

Financial press release – Síminn hf. Q2 2020

Continuous operations in Q2

- In the quarter Síminn was charged ISK 500 million due to the Competition Authority's decision from the end of May, which has a negative effect on the quarter's result. Síminn has appealed the ruling to the Competition Appeals Committee and the result is expected later this year.
- Síminn's revenue amounted to ISK 7,276 million in the second quarter (Q2) of 2020, compared to ISK 7,115 million in the same period 2019. An increase by ISK 161 million or 2.3%.
- EBITDA amounted to ISK 1,938 million in Q2 2020, compared to ISK 2,602 million in the same period of 2019, down by ISK 664 million or 25.5%. The EBITDA ratio was 26.6% in Q2 2020, compared to 36.6% in the same period of 2019.
- Profit in Q2 2020 amounted to ISK 83 million, compared to ISK 798 million in the same period of 2019.
- Cash generated by operation amounted to ISK 3,095 million in Q2 2020, compared to ISK 2,087 million in the same period of 2019. Net cash from operating activities amounted to ISK 2,667 million in Q2 2020, compared to ISK 1,735 million in the same period 2019.
- Interest-bearing debt amounted to ISK 15.4 billion at the end of Q2 of 2020, compared to ISK 16.2 billion at the end of 2019. Net interest-bearing debt amounted to 14.5 billion ISK at the end of Q2 2020 compared to 16.0 at the end of 2019.
- Net financial expenses amounted to ISK 178 million in Q2 2020, compared to ISK 269 million in the same period of 2019. Financial expenses amounted to ISK 203 million, financial income ISK 44 million, and foreign exchange loss ISK 19 million.
- Síminn's equity ratio was 56.5% at the end of Q2 2020 and equity was 36.5 billion.

Orri Hauksson, CEO:

„The second quarter was very eventful for the Síminn Group. The underlying operations are going well, but there are many large deviations from the same quarter last year, primarily at Síminn hf.

The decrease in EBITDA between the second quarter of 2020 and 2019 was ISK 664 million, but ISK 298 million when looking at the first half of 2020 in comparison with the same period in 2019. The main reason is that the Competition Authority fined Siminn ISK 500 million due to alleged breaches of the company's settlement with the regulator. Without this fine, EBITDA

would have increased by over ISK 200 million in the first six months of the year compared to the same period in 2019, which shows the strength of the operation and the results of the period. The fine was charged in the second quarter and paid at the beginning of the third quarter. Síminn believes that the Competition Authority has reached the wrong conclusion that harms consumers and competition. The company has therefore appealed the decision to the Competition Appeals Committee, which will issue its ruling shortly. The decrease in tourists to and from the country reduced roaming revenue by ISK 110 million between years during the quarter, in addition to which income from tourist prepaid cards decreased by ISK 20 million. Gain on sale of Síminn's store in Kringlan mall in Q2 2019 was ISK 164 million, which affects year-on-year comparisons. Costs due to layoffs for the quarter totaled ISK 125 million but was insignificant the year before. Síminn's staff has decreased significantly in recent years and the group now has over 550 FTEs.

Many things went better in the quarters than last year and partly better than expected. For example, Sensa's IT operations continued to deliver good results during the quarter, following an exceptionally promising start to the year. The company's project pipeline is good into the autumn. Various operating expenses of the group decreased, such as staff costs, travel and other things due to the pandemic. Marketing and IT costs also declined, but revenue that was subject to some uncertainty, such as advertising revenue, remained strong. Subscriptions to Síminn's TV content services and telecommunications services were also stable and defaults due to poorer employment conditions and difficulties in the operation of many companies have not yet occurred to any extent. However, this may change rapidly in the autumn, but so far the pandemic and the great limitations that have followed it as a whole have reduced the Group's EBITDA insignificantly.

Mila's operation is stable and solid as ever. Mila will take over more projects from Síminn in the coming months, such as the operation of a mobile radio access network (RAN) and IP network, and thus become larger part of the group. It is being considered to finance Mila separately instead of financing the group as a single unit.

In the next few months the focus will be on sharpening the division of tasks within the group and establish reduced operating costs, which have been adjusted to a new economic situation. According to surveys of consumer attitudes, Síminn hf. improved its services in recent months and we intend to continue on that path. More diverse possibilities will be developed in the use of our TV products and innovations in product packaging and pricing are being considered. Síminn has made an agreement to Gagnaveita Reykjavíkur to access their fiber optic network and will be able to offer its products over that extensive network next year."

1H 2020 Results

Operations

Income statement	Q2			1H		
	2020	2019	%	2020	2019	%
Net sales	7.276	7.115	2,3%	14.522	14.077	3,2%
Cost of sales	(4.118)	(3.591)	14,7%	(7.920)	(7.016)	12,9%
Operating expenses	(2.743)	(2.246)	22,1%	(4.957)	(4.676)	6,0%
EBIT	415	1.278	-67,5%	1.645	2.385	-31,0%
Net financial items	(178)	(269)	-33,8%	(448)	(582)	-23,0%
Income tax	(154)	(211)	-27,0%	(350)	(390)	-10,3%
Net profit	83	798	-89,6%	847	1.413	-40,1%
EBITDA	1.938	2.602	-25,5%	4.673	4.971	-6,0%
EPS	0,01	0,09	-88,9%	0,10	0,16	-37,5%

Total sales for 1H 2020 amounted to ISK 14,522 million compared to ISK 14,077 million for the same period 2019, up by 3.2%. Revenue from mobile amounted to ISK 2,704 million, down by ISK 81 million or 2.9% between periods. The main reason for this decrease is a drop in roaming revenue by more than ISK 120 million between periods. Revenue from fixed voice amounted to ISK 876 million, down by 5.2% between periods. Revenue from data (internet & network) amounted to ISK 4,344 million, up by ISK 66 million or 1.5% between periods. Revenue from TV services amounted to ISK 3,083 million, up by ISK 452 million or 17.2% between periods. Revenues from IT services amounted to ISK 2,189 million, up by ISK 317 million, or 16.9% between periods. Revenues from equipment sale ISK 914 million, up by ISK 49 million between periods.

