

A woman with dark, wavy hair is shown in profile, looking towards the right. She is wearing a dark top. The background is a vibrant red with a subtle, wavy pattern. The lighting is dramatic, with a strong blue highlight on her face and neck.

STELLA BLÓMKVIST



Q4 2017 Results

Full year 2017

Orri Hauksson og Óskar Hauksson | 20.02.2018



Highlights in Q4 2017

FINANCE

EBITDA
1.930 m.kr.

EBITDA ratio
25,7%

Cash
718 m.kr.

Net debt / EBITDA*
2,06

CAPEX
972 m.kr.

Equity ratio
59,9%

*EBITDA trailing twelve months

HIGHLIGHTS

- The FTTH project is in good progress with 4.000 additional homes passed in the capital area in Q4 2017 - 60% of homes in the capital area have access to fiber from Míla.
- CAPEX has peaked in 2018 although Míla will continue significant investment in fiber.
- Severance payments effect results in Q4.
- Roaming revenues - 78 m.kr. decrease in margin in Q4 due to RLH
- 14% revenue growth in TV services in Q4 2017 adjusted for sold entities

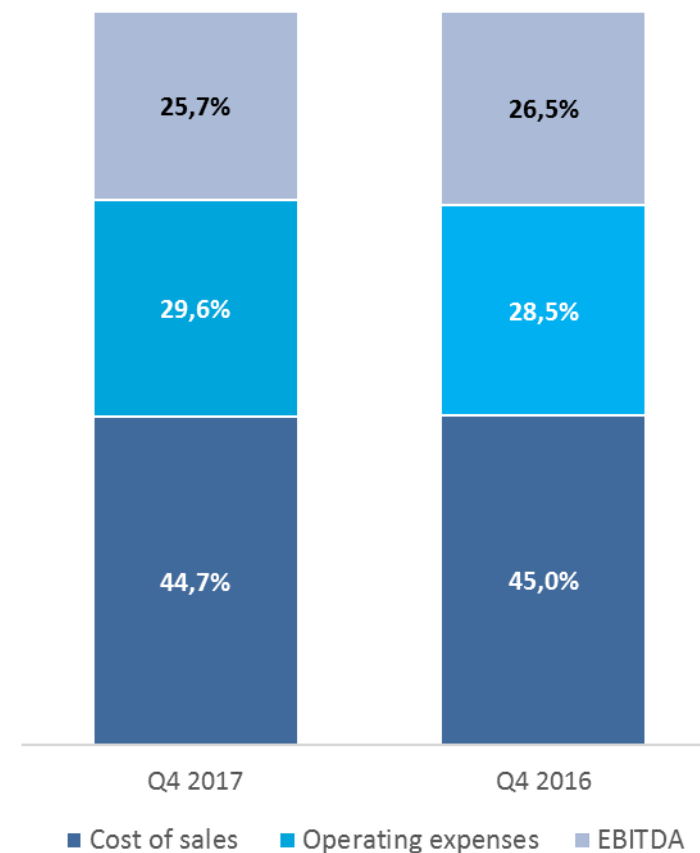


Q4 2017 - Results



Income statement Q4 2017

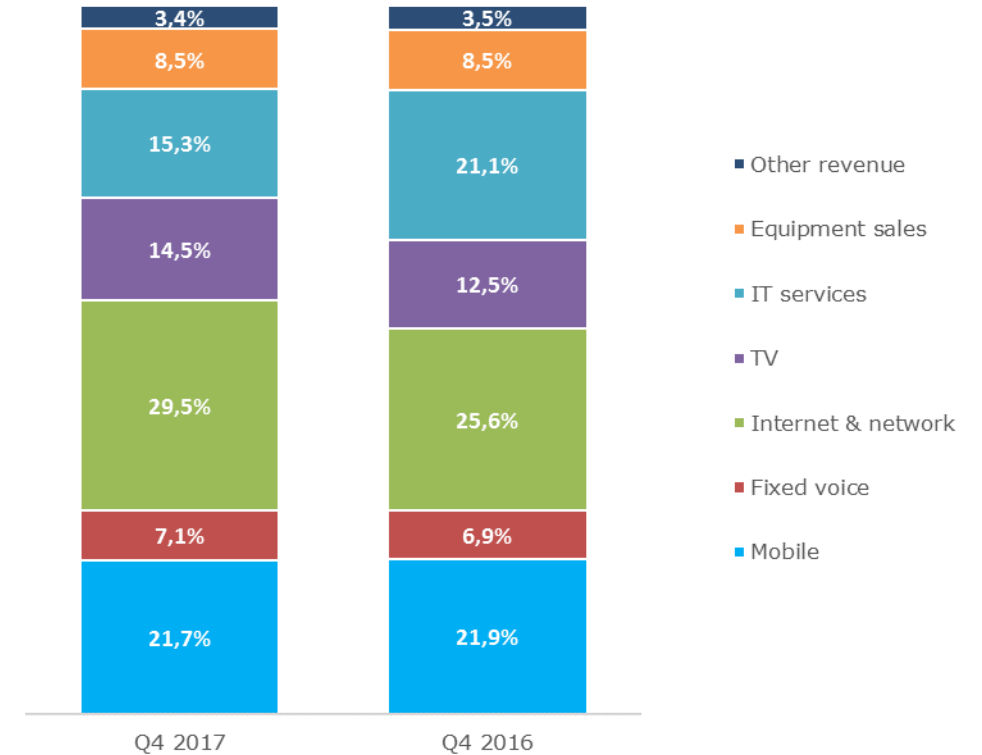
	Q4 2017	Q4 2016	Change in %
Net sales	7.389	7.773	-4,9%
Cost of sales	(4.105)	(4.302)	-4,6%
Gross profit	3.284	3.471	-5,4%
<i>Gross profit ratio</i>	<i>44,4%</i>	<i>44,7%</i>	
Other operating income	111	172	-35,5%
Operating expenses	(2.404)	(2.466)	-2,5%
Operating profit	991	1.177	-15,8%
<i>Operating profit/Net sales</i>	<i>13,4%</i>	<i>15,1%</i>	
Finance income	55	232	-76,3%
Finance cost	(400)	(584)	-31,5%
Net exchange rate differences	2	(18)	-111,1%
Net financial items	(343)	(370)	-7,3%
