Platínum Nova hf.

Consolidated Financial Statements 2019

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Platínum Nova hf.
Reg. no. 620916-0560
Lágmúli 9, 108 Reykjavík

Endorsement by the Board of Directors and the CEO

Endorsement by the Board of Directors and the CEO

Platinum Nova hf is the parent company of Nova hf. These financial statements comprise the consolidated financial statements of Platinum Nova hf (the Company) and its subsidiary together referred to as the “Group”.

According to the consolidated statement of comprehensive income total revenue for the year 2019 amounted to ISK 10.301 million. EBITDA was ISK 2.658 million and loss for the year was ISK 58 million. Equity at year end amounted to ISK 8.662 million, according to the consolidated statement of financial position, and the equity ratio was 45,7%. Reference is made to the consolidated statement of changes in equity regarding information on changes in equity during the year.

Originally a mobile service provider, Nova is an all-round telecom operator offering mobile and fiber service to households and a full suite of telecom products to corporates. Nova has a market share in mobile of 32.8% and 17.2% market share in fiber-to-home (according to latest PTS statistics), a product launched in 2016 Nova has a growing share in the corporate market, having strengthened and streamlined its corporate offering in the last year.

Nova operates NovaTV – an OTT TV service, offering free access to all free-to-air TV content in Iceland in addition to subscription channels.

In 2019 Nova completed a merger with Símafélagið ehf, an acquisition since the year before. In December 2019, the Group completed refinancing of all long-term debt.

The key to customer satisfaction is happy employees, and to that end we live and breathe our slogan: “The world's biggest entertainment club!” The average number of employees in 2019 was 156, compared to 149 in 2018.

Marketing Highlights

- Nova was awarded as one of the model companies, among larger companies in Iceland, by the local Trade Union, VR.

- Nova was awarded the company with the highest customer satisfaction and NPS score in Iceland-based mobile services for the 11th year in a row. Nova also received the second highest score across all sectors in the field. Value for money, great 2 for 1 offers and launch of free stuff is one of many factors which drive customer satisfaction.

- The marketing campaign “Say goodbye to the setup box” was nominated as the top five most successful marketing campaigns of the year (ÁRA) by the Icelandic Marketing Association (IMARK). Nova received awards for the best TV ad in 2019 according to same association - Get rid of the setup box. Nova was also voted 2nd best brand in Iceland according to marketing managers in Iceland.

- Online presence and customer service is an ongoing focus for Nova, and Nova’s new smarthome website and webstore was awarded at the annual Icelandic Web Awards (SVEF); the Best Website 2019 and the smartest Website Of The Year.

Endorsement by the Board of Directors and the CEO

Network and Investments

Nova owns and operates 4G/LTE and 3G+ mobile networks that cover over 98% of Iceland. In 2019, the focus was to upgrade the 4G network to the latest available technology, 4.5G. The upgrade enhances network speed and capacity and improves quality for end users. Investments in 2019 in telecommunication equipments amounted to ISK 986 million, to further strengthen the company's leading position in the Icelandic communications market. Nova started their first 5G trial in 2019 and will launch commercial operations in 2020.

The use of data among Nova's customers has increased considerably year by year, and the increase is expected to continue growing by up to 50% annually. This growth is primarily linked to an increase in the streaming of high quality entertainment, which calls for an even greater increase in capacity of our mobile networks. Each new generation of mobile networks has resulted in an exponential growth of capacity and speed. Technical improvements, like new generations of mobile networks, have usually led to new innovations, the founding of new businesses and even direct social change. Therefore, the development of mobile networks serves as a very important step for the reinforcing and advancement of our community’s infrastructure.

The vast increase in the use of mobile data is particularly relevant to Nova. Nova’s customers use mobile data a lot more than customers of other mobile operators in the marketplace. For example, 60,4% of all mobile data traffic went through Nova’s systems in Iceland last year, according to the Icelandic Post and Telecom Administration (PTA). Nova’s goal is to have the most satisfied customers and always offer the fastest mobile phone network at any given time.

Nova and Sýn are in joint operation, Sendafélagið ehf., for network sharing and improved operational efficiency of the network.

Risks and uncertainties

As explained in note 23 Subsequent events in the financial statements, the COVID 19 outbreak and resulting measures taken by the government to contain the virus have had limited effects on our business in the first 4 months of this year. In coming uncertain economic environment it is unknown what the longer term impact on our business may be. It depends on the scale and period of government measures and the economical effects of it.

The Board proposes that the results of the year are carried forward and no dividends paid to shareholders.

The Company’s Board of Directors comprises four members, two men and two women.

At the end of the year there were three shareholders in the Company, compared to two at the beginning of the year. The shareholders in the Company are as follows:

	At year end 2019	At year end 2018
Novator Nova ehf.	50,0%	50,0%
Nova Acquisition Holding ehf.	44,5%	0,0%
Nova Acquisition LLC	5,5%	50,0%

Subsequent events

The Board of Directors and CEO of the Group have estimated the effect of the COVID19 pandemic and draw attention to note 23 in these consolidated Financial Statements.

Endorsement by the Board of Directors and the CEO

Non-financial information
Information regarding social, environmental and governmental matters are disclosed in an attachment to these financial statements.

Statement by the Board of Directors and the CEO
According to our best knowledge, it is our opinion that the consolidated financial statements give a true and fair view of the consolidated financial performance of the Group for the year 2019, its assets, liabilities and consolidated financial position as at 31 December 2019 and its consolidated cash flows for the year 2019.

The Board of Directors and the CEO hereby confirm the Group's financial statements for the year 2019 by means of their signatures.

Reykjavík, 29 April 2020

Board of Directors:

Hugh Short

Sophie Minich

Sigþór Sigmarsson

Birna Hlín Káradóttir

Managing Director (CEO):

Margrét Tryggvadóttir

Independent Auditor's Report

To the Shareholders and Board of Directors of Platínum Nova hf.

Qualified Opinion

We have audited these consolidated financial statements of Platínum Nova hf., and its subsidiaries ("the Group"), which comprise the Board of Director's report, consolidated Statement of Profit or Loss and Other Comprehensive Income, consolidated Statement of Financial Position as at 31 December 2019, consolidated Statement of Cash Flows, consolidated Statement of Changes in Equity for the year then ended, and notes to these Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements give a true and fair view of the Groups's financial position as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and that the Directors report contains, if not presented elsewhere in the Financial Statements, required disclosures in accordance with the Icelandic Financial Statements act.

Basis for Qualified Opinion

We were not appointed as auditors of the Group until after 31 December 2018 and thus did not observe the counting of physical inventories at the beginning of the year. As alternative means were not available we were unable to satisfy ourselves concerning the inventory quantities held at 31 December 2018, which are stated in the consolidated Statement of Financial Position at ISK 558.622 thousand. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for 2019. Our audit opinion on the financial statements for the period ended 31 December 31 2019 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Emphasis of matter

We draw attention to the Board of Directors and CEO Report and note 23 in these Consolidated Financial Statements which describes the uncertainty in relation to the COVID-19 pandemic.

