

27 October 2020

Financial press release – Síminn hf. Q3 2020

Strong quarter at Síminn

- Síminn's revenue amounted to ISK 7,225 million in the third quarter (Q3) of 2020, compared to ISK 7,098 million in the same period 2019. An increase by ISK 127 million or 1.8%.
- EBITDA amounted to ISK 2,933 million in Q3 2020, compared to ISK 2,817 million in the same period of 2019, up by ISK 116 million or 4.1%. The EBITDA ratio was 40.6% in Q3 2020, compared to 39.7% in the same period of 2019. Operating profit EBIT is up by ISK 42 million or 3,1% compared to same period of 2019.
- Profit in Q3 2020 amounted to ISK 1,014 million, compared to ISK 897 million in the same period of 2019.
- Cash generated by operation amounted to ISK 2,257 million in Q3 2020, compared to ISK 4,024 million in the same period of 2019. Net cash from operating activities amounted to ISK 1,967 million in Q3 2020, compared to ISK 3,590 million in the same period 2019.
- Interest-bearing debt amounted to ISK 15.4 billion at the end of Q3 of 2020, compared to ISK 16.2 billion at the end of 2019. Net interest-bearing debt amounted to ISK 14.7 billion at the end of Q3 2020 compared to ISK 16.0 billion at the end of 2019.
- Net financial expenses amounted to ISK 149 million in Q3 2020, compared to ISK 232 million in the same period of 2019. Financial expenses amounted to ISK 181 million, financial income ISK 52 million, and foreign exchange loss ISK 20 million.
- Síminn's equity ratio was 57,0% at the end of Q3 2020 and equity was 36.6 billion.

Orri Hauksson, CEO:

„The Group's operation is currently progressing well. Revenues and profits increased in the third quarter compared to the same period last year, when the Group's product range is comparable to what it is now. Revenue from foreign tourists is a small fraction of what it was in the previous year, but the Group's domestic revenue streams will have a predictable and in many respects favorable development in the quarter. Thus, digital entertainment and equipment sales grow significantly between years. Revenues from information technology and data connections also grew slightly between the third quarter of the two years, but domestic mobile services remained stable and fixed line telephone services declined as before. The difficult economic situation has not caused significant defaults by the group's customers.

Legal and litigation costs were rather high in the third quarter of the year, but travel expenses, salaries and expenses due to various traditional activities in the operation decreased, among other things due to increased work from home and meeting restrictions. The number of employees in the parent company has decreased by almost 50 during the year, due to continued outsourcing of projects and increased automation in the operations. The EBITDA result for the year is expected to be close to the upper limit of the guidance.

Several planned investment projects for the year were postponed last spring, following the outbreak of the pandemic. The parent company's investments are largely in foreign currency and will therefore be more expensive as the ISK gets weaker. The overall effect of postponed investments and the weakening of the exchange rate is that the Group will be at the lower end of the investment guidance. The fiber-optic project together with innovations in the technical infrastructure of TV products, improved data utilization and the implementation of the distribution agreement with Gagnaveitu Reykjavíkur are the Group's key development projects. Siminn's mobile network consists of equipment from the Swedish company Ericsson, and this also applies to 5G technology. “

9M 2020 Results

Operations

Income statement	Q3			9M		
	2020	2019	%	2020	2019	%
Net sales	7.225	7.098	1,8%	21.747	21.175	2,7%
Cost of sales	(3.819)	(3.523)	8,4%	(11.739)	(10.539)	11,4%
Operating expenses	(1.997)	(2.208)	-9,6%	(6.954)	(6.884)	1,0%
EBIT	1.409	1.367	3,1%	3.054	3.752	-18,6%
Net financial items	(149)	(232)	-35,8%	(597)	(814)	-26,7%
Income tax	(246)	(238)	3,4%	(596)	(628)	-5,1%
Net profit	1.014	897	13,0%	1.861	2.310	-19,4%
EBITDA	2.933	2.817	4,1%	7.606	7.788	-2,3%
EPS	0,11	0,10	10,0%	0,21	0,26	-19,2%

Total sales for 9M 2020 amounted to ISK 21,747 million compared to ISK 21,175 million for the same period 2019, up by 2.7%. Revenue from mobile amounted to ISK 4,110 million, down by ISK 198 million or 2.7% between periods. The main reason for this decrease is a drop in roaming revenue by ISK 243 million between periods. Revenue from fixed voice amounted to ISK 1,299 million, down by 5.0% between periods. Revenue from data (internet & network) amounted to ISK 6,554 million, up by ISK 134 million or 2.1% between periods. Revenue from TV services amounted to ISK 4,614 million, up by ISK 560 million or 13.8% between periods. Revenues from IT services amounted to ISK 3,063 million, up by ISK 326 million, or 11.9% between periods. Revenues from equipment sale amounted to ISK 1,481 million, up by ISK 160 million or 12.1% between periods.

Gross profit for 9M 2020 amounted to ISK 9,669 million, down by ISK 331 million or 3.3% from the same period in 2019. Operating expenses amounted to ISK 6,954 million, up by ISK 70 million or 1.0% from the same period in 2019.

