

Q4 2020 Result Full year 2020

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Highlights in Q4 and 2020

	Q4 2020	2020
Revenue	8.192m.kr. Q4 2019: 7.896 m.kr.	29.939 m.kr. 2019: 29.071 m.kr.
EBITDA *	2.594 m.kr. Q4 2019: 2.728 m.kr.	10.700 m.kr. 2019 : 10.516 m.kr.
EBITDA % *	31,7% Q4 2019: 34,5%	35,7% 2019 : 36,2%
EBIT *	1.032 m.kr. Q4 2019: 1.162 m.kr.	4.586 m.kr. 2019 : 4.914 m.kr.
CAPEX	1.627 m.kr. Q4 2019: 1.385 m.kr.	5.986 m.kr. 2019 : 6.369 m.kr.

NIBD / 12M EBITDA *	Cash	Equity Ratio	Cash generated by operation
1,42 Q4 2019: 1,52	735 m.kr. Q4 2019: 217 m.kr.	57,2% Q4 2019: 55,9%	11.245 m.kr. 2019: 10.265 m.kr.

Operation Q4 2020

- Revenue growth 3,7% between years
 - Half of the revenue growth is due to IT
 - Significant growth in Data, TV services and Equipment sales
 - Decline in Fixed voice and Mobile services
 - Decline in Mobile due to lower income from roaming charges 120 m.kr.
 - Revenue growth in Mobile if roaming is excluded
- The Competition Appeals Committee rules in favor of Síminn
 - 300 m.kr. reduction affecting Q4– The total effect for the year is negative by 200 m.kr.
- Considerable effect of the ISK devaluation
 - The average exchange rate is almost 15% lower than in Q4 2019
- Wage expense decreases

* Without government fine in Q2/Q4 2020

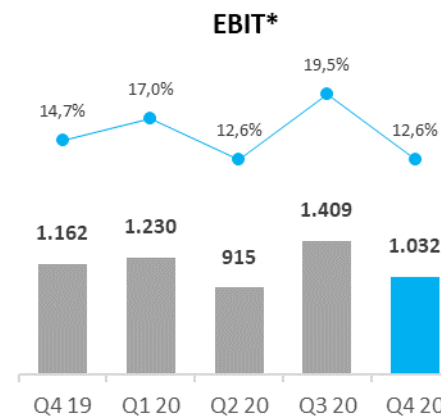
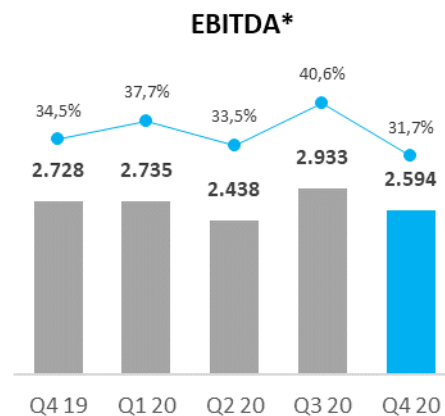
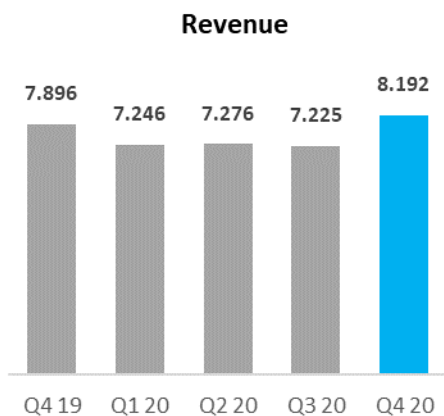


Operation



Income Statement

Income statement	Q4			12M		
	2020	2019	%	2020	2019	%
Net sales	8.192	7.896	3,7%	29.939	29.071	3,0%
Cost of sales	(4.753)	(4.367)	8,8%	(16.492)	(14.906)	10,6%
Operating expenses	(2.107)	(2.367)	-11,0%	(9.061)	(9.251)	-2,1%
EBIT	1.332	1.162	14,6%	4.386	4.914	-10,7%
Net financial items	(105)	(231)	-54,5%	(702)	(1.045)	-32,8%
Income tax	(172)	(171)	0,6%	(768)	(799)	-3,9%
Net profit	1.055	760	38,8%	2.916	3.070	-5,0%
EBITDA	2.894	2.728	6,1%	10.500	10.516	-0,2%
EPS	0,13	0,08	62,5%	0,34	0,34	0,0%



Operation 2020

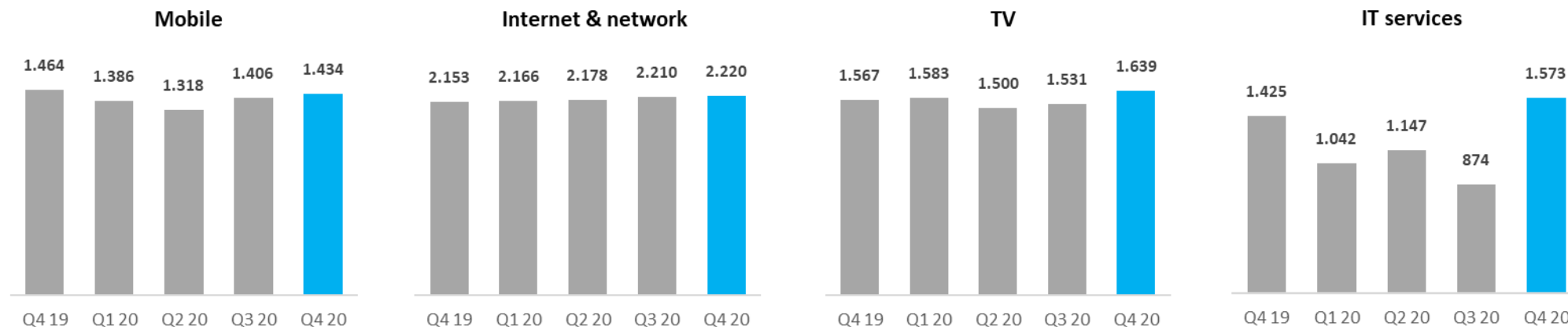
- One-off items affecting EBITDA YoY comparison
 - Net negative effect of fine – 200 m.kr.
 - Compensations expensed in Q3 2020 – 110 m.kr.
 - Compensations expensed in Q1 2019 – 50 m.kr.
 - Gain on sale of Síminn's store Kringlan in Q2 2019 – 164 m.kr.
 - Revenue recognition due to the closure of a loyalty scheme in Q1 2019 - 112 m.kr.
- Adjusted for one-off items EBITDA and Profit is increasing between years
 - Comparable operating profit is unchanged between years
- Interest expenses decrease by 340 m.kr. from the previous year

