



**Condensed Interim Consolidated Financial Statements**

**30 June 2008**

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

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# Endorsement by the Board of Directors and CEO

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The Condensed Interim Consolidated Financial Statements of Skipti hf. for the period 1 January to 30 June 2008 consist of the Consolidated Financial Statements of Skipti hf. and its subsidiaries, together referred to as the Company. The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Statements, IAS 34 as adopted by the EU.

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 and 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 were paid for with new shares in Exista hf. at ISK 10,1. On 27 May 2008 it was announced that Exista had secured 99,22% of the shares in Skipti hf and the remaining shareholders of Skipti hf were subject to redemption of the shares which was completed on 2 July 2008. The Company's shares were delisted from OMX Nordic Exchange Iceland hf. (OMX ICE) on 6 June 2008.

The Company acquired stakes in two telecommunications companies in the Czech Republic from Exista hf. The shareholding concerned is equivalent to an 8,25% stake in a holding company which owns a 39% stake in T-Mobile Czech Republic (TMCZ) and a 100% stake in Ceske Radiokomunikace (CRa).

The total sales of Skipti for the first six months of the year amounted to ISK 18.845 and the net loss amounted to ISK 3.989 million. According to the Balance Sheet, the Company's assets amounted to ISK 120.162 million, the equity amounted to ISK 47.406 million at the end of period and the Company's equity ratio was 39,5%. During the period the share capital of the Company was increased by issuing 2.776 million new shares.

It is our opinion that these Consolidated Financial Statements present all the information necessary to give a true and fair view of the company's assets and liabilities, financial position as at 30 June 2008 and operating performance of the period ended 30 June 2008.

In our opinion the Condensed Interim Consolidated Financial Statements and report by the Board of Directors and CEO give a fair view of the development and performance of the Company's operations and its position and describes the principal risks and uncertainties faced by the company.

The Board of Directors and the CEO of Skipti hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January to 30 June 2008 and confirmed with their signatures.

Reykjavík, July 31 2008

## Board of Directors

Lýður Guðmundsson  
Chairman of the Board

Rannveig Rist

Panikos Katsouris

Erlendur Hjaltason

Sigurgeir Brynjar Kristgeirsson

Hildur Árnadóttir

Brynjólfur Bjarnason  
CEO

# Report on Review of Interim Financial Information

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**To the Board of Directors and shareholders of Skipti hf.**

## **Introduction**

We have reviewed the accompanying condensed consolidated balance sheet of Skipti hf. as of June 30, 2008 and the related condensed consolidated statements of income, condensed consolidated changes in equity and condensed consolidated cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at June 30, 2008, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 31 July 2008.

**Deloitte hf.**

Hilmar A. Alfreðsson  
State Authorized Public Accountant

## Condensed Consolidated Income Statement for the period 1 January - 30 June 2008

	1 April - 30 June		1 January - 30 June	
Notes	2008	2007	2008	2007
Net sales .....	9.980.750	8.130.116	18.845.648	15.513.559
Cost of sales .....	( 6.071.195)	( 4.563.753)	( 11.255.463)	( 8.566.461)
Gross profit .....	3.909.555	3.566.363	7.590.185	6.947.098
Other operating income .....	125.188	133.266	228.255	180.147
Operating expenses .....	( 2.918.295)	( 2.550.943)	( 5.595.812)	( 4.811.710)
Operating profit .....	1.116.448	1.148.686	2.222.628	2.315.535
Finance cost .....	4 ( 1.488.948)	( 48.705)	( 6.984.123)	519.334
Share of loss in associates .....	( 8.190)	( 1.907)	( 8.190)	( 1.865)
(Loss) profit before tax .....	( 380.690)	1.098.074	( 4.769.685)	2.833.004
Income tax .....	5 ( 2.232)	( 85.529)	780.235	( 387.983)
(Loss) profit for the period .....	<u>( 382.922)</u>	<u>1.012.545</u>	<u>( 3.989.450)</u>	<u>2.445.021</u>
<b>Attributable to:</b>				
Equity holders of the parent .....	( 392.403)	1.085.907	( 3.998.189)	2.440.877
Minority interest .....	9.481	( 73.362)	8.739	4.144
	<u>( 382.922)</u>	<u>1.012.545</u>	<u>( 3.989.450)</u>	<u>2.445.021</u>
<b>(Loss) earnings per share:</b>				
(Loss) earnings per share .....	(0,05)	0,14	(0,54)	0,35

