

A woman with short blonde hair, wearing a dark red shawl and a long gold skirt, holds a baby in a white outfit. They stand in a vast, green, mossy landscape under a dramatic, cloudy sky at sunset or sunrise. The woman is smiling and looking towards the camera, while the baby looks to the side.

## Q3 2018 Results

**Orri Hauksson og Óskar Hauksson**  
31 October 2018



## Highlights in Q3 2018

### FINANCE

EBITDA  
2.397 m.kr.

EBITDA ratio  
34,4%

Cash  
570 m.kr.

Net debt / EBITDA\*  
1,88

CAPEX  
1.192 m.kr.

Equity ratio  
62,1%

\*EBITDA trailing twelve months

### HIGHLIGHTS

- Increase in revenue, EBITDA and net profit
- Increased number of customers and good sales performance
- Good quarter in IT and positive outlook
- Síminn is well positioned to deal with the effects of the weaker ISK and expected wage increases related to new labor agreements in 2019

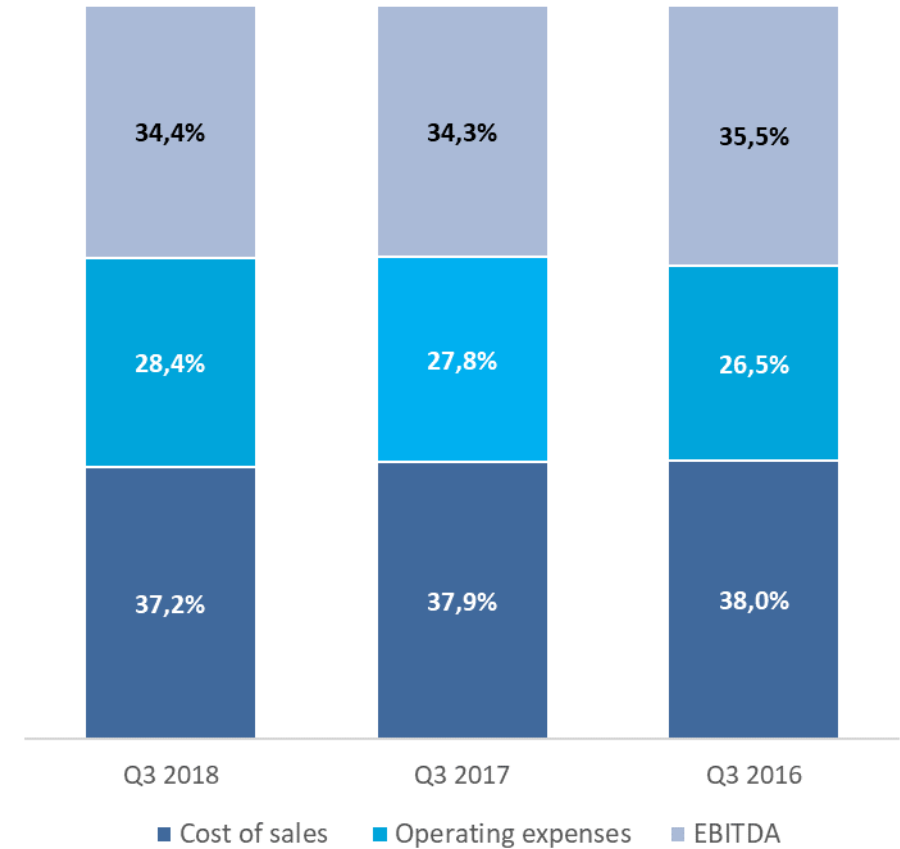


# Q3 2018 - Results



## Income statement Q3 2018

|                                      | Q3 2018       | Q3 2017       | Change       | Change in %    |
|--------------------------------------|---------------|---------------|--------------|----------------|
| Net sales                            | 6.828         | 6.856         | ( 28)        | -0,4%          |
| Cost of sales                        | ( 3.371)      | ( 3.380)      | 9            | -0,3%          |
| Gross profit                         | 3.457         | 3.476         | ( 19)        | -0,5%          |
| <i>Gross profit ratio</i>            | <i>50,6%</i>  | <i>50,7%</i>  |              |                |
| Other operating income               | 141           | 100           | 41           | 41,0%          |
| Operating expenses                   | ( 2.156)      | ( 2.113)      | ( 43)        | 2,0%           |
| Operating profit                     | 1.442         | 1.463         | ( 21)        | -1,4%          |
| <i>Operating profit/Net sales</i>    | <i>21,1%</i>  | <i>21,3%</i>  |              |                |
| <i>Finance income</i>                | <i>49</i>     | <i>74</i>     | <i>( 25)</i> | <i>-33,8%</i>  |
| <i>Finance cost</i>                  | <i>( 246)</i> | <i>( 393)</i> | <i>147</i>   | <i>-37,4%</i>  |
| <i>Net exchange rate differences</i> | <i>( 14)</i>  | <i>4</i>      | <i>( 18)</i> | <i>-450,0%</i> |
| Net financial items                  | ( 211)        | ( 315)        | 104          | -33,0%         |
| Income tax                           | ( 253)        | ( 243)        | ( 10)        | 4,1%           |
| Net profit                           | 978           | 905           | 73           | 8,1%           |
| Depreciation                         | ( 955)        | ( 924)        | ( 31)        | 3,4%           |
| EBITDA                               | 2.397         | 2.387         | 10           | 0,4%           |
| <i>EBITDA ratio</i>                  | <i>34,4%</i>  | <i>34,3%</i>  |              |                |
| EBIT                                 | 1.442         | 1.463         | ( 21)        | -1,4%          |
| <i>EBIT ratio</i>                    | <i>20,7%</i>  | <i>21,0%</i>  |              |                |

