



Condensed Consolidated Interim Financial Statements

1 January to 30 June 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

The Condensed Consolidated Interim Financial Statements of Síminn hf. and its subsidiaries for the period 1 January to 30 June 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 six months amounted to ISK 14.522 million according to the Consolidated Income Statement, compared to ISK 14.077 million for the same period 2019. Net profit for the first six months amounted to ISK 847 million, compared to profit of ISK 1.413 million for the same period 2019. The Competition Authority reached a decision on 28 May that Síminn had infringed Competition Authority Decision no. 6/2015 and 20/2015 and fined Síminn for 500 million ISK, which the Company has expensed in the second quarter of the year. That decision of the Competition Authority has led to a reduction in the Company's EBITDA forecast for 2020, as announced to the Icelandic Stock Exchange on May 28. Total assets as at 30 June 2020 amounted to ISK 64.654 million and total equity amounted to ISK 36.530 million according to the Statement of Financial Position. The Company's equity ratio was 56,5%.

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 for up to ISK 875 million in 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. In accordance with the Annual General Meeting approval, the Company purchased in May to June own shares of nominal value ISK 75 million, for ISK 450 million. The Company paid ISK 500 million in April in dividend to its shareholders.

The impact of the COVID-19 pandemic on the Group's operations, financial position and cash flow in the first six months 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 exercised an option 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 six months ended 30 June 2020, its assets, liabilities and consolidated financial position as at 30 June 2020 and its consolidated cash flows for the six month period ended 30 June 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 30 June 2020 and confirm them by means of their signatures.

Reykjavík, 25 August 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 30 June 2020

	Notes	2020 1.4.-30.6.	2019 1.4.-30.6.	2020 1.1.-30.6.	2019 1.1.-30.6.
Net sales	5	7.169	6.808	14.289	13.581
Cost of sales	6	(4.118)	(3.591)	(7.920)	(7.016)
Gross profit		3.051	3.217	6.369	6.565
Other operating income		107	307	233	496
Operating expenses	7	(2.743)	(2.246)	(4.957)	(4.676)
Operating profit		415	1.278	1.645	2.385
Finance income		44	46	91	96
Finance cost		(203)	(301)	(459)	(657)
Net exchange rate differences		(19)	(14)	(80)	(21)
Net financial items	8	(178)	(269)	(448)	(582)
Profit before tax		237	1.009	1.197	1.803
Income tax		(154)	(211)	(350)	(390)
Profit for the period		<u>83</u>	<u>798</u>	<u>847</u>	<u>1.413</u>
EBITDA		1.938	2.602	4.673	4.971
Earnings per share					
Basic earnings per share		0,01	0,09	0,10	0,16
Diluted earnings per share		0,01	0,09	0,10	0,16

Consolidated Statement of Financial Position as at 30 June 2020

	Notes	30.6.2020	31.12.2019
Assets			
Non-current assets			
Property, plant and equipment		19.017	18.716
Right-of-use assets		4.833	5.118
Intangible assets		33.959	34.265
Other financial assets	9	458	472
		<u>58.267</u>	<u>58.571</u>
Current assets			
Inventories	10	1.620	1.751
Accounts receivables	11	3.027	4.188
Other assets	12	764	794
Cash and cash equivalents		976	217
		<u>6.387</u>	<u>6.950</u>
		<u>64.654</u>	<u>65.521</u>
Equity			
Share capital		8.675	8.750
Reserves		14.150	14.525
Other statutory reserve		154	154
Other reserve		454	456
Retained earnings		13.097	12.747
		<u>36.530</u>	<u>36.632</u>
Liabilities			
Non-current liabilities			
Borrowings		14.864	14.481
Lease liabilities		4.398	4.632
Payables		0	353
Deferred tax liabilities	13	675	802
		<u>19.937</u>	<u>20.268</u>
Current liabilities			
Bank loans		0	600
Accounts payables		3.599	3.533
Current maturities of borrowings		575	1.150
Current maturities of lease liabilities		600	600
Taxes to be paid		996	894
Other liabilities	14	2.417	1.844
		<u>8.187</u>	<u>8.621</u>
		<u>28.124</u>	<u>28.889</u>
		<u>64.654</u>	<u>65.521</u>

