

Sýn hf.

Condensed Consolidated Interim
Financial Statements
1 January to 31 March 2020



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Skýrsla og yfirlýsing stjórnar og forstjóra

Sýn hf. er alhliða félag á sviði fjarskipta- og fjölmiðlastarfsemi. Félagið rekur marga af öflugustu fjölmiðlum landsins eins og Stöð 2, Bylgjuna, Vísi, FM957, Xið og fleiri landsþekkta miðla. Félagið veitir einstaklingum, fyrirtækjum, stofnunum og opinberum aðilum alhliða fjarskipta- og upplýsingatæknipjónustu undir vörumerkjum Vodafone á Íslandi og dótturfélagsins Endor ehf. Félagið á í fjölbættu alþjóðlegu samstarfi við Vodafone Group sem er eitt stærsta og útbreiddasta fjarskiptafyrirtæki heims.

Árshlutareikningurinn er gerður í samræmi við alþjóðlegan reikningsskilastaðal um árshlutareikninga, IAS 34, eins og hann hefur verið samþykktur af Evrópusambandinu. Árshlutareikningurinn hefur að geyma samandreginn árshlutareikning félagsins, dótturfélagsins Endor ehf. og hlutdeild í sameiginlegum rekstri í Sendafélaginu ehf. Árshlutareikningur Sýnar hf. fyrir 1. janúar til 31. mars 2020 hefur hvorki verið endurskoðaður né kannaður af endurskoðendum félagsins.

Samkvæmt rekstrarreikningi námu tekjur félagsins af seldum vörum og þjónustu 4.995 millj. kr. Tap af rekstri félagsins á tímabilinu nam 350 millj. kr. Samkvæmt efnahagsreikningi námu eignir félagsins 31.523 millj. kr. Eigið fé félagsins þann 31. mars 2020 nam 8.446 millj. kr. Þar af nam hlutafé 2.964 millj. kr. Eiginfjárhlutfallið 31. mars 2020 var 26,8%.

Víðtæk neyðaráætlun sem byggir á fjarvinnu og uppskiptingu eininga hefur lengi verið hluti af grunnrekstri samstæðunnar enda er rekstur mikilvægra innviða stór hluti starfseminnar. Félagið var því vel undirbúið fyrir heimsfaraldur COVID-19. Áhrif COVID-19 faraldursins á rekstur, efnahag og sjóðstreymi samstæðunnar á fyrsta ársfjórðungi eru ekki veruleg ef frá eru talin áhrif á auglýsingatekjur en samdráttur í þeim varð strax ljós í upphafi faraldursins ásamt því að loka þurfti verslunum og minnka verulega vettvangsþjónustu. Stjórnendur félagsins hafa undanfarnar vikur búið félagið undir þær aðstæður sem hafa skapast vegna COVID-19 faraldsins og efnahagslegar afleiðingar hans. Eftirspurn eftir fjarskipta, tækni- og sjónvarpsþjónustu félagsins hefur að mestu leyti haldist sterk hingað til en ef samdráttur mun gæta til lengri tíma í efnahagslífinu er óljóst hver áhrifin verða. Það er mat stjórnenda að ljóst sé að mesta áhættan liggir í auglýsingatekjum, tekjum af reikisamningum og áskriftartekjum af sporti til skemmri tíma en til lengri tíma eru áhrifin óljósari á aðra tekjustofna sem og þróun á einstaklings- og fyrirtækjamarkaði. Líkur eru á að faraldurinn muni leiða til greiðsluferfiðleika hjá einhverjum af viðskiptavinum félagsins, félagið hefur unnið að því að leita lausna með sínum viðskiptavinum í þeim efnum. Framlag í afskriftarsjóð var aukið á fjórðungnum til að mæta mögulegri aukningu á framtíðartapi viðskiptakrafna.

Stjórnendur hafa yfirfarið áætlanir ársins og metið áhrif COVID-19 faraldursins á áætlaðan rekstur, efnahag og sjóðstreymi og gripið til aðgerða til að lágmarka áhrif faraldursins á reksturinn og lausafjárstöðu félagsins.

Yfirlýsing

Samkvæmt bestu vitneskju stjórnar og forstjóra er samandreginn árshlutareikningur Sýnar hf. í samræmi við alþjóðlegan reikningsskilastaðal um árshlutareikninga IAS 34 eins og hann hefur verið samþykktur af Evrópusambandinu. Er það álit stjórnar og forstjóra að árshlutareikningurinn gefi glögga mynd af eignum, skuldum og fjárhagsstöðu 31. mars 2020 ásamt rekstrarafkomu hennar og breytingu á handbæru fé á tímabilinu 1. janúar til 31. mars 2020.

Stjórn og forstjóri Sýnar hf. hafa í dag fjallað um samandreginn árshlutareikning félagsins fyrir tímabilið 1. janúar til 31. mars 2020 og staðfesta hann með undirritun sinni.

