



Fjarskipti hf. Q3 2017 Results

Investor Presentation 31 October 2017

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Key Financial Results Q3 2017

Revenue
ISK 3,437m

Compared to
ISK 3,443m in 2016

Free Cash Flow
ISK 563m

19% increase from 2016

EBITDA
ISK 853m

8% decrease from
Q3 2016

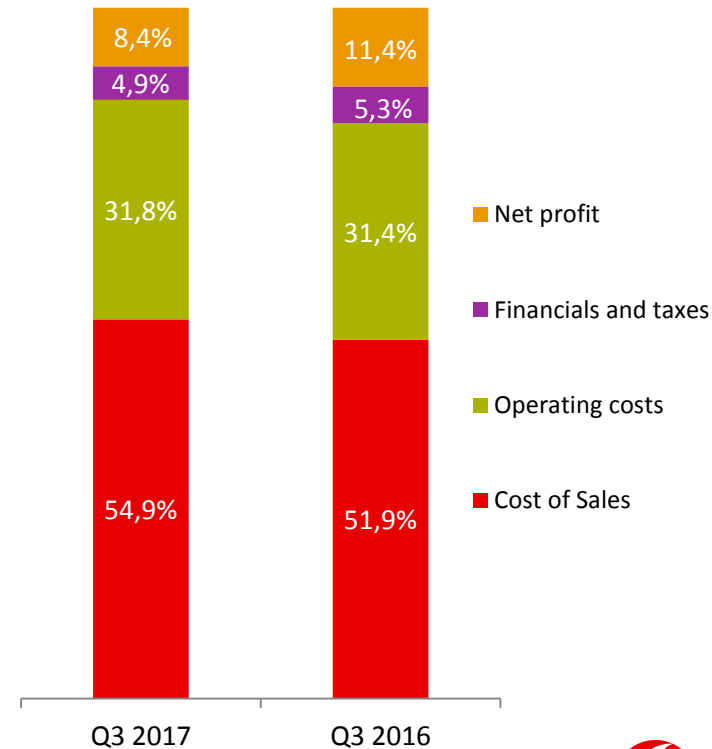
EBITDA %
24.8%

26.9% on Q3 2016

Q3 Highlights – Considerably affected by Roam like Home

ISK m	Q3 2017	Q3 2016	Change	% change
Revenue	3,437	3,443	-6	0%
Cost of Sales	1,887	1,786	101	6%
Gross Profit	1,550	1,657	-107	-6%
Operating costs	1,092	1,080	12	1%
EBITDA	853	927	-74	-8%
EBIT	458	577	-119	-21%
Net Financials	96	90	6	7%
Net Profit	290	391	-101	-26%

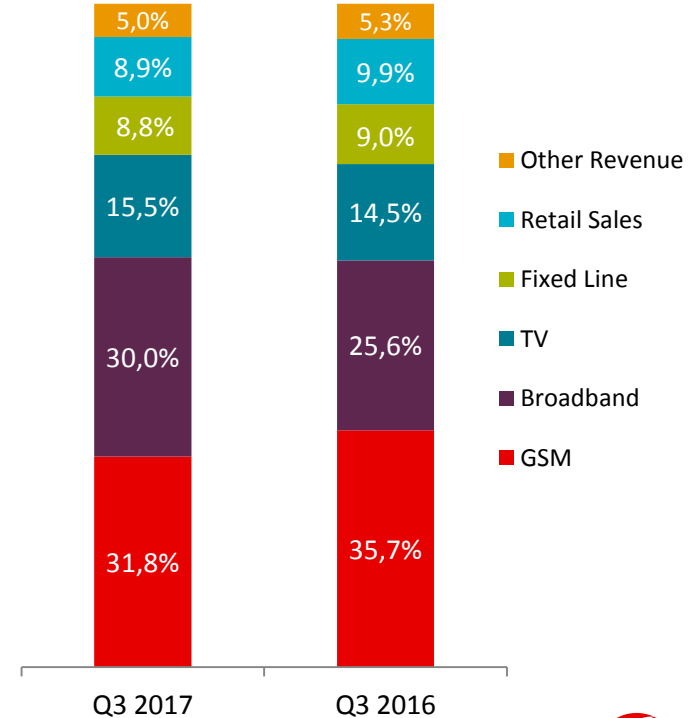
<i>Gross Margin (%)</i>	45.1%	48.1%
<i>EBITDA %</i>	24.8%	26.9%
<i>EBIT %</i>	13.3%	16.8%



