Consolidated Financial Statement

2006

Síminn hf.
Ármúla 25
108 Reykjavík
ID number: 500269-6779

Contents

Endorsement by the Board of Directors and the CEO

The Consolidated Financial Statements consist of Consolidated Statements for Síminn hf. and its subsidiaries.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by EU.

Loss for the year, according to the Income Statement amounted to ISK 3.560 million. Total assets amounted to 88.907 million at the end of the year and total equity amounted to 28.447 million at the end of the year. Otherwise the board of directors refers to the Consolidated Financial Statements regarding changes in the Company's net worth and disposal of profit.

The Company entered into an agreement with Landsvirkjun to buy a 25% of shares in Fjarski hf. and also to buy a share in a fiber optic cable network from Fjarski hf. Since an approval from the Competition Authority is required no amounts have been entered in the Consolidated Financial Statements.

The subsidiary Anza incorporated a company Sirius IT Holding A/S. Sirus then bought all operations related to providing IT service to the public sector in Denmark, Norge and Sweden from the company TietoEnator, for the price of 2.640 million.

At the year-end the number of shareholders were 1.053. At the beginning of the year there were 1.072 shareholders. At year-end two shareholders hold more than 10% of the shares, Exista B.V. with 43,7% of the shares and Kaupthing Banki hf. with 27,8% of the shares. The Board of Directors proposes that no dividend will be paid out to the shareholders.

The Board and the CEO of Síminn hf. are of the opinion that the Consolidated Financial Statements contain all the information necessary to evaluate the financial position of the Group on 31 December 2006, the operational result for the year 2006 and the financial developments during the year. The Board of Directors and the CEO of Síminn hf. hereby confirm the Company's Consolidated Financial Statements for the year 2006 with their signatures.

Reykjavík, 8 February 2007.

Board of Directors:

Lýður Guðmundsson, chairman

Rannveig Rist

Panikos Katsouris

Erlendur Hjaltason

Sigurgeir Brynjar Kristgeirsson

CEO:

Brynjólfur Bjarnason

Independent Auditors' Report

To the Board of Directors and shareholders of Síminn hf.

Report on the Financial Statements
We have audited the accompanying financial statements of Síminn hf., which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Síminn hf. as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Reykjavík, 8 February 2007.

Deloitte hf.

Hilmar A. Alfreðsson
State Authorized Public Accountant

Consolidated Income Statement
for the period 1 January - 31 December 2006

	Notes	1 July - 31 December 2006	1 July - 31 December 2005	1 January - 31 December 2006	1 January - 31 December 2005
Net sales	2	13.276.058	11.577.707	25.030.127	21.641.489
Cost of sales		(7.228.689)	(6.478.914)	(13.671.369)	(11.923.315)
Gross profit		6.047.369	5.098.793	11.358.758	9.718.174
Other operating income	2	120.987	178.352	265.013	399.943
Operating expenses		(3.529.230)	(3.306.178)	(7.018.256)	(6.511.884)
Operating profit		2.639.126	1.970.967	4.605.515	3.606.233
Financial income (expenses)	6	835.408	(170.276)	(8.936.267)	692.214
Share of profit (loss) in associates		4.726	(15.161)	(6.435)	(30.736)
(Loss) profit before tax		3.479.260	1.785.530	(4.337.187)	4.267.711
Income tax	7	(631.565)	94.615	777.461	(235.622)
(Loss) profit for the period		2.847.695	1.880.145	(3.559.726)	4.032.089
Attributable to:					
Equity holders of the parent		2.828.441	1.873.922	(3.581.065)	4.019.749
Minority interest		19.254	6.223	21.339	12.340
		2.847.695	1.880.145	(3.559.726)	4.032.089
Earnings per share:					
Earnings per share	8	0,09	0,10	(0,12)	0,21

