



News release  
Skipti Ltd

## Profit at Skipti ISK 2.4 billion for first half of 2007

Reykjavík, 26 July 2007

- Skipti Ltd is a holding company of Siminn and related companies.
- Sales were up by ISK 3.8 b compared with the previous year, an increase of 32%.
- Profit for the first six months of this year came to ISK 2.4 b, compared with a loss of ISK 6.4 b for the corresponding period in 2006.
- EBITDA came to ISK 4.3 b.
- Cash provided by operations, excluding interest and tax, came to ISK 4.3 b.
- As a considerable part of its liabilities is denominated in foreign currencies, the strengthening of the ISK has had a very positive effect on the company's operations.
- Skipti's equity ratio is 34.8%

Brynjólfur Bjarnason, CEO of Siminn and Skipti:

*"The group's performance is very good, both in telecommunications and information technology. During the first six months of this year, Skipti has pursued its policy of building up operations in IT; examples of this are its purchases of Sensa and Sirius IT. Outlook for the remainder of the year is bright, and preparations are going ahead for listing Skipti on the stock market before the end of the year."*

### Operations

Sales during the first six months of 2007 came to ISK 15,514 m, against ISK 11,754 m the previous year, a growth of 32%. This is explained in part by the inclusion in the group of earnings from the new companies: Aerofone, Sirius IT



and Sensa. In addition, sales rose in all of Siminn's service categories, except fixedline.

EBIT during the first half of this year came to ISK 2,316 m, an increase of 17.8% compared with the same period in 2006.

EBITDA for the group came to ISK 4,317 m, against ISK 3,969 m the previous year, an increase of ISK 348 m or 8.7%. The EBITDA ratio is now 27.5%, against 33.4% 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 for the IT sector.

Depreciation over the period amounted to ISK 2,001 m, which is the same as for the previous year.

Profit after tax stood at ISK 2,445 m, equivalent to 16% of earnings, against a loss of ISK 6,407 m for the same period in 2006. This outcome can be attributed largely to changes in the exchange rate of the ISK. Part of Siminn's liabilities is denominated in foreign currencies, and the weakening of the ISK in the first half of 2006 resulted in an exchange-rate loss of ISK 8,280 m. The stronger exchange rate of the ISK has reversed this situation, yielding the company an exchange-rate profit of ISK 1,974 m in the first half of this year.

#### **Cash flows**

Cash provided by operations, excluding interest and tax, came to ISK 4,330 m for the period, compared with ISK 4,262 m in the same period in 2006.

The group's capital expenditures (CAPEX) during the first half of the year amounted to ISK 2,052 m, against ISK 894 m during the same period in 2006. The increase is accounted for by investments in a third-generation mobile system which Siminn is beginning to set up, 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 June 2007 came to ISK 92 b, having risen by ISK 3,458 m (3.9%) during the year.

Equity stood at ISK 32 b on 30 June 2007, and the equity ratio was 34.8%.

## Subsidiaries

The subsidiaries included in the consolidated accounts of Skipti are: Siminn, Mila, Anza, Upplýsingaveitur, Skjárinn miðlar, Tæknivörur, Sensa, Radiomiðun, On-Waves and Sirius IT.

## Highlights of operations during the first half-year

- On an AGM in March Siminn was split into Skipti hf, Mila, Jörfi and Siminn, and Skipti hf. became the Holding company for the others. In this split Skipti owned 95% shares in Siminn, Mila and Jörfi. During the past few weeks it has expanded its ownership in all three companies, currently holding 99.9% in all of 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 it is now able to offer their 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 Derictory service Já and Skjárinn miðlar.



## 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 in the autumn or 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 is planned to open the system for use in the metropolitan area in the autumn. 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. More than 5,000 3G telephones are already in use in Siminn's current GSM mobile system, so a good response is expected from the market from the outset.

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.

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.

Employees of Skipti are currently preparing to open a branch in Copenhagen, the aim being to support and expand operations of Sirius IT in Scandinavia and exploit opportunities for growth.

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 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.



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