

Sýn hf.

Condensed Consolidated Interim
Financial Statements
1. January to 30. September 2020



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Report by the Board of Directors and CEO

Sýn hf. is a fully comprehensive communications and media provider. The Company operates many of the most powerful media platforms in Iceland like Channel 2, Bylgjan Radio, Visir.is, FM957, the X and other well-known media. The Company provides individuals, companies, institution and public bodies with all the core aspects of communication services under the brand of Vodafone Iceland and its subsidiary Endor. The Company works in close global co-operation with Vodafone Group, which is one of the largest multinational communication company in the world.

These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, as adopted by the European Union and additional requirements in the Icelandic Financial Statement Act. The Interim Financial statements contain the Condensed Interim Financial Statements, the Company's subsidiary Endor ehf. and share in the joint operation of Sendafélagið ehf. The Condensed Interim Financial Statements of the Company from January 1st to September 30th, 2020 have not been reviewed by the Company's auditors.

According to the Income Statement, revenues from goods sold and service provided amounts to ISK 15,373 mill. Loss of the period amounts to ISK 402 mill. According to the Statement of Financial Position, assets of the Company amounts to ISK 30,351 millj. The equity position at the end of the period on September 30th 2020 amounts to ISK 8,392 millj. Thereof share capital amounts to ISK 2,964 millj. The equity ratio at period end is 27.7%.

The emphasis of the Company's management in the COVID-19 epidemic has been to ensure the safety of employees and its customers as well as to ensure that there is no disruption to the operation and maintenance of important infrastructure. The impact of the COVID-19 epidemic on the Group's operations and cash flow in the first nine months of the year is seen in declining revenues from advertising and roaming. See further in note 11.

The Company has signed an agreement of exclusivity and heads of terms regarding a sale and leaseback of passive mobile infrastructure to international investors. The terms indicate that the transaction will strengthen the Company's balance sheet and the estimated realized profit from the transaction could amount to over six billion ISK. The terms of the leaseback agreement assume a 20-year lease which will guarantee the Company's access to the passive mobile infrastructure. All active mobile equipment will be owned and operated by Sýn. The estimated proceeds and accounting treatment of the transaction depends on the structure of the agreement. This agreement does not guarantee the transaction will take place, since it is subject to due diligence and possibly regulatory approval. Therefore, there is still considerable uncertainty if the transaction takes place.

Statement

According to the best knowledge of the Board of Directors and the CEO, these Consolidated Condensed Interim Financial Statement of Sýn hf. are prepared and presented in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU and additional requirements in Icelandic laws and rules for listed companies. It is The Board of Directors and CEO opinion that these Consolidated Condensed Interim Financial Statements give a true and fair view of the financial performance of the Group. for the nine month period ended on September 30th 2020, its financial position as of September 30th 2020 and the Group's cash flows for the period.

The Board of Directors and the CEO of Sýn hf. have today discussed the Consolidated Condensed Interim Financial Statements of the Group for the period from January 1st to September 30th 2020 and confirm them by means of their signatures.

Reykjavík, 4. November 2020

Board of Directors

Hjörleifur Pálsson, Chairman of the Board

Hilmar Þór Kristinsson

Petrea Ingileif Guðmundsdóttir

Sigríður Vala Halldórsdóttir

Tanya Zharov

CEO

Heiðar Guðjónsson

Key Figures

	2020 Q3	2019 Q3	2020 9M	2019 9M
Financial information				
Revenues	5,026	4,878	15,373	14,876
Operating profit	142	186	185	235
(Loss) profit before tax	(4)	(93)	(536)	269
Profit (loss) for the period	8	(71)	(402)	384
Earnings (loss) per share	0.03	(0.25)	(1.36)	1.30
Investments	244	303	764	1,416
Investments in broadcasting license rights	506	806	1,581	1,634
Cash generated by operations	1,055	1,235	3,855	3,424
Performance evaluation				
EBITDA for the period	1,593	1,623	4,312	4,100
EBITDA ratio for the period	31.7%	33.3%	28.0%	27.6%
Free cash flow*	458	435	2,056	1,113
	30.9. 2020	30.6. 2020	31.3. 2020	31.12. 2019
Net interest bearing debt	16,489	16,604	17,345	17,281

* Free cash flow consists of cash from operations before interest and income tax less investment activities.

