Sýn hf.
Consolidated Financial Statement

2020

Sýn hf. Suðurlandsbraut 8 108 Reykjavík kt. 470905-1740

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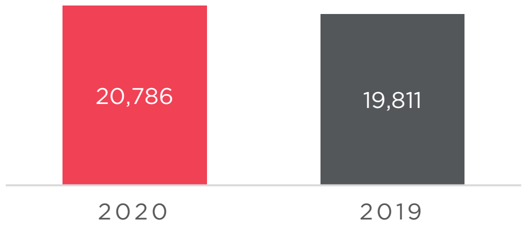
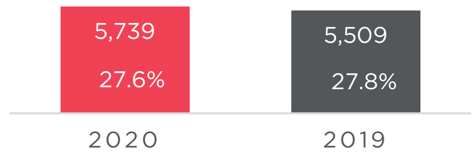
This document includes an English translation of certain part of Sýn hf. Consolidated financial statements for the year 2020. If there is a discrepancy between the English translation and the related parts that are translated from the Icelandic consolidated financial statement, the Icelandic version shall prevail.

Key Figures

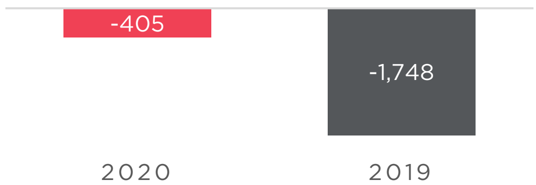
REVENUES



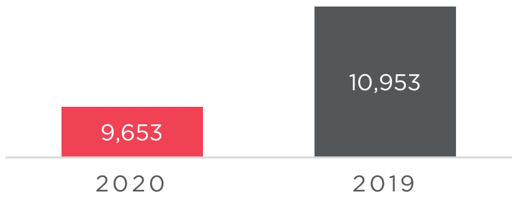
EBITDA AND EBITDA RATIO



LOSS FOR THE PERIOD

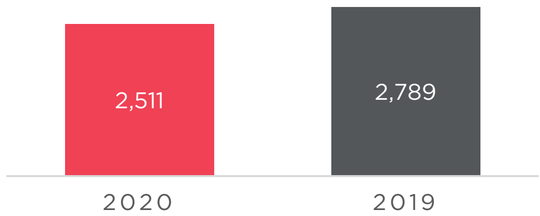


NET INTEREST BEARING DEBT

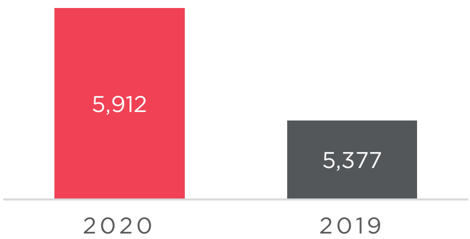


INVESTMENT
(WITHOUT LICENCE RIGHTS)

INVESTMENT IN LICENSE RIGHTS



NET CACH FROM OPERATING ACTIVITIES



FREE CASH FLOW*

** Free cash flow consists of cash from operations before interest and income tax less investment movements. Purchases of operations and holdings are excluded as they are not related to the Group's refinancing needs.*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Sýn hf.

Opinion

We have audited the consolidated financial statements of Sýn hf. for the year ended December 31, 2020 which comprise, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Sýn hf. as at December 31, 2020, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in Icelandic laws and rules for listed companies.

Our opinion in this report on the consolidated financial statements is consistent with the content of the additional report that has been submitted to the parent company´s audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Sýn hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU . We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in our audit
Revenue regognition	
The company´s revenue recognition is based on complex systems and large number of transactions in the revenue recognition system. Therefor revenue recognition is one of key audit matters in the audit of the consolidated financial statements. Further information about the revenue recognition can be found in note 3 in the consolidated financial statement.	Our audit procedures were designed to evaluate the design, implementation and functionality of automatic controls related to revenue recognition as well as we preformed substantive audit procedures to verify the accuracy and completeness of the recognised revenues. This audit work included among other things: • The computer and information systems used for revenue recognition were evaluated and tested as well as testing of other significant controls in the revenue recognition process. • Testing of flow between the revenue systems and the finance system and the reconciliation process performed. • Examination of employee access in the information systems related to revenue recognition and the process of change management. • Testing the company's revenue with an analysis tool where revenue entries are analyzed and unusual entries are taken for further examination.

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INDEPENDENT AUDITOR'S REPORT, continued:

Key Audit Matters	How the matter was addressed in our audit
Goodwill	
At year end, the Company's goodwill amounted to 8,9 billion Icelandic Krona. The estimate of the recoverable amount of goodwill is based on management estimate about the assumptions used in the future cash flow of the relevant cash generated unit as other assumptions used in the estimate. As the goodwill is a significant part of the balance sheet of the Company and depends on management assumptions it is a key audit matters. Further information about goodwill can be found in note 12 in the financial statements.	In our audit we and our internal valuation specialist evaluated the assumptions used in management impairment testing. We reviewed management methodology used and changes between years, if any. The audit work included amount other things: • The calculation model was evaluated and its functionality tested. • Key assumptions for projected cash flows and operating budgets were reviewed. • Key assumptions regarding future growth following the projected period were evaluated. • Review of management budget accuracy were reviewed. • Key assumptions regarding cost of capital were reviewed and evaluated. WACC assumptions were compared to market related assumptions.

Other information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the report of board of directors, statement of corporate governance, non-financial information's and information about quarterly financial performance.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding report of the board of directors as stated below.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic consolidated financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic financial Statement Act that is not disclosed elsewhere in the consolidated financial statements.

Responsibilities of the Board of Directors and the CEO for the Consolidated Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic financial Statement Act, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and the CEO are responsible for assessing Sýn hf.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT, continued:

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sýn hf.'s internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related

INDEPENDENT AUDITOR'S REPORT, continued:

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, continued:

In addition to our work as the auditors of Sýn hf., Deloitte has provided the firm with permitted additional services such as review of interim financial statements, other assurance engagements, consultation on tax matters. Deloitte has in place internal procedures in order to ensure its independence before acceptance of additional services (valkvætt). Deloitte has confirmed in writing to the Audit Committee that we are independent of Sýn hf.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte was appointed auditor of Sýn hf. by the general meeting of shareholders on the 20. March 2020. Deloitte have been elected since the general meeting 2016.

Reykjavík, 24. February 2021.

Deloitte ehf.

Páll Grétar Steingrímsson	Jóhann Óskar Haraldsson
State Authorized Public Accountant	State Authorized Public Accountant

Income statement

	Notes	2020	2019
Revenue from sales of goods and services	3	20,786	19,811
Cost of sales	4	(14,278)	(12,589)
Gross profit		6,508	7,222
Operating expense	5	(6,347)	(6,720)
Impairment	12	-	(2,452)
Operating profit (loss)		161	(1,950)
Finance income		23	55
Finance expense		(728)	(1,015)
Net exchange rate differences		(205)	(35)
Net financial expense	7	(910)	(995)
Effects of associates	13	98	963
Loss before tax		(651)	(1,982)
Income tax	16	246	234
Loss for the period		(405)	(1,748)
Loss per share	21	(1.4)	(5.9)

Statement of Comprehensive income

	2020	2019
Loss for the period	(405)	(1,748)
Items that may subsequently be reclassified to profit or loss		
Translation difference	156	(103)
Total comprehensive income for the period	(249)	(1,851)

**Diluted loss per share is the same as loss per share*

Notes on pages 12-34 are an integral part of these Concolidated Financial Statements.

