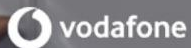




Interim financial statement – Q3 2020

November 4th, 2020



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Key financial results



Q3 and 9M 2020



Revenue 9M
15,373 m IKR

Q3 2020
5,026 m IKR



EBITDA 9M
4,312 m IKR

Q3 2020
1,593 m IKR



Results 9M
-402 m IKR

Q3 2020
8 m IKR



FCF 9M
2,056 m IKR

Q3 2020
458 m IKR

Income Statement



ISK m	Q3 2020	Q3 2019	% ch.	9M 2020	9M 2019	% ch.
Revenue	5,026	4,878	3%	15,373	14,876	3%
Cost of Sales	-3,399	-3,133	8%	-10,466	-9,491	10%
Gross Profit	1,627	1,745	-7%	4,907	5,385	-9%
Operating expense	-1,485	-1,559	-5%	-4,722	-5,150	-8%
EBITDA	1,593	1,623	-2%	4,312	4,100	5%
EBIT	142	186		185	235	
Net financial expense	-169	-295		-792	-810	
Effect of associates	23	16		71	844	
Income tax	12	22		134	115	
Loss / profit	8	-71		-402	384	
<i>Gross Margin</i>	<i>32.4%</i>	<i>35.8%</i>		<i>31.9%</i>	<i>36.2%</i>	
<i>EBITDA</i>	<i>31.7%</i>	<i>33.3%</i>		<i>28.0%</i>	<i>27.6%</i>	
<i>EBIT</i>	<i>2.8%</i>	<i>3.8%</i>		<i>1.2%</i>	<i>1.6%</i>	

Key factors impacting Q3 and 9M 2020

- Revenue growth 3% between periods. Growth is mainly due to Endor.
- Gross margin from Endor's operations between 10-12%.
- The weakening of the Icelandic Krona is beginning to have an affect on cost of sales.
- Decrease in salary and related expense is in line with reduction in headcount. The decrease has more effect in operation expense then in cost of sales.
- Other cost reduction measures have resulted in lower operating expense i.e.:
 - *Housing, office- and vehicle expenses.*
 - *Contractor expense.*
 - *Sales and marketing expense.*
- Decrease in interest expense from long term liabilities amounts to 368 m IKR and exchange rate losses increased by 222 m IKR between 9M 2020 and 9M 2019.

Revenue



ISK m	Q3 2020	Q3 2019	% ch.	9M 2020	9M 2019	% ch.
Media	1,932	1,946	-1%	5,723	6,288	-9%
Broadband	1,134	1,215	-7%	3,442	3,629	-5%
Mobile	929	1,066	-13%	2,674	2,949	-9%
Fixed Line	145	191	-24%	467	615	-24%
Hosting and operating solutions	443	-	-	1,758	0	-
Retail Sales	253	257	-2%	729	780	-7%
Other Revenue	190	203	-6%	580	615	-6%
Total Revenue	5,026	4,878	3%	15,373	14,876	3%

Media

- Advertising revenue decreased 15% between 9M 2020 and 9M 2019, largely due to COVID-19. Revenue from broadcasting distribution has increased between periods. Positive development in revenues from TV subscriptions between quarters during the year. The change in product bundling has had a positive effect.

Broadband

- Revenue from broadband declines between periods, which can be attributed to decreasing number of users. Expectations for growth in the fourth quarter.

Mobile

- Mobile revenue declines between periods, which is mainly due to a 60% decrease in roaming revenue.

COVID-19 Impact

- Daily business has gone well, and operational adjustment has exceeded expectations. The main focus has been to ensure the safety of employees and customers.
- Revenue from roaming has declined sharply due to travel restrictions, the recession is expected to last throughout the year.
- The situation in the economic environment has affected advertising revenues, but the decline has slowed down since the beginning of the epidemic.
- Further emphasis has been placed on production of domestic content for TV to meet the needs of customers and the impact of the pandemic on foreign content.
- Work regarding cost optimization to counteract the weakening of the Icelandic Krona has continued, which mainly affects the cost of foreign broadcasting license rights and various other license fees.
- Agreements have been reached with all major foreign broadcasting license rights holders in connection with the effects of the pandemic on sports broadcasting license rights.
- COVID-19 will continue to have an impact on the economy, and it will be difficult to predict the impact on retail and corporate markets.



