

## FINDEXA LIMITED

### First Quarter Ended 31 March 2005

*Findexa is Norway's leading provider of directory services – both online and print - and one of the largest media companies in the country. Findexa's heritage of strong brands in the printed directory arena - including Gule Sider®, Telefonkatalogen™, BizKit® and Ditt Distrikt® - is being translated into market leading online services. Findexa also owns the country's second largest directory assistance operator, Telefonkatalogen 1880. The company, which has some 50% of the Norwegian online directories market and a 97% share of the printed directories market, was successfully listed on the Oslo Stock Exchange in May 2004 with an innovative high yielding dividend stock structure.*

The unaudited interim financial statements have been prepared based on the International Financial Reporting Standards ("IFRS"). Findexa recently presented its unaudited opening balance sheet as at 1 January 2004 and its unaudited quarterly financial information for 2004 prepared in accordance with IFRS converted from Norwegian Generally Accepted Accounting Principles ("NGAAP").

Under IFRS, recognition of revenues starts when distribution of the related directories have been completed and continues pro rata over the term of the contract as opposed to full recognition on commencement of distribution as previously reported under NGAAP. This new revenue recognition principle has a significant impact on Findexa's income statement on a quarter by quarter basis. For instance, under IFRS, Q1 2004 benefited from an overlap of the 2003 and 2004 Gule Sider directories whilst Q1 2005 includes a period of no directory revenue from either the 2004 or 2005 Gule Sider publications. To facilitate like-for-like comparison of quarterly results going forward, therefore, the financial discussions related to the income statement exclude the impact of timing adjustments. In addition, management has presented a run-rate statement which more accurately reflects the current state of the business (page 11). This statement presents the performance of the business assuming no overlaps or gaps between directory generations.

The transition to IFRS also resulted in changes in accounting principles relating to other elements of our financial reporting. Changes in the comparative quarterly numbers for 2004 have been described in our press release dated 19 May 2005. Additionally, Findexa adopted IAS 32 and IAS 39 as at 1 January 2005. These changes in principles are described below.

#### **Financial Highlights**

- Operating revenue of NOK 392 million (2004: NOK 397 million after timing adjustments of NOK 64 million)

Online	NOK 56 million
Print	NOK 315 million
Voice & other	NOK 21 million

- EBITDA of NOK 164 million, including one-offs of NOK 11 million, 42% of operating revenue (2004: NOK 179 million after timing adjustments of NOK 58 million)
- Run-rate revenue and EBITDA for the quarter at NOK 413 million and NOK 183 million respectively
- Net income of NOK 134 million, per share at NOK 0.66 (2004: net loss of NOK 6 million after timing adjustments of NOK 42 million)
- Cash of NOK 439 million as at 31 March 2005
- Dividend for first quarter of NOK 0.72 per share (1 January – 31 March 2005)

#### **Corporate Highlights**

- Gulesider.no overtakes Eniro's Kvasir as Norway's largest commercial search site for the first time
  - Usage up 42.1% compared to Q1 2004
- Acquisition of RosaIndex agreed
  - Will increase online revenues to near 20% of total operating revenue
- Launch of new C2C online portal announced

Commenting on the results, Cornel Riklin, CEO, said:

*“We have made a solid start to the year. I can report some early progress on the print side of the business following implementation of the initiatives put in place to address the decline in print top-line growth. I am particularly pleased, however, with the rate of growth in online revenues as we reposition Findexa as an online information provider. The launch of new products during the year will further boost our competitiveness in this fast growing segment. I look forward to reporting ongoing progress at the half-year”.*

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## OVERVIEW OF FIRST QUARTER

Whilst total operating revenue for the quarter was down 1.3% on the comparable period (timing adjusted), this does not reflect the underlying recovery underway since the end of last year as the majority of print revenues recognised in Q1 2005 relate to directory sales contracted in 2003 and 2004. Findexa’s online businesses again recorded a strong performance with an increase of 36%. Following the acquisition of RosaIndex, online revenues will soon account for nearly 20% of total revenue.

We are making progress in evolving the Group’s revenue profile, compensating for the decline in print revenues. However, under IFRS revenue recognition rules, visibility of this turnaround will not be fully evident until into 2006.

The reasons behind the decline within print and bundled have been well documented:

- initial execution issues in our “one-man-one-brand” pilots
- insufficient communication of our value proposition to small and medium sized customers
- and a growing rate of conversion from offline to online advertising among our B2B customers.

