



Sýn hf.

Condensed Interim Financial Statements
January 1st to June 30th 2019

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Report by the Board of Directors and CEO

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

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34, as adopted by the European Union and additional requirements in Icelandic laws and rules for listed companies. The Condensed Interim Financial Statements of the Company from January 1 to June 30, 2019 have been reviewed by the Company's auditors.

At the beginning of the year, it was announced that all reservations regarding the sale of P/F Hey had been fulfilled and the acquisition was closed as of January 1st 2019. Sýn hf.'s 49.9% shares in the merged company will be accounted for according to equity method. Gains from the sale amounts to ISK 817 million and is recorded in Q1 2019.

Operations and financial position January 1st to June 30th, 2019

According to the Income Statement, revenues from goods sold and service provided amounts to ISK 9,998 mill. Profit of the period from continuing operations amounts to ISK 455 mill. According to the Statement of Financial Position, assets of the Company amounts to ISK 30,496 mill. The equity position at the end of the period on June 30th 2019 amounts to ISK 10,867 mill. Thereof share capital amounts to ISK 2,964 mill. The equity ratio at period end is 35,6%.

Statement

According to the best knowledge of the Board of Directors and the CEO, these Condensed Interim Financial Statement of Sýn hf. are prepared and presented in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU and additional requirements in Icelandic laws and rules for listed companies. It is The Board of Directors and CEO opinion that these Condensed Interim Financial Statements give a true and fair view of the financial performance of Sýn hf. for the six month period ended on June 30th 2019, its financial position as of June 30th 2019 and the Company's cash flows for the period.

The Board of Directors and the CEO of Sýn hf. have today discussed the Condensed Interim Financial Statements of Sýn hf. for the period from January 1st to June 30th 2019 and confirm them by means of their signatures.

Reykjavík, 28. August 2019

Board of Directors:

Hjörleifur Pálsson, Chairman of the Board

Anna Guðný Aradóttir

Sigríður Vala Halldórsdóttir

Tanya Zharov

Yngvi Halldórsson

CEO

Heiðar Guðjónsson

Key Figures

	2019 Q2*	2018 Q2*	2019 6M	2018 6M
Financial information				
Revenues	5,023	5,157	9,998	10,187
Operating profit (loss)	(36)	189	49	393
Profit (loss) before tax	(285)	(10)	362	56
Profit (loss) for the period	(215)	(9)	455	42
Earnings per share from continuing operations	(0.73)	(0.03)	1.53	0.14
Investments	390	804	1,006	1,271
Investments in license rights	409	598	827	1,399
Cash generated by operations	1,219	907	2,080	2,144
Performance evaluation				
EBITDA for the period**	1,216	1,270	2,476	2,468
EBITDA ratio for the period	24.2%	24.6%	24.8%	24.2%
Free cash flow***	645	(327)	720	(143)
Net interest bearing debt	14,871	11,098	14,871	11,098

*Quarterly information has not been reviewed by auditors.

**The amounts for 2018 has been restated, see further in note 5.

***Free cash flow consists of cash from operations before interest and income tax less investment activities. Investments in shares is excluded as it is not related to the Company's reinvestment needs.

Review Report on Interim Financial Information

To the Board of Directors and Stockholders of Sýn hf.

We have reviewed the accompanying balance sheet of Sýn hf. as of 30 June 2019 and the related statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibilities of the board of Directors and CEO for the Financial Statements

The Board of directors and the CEO are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards, IAS 34 as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Auditor's Responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at 30 June 2019, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards, IAS 34 as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Reykjavik, 28 August 2019.

Deloitte ehf.

