



Q1 2019 Results



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Highlights in Q1 2019

FINANCE

EBITDA
2.369 m.kr.

EBITDA ratio
34,0%

Cash
966 m.kr.

Net debt / EBITDA*
1,75

CAPEX
1.147 m.kr.

Equity ratio
55,4%

*EBITDA trailing twelve months

HIGHLIGHTS

- Strong sales performance results in revenue growth in Q1
- Uncertainty regarding WOW and negotiations in the labor market did not have material effect on operations
- FTE's reduced by 30 – Increases severance expenses in Q1
- Sensa and Míla improve performance YoY
- Changes in accounting standards and methods have effect on the statements in Q1



Q1 2019 - Results



Operation Q1 2019

Solid revenue growth

- Solid retail revenue growth in Q1 2019
 - 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.
 - Decline in wholesale revenues mainly due to departure of 365 from wholesale and decline in roaming revenue was 200 m.kr.
 - The departure of 365 was for the most parts completed in April 2018
- Significant growth in TV revenue
 - Revenue from Premium services increase by 100 m.kr. or 30%
 - Home Package customers increase by 5.400 YoY
 - The addition of the English Premier League is expected to have positive effect on revenue and results
- Strong quarter at Sensa, 20% revenue growth
- Mobile prices in the corporate market are still under pressure.
 - 10.500 new customers in mobile services YoY – Prena explains around 2/3 of the increase
 - Combined revenue decline of inbound roaming and wholesale mobile revenue is 125 m.kr. YoY.



Operation Q1 2019

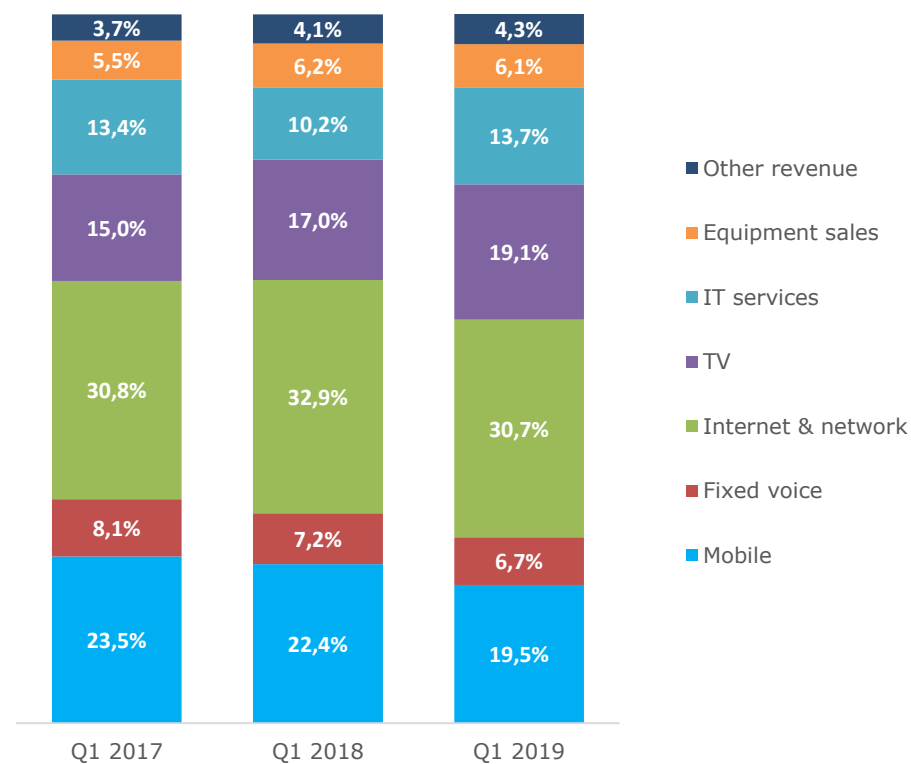
Ongoing Cost Control

- Payroll expenses increase by 48 m.kr. YoY or 2,4%, mainly as a result of severance pay in Q1.
- FTE's decreased by 30 in Q1
 - Retail store in Kringlan closed
 - Decrease in service centers
 - TV broadcasting now cloud based
 - Operations of On-Waves merged with Síminn – Reduction in FTE's
- The recent collective agreements apply to around third of employees of the group
 - Majority in unions related to Rafiðnaðarsamband Íslands
- Total cost increases by 278 m.kr. YoY.
 - 75% is related on cost of sales at Sensa
 - Severance Pay increases YoY
- A 100 m.kr. provision posted in Q1 as a result of a ruling of the District Court of Reykjavík in the so called TSC case. Final verdict awaited.
 - 50 m.kr. is operating expenses and 50 m.kr. is finance cost



