



Sunstone IV hf.

Securities Note MILA 300929

15 May 2023



Table of Contents

1	RISK FACTORS OF THE BONDS	3
1.1	RISK INHERENT TO BOND INVESTMENTS	4
1.2	CREDIT RISK	4
1.3	RISK INHERENT TO THE POSSESSORY LIEN AND THE GUARANTEE	5
1.4	MARKET RISK	5
1.5	LIQUIDITY RISK	6
1.6	RISK OF CHANGES TO THE TERMS AND PROVISIONS OF THE BONDS	7
1.7	SETTLEMENT RISK	7
1.8	CHANGES IN LEGISLATION.....	7
2	THE ACQUISITION OF MÍLA AND UNDERLYING ASSETS OF THE BONDS.....	8
2.1	THE PREFACE TO THE ISSUANCE OF THE BONDS – ACQUISITION OF MÍLA	8
2.1.1	<i>Participating entities</i>	8
2.2	UNDERLYING ASSETS OF THE BONDS	8
2.2.1	<i>Credit Structure of the Company</i>	9
2.3	PAYMENT STRUCTURE AND CASH FLOW	11
3	INFORMATION ON MÍLA	12
3.1	RISK FACTORS MÍLA.....	12
3.1.1	<i>Risk related to General Macroeconomic Factors</i>	12
3.1.2	<i>Operational Risk Factors</i>	13
3.1.3	<i>Financial Risk Factors</i>	19
3.1.4	<i>Risk Related to Legal and Regulatory Frameworks</i>	20
3.1.5	<i>Insurance Risk</i>	21
3.1.6	<i>Contractual Risk and Material Agreements</i>	21
3.1.7	<i>Data Protection Risk</i>	22
3.1.8	<i>Tax Regulation</i>	22
3.2	GENERAL INFORMATION ON MÍLA	23
3.2.1	<i>Share Capital and Shareholders</i>	23
3.3	OPERATIONS	24
3.4	FINANCIAL OVERVIEW.....	25
3.5	GOVERNANCE AND MANAGEMENT.....	28
3.5.1	<i>Governance</i>	28
3.5.2	<i>Board of Directors of Míla</i>	29
3.5.3	<i>Executive Committee of Míla</i>	29
3.5.4	<i>Organizational Chart of Míla</i>	31
3.6	MÍLA’S AUDITORS	31
4	INFORMATION ON THE BONDS AND ADMITTANCE TO TRADING	32
4.1.1	<i>Ranking and Priority</i>	32
4.2	AUTHORIZATION TO ISSUE THE BONDS	32
4.3	TERMS.....	32
4.3.1	<i>Definitions in Relation to the Bond Terms</i>	32
4.3.2	<i>Key information on the issue and general provisions</i>	33
4.3.3	<i>The Security and Role of the Security Agent and the Bondholders Agent</i>	36
4.3.4	<i>Events of default</i>	38
4.3.5	<i>Financial covenants</i>	41
4.3.6	<i>Issuer representations and warranties, general undertakings, and information covenants</i>	44

4.3.7	<i>Dividend and additional leverage</i>	47
4.3.8	<i>Laws Governing the Bonds</i>	47
4.3.9	<i>Limitation Periods</i>	48
4.3.10	<i>Taxation</i>	48
4.4	LISTING ON THE REGULATED MARKET OF NASDAQ ICELAND.....	48
4.4.1	<i>Costs Associated with Admission to Trading</i>	49
4.4.2	<i>The Objective of having the Bonds Admitted to Trading</i>	49
5	NOTICE TO INVESTORS	50
5.1	ADVISOR.....	51
5.2	POTENTIAL CONFLICTS OF INTEREST.....	51
5.3	THIRD-PARTY INFORMATION.....	52
5.4	APPROVAL ON BEHALF OF THE FINANCIAL SUPERVISORY AUTHORITY.....	52
5.5	STATEMENT OF PERSONS RESPONSIBLE, ON BEHALF OF THE ISSUER AND MÍLA	53

1 Risk Factors of the Bonds

This Securities Note dated 15 May 2023 (the “**Securities Note**”) constitutes a part of a prospectus prepared by Sunstone IV hf., Reg. No. 620921-2540, registered address Stórhöfði 22-30, 110 Reykjavík (the “**Issuer**”; “**Sunstone IV**” or the “**Company**”) in co-operation with the Board of Directors and management of the Issuer and Míla hf. Reg. No. 460207-1690, registered address Stórhöfði 22-30, 110 Reykjavík („**Míla**“). This Securities Note concerns and is published in relation to the Issuer's application to have its bonds, MILA 300929 (the “**Bonds**” or “**MILA 300929**”) admitted to trading on the regulated market of Nasdaq Iceland hf. (the “**Regulated Market of Nasdaq Iceland**”). The Securities Note along with the Company’s Registration Document dated 15 May hereinafter referred to as the “**Prospectus**”.

Sunstone IV was established in relation to the acquisition of certain funds managed by Ardian France SA, an independent private equity investment company („**Ardian**“), and various Icelandic institutional investors of Míla the owner of the largest integrated telecommunications network in Iceland from Síminn hf., Reg. No. 460207-0880, registered address Ármúli 25, 108 Reykjavík („**Síminn**“). AB 855 hf., Reg. No.620921-2620, („**BidCo**”) a subsidiary of Sunstone IV, acquired 100% of the shares in Míla (Míla, BidCo, the Issuer and Sunstone III ehf. are collectively referred to as the “**Group**”), (the “**Acquisition**”). BidCo has merged with Míla. The primary purpose of the Issuer is to serve as a funding vehicle for external funding for the Group.

The risk factors described in Chapter 1 *Risk Factors of the Bonds*, in this Securities Note are those that the Issuer is aware of and deems material to the Bonds. Risk factors that the Issuer deems material to the Company and the industry in which the Company and Míla operate are described in Chapter 1 *Risk Factors Sunstone IV* and Chapter 3.1 *Risk Factors Míla* in this Securities Note dated 15 May 2023.

Investment in the Bonds involves financial risk, and investors should assume the risk of losing some or all of their investment. The value of the Bonds can increase or decrease in accordance with market circumstances, developments within the Issuer and outer effects. Therefore, an investment in the Bonds carries substantial risk. Investors should carefully consider, on their own or with independent financial- and other relevant professional advisors, the following risk factors, other investment considerations, and other information contained in the Prospectus, before deciding to invest in the Bonds. Some of these risks are subject to contingencies that may or may not occur. The Issuer is not able to express any views on the likelihood of any such contingencies occurring.

The Issuer has assessed the materiality of the risk factors, in each category, based on the probability of their occurrence and the expected magnitude of their negative impact and has organized the following risk factors accordingly, beginning with those estimated to be most significant to the Issuer.

The risks and uncertainties discussed below are those identified as such by the of the Board of Directors of the Issuer, but these risks and uncertainties may not be the only ones that the Issuer faces. Additional risks and uncertainties, including those of which the Issuer is not currently aware, or that they currently deem immaterial, may well result in a material impact on the financial condition and operational performance of the Issuer that could lead to a decline in the value of the Bonds. Investors could lose all or part of their investment.

Neither this Securities Note, nor any other parts of the Prospectus or any other information supplied in connection with the Bonds:

- a) is intended to provide the basis for any credit or other evaluation, nor
- b) should be considered as a recommendation by the issuer, the advisor, or authorized intermediaries that any recipient of this Securities Note or any other part of the Prospectus or

any additional information supplied in connection with the Prospectus should purchase the Bonds.

Accordingly, bondholders of MILA 300929 (the “**Bondholders**”) and prospective investors should evaluate all risk factors independently and consider all other sections in this document.

Apart from the factors mentioned in this Securities Note, the Company is not aware of any governmental, economic, fiscal, or monetary policies or uncertainties, requirements or obligations that have or could have a significant direct or indirect effect on the Company's operations.

1.1 Risk Inherent to Bond Investments

Investment in the Bonds involves risk. The value of the Bonds may decrease and increase. In the event of liquidation of the Issuer, Bondholders take precedence over shareholders in terms of distribution of funds from the liquidation proceedings. Still even so, investors can lose the value of all or part of their investment in the Bonds. Several factors can cause changes in the value of securities, e.g., general economic conditions, general fixed income market movements, interest rate decisions by the Central Bank, changes in legislation and regulations and other events. Events as such are out of the Issuer's control. More details on the legislation governing the bonds, and the risk inherent to the legislation, are provided in Chapter 1.8 *Changes in Legislation* and further information on the laws that the Bonds are subject to are provided in Chapter 4.3.8 *Laws Governing the Bonds* in this Securities Note.

Bond returns depend on interest payments and positive price development. No guarantee can be provided that an investment in the Bonds will prove profitable. Prospective investors in the Bonds should bear in mind that even though investment in fixed income securities in general could produce good returns, there is always a risk that the investment in the Bonds turns out to be unprofitable.

1.2 Credit Risk

Credit risk is when the Issuer fails to make the required payments under the Bonds issue (either principal or interest). The Issuer's ability to make principal or interest payments when due is dependent on the Issuer Group's future performance and its ability to generate cash which, to a certain extent, is subject to general economic-, financial-, legislative-, regulatory-, and other factors, many of which the Issuer has no control over.

Sunstone IV is a holding company founded in relation to the Acquisition. Sunstone's subsidiary, Míla, conducts all operations and owns the operating assets. As a result, the Issuer's ability to make required payments on the Bonds depends entirely on the operations of Míla and Míla's ability to distribute funds to the Issuer. The Issuer holds loan agreements with Míla (“**Míla Loan Agreements**”), dated of the original amount of ISK 19,109 million, dated 30 September 2022 and ISK 376 million, dated 31 December 2022. The loans shall both be repaid in full 9 years from the date on which the loans are drawn. The loans' purpose is refinancing of all third-party debt in Míla that existed before the Acquisition and to provide cash flow to the Issuer for payments of principal and interest to the Bondholders and other creditors.

Suppose the Issuer is unable to generate sufficient cash flow in the future to service its debt when due. In this case, the Issuer may be required to refinance all or a portion of its existing debt, including the Bonds, or to obtain additional financing. No assurances can be made that any such refinancing would be possible, that the Company could obtain any additional financing or what the potential terms of such financing would be, if available. The inability to obtain such refinancing or financing may have a material adverse effect on the Issuer's business, results of operations, financial position and/or cash flow.

To limit credit risk, the Issuer has agreed to the terms described in Chapter 4.3 *Terms* in this Securities Note. The terms aim to improve Bondholders' legal position towards the Issuer. The Bondholders could suffer financial loss if the Issuer does not fulfil its obligations according to the terms. The Issuer is committed to making bond payments on the Payment Dates (as defined below). If the Issuer does not pay any payment payable under the Bonds, in each case at the place and in the currency in which it is expressed to be payable, the bonds are subject to events of default, described in Chapter 4.3.4 *Events of default* in this Securities Note.

1.3 Risk Inherent to the Possessory Lien and the Guarantee

The Issuer and Míla have provided joint and several guarantees and indemnities to ensure the punctual and full payment of amounts owing, and/or performance or discharge of obligations, under the Bonds and the Senior Facilities Agreement and each other "**Finance Document**" (as defined in the Senior Facilities Agreement) (each, a "**Finance Document**"), under which (among other things), the Issuer and/or, Míla must pay any amounts that are due but unpaid by Míla and/or the Issuer as though they were each the principal obligor (the "**Guarantee**"). In the case of Míla, its liability under its Guarantee is limited under the Intercreditor Agreement to (in aggregate) ISK 19,200,000,000, while the Issuer's liability under its Guarantee is not limited. The Issuer is ordinarily responsible for the payments of the principal and interest owing under the Bond, while the Guarantee of the Issuer or Míla can be called upon by the Security Agent to demand payment in the case of Events of Default.

Definitions and information on the Senior Facilities Agreement and the Intercreditor Agreement can be found Chapter 2.2.1 *Credit Structure of the Company* in this Securities Note. Information on the Security Agent can be found in Chapter 4.3.34.3.3 *The Security and Role of the Security Agent and the Bondholders Agent* and details on Events of Defaults can be found in Chapter 4.3.4 *Events of Default* in this Securities Note.

As of the date of this Securities Note, the Bonds are also secured by the following:

- Share pledge granted by (among others) the Issuer over all the issued share capital of Míla; and
- Account pledges over material bank accounts of each of Míla and the Issuer.

More detailed information on the Possessory Lien (as defined below) and the Guarantee is discussed in Chapter 4.3.34.3.3 *The Security and Role of the Security Agent and the Bondholders Agent* in this Securities Note.

General macro-economic factors, such as economic growth, inflation, employment levels, interest rates, supply chain disruptions, material availability and exchange rates of ISK can affect Míla's operations and consequently, Míla's solvency and its ability to pay according to the Guarantee. The Issuer cannot guarantee that Míla's shares hold their value. Before investing in the Bonds, investors are advised to familiarize themselves with and independently evaluate the risk and uncertainty factors that are material to Míla, described in Chapter 3.1 *Risk Factors Míla* in this Securities Note, along with all other information on Míla contained in the Prospectus.

1.4 Market Risk

The value of the Bonds may change due to market conditions. Various factors can cause changes in market conditions, e.g. general economic conditions, interest rate decisions by the Central Bank, changes in legislation and regulations and any events and/or external conditions that impact the operations of

companies and the economy as a whole. Thus, the value of the Bonds may decrease if the general market yield rises, and the value may increase if the yield decreases.

Interest rate risk

Interest rate risk refers to the risk that the value of the Bonds may change due to changes in interest rates. When interest rates rise, the value of existing fixed-interest bonds tends to decrease because newly issued bonds will pay a higher interest rate. As a result, investors may be less likely to buy existing fixed-interest bonds, potentially lowering their price.

Longer-term bonds tend to have more interest rate risk than shorter-term bonds, as they are more sensitive to changes in interest rates. The interest rate of bonds is also a factor in determining its interest rate risk. Higher coupon rates tend to result in higher interest rate risk because the bond has a greater return to protect if interest rates rise.

The Bonds MILA 300929 bear 2,2% per annum fixed rate with the term of 7 years. Changes in interest rates can affect the Bonds positively or negatively. In general, with other things being equal, the value of the Bonds decreases if interest rates rise and vice versa. Uncertainty about the future development of interest rates means that investors in bonds with fixed interest rates assume the risk that the value of the bonds will decrease if interest rates rise. The value of bonds with longer duration is more sensitive to interest rate increases, other things being equal.

Investors of fixed-rate bonds face the risk that the interest rate of the bonds is lower than the market rate. The value of fixed-rate bonds can decline if investors believe they can earn better returns with other investments.

CPI Development Risk

The Bonds are indexed to the Consumer Price Index (“**CPI**”) issued by Statistics Iceland in accordance with law 12/1995 on Consumer Price Index (Icelandic: *Lög um vísitölu neysluverðs*). Investment in index-linked bonds involves the risk that subsequent changes in the CPI may affect the value of the index-linked bonds. The loan principal of the Bonds changes in accordance with changes in the CPI.

The CPI may fluctuate significantly, which can impact the Issuer’s ability to make timely interest payments to Bondholders. The CPI may not accurately reflect the Issuer’s cost structure or the broader economic environment, leading to mismatches between the Issuer’s revenues and expenses and its coupon payments to Bondholders. The CPI may be subject to measurement bias, which can result in inaccurate or biased inflation readings, impacting coupon payments. The historical experience of the CPI should not be viewed as an indicator of the future performance of the CPI.

1.5 Liquidity Risk

Liquidity risk refers to the potential for the bond market to become less liquid, making it more difficult to sell bonds and potentially impacting the price at which they can be sold.

The Bonds have not previously been admitted to trading on a regulated market. Although the Bonds will be admitted to trading on the Regulated Market of Nasdaq Iceland, the Issuer cannot guarantee that investors will actively trade the Bonds. The Issuer has no obligation to maintain an active market with the Bonds, and no market-making has been envisaged. Therefore, liquidity risk may arise, i.e. the risk of not being able to buy or sell the Bonds at will. The risk is expressed in such a way that the market cannot accept the quantity to be sold or the price formation is such that there is a significant difference between the buying and selling price of the Bonds.

The size of the bond market can impact the liquidity of bonds. Generally, the larger the bond market, the more liquid it is, making it easier to buy and sell bonds. The Bonds will be listed in Iceland, is a relatively small market, that could affect the liquidity. The maturity of the bond can impact its liquidity. Generally, shorter-term bonds are more liquid than longer-term bonds.

