

Skipti hf. results in 2008

- Sales increased 19% from the preceding year

- Sales increased by ISK 6.3 billion from 2007, or 19%. Sales amounted to ISK 39.0 billion as compared to ISK 32.7 billion in the preceding year.
- Earnings before depreciation and financial items (EBITDA) amounted to ISK 9.0 billion as compared to ISK 9.5 billion for 2007. EBITDA margin was 23%.
- Cash from operations amounted to ISK 10.1 billion as compared to ISK 9.0 billion in 2007. After tax and interest, cash from operations came to ISK 8.4 billion.
- Loss over the period came to ISK 6.4 billion, mainly due to the devaluation of the Icelandic krona and impairment of intangible assets.
- Exchange loss came to ISK 3.2 billion of the total of ISK 9.5 billion finance cost for the year.
- 32% of Skipti's sales derived from international operations.
- Net interest bearing debts (interest bearing debts, minus deposits) amounted to ISK 51.1 billion at the turn of the year, as compared to 50.0 billion in the preceding year.
- Skipti's equity ratio is 28%.

Highlights of 2008

- Significant changes occurred in the Company's operating environment in the second half of the year, as the economic crisis impacted its operations. Various actions were taken to secure the Company's results; however, a fall in demand is anticipated in the Company's largest markets in the coming months.
- Síminn continued the development of its long-range GSM system, which will offer users a strong high-speed connection throughout the country and on the fishing grounds around Iceland. Síminn also participated in the Telecommunications Fund's tender for the development of a countrywide high-speed network, and a contract has now been signed between the parties. The contract ensures a high-speed network for all Icelanders before the end of 2010. Almost 1800 households are involved, with the first households already being linked-up.
- Skipti's foreign operations showed strong results in the year. The operation of the IT company Sirius IT showed great success in the year and the project backlog was good. Síminn's companies in Denmark were merged in early March under a new name – Síminn Danmark A/S.
- On 19 March 2008, Exista announced a voluntary offer for all shares in Skipti hf. The offer amounted to ISK 6.64 per share, which was paid with new Exista shares. The offer was valid from 27 March through 26 May, by which time Exista had acquired 99.22% of Skipti

shares. Following the offer and the delisting of the company, outstanding shares were called in. Skipti is now 100% owned by Exista.

Brynjólfur Bjarnason, CEO of Skipti hf.

“The past year was an eventful one for Skipti, as it was for other Icelandic enterprises. The results of the Company's regular operations were favourable, considering the circumstances. The Company's subsidiaries have been working on adapting to the changed operating environment created by the events of last autumn, and it is clear that there are challenging times ahead. The price trend of the Icelandic króna was extremely unfavourable over the year which explains a large portion of the Company's losses, notwithstanding hedging measures. Skipti's income showed good growth, largely from the Company's overseas operations. The financial position at the turn of the year is good, partly as a result of the strong cash flow from operations and partly as a result of sales of assets in the second half of the year. The Company is therefore in good position to address the challenges ahead.”

Operating results for the year 2008

Accounting Policies

The Consolidated Financial Statements for the year 2008 are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Consolidated Financial Statements of Skipti hf. for the year 2008 consist of the Consolidated Financial Statements of Skipti hf. and its subsidiaries. The Board of Directors and the CEO of Skipti hf. have confirmed the Consolidated Financial Statements for the year 2008.

Operation

Sales in 2008 came to ISK 39.013 million, as compared to ISK 32.719 million in the preceding year, increasing by 19%. The significant increase is mainly explained by income from international operations.

EBITDA for the Group came to ISK 8.966 million, as compared to 9.493 million in 2007. The EBITDA ratio is now 23 %, against 28 % a year ago. Skipti has invested in IT companies and while this market generally yields a lower EBITDA ratio than telecommunications companies, the investments involved are lower in the IT sector. Furthermore, Skipti's telecommunications companies abroad do not own the networks on which they operate, which results in a lower EBITDA margin than in the case of companies that own and operate networks.

Depreciation amounted to ISK 6.354 million, as compared to ISK 4.202 million in 2007. This increase is mainly explained by impairment of intangible assets.

Loss for the Group came to ISK 6.424 million, as compared to a profit of ISK 3.082 million in 2007. The loss is mainly due to the devaluation of the Icelandic krona and impairment of intangible assets.

Cash Flow

Cash provided by operations came to ISK 10.102 million for the year, as compared to ISK 9.014 million in the preceding year.

The Group's capital expenditures (CAPEX) amounted to ISK 4.151 million over the year, as compared to ISK 3.490 million in 2007.

Balance sheet

The group's total assets at 31st of December 2008 came to ISK 128.657 million, having increased by ISK 31.016 million, or 32%, from the beginning of the year. Net interest bearing debt (interest bearing debts, minus deposits) amounted to ISK 51.1 billion at the turn of the year, as compared to 50.0 billion in the preceding year. Skipti employed a currency hedging strategy which to a large extent protected the Company against the depreciation of the Icelandic krona during the year. In addition, the Company sold assets in the latter half of the year which also resulted in debt reduction. The ratio of net interest bearing debt/EBITDA was 5,7 at the turn of the year, as compared to 5,3 in the preceding year.

Equity stood at ISK 36.547 million at the end of 2008, and the equity ratio was 28%.

