



**Condensed Consolidated Interim Financial Statements**

**30 June 2009**

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 Consolidated Interim Financial Statements of Skipti hf. for the period 1. January to 30 June 2009 consist of the Condensed Consolidated Interim Financial Statements of Skipti hf. and its subsidiaries, together referred to as the Company. The Condensed Consolidated Interim Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Statements, IAS 34 as adopted by the EU.

The total sales for Skipti hf. for the first six months of the year amounted to ISK 19.761 million and the net loss amounted to ISK 2.088 million. According to the Balance Sheet, the Company's assets amounted to ISK 131.065 million, the equity amounted to ISK 34.319 million at the end of the period and the Company's equity ratio was 26%.

It is our opinion that the accounting policies used are appropriate and that these Condensed Consolidated Interim Financial Statements present all the information necessary to give a true and fair view of the Company's assets and liabilities, financial position as of 30 June 2009 and operating performance of the six month period ended 30 June 2009.

Further, in our opinion the Condensed Consolidated Interim Financial Statements and the report of the Board of Directors and the CEO give a fair view of the development and performance of the Company's operations and its position and describe the principal risk and uncertainties faced by the Company.

The Board of Directors and the CEO of Skipti hf. have today discussed the Condensed Consolidated Interim Financial Statements for the period from 1 January to 30 June 2009 and confirmed with their signatures.

Reykjavík, August 14 2009

## Board of Directors

Lýður Guðmundsson  
Chairman of the Board

Rannveig Rist

Sigurgeir Brynjar Kristgeirsson

Erlendur Hjaltason

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, 2009 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, 2009, 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.

Without qualifying our conclusion, we draw attention to note 10 to the condensed consolidated financial statements, which states that the Company is in a disagreement with Glitnir bank regarding derivative agreements

Reykjavík, 14 August 2009.

## Deloitte hf.

Hilmar A. Alfreðsson  
State Authorized Public Accountant

## Condensed Consolidated Interim Income Statement for the period 1 January - 30 June 2009

	Notes	1 January - 30 June	
		2009	2008
Net sales .....		19.760.528	18.845.648
Cost of sales .....		<u>( 12.171.921)</u>	<u>( 11.255.463)</u>
Gross profit .....		7.588.607	7.590.185
Other operating income .....		315.416	228.255
Operating expenses .....		<u>( 5.662.110)</u>	<u>( 5.595.812)</u>
Impairment losses .....		<u>( 715.203)</u>	<u>0</u>
Operating profit .....		1.526.710	2.222.628
Finance costs .....	4	<u>( 3.582.552)</u>	<u>( 6.984.123)</u>
Share of loss in associates .....		<u>( 2.556)</u>	<u>( 8.190)</u>
Loss before tax .....		<u>( 2.058.398)</u>	<u>( 4.769.685)</u>
Income tax .....		<u>( 29.908)</u>	<u>780.235</u>
<b>Loss for the period .....</b>		<b><u>( 2.088.306)</u></b>	<b><u>( 3.989.450)</u></b>
<b>Attributable to:</b>			
Equity holders of the parent .....		<u>( 2.134.031)</u>	<u>( 3.998.189)</u>
Minority interest .....		<u>45.725</u>	<u>8.739</u>
		<b><u>( 2.088.306)</u></b>	<b><u>( 3.989.450)</u></b>
<b>Loss per share:</b>			
Loss per share .....	5	(0,24)	(0,54)

## Condensed Consolidated Interim Statement of Comprehensive Income for the period 1 January - 30 June 2009

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	1 January - 30 June	
	2009	2008
Loss for the period .....	( 2.088.306)	( 3.989.450)
<b>Other Comprehensive Income</b>		
Translation difference of foreign operations .....	141.069	554.272
Cash flow hedge .....	( 285.453)	( 822.236)
Tax on items taken directly to equity .....	42.700	122.893
	( 101.684)	( 145.071)
<b>Total comprehensive income .....</b>	<b>( 2.189.990)</b>	<b>( 4.134.521)</b>
<b>Attributable to:</b>		
Equity holders of the parent .....	( 2.223.379)	( 4.112.950)
Minority interest .....	33.389	( 21.571)
	( 2.189.990)	( 4.134.521)