Páll Grétar Steingrímsson
Auditor

Jóhann Óskar Haraldsson
Auditor

Income statement

January 1st to June 30th 2019

	Notes	2019 Q2*	2018 Q2*	2019 6M	2018 6M
Revenues from sales of goods and services	8	5,023	5,157	9,998	10,187
Cost of sales	9	(3,290)	(3,158)	(6,358)	(6,163)
Gross profit		1,733	1,999	3,640	4,024
Operating expenses	10	(1,769)	(1,810)	(3,591)	(3,631)
Operating profit (loss)		(36)	189	49	393
Finance income		14	18	27	28
Finance cost		(271)	(209)	(542)	(353)
Net financial cost		(257)	(191)	(515)	(325)
Effects of associates		8	(8)	828	(12)
Profit (loss) before tax		(285)	(10)	362	56
Income tax		70	1	93	(14)
Profit (loss) for the period from continuing operations		(215)	(9)	455	42
Profit for the period from discontinued operations		-	5	-	10
Profit (loss) for the period		(215)	(4)	455	52
Earnings (loss) per share from continuing operations		(0.73)	(0.03)	1.53	0.14
Diluted earnings (loss) per share from continuing operations		(0.73)	(0.03)	1.53	0.14

Statement of Comprehensive income

January 1st to June 30th 2019

	2019 Q2*	2018 Q2*	2019 6M	2018 6M
Profit (loss) for the period	(215)	(4)	455	52
Items that may subsequently be reclassified to profit or loss				
Translation difference	(22)	13	(77)	(8)
Cash flow hedges	(36)	(8)	(25)	29
Total comprehensive income for the period	(273)	1	353	73

* Quarterly information has not been reviewed by auditors

The notes on pages 10 to 15 are an integral part of these Condensed Interim Financial Statements.

Statement of Financial Position

June 30th 2019

	Notes	30.6.2019	31.12.2018*
Non-current assets			
Property, plant and equipment		5,036	4,785
Right-of-use assets	4	3,400	-
Goodwill		10,646	10,646
Other intangible assets		4,808	4,808
Shares in other companies		1,250	48
Total non-current assets		25,140	20,287
Current assets			
Broadcasting license rights	5	1,223	1,545
Inventories	5, 12	384	364
Accounts receivables and other short term receivables		3,371	3,403
Cash and cash equivalents		378	356
Current assets of continuing operations		5,356	5,668
Assets classified as held for sale		-	1,056
Total current assets		5,356	6,724
Total assets		30,496	27,011
Equity			
Share capital		2,964	2,964
Statutory reserves		2,465	2,465
Other reserve		(82)	(1)
Retained earnings		5,520	5,279
Total equity		10,867	10,707
Non-Current liabilities			
Interest bearing debt		10,856	10,874
Lease liabilities	4	3,280	-
Deferred tax liabilities		47	138
Total non-current liabilities		14,183	11,012
Current liabilities			
Interest bearing debt		689	687
Lease liabilities	4	423	-
Accounts payable and other short term liabilities		4,334	4,167
Current liabilities of continuing operations		5,446	4,854
Liabilities connected to assets classified for sale		-	438
Total current liabilities		5,446	5,292
Total liabilities		19,629	16,304
Total equity and liabilities		30,496	27,011

* Restated, see note 5.

The notes on pages 10 to 15 are an integral part of these Condensed Interim Financial Statements.

Statement of Changes in Equity

January 1st to June 30th 2019

	Share Capital	Statutory reserve	Translation difference	Other Reserve	Cash Flow Hedges	Retained earnings	Total equity
1.1. to 30.06.2018							
Total equity 1.1.2018	2,964	2,465	64	87	(169)	4,719	10,131
Profit for the period	-	-	-	-	-	52	52
Translation difference	-	-	(8)	-	-	-	(8)
Cash flow hedges	-	-	-	-	29	-	29
Comprehensive Income	0	0	(8)	0	29	52	73
Total Equity 30.6.2018	2,964	2,465	56	87	(140)	4,770	10,204
1.1. to 30.6.2019							
Total equity 1.1.2019	2,964	2,465	110	-	(111)	5,279	10,707
Impact of IFRS 16 correction	-	-	-	-	-	(193)	(193)
Restated Equity 1.1. 2019	2,964	2,465	110	0	(111)	5,086	10,514
Profit for the period	-	-	-	-	-	455	455
Translation difference	-	-	(77)	-	-	-	(77)
Cash flow hedges	-	-	-	-	(25)	-	(25)
Comprehensive Income	0	0	(77)	0	(25)	455	353
Profit of associate in excess of dividend received	-	-	-	21	-	(21)	0
Total equity 30.06.2019	2,964	2,465	33	21	(136)	5,520	10,867

The notes on pages 10 to 15 are an integral part of these Condensed Interim Financial Statements.