1.6 Risk of Changes to the Terms and Provisions of the Bonds

Any requested changes to the terms and provisions of the Bonds shall be made at a Bondholders' meeting, where a general decision level of 67% is required. However, a decision level of 90% is required to make changes to the following:

- a) The decrease of the nominal amount;
- b) The interest rate level;
- c) Payment schedule of principal and interest; or
- d) Changes to the nature of the Security.

As a unison agreement of all Bondholders is not required for amendments to the terms, there is a risk that a revision to the terms will be accepted even though 33% (or 10% for the amendments listed above) of the Bondholders, based on the nominal amount, have assessed the change in terms as a worse option for them. A more detailed discussion can be found in Chapter 4.3 *Terms* in this Securities Note.

The Issuer is not permitted to redeem the Bonds in whole or part without changes to terms and provisions of the Bonds. Nevertheless, provided that the Issuer first makes a pro-rata offer to all the Bondholders, the Issuer shall be permitted to purchase the Bonds on the open market from any Bondholder that accepts such an offer. That might cause a concern for investors relying on current terms and provisions of the Bonds.

1.7 Settlement Risk

Settlement risk is the risk that during the trading of Bonds, one or more parties will fail to deliver on the contract terms at the agreed-upon time. The settlement risk consists of the failure to pay for or the failure to deliver the Bonds.

1.8 Changes in Legislation

Financial markets depend on the operating- and legal environment imposed by public authorities, at any time. The admission to trading of the Bonds on the Regulated Market of Nasdaq Iceland is subject to Icelandic laws in force on the date of the Prospectus as well as Nasdaq Iceland's Rules for Issuers of Financial Instruments, dated 6 March 2023 ("**Rules of Exchange**"). The legislation to which the Bonds are subject to are discussed in Chapter 4.3.8 *Laws Governing the Bonds* in this Securities Note. Further information regarding legal risk the Issuer is subject to can be found in Chapter 1.4 *Risk related to Legal and Regulatory Framework* in the Registration Document.

Extensive changes in the legal framework that apply to financial markets can have a negative effect and create unrest in the markets, affecting the value of any listed bonds. The Issuer can therefore give no assurance as to the impacts of any amendments to Icelandic law, court decisions, and/or administrative practice after the date of the Prospectus. Additionally, investors should bear that changes to EU legislation in this area may affect the Issuer and the Bonds due to Iceland's membership in the European Economic Area (EEA) agreement. The Impact of legislative changes on the Bonds is outside the Issuer's control.

2 The Acquisition of Míla and Underlying Assets of the Bonds

2.1 The Preface to the Issuance of the Bonds – Acquisition of Míla

In 2021, Síminn and the Ardian entered into private negotiations in relation to the sale of the entire share capital of Míla, Síminn's subsidiary, to BidCo, at the time a subsidiary of the Company. On October 25th 2022, Síminn and Ardian reached an agreement on the acquisition of Míla which was completed on September 30th 2022. The purchase price was 69,5 billion ISK, of which 32,7 billion ISK were paid in cash.

The Issuer, Sunstone IV, was established in relation to the Acquisition as an entity to finance the Acquisition and refinance all Míla's debt. The Issuer issued the Bonds in connection with the financing of the Acquisition and other third-party debt instruments. In connection with the financing, a loan agreement between the Issuer and Míla was established, at the original amount of 19,109 million ISK, to cover the Issuer's principal and interest payments to both Bondholders and other creditors.

The Issuer's debt, including the Bonds, are all subject to the Intercreditor Agreement, as defined in Chapter 4.3.34.3.3 *The Security and Role of the Security Agent and the Bondholders Agent* of this Securities Note.

2.1.1 Participating entities

The entities participating in the issue and the functions to be performed by each entity is described below, in addition to information on the direct and indirect ownership or control between those entities:

- Sunstone III ehf., a private limited company, Reg No. 561221-1380, registered at Borgartún 27, 105 Reykjavík, Iceland, as a lender and the parent company of the Issuer.
- Sunstone IV hf., a public limited company, Reg. No. 620921-2540, registered at Stórhöfði 22-30, 110 Reykjavík, Iceland, the Issuer of the Bonds, and the parent company of Míla following the merger of BidCo and Míla and lender.
- Míla hf., a public limited company registered at Stórhöfði 22-30, 110 Reykjavík, Reg. No. 460207-1690, a guarantor and borrower under the Finance Documents, as defined below in Chapter 4.3 *Terms*.
- Íslandsbanki hf., a public limited company, Reg. No. 491008-0160, registered at Hagasmári 3, 201 Kópavogur, Iceland („Íslandsbanki“) has been retained by the Issuer to manage the process of admission of the Bonds to trading on the Regulated Market of Nasdaq Iceland.

Other entities involved in the Acquisition that will be further described are Íslandsbanki is an agent for the Senior Facility Creditors; the Bondholders Agent and as a Security agent (all defined below).

IS Fyrirtækjalánasjóður hs. Reg. No. 650821-9630, registered at Hagasmári 3, 201 Kópavogur, Iceland (the „Credit Fund“ or „Fyrirtækjalánasjóður“) also acted as a lender in the Acquisition.

2.2 Underlying Assets of the Bonds

All Secured Debt, as defined in Chapter 4.3.3 *The Security and Role of the Security Agent and the Bondholders Agent* is secured by the Security (as defined in the same chapter) and further supported by the Guarantee. The assets backing the Issue, at the date of this Prospectus, consist of, not exhaustively, a Guarantee issued by Míla at the amount of ISK 19,200,000,000, under which, following the occurrence of Events of Default and the written demand of the Security Agent, Míla must pay such amounts that

are due but unpaid by the Issuer as though it were the principal obligor, as well as a share pledge in all shares in Míla.

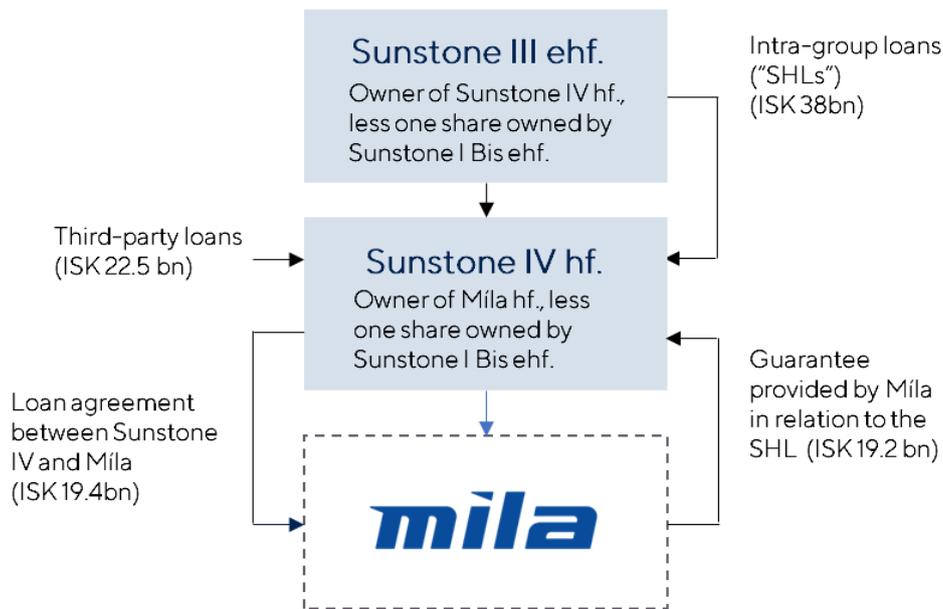
Chapter 3 *Information on Míla* in this Securities Note provides information on Míla and demonstrates Míla's capacity to produce funds to service any payments due and payable on the Bonds, as well as Chapter 0

Payment Structure and Cash Flow in this Securities Note. Sunstone IV and Míla (each, as borrower and guarantor) are party to a senior facilities agreement with, among others, Íslandsbanki (as lender) dated 20 August 2022, pursuant to which (among other things) the lenders variously make available to the borrowers in aggregate 25.5 billion ISK in financial accommodation and Sunstone IV and Míla are subject to various restrictive covenants on (among other things) their ability to acquire businesses, dispose of assets, incur debt, give loans, grant security or guarantees and make equity distributions (the "**Senior Facilities Agreement**").

2.2.1 Credit Structure of the Company

In connection with the financing of the Acquisition, the Issuer acts as a borrower pursuant to the Facilities Agreement, as defined below, and as an Issuer pursuant to the Bond Terms (collectively, the "**Transactions**"). By a resolution, dated 19 August 2022, the Board of Directors of the Issuer resolved to approve the terms and conditions of the documentation regarding the Transactions. The major documents were as follows:

- a) The Senior Facilities Agreement in the amount of up to ISK 25.5bn, between, among others, the Company and Míla, each as borrower and guarantor, Íslandsbanki and Fyrirtækjalánasjóður as original lenders, and Íslandsbanki as an agent and security agent;
- b) The Intercreditor Agreement between, among others, the Company, the Security Agent, the Agent, the Senior Lenders and the Bondholders Agent (each as defined therein) (the "**Intercreditor Agreement**");
- c) The Bond terms constituting a "bond issue description" to which the Company issues or shall issue a bond that is administered by Íslandsbanki hf. as Bondholders Agent in a nominal amount up to ISK 8,000,000,000, but the Bonds were issued in a nominal amount ISK 6,000,000,000;
- d) A share pledge agreement whereby (among other things) the Company pledges its shares in Míla;
- e) An account pledge agreement whereby (among other things) each of the Company and Míla pledge their material bank account(s) in favour of the Security Agent;
- f) The Míla loan agreement, a loan between the Company as lender and Míla as borrower at the original amount of 19,109 million ISK as well as an additional loan agreement dated 31 December 2022 at the amount of ISK 376 million ISK ("**Míla Loan Agreements**")
- g) any other documents (including any other Bond Documents) that were required, desirable, necessary, pursuant or related to, or in connection with, the Transactions.



At 31 December 2022 the book-value of the shares in Míla amounted for 49,698 million ISK in Sunstone IV's financial statements, and cash balance on pledged bank accounts amounted for 2,945 million at the same date.

The Secured Debt, subject to the Intercreditor Agreement, at the year-end 2022, is following:

<i>Amounts in ISK millions</i>	Borrower	Lender	Original amount	31.12.2022
Intra-group loans ("SHLs")	Sunstone IV	Sunstone III	38,430 ¹	39,372
Míla Loan Agreements	Míla	Sunstone IV	19,400	20,223
MILA 300929	Sunstone IV	Bondholders	6,000	6,063 ²
Facility Commitment	Sunstone IV	Íslandsbanki hf.	12,500	12,500 ³
Capex Facility Commitment ⁴	Sunstone IV	Íslandsbanki hf.	8,000	0
Facility Commitment	Sunstone IV	Fyrirtækjalánasjóður	4,000	4,000
Revolving Facility Commitment	Sunstone IV	Íslandsbanki hf.	1,000	0

The Capex Facility Commitment and Revolving Facility Commitment have not been utilized.

Details on financial covenants and thresholds of the Bonds can be found in Chapter 4.3.5 *Financial Covenants* in this Securities Note.

Under the Senior Facilities Agreement the following terms on advances apply: Sunstone IV borrowed a total ISK 16.5bn from drawing Facility Commitment from Íslandsbanki and Fyrirtækjalánasjóður. In case of repayment, this cannot be redrawn – i.e., no further advances will be made.

Sunstone IV and Míla are both borrowers under an ISK 8bn Capex Facility Commitment (which, if repaid, cannot be redrawn) and an ISK 1bn Revolving Facility Commitment, which can each be drawn

¹ There are two loans from Sunstone III to Sunstone IV dated 30.9.2022, original amount of 20.930 m.kr. and 17.500 m.kr.

² Accrued interest in year-end amounted for 33 million ISK and was paid 5 January 2023.

³ Accrued interest of the Facility Commitment (from both Íslandsbanki and Fyrirtækjalánasjóður) in year-end amounted for 107 million ISK and was paid 5 January 2023.

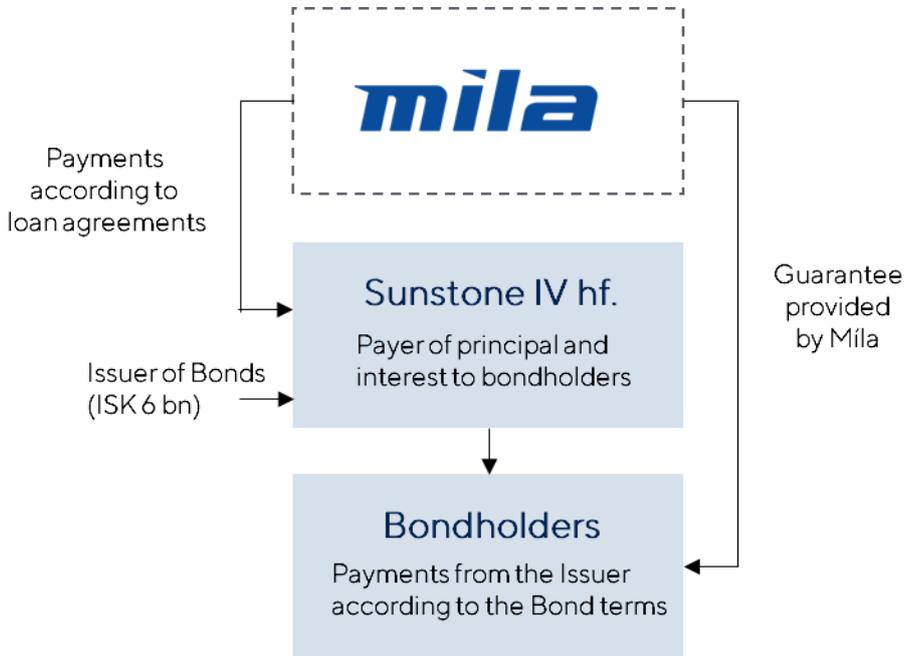
⁴ The Capex Facility Commitment and Revolving Facility Commitment is not yet being utilized.

subject to no default continuing and the repeating relevant representations being true in all material respects.

Under the Bonds, Sunstone IV received ISK 6bn from Íslandsbanki on the issue date and no further advances are to be made.

2.3 Payment Structure and Cash Flow

The diagram below, describes the structure of the transaction and cash flows from Míla to the Bondholders. The Issuer is responsible for having sufficient liquidity to pay Bondholders according to the terms of the Bonds on the Payment Dates (as defined in Chapter 4.3.2 *Key information on the issue and general provisions*). Míla pays annual interest payments accrued monthly, according to the loan agreement to the Issuer based on REIBOR 1m to with a margin of 2.9%, to cover the Issuers payments pursuant to the Finance Documents where the Issuer is a borrower, including the Bonds.



3 Information on Míla



3.1 Risk Factors Míla

Sunstone IV was established in relation to the acquisition of certain funds managed by Ardian of Míla where BidCo acquired 100% of the shares in Míla.

The risk factors described in this chapter in this Securities Note are those that Míla is aware of and deems material to itself and the industry in which Míla operates. Risk factors concerning the Issuer, Sunstone IV, are described in Chapter 1 of the Registration Document. Risk factors concerning the Bonds are described in Chapter 1 *Risk Factors* in this Securities Note dated 15 May 2023.

Míla has assessed the materiality of the risk factors, in each category, based on the probability of their occurrence and the expected magnitude of their negative impact and has organized the following risk factors, accordingly, beginning with those estimated to be most significant to Míla.

The risks and uncertainties discussed below are those identified as such by the Board of Directors of Míla, but these risks and uncertainties may not be the only ones that Míla faces. Additional risks and uncertainties, including those of which Míla is not currently aware of, or that they currently deem immaterial may well result in a material impact on the financial condition and operational performance of Míla that could lead to a decline in the value of the Bonds. Investors could lose all or part of their investment.

Accordingly, prospective investors should make their independent evaluation of all risk factors and should consider all other sections in this document.

Apart from the factors mentioned in this Securities Note, Míla is not aware of any governmental, economic, fiscal, or monetary policies or uncertainties, requirements or obligations that have or could have a significant direct- or indirect effect on Míla's operations.

Risk management is essential to continuous improvement and supports Míla's certified information security management system. The Board of Directors of Míla has defined a risk policy. Its purpose is to maintain an overview of the risk factors of Míla and to manage them as appropriate. The CSO/CISO & Quality Manager is responsible for procedures and guidelines for implementing the policy.

Míla identifies and processes risks in its operations with regular risk assessments and targeted monitoring. The Board of Directors and Management of Míla manage Míla's risk according to the risk appetite and limits set out in the risk policy.

