



16 May 2018

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

69% increase in income but no synergies realized yet

The interim financial report for Sýn hf. for the first quarter of 2018, was approved by the company's Board of Directors and CEO at a board meeting on 16. May 2018.

At the company's Annual General Meeting in March, it was agreed to change the company's name from Fjarskipti hf. to Sýn hf. In December 2017, the company purchased certain assets and operations of 365 miðlar hf., and the effect of this is can be seen in the comparison of amounts between years. One-off items regarding the acquisition affected the quarter's results and the adjusted results are shown below. The one-off items consist of several different items connected with the purchase.

- Income in the first quarter of 2018 amounted to ISK 5,304 million, an increase of 69% from the previous year.
- The quarter's EBITDA amounted to ISK 718 million, the same as the previous year. The adjusted EBITDA, in accordance with the above, amounted to ISK 833 million, an 11% increase from the previous year.
- Profits in the period amounted to ISK 56 million, a decrease of 72% from the previous year. The period's adjusted profits amounted to ISK 150 million, a 33% increase when compared to the same period of the previous year.
- Profits per share were 0.20.
- The adjusted EBITDA, in accordance with the above, amounted to ISK 522 million, a 61% increase from the previous year.
- EBITDA outlook for 2018 is estimated at ISK 4,000-4,400 million from regular operations. The estimated investment ratio is unchanged at 8-10% of income.



Table 1: Q1 highlights adjusted for one-time items 2018 and 2017:

	Q1 2018	Q1 2017	Change	% change	Adjusted for one-time costs			
					Q1 '18 adj.	Q1 '17 adj.	Change	% change
Revenue	5.304	3.141	2.163	69%	5.336	3.141	2.195	70%
Cost of Sales	3.197	1.707	1.490	87%	3.183	1.707	1.476	86%
Gross Profit	2.107	1.434	673	47%	2.153	1.434	719	50%
Operating costs	1.896	1.092	804	74%	1.827	1.064	763	72%
EBITDA	718	719	-1	0%	833	747	86	12%
EBIT	211	342	-131	-38%	326	370	-45	-12%
Net Financials	139	91	48	53%	139	91	48	53%
Net Profit	56	201	-145	-72%	150	223	-74	-33%
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Gross Margin (%)	39,7%	45,7%			40,3%	45,7%		
EBITDA %	13,5%	22,9%			15,6%	23,8%		
EBIT %	4,0%	10,9%			6,1%	11,8%		

Stefán Sigurðsson, CEO:

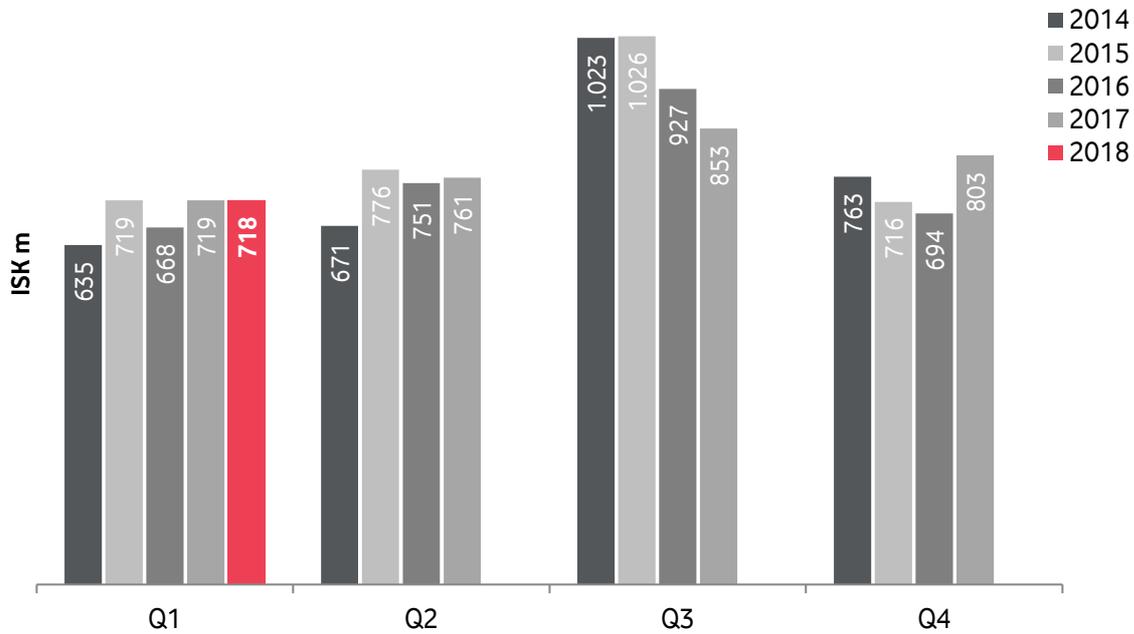
“It is pleasing to see the merged company’s first quarter show a revenue increase of 69%, which exceeds expectations. The first step of the merger has been to ensure the transfer of the company’s customers and revenue, which has been successful so far, despite the heavy workload associated with integration. The quarter’s costs are high, as no synergies are realized yet. Merger costs were however considerable during the quarter, as well as depreciation and financial expenses following the increase in balance sheet. The plan for the year is to lower the costs of the merged company, with synergies increasing steadily throughout the year. The company still plans to achieve synergies amounting to ISK 1,000-1,100 within 18 months, i.e. approximately 60% of the total EBITDA increase plan for the purchase. The plans that the merged company will have an EBITDA of over ISK 5 billion in 2020 are unchanged.

