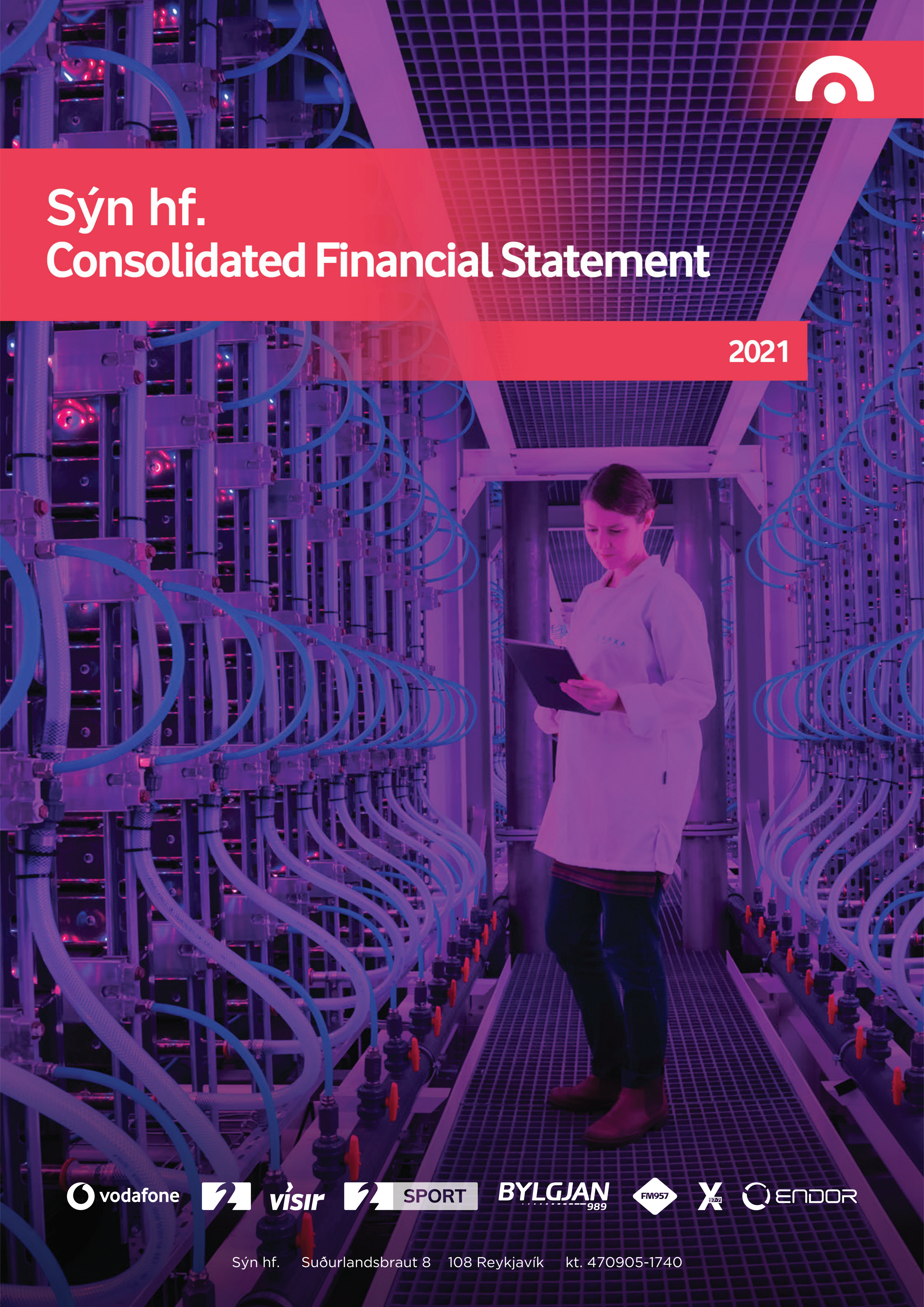

Sýn hf.
Consolidated Financial Statement

2021

vodafone | Vísir | SPORT | BYLGJAN 989 | FM957 | X977 | ENDOR

Sýn hf. Suðurlandsbraut 8 108 Reykjavík kt. 470905-1740

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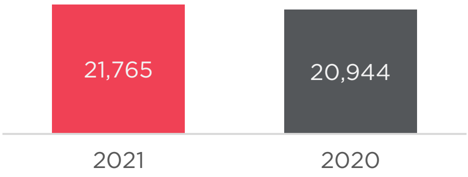
This document includes an English translation of certain parts of Sýn hf. consolidated financial statements for the year 2021. If there is a discrepancy between the English translation and the related parts that are translated from the Icelandic consolidated financial statements, the Icelandic version shall prevail.

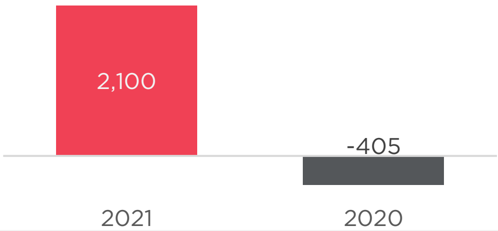
Key Figures

REVENUES

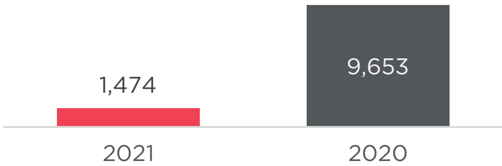


ADJUSTED EBITDA AND EBITDA RATIO*

PROFIT (LOSS) FOR THE PERIOD



NET INTEREST BEARING DEBT WITHOUT LEASE LIABILITIES



INVESTMENTS (WITHOUT LICENCE RIGHTS)

INVESTMENTS IN LICENCE RIGHTS

NET CASH FROM OPERATING ACTIVITIES

FREE CASH FLOW**

** Adjusted EBITDA for the sale gain of the Group's passive mobile infrastructure*

*** Free cash flow consists of cash from operations before interest and income tax less investment movements. Purchases of operations and holdings are excluded as they are not related to the Group's refinancing needs.*

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, 2021 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, 2021, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in Icelandic laws and rules for listed companies.

Our opinion in this report on the consolidated financial statements is consistent with the content of the additional report that has been submitted to the parent company´s audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Sýn hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU . We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in our audit
Revenue regognition	
The company´s revenue recognition is based on complex systems and large number of transactions in the revenue recognition system. The company´s revenue recognition is based on complex systems and large number of transactions in the revenue recognition system. Further information about the revenue recognition can be found in note 4 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. • Testing the company's revenue with an analysis tool where revenue entries are analyzed and unusual entries are taken for further examination.

Consolidated Financial Statements of Sýn hf. 2021 4 Amounts are in ISK millions

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 8,9 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. Further information about goodwill can be found in note 13 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 among 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.