Other matter

The financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 17 May 2019.

We conducted our audit in accordance with International Standards on Auditing. 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 the Group in accordance with the ethical requirements that are relevant to our audit of financial statements 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 audit opinion.

Board of Directors and Managing Director's Responsibility for the Financial Statements

The Board of Directors and Managing Director are responsible for the preparation and fair presentation of these consolidatedFinancial Statements in accordance with IFRS as adopted by the European Union and additional Icelandic disclosure requirements in accordance with the Icelandic Financial Statement Act no. 3/2006, and for such internal control determined as necessary to enable the preparation of 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 Managing Director are responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group‘s financial reporting process.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 Group 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with The Board of Directors 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.

Reykjavík, 29 April 2020

PricewaterhouseCoopers ehf.

Vignir Rafn Gíslason
State authorized public accountant

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year 2019

	Note	2019	2018
Operating revenues			
Sales	2	10.173.154	9.324.170
Other operating income		128.237	110.864
		10.301.391	9.435.034
Operating expenses			
Cost of sales		5.510.951	4.842.108
Salaries and salary-related expenses	3	1.499.292	1.569.870
Administrative expenses		611.804	528.382
Housing costs		21.232	118.490
		7.643.279	7.058.850
EBITDA		2.658.112	2.376.184
Depreciation and amortisation	4	(1.789.233)	(1.529.127)
Results from operating activities		868.880	847.057
Finance income and (expenses):			
Interest income		59.536	66.891
Interest expenses	5	(710.800)	(612.060)
Foreign exchange loss		10.573	(21.373)
		(640.691)	(566.542)
Share in loss of associate	18	(18.087)	(26.299)
Profit before income tax		210.102	254.216
Income tax	6, 16	(268.712)	(54.210)
Total comprehensive (loss) income for the year		(58.610)	200.006
Profit for the year attributable to:			
Owners of the Company		(58.610)	200.006
Non-controlling interests		0	0
Profit for the year		(58.610)	200.006

Platínum Nova hf. Consolidated Financial Statements for the year 2019 Amounts are in ISK thousand

Consolidated Statement of Financial Position as at 31 December 2019

Assets

	Note	2019	2018
Non-current assets			
Goodwill	7, 9	10.048.985	10.097.610
Intangible assets	9	2.413.844	2.867.554
Operating assets	8	3.359.948	3.268.588
Lease assets	10	1.150.905	0
Investment in associates and other	18	2.596	5.316
Loans to related parties	19	62.094	92.718
		17.038.372	16.331.786
Current assets			
Inventories		374.520	558.622
Receivables from related parties	19	133	9.825
Trade receivables	12	1.160.913	1.322.293
Other receivables		158.135	109.990
Loans to related parties	19	37.404	0
Cash and cash equivalents	13	177.493	69.075
		1.908.598	2.069.805
Total assets		18.946.970	18.401.591

Platínum Nova hf. Consolidated Financial Statements for the year 2019 Amounts are in ISK thousand

Consolidated Statement of Financial Position as at 31 December 2019

Equity and Liabilities

	Note	2019	2018
Equity			
Share capital	17	8.253.594	8.253.594
Reserves	17	59.282	109.063
Retained earnings		349.703	340.578
		8.662.579	8.703.235
Non-current liabilities			
Loans and borrowings	14	6.250.315	0
Deferred income tax liability	16	600.865	744.484
Lease liabilities	10	1.091.583	0
Other liabilities	15	150.021	231.624
		8.092.784	976.108
Current liabilities			
Current maturities of loans and borrowings	14	375.578	7.055.447
Trade payables		668.375	856.337
Tax payable	16	231.671	142.848
Lease liabilities	10	103.987	0
Other payables		672.588	445.911
Other liabilities	15	94.156	99.112
Pre-payments		45.252	122.593
		2.191.607	8.722.248
Total liabilities		10.284.391	9.698.356
Total equity and liabilities		18.946.970	18.401.591
Other information	11, 20, 21, 22, 23, 24		

Platínum Nova hf. Consolidated Financial Statements for the year 2019 Amounts are in ISK thousand

Consolidated Statement of Cash Flows for the year 2019

	Note	2019	2018
Cash flows from operating activities			
(Loss) Profit for the year		(58.610)	200.006
Adjustments for:			
Depreciation and amortisation	4	1.789.233	1.529.127
Income tax	6, 16	268.712	54.210
Share in loss of associate	18	18.087	26.299
Gain on sale of shares in associate		(1.096)	0
(Gain) loss on sale of operating assets		(1.842)	1.046
Effect of accrued stock option		17.954	16.671
Net finance income		640.691	566.542
		2.673.128	2.393.901
Changes in operating assets and liabilities:			
Inventories, decrease (increase)		184.102	(220.181)
Trade and other receivables, decrease (increase)		113.235	(314.721)
Trade and other payables, (decrease) increase		(32.743)	119.680
		264.594	(415.222)
Interest income received		52.756	51.905
Interest expenses paid		(628.242)	(352.199)
Paid taxes		(273.317)	(325.574)
		2.088.919	1.352.811
Cash flows to investing activities			
Acquisition of operating assets	8	(1.082.581)	(1.010.288)
Acquisition of intangible assets	9	(202.061)	(172.962)
Disposals of operating assets		8.403	33.846
Investment in a subsidiary, net of cash acquired	15	(100.000)	(236.552)
Disposal (investment) in other financial assets		3.816	(555)
Loans to related parties, change		(8.396)	(92.780)
		(1.380.819)	(1.479.291)
Cash flows from financing activities			
Loans from financial institutions		0	600.000
Lease agreement, repayment of principal	10	(98.339)	0
Payments on loans from financial institutions		(502.191)	(570.774)
		(600.530)	29.226
Increase in cash and cash equivalents		107.570	(97.254)
Effect of foreign exchange rates on cash and cash equivalents		848	805
Cash and cash equivalents at the beginning of the year		69.075	209.960
Cash of former subsidiary, now classified as an associate		0	(44.436)
Cash and cash equivalents at the end of the year		177.493	69.075
Investing and financing activities not affecting cash flows			
Unpaid purchase price of a subsidiary		0	320.010
Other liabilities		0	(220.899)
Other payables		0	(99.112)

Amounts are in ISK thousand

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Share capital	Reserves	Retained earnings	Total
Balance at 1 January 2018	8.253.594	737.879	(504.698)	8.486.775
Profit for the year..			200.006	200.006
Share of profit of subsidiary in excess of dividend received...........................		(666.439)	666.439	0
Contribution to statutory reserve.........................		21.169	(21.169)	0
Recognition of share-based payments		16.454	0	16.454
Balance at 31 December 2018	8.253.594	109.063	340.578	8.703.235
Balance at 1 January 2019	8.253.594	109.063	340.578	8.703.235
Loss for the year...			(58.610)	(58.610)
Share of profit of subsidiary in excess of dividend received...........................		(67.735)	67.735	0
Recognition of share-based payments		17.954		17.954
Balance at 31 December 2019	8.253.594	59.282	349.703	8.662.579

See note 17 for further information

Platínum Nova hf. Consolidated Financial Statements for the year 2019 Amounts are in ISK thousand

Notes to the Financial Statements

Accounting principles

1.1 Reporting entity

Platinum Nova hf. (the "Company") is a company incorporated and domiciled in Iceland. The registered office of the Company is at Lágmúli 9 in Reykjavík, Iceland. The Consolidated Financial Statements for the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiary, Nova hf., together referred to as the "Group".

