



Sýn hf.

Condensed Consolidated Interim Financial Statements

1 January to 31 March 2021



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Report by the Board of Directors and CEO

Sýn hf. is a fully comprehensive communications and media provider. The Company operates many of the most powerful media platforms in Iceland like Channel 2, Bylgjan Radio, Visir.is, FM957, the X and other well-known media. The Company provides individuals, companies, institution and public bodies with all the core aspects of communication services under the brand of Vodafone Iceland and its subsidiary Endor. The Company works in close global co-operation with Vodafone Group, which is one of the largest multinational communication company in the world.

The Consolidated Condensed Interim Financial Statements contains the Interim Financial Statements of Sýn hf., the Interim Financial Statements of the Company's subsidiary Endor ehf. and share in the joint operation of Sendafélagið ehf. These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, as adopted by the European Union and additional requirements in the Icelandic Financial Statement Act. The Condensed Interim Financial Statements of the Group from January 1st to March 31st, 2021 have not been reviewed by the Company's auditors.

According to the Income Statement, revenues from goods sold and service provided amounts to ISK 4,962 mill. Loss of the period amounts to ISK 231 mill. According to the Statement of Financial Position, assets of the Company amounts to ISK 29,536 millj. The equity position at the end of the period on March 31st 2021 amounts to ISK 8,208 millj. Thereof share capital amounts to ISK 2,964 millj. The equity ratio at period end is 27.79%.

The effects of the COVID-19 pandemic on the Group's operation and cash flow has been most notable in the decline of revenues from advertising and roaming as has been previously communicated. The Group has a portion of its operating cost in foreign currency. The weakening of the Icelandic Krona has therefore had material effect on operation. The Group's management have adopted various measures to minimize this effect on the Group's operations and cash flow but considering the uncertainty still following the pandemic, the actual short- and long-term effect cannot be fully assessed.

Sale of assets

On March 31st, the Group signed an agreement for the sale and leaseback of its passive mobile infrastructure. The transaction will strengthen the Group's balance sheet. Sales proceeds amounts to 7.1 billion and the expected sales gain exceeds ISK 6.5 billion. At the same time, a long-term lease agreement was made, which will ensure the Group's continued access to the passive mobile infrastructure. All active mobile equipment will remain owned by Sýn hf. In accordance with the requirement of International Financial Reporting Standards (IFRS), the transaction will be treated as a sale and leaseback of assets. For this reason, only part of the sales profit will be recognized through operations on the date of sale. The sales profit recognized will be proportional to the ratio of fair value of the asset sold to the present value of the expected lease liability on the acquisition date. The transaction is subject to the approval of the Competition agency.

On March 31st, an agreement was also signed for the sale of a 49,9% share in the Faroese associated company P/F 20.11.19. The purchase price was 52.5 mill. DKK. The purchase price was paid to the Group in full on April 21st. A service agreement will continue to exist between the companies. The book value of the investment was higher than the sale price and therefore a loss from the sale amounting to ISK 189 mill. ISK is recognized in the P/L.

The transactions has no effect on EBITDA but strengthens the Group's balance sheet and liquidity position.

Statement

According to the best knowledge of the Board of Directors and the CEO, these Consolidated Condensed Interim Financial Statement of Sýn hf. are prepared and presented in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU and additional requirements in Icelandic laws and rules for listed companies. It is The Board of Directors and CEO opinion that these Consolidated Condensed Interim Financial Statements give a true and fair view of the financial performance of the Group. for the three month period ended on March 31st 2021, its financial position as of March 31st 2021 and the Group's cash flows for the period.

The Board of Directors and the CEO of Sýn hf. have today discussed the Consolidated Condensed Interim Financial Statements of the Group for the period from January 1st to March 31st 2021 and confirm them by means of their signatures.