Consolidated Financial Statements of Sýn hf. 2020 8 Amounts are in ISK millions

Statement of Financial Position

	Notes	31.12.2020	31.12.2019
Non-current assets			
Right-of-use assets	8	5,227	5,828
Property, plant and equipment	9	3,818	4,793
Goodwill	12	8,932	8,787
Other intangible assets	12	4,403	4,648
Shares in other companies	13	1,398	1,383
Defferred tax asset	17	383	97
Total non-current assets		24,161	25,536
Current assets			
Broadcasting license rights	14	1,876	1,814
Inventories	18	241	427
Trade receivables and other short term receivables	19	3,217	3,567
Cash and cash equivalents		831	634
Total current assets		6,165	6,442
Assets classified for sale	24	536	-
Total assets		30,862	31,978
Equity			
Share capital		2,964	2,964
Statutory reserves		2,465	2,465
Other reserve		310	112
Retained earnings		2,810	3,257
Total equity	20	8,549	8,798
Non-Current liabilities			
Interest bearing debt	22	9,492	10,898
Lease liabilities	8	4,507	5,390
Other liabilities	28	166	252
Deferred tax liabilities	17	16	9
Total non-current liabilities		14,181	16,549
Current liabilities			
Interest bearing debt	22	992	689
Lease liabilities	8	1,259	938
Accounts payable and other short term liabilities	23	5,699	5,004
Current liabilities		7,950	6,631
Liabilities connected to assets classified for sale	24	182	-
Total liabilities		22,313	23,180
Total equity and liabilities		30,862	31,978

Notes on pages 12-34 are an integral part of these Concolidated Financial Statements.

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Statement of Changes in Equity

	Share Capital	Statutory reserve	Translation differance	Reserve	Cash Flow Hedges	Retained earnings	Total equity
2019							
Total Equity 1.1.2019	2,964	2,465	110	0	(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
Loss for the period	-	-	-	-	-	(1,748)	(1,748)
Translation differance	-	-	(103)	-	-	-	(103)
Cash flow hedges	-	-	-	-	111	-	111
Comprehensive Income	0	0	(103)	0	0	(1,748)	(1,851)
Profit of associate in excess of dividend received	-	-	-	105	-	(105)	0
Total Equity 31.12.2019	2,964	2,465	7	105	0	3,257	8,798
2020							
Total Equity 1.1.2020	2,964	2,465	7	105	0	3,257	8,798
Loss for the period	-	-	-	-	-	(405)	(405)
Translation differance	-	-	156	-	-	-	156
Comprehensive Income	0	0	156	0	0	(405)	(249)
Profit of associate in excess of dividend received	-	-	-	42	-	(42)	0
Total Equity 31.12.2020	2,964	2,465	163	147	0	2,810	8,549

Notes on pages 12-34 are an integral part of these Concolidated Financial Statements.

Consolidated Financial Statements of Sýn hf. 2020 10 Amounts are in ISK millions

Statement of Cash Flow

	Notes	2020	2019
Loss for the period		(405)	(1,748)
Adjustment for non-cash items:			
Depreciation and amortization	10	5,578	5,007
Impairment	10, 12	-	2,452
Net financial expense	7	910	995
Effects of associates	13	(98)	(963)
Income tax	16	(247)	(234)
Cash generated from operating activities		5,738	5,509
Change in working capital:			
Change in inventories	18	148	(43)
Change in operating assets	19	156	287
Change in operating liabilities	23	584	551
Cash generated by operations before interest and tax		6,626	6,304
Interest income received		23	55
Interest expense paid		(726)	(983)
Tax paid		(10)	
Cash generated by operations		5,912	5,377
Investment activities			
Investment in shares in other companies	28	(100)	(97)
Dividend received	13	144	-
Investment in property, plant and equipment	9	(544)	(1,218)
Investment in intangible assets	12	(505)	(615)
Investment in broadcasting license rights	14	(2,511)	(2,789)
Investment activities		(3,516)	(4,719)
Financial activities			
Instalment of interest bearing debts		(683)	(684)
Change in revolving credit facility		(420)	705
Instalment of lease liabilties	8	(1,135)	(401)
Financial activities		(2,238)	(380)
Change in cash and cash equivalents		159	278
Cash and cash equivalents at the beginning of the year		634	356
Effect of exchange rate changes on cash held		38	-
Cash and cash equivalents at the end of the year		831	634

Notes on pages 12-34 are an integral part of these Concolidated Financial Statements.

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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 consolidation financial statements of the Company for the year ended on December 31st 2020 incorporates the Financial statements of the Company, its subsidiaries and share in joint operation of Sendafelagid ehf, which are referred to combined as "the Group".

2. Accounting Policies

This part of the consolidated financial statements contains information on the consolidated financial statements. Detailed information on the Group's accounting policies is provided under each item in the notes.

a. Basis of accounting

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies. The consolidated financial statements of the Group are prepared in accordance with the same accounting principles as the Financial Statements for 2019.

To increase the value of information disclosed in the notes to the consolidated cinancial statements, information disclosed in the notes are relevant and material. That means that information that are neither relevant nor material for the reader are not disclosed.

b. Subsidiaries

Subsidiaries are entities controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries . Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

	Ownership		Functional currency
Subsidiaries of the Company are three at year end:	2020	2019	
Endor ehf.	100%	100%	EUR
EC Sweden AB.	100%	100%	SEK
EC Germany GmbH	100%	100%	EUR

The assets and liabilities of the Company's foreign operations are expressed in the presentation currency using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for each month. Translation difference, if any, are classified within equity translation reserve.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

c. Joint operations

Sendafelagið ehf. is a joint operation for the telecommunication systems of Sýn hf. and Nova ehf., with each party owning 50% of the shares. Sýn hf. recognises the assets it controls, and expenses and liabilities it incurs, and its share of income earned, in its consolidated financial statements by applying the relevant IFRSs.

Consolidated Financial Statements of Sýn hf. 2020 12 Amounts are in ISK millions

Notes, continued:

2. Accounting Policies, continued.

d. Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation where uncertainty in applying accounting policies has the most significant effect on the amounts recognised in the financial statements is included in note 12 on measurement of the recoverable amounts of cash generating units containing goodwill and in note 8 on measurement of the lease term and the interest rate of the lease.

e. Fair value estimate

The consolidated financial statements are presented in Icelandic krona, which is the presentation currency of the Group. All amounts are rounded to the nearest million, except when otherwise indicated.

f. Fair value estimate

Part of the accounting policies and disclosures of the Group requires a fair value estimate, both with regards to financial instruments as well as other assets and liabilities.

The Group used market assumptions whenever they are available but if they are not available management judgement is used. Fair value has been determined for evaluation according to the following methods:

- Property, plant and equipments and intangible assets in business combination were estimated at fair value at acquistion date.
- Fair value of initial recognition of share in associate after loss of control of P/F Hey was estimated based on approved sales price.
- Fair value of contingent liability relaed to purchase of Endor ehf., was estaimted based on discounted cash flow and estimated of the likleyhood of reach a defined target.