* Without government fine in Q2/Q4 2020



Revenue by segments

Segments	Q4				12M			
	2020	2019	Change	%	2020	2019	Change	%
Mobile	1.434	1.464	(30)	-2,0%	5.544	5.772	(228)	-4,0%
Fixed voice	415	435	(20)	-4,6%	1.714	1.803	(89)	-4,9%
Internet & network	2.220	2.153	67	3,1%	8.774	8.573	201	2,3%
TV	1.639	1.567	72	4,6%	6.253	5.621	632	11,2%
IT services	1.573	1.425	148	10,4%	4.636	4.162	474	11,4%
Equipment sales	676	611	65	10,6%	2.157	1.932	225	11,6%
Other revenue	235	241	(6)	-2,5%	861	1.208	(347)	-28,7%
Total revenue	8.192	7.896	296	3,7%	29.939	29.071	868	3,0%





Operations Q4 2020

Healthy results in Q4 – Revenue grow but devaluation of ISK effects cost

- Healthy revenue growth driven mainly by growth in TV and IT revenue
 - Slower growth expected in TV – Síminn Sport a fully operational in Q4 2019
 - Premium subscriptions increase by 1.800 in Q4
 - Advertisement revenue grow 10% from Q4 2019
- Growth in equipment sales at Síminn – Low margin revenue
- Data growth for the most parts a result of price increases
- Mobile revenue excluding roaming increase from Q4 2019
 - Around 120 m.kr. decrease in roaming compared to Q4 2019
- Devaluation of the ISK has negative effect on cost – Mainly cost of sold services
 - Exchange rate devaluation on average 15% compared to Q4 2019
- Domestic TV production cost increased by 40 m.kr. from Q4 2019
- Advisor fees including legal fees increase by 60 m.kr.
- The fine reduction ruled by the appeals committee posted in Q4



Operations 2020

Strong results in difficult environment

- The revenue growth in 2020 was the highest since 2013
- TV – and IT services the main growth drivers
 - Premium revenue grow by 500 m.kr. and advertisement revenue by 100 m.kr.
 - Sensa with record performance and most revenue segments with healthy growth
- Míla with 150 m.kr. revenue growth or 2,3%
- Mobile revenue return to growth – excluding roaming revenue
- Subscriptions are growing in most revenue segments
 - A minor decline of 700 in internet services
 - Home package with a small growth – 37.500 subscriptions at year end
- The effect of COVID on revenue was less than estimated at the start of the pandemic
 - Roaming revenue decline by 400 m.kr. since 2019
 - Still no signs of increase in defaults. The record unemployment could mean increase later this year
 - Both Sensa and Síminn with relatively low exposure to the sectors that are hit hardest by COVID
- Síminn and subsidiaries did not use any public funds or programs related to COVID



Operation 2020

Cost cutting measures taken to reduce the effect of ISK devaluation

- Cost control was constant theme in 2020 but ISK devaluation had effect
- Employees on average 50 fewer than in 2019 – The reduction was mainly in Q2
 - Wage cost decreases by 300 m.kr. from 2019
- Employee related expenses reduce by 130 m.kr. from 2019 – Mainly related to COVID
- Sales – and marketing reduces by 85 m.kr. since 2019
- Cost of goods sold increases by 200 m.kr. as a result of equipment sales growth at Síminn and Sensa
- IT cost reduces despite increased focus on outsourcing
- Around 800 m.kr. increase in cost of sold services (CSS)
 - Around 200 m.kr. Is related to increase in domestic TV production cost
 - The effect of the devaluation of the ISK significant and responsible for around half the increase in CSS
- Interest expenses decrease by 340 m.kr. from 2019



Balance Sheet and Cash Flow

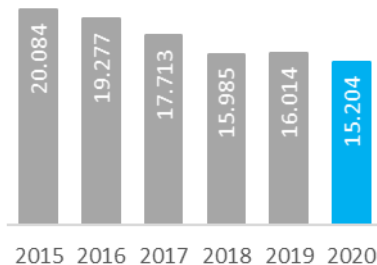


Balance Sheet

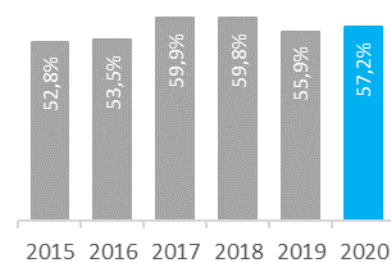
Assets	31.12.2020	31.12.2019
Non-current assets		
Property, plant and equipment.....	18.991	18.716
Right-of-use assets.....	5.378	5.118
Intangible assets.....	32.544	34.265
Other non-current assets.....	544	472
Non-current assets	57.457	58.571
Current assets		
Inventories.....	1.127	1.751
Accounts receivables.....	3.147	4.188
Other current assets.....	834	794
Cash and cash equivalents.....	735	217
Assets held for sale.....	1.906	0
Current assets	7.749	6.950
Total assets	65.206	65.521

Equity and liabilities	31.12.2020	31.12.2019
Equity		
Total equity.....	37.298	36.632
Non-current liabilities		
Borrowings.....	14.289	14.481
Finance lease.....	5.066	4.632
Accounts payables.....	0	353
Deferred tax liabilities.....	670	802
Non-current liabilities	20.025	20.268
Current liabilities		
Bank loans.....	500	600
Accounts payables.....	2.554	3.533
Current maturities of borrowings.....	1.663	1.750
Other current liabilities.....	2.390	2.738
Liabilities held for sale.....	776	0
Current liabilities	7.883	8.621
Total equity and liabilities	65.206	65.521

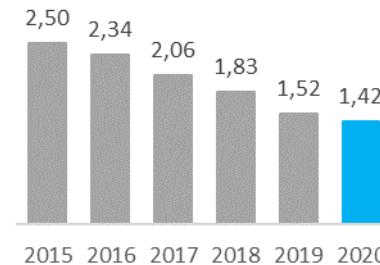
Net interest bearing debt



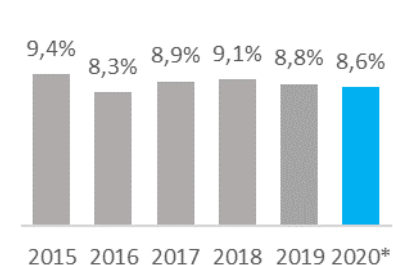
Equity ratio



Net debt to EBITDA*



Return on Equity



* Without government fine in Q2/Q4 2020



Cash Flow

Cash Flow	2020	2019
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Cash flow from operating activities

Operating profit	4.386	4.914
Operational items not affecting cash flow:		
Depreciation and amortisation.....	6.114	5.602
Other items not affecting cash flow.....	(20)	(170)
	<u>10.480</u>	<u>10.346</u>
Changes in current assets and liabilities.....	765	(81)
Cash generated by operation	<u>11.245</u>	<u>10.265</u>
Net interest expenses paid during the period.....	(703)	(992)
Payments of taxes during the period.....	(889)	(766)
Net cash from operating activities	<u>9.653</u>	<u>8.507</u>

