



Q3 2020 Results

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Highlights in Q3 and 9M 2020

	Q3 2020	9M 2020
Revenue	7.225 m.kr. Q3 2019: 7.098 m.kr.	21.747 m.kr. 9M 2019: 21.175 m.kr.
EBITDA *	2.933 m.kr. Q3 2019 : 2.817 m.kr.	8.106 m.kr. 9M 2019: 7.788 m.kr.
EBITDA % *	40,6% Q3 2019 : 39,7%	37,3% 9M 2019: 36,8%
EBIT *	1.409 m.kr. Q3 2019 : 1.367 m.kr.	3.554 m.kr. 9M 2019: 3.752 m.kr.
CAPEX	1.088 m.kr. Q3 2019 : 2.115 m.kr.	4.359 m.kr. 9M 2019: 4.984 m.kr.

NIBD / 12M EBITDA *	Cash	Equity Ratio	Cash generated by operation
1,36 4F 2019: 1,52	714 m.kr. 4F 2019: 217 m.kr.	57,0% 4F 2019: 55,9%	9.086 m.kr. 9M 2019: 8.173 m.kr.

Operation Q3 2020

- Revenue growth was 1,8% between years
- Growth is mainly due to TV services and equipment sale
- Decline in Mobile due to lower income from roaming charges
- Cost reductions in Q2 pay off in Q3
- Wage expenses decreased by 167 m.kr. from Q3 2019
- Staff expenses decreased due to staff working from home
- Sales and marketing expenses decreased
- The effect of a weaker exchange rate is considerable
- In particular, long-term contracts with key suppliers
- Interest expenses decrease by 110 m.kr.

* Without government fine in Q2 2020

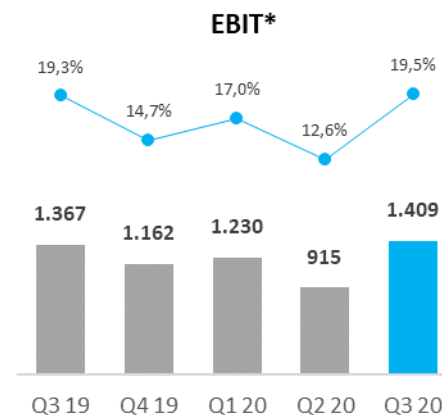
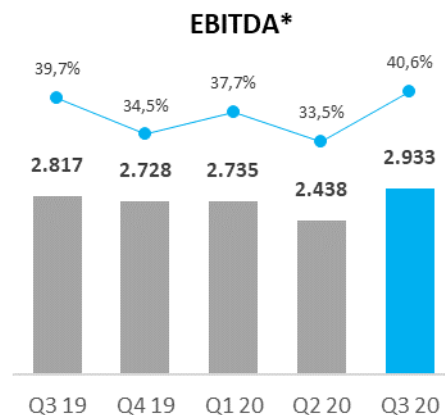
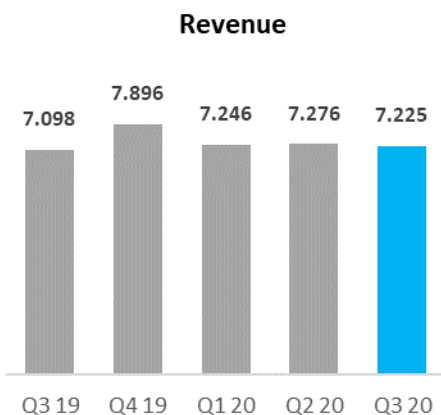