Statement of Cash Flow

January 1st to June 30th 2019

	Notes	2019 Q2	2018 Q2	2019 6M	2018 6M
Operating profit (loss)		(215)	(4)	455	52
Adjustment for non-cash items:					
Depreciation and amortization	5, 11	1,252	1,081	2,427	2,075
Net finance costs		257	190	515	325
Effects of associates		(8)	3	(828)	2
Income tax		(70)	-	(93)	14
Cash generated from operating activities		1,216	1,270	2,476	2,468
Change in working capital:					
Change in inventories	5, 12	4	(6)	(104)	(129)
Change in operating assets		263	(437)	42	(443)
Change in operating liabilities		(39)	249	139	631
Cash generated by operations before interest and tax		1,444	1,075	2,553	2,527
Interest income received		14	16	27	27
Interest expense paid		(239)	(185)	(500)	(410)
Cash generated by operations		1,219	907	2,080	2,144
Investing activities					
Net investment in shares in other companies		-	(10)	7	(24)
Net investment in property, plant and equipment		(269)	(449)	(752)	(775)
Investment in intangible assets		(121)	(355)	(254)	(496)
Investment in broadcasting license rights		(409)	(598)	(827)	(1,399)
Investment activities		(799)	(1,412)	(1,826)	(2,694)
Financial activities					
Instalment of interest bearing debts		(171)	(144)	(341)	(227)
Changes in revolving credit facility		102	720	321	799
Payment of lease liabilities		(115)	-	(212)	-
Financial activities		(184)	576	(232)	572
Change in cash and cash equivalents		236	71	22	22
Cash and cash equivalents classified for as held for sale		-	(33)	-	(33)
Effect of exchange rate changes on cash held		-	(1)	-	(1)
Cash and cash equivalents at the beginning of the period		142	280	356	329
Cash and cash equivalents at the end of period		378	317	378	317

The notes on pages 10 to 15 are an integral part of these Condensed Interim Financial Statements.

Notes

1. The Company

Sýn hf. (“the Company”) is an Icelandic limited liability company. The address of its registered office is Sudurlandsbraut 8, Reykjavik. The main operation of the Company is communication and media service. The Condensed Interim Financial Statements of the Company for the six months ended on June 30th 2019 incorporates the financial interim statements of the Company and its share in joint operation of Sendafelagid ehf, which are referred to combined as “the Company”.

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 and additional requirements in Icelandic laws and rules for listed companies. These Condensed Interim Financial Statements for the period from January 1st to June 30th, 2019 have 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 2018, with the exception that a new accounting standard for leases (IFRS 16) came into effect on January 1st, 2019, see further discussion in note 4. The Condensed 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 2018. The financial statements for 2018 can be found on the Company's website www.syn.is and on the ICEX website; www.nasdaqomxnordic.com.

The Board of Directors and the CEO confirmed these Condensed Interim Financial Statements on 28. August 2019.

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 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. Adoption of new and revised Standards

In the current year, the Company, for the first time, has applied IFRS 16 Leases. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires the recognition of a right-of-use asset and a lease liability at commencement date for all leases, except for short-term leases and leases of low value assets. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The Company has applied IFRS 16 using the modified retrospective approach, with no restatement of comparative information. The Company has elected to apply the practical expedient to grandfather the definition of a lease on transition, and thereby applying IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Notes, continued.:

4. Adoption of new and revised Standards cont.:

With the application of IFRS 16, the nature of expenses related to operating leases will now change because the Company will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognized operating lease expense on a straight-line basis over the term of the lease. As a result, the application of IFRS 16 leads to a decrease in profit for the six months ending on June 30th 2019 by 25 million ISK. The effects on PnL line items are as follows: Increase in depreciation and amortisation expense by 242 million ISK, increase in finance cost by 94 million ISK and decrease in operating expenses by 311 million ISK.

Earning per share for the six months ended on June 30th 2019 were 1.53 (basic) and 1.53 (diluted) compared to 1.45 (basic) and 1.45 (diluted) under the prior lease standard IAS 17.