Reykjavík, 12. May 2021

Board of Directors

Hjörleifur Pálsson, Chairman of the Board

Páll Gíslason

Petrea Ingileif Guðmundsdóttir

Sigríður Vala Halldórsdóttir

Tanya Zharov

CEO

Heiðar Guðjónsson

Key figures

	2021 Q1	2020 Q1
Financial information		
Revenues	4,962	4,995
Operating profit (loss)	42	(21)
Loss before tax	(244)	(442)
Loss for the period	(231)	(350)
Loss per share	(0.78)	(1.18)
Investments	231	263
Investments in broadcasting license rights	576	475
Cash generated by operations	542	1,053
Performance evaluation		
EBITDA for the period	1,388	1,355
EBITDA ratio for the period	28.0%	27.1%
Free cash flow*	(119)	522
	2021 Q1	31.12 2020
Net interest bearing debt	15,686	15,419

*Free cash flow consist of cash from operations before interest and income tax less investment activities.

Income statement and statement of Comprehensive income

1. January to 31. March 2021

	Notes	2021 Q1	2020 Q1
Revenue from sales of goods and services	5	4,962	4,995
Cost of sales	6	(3,337)	(3,350)
Gross profit		1,625	1,645
Operating expense	7	(1,583)	(1,666)
Operating profit (loss)		42	(21)
Finance income		5	8
Finance expense		(144)	(219)
Net exchange rate differences		46	(230)
Net financial expense		(93)	(441)
Effects of associates		(193)	20
Loss before tax		(244)	(442)
Income tax		13	92
Loss for the period		(231)	(350)
<i>Items that may subsequently be reclassified to profit or loss</i>			
Translation difference		(37)	(2)
Total comprehensive income for the period		(268)	(352)
Loss per share		(0.78)	(1.18)

Notes on pages 9-11 are an integral part of these Consolidated Condensed Interim Financial Statements.

Statement of Financial Position

31. March 2021

	Notes	31.3.2021	31.12.2020
Non-current assets			
Right-of-use assets		4,899	5,227
Property, plant and equipment		3,680	3,818
Goodwill		8,890	8,932
Other intangible assets		4,333	4,403
Shares in other companies	9	120	1,398
Defferred tax asset		382	383
Total non-current assets		22,304	24,161
Current assets			
Broadcasting license rights		1,828	1,876
Inventories		288	241
Trade receivables and other short term receivables	9	4,340	3,217
Cash and cash equivalents		240	831
Total current assets		6,696	6,165
Assets classified for sale	11	536	536
Total assets		29,536	30,862
Equity			
Share capital		2,964	2,964
Statutory reserves		2,465	2,465
Other reserve		184	310
Retained earnings		2,595	2,810
Total equity		8,208	8,549
Non-Current liabilities			
Interest bearing debt		9,472	9,492
Lease liabilities		4,395	4,507
Other liabilities		166	166
Deferred tax liabilities		-	16
Total non-current liabilities		14,033	14,181
Current liabilities			
Interest bearing debt		992	992
Lease liabilities		1,067	1,259
Accounts payable and other short term liabilities	10	5,067	5,699
Current liabilities		7,126	7,950
Liabilities connected to assets classified for sale	11	169	182
Total liabilities		21,328	22,313
Total equity and liabilities		29,536	30,862

Notes on pages 9-11 are an integral part of these Consolidated Condensed Interim Financial Statements.

Statement of Changes in Equity

1. January to 31. March 2021

	Share Capital	Statutory reserve	Translation difference	Reserve	Retained earnings	Total equity
1.1. to 31.3.2020						
Total Equity 1.1.2020	2,964	2,465	7	105	3,257	8,798
Loss for the period	-	-	-	-	(350)	(350)
Translation difference	-	-	(2)	-	-	(2)
Comprehensive Income	0	0	(2)	0	(350)	(352)
Profit of associate in excess of dividend received				20	(20)	0
Total Equity 31.3.2020	2,964	2,465	5	125	2,887	8,446
1.1. to 31.3.2021						
Total Equity 1.1.2021	2,964	2,465	163	147	2,810	8,549
Loss for the period	-	-	-	-	(231)	(231)
Translation difference	-	-	(37)	-	-	(37)
Comprehensive Income	0	0	(37)	0	(231)	(267)
Translation difference			(73)			(73)
Profit of associate in excess of dividend received				(16)	16	0
Total Equity 31.3.2021	2,964	2,465	53	131	2,595	8,208

Notes on pages 9-11 are an integral part of these Consolidated Condensed Interim Financial Statements.

