

25 October 2007

Profit at Skipti hf ISK 3.3 billion for first nine months of 2007

- Sales rose by ISK 6 b compared with last year, an increase of 33%.
- Nine-month profit came to ISK 3.3 b, against a loss of ISK 3.1 b for the same period in 2006.
- EBITDA amounted to ISK 7.0 b, with the EBITDA ratio at 29%.
- Cash provided by operations, excluding interest and tax, came to ISK 7.0 b.
- The equity ratio of Skipti hf. is 35%.
- The Danish telecommunication company Business Phone was acquired in August.
- Skipti has approved a purchase offer by Exista Properties for Fasteignafélagið Jörfi ehf. Profit on the sale will amount to ISK 1.3 b after tax.

Brynjólfur Bjarnason, CEO of Siminn and Skipti:

“The Group’s results for the period are extremely good, both in telecommunications and IT. Skipti will continue to build up its operations overseas, and the acquisition of Business Phone in Denmark in August is a confirmation of this. Also, Skipti has made non-binding bids for 49% of the Slovenian company Telecom Slovenije.

The prospects for the fourth quarter of this year are good. Skipti has reached agreement with Exista Properties under which we will be selling them Fasteignafélagið Jörfi ehf, which owns part of the Group’s real estate assets. Preparations for listing Skipti on the market are well under way, and listing should take place by the end of this year.”

Operations

Sales during the first nine months of 2007 came to ISK 23,612 m, against ISK 17,805 m the previous year, a growth of 33%. This is explained in part by the inclusion in the group of earnings from the new companies: Aerofone, Sirius IT, Sensa and Business Phone. In addition, sales rose in all of Siminn's service categories.

EBIT during the first nine months of this year came to ISK 3,838 m, an increase of 13% compared with the same period in 2006.

EBITDA for the group came to ISK 6,966 m, against ISK 6,327 m the previous year, an increase of ISK 639 m or 10%. The EBITDA ratio is now 29%, against 35% a year ago. Skipti has acquired IT companies; this market generally yields a lower EBITDA ratio than telecommunications companies; on the other hand, the investments involved are lower in the IT sector.

Depreciation over the period amounted to ISK 3,128 m, compared with ISK 2,921 m for the previous year.

Profit after tax stood at ISK 3,291 m, equivalent to 14% of earnings, against a loss of ISK 3,144 m for the same period in 2006. This outcome can mainly be attributed to changes in the exchange rate of the ISK, sale profit on Jorfi ehf and good operations.

Cash flows

Cash provided by operations, excluding interest and tax, came to ISK 6,981 m for the period, compared with ISK 6,630 m in the same period in 2006.

The group's capital expenditures (CAPEX) amounted to ISK 2,847 m, against ISK 1,398 m during the same period in 2006. The increase is accounted for by investments in a third-generation mobile system, and also a tightening of the mobile network covering National Road No. 1, and roads in mountain areas, following a tender organised by the Telecommunications Fund.

Balance Sheet

The group's total assets as of 30 September 2007 came to ISK 94 b, having risen by ISK 4,892 m (6%) during the year.

Equity stood at ISK 33 b on 30 September 2007, and the equity ratio was 35%.

Subsidiaries

The subsidiaries included in the consolidated accounts of Skipti are: Siminn hf., Mila ehf., Upplýsingaveitur ehf., Skjárinn miðlar ehf., Tæknivörur ehf., Sensa ehf., Radiomiðun ehf., On-Waves ehf., Business Phone Group A/S, Aerofone Ltd. and Sirius IT A/S.

Highlights of operations during the first three quarters

- Siminn began work on its "National Road" project in January, following the tender by the Telecommunications Fund. This involves the tightening of the mobile telephone network on National Road No. 1 (which runs around Iceland) and on five mountain roads that carry frequent traffic. The total distance over which better mobile telephone contact is to be established comes to more than 500 km. The project is due to be completed in January 2008.
- At the AGM in March, Siminn was split into Skipti hf, Mila, Jörfi and Siminn, and Skipti hf. became the holding company for the others. At the time of the split, Skipti owned 95% of the shares in Siminn, Mila and Jörfi. During the past few weeks it has expanded its ownership in all three companies, currently holding 99.98% in them.
- The British mobile telephone company Aerofone was acquired in March, the aim of this being to raise further the level of service provided by Siminn to Icelandic corporate customers in Britain. The company has specialised in mobile telephone services for small and medium-sized companies, and it therefore fits in well with Siminn's operations, as Siminn is now able to offer its customers in Britain the full range of telecommunications services.

- Siminn acquired all shares in the IT company Sensa in April; this was in line with its policy of increasing its specialised consultancy services and installing IPcommunications solutions. Sensa is the only company in Iceland that has earned certification as a Gold Certified Partner from Cisco Systems in recognition of its expertise in IP network solutions from Cisco.
- Siminn sold nearly half its holding in Tæknivörur in May.
- It was announced at the end of May that Anza was to merge with Siminn as from 1 July. The aim of the merger is to exploit synergies and achieve greater strength in the field of services, consultancy and sales to customers in the corporate market.
- An operating company, Skjá miðlar, was founded in June to handle the operations of the Directory service Já and Skjárinn miðlar.
- Siminn and 365 miðlar have reached an agreement under which Siminn's Television will relay English football on Sýn2 using a high-definition signal. It is planned to start high-definition transmissions in the end of October. The companies have also declared their intention to collaborate on access to TV material from the open and closed access parts of Stöð 2's broadcasts via Siminn's television channel service, VoD (Video on Demand). A quarter of households in Iceland currently use Siminn's TV service.
- The Danish telecommunications company Business Phone was acquired in August and is now part of the consolidated accounts of Skipti hf.
- Siminn's 3G mobile network was opened to the market in the metropolitan area and the Leifur Eiríksson international Air Terminal at the beginning of September.
- Skipti has sold Fasteignafélagið Jörfi to Exista Properties at a profit of ISK 1,317 m after tax. The main reason for the sale was that real-estate operations are not part of Skipti's objectives, so it was decided to divest all the Group's real-estate assets and rent those that were necessary on long-term leases.

Market position and outlook

Subsidiaries in the Skipti group are in a very strong market position, both as regards telecommunications and IT, and the outlook for the remainder of the year is good. It is planned to list Skipti on the stock market by the end of the year at the latest, and preparations for this move are well advanced.

Development of a third generation (3G) mobile telephone system is well under way and it was opened for use in the metropolitan area in September. The main innovation in the 3G system is greater speed; from the outset, it will be possible to download data at anything up to 7.2 Mbit/s, which is one of the fastest rates presently available. The new technology will enable Siminn's customers to surf the internet, send and receive data, motion pictures and still images at up to ten times the speed offered in the current GPRS system.

Preparations have also begun for the development of a long-range digital mobile system that will replace the NMT system. Most of the actual implementation, however, will follow next year, and it is planned that the system will come into full commission at the change of year 2008-2009, when the NMT system will be closed down.

Employees of Skipti have currently opened a branch in Copenhagen, the aim being to support and expand operations of Business Phone and Sirius IT in Scandinavia and exploit opportunities for growth.

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