



August 29<sup>th</sup>, 2018

Press release on the earnings of Sýn hf. for the Second quarter of 2018:

## 61% revenue growth but high operating costs and capital investment related to integration – increased synergies and stronger operations in 2H

The interim financial report for Sýn hf. for the second quarter of 2018, was approved by the company's Board of Directors and CEO at a board meeting on August 29<sup>th</sup>, 2018. In December 2017, the company acquired certain assets and operations of 365 Media hf., this affects the comparisons of amounts between years.

- Income in the second quarter of 2018 amounted to ISK 5,444 million, an increase of 61% from the previous year. Income in the first half of the year amounted to ISK 4,221 million, a 3% decrease from previous year.
- The quarter's EBITDA amounted to ISK 718 million, a 3% decrease from previous year. EBITDA for the first six months amounted to ISK 1,436 million, a 3% decrease from previous year.
- EBITDA adjusted for one off items in relation to the acquisition amounted to ISK 748 million, a 3% decrease from the previous year.
- Loss in the period amounted to ISK 4 million, a decrease of 102% from the previous year. Profit for the first half of the year amounted to ISK 52 million, an 88% decrease from previous year.
- Loss per share was ISK 0.01 in Q2 and was ISK 0.19 for the first six months of the year.
- The quarter's investment activities amounted to ISK 854 million, an increase of 59% from the previous year due to integration projects.
- EBITDA outlook for 2018 is estimated at ISK 4,000-4,400 million from regular operations. The company's forecast for 2018 is currently in the lower end of the range. One-off items in the first half of the year are ISK 145 million. It is expected that the one-off items will not have material effect on the second half of the year. The estimated capital expenditure ratio is 8-10% of income and will be close to the upper bound considering front-loaded investment in relation to integration projects.



Table 1: Q2 highlights

	Q2 2018	Q2 2017	Change	% change	6M 2018	6M 2017	Change	% change
Revenue	5,444	3,386	2,058	61%	10,748	6,527	4,221	65%
Cost of Sales	3,364	1,865	1,499	80%	6,561	3,572	2,989	84%
Gross Profit	2,080	1,521	559	37%	4,187	2,955	1,232	42%
Operating costs	1,886	1,145	741	65%	3,782	2,237	1,545	69%
EBITDA	718	761	-43	-6%	1,436	1,480	-44	-3%
EBIT	194	376	-182	-48%	405	718	-313	-44%
Net Financials	198	78	120	156%	337	169	168	99%
Net Profit	-4	239	-243	-102%	52	440	-388	-88%

Framlegð (%)	38.2%	44.9%	39.0%	45.3%
EBITDA %	13.2%	22.5%	13.4%	22.7%
EBIT %	3.6%	11.1%	3.8%	11.0%

### Stefán Sigurðsson, CEO:

“The second quarter was characterized by very large synergy projects. Important milestones were reached, such as a successful transfer of all 365 mobile customers to Sýn’s mobile telecom infrastructure which required sim card change for all those customers. Other projects include a merger of numerous departments as well as integration of number of systems. A significant part of the integration of the businesses relates to physical movement of operations from Skaftahlíð to Suðurlandsbraut. By end of the quarter, 69% of the employees of the acquired units have now moved to our HQ at Suðurlandsbraut. This means that important synergy projects have been finalized which will deliver fast decrease in costs from the third quarter. We therefore are expecting much stronger quarters in 2H, both because of lower costs as well as seasonally stronger income quarters, where income of telecommunications are historically strong 3Q and Media a strong 4Q.

