



Condensed Interim Consolidated Financial Statements

31 March 2008

Skipti hf.
Ármúla 25
108 Reykjavík
ID number: 460207-0880

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Endorsement by the Board of Directors and CEO

It is the opinion of the Board of Directors and the CEO of Skipti hf. that the Condensed Interim Consolidated Financial Statements for the first three months of the 2008 present all the information necessary to show the position of the Company at 31 March, the operating results for the period and the financial developments during the period.

Skipti was listed on OMX ICE on 19 March 2008, following the share offering. The offering and stock market listing of the company was in compliance with the provisions of the purchase agreement which was originally entered into upon the sale of the government's 98.8% holding in Landssími Íslands hf. (now Skipti) in 2005. In the offering, which was held between 10 March and 13 March 2008, 30% of the company's share capital was offered for sale to the general public and other investors. Only 7.5% of the company's share capital was sold.

On 19 March 2008, the Company announced that it had received a voluntary takeover bid from Exista hf, the largest shareholder, for the entire share capital of Skipti hf. at ISK 6.64 per share which was the same price as in Skipti hf. share offering. The shares will be paid for with new shares in Exista hf. at ISK 10.1

The Board of Directors of Skipti hf. decided at its meeting on, 7 April 2008, to submit a request to have its shares removed from trading on the main market of OMX Nordic Exchange Iceland hf. (OMX ICE). The Board's main reasoning for the request is that Skipti hf. no longer meets the criteria of minimum distribution of shares according to the Listing Requirements set out by OMX ICE, since the largest shareholder, Exista hf., has secured over 94% of the share capital in the Company.

Skipti's net loss for the first three months of the year amounted to ISK 3,607 million. According to the Balance Statement the Company's assets amount to ISK 100,581 million and the equity amounted to ISK 30,625 million at the end of period.

The Board of Directors and CEO of Skipti hf. hereby confirm the Condensed Interim Consolidated Financial Statements for the three months ended 31 March 2008 with their signatures.

Reykjavík, April 29 2008

Board of Directors

Lýður Guðmundsson
Chairman of the Board

Rannveig Rist

Panikos Katsouris

Erlendur Hjaltason

Sigurgeir Brynjar Kristgeirsson

Hildur Árnadóttir

Brynjólfur Bjarnason
CEO

**Condensed Consolidated Income Statement
for the period 1 January - 31 March 2008**

	2008	2007
Net sales	8.864.898	7.383.443
Cost of sales	(5.184.268)	(4.002.708)
Gross profit	3.680.630	3.380.735
Other operating income	103.067	46.881
Operating expenses	(2.677.517)	(2.260.767)
Operating profit	1.106.180	1.166.849
Finance costs	4 (5.495.175)	568.039
Share of loss in associates	0	42
(Loss) profit before tax	(4.388.995)	1.734.930
Income tax	782.467	(302.454)
 (Loss) profit for the year	 <u>(3.606.528)</u>	 <u>1.432.476</u>
Attributable to:		
Equity holders of the parent	(3.605.785)	1.354.970
Minority interest	(743)	77.506
	<u>(3.606.528)</u>	<u>1.432.476</u>
 Earnings per share:		
(Loss) earnings per share	(0,52)	0,05

Condensed Consolidated Balance Sheet at 31 March 2008

	Notes	31.3.2008	31.12.2007
Assets			
Non-current assets			
Property, plant and equipment	5	15.391.051	15.556.136
Intangible assets.....	6	69.354.980	66.765.472
Investments in associated companies.....		489.996	471.421
Investments in other companies.....		1.972.961	1.972.961
Other investment		439.073	279.597
Deferred tax assets.....		447.173	0
Non-current assets		88.095.234	85.045.587
Current assets			
Inventories.....	7	1.457.944	1.133.581
Accounts receivables.....		5.634.906	5.313.812
Other receivables.....		3.688.723	879.034
Cash and cash equivalents.....		1.704.539	5.269.137
Current assets		12.486.112	12.595.564
Assets		100.581.346	97.641.151
Equity and Liabilities			
Equity			
Share capital	8	7.498.873	7.365.146
Reserves		2.139.134	1.383.522
Translation reserves.....		245.009	(366.063)
Retained earnings.....		20.399.264	24.005.049
Equity holders of the parent		30.282.280	32.387.654
Minority interest.....		343.190	368.900
Equity		30.625.470	32.756.554
Non-current liabilities			
Borrowings.....	9	58.218.547	50.435.129
Deferred tax liabilities.....		0	304.731
Non-current liabilities		58.218.547	50.739.860
Current liabilities			
Bank loans.....		825.688	2.051.484
Accounts payables		4.146.641	4.674.284
Current maturities of borrowings		2.383.106	2.785.350
Other current liabilities		4.381.894	4.633.619
Current liabilities		11.737.329	14.144.737
Total liabilities		69.955.876	64.884.597
Total equity and liabilities		100.581.346	97.641.151

