

Teymi hf.

Condensed Consolidated Interim Financial Statements 1 January - 31 March 2007

Teymi hf.
Skútuvoði 2
104 Reykjavík

Reg. no. 571106-0940

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Endorsement and Signatures of the Board of Directors and the CEO

The condensed consolidated financial statements of Teymi hf. for the three months period ending 31 March 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34). The interim financial statements comprise the consolidated interim financial statements of Teymi hf. and its subsidiaries.

According to the income statement net profit for the period amounted to ISK 1,602 million. The Company's equity amounted to ISK 9,689 million at the end of the period according to the balance sheet. In March Teymi hf. sold new shares at nominal value ISK 842 million for ISK 4,000 million, 3,774 million net of cost.

The Board of Directors and the CEO of Teymi hf. hereby confirm the Company's consolidated interim financial statements for the period from 1 January to 31 March 2007 by means of their signatures.

Reykjavik, 8 May 2007.

The Board of Directors:

CEO:

Consolidated Income Statement for the three months ended 31 March 2007

	Note	2007 1.1.-31.3.
Sales		4.812
Cost of sales		(3.168)
Gross profit		1.644
Other income		30
Sales expenses		(552)
Administrative expenses		(740)
Results from operating activities		382
Finance income		1.386
Finance expenses		(656)
Net finance income	4	730
Share of profit of associates		201
Profit before tax		1.313
Income tax		(204)
Profit from continuing operations		1.109
Discontinued operations:		
Profit from discontinued operations	2	493
Profit for the period		1.602
Attributable to:		
Equity holders of the parent		1.601
Minority interest		1
Profit for the period		1.602
Profit per share:		
Basic earnings per share of ISK 1		0,602
Diluted earnings per share of ISK 1		0,597

Consolidated Balance Sheet as at 31 March 2007

	Note	31.3.2007	31.12.2006
Assets:			
Operating assets	5	4.409	4.981
Intangible assets	8	17.682	20.064
Investments in associates		2.820	2.703
Investments in other companies		153	152
Long-term receivables from associates		0	2.690
Deferred tax asset		631	884
Total non-current assets		25.695	31.474
Inventories		499	497
Trade and other receivables		4.885	4.100
Short term receivables from associates		35	84
Trading securities - 365 hf.		156	0
Short term receivable from stock offering		1.210	0
Cash and cash equivalents		3.432	633
Total current assets		10.217	5.314
Total assets		35.912	36.788
Equity:			
Share capital	9	3.454	2.645
Share premium		4.506	1.367
Reserves		121	125
Retained earnings		1.602	0
Total equity attributable to equity holder of the parent		9.683	4.137
Minority interest		6	11
Total equity		9.689	4.148
Liabilities:			
Loans and borrowings	10	19.408	22.121
Deferred income		63	87
Total non-current liabilities		19.471	22.208
Loans and borrowings	11	3.128	5.851
Obligation due to written put options on own shares		0	584
Trade and other payables		3.194	3.592
Deferred income		430	405
Total current liabilities		6.752	10.432
Total liabilities		26.223	32.640
Total equity and liabilities		35.912	36.788

Consolidated Statement of Changes in Equity for the period 1 January - 31 March 2007

	Share capital	Share premium	Reserves	Retained earnings	Equity holders of the parent	Minority interest	Total equity
1 October - 31 December 2006							
Equity 1.10.2006	2.728	2.959	38		5.725	115	5.840
Net changes in fair value of hedges			(17)		(17)		(17)
Translation difference			100		100		100
Loss for the period				(1.270)	(1.270)	17	(1.253)
Loss posted to equity			83	(1.270)	(1.187)	17	(1.170)
Dividends paid to minority							
New shares sold							
Own shares, change	(83)	(349)			(432)		(432)
Share options			4		4		4
Corrected division, tax asset				(4)	(4)		(4)
Acquisition of own shares in subsidiary		(66)			(66)		(66)
Increase in interest in associate				97	97		97
Minority interest, change						(121)	(121)
Transfer to accumulated deficit		(1.177)		1.177			
Equity 31.12.2006	2.645	1.367	125	0	4.137	11	4.148
1 January - 31 March 2007							
Equity 1.1.2007	2.645	1.367	125		4.137	11	4.148
Net changes in fair value of hedges			(2)		(2)		(2)
Translation difference			(20)		(20)		(20)
Profit for the period				1.602	1.602		1.602
Profit posted to equity			(22)	1.602	1.580		1.580
New shares sold	842	2.932			3.774		3.774
Own shares sold	3	16			19		19
Effect of settlement of put options on own shares	(36)	191			155		155
Share options			18		18		18
Minority interest, change						(5)	(5)
Equity 31.3.2007	3.454	4.506	121	1.602	9.683	6	9.689