Notes, continued:

3. Net sales

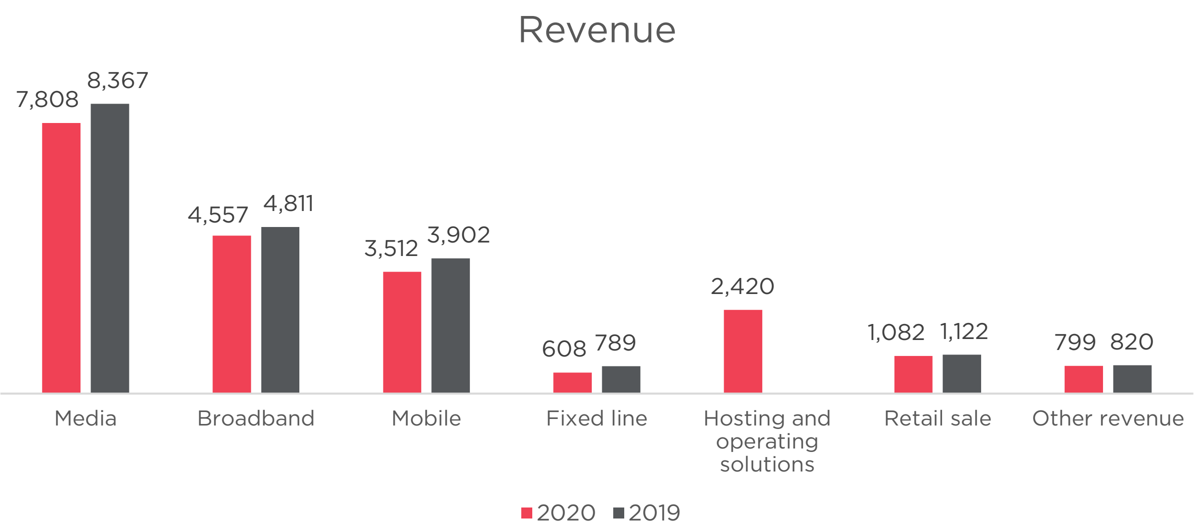
Sales of goods and service is specified as follows:	2020	2019
Sales of goods	1,082	1,122
Sales of service	19,704	18,689
Total sales of goods and service	20,786	19,811

The Group defines segments based on management internal reporting. Based on that the Group is one segment as a whole.

Revenue

Revenue are disclosed based on its nature and internal reporting of the Group.

The Company's operation is divided in to seven revenue streams which are different by nature. The revenue streams 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 fullfilled 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 fullfilled over time when the customer is receiving the service.

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

Notes, continued:

3. Net sales, continued:

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 fullfilled 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 other revenues.

Revenue from the sale of goods and service in the course of ordinary business is measured at the fair value of the payment received or receivable, net of trade discounts and refunds. Revenue is recognized in the statement of comprehensive income when a significant portion of the risks and rewards of ownership are transferred to the buyer, it is probable that the consideration will be collected and the cost of sale and possible return of goods can be estimated reliably.

Notes, continued:

4. Cost of sales

Cost of sales is specified as follows:	2020	2019
Cost of goods and service sold	7,900	6,882
Salaries and related expense	2,203	2,171
Capitalised work	(156)	(230)
Depreciation and amortization	4,331	3,766
Total cost of sales	14,278	12,589

5. Operating expense

Operating expense is specified as follows:	2020	2019
General and administrative expense	1,334	1,411
Sales and marketing expense	542	546
Salary and related expense	3,342	3,723
Capitalised work	(118)	(201)
Depreciation and amortization	1,247	1,241
Total operating expenses	6,347	6,720

6. Salaries and related expenses

Salaries and related expenses are specified as follows:	2020	2019
Salaries	4,507	4,803
Pension fund expenses	588	628
Other salary related expenses	450	463
Salaries and related expenses	5,545	5,894
Average full-time equivalents during the period	467	522

At year end 56% of managers were male and 44% were female (2019: 60% / 40%).

The company pays pension contributions for its employees but has no further legal or conctructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contribution is expensed over the period of employee work.

7. Net financial expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.
Interest expense from a financial liability and its lease liabilities are is accured on a time basis, by reference to the pricipal outstanding based on effective interest rate.
Exchange rate gain and loss is offset and presented net in the period.

Financial income and expenses are specified as follows:	2020	2019
Interest income from loans and receivables	22	44
Other interest income	1	11
Total financial income	23	55
Interest expense and other service charges	(728)	(1,015)
Net exchange rate difference	(205)	(35)
Total net financial expense	(910)	(995)

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Notes, continued:

8. Lease liabilities

The Group recognizes assets and liabilities due to lease agreements for office premises, warehouses, cars, telco towers and servers.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment and adjusted for certain remeasurements of the lease liability (index).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate plus estimated margin for certain lease agreement based on its nature. The weighted average incremental borrowing rate is 5.35%.

The lease liability is increased due to interest payments and decreased due to lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. The Group has exercised judgment in determining lease periods of some leases where the Group is a lessee and the contracts contain extension options. Assessment of whether the Group is reasonably certain that it will exercise extension options affects the lease period, which significantly effects the amount of recognised lease liabilities and assets.

Right of use asset	Buildings	Cars	Telco towers	Servers	Total
Balance at 1. January 2019	2,541	52	990	-	3,583
Index change	115	1	11	-	126
Additions	11	106	15	-	131
Addition in relation to business combination	-	-	-	2,489	2,488
Discontinued agreements	-	(45)	-	-	(46)
Depreciation	(259)	(34)	(165)	-	(458)
Balance at 31. December 2019	2,408	80	851	2,489	5,828
Index change	75	5	20	-	101
Impact from currency change	-	-	-	350	350
Revaluation of contract lifetime	13	4	260	-	277
Depreciation	(228)	(39)	(188)	(730)	(1,184)
Right-of-use classified for sale, see further in note 24	-	-	(144)	-	(144)
Balance at 31. December 2020	2,268	50	800	2,109	5,227

Amounts recognised in the income statement	2020	2019
Depreciation (right of use asset)	1,184	458
Interest expense (lease liability)	345	209
Impact from currency change	(19)	-
Interest income (lease receivables)	(9)	(13)
Total recognised in the income statement	1,501	654

Lease liabilities*	31.12.2020	31.12.2019
Within a year	1,259	938
After a year but within five yeras	2,555	3,595
Five years of later	1,952	1,795
Total	5,766	6,328

**Lease liabilties connected to assets classified for sale are not part of fee analysis, see further in note 24.*

Consolidated Financial Statements of Sýn hf. 2020 17 Amounts are in ISK millions

Notes, continued:

9. Property, plant and equipment

Property, plant and equipment which qualify for recognition as an asset are initially measured at cost. The cost of a property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

Software which is directly linked to operation of certain property, plant and equipments is recognized as part of its cost.

Sales gain or loss at disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and recognized in the consolidated income statement.

Cost of maintainance is recognized as assets if it is probable that future economic benefits associated with the asset will flow to the company. All other expense is recognized in the consolidated income statement when incurred.