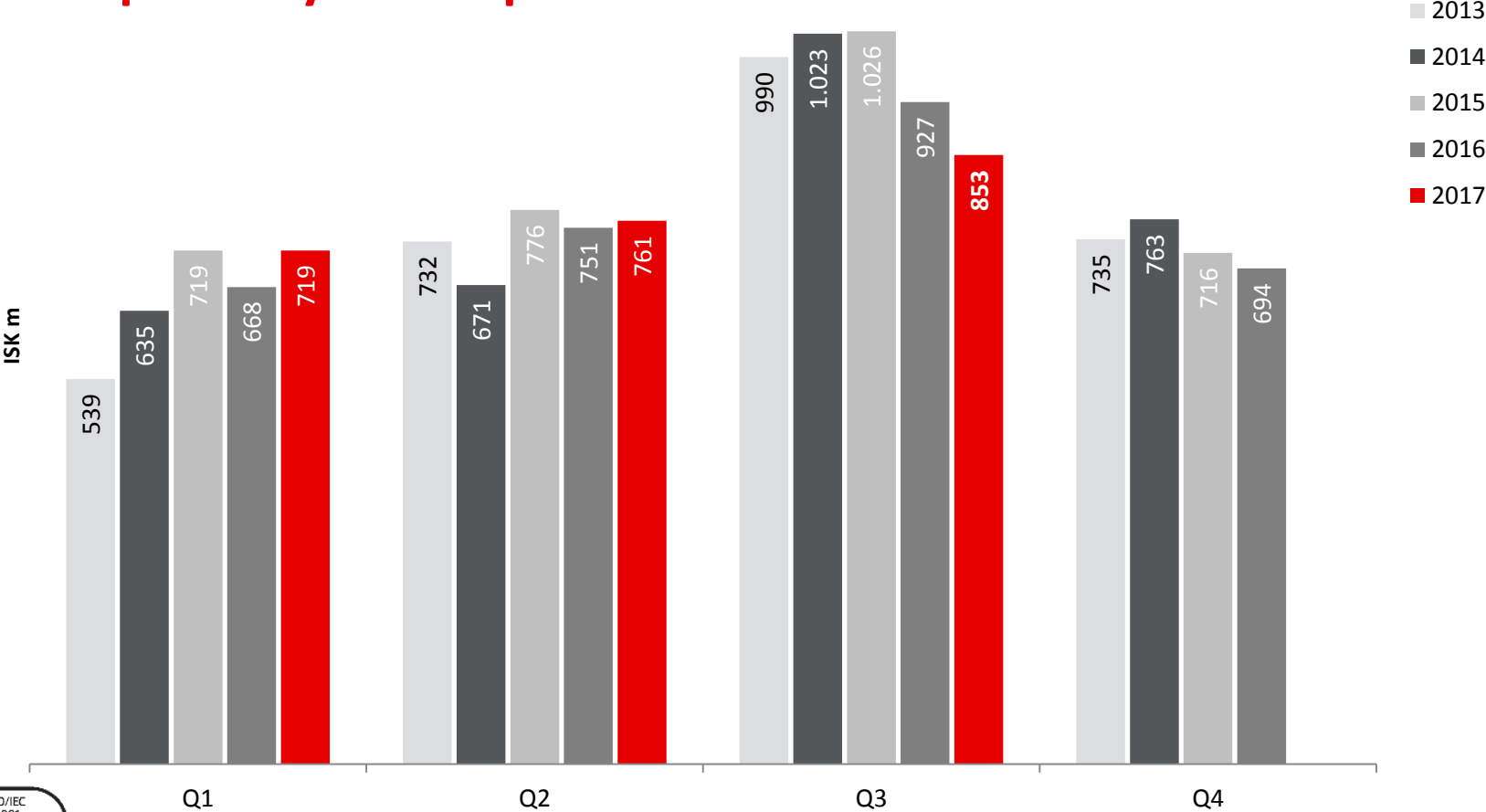
Revenue Growth in Broadband and TV

ISK m	Q3 2017	Q3 2016	Chg.	% chg.
GSM	1,092	1,229	-137	-11%
Broadband	1,032	880	152	17%
TV	531	499	32	6%
Fixed Line	302	310	-8	-3%
Retail Sales	307	339	-32	-9%
Other Revenue	173	186	-13	-7%
Total Revenue	3,437	3,443	-6	0%

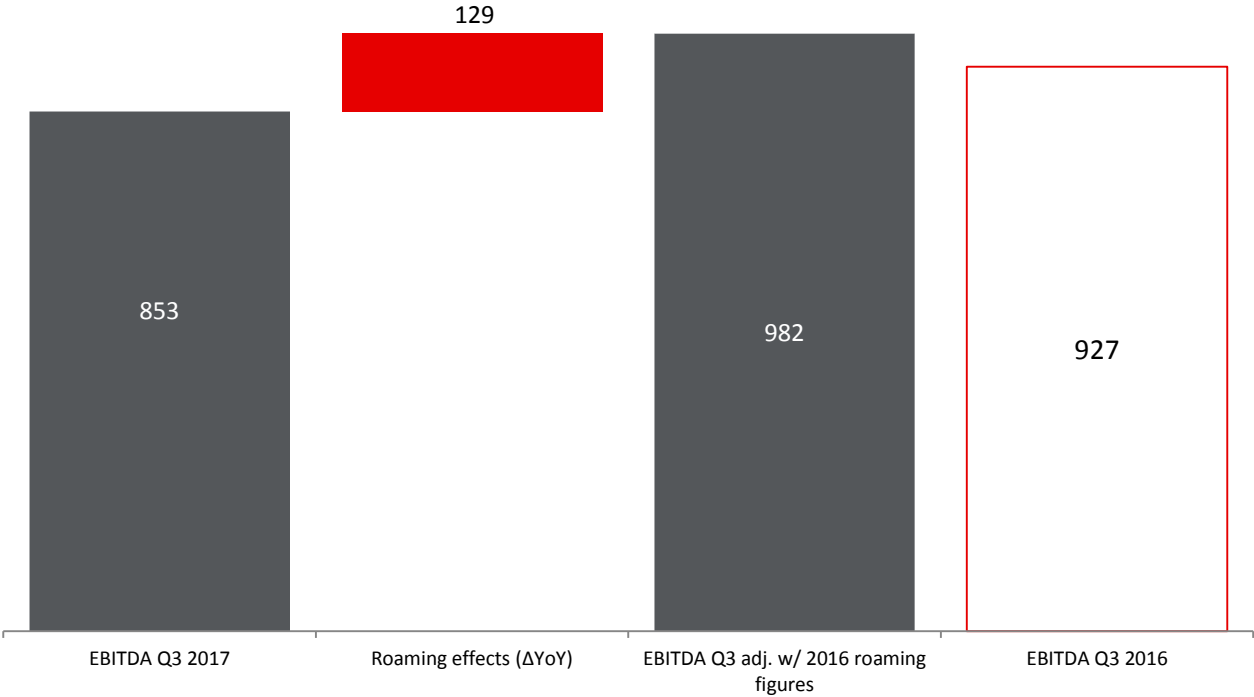
See explanation of revenue categories on the final page