Income statement

1. January to 30. September 2020

	Notes	2020 Q3	2019 Q3	2020 9M	2019 9M
Revenue from sales of goods and services	5	5,026	4,878	15,373	14,876
Cost of sales	6	(3,399)	(3,133)	(10,466)	(9,491)
Gross profit		1,627	1,745	4,907	5,385
Operating expense	7	(1,485)	(1,559)	(4,722)	(5,150)
Operating profit (loss)		142	186	185	235
Finance income		6	11	20	38
Finance expense		(158)	(337)	(553)	(811)
Net exchange rate differences		(17)	31	(259)	(37)
Net financial expense		(169)	(295)	(792)	(810)
Effects of associates		23	16	71	844
(Loss) profit before tax		(4)	(93)	(536)	269
Income tax		12	22	134	115
Profit (loss) for the period		8	(71)	(402)	384
Earnings (loss) per share		0.03	(0.25)	(1.36)	1.30

Statement of Comprehensive income

1. January to 30. September 2020

	2020 Q3	2019 Q3	2020 9M	2019 9M
Profit (loss) for the period	8	(71)	(402)	384
Items that may subsequently be reclassified to profit or loss				
Translation difference	(1)	(21)	(4)	(98)
Cash flow hedge	-	136	-	111
Total comprehensive income for the period	7	44	(406)	397

The notes on pages 9 to 15 are an integral part of these Consolidated Condensed Interim Financial Statements.

Statement of Financial Position

30. September 2020

	Notes	30.9.2020	31.12.2019
Non-current assets			
Right-of-use assets		5,584	5,828
Property, plant and equipment		4,300	4,793
Goodwill		8,832	8,787
Other intangible assets		4,433	4,648
Shares in other companies		1,451	1,383
Defferred tax asset		263	97
Total non-current assets		24,863	25,536
Current assets			
Broadcasting license rights		1,633	1,814
Inventories		321	427
Trade receivables and other short term receivables	9	3,321	3,567
Cash and cash equivalents		213	634
Current assets		5,488	6,442
Total assets		30,351	31,978
Equity			
Share capital		2,964	2,964
Statutory reserves		2,465	2,465
Other reserve		181	112
Retained earnings		2,782	3,257
Total equity		8,392	8,798
Non-Current liabilities			
Interest bearing debt		9,613	10,898
Lease liabilities		4,779	5,390
Other liabilities		152	252
Deferred tax liabilities		13	9
Total non-current liabilities		14,557	16,549
Current liabilities			
Interest bearing debt		992	689
Lease liabilities		1,318	938
Accounts payable and other short term liabilities	10	5,092	5,004
Current liabilities		7,402	6,631
Total liabilities		21,959	23,180
Total equity and liabilities		30,351	31,978

The notes on pages 9 to 15 are an integral part of these Consolidated Condensed Interim Financial Statements.

Statement of Changes in Equity

1. January to 30. September 2020

	Share Capital	Statutory reserve	Translation difference	Reserve	Cash Flow Hedges	Retained earnings	Total equity
1.1. to 30.9.2019							
Total Equity 1.1.2019	2,964	2,465	110	-	(111)	5,279	10,707
Impact of IFRS 16 implementation*	-	-	-	-	-	(193)	(193)
Restated Equity 1.1.2019	2,964	2,465	110	0	(111)	5,086	10,514
Profit for the period	-	-	-	-	-	384	384
Translation difference	-	-	(98)	-	-	-	(98)
Cash flow hedges	-	-	-	-	111	-	111
Comprehensive Income	0	0	(98)	0	111	384	397
Profit of associate in excess of dividend received	-	-	-	38	-	(38)	-
Total Equity 30.9.2019	2,964	2,465	12	38	0	5,432	10,911
1.1. to 30.9.2020							
Total Equity 1.1.2020	2,964	2,465	7	105	-	3,257	8,798
Loss for the period	-	-	-	-	-	(402)	(402)
Translation difference	-	-	(4)	-	-	-	(4)
Comprehensive Income	0	0	(4)	0	0	(402)	(406)
Profit of associate in excess of dividend received	-	-	-	73	-	(73)	0
Total Equity 30.9.2020	2,964	2,465	3	178	0	2,782	8,392

