



**Financial Statements**  
**for the year ended 31 December 2022**

**Míla hf.**  
**Stórhöfði 22-30**  
**110 Reykjavík**  
**Reg.no. 460207-1690**

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## Endorsement and Statement by the Board of Directors and the CEO

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The Board of Directors and CEO of Míla hf. (The Company) submit this report together with the audited Financial Statements of Míla hf. for the year 2022.

Míla hf. is a public limited company and operates on the basis of Act no. 2/1995 on public limited companies. The core business of the company is to build and operate a telecommunications network in Iceland.

Míla hf. was changed from being a private limited company to a public limited company on the date 27 October 2022.

### Change of ownership

On 30 September 2022 the Company's parent, Síminn hf., sold all its shares in Míla hf. to Ardian Infrastructure Fund V SCA, SICAR and Ardian Infrastructure Fund V B SCS SICAV RAIF together with KFM eignarhaldsfélag slhf. A public limited company, AB 855 hf. was established with the objective to submit a bid of Ardian to Síminn hf. for all the issued shares in Míla hf. The purchase of Míla was financed with an equity injection to AB 855 from the parent company, Sunstone IV hf. AB 855 was merged with Míla on 30.9.2022, with Míla being the surviving entity. Following the merger, total assets and equity of Míla increased by 39.485 m.kr. The purchase price was allocated to assets of Míla according to International Financial Reporting Standards (IFRS). Information regarding the merger can be found in note 23.

Following the change of ownership on 30 September, 2022, the outstanding long-term loan with Íslandsbanki hf. was refinanced with a loan from Míla's parent company, Sunstone IV hf. This intragroup loan was financed with a facility agreement with Íslandsbanki hf. and IS fyrirtækjalánasjóður hs. and a bond issued by Sunstone IV. Míla's operation is subject to financial covenants on Sunstone IV financing.

Sunstone IV hf. owns all the share capital of the company which amounts to ISK 7.600 m.kr.

### Operations 2022

The total revenues for the year 2022 amounted to 8.588 m.kr., compared to 8.586 in 2021. Cost of sold services and operating expenses amounted to 7.404 m.kr. in 2022 compared to 6.316 m.kr. in 2021. The increase is mostly due to one-off expenses related to the restructuring of the business and increased depreciation following purchase price allocation (PPA).

EBITDA in 2022 amounted to 4.488 m.kr. compared to 5.109 m.kr. in 2021.

In April 2021 Míla was refinanced and the capital structure was changed. Long term liabilities increased from 8.000 m.kr. to 20.000 m.kr. and equity were decreased by 4.000 m.kr. Refinancing and the increase in interest rate in 2022 is the reason for over 700 m.kr. increase in Net financial expenses between 2021 and 2022. Loss for the period amounted to 354 m.kr., compared to a profit of 1.010 m.kr. for the year 2021.

According to the Balance Sheet, total assets at the year-end amounted to 82.448 m.kr. and total equity amounted to 49.698 m.kr. Long term liabilities amounted to 30.826 m.kr. and increased by 7.236 m.kr. from 2021. The long-term loan from the parent company increased from 19.400 m.kr. to 20.223 m.kr. The principal is paid in the end of the loan period of nine years. Accrued interests are added to the principal in year-end. According to the loan agreement the parties may elect not to pay interest until the end of the loan period. The equity ratio in year-end is 60%. Following PPA, tax liabilities increased by 5.711 m.kr.

In 2022, Míla continued the fibre rollout (FTTH) which had started in 2016. At year-end Míla has made fibre available in 120.000 premises, an increase of 12.000 during 2022. The number of active fibre connections increased by 4.200 during the year. In recent years Míla has acquired small fibre networks across the country. In 2022 Míla acquired a fibre network in Kaldrananeshreppur. In 2022 Míla started installation of a new system, Dense wavelength-division multiplexing (DWDM) which is an optical fibre multiplexing technology that increases the bandwidth of fibre networks. Míla completed the installation from the southwest over the highlands to the north and east. The complete installation will be finished in 2023. The DWDM system will greatly increase the overall bandwidth capacity for the transmission network country wide and support both FTTH and 5G services. At the end of 2022 Míla offered a new service to customers, sharing of Remote Access Network(RAN). Míla expects this service to become a cost-effective solution for mobile service rollout, especially in rural areas or locations of questionable economic value for the mobile operators.

### Dividend proposal

The Board of Directors will propose to the Annual General meeting that no dividend will be paid to shareholders in 2023 for the operating year 2022 and refers to the Financial Statement on other changes in equity.

### Performance status and risk and management

Míla's risk policy is based on the enterprise risk management (ERM) framework in IOS/IEC 31000 and the guiding framework of COSO. The methodology for performing risk assessment is also based on International Standards for information security according to ISO/IEC 27000. Míla has been ISO/IEC 27001 certified since 2016. The risk landscape consists of four key areas, Business, Financial, Operational & Hazard risks.

The key risks are events which can threaten employees health and safety or events that can have an impact on the continuity on the business operations. Risk management policies and systems are in place to prepare the company for unexpected events and minimise the negative impact on the company's objectives. Míla's management system and security policies are designed to ensure the safety and operational continuity of services and telecommunications networks, as well as minimising operational risk, support processes and improve network operations.

The Board of Directors has an ongoing dialogue with the CEO on the identification, description and handling of the business risks to which the company may be exposed to. The company's risk management and internal controls, in relation to financial processes, are designed to control the risk of material misstatements. The company designs its processes to ensure that there are no material weaknesses in internal controls that could lead to a material misstatement in its financial reporting. The external Auditor's role in these processes is included in the Auditor's Report.

Further description of the risks can be found in the Annual report and on the company's website and information about the financial instruments and financial risk management can be found in note 24.

### **Corporate Governance and non-financial information**

The Board of Directors of Míla hf. follows Icelandic Recommendations for Corporate Governance, the company's Articles of Association, the board's rules of procedure, the company's code of ethics and a settlement with the Competition Authority. The Corporate Governance is based on the Corporate governance Guidelines issued by the Iceland Chamber of Commerce, Nasdaq OMX Iceland hf. and the Confederation of Icelandic Employers, 6th edition 2021.

All employment contracts with the company's employees are standard.

The Board of Directors is composed of seven members elected at the Annual General Meeting for a term of one year. The Board of Directors consists of three women and four men in compliance with the Icelandic law on gender ratio. The company's Executive Board consists of 3 women and 3 men. On 31 December 2022 the company had 142 employees, 20 women and 122 men. Further information on board and governance can be found on the Míla website.

The Board of Directors decides the CEO's remuneration. There are no stock options between the company and its employees.

Non-financial information necessary to analyse the environmental, social and employee aspects of the business can be obtained by reviewing the Corporate Sustainability Report which is in the appendix of the Financial Statement.

More informations on the Board and Corporate Governance can be found on Míla's website.

### **Statement by the Board of Directors and CEO**

The Financial Statements of Míla for 2022 have been prepared on a going-concern basis in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and compliant with applicable Icelandic laws and regulations. In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022, its financial performance and cash flows for the year 2022. Furthermore the Financial Statements, including the Endorsement and Statement by the Board of Directors and the CEO, describe the principal risks and uncertainties facing the Company. The Board of Directors and Chief Executive Officer of the Company endorse the Financial Statements of Míla for the year 2022 with their signatures. The Board of Directors and the CEO recommend that the Annual General Meeting of Míla approve the Financial Statements.

Reykjavík, 30 March 2023,

Board of Directors:

Jón Ríkarð Kristjánsson, chairman

Oscar Cicchetti

Pauline Thomson

Marion Emmanuelle Calcine

Birna Ósk Einarsdóttir

Leonard Rasche

Pórarinn V. Þórarinnsson

CEO:

Erik Figueras Torras

# Independent Auditor's Report

To the Board of Directors and Shareholders of Míla hf.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Míla hf. ("the Company"), which comprise the statement of financial position as at 31 December, 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

☐  
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our opinion is consistent with the additional report submitted to the Audit Committee and the Board of Directors.

