



# Sýn hf.

## Condensed Consolidated Interim Financial Statements

1 January to 30 June 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 Stöð 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 June 30th, 2021 have been reviewed by the Company's auditors.

According to the Income Statement, revenues from goods sold and service provided amounts to ISK 10,289 mill. Loss of the period amounts to ISK 348 mill. According to the Statement of Financial Position, assets of the Company amounts to ISK 28,351 millj. The equity position at the end of the period on June 30th 2021 amounts to ISK 8,084 millj. Thereof share capital amounts to ISK 2,964 millj. The equity ratio at period end is 28.51%.

There has been a good growth in advertising revenues in the first half of the year compared to the same period last year. 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 roaming and partly decline in the revenues of the subsidiary Endor. The Group has a portion of its operating cost in foreign currency. The weakening of the Icelandic Krona has therefore had material effect on cost of sales since the beginning of the pandemic. The effects are mostly notable in the cost of broadcasting license rights, which is reflected through higher amortization in the income statement as well as increase in cost denominated in foreign currency related to the telecom operations. 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.

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 sale price is 52.5 mill. DKK. The purchase was subject to certain conditions, all of which were fulfilled on April 21st and the purchase price was then paid to the Group in full. A service agreement will continue to exist between the companies. The book value of the investment is higher than the sale price and therefore a loss from the transactions amounting to ISK 179 mill. was recognized in Q1 2021. Part of the sale value was allocated to the company's interest bearing debt. See further in note 10.

## 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 regulations 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 six month period ended on June 30th 2021, its financial position as of June 30th 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 June 30th 2021 and confirm them by means of their signatures.

Reykjavík, 1. September 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 Q2	2020 Q2	2021 6M	2020 6M
Financial information				
Revenues	5,289	5,387	10,289	10,418
Operating profit (loss)	( 58)	64	( 16)	43
Loss before tax	( 155)	( 90)	( 399)	( 532)
Loss for the period	( 117)	( 60)	( 348)	( 410)
Loss per share	( 0.42)	( 0.21)	( 1.32)	( 1.38)
Investments	360	257	592	520
Investments in broadcasting license rights	541	600	1,117	1,075
Cash generated by operations	1,431	1,744	1,975	2,799
Performance evaluation				
EBITDA for the period	1,488	1,364	2,876	2,719
EBITDA ratio for the period	28.1%	25.3%	28.0%	26.1%
Free cash flow*	1,736	1,073	1,611	1,597
	<b>30.06. 2021</b>	<b>31.03. 2021</b>	<b>31.12. 2020</b>	<b>30.06. 2020</b>
Net interest bearing debt	14,116	15,686	15,419	16,604

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

# Review Report on Interim Financial Information

To the Board of Directors and Shareholders of Sýn hf.

We have reviewed the accompanying Consolidated Condensed Interim Statement of financial position of Sýn hf. and its subsidiaries (the "Group") as of 30 June 2021 and the related Consolidated Interim Income Statement, Consolidated Interim Statement of Comprehensive Income, Consolidated Interim Statement of changes in equity and Consolidated Interim Statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

## The responsibilities of the Board of directors and the CEO for the Consolidated Interim Financial Statements

The board of directors and CEO is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

## Auditor's Responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the Group as at 30 June 2021, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Reykjavík, 1. September 2021

Deloitte ehf.

Jóhann Óskar Haraldsson  
State Authorized Public Accountant

# Income statement and statement of Comprehensive income

1. January to 30. June 2021

	Notes	2021 Q2*	2020 Q2*, **	2021 6M	2020 6M**
Revenue from sales of goods and services	6	5,289	5,387	10,289	10,418
Cost of sales	7	( 3,759)	( 3,752)	( 7,134)	( 7,138)
Gross profit		1,530	1,635	3,155	3,280
Operating expense	8	( 1,588)	( 1,571)	( 3,171)	( 3,237)
Operating profit (loss)		( 58)	64	( 16)	43
Finance income		6	6	11	14
Finance expense		( 145)	( 176)	( 289)	( 395)
Net exchange rate differences		22	( 12)	68	( 242)
Net financial expense		( 117)	( 182)	( 210)	( 623)
Effects of associates		20	28	( 173)	48
Loss before tax		( 155)	( 90)	( 399)	( 532)
Income tax		38	30	51	122
Loss for the period		( 117)	( 60)	( 348)	( 410)
<i>Items that may subsequently be reclassified to profit or loss</i>					
Translation difference		( 7)	( 1)	( 44)	( 3)
Loss for the period		( 124)	( 61)	( 392)	( 413)
Loss per share		( 0.42)	( 0.21)	( 1.32)	( 1.38)

\*Quarterly information has not been reviewed by auditors.

