365 hf.

Condensed Consolidated
Interim Financial Statements
1 January - 30 June 2008
ISK

365 hf.
Skaftahlíð 24
105 Reykjavík
Iceland

Reg. no. 600898-2059

Contents

Endorsement and Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements of 365 hf. ("the Company") for the period 1 January to 30 June 2008 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for interim financial statements (IAS 34). The interim financial statements comprise the consolidated interim financial statements of 365 hf. and its subsidiaries ("the Group").

On 1 July 2008 at a Shareholders' Meeting representing 88.5% of the total share capital, a motion was approved to apply for de-listing of the Company's shares from the OMX Nordic Exchange in Iceland. Shareholders were offered to sell their shares in 365 hf. at purchase price of 1.2 per share. The offer lasted until 23 July 2008 and 7.2% of shareholders accepted the offer. The shareholders who did not accept the offer will retain their shares in 365 hf.

According to the income statement, loss for the period amounted to ISK 2,117 million. According to the balance sheet, equity at the end of June 2008 amounted to ISK 2,581 million, including share capital in the amount of ISK 3,354 million.

At the last annual general meeting the Board of Directors was authorised to increase share capital by a maximum market value of ISK 1,500 million. It is the Board of Directors' intention to increase the share capital to be able to make payments on long-term loans due within the next few months. The largest shareholders of the Company's have agreed to participate in the increase of the share capital. The Board of Directors is working on strengthening further the financial position of the Company.

Statement by the Board of Directors and CEO

To the best of our knowledge it is our opinion that the condensed consolidated interim financial statements give a true and fair view of the consolidated financial performance of the Company for the six month period ended 30 June 2008, its assets, liabilities and consolidated financial position as at 30 June 2008 and its consolidated cash flows for the period then ended.

Further, in our opinion the condensed consolidated interim financial statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and financial performance of the Group's operations and its financial position and fairly describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the condensed consolidated interim financial statements of 365 hf. for the period 1 January to 30 June 2008 and confirm them by means of their signatures.

Reykjavík, 25 July 2008.

The Board of Directors:

Jón Ásgeir Jóhannesson, chairman of the board

Magnús Ármann

Matthías Imsland

Soffía Lárusdóttir

Þorsteinn M. Jónsson

CEO:

Ari Edwald

Independent Auditor's Review Report

To the Board of Directors of 365 hf.

Introduction

We have reviewed the accompanying condensed financial statements of 365 hf., which comprise the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement 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 by 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 30 June 2008, and of its financial performance and its cash flows for the interim period then ended in accordance with in accordance with IAS 34, ‘Interim Financial Reporting’.

Reykjavík, 25 July 2008.

KPMG hf.

Anna Þórðardóttir

Kristrún Ingólfsdóttir

Consolidated Interim Income Statement
for the Six Months Ended 30 June 2008

	Note	Q2 2008 1.4.-30.6.	Q2 2007 1.4.-30.6.	Q1-Q2 2008 1.1.-30.6.	Q1-Q2 2007 1.1.-30.6.
Revenue	8	3.520	2.814	6.981	5.495
Cost of services and goods sold		(2.432)	(1.717)	(4.771)	(3.482)
Gross profit		1.088	1.097	2.210	2.013
Other income		8	0	8	0
Operating expenses		(1.096)	(956)	(2.151)	(1.838)
Impairment loss of goodwill	7	(438)	0	(438)	0
Results from operating activities		(438)	141	(371)	175
Finance income		75	213	132	393
Finance expense		(677)	(376)	(1.914)	(563)
Net finance income and expense	10	(602)	(163)	(1.782)	(170)
Share of loss of associates, net of income tax		(13)	(21)	(68)	(78)
Loss before income tax		(1.053)	(43)	(2.221)	(73)
Income tax	11	(94)	(2)	104	(7)
Loss for the period		(1.147)	(45)	(2.117)	(80)
Attributable to:					
Equity holders of the Company		(1.137)	(41)	(2.091)	(78)
Minority interest		(10)	(4)	(26)	(2)
Loss for the period		(1.147)	(45)	(2.117)	(80)
Earnings per share:					
Basic loss per share (ISK)		(0,339)	(0,012)	(0,623)	(0,024)
Diluted loss per share (ISK)		(0,339)	(0,012)	(0,623)	(0,024)

The notes on pages 9 to 16 are an integral part of these condensed consolidated interim financial statements.

