



Condensed Consolidated Interim Financial Statements

1 January to 31 March 2022

**Síminn hf.
Ármúla 25
108 Reykjavík
Kt. 460207-0880**

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Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Síminn hf. and its subsidiaries (together referred to as "Síminn" or the "Company") for the period 1 January to 31 March 2022 are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU. The Financial Statements are neither audited or reviewed by the Company's auditors.

Net profit for the first three months of the year 2022 amounted to ISK 746 million, compared to profit of ISK 2.884 million for the same period in 2021, where profit from the sale and operation of Sensa ehf. amounted to ISK 2.140 million. Net profit from continued operations for the first three months of the year 2022 amounted to ISK 553 million, compared to profit of ISK 376 million for the same period in 2021. Total sales for the first three months of the year amounted to ISK 6.093 million according to the Income Statement, compared to ISK 6.018 million for the same period in 2021. Total assets as at 31 March 2022 amounted to ISK 70.432 million and total equity amounted to ISK 30.895 million according to the Statement of Financial Position. The Company's equity ratio was 43,9%.

On the 18th of October 2021 Síminn hf. entered a private negotiations with Ardian France SA on the sale of all its shares in Míla ehf. Those negotiations ended on October 23 with the signing of an agreement on the sale of all shares in the subsidiary Míla ehf. The sale is subject to traditional reservations regarding the approval of the Competition Authority. The Competition Authority announced on 14th of March that the sale would be further investigated. The deadline for the Competition Authority to complete an investigation is 90 working days from that date or 27th of July 2022.

The value of the transaction (e. Enterprise value) is ISK 78 billion, including the financial obligations of Míla ehf. which the buyer takes over. According to the purchase agreement, Síminn will receive ISK 44 billion in cash and ISK 15 billion in the form of a three-year bond on the closing date. The estimated capital gain is ISK 46 billion, considering the cost of the transaction. See further in Note 13.

The Annual General Meeting of Síminn approved on 10 March 2022 a share capital decrease to cancel own shares. The decrease amounted to ISK 240 million in nominal value, share capital decreased from ISK 7.540 million to ISK 7.300 million. The Annual General Meeting of Síminn also approved a share buyback program allowing buyback up to ISK 730 million in nominal value and a proposal to pay ISK 500 million in dividend to shareholders. The dividend was paid in April. Based on those approvals the Company has in total purchased own shares for market value ISK 3.225 million, nominal value ISK 277 million.

Statement by the Board of Directors and the CEO

According to the best of our knowledge the Condensed Consolidated Interim Financial Statements of Síminn hf. are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU. It is our opinion that these Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of Síminn hf. for the three months ended 31 March 2022, its assets, liabilities and consolidated financial position as at 31 March 2022 and its consolidated cash flows for the three month period ended 31 March 2022. Further, in our opinion the Condensed Consolidated Interim Financial Statements give a fair view of the development and performance of Síminn's operations and its position and describes the principal risks and uncertainties faced by Síminn hf.

Endorsement and Statement by the Board of Directors and the CEO

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Síminn hf. for the period 1 January to 31 March 2022 and confirm them by means of their signatures.

Reykjavík, 26 April 2022

Board of Directors

Jón Sigurðsson, Chairman

Sigrún Ragna Ólafsdóttir, vice chairman

Arnar Þór Másson

Bjarni Þorvarðarson

Björk Viðarsdóttir

CEO

Orri Hauksson

Consolidated Income Statement and other comprehensive income for the period 1 January to 31 March 2022

	Notes	2022 1.1.-31.3.	2021* 1.1.-31.3.
Net sales	5	5.957	5.903
Cost of sales	6	(3.762)	(3.783)
Gross profit		2.195	2.120
Other operating income		136	115
Operating expenses	7	(1.757)	(1.731)
Operating profit		574	504
Finance income		200	164
Finance cost		(113)	(150)
Net exchange rate differences		5	(45)
Net financial items	8	92	(31)
Profit before tax		666	473
Income tax		(113)	(97)
Profit for the period		553	376
Profit from discontinued operation, net of tax	13	193	2.508
Profit for the period		746	2.884
EBITDA		1.327	1.274
Earnings per share			
Basic earnings per share		0,08	0,34
Diluted earnings per share		0,08	0,34

*The comparative information is restated, see Note 13

The notes on pages 8 to 13 are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position as at 31 March 2022