On the back the remedial actions we have in place to address these issues, we believe that we will see a slowing in the annualised rate of decline in our print revenues although, as referred to above, this will not be apparent until next year.

The performance of our brands is reviewed in more detail below.

## FINANCIAL REVIEW

### *Timing adjustments*

The effect of timing adjustments for the quarter as compared to the first quarter 2004 is as follows:

<i>(NOK millions)</i>	
Total revenue	(64)
Total operating expenses	(6)
EBITDA	(58)

Timing adjustments reflect differences in distribution periods for the directories distributed in the quarter. The financial discussion below is based on timing adjusted numbers.

Timing adjustments relate to both 2004 and 2005 income statements. A presentation of the impact on quarterly run-rates is included on page 11 of this report.

### *Revenue*

Total revenue for the quarter was at NOK 392 million (2004: NOK 397 million timing adjusted).

Measured on a run-rate basis, first quarter revenue was NOK 413 million, as compared to a run-rate of NOK 418 million same quarter prior year.

**Print & bundled revenue:**

Print revenues were down 4.5% at NOK 315 million (2004: NOK 330 million timing adjusted).

**Online revenue:**

Online revenues were up 36% at NOK 56 million (2004: NOK 41million).

**Voice and other revenue:**

Voice revenue in the quarter was NOK 12 million (2004: NOK 13 million) whilst other revenue amounted to NOK 9 million for the period (2004: NOK 12 million).

***Operating expenses***

Operating expenses in the quarter, including NOK 11 million relating to the former CEO's early retirement agreement, were NOK 229 million (2004: NOK 218 million timing adjusted).

***EBITDA***

First quarter EBITDA, including one-time costs, was NOK 164 million (2004: NOK 179 million).

EBITDA margin before one-time costs, at 45% for the quarter, was at level with prior year.

Measured on a run-rate basis, but including one-time costs, EBITDA was NOK 183 million for the quarter, as compared to prior year at NOK 198 million.

***Net financial items***

Net financial costs for the quarter were NOK 15 million compared to first quarter 2004 at NOK 116 million. The reduction is driven by the refinancing of the business in connection with the IPO and by application of IAS 32 and IAS 39 from 1 January 2005.

***Net income per share***

Net income per share for the quarter was NOK 0.66 compared to a loss of NOK 0.03 in the first quarter 2004 (timing adjusted). Net income per share for the first quarter 2004, before adjusting for timing differences, was NOK 0.17.

***Cash flows***

Cash flows from operating activities for the first quarter were NOK 94 million, compared to NOK 179 million in the comparable period of 2004. The reduction was driven by working capital and other balance sheet movements. Working capital was impacted by changes in distribution schedules, with main directories being distributed later than in 2004.

Capex during the period was NOK 20 million, including the acquisition of assets related to Økonomisk Literatur AS (NOK 12 million) on 1 January 2005.

The net change in cash and cash equivalents, before dividend payments of NOK 146 million, was NOK 75 million, compared to NOK 68 million for the comparable period prior year.

The company had cash at the end of the period of NOK 439 million. In addition, the company has an unused revolving credit facility of NOK 500 million.

***Financial position***

Interest-bearing net debt at the end of the period was NOK 2,107 million.

The equity/asset ratio stood at 24%.

***Dividend***

The Board has declared a dividend of NOK 0.72 per share, a total of NOK 146 million for the first quarter. At yesterday's closing price of NOK 24.90, this represents an annualised dividend yield of 11.6%.

Dividends will be paid on 10 June 2005, based on shareholdings as at 1 June 2005.

***MEDIA MARKET & BRAND USAGE***

Whilst the total media market grew 10% in the first quarter (Source: MiO), traditional print media advertising (newspapers & magazines) grew 1.4% and Internet advertising grew 28.2%. Internet advertising is now estimated to be 5% of the total media market.

During Q1 2005, Gule Sider had an average of 218,000 daily users, an increase of 0.3% on Q4 2004, split between 85,000 online and 133,000 print users. This translated into a record number of 1.8 million unique monthly users.

This, in turn, represented an increase in total brand usage of 5.4% year on year reflecting in particular a strong growth trend at gulesider.no where usage increased by 10.5% on Q4 2004 and 42.1% on the same period last year.

This performance saw gulesider.no consolidate its position as Norway's largest commercial search site and overtake its nearest competitor, Kvasir for the first time.

