Q1 2018 Results

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Highlights in Q1 2018

FINANCE

EBITDA **2.231 m.kr.**	EBITDA ratio **32,5%**	Cash **805 m.kr.**
Net debt / EBITDA* **1,93**	CAPEX **1.182 m.kr.**	Equity ratio **61,4%**

*EBITDA trailing twelve months

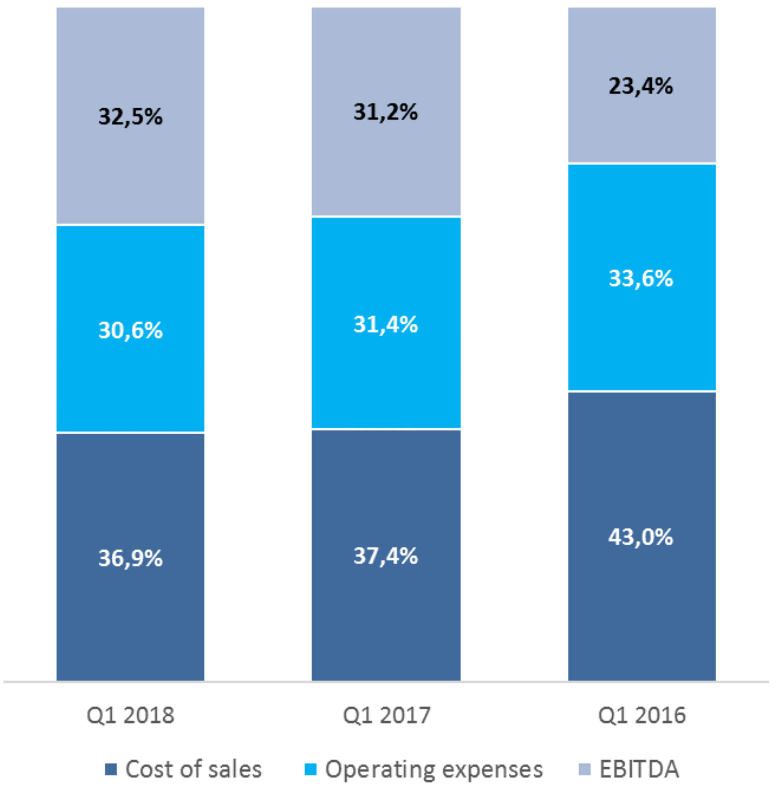
HIGHLIGHTS

- Revenue increases YoY and mobile revenue show signs of rebound
- Inbound roaming revenue are unchanged YoY in spite of RLH
- Cost reduction remains a focus area
- Homes connected to Míla fiber continue to grow – Homes passed are now close to 54.000, an increase of 3.000 in Q1

Q1 2018 - Results

Income statement Q1 2018

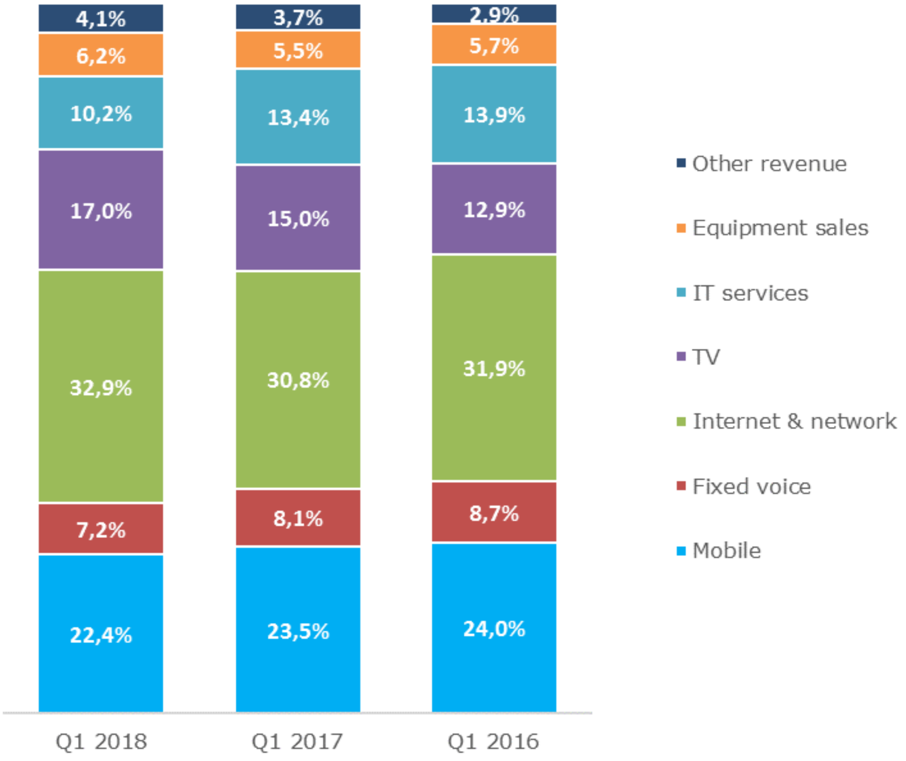
	Q1 2018	Q1 2017	Change	Change in %
Net sales	6.756	6.602	154	2,3%
Cost of sales	(3.302)	(3.246)	(56)	1,7%
Gross profit	3.454	3.356	98	2,9%
Gross profit ratio	*51,1%*	*50,8%*		
Other operating income	118	121	(3)	-2,5%
Operating expenses	(2.275)	(2.290)	15	-0,7%
Operating profit	1.297	1.187	110	9,3%
Operating profit/Net sales	*19,2%*	*18,0%*		
Finance income	*52*	*135*	(83)	-61,5%
Finance cost	*(241)*	*(352)*	111	-31,5%
Net exchange rate differences	*7*	*10*	*(3)*	*-30,0%*
Net financial items	(182)	(207)	25	-12,1%
Income tax	(228)	(206)	(22)	10,7%
Net profit	887	774	113	*14,6%*
Depreciation and amortisation	(934)	(912)	(22)	2,4%
EBITDA	2.231	2.099	132	6,3%
EBITDA ratio	*32,5%*	*31,2%*		
EBIT	1.297	1.187	110	9,3%
EBIT ratio	*18,9%*	*17,7%*		



