



Sýn hf. Consolidated financial Statement

2022

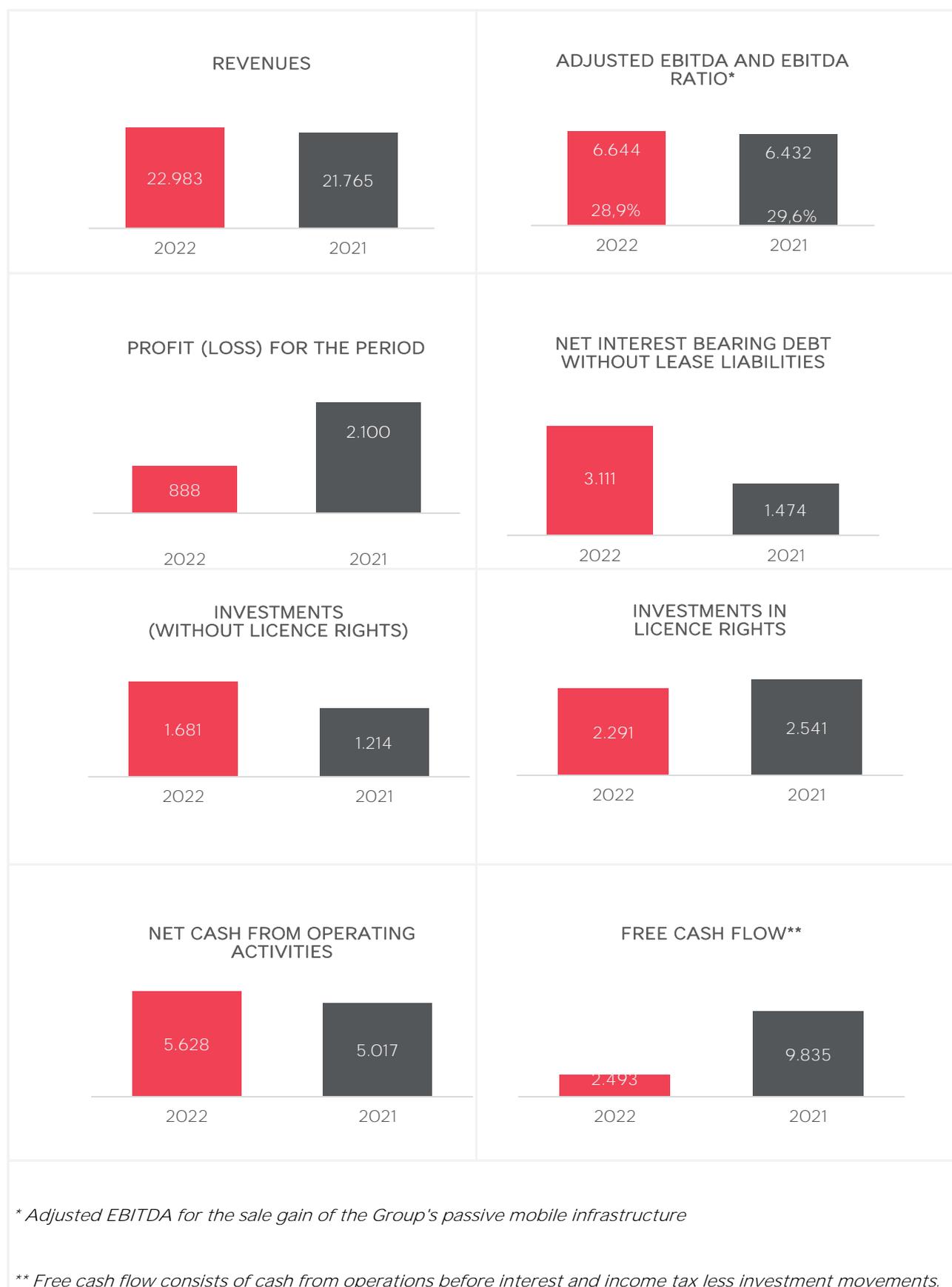


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This document includes an English translation of certain parts of Sýn hf. consolidated financial statements for the year 2022. If there is a discrepancy between the English translation and the related parts that are translated from the Icelandic consolidated financial statements, the Icelandic version shall prevail.

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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, 2022 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, 2022, 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 recognition 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 financial statements. Further information about the revenue recognition can be found in note 3 in the 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 performed substantive audit procedures to verify the accuracy and completeness of the recognised revenues. This audit work included among other things: <ul style="list-style-type: none">• 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.

INDEPENDENT AUDITOR'S REPORT, continued:

Key Audit Matters	How the matter was addressed in our audit
Goodwill	
<p>At year end, the Company's goodwill amounted to 8,9 billion Icelandic Krona.</p> <p>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.</p> <p>Further information about goodwill can be found in note 12 in the financial statements.</p>	<p>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 among other things:</p> <ul style="list-style-type: none"> • 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 Syn 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.

INDEPENDENT AUDITOR'S REPORT, continued:

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

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 safeguards.

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 18 March 2022. Deloitte have been elected since the general meeting 2016.

Kópavogur, 15th February 2023

Deloitte ehf.

Jóhann Óskar Haraldsson
State Authorized Public Accountant

Steina Dröfn Snorradóttir
State Authorized Public Accountant

Income statement

	Notes	2022	2021
Revenue from sales of goods and services	3	22.983	21.765
Cost of sales	4	(14.966)	(14.672)
Gross profit		8.017	7.093
Gain from sale of passive mobile infrastructure		-	2.552
Operating expense	5	(6.425)	(6.359)
Operating profit		1.592	3.286
Finance income		222	22
Finance expense		(998)	(613)
Net exchange rate differences		(70)	18
Net financial expense	7	(846)	(573)
Effects of associate	13	0	(251)
Profit before tax		746	2.462
Income tax	16	142	(362)
Profit for the period		888	2.100
Profit per share*	21	3,3	7,1

Statement of Comprehensive Income

	2022	2021
Profit for the period	888	2.100
<i>Items that may subsequently be reclassified to profit or loss</i>		
Translation difference	1	(114)
Total comprehensive income for the period	889	1.986

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

Notes on pages 12-33 are an integral part of these Consolidated Financial Statements.