The Groups principal operations are telecommunications and related activities.

1.2 Basis of preparation

These consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. For all periods up to and including the year ended 31 December 2017 the Group prepared its consolidated Financial Statements in accordance with local GAAP (Icelandic Act no. 3/2006 on Financial Statements or IS GAAP). The consolidated Financial Statements have been prepared using the historical cost basis except for share based payments which are measured at fair value in accordance with IFRS 2 and ROU assets and lease liabilities that are measured at present value of future payments in accordance with IFRS 16. The consolidated Financial Statements are presented in Icelandic Kronas (ISK) which is the Groups´s functional currency. All financial information presented in ISK has been rounded to the nearest thousand, unless otherwise indicated.

Due to a misstatement relating to prior period, comparative figures have been restated in accordance with IAS 8. For further information see note 17.

1.3 Foreign currencies

In preparing the Financial Statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
Exchange differences are recognised in profit or loss in the period in which they arise.

1.4 IFRS 16 Lease Agreement

The Group has applied IFRS 16 *Leases* for the financial year commencing 1 January 2019, which provides a single lessee accounting model. The Group initially applied IFRS 16 at 1 January 2019, using the simplified approach. Under this approach the Group recognises Right-of-use assets (ROU asset) and lease liabilities at the transition date, which is 1 January 2019, and no adjustment is made to retained earnings. Comparative information is not restated. For further reference see note 10.

1.5 Revenue recognition

(i) Telecommunications
Revenues comprise mostly of mobile and internet usage.
Revenues from subscriptions are recognised in the relevant subscription period but revenues from usage are recognised in the period in which the usage occurs. Operating revenues are recognised in accordance with subscription contracts made and discounts related to turnover and/or usage are recognised as decrease in revenues within each subscription period.

(ii) Sale of goods
Revenues from sale of goods are recognised when control of the products has transferred, being when the customer has received the product and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Notes to the Financial Statements

1.6 Payment terms, obligation for returns and warranties

Payment terms

General payment terms for equipment sold and prepaid data are payable on delivery of the product. General payment terms for subsribed services is payable on due date of issued invoice.

Warranty terms

Warranty terms apply to sold items and merchandise. The seller's warranty is valid for 24 months from the date of purchase. Warranty covers defects and malfunctions that may occur on the sold device during the specified warranty period. Based on estimation from previous years no allowans is made in the Financial Statements for warranties.

Terms of sale

General terms of sale apply to sold items and merchandise. The sold item is the property of the seller until the item has been paid in full. Pruchase agreements, account transactions or other forms of credit do not terminate the seller's ownership until full payment has been received. If a purchase agreement is canceled, the benefits that the buyer has received will be calculated in the settlement. Returns of sold items are only valid if the buyer has not opened the purchase items from its containers and used it andthe item is in original condition.

1.7 Finance income and (expenses)

Interest income is accrued over time, by reference to the principal outstanding and at the interest rate applicable.

All financial expenses are recognised in the income statement during the period in which they are incurred, with the exception capitalised borrowing costs. Capitalised borrowing cost is stated as part of the carrying amount of the asset.

1.8 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, impairment loss is recorded.

1.9 Operating assets

Operating assets are recognised at cost, less depreciation. Depreciation is recognised on a straight-line basis according to the estimated useful life of the relevant asset. The estimated useful lives are specified as follows:

Telecommunication equipment	2-7 years
Fixtures and equipment	3-10 years
Transportation equipment	5 years

Depceciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.10 Intangible assets (other than goodwill)

Intangible assets are recognised at cost, less amortisation. Amortisation is recognised on a straight-line basis according to the estimated useful life of the relevant asset, except for customer relationships where amortisation is based on an expected average remaining share of current customers. The estimated useful lives are specified as follows:

Telecommunications license	10 years
Brand	20 years
Customer relationships	10 years
Other intangible assets	3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Platínum Nova hf. Consolidated Financial Statements for the year 2019 Amounts are in ISK thousand

Notes to the Financial Statements

1.11 Joint arrangements

Joint arrangements is a mutual arrangement of which two or more parties have joint control and the parties are bound by a contractual arrangement. Joint arrentements can be classified as either joint venture or joint operation.

The Group has entered into a joint arrengement with Sýn hf which has been designated as a joint operation. The joint operation relates to Sendafélagið ehf. where each party owns 50% of the shares. The Group recognises the assets it controls and expenses and liabilities it incurs, and its share of income earned, in its Financial Statements by applying the relevant IFRS.

1.12 Deferred income tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted at the reporting date.

1.13 Inventories

Inventories are stated at cost which is based on the "first in-first out" method when measuring the inventories and includes the cost of buying the inventories and getting them at the current location in current condition. Inventories at year end consist of user equipment for sale. Proper regard is taken to dated and faulty equipment and total write-down amounted to ISK 12,4 million at year end (2018: 11,6 million).

1.14 Consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost

Notes to the Financial Statements

1.15 Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Classification of financial assets
The Groups's debt instruments are measured at amortised cost as they are held within a business model whose objective is to hold in order to collect contractual cash flows and the the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Other financial assets are measured subsequently at fair value through profit or loss.

(ii) Impairment of financial assets
Allowance has been made for doubtful trade and other receivables in order to meet credit risk. The allowance does not represent a final write-off. The allowance is deducted from the appropriate balance sheet items. Further information on trade receivable allowance see note 12.

(iii) Financial liabilities
Financial liabilities, including long-term borrowings, are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, financial liabilities are stated at amortised cost using the effective interest method.

2. Revenue from contracts with customers

The Group has three main revenue streams: Mobile, internet and product sales.

Mobile services: Revenue from mobile services. Including subscription and prepaid revenues for data usage on mobile handsets. Also roaming revenues, interconnect revenues and other related revenues. Recognized over time in the relevant subscription period or in the period when usage occurs.

Internet services: Revenue from internet services. Including subscriptions and prepaid revenues for fiber and other data connections. Also internet access fees, lease of equipment and other related revenues. Recognized over time in the relevant subscription period or in the period when usage occurs.