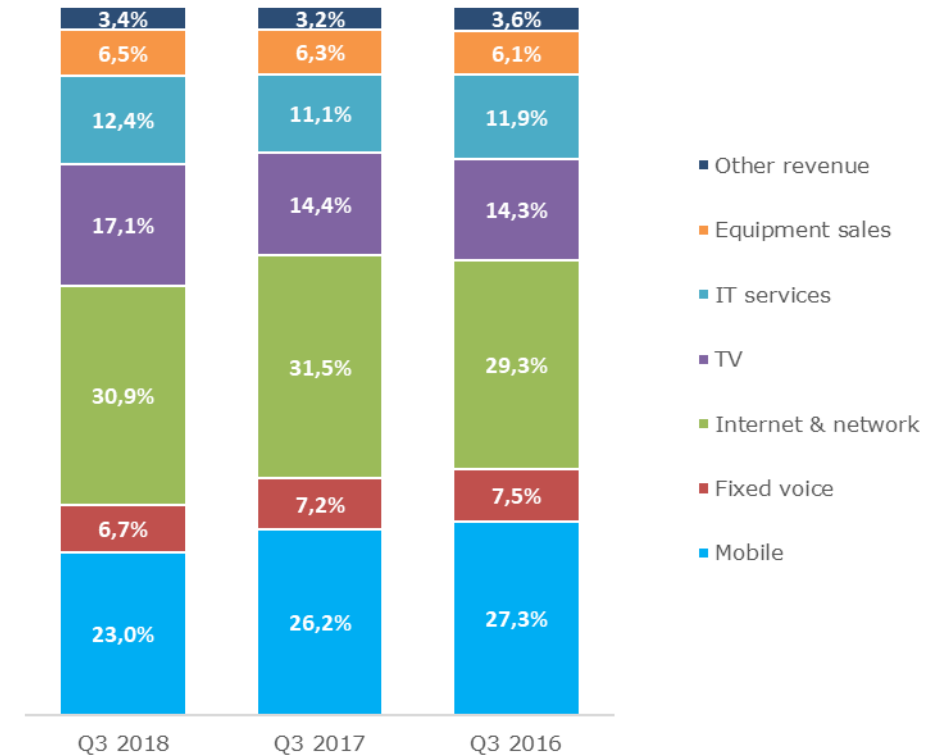




## Revenue by segments Q3 2018

|  | Q3 2018      | Q3 2017      | Change    | Change %    |
|--|--------------|--------------|-----------|-------------|
| Mobile                                 | 1.605        | 1.822        | ( 217)    | -11,9%      |
| Fixed voice                            | 466          | 504          | ( 38)     | -7,5%       |
| Internet & network                     | 2.153        | 2.188        | ( 35)     | -1,6%       |
| TV                                     | 1.190        | 1.005        | 185       | 18,4%       |
| IT services                            | 861          | 775          | 86        | 11,1%       |
| Equipment sales                        | 456          | 441          | 15        | 3,4%        |
| Other revenue                          | 238          | 221          | 17        | 7,7%        |
| <b>Total revenue</b>                   | <b>6.969</b> | <b>6.956</b> | <b>13</b> | <b>0,2%</b> |
| <b>Adjusted for disc. operations *</b> | <b>6.969</b> | <b>6.918</b> | <b>51</b> | <b>0,7%</b> |

\*Sensa DK Aps was sold in end of 2017

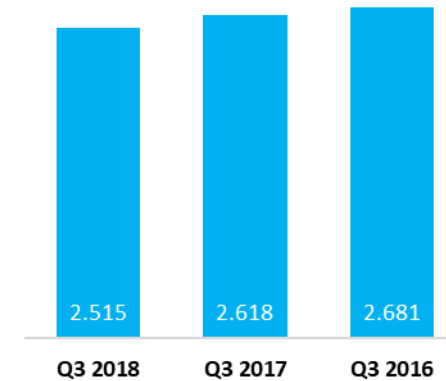




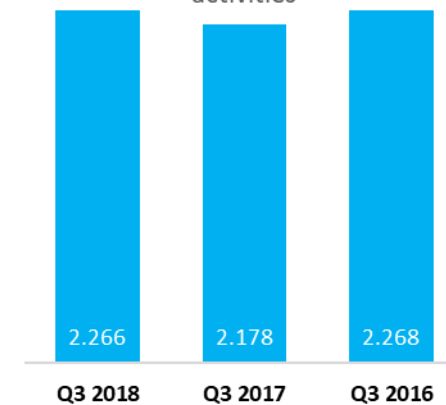
# Cash flow Q3 2018

|   | Q3 2018         | Q3 2017         |
|---|-----------------|-----------------|
| <b>Cash flow from operating activities</b>                    |                 |                 |
| Operating profit .....  | 1.442           | 1.463           |
| Operational items not affecting cash flow:                    |                 |                 |
| Depreciation .....  | 955             | 924             |
| Other items not affecting cash flow.....                      | 5               | 15              |
|   | <u>2.402</u>    | <u>2.402</u>    |
| Changes in current assets and liabilities.....                | 113             | 216             |
| Cash generated by operation                                   | <u>2.515</u>    | <u>2.618</u>    |
| Net interest expenses paid during the period.....             | ( 197)          | ( 434)          |
| Payments of taxes during the period.....                      | ( 52)           | ( 6)            |
| Net cash from operating activities                            | <u>2.266</u>    | <u>2.178</u>    |
| <b>Investing activities</b>                                   |                 |                 |
| Net investment in property, plant and equipments.....         | ( 1.192)        | ( 1.355)        |
| Other investment.....   | 0               | 72              |
| Investing activities  | <u>( 1.192)</u> | <u>( 1.283)</u> |
| <b>Financing activities</b>                                   |                 |                 |
| Buyback of ordinary shares.....                               | 0               | ( 528)          |
| Proceeds from the exercise of share options.....              | 174             | 179             |
| New borrowings.....   | 0               | 18.400          |
| Payments of non-current liabilities.....                      | ( 287)          | ( 22.510)       |
| Bank loans, increase (decrease).....                          | ( 575)          | 0               |
| Financing activities  | <u>( 688)</u>   | <u>( 4.459)</u> |
| <b>Increase (decrease) in cash and cash equivalents .....</b> | <b>386</b>      | <b>( 3.564)</b> |
| Translation effects on cash.....                              | 1               | 1               |
| <b>Cash and cash equivalents (beginning-of-period).....</b>   | <b>183</b>      | <b>3.896</b>    |
|   | <u>570</u>      | <u>333</u>      |

