

15 February 2022

Financial press release – Síminn hf. Q4 2021

Year of transformation – Solid operation

In the Síminn Group's financial statements for the year 2021, Míla is treated as discontinued operations. The operations of the Síminn Group, including Míla, are discussed below.

- Revenue in the fourth quarter (Q4) of 2021 amounted to ISK 6,700 million compared to ISK 6,703 million in the same period 2020.
- EBITDA amounted to ISK 2,532 million in Q4 2021, compared to ISK 2,713 million in the same period of 2020, down by ISK 181 million or 6.7%. The EBITDA ratio was 37.8% in Q4 2021, compared to 40.5% in the same period of 2020. Operating profit EBIT amounted to ISK 918 million in Q4 2021, compared to ISK 1,207 million in the same period of 2020. If the reduction of the administrative fine in Q4 2020 of ISK 300 million is taken into account, EBITDA for the period was ISK 2,413 million and EBIT ISK 907 million.
- Net financial expenses amounted to ISK 279 million in Q4 2021, compared to ISK 144 million in the same period of 2020. Financial expenses amounted to ISK 360 million, financial income ISK 87 million, and foreign exchange loss ISK 6 million.
- Profit in Q4 2021 amounted to ISK 654 million, compared to ISK 1,055 million in the same period of 2020. If the reduction of the administrative fine in Q4 2020 is taken into account, profit for the period was ISK 755 million.
- Interest-bearing debt without Míla including lease liabilities amounted to ISK 8.3 billion at the end of 2021, compared to ISK 21.5 billion at the end of 2020. Net interest-bearing debt without Míla including lease liabilities amounted to 4.8 billion ISK at the end of 2021 compared to 20.8 at the end of 2020.
- Síminn's equity ratio was 44.6% at the end of 2021 and equity was ISK 31.1 billion.

Orri Hauksson, CEO:

„The year 2021 was historic for Síminn. The agreement on the sale of Míla marks one of the biggest changes that have been made to the group in its century history. During the year, the sale of Síminn's second largest subsidiary, the information technology company Sensa, was also finalized.

At the same time as the group's reshuffle took place, the basic operations went smoothly, both at Síminn itself and at the group. The Group's profit increases between years and amounts to almost ISK 3 billion from the operations that were within the Group at the end of last year, including Míla but without Sensa. Considering the profit from the sale of Sensa, the

profit was over ISK 5.2 billion. Part of Sensa's sale proceeds were shares in Crayon, all of which have now been sold. Due to a positive development in Crayon's share price, the final profit from the sale of Sensa turned out to be ISK 2,180 million, or about ISK 120 million higher than expected when the transaction was completed. The Group's EBITDA has never been higher, or ISK 10.6 billion. Revenues increase significantly in mobile phones but slightly in data transmission and television.

The improvement in operations last year is due to lower costs, which in turn is largely explained by streamlining measures taken in 2020. Those measures reduced wage costs but outsourcing of key aspects of Síminn's information technology was fully implemented in 2021. This measure shifted costs between operating items and reduced spending. The main purpose of this change is to deliver an increased response rate in the long run and improved service capacity to customers. The pandemic continued to have a clear effect on reducing both income and expenses during the year. Síminn did not accept any public subsidies such as media subsidies, share compensation or other public contributions established after the epidemic.

After some preparation, agreements were reached on the sale of Míla last October. The buyer is the infrastructure fund company Ardian. The company has applied to Icelandic pension funds to be a co-owner of Míla with a minority share. The total value of Míla in the transaction is ISK 78 billion and Síminn's estimated capital gain is ISK 46 billion, considering the cost of the transaction. Thus, the sale is particularly advantageous and maximizes the value of this asset for Síminn. A wholesale agreement was made between Síminn and Míla with a 20-year duration, which takes effect upon delivery of the company. Through the companies' long-term agreement, Síminn secures access to the infrastructure necessary to continue to provide quality services to its customers. The change in Míla's ownership has almost no effect on the transactions between the companies, they will remain on the same basis as since the establishment of Míla in 2007, based on arm's length considerations. Síminn's operations will therefore not be affected beyond what is traditional when subsidiaries are sold. It is also clear that lease obligations are not formed in Síminn's balance sheet following the transaction.