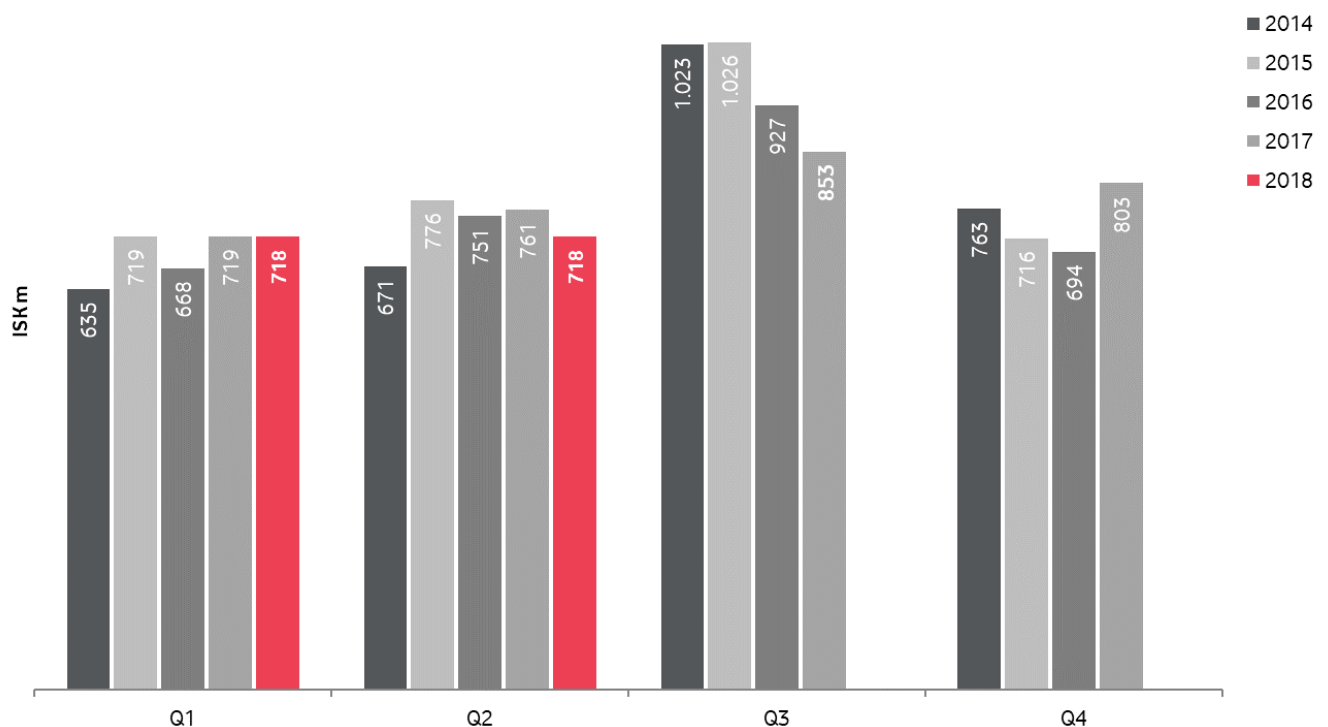
EBITDA of the quarter is below our expectations, especially due to higher cost following the merger projects. Total costs are not only higher due to one off costs but also due to costs related to extensive merger related projects that require substantive extra employee work load, double systems in operations, double housing as well as limited opportunity of the company to adapt to the quarters general wage increases in the middle of the merger process. The higher merger costs than expected is the main reason for the EBITDA being lower than anticipated. The execution of merger projects is however on plan which will start to deliver better operations in 2H of 2018. More costs in 1H than anticipated means that the company is currently by the lower end of its EBITDA outlook range for the year. The outlook range for EBITDA of 2019 and 2020 are unchanged.



Total revenues and number of clients are in accordance with original plans of the acquisitions which is an important milestone considering complex client transfers between systems that have been executed in the integration. The company has as well streamlined its product portfolio after the merger, for example strengthened its TV proposition with lower price points as well as renewed and new content rights such as UEFA and the Italian League recently.

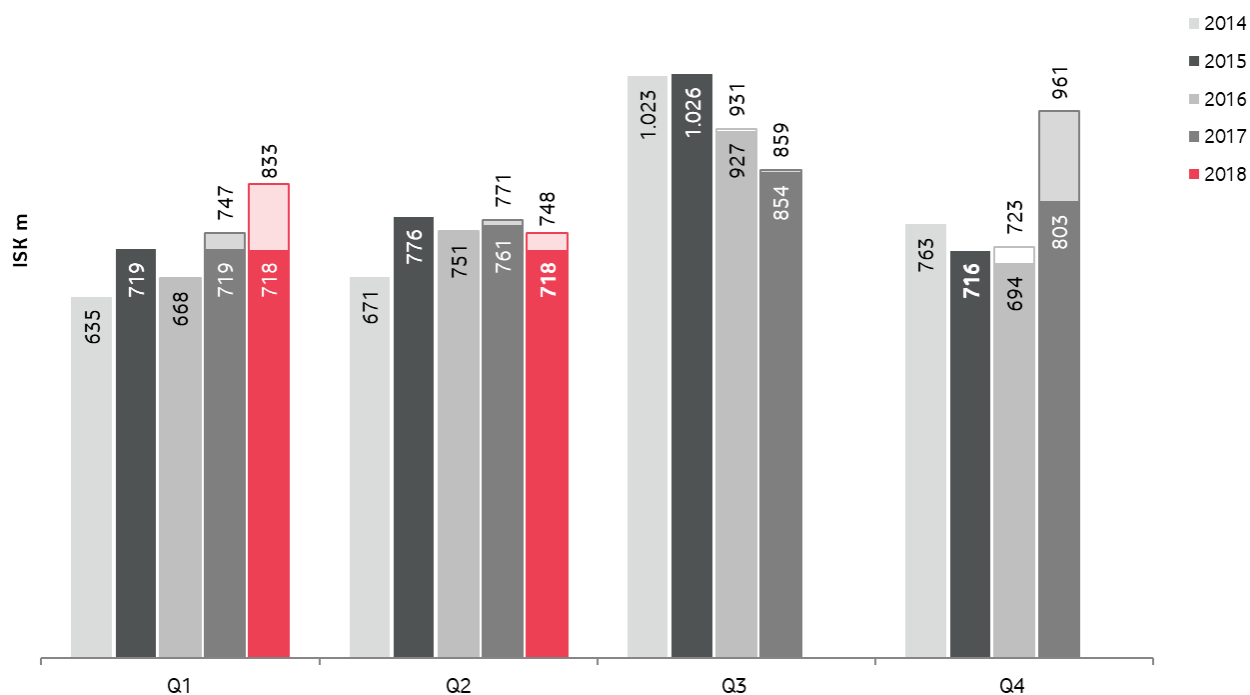
We are pleased that the largest and most challenging period of the merger, regarding risk, is now completed and look forward towards bright times with lower costs and positive EBITDA development for the next quarters in line with the overall aim of the merger. We wish to thank Sýn's employees for outstanding and relentless work to build the foundation of a leading integrated media and telecommunications company “