Investing activities

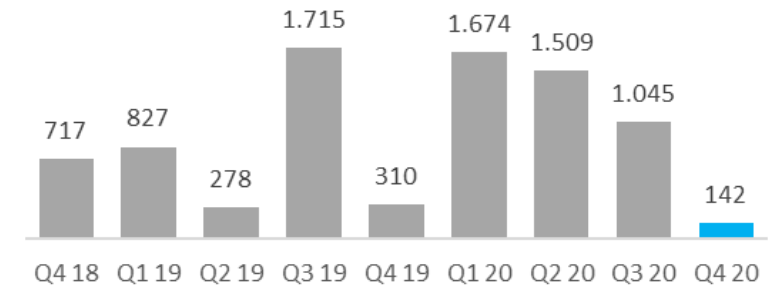
Net investment in property, plant and equipments.....	(5.743)	(6.333)
Other investment.....	(243)	(36)
Investing activities	<u>(5.986)</u>	<u>(6.369)</u>

Financing activities

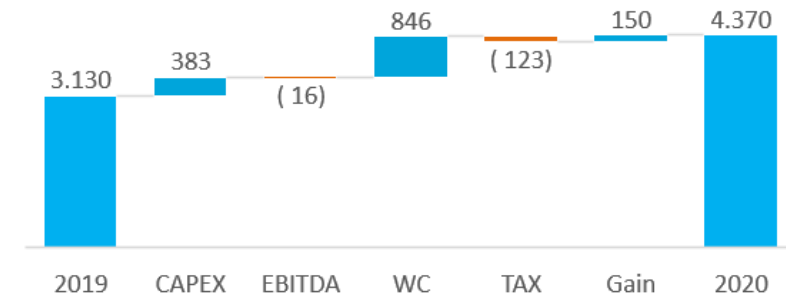
Dividend paid.....	(500)	(330)
Purchase of own shares.....	(1.751)	(1.310)
Payment of long term lease.....	(587)	(552)
Net Financing activities.....	<u>(292)</u>	<u>(1.000)</u>
Financing activities	<u>(3.130)</u>	<u>(3.192)</u>

Increase (decrease) in cash and cash equivalents	537	(1.054)
Translation effects on cash.....	(19)	25
Cash and cash equivalents at the beginning of the year.....	217	1.246
Cash and cash equivalents at the end of the year.....	<u>735</u>	<u>217</u>

Free Cash Flow*



Free Cash Flow*



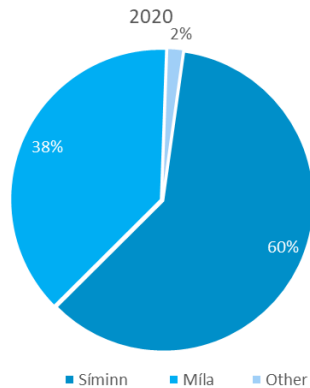
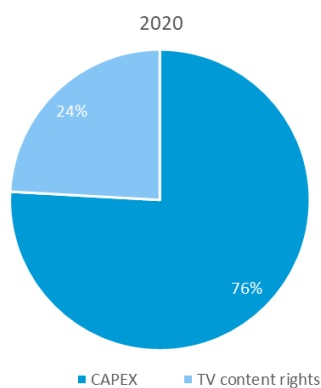
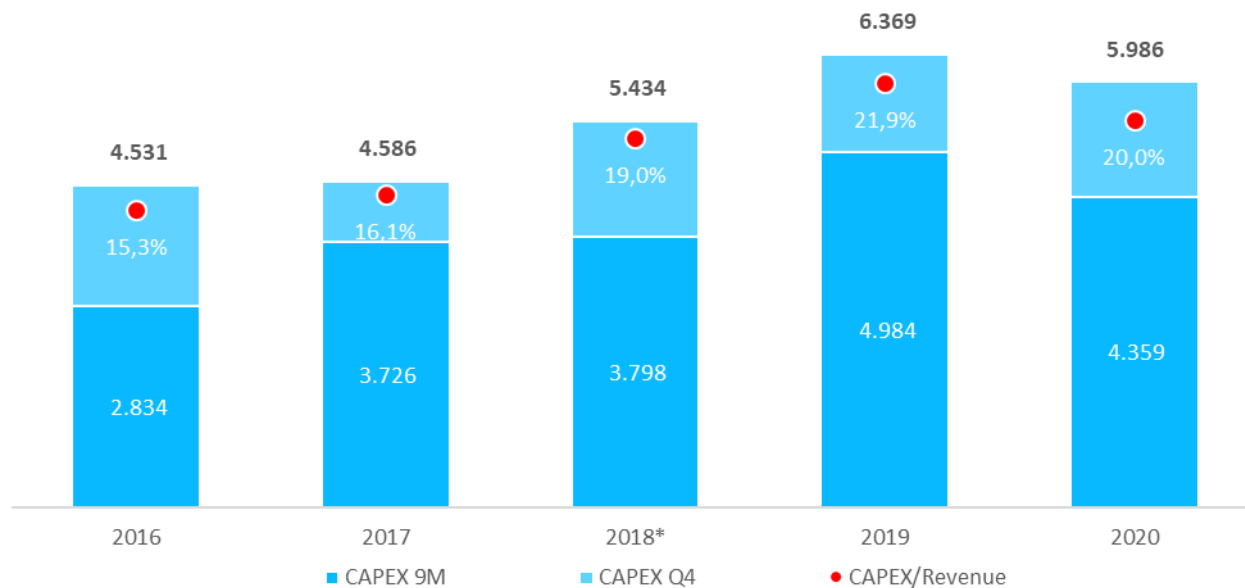
*Free cash flow consists of cash from operations before interest less investing activities