Amounts are in ISK million

Consolidated Interim Balance Sheet
as at 30 June 2008

	Note	30.6.2008	31.12.2007
Assets:			
Intangible assets		8.576	8.551
Programme rights		254	195
Operating assets		1.002	965
Investments in associates		308	323
Other investments		573	675
Deferred tax asset		298	188
Total non-current assets		11.011	10.897
Inventories		311	257
Programme rights		601	536
Trade and other receivables	12	2.091	2.803
Cash and cash equivalents		207	190
Total current assets		3.210	3.786
Total assets		14.221	14.683
Equity:			
Share capital	13	3.354	3.354
Share premium		0	921
Reserves		129	19
Accumulated deficit		(1.170)	0
Total equity attributable to equity holders of the Company		2.313	4.294
Minority interest		268	251
Total equity		2.581	4.545
Liabilities:			
Loans and borrowings	14	6.864	5.780
Total non-current liabilities		6.864	5.780
Loans and borrowings	14	1.834	1.489
Trade and other payables		2.631	2.558
Provisions		155	155
Deferred income		156	156
Total current liabilities		4.776	4.358
Total liabilities		11.640	10.138
Total equity and liabilities		14.221	14.683

The notes on pages 9 to 16 are an integral part of these condensed consolidated interim financial statements.

Amounts are in ISK million

Consolidated Interim Statement of Changes in Equity
for the Six Months Ended 30 June 2008

	Attributable to equity holders of the Company								**Minority interest**	**Total equity**
			Reserve							
	Share capital	Share premium	Share option reserve	Trans-lation reserve	Hedging reserve	Fair value reserve	Accumu-lated deficit	Total		
Balance at 1 January 2007	3.188	2.891	3	0	4	0	0	6.086	51	6.137
Foreign currency translation differences for foreign operations				(178)		(56)		(234)	(2)	(236)
Net change in fair value of cash flow hedges, net of tax					(33)			(33)		(33)
Expenses recognised directly in equity			0	(178)	(33)	(56)	0	(267)	(2)	(269)
Loss for the period							(78)	(78)	(2)	(80)
Total recognised income and expenses for the period			0	(178)	(33)	(56)	(78)	(345)	(4)	(349)
Issued share capital	142	486						628		628
Own shares acquired	(6)	(22)						(28)		(28)
Share-based payments			15					15		15
Transfered to accumulated deficit		(78)	0		0		78	0		0
Balance at 30 June 2007	3.324	3.277	18	(178)	(29)	(56)	0	6.356	47	6.403
Balance at 1 January 2008	3.354	921	32	(11)	(2)	0	0	4.294	251	4.545
Foreign currency translation differences				73				73	43	116
Net change in fair value of cash flow hedges, net of tax			0		39			39		39
Income recognised directly in equity			0	73	39	0		112	43	155
Loss for the period							(2.091)	(2.091)	(26)	(2.117)
Total recognised income and expenses for the period			0	73	39	0	(2.091)	(1.979)	17	(1.962)
Share-based payments			(2)					(2)		(2)
Transfered to accumulated deficit		(921)					921	0		0
Balance at 30 June 2008	3.354	0	30	62	37	0	(1.170)	2.313	268	2.581

The notes on pages 9 to 16 are an integral part of these condensed consolidated interim financial statements.