**Condensed Consolidated Cash Flow Statement
for the period 1 January - 31 March 2008**

	Notes	2008	2007	
Cash flow from operating activities				
Operating profit		1.106.180	1.166.849	
Operational items not affecting cash flow:				
Depreciation and amortisation		899.138	908.303	
Gain on sale of fixed assets	(603)	(179)
Changes in current assets and liabilities		545.501	48.120	
Cash generated by operation		<u>2.550.216</u>	<u>2.123.093</u>	
Interest income received during the year		95.754	147.763	
Payments of taxes during the year	(2.386)	(0
Interest expenses paid during the year	(698.942)	(700.463)
Net cash from operating activities		<u>1.944.642</u>	<u>1.570.393</u>	
Investing activities				
Investment in property, plant and equipment	(592.006)	(715.301)
Investment in intangible assets	(169.373)	(72.069)
Proceeds from sale of property, plant and equipment		1.927	313	
Changes in other investments	(147.141)	(0
Changes in investment in other companies	(14.165)	(1.401.229)
Investing activities		<u>(920.758)</u>	<u>(2.188.286)</u>	
Financing activities				
New borrowings		81.155	0	
Payments of non-current liabilities	(4.923.378)	(914.964)
Bank loans, increase		26.125	1.374.018	
Buyback of ordinary shares		0	(2.425)
Financing activities		<u>(4.816.098)</u>	<u>456.629</u>	
Decrease in cash and cash equivalents.....	(3.792.214)	(161.264)
Effects of exchange rate changes on the balance of cash.....		227.617	(42.349)
Cash and cash equivalents at the beginning of period.....		<u>5.269.136</u>	<u>1.053.380</u>	
Cash and cash equivalents at the end of the period.....		<u>1.704.539</u>	<u>849.767</u>	

Condensed Consolidated Statement of Changes in Equity
for the period 1 January - 31 March 2008

	Share capital	Reserves	Translation reserves	Retained earnings	Equity holders of the parent	Minority interest	Total equity
Total equity 1.1.2007	7.000.000	0	0	21.113.259	28.113.259	1.333.614	29.446.873
Profit for the period				1.354.970	1.354.970	77.506	1.432.476
Change in minority interest					0	(11.894)	(11.894)
Translation reserve			(60.346)		(60.346)		(60.346)
Total equity 31.3.2007	<u>7.000.000</u>	<u>0</u>	<u>(60.346)</u>	<u>22.468.229</u>	<u>29.407.883</u>	<u>1.399.226</u>	<u>30.807.109</u>
Total equity 1.1.2008	7.365.146	1.383.522	(366.063)	24.005.049	32.387.654	368.900	32.756.554
Loss for the period				(3.605.785)	(3.605.785)	(743)	(3.606.528)
Change in minority interest					0	(106)	(106)
Translation reserve			611.072		611.072	(24.861)	586.211
New capital issued	133.727	755.612			889.339		889.339
Total equity 31.3.2008	<u>7.498.873</u>	<u>2.139.134</u>	<u>245.009</u>	<u>20.399.264</u>	<u>30.282.280</u>	<u>343.190</u>	<u>30.625.470</u>

Notes to the Condensed Consolidated Financial Statements

1. General information

Skipti hf. is a limited liability company incorporated in Iceland. The Condensed Interim Financial Statements for the period ended 31 March 2008 comprise Skipti hf. (the parent) and its subsidiaries (together referred as the Company).

These Condensed Interim Consolidated Financial Statements are presented in ISK, which is the Company's functional currency.

2. Significant Accounting Policies

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting, as adopted by European Union (EU). The Interim Condensed Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2007.

The Condensed Interim Consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

The same accounting policies, presentation and methods of computation are followed in these Condensed Financial Statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2007.

3. Segment Reporting

The following is an analysis of geographical segment, the company's primary basis of segmentation

Three months ended 31 March 2008	Domestic business	International business	Total
Net sales	6.410.863	2.454.035	8.864.898
Gross profit	3.049.595	631.035	3.680.630
Other operating income	100.982	2.085	103.067
Operating expense	(2.357.411)	(320.106)	(2.677.517)
Operating profit for the period	<u>793.166</u>	<u>313.014</u>	<u>1.106.180</u>
Finance costs	(5.458.515)	(36.660)	(5.495.175)
Income tax	813.683	(31.216)	782.467
Profit for the period from continuing operations	<u>(3.851.666)</u>	<u>245.138</u>	<u>(3.606.528)</u>
Depreciation included above	859.037	40.101	899.138
Assets	86.458.249	14.123.097	100.581.346
Liabilities	(59.195.937)	(10.759.939)	(69.955.876)