EBITDA amounted to ISK 7,606 million in 9M 2020, compared to ISK 7,788 million for the same period in 2019, down by ISK 182 million or 2.3%. The EBITDA ratio is 35.0%, compared to 36.8% in the same period in 2019.

Depreciation amounted to ISK 4.552 million in 9M 2020, compared to ISK 4,036 million for the same period in 2019, up by ISK 516 million from the same period in 2019. Increased depreciation is mainly due to increased investments in TV rights and fiber-optic investment at Míla.

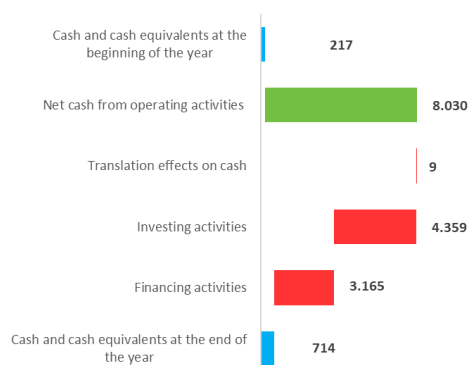
Net financial items amounted to ISK 597 million in 9M 2020 down by ISK 217 million compared to same period 2019. Reduction of key interest rates by The Central Banks of Iceland leads to lower interest expenses.

Profit for the period amounted to ISK 1,861 million, compared to ISK 2,310 million for the same period in 2019.

Cash flow

Cash generated by operation was ISK 9,086 million in 9M 2020, compared to ISK 8,173 million in the same period 2019. Net cash from operating activities was ISK 8,030 million in 9M 2020, compared to ISK 7,036 million in the same period 2019.

Investing activities were ISK 4,359 million in 9M 2020, compared to ISK 4,984 million in the same period 2019.



Balance sheet

Total assets amounted to ISK 64,132 million at the end of Q3 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 Q3, compared to ISK 16,231 million at the end of 2019. Net interest-bearing debt amounted to ISK 14,725 million at the end of Q3 down by ISK 1,289 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 36,561 million at the end of Q3 and the equity ratio was 57.0%.

	30.9.2020	31.12.2019
Non-current assets	57,976	58,571
Current assets	6,156	6,950
Total assets	64,132	65,521
Total equity	36,561	36,632
Non-current liabilities	19,519	20,268
Current liabilities	8,052	8,621
Total equity and liabilities	64,132	65,521
Equity ratio	57,0%	55,9%

Key events

- The first 5G transmitters are being installed for testing. The aim is to install 2-4 transmitters before the end of the year. Subsequently, the 5G system will be built in accordance with the frequency license from the Post and Telecom Administration. Síminn's mobile network is built up with equipment from the Swedish company Ericsson.
- Further development of the 4G system is underway. In the last three months, 16 new transmission points have been added and Síminn's 4G system is currently available in 518 locations throughout the country.
- Work is in full progress due to the transfer of units from Síminn to Mila. It is expected that by the end of the year, more part of network operations will be transferred from Síminn to Mila. The project is extensive, and the companies have received assistance from the consulting company McKinsey.
- The usage of Síminn Premium SVOD has increased significantly. Delays in material from foreign suppliers have made the work of the program department more complicated. However, they have been successful in finding new material and speeding up other material as well as directing the audience to older quality material.
- TV ratings are also at the highest levels thanks to good quality content on Síminn's television station.

- At the beginning of September, 30 new series for the kids arrived in the Premium service, which has caused a great deal of excitement among the youngest viewers.
- The third series of the Icelandic show Venjulegt fólk premiered in October and has already been a hit.
- The installation of Mila 's fiber optics exceeds expectations and connected spaces have exceeded 90 thousand. Connecting new customers to Mila fiber optics is progressing well, but in the first 9 months of the year, Mila has carried out 9 thousand fiber optic installations for homes. The number of users has grown to 37 thousand all around the country.
- Sensa's operation is going well and the company's income is above plan and the company's performance is good. Sensa took over the operation of the IT environment of Kópavogur. The company was also selected following a tender to provide the City of Reykjavík with network and teleconferencing equipment for renewal and additions to the city's system.

Guidance 2020

EBITDA guidance for 2020 is ISK 9.9 - 10.3 billion The investment forecast for 2020 is in the range of ISK 5.7 to 6.0 billion.

Investor meeting 28 October 2020

An investor presentation will be held on Wednesday 28 October 2020 at 8:30 am. 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 only be webcasted on:

<https://livestream.com/accounts/11153656/events/9362628/player>.

Financial Calendar 2020

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| • Announcement of the 2020 results | 18 February 2021 |
| • General Annual Meeting 2021 | 11 March 2021 |

Further information

Orri Hauksson, CEO, tel. 354 550 6003 (orri@siminn.is)

Óskar Hauksson, CFO, tel. 354 550 6003 (oskarh@siminn.is)

Note: This English version is a translation of the Icelandic text that accompanies the Q3 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.