



Condensed Consolidated Interim Financial Statements

1 January to 30 September 2020

**Síminn hf.
Ármúla 25
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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 (together referred to as "Síminn" or the "Group") for the period 1 January to 30 September 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 nine months of the year amounted to ISK 21.747 million according to the Consolidated Income Statement, compared to ISK 21.175 million for the same period 2019. Net profit for the first nine months of the year 2020 amounted to ISK 1.861 million, compared to profit of ISK 2.310 million for the same period 2019. Due to the Competition Authority's decision on 28 May, the Company has expensed ISK 500 million 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 September 2020 amounted to ISK 64.132 million and total equity amounted to ISK 36.561 million according to the Statement of Financial Position. The Company's equity ratio was 57,0%.

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. In accordance with the Annual General Meeting approval, the Company has purchased own shares of nominal value ISK 225 million, for ISK 1.433 million. The Company paid ISK 500 million in dividend to its shareholders in the period.

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.

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.

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 nine months ended 30 September 2020, its assets, liabilities and consolidated financial position as at 30 September 2020 and its consolidated cash flows for the nine month period ended 30 September 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 September 2020 and confirm them by means of their signatures.

Reykjavík, 27 October 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 September 2020

	Notes	2020 1.7.-30.9.	2019 1.7.-30.9.	2020 1.1.-30.9.	2019 1.1.-30.9.
Net sales	5	7.119	6.958	21.408	20.539
Cost of sales	6	(3.819)	(3.523)	(11.739)	(10.539)
Gross profit		3.300	3.435	9.669	10.000
Other operating income		106	140	339	636
Operating expenses	7	(1.997)	(2.208)	(6.954)	(6.884)
Operating profit		1.409	1.367	3.054	3.752
Finance income		52	55	143	151
Finance cost		(181)	(296)	(640)	(953)
Net exchange rate differences		(20)	9	(100)	(12)
Net financial items	8	(149)	(232)	(597)	(814)
Profit before tax		1.260	1.135	2.457	2.938
Income tax		(246)	(238)	(596)	(628)
Profit for the period		1.014	897	1.861	2.310
EBITDA		2.933	2.817	7.606	7.788
Earnings per share					
Basic earnings per share		0,11	0,10	0,21	0,26
Diluted earnings per share		0,11	0,10	0,21	0,25

Consolidated Statement of Financial Position as at 30 September 2020

	Notes	30.9.2020	31.12.2019
Assets			
Non-current assets			
Property, plant and equipment		19.093	18.716
Right-of-use assets		4.711	5.118
Intangible assets		33.576	34.265
Other financial assets	9	596	472
		<u>57.976</u>	<u>58.571</u>
Current assets			
Inventories	10	1.447	1.751
Accounts receivables	11	3.099	4.188
Other assets	12	896	794
Cash and cash equivalents		714	217
		<u>6.156</u>	<u>6.950</u>
		<u>64.132</u>	<u>65.521</u>
Equity			
Share capital		8.525	8.750
Reserves		13.317	14.525
Other statutory reserve		154	154
Other reserve		457	456
Retained earnings		14.108	12.747
		<u>36.561</u>	<u>36.632</u>
Liabilities			
Non-current liabilities			
Borrowings		14.576	14.481
Lease liabilities		4.308	4.632
Payables		0	353
Deferred tax liabilities	13	635	802
		<u>19.519</u>	<u>20.268</u>
Current liabilities			
Bank loans		0	600
Accounts payables		3.038	3.533
Current maturities of borrowings		863	1.150
Current maturities of lease liabilities		600	600
Taxes to be paid		1.158	894
Other liabilities	14	2.393	1.844
		<u>8.052</u>	<u>8.621</u>
		<u>27.571</u>	<u>28.889</u>
		<u>64.132</u>	<u>65.521</u>

