Q4 2018 Results

Full year 2018

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Highlights in Q4 2018

FINANCE

EBITDA	EBITDA ratio	Cash
1.908 m.kr.	**25,3%**	**1.246 m.kr.**
Net debt / EBITDA*	CAPEX	Equity ratio
1,83	**1.136 m.kr.**	**59,8%**

*EBITDA trailing twelve months

HIGHLIGHTS

- Increased number of customers and good sales performance
- Strong quarter in both TV an IT services
- Costs remains unchanged between quarters (YoY) despite increased inflation and weaker ISK
- Strong quarter at Míla with 4% revenue growth and 12% EBITDA growth YoY
- Síminn is well positioned to deal with the effects of wage increases related to labor agreements

Q4 2018 - Results

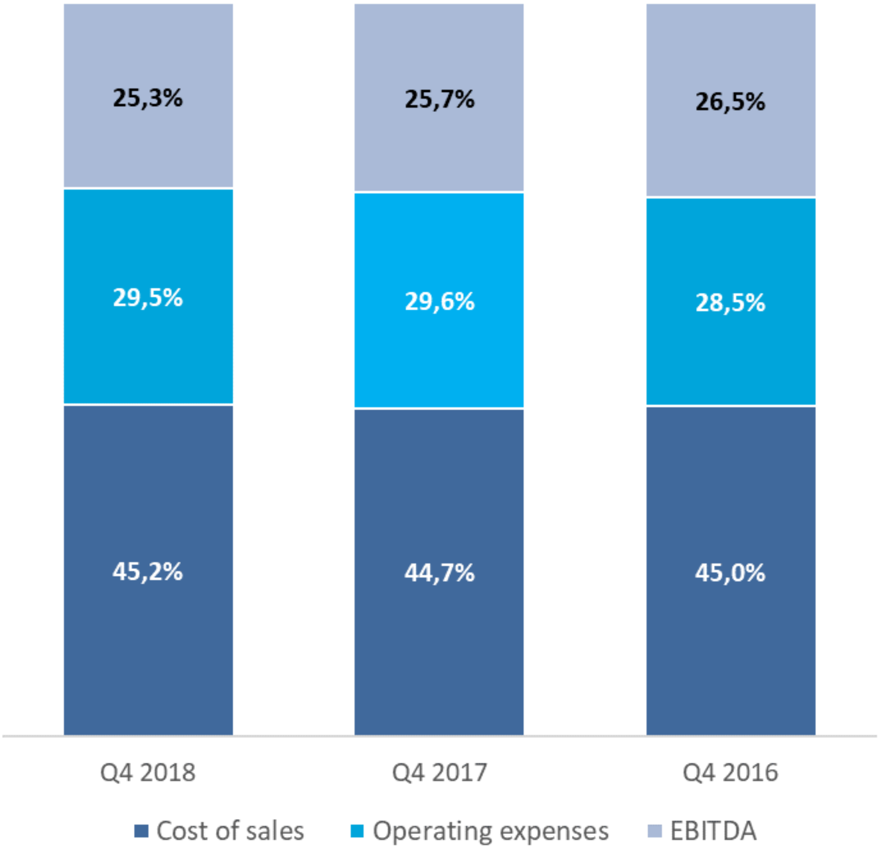
Operation Q4 2018

Revenue growth 4.2%

- Revenue growth without wholesale was 4,2% in Q4 2018 compared to Q4 2017
  - Strong quarter at Sensa, 150 m.kr. growth in equipment sales
  - Price changes in August 2018 result in lower data revenue but increased TV revenue. Revenue growth in data if the effect of price changes are excluded.
  - Wholesale revenue decline by 260 m.kr. between quarters due to the departure of 365
- Revenue and margin from roaming services are similar between quarters but more effect between 2017 and 2018 as a result of Roam Like at Home (RLH) in Q2 2017.
- Payroll expenses are unchanged between quarters – Reduction in FTE's at year end will lower cost in 2019.
- Total expenses unchanged between quarters in spite of increased inflation
  - Cost of goods sold increase by 117 m.kr. between quarters – Equipment sales increase by 121 m.kr.
- Defaults at record lows which decreases the need for bad debt allowance
- The effect of weaker ISK was minimal
  - Content cost is mainly in USD and increased by 7% - Average rate of USD/ISK 14,7% weaker in Q4 2018 than Q4 2017
- Strong quarter at Míla – Revenue growth 4% and EBITDA growth 12%