The period also saw the launch of a new competitor search site on the back of a major advertising campaign. We believe that gulesider.no's market leading position gives it a significant competitive advantage in this fast growing market.

## **OUTLOOK**

We have made a solid start to the new financial year. We are seeing progress on the back of the initiatives recently put in place to address the decline in print top-line growth, although they are still at an early stage of implementation.

The growth in our online usage, together with a number of planned new product launches, offers very exciting opportunities. Meanwhile, the acquisition of RosaIndex will further increase the proportion of online revenue overall and also create a stronger platform for our B2B business going forward.

We look forward to reporting ongoing progress at the half year.

## **PRESENTATION OF FINANCIAL INFORMATION**

### *Adjustments for Timing Differences*

Not all of our printed directories are distributed at the same date year on year, which may significantly impact the comparability of our quarterly as well as yearly financial results.

To facilitate like-for-like comparison of quarterly results going forwards, therefore, the financial discussions related to the income statement exclude the impact of timing adjustments. We have also in this report provided an unaudited income statement comparison where 2004 results are adjusted for these timing differences.

### *Compliance with IAS 32 and IAS 39*

The following adjustments have been made to prepare the 1 January 2005 opening balance sheet in compliance with IAS 32 and IAS 39. A presentation of changes is included in this report on page 12.

Under IFRS, loans are initially recognized at fair value, which is the consideration received less related debt issuance costs. Subsequently, loans are carried at amortized cost using the effective interest rate method. Under NGAAP, loans are recognized at their nominal value. Related debt issuance costs are recognized and are amortized over the loan term using the effective interest rate method.

Under IFRS, all derivatives will be recognized at fair value in the balance sheet. Findexa uses derivatives such as interest rate swaps. These derivatives do not qualify for hedge accounting and will be measured at fair value with changes charged to the income statement.

23 May 2005

Board of Directors  
Findexa Limited

This report has not been reviewed by the company's auditors.

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**FINDEXA**  
**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

(NOK millions, except for earnings per share)	3 months ended 31 March		12 months ended
	2005	2004	31 December 2004
<b>Total revenue</b>	<b>392</b>	<b>461</b>	<b>1 727</b>
Cost of materials and printing	24	27	113
Salaries and personnel costs	130	107	471
Other operating expenses	75	90	367
Loss on sale of fixed assets and operations	-	-	1
Depreciation and amortization	45	73	276
<b>Total operating expenses</b>	<b>274</b>	<b>297</b>	<b>1 227</b>
<b>Operating profit</b>	<b>118</b>	<b>164</b>	<b>500</b>
Income from associated companies	-	1	4
Net financial items	(15)	(116)	(577)
<b>Income before taxes</b>	<b>104</b>	<b>49</b>	<b>(73)</b>
Income taxes	31	(14)	83
<b>Income before minority interest</b>	<b>134</b>	<b>35</b>	<b>10</b>
Minority interest	-	-	-
<b>Net income</b>	<b>134</b>	<b>35</b>	<b>10</b>
<b>EBITDA</b>	<b>164</b>	<b>237</b>	<b>776</b>
<b>Earnings per share, net income</b>			
Basic and diluted	NOK 0,66	NOK 0,17	NOK 0,05
<b>Weighted average shares outstanding</b>			
Basic and diluted	202 201 906	202 201 906	202 201 906

Note: This presentation is not adjusted for the impact of timing differences. Please refer page 10 for comparable adjusted income statements and page 11 for presentation of quarterly run-rates.

**FINDEXA**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(NOK millions)	at 31 March		at 31 December
	2005	2004	2004
<b>Assets</b>			
Intangible assets	3 993	4 235	4 052
Property, plant and equipment	26	36	32
Associated companies	10	15	9
Other non-current assets	12	121	12
Financial non-current assets	22	136	22
Inventories and work in progress	54	61	56
Trade and other receivables	223	206	121
Capitalized sales expenses and accrued revenue	43	38	33
Cash and cash equivalents	439	518	510
Current assets	759	823	721
Total assets	4 801	5 230	4 827
<b>Equity and liabilities</b>			
Total equity	1 128	(955)	1 210
Long-term interest-bearing liabilities	2 546	3 139	2 600
Other long-term liabilities	15	150	54
Total long-term liabilities	2 561	3 289	2 654
Short-term interest-bearing liabilities	-	1 531	-
Deferred revenue	810	837	731
Other short-term non-interest-bearing liabilities	302	527	232
Total short-term liabilities	1 112	2 895	963
Total liabilities and shareholders' equity	4 801	5 230	4 827

