



Teymi hf. – Results of Q1 2007

Reykjavík, 8 May 2007

ISK 1,602 million profit after tax in Q1 2007

EBITDA ISK 785 million

Profit of continued operations ISK 1,313 million

Net foreign exchange difference related to long term liabilities was positive in the amount of ISK 1,282 million

Profit from sale of Securitas ISK 439 million after tax

Current ratio 1,51 on 31 March 2007

Equity ratio 27% on 31 March 2007

Teymi hf. incurred a profit of ISK 1,602 million in the first quarter of 2007. Revenues in the period amounted to ISK 4,812 million, EBITDA profit ISK 785 million, EBIT profit ISK 382 million, net foreign exchange difference related to long term liabilities was positive in the amount of ISK 1,282 million as regards continued operations and the share in profit of associates amounted to ISK 201 million.

The company's shares in Securitas hf. were sold in the quarter, effective as of 1 March 2007. Realized profit amounted to ISK 535 million, ISK 439 million after income tax. Amounts relating to the operations of Securitas hf. in the period 1 January to 28 February 2007 are presented as discontinued operations at the bottom of the income statement as well as the profit from the sale of the company after tax.

The period January to March 2007 is the second financial period reported by the company under the name of Teymi hf. Therefore, comparative amounts for the income statement and cash flow are not reported. The amounts presented in this announcement relate to the continued operations of the company unless stated otherwise.

This announcement and the presentation of the company's financial results includes pro-forma information from previous quarters, i.e. 1st, 2nd and 3rd quarter of 2006 for comparative purposes as appropriate.

Main results:

- Sales amounted to ISK 4,812 million increasing by 12,1% from the same period last year (pro-forma).
- Net foreign exchange difference related to long term liabilities was positive in the amount of ISK 1,288 million as regards continued operations, or ISK 1,371 million in total.
- Earnings before interest, depreciation and tax (EBIDTA) amounted to ISK 785 million.
- Earnings before interest and tax (EBIT) amounted to ISK 382 million.
- Finance earnings exceeding finance expenses amounted to ISK 730 million.
- Share in profit of the associate Hands Holding amounted to ISK 201 million.
- Profit before calculated income tax amounted to ISK 1,313 million.
- Calculated income tax amounted to ISK 204 million.
- Profit of discontinued operations amounted to ISK 493 million.



- Profit in the quarter amounted to ISK 1,602 million.
- Cash generated by operations amounted to ISK 201 million.
- Current ratio was 1,51 on 31 March 2007
- Equity ratio was 27% on 31 March 2007

Árni Pétur Jónsson, CEO

„The first quarter of 2007 was quite eventful for Teymi. We sold our shares in Securitas hf. as well as a claim on Hands holding hf. These actions result in a decrease of finance expenses amounting to more than ISK 600 million per annum, which is very important to us, as well as a decrease in interest bearing debts. The company listed new share capital in March for the market value of ISK 4 billion and we were pleased to see the good responses from the market as demand exceed the shares on offer significantly.

Operations were successful in the quarter and the group’s turnover is in line with our estimations. EBITDA earnings are exceeding projections. Furthermore, the exchange rate of the national currency has had a positive impact in this quarter. Following the sale of assets and the share offering we can now present a much stronger balance sheet which will enable us to improve the company’s earnings and seek growth opportunities in line with our current operations.”

Interim report of Teymi hf. for the period 1 January to 31 March 2007

Financial Reporting Standards

Teymi hf.’s interim report is prepared in accordance with International Financial Reporting Standard nr. 34 (IAS 34).

Segment reporting

Teymi’s operations are divided in two segments; electronic communications and information technology. The electronic communications segment comprises Vodafone Iceland, Mamma, SKO and Kall in the Faroe Islands,. The IT segment comprises Kögun, Skýrr, EJS and affiliates.

It will be noted that figures from Securitas’ accounts are presented as discontinued operations at the bottom of the income statement for the first quarter and will be thus presented in the future for comparative purposes. Securitas is included in the group’s accounts throughout February, since the company ownership was transferred to the new owner on 1 March 2007, in accordance with the purchase agreement.

Income statement

Table: Income statement January to March 2007

ISK Million	Jan-March 07
Sales	4,812
Cost of sales and services sold	(3,168)
GROSS PROFIT	1,644
Other income	30
Operating expenses	(1,292)
EBIT	382
Net finance earnings (expenses)	730



Share in profit of associates	201
(LOSS)/PROFIT BEFORE TAX	1,313
Income tax	(204)
(LOSS)/PROFIT of continued operations	1,109
Discontinued operations (Securitas)	493
(LOSS)/PROFIT	<u>1,602</u>
 EBITDA	 785

Operating income amounted to ISK 4,812 million in the first quarter of 2007 increasing by 12,1% from the same period 2006 (pro-forma) when operating income amounted to ISK 4,292 million.

The following table demonstrates the development of the group's income by segments in previous quarters:

Table: Development of income by segments

ISK Million	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Total 2006
Electronic communications	2,370	2,671	2,854	2,847	2,884	10,742
Information Technology	1,981	1,937	1,845	2,184	2,181	7,947
Cons.journal entries	-59	-120	-180	-291	-252	-650
Total	4,292	4,488	4,519	4,740	4,812	18,024

The operating income of the electronic communications segment has increased by 21,7% from the first quarter 2006. The operating income of the IT segment has increased by 10,1%.

Earnings before interest, depreciation and tax (EBITDA) amounted to ISK 785 million which represents 16,3% of the operating income.

