

18 February 2020

Financial press release – Síminn hf. Q4 2020

## Good results in demanding conditions

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- Síminn's revenue amounted to ISK 8,192 million in the fourth quarter (Q4) of 2020, compared to ISK 7,896 million in the same period 2019. An increase by ISK 296 million or 3.7%.
- EBITDA amounted to ISK 2,894 million in Q4 2020, compared to ISK 2,728 million in the same period of 2019, up by ISK 166 million or 6.1%. The EBITDA ratio was 35.3% in Q4 2020, compared to 34.5% in the same period of 2019. Operating profit EBIT is up by ISK 170 million or 14,6% compared to same period of 2019.
- Profit in Q4 2020 amounted to ISK 1,055 million, compared to ISK 760 million in the same period of 2019.
- ISK 300 million was reversed during the quarter due to a reduction in administrative fines following the ruling of the Competition Appeals Committee from 13 January 2020. Síminn had previously expensed ISK 500 million in the second quarter of the year.
- Cash generated by operation amounted to ISK 2,159 million in Q4 2020, compared to ISK 2,092 million in the same period of 2019. Net cash from operating activities amounted to ISK 1,623 million in Q4 2020, compared to ISK 1,471 million in the same period 2019.
- Interest-bearing debt amounted to ISK 15.9 billion at the end of 2020, compared to ISK 16.2 billion at the end of 2019. Net interest-bearing debt amounted to ISK 15.2 billion at the end of 2020 compared to ISK 16.0 billion at the end of 2019.
- Net financial expenses amounted to ISK 105 million in Q4 2020, compared to ISK 231 million in the same period of 2019. Financial expenses amounted to ISK 203 million, financial income ISK 52 million, and foreign exchange gain ISK 46 million.
- Síminn's equity ratio was 57,2% at the end of 2020 and equity was 37.3 billion.

Orri Hauksson, CEO:

The operating result for the year 2020 was well acceptable. As most people know, major world events marked this unusual year, but the Síminn Group came out well from that reality.

The year started very well for the group, but various operational effects emerged at the end of the first quarter when the epidemic struck. Among other things roaming income largely disappeared and the Group's costs in foreign currency increased in ISK terms. As with most companies in the country, some of the operations became more complex than before and

various projects were delayed. All the group's companies responded quickly to new realities, and despite the headwinds, none of them had to take advantage of the resources offered by the state.

The first 5G sites was installed and Síminn had become the largest seller of fiber-optic connections by the middle of the year. Míla's operations were stable through the year's Covid restrictions. Emphasis was placed on ensuring the safe operation of telecommunications infrastructure and responding to changes in use resulting from greatly increased telework. Míla continued its fiber-optic installation, albeit with a slightly slower pace than before. External conditions, e.g. the epidemic of the year, as well as storms and power outages in recent quarters, led to a change in the order of investment projects and certain actions were delayed.

The day-to-day operations and uptime of the Group's telecommunications systems remained very good, even though access restrictions and teleworking changed the way we work. The employees of all the group's companies deserve credit for their agility and selflessness, but for example, Síminn's customer service was moved from one room in Ármúli to more than 60 employees' homes in the southwest corner overnight, without any customers being aware of it. Sensa increased its services during the epidemic and had its best operating year from the beginning. Travel expenses and various other expenses in operations also decreased, in addition to which Síminn accelerated various streamlining measures, which led to operational improvements as the year progressed. Síminn's software development was outsourced to Deloitte in Iceland and Portugal in the middle of the year, which increases the company's responsiveness and service capacity in the long term.

Equipment sales increased in 2020, partly due to the much less travel of Icelanders abroad. However, there is a low margin on revenue from the sale of user equipment. Revenues from telecommunications increased slightly, excluding the revenues related to travel. Revenues from television services increased from the previous year, primarily because Síminn received the right to the English Premier League in the second half of 2019. There was more demand for Síminn's Premium television products than in the previous year. Each subscription home also made better use of Síminn's content offerings than before, as the weekly number of TV shows played regularly hit 1.2 million, which is four times more than three years ago.

Síminn is now further developing the structure of its television operations, in order to increase flexibility and diversity in serving customers. Last year, an agreement was also reached with Gagnaveita Reykjavíkur (GR) to sell the company's services over GR's network. Both changes will take effect in the coming weeks and months.

Síminn was unexpectedly sentenced to pay over 100 m.kr. damages in 2020, due to a fifteen-year-old case. The Competition Authority also fined the company ISK 500 million. in the spring of 2020 due to the company's alleged breaches of the settlement agreement with the authority. Síminn considered the Competition Authority's conclusion to be incorrect and appealed it to the Competition Appeals Committee. Most of the competition Authority's decision was repealed. As a result, the fine was reduced to 200 m.kr. and Síminn received the difference, ISK 300 million, repaid with interest now at the beginning of 2021. Síminn considers the committee's conclusion a step in the right direction, but not the result that the company considers to be legally correct. These issues will no doubt continue to be debated, as they concern the basis of competitive environment in Iceland. Síminn spent tens of millions of ISK on legal and litigation in the disputes, including those that have been canceled. Overall,

these disputes had a negative effect on operations, leading to deviations from the original plan.

