Consolidated Financial Statements

for the year ended 31 December 2021

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Endorsement and Statement by the Board of Directors and the CEO

Síminn is a leader in the Icelandic telecommunication market and provides customers, both individuals and companies, with a comprehensive product offering in the field of telecommunications and entertainment. In its more than 115 years of existence, the company has built up one of the most powerful and secure telecommunications networks in the world, whether it is a mobile or fixed line system. Siminn's position is strong in the telecommunications market and in recent years there has been strong revenue growth in the entertainment segment.

The financial statements comprise the consolidated financial statements of Síminn hf (the Company) and ist subsidiaries, as listed in note 15, for the year 2021. The company's main area of operation is in Iceland.

News from the operation

In December 2020, Síminn hf. and Crayon Group AS signed a binding agreement on the sale of Síminn's hf. subsidiary, the information technology company Sensa ehf. to Crayon Group AS. The settlement took place at the end of March and the purchase price was paid in full in April. The company's sale price was ISK 3.710 million and the profit from the sale amounted to ISK 2.180 million. See more in Note 20.

On the 18th of October Síminn hf. entered a private negotiations with Ardian France SA on the sale of all its shares in Míla ehf. Those negotiations ended on October 23 with the signing of an agreement on the sale of all shares in the subsidiary Míla ehf. The sale is subject to traditional reservations regarding the approval of the Competition Authority. The value of the transaction (e. Enterprise value) is ISK 78 billion, including the financial obligations of Míla ehf. which the buyer takes over. According to the purchase agreement, Síminn will receive ISK 44 billion in cash and ISK 15 billion in the form of a three-year bond on the closing date. The estimated capital gain is ISK 46 billion, considering the cost of the transaction. See further in Note 20.

Operations in the year 2021

The operation of Sensa ehf. and Míla ehf. is now classified as discontinued operations in the 2021 annual accounts and the comparative figures for the year 2020 have been changed accordingly. Total sales amounted to ISK 24.543 million in 2021, compared to ISK 23.969 million in 2020. This is a 2.4% growth, which is due to a growth in revenue from mobile and TV services. Revenues from fixed voice declined, while revenue from data and equipment sales remained virtually unchanged between years. Gross profit amounted to ISK 8.497 million and the gross margin was 34.6%, which is a decrease of ISK 954 million. (2020: ISK 9.451 million and 39.4% of revenue). Operating expenses were ISK 6.750 million and decreases by ISK 1.110 million between years (2020: ISK 7.860 million) The change in gross profit and operating costs is largely explained by the sale of the RAN system and the IP/MPLS network to Míla ehf. With this asset sale, the revenue of Míla ehf. increased by ISK 1.900 million and EBITDA increased by ISK 1.200 million. Wage costs decrease between years. Operating profit was ISK 2.260 million compared to ISK 2.144 million in 2020. Net financial expenses amounted to ISK 114 million and decrease by ISK 174 million between years (2020: ISK 288 million) due to changes in the Group's capital structure during the year and lower indebtedness. The effect of discontinued operations amounted to ISK 3.478 million during the year (2020: ISK 1.457 million). Profit from continuing operations amounted to ISK 1.735 million compared to ISK 1.459 million in 2020. Profit for the year amounted to ISK 5.213 million compared to ISK 2.916 million in 2020. EBITDA for the year from continuing operations amounted to ISK 5.502 million compared to ISK 6.006 million in 2020.

Balance Sheet

Property, plant and equipment were ISK 2.219 million and decrease significantly between years (2020: ISK 18.991 million) as Míla assets are now classified as assets held for sale, further discussion is in Note 20. The sale of Míla has a significant effect on most items in the balance sheet. Current assets amounted to ISK 46.677 million and increase significantly between years (2020: ISK 7.749 million) due to the classification of Míla assets. Other current receivables amounted to ISK 3.082 million (2020: ISK 735 million). This change is due to advance payment of part of the TV rights and expenses paid related to the sale of Míla. Cash and cash equivalents amounted to ISK 3.509 million (2020: ISK 735 million) and has increased significantly during the year due to a change in the capital structure that was implemented in March and April 2021 and the sale of the subsidiary Sensa ehf. Total assets amounted to ISK 69.727 million compared to ISK 65.206 million in 2020. Share capital was ISK 7.314 million at the end of the year (2020: ISK 8.483 million) and decreases by ISK 1.169 million.

Balance Sheet, contd.:

The Annual General Meeting of 2021 agreed to reduce share capital by ISK 316 million in nominal value and at the same time to reduce share capital by ISK 894 million in nominal value with a payment to shareholders amounting to ISK 7.967 million. A proposal was also approved for an authorization to buy own shares up to ISK 754 million in nominal value. During the year, own shares with a nominal value of ISK 279 million were purchased for a total of ISK 2.965 million (2020: ISK 267 million and ISK 1.751 million). Equity amounted to ISK 31.079 million compared to ISK 37.298 million at the end of 2020. Non-current liabilities amounted to ISK 7.200 million compared to ISK 20.025 million at the end of 2020. Liabilities of Míla ehf. are classified as liabilities for assets held for sale that affect borrowings and lease liabilities. The company refinanced its long-term loans during the period. On the one hand, with a long-term loan from Arion Bank in the amount of ISK 6 billion plus ISK 2 billion credit line. Current liabilities amounted to ISK 31.448 million compared to ISK 7.883 million at the end of 2020. Current liabilities amounted to ISK 1.518 million (2020: ISK 500 million), the increase is related to issuance of corporate notes which started in June 2021. Liabilities amounted to a total of ISK 31.448 million compared to ISK 27.908 million at the end of 2020.

