

**365 hf.**

**Condensed Consolidated  
Interim Financial Statements  
1 January - 30 September 2007  
ISK**

365 hf.  
Skaftahlíð 24  
105 Reykjavík  
Iceland

Reg. no. 600898-2059

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# Endorsement and Signatures of the Board of Directors and the CEO

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The condensed consolidated interim financial statements of 365 hf. ("the Company") for the period 1 January to 30 September 2007 have been prepared in accordance with International Financial Reporting Standard (IFRS) for interim financial statements (IAS 34). The interim financial statements comprise the consolidated interim financial statements of 365 hf. and its subsidiaries ("the Group").

In March 2007, the Company sold a 17% share in Daybreak Holdco Ltd. (Wyndeham), to Baugur Group hf., at book value ISK 1,124 million.

At end of May, the Company sold all its shares in Hands Holding hf. to Arena Holding hf. a company owned by Baugur Group hf., Fons Eignarhaldsfélag hf. and Icon hf. The shares were sold at the book value ISK 1,620 million.

In September 2007 the European Film Group ehf. (EFG) was founded by the Company by transferring its shares in Saga Film ehf. to EFG. EFG subsequently purchased European Film Group II A/S.

According to the income statement, net loss for the period amounted to ISK 40 million. According to the balance sheet, equity at the end of September 2007 amounted to ISK 6,552 million, including share capital in the amount of ISK 3,281 million.

The Board of Directors and the CEO of 365 hf. hereby confirm the Company's consolidated interim financial statements for the period 1 January to 30 September 2007 by means of their signatures.

Reykjavík, 1 November 2007.

The Board of Directors:

Jón Ásgeir Jóhannesson

Árni Hauksson

Magnús Ármann

Pálmi Haraldsson

Þorsteinn M. Jónsson

CEO:

Ari Edwald

# Consolidated Interim Income Statement

## for the Nine Months Ended 30 September 2007

	Note	Q3		Q1-Q3	
		2007 1.7.-30.9.	2006 1.7.-30.9.	2007 1.1.-30.9.	2006 1.1.-30.9.
<b>Continuing operations:</b>					
Revenue .....	8	2,835	2,548	8,330	7,916
Cost of services and goods sold .....		( 1,718 )	( 2,127 )	( 5,200 )	( 5,936 )
<b>Gross profit</b> .....		1,117	421	3,130	1,980
Other income .....		35	0	35	0
Operating expenses .....		( 929 )	( 715 )	( 2,767 )	( 2,440 )
<b>Results from operating activities</b> .....		223	( 294 )	398	( 460 )
Finance income .....		13	513	331	337
Finance expense .....		( 227 )	( 749 )	( 715 )	( 1,950 )
<b>Net finance costs</b> .....	10	( 214 )	( 236 )	( 384 )	( 1,613 )
Share of profit (loss) of associates .....		39	11	( 39 )	( 107 )
<b>Profit (loss) before income tax</b> .....		48	( 519 )	( 25 )	( 2,180 )
Income tax .....		( 8 )	196	( 15 )	485
<b>Profit (loss) from continuing operations</b>		40	( 323 )	( 40 )	( 1,695 )
<b>Discontinued operations:</b>					
Loss from discontinued operations, net of income tax .....	5	0	( 2,852 )	0	( 3,002 )
<b>Profit (loss) for the period</b> .....		40	( 3,175 )	( 40 )	( 4,697 )
<b>Attributable to:</b>					
Equity holders of the Company .....		38	( 3,180 )	( 40 )	( 4,696 )
Minority interest .....		2	5	0	( 1 )
<b>Profit (loss) for the period</b> .....		40	( 3,175 )	( 40 )	( 4,697 )
<b>Earnings per share:</b>					
Basic earnings per share (ISK) .....	16	0.011	( 0.536 )	( 0.012 )	( 0.889 )
Diluted earnings per share (ISK) .....	16	0.011	( 0.536 )	( 0.012 )	( 0.889 )
<b>Continuing operations:</b>					
Basic earnings per share (ISK) .....		0.011	0.054	( 0.012 )	( 0.321 )
Diluted earnings per share (ISK) .....		0.011	0.054	( 0.012 )	( 0.321 )