Key Audit Matters	How the matter was addressed in our audit
Sale and leaseback of passive mobile infrastructure	
During the year, the company sold inactive mobile infrastructure to DigitalBridge Group Inc. The sale price amounted to ISK 6.95 billion, the book value of sold assets amounted to ISK 0.4 billion and the sale profit therefore amounted to ISK 6.4 billion, less the cost of the sale. The transactions are classified as sales and leaseback in accordance with IFRS 16 Leases. According to the requirements of the standard, part of the capital gain is deferred over the life of the lease and is therefore entered on the one hand as a reduction in the leased asset and on the other hand recognized as income in the income statement. Capital gain recognized in the income statement amounted to ISK 2.55 billion. The amount of the transaction is significant and the accounting treatment is complex and subject to management's assessment, and we therefore consider it to be one of the key audit matters. Further informaition about the sale of inactive mobile phone infrastructure can be found in Note 25 in the financial statement.	In our audit of the sale of inactive mobile infrastructure, we have performed the following procedures among other things: • Review of agreements between parties and assessment of appropriate accounting treatment based on the terms of the agreement. • Evaluate the assumptions on which the management based its calculations. • Recalculation of management calculations and review of financial transactions. •Review of Note 25 as to whether it complies with IFRS 16.

Consolidated Financial Statements of Sýn hf. 2021 5 Amounts are in ISK millions

INDEPENDENT AUDITOR'S REPORT, continued:

Other information

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

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

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

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

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

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

In preparing the consolidated financial statements, the Board of Directors and the CEO are responsible for assessing Sýn hf.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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.

INDEPENDENT AUDITOR'S REPORT, continued:

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

• 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.

We also provide the Board of Directors and the Audit Committee a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

In addition to our work as the auditors of Sýn hf., Deloitte has provided the firm with permitted additional services such as review of interim financial statements, other assurance engagements, consultation on tax matters. Deloitte has in place internal procedures in order to ensure its independence before acceptance of additional services (valkvætt). Deloitte has confirmed in writing to the Audit Committee that we are independent of Sýn hf.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte was appointed auditor of Sýn hf. by the general meeting of shareholders on the 19 March 2021. Deloitte have been elected since the general meeting 2016.

Reykjavík, 16th February 2022.

Deloitte ehf.

Jóhann Óskar Haraldsson
State Authorized Public Accountant

Steina Dröfn Snorradóttir
State Authorized Public Accountant

Income statement

	Notes	2021	2020
Revenue from sales of goods and services	4	21,765	20,944
Cost of sales	5	(14,672)	(14,436)
Gross profit		7,093	6,508
Gain from sale of passive mobile infrastructure	25	2,552	-
Operating expense	6	(6,359)	(6,347)
Operating profit (loss)		3,286	161
Finance income		22	23
Finance expense		(613)	(728)
Net exchange rate differences		18	(205)
Net financial expense	8	(573)	(910)
Effects of associate	14	(251)	98
Profit (loss) before tax		2,462	(651)
Income tax	17	(362)	246
Profit (loss) for the period		2,100	(405)
Profit (loss) per share*	22	7.1	(1.4)

Statement of Comprehensive Income

	2021	2020
Profit (loss) for the period	2,100	(405)
Items that may subsequently be reclassified to profit or loss		
Translation difference	(114)	156
Total comprehensive income for the period	1,986	(249)

**Diluted profit (loss) per share is the same as profit (loss) per share*

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

Consolidated Financial Statements of Sýn hf. 2021 8 Amounts are in ISK millions

Statement of Financial Position

	Notes	31.12.2021	31.12.2020
Non-current assets			
Right-of-use assets	9	8,049	5,227
Property, plant and equipment	10	3,212	3,818
Goodwill	13	8,888	8,932
Other intangible assets	13	4,469	4,403
Shares in other companies	14	62	1,398
Deferred tax asset	18	26	383
Total non-current assets		24,706	24,161
Current assets			
Broadcasting license rights	15	1,762	1,876
Inventories	19	356	241
Trade receivables and other short term receivables	20	5,463	3,217
Cash and cash equivalents		4,214	831
Total current assets		11,795	6,165
Assets classified for sale		-	536
Total assets		36,501	30,327
Equity			
Share capital		2,964	2,964
Statutory reserves		2,465	2,465
Other reserve		69	310
Retained earnings		5,037	2,810
Total equity	21	10,535	8,549
Non-Current liabilities			
Interest bearing debt	23	4,965	9,492
Lease liabilities	9	11,393	4,507
Other liabilities	29	180	166
Deferred tax liabilities	18	19	16
Total non-current liabilities		16,557	14,181
Current liabilities			
Interest bearing debt	23	723	992
Lease liabilities	9	1,206	1,259
Trade and other current payables	24	7,480	5,699
Current liabilities		9,409	7,950
Liabilities connected to assets classified for sale		-	182
Total liabilities		25,966	22,131
Total equity and liabilities		36,501	30,680

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

Consolidated Financial Statements of Sýn hf. 2021 9 Amounts are in ISK millions

Statement of Changes in Equity

	Share Capital	Statutory reserve	Translation difference	Reserve	Retained earnings	Total equity
2020						
Total Equity 1.1.2020	2,964	2,465	7	105	3,257	8,798
Loss for the period	-	-	-	-	(405)	(405)
Translation difference	-	-	156	-	-	156
Comprehensive Income	0	0	156	0	(405)	(249)
Profit of associate in excess of dividend received	-	-	-	42	(42)	0
Total Equity 31.12.2020	2,964	2,465	163	147	2,810	8,549
2021						
Total Equity 1.1.2021	2,964	2,465	163	147	2,810	8,549
Profit for the period	-	-	-	-	2,100	2,100
Translation difference	-	-	(114)	-	-	(114)
Comprehensive Income	0	0	(114)	0	2,100	1,986
Change in restricted share in profit of associate	-	-	-	(127)	127	0
Total Equity 31.12.2021	2,964	2,465	49	20	5,037	10,535

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

Consolidated Financial Statements of Sýn hf. 2021 10 Amounts are in ISK millions

Statement of Cash Flows

	Notes	2021	2020
Loss for the period		2,100	(405)
Adjustment for non-cash items:			
Depreciation and amortization	11	5,698	5,578
Gain from sale of passive mobile infrastructure	25	(2,552)	0
Net financial expense	8	573	910
Effects of associate	14	251	(98)
Income tax	17	362	(246)
Cash generated from operating activities		6,432	5,739
Change in working capital:			
Change in inventories	19	(117)	148
Change in operating assets	20	(653)	156
Change in operating liabilities	24	(65)	583
Cash generated by operations before interest and tax		5,597	6,626
Interest income received		22	23
Interest expense paid		(602)	(726)
Tax paid		0	(10)
Cash generated by operations		5,017	5,912
Investment activities			
Proceeds from sale of passive mobile infrastructure	25	6,946	-
Proceeds from sale of shares in other companies		1,065	-
Investment in shares in other companies		(18)	(100)
Dividend received	14	-	144
Investment in property, plant and equipment	10	(400)	(544)
Investment in intangible assets	13	(814)	(505)
Investment in broadcasting license rights	15	(2,541)	(2,511)
Investment activities		4,238	(3,516)
Financial activities			
Instalment of interest bearing debts		(3,161)	(683)
Change in revolving credit facility		(1,635)	(420)
Instalment of lease liabilities	8	(1,106)	(1,135)
Financial activities		(5,902)	(2,238)
Change in cash and cash equivalents		3,353	159
Cash and cash equivalents at the beginning of the year		831	634
Effect of exchange rate changes on cash held		29	38
Cash and cash equivalents at the end of the year		4,214	831