Market position and outlook

Síminn's 3G development is in full swing, with the services now extending to over 80% of the population. Síminn is also working on the installation of long-range 3G transmitters which will eventually cover an even larger area than the existing 2G service area. However, the extended coverage is not the greatest advantage of the system, but rather the possibilities that will be opened to customers with the new high-speed mobile network. It has always been an inherent element of Síminn's strategy that the development of its transmission infrastructure should support the future market needs for telecommunications services, and 3G is the next step in this development as the successor to the best available mobile telephone service known today. Síminn also participated in the Telecommunications Fund's tender for the development of a countrywide high-speed network, and a contract has now been signed between the parties. The contract ensures a high-speed network for all Icelanders before the end of 2010. Almost 1800 households are involved, with the first households scheduled for link-up within a month.

Following a call for tenders, Farice hf and **Míla** ehf reached a ten-year agreement concerning telecommunications services. According to the Agreement, Míla will provide telecommunication services to Farice for the latter company's development of a new submarine cable, Danice, and enlargements of the capacity of the FARICE-1 cable. The effect of the agreement is that Míla will multiply its transmission capacity and provide Icelandic telecommunications companies with opportunities to enlarge their own capacities and at the same time strengthen their services to customers. Fibre to the Home is a new service marketed by Míla last year. The service consists in customer access to a fibre local loop connected to their homes in place of the traditional copper local loop. The service will be offered only in new housing developments. Fibre to the Home gives users

increased possibilities of obtaining large bandwidth services, such as a wide variety of television programming and alert services.

Skipti took over shares in two telecommunications companies in the Czech Republic from Exista in the first half of the year. The shares in question corresponded to 8.25% of a holding company which, on the one hand, owns a 39% share in T-Mobile Czech Republic (TMCZ) and on the other hand 100% of Ceske Radiokomunikace (CRa). These shares were sold in the second half of the year. Skipti explored the possibility of re-investing in these companies, but the plan was abandoned.

Early in the year, **Skjárinn** stopped producing its own television programming and improved its operations and products through partnerships with Icelandic film companies. The weakening of the Icelandic króna, unhealthy competition from the public sector and sharp cuts in the advertising market following the collapse of the banks had a significant impact on Skjárinn's operation in the year. There was uncertainty about the future of the television station SkjárEinn despite good ratings, with 80% of Icelanders aged 12-80 watching SkjárEinn programming every week over the year. The use of the Skjábíó pay-per-view service showed improvement and subscription fees from the SkjárHeimur channel distribution exceeded the projected budget for the year, which partly offset the reduced revenues from the advertising market. The competitive position of the privately owned media is extremely difficult as a result of the position occupied by the State run national broadcasting network with its generous taxpayer subsidy. Attempts were made last year to correct this environment by limiting the scope available to the National Broadcasting Service in the advertising market. Unfortunately it did not prove possible to complete this work before year-end, with the result that there is still great uncertainty as regards the future of Skjárinn.

Já's operations were in line with the budget last year. Já published the 2008 telephone directory in late May in an unusual form; it was produced in collaboration with the writer Huggleikur Dagsson, who published his new story, "Garðarshólmi" inside the telephone directory. The directory had its best reception since it was first issued, with about 100,000 copies picked up by users in the first three days. Customer satisfaction with 118 information services reached its highest peak since the start of measurements in the course of the year, and the popularity of the Já.is website continued to grow; the number of individual weekly users grew by 23% over the year the number of hits increased by 39%.

On-Waves, a Síminn subsidiary, specialises in offering mobile telephone services aboard ocean liners and ferries as well as cargo vessels. These operations are enjoying strong growth and in the course of the year the company signed numerous contracts for GSM services aboard ocean liners.

Síminn's companies in Denmark, Business Phone and Ventelo, were merged in early March under a new name – **Síminn Danmark A/S**. The objective of the merger is to take better advantage of the strengths of both companies and benefit from synergies resulting from the companies' similar operations. The company currently has a staff of 75 and offers universal telecommunication services to small and medium-sized enterprises in Denmark. There are over 6,500 companies doing business with Síminn Danmark.

The operation of **Sirius IT** was very successful during the year. The company now enjoys a favourable backlog, and last year the company concluded a number of large business contracts with new and existing customers. Sirius IT's customers include a number of public entities, government agencies, municipalities and pension funds. They also include large private companies, mostly in various service sectors, such as energy companies, security providers, insurance services and the media. The core of Sirius IT's operations consists mainly in the maintenance and operation of large

information systems which typically form the basis of the operations of the customers in question. In general, the operating prospects for Sirius are quite favourable.

Early in March, the executive committee on privatisation of the Slovenian Government announced that the telecommunications company Telekom Slovenije would not be sold for the time being. Skipti was one of two bidders for the company.

On 19 March, Exista announced a voluntary bid for all the shares in Skipti hf. The bid was ISK 6.64 per share, to be paid with new shares in Exista. The offer period extended from 27 March to 26 May, and by the end of the period Exista had acquired 99.22% of the shares. Following the acquisition and de-listing of Skipti, the outstanding shares were called in, and Skipti is now 100% owned by Exista.

There is some uncertainty regarding the outlook of economic affairs in the near future. Demand has fallen, and it is reasonable to expect that this trend will continue. Skipti hf and its subsidiaries have responded to the new circumstances by taking various actions designed to achieve even greater efficiency. In 2008 extensive measures were taken to streamline the Company's operations. These measures, which are all designed to prepare the Company for the uncertainty ahead, have already resulted in lower costs and a clearer strategy for the future.

Further information:

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About Skipti hf.

Skipti is a holding company engaged in the operation of enterprises in the telecommunications and IT industry. The Group comprises Síminn, Míla, Já, Skjárinn, Sensa, Tækniörur, On-Waves, Radiomiðun and Staki. Overseas subsidiaries are the telecommunications company Aerofone in the United Kingdom, Síminn Danmark in Denmark and the information technology company Sirius IT, which has operations in Norway, Sweden and Denmark.