Amounts are in ISK million

Consolidated Interim Statement of Cash Flows
for the Six Months Ended 30 June 2008

	Note	2008 1.1.-30.6.	2007 1.1.-30.6.
Cash flows from operating activities:			
Loss for the period		(2.117)	(80)
Adjustments for operating items	15	2.800	(170)
Cash provided by (used in) operations before interest and taxes		683	(250)
Interest received		121	55
Interest paid		(549)	(462)
Net cash provided by (used in) operating activities		255	(657)
Cash flows from investing activities:			
Proceeds from sale of intangible assets		0	365
Acquisition of intangible assets		(7)	0
Proceeds from sale of operating assets		47	0
Acquisition of operating assets		(251)	(151)
Acquisition of subsidiaries, net of cash acquired	7	(182)	(84)
Securities, change		0	(106)
Net cash (used in) provided by investing activities		(393)	24
Cash flows from financing activities:			
Proceeds from non-current borrowings		15	0
Repayment of borrowings		(96)	(2.897)
Short-term borrowing, change		216	3.325
Other financing activities		0	(6)
Net cash provided by financing activities		135	422
Net increase (decrease) in cash during the period		(3)	(211)
Cash and cash equivalents at 1 January		190	944
Effect of exchange rate fluctuations on cash held		20	0
Cash and cash equivalents at 30 June		207	733
Investing and financing activities not affecting cash flows	15		

The notes on pages 9 to 16 are an integral part of these condensed consolidated interim financial statements.

Amounts are in ISK million

Notes to the Consolidated Interim Financial Statements

1. **Reporting entity**

365 hf. (the "Company") is a limited liability company incorporated and domiciled in Iceland. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The condensed consolidated financial statements were approved by the Board of Directors of 365 hf. on 25 July 2008.

2. **Statement of compliance**

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* .

They do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended 31 December 2007.

3. **Significant accounting policies**

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2007. The consolidated financial statements for the Group as at and for the year ended 31 December 2007 are available upon request from the Company's registered office at Skaftahlíð 24, Reykjavík, at www.365.is or at The Nordic Stock Exchange website, www.omxgroup.com.

4. **Significant judgements and accounting estimates**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

5. Segment reporting

Business segments

For the six months ended 30 June	Media		Entertainment		Other		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
External revenue	4.433	3.820	2.563	1.675	0	0			6.996	5.495
Inter-segment revenue ..	240	49	402	350	0	0	(649)	(399)	(7)	0
Segment revenue	4.673	3.869	2.965	2.025	0	0	(649)	(399)	6.989	5.495
Depreciation and amortization	(175)	(135)	(89)	(95)	0	(8)	0	0	(264)	(238)
Impairment loss	(438)	0	0	0	0	0	0	0	(438)	0
Share of loss of associates	(67)	(40)	(1)	(9)	0	(29)	0	0	(68)	(78)
Segment result	(355)	131	(20)	17	(57)	(51)	(7)	0	(439)	97
Net finance income and expense									(1.782)	(170)
Income tax									104	(7)
Loss for the period									(2.117)	(80)

Amounts are in ISK million

Notes, continued:

6. ## Quarterly statements

Summary of the Group's operating results by quarters:

	2008		2007			
	Q1	Q2	Q1	Q2	Q3	Q4
Revenue	3.461	3.520	2.681	2.814	2.835	4.051
Cost of services and goods sold	(2.339)	(2.432)	(1.765)	(1.717)	(1.718)	(2.704)
Gross profit	**1.122**	**1.088**	**916**	**1.097**	**1.117**	**1.347**
Other operating revenue	0	8	0	0	35	33
Operating expenses	(1.055)	(1.096)	(882)	(956)	(929)	(1.097)
Impairment loss of goodwill	0	(438)	0	0	0	(89)
Results from operating activities	67	(438)	34	141	223	194
Net finance income and expenses	(1.180)	(602)	(7)	(163)	(214)	(262)
Share of (loss) profit of associates	(55)	(13)	(57)	(21)	39	(43)
(Loss) profit before income tax	(1.168)	(1.053)	(30)	(43)	48	(111)
Income tax	198	(94)	(5)	(2)	(8)	(37)
(Loss) profit from continuing operations	**(970)**	**(1.147)**	**(35)**	**(45)**	**40**	**(148)**
Loss from discontinued operations, net of income tax	0	0	0	0	0	(2.095)
(Loss) profit for the period	**(970)**	**(1.147)**	**(35)**	**(45)**	**40**	**(2.243)**
Attributable to:						
Equity holders of the Company	(954)	(1.137)	(37)	(41)	38	(2.214)
Minority interest	(16)	(10)	2	(4)	2	(29)
(Loss) profit for the period	**(970)**	**(1.147)**	**(35)**	**(45)**	**40**	**(2.243)**

The quarterly statements have not been reviewed by the auditors.