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

Consolidated Financial Statements of Sýn hf. 2021 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 consolidated financial statements of the Company for the year ended on December 31st 2021 incorporates the financial statements of the Company, its subsidiaries and share in joint operation of Sendafelagid ehf, which are jointly referred to as "the Group".

2. Accounting Policies

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

a. Basis of accounting

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional information required by Icelandic laws and regulation listed companies. The consolidated financial statements of the Group are prepared in accordance with the same accounting principles as the financial statements for 2020.

To increase the value of information disclosed in the notes to the consolidated financial statements, information disclosed in the notes are relevant and material. That means that information that are neither relevant nor material for the reader are not disclosed.

b. Subsidiaries

Subsidiaries are entities ultimately controlled by the Company. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

	Ownership		Functional currency
Subsidiaries of the Company are three at year end:	2021	2020	
Endor ehf.	100%	100%	EUR
EC Sweden AB.	100%	100%	SEK
EC Germany GmbH	100%	100%	EUR

The assets and liabilities of the Company's foreign operations are expressed in the presentation currency using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Translation differences, if any, are classified within equity translation reserve.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

c. Joint operations

Sendafelagið ehf. is a joint operation for the telecommunication systems of Sýn hf. and Nova ehf., with each party owning 50% of the shares. Sýn hf. recognises the assets it controls, and expenses and liabilities it incurs, and its share of income earned, in its consolidated financial statements by applying the relevant IFRSs.

Consolidated Financial Statements of Sýn hf. 2021 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 note 13 on measurement of the recoverable amounts of cash generating units containing goodwill and in note 9 on measurement of the lease term and the interest rate implicit in the lease.

e. Fair value estimate

The consolidated financial statements are presented in Icelandic krona, which is the presentation currency of the Group. All amounts are rounded to the nearest million, except when otherwise indicated.

f. Fair value estimate

Part of the accounting policies and disclosures of the Group requires a fair value estimate, both with regards to financial instruments as well as other assets and liabilities.
The Group uses market assumptions whenever they are available but whenever such information is not available management applies judgement for estimating fair value. Fair value has been determined for the following:

- Fair value of contingent liability related to purchase of Endor ehf., was estimated based on discounted cash flow and the probability of reaching a predetermined target result.

3. Change in presentation of expenses

Service fees related to advertisement revenues that have been netted against operating revenues in the statement of profit or loss in prior periods, are now presented within costs of sales. Comparative numbers have been adjusted to reflect this change in presentation.

	As reported 2020	Revision	Revised 2020
Revenue from sales of goods and services	20,786	158	20,944
Cost of sales	(14,278)	(158)	(14,436)

Notes, continued:

4. Revenue from sales of goods and services

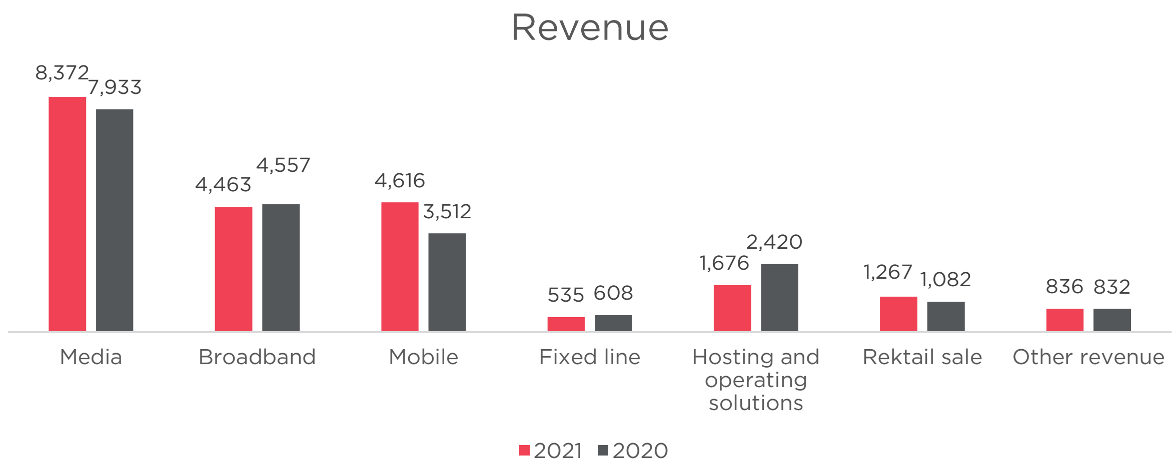
Sales of goods and service is specified as follows:	2021	2020
Sales of goods	1,267	1,082
Sales of service	20,498	19,862
Total sales of goods and service	21,765	20,944

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

Revenue

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

The Company's operation is divided into seven revenue streams which are different by nature. The revenue streams are:



Media – Revenue from media consist of revenue from the operation of broadcast media, TV subscriptions, advertisement, distribution systems, set-top boxes, TVOD, SVOD and PPV. Performance obligation for monthly subscriptions is fullfilled over time. Revenues from advertisement are recognized when the performance obligation has been fulfilled. Revenues from rental of certain movies or episodes are recognized 48 hours after the purchase. Revenues from lease of equipment, such as cable boxes, are recognised on a montly basis in line with customer agreements.

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

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

Notes, continued:

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

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

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

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

Other revenue – Service revenues, revenues from software and other revenues.

Revenue from the sale of goods and service in the course of ordinary business is measured at the fair value of the payment received or receivable, net of trade discounts and refunds. Revenue is recognized in the statement of comprehensive income when a significant portion of the risks and rewards of ownership are transferred to the buyer, it is probable that the consideration will be collected and the cost of sale and possible return of goods can be estimated reliably.