Product sales: Revenue from sale of handsets, routers, accessories and other equipment. Recognised at a point in time when control of the product has transferred over to the customer.

2019	Mobile	Internet	Product sales	Total
Point in time	0	0	2.239.916	2.239.916
Over time	5.419.450	2.513.788	0	7.933.238
Total revenue	5.419.450	2.513.788	2.239.916	10.173.154

2018	Mobile	Internet	Product sales	Total
Point in time	0	0	2.136.299	2.136.299
Over time	5.370.344	1.817.527	0	7.187.871
Total revenue	5.370.344	1.817.527	2.136.299	9.324.170

Platínum Nova hf. Consolidated Financial Statements for the year 2019 Amounts are in ISK thousand

Notes to the Financial Statements

3. Salaries and salary-related expenses

Salaries and salary-related expenses are specified as follows:	2019	2018
Salaries	1.379.006	1.432.690
Pension cost	179.569	177.208
Accrued vacation pay, decrease	9.889	(16.521)
Stock-option cost	17.954	16.671
Salaries, capitalized	(257.141)	(144.000)
Other salary-related expenses	170.015	103.822
Total salaries and salary-related expenses	1.499.292	1.569.870
Average number of employees	156	152

Salaries of the Board of Directors and CEO amounted to ISK 51,6 million in the year 2019 (2018: 92,2 million). Key management has been granted share options in the Company. See further information in note 22.

Capitalised salary cost of ISK 257.141 thousand relates to operating assets and intangible assets and is included in addition during the year. See notes 8 and 9.

4. Depreciation and amortisation

Depreciation and amortisation are specified as follows:	2019	2018
Depreciation of operating assets (note 8)	1.087.880	929.220
Amortization of intangible assets (note 9)	558.348	599.908
Depreciation of right of use assets (note 10)	143.004	0
	1.789.233	1.529.127

5. Interest expenses

Interest expenses are specified as follows:	2019	2018
Interest expenses on lease liabilities (note 10)	104.045	0
Interest expenses due to acquisition liability (note 15)	13.441	14.601
Interest expenses, long-term borrowing	588.868	589.084
Other interest expenses	4.446	8.375
	710.800	612.060

6. Income tax

Reconciliation of effective tax rate:	2019		2018	
	Amount	%	Amount	%
Profit before income tax	210.102		254.216	
Income tax at 20%	(42.020)	20%	(50.843)	20%
Calculated tax due to merger	(89.212)	42%	0	0%
Prior year taxable loss not capitalised	(130.469)	62%	0	0%
Other items	(7.011)	3%	(3.367)	1%
Income tax expense	(268.712)		(54.210)	

In the tax return 2019 for the year 2018 the group planned for a joint taxation of Platinum Nova and Nova hf. based on Icelandic tax law. The tax authorities rejected the joint taxation for the year 2018. Based on that a taxable loss from Platínum Nova could not be used against taxable income from Nova in the year 2018. Due to the rejection the effect of the taxable loss for 2018 is expensed in 2019 Profit and loss account. The Group has hired a law firm to have the joint taxation in place for 2018 profit and loss account. From the year 2019 the joint taxation is in place.

Calculated tax due to merger relates to the effect of the formal combination of the two legal entities, Símafélagið ehf. and Nova hf., at the beginning of the year 2019.

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Notes to the Financial Statements

7. Goodwill

At end of the year the goodwill was tested for impairment.

For the purpose of impairment testing the recoverable amount of the cash generating unit Nova hf. is determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five-year period. The cash flows beyond that five-year period have been extrapolated using a steady 2,5% per annum growth rate which is the targeted inflation rate by the Central Bank of Iceland.

Value in use was based on the following key assumptions:

Long term growth rate	2,5%
Revenue growth, weighted average (CAGR '18-'12)	6,3%
Budgeted EBITDA ratio (CAGR '18-'23)	27,4%
WACC	7,7%
Debt leverage	52,0%
Interest rate for debt	3,2%

The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

8. Operating assets

Operating assets are specified as follows:

	Telecommuni- cation equip.	Fixtures and equipment	Transportation equipment	Total
Cost				
Total value 1.1.2018	5.735.896	1.479.805	47.038	7.262.739
Acquired through acquisition	169.759	10.567	22.614	202.940
Additions during the year	901.472	100.338	8.478	1.010.287
Sold during the year	0	0	(33.846)	(33.846)
Total value 31.12.2018	6.807.127	1.590.710	44.284	8.442.120
Additions during the year	985.956	96.625	0	1.082.581
Sold during the year	0	0	(16.437)	(16.437)
Total value 31.12.2019	7.793.083	1.687.335	27.847	9.508.264

	Telecommuni- cation equip.	Fixtures and equipment	Transportation equipment	Total
Depreciation				
Total depreciation 1.1.2018	3.169.212	1.072.833	35.068	4.277.113
Depreciated during the year	729.631	184.478	15.111	929.220
Sold during the year	0	0	(32.800)	(32.800)
Total depreciation 31.12.2018	3.898.843	1.257.311	17.379	5.173.532
Depreciated during the year	922.529	163.020	2.331	1.087.880
Sales, disposals and reclassification	(96.657)	0	(16.438)	(113.095)
Total depreciation 31.12.2019	4.724.715	1.420.331	3.272	6.148.317
Carrying amount				
31.12.2018	2.908.284	333.399	26.905	3.268.588
31.12.2019	3.068.368	267.004	24.575	3.359.948
Depreciation ratios	10-50%	10-33%	20%	

Insurance value of operating assets amounted to ISK 3.611 million at year end 2019 (2018: 2.795 million).

Platínum Nova hf. Consolidated Financial Statements for the year 2019 Amounts are in ISK thousand

Notes to the Financial Statements

9. Intangible assets

Intangible assets are specified as follows:

	Goodwill	Telecommuni-cation license	Other intangible assets	Total
Cost				
Total value 1.1.2018	9.766.110	111.716	3.547.231	13.425.057
Additions through acquisition	331.500	0	113.731	445.231
Additions during the year	0	0	172.962	172.962
Total value 31.12.2018	10.097.610	111.716	3.833.924	14.043.250
Additions during the year	0	0	202.061	202.061
Addjustment due to formal combination of subsidiary	(48.625)	0	29.167	(19.458)
Total value 31.12.2019	10.048.985	111.716	4.065.152	14.225.853
Amortisation				
Total amortisation 1.1.2018	0	11.813	466.366	478.179
Amortisation during the year	0	70.124	529.783	599.908
Total amortisation 31.12.2018	0	81.937	996.149	1.078.086
Amortisation during the year	0	6.838	551.511	558.348
Reclassification	0	0	126.589	126.589
Total amortisation 31.12.2019	0	88.775	1.674.249	1.763.024
Carrying amount				
31.12.2018	10.097.610	29.779	2.837.775	12.965.164
31.12.2019	10.048.985	22.941	2.390.903	12.462.829
Amortisation ratios		10%	33%	

10. Lease assets and liabilities

The Group recognises right of use assets and a lease liability for lease agreements of office buldings, automobiles and facility for telecommunication equipment. The right of use asset and lease liabilities are recognised as a separate line in the consolidated statement of Financial Position. The recognition of right of use assets and lease liabilities is initially recorded at commencement date as the present value of lease payments that are not paid at that time. Generally, the Group uses its incremental borrowing rate as a discount rate, adjusted for nature of the underlying asset and duration of the lease agreement. The weighted average discount rate is 7,29% for property and transportation equipment and 10,37% for Telecommunication equipment facilities.