Statement of Financial Position

ISK m	30.09.2020	31.12.2019	Change	%
Right-of-use assets	5,584	5,828	-244	-4%
Property, plant and equipment	4,300	4,793	-493	-10%
Goodwill	8,832	8,787	45	1%
Other intangible assets	4,433	4,648	-215	-5%
Shares in other companies	1,451	1,383	68	5%
Deferred tax asset	263	97	166	171%
Fixed assets	24,863	25,536	-673	-3%
Broadcasting license rights	1,633	1,814	-181	-10%
Inventories	321	427	-106	-25%
Trade receivables and other short term receivables	3,321	3,567	-246	-7%
Cash and cash equivalents	213	634	-421	-66%
Current assets	5,488	6,442	-954	-15%
Total assets	30,351	31,978	-1,627	-5%



Statement of Financial Position

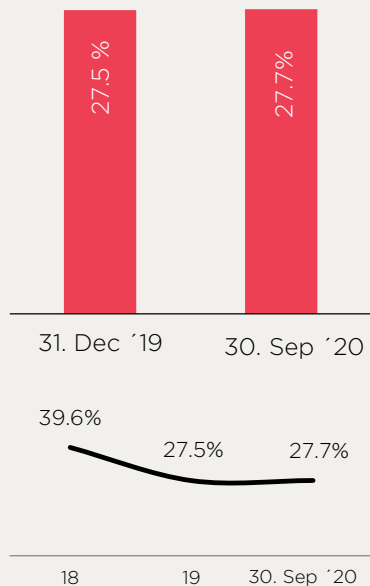
ISK m	30.09.2020	31.12.2019	Change	%
Equity	8,392	8,798	-406	-5%
Interest bearing debt	9,613	10,898	-1,285	-12%
Lease liabilities	4,779	5,390	-611	-11%
Other liabilities	152	252	-100	-40%
Deferred tax liabilities	13	9	4	44%
Non-current liabilities	14,557	16,549	-1,992	-12%
Interest bearing debt	992	689	303	44%
Lease liabilities	1,318	938	380	41%
Accounts payable and other current liabilities	5,092	5,004	88	2%
Current liabilities	7,402	6,631	771	12%
Total equity and liabilities	30,351	31,978	-1,627	-5%
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Interest bearing debt	16,702	17,915		
Net interest bearing debt	16,489	17,281		
Equity ratio	27.7%	27.5%		



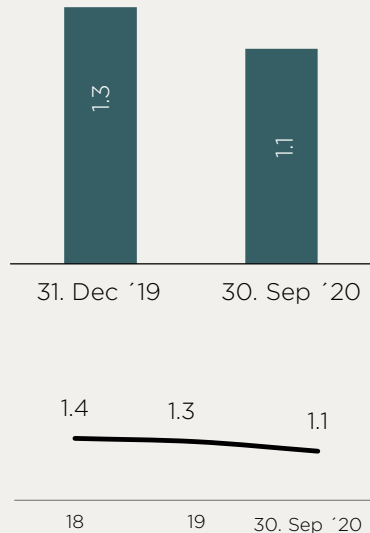
Statement of Financial Position – Key ratios