Statement of Financial Position

	Notes	31.12.2022	31.12.2021
Non-current assets			
Right-of-use assets	8	8.620	8.049
Property, plant and equipment	9	2.866	3.212
Long term lease receivables		157	166
Goodwill	12	8.906	8.888
Other intangible assets	12	4.389	4.469
Shares in other companies	13	185	62
Deferred tax asset	17	158	26
Total non-current assets		25.281	24.872
Current assets			
Broadcasting license rights	14	1.809	1.762
Inventories	18	559	356
Trade receivables and other short term receivables	19	3.650	5.297
Cash and cash equivalents		2.063	4.214
Total current assets		8.081	11.629
Assets classified for sale	28	564	-
Total assets		33.926	36.501
Equity			
Share capital		2.668	2.964
Statutory reserves		806	2.465
Other reserve		129	69
Retained earnings		5.866	5.037
Total equity	20	9.469	10.535
Non-Current liabilities			
Interest bearing debt	22	4.801	4.965
Lease liabilities	8	11.820	11.393
Other liabilities		0	180
Deferred tax liabilities	17	0	19
Total non-current liabilities		16.621	16.557
Current liabilities			
Interest bearing debt	23	373	723
Lease liabilities	8	1.295	1.206
Trade and other current payables	24	6.168	7.480
Total current liabilities		7.836	9.409
Total liabilities		24.457	25.966
Total equity and liabilities		33.926	36.501

Notes on pages 12-33 are an integral part of these Consolidated Financial Statements.

Statement of Changes in Equity

	Share Capital	Statutory reserve	Translation difference	Reserve	Retained earnings	Total equity
2021						
Total Equity 1.1.2021	2.964	2.465	163	147	2.810	8.549
Profit for the period	-	-	-	-	2.100	2.100
Translation difference	-	-	(114)	-	-	(114)
Comprehensive Income	0	0	(114)	0	2.100	1.986
Profit of associate in excess of dividend received	-	-	-	(127)	127	0
Total Equity 31.12.2021	2.964	2.465	49	20	5.037	10.535
2022						
Total Equity 1.1.2022	2.964	2.465	49	20	5.037	10.535
Profit for the period	-	-	-	-	888	888
Translation difference	-	-	1	-	-	1
Comprehensive Income	0	0	1	0	888	889
Own shares purchased	(296)	(1.659)				(1.955)
Change in restricted share in profit of associate	-	-	-	59	(59)	0
Total Equity 31.12.2022	2.668	806	50	79	5.866	9.469

Notes on pages 12-33 are an integral part of these Consolidated Financial Statements.

Statement of Cash Flows

	Notes	2022	2021
Loss for the period		888	2.100
Adjustment for non-cash items:			
Depreciation and amortization	10	5.053	5.698
Gain from sale of passive mobile infrastructure		(2)	(2.552)
Net financial expense	7	846	573
Effects of associate	13	0	251
Income tax	16	(142)	362
Cash generated from operating activities		6.643	6.432
Change in working capital:			
Change in inventories	18	(193)	(117)
Change in operating assets	19	1.577	(653)
Change in operating liabilities	23	(1.542)	(65)
Cash generated by operations before interest and tax		6.485	5.597
Interest income received		122	22
Interest expense paid		(976)	(602)
Tax paid		(3)	0
Cash generated by operations		5.628	5.017
Investment activities			
Proceeds from sale of passive mobile infrastructure		-	6.946
Proceeds from sale of shares in other companies		-	1.065
Investment in shares in other companies		(22)	(18)
Investment in property, plant and equipment	9	(1.000)	(400)
Investment in intangible assets	12	(681)	(814)
Investment in broadcasting license rights	14	(2.291)	(2.541)
Proceeds from sale of fixtures and equipment		2	-
Investment activities		(3.992)	4.238
Financial activities			
Instalment of interest bearing debts		(474)	(3.161)
Change in revolving credit facility		(40)	(1.635)
Instalment of lease liabilities		(1.326)	(1.106)
Purchased of own shares		(1.955)	-
Financial activities		(3.795)	(5.902)
Change in cash and cash equivalents		(2.159)	3.353
Cash and cash equivalents at the beginning of the year		4.214	831
Effect of exchange rate changes on cash held		8	29
Cash and cash equivalents at the end of the year		2.063	4.214

Notes on pages 12-33 are an integral part of these Consolidated 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 financial statements of the Company for the year ended on December 31st 2022 incorporates the financial statements of the Company, its subsidiaries and share in joint operation of Sendafelagid ehf, which are jointly referred to as “the Group”.

2. Accounting Policies

This part of the consolidated financial statements contains information on the basis of preparation of 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 information required by Icelandic laws and regulation listed companies. The consolidated financial statements of the Group are prepared in accordance with the same accounting principles as the financial statements for 2021.

To increase the value of information disclosed in the notes to the consolidated financial 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 ultimately controlled by the Company. 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.

Subsidiaries of the Company are three at year end:	Ownership		Functional currency
	2022	2021	
Endor ehf.	100%	100%	EUR
EC Sweden AB.	100%	100%	SEK
EC Germany GmbH	100%	100%	EUR
Pardus	100%	100%	ISK

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 the year. Translation differences, 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.

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 implicit in 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 uses market assumptions whenever they are available but whenever such information is not available management applies judgement for estimating fair value.