Cash Flow

Classification of Míla ehf. as discontinued operations have a significant effect on the company's cash flow, see note no. 20. Change in operating assets and liabilities was ISK -1.099 million compared to ISK 461 million in 2020 due to advance payment of part of the TV rights and expenses paid related to the sale of Míla. Interest income amounted to ISK 377 million (2020: ISK 469 million) and decrease due to the refinancing of Míla ehf. in April 2021 as the parent company's loans were refinanced with an external borrowing. Interest expenses amounted to ISK 454 million (2020: ISK 671 million) and decreases due to lower indebtedness. The sale of subsidiary, less cash, amounted to ISK 3.193 million due to the sale of Sensa during the year. The total investment in property, plant and equipment and intangible assets decreases due to the sale of the RAN and IP/MPLS networks to Míla ehf. in the beginning of the year. The sale of Míla ehf. has also effect on the investment activities which increases significantly and the financing activities which on the other hand decreases due to the refinancing of Míla ehf. The increase in cash amounted to ISK 2.773 million (2020: ISK 537 million), which is mainly related to the sale of Sensa ehf. and a change in the capital structure of the company.

Privacy

Privacy is important to the company and a growing part of risk assessment. The company places great emphasis on the protection and security of personal information and the company's goal is that all processing of personal information is in accordance with the Act on Personal Data Protection and Processing no. 90/2018. In addition, there are appropriate processes and procedures to minimize risk. The company employs a privacy officer who monitors that the company fulfills its legal obligations.

Information security

Information security is an important factor when it comes to the company's infrastructure. The company has established a policy on information security and a policy on risk management. The company seeks all means to minimize threats and risks that may be posed to the environment and uses recognized and certified methods. The company operates a management system for information security and is i.a. with certification in ISO 27001. The company performs a risk assessment of all its values that fall within the scope of certification, the scope of the certification is the entire environment of the company. The aim of conducting a risk assessment is to identify the risks that may exist in the environment, understand their existence and minimize the risks that arise from them through defined and documented measures. Risk assessment and risk management results in continuous improvement in both service and operations and ensures proper management, builds stakeholder trust in the information security management system, risk management, minimizes environmental risk, strengthens management systems and responds to changes in the right way as well as protecting the company.

Regarding the main risk and uncertainty factors, see Note 26.

Endorsement and Statement by the Board of Directors and the CEO

Share capital and articles of association

The number of shareholders at year end 2021 was 1.242, in the beginning of the year they were 873. At the the year end 2021 two shareholders owned over 10% of the company's share capital. At year end 2021 the ten largest shareholders were:

	Shares in ISK million	Shares in %
Stoðir hf.	1.162	15,41%
Lífeyrissjóður verzlunarmanna	868	11,51%
Lífeyrissj.starfsm.rík. A-deild	744	9,87%
Gildi - lífeyrissjóður	612	8,12%
Íslandsbanki hf,safnskráning 2	397	5,27%
Stapi lífeyrissjóður	315	4,18%
Brú Lífeyrissjóður starfs sveit	306	4,06%
Lífeyrissj.starfsm.rík. B-deild	287	3,81%
Birta lífeyrissjóður	275	3,65%
Söfnunarsjóður lífeyrisréttinda	252	3,34%
	5.218	69,22%

At the Company's Annual General Meeting held on March 11, 2021, it was agreed to authorize the Board of Directors to purchase up to 10% of the nominal value of the Company's shares, cf. VIII. section of Act no. 2/1995 on Public Limited Companies. The authorization is valid for up to eighteen months. With the approval of this proposal, the same authorization approved at the Company's Annual General Meeting on March 12, 2020, expired.

The Board of Directors proposes a dividend payment to shareholders in 2020 of ISK 500 million. The Board proposes a share capital reduction to cancel own shares of nominal value ISK 226 million plus part of repurchases in 2022, a total of ISK 240 million nominal value. The Board also proposes a share buyback programme for amount up to 10% of equity.

The Company's share capital at year end 2021 amounts to ISK 7.540 million, of which the Company ownes ISK 226 million. The share capital is listed on the Icelandic Stock Exchange. Shareholders are entitled to one vote per share of one ISK.

Corporate Governance

The Board of Directors is focused on practicing good Corporate Governance and that it consists with the Icelandic Corporate Governance guidelines, issued by the Iceland Chamber of Commerce, Nasdag OMX Iceland and the Confederations of Icelandic Employers. The Board of Directors has prepared Corporate Governance Statement in compliance the Icelandic Corporate Governance guidelines which are described in full in the Corporate Statement in the consolidated financial statements. The company has securities listed on the Iceland Stock Exchange hf. and must therefore follow the guidelines on governance in accordance with the Exchange's rules, which can be accessed on its website.

The Board of Directors of Síminn has three men and two women and the company complies with the provisions of the Act on the Gender ratios of the Board of Directors.

Further information on corporate governance is provided in the Corporate Governance Statement section, which is annexed to the Annual Accounts.

Non-Financial Reporting

Non-financial information which are relevant and useful to assess the Company's policies regarding environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues are further discussed in the Non-Financial Reporting in the consolidated financial statements.

Endorsement and Statement by the Board of Directors and the CEO

Statement by the Board of Directors and the CEO

According to the best of our knowledge the Consolidated Financial Statements of Síminn hf. are prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. It is our opinion that these Consolidated Financial Statements give a true and fair view of the consolidated financial performance of Síminn hf. for the year 2021, its assets, liabilities and consolidated financial position as at 31 December 2021 and its consolidated cash flows for the year 2021. Further, in our opinion the Consolidated Financial Statements give a fair view of the development and performance of Siminn's operations and its position and describes the principal risks and uncertainties faced by Síminn hf.

The Board of Directors and the CEO have today discussed the Consolidated Financial Statements of Síminn hf. for the year 2021 and confirm them by means of their signatures.

Reykjavík, 15 February 2022.

Board of Directors

Jón Sigurðsson, Chairman

Sigrún Ragna Ólafsdóttir, vice Chairman

Arnar Þór Másson

Bjarni Þorvarðarson

Björk Viðarsdóttir

CEO

Orri Hauksson

Independent Auditor's Report

To the Board of Directors and Shareholders of Síminn hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Síminn hf. ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional disclosure requirements for listed companies in Iceland.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We were first appointed as auditors by the Annual General Meeting on 15 April 2016. We have been re-appointed by resolutions passed by the annual general meeting uninterrupted since then.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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	How the matter was addressed in the audit

Evaluation of goodwill

At year-end 2021, the Group's goodwill amounted to ISK 14,9 million and is the single largest asset of the Company. Goodwill has been allocated between the relevant cash generating units. Goodwill must be tested annually for impairment and also other assets which are not amortized and have an undefined useful life.

