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Míla Holding hf.

Consolidated
Financial Statements
2025

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Endorsement and statement by the board of directors and the CEO

About Míla Holding

Míla Holding hf. (hereinafter “Míla Holding or the “Company”) is the parent company of Míla hf. (together referred to as the “Group”). The core business of the Group is to build and operate telecommunications networks in Iceland, as well as provide telecommunications and related services. The mission of Míla is to ensure secure telecommunications throughout Iceland, with the best available quality at all times.

Financial performance

According to the consolidated income statement, total revenues for the year 2025 amounted to 9.952 m.kr. (2024: 9.580 m.kr.). Cost of sales and operating expenses amounted to 9.402 m.kr. (2024: 9.068 m.kr.) and net finance costs amounted to 8.442 m.kr. (2024: 8.574 m.kr.). Total loss for the year amounted to 6.314 m.kr. (2024: 6.449 m.kr.).

According to the consolidated statement of financial position for 31 December 2025, total assets amounted to 88.702 m.kr. (2024: 86.216 m.kr.). Total liabilities amounted to 96.895 m.kr. (2024: 88.095 m.kr.), thereof long-term borrowings amounted to 85.590 m.kr. (2024: 77.174 m.kr.). Included in long-term borrowings are subordinated shareholder loans amounting to 57.554 m.kr. (2024: 51.891 m.kr.) from Sunstone III ehf. The shareholder loans are payable in one installment at the end of their loan period first repayment to take place in 2031, after the maturity date of other interest-bearing loans and borrowings. Accrued interest of the shareholder loans at 31 December 2025 amounted to 5.663 m.kr. (2024: 5.753 m.kr.) and was added to the principal at year end.

The Group’s secured bank loans are subject to various financial covenants; the shareholder loans and accrued interests are classified as equity when calculating the financial covenants and represent an equity ratio of 55,6% at the end of the year. The shareholder loans are not classified as equity in the consolidated statement of financial position and therefore the equity in the consolidated statement of financial position at 31. December 2025 was negative by 8.193 m.kr. (2024: 1.879 m.kr.). and the equity ratio was -9,2% (2024: -2,2%). The Group complied with the financial covenants on all testing dates in 2025 and expects to comply with the covenants within 12 months of the reporting date, see further information in note 2 on going concern and note 18 on borrowings.

Cash generated from operating activities for the year 2025 amounted to 5.704 m.kr. (2024: 4.898 m.kr.). Net interest paid was 2.448 m.kr. in 2025 (2024: 2.460 m.kr.). Net cash used in investing activities amounted to 4.427 m.kr. (2024: 4.414 m.kr.). Net cash flow from financing activities was 2.021 m.kr. in 2025 (2024: 2.493 m.kr.). Cash and cash equivalents amounted to 2.401 m.kr. at the end of the year (2024: 1.551 m.kr.).

Operational performance

In 2025, Míla’s primary focus was on investments that enhance the customer journey and strengthen telecommunications infrastructure across Iceland.

Fibre rollout continued across the country, including rural areas and new neighborhoods in the capital region. In September 2025, Míla acquired the fibre optic network of Eygló in Vestmannaeyjar. By year-end, around 150,000 households and businesses had the option to connect to Míla’s fibre network, and 94% of the network could support speeds up to ten times faster than before.

Míla completed the deployment of a new high-capacity fiber optic backbone based on DWDM technology. This infrastructure will support future traffic growth and ensure a high-quality customer experience across Iceland in the coming decades. With this technology, Míla can carry significantly more data across the country, improving the resilience and strength of Iceland’s digital infrastructure for the future.

As in previous years, Míla continued investing in improving the reliability and resilience of its services. These investments included the deployment of a modern IP/MPLS-based network and the construction of new fibre routes to increase redundancy and reduce the impact of localized outages.

In 2025, Míla’s mobile radio access network (RAN) expanded with the addition of 21 new mobile sites, bringing the total to 707 sites. The number of 5G sites increased by 53 to 239 by year-end, and the 2G network was fully closed during the year.

Míla significantly increased investments in IT services and infrastructure during the year, with a strong focus on improving the customer journey and expanding automation. These investments aim to deliver faster and more reliable services while simplifying interactions for customers and partners. As part of this transformation, the implementation of a new asset management system for fibre infrastructure and network equipment commenced in 2026.

Alongside its IT investments, Míla strengthened customer service and the overall customer experience, focusing on improved responsiveness and faster service delivery. During the year, Míla launched a redesigned customer portal, replacing legacy APIs and platforms with a modern, integrated solution for customers and partners. Service level agreements (SLAs) were enhanced, and investments in business analytics and business intelligence improved data-driven decision-making, enabling faster response times and more proactive service management.

Endorsement and statement by the board of directors and the CEO

Operational performance continued

Míla employed an average of 148 full time employees (FTE) in 2025 (2024: 148). The workforce constituted of 15% women and 85% men, unchanged between years. More information on Míla's long-term targets on diversity can be found in the non-financial information in the appendix.

Information on matters related to financial and operational risk management is disclosed in note 24.

Subsequent events

On 18 March 2026, Míla and the Icelandic Competition Authority (ICA) concluded a revised settlement agreement (the "Settlement") following an investigation initiated in 2024. Under the Settlement, Míla has agreed to pay an administrative fine of ISK 200 million. The Settlement narrows the case, relating to alleged breaches of the 2022 settlement, to a specific issue concerning certain communications with Síminn during a defined period. Míla acknowledges that the frequency and scope of these communications were capable of influencing Síminn's purchasing incentives beyond contractual obligations. Other aspects of the investigation were not pursued further, and no additional proceedings will be taken by the ICA in respect of the matter. The Settlement also reflects changes in market conditions since 2022, including increased competition, resulting in the easing or removal of certain prior commitments and providing greater operational flexibility. Management does not expect the outcome to have a material impact on the Group's future operations. Further details can be found in note 26.

Share capital and Articles of Association

The total issued share capital at year end amounts to ISK 132.101.375. The share capital is divided into an equal number of shares with a nominal value of one ISK each. The company holds no own shares. The number of shareholders at year end 2025 was 2. Sunstone III ehf. is the parent company of Míla Holding and owns 132.101.374 shares and Sunstone II owns 1 share. The largest shareholders of Sunstone III are Sunstone II and KFM Eignarhaldsfélag slhf. ("KFM"), KFM controls 10% share for Icelandic pension funds. KFM is managed by Summa Management Company, which represents the interests of pension funds at shareholders' meetings of Míla hf. and Míla Holding hf. The ultimate parent company of Míla Holding is Ardian Infrastructure Fund V B SCS SICAV RAIF.

The Company's board of directors comprises seven members, three women and four men. The gender ratio is thus in accordance with Icelandic laws requiring companies with over 50 employees to ensure that the board has representation from both genders and that each gender comprises at least 40% of the board members when board members surpass three. The board members are elected at the Annual General Meeting, each for a term of one year.

The Board of Directors of Míla holds the supreme authority in the affairs of the Company between shareholders' meetings and is ultimately responsible for ensuring that the Company's business activities comply with law, the Articles of Association of the Company and other rules that apply to its activities. The Board shall also ensure adequate supervision of the Company's accounts and use of its assets.

Proposal for the annual general meeting

The board of directors of the Company will propose, at the annual general meeting of the Company, that no dividends should be paid to shareholders in 2026 in respect of the operating year of 2025, and refers to the annual financial statements regarding other changes in equity.

Corporate governance

The board of directors of the Company observes Icelandic recommendations on corporate governance, the Company's Articles of Association, the board's rules of procedure, the Company's Code of Ethics and applicable laws and regulations in force at any time.

The Company's corporate governance is based on the Guidelines on Corporate Governance published by the Iceland Chamber of Commerce. The board of directors has prepared a corporate governance statement in compliance with the Icelandic Corporate Governance guidelines which are described in full in the corporate governance statement that form an unaudited appendix to the consolidated financial statements. It is the opinion of the board of directors that Míla Holding hf. complies with the Icelandic guidelines for Corporate Governance.

Non-financial reporting

According to the Icelandic Financial Statements Act, as a public-interest entity the Group has compiled an overview of non financial information. This includes key areas of sustainability in accordance with the VSME reporting standard (Voluntary Sustainability Reporting Standard for non small and medium sized companies). The Group has in recent years published a sustainability report which can be accessed on the Group's website. The Company's policies, material issues, goals and progress in key focus areas are further discussed in the Non-financial reporting that forms an unaudited appendix to the consolidated financial statements.

Endorsement and statement by the board of directors and the CEO

Statement by the board of directors and CEO

The annual consolidated financial statements of Míla Holding have been prepared on a going concern basis in accordance with IFRS Accounting Standards as adopted by the European Union and additional requirements in the Act on Annual Accounts, no. 3/2006.

According to our best knowledge it is our opinion that the consolidated financial statements give a true and fair view of the consolidated financial performance of the Group for the year 2025, its assets, liabilities, financial position as at 31 December 2025 and its consolidated cash flows for the year 2025.

Further, in our opinion, the consolidated financial statements and the endorsement of the board of directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group

The board of directors and the CEO have today discussed the consolidated financial statements of Míla Holding hf. for the year 2025 and confirm them by means of their signatures. The board of directors and the CEO recommend that the consolidated financial statements will be approved at the annual general meeting of Míla Holding hf.