Income tax	(41)	(205)	-80,0%
Net profit	607	601	1,0%
Depreciation and amortisation	(939)	(926)	1,4%
EBITDA	1.930	2.103	-8,2%
<i>EBITDA ratio</i>	<i>25,7%</i>	<i>26,5%</i>	
EBIT	991	1.177	-15,8%
<i>EBIT ratio</i>	<i>13,2%</i>	<i>14,8%</i>	





Revenue by segments Q4 2017

	Q4 2017	Q4 2016	Change	Change %
Mobile	1.626	1.736	(110)	-6,3%
Fixed voice	532	548	(16)	-2,9%
Internet & network	2.210	2.031	179	8,8%
TV	1.088	997	91	9,1%
IT services	1.147	1.675	(528)	-31,5%
Equipment sales	639	677	(38)	-5,6%
Other revenue	258	281	(23)	-8,2%
Revenues total	7.500	7.945	(445)	-5,6%

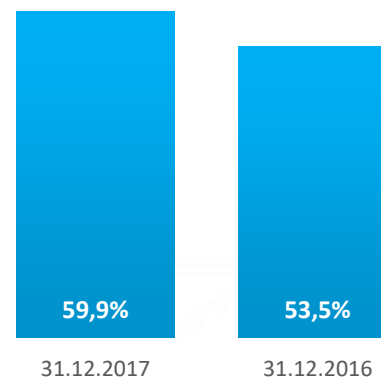




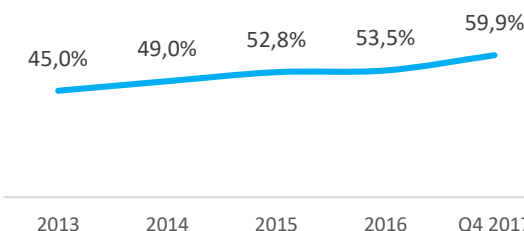
Balance sheet

	31.12.2017	31.12.2016
Assets		
Non-current assets		
Property, plant and equipment.....	17.024	16.118
Goodwill.....	31.435	31.407
Intangible assets.....	3.226	3.181
Other non-current assets.....	658	1.349
Non-current assets	52.343	52.055
Current assets		
Inventories.....	2.345	1.829
Accounts receivables.....	4.470	5.619
Other current assets.....	736	809
Cash and cash equivalents.....	718	3.667
Current assets	8.269	11.924
Total assets	60.612	63.979
Equity and liabilities		
Equity		
Total equity.....	36.281	34.260
Non-current liabilities		
Borrowings.....	16.781	21.568
Deferred tax liabilities.....	817	442
Non-current liabilities	17.598	22.010
Current liabilities		
Bank loans.....	500	0
Accounts payables.....	2.950	3.584
Current maturities of borrowings.....	1.150	1.376
Other current liabilities.....	2.133	2.749
Current liabilities	6.733	7.709
Total equity and liabilities	60.612	63.979