Notes, continued:

5. Cost of sales

Cost of sales is specified as follows:	2021	2020
Cost of goods and service sold	8,044	8,058
Salaries and related expenses	2,208	2,203
Capitalised salaries	(128)	(156)
Depreciation and amortization	4,548	4,331
Total cost of sales	14,672	14,436

6. Operating expense

Operating expense is specified as follows:	2021	2020
General and administrative expense	1,384	1,334
Sales and marketing expenses	568	542
Salaries and related expense	3,521	3,342
Capitalised salaries	(264)	(118)
Depreciation and amortization	1,150	1,247
Total operating expenses	6,359	6,347

6. Salaries and related expenses

Salaries and related expenses are specified as follows:	2021	2020
Salaries	4,783	4,507
Pension fund contribution expense	615	588
Other salary related expenses	426	450
Salaries related to sale of passive mobile infrastructure	(95)	0
Salaries and related expenses	5,729	5,545
Average full-time equivalents during the period	462	467

At year end 60% of managers were male and 40% were female (2020: 56% / 44%).

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

8. Net financial expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.
Interest expense from a financial liability and lease liabilities is accrued on a time basis, by reference to the principal outstanding based on effective interest rate.
Exchange rate gain and loss is offset and presented net for the period.

Financial income and expenses are specified as follows:	2021	2020
Interest income from loans and receivables	18	22
Other interest income	4	1
Total financial income	22	23
Interest expense and other service charges	(613)	(728)
Net exchange rate difference	18	(205)
Total net financial expense	(573)	(910)

Consolidated Financial Statements of Sýn hf. 2021 16 Amounts are in ISK millions

Notes, continued:

9. Lease liabilities

The Group recognizes assets and liabilities due to lease agreements for office premises, warehouses, cars, telco towers and servers.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate plus estimated margin for certain lease agreement based on its nature. The weighted average incremental borrowing rate is 5.13%.

The lease liability is increased due to interest payments and decreased due to lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. The Group has exercised judgment in determining lease periods of some leases where the Group is a lessee and the contracts contain extension options. Assessment of whether the Group is reasonably certain that it will exercise extension options affects the lease period, which significantly effects the amount of recognised lease liabilities and assets.

Right of use asset	Buildings	Cars	Telco towers	Servers	Total
Balance at 1. January 2020	2,408	80	851	2,489	5,828
Indexation	75	5	20	-	101
Effects of foreign exchange rates	-	-	-	350	350
Revaluation of contract life	13	4	260	-	277
Depreciation for the year	(228)	(39)	(188)	(730)	(1,184)
Classified as held for sale	-	-	(144)	-	(144)
Balance at 31. December 2020	2,268	50	800	2,109	5,227
Indexation	80	2	13	-	95
Effects of foreign exchange rates	-	-	1	- 111	(110)
Revaluation of contract life	66	0	212	-	278
Additions due to new contracts	-	26	3,740	47	3,813
Cancelled contracts	-	(3)	(81)	-	(84)
Depreciation for the year	(229)	(37)	(157)	(747)	(1,169)
Balance at 31. December 2021	2,185	38	4,528	1,298	8,049

Amounts recognised in the income statement	2021	2020
Depreciation (right of use asset)	1,169	1,184
Interest expense (lease liability)	314	345
Exchange rate difference	1	(19)
Interest income (lease receivables)	(8)	(9)
Total recognised in the income statement	1,476	1,501

Lease liabilities	31.12.2021	31.12.2020
Within a year	1,206	1,259
After a year but within five years	2,282	2,555
Five years of later	9,111	1,952
Total	12,599	5,766

Alongside the sale of passive mobile infrastructue, the Company entered into a long-term lease with ÍslandsTurnar hf. (subsidiary of DigitalBridge Group Inc.), see further in note 25.

Consolidated Financial Statements of Sýn hf. 2021 17 Amounts are in ISK millions

Notes, continued:

10. Property, plant and equipment

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

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

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

Property, plant and equipment is specified as follows:

	Property	Telecom & Broadcasting Equipment	Appliances automobiles & Interiors	Total
Cost				
Total cost 1.1.2020	51	10,103	1,806	11,960
Additions during the year	-	511	81	593
Sold and discontinued during the year	(16)	-	(3)	(20)
Effects of foreign exchange rates	-	-	3	3
Classified as held for sale	-	(1,025)	-	(1,025)
Total cost 31.12.2020	35	9,589	1,888	11,511
Additions during the year	-	331	89	421
Sold and discontinued during the year	(35)	(313)	(10)	(358)
Effects of foreign exchange rates	-	-	(1)	(1)
Total cost 31.12.2021	0	9,607	1,967	11,573
Depreciation and impairment				
Accumulated depreciation 1.1.2020	23	6,242	903	7,167
Depreciation for the year	1	952	232	1,185
Sold and discontinued during the year	(9)	-	(3)	(12)
Effects of foreign exchange rates	-	-	6	6
Classified as held for sale	-	(653)	-	(653)
Total depreciation 31.12.2020	15	6,542	1,137	7,693
Depreciations during the year	-	825	152	977
Sold and discontinued during the year	(15)	(285)	(10)	(311)
Effects of foreign exchange rates	-	-	2	2
Total depreciation 31.12.2021	0	7,082	1,280	8,361
Book value				
31.12.2020	20	3,047	751	3,818
31.12.2021	0	2,525	687	3,212
Depreciation rates	3%	5-33%	15-33%	

Consolidated Financial Statements of Sýn hf. 2021 18 Amounts are in ISK millions

Notes, continued:

11. ## Depreciation and amortization

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

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

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

The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Amortization of intangible assets, other than goodwill, is recognized on a straight-line basis in the income statement based on their estimated useful life.

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

Impairment previously recognized can be reversed for all assets, except for goodwill, if the estimated recoverable amount is higher than book value. The book value of assets can not be higher after the reversal than it would have been if no impairment would have occurred. Amortization starts when the assets are ready for their intended use. Estimated useful life is stated as follows:

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

Depreciation and amortization in the income statement are specified as follows:	2021	2020
Depreciation of property, plant and equipment, - note 10	977	1,185
Amortization of intangible assets - note 13	747	760
Depreciation of right of use assets - note 9	1,169	1,184
Depreciation of broadcasting rights - note 15	2,805	2,449
Depreciation amd amortization recognized in the income statement	5,698	5,578

Depreciation and amortization is classified by functional category as follows:	2021	2020
Cost of goods and services sold, see note 5	4,548	4,331
Other operating costs and impairment, see note 6	1,150	1,247
Total	5,698	5,578

12. ## Real estate and insurance value

During the year the Company sold its only building. At 2021 year-end the official real estate value of other equipment- and telecommunation structures amounted to 86 million ISK (2020: 50 million ISK) and their insurance value amounted to 131 million ISK (2020: 132 million ISK). The insurance value of other property, plant and equipment amounted to 7,106 million ISK at 2021 year-end (2020: 6,993 million ISK).

Consolidated Financial Statements of Sýn hf. 2021 19 Amounts are in ISK millions

Notes, continued:

13. Intangible assets

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the purchase price of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities, contingent liabilities, the amount of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not amortized but is reviewed for impairment at least annually. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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

Subsequent expenditure is only recognized as assets if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured in a reliable manner. Other expenses, including those relating to goodwill and trademarks that are generated within the Group, are recognised in profit or loss as incurred.

