

31 August 2021

Financial press release – Síminn hf. Q2 2021

Revenue growth and strong performance

- Síminn's revenue amounted to ISK 6,352 million in the second quarter (Q2) of 2021, compared to ISK 6,214 million in the same period 2020. An increase by ISK 138 million or 2.2%.
- EBITDA amounted to ISK 2,557 million in Q2 2021, compared to ISK 1,800 million in the same period of 2020, up by ISK 757 million or 42.1%. If ISK 500 million administrative fine in Q2 2020 is taken into account EBITDA is ISK 2.300 million. The EBITDA ratio was 40.3% in Q2 2021, compared to 29.0% in the same period of 2020. EBIT amounted to ISK 1,126 million in Q2 2021, compared to ISK 335 million in the same period of 2020.
- Net profit in Q2 2021 amounted to ISK 618 million, compared to ISK 83 million in the same period of 2020.
- Cash generated by operation amounted to ISK 2,717 million in Q2 2021, compared to ISK 2,905 million in the same period of 2020. Net cash from operating activities amounted to ISK 2,424 million in Q2 2021, compared to ISK 2,481 million in the same period 2020.
- Interest-bearing debt including lease liabilities amounted to ISK 32.9 billion at the end of Q2 of 2021, compared to ISK 21.5 billion at the end of 2020. Net interest-bearing debt including lease liabilities amounted to 25.9 billion ISK at the end of Q2 2021 compared to 20.8 at the end of 2020.
- Net financial expenses amounted to ISK 315 million in Q2 2021, compared to ISK 185 million in the same period of 2020. Financial expenses amounted to ISK 349 million, financial income ISK 57 million, and foreign exchange loss ISK 23 million.
- Síminn's equity ratio was 44.7% at the end of Q2 2021 and equity was 31.1 billion.

Orri Hauksson, CEO:

“We are satisfied with the result for the quarter, which was considerably better than at the same time last year. Revenue, EBITDA, EBIT and cash flow increase between years. A large part of the increase is due to events in the second quarter of last year, when Síminn was fined by the Competition Authority in addition to significant layoff costs. Adjusted for these factors, however, there is still a positive development in all aspects of the operation.

The operations in the quarter were also characterized by many actions, which were only partially reflected in the financial figures. Refinancing and a change in the division of tasks within the group was completed during the period. We refinanced previous loans, returned considerable funds to shareholders, and issued commercial paper listed on the Stock exchange for the first time. The Radio Access Network and IP Network were transferred from Síminn to Míla, in accordance with previous plans and announcements.

In May, a major milestone was reached when 100,000 homes could connect to Míla's fiber network. Thus, the number of homes in the country that do not have access to fiber in their homes is steadily decreasing. However, there are still many urban areas in the countryside where fiber rollout is needed. This will be dealt with as soon as the regulatory framework for the investments becomes more sensible.

The operational security of telecommunications is important all over the world but needs more attention in Iceland than in many other countries. Most people remember the power outages due to storms in the winter of 2019-2020, which put telecommunications out in large areas of the country. In the second quarter of 2021, lava flowed over the main fiber cable at Náttthagi, but all communications were connected to a new cable that runs along Suðurstrandarvegur. Thankfully, this did not disrupt telecommunications. This summer, a new 200 gigabit trunk connection was installed across the country with a new highland route. The DWDM system over Míla's trunk network is also being updated, but this system is one of the most important pillars of telecommunications in the country. The same goal is behind all these projects, to preserve and strengthen the security of telecommunications in Iceland.

The future possibilities of Míla as an independent company are still under consideration, with guidance of the investment bank Lazard and Íslandsbanki. As announced in April, changes in ownership of Míla is possible, but nothing has been decided yet. Domestic and foreign investors have shown interest in the company and next steps are discussions with some of them. The winter will be used to complete the future strategy for Míla.

Several important milestones have been reached for Síminn's customers. Míla's upgrade and development of 5G transmitters for Síminn is proceeding according to plan and 5G will be opened for traffic this autumn. Síminn now provides internet services on all fixed line networks in the country, after an agreement with Gagnaveita Reykjavíkur came into effect recently. Síminn's TV service was made even more flexible than before. For several years, it has been possible to subscribe to Síminn's TV services over all fixed line and mobile networks in the country. A change has now been made that you do not necessarily have to use a set-top box. Some customers immediately took advantage of the change, but most of them still want to use the same setup as before. Experience shows that changes of this nature take several years when new ways of using a service are offered but the use of previous technology is not discontinued at the same time.

