

14. August 2009

Skipti hf. results in first half 2009

- Sales increased 5% from first half 2008. EBITDA increased slightly.

- Sales increased by ISK 1.0 billion from the first half of 2008, or 5%. Sales amounted to ISK 19.8 billion as compared to ISK 18.8 billion in the preceding year.
- Earnings before depreciation and financial items (EBITDA) amounted to ISK 4.2 billion as compared to ISK 4.1 billion for the corresponding half of 2008. EBITDA margin was 21.1%.
- Cash from operations amounted to ISK 4.2 billion as compared to ISK 7.9 billion in the first half of 2008. After tax and interest, cash from operations came to ISK 3.6 billion.
- Loss over the period came to ISK 2.1 billion, mainly due to the devaluation of the Icelandic krona as compared to loss of ISK 4.0 billion for the corresponding half of 2008.
- Exchange loss came to ISK 1.2 billion of the total of ISK 3.6 billion finance cost for the period.
- 39% of Skipti's sales derived from international operations.
- Net interest bearing debts (interest bearing debts, minus deposits) amounted to ISK 53.6 billion at the end of the period, as compared to ISK 58.7 billion for the corresponding half of 2008.
- Equity stood at ISK 34.3 billion at the end of 2Q 2009, and the equity ratio was 26%.

Brynjólfur Bjarnason, CEO of Skipti hf.

“The first half of the year was characterised by great uncertainty in Skipti's operating environment. Private consumption in Iceland, the company's largest market, has slowed. At the same time, the Icelandic krona continued to weaken, which is the primary reason for the Company's losses over the period. In light of these conditions we are satisfied with the outcome. We have succeeded in adapting the Company's cost structure to falling demand, and profits before financial items and depreciation therefore remain at similar levels as last year. There is fierce competition in the telecommunications market, and following the bankruptcy of Teymi, the government is now an active participant in the telecommunication market through its holdings in the banks. In conditions of this kind it is extremely important for the government to exercise care that competition in the market remains normal and the playing field level. We will continue to contain costs in our operations, and we are moderately optimistic for the results in the second half of the year.”

Operating results for first half 2009

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 2008. The Board of Directors and CEO of Skipti hf. have confirmed the Condensed Consolidated Interim Financial Statements for the six months ended 30. June 2009.

Operation

Sales in 1H 2009 came to ISK 19,761 million, as compared to ISK 18,846 million in first half of the preceding year, increasing by 4.9%.

EBITDA for the Group came to ISK 4,233 million, as compared to 4,060 million in the first half of 2008. The EBITDA ratio is now 21.1%, against 21.3% 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.

EBIT, excluding impairment loss, amounted to ISK 2.242 million, as compared to ISK 2.223 million in first half of 2008.

Depreciation and amortisation amounted to ISK 1,991 million, as compared to ISK 1,837 million in first half of 2008. Impairment loss was ISK 715 million in the period.

Loss for the Group came to ISK 2,088 million, as compared to a loss of ISK 3,989 million over the first half of 2008. The loss is mainly due to the devaluation of the Icelandic krona.

Cash Flow

Cash provided by operations came to ISK 4,223 million for the period, as compared to ISK 7,934 million in the first half of 2008. This is mainly due to the fact that in the first half of 2008, Skipti profited from foreign exchange agreements.

The Group's capital expenditures (CAPEX) amounted to ISK 998 million over the period, as compared to ISK 1,814 million in the first half of 2008.

Balance sheet

The group's total assets on 30. June 2009 came to ISK 131,065 million, having increased by ISK 2,407 million, or nearly 2%, from the beginning of the year.

Equity stood at ISK 34,319 million at the end of first half 2009, and the equity ratio was 26%.