Reykjavík, 8 April 2026

On the Board of Directors of the Company:

Marinó Örn Tryggvason, Chairman of the Board

Birna Einarsdóttir

Birna Ósk Einarsdóttir

Leonard Rasche

Pauline Thomson

Oscar Cicchetti

Þórarinn V. Þórarinsson

Chief Executive Officer:

Erik Figueras Torras

The electronic signatures of the Board of Directors and CEO of the Company are included on the title page of the annual financial statement.

Independent Auditor's Report

To the board of directors and the shareholders of Míla Holding hf.

Opinion

We have audited the accompanying consolidated financial statements of Míla Holding hf. and its subsidiaries (the group) for the year 2025, excluding the endorsement and statement by the board of directors and the CEO.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at December 31, 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS accounting standards as adopted by the European Union (EU), and applicable articles in Icelandic law on annual accounts.

Our opinion is consistent with our additional report to the Audit Committee and the board of directors.

The consolidated financial statements comprise

- The endorsement and statement by the board of directors and the CEO.
- The consolidated income statement and other comprehensive income for the year 2025.
- The consolidated statement of financial position as at 31.12.2025.
- The consolidated statement of changes in equity for the year 2025.
- The consolidated statement of cash flow for the year 2025.
- Notes to the consolidated financial statements, which include material accounting policies and other explanatory information.

Endorsement and statement by the board of directors and the CEO and unaudited appendices are excluded from the audit, refer to section reporting on other information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Independence

We are independent of the group in accordance with Icelandic laws on auditors and auditing and the code of ethics that apply to auditors in Iceland and relate to our audit of the group's consolidated financial statements. We have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the group and its subsidiaries are in accordance with the applicable law and regulations in Iceland and that we have not provided non-audit services that are prohibited under Article 5.1. of Regulation (EU) No. 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to endorsement and statement by the board of director and CEO and note 2d of the consolidated financial statements, which describes the going concern assumption by the group. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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

Audit procedures

Impairment of goodwill and business relations

At year end 2025 goodwill amounts to ISK 27,5 billion and business relations amount to ISK 18,1 billion or total of 51% of total assets.

In our audit of the valuation of goodwill and business

relations, we and our valuation experts have examined the company's management impairment test. Our audit procedures included:

The value of the goodwill and business relations relies on key assumptions applied by the management on estimated future cash flow of Mila as a single cash generating unit, and other assumptions applied in the discounting rate used in the valuation of the estimated cash flow.

- Understanding management's process for assessing the goodwill and business relations for potential impairment.

- Evaluation of the reasonability of the model used by management to calculate the value in use of the cash generation unit and if it complies with the requirements of IAS 36 Impairment of assets.

Due to the relative sensitivity of certain inputs to the impairment testing process, and in particular the future cash flows of Mila and the determination of the discount rate, the valuation of goodwill and business relations is considered to be a key audit matter.

- We assessed and tested the assumptions, methodologies, the weighted average cost of capital and other data used, for example by comparing them to external and historical data and by analyzing sensitivities in Mila's valuation model.

No impairment loss has been recognized for intangible assets. The business relations are amortized over 15 years. Further information about goodwill and business relations can be found in notes 13, 27a, 27b, 27g in the Notes to Financial Statement.

- Performing sensitivity analysis based on activity and our understanding of the future prospects to identify whether these scenarios could give rise to an impairment.

- Evaluation of the presentation and disclosure of impairment testing, ensuring compliance with applicable accounting standards.

Reporting on other information, including the endorsement and statement by the board of directors and the CEO

The board of directors and chief executive officer (CEO) are responsible for other information. The other information comprises of endorsement and statement by the board of directors and the CEO and unaudited appendices including corporate governance statement and non-financial reporting, which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information, including endorsement and statement by the board of directors and the CEO.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

With respect to endorsement and statement by the board of directors and the CEO we have, in accordance with article 104, of the Icelandic law on annual accounts reviewed that to the best of our knowledge, the report of endorsement and statement by the board of directors and the CEO accompanying the consolidated financial statements includes applicable information in accordance with Icelandic law on annual accounts if not presented elsewhere in the consolidated financial statements.

Responsibilities of the board of directors and the chief executive officer

The board of directors and the chief executive officer are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS accounting standards as adopted by the European Union (EU), and applicable articles in Icelandic law on annual accounts, and for such internal control as determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the groups' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so. The Group's management must provide appropriate explanations regarding its ability to continue as going concern, if applicable, and why management applies the presumption of going concern in the preparation and presentation of the consolidated financial statements

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing 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 consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated 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 group'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 group'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 consolidated 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 group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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

Appointment

We were first appointed as auditors at the company's annual general meeting on 15 June 2023. Our appointment has been renewed annually at the company's annual general meeting representing a total period of uninterrupted engagement appointment of 3 years.

Reykjavík, 8 April 2026

PricewaterhouseCoopers ehf.

Valgerður Kristjánsdóttir

State Authorized public accountant

The electronic signature is included on the title page of the financial statement.

Consolidated income statement and other comprehensive income

For the year ended 31 December 2025

	Note.	2025	2024
Revenue	5	9.952	9.580
Cost of sales	6	(6.240)	(6.039)
Gross profit		3.712	3.542
Operating expenses	7	(3.162)	(3.029)
Operating profit		550	513
Finance income		111	99
Finance costs		(8.546)	(8.674)
Net exchange differences		(7)	0
Net finance costs	10	(8.442)	(8.574)
Loss before tax		(7.892)	(8.062)
Income tax	11	1.578	1.612
Loss for the year and other comprehensive loss		(6.314)	(6.449)

The notes on pages 14 to 29 are an integral part of these Consolidated financial statements.

Consolidated statement of financial position

	Note ..	31.12.2025	31.12.2024
Assets			
Non-current assets			
Operating assets	12	30.771	29.577
Goodwill	13	27.534	27.534
Other intangible assets	13	18.511	19.451
Right-of-use assets	14	5.171	5.117
		81.988	81.680
Current assets			
Inventories		322	424
Accounts receivables	15	1.626	1.563
Receivables with related parties	25	2.184	853
Other receivables		181	146
Cash and cash equivalents	16	2.401	1.551
		6.714	4.536
		88.702	86.216
Equity			
Share capital	17	132	132
Share premium		12.682	12.682
Accumulated deficit		(21.007)	(14.693)
		(8.193)	(1.879)
Liabilities			
Non-current liabilities			
Shareholder loans	18	57.554	51.891
Borrowings	18	28.036	25.283
Lease liabilities	19	5.140	5.016
Deferred tax liabilities	20	3.615	3.862
		94.345	86.052
Current liabilities			
Accounts payables	21	954	462
Current maturities of borrowings	18	322	261
Current maturities of lease liabilities	19	436	443
Other current liabilities	22	837	877
		2.550	2.043
		96.895	88.095
		88.702	86.216

The notes on pages 14 to 29 are an integral part of these Consolidated financial statements.

Consolidated statement of changes in equity For the year ended 31 December 2025

	Share capital	Share premium	Accumulated deficit	Total equity
1.1.-31.12.2024				
Balance at 1.1.2024	132	12.682	(8.244)	4.570
Net loss for the year and other comprehensive loss			(6.449)	(6.449)
Total equity 31.12.2024	132	12.682	(14.693)	(1.879)
1.1.-31.12.2025				
Balance at 1.1.2025	132	12.682	(14.693)	(1.879)
Net loss for the year and other comprehensive loss			(6.314)	(6.314)
Total equity 31.12.2025	132	12.682	(21.007)	(8.193)

The notes on pages 14 to 29 are an integral part of these Consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2025

	Note	2025	2024
Cash flows from operating activities			
Loss for the year		(6.314)	(6.449)
Adjustments for:			
Depreciation	12	4.710	4.622
Gain on sale of operating assets		(6)	(132)
Other items not affecting cash flows		(7)	2
Net finance cost	10	8.442	8.574
Income tax	11	(1.578)	(1.612)
		5.247	5.005
Changes in:			
Inventories		101	134
Account receivables and other short term receivables		(101)	(69)
Account payables and other short term payables		457	(172)
		5.704	4.898
Interest received		120	111
Interest paid		(2.568)	(2.571)
		3.257	2.438
Cash flows from investing activities			
Acquisition of operating assets	12	(4.237)	(4.427)
Acquisition of intangible assets	13	(214)	(145)
Proceeds from sale of operating assets	12	14	134
Proceeds from non-current financial assets		10	23
		(4.427)	(4.414)
Cash flows from financing activities:			
Proceeds from subordinated shareholder loan	18	0	200
Proceeds from borrowings	18	2.750	2.800
Repayment of borrowings	18	(277)	(83)
Payment of lease liabilities	19	(452)	(424)
		2.021	2.493
Net increase in cash and cash equivalents		851	516
Cash and cash equivalents at 1 January		1.551	1.035
Effect of movements in exchange rates on cash held		(1)	(1)
Cash and cash equivalents at 31 December	16	2.401	1.551

The notes on pages 14 to 29 are an integral part of these Consolidated financial statements.

Notes to the consolidated financial statements

1. The Company

Míla Holding hf. (the "Company" or "Míla Holding") is a public limited liability company incorporated and domiciled in Iceland. The address of the Company's registered office is at Stórhöfði 22-30, 110 Reykjavík. The consolidated financial statements of the Company at 31.12.2025 comprise the Company and its subsidiary, Míla hf., together referred to as the "Group". The core business of the Group is to build and operate a telecommunications network in Iceland alongside the provision of telecommunication services and related services. The financial statements are a part of the consolidated financial statements of Míla Holding hf. and Sunstone II hf. Sunstone III ehf. is the Company's parent company. The ultimate parent company of Míla Holding is Ardian Infrastructure Fund V B SCS SICAV RAIF, which has its registered address at 26A, Boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg.