	Notes	31.3.2022	31.12.2021
Assets			
Non-current assets			
Property, plant and equipment		2.123	2.219
Right-of-use assets		716	753
Intangible assets		19.055	19.403
Other financial assets	9	544	675
		<u>22.438</u>	<u>23.050</u>
Current assets			
Inventories	10	1.227	923
Accounts receivables	11	2.189	2.234
Other assets	12	3.587	3.082
Cash and cash equivalents		3.759	3.509
Assets held for sale	13	37.232	36.929
		<u>47.994</u>	<u>46.677</u>
		<u>70.432</u>	<u>69.727</u>
Equity			
Share capital		7.237	7.314
Reserves		2.425	3.278
Other statutory reserve		154	154
Other reserve		2.226	2.020
Retained earnings		18.853	18.313
		<u>30.895</u>	<u>31.079</u>
Liabilities			
Non-current liabilities			
Borrowings		5.946	5.943
Lease liabilities		617	653
Deferred tax liabilities	14	502	604
		<u>7.065</u>	<u>7.200</u>
Current liabilities			
Bank loans		1.500	1.518
Accounts payables		2.700	2.141
Current maturities of lease liabilities		182	180
Taxes to be paid		969	894
Other liabilities	15	1.185	889
Liabilities held for sale	13	25.936	25.826
		<u>32.472</u>	<u>31.448</u>
		<u>39.537</u>	<u>38.648</u>
		<u>70.432</u>	<u>69.727</u>

The notes on pages 8 to 13 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity 1 January to 31 March 2022

	Share capital	Reserves	Other statutory reserve	Translation- and other reserve	Retained earnings	Total equity
Total equity 1.1.2021	8.483	13.041	154	674	14.946	37.298
Net profit for the period					2.884	2.884
Translation difference on foreign operation				1		1
Buyback of ordinary shares	(84)	(665)				(749)
Other changes				385	(385)	0
Total equity 31.3.2021	8.399	12.376	154	1.060	17.445	39.434
Total equity 1.1.2022	7.314	3.278	154	2.020	18.313	31.079
Net Profit for the period					746	746
Buyback of ordinary shares	(77)	(853)				(930)
Other changes				206	(206)	0
Total equity 31.3.2022	7.237	2.425	154	2.226	18.853	30.895

The notes on pages 8 to 13 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flow 1 January to 31 March 2022

	Notes	2022 1.1.-31.3.	2021* 1.1.-31.3.
Cash flow from operating activities			
Operating profit		574	504
Operational items not affecting cash flow:			
Depreciation		753	770
Gain on sale of fixed assets		(4)	(1)
		<u>1.323</u>	<u>1.273</u>
Changes in current assets and liabilities:			
Changes in inventories		(306)	(120)
Changes in operating assets		(258)	822
Changes in operating Liabilities		<u>877</u>	<u>532</u>
Changes in current assets and liabilities		313	1.234
		<u>1.636</u>	<u>2.507</u>
Cash generated by operation			
Interest income received		88	109
Interest expenses paid		(113)	(224)
Payments of taxes		(139)	(220)
Net cash from operating activities		<u>1.472</u>	<u>2.172</u>
Investing activities			
Investment in property, plant and equipment		(106)	(280)
Investment in intangible assets		(153)	(405)
Proceeds from sale of property, plant and equipment		4	7.692
Changes in other investment		(119)	(95)
Investment in subsidiaries	13	0	(7.889)
Sale of subsidiaries		0	(505)
Changes in other investment		<u>152</u>	<u>0</u>
Investment activities		(222)	(1.482)
Financing activities			
Buyback of ordinary shares		(930)	(749)
New borrowings		0	6.000
Payments of non-current liabilities		0	(15.429)
Payment of long term lease		(46)	(43)
Bank loans, increase		(18)	9.500
Financing activities		(994)	(721)
Increase (decrease) in cash and cash equivalents		256	(31)
Effect of exchange rate fluctuations on cash held		(6)	(7)
Cash and cash equivalents at the beginning of the period		3.509	735
Cash and cash equivalents at the end of the period		<u>3.759</u>	<u>697</u>
Financing activities without cash flow effect:			
Sale of Sensa ehf.		0	3.726
Sale of Sensa ehf., receivable on buyer		0	(3.726)

*The comparative information is restated, see Note 13

The notes on pages 8 to 13 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. Reporting entity

Síminn hf. (the "Company") is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Ármúli 25, Reykjavík. The condensed consolidated financial statements for the three months ended 31 March 2022 comprise the Company and its subsidiaries (together referred to as "Síminn" or the "Company") and Síminn's interest in associated companies. The Company is listed on Nasdaq OMX Iceland.