Assessment of value of goodwill is one of key audit matters in audit of the Group’s consolidated financial statements due to how large proportion goodwill is of its total assets and that this asset is subject to evaluation by management. Assessment of value of goodwill is based on management’s expectations relating to present value of future cash flows of cash generating units.

Information on impairment test performed on the Group's goodwill at year-end is in note 14 and information on significant accounting policies is in note 32.3.

We in cooperation with our valuation specialists evaluated the key assumptions used by management in calculating value of goodwill in each cash generating unit. The audit work included among other things:

• Key assumptions for projected cash flows and operating plans for the next 5 years were evaluated. This work included an evaluation of key assumptions regarding income, operating expenses, contribution margin and investments for the projected period.

• Deviations from prior years' budgets are considered, among other procedures, in our assessment of the projected cash flows and operating plans.

• Key assumptions regarding projected future growth following the projected period were evaluated.

• The calculation model was tested and its functionality evaluated.

• Key assumptions regarding cost of capital (WACC) for each cash generating unit were reviewed and evaluated. WACC was compared to the Group's finance expenses and other market related assumptions.

• We observed the notes to the financial statements and verified that information required in accounting policies were included.

Key Audit Matters	How the matter was addressed in the audit

Revenue recognition

The Group´s revenue recognition systems are complicated and process a large number of transactions in many systems. The main revenues are from mobile and fixed voice, internet and network, IT services and equipment sales. Revenue recognition of the Group is explained in note 32.4.

Revenue recognition is one of key audit matters in the audit of the Group’s consolidated financial statements due to the large number of transactions and complicated recognition in the revenue recognition system where supply and price of goods and services changes on a regular basis.

Our audit procedures aimed at evaluating the design, implementation and functionality of automatic controls relating to revenue recognition and by performing relevant substantive audit testing in order to verify the completeness and accuracy in the Group’s revenue recognition and that revenue is recognised in the appropriate period. This audit work included among other things:

• The computer and information systems used for revenue recognition were evaluated and the flow between revenue systems and finance system. Furthermore, tests were performed on the specific automatic controls embedded in the process.

• Examination of employee access authorisation in the financial systems.

• Examination of controls in invoicing which are designed to ensure validity and accuracy of issued invoices.

• Analytical tools were utilised in testing sales transactions in order to detect unusual transaction for further examination.

Independent Auditor’s Report, cont.

Other information in the annual report

The Board of Directors and CEO are responsible for other information. Other information comprises the the annual report, but does not include the consolidated financial statements and our auditor’s report thereon. Our opinion on the consolidated financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read other information in the annual report when it is available 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is not available at our reporting date but is expected to be made available to us prior to its publication.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Board of Directors and CEO are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 the Board and CEO'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.

Independent Auditor's Report, cont.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, cont.

- Obtain sufficient and 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 the Board of Directors and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on European single electronic format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Síminn hf. we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Síminn hf. for the year 2021 with the file name 254900X9GQZN6UGXYF10-2021-12-31-is is prepared, in all material respects, in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021 relating to requirements regarding European single electronic format Regulation EU 2019/815 which include requirements related to the preparation of the consolidated financial statements in XHTML format and iXBRL markup.

Board of Directors and CEO are responsible for preparing the consolidated financial statements in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021. This includes preparing the consolidated financial statements in an XHTML format in accordance with EU Regulation 2019/815 on the European single electronic format (ESEF Regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements is prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF Regulation, whether due to fraud or error.

In our opinion, the consolidated financial statements of Síminn hf. for the year 2021 with the file name 254900X9GQZN6UGXYF10-2021-12-31-is is prepared, in all material respects, in compliance with the ESEF Regulation.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Árni Claessen.

Reykjavik, 15 February 2022

KPMG ehf.

Consolidated Income Statement for the year 2021

	Notes	2021	2020*
Net sales	5	24.030	23.416
Cost of sales	6	(15.533)	(13.965)
Gross profit		8.497	9.451
Other operating income		513	553
Operating expenses	7	(6.750)	(7.860)
Operating profit		2.260	2.144
Finance income		382	460
Finance cost		(453)	(683)
Net exchange rate differences		(43)	(65)
Net financial items	9	(114)	(288)
Profit before tax		2.146	1.856
Income tax	10	(411)	(397)
Profit for the year of continued operations		1.735	1.459
Profit from discontinued operation, net of tax	20	3.478	1.457
Profit for the year		5.213	2.916
EBITDA continued operations	4	5.502	6.006
EBITDA discontinued operations		5.101	3.950
EBITDA		10.603	9.956

Earnings per share

	Notes	2021	2020*
Basic earnings per share continued operations	11	0,23	0,17
Diluted earnings per share continued operations	11	0,23	0,17
Basic earnings per share discontinued operations	11	0,45	0,17

The comparative information is restated, see Note 20

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

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Consolidated Statement of Financial Posititon as at 31 December 2021

