Condensed Consolidated Interim Financial Statements

30 June 2010

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

Contents

Endorsement by the Board of Directors and CEO

The Condensed Consolidated Interim Financial Statements of Skipti hf. for the period 1. January to 30 June 2010 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 19.641 million and the net loss amounted to ISK 6 million. The Company's assets amounted to ISK 115.663 million, the equity amounted to ISK 24.548 million at the end of the period and the Company's equity ratio was 21%.

In June the Company signed agreement to sell of all of its shares in Sirius IT Holding A/S to Visma AS. The proceeds will be paid in cash. The completion of the transaction was on the 22 July 2010.

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 2010 and operating performance, of the six months period ended 30 June 2010.

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 risks and uncertainties faced by the Company.

The Board of Directors and the CEO of Skipti hf. have today discussed and approved the Condensed Consolidated Interim Financial Statements for the period 1 January to 30 June 2010 with their signatures.

Reykjavík, August 25 2010

Board of Directors

Rannveig Rist
Chairman of the Board

Sigurgeir Brynjar Kristgeirsson

Hildur Árnadóttir

Brynjólfur Bjarnason
CEO

Report on Review of Interim Financial Information

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, 2010 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, 2010, 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. We also without qualifying our opinion draw attention to note 12 which states that the Company is in discussions with its creditors as it was the assessment of the creditors that the terms of loan agreement had been disrupted.

Reykjavík, 25 August 2010.

Deloitte hf.

Hilmar A. Alfreðsson
State Authorized Public Accountant

Condensed Consolidated Interim Income Statement for the period 1 January - 30 June 2010

	Notes	1 January - 30 June 2010	2009
Net sales	4	19.641.200	19.760.528
Cost of sales		(12.453.273)	(12.171.921)
Gross profit		7.187.927	7.588.607
Other operating income		178.500	315.416
Operating expenses		(5.672.256)	(5.662.110)
Impairment losses		0	(715.203)
Operating profit		1.694.171	1.526.710
Finance income		165.249	528.985
Finance costs		(2.440.879)	(2.921.386)
Net exchange rate differences		574.296	(1.190.151)
Net financial items	5	(1.701.334)	(3.582.552)
Share of loss in associates		(5.596)	(2.556)
Loss before tax		(12.759)	(2.058.398)
Income tax		6.281	(29.908)
Loss for the period		(6.478)	(2.088.306)

Attributable to:

		2010	2009
Owners of the Company		(69.564)	(2.134.031)
Non-controlling interest		63.086	45.725
		(6.478)	(2.088.306)

Loss per share:

	Notes	2010	2009
Basic and diluted loss per share	6	(0,01)	(0,24)

All amounts are in thousands of ISK

Condensed Consolidated Interim Statement of Comprehensive Income for the period 1 January - 30 June 2010

	1 January - 30 June 2010	2009
Loss for the period	(6.478)	(2.088.306)
Other Comprehensive Income		
Translation difference of foreign operations	(295.368)	141.069
Cash flow hedge	(781.866)	(285.453)
Tax on items taken directly to equity	140.629	42.700
	(936.605)	(101.684)
Total comprehensive income	(943.083)	(2.189.990)
Attributable to:		
Owners of the Company	(973.824)	(2.223.379)
Non-controlling interest	30.741	33.389
	(943.083)	(2.189.990)