In the second quarter, we extended our TV rights to the English Premier League until the spring of 2025. Delivery of foreign content to television viewers around the world is currently undergoing major changes and is being carried out more directly over the internet via the TV apps of the content producers themselves. The result regarding the English Premier League therefore provides a solid ground for our TV service in coming years. Agreements we have with foreign film studios and increased Icelandic production will also provide a strong framework for this important service."

1H 2021 Results

Operations

Income statement	Q2			6M		
	2021	2020	%	2021	2020	%
Net sales	6.352	6.214	2,2%	12.760	12.523	1,9%
Cost of sales	(3.152)	(3.188)	-1,1%	(6.367)	(6.152)	3,5%
Operating expenses	(2.074)	(2.691)	-22,9%	(4.145)	(4.845)	-14,4%
EBIT	1.126	335	236,1%	2.248	1.526	47,3%
Net financial items	(315)	(185)	70,3%	(502)	(418)	20,1%
Income tax	(177)	(136)	30,1%	(368)	(332)	10,8%
Net profit from continuing operation	634	14	4428,6%	1.378	776	77,6%
Discontinued operation	(16)	69		2.124	71	
Net profit	618	83	644,6%	3.502	847	313,5%
EBITDA	2.557	1.800	42,1%	5.097	4.438	14,8%
EPS	0,10	0,01	900,0%	0,44	0,10	340,0%

Total sales for 1H 2021 amounted to ISK 12,760 million compared to ISK 12,523 million for the same period 2020, up by 1.9%. Revenue from mobile amounted to ISK 2,799 million, up by ISK 95 million or 3.5% between periods. Revenue from fixed voice amounted to ISK 799 million, down by 8.8% between periods. Revenue from data (internet & network) amounted to ISK 4,446 million, up by ISK 73 million or 1.7% between periods. Revenue from TV services amounted to ISK 3,188 million, up by ISK 105 million or 3.4% between periods. Revenue from equipment sale amounted to ISK 1,031 million, up by ISK 116 or 12.7% million between periods. Other revenue amounted to ISK 497 million, down by ISK 75 million between periods.

The cost of services sold amounted to ISK 6,367 million and increases by ISK 215 million or 3.5% from the same period last year. Of this, the cost of goods sold increases by ISK 101 million which is related to increased equipment sales. Operating expenses amounted to ISK 4,145 million and decreased by ISK 700 million or 14.4% from the same period in 2020. Gross profit for 1H 2021 amounted to ISK 6,176 million, up by ISK 51 million or 0.8% from the same period in 2020. The government fine in Q2 2020 needs to be taken into consideration for comparison.

EBITDA amounted to ISK 5,097 million in 1H 2021, compared to ISK 4,438 million for the same period in 2020, up by ISK 659 million or 14.8%. The EBITDA ratio is 39.9%, compared to 35.4% in the same period in 2020.

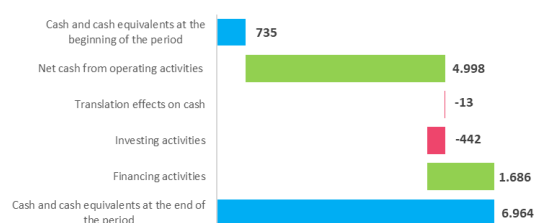
Depreciation amounted to ISK 2.849 million in 1H 2021, compared to ISK 2.912 million for the same period in 2020, down by ISK 63 million from the same period in 2020.

Net financial items amounted to ISK 502 million in 1H 2021 up by ISK 84 million compared to same period 2020. Foreign exchange losses explain most of this increase.

Profit for the period amounted to ISK 3,502 million, compared to ISK 847 million for the same period in 2020. Profit from continuing operations amounted to ISK 1,378 million. in 1H 2021.

Cash flow

Cash generated by operation was ISK 5,727 million in 1H 2021, compared to ISK 6,277 million in the same period 2020. Net cash from operating activities was ISK 4,998 million in 1H 2021, compared to ISK 5,519 million in the same period 2020.



Investing activities were ISK 442 million in 1H 2021, compared to ISK 2,739 million in the same period 2020.

Balance sheet

Total assets amounted to ISK 69,615 million at the end of Q2 2021, compared to ISK 65,206 million at the end of 2020.