Revenue by segments Q1 2019

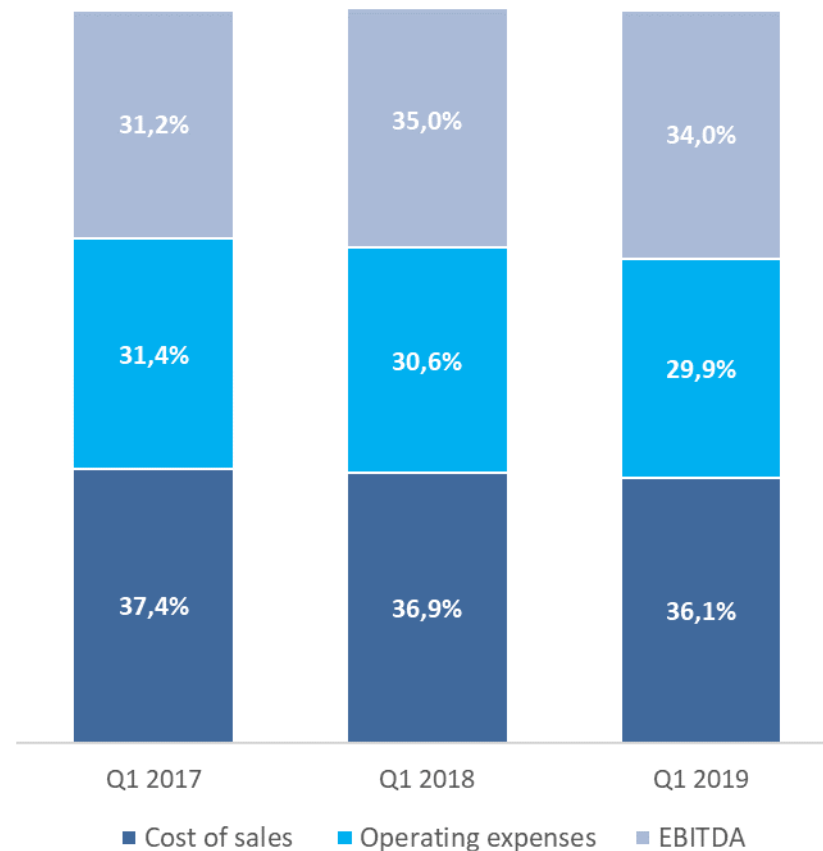
	Q1 2019	Q1 2018	Change	Change %
Mobile	1.357	1.541	(184)	-11,9%
Fixed voice	465	498	(33)	-6,6%
Internet & network	2.135	2.260	(125)	-5,5%
TV	1.331	1.167	164	14,1%
IT services	951	702	249	35,5%
Equipment sales	425	427	(2)	-0,5%
Other revenue	298	279	19	6,8%
Total revenue	6.962	6.874	88	1,3%





Income statement Q1 2019

	Q1 2019	Q1 2018	Change	Change in %
Net sales	6.773	6.756	17	0,3%
Cost of sales	(3.425)	(3.302)	(123)	3,7%
Gross profit	3.348	3.454	(106)	-3,1%
<i>Gross profit ratio</i>	<i>49,4%</i>	<i>51,1%</i>		
Other operating income	189	118	71	60,2%
Operating expenses	(2.430)	(2.275)	(155)	6,8%
Operating profit	1.107	1.297	(190)	-14,6%
<i>Operating profit/Net sales</i>	<i>16,3%</i>	<i>19,2%</i>		
Finance income	50	52	(2)	-3,8%
Finance cost	(356)	(241)	(115)	47,7%
Net exchange rate differences	(7)	7	(14)	
Net financial items	(313)	(182)	(131)	72,0%
Income tax	(179)	(228)	49	-21,5%
Net profit	615	887	(272)	
Depreciation	(1.262)	(1.107)	(155)	
EBITDA*	2.369	2.404	(35)	-1,5%
<i>EBITDA ratio</i>	<i>34,0%</i>	<i>35,0%</i>		
EBIT	1.107	1.297	(190)	
<i>EBIT ratio</i>	<i>15,9%</i>	<i>18,9%</i>		