Gross profit for 1H 2020 amounted to ISK 6,369 million, down by ISK 196 million or 3.0% from the same period in 2019. Operating expenses amounted to ISK 4,957 million, up by ISK 281 million or 6.0% from the same period in 2019.

EBITDA amounted to ISK 4,673 million in 1H 2020, compared to ISK 4,971 million for the same period in 2019, down by ISK 298 million or 6.0%. The EBITDA ratio is 32.2%, compared to 35.3% in the same period in 2019.

Depreciation amounted to ISK 3.028 million in 1H 2020, compared to ISK 2.586 million for the same period in 2019, up by ISK 442 million from the same period in 2019. Increased depreciation is mainly due to increased investments in TV rights and fiber-optic investment at Míla.

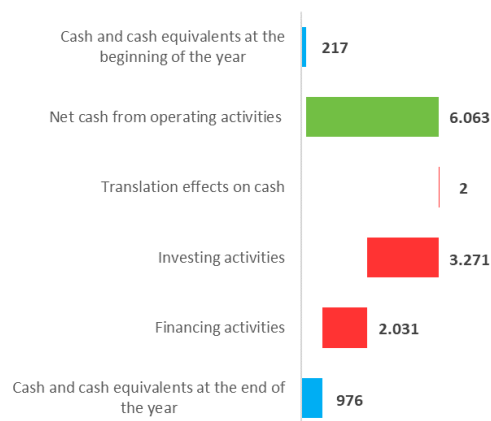
Net financial items amounted to ISK 448 million in 1H 2020 down by ISK 134 million compared to same period 2019. Reduction of key interest rates by The Central Banks of Iceland leads to lower interest expenses.

Profit for the period amounted to ISK 847 million, compared to ISK 1,413 million for the same period in 2019.

Cash flow

Cash generated by operation was ISK 6,829 million in 1H 2020, compared to ISK 4,149 million in the same period 2019. Net cash from operating activities was ISK 6,063 million in 1H 2020, compared to ISK 3,446 million in the same period 2019.

Investing activities were ISK 3,271 million in 1H 2020, compared to ISK 2,869 million in the same period 2019.



Balance sheet

Total assets amounted to ISK 64,654 million at the end of Q2 2020, compared to ISK 65,521 million at the end of 2019.

Interest-bearing debt amounted to ISK 15,439 million at the end of Q2, compared to ISK 16,231 million at the end of 2019. Net interest-bearing debt amounted to ISK 14,463 million at the end of Q2 down by ISK 1,551 million compared to year end 2019.

Net interest-bearing debt to EBITDA for the last twelve months was 1.42. The target ratio for Síminn is between 1.5 and 2.5.

Total equity amounted to ISK 36,530 million at the end of Q2 and the equity ratio was 56.5%.

	30.6.2020	31.12.2019
Non-current assets	58.267	58.571
Current assets	6.387	6.950
Total assets	64.654	65.521
Total equity	36.530	36.632
Non-current liabilities	19.937	20.268
Current liabilities	8.187	8.621
Total equity and liabilities	64.654	65.521
Equity ratio	56,5%	55,9%

Key events

- Síminn will install its first 5G transmitters this fall. The system will be built in line with the supply of terminal equipment and market demand.
- Síminn signed an agreement with Gagnaveita Reykjavíkur (GR) in July for access to the company's fiber optic network. Technical adaptation has begun and Síminn will be able to offer its products over the GR network next year.
- Síminn outsourced part of the company's IT operations to Deloitte in the middle of the year. The aim of the change is to increase efficiency and accelerate the development of Síminn's backend systems, as well as to increase operational efficiency.
- A decision has been made to transfer Síminn's mobile radio access network (RAN) and IP network to Mila. This will strengthen Mila as an infrastructure company and significantly reduce Síminn's wholesale role and sharpen Síminn's role as a service company.
- The installation of Mila's fiber optics is going well and 86 thousand homes now have access to Mila fiber optics. At the end of the year 90-92 thousand homes are estimated to have access to the fiber optics. However, the Post and Telecom Administration's

recent draft of a market analysis has an impact on the installation of fiber optic cables, and projects have already been postponed due to them.

- Mila has worked hard to increase the operational stability of telecommunications in the country. Work on strengthening reserve power in the northern part of the country following the storm last winter is in process, and the final phase of laying fiber-optic cables over the highlands has begun.

Guidance 2020

At the end of May, the company's EBITDA guidance for 2020 was reduced to ISK 9.9 - 10.3 billion due to the fine from the Competition Authority. The investment forecast for 2020 is unchanged, but it assumes that investments will be in the range of ISK 5.7 to 6.0 billion.

Investor meeting 26 August 2020

An investor presentation will be held on Wednesday 26 August 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/9261536/player>

Financial Calendar 2020

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| • 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 Q1 2020 results of Síminn hf.

Síminn hf.

Síminn owns and operates the companies Síminn, Mila, Sensa, Farsímagreiðslur 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.