

Sýn hf.

Condensed Consolidated Interim
Financial Statements
1 January to 30 June 2020



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Report by the Board of Directors and CEO

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

These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, as adopted by the European Union and additional requirements in the Icelandic Financial Statement Act. The Interim Financial statements contain the Company's subsidiary Endor ehf. and the Condensed Interim Financial Statements, and share in the joint operation of Sendafélagið ehf. The Condensed Interim Financial Statements of the Company from January 1st to June 30th, 2020 have been reviewed by the Company's auditors.

According to the Income Statement, revenues from goods sold and service provided amounts to ISK 10,347 mill. Loss of the period amounts to ISK 410 mill. According to the Statement of Financial Position, assets of the Company amounts to ISK 31,308 millj. The equity position at the end of the period on June 30th 2020 amounts to ISK 8,385 millj. Thereof share capital amounts to ISK 2,964 millj. The equity ratio at period end is 26,78%.

The emphasis of the company's management in the COVID-19 epidemic has been to ensure the safety of employees and its customers as well as to ensure that there is no disruption to the operation and maintenance of important infrastructure. The impact of the COVID-19 epidemic on the Group's operations and cash flow in the first half of the year is reflected in declining revenues from advertising and roaming, as well as rising costs due to the weakening of the ISK. See further in Note 11

Statement

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

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

Reykjavík, 26. August 2020

Board of Directors

Hjörleifur Pálsson, Chairman of the Board

Hilmar Þór Kristinsson

Petrea Ingileif Guðmundsdóttir

Tanya Zharov

Sigríður Vala Halldórsdóttir

CEO

Heiðar Guðjónsson

Review Report on Interim Financial Information

To the Board of Directors and Shareholders of Sýn hf.

We have reviewed the accompanying Consolidated Condensed Consolidated Interim Statement of financial position of Sýn hf. and its subsidiaries (the "Group") as of 30 June 2020 and the related Consolidated Interim Income Statement, Consolidated Interim Statement of Comprehensive Income, Consolidated Interim Statement of changes in equity and Consolidated Interim Statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

The responsibilities of the Board of directors and the CEO for the Consolidated Interim Financial Statements

The board of directors and CEO is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards for Interim Financial Reporting, 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 Group as at 30 June 2020, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Reykjavík, 26. August 2020

Deloitte ehf.

Páll Grétar Steingrímsson
State Authorized Public Accountant

Jóhann Óskar Haraldsson
State Authorized Public Accountant

Income statement

1. January to 30. June 2020

	Notes	2020 Q2*	2019 Q2*	2020 6M	2019 6M
Revenue from sales of goods and services	5	5,352	5,023	10,347	9,998
Cost of sales	6	(3,717)	(3,290)	(7,067)	(6,358)
Gross profit		1,635	1,733	3,280	3,640
Operating expense	7	(1,571)	(1,769)	(3,237)	(3,591)
Operating profit (loss)		64	(36)	43	49
Finance income		6	14	14	27
Finance expense		(176)	(250)	(395)	(474)
Net exchange rate differences		(12)	(21)	(242)	(68)
Net financial expense		(182)	(257)	(623)	(515)
Effects of associates		28	8	48	828
(Loss) profit before tax		(90)	(285)	(532)	362
Income tax		30	70	122	93
(Loss) profit for the period		(60)	(215)	(410)	455
(Loss) earnings per share		(0.21)	(0.73)	(1.38)	1.53

Statement of Comprehensive income

1. January to 30. June 2020

	2020 Q2*	2019 Q2*	2020 6M	2019 6M
(Loss) profit for the period	(60)	(215)	(410)	455
Items that may subsequently be reclassified to profit or loss				
Translation difference	(1)	(22)	(3)	(77)
Cash flow hedge	-	(36)	-	(25)
Total comprehensive income for the period	(61)	(273)	(413)	353

* Quarterly information has not been reviewed by auditors.

The notes on pages 10 to 13 are an integral part of these Consolidated Condensed Interim Financial Statements.