The merged company, under the name Sýn, is a telecommunications and media company offering broad services. According to a new report by the PTA, the company had the second largest market share in the mobile market (32.8%), broadband (37.1%) and IPTV (47.4%) at year-end 2017.

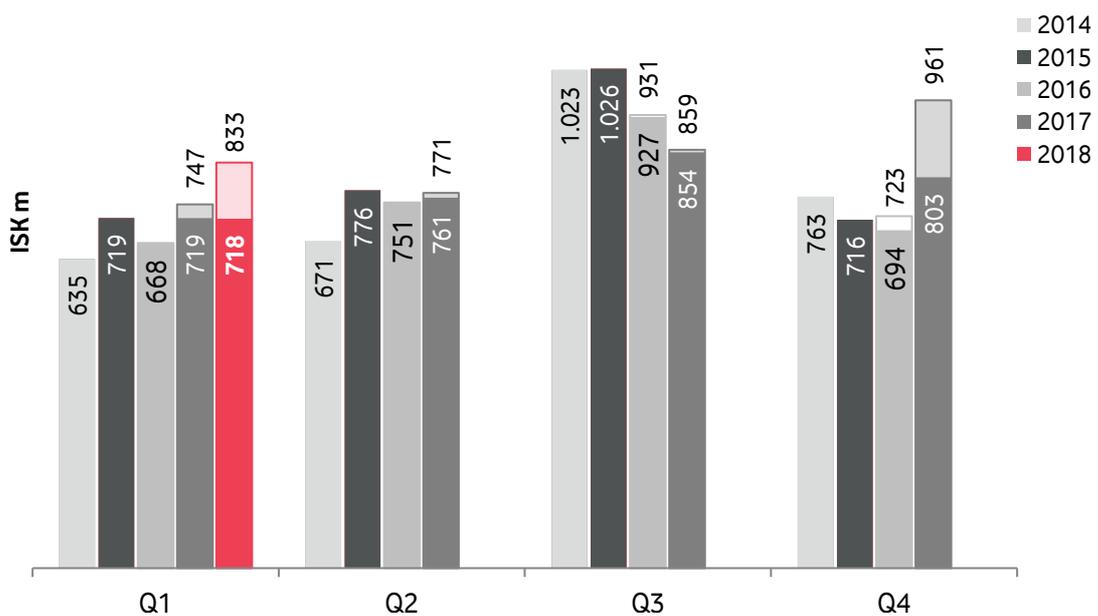
The first months of the merger have been positive, and the merger should be fruitful for all stakeholders. In addition to the estimated EBITDA of over ISK 5 billion in 2020, the employees will be joined under one roof during the year, in the company’s new headquarters at Suðurlandsbraut 8-10. For consumers, the price of television subscription packages decreased whilst other packages were expanded. These changes have been part of the planning regarding the purchase from the beginning and are therefore included in the prospects of the merged company. By doing this, we aim to press forward and give more people the chance to subscribe to high-quality Icelandic and international TV programming and live sports,” says Stefán Sigurðsson, CEO of Sýn.