Revenue by segments Q1 2018

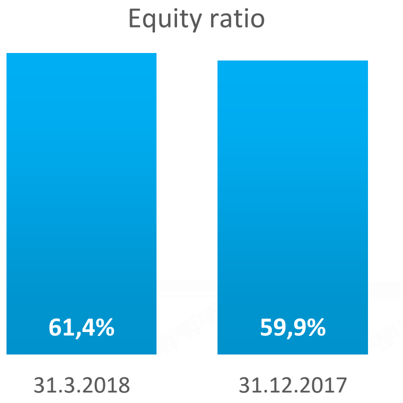
	Q1 2018	Q1 2017	Change	Change %
Mobile	1.541	1.582	(41)	-2,6%
Fixed voice	498	546	(48)	-8,8%
Internet & network	2.260	2.072	188	9,1%
TV	1.167	1.006	161	16,0%
IT services	702	900	(198)	-22,0%
Equipment sales	427	371	56	15,1%
Other revenue	279	246	33	13,4%
Total revenue	**6.874**	**6.723**	**151**	**2,2%**
Adjusted for disc. operations *	**6.874**	**6.633**	**241**	**3,6%**

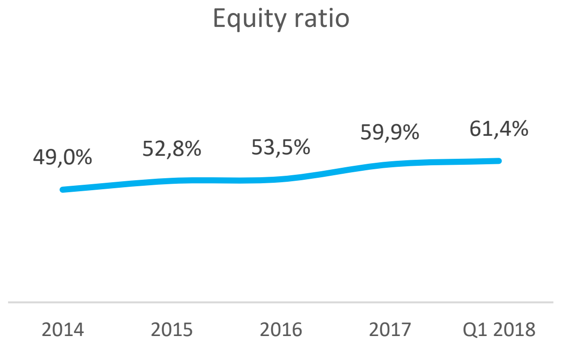
*Sensa DK Aps was sold in end of 2017

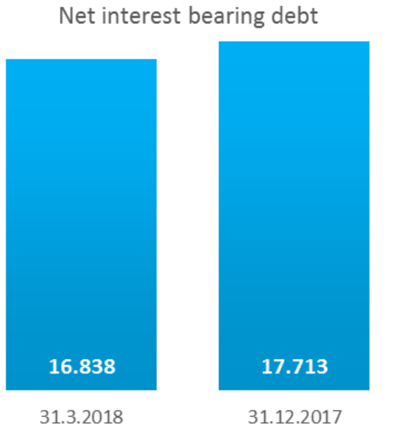


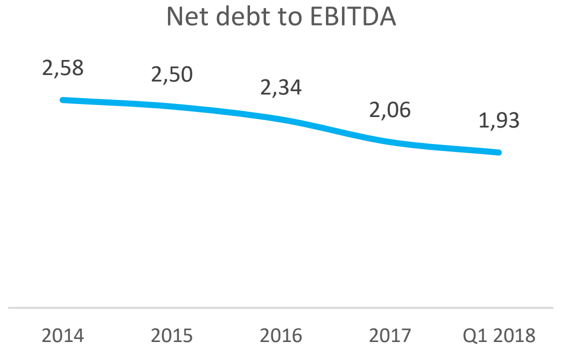
Balance sheet

	31.3.2018	31.12.2017
Assets		
Non-current assets		
Property, plant and equipment	17.247	17.024
Goodwill	31.435	31.435
Intangible assets	3.252	3.226
Other non-current assets	577	658
Non-current assets	**52.511**	**52.343**
Current assets		
Inventories	2.348	2.345
Accounts receivables	4.086	4.470
Other current assets	804	736
Cash and cash equivalents	805	718
Current assets	**8.043**	**8.269**
Total assets	**60.554**	**60.612**
Equity and liabilities		
Equity		
Total equity	37.174	36.281
Non-current liabilities		
Borrowings	16.493	16.781
Deferred tax liabilities	803	817
Non-current liabilities	**17.296**	**17.598**
Current liabilities		
Bank loans	0	500
Accounts payables	2.870	2.950
Current maturities of borrowings	1.150	1.150
Other current liabilities	2.064	2.133
Current liabilities	**6.084**	**6.733**
Total equity and liabilities	**60.554**	**60.612**