2. Basis of accounting

a. Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements in the Icelandic Act no 3/2006 on Annual Financial Statements. Details of the Group's accounting policies are included in note 27.

These consolidated financial statements were approved for issue by the Board of Directors on 8 April 2026.

b. Basis of measurement

The Consolidated financial statements are prepared on the historical cost basis.

c. Functional and presentation currency

The Company's functional currency is Icelandic króna, ISK. These Consolidated financial statements are prepared in ISK. All financial information presented in ISK have been rounded to the nearest million, unless otherwise indicated.

d. Going concern

The consolidated financial statements are prepared on a going concern basis. The Group's management has made an assessment of the ability to continue as a going concern and is satisfied that the Group has the resources to continue. In making this assessment, management has taken into consideration the risk exposures facing the Group and the fact the entity has negative equity. The Shareholder loans are subordinated to the secured borrowings of the Group and are treated as equity in calculation of the Groups financial covenants, see further details in note 18.

3. Use of estimates and judgements

In preparing these Consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively.

Assumption and estimation uncertainties

Information on assumptions and estimation uncertainties that have a risk of resulting in a material adjustment in the year ending 31 December 2025 is included in the following notes:

Note - 13	Impairment test of Goodwill
Note - 14, 19	Right-of-use assets and Lease Liabilities
Note - 20	Deferred tax liabilities

4. Changes in accounting policies

There were no changes in the Group's accounting policies during the period. The accounting policies applied are consistent with those used in the previous financial year.

Notes to the consolidated financial statements

5. Revenue

Revenue of service and goods are specified as follows:

	2025	2024
Fixed access	4.399	4.175
Connectivity and Internet	2.736	2.625
Other core business	2.579	2.409
Revenue from sales of service and goods	239	372
Total	9.952	9.580

6. Cost of sales

Cost of sales is specified as follows:

	2025	2024
Salaries and related expenses	1.096	1.057
Purchased service and goods	1.414	1.314
Operating costs of housing	585	535
Depreciation	3.145	3.133
Total	6.240	6.039

7. Operating expenses

Operating expenses are specified as follows:

	2025	2024
Salaries and related expenses	749	668
Other expenses	848	872
Depreciation	1.565	1.489
Total	3.162	3.029

8. Salaries and salary related expenses

Salaries and salary-related expenses is specified as follows:

	2025	2024
Salaries	2.083	2.043
Contributions to pension funds	283	271
Other salary-related expenses	193	185
Total	2.560	2.499

Salaries and related expenses are specified as follows in the income statement:

	2025	2024
Cost of sales	1.096	1.057
Capitalised work	714	774
Operating expenses	749	668
Total	2.560	2.499

Average number of full time employees	148	148
Full time employees end of year	148	148

Total salaries, commissions and benefits paid to the Company's Board of Directors in 2025 amounted to 34 m.kr. (2024: 32 m.kr.), and to Mila's CEO 64 m.kr. (2024: 70 m.kr.).

The Group is required to pay on mandatory and contractual basis contributions to pension funds. The Group has no further payment obligations once these contributions have been paid. The Group recognizes these contributions as salary related expenses when they become due.

9. Auditor's fee

Auditor's fee are specified as follows:

	2025	2024
Audit PwC	22	24
Total	22	24

The auditor's fee is included in operating expenses (Note 7).

Notes to the consolidated financial statements

10. Net finance costs

Finance income and finance cost are specified as follows:

	2025	2024
Finance income:		
Interest income	111	99
Total	111	99
Finance costs:		
Interest expenses	(8.309)	(8.432)
Interest expense on leases	(237)	(242)
Total	(8.546)	(8.674)
Net exchange rate differences	(7)	0
Net finance costs recognised in profit or loss	(8.442)	(8.574)

11. Income taxes

Reconciliation of effective income tax rate:

	2025		2024	
(Loss) before income tax		(7.892)		(8.062)
Income tax according to current tax rate	20,0%	1.578	20,0%	1.612
Income tax according to income statement	20,0%	1.578	20,0%	1.612

12. Operating assets

Operating assets are specified as follows:

	Telecom equipment	Buildings	Other equipment	Total
Cost				
Balance at 1.1.2024	55.158	3.912	845	59.915
Additions	4.173	213	41	4.427
Reclassification	(23)	23	0	0
Sales and disposals	0	(17)	(15)	(32)
Balance at 31.12.2024	59.309	4.130	871	64.310
Balance at 1.1.2025	59.309	4.130	871	64.310
Additions	3.829	292	117	4.237
Sales and disposals	(224)	(9)	(6)	(239)
Balance at 31.12.2025	62.914	4.413	981	68.308
Depreciation				
Balance at 1.1.2024	(29.801)	(1.389)	(594)	(31.784)
Depreciation	(2.761)	(168)	(50)	(2.979)
Reclassification	1	(1)	0	0
Sales and disposals	0	16	14	30
Balance at 31.12.2024	(32.561)	(1.542)	(630)	(34.733)
Balance at 1.1.2025	(32.561)	(1.542)	(630)	(34.733)
Depreciation	(2.783)	(190)	(61)	(3.034)
Sales and disposals	220	5	5	230
Balance at 31.12.2025	(35.125)	(1.728)	(685)	(37.537)
Carrying amounts				
At 31.12.2024	26.748	2.588	241	29.577
At 31.12.2025	27.789	2.685	296	30.771

The official real estate valuation of buildings owned by the Group is 2.192 m.kr (2024: 2.018 m.kr) and insurance value 4.924 m.kr (2024: 4.597 m.kr). Insurance value of other equipment is 10.601 m.kr (2024: 10.310 m.kr). During the year, Míla hf. acquired all fibre optic network equipments from Eygló for 705 m.kr. (See further details in Note 23).

Notes to the consolidated financial statements

12. Operating assets continued

Total depreciation is specified as follows in the income statement:

	2025	2024
Cost of sales	3.145	3.133
Operating expenses	1.565	1.489
Total	4.710	4.622

Useful life is specified as follows:

Telecom equipment	5 - 30 years
Buildings	15 - 33 years
Other equipment	3 - 15 years

13. Goodwill and other intangible assets

Goodwill and other intangible assets are specified as follows:

	Goodwill	Business relations	Software	Total
Cost				
Balance at 1.1.2024	27.534	21.684	1.122	50.340
Additions	0	0	145	145
Balance at 31.12.2024	27.534	21.684	1.267	50.485
Balance at 1.1.2025	27.534	21.684	1.267	50.485
Additions	0	0	214	214
Balance at 31.12.2025	27.534	21.684	1.481	50.699
Amortisation				
Balance at 1.1.2024	0	(1.558)	(812)	(2.370)
Amortisation	0	(1.019)	(110)	(1.129)
Balance at 31.12.2024	0	(2.578)	(922)	(3.499)
Balance at 1.1.2025	0	(2.578)	(922)	(3.499)
Amortisation	0	(1.019)	(135)	(1.154)
Balance at 31.12.2025	0	(3.597)	(1.056)	(4.653)
Carrying amounts				
At 31.12.2024	27.534	19.106	345	46.986
At 31.12.2025	27.534	18.087	424	46.045

Business relations consist of customer relationships and the Mila trademark.

Useful life is specified as follows:

Software.....	2 - 5 years
Business relations.....	15 years

Annual test for impairment

Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The purpose of impairment testing is to determine whether the recoverable amount exceeds the carrying amount of property, plant and equipment, right-of-use assets, goodwill and other intangible assets. The impairment test is based on Mila as one cash generating unit (CGU). The recoverable amount of the cash generating unit was based on its value in use and is determined by discounting the future cash flows generated from the continuing use of the CGU. Cash flows were projected based on actual operating results and a 10 year business plan based on long term targets that management has set regarding profitability and growth. Management believes that this forecast period was justified due to the long-term nature of the business. The Weighted Average Cost of Capital (WACC) is based on external market information about market risk, equity ratio and interest rates. The post-tax discount rate is 9,07% (2024: 8,83%).

Notes to the consolidated financial statements

13. Goodwill and other intangible assets continued

The goodwill impairment test conducted at year end confirmed that the recoverable amount exceeds the carrying amount and no impairment is required. A sensitivity analysis showed that the valuation is sensitive to changes in future growth, EBITDA and WACC. A change in WACC from 9,07% to 9,32%, change of future growth from 2,5% to 2,0% or EBITDA change by -5% would result in an impairment.

The key assumptions used in the estimation of the recoverable amount are set out below:

	2025	2024
Future growth.....	2,5%	3,0%
Compounded average revenue growth 2026-2035/2025-2034.....	6,8%	6,7%
Compounded average EBITDA growth 2026-2035/2025-2034.....	9,1%	9,6%
WACC.....	9,07%	8,83%
Equity ratio.....	38,0%	38,0%
Pre-tax interest rate for debt.....	9,34%	9,04%

14. Right-of-use assets

The Group leases telecom equipment, land & buildings and other equipment like vehicles. Most of the Groups' leases are capitalized in accordance with IFRS 16. Leases with a lease term of less than one year or an insignificant value are not capitalized. For leased sites without a contractual definite lease term, the Group estimates the lease term to be 15 years and revalues the lease term every five years and more often if needed.