3.1.1 Risk related to General Macroeconomic Factors

General macroeconomic factors, such as economic growth or recession, inflation, employment levels, interest rate changes, supply chain disruptions, material availability and currency fluctuations can affect Míla's operating results and financial position.

The level of employment can affect Míla's wage costs. Inflation and its expectations affect interest rates and, consequently, the cost of capital. Supply chains can face challenges which could impact Míla's purchases of goods, including materials used for maintaining or constructing necessary network infrastructure. The Russian invasion of Ukraine, the Covid-19 pandemic and related macroeconomic effects have caused substantial strain on a multitude of supply chains, affecting delivery times and prices.

The industry that Míla operates in is affected by both global and domestic macroeconomic, environmental, and geopolitical factors, which are subject to uncertainty and volatility. New technologies, climate change, natural disasters, local or global pandemics, increased outsourcing, political instability and increased system capacity needs due to urbanisation and population growth are important factors driving demand for Míla's services.

Any macroeconomic or geopolitical impacts that affect these industry drivers may harm or slow the growth of Míla's industry and, thus the growth of Míla. Uncertainties could also arise due to global tensions between countries, which may, i.e. lead to trade restrictions, wars and impact global supply chains.

General macroeconomic and external factors, such as those listed above, are outside Míla's sphere of influence. Investors should be aware of general macroeconomic factors and their potential impact on their investments.

3.1.2 Operational Risk Factors

Operational risks relate to losses resulting from inadequate or failed internal processes, people, and systems or due to external events. It will have a high impact if an operational risk materialises without effective prevention or mitigation controls. The operational risks of Míla are managed through policy, standards, procedure-based controls, active prevention, and monitoring.

3.1.2.1 Capital Expenditure and Investment Risk

Míla requires capital expenditures and investments in equipment and related labour costs to maintain and improve the quality of its network to preserve the Míla's goal of providing its clients with a reliable and modern service. Advancements in the information technology and telecommunications industries, i.e. the development of faster networks and new products requiring mobile internet access, the behaviour of Míla's customers, or accelerated growth in internet usage and expectations of higher speeds, may require Míla to invest in the capacity of its network at a faster pace than it currently anticipates, and at greater additional expense. The bulk of Míla's investments in the foreseeable future involves modernising its mobile network through expenditures directed towards 5G technology and the migration from a copper network to a fibre network. The inability to make the necessary investments in its network and infrastructure could lead to lower revenues as well as lower market shares, lower cash flow generation and a deterioration of the overall financial condition of the Issuer.

Míla cannot provide assurances that its business will generate sufficient cash flows from operations, or that future debt and equity financing will be available to it on acceptable terms or in an amount good to enable it to, over the longer term, fund its capital expenditures or investments or renew its debt financing as principal repayments come due. Forces over which Míla has little or no control, such as competition, technological innovation, regulatory changes, the loss of its current distribution partners, which could require additional capital expenditure for distribution channels, and general market conditions all impact Míla's operating performance, and therefore the cash it has available to fund these expenditures and service its debt. In addition, sustained turbulence in the capital markets could further restrict Míla's ability to access additional funding.

Míla's mobile infrastructure and access network investments, including licenses, may not be recovered, or returns on these investments may be lower than anticipated. If Míla's future cash flows from operations and other capital resources are insufficient, the Issuer may be unable to fund its strategy, which includes planned capital expenditures, investments, maintenance of its credit rating and sustaining an acceptable leverage ratio, and as a result, could have a material and adverse effect on the Issuer's operational result, financial condition, and prospects.

The telecommunications market is characterised by increasing competition, accelerating changes in customer behaviour, accelerating technological developments, and increasing price pressure. Due to these developments, high investments in Míla's assets such as technical infrastructure (access and core networks), licenses and goodwill may not be recovered as Míla's business models to generate revenue and cash flow streams could change in the future. Also, changes in assumptions such as profitability, network penetration, long-term growth and discount rates could affect the value of cash-generating units. These factors could lead to impairments of fixed assets, licenses, and goodwill.

3.1.2.2 System Maintenance Risk

Operational performance could be materially adversely affected by a failure to maintain the quality of Míla's assets or networks, or a failure of information systems (including critical national infrastructure and business critical enterprise systems) and supporting technology. This in turn could cause Míla to fail to meet agreed standards of service, incentive- and reliability targets, or to be in breach of a licence, approval, regulatory requirement, or contractual obligation. Even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, and harm Míla's reputation. Any failures or interruptions could have a material adverse effect on Míla's financial condition and operations. Míla cannot assure that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed.

3.1.2.3 Climate and Natural Disaster Risk

Míla may be affected by other potential events that are largely outside their control such as the impact of the weather (including events resulting from climate change and major storms), unlawful or unintentional acts of third parties, power outages or force majeure events. Weather conditions can likewise affect financial performance and severe weather that causes outages or damages infrastructure, together with Míla's actual or perceived response, could materially adversely affect operational and potential business performance and Míla's reputation.

3.1.2.4 Cybersecurity Risk

Malicious attacks, sabotage, or other intentional acts, including breaches of cyber security, may also damage Míla's assets (which include critical national infrastructure) or otherwise significantly affect corporate activities and, therefore, have a material adverse impact on their reputation, business, results of operations and financial condition. Unauthorised access to, or deliberate breaches of IT systems may also lead to manipulation of Míla's proprietary business data or customer information. Unauthorised access to private customer information may make Míla liable for violating data privacy regulations. Even where Míla establishes business continuity controls and security against threats against their systems, these may not be sufficient. Míla may need to invest significant resources in implementing and maintaining strong cybersecurity and data privacy measures in order to comply with potential new and more stringent regulations which can impact its financial stability and increase its risk profile.

3.1.2.5 Reputational Risk

Míla is subject to reputational risk caused by reputational damage to Míla's brand. Míla's reputation can be damaged due to service interruptions, operational issues, data security breaches or other public image incidents. Further Míla can face negative publicity and increased cost if Míla is subject to regulatory action due to violations of industry standards or laws, which can result to fines, legal proceedings, and negative publicity.

Reputational damage could result in the loss of customers and thus have a material impact on Míla's operations, financial conditions, and prospects. Additionally, Míla could face reputational risk regarding

its choice of suppliers, potentially due to negative discussion for political reasons, market situation, suppliers' impropriety, and legal disputes.

3.1.2.6 Competition Risk

The telecommunication market in Iceland is a competitive and dynamic market and Iceland is currently at the forefront of adopting new telecommunications technologies driven by development in both fibre deployment and new mobile telecommunications technologies, namely 5G. This market in Iceland has high market entry but increased competition and reduced market share can lead to potential decline in profitability. Míla's categorizes their operations into three separate segments, fixed access, mobile access, and internet & connectivity. Míla maintains a strong market position in each of these segments.

The Electronic Communications Office of Iceland (hereinafter "ECOI"), shall, in accordance with Article 43 of Act no. 70/2022 on Electronic Communications define markets for goods or services and geographical markets in accordance with the principles of competition law, Act no. 44/2005 on Competition Law and obligations under the Agreement on the European Economic Area. Under Article 44 of the same Act, the ECOI shall, having regard to Article 43, analyse relevant markets. The analysing of markets shall provide a basis for decisions as to whether the ECOI shall place, maintain amend or cancel obligations on undertakings with significant market power, as defined in Article 45 of Act no. 70/2022 on Electronic Communications. Míla has been designated as having significant market power in the wholesale market for local areas with fixed connection (market 3a) and in the market for central access provided at a fixed location for mass-market products (market 3b). As a result, the ECOI has imposed various obligations on Míla in relevant markets. The following obligations apply to Míla:

- Obligation for access
- Obligation for non-discrimination
- Obligation for transparency
- Obligation for separation of accountancy
- Obligation for price control (cost-orientation) on copper local loops
- Obligation for cost accountancy

Míla's designation as an entity with significant market power in market segments 3a and 3b is currently under review by the ECOI. A decision on whether obligations will remain unchanged or not is expected before 15 September 2023.

Should Míla be deemed to display significant market power in any other market segments, it could become subject to a variety of obligations. If these obligations should be binding, they could limit Míla's growth, hinder customer acquisition or affect profitability in other ways.

In addition to the above, the settlement entered into between the Icelandic Competition Authority and Míla on 15 September 2022, in relation to the Acquisition, imposes various obligations on Míla and, furthermore, limits the ability of Míla to respond to changing market conditions and increased competition.

There are high barriers to entry to the fixed assets market, however the risk of new market entrants is still ever present. The fixed access market has two leading companies, Míla and Ljósleiðarinn ehf. ("**Ljósleiðarinn**") as well as few smaller privately and municipally owned networks. Ljósleiðarinn has a strong presence in the Capital area as well as the western- and southern parts of Iceland. Tengir ehf., a local company in Akureyri, has a strong presence in the north of Iceland. Míla's presence, however, extends to the whole of Iceland. Míla could face increased competition from Ljósleiðarinn in rural areas, which could negatively affect Míla's revenue. Additionally, there is a risk that Míla's fixed assets could be rendered redundant by the development of new technology that could not be foreseen by Míla's

management. Additionally, there persists the threat of the development of new disruptive technology by existing or new competitors that renders Míla's existing fixed assets redundant thereby severely affecting Míla's prospects. The market share of Míla and Ljósleiðarinn depends on the relevant geographic markets and there are many other undertakings offering fixed access in different areas in Iceland.

The mobile access market in Iceland has substantial competition. Increased competition could originate from current competitors as well as new market entrants offering cheaper and/or better alternatives to traditional connectivity. Míla's services are increasingly based on technological standards, limiting its possibilities to differentiate services from competitors. As Míla operates in a highly competitive market, the actions of its competitors, and in some cases their suppliers, such as the introduction of new revenue models, technology, or pricing strategies, could significantly affect Míla's prospects.

Míla's infrastructure gives it a good position in internet and connectivity market, however there is always the risk of new market entrants, both local and international entering the market thereby diminishing Míla's market share. Míla currently owns five out of the eight fibre optic threads that make up the NATO fibre optic ring that circles all of Iceland. The remaining three fibre optic threads are owned by the Icelandic state. A competitor of Míla, Ljósleiðarinn, currently leases two of these fibre optic threads from the state and is set on utilising these threads to compete with Míla in rural areas. Other firms are also currently in the process of building their own DWDM⁵ networks. Míla currently has a partnership with Farice ehf. ("**Farice**"), an Icelandic government owned entity that owns two of the three submarine cables that connect Iceland to mainland Europe. This partnership currently pertains to one of the two submarine cables owned by Farice, with the other cable being serviced by Míla's competitor Ljósleiðarinn. Any changes in Míla's partnership with Farice in the future as well as the construction of new submarine cables could have a negative effect on Míla's market position and consequently it's prospects.

3.1.2.7 Employee Risk

Míla's success and further development are, to a large extent, reliant on its employees. Two primary aspects of employee risk are recruitment/retention and the possibility of fraudulent activity of employees.

If Míla cannot recruit or retain employees with the appropriate skills, this could adversely affect the operation, possibly resulting in a worse financial outcome for the company. There are five members in Míla's Executive Committee as further described in Chapter 3.5.3 *Executive Committee of Míla* in this Securities Note. Míla cannot guarantee that it can successfully retain, recruit, and integrate appropriately skilled employees should there be a loss of critical employees. Corporate activity such as the acquisition of Míla by Ardian could lead to reduced engagement or motivation of employees, potentially resulting in employee resignations, which may have unfavourable consequences for operational continuity.

Another aspect of employee risk is fraudulent activity. Employees can cause financial and reputational risk for companies through fraudulent activity. Financial risks include the loss of company assets, such as money or inventory, as well as increased expenses related to investigations and legal proceedings. Reputational risks include damage to the company's image and loss of customer trust. Additionally, employees' fraudulent activity can lead to increased regulatory scrutiny, which can result in fines or penalties. Furthermore, it may result in increased operational costs, negatively impacting the overall business.

⁵ Dense wavelength-division multiplexing

3.1.2.8 Risk Related to Lease Agreements

Míla's lease agreements consist primarily of real estate. Míla recognises right-of-use assets and lease liabilities in accordance with IFRS 16 Leases. Míla's accounts include various right-of-use assets and lease liabilities related to agreements concerning real estate and facilities for telecommunication equipment, including passive mobile infrastructure. Certain lease contracts are of particular systematic importance to Míla, such as Suðurlandsbraut 28/Ármúli 25 and leased facilities at Verne data center in Reykjanesbær, since the infrastructure within those buildings is difficult to relocate. There exists a risk that Míla will not be able to secure suitable agreements or the equipment necessary for its operations in key areas on favourable terms.

The recognition of right-of-use assets and lease liabilities is initially recorded at the commencement date as the present value of lease payments that are not paid at that time, less any initial direct costs incurred by the leased asset and the expected cost of dismantling or removing the asset, as well as any incentives received. Generally, Míla uses its incremental borrowing rate as a discount rate, adjusted for the nature of the underlying asset and the duration of the lease agreements, for calculating the present value. Lease liabilities increase due to interest payments and decrease due to lease payments. The present value of total lease liabilities is remeasured following changes in future lease payments arising from changes in index rates, interest rates, a change in Míla's estimate of the amount estimated to be payable under a residual value guarantee, changes in Míla's assessments, extensions or if there is a revised in-substance lease payment. Changes in the factors mentioned above can significantly impact Míla's lease assets, liabilities and future lease payments. Furthermore, if the current IFRS 16 Leases standard will change it will influence Míla's balance sheet.

3.1.2.9 Supplier Risk

Supplier risk refers to the potential impact that a supplier's financial distress or default could have on Míla. Míla relies on strategic relationships with suppliers of hardware, software and related services used to operate their systems and infrastructure, where Míla has in some cases already made substantial investments, that can complicate a rapid replacement from a particular supplier of equipment or maintenance to another supplier. This could occur if a supplier, current or in the future, refuses to or would be unable to offer necessary equipment or services or to maintain similar or favourable prices. A disruption in the supplier's operations or a default on its financial obligations could significantly impact the Issuer's ability to meet its financial obligations, including its ability to repay bondholders. This risk can manifest in several ways, such as reduced revenue, increased costs, and reputational damage.

Furthermore, suppliers or providers of services might face disruptions in their supply chains resulting in delayed or failed deliveries, or regulatory restrictions on imports to the European Economic Area. A new bill of law on telecommunications, no. 70/2022, which came into effect on 1 September 2022 includes an article allowing inter alia the minister of higher education, science and innovation to decide in a regulation that equipment in parts of the local telecommunications network that are deemed sensitive with respect to public interest or national security, shall in part or totally come from manufacturers in countries that Iceland is in security cooperation with and/or within the EEA. In that regard, the agreement entered into between Míla and the Icelandic Government in December 2021 concerns, among other things, the security and location of nationally important telecommunications networks owned by Míla. With respect to preparation for 5G deployment, Eriksson has been contracted by Míla's anchor tenant, Síminn, to prepare its networks whereas the main competitors use Huawei which may present a greater supplier risk for them. However, Míla cannot rule out the risk that restrictions could possibly be applied to some of their own suppliers in the future.

Míla's current infrastructure is based on GPON⁶ technology and, it is therefore dependent on the global prevalence of said technology in order to secure the supply of GPON equipment. Were the global prevalence of GPON technology to diminish it could possibly have a negative impact on Míla's ability to secure GPON equipment in the future. Míla is also dependent on its GPON suppliers to supply the future upgrade path and evolution of the GPON technology. Míla's competitors all use a Peer-to-peer infrastructure instead of GPON, as a result any possible disruption in the supply of GPON equipment could be considered as a significant advantage to Míla's competitors.

Míla could require certain products or services at a certain time, and in some or all cases might not be able to guarantee that these requirements would be fulfilled in acceptable amounts, at competitive terms and in a timely manner. Suppliers could also breach relevant legislation and regulations such as data protection, security, privacy, intellectual property rights, human rights and/or environmental laws, which could negatively impact Míla's operational continuity and financial position. In addition to that, contractual obligations with Míla's customers might not be properly translated into contractual obligations with third-party suppliers or service providers. Míla could receive equipment or services that for some reason does not meet expectations and/or are defective. In these instances, it could be difficult or impossible to carry out recourse claims, such as in cases where contractual warranties might have or have expired, where the defects do not fall under the underlying contractual warranties, or where the supplier or provider of services is insolvent.

As the telecommunications industry is constantly developing, Míla could face some risks concerning faster equipment development, suppliers not being able to deliver the technology required or potential political risk related to the equipment or supplier involved.