	Notes	31.12.2021	31.12.2020
Assets			
Non-current assets			
Property, plant and equipment	12	2.219	18.991
Right-of-use assets	13	753	5.378
Intangible assets	14	19.403	32.544
Other financial assets	16	675	544
Non-current assets		23.050	57.457
Current assets			
Inventories	17	923	1.127
Accounts receivables	18	2.234	3.147
Other assets	19	3.082	834
Cash and cash equivalents		3.509	735
Assets held for sale	20	36.929	1.906
Current assets		46.677	7.749
Total assets		69.727	65.206
Equity			
Share capital	21	7.314	8.483
Reserves	21	3.278	13.041
Other statutory reserve	21	154	154
Other reserve	21	2.020	674
Retained earnings		18.313	14.946
Equity	21	31.079	37.298
Liabilities			
Non-current liabilities			
Borrowings	22	5.943	14.289
Lease liabilities	23	653	5.066
Deferred tax liabilities	24	604	670
Non-current liabilities		7.200	20.025
Current liabilities			
Bank loans		1.518	500
Accounts payables		2.141	2.554
Current maturities of borrowings	22	0	1.150
Current maturities of lease liabilities	23	180	513
Taxes to be paid		894	850
Other liabilities	25	889	1.540
Liabilities held for sale	20	25.826	776
Current liabilities		31.448	7.883
Total liabilities		38.648	27.908
Total equity and liabilities		69.727	65.206

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

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Consolidated Statement of Changes in Equity for the year 2021

	Share capital	Reserves	Other statutory reserve	Translation- and other reserve	Retained earnings	Total equity
Total equity 1.1.2020	8.750	14.525	154	456	12.747	36.632
Net profit for the year					2.916	2.916
Translation difference on foreign operation				1		1
Payment of dividends (0,057144 per share)					(500)	(500)
Buyback of ordinary shares	(267)	(1.484)				(1.751)
Other changes				217	(217)	0
Total equity 31.12.2020	8.483	13.041	154	674	14.946	37.298
Total equity 1.1.2021	8.483	13.041	154	674	14.946	37.298
Net profit for the year					5.213	5.213
Payment of dividends (0,05953 per share)					(500)	(500)
Share capital decrease	(890)	(7.077)				(7.967)
Buyback of ordinary shares	(279)	(2.686)				(2.965)
Other changes				1.346	(1.346)	0
Total equity 31.12.2021	7.314	3.278	154	2.020	18.313	31.079

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Consolidated Statement of Cash Flow for the year 2021

	Notes	2021	2020*
Cash flow from operating activities			
Operating profit		2.260	2.144
Operational items not affecting cash flow:			
Depreciation	12-14	3.242	3.862
Gain on sale of fixed assets		(1)	(2)
		5.501	6.004
Changes in current assets and liabilitites:			
Changes in inventories		130	460
Changes in operating assets		(1.489)	(37)
Changes in operating Liabilities		260	38
Changes in current assets and liabilitites		(1.099)	461
Cash generated by operation		4.402	6.465
Interest income received		377	471
Interest expenses paid		(454)	(734)
Payments of taxes		(565)	(627)
Net cash from operating activities		3.760	5.575
Investment activities			
Investment in property, plant and equipment	12	(556)	(1.638)
Investment in intangible assets	14	(1.952)	(1.764)
Proceeds from sale of property, plant and equipment	20	7.694	3
Changes in other investment		(894)	(211)
Payment of loan and decrease of capital in subsidiary	20	12.000	0
Investment in subsidiaries	20	(454)	1.449
Sale of subsidiaries	20	3.193	0
Investment activities		19.031	(2.161)
Financing activities			
Dividend paid		(500)	(500)
Buyback of ordinary shares	21	(2.965)	(1.751)
Proceeds from the excercise of share options		(7.968)	0
New borrowings		6.000	0
Payments of non-current liabilities	22	(15.429)	(192)
Payment of long term lease	23	(174)	(334)
Bank loans, increase		1.018	(100)
Financing activities		(20.018)	(2.877)
Increase in cash and cash equivalents		2.773	537
Effect of exchange rate fluctuations on cash held		1	(19)
Cash and cash equivalents at the beginning of the year		735	217
Cash and cash equivalents at the end of the year		3.509	735

The comparative information is restated, see Note 20

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

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Notes to the Consolidated Financial Statements

1. Reporting entity

Síminn hf. (the "Company") is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Ármúli 25, Reykjavík. The consolidated financial statements for the year 2021 comprise the Company and its subsidiaries (together referred to as "Síminn" or the "Group") and Síminn's interest in associated companies. The Company is listed on Nasdaq OMX Iceland.

2. Basis of accounting

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies. A summary of significant accounting policies is disclosed in Note 32.

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

These consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on 15 February 2022.

Basis of measurement

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

Presentation and functional currency

These financial statements are presented in Icelandic Krona (ISK), which is the Company's functional currency. All financial information presented in ISK has been rounded tho the nearest million.

Use of judgements and estimates

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

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

Information on important decisions where accounting policies have the greatest impact on the amounts of assets and liabilities recorded in the financial statements can be found in Note 14 on estimating the recoverable amounts of cash-generating units that include goodwill.

3. Changes in accounting policies

The accounting policies applied in the consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

4. Operating segments

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

The Company operates within six segments that sell services and equipment in different markets. The segments were seven but after the sale of Sensa ehf., IT services are no longer part of operating segments. The operating segments are as follows:

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

Operating segments 2021	**Mobile**	**Fixed voice**	**Internet & network**	**TV**	**Equipment sales**	**Other revenues**	**Total**
Revenue	5.604	1.572	7.342	6.383	2.148	1.494	24.543
Expenses							(19.041)
EBITDA							5.502
Depreciation							(3.242)
Net finance cost							(114)
Taxes							(411)
Profit for the year of continued operations							1.735
Discontinued operations							3.478
Profit for the year							5.213
Capital additions							5.186
Assets							69.727
Liabilities							38.648

Operating segments 2020	**Mobile**	**Fixed voice**	**Internet & network**	**TV**	**Equipment sales**	**Other revenues**	**Total**
Revenue	5.343	1.725	7.334	6.266	2.162	1.139	23.969
Expenses							(17.963)
EBITDA							6.006
Depreciation							(3.862)
Net finance cost							(288)
Taxes							(397)
Profit for the year of continued operations							1.459
Discontinued operations							1.457
Profit for the year							2.916
Capital additions							(3.399)
Assets							65.206
Liabilities							27.908

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5. Net sales

Sales of service and goods is specified as follows:

	2021	2020
Sales of service	21.445	21.110
Sales of goods	2.585	2.306
	24.030	23.416

No customer comprises more than 10% of net sales.