Income statement Q4 2018

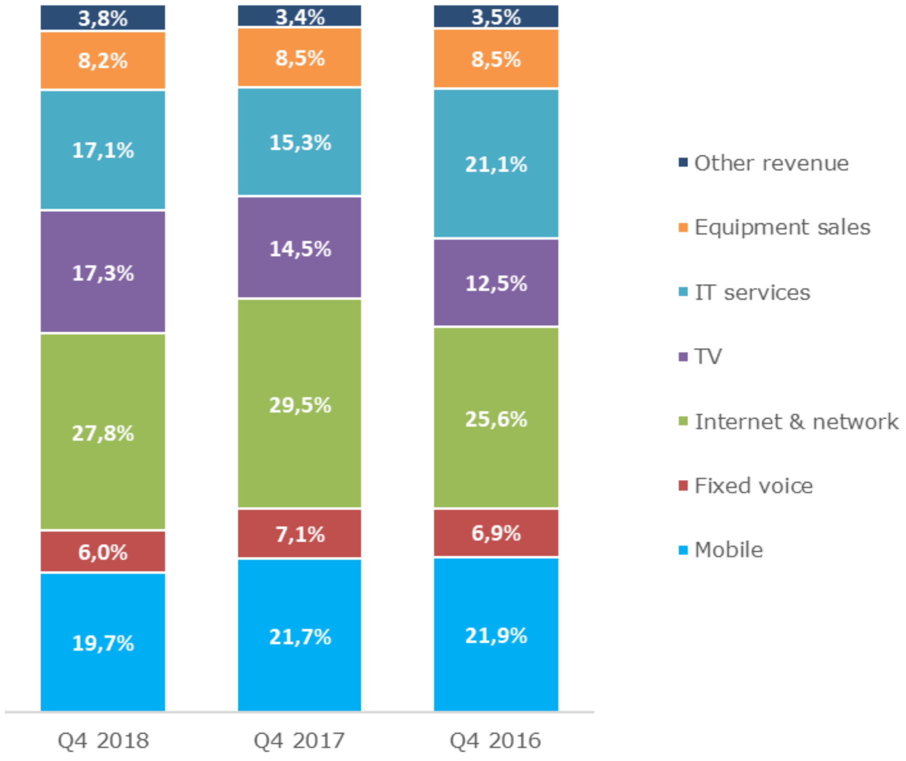
	Q4 2018	Q4 2017	Change	Change in %
Net sales	7.420	7.389	31	0,4%
Cost of sales	(4.196)	(4.105)	(91)	2,2%
Gross profit	3.224	3.284	(60)	-1,8%
Gross profit ratio	*43,5%*	*44,4%*		
Other operating income	124	111	13	11,7%
Operating expenses	(2.443)	(2.404)	(39)	1,6%
Impairment losses	(2.990)	0	(2.990)	-
Operating profit	(2.085)	991	(3.076)	-310,4%
Operating profit/Net sales	*-28,1%*	*13,4%*		
Finance income	*60*	*55*	5	9,1%
Finance cost	*(240)*	*(400)*	160	-40,0%
Net exchange rate differences	*(25)*	*2*	*(27)*	
Net financial items	(205)	(343)	138	-40,2%
Income tax	(146)	(41)	(105)	256,1%
Net profit	(2.436)	607	(3.043)	
Depreciation and amortisation	(3.993)	(939)	(3.054)	
EBITDA	1.908	1.930	(22)	-1,1%
EBITDA ratio	*25,3%*	*25,7%*		
EBIT	(2.085)	991	(3.076)	
EBIT ratio	*-27,6%*	*13,2%*		



Revenue by segments Q4 2018

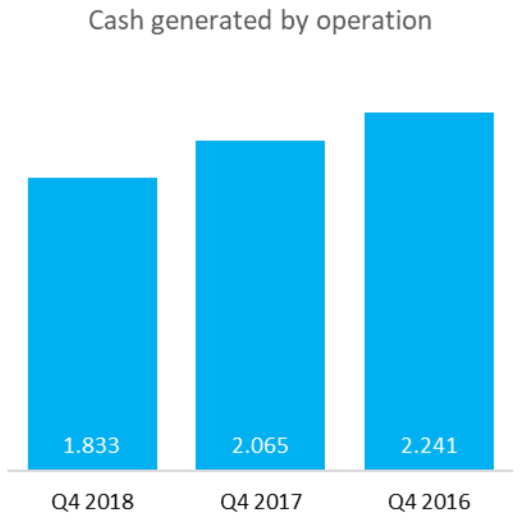
	Q4 2018	Q4 2017	Change	Change %
Mobile	1.489	1.626	(137)	-8,4%
Fixed voice	455	532	(77)	-14,5%
Internet & network	2.095	2.210	(115)	-5,2%
TV	1.304	1.088	216	19,9%
IT services	1.292	1.147	145	12,6%
Equipment sales	620	639	(19)	-3,0%
Other revenue	289	258	31	12,0%
Total revenue	**7.544**	**7.500**	**44**	**0,6%**
Adjusted for disc. operations *	**7.544**	**7.459**	**85**	**1,1%**