Statement of Financial Position

30. júní 2020

	Notes	30.6.2020	31.12.2019
Non-current assets			
Right-of-use assets		5,676	5,828
Property, plant and equipment		4,445	4,793
Goodwill		8,832	8,787
Other intangible assets		4,523	4,648
Shares in other companies		1,432	1,383
Defferred tax asset		243	97
Total non-current assets		25,151	25,536
Current assets			
Broadcasting license rights		1,793	1,814
Inventories		347	427
Accounts receivables and other short term receivables	9	3,607	3,567
Cash and cash equivalents		410	634
Current assets		6,157	6,442
Total assets		31,308	31,978
Equity			
Share capital		2,964	2,964
Statutory reserves		2,465	2,465
Other reserve		160	112
Retained earnings		2,796	3,257
Total equity		8,385	8,798
Non-Current liabilities			
Interest bearing debt		9,811	10,898
Lease liabilities		4,932	5,390
Other liabilities		152	252
Deferred tax liabilities		16	9
Total non-current liabilities		14,911	16,549
Current liabilities			
Interest bearing debt		991	689
Lease liabilities		1,280	938
Accounts payable and other short term liabilities	11	5,741	5,004
Current liabilities		8,012	6,631
Total liabilities		22,923	23,180
Total equity and liabilities		31,308	31,978

The notes on pages 10 to 13 are an integral part of these Consolidated Condensed Interim Financial Statements.

Statement of Changes in Equity

1. January to 30. June 2020

	Share Capital	Statutory reserve	Translation difference	Reserve	Cash Flow Hedges	Retained earnings	Total equity
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 implementation	-	-	-	-	-	(169)	(169)
Restated Equity 1.1.2019	2,964	2,465	110	0	(111)	5,110	10,538
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 30.6.2019	2,964	2,465	33	21	(136)	5,544	10,891
1.1. to 30.6.2020							
Total Equity 1.1.2020	2,964	2,465	7	105	-	3,257	8,798
Loss for the period	-	-	-	-	-	(410)	(410)
Translation difference	-	-	(3)	-	-	-	(3)
Comprehensive Income	0	0	(3)	0	0	(410)	(413)
Profit of associate in excess of dividend received	-	-	-	51	-	(51)	0
Total Equity 30.6.2020	2,964	2,465	4	156	0	2,796	8,385

* The change in equity position 30.6.2019 from the published Interim Financial Statements 30.6.2019 is relates to adjustment to the implementation of IFRS 16 on the equity position on 1 January 2019, made at year end 2019.

The notes on pages 10 to 13 are an integral part of these Consolidated Condensed Interim Financial Statements.

Statement of Cash Flow

1. January to 30. June 2020

	Notes	2020 Q2	2019 Q2	2020 6M	2019 6M
Operating (loss) profit		(60)	(215)	(410)	455
Adjustment for non-cash items:					
Depreciation and amortization	8	1,300	1,252	2,676	2,427
Net finance expense		182	257	623	515
Effects of associates		(28)	(8)	(48)	(828)
Income tax		(21)	(70)	(116)	(93)
Cash generated from operating activities		1,373	1,216	2,725	2,476
Change in working capital:					
Change in inventories		58	4	83	(104)
Change in operating assets		(163)	263	(169)	42
Change in operating liabilities		671	(39)	559	139
Cash generated by operations before interest and tax		1,939	1,444	3,198	2,553
Interest income received		6	14	14	27
Interest expense paid		(192)	(239)	(407)	(542)
Cash generated by operations		1,753	1,219	2,805	2,038
Investment activities					
Investment in shares in other companies		-	-	-	7
Investment in property, plant and equipment		(157)	(269)	(264)	(752)
Investment in intangible assets		(100)	(121)	(256)	(254)
Investment in broadcasting license rights		(600)	(409)	(1,075)	(827)
Investment activities		(857)	(799)	(1,595)	(1,826)
Financial activities					
Instalment of interest bearing debts		(171)	(171)	(341)	(299)
Changes in revolving credit facility		(296)	102	(443)	321
Instalment of lease liabilities		(288)	(115)	(561)	(212)
Instalment of other long term liabilities		(100)	-	(100)	-
Financial activities		(855)	(184)	(1,445)	(190)
Change in cash and cash equivalents		41	236	(235)	22
Cash and cash equivalents at the beginning of the period		385	142	634	356
Effect of exchange rate changes on cash held		(16)		11	
Cash and cash equivalents at the end of period		410	378	410	378

The notes on pages 10 to 13 are an integral part of these Consolidated Condensed Interim Financial Statements.