Property, plant and equipment is specified as follows:

	Property	Telecom & Broadcasting Equipment	Appliances automobiles & Interiors	Total
Cost				
Total cost 1.1.2019	51	13,625	1,880	15,557
Reclassification and fully depr. assets	-	(4,449)	(328)	(4,777)
Additions during the year	-	927	291	1,218
Acquired when purchasing a subsidiary	-	-	23	23
Sold and discontinued during the year	-	-	(60)	(60)
Total cost 31.12.2019	51	10,103	1,806	11,960
Additions during the year	-	511	81	593
Sold and discontinued during the year	(16)	-	(3)	(20)
Impacts from currency change	-	-	3	3
Assets classified for sale	-	(1,025)	-	(1,025)
Toal cost 31.12.2020	35	9,589	1,888	11,511
Depreciation and impairment				
Depreciation 1.1.2019	21	9,673	1,080	10,772
Reclassification and fully depr. assets	-	(4,449)	(328)	(4,777)
Depreciations during the year	2	1,018	213	1,232
Sold and discontinued during the year	-	-	(60)	(60)
Total depreciation 31.12.2019	23	6,242	903	7,167
Depreciations during the year	1	952	232	1,185
Sold and discontinued during the year	(9)	-	(3)	(12)
Impacts from currency change	-	-	6	6
Assets classified for sale	-	(653)	-	(653)
Total depreciation 31.12.2020	15	6,542	1,137	7,693
Book value				
31.12.2019	28	3,861	903	4,793
31.12.2020	20	3,047	751	3,818
Depreciation ratio	3%	5-33%	15-33%	

Consolidated Financial Statements of Sýn hf. 2020 18 Amounts are in ISK millions

Notes, continued:

10. Depreciation and amortization

The depreciable amount of the asset is allocated on a straight line basis over its useful life. The depreciation charge for each period is recognized as an expense. Depreciation starts when the assets is avaialble for its intended use.

The following useful lives are used in the calculation of depreciation of property, plant and equipments:

Buildings	33 year
Telecom equipments	3 to 20 year
Braodcasting equipments	4 to 7 year
Appliances, automobiles and interior	3 to 7 year

The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Amortization of intangible assets, other than goodwill, is recognized on a straight-line basis in the income statement based on their estimated useful life.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Impairment previously recognized can be reversed for all assets, except goodwil if the estimated recoverable amound is higher than book value. the book value of assets can not be higher after the reversal than it would have been if no impairment would have occured. Depreciation period begins when the assets are ready for use. Estimated useful life is stated as follows:

Software	10 years
Trademark and customer relationship	9 to 30 years

Depreciation and amortization in the consolidated income statement are specified as follows:	2020	2019
Depreciation of property, plant and equipment, - note 9	1,185	1,232
Amortization of intangible assets - note 12	760	797
Impairment - note 12	-	2,452
Depreciation of right of use assets - note 8	1,184	458
Depreciation of broadcasting rights - note 14	2,449	2,520
Deprecitaion, amortization and impairment recognized in the consolidated income statement	5,578	7,459

Depreciation and amortization is classified by functional category as follows:	2020	2019
Cost of goods and services sold	4,331	3,766
Other operating costs and impairment	1,247	3,692
Total	5,578	7,459

11. Real estate and insurance value

At 2020 year-end the book value of the Group's real estate amounted to 20 million ISK (2019: 28 million ISK), the official real estate value amounted to 38 million ISK (2019: 57 million ISK) and the insurance value amounted to 40 million ISK (2019: 68 million ISK). The insurance value of other property, plant and equipment amounted to 5,338 million ISK at 2020 year-end (2019: 5,007 million ISK).

Consolidated Financial Statements of Sýn hf. 2020 19 Amounts are in ISK millions

Notes, continued:

12. Intangible assets

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the purchase price of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities, contingent liabilities, the amount of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not amortized but is reviewed for impairment at least annually. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the Consolidated Income Statement. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Other intangible assets with finite useful life are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is allocated on a straight line basis over their estimated useful lives.

Subsequent expenditure is only recognized as assets if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured in a reliable manner.

Intangible assets are specified as follows:

	Goodwill	Trademark and Customer relationship	Other intangible assets	Total
Cost				
Total cost 1.1.2019	13,486	3,293	4,199	20,978
Reclassification and fully depreciated assets	-	-	(1,180)	(1,180)
Additions during the year	-	-	615	615
Acquired when purchasing a subsidiary	593	-	22	616
Total cost 31.12.2019	14,079	3,293	3,656	21,029
Adjustment from provisional PPA	49	-	-	49
Additions during the year	-	-	505	505
Impact of currency exchange rate	94	-	2	96
Total cost 31.12.2020	14,223	3,293	4,163	21,679
Depreciation and impairment				
Depreciation and impairment 1.1.2019	2,839	215	2,469	5,522
Reclassification and fully depreciated assets	-	-	(1,180)	(1,180)
Depreciation during the year	-	199	598	797
Impairment	2,452	-	-	2,452
Total depreciation 31.12.2019	5,291	414	1,887	7,592
Depreciation during the year	-	199	561	760
Impact of currency exchange rate	-	-	(8)	(8)
Total depreciation 31.12.2020	5,291	613	2,440	8,344
Book value				
31.12.2019	8,787	2,879	1,769	13,435
31.12.2020	8,932	2,680	1,723	13,335
Depreciation ratio	-	3-11%	10-33%	

Consolidated Financial Statements of Sýn hf. 2020 20 Amounts are in ISK millions

Notes, continued:

12. Intangible assets, cont.:

Impairment testing for cash generating units that contain goodwill

For the purpose of impairment testing, goodwill has been allocated to cash generating units as detailed below.

The book value of goodwill is specified by area as follows:

	2020	2019
Goodwill relaated to Sýn hf.	8,194	8,194
Goodwill relaated to Endor ehf.	738	593
Goodwill total	8,932	8,787

The recoverable amount of the cash generating units is determined based on a value in use calculation which uses cash flow projections for the next 5 years. According to the Group's updated future plan, no impairment is in place.

The following assumptions were used for estimating the recoverable amount for Sýn hf.:

	2020	2019
Nominal growth of revenue 2020 / 2019	(7.3%)	(4.5%)
Average growth of revenue 2021 to 2025 / 2020 to 2024	3.1%	1.5%
Terminal growth	3.0%	3.0%
Average EBITDA 2021 to 2025 / 2020 to 2024	6.3%	2.6%
WACC	9.4%	9.3%

It is mangement estimate that reasoneble changes to the main assumptions of the impairment test would not cause the recoverable amount to be lower than book value. Average growth of revenue 2021 to 2025 increase significantly from the previous exam due to the effect of COVID-19 on the Group's revenue in 2020. See further in note 29.
An impairment test was also performed on goodwill due to the acquisition of Endor ehf. and the recoverable amount of goodwill was higher than the asset base and therefore not subject to impairment.

The following assumptions were used for estimating the recoverable amount for Endor ehf.:

	2020
Nominal growth of revenue 2020	13.7%
Average growth of revenue 2021 to 2025	11.5%
Terminal growth	3.0%
Average EBITDA 2021 to 2025	3.9%
WACC	12.0%

13. Investments in associates

The results, assets and liabilities of associates are incorporated in the Consolidated Financial Statements using the equity method of accounting. An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Under the equity method, investments in associates are initially recognized in the balance sheet and adjusted for post acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Other investments are immaterial and recognized at cost.

	2020	2019
Book value 1.1.	1,360	48
Ownership in P/F Hey classified as investment in associates	-	452
Fair value change of the owership in P/F Hey	-	690
Shares in income of other associates	98	91
Tranlation difference	61	(8)
Additions in the year	-	87
Divident received	(144)	
Book value 31.12.	1,375	1,360
Investment in other companys	23	23
Book value 31.12.	1,398	1,383

Consolidated Financial Statements of Sýn hf. 2020 21 Amounts are in ISK millions

Notes, continued:

14. Broadcasting rights

Broadcasting rights consist of own productions and purchase broadcasting rights. Broadcasting rights are recognized at cost, which includes the purchase/production price and all direct cost of getting the broadcasting right in its intented use. Useful life is estimated based on the nature of the rights (linear / SVOD) and its contractual time. Amortization starts when the broadcasting rights is available to air. Sport broadcasting rights are amortized over the period when the sport events is aired.