Operation



Income Statement

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%



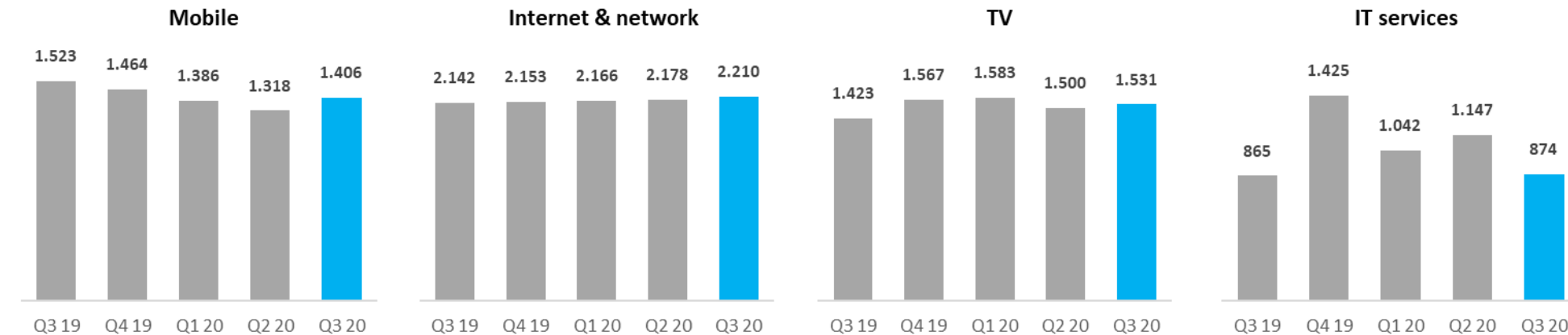
Operation 9M 2020

- Irregular items affect EBITDA comparisons between years
 - Government fine charged in Q2 2020 - 500 m.kr.
 - Costs due to redundancies in Q2 2020 - 125 m.kr.
 - Compensation charged in Q1 2019 - 50 m.kr.
 - Gain on sale of store in Kringlan Mall in Q2 2019 - 164 m.kr.
 - Revenue due to the closure of the loyalty program in Q1 2019 - 112 m.kr.
- Adjusted for irregular items, EBITDA and profit are growing between years
- Interest expenses decrease by 250 m.kr. from the previous year



Revenue by segments

Segments	Q3				9M			
	2020	2019	Breyting	%	2020	2019	Breyting	%
Mobile	1.406	1.523	(117)	-7,7%	4.110	4.308	(198)	-4,6%
Fixed voice	423	444	(21)	-4,7%	1.299	1.368	(69)	-5,0%
Internet & network	2.210	2.142	68	3,2%	6.554	6.420	134	2,1%
TV	1.531	1.423	108	7,6%	4.614	4.054	560	13,8%
IT services	874	865	9	1,0%	3.063	2.737	326	11,9%
Equipment sales	567	456	111	24,3%	1.481	1.321	160	12,1%
Other revenue	214	245	(31)	-12,7%	626	967	(341)	-35,3%
Total revenue	7.225	7.098	127	1,8%	21.747	21.175	572	2,7%





Operation Q3 2020

Good results in Q3 - Revenues increase and cost reductions pay off

- Total revenue 7.225 m.kr. in Q3 2020, up by 127 m.kr. from last year
- Growth in equipment sales at Síminn and services related to Internet & network and TV
 - Equipment sales up by 24%
 - Internet & network increased by more than 3%
 - Revenue from internet increased by more than 4%
 - TV revenues grow by almost 8%
 - Advertising revenue unchanged from Q3 2019
 - Premium income increased by 18% from Q3 2019
- Mobile revenues decline by 114 million or almost 8%
 - Travel related income decreases by 150 m.kr. from Q3 2019 due to less travel
 - Income from Prenna grows by 25 m.kr. from 3Q 2019
 - Subscription income from the domestic market does not change much
- Sensa's revenue is similar to Q3 2019, but EBITDA increases by 25%
- Revenue and profit of Míla similar to Q3 2019



Operation Q3 2020

Good results in Q3 - Revenues increase and cost reductions pay off

- FTE's has decreased by 50 since the beginning of the year
 - The largest decrease in Q2 - Savings appear in Q3 and the decrease from Q3 2019 amounted to a total of 167 m.kr.
 - Outsourcing software development reduces labor costs by 300 m.kr. on an annual basis but will not have a significant effect on Síminn's total costs in the coming months
- The effects of the weakening of the exchange rate are becoming increasingly apparent
 - Mainly it affects service agreements from parties such as Ericsson, Cisco and Farice
- The increase in depreciation and amortization is mainly due to increased investments in content rights but also due to infrastructure investment at Míla
- Various variable expenses are reduced
- The reduction is largely due to COVID-19, which automatically affects travel and other staff related expenses.
 - Sales and marketing expenses cut due to changed circumstances
- Interest expenses on long-term loans were ISK 107 million at Q3 2020, compared to 218 m.kr. in Q3 2019



Operation Q3 2020

Rapid adaptation to changing external conditions

- Revenue growth between years shows the strength in the company's product range
 - 14% growth in TV revenue and 11% growth in IT revenue
 - Revenue from internet services increase
 - The negative effects of COVID are mainly reflected in lost revenue from domestic and foreign tourists
 - Revenue reduction by 300 m.kr. between years
- The cost restraint is high, but the weakening of the ISK has an effect
- Up to 600 m.kr. increase in the cost of services sold
 - One third is due to increased production of domestic content for TV
 - Just over 200 m.kr. are cost increases that can largely be attributed to the effects of the exchange rate
- Advertising revenue has risen by 22% between years
- Defaults have not risen much yet - less than expected



