

365 hf.

**Condensed Consolidated
Interim Financial Statements**

1 January - 31 March 2008

ISK

365 hf.
Skaftahlíð 24
105 Reykjavík
Iceland

Reg. no. 600898-2059

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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 31 March 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").

According to the income statement, loss for the period amounted to ISK 970 million. According to the balance sheet, equity at the end of March 2008 amounted to ISK 3,691 million, including share capital in the amount of ISK 3,354 million.

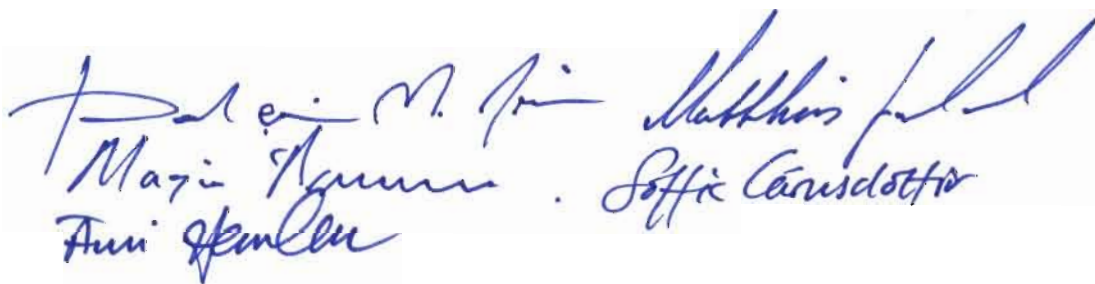
These condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

To the best of our knowledge the condensed consolidated interim financial statements of 365 hf. for the period 1 January to 31 March 2008 give a true and fair view of the assets, liabilities, financial position and financial performance of the Company.

Further, in our opinion the condensed consolidated interim financial statements and the endorsement of the Board of Directors and the CEO gives 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.

Reykjavik, 6 May 2008.

The Board of Directors:



Handwritten signatures of the Board of Directors and CEO. The signatures are in blue ink and include the names: Magni Gunnarsson, Soffia Carusdottir, and Anni Stefánsdóttir.

CEO:

Condensed Consolidated Interim Income Statement

for the Three Months Ended 31 March 2008 and 2007

	Note	2008 1.1.-31.3.	2007 1.1.-31.3.
Revenue	7	3,461	2,681
Cost of services and goods sold		<u>(2,339)</u>	<u>(1,765)</u>
Gross profit		1,122	916
Operating expenses		<u>(1,055)</u>	<u>(882)</u>
Results from operating activities		67	34
Finance income		57	180
Finance expense		<u>(1,237)</u>	<u>(187)</u>
Net finance income and expense	8	<u>(1,180)</u>	<u>(7)</u>
Share of loss of associates, net of income tax		<u>(55)</u>	<u>(57)</u>
Loss before income tax		<u>(1,168)</u>	<u>(30)</u>
Income tax		<u>198</u>	<u>(5)</u>
Loss for the period		<u><u>(970)</u></u>	<u><u>(35)</u></u>
Attributable to:			
Equity holders of the Company		<u>(954)</u>	<u>(37)</u>
Minority interest		<u>(16)</u>	<u>2</u>
Loss for the period		<u><u>(970)</u></u>	<u><u>(35)</u></u>
Earnings per share:			
Basic loss per share (ISK)	16	<u>(0,284)</u>	<u>(0,011)</u>
Diluted loss per share (ISK)	16	<u>(0,284)</u>	<u>(0,011)</u>

The notes on pages 8 to 17 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Balance Sheet

as at 31 March 2008 and 2007

	Note	31.3.2008	31.12.2007
Assets:			
Intangible assets	9	8.602	8.551
Programme rights	10	199	195
Operating assets	11	967	965
Investments in associates		314	323
Other investments		663	675
Deferred tax asset		401	188
Total non-current assets		11.146	10.897
Inventories	12	273	257
Programme rights	10	585	536
Trade and other receivables	13	2.350	2.803
Cash and cash equivalents	14	368	190
Total current assets		3.576	3.786
Total assets		14.722	14.683
 Equity:			
Share capital		3.354	3.354
Share premium		0	921
Reserves		105	19
Deficit		(33)	0
Total equity attributable to equity holders of the Company	15	3.426	4.294
Minority interest		265	251
Total equity		3.691	4.545
 Liabilities:			
Loans and borrowings	18	6.711	5.780
Total non-current liabilities		6.711	5.780
Loans and borrowings	18	1.479	1.489
Trade and other payables	17	2.536	2.558
Provisions		155	155
Deferred income		150	156
Total current liabilities		4.320	4.358
Total liabilities		11.031	10.138
Total equity and liabilities		14.722	14.683