3.1.2.10 Environmental and Health Risks

Míla has large projects going on throughout Iceland which may cause disturbance to the environment. In setting up telecommunications infrastructures, Míla must abide by any laws, regulations, and instructions from planning authorities with regards to both land use and other environmental factors. These include laws and regulations regarding the storage, management and disposal of hazardous materials and the clean-up of contaminated sites. Should Míla violate or become liable under those laws and regulations, it could lead to costs, including but not limited to fines, sanctions, clean-up costs and litigation costs. Such costs could harm Míla's financial position, creditworthiness, and commercial reputation.

Furthermore, Míla's operations depend on the safe and accepted usage of mobile telecommunications transmission network infrastructure, equipment, and devices. Míla cannot guarantee that future medical research on the topic will not amplify such concerns and/or lead to more restrictive regulations regarding the construction of telecommunications network infrastructure and the usage of mobile telecommunications transmission equipment/devices.

Public concerns regarding the health effects of electromagnetic signals and radio frequency emissions may also lead to higher direct or indirect costs for Míla, for example a reduction in the number of mobile users or customer litigation. Such cost increases may adversely affect Míla's network deployment, the coverage of Míla's network and the availability of new services, negatively affecting the Issuer's margins, financial results, creditworthiness, and commercial reputation. This could also negatively impact the ability to locate towers and equipment necessary to ensure adequate coverage and services.

⁶Gigabit Passive Optical Network.

3.1.3 Financial Risk Factors

Míla's capital structure is actively managed to ensure that the company is operational, aiming to maximise shareholder profits by seeking the optimal ratio balance between equity and debt.

Míla's operations entail that the operations, assets, liabilities, and debt are subject to financial risk. The company does not take positions in speculative financial instruments, including derivatives.

Management actively monitors and analyse financial risks in their operation. Risk management procedures are evaluated regularly to assess developments in financial markets and Míla's business. The following risk factors have been identified for financial instruments.

3.1.3.1 Interest Rate Risk

Interest rate risk is the risk that financial instruments' fair value or future cash flow will fluctuate due to changes in market interest rates. Changes in market interest rates affect interest income and interest expenses in the income statement. Míla's loan portfolio consists of unsecured loans with variable interest rates. Míla's interest-bearing financial liabilities are higher than interest-bearing financial assets. The risk therefore lies in a possible increase in interest rates and/or prices leading to an increase in finance expenses.

Sensitivity analysis of changes in interest rates was made based on the balance of financial assets and liabilities at the end of the year. At the end of 2022, all borrowings were with floating interest rate for the next 12 months, as per the year before. The sensitivity analysis assumes unchanged balance of borrowings during the year. Interest rates increase of 100 basis points, with other assumptions unchanged, lowers the income and equity by 202 million ISK before tax (2021: 187 million ISK).

3.1.3.2 Credit Risk

Credit risk is the risk of financial loss for the company if a customer or counterparty in a financial instrument cannot meet their agreed obligations. Míla's exposure to credit risk is limited to financial assets listed on the balance sheet as well as certain guarantees. As a wholesale business Míla's trade receivables are predominantly associated to a few customers, therefore Míla regularly monitors the development of asset-related credit risk.

The maximum credit risk is the book value of accounts receivables, bank balances, other receivables, and long-term financial assets, amounting to 1,978 million ISK in 2022 (1,955 million ISK in 2021).

The majority of Míla's receivables are payable within 90 days. Míla generates an allowance for doubtful accounts. The 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. Allowance for doubtful accounts amounted to 23 million ISK in the year-end of 2022 (2021: 19 million ISK).

Míla's credit risk is mainly determined by its customers' financial situation and performance. Míla writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. The collection rate is high at Míla. Write-offs in 2022 were 3 million ISK (2021: 0 ISK).

3.1.3.3 Liquidity Risk

Liquidity risk is the risk that Míla will encounter difficulty meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Míla manages this risk by monitoring the forecast and actual cash flows and by ensuring adequate reserves. Míla has access to a revolver facility from its bank. Floating interest at the end of 2022 was 9.1% (2021: 4.7%).

Contractual instalments on financial liabilities, including estimated interest payments, due within 1 year amount to 4,378 million ISK (2021: 3,715 million ISK).

3.1.4 Risk Related to Legal and Regulatory Frameworks

3.1.4.1 Applicable Laws and Regulations

Míla operates in highly regulated markets with the legal environment rapidly growing and evolving, influenced by EU legislation. Míla is operated in accordance with applicable industry specific legislation, including but not limited to:

- Act no. 70/2022 on Electronic Communications
- Act no. 75/2021 on the Electronic Communications Office of Iceland

Furthermore, Míla must follow non-industry specific legislation, including but not limited to:

- Act no. 44/2005 on Competition
- Act no. 90/2018 on Data Protection and the Processing of Personal Data
- Act no. 2/1995 on Public Limited Companies
- Act no. 90/2003 on Income Tax
- Act no. 50/1998 on Value Added Tax
- Act no. 3/2006 on Financial Statements
- Act no. 145/1994 on Accounting

The financial statements of Míla are prepared in accordance with International Financial Reporting Standard („IFRS“).

Míla is subject to the provisions of various laws and regulations and strives to comply with any and all relevant legislation, both general and specific to its industry, as lack of compliance with laws may result in Míla being forced to pay fees, fines or be subject to administrative action. Certain risks also revolve around the interpretation of applicable laws and regulations, running the risk of such interpretations being incorrect, or that the accepted interpretation of relevant laws may change in the future. Míla might be categorised in certain business sectors as a market leader as defined in Act no. 44/2005 on Competition and therefore under heavier legal restraints. Further details on Míla's competition risk can be found in Chapter 3.1.2.6 *Competition Risk* in this Securities Note. Míla has limited potential to reduce or control these risk factors and it is therefore necessary for investors to pay attention to them prior to deciding to invest in the Bonds.

The assets backing the Issue are subject to Icelandic law. All Secured Debt is secured with the Security, as defined in Chapter 4.3.3 *The Security and the Role of the Security Agent and the Bondholders Agent* and is further supported by the Guarantee. For further description of the legal nature of the assets backing the Issue, *inter alia* the underlying agreements governing the assets, a reference is made to Chapter 2.2 *Underlying assets of the Bonds* and Chapter 4.3.3 *The Security and the Role of the Security Agent and the Bondholders Agent* of this Securities Note.

3.1.4.2 Litigation

Míla may find itself involved in some form of litigation at any given time which might adversely affect its financial position. At the time of publishing this Securities Note, Míla is involved on one case before the Supreme Court: case no. 50/2022. The case concerns alleged breaches of Síminn of the Media Act No. 38/2011. The involvement of Míla in this case is due to legal necessity because Síminn and Míla were related legal entities at the time of the alleged breach. Míla is no longer a related entity within the meaning the law. Thus, the precedential significance of the case is therefore limited in relation to Míla.

At the time of publishing this Securities Note, Míla is not involved in any other legal disputes or any other governmental, legal or arbitrational proceedings than mentioned in this Securities Note. Further, Míla is not aware of any other such proceedings being pending or threatened during the period covering the previous 12 months which may have or have in the recent past had a significant effect on Míla and/or Míla's financial position or profitability.

3.1.5 Insurance Risk

The Issuer and Míla hold insurance for all of its major assets and employees, as well as working on adding a Directors' liability insurance, to reduce the risk of major economic impact in case of incidents. The insurance covers a range of risks, including potential damage to the Company's assets and liability exposure associated with real estate operations.] If the Company's insurance coverage shows to be inadequate to cover losses the Company could be obliged to bear substantial costs if (i) its insurance policies do not cover a specific claim; (ii) the amounts insured under such policies are insufficient; or (iii) an insurer is not able to pay the insured amounts. In addition, the damage may not be limited to damages eligible for compensation but could include harm to Míla's reputation. Acts of sabotage, terrorist attacks and other incidents, especially if they were to be directed against the telecommunications industry, could result in insurance coverage for telecommunications companies becoming more expensive and/or certain risks becoming uninsurable. If the Issuer is unable to maintain its insurance cover on terms acceptable to it or if future business requirements exceed or fall outside the Issuer's insurance cover or if the provisions for uninsured costs are insufficient to cover the final costs it could have a material negative impact on the Issuer's operations, earnings and financial position.

3.1.6 Contractual Risk and Material Agreements

Agreements to which Míla is a party may involve the risk of disputes regarding the interpretation of the content, which may negatively impact Míla. To the best of the Board of Directors of Míla's knowledge, there is no such conflict other than has been disclosed in this Prospectus. The same applies to Míla's investments.

Míla is subject to the various provisions of their financing agreements, including restrictive covenants (regulating their capacity to, among other things, acquire businesses, dispose of assets, incur debt, give loans, grant security or guarantees and make equity distributions) and financial covenants (including an equity condition, leverage ratio and debt service cover ratio). If Míla is unable to meet their obligations under such arrangements or cease to do so for any other reason, this may (subject to grace periods and other applicable exceptions) result in a default under such arrangements, which would enable the facility and/or, as applicable, security agents to accelerate the repayment of principal, interest and other amounts owing under such arrangements and/or, as applicable, enforce the relevant security, which would in each case have material negative financial consequences for Míla, the Issuer or the other members of the Group.

In addition, in the event Míla is unable to service their debt, they may be forced to reduce or defer acquisitions or investments, sell assets, refinance their debt or seek additional financing. The occurrence of any of these risks (including an inability to refinance or procure additional financing on sufficiently favourable terms), could also have a material adverse effect on the business, operating results and financial condition of the Issuer, Míla or the other members of the Group.

When the Acquisition was announced in 2021 the Icelandic Government entered into discussions with representatives of Míla, Síminn and Ardian on ways to ensure that Míla's activities are compatible with national security interests under the new ownership. Following those discussions, the Icelandic Government and Míla signed a certain agreement in December 2021, imposing certain obligations on

Míla due to its nationally important telecommunications networks. As Míla has at all times obeyed strict rules on telecommunications, this agreement should not, in principle, have a further burdensome effect on Míla.

Further, since 2013 Míla has been a party to an agreement with the Icelandic Coast Guard for services to NATO's fibre optic network in Iceland. This agreement requires that Míla has a valid security certification throughout the agreement period.

Following the Acquisition, Síminn and Míla entered into a certain wholesale services agreement regarding the provision by Míla of certain services, with respect to electronic communications infrastructure, to Síminn. The agreement is valid for 15 years with certain extension clauses.

On 15 September 2022, Míla and the Icelandic Competition Authority entered into a settlement in relation to the Acquisition whereby certain obligations are imposed on Míla's operations.

3.1.7 Data Protection Risk

Míla collects and retains personal information received from customers and is therefore subject to the EU's General Data Protection Regulation (EU) 2016/679 ("GDPR") aimed at protecting personal data held by businesses and other organizations. These requirements include but are not limited to implementing certain policies and processes, developing an effective internal data protection management system and appointing a data protection officer. If companies are non-compliant with the GDPR, regulators can determine the infringement level and levy fines of up to 4% of the company's annual worldwide turnover.

3.1.8 Tax Regulation

Míla is a public liability company and as such, Míla is subject to unlimited tax liability in Iceland. Míla believes it complies with all applicable laws and regulations on taxes and therefore does not expect the tax authorities to investigate its handling of income or other financial matters. However, as with the general risk of different interpretations of relevant rules, there is a risk that Míla and tax authorities may differ on how to handle various financial matters within Míla, and breaches of tax rules could have a severe outcome on the finances and reputation of Míla.

Amendments to laws and regulations regarding direct or indirect tax collection may affect Míla and those investors who invest in the Bonds. Those changes may affect the Company's profitability. Act no. 90/2003 on Income Tax and Act no. 50/1998 on Value Added Tax are example of tax regulations that are important for Míla.

It is envisioned by the Group's management to apply for each entity of the Group being jointly taxed from 1 January 2023 (in addition to other members of the Group than Míla being jointly taxed in 2022).

By having a joint taxation in place, the income tax on the joint income tax base of all limited companies is included in the joint taxation levied on the parent company. It is then the collective responsibility of all the limited companies that the tax is paid. In addition to the aforementioned the operating losses of one or more jointly taxed limited companies can be deducted from the income of the other companies before calculating income tax. Still, the respective income year is to be settled before taking notice of a transferable loss from past years. A limited company's transferable operating loss from before joint taxation can only be utilized in that same company. There is a possibility that Sunstone IV and Míla no longer fulfil the requirements of joint taxation that might have impact on their financial results.

3.2 General Information on Míla

Legal name:	Míla hf.
Commercial Name:	Míla
Reg. No.:	460207-1690
Domicile:	Stórhöfði 22-30, 110 Reykjavík
Legal form:	Public limited company (hf.), registered in Iceland in accordance with Act no. 2/1995
Date of Incorporation:	31 October 2006
Legal Entity Identifier „LEI“:	549300SB6XHSWSEXT96
ISIN number:	IS0000034627
Phone number:	+354 585 6000
Website:	www.mila.is ⁷

Míla was founded on 31 October 2006 and is subject to the Act no. 2/1995 on public limited companies. The purpose of Míla, according to Article 2 in the Articles of Association, dated 20 October 2022, is to provide any type of services in the telecom and IT markets, including services in the field of trade, manufacturing, distribution, sale, financial activities and business, to operate a shop with products and equipment related to Míla's operations, to act as a distributor, operation of real estates and lending services in addition to run other related operations in which can utilize the Company's know-how and equipment.

3.2.1 Share Capital and Shareholders

Míla's share capital amounts to ISK 7,600,000,000. Each share amounts to ISK 1 nominal value. Míla is wholly owned by Sunstone IV less one share which is owned by Sunstone I Bis ehf.

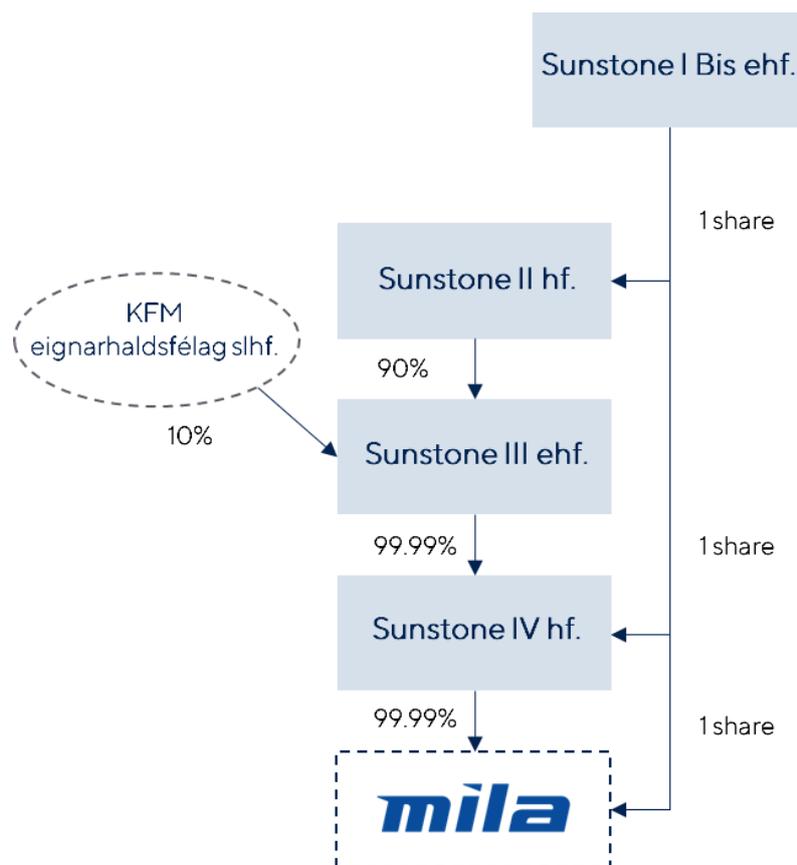
Míla's shares are issued electronically in a central securities depository, Nasdaq CSD SE, in accordance with Act no. 7/2020 on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments (the “**Act on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments**”).

No special rights are attached to any shares in Míla. Shareholders shall not be subject to redemption of their shares unless otherwise laid down by law. One vote shall be attached to each one-krona share in Míla. Decisions at shareholders' meetings shall be taken by majority vote except as otherwise provided in statutory law or Míla's Articles of Association which can be found in Chapter 3.3. *Documents on Display* in the Registration Document.

Míla's share capital may be increased by a resolution of a shareholders' meeting, in which case the same force of vote is required for amendment of the Articles of Association. A shareholders' meeting alone may render a decision relating to the reduction of share capital. Shareholders shall have a priority right to all new shares in proportion to their holdings, as further described under law and a certain co-investment agreement, entered into on 30 September 2022, between the shareholders of Sunstone III.