Notes, continued:

3. Revenue from sales of goods and services

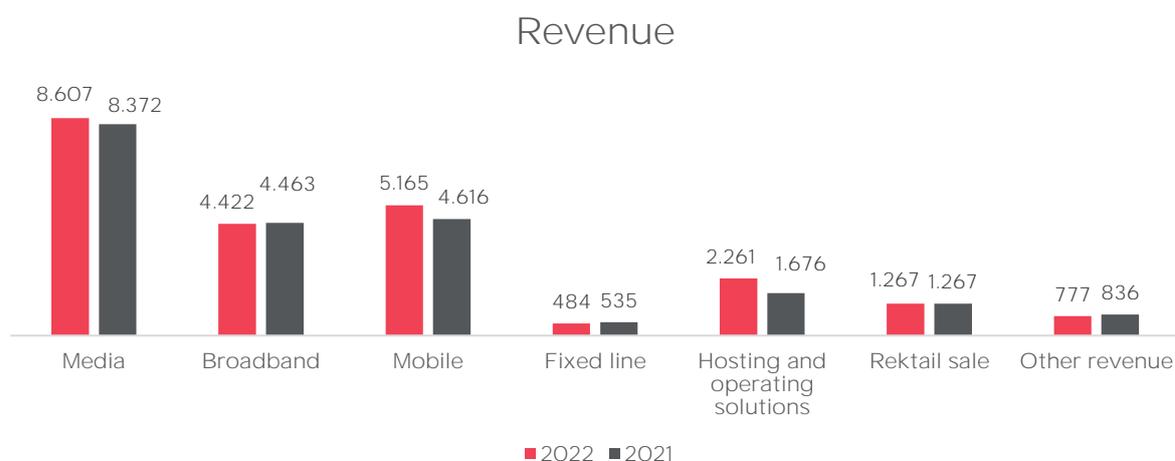
Sales of goods and service is specified as follows:	2022	2021
Sales of goods	1.267	1.267
Sales of service	21.716	20.498
Total sales of goods and service	22.983	21.765

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

Revenue

Revenues are disclosed based on their nature and internal reporting of the Group.

The Company's operation is divided into 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 is fulfilled over time. Revenues from advertisement are recognized when the performance obligation has been fulfilled. Revenues from rental of certain movies or episodes are recognized 48 hours after the purchase. Revenues from lease of equipment, such as cable boxes, are recognised on a montly basis in line with customer agreements.

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 as the customer receives the service.

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

Notes, continued:

3. Revenue from sales of goods and services, continued:

Fixed line - Revenue from home phone usage and corporate fixed line usage, interconnection revenue from fixed line. Contracts with the customer are usually for one month and include fixed and variable revenues. The performance obligation is fulfilled over time as the customer receives the service.

Hosting and operating solutions - Revenue from operations and services for cloud solutions and specialized sales of centralized solutions for data-centre related activities, as well as resource management and consulting for data-centre 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 is 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 usually the delivery date.

Other revenue - Service revenues, revenues from software 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:	2022	2021
Service sold	7.616	6.876
Cost of goods	1.198	1.168
Salaries and related expenses	2.442	2.208
Capitalised salaries	(207)	(128)
Depreciation and amortization	3.917	4.548
Total cost of sales	14.966	14.672

5. Operating expense

Operating expense is specified as follows:	2022	2021
General and administrative expense	1.575	1.384
Sales and marketing expenses	415	568
Salaries and related expense	3.760	3.521
Capitalised salaries	(321)	(264)
Depreciation and amortization	1.136	1.150
Change in fair value due to purchase of a subsidiary	(140)	0
Total operating expenses	6.425	6.359

6. Salaries and related expenses

Salaries and related expenses are specified as follows:	2022	2021
Salaries	5.032	4.783
Pension fund contribution expense	668	615
Other salary related expenses	502	426
Salaries related to sale of passive mobile infrastructure	-	(95)
Salaries and related expenses	6.202	5.729

Average full-time equivalents during the period	2022	2021
	460	462

At year end 60% of managers were male and 40% were female (2021: 60% / 40%).

The company pays pension contributions for its employees but has no further legal or constructive obligations to pay further contributions if the pension 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 work period of employee.

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 lease liabilities is accrued on a time basis, by reference to the principal outstanding based on effective interest rate.

Exchange rate gain and loss is offset and presented net for the period.

Financial income and expenses are specified as follows:	2022	2021
Interest income from loans and receivables	111	18
Changes in fair value	102	0
Other interest income	9	4
Total financial income	222	22
Interest expense and other service charges	(348)	(299)
Interest expense from lease liabilities	(650)	(314)
Net exchange rate difference	(70)	18
Total net financial expense	(846)	(573)

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 (indexation).

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 5.13%.

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 2021	2.268	50	800	2.109	5.227
Indexation	80	2	13	-	95
Effects of foreign exchange rates	-	-	1	(111)	(110)
Revaluation of contract life	66	-	212	-	278
Additions due to new contracts	-	26	3.740	47	3.813
Cancelled contracts	-	(3)	(81)	-	(84)
Depreciation for the year	(229)	(37)	(157)	(747)	(1.169)
Balance at 31. December 2021	2.185	38	4.528	1.298	8.049
Indexation	211	5	808	-	1.024
Effects of foreign exchange rates	-	-	(4)	(33)	(37)
Revaluation of contract life	-	-	-	-	0
Additions due to new contracts	83	44	134	649	910
Cancelled contracts	(61)	-	-	-	(61)
Depreciation for the year	(241)	(45)	(273)	(706)	(1.265)
Balance at 31. December 2022	2.177	42	5.193	1.208	8.620

Amounts recognised in the income statement	2022	2021
Depreciation (right of use asset)	1.265	1.169
Interest expense (lease liability)	650	314
Exchange rate difference	(37)	1
Interest income (lease receivables)	(10)	(8)
Total recognised in the income statement	1.868	1.476

Lease liabilities	31.12.2022	31.12.2021
Within a year	1.295	1.206
After a year but within five years	2.244	2.282
Five years of later	9.576	9.111
Total	13.115	12.599

Total lease payments related to the leases entered in accordance with ifrs 16 amounted to 1.976 million. ISK. (2021: 1.42 million ISK).