### 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 the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were first appointed as auditors by the Annual General Meeting on 16 April 2015. We have been re-appointed by resolutions passed by the annual general meeting uninterrupted since then.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 the audit
<p>On 30 September 2022, Míla hf. was merged with its parent company, AB 855 ehf. The merger is accounted for according to IFRS 3 where assets and liabilities must be stated at fair value determined in the course of a purchase price allocation (PPA). This results in net assets measured at fair value in the amount of ISK 33,8 billion and goodwill in the amount of ISK 16,6 billion. The purchase price allocation performed requires the management to make decisions about judgemental estimates and assumptions which may have a material impact on fair values. Reference is made to note 23 regarding further information about the PPA.</p> <p>Purchase Price Allocation is one of the key audit matters due to the substantial impact on book value of assets and equity and due to the level of estimation used in determining the fair values of the net asset.</p>	<p>We have performed the following procedures to address this risk :</p> <ul style="list-style-type: none"><li>• Evaluated the valuation techniques, assumptions and data used by management for the purchase price allocation.</li><li>• Assessed whether the purchase price allocations have been allocated and recorded correctly.</li><li>• We included our valuation specialists in the team to assist with these procedures.</li><li>• We recalculated the results of the valuation model.</li><li>• We also assessed the adequacy of the disclosures in note 23 and 27 to the financial statements.</li></ul>

## Independent Auditor's Report, contd.:

### **Responsibilities of the Board of Directors and CEO for the Financial Statements**

The Board of Directors and CEO are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union and additional disclosure requirements for listed companies in Iceland, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and CEO are responsible for assessing the Company'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 they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 the Company'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 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Independent Auditor's Report, contd.:

### Auditor's Responsibilities for the Audit of the Financial Statements, contd.:

We communicate with The Board of Directors and 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with The Board of Directors and audit committee, we determine those matters that were of most significance in the audit of the 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.

### Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the financial statements.

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the financial statements.

Reykjavík, 30 March 2023,

**KPMG ehf.**

**Árni V. Claessen**

## Income Statement for the year 2022

		2022	2021
Sales .....	4	8.588	8.586
Cost of sales .....	5	<u>( 5.167)</u>	<u>( 4.876)</u>
<b>Gross profit</b> .....		3.421	3.710
Operating expenses .....	6	( 2.237)	( 1.440)
<b>Operating profit</b> .....		1.184	2.270
Financial income .....		30	16
Financial expenses .....		( 1.626)	( 899)
Net exchange rate differences .....		<u>( 22)</u>	<u>( 2)</u>
Net financial expenses .....	8	( 1.618)	( 885)
<b>(Loss)/Profit before tax</b> .....		<b>( 434)</b>	<b>1.385</b>
Income tax .....	9	88	( 276)
Other taxes .....	9	( 8)	( 8)
<b>Comprehensive (Loss) Profit and net (Loss) Profit for the year</b> .....		<u><u>( 354)</u></u>	<u><u>1.101</u></u>
<b>Basic and diluted (loss) earnings per share</b> .....	10	( 0,05)	0,14



## Balance Sheet at 31 December 2022

	Notes	2022	2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment .....	11	26.412	16.944
Right of use assets .....	12	4.550	4.408
Goodwill .....	13	27.535	10.927
Other intangible assets .....	13	21.359	1.657
Other financial assets .....	14	61	85
		<u>79.917</u>	<u>34.021</u>
<b>Current assets</b>			
Inventories .....	15	460	513
Accounts receivable .....	16	1.403	774
Receivables with related parties .....	25	171	0
Other assets .....	17	284	188
Cash and cash equivalents .....		213	904
		<u>2.531</u>	<u>2.379</u>
		<b>82.448</b>	<b>36.400</b>
<b>Equity</b>			
Share capital .....	18	7.600	7.600
Share premium .....		42.098	0
Reserves .....		0	312
Retained earnings .....		0	2.654
		<u>49.698</u>	<u>10.566</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings from parent company .....	19	20.223	18.740
Long-term lease liabilities .....	20	4.360	4.230
Deferred tax liabilities .....	21	6.243	620
		<u>30.826</u>	<u>23.590</u>
<b>Current liabilities</b>			
Accounts payable .....		931	586
Payable to related parties .....	25	90	0
Current maturities of borrowings .....	19	0	800
Current maturities of lease liabilities .....	20	407	343
Income tax payable .....	9	0	42
Other current liabilities .....	22	496	473
		<u>1.924</u>	<u>2.244</u>
		<b>32.750</b>	<b>25.834</b>
		<b>82.448</b>	<b>36.400</b>

## Statement of Changes in Equity for the year 2022

	Share Capital	Share Premium	Statutory Reserve	(Accumulated deficit) retained earnings	Total equity
Total equity 1.1.2021 .....	11.600		202	1.663	13.465
Net profit for the year .....				1.101	1.101
Reserves adjusted .....			110	( 110)	0
Capital decrease .....	( 4.000)			0	( 4.000)
Total equity 31.12.2021 .....	<u>7.600</u>	<u>0</u>	<u>312</u>	<u>2.654</u>	<u>10.566</u>
Total equity 1.1.2022 .....	7.600	0	312	2.654	10.566
Net loss for the year .....				( 354)	( 354)
Merger of AB 855 and Mila ..... 23		42.504		( 3.018)	39.486
Reserves adjusted .....		( 406)	( 312)	718	0
Total equity 31.12.2022 .....	<u>7.600</u>	<u>42.098</u>	<u>0</u>	<u>0</u>	<u>49.698</u>

## Statement of Cash Flows for the year 2022

		2022	2021
<b>Cash flows from operating activities</b>			
Operating profit .....		1.184	2.270
Operational items not affecting cash flows:			
Depreciation .....	12-14	3.304	2.839
Other items not affecting cash flows .....		<u>2</u>	<u>2</u>
		4.490	5.111
Changes in current assets and liabilities			
Inventories .....	15	53 (	204)
Accounts receivables and other short term receivables .....	17,18	( 892)	363
Accounts payables and other short term payables .....		<u>523</u>	<u>208</u>
	Cash generated by operation	4.174	5.478
Interest income received .....		27	16
Interest expenses paid .....		( 1.206)	( 838)
Income tax paid .....		<u>( 50)</u>	<u>( 285)</u>
	Net cash generated from operating activities	2.945	4.371
<b>Investing activities</b>			
Investment in property, plant and equipments .....	11	( 3.403)	( 5.695)
Investment in intangible assets .....	13	( 92)	( 4.990)
Other changes .....		<u>54</u>	<u>21</u>
	Investing activities	( 3.441)	( 10.664)
<b>Financing activities</b>			
Long term liabilities with related companies .....	19	0 (	8.000)
Payments of lease liabilities .....	20	( 368)	( 336)
Payments of financing lease .....		( 2)	0
Proceeds from borrowings .....	19	19.776	19.935
Repayments of borrowings .....		( 19.600)	( 400)
Share capital .....	18	<u>0</u>	<u>( 4.000)</u>
	Financing activities	( 194)	7.199
Net change in cash and cash equivalents .....		( 690)	906
Exchange rate effects on cash held in foreign currency .....		( 1)	( 2)
Cash and cash equivalents at the beginning of the year .....		<u>904</u>	<u>0</u>
Cash and cash equivalents at the end of the year .....		<u><u>213</u></u>	<u><u>904</u></u>

# Notes to the Financial Statements

## 1. General information

Míla hf. ("the Company") is a limited liability company incorporated and domiciled in Iceland. The core business of the Company is to build and operate a telecommunications network in Iceland as well as operational and advisory services for the telecommunications and co-location services. The Financial Statements are a part of Consolidated Financial Statements of Sunstone II hf. Ardian Infrastructure Fund V B SCS SICAV RAIF is the company's ultimate parent company.

## 2. Basis of accounting

The Financial Statement for year 2022 have been prepared in accordance with International Financial Reporting standards (IFRS) as adopted by the EU.

The Financial Statements is presented in Icelandic Krona (ISK), which is the Company's functional currency. All financial information presented in ISK has been rounded to the nearest million.

This Financial Statement were approved by the Company's Board of Directors and CEO on 30 March 2023.

## 3. Use of judgements and estimates

The preparation of the Financial Statements in accordance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

### Measurement of fair values

A number of the company's accounting policies require measurement of fair values, for both financial and non-financial assets and liabilities.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, the Company assesses the evidence obtained from the third parties to support the conclusion that these valuations met the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the company's Audit, Risk and Sustainability Committee.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data.

