



## **Interim Consolidated Financial Statement**

**30 June 2006**

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

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## Endorsement by the Board of Directors and CEO

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The Interim Consolidated Financial Statement for Síminn has been prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statement (IAS 34). The Interim Consolidated Financial Statement comprise the Interim Financial Statement for Síminn and its subsidiaries.

The Board of Directors and the CEO of Síminn hf. are of the opinion that the Interim Consolidated Statements for the six months ended 30 June 2006 contain all the information necessary to form a clear picture of the company's standing at 30 June, the period's operating results and the period's financial development.

The Board of Directors and the CEO of Síminn hf. hereby confirm the Interim Consolidated Financial Statements for the six month ended 30 June 2006 with their signature

Reykjavík, 24 August 2006.

Board of directors:

Lýður Guðmundsson, Chairman

Rannveig Rist

Panikos Katsouris

Erlendur Hjaltason

Sigurgeir Brynjar Kristgeirsson

CEO:

Brynjólfur Bjarnason

## Auditors' Report

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To the Board of Directors and Shareholders of Síminn hf.

We have reviewed the accompanying Consolidated Balance Sheet of Síminn hf. and subsidiaries as of 30 June 2006 and the related Consolidated Statements of Income and Cash Flows for the period then ended. These Consolidated Financial Statements contain Income Statement, Balance Sheet, Statement of Cash Flow, Statement of changes in Equity and Notes to the Financial Statements. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to issue a report on these Financial Statements based on our review.

We conducted our review in accordance with International Standards applicable to a review engagement. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the Financial Statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the accompanying Financial Statements do not give a true and fair review of the financial position of Síminn hf. and its subsidiaries as of 30 June 2006 and of the results of their operations and their cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 24 August 2006.

**Deloitte hf.**

Hilmar A. Alfreðsson  
State Authorized Public Accountant

**Consolidated Interim Income Statement  
for the period 1 January -30 June 2006**

	<b>2006</b>	<b>2005</b>
Net sales .....	11.754.069	10.063.782
Cost of sales .....	<u>( 6.228.457)</u>	<u>( 5.263.702)</u>
Gross profit .....	5.525.612	4.800.080
Other operating income .....	144.026	221.591
Operating expenses .....	<u>( 3.703.249)</u>	<u>( 3.386.405)</u>
Operating profit .....	1.966.389	1.635.266
Financial income (expenses) .....	2 ( 9.771.675)	862.490
Share of loss in associates .....	<u>( 11.161)</u>	<u>( 15.575)</u>
(Loss) profit before tax .....	( 7.816.447)	2.482.181
Income tax .....	<u>1.409.026</u>	<u>( 330.237)</u>
(Loss) profit for the period .....	<u><u>( 6.407.421)</u></u>	<u><u>2.151.944</u></u>
 <b>Attributable to:</b>		
Equity holders of the parent .....	( 6.409.506)	2.145.827
Minority interest .....	<u>2.085</u>	<u>6.117</u>
	<u><u>( 6.407.421)</u></u>	<u><u>2.151.944</u></u>
 <b>Earnings per share:</b>		
(Loss) earnings per share .....	3 (0,21)	0,31

## Consolidated Balance Sheet at 30 June 2006

	Notes	30.6.2006	31.12.2005
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment.....	4	18.273.111	18.770.834
Intangible assets.....	6	58.226.508	58.533.100
Investments in associated companies.....		421.585	306.543
Investments in other companies.....	7	1.076.742	406.501
Deferred tax assets.....		463.657	0
Non-current assets		78.461.603	78.016.978
<b>Current assets</b>			
Inventories.....		696.034	765.117
Accounts receivable.....		4.624.021	3.887.794
Other receivables.....		187.516	120.645
Cash and cash equivalents.....		857.931	464.870
Current assets		6.365.502	5.238.426
<b>Assets</b>		<b>84.827.105</b>	<b>83.255.404</b>
 <b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital.....	8	30.749.981	30.921.636
Statutory reserve.....		353.429	403.209
Translation reserve.....		67.091	( 14.280)
Retained earnings.....		( 4.938.793)	1.470.713
Equity holders of the parent		26.231.708	32.781.278
Minority interest.....		18.113	19.775
Equity		26.249.821	32.801.053
<b>Non-current liabilities</b>			
Borrowings.....	9	51.567.583	44.082.463
Deferred tax liabilities.....		0	519.417
Non-current liabilities		51.567.583	44.601.880
<b>Current liabilities</b>			
Accounts payable.....		2.300.375	2.237.988
Current maturities of borrowings.....		3.076.799	2.038.518
Other current liabilities.....		1.632.527	1.575.965
Current liabilities		7.009.701	5.852.471
<b>Total liabilities</b>		<b>58.577.284</b>	<b>50.454.351</b>
<b>Total equity and liabilities</b>		<b>84.827.105</b>	<b>83.255.404</b>

