Sýn hf.

Consolidated financial statements

2019

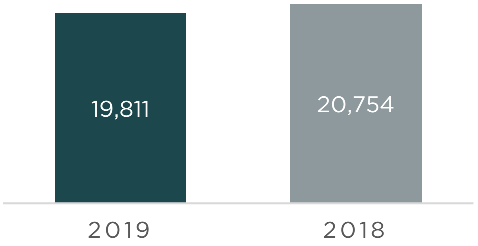
This document includes an English translation of certain part of Sýn hf. Consolidated financial statements for the year 2019. If there is a discrepancy between the English translation and the related parts that are translated from the Icelandic consolidated financial statement, the Icelandic version shall prevail.

Table of contents

	Page
Key figures	3
Independent Auditor's report	4
Income Statement and Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flow	11
Notes	12
Appendices:	
Quarterly Statements	35

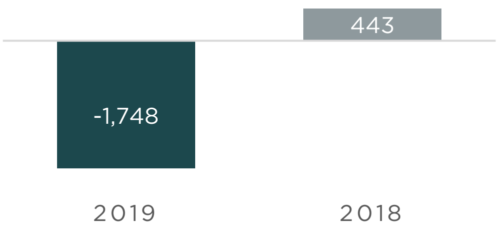
Key Figures

REVENUES

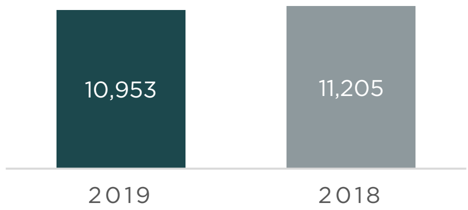


EBITDA AND EBITDA RATIO

PROFIT (LOSS) FROM CONTINUING OPERATIONS



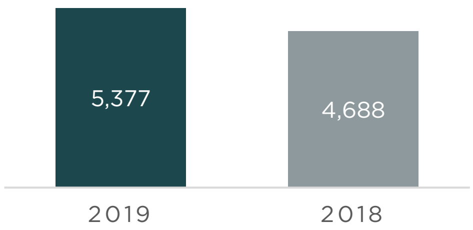
NET INTEREST BEARING DEBT



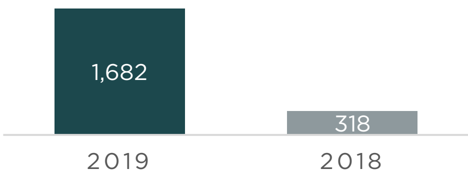
INVESTMENTS

INVESTMENTS IN LICENSE RIGHTS

NET CACH FROM OPERATING ACTIVITIES



FREE CASH FLOW



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, 2019 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, 2019, 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.

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 International Ethics Standards for State Authorized Public Accountants in Iceland and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in our audit
Revenue regognition	
The company´s revenue recognition is based on complex systems and large number of transactions in the revenue recognition system. Therefor revenue recognition is one of key audit matters in the audit of the financial statements. Further information about the revenue recognition can be found in note 6 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 preformed substantive audit procedures to verify the accuracy and completeness of the recognised revenues. This audit work included among other things: • The computer and information systems used for revenue recognition were evaluated and tested as well as testing of other significant controls in the revenue recognition process. • Testing of flow between the revenue systems and the finance system and the reconciliation process performed. • Examination of employee access in the information systems related to revenue recognition and the process of change management. • Substantive analytical procedures to test the revenues recognition.

INDEPENDENT AUDITOR’S REPORT continued.:

Key Audit Matters	How the matter was addressed in our audit
Goodwill	
At year end, the Company‘s goodwill amounted to 8,8 billion Icelandic Krona. The estimate of the recoverable amount of goodwill is based on management estimate about the assumptions used in the future cash flow of the relevant cash generated unit as other assumptions used in the estimate. As the goodwill is a significant part of the balance sheet of the Company and depends on management assumptions it is a key audit matters. Goodwill Impairment of 2,45 billion Icelandic Krona was recognized during the year 2019. Further information about goodwill can be found in note 14 in the financial statements.	In our audit we and our internal valuation specialist evaluated the assumptions used in management impairment testing. We reviewed management methodology used and changes between years, if any. The audit work included amount other things: • The calculation model was evaluated and its functionality tested. • Key assumptions for projected cash flows and operating budgets were reviewed. • Key assumptions regarding future growth following the projected period were evaluated. • Review of management budget accuracy were reviewed. • Key assumptions regarding cost of capital were reviewed and evaluated. WACC assumptions were compared to market related assumptions.

Other information

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

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

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

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

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

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

INDEPENDENT AUDITOR’S REPORT continued.:

Responsibilities of the Board of Directors and the CEO for the Consolidated Financial Statements cont.:

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.

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT continued.:

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

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.

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.

Reykjavík, 26th February 2020.

Deloitte ehf.

Páll Grétar Steingrímsson
State Authorized Public Accountant

Jóhann Óskar Haraldsson
State Authorized Public Accountant

Income statement

	Notes	2019	2018*
Revenue from sales of goods and services	6	19,811	20,754
Cost of sales	7	(12,589)	(12,716)
Gross profit		7,222	8,038
Operating expense	8	(6,720)	(6,871)
Impairment	14	(2,452)	-
Operating profit (loss)		(1,950)	1,167
Finance income		55	49
Finance expense		(1,050)	(751)
Net financial expense	10	(995)	(702)
Effects of associates		963	(26)
Profit (loss) before tax		(1,982)	439
Income tax	18	234	5
Profit (loss) for the period from continuing operations		(1,748)	443
Profit for the period from discontinued operations		-	30
Profit (loss) for the period		(1,748)	473
Earnings (loss) per share from continuing operations**	24	(5.9)	1.5

Statement of Comprehensive income

	2019	2018
Profit (loss) for the period	(1,748)	473
Items that may subsequently be reclassified to profit or loss		
Translation difference	(103)	46
Cash flow hedges	-	58
Total comprehensive income for the period	(1,851)	577

**Restated, see note 5*

*** Diluted earnings (loss) per share from continuing operations*

The notes on pages 15-36 are an integral part of these Concolidted Financial Statements