Míla's balance sheet is classified in the consolidated financial statements 2021 as discontinued operations and assets held for sale. The same applies to Míla's operations. In other respects, there is no effect in the account on the sale of the company and the capital gain on the transaction is not stated in the account. The transaction is being processed by the Competition Authority, and on 10 February the Authority announced that it had received a merger notification which it considered to be satisfactory. The deadline for the agency to review the transaction has therefore begun and a decision should be available by the middle of the year.

The group was refinanced few months before the sale of Míla and about ISK 8 billion was paid to shareholders through a reduction of share capital. The parent company is now very moderately indebted and in fact financed with share capital to a much greater extent than is normal in the long run. The aim is to move Síminn's capital structure to a more efficient position after the sale of Míla has been completed. Until then, investments in the company's internal systems and processes will be accelerated and the purchase of own shares will continue. At the same time, there is increasing weight in the 5G structure on behalf of both companies, Síminn in the core system and Míla in the RAN system. At the end of the year, the 5G system covered most of the capital area, and a 5-year agreement was made with the Swedish technology company Ericsson to accelerate the nationwide development of this secure future system of ours.

Last year, Síminn also became the largest reseller of fiber-optic local loops in Iceland and was for the first time able to use all networks available in the country to offer its services to

customers. Míla has also increased its investments in the fiber-optic network, since the agreement on the sale of Míla was signed. The TV right for the English Premier League was renewed until the year 2025 and the collaboration with domestic and foreign content producers was extended. In this way, quality content in Síminn's television service has been ensured for the next few years.

This year will mark the new beginning of Síminn as an independent service company with less than 300 employees. The company is now based on a light balance sheet and flexible operations, with excellent suppliers and an ambitious range of services in telecommunications, television and fintech. Further opportunities for revenue growth are also being considered. "

2020 Results

Operation with Míla

Income statement	Q4 With Míla			12M With Míla		
	2021	2020	%	2021	2020	%
Net sales	6.700	6.703	0,0%	25.841	25.646	0,8%
Cost of sales	(3.567)	(3.474)	2,7%	(12.927)	(12.769)	1,2%
Operating expenses	(2.215)	(2.022)	9,5%	(8.222)	(8.806)	-6,6%
EBIT	918	1.207	-23,9%	4.692	4.071	15,3%
Net financial items	(279)	(144)	93,8%	(999)	(705)	41,7%
Income tax	(108)	(139)	-22,3%	(727)	(704)	3,3%
Net profit from continuing operation	531	924	-42,5%	2.966	2.662	11,4%
Discontinued operation	123	131		2.247	254	
Net profit	654	1.055	-38,0%	5.213	2.916	78,8%
EBITDA	2.532	2.713	-6,7%	10.603	9.956	6,5%
EPS	0,09	0,13		0,68	0,34	

Total sales for 2021 amounted to ISK 25,841 million, compared to ISK 25,646 million for 2020, up by 0,8%. Revenue from mobile amounted to ISK 5,593 million, up by ISK 272 m.kr. or 5.1% from last year. Revenue from fixed voice amounted to ISK 1,551 million, down by 9.5% from last year. Revenue from data (internet & network) amounted to ISK 8,844 million, up by ISK 7 million or 0.1% from last year. Revenue from TV services amounted to ISK 6,369 million, up by ISK 116 million or 1.9% from last year. Revenue from equipment sale amounted to ISK 2,143 million, down by ISK 16 million or 0.7% from last year. Other revenue amounted to ISK 1,341 million, down by ISK 21 million from last year. Revenues from Spotify and Síminn Pay, which were previously categorized as mobile revenue, have been reclassified and now belong to other revenue.

The cost of sales amounted to ISK 12,927 million and increases by ISK 158 million or 1.2%. Operating expenses amounted to ISK 8,222 million and decreases by ISK 584 million or 6.6%. The government fine in 2020 needs to be taken into consideration for comparison. Gross profit in 2021 amounted to ISK 12,424 million, up by ISK 88 million or 0.7% from last year.

EBITDA amounted to ISK 10,603 million in 2021, compared to ISK 9,956 million in 2020, up by ISK 647 million or 6,5%. The EBITDA ratio is 41.0% in 2021, compared to 38.8% in 2020.

Depreciation amounted to ISK 5,911 million in 2021, compared to ISK 5,885 million in 2020, up by ISK 26 million.

Net financial items amounted to ISK 999 million in 2021, up by ISK 294 million compared to 2020.

Profit for 2021 amounted to ISK 5,213 million, compared to ISK 2,916 million in 2020. Profit for the year 2021 without Sensa amounted to ISK 2,966 million.