## 4. Sales

Sales of service and goods is specified as follows:

	2022	2021
Fixed Access .....	3.579	3.568
Connectivity and Internet .....	2.607	2.357
Other Core Business .....	2.185	2.390
Sales of service and goods .....	217	271
	<u>8.588</u>	<u>8.586</u>

## Notes to the Financial Statements

5. Cost of sales	2022	2021
Cost of sales is specified as follows:		
Salaries and related expenses .....	935	805
Cost of sales .....	1.113	1.257
Housing cost .....	488	417
Cost of goods sold .....	26	29
Depreciation .....	2.605	2.368
	<u>5.167</u>	<u>4.876</u>

Cost of sales consists of; material costs, service contracts, license fees, purchased services and telecommunications costs.

### 6. Operating expenses

Operating expenses is specified as follows:

Salaries and related expenses .....	567	434
Sales and marketing expenses .....	32	18
Housing and transportation expenses .....	101	80
IT expenses .....	226	216
Bad debt write offs .....	14	3
General and administrative expenses .....	598	218
Depreciation .....	699	471
	<u>2.237</u>	<u>1.440</u>

The commission to the Company's auditors for audits and other services in 2022 amounted to ISK 7,2 m.kr. (2021: 5,9 m.kr.), thereof 5,3 m.kr. because of direct audit.

### 7. Salaries and salary-related expenses

Salaries and salary-related expenses is specified as follows:

Salaries .....	1.749	1.494
Contributions to pension funds .....	218	202
Other salary-related expenses .....	150	135
	<u>2.117</u>	<u>1.831</u>
Average number of full year equivalents .....	142	143
Salaries and related expenses are specified as follows in the income statement:		
Cost of sales .....	935	805
Capitalised work .....	615	592
Operating expenses .....	567	434
	<u>2.117</u>	<u>1.831</u>

Total salaries, commissions and benefits to the Company's Board of Directors and CEO in 2022 amounted to 193,8 m.kr. (2021: 51,3 m.kr.)

## Notes to the Financial Statements

### 8. Financial income and expense

	2022	2021
<b>Financial income</b>		
Interest income .....	30	16
	<u>30</u>	<u>16</u>
<b>Financial expense</b>		
Interest on borrowings .....	( 1.417)	( 693)
Interest on leases .....	( 209)	( 206)
	<u>( 1.626)</u>	<u>( 899)</u>
Net exchange rate differences .....	( 22)	( 2)
Net financial expenses .....	<u>( 1.618)</u>	<u>( 885)</u>

### 9. Taxes

Income tax is calculated and credited, 88 m.kr. No income tax will be paid in year 2023. Equalization tax for the year 2022, to be paid in 2023, amounts to 8 m.kr. From 1 January 2023 Míla will be mutually taxed with the parent company.

#### Reconciliation of effective income tax rate:

	2022	2021
(Loss) profit before income tax .....	( 442)	1.377
Income tax .....	20% 88	20,0% ( 276)
Income tax according to income statement .....	<u>20% 88</u>	<u>20,0% ( 276)</u>

### 10. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of outstanding shares during the year.

	2022	2021
(Loss) profit for the year attributable to equity holders of the parent company .....	( 354)	1.101
Share capital in the beginning of the year .....	7.600	11.600
Share capital change .....	0	( 2.667)
Weighted average number of shares for the year .....	<u>7.600</u>	<u>8.933</u>
Basic (loss) earnings per share .....	( 0,05)	0,12

# Notes to the Financial Statements

## 11. Property, plant and equipment

Property, plant and equipment are specified as follow:

	Telecom equipment	Buildings	Other equipment	Total
<b>Cost</b>				
Balance at 1.1.2021 .....	35.296	1.776	696	37.768
Additions .....	5.527	128	62	5.717
Sales and disposals .....	0	0	( 5)	( 5)
Balance at 31.12.2021 .....	40.823	1.904	753	43.480
Additions .....	3.267	111	24	3.402
Impact of merger .....	6.791	1.704	0	8.495
Balance at 31.12.2022 .....	50.881	3.719	777	55.377

### Depreciation

Balance at 1.1.2021 .....	( 22.828)	( 1.032)	( 465)	( 24.325)
Depreciation .....	( 2.071)	( 95)	( 49)	( 2.215)
Sales and disposals .....	0	0	4	4
Balance at 31.12.2021 .....	( 24.899)	( 1.127)	( 510)	( 26.536)
Depreciation .....	( 2.278)	( 110)	( 43)	( 2.431)
Sales and disposals .....	0	2	0	2
Balance at 31.12.2022 .....	( 27.177)	( 1.235)	( 553)	( 28.965)

### Carrying amounts

At 1.1.2021 .....	12.468	744	231	13.443
At 31.12.2021 .....	15.924	777	243	16.944
At 31.12.2022 .....	23.704	2.484	224	26.412

The official real estate valuation of buildings owned by the Company is 1.842 m.kr. (2021: 1.649 m.kr.) and insurance value 4.261 m.kr. (2021: 3.580 m.kr.). Insurance value of other equipment is 7.611 m.kr. (2021: 7.235 m.kr.).

Total depreciation is specified as follows in the income statement:

	<b>2022</b>	<b>2021</b>
Cost of sales .....	2.605	2.368
Operating expenses .....	699	471
Total .....	3.304	2.839

Useful life is specified as follows:

Telecom equipment .....	7 - 30 years
Buildings .....	15 - 33 years
Other equipment .....	3 - 15 years

## Notes to the Financial Statements

### 12. Right of use assets

Most of the company's leases, buildings, vehicles and fibre are capitalized according to IFRS 16. Leases for a shorter period than one year or with an insignificant value are not capitalized.

Right-of-use assets are specified as follows:

	Telecom equipment	Buildings	Other equipment	Total
<b>Cost</b>				
Right-of-use assets 1.1.2021.....	178	3.388	86	3.652
Additions .....	27	1.386	24	1.437
Eliminated on disposal and termination .....	( 5)	( 26)	( 39)	( 70)
Remeasurements/indexation.....	6	236	4	246
Right-of-use assets 31.12.2021.....	206	4.984	75	5.265
Additions .....	0	200	39	239
Eliminated on disposal and termination .....	0	( 77)	( 32)	( 109)
Remeasurements/indexation.....	23	353	4	380
Right-of-use assets 31.12.2022.....	229	5.460	86	5.775

### Depreciation and impairment losses

Depreciation at 1.1.2021 .....	( 22)	( 444)	( 54)	( 520)
Depreciation .....	( 11)	( 356)	( 30)	( 397)
Eliminated on disposal and termination .....	4	17	39	60
Depreciation at 31.12.2021 .....	( 29)	( 783)	( 45)	( 857)
Depreciation .....	( 14)	( 388)	( 20)	( 422)
Eliminated on disposal and termination .....	0	22	32	54
Depreciation at 31.12.2022 .....	( 43)	( 1.149)	( 33)	( 1.225)

### Carrying amounts

At 1.1.2021 .....	178	3.388	86	3.652
At 31.12.2021 .....	177	4.201	30	4.408
At 31.12.2022 .....	186	4.311	53	4.550

### 13. Goodwill and other intangible assets

Goodwill and other intangible assets are specified as follow:

	Goodwill	Business relations	Software	Total
<b>Cost</b>				
Balance at 1.1.2021 .....	7.680	0	744	8.424
Additions .....	3.247	1.622	100	4.969
Balance at 31.12.2021 .....	10.927	1.622	844	13.393
Additions .....	0	0	92	92
Impact of merger .....	16.607	20.062	0	36.669
Balance at 31.12.2022 .....	27.534	21.684	936	50.154

### Amortisation

Amortisation at 1.1.2021 .....	0	0	( 582)	( 582)
Amortisation .....	0	( 162)	( 65)	( 227)
Balance at 31.12.2021 .....	0	( 162)	( 647)	( 809)
Amortisation .....	0	( 376)	( 75)	( 451)
Amortisation at 31.12.2022 .....	0	( 538)	( 722)	( 1.260)

### Carrying amounts

At 1.1.2021 .....	7.680	0	162	7.842
At 31.12.2021 .....	10.927	1.460	197	12.584
At 31.12.2022 .....	27.535	21.145	214	48.894

Business relations consist of customer relationships and trademark.