Balance Sheet and Cash Flow

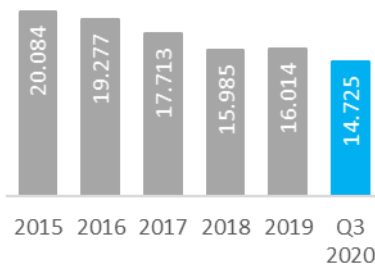


Balance Sheet

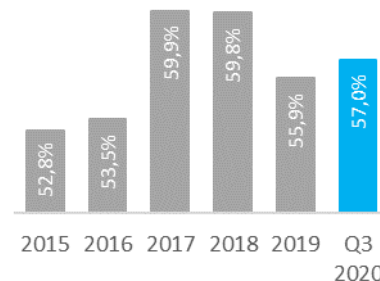
Assets	30.9.2020	31.12.2019
Non-current assets		
Property, plant and equipment.....	19.093	18.716
Right-of-use assets.....	4.711	5.118
Intangible assets.....	33.576	34.265
Other non-current assets.....	596	472
Non-current assets	57.976	58.571
Current assets		
Inventories.....	1.447	1.751
Accounts receivables.....	3.099	4.188
Other current assets.....	896	794
Cash and cash equivalents.....	714	217
Current assets	6.156	6.950
Total assets	64.132	65.521

Equity and liabilities	30.9.2020	31.12.2019
Equity		
Total equity.....	36.561	36.632
Non-current liabilities		
Borrowings.....	14.576	14.481
Finance lease.....	4.308	4.632
Accounts payables.....	0	353
Deferred tax liabilities.....	635	802
Non-current liabilities	19.519	20.268
Current liabilities		
Bank loans.....	0	600
Accounts payables.....	3.038	3.533
Current maturities of borrowings.....	1.463	1.750
Other current liabilities.....	3.551	2.738
Current liabilities	8.052	8.621
Total equity and liabilities	64.132	65.521

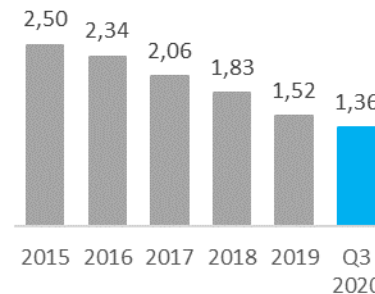
Net interest bearing debt



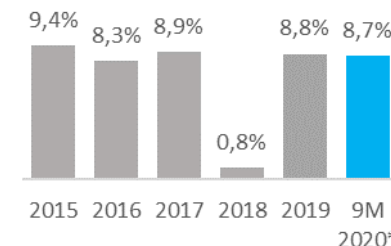
Equity ratio



Net debt to EBITDA*



Return on Equity

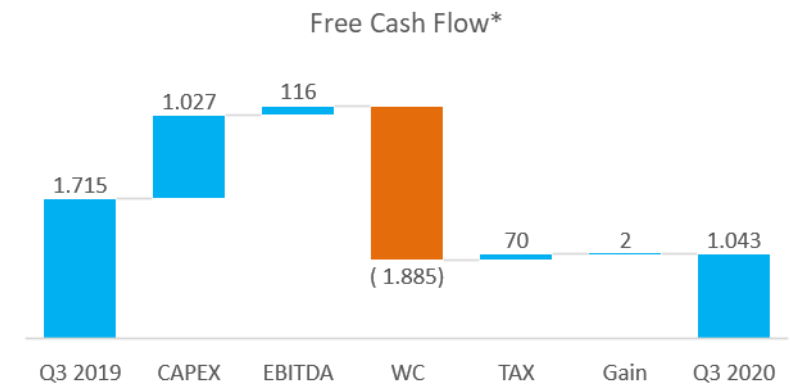
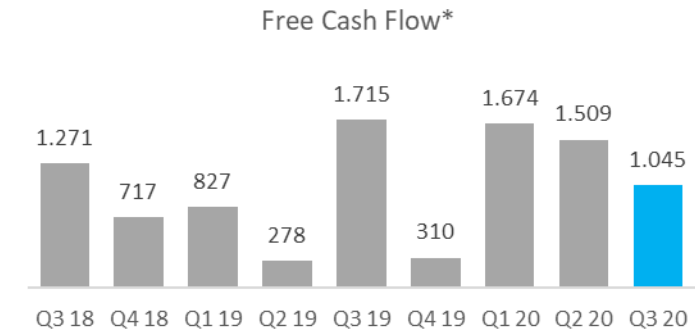


* Without government fine in Q2 2020



Cash Flow

Cash Flow	9M 2020	9M 2019
Cash flow from operating activities		
Operating profit	3.054	3.752
Operational items not affecting cash flow:		
Depreciation and amortisation.....	4.552	4.036
Other items not affecting cash flow.....	(5)	(167)
	<u>7.601</u>	<u>7.621</u>
Changes in current assets and liabilities.....	1.485	552
Cash generated by operation	<u>9.086</u>	<u>8.173</u>
Net interest expenses paid during the period.....	(557)	(768)
Payments of taxes during the period.....	(499)	(369)
Net cash from operating activities	<u>8.030</u>	<u>7.036</u>
Investing activities		
Net investment in property, plant and equipments.....	(4.190)	(5.014)
Other investment.....	(169)	30
Investing activities	<u>(4.359)</u>	<u>(4.984)</u>
Financing activities		
Dividend paid.....	(500)	(330)
Purchase of own shares.....	(1.433)	(942)
Payment of long term lease.....	(440)	(402)
Net Financing activities.....	<u>(792)</u>	<u>(1.092)</u>
Financing activities	<u>(3.165)</u>	<u>(2.766)</u>
Increase (decrease) in cash and cash equivalents	506	(714)
Translation effects on cash.....	(9)	25
Cash and cash equivalents at the beginning of the year.....	217	1.246
Cash and cash equivalents at the end of the period.....	<u>714</u>	<u>557</u>