Cash generated by operation



Net cash from operating activities



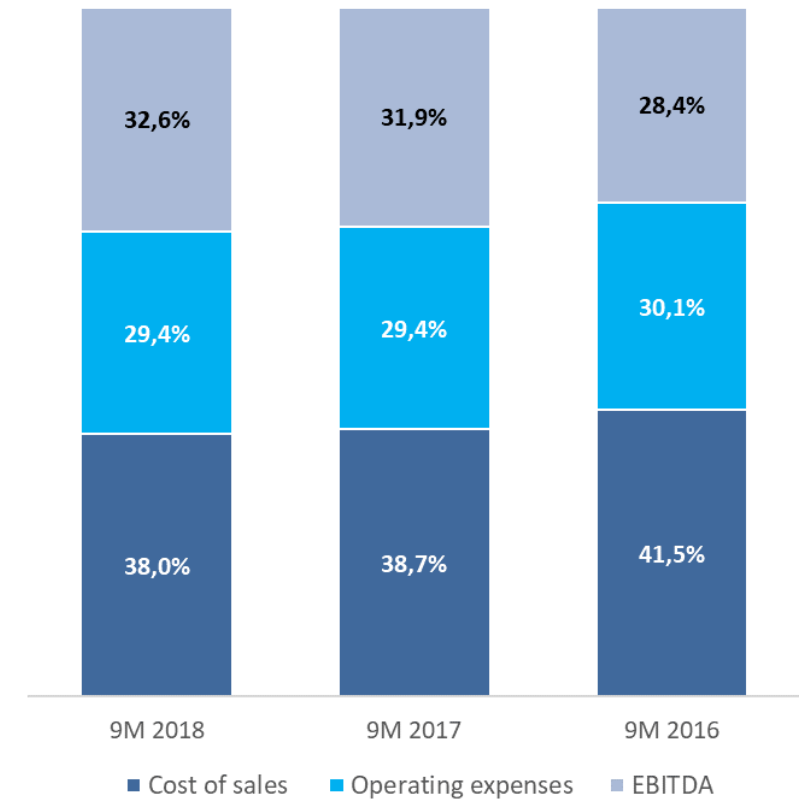


# 9M 2018 - Results



# Income statement 9M 2018

|                                      | 9M 2018       | 9M 2017         | Change        | Change in %    |
|--------------------------------------|---------------|-----------------|---------------|----------------|
| Net sales                            | 20.505        | 20.603          | ( 98)         | -0,5%          |
| Cost of sales                        | ( 10.283)     | ( 10.313)       | 30            | -0,3%          |
| <b>Gross profit</b>                  | <b>10.222</b> | <b>10.290</b>   | <b>( 68)</b>  | <b>-0,7%</b>   |
| <i>Gross profit ratio</i>            | <i>49,9%</i>  | <i>49,9%</i>    |               |                |
| Other operating income               | 491           | 330             | 161           | 48,8%          |
| Operating expenses                   | ( 6.711)      | ( 6.692)        | ( 19)         | 0,3%           |
| <b>Operating profit</b>              | <b>4.002</b>  | <b>3.928</b>    | <b>74</b>     | <b>1,9%</b>    |
| <i>Operating profit/Net sales</i>    | <i>19,5%</i>  | <i>19,1%</i>    |               |                |
| <i>Finance income</i>                | <i>153</i>    | <i>343</i>      | <i>( 190)</i> | <i>-55,4%</i>  |
| <i>Finance cost</i>                  | <i>( 727)</i> | <i>( 1.135)</i> | <i>408</i>    | <i>-35,9%</i>  |
| <i>Net exchange rate differences</i> | <i>( 9)</i>   | <i>12</i>       | <i>( 21)</i>  | <i>-175,0%</i> |
| Net financial items                  | ( 583)        | ( 780)          | 197           | -25,3%         |
| Income tax                           | ( 701)        | ( 679)          | ( 22)         | 3,2%           |
| <b>Net profit</b>                    | <b>2.718</b>  | <b>2.469</b>    | <b>249</b>    | <b>10,1%</b>   |
| Depreciation                         | ( 2.842)      | ( 2.749)        | ( 93)         | 3,4%           |
| <b>EBITDA</b>                        | <b>6.844</b>  | <b>6.677</b>    | <b>167</b>    | <b>2,5%</b>    |
| <i>EBITDA ratio</i>                  | <i>32,6%</i>  | <i>31,9%</i>    |               |                |
| <b>EBIT</b>                          | <b>4.002</b>  | <b>3.928</b>    | <b>74</b>     | <b>1,9%</b>    |
| <i>EBIT ratio</i>                    | <i>19,1%</i>  | <i>18,8%</i>    |               |                |

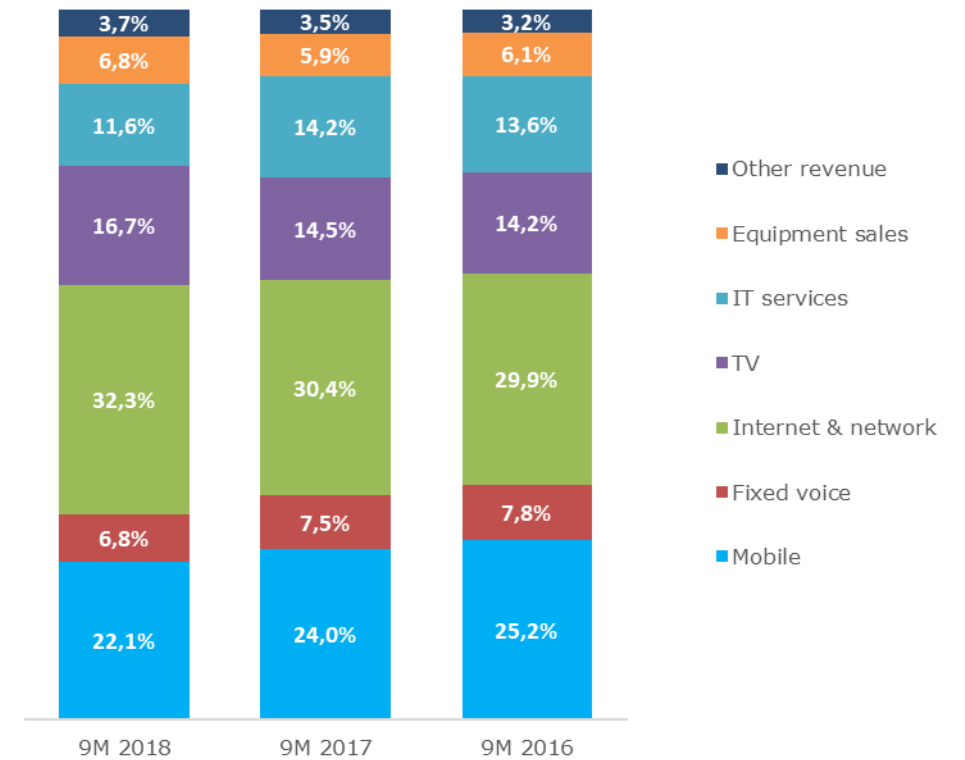




## Revenue by segments 9M 2018

|  | 9M 2018       | 9M 2017       | Change     | Change %    |
|--|---------------|---------------|------------|-------------|
| Mobile                                 | 4.643         | 5.026         | ( 383)     | -7,6%       |
| Fixed voice                            | 1.427         | 1.564         | ( 137)     | -8,8%       |
| Internet & network                     | 6.777         | 6.373         | 404        | 6,3%        |
| TV                                     | 3.499         | 3.030         | 469        | 15,5%       |
| IT services                            | 2.443         | 2.964         | ( 521)     | -17,6%      |
| Equipment sales                        | 1.432         | 1.244         | 188        | 15,1%       |
| Other revenue                          | 775           | 732           | 43         | 5,9%        |
| <b>Total revenue</b>                   | <b>20.996</b> | <b>20.933</b> | <b>63</b>  | <b>0,3%</b> |
| <b>Adjusted for disc. operations *</b> | <b>20.996</b> | <b>20.724</b> | <b>272</b> | <b>1,3%</b> |

\*Sensa DK Aps was sold in end of 2017

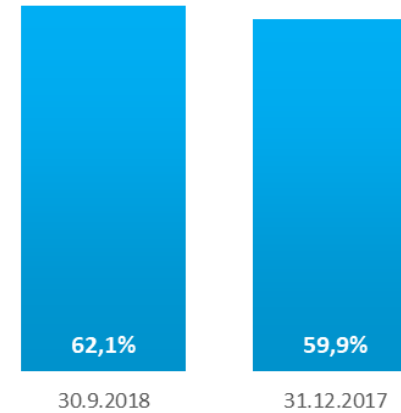




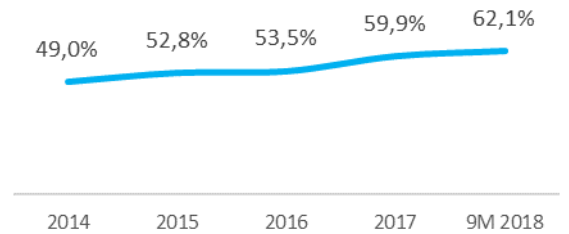
# Balance sheet

|                                       | 30.9.2018     | 31.12.2017    |
|---------------------------------------|---------------|---------------|
| <b>Assets</b>                         |               |               |
| <b>Non-current assets</b>             |               |               |
| Property, plant and equipment.....    | 17.774        | 17.024        |
| Goodwill.....                         | 31.487        | 31.435        |
| Intangible assets.....                | 3.219         | 3.226         |
| Other non-current assets.....         | 656           | 658           |
| <b>Non-current assets</b>             | <b>53.136</b> | <b>52.343</b> |
| <b>Current assets</b>                 |               |               |
| Inventories.....                      | 1.857         | 2.345         |
| Accounts receivables.....             | 4.203         | 4.470         |
| Other current assets.....             | 803           | 736           |
| Cash and cash equivalents.....        | 570           | 718           |
| <b>Current assets</b>                 | <b>7.433</b>  | <b>8.269</b>  |
| <b>Total assets</b>                   | <b>60.569</b> | <b>60.612</b> |
| <b>Equity and liabilities</b>         |               |               |
| <b>Equity</b>                         |               |               |
| Total equity.....                     | 37.638        | 36.281        |
| <b>Non-current liabilities</b>        |               |               |
| Borrowings.....                       | 15.918        | 16.781        |
| Deferred tax liabilities.....         | 829           | 817           |
| <b>Non-current liabilities</b>        | <b>16.747</b> | <b>17.598</b> |
| <b>Current liabilities</b>            |               |               |
| Bank loans.....                       | 0             | 500           |
| Accounts payables.....                | 2.093         | 2.950         |
| Current maturities of borrowings..... | 1.150         | 1.150         |
| Other current liabilities.....        | 2.941         | 2.133         |
| <b>Current liabilities</b>            | <b>6.184</b>  | <b>6.733</b>  |
| <b>Total equity and liabilities</b>   | <b>60.569</b> | <b>60.612</b> |