Group structure and connection between Sunstone IV and Míla is as follows:

⁷ Information on the website does not constitute a part of this Prospectus, unless incorporated by reference.



The Issuer is not aware of any ownership beyond that which is disclosed in the table above, or that any of the aforementioned entities are controlled by other parties than disclosed in the Prospectus. Furthermore, the Issuer is not aware of any agreements that may lead to a change in control of the Issuer.

3.3 Operations

Míla is a wholesale company in the electronic communications market, and Míla's core business consists of building and operating electronic communications infrastructure nationwide. Míla's role is to sell its solutions to companies and organisations that engage in electronic communication. Míla's specialisation consists, among other things, of operation and consulting for developing electronic communication systems and facility rental of equipment rooms and masts. Míla places great emphasis on the continuous development of its existing electronic communications system, as well as launching new solutions to meet the market's needs. Míla's systems are the basis for multi-modal telecommunication services throughout the country.

Míla's telecommunications system is based on two main systems: the main network and the access network. The main network is mainly based on optical fibres but also uses microwave connections. Míla's fibre optic network covers all the country's urban centres and runs around the country. The fibre optic network utilises a ring network to ensure a reliable and secure network. Microwave connections are utilised in areas not connected to the fibre optic network. The access network is powerful, versatile, and based on copper lines and optical fibres. The copper system is the most extensive there, where almost all households, companies and institutions in the country are connected. Míla has worked on developing Ljósveita in most urban areas of the country. Ljósveita Míla provides homes with a high-

speed connection where a fibre optic cable is laid to a street cabinet, and from there, the existing pipes are used to homes, whether it is copper or fibre optic. Míla's investments in copper local loops during the last years are solely maintenance investments as Míla's intention is to decommission the copper system within the coming 5 years. Míla installs fibre optic cables in new neighbourhoods that are being built as well as rolling out fibre in many areas in the country. Míla offers its customers rental facilities for their equipment at around 600 hosting locations throughout the country, both in equipment houses and in masts. Customers get access to equipment houses or masts for their equipment, as well as access to electricity and connection to the telecommunications network. These hosting locations are utilised by most of the major telecommunication companies as well as, broadcasting companies, emergency services and IT firms

In 2022, Míla continued the fibre rollout (FTTH) which had started in 2016. At year-end Míla had made fibre available in 120,000 premises, an increase of 12,000 during 2022. The number of active fibre connections increased by 4,200 during the year. In recent years Míla has acquired small fibre networks across the country. In 2022, Míla started installation of a new system, Dense wavelength-division multiplexing (DWDM) which is an optical fibre multiplexing technology that increases the bandwidth of fibre networks. Míla completed the installation from the southwest over the highlands to the north and east. The complete installation will be finished in 2023. The DWDM system will greatly increase the overall bandwidth capacity for the transmission network country wide and support both FTTH and 5G services. At the end of 2022 Míla offered a new service to customers, sharing of Remote Access Network (RAN). Míla expects this service to become a cost-effective solution for mobile service rollout, especially in rural areas of locations of questionable economic value for the mobile operators.

3.4 Financial Overview

Míla's financial year is the calendar year. The historical financial information for the financial years ending on 31 December 2020, 2021 and 2022 has been retrieved from Míla's financial statements, which constitute a part of this Prospectus. Míla's financial statements 2021 and 2022 have been prepared in accordance with IFRS as adopted by the European Union and in accordance with IS GAAP.

Total revenues for the year 2022 amounted to 8,588 million ISK, compared to 8,586 million ISK in 2021. EBITDA in 2022 amounted to 4,488 million ISK compared to 5,109 million ISK in 2021. In April 2021 Míla was refinanced and the capital structure was changed. Long term liabilities increased from 8 billion ISK to 20 billion ISK and equity was decreased by 4 billion ISK. Refinancing and the increase in interest rate 2022 is the reason for over 700 million ISK increase in net financial expenses between 2021 and 2022. Loss for the period amounted to 354 million ISK compared to a profit of 1,010 million ISK for the year 2021. Total assets at the year-end 2022 amounted to 82,448 million ISK and total equity amounted to 49,698 million ISK. Long term liabilities amounted to 30,826 million ISK and increased by 7,236 million ISK from 2021. The long-term loan from the parent company increased from 19,400 million ISK to 20,223 million. The principal is paid in the end of the loan period of nine years.

The following is the income statement for Míla hf. for 2020-2022:

Amounts are in million ISK	2022	2021	2020
Sales	8,588	8,583	6,442
Cost of goods sold (COGS)	(5,167)	(4,876)	(3,309)
Margin	3,421	3,707	3,133
Other income	0	3	20
Operating costs	(2,237)	(1,440)	(1,226)
Operating Profit	1,184	2,270	1,927
Finance income	30	16	8
Finance cost	(1,626)	(899)	(421)
Exchange rate difference	(22)	(2)	(3)
Net finance income (loss):	(1,618)	(885)	(416)
Profit before tax	(434)	1,385	1,511
Income tax	88	(276)	(301)
Equalisation fee for service	(8)	(8)	(6)
Total profit (loss):	(354)	1,101	1,204

The following is the balance sheet of Míla hf. for 2020-2022:

Assets, amounts are in million ISK	2022	2021	2020
<u>Fixed assets:</u>			
Operating assets	26,412	16,944	13,443
Right-of-use assets	4,550	4,408	3,132
Goodwill	27,535	10,927	7,680
Intangible assets	21,359	1,657	162
Long term receivables	61	85	107
Total fixed assets:	79,917	34,021	24,524
<u>Current assets:</u>			
Inventories	460	513	309
Accounts receivable	1,403	774	255
Receivables with related parties	171	0	811
Other assets	284	188	256
Cash and cash equivalents	213	904	0
Total Current assets:	2,531	2,379	1,631
Total assets:	82,448	36,400	26,155

Amounts are in million ISK	2022	2021	2020
Equity			
Share capital	7,600	7,600	11,600
Share premium	42,098	0	202
Reserves	0	312	1,663
Retained earnings	0	2,654	13,465
Total equity:	49,698	10,566	
Liabilities			
<u>Non-current liabilities:</u>			0
Borrowings from parent company	20,223	18,740	8,000
Deferred tax liabilities	6,243	620	386
Long-term lease liabilities	4,360	4,230	3,000
Total non-current liabilities:	30,826	23,590	11,386
<u>Current liabilities:</u>			
Accounts payable	931	586	359
Payable to related parties	90	0	0
Current maturities of lease liabilities	407	343	235
Current maturities of borrowings	0	800	34
Income tax payable	0	42	279
Other current liabilities	496	473	397
Total current liabilities:	1,924	2,244	1,304
Total liabilities:	32,750	25,834	12,690
Equity and liabilities total:	82,448	36,400	26,155

Mila confirms that there have been no significant changes in Mila's financial performance from the end of the last financial period, 31 December 2022 to the date of publication of this Securities Note.

Additionally, there has been no material adverse change in Mila's financial position since the end of their last financial period or prospects since the date of their last published audited financial statements to the date of this Securities Note.

3.5 Governance and Management

3.5.1 Governance

Mila's Board of Director emphasises good corporate governance and re-evaluates its governance annually regarding recognised governance guidelines.

Míla's governance policy is based on the Icelandic Guidelines on Corporate Governance, published by the Iceland Chamber of Commerce, Nasdaq Iceland hf. and the Confederation of Icelandic Employers, 6th edition, issued 1 July 2021. Míla follows the Icelandic Guidelines on Corporate Governance apart from certain provisions of Article 1.4 "Nomination Committee", as the Nominations and Remunerations Committee of the Group does not meet all the conditions set out in the said article, including with respect to the appointment of the committee members.

3.5.2 Board of Directors of Míla

The Board of Directors of Míla has the highest authority in the company's affairs between shareholders' meetings, being subjected to limitations resulting from the law, Míla's Articles of Association, the Board's rules of procedure, and agreement with the Competition Authority. The responsibilities of the Chairman of the Board are laid down in the board's rules of procedure, and it is expected that he will act in accordance with the Icelandic Guidelines on Corporate Governance.

The Board of Directors engages managing director and decides the terms of their employment.

Members of the Board of Directors:

- Jón Ríkharð Kristjánsson (1967), **Chairman of the Board**
- Leonard Rasche (1992)
- Birna Ósk Einarsdóttir (1976)
- Oscar Cicchetti (1951)
- Marion Emmanuelle Calcine (1984)
- Pauline Thomson (1987)
- Þórarinn V. Þórarinsson (1954)

Aforementioned board members of Míla are also board members of Sunstone IV. Further details on their experience can be found in Chapter 2.2.1. *Board of Directors and Chief Executive Officer of Sunstone IV*, in the Registration Document.

3.5.3 Executive Committee of Míla

In addition to the CEO, Míla's Executive Committee includes managers from each department and Míla's General Counsel.

Chief Executive Officer

Name: Erik Figueras Torras
Year of birth: 1967
Office: Stórhöfða 22-30, 110 Reykjavík
Experience: CEO at Míla from 2022. Startup Mentor at KLAK from 2022, Senior Vice President and CTIO, Síminn 2013-2022, Science and Technology Policy Council, 2016-2020, Founder and CEO, Amivox 2007-2013, VP Business Development, TM Software 2004-2007, Director of Product Development, Landssíminn 1998-2004.

Chief Finance Officer

Name: Sigrún Hallgrímsdóttir
Year of birth: 1967
Office: Stórhöfða 22-30, 110 Reykjavík

Experience: CFO at Míla from 2014.and working for Míla since 2009. Finance department in Kaupping 2007 – 2008, Cost analysis management, Síminn 1998 – 2006, National Audit Office, 1993 – 1998, J.S. Helgason 1993 – 1994.

Chief Technology Officer

Name: Daði Sigurðarson
Year of birth: 1983
Office: Stórhöfða 22-30, 110 Reykjavík
Experience: Division manager of Míla's Trunk Networks 2015 – 2023, System configuration manager Míla 2014-2015, System operations specialist Míla 2013-2014, Telecommunication specialist and teacher in the Norwegian army special forces 2012-2013, Telecommunication officer in the Norwegian army 2009-2011, Telecommunication specialist in the Norwegian army 2007-2009.

Managing Director of Sales and Services

Name: Jóhanna Guðmundsdóttir
Year of birth: 1966
Office: Stórhöfða 22-30, 110 Reykjavík
Experience: Chief Sales Officer at Míla from 2020. Director of wholesales, Síminn 2006 – 2020, Director of Data Solutions, Síminn, 2005 – 2006, Specialist/Product Manager, Síminn 200-2005, Office Manager and Accounting Skima ehf. 1997-2000.

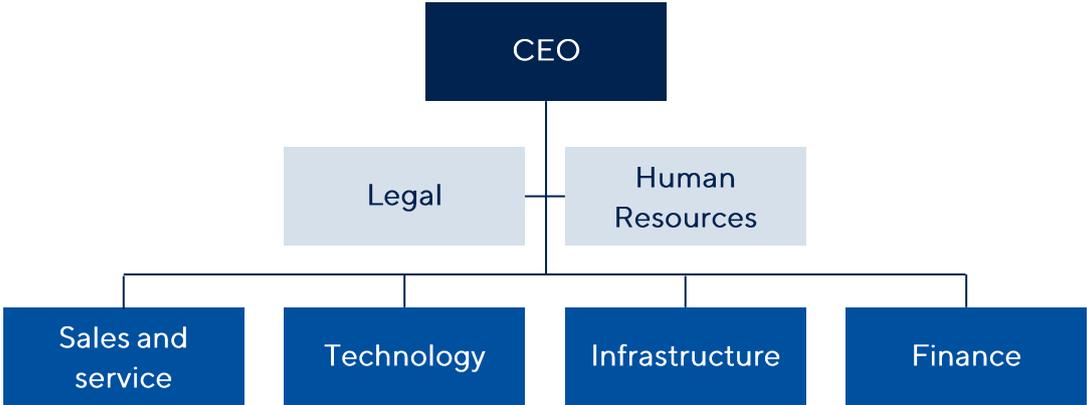
Chief Infrastructure Officer

Name: Snorri Karlsson
Year of birth: 1968
Office: Stórhöfða 22-30, 110 Reykjavík
Experience: Chief Infrastructure Officer from at Síminn from 2022, Managing Director of services at Síminn 2016-2021, Managing Director of the project office at Síminn from 2013-2016, Head of retail at Síminn from 2010-2013, Project manager at Síminn from 2000-2006, Project Manager at VSÓ Ráðgjöf ehf. 1998-2000.

Chief Regulatory Officer

Name: Inga Helga Halldórudóttir
Year of birth: 1977
Office: Stórhöfða 22-30, 110 Reykjavík
Experience: Legal Advisor, National Energy Authority 2022-2023, Legal Officer Competition and State Aid and Senior Legal Officer, EFTA Surveillance Authority 2015-2022, Legal Specialist, Icelandic Competition Authority 2010-2015, Legal Specialist, the Electronic Communications Office of Iceland 2007-2010.

3.5.4 Organizational Chart of Míla



3.6 Míla’s Auditors

Míla’s auditors for the historical financial information in this Prospectus were KPMG ehf., Id. 590975-0449, Borgartún 27, 105 Reykjavík, and on their behalf Árni Valgarð Claessen, Certified Public Accountant. Árni Valgarð is a member of the Association of Certified Public Accountants.

Míla’s annual accounts have been audited by KPMG and include the certification from their independent auditor. Míla’s auditors have neither refused to certify the above-mentioned annual accounts of the Míla, nor has their certification included a general disclaimer or a disclaimer of liability.

KPMG has been Míla’s Auditor for the financial years 2016 to 2022. KPMG has not resigned, been removed from office or not been re-elected during the period.

At the date of this Securities Note Míla has not elected an Auditor for the 2023 fiscal year.

4 Information on the Bonds and Admittance to trading

The Bonds were issued on 30 September 2022 when ISK 6,000,000,000 nominal were issued. The Bonds were sold to a limited group of qualified investors in September 2022 at a yield of 2.2121%. The sale value of the issuance is ISK 6,000,000,000 and the net sale value after costs is estimated at ISK 5,920,020,000. The Issuer will apply to have the Bonds, with a nominal value of ISK 6,000,000,000 admitted to trading on the Regulated Market of Nasdaq Iceland hf.

The Bonds, which are in registered form, are issued electronically in a central securities depository, Nasdaq CSD SE, branch in Iceland, Reg. No. 510119-0370, registered address Laugavegur 182, 105 Reykjavík (“**Nasdaq CSD Iceland**”) which operates pursuant to the Act on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments. The registration of electronic security certificates at Nasdaq CSD Iceland grants their owners legal authority to the rights for which they are registered.

No benefits are attached to the Bonds. The Bonds do not have a credit rating.

4.1.1 Ranking and Priority

Subject to the Intercreditor Agreement and the Bond terms, the claims pursuant to the Bonds shall always rank pari-passu among Bondholders (as defined below in Chapter 4.3.1 *Definitions in Relation to the Bond Terms*) and it shall not be permitted to discharge payment due under the Bonds to any Bondholder unless the same proportion is discharged to all Bondholders or unless that payment is in connection with the buying back of the bonds on the open market on the basis of a pari-passu offering thereto.

Furthermore, subject to the Intercreditor Agreement, all debt under the Bonds, the Senior Facilities Agreement and any other Finance Document owed by the Issuer that is secured by the Security (the “**Secured Debt**”), as defined in Chapter 4.3.34.3.3 *The Security and Role of the Security Agent and the Bondholders Agent* in this Securities Note, shall always rank pari-passu among creditors of such debt and without any preference between their liabilities.

The Bonds have priority in the Security, along with all other Secured Debt, subject to the Intercreditor Agreement, and rank above any unsecured claims against the Issuer. In the event of insolvency, claims according to the Bonds rank prior to general and subordinate claims and rank ahead of holders of ordinary share capital.

4.2 Authorization to Issue the Bonds

By a resolution dated 19 August 2022, the Board of Directors of the Issuer resolved to approve the terms constituting a “bond issue description” dated on or before the Closing Date pursuant to which the Issuer issues or shall issue a bond that Íslandsbanki hf. administers as Bondholders Agent in a nominal amount up to ISK 8,000,000,000.

4.3 Terms

4.3.1 Definitions in Relation to the Bond Terms

For purposes of this section, the following definitions shall apply:

Issuer: Sunstone IV ehf., a public limited company registered at Stórhöfði 22-30, 110 Reykjavík, Iceland and having the Icelandic ID number 620921-2540.

BidCo: AB 855 hf., a public limited company registered at Borgartún 27, 105 Reykjavík, Iceland and having the Icelandic ID number 620921-2620. At the date of this Securites Note BidCo has merged with Míla.