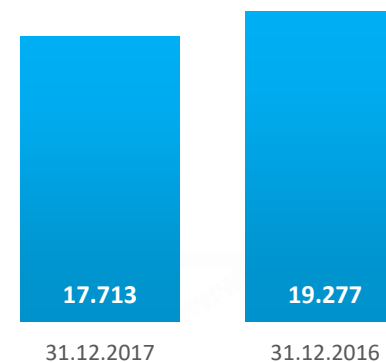
Equity ratio



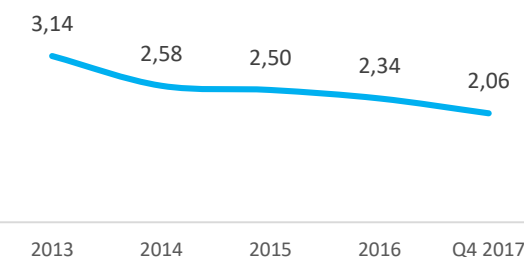
Equity ratio



Net interest bearing debt



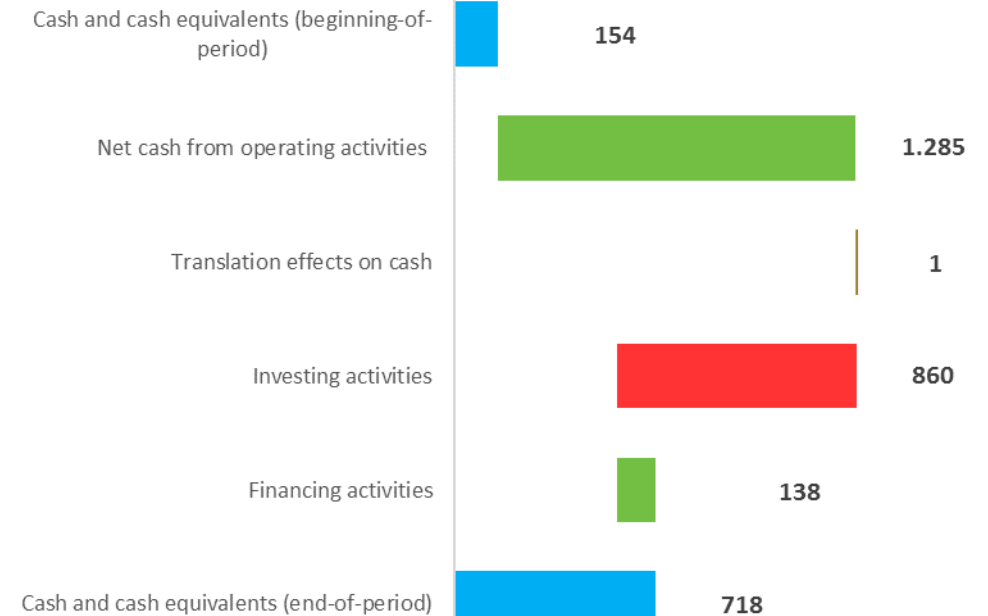
Net debt to EBITDA





Cash flow Q4 2017

	Q4 2017	Q4 2016
Cash flow from operating activities		
Operating profit	991	1.177
Operational items not affecting cash flow:		
Depreciation and amortisation.....	939	926
Other items not affecting cash flow.....	6	5
	<u>1.936</u>	<u>2.108</u>
Changes in current assets and liabilities.....	129	133
Cash generated by operation	<u>2.065</u>	<u>2.241</u>
Net interest expenses paid during the period.....	(187)	(139)
Payments of taxes during the period.....	(593)	4
Net cash from operating activities	<u>1.285</u>	<u>2.106</u>
Investing activities		
Net investment in property, plant and equipments.....	(972)	(1.849)
Other investment.....	112	152
Investing activities	<u>(860)</u>	<u>(1.697)</u>
Financing activities		
Buyback of ordinary shares.....	(253)	(93)
Proceeds from the exercise of share options.....	179	93
New borrowings.....	0	0
Payments of non-current liabilities.....	(288)	(229)
Bank loans, increase (decrease).....	500	0
Financing activities	<u>138</u>	<u>(229)</u>
Increase (decrease) in cash and cash equivalents	563	180
Translation effects on cash.....	1	(8)
Cash and cash equivalents (beginning-of-period).....	154	3.495
Cash and cash equivalents (end-of-period).....	<u>718</u>	<u>3.667</u>