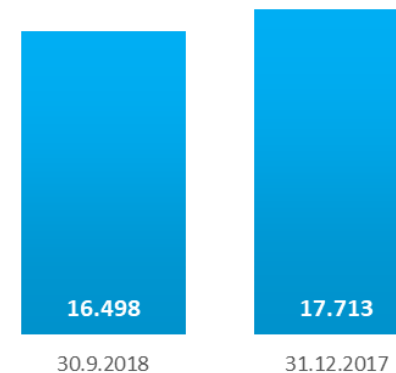
Equity ratio



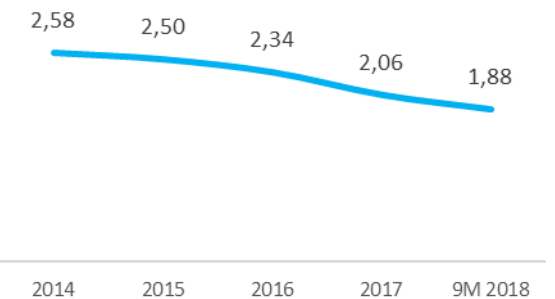
Equity ratio



Net interest bearing debt



Net debt to EBITDA

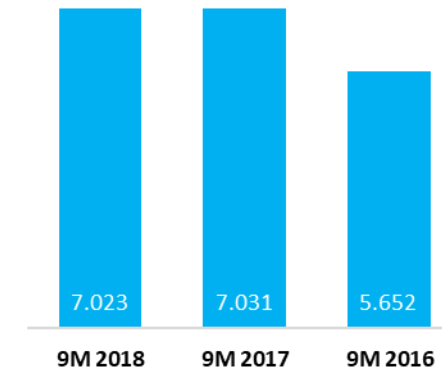




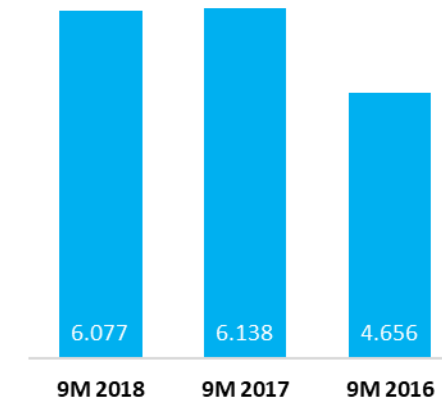
# Cash flow 9M 2018

|  | 9M 2018           | 9M 2017           |
|--|-------------------|-------------------|
| <b>Cash flow from operating activities</b>                         |                   |                   |
| Operating profit .....   | 4.002             | 3.928             |
| Operational items not affecting cash flow:                         |                   |                   |
| Depreciation.....  | 2.842             | 2.749             |
| Other items not affecting cash flow.....                           | ( 87)             | 36                |
|  | <u>6.757</u>      | <u>6.713</u>      |
| Changes in current assets and liabilities.....                     | 266               | 318               |
| Cash generated by operation  | <u>7.023</u>      | <u>7.031</u>      |
| Net interest expenses paid during the period.....                  | ( 581)            | ( 871)            |
| Payments of taxes during the period.....                           | ( 365)            | ( 22)             |
| Net cash from operating activities                                 | <u>6.077</u>      | <u>6.138</u>      |
| <b>Investing activities</b>  |                   |                   |
| Net investment in property, plant and equipments.....              | ( 3.480)          | ( 3.819)          |
| Other investment.....  | 2                 | 93                |
| Investing activities   | <u>( 3.478)</u>   | <u>( 3.726)</u>   |
| <b>Financing activities</b>  |                   |                   |
| Dividend paid.....   | ( 311)            | ( 275)            |
| Purchase of own shares.....  | ( 1.068)          | ( 670)            |
| Net Financing activities.....                                      | <u>( 1.362)</u>   | <u>( 4.798)</u>   |
| Financing activities   | <u>( 2.741)</u>   | <u>( 5.743)</u>   |
| <b>Increase (decrease) in cash and cash equivalents .....</b>      | <b>( 142)</b>     | <b>( 3.331)</b>   |
| <b>Translation effects on cash.....</b>                            | <b>( 6)</b>       | <b>( 3)</b>       |
| <b>Cash and cash equivalents at the beginning of the year.....</b> | <b>718</b>        | <b>3.667</b>      |
| <b>Cash and cash equivalents at the end of the year.....</b>       | <b><u>570</u></b> | <b><u>333</u></b> |