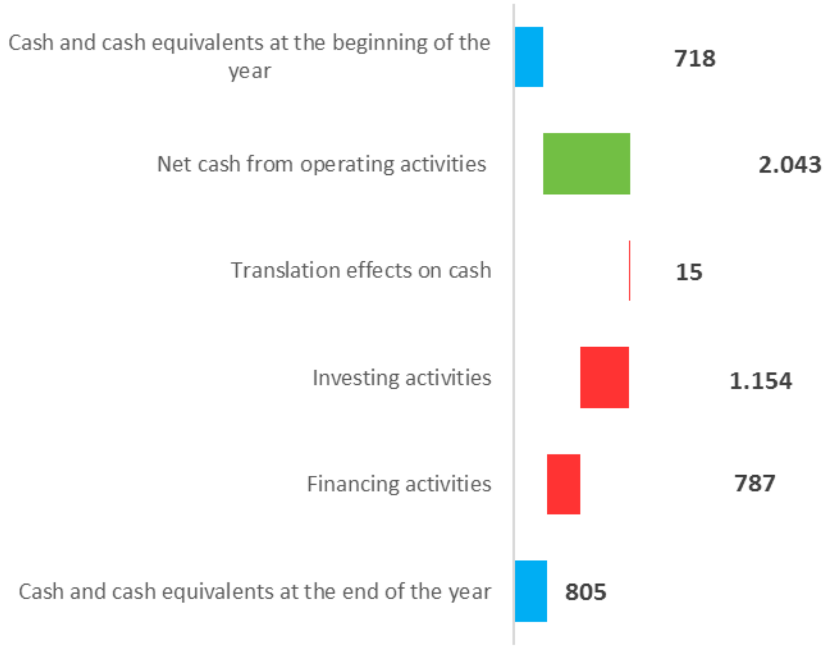




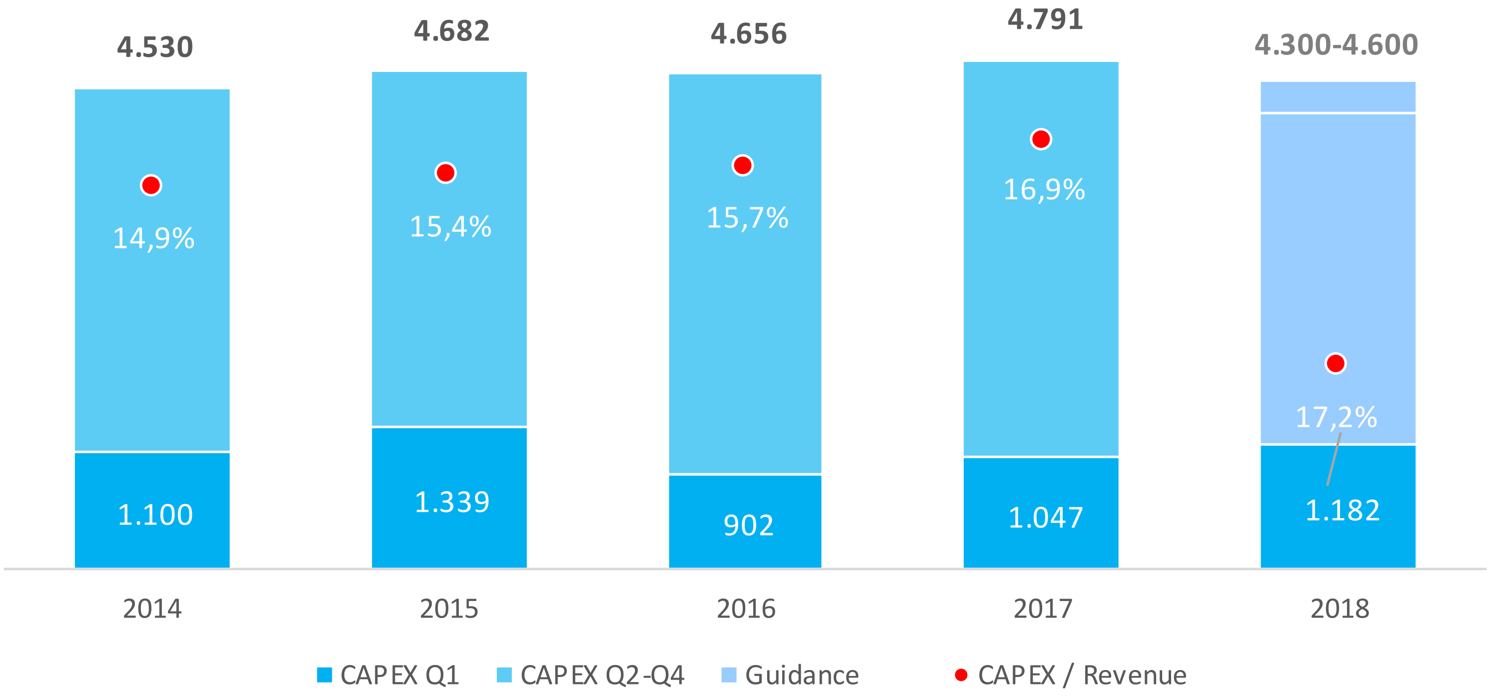


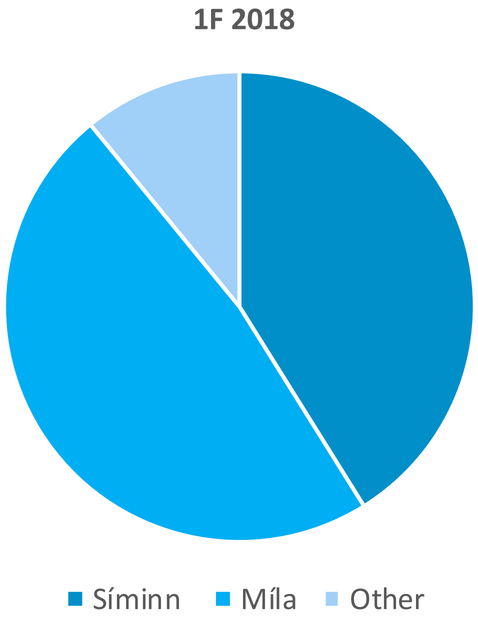
Cash flow Q1 2018

	Q1 2018	Q1 2017
Cash flow from operating activities		
Operating profit	1.297	1.187
Operational items not affecting cash flow:		
Depreciation and amortisation	934	912
Other items not affecting cash flow	6	9
	2.237	2.108
Changes in current assets and liabilitites	153	319
Cash generated by operation	2.390	2.427
Net interest expenses paid during the period	(191)	(322)
Payments of taxes during the period	(156)	(9)
Net cash from operating activities	2.043	2.096
Investing activities		
Net investment in property, plant and equipments	(1.182)	(1.047)
Other investment	28	7
Investing activities	(1.154)	(1.040)
Financing activities		
Net Financing activities	(787)	(458)
Financing activities	(787)	(458)
Increase (decrease) in cash and cash equivalents	102	598
Translation effects on cash	(15)	0
Cash and cash equivalents at the beginning of the year	718	3.667
Cash and cash equivalents at the end of the year	805	4.265



CAPEX development





CAPEX Míla

- Homes passed are reaching 60.000, both the capital area and the rural area.