Intangible assets are specified as follows:

	Goodwill	Trademark and Customer relationships	Software	Total
Cost				
Total cost 1.1.2020	14,079	3,293	3,656	21,029
Adjustment from provisional PPA	49	-	-	49
Additions during the year	-	-	505	505
Effects of foreign exchange rates	94	-	2	96
Total cost 31.12.2020	14,223	3,293	4,163	21,679
Additions during the year	-	-	814	814
Effects of foreign exchange rates	(44)	-	-	(45)
Total cost 31.12.2021	14,179	3,293	4,977	22,448
Amortization and impairment				
Amortization and impairment 1.1.2020	5,291	414	1,887	7,592
Amortized during the year	-	199	561	760
Effects of foreign exchange rates	-	-	(8)	(8)
Total depreciation 31.12.2020	5,291	613	2,440	8,344
Amortized during the year	-	199	549	747
Impact of currency exchange rate	-	-	-	0
Total depreciation 31.12.2021	5,291	812	2,989	9,091
Book value				
31.12.2020	8,932	2,680	1,723	13,335
31.12.2021	8,888	2,481	1,988	13,357
Amortization rates	-	3-11%	10-33%	

Consolidated Financial Statements of Sýn hf. 2021 20 Amounts are in ISK millions

Notes, continued:

13. Intangible assets, continued

Impairment testing for cash generating units that contain goodwill

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

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

	2021	2020
Goodwill related to Sýn hf.	8,194	8,194
Goodwill related to Endor ehf.	694	738
Goodwill total	8,888	8,932

The recoverable amount of the cash generating units is determined based on a value in use calculation which uses cash flow projections for the next 5 years. According to the Group's updated future plan, the recoverable amount of goodwill exceeds book value of goodwill, and no impairment has been recognized.

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

	2021	2020
Nominal growth of revenue 2021 / 2020	8.5%	(7.3%)
Average growth of revenue 2022 to 2026 / 2021 to 2025	6.0%	3.1%
Future growth, excluding effects of price changes	3.0%	3.0%
Average EBITDA 2022 to 2026 / 2021 to 2025	9.5%	6.3%
WACC	10.0%	9.4%

It is management estimate that reasonable changes to the main assumptions of the impairment test would not cause the recoverable amount to be lower than book value. Average growth of revenue 2022 to 2026 increases significantly from prior year due to the effects of new revenues.

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

	2021	2020
Nominal growth of revenue 2021 / 2020	(30.5%)	13.7%
Average growth of revenue 2022 to 2026 / 2021 to 2025	13.3%	11.5%
Future growth, excluding effects of price changes	2.5%	3.0%
Average EBITDA 2022 to 2026 / 2021 to 2025	18.7%	3.9%
WACC	8.3%	12.0%

Consolidated Financial Statements of Sýn hf. 2021 21 Amounts are in ISK millions

Notes, continued:

14. Investments in associates

Investments in associates are accounted for in the Consolidated Financial Statements using the equity method. An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies. Under the equity method, investments in associates are initially recognized at cost and adjusted for post acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Investment in other companies are of immaterial amounts and recorded at cost.

	2021	2020
Book value at 1.1.	1,375	1,360
Sale of investment in associate	(1,103)	-
Effects of associates	(251)	98
Translation difference	-	61
Investments during the year	18	-
Dividend received	-	(144)
Book value 31.12.	39	1,375
Investment in other company's	23	23
Book value 31.12.	62	1,398

15. Broadcasting rights

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

Broadcast rights at year end is specified as follows:	2021	2020
Book value at 1.1.	1,876	1,814
Foreign broadcasting license	1,924	1,777
Domestic content	766	734
Depreciation of the period	(2,805)	(2,449)
Book value 31.12.	1,762	1,876

The Group's off balance sheet commitments for broadcasting rights amount to 2,046 million ISK (2020: 1,740 million ISK)

16. Fee to auditors

	Group auditors		Other auditors	
Services provided are specified as follows:	2021	2020	2021	2020
Auditing	19	20	-	-
Other services	5	9	3	1
Total fee to auditors during the year	24	29	3	1

Consolidated Financial Statements of Sýn hf. 2021 22 Amounts are in ISK millions

Notes, continued:

17. Income tax

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

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

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

Effective income tax is specified as follows:	2021		2020	
Loss before income tax		2,462		(651)
Income tax according to current tax ratio	(20.0%)	(492)	(20.0%)	130
Effects of associates	(2.3%)	(56)	(4.6%)	30
Other items	7.6%	186	(13.3%)	85
Effective income tax	(14.7%)	(362)	(37.8%)	246

18. Deferred tax liability / assets

	2021		2020	
Deferred tax assets (deferred tax liability) is specified as follows:	Tax asset	Tax liabilities	Tax asset	Tax liabilities
Deferred tax assets (tax liability) 1.1.2020	(16)	383	97	(9)
Income tax in the income statement	8	(370)	262	(16)
Other items	34	(32)	24	9
Tax liability / tax asset at year end	26	(19)	383	(16)

Deferred tax assets (liability) is specified as follows:	2021		2020	
Property, plant and equipment	6	(979)	(170)	(6)
Current assets	3	101	62	(3)
Right-of-use assets	-	845	77	-
Other items	17	14	45	(6)
Tax loss carry forward	-	-	369	-
Deferred tax at year end	26	(19)	383	(16)

The Group's tax loss carry forward is specified as follows:	Balance at beginning of the year	Change during the year	Balance at year end
Tax loss for the year 2020 can be utilized until 2030	1,843	(1,843)	0

Consolidated Financial Statements of Sýn hf. 2021 23 Amounts are in ISK millions

Notes, continued:

19. 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's 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:	2021	2020
Telecommunications equipment for resale	286	208
Telecommunications equipment (supplies)	-	17
Other equipment (supplies)	70	16
Inventories at year end	356	241

20. Trade and other receivables

Trade and other receivables are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Trade and other reicevables are subsequently measured at amortized cost, net of impairment losses. The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Trade receivables and other receivables in foreign currency are translated using the exchange rate prevailing at balance sheet date.

Trade and other receivables are specified as follows:	2021	2020
Trade receivables	3,326	2,823
Receivable from sale of passive mobile infrastructure, note 25	1,649	-
Other receivables	392	347
Lease receivables	187	146
Allowance for trade receivables	(91)	(99)
Total trade and other receivables	5,463	3,217

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

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

Change in allowance for doubtful trade receivables is specified as follows:	2021	2020
Balance at 1.1.	(99)	(102)
Change in impairment for claims that may be lost	(46)	(59)
Receivables written off during the year	54	62
Allowance for doubtful trade receivables at 31.12.	(91)	(99)

Consolidated Financial Statements of Sýn hf. 2021 24 Amounts are in ISK millions

Notes, continued:

21. Equity

Share capital

Issued share capital at year-end was 2,964 million ISK (2020: 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. The statutory reserves are included in share premium.