Useful life is specified as follows:

Software .....	2 - 15 year
Business relations .....	15 year



## Notes to the Financial Statements

### 13.1. Annual test for impairment

In October 2021, Síminn (Míla's former parent company owning 100% shares) accepted a purchase offer by Ardian Infrastructure Fund S SCA, SICAR and Ardian Infrastructure Fund V B SCS SICAV RAIF of 78 billion kronas. The bid was made following due diligence and a thorough review of Míla's current operations and future prospects. Ardian's offer, which exceeded the company's total balance sheet value, was used as the basis for an impairment test for 2021 and therefore no impairment was recorded during the year.

Following a negotiation with the Competition Authority the parties agreed for a purchase price of 69,5 billion on 14 September 2022 and the purchase was closed 30 September 2022. The purchase price adjustment agreed on 14 September 2022 between the Parties specifically reflected Míla hf. actual current trading performance, and the cash flow impact of changes to the Wholesale Services Agreement to be entered into between Míla hf. and Síminn hf. that became necessary as part of the approval process of the Transaction by the Icelandic Competition Authority. Further, the purchase price was adjusted to reflect the prevailing outlook for Icelandic interest rates (Icelandic Central Bank Key Interest Rate and REIBOR rate) based on forecasts provided by Landsbankinn and Íslandsbanki at that time. The interest rate rises anticipated for October to December 2022 by these forecasts anticipated Key Interest Rate increases in line with actual rate changes observed during that period. As such, as of 31 December 2022, the recoverable amounts of the assets is determined based on the purchase price and no further impairment tests necessary on the intangible assets.

### 14. Other financial assets

Other financial assets are specified as follows:	2022	2021
Long term financial assets .....	55	76
Financial assets .....	6	9
Other financial assets total .....	<u>61</u>	<u>85</u>

Long-term financial assets consist of 10 years prepaid operating leases for Svalbardshreppur's fibre optic system and 7 years purchase lease to Kópavogur town for the sale of fibre threads in 2018.

### 15. Inventories

Inventories are specified as follows:

Supplies .....	460	513
Inventories total .....	<u>460</u>	<u>513</u>

### 16. Accounts Receivable

Accounts receivable are specified as follows:

Accounts receivable .....	1.427	787
Allowances for doubtful accounts .....	( 24)	( 13)
Accounts receivable total .....	<u>1.403</u>	<u>774</u>

An allowance has been made for doubtful accounts. This allowance has been determined by management with reference to expected credit loss (ECL). Management considers that carrying amount of receivables approximates their fair value.

Movement in the allowance for doubtful accounts

Balance at the beginning of the year .....	13	11
Impairment losses recognised on receivables .....	14	2
Amount written off as uncollectable .....	( 3)	0
Balance at the end of the year .....	<u>24</u>	<u>13</u>

## Notes to the Financial Statements

### 17. Other assets

Other assets are specified as follows:	<b>2022</b>	<b>2021</b>
Prepayments and accrued income .....	120	53
Other current assets .....	164	135
Other assets total .....	<u>284</u>	<u>188</u>

### 18. Share capital

The issued shares at the end of the year are 7.600 m.kr. and the nominal value of each item is one Icelandic krona, as in the previous year. All issued shares are paid in full. Earlier contribution to the statutory reserve was reversed at the end of the year. In accordance with the Act on Limited Liability Companies, companies are required to retain a certain percentage of their profit for the year in a statutory reserve, up to the limit of the reserve being in the amount of 25% of the nominal value of share capital.

### 19. Borrowings from parent company

Following the sale of Míla on the 30 September 2022, the outstanding long term loan, with Íslandsbanki was refinanced with a loan from Sunstone IV, the parent company of Míla. The loan period is 9 years. At the end of the loan period the loan will be repaid in full. Míla has the right to repay the loan in part or in whole during the loan period.

Míla's shares and bank accounts are pledged against the bond and the Facility agreement between Sunstone IV/AB855 hf. and Íslandsbanki/Fyrirtækjalánasjóður at a maximum ISK 19,2 billions.

Borrowings are specified as follows:

	<b>2022</b>		<b>2021</b>	
	Average interest rates	Balance	Average interest rates	Balance
Loans in ISK, non indexed, floating rates .....		0	4,73%	19.540
Loans from related party in ISK, non indexed, floating rates .....	9,10%	<u>20.223</u>		<u>0</u>
		<u>20.223</u>		<u>19.540</u>

Aggregated annual maturities are as follows:

	<b>2022</b>	<b>2021</b>
Payments 2023/2022 .....	0	800
Payments 2024/2023 .....	0	800
Payments 2025/2024 .....	0	800
Payments 2026/2025 .....	0	800
Payments 2027/2026 .....	0	800
Payments later .....	<u>20.223</u>	<u>15.540</u>
Total borrowings .....	<u>20.223</u>	<u>19.540</u>

Changes in borrowings during the year are as follows:

Long-term liabilities at 1.1. ....	19.540	8.000
Repayment of borrowings .....	( 19.000)	( 8.000)
New borrowings .....	20.223	20.000
Capitalized borrowing cost .....	0	( 65)
Installment .....	( 600)	( 400)
Financing activities .....	<u>20.163</u>	<u>19.535</u>
Capitalised borrowing cost .....	<u>60</u>	<u>5</u>
Total interest-bearing liabilities .....	<u>20.223</u>	<u>19.540</u>

In accordance with the loan agreement, Míla and Sunstone IV agreed that interest would not be paid at year end 2022. Accrued interests at year end, 447 m.kr. are added to the principal at 31 December 2022.

## Notes to the Financial Statements

### 20. Long-term lease liabilities

	Telecom equipment	Buildings	Other equipment	Total
Lease liabilities 1.1.2021.....	172	3.028	34	3.234
Payments .....	( 8)	( 298)	( 30)	( 336)
Additions.....	27	1.386	24	1.437
Remeasurements/indexation.....	6	237	5	248
Terminated leases .....	( 1)	( 9)	0	( 10)
Lease liabilities 31.12.2021.....	<u>196</u>	<u>4.344</u>	<u>33</u>	<u>4.573</u>
Payments .....	( 11)	( 337)	( 20)	( 368)
Additions.....	0	200	39	239
Remeasurements/indexation.....	24	353	4	381
Terminated leases .....	0	( 58)	0	( 58)
Lease liabilities 31.12.2022.....	<u>209</u>	<u>4.502</u>	<u>56</u>	<u>4.767</u>

Aggregated annual maturities are as follows:

	2022	2021
Payments 2023/2022 .....	406	343
Payments 2024/2023 .....	403	354
Payments 2025/2024 .....	415	343
Payments 2026/2025 .....	374	356
Payments 2027/2026 .....	383	337
Payments later .....	2.786	2.840
Total lease liabilities .....	<u>4.767</u>	<u>4.573</u>

Amounts in income statement

Interest expenses.....	209
Depreciation.....	422

Amounts in statement of cash flows

Payments.....	368
Interest expenses.....	209
Total payments.....	<u>580</u>

#### Extension options

Most of the Company's leases for real estate apply for a specified period of time and are automatically extended to one year at a time if they are not terminated within a specified period of time. If the Company considers it cost-effective, it seeks to have extension rights in leases to ensure flexibility in operations. The Company assess at the start of the lease whether it is likely to be extended. It is generally assumed that contracts are active for 15 years from 1 January 2019. In the event of significant changes in circumstances at the Company's discretion, the Company will reassess the lease term. Generally the lease term is expected to be evaluated every 5 years, for the first time in the end of 2023. Leases with low value or shorter time than one year are not considered as lease liability. Total expenses for these leases were 1 m.kr. in year 2022 (2021: 2 m.kr.).