All amounts are in thousands of ISK

Condensed Consolidated Interim Statement of Financial position at 30 June 2010

	Notes	30.6.2010	31.12.2009
Assets			
Non-current assets			
Property,plant and equipment	7	15.145.088	15.644.037
Intangible assets	8	62.796.309	64.402.585
Investments in associated companies		240.846	258.090
Investments in other companies		34.064	34.064
Other investment		49.736	0
Deferred tax assets		1.451.879	1.017.207
Non-current assets		79.717.922	81.355.983
Current assets			
Inventories	9	1.521.948	1.672.057
Accounts receivables		6.168.592	5.886.574
Other assets	10	11.693.785	11.459.279
Cash and cash equivalents		16.560.625	20.323.575
Current assets		35.944.950	39.341.485
Total Assets		115.662.872	120.697.468
Equity and Liabilities			
Equity			
Share capital	11	8.724.523	8.724.523
Reserves		8.812.542	8.812.542
Translation reserves		(431.220)	473.041
Retained earnings		7.162.634	7.232.197
Equity holders of the parent		24.268.479	25.242.303
Minority interest		279.942	282.543
Total Equity		24.548.421	25.524.846
Non-current liabilities			
Borrowings	12	76.514.936	80.119.493
Deferred tax liabilities		500.795	403.239
Non-current liabilities		77.015.731	80.522.732
Current liabilities			
Bank loans		1.012.962	1.163.640
Accounts payables		5.150.127	5.519.268
Current maturities of borrowings		3.712.841	3.850.224
Other current liabilities		4.222.790	4.116.758
Current liabilities		14.098.720	14.649.890
Total liabilities		91.114.451	95.172.622
Total equity and liabilities		115.662.872	120.697.468

All amounts are in thousands of ISK

Condensed Consolidated Interim Statement of Changes in Equity for the period 1 January - 30 June 2010

	Share capital	Reserves	Translation reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total equity
Total equity 1.1.2009	8.724.523	9.022.504	720.174	17.561.846	36.029.047	518.170	36.547.217
Total comprehensive loss for the period			(89.348)	(2.134.031)	(2.223.379)	33.389	(2.189.990)
Change in non-controlling interest				252.619	252.619	(252.619)	0
Dividend paid					0	(38.443)	(38.443)
Total equity 30.06.2009	8.724.523	9.022.504	630.826	15.680.434	34.058.287	260.497	34.318.784
Total equity 1.1.2010	8.724.523	8.812.542	473.041	7.232.197	25.242.303	282.543	25.524.846
Total comprehensive loss for the period			(904.260)	(69.564)	(973.824)	30.741	(943.083)
Change in non-controlling interest					0	(33.342)	(33.342)
Total equity 30.6.2010	8.724.523	8.812.542	(431.220)	7.162.634	24.268.479	279.942	24.548.421

All amounts are in thousands of ISK

Condensed Consolidated Interim Statement of Cash Flow for the period 1 January - 30 June 2010

	2010	2009
Cash flow from operating activities		
Operating profit for the period	1.694.171	1.526.710
Operational items not affecting cash flow:		
Depreciation and amortisation	2.049.069	2.706.561
Gain on sale of fixed assets	(3.396)	(229)
Changes in current assets and liabilities	(182.930)	(10.122)
Cash generated by operation	3.556.914	4.222.920
Interest income received during the period	152.294	505.465
Payments of taxes during the period	(214.639)	(81.384)
Interest expenses paid during the period	(1.771.879)	(1.010.522)
Net cash from operating activities	1.722.690	3.636.479
Investing activities		
Investment in property, plant and equipment	(1.263.754)	(997.712)
Investment in intangible assets	(120.886)	(437.491)
Proceeds from sale of property, plant and equipment	11.570	20.496
Changes in other investments	675	8.791
Changes in investment in other companies	(51.482)	(451.680)
Investing activities	(1.423.877)	(1.857.596)
Financing activities		
Dividend paid	0	(38.443)
New borrowings	0	24.849
Payments of non-current liabilities	(1.829.677)	(1.673.458)
Bank loans, increase (decrease)	0	61.715
Financing activities	(1.829.677)	(1.625.337)
Increase (decrease) in cash and cash equivalents	(1.530.864)	153.546
Effects of exchange rate changes on the balance of cash	(2.232.086)	773.268
Cash and cash equivalents at the beginning of the year	20.323.575	20.492.583
Cash and cash equivalents at the end of the period	16.560.625	21.419.397

All amounts are in thousands of ISK

Notes to the Condensed Consolidated Interim Financial Statements

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 2010 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 Statments 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 2009.

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 2009.

3. Segment Reporting

The Company uses geographical markets as its primary segments.