Consolidated balance sheet 31 December 2006

	Notes	31.12.2006	31.12.2005
Assets			
Non-current assets			
Property, plant and equipment	9	17.842.927	18.770.834
Intangible assets	11	61.155.750	58.533.100
Investments in associated companies		528.807	306.543
Investments in other companies	14	1.421.977	406.501
Other investment		150.000	0
Non-current assets		81.099.461	78.016.978
Current assets			
Inventories	15	841.939	765.117
Accounts receivable		5.755.229	3.887.794
Other receivables		156.729	120.645
Cash and cash equivalents		1.053.380	464.870
Current assets		7.807.277	5.238.426
Assets		88.906.738	83.255.404
Equity and Liabilities			
Equity			
Share capital	16	30.921.744	30.921.636
Statutory reserve		398.429	403.209
Translation reserve		130.770	(14.280)
Retained earnings		(2.110.352)	1.470.713
Equity holders of the parent		29.340.591	32.781.278
Minority interest		106.282	19.775
Equity		29.446.873	32.801.053
Non-current liabilities			
Borrowings	18	50.747.020	44.082.463
Deferred tax liabilities		156.224	519.417
Non-current liabilities		50.903.244	44.601.880
Current liabilities			
Bank loans		185.181	0
Accounts payable		2.246.766	2.237.988
Current maturities of borrowings	18	3.430.293	2.038.518
Other current liabilities		2.694.381	1.575.965
Current liabilities		8.556.621	5.852.471
Total liabilities		59.459.865	50.454.351
Total equity and liabilities		88.906.738	83.255.404
Mortgages and guarantees	22,23		

Consolidated Cash Flow Statement
for the period 1 January - 31 December 2006

	Notes	2006	2005
Cash flow from operating activities			
Operating profit		4.605.515	3.606.233
Operational items not affecting cash flow:			
Depreciation and amortization		3.837.204	3.847.409
(Gain) loss on sale of fixed assets		(17.466)	8.525
Changes in current assets and liabilities		229.027	56.822
Cash generated by operation		8.654.280	7.518.989
Interest income received during the year		238.663	577.797
Payments of taxes during the year		(197.485)	(429.244)
Interest expenses paid during the year		(1.989.148)	(1.477.306)
Net cash from operating activities		6.706.310	6.190.236
Investing activities			
Investment in property, plant and equipment	9	(2.117.310)	(4.317.848)
Investment in intangible assets	11	(453.304)	(482.744)
Proceeds from sale of property, plant and equipment		56.062	46.525
Changes in other investments		23.291	697.302
Changes in investment in other companies	14	(2.692.121)	1.309.374
Investing activities		(5.183.382)	(2.747.391)
Financing activities			
Dividend paid		(630.907)	(5.701.894)
New loans raised		1.892.176	11.441.118
Repayments of borrowings		(2.444.183)	(10.526.863)
Bank loans, (decrease) increase		324.033	(940.139)
Repurchase of own shares		(232.834)	(75.785)
Financing activities		(1.091.715)	(5.803.563)
Increase (decrease) in cash and cash equvialents		431.213	(2.360.718)
Effects of exchange rate changes on the balance of cash		157.297	0
Cash and cash equivialents at the beginning of year		464.870	2.825.588
Cash and cash equivialents at the end of the period		1.053.380	464.870

Consolidated Statement of Changes in Equity
for the period ended 31 December 2006