## Notes to the Financial Statements

### 21. Deferred tax liabilities

2022

2021

Analysis of movements in the net deferred tax balances during the period is as follows:

Deferred tax at the beginning of the year.....	620	386
Income tax recognised in the income statement.....	( 88)	276
Taxes to be paid.....	0 (	42)
Impact of merger.....	5.711	0
Deferred tax liability at the end of the period.....	<u>6.243</u>	<u>620</u>

The deferred tax liability is allocated as follows:

Property, plant and equipment.....	6.565	644
Lease assets.....	910	890
Lease liabilities.....	( 951)	( 921)
Taxable losses.....	( 285)	0
Other items.....	4	7
	<u>6.243</u>	<u>620</u>

### 22. Other current liabilities

Salaries and related expenses .....	446	279
VAT .....	42	119
Equalization tax .....	8	8
Accrued interests .....	0	67
Other liabilities total .....	<u>496</u>	<u>473</u>

## Notes to the Financial Statements

### 23. Business combinations

At 30 September 2022, AB 855 ehf. acquired all the shares in Míla hf. Following the acquisition, AB 855 ehf. was merged with Míla with an downstream merger where Míla is the legal entity that continues to exist. The total purchase price allocation (PPA) amounted to 39.454 m.kr. The impact of the merger and PPA on the balance sheet of Míla hf. at 30 September is as follows:

	Míla ehf.	AB 855	Merger/PPA Transactions	Post-merger balance sheet
<b>Non current Assets:</b>				
Properties and equipments .....	17.468	0	8.495	25.963
Assets on lease .....	4.475	0	0	4.475
Intangible assets .....	12.476	0	36.669	49.145
Investment in subsidiary .....	0	50.383	( 50.383)	0
Long term receivables .....	67	0	0	67
	<u>34.486</u>	<u>50.383</u>	<u>( 5.219)</u>	<u>79.650</u>
<b>Current assets:</b>				
Inventories .....	534	0	0	534
Receivables and other short term claims .....	1.496	0	0	1.496
Share Capital increase, claim .....	0	171	0	171
Cash at bank .....	553	33	0	586
	<u>2.583</u>	<u>204</u>	<u>0</u>	<u>2.787</u>
Total assets	<u>37.069</u>	<u>50.587</u>	<u>( 5.219)</u>	<u>82.437</u>
<b>Equity:</b>				
Share Capital .....	7.600	508	( 508)	7.600
Share premium .....	0	49.908	( 7.404)	42.504
Reserves .....	312	0	0	312
Retained earnings .....	3.018	0	( 3.018)	0
	<u>10.930</u>	<u>50.416</u>	<u>( 10.930)</u>	<u>50.416</u>
<b>Liabilities:</b>				
Long term liabilities .....	19.400	0	0	19.400
Income tax liability .....	711	0	5.711	6.422
Lease contracts .....	4.680	0	0	4.680
Payables .....	1.348	171	0	1.519
	<u>26.139</u>	<u>171</u>	<u>5.711</u>	<u>32.021</u>
Total equity and liabilities	<u>37.069</u>	<u>50.587</u>	<u>( 5.219)</u>	<u>82.437</u>

# Notes to the Financial Statements

## 24. Risk management

### Capital risk management

The Company manages capital to ensure that the Company will be able to continue as a going concern basis while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2021.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

### Financial risk management objectives

The Company's operations, assets, liability and equity are exposed to risks. These risks include market risk, credit risk and liquidity risk. The Company's financial management is within the Company's policies approved by the Board of Directors. The Company does not enter into trade financial instruments, including derivative financial instruments, for speculative purposes.

### Interest rate risk

The Company is exposed to interest rate risks as the Company's borrowings are with nominal floating interest rates. Changes in interest rates affect interest revenue and interest expenses in the Income Statement. The Company's interest bearing liabilities are higher than interest bearing assets. There is a risk that possible increase in interest leads to an increase in net interest expenses.

Sensitivity analysis on interest rate change was done according to the balance of financial assets and liabilities in the end of the year. At the end of the year 2022 all borrowings were with floating interest rate for the next 12 months. The analysis assumes unchanged balance of borrowings during the year. Interest rate increase of 100 points, with other assumptions unchanged, lowers the income and equity of 202 m.kr. before tax (2021: 187 m.kr).

### Foreign currency risk

Financial assets and liabilities in foreign currency are insignificant compared to assets and liabilities in Icelandic krona. Currency fluctuation has therefore not material effect on the Company's operations and financial position.

### Credit risk

Credit risk is the risk of the Company's financial loss if its customer or counterparty to a financial instrument is unable to meet its agreed obligations. The Company's exposure to credit risk is limited to financial assets listed on the balance sheet, as well as certain guarantees. The Company regularly monitors the development of the assets related to credit risk, as the Company's business requirements are handled by a small number of customers where only wholesale transactions are involved.

The maximum credit risk is detected as follows:

	Maximum possible losses	
	2022	2021
Accounts receivables .....	1.426	787
Bank balances .....	213	904
Other receivables .....	284	188
Long term financial assets .....	55	76
	<u>1.978</u>	<u>1.955</u>

## Notes to the Financial Statements

### 24. Risk management, continued:

The majority of the company's receivables are payable within 90 days. The Company generates an allowance for doubtful accounts. This allowance has been determined by management with reference to expected credit loss and past default experience, general economic conditions and an assessment of both the current as well as expected conditions.

The following table shows the age distribution of receivables.

	Nominal value		Allowance for doubtful accounts	
	2022	2021	2022	2021
Not past due .....	402	491	8	8
Less than 60 days past due .....	1.011	287	8	2
61-180 days past due .....	1	2	0	1
180-360 days past due .....	0	1	0	0
More than 360 days past due .....	12	12	7	8
	<u>1.426</u>	<u>793</u>	<u>23</u>	<u>19</u>

The Company's credit risk is mainly determined by its customer's financial position and operation. The Company writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. The collection rate is high at Míla. Write-offs in year 2022 were 3 m.kr. (2021: 0 kr.). No loss risk is assessed on other receivables.

### Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations in the near future. The Company manages this risk by monitoring forecast and actual cash flows and ensuring adequate reserves. The Company also has an access to a short term loan at its business bank. The following table analyses the Company's obligations by their due dates. The table is based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. Floating interests rate at year end 2022 is 9,1% (2021: 4,7%).

Contractual instalments on financial liabilities, including estimated interest payments, are distinguished as follows:

#### 31 December 2022

	< 1 year	1-2 years	2-5 years	> 5 years	Total
Borrowings from parent company .....	1.840	1.840	5.521	27.124	38.166
Long-term lease liabilities .....	614	592	1.632	3.515	6.353
Accounts payables .....	1.924	0	0	0	1.924
	<u>4.378</u>	<u>2.432</u>	<u>7.153</u>	<u>30.639</u>	<u>44.602</u>

#### 31 December 2021

	< 1 year	1-2 years	2-5 years	> 5 years	Total
Borrowings .....	1.725	1.688	4.834	18.452	26.699
Long-term lease liabilities .....	546	540	1.498	3.989	6.573
Accounts payables .....	1.444	0	0	0	1.444
	<u>3.715</u>	<u>2.228</u>	<u>6.332</u>	<u>22.441</u>	<u>34.716</u>

## Notes to the Financial Statements

### 25. Related party

Shareholders who have a significant impact on the company's operations, directors and their close family members and legal entities controlled by them are considered as related party.

Transactions with related parties and balances at the end of 2022:

	<b>Purchased service &amp; products</b>	<b>Sold services</b>	<b>Receivables</b>	<b>Payables</b>	<b>Interest expenses</b>	<b>Borrowings</b>
Sunstone IV., parent company .....	376	0	171	90	447	20.223
	<u>376</u>	<u>0</u>	<u>171</u>	<u>90</u>	<u>447</u>	<u>20.223</u>

Transactions with related parties and balances at the end of 2021:

	<b>Purchased service &amp; products</b>	<b>Sold services</b>	<b>Receivables</b>	<b>Payables</b>	<b>Interest expenses</b>	<b>Borrowings</b>
Síminn hf., former parent company .....	553	6.737	458	24	107	0
Sister companies .....	37	5	0	0	0	0
	<u>590</u>	<u>6.742</u>	<u>458</u>	<u>24</u>	<u>107</u>	<u>0</u>

### 26. Subsequent event

No significant events have taken place since the reporting date, 31 December 2022.



# Notes to the Financial Statements

## 27. Summary of Significant Accounting Policies

The following accounting methods have been used in accordance with the International Financial Reporting Standards (IFRS) for all time periods presented in the annual report.