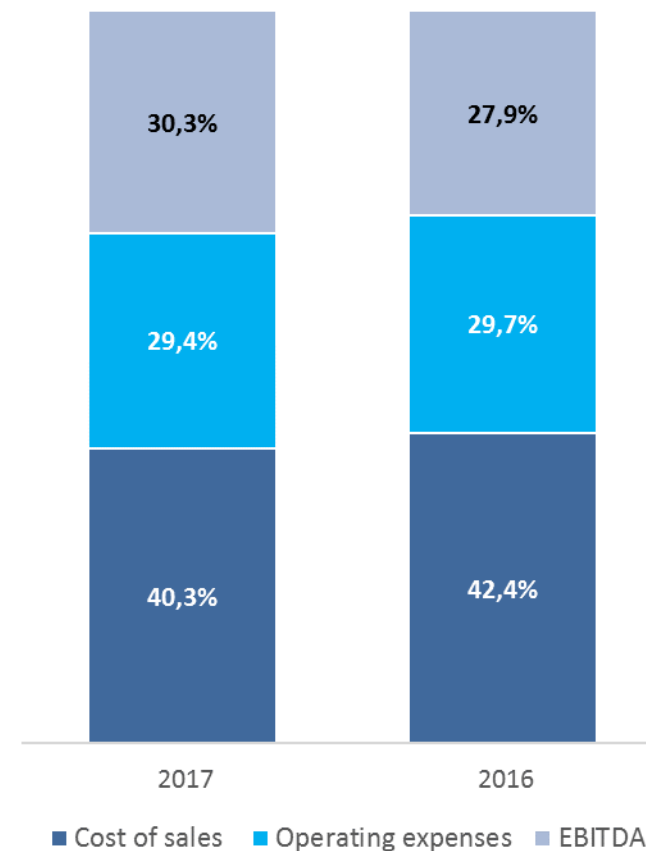


2017 Full year results



Income statement 2017

	2017	2016	Change in %
Net sales	27.992	29.037	-3,6%
Cost of sales	(14.418)	(15.387)	-6,3%
Gross profit	13.574	13.650	-0,6%
<i>Gross profit ratio</i>	<i>48,5%</i>	<i>47,0%</i>	
Other operating income	441	535	-17,6%
Operating expenses	(9.096)	(9.559)	-4,8%
Operating profit	4.919	4.626	6,3%
<i>Operating profit/Net sales</i>	<i>17,6%</i>	<i>15,9%</i>	
Finance income	398	765	-48,0%
Finance cost	(1.535)	(1.884)	-18,5%
Net exchange rate differences	14	21	-33,3%
Net financial items	(1.123)	(1.098)	2,3%
Income tax	(720)	(772)	-6,7%
Net profit	3.076	2.755	11,7%
Depreciation and amortisation	(3.688)	(3.619)	1,9%
EBITDA	8.607	8.245	4,4%
<i>EBITDA ratio</i>	<i>30,3%</i>	<i>27,9%</i>	
EBIT	4.919	4.626	6,3%
<i>EBIT ratio</i>	<i>17,3%</i>	<i>15,6%</i>	