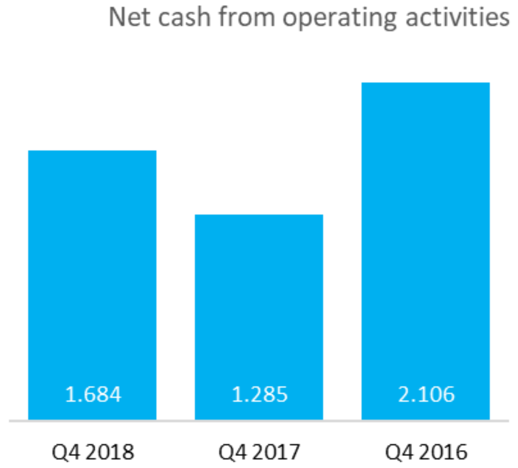
*Sensa DK Aps was sold in end of 2017



Cash flow Q4 2018

	Q4 2018	Q4 2017
Cash flow from operating activities		
Operating profit	(2.085)	991
Operational items not affecting cash flow:		
Depreciation and amortisation..	3.993	939
Other items not affecting cash flow....................................	0	6
	1.908	1.936
Changes in current assets and liabilitites.............................	(75)	129
Cash generated by operation	1.833	2.065
Net interest expenses paid during the period......................	(169)	(187)
Payments of taxes during the period..................................	20	(593)
Net cash from operating activities	1.684	1.285
Investing activities		
Net investment in property, plant and equipments..............	(1.275)	(972)
Other investment..	139	112
Investing activities	(1.136)	(860)
Financing activities		
Dividend paid (Non-controlling interest).............................	0	0
Buyback of ordinary shares..	0	(253)
Payments of non-current liabilities....................................	(288)	(288)
Bank loans, increase (decrease)...	450	500
Financing activities	162	(41)
Increase (decrease) in cash and cash equivalents	710	384
Translation effects on cash...	(34)	1
Cash and cash equivalents (beginning-of-period).....................	570	333
Cash and cash equivalents (end-of-period).............................	1.246	718