## Condensed Consolidated Interim Statement of Financial position at 30 June 2009

	Notes	30.6.2009	31.12.2008
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment .....	6	15.713.376	16.452.408
Intangible assets.....	7	71.754.985	71.260.406
Investments in associated companies.....		600.819	52.417
Investments in other companies.....		334.403	336.403
Other investment .....		395.429	370.690
Deferred tax assets.....		849.968	513.881
Non-current assets		<u>89.648.980</u>	<u>88.986.205</u>
<b>Current assets</b>			
Inventories.....	9	1.173.679	1.277.367
Accounts receivables.....		7.011.251	6.478.203
Other assets.....	10	11.811.237	11.422.731
Cash and cash equivalents.....		21.419.397	20.492.583
Current assets		<u>41.415.564</u>	<u>39.670.884</u>
<b>Total Assets</b>		<u><u>131.064.544</u></u>	<u><u>128.657.089</u></u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital .....	11	8.724.523	8.724.523
Reserves .....		9.022.504	9.022.504
Translation reserves.....		630.826	720.174
Retained earnings.....		15.680.434	17.561.846
Equity holders of the parent		<u>34.058.287</u>	<u>36.029.047</u>
Minority interest.....		260.497	518.170
Total Equity		<u>34.318.784</u>	<u>36.547.217</u>
<b>Non-current liabilities</b>			
Borrowings.....	12	80.541.992	77.364.187
Deferred tax liabilities.....		193.045	246.321
Non-current liabilities		<u>80.735.037</u>	<u>77.610.508</u>
<b>Current liabilities</b>			
Bank loans.....		1.159.741	1.108.571
Accounts payables .....		5.703.685	5.432.384
Current maturities of borrowings .....		3.722.184	3.573.319
Other current liabilities .....		5.425.113	4.385.090
Current liabilities		<u>16.010.723</u>	<u>14.499.364</u>
Total liabilities		<u>96.745.760</u>	<u>92.109.872</u>
<b>Total equity and liabilities</b>		<u><u>131.064.544</u></u>	<u><u>128.657.089</u></u>

## Condensed Consolidated Statement of Changes in Equity for the period 1 January - 30 June 2009

	Share capital	Reserves	Translation reserves	Retained earnings	Equity holders of the parent	Minority interest	Total equity
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>
Total equity 1.1.2009 .....	8.724.523	9.022.504	720.174	17.561.846	36.029.047	518.170	36.547.217
Loss for the period .....				( 2.134.031)	( 2.134.031)	45.725	( 2.088.306)
Change in minority interest .....				252.619	252.619	( 252.619)	0
Translation reserve .....			( 89.348)		( 89.348)	( 12.336)	( 101.684)
Dividend paid .....					0	( 38.443)	( 38.443)
Total equity 30.6.2009 .....	<u>8.724.523</u>	<u>9.022.504</u>	<u>630.826</u>	<u>15.680.434</u>	<u>34.058.287</u>	<u>260.497</u>	<u>34.318.784</u>