\*\*Restated, see note 5.

Notes on pages 10 to 12 are an integral part of these Consolidated Condensed Interim Financial Statements.

# Statement of Financial Position

30. June 2021

	Notes	30.6.2021	31.12.2020
Non-current assets			
Right-of-use assets		4,651	5,227
Property, plant and equipment		3,485	3,818
Goodwill		8,883	8,932
Other intangible assets		4,456	4,403
Shares in other companies	10	121	1,398
Deferred tax asset		427	383
Total non-current assets		22,023	24,161
Current assets			
Broadcasting license rights		1,690	1,876
Inventories		280	241
Trade receivables and other short term receivables	11	3,420	3,217
Cash and cash equivalents		402	831
Total current assets		5,792	6,165
Assets classified for sale	13	536	536
Total assets		28,351	30,862
Equity			
Share capital		2,964	2,964
Statutory reserves		2,465	2,465
Other reserve		139	310
Retained earnings		2,516	2,810
Total equity		8,084	8,549
Non-Current liabilities			
Interest bearing debt		8,632	9,492
Lease liabilities		4,237	4,507
Other liabilities		166	166
Deferred tax liabilities		-	16
Total non-current liabilities		13,035	14,181
Current liabilities			
Interest bearing debt		689	992
Lease liabilities		959	1,259
Accounts payable and other short term liabilities	12	5,415	5,699
Total current liabilities		7,063	7,950
Liabilities connected to assets classified for sale	13	169	182
Total liabilities		20,267	22,131
Total equity and liabilities		28,351	30,862

Notes on pages 10 to 12 are an integral part of these Consolidated Condensed Interim Financial Statements.

# Statement of Changes in Equity

1. January to 30. June 2021

	Share Capital	Statutory reserve	Translation difference	Reserve	Retained earnings	Total equity
1.1. to 30.6.2020						
Total Equity 1.1.2020	2,964	2,465	7	105	3,257	8,798
Loss for the period	-	-	-	-	( 410)	( 410)
Translation difference	-	-	( 3)	-	-	( 3)
Comprehensive Income	0	0	( 3)	0	( 410)	( 413)
Profit of associate in excess of dividend received	-	-	-	51	( 51)	0
Total Equity 30.6.2020	2,964	2,465	4	156	2,796	8,385
1.1. to 30.6.2021						
Total Equity 1.1.2021	2,964	2,465	163	147	2,810	8,549
Loss for the period	-	-	-	-	( 348)	( 348)
Translation difference	-	-	( 44)	-	-	( 44)
Comprehensive Income	0	0	( 44)	0	( 348)	( 392)
Translation diff. exported	-	-	( 73)	-	-	( 73)
Profit of associate in excess of dividend received	-	-	-	( 54)	54	0
Total Equity 30.6.2021	2,964	2,465	46	93	2,516	8,084

Notes on pages 10 to 12 are an integral part of these Consolidated Condensed Interim Financial Statements.