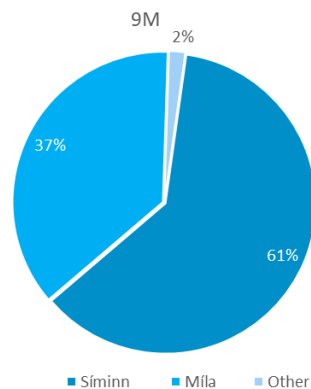
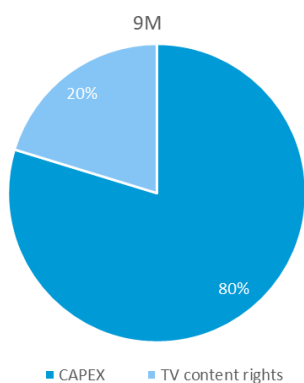
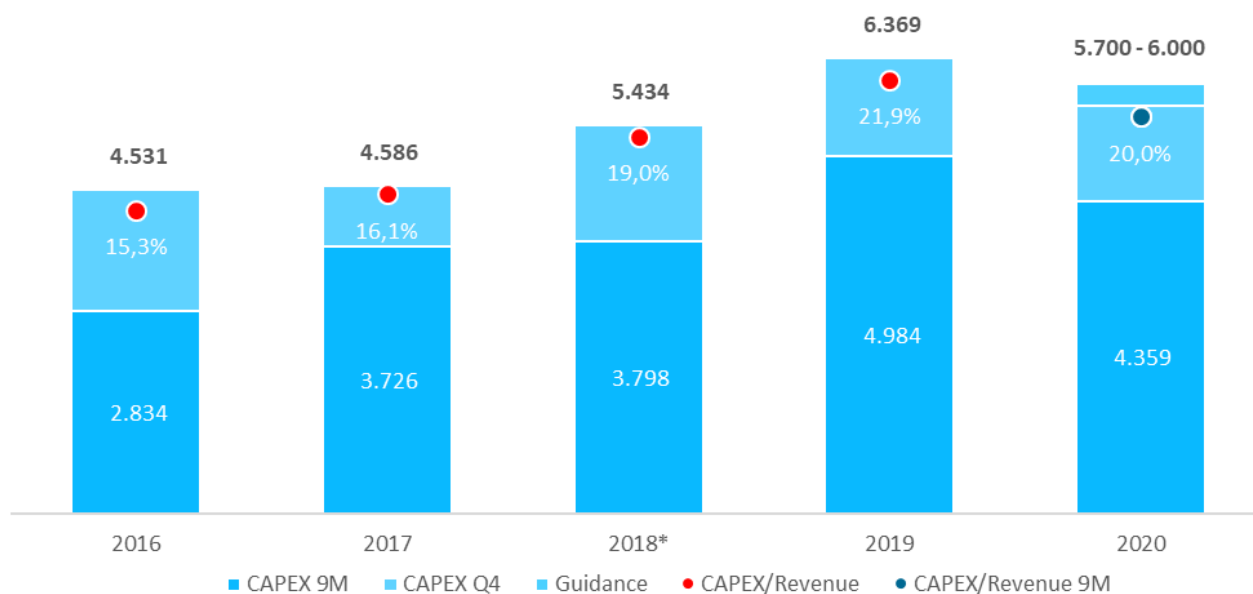
*Free cash flow consists of cash from operations before interest less investing activities



CAPEX



Investing activities



CAPEX 9M 2020

- Investment activities in 9M 2020 are 625 m.kr. less than in the same period last year, mainly due to TV content rights and Míla
- Investments without TV rights are about 500 m.kr. less than in the same period in 2019, with the largest difference being Míla investments, which are 350 m.kr. lower than the year before
- Fiber optic projects in rural areas are postponed due to the PTA announcement of increased obligations on Míla, which will make planned investments in dozens of municipalities unprofitable
- Cost of indoor wiring per home have fallen sharply between years.