Interest-bearing debt including lease liabilities amounted to ISK 32,855 million at the end of Q2 2021, compared to ISK 21,518 million at the end of 2020. Net interest-bearing debt including lease liabilities amounted to ISK 25,891 million at the end of Q2 2021 up by ISK 5,108 million compared to year end 2020. Net interest-bearing debt including lease liabilities to 12M EBITDA was 2.51.

Balance sheet	30.06.2021	31.12.2020
Non-current assets	56.862	57.457
Current assets	12.753	7.749
Total Assets	69.615	65.206
Total equity	31.138	37.298
Non-current liabilities	30.340	20.025
Current liabilities	8.137	7.883
Total equity and liabilities	69.615	65.206
Equity ratio	44,7%	57,2%

Total equity amounted to ISK 31,138 million at the end of Q2 2021 and the equity ratio was 44.7%.

Key events

- This summer, Síminn reached an agreement with the Premier League for the right to broadcast the English Premier League for another three years. One year is left of the current contract, so Premier League will be on Síminn's sport channel at least for the next four seasons or until the year 2025.
- Síminn has signed an agreement with Almennarómur, the language technology center in Iceland. Almennarómur is responsible for the government's language technology program, which aims to protect the Icelandic language, by ensuring that we can and will use Icelandic in communication with and through digital devices and computers. Síminn intends to provide strong support to the Icelandic language and strengthen it so that it will not be negatively effected by digital development.
- At the beginning of 2020, a project was launched in which the company's employees who have not completed any kind of degree in higher education were invited to undergo a so-called real skills assessment, where their work experience is assessed for credits in secondary school. The interest of the employees was immediately great, with 20 employees applying and a co-operation agreement was made with the a learning center in Western Iceland. Today, about 50 employees have passed the real skills assessment and more than 25 employees are completing their formal education.

- Robotics has become an important part of Síminn's operations. Thousands of projects are already being carried out in ways that were previously time consuming. Great savings have been made and the risk of errors has been reduced.
- The development of the 5G system is proceeding according to plan and 12 transmitters have already been installed in the capital area. At the end of the year, at least 25% of Icelanders will be able to connect to Síminn's 5G system.
- Síminn's roaming revenue from foreign tourists has picked up after a sharp slump since March 2020. Data traffic over the past month is close to double compared to the same period last year and on a par with traffic in 2019.
- Míla continued to work on the fiber-optic installation of homes in urban areas around the country. In May, a major milestone was reached when 100,000 homes had access to Míla's fiber optics. A new product was launched in several selected urban areas, where the installation of fiber-optic cables for homes has begun with a payment of an initial fee. Míla completed the fiber-optic installation in rural Reykjavík, according to a tender. In parallel with the intensive installation of fiber-optic cables, Míla began to take down the first telephone exchanges for Síminn.
- Míla began construction of a new DWDM system. The current system has served the country for over 10 years and is one of the most important pillars of telecommunications in the country. Half of the current system will be renewed this year and the other half next year. Following the upgrade, domestic transmission capacity and flexibility will increase significantly, which will, among other things, support the installation of fiber-optic cables in rural areas and the development of 5G all around the country. Also in the quarter, a new 200Gb/s trunk connection was set up over the highlands on a new highland route. This increases the operational security of telecommunications nationwide.
- Míla has closely followed the development of the eruption in Reykjanes. Lava flowed over the main fiber-optic cable at Náttthagi and all telecommunications were connected to a new cable that lies along Suðurstrandarvegur without any abnormal disruption to telecommunications. It is clear from experience that the infrastructure underground is destroyed if lava flows over it. A response and plan for further changes due to lava flow in the area is available and will be activated if necessary.

Guidance 2021

The forecast for 2021 is unchanged and assumes that the Group's EBITDA will be in the range of ISK 10.2 to 10.6 billion. Investments are estimated to be in the range of ISK 5.1 to 5.4 billion.

Investor meeting 1 September 2021

An investor presentation will be held on Wednesday 1 September 2021 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 for the meeting are available in Nasdaq's Iceland company news and on the company's investor relations website <https://www.siminn.is/umsimann/uppgjor>.

The meeting is webcasted on: <https://www.siminn.is/fjarfestakynning>.

Financial Calendar 2021

- Interim report for the first nine months of 2021 26 October 2021
- Announcement of the 2021 results 15 February 2022
- Annual General Meeting 2022 10 March 2022

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 Q2 2021 results of Síminn hf.

Síminn hf.

Síminn owns and operates the companies Síminn, Mila, 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.