Míla: Míla ehf., a private limited company registered at Stórhöfði 22-30, 110 Reykjavík and having the Icelandic ID number 460207-1690.

Issuer Group: The Issuer and all subsidiaries of the Issuer, as defined in Article 2 of Act no. 3/2006 on Annual Accounts. For avoidance of doubt, the Issuer Group will, on and from the Issue Date, include Míla, and also includes all subsidiaries of subsidiaries of the Issuer, subsidiaries of such companies and so on.

Bonds: The Bonds issued under this programme, identified as MILA 300929, defined by this issue description (the “**Bonds**”). Each individual bond which is a part of the Bonds is referred to as a “**Bond**”.

Bondholder: Any party who holds a Bond and can deliver confirmation of such ownership of a custody account at an account operator.

Business day: A weekday where banks are generally open for business in Iceland.

4.3.2 Key information on the issue and general provisions

Ticker:	MILA 300929
Issuer:	Sunstone IV hf.
Legal Entity Identifier „LEI“:	549300SB6XHSHWSEXT96
ISIN:	IS0000034445
Currency:	ISK
Interest rate:	2.2% per annum fixed rate
Day count convention:	30E/360
First payment date:	30 March 2023
Issue date:	30 September 2022
First interest date:	The Issue date
Final maturity date:	30 September 2029
Total aggregate nominal amount:	ISK 6,000,000,000 (ISK six billion)
Issued now:	ISK 6,000,000,000 (ISK six billion)
Unit size nominal:	ISK 20,000,000 (ISK twenty million)
Calculating agent:	The Issuer
Indexation:	The Bonds are indexed to the Icelandic Consumer Price Index (“ CPI ”), issued by Statistics Iceland in accordance with law 12/1995 on Consumer Price Index (Icelandic: <i>Lög um vísitölu neysluverðs</i>), with the Base Index Rate of 555.0467 on the Issue Date (the “ Base Index Rate ”).

The outstanding amount of the Bonds shall change in proportion to changes in the CPI from the Base Index Rate to the First Payment Date, and in proportion to changes in the CPI between later Payment Dates.

Early redemption:

The Issuer shall not be permitted to redeem the Bonds in full or in part. Nevertheless, provided that the Issuer first makes a pro rata offer to the Bondholders, the Issuer shall be permitted to purchase the Bonds on the open market from any Bondholders that accept that offer in accordance with its terms.

Payment of principal and interest

Subject to the below, payments of principal and interest are made semi-annually, at 30 March and 30 September every year (each, a “**Payment Date**”), for a total of 14 (fourteen) payments. Interest accrues daily at the Interest Rate on the principal amount then outstanding. The first payment of interest shall be six months after the Issue Date, being 30 March 2023 (the “**First Payment Date**”).

Principal and interest payments shall be made according to the following schedule:

- 1) On the First Payment Date, i.e., 30 March 2023, no principal payment shall be payable. However, a full payment of all interest that has accrued from the Issue Date to the First Payment Date shall be made.
- 2) At the next two Payment Dates, i.e., 30 March and 30 September 2023, no principal payment shall be payable. However, a full payment of all interest accrued until that date but unpaid shall be made.
- 3) On each of the following 10 Payment Dates:
 - a. principal shall be paid in equal instalments as though being repaid pursuant to a 35-year annuity profile; and
 - b. a full payment of all interest accrued until that date but unpaid shall be made.
- 4) On the latest Payment Date, falling due on the Final Maturity Date, all outstanding principal and accrued interest amounts shall be paid.

For all Payment Dates, principal shall be adjusted for indexation in accordance with these Bond terms immediately prior to calculating the interest payment.

If a Payment Date falls on a day which is not a Business Day, the payment is to take place the next following Business Day. In such an event, interests shall only be accrued to the Payment Date.

The Issuer, through the securities depository, will make payments of the Bonds to those account operators where the registered Bondholders hold their custody account, as prescribed in Act 7/2020 on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments. The applicable account operator is responsible for final payments to the Bondholders.

Condition for the Bond Issuance

The issue of the Bonds is conditional upon the Issuer, or a party within the Issuer’s Group, first entering into and executing the following other Finance Documents: (a) the Senior Facilities Agreement (b) the Intercreditor Agreement and (c) the Security (although, of the Possessory Liens, only that granted by the Issuer over (among other things) all of the shares it holds in Mila), with paragraph (a) being in form and substance satisfactory to the Facility Agent (as defined in the Senior Facility Agreement) and each of paragraphs (b) and (c) being in form and substance satisfactory to the Bondholders Agent.

Bondholders meeting

To discuss and make decisions in relation to the Bonds, Bondholders shall conduct a meeting (the “**Bondholders Meeting**”).

Should a need for a Bondholders Meeting arise, the Bondholders Agent shall call for the meeting at the request of a Bondholder and/or the Security Agent and/or the Issuer and/or at the discretion of the Bondholders Agent itself.

Bondholders Meeting shall be called for by no less than two (2) weeks’ notice. Prior to the listing of the Bonds, meetings shall be summoned with an agenda and a list of proposals through a securities depository which in turn will deliver the summon to the Bondholders, but by a stock exchange release once the Bonds have been listed. Further, all resolutions and conclusions of a Bondholders Meeting shall be delivered to Bondholders in the same manner without any unreasonable delay.

The Bondholders Agent, the Security Agent, the Bondholders, and the Issuer, along with their advisors and agents, are permitted to attend a Bondholders Meeting. The Bondholders shall elect a meeting chairman and the secretary of the meeting. The chairman shall confirm whether the meeting is lawful and conclude on all matters relating to conduct of the meeting, including with respect to voting rights of each Bondholder.

The Issuer has the right to be heard at the Bondholders Meeting. Once discussions are concluded and before voting takes place, the Bondholders have the right to request that the Issuer and his agents and advisors, leave the meeting.

The voting rights of each Bondholder are proportional to the nominal amount held by each Bondholder as a proportion of the total outstanding nominal amount of the Bonds at the day of the meeting. A simple majority, i.e. over 50%, is required to approve any proposal, unless a different decision level is stated in the terms of this Bond. For avoidance of doubt, any Bonds owned by the Issuer or any member of the Issuer Group and/or any closely related party to the Issuer or any member of the Issuer Group do not have voting rights and the voting process shall be adjusted accordingly. Closely related party (Ice. Nákominn aðili) has the same meaning as in Article 3 of Act no. 21/1991 on Insolvency etc.

Information on Bondholders

The Issuer has the right to request and receive information on the registered Bondholders at each time from the security depository in which the Bonds are registered.

Assignment

There are no limits on the assignment of the Bonds. The Bonds shall be assigned to a specified, identified party.

Amendments to the Bonds

Any decision on changes to the terms and provisions of the Bonds, requested by the Issuer, shall be made in a Bondholders Meeting, where a general decision level of 67% is required. However, a decision level of 90% is required to make changes to the following:

- a) The decrease of the nominal amount;
- b) The interest rate level;
- c) Payment schedule of principal and interest;
- d) Changes to the nature of the Security.

Disputes

Any dispute arising regarding the Bonds shall be subject to the exclusive decision of the District Court of Reykjavik. The Bonds are issued under Icelandic laws.

Removal from trading

The Bonds will be automatically removed from trading seven (7) days after the Final Maturity Date, unless otherwise instructed by the Issuer. The Issuer shall notify the security depository where the Bonds are registered of any failure to pay and, in such event, also when payment has been made.

4.3.3 The Security and Role of the Security Agent and the Bondholders Agent

The Security Agent

The Bondholders have appointed Íslandsbanki hf., a public limited company, Reg. No 491008-0160 registered at Hagasmári 3, 201 Kópavogur, Iceland, as the initial security agent (the “**Security Agent**”) under the Intercreditor Agreement.

Bondholders have the right to replace the Security Agent, subject to the provisions of the Intercreditor Agreement, at any time, given that such decision is taken at a Bondholders Meeting where a decision level of 75% is required. Should any other party request the replacement of the Security Agent, in line with the provisions of the Intercreditor Agreement, the same decision level applies to the extent the Bondholders’ consent is required.

Intercreditor Agreement

The Issuer and Sunstone III ehf., Reg. No. 561221-1380, have entered into an Intercreditor Agreement with the Security Agent on behalf of the Bondholders and other creditors of the Issuer Group, among others, which inter alia prescribes (i) the rights of such creditors to call for enforcement of security (ii) the pari-passu security ranking between senior creditors of certain entities of the Issuer Group (iii) the payments that the Issuer Group is permitted to make to hedge counterparties, intragroup lenders and subordinated creditors (if any) and (iv) the rights and obligations of the Security Agent in relation to its appointment and intercreditor matters (including in relation to non-distressed disposals and turnover proceeds, voting of creditors, amendments to the Intercreditor Agreement and the like).

A reference to the terms and/or provisions of the Bonds shall include, for the avoidance of doubt, a reference to the terms of the Intercreditor Agreement. To the extent of any inconsistency between the terms of the Intercreditor Agreement and another Bond document, the terms of the Intercreditor Agreement shall prevail.

Senior Facilities Agreement

The Issuer, Míla (each, as borrower and guarantor) and Íslandsbanki hf., a public limited company, Reg. No. 491008-0160, registered at Hagasmári 3, 201 Kópavogur, Iceland (as a senior lender), among others, are (or will be) parties to the Senior Facilities Agreement, as such agreement may be amended from time to time and/or as such facilities or such agreement may be replaced or refinanced (as applicable) by any subsequent facilities.

Secured Debt

All debt owed by the Issuer under the Bonds and the Senior Facilities Agreement (or any other Finance Document) is secured by the Security (the “**Secured Debt**”), with further credit support in respect of the Issuer’s repayment and other obligations provided by the Guarantee. For the avoidance of doubt, the

current debt of Míla was fully refinanced with the proceeds of the Secured Debt drawn under the Senior Facilities Agreement and/or the Bonds.

Security

To ensure the punctual and full payment of, and/or performance or discharge of, the Bonds and other senior debt of the Issuer Group (including under the Senior Facilities Agreement), the Issuer has (together with whichever member of the Issuer Group holds the nominal additional share(s) in Míla) granted to the Security Agent (for the benefit of the “**Senior Creditors**” as defined in the Intercreditor Agreement):

- a) a possessory lien over all of the shares (and related rights) issued by Míla (the “**Possessory Lien**”); and
- b) a pledge over the material bank accounts⁸ of Míla and the Issuer (together with the Possessory Lien, the “**Security**”).

The pledges shares and bank accounts are or will otherwise be free of encumbrance (except for Permitted Security Interests or otherwise contemplated within the Permitted Ordinary Course of Business) and the security interests will contain all material provisions which such security customarily contain to ensure their enforceability.

Guarantee

To ensure the punctual and full payment of, and/or performance or discharge of, the Bonds, the Issuer and Míla have each issued (under the Intercreditor Agreement and the Senior Facilities Agreement) the Guarantee, being an unconditional, irrevocable joint and several guarantee and indemnity limited (in aggregate, in the case of Míla) in amount to ISK 19,200,000,000, with the Issuer’s guarantee being unlimited as to amount, under which (among other things), following the written demand of the Security Agent, Míla must pay such amounts that are due but unpaid by the Issuer as though it were the principal obligor.

Role of the Security Agent

The Security Agent shall represent the interests of all Bondholders equally and hold and preserve the original copy of the Intercreditor Agreement, as well as all original copies of the Possessory Liens, the Guarantee and other Security securing inter alia the debt obligations owed to the Bondholders. The Security Agent shall monitor the enforceability of the Security. Further, the Security Agent shall, on behalf of the Bondholders, make decisions regarding the Security up to the extent that the provisions of the Intercreditor Agreement and the Bonds provide for, or alternatively summon a Bondholders Meeting to make decisions on the Security.

Further yet, the Security Agent shall in the event of an acceleration, protect the interest of the Bondholders in accordance with the Intercreditor Agreement.

The obligations of the Security Agent are in all cases subject to the terms and provisions of the Bonds and the Intercreditor Agreement. All cost relating to the work of the Security Agent is payable by the Issuer in accordance with the terms of the Bonds.

⁸ Material bank accounts of Míla and the Issuer refer to the specific bank accounts of Míla and the Issuer which the Security Agent and the relevant Pledgor agree between themselves at any given time to be material with respect to the relevant Pledgor.

Bondholders Agent

The Bondholders have appointed Íslandsbanki hf., a public limited company, Reg. No. 491008-0160, registered at Hagasmári 3, 201 Kópavogur, Iceland, as the initial bondholder's agent (the "**Bondholders Agent**").

Bondholders have the right to replace the Bondholders Agent, subject to the provisions of the Intercreditor Agreement, at any time, given that such decision is taken at a Bondholders Meeting where a decision level of 75% is required. The new Bondholder Agent shall accede to the Intercreditor Agreement by executing and delivering to the Security Agent a creditor accession undertaking.

The role of the Bondholders Agent

The Bondholders Agent shall represent the interest of all Bondholders equally. The Bondholders Agent shall be the recipient on all notifications from the Issuer on Events of Default, breaches of representations and warranties, breaches of other covenants and/or any other notifications with regards to the Bonds. The Bondholders Agent shall, in line with the provisions of the Bonds, summon a Bondholders Meeting to make decisions as needed.

Further, the Bondholders Agent shall at the request of the Issuer and/or a Bondholder and/or the Security Agent and/or at its own initiative, summon a Bondholders Meeting to vote on the acceleration of the Bonds in case an Event of Default is continuing.

The obligations of the Bondholders Agent are in all cases subject to the terms and provisions of the Bonds. All cost relating to the work of the Bondholders Agent is payable by the Issuer in accordance with the terms of the Bonds.

Investors can access the contracts in relation to the Bondholder Agent at the website <https://www.mila.is/um-milu/fjarmal/>.

4.3.4 Events of default

Default interest

If the Issuer fails to pay any amount payable by it under the Bonds on its due date, the Bondholders shall be entitled to collect default interest on the overdue amount from the due date to the date of payment, calculated at the rate per annum of default interest (*Icelandic: dráttarvextir*) as published by the Central Bank of Iceland in accordance with Paragraph 1 of Article 6 of Act no. 38/2001 on interest and indexation.

Despite the aforementioned, the Bondholders are not entitled to any default interest if the Issuer's failure to pay is a result of an action or inaction by the Bondholders, including not having in a provable manner demonstrated its ownership of a Bond as needed.

Permitted ordinary course of business

Transactions in the ordinary course of business, on arm's length terms, and consistent with past custom and practice of Míla, and/or additional companies which may be acquired or otherwise become a member of the Issuer Group, and/or other companies which carry out similar business (in part or as a whole) as members of the Issuer Group, as permitted in the Finance Documents on the Issue Date; or any other "Permitted" actions however so defined in the Finance Documents (as they are on the Issue Date) (together, the "**Permitted Ordinary Course of Business**").

Notwithstanding anything to the contrary in the Bond terms, no transaction, payment, matter, or other step undertaken that is permitted in the Permitted Ordinary Course of Business will constitute a breach of, or Events of Default under, these Bond terms.