Condensed Consolidated Interim Financial Statements of 365 hf. 30 June 2008 11 Amounts are in ISK million

7. Acquisition of subsidiary

Business combination

During the period the Group acquired additional 62.7% share in its former associated company Pósthúsið ehf. from its shareholders. The acquisition price amounted to ISK 195 million and was settled with cash payment. Following the acquisition the Group owned all shares in Pósthúsið ehf. Pósthúsið ehf. is a part of the Group from 1 April 2008. The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pósthúsið ehf.
Operating assets	17
Current assets	67
Non-current liabilities	(4)
Current liabilities	(871)
Equity at acquisition date	(791)
Additional interest acquired 62.7%	(496)
Receivables from Pósthúsið ehf. (previously written down)	253
Goodwill at acquisition	438
Total purchase price, satisfied in cash	195
Cash and cash equivalents acquired	(13)
Net cash outflow	182

The management decided to write down the goodwill due to impairment loss. The total write down amounted to ISK 438 million which brings goodwill down to zero.

8. Revenue

Revenue is specified as follows:	2008 1.1.-30.6.	2007 1.1.-30.6.
Goods sold	917	1.031
Services	6.064	4.464
Total revenues	6.981	5.495

Condensed Consolidated Interim Financial Statements of 365 hf. 30 June 2008 12 Amounts are in ISK million

Notes, continued:

9. Depreciation, amortisation and impairment

The Group's depreciation charge in the income statement is specified as follows:	2008 1.1.-30.6.	2007 1.1.-30.6.
Depreciation of operating assets	181	166
Amortisation of intangible assets	83	72
Impairment loss of goodwill of Pósthúsið ehf.	438	0
Depreciation and amortisation recognised in the income statement	702	238

Depreciation, amortisation and impairment are allocated to income statement items as specified:

Cost of services and goods sold	85	73
Operating expenses	179	165
Impairment loss of goodwill	438	0
Total depreciation and amortisation	702	238

10. Finance income and expense

Finance income and expense are specified as follows:

Interest income	132	54
Net foreign exchange gain	0	321
Capital gains on the sale of shares in other companies	0	4
Fair value adjustments of derivatives	0	14
Finance income	132	393
Interest expenses	(741)	(563)
Net foreign exchange loss	(1.083)	0
Other finance expense	(90)	0
Finance expense	(1.914)	(563)
Net finance income and expense	(1.782)	(170)

11. Income tax

The effective tax rate for the first six months was 4.7% (1.1. - 30.6.2007: (9.6%)). The change is mainly attributable to unrecognised tax losses carried forward due to uncertainty of utilisation, non-deductible expenses and the change in the Company's domestic tax rate.

In May 2008 the Icelandic Parliament approved a decrease in the income tax rate from 18% to 15% as of 1 January 2008 and the change will become effective in the tax assessment of the year 2009. Due to this the deferred tax liability has decreased by 24 million compared to 31 December 2007. The decrease is recognised in the second quarter in profit and loss.