Cash generated by operation

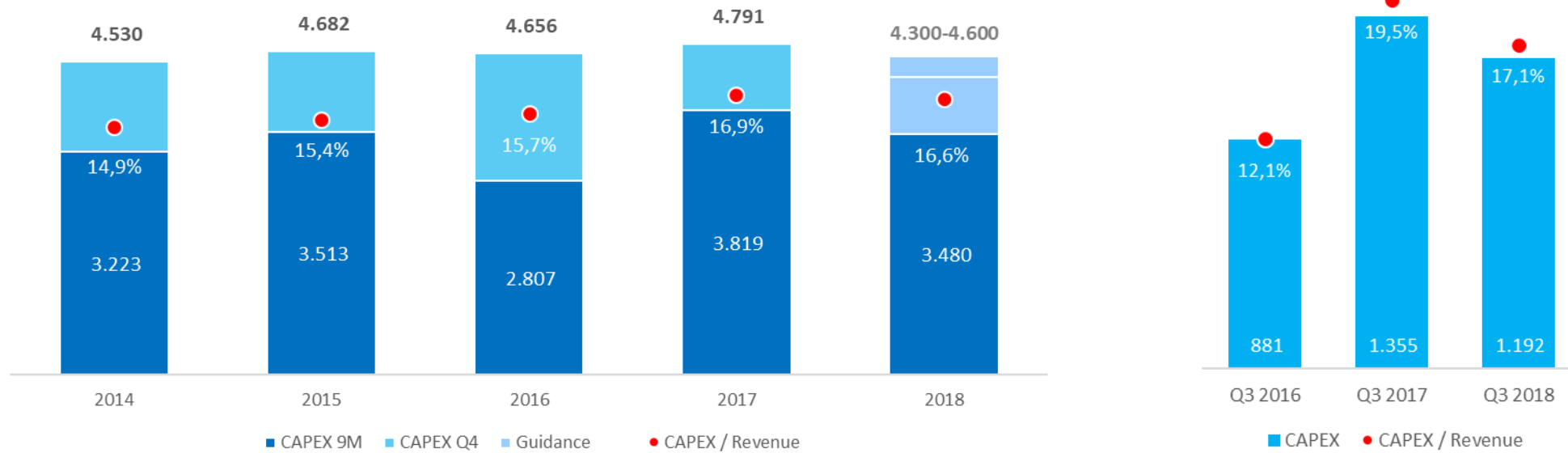


Net cash from operating activities





# CAPEX development





Operations 9M 2018

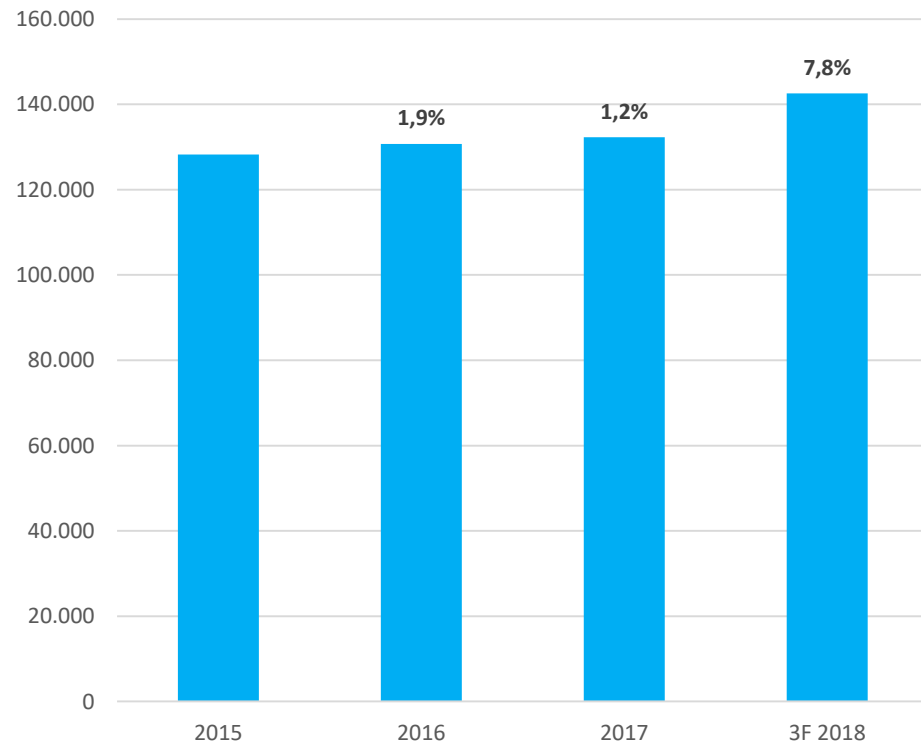
## Profit Increase Between Periods

- Positive revenue development in Q3 and YTD
  - Growth in TV and Data revenue
- Continued success of the Home Bundle with subscribers now around 30.000
  - Lower CHURN and positive revenue performance during the summer months
- Retail revenue growth in mobile compensates lower wholesale and roaming revenue
  - Revenue decline in wholesale and roaming was 150 m.kr. between Q3 2018 and Q3 2017
  - Postpaid and prepaid subscriptions increase by 10.000 in 2018. The success of Prenna continues
  - The pressure on ARPU in the B2B market continues albeit at a slower pace in Q3
  - ARPU in the B2C market is stable
- IT revenue return to growth in Q3 and outlook is positive for the year
- The 365 effect on wholesale for the most parts realized in Q2 and in Q3