### 27.1. Business combinations

The Company accounts for business combinations using the acquisition method which results in the recognition of goodwill and other intangible assets. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The fair value amounts allocated to the acquired assets and liabilities are based on assumptions and estimates about their fair values. A change in assumptions and estimates could change the values assigned to certain assets and their estimated useful lives, which could affect the amount or timing of amortization and depreciations charged to the Income Statement. The Company has one year from the acquisition date to adjust the initial accounting of the business combination to reflect new information that could have impact on the measurement of fair value at the acquisition date.

### 27.2. Goodwill

Goodwill is not amortized but is reviewed for impairment at least annually. For impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If their book value is higher than their value than an impairment loss has occurred. Goodwill is first impaired, then other assets belonging to the cash-generated unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

### 27.3. Revenues

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control over a good or service to a customer.

#### **Core business**

The core business of the Company is to sell access to Míla's network and co-location services.

Revenues are recognized in the Income Statement according to the service's subscription period.

#### **Sale of services**

Revenues originating from services provided by Míla hf are recognized in the Income Statement upon completion of the service provision.

#### **Product sale**

Revenues from sale of goods are evaluated at fair value. Revenues are recognized on the Income Statement once a transfer of control has completed.

# Notes to the Financial Statements

## Important accounting methods continue

### 27.4. Foreign currency

The Financial Statement is presented in the Icelandic krona, ISK which is the Company functional currency.

### 27.5. Income tax

Income tax expense consists of income tax payable and deferred income tax.

#### Income tax payable

Income tax payable is based on taxable profit for the period. Taxable income differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

#### Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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. 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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Taxes of the period

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, in which case, the current and deferred tax are also recognized in Other Comprehensive Income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination

### 27.6. Earnings per share

Earnings per share is net profit attributable to the Company's shareholders divided by the Company's average number of shares outstanding for the period

### 27.7. Operating assets

Assets are recorded as operating assets when it is likely that an economic benefit for the Company is associated with the asset, cost-benefit analysis can be performed with certainty and the cost of the asset can be measured in a reliable manner.

Operating assets are recorded at original purchase price less accumulated depreciation and impairments. Depreciation is recorded on a straight line basis over its useful life. Depreciation methods, estimation of useful life and residual value is reassessed regularly.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at the date of the sale transaction and is recognized in the Income Statement.

# Notes to the Financial Statements

## Important accounting methods continue

### 27.8. Intangible assets

Intangible assets are recorded on purchase price less accumulated amortization.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

After initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

### 27.9. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Assets held for sale which are valued at fair value are reviewed at each reporting date. At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflow (CGU)s from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from business combinations is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in the Income statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 27.10. Inventory

Inventories are stated at the lower of cost and net realizable value.

### 27.11. Obligations

An obligation is recognized when the Company has a legal or probable obligation to pay due to prior events and it's possible to estimate it's amount with certainty. The obligation amount is based on best possible estimation on reporting date. If the obligation is estimated from expected future cash flows, the obligation is recorded according to expected present cash flow.

# Notes to the Financial Statements

## Important accounting methods continued

### 27.12. Financial assets

Financial assets are classified at amortized cost. The classification is determined upon initial registration and depends on the nature and purpose of the financial asset. All general transactions with financial assets are recorded on transaction date. General business means buying and selling of financial assets based on a contract or market practices regarding payment conditions.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets as at fair value in the Income statement.

Accounts receivables and loans are recognized at amortized cost less than their impairment. Interest revenues are recorded with respect to effective interest method except when they are deemed to be insignificant.

#### **Financial assets recognized at amortized cost**

Financial assets measured at amortized cost are financial assets with constant or pre-determined payments that are not recorded on an active market. Such assets are initially recognized at fair value with related additional transaction costs. After initial registration accounts payable and receivables are recognized at amortized cost based on effective interest method, less impairment when applicable. Financial assets on amortized cost consists of cash and cash equivalents, securities, contracts, accounts receivables and other receivables.

#### **Impairment of financial assets**

On reporting date, the book value of the financial assets is evaluated in order to check whether there is an indication of impairment. Impairment has occurred if expected future cash flows based on effective interest method is lower than the book value. If the impairment no longer applies it is reversed in the Income Statement but never above the book value before amortization. Certain types of financial assets such as trade receivables are recorded at nominal amount with respect to amortization. Provision for losses on accounts receivable is an estimation of the amount of doubtful debt that will need to be written off during a given period.

#### **Derecognition of financial assets**

The Company derecognizes 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.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

### 27.14. Financial Liabilities

Financial liabilities are classified as other financial liabilities.

#### **Other financial liabilities**

Other liabilities, including liabilities to financial institutions and trade payables are recorded initially at fair value less transaction costs. At a later assessment they are recognized at amortized cost based on the effective interest method.

#### **Derecognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### 27.15. Leases

The Company assesses whether a contract is, or contains a lease, at inception of the contract. When assessing whether a lease includes control of a specific asset, the company uses the definition of a lease in IFRS 16.

# Notes to the Financial Statements

## Important accounting methods continued

### 27.15.1 The Company as lessor

The Company offers co-location services and fibre rental to other telecommunications companies. All leases can be terminated with one to nine months' notice or less. The Company classifies all leases as operating leases.

### 27.15.2 The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

A right of use asset is initially measured at the amount equal to the initial measurement of lease liability. Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

In determining lease liability, Lease payments include the following:

- Fixed payments, including lease payments that are normally fixed;
- Variable lease payments depended on an indexation or interests, valued at their original payment value;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- Purchase price according to call option in lease agreement when the company expects to exercise that option, lease payments on extension periods when the Company expects to extend the lease and payments for termination of the lease before the end of the lease term, unless the Company is certain not to terminate the agreement as allowed.

Lease liability is recorded at net book value with respect to effective interest method. The liability is revaluated when there is a change in future lease payments with respect to index or interest rate, if the Company expects a change in value due to residual value guarantees, if the Company expects changes in extension or termination on the lease period or when there is a change of a lease payments which are by nature, fixed.

When lease liability is revaluated the book value of the right of use asset is adjusted accordingly, or recorded in the income statement if the book value of the right-of-use asset has been recorded at salvage value.

### 28. Standard issued but not yet effective

Several new international accounting standards apply to the financial years that begin after 1 January 2022, which may be applied before their entry into force. However, the Company has not implemented new or changed accounting standards in presenting these financial statements.

Management of the Company does not expect that the adoption of the standards will have a material impact on the Financial Statements of the Company in future periods.

- Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

# Corporate Governance Statement

Strong corporate Governance supports open and reliable communication between Board of directors, shareholders, customers, and other stakeholders. Mila's Board of Directors places a great emphasis on good corporate governance and reevaluates its corporate governance practices annually with regards to recognized corporate governance guidelines.

## Corporate Governance Framework and Compliance

Mila's corporate governance is defined as a framework of principles and rules. It is based on Icelandic law, supported by Articles of Association, the Board's rules of Procedure of the Board, the Company's code of Ethics, a settlement with the Competition Authority signed 15 September 2022, the Company's competition compliance program and guidelines on Corporate Governance issued July 2021 by the Iceland Chamber of Commerce, Nasdaq OMX Nordic Iceland and the Confederation of Icelandic Employers, accessible on Iceland Chamber of Commerce website, [www.vi.is](http://www.vi.is).

Corporate Governance defines and dictates how the Company is governed and managed, including the interactions between the CEO, who is responsible for day-to-day management, the Board of Directors, shareholders, regulators, and other stakeholders. Mila is committed to act in accordance with recognized general principles aimed at ensuring good corporate governance practices.

## Communication between Shareholders and the Board of Directors

Mila is a public limited liability company and operates on the basis of Act No. 2/1995 on Public Limited Companies. The Company is a subsidiary of Sunstone IV hf.

Shareholders' meetings, within limits established by the Company's Articles of Association and statutory law, are the supreme authority in Mila's affairs as well as the primary means of communication between shareholders and the Board of Directors.

Articles of Association contain rules regarding the Company's purpose, its share capital, shareholders' meetings, Board of Directors, annual accounts and auditing.

The Board of Directors manages the Company affairs between shareholders' meetings and protects the interest of the Company.

The Board's communications with shareholders should be characterised by openness, be clear and consistent. If shareholders make enquiries to the Company's Board of Directors, the Board shall be notified of them and supervise the Company's response to them.