**FINDEXA**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(NOK millions)	3 months ended 31 March		12 months ended
	2005	2004	31 December 2004
Net cash provided by (used in):			
<u>Cash flows from operating activities</u>			
Income (loss) before taxes	104	49	(73)
Taxes paid	(0)	(0)	(4)
Income from associated companies	(0)	(1)	(4)
Depreciations, amortizations and impairments	45	73	276
Bad debt expense	7	11	21
Amortization of debt issuance costs	3	4	71
Non-cash compensation costs	2	-	34
Changes in accounts receivables, accrued revenue and prepayments from customers	(67)	(25)	(34)
Changes in accounts payable, capitalized sales expenses, inventory and work in progress	29	(3)	(8)
Changes in other accruals	(29)	72	(16)
Operating activities	94	179	262
<u>Cash flows from investment activities</u>			
Purchase of tangible and intangible assets	(20)	(2)	(19)
Proceeds from dividend payments from associates	-	-	8
Investing activities	(20)	(2)	(12)
<u>Cash flows from financing activities</u>			
Proceeds from interest-bearing liabilities	-	-	2 600
Payment of interest-bearing liabilities	-	(109)	(3 532)
Proceeds from new equity from shareholders, net	-	-	1 009
Payment of ordinary dividends	(146)	-	(202)
Other items	-	-	(65)
Financing activities	(146)	(109)	(191)
Net change in cash and cash equivalents	(71)	68	60
Cash and cash equivalents at beginning of period	510	450	450
Cash and cash equivalents at period end	439	518	510

**FINDEXA**  
**NOTES TO CONSOLIDATED INCOME STATEMENT**

(NOK millions)	3 months ended 31 March		12 months ended
	2005	2004	31 December 2004
<b>OPERATING REVENUE BY CHANNEL</b>			
Print & bundled	315	394	1 439
Online	56	41	180
Voice	12	13	57
Other	9	12	49
<b>Total operating revenue</b>	<b>392</b>	<b>461</b>	<b>1 727</b>
<b>TOTAL OPERATING COSTS</b>			
Production costs	24	27	113
Personnel costs	130	107	471
Distribution	5	11	40
Loss on bad debt	7	11	21
Cost of premises	19	15	64
Marketing & advertising	10	6	48
Other	33	47	195
<b>Total operating costs</b>	<b>229</b>	<b>224</b>	<b>951</b>

Note: This presentation is not adjusted for the impact of timing differences. Please refer page 10 for comparable adjusted income statements and page 11 for presentation of quarterly run-rates.

**FINDEXA**  
**SHAREHOLDERS' EQUITY**

(in NOK millions, except otherwise indicated)	Number of Shares	Share Capital	Additional paid in capital	Other Equity	Total
Balance at 31 December 2004	51 066 027	101	3 336	(2 227)	1 210
Adjustments to opening equity (IAS 32 and IAS 39)				(71)	(71)
Balance 1 January 2005	51 066 027	101	3 336	(2 298)	1 139
Net income Q1				134	134
Share options scheme				2	2
Dividend to shareholders distributed				(146)	(146)
Translation adjustments Q1				(1)	(1)
Balance, 31 March 2005	<u>51 066 027</u>	<u>101</u>	<u>3 336</u>	<u>(2 309)</u>	<u>1 128</u>