Broadcast rights at year end is specified as follows:	2020	2019
Balance at beginning of the year	1,814	1,545
Foreign broadcasting license	1,777	2,226
Domestic content	734	565
Depreciation of the period	(2,449)	(2,520)
Broadcast rights at year end	1,876	1,814

The Groups off balance sheet commitments for broadcasting rights amounts to 1.740 million ISK (2019: 1.979 million ISK)

15. Fee to auditors

	The Groups auditors		Other auditors	
Servicies provided are specified as follows:	2020	2019	2020	2019
Auditing	20	19	-	-
Other services	9	8	1	11
Total fee to auditors during the year	29	27	1	11

16. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity,

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial dtatements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Effective income tax is specified as follows:	2020		2019	
Loss before income tax		(651)		(1,982)
Income tax according to current tax ratio	(20.0%)	130	(20.0%)	396
Effects of associates	(4.6%)	30	(1.0%)	19
Effect of purchasedand impaired goodwill			24.7%	(490)
Non taxable sales profit			(8.8%)	174
Other items	(13.3%)	85	(6.9%)	134
Effective income tax	(37.9%)	246	(11.9%)	234

Consolidated Financial Statements of Sýn hf. 2020 22 Amounts are in ISK millions

Notes, continued:

17. Deferred tax liability / assets

Deferred tax assets (deferred tax liability) is specified as follows:	2020 Tax asset	2020 Tax liabilities	2019 Tax asset	2019 Tax liabilities
Deferred tax assets (tax liability) 1.1.2020	97	(9)	(138)	-
Income tax in the income statement	262	(16)	234	-
Other items	24	9	1	(9)
Tax liability / tax asset at year end	383	(16)	97	(9)

Deferred tax assets (liability) is specified as follows:	2020		2019	
Property, plant and equipment	(170)	(6)	(257)	-
Current assets	62	(3)	164	-
Right-of-use assets	77		43	-
Other items	45	(6)	7	(9)
Tax loss carry forward	369		140	-
Tax liability / tax asset at year end	383	(16)	97	(9)

The Group's transferable loss is specified as follows:	Balance at beginning of the year	Change during the year	Balance at year end
The transf. loss for the year 2020 can be utilized until 2030	679	1,165	1,843

18. Inventories

Inventories are stated at the lower of cost and net realizable value. Inventory cost is based on first in - first out rule. Cost of inventories include it purchase price and all directly related cost. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories are specified as follows:	2020	2019
Telecommunications equipment for resale	208	336
Telecommunications equipment (supplies)	17	71
Other equipment (supplies)	16	20
Inventories at year end	241	427

Consolidated Financial Statements of Sýn hf. 2020 23 Amounts are in ISK millions

Notes, continued:

19. Trade receivables and other receivables

Trade receivables and other receivables are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Those financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of those assets are added to or deducted from the fair value. The assets are subsequently measured at atmortized cost. The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Trade receivables and other receivables in foreign currency are translated using the exchange rate prevailing at balance sheet date.

Trade receivables and other receivables are specified as follows:	2020	2019
Trade receivables	2,823	3,167
Other receivables	347	356
Sublease	166	147
Sublease classifed for sale	(20)	-
Write-down of accounts receivables	(99)	(102)
Total trade receivables and other receivables	3,217	3,567

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost and account receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognizes lifetime ECL for accounts receivables. The expected credit losses on these financial assets are estimated using a statistic bad debt provision and individual allowance based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate

Change of write-down of trade receivables is specified as follows:		
Balance at beginning of year	(102)	(79)
Change in write-down for claims that may be lost	(59)	(44)
Lost trade receivable during the year	62	21
Trade receivables balance at year end	(99)	(102)

Consolidated Financial Statements of Sýn hf. 2020 24 Amounts are in ISK millions

Notes, continued:

20. Equity

Share capital

Issued share capital at year-end was 2,964 million ISK (2019: 2,964 million). The nominal amount of each share is 10 ISK. Shareholders are entitled to dividends in proportion with their share at ex-dividend date. According to the Company's articles of association there are no restrictions regarding sale or transfer of shares.

Share premium

Share premium is the amount paid by shareholders above the nominal value of shares. According to the Limited Liability Company Act the Company shall retain 25% of Share Capital as statutory reserves which are restricted earnings.

Translation reserve

The translation difference that arises when converting the financial statements of a foreign subsidiary into Icelandic krónur is entered in a special item among equity. If foreign operations are sold or discontinued, in part or in full, the equity item is redeemed and recognized in the income statement.

Dividend

No dividends were distributed from 2019 net results and the Board of Directors will propose to the Annual General Meeting that no dividends will be distributed from 2020 net results.

Retained earnings

In accordance with article 41 of the Icelandic Financial Statements Act the Company has transferred its accumulated share in profit of its subsidiaries in excess of dividends received to a restricted retained earnings account. The requirements came in effect on 1 January 2016.

21. Loss per share

Loss per share is the ratio of loss belonging to the groups shareholders and weighted average number of active shares during the year. Diluted earnings per share are based on loss allocated to shareholders in the group and the weighted average number of active shares, taking into account the dilutive effects of expected issued shares on employee stock options. Diluted earnings per share are equal to earnings per share, as the company has not taken loans that are convertible into share capital or entered into stock option agreements.

Loss per share is specified as follows:	2020	2019
Loss of the year	(405)	(1,748)
Shares at beginning of the year	2,964	2,964
Effects of purchased and sold own shares	-	-
Impact of share capital increase (decrease)	-	-
Weighted average of outstanding shares during the year	2,964	2,964
Loss per share and dialuted loss per share	(1.37)	(5.90)
Earnings and diluted earnings per ISK of share capital	(0.14)	(0.59)

Consolidated Financial Statements of Sýn hf. 2020 25 Amounts are in ISK millions

Notes, continued:

22. Interest bearing liabilities

Interest bearing liabillities are recognized when the Group becomes a party to the contractual provisions of the instrument. The financial liabilities are initially recognized at fair value plus any direct cost. The liabilities are measured subsequently at amortized cost using the effective interest method

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

Interest bearing debts are specified as follows:	2020	2019
Liabilities to financial institutions	10,484	11,587
Current maturities of borrowings	(992)	(689)
Total interest bearing long-term liabilities	9,492	10,898

Liabilities due to financing activities	2020	2019
Starting balance	11,587	11,566
Instalment	(683)	(684)
Operating loan	(420)	705
Final balance	10,484	11,587

Interest bearing debts at year end are in ISK and non-indexed. Weighted average interest rate is 2,1% (2019: 4,4%)

Instalment of long-term liabilities are specified in the following years:	2020	2019
Payments in 2020	-	689
Payments in 2021	992	985
Payments in 2022	683	683
Payments in 2023	8,809	9,231
Total	10,484	11,587

The Company's loan agreementsinclude certain covenants. The covenants relate to both certain restrictions of the groups actions without the prior consent of the lender as well as the financial ratios that the company must fulfill. At year end, the group fulfilled all the loan terms relating to its financial ratios in its operations. The company is authorized to request an extension of up to 36 months for approximately half of the company's interest bearing debts.