Consolidated Statement of Changes in Equity 1 January to 30 June 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					1.413	1.413
Payment of dividends (0,0365434 per share)					(330)	(330)
Other changes				6	(6)	0
Total equity 30.6.2019	9.033	15.552	154	462	11.084	36.285
Total equity 1.1.2020	8.750	14.525	154	456	12.747	36.632
Net Profit for the period					847	847
Translation difference on foreign operation				1		1
Payment of dividends (0,057144 per share)					(500)	(500)
Buyback of ordinary shares	(75)	(375)				(450)
Other changes				(3)	3	0
Total equity 30.6.2020	8.675	14.150	154	454	13.097	36.530

Consolidated Statement of Cash Flow 1 January to 30 June 2020

	Notes	2020	2019	2020	2019
		1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
Cash flow from operating activities					
Operating profit		415	1.278	1.645	2.385
Operational items not affecting cash flow:					
Depreciation		1.523	1.324	3.028	2.586
Gain on sale of fixed assets		(4)	(165)	(5)	(165)
		<u>1.934</u>	<u>2.437</u>	<u>4.668</u>	<u>4.806</u>
Changes in current assets and liabilities:					
Changes in inventories		303	52	186	(124)
Changes in operating assets		448	268	1.201	(130)
Changes in operating Liabilities		410	(670)	774	(403)
Changes in current assets and liabilities		<u>1.161</u>	<u>(350)</u>	<u>2.161</u>	<u>(657)</u>
Cash generated by operation		<u>3.095</u>	<u>2.087</u>	<u>6.829</u>	<u>4.149</u>
Interest income received		44	44	89	91
Interest expenses paid		(222)	(309)	(480)	(619)
Payments of taxes		(250)	(87)	(375)	(175)
Net cash from operating activities		<u>2.667</u>	<u>1.735</u>	<u>6.063</u>	<u>3.446</u>
Investing activities					
Investment in property, plant and equipment		(914)	(1.187)	(2.048)	(2.185)
Investment in intangible assets		(424)	(537)	(1.118)	(717)
Proceeds from sale of property, plant and equipment		4	2	8	3
Changes in other investment		(2)	0	(62)	28
Changes in other investment		0	0	(51)	2
Investment activities		<u>(1.336)</u>	<u>(1.722)</u>	<u>(3.271)</u>	<u>(2.869)</u>
Financing activities					
Dividend paid		(500)	(330)	(500)	(330)
Buyback of ordinary shares		(450)	0	(450)	0
Payments of non-current liabilities		0	(288)	(192)	(575)
Payment of long term lease		(145)	(133)	(289)	(264)
Bank loans, increase		(400)	277	(600)	(173)
Financing activities		<u>(1.495)</u>	<u>(474)</u>	<u>(2.031)</u>	<u>(1.342)</u>
Increase (decrease) in cash and cash equivalents		(164)	(461)	761	(765)
Effect of exchange rate fluctuations on cash held		(8)	5	(2)	29
Cash and cash equivalents at the beginning of the period		1.148	966	217	1.246
Cash and cash equivalents at the end of the period		<u>976</u>	<u>510</u>	<u>976</u>	<u>510</u>

Notes to the Consolidated Financial Statements

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 six months ended 30 June 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, and in the company news release distribution network of Nasdaq Nordic: www.nasdaqomxnordic.com.

These interim consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on 25 August 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.-30.6. 2020

	Mobile	Fixed voice	Internet & network	TV	IT services	Equipment sales	Other revenues	Total
Revenue	2.704	876	4.344	3.083	2.189	914	412	14.522
Expenses								(9.849)
EBITDA								4.673
Depreciation and amortisation								(3.028)
Net finance cost								(448)
Taxes								(350)
Net earnings for the period								847
Capital additions								(3.158)
Assets								64.654
Liabilities								28.124

Operating segments 1.1.-30.6. 2019

	Mobile	Fixed voice	Internet & network	TV	IT services	Equipment sales	Other revenues	Total
Revenue	2.785	924	4.278	2.631	1.872	865	722	14.077
Expenses								(9.106)
EBITDA								4.971
Depreciation								(2.586)
Net finance cost								(582)
Share of earnings of associated companies								0
Taxes								(390)
Net earnings for the period								1.413
Capital additions								(2.899)
Assets								64.475
Liabilities								28.190