CAPEX



Síminn Group Investment activities



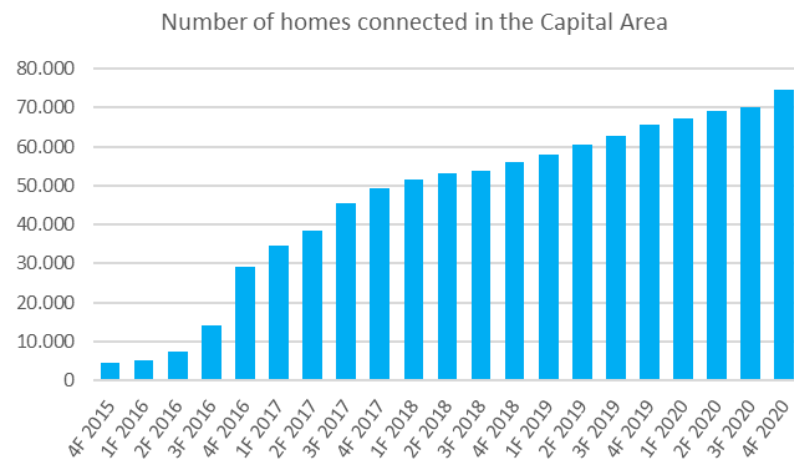
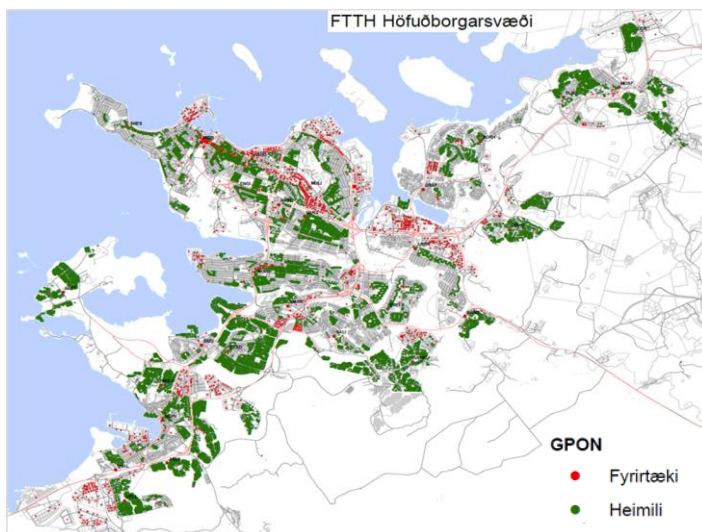
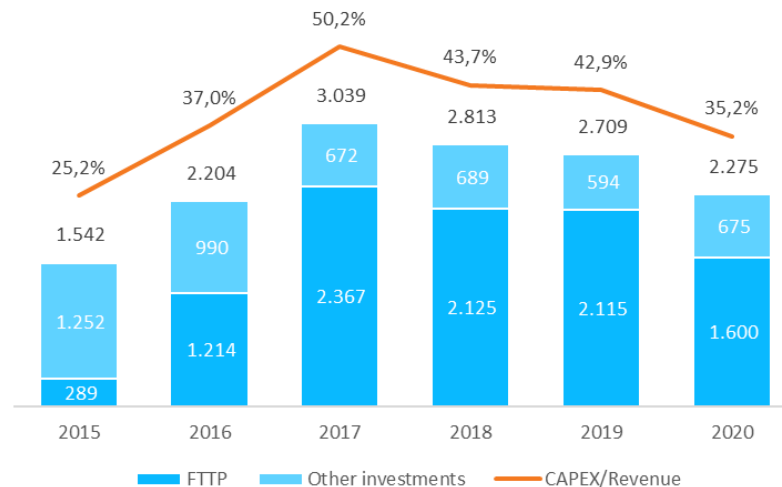
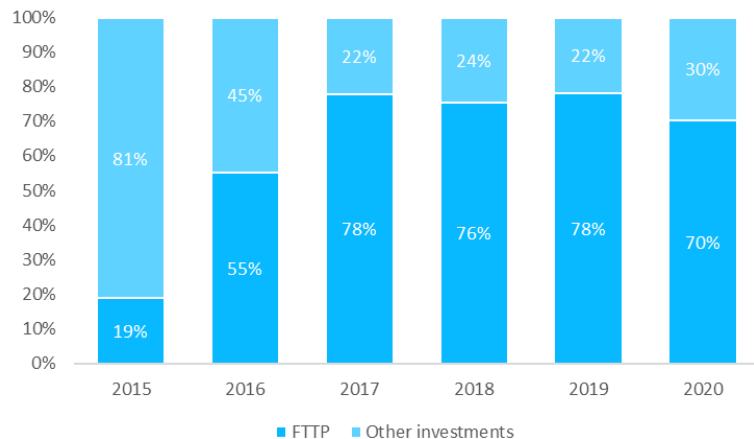
Investment activities 2020

- Investment activities reduced by 383 m.kr. YoY
- Investment in TV rights reduced by 360 m.kr.
- Míla CAPEX reduced by 435 m.kr.
- Síminn Pay and other investments increased by 200 m.kr.
- Síminn Parent and Sensa investment in PPE similar between years

* Restated according to changes made to treatment of TV rights



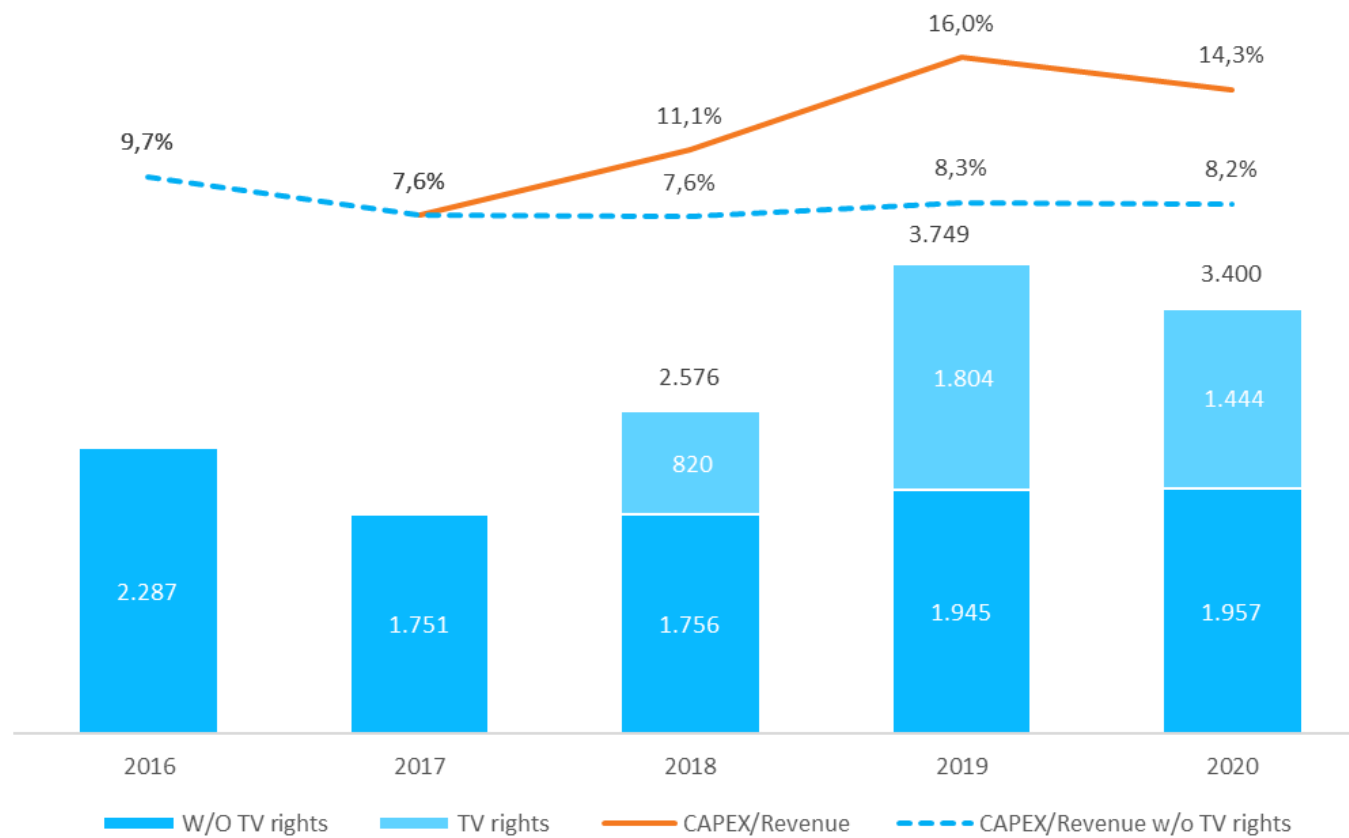
Míla CAPEX



Fiber optic project

- Míla CAPEX have been declining since 2017
- During this period there has always been an emphasis on fiber-optic installation, first in the capital area and later also in the countryside.
- About 95 thousand homes with access to fiber optics at the end of 2020, of which 75 thousand in the capital area
- About 16,000 new homes gained access to fiber optics during the year
- Homes connected almost 40 thousand
- More than 10 thousand homes connected in 2020