The Company's CEO undertakes the management of the Company's daily operations and represents the Company in all matters pertaining to ordinary operation. The Company's Annual General Meeting shall be held before the end of August each year and other shareholders' meetings are convened as needed.

## Board of Directors

The Board of Directors is composed of chairman Jón Kr. Kristjánsson, Marion Emmanuelle Calcine, Pauline Thomson, Leonard Rasche, Birna Ósk Einarsdóttir, Þórarinn V. Þórarinsson and Oscar Cicchetti. The Board of Directors meets the requirements of the Companies Act on gender quotas.

The Board considers its composition consistent with the Company's operations and policies so that it is able to handle the affairs of the Company with efficiency and integrity. The background and education of board members is diverse. Board members' education encompasses legal-, engineering-, and business-related education.

The Board exercises supreme authority in the affairs of the Company between shareholders' meetings with restrictions from the law, the Company's Articles of Association, the Board's standard procedures and the settlement with the Competition Authority. The chairman of the Board is responsible for the Board executing its role in an efficient and organized manner.

The current Rules of Procedure of the Board of Directors were approved at a Board meeting on December 6th. 2022. The Board has various roles and responsibilities, including:

- Sufficient control over the accounting and management of the Company's fund
- Implement the Company's policies and goals
- Analyse the Company's risk
- Ensure the Company operates in accordance with laws, regulation and settlement with the Competition Authority
- Hire a Chief Executive Officer

The Board of Directors conducts formal performance evaluations on a regular basis. Performance evaluations, are intended to improve working practices and increase the efficiency of the Board and evaluate the work of sub-committees. The Board was in agreement that all of its members executed their tasks with enthusiasm and conscientiousness in the past year.

With the change of ownership of Míla on September 30th 2022, a new Board of Directors was appointed. A total of 10 board meetings were held in 2022, thereof 2 meetings with the new Board.

#### Sub-committees

The Board of Directors has appointed the following subcommittees to carry out certain tasks, namely review and supervision before approval of the Board of Directors:

- The Audit, Risk Management and Sustainability Committee
- The Nominations and Remunerations Committee
- The Investment, Commercial and Operational Committee

The Audit, Risk Management and Sustainability Committee are composed of three to five members, where the majority must be independent from the Company. The members must have relevant knowledge and experience in accounting, audit, risk management and sustainability, both financial and non-financial as well as technical knowledge in relation to the areas of activity to which the Company belongs.

The committee has various roles and responsibilities, including but not limited to:

- Ensure a competent and independent audit,
- Submit proposals to the Board on the nomination of the auditor candidate at the Annual General meeting,
- Monitor and evaluate the Auditor's work, including the audit of the consolidated financial statements,
- Monitor and assess Míla's internal control systems and its risk management and perform other related tasks and duties,

The members of the Audit, Risk Management and Sustainability Committee are: Leonard Rasche as chairperson, Pauline Thomson, Birna Ósk Einarsdóttir, Ása Karlsdóttir and Þórarinn V. Þórarinsson.

The Nominations and Remunerations Committee is comprised of three to five members. The Committee's main objective is to prepare recommendations to the Board in relation to the composition, development, and succession of the Board and remuneration policy and remuneration for the Board, the CEO and the Executive Management.

The members of the Nominations and Remuneration Committee are Marion Calcine as chairperson, Pauline Thomson, and Þórarinn V. Þórarinsson.

The Investment, Commercial and Operational committee comprises of three to ten members. The responsibilities of the Committee include supervising of the commercial activities and network deployment.

The members of the Investment, Commercial and Operational Committee are Pauline Thomson as chairperson, Marion Calcine, Þórarinn V. Þórarinsson, Oscar Cicchetti; Birna Ósk Einarsdóttir and Leonard Rasche.

### **Chief Executive Officer and Executive Management**

The CEO is responsible for Míla's daily operations and has decision making power in all its matters that are not entrusted to others by law. He is responsible for ensuring that the operations are in accordance with the laws, regulations and resolutions of Míla and the decisions of the Board. The daily operations do not include measures that are unusual, which may generally only be taken if specially authorized by the Board. The CEO is not a Board member, but shall attend Board meetings and has the right to participate in discussions and put forward proposals, unless otherwise decided by the Board in specific instances.

The Board of Directors evaluates the CEO's performance each year.

The CEO is Erik Figueras Torras.

Míla's Executive Board, is comprised of directors of four divisions and Míla's lawyer.

The Executive Management generally meets every week and collectively prepares and implements Míla's strategic plans. The CEO is responsible for the work and results of the Executive Management.

### **Internal Risk Management**

The CEO is responsible for ensuring adequate internal controls and risk management in connection with financial reporting. The Board of Directors maintains an ongoing dialogue with the CEO to identify, describe and manage the business risks that the Company may be exposed to. Significant risks are discussed in the 2022 Consolidated Financial Statements.

At Board of Director's meeting on April 27th. 2017, the Company's Risk Policy was approved.

The Company's Risk Management policy has the purpose of maintaining an overview and appropriate management of risk in Míla's operations. An updated policy is currently being revised and will be introduced in 2023.

At Míla, the Security Council ensures that the operation of Míla follows the Company's risk policy. Míla identifies and treats risks in its operations through periodic risk assessment, targeted monitoring and action.

An independent auditing firm is elected at the Annual General Meeting. The external auditors examine the Company's Consolidated Financial Statements in accordance with generally recognized auditing standards and, for this purpose, inspects accounting records and other material relating to the operation and financial position of the Company. The external auditors report any significant findings regarding accounting matters and internal control deficiencies via the Audit Committee to the Board of Directors. KPMG ehf. was elected as the Company's auditor at the Company's AGM held on May 7th. 2022. Auditor on KPMG's behalf is Árni Claessen, Certified Public Accountant (CPA). He has audited and endorsed Míla's Financial Statements for the year.

### **Míla's values, Social responsibility and Code of Ethics**

Míla's values are: *Progressive, Reliable and Trustworthy*

Míla is a member of Festa, a Centre for Sustainability. Míla's focus on social responsibility is safe and professional service, human resources, environmental protection and community engagement.

The Company works according to the Code of Ethics which was revised and presented to employees on November 4th. 2021.



## Non-financial information statement

### About Míla:

Míla ehf. is a wholesale company operating in Iceland. The address of its registered office is Stórhöfði 22-30, Reykjavík. The Company's activity is centered around building and operating telecommunication infrastructure in Iceland and offering telecommunication services to telecoms and other organizations in the telecommunication business. The Company's mission is to be the foundation of telecommunications in Iceland. The Company places a great emphasis on development of its services, as well as launching new solutions to meet the needs of the market. The Company's network systems are the basis for multi-modal telecommunication services throughout the country. The Company's focus is reliability and security of telecommunications.

As a telecommunication company which operates in regulated markets, the Company is subject to Icelandic laws and regulations. The Company has been designated with significant market power (SMP) in leased lines and access network. SMP status means i.a. various remedies and obligations including price regulations and equal access.

In October 2021, Síminn accepted a purchase offer by Ardian Infrastructure Fund V SCA, SICAR and Ardian Infrastructure Fund V B SCS SICAV RAIF. Following a negotiation with the Competition Authority the parties together with KFM eignarhaldsfélag slhf. agreed on a purchase price and the purchase were closed 30 September 2022. The parent company of Míla hf. is Sunstone IV hf. a public limited company incorporated on 15 September 2021. Its registered office is at Borgartún 27, Reykjavík (Iceland).

The Company is a member of Festa, a Centre for Social Responsibility and Sustainability in Iceland. As a member, the Company undertakes to take responsibility for its impact on society and the environment and to conduct its activities accordingly. Every year the Company publishes a report in accordance with the ESG guide Nasdaq.

The Company's social responsibility is primarily to maintain a secured telecommunication network in the country. The Company's national fibre ring, which is a fibre routes around the country and connects the country to the rest of the world, plays an important role in this. All major transmission systems within Iceland and to and from the country go through the fibre. The safety includes a "ring-connections", which means that if an incident occurs in one place, the connections are re-routed. A new highland route, which makes it possible to build another backup route further increases the security of telecommunication system, in the event of an interruption in the national circuit.