Market position and outlook

Síminn continued the development of its long-range GSM system and the development of a long-range 3G system, which will offer users a strong high-speed connection throughout the country and on the fishing grounds around Iceland. Also, Síminn participated in the tender of the Telecommunications Fund for the development of a countrywide high-speed network. Síminn submitted the most favourable bid, and a contract between the parties has been signed. 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 linked up. A total of about 20 3G transmitters have been set up. Síminn also entered into a contract with Greenland Connect on a submarine cable to Canada, and is currently the only telecommunications in Iceland with contracts for three submarine cables to and from Iceland. This greatly improves security and services, as the bandwidth to North America has now been increased fivefold. In August, Síminn UK Limited sold its remaining 50% share in the British telecommunications company Aerofone (UK) Limited ("Aerofone") to Mr. Matthew Riley. Síminn UK Limited and the British telecommunications company Daisy Communications Limited announced in May that the two companies had decided to enter into a joint venture for the provision, through Aerofone, of telecommunications services to both companies' customers in the United Kingdom. Under the joint venture arrangement, Daisy Communications Limited acquired a 50% share in Aerofone, which specialises in the provision of mobile telephone services to small and medium-sized enterprises and had previously been a UK subsidiary of Síminn (UK) Limited. The parties had agreed that Aerofone would operate under the Daisy Mobile brand. Marketing executives of the 400 largest advertisers in Iceland mentioned Síminn most frequently as a successful marketing company last year, according to a Capacent Gallup poll. In addition, www.siminn.is was chosen in January 2008 by the Icelandic Web Association as the best Icelandic business website of 2008. The website also took awards for best appearance and interface.

Míla and Síminn signed a service agreement on continued telecommunications services in Míla's baseline network in the course of the period. In addition, Míla has redesigned Flugfjarskipti's connections with a view to maximising operational security. This summer, Míla undertook the task of installing fibre optic cables in cruise liners served by On-Waves. Several projects are involved, in Iceland and the Mediterranean. It is hoped that that this partnership will continue.

On-Waves, a Síminn subsidiary, specialises in offering mobile telephone services aboard ocean liners and ferries as well as cargo vessels. On-Waves' market area now reaches approximately 90 thousand passengers and crew members.

Síminn's business enterprise in Denmark, **Síminn DK**, is operating according to plan. There is great demand in the Danish market for high-quality hosting solutions and high-speed connections. In the first half of the year, the company presented several service lines in a national advertisement campaign. Consumers are more cautious than before, and they will give themselves ample time to consider any offers. This could create challenging opportunities in the market. A new Internet interface, Síminn Link, has been well received; the service offers an overall view of customers' telephone use through the Internet. There are currently 65 employees at Síminn DK, serving over 6,000 companies with over 50,000 users.

The operation of **Sirius IT** was successful during the first half of the year. So far, the company has not been significantly affected by the credit crunch, and the profit goals set before the period were achieved, even though sales revenues fell slightly measured by the exchange rate of the currencies of the countries where the company operates. In Norway, business is going well; large long-term agreements have been made, primarily with public entities, and several new contracts were signed during the period. In Sweden, demand is down and there is some downward pressure on prices. Nevertheless, there are several challenging opportunities ahead, including a new solution offered by Síminn IT to pharmacies that are on the verge of opening for business following liberalisation of the Swedish pharmaceuticals market. Operations in Denmark continue to show success, and a few new customers were added over the period.

The severe downturn in the advertising market since last year and the weak krona impacted the operation of the television network **Skjárinn** in the first half of the year; however, the company's operating risk has been reduced through restructuring and new contracts with foreign suppliers. In the first half of the year, about 75-85% of all Icelanders aged 12-80 watched the SkjárEinn channel on weekly basis, and the network's market share, as measured in airtime seconds, was 35% over the period. The use of the SkjárBíó pay-per-view channel increased in the first half of the year following price reductions and a promotion campaign. The number of subscribers to SkjárHeim's world channels fell slightly over the period.

Já published the telephone directory for the year 2009 at the end of May; for the second year in a row the partnership continued with writer Huggleikur Dagsson, who published an independent sequel to his tale in last year's directory. The story this year is entitled "Garðarshólmí – second stint." The popularity of the directory website já.is continues to grow, as the number of weekly users exceeded an average of 150 thousand in the first half of the year, increasing by a third from the preceding year.

There is great uncertainty about the economic situation in Iceland, Skipti's largest market, in the near-term future. Some fall in demand is to be expected, and Skipti hf and its subsidiaries have responded to the new circumstances by taking various actions designed to achieve even greater efficiency. The streamlining measures that have been taken since early 2008 are now all fully integrated into the company's operations. Skipti will continue to employ strict cost-containment measures in its companies' operations.

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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 telecommunication company Síminn Danmark in Denmark and the information technology company Sirius IT, which has operations in Norway, Sweden and Denmark