Comparison of the Group's operations in 2021 with and without Míla

Income statement	12M With Míla			12M Without Míla			Effect on 2021
	2021	2020	%	2021	2020	%	
Net sales	25.841	25.646	0,8%	24.543	23.969	2,4%	(1.298)
Cost of sales	(12.927)	(12.769)	1,2%	(15.533)	(13.965)	11,2%	(2.606)
Operating expenses	(8.222)	(8.806)	-6,6%	(6.750)	(7.860)	-14,1%	1.472
EBIT	4.692	4.071	15,3%	2.260	2.144	5,4%	(2.432)
Net financial items	(999)	(705)	41,7%	(114)	(288)	-60,4%	885
Income tax	(727)	(704)	3,3%	(411)	(397)	3,5%	316
Net profit from continuing operation	2.966	2.662	11,4%	1.735	1.459	18,9%	(1.231)
Discontinued operation	2.247	254		3.478	1.457		1.231
Net profit	5.213	2.916	78,8%	5.213	2.916	78,8%	0
EBITDA	10.603	9.956	6,5%	5.502	6.006	-8,4%	(5.101)
EPS	0,68	0,34		-	-		

In the consolidated income statement, Míla has been classified as a discontinued operation. This will result in significant changes in the consolidated income statement.

The group's revenue decreases by ISK 1,298 million, mainly as Míla's revenue outside the group is no longer part of the group's revenue. On the other hand, revenues also increase due to Síminn's revenues from Míla, mainly due to the sale of electronic communications equipment amounting to over ISK 400 million which is due to the sale of mobile RAN equipment and MPLS systems to Míla, which will not be continued.

The group's expenses increase by ISK 1,134 million. Operating expenses decrease by ISK 1,472 million as Míla's operating expenses are no longer part of the group. Cost of sales, on the other hand, increases by ISK 2,606 million as Síminn's expenses from Míla for telecommunications and hosting that were previously within the group are now treated as external costs for the group.

The group's EBITDA decreases by Míla's EBITDA from ISK 10,603 million to ISK 5,502 million. Operating profit (EBIT) decreases by ISK 2,432 million.

The group's net financial expenses excluding Míla amounted to ISK 114 million, compared to ISK 999 million with Míla. Taxes excluding Míla are ISK 411 million, compared to ISK 727 million including Míla. Profit for the period from continuing operations is ISK 1,231 million. lower, or 1,735 m.kr.

Looking at changes in the group 's operation without Míla between the years 2020 and 2021, EBITDA decreases from ISK 6,006 million to ISK 5,502 million or about ISK 500 million (8.4%). It must be considered that with the sale of the mobile RAN and MPLS in the beginning of 2021 there was a transfer of approx. ISK 1,200 million EBITDA from Síminn to Míla. This shift also has the effect that the operating costs of the group without Míla decrease between years, while the cost of sales increases.

Cash flow

Operating activities amount to a total of ISK 5,501 million compared to ISK 6,004 million in 2020. The decrease corresponds to a decrease in the Group's EBITDA excluding Míla. Changes in operating assets and liabilities in 2021 are negative by ISK 1,099 million due to advance payment of part of the TV rights to the English Premier League and expenses paid related to the sale of Míla.

Cash generated by operations was ISK 4,402 million in 2021, compared to ISK 6,465 million in 2020. After interest and taxes, net cash from operating activities amounted to ISK 3,760 million. in 2021, compared to ISK 5,575 million in 2020.

Investment activities are positive by ISK 19,031 million in 2021, compared to an outflow in the amount of 2,161 m.kr. in 2020. The sale of Míla has a major impact on this item, as Míla was refinanced with an external loan in the run-up to the sale and repaid a loan from the parent company at the same time as the company's share capital was reduced. In addition, Míla acquired the RAN system and the IP / MPLS network from Síminn.

Financing activities also change significantly between years due to the refinancing of Míla and repayment of a loan from the parent company.