The notes on pages 8 to 17 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity for the Three Months Ended 31 March 2008 and 2007

	Attributable to equity holders of the Company						Minority interest	Total equity	
	Share capital	Share premium	Share option reserve	Reserve	Hedging reserve	Retained earnings			Total
				Trans-lation reserve					
Balance at 1 January 2007	3.188	2.890	4	0	4	0	6.086	51	6.137
Net change in fair value of cash flow hedges, net of tax				(19)	(19)		(19)		(19)
Income recognised directly in equity				(19)	(19)		(19)		(19)
Loss for the period					(37)		(37)	2	(35)
Total recognised income and expenses for the period					(19)	(37)	(56)	2	(54)
Issued share capital	121	390					511		511
Share-based payments			10				10		10
Transfer to accumulated deficit		(37)				37	0		0
Balance at 31 March 2007	3.309	3.243	14	0	(15)	0	6.551	53	6.604
Balance at 1 January 2008	3.354	921	32	(11)	(2)	0	4.294	251	4.545
Foreign currency translation differences				51			51	30	81
Net change in fair value of cash flow hedges, net of tax					31		31		31
Income (expense) recognised directly in equity				51	31		82	30	112
Loss for the period						(954)	(954)	(16)	(970)
Total recognised income and expenses for the period				51	31	(954)	(872)	14	(858)
Share-based payments			4				4		4
Transfer to accumulated deficit		(921)				921	0		0
Balance at 31 March 2008	3.354	0	36	40	29	(33)	3.426	265	3.691

The notes on pages 8 to 17 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows for the Three Months Ended 31 March 2008 and 2007

	Note	2008 1.1.-31.3.	2007 1.1.-31.3.
Cash flows from operating activities:			
Loss for the period		(970)	(35)
Adjustments for operating items	19	1.519	(196)
Cash provided by (used in) operations before interest and taxes		549	(231)
Interest received		48	22
Interest paid		(268)	(252)
Net cash provided by (used in) operating activities		329	(461)
Cash flows from investing activities:			
Proceeds from sale of intangible assets		0	10
Acquisition of intangible assets		(1)	0
Acquisition of operating assets		(88)	(55)
Securities, change		(1)	0
Net cash used in investing activities		(90)	(45)
Cash flows from financing activities:			
Repayment of borrowings		(50)	(429)
Short-term borrowing, change		0	183
Other financing activities		0	15
Net cash (used in) financing activities		(50)	(231)
Net increase (decrease) in cash during the period		189	(737)
Cash and cash equivalents at 1 January		190	944
Effect of exchange rate fluctuations on cash held		(11)	0
Cash and cash equivalents at 31 March		368	207
Investing and financing activities not affecting cash flows	19		

The notes on pages 8 to 17 are an integral part of these condensed consolidated interim financial statements.

Notes

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 three months ended 31 March 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The condensed consolidated interim financial statements were approved by the Board of Directors of 365 hf. on 6 May 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 or 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.

Notes, cont.:

5. Segment reporting

Business segments

	Media		Entertainment		Other		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
For the three months ended 31 March										
External revenue	2.213	1.839	1.248	852	0	0	0	(10)	3.461	2.681
Inter-segment revenue	42	25	254	193	0	0	(296)	(218)	0	0
Segment revenue	2.255	1.864	1.502	1.045	0	0	(296)	(228)	3.461	2.681
Depreciation and amortization	(70)	(57)	(33)	(44)	(17)	(4)			(120)	(105)
Segment result	59	(3)	8	17	(55)	(37)			12	(23)
Net financing costs									(1.180)	(7)
Income tax expense									198	(5)
Loss for the period									(970)	(35)

Notes, continued:

6. Quarterly statements

Summary of the Group's operating results by quarters:

	2008		2007		
	Q1	Q1	Q2	Q3	Q4
Revenue	3.461	2.681	2.814	2.835	4.051
Cost of services and goods sold	(2.339)	(1.765)	(1.717)	(1.718)	(2.704)
Gross profit	1.122	916	1.097	1.117	1.347
Other operating revenue	0	0	0	35	33
Operating expenses	(1.055)	(882)	(956)	(929)	(1.186)
Results from operating activities	67	34	141	223	194
Net finance income and expenses	(1.180)	(7)	(163)	(214)	(262)
Share of loss of associates	(55)	(57)	(21)	39	(43)
(Loss) profit before income tax	(1.168)	(30)	(43)	48	(111)
Income tax	198	(5)	(2)	(8)	(37)
(Loss) profit from continuing operations	(970)	(35)	(45)	40	(148)
Profit (loss) from discontinued operations, net of income tax	0	0	0	0	(2.095)
(Loss) profit for the period	(970)	(35)	(45)	40	(2.243)
Attributable to:					
Equity holders of the Company	(954)	(37)	(41)	38	(2.214)
Minority interest	(16)	2	(4)	2	(29)
(Loss) profit for the period	(970)	(35)	(45)	40	(2.243)