EBITDA quarterly development



EBITDA adjusted for roaming effects in 3Q



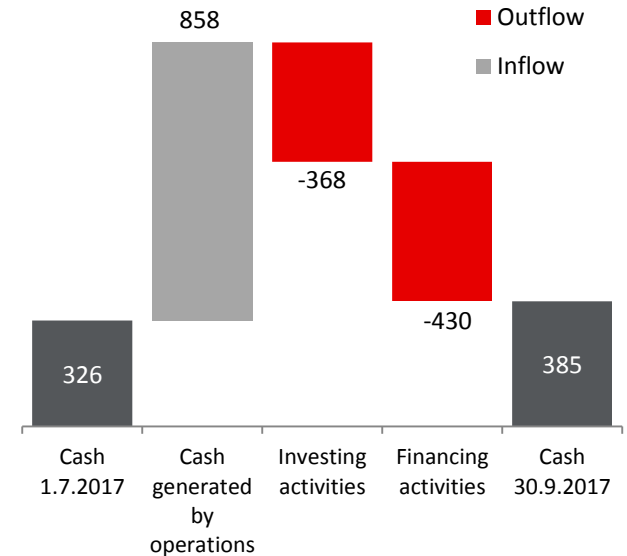
Roaming effects include YoY changes in (1) changes in roaming revenues from Vodafone customers roaming in other countries, (2) changes in roaming charges paid to roaming partners due to Vodafone customers roaming in other countries and (3) effect from lower prices for inbound roaming (foreign visitors roaming in Iceland).



Q3 Cash Flow

ISK m	Q3 2017	Q3 2016	Change	% chg.
Cash generated by operations	858	862	-4	0%
Investing activities	-368	-491	123	-25%
Financing activities	-430	-210	-220	105%
Change in cash	60	161	-101	-63%
Effect of exchange rate	-1	-2	1	0%
Cash at beginning of period	326	213	113	53%
Cash at the end of period	385	372	13	3%
Free Cash Flow	563	474	89	19%

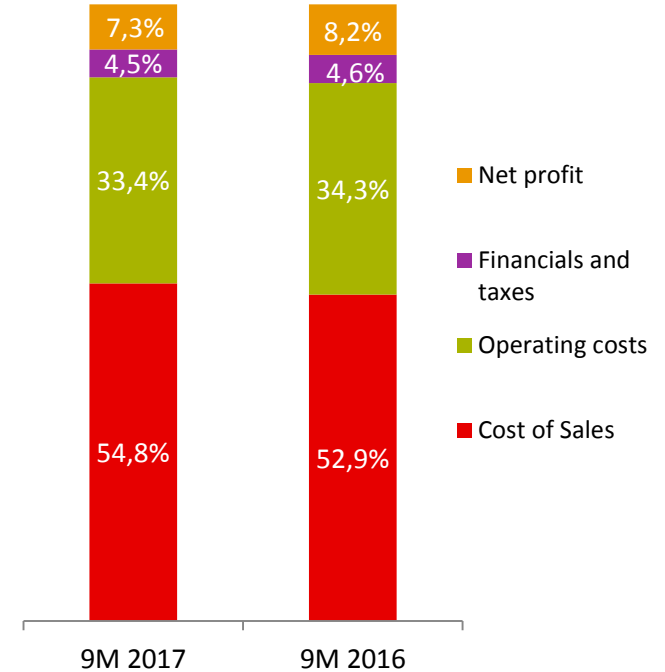
Q3 Cash Flow changes



9M Highlights

ISK m	9M 2017	9M 2016	Change	% change
Revenue	9.964	10.205	-241	-2%
Cost of Sales	5.458	5.402	56	1%
Gross Profit	4.506	4.803	-297	-6%
Operating Costs	3.329	3.498	-169	-5%
EBITDA	2.334	2.346	-12	-1%
EBIT	1.177	1.305	-128	-10%
Net Financials	265	262	3	1%
Net Profit	730	837	-107	-13%

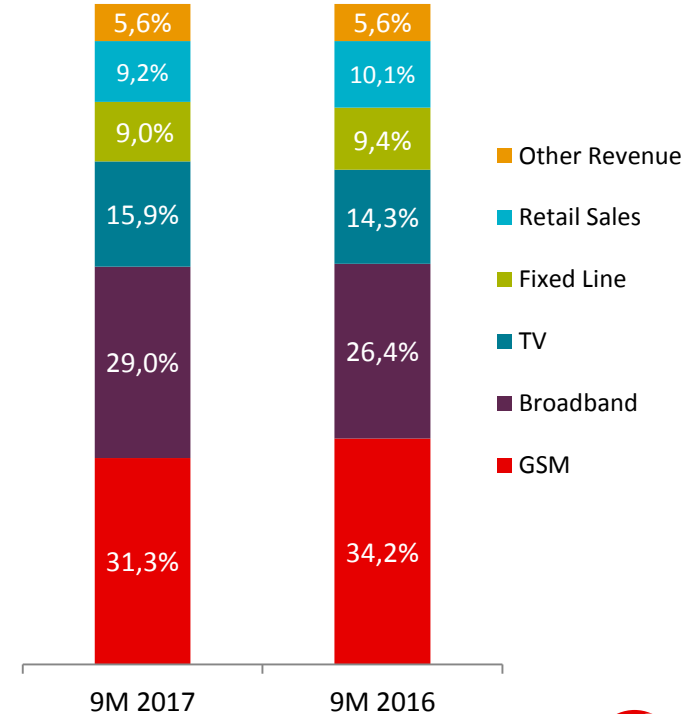
<i>Gross Margin (%)</i>	45,2%	47,1%
<i>EBITDA %</i>	23,4%	23,0%
<i>EBIT %</i>	11,8%	12,8%