*Restated according to changes made to treatment of TV rights



Highlights

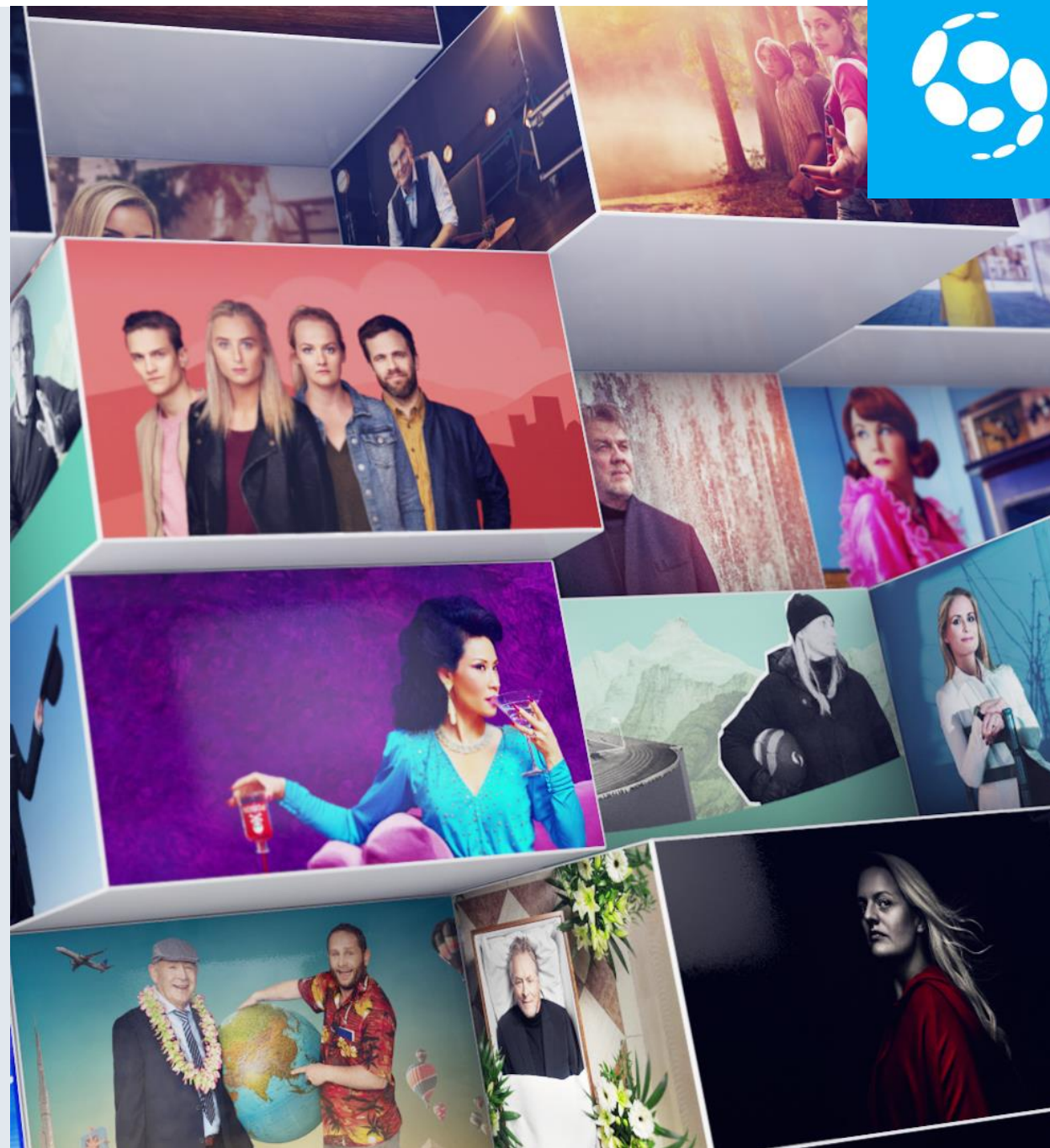
Síminn

- The first 5G transmitters are being installed for testing
 - The aim is to install 2-4 transmitters before the end of the year
 - The 5G system will be built in accordance with the frequency license from the PTA
 - 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
 - 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 Míla
 - It is expected that by the end of the year, more part of network operations will be transferred from Síminn to Míla
 - The project is extensive, and the companies have received assistance from the consulting company McKinsey