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 equipment's 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 maintenance 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 1.1.2021	35	9.589	1.888	11.511
Additions during the year	-	331	89	421
Sold and discontinued during the year	(35)	(313)	(10)	(358)
Effects of foreign exchange rates	-	-	(1)	(1)
Total cost 31.12.2021	0	9.607	1.967	11.574
Additions during the year	-	927	73	1.000
Sold and discontinued during the year	-	-	(1)	(1)
Effects of foreign exchange rates	-	(564)	-	(564)
Total cost 31.12.2022	0	9.970	2.039	12.009
Depreciation and Impairment				
Accumulated depreciation 1.1.2021	15	6.542	1.137	7.693
Depreciation for the year	-	825	152	977
Sold and discontinued during the year	(15)	(285)	(10)	(311)
Effects of foreign exchange rates	-	-	2	2
Total depreciation 31.12.2021	0	7.082	1.280	8.361
Depreciations during the year	-	651	132	783
Total depreciation 31.12.2022	0	7.733	1.412	9.144
Book value				
31.12.2021	0	2.525	687	3.212
31.12.2022	0	2.237	627	2.866
Depreciation rates	3%	5-33%	15-33%	

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 are available for their intended use.

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

Buildings	33 years
Telecom equipment's	3 to 20 years
Broadcasting equipment's	4 to 7 years
Appliances, automobiles and interior	3 to 7 years

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 for goodwill, if the estimated recoverable amount 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 occurred. Amortization starts when the assets are ready for their intended use. Estimated useful life is stated as follows:

Software	3-10 years
Trademark and customer relationship	10 to 33 years

Depreciation and amortization in the income statement are specified as follows:	2022	2021
Depreciation of property, plant and equipment, - note 10	783	977
Amortization of intangible assets - note 13	761	747
Depreciation of right of use assets - note 9	1.265	1.169
Depreciation of broadcasting rights - note 15	2.244	2.805
Depreciation and amortization recognized in the income statement	5.053	5.698

Depreciation and amortization is classified by functional category as follows:	2022	2021
Cost of goods and services sold, see note 5	3.917	4.548
Other operating costs and impairment, see note 6	1.136	1.150
Total	5.053	5.698

11. Real estate and insurance value

At 2022 year-end the official real estate value of other equipment- and telecommunication structures amounted to 97 million ISK (2021: 86 million ISK) and their insurance value amounted to 154 million ISK (2021: 131 million ISK). The insurance value of other property, plant and equipment amounted to 6,397 million ISK at 2022 year-end (2021: 7,106 million ISK).

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. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Other intangible assets with finite useful lives 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. Other expenses, including those relating to goodwill and trademarks that are generated within the Group, are recognised in profit or loss as incurred.

Intangible assets are specified as follows:

	Trademark and Customer			
	Goodwill	relationships	Software	Total
Cost				
Total cost 1.1.2021	14.223	3.293	4.163	21.679
Adjustment from provisional PPA	-	-	814	814
Effects of foreign exchange rates	(44)	-	-	(45)
Total cost 31.12.2021	14.179	3.293	4.977	22.448
Additions during the year	-	-	681	681
Effects of foreign exchange rates	18	-	-	18
Total cost 31.12.2022	14.197	3.293	5.658	23.148
Amortization and impairment				
Amortization and impairment 1.1.2020	5.291	613	2.440	8.344
Amortized during the year	-	199	549	747
Effects of foreign exchange rates	-	-	-	0
Total depreciation 31.12.2020	5.291	812	2.989	9.091
Amortized during the year	-	204	557	761
Impact of currency exchange rate	-	-	-	0
Total depreciation 31.12.2021	5.291	1.016	3.546	9.853
Book value				
31.12.2021	8.888	2.481	1.988	13.357
31.12.2022	8.906	2.277	2.112	13.295
Amortization rates	-	3-11%	10-33%	

Notes, continued:

12. Intangible assets, continued

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:

	2022	2021
Goodwill related to Sýn hf.	8,194	8,194
Goodwill related to Endor ehf.	712	694
Goodwill total	8.906	8.888

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, the recoverable amount of goodwill exceeds book value of goodwill, and no impairment has been recognized.

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

	2022	2021
Nominal growth of revenue 2022 / 2021	2,9%	8,5%
Average growth of revenue 2023 to 2027 / 2022 to 2026	4,2%	6,0%
Future growth, excluding effects of price changes	4,2%	3,0%
Average EBITDA 2023 to 2027 / 2022 to 2026	7,5%	9,5%
WACC	11,9%	10,0%

It is management estimate that reasonable changes to the main assumptions of the impairment test would not cause the recoverable amount to be lower than book value.

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

	2022	2021
Nominal growth of revenue 2022 / 2021	38,1%	(30,5%)
Average growth of revenue 2023 to 2027 / 2022 to 2026	1,0%	13,3%
Future growth, excluding effects of price changes	2,5%	2,5%
Average EBITDA 2023 to 2027 / 2022 to 2026	17,6%	18,7%
WACC	9,6%	8,3%

Notes, continued:

13. Investments in associates

Investments in associates are accounted for in the Consolidated Financial Statements using the equity method. 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 not control or joint control over those policies. Under the equity method, investments in associates are initially recognized at cost 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. Investment in other companies are of immaterial amounts and recorded at cost.

	2022	2021
Book value at 1.1.	39	1.375
Sale of investment in associate	-	(1.103)
Effects of associates	-	(251)
Translation difference	-	-
Investments during the year	17	18
Dividend received	-	-
Book value 31.12.	56	39
Investment in other company's	129	23
Book value 31.12.	185	62

14. Broadcasting rights

Broadcasting rights consist of own productions and purchased broadcasting rights. Broadcasting rights are recognized at cost, which includes the purchase/production price and other direct costs for preparing the assets for their intended use. Useful life is estimated based on the nature of the rights (linear / SVOD) and their contractual time. Amortization starts when the broadcasting rights is available to air. Sport broadcasting rights are amortized over the airing period of the events.