2. Basis of accounting

Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Company's last annual consolidated financial statements as at and for the year ended 31 December 2021. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The Company's last annual consolidated financial statements is available on the company's website, www.siminn.is, and in the company news release distribution network of Nasdaq Nordic: www.nasdaqomxnordic.com.

These consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on 26 April 2022.

Basis of measurement

These interim financial statements have been prepared on the historical cost basis.

Presentation and functional currency

These interim financial statements are 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.

Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

3. Changes in accounting policies

The accounting policies applied in the consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

4. Operating segments

An overview of operating segments is set forward in same manner as regular reporting to the Board of Directors.

The Company operates within six segments that sell services and equipment in different markets. The operating segments are as follows:

Operating segment:	Description:
Mobile:	Revenue from mobile services in Iceland and abroad, whether traditional GSM service, satellite service, wholesale mobile service or other mobile service.
Fixed voice:	Revenue from fixed voice service, fees and traffic.
Internet & network:	Revenue from data service, incl. xDSL service, GPON, Internet, IP net, local loop and access network.
TV:	Revenues from TV broadcast (fees, traffic and advertisement), TV distribution and Síminn TV.
Equipment sales:	Revenue from sale of telco equipment.
Other revenue:	Revenue from i.e. sold telco service, IT and finance.

Operating segments 1.1.-31.3. 2022

	Mobile	Fixed voice	Internet & network	TV	Equipment sales	Other revenues	Total
Revenue	1.413	378	1.858	1.673	449	322	6.093
Expenses							(4.766)
EBITDA							1.327
Depreciation							(753)
Net finance cost							92
Taxes							(113)
Profit for the period							553
Profit from discontinued operation, net of tax							193
Net earnings for the period							746
Capital additions							(255)
Assets							70.432
Liabilities							39.537

Operating segments 1.1.-31.3. 2021

	Mobile	Fixed voice	Internet & network	TV	Equipment sales	Other revenues	Total
Revenue	1.300	406	1.859	1.625	518	310	6.018
Expenses							(4.744)
EBITDA							1.274
Depreciation							(770)
Net finance cost							(31)
Taxes							(97)
Profit for the period							376
Profit from discontinued operation, net of tax							2.508
Net earnings for the period							2.884
Capital additions							7.007
Assets							65.968
Liabilities							26.534

Notes to the Consolidated Financial Statements

5. Net sales

Sales of service and goods is specified as follows:

	2022	2021
	1.1.-31.3.	1.1.-31.3.
Sales of service	5.392	5.318
Sales of goods	565	585
	<u>5.957</u>	<u>5.903</u>

No customer comprises more than 10% of net sales.

6. Cost of sales

Cost of sales is specified as follows:

Salaries and related expenses	212	197
Cost of service sold	2.317	2.337
Interconnecting fees	168	162
Cost of goods sold	536	539
Capitalised work	(48)	(56)
Depreciation cost of sold services	577	604
	<u>3.762</u>	<u>3.783</u>

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

7. Operating expenses

Operating expenses is specified as follows:

Salaries and related expenses	860	827
Sales and marketing expenses	130	120
Housing and transportation expenses	133	143
IT-Expenses	273	260
General and administrative expenses	186	215
Depreciation operating expenses	175	166
	<u>1.757</u>	<u>1.731</u>

8. Financial income and expense

Financial income and finance costs are specified as follow:

Finance income

Interest income	85	162
Other financial income	113	0
Dividend received	2	2
	<u>200</u>	<u>164</u>

Finance expense

Interest on borrowings	(71)	(91)
Loan write-downs	(15)	(12)
Interest expense from lease liability	(10)	(12)
Other finance expenses	(17)	(35)
	<u>(113)</u>	<u>(150)</u>

Net exchange rate differences	5	(45)
Net financial items	<u>92</u>	<u>(31)</u>

Notes to the Consolidated Financial Statements

9. Other financial assets

31.3.2022 31.12.2021

Other financial assets are specified as follows:

Investment in other companies	8	47
TV programs	238	237
Non-current receivables	298	391
Other financial assets total	<u>544</u>	<u>675</u>