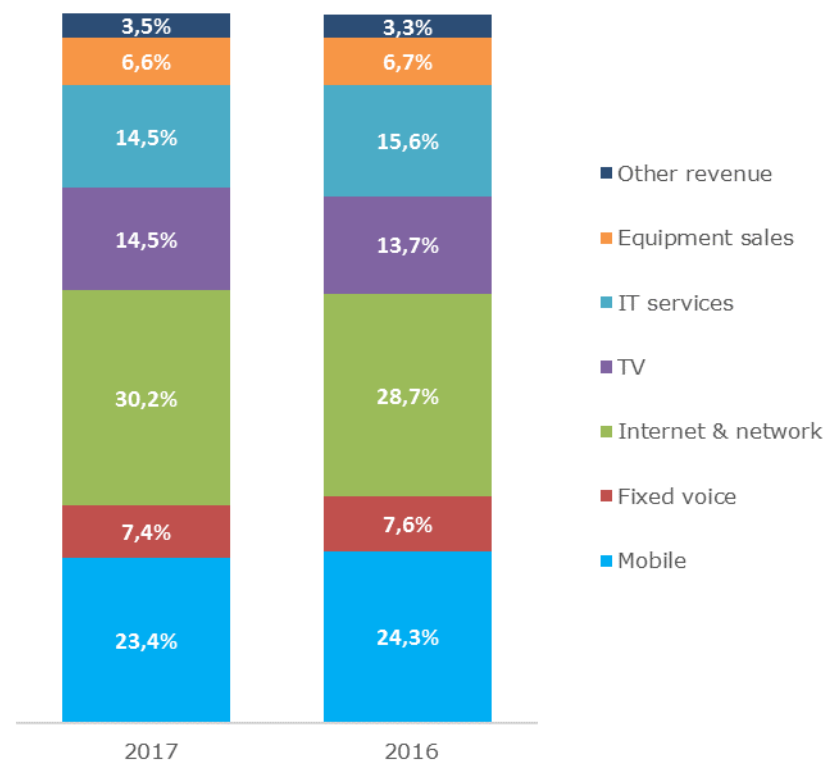




Revenue by segments 2017

	2017	2016	Change	Change %
Mobile	6.652	7.190	(538)	-7,5%
Fixed voice	2.096	2.239	(143)	-6,4%
Internet & network	8.583	8.498	85	1,0%
TV	4.118	4.062	56	1,4%
IT services	4.111	4.619	(508)	-11,0%
Equipment sales	1.883	1.993	(110)	-5,5%
Other revenue	990	971	19	2,0%
Revenues total	28.433	29.572	(1.139)	-3,9%
Adjusted for disc. operations *	28.433	28.960	(527)	-1,8%

* Staki, Talenta, Síminn Sport (EM 2016) and K100





Key figures from subsidiaries

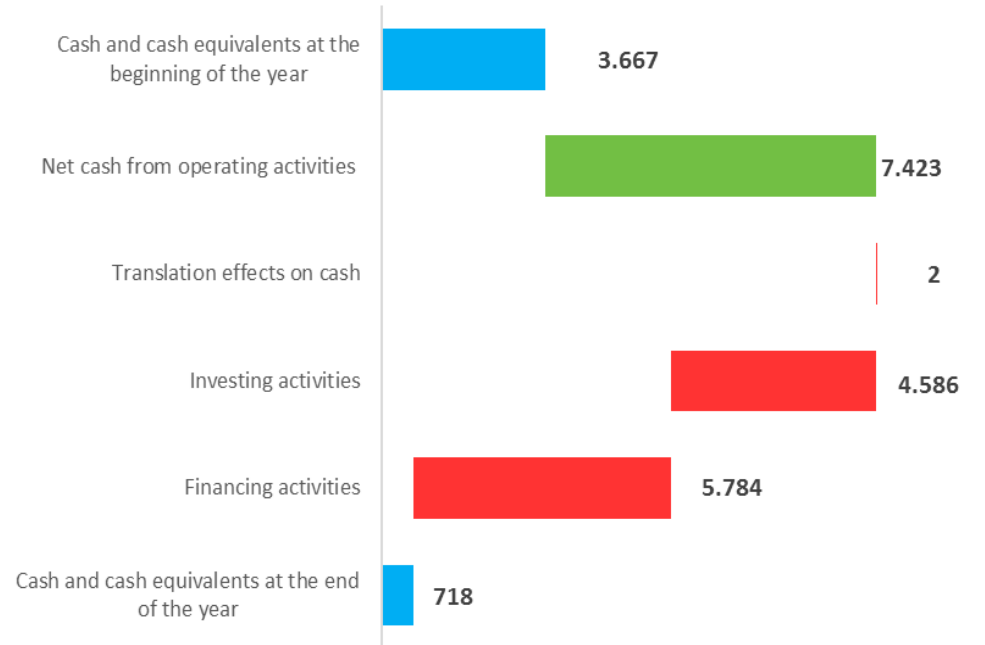
	2017	2016	Change	Change %
Síminn hf.				
Revenue.....	22.981	23.595	-614	-2,6%
EBITDA.....	5.212	4.968	244	4,9%
EBITDA ratio.....	22,7%	21,1%		
CAPEX.....	1.758	2.290	-532	-23,2%
CAPEX to revenue.....	7,6%	9,7%		
Míla ehf.				
Revenue.....	6.058	6.082	-24	-0,4%
EBITDA.....	2.907	2.981	-74	-2,5%
EBITDA ratio.....	48,0%	49,0%		
CAPEX.....	3.037	2.183	854	39,1%
CAPEX to revenue.....	50,1%	35,9%		
Sensa ehf. *				
Revenue.....	4.593	5.058	-465	-9,2%
EBITDA.....	539	645	-106	-16,4%
EBITDA ratio.....	11,7%	12,8%		
CAPEX.....	-5	187	-192	-102,4%
CAPEX to revenue.....	-0,1%	3,7%		

* Without effect of Sensa DK Aps.