Translation reserve

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

Dividend

No dividends were distributed from 2020 net results and the Board of Directors will propose to the Annual General Meeting that no dividends will be distributed from 2021 net results.

Restricted earnings

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

22. Profit (loss) per share

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

Loss per share is specified as follows:	2021	2020
Profit (loss) for the year	2,100	(405)
Shares at beginning of the year	2,964	2,964
Weighted average of outstanding shares during the year	2,964	2,964
Profit (loss) per share and diluted profit (loss) per share	7.1	(1.4)
Earnings and diluted earnings per ISK of share capital	0.71	(0.14)

Consolidated Financial Statements of Sýn hf. 2021 25 Amounts are in ISK millions

Notes, continued:

23. Interest bearing liabilities

Interest bearing liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. The financial liabilities are initially recognized at fair value plus any direct transaction cost. The liabilities are measured subsequently at amortized cost using the effective interest method

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

Interest bearing debts are specified as follows:	2021	202
Liabilities to financial institutions	5,688	10,484
Current maturities of borrowings	(723)	(992)
Total interest bearing long-term liabilities	4,965	9,492

Liabilities due to financing activities	2021	2020
Starting balance	10,484	11,587
Instalment	(3,161)	(683)
Operating loan	(1,635)	(420)
Final balance	5,688	10,484

Interest bearing debts at year end are in ISK and non-indexed. Weighted average interest rate is 3.59% (2020: 2.1%)

Instalment of long-term liabilities are specified in the following years:	2021	2020
Payments in 2021	-	992
Payments in 2022	723	683
Payments in 2023	4,965	8,809
Total	5,688	10,484

The Company's loan agreements include certain covenants. The covenants relate to both certain restrictions of the Groups actions without the prior consent of the lender as well as the financial ratios that the Company must fulfil. At year end, the Group fulfilled all requirements relating to financial ratios in its operations. The Company is authorized to request an extension of up to 36 months for over half of the Company's interest bearing debts.

Collateral

A collateral amounting to IS 6,287 million ISK (2020: 6,015 million ISK) is in place between the Group and its lender. The collateral relates to among others current assets, property, plant and equipment's inventory and accounts receivables.

24. Trade and other current payables

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

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

Trade and other current payables are specified as follows:	2021	2020
Trade payables	3,867	3,599
VAT payable	360	345
VAT payable from sale of passive mobile infrastructure	1,649	-
Pre-collected revenues	485	153
Accrued expense and other short-term liabilities	1,119	1,602
Total trade and other current payables	7,480	5,699

Deferred revenues

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

Consolidated Financial Statements of Sýn hf. 2021 26 Amounts are in ISK millions

Notes, continued:

25. Sale and leaseback of passive mobile infrastructure

In 14 December 2021 the sale of the Group's passive mobile infrastructure to DigitalBridge Group Inc. was finalised. The agreement is for the sale of nearly 200 telecommunication towers for 6,946 million ISK. The book value of the assets on disposal was 401 million ISK and sales gain amounted to 6,545 million ISK. Alongside the sale, the Group entered into a long-term lease with ÍslandsTurnar hf. (a subsidiary of DigitalBridge Group Inc.) for an original period of 20 years, with an automatic extension peroid of another 20 years (a total of 40 years). The lease agreements will guarantee the continuing access of the Company to the passive mobile infrastructure. The lease also provides the Company with access to other passive mobile infrastuctures owned by ÍslandsTurnar, and lease liablity has been recognised for those lease assets, with a corresponding right-of-use asset in accordance with IFRS 16 requirements.

The transaction is accounted for as sale and leaseback in accordance with IFRS 16 Leases. As required by the standard, a part of the sales gain is deferred and not recognised in profit or loss upon the sale. The deferred sales gain is calculated from the ratio of lease liability at commencement of the lease, and the sales price, which was 59,15%. The right-of-use asset will therefore not be equal to the lease liability at the commencement of the lease, as it is reduced by the amount of deferred sales gain. This equals the right-of-use asset amounting to 59,15% of the book value of the sold assets. The effects of the deferred sales gain of 3,871 million ISK will be recognised in profit or loss throughout the lease term in the form of lower depreciation charges for the right-of-use asset. Sales gain recognised in profit or loss upon the sale amounts to 2,552 million ISK.

Sales gain is presented in the line item Gain from sale of passive mobile infrastructure in the income statements, net of direct sales costs. The sold assets which include property, plant and equipment, right-of-use assets and receivables from subleasesing, were classified as held for sale at the 31 December 2020 reporting date.

The proceeds from the sale were partly used as instalments for the Group's long-term loans (2,000 million ISK) and revolving credit facility (1,000 million ISK).

Value added tax (VAT) payable at year end relating to the sale amounted to 1,649 million ISK, and is presented with other current payables in the statement of financial position. According to an agreement with the buyer, the corresponding receivable for VAT payable has been settled in the beginning of 2022, and is presented with trade payables in the year end.

Consideration	6,946
Book value of sold assets	(401)
Gain from sale of passive mobile infrastructure	6,545
Direct costs relating to sale	(122)
Gain from sale of passive mobile infrastructure net of direct costs	6,423

Gain from sale is itemized as follows:	
Part of sales gain recognised as reduction of right-of-use assets	3,871
Sales gain recognized in profit or loss	2,552
Gain from sale of passive mobile infrastructure net of direct costs	6,423

Lease liability and right-of-use asset for sale and leasaback assets	
Lease liability	4,109
Right-of-use asset	237

Lease liabilities and right-of-use assets for other passive mobile infrastructure assets not previously owned by Sýn amounted to 6,594 million ISK at the lease commencement date.

Consolidated Financial Statements of Sýn hf. 2021 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 analyse risks in its business and to set and monitor the risk appetite. The Group's risk appetite and methods are regularly reviewed to analyse changes in risks related to the Group's markets and business.

b. Credit risk

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

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

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

Maximum credit risk

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

	Notes	2021	2020
Trade and other receivables	20	3,814	3,217
Receivable for sale of passive mobile infrastructure	25	1,649	-
Cash and cash equivalents		4,214	831
Total		9,677	4,048

At year end accounts receivables for the five biggest customers amounted to 921 million ISK (2020: 644 million ISK).

Impairment of trade receivables

The age of trade receivables was specified at year end as follows:	Gross amount		Allowance	
	2021	2020	2021	2020
Not due	5,337	3,056	(33)	(28)
0- 90 days past due	63	101	(9)	(10)
> 90 days past due	152	159	(48)	(61)
Total trade receivables at year end	5,552	3,316	(91)	(99)

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Notes, continued:

26. Risk management, continued

c. Liquidity risk

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

The Group has implemented a management policy for liquidity risk, which determines the Group's handling and use of liquid funds and aims to minimize risks. Cash flow projections that predict the needs for liquid funds are prepared monthly. The Group has unused revolving facilities at year-end of 1,810 million ISK at year end (2020: 1,324 million ISK).