6. Cost of sales

Cost of sales is specified as follows:

Salaries and salary related expenses	735	932
Cost of service sold	9.496	7.483
Interconnecting fees	678	663
Cost of goods sold	2.346	2.166
Capitalised work	(207)	(277)
Depreciation cost of sold services	2.485	2.998
	15.533	13.965

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

7. Operating expenses

Operating expenses is specified as follows:

Salaries and related expenses	3.123	3.486
Sales and marketing expenses	554	482
Housing and transportation expenses	543	844
IT-expenses	1.043	1.026
General and administrative expenses	729	1.158
Depreciation operating expenses	758	864
	6.750	7.860

8. Salaries and salary related expenses

Salaries and salary-related expenses is specified as follows:

Salaries	3.155	3.629
Contributions to pension funds	431	474
Other salary-related expenses	272	315
	3.858	4.418
Average number of full year equivalents	308	356

63% of the Group's employees are men (2020: 67%) and 37% women (2020: 33%).

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8. Salaries and salary-related expenses, contd.:

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

	2021	2020
Cost of sales	735	932
Operating expenses	3.123	3.486
	3.858	4.418

9. Financial income and expense

Financial income and finance costs are specified as follow:

	2021	2020
Finance income		
Interest income	380	456
Dividend received	2	4
	382	460
Finance expense		
Interest on borrowings	(292)	(528)
Interest expense from lease liability	(45)	(83)
Loan write-downs	(41)	(12)
Other finance expenses	(75)	(60)
	(453)	(683)
Net exchange rate differences	(43)	(65)
Net financial items	(114)	(288)

10. Taxes

Income tax is calculated and expensed. Income tax for the year 2021, to be paid 2022, amounts to ISK 879 million. Equalization tax for the year 2021, to be paid 2022, amounts to ISK 15,3 million. Taxes to be paid at year end are ISK 894 million.

Reconciliation of effective income tax rate:	2021		2020	
Profit before tax		2.146		1.856
Income tax using the Company's tax rate	20,0%	(429)	20,0%	(371)
Non-deductable expenses	0,0%	(1)	1,6%	(30)
Non-taxable income	(0,2%)	5	(0,3%)	6
Equalization tax	0,6%	(12)	0,6%	(12)
Other changes	(1,2%)	26	(0,5%)	10
Effective income tax rate	19,2%	(411)	21,4%	(397)

11. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Parent by the weighted average number of outstanding shares during the year. The calculation of diluted earnings per share is calculated by dividing the net profit attibutable to equity holders of the Parent by the weighted average number of outstanding shares with the diluting effects of expected shares in stock options given to employees. No stock option agreementst were active at year end 2021.

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11. Earnings per share, contd.:

	2021	2020
Profit for the year of continued operations	1.735	1.459
Profit from discontinued operation, net of tax	3.478	1.457
Profit for the year attributable to equity holders of the parent company	5.213	2.916
Share capital in the beginning of the year	8.483	8.750
Effects of trades with own capital	(1.085)	(111)
Weighted average number of shares for the year	7.398	8.639
Basic earnings per share continued operations	0,23	0,17
Basic earnings per share discontinued operations	0,45	0,17
Diluted earnings per share continued operations	0,23	0,17

12. Operating assets

Operating assets are specified as follow:

	Telecom equipment	Buildings	Other equipment	Total
Cost				
Balance at 1.1.2020	45.416	1.910	2.384	49.710
Regrouped	(457)	(7)	(993)	(1.457)
Additions	3.721	49	170	3.940
Sales and disposals	(663)	(15)	(62)	(740)
Balance at 31.12.2020	48.017	1.937	1.499	51.453
Regrouped	(81)	0	0	(81)
Regrouped to assets held for sale	(27.509)	(1.770)	(490)	(29.769)
Additions	476	0	80	556
Sales and disposals	(9.485)	0	(241)	(9.726)
Balance at 31.12.2021	11.418	167	848	12.433
Depreciation and impairment losses				
Balance at 1.1.2020	28.273	972	1.749	30.994
Regrouped	(371)	(7)	(873)	(1.251)
Depreciation	3.133	91	221	3.445
Sales and disposals	(654)	(13)	(59)	(726)
Balance at 31.12.2020	30.381	1.043	1.038	32.462
Regrouped	(34)	0	0	(34)
Regrouped to assets held for sale	(12.703)	(1.026)	(258)	(13.987)
Depreciation	954	1	80	1.035
Sales and disposals	(9.057)	0	(205)	(9.262)
Balance at 31.12.2021	9.541	18	655	10.214
Carrying amounts				
At 1.1.2020	17.143	938	635	18.716
At 31.12.2020	17.636	894	461	18.991
At 31.12.2021	1.877	149	193	2.219

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12. Operating assets, contd.:

The official real estate valuation of buildings owned by the Company is ISK 255 million (2020: ISK 1.807 million) and insurance value ISK 414 million (2020: ISK 3.674). Insurance value of other equipment is ISK 9.835 million (2020: ISK 17.106 million).

Depreciation of operating asset and intangible assets are specified as follows in the income statement:	**2021**	**2020**
Cost of sales	2.485	2.998
Operating expenses	757	864
Total	3.242	3.862

Useful life is specified as follows:

Telecom equipment	4 - 30 years
Buildings	15 - 33 years
Other equipment	3 - 10 years

13. Right-of-use assets

The Group leases buildings and cars. The leases typically run for a period between 5 - 20 years, with an option to renew the lease after that date. Most leases provide for additional rent payments that are based on changes in local price indices.