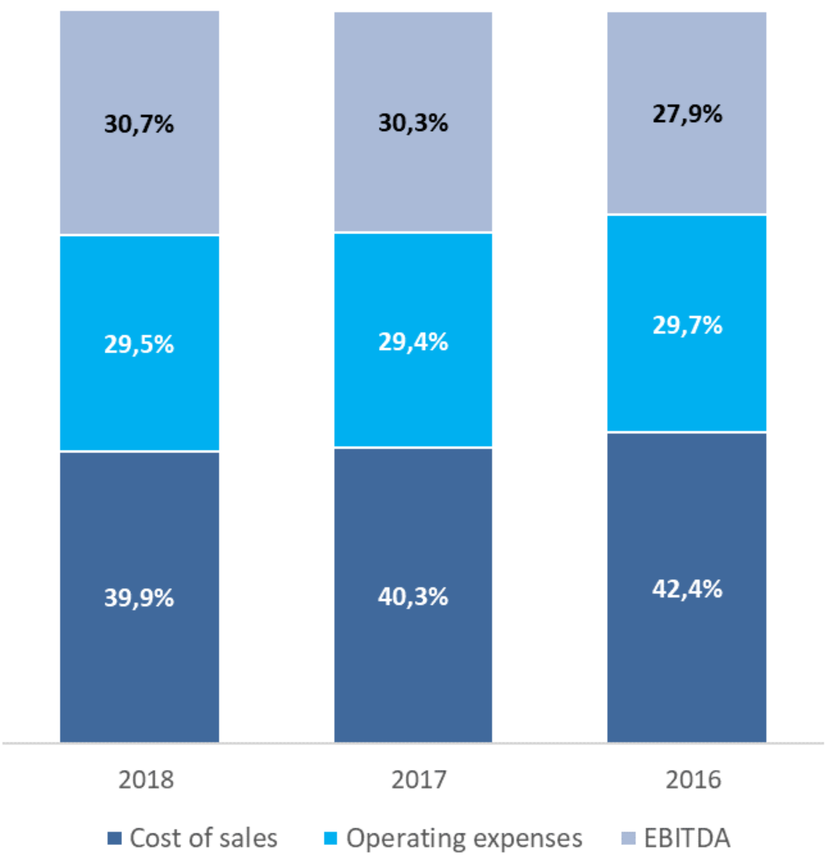




2018 - Results

Income statement 2018

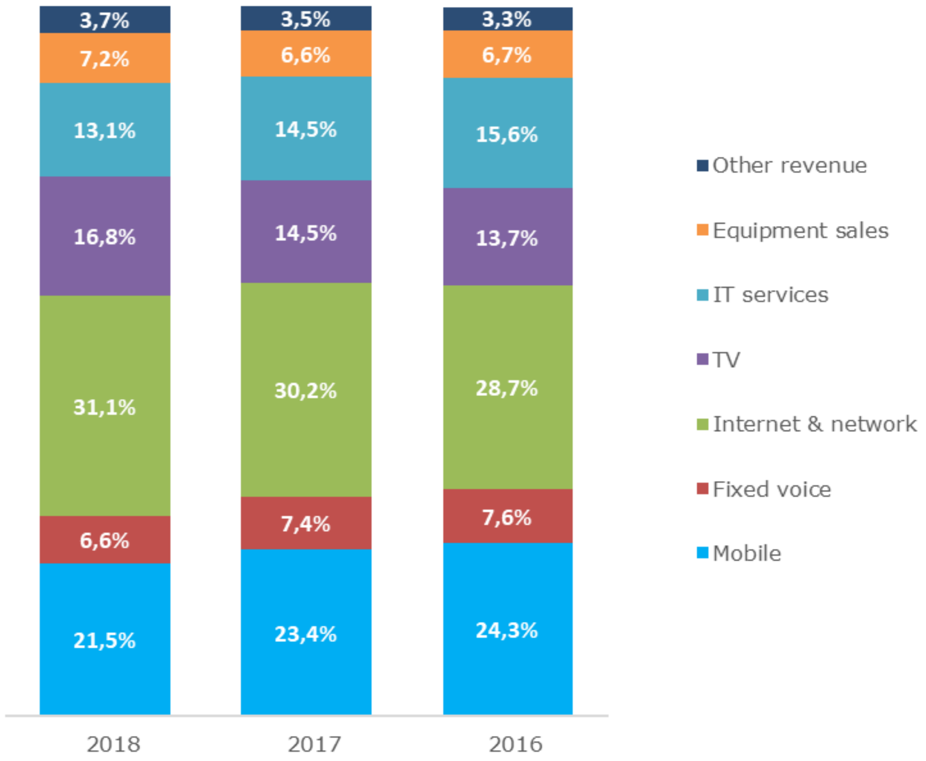
	2018	2017	Change	Change in %
Net sales	27.925	27.992	(67)	-0,2%
Cost of sales	(14.479)	(14.418)	(61)	0,4%
Gross profit	13.446	13.574	(128)	-0,9%
Gross profit ratio	*48,2%*	*48,5%*		
Other operating income	615	441	174	39,5%
Operating expenses	(9.154)	(9.096)	(58)	0,6%
Impairment losses	(2.990)	0	(2.990)	-
Operating profit	1.917	4.919	(3.002)	-61,0%
Operating profit/Net sales	*6,9%*	*17,6%*		
Finance income	*213*	*398*	(185)	-46,5%
Finance cost	*(967)*	*(1.535)*	568	-37,0%
Net exchange rate differences	*(34)*	*14*	*(48)*	*-342,9%*
Net financial items	(788)	(1.123)	335	-29,8%
Income tax	(847)	(720)	(127)	17,6%
Net profit	282	3.076	(2.794)	*-90,8%*
Depreciation and amortisation	(6.835)	(3.688)	(3.147)	85,3%
EBITDA	8.752	8.607	145	1,7%
EBITDA ratio	*30,7%*	*30,3%*		
EBIT	1.917	4.919	(3.002)	-61,0%
EBIT ratio	*6,7%*	*17,3%*		



Revenue by segments 2018

	2018	2017	Change	Change %
Mobile	6.132	6.652	(520)	-7,8%
Fixed voice	1.882	2.096	(214)	-10,2%
Internet & network	8.872	8.583	289	3,4%
TV	4.803	4.118	685	16,6%
IT services	3.735	4.111	(376)	-9,1%
Equipment sales	2.052	1.883	169	9,0%
Other revenue	1.064	990	74	7,5%
Total revenue	**28.540**	**28.433**	**107**	**0,4%**
Adjusted for disc. operations *	**28.540**	**28.183**	**357**	**1,3%**

