



Interim financial statements  
Q2 and 1H 2020

# Key financial results



## Revenue

Q2: 5,352 m IKR  
1H: 10,347 m IKR

## EBITDA

Q2: 1,364 m IKR  
1H: 2,719 m IKR

## Results

Q2: 60 m IKR loss  
1H: 410 m IKR loss

## Equity ratio

1H: 26.8%



# Income statement



ISK m	Q2 2020	Q2 2019	% ch.	1H 2020	1H 2019	% ch.
Revenue	5,352	5,023	7%	10,347	9,998	3%
Cost of Sales	-3,717	-3,290	13%	-7,067	-6,358	11%
<b>Gross Profit</b>	<b>1,635</b>	<b>1,733</b>	<b>-6%</b>	<b>3,280</b>	<b>3,640</b>	<b>-10%</b>
Operating expense	-1,571	-1,769	-11%	-3,237	-3,591	-10%
<b>EBITDA</b>	<b>1,364</b>	<b>1,216</b>	<b>12%</b>	<b>2,719</b>	<b>2,476</b>	<b>10%</b>
<b>EBIT</b>	<b>64</b>	<b>-36</b>	<b>-</b>	<b>43</b>	<b>49</b>	<b>-</b>
Net financial expense	-182	-257	-	-623	-515	-
Effect of associates	28	8	-	48	828	-
Income tax	30	70	-	122	93	-
<b>Loss / profit</b>	<b>-60</b>	<b>-215</b>	<b>-</b>	<b>-410</b>	<b>455</b>	<b>-</b>
<i>Gross Margin</i>	<i>30.5%</i>	<i>34.5%</i>		<i>31.7%</i>	<i>36.4%</i>	
<i>EBITDA</i>	<i>25.5%</i>	<i>24.2%</i>		<i>26.3%</i>	<i>24.8%</i>	
<i>EBIT</i>	<i>1.2%</i>	<i>-0.7%</i>		<i>0.4%</i>	<i>0.5%</i>	

## Key factors impacting Q2 and 1H 2020

- Increase in revenue is due to the acquisition of Endor which offsets revenue decline in the telecom and media business.
- Decrease in salary and related expense is in line with reduction in headcount. The decrease has more effect in operation expense than in cost of sales.
- Other cost reduction programs have resulted in lower operating expense i.a. in housing, vehicle, marketing and consulting expense.
- Decrease in interest expense from long term liabilities between quarters amounts to 95 m IKR. The decrease amounts to 145 m IKR compared to 1H 2019.
- Insignificant change in foreign currency difference from 1F 2020. The weakening of the Icelandic Krona in the first half of 2020 had 242 m IKR effect on the P&L.

# Revenue



ISK m	Q2 2020	Q2 2019	% ch.	1H 2020	1H 2019	% ch.
Media	1,848	2,170	-15%	3,791	4,342	-13%
Broadband	1,148	1,208	-5%	2,308	2,414	-4%
Mobile	834	970	-14%	1,745	1,883	-7%
Fixed Line	155	203	-24%	322	424	-24%
Hosting and operating solutions	943	-	-	1,315	-	-
Retail Sales	242	277	-13%	476	523	-9%
Other Revenue	182	195	-7%	390	412	-5%
<b>Total Revenue</b>	<b>5,352</b>	<b>5,023</b>	<b>7%</b>	<b>10,347</b>	<b>9,998</b>	<b>3%</b>

- **Media:** Advertising revenue decreased 17% between 1H 2020 and 1H 2019, largely due to COVID-19. Subscription revenue decreased between same periods which is mainly due to cost- and program changes which is offset by an increase in revenue from television distribution.
- **Broadband:** Due to COVID-19 customers were offered all excess data usage during lockdown free of charge.
- **Mobile:** Roaming revenues decreased by 49% between quarters, 75% of which occurred during Q2. Effects from decrease in tourism and fewer Icelanders travelling abroad due to COVID-19.
- **Sales:** Opening hours changed and closing of one store in the shopping center, Kringlan.