*Restated according to changes made to treatment of TV rights

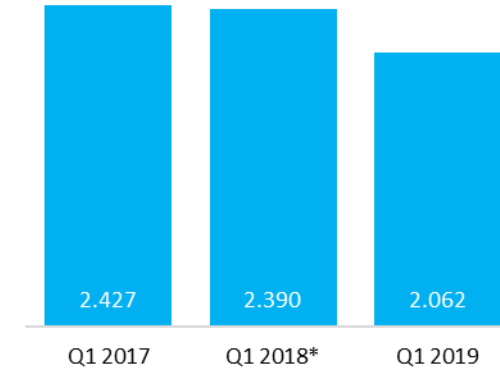


Cash flow Q1 2019

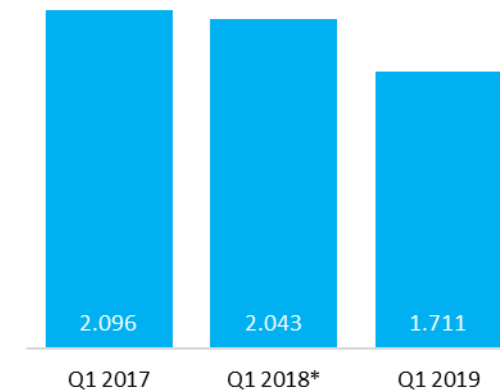
	Q1 2019	Q1 2018*
Cash flow from operating activities		
Operating profit	1.107	1.297
Operational items not affecting cash flow:		
Depreciation and amortisation.....	1.262	1.107
Other items not affecting cash flow.....	0	6
	<u>2.369</u>	<u>2.410</u>
Changes in current assets and liabilities.....	(307)	(20)
Cash generated by operation	<u>2.062</u>	<u>2.390</u>
Net interest expenses paid during the period.....	(263)	(191)
Payments of taxes during the period.....	(88)	(156)
Net cash from operating activities	<u>1.711</u>	<u>2.043</u>
Investing activities		
Net investment in property, plant and equipments.....	(1.177)	(1.182)
Other investment.....	30	28
Investing activities	<u>(1.147)</u>	<u>(1.154)</u>
Financing activities		
Payment of long term lease.....	(131)	0
Net Financing activities.....	(737)	(787)
Financing activities	<u>(868)</u>	<u>(787)</u>
Increase (decrease) in cash and cash equivalents	(304)	102
Translation effects on cash.....	24	(15)
Cash and cash equivalents at the beginning of the year.....	1.246	718
Cash and cash equivalents at the end of the year.....	<u>966</u>	<u>805</u>

*Restated according to changes made to treatment of TV rights

Cash generated by operation



Net cash from operating activities



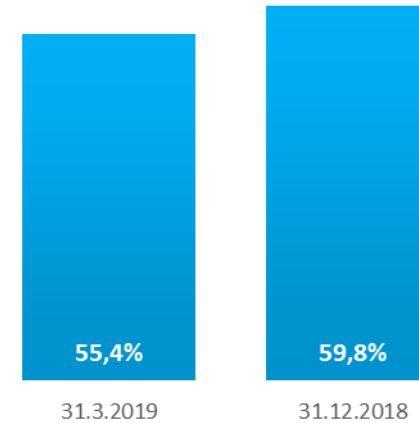


Balance sheet

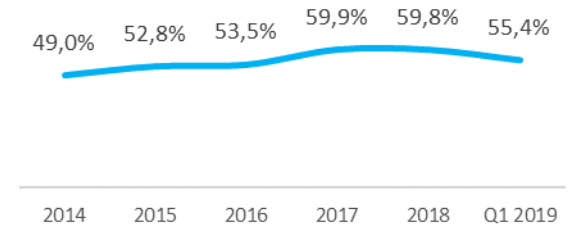
	31.3.2019	31.12.2018*
Assets		
Non-current assets		
Property, plant and equipment.....	23.633	18.059
Intangible assets.....	32.418	32.473
Other non-current assets.....	463	424
Non-current assets	56.514	50.956
Current assets		
Inventories.....	1.662	1.437
Accounts receivables.....	3.493	4.313
Other current assets.....	1.968	882
Cash and cash equivalents.....	966	1.246
Current assets	8.089	7.878
Total assets	64.603	58.834
Equity and liabilities		
Equity		
Total equity.....	35.817	35.202
Non-current liabilities		
Borrowings.....	15.333	15.631
Finance lease.....	4.936	0
Deferred tax liabilities.....	839	898
Non-current liabilities	21.108	16.529
Current liabilities		
Bank loans.....	0	450
Accounts payables.....	2.726	2.997
Current maturities of borrowings.....	1.696	1.150
Other current liabilities.....	3.256	2.506
Current liabilities	7.678	7.103
Total equity and liabilities	64.603	58.834