	Share capital	Statutory reserve	Translation reserve	Revaluation reserves	Retained earnings	Equity holders of the parent	Minority interest	Total equity
Total equity 1.1.2005	7.036.445	2.345.482	(25.163)	512.561	7.599.386	17.468.711	31.832	17.500.543
Dividend paid					(6.332.803)	(6.332.803)		(6.332.803)
Profit for the year					4.019.750	4.019.750	12.340	4.032.090
Change in minority interest							(24.397)	(24.397)
Translation reserve			(33.134)			(33.134)		(33.134)
Realized gain on investments				(512.561)		(512.561)		(512.561)
Merger	23.893.357	(2.345.482)	44.017		(3.412.411)	18.179.481		18.179.481
Repurchase of own stock	(8.166)					(8.166)		(8.166)
Provision for statutory reserve		403.209			(403.209)	0		0
Total equity 31.12.2005	30.921.636	403.209	(14.280)	0	1.470.713	32.781.278	19.775	32.801.053
Total equity 31.12.2005	30.921.636	403.209	(14.280)	0	1.470.713	32.781.278	19.775	32.801.053
Loss for the period					(3.581.065)	(3.581.065)	21.339	(3.559.726)
Change in minority interest						0	65.168	65.168
Translation reserve			145.050			145.050		145.050
Changes in own stock	108	(4.780)				(4.672)		(4.672)
Total equity 31.12. 2006	30.921.744	398.429	130.770	0	(2.110.352)	29.340.591	106.282	29.446.873

Notes

Significant accounting principles

The consolidated financial statements of Síminn hf. incorporate the financial statements of the Company and its subsidiaries.

(a) ***Statement of compliance***

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by EU.

(b) ***New and revised Standards***

At the date of authorization of these financial statements, the following Standards were in issue but not effective:

	Effective date:
- IFRS 7, Financial Instruments: Disclosures	1. January 2007
- IFRS 8, Operating Segments	1. January 2009

At the date of authorisation of these financial statements, the following Interpretations were in issue but not effective:

	Effective Date: Annual periods beginning:
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	On or after 1. March 2006
- IFRIC 8, Scope of IFRS 2	On or after 1. May 2006
- IFRIC 9, Reassessment of Embedded Derivatives	On or after 1. June 2006
- IFRIC 10, Interim Financial Reporting and Impairment	On or after 1. November 2006
- IFRIC 11, IFRS 2: Group and Treasury Share Transactions	On or after 1. March 2007
- IFRIC 12, Service Concession Arrangements	On or after 1. January 2008

(c) ***Basis of preparation***

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below.

Reporting consolidated statements in accordance with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period and future periods.

(d) ***Basis of consolidation***

i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entities so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

ii) Associates

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The Consolidated Financial Statements include the Group's share of the total recognized gains and losses of associates, from the date that significant influence commences until the date that significant influence ceases. If the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

iii) Transactions eliminated on consolidation

Intragroup balances, businesses and unrealized gains arising from intragroup transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealized losses are eliminated in the same way as unrealized gains, but to the extent that there is no evidence of impairment.

iv) The accounting policies have been applied consistently throughout the Group.

(e) ***Foreign currency***

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Currency Units, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity. In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Currency Units using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(f) ***Derivative financial instruments***

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk. Deriviative financial instruments are recognized initially at cost. Subsequent to initial recognition, deriviative financial instruments are stated at fair value and the gain or loss is recognized in profit or loss. Gain or loss on hedging instruments is recognized in profit or loss.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(g) ***Hedging***

When a derivative financial instrument is designed as a hedge of a recognized asset or liability, hedge accounting is not applied. Gain or loss on the hedging instrument is recognized in profit or loss.

(h) ***Property, plant and equipment***

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefit embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other cost is recognized in profit or loss as an expense as incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful life is as follows:

	Useful life
Telecommunication equipment	4 – 18 years
Buildings	15 - 33 years
Machinery and equipment	3 – 10 years
Vehicles	5 – 10 years

The residual value is reassessed annually.

(i) ***Intangible assets***

i) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment.

ii) Other intangible assets

Intangible assets other than goodwill acquired by the Group are stated at cost less accumulated amortization. Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives as follows:

Software	3-7 years
Contractual rights	3 years
Other	3 years

(j) ***Investment***

Investment in other Companies is stated at fair value when available, with any gain or loss recognized directly in equity. When these investment are sold, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. When fair value is not available investment is stated at cost.