# COVID-19 impact



- Daily business has gone well and operational adjustment has exceeded expectations. The main focus has been to ensure the safety of employees and customers.
- Revenue from roaming is expected to decline from last years. Possible effect on this years gross profit amounts to 200 m IKR.
- Reduction in advertisement sales in the period. Revenues from sale of advertisement started to grow again in June and revenues in that month were higher then compared to the same month the year before. Continuing development uncertain but decline in revenue is expected between years.
- Certain Endor-projects delayed due to COVID-19. The company has, in spite of this, been successful in conducting its operations through mix of remote and on premises operations.
- Weakening of the IKR has an negative effect on cost and investments in foreign currency. The main effect will be in investment in broadcasting license rights and telecom infrastructure which will lead to increase in amortization and depreciation.
- If there will be a long-term recession in the economy, it is unclear what effect that will have on other sources of revenue than roaming and advertisement as well as developments in the retail and corporate markets. It is likely that the epidemic will lead to payment difficulties for some of the Company's customers, currently there is insignificant change in bad debt reserve.



# Statement of Financial Position



ISK m	30.06.2020	31.12.2019	Change	%
Right-of-use assets	5,676	5,828	-152	-3%
Property, plant and equipment	4,445	4,793	-348	-7%
Goodwill	8,832	8,787	45	1%
Other intangible assets	4,523	4,648	-125	-3%
Shares in other companies	1,432	1,383	49	4%
Deferred tax asset	243	97	146	151%
<b>Fixed assets</b>	<b>25,151</b>	<b>25,536</b>	<b>-385</b>	<b>-2%</b>
Broadcasting license rights	1,793	1,814	-21	-1%
Inventories	347	427	-80	-19%
Accounts receivables and other short term liabilities	3,607	3,567	40	1%
Cash and cash equivalents	410	634	-224	-35%
<b>Current assets</b>	<b>6,157</b>	<b>6,442</b>	<b>-285</b>	<b>-4%</b>
<b>Total assets</b>	<b>31,308</b>	<b>31,978</b>	<b>-670</b>	<b>-2%</b>



# Statement of Financial Position



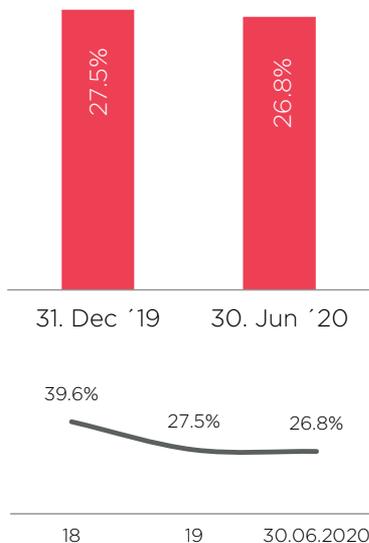
ISK m	30.06.2020	31.12.2019	Change	%
Equity	8,385	8,798	-413	-5%
Interest bearing debt	9,811	10,898	-1,087	-10%
Lease liabilities	4,932	5,390	-458	-8%
Deferred tax liabilities	152	252	-100	-40%
Other long term liabilities	16	9	7	78%
Non-current liabilities	14,911	16,549	-1,638	-10%
Interest bearing debt	991	689	302	44%
Lease liabilities	1,280	938	342	36%
Other current liabilities	5,741	5,004	737	15%
Current liabilities	8,012	6,631	1,381	21%
<b>Total equity and liabilities</b>	<b>31,308</b>	<b>31,978</b>	<b>-670</b>	<b>-2%</b>
<i>Interest bearing debt</i>	<i>17,014</i>	<i>17,915</i>		
<i>Net interest bearing debt</i>	<i>16,604</i>	<i>17,281</i>		
<i>Equity ratio</i>	<i>26.8%</i>	<i>27.5%</i>		



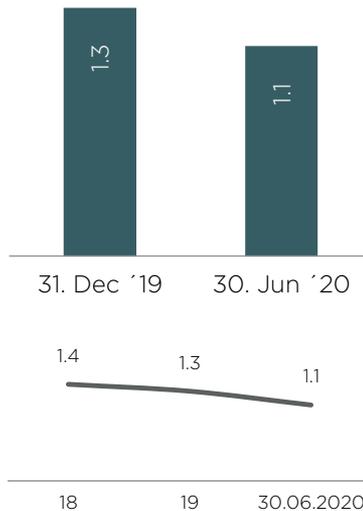
# Statement of Financial Position - Key ratios