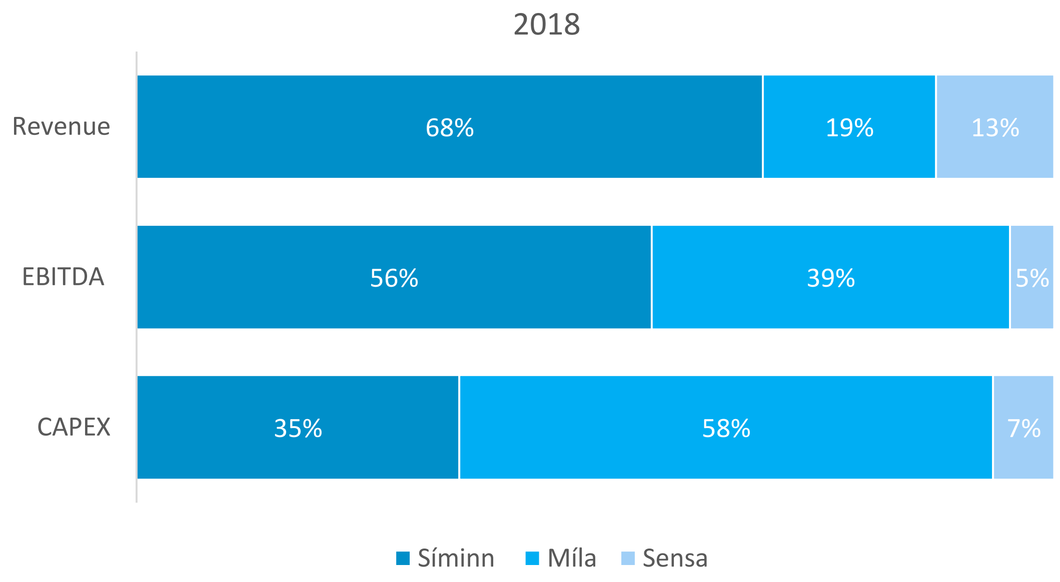
*Sensa DK Aps was sold in end of 2017



Key figures from subsidiaries

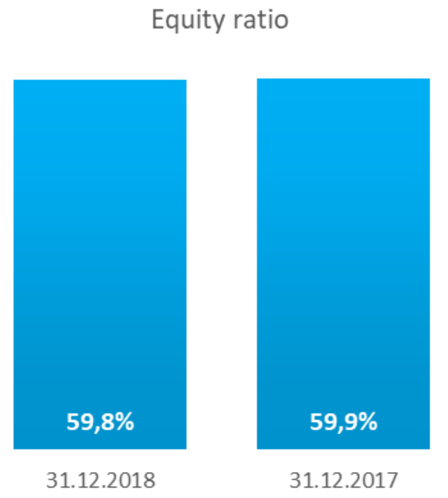
	2018	2017	Change	Change %
Síminn hf.				
Revenue........................	23.232	22.981	251	1,1%
EBITDA..........................	4.916	5.212	-296	-5,7%
EBITDA ratio................	*21,2%*	*22,7%*		
CAPEX..........................	1.624	1.564	60	3,8%
CAPEX to revenue.........	*7,0%*	*6,8%*		
Míla ehf.				
Revenue........................	6.432	6.058	374	6,2%
EBITDA..........................	3.419	2.907	513	17,6%
EBITDA ratio................	*53,2%*	*48,0%*		
CAPEX..........................	2.688	3.037	-350	-11,5%
CAPEX to revenue.........	*41,8%*	*50,1%*		
Sensa ehf.				
Revenue........................	4.384	4.593	-209	-4,5%
EBITDA..........................	423	445*	-22	-4,9%
EBITDA ratio................	*9,6%*	*9,7%*		
CAPEX..........................	308	-34	342	
CAPEX to revenue.........	*7,0%*	*-0,7%*		

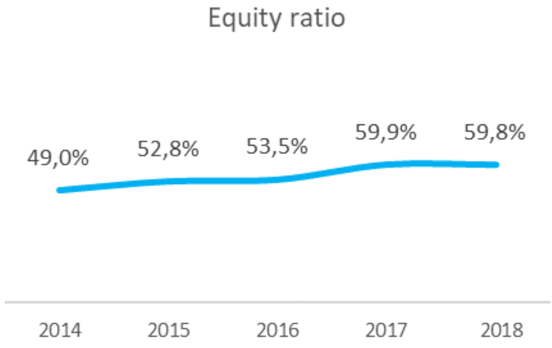
** Wride down of Sensa DK Aps. 94 m.kr. included*

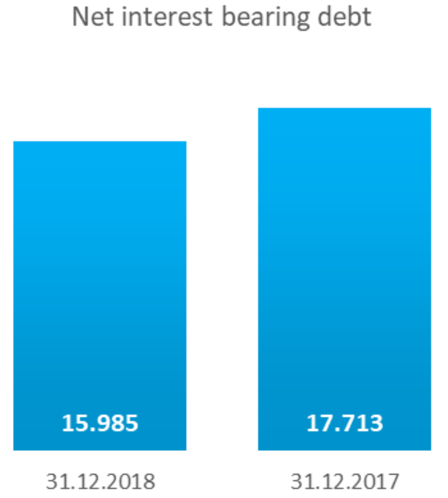


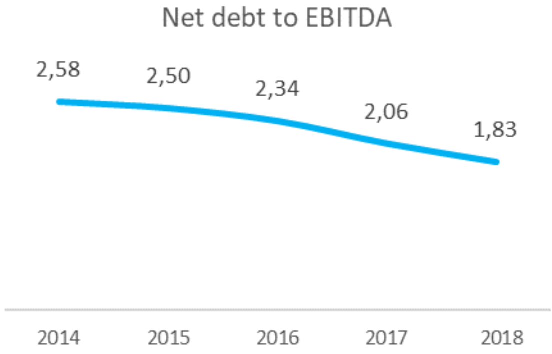
Balance sheet

	31.12.2018	31.12.2017
Assets		
Non-current assets		
Property, plant and equipment	18.059	17.024
Intangible assets	31.710	34.661
Other non-current assets	424	658
Non-current assets	**50.193**	**52.343**
Current assets		
Inventories	2.350	2.345
Accounts receivables	4.313	4.470
Other current assets	732	736
Cash and cash equivalents	1.246	718
Current assets	**8.641**	**8.269**
Total assets	**58.834**	**60.612**
Equity and liabilities		
Equity		
Total equity	35.202	36.281
Non-current liabilities		
Borrowings	15.631	16.781
Deferred tax liabilities	898	817
Non-current liabilities	**16.529**	**17.598**
Current liabilities		
Bank loans	450	500
Accounts payables	2.997	2.950
Current maturities of borrowings	1.150	1.150
Other current liabilities	2.506	2.133
Current liabilities	**7.103**	**6.733**
Total equity and liabilities	**58.834**	**60.612**