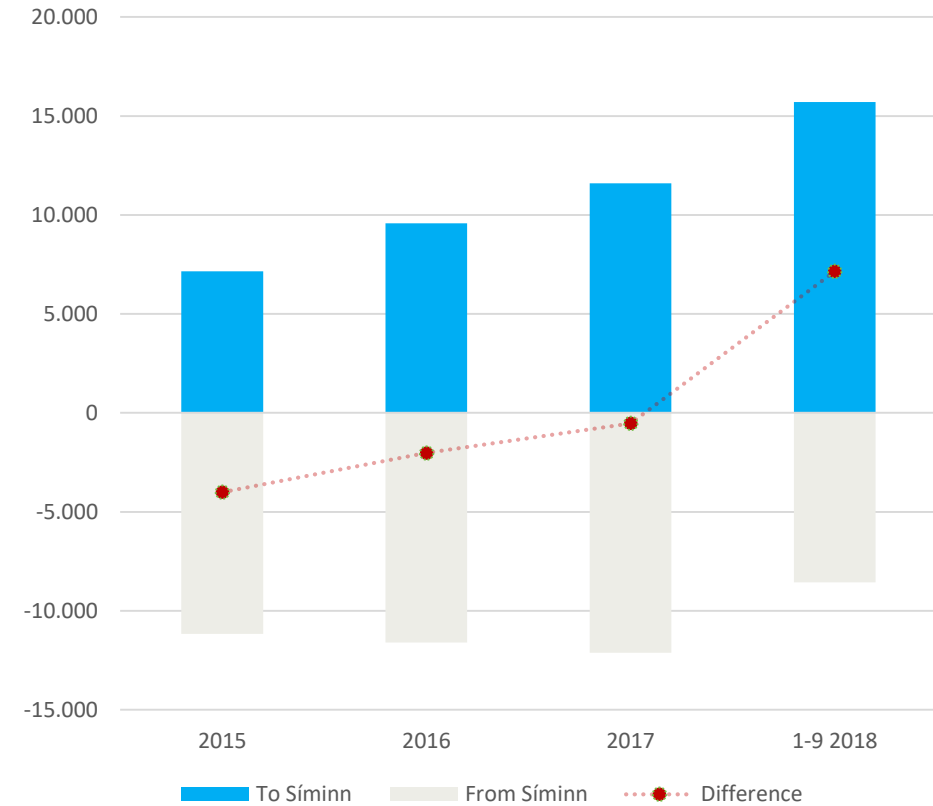


# Mobile voice customers in rapid growth this year

### Mobile Prepaid and Postpaid

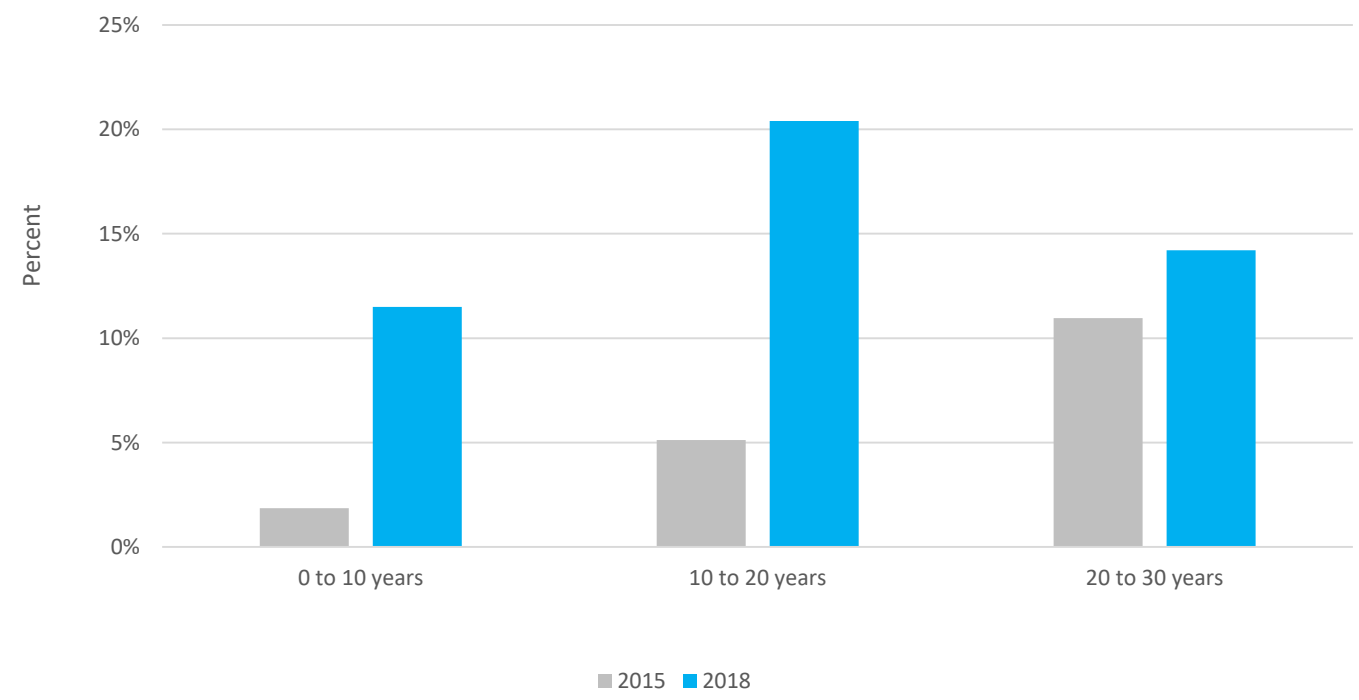


### Number Portability in Mobile





# Increased number of young customers

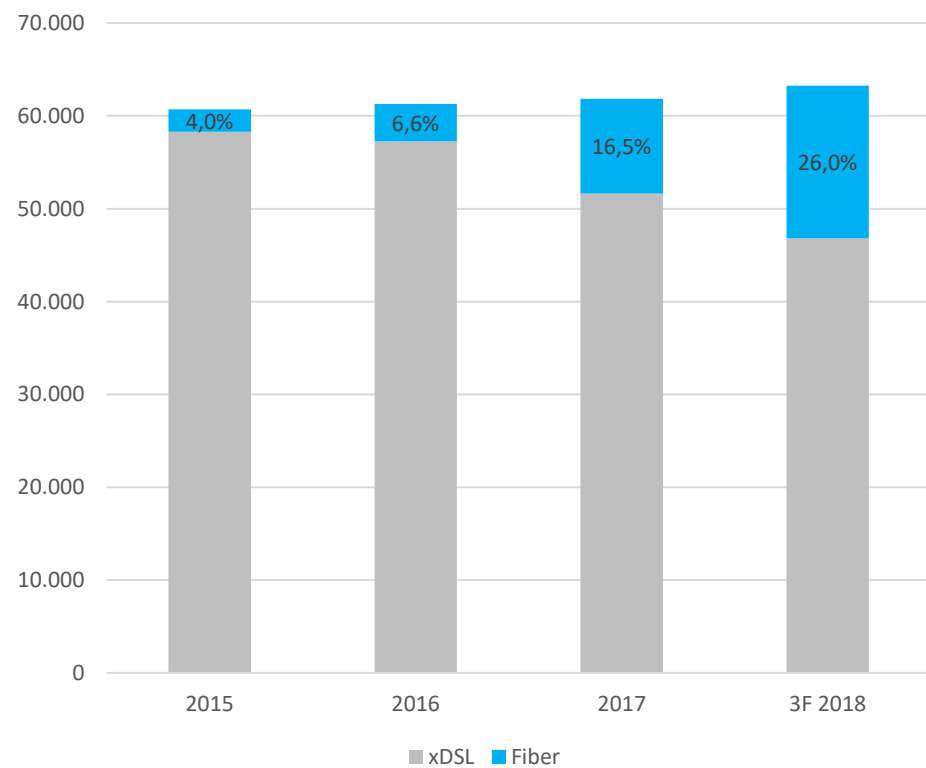




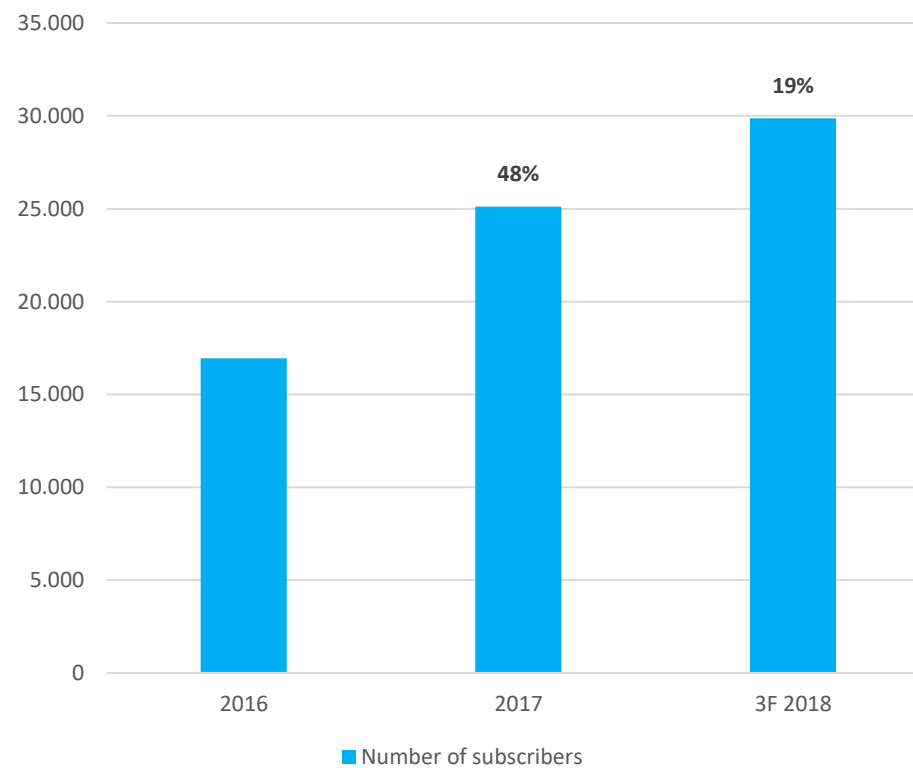
# Continuous growth in fixed Internet

Driven by fiber rollout and Heimilispakki

Number of Internet connections



Home bundle (Heimilispakki)