- The agreement with Gagnaveita Reykjavíkur creates opportunity to roll-out fiber faster than previously planned. This applies both to the capital and the rural area.
- The aim is to avoid double cost, decrease project time, decrease environmental impact and effects for home owners.
- In parallel to fiber rollout in the capital area the rural area will get increased focus
  - Míla has infrastructure in i.e. Akureyri, Selfoss and Reykjanesbæ
  - Míla will own and operate new fiber networks in Snæfellsbær, Rangárþing Eystra and in Grímsnes- and Grafningshreppur following a tender from the municipalities.

Operations in Q1 2018

Improved operations

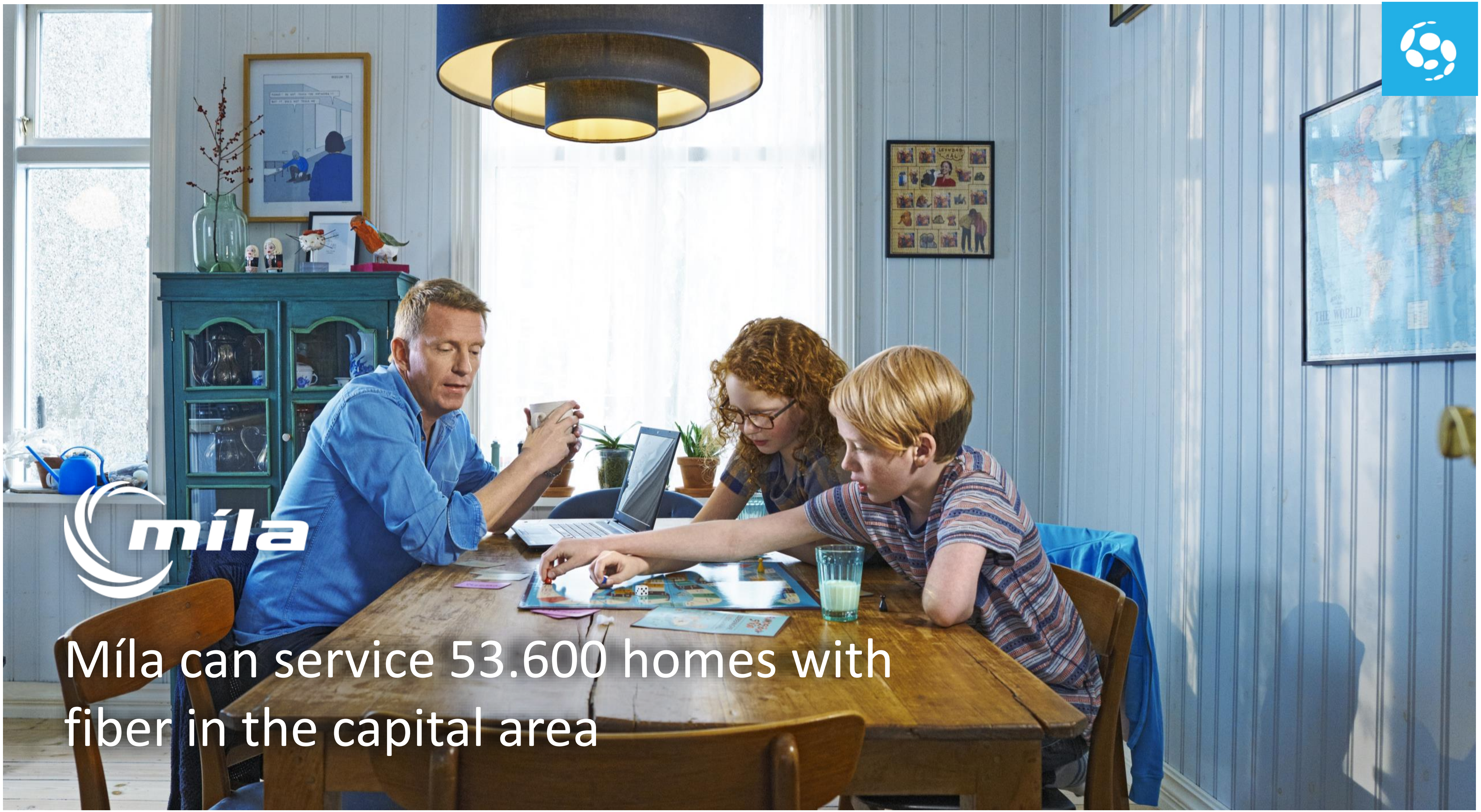
- Revenue from data and TV services grow YoY
  - The TV business model introduced in the fall of 2015 has been a success
- Mobile subscriptions increase
  - Strong growth in Þrenna in recent months
  - Lower revenue decrease in mobile
  - Inbound roaming revenue unchanged YoY in spite of RLH
- Sale of hardware decline at Sensa but service revenue are strong
  - Agreement with Verne for hosting- and networking is in operation
- Cost reduction still a focus area
  - The average number of FTE decreases YoY