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

# Consolidated Interim Balance Sheet

## as at 30 September 2007

	Note	30.9.2007	31.12.2006
<b>Assets:</b>			
Intangible assets .....		8,604	8,727
Operating assets .....		982	1,045
Investments in associates .....	11	333	4,793
Other investments .....	12	2,707	192
Deferred tax asset .....		223	207
Total non-current assets		12,849	14,964
Inventories .....		230	234
Programme rights .....		843	612
Trade and other receivables .....	13	2,283	2,015
Cash and cash equivalents .....	14	190	944
Total current assets		3,546	3,805
<b>Total assets</b>		16,395	18,769
<b>Equity:</b>			
Share capital .....	15	3,281	3,188
Share premium .....		3,214	2,891
Reserves .....		( 216 )	7
Total equity attributable to equity holders of the Company		6,279	6,086
Minority interest .....		273	51
Total equity		6,552	6,137
<b>Liabilities:</b>			
Loans and borrowings .....		6,967	6,465
Total non-current liabilities		6,967	6,465
Loans and borrowings .....		211	2,237
Trade and other payables .....	17	2,266	3,665
Provisions .....		155	155
Deferred income .....		244	110
Total current liabilities		2,876	6,167
Total liabilities		9,843	12,632
<b>Total equity and liabilities</b>		16,395	18,769

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 Nine Months Ended 30 September 2007

	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	Reserve for own shares	Retained earnings			Total
Balance at 1 January 2006 .....	4,325	3,968	0	( 6 )	( 31 )		( 413 )	923	8,766	4	8,770
Foreign currency translation differences for foreign operations .....				( 95 )					( 95 )		( 95 )
Net change in fair value of cash flow hedges, net of tax .....					63				63		63
Income recognised directly in equity .....				( 95 )	63				( 32 )		( 32 )
Loss for the period .....								( 4,670 )	( 4,670 )	( 8 )	( 4,678 )
Total recognised income and expenses for the period .....				( 95 )	63			( 4,670 )	( 4,702 )	( 8 )	( 4,710 )
Issued share capital .....	1,673	8,107							9,780		9,780
Own shares sold and acquired .....	( 119 )	133							14		14
Written put options transferred as liability .....							( 83 )		( 83 )		( 83 )
Acquisition of subsidiaries .....										744	744
Balance at 30 September 2006 .....	5,879	12,208	0	( 101 )	32	0	( 496 )	( 3,747 )	13,775	740	14,515
Balance at 1 January 2007 .....	3,188	2,891	3	0	4		0	0	6,086	51	6,137
Foreign currency translation differences .....				( 177 )		( 56 )			( 233 )	( 2 )	( 235 )
Net change in fair value of cash flow hedges, net of tax .....					( 13 )				( 13 )		( 13 )
Income (expense) recognised directly in equity .....				( 177 )	( 13 )	( 56 )			( 246 )	( 2 )	( 248 )
Loss for the period .....								( 40 )	( 40 )		( 40 )
Total recognised income and expenses for the period .....				( 177 )	( 13 )	( 56 )		( 40 )	( 286 )	( 2 )	( 288 )
Issued share capital .....	142	486							628		628
Own shares acquired .....	( 49 )	( 123 )							( 172 )		( 172 )
Share-based payments .....			23						23		23
Acquisition of subsidiaries .....										224	224
Transfer to accumulated deficit .....		( 40 )						40			0
Balance at 30 September 2007 .....	3,281	3,214	26	( 177 )	( 9 )	( 56 )	0	0	6,279	273	6,552

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

## Consolidated Interim Statement of Cash Flows for the Nine Months Ended 30 September 2007

	Note	Q1-Q3	
		2007	2006
		1.1.-30.9.	1.1.-30.9.
<b>Cash flows from operating activities:</b>			
Loss for the period .....		( 40 )	( 4,697 )
Adjustments for operating items .....	18	( 161 )	4,561
Cash used in operations before interest and taxes		( 201 )	( 136 )
Interest received .....		71	30
Interest paid .....		( 734 )	( 1,208 )
Net cash used in operating activities		( 864 )	( 1,314 )
<b>Cash flows from investing activities:</b>			
Dividends received from associated companies .....		0	33
Proceeds from sale of shares in other companies .....		2,111	( 415 )
Acquisition of subsidiaries, net of cash acquired .....		( 31 )	( 11,798 )
Acquisition of operating assets .....		( 328 )	( 240 )
Proceeds from sale of operating assets .....		46	4
Other investing activities .....		( 132 )	( 300 )
Net cash provided by (used in) investing activities		1,666	( 12,716 )
<b>Cash flows from financing activities:</b>			
Proceeds from issue of share capital .....		0	3,915
Repayment of borrowings .....		( 5,688 )	( 673 )
Proceeds from borrowings .....		4,138	3,882
Short-term borrowing, change .....		0	8,806
Other financing activities .....		( 6 )	( 1,959 )
Net cash (used in) provided by financing activities		( 1,556 )	13,971
<b>Net cash used in continuing operations</b> .....		( 754 )	( 59 )
<b>Cash flows from discontinued operations:</b>			
Net