Colleteral

A colleteral amounting to IS 6,015 million ISK (2019: 5,807 million ISK) is in place between the Group and its lendor. The colleteral relates to among others current assets, property, plant and equipments inventory and accounts receivables.

Consolidated Financial Statements of Sýn hf. 2020 26 Amounts are in ISK millions

Notes, continued:

23. Operating liabilities

Accounts payable and other payables are recognized when the Company becomes a party to the contractual provisions of the instrument. The financial liabilities are initially recognized at fair value plus any direct cost. The liabilities are measured subsequently at amortized cost using the effective interest method.

Accounts payable and other liabilities in foreign currency are translated using the exchange rate prevailing at balance sheet date.

Operating liabilities are specified as follows:	2020	2019
Accounts payable	3,599	3,431
Unpaid VAT	345	305
Pre-collected revenues	153	196
Accrued expense and other short-term liabilities	1,602	1,072
Total operating liabilities	5,699	5,004

Pre-collected revenues

Pre-collected income is generated by pre-paid phone usage and other pre-payments from customers.

24. Assets classified for sale

Disposal groups are classified are held for sale when management is committed to a plan to sell, the asset is available for immediate sale and the sale is highly probable, within 12 months of classification as held for sale. A 'disposal group' is a group of assets, possibly with some associated liabilities, which an entity intends to dispose of in a single transaction. Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset will be measured in accordance with applicable IFRSs. After classification as held for sale disposal groups are measured at the lower of carrying amount and fair value less costs to sell land not further depreciated.

The Group has signed an agreement of exlusivity 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 Group's balance sheet. The terms of the leaseback agreement assume a 20-year lease which will guarantee the Group's access to the passive mobile infrastructure. All active mobile equipment will be owned and operated by Sýn. The final agreements have not been signed. The booked value of property, plant and equipment that will be sold and related right-of-use assets will be classified for sale in the balance sheet. Related lease liabilities have been classified liabilities connected to assets classified for sale.

Assets classified for sale are specified as follows:	2020
Right-of-use assets	144
Sublease	20
Property, plant and equipment	372
Assets classified for sale total	536

Liabilities connected to assets classified for sale are specified as follows:	2020
Non-Current lease liabilities	44
Current lease liabilities	138
Liabilities connected to assets classified for sale total	182

Consolidated Financial Statements of Sýn hf. 2020 27 Amounts are in ISK millions

Notes, continued:

25. Risk management

a. Overview

The Group’s financial instruments are exposed to the following risk:

Credit risk
Liquidity risk
Market risk

Information on the above mentioned risks and the objectives, policies and methods applied by the Group to assess and limit the risks, are provided below. Additionally, quantitative information can be found elsewhere in the financial statements.

The Group’s objective with risk management is to detect and analyze risks in its business and to set and monitor the risk appetite. The Group’s risk appetite and methods are regularly reviewed to analyze changes in risks related to the Group’s markets and business.

b. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a loss for the Group by failing to pay for its obligation. The Group’s credit risk is mainly due to accounts receivable and is determined by the financial position and operations of individual customers. Management has implemented a policy for collections for which risks are monitored on a monthly basis. Estimates on collections are performed regularly and necessary allowances recorded.

The Group has rules in place for reviewing credit quality of new customers before granting terms of payment. Collection processes have been defined for all groups of accounts receivable, which are reviewed regularly and receivables evaluated.

The Group reviews an age analysis of accounts receivables monthly and recognizes an allowance for doubtful accounts based on expected credit losses. The allowance is based on past due status, historical collections and current economic conditions for customers. The Group reviews receivables that are considered high risk and estimates a specific allowance if appropriate.

Greatest possible loss due to loan risk

The greatest possible loss for the Group as a result of financial assets is the book value which was specified at year end as follows:

	Notes	2020	2019
Trade receivables and other receivables	20	3,217	3,567
Cash and cash equivalents		831	634
Total		4,048	4,201

At year end accounts receivables for the five biggest customers amounted to 644 million ISK (2019: 736 million ISK)

Impairment of trade receivable

The age of trade receivable was specified at year end as follows:	Nominal claim 2020	Nominal claim 2019	Write-down 2020	Write-down 2019
Not due	3,056	3,268	(28)	(30)
Overdue within 90 days	101	177	(10)	(14)
Overdue in more than 90 days	159	225	(61)	(59)
Total trade receivable at year end	3,316	3,669	(99)	(102)

Consolidated Financial Statements of Sýn hf. 2020 28 Amounts are in ISK millions

Notes, continued:

25. Risk management, cont.:

c. Liquidity risk

Liquidity risk is the risk that the Group will have difficulties in paying its financial liabilities. The Group manages liquidity risk by maintaining adequate liquid assets to meet its financial obligations and thereby avoiding reputational damage.

The Group has implemented a management policy for liquidity risk, which determines the Group's handling and use of liquid funds and aims to minimize risks. Cash flow projections that predict the needs for liquid funds are prepared monthly. The Group has unused revolving facilities at year-end of 1.324 million ISK ath year end (2019: 755 million ISK)

The table below shows undiscounted contractual payments of financial liabilities, including interest payments: (the amounts are not discounted):

	Book Value	Agreed cash- flow	Within a year	1 to 2 years	2 to 5 years	More than 5 years
December 31.st 2020						
Liabilities:						
Interest bearing debts	10,484	11,045	1,179	856	9,010	-
Accounts payable and other current liabilities	5,699	5,699	5,699	-	-	-
Total	16,183	16,744	6,878	856	9,010	0
December 31.st 2019						
Liabilities:						
Interest bearing debts	11,587	13,138	1,131	3,277	8,729	-
Accounts payable and other current liabilities	5,004	5,004	5,004	-	-	-
Total	16,591	18,142	6,135	3,277	8,729	0

d. Market risk

Market risk is the risk that changes in foreign exchange rates, interests and equity price will affect the net results of the Group and book value of its investments. The objectives of managing market risk is to control and limit risk at a predetermined limit, and at the same time maximizing profits.

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Notes, continued:

25. Risk management, cont.:

e. Exchange rate risk

The Groups presentation currency is ISK, but part of its revenue and purchases are in other currencies. The Group is mainly exposed to currency risk with regards to EUR, USD, GBP and SDR. Finance- and operations is responsible for monitoring exchange rates of the essential currencies with regards to impact of financial assets and liabilities denominated in foreign currencies on the financial statements.

The Group's exchange rate risk is as follows (in ISK millions).

December 31st. 2020	EUR	USD	GBP	SDR
Trade receivable	391	4	-	21
Cash and cash equivalents	218	4	-	-
Accounts payable	(1,334)	(679)	(28)	(11)
Risk in the balance sheet	(725)	(671)	(28)	10

December 31st. 2019	EUR	USD	GBP	SDR
Trade receivable	400	3	-	110
Cash and cash equivalents	115	-	-	-
Accounts payable	(937)	(735)	(37)	(81)
Risk in the balance sheet	(422)	(732)	(37)	29

The exchange rate of the major currencies during the year was as follows:

	Average rate		Year end rate	
	2020	2019	2020	2019
EUR	154.52	137.30	156.10	135.83
USD	135.27	122.65	127.21	121.10
GBP	188.52	156.49	183.85	159.42
SDR	173.59	169.44	173.55	167.75

Sensitivity analysis

10% strengthening of ISK against the relevant currencies would increase pre-tax net profit of the Group by 141 million ISK (2019: 111 million). A 10% weakening of the ISK would have the opposite effect. The analysis is based on the same assumptions as in the prior year.