Right-of-use assets are specified as follows:	**Telecom equipment**	**Buildings**	**Other equipment**	**Total**
Cost				
Balance at 1.1.2020	173	5.517	92	5.782
Additions	0	766	61	827
Cancelled leases	0	(80)	(20)	(100)
Remeasurements	5	169	7	181
Balance at 31.12.2020	178	6.372	140	6.690
Additions	0	0	28	28
Cancelled leases	0	(1.633)	(40)	(1.673)
Adjustments for indexed leases	0	36	1	37
Regrouped to assets held for sale	(178)	(3.347)	(86)	(3.611)
Balance at 31.12.2021	0	1.428	43	1.471
Depreciation				
Balance at 1.1.2020	11	615	38	664
Depreciation	11	612	52	675
Disposals	0	(11)	(16)	(27)
Balance at 31.12.2020	22	1.216	74	1.312
Depreciation	0	172	18	190
Disposals	0	(250)	(13)	(263)
Regrouped to assets held for sale	(22)	(444)	(55)	(521)
Balance at 31.12.2021	0	694	24	718
Carrying amounts				
At 1.1.2020	162	4.902	54	5.118
At 31.12.2020	156	5.156	66	5.378
At 31.12.2021	0	734	19	753

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Notes to the Consolidated Financial Statements

14. Intangible assets

Intangible assets are specified as follow:

	Goodwill	Software	Other intangibles	Total
Cost				
Balance at 1.1.2020	55.185	5.075	6.233	66.493
Regrouped to assets held for sale	(1.079)	(66)	(10)	(1.155)
Additions	51	379	928	1.358
Sales and disposals	(2)	(119)	0	(121)
Balance at 31.12.2020	54.155	5.269	7.151	66.575
Regrouped	0	81	0	81
Regrouped to assets held for sale	(15.597)	(547)	0	(16.144)
Additions	0	599	1.000	1.599
Sales and disposals	0	(1.619)	(1.804)	(3.423)
Balance at 31.12.2021	38.558	3.783	6.347	48.688
Amortisation and impairment losses				
Balance at 1.1.2020	26.682	3.523	2.023	32.228
Regrouped to assets held for sale	(7)	(62)	(1)	(70)
Depreciation	0	437	1.557	1.994
Sales and disposals	(2)	(119)	0	(121)
Balance at 31.12.2020	26.673	3.779	3.579	34.031
Regrouped	0	34	0	34
Regrouped to assets held for sale	(2.990)	(452)	0	(3.442)
Depreciation	0	445	1.572	2.017
Sales and disposals	0	(1.551)	(1.804)	(3.355)
Balance at 31.12.2021	23.683	2.255	3.347	29.285
Carrying amounts				
At 1.1.2020	28.503	1.552	4.210	34.265
At 31.12.2020	27.482	1.490	3.572	32.544
At 31.12.2021	14.875	1.528	3.000	19.403

Useful life is specified as follows:

Software	2 - 7 years
Other intangibles	0 - 15 years

Other intangibles consist of the company's trademark, TV rights, frequency licences and other intangible assets.

The Company's trademark is mortaged to secure debt.

14.1. Annual test for impairment

Goodwill and other intangible assets that have indefinite life are tested for impairment at each reporting date. In performing the annual impairment test of goodwill, an assessment is made as to whether the individual units of the company (cash-generating units) to which goodwill relates will be able to generate sufficient positive net cash flows in the future to support the value of goodwill, trademarks with an indefinite useful life and other net assets of the entity.

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14.1. Annual test for impairment, contd.:

The total carrying vale of goodwill was allocated to each cash generated unit (CGU) as follows:	2021	2020
Goodwill Síminn hf.	14.845	19.734
Goodwill Míla ehf.	0	7.718
Goodwill Radíómiðun ehf., telecommuncation	30	30
	14.875	27.482
Trademark classified as other Intangibles	1.589	1.589

Síminn hf. and Ardian France SA have signed a binding agreement on the sale of Síminn's subsidiary Míla ehf. to Ardian France SA. The goodwill of Míla ehf. is now classified as an asset held for sale, see in Note 20. Míla's expected sale price less costs is higher than the asset base and therefore there is no need to perform an impairment test on th company's goodwill.

The recoverable amounts of cash-generating units was based on their value in use and were 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 five year business plan. Cash flows beyond the forecast period were extrapolated using a constant nominal growth rate which management believes is consistent with the long-term average growth rate for the markets in which Síminn operates. Discount rates which reflect the risk-free interest rate with the addition of specific risks related to equity and liabilities are used to calculate recoverable amounts.

Measurement of trademarks is based on expected future cash flows for the trademarks on the basis of key assumptions about expected useful life and relief from royalty rate and a theoretically calculated tax effect. A discount rate is used which reflects the risk-free interest rate with the addition of specific and estimated future risks associated with the particular trademark.

The value in use were based number of key assumtions which represents the managements assessment of future trends in the market and are based on both external and internal sources. The key assumptions used for value in use calculations are as follows:

	2021	2020
Síminn		
Long term growth rate	1,8%	1,8%
Weighted average revenue growth 2022-2026 / 2021-2025	1,1%	0,7%
EBITDA average growth 2022-2026 / 2021-2025	0,2%	2,1%
WACC	8,5%	7,0%
Debt ratio	54,7%	62,9%
Finance cost rate	4,8%	4,4%
Radíómiðun		
Long term growth rate	2,5%	2,5%
Weighted average revenue growth 2022-2026 / 2021-2025	2,3%	2,8%
EBITDA average growth 2022-2026 / 2021-2025	5,1%	6,7%
WACC	13,4%	13,1%
Debt ratio	27,2%	27,5%
Finance cost rate	6,3%	5,9%

The recoverable amounts of the cash-generating units were estimated to be higher than carrying amounts and no impairment was required.

In performing impairment test, management has to evaluate certain assumptions that are used performing the test. Those assumptions always include some uncertainty that can have effect on the outcome of test if those assumptions prove to be wrong. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash generating unit to exceed its recoverable amount.