Síminn

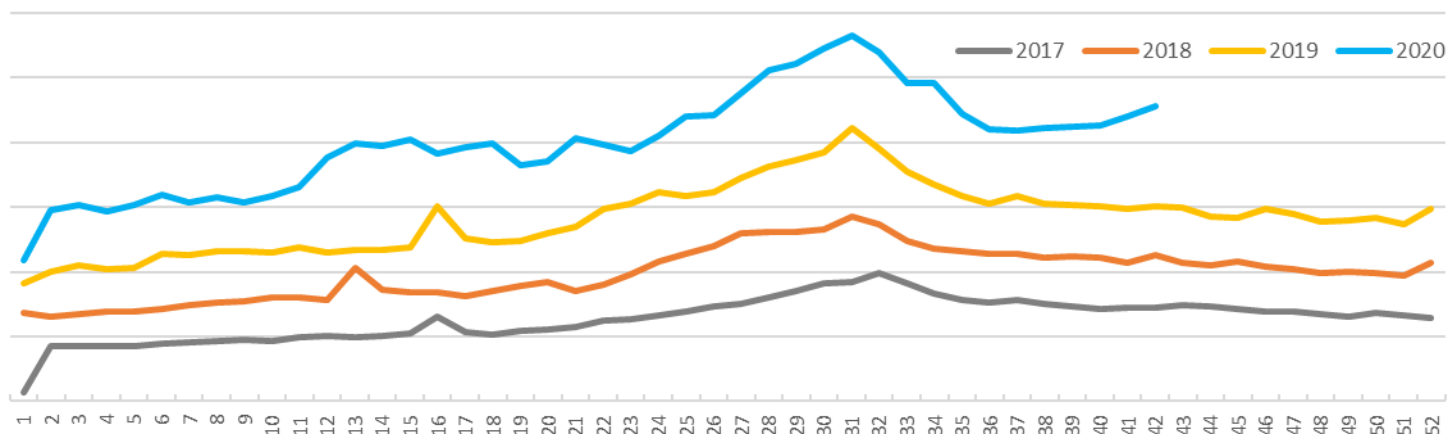
- The usage of Síminn Premium SVOD has increased significantly
 - Delays in material from foreign suppliers have made the work of the program department more complicated
 - However, they have been successful in finding new material and speeding up other material as well as directing the audience to older quality material
- TV ratings are also at the highest levels thanks to good quality content on Síminn's television station
- 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



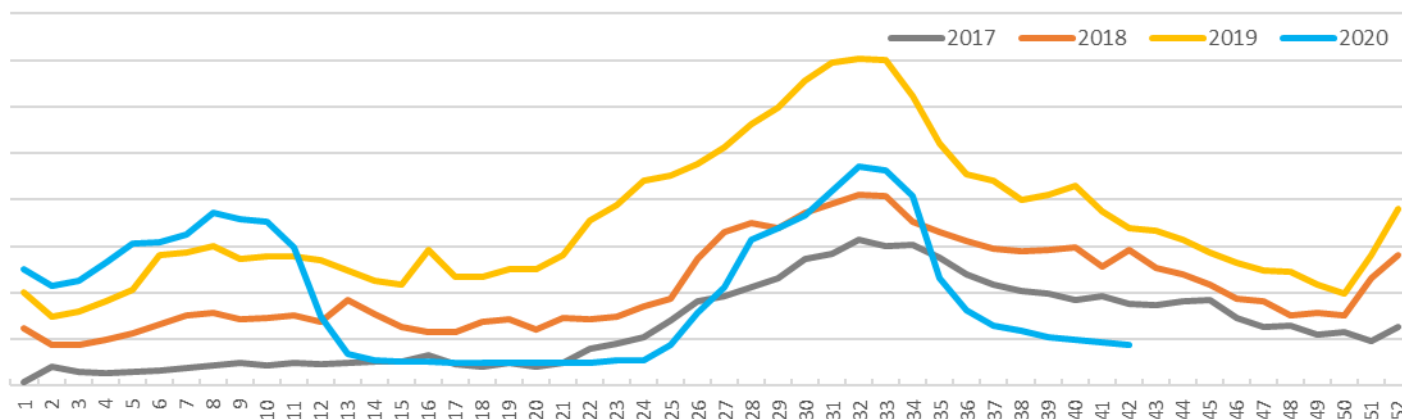


Mobile data traffic increase related to status of Covid-19

Data traffic in mobile network



Data traffic - Foreign roaming users



Data traffic increases

- Data traffic in Síminn's mobile network increases more between years in March/April and October
- Associated with to changes in consumption behavior due to Covid 19
- Easter peak in usage not visible this year
- Roaming data traffic is declining rapidly again
- The traffic of foreign visitors on Síminn's network began to increase in June with less travel restrictions
- Traffic began to decline rapidly in August and September
- The traffic in recent weeks, however, is higher than it was this spring