Broadcast rights at year end is specified as follows:	2022	2021
Book value at 1.1.	1.762	1.876
Foreign broadcasting license	1.500	1.924
Domestic content	791	766
Depreciation of the period	(2.244)	(2.805)
Book value 31.12.	1.809	1.762

The Group's off balance sheet commitments for broadcasting rights amount to 1,692 million ISK (2021: 2,046 million ISK)

15. Fee to auditors

Services provided are specified as follows:	Group auditors		Other auditors	
	2022	2021	2022	2021
Auditing and review	26	19	-	-
Other services	11	5	5	3
Total fee to auditors during the year	37	24	5	3

Notes, continued:

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 statements 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:	2022		2021	
Profit before income tax		746		2.462
Income tax according to current tax ratio	(20,0%)	(149)	(20,0%)	(492)
Effects of associates	2,1%	16	(2,3%)	(56)
Tax depreciation of goodwill	26,4%	197	8,0%	197
Changes in fair value	6,4%	48	-	-
Other items	4,0%	30	(0,4%)	(11)
Effective income tax	19,0%	142	(14,7%)	(362)

17. Deferred tax liability / assets

Deferred tax assets (deferred tax liability) is specified as follows:	2022		2021	
	Tax asset	Tax liabilities	Tax asset	Tax liabilities
Deferred tax assets (tax liability) 1.1.	7	-	(16)	383
Income tax in the income statement	142	-	8	(370)
Other items	9	-	34	(32)
Tax liability / tax asset at year end	158	0	26	(19)

Deferred tax assets (liability) is specified as follows:	2022		2021	
Property, plant and equipment	(1.128)	-	6	(979)
Current assets	76	-	3	101
Right-of-use assets	864	-	-	845
Other items	7	-	17	14
Tax loss carry forward	339	-	-	-
Deferred tax at year end	158	0	26	(19)

Notes, continued:

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 its 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:	2022	2021
Telecommunications equipment for resale	544	286
Other equipment (supplies)	15	70
Inventories at year end	559	356

19. Trade and other receivables

Trade and other receivables are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Trade and other receivables are subsequently measured at amortized cost, net of impairment losses. 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 and other receivables are specified as follows:	2022	2021
Trade receivables	3.314	3.326
Receivable from sale of passive mobile infrastructure	-	1.649
Other receivables	401	392
Lease receivables	24	21
Allowance for trade receivables	(89)	(91)
Total trade and other receivables	3.650	5.297

At each reporting date the Group determines whether objective evidence of impairment of trade receivables is present. A financial asset is impaired if one or more events that have occurred and have a negative impact on the expected future cash flows of the financial instruments.

Impairment is the difference between book value of a receivable and the present value of its expected future cash flows, discounted at the original effective interest rate. Impairment is recognised in profit or loss, and only reversed if the reversal relates to events occurring after the impairment was originally recognised.

Change in allowance for doubtful trade receivables is specified as follows:	2022	2021
Balance at 1.1.	(91)	(99)
Change in impairment for claims that may be lost	(35)	(46)
Receivables written off during the year	37	54
Allowance for doubtful trade receivables at 31.12.	(89)	(91)

Notes, continued:

20. Equity

Share capital

Issued share capital at year-end was 2,684 million ISK (2021: 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. The Company holds own shares amounting to nominal value of ISK 16,1 million at the end of the fiscal year or a total of 0,6% of the issued share capital.

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. The statutory reserves are included in share premium.

Translation reserve

Translation difference that arises upon translation of foreign operations into the Group's presentation currency (ISK) is recorded in other comprehensive income and accumulated in a reserve account in equity. If foreign operations are sold or discontinued, in part or in full, the accumulated translation differences for those operations are reclassified from equity to profit or loss.

Dividend

The board proposes to pay dividends to shareholders in the amount of ISK 300 million for the operating year 2022. No dividends were distributed from 2021 net results.

Restricted earnings

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

21. Profit per share

Profit per share is the ratio of profit belonging to the groups shareholders and weighted average number of active shares during the year. Diluted earnings per share are based on profit 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.

Profit per share is specified as follows:	2022	2021
Profit for the year	888	2.100
Shares at beginning of the year	2.964	2.964
Weighted average of outstanding shares during the year	2.687	2.964
Profit per share and diluted profit per share	3,3	7,1
Earnings and diluted earnings per ISK of share capital	0,33	0,71

Notes, continued:

22. Interest bearing liabilities

Interest bearing liabilities 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 transaction 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:	2022	2021
Liabilities to financial institutions	5.174	5.688
Current maturities of borrowings	(373)	(723)
Total interest bearing long-term liabilities	4.801	4.965

Liabilities due to financing activities	2022	2021
Starting balance	5.688	10.484
Instalment	(474)	(3.161)
Operating loan	(40)	(1.635)
Final balance	5.174	5.688

Interest bearing debts at year end are in ISK and non-indexed. Weighted average interest rate is 7,79% (2021: 3.59%)

Instalment of long-term liabilities are specified in the following years:	2022	2021
Payments in 2022	-	723
Payments in 2023	373	4.965
Payments in 2024	338	-
Payments in 2025	338	-
Payments in 2026	338	-
Later payments	3.787	-
Total	5.174	5.688

The Company's loan agreements include 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 fulfil. At year end, the Group fulfilled all requirements relating to financial ratios in its operations.

Collateral

A collateral amounting to IS 6,287 million ISK (2021: 6,287 million ISK) is in place between the Group and its lender. The collateral relates to among others current assets, property, plant and equipment's inventory and accounts receivables.

23. Trade and other current payables

Trade 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.

Trade and other payables in foreign currency are translated using the exchange rate prevailing at balance sheet date.

Trade and other current payables are specified as follows:	2022	2021
Trade payables	4.241	3.867
VAT payable	319	360
VAT payable from sale of passive mobile infrastructure	-	1.649
Pre-collected revenues	560	485
Accrued expense and other short-term liabilities	1.048	1.119
Total trade and other current payables	6.168	7.480

Deferred revenues

Deferred revenues are generated by pre-paid phone usage and other pre-payments from customers. The majority of deferred revenues are released one month after the reporting date.

Notes, continued:

24. 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 analyse risks in its business and to set and monitor the risk appetite. The Group's risk appetite and methods are regularly reviewed to analyse 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 trade receivables 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 trade receivables, 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.