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15. Subsidiaries

Subsidiaries are as follows:

	Principle place of operation	Ownership 2021	Ownership 2020
Míla ehf.	Iceland	100,0%	100,0%
Radíómiðun ehf.	Iceland	100,0%	100,0%
Sensa ehf.	Iceland	0,0%	100,0%
Sensa IT Aps	Denmark	100,0%	100,0%
Síminn Pay ehf.	Iceland	100,0%	100,0%

In October, Síminn hf. and Ardian France SA signed a binding agreement on the sale of Síminn's subsidiary Míla ehf. to Ardian France SA. It is estimated that the transaction will take place in 2022, provided that certain conditions are met, incl. approval of the Competition Authority.

16. Other financial assets

Other financial assets are specified as follows:

	31.12.2021	31.12.2020
Investment in other companies	47	54
TV programs for screening	237	209
Prepaid expense	0	12
Non-current reveivables	391	269
Other financial assets total	675	544

16.1. Investment

At the end of the year the Company owned shares in two foreign and four domestic companies where the ownhership was less than 20%.

16.2. Non-current receivables

Non-current receivables are trade receivables for periods longer than 12 months.

17. Inventories

Inventories are specified as follows:

Finished goods	369	698
TV programs for screening	554	429
Inventory total	923	1.127

Cost of goods sold amounted to ISK 2.391 million (2020: 2.195 million).

18. Accounts Receivables

Accounts receivables are specified as follows:

Accounts receivables	2.341	3.280
Allowances for doubtful accounts	(107)	(133)
Accounts receivables total	2.234	3.147

Movement in the allowance for doubtful accounts

Balance at the beginning of the year	(133)	(158)
Impairment losses recognised on receivables	(15)	(54)
Amount written off as uncollectable	30	72
Changes due to selling of a subsidiary	11	7
Balance at the end of the year	(107)	(133)

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18. Accounts Receivables, contd.:

In determining the recoverability of an account receivable, the Company considers any change in the credit quality of the accounts receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. See more information in note 26.

19. Other assets

Other assets are specified as follows:

Prepayments and accrued income	2.210	389
Other current assets	872	445
Other assets total	3.082	834

20. Changes in the Group

20.1. Sale of subsidiary

In December, Síminn hf. and Crayon Group AS signed a binding agreement on the sale of Síminn's subsidiary Sensa ehf. to Crayon. The transaction took place in the end of March and the selling price is paid in full in April. Selling price was ISK 3.710 million. The aim of the sale is to expand cooperation with the Crayon Group as a whole and provide companies with a more comprehensive telecommunications and IT service in one package, as well as reducing the company's operating costs. Sensa was classified undir IT revenues in segment reports.

The operation of Sensa ehf. is now specified in one line in the income statement as discontinued operations. Comparative figures for 2020 have been adjusted accordingly.

Results of discontinued operation:	**2021** **1.1.-31.12.**	**2020** **1.1.-31.12.**
Revenue	1.058	4.465
Elimination of inter-segment revenue	(46)	(173)
External revenue	1.012	4.292
Expenses	(1.097)	(4.710)
Elimination of expenses related to inter-segment sales	169	736
External expenses	(928)	(3.974)
Results from operating activities	84	318
Income tax	(17)	(64)
Gain on sale of discontinued operation	2.180	0
Profit from discontinued operations	2.247	254

Due to the sale, the assets and liabilities of Sensa ehf. were classified as assets and liabilities for sale in the financial statements 31.12.2020.

At year end 2020, the assets and liabilities of Sensa ehf. are as follows:	**31.12.2020**
Goodwill	1.072
Operating assets	219
Inventories	84
Accounts receivables	508
Deferred tax asset	23
Assets held for sale	1.906
Current liabilities	776
Liabilities held for sale	776

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20. Changes in the Group, contd.:

Cash flow for Sensa ehf. in the period is as follows:	2021
Operating profit	86
Depreciation and gain of sale of fixed assets	3
Net cash from operating activities	132
Investment activities	(3)
Financing activities	(12)
Effects of discontinued operations	206

20.2. Planned sale of subsidiary

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

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

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

An agreement was made for the sale of a mobile phone distribution system and IP network to Míla ehf. The purchase price of the assets amounted to ISK 7.690 million. Following this, refinancing of Míla ehf. with external borrowing from Íslandsbanki in the amount of ISK 20.000 million. Following this, financing from the parent company to Mílla ehf. was paid up.

In the Company's segment reports, the majority of Míla's operations is classified under Internet & Network.

Due to the sale, the assets and liabilities of Míla ehf. are classified as assets and liabilities for sale in the financial statements 31.12.2021.
The operation of Míla ehf. is now specified in one line in the income statement as discontinued operations. Comparative figures for 2020 have been adjusted accordingly.

Results of Míla's operation in the period:	2021	2020
Revenue	1.846	1.824
Elimination of inter-segment revenue	(527)	(146)
External revenue	1.319	1.678
Expenses	(6.352)	(4.309)
Elimination of expenses related to inter-segment sales	6.580	4.141
External expenses	228	(168)
Results from operating activities	1.547	1.510
Income tax	(316)	(307)
Profit from discontinued operations	1.231	1.203

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20. Changes in the Group, contd.:

At year end, the assets and liabilities of Míla ehf. are as follows:	31.12.2021
Goodwill	10.927
Intanbible assets	1.819
Operating assets	21.336
Non-current reveivables	85
Inventories	513
Accounts receivables	1.345
Cash and cash equivalents	904
Assets held for sale	36.929
Borrowings	23.609
Current liabilities	2.217
Liabilities held for sale	25.826

Cash flow for Míla ehf. in the period is as follows:

Operating profit	2.432
Depreciation	2.668
Net cash from operating activities	(1.465)
Investment activities	(10.664)
Financing activities	7.273
Cash and cash equivalents classified as assets held for sale	(904)
Effects of discontinued operations	(660)

21. Equity

21.1. Share capital

The Company's share capital amounts to ISK 7.540 million (2020: ISK 8.750 million) according to its Articles of Association. Shareholders are entitled to one vote per share of one ISK. All shares are paid in full. The Company held own shares in the amount of ISK 226 million at year end 2021 (2020: 267 million). According to the current repurchase plan, the company bought its own shares during the year with the aim of reducing the company's equity.