Statement of Cash Flow

1. January to 31. March 2021

	Notes	2021 Q1	2020 Q1
Loss for the period		(231)	(350)
Adjustment for non-cash items:			
Depreciation and amortization	8	1,346	1,376
Net financial expense		93	441
Effects of associates		193	(20)
Income tax		(13)	(92)
Cash generated from operating activities		1,388	1,355
Change in working capital:			
Change in inventories		(48)	25
Change in operating assets		(77)	(6)
Change in operating liabilities		(575)	(114)
Cash generated by operations before interest and tax		688	1,260
Interest income received		5	8
Interest expense paid		(143)	(215)
Tax paid		(8)	-
Cash generated by operations		542	1,053
Investment activities			
Investment in property, plant and equipment		(118)	(107)
Investment in intangible assets		(113)	(156)
Investment in broadcasting license rights		(576)	(475)
Investment activities		(807)	(738)
Financial activities			
Instalment of interest bearing debts		(171)	(170)
Change in revolving credit facility		150	(147)
Instalment of lease liabilities		(299)	(273)
Financial activities		(320)	(590)
Change in cash and cash equivalents		(585)	(275)
Cash and cash equivalents at the beginning of the year		831	634
Effect of exchange rate changes on cash held		(6)	26
Cash and cash equivalents at the end of the period		240	385

Notes on pages 9-11 are an integral part of these Consolidated Condensed Interim Financial Statements.

Notes

1. The Company

Syn 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 Condensed Interim Financial Statements of the Company for the three months ended on March 31st 2021 contain the Interim Financial statements of the Company, the Company’s subsidiary Endor ehf., and share in the joint operation of Sendafélagið ehf. which are referred to combined as “the Group”.

2. Summary of Significant Accounting Policies

a. Basis of accounting

These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, as adopted by the European Union and additional requirements in the Icelandic Financial Statement Act. These Consolidated Condensed Interim Financial Statements for the period from January 1st to March 31st, 2021 have not been reviewed by the Company’s auditors.

The Condensed Interim Financial Statements are prepared in accordance with the same accounting principles as the Financial Statements for 2020. The Condensed Consolidated Interim Financial Statements does not include all the information required for a complete set of IFRS financial statements and should be read in the context of the Company’s Financial Statements for 2020. The Financial Statements for 2020 can be found on the Company’s website www.syn.is. and on the ICEX website; www.nasdaqomxnordic.com.

b. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company’s accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

3. Functional and presentation currency

The Consolidated Condensed Interim 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.

4. Segment reporting

The Group defines its segments based on internal reporting to the chief operating decision maker. Based on that the Group is defined as one operating segment.

5. Net sales

	2021	2020
	Q1	Q1
Sales of goods and service is specified as follows:		
Sales of goods	293	235
Sales of service	4,669	4,760
Total sales of goods and service	4,962	4,995

Revenue	Media	Broadband	Mobile	Fixed line	Hosting and operating solutions	Retail sale	Other revenue	Total
1.1. to 31.3.2021								
Revenue	1,918	1,145	939	140	313	293	214	4,962
1.1. to 31.3.2020								
Revenue	1,935	1,160	911	167	371	235	216	4,995

Notes, continued:

6. Cost of sales

Cost of sales is specified as follows:	2021	2020
	Q1	1Q
Cost of goods and service sold	1,742	1,724
Salaries and related expense	574	616
Capitalised work	(37)	(42)
Depreciation and amortization	1,058	1,053
Total cost of sales	3,337	3,350

7. Operating expense

Operating expense is specified as follows:	2021	2020
	Q1	Q1
General and administrative expense	354	372
Sales and marketing expense	118	104
Salary and related expense	865	899
Capitalised work	(43)	(32)
Depreciation and amortization	289	323
Total operating expenses	1,583	1,666

8. Depreciation and amortization

Depreciation and amortization are specified as follows:	2021	2020
	Q1	Q1
Depreciation of fixed assets	257	306
Amortization of intangible assets	181	199
Amortization of right-of-use assets	285	290
Amortization of broadcasting license rights	625	581
Total depreciation and amortization	1,346	1,376

9. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:	31.3.2021	31.12.2020
	Trade receivables	2,707
Receivable for the sale of share in the Faroese associated	1,065	-
Other receivables	494	347
Sublease receivables	193	166
Sublease classified as held for sale	(20)	(20)
Write-down of accounts receivables	(99)	(99)
Total trade receivables and other receivables	4,340	3,217

On March 31st, an agreement was also signed for the sale of a 49,9% share in the Faroese associated company P/F 20.11.19. The purchase price was 52.5 mill. DKK. The purchase price was paid to the Group on April 21st.

Notes, continued:

10. Operating liabilities

Operating liabilities are specified as follows:	31.3.2021	31.12.2020
Accounts payable	3,543	3,599
Unpaid VAT	360	345
Pre-collected revenues	340	360
Accrued expense and other short-term liabilities	824	1,395
Total operating liabilities	5,067	5,699

11. Assets classified as held for sale

Disposal groups are classified as held for sale when management is committed to a plan to sell, the asset is available for immediate sale and the sale is highly probable, within 12 months of classification as held for sale. A 'disposal group' is a group of assets, possibly with some associated liabilities, which an entity intends to dispose of in a single transaction. Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset will be measured in accordance with applicable IFRSs. After classification as held for sale disposal groups are measured at the lower of carrying amount and fair value less costs to sell and not further depreciated.

On 31st of March the Group signed an agreement for the sale of and leaseback of passive mobile infrastructure. The transaction is subject to the approval of the regulatory institution. For this reason, assets and liabilities related to the sale are classified for sale in the balance sheet.

Assets classified for sale are specified as follows:	2021
Right-of-use assets	144
Sublease	20
Property, plant and equipment	372
Assets classified for sale total	536

Liabilities connected to assets classified for sale are specified as follows:	2021
Non-Current lease liabilities	31
Current lease liabilities	138
Liabilities connected to assets classified for sale total	169

12. Other matters

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

Below is a description of main developments in relation to legal proceedings during and after the term of the first quarter. Please refer to the annual account of 2020 for more extensive description.

Sýn hf. vs. PFS, Síminn hf., Míla ehf., Nova hf. and Gagnaveita Reykjavíkur ehf.

Sýn hf. requests the ruling of the Appeals Committee, that annulled decision of the PTA no. 27/2019, be reversed. According to the PTA's decision, Síminn hf. infringed paragraph 5 of Article 45 of the Media Act as of the time that previous infringement according to PTA decision no. 10/2018 lapsed. Sýn hf. contends that the PTA's decision is valid, and the infringement ongoing. The PTA has also requested the ruling of the Appeals Committee be reversed and issued a supena against Síminn hf., Míla ehf., Nova hf., Sýn hf. and Gagnaveita Reykjavíkur ehf. to that effect.

At this time, the Company is unable to estimate any future liabilities that may result from the above legal procedures, partially because it can take extensive amount of time before these cases will be concluded, as well as the fact that they could go into any different directions going forward. Therefore, the Company has not accounted any liabilities in this regards on its Consolidated Financial Statement.