* The change in equity position 30.9.2019 from the published Interim Financial Statements 30.9.2019 is relates to adjustment to the implementation of IFRS 16 on the equity position on 1 January 2019, made at year end 2019.

The notes on pages 9 to 15 are an integral part of these Consolidated Condensed Interim Financial Statements.

Statement of Cash Flow

1. January to 30. September 2020

	Notes	2020 Q3	2019 Q3	2020 9M	2019 9M
Operating profit (loss)		8	(71)	(402)	384
Adjustment for non-cash items:					
Depreciation and amortization	8	1,451	1,437	4,127	3,865
Net financial expense		169	295	792	810
Effects of associates		(23)	(16)	(71)	(844)
Income tax		(12)	(22)	(134)	(115)
Cash generated from operating activities		1,593	1,623	4,312	4,100
Change in working capital:					
Change in inventories		27	(31)	111	(135)
Change in operating assets		296	96	127	139
Change in operating liabilities		(708)	(145)	(149)	59
Cash generated by operations before interest and tax		1,208	1,544	4,401	4,163
Interest income received		6	11	20	38
Interest expense paid		(159)	(320)	(566)	(777)
Cash generated by operations		1,055	1,235	3,855	3,424
Investment activities					
Investment in shares in other companies		-	(10)	-	(3)
Investment in property, plant and equipment		(140)	(216)	(404)	(1,011)
Investment in intangible assets		(104)	(87)	(360)	(405)
Investment in broadcasting license rights		(506)	(806)	(1,581)	(1,634)
Investment activities		(750)	(1,119)	(2,345)	(3,053)
Financial activities					
Instalment of interest bearing debts		(171)	(171)	(512)	(512)
Change in revolving credit facility		(27)	(85)	(470)	236
Instalment of lease liabilities		(289)	(111)	(850)	(324)
Instalment of other long term liabilities		-	-	(100)	-
Financial activities		(487)	(367)	(1,932)	(600)
Change in cash and cash equivalents		(182)	(251)	(422)	(229)
Cash and cash equivalents at the beginning of the period		410	378	634	356
Effect of exchange rate changes on cash held		(15)	-	1	-
Cash and cash equivalents at the end of period		213	127	213	127

The notes on pages 9 to 15 are an integral part of these Consolidated Condensed Interim Financial Statements.

Notes

1. The Company

Sýn hf. (“the Company”) is an Icelandic limited liability company. The address of its registered office is Sudurlandsbraut 8, Reykjavik. The main operation of the Company is communication and media service. The Consolidated Condensed Interim Financial Statements of the Company for the nine months ended on September 30th 2020 contain the Interim Financial statements of the Company, the Company's subsidiary Endor ehf. , and share in the joint operation of Sendafélagið ehf. which are referred to combined as “the Group”.

2. Summary of Significant Accounting Policies

a. Basis of accounting

These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, as adopted by the European Union and additional requirements in the Icelandic Financial Statement Act. These Consolidated Condensed Interim Financial Statements for the period from January 1st to September 30th, 2020 have not been reviewed by the Company's auditors.

The Condensed Interim Financial Statements are prepared in accordance with the same accounting principles as the Financial Statements for 2019. The Condensed Consolidated Interim Financial Statements does not include all the information required for a complete set of IFRS financial statements and should be read in the context of the Company's Financial Statements for 2019. The Financial Statements for 2019 can be found on the Company's website www.syn.is. and on the ICEX website; www.nasdaqomxnordic.com.

b. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

3. Functional and presentation currency

The Consolidated Condensed Interim Financial Statements are presented in Icelandic krona, which is the presentation currency of the Company. All amounts are rounded to the nearest million, except when otherwise indicated.