Operations 9M 2018

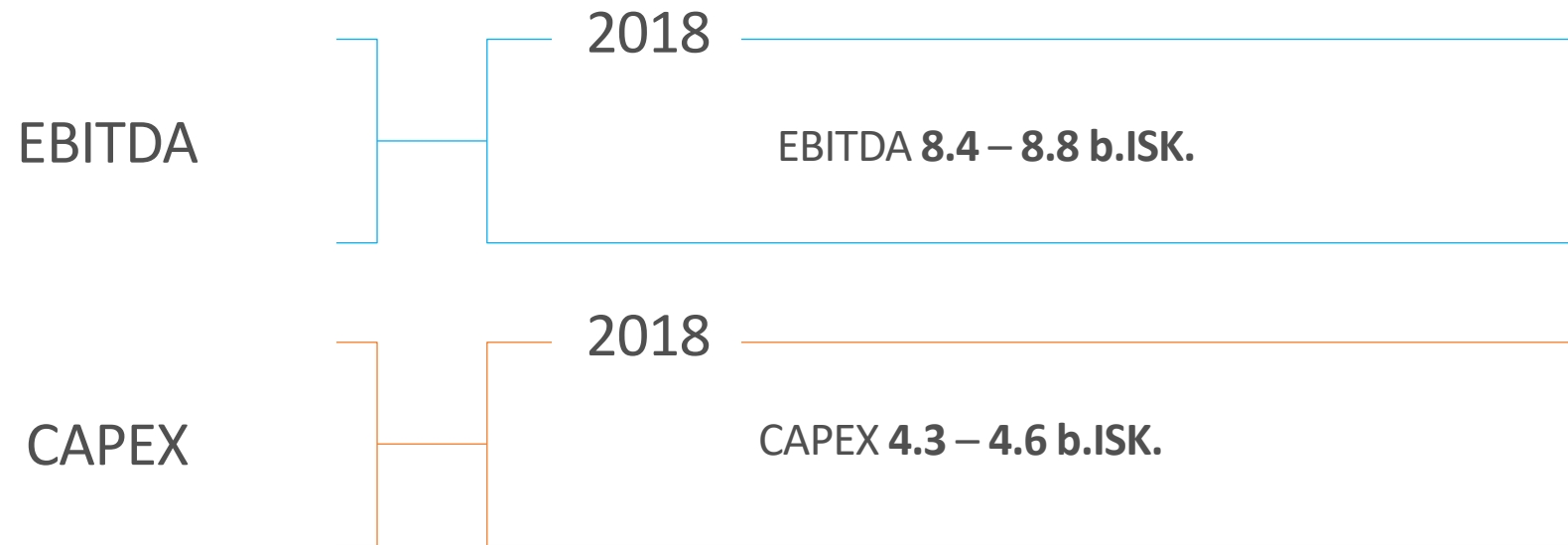
## Cost control ongoing

- Continues cost savings realization
  - Adjusted of sold and acquired entities, average FTE's are 35 fewer in 2018 compared to 2017
  - Defaults at record lows – Positive effects on bad debt allowance
  - Increase in content cost. Revenue increase twice the amount of cost increase
  - IT cost increase as a result of outsourcing. The overall cost effects of outsourcing have been positive
- Finance cost decreases by 408 m.kr. or 36% YoY
  - The cost of refinancing in Q3 2017 was 110 m.kr.
- Continues cost savings to adjust the business to higher wage cost and increased inflation
  - Well positioned to deal with the added wage cost as a result of labor agreements next year and the effects of the weaker ISK
- The focus on digitalization is showing positive results – further benefits in coming quarters



Guidance for 2018

Guidance presented in beginning of 2018

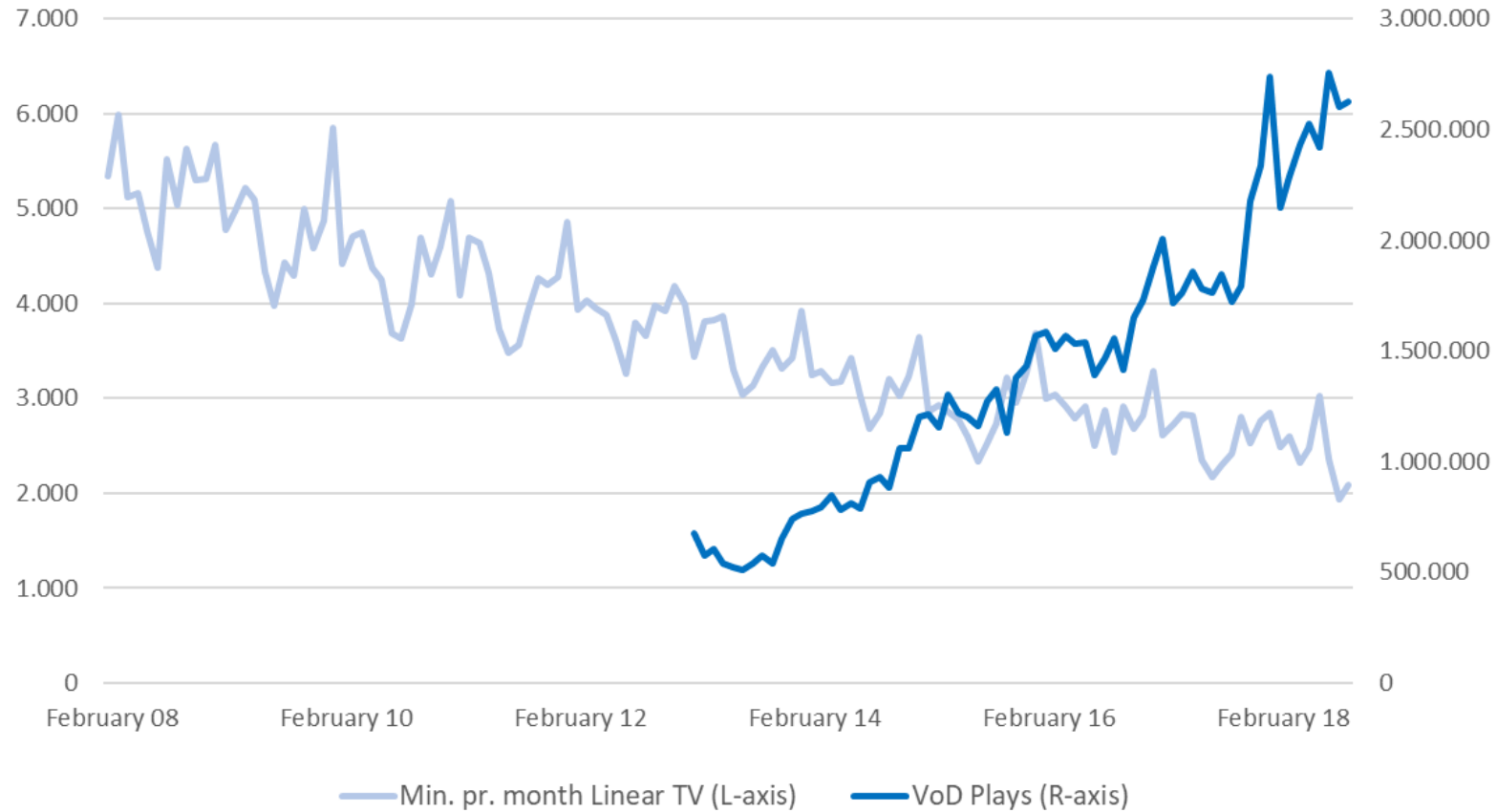




# Highlights



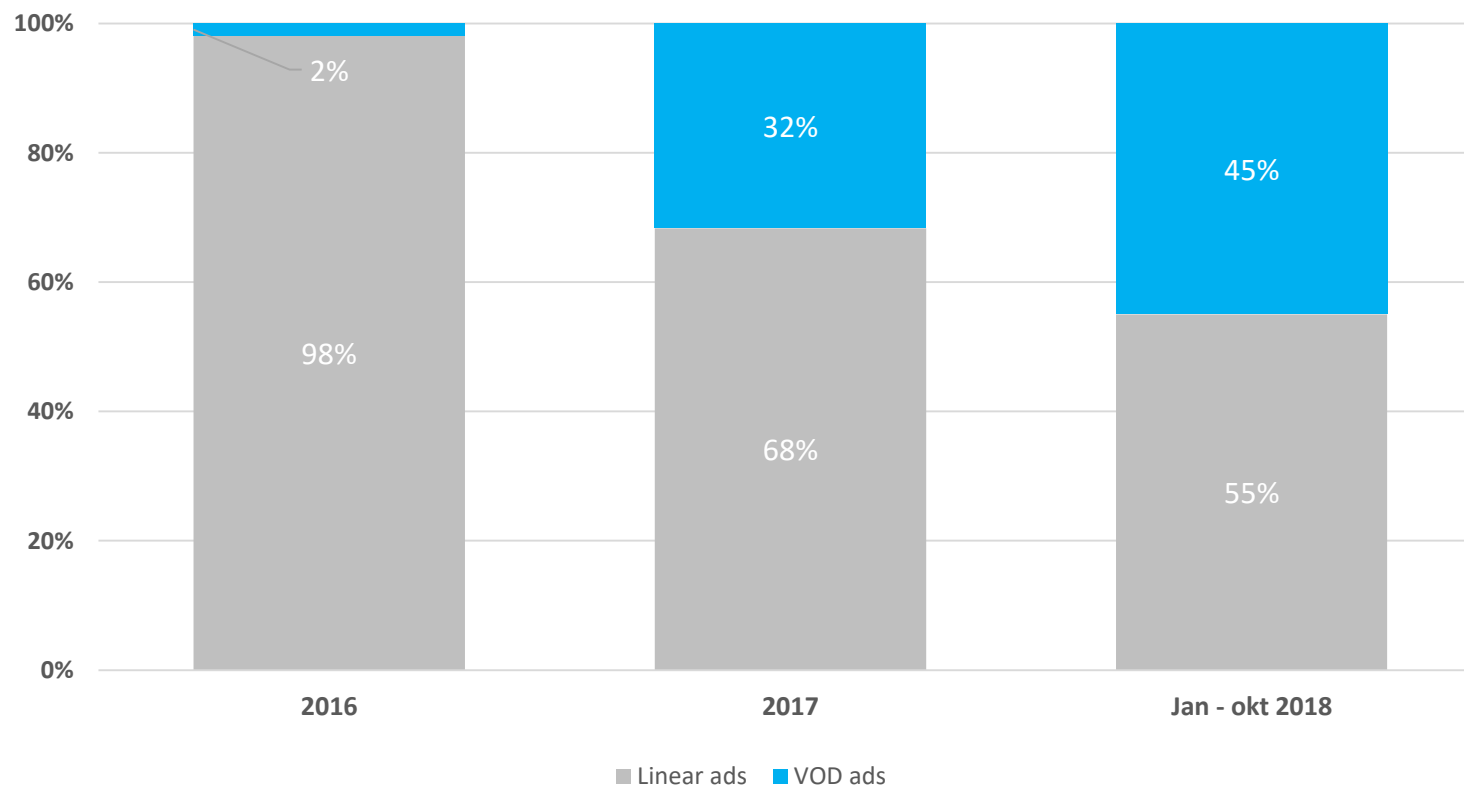
# Usage development in Linear TV vs VoD viewing