Revenue Growth in Broadband and TV

ISK m	9M 2017	9M 2016	Breyt.	%breyt.
GSM	3,115	3,490	-375	-11%
Broadband	2,882	2,698	184	7%
TV	1,585	1,456	129	9%
Fixed Line	901	960	-59	-6%
Retail Sales	918	1,027	-109	-11%
Other Revenue	563	574	-11	-2%
Total Revenue	9,964	10,205	-241	-2%

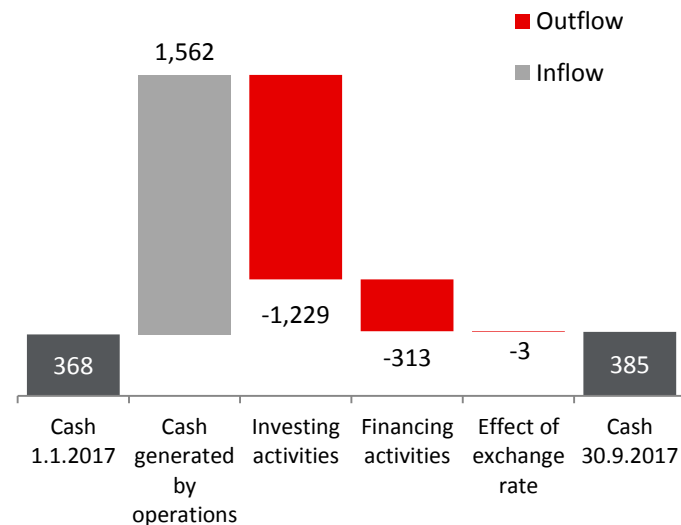
See explanation of revenue categories on the final page



9M Cash Flow

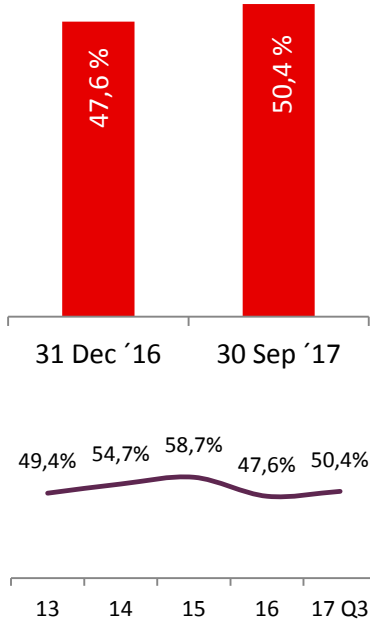
ISK m	9M 2017	9M 2016	Change	% chg.
Cash generated by operations	1,562	2,091	-529	-25%
Investing activities	-1,229	-1,041	-188	18%
Financing activities	-313	-1,095	782	-71%
Change in cash	20	-45	65	-144%
Effect of exchange rate	-3	-3	0	0%
Cash at beginning of period	368	420	-52	-12%
Cash at the end of period	385	372	13	3%
Free Cash Flow	583	1,316	-733	-56%