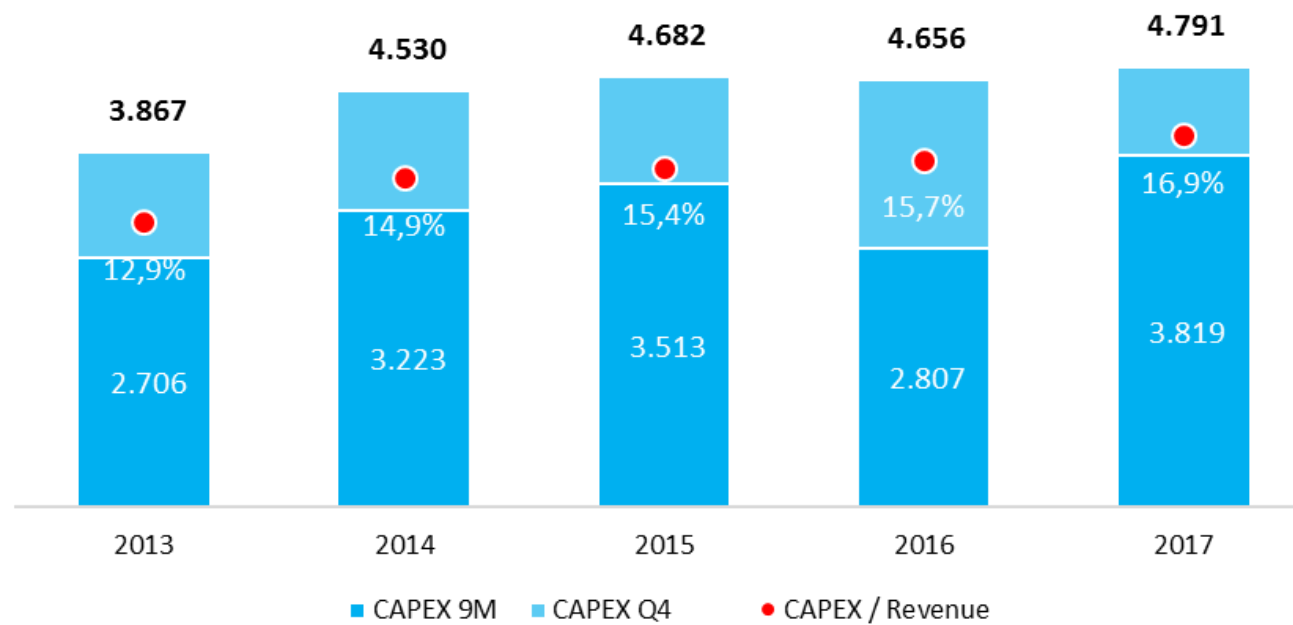
Cash flow statement 2017

	2017	2016
Cash flow from operating activities		
Operating profit	4.919	4.626
Operational items not affecting cash flow:		
Depreciation and amortisation.....	3.688	3.619
Other items not affecting cash flow.....	42	19
	<u>8.649</u>	<u>8.264</u>
Changes in current assets and liabilities.....	447	(371)
Cash generated by operation	<u>9.096</u>	<u>7.893</u>
Net interest expenses paid during the period.....	(1.058)	(1.125)
Payments of taxes during the period.....	(615)	(6)
Net cash from operating activities	<u>7.423</u>	<u>6.762</u>
Investing activities		
Net investment in property, plant and equipments.....	(4.791)	(4.656)
Other investment.....	205	125
Investing activities	<u>(4.586)</u>	<u>(4.531)</u>
Financing activities		
Dividend paid.....	(275)	(577)
Purchase of own shares.....	(923)	(657)
Net Financing activities.....	(4.586)	(1.371)
Financing activities	<u>(5.784)</u>	<u>(2.605)</u>
Increase (decrease) in cash and cash equivalents	(2.947)	(374)
Translation effects on cash.....	(2)	(30)
Cash and cash equivalents at the beginning of the year.....	3.667	4.071
Cash and cash equivalents at the end of the year.....	<u>718</u>	<u>3.667</u>





CAPEX development





Operations in 2017

Improved operations a result of cost reduction

- Salary expenses reduce by 642 m.kr. Around third is related to sale of subsidiaries. Outsourcing continues.
 - Average full-time employees (FTE's) decrease by 78 from 2016.
- Cost of goods sold decreases due to lower content cost, re-negotiated service agreements and lower interconnecting fees.
- Rent decreases by 82 m.kr. from 2016.
- IT cost increases due to sale of Staki and Talenta and outsourcing of operations.
- Lower Gen. & ad. due to e.g. lower staff cost and reduced professional services.
- Sales and marketing cost reduces as result of termination of the GoMobile agreement and different approach to marketing.
- Less defaults in wholesale and retail result in lower bad debt allowance.



Wholesale and roaming revenue

Operation adjusted to changes

- The merger of certain parts of 365 and Fjarskipti (Vodafone) will result in lower wholesale revenue at Síminn.
 - The effect is estimated to be 600 m.kr. on annual bases.
 - Will not have full effect in 2018.
 - The merger process was long and as a result Síminn had sufficient time to adjust operations to the revenue shortfall.
- Average number of FTE's will reduce by around 50 between 2017 and 2018.
 - For the most parts implemented before year end 2017.
- The merger of Síminn and On-Waves is effective from 1 January 2017 and Sensa DK was acquired by minority shareholders of the Danish company.
 - The total EBITDA loss for the two subsidiaries was around 500 m.kr. during the past 2 years.
 - On-Waves continues operations post the merger and results are improving.