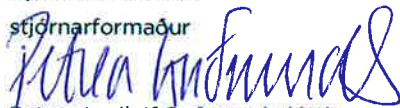
Reykjavík, 13. maí 2020

Stjórn

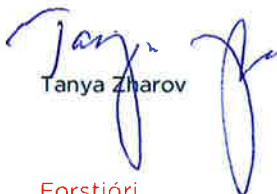


Hjörleifur Pálsson

stjórnarformaður



Petrea Ingileif Guðmundsdóttir



Tanya Zharov



Hilmar Þór Kristinsson



Sigríður Vala Halldórsdóttir

Forstjóri

Heiðar Guðjónsson



Key Figures

	2020 1Q	2019 1Q
Financial information		
Revenues	4.995	4.975
Operating (loss) profit	(21)	85
(Loss) profit before tax	(442)	647
(Loss) profit for the period	(350)	670
(Loss) earnings per share	(1,18)	2,26
Investments	263	616
Investments in broadcasting rights	475	418
Cash generated by operations	1.053	819
Performance evaluation		
EBITDA for the period	1.355	1.260
EBITDA ratio for the period	27,1%	25,3%
Free cash flow*	522	(11)
	2020 1Q	2019 1Q
Net interest bearing debt	17.345	14.828

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

Income statement

1. January to 31. March 2020

	Notes	2020 1Q	2019 1Q
Revenue from sales of goods and services	5	4.995	4.975
Cost of sales	6	(3.350)	(3.068)
Gross profit		1.645	1.907
Operating expense	7	(1.666)	(1.822)
Operating (loss) profit		(21)	85
Finance income		8	13
Finance expense		(219)	(224)
Net exchange rate differences		(230)	(47)
Net financial expense		(441)	(258)
Effects of associates		20	820
(Loss) profit before tax		(442)	647
Income tax		92	23
(Loss) profit for the period		(350)	670
(Loss) profit for the period		(350)	670
(Loss) earnings per share		(1,18)	2,26

Statement of Comprehensive income

1. January to 31. March 2020

	Notes	2020 1Q	2019 1Q
(Loss) profit for the period		(350)	670
Items that may subsequently be reclassified to profit or loss			
Translation difference		(2)	(55)
Cash flow hedges		-	11
Total comprehensive income for the period		(352)	626

The notes on pages 9 to 12 are an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Financial Position

31. March 2020

	Notes	31.3.2020	31.12.2019
Non-current assets			
Right-of-use assets		5.918	5.828
Property, plant and equipment		4.605	4.793
Goodwill		8.832	8.787
Other intangible assets		4.610	4.648
Shares in other companies		1.404	1.383
Defferred tax asset		190	97
Total non-current assets		25.559	25.536
Current assets			
Broadcasting license rights		1.709	1.814
Inventories		405	427
Accounts receivables and other short term receivables	9	3.465	3.567
Cash and cash equivalents		385	634
Current assets		5.964	6.442
Total assets		31.523	31.978
Equity			
Share capital		2.964	2.964
Statutory reserves		2.465	2.465
Other reserve		25	112
Retained earnings		2.992	3.257
Total equity		8.446	8.798
Non-Current liabilities			
Interest bearing debt		10.280	10.898
Lease liabilities		5.225	5.390
Other liabilities		152	252
Deferred tax liabilities		14	9
Total non-current liabilities		15.671	16.549
Current liabilities			
Interest bearing debt		990	689
Lease liabilities		1.235	938
Accounts payable and other short term liabilities		5.181	5.004
Current liabilities		7.406	6.631
Total liabilities		23.077	23.180
Total equity and liabilities		31.523	31.978

The notes on pages 9 to 12 are an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Changes in Equity

1. January to 31. March 2020

	Share Capital	Statutory reserve	Translation difference	Other Reserve	Cash Flow Hedges	Retained earnings	Total equity
1.1. to 31.3.2019							
Total Equity 1.1.2019	2.964	2.465	110	-	(111)	5.279	10.707
Impact of IFRS 16 implementation	-	-	-	-	-	(169)	(169)
Restated Equity 1.1.2019*	2.964	2.465	110	0	(111)	5.110	10.538
Profit for the period	-	-	-	-	-	670	670
Translation difference	-	-	(55)	-	-	-	(55)
Cash flow hedges	-	-	-	-	11	-	11
Comprehensive Income	0	0	(55)	0	11	670	626
Total Equity 31.3.2019*	2.964	2.465	55	0	(100)	5.780	11.164
1.1. to 31.3.2020							
Total equity 1.1.2020	2.964	2.465	7	105	-	3.257	8.798
Loss for the period	-	-	-	-	-	(350)	(350)
Translation difference	-	-	(2)	-	-	-	(2)
Comprehensive Income	0	0	(2)	0	0	(350)	(352)
Profit of associate in excess of dividend received				20		(20)	0
Total Equity 31.3.2020	2.964	2.465	5	125	0	2.887	8.446

* The change in equity position 31.3.2019 from the published Interim Financial Statements 1F 2019 is explained by the adjustment to the effect of the implementation of IFRS 16 on the equity position on 1 January 2019, made at year end 2019.