9M Cash Flow changes

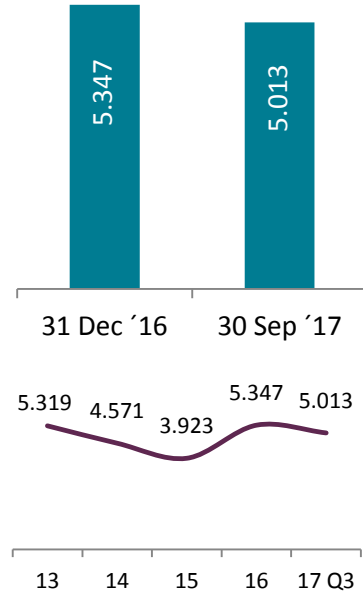


Strong Balance Sheet

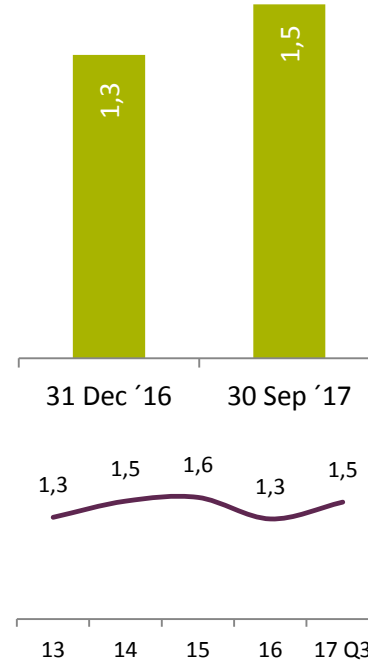
Equity Ratio



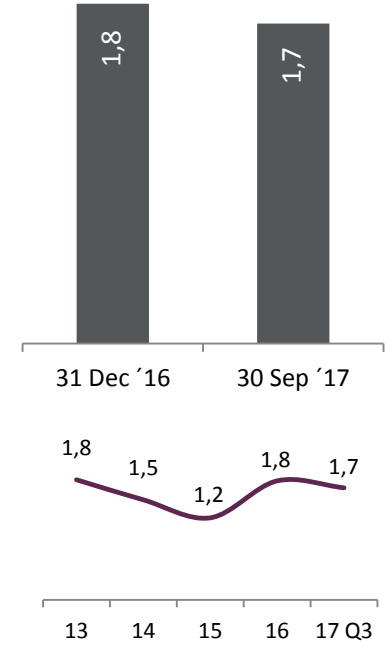
Net Interest Bearing Debt



Current Ratio



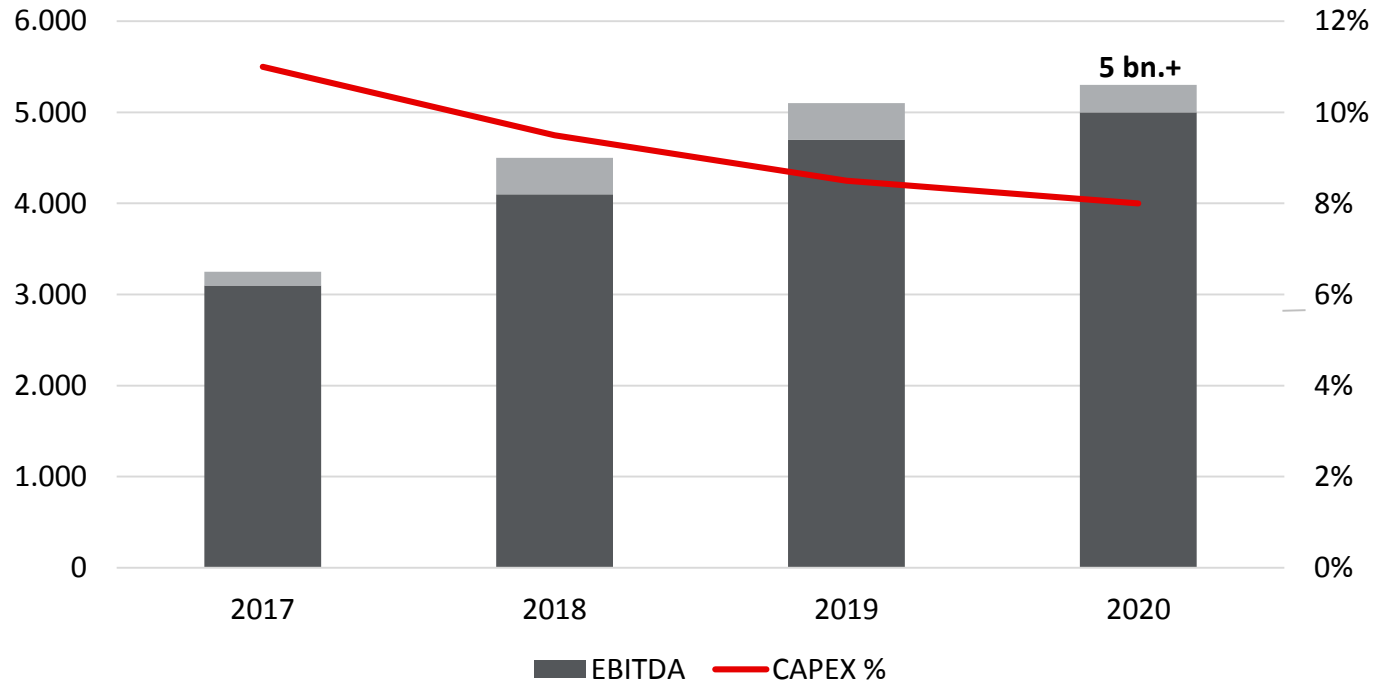
Net Debt/EBITDA



Timeline of the takeover of assets from 365 and financial plans

- The Competition Authorities' approval was a key milestone in the merger process
- Project teams have started preparing for the merger and going through contractual conditions.
- The aim is to confirm all conditions precedents are met in the latter half of November
- Full merger from the 1st of December.
- We have no information or reason to doubt that any conditions will not be met and stand by our previous plans of 1.750m ISK from EBITDA and synergies that will fully materialize in 12-18 months
- **Management plans for the merged company to have EBITDA of ISK 5bn or more no later than 2020**

Financial guidance following the 365 acquisition



The figures above are built on Fjarskipti' current knowledge and plans in relation to the acquisition of operations and assets from 365. The grey zones in the graph represent a range for each year, mainly related to uncertainty around the time for synergies to materialize. Fjarskipti will publish a new guidance in the event of any material changes to the results or plans. The previous guidance, irrespective of the merger, is unchanged, EBITDA of around 3.250m and Capex ratio of 11%.