Maximum credit risk

The maximum credit risk for the Group as a result of financial assets is the book value which was specified at year end as follows:

	Notes	2022	2021
Trade and other receivables	19	3.650	3.648
Receivable for sale of passive mobile infrastructure		-	1.649
Cash and cash equivalents		2.063	4.214
Total		5.713	9.511

At year end accounts receivables for the five biggest customers amounted to 597 million ISK (2021: 921 million ISK).

Impairment of trade receivables

The age of trade receivables was specified at year end as follows:	Gross amount		Allowance	
	2022	2021	2022	2021
Not due	3.493	5.173	(34)	(33)
0- 90 days past due	123	63	(12)	(9)
> 90 days past due	123	152	(43)	(48)
Total trade receivables at year end	3.739	5.388	(89)	(91)

Notes, continued:

24. Risk management, continued

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 200 million ISK at year end (2020: 1,810 million ISK).

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

	Book Value	Contractual cash-flows	Within a year	1 to 2 years	2 to 5 years	More than 5 years
31 December 2022						
Liabilities:						
Interest bearing debts	5.174	6.933	762	701	1.322	4.148
Trade and other current payables	6.168	6.168	6.168	-	-	-
Lease liabilities	13.115	24.453	1.779	1.779	2.567	18.329
Total	24.457	37.554	8.709	2.480	3.889	22.477

31 December 2021

Liabilities:

Interest bearing debts	5.688	6.049	714	5.335	-	-
Trade and other current payables	7.480	7.480	7.480	-	-	-
Lease liabilities	12.599	23.423	1.694	1.694	2.525	17.510
Total	25.767	36.952	9.888	7.029	2.525	17.510

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.

Notes, continued:

24. Risk management, cont.:

e. Exchange rate risk

The Group's 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).

31 December 2022	EUR	USD	GBP	SDR
Trade receivables	279	4	-	73
Cash and cash equivalents	191	401	1	-
Trade payables	(1.586)	(1.391)	(43)	(18)
Risk in the balance sheet	(1.117)	(986)	(42)	56

31 December 2021	EUR	USD	GBP	SDR
Trade receivables	333	3	-	31
Cash and cash equivalents	101	47	-	-
Trade payables	(1.398)	(899)	(9)	(52)
Risk in the balance sheet	(964)	(850)	(9)	(21)

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

	Average rate		Year end rate	
	2022	2021	2022	2021
EUR	142,33	154,52	151,50	147,60
USD	135,46	135,27	142,04	130,38
GBP	181,00	188,52	189,68	182,50
SDR	166,90	173,59	170,81	175,73

Sensitivity analysis

10% strengthening of ISK against the relevant currencies would increase pre-tax net profit of the Group by 209 million ISK (2021: 184 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% weakening 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.

	2022	2021
Borrowings with variable interest	5.174	5.688

A 100 bps change in interest would effect the pre-tax profit by 51,7 million ISK (2021: 56,8 million). The Group has no fixed rate borrowings.

g. Fair value

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

25. Capital management

The Group's objective is to maintain a strong equity ratio to support stability in future operations. In the long term the target equity ratio is 30%. The equity ratio at year end was 27,9% (2021: 28,9%).

Notes, continued:

26. 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:	2022 Fixed terms	2022 Variable terms	2021 Fixed terms	2021 Variable terms	No. Of shares at the end of 2022
Board:					
Jón Skaftason, chairman.	2,3	-	-	-	42.147.128
Hákon Stefánsson, board member.	1,0	-	-	-	51.397.128
Páll Óskar Gíslason, board member.	4,5	-	3,6	-	-
Rannveig Eir Einarsdóttir, board member	1,1	-	-	-	20.650.000
Sessalía Birgisdóttir, board member.	3,2	-	-	-	50.000
Hjörleifur Pálsson, former chairman.	5,9	-	8,5	-	-
Petrea Guðmundsdóttir, former chairm.	5,9	-	5,0	-	-
Hilmar Kristinsson, former board member	-	-	0,7	-	-
Jóhann Hjartarson, former board membe	2,4	-	-	-	-
Sigríður V. Halldórsdóttir, former board n	0,9	-	4,1	-	-
Tanya Zharov, former board member	1,5	-	5,5	-	-
			0,7		
Key management:					
Yngvi Halldórsson, CEO of Sýn hf.	14,5	9,6	-	-	334.000
Heiðar Guðjónsson, former CEO of Sýn hf	46,9	-	54,5	9,2	-
Executive members	165	17,1	159	35,3	70.000

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 therefore classified as such.

Transactions with related parties

Sale of goods and services to related parties and entities related to them amounted to 16 million ISK in the year 2022 (2021: 75 million ISK), and purchases of goods and services amounted to 100 million ISK (2021: 70 million ISK).

Notes, continued:

27. Other matters

Sýn hf. (“company”) is engaged in legal proceedings against individuals, other undertakings, and surveillance authorities concerning the Icelandic telecommunication and media market. The company recognizes obligations and/or claims due to legal proceedings in its accounts once future payments and other benefits can be assessed in a reliable manner. Due to uncertainties regarding future developments of legal proceedings, judicial decision, rulings, appeals and settlements, the outcome can lead to additional commitments and costs for the company. Below is a summary of matters that affect the interest of Sýn directly or indirectly.

Siminn v The Electronic Communications Office of Iceland (ECOI), Sýn and Gagnaveita Reykjavíkur and counterclaim

In the Supreme Court of Iceland’s case no. 50/2022 (case no. 438/2020 at the Court of Appeal and no. E-3251/2018 at district level) the applicant, Síminn hf., demands that ECOI’s decision no 10/2018 will be annulled entirely or alternatively that section 6 of the decision, to impose an administrative fine, will be annulled or the fine reduced.