Consolidated Statement of Changes in Equity

1 January to 30 September 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					2.310	2.310
Payment of dividends (0,0365434 per share)					(330)	(330)
Buyback of ordinary shares	(205)	(737)				(942)
Other changes				4	(4)	0
Total equity 30.9.2019	<u>8.828</u>	<u>14.815</u>	<u>154</u>	<u>460</u>	<u>11.983</u>	<u>36.240</u>
Total equity 1.1.2020	8.750	14.525	154	456	12.747	36.632
Net Profit for the period					1.861	1.861
Translation difference on foreign operation				1		1
Payment of dividends (0,057144 per share)					(500)	(500)
Buyback of ordinary shares	(225)	(1.208)				(1.433)
Total equity 30.9.2020	<u>8.525</u>	<u>13.317</u>	<u>154</u>	<u>457</u>	<u>14.108</u>	<u>36.561</u>

Consolidated Statement of Cash Flow 1 January to 30 September 2020

	Notes	2020	2019	2020	2019
		1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Cash flow from operating activities					
Operating profit		1.409	1.367	3.054	3.752
Operational items not affecting cash flow:					
Depreciation		1.524	1.450	4.552	4.036
Gain on sale of fixed assets		0	(2)	(5)	(167)
		<u>2.933</u>	<u>2.815</u>	<u>7.601</u>	<u>7.621</u>
Changes in current assets and liabilities:					
Changes in inventories		(19)	(181)	167	(305)
Changes in operating assets		(105)	(50)	1.096	(180)
Changes in operating Liabilities		(552)	1.440	222	1.037
Changes in current assets and liabilities		<u>(676)</u>	<u>1.209</u>	<u>1.485</u>	<u>552</u>
Cash generated by operation		<u>2.257</u>	<u>4.024</u>	<u>9.086</u>	<u>8.173</u>
Interest income received		52	53	141	144
Interest expenses paid		(218)	(293)	(698)	(912)
Payments of taxes		(124)	(194)	(499)	(369)
Net cash from operating activities		<u>1.967</u>	<u>3.590</u>	<u>8.030</u>	<u>7.036</u>
Investing activities					
Investment in property, plant and equipment		(929)	(1.113)	(2.977)	(3.298)
Investment in intangible assets		(104)	(1.003)	(1.222)	(1.720)
Proceeds from sale of property, plant and equipment		1	1	9	4
Changes in other investment		(56)	0	(118)	28
Changes in other investment		0	0	(51)	2
Investment activities		<u>(1.088)</u>	<u>(2.115)</u>	<u>(4.359)</u>	<u>(4.984)</u>
Financing activities					
Dividend paid		0	0	(500)	(330)
Buyback of ordinary shares		(983)	(942)	(1.433)	(942)
Payments of non-current liabilities		0	(287)	(192)	(862)
Payment of long term lease		(151)	(138)	(440)	(402)
Bank loans, increase		0	(57)	(600)	(230)
Financing activities		<u>(1.134)</u>	<u>(1.424)</u>	<u>(3.165)</u>	<u>(2.766)</u>
(Decrease) increase in cash and cash equivalents		(255)	51	506	(714)
Effect of exchange rate fluctuations on cash held		(7)	(4)	(9)	25
Cash and cash equivalents at the beginning of the period		976	510	217	1.246
Cash and cash equivalents at the end of the period		<u>714</u>	<u>557</u>	<u>714</u>	<u>557</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 nine months ended 30 September 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 27 October 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.-30.9. 2020

	Mobile	Fixed voice	Internet & network	TV	IT services	Equipment sales	Other revenues	Total
Revenue	4.110	1.299	6.554	4.614	3.063	1.481	626	21.747
Expenses								(14.141)
EBITDA								7.606
Depreciation and amortisation								(4.552)
Net finance cost								(597)
Taxes								(596)
Net earnings for the period								1.861
Capital additions								(4.190)
Assets								64.132
Liabilities								27.571

Operating segments 1.1.-30.9. 2019

	Mobile	Fixed voice	Internet & network	TV	IT services	Equipment sales	Other revenues	Total
Revenue	4.308	1.368	6.420	4.054	2.737	1.321	967	21.175
Expenses								(13.387)
EBITDA								7.788
Depreciation								(4.036)
Net finance cost								(814)
Share of earnings of associated companies								0
Taxes								(628)
Net earnings for the period								2.310
Capital additions								(5.014)
Assets								65.404
Liabilities								29.164