Right-of-use assets are specified as follows:

	Telecom equipment	Land & Buildings	Other equipment	Total
Cost				
Balance at 1.1.2024.....	241	6.518	85	6.844
New leases	0	119	24	143
Eliminated on disposal and termination.....	(7)	(87)	(19)	(113)
Remeasurement/indexation.....	8	291	4	303
Balance at 31.12.2024.....	242	6.841	94	7.177
Balance at 1.1.2025.....	242	6.841	94	7.177
New or renewed leases	0	129	93	222
Eliminated on disposal and termination.....	0	(45)	0	(45)
Remeasurement/Indexation.....	7	392	0	400
Balance at 31.12.2025.....	249	7.318	187	7.754
Depreciation and impairment losses				
Balance at 1.1.2024.....	(58)	(1.498)	(40)	(1.597)
Depreciation.....	(14)	(476)	(24)	(514)
Eliminated on disposal and termination.....	7	25	19	52
Balance at 31.12.2024.....	(66)	(1.949)	(45)	(2.060)
Balance at 1.1.2025.....	(66)	(1.949)	(45)	(2.060)
Depreciation.....	(14)	(478)	(29)	(521)
Eliminated on disposal and termination.....	0	(2)	0	(2)
Balance at 31.12.2025.....	(80)	(2.430)	(74)	(2.584)
Carrying amounts				
At 31.12.2024.....	176	4.893	49	5.117
At 31.12.2025.....	169	4.888	113	5.171

Notes to the consolidated financial statements

15. Accounts receivable

Accounts receivable are specified as follows:

	2025	2024
Accounts receivable.....	1.630	1.569
Allowances for doubtful accounts.....	(4)	(7)
Accounts receivable total.....	<u>1.626</u>	<u>1.563</u>

An allowance has been made for doubtful accounts. This allowance has been determined by management with reference to expected credit loss (ECL). The Group's exposure to credit risk is disclosed in note 22.

Movement in the allowance for doubtful accounts:

	2025	2024
Balance at the beginning of the year.....	7	21
Impairment losses recognised on receivables.....	(2)	(15)
Balance at the end of the year.....	<u>4</u>	<u>7</u>

16. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

	2025	2024
Bank deposits	2.401	1.551
	<u>2.401</u>	<u>1.551</u>

17. Share Capital

The total issued share capital at year-end amounts to ISK 132.101.375, with each share having a nominal value of one Icelandic Króna, unchanged from the previous year. All issued shares are fully paid.

18. Borrowings

This note provides information on contractual terms of the Group's interest-bearing borrowings, which are measured at amortized cost, and changes during the year.

	Year of Maturity	2025	2024
Borrowings are specified as follows:			
Secured bond in ISK - CPI Indexation + 2,2%.....	2029	6.909	6.795
Secured bank loans in ISK - REIBOR + 2,65%.....	2029	21.891	19.282
Shareholder loan ISK - REIBOR + 2,9%.....	2031-2033	57.554	51.891
		<u>86.354</u>	<u>77.968</u>
Unamortised borrowing- and commission fees.....		(441)	(534)
Total.....		<u>85.913</u>	<u>77.435</u>

Aggregated annual maturities are as follows:

	2025	2024
Payments 2026/2025.....	322	261
Payments 2027/2026.....	372	277
Payments 2028/2027.....	436	297
Payments 2029/2028.....	27.670	334
Payments 2030/2029.....	0	24.909
Payments later.....	57.554	51.891
Total	<u>86.354</u>	<u>77.968</u>

Changes in borrowings during the period are as follows:

	2025	2024
Borrowings at beginning of year.....	77.968	68.986
New borrowings.....	2.750	3.000
Payments.....	(277)	(83)
Accrued interest and indexation.....	5.913	6.065
Borrowing at end of year.....	<u>86.354</u>	<u>77.968</u>

Notes to the consolidated financial statements

18. Borrowings continued

The Shareholder loans are subordinated to the secured bond and bank loans, pursuant to the terms of an Intercreditor agreement signed by Sunstone III, Mila Holding, the bond agent of the secured bond and the creditors of the secured bank loans. Accrued interests of the shareholder loan amounted to 5.663 m.kr. at 31 December 2025 (2024: 5.753 m.kr.) and is added to the principal at the end of the year. Mila Holding hf. has the option to postpone payments of interests until the end of the loan period and has exercised that right.

a. Pledged assets

Pledged assets against borrowings

The company has pledged its shares in Mila and its bank accounts as a security for the secured borrowings. The book value of the shares of Mila in the financial statements of the parent company as at 31.12.2025 amounted to 43.188 m.kr. (2024: 45.263 m.kr.). In addition Mila hf. has provided a guarantee of 19.200 m.kr and pledged its bank accounts as a security of the secured borrowings of the Company. The company has signed a negative pledge.

b. Secured borrowings

The Group's secured borrowings are subject to various loan covenants and included loan covenants that need to be complied with within 12 months of the reporting date. The Group complied with the financial loan covenants at the testing dates in 2025 and the Group expects to comply with the loan covenants within 12 months after the reporting date.

19. Lease liabilities

This note provides information on the Group's lease liabilities, which are measured at amortized cost, and changes during the year.

	Telecom equipment	Buildings	Other equipment	Total
Lease liabilities 1.1.2024.....	207	5.253	47	5.508
Payments.....	(14)	(387)	(24)	(424)
Additions, Remeasurement and indexation.....	9	409	28	446
Terminated leases.....	0	(70)	0	(70)
Lease liabilities 31.12.2024.....	202	5.206	52	5.459
Lease liabilities 1.1.2025.....	202	5.206	52	5.459
Payments.....	(13)	(411)	(28)	(452)
Additions, Remeasurement and indexation.....	8	521	93	622
Terminated leases.....	0	(54)	0	(54)
Lease liabilities 31.12.2025.....	197	5.262	117	5.576
			2025	2024
Aggregated annual maturities are as follows:				
Payments 2026/2025.....			436	443
Payments 2027/2026.....			443	381
Payments 2028/2027.....			458	390
Payments 2029/2028.....			463	405
Payments 2030/2029.....			479	407
Payments later.....			3.298	3.433
			5.576	5.459
Amounts in income statement:				
Interest expenses.....			238	243
Depreciation.....			521	514
Amounts in statement of cash flows:				
Payments.....			452	424
Interest expenses.....			245	252
Total payments.....			697	676

Notes to the consolidated financial statements

19. Lease liabilities continued

Extension options

Most of the Company's real estate leases are for a specified term and are automatically renewed for one year at a time unless terminated within a predetermined notice period. Where cost-effective, the Company seeks to include extension rights in lease agreements to maintain operational flexibility. Lease agreements are generally assumed to have a lease term of 15 years. Lease terms are typically reevaluated every five years and if significant changes in circumstances occur. A revaluation was conducted 31.12.2023 which resulted in a lease liability adjustment of 825 m.kr. Leases with a low value or a duration of less than one year are excluded from lease liabilities. Total expenses for non-capitalized real estate and co-location leases amounted to 2,4 m.kr in 2025, while expenses for non-capitalized vehicle leases were 17,4 m.kr. Expired vehicle lease contracts are not capitalized.

20. Deferred tax liabilities

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

	2025	2024
Deferred tax at the beginning of the year.....	3.862	4.621
Correction of deferred tax at beginning of the year.....	0	0
Income tax recognised in the income statement.....	(1.578)	(1.612)
Effects of joint taxation.....	1.331	853
Deferred tax liability at the end of the year.....	3.615	3.862

The deferred tax liability is allocated as follows:

Property, plant and equipment.....	6.726	6.791
Lease assets.....	1.034	1.023
Lease liabilities.....	(1.113)	(1.090)
Tax loss carry forward	(3.029)	(2.881)
Other items.....	(2)	19
	3.615	3.862

The Company recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised. Tax loss carryforward is as follows:

Tax loss carryforward 2022, utilised before 2032	1.423	1.423
Tax loss carryforward 2023, utilised before 2033	4.168	4.274
Tax loss carryforward 2024, utilised before 2034	2.060	8.710
Tax loss carryforward 2025, utilised before 2035	7.496	0
	15.147	14.407

The Company is part of a tax consolidation under which the parent company, Sunstone II hf and its subsidiaries are subject to joint taxation. The tax expense is allocated to each company based on their respective taxable income. According to managements plans, the taxable losses will be fully utilised in a joint taxation with the parent company and against future taxable profit.

21. Accounts payables

Accounts payables are specified as follows:

	2025	2024
Accounts payables.....	954	462
	954	462

The year-on-year increase in accounts payables mainly relates to the acquisition of all fibre optic network equipments of Eygló in Vestmannaeyjar (see Note 23). The purchase consideration of 705 m.kr. is payable in two instalments, of which 300 m.kr. was paid during the financial year 2025 and 405 m.kr. is payable in 2026.

