

ISK 40 million profit in Q3

EBITDA in Q3 amounted to ISK 345 million and increased by ISK 502 million from the previous year
A significant turnaround in the Company's operation from the previous year

Sales revenue of the media and entertainment company 365 hf. amounted to ISK 8,330 million in the first nine months of the year. EBITDA profit amounted to ISK 758 million. Net loss for the period amounted to ISK 40 million compared to ISK 1,695 million for the same period last year in an on-going operation. Therefore, there is a significant operating turnaround.

The main operational entities of 365 hf. are 365 media ehf., and European Film Group.

Main results for the first nine months of the year:

- Sales during the period amounted to ISK 8,330 million and increased by ISK 414 million or 5.2% from the same period in 2006
- Pro forma sales increased by 9.7% from the previous year*
- Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to ISK 758 million compared to a loss of ISK 38 million for the same period in 2006 of the continuing operations
- EBITDA ratio was 9.1% compared to a negative rate of 0.5% last year
- Net finance cost amounted to ISK 384 million, including a foreign exchange gain to the amount of ISK 253 million.
- Net loss after taxes amounted to ISK 40 million.
- Equity amounted to 6,552 million and equity ratio was 40%
- Current ratio was 1.23 but at the end of year 2006 it was 0.62

Main results for Q3:

- Sales during the period amounted to ISK 2,835 million and increased by ISK 287 million or 11.3% from the same period in 2006
- Pro forma sales increased by 14.7% from the previous year*
- Profit from the sale of the Company's real estate at Vatnagarðar amounted to ISK 35 million.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to ISK 345 million compared to a loss of ISK 157 million in Q3 in year 2006
- EBITDA ratio was 12.2% compared to a negative ratio of 6.2% last year
- Net finance cost amounted to ISK 214 million, including a foreign exchange loss to the amount of ISK 15 million.
- Net profit after taxes amounted to ISK 40 million.

Ari Edwald, CEO: "A good third quarter"

"Operating results for the third quarter of the year are good both in terms of income increase and return, which affirms the turnaround of the Company's operations. Operation of the media part is still going well and the third quarter resulted in EBITDA of ISK 275 million, which is the best quarterly result in the history of the media operation.

A new television station, Sýn2 (English football) began its operation in August and starts off quite well. The Company's management believes that its entertainment component can perform even better than the results of the third quarter are revealing. Important steps were taken in this past quarter in order to reinforce the Company's financial standing; which includes the selling of assets and settlement of debts. The Company's current ratio is now 1.23 and equity ratio is 40%, which is well acceptable."

* In a Pro forma calculation the media currently operated by the Company are compared between years taking into account that the operating units Sena and D3 became a part of the group as of February 1, 2006

365 hf.'s quarterly results for the period January 1st to September 30th 2007

Accounting methods and approval of accounts

The interim financial accounts of 365 hf. are prepared in accordance with International Financial Reporting Standards no. 34 (IAS 34) on interim financial accounts. The Company's Board of Directors approved the interim financial accounts on November 1, 2007.

Income statement

The operation of 365 hf. is divided into two operating segments. The media segment includes the subsidiary 365 media ehf and the entertainment segment consists of the firms, Sena ehf, D3 ehf, Sagafilm ehf and Innn ehf.

Consolidated Income Statement			
In ISK million	1Q - 3Q 2007	1Q - 3Q 2006	Change
Sales	8.330	7.916	414
Cost of services and goods sold	(5.200)	(5.936)	736
Gross Profit	3.130	1.980	1.150
Other revenues	35	0	
Operating expenses	(2.767)	(2.440)	(327)
Results from operating activities (EBIT)	398	(460)	858
Net finance cost	(384)	(1.613)	1.229
Share of loss of associates (net of income tax)	(39)	(107)	68
Profit / (loss) before income tax	(25)	(2.180)	2.155
Income tax expense	(15)	485	(500)
Profit / (loss) from continuing operations	(40)	(1.695)	1.655
Discontinued operations	0	(3.002)	3.002
Profit / (loss) for the year	(40)	(4.697)	4.657
EBITDA	758	(38)	796