Notes, continued:

7. Revenue

Revenue is specified as follows:	2008	2007
	1.1.-31.3.	1.1.-31.3.
Goods sold	490	559
Services	2.971	2.122
Total revenues	<u>3.461</u>	<u>2.681</u>

8. Finance income and expense

Finance income and finance expense are specified as follows:

Interest income	57	29
Net foreign exchange gain	<u>0</u>	<u>151</u>
Finance income	<u>57</u>	<u>180</u>
Interest expenses	(297)	(187)
Net foreign exchange loss	<u>(940)</u>	<u>0</u>
Finance expense	<u>(1.237)</u>	<u>(187)</u>
Net finance income and expense	<u>(1.180)</u>	<u>(7)</u>

9. Intangible assets

The Group's intangible assets are specified as follows:

	Goodwill	Trademarks	Other intangible assets	Total
Cost				
Balance at 1 January 2007	5.192	1.853	1.958	9.003
Acquisitions during the year	17	0	83	100
Acquisitions through business combinations	187	0	8	195
Disposal	(191)	0	0	(191)
Effect of movements in exchange rates	7	0	0	7
Balance at 31 December 2007	<u>5.212</u>	<u>1.853</u>	<u>2.049</u>	<u>9.114</u>
Balance at 1 January 2008	5.212	1.853	2.049	9.114
Acquisitions during the year	0	0	20	20
Effect of movements in exchange rates	84	0	0	84
Balance at 31 March 2008	<u>5.296</u>	<u>1.853</u>	<u>2.069</u>	<u>9.218</u>

Notes, continued:

9. Intangible assets, continued

Amortisation and impairment losses

Balance at 1 January 2007	70	0	206	276
Acquisitions through business combinations	54	0	4	58
Amortisation	0	0	138	138
Impairment loss	89	0	0	89
Effect of movements in exchange rates	2	0	0	2
Balance at 31 December 2007	<u>215</u>	<u>0</u>	<u>348</u>	<u>563</u>

Balance at 1 January 2008	215	0	348	563
Amortisation	0	0	34	34
Effect of movements in exchange rates	19	0	0	19
Balance at 31 March 2008	<u>234</u>	<u>0</u>	<u>382</u>	<u>616</u>

Carrying amounts

At 1 January 2007	5.122	1.853	1.752	8.727
At 31 December 2007	<u>4.997</u>	<u>1.853</u>	<u>1.701</u>	<u>8.551</u>
At 1 January 2008	4.997	1.853	1.701	8.551
At 31 March 2008	<u>5.062</u>	<u>1.853</u>	<u>1.687</u>	<u>8.602</u>

Other intangible assets are contractual rights, license fees, subscription relations, music publishing rights, advertisement relations and software.

10. Programme rights

Programme rights and their amortisation is specified as follows:

	31.3.2008	31.12.2007
Movies	297	299
Foreign TV-series	140	118
Casted domestic programmes and / or timeless programmes	206	146
Children's programmes	25	29
Repurchased programmes, e.g. movies	6	18
Sports programmes and other programmes	64	76
Work in progress	53	51
Amortisation and impairment	(7)	(6)
Total programme rights	<u>784</u>	<u>731</u>
Deduction of current programme rights	(585)	(536)
Non current programme rights	<u>199</u>	<u>195</u>

Notes, continued:

11. Operating assets

Operating assets and their depreciation is specified as follows:

	Buildings	Machinery and equipment	Total
Cost			
Balance at 1 January 2007	120	1.914	2.034
Acquisitions during the year	0	411	411
Acquisitions through business combinations	0	27	27
Disposal	(108)	(86)	(194)
Effect of movements in exchange rates	0	5	5
Balance at 31 December 2007	12	2.271	2.283
Balance at 1 January 2008	12	2.271	2.283
Acquisitions during the period	0	69	69
Adjustments	(12)	(176)	(188)
Effect of movements in exchange rates	0	43	43
Balance at 31 March 2008	0	2.207	2.207
Depreciation and impairment losses			
Balance at 1 January 2007	14	975	989
Acquisitions through business combinations	0	76	76
Depreciation	1	343	344
Disposal	(3)	(90)	(93)
Effect of movements in exchange rates	0	2	2
Balance at 31 December 2007	12	1.306	1.318
Balance at 1 January 2008	12	1.306	1.318
Depreciation	0	86	86
Adjustments	(12)	(175)	(187)
Effect of movements in exchange rates	0	23	23
Balance at 31 March 2008	0	1.240	1.240
Carrying amounts			
At 1 January 2007	106	939	1.045
At 31 December 2007	0	965	965
At 1 January 2008	0	965	965
At 31 March 2008	0	967	967
Depreciation ratios	2%	10-33%	