The duration of lease agreements is based on contractual rights, adjusted for management estimation on extention where extention options are aplicable. The Group has not incurred any expenses due to variable lease payments and no lease agreements have been designated as low-value or short term leases. For further information refer to note 24.

Lease assets and liabilities are as follows:

	Property and transportation equipment	Telecommuni-cation equipm. facilities	Total
Lease assets			
Initial recognition of lease assets	497.112	650.675	1.147.787
Lease agreements entered into	86.216	26.684	112.901
Depreciation of lease assets	(99.119)	(43.885)	(143.004)
Remeasurements and other changes	10.824	22.397	33.222
Lease assets at reporting date	495.033	655.872	1.150.905

Platínum Nova hf. Consolidated Financial Statements for the year 2019 Amounts are in ISK thousand

Notes to the Financial Statements

10. Lease assets and liabilities (cont'd.)

	Property and transportation equipment	Telecommunication equipm. facilities	Total
Lease liabilities			
Initial recognition of lease liabilities	497.112	650.675	1.147.787
Lease agreements entered into	86.216	26.684	112.901
Payment of lease liabilities	(80.200)	(18.139)	(98.339)
Remeasurements and other changes	10.824	22.397	33.222
Lease liabilities at reporting date	513.952	681.618	1.195.570

Lease liabilities are designated as follows in the statement of Financial Position:

	31.12.2019
Non-current liabilities	1.091.583
Current liabilities	103.987
	1.195.570

Payment of lease liabilities are as follows:

	31.12.2019
Payments, for the next 12 months, current liabilities	103.987
Payments for the year 2021	95.346
Payments for the year 2022	86.348
Payments for the year 2023	88.515
Payments for the year 2024	95.996
Payments for the year 2025 and later	725.378
	1.195.570

Amounts recognised in the Statement of Profit or Loss

Depcreciation (right of use asset)	143.004
Interest expense (lease liability)	104.045
	247.049

11. Joint operation

Sendafelagid ehf., a joint operation, was established by Nova hf. and Sýn hf. for the operations of mobile telecommunications, each of the founders own 50% share.

The Group's interest in joint operation is accounted under line for line method.

Platínum Nova hf. Consolidated Financial Statements for the year 2019 Amounts are in ISK thousand

Notes to the Financial Statements

12. Trade receivables

The Group always recognises lifetime expected credit loss (ECL) for trade receivables. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group'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.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable: (1) Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group), and (2) When a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

31 December 2019 Days past due	Expected credit loss rate	Gross amount	Loss allowance	Carrying amount
Not past due	0-2%	1.119.835	11.032	1.108.803
<30	30%	18.389	3.582	14.807
31-60	60%	9.362	3.053	6.309
61-90	60%	6.367	2.076	4.291
91-120	90%	46.084	19.381	26.703
Total		1.200.038	39.125	1.160.913

31 December 2018 Days past due	Expected credit loss rate	Gross carrying amount	Loss allowance	Gross carrying amount
Not past due	0-2%	1.298.685	14.985	1.283.700
<30	30%	15.763	2.975	12.788
31-60	60%	6.810	2.221	4.589
61-90	60%	4.785	1.560	3.225
91-120	90%	31.050	13.059	17.991
Total		1.357.093	34.800	1.322.293

13. Cash and cash equivalents

The Group's cash and cash equivalents consists of cash at stores and bank balances.

	2019	2018
Bank balances in ISK	136.863	59.338
Bank balances in EUR	40.221	8.636
Bank balances in USD	75	767
Cash	334	334
	177.493	69.075

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Notes to the Financial Statements

14. Long-term borowings

Long-term borrowings are specified as follows:	2019	2018
Long-term borrowings from financial institution	6.625.893	7.055.447
Current maturities of long-term borrowings from financial institution	(375.578)	(7.055.447)
Total long-term borrowings from financial institution	6.250.315	0

Repayments of borrowings are scheduled to be repaid as follows:

Repayments in 2020	375.578
Repayments in 2021	402.417
Repayments in 2022	1.554.134
Repayments in 2023	322.065
Subsequent repayments	3.971.699
Total long-term loans	6.625.893

Loan agreements in place at year end 2019 are subject to certain financial covenants. At year end 2019 no covenants were breached.

At 31 December 2018 loan agreements that included financial covenants were in part in breach so all loan agreements were classified amongst current liabilities.

The Group refinanced its loans at the end of the year 2019. Refinancing of all loans was finalised in the beginning of the year 2020. Based on refinancing in the end of the year 2019 and beginning of the year 2020 repayments of borrowing will be as follows:

Repayments in 2020	366.667
Repayments in 2021	400.000
Repayments in 2022	400.000
Repayments in 2023	400.000
Subsequent repayments	5.059.226
Total long-term loans	6.625.893

The table below shows how cash and non-cash changes affect borrowings within the Group.

	2019	2018
Balance at beginning of period	7.055.447	6.726.245
Payments	(502.191)	(475.000)
Payments, refinancing	(5.291.759)	0
Borrowings, refinancing	5.291.759	600.000
Capitalised cost of borrowings	(16.450)	0
Expensed cost of borrowings	56.253	25.215
Interests added to principal amount of loans	0	110.676
Indexation	32.834	68.311
Balance at end of period	6.625.893	7.055.447

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Notes to the Financial Statements

15. Other liabilties

A part of the acquisition price of Símafélagið ehf., which the Group acquired in the year 2017, has been deffered and will be paid in installments over the years 2020 - 2022. The amounts payable at each date are subject to specifc conditions and milestones in the acquired operations of Símafélagið ehf. At year end 2019 no changes have been made to estimated future payments. A liability in relation to these payments of ISK 233,5 million has been recorded in the consolidated Financial statements. The liability is presented at present value of future payments.