EBITDA divided into segments by quarters:

Table: Development of EBITDA by segments

ISK Million	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Total 2006
Electronic communications	610	675	725	615	564	2,625
Information technology	274	206	220	190	292	890
Cons.journal entries				-58	-72	-58
EBITDA total	884	881	945	748	785	3,458

The decrease in EBITDA earnings of the electronic communications segment compared to the first quarter of 2006 is mainly due to increased marketing expenses and negative foreign exchange difference. In addition, the organisation of the electronic communications segment was different last year. Otherwise, EBITDA amounts and ratio is stable or growing when seasonal differences are taken into account.

The operations of the IT segment were successful in the quarter and all entities are in line with operating plans. Kögun has recovered from the impact the withdrawal of US army forces from the country had on the company. Skýrr is predicted to show its best results yet this year and EJS is performing well in a very competitive market.

Table: Development of EBITDA ratio by quarters

ISK Million	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Total 2006
Electronic communications	610	675	725	615	564	2,625
Information Technology	274	206	220	190	292	890
Cons.journal entries				-58	-72	-58
EBITDA samtals	884	881	945	748	785	3,458
EBITDA %	20,6%	19,6%	20,9%	15,8%	16,3%	19,2%

Table: Development of EBITDA ratio between quarters by segments

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Total 2006
Electronic communications	25,7%	25,3%	25,4%	21,6%	19,6%	24,4%
Information Technology	13,8%	10,6%	11,9%	8,7%	13,4%	11,2%

Finance expenses

Net finance earnings amounted to ISK 730 million in the period January to March 2007. Net foreign exchange difference related to long term liabilities was positive for the amount of ISK 1,282 million. The sale of Securitas and the claim on Hands holding decreases the group's interest payments significantly. Weighted average interest is around 6,6% at the end of March 2007, taking into account currency swaps, having amounted to 8% before the aforementioned actions. The effect of better interest rates and the decrease of the company's interest bearing liabilities result in a decrease in interest costs by around ISK 50 million per month or more than ISK 600 million per annum.

31 March 2007, 84% of the company's interest bearing liabilities were in foreign currencies and 16% in ISK, taking into account currency swaps.

Hands Holding

Teymi hf. owns a 48,7% share in the associate Hands Holding ehf. Hands Holding's operations were performing better than projected in the period January to March and incurred a profit of ISK 411 million after tax. Teymi's share in the profit amounts to ISK 201 million.

Balance Sheet

Table: Balance Sheet 31 March 2007

ISK Million	31/3 2007	31/12 2006	Change from 31/12
Operating assets	4.409	4.981	(572)
Intangible assets	17,682	20,064	(2,382)
Share in Hands holding and claim	2,820	5,303	(2,483)
Other fixed assets	784	1.126	(342)
Total non-current assets	25,695	31,474	(5,779)
Inventories	499	497	2
Receivables	5,076	4,184	892
Share capital unpaid	1,210	0	1,210
Cash	3,432	633	2,799
Total current assets	10,217	5,314	4,903
Total assets	35,912	36,788	(876)
Equity	9,689	4,148	5,541
Non-current liabilities	19,471	22,208	(2,737)
Current liabilities	6,752	10,432	(3,680)
Total liabilities	26,223	32,640	(6,417)
Total equity and liabilities	35,912	36,788	(876)

The main changes in the balance sheet from end 2006 are due to :

- The sale of Securitas decreases goodwill by around ISK 2,7 billion and increases equity by ISK 400 million.
- New shares listed increases equity by around ISK 4 billion.
- Claim on Hands Holding sold to Landsbanki Íslands hf. for around ISK 2,6 billion.
- Interest bearing debts decreased by ISK 5,4 billion from the beginning of the year due to payment of loans and positive foreign exchange difference.
- The due date of listed bonds for the amount of ISK 1,2 billion transfers that debt to current liabilities.

Interest bearing liabilities after cash and unpaid shares amounted to ISK 17,9 billion at the end of March 2007. The equity ratio was 27% and the current ratio 1,51 on 31 March 2007.

Cash flow

Cash generated from operations amounted to ISK 201 million, cash generated by investments amounted to ISK 2,278 million and cash from finance activities amounted to ISK 324 million. Cash and cash equivalents amounted to ISK 3,432 million at the end of March 2007; ISK 4,642 million when including payments for new shares effected in April. The sale of Securitas, transfer of claim on Hands Holding and share offering had a significant impact on the company's cash flow in the quarter.

Table: Cash flow January to March 2007

ISK Million	Jan-March 2007
Cash	201
Investment activities	2,278
Finance activities	324
Changes in cash flow	2,803
Foreign currency difference	(3)
Cash from previous quarter	632
Cash at the end of the quarter	3,432

Operating plans for 2007

The company's management predicts a turnover ranging from ISK 19 to 20,5 billion and EBITDA earnings ranging from ISK 3,7 to 4,1 billion or a ratio of around 19%.

Presentation

A presentation for shareholders, analysts and investors will be held on Tuesday 8 May at the company's offices in Skutuvogur 2, Reykjavik, at 16:30. Árni Pétur Jónsson CEO and Ólafur Þór Jóhannesson CFO will present the company's results in the first quarter of 2007.

The presentation will be available at the company's website, www.teymi.is, and OMX website, omxgroup.com/nordicexchange.

Approval of the interim report

The Board of Directors of Teymi hf. approved the interim financial report for the period January to March 2007 in its meeting held on 8 May 2007.

Financial calendar 2007

- Q2 2007: 31 July 2007



- Q3 2007: 31 October 2007
- Q4 and annual results 2007: 31 January 2008

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