Notes, continued:

11. Operating assets, continued

The Group's depreciation charge in the income statement is specified as follows:

	2008 1.1.-31.3.	2007 1.1.-31.3.
Depreciation of operating assets	86	36
Amortisation of intangible assets, see note 13	34	69
Depreciation and amortisation recognised in the income statement	<u>120</u>	<u>105</u>

Depreciation is allocated as follows to operating items:

Cost of services sold	51	70
Operating expenses	69	35
Stated in the income statement as depreciation	<u>120</u>	<u>105</u>

12. Inventories

Inventories are specified as follows:

	31.3.2008	31.12.2007
Goods for resale	230	214
Supplies	43	43
	<u>273</u>	<u>257</u>

13. Trade and other receivables

Trade and other receivables are specified as follows:

Trade receivables	1.792	2.185
Other receivables	301	312
Allowance for bad debt	(111)	(105)
Prepaid expense	339	411
Derivatives	29	0
Total trade and other receivables	<u>2.350</u>	<u>2.803</u>

14. Cash and cash equivalents

Bank balances	243	190
Market securities	125	0
Cash and cash equivalents in the statement of cash flows	<u>368</u>	<u>190</u>

Notes, continued:

15. 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 March-end amounted to ISK 3,430 and is all paid for.

16. Earnings per share

Basic earnings per share	2008 1.1.-31.3.	2007 1.1.-31.3.
Loss for the year attributable to equity holders of the parent	(954)	(37)
Share capital at the beginning of the period	3.354	3.188
Effect of bought and sold own shares	0 (11)	
Effect of the increase of share capital during the period	0	72
Calculated average share capital	<u>3.354</u>	<u>3.249</u>
Basic earnings per share (ISK)	(0,284)	(0,011)
Diluted earnings per share		
Loss for the period attributable to equity holders of the parent	(954)	(37)
Share capital at the beginning of the period	3.354	3.188
Effect of bought and sold own shares	0 (11)	
Effect of the increase of share capital during the period	0	72
Effect of share option	0	18
Calculated average share capital	<u>3.354</u>	<u>3.267</u>
Diluted earnings per share (ISK)	(0,284)	(0,011)

17. Trade and other payables

Trade and other payables are specified as follows:

	31.3.2008	31.12.2007
Trade payables	1.517	1.547
Other payables	1.019	1.009
Derivatives used for hedging	0	2
Total trade and other payables	<u>2.536</u>	<u>2.558</u>

Notes, continued:

18. Loans and borrowings

Terms and conditions of outstanding loans were as follows:

	Weighted average interest rate	31.3.2008 Carrying amount	31.12.2007 Carrying amount
Debt in ISK, indexed	6,07%	3.783	3.669
Debt in ISK	16,42%	667	1.082
Debt in EUR	6,63%	829	481
Debt in USD	5,26%	212	155
Debt in GBP	8,01%	954	778
Debt in JPY	3,22%	225	136
Debt in CHF	5,06%	871	550
Debt in CAD	6,05%	253	168
Debt in SEK	7,05%	396	250
Non-current loans and borrowing, including current portion		8.190	7.269
Current portion of non-current loans and borrowings		(1.479)	(1.489)
Total loans and borrowings		6.711	5.780

19. 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.-31.3	2007 1.1.-31.3
Depreciation of operating assets	120	105
Net finance cost	1.180	7
Share of loss of associates	55	57
Income tax	(198)	5
Inventories and programme rights, increase	(69)	(124)
Trade and other receivables, decrease	453	295
Trade and other payables, decrease	(22)	(541)
	1.519	(196)

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

Investment in other companies	0	(255)
Issue of share capital and sale of own shares	0	508
Sale of share in associated company	0	1.170
Sale of share in other company	0	110
Long-term receivables	0	(926)
Current receivables	0	(244)
Liabilities	0	(363)

Notes, continued:

20. 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 in the amount of ISK 417 million (2007: ISK 396 million). Transactions with associates are priced on an arm's length basis.

21. Ratios

The Group's primary ratios are specified as follows:

Income statement

EBITDA	187	139
EBIT	67	34

Balance sheet

	31.3.2008	31.12.2007
Current ratio - current assets / current liabilities	0,83	0,87
Equity ratio - equity / capital employed	25,1%	31,0%
Return on equity	(21,3%)	(37,2%)
Market value of outstanding shares	4.394	7.077
Change in price per share from the beginning of the year	(37,9%)	(55,9%)
Price per share	1,31	2,11