## Condensed Consolidated Balance Sheet at 30 June 2008

	Notes	30.6.2008	31.12.2007
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment .....	6	15.786.971	15.556.136
Intangible assets.....	7	69.635.801	66.765.472
Investments in associated companies.....		477.078	471.421
Investments in other companies.....	8	19.515.564	1.972.961
Other investment .....		459.248	279.597
Deferred tax assets.....		584.808	0
Non-current assets		<u>106.459.470</u>	<u>85.045.587</u>
<b>Current assets</b>			
Inventories.....	9	1.396.513	1.133.581
Accounts receivables.....		6.344.308	5.313.812
Other receivables.....		912.283	879.034
Cash and cash equivalents.....		5.049.294	5.269.137
Current assets		<u>13.702.398</u>	<u>12.595.564</u>
<b>Total Assets</b>		<u><u>120.161.868</u></u>	<u><u>97.641.151</u></u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital .....	10	10.141.373	7.365.146
Reserves .....		17.108.034	1.383.522
Translation reserves.....	(	190.682)	( 366.063)
Retained earnings.....		20.006.860	24.005.049
Equity holders of the parent		<u>47.065.585</u>	<u>32.387.654</u>
Minority interest.....		340.570	368.900
Total Equity		<u>47.406.155</u>	<u>32.756.554</u>
<b>Non-current liabilities</b>			
Borrowings.....	11	60.477.593	50.435.129
Deferred tax liabilities.....		0	304.731
Non-current liabilities		<u>60.477.593</u>	<u>50.739.860</u>
<b>Current liabilities</b>			
Bank loans.....		809.769	2.051.484
Accounts payables .....		4.490.404	4.674.284
Current maturities of borrowings .....	11	2.433.697	2.785.350
Other current liabilities .....		4.544.250	4.633.619
Current liabilities		<u>12.278.120</u>	<u>14.144.737</u>
Total liabilities		<u>72.755.713</u>	<u>64.884.597</u>
<b>Total equity and liabilities</b>		<u><u>120.161.868</u></u>	<u><u>97.641.151</u></u>

## Condensed Consolidated Statement of Changes in Equity for the period 1 January - 30 June 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 .....				2.440.877	2.440.877	4.144	2.445.021
Change in minority interest .....					0	( 1.174.256)	( 1.174.256)
Translation reserve .....			( 119.116)		( 119.116)		( 119.116)
New capital issued .....	359.562	1.149.741			1.509.303		1.509.303
Total equity 30.6.2007 .....	<u>7.359.562</u>	<u>1.149.741</u>	<u>( 119.116)</u>	<u>23.554.136</u>	<u>31.944.323</u>	<u>163.502</u>	<u>32.107.825</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 .....				( 3.998.189)	( 3.998.189)	8.739	( 3.989.450)
Change in minority interest .....					0	( 6.759)	( 6.759)
Translation reserve .....			175.381		175.381	( 30.310)	145.071
Recognition of share based payments ..		65.200			65.200		65.200
New capital issued .....	2.776.227	15.659.312			18.435.539		18.435.539
Total equity 30.6.2008 .....	<u>10.141.373</u>	<u>17.108.034</u>	<u>( 190.682)</u>	<u>20.006.860</u>	<u>47.065.585</u>	<u>340.570</u>	<u>47.406.155</u>