Consolidated Financial Statements of Sýn hf. 2019 8 Amounts are in ISk millions

Statement of Financial Position

	Notes	31.12.2019	31.12.2018*
Non-current assets			
Right-of-use assets	4	5,828	-
Property, plant and equipment	11	4,793	4,785
Goodwill	14	8,787	10,646
Other intangible assets	14	4,648	4,808
Shares in other companies	15	1,383	48
Income tax balance	19	97	-
Total non-current assets		25,536	20,287
Current assets			
Broadcasting license rights	16	1,814	1,545
Inventories	20	427	364
Trade receivables and other short term receivables	21	3,567	3,403
Cash and cash equivalents		634	356
Current assets of continuing operations		6,442	5,668
Assets classified as held for sale		-	1,056
Total current assets		6,442	6,724
Total assets		31,978	27,011
Equity			
Share capital		2,964	2,964
Statutory reserves		2,465	2,465
Other reserve		112	(1)
Retained earnings		3,257	5,279
Total equity	23	8,798	10,707
Non-Current liabilities			
Interest bearing debt	25	10,898	10,874
Lease liabilities	4	5,390	-
Other non- current liabilities	29	252	-
Deferred tax liabilities	19	9	138
Total non-current liabilities		16,549	11,012
Current liabilities			
Interest bearing debt	25	689	687
Lease liabilities	4	938	-
Accounts payable and other short term liabilities	22	5,004	4,167
Current liabilities of continuing operations		6,631	4,854
Liabilities connected to assets classified for sale		-	438
Total current liabilities		6,631	5,292
Total liabilities		23,180	16,304
Total equity and liabilities		31,978	27,011

**Restated, see note 5*

The notes on pages 15-36 are an integral part of these Concolidted Financial Statements

Consolidated Financial Statements of Sýn hf. 2019 9 Amounts are in ISk millions

Statement of Changes in Equity

	Share Capital	Reserves	Translation Differance	Other statutory reserve	Cash Flow Hedges	Retained earnings	Total equity
2018							
Total equity 1.1.2018	2,964	2,465	64	87	(169)	4,719	10,131
Profit for the period	-	-	-	-	-	473	473
Translation differance	-	-	46	-	-	-	46
Cash flow hedge	-	-	-	-	58	-	58
Comprehensive Income	0	0	46	0	58	473	577
Profit of subsidaries in excess of dividend received	-	-	-	(87)	-	87	0
Total equity 31.12.2018	2,964	2,465	110	0	(111)	5,279	10,707
2019							
Total equity 1.1.2019	2,964	2,465	110	0	(111)	5,279	10,707
Impact of IFRS 16 implementation	-	-	-	-	-	(169)	(169)
Restated Equity 1.1.2019	2,964	2,465	110	0	(111)	5,110	10,538
Loss for the period	-	-	-	-	-	(1,748)	(1,748)
Translation differance	-	-	(103)	-	-	-	(103)
Cash flow hedge	-	-	-	-	111	-	111
Comprehensive Income	0	0	(103)	0	111	(1,748)	(1,740)
Profit of associate in excess of dividend received	-	-	-	105	-	(105)	0
Total equity 31.12.2019	2,964	2,465	7	105	0	3,257	8,798

The notes on pages 15-36 are an integral part of these Concolidted Financial Statements

Consolidated Financial Statements of Sýn hf. 2019 10 Amounts are in ISk millions

Statement of Cash Flow

	Notes	2019	2018*
Operating profit (loss)		(1,748)	473
Adjustment for non-cash items:			
Depreciation and amortization	12	5,007	4,451
Impairment	14	2,452	
Net finance expense	10	995	702
Effects of associates	15	(962)	(4)
Income tax	18	(234)	(5)
Cash generated from operating activities		5,509	5,617
Change in working capital:			
Change in inventories	20	(43)	(195)
Change in operating assets	21	287	(381)
Change in operating liabilities	22	551	315
Cash generated by operations before interest and tax		6,304	5,356
Interest income received		55	49
Interest expense paid		(983)	(716)
Cash generated by operations		5,377	4,689
Investment activities			
Business acquistion, net of cash received		(97)	(58)
Investment in property, plant and equipment	11	(1,218)	(1,554)
Investment in intangible assets	14	(615)	(680)
Investment in broadcasting license rights	16	(2,789)	(2,804)
Investment activities		(4,719)	(5,096)
Financial activities			
New borrowings		0	8,999
Instalment of interest bearing debts		(684)	(8,555)
Changes in revolving credit facility		705	(10)
Instalment of lease liabilties	4	(401)	-
Financial activities		(380)	434
Change in cash and cash equivalents		278	27
Cash and cash equivalents at the beginning of the period		356	329
Cash and cash equivalents at the end of period		634	356

** Restated, see note 5*

The notes on pages 15-36 are an integral part of these Concolidted Financial Statements

Consolidated Financial Statements of Sýn hf. 2019 11 Amounts are in ISk millions

Notes

1. ## The Company

Sýn hf. (“the Company”) is an Icelandic limited liability company. The address of its registered office is Sudurlandsbraut 8, Reykjavik. The main operation of the Company is communication and media service. The consolidation financial statements of the Company for the year ended on December 31th 2019 incorporates the Financial statements of the Company, its subsidiaries and share in joint operation of Sendafelagid ehf, which are referred to combined as “the Group”.

2. ## Accounting Policies

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

a. ### Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies. The consolidated financial statements of the Group are prepared in accordance with the same accounting principles as the Financial Statements for 2018, with exception that a new accouting standard for leases (IFRS 16) came into effect on January 1st, 2019 and change in accounting policy of broadcasting licence rithts, see further discussion in notes 4 and 5.

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 controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries . Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets (includes subsidiaries) are classified as held for sale in accordance with IFRS 5, if the requirements of that standard are fulfilled.

	Ownership%	
Subsidiaries of the Company are three are yar end:	2019	2018
Endor ehf.	100%	-
EC Sweden AB.	100%	-
P/F Hey (discontinued operation)	-	100%

The assets and liabilities of the Company's foreign operations are expressed in the presentation currency using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for each month. Exchange differences arising, if any, are classified as equity and transferred to the Company's 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 recognises the assets it controls, and expenses and liabilities it incurs, and its share of income earned, in its consolidated financial statements by applying the relevant IFRSs.