Síminn Parent CAPEX





Highlights

Síminn

- Síminn's TV service continues to develop rapidly
 - New distribution channels
 - Síminn TV on AndroidTV released in December 2020
 - Síminn TV on AppleTV released at the end of last month
 - The same range of content and experience regardless of distribution channels
 - Various innovations in the interface and services ahead
- Síminn is the largest seller of fiber-optic connections
 - The latest statistical report from the Post and Telecom Administration, which takes into account the first half of 2020, states that Síminn has become the largest seller of fiber-optic connections
 - Last year, an agreement was reached with Gagnaveita Reykjavíkur to sell Síminn's services over their network. This service is expected to start in the coming months



Síminn

- The first 5G sites were installed at the end of last year
 - 5G at three test sites and the company will implement the service in stages to customers later in the year
 - Síminn has agreed with Ericsson on the ongoing development of the radio network and plans to install 5G at 40-50 sites this year
 - The number of 4G sites was around 530 at the end of the year, and the capacity of the sites was increased during the year
 - The construction of 4G continues and an additional 30-40 sites will be updated with 4G this year
- Stjórnvaldssekt lækkuð um 300 m.kr.
 - Síminn appealed the Competition Authority's decision from last May.
 - The decision of the Competition Appeals Committee was published on 13 January.
 - The majority of the Competition Authority's decision was repealed
 - A step in the right direction but not a final result that the company considered legally correct
 - Government fine reduced from 500 m.kr. to 200 m.kr.
 - A reduction entered in the company's books in December 2020



Míla

- Míla fiber optic installation is well underway, both in the capital area and in rural areas
 - The total number of households that have access to Míla fiber optics has exceeded 95 thousand in the whole country
 - Connected users have become almost 40 thousand
- Big projects in the laying of fiber-optic trunk cables strengthen connections in many parts of the country
 - Work on laying a highland route has been completed
 - Other important projects were laying from Þorlákshöfn in Selvog, in Hörgárdalur and in Seyðisfjörður
- Covid had a considerable impact on operations, but the impact on the operation and development of the network infrastructure was smaller than expected.
 - The network was generally well equipped for changing usage patterns (increased telework)
 - The construction went according to plan
 - Increased demand for fiber-optic connections in the fourth quarter
- Closing project
 - Míla has announced that the company's plans for the decommissioning of the copper system will be completed in 2030

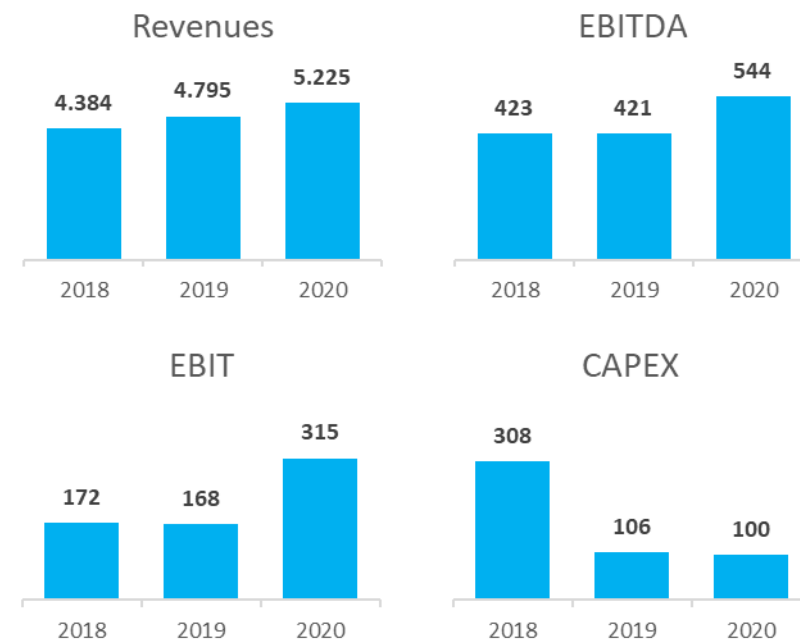




Sensa sold to Crayon Group

- An agreement on the sale of Sensa to Crayon Group was signed at the beginning of December
- The total value of Sensa in the agreement is ISK 3.250 million
 - 2/3 hluti paid in cash
 - 1/3 paid by shares in Crayon, which is bound for twelve months from the signing of the purchase agreement
- Síminn's estimated capital gain is 1,7 b.kr.
 - Depends, among other things, on the price of shares in Crayon on the settlement date
- The approval of the Competition Authority is awaited
- Síminn's capacity is strengthened for internal and external growth
- Síminn will continue to be one of Sensa's key customers
- Cooperation between Síminn and Crayon Group, which will strengthen Síminn's product range and services in the field of information technology

Sensa	2018	2019	2020
Revenues.....	4.384	4.795	5.225
EBITDA.....	423	421	544
EBITDA %.....	9,6%	8,8%	10,4%
EBIT.....	172	168	315
EBIT %.....	3,9%	3,5%	6,0%
CAPEX.....	308	106	100
CAPEX %.....	7,0%	2,2%	1,9%





Transfer of assets

- At the beginning of 2021, the IP network and the Mobile Radio Network were transferred from Síminn to Míla
- Extensive project and preparations have been going on for several months
- Míla activities increase with the change
 - 20 employees were transferred between the companies
 - Annual income increases by almost 2,2 b.kr.
 - EBITDA increases by 1.200 m.kr.
 - CAPEX increases by 750 m.kr.
- Opportunities for new options and services for the telecommunication market and more efficient development





New capital structure

- In recent years, the parent company has taken care of all the financing of the group's subsidiaries
- Míla is finalizing its own financing from Íslandsbanki
- The parent company is in the process of refinancing from Arion Bank
- With the change in the group's capital structure and with the sale of Sensa, funds that are not used in day-to-day operations will be released
 - Will be partially transferred to shareholders
- A proposal will be submitted to the Annual General Meeting to write down equity by 8 b.kr.
- The proposed dividend is 500 m.kr. which is an unchanged amount between years
- The Group's equity ratio will decrease from 57,2% to approx. 44%