Guidance for 2018

Unchanged guidance

	2018
EBITDA	EBITDA **8.4 – 8.8 b.ISK.**
CAPEX	CAPEX **4.3 – 4.6 b.ISK.**

Highlights



Míla can service 53.600 homes with fiber in the capital area

sensa

The transfer of data centers to Verne is progressing well

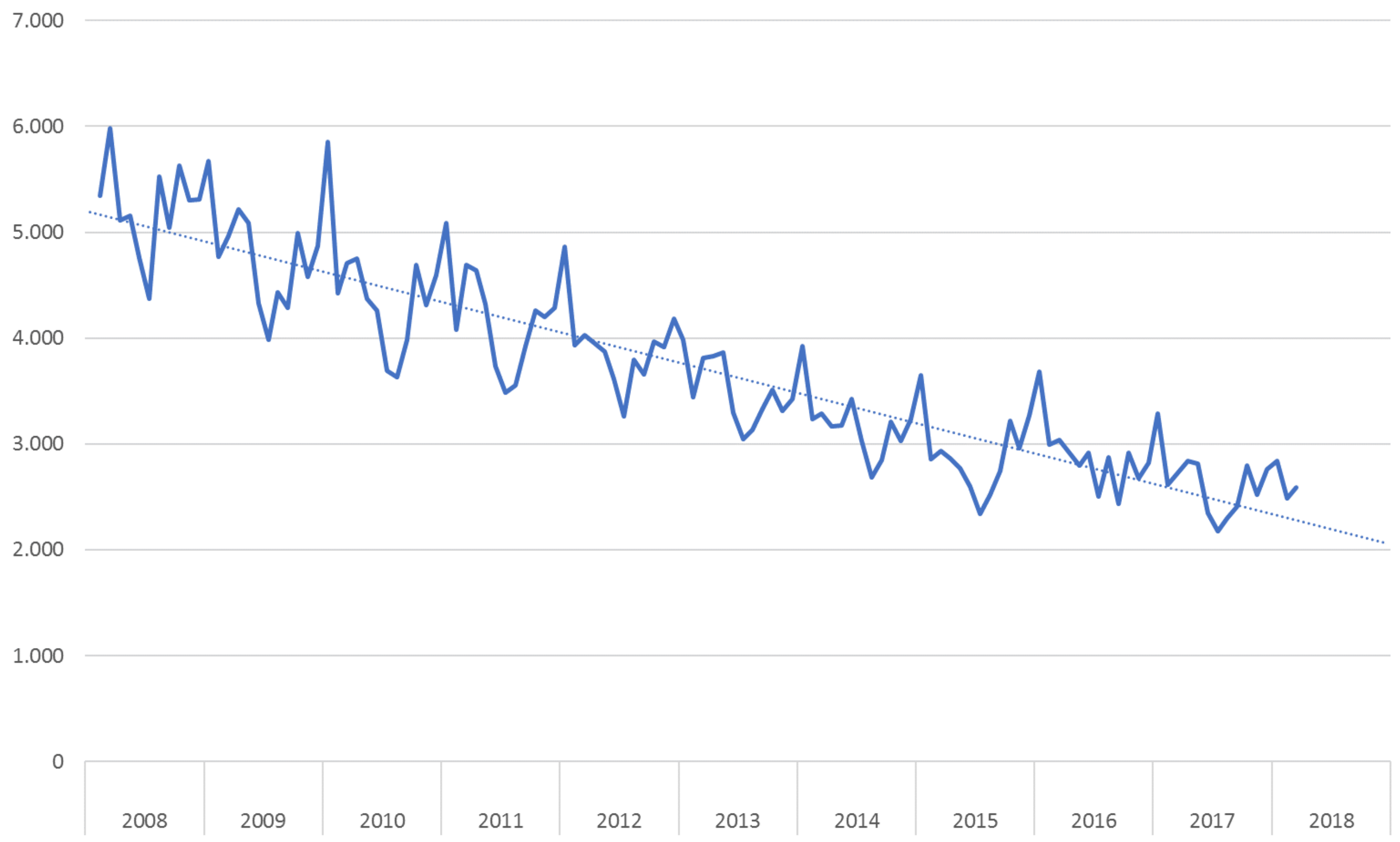
Available on the App Store

Get it on Google play

Updated TV portal and Síminn TV app

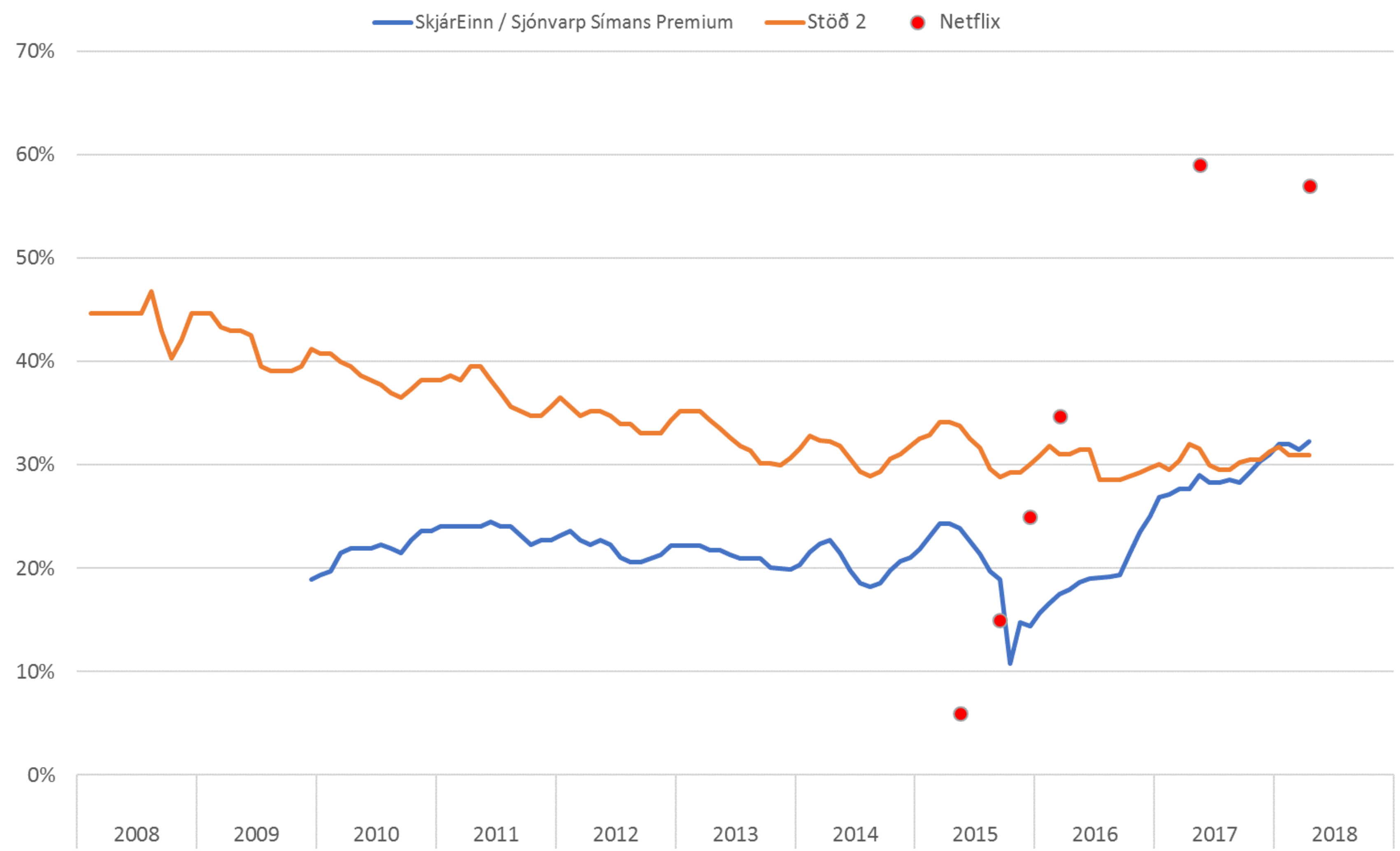

GUDJOHNSEN
STRÚKTÚR
KOKKAFLAKK

Linear view – Minutes per. month

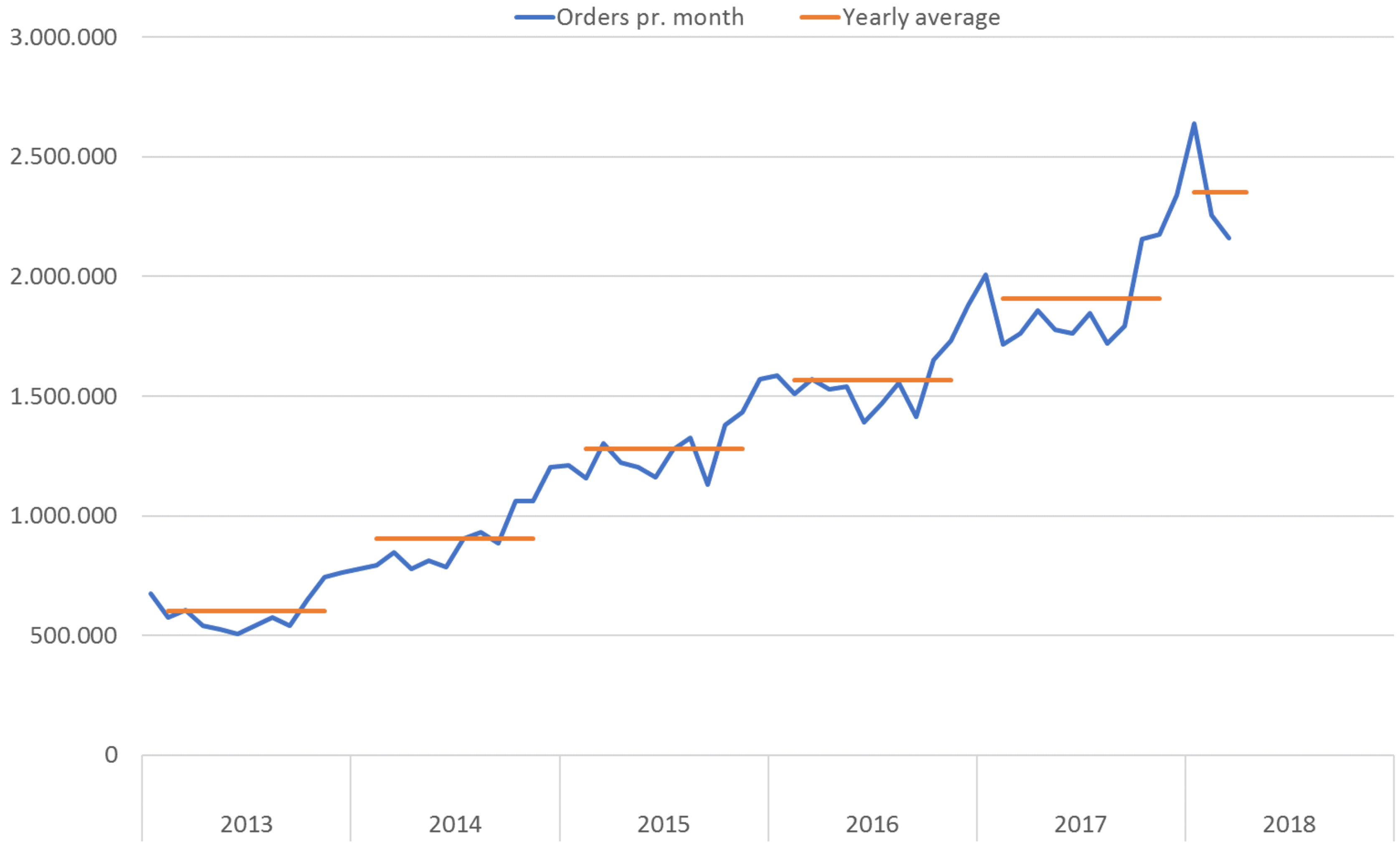