Consolidated Financial Statements of Sýn hf. 2019 12 Amounts are in ISk millions

Notes, continued.:

2. Accounting Policies, continued.

d. Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation where uncertainty in applying accounting policies has the most significant effect on the amounts recognised in the financial statements is included in note14 on measurement of the recoverable amounts of cash generating units containing goodwill.

e. Functional and presentation currency

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

f. Fair value estimate

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

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

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

3. New financial reporting standards and changes in accounting policies

a. IFRS 16 Lease Agreement

The Group has applied IFRS16 for the financial year commencing 1 January 2019. Other international reporting standards effective as of 1 January 2019 do not have material effect on the Group's financial statements.

IFRS 16 provides a single lessee accounting model.The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is
recognised in retained earnings at the date of initial application. The effect on equity was a decrease of ISK 169 million. The Group used the exemption in the standard to grandfather previous conclusions reached under IFRIC 4 and IAS 17 as to whether contracts existing at transition are, or contain, leases. Therefore, the requirements of IFRS 16 is implemented on agreements are not reassessed under the new definition of leases in IFRS 16. Comparative amounts have not been changed and are reported under IAS 17 and related interpretations. Changes in accounting policies are descriped below:

b. Leases where the Group is a lessee

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease. According to IFRS16 an arrangement is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises right of use assets and a lease liability for lease agreements of office buildings, warehouses, automobile, rights related to telco towers and servers. The right of use asset and the lease liability are recognised as a seperate line in the balance sheet.

Notes, continued.:

3. New accounting standards and changes in accounting policies, continued.

b. Accounting for lease agreement when the Group is a lessee, continued.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate plus estimated margin for certain lease agreement based on its nature. The weighted average incremental borrowing rate is 5.2%.

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.

On transition to IFRS16, lease liabilities which were classified as finance leases under IAS17 are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate as at 1January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencment date, discounted using the lessee's incremental borrowing rate at the date of initial application.

4. Effect of the implementation of IFRS 16

With the application of IFRS 16, the nature of expenses related to operating leases will now change because the Company will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognized operating lease expense on a straight-line basis over the term of the lease. As a result, the application of IFRS 16 leeds to a decrease in profit for year ended December 31st 2019 by 45 million ISK. The effects on PnL line items are as follows: Increase in depreciation and amortisation expense by 458 million ISK, increase in finance cost by 196 million ISK

Earning per share for the year ended December 31st 2019 were -5.9 (basic) and -5.9 (diluted) compared to -5.8 (basic) and -5.8 (diluted) under the prior lease standard IAS 17.

At initial application on January 1st 2019 the Company recognized additional lease liabilities of 3,613 million ISK and a right-of-use asset 3,583 million ISK. Sublease amounting to 199 million ISK and retained earnings 169 million ISK.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities in the year 2019 has increased by 401 million and net cash used in financing activities increased by the same amount

Leases

Right of use asset	Buildings	Cars	Telco towers	Servers	Total
Balance at 1. January 2019	2,541	52	990	-	3,583
Index change	76	1	11	-	88
Additions	11	106	15	-	132
Addition in relation to business combination	-	-	-	2,489	2,489
Discontinued agreements	-	(45)	-	-	(45)
Depreciation	(220)	(34)	(165)	-	(419)
Balance at 31. December 2019	2,408	80	851	2,489	5,828

Consolidated Financial Statements of Sýn hf. 2019 14 Amounts are in ISk millions

Notes, continued.:

4. Effect of the implementation of IFRS 16, continued.

Amounts recognised in the income statement	2019
Depreciation (right of use asset)	458
Interest expense (lease liability)	209
Interest income (lease receivables)	(13)
Total recognised in the income statement	654

Lease liability	31.12.2019
Within a year	938
After a year but within five yeras	3,595
Five years of later	1,795
Total	6,328

5. Change in comparatives

a. Change in accounting policy for broadcasting rights

In the beginning of the year, the accounting treatment of broadcasting rights were changes. In prior years broadcasting right were classified and measured as inventories but are now classfied and measured as intangible assets. Expense related to broadcasting right are recognised as amortization from 1.1.2019. Comparative amounts for 2018 have been changes. See further information below:

	31.12.2018	Change	Revised 31.12.2018
Inventories	1,909	(1,545)	364
Amortization	1,893	2,558	4,451

b. Discontinued operations

In the year 2018, P/F Hey was classified as held for sal ein the consolidated financial statements of the Company. As the effect of the operation of P/F Hey were estimated immaterial for the Group, it was not presented as discontinued operation. To make the years 2018 and 2019 comparable in this consolidated financial statements, comparatives have been revised for the effect of the operation of P/F Hey. Below is an break down of the affect of the change. The corrections includes transactions between the companies in the year 2018.

	31.12.2018	Change	Revised 31.12.2018
Revenues	21,951	(1,197)	20,754
Operating profit	1,203	(36)	1,167
Net finance expense	(702)		(702)
Income tax	(2)	7	5
Profit of the year	473	(30)	443
Cash generated by operation	2,081	85	2,166
Investment activities	(2,449)	157	(2,292)
Financial activities	444	30	474

Consolidated Financial Statements of Sýn hf. 2019 15 Amounts are in ISk millions

Notes, continued.:

6. Net sales

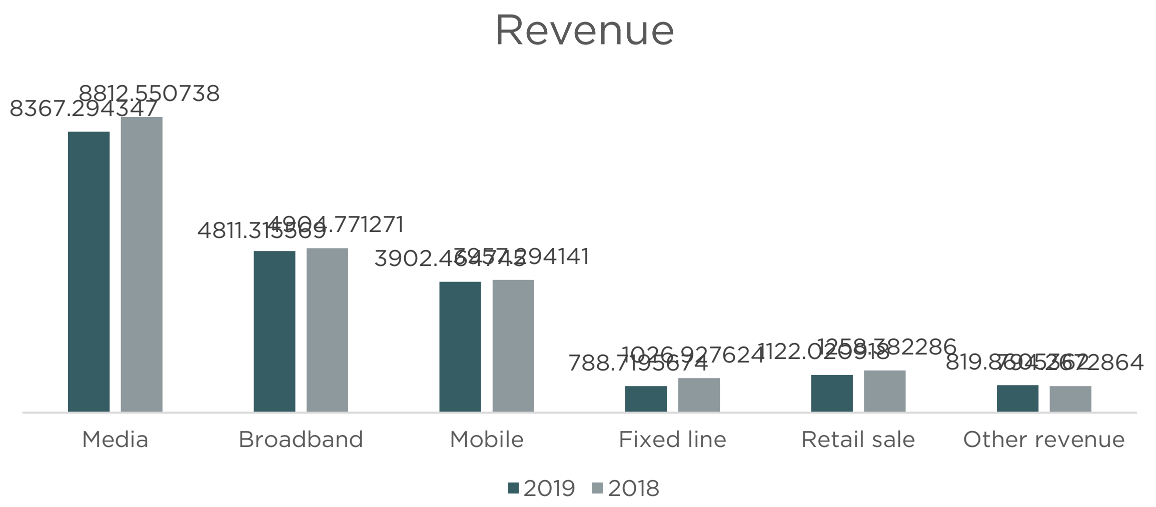
Sales of goods and service is specified as follows:	2019	2018
Sales of goods	1,122	1,258
Sales of service	18,689	19,496
Total sales of goods and service	19,811	20,754