10. Inventories

Inventories are specified as follows:

Finished goods	545	369
TV programs	<u>682</u>	<u>554</u>
Inventory total	<u>1.227</u>	<u>923</u>

11. Accounts Receivables

Accounts receivables are specified as follows:

Accounts receivables	2.301	2.341
Allowances for doubtful accounts	<u>(112)</u>	<u>(107)</u>
Accounts receivables total	<u>2.189</u>	<u>2.234</u>

12. Other assets

Other assets are specified as follows:

Prepayments and accrued income	2.503	2.210
Other current assets	<u>1.084</u>	<u>872</u>
Other assets total	<u>3.587</u>	<u>3.082</u>

13. Planned sale of subsidiary

On the 18th of October 2021 Síminn hf. entered a private negotiations with Ardian France SA on the sale of all its shares in Míla ehf. Those negotiations ended on October 23 with the signing of an agreement on the sale of all shares in the subsidiary Míla ehf. The sale is subject to traditional reservations regarding the approval of the Competition Authority.

The value of the transaction (e. enterprise value) is ISK 78 billion, including the financial obligations of Míla ehf. which the buyer takes over. According to the purchase agreement, Síminn will receive ISK 44 billion in cash and ISK 15 billion in the form of a three-year bond on the closing date. The estimated capital gain is ISK 46 billion, considering the cost of the transaction. A long-term wholesale agreement was made for Síminn's purchase of Míla's services.

Míla ehf. is a wholesale company in the electronic communications market and Míla ehf. core business is to build and operate the electronic communications infrastructure nationwide. Míla's role is to sell its wholesale solutions to companies and institutions engaged in electronic communications activities. The company's specialization includes operations and consulting for the development of electronic communications systems and the rental of facilities and masts. Míla ehf. systems are the basis for a wide range of electronic communications services throughout the country.

An agreement was made in 2021 for the sale of Síminn's radio access network (RAN) and IP network to Míla ehf. The purchase price of the assets amounted to ISK 7.690 million

Notes to the Consolidated Financial Statements

13. Planned sale of subsidiary, contd.:

Due to the sale, the assets and liabilities of Míla ehf. are classified as assets and liabilities for sale in the financial statements 31.3.2022.

The operation of Míla ehf. is now specified in one line in the income statement as discontinued operations. Comparative figures for 2021 have been adjusted accordingly.

	2022	2021
	1.1.-31.3.	1.1.-31.3.
Results of Míla's operation in the period:		
Revenue	395	442
Elimination of inter-segment revenue	(122)	(52)
External revenue	<u>273</u>	<u>390</u>
Expenses	(1.763)	(1.532)
Elimination of expenses related to inter-segment sales	<u>1.733</u>	<u>1.604</u>
External expenses	<u>(30)</u>	<u>72</u>
Results from operating activities	243	462
Income tax	(50)	(94)
Profit from discontinued operations, Míla ehf.	<u>193</u>	<u>368</u>
Profit from discontinued operations, Sensa ehf.	0	2.140
Profit from discontinued operations, total	193	2.508
At period end, the assets and liabilities of Míla ehf. are as follows:	31.3.2022	31.12.2021
Goodwill	10.927	10.927
Intangible assets	1.790	1.819
Operating assets	21.357	21.336
Non-current receivables	79	85
Inventories	539	513
Accounts receivables	1.858	1.345
Cash and cash equivalents	<u>682</u>	<u>904</u>
Assets held for sale	<u>37.232</u>	<u>36.929</u>
Borrowings	23.459	23.609
Current liabilities	<u>2.477</u>	<u>2.217</u>
Liabilities held for sale	<u>25.936</u>	<u>25.826</u>

14. Deferred tax

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

	31.3.2022	31.12.2021
Deferred tax at the beginning of the year.....	604	670
Changes due to sale.....	0	417
Income tax posted to the income statement.....	109	421
Taxes to be paid.....	(211)	(879)
Prior year correction.....	0	(25)
Deferred tax liability at the end of the period.....	<u>502</u>	<u>604</u>

Notes to the Consolidated Financial Statements

15. Other liabilities

Other liabilities are specified as follows:	31.3.2022	31.12.2021
Accrued expenses	511	458
Salaries and related expenses	305	152
VAT	349	266
Other	20	13
Other liabilities total	<u>1.185</u>	<u>889</u>

16. Legal proceedings

The Company is currently involved in several legal disputes that relate i.a. to Competition and Media Act.