Notes to the Consolidated Financial Statements

5. Net sales

	2020	2019
Sales of service and goods is specified as follows:	1.1.-30.6.	1.1.-30.6.
Sales of service	12.179	11.742
Sales of goods from IT services and telecom	2.110	1.839
	<u>14.289</u>	<u>13.581</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	1.716	1.773
Cost of service sold	2.062	1.720
Interconnecting fees	333	365
Cost of goods sold	1.936	1.706
Capitalised work	(445)	(424)
Depreciation cost of sold services	2.318	1.876
	<u>7.920</u>	<u>7.016</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	2.362	2.292
Sales and marketing expenses	231	289
Housing and transportation expenses	335	364
IT-Expenses	341	455
General and administrative expenses	978	566
Depreciation operating expenses	710	710
	<u>4.957</u>	<u>4.676</u>

8. Financial income and expense

Financial income and finance costs are specified as follow:

Finance income

Interest income	89	92
Dividend received	2	4
	<u>91</u>	<u>96</u>

Finance expense

Interest on borrowings	(318)	(456)
Interest expense from lease liability	(125)	(137)
Other finance expenses	(16)	(64)
	<u>(459)</u>	<u>(657)</u>

Net exchange rate differences	(80)	(21)
Net financial items	<u>(448)</u>	<u>(582)</u>

Notes to the Consolidated Financial Statements

9. Other financial assets

30.6.2020 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	273	242
Other financial assets total	<u>458</u>	<u>472</u>

10. Inventories

Inventories are specified as follows:

Finished goods	1.075	1.232
TV programs for screening	<u>545</u>	<u>519</u>
Inventory total	<u>1.620</u>	<u>1.751</u>

11. Accounts Receivables

Accounts receivables are specified as follows:

Accounts receivables	3.196	4.345
Allowances for doubtful accounts	<u>(169)</u>	<u>(157)</u>
Accounts receivables total	<u>3.027</u>	<u>4.188</u>

12. Other assets

Other assets are specified as follows:

Prepayments and accrued income	523	613
Other current assets	<u>241</u>	<u>181</u>
Other assets total	<u>764</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.....	339	778
Taxes to be paid.....	<u>(466)</u>	<u>(874)</u>
Deferred tax liability at the end of the period.....	<u>675</u>	<u>802</u>

14. Other liabilities

Other liabilities are specified as follows:

Accrued expenses	1.146	888
Salaries and related expenses	717	327
VAT	543	618
Other	<u>11</u>	<u>11</u>
Other liabilities total	<u>2.417</u>	<u>1.844</u>

Notes to the Consolidated Financial Statements

15. Legal proceedings

The Company is currently involved in several legal disputes that relate to Competition, Media and Telecommunication Act. Inter, an association of ISP, sent the Company a letter in 2015 claiming damages in the amount of 3 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 100 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. Síminn 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 appealed the decision to the District Court of Reykjavík. The Reykjavík District Court ruled on the matter and partially annulled the Decision and lowered the fine to 7 million ISK. After the initial Decisions of the PTA Vodafone 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 to 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.

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.

The Competition Authority reached a decision that Síminn had infringed Competition Authority Decision no. 6/2015 and 20/2015 and fined Síminn for 500 million ISK, which the Company has already paid. Síminn appealed the Decision to the Competition Appeal Committee in order to have the CA decision annulled. The Company is 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.

16. Subsequent event

There are no subsequent events to report.

Quarterly Statements

Summary of the Company's operating results by quarters:

	1 F 2020	2 F 2020	Total
Net sales	7.120	7.169	14.289
Cost of sales	(3.802)	(4.118)	(7.920)
Gross profit	3.318	3.051	6.369
Other operating income	126	107	233
Operating expenses	(2.214)	(2.743)	(4.957)
Operating profit	1.230	415	1.645
Net financial items	(270)	(178)	(448)
Profit before tax	960	237	1.197
Income tax	(196)	(154)	(350)
Profit for the period	764	83	847
EBITDA	2.735	1.938	4.673

	1 F 2019	2 F 2019	3 F 2019	4 F 2019	Total
Net sales	6.773	6.808	6.958	7.770	28.309
Cost of sales	(3.425)	(3.591)	(3.523)	(4.367)	(14.906)
Gross profit	3.348	3.217	3.435	3.403	13.403
Other operating income	189	307	140	126	762
Operating expenses	(2.430)	(2.246)	(2.208)	(2.367)	(9.251)
Operating profit	1.107	1.278	1.367	1.162	4.914
Net financial items	(313)	(269)	(232)	(231)	(1.045)
Profit before tax	794	1.009	1.135	931	3.869
Income tax	(179)	(211)	(238)	(171)	(799)
Profit for the period	615	798	897	760	3.070
EBITDA	2.369	2.602	2.817	2.728	10.516