The notes on pages 9 to 12 are an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Cash Flow

1. January to 31. March 2020

	Notes	2020 1Q	2019 1Q
Operating (loss) profit		(350)	670
Adjustment for non-cash items:			
Depreciation and amortization	8	1.376	1.175
Net finance expense		441	258
Effects of associates		(20)	(820)
Income tax		(92)	(23)
Cash generated from operating activities		1.355	1.260
Change in working capital:			
Change in inventories		25	(107)
Change in operating assets		(6)	(219)
Change in operating liabilities		(114)	89
Cash generated by operations before interest and tax		1.260	1.023
Interest income received		8	13
Interest expense paid		(215)	(217)
Cash generated by operations		1.053	819
Investment activities			
Investment in shares in other companies		-	6
Investment in property, plant and equipment		(107)	(483)
Investment in intangible assets		(156)	(133)
Investment in broadcasting license rights		(475)	(418)
Investment activities		(738)	(1.028)
Financial activities			
Instalment of interest bearing debts		(170)	(127)
Changes in revolving credit facility		(147)	219
Instalment of lease liabilities		(273)	(97)
Financial activities		(590)	(5)
Change in cash and cash equivalents		(275)	(214)
Cash and cash equivalents at the beginning of the period		634	356
Effect of exchange rate changes on cash held		26	-
Cash and cash equivalents at the end of period		385	142

The notes on pages 9 to 12 are an integral part of these Condensed Consolidated 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 Condensed Consolidated Interim Financial Statements of the Company for the three months ended on March 31st 2020 incorporates the Interim Financial statements of the Company, subsidiary Endor ehf. and its share in joint operation of Sendafelagid ehf, which are referred to combined as “the Group”.

2. Summary of Significant Accounting Policies

a. Basis of accounting

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34, as adopted by the European Union. These Condensed Consolidated Interim Financial Statements for the period from January 1st to March 31st, 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 Condensed Consolidated 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
	1Q	1Q
Sales of goods and service is specified as follows:		
Sales of goods	236	246
Sales of service	4.760	4729
Total sales of goods and service	4.995	4.975

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 - consist of 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 31.3.2020								
Revenue	1.943	1.160	911	167	371	235	208	4.995
Total revenue	1.943	1.160	911	167	371	235	208	4.995

Revenue	Media	Broad-band	Mobile	Fixed line	Hosting and operating solutions	Retail sale	Other revenue	Total
1.1. to 31.3.2019								
Revenue	2.172	1.206	892	242	-	246	217	4.975
Total revenue	2.172	1.206	892	242	0	246	217	4.975

Notes, continued.:

6. Cost of goods sold and services

Cost of goods sold and services is specified as follows:	2020	2019
	1Q	1Q
Cost of good sold and services	1.724	1.717
Salaries and related expenses	616	554
Capitalised work	(42)	(67)
Depreciation and amortization	1.053	864
Total cost of goods sold and services	3.350	3.068

7. Operating expenses

Operating expenses is specified as follows:	2020	2019
	1Q	1Q
General and administrative expenses	372	377
Sales and marketing expenses	104	127
Salary and related expenses	899	1.076
Capitalised work	(32)	(69)
Depreciation and amortization	323	311
Total operating expenses	1.666	1.822

8. Depreciation and amortization

Depreciation and amortization are specified as follows:	2020	2019
	1Q	1Q
Depreciation of fixed assets	306	307
Amortization of intangible assets	199	204
Depreciation of broadcasting	290	104
Amortization of license rights	581	560
Total depreciation and amortization	1.376	1.175

9. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:	31.3.2020	31.12.2019
Trade receivables	2.963	3.167
Other receivables	482	355
Sublease receivables	131	147
Write-down of trade receivables	(111)	(102)
Total trade receivables and other receivables	3.465	3.567

The age of trade receivable was specified as follows:	Nominal claim		Write-down	
	31.3.2020	31.12.2019	31.3.2020	31.12.2019
Not due	3.256	3.268	(29)	(30)
Overdue within 90 days	122	177	(18)	(14)
Overdue in more than 90 days	198	224	(64)	(58)
Total trade receivable 31.3.2020	3.576	3.669	(111)	(102)

Notes, continued.:

10. 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 evaluated 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.

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 Palmadóttir 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 applicble 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. A subpoena has been served to the parties and the case is awaiting further proceedings.

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 case is awaiting further proceedings.

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 on its interim financial statement.