22. Other current liabilities

Other current liabilities are as follows:

	2025	2024
Salaries and related expenses.....	428	492
VAT.....	212	183
Accrued interests on borrowing.....	192	202
Other short-term liabilities.....	6	(0)
Other liabilities total.....	837	877

Notes to the consolidated financial statements

23. Acquisition of Fibre Connection Equipment (Asset Acquisition)

During the year, the Company acquired all fibre optic network equipments from Eygló, an entity owned by the Municipality of Vestmannaeyjabær and responsible for the operation of all telecommunications infrastructure in Vestmannaeyjar, for 705 m.kr. Management assessed the transaction in accordance with IFRS 3 Business Combinations and concluded that the acquired assets do not constitute a business, as substantially all of the fair value of the gross assets acquired is concentrated in a single class of identifiable assets and no substantive processes were acquired. Accordingly, the transaction has been accounted for as an asset acquisition. The consideration paid has been allocated to the identifiable assets acquired based on their relative fair values, and no goodwill has been recognised.

24. Risk Management

Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Annually, the Board of Directors reviews the Group's risk policy. The Group's risk management policy has the purpose of maintaining an overview and appropriate management of risk in the Group's operations for the benefit of the community, customers, employees, and shareholders. Under the risk policy, definitions of roles and responsibilities are set out to ensure that risks are managed effectively. The Board of Directors and management manage the Group's risk in accordance with the Group's risk limits.

The Group operates a Security Committee that approves risk management procedures and is a consultation forum regarding risk management and monitors that the Group is operating in accordance with the risk policy. The Group's Executive Board is responsible for the implementation of Group's risk policy and to ensure operation of organisational structure for risk management and a coordinated risk management process. The Group identifies and handles risks in its operations through regular risk assessment, targeted monitoring, and action.

The role of the Group Audit and Risk Committee include promoting good corporate governance and providing an independent and objective opinion on the audit process, internal controls and reporting to the Board. Furthermore, the Committee supervises the process of preparing financial statements and supervises the organisation and effectiveness of the Group's internal controls, internal audit, and risk management, as well as supervising the audit of the Group's financial statements and consolidated accounts.

a. Operational risk

The Group defines operational risk as events which could affect business continuity, infrastructure investments and the availability to services to customers as well as information and cyber security, and privacy of identifiable information. Also risks related to compliance, accounting and taxes. The group has implemented appropriate measures to address operational risks and on a regular basis identifies and handles risks in its operations through regular risk assessment, targeted monitoring, and action.

Mila's business activities are subject to Icelandic law and regulations. In addition, Mila operates in accordance with current decisions of the Electronic Communications Office of Iceland (ECOI) and Decision 16/2023 of the Competition Authority. Various obligations apply to the Company based on the above decisions, including non-discriminatory access by telecommunications companies to Mila's systems and services. The Group has implemented appropriate measures to address regulatory and compliance risks, ensuring full adherence to applicable laws and decisions. Robust internal controls and monitoring mechanisms are in place to mitigate potential risks and maintain compliance with regulatory requirement.

b. Capital risk

The Group manages capital to ensure that the Group will be able to continue on a going concern basis while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, 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.

c. Financial risk management objectives

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

Notes to the consolidated financial statements

c. Financial risk management objectives continued

i) Market risk

Interest rate risk

The Group is exposed to interest rate risks as the majority of the Groups's borrowings are with nominal floating interest rates. Changes in interest rates affects interest revenue and interest expenses in the income statement. The Group'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.

i) Market risk continued

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 2025 borrowings with floating interest rate for the next 12 months amounted 79.445 m.kr. (2024: 71.173 m.kr.). 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 794 m.kr. before tax (2024: 712 m.kr.)

Foreign currency risk

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

ii) Credit risk

Credit risk is the risk of the Group's financial loss if its customer or counterpart to a financial instrument is unable to meet its agreed obligations. The Group's exposure to credit risk is limited to financial assets listed on the balance sheet, as well as certain guarantees. The Group regularly monitors the development of the assets related to credit risk, as the Group'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	
	2025	2024
Accounts receivables	1.626	1.563
Receivables with related parties	2.184	853
Bank balances	2.401	1.551
Other receivables	48	44
Other financial assets	0	10
	6.258	4.021

The majority of the Group's receivables are payable within 90 days. The Group 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.

	Nominal value		Allowance for doubtful accounts	
	2025	2024	2025	2024
Not past due	1.627	1.561	0	3
Less than 60 days past due	0	0	1	0
61-180 days past due	0	4	0	1
180-360 days past due	0	1	0	1
More than 360 days past due	3	2	3	1
	1.630	1.569	4	7

The Group's credit risk is mainly determined by its customer's financial position and operation. The Group 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 2025 were 0 m.kr. (2024: 0 m.kr.). No loss risk is assessed on other receivables.

Notes to the consolidated financial statements

iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations in the near future. The Group manages this risk by monitoring forecast and actual cash flows and ensuring adequate reserves. The following table analyses the Group'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 Group can be required to pay. The Group may elect not to pay accrued interest on borrowings from its parent company, in which case such interest will be added to the principal at year end.

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

31 December 2025	< 1 year	1-2 years	2-5 years	> 5 years	Total
Borrowings from parent company	5.964	5.964	21.638	62.340	95.906
Other borrowings	2.061	2.528	31.851	0	36.439
Long-term lease liabilities	678	664	1.937	3.995	7.274
Accounts payables	1.600	0	0	0	1.600
	10.303	9.156	55.425	66.335	141.220
31 December 2024	< 1 year	1-2 years	2-5 years	> 5 years	Total
Borrowings from parent company	5.877	5.877	23.943	62.478	98.174
Other borrowings	2.596	2.596	31.853	0	37.045
Long-term lease liabilities	680	598	1.748	4.238	7.264
Accounts payables	1.139	0	0	0	1.139
	10.291	9.071	57.544	66.716	143.623

25. Related Party

Shareholders who have a significant impact on the Group's operations, directors and their close family members and legal entities controlled by them are considered as related party. Transactions with related parties have been conducted on an arm's length basis.

Transactions with related parties and balances at the end of 2025:

	Purchased service & products	Sold services	Interest Income/ expenses	Receivables	Payables
Sunstone II hf	0	0	0	2.184	0
Sunstone III hf	0	0	(5.663)	0	57.554
	0	0	(5.663)	2.184	57.554

Transactions with related parties and balances at the end of 2024:

	Purchased service & products	Sold services	Interest Income/ expenses	Receivables	Payables
Sunstone II hf	0	0	0	853	0
Sunstone III hf	0	0	(5.753)	0	51.891
	0	0	(5.753)	0	51.891

Notes to the consolidated financial statements

26. Subsequent event

As disclosed in the consolidated financial statements for 2024, Mila sent a formal request in early 2024 to the Icelandic Competition Authority (ICA) to materially revise the 2022 Settlement Agreement (Settlement) due to increased competition in the Icelandic telecommunications market as, e.g., evidenced in the draft market analysis by the Electronic Communications Office of Iceland (ECOI), dated 15 September 2023, and confirmed in the final ECOI market analysis dated 14 May 2024. ICA accepted the request as sufficiently grounded on 3 July 2024. In Mila's view the requested amendments to the 2022 Settlement would result with a more level playing field for wholesale operators and permit the Mila greater operational flexibility in the affected markets, resulting in a more dynamic market at both wholesale and retail level. Also disclosed in the consolidated financial statements for 2024, Mila's competitor, Ljósleiðarinn, submitted a complaint to the ICA in December 2024 maintaining alleged breaches by Mila of the Icelandic Competition Act and the Settlement. The ICA subsequently initiated a formal investigation into the matter and informed Mila that ICA would not conclude on the requested revision of the settlement until after concluding on the alleged breaches. In March 2025 the ICA issued a Statement of Objections outlining its preliminary assessment of potential infringements. Mila submitted detailed responses and supporting documentation and continued to cooperate fully with the ICA throughout the investigation. Mila maintained that it had complied with the Competition Act and the commitments set out in the 2022 Settlement.

Following discussions in 2025, Mila and ICA reached an agreement in September 2025 to resolve the matter through settlement discussions, including on a revised settlement framework. A draft settlement agreement was reached with the ICA in early March 2026 and was subsequently subject to a consultation procedure with ECOI and stakeholders and final approval by the ICA. Following completion of that procedure, Mila and the ICA confirmed the new settlement agreement on March 18, 2026, under which Mila agreed to pay an administrative fine of ISK 200 million. Under the new settlement, the scope of the investigation has been substantially narrowed and is limited to a specific issue relating to the frequency and scope of certain communications between Mila and Síminn during a defined period. Other issues initially examined by the ICA were not pursued further.

Under the terms of the new settlement, Mila acknowledges that certain communications with Síminn could have been capable of influencing Síminn's incentives when selecting wholesale suppliers beyond the obligations arising under the existing wholesale agreement. The settlement also includes certain forward-looking commitments relating to communications with Síminn. In addition, the revised settlement reflects changes in market conditions since 2022, including increased competition in relevant telecommunications wholesale markets and a decline in Mila's market share in certain segments. As a result, certain commitments contained in the 2022 settlement have been eased or removed. Mila welcomed the conclusion of the case and that the company has been allowed greater scope to compete on a more level playing field with other wholesale operators in the telecommunications market. The new settlement thus creates a stronger foundation for more effective competition, to the benefit of both businesses and consumers. The consolidated financial statements for the year ended 31 December 2025 do not include any adjustments in respect of this matter other than disclosure under subsequent events of this investigation at the reporting date and that it could potentially result in an infringement decision and administrative fines. Management does not expect the resolution of the case to have a material impact on the Group's future operations.