Cash flow	2021	2020
Operating profit	2.260	2.144
Depreciation and amortisation	3.242	3.862
Gain on sale of fixed assets	(1)	(2)
Total operating activities	5.501	6.004
Changes in current assets and liabilities	(1.099)	461
Cash generated by operation	4.402	6.465
Net interest expenses paid during the period	(77)	(263)
Payments of taxes during the period	(565)	(627)
Net cash from operating activities	3.760	5.575
Investing activities	19.031	(2.161)
Financing activities	(20.018)	(2.877)
Increase (decrease) in cash and cash equivalents	2.773	537
Translation effects on cash	1	(19)
Cash and cash equivalents at the beginning of the year	735	217
Cash and cash equivalents at the end of the period	3.509	735

Balance sheet

Total assets amounted to ISK 69,727 million at the end of 2021 but were ISK 65,206 million at the end of 2020.

The sale of Míla has a major impact on the Group's balance sheet. Fixed assets fall sharply as Míla assets are now classified for sale among current assets, which rise significantly in return. Cash and cash equivalents are ISK 3,509 million at the end of the year and has increased significantly during the year due to a change in the capital structure and the sale of the subsidiary Sensa.

Míla's liabilities are classified for sale, which affects the Group's liabilities and lease obligations. In parallel with the sale of Míla, Síminn and Míla were refinanced separately. Míla had previously been financed with a loan from the parent company, but now has independent financing from Íslandsbanki in the amount of ISK 20 billion. Síminn repaid the old loan and was refinanced with a loan from Arion Bank in the amount of ISK 6 billion.

Interest-bearing debt, including lease obligations, was ISK 8,294 million at the end of 2021, compared to ISK 21,518 million at the end of 2020. Net interest-bearing debt, including lease obligations, was ISK 4,785 million at the end of 2021 and decreased by ISK 15,998 million from the end of 2020. The ratio of net interest-bearing debt, including lease obligations over EBITDA LTM excluding Míla was 0.87.

Equity amounted to ISK 31,079 million at the end of 2021 and equity ratio was 44.6%.

Key events

- At the end of last year, Síminn and Míla signed a new five-year contract with Ericsson. The collaboration entails further development of Síminn's nationwide 4G network and accelerates Síminn's 5G expansion. The goal is to have a 90% 5G coverage by the first half of 2025. With 5G, the data speed of Síminn's customers will increase and new business opportunities will be created. In March, Síminn customers with 5G devices will have the option of a stronger connection, regardless of subscription options.
- At the beginning of this year, Síminn launched a new corporate package with an emphasis on network security. Corporate telecommunications and network security needs are solved with a powerful enterprise package at a fixed price where firewalls, monitoring, installation and consulting are very important together with important partners such as Cisco, Ericsson and Fortinet.
- In 2021, the number of fiber-optic-connected premises increased by 13,400 and a total of 108,400 connected premises were at the end of the year. The increase was greater in the countryside this year, or about 7,800 compared to 5,600 in the capital Area. The emphasis is now on the laying of fiber-optic cables in the countryside and this development will continue.

Assets	31.12.2021	31.12.2020
Property, plant and equipment.....	2.219	18.991
Right-of-use assets.....	753	5.378
Intangible assets.....	19.403	32.544
Other non-current assets.....	675	544
Non-current assets	23.050	57.457
Assets held for sale.....	36.929	1.906
Cash and cash equivalents.....	3.509	735
Other current assets.....	6.239	5.108
Current assets	46.677	7.749
Total assets	69.727	65.206

Equity and liabilities	31.12.2021	31.12.2020
Total equity.....	31.079	37.298
Total equity	31.079	37.298
Borrowings.....	5.943	14.289
Finance lease.....	653	5.066
Deferred tax liabilities.....	604	670
Non-current liabilities	7.200	20.025
Liabilities held for sale.....	25.826	776
Other Current liabilities.....	5.622	7.107
Current liabilities	31.448	7.883
Total equity and liabilities	69.727	65.206

- Before the end of the year, Míla completed installation of 31 5G sites in the country, but Síminn's frequency license set conditions for installation of 30 5G sites. The new 5G sites are located in the capital area, Þorlákshöfn, Egilsstaðir, Blönduós and Seyðishólar. Thus, the distribution requirement for Síminn's frequency license was met.
- At the end of the year, Míla and Farice signed an agreement that guarantees Míla enough international bandwidth for the next two years based on estimated needs. The agreement includes international connections over the FARICE cable to London, the DANICE cable to Amsterdam and connections over a new cable, IRIS to Dublin, which is expected to be operational before the end of 2022. In addition, Míla has international connection from Tele Greenland over Greenland Connect cable to New York. With this agreement, Míla continues to ensure the best possible security in international connections.
- Number of shareholders increased significantly during the year, from 873 at the beginning of the year, to 1,242 at the end of the year.