Notes

1. The Company

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

2. Summary of Significant Accounting Policies

a. Basis of accounting

These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, as adopted by the European Union and additional requirements in the Icelandic Financial Statement Act.. These Consolidated Condensed Interim Financial Statements for the period from January 1st to June 30th, 2020 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 2019. The Condensed Consolidated Interim Financial Statements does not include all the information required for a complete set of IFRS financial statements and should be read in the context of the Company's Financial Statements for 2019. The Financial Statements for 2019 can be found on the Company's website www.syn.is. and on the ICEX website; www.nasdaqomxnordic.com.

b. Critical accounting judgments and key sources of estimation uncertainty

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

3. Functional and presentation currency

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

4. Segment reporting

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

Notes, continued.:

5. Net sales

	2020	2019	2020	2019
	Q2	Q2	6M	6M
Sales of goods and service is specified as follows:				
Sales of goods	240	278	476	524
Sales of service	5,111	4,745	9,871	9,474
Total sales of goods and service	5,352	5,023	10,347	9,998

Revenue

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

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

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

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

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

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

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

Other revenue - Service revenues and rental of terminal equipment

Revenue	Media	Broad-band	Mobile	Fixed line	Hosting and operating solutions	Retail sale	Other revenue	Total
1.1. to 30.6.2020								
Revenue	3,791	2,308	1,745	322	1,315	476	390	10,347
Total revenue	3,791	2,308	1,745	322	1,315	476	390	10,347

Revenue	Media	Broad-band	Mobile	Fixed line	Hosting and operating solutions	Retail sale	Other revenue	Total
1.1. to 30.6.2019								
Revenue	4,342	2,414	1,883	424	-	523	412	9,998
Total revenue	4,342	2,414	1,883	424	0	523	412	9,998

Notes, continued.:

6. Cost of sales

Cost of sales and services is specified as follows:	2020	2019	2020	2019
	Q2	Q2	6M	6M
Cost of goods and service sold	2,204	1,820	3,970	3,469
Salaries and related expense	566	631	1,141	1,254
Capitalised work	(36)	(59)	(80)	(127)
Depreciation and amortization	983	898	2,036	1,762
Total cost of goods sold and services	3,717	3,290	7,067	6,358

7. Operating expense

Operating expense is specified as follows:	2020	2019	2020	2019
	Q2	Q2	6M	6M
General and administrative expense	331	338	637	741
Sales and marketing expense	107	117	211	244
Salary and related expense	848	1,004	1,814	2,076
Capitalised work	(32)	(44)	(65)	(135)
Depreciation and amortization	317	354	640	665
Total operating expenses	1,571	1,769	3,237	3,591

8. Depreciation and amortization

Depreciation and amortization are specified as follows:	2020	2019	2020	2019
	Q2	Q2	6M	6M
Depreciation of fixed assets	301	314	607	622
Amortization of intangible assets	194	210	393	414
Amortization of right-of-use assets	290	138	580	242
Amortization of broadcasting license rights	515	590	1,096	1,150
Total depreciation and amortization	1,300	1,252	2,676	2,427

9. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:	30.6.2020	31.12.2019
Trade receivables	3,089	3,167
Other receivables	510	355
Sublease receivables	116	147
Write-down of trade receivables	(108)	(102)
Total trade receivables and other receivables	3,607	3,567

The age of trade receivables and other receivables are specified as follows:	Nominal amount		Write-down	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019
Not due	3,445	3,268	(29)	(30)
Overdue within 90 days	83	177	(15)	(14)
Overdue in more than 90 days	187	224	(64)	(58)
Total trade receivable	3,715	3,669	(108)	(102)