The dispute mainly relates to the interpretation of Article 45(5) of the Icelandic Media Act no. 38/2011 and whether Síminn is in breach of that provision by solely offering its content provider to those who purchase telecommunication services from Síminn’s group, with the objective to attracting more customers for Síminn’s telecommunication services. By judgement dated 1 July 2020, Reykjavík District Court reduced the administrative fine, however the court dismissed every other claim that Síminn demanded. Síminn appealed the judgement requesting a complete acquittal and remuneration for legal fees. The Court of Appeals rendered its judgement on 24 June 2022 and acquitted Sýn and ECOI of all claims made by Siminn but all claims to procedural legal fees were dismissed. Síminn’s appeal to the Supreme Court of Iceland has been approved but the case has not yet been entered into the court’s agenda.

Sýn against ECOI, Síminn hf., Míla hf., Nova hf. and Ljósleiðarinn hf.

In case no. E-1846/2021 the company has demanded that the Electronic Communications and Postal appeals board’s ruling no. 7/2109 shall be annulled. The ruling repealed ECOI’s prior decision no. 27/2019, which had levied administrative fines on Siminn hf. due to what the ECOI considered a violation of Art. 45(5) of the Icelandic Media Act no. 38/2011, which prohibits media outlets from directing business of its clients to a related telecommunication company. ECOI considered Síminn in violation with its activities in the market up until 1 October 2019. The disputed ruling is based on the reasoning that ECOI’s decision had not been rendered in accordance with legal formalities. The company did not consider this basis to be sound and initiated the court proceedings to annul the ruling. It should be noted that ECOI also initiated court proceedings for the same purpose and the two cases have been merged. The case process is delayed pending judgement in case regarding ECOI’s decision no. 10/2018.

Claims for damages from Síminn hf.

In case E-2362/2020, the company has claimed damages against Síminn for the financial damage caused by Síminn in relation to its violation of Article 45(5) of the Icelandic Media Act no. 38/2011 during the period of 1st of October 2015 until 1st of December 2017. The company bases its claim on the reasoning that Síminn’s violation of the aforementioned provision has gained Síminn hf. considerable financial advantages in the form of boosted sale of telecommunication services with comparable losses for Sýn. Síminn’s actions should be considered culpable and unlawful and the company’s loss a likely result thereof. The claim is based on a court appointed assessor’s report, dated 17 March 2020, as per case no. M-2957/2019. The primary claim is of a payment of ISK 125,084,713 as well as interests and penalty interests, the 1st alternative claim is for the payment of ISK 100,067,773 ISK as well as interests and penalty interest, 2nd alternative claim is for the payment of ISK 75,050,829 as well as interests and penalty interests and the 3rd alternative claim is for the payment of damages as assessed by the court as well as penalty interests, as further stated in the subpoena. Additionally a claim has been made for procedural legal fees from Síminn hf. Síminn hf. has submitted a rebutter and seeks acquittal as well a procedural legal fees from Sýn. The case has been delayed pending judgment in the case regarding ECOI’s decision no. 10/2018.

Notes, continued:

27. Other matters continued:

Claims for damages from Síminn hf., continued:

In case no. E-5072/2022 the company has claimed damages from Síminn hf. due to financial losses sustained by the company from Síminn's violation of Art. 45(5) of the media act no. 38/2011 and the competition act no. 44/2005 or certain conditions of a settlement between Síminn hf. and the competition authorities with regard to the period of 2 December 2017 to 31 December 2019. The company argues that Síminn's violation of the aforementioned provision has gained Síminn hf. considerable financial advantages in the form of boosted sale of telecommunication services with comparable losses for Sýn. Síminn's actions are to be considered culpable and unlawful and the company's loss is a likely result thereof. The claim is based on a court appointed assessor's report, dated 3 August 2022 as per case no. M-2361/2021. The primary claim is for the payment of ISK 270.027.938 as well as interests and penalty interests, the 1st alternative claim is for the payment of ISK 216,022,351 as well as interests and penalty interests, 2nd alternative claim is for the payment of ISK 162,016,763 as well as interests and penalty interests, and the 3rd alternative claim is for the payment of damages as assessed by the court as well as penalty interests, as further stated in the subpoena. Additionally a claim has been made for procedural legal fees from Síminn hf. Síminn hf. has submitted a rebutter and seeks dismissal as well a procedural legal fees. The dismissal claim will be argued on the 9th of March.

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

The company has demanded damages from 365 hf., Jón Ásgeir Jóhannesson and Ingibjörg Stefania Pálmadóttir under case no. 512/2022 of the Court of Appeal (case no. E-2982/2020 at district level). The parties entered into a purchase agreement concerning the company's purchase of large portion of 365 hf. operations. Within the purchase agreement there was a non-competition clause as well as a provision that gave Sýn the right to claim penalties/damages should the non-competition clause be breached. 365 hf. and other relevant parties undertook personal liabilities regarding this matter. Sýn's claim is based on the non-competition clause being breached and that the defendants are liable in-solidum. Sýn claimed penalties/damages, based on the aforementioned provisions in the agreement, for a total of ISK 1.698.810.718 plus interest and penalty interest as stated in the subpoena. Sýn also claims that the defendants should pay in solidum Sýn's accrued legal costs. The District Court of Reykjavik rendered its judgement on 14 July 2022 in which it acquitted the defendants and Sýn was made to pay their legal fees in the amount of one million to each defendant. Sýn has appealed the case to the Court of Appeals and has made the same claims as it did before the District court. The case has not yet been entered into the Court of Appeal's agenda.

Matters before supervisory authorities

Complaint to the EFTA Surveillance Authority (ESA) concerning unlawful aid

By letter dated 23 February 2021 Sýn lodged a formal complaint to the EFTA Surveillance Authority (ESA) concerning an unlawful state aid to Farice ehf. which neither had been notified to nor approved by ESA. The state aid relates to payments based on a service agreement that were not in accordance with the subject of the agreement and other payments to Farice ehf. for preparatory actions taken to install a new telecommunication submarine cable. ESA is still investigating the complaint.

Should ESA accept Sýn's argument and confirm that this constituted an unlawful state aid, such decision could have a positive impact on Sýn's financial position if it were to lead to a change in the operation and list of tariffs. Sýn could also claim damages due to the unlawful conduct.