Picture 1: EBITDA by quarters from 2014:





Picture 2: EBITDA by quarters from 2014 – adjusted for one-time items 2016-2018:



#### Q2 2018 Operating Results:

The Group's income during Q2 2018 amounted to ISK 5,444 million, an increase of 61% from the same period in the previous year. The quarter's income consists of new combined operations following the purchase of certain assets and operations of 365 Miðlar hf., and this influences the comparison between periods. Income from media operations amounted to ISK 2,229 million in the second quarter, increasing by 316% between years. The increase can for the most part be attributed to the purchased operations, with media now being the company's operating segment that generates the highest income. Broadband income amounted to ISK 1,226 million in the second quarter, an increase of ISK 249 million, or 25%, from the previous year. Mobile phone income amounted to ISK 1,121 million and increased by 7% between years. The effects of the "roam like at home" regulation, which took effect June 15<sup>th</sup>, 2017, is still being felt on mobile income. Income from fixed-line services amounted to ISK 274 million during the quarter a decrease of 7% between years. Income from goods sales amounted to ISK 322 million during the period, a 2% decrease as compared to the same period in 2017. Other income amounted to ISK 272 during the quarter, increasing by 31% from the previous year.

Cost of sales amounted to ISK 3,364 million, increasing by 80% between years, particularly due to content and vendor telecommunication costs of new operations, while operating costs amounted to ISK 1,886 million. EBITDA for the period amounted to ISK 718 million, a decrease by 43 million on equivalent quarter in 2017. The EBITDA ratio was 13.2% and the EBIT ratio was 3.6%. If adjusted for one-off costs, EBITDA would have amounted to ISK 748 million, the EBITDA ratio for the period would have been 13.8% and the EBIT ratio 4.1%.



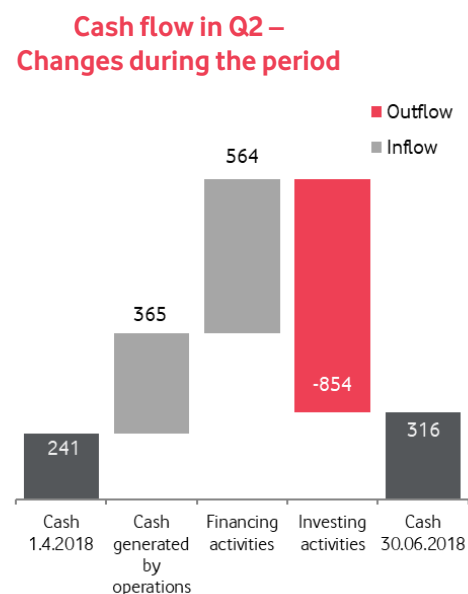
Net financial expenses in the first quarter amounted to ISK 198 million, a 156% increase from the previous year. The increase is mainly due to higher interest expenditures resulting from the financing of the purchase of specified assets and operations of 365 Miðlar hf.

Quarter loss after taxes amounted to ISK 4 million, a ISK 243 million decrease from the same period in 2017.

#### Q2 2018 Cash flow:

Net cash from operating activities in the first quarter of 2018 amounted to ISK 365 million. Investment activities amounted to ISK 87 million, a 64% increase from the previous period.