Six months ended 30 June 2010	Domestic business	International business	Total
Net sales	11.647.550	7.993.650	19.641.200
Gross profit	5.242.402	1.945.525	7.187.927
Other operating income	178.500	0	178.500
Operating expense	(4.533.414)	(1.138.842)	(5.672.256)
Operating profit for the period	887.488	806.683	1.694.171
Net financial items	(1.700.839)	(495)	(1.701.334)
Share of loss in associates	(5.596)	0	(5.596)
Income tax	256.128	(249.847)	6.281
Profit / (loss) for the period from operations	(562.819)	556.341	(6.478)
Capital additions	1.085.205	299.435	1.384.640
Depreciation and Amortisation included above	1.732.145	316.924	2.049.069
Assets	100.773.122	14.889.750	115.662.872
Liabilities	85.873.124	5.241.327	91.114.451

All amounts are in thousands of ISK

Notes to the Condensed Consolidated Interim Financial Statements

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 for the period	1.657.636	(130.926)	1.526.710
Net financial items	(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	(1.654.012)	(434.294)	(2.088.306)
Capital additions	945.758	489.445	1.435.203
Depreciation and Amortisation included above	1.736.122	255.236	1.991.358
Assets	111.385.841	19.678.703	131.064.544
Liabilities	89.375.546	7.370.214	96.745.760

4. Net sales

	1.1 - 30.6. 2010	1.1 - 30.6. 2009
Sales of services	19.563.251	19.068.796
Sales of goods	77.949	691.732
	19.641.200	19.760.528

No customer comprises more than 10% of net sale.

5. Net financial items

	1.1 - 30.6. 2010	1.1 - 30.6. 2009
Financial income		
Interest income	163.898	523.223
Income from investments	1.351	5.762
	165.249	528.985
Finance expenses		
Interest on borrowings	(1.832.740)	(2.134.252)
Indexation expenses	(509.890)	(670.545)
Other financial expenses	(98.249)	(116.589)
	(2.440.879)	(2.921.386)
Net exchange rate differences	574.296	(1.190.151)
Net financial items	(1.701.334)	(3.582.552)

All amounts are in thousands of ISK

6. Loss per share

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

	30.6.2010	30.6.2009
Net loss for the 6 months ended 30 June attributable to equity holders	(69.564)	(2.134.031)
Total average number of shares outstanding during the period (in thousands)	8.724.523	8.724.523
Loss per share	(0,01)	(0,24)

At period end there were neither a stock options plan or convertible loan in place. Therefore there is no diluted earnings per share.

7. Property, plant and equipment

	Telecommunication equipment	Buildings and land	Machinery and equipment	Total
At 1 January 2010				
Cost	47.782.226	2.215.934	2.155.888	52.154.048
Accumulated depreciation	(34.564.952)	(510.848)	(1.434.211)	(36.510.011)
Net book value	13.217.274	1.705.086	721.677	15.644.037
Six months ended 30 June 2010				
Opening net book value	13.217.274	1.705.086	721.677	15.644.037
Additions and exchange differences	1.096.745	16.303	114.853	1.227.901
Disposals and reclassification	(5.046)	(33.675)	30.547	(8.174)
Depreciation	(1.531.003)	(43.049)	(144.624)	(1.718.676)
Net book value at 30 June	12.777.970	1.644.665	722.453	15.145.088
At 30 June 2010				
Cost	48.718.298	2.185.785	2.261.340	53.165.423
Accumulated depreciation	(35.940.328)	(541.120)	(1.538.887)	(38.020.335)
Net book value	12.777.970	1.644.665	722.453	15.145.088

Depreciation and Amortisation (see note 8) are specified as follows in the income statement:

	1.1 - 30.6. 2010	1.1 - 30.6. 2009
Cost of sales	1.456.002	1.427.341
Operating expenses	593.067	564.017
Total	2.049.069	1.991.358