**Consolidated Cash Flow Statement  
for the period 1 January -30 June 2006**

	Notes	2006	2005
<b>Cash flow from operating activities</b>			
Operating profit.....		1.966.389	1.635.266
Operational items not affecting cash flow:			
Depreciation and amortization .....		2.002.932	1.904.403
(Gain) loss on sale of fixed assets .....	(	15.127)	12.393
Changes in current assets and liabilities .....		307.721	294.136
		<u>4.261.915</u>	<u>3.846.198</u>
		Cash generated by operation	
Interest income received during the year.....		106.447	352.517
Payments of taxes during the year.....	(	475.978)	( 174.092)
Interest expenses paid during the year.....	(	1.154.049)	( 317.339)
		<u>2.738.335</u>	<u>3.707.284</u>
		Net cash from operating activities	
<b>Investing activities</b>			
Investment in property, plant and equipment.....	4 (	894.496)	( 1.759.785)
Investment in intangible assets.....	6 (	88.994)	( 241.682)
Proceeds from sale of property and equipment.....		40.784	8.134
Changes in other investments.....		23.291	668.254
Changes in investment in other companies.....	7	158.222	1.198.251
		<u>( 761.193)</u>	<u>( 126.828)</u>
		Investing activities	
<b>Financing activities</b>			
Dividend paid.....	(	630.907)	( 5.701.894)
New loans raised .....		212.869	2.046.721
Repayments of borrowings.....	(	941.196)	( 438.617)
Bank loans, (decrease) increase.....		0	( 740.761)
Repurchase of own shares.....	(	224.847)	( 27.673)
		<u>( 1.584.081)</u>	<u>( 4.862.224)</u>
		Financing activities	
<b>Increase (decrease) in cash and cash equivalents.....</b>		393.061	( 1.281.768)
<b>Cash and cash equivalents at the beginning of year.....</b>		<u>464.870</u>	<u>2.825.588</u>
<b>Cash and cash equivalents at the end of the period.....</b>		<u><u>857.931</u></u>	<u><u>1.543.820</u></u>

**Consolidated Statement of Changes in Equity**  
for the period ended 30 June 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 .....					( 6.332.801)	( 6.332.801)		( 6.332.801)
Profit for the period .....					2.145.827	2.145.827	6.117	2.151.944
Change in minority interest .....							( 9.436)	( 9.436)
Translation reserve .....			( 18.854)			( 18.854)		( 18.854)
Realized gain on investments .....				( 512.561)		( 512.561)		( 512.561)
Total equity 30.06.2005 .....	<u>7.036.445</u>	<u>2.345.482</u>	<u>( 44.017)</u>	<u>0</u>	<u>3.412.412</u>	<u>12.750.322</u>	<u>28.513</u>	<u>12.778.835</u>
Total equity 1.1.2006 .....	30.921.636	403.209	( 14.280)	0	1.470.713	32.781.278	19.775	32.801.053
Loss for the period .....					( 6.409.506)	( 6.409.506)	2.085	( 6.407.421)
Change in minority interest .....						0	( 3.747)	( 3.747)
Translation reserve .....			81.371			81.371		81.371
Changes in own stock .....	( 171.655)	( 49.780)				( 221.435)		( 221.435)
Total equity 30.6. 2006 .....	<u>30.749.981</u>	<u>353.429</u>	<u>67.091</u>	<u>0</u>	<u>( 4.938.793)</u>	<u>26.231.708</u>	<u>18.113</u>	<u>26.249.821</u>

## Notes

### Significant accounting principles

The Condensed Consolidated Financial Statements of Siminn hf. for the period 1 January - 30 June 2006 comprise the Consolidated Financial Statements for the Company and its subsidiaries.

#### (a) Statement of compliance

The Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards IAS 34, Interim Financial Reporting. They do not include all the information required for complete set of consolidated annual financial statements, and should be read in conjunction with the Consolidated Financial Statement for the Company as at and for the year ended 31 December 2005

#### (b) Basis of preparation

The accounting policies and methods of computation applied by the Company in these Condensed Interim Consolidated Financial Statement are the same as those applied by the company in its Consolidated Financial Statement as at and for the year ended 31 December 2005

The Condensed Consolidated Financial Statements are presented in thousands of Icelandic kronur (ISK). They are prepared on a historical cost basis except for financial instruments held for trading which are stated at their fair value.