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

Revenue

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

The Group's operation is divided in to six 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 fullfilled over time. Revenues from advertisement are recognized when the performance obligation has been fulfilled. Revenues from rental of certain movies or eposodes are recognized 48 hours after the purchase.

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

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

Notes, continued.:

6. Revenue, continued.

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

Retail sale – Revenue from sale of telecommunications 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 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.:

7. Cost of goods sold and services

Cost of goods sold and services is specified as follows:	2019	2018
Cost of good sold and services	6,652	7,159
Salaries and related expenses	2,171	2,063
Depreciation and amortization	3,766	3,495
Total cost of goods sold and services	12,589	12,716

8. Operating expenses

Operating expenses are specified as follows:	2019	2018
General and administrative expenses	1,332	1,647
Sales and marketing expenses	426	535
Salary and related expenses	3,723	3,732
Depreciation and amortization	1,241	956
Total operating expenses	6,720	6,871

9. Salaries and related expenses

Salaries and related expenses are specified as follows:	2019	2018
Salaries	4,803	4,726
Pension fund expenses	628	586
Other salary related expenses	463	483
Salaries and related expenses	5,894	5,795
Average full-time equivalents during the period	522	553

At year 2019 60% of managers were male and 40% were female (2018: 59% / 41%).

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

10. Financial income and expenses

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. Dividend income from investments is recognized when the shareholder's right to receive payment has been established.
Interest expese from a financial liability and its lease liabilities are is accured on a time basis, by reference to the pricipal outstanding based on effective interest rate.
Exchange rate profit and loss is offset and presented as net exchange rate profit or loss of the period.

Financial income and expenses are specified as follows:	**2019**	**2018**
Interest income from loans and receivables	44	37
Other interest income	11	12
Total financial income	55	49
Interest expense and other service charges	(1,015)	(718)
Exchange rate loss	(35)	(33)
Total financial expenses	(1,050)	(751)
Total financial items	(995)	(702)

Consolidated Financial Statements of Sýn hf. 2019 18 Amounts are in ISk millions

Notes, continued.:

11. Property, plant and equipment

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

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

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

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

Property, plant and equipment is specified as follows:

	Property	Telecom & Broadcasting Equipment	Appliances automobiles & Interiors	Total
Cost				
Total cost 1.1.2018	51	14,052	1,624	15,727
Additions during the year	-	1,229	428	1,658
Sold and discontinued during the year	-	(52)	(9)	(61)
Exchange rate influence	-	104	(2)	102
Reclassification and fully depr. Assets	-	(197)	(43)	(240)
Discontinued operations eliminated	-	(1,511)	(118)	(1,629)
Total cost 31.12.2018	51	13,625	1,880	15,557
Reclassification and fully depr. assets	-	(4,449)	(328)	(4,777)
Additions during the year	-	927	291	1,218
Acquired when purchasing a subsidiary	-	-	23	23
Sold and discontinued during the year	-	-	(60)	(60)
Toal cost 31.12.2019	51	10,103	1,806	11,960
Depreciation and impairment				
Depreciation 1.1.2018	19	9,773	1,035	10,825
Fully depr. assets	-	(189)	(51)	(240)
Depreciations during the year	2	964	209	1,175
Sold and discontinued during the year	-	(47)	(6)	(53)
Exchange rate influence	-	113	(8)	105
Discontinued operations eliminated	-	(941)	(99)	(1,040)
Total depreciation 31.12.2018	21	9,673	1,080	10,772
Fully depr. assets	-	(4,449)	(328)	(4,777)
Depreciations during the year	2	1,018	213	1,232
Sold and discontinued during the year	-		(60)	(60)
Total depreciation 31.12.2019	23	6,242	903	7,167
Book value				
1/1/2018	32	4,279	589	4,900
31/12/2018	30	3,952	800	4,785
31/12/2019	28	3,861	903	4,793
Depreciation ratio	3%	5-33%	15-33%	

Consolidated Financial Statements of Sýn hf. 2019 19 Amounts are in ISk millions

Notes, continued.:

12. Depreciation and amortization

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

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

Buildings	33 years
Telecom equipments	3 to 20 years
Braodcasting equipments	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. Depreciation period begins when the assets are ready for use. Estimated useful life is stated as follows:

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

Impairment previously recognized can be reversed for all assets, except goodwil if the estimated recoverable amound is higher than book value. the book value of assets can not be higher after the reversal than it would have been if no impairment would have occured.

The following useful lives are used in the calculation of amortization of intangible assets:

Software	10 years
Trademarkd and customer relationship	9 to 30 years
Other intangible assets	3 to 10 years

Depreciation and amortization in the income statement are specified as follows:	2019	2018*
Depreciation of property, plant and equipment, - note 11	1,232	1,175
Amortization of intangible assets, - note 14	797	718
Impairment, - note 14	2,452	-
Depreciation of right of use assets, - note 4	458	-
Depreciation of broadcasting rights, - . note 16	2,520	2,558
Deprecitaion and amortization recognized in the income statement	7,459	4,451

Depreciation and amortization is classified by functional category as follows:

	2019	2018*
Cost of goods and services sold	3,766	3,495
Other operating costs and impairment	3,692	956
Total	7,459	4,451

Restated, see note 5

13. Real estate and insurance value

At 2018 year-end the book value of the Group's real estate amounted to 28 million ISK (2018: 30 million), the official real estate value amounted to 57 million ISK (2018: 60 million) and the insurance value amounted to 68 million ISK (2018: 64 million). The insurance value of other property, plant and equipment amounted to 5,007 million ISK at 2019 year-end (2018: 6,950 million).