Events of Default

The following constitute events of default (“**Events of Default**”):

- a) **Failure to pay:** If the Issuer does not pay any payment payable under the Bonds, in each case at the place and in the currency in which it is expressed to be payable (unless its failure to pay is caused by administrative or technical error or a material market disruption and payment is made within (5) five Business Days of its due date).
- b) **Financial covenants:** If any Financial Covenant is not satisfied at each Test Date, and such breach is not cured in accordance with the “**Financial Covenant Cure**” in provisions below.
- c) **Breach of obligations:** If any member of the Issuer Group does not comply with any General Undertaking or Information Covenants hereunder or any other term of any of the Finance Documents or the Intercreditor Agreement (unless the failure to comply can be remedied and is remedied within fifteen (15) Business Days of the Bondholder’s Agent giving notice to the Issuer or, if earlier, the Issuer or any member of the Issuer Group becoming aware of such non-compliance).
- d) **Misrepresentation:** If any of the Issuer Warranties, made in connection with the Bonds is incorrect in any material respect when made or deemed to be made, unless the relevant member of the Issuer Group can demonstrate that such incorrect Issuer Warranty has been set forth by a mistake or unintentionally, and the relevant Issuer Warranty is capable of being remedied within fifteen (15) Business Days from the notification by the Bondholders Agent (and/or other applicable party) or, if earlier, the Issuer or any member of the Issuer Group becoming aware of such error.
- e) **Cross-default:** Any financial indebtedness, including but not limited to the Secured Debt, owed by any member of the Issuer Group, exceeding ISK 400,000,000 (ISK four hundred million) (or its equivalent in other currencies), is capable of being declared due and payable as a result of an event of default (however described). The aforementioned amount shall be adjusted for inflation in the same manner and using the same Base Index Rate as the Bonds.
- f) **Cross-acceleration:** Any liabilities under the Financing Documents are accelerated in accordance with the terms of the relevant agreement.
- g) **Creditor’s process:** Any attachment, detention, distress sale, injunction or any other enforcement procedure or enforcement action is carried out against any member of the Issuer Group, having an aggregate value (for all such companies) in excess of ISK 400,000,000 (ISK four hundred million) (or its equivalent in any other currency).
- h) **Insolvency:** Any member of the Issuer Group is unable or admits inability to pay its debts as they fall due or to be insolvent, suspends or threatens to suspend making payments on its debts, or a moratorium is declared in respect of any its indebtedness, or any member of the Issuer Group by reason of actual or anticipated financial difficulties begins negotiations with one or more of its creditors excluding the Bondholders or the Bondholders Agent in their capacity as such) with a view to rescheduling any of its indebtedness.
- i) **Insolvency proceedings:** Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- a. the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (whether by way of voluntary or involuntary arrangement or composition, including composition agreement on the basis of law or otherwise) bankruptcy or other financial reorganisation of any member of the Issuer's Group;
- b. a composition, compromise, assignment or arrangement with any creditor of any member of the Issuer's Group;
- c. the appointment of a trustee in bankruptcy, composition agent, debtors' assistant, liquidator, receiver, administrative receiver, administrator, compulsory manager, or other similar officer (pursuant to law or otherwise) in respect of any member of the Issuer's Group; or
- d. enforcement of any security over any assets of any member of the Issuer's Group if when aggregated with any other such enforcement, the value of the relevant assets exceeds ISK 500,000,000,

or any analogous procedure or step is taken in any jurisdiction, except any petition which is discharged, stayed or dismissed within fifteen (15) days of commencement.

- j) **Disposal of assets:** The Issuer or any member of the Issuer Group disposes of any of its assets or rights (including shares in companies, whether within the Issuer Group or not), save to the extent such action is within the Permitted Ordinary Course of Business.
- k) **Encumbrance of assets:** The Issuer or any member of the Issuer Group grants encumbrance, provides a security interest, mortgage, charge, pledge, or lien in any asset or right, other than relating to the Secured Debt, save to the extent such action is within the Permitted Ordinary Course of Business.
- l) **Cessation of business:** Any member of the Issuer Group ceases, or threatens to cease, to carry out all or a material part of its business, save to the extent such action is within the Permitted Ordinary Course of Business.
- m) **Termination of wholesale agreement:** The agreement between the Issuer, or any member of the Issuer Group, and Síminn is terminated, cancelled, repudiated, or rescinded by any party to the agreement, or the agreement otherwise ceases to be in full force and effect, save to the extent such action is within the Permitted Ordinary Course of Business.
- n) **Qualified auditors' report:** The auditors of the Issuer or any member of the Issuer Group qualify (or refuses to sign and certify) their report on any audited account of the Issuer or any member of the Issuer Group in a manner which is materially adverse to the interests of the Bondholders taken as a whole under the Finance Documents and that qualification is not remedied within twenty (20) Business Days from the earlier of (i) the delivery of the relevant audited accounts, or (ii) notification from the Bondholders Agent (and/or any other party) of such qualification. For the avoidance of doubt, any technical or minor adjustments, emphasis of matter (or equivalent including any uncertainty disclosure) or any other immaterial qualification shall not be constituting an event of default.
- o) **Listing on the Nasdaq Iceland:** If the Bonds have not been listed on the Nasdaq Iceland Main Market within 8 months from the Issue Date.
- p) **Delisting:** The Bonds are, after having been admitted to trading, delisted.

Acceleration

Should any Event of Default occur, each Bondholder is entitled to demand a Bondholders Meeting, and shall direct its demand to the Bondholders Agent. Further, the Bondholders Agent shall also be obligated to call a Bondholders Meeting should it become aware that an Event of Default has occurred. Same obligation is placed on the Security Agent.

Acceleration shall be subject to the approval of Bondholders, where a decision level of 33.3% is required. In the case where principal or interest payments have not been made, as stipulated in item (a) of Events of Default, acceleration shall be subject to the approval of Bondholders where a decision level 10% is required.

Notwithstanding the decision of the Bondholders Meeting to accelerate the Bonds or any of the above, any enforcement of the Security is further subject to the provisions of the Intercreditor Agreement.

Should an Event of Default no longer be ongoing the date of the Bondholders Meeting, the Bondholders Agent shall cancel the Bondholders Meeting.

Enforcement of the Security

A decision of a Bondholders Meeting to accelerate the obligations under the Bonds, shall immediately be notified to the Security Agent, which shall without unnecessary delay proceed with enforcement subject to and in accordance with the Intercreditor Agreement.

4.3.5 Financial covenants

With respect to the Financial Covenants, the following terms shall be defined as follows:

- a) **Book Value Assets:** Aggregate book value of Issuer's assets (on a consolidated basis) as set out in the relevant annual or semi-annual accounted financial statements of the Issuer ending on the applicable Test Date.
- b) **Book Value Equity:** Book Value Assets less Book Value Liabilities, plus the aggregate of all Subordinated Shareholder Loans.
- c) **Book Value Liabilities:** Aggregate book value of all the Issuer's liabilities (on a consolidated basis but excluding contingent liabilities) as set out in the relevant annual or semi-annual accounted financial statements of the Issuer ending on the applicable Test Date.
- d) **Cashflow:** Net cash from operating activities, less net cash to/from investments. For the avoidance of doubt, when calculating the Cashflow, no item shall be added or deducted more than once. For further avoidance of doubt, (i) no item associated with the acquisition of Míla shall be calculated and (ii) net cash will only be deducted where the relevant expenditure is funded from internally generated cashflow and (iii) provided always that for the purposes of any calculation of Cashflow, the Issuer shall be permitted to take into account any amounts payable by Síminn to Míla under the Wholesale Services Agreement (defined below) in that relevant period in respect of which the Issuer Group has issued an invoice (with such amounts being deemed to have been received on the final due date of that invoice if (i) the invoice was paid ahead of the final due date or (ii) the invoice was paid after the final due date but only if such late payment was caused by technical or administrative or other non-material reasons (being any reason not caused by financial difficulty or distress on the part of Síminn, or the relevant invoice being disputed in any respect) and that such payment had been received prior to the publication date of the relevant financial statements).

- e) **Debt Service:** All scheduled payments of principal and interests of any borrowing of the Issuer (on a consolidated basis), falling due any twelve months ending on a Test Date, excluding:
- a. all voluntary prepayments;
 - b. any amount falling due under a revolving facility or overdraft, given that such amount was available for simultaneous redrawing; and
 - c. the final amount that falls due on the final maturity date applicable to the relevant borrowing;
 - d. any interest accrued or payable on Subordinated Shareholder Loans; and
 - e. costs on pensions, share options, employee profit sharing, or management equity schemes in such amount which those are accounted for as financial charges,
- so that no amount is included more than once, and as adjusted to take into account amounts payable or receivable under any derivative instrument on the same accrued basis.
- f) **Debt Service Coverage Ratio:** Cashflow divided by Debt Service in respect to any period of twelve months ending on a Test Date.
- g) **EBITDA:** The profit or loss of the Issuer (on a consolidated basis), adjusted for depreciation, amortization, impairment or capital loss, net financial items and tax, as set out in the relevant annual or semi-annual accounted financial statements of the Issuer ending on the applicable Test Date. For avoidance of doubt, EBITDA shall be (i) adjusted for any extraordinary items (ii) calculated (a) before accounting for any costs relating to any share option or management incentive schemes of the Issuer Group and (b) after adding back any distributions, returns on investments or similar payments (in each case, in cash) received by a member of the Issuer Group.
- h) **Equity Ratio:** The Book Value of Equity divided by the Book Value of Assets.
- i) **Interest Coverage Ratio:** EBITDA divided by Net Finance Charges in respect to any period of twelve months ending on a Test Date.
- j) **Leverage Ratio:** Net Interest-Bearing Debt divided by EBITDA in respect to any period of twelve months ending on a Test Date.
- k) **Net Finance Charges:** The aggregate interest and recurring interest like charges with regards to any interest bearing debt payable by the Issuer Group (on a consolidated basis – and excluding (i) any interest accrued or payable on Subordinated Shareholder Loans (ii) costs on pensions, share options, employee profit sharing, or management equity schemes in such amount which those are accounted for as financial charges) less any interest and interest like revenues received by the Issuer Group (on a consolidated basis).
- l) **Net Interest-Bearing Debt:** Aggregate interest-bearing debt (excluding any guarantees within the Permitted Ordinary Course of Business until such liability falls due (but without double counting)) less cash and cash equivalents as set out in the relevant annual or semi-annual accounted financial statements of the Issuer ending on the applicable Test Date.
- m) **Subordinated Shareholder Loans:** Loans made to the Issuer Group by direct or indirect shareholders of the Issuer Group which are subordinated to the Bondholders (among others) under and in accordance with the terms of the Intercreditor Agreement (each, a “**Subordinated Shareholder Loan**”).
- n) **Test Date:** 30 June and 31 December each year.

The Issuer undertakes to adhere to the following financial covenants which relate to the operations and finances of the Issuer Group (on a consolidated basis) (each a “**Financial Covenant**” and jointly the “**Financial Covenants**”):

- a) **Equity Ratio:** The Equity Ratio shall not on any Test Date be lower than 25%.
- b) **Leverage Ratio:** The Leverage Ratio shall not on any Test Date be higher than set out below:
 - On 31 December 2022 – 10.00:1
 - On 30 June 2023 – 10.00:1
 - On 31 December 2023 – 9.90:1
 - On 30 June 2024 – 9.90:1
 - On 31 December 2024 – 9.60:1
 - On 30 June 2025 – 9.60:1
 - On 31 December 2025 – 9.10:1
 - On 30 June 2026 and thereafter – 8.70:1
- c) **Debt Service Coverage Ratio:** The Debt Service Coverage Ratio shall not on any Test Date be lower than 1.00:1.

Covenant Testing Agent

The Bondholders have appointed KPMG ehf., a private limited company, Reg. No. 590975-0449 registered at Borgartún 27, 105 Reykjavík, Iceland as the initial covenant testing agent (the “**Covenant Testing Agent**”).

Bondholders have the right to replace the Covenant Testing Agent at any time, given that such decision is taken at a Bondholders Meeting where a decision level of 75% is required.

Role of the Covenant Testing Agent

The Covenant Testing Agent shall review and independently verify each calculation of the Financial Covenants by the Issuer and publish a report summarising its review and confirmation thereto, by a stock exchange release.

The obligations of the Covenant Testing Agent are otherwise governed by the terms and provisions of the Bonds in accordance with the applicable mandate letter. All cost relating to the work of the Covenant Testing Agent is payable by the Issuer in accordance with the applicable mandate letter.

Financial testing

The Financial Covenants shall be tested on each Test Date. The Issuer shall calculate the Financial Covenants and provide the Covenant Testing Agent with a Compliance Certificate, a copy of the calculation of Financial Covenants, as well as provide the Covenant Testing Agent all reasonable requested information for the Covenant Testing Agent to complete its review.

The aforementioned information shall be provided to the Covenant Testing Agent no later than two weeks after the publication of the annual or semi-annual accounts for the relevant Test Date. No later than two weeks thereafter, the Covenant Testing Agent shall provide a report summarising and confirming the calculation of the Financial Covenants, which the Issuer shall publicly publish via stock exchange release.

The first Test Date shall be 31 December 2022, except in the case that the Issue Date is 1 October 2022 or later, in which case the first Test Date shall be 30 June 2023.

Financial Covenant Cure

The Issuer may prevent or cure non-compliance with the Financial Covenants on or prior to the date falling 20 Business Days after the delivery of the relevant Compliance Certificate, by either procuring prepayment, repayment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or discharge of a part of its interest bearing liabilities (provided that the provisions of such Finance Documents allow for a prepayment) and/or receiving cash proceeds pursuant to an equity or subordinated shareholder debt injection, in such amount that had such transaction taken place at the relevant Test Date, the relevant Financial Covenant would have been fulfilled.

4.3.6 Issuer representations and warranties, general undertakings, and information covenants

Issuer warranties

The Issuer makes the following representations and warranties to each Bondholder on behalf of itself and any member of the Issuer Group on the Issue Date (jointly the “Issuer Warranties” and each an “Issuer Warranty”):

- a) **Status:** The Issuer is a company, duly incorporated and in good standing and validly existing under the laws of Iceland. The Issuer has the power to own its assets and carry out its business in all material respects as it is being conducted.
- b) **Binding obligations:** Each Finance Document constitutes, or when executed in accordance with its terms will constitute, its legal, valid, binding and enforceable obligations.
- c) **Authority:** The Issuer has the power to enter into and perform, and has taken or, prior to entering into any Finance Document, will have taken all necessary action to authorise the entry into, performance and delivery of any Finance Document to which the Issuer is or will be a party and the transactions contemplated by those Finance Documents.
- d) **Authorisations:** As of the Issue Date, all authorisations required to enable the Issuer lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents and the transactions contemplated by the Finance Documents have been obtained and are in full force and effect.
- e) **Non-conflict:** The entry into and performance by the Issuer, and the transactions contemplated by, the Finance Documents to which the Issuer is or will be a party to do not and will not conflict with any law or regulation or judicial or official order, or conflict with constitutional documents, or conflict with any agreements or instrument which is binding upon the Issuer or its assets.
- f) **No-offset:** All amounts payable under the Bonds by the Issuer shall be made free and clear of and without any set off against any claims or potential claims the Issuer has towards the Bondholders.
- g) **Financing structure:** No member of the Issuers Group has entered into any contracts of any nature which constitute or can be interpreted to constitute interest-bearing indebtedness, save for financial indebtedness permitted under the Finance Documents.
- h) **No encumbrance:** No Security exists over all or any of the present or future assets of any member of the Issuer Group save for security permitted under the Finance Documents.

General undertakings

The Issuer undertakes to abide by the following, on behalf of itself and each member of the Issuer Group (jointly the “**General Undertakings**” and each a “**General Undertaking**”):

- a) **Notification of Default:** The Issuer shall notify the Bondholders Agent of any Event or Default or matter which, with the passing of time or giving of a notice, could become an Event of default (and steps being taken, if any, to remedy it) promptly upon becoming aware of its occurrence.
- b) **Preservation of security:** The Issuer shall, and will procure that each member of the Issuer Group will, at its own expense take all such action as the Security Agent considers in its reasonable opinion to be necessary for creating, perfecting, protecting, maintaining and realizing the Security or, following a Default, protecting the Security Agent’s rights, powers, remedies or interests created or intended to be created or evidenced by any of the Security Documents. For the avoidance of doubt, this General Undertaking requires the Issuer and/or members of the Issuer Group to initially institute the Security in accordance with the terms of the Bonds.
- c) **Taxation:** The Issuer shall, and will procure that each member of the Issuer Group will, pay and discharge all taxes imposed on it or its respective assets when due, except to the extent that the taxes are contested in good faith and by appropriate means, adequate reserves are being maintained for those taxes and the cost involved, such payment may be lawfully withheld and the failure to pay is not reasonably likely to have material adverse effect.
- d) **Insurance:** The Issuer has, and will procure that each member of the Issuer Group has and will, maintain material insurances on and in relation to its business and material assets against material risks and to the extent as is usual for companies of a similar size carrying on a substantially similar business. All such insurances must be with reputable independent insurance companies or underwriters and all insurance amounts and valuation in relation thereto shall be reasonable and sufficient.
- e) **No-set off by the Issuer:** All amounts payable by the Issuer under the Bonds shall be made clear and free of any deduction for or on account of any taxes, set-off or counterclaim.
- f) **International accounting standard:** The Issuer will ensure that the consolidated financial accounts are prepared in accordance with international financial reporting standards (IFRS) as accepted by the European Union at each time.
- g) **Arms length transactions:** The Issuer will ensure and will procure that any member of the Issuer Group, will conduct any and all transactions between themselves on arm’s length terms, save to the extent such transactions are within the Permitted Ordinary Course of Business.
- h) **Compliance with constitutional documents:** The Issuer will, and will procure that any member of the Issuer Group will, at all times comply with their Articles of Association.
- i) **Pari-Passu within the Bonds:** Subject to the Intercreditor Agreement, the claims pursuant to the Bonds shall always rank pari-passu among Bondholders and it shall not be permitted to discharge payment due under the Bonds to any Bondholder unless the same proportion is discharged to all Bondholders or unless that payment is in connection with the buying back of the bonds on the open market on the basis of a pari-passu offering thereto.
- j) **Pari-Passu within the Secured Debt:** Subject to the Intercreditor Agreement, all claims within the Secured Debt shall always rank pari-passu among creditors of the Secured Debt.
- k) **Dividend:** The Issuer shall not distribute any dividend to its shareholders, reduce its share capital, enter into any contracts relating to the buyback of own shares, or perform any other

action with the purpose of distributing funds and/or assets or rights to its shareholders unless such distribution is permitted under the provisions of the Finance Documents (as they are on the Issue Date).