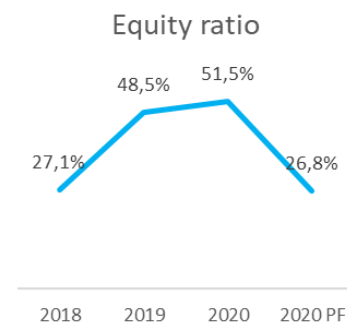
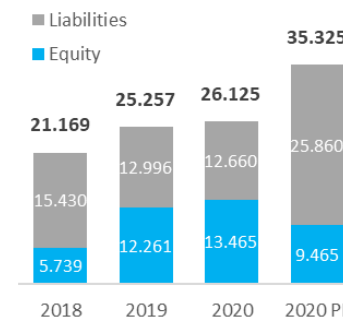
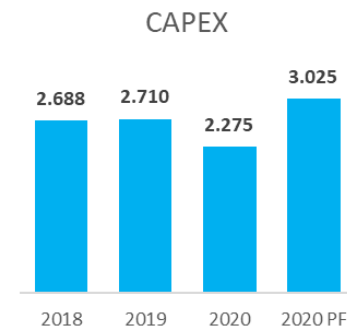
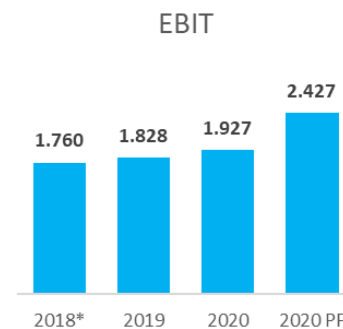
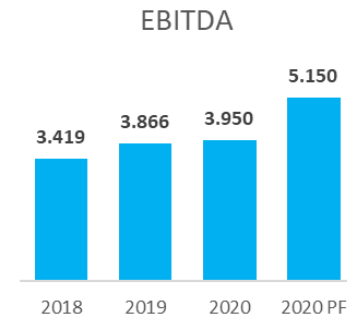
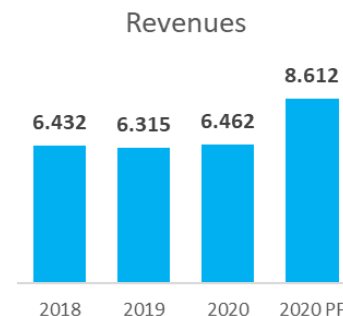




Míla following changes

Transfer of assets, refinancing and reduction of share capital

Míla	2018	2019	2020	Δ	2020 PF
Revenues.....	6.432	6.315	6.462	2.150	8.612
EBITDA.....	3.419	3.866	3.950	1.200	5.150
EBITDA %.....	53,2%	61,2%	61,1%		59,8%
EBIT.....	1.760 *	1.828	1.927	500	2.427
EBIT %.....	27,4%	29,0%	29,8%		28,2%
CAPEX.....	2.688	2.710	2.275	750	3.025
CAPEX %.....	41,8%	42,9%	35,2%		35,1%
Assets.....	21.169	25.257	26.125	9.200	35.325
- thereof Cash.....	173	166	784	250	1.034
Equity.....	5.739	12.261	13.465	-4.000	9.465
Liabilities.....	15.430	12.996	12.660	13.200	25.860
- thereof interest-bearing debt.....	12.737	8.000	8.000	12.000	20.000
Equity and liabilities.....	21.169	25.257	26.125	9.200	35.325
Equity ratio.....	27,1%	48,5%	51,5%		26,8%



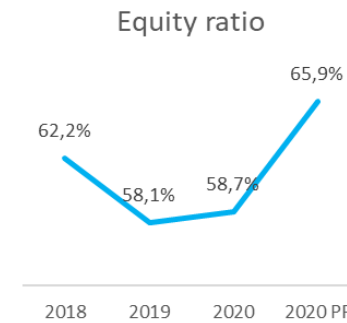
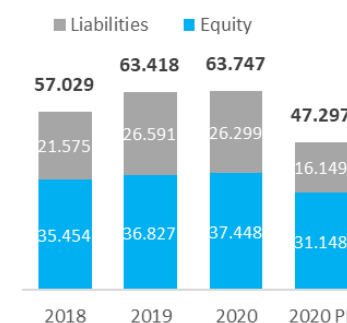
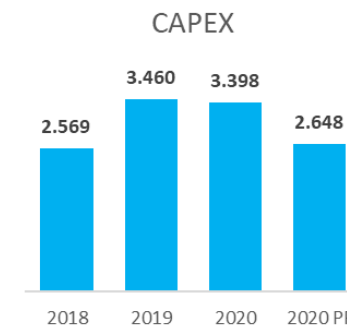
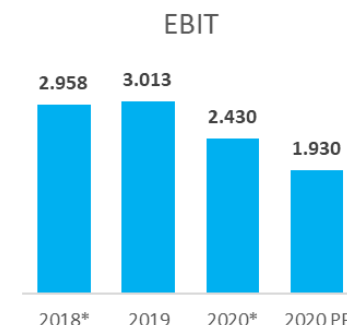
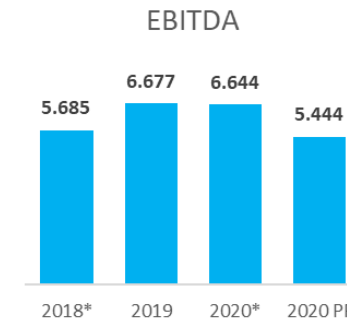
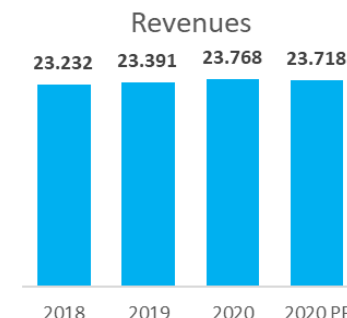


Síminn Parent Company following changes

Sale of Sensa, transfer of assets, refinancing and reduction of share capital

Síminn parent	2018*	2019	2020*	Δ	2020 PF
Revenues	23.232	23.391	23.768	-50	23.718
EBITDA	5.685	6.677	6.644	-1.200	5.444
EBITDA %.....	24,5%	28,5%	28,0%		23,0%
EBIT	2.958	3.013	2.430	-500	1.930
EBIT %.....	12,7%	12,9%	10,2%		8,1%
CAPEX	2.569	3.460	3.398	-750	2.648
CAPEX %.....	11,1%	14,8%	14,3%		11,2%
Assets	57.029	63.418	63.747	-16.450	47.297
- thereof Cash.....	1.217	165	708	4.850	5.558
Equity.....	35.454	36.827	37.448	-6.300	31.148
Liabilities.....	21.575	26.591	26.299	-10.150	16.149
- thereof interest-bearing debt.....	17.221	16.221	15.929	-8.950	7.000
Equity and liabilities	57.029	63.418	63.747	-16.450	47.297
Equity ratio.....	62,2%	58,1%	58,7%		65,9%

- The parent company's cash will increase by 5 b.kr.
- In addition, the parent company has access to 6 b.kr. in long-term loans, credit lines and bills
- Significant potential for repurchase and utilization of opportunities for further growth



* EBITDA 2018 restated according to changes made to treatment of TV rights
EBITDA og EBIT 2020 without government fine in Q2/Q4 200 m.kr.