Change in liability due to acquisition of Símafélagið ehf. is as follows:	31.12.2019
Liability at beginning of year	330.736
Accrued interest on liability (note 5)	13.441
Payment	(100.000)
Liability at year end	244.177

Liability in relation to the acquisition of Símafélagið ehf. is designated as follows in the statement of Financial Position at year end 2019:

	31.12.2019	31.12.2018
Other liabilities, non-current	150.021	231.624
Other liabilities, current	94.156	99.112
	244.177	330.736

Present value of deferred payments due to acquisition of Símafélagið are as follows:	31.12.2019
Payable in 2020 (ISK 95 million)	94.156
Payable in 2021 (ISK 5 million)	4.697
Payable in 2022 (ISK 163,2 million)	145.324
	244.177

16. Deferred income tax liability

	2019	2018
Deferred tax liability 1.1.	744.484	774.836
Changes due to merger	(48.625)	55.366
Income tax expense in profit and loss account	268.712	54.210
Tax payable	(231.671)	(142.848)
Write down of previous years taxable loss of parent company (note 6)	(130.469)	0
Other changes	(1.566)	2.920
Deferred tax liability 31.12.	600.865	744.484

Deferred income tax liability is attributable to:	31.12.2019	31.12.2018
Operating assets and intangible assets	604.910	737.214
Lease assets and liabilities	(8.933)	0
Trade receivables	5.335	9.871
Inventories	(413)	938
Foreign exchange difference	(34)	(3.539)
Total deferred income tax liability	600.865	744.484

Platínum Nova hf. Consolidated Financial Statements for the year 2019 Amounts are in ISK thousand

Notes to the Financial Statements

17. Equity

Share capital
The Group's share capital, according to its Article of Association amounts to ISK 8.253.594 million. All of the share capital has been paid. One vote is attached to each ISK one share in the Company.

Reserves
Reserves comprise restricted equity in relation to investment in associates that are accounted for using the equity method of accounting, stock option reserves, and legal statutory reserves.

Changes in reserves for the year are designated as follows:

	Restricted equity reserves	Stock option reserves	Legal statutory reserves	Total
2019				
At 1 January 2019	67.735	20.159	21.169	109.063
Share in profit of associates,				
in excess of dividends paid	(67.735)			(67.735)
Recognition of share-based payments (note 22)		17.954		17.954
	0	38.113	21.169	59.282

Retained earnings at year end 2018 and profit for the year 2018
Due to an error in present value calculations of a liability recorded in relation to Nova´s acquisition of Símafélagið, retained earnings at year end 2018 and total comprehensive income for the year 2018 have been restated from previously published Financial Statements for the year 2018. Interest expense in the Statement of Profit or Loss and Other Comprehensive income for the year 2018 has increased by ISK 14.601 thousand. A corresponding decrease in retained earnings at year end 2018 has been recorded, adjusted for tax effect. The summarised effects of the restatement is as follows:

	Adjusted amounts	Previously published amounts
Statement of Profit or Loss and other Comprehensive Income for the year 2018		
Interest expenses	(612.060)	(597.459)
Income tax	(54.210)	(57.130)
Total comprehensive income for the year	200.006	211.687
Statement of Financial Position at year end 2018		
Retained earnings	340.578	352.259
Other liabilities, non-current	231.624	221.348
Other payables	445.911	543.618
Other liabilities, current	99.112	0

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Notes to the Financial Statements

18. Investment in associates and other investments

The Group owns 51,33% share in Aur app ehf., which is a mobile payment solution. Aur app ehf. was formerly a subsidiary of Nova hf., but Nova hf.has no longer majority control of the company. The asset is therefore classified as an investment in associate.

	Ownership	Classification	Effect on operation	Carrying amount
Aur app ehf.	51,33%	Associate	(18.087)	(22.770)
Hið Íslenska Númerafélag ehf. (HÍN)	16,67%	Other	0	2.596
				(20.174)
Receivables from Aur app ehf. offset against negative equity				22.770
Total investment in an associates and other investments				2.596

Changes in investment in associates and other investments during the year are as follows:

	Associate	Other	Total
Investment in associates and other, at begining of year	0	5.316	5.316
Disposal of shares	0	(2.720)	(2.720)
Share in loss of associate	(18.087)	0	(18.087)
Negative equity offset against receivables from associate	18.087	0	18.087
	0	2.596	2.596

19. Related parties

The Group is owned jointly by two majority owners. No ultimate controling party is designated for for the Group.

The Group has a related party relationship with its shareholders with significant influence, a joint venture, board members and management. Transactions with related parties other than joint venture are restricted to telecommunication services. Transactions are being priced on an arms length basis.

	2019	2018
Loans to related parties balance at the end of year		
Loans to associate, non current	99.498	92.718
Current portion of loans to related parties	(37.404)	0
	62.094	92.718
Account recivables balance at the end of the year		
Related company - Intercompany account	133	158
Associates Intercompany account	22.770	14.350
Associates Intercompany account, amortization	(22.770)	(4.683)
	133	9.825
Intercompany transactions during the year		
Related company- sales	1.730	1.594
Associate - sales	6.903	16.763
Associate - interest income	6.780	6.455

Information on remuneration to the Board of Directors and CEO is disclosed in note 3 and in note 22.

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Notes to the Financial Statements

20. Auditor's fee

Auditor's fee for the audit of the Financial Statements is as follows:	2019	2018
Audit fee		
Current auditors	923	0
Previous auditors	9.568	7.275
	10.491	7.275
Other services		
Current auditors	0	0
Previous auditors	7.924	6.215
	7.924	6.215

21. Financial instruments

Capital managment

The Group manages its capital to ensure that entities with in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

Catagories of financial instruments	2019	2018
Cash and bank balances	177.493	69.075
Trade receivables	1.160.913	1.322.293
Receivables from related parties	133	9.825
Other receivables	158.135	109.990
	1.496.674	1.511.183
Loans and other payables at amortized cost (including related parties)	7.966.856	8.357.695

Financial risk management objectives

The Group's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

Market risk

Interest rate risk

The Group is exposed to interest rate risk when it borrows funds at fixed or floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The following sensitivity has been determined based on the effect of interest rate changes on floating rate liabilities. The analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year and assumes that all other variables, excluding the relevant interest rates, are held constant. A 100 bps increase in interest would have a 52.646 thousand negative impact on P/L and equity, excluding tax effects. A 100 bps decrease would have the opposite impact.

Inflation risk

Interest bearing liabilities in the amount of ISK 1.300 million (2018: ISK 1.375 million) are linked to the Consumer Price Index. Increase (decrease) in the index by one percentage point by end of 2019 would have increased (decreased) the Groups profit before income tax by 13 million (2018: 14 million). Subjected to all other variables remaining unchanced.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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Notes to the Financial Statements

21. Financial instruments (cont'd.)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and expected interest payments based on the earliest date on which the Group can be required to pay.

31 December 2019	**Weighted average effective interest**	**Contractual cash flow**	**Less than 1 year**	**1-3 years**	**More than 3 years**
Current liabilities		1.617.886	1.617.886	0	0
Other liabilities	5,50%	263.199	95.000	168.199	0
Lease liabilities	7,29-10,37%	2.013.581	207.189	365.757	1.440.635
Fixed interest loans	5,10%	1.561.745	150.733	1.411.012	0
Variable interest loans	6,15%	7.224.115	572.601	1.150.963	5.500.551
		12.680.526	2.643.409	3.095.931	6.941.186

The payment schedule presented below is based on contractual payments for loan agreements and liabilities that were in place at year end 2018.