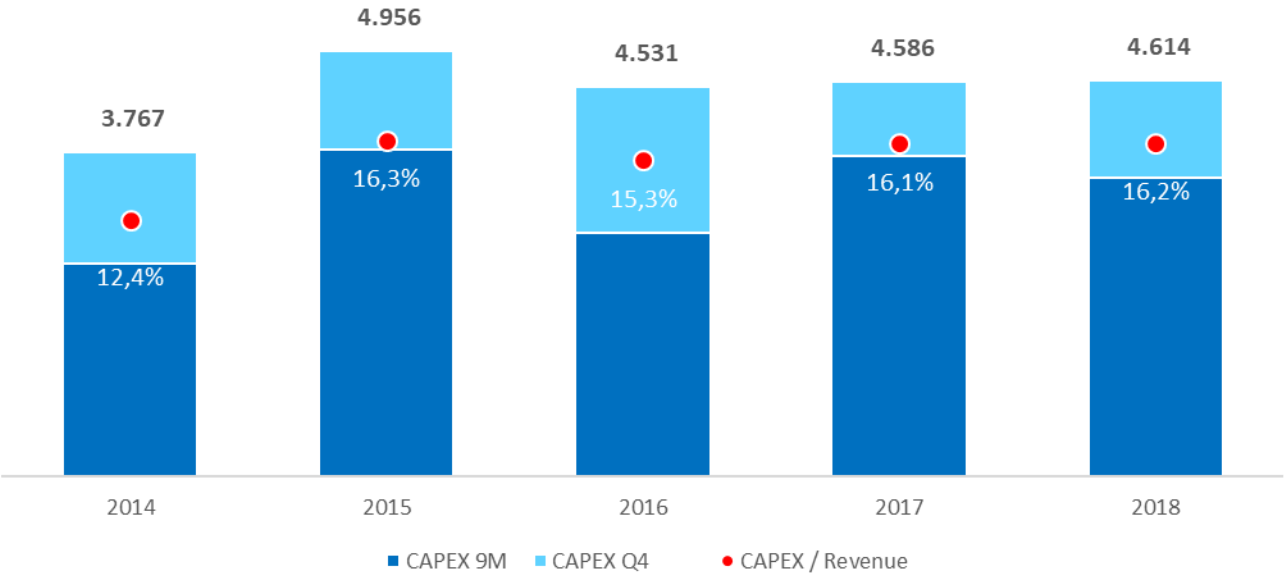


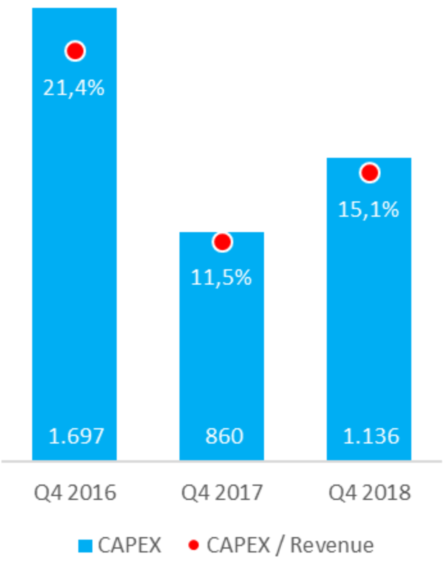


Cash flow 2018

	2018	2017
Cash flow from operating activities		
Operating profit	1.917	4.919
Operational items not affecting cash flow:		
Depreciation and amortisation..	6.835	3.688
Other items not affecting cash flow....................................	(87)	42
	8.665	8.649
Changes in current assets and liabilitites.............................	191	447
Cash generated by operation	8.856	9.096
Net interest expenses paid during the period......................	(750)	(1.058)
Payments of taxes during the period..................................	(345)	(615)
Net cash from operating activities	7.761	7.423
Investing activities		
Net investment in property, plant and equipments..............	(4.755)	(4.791)
Other investment...	141	205
Investing activities	(4.614)	(4.586)
Financing activities		
Dividend paid..	(311)	(275)
Purchase of own shares...	(1.068)	(923)
Net Financing activities...	(1.200)	(4.586)
Financing activities	(2.579)	(5.784)
Increase (decrease) in cash and cash equivalents	568	(2.947)
Translation effects on cash...	(40)	(2)
Cash and cash equivalents at the beginning of the year............	718	3.667
Cash and cash equivalents at the end of the year......................	1.246	718

CAPEX development





Operations 2018

EBITDA ratio 30.7%

- Revenue growth achieved after years of decline
- 40.000 subscribers to Síminn Premium TV service – 10% growth YoY
- Growth in internet services – 32.000 subscribers to the home bundle, 20% growth YoY
- Increase in mobile subscribers and revenue decline decreasing
  - Þrenna a success – 20.000 subscribers
  - ARPU in mobile under pressure
  - Revenue decline 5,9% without wholesale – was 7,5% in 2017
  - Lower margin from roaming services – 250 m.kr. decrease in margin as a result of RLH
- Payroll expenses decrease YoY
  - Average FTE's 28 fewer than 2017 – Reduction mainly in Q4
- Total expenses without depreciation decrease YoY
  - Depreciation increases 155 m.kr. YoY
  - Content cost increases by 90 m.kr. as a result of weaker ISK – Revenue growth in TV 16,6% YoY