4. Segment reporting

The Company defines its segments based on internal reporting to the chief operating decision maker. Based on that the Company is defined as one operating segment.

Notes, continued.:

5. Net sales

	2020	2019	2020	2019
Sales of goods and service is specified as follows:	3F	3F	9M	9M
Sales of goods	253	255	729	780
Sales of service	4,773	4,623	14,644	14,096
Total sales of goods and service	5,026	4,878	15,373	14,876

Revenue

The Company's operation is divided in to seven revenue sources which are different by nature. The revenue sources are:

Media – Revenue from media consist of revenue from the operation of broadcast media, TV subscriptions, advertisement, distribution systems, set-top boxes, TVOD, SVOD and PPV. Performance obligation for monthly subscriptions if fulfilled over time. Revenues from advertisement are recognized when the performance obligation has been fulfilled. Revenues from rental of certain movies or eposodes are recognized 48 hours after the purchase.

Broadband – Revenue from internet service in fixed-line networks, including fiber optic cables, xDSL service and other data connections. Contracts with the customer are usually for one month and includes fixed and variable revenues. The performance obligation is fulfilled over time when the customer is receiving the service.

Mobile – Revenue for use of cell phones, including data transfer with in the mobile network, subscription revenue from individuals, prepaid sim cards, roaming revenue from travelers, interconnection revenues etc. The performance obligation is fulfilled over time when the customer is receiving the service.

Fixed line – Revenue from home phone usage and corpoarate fixed line usage, interconnection revenue from fixed line. Contracts with the customer are usually for one month and includes fixed and variable revenues. The performance obligation if fulfilled over time when the customer is receiving the service.

Hosting and operating solutions - Revenue from operations and services for cloud solutions and specialized sales of centralized solutions for data-center related activities, as well as resource management and consulting for data-center related services. Performance obligations for operations and services are fulfilled over a period of time where a customer uses the service in parallel with it being provided. Revenues from equipment sales are recognized at the time when control over the product transferred to the customer, which is the delivery date.

Retail sale – Revenue from sale of equipment and accessories. Revenues from retail sale are recognized at point in time, which is usally the delivery date.

Other revenue – Service revenues and rental of terminal equipment

Revenue	Media	Broad-band	Mobile	Fixed line	Hosting and operating solutions	Retail sale	Other revenue	Total
1.1. to 30.09.2020								
Revenue	5,723	3,442	2,674	467	1,758	729	580	15,373
1.1. to 30.09.2019								
Revenue	6,288	3,629	2,949	615	-	780	615	14,876

Notes, continued.:

6. Cost of sales

Cost of sales is specified as follows:	2020 Q3	2019 Q3	2020 9M	2019 9M
Cost of goods and service sold	1,807	1,579	5,777	5,163
Salaries and related expense	488	495	1,629	1,635
Capitalised work	(38)	(48)	(118)	(176)
Depreciation and amortization	1,142	1,107	3,178	2,870
Total cost of sales	3,399	3,133	10,466	9,491

7. Operating expense

Operating expense is specified as follows:	2020 Q3	2019 Q3	2020 9M	2019 9M
General and administrative expense	353	321	1,032	1,083
Sales and marketing expense	139	136	349	379
Salary and related expense	717	794	2,476	2,865
Capitalised work	(32)	(22)	(84)	(172)
Depreciation and amortization	309	330	949	995
Total operating expenses	1,485	1,559	4,722	5,150

8. Depreciation and amortization

Depreciation and amortization are specified as follows:	2020 Q3	2019 Q3	2020 9M	2019 9M
Depreciation of fixed assets	292	315	900	937
Amortization of intangible assets	187	207	581	621
Amortization of right-of-use assets	305	118	885	360
Amortization of broadcasting license rights	667	797	1,762	1,947
Total depreciation and amortization	1,451	1,437	4,127	3,865

9. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:	30.9.2020	31.12.2019
Trade receivables	2,921	3,167
Other receivables	419	355
Sublease receivables	100	147
Write-down of trade receivables	(120)	(102)
Total trade receivables and other receivables	3,321	3,567