At initial application on January 1st 2019 the Company recognized additional lease liabilities of 3,801 million ISK and a right-of-use asset 3,511 million ISK. Sublease 97 million ISK and retained earnings 193 million ISK.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities in the year 2019 has increased by 212 million and net cash used in financing activities increased by the same amount.

5. Change in accounting policy of Broadcasting licence rights

At the beginning of the year, the classification and measurement of broadcasting licence rights was changed. Broadcasting license right was classified as inventory but as of January 1, 2019, it is classified as intangible assets. Program expense is therefore transferred from 1.1.2019 among amortization. The amounts for 2018 have therefore been changed in accordance with the changed presentation. See below:

Change in inventories are specified as follows:	31.12.2018	Change	Restated 31.12.2018
Inventories	1,909	(1,545)	364

Change in amortization are specified as follows:	31.12.2018	Change	Restated 31.3.2018
Amortization	963	1,112	2,075

Change in amortization are specified as follows:	2018 Q2	Change	Restated 2018 Q2
Amortization	490	591	1,081

6. Sale of majority of shares in P/F Hey

At the beginning of the year, it was announced that all reservations regarding the sale of P/F Hey had been fulfilled and the acquisition was closed as of January 1st 2019. Sýn hf.'s 49.9% shares in the merged company will be accounted for according to equity method. Gains from the sale amounts to ISK 817 million and is recorded in Q1 2019.

7. 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.:

8. Net sales

	2019	2018	2019	2018
	Q2*	Q2*	6M	6M
Sales of goods and service is specified as follows:				
Sales of goods	278	278	524	539
Sales of service	4,745	4,879	9,474	9,648
Total sales of goods and service	5,023	5,157	9,998	10,187

Revenues

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

Media: Revenue from the operation of broadcast media, TV subscriptions, advertisement, distribution systems, set-top boxes, TVOD, SVOD and PPV.

Broadband: Revenue from internet service in fixed-line networks, including fiber optic cables, xDSL service and other data connections.

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 travellers, interconnection revenues etc.

Fixed line: Revenue from home phone usage and corporate fixed line usage, interconnection revenue from fixed line.

Retail sale: Revenue from sale of equipment and accessories.

Other revenue: Service revenues, software revenues, outsourced work and services and other incidental income.

Revenue	Media	Broad-band	Mobile	Fixed line	Retail sale	Other revenue	Total
1.1. to 30.06.2019							
Revenue	4,342	2,414	1,837	470	524	412	9,998
Total revenue	4,342	2,414	1,837	470	524	412	9,998

Revenue	Media	Broad-band	Mobile	line	sale	revenue	Total
1.1. to 30.06.2018							
Revenue	4,428	2,380	1,879	587	539	374	10,187
Total revenue	4,428	2,380	1,879	587	539	374	10,187

Notes, continued.:

9. Cost of goods sold and services

Cost of goods sold and services is specified as follows:	2019 Q2	2018 Q2*	2019 6M	2018 6M*
Cost of good sold and services	1,820	1,787	3,469	3,551
Salaries and related expenses	572	546	1,127	1,037
Depreciation and amortization	898	825	1,762	1,575
Total cost of goods sold and services	3,290	3,158	6,358	6,163

*The amounts for 2018 has been restated, see further in note 5.

10. Operating expenses

Operating expenses are specified as follows:	2019 Q2	2018 Q2	2019 6M	2018 6M
General and administrative expenses	294	420	606	836
Sales and marketing expenses	117	144	244	281
Salary and related expenses	1,004	989	2,076	2,014
Depreciation and amortization	354	256	665	500
Total operating expenses	1,769	1,810	3,591	3,631

11. Depreciation and amortization

Depreciation and amortization are specified as follows:	2019 Q2	2018 Q2*	2019 6M	2018 6M*
Depreciation of fixed assets	314	286	622	562
Amortization of intangible assets	210	204	414	401
Depreciation of right-of-use assets	138	-	242	-
Amortization of license rights	590	591	1,150	1,112
Total depreciation and amortization	1,252	1,081	2,427	2,075

*The amounts for 2018 has been restated, see further in note 5.