The company's financing activities amounted to ISK 564 million in the second quarter of 2018. Payments on long-term liabilities amounted to ISK 155 million. Cash and cash equivalents at end of the second quarter amounted to ISK 317 million.



#### Balance sheet on June 30th, 2018:

Equity at the end of the period stood at ISK 10,204 million and the equity ratio was 38.4%. Outstanding equity amounted to ISK 2,964 million at the end of the period.

The group's total liabilities were ISK 16,361 million. Net interest-bearing debt amounted to ISK 11,585 million and the ratio to EBITDA profits in the previous 12 months was 3.7. The current ratio was 1.2.

#### Financial Guidance:

EBITDA outlook for 2018 is estimated at ISK 4,000-4,400 million from regular operations. The company' forecast for 2018 is currently in the lower end of the range. One-off items in the first half of the year are ISK 145 million. It is expected that the one-off items will not have material effect on the second half of the year. The estimated capital expenditure ratio is 8-10% of income and will be close to the upper bound considering front-loaded investment in relation to integration projects.



## Essential news and important milestones on Q2:

- This August, Sýn, introduced new features in mobile subscription, where customers in Heima (Home) get ten times more data in their monthly mobile subscription. Heima is a combined bundle for Vodafone and Stöð 2 services and offers customers all the main telecommunication services for the home along with diverse entertainment for the whole family by.
- This July Vodafone Iceland activated the first 5G transmitters, transmitters of the fifth generation of mobile systems. This Narrowband IoT is designed specifically for interaction between devices.
- British trade journal BUILD recently awarded Icelandic architect firm Yrki ehf for their project að Sýn's HQ. The journal named the project best interior design of office space 2018. Yrki ehf. was also nominated as the most progressive architect firm of 2018. Sýn's HQ at Suðurlandsbraut 8 has attracted well-deserved attention for tasteful design centered on the employees needs based on thorough requirements analysis. According to Yrki ehf this analysis eased the development and design of the project. Main focus is on flexible work space with diverse workstations and the goal is to ease means of communication between coworkers and increase work and management efficiency.
- This June Sýn got Microsoft's Gold certification for Small and Midmarket cloud solutions. This certification goes to enterprises that reach good results in sales and offer qualified consultants and service providers regarding Microsoft solutions. This certification confirms that Sýn's employees have earned Microsoft's highest standards. Having that title means the company who applied itself has earned the highest standards of Microsoft's widely-recognized partnership program.
- At the beginning of May selected Stöð 2 TV packages were expanded and prices of others lowered. Single subscription of Stöð 2 Sport is now available for ISK 9.990 and the sport package for ISK 11.990. Before it was only possible to access sports material through the sport package for ISK 14.990. The S-VOD service Stöð 2 Marabon got bigger and the price lowered to ISK 1.990 from ISK 2.990, which is now competitive to other foreign S-VOD services.
- The Entertain package got bigger with a lot of non-linear material for the whole family without changes in price. Single subscription for Stöð 2 lowered from ISK 8.990 to ISK 6.990. Five months after the integration of Vodafone and 365 Media consumers and our customers clearly enjoy it's benefits. By this the company wants to provide more people more options to subscribe to quality Icelandic and foreign TV material and sports.
- Distribution of our new Samsung 4K UHD set-top box started. The set-top box is a new generation of 4K UHD set-top boxes and allows us to offer up to four times better image resolution than before. It is also a lot faster in all operations.
- Vodafone and Startup Iceland hosted Stökkpallurinn (The Springboard) business development competition for the third time. The goals of the competition are to support entrepreneurs in product development and marketing, but this year the focus was on IoT-smart city solutions. The collaboration is a part of Vodafone's support as Startup Iceland's sponsor and reflects Sýn's focus on innovation and corporate social responsibility.



#### Presentation on August 30th, 2018:

- An open meeting to present the results will be held on Thursday August 30th, 2018. The meeting will be held at the Sýn hf. headquarters at Suðurlandsbraut 8, 108 Reykjavík. The meeting will begin at 8:30 am and breakfast will be served from 8:00.
- Following the meeting, presentation materials will be available on Sýn's investor relations page at <https://www.syn.is/investors> and in Nasdaq Iceland's news network.
- The meeting will be streamed live at <https://www.syn.is/investors>

#### Financial calendar 2018:

✓	3Q results 2018	November 7 <sup>th</sup> , 2018
✓	4Q and annual results 2018	February 27 <sup>th</sup> , 2019
✓	Annual General Meeting 2019	March 21 <sup>st</sup> , 2019

#### Further information:

- ✓ Hannes Finnsson, Sýn's executive assistant, will answer requests for further information and can be contacted via email, [fjarfestatengsl@syn.is](mailto:fjarfestatengsl@syn.is) or by telephone, 669-9329.