10% seakening of ISK against the relevant currencies would have the same effect but in the opposite direction, provided that all other variables had remained unchanged.

f. Interest rate risk

The Group's borrowings are all with variable interest rates.

The Group is exposed to interest rate risks as funds are borrowed at variable interest rates.	2020	2019
Borrowings with variable interest	10,484	11,587

A 100 bps change in interest would effect the pre-tax profit by 105 million ISK (2019: 116 million). The Group has no fixed rate borrowings. The Group is party to interest rate swaps where it pays fixed interest and receives variable interest.

g. Fair value

The difference between fair value and book value of financial assets and financial liabilities is insignificant.

Notes, continued:

26. Capital management

The Group's objective is to maintain a strong equity ratio to support stability in future operations. In the long term it is the objective to maintain at least a 30% equity ratio. The equity ratio at year end was 27,8% (2019: 27,5%).

27. Related parties

Related parties are those that have direct or indirect control in the Company or have the power to govern financial and operational policies. Among parties related to the Company are: key management, close family members of key management and entities over which key management or their family members have control or significant influence. Shareholders that have control or significant influence over the entity are also considered related parties.

Trading with the Board and key management

Salaries and benefits to the Group management due to work for the Group's companies and shares in the company are specified as follows:	2020 Fixed terms	2020 Variable terms	2019 Fixed terms	2019 Variable terms	No. Of shares at the end of 2020
Board:					
Hjörleifur Pálsson, chariman.	7.9	-	7.0	-	250,000
Sigríður Vala. Halldórsdóttir, board member.	4.5	-	2	-	-
Tanya Zharov, board member.	4.7	-	4.8	-	-
Petrea I. Guðmundsdóttir, board member.	3.8				
Hilmar Þór Kristinsson, board member.	2.9				
Óli Rúnar Jónsson, alternate board member.	1.1	-	1.1	-	-
Heiðar Guðjónsson, former Chairman.		-	3.1	-	- *
Yngvi Halldórsson, former board member		-	4.6	-	34,000
Hildur Dungal, former board member		-	0.6	-	-
Anna Guðný Aradóttir, former board member	1.4	-	5.5	-	-
Key management:					
Heiðar Guðjónsson, CEO of Sýn hf.	42.2	-	35.1	-	- *
Stefán Sigurðsson, former CEO of Sýn		-	51.4	-	6,186
Executive members	178	-	175	-	122,800

*Heiðar Guðjónsson does not hold shares in Sýn directly, but Ursus ehf., an entity financially related to him has 9,16% share in the Group.

Included are shares of spouses, children not legally competent to manage their financial affairs and entities controlled by board and management.

Other transactions with board of directors and key management are immaterial. Terms and conditions for transactions with board member and key management are on the same basis as transaction with unrelated parties and are therefor classified as such.

Trading with related parties

Sale of goods and services to related parties and entities related to the amounted to 290 million ISK in the year 2020 (2019: 304 million ISK), and purchases of goods and services amounted to 77 million ISK (2019: 42 milliion ISK).

Consolidated Financial Statements of Sýn hf. 2020 31 Amounts are in ISK millions

Notes, continued:

28. Business Combination - Endor ehf.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree.

Sýn hf. signed a contract for the acquistion of all shares in the information technology company Endor ehf., at 18. october 2019. Syn hf. will operate Endor as a subsidiary and is its infrastructure to support further growth of Endor in international markets. The Competition Authority approved the acquistion on 1. December 2019.

Part of the purchase price is contingent upon certain future targets related to the operation of Endor. If all of those conditions are fullfilled the purchase price shall be increase by 300 million ISK. The conditions relates to the profitability of Endor contract with Atos Information Technology GmbH and other data centers, exceeds certain limits. If the profitability is below the defined limit the purchase price will be decrease accordingly.

The purchase price is divided as follows:	2020	2019
Cash and cash equivalents	366	366
Conditional purchase price	252	252
Total purchase price	618	618

Acquistion cost was expensed when incurred.

The final purchase price allocation was finalized within 12 months from acquistion date in line with the requirements of IFRS 3. Goodwill increased by ISK 44 million based on the provisional purchase price allocation in 2019.

29. Other matters

Sýn hf. is engaged in legal proceedings against individuals, other companies and supervisory authorities in the Icelandic telecommunication and media market. The company recognizes obligations and/or claims due to such legal proceedings in its accounts 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.

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

Síminn hf. filed a subpoena against the Competition Authority, Sýn hf. and Nova ehf, claiming annulment of a decision of the Competition Authority's Appeals Committee in case no. 7/2015. Furthermore Síminn hf. filed another subpoena 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 both proceedings. With the said administrative decisions, the Post and Telecom Adminitration and the Competition Authority allowed Sýn hf. and Nova ehf. to jointly use their frequency authorization in an operating entity. The joint operations have been conducted by Sendafélagið ehf.

With rulings of the District Court on 1 April 2019, the parties were acquitted of all claims made by Síminn in both court proceedings. Siminn hf. filed an appeal with respect to both court cases to the National Court which upheld the both of the District Court decisions on 25 September 2020 in cases no 284 and 285/2019. No financial claims wer brought against Sýn hf. in these cases.

Síminn hf. vs. Post and Telecom Administration, Sýn hf. and Gagnaveita Reykjavíkur ehf., and counterclaim

Síminn hf. has filed a subpoena against the Post and Telecom Administration, Sýn hf. and Gagnaveita Reykjavíkur ehf., claiming annulment of the decision of the Post and Telecom Administration no. 10/2018. As a secondary claim, Síminn hf. has requested that section 6, regarding the decision of administrative fine, will be annulled or that the fine will be reduced. At last, Síminn hf. has brought a claim that the defendants will pay its accrued legal costs.

The dispute mainly relates to the interpretation of Article 45 (paragraph 5) of the Icelandic Media Act no. 38/2011, and whether Síminn hf. has infringed that provision by solely offering its content provider to those who purchase telecommunication services from Síminn hf. group company, with the objective of adding more customers for its telecommunication services. The District Court issued a ruling on 1 July 2020 whereby the amount of the administrative fine was reduces but Síminn´s other claims dismissed. The case has been appealed to the National Court and Sýn´s hf. claim is that it shall be acquitted of all Síminn´s hf. claims as well as reiceiving accrued legal costs.

Consolidated Financial Statements of Sýn hf. 2020 32 Amounts are in ISK millions

Notes, continued:

A claim for damages against Síminn hf.

Sýn hf. has issued a subpoena in the District Court against Síminn hf. claiming damages for financial loss inflicted by Síminn hf. in relation to infringements against Article 45 (paragraph 5) of the Icelandic Media Act no. 38/2011. The main claim amounts to ISK 125 million as well as accrued interests and legal costs. Síminn hf. has submitted a brief and seeks acquittal as well as accrued legal costs. The date for main proceedings has not been decided.

Claim towards Ingibjörg Pálamdóttir, Jón Ásgeir Jóhannesson and 365 hf.

Sýn hf. has issued a subpoena towards Ingibjörg Pálmadóttir, Jón Ásgeir Jóhannesson, 365 hf. requesting damages on the basis of alleged breaches of the non-competition clauses within the purchase agreement between Sýn hf. and 365 hf. The company refers to the fact that the applicble provisions include a right for Sýn hf. to claim penalties/damages from 365 hf. and the individuals personally. On this basis, the Company brought a claim for payment in solidum of ISK 1.698 million plus accrued interests and legal costs.