Bonds are recorded at cost less any impairment losses. Interest income on bonds is recognized in profit or loss, using the effective interest method.

(k) ***Trade and other receivables***

Trade and other receivables are stated at their cost less impairment losses.

Current maturities of bonds are included in other receivables in the Balance Sheet.

(l) ***Inventories***

Inventories in the Balance Sheet include goods for sale, supplies, work in process and material to be viewed in television. Goods for sale are stated at lower of cost and net realizable value. Net realizable value is estimated selling price in the ordinary course of business, less the estimated selling expenses. Supplies are stated at last purchase price. Material to be viewed in television is stated at cost.

(m) ***Cash and cash equivalents***

Cash and cash equivalents consist of cash, bank deposits and marketable securities. Marketable securities are short-term bonds which may or may not be listed and can be sold within three months. Marketable securities are valued at their fair value.

(n) ***Impairment***

The carrying amounts of the Group's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

i) Calculation of recoverable amount

The recoverable amount of investments in securities and other receivables is calculated at present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(o) ***Interest-bearing borrowings***

Interest-bearing debts are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the debt on an effective interest basis.

(p) ***Provisions***

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(q) ***Account payable***

Account payable are recognized at cost.

(r) ***Revenue***

Revenue from telecommunication services is recognized in profit or loss when the service is performed. Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownerships have been transferred to the customer. Revenue from advertising in television are recognized in profit or loss when the advertisements are shown. They are recognized as revenue when first published although the same advertisement can be shown more than once because of reruns of television shows. The same rule is applied to sponsorship of particular television shows. No revenue is recognized if there are significant uncertainties regarding collection of the due revenue or on the possibility of goods being returned.

(s) ***Expenses***

i) Cost of sales and operating expenses

Cost of sales according to the income statement consist of cost of operating telecommunication systems, direct television broadcasting expenses and cost of goods sold, including related labor cost and related depreciation on property, plant and equipments.

Operating expenses according to the income statement consist of selling expenses, customer services, administration, impairment losses on receivables and other costs.

ii) Operating lease payments

Payments under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

iii) Net financing cost

Net financing cost comprises interest on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange rate gains and losses on hedging instruments that are recognized in profit or loss.

Interest income is recognized in profit or loss as it accrues, using the effective interest method. Dividend income is recognized in profit or loss when dividend is announced.

(t) ***Income Tax***

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and differences relating to investments in subsidiaries to the extent that the temporary differences will probably not reverse in the foreseeable future.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(u) ***Segment reporting***

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. Pricing of sale of goods and services between segments is decided by the Company on the basis of arms length transactions.

Notes

Segment Reporting

1. The Group's operation by segments is specified as follows:

	Telecommunications	Other	Eliminations	Total
Net sales	22.239.414	3.352.445	(561.732)	25.030.127
Cost of sales	(11.224.989)	(2.710.238)	263.858	(13.671.369)
Gross profit	11.014.425	642.207	(297.874)	11.358.758
Other operating income	367.014	22.105	-124106	265.013
Operating expense	(6.588.729)	(851.507)	421.980	(7.018.256)
Operating profit	4.792.710	(187.195)	0	4.605.515
Depreciation included above	3.614.402	222.802	0	3.837.204
Operating profit (EBITDA)	8.407.112	35.607	0	8.442.719
Unallocated assets				88.906.738
Consolidated total assets				88.906.738

Operating revenue

2. Operating revenue for the Group specifies as follows:

	2006	2005
General telephone system	5.872.634	6.054.070
Mobile systems	9.910.141	8.127.795
Data communications	3.343.025	2.862.288
Network	1.411.998	1.311.266
Other	4.757.342	3.686.013
Total revenue according to the Consolidated Income Statement	25.295.140	22.041.432

Personnel

3. The number of employees was as follows:

	2006	2005
Average number of employees, adjusted for full-time employment	1.628	1.273
Number og employees at year-end	1.767	1.370