- l) **Service of a Security Agent:** The Issuer has entered into a binding contract with, and will ensure to its fullest extent that a binding contract will be in place with the Security Agent (or any successor), subject to and in line with the provisions of the Bonds.
- m) **Service of a Bondholders Agent:** The Issuer has entered into a binding contract with, and will ensure to its fullest extent that a binding contract will be in place with the Bondholders Agent (or any successor) is appointed, subject to and in line with the provisions of the Bonds
- n) **Services of a Covenant Testing Agent:** The Issuer has entered into a binding contract with, and will ensure to its fullest extent that a binding contract will be in place with, the Covenant Testing Agent (or any successor) is appointed, subject to and in line with the provisions of the Bonds.
- o) **No default on wholesale agreement:** The wholesale services agreement to be entered into between Míla and Síminn. on or about the Issue Date (the “**Wholesale Services Agreement**”) is terminated as a result of the occurrence of a ‘Termination Event’ prior to the ‘Initial Period’ (each as defined therein) or is otherwise terminated, cancelled, repudiated or rescinded by any party thereto such that it ceases to be in full force and effect under clauses 19.1.1, 19.1.3, 19.1.4, 19.1.6, 19.1.8 or 19.1.9 (Termination) of such agreement.

Information covenants

The Issuer undertakes the following (each an “**Information Covenant**” and jointly the “**Information Covenants**”):

- a) **Annual accounts:** To publish by a stock exchange release (or prior to listing with the assistance of the Bondholders Agent) the audited consolidated financial accounts, consisting of profit and loss account, balance sheet, cashflow statement and notes to the financial accounts, for each financial period ending after the Issue Date as soon as approved by the Board of Directors but no later than (a) 150 days after 31 December 2022 (provided that other rules do not require earlier disclosure, including the Rules for Issuers of Financial Instruments, issued by Nasdaq Iceland), or (b) four months after the end of each other fiscal year.
- b) **Semi-annual accounts:** To publish by a stock exchange release (or prior to listing with the assistance of the Bondholders Agent) the semi-annual accounts, consisting of profit and loss account, balance sheet, cashflow statement and notes to the financial accounts, as soon as approved by the board of directors but no later than a) 120 days after 30 June 2023 (provided that other rules do not require earlier disclosure, including the Rules for Issuers of Financial Instruments, issued by Nasdaq Iceland), or (b) three months after the end of each other fiscal half year.
- c) **Company certificate:** To deliver to the Covenant Testing Agent a certificate after the release of audited and semi-annual financial statements, signed by an authorised signatory of the Issuer, certifying that the financial statements are fairly representing in all material aspects the Issuer’s financial condition as at the date of those financial statements.
- d) **Covenant calculation:** To deliver to the Covenant Testing Agent, no later than two weeks after the delivery of the annual accounts or the semi-annual accounts, all necessary information which the Covenant Testing Agent reasonably requires to independently verify the calculation of the Financial Covenants.

4.3.7 Dividend and additional leverage

Dividend

Distribution of dividend, purchase of own shares and reduction of share capital via distribution to shareholders is permitted provided that no Event of Default is continuing and/or likely to occur.

Further, permission of any distribution of dividend, purchase of own shares or reduction of share capital via distribution to shareholders is conditional on the following financial ratios to be fulfilled both prior and after any such payment:

- a) Leverage ratio, as set out below:
 - Before 31 December 2022, 9.00:1;
 - From 31 December 2022 and until 30 June 2023, 9.00:1;
 - From 30 June 2023 and until 31 December 2023, 8.90:1;
 - From 31 December 2023 and until 30 June 2024, 8.90:1;
 - From 30 June 2024 and until 31 December 2024, 8.60:1;
 - From 31 December 2024 and until 30 June 2025, 8.60:1;
 - From 30 June 2025 and until 31 December 2025, 8.20:1;
 - Thereafter 7.90:1.

- b) Debt Service Coverage Ratio above 1.05:1.

Additional leverage:

The Issuer is permitted to increase its interest bearing indebtedness by issuing additional bonds and/or via bank financing in any nature or form, granted that (i) no Events of Default are continuing and/or likely to occur, and (ii) all such additional indebtedness is either pari-passu to the Bonds or subordinated to the Bonds, and receives no additional priority over the Bonds, or is otherwise within the Permitted Ordinary Course of Business.

Further, to the extent such additional indebtedness is to become Secured Debt, the party providing that indebtedness must (subject to and in accordance with the terms of the Intercreditor Agreement) first or concurrently with the debt incurrence accede as a party to the Intercreditor Agreement, except as otherwise provided for in the Permitted Ordinary Course of Business.

Further yet, permission for any such additional indebtedness is conditional on the following financial ratios to be fulfilled both prior and after any such payment:

- a) Leverage ratio below 7.70:1.
- b) Interest Cover Ratio above 2.00:1.

4.3.8 Laws Governing the Bonds

The Bonds are subject to the relevant Icelandic laws in force on the date of the Prospectus. The Bonds are i.e. subject to Act no. 7/2020 on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments, Act no. 14/2020 on Prospectus for Public Offering or Admission to Trading on a Regulated market (“**Prospectus Regulation**”) as well as other general rules of Icelandic contract and claims law.

From the time when the Issuer has applied for admission of the Bonds to trading on the Regulated Market of Nasdaq Iceland, Act no. 115/2021 on the Market for Financial Instruments apply to the Bonds and the Issuer. In addition, the Issuer must follow Act no. 20/2021 on Disclosure Obligation of Issuers, Act no. 60/2021 on Measures Against Market Fraud, rules no. 44/2023 of the Financial Supervisory

Authority of the Central Bank of Iceland, on the Role and Status of a Compliance Officer and the Registration of Communications under the Act on Measures Against Market Fraud, and the rules established on their basis as they are in force at any given time, as well as Nasdaq Iceland's Rules of Exchange.

In addition to regulations concerning securities trading and issuance of bonds, the Issuer is bound by Iceland tax legislation as they are in force at any given time, such as Act no. 90/2003 on Income Tax and Act. No. 138/2013 on Stamp Duty.

The Issuer must comply with the abovementioned laws and regulations, which, among other things, include disclosure requirements. The Bonds are otherwise subject to Icelandic laws.

Any dispute arising due to the Securities may be brought before the District Court of Reykjavík, cf. the provisions of Chapter XVII of Act no. 91/1991 on Civil Procedure.

4.3.9 Limitation Periods

The limitation period for claims pursuant to the Bonds is ten years from the due date, in accordance with Paragraph 1, Article 5 of Act no. 150/2007 on The Limitation Periods for Claims. The limitation period for claims of interests and price level adjustments is four years from the due date in accordance with Article 3 of the same act.

4.3.10 Taxation

The Issuer's registered office is located in Iceland and the issuance is electronically registered with Nasdaq CSD Iceland. The taxation of income from investments in bonds is dependent on current tax legislation at any given time, which is subject to change. The Issuer will not withhold any tax on interest payments in accordance with Art. 3, Para. 1 of Act no. 94/1996 on Withholding of Tax on Financial Income (the "**Capital Income Tax Act**") or Art. 5, Para. 1, Item 6 of Act no. 45/1987 on Withholding of Public Levies at Source. Prospective investors should note that the tax legislation of the Investor's Member State and of the Issuer's country of incorporation may have an impact on the income received from the Bonds.

Investors and prospective investors are urged to seek professional advice with regards to both Icelandic and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Bonds. The Bonds bear no tax duty, according to Act. No. 138/2013 on Stamp Duty.

4.4 Listing on the Regulated Market of Nasdaq Iceland

The Issuer's Board of Directors has applied for the Bonds to be admitted to trading on Nasdaq Iceland's regulated market. Following the Financial Supervisory Authority of the Central Bank of Iceland (the "**FSA**") approval of the Prospectus, Nasdaq Iceland will review the Issuer's application and make its conclusions public in the European Economic Area. Although no guarantee can be given to that effect, the Issuer expects that Nasdaq Iceland will admit the Bonds to trading on its regulated market. If the Bonds are admitted to trading, the first day of trading of the Bonds will be announced by Nasdaq Iceland with a minimum of one business day's notice. The first day of trading is expected to occur in mid May 2023. The ticker of the bonds will be MILA 300929. The Bonds will be delisted after the due date unless otherwise notified by the Issuer.

4.4.1 Costs Associated with Admission to Trading

The Issuer bears all costs associated with the admittance of the Bonds to trading. The cost borne by the Issuer is estimated to be ISK 17.2 million. It consists of costs related to the preparation, scrutiny and approval of the Prospectus, the Nasdaq Iceland listing fees and costs for advisors, along with other costs directly associated with the admittance to trading.

4.4.2 The Objective of having the Bonds Admitted to Trading

The objective of having the Bonds admitted to trading on the Regulated Market of Nasdaq Iceland is to promote their increased liquidity and marketability, in addition to ensuring that the procedures and disclosure of the Issuer comply with the rules which apply to the issuers of financial instruments on the Regulated Market of Nasdaq.

5 Notice to Investors

The Securities Note constitutes a part of the Issuers' Prospectus, dated 15 May 2023, which has been prepared in connection with the Issuer's application to have its Bonds, MILA 300929, admitted to trading on the Regulated Market of Nasdaq Iceland hf.

This Securities Note has been prepared in accordance with Icelandic laws and regulations in effect on the date of the Prospectus, including Act no. 14/2020, on Prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market (the “**Act on Prospectuses**”) which implements Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”) into Icelandic law. Furthermore, the Prospectus has been prepared in accordance with the provisions of Annex 7, Annex 9, Annex 15 and Annex 19 of Commission Delegated Regulation (EU) 2019/980, cf. Regulation 274/2020.

This Securities Note has been prepared by Íslandsbanki and is solely based on information from the Issuer and the Issuer's managers. The Prospectus is published in English and consists of two independent documents; a Registration Document dated 15 May 2023 and this Securities Note dated 15 May 2023. The Prospectus is available for viewing at the Issuer's registered office at Stórhöfði 22-30, 110 Reykjavík, Iceland. The Prospectus will also be available on Míla's website: <https://www.mila.is/um-milu/fjarmal/>. Furthermore, investors can request a printed copy at the Issuer's registered office.

Investors should make their own assessment as to the suitability of investing in the Bonds or obtain independent advisement. The information appearing in this Prospectus should not be construed as an offer, a recommendation or a solicitation to buy, hold or sell securities issued by the Company or to take any other investment decisions. Investors are encouraged to familiarise themselves with all information regarding the Bonds, contained in the Prospectus, especially in Chapter 1 *Risk Factors of Sunstone IV*, Chapter 3.1 *Risk Factors of Míla* and Chapter 1 *Risk Factors* in this Securities Note.

Neither this Securities Note nor any other information supplied in connection the Prospectus (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or Míla, that any recipient of this Securities Note or any other information supplied in connection with the Prospectus, should purchase any securities. Neither the Prospectus nor any other information supplied in connection with Prospectus constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any securities. Each investor contemplating purchasing any Bonds should make an independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Issuer.

The Bonds may not be a suitable investment for all investors. Each potential in the Bonds must determine the suitability of that investment considering their circumstances. Each potential investor should:

- a) Have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Securities Note and/or Registration Document or any applicable supplement;
- b) Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of their particular financial situation, an investment in the Bonds and the impact the Bonds will have on their overall investment portfolio;
- c) Have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;

- d) Understand the terms of the Bonds thoroughly and be familiar with the behaviour of the financial markets; and
- e) Be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect their investment and their ability to bear the applicable risks.

This Securities Note or other documents that constitute a part of the Prospectus, shall not be distributed (neither by mail nor in any other way) to countries where the distribution would require an additional registration process or other actions other than those stipulated by Icelandic laws and regulations, if such distribution is not in accordance with the laws and rules of the countries in question. As such, this Securities Note should i.e. not be distributed in any way to countries other than Iceland. The Issuer, Míla or Íslandsbanki are not liable for damages caused by the distribution of the Prospectus or documents to third parties.

5.1 Advisor

The Issuer has retained Íslandsbanki to manage the admission process of the Bonds to trading on the Regulated Market of Nasdaq Iceland and the compilation of this Securities Note in co-operation with the Board of Directors and management of the Issuer and Míla. This Securities Note is based on information supplied by the Issuer and audited consolidated annual financial statements for years 2021 and 2022.

Íslandsbanki has not verified the information contained in this Securities Note and assumes no responsibility or liability as to the accuracy or completeness of the information contained in this Securities Note or any other information provided in conjunction with the admission to trading. In addition, Íslandsbanki has been retained by the Issuer to manage the admission to trading on the Regulated Market of Nasdaq Iceland.

Íslandsbanki hf. contact details

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5.2 Potential Conflicts of Interest

To the Issuer's and Míla's best knowledge, no conflicts of interest are between any duties of the members of the Board of Directors of Míla and Sunstone or the Executive Committee of Míla and the Issuer, their private interests and/or other duties. The Issuer's and Míla's Management, Board of Directors and Executive Committee have been involved in this Prospectus's writing and/or reviewing process.

Investors are also advised of the following interests Íslandsbanki has regarding the Issuer and Míla:

⁹ Information on the website does not constitute a part of this Prospectus, unless incorporated by reference.

- Íslandsbanki's Corporate Finance has been retained by the Issuer to manage the process of admission of the Issuer's Bonds for trading on the Regulated Market of Nasdaq Iceland as well as the compilation of the Prospectus in cooperation with the Board of Directors of the Issuer and Míla.
- Íslandsbanki provides general banking services to the Issuer and Míla and is a lender to the Issuer and Míla.
- Íslandsbanki provided comprehensive services in connection with the Acquisition:
 - a) Íslandsbanki's Corporate Finance team acted as an advisor to Síminn;
 - b) Íslandsbanki's Corporate Banking led the financing in in cooperation with IS Fyrirtækjalánasjóður hs.;
 - c) Íslandsbanki's Securities Brokerage provided services on the Bonds issuance; and
 - d) Íslandsbanki's Currency Brokerage provided services on currency transactions.

Íslandsbanki has rules and policies in place for the treatment of potential conflicts of interest. Investors may find Íslandsbanki's „Excerpt from the Conflict of interest Policy“ as of the date of this Prospectus on the following website: <https://www.islandsbanki.is/en/landing/about/strategy-and-policies>. The “Excerpt from the Conflict of interest Policy” is not incorporated by reference into the Prospectus, and therefore doesn't constitute a part of the Prospectus.

5.3 Third-Party Information

Where third-party information has been used in this Securities Note, the information was accurately reproduced, and the source of such information was identified. As far as the Issuer is aware and able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. When third-party information has been used in this Securities Note, it has been based on publicly available information which is cited in footnotes where applicable.

5.4 Approval on behalf of the Financial Supervisory Authority

This Securities Note has been scrutinised and approved by the Financial Supervisory Authority of the Central Bank of Iceland (the “FSA”), as competent authority under Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the “**Prospectus Regulation**”). The FSA only approves the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as any support or endorsement of the Issuer or a statement to the quality of the securities referred to in the Securities Note. Investors should make their own assessment as to the suitability of investing in the Bonds.

5.5 Statement of Persons Responsible, on behalf of the Issuer and Míla

We, the undersigned, the Chairman of the Board of Directors and Chief Executive Officer of Sunstone IV hf., Reg. No. 620921-2540, registered office at Stórhöfða 22-30, 110 Reykjavík, and Chairman of the Board of Directors and Chief Executive Officer of Míla hf., Reg. No 460207-1690, Stórhöfði 22-30, 110 Reykjavík, hereby declare for and on behalf of the Company and Míla that have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note, dated 15 May 2023 is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 15 May 2023

For and on behalf of Sunstone IV hf. and Míla hf.

Jón Ríkharð Kristjánsson,
Chairman of the Board of Directors of Sunstone IV and Míla hf.,

Erik Figueras Torras,
CEO of Sunstone IV hf. and CEO of Míla hf.