Sales by segments								
In ISK million	2006	1Q 2006	2Q 2006	3Q 2006	4Q 2006	1Q 2007	2Q 2007	3Q 2007
Media	7.750	1.908	2.014	1.763	2.065	1.864	2.005	1.945
Entertainment	3.768	709	758	881	1.420	1.045	980	1.091
Eliminations	(422)					(228)	(171)	(201)
Total	11.096					2.681	2.814	2.835

EBITDA by segments								
In ISK million	2006	1Q 2006	2Q 2006	3Q 2006	4Q 2006	1Q 2007	2Q 2007	3Q 2007
Media	1.641	61	112	(25)	1.493	77	229	275
Entertainment	305	55	82	131	37	65	56	72
Eliminations	(394)					(3)	(11)	(2)
Total	1.552					139	274	345

Sales revenues amounted to ISK 2,835 million in Q3 of the year 2007 and increased by 11.3% from the previous year.

Pro forma sales increased on the other hand by 14.7%. The contribution margin in 365 hf.'s operation amounted to ISK 1,117 million in Q3 of year 2007 and contribution margin ratio was 39%* compared to 17% in the same period last year. Earnings before interest, taxes, depreciation and amortization (EBITDA) in Q3 amounted to ISK 345 million and increased by ISK 502 million from the previous year, when EBITDA was negative by ISK 157 million. EBIT amounted to ISK 223 million compared to a negative EBIT in the amount of ISK 294 in the same period last year. Thus the operating turnaround amounts to ISK 517 million. Net finance cost amounted to ISK 214 million, including foreign exchange loss in the amount of ISK 15 million. The profit on 365 hf.'s operation amounted to ISK 40 million in Q3 of year 2007 compared to a loss of the amount of ISK 323 million in an on-going operation last year.

At the end of August, 365 hf. sold the subsidiary INNN ehf. to the amount of ISK 240 million or ISK 2 million lower than its book value. At the end of September, the Company sold a real estate at Vatnagarðar 4 and profit from the sale amounted to ISK 35 million. Furthermore, the operation of Sena ehf.'s sound studio was sold.

* Contribution margin is calculated as sale less cost value of sold goods and services as percentage of sales revenues.

Sales revenues for media operation amounted to ISK 1,945 million in Q3 and increased by ISK 181 million from the same period last year or 10.3%. Taking into account only the media services currently offered by 365 media ehf. (pro forma) revenues have increased by 16.8% between years. There was a relative increase in all areas of the media component compared to last year, including television, newspaper and radio. The most growth was in the television area, but in August Sýn2 started broadcasting English football. Revenues from the entertainment area amounted to ISK 1,091 million in Q3 of year 2007 but amounted to ISK 881 million the previous year. The increase between years amounts thus to ISK 210 million or 24%. Pro forma increase in the entertainment area between years was 12.6%.

EBITDA of the media segment amounted to ISK 275 million in Q3 of year 2007 compared to a negative EBITDA to the amount of ISK 25 million for the same period last year and increased thus by ISK 300 million between years. EBITDA of the entertainment segment amounted to ISK 72 million and decreased by 59 million between years, which can mainly be explained by a lackluster performance of Sagafilm in the quarter compared to the same period last year. Systematic effort has been put into reducing the Company's fixed expenses and thus making the operation more flexible under the leadership of new management. Sagafilm's share has been transferred to a new parent company, European Film Group, which operates in the Nordic countries, the UK and Iceland.

Balance sheet

Total assets according to balance sheet dated September 30th, 2007 amounted to ISK 16,395 million compared to ISK 18,769 million at year end 2006. Current ratio was 1.23 at the end of September of year 2007 compared to 0.62 at the end of year 2006. Equity ratio was 40% compared to 32.7% at the end of year 2006.

The Company's total liabilities have decreased by ISK 2,789 million from the beginning of the year, whereof the Company's loans have decreased by ISK 1,524 million and accounts payable and other payables have decreased by 1,399 million. Interest bearing liabilities at the end of September 2007 amounted to ISK 7,178 million compared to ISK 8,702 million on December 31, 2006. Interest bearing liabilities have thus decreased in excess of ISK 1,500 million from the beginning of the year. The Company sold its share in Hands Holding at the beginning of July and used the proceeds to decrease liabilities.

