Investors news 365 hf.
Reykjavík, 6.May 2008

**Sales increased by 29% in the first quarter of 2008 compared to the same period last year; revenues were recorded at ISK 3.461 million.**
**EBITDA increased by 35% compared to the same period last year, and was ISK 187 million.**
**Cash and cash equivalents increase by ISK 178 million and was ISK 368 million at the end of the period.**
**As a result of the devaluation of the Icelandic Krona the foreign exchange loss was ISK 940 million in the first quarter of 2008.**
**Loss after taxes was ISK 970 million**

**After tax losses were ISK 970 million**

The media and entertainment company 365 hf. posted sales revenues of 3.461 million ISK in the first quarter of 2008 and EBITDA profit for the period was ISK 187 millions. The loss in the first quarter was ISK 970 million, which is contributed to the devaluation of the Icelandic Krona.

**Main results for the first quarter:**

- Sales revenue in the period was ISK 3.461 million which is an increase of ISK 780 million, or 29% when compared to the same period 2007
- Increase in pro forma sales was 9% when compared to the same period last year*
- Earnings before interest, taxes and depreciation (EBITDA) was ISK 187 million, or an increase of 35% when compared to the same period in 2007
- The media and entertainment EBITDA proportion was 5,4%
- Net finance cost was ISK 1.180 million, including a foreign exchange loss of ISK 940 million.
- Cash and cash equivalents was ISK 368 million at the end of first quarter
- Equity was ISK 3.691 million and equity ratio was 25%

**Ari Edwald, CEO: "Acceptable outcome"**
The consolidated operation was close to budgeted amounts despite some difficulties in the entertainment sector. Lower sales in international music titles and DVD contributed to the difficulties this quarter, the management team has set in motion a plan to increase the distribution of those products. The media sector operation exceeded expectations. Pro forma were satisfactory and EBITDA increased by 35% compared to the same period last year. Financial cost was ISK 970 million, the main determinants are high interest rates, inflation and great fluctuations on the foreign exchange market. At the end of the year 35% of 365 hf. debts were in foreign currency and the foreign exchange loss was ISK 940 million. 365 hf. does neither hedge against foreign exchange fluctuations nor budget for these fluctuations. The company is however protected until the end of the year in regards to procurements necessary for its operation. The management of 365 hf. regards the outcome for the first quarter as acceptable and does not find it necessary to make changes to the budgeted amounts for the year.

* Excluded from the interim financial statements for the first quarter of 2008 were EFG's foreign operations and two of Sena's subsidiaries (Concert and Þrjú Bíó, the operational company for Háskólabíó)

**365 hf. Interim financial Statements for January 1st to March 31st 2008**

**Accounting methods and the board's confirmation**

The company's interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as confirmed by EU. The board confirmed the interim financial statements on May 6, 2008.

**Income Statement**

The operation of 365 hf. is segregated into two segments, on the one hand is 365 miðlar ehf. which is the media operation and on the other hand is the entertainment segment which include Sena ehf. and EFG ehf.

| Consolidated Income Statement<br>In ISK million | 1Q2008 | 1Q2007 | Change |
|---|---|---|---|
| Sales | 3.461 | 2.681 | 780 |
| Cost of services and goods sold | (2.339) | (1.765) | (574) |
| **Gross Profit** | **1.122** | **916** | **206** |
| Other revenues | 0 | 0 | 0 |
| Operating expenses | (1.055) | (882) | (173) |
| **Results from operating activities (EBIT)** | **67** | **34** | **33** |
| Net finance cost | (1.180) | (7) | (1.173) |
| Share of loss of associates (net of income tax) | (55) | (57) | 2 |
| **Profit / (loss) before income tax** | **(1.168)** | **(30)** | **(1.138)** |
| Income tax expense | 198 | (5) | 203 |
| **Profit / (loss) from continuing operations** | **(970)** | **(35)** | **(935)** |

| Sales by segments<br>In ISK million | 2007 | 1Q 2007 | 2Q 2007 | 3Q 2007 | 4Q 2007 | 2008 | 1Q 2008 |
|---|---|---|---|---|---|---|---|
| **Media** | 8.182 | 1.864 | 2.005 | 1.945 | 2.368 | 2.255 | 2.255 |
| **Entertainment** | 4.955 | 1.045 | 980 | 1.091 | 1.839 | 1.502 | 1.502 |
| **Eliminations** | (756) | (228) | (171) | (201) | (156) | (296) | (296) |
| **Total** | 12.381 | 2.681 | 2.814 | 2.835 | 4.051 | 3.461 | 3.461 |

| EBITDA by segments<br>In ISK million | 2007 | 1Q 2007 | 2Q 2007 | 3Q 2007 | 4Q 2007 | 2008 | 1Q 2008 |
|---|---|---|---|---|---|---|---|
| **Media** | 900 | 77 | 229 | 275 | 319 | 185 | 185 |
| **Entertainment** | 345 | 65 | 56 | 72 | 152 | 40 | 40 |
| **Eliminations** | (83) | (3) | (11) | (2) | (67) | (38) | (38) |
| **Total** | 1.162 | 139 | 274 | 345 | 404 | 187 | 187 |

