

Skipti hf. results in first quarter 2008

- Sales increased 20% from first quarter 2007

- Sales increased by ISK 1.5 billion from the first quarter of 2007, or 20%. Sales amounted to ISK 8.9 billion as compared to ISK 7.4 billion in the preceding year.
- Cash from operations amounted to ISK 2.6 billion. After tax and interest, cash from operations came to ISK 1.9 billion.
- Loss over the period came to ISK 3.6 billion, mainly due to the devaluation of the Icelandic krona.
- Exchange loss came to ISK 4.4 billion of the total of ISK 5.5 billion finance cost for the period.
- Earnings before depreciation and financial items (EBITDA) amounted to ISK 2.0 billion as compared to ISK 2.1 billion for the corresponding quarter of 2007. EBITDA margin was 22.4%.
- 28% of Skipti's sales derived from international operations.
- Skipti's equity ratio is 30.4%.

Highlights of the Quarter

- The Group's telecommunications companies in Denmark were merged under the name of Síminn Danmark.
- Skipti's public offering was concluded during the quarter. A total of 179 investors offered to buy 552,220,641 shares in Skipti, which corresponds to 7.49% of the company's total share capital. The Company's shares were admitted to trading on 19 March. This was followed by a voluntary take-over bid for all the Company's shares by Exista, the Company's largest shareholder.
- In the beginning of 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.
- Síminn, the Group's largest subsidiary, began the development of a new long-range 3G system, which will offer users a strong high-speed connection throughout the country and off the coasts of Iceland.

Brynjólfur Bjarnason, CEO of Skipti hf.

"It has been an eventful quarter for Skipti and it is a matter of great satisfaction that the company's regular operations are showing good results, both as regards telecommunications and information technology. The price trend of the Icelandic krona, however, has been extremely unfavourable, and in spite of the Company's hedging measures the weakening of the krona is the reason for the loss over

the period. Demanding times lie ahead for the company's managers and employees, as falling demand may be anticipated as a result of economic trends. Nevertheless, times like these often provide opportunities for financially strong companies like Skipti, and we will closely monitor the situation in the market in the coming weeks and months."

Operating results for first Quarter 2008

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 three months ended 31 March 2008.

Operation

Sales in 1Q 2008 came to ISK 8.865 million, as compared to ISK 7.383 million in first quarter of the preceding year, increasing by 20%. 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 1.106 million, decreasing by 5% between years.

EBITDA for the Group came to ISK 2.005 million, as compared to 2.075 million in the first quarter of 2007. The EBITDA ratio is now 22.4%, against 27.9% 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. Also, a one-off cost in the amount of ISK 145 million has been charged to the accounts in the first quarter, relating to Skipti's interest in acquiring shares in Telekom Slovenije.

Depreciation amounted to ISK 899 million, as compared to ISK 908 million in corresponding quarter of 2007.

Loss for the Group came to ISK 3.607 million, as compared to a profit of ISK 1.432 million over the corresponding quarter of 2007.

Cash Flow

Cash provided by operations came to ISK 2.550 million for the quarter, as compared to ISK 2.123 million in the first quarter of 2007.

The Group's capital expenditures (CAPEX) amounted to ISK 761 million over the quarter, as compared to ISK 787 million in 2007.

Balance sheet

The group's total assets at 31 March 2008 came to ISK 100.581 million, having increased by ISK 2.940 million, or 3%, between the first quarters of 2007 and 2008.

Equity stood at ISK 30.625 million at the end of 1Q 2008, and the equity ratio was 30.4%.

Market position and outlook

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.

The development of **Síminn's** 3G network is moving ahead at full pace, and according to the company's plans the service should be accessible in 23 urban areas around the country this year. 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. High-speed data transmission via telephone or laptops virtually anywhere in the country will promote freedom of activity and communication for people who have elected to live temporarily or permanently in the more isolated regions of the country. 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.

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.

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. SkjárEinn's market share amounted to about 36% of the total of advertising minutes in the first quarter. A record was set in the SkjáBíó home movie channel in March when orders were placed for 154,000 films and television programmes. The number of SkjárHeimur's customers grew by just short of 6% from the beginning of the year and major improvements were achieved in contracts on programming material.

Sales of advertisements in **Já's** telephone directory ended in February, with publication scheduled for May. The number of individual users of Ja.is grew by approximately 20% from the corresponding period in 2007, and toward the end of the quarter over 123 thousand individual users were accessing the site on a weekly basis; over two million telephone calls were received by Já's information service number over the quarter.

On-Waves, a Síminn subsidiary, specialises in offering mobile telephone services aboard ocean liners and ferries, as well as cargo vessels. The company recently signed an agreement with MSC Cruises involving mobile telephone services aboard MSC's ocean liners. The agreement covers eight vessels. 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 60 and offers universal telecommunications services to small and medium-sized enterprises in Denmark. Over 6000 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 first quarter. 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 over the coming months are very good.

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, 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.