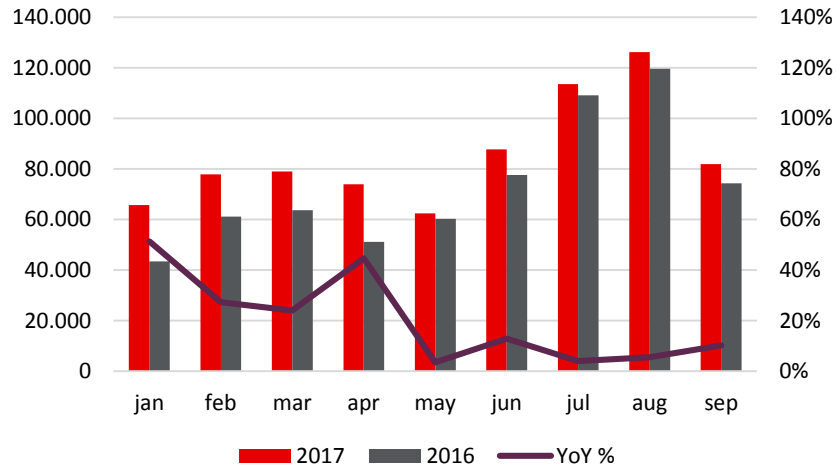


Key competitive remedies agreed with the authorities

- Wholesale offering of premium domestic TV channels and IPTV platform to new entrants and smaller competitors facilitating their bundled offers of telecoms and TV services
- Smaller domestic TV channels provided with easier access and advantageous terms for access to the terrestrial TV distribution system
- The operation of the present media, including the news rooms of Stöd 2 and Bylgjan, will continue to be of importance. No plans to cease their operation.
- Measures to counter distortive effects of joint ownership
 - Provisions regulating ownership links between Fréttablaðið og Vodafone, prohibiting the sellers increase in shareholding and board representation
 - Provisions on editorial independence. Furthermore, sensitive business information shall not be divulged to shareholder that owns a stake in competitors
- Provisions on non disclosure between the wholesale and retail operations of Vodafone

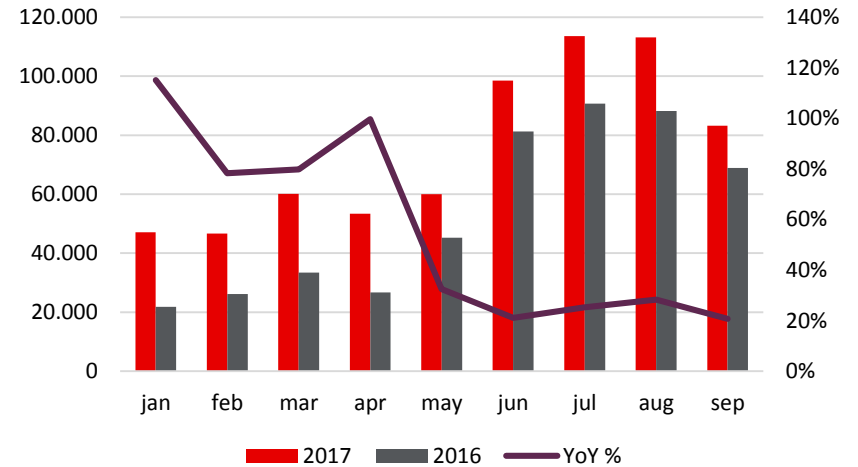
Number of foreign visitors to Iceland – growth is slowing...

Travellers from EEA countries



The EEA specified by The Icelandic Tourist Board are: GB, DK, FI, FR, NL, IT, NO, PO, ES, SE, DE

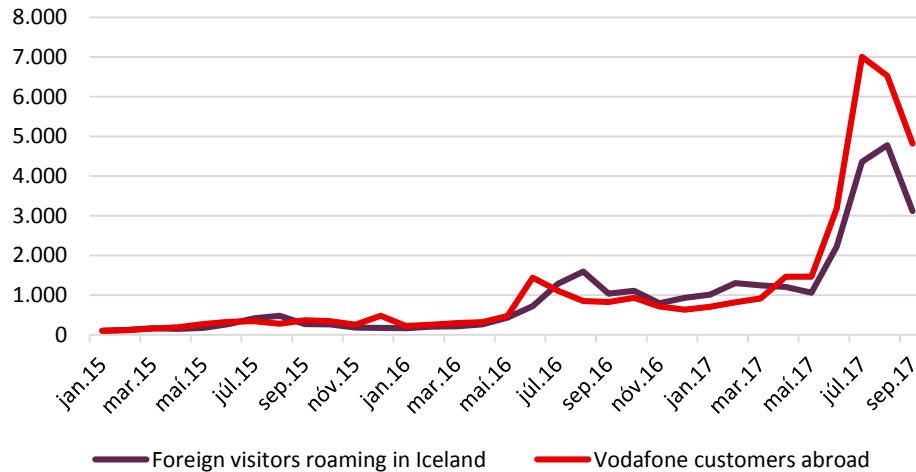
Travellers from countries outside EEA



The countries outside of EEA specified by The Icelandic Tourist Board are: USA, Japan, Kanada, Kína, Rúsland og Sviss

Vodafone customers roaming abroad increased their data usage considerably more than foreign visitors roaming in Iceland