Consolidated Financial Statements of Sýn hf. 2019 20 Amounts are in ISk millions

Notes, continued.:

14. 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 Company's interest in the net fair value of the identifiable assets, liabilities, contingent liabilities, the amount of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment
losses.
Goodwill is not amortized but is reviewed for impairment at least annually. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the Consolidated Income Statement. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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

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

Intangible assets are specified as follows:

	Goodwill	Trademark and Customer relationship	Other intangible assets	Total
Cost				
Total cost 1.1.2018	13,748	3,293	3,879	20,920
Additions during the year	-	-	749	749
Sold and discontinued during the year	-	-	(188)	(188)
Exchange rate influence	(38)	-	49	11
Discontinued operations eliminated	(224)	-	(290)	(514)
Total cost 31.12.2018	13,486	3,293	4,199	20,978
Reclassification and fully depreciated assets	-	-	(1,180)	(1,180)
Additions during the year	-	-	615	615
Acquired when purchasing a subsidiary	593	-	22	616
Total cost 31.12.2019	14,079	3,293	3,656	21,029
Depreciation and impairment				
Depreciation and impairment 1.1.2018	3,027	17	2,271	5,315
Depreciation during the year	-	199	519	718
Sold and discontinued during the year	-	-	(188)	(188)
Exchange rate influence	(43)	-	(1)	(44)
Discontinued operations eliminated	(145)	-	(134)	(279)
Total cost 31.12.2018	2,839	215	2,469	5,522
Reclassification and fully depreciated assets	-	-	(1,180)	(1,180)
Depreciation during the year	-	199	598	797
Impairment	2,452			2,452
Total depreciation 31.12.2019	5,291	414	1,887	7,590
Book value				
1/1/2018	10,721	3,276	1,608	15,605
31/12/2018	10,646	3,078	1,730	15,454
12/31/2019	8,787	2,879	1,769	13,435
Depreciation ratio	-	3-11%	10-33%	

Consolidated Financial Statements of Sýn hf. 2019 21 Amounts are in ISk millions

Notes, continued.:

14. Intangible assets, cont.:

Impairment testing for cash generating units that contain goodwill

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

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

	2019	2018
Goodwill relaated to Sýn hf.	8,194	10,646
Goodwill relaated to Endor ehf.	593	-
Total goodwill	8,787	10,646

During the year, the Company assessed the recoverable amount of goodwill and determined that it had incurred impairment amounting to 2.5 billion ISK. 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. The main reason for the impairment recognized is a slow progress of cost synergies expected from the acquistion of the operation of 365 Midlar and change in market competition.

The following assumptions were used for estimating value in use:

	2019	2018
Nominal growth of revenue 2019 / 2018	-4.5%	58.7%
Average growth of revenue 2020 to 2024 / 2019 to 2023	1.5%	1.5%
Terminal growth	3.0%	2.5%
Average EBITDA 2020 to 2024 / 2019 to 2023	2.6%	10.4%
WACC	9.3%	11.1%

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

Goodwill related to the acquistion of Endor ehf. was tested for impairment at year end by comparing the acquistion business plan with actual performance of the yar 2019 and management expectation for future operation of the company. The conclusion was that the recoverable amount is higher than the book value of recognized goodwill.

15. Investments in associates

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

Other investments are immaterial and recognized at cost.

Majority of the shares in P/F Hey were sold in the beginning of the year 2019. The Company‘s ownership (49,9%) in the new merged company is recognized under the equity methood. Profit related to the sale amounted to 873 million ISK was recognized in the year 2019. All conditions to classify assets and liabilities of P/F Hey were fullfilled in the year 2018 and therefore the assets and liabilities were classfied as such. Assets of P/F Hey were recognized at book value less cost of sale or fair value, which ever was lower.

	2019
Book value as of 1.1.2019	48
Ownership in P/F Hey classified as investment in associates	452
Fair value change of the owership in P/F Hey	690
Shares in income of other associates	91
Tranlation difference	(8)
Additions in the year	87
Book value as of 31.12.19	1,360
Investment in other companys	23
Book value os of 31.12.19	1,383

Consolidated Financial Statements of Sýn hf. 2019 22 Amounts are in ISk millions

Notes, continued.:

16. Broadcasting rights

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

Broadcast rights at year end is specified as follows:	2019	2018
Balance at beginning of the year	1,545	1,299
Foreign broadcasting license	2,226	2,236
Domestic content	565	568
Depreciation of the period	(2,520)	(2,558)
Broadcast rights at year end	1,814	1,545

The Groups off balance sheet commitments for broadcasting rights amounts to 1,979 millj. kr. (2018: 2,100 millj. kr.)

17. Fee to auditors

	The Groups auditors		Other auditors	
Servicies provided are specified as follows:	2019	2018	2019	2018
Auditing	17	18	-	-
Other services	8	23	11	14
Total fee to auditors during the period	25	41	11	14

18. Income tax

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

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

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

Effective income tax is specified as follows:	2019		2018	
Profit (loss) before income tax		(1,982)		439
Income tax according to current tax ratio	(20.0%)	396	20.0%	(95)
Effects of associates	(1.0%)	19	0.5%	(2)
Effect of purchasedand impaired goodwill	24.7%	(490)	(22.6%)	99
Non taxable sales profit	(8.8%)	174	-	-
Other items	(6.9%)	134	(0.7%)	3
Effective income tax	(11.9%)	234	(2.8%)	5

Consolidated Financial Statements of Sýn hf. 2019 23 Amounts are in ISk millions

Notes, continued.:

19. Deferred tax liability / assets

Deferred tax assets (deferred tax liability) is specified as follows:	2019 Tax asset	2019 Tax liabilities	2018 Tax asset	2018 Tax liabilities
Deferred tax assets (tax liability) at beg. the year	(138)	-	-	(193)
Income tax in the income statement	234	-	-	(2)
Discontinued operations eliminated	-	-	-	57
Other items	1	(9)	-	-
Tax liability / tax asset at year end	97	(9)	0	(138)