## Condensed Consolidated Cash Flow Statement for the period 1 January - 30 June 2008

	1 January - 30 June	
	2008	2007
<b>Cash flow from operating activities</b>		
Operating profit .....	2.222.628	2.315.535
Operational items not affecting cash flow:		
Depreciation and amortisation .....	1.837.129	2.001.042
Gain on sale of fixed assets ..... (	1.085)	( 13.161)
Changes in current assets and liabilities .....	3.875.620	26.367
Cash generated by operation	7.934.292	4.329.783
Interest income received during the year .....	276.833	218.539
Payments of taxes during the year ..... (	2.386)	0
Interest expenses paid during the year ..... (	1.124.874)	( 1.556.679)
Net cash from operating activities	<u>7.083.865</u>	<u>2.991.643</u>
<b>Investing activities</b>		
Investment in property, plant and equipment ..... (	1.814.007)	( 2.052.083)
Investment in intangible assets ..... (	260.796)	( 38.230)
Proceeds from sale of property, plant and equipment .....	5.063	24.080
Changes in other investments ..... (	161.232)	( 23.507)
Changes in investment in other companies ..... (	5.260)	( 1.323.619)
Investing activities	<u>( 2.236.232)</u>	<u>( 3.413.359)</u>
<b>Financing activities</b>		
New borrowings .....	73.736	105.323
Payments of non-current liabilities ..... (	5.358.520)	( 1.518.172)
Bank loans, (decrease) increase ..... (	25.159)	2.226.479
Buyback of ordinary shares .....	0	9.874
Financing activities	<u>( 5.309.943)</u>	<u>823.504</u>
<b>(Decrease) increase in cash and cash equivalents..... (</b>	<b>462.310)</b>	<b>401.788</b>
<b>Effects of exchange rate changes on the balance of cash.....</b>	<b>242.467</b>	<b>( 83.382)</b>
<b>Cash and cash equivalents at the beginning of period.....</b>	<b>5.269.137</b>	<b>1.053.380</b>
<b>Cash and cash equivalents at the end of the period.....</b>	<b><u>5.049.294</u></b>	<b><u>1.371.786</u></b>



## Notes to the Condensed Consolidated Financial Statements

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### 1. General information

Skipti hf. is a limited liability company incorporated in Iceland. The Condensed Interim Financial Statements for the period ended 30 June 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

Six months ended 30 June 2008	Domestic business	International business	Total
Net sales .....	13.355.179	5.490.469	18.845.648
Gross profit .....	6.160.657	1.429.528	7.590.185
Other operating income .....	212.544	15.711	228.255
Operating expense .....	( 4.828.765)	( 767.047)	( 5.595.812)
Operating profit for the period .....	<u>1.544.436</u>	<u>678.192</u>	<u>2.222.628</u>
Finance costs .....	( 6.918.202)	( 65.921)	( 6.984.123)
Share of loss in associates .....	( 8.190)	0	( 8.190)
Income tax .....	1.056.083	( 275.848)	780.235
(Loss) profit for the period from operations .....	<u>( 4.325.873)</u>	<u>336.423</u>	<u>( 3.989.450)</u>

## Notes to the Condensed Consolidated Financial Statements

### 4. Financial income and expenses

	1.1 - 30.6. 2008	1.1 - 30.6. 2007
Interest earned .....	273.946	165.665
Income from investments .....	2.444	337.765
Interest and indexation expenses .....	( 3.331.379)	( 1.957.659)
Exchange gains (loss) .....	( 3.929.134)	1.973.563
Finance cost total .....	<u>( 6.984.123)</u>	<u>519.334</u>

### 5. Income Tax

In May 2008 the Icelandic Parliament approved a decrease in the income tax rate from 18% to 15% effective as of 1 January 2008. Due to this the deferred tax liability has decreased by 163 million compared to 31 December 2007. The decrease is recognised in the second quarter in the Income Statement.