# Statement of Cash Flow

1. January to 30. June 2021

	Notes	2021 Q2	2020 Q2	2021 6M	2020 6M
Loss for the period		( 117)	( 60)	( 348)	( 410)
Adjustment for non-cash items:					
Depreciation and amortization	9	1,546	1,300	2,892	2,676
Net financial expense		117	182	210	623
Effects of associates		( 20)	( 28)	173	( 48)
Income tax		( 38)	( 30)	( 51)	( 122)
Cash generated from operating activities		1,488	1,364	2,875	2,719
Change in working capital:					
Change in inventories		7	58	( 41)	83
Change in operating assets		( 161)	( 163)	( 238)	( 169)
Change in operating liabilities		239	671	( 343)	559
Cash generated by operations before interest and tax		1,572	1,930	2,254	3,192
Interest income received		5	6	10	14
Interest expense paid		( 146)	( 192)	( 289)	( 407)
Cash generated by operations		1,431	1,744	1,975	2,799
Investment activities					
Sale of associate	10	1,065	-	1,065	-
Investment in property, plant and equipment		( 52)	( 157)	( 171)	( 264)
Investment in intangible assets		( 308)	( 100)	( 421)	( 256)
Investment in broadcasting license rights		( 541)	( 600)	( 1,117)	( 1,075)
Investment activities		164	( 857)	( 643)	( 1,595)
Financial activities					
Instalment of interest bearing debts	10	( 668)	( 171)	( 839)	( 341)
Change in revolving credit facility		( 475)	( 296)	( 325)	( 443)
Instalment of lease liabilities		( 285)	( 288)	( 584)	( 561)
Instalment of other liabilities		-	( 100)	-	( 100)
Financial activities		( 1,428)	( 855)	( 1,748)	( 1,445)
Change in cash and cash equivalents		167	32	( 416)	( 241)
Cash and cash equivalents at the beginning of the year		240	385	831	634
Effect of exchange rate changes on cash held		( 5)	( 7)	( 13)	17
Cash and cash equivalents at the end of the period		402	410	402	410

Notes on pages 10 to 12 are an integral part of these Consolidated Condensed Interim Financial Statements

# Notes

## 1. The Company

Sýn hf. ("the Company") is an Icelandic limited liability company. The address of its registered office is Sudurlandsbraut 8, Reykjavík. The main operation of the Company is communication and media service. The Consolidated Condensed Interim Financial Statements of the Company for the six months ended on June 30th 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 June 30th, 2021 have 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 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](http://www.syn.is) and on the ICEX website; [www.nasdaqomxnordic.com](http://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.

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

## 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. Change in comparatives

Classification of service fees related to advertising revenue have been changed. In prior years the services fee was classified and equated with revenues but are now classified and measured as cost of sales. Comparative amounts for 2020 have been changed. See further information below:

	Restated			Restated		
	2020 Q2	Change	2020 Q2	2020 6M	Change	2020 6M
Revenue from sales of goods and services	5,387	35	5,352	10,418	71	10,347
Cost of sales	( 3,752)	( 35)	( 3,717)	( 7,138)	( 71)	( 7,067)

## 6. Net sales

	2021	2020	2021	2020
	Q2	Q2	6M	6M
Sales of goods and service is specified as follows:				
Sales of goods	311	240	604	476
Sales of service	4,978	5,147	9,685	9,943
Total sales of goods and service	5,289	5,387	10,289	10,418

					Hosting and operating solutions	Retail sale	Other revenue	Total
Revenue	Media	Broadband	Mobile	Fixed line				
1.1. to 30.6.2021								
Revenue	4,070	2,261	2,000	274	665	604	415	10,289
1.1. to 30.6.2020								
Revenue	3,845	2,308	1,745	322	1,315	476	407	10,418

## Notes, continued:

### 7. Cost of sales

Cost of sales is specified as follows:	2021	2020	2021	2020
	Q2	Q2	6M	6M
Cost of goods and service sold	1,963	2,239	3,743	4,041
Salaries and related expense	562	566	1,136	1,141
Capitalised work	( 25)	( 36)	( 62)	( 80)
Depreciation and amortization	1,260	983	2,317	2,036
Total cost of sales	3,759	3,752	7,134	7,138

### 8. Operating expense

Operating expense is specified as follows:	2021	2020	2021	2020
	Q2	Q2	6M	6M
General and administrative expense	326	331	682	637
Sales and marketing expense	127	107	245	211
Salary and related expense	904	848	1,769	1,814
Capitalised work	( 55)	( 32)	( 99)	( 65)
Depreciation and amortization	286	317	575	640
Total operating expenses	1,588	1,571	3,171	3,237

### 9. Depreciation and amortization

Depreciation and amortization are specified as follows:	2021	2020	2021	2020
	Q2	Q2	6M	6M
Depreciation of fixed assets	251	301	508	607
Amortization of intangible assets	181	194	362	393
Amortization of right-of-use assets	285	290	569	580
Amortization of broadcasting license rights	829	515	1,453	1,096
Total depreciation and amortization	1,546	1,300	2,892	2,676