Sale of Míla to Ardian

- In October 2021, Síminn signed an agreement on the sale of all shares in the subsidiary Míla to Ardian for ISK 78 billion. Estimated capital gain is ISK 46 billion considering the cost of the transaction. A wholesale agreement with a 20-year duration is made between Síminn and Míla. Ardian has invited Icelandic pension funds to participate in the acquisition. The Competition Authority confirmed that a satisfactory merger notification had been received by the Authority on 10 February and then the statutory deadlines began to pass.
- Negotiations between the Icelandic government and representatives of Míla, Síminn and Ardian on ways to ensure that Míla's operations are in line with national security interests in new foreign ownership ended with the signing of an agreement on obligations that Míla undertakes for macroeconomically important electronic communications networks. This confirms that Míla's networks meet the state's requirements for national security, and it can therefore be said that Míla's systems are the most secure telecommunications systems in the country.
- The sale of Míla to Ardian has an insignificant effect on the general operations of Síminn. Síminn's and Míla business continue to build on the same foundation as it has been since the establishment of Míla. The companies' business has always been based on arm's length considerations and Míla has had full independence in its operations, as there are strong obligations from public bodies in this regard. Most of Míla's products are based on cost-analysed prices and there is full equality between parties in the market.
- A major change took place in Síminn's and Míla's business relationship when the sale of RAN's and MPLS's assets was completed at the beginning of 2021. The sale is not related to the sale of Míla to Ardian. The effects of these changes are fully reflected in last year's operating figures. The impact of that asset sale on Síminn's and Míla's operations was described in detail in the Q1 2021 investor presentation.
- In the consolidated financial statements for 2021, Míla's assets are classified as assets held for sale and Míla's operations are classified as discontinued operations.

- The sale has no effect beyond what is traditional due to the sale of subsidiaries. Nothing in the companies' transactions is classified as sale-leaseback. No capitalization of lease obligations arises due to IFRS 16.
- Obligations on Míla to operate an open network do not change with the sale to Ardian.
- Síminn's balance sheet changes significantly with the sale of Míla. The company's ability for external growth and / or dividends will be significant. While the sale is being discussed by the Competition Authority, it is not possible to shed clear light on the future operations and capital structure of the company. As soon as a conclusion is reached, the company's ideas regarding Síminn's future policy, and the disposal of the sale proceeds will be presented to its shareholders.

Guidance 2022

The guidance for 2022 assumes that EBITDA for the group will be in the range of ISK 5.3 – 5.6 billion. CAPEX is estimated to be in the range of ISK 4.3 – 4.6 billion.

Síminn's investments will increase considerably this year, which is a temporary increase. The increase is due to specific investment projects in Síminn's internal systems that are related to new revenue opportunities in the television market and digital development. The increase is also due to the renewal of the TV rights for the English Premier League until the year 2025, but this investment is front loaded with higher amount in the beginning of the period than in the end. Excluding these temporary increases, investments in traditional fixed assets and other TV content rights are ISK 2.3 to 2.6 billion.

Investor meeting 16 February 2022

An investor presentation will be held on Wednesday 16 February 2022 at 8:30 am at Síminn's headquarters in Ármúli 25, Reykjavík. During the meeting, Orri Hauksson CEO and Óskar Hauksson CFO will present the financial results. The meeting will be held in Icelandic. Documents for the meeting are available in Nasdaq's Iceland company news and on the company's investor relations website <https://www.siminn.is/umsimann/uppgjor>.

The meeting is webcasted on: <https://www.siminn.is/fjarfestakynning>.

Financial Calendar 2022

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| • Annual General Meeting 2022 | 10 March 2022 |
| • Interim report for the first quarter of 2022 | 26 April 2022 |
| • Interim report for the first half of 2022 | 23 August 2022 |
| • Interim report for the first nine months of 2022 | 25 October 2022 |
| • Announcement of the 2022 results | 21 February 2023 |
| • Annual General Meeting 2023 | 16 March 2023 |

Further information

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Note: This English version is a translation of the Icelandic text that accompanies the Q4 2021 results of Síminn hf.

Síminn hf.

Síminn owns and operates the companies Síminn, Míla, Síminn Pay and Radiómiðun. Síminn is Iceland's largest telco company and provides customers, both individuals and companies, with a comprehensive product offering in the field of telecommunications and entertainment.