Operations 2018

EBITDA ratio 30.7%

- Refinancing in July 2017 results in lower financial expenses
  - 7,1 billion indexed linked bond issue was prepaid and other debt refinanced
  - Interest- and indexation expenses decrease by 300 m.kr. YoY
- Míla with the best EBITDA margin ever achieved
  - 53,1% compared to 48% in 2017
  - The strong performance mainly on the revenue side
- Sensa results on similar levels YoY
  - Results improved in the latter half of 2018
  - Operations in Denmark for the most parts sold in 2017 – 90 m.kr. written off in 2017
- Revenues from services previously at On-Waves were similar YoY
  - Operations fully merged with Síminn in 2018 and staff outside Iceland was laid off
- Goodwill impairment at Míla in December
  - The main reason was increase in risk-free rates in 2018 and faster rollout of fiber than planned

Dividend and share buyback

The dividend policy for Síminn hf. states that Síminn intends to distribute between 20 - 50% of after-tax profit to shareholders through dividend and/or share buyback.

The proposal at the Annual General Meeting on March 21st 2019

1. Pay ISK 330 million in dividend
2. Share buyback for ISK 1.310 million

Impairment of goodwill does not affect the dividend policy and the capability to pay out dividend remains considerable

Highlights

Síminn’s TV channel is now in the cloud

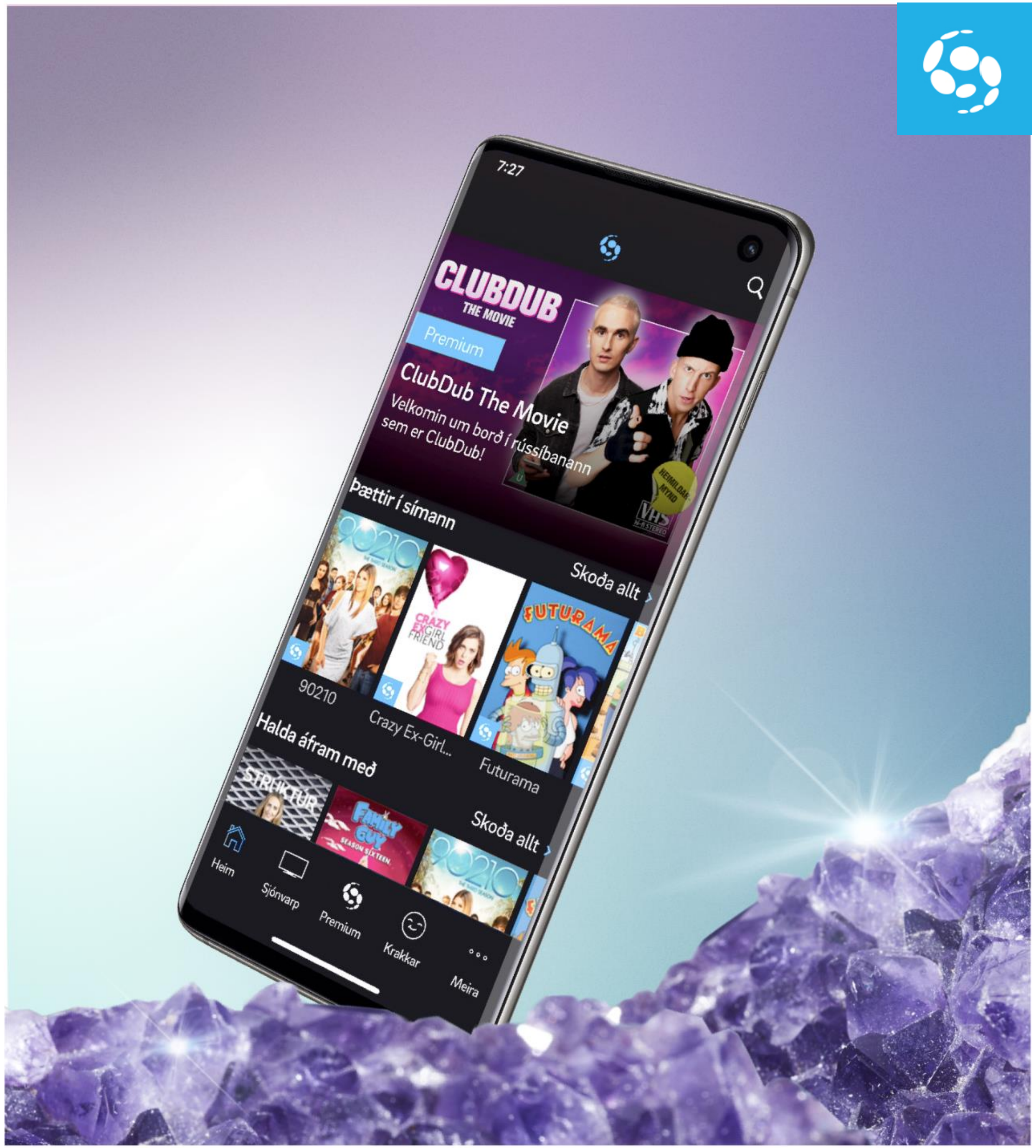
- Broadcasting of Síminn’s TV channel (Sjónvarp Símans) is now hosted in the cloud
  - Modern platform for TV operation
  - Simplifies all management and reduces operating costs
  - One of the steps in preparation for the English Premier League