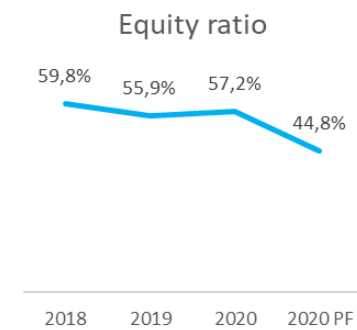
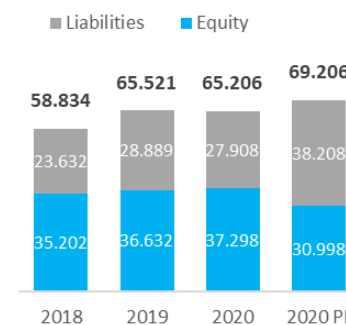
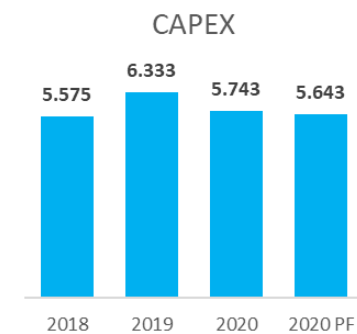
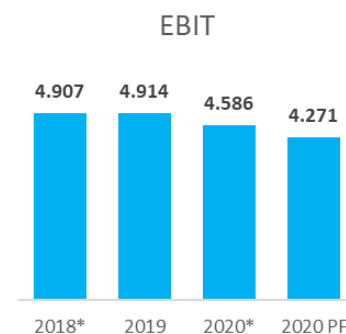
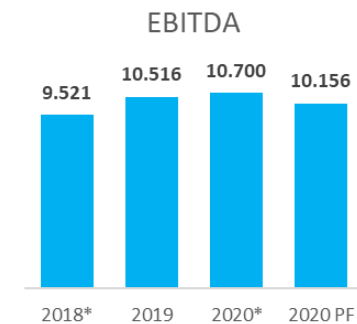
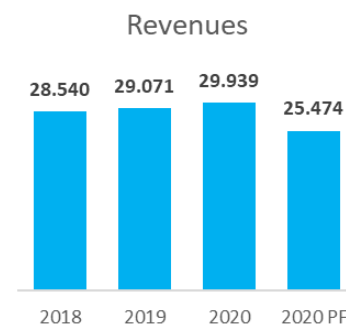


Síminn Group following changes

Sale of Sensa, refinancing and reduction of share capital

Síminn Group	2018*	2019	2020*	Δ	2020 PF
Revenues.....	28.540	29.071	29.939	-4.465	25.474
EBITDA.....	9.521	10.516	10.700	-544	10.156
EBITDA %.....	33,4%	36,2%	35,7%		39,9%
EBIT.....	4.907	4.914	4.586	-315	4.271
EBIT %.....	17,2%	16,9%	15,3%		16,8%
CAPEX.....	5.575	6.333	5.743	-100	5.643
CAPEX %.....	19,5%	21,8%	19,2%		22,2%
Assets.....	58.834	65.521	65.206	4.000	69.206
- thereof Cash.....	1.246	217	735	5.100	5.835
Equity.....	35.202	36.632	37.298	-6.300	30.998
Liabilities.....	23.632	28.889	27.908	10.300	38.208
- thereof interest-bearing debt.....	17.231	16.231	15.939	11.050	26.989
Equity and liabilities.....	58.834	65.521	65.206	4.000	69.206
Equity ratio.....	59,8%	55,9%	57,2%		44,8%

*EBIT 2018 adjusted for impairment of goodwill 2.990 m.kr.
EBITDA 2018 restated according to changes made to treatment of TV rights
EBITDA og EBIT 2020 without government fine in Q2/Q4 200 m.kr.





Proposals for the Annual General Meeting



Dividend and share buyback

Changed capital structure

Dividend policy:

„Síminn hf. aims to distribute to shareholders with annual dividend and / or share buyback programs a minimum of 50% of profit after tax in accordance with laws and regulations at any given time. When making proposals for dividend payments and / or share buyback, the Board of Directors shall, among other things, take into account criteria for the company's capital structure, market conditions, investment needs in the coming years and the company's financial obligations .“

The is proposing the following that the General Assembly on 11 March:

1. 500 m.kr. in dividend – The same amount as in 2020
2. Reduce share capital by cancelling shares for 316 m.kr. in nominal value. 3,6% of issued share capital
3. Reduce equity by 8 billion ISK payment to shareholders. Related to changes in capital structure
4. Request authorization to buy up to 10% of issued shares
 - Share buy back plans for 2021 have not been finalized.