4. Salaries and related expenses are specified as follows:

Salaries	5.886.411	5.202.333
Payroll taxes	1.004.072	828.523
	6.890.483	6.030.856

5. Salaries paid to the Company's Board of Directors, CEO and other senior Directors of the Company amounted to ISK 270 million. No options or warrants have been made with Siminn's employes

Financial income and expenses

6. Financial income and expenses specify as follows:

	2006	2005
Interest earned	241.735	523.455
Income from investments	600.694	878.886
Interest and indexation expenses	(4.006.240)	(1.470.873)
Exchange (loss) gains	(5.772.456)	760.746
Total financial income and expenses	(8.936.267)	692.214

Income tax expense

7. Reconciliation of effective tax rate

	2006		2005	
Profit before tax		(4.337.187)		(4.337.187)
Income tax using the corporation tax rate	18,0%	(780.694)	18,0%	768.188
Effects of associated companies	0,0%	1.158	0,1%	5.532
Effects of tax losses utilized	0,0%	0	-0,4%	(16.958)
Tax exempt revenues	0,0%	0	-3,2%	(135.000)
Dividend	-0,1%	2.734	0,0%	0
Other changes	0,1%	(3.995)	-0,2%	(7.028)
Effective tax rate	-0,1%	3.336	-8,9%	(379.112)
	17,9%	(777.461)	5,5%	235.622

Earnings per share

8. Basic earnings per share is compared with profit for the period attributable to equity holders of the parent and weighted average number of ordinary shares of the period and shows the earnings per share.

Basic earnings per share:	2006	2005
(Loss) profit for the period attributable to equity holders of the parent	(3.581.065)	4.019.749
Weighted average number of ordinary shares	30.849.822	18.982.840
(Loss) earnings per share	(0,12)	0,21

Property, plant and equipment

9. Property, plant and equipment is specified as follows:

	Telecommuni-cations equipment	Buildings and land	Machinery and equipment	Total
Net book value 1.1.2005	13.336.988	3.731.767	822.219	17.890.974
Additions during the year	3.698.059	209.265	410.524	4.317.848
Sales and disposals during the year		(22.078)	(7.938)	(30.016)
Depreciation during the year	(2.952.113)	(129.394)	(326.465)	(3.407.972)
Total value 31.12.2005	14.082.934	3.789.560	898.340	18.770.834
Total value 31.12.2005	14.082.934	3.789.560	898.340	18.770.834
Reclassified	(62.689)		7.660	(55.029)
Additions during the year	1.674.766	73.341	369.203	2.117.310
Additions through business combinations			64.310	64.310
Net foreign currency exchange differences			2.854	2.854
Revaluation		450.947		450.947
Sales and disposals during the year		(9.996)	(36.597)	(46.593)
Depreciation during the year	(2.981.328)	(150.587)	(329.791)	(3.461.706)
Net book value 31.12.2006	12.713.683	4.153.265	975.979	17.842.927

The official real estate valuation on the Company's buildings and land amounted to ISK 3,627 million at year-end 2006 and the insurance value amounted to ISK 4,767 million at the same time. The insurance value of machinery and equipment amounted to ISK 11,838 million.

10. Depreciation are specified as follows:

	2006	2005
Cost of sales	(3.148.280)	(3.103.117)
Operating expenses	(313.426)	(304.855)
Total	(3.461.706)	(3.407.972)

Intangible assets

11. Changes in intangible assets during the year are as follows:

	Goodwill	Software	Contractual-rights	Total
Balance at 31.12.2005	78.267	759.041	132.870	970.178
Effects of merger	57.604.967			57.604.967
Additions during the year	245.254	237.490		482.744
Sold during the year		(246)		(246)
Moved to current assets			(85.106)	(85.106)
Amortizations during the year	(129.097)	(310.340)		(439.437)
	57.799.391	685.945	47.764	58.533.100