**FINDEXA**  
**TIMING ADJUSTED UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

(NOK millions)	3 months ended 31 March		Timing adj
	2005	2004	2004
<b>Total revenue</b>	<b>392</b>	<b>397</b>	<b>(64)</b>
Cost of materials and printing	24	23	(5)
Salaries and personnel costs	130	106	(1)
Other operating expenses	75	89	(1)
Depreciation and amortization	45	73	-
<b>Total operating expenses</b>	<b>274</b>	<b>291</b>	<b>(6)</b>
<b>Operating profit (loss)</b>	<b>118</b>	<b>106</b>	<b>(58)</b>
Income from associated companies	-	1	-
Net financial items	(15)	(116)	-
<b>Income (loss) before taxes</b>	<b>104</b>	<b>(9)</b>	<b>(58)</b>
Income taxes	31	2	<b>16</b>
<b>Net income (loss)</b>	<b>134</b>	<b>(6)</b>	<b>(42)</b>
<b>EBITDA</b>	<b>164</b>	<b>179</b>	<b>(58)</b>
<b>Earnings per share, net income (loss)</b>			
Basic and diluted	NOK 0,66	(NOK 0,03)	(NOK 0,21)
<b>Weighted average shares outstanding</b>			
Basic and diluted	202 201 906	202 201 906	202 201 906
<b>OPERATING REVENUE BY CHANNEL</b>			
Print & bundled	315	330	(64)
Online	56	41	-
Voice	12	13	-
Other	9	12	-
<b>Total operating revenue</b>	<b>392</b>	<b>397</b>	<b>(64)</b>
<b>TOTAL OPERATING COSTS</b>			
Production costs	24	23	(5)
Personnel costs	130	106	(1)
Distribution	5	10	(1)
Loss on bad debt	7	11	-
Cost of premises	19	15	-
Marketing & advertising	10	6	-
Other	33	47	-
<b>Total operating costs</b>	<b>229</b>	<b>218</b>	<b>(6)</b>

**FINDEXA**  
**RUNRATE BASED CONSOLIDATED INCOME STATEMENT**

(NOK millions)	RUNRATE ADJUSTMENT		RUNRATE	
	2005	2004	2005	2004
<b>Total revenue</b>	<b>21</b>	<b>(43)</b>	<b>413</b>	<b>418</b>
Cost of materials and printing	2	(3)	25	24
Salaries and personnel costs	-	-	130	107
Other operating expenses	-	(1)	75	89
Depreciation and amortization	-	-	45	73
<b>Total operating expenses</b>	<b>2</b>	<b>(4)</b>	<b>276</b>	<b>293</b>
<b>Operating profit (loss)</b>	<b>19</b>	<b>(39)</b>	<b>137</b>	<b>125</b>
Income (loss) from associated companies	-	-	-	1
Net financial items	-	-	(15)	(116)
<b>Income (loss) before taxes</b>	<b>19</b>	<b>(39)</b>	<b>123</b>	<b>10</b>
Income taxes	(5)	11	25	(3)
<b>Net income (loss)</b>	<b>14</b>	<b>(28)</b>	<b>148</b>	<b>7</b>
<b>EBITDA</b>	<b>19</b>	<b>(39)</b>	<b>183</b>	<b>198</b>
<b>Earnings per share, net income (loss)</b>				
Basic and diluted	NOK 0,07	(NOK 0,14)	NOK 0,73	NOK 0,04
<b>Weighted average shares outstanding</b>				
Basic and diluted	202 201 906	202 201 906	202 201 906	202 201 906

**OPERATING REVENUE BY CHANNEL**

Print & bundled	21	(43)	336	351
Online	-	-	56	41
Voice	-	-	12	13
Other	-	-	9	12
<b>Total operating revenue</b>	<b>21</b>	<b>(43)</b>	<b>413</b>	<b>418</b>

**TOTAL OPERATING COSTS**

Production costs	2	(3)	25	24
Personnel costs	-	-	130	107
Distribution	-	(1)	6	11
Loss on bad debt	-	-	7	11
Cost of premises	-	-	19	15
Marketing & advertising	-	-	10	6
Other	-	-	33	47
<b>Total operating costs</b>	<b>2</b>	<b>(4)</b>	<b>231</b>	<b>220</b>

**FINDEXA**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(NOK millions)	at 31 December	Adjustments	at 1 January
	2004	IAS 32 & IAS 39	2005
<b>Assets</b>			
Intangible assets	4 052	(57)	3 995
Property, plant and equipment	32	-	32
Associated companies	9	-	9
Other non-current assets	12	-	12
Financial non-current assets	22	-	22
Inventories and work in progress	56	-	56
Trade and other receivables	121	-	121
Capitalized sales expenses and accrued revenue	33	-	33
Cash and cash equivalents	510	-	510
Current assets	721	-	721
Total assets	4 827	(57)	4 769
<b>Equity and liabilities</b>			
Total equity	1 210	(71)	1 139
Long-term interest-bearing liabilities	2 600	(57)	2 543
Other long-term liabilities	54	(28)	26
Total long-term liabilities	2 654	(85)	2 569
Deferred revenue	731	-	731
Other short-term non-interest-bearing liabilities	232	99	330
Total short-term liabilities	963	99	1 061
Total liabilities and shareholders' equity	4 827	(57)	4 769