## Condensed Consolidated Interim Cash Flow Statement for the period 1 January - 30 June 2009

	1 January - 30 June	
	2009	2008
<b>Cash flow from operating activities</b>		
Operating profit .....	1.526.710	2.222.628
Operational items not affecting cash flow:		
Depreciation and amortisation .....	2.706.561	1.837.129
Gain on sale of fixed assets .....	( 229)	( 1.085)
Changes in current assets and liabilities .....	( 10.122)	3.875.620
Cash generated by operation	4.222.920	7.934.292
Interest income received during the year .....	505.465	276.833
Payments of taxes during the year .....	( 81.384)	( 2.386)
Interest expenses paid during the year .....	( 1.010.522)	( 1.124.874)
Net cash from operating activities	3.636.479	7.083.865
<b>Investing activities</b>		
Investment in property, plant and equipment .....	( 997.712)	( 1.814.007)
Investment in intangible assets .....	( 437.491)	( 260.796)
Proceeds from sale of property, plant and equipment .....	20.496	5.063
Changes in other investments .....	8.791	( 161.232)
Changes in investment in other companies .....	( 451.680)	( 5.260)
Investing activities	( 1.857.596)	( 2.236.232)
<b>Financing activities</b>		
Dividend paid .....	( 38.443)	0
New borrowings .....	24.849	73.736
Payments of non-current liabilities .....	( 1.673.458)	( 5.358.520)
Bank loans, increase (decrease) .....	61.715	( 25.159)
Financing activities	( 1.625.337)	( 5.309.943)
<b>Increase (decrease) in cash and cash equivalents.....</b>	153.546	( 462.310)
<b>Effects of exchange rate changes on the balance of cash.....</b>	773.268	242.467
<b>Cash and cash equivalents at the beginning of period.....</b>	20.492.583	5.269.137
<b>Cash and cash equivalents at the end of the period.....</b>	21.419.397	5.049.294

# Notes to the Condensed Consolidated Interim Financial Statements

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## 1. General information

Skipti hf. is a limited liability company incorporated in Iceland. The Condensed Consolidated Interim Financial Statements for the first six months ended 30 June 2009 comprise Skipti hf. (the parent) and its subsidiaries (together referred as the Company).

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

## 2. Significant Accounting Policies

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting, as adopted by European Union (EU). These Condensed Consolidated Interim Financial Statements do not include all of the information required for Annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended 31 December 2008.

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 2008, except for the impact of the adoption of the Standards and Interpretations described below.

**IFRS 8 *Operating Segments*** (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 is a disclosure Standard, but has no impact on the reported results or financial position of the Company.

**IAS 1 (revised 2007) *Presentation of Financial Statements*** (effective for annual periods beginning on or after 1 January 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results of financial position or the Company.

# Notes to the Condensed Consolidated Interim Financial Statements

## 3. Segment Reporting

The Company has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The company uses geographical markets as its primary segments.

Six months ended 30 June 2009	Domestic business	International business	Total
Net sales .....	11.965.492	7.795.036	19.760.528
Gross profit .....	5.650.487	1.938.120	7.588.607
Other operating income .....	315.416	0	315.416
Operating expense .....	( 4.308.267)	( 1.353.843)	( 5.662.110)
Impairment losses .....	0	( 715.203)	( 715.203)
Operating profit (loss) for the period .....	<u>1.657.636</u>	<u>( 130.926)</u>	<u>1.526.710</u>
Finance costs .....	( 3.503.247)	( 79.305)	( 3.582.552)
Share of loss in associates .....	( 2.556)	0	( 2.556)
Income tax .....	194.155	( 224.063)	( 29.908)
Loss for the period from operations .....	<u>( 1.654.012)</u>	<u>( 434.294)</u>	<u>( 2.088.306)</u>
Assets .....	<u>111.385.841</u>	<u>19.678.703</u>	<u>131.064.544</u>
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>
Assets .....	<u>105.489.313</u>	<u>14.672.555</u>	<u>120.161.868</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 4. Financial income and expenses

	1.1 - 30.6. 2009	1.1 - 30.6. 2008
Interest earned .....	523.223	273.946
Income from investments .....	5.762	2.444
Interest and indexation expenses .....	( 2.921.386)	( 3.331.379)
Exchange loss .....	( 1.190.151)	( 3.929.134)
Finance cost total .....	<u>( 3.582.552)</u>	<u>( 6.984.123)</u>

## 5. Loss per share

The calculation of loss per share is based on the following data:

	30.6.2009	30.6.2008
Net loss for the 6 months ended 30 June attributable to equity holders .....	( 2.134.031)	( 3.998.189)
Total average number of shares outstanding during the period (in thousands) .....	8.724.523	7.454.298
Loss per share .....	( 0,24)	( 0,54)

## 6. Property, plant and equipment

Net book value at 1 January 2009 .....	16.452.408
Additions, disposal and exchange differences in the period .....	977.336
Depreciation during the period .....	<u>( 1.716.368)</u>
Net book value at 30 June 2009 .....	<u>15.713.376</u>

Depreciation and Amortisation (see note 7) are specified as follows in the income statement:

	1.1 - 30.6. 2009	1.1 - 30.6. 2008
Cost of sales .....	1.427.341	1.411.631
Operating expenses .....	<u>564.017</u>	<u>425.498</u>
Total .....	<u>1.991.358</u>	<u>1.837.129</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 7. Intangible assets

	Goodwill	Other Intangible	Total
<b>Cost</b>			
Cost at 1 January 2009 .....	69.014.534	2.245.872	71.260.406
Additions, disposal and exchange differences in the period .....	1.193.602	291.170	1.484.772
Amortisation during the period .....	0	( 274.990)	( 274.990)
Impairment losses .....	( 715.203)	0	( 715.203)
Cost at 30 June 2009 .....	<u>69.492.933</u>	<u>2.262.052</u>	<u>71.754.985</u>

### Impairment loss

The carrying value of goodwill of the Company's operations in UK has been impaired by ISK 715 million following a test for impairment triggered by adverse performance against previous plans.

## 8. Disposal of Interest in a subsidiary

In April 2009, the Company entered into a joint venture with Daisy Communications. As part of the deal was that the company disposed 50% of its interest in Aerofone Ltd, reducing its continuing interest to 50%. The company did not receive or paid any cash in this transaction.

## 9. Inventories

	30.6.2009	31.12.2008
Finished goods .....	748.112	835.187
Work in progress .....	82.219	117.056
TV programs for screening .....	<u>343.348</u>	<u>325.124</u>
Inventory total .....	<u>1.173.679</u>	<u>1.277.367</u>

## 10. Other current assets

	30.6.2009	31.12.2008
Derivative financial instruments .....	10.450.570	10.450.570
Prepayments and accrued income .....	317.703	351.908
Other current assets .....	<u>1.042.964</u>	<u>620.253</u>
Other current assets total .....	<u>11.811.237</u>	<u>11.422.731</u>

Following the collapse of Glitnir bank and Kaupthing bank (the Banks) in October 2008, the treatment of Skipti's foreign exchange agreements has been subject to uncertainty. Skipti has formally demanded that Skipti's assets under the agreements will be set off against Skipti's debt to the Banks. The value of the derivatives agreements is calculated in case of Glitnir based on the exchange rate presented by the Icelandic Central bank on due date and in case of Kaupthing bank based on its own calculations on due date. Glitnir bank have declined Skipti's claim to set off the assets under the agreement of total ISK 9.510 million against Skipti's debt at the Bank.

# Notes to the Condensed Consolidated Interim Financial Statements

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## 11. Share capital

Issued shares at the end of the period amounted to 10.145 million shares with a par value of ISK 1 per share. Own shares amounted to ISK 1.420 million. There were no movements in the issued shares of the Company in the current period.

## 12. Non-current liabilities

Repayments of non-current liabilities amounting to ISK 1.673 million (2008: ISK 5.359 million) were made in line with previously disclosed repayment terms.

## 13. Events after the balance sheet date

In August the Company sold its 50% stake in Aerofone ltd. for cash consideration equals to its book value.

## 14. Approval of the Condensed Consolidated Interim Financial Statements.

The Condensed Consolidated Interim Financial Statements were approved by the board of directors and authorised for issue on 14 August 2009.