Consolidated Statement of Cash Flows for the period 1 January - 31 March 2007

	Note	2007 1.1.-31.3.
Cash flows from operating activities:		
Cash generated from operations before interests and taxes	13	602
Interest income received		75
Interest expenses paid		(439)
Income tax paid		(37)
Net cash from operating activities		201
Cash flows from investing activities:		
Proceeds from sale of operating assets		36
Acquisition of property, plant and equipment		(328)
Acquisition of intangible asset		(123)
Proceeds from sale of subsidiary		2.572
Acquisition of shares in other companies		(2)
Change in long-term receivables		123
Net cash from investing activities		2.278
Cash flows from financing activities:		
Proceeds from sale of new shares		2.564
Proceeds from non-current borrowing		73
Repayment of loans and borrowings		(410)
Short term borrowings and obligation due to written put options on own shares		(1.903)
Net cash from financing activities		324
Net decrease in cash and cash equivalents		2.803
Cash and cash equivalents at 1 January		632
Translation difference		(3)
Cash and cash equivalents at 31 March		3.432
Investment and financing activities not affecting cash-flow:		
Acquisition of subsidiary		(109)
Short-term receivables		(891)
Sale of share in subsidiary		1.000
Short term borrowing		(2.450)
Long-term receivable from associated company		2.450

Notes

Significant accounting policies

a. Reporting entity

Teymi hf. is a company domiciled in Iceland. The address of the Company's registered office is Skútuvogur 2, Reykjavik. The consolidated interim financial statements of the Company as at and for the period ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

b. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting. They do not include all of the information required for a complete set of consolidated annual financial statements, and should be read in conjunction with the consolidated financial statements of the Company as at and for the period ended 31 December 2006.

c. Basis of preparation

The accounting policies and methods of computation applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the period ended 31 December 2006. The consolidated financial statements for the Group as at and for the period ended 31 December 2006 are available upon request from the Company's registered office at Skútuvogur 2, Reykjavík or at www.teymi.is or at The Nordic Stock Exchange website, www.omxgroup.com

The condensed interim consolidated financial statements are prepared in Icelandic kronas, which is the Company's functional currency, rounded to the nearest million. They are prepared on the historical cost basis except that securities and derivative financial instruments are stated at their fair value.

d. Functional and presentation currency

These consolidated interim financial statements are presented in ISK, which is the Company's functional currency. All financial information presented in ISK has been rounded to the nearest million.

Notes, contd.:

Segment reporting

1. Business segments

The Group's main business segments are information technology and telecommunications.

Business segments 1 January - 31 March 2007

	Tele- communi- cation	Information technology	Eliminations and unallocated cost	Consolidated
Total external revenues	2.884	2.181	36	5.101
Intersegment revenue			(289)	(289)
Total segment revenue	2.884	2.181	(253)	4.812
Segment result (EBIT)	261	196	(75)	382
Net finance income				730
Share in profit of associates				201
Income tax expense				(204)
Discontinued operations				493
Loss for the period				1.602
Segment assets	15.161	11.400		26.561
Investment in equity accounted investees	3			3
Unallocated assets			9.348	9.348
Total assets	15.164	11.400	9.348	35.912
Segment liabilities	9.886	8.127		18.013
Unallocated liabilities			8.210	8.210
Total liabilities	9.886	8.127	8.210	26.223

Discontinued operations

2. In March 2007 the Group sold its entire share in the wholly owned subsidiary Securitas hf. The security segment was not a discontinued operation or classified as held for sale as at 31 December 2006 and the comparative quarterly statement has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell Securitas hf. early in 2007 due to the strategic decision to place greater focus on the Group's main business segments, telecommunications and IT.

Profits attributable to the discontinued operation were as follows:

	2007 1.1.-31.3.
Results of discontinued operation	
Revenue	374
Expenses	(389)
Results from operating activities	(15)
Net finance income	81
Income tax expense	(12)
Results from operating activities, net of income tax	54
Gain on sale of discontinued operation	535
Income tax on gain on sale of discontinued operation	(96)
Profit for the period	493

Notes, contd.:

2. Contd.:

	2007
Cash flows from discontinued operation	1.1.-31.3.
Net cash from operating activities	179
Net cash from investing activities	2.572
Net cash from financing activities	(88)
Net cash from discontinued operations	<u>2.663</u>
Effect of disposal on the financial position of the Group	
Operating assets	(320)
Intangible assets	(2.679)
Shares in other companies	(56)
Inventories	(143)
Trade and other receivables	(247)
Cash and cash equivalents	(3)
Deferred tax liabilities	51
Long term loans and borrowings	156
Short term loans and borrowings	108
Trade and other payables	392
Net identifiable assets and liabilities	<u>(2.741)</u>
Consideration received, satisfied in cash	(2.575)
Cash disposed of	3
Net cash inflow	<u>(2.572)</u>

Acquisitions of subsidiaries

3. In the beginning of the year the Group acquired all shares in Stafræn dreifing ehf. for ISK 110 million. The company will be merged with Ódýra símafélagið ehf. Revenues of Stafræn dreifing ehf. in the period amounted to ISK 27 million

In March the Group acquired additional 50% shares in P/F Eitt for ISK 58 million. The Group now owns all shares in P/F Eitt. Revenues of P/F Eitt in March amounted to ISK 14 million.