The age of trade receivables and other receivables are specified as follows:	Nominal amount		Write-down	
	30.9.2020	31.12.2019	30.9.2020	31.12.2019
Not due	3,157	3,268	(28)	(30)
Overdue within 90 days	101	177	(12)	(14)
Overdue in more than 90 days	183	224	(80)	(58)
Total trade receivables and other receivables	3,441	3,669	(120)	(102)

Notes, continued.:

10. Accounts payable and other short term liabilities

Operating liabilities are specified as follows:	30.9.2020	31.12.2019
Accounts payable	3,173	3,431
Unpaid VAT	349	305
Pre-collected revenues	163	196
Accrued expense and other short-term liabilities	1,408	1,072
Total operating liabilities	5,092	5,004

11. Other matters

The Company is engaged in legal proceedings against companies and supervisory authorities in the Icelandic telecommunication and media market. The Company recognizes obligations due to such legal proceedings in its financial statements once future payments and other benefits can be estimated in a reliable manner. Due to uncertainties regarding future development of legal proceedings, judicial decisions, rulings, appeals and settlements, the outcome can lead to additional commitments and costs for the Company.

Below is a description of main developments in relation to legal proceedings during and after the term of the third quarter. Please refer to the annual account of 2019 for more extensive description.

Sýn hf. vs. 365 hf., Ingibjörg Stefanía Pálmadóttir and Jón Ásgeir Jóhannesson

Sýn hf. has filed a subpoena for payment og damages against 365 hf., Ingibjörg Stefanía Pálmadóttir and Jón Ásgeir Jóhannesson, on the basis of the non-competition clauses within the sales and purchase agreement (SPA) between Sýn hf. and 365 hf. In the SPA the applicable provisions include a right for Sýn hf. to claim penalties/damages which amount to ISK 5 m per day, plus indexation. Sýn hf.'s claim is based on these provisions and amounts to ISK 1,700 million, plus interest. The subpoena has been approved and the defendants submitted their brief during the third quarter.

365 hf., Ingibjörg Stefanía Pálmadóttir and Jón Ásgeir Jóhannesson vs. Sýn hf., the CEO and certain members of the Board of Directors

365 hf., Ingibjörg Stefanía Pálmadóttir and Jón Ásgeir Jóhannesson has filed a subpoena against Sýn hf., Sýn's CEO and all board members for the payment of compensation. Plaintiffs claim ISK 1,000 million separately. The defendants filed a brief for dismissal and the Reykjavik District Court gave a verdict on 28 October 2020. The Court found the claims of the plaintiffs to be vague and unclear and thus dismissed the case. The case has been appealed to Landsréttur.

Siminn hf. vs the Post and Telecom Administration, the Competition Authority, Sýn hf. and Nova ehf.

Siminn hf. filed a subpoena against the Competition Authority, Sýn hf. Nova ehf. and Sendafélagið ehf., claiming annulment of a decision of the Competition Authority's Appeals Committee in case no. 7/2015, as well as Siminn filed a petition against the Post and Telecom Administration, Sýn hf. and Nova ehf., requesting an annulment of a decision of the Post and Telecom Administration no. 14/2014. Sendafélagið ehf. was also a party to the case proceedings. With the said administrative decisions, the Post and Telecom Administration and the Competition Authority allowed Sýn hf. and Nova ehf. to jointly use their frequency authorization in an operating entity. The joint operations ahve been conducted by Sendafélagið ehf.

With ruling of the District Court on 1. April 2019, the parties were acquitted of all claims made by Siminn in both court proceedings. Siminn filed an appeal with respect to both court cases to the Landsréttur (the National Court) which upheld the acquittals. Siminn has not sought a leave to appeal to the Supreme Court.

At this time, the Company is unable to estimate any future liabilities or claims that may result from the above legal procedures, partially because it can take extensive amount of time before these cases will be concluded, as well as the fact that they could go into any different directions going forward. Therefore, the company has not accounted any liabilities or claims in this regards in its Interim Financial Statement.