The accounting policies have been applied consistently throughout the Group.

### Segment Reporting

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

	Telecommuni- cations	Other	Eliminations	Total
Net sales .....	10.950.253	1.136.539	( 332.723)	11.754.069
Cost of sales .....	<u>( 5.732.013)</u>	<u>( 636.196)</u>	<u>139.752</u>	<u>( 6.228.457)</u>
Gross profit .....	5.218.240	500.343	( 192.971)	5.525.612
Other operating income .....	141.761	2.265	0	144.026
Operating expense .....	<u>( 3.317.957)</u>	<u>( 578.263)</u>	<u>192.971</u>	<u>( 3.703.249)</u>
Operating profit .....	2.042.044	( 75.655)	0	1.966.389
Depreciation included above .....	1.894.690	108.242	0	2.002.932
Operating profit (EBITDA) .....	<u>3.936.734</u>	<u>32.587</u>	<u>0</u>	<u>3.969.321</u>

### Financial income and expenses

2. Financial income and expenses specify as follows:

	2006	2005
	1.1. - 30.6.	1.1. - 30.6.
Interest earned .....	118.818	271.210
Income from investments .....	605.700	848.886
Interest and indexation expenses .....	( 2.216.677)	( 327.997)
Exchange (loss) gains .....	<u>( 8.279.516)</u>	<u>70.391</u>
Total financial income and expenses .....	<u>( 9.771.675)</u>	<u>862.490</u>

## Notes

### Earnings per share

3. 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 1.1. - 30.6.	2005 1.1. - 30.6.
(Loss) profit for the period attributable to equity holders of the parent.....	( 6.409.506)	2.145.827
Weighted average number of ordinary shares.....	30.893.572	7.036.445
(Loss) earnings per share.....	( 0,21)	0,31

### Property, plant and equipment

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

	Telecommuni- cations equipment	Buildings and land	Machinery and equipment	Total
Total value 31.12.2005 .....	36.300.319	4.664.407	3.109.198	44.073.924
Previously depreciated .....	( 22.225.045)	( 874.847)	( 2.203.197)	( 25.303.089)
Net book value 31.12.2005 .....	14.075.274	3.789.560	906.001	18.770.835
Additions during the period .....	753.509	20.026	120.961	894.496
Revaluation .....		450.947		450.947
Sales and disposals during the period .....	0	( 9.996)	( 15.856)	( 25.852)
Depreciation during the period .....	( 1.569.837)	( 82.372)	( 165.106)	( 1.817.315)
Net book value 30.06.2006 .....	<u>13.258.946</u>	<u>4.168.165</u>	<u>846.000</u>	<u>18.273.111</u>

5. Depreciation are specified as follows:

	2006 1.1. - 30.6.	2005 1.1. - 30.6.
Cost of sales .....	( 1.664.930)	( 1.440.835)
Operating expenses .....	( 152.385)	( 247.865)
Total .....	<u>( 1.817.315)</u>	<u>( 1.688.700)</u>

### Intangible assets

6. Changes in intangible assets during the period are as follows:

	Goodwill	Software	Contractual- rights	Other	Total
Balance at 31.12.2005 .....	57.797.479	685.945	47.764	1.912	58.533.100
Additions during the period .....	13.010	88.994	0	0	102.004
Sold during the period .....	0	0	0	0	0
Moved to current assets .....	3.413	195	86.843	0	90.451
Revaluation .....	( 313.431)	0	0	0	( 313.431)
Amortizations during the period ....	0	( 138.113)	( 45.720)	( 1.783)	( 185.616)
Balance at 30.06.2006 .....	<u>57.500.471</u>	<u>637.021</u>	<u>88.887</u>	<u>129</u>	<u>58.226.508</u>

## Notes

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### Investment

7. During the period the company bought shares in Nordisk Mobiltelefon AB for 373 million. The company also bought shares in Kögun for 3.302 million. The shares were sold with a profit of ISK 598 million.

### Share capital

8. Share capital as at 30 June 2006 amounted to 30.930 million. Own shares amounted to 180 million.

### Non-current liabilities

9. 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.

### Subsidiaries

10. Four subsidiaries are included in the Consolidated Financial Statements. In addition Anza hf. owns one subsidiary that is also included. The subsidiaries that are included in the Consolidated Financial Statements are the following:

	Ownership
Anza hf. ....	91,0%
Rafrænt markaðstorg hf. ....	65,0%
Upplýsingaveitur ehf. ....	100,0%
Skíma hf. ....	100,0%
Tæknivörur ehf. ....	100,0%

11. The interim consolidated financial statement were approved by the board of directors and authorised for issue on the 24 August 2006.