Source: Gallup

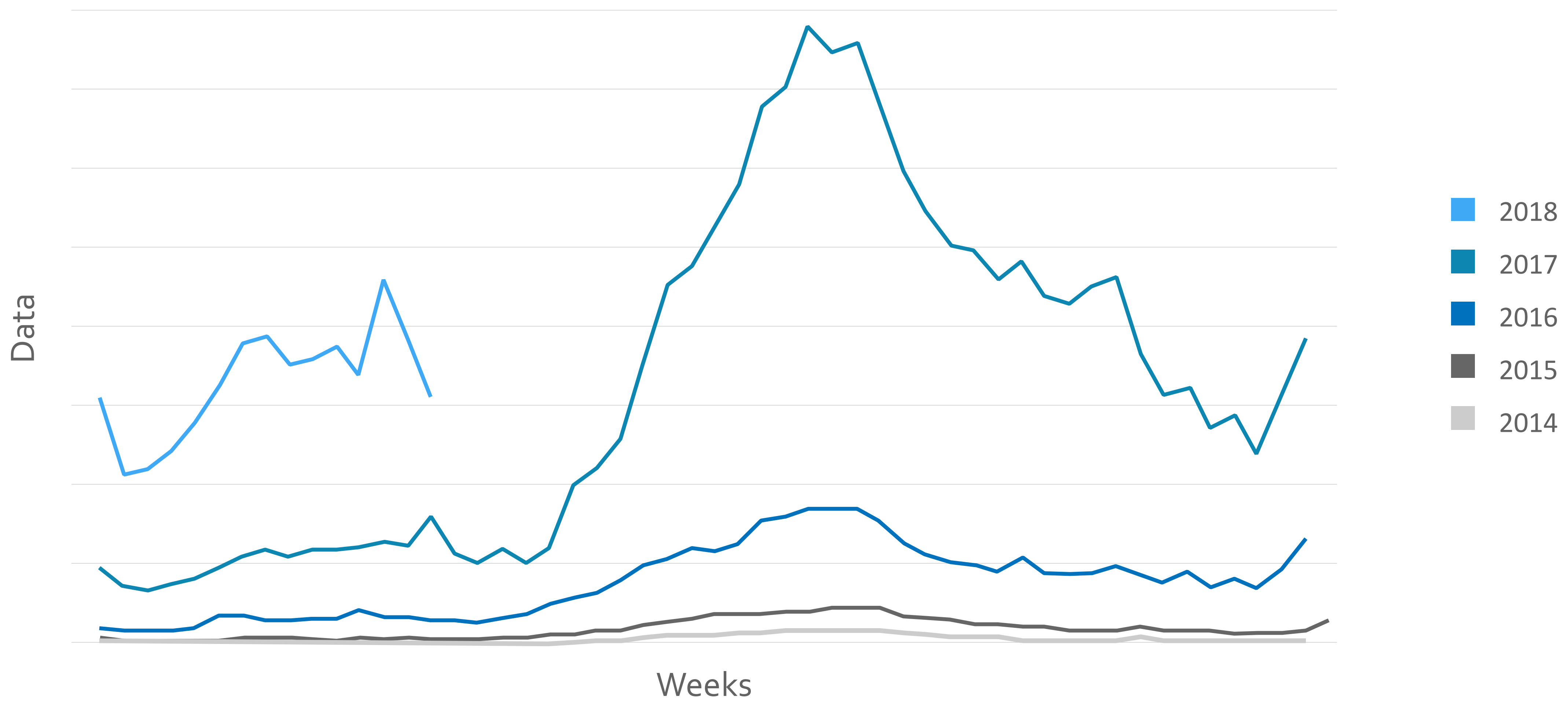
Trend in TV subscriptions



VOD development in Síminn Premium TV

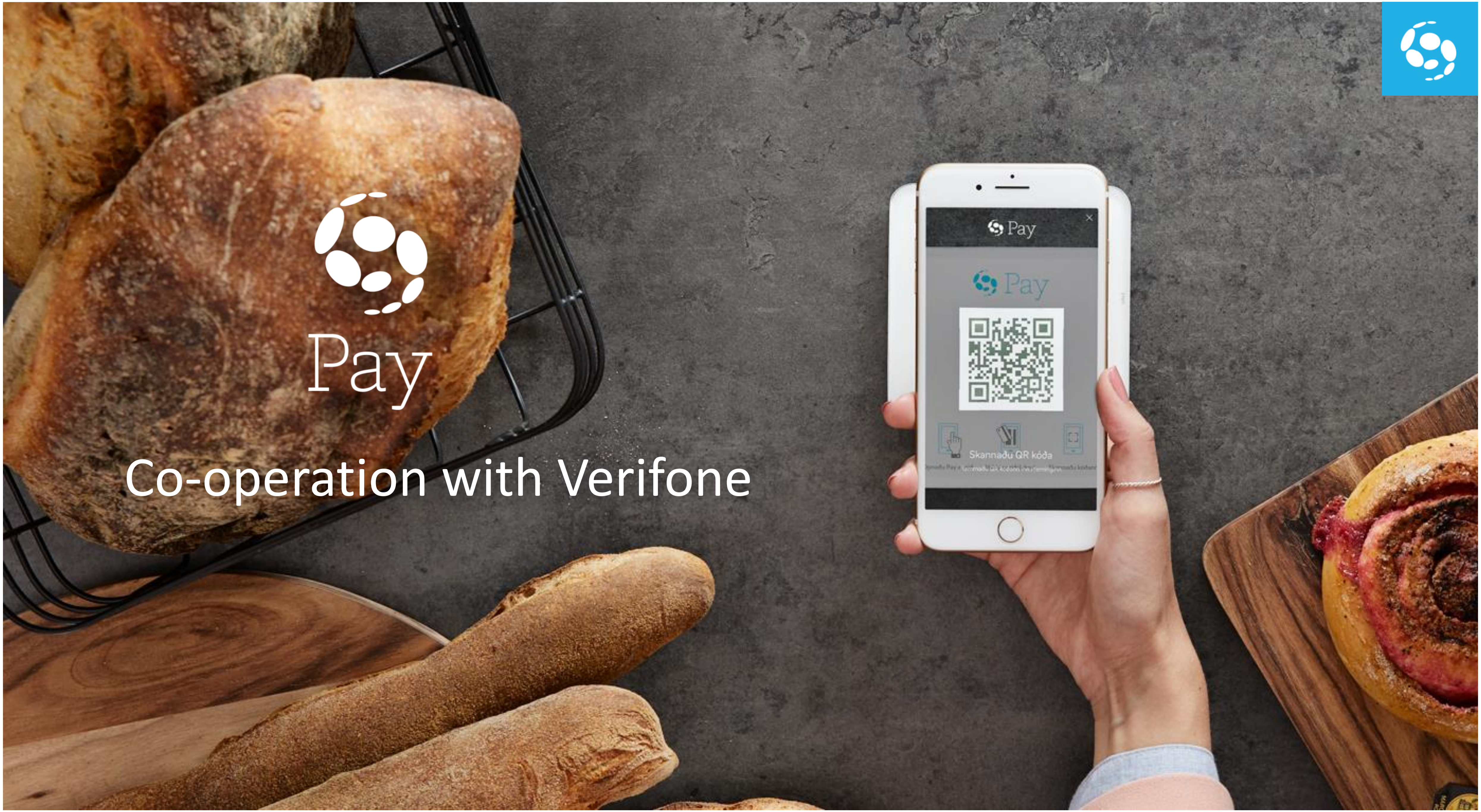


Tourists triple data usage




ÞRENNA

Co-operation with Verifone



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. xDSL service, GPON, Internet, IP net, core network, local loop and access network.
- **TV:** Revenues 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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