

## Skipti hf. results in first half 2008

- Sales increased 21% from first half 2007

- Sales increased by ISK 3.3 billion from the first half of 2007, or 21%. Sales amounted to ISK 18.8 billion as compared to ISK 15.5 billion in the preceding year.
- Earnings before depreciation and financial items (EBITDA) amounted to ISK 4.1 billion as compared to ISK 4.3 billion for the corresponding half of 2007. EBITDA margin was 21.3%.
- Cash from operations amounted to ISK 7.9 billion as compared to ISK 4.3 billion in the first half of 2007. After tax and interest, cash from operations came to ISK 7.1 billion.
- Loss over the period came to ISK 4.0 billion, mainly due to the devaluation of the Icelandic krona. Loss in the second quarter came to ISK 383 million.
- Exchange loss came to ISK 3.9 billion of the total of ISK 7.0 billion finance cost for the period.
- 29% of Skipti's sales derived from international operations.
- Skipti's equity ratio is 39.5%.

### Highlights of the second Quarter 2008

- The development of Síminn's 3G network is moving ahead at full pace. The 3G service area currently extends to 80% of the population, and according to the company's plans the service should be accessible in 23 urban areas around the country this year. Síminn's televisions service, Sjóntvarp Símans, has been growing rapidly, and in June the company reached a milestone with 40 thousand customers now subscribing to its ADSL television services.
- Skipti's foreign operations showed strong results in the period. The operation of the IT company Sirius IT showed great success in the first half of the year. The project backlog was good and gross profit almost doubled between years. The company reached an agreement with the Norwegian Labour and Welfare Organisation for the development and maintenance of a core system for the Organisation. The value of the agreement is estimated at more than NOK 200 million or approximately ISK 3 billion.
- Skipti hf. has acquired Exista's assets in the telecommunications industry and information technology, thus merging all telecom and IT companies owned by Exista. The assets that Skipti has now acquired are holdings in well-established telephone companies in the Czech Republic; that is, an 8.25% share in a holding company with a 39% stake in T-Mobile Czech Republic (TMCZ) and a 100% stake in Ceske Radiokomunikace (CRa). TMCZ, which is 61% owned by T-Mobile (Deutsche Telecom), is a leading mobile phone service provider in the Czech Republic, with a market share of over 40%. CRa is a leader in broadcast and fixed-line services in the Czech Republic. Both companies' operations

have been successful and grown rapidly in the past years. These assets fit very well with Skipti's core activities and investment strategy.

- 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 results from the regular operations of Skipti during the period are quite good, and the companies are achieving good operational results under extremely challenging external circumstances. The price trend of the Icelandic krona was unfavourable during the period which explains the Company's loss, notwithstanding hedging measures. It is a pleasure to see the continuing growth of Skipti, and the stakes in the two telecommunications companies in the Czech Republic fit well with the strategy and activities of Skipti. Both companies' operations have been successful and grown rapidly in the past years. This is in keeping with our established goals that the growth of Skipti should predominantly take place outside of Iceland. Skipti enjoys a strong financial position, and the operation of its subsidiaries is in good shape. The company is therefore in a favourable position to address the exciting challenges that lie ahead.”

## Operating results for first Half 2008

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### Accounting Policies

The accounting policies adopted are consistent with those followed in the preparation of the Annual Financial Statements for the year ended 31 December 2007. The Board of Directors and the CEO of Skipti hf. have confirmed the Condensed Interim Consolidated Financial Statements for the six months ended 30th of June 2008.

### Operation

Sales in 1H 2008 came to ISK 18,846 million, as compared to ISK 15,514 million in first half of the preceding year, increasing by 21%. The significant increase is mainly explained by income from the Danish telecommunications operations and organic growth.

Earnings before financial items and taxes (EBIT) came to ISK 2,223 million, decreasing by 4% between years.

EBITDA for the Group came to ISK 4,060 million, as compared to 4,317 million in the first half of 2007. The EBITDA ratio is now 21.3%, against 27.5% 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 1,837 million, as compared to ISK 2,001 million in corresponding half of 2007.

Loss for the Group came to ISK 3,989 million, as compared to a profit of ISK 2,445 million over the first half of 2007. The loss is mainly due to the devaluation of the Icelandic krona.

### Cash Flow

Cash provided by operations came to ISK 7,934 million for the half, as compared to ISK 4,330 million in the first half of 2007.

The Group's capital expenditures (CAPEX) amounted to ISK 1,814 million over the half, as compared to ISK 2,052 million in the first half of 2007.

### Balance sheet

The group's total assets at 30th of June 2008 came to ISK 120,162 million, having increased by ISK 22,521 million, or 23%, from the beginning of the year.