Balance at 31.12.2005	57.799.391	685.945	47.764	58.533.100
Additions during the year	351.385	166.495	25.000	542.880
Additions through business combinations	2.391.368			2.391.368
Net foreign currency exchange differences	231.850			231.850
Reclassified	3.413	55.225	86.843	145.481
Revaluation	(313.431)			(313.431)
Amortizations during the year	(2.340)	(282.994)	(90.164)	(375.498)
Balance at 31.12.2006	60.461.636	624.671	69.443	61.155.750

Subsidiaries

12. Six subsidiaries are included in the Consolidated Financial Statements. In addition Anza hf. owns one subsidiary that is also included. Siminn´s TV operation was sold from Síminn to subsidiary Skíma and at same time the name of the company was changed to Skjárinn miðlar. Two subsidiaries were incorporated during the year; Fjarskip witch provides maritime telecommunication services to the Icelandic fishing industry and On-wave's witch will provide GSM service onboard ferries and cruisers sailing in international waters. The subsidiaries that are included in the Consolidated Financial Statements are the following:

	Ownership
Anza hf.	97,4%
Sirius	92,0%
Upplýsingaveitur ehf.	100,0%
Skjárinn miðlar ehf.	100,0%
Tæknivörur ehf.	100,0%
On-wave´s S.ä.r.l.	100,0%
Fjarskip ehf.	75,0%

Associates

13. The Group's share in the operating result of its associated companies was a loss of ISK 6 million. The share in net equity amounted to ISK 528 million at the end of the year.

	Ownership %	Nominal value	Book value
Eignarhaldsfélagið Farice ehf.	37,1%	395.477	341.851
Farsímagreiðslur ehf.	40,5%	28.350	16.868
Hið íslenska númeraflutningsfélag ehf.	50,0%	4.000	2.621
Malmator	50,0%	-	2.985
Nordisk Mobil Ísland ehf.	50,0%	250	250
Stefja ehf.	62,7%	13.418	60.722
Titan upplýsingatækni ehf	33,3%	10.000	30.000
Þræðir ehf.	33,3%	167	73.510
			528.807

Investment

14. At the end of the year the Company owned shares in four foreign and eleven domestic companies where the ownership was less than 20%. Ownership in Carrera Ltd. amounted to ISK 595 million. During the year the company bought shares in Nordisk Mobiltelefon AB for 783 million. The company also bought shares in Kögun for 3.302 million. The shares were sold with a profit of ISK 598 million. Investment in other companies is stated at cost less impairment losses.

Inventories

15. Inventories are specified as follows:

	2006	2005
Finished goods	88.516.288	82.945.183
Work in progress	151.282	24.446
TV programs for screening	239.168	285.775
Inventory total	88.906.738	83.255.404

Share capital

16. Share capital as at 31 December 2006 amounted to 30.930 million. Own shares amounted to 8 million.

Non-current liabilities

17. The company issued CPI-indexed bullet bonds for 14.000 million on the 2 January 2006 and they have all been sold. The bonds have a fixed 6% interest rate with a maturity date 2 April 2014. The bonds are registered on the Iceland Stock Exchange with the symbol SIMI 06 1. Size limit according to the agreement is 15.000 million.

Non-current liabilities:

18. Borrowings are specified as follows by currency denominations:

Loans in USD	11.057.978
Loans in EUR	6.104.840
Loans in GBP	3.872.756
Loans in JPY	4.975.842
Loans in CHF	9.978.060
	38.378.820
Loans in ISK	15.798.493
	54.177.313
Current maturities of borrowings	(3.430.293)
Total borrowings	50.747.020

19. Annual maturities of borrowings are specified as follows:

In the year 2007	3.430.294
In the year 2008	3.097.446
In the year 2009	3.393.868
In the year 2010	3.128.631
In the year 2011	3.353.793
Subsequent payments	37.773.281
Total borrowings, including current maturities	54.177.313