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 15th will be to distribute 50% by:

1. Pay 10% of after-tax profit in 2017 as dividend, the amount is 310 m.kr.
2. Share buyback for up to 40% of after-tax profit in 2017



Outlook for 2018

The Signs are Encouraging

Síminn

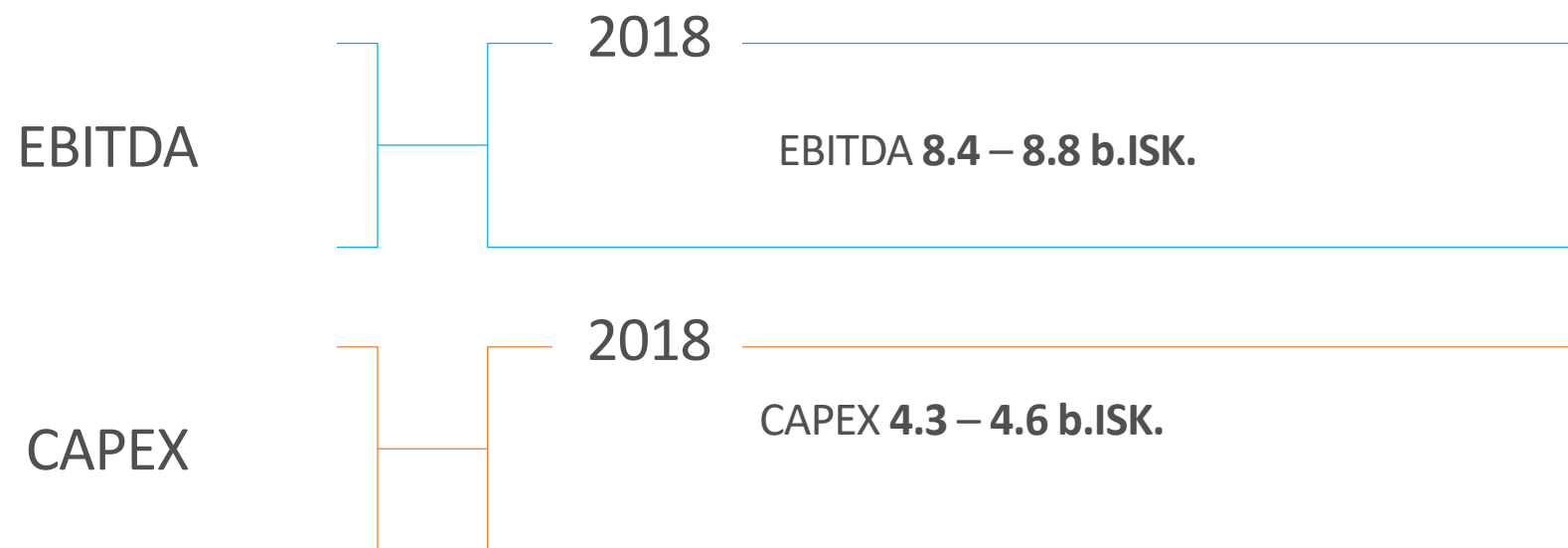
- Increase in mobile subscribers.
- TV revenue growth expected to continue.
- The success of the Home bundle has positive effect on fixed line revenue.
- Wholesale revenue will decrease but new revenue streams will offset part of the shortfall.
- Improvement in key processes.
 - 20% reduction in calls to service centers between 2016 and 2017.
 - Creates opportunities for further cost cutting.
- The co-operation with Telefónica is a success.
 - Procurement improvements – lower cost.
 - Co-operation in business development.

Subsidiaries

- Loss generating units have been spun off or sold.
- Míla expected to generate EBITDA growth in 2018.
- The fiber project at Míla reduces churn and cost.
- The outlook is good for Sensa.
- Loss making client relationships were terminated in 2017.
- The recent agreement with Verne creates opportunities for Sensa in hosting and managed services. Will lower cost for the group.
- Rádíómiðun is performing well with its services to the fishing industry.