Indexed data usage – EEA countries



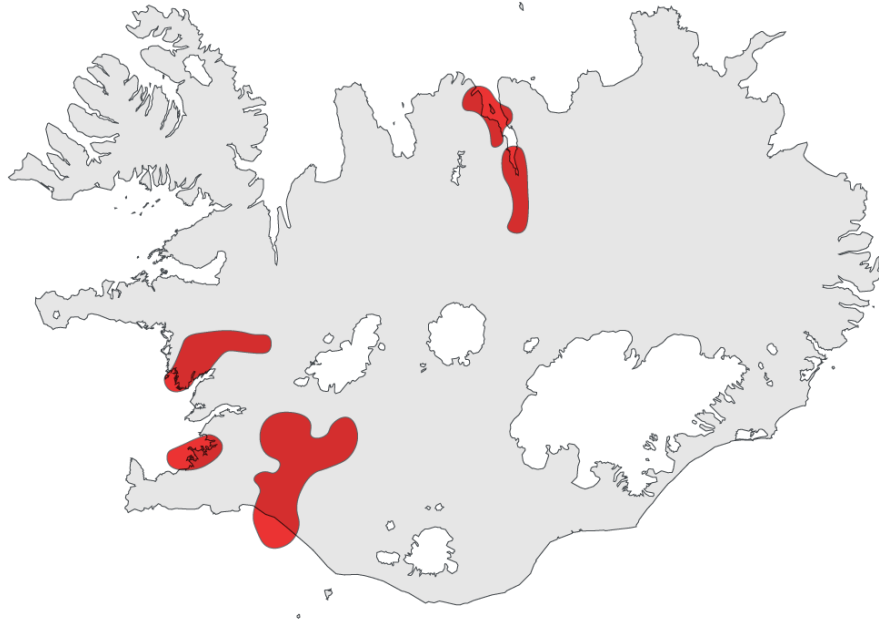
Data Usage (mb) per user on Q3 – EEA



- Vodafone customers' higher data usage increases the company's roaming charges, but does not generate any revenue. Due to Roam like home it is prohibited to charge specifically for usage in EEA roaming countries.
- More data used by foreign visitors roaming in Iceland increases inbound roaming revenues, but is offset by decreased unit prices.

Mobile network build up – 4G launch in 2013

- Main emphasis was on summer house areas in southwest and northern part of the country.



Mobile network – Ongoing 4G structure in 2013-2014

- Main emphasis was on 4G in Reykjavik capital area.



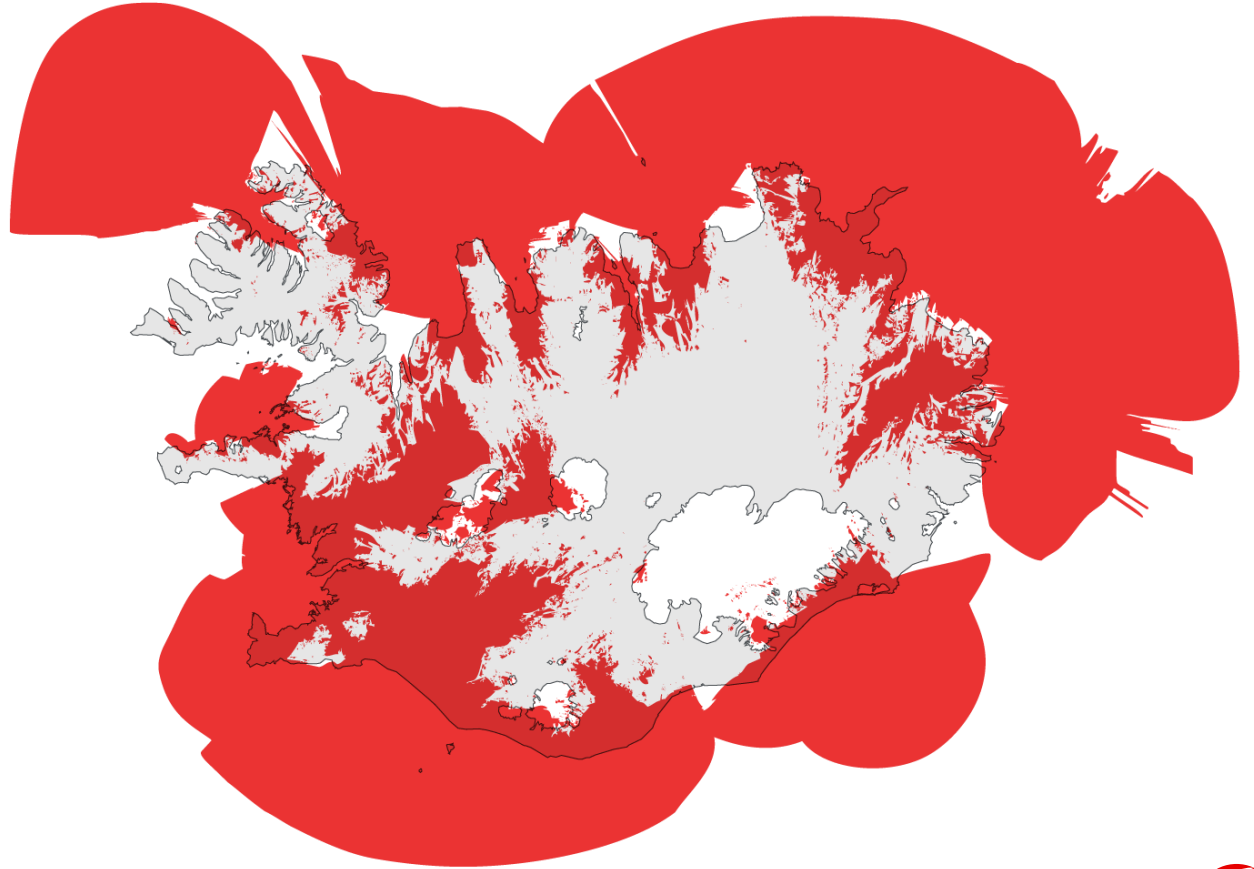
Mobile network – Ongoing 4G structure in 2015-2016

- Main emphasis was on 4G coverage across country and out to sea.



4G+ structure in 2017-2018

- Main emphasis is on increased speed and better performance in 4G across country.



New technology and opportunities in 2019-2020

- NB-IoT structure and preparation for 5G.