Picture 1: EBITDA by quarters from 2014 :



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





Q1 2018 Operating Results:

The Group's income during Q4 2018 amounted to ISK 5,304 million, an increase of 69% 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 Miðla hf., and this has an effect on the comparison between periods. Income from media operations amounted to ISK 2,199 million in the first quarter, increasing by 325% 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 1,164 million in the first quarter, an increase of ISK 290 million, or 33%, from the previous year. This includes an ISK 160 million increase due to the collection of access fees for Gagnaveita Reykjavíkur. Mobile phone income amounted to ISK 1,066 million and increased by 9% between years. The effects of the "roam like at home" regulation, which entered into effect on 15 June 2017, is still being felt on mobile income. Income from goods sales amounted to ISK 305 million during the period, an 8% increase as compared to the same period in 2017. Income from fixed-line services amounted to ISK 327 million during the quarter an increase of 7% between years. Other income amounted to ISK 243 during the quarter, increasing by 31% from the previous year.

Cost of sales amounted to ISK 3,197 million, increasing by 87% between years, particularly due to content and vendor telecommunication costs of new operations while operating costs amounted to ISK 1,896 million. No synergies are realized in the quarter, however there are considerable one off items linked to the purchase. It is expected that synergies will start to realize in the second quarter, with stronger effect in the third and fourth quarter. The full synergies of the merged company should be apparent in the first half of 2019.

EBITDA for the period amounted to ISK 718 million, the same as in the equivalent quarter in 2017. The EBITDA ratio was 13.5% and the EBIT ratio was 4.0%. If adjusted for one-off costs, EBITDA would have amounted to ISK 833 million, the EBITDA ratio for the period would have been 15.6% and the EBIT ratio 6.1%.

Net financial expenses in the first quarter amounted to ISK 139 million, a 53% 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.

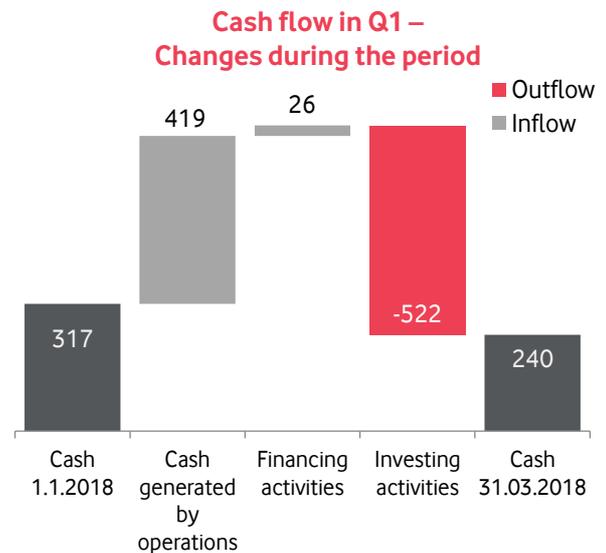
Profits before income tax in the first quarter of 2018 amounted to ISK 72 million, a decrease of ISK 179 million from the same quarter in 2017. Quarter profits after taxes amounted to ISK 56 million, and ISK 150 million when adjusted for one-off items.



Q1 2018 Cash flow:

Cash from operating activities in the first quarter of 2018 amounted to ISK 419 million. Investment activities amounted to ISK 522 million, a 61% increase from the previous period.

The company's financing activities amounted to ISK 26 million in the first quarter of 2018. Payments on long-term liabilities amounted to ISK 93 million. Cash and cash equivalents at end of the first quarter amounted to ISK 241 million.



Balance sheet on March 31st, 2018:

Equity at the end of the period stood at ISK 10,202 million and the equity ratio was 39.7%. Outstanding equity amounted to ISK 2,964 at the end of the period.

The group's total liabilities were ISK 15,518 million. Net interest-bearing debt amounted to ISK 11,098 million and the ratio to EBITDA profits in the previous 12 months was 3.5. The current ratio was 1.1.

Financial Guidance:

The year's EBITDA guidance from regular operations is expected to be unchanged ISK 4,000-4,400 million. Synergies will start to realize especially in the latter half of 2018, and continue to increase into 2019, when an EBITDA of ISK 4,600-5,000 million is expected. In 2020, the first full year of synergies, an EBITDA of over ISK 5,000 is expected.