Notes to the Condensed Consolidated Financial Statements

4. Financial income and expenses

	1.1 - 31.3. 2008	1.1 - 31.3. 2007
Interest earned	102.330	160.067
Income from investments	(42)	47.750
Interest and indexation expenses	(1.243.202)	(869.795)
Exchange gains (loss)	(4.354.261)	1.230.017
Finance cost total	<u>(5.495.175)</u>	<u>568.039</u>

5. Property, plant and equipment

Net book value at 1 January 2008	15.556.136
Additions, disposal and exchange differences in the period	656.222
Depreciation during the period	<u>(821.307)</u>
Net book value at 31 March 2008	<u>15.391.051</u>

Depreciation is specified as follows in the income statement:

	1.1 - 31.3. 2008	1.1 - 31.3. 2007
Cost of sales	704.220	720.345
Operating expenses	<u>194.918</u>	<u>187.957</u>
Total	<u>899.138</u>	<u>908.302</u>

6. Intangible assets

	Goodwill	Software	Total
Cost			
Cost at 1 January 2008	66.123.684	641.788	66.765.472
Additions, disposal and exchange differences in the period	2.459.754	202.425	2.662.179
Amorisation during the period		<u>(72.671)</u>	<u>(72.671)</u>
	<u>68.583.438</u>	<u>771.542</u>	<u>69.354.980</u>

7. Inventories

	31.3.2008	31.12.2007
Finished goods	1.138.508	730.663
Work in progress	239.996	268.597
TV programs for screening	79.440	134.321
Inventory total	<u>1.457.944</u>	<u>1.133.581</u>

Notes to the Condensed Consolidated Financial Statements

8. Share capital

Share capital as at 31 March 2008 amounted to ISK 7.502 million. Own shares amounted to ISK 3 million.

9. Non-current liabilities:

Borrowings are specified as follows by currency denominations:

Loans in USD.....	6.169.065
Loans in EUR.....	10.256.210
Loans in GBP.....	4.973.066
Loans in JPY.....	4.727.030
Loans in CHF	10.063.682
Loans in DKK	6.390.775
Loans in ISK.....	18.021.825
Current maturities of borrowings.....	(2.383.106)
	<u>58.218.547</u>

In January Skipti used free cash to make an additional repayment of Senior debt.

10. Mortgages and guarantees

Assets of the Group are mortgaged to guarantee loans, which amount to ISK 36,327 m.kr. at the end of the period

The Group has guaranteed loans for Farice hf. that are nominated in foreign currencies and amounted to ISK 1.179 million at the end of the period. The Group's commitments on the lease of a submarine telecommunications cable amount to ISK 132 million annually until 2012. The Group's commitments on account of housing leases amount to ISK 408 million annually until 2018.

11. Events after the balance sheet date:

There have been no material post balance sheet events that have not already been disclosed and would require adjustments to the statements. The Board of Directors of Skipti hf. decided at its meeting on, 7 April 2008, to submit a request to have its shares removed from trading on the main market of OMX Nordic Exchange Iceland hf. (OMX ICE). Further details can be found in the Endorsement and Signatures of the Board of Directors and the CEO on page 3 of these Condensed Interim Financial Statements.

Notes to the Condensed Consolidated Financial Statements

12. Quarterly statements

	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Net sales	8.864.898	9.107.226	8.098.294	8.130.116	7.383.443
Cost of sales	<u>(5.184.268)</u>	<u>(5.533.285)</u>	<u>(4.873.139)</u>	<u>(4.563.753)</u>	<u>(4.002.708)</u>
Gross profit	3.680.630	3.573.941	3.225.155	3.566.363	3.380.735
Other operating income	103.067	383.950	74.593	133.266	46.881
Operating expense	<u>(2.677.517)</u>	<u>(2.505.138)</u>	<u>(1.776.969)</u>	<u>(2.550.943)</u>	<u>(2.260.767)</u>
Operating profit	1.106.180	1.452.753	1.522.779	1.148.686	1.166.849
Finance costs	<u>(5.495.175)</u>	<u>(1.727.865)</u>	<u>(2.065.539)</u>	<u>(48.705)</u>	568.039
Share of associates	<u>0</u>	<u>(22.298)</u>	<u>(1.840)</u>	<u>(1.907)</u>	<u>42</u>
Profit (loss) before tax	<u>(4.388.995)</u>	<u>(297.410)</u>	<u>(544.600)</u>	1.098.074	1.734.930
Income tax	<u>782.467</u>	<u>9.950</u>	<u>73.100</u>	<u>(85.529)</u>	<u>(302.454)</u>
Profit (loss) for the period	<u>(3.606.528)</u>	<u>(287.460)</u>	<u>(471.500)</u>	<u>1.012.545</u>	<u>1.432.476</u>

13. Approval of the Condensed Interim Consolidated Financial Statements.

The Condensed Interim Consolidated Financial Statements were approved by the board of directors and authorised for issue on the 29 April 2008.