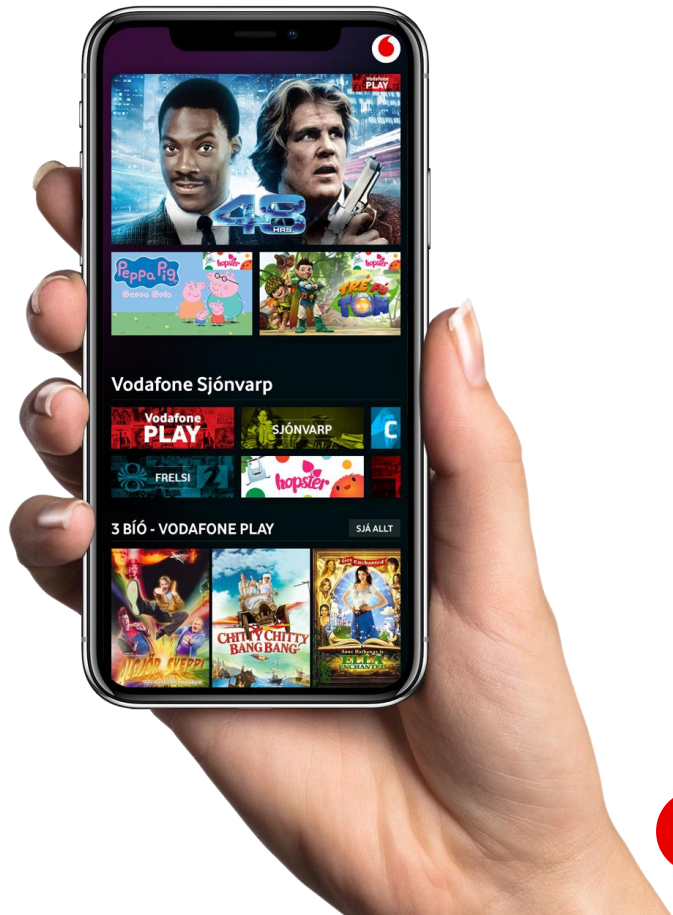


Mobile network build up supports our future TV services

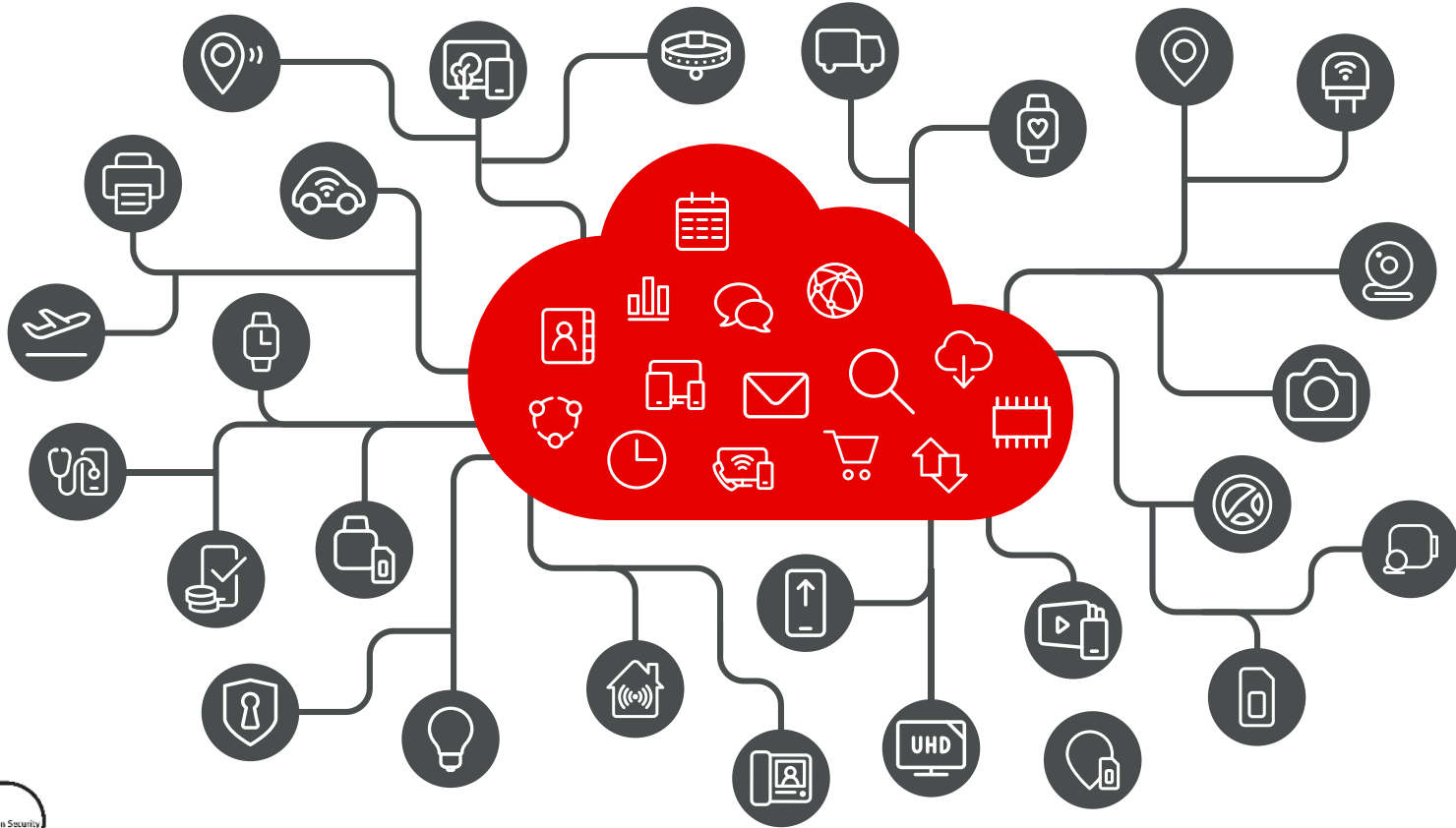
- Our Vodafone TV app has recently been updated both for IOS and Android
- Current need for speed to watch TV over the mobile phone is around 3mbs



TV
Everywhere



4th industrial revolution and opportunities for Vodafone



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