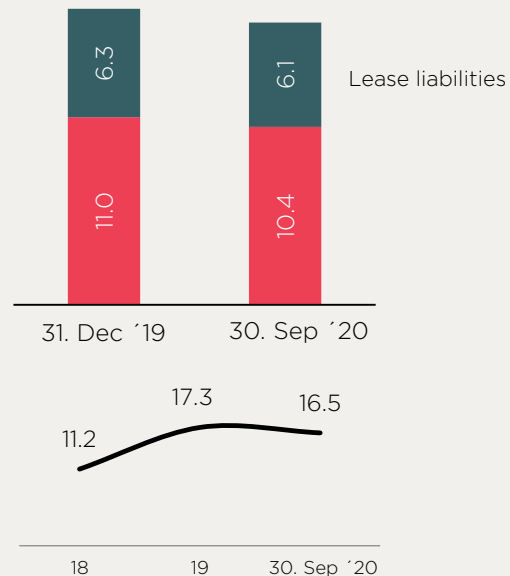
Equity Ratio



Current Ratio*



Net Interest bearing debt

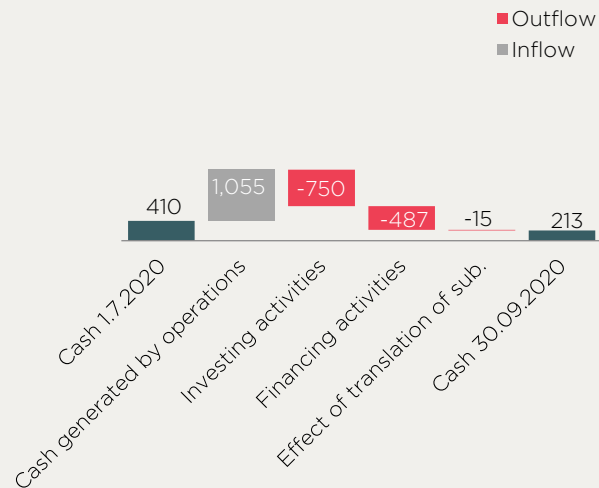


* Current assets / accounts payable and other short term liabilities

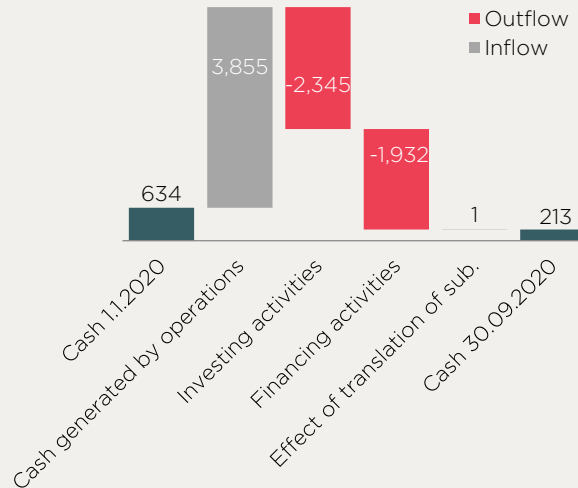
Cash Flow



Cash flow Q3 2020



Cash flow 9M 2020



ISK m	Q3 2020	Q3 2019	% ch.	9M 2020	9M 2019	% ch.
Cash generated by operations before interest and tax	1,208	1,544	-22%	4,401	4,163	6%
Investment activities*	-750	-1,109	-32%	-2,345	-3,050	-23%
Free Cash Flow	458	435	5%	2,056	1,113	85%

* Excluding net investment in share in other companies

Figures are in ISK million



Sales of passive mobile infrastructure



Infrastructure split

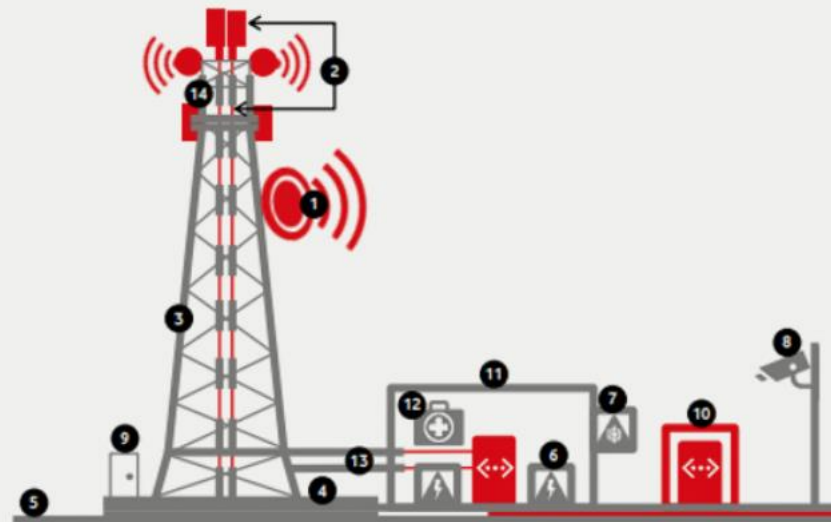


- Public discussion regarding division of infrastructure started just over a year ago.
- The separation of passive and active infrastructure began in the United States about 20 years ago.
- Emerges in Europe around 5-10 years ago.
- Work began in March with guidance from Vodafone Group and their subsidiary in passive infrastructure, Vantage Tower.
- Extensive experience has been gained in negotiating deals such as these at Vodafone and throughout Europe.
- Initial informal talks began this spring, four strong participants.
- An exclusivity agreement signed on October 23rd, aimed at concluding contracts this year.

Sale of passive infrastructure



- Different versions in Europe, whether a safety, heating or electrical system is included when creating a special TowerCo.
- The plan is to sell around 200 of just over 600 telecom sites to TowerCo.
- In comparison Vantage has 1,200 sites locations in Ireland with a population of 5 million.
- Long-term leases/service agreements are usually made, and accounting treatment depends on the final agreements.
- The sale of the passive infrastructure is assumed to have little or no effect on EBITDA margin.



Asset	Owner	Asset	Owner
1 Active radio transmission equipment	Vodafone	8 Surveillance systems	TowerCo
2 Antennae & cables (fibre / feeders)	Vodafone	9 Access facilities	TowerCo
3 Physical tower, masts & pole	TowerCo	10 Outdoor cabinet	Vodafone
4 Foundation & fencing	TowerCo	11 Shelter / service rooms	TowerCo
5 Contractual right to occupy site area	TowerCo	12 Emergency equipment	TowerCo
6 Power equipment	Vodafone	13 Cable routing (duct)	TowerCo
7 Cooling system	TowerCo	14 Mounting equipment	TowerCo

Landline systems* throughout the country



- Vodafone operates fiber-optic system throughout the country.
- Fiber optics are the basis of Vodafone's fixed line and mobile network.
- Vodafone has equipment on over 800 sites in Iceland.
- Optimization potentials through joint ventures.



**The system is not part of current infrastructure sale discussion*

Television and radio distribution*



- Vodafone owns the only nationwide television and radio distribution system.
- HD digital television broadcasts reach to 99.9% of the population.
- Vodafone has a nationwide IPTV system, only two such systems exist in the country.



**The system is not part of current infrastructure sale discussion*



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