*Restated according to changes made to treatment of TV rights

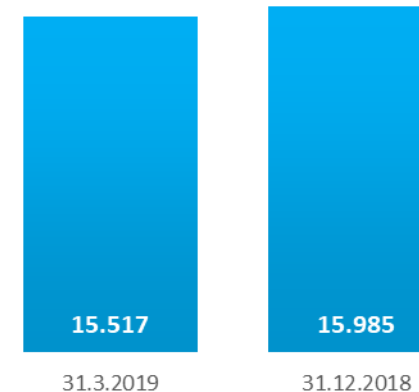
Equity ratio



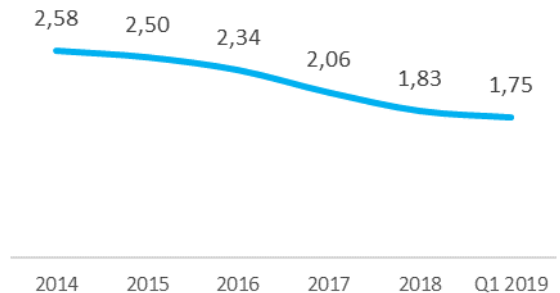
Equity ratio



Net interest bearing debt

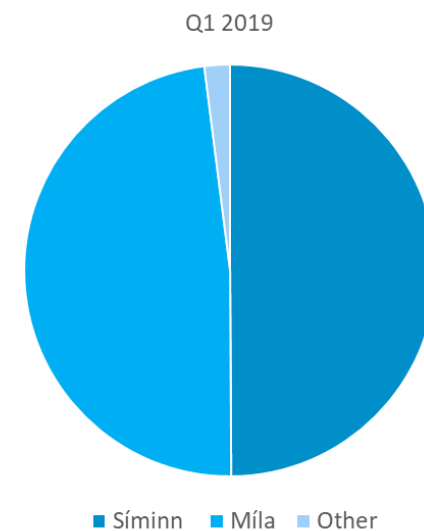
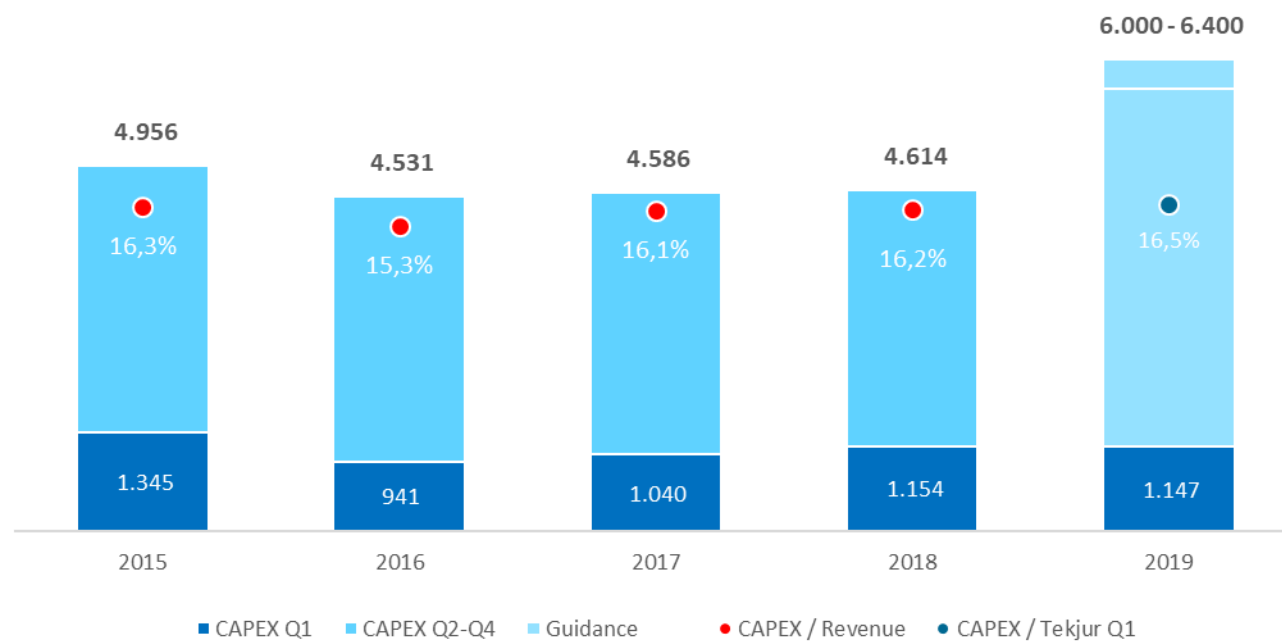