31 December 2018	**Weighted average effective interest**	**Contractual cash flow**	**Less than 1 year**	**1-3 years**	**More than 3 years**
Current liabilities		1.567.689	1.567.689	0	0
Other liabilities	5,50%	363.199	100.000	100.000	163.199
Fixed interest loans	5,10%	1.675.664	150.850	1.524.814	0
Variable interest loans	5,68%	7.178.618	716.609	6.462.009	0
		10.785.170	2.535.148	8.086.823	163.199

Fair value of financial instruments

The following table includes the total carrying amount of loan agreements recognized in the consolidated financial statements compared to its fair value. Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest at the reporting date. The carrying amount of all other financial assets and liabilities is a reasonable approximation of fair value.

	2019		2018	
	amount	Fair Value	amount	Fair Value
Interest bearing liabilities	6.625.893	6.685.789	7.055.447	7.516.676

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk exposure is mainly through accounts receivable. Credit exposure is controlled by monthly monitoring of customer defaults and by reviewing credit ratings of new customers. For information on the Group's methods for assessing expected credit losses, see note 12.

The Group's maximum exposure to credit risk is the book value of financial assets as seen above under Categories of financial instruments.

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Notes to the Financial Statements

21. Financial instruments (cont'd.)

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Currency net exposure	
	2019	2018
Euro	121.266	33.041
US dollar	17.124	9.066
Other	90.567	2.298
	228.957	44.405

The table below shows what effects a 10% increase of the relevant foreign currency rate against the ISK would have on P/L and equity. The foreign currency assets and liabilities in the sensitivity analysis are mainly foreign currency payables and receivables. The analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. The analysis assumes that all other variables, excluding the relevant foreign currency rate, are held constant. The sensitivity analysis does not take into account tax effects. A positive number below indicates an increase in profit and other equity. A decrease of the relevant foreign currency rate against the ISK would have an opposite impact on P/L and equity.

	P/L and equity impact	
	2019	2018
Euro	(12.127)	(3.304)
US dollar	(1.712)	(907)
Other	(9.057)	(230)
	(22.896)	(4.441)

22. Share options

Platinum Nova hf. operates a share option program that entitle key management personnel of the subsidiary, Nova hf. to purchase shares in the parent. The employee must remain continuously employed with the Company or its subsidiaries until expiring date, either as an employee or in any other way, deemed satisfactory by the Company.

The following share option contracts were in existence during the period:

	Excercise date	Exercise price	Fair value at grant date
Granted in 2017 (701,250 thousand shares)	22.3.2022	1,45	74.140

Options were priced using a binomial option pricing model. Expected volatility (19,2%) is based on the historical share price volatility in the Icelandic telecommunications sector for the 5 years preceding grant date. Risk free rate is based on the yield of government bonds at grant date (5,17%). The share price of the Company at grant date was determined at 1 ISK per share based on the last transaction price. The options expire 59 months after the excercise date.

Estimated remaining cost due to the share option contracts is ISK 38,3 million. An expense of ISK 18,0 million (2018: ISK 16,7 million) is recognized in the Income Statement for the period.

Platínum Nova hf. Consolidated Financial Statements for the year 2019 Amounts are in ISK thousand

Notes to the Financial Statements

23. Subsequent events

In end of February the first case of COVID-19 was confirmed in Iceland. On the 13th of March the government introduced it‘s inital measures to contain the outbreak. Those measure and the following reinforcement of it are still in full force but expected to be gradually eased during coming months. The effects of those measures on the Group daily operations have been limited. The Group has from day one conducted it‘s operations in line with instructions from the authorities. By for example introducing actions to seperate departments and amend working environment in both the offices and the retail stores. Despite these actions Group has been able to maintain employee‘s full productivity and same service level for its customers. The effects on the income statement and the balance sheet are also limited as of yet. The management carefully monitors the development of the measures imposed to ensures the Group operates within guidelines, as well as monitoring the economical situation and possible financial effects during these uncertain times to be able respond as needed.

Even though there is an uncertainty related to the long-term effect of COVID -19 to the Group operation management assessment is there is not a material uncertainty related to the going concern of the Group in the foreseeable future. That is based on that COVID 19 has had limited effects on the business and the financial position of the Group.

24. Adopted Financial Reporting standards

Leases

The Group has applied IFRS 16 *Leases* for the financial year commencing 1 January 2019, which provides a single lessee accounting model. The Group initially applied IFRS 16 at 1 January 2019, using the simplified approach. Under this approach the Group recognises Right-of-use assets (ROU asset) and lease liabilities at the transition date, which is 1 January 2019, and no adjustment is made to retained earnings. Comparative information is not restated. The effect of the adoption of IFRS 16 is disclosed in note 10.

Lease reporting as of 1 January 2019

On initial recognition the Group estimates wether a contract contains a lease. A contract contains a lease if it, in part or in whole, gives the leasee a right of control over a specific asset over a specifiec period in exchange for payment. Estimation on wether a contract contains a lease is based upon definitions outlined in IFRS 16. This method is used on contracts at place at 1 January 2019 and contracts entered into in the year 2019.

The Group as a leasee

On initial recognition, or upon a change in a current contract that contains a lease, the Group designates minimum lease payments based on stand alone prices of each service component of the contract. The Group has opted to apply a practical expedient not to separate non-lease components from lease components and instead account for each lease component and any associated non-lease component as a single lease component.

The Group recognises right of use assets and a lease liability for lease agreements of office buldings, automobiles and facility for telecommunication equipment. The right of use asset and lease liabilities are recognised as a separate line in the consolidated statement of Financial Position. The recognition of right of use assets and lease liabilities is initially recorded at commencement date as the present value of lease payments that are not paid at that time, less any initial direct costs incurred by the lease asset and expected cost of dismantling or removing the asset, as well as any incentives received.

The right of use asset is depreciated on a straight line basis from the commencement date until the final date of the contract, exept when the Group becomes an owner of the asset at the end of the lease period or has an option to purchase the asset at the end of the lease period, and intends to do so. In those cases the asset is depreciated over the expected useful life of the asset, which is the same method as used for depriciation of other operating assets of the Group. The right of use asset is adjusted for any impairment or revalutation of the lease liability.

A lease liability is initially recognised as the present value of lease payments that are not paid on the commencement date of the lease contract. The lease payments are discounted by using the discount rate implicit in the lease or by using the Group's incremental borrowing rate as a discount rate. The Group assesses it's incremental borrowing rate based on it´s current rating, adjusted for nature of the underlying asset and duration of the lease agreement.

Notes to the Financial Statements

24. Adopted Financial Reporting standards (cont'd.)

A lease liability is subseqentally measured by using effective interest rate. The lease liability is revalued when there is a change in future payments due to a change in index or interest rate. The lease liability is also revalued if there is a change in the Group's estimation on residual payments in relation to the lease contract, if there is a change in estimation on utilisation of an option to buy the underlying asset, or if there is a change in the expected lease term.