The year 2020 was used to reassess the Group's strategy, composition and financing. It was decided to accept the offer of the international information technology company Crayon for all Sensa's share capital for ISK 3,250 million. There is a reservation on the approval of the Competition Authority, but a result can be expected before the spring. Síminn will continue to operate in the field of information technology and offer such products to its customers in the corporate market.

Part of Síminn's operations was transferred to Míla at the beginning of 2021 after thorough preparations in the second half of 2020. Míla's activities will increase with the change as the company takes over network operations that were previously under Síminn's control. Míla's EBITDA increases with these changes, while Síminn's EBITDA decreases by same amount. The EBITDA of both companies will be similar this year, but Míla's operating activities, balance sheet and cash flow will increase with the change as explained in the investor presentation.

The Group has almost finished its refinancing in such a way that Míla will raise its own loan capital. Work on the financing of Míla from Íslandsbanki is in the final stages. At the same time, the parent company is refinancing its loans with Arion Bank. As a result, each company will have its own external financing and therefore no loans between the companies, but the parent company has for years taken care of all the group's financing. With a change in the capital structure within the group and with the sale of Sensa, funds that are not used in regular operations will be released. It is therefore planned to hand over these funds to shareholders following the Annual General Meeting.

Together with a transfer of operations within the Group, this new financial structure is part of a better separation of the different business models that are operated within the group. Thus, Míla will handle infrastructure and network operations in wholesale, while Síminn will provide services to end customers. Míla has now become a larger and more independent company than before, operating on a non-discriminatory basis and at the same unit prices to all the country's telecommunications service providers and its other customers.

The main tasks of 2021 are to bring about a change in the group, determine its composition for the future and sharpen the units' services to their customers. The goal of all these changes is to increase return on equity and to have the happiest customers in Iceland."

## 2020 Results

### Operations

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%

Total sales for 2020 amounted to ISK 29,939 million compared to ISK 29,071 million for 2019, up by 3.0%. Revenue from mobile amounted to ISK 5,544 million, down by ISK 228 million or 4.0% from last year. The main reason for this decrease is a drop in roaming revenue by almost ISK 400 million between periods. Revenue from fixed voice amounted to ISK 1,714 million, down by 4.9% between periods. Revenue from data (internet & network) amounted to ISK 8,774 million, up by ISK 201 million or 2.3% between periods. Revenue from TV services amounted to ISK 6,253 million, up by ISK 632 million or 11.2% between periods. Revenues from IT services amounted to ISK 4,636 million, up by ISK 474 million, or 11.4% between periods. Revenues from equipment sale amounted to ISK 2,157 million, up by ISK 225 million or 11.6% between periods.

Gross profit for 2020 amounted to ISK 12,904 million, down by ISK 499 million or 3.7% from 2019. Operating expenses amounted to ISK 9,061 million, down by ISK 190 million or 2.1% from 2019.

EBITDA amounted to ISK 10,500 million in 2020, compared to ISK 10,516 million in 2019, down by ISK 16 million or 0.2%. The EBITDA ratio in 2020 is 35.1%, compared to 36.2% in 2019.

Depreciation amounted to ISK 6,114 million in 2020, compared to ISK 5,602 million in 2019, up by ISK 512. Increased depreciation is mainly due to increased investments in TV rights.

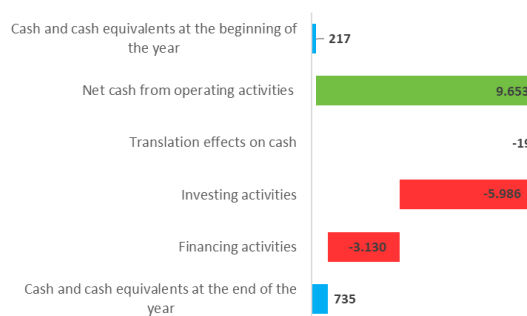
Net financial items amounted to ISK 702 million in 2020, down by ISK 343 million from 2019. Reduction of key interest rates by The Central Banks of Iceland leads to lower interest expenses.

Profit for the year 2020 amounted to ISK 2,916 million, compared to ISK 3,070 million in 2019.

## Cash flow

Cash generated by operation was ISK 11,245 million in 2020, compared to ISK 10,265 million in 2019. Net cash from operating activities was ISK 9,653 million in 2020, compared to ISK 8,507 million in 2019.