Notes, continued.:

11. Other matters continued.:

The emphasis of the Company's management in the COVID-19 epidemic has been to ensure the safety of employees and its customers as well as to ensure that there is no disruption to the operation and maintenance of important infrastructure. The impact of the COVID-19 epidemic on the Group's operations and cash flow in the first nine months of the year is seen in declining revenues from advertising and roaming. Advertising revenue increased in June, after the first wave of the pandemic, and have been in some balance since then, but it is clear that there will be a decline in advertising revenues between years.

Roaming revenue has significantly decreased since the beginning of the pandemic, or by 76%. This decrease can be attributed to travel restrictions. There is a considerable uncertainty in this income stream throughout the year and it is likely that income from this item will be insignificant in the fourth quarter. Its impact on the Company's gross profit for 2020 could amount to up to 200 ISK mill. Demand for the Company's telecommunications, technology and television services has for the most part remained strong so far. If there will be a long-term recession in the economy, it is unclear what effect this will have on other sources of revenue than those mentioned above, as well as developments in the retail and corporate markets. It is likely that the epidemic will lead to payment difficulties for some of the Company's customers, the Company has been working to find solutions with its customers in that regard. The Company bears part of its costs in foreign currency, most significantly related to broadcasting license and license fees related to the telecommunications system. The weakening of the ISK has therefore had a considerable effect on the increase in the Company's operating costs, and it can be assumed that this effect will weigh more heavily in the fourth quarter of the year. The Company's management has taken various rationalization measures to minimize this effect on the Company's operations and cash flow, but given the uncertainty that exists due to the epidemic, it is not possible to fully assess what the effects will be in the short and long term.

Quarterly statements

1. January to 30. September 2020

	2020 Q1	2020 Q2	2020 Q3	Total
Revenue from sales of goods and services	4,995	5,352	5,026	15,373
Cost of sales	(3,350)	(3,717)	(3,399)	(10,466)
Gross profit	1,645	1,635	1,627	4,907
Operating expense	(1,666)	(1,571)	(1,485)	(4,722)
Operating profit (loss)	(21)	64	142	185
Finance income	8	6	6	20
Finance expense	(219)	(176)	(158)	(553)
Net exchange rate differences	(230)	(12)	(17)	(259)
Net financial expense	(441)	(182)	(169)	(792)
Effects of associates	20	28	23	71
Income tax	92	30	12	134
Loss for the period	(350)	(60)	8	(402)
Translation difference	(2)	(1)	(1)	(4)
Total comprehensive income	(352)	(61)	7	(406)
EBITDA	1,355	1,364	1,593	4,312
EBITDA %	27.1%	25.5%	31.7%	28.0%

*Quarterly information has not been reviewed nor audited by the Companies auditors

Quarterly statements

2019

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Total
Revenue from sales of goods and services	4,975	5,023	4,878	4,935	19,811
Cost of sales	(3,068)	(3,290)	(3,133)	(3,098)	(12,589)
Gross profit	1,907	1,733	1,745	1,837	7,222
Operating expense	(1,822)	(1,769)	(1,559)	(1,570)	(6,720)
Impairment				(2,452)	(2,452)
Operating profit (loss)	85	(36)	186	(2,185)	(1,950)
Finance income	13	14	11	17	55
Finance expense	(223)	(250)	(337)	(205)	(1,015)
Net exchange rate differences	(48)	(21)	31	3	(35)
Net financial expense	(258)	(257)	(295)	(185)	(995)
Effects of associates	820	8	16	119	963
Income tax	23	70	22	119	234
Profit (loss) for the period	670	(215)	(71)	(2,132)	(1,748)
Translation difference	(55)	(22)	(21)	(5)	(103)
Cash flow hedge	11	(36)	136	-	-
Total comprehensive income	626	(273)	44	(2,137)	(1,851)
EBITDA*	1,260	1,216	1,623	1,409	5,509
EBITDA %	25.3%	24.2%	33.3%	28.6%	27.8%

*Quarterly information has not been reviewed nor audited by the Companies auditors