When the lease liability is revalued the change is recorded as a change in the carrying amount of the right of use asset, or recorded in the statement of profit and loss if the carrying amount of the right of use asset has been fully amortized.

Non-financial disclosure (Unaudited)

ESG report

Nova has been a lifestyle-oriented brand since its inception as Iceland's first 3G mobile operator. The company has enjoyed unparalleled success in the Icelandic telecommunications market, quickly establishing itself as the leading brand and market challenger, capturing 32,8% of the mobile market share. Originally a mobile service provider, Nova is an all-round telecom operator offering mobile and fiber service to households and a full suite of telecom products to corporates.

Nova operates NovaTV – an OTT TV service, offering free access to all free-to-air TV content in Iceland in addition to subscription channels.

The key to this success is the quality of customer service Nova offers, along with the high level of employee satisfaction that enables it. Nova has received the highest customers satisfaction score on the Icelandic market eleven years in a row, while accepting numerous other awards and accolades, including awards for "Marketing company of the year" in 2009 and 2014, and was in the top three in 2011 and 2018.

In 2014, Nova became the first Icelandic telecommunications company to launch 4G/LTE internet service in Iceland, now offering widespread 4G and 4.5G/LTE network around the country. Nova is also the first, and hitherto only, Icelandic telecommunication company to initiate 5G trials.

Nova added fiber services to its stable of products in 2016 Nova, using a fiber system provided by Gagnaveitan. Currently the fastest home connection available in Iceland, Nova fiber supports 1000 MB/s and has already reached 17% market share in the field.

The Nova team comprises 172 talented employees of various backgrounds and experiences. An equal opportunity employer, Nova goes to great lengths to ensure that its workforce enjoys a fair and stimulating work environment. Nova is role model in Iceland when it comes to positive workplace culture thanks to the recruiting, training and motivating methods the company has developed through the years.

Emphasizing social responsibility and positive participation, Nova has been a proud supporter of both Icelandic Music and the Icelandic startup community since the beginning.

Supporting Icelandic Music

Nova ♡ Music

Nova has proudly supported Icelandic music and the people who make it for well over a decade.

What we did in 2019:

In partnership with local music rightsholders and Iceland's Composer's Rights Society (STEF), Nova operates Vinatónar — a service that provides its customers with a wide selection of Icelandic music ringtones, free of charge. Nova also runs a concert series, Uppklapp, which promotes Icelandic music through live events, social media content and direct promotions.

Furthermore, Nova engages in several smaller initiatives aimed to promote and support Icelandic musicians. This includes providing individual bands and artists with sponsorship and other assistance, sponsoring and promoting local music festivals and events such as the annual Day of Icelandic Music. Nova also funds Tonlistinn.is, a website that supports local talent through exposure. Lastly, Nova holds several non-ticketed (free) events for music fans, such as Partý á Þjóðhátíð, Karnival á Klapparstíg and others.

Measurable results:

20k Vinatónar downloads. 28 non-ticketed concerts.

Non-financial disclosure (Unaudited)

Sustainability & Recycling

Nova ♡ Nature

Nova encourages the sustainable lifecycle of electronics.

What we did in 2019:

Nova aims to be environmentally conscious and devoted to a sustainable use of the devices that power our business. In 2019, we introduced Endurgræddu, a program which offers our customers the chance to ensure a sustainable lifecycle for their electronics through reuse, refurbishment and recycling. The program has proved a great success, with scores of customers trading their old and/or disused mobile phones, tablets and smartwatches for Nova credit or free recycling.

In addition, Nova has thoroughly emphasized recycling at its offices, aiming to create a zero-waste environment, along with reimbursing employees who opt for cleaner commuting solutions.

Measurable results:

2278 processed handsets since launch 15. May.

Gender Equality & Social Justice

Nova ♡ People

Nova provides every employee with the support and environment to fully develop their skills, regardless of their gender, ethnicity or orientation.

What we did in 2019:

Nova is an equal opportunity employer and has taken several steps to ensure that every employee enjoys a fair and stimulating work environment, free from prejudice and structural biases of any kind.

In 2019, Nova implemented an equal pay policy and monitoring system in accordance with the management requirement standard ÍST 85, resulting in an Equal Pay Certification awarded on 6.3.2020.

As Nova is the first workplace for many employees, we find it important to teach and train them properly and setting a good example for young people taking their first steps in the workforce. Therefore, new employees attend the Nova School, a two-week training intensive intended to bring them up to speed regarding the company and its practices,
along with their rights and responsibilities. We follow up with monthly employee satisfaction surveys and regular one-on-one meetings where we discuss their work environment and address any questions. Employee health and well-being is further promoted through various lectures and programs through the year.

In the spirit of progress and giving back, Nova actively shares information with professional industries and universities in Iceland.

Measurable results:

In 2019, Nova displayed no measurable (0.3%) gender pay difference. Awarded Model Company 2019 by VR (Iceland’s Store and Office Workers Union). 75 employees graduated from the Nova School.

Non-financial disclosure (Unaudited)

Sponsoring Icelandic Startups

Nova ♡ Innovation
Nova has been a proud supporter of Icelandic startups for well over a decade.

What we did in 2019:
At Nova, innovation has been a core value since the very beginning. We are therefore eager to promote and encourage local startups and each year take several steps to ensure healthy competition and organic growth in our local startup economy.

In this spirit, Nova has been a main sponsor of Gulleggið, an accelerator program for entrepreneurs in Iceland that provides financial support and advice as they develop their ideas and bring them to market. Nova also mentors young entrepreneurs at the Startup Reykjavík forum, and shares knowledge with customers at regular events to that end, entitled Trúnó. Nova is also an eager supporter of the Icelandic education system, staging various seminars, lectures and events at Reykjavík universities throughout the year.

Measurable results:
160 start-up companies participated at Gulleggið in 2019.

Governance

The Groups' board comprises four members, two men and two women. The member are elected by the shareholders in annual general meeting. A shareholders agreement is in place, governing the authority of the board and relationship with shareholders. The shareholders agreement stipulates joint and equal rights of the two shareholder groups, Novator and Pt Capital.

The board generally meets in person at least 4 times a year and on-line at least monthly. In 2019 there were 4 in-person meetings and 7 on-line meeting or conference calls. Minutes are kept by the CFO. The shareholders have appointed 3 observers that are able to participate in meetings. Board members have access to a secure on-line platform with all board material, minutes, presentations, KPI and key documents.

Extensive key performance indicator report is prepared each month – first a preliminary report highlighting revenue and sales, and later in the month a full report with detailed management accounts. A market benchmarking report is prepared quarterly.

CEO reports to the board. The management board comprises five members, the CEO and four managing directors, two women and three men.