Robotics

- Implementation of robotics has been successful at Síminn
- Repetitive and time-consuming processes has been automated
- Robotics helps decreasing operational cost at the company

Significant growth in Síminn TV's subscribers

- Great demand in Premium TV service (SVoD)
  - About 40,000 homes with access to the Premium TV service
  - Over 30 million views last year
- The English Premier League will be added to Síminn's product offering in August

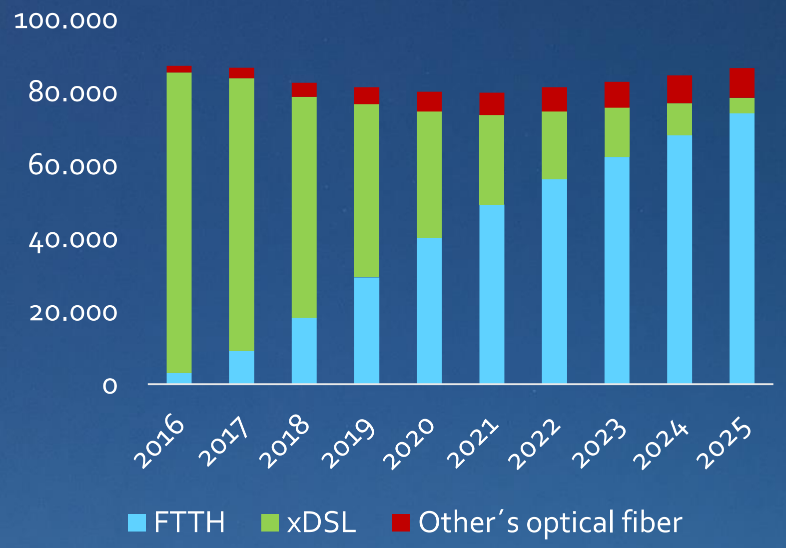



20.000
ÞRENNUR!!!

Emphasis on efficient development of infrastructure

- Efficient utilization of own infrastructure
- Cooperation in new FTTH projects
- Use of other’s fiber infrastructure - minimize wastage

FTTH and xDSL connection at Míla




sensa
Upgrade of Hosting Environment
- Enhanced services and cost reduction

Outlook for 2019

Outlook for 2019

- Sales performance in core products remains strong and Síminn forecasts retail growth in 2019
    - TV growth expected to remain strong
    - Internet sales stable – Fast rollout of fiber improves competitive position
    - Fierce competition continues in the mobile market
    - Margin from roaming improves from 2018
- The Broadcasting right of the English Premier League a major opportunity for Síminn
    - Non-material effect on EBITDA performance this year
- Wholesale revenue will decline YoY
- The negative outlook in the Icelandic economy is unlikely to have material effect on performance in 2019
- The forecast for Sensa is similar for 2019 compared to 2018
    - The deal with Verne generates opportunities for Sensa
- EBITDA margin at Míla will be over 50% in 2019

Outlook for 2019

- Uncertain outlook in labor negotiations
  - The budget estimated similar payroll increases as in 2017 – 2018
  - The goal is to keep payroll expenses at similar levels YoY
- Reduction in FTE’s in Q4 2018 and Q1 2019
  - Possible due to improvements in key processes and digitalization
  - Further steps taken in 2019
- Investment in IT systems has resulted in stable operating environment and lower cost
- Broadcasting moved to the cloud – More simple operation of broadcasting, fewer mistakes and lower expenses.
- Prices have been stable but if payroll increases are unsustainable and inflation increases, price adjustments are unavoidable.
- Further pressure on the ISK will affect termination expenses, IT expenses and agreements with foreign suppliers.
- The competition is fierce but Síminn is well positioned to continue strong performance

Impact of IFRS 16 and capitalization of TV rights

- The table shows the effect of IFRS 16 on the income statement and balance sheet as at 1 January 2019, in the absence of any other changes.
- The table also shows the impact of capitalization of TV rights in 2019. Rights were previously inventory when content was available to broadcast. From 1 January certain TV rights will be capitalized as intangible assets and amortized during the contract period.

ISK Million	Impact of IFRS 16	Impact of capitalization of TV rights
EBITDA	800	900 – 1.000
Depreciation	650	900 – 1.000
Net finance cost	260	-
Net profit	-110	-
Total assets	5.565	-
Equity ratio	- 5%, around 55%	-

Guidance for 2019

If unchanged accounting standards and methods

	2019
EBITDA	EBITDA **8.5 – 8.9 b.ISK.**
CAPEX	CAPEX **4.4 – 4.8 b.ISK.**

Guidance for 2019

With effects of IFRS 16 and capitalization of TV rights

EBITDA

2019

EBITDA **10.2 – 10.7 b.ISK.**

CAPEX

2019

CAPEX **6.0 – 6.4 b.ISK.**

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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