### 6. Property, plant and equipment

Net book value at 1 January 2008 .....	15.556.136
Additions, disposal and exchange differences in the period .....	1.886.476
Depreciation during the period .....	<u>( 1.655.641)</u>
Net book value at 30 June 2008 .....	<u>15.786.971</u>

Depreciation and Amortisation are specified as follows in the income statement:

	1.1 - 30.6. 2008	1.1 - 30.6. 2007
Cost of sales .....	1.411.631	1.555.871
Operating expenses .....	<u>425.498</u>	<u>445.171</u>
Total .....	<u>1.837.129</u>	<u>2.001.042</u>

### 7. Intangible assets

	Goodwill	Other Intangible assets	Total
<b>Cost</b>			
Cost at 1 January 2008 .....	66.123.684	641.788	66.765.472
Additions, disposal and exchange differences in the period .....	2.458.815	593.002	3.051.817
Amortisation during the period .....		<u>( 181.488)</u>	<u>( 181.488)</u>
Cost at 30 June 2008 .....	<u>68.582.499</u>	<u>1.053.302</u>	<u>69.635.801</u>

## Notes to the Condensed Consolidated Financial Statements

### 8. Investments in other companies

The Company acquired stakes in two telecommunications companies in the Czech Republic from Exista hf. The shareholding concerned is equivalent to an 8.25% stake in a holding company which owns a 39% stake in T-Mobile Czech Republic (TMCZ) and a 100% stake in Ceske Radiokomunikace (CRa). New share capital in Skipti has been issued in connection with the acquisition.

### 9. Inventories

	30.6.2008	31.12.2007
Finished goods .....	1.019.055	730.663
Work in progress .....	157.440	134.321
TV programs for screening .....	220.018	268.597
Inventory total .....	<u>1.396.513</u>	<u>1.133.581</u>

### 10. Share capital

During the period Skipti issued 2.776 million new shares. Share capital at the end of the period amounted to ISK 10.145 million. Own shares amounted to ISK 3 million.

### 11. Non-current liabilities:

Borrowings are specified as follows by currency denominations:

Loans in USD.....	6.321.227
Loans in EUR.....	10.531.059
Loans in GBP.....	5.153.206
Loans in JPY.....	4.542.259
Loans in CHF .....	10.048.658
Loans in DKK .....	6.648.065
Loans in ISK.....	19.666.816
Current maturities of borrowings.....	( 2.433.697)
	<u>60.477.593</u>

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

### 12. 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.

## Notes to the Condensed Consolidated Financial Statements

### 13. Quarterly statements

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Net sales .....	9.980.750	8.864.898	9.107.226	8.098.294	8.130.116
Cost of sales .....	<u>( 6.071.195)</u>	<u>( 5.184.268)</u>	<u>( 5.533.285)</u>	<u>( 4.873.139)</u>	<u>( 4.563.753)</u>
Gross profit .....	3.909.555	3.680.630	3.573.941	3.225.155	3.566.363
Other operating income .....	125.188	103.067	383.950	74.593	133.266
Operating expense .....	<u>( 2.918.295)</u>	<u>( 2.677.517)</u>	<u>( 2.505.138)</u>	<u>( 1.776.969)</u>	<u>( 2.550.943)</u>
Operating profit .....	1.116.448	1.106.180	1.452.753	1.522.779	1.148.686
Finance costs .....	<u>( 1.488.948)</u>	<u>( 5.495.175)</u>	<u>( 1.727.865)</u>	<u>( 2.065.539)</u>	<u>( 48.705)</u>
Share of associates .....	<u>( 8.190)</u>	<u>0</u>	<u>( 22.298)</u>	<u>( 1.840)</u>	<u>( 1.907)</u>
Profit (loss) before tax .....	<u>( 380.690)</u>	<u>( 4.388.995)</u>	<u>( 297.410)</u>	<u>( 544.600)</u>	<u>1.098.074</u>
Income tax .....	<u>( 2.232)</u>	<u>782.467</u>	<u>9.950</u>	<u>73.100</u>	<u>( 85.529)</u>
Profit (loss) for the period ....	<u>( 382.922)</u>	<u>( 3.606.528)</u>	<u>( 287.460)</u>	<u>( 471.500)</u>	<u>1.012.545</u>

The quarterly statements have not been reviewed by the auditors.

### 14. 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 31 July 2008.