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 and additional requirements in the Icelandic Act no 3/2006 on Annual Financial Statements.

a. Basis of Consolidation

i) Business Combinations

The Group 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 Group 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.

ii) Subsidiaries

The Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are companies where the company has control. Control exists when the company can directly or indirectly control the decisions made in the subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are re-consolidated from the date that control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the noncontrolling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

Notes to the consolidated financial statements

b. Goodwill

Goodwill is not amortized but is reviewed for impairment at least annually. For impairment testing, goodwill is allocated to each of the Group'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-generating unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

c. Revenues

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

(i) Core business

The core business of the Group 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.

(ii) Sale of services

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

(iii) 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.

d. Foreign currency

The Consolidated financial statements is presented in the Icelandic króna, ISK which is the Group functional currency. Monetary assets and liabilities denominated in foreign currencies are recognized at the exchange rate of the reporting date. Exchange differences arising from transactions in foreign currencies are recognizes in the Statement of Comprehensive income.

e. Income tax

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

(i) 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.

(ii) Deferred income tax

Deferred income 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 Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the consolidated financial statements

(iii) 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.

f. Operating assets

Assets are recorded as operating assets when it is likely that an economic benefit for the Group 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.

g. 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.

h. 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 Group 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 (CGUs) 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.

i. Inventory

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

j. Obligations

An obligation is recognized when the Group 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.

No obligation is recognized in the financial statements.

Notes to the consolidated financial statements

k. 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 that are measured at fair value in the income statement.

Accounts receivables and loans are recognized at amortized cost less 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 Group 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.

l. 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 Group derecognizes financial liabilities when, and only when, the Group'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.

m. Leases

The Group 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 Group uses the definition of a lease in IFRS 16.

(i) The Group as a lessor

The Group 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 Group classifies all leases as operating leases.

(ii) The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 Group 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.

Notes to the consolidated financial statements

(ii) The Group as a lessee continued

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 Group 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 Group 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 Group expects to exercise that option, lease payments on extension periods when the Group expects to extend the lease and payments for termination of the lease before the end of the lease term, unless the Group 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 if the Group expects a change in value due to residual value guarantees, if the Group 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. New Accounting standards and interpretations issued but not yet adopted

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and amendments is set out below.

a. IFRS 18 Presentation and Disclosure in financial statements (effective for annual periods beginning on or after 1 January 2027)

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive.

Management is currently assessing the detailed implications of applying IFRS 18.

The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required for management performance measures. The group is also assessing the impact on how information is grouped in the financial statements.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 1.

Corporate governance statement - unaudited

The Group (hereafter Mila or the Company) places strong emphasis on effective corporate governance as a foundation for transparency, accountability, and sustainable value creation. The Board of Directors is responsible for ensuring that appropriate governance structures and internal controls are in place and that communication between the Board, shareholders, customers, and other stakeholders is clear, timely, and reliable. The Board reviews and evaluates the Company's corporate governance practices on an annual basis in light of applicable laws, regulations, and recognized corporate governance guidelines.

Corporate governance framework

The Company's corporate governance framework comprises a system of laws, regulations, internal rules, and recognized standards that govern its operations and decision-making processes. The framework is primarily based on Icelandic law, including the Act on Public Limited Companies, as well as applicable EEA rules. It is further supported by the Company's Articles of Association, the Rules of Procedure for the Board of Directors, the Company's Code of Ethics, and its competition compliance programme.

The Company follows the Icelandic Guidelines on Corporate Governance (July 2021), issued by the Iceland Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Employers, on a "comply or explain" basis. The Company complies with these Guidelines unless otherwise disclosed in this statement.

Corporate governance establishes a clear division of roles and responsibilities between the Company's shareholders, Board of Directors, and executive management. The CEO is responsible for the day-to-day management of the Company, while the Board of Directors provides strategic direction, oversees management, and ensures that effective internal control and risk management systems are maintained.

The Company is committed to operating in accordance with recognized principles of good corporate governance, including transparency, accountability, equal treatment of shareholders, and responsible business conduct.

Ownership, role and values

Mila hf. (the "Company") is a public limited liability company incorporated and operating in accordance with the Act No. 2/1995 on Public Limited Companies. The Company is a subsidiary of Míla Holding hf.

The Company's principal activity is the development, ownership, and operation of telecommunications infrastructure in Iceland, as well as the provision of related services. As a provider of critical national infrastructure, the Company plays a key role in supporting secure, reliable, and efficient electronic communications across the country, in accordance with applicable Icelandic and EEA regulatory requirements, including obligations relating to access, non-discrimination, and competition, and, where applicable, obligations arising from market regulation decisions by the Electronic Communications Office of Iceland (PFS).

Mila's mission is to ensure secure and reliable telecommunications throughout Iceland, delivering services with high quality, availability, and resilience. In pursuing this mission, the Company places emphasis on compliance with applicable laws and regulatory obligations as well as on equal and non-discriminatory access to its infrastructure and services, operational reliability, customer satisfaction, and continuous improvement.

The Company is committed to responsible and sustainable business practices and seeks to create long-term value for its stakeholders. This includes fostering a strong corporate culture, supporting employee engagement and development, and integrating environmental, social, and governance (ESG) considerations into its operations and decision-making, in line with applicable sustainability reporting requirements and evolving ESG standards.

Mila's values — Progressive, Reliable and Trustworthy — guide its operations and decision-making. The Company's vision is to be a leading service provider in the development and operation of telecommunications infrastructure and related services in Iceland.

Communication between shareholders and the board of directors

Shareholders' meetings are the supreme authority in the Company's affairs, within the limits established by the Company's Articles of Association and applicable law. Shareholders' meetings constitute the primary forum for communication between shareholders and the Board of Directors, enabling shareholders to exercise their rights and participate in key decision-making.

The Company's Articles of Association set out, inter alia, provisions regarding the Company's purpose, share capital, governance structure, shareholders' meetings, the Board of Directors, and the preparation and auditing of annual financial statements.

The Board of Directors is responsible for the overall management and strategic direction of the Company and exercises the highest authority in the Company's affairs between shareholders' meetings. The Board ensures that the Company's organisation, internal controls, and operations are appropriate and effective. The Board places emphasis on maintaining open, clear, and consistent communication with shareholders. The Company ensures that information disclosed to shareholders is accurate, timely, and consistent with its disclosure obligations.

The Chief Executive Officer (CEO) is responsible for the day-to-day management of the Company and represents the Company in matters relating to its ordinary operations. The CEO has authority to take decisions on all matters not reserved for the Board of Directors or shareholders under applicable law, the Company's Articles of Association, or the Board's Rules of Procedure.

The Annual General Meeting shall be held each year in accordance with applicable law and the Company's Articles of Association, and no later than the end of August. Other shareholders' meetings are convened as required.

The Company is committed to promoting equality and diversity within its governance and operations. The composition of the Board of Directors and senior management is determined with a view to achieving an appropriate balance of skills, experience, independence, and gender representation, in accordance with applicable legal requirements and corporate governance guidelines. The Company has adopted policies on human resources and human rights, which are publicly available on its website. The Company holds an equal pay certification, which was reaffirmed in January 2026.

Board of directors

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.

The Board of Directors:

Marinó Örn Tryggvason, Chairman of the Board, born May 25, 1978, residence in Garðabær. Marino was elected Chairman of the Board at the company's Board meeting in October 2023. Marinó has a BSc in business administration from the University of Iceland and has completed a degree in securities trading. Marinó has held management positions in the financial section for over 20 years. Since 2024, he has been working at ARMA Advisory, a firm he co-founded. Marinó is an independent member of the company's Board of Directors.

Birna Einarsdóttir, born 13 July 1961 residence in Reykjavík. Birna was elected to the Board of Directors in January 2026. Birna is the former CEO of Íslandsbanki with extensive expertise in the banking sector. Birna holds a degree in Business Administration from the University of Iceland and MBA from University of Edinburgh. In addition, Birna serves also as the chairman of the board of Iceland Seafood International and Verðbréfamiðstöð Íslands hf (VBM), and is a board member of Kjarnafæði Norðlenska, Thor Landeldi and Skel.

Pauline Thomson, born 13 February 1987, residence in France. She was elected to the Board of Directors in October 2022. Pauline is Managing Director and Head of Data Science at Ardian and is a Board Member of Jules I, a UK based holding company of Verne. Pauline holds a master's degree in politics and finance from Sciences Po Paris. Pauline joined Ardian in 2011.

Leonard Rasche, born 6 May 1992, residence in Germany. He was elected to the Board of Directors of Míla in February 2023. Leonard is a Director in the Ardian Infrastructure team in Frankfurt. Prior to joining Ardian, Leonard was an Associate in Macquarie Capital's infrastructure advisory group in London and covered renewables and utilities at boutique advisor goetzpartners in Munich. Leonard holds a master's degree in economics and policy of Energy and Environment from University College London and a BSc degree from the European Business School in Frankfurt and Tongji University in Shanghai. Leonard joined Ardian in January 2021.

Birna Ósk Einarsdóttir, born 9 April 1976, residence in the Netherlands. She was elected to the Board of Directors in October 2022. Birna is the CEO of Húsasmiðjan, having previously served as the Chief Commercial Officer at APM Terminals. She has been a Board member of Almannarómur since 2019. Previously, she sat on the Board of Directors of Skeljungur and has also served as Chief Commercial Officer at Icelandair, VP of marketing and business development at Landsvirkjun and Chief Commercial Officer at Síminn. Birna is a board member of Skel and has a master's degree in leadership and Strategy from the University of Iceland. Birna is an independent board member of the Company.