Net debt to EBITDA





CAPEX development Investing activities Q1 2019





Operation and CAPEX Q1 2019

Impact of IFRS 16 and capitalization of TV rights

- The table shows the effect of IFRS 16 and capitalization of TV rights on the income statement and CAPEX in Q1 2018 and a comparison between quarters YoY.

Amounts in m.ISK	Q1 2018		Q1 2019	Difference
	Q1 2018*	Adjusted		
EBITDA.....	2.404	2.604	2.369	-235
Depreciation.....	1.107	1.270	1.262	-8
Net financial items.....	182	247	313	66
Profit for the period.....	887	865	615	-250
CAPEX.....	1.154	1.154	1.148	-6

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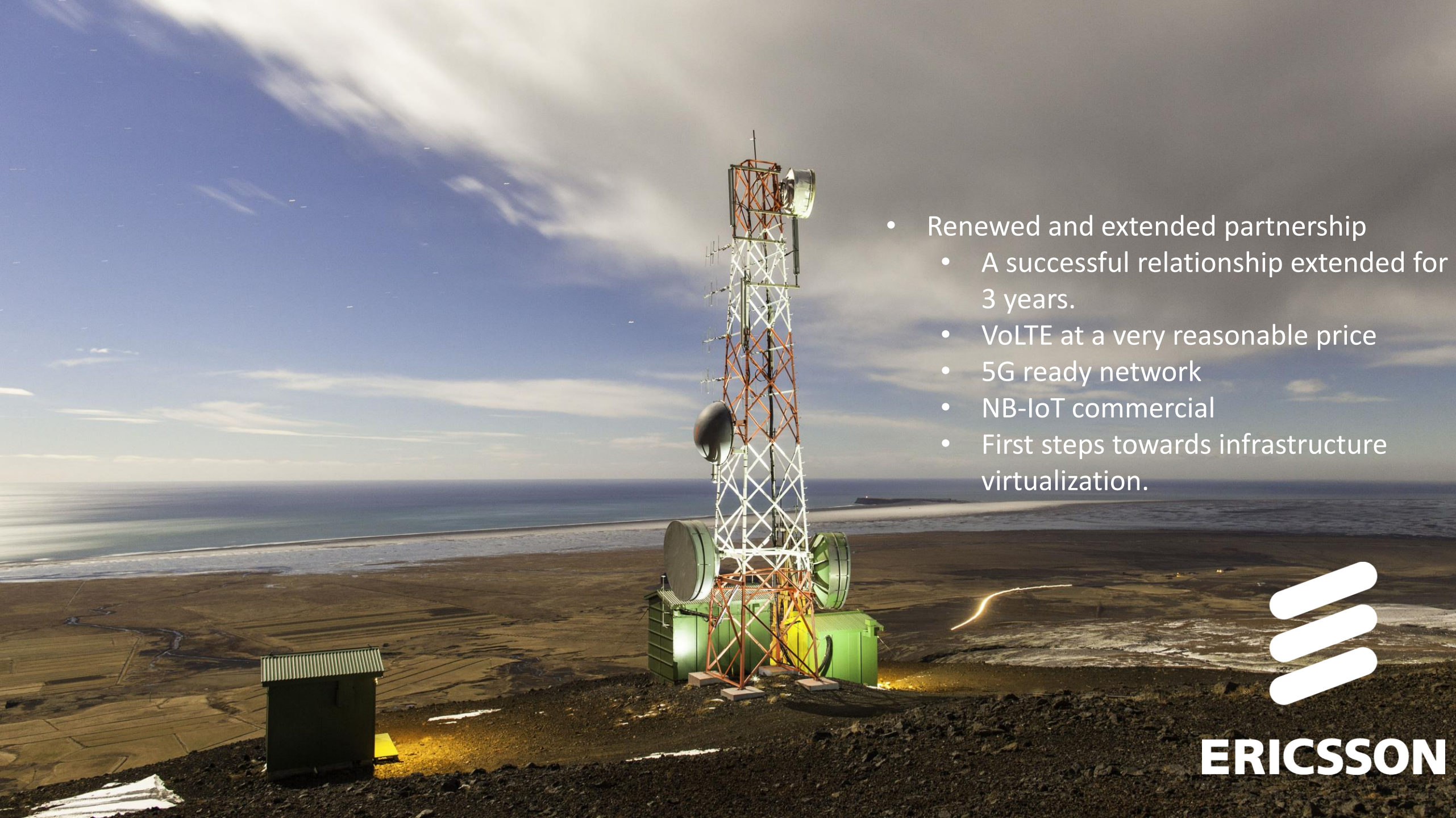
Highlights