20. Deferred tax for the Group amounted to ISK 156 million and specifies as follows:

Deferred tax at the beginning of the year	519.417
Additions through business combinations	486
Revaluation	429.570
Income tax posted to the income statement	(777.461)
Income tax payable next year	(15.788)
Deferred tax liability at the end of the year	156.224

The deferred tax liability is allocated as follows:

Property and equipment	732.547
Accounts receivable	(14.616)
Inventories	1.616
Other items	(563.323)
	156.224

21. Subsidiary Anza incorporated a company Sirius IT Holding A/S witch then bought all operation related to providing IT service to the public sector in Denmark, Norway and Sweden from the company TietoEnator. The price has not been finalized because of a disagreement about the purchase price. According to IFRS the company has 12 month til finalize the figures.

Non-current asset	64.310
Intangible assets	44.202
Accounts receivable	1.111.764
Work in progress	210.111
Cash	365.201
Deferred tax liabilities	(486)
Other current liabilities	(131.190)
Accounts payable	(1.182.610)
Net assets	497.364
Goodwill	2.347.166
Purchase price	2.844.529

Purchase price specifies as follows:

Paid with cash	2.844.529
Less cash at hand	(365.201)
Total paid cash according to cash flow statement	2.479.328

Mortgages and guarantees

22. Assets of the Group are mortgaged to guarantee loans, which amount to ISK 35,923 m.kr. at the end of the year 2006.

23. The Group has guaranteed loans for Farice hf. that are nominated in foreign currencies and amounted to ISK 928 million at the end of the year. The Group's commitments on the lease of a submarine telecommunications cable amount to ISK 107 million annually until 2012. The Group's commitments on account of housing leases amount to ISK 79 million annually until 2018.

Financial ratios

24. Five year historical information in ISK millions.

	2006	2005	2004	2003	2002
Income statement					
Operating revenue	25.295	22.041	20.419	18.761	17.958
Operating expenses	(16.853)	(14.588)	(12.896)	(11.381)	(10.849)
Operating profit (EBITDA)	8.442	7.453	7.523	7.380	7.109
Depreciation	(3.462)	(3.408)	(3.208)	(4.428)	(4.568)
Amortization	(375)	(439)	(876)	(36)	(73)
Profit before financial income	4.605	3.606	3.439	2.916	2.468
Net financial income (expenses)	(8.936)	693	511	(214)	141
Share of profit (loss) in associates	(6)	(31)	(90)	(25)	(1)
Profit before taxes	(4.337)	4.268	3.860	2.677	2.608
Taxes	777	(236)	(769)	(534)	(464)
Minority interest	(21)	(12)	(12)	2	17
Profit for the year	(3.581)	4.020	3.079	2.145	2.161
Balance sheet:					
Non-current assets	81.100	78.017	20.784	20.931	22.414
Current assets	7.807	5.238	8.408	7.662	9.217
Total assets	88.907	83.255	29.192	28.593	31.631
Equity	29.447	32.801	17.501	16.058	16.049
Non-current liabilities	50.903	44.602	4.755	7.015	11.143
Current liabilities	8.557	5.852	6.936	5.520	4.439
Total equity and liabilities	88.907	83.255	29.192	28.593	31.631

25. Financial ratios:

Income Statement:

Operating profit (EBITDA)	33,4%	33,8%	36,8%	39,3%	39,6%
Profit before financial income (EBIT)	18,2%	16,4%	16,8%	15,5%	13,7%
Return on equity	-0,5%	19,6%	21,1%	14,8%	15,2%

Balance Sheet:

Current ratio	0,91	0,90	1,21	1,39	2,08
Equity ratio	0,33	0,39	0,59	0,56	0,51
Internal value of Capital shares	0,95	1,06	2,41	2,28	2,28

26. The consolidated financial statement were approved by the board of directors and authorized for issue on the 8