Síminn and Sýn hf. have been in a dispute regarding distribution of media content. The Competition Authority and Post- and Telecommunication Authority (now Electronic Communication Office) ruled that Síminn breached against media act no. 10/2018 and fined Síminn. The fine, 9 million ISK has already been paid. The Company believes that its actions are fully compliant with the relevant Acts and appealed the decision to the District Court of Reykjavík. The Reykjavík District Court ruled on the matter and partially annulled the decision and lowered the fine to 7 million ISK. After the initial decisions of the PTA Sýn hf. filed a claim against Síminn for compensation of 1.9 billion ISK. Síminn rejected the claim and pointed out that in Sýn hf. claim there are no arguments for compensation, nor an attempt to prove the alleged loss. Síminn believes there is no base for the claim from Sýn hf. and the District Court dismissed the case due the failure to state the reasoning for the case. Sýn hf. later filed a motion to appoint two Court appointed assessors and has filed a case against Síminn before the District Court and claimed damages of 125 million ISK. Síminn has rejected this claim and has filed its written. Gagnaveita Reykjavíkur filed a claim against Síminn of 1.3 billion ISK. Síminn has rejected the claim and has pointed out that in the claim there are no arguments to conclude that conditions for liability damages existed. Síminn believes there is no base for the claim. PTA and Sýn have sued Síminn before the District Court of Reykjavík in order to have the ruling of the Committee for Electronic Communications and Postal Affairs, annulment, whereby the Committee annulled the PTA decision no 27/2019 where the PTA imposed a fine of 9 million ISK on Síminn. Síminn will demand that the ruling of the Committee shall be confirmed. Despite the uncertain nature of the outcome of these cases, it is the management opinion that the cases will not result in substantial financial cost. In those cases where the Company might be forced to pay damages, the cost is estimated by the management and recognised in the financial statement.

IHM has sued Síminn for 337 million ISK plus interest for unpaid expenses from 2009. Síminn has rejected this claim and filed its written arguments.

The Competition Authority reached a decision that Síminn had infringed Competition Authority Decision no. 6/2015 and 20/2015 and fined Síminn for 500 million ISK, which the Company paid. Síminn appealed the decision to the Competition Appeal committee in order to have the CA decision annulled. The CAC annulled that part of the CA decision that related to alleged infringement of Decision no 6/2015 and lowered the fine down to 200 million ISK. The Company is of the opinion that the arrangements for the sale of the Company's services are fully in accordance with the Competition Act and the decisions that the Company has made on the basis of the Competition Act. Síminn has filed a lawsuit before the Reykjavík District Court with a claim for annulment of the part of the ruling of the Competition Appeals Committee which concerned an alleged infringement of the Competition Authority's decision no. 20/2015. The Competition Authority has also filed a lawsuit before the Reykjavík District Court, demanding that the part of ruling of the Competition Appeals Committee in the case will be repealed, whereby Committee decided to annul part of the Competition Authority's decision no. 25/2020 and reduced the fines originally imposed.

17. Subsequent event

There are no subsequent events to report.

Quarterly Statements

Summary of the Company's operating results by quarters:

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Net sales	5.903	5.823	6.004	6.300	5.957
Cost of sales	(3.783)	(3.692)	(3.766)	(4.292)	(3.762)
Gross profit	<u>2.120</u>	<u>2.131</u>	<u>2.238</u>	<u>2.008</u>	<u>2.195</u>
Other operating income	115	114	120	164	136
Operating expenses	(1.731)	(1.702)	(1.518)	(1.799)	(1.757)
Operating profit	<u>504</u>	<u>543</u>	<u>840</u>	<u>373</u>	<u>574</u>
Net financial items	(31)	(99)	56	(40)	92
Profit from discontinued operation, net of tax	<u>2.508</u>	<u>276</u>	<u>323</u>	<u>371</u>	<u>193</u>
Profit before tax	<u>2.981</u>	<u>720</u>	<u>1.219</u>	<u>704</u>	<u>859</u>
Income tax	(97)	(102)	(162)	(50)	(113)
Profit for the period	<u>2.884</u>	<u>618</u>	<u>1.057</u>	<u>654</u>	<u>746</u>
EBITDA	1.274	1.318	1.627	1.283	1.327