Appeal of ESA Decision from 26 March 2021 to the EFTA Court regarding state aid to Farice ehf. for the third telecommunications submarine cable between Iceland and Europe

On 26 March 2021, ESA adopted a decision where ESA concluded that a 50 million EUR share capital increase in Farice to finance a submarine cable between Iceland and Ireland, was compatible with the state aid functions of the EEA Agreement as per decision no. O23/21/COL from 26 March 2021.

Sýn maintained its view that the aid to Farice constituted an unlawful aid and requested that the EFTA Court would annul ESA's decision. The case is expected to be argued on 10th of February.

The EFTA Court rendered its decisions on 1 June 2022 and annulled ESA's decision no E4/21. ESA was also ordered to pay the legal fees sustained by Sýn. This causes ESA to be obligated to take a decision on the investigation of the case whereas affected parties may provide comments on the state aid. The investigation could result in the decision that the state aid is considered unlawful or that conditions will be imposed on the aid. The result of the investigation may therefore lead to a change in Farice's operation and list of tariffs which may have a positive impact on Sýn's financial position.

Notes, continued:

27. Other matters continued:

At any time, various matters are being processed by various domestic surveillance authorities. At no time has any administrative fines and/or other significantly onerous measures been proclaimed.

At this time, Sýn is unable to estimate any future liabilities or claims that may result from the aforementioned legal procedures, partially because it can take an 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 regard in its interim financial statement.

Post accounting date events

Authorization to purchase own shares

The company is authorized to purchase up to 10% of its own shares for the purpose of establishing market making with respect to shares in the company and/or to establish a formal buyback program. The buyback program was initiated the 7th of January 2022 and is ongoing. The buybacks will amount to a maximum 4,958,678 shares, or approximately 1,85% of the total issued shares in the company, notwithstanding that the total buyback amount will not exceed ISK 300 million.“

Sale of core network

The 20th of December 2022, Sýn and Ljósleiðarinn signed a purchase agreement on the Ljósleiðarinn's purchase of Sýn's trunk network and a service agreement between the companies. The purchase price is ISK 3,000 million. The payment of the purchase price will be paid in installments and the purchase price will be paid no later than 12 months from delivery of the sold assets. The sold assets' book value is ISK 564 million and the capital gains are therefore ISK 2,436 million which will be fully entered into the companies books upon delivery.

Simultaneous to the purchase agreement a service agreement has been entered into by the parties for 12 year retail access and services through the trunk- and access network, as well as services relating to cross-border internet connections.

The transaction is expected to have a positive effect on Sýn's operating expenses to the effect of around ISK 100 million per year. The annual investment requirements should likewise be reduced to around ISK 120 million throughout the contract period.

The transaction is subject the condition precedence that the Icelandic Competition Authorities permit the sale whereas a merger notification will be sent to the Competition Authorities shortly.

Quarterly statements*

Operations by quarters

	2022 1Q	2022 2Q	2022 3Q	2022 4Q	Total
Revenue from sales of goods and services	5.682	6.009	5.501	5.791	22.983
Cost of sales	(3.666)	(4.124)	(3.480)	(3.696)	(14.966)
Gross profit	2.016	1.885	2.021	2.095	8.017
Operating expense	(1.615)	(1.563)	(1.535)	(1.712)	(6.425)
Operating profit (loss)	401	322	486	383	1.592
Finance income	21	9	56	136	222
Finance expense	(221)	(248)	(262)	(267)	(998)
Net exchange rate differences	58	13	(66)	(75)	(70)
Net financial expense	(142)	(226)	(272)	(206)	(846)
Effects of associates	0	0	-	0	0
Profit before tax	259	96	214	177	746
Income tax	(52)	(30)	(33)	257	142
Profit for the period	207	66	181	434	888
Translation difference	(26)	(35)	10	52	1
Total comprehensive income	181	31	191	486	889
EBITDA	1.710	1.607	1.799	1.528	6.644
EBITDA %	30,1%	26,7%	32,7%	26,4%	28,9%
Cash generated by operations	1.107	1.580	1.249	1.692	5.628
Investment activities	(819)	(1.010)	(842)	(1.321)	(3.992)
Financial activities	(2.402)	(407)	(467)	(519)	(3.795)

Quarterly statements*

Operations by quarters

	2021 1Q	2021 2Q	2021 3Q	2021 4Q	Total
Revenue from sales of goods and services	5.000	5.289	5.533	5.943	21.765
Cost of sales	(3.375)	(3.759)	(3.654)	(3.884)	(14.672)
Gross profit	1.625	1.530	1.879	2.059	7.093
Gain from sale of passive mobile infrastructure				2.552	2.552
Operating expense	(1.583)	(1.588)	(1.457)	(1.731)	(6.359)
Virðisryrnun	-	-	-	-	0
Operating profit (loss)	42	(58)	422	2.880	3.286
Finance income	5	6	5	6	22
Finance expense	(144)	(145)	(146)	(178)	(613)
Net exchange rate differences	46	22	(70)	20	18
Net financial expense	(93)	(117)	(211)	(152)	(573)
Effects of associates	(193)	20	-	(78)	(251)
Loss before tax	(244)	(155)	211	2.650	2.462
Income tax	13	38	(39)	(374)	(362)
(Loss) / profit for the period	(231)	(117)	172	2.276	2.100
Translation difference	(37)	(7)	19	(89)	(114)
Total comprehensive income	(268)	(124)	191	2.187	1.986
EBITDA adjusted for sale of passive mobile infrastructure	1.388	1.488	1.886	1.670	6.432
EBITDA	1.388	1.488	1.886	4.222	8.984
EBITDA %	27,8%	28,1%	34,1%	71,0%	41,3%
Cash generated by operations	542	1.432	1.756	1.287	5.017
Investment activities	(807)	164	(1.043)	5.924	4.238
Financial activities	(320)	(1.428)	(691)	(3.463)	(5.902)