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

	Book Value	Contractual cash-flows	Within a year	1 to 2 years	2 to 5 years	More than 5 years
31 December 2021						
Liabilities:						
Interest bearing debts	5,689	6,049	674	5,375	-	-
Trade and other current payables	7,480	7,480	7,480	-	-	-
Lease liabilities	12,599	12,599	1,206	1,206	1,076	9,111
Total	25,768	26,128	9,360	6,581	1,076	9,111
31 December 2020						
Liabilities:						
Interest bearing debts	10,484	11,045	1,179	856	9,010	-
Trade and other current payables	5,699	5,699	5,699	-	-	-
Lease liabilities	5,766	5,766	1,259	1,259	1,296	1,952
Total	21,949	22,510	8,137	2,115	10,306	1,952

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.

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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).

31 December 2021	EUR	USD	GBP	SDR
Trade receivables	333	3	-	31
Cash and cash equivalents	101	47	-	-
Trade payables	(1,398)	(899)	(9)	(52)
Risk in the balance sheet	(964)	(850)	(9)	(21)

31 December 2020	EUR	USD	GBP	SDR
Trade receivables	391	4	-	21
Cash and cash equivalents	218	4	-	-
Trade payables	(1,334)	(679)	(28)	(11)
Risk in the balance sheet	(725)	(671)	(28)	10

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

	Average rate		Year end rate	
	2021	2020	2021	2020
EUR	150.19	154.52	147.60	156.10
USD	127.05	135.27	130.38	127.21
GBP	180.92	188.52	182.50	183.85
SDR	174.71	173.59	175.73	173.55

Sensitivity analysis

10% strengthening of ISK against the relevant currencies would increase pre-tax net profit of the Group by 184 million ISK (2020: 141 million). A 10% weakening of the ISK would have the opposite effect. The analysis is based on the same assumptions as in the prior year.

10% weakening of ISK against the relevant currencies would have the same effect but in the opposite direction, provided that all other variables had remained unchanged.

f. Interest rate risk

The Group's borrowings are all with variable interest rates.

The Group is exposed to interest rate risks as funds are borrowed at variable interest rates.	2021	2020
Borrowings with variable interest	5,688	10,484

A 100 bps change in interest would effect the pre-tax profit by 56,8 million ISK (2020: 105 million). The Group has no fixed rate borrowings.

g. Fair value

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

26. 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 28,9% (2020: 27,8%).

Notes, continued:

27. 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:	2021 Fixed terms	2021 Variable terms	2020 Fixed terms	2020 Variable terms	No. Of shares at the end of 2021
Board:					
Hjörleifur Pálsson, chairman.	8.5	-	7.9	-	250,000
Tanya Zharov, vice chairman	5.5	-	4.7	-	-
Páll Óskar Gíslason, board member	3.6	-	-	-	-
Petrea I. Guðmundsdóttir, board member	5.0	-	3.8	-	-
Sigríður Vala Halldórsdóttir, board member	4.1	-	4.5	-	-
Óli Rúnar Jónsson, alternate board member	-	-	1.1	-	-
Hilmar Þór Kristinsson, former board member	0.7	-	2.9	-	-
Key management:					
Heiðar Guðjónsson, CEO of Sýn hf.	54.5	9.2	42.2	-	27,147,128
Executive members	159.0	35.3	178.0	-	104,000

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

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

Transactions with related parties

Sale of goods and services to related parties and entities related to them amounted to 75 million ISK in the year 2021 (2020: 290 million ISK), and purchases of goods and services amounted to 70 million ISK (2020: 77 million ISK).

29. Other long term liabilities

Part of the consideration for Endor acquired on 18 October 2019 was contingent upon certain results in the company's operations for three subsequent years. According to the terms of the purchase agreement, an additional amount of up to 200 million ISK is payable if gross margin from Endor's agreement with Atos Information Technology GmbH and other data center transaction exceeds a predetermined threshold. If the treshold is not reached, the contingent consideration is reduced by the difference of the threshold gross margin amount, and the actual gross margin amount.

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Notes, continued:

30. Other matters

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

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

In this case the applicant, Síminn hf., demands that ECOI's decision no 10/2018 will be dismissed. As a secondary claim, Siminn has requested that section 6, regarding the decision to impose an administrative fine, will be annulled or the fine reduced. At last, Siminn has also brought a claim that the defendants will pay its accrued legal costs.

The dispute mainly relates to the interpretation of Article 45(5) of the Icelandic Media Act no. 38/2011 and whether Siminn is in breach of that provision by solely offering its content provider to those who purchase telecommunication services from Siminn's group, with the objective to attract more customers for Siminn's telecommunication services.

By judgment dated 1 July 2020, Reykjavík District Court reduced the administrative fine, however the court dismissed every other claim that Siminn demanded. Sýn, Siminn and ECOI have all appealed the judgement to the Court of Appeal. Sýn demands that the Court of Appeal will dismiss all of Siminn's claims and that Siminn should pay Sýn acquired legal cost. The case is currently awaiting proceedings.

Sýn v The Electronic Communications Office of Iceland (ECOI), Siminn hf., Míla hf., Nova hf. and Ljósleiðarinn hf.

In this case Sýn has demanded that the district court annuls the Electronic communications Appeals Committee's decision no 7/2019. In that decision, the appeals committee annulled ECOIs decision no 27/2019, where ECOI imposed an administrative fine on Síminn for a breach of Article 45(5) of the Icelandic Media Act. The provision prohibits media service providers to direct their customers business to an affiliated electronic communications network. ECOI maintained that Siminn breached the provision with its action until 1 October 2019. In the contested Decision from the Appeals Committee the Committee argues that ECOIs decision had formal defects. Sýn maintains that the Appeals Committee reasoning can't add up due to the fact that Siminn's action breached Article 45(5). Sýn have filed a subpoena claiming annulment of the appeals committee decision. Moreover, ECOI also filed a subpoena claiming annulment of the decision, these two cases have now been combined in one. The case is currently awaiting proceedings.

A claim for damages against Síminn hf.

Sýn has filed two subpoenas for damages against Siminn before the District Court of Reykjavík both concerning Siminn's infringement of Article 45(5) of the Icelandic Media Act. On the one hand for the period from 1 October 2015 until 1 December 2017 and on the other hand the period from 2 December 2017 until 31 December 2019.
Sýn claims for the earlier period are based on a valuation by impartial court appointed assessors dated 17 March 2020. Sýn claims damages amounting to ISK 125.084.713 plus interest and penalty interest. Sýn also claims that Siminn should pay Sýn's accrued legal costs.

