	-100,0%
Operating profit	4.914	1.917	2.997	156,3%
<i>Operating profit/Net sales</i>	<i>17,4%</i>	<i>6,9%</i>		
<i>Finance income</i>	<i>196</i>	<i>213</i>	<i>(17)</i>	<i>-8,0%</i>
<i>Finance cost</i>	<i>(1.227)</i>	<i>(967)</i>	<i>(260)</i>	<i>26,9%</i>
<i>Net exchange rate differences</i>	<i>(14)</i>	<i>(34)</i>	<i>20</i>	
Net financial items	(1.045)	(788)	(257)	32,6%
Income tax	(799)	(847)	48	-5,7%
Net profit	3.070	282	2.788	
Depreciation	(5.602)	(7.604)	2.002	
EBITDA*	10.516	9.521	995	10,5%
<i>EBITDA ratio</i>	<i>36,2%</i>	<i>33,4%</i>		
EBIT	4.914	1.917	2.997	
<i>EBIT ratio</i>	<i>16,9%</i>	<i>6,7%</i>		

* Restated according to changes made to treatment of TV rights

Total revenue in 2019 amounted to ISK 29,071 million compared to ISK 28,540 million in 2018, up by 531 million or 1,86% YoY. Revenue from mobile amounted to ISK 5,772 million down by ISK 360 million or 5.9% YoY. The decrease is due to decline in wholesale and roaming services. Revenue from fixed voice amounted to ISK 1,803 million, down by ISK 79 million or 4.2% YoY. Revenue from data (internet & network) amounted to ISK 8,573 million, down by ISK 299 million or 3.4% YoY. Revenue from TV services amounted to ISK 5,621 million, up by ISK 818 million or 17.0% YoY. Revenues from IT services amounted to ISK 4,162 million, up by ISK 427 million, or 11.4% YoY. Revenues from equipment sale amounted to ISK 1,932 million, down by ISK 120 million YoY.

Gross profit in 2019 amounted to ISK 13,403 million, down by ISK 43 million or 0.3% YoY. Operating expenses amounted to ISK 9,251 million, up by ISK 97 million or 1.1% YoY.

EBITDA amounted to ISK 10,516 in 2019, compared to ISK 9,521 million in 2018, up by ISK 995 million or 10.5% YoY. The EBITDA ratio in 2019 is 36.2%, compared to 33.4% in 2018. Considering changes due to IFRS 16, EBITDA in 2018 amounted to ISK 10,311 million and EBITDA ratio was 36.1%.

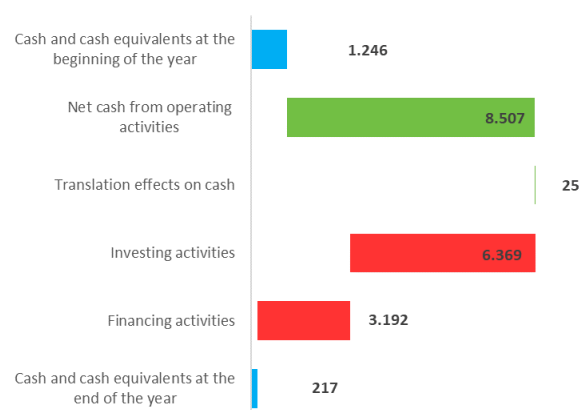
Depreciation and amortization amounted to ISK 5,602 million in 2019, compared to ISK 7,604 million in 2018. Considering changes due to IFRS 16 depreciation and amortization increase by 650 million in 2018. Amortization (Impairment loss) amounted to ISK 2,990 million in 2018.

Net financial items amounted to ISK 1,045 million in 2019 up by ISK 257 million compared to 2018, accounting changes related to IFRS 16 explain ISK 272 million of the amount. Included in financial items is a provision of ISK 50 million 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 3,070 million, compared to ISK 282 million in 2018.

Cash flow

Cash generated by operation was ISK 10,265 million in 2019, compared to ISK 9,676 million in 2018. Net cash from operating activities was ISK 8,507 million in 2019, compared to ISK 8,581 million in 2018.

Investing activities were ISK 6,369 million in 2019, compared to ISK 5,467 million in 2018.



Balance sheet

Total assets amounted to ISK 65,521 million at the end of 2019, compared to ISK 58,834 million at the end of 2018. Interest bearing debt amounted to ISK 16,231 million at the end of 2019, compared to ISK 17,231 million at the end of 2018. Net interest-bearing debt amounted to ISK 16,014 million at the end of 2019 up by ISK 29 million compared to year end 2018. Net interest-bearing debt to EBITDA for the last twelve months was 1.52. The target ratio for Síminn is between 1.5 and 2.5.

	31.12.2019	31.12.2018
Non-current assets	58,571	50,956
Current assets	6,950	7,878
Total assets	65,521	58,834
Total equity	36,632	35,202
Non-current liabilities	20,268	16,529
Current liabilities	8,621	7,103
Total equity and liabilities	65,521	58,834
Equity ratio	55,9%	59,8%

Total equity amounted to ISK 36,632 million at the end of 2019 and the equity ratio was 55.9%.

Key events in the Q4 of 2019

- Síminn, Sýn and Nova signed a letter of intent that will have the companies seek out potential opportunities in sharing core telecommunication infrastructure from a few different angles. The signed parties will explore shared investments, the role of communications in the matter of public safety, environmental aspects and try to see ways to increase efficiency of telecommunications for the good of the society.
- The core infrastructure of Síminn performed well in the severe weather that hit Iceland in the end of the quarter. Our technicians were well prepared as severe storms are nothing new in Iceland. Síminn's reserve power and access to spare power from our hosting partners saw to that communications were mostly up and running in urban areas when homes were without power. The telco's in Iceland along with 112 and RÚV have started discussions to share lessons learned to improve communications in urban and rural areas when they suffer from loss of electricity which has consequences on all communications.

- Síminn did well in the Icelandic Customer Satisfaction Index and had the highest jump in positive score in the telco category. Other NPS metrics show the same result and the positive outcome has decreased customer churn. We can attribute several factors to these positive results, the new Síminn app that helps with self-service and updated processes when dealing with mobile customers going over their monthly data quota that decreased complaints to name a few.
- Sjónvarp Símans Premium, our SVOD service peaked, yet again. The Icelandic nation has taken a special liking to reality TV about love with Love Island and Bachelor topping the charts week after week. The second season of the Icelandic comedy series Venjulegt fólk had a great quarter and ended the year as the most popular Icelandic content on our platform.

Guidance 2020

The guidance for 2020 assumes that the company's EBITDA will be in the range of ISK 10.5 to 10.9 billion ISK. CAPEX is estimated to be in the range of 5.7 to 6.0 billion ISK.

Investor meeting February 21, 2020

An investor presentation will be held on Friday February 21, 2020 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:

<https://www.siminn.is/umsimann/uppgjor> and in Nasdaq's Iceland company news.

The meeting will be webcasted on:

<https://livestream.com/accounts/11153656/events/8987781/player>

Financial calendar 2020

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| • General Annual Meeting 2020 | 12 March 2020 |
| • Interim report for the first quarter of 2020 | 28 April 2020 |
| • Interim report for the first half of 2020 | 25 August 2020 |
| • Interim report for the first nine months of 2020 | 27 October 2020 |
| • Announcement of the 2020 results | 18 February 2021 |
| • General Annual Meeting 2021 | 11 March 2021 |

Further information

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Note: This English version is a translation of the Icelandic text that accompanies the Q4 2019 results of Síminn hf.

Síminn hf.

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