Deferred tax assets (deferred tax liability) is specified as follows:	2019		2018	
Property, plant and equipment	(257)	-	-	(326)
Current assets	164	-	-	184
Right-of-use assets	43	-		
Other items	7	(9)	-	4
Tax loss carry forward	140	-	-	
Tax liability / tax asset at year end	97	(9)	-	(138)

The group's tax asset is specified as follows:	Balance at beginning of the year	Change during the year	Balance at year end
The transferable loss for the year 2019 can be utilized until 2029	-	276	276

20. Inventories

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

Inventories are specified as follows:	2019	2018*
Telecommunications equipment for resale	336	231
Telecommunications equipment (supplies)	71	133
Other equipment (supplies)	20	-
Inventories at year end	427	364

** Restated, see note 5.*

Consolidated Financial Statements of Sýn hf. 2019 24 Amounts are in ISk millions

Notes, continued.:

21. Trade receivables and other receivables

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

Trade receivables and other receivables are specified as follows:	2019	2018
Trade receivables	3,167	3,021
Other receivables	356	461
Sublease	147	0
Write-down of accounts receivables	(102)	(79)
Total trade receivables and other receivables	3,567	3,403

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

Change of write-down of accounts receivables is specified as follows:		
Balance at beginning of year	(79)	(81)
Starting point adjusted for discontinued operations	-	10
Change in write-down for claims that may be lost	(44)	(55)
Lost accounts receivable during the year	21	47
Accounts receivables balance at year end	(102)	(79)

22. Operating liabilities

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

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

Operating liabilities are specified as follows:	2019	2018
Accounts payable	3,431	2,672
Other short-term liabilities	1,129	1,241
Pre-collected revenues	444	254
Total operating liabilities	5,004	4,167

Pre-collected revenues

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

Consolidated Financial Statements of Sýn hf. 2019 25 Amounts are in ISk millions

Notes, continued.:

23. Equity

Share capital

Issued share capital at year-end was 2,964 million ISK (2018: 2,964 million). The nominal amount of each share is 10 ISK. Shareholders are entitled to dividends in proportion with their share at ex-dividend date. According to the Company's articles of association there are no restrictions regarding sale or transfer of shares.

Share premium

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

Translation reserve

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

Dividend

No dividends were distributed from 2018 net results and the Board of Directors will propose to the Annual General Meeting that no dividends will be distributed from 2019 net results.

Retained earnings

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

24. 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 profits 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 (loss) per share is specified as follows:	2019	2018
Profit (loss) of the year	(1,748)	443
Shares at beginning of the year	2,964	2,964
Effects of purchased and sold own shares	-	-
Impact of share capital increase (decrease)	-	-
Weighted average of outstanding shares during the year	2,964	2,964
Profit (loss) per share and dialuted profit per share	(5.90)	1.53
Earnings and diluted earnings per ISK of share capital	(0.59)	0.15

Consolidated Financial Statements of Sýn hf. 2019 26 Amounts are in ISk millions

Notes, continued.:

25. ## Interest bearing liabilities

Interest bearing liabillities 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

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

Interest bearing long-term liabilities are specified as follows	2019	2018
Liabilities to financial institutions	11,587	11,561
Current maturities of borrowings	(689)	(687)
Total interest bearing long-term liabilities	10,898	10,874

Liabilities due to financing activities	2019	2018
Starting balance	11,561	11,350
Discontinued operations eliminated	5	(196)
Payments	(684)	(8,583)
New loan	-	8,999
Operating loan	705	(10)
Final balance	11,587	11,561

Interest bearing debts at year end are in ISK and non-indexed. Weighted average interest is 4.4% (2018: 5,4%)

Payments of long-term liabilities are specified in the following years:	2019	2018
Payments in 2019	-	687
Payments in 2020	689	687
Payments in 2021	985	687
Payments in 2022	683	2,078
Payments in 2023	9,231	7,422
Total	11,587	11,561

Debt covenants

In the company's loan agreements there are obligations that the group must fulfill. The obligations relate to both certain restrictions of the groups actions without the prior consent of the lender as well as the financial ratios that the company must fulfill. At year end, the group fulfilled all the loan terms relating to its financial ratios in its operations, but an exemption was obtained from the lender regarding obligations to the maximum amount of investments per year.

Colleteral

A colleteral amounting to IS 5.807 millj kr. (2018: 5.650 millj kr.) is in place between the Company and its lendor. The colleteral relates to among others current assets, property, plant and equipments inventory and accounts receivables.

Consolidated Financial Statements of Sýn hf. 2019 27 Amounts are in ISk millions

Notes, continued.:

26. Risk management

a. Overview

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

Credit risk
Liquidity risk
Market risk

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

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

b. Credit risk

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

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

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

Greatest possible loss due to loan risk

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

	Skýring	2019	2018
Accounts receivables and other receivables	21	3,567	3,403
Cash and cash equivalents		634	356
Total		4,201	3,759

At year end accounts receivables for the five biggest customers amounted to ISK 736 millj. kr. (2018: 372 millj. kr.) The increase between years is explained by one customer Endor ehf.

Impairment of accounts receivable

	Nominal claim		Write-down	
The age of trade receivable was specified at year end as follows:	2019	2018	2019	2018
Not due	3,268	3,042	(30)	(30)
Overdue within 90 days	177	269	(14)	(21)
Overdue in more than 90 days	225	171	(59)	(28)
Total accounts receivable at year end	3,669	3,482	(102)	(79)

Consolidated Financial Statements of Sýn hf. 2019 28 Amounts are in ISk millions

Notes, continued.:

26. Risk management, cont.:

c. Liquidity risk

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

The Group has implemented a management policy for liquidity risk, which determines the Group's handling and use of liquid funds and aims to minimize risks. Cash flow projections that predict the needs for liquid funds are prepared monthly. The Group has unused revolving facilities at year-end of 704 million ISK (2018: 960 million).