Guidance for 2018





Highlights



Homes connected with fiber
from Mila tripled YoY





Síminn

Record number of homes
with Sjónvarp Símans Premium

MARVEL



Improved service decreases
calls to services centers
by 20% in 2017





The co-operation with
one of the largest Telco's
in the world a success

Telefónica





Close to 300 retail outlets
accept payments
with Síminn Pay





Síminn installs 1 Gb/s
Mobile Base Stations
and reaches further with
700 Mhz

4G networks reach
virtually all in Iceland –
or 98,2%

98,2%
4G reach





Síminn, Sensa and Verne Global
intend to offer the best hosting
service available for domestic and
global markets

Síminn

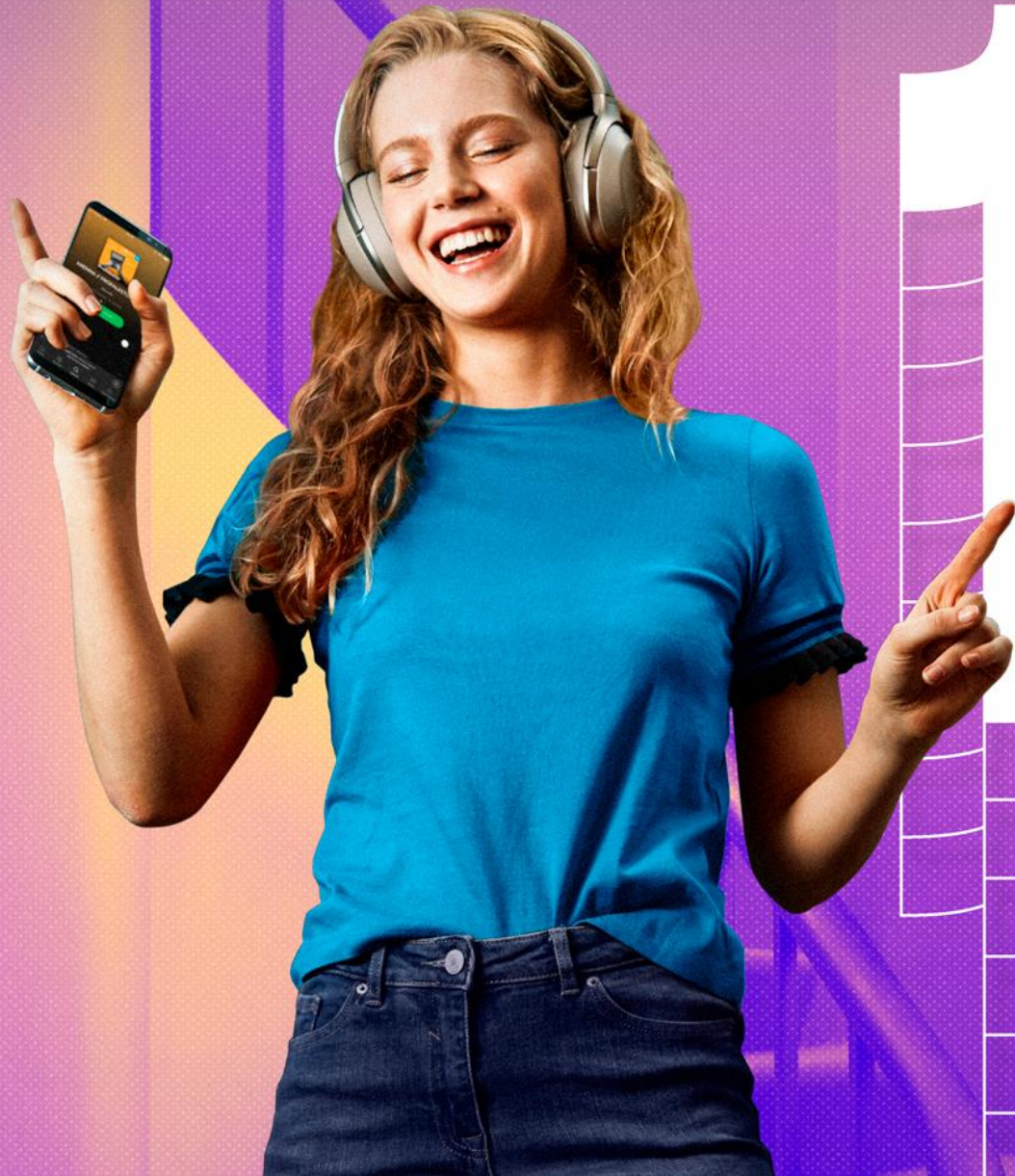
sensa

VERNE GLOBAL



Síminn and Spotify
offer Premium
for families







Appendix



Business segments

- **Mobile:** Revenue from mobile services in Iceland and abroad, whether traditional GSM service, satellite service, wholesale mobile service or other mobile service.
- **Fixed voice:** Revenue from fixed voice service (fees and traffic) both retail and wholesale
- **Internet & network:** Revenue from data service both wholesale and retail, incl. GPON, Internet, IP net, core network, local loop and access network
- **TV:** Revenues form TV and Radio broadcast (fees, traffic and advertisement), TV distribution and Síminn TV.
- **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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