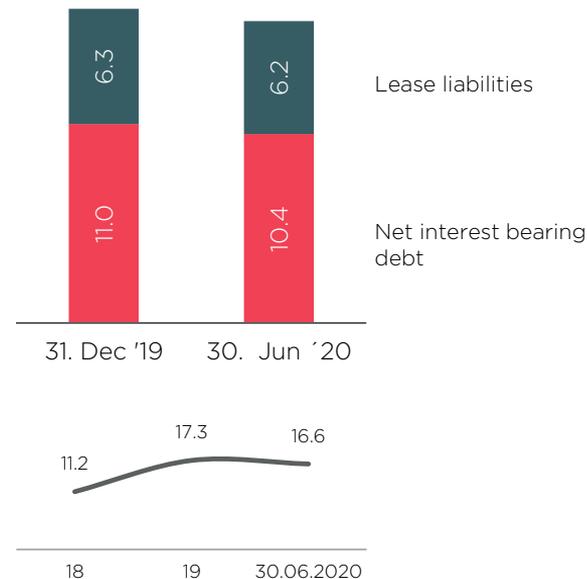
### Equity Ratio



### Current Ratio



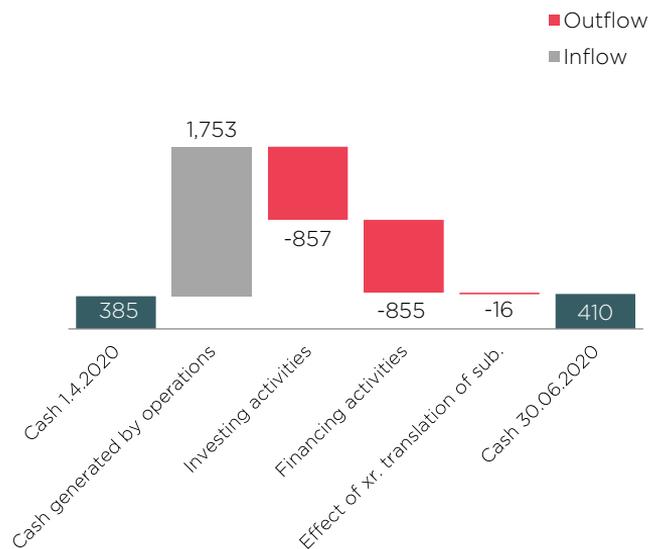
### Net interest bearing debt



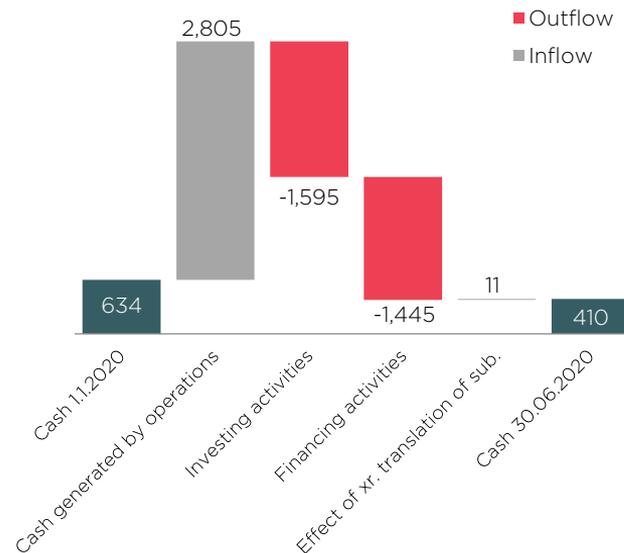
# Cash flow



## Cash flow Q2 2020



## Cash flow 1H 2020



ISK m	Q2 2020	Q2 2019	% ch.	1H 2020	1H 2019	% ch.
Cash generated by operations before interest and tax	1,939	1,444	34%	3,198	2,553	25%
Investment activities*	-857	-799	7%	-1,595	-1,833	-13%
<b>Free Cash Flow</b>	<b>1,082</b>	<b>645</b>	<b>68%</b>	<b>1,603</b>	<b>720</b>	<b>123%</b>

\* Excluding net investment in share in other companies



Figures are in ISK million



# Telecommunication in the car



# Sendafélagið/5G



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