**Consolidated view**

Sales revenue in the period was ISK 3.461 million, an increase of 29% when compared to last year. Increase in pro forma sales was 9%. The contribution from 365 hf. operations was ISK 1.122 million in the first quarter of 2008 and the contribution margin was 32,4%. Earnings before interest, taxes and depreciation (EBITDA) was ISK 187 million, or an increase of 35% when compared to the same period in 2007, when the EBITDA was ISK 139 million. . The results from operating activities (EBIT) was ISK 67 million, but was ISK 34 million last year, an increase of 97%. Net finance cost was ISK 1.180 million, including a foreign exchange loss of ISK 940 million. The main contributor to the foreign exchange loss was due to the company's foreign currency debt. The loss in the first quarter was ISK 970 million, compared to ISK 35 million for the same period last year.

**The media segment**

The sales revenues for the media segment were ISK 2.255 million and increased by ISK 391 million from last year, which is an increase of 21%. Portion of this increase is attributable to Stöð2Sport2, which shows the English football games. The EBITDA for the media segment was ISK 185 million in the first quarter of 2008 and increased by ISK 108 million from 2007, which is an increase of 140%.

**Entertainment segment**

The sales revenues for the entertainment segment were ISK 1.502 million in the first quarter of 2008, but were ISK 1.045 million in the first quarter of last year, which is an increase of 43,7%. The main contributor to this increase is the addition of the foreign sector EFG in the latter part of 2007. The EBITDA for the entertainment segment was ISK 40 million and decreased by ISK 39 million from 2007, mostly due to a decline in whole sale of foreign music and

DVDs. The management believes this decline is temporary. EFG's management is getting a better grasp of the foreign components and the status of future projects is in good.

**Balance sheet**

Total assets according to the balance sheet dated March 31st 2008 were ISK 14.722 million, compared to ISK 14.683 million at the end of 2007. The current ratio was 0,83 at the end of March 2008, compared to 0,87 at the end of 2007. Equity ratio was 25% compared to 31% at the end of 2007. Interest bearing debt at the end of 2008 was ISK 8.190 million, but was ISK 7.267 on December 31st, 2007, which is an increase of ISK 923 million, due to the devaluation of the Icelandic Krona. Net interest bearing debt was ISK 7.822 million at the end of March 2008 compared to ISK 7.078 at the end of March 2007.

| Consolidated balance Sheet<br>In ISK million | 31.3.2008 | 31.12.2007 | Change |
|---|---|---|---|
| **Assets** | | | |
| Non current assets | 11.146 | 10.897 | 249 |
| Current assets | 3.576 | 3.786 | (210) |
| Accounts receivables | 1.792 | 2.185 | (393) |
| **Total Assets** | **14.722** | **14.683** | **39** |
| **Equity and liabilities** | | | |
| Equity | 3.691 | 4.545 | (854) |
| **Liabilities** | | | |
| Long term debt | 6.711 | 5.780 | 931 |
| Short term debt | 4320 | 4.358 | (38) |
| Interest bearing debt | 8.190 | 7.269 | 921 |
| **Liabilities total** | 11.031 | 10.138 | 893 |
| **Total Equity and Liabilities** | **14.722** | **14.683** | **39** |

**Cash Flow**

Cash provided by operations before interest and taxes was ISK 549 million, but after interest and taxes the cash from operating activities was ISK 329 million in the first quarter. Cash used for investment activities was ISK 90 million, acquisition of fixed assets was ISK 88 million and cash flows from financing activities was negative by ISK 50 million. Cash on hand at the end of March 2008 was ISK 368 million, which is an increase of ISK 178 million from the beginning of the year.

| Consolidated Cash Flow<br>In ISK million | 1Q2008 | 1Q2007 |
|---|---|---|
| Loss for the year | (970) | (35) |
| Activities not influencing cash flow | 1.519 | (196) |
| **Cash provided by / (used in) operations before interests and taxes** | **549** | **(231)** |
| Interest expense paid | 48 | 22 |
| Financial cost paid | (268) | (252) |
| **Net cash provided by (used in) operating activites** | **329** | **(461)** |
| **Investments activities** | (90) | (45) |
| **Financing activities** | (50) | (231) |
| **Net cash provided by / (used in) continuing operations** | **189** | **(737)** |
| Cash and cash equivalents at 1 January | 190 | 944 |
| Effect of excange rate fluctuations on cash held | (11) | 0 |
| **Cash and cash equivalents at 31 December** | **368** | **207** |

**The forecast for 2008**
The management confirms the previously issued budgeted turnover of ISK 13, 5-14 billion and EBITDA of ISK 1300 – 1400 million. Due to ambiguities in the economy in general it is clear that there is uncertainty in regards to operational costs and financial activities.

**Presentation**
A presentation meeting for shareholders and market participants will be held on May 7, 2008 at 08:30 at Skaftahlíð 24, on the 4th floor of the north building (offices), at the meeting Ari Edwald CEO and Lára N. Eggersdóttir CFO will present the company's results and operations.

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