Notes to the Consolidated Financial Statements

5. Net sales

	2020	2019
	1.1.-30.9.	1.1.-30.9.
Sales of service and goods is specified as follows:		
Sales of service	18.348	17.785
Sales of goods from IT services and telecom	3.060	2.754
	<u>21.408</u>	<u>20.539</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	2.409	2.483
Cost of service sold	3.219	2.627
Interconnecting fees	510	561
Cost of goods sold	2.807	2.545
Capitalised work	(682)	(636)
Depreciation cost of sold services	3.476	2.959
	<u>11.739</u>	<u>10.539</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	3.251	3.331
Sales and marketing expenses	351	433
Housing and transportation expenses	514	541
IT-Expenses	549	661
General and administrative expenses *	1.213	841
Depreciation operating expenses	1.076	1.077
	<u>6.954</u>	<u>6.884</u>

* ISK 500 million is expensed here due to the Competition Authority's decision, see further discussion in the Statement by the Board of directors.

8. Financial income and expense

Financial income and finance costs are specified as follow:

Finance income

Interest income	141	147
Dividend received	2	4
	<u>143</u>	<u>151</u>

Finance expense

Interest on borrowings	(425)	(674)
Interest expense from lease liability	(187)	(204)
Write down of loans	(12)	0
Other finance expenses	(16)	(75)
	<u>(640)</u>	<u>(953)</u>

Net exchange rate differences	(100)	(12)
Net financial items	<u>(597)</u>	<u>(814)</u>

Notes to the Consolidated Financial Statements

	30.9.2020	31.12.2019
9. Other financial assets		
Other financial assets are specified as follows:		
Investment in other companies	47	47
TV programs for screening	210	143
Prepaid expense	12	40
Non-current receivables	327	242
Other financial assets total	<u>596</u>	<u>472</u>

10. Inventories

Inventories are specified as follows:

Finished goods	933	1.232
TV programs for screening	514	519
Inventory total	<u>1.447</u>	<u>1.751</u>

11. Accounts Receivables

Accounts receivables are specified as follows:

Accounts receivables	3.266	4.345
Allowances for doubtful accounts	(167)	(157)
Accounts receivables total	<u>3.099</u>	<u>4.188</u>

12. Other assets

Other assets are specified as follows:

Prepayments and accrued income	647	613
Other current assets	249	181
Other assets total	<u>896</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.....	580	778
Taxes to be paid.....	(747)	(874)
Deferred tax liability at the end of the period.....	<u>635</u>	<u>802</u>

14. Other liabilities

Other liabilities are specified as follows:

Accrued expenses	824	888
Salaries and related expenses	711	327
VAT	846	618
Other	12	11
Other liabilities total	<u>2.393</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. Síminn has rejected the claims in all cases. In the case regarding Tölvun, Snerpa and Hringidan Síminn has filed its written arguments whereby all claimers are rejected. IHM has sued Síminn for 337 million ISK plus interest for unpaid expenses from 2009. Síminn has rejected this claim and filed its written arguments.

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 paid. 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.

TSC ehf. 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 appealed the District Court ruling in the case of TSC ehf. to the National Court. The National Court has concluded that Síminn should pay ISK 30 million.

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	3 F 2020	Total
Net sales	7.120	7.169	7.119	21.408
Cost of sales	(3.802)	(4.118)	(3.819)	(11.739)
Gross profit	3.318	3.051	3.300	9.669
Other operating income	126	107	106	339
Operating expenses	(2.214)	(2.743)	(1.997)	(6.954)
Operating profit	1.230	415	1.409	3.054
Net financial items	(270)	(178)	(149)	(597)
Profit before tax	960	237	1.260	2.457
Income tax	(196)	(154)	(246)	(596)
Profit for the period	764	83	1.014	1.861
EBITDA	2.735	1.938	2.933	7.606

	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