Notes, continued.:

10. Accounts payable and other short term liabilities

Operating liabilities are specified as follows:	30.6.2020	31.12.2019
Accounts payable	3,581	3,431
Unpaid VAT	470	305
Pre-collected revenues	154	196
Accrued expense and other short-term liabilities	1,536	1,072
Total operating liabilities	5,741	5,004

11. Other matters

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

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

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

365 hf., Ingibjörg Stefanía Pálmadóttir and Jón Ásgeir Jóhannesson has filed a subpoena against Sýn hf., Sýn's CEO and all board members for the payment of compensation. Plaintiffs claim ISK 1,000 million separately. The defendants have submit a statement and demands a dismissal.

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

COVID 19 Pandemic

The emphasis of the Company's management in the COVID-19 epidemic has been to ensure the safety of employees and its customers as well as to ensure that there is no disruption to the operation and maintenance of important infrastructure. The impact of the COVID-19 epidemic on the Group's operations and cash flow in the first half of the year should is in declining revenues from advertising and roaming. Advertising revenue regained balance at the end of the period , but given the current state of the epidemic and economic uncertainty, it is difficult to assess its development in the second half of the year. Roaming revenue has significantly decreased since the beginning of the pandemic, or by 84%. This decrease can be attributed to a decrease in the number of foreign tourists and less travel by Icelanders abroad. There is a considerable uncertainty in this revenue stream. If there is a similar situation in the government's actions du to the border epidemic as it is now, it can be expected that roaming revenue dissappear almost completely in the second half of the year. Its impact on the company's EBITDA for the second half of 2020 could amount to up to 3-4%. Demand for the Company's telecommunications, technology and television services has for the most part remained strong so far. If there will be a long-term recession in the economy, it is unclear what effect this will have on other sources of revenue than those mentioned above, as well as developments in the retail and corporate markets. It is likely that the epidemic will lead to payment difficulties for some of the Company's customers, the Company has been working to find solutions with its customers in that regard. The Company bears part of its costs in foreign currency, with the heaviest costs being exhibition rights and license fees related to the electronic communications system. The weakening of the ISK has therefore had a considerable effect on the increase in the Company's operating costs, and it can be assumed that this effect will weigh more heavily in the second half of the year. The Company's management has taken various rationalization measures to minimize this effect on the company's operations and cash flow, but given the uncertainty that exists due to the epidemic, it is not possible to fully assess what the effects will be in the short and long term.

Quarterly statements

1. January to 30. June 2020

	2019 1Q	2019 2Q	2019 3Q	2019 4Q	2020 1Q	2020 2Q
Revenue from sales of goods and services	4,975	5,023	4,878	4,935	4,995	5,352
Cost of sales	(3,068)	(3,290)	(3,133)	(3,098)	(3,350)	(3,717)
Gross profit	1,907	1,733	1,745	1,837	1,645	1,635
Operating expense	(1,822)	(1,769)	(1,559)	(1,570)	(1,666)	(1,571)
Impairment	-	-	-	(2,452)	-	-
Operating profit (loss)	85	(36)	186	(2,185)	(21)	64
Finance income	13	14	11	17	8	6
Finance expense	(271)	(271)	(337)	(171)	(449)	(189)
Net financial expense	(258)	(257)	(326)	(154)	(441)	(182)
Effects of associates	820	8	16	119	20	28
Income tax	23	70	22	119	92	30
Profit (loss) for the period	670	(215)	(102)	(2,101)	(350)	(60)
Translation difference	(55)	(22)	(21)	(5)	(2)	(1)
Cash flow hedge	11	(36)	136	-	-	-
Total comprehensive income	626	(273)	13	(2,106)	(352)	(61)
EBITDA	1,260	1,216	1,623	1,409	1,355	1,364
EBITDA %	25.3%	24.2%	33.3%	28.6%	27.1%	25.5%

*Quarterly information has not been reviewed by auditors