Investing activities were ISK 5,986 million in 2020, compared to ISK 6,369 million in 2019.



## Balance sheet

Total assets amounted to ISK 65,206 million at the end of 2020, compared to ISK 65,521 million at the end of 2019.

Interest-bearing debt amounted to ISK 15,939 million at the end of 2020, compared to ISK 16,231 million at the end of 2019. Net interest-bearing debt amounted to ISK 15,204 million at the end of 2020, down by ISK 810 million compared to year end 2019.

Net interest-bearing debt to EBITDA for the last twelve months was 1.45.

Total equity amounted to ISK 37,298 million at the end of the year and the equity ratio was 57.2%.

	31.12.2020	31.12.2019
<b>Non-current assets</b>	57,457	58,571
<b>Current assets</b>	7,749	6,950
<b>Total assets</b>	<b>65,206</b>	<b>65,521</b>
<b>Total equity</b>	37,298	36,632
<b>Non-current liabilities</b>	20,025	20,268
<b>Current liabilities</b>	7,883	8,621
<b>Total equity and liabilities</b>	<b>65,206</b>	<b>65,521</b>
<b>Equity ratio</b>	57,2%	55,9%

## Key events

- At the beginning of December, Síminn and the international IT company Crayon Group signed a binding agreement on Síminn's sale of Sensa ehf. The total value of Sensa in the agreement is ISK 3,250 million, and Síminn's estimated capital gain from the transaction is 1.7 b.kr. The final gain on the sale will depend on the development of Crayon's share price and Sensa's performance until the settlement date. The approval of the Competition Authority is awaited, and it is expected that the settlement of the transaction will take place in the coming weeks.
- At the beginning of 2021, Síminn's Mobile radio network and IP network was transferred to Míla. The project is extensive and has been in preparation for several months. About 20 employees moved between the companies with this change and Míla's annual turnover increases by 2.2 b.kr. Míla's EBITDA increases by 1,200 m.kr. and CAPEX increases by 750 m.kr.
- In recent years, the parent company has taken care of all the financing of the group's subsidiaries. The Group's capital structure is being changed and Míla is finalizing its own financing from Íslandsbanki. At the same time, the parent company is finalizing refinancing from Arion Bank.

- In January this year, the Competition Appeals Committee published its ruling in which the Competition Authority's decision no. 25/2020 was partially repealed and the fine was reduced from 500 m.kr. to 200 m.kr. The initial fine was entered in the company's books in the second quarter of 2020, but the 300 m.kr. decrease has a positive effect on the results of the fourth quarter of 2020.
- The first 5G sites were installed at the end of last year and 5G is now available at three sites. Síminn has agreed with Ericsson on the ongoing development of the mobile networks and plans to install 5G at 40-50 sites this year. There were about 530 4G sites at the end of the year and it is expected that an additional 30-40 sites will be updated with 4G this year.
- The latest statistical report from the Post and Telecom Administration, which considers the first half of 2020, states that Síminn has become the largest seller of fiber-optic connections in the country.
- Síminn's TV services continues to develop rapidly and is now available on AndroidTV and AppleTV. The same content is independent of distribution channels and the experience is the same. Various innovations are ahead in the interface and services of Síminn's TV.
- Míla fiber-optic installation is progressing well, both in the capital area and the rural areas. The total number of households that have access to Míla fiber optics has exceeded 95 thousand in the whole country and connected users have reached almost 40 thousand.

### Guidance 2021

The guidance for 2021 assumes that the company's EBITDA will be in the range of ISK 10.2 - 10.6 billion. CAPEX is estimated to be in the range of ISK 5.1 to 5.4 billion.

### Investor meeting 19 February 2021

An investor presentation will be held on Friday 19 February 2021 at 8:30 am. During the meeting, Orri Hauksson CEO and Óskar Hauksson CFO will present the financial results. The meeting will be held in Icelandic. Documents and a recording of the meeting will be available after the meeting on the company's investor relations website

<https://www.siminn.is/umsimann/uppgjor> and in Nasdaq's Iceland company news.

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

### Financial Calendar 2021

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| • Annual General Meeting 2021                      | 11 March 2021    |
| • Interim report for the first quarter of 2021     | 27 April 2021    |
| • Interim report for the first half of 2021        | 31 August 2021   |
| • Interim report for the first nine months of 2021 | 26 October 2021  |
| • Announcement of the 2021 results                 | 22 February 2022 |
| • Annual General Meeting 2022                      | 17 March 2022    |

**Further information**

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Note: This English version is a translation of the Icelandic text that accompanies the Q3 2020 results of Síminn hf.

***Síminn hf.***

*Síminn owns and operates the companies Síminn, Míla, Sensa, Farsímagreiðslur and Radíómiðun. 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.*