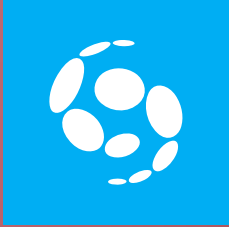


Linear TV according to PPM measurement - Gallup



## VOD ads increasing as percentage of total ads revenue





# Local content creates differentiation



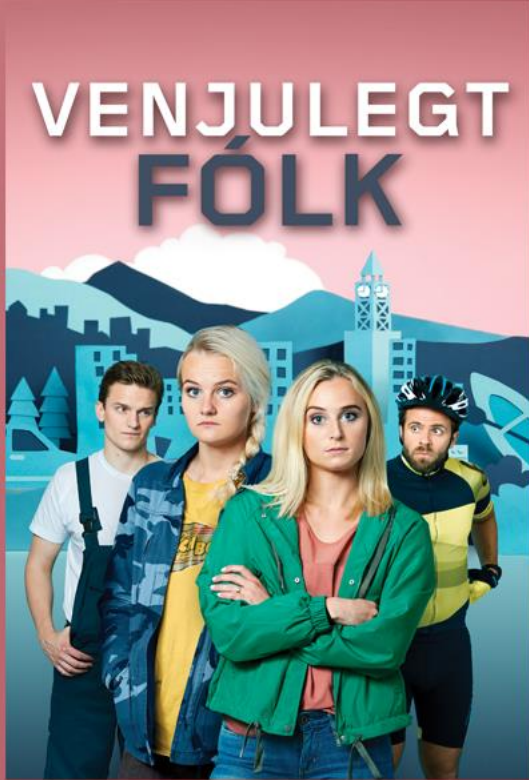
Líf kviknar



Með Loga



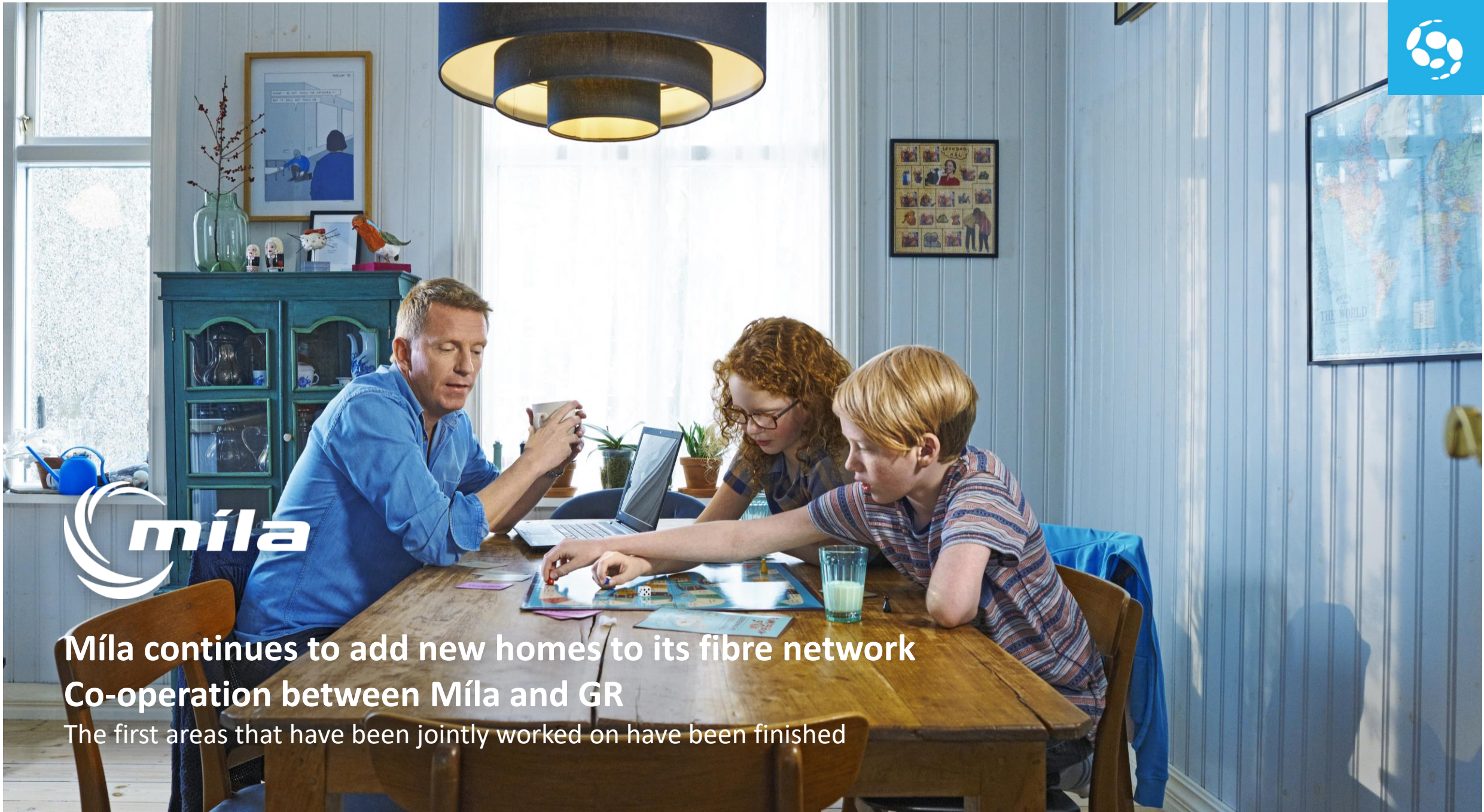
Smakk í Japan



Venjulegt fólk



**Míla continues to add new homes to its fibre network**  
**Co-operation between Míla and GR**  
The first areas that have been jointly worked on have been finished





sensa 

Good quarter in IT and positive outlook



# 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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