Finance income and expense

4. Finance income and expenses are specified as follows:	2007
	1.1.-31.3.
Interest income from receivables	71
Other interest revenue	15
Net foreign exchange gain	1.300
Finance income	<u>1.386</u>
Interest expense on financial liabilities	(656)
Finance expenses	<u>(656)</u>
Net finance income and expense	<u>730</u>

Notes, contd.:

Operating assets

5. Operating assets and their depreciation is specified as follows:

	Buildings and land	Tele- communi- cation equipment	Other fixed assets	Total
Cost or deemed cost				
Balance at 1 October 2006	1.171	6.794	3.379	11.344
Other additions	5	622	221	848
Disposals	(1.150)	(891)	(388)	(2.429)
Effect of movements in exchange rates			25	25
Balance at 31 December 2006	26	6.525	3.237	9.788
Balance at 1 January 2007	26	6.525	3.237	9.788
Other additions	22	174	132	328
Disposals	(8)	0	(1.026)	(1.034)
Effect of movements in exchange rates		(42)	(2)	(44)
Balance at 31 March 2007	40	6.657	2.341	9.038
Depreciation and impairment losses				
Balance at 1 October 2006	167	3.773	1.929	5.869
Depreciation for the year	4	175	122	301
Disposals	(167)	(891)	(311)	(1.369)
Effect of movements in exchange rates			6	6
Balance at 31 December 2006	4	3.057	1.746	4.807
Balance at 1 January 2007	4	3.057	1.746	4.807
Depreciation for the period		183	89	272
Disposals	(1)		(430)	(431)
Effect of movements in exchange rates		(18)	(1)	(19)
Balance at 31 March 2007	3	3.222	1.404	4.629
Carrying amounts				
At 1 October 2006	1.004	3.021	1.450	5.475
At 31 December 2006	22	3.468	1.491	4.981
At 1 January 2007	22	3.468	1.491	4.981
At 31 March 2007	37	3.435	937	4.409
Depreciation ratios	2-4%	4-33%	5-70%	

6. The Group's depreciation and amortisation charge in the income statement is specified as follows:

Depreciation of operating assets, see note 5	272
Amortisation of intangible assets, see note 8	131
Depreciation and amortisation recognised in the income statement	403

Notes, contd.:

7. Depreciation is allocated as follows on operating items:

Cost of services sold	237
Sales expenses	4
Administrative expenses	162
Stated in the income statement as depreciation	<u>403</u>

Intangible Assets

8. The Group's intangible assets are specified as follows:

	Goodwill	Other intangible assets	Total
Cost			
Balance at 1 October 2006	16.723	3.255	19.978
Acquisitions during the period	1.735	67	1.802
Effect of foreign exchange movements		4	4
Balance at 31 December 2006	<u>18.458</u>	<u>3.326</u>	<u>21.784</u>
Balance at 1 January 2007	18.458	3.326	21.784
Acquisitions during the period	3	120	123
Acquisitions through business combinations	155	183	338
Sales and disposals during the period	(2.692)	(200)	(2.892)
Effect of foreign exchange movements		(13)	(13)
Balance at 31 March 2007	<u>15.924</u>	<u>3.416</u>	<u>19.340</u>
Amortisation and impairment losses			
Balance at 1 October 2006	871	639	1.510
Impairment losses on intangible assets	78		78
Amortisation for the period		132	132
Balance at 31 December 2006	<u>949</u>	<u>771</u>	<u>1.720</u>
Balance at 1 January 2007	949	771	1.720
Amortisation for the period		131	131
Sales and disposals during the period	(16)	(170)	(186)
Effect of foreign exchange movements		(7)	(7)
Balance at 31 March 2007	<u>933</u>	<u>725</u>	<u>1.658</u>
Carrying amounts			
At 1 October 2006	<u>15.852</u>	<u>2.616</u>	<u>18.468</u>
At 31 December 2006	<u>17.509</u>	<u>2.555</u>	<u>20.064</u>
At 1 January 2007	<u>17.509</u>	<u>2.555</u>	<u>20.064</u>
At 31 March 2007	<u>14.991</u>	<u>2.691</u>	<u>17.682</u>

Notes, contd.:

Equity

9. Issued capital and share premium

Teymis' share capital, according to its Articles of Association amounts to ISK 3,570 million. Shareholders are entitled to one vote per share at meetings of the Company. During the period the Company bought own shares at nominal value ISK 36 million and sold own shares at nominal value ISK 3 million. Share capital according to the balance sheet amounted to ISK 3,454 million at the end of the period.