Outlook 2021



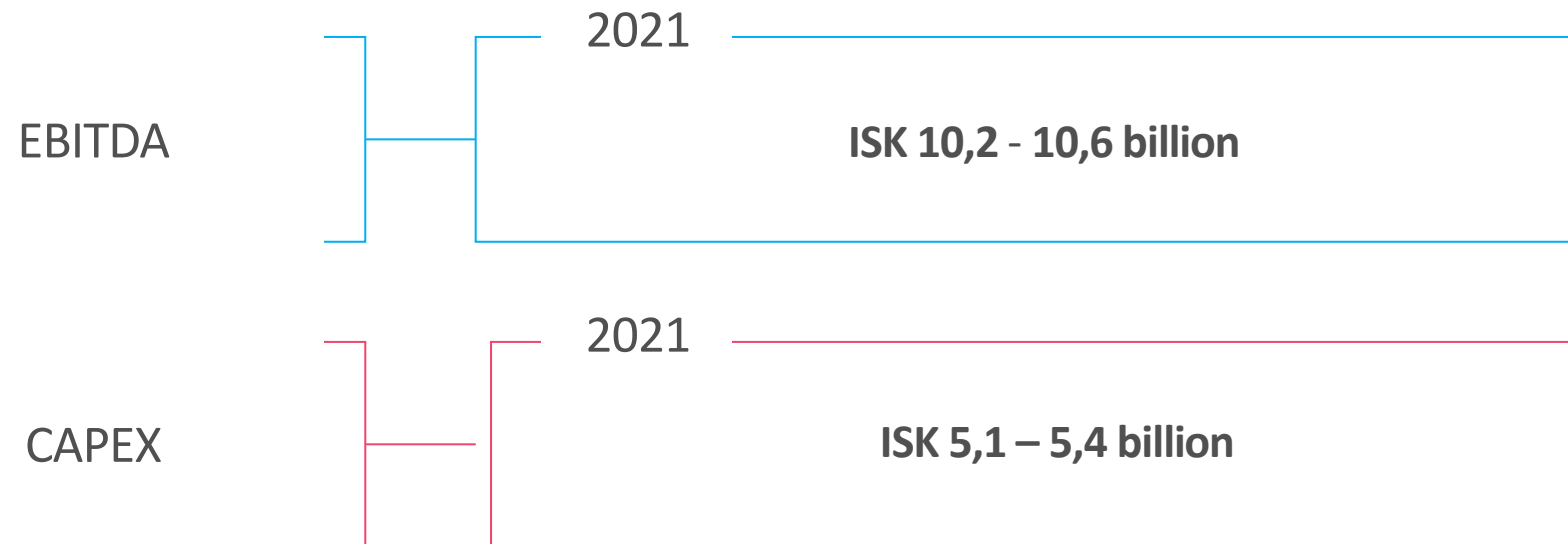
Outlook for 2021

Exciting times ahead

- Asset transfer between Síminn and Míla will sharpen the customer focus for both companies
- The new Míla will be one the strongest infrastructure companies in Iceland
- Changes in capitals structure and refinancing will have positive effect on cash position and the ability to explore external growth opportunities – Positive effect on return
- The agreement with Gagnaveita Reykjavíkur opens up new business opportunities
- The outlook is for revenue growth in key products apart from Fixed voice
 - Growth will be slower in TV services, following strong growth recent years
 - Strong competition mainly from abroad is a challenge for us to do even better
- The co-operation with Crayon following the sale of Sensa creates opportunities in the corporate market
- Cost is under control, but further devaluation of the ISK would put pressure on cost
- Síminn is not immune to COVID and the negative effect it has on the Icelandic economy
- The outlook is modest EBITDA growth in 2021



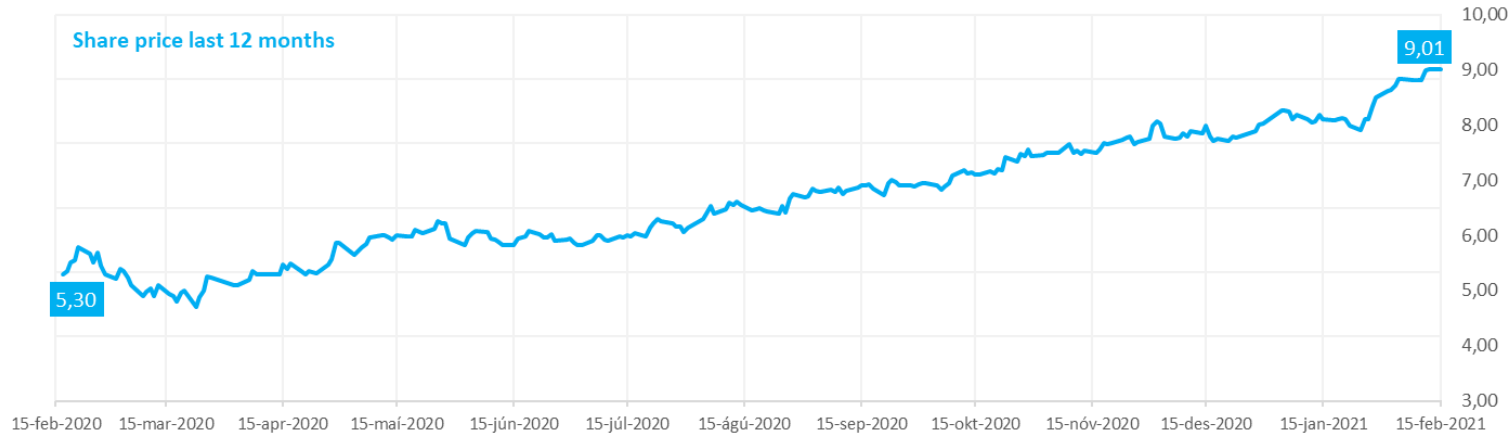
Guidance for 2021



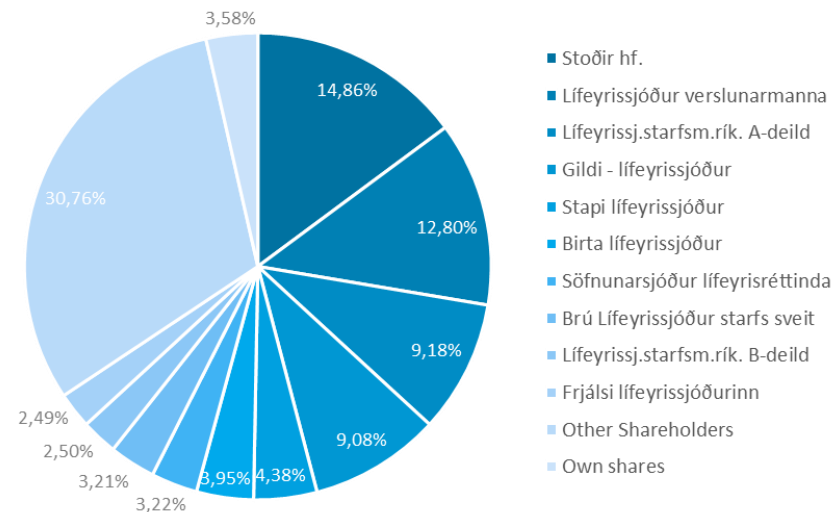
EBITDA without Sensa and ISK 200 million government fine was ISK 10,156 million in 2020
CAPEX without Sensa was ISK 5,643 million in 2020



Shareholders



Shareholders 14.2.2021	Position	% O/S
Stoðir hf.	1.300.000.000	14,86%
Lífeyrissjóður verslunarmanna	1.119.675.792	12,80%
Lífeyrissj.starfsm.rík. A-deild	803.675.000	9,18%
Gildi - lífeyrissjóður	794.216.544	9,08%
Stapi lífeyrissjóður	383.001.106	4,38%
Birta lífeyrissjóður	345.684.314	3,95%
Söfnunarsjóður lífeyrisréttinda	281.399.167	3,22%
Brú lífeyrissjóður starfs sveit	280.807.620	3,21%
Lífeyrissj.starfsm.rík. B-deild	218.703.300	2,50%
Frjálsi lífeyrissjóðurinn	218.212.279	2,49%
Top 10 shareholders	5.745.375.122	65,66%
Other Shareholders	2.691.277.729	30,76%
Shares outstanding	8.436.652.851	96,42%
Own shares	313.347.149	3,58%
Total number of shares	8.750.000.000	100,00%



Shareholders

- Dividend payment of 500 m.kr. paid in April 2020 in accordance with the resolution of the Annual General Meeting
- The company has bought own shares for ISK 2,175 million. from the last Annual General Meeting and own shares amount to 3.63% of the issued share capital
- There are 907 shareholders, and the number has increased by 34 this year
- Síminn's shares rose by 46.5% in 2020
 - The increase since the beginning of the year is 12.3%



Appendix



Business segments

- **Mobile:** Revenue from mobile services in Iceland and abroad, whether traditional GSM service, satellite 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:** Revenue from TV broadcast and distribution and Síminn TV (fees, traffic and advertisement).
- **IT services:** Revenue from hosting and operations, advisor fees and 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.



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