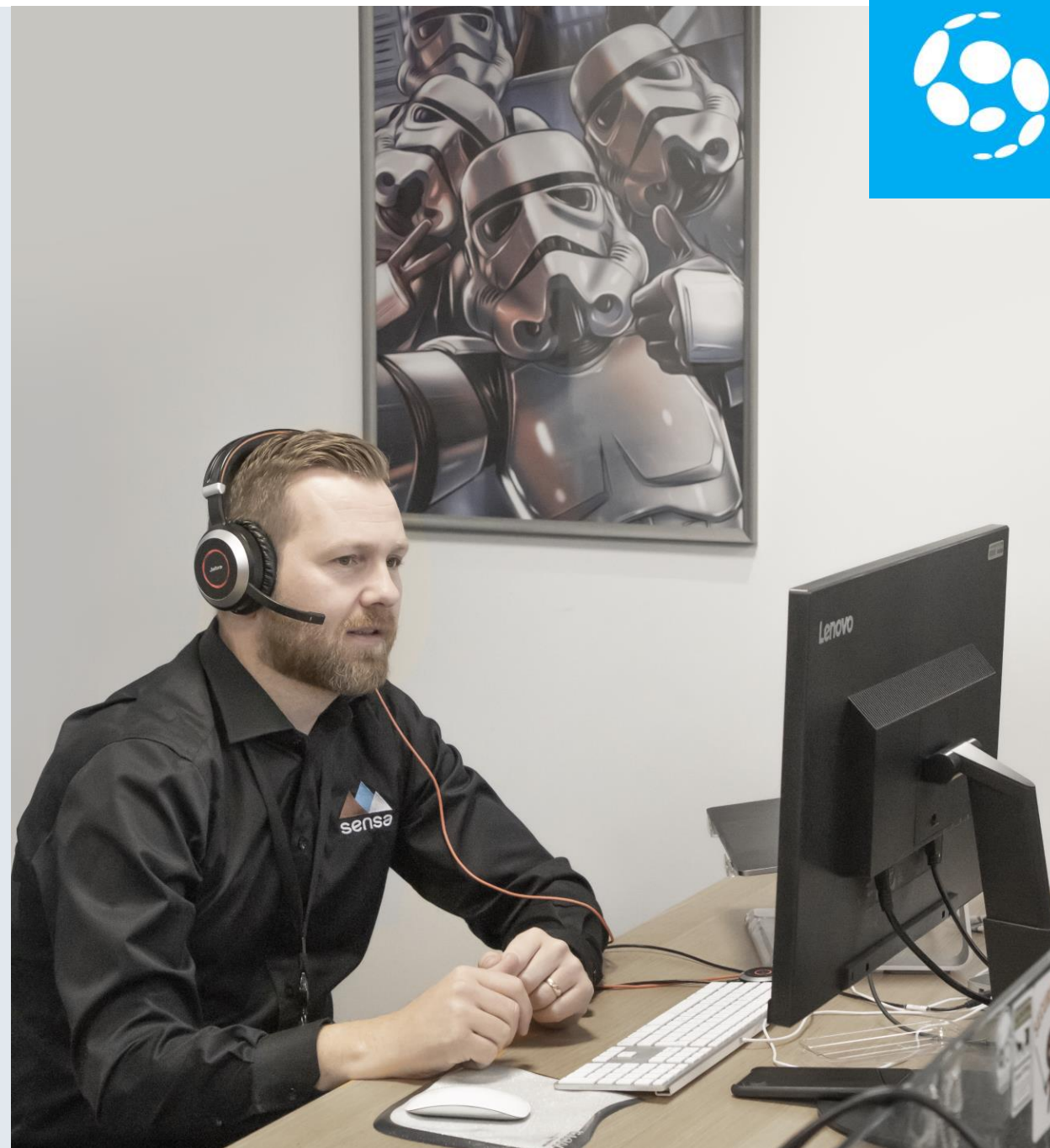
Míla

- The installation of Míla's fiber optics exceeds expectations and connected spaces have exceeded 90 thousand
 - In the first 9 months of the year, Míla has carried out 9 thousand fiber optic installations for homes
 - The number of users has grown to 37 thousand
- Fewer projects related to fiber-optic installation in rural area than planned due to recent PTA market analysis
 - Several projects have been postponed
 - Míla has nevertheless achieved its overall goals for the year 2020
- Two large projects in the development of infrastructure that increase security are progressing well and are in line with plans
 - Laying of fiber optics over the highlands
 - Strengthening reserve power in the northern part of the country



Sensa

- Revenues are above plan so far this year and the company's results are good
- Sensa took over the operation of the IT environment of Kópavogur
 - Implementation went well despite obstacles
 - Service surveys show that employees are satisfied with Sensa's service
- Sensa was selected following a tender to provide the City of Reykjavík with network and teleconferencing equipment for renewal and additions to the city's system
- The autumn is lively, a variety of projects in progress, ranging from cloudization of companies and institutions to infrastructure renewal for large customers





Outlook for 2020



Outlook for 2020

Outlook unchanged - EBITDA close to the upper limit

- At the end of May, the company's EBITDA guidance for 2020 was lowered to 9.9 - 10.3 b.kr. following the fine from the Competition Authority
 - The decision of the Competition Appeals Committee is expected before the end of the year
- Costs have been adjusted to changed circumstances
 - Wage costs have been reduced and other cost savings will amount to around 300 m.kr. during the year
- Revenue effect of COVID-19 less than expected
 - Defaults have not risen since Q2 this year
- Sales have been successful this autumn and so far, there has not been much effect from the economic downturn
- EBITDA will be close to the upper limit of the guidance
- Investments will be at the lower end of the guidance
- Refinancing is under consideration
 - Direct financing of Míla under consideration
- Share buyback will resume in November
 - 500 m.kr. and a daily maximum of 2 m.kr. at nominal value