Siminn demanded the Court to acquit Siminn of Sýn's claims and demanded that Sýn should pay Siminn accrued legal costs. Moreover, Siminn demanded that a new valuation to be carried out, however, Sýn has demanded that the claim would be dismissed. The Districted Court accepted Siminn's demands and the Court of Appeal confirmed that with a ruling dated 2 September 2021. The District Court appointed new assessors which are currently still working on their valuation.

Regarding the latter case, Sýn demanded that the District Court would appoint two independent assessors to valuate Sýn's damage caused by Siminn's action in that period. Siminn objected the appointment and with a ruling 30 November 2021 the District Court accepted Sýn's claim and appointed assessors which are currently still working on this matter. Following the valuation it is anticipated that Sýn will claim damages from Siminn based on the result of the valuation.

Notes, continued:

30. Other matters continued:

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

Sýn has brought a claim before the District Court with request for damages from 365 hf., Jón Ásgeir Jóhannesson and Ingibjörg Stefanía Pálmadóttir. The parties entered into a purchase agreement concerning the company's purchase of large portion of 365 hf. operations. Within the purchase agreement there was a non-competition clause as well as a provision that gave Sýn the right to claim penalties/damages should the non-competition clause be beached. 365 hf. and other relevant parties undertook personal liabilities regarding this matter. Sýn's claim is based on the non-competition clause being breached and the defendants should carry in solidum responsibility. Sýn claimed penalties/damages, based on the aforementioned provisions in the agreement, for a total of ISK 1.698.810.718 plus interest and penalty interest. Sýn also claims that the defendants will pay in solidum Sýn's accrued legal costs.

The defendants primary claim is the parties should be acquitted. As a secondary claim, the defendants demand the penalties/damage will be reduced. At last, the defendants brought a claim that Sýn should pay its accrued legal costs. The preparatory proceedings have now been completed over and the hearing is scheduled for June 2022.

Matters before supervisory authorities

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

By letter dated 23 February 2021 Sýn lodged a formal complaint to the EFTA Surveillance Authority (ESA) concerning an unlawful aid to Farice ehf. Sýn argued that the payments from the Icelandic State to Farice amounted to State aid which neither had been notified to nor approved by ESA. Farice received public service compensation from the Icelandic authorities, including compensation for costs related to surveys conducted in preparation for a possible third submarine cable.
ESA is still investigating the complaint.

Appeal of ESA Decision from 26 March 2021 to the EFTA Court

On 26 March 2021, ESA adopted a decision where ESA concluded that a 50 million EUR share capital increase in Farice to finance an investment in a third submarine cable between Iceland and Ireland, constituted state that was compatible with the function of the EEA Agreement. However, Sýn maintains that the aid to Farice constituted an unlawful aid and have asked the EFTA Court to annulled ESAs decision. Oral hearing before the EFTA Court took place on 10 February 2022.

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

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

Events after the end of the reporting date

The company is authorized to purchase up to 10% of its own shares for the purpose of establishing a market making with shares in the company and / or to set up a formal repurchase plan. At the beginning of 2022, the Board of Directors decided to initiate a repurchase plan with the aim of reducing the company's issued share capital. The repurchase program began with a reverse auction on January 7, 2022, which ended on January 9, 2022. The company bought 20,750,000 shares or about 7% of the issued share capital for ISK 1,390 million. kr. Regular repurchases were initiated on January 12, 2022 and are expected to be completed before March 3, 2022. These repurchases will amount to a maximum of 8,500,000 shares or ISK 600 million.

Quarterly statements*

Operations by quarters

	2021 1Q	2021 2Q	2021 3Q	2021 4Q	Total
Revenue from sales of goods and services	5,000	5,289	5,533	5,943	21,765
Cost of sales	(3,375)	(3,759)	(3,654)	(3,884)	(14,672)
Gross profit	1,625	1,530	1,879	2,059	7,093
Gain from sale of passive mobile infrastructure				2,552	2,552
Operating expense	(1,583)	(1,588)	(1,457)	(1,731)	(6,359)
Operating profit (loss)	42	(58)	422	2,880	3,286
Finance income	5	6	5	6	22
Finance expense	(144)	(145)	(146)	(178)	(613)
Net exchange rate differences	46	22	(70)	20	18
Net financial expense	(93)	(117)	(211)	(152)	(573)
Effects of associates	(193)	20	-	(78)	(251)
Loss before tax	(244)	(155)	211	2,650	2,462
Income tax	13	38	(39)	(374)	(362)
(Loss) / profit for the period	(231)	(117)	172	2,276	2,100
Translation difference	(37)	(7)	19	(89)	(114)
Total comprehensive income	(268)	(124)	191	2,187	1,986
EBITDA adjusted for sale of passive mobile infrastructure	1,388	1,488	1,886	1,670	6,432
EBITDA	1,388	1,488	1,886	4,222	8,984
EBITDA %	27.8%	28.1%	34.1%	71.0%	41.3%
Cash generated by operations	1,053	1,756	1,756	452	5,017
Investment activities	(738)	(1,043)	(1,043)	7,062	4,238
Financial activities	(590)	(691)	(691)	(3,930)	(5,902)

*Quarterly information has not been audited by auditors

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Quarterly statements**

Operations by quarters

	2020 1Q*	2020 2Q*	2020 3Q*	2020 4Q*	Total*
Revenue from sales of goods and services	5,030	5,387	5,062	5,465	20,944
Cost of sales	(3,385)	(3,752)	(3,435)	(3,864)	(14,436)
Gross profit	1,645	1,635	1,627	1,601	6,508
Operating expense	(1,666)	(1,571)	(1,485)	(1,625)	(6,347)
Operating profit (loss)	(21)	64	142	(24)	161
Finance income	8	6	6	3	23
Finance expense	(219)	(176)	(158)	(175)	(728)
Net exchange rate differences	(230)	(12)	(17)	54	(205)
Net financial expense	(441)	(182)	(169)	(118)	(910)
Effects of associates	20	28	23.0	27	98
Loss before tax	(442)	(90)	(4)	(115)	(651)
Income tax	92	30	12	112	246
(Loss) / profit for the period	(350)	(60)	8	(3)	(405)
Translation difference	(2)	(1)	(1)	160	156
Total comprehensive income	(352)	(61)	7	157	(249)
EBITDA	1,355	1,364	1,593	1,427	5,739
EBITDA %	26.9%	25.3%	31.5%	26.1%	27.4%
Cash generated by operations	1,053	1,753	1,055	2,051	5,912
Investment activities	(738)	(857)	(750)	(1,171)	(3,516)
Financial activities	(590)	(855)	(487)	(306)	(2,238)

*Restated, see note 3.

**Quarterly information has not been audited by auditors

Consolidated Financial Statements of Sýn hf. 2021 35 Amounts are in ISK millions