Share option reserve

The reserve includes the accrued part of the fair value of share options. This reserve is reversed if share options are exercised or forfeited.

Translation reserve

Foreign exchange differences arising on translation of financial statements of foreign subsidiary are recognised directly in a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Reserves are specified as follows:

Share option reserve.....	22
Translation reserve.....	99
Other reserves total.....	<u>121</u>

Loans and borrowings

10. Non-current liabilities:

Secured bank loans	19.352
Finance lease liabilities	56
Total	<u>19.408</u>

11. Current liabilities:

Current portion of secured bank loans	1.845
Current portion of finance lease liabilities	19
Secured bank loans - short term	1.264
Total	<u>3.128</u>

Notes, contd.:

12. Terms and repayment schedule:

Terms and conditions of outstanding loans were as follows:

	Currency	Interest rate	Carrying amount
Secured bank loan	ISK	7,61%	5.546
Secured bank loan	CAD	6,53%	767
Secured bank loan	CHF	4,52%	4.571
Secured bank loan	DKK	5,86%	282
Secured bank loan	EUR	6,15%	6.166
Secured bank loan	JPY	2,96%	2.324
Secured bank loan	USD	7,61%	1.541
Finance lease liabilities	Currency portfolio	5,57%	75
			<u>21.272</u>
Secured bank loan - short term	ISK	16,89%	1.264
Total			<u>22.536</u>

The total assets of the Group are pledged to secure all loans from banks.

Repayment of borrowings are specified as follows:

Repayments in 1 April 2007 - 31 March 2008	1.864
Repayments in 1 April - 31 December 2008	2.928
Repayments in 2009	11.039
Repayments in 2010	569
Repayments in 2011	4.443
Subsequent repayments	429
Total	<u>21.272</u>

Statement of Cash Flows

13. Cash generated from operations before interest and taxes in the statement of cash flows are specified as follows:

Operating profit for the period	1.548
Adjustments for:	
Depreciation	272
Amortisation of intangible assets	131
Gain on sale of discontinued operations, net of income tax	(439)
Net finance costs	(730)
Share of profit of associates	(201)
Gain on sale of property, plant and equipment	(6)
Income tax expense	204
Inventories, decrease	(131)
Trade and other receivables, increase	(237)
Trade and other payables, decrease	191
Cash generated from operations before interests and taxes	<u>602</u>

Notes, contd.:

Guarantees

14. The Group has undertaken an obligation to secure liabilities of the associated company Hands holding hf. to Landsbanki Íslands of ISK 2,671 million and liabilities to Straumur Burðarás of ISK 5,324 million.

The Company has entered into partial guarantee for the liabilities of 365 hf. because of the division of the Company. The Act on Public Limited Liability Companies states that in case a claimant on the Company which has participated in the division does not obtain satisfaction of his claim on the Company due to effect payment of the claim, each of the other participating Companies will be responsible in solidum for the liabilities which had been established at the time information about the schedule of division was published. The responsibility of the other recipient Companies will, however, be limited to the net value of that which was added in each individual recipient Company at the time of publication of the schedule, but the responsibility of the Company being divided and continuing operations will be limited to the net value remaining in the Company at the same time.

Group entities

15. The Company holds six subsidiaries which all are included in the consolidated financial statements. The subsidiaries own eight subsidiaries which are also included. The direct subsidiaries included in the consolidated financial statements are specified as follows:

	Share
Internet á Íslandi hf., Reykjavík	93,3%
Kögun hf., Reykjavík	100,0%
Mamma ehf., Reykjavík	100,0%
Vodafone - Og fjarskipti ehf., Reykjavík	100,0%
Ódýra símafélagið ehf., Reykjavík	100,0%
Stafræn dreifing ehf., Reykjavík	100,0%
P/F Kall, Færeyjum	100,0%
P/F Eitt, Færeyjum	100,0%
Skýr hf., Reykjavík	100,0%
EJS hf., Reykjavík	100,0%
Eskill ehf., Reykjavík	100,0%
Hýsing ehf., Reykjavík	100,0%
Isoft ehf., Reykjavík	100,0%
Símaland ehf., Reykjavík	100,0%

Quarterly statement

The Group's quarterly continuing operations were as follows:

	Q1 2007	Q4 2006
Operating revenues	4.812	4.740
Operating expenses	(4.460)	(4.435)
Other income without gain from sale of real estate	30	45
Financial income and expenses	931	(2.347)
Income tax	(204)	80
Profit (loss) for the period	1.109	(1.917)
EBITDA	785	748