Premier
League

The party will start on August 10th

- 40,000 subscribers right from day one
- 239 live broadcasts
- Over 30 Saturday-games aired for free
- 80 games shown in 4K quality
- Subscription ISK 4,500 per month



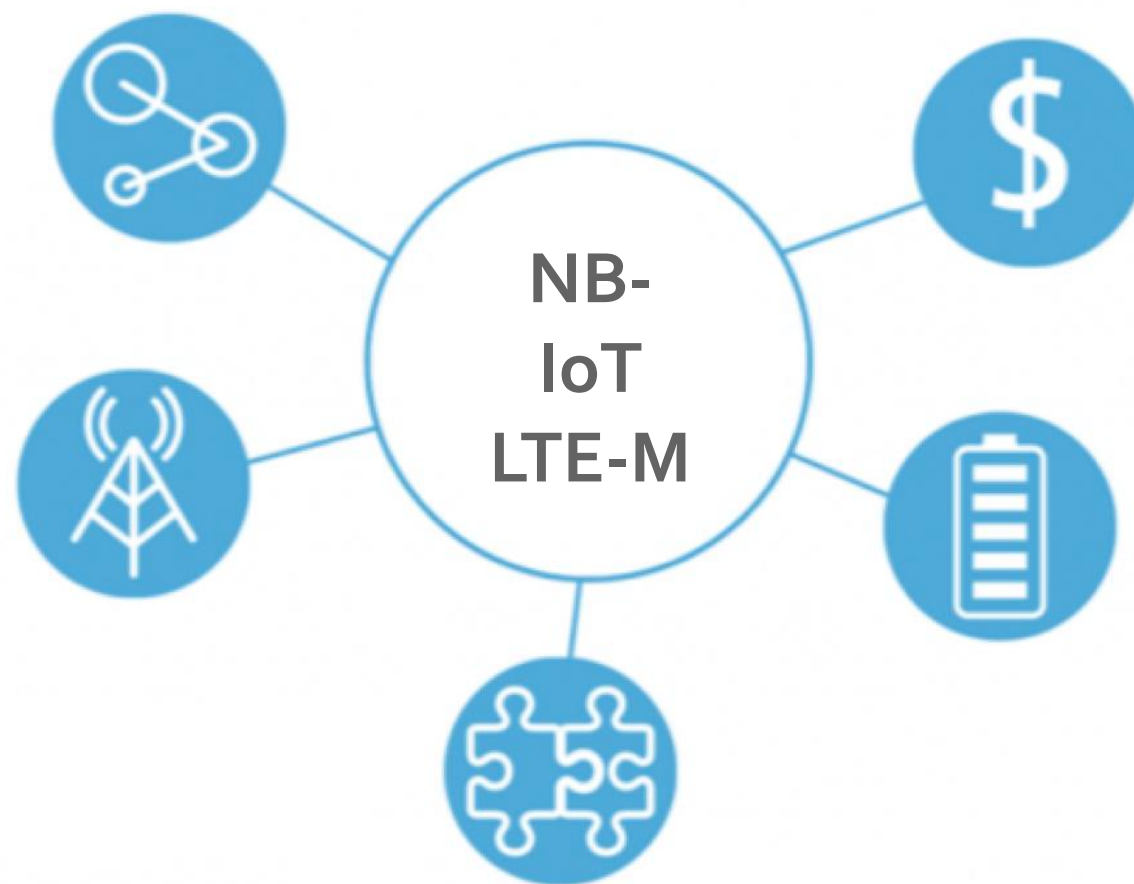
- Renewed and extended partnership
 - A successful relationship extended for 3 years.
 - VoLTE at a very reasonable price
 - 5G ready network
 - NB-IoT commercial
 - First steps towards infrastructure virtualization.