Pórarinn V. Þórarinnsson, born 25 June 1954, residence in Reykjavík. He was elected to the Board of Directors in October 2022. Þórarinn is a practicing Supreme Court Attorney at his own firm, Advocatus slf. He is the Chairman of the Board of Reitir Real Estate hf. and Lífland hf. And is a board member of Nesbú ehf. Þórarinn was CEO of Síminn hf. (1999 – 2001) and CEO of the Icelandic Federation of Employers (1986 – 1999). Þórarinn holds a law degree from the University of Iceland and later qualified as a District Court Attorney and Supreme Court Attorney. Þórarinn is independent of the Company but spent a short time in 2021 as a consultant for Ardian on the company's acquisition of Míla.

Oscar Cicchetti, born 17 June 1951, residence in Italy. He was elected to the Board of Directors in October 2022. He is Operating Partner in Telecommunications Infrastructure at Ardian and is Chairman of the Board of Directors of Inwit. He was CEO of Inwit and was a Director in various positions at Telecom Italia Group. Oscar is an electrical engineer from the Università degli Studi dell'Aquila in Italy. Oscar is independent of the company but not independent of its largest shareholder.

The Company meets the requirements of the Companies Act on Gender Quotas.

Two of the directors of the Company are employees of Ardian, one is an advisor on behalf of Ardian and four directors are independent.

The Rules of Procedure for the Board of Directors were approved on 19 February 2025 and are based on Article 70(5) of Act No. 2/1995 on Public Limited Companies.

The Board of Directors has the highest authority in the Company's affairs between shareholders' meetings and is responsible for the overall management, strategic direction, and supervision of the Company. In accordance with its Rules of Procedure, the Board's key roles and responsibilities include, inter alia:

- Ensuring adequate control over accounting and the management of the Company's funds
- Promoting the Company's long-term development and value creation
- Overseeing the Company's activities as a whole and supervising management in relation to material operational and commercial decisions, in accordance with delegated authority
- Ensuring clear organisational structure, defined responsibilities, and implementation of policies and objectives across the Company
- Identifying and assessing key risks and ensuring appropriate risk management, internal control systems, and sustainability-related policies are in place
- Ensuring compliance with applicable laws, regulations, and binding agreements, including competition law obligations
- Appointing and dismissing the Chief Executive Officer (CEO), determining terms of employment, and defining the division of responsibilities between the Board and the CEO
- Approving the Company's management structure based on proposals from the CEO
- Determining which employees, in addition to the CEO, are authorised to bind the Company and establishing related rules
- Signing on behalf of the Company and granting powers of attorney

The Board also addresses other matters as required by law, the Company's Articles of Association, and matters submitted by the CEO for consideration.

The Board held 11 meetings during the year 2025.

The Board conducts an annual evaluation of its performance, working methods, composition, and the effectiveness of its committees. The purpose of this evaluation is to continuously improve the Board's effectiveness and governance practices.

Board of Sub-committees

The Board of Directors has established sub-committees to support its work and enhance the quality and efficiency of its decision-making. These committees prepare matters for Board consideration and carry out specific oversight functions but do not have decision-making authority independent of the Board.

The Board has adopted Rules of Procedure for each committee, defining their roles, responsibilities, and reporting obligations.

The following committees are in place:

- Audit and Risk Management Committee
- Nomination and Remuneration Committee
- Investment, Operational and Commercial Committee
- Environmental, Social and Governance (ESG) Committee

The Audit and Risk Management Committee operates in accordance with applicable legal requirements, including Chapter IX of Act No. 3/2006 on Annual Accounts.

The Committee is composed of five members, all of whom are independent of the Company's external auditors. Members collectively possess relevant expertise in accounting, auditing, risk management (financial and non-financial), and the Company's areas of operation.

The Committee's main responsibilities include:

- Monitoring the financial reporting process and the preparation of financial statements
- Ensuring the independence and effectiveness of external audit
- Submitting recommendations to the Board regarding the appointment of the external auditor
- Monitoring and evaluating the effectiveness of internal control systems, risk management, and compliance processes
- Reviewing financial information and disclosures prior to publication

The members of the Audit and Risk Management Committee are Leonard Rasche (Chair), Marinó Örn Tryggvason, Birna Ósk Einarsdóttir, Birna Einarsdóttir and Þórarinn V. Þórarinnsson.

The Environment, Social and Governance Committee consists of four members, including three members of the Board and one independent member. The Chair of the Committee is appointed by the Board and is responsible for ensuring the effective functioning of the Committee.

The Committee collectively possesses relevant knowledge and experience in sustainability, ESG regulation, and the Company's business environment.

The Committee's main responsibilities include:

- Supporting the development and oversight of the Company's sustainability strategy
- Monitoring ESG-related risks, opportunities, and performance
- Promoting ethical standards and responsible business conduct across the Company
- Supporting the integration of sustainability considerations into business operations and decision-making
- Overseeing stakeholder engagement and sustainability-related disclosures

The members of the ESG Committee are Amor Boufath (Chair), Leonard Rasche, Marinó Örn Tryggvason and Þórarinn V. Þórarinsson.

The Nominations and Remunerations Committee is composed of Board members and supports the Board in matters relating to governance, remuneration, and Board composition.

The Committee's main responsibilities include:

- Preparing and reviewing the Company's remuneration policy and monitoring its implementation
- Ensuring that remuneration practices are aligned with applicable laws, regulations, and best practice
- Preparing proposals for the Board regarding remuneration of senior management
- Assessing the impact of remuneration structures on risk-taking and risk management, in consultation with the Audit and Risk Management Committee
- Supporting the Board in nomination processes and succession planning

The members of the Nomination and Remuneration Committee are Pauline Thomson (Chair), Leonard Rasche, Marinó Örn Tryggvason, Birna Ósk Einarsdóttir and Þórarinn V. Þórarinsson.

The Operational and Investment committee is composed of Board members and supports the Board in matters relating to strategy, investments, and operations.

The Committee's main responsibilities include:

- Advising the Board on operational and commercial matters
- Evaluating strategic options and making recommendations on matters of strategic importance
- Monitoring business performance and investment activities
- Reviewing and preparing proposals for significant investment decisions
- Ensuring that operations and investments are aligned with applicable laws, regulatory obligations, and the Company's strategy

The members of the Operational and Investment Committee are Oscar Cicchetti as chairperson, Pauline Thomson, Marinó Örn Tryggvason, Þórarinn V. Þórarinsson, Birna Ósk Einarsdóttir, Birna Einarsdóttir and Leonard Rasche.

Executive director and management board

The Chief Executive Officer (CEO) is responsible for the day-to-day management of the Company and has authority to make decisions on all matters not reserved for shareholders or the Board of Directors under applicable law, the Company's Articles of Association, or the Board's Rules of Procedure.

The CEO is responsible for ensuring that the Company's operations are conducted in accordance with applicable laws and regulations, the Company's Articles of Association, and the decisions and guidelines of the Board of Directors. The CEO also ensures the effective implementation of the Company's strategy, policies, and organisational structure as approved by the Board.

Day-to-day management does not include measures that are unusual or of significant importance to the Company. Such matters are subject to Board approval, unless specific authorisation has been granted or circumstances require immediate action, in which case the Board shall be informed without delay.

The CEO is not a member of the Board of Directors but attends Board meetings and has the right to participate in discussions and submit proposals, unless the Board decides otherwise in individual cases.

The CEO ensures that the Board of Directors receives accurate, relevant, and timely information on the Company's financial position, operations, and development to enable the Board to perform its duties effectively.

The Board of Directors evaluates the performance of the CEO at least annually.

Erik Figueras Torras is the CEO of the Company. He was born on 29 June 1967 and lives in Garðabær. Erik holds an MBA from The International Institute for Management Development (IMD) in Switzerland and a master's degree in electrical engineering from the Universitat Politècnica de Catalunya in Spain. He was previously Director of Digital Development at Síminn, Managing Director of Amivox and Director of Business Development at TM software.

In addition to the CEO, the Company's Executive Committee comprises senior executives responsible for key areas of the Company's operations, together with the General Counsel. The Executive Committee supports the CEO in the management of the Company and contributes to the development and implementation of its strategy and business plans.

The members of the Executive Committee in 2025 are:

- Rebekka Jóelsdóttir – Chief Financial Officer (CFO)
- Ingvar Bjarnason – Chief Commercial Officer (CCO)
- Daði Sigurðarson – Chief Technology Officer (CTO)
- Snorri Karlsson – Chief Infrastructure Officer (CIO)
- Inga Helga Halldórudóttir – Chief Legal Officer (CLO)

The Executive Committee meets regularly, typically on a weekly basis. Its role is to prepare and implement strategic initiatives, coordinate cross-functional matters, and support effective execution of decisions taken by the CEO and the Board of Directors. The CEO is responsible for the leadership, performance, and effectiveness of the Executive Committee.

The organisational structure is regularly reviewed to ensure alignment with the Company's strategy, regulatory requirements, and operational needs.

In March 2026, the Company implemented changes to its organisational structure with the objective of simplifying operations, strengthening collaboration, and enhancing efficiency. The number of operating divisions was reduced, and the new structure is designed to create larger and more integrated teams, improve coordination across functions, and realise synergies between business units.