Equity stood at ISK 47,406 million at the end of 2Q 2008, and the equity ratio was 39.5%.

### Market position and outlook

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The development of **Síminn's** 3G network is moving ahead at full pace. The 3G service area currently extends to 80% of the population, and according to the company's plans the service should be accessible in 23 urban areas around the country this year. Moreover, Síminn is currently working on the installation of long-range 3G transmitters which will eventually cover a 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 must support the future market needs for telecommunications service, and 3G is the next step in this development as the successor to the best available mobile telephone service known today. Síminn's television service, Sjóntvarp Símans, has been growing rapidly, and in June the company reached a milestone with 40 thousand customers now subscribing to its ADSL television services.

Following a call for tenders, Farice hf and **Míla** ehf reached a ten-year agreement concerning telecommunications services in the first quarter. 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. Míla has recently concluded partnership agreements with contracting companies in the towns of Akureyri, Egilsstaðir and Ísafjörður. The agreements are part of the effort to streamline operations and work in partnership with contractors at each location rather than having own operations in every town.

Skipti hf. has acquired Exista's assets in the telecommunications industry and information technology, thus merging all telecom and IT companies owned by Exista. The Exista assets that Skipti has now acquired are holdings in well-established telephone companies in the Czech Republic; that is, an 8.25% share in a holding company with a 39% stake in T-Mobile Czech Republic (TMCZ) and a 100% stake in Ceske Radiokomunikace (CRa). TMCZ, which is 61% owned by T-Mobile (Deutsche Telecom), is a leading mobile phone service provider in the Czech Republic, with a market share of over 40%. CRa is a leader in broadcast and fixed-line services in the Czech Republic. Both companies' operations have been successful and grown rapidly in the past years. These assets fit very well with Skipti's core activities and investment strategy.

A new framework agreement between **Skjárinn** and SagaFilm was announced in the first quarter which secured improved operations for Skjárinn and a supply of quality Icelandic programming material for SkjárEinn. A slowdown in the advertising market and the depreciation of the Icelandic krona could affect the operations of Skjárinn in the first half of the year. Each week between 75-85% of Icelanders aged 12-80 watched SkjárEinn. The market share of SkjárEinn, as measured by published advertising seconds, was close to 40% in the second quarter. The use of SkjárBíó and the number of subscribers to SkjárHeimur was greater than expected during the period, which offsets the slowdown in the advertising market.

**Já** issued the 2008 telephone directory at the end of May in a novel manner. This year it was prepared in cooperation with the writer Huggleikur Dagsson, who published his new story "Garðarshólmi" in the directory. The popularity of the website ja.is continued to grow in the second quarter. The number of weekly visits to the website increased by an average of 23% from the preceding year, while the number of individual users increased by an average of 17% from the year before.

**On-Waves**, a Síminn subsidiary, specialises in offering mobile telephone services aboard ocean liners and ferries, as well as cargo vessels. In the first quarter, the company signed an agreement with MSC Cruises involving mobile telephone services aboard MSC's ocean liners. The agreement covers eight ocean liners. Moreover, the agreement substantially enlarges On-Waves' market area, from approximately 55 thousand to 88 thousand passengers and crew.

Síminn's companies in Denmark, Business Phone and Ventelo, were merged in early March under a new brand - **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 65 and offers universal telecommunications services to small and medium-sized enterprises in Denmark. Over 6.000 companies are doing business with Síminn Danmark, with approximately 50.000 end users.

The operation of the IT company **Sirius IT** showed great success in the period. The project backlog was good and gross profit almost doubled between years. Although operations were particularly successful in Denmark, the biggest impact stemmed from the streamlining measures taken in Norway

and Sweden last year, which have resulted in significantly improved results. In general, the operating prospects for Sirius IT are very good, with the company further expanding its activities in the second quarter. For instance, the company reached an agreement with the Norwegian Labour and Welfare Organisation for the development and maintenance of the Arena case management system, which is a core system for the Organisation. The value of the agreement is estimated at more than NOK 200 million or approximately ISK 3 billion. The agreement has a four year term, with the option of a one year extension.

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New share capital in Skipti, 2.776.226.693 shares in total, was issued in the period.

There is some uncertainty about the economic situation in Iceland, Skipti's largest market, in the near-term future. A general fall in demand may be expected, and Skipti hf and its subsidiaries have responded to the new circumstances by taking various actions designed to achieve even greater efficiency. Each company operates on the basis of a clear and well defined strategy.

#### Further information:

Brynjólfur Bjarnason, CEO

Tel: +354 550-6003

Pétur Þ. Óskarsson, VP Corporate Communication

Tel: +354 863-6075

#### **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, Tæknivörur, On-Waves and Radiomiðun. 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.*