ERICSSON



Internet of things (IoT) NB-IoT and LTE-M implemented





- Strong performance in Q1
- The fiber project progressing well in both rural and capital area
 - 12.000 homes passed in 2019
- Co-operation with GR in Selfoss – Starts this summer.





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- Sensa has launched the Kubernetes service, which significantly simplifies the operation of such environments, and the service is unique in this respect.
- Sensa and the Danish companies 2021.AI and Valcon have started a collaboration that deals with artificial intelligence solutions.



Outlook for 2019



Outlook 2019

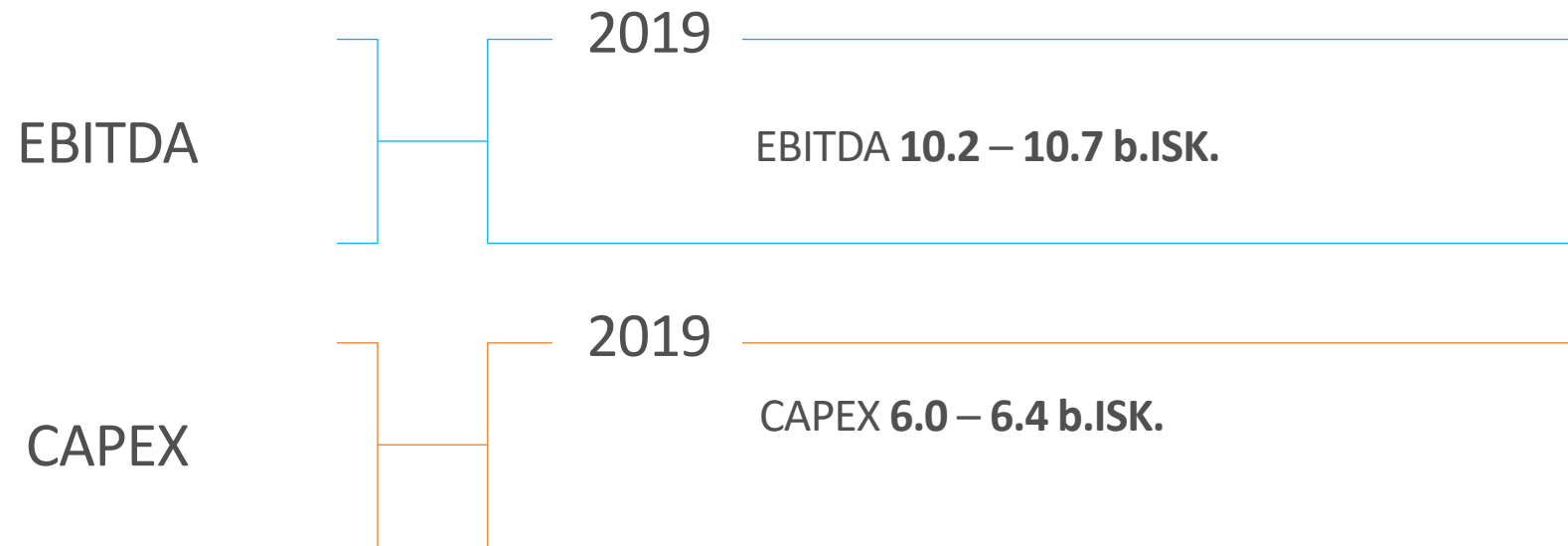
Positive Outlook

- Uncertainty related to agreement in the labor market significantly reduced
 - The outcome means that payroll expenses are unlikely to exceed targets for 2019
- FTE's reduced by 30 in Q1. Planned reductions have largely been executed.
- The retail store in Kringlan closed. Cost savings are 100 m.kr. when the store has been sold or rented.
 - Increased focus on sales through Síminn's website
 - Longer opening hours in Ármúli to increase service level
 - First signs indicate that negative effect on service is minimal and savings target will be achieved
- The uncertain external environment did not materially effect sales at Síminn and Sensa
- The subscriptions price of the English Premier League and the link with the Premium subscription has been well received.
- Unchanged guidance for 2019 and outlook is positive in most of our business areas.



Guidance for 2019

With effects of IFRS 16 and capitalization of TV rights





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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