The defendants have issued a brief seeking mainly acquittal and lower damages in the alternative, as well as accrued legal costs. The date for main proceedings has not been decided.

Imminent claims and other disputes

Claim for damages brought by 365 hf., Jón Ásgeir Jóhannesson and Ingibjörg Stefanía Pálmadóttir vs. Sýn hf., its CEO and certain Directors of the Board

365 hf., Jón Ásgeir Jóhannesson and Ingibjörg Stefanía Pálmadóttir issued a subpoena ageinst Sýn hf., its CEO and certain current and former members of the Board of Directors. The plaintiffs sought damages for language in the Companies annual account for the year 2019 as well as alleged frivolous law suit against 365 hf., Jón Ásgeir Jóhannesson and Ingibjörg Stefanía Pálmadóttir. The case was dismissed by a ruling of the National Court of 14 December 2020 in case no. 613/2020 on the basis that it lacked proper foundations.

Matters before supervisory authorities

At any time, various matters are being processed by various supervisory authorities. This has however not resulted in any administrative fines and/or other significantly onerous measurers.

At this time, the Company is unable to estimate any future liabilities 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 in this regards on its consolidated financial statement.

COVID-19

In the first quarter of 2020, the company's directors prepared the company for the situation that occurred following the COVID-19 pandemic and the economic impact resulting thereof. Board of Directors' focus during the COVID-19 pandemic has been on measures aimed at securing business continuity and services of a consistent excellence with customers. Among those measures is securing stability for employees and clients as well as securing that the operation is not disrupted and that important infrastructure that serves the basis for the company's services is safeguarded. Today the company services companies and public entities, many of whom serve a socially important role, e.g. in relation to the Icelandic health care, public safety, transportation and finance as well as providing numerous companies with telecommunication services which are important for the systematic operation of their businesses. During this period it has also been important to safeguard the company's bargaining position with respect to important broadcasting rights, many of whom were severely affected during the period and in some instances were even revoked completely. The directors have been negotiating with the company's suppliers in relation to the aforementioned situation and agreements have been made with relevant suppliers.

The effects of the COVID-19 pandemic on the group's operation and cash flow during the income year is most notable in the decline in income from advertising and roaming as has been previously noted. The decline's effect on the group's contribution margins amount to roughly 550 million ISK. The company has a portion of its operating cost in foreign currency, whereas the cost of broadcasting rights and license cost for the telecom-system weigh heaviest. The depreciation of the ISK currency rate has therefore had significant effect resulting in higher operating cost for the company. The company's directors have adopted various measures to minimize this effect on the company's business and cash flow but considering the uncertainty following the pandemic, the actual short- and long-term effect cannot be fully assessed.

Notes, continued:

COVID-19 continued:

The grants provided by the Ministry of Education of roughly 91 million ISK, pursuant to Art. 9 of Act no. 37/2020 and regulation no. 670/2020, was spent on newscast in 2020 through Stöð 2, Vísir and Bylgjan. The grant made the broadcasting of news through the three aforementioned mediums more manageable despite the massive income decline inherent to the advertising markets and the generally limiting factors that the media operates within. In 2020 the company's mediums published about 7,500 articles about COCID-19 or approximately 22 articles a day. This is including domestic and international articles and notes. Additionally, the newsroom broadcasted material in about a total of 3,400 newscasts through the Bylgjan, daily evening news on Stöð 2 and incidental additional broadcasts, especially in relation to the actions of the government. From the first conference of the Department of Cicil Protection and Emergency Management, on the 26th of February, the newsroom has broadcasted the conference live online, via TV and partially via radio. In the first wave of the pandemic the newsroom of Stöð 2, Vísir and Bylgjan on the one hand and RÚV on the other hand, divided the technical processing of the recordings and broadcasting of the conference so that the newsroom handled business days throughout most of the period and RÚV would handle the weekends. This privately operated newsroom was therefore providing technical backend support for the broadcasting of this important information flow to the public about the pandemic throughout most of the period.

Right from the beginning of the first wave of the pandemic an action team was activated and that team was responsible for the execution of the COVID-19 contingency plan. The team met weekly during the period when the pandemic was at its worst, and took note of the contingency-level each time and the instructions of the department of civil protection and the directorate of health. The company's personnel were at any given time informed about the contingency actions and received instructions regarding permitted activity. The technics department was immediately separated into groups that operated at different times to secure safe maintenance and surveillance of the company's technical equipment. A large portion of the company's employees worked remotely. The goal is always to minimize the risk of infection and to secure that no contact is made between the different sectors within the company's offices. An emphasis was made on making meetings remote and limiting visits from guest to the building to the bare minimum. Stores were closed for a limited period of time to maintain security for personnel and their customers. After stores opened up again the social distance from personnel and customers was secured. Despite these changes and the increase of personnel working remotely within all departments of the company, the company has managed to maintain a good service level for its customers.

Quarterly statements*

Operations by quarters

	2020 1Q	2020 2Q	2020 3Q	2020 4Q	Total
Revenue from sales of goods and services	4,995	5,352	5,026	5,413	20,786
Cost of sales	(3,350)	(3,717)	(3,399)	(3,812)	(14,278)
Gross profit	1,645	1,635	1,627	1,601	6,508
Operating expense	(1,666)	(1,571)	(1,485)	(1,625)	(6,347)
Operating profit (loss)	(21)	64	142	(24)	161
Finance income	8	6	6	3	23
Finance expense	(219)	(176)	(158)	(175)	(728)
Net exchange rate differences	(230)	(12)	(17)	54	(205)
Net financial expense	(441)	(182)	(169)	(118)	(910)
Effects of associates	20	28	23	27	98
Loss before tax	(442)	(90)	(4)	(115)	(651)
Income tax	92	30	12	112	246
(Loss) / profit for the period	(350)	(60)	8	(3)	(405)
Translation difference	(2)	(1)	(1)	160	156
Total comprehensive income	(352)	(61)	7	157	(249)
EBITDA	1,355	1,364	1,593	1,427	5,739
EBITDA %	27.1%	25.5%	31.7%	26.4%	27.6%
Cash generated by operations	1,053	1,753	1,055	2,051	5,912
Investment activities	(738)	(857)	(750)	(1,171)	(3,516)
Financial activities	(590)	(855)	(487)	(306)	(2,238)

*Quarterly information has not been audited by auditors

Consolidated Financial Statements of Sýn hf. 2020 35 Amounts are in ISK millions

Quarterly statements*

Operations by quarters

	2019 1Q	2019 2Q	2019 3Q	2019 4Q	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
Profit (loss) before tax	647	(285)	(93)	(2,251)	(1,982)
Income tax	23	70	22	119	234
(Loss) / profit for the period	670	(215)	(71)	(2,132)	(1,748)
Translation difference	(55)	(22)	(21)	(5)	(103)
Total comprehensive income	615	(237)	(92)	(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%
Cash generated by operations	819	1,261	1,344	1,953	5,377
Investment activities	(1,027)	(799)	(1,227)	(1,666)	(4,719)
Financial activities	(48)	(184)	(368)	220	(380)

*Quarterly information has not been audited by auditors

Consolidated Financial Statements of Sýn hf. 2020 36 Amounts are in ISK millions