12. Inventories

Inventories are specified as follows:	30.6.2019	31.12.2018*
Equipment for resale	301	231
Telecommunications equipment (supplies)	83	133
Total inventories	384	364

*The amounts for 2018 has been restated, see further in note 5.

Notes, continued.:

13. Other matters

The Company is engaged in legal proceedings against individuals, other 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 tangible 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. The following are the main changes into Company's litigation since year end 2018.

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

Síminn hf. filed a claim against the Competition Authority, the Company, Nova ehf. and Sendafélagið ehf. and requested an annulment of a decision of the Competition Authority's Appeals Committee in case no. 7/2015, as well as Síminn hf. filing a petition against the Post and Telecom Administration ("PTA"), the Company and Nova ehf., requesting an annulment of a decision of the PTA no. 14/2014. Sendafélagið ehf. was also a party to the case proceedings. With the said administrative decisions, the PTA and the Competition Authority allowed the Company and Nova ehf. to jointly use their frequency authorization in an operating entity. The joint operations have been conducted by Sendafélagið ehf.

With a ruling of the District Court on 1 April 2019, all claims made by Síminn hf. in both court proceedings were dismissed. Síminn hf. has filed an appeal with respect to both court cases to the National Court with a petition issued on 24 April 2019.

Síminn vs. PTA, Sýn hf. and Gagnaveita Reykjavíkur ehf. and Míla ehf., and counterclaim

Síminn hf. has filed a claim against the PTA, the Company, Gagnaveita Reykjavíkur ehf. and Míla ehf., for the annulment of the decision of the PTA no. 10/2018. According to that decision Síminn hf. was found to breach paragraph 5 of Article 45 of the Media Act, subject to 9 mill. ISK administrative fine. The case was filed before the District Court of Reykjavík on 9 October 2018.

Sýn hf. issued a counterclaim on 4 December 2018 for payment from Síminn in the amount of ISK 2,092 mill., plus penal interests, as damages for Síminn's violation of the said provisions of the Media Act, which was confirmed in the above decision of the PTA no. 10/2018.

Síminn submitted a claim and requested the dismissal of Sýn's counterclaim. With a ruling of 15 May 2019 Sýn's counterclaim was dismissed on procedural grounds. Sýn's counterclaim will be brought to courts again in a different form.

Currently, the Company is unable to evaluate future obligations or claims that may result from the above legal proceedings, amongst other, due to it being time consuming to obtain a final ruling in such cases, as well as the fact that it may change in time. Accordingly, neither an obligation nor a claim has been entered in the Company's annual accounts. Other matters should be read in the context of the Company's annual financial statement for 2018.

Quarterly statements

1. January to 30. June 2018

	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2
Revenues from sales of goods and services	5,030	5,157	5,143	5,424	4,975	5,023
Cost of sales	(3,005)	(3,158)	(3,112)	(3,441)	(3,068)	(3,290)
Gross profit	2,025	1,999	2,031	1,983	1,907	1,733
Operating expenses	(1,821)	(1,810)	(1,557)	(1,682)	(1,822)	(1,769)
Operating profit (loss)	204	189	474	301	85	(36)
Finance income	10	18	10	13	13	14
Finance cost	(144)	(209)	(220)	(181)	(271)	(271)
Net financial items	(134)	(191)	(210)	(168)	(258)	(257)
Effects of associates	(4)	(8)	(2)	(13)	820	8
Income tax	(15)	1	(55)	73	23	70
Profit (loss) for the period from continuing operations	51	(9)	207	193	670	(215)
Profit for the period from discontinued operations	5	5	19	1	-	-
Profit (loss) for the period	56	(4)	226	194	670	(215)
Translation difference	(21)	13	28	26	(55)	(22)
Cash flow hedges	37	(8)	(1)	30	11	(36)
Total comprehensive income for the period	72	1	253	250	626	(273)
EBITDA for the period**	1,204	1,270	1,548	1,355	1,260	1,216
EBITDA %	23.9%	24.6%	30.1%	25.0%	25.3%	24.2%

*Quarterly statements has not been reviewed by auditors.

**Restated, see note 5.