21.2. Reserves

Reserves include the difference of; payments that the Group received in selling, bying and issuing own capital; and the nominal amount of issued capital.

21.3. Other statutory reserve

Other statutory reserves is a statutory reserve based on legal requirements of the Icelandic Financial Statements Act No. 3/2006.

21.4. Translation and other reserve

Translation and other reserve is as follows:	Translation difference	Other reserve	Total
Balance at 1.1. 2020	453	3	456
Changes in the year	0	217	217
Balance at 31.12.2020	454	220	674
Balance at 1.1. 2021	454	220	674
Changes in the year	0	1.346	1.346
Balance at 31.12.2021	454	1.566	2.020

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22. Non-current liabilities

Borrowings are specified as follows:	31.12.2021 Average interest rates	31.12.2021 Balance	31.12.2020 Average interest rates	31.12.2020 Balance
Loans in ISK	3,25%	6.000	3,29%	15.429
Borrowing costs		(57)		0
Finance lease liabilities		0		10
Current maturities		0		(1.150)
		5.943		14.289

Changes in borrowings during the year are as follows:	2021	2020
Balance at 1.1.2018	15.439	15.631
Repayment of borrowings	(15.429)	(192)
Borrowing costs	(57)	0
New borrowings	6.000	0
Liabilites held for sale	(10)	0
	5.943	15.439

Aggregated annual maturities are as follows:	2021	2020
Within 12 months	0	1.150
12 - 24 months	0	1.150
24 - 36 months	0	1.150
36 - 48 months	0	1.150
48 - 60 months	6.000	1.150
More than 60 months	0	9.689
Total borrowings, including current maturities	6.000	15.439

The loan terms include obligations to meet certain financial ratios, which were met at the end of the year. The company's brand is mortaged to secure debt.

23. Lease liabilities

Changes in lease liabilities during the year are as follows:	Telecom equipment	Buildings	Other equipment	Total
Lease liabilities 1.1. 2020	166	5.011	55	5.232
Repayment of lease liabilities	(11)	(762)	(69)	(842)
Paid interest	3	231	21	255
Additions	0	766	61	827
Cancelled leases	0	(68)	(6)	(74)
Adjustments for indexed leases	5	169	7	181
Lease liabilities 31.12. 2020	163	5.347	69	5.579
Repayment of lease liabilities	0	(200)	(19)	(219)
Paid interest	0	44	1	45
Additions	0	0	28	28
Cancelled leases	0	(1.427)	(27)	(1.454)
Adjustments for indexed leases	0	36	1	37
Regrouped to liabilities held for sale	(163)	(2.987)	(33)	(3.183)
Lease liabilities 31.12. 2021	0	813	20	833

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23. Lease liabilities, contd.:

Maturity analysis is as follows:	2021	2020
Within 12 months	180	513
12 - 24 months	183	503
24 - 36 months	189	514
36 - 48 months	197	529
48 - 60 months	24	558
More than 60 months	60	2.962
Lease liabilities, including current maturities	833	5.579

Extension options

Most of the Group's property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

24. Deferred tax

Analysis of movements in the net deferred tax balances during the period is as follows:	31.12.2021	31.12.2020
Deferred tax at the beginning of the year	670	802
Changes due to sale	417	9
Income tax posted to the income statement	421	693
Taxes to be paid	(879)	(829)
Prior year correction	(25)	(5)
Deferred tax liability at the end of the period	604	670

The deferred tax liability is allocated as follows:

Property and equipment	(105)	(344)
Intangible assets	(525)	(345)
Current assets	(14)	(20)
Leases	16	31
Hedge reserve	10	8
Tax loss carry forwards	14	0
	(604)	(670)

25. Other liabilities

Other liabilities are specified as follows:

Accrued expenses	458	737
Salaries and related expenses	152	313
VAT	266	479
Other	13	11
Other liabilities total	889	1.540

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28. Legal proceedings

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

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

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

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

31. Subsequent event

There are no subsequent events to report.

33. Standard issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

Notes 26, 27, 29, 30 and 32 are not translated into English.

Quarterly Statements - unaudited

Summary of the Company's operating results by quarters:*

	1 F 2021	2 F 2021	3 F 2021	4 F 2021	Samtals
Net sales	6.299	6.244	6.267	6.541	25.351
Cost of sales	(3.215)	(3.152)	(2.993)	(3.567)	(12.927)
Gross profit	3.084	3.092	3.274	2.974	12.424
Other operating income	109	108	114	159	490
Operating expenses	(2.071)	(2.074)	(1.862)	(2.215)	(8.222)
Operating profit	1.122	1.126	1.526	918	4.692
Net financial items	(187)	(315)	(218)	(279)	(999)
Profit (loss) from discontinued operation, net of tax	2.140	(16)	0	123	2.247
Profit before tax	3.075	795	1.308	762	5.940
Income tax	(191)	(177)	(251)	(108)	(727)
Profit for the year	2.884	618	1.057	654	5.213
EBITDA	2.540	2.557	2.974	2.532	10.603

*Míla's operations are included in the quarterly statement

	1 F 2020	2 F 2020	3 F 2020	4 F 2020	Samtals
Net sales	7.120	7.169	7.119	1.979	23.387
Cost of sales	(3.802)	(4.118)	(3.819)	(2.226)	(13.965)
Gross profit	3.318	3.051	3.300	(247)	9.422
Other operating income	126	107	106	243	582
Operating expenses	(2.214)	(2.743)	(1.997)	(906)	(7.860)
Operating profit (loss)	1.230	415	1.409	(910)	2.144
Net financial items	(270)	(178)	(149)	308	(289)
Profit (loss) before tax	960	237	1.260	(602)	1.855
Income tax	(196)	(154)	(246)	199	(397)
Profit (loss) for the year	764	83	1.014	(403)	1.458
EBITDA	2.735	1.938	2.933	(1.600)	6.006

*Comparative amounts for 2020 have not been changed due to the sale of Sensa ehf. in the year 2021

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