In line with social changes, the Company's services have developed a lot in recent years. The company's customers have high demands in terms of service and security of telecommunication systems. Rapid technological changes have on the one hand, led to the Company working on automation in the processing of orders and other processes, and on the other hand, an increased demand for more bandwidth and security. The Company's goal is to be an excellent service company in the development and operation of telecommunications infrastructure in Iceland. This includes, among other things, following the rapid technological development in the telecommunications market with new solutions that always meet the market's requirements.

At the end of 2022, the number of employees at the Company was 142.

The company has not yet developed a comprehensive strategy in sustainability matters but operates according to the below mentioned policies, which are concerned with non-financial aspects.

### The Company's policies regarding non-financial information:

- Information Security Policy
- Security Policy
- Data protection Policy
- Human Resource and Equity policy
- Equality plan
- Policy against bullying, harassment, and violence (internal)
- Quality Policy (in review)

Míla plans to start a work on the company's overall strategy that addresses sustainability issues in the year 2023.

### The Company's due diligence:

In accordance with the Information Security Policy, Security Policy, and Quality Policy together with Internal Processes and other quality requirements, emphasis is placed on ensuring quality and correct non-financial information. The Company works according to the BSI standard ISO/IEC 27001 on information security. The external auditor also reviews the board's report, including non-financial information, as part of Míla's external audit.

Further information on the Company's measures to ensure policy enforcement regarding non-financial information can be found in the sections below.

### Environmental and climate change matters:

Míla's focus is to keep its network up and always running. The network runs mainly on electricity and bad weather often causes power failure that can cause damages in the telecommunication system. Therefore, one of the main environmental risks for Míla is changes in weather due to climate change. More frequent extreme weather can have direct impact on operational security of the telecommunication network along with maintenance of equipment and buildings. Commitment to protect the environment is part of the Company's general strategy and is the responsibility of the Board of Directors.

The telecommunication industry has a considerable impact on the environment, as there is a large consumption of resources and energy related to the production, use and disposal of equipment and devices used in the company's operations. Due to the nature of the activity, there is also a lot of driving and transportation of devices, equipment and people for the maintenance and installation of telecommunication networks. To maintain the widest possible network, equipment must be placed in rural areas, where electricity is not available. In those areas, batteries, or power backup generators that run on diesel oil, need to be used as electricity substitute. Only a few sites do not have electricity, but these sites cause climate and environmental pollution due to diesel emission and the disposal of batteries

Every year the Company publishes a report in accordance with the ESG guide Nasdaq and an emissions report of all emissions of GHG from the business units controlled by the company. Within the operating limits, there are emissions in scope 1 for standby power units that run on diesel oil and vehicles owned or operated by the company. Scope 2 includes the use of electricity and hot water in the company's headquarters and more than 1.200 equipment spaces around the country. Scope 3 includes waste generated in operations. The company's emissions report is done in collaboration with the company Klappir hf. green solutions and is based on information collected by Klappir environmental software throughout the year.

#### The Company's main goal in environmental and climate change matters:

1. Reduce Míla's greenhouse gas emission by increasing the number of electric vehicles.
2. Reduce Míla's electricity consumption in technical facilities and network equipment by sharing and/or removing unnecessary facilities/equipment.
3. Increase waste recycling rates by improving sorting facilities.

The final data on the Company's carbon footprint and electricity consumption in 2022 is not fully available, but based on available data, the Company's carbon footprint has decreased slightly. Fuel consumption decreased slightly between years, or by 2%. At the end of the year 2022 the total number of electric, or partly electric vehicles was around 13% of the company's total number of vehicles. The waste recycling rate increased considerably between years, was 32,1% in 2021 and is 41,2% in 2022.

### Social:

The company has an active human resources and equality policy that promotes non-discrimination and equal opportunities for employees and serves as a guide for non-discrimination. Míla's activity have historically been carryout by male employees and therefore has the company set clear targets to increase number of female employees. The Company received equal pay certification from the Equality Office in 2020 and maintenance certification in 2021 and 2022. The Company's equal pay policy is part of the Company's equality plan, where, among other things, emphasis is placed on erasing all gender-related pay differences. Míla does not tolerate any form of violence, harassment and bullying, including sexual and gender-based violence and harassment and had a clear policy on those matters. Further Míla has a communication guideline that applies to all employees. The Company emphasizes respect in communication and that human rights are respected and takes a clear stance against human rights violations. If a supplier or partner is found to have violated human rights, the company reserves the right to terminate the relevant business relationship. The Company aims for contracts with suppliers to include provisions regarding the prohibition of violations of human rights.

Health and safety of employees are important factor in the company's operation, due to the nature of its activities. Part of that Míla has clear training program for employee on health and safety along with offering diverse training for employees. Further the company offers scholarships for further studies.

Míla take a clear stance against human rights violations and reserves the right to terminate business relationship if a supplier or a partner violates human rights. One of the company's goals is to include clause on respecting human rights in all its supplier contracts.

The Company works according to the Telecommunications Act and according to regulation no. 1356/2007. Since 2016 the Company has focused on installing roll-out fibre to all homes in Iceland. At the end of 2022, the Company had a total of 120.000 available fibre connections (Homes past). With the fibre, homes get a high-speed connection with more than enough bandwidth for current and future home use and promote good facilities for distance work and distance learning.

## Community projects:

The Company wants to have a positive impact on the local community through active participation in community projects. The company supports community projects with the knowledge and skills available within the company and has focused on sports and youth work with grants to sports clubs and children's sports, and participation in UMFÍ national tournaments. Following severe weather conditions in Iceland in late 2019, Míla and 1-1-2 Iceland (Neyðarlínan) started a project to improve reserve power at telecommunication points around the country. The installation of reverse power stations in the northern part of the country was completed in 2021, and the focus in 2022 was installation on the south side of Iceland. The project was carried out with the support of the state, but the purpose of the project was to ensure electronic communications security during storms.

### The Company's mission regarding community projects:

1. Gender-pay is never more than 1%. This will be achieved i.a. with an active equal pay system that meets the criteria of the equal pay standard ÍST 85:2012.
2. More equal gender ratio in all areas of the Company.
3. Increase employee's diversity and access to education and training.
4. Active health and safety focus by offering fitness grants, good working facilities, limited health services, healthy catering, and diverse safety training.

### Progress in 2022

- According to annual analysis of basic wages male employees are shown to receive 0,9% higher wages for similar jobs than female employees, compared to 2,1% higher wages in 2021 and 4,3% higher in 2020.
- Míla's gender-ratio in 2022 was 86% men and 14% women.

## Governance:

Míla is a public limited company owned by private equity investment company, Ardian France S.A. and various Icelandic professional investors.

Míla's main governance risk are not following rules and regulations on good governance which could result in financial loss, reputational damage and disturbance of telecommunication in Iceland. The Company follows the Corporate Governance Guidelines issued by the Icelandic Chamber of Commerce, Nasdaq, OMX Iceland and Confederation of Icelandic Employers, 6th edition from the year 2021. Governance is also regulated by Act no. 2/1995 on public limited companies, the company's articles of Association's, the board's rules of procedure and the company's code of conduct, in addition to the fact that the company has implemented a competition compliance program. Míla's board is made up of seven members, three women and four men.

Míla has published sustainability reports since 2020. All previous reports can be found on the company's website. In 2023 Míla's goal is to choose relevant UN Sustainability goals it can have positive impact on along with define actions Míla can take to contribute to the government's Action plan for climate change.

Míla is certified according to ISO 27001 standard on Information security management systems. Further Míla follows Act 90/2018 on Data protection and processing of personal data has an active policy on data protection.

All employees of Míla are required to follow the company's code of conduct that guides them on possible conflict of interest at work, how to avoid bribery and corruption, confidentiality and compliance with laws and regulations. Subsequently, it will be emphasized that all employees officially certify that they follow the new code of conduct.

### The Company's main goals regarding governance are the following:

1. Maintain an acceptable gender ratio among the board and management at Míla.
2. That 100% of employees have signed the company's code of conduct by end of 2023.
3. Further improve disclosure regarding the company's sustainability performance both internally and externally. At the same time, increase the participation of staff in the Company's sustainability journey.

### Progress in 2022

- The gender ratio of the Company's board in 2022 was 43% women and 57% men.
- The gender ratio of the Company's executive board in 2022 was 33% women and 67% men.