Amounts are in ISK million

11. ## Income tax, continued:

Reconciliation of effective tax rate		2008 1.1.-30.6.		2007 1.1.-30.6.
Loss before income tax		(2.221)		(73)
Income tax using the Company's domestic tax rate	15,0%	333	18,0%	13
Change in domestic tax rate from 18% to 15%	(1,1%)	(24)	0,0%	0
Effect of tax rates in foreign jurisdictions	0,1%	3	0,0%	0
Unrecognised tax losses carried forward	(6,3%)	(139)	0,0%	0
Non-deductible expenses	(3,0%)	(66)	0,0%	0
Associates	(0,5%)	(12)	(19,2%)	(14)
Other	0,4%	9	(8,2%)	(6)
Effective tax rate	4,7%	104	(9,6%)	(7)

12. ## Trade and other receivables

Trade and other receivables	30.6.2008	31.12.2007
Trade receivables	1.646	2.185
Other receivables	136	312
Allowance for bad debt	(111)	(105)
Prepaid expense	420	411
Total trade and other receivables	2.091	2.803

13. ## Equity

Issued capital

The Company holds own shares amounting to a nominal amount of ISK 76 million, own shares are deducted from equity. Issued capital at end of June amounted to ISK 3,430 million and is all paid for.

Amounts are in ISK million

14. Loans and borrowings

Terms and conditions of outstanding loans were as follows:

	Weighted average interest rate	30.6.2008 Carrying amount	31.12.2007 Carrying amount
Debt in ISK, indexed	5,97%	4.062	3.669
Debt in ISK	16,89%	817	1.082
Debt in EUR	6,63%	812	481
Debt in USD	6,52%	220	155
Debt in GBP	8,04%	984	778
Debt in JPY	3,27%	216	136
Debt in CHF	5,07%	875	550
Debt in CAD	6,05%	265	168
Debt in DKK	6,60%	41	250
Debt in SEK	7,05%	406	0
Non-current loans and borrowing, including current portion		8.698	7.269
Current portion of non-current loans and borrowings		(1.834)	(1.489)
Total loans and borrowings		6.864	5.780

It is the Board of Directors' intention to increase the share capital to be able to make payments on long-term loans due within the next few months. The largest shareholders of the Company have agreed to participate in the increase of the share capital.

15. Statement of cash flows

Loss for the period, in the statement of cash flows is adjusted for items specified here below in the statement of cash flows:

	2008 1.1.-30.6.	2007 1.1.-30.6
Depreciation of operating assets	702	238
Net finance income and expenses	1.782	170
Share of loss of associates	68	78
Gain on the sale of operating assets	(7)	0
Income tax	(104)	7
Other items	(2)	(22)
Inventories and programme rights, increase	(179)	(212)
Trade and other receivables, decrease	719	56
Trade and other payables, decrease	(179)	(485)
	2.800	(170)

Amounts are in ISK million

15. ## Statement of cash flows, continued

Investing and financing activities not affecting cash flows are specified as follows:

	2008 1.1.-30.6.	2007 1.1.-30.6
Investment in subsidiary	(776)	0
Investment in other companies	0	(258)
Issue of share capital and sale of own shares	0	628
Sale of share in associated company	0	2.497
Sold other investments	0	145
Long-term and short-term receivables	0	(2.502)
Liabilities	0	(510)
Receivables	776	0

16. ## Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries, associates, and with its directors and executive officers.

Transactions with associates

The Group purchased services from associates during the period in the amount of ISK 736 million (1.1.-30.6.2007: ISK 887 million). Payable outstanding as at end of June amounted to ISK 103 million (31.12.2007: receivables amounted to ISK 451 million). Transactions with associates are priced on an arm's length basis.

Transactions with shareholders

During the period the Group acquired additional 62.7% share in its former associated company Pósthúsið ehf. from its shareholders. The acquisition price amounted to ISK 195 million and was settled with cash payment.

17. ## Subsequent events

De-listing of the Company

On 1 July 2008 at a Shareholders' Meeting representing 88.5% of the total share capital, a motion was approved to apply for de-listing of the Company's shares from the OMX Nordic Exchange in Iceland. Shareholders were offered to sell their shares in 365 hf. at purchase price of 1.2 per share. The offer lasted until 23 July 2008 and 7.2% of shareholders accepted the offer. The shareholders who did not accept the offer will retain their shares in 365 hf.

Amounts are in ISK million