Following these changes, the Company operates through three main divisions:

- Technology
- Sales and Service
- Finance and Operations

Technology Division

Responsibility for core network systems and implementation activities was consolidated within the Technology Division, bringing the Company's telecommunications operations under a single organisational unit. This change is intended to strengthen operational efficiency and technical integration.

Daði Sigurðarson continues to serve as Chief Technology Officer. Responsibility for the day-to-day management of implementation activities is shared within the division.

Sales and Service Division

Network Operations (NOC) was transferred from the Technology Division to the Sales and Service Division and combined with the service desk. This integration creates a unified customer-facing function aimed at improving service quality, responsiveness, and customer experience. The division is led by Ingvar Bjarnason, Chief Commercial Officer.

Finance and Operations Division

Hosting services were transferred to the Finance and Operations Division. In addition, the human resources function was integrated into this division. The reorganisation establishes a strengthened support function combining finance, procurement, security, human resources, and facilities management, with the aim of improving efficiency, governance, and operational support across the Company.

From March 2026 the members of the Executive Committee are:

- Rebekka Jóelsdóttir – Chief Financial Officer (CFO)
- Ingvar Bjarnason – Chief Commercial Officer (CCO)
- Daði Sigurðarson – Chief Technology Officer (CTO)
- Inga Helga Halldórudóttir – Chief Legal Officer (CLO)

Internal Risk Management

The Company maintains an internal control and risk management framework designed to support effective operations, reliable financial reporting, and compliance with applicable laws and regulations. The framework is based on a clear organisational structure with defined roles and responsibilities and is aligned with the Company's governance policies and procedures.

The Board of Directors has overall responsibility for ensuring that appropriate and effective internal control and risk management systems are in place. The Board reviews the Company's risk policy on a regular basis and oversees the effectiveness of the Company's risk management framework.

The Chief Executive Officer (CEO) is responsible for the implementation and maintenance of effective internal controls and risk management processes, including those relating to financial reporting, in accordance with policies approved by the Board.

The Audit and Risk Management Committee supports the Board in fulfilling its oversight responsibilities. The Committee monitors the financial reporting process and the preparation of financial statements, reviews the effectiveness of internal control systems, internal audit (where applicable), and risk management processes, and oversees the external audit of the Company's financial statements and consolidated accounts. The Committee also provides independent and objective recommendations to the Board in these areas.

The Company's risk management policy is designed to ensure a structured and consistent approach to identifying, assessing, and managing risks across the organisation. The policy defines roles, responsibilities, and processes for risk management and supports informed decision-making at all levels of the Company. The Company's risk management framework covers both financial and non-financial risks, including operational, regulatory, cybersecurity, sustainability-related, and corporate governance risks.

Corporate governance risks relate to compliance with applicable laws, regulations, and recognized corporate governance standards. Failure to effectively manage such risks may result in financial loss, reputational damage, and may adversely affect customers and the reliability of telecommunications services.

The Executive Committee is responsible for the implementation of the Company's risk management policy and for ensuring that appropriate organisational structures and processes are in place to manage risk effectively. Risk

Corporate governance statement - unaudited

management is embedded in the Company's operations through regular risk assessments, ongoing monitoring, and the implementation of mitigating actions.

In addition, the Company operates a Security Council, which supports the management of operational and security-related risks, including those relating to infrastructure resilience and information security.

Corporate governance risks relate to compliance with laws and codes of good governance practice. These risks could result in financial loss for Míla and/or damage to its reputation. In addition, it can directly affect its customers and cause harm to telecommunications services in the country.

External Audit

An independent external auditor is elected at the Company's Annual General Meeting. The external auditor audits the Company's consolidated financial statements in accordance with applicable auditing standards. This includes examining accounting records and other information relating to the Company's financial position and operations.

The external auditor reports significant findings, including any material weaknesses in internal control, to the Board of Directors through the Audit and Risk Management Committee.

PricewaterhouseCoopers ehf. (PwC) was elected as the Company's auditor at the Annual General Meeting held on 4 April 2024. The engagement partner is Valgerður Kristjánsdóttir, Certified Public Accountant (CPA), who has audited and endorsed the Company's financial statements for the year.

Internal Audit

The Company has engaged Deloitte to perform internal audit services. The internal audit function provides independent and objective assurance on the adequacy and effectiveness of the Company's internal control systems, risk management processes, and governance framework.

Internal audit activities include reviewing the design and operational effectiveness of internal controls and providing recommendations for improvement. The internal auditor reports its findings to the Audit and Risk Management Committee and the Board of Directors.

Social responsibility and Code of Ethics

Míla is committed to responsible and sustainable business practices and integrates social responsibility into its operations and decision-making. The Company's approach to social responsibility encompasses, inter alia, business ethics, environmental matters, occupational health and safety, and equality and diversity.

The Company operates in accordance with its Code of Ethics, which applies to the Board of Directors, management, and employees. The Code of Ethics establishes standards for professional conduct, integrity, compliance with applicable laws and regulations, and responsible business practices.

As a member of Festa – the Icelandic Centre for Sustainability – the Company is committed to promoting sustainability and responsible business conduct. This includes a focus on reliable and secure services, effective human resource management, environmental protection, and constructive engagement with stakeholders and the community.

The Company has adopted a Human Resources and Equality Policy, which aims to promote a workplace characterised by equal opportunities, non-discrimination, and diversity. Recruitment, development, and advancement are based on objective criteria, including skills, education, and experience. The policy also supports gender equality and an inclusive working environment. The policy was approved by the CEO in September 2023 and is subject to regular review.

The Company's remuneration policy is approved by the Annual General Meeting in accordance with applicable law. The purpose of the remuneration policy is to ensure that remuneration of senior management is aligned with the Company's long-term interests, sustainable value creation, and shareholders' interests, while supporting the Company's strategy and risk management framework.

The Board of Directors is responsible for overseeing the implementation of the remuneration policy, while the CEO ensures that remuneration practices for employees are consistent with the policy.

Compliance

During 2025, the Company remained subject to regulatory oversight by the Electronic Communications Office of Iceland (ECOI) in relation to its obligations under applicable telecommunications legislation and market decisions.

In Decision No. 12/2025, ECOI reviewed a complaint concerning alleged breaches by the Company of access, non-discrimination, and transparency obligations in relation to certain wholesale services. The Authority concluded that the Company had not breached such obligations with respect to IP-MPLS services. However, the decision also addressed the regulatory classification of certain services (including "Alien Wavelength" services), indicating that these fall within regulated wholesale markets and are therefore subject to applicable obligations. The Company has appealed the decision in respect of the classification of "Alien Wavelength" services, and the matter is pending final resolution.

The Company also engaged constructively with ECOI in relation to Decision No. 5/2025 and related matters concerning access and service provision. The Company has taken appropriate steps to ensure continued compliance with applicable regulatory requirements, including obligations relating to access, transparency, and non-discrimination.

The Company operates in a regulated and competitive environment and is subject to competition law and sector-specific regulatory requirements. As part of its compliance framework, the Company maintains policies, procedures, and training aimed at ensuring adherence to applicable competition law obligations and regulatory commitments, including those arising from prior settlements with the Icelandic Competition Authority.

Subsequent to year-end, the Company entered into a revised settlement agreement with the Icelandic Competition Authority in March 2026. Further information is provided in the "Subsequent Events" section of this report.

The Company places strong emphasis on regulatory compliance and maintains processes and controls to ensure adherence to applicable laws, regulatory decisions, and market obligations. No material sanctions were imposed on the Company during the year.

Non - financial information - unaudited

Economic Activities (1)	Code (2)	Absolute CapEx (B)	Proportion of CapEx (A)	Substantial Contribution Criteria						DNSH criteria (Does Not Significantly Harm)						Minimum Safeguards (21)	Taxonomy aligned proportion of total CapEx, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate Change Mitigation (9)*	Climate Change Adaptation (8)	Water (7)	Pollution (6)	Circular Economy (5)	Biodiversity and ecosystem (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)				
CapEx		ISK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0.00	0%	0%	0%	0%	0%	0%	0%	NA	NA	NA	NA	NA	NA	NA	0%	0%	0%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.00	0%																
Total (A.1+A.2)		0.00	0%																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		4,451.00	100%																
Total (A+B)		4,451.00	100%																

Economic Activities (1)	Code (2)	Absolute OpEx (B)	Proportion of OpEx (A)	Substantial Contribution Criteria						DNSH criteria (Does Not Significantly Harm)						Minimum Safeguards (21)	Taxonomy aligned proportion of total OpEx, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate Change Mitigation (9)*	Climate Change Adaptation (8)	Water (7)	Pollution (6)	Circular Economy (5)	Biodiversity and ecosystem (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)				
OpEx		ISK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0.00	0%	0%	0%	0%	0%	0%	0%	NA	NA	NA	NA	NA	NA	NA	0%	0%	0%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Freight transport services by road (OpEx A)																			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			0%																
Total (A.1+A.2)			0%																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		9,402.00	100%																
Total (A+B)			100%																

Non - financial information - unaudited

In addition, Míla discloses information on nuclear and natural gas activities in accordance with Article 8 (points 6 and 7) of the same Regulation. Since the Company has neither nuclear or natural gas activities, KPI's are not included in accordance with same Annex.

Nuclear and fossil gas related activities		
Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Though Míla's main activities do not fall under the published technical screening criteria, various adaptation solutions have been developed at the Company that will reduce greenhouse gas emissions. For further information regarding Míla's initiatives can be found in the Company's Sustainability Report.