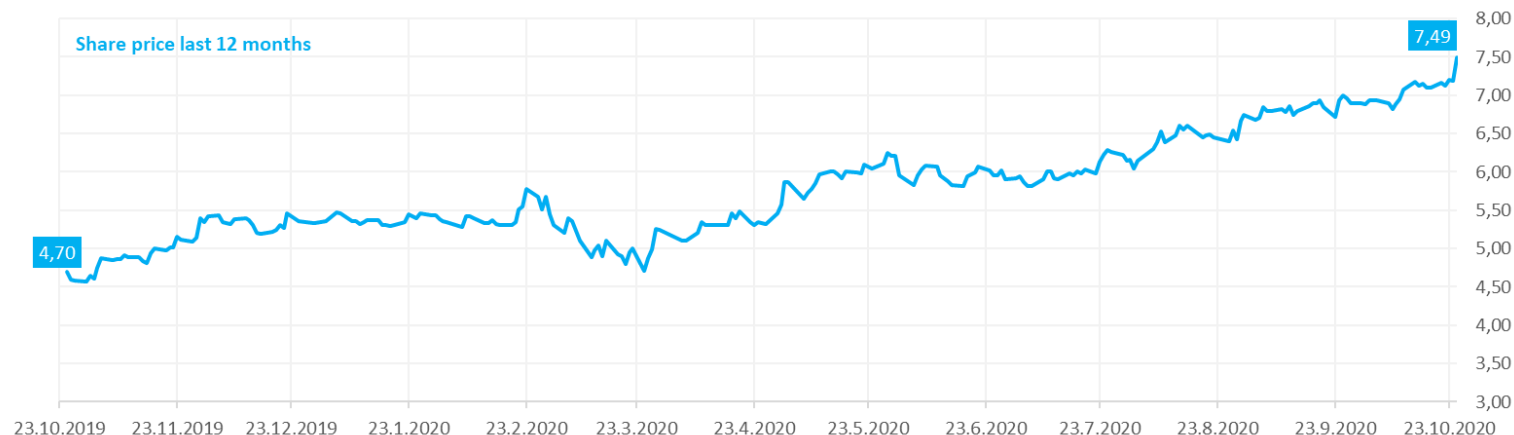


Guidance for 2020

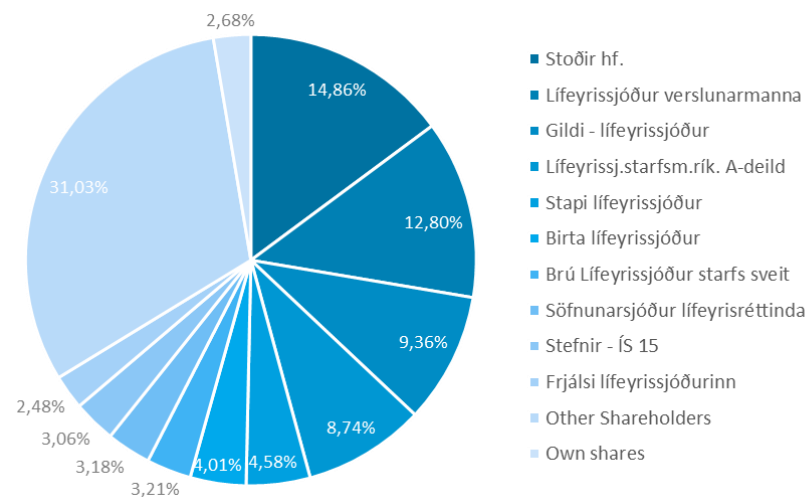
EBITDA	<div>2020</div> <div>9,9 - 10,3 b.ISK.</div>
CAPEX	<div>2020</div> <div>5,7 - 6,0 b.ISK.</div>



Shareholders



Shareholders 22.10.2020	Position	% O/S
Stoðir hf.	1.300.000.000	14,86%
Lífeyrissjóður verslunarmanna	1.119.675.792	12,80%
Gildi - Lífeyrissjóður	819.216.544	9,36%
Lífeyrissj.starfsm.rik. A-deild	764.925.000	8,74%
Stapi Lífeyrissjóður	401.001.106	4,58%
Birta Lífeyrissjóður	350.748.814	4,01%
Brú Lífeyrissjóður starfs sveit	280.807.620	3,21%
Söfnunarsjóður lífeyrisréttinda	278.399.167	3,18%
Stefnir - ÍS 15	267.814.725	3,06%
Frjálsi Lífeyrissjóðurinn	217.437.279	2,48%
Top 10 shareholders	5.800.026.047	66,29%
Other Shareholders	2.715.294.269	31,03%
Shares outstanding	8.515.320.316	97,32%
Own shares	234.679.684	2,68%
Total number of shares	8.750.000.000	100,00%



Shareholders

- The company's policy is to pay a minimum of 50% of profit after tax in dividends and/or share buyback annually
 - Dividend of 500 m.kr. paid in April in accordance with the resolution of the AGM
 - The company has bought own shares for ISK 1,500 million since last AGM and own shares today 2.68%
 - In total, the company has spent 65.1% of the company's profit on dividends and share buyback program



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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