Notes to the Condensed Consolidated Interim Financial Statements

8. Intangible assets

	Goodwill	Software	Other Intangibles	Total
At 1 January 2010				
Cost	68.094.086	4.657.721	4.766.981	77.518.788
Accumulated amortisation	(7.515.986)	(3.905.142)	(1.695.075)	(13.116.203)
Net book value	60.578.100	752.579	3.071.906	64.402.585
Six months ended 30 June 2010				
Opening net book value	60.578.100	752.579	3.071.906	64.402.585
Additions and exchange differences	(1.235.451)	75.924	(116.356)	(1.275.883)
Amortisation	0	(150.105)	(180.288)	(330.393)
Net book value at 30 June	59.342.649	678.398	2.775.262	62.796.309
At 30 June 2010				
Cost	66.685.694	4.680.106	4.381.917	75.747.717
Accumulated amortisation	(7.343.045)	(4.001.708)	(1.606.655)	(12.951.408)
Net book value	59.342.649	678.398	2.775.262	62.796.309

9. Inventories

	30.6.2010	31.12.2009
Finished goods	940.068	1.111.510
Work in progress	211.825	183.290
TV programs for screening	370.055	377.257
Inventory total	1.521.948	1.672.057

10. Other current assets

	30.6.2009	31.12.2009
Derivative financial instruments	10.450.570	10.450.570
Prepayments and accrued income	614.090	413.135
Other current assets	629.125	595.574
Other current assets total	11.693.785	11.459.279

For the whole year 2008 Skipti hedged it's foreign exchange risk with derivative agreements with Glitnir bank and Kaupthing bank (the Banks). In early October 2008 the Icelandic Financial Supervisory Authority (the FSA) used power granted by the Icelandic Parliament to take control of the banks. Later in that month the FSA decided to transfer a substantial part of the Banks assets and operations into new banks, New Glitnir bank and New Kaupthing bank (the New Banks). However, as a general rule the New Banks did not take over derivative agreements, including Skipti's hedging agreements. Skipti formally lodged claims against New Glitnir and New Kaupthing in 2009. The claims are based on the EUR/ISK rate from the Central Bank of Europe whereas in Skipti's financial statements the claims are based on exchange rates presented by the Icelandic Centreal Bank on the due dates in case of Glitnir and on Kaupthing's own calculations on due dates. Glitnir bank have declined Skipti's claim to set off the assets under the agreement of total ISK 9.510 million (2009: ISK 9.510 million) against Skipti's debt at the Bank. Legal proceedings have been initiated against the Banks to reclaim the derivative contracts. The final treatment of Skipti's derivative agreement at the Bank is therefore subject to uncertainty.

All amounts are in thousands of ISK

11. Share capital

Issued shares at the end of the period amounted to 9.650 million shares with a par value of ISK 1 per share. Own shares amounted to ISK 926 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 1.830 million were made in line with previously disclosed repayment terms.

Skipti is engaged in discussions with its creditors which have requested that repayment of the company's debt is accelerated from the terms stipulated in the loan agreement. Skipti's liquidity position is strong, however, the company's debts have increased with the fall of the Icelandic króna, as a part of the company's borrowings are in foreign currencies. Skipti had entered into currency swap agreements with the Icelandic banks to hedge against the fall of the króna, however the banks have failed to fulfil the contracts. When the debt, calculated in Icelandic króna, increased it was the assessment of the creditors that the terms of the loan agreement had been disrupted, and they requested acceleration in repayment of the loan facilities using available cash at Skipti. The Company is engaged in constructive discussion with its creditors on this issue and the Directors expect to reach a conclusion shortly.

The terms of the loan agreement include various provisions that limit certain actions by the Company without prior consulting with the lenders. In addition the loan agreements include certain financial covenants.

13. Related party transactions

The Company had no material transactions with related parties during the period.

14. Events after the balance sheet date

In June the Company signed agreement to sell of all of its shares in Sirius IT Holding A/S to Visma AS. The proceeds will be received in cash. The completion of the transaction was on the 22 July 2010. The effects of the sale on the income statement are postive by approximately ISK 3.300 million.

In July Tæknvörur ehf. admitted to being in breach of competition law by concluding and implementing certain illegal agreements. In a settlement reached with the Competion Authority, Skipti, Síminn and Tæknivörur, agreed to be liable in solidum to a ISK 400 million fine. The case is fully closed, as regards the Skipti consortium.

15. 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 25 August 2010.