### 10. Shares in other companies

Shares in associates are specified as follows:	30.6.2021	31.12.2020
Book value 1.1.	1,375	1,360
Share in associate sold	( 1,283)	-
Shares in income of other associates	6	98
Translation difference	-	61
Dividend received	-	( 144)
Book value in shares in associates total	98	1,375
Shares in other companies	23	23
Book value in the end of period total	121	1,398

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 sale price is 52.5 mill. DKK. The purchase was subject to certain conditions, all of which were fulfilled on April 21st and the purchase price was then paid to the Group in full. A service agreement will continue to exist between the companies. The book value of the investment is higher than the sale price and therefore a loss from the transactions amounting to ISK 179 mill. was recognized in Q1 2021. Part of the sale value was allocated to the company's interest bearing debt (500 mill) and to the company's revolving credit facility.

## Notes, continued:

### 11. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:	30.6.2021	31.12.2020
Trade receivables	2,901	2,823
Other receivables	471	347
Sublease receivables	169	166
Sublease classified as held for sale	( 20)	( 20)
Write-down of accounts receivables	( 100)	( 99)
Total trade receivables and other receivables	3,420	3,217

### 12. Operating liabilities

Operating liabilities are specified as follows:	30.6.2021	31.12.2020
Accounts payable	3,856	3,599
Unpaid VAT	305	345
Pre-collected revenues	412	360
Accrued expense and other short-term liabilities	843	1,395
Total operating liabilities	5,415	5,699

### 13. Assets classified as held for sale

Assets classified for sale are specified as follows:	30.6.2021	31.12.2020
Right-of-use assets	144	144
Sublease	20	20
Property, plant and equipment	372	372
Assets classified for sale total	536	536

Liabilities connected to assets classified for sale are specified as follows:	30.6.2021	31.12.2020
Non-Current lease liabilities	31	44
Current lease liabilities	138	138
Liabilities connected to assets classified for sale total	169	182

### 14. 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 half of the year. Please refer to the annual account of 2020 for more extensive description.

#### Sýn hf. vs. EFTA Surveillance Authority (ESA)

Sýn has appealed a decision of the EFTA Surveillance Authority (ESA), approving state aid to Farice, to the EFTA Court. The decision reinforces the current monopoly position of the state owned Farice in the market for international connectivity. Sýn maintains that the ESA's examination of the facts of the case and the assessment of the eligibility of the aid is seriously flawed. Should the Court annul the decision, ESA will be required to re-examine the conditions of the state aid and the impact of the aid on the market. In that context Sýn has in cooperation with Vodafone Group prepared the laying and operation of a fibre sea-cable and sought support from the Government, inter alia in relation to spare capacity, without success.

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.



## Quarterly statements\*

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2
Revenue from sales of goods and services	5,030	5,387	5,062	5,464	5,000	5,289
Cost of sales	( 3,385)	( 3,752)	( 3,435)	( 3,863)	( 3,375)	( 3,759)
Gross profit	1,645	1,635	1,627	1,601	1,625	1,530
Operating expense	( 1,666)	( 1,571)	( 1,485)	( 1,625)	( 1,583)	( 1,588)
Operating profit (loss)	( 21)	64	142	( 24)	42	( 58)
Finance income	8	6	6	3	5	6
Finance expense	( 219)	( 176)	( 158)	( 175)	( 144)	( 145)
Net exchange rate differences	( 230)	( 12)	( 17)	54	46	22
Net financial expense	( 441)	( 182)	( 169)	( 118)	( 93)	( 117)
Effects of associates	20	28	23	27	( 193)	20
Income tax	92	30	12	112	13	38
Loss for the period	( 350)	( 60)	8	( 3)	( 231)	( 117)
Translation difference	( 2)	( 1)	( 1)	160	( 37)	( 7)
Loss for the period	( 352)	( 61)	7	157	( 268)	( 124)
EBITDA	1,355	1,364	1,593	1,427	1,388	1,488
EBITDA %	26.9%	25.3%	31.5%	26.1%	27.8%	28.1%

\*Quarterly information has not been reviewed by auditors.