Consolidated balance Sheet			
In ISK million	30.9.2007	31.12.2006	Change
Assets			
Non current assets	12.849	14.964	(2.115)
Current assets	3.546	3.805	(259)
Accounts receivables	1.691	1.955	(264)
Total Assets	16.395	18.769	(2.374)
Equity and liabilities			
Equity	6.552	6.137	415
Liabilities			
Long term debt	6.967	6.465	502
Short term debt	2876	6.167	(3.291)
Interest bearing debt	7.178	8.702	(1.524)
Liabilities total	9.843	12.632	(2.789)
Total Equity and Liabilities	16.395	18.769	(2.374)

Cash flow

Cash and cash equivalents to operation in the period, less financial income and expenses and taxes, amounted to ISK 201 million. Negative cash flow is mainly explained by the fact that at the beginning of the year payables from the previous year, appertaining to the Company's financial operation in that year, which now has been discontinued, were settled. During the period, program inventory increased and prepaid expenses in relation to the preparation of the winter TV program, whereof sports material constitutes a significant share, but those items should decrease as the year end approaches. During the period, interest expense amounted to ISK 734 million which is higher than otherwise due to a specific early settlement fee of the Company's loans following the sale of assets. Total investment activities amounted to ISK 1,666 million, including investments in fixed operating assets to the amount of ISK 328 million. Finance activities amounted to ISK 1,556 million. The Company sold its share in Hands Holding during the period to the amount of ISK 1,620 million and the proceeds were used to settle a loan. Cash and cash equivalents at the end of September amounted to ISK 190 million and decreased by ISK 754 million from the beginning of the year.

Consolidated Cash Flow In ISK million	1Q - 3Q 2007	1Q -3Q 2006
Loss for the year	(40)	(4.697)
Activities not influencing cash flow	(161)	4.561
Cash used in operations before interests and taxes	(201)	(136)
Interest expense paid	71	30
Financial cost paid	(734)	(1.208)
Net cash used in operating activities	(864)	(1.314)
Investments activities	1.666	(12.716)
Financing activities	(1.556)	13.971
Net cash used in continuing operations	(754)	(59)
Net cash provided by discontinued operations	0	1.100
Cash and cash equivalents at 1 January	944	662
Effect of exchange rate fluctuations on cash held	0	8
Cash and cash equivalents at 31 March	190	1.711

Outlook 2007

The Company has significantly expanded its operation during the year and its return has been improving progressively. Contribution margin has been increased by optimization and at the same time the Company's revenues have continued to grow but pro forma increase for the first nine months of the year is approx. 10% from last year. This is a promising result for the Company's future operating capacity. The Company's management has resolved to keep going in the same direction.

The Company's structure has recently been simplified so that the core operation of 365 hf. is operated by two companies, media operation by 365 media and entertainment operation by Sena. The new-media company D3 has been divided up, now the internet media Vísir is operated by 365 media but music, computer games and other things sold over the internet will fall under Sena's operation. The software company INNN was sold and 365 hf.'s share in Sagafilm was allocated to the European Film Group, but 365 hf. does not consider this operation as a part of its core operation and this applies also to associated companies owned by the Company, including the share in Wyndeham Press Group, which is valued at ISK 2,048 million in the Company's books. The management confirms its previous intent to sell the share before the end of next year and the proceeds from the sale will be used to reduce debt.

Management is pleased with the operational outcome for the first nine months of the year and the significant turnaround in the Company's operation. The most important income period of the year is ahead, both for the sale of advertisements and subscriptions for the media part and in the retail operation for the entertainment segment, such as the sale of game consoles, computer games, CD's and DVD's. In order to reach the goals set for the year all of those factors must meet the management's expectations of growth. The management is aware that the Company's financial goals for the forth quarter are aggressive but for the time being sees no reason for reconsideration.

Presentation meeting

A presentation meeting will be held for shareholders and market players Friday November 2, at 08.30 at Skaftahlíð 24 south building (the old Tónabær building). At which time Ari Edwald, the CEO and Viðar Þorkelsson, CFO, will present the Company's performance and operation.

Further information will be provided by:

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