The year's capex ratio is estimated between 8-10%, depending on the amount of investments due to integration, e.g. moving all activities to a single location, integrating IT systems, etc. It is assumed that the capex ratio can be lowered to around 8% for current operations once the integration has been completed.



Main news and important milestones during the period:

- In early May, selected subscription packages for Stöð 2 were expanded and the price of others was lowered. A single subscription to Stöð 2 Sport is now available at ISK 9,990 and the Sport Package is available for ISK 11,990. Previously, Stöð 2's sports programming was only available through the Sports Package for ISK 14,990. The streaming service Stöð 2 Maraðon was expanded and the price lowered from ISK 2,990 to ISK 1,990, which is comparable to foreign streaming services. "Skemmtipakkinn" was expanded with a vast selection of content for the whole family without raising the price. In addition, the price of a single subscription to Stöð 2 was lowered from ISK 8,990 to ISK 6,990. Five months after the merger of Vodafone and 365's media, consumers and customers of the companies are already enjoying clear benefits from the merger. By doing this, we aim to give more people the chance to subscribe to high-quality Icelandic and foreign television programming and live sports.
- Vodafone (Sýn) is the high-jumper among Icelandic telecommunications companies in 2017, whether measured in the number of mobile phone customers, increase in data volume, data connections or IPTV, according to the Post and Telecom Administration's 2017 report on the Icelandic telecommunications market. In 2017, the growth ranged from 16% to 128%. This is the first PTA report issued since the merger of Vodafone and 365 on 1 December of last year. Of special note is the fact the number of mobile telephone subscriptions increased from 129,028 to 151,359, or by over 17%. Vodafone's (Sýn's) market share is currently 32.8%.
- Vodafone and Startup Iceland hosted the product development competition Stökkpallurinn, which supports entrepreneurs in developing and marketing their products, for the third time. This collaboration is part of Vodafone's sponsorship of Startup Iceland, reflecting the company's emphasis on innovation and social responsibility. This year's competition focused on smart solutions, "IoT smart city", where the goal was to support municipalities and companies in adopting more smart technology.
- The company signed an agreement with real estate companies EIK and Reitir for the future headquarters of the combined operations. Sýn currently uses the whole building at Suðurlandsbraut 8 and the agreement added part of the building at Suðurlandsbraut 10, This is part of the second floor and third floor at Suðurlandsbraut 10 and adjoining back building, which is part of Ármúla, more specifically the adjoining back building on the lot of Hótel Ísland at Ármúli. With this, all operations can be joined under one roof, including television and radio studios.
- Fjarskipti hf.'s Annual General Meeting, held at the company's headquarters at Suðurlandsbraut 8 on 22. March of this year, it was agreed to change the name of the company. Sýn is the new name for the combined company of Vodafone and media operations that include Stöð 2, Stöð 2 Sport, Vísir, Bylgjan FM957 and Xið 977. The main reason for the name change was that the company's activities have broadened, and it was felt that the old name was therefore not sufficiently descriptive for a united company. Sýn will therefore become an umbrella brand for 20 current and future brands. The company's ticker symbol in the Stock Exchange and the systems of Verðbréfamíðstöð Íslands has been changed from VOICE to SYN.



Presentation on May 17th, 2018:

- An open meeting to present the results will be held on Thursday May 17th, 2018. The meeting will be held at the Sýn hf. headquarters at Suðurlandsbraut 8, 108 Reykjavík. The meeting will begin at 8:30 and breakfast will be served from 8:00.
- Following the meeting, presentation materials will be available on Vodafone's investor relations page at www.vodafone.is/vodafone/fjarfestatengsl and in Nasdaq Iceland's news network.
- The meeting will be streamed live at <https://vodafone.is/vodafone/fjarfestatengsl/uppgjorskynning/>

Financial calendar 2018:

✓	2Q results 2018	August 29 th , 2018
✓	3Q results 2018	November 7 th , 2018
✓	4Q and annual results 2018	February 27 th , 2019
✓	Annual General Meeting 2019	March 21 st , 2019

Further information:

- ✓ Guðfinnur Sigurvinnsson, Sýn's communications director, can be contacted via email, fjarfestatengsl@syn.is or by telephone, 669-9330.