The table below shows undiscounted contractual payments of financial liabilities, including interest payments:

	Book Value	Agreed cash-flow	Within a year	1 to 2 years	2 to 5 year	More than 5 years
December 31. 2019						
Liabilities:						
Interest bearing liabilities	11,587	13,138	1,131	3,277	8,729	-
Accounts payable and other current liabilities	5,004	5,004	5,004	-	-	-
Total	16,591	18,142	6,135	3,277	8,729	0
December 31. 2018						
Liabilities:						
Interest bearing liabilities	11,576	14,000	1,269	2,690	10,041	-
Derivatives	124	124	46	40	38	-
Accounts payable and other current liabilities	3,928	3,928	3,928	-	-	-
Total	15,628	18,052	5,243	2,730	10,079	0

d. Market risk

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

Consolidated Financial Statements of Sýn hf. 2019 29 Amounts are in ISk millions

Notes, continued.:

26. Risk management, cont.:

e. Exchange rate risk

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

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

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

December 31. 2018	EUR	USD	GBP	SDR
Accounts receivables	83	16	1	81
Cash and cash equivalents	1	-	-	-
Accounts payables	(429)	(527)	(87)	(9)
Risk in the balance sheet	(345)	(511)	(86)	72

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

	Average rate		Year end rate	
	2019	2018	2019	2018
EUR	137.30	127.73	135.83	133.23
USD	122.65	108.38	121.10	116.33
GBP	156.49	144.35	159.42	148.33
SDR	169.44	153.24	167.75	161.82

Sensitivity analysis

10% strengthening of ISK against the relevant currencies would increase pre-tax net profit of the Group by 111 million ISK (2018: 82 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.

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.	2019	2018
Borrowings with variable interest	11,587	11,561

A 100 bps change in interest would effect the pre-tax profit by 116 million ISK (2018: 115 million). The Group has no fixed rate borrowings. The Group is party to interest rate swaps where it pays fixed interest and receives variable interest.

h. Fair value

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

Notes, continued.:

27. Capital management

The Group's objective is to maintain a strong equity ratio to support stability in future operations. In the long term it is the objective to maintain at least a 30% equity ratio. The equity ratio at year end was 27,5% (2018: 39,6%).

The Group is not subject to regulatory requirements on minimum equity.

28. 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:	2019 Fixed terms	2019 Variable terms	2018 Fixed terms	2018 Variable terms	No. of shares at the end of 2019
Board:					
Hjörleifur Pálsson, chariman.	7.0	-	5.0	-	250,000
Anna Guðný Aradóttir, board member.	5.5	-	5.0	-	-
Sigríður Vala Halldórsdóttir, board memb	2.4	-	-	-	-
Tanya Zharov, board member	4.8	-	1.2	-	-
Óli Rúnar Jónsson, board member	1.1				-
Heiðar Guðjónsson, former Chairman	3.1	-	9.2	-	- *
Yngvi Halldórsson, form. board member	4.6	-	5.0	-	34,000
Hildur Dungal, former board member	0.6	-	4.2	-	-
Baldur Már Helgason, form. board membe	-	-	0.2	-	-
Nomination committee:					
Ragnheiður S. Dagsdóttir	1.6	-	1.5	-	-
Þröstur Olaf Sigurjónsson	1.6	-	0.2	-	-
Ásdís Jónsdóttir	-	-	1.2	-	-
Key management:					
Heiðar Guðjónsson, CEO of Sýn hf.	35.1	-	-	-	- *
Stefán Sigurðsson, former CEO of Sýnar h	51.4	-	45.3	-	196,186
Rúnar Reistrup, CEO of P/F Hey	-	-	26.4	-	-
Two executive members of Sýnar hf.	56.8	-	59.0	-	87,550
Two execut. Memb. from June '19	33.4				
Four former execut. members of Sýn hf.	84.8	-	110	-	35,250

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

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

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

Trading with related parties

Sale of goods and services to related parties and entities related to the amounted to 304 million ISK in the year 2019 (2018: 20 million) and purchases of goods and services amounted to 42 million ISK (2018: 6 million).

Consolidated Financial Statements of Sýn hf. 2019 31 Amounts are in ISk millions

Notes, continued.:

29. Business Combination - Endor ehf.

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

Sýn hf. signed a contract for the acquistion of all shares in the information technology company Endor ehf., at 18. october 2019. Syn hf. will operate Endor as a subsidiary and is its infrastructure to support further growth of Endor in international markets. The Competition Authority approved the acquistion on 1. December 2019. Assets and liabilties of Endor have consolidated as of 31.12.2019 but the operation of the subsidiary is not recognized in December 2019 as it is immaterial.

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

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

Acquistion cost was expensed when incurred.

The below esstimate of fair value of assets and laibilities is based on provisional purchase price alllocation. The final purchase price allocation will be finalizeed within 12 months from acquistion date in line with the requrements of IFRS 3.

Fair value of assets and liabilities on aquisition date	2019
Current assets	
Inventories	20
Accounts receivables	259
Other receivables	10
Cash	190
Fixed assets	
Property, plant, equipment and intangib	45
Right-of-use assets	2,520
Total assets	3,044
Short-term liabilities	
Accounts payable	90
Pre-collected income	215
Total liabilities	305
Long-term liabilities and commitments	
Lease liabilities	2,706
Deferred tax liabilities	9
Total liabilities	2,715
Fair value of net assets	24
Goodwill	
Purchase price	618
Fair value of net assets and liabilities	(24)
Goodwill from the purchase	593

Consolidated Financial Statements of Sýn hf. 2019 32 Amounts are in ISk millions

Notes, continued.:

30. Other matter

Sýn hf. is engaged in legal proceedings against individuals, other companies and supervisory authorities in the Icelandic telecommunication and media market. The company recognizes obligations and/or claims due to such legal proceedings in its accounts once future payments and other benefits can be evaluated in a reliable manner. Due to uncertainties regarding future development of legal proceedings, judicial decisions, rulings, appeals and settlements, the outcome can lead to additional commitments and costs for the company.

Sýn hf. vs. Síminn hf. and counterclaim

Sýn hf. filed a subpoena for damages against Síminn hf. for the District Court of Reykjavík regarding infringements of competition law in the years 2001 until 2007. The infringements related to overcharge of termination costs, which resulted in unlawful margin squeeze. Síminn filed a counterclaim and claimed damages. The District Court acquitted both parties with a ruling on 23 November 2018, which was confirmed by the National Court on 8 November 2019 with ruling in case no. 919/2019. The Supreme Court did not grant a right to appeal so the case is now considered as concluded.

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

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

With rulings of the District Court on 1 April 2019, the parties were acquitted of all claims made by Síminn in both court proceedings. Siminn has filed an appeal with respect to both court cases to the National Court and are currently awaiting proceedings. No financial claims are brought against Sýn hf. in these cases.

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

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

The dispute mainly relates to the interpretation of Article 45 (paragraph 5) of the Icelandic Media Act no. 38/2011, and whether Síminn hf. has infringed that provision by solely offering its content provider to those who purchase telecommunication services from Síminn group company, with the objective of adding more customers for its telecommunication services. The company has provided its statement in the case, claiming that it should be acquitted and that the defendant will bear its legal costs. The main proceedings in the case is estimated to take place during the spring of 2020.

Imminent claims and other disputes

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

With a letter, dated 17 December 2019, Sýn hf. brought a claim towards Ingibjörg Pálmadóttir, Jón Ásgeir Jóhannesson, 365 hf. and Torg hf., on the basis of the non-competition clauses within the purchase agreement between Sýn hf. and 365 hf. (previously 365 miðlar hf.) from 14 March 2017. In the letter the company describes its view that certain aspects of operations carried out by the web media frettabladid.is is not in line with obligations set out in the aforementioned agreement. Further, the company refers to the fact that the applicble provisions include a right for Sýn hf. to claim penalties/damages which amount to ISK 5 m per day, including indexation. On this basis, the company brought a claim for payment of ISK 1,140 m, plus indexation. With a letter, dated 20 December 2019, the claim was formally disputed on behalf of Ingibjörg, Jón Ásgeir and 365 ehf. In this regards, Sýn hf. has now asked an attorney-at-law to start preparation for legal proceeding for collection of this claim. In this regards, it is anticipated that the legal proceedings will be initiated within the next couple of weeks.

Notes, continued.:

30. Other matter continued.:

Imminent claims and other disputes continued.:

Claim for damages from Síminn hf.

With a ruling from the Supreme Court, dated 18 October 2018, in case no. 329/2017 the court confirmed an injunction from 16 December 2015, in relation to Sýn's on-demand distribution of Síminn's television material. Following this ruling, Síminn filed a subpoena against Sýn on 1 March 2019 claiming damages amounting to ISK 555 m. The District Court dismissed the case with a ruling, dated 12 September 2019. Síminn hf. then filed an appeal to the National Court, which confirmed the previous ruling on 11 November 2019.

Claim for damages against Síminn hf.

Sýn hf. has brought a claim for payment of damages against Síminn hf. in relation to the infringement of Art 45 (5) of the Icelandic Media Act no. 38/2011 in accordance with the aforementioned ruling of the Post and Telecom Administration no. 10/2018 (see further above). In this regards, Sýn hf. requested on 19 June 2019 that its financial loss pertaining to this infringement by Síminn would be estimated by two competent and impartial court appointed assessors. In its request, Sýn hf. estimated that it that its financial loss amounted to ISK 1,141 m. The District Court appointed assessors on 5 September 2019 which are currently still working on this matter. It is anticipated that the assessment will be completed this spring.

Matters before supervisory authorities

At any time, various matters are being processed by various supervisory authorities. This has however never resulted in any administrative fines and/or other significantly onerous measures.

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.

Quarterly statements

Operations by quarters

	2019 1Q	2019 2Q	2019 3Q	2019 4Q	Total
Net sales	4,975	5,023	4,878	4,935	19,811
Cost of sales	(3,068)	(3,290)	(3,133)	(3,098)	(12,589)
Gross profit	1,907	1,733	1,745	1,837	7,222
Operation expenses	(1,822)	(1,769)	(1,559)	(1,570)	(6,720)
Impairment	-	-	-	(2,452)	(2,452)
Operation profit	85	(36)	186	(2,185)	(1,950)
Finance income	13	14	11	17	55
Finance cost	(271)	(271)	(337)	(171)	(1,050)
Net financial expense	(258)	(257)	(326)	(153)	(995)
Effects of associates	820	8	16	119	963
Profit (loss) before tax	647	(285)	(124)	(2,220)	(1,982)
Income tax	23	70	22	119	234
Profit (loss) for the period	670	(215)	(102)	(2,101)	(1,748)
Translation difference	(55)	(22)	(21)	(5)	(103)
Cash flow hedges	11	(36)	136	-	0
Total comprehensive income for the period	626	(273)	13	(2,106)	(1,851)
EBITDA	1,260	1,216	1,623	1,409	5,509
EBITDA %	13.5%	13.2%	18.9%	28.6%	27.8%
Net cash from operating activities	819	1,261	1,344	1,953	5,377
Investing activities	(1,027)	(799)	(1,227)	(1,666)	(4,719)
Financing activities	(48)	(184)	(368)	220	(380)

Consolidated Financial Statements of Sýn hf. 2019 35 Amounts are in ISk millions

Quarterly statements

Operations by quarters

	2018 1Q	2018 2Q	2018 3Q	2018 4Q	Total
Net sales	5,030	5,157	5,143	5,424	20,754
Cost of sales	(3,005)	(3,158)	(3,112)	(3,441)	(12,716)
Gross profit	2,025	1,999	2,031	1,983	8,038
Operation expenses	(1,821)	(1,810)	(1,557)	(1,682)	(6,870)
Operation profit	204	189	474	301	1,168
Finance income	10	18	10	13	51
Finance cost	(144)	(209)	(220)	(181)	(754)
Net financial expense	(134)	(191)	(210)	(168)	(703)
Effects of associates	(4)	(8)	(2)	(13)	(27)
Income tax	(15)	1	(55)	73	5
Profit (loss) for the period from continuing	51	(9)	207	193	443
Profit for the period from discont. operations	5	5	19	1	30
Profit (loss) for the period	56	(4)	226	194	473
Translation difference	(21)	13	28	26	46
Cash flow hedges	37	(8)	(1)	30	58
Total comprehensive income for the period	72	1	253	250	577
EBITDA	1,230	1,321	1,619	1,449	5,619
EBITDA %	22.9%	22.5%	24.8%	26.7%	27.1%
Net cash from operating activities	1,198	947	1,185	1,358	4,688
Investing activities	(1,285)	(1,412)	(1,184)	(1,215)	(5,096)
Financing activities	(4)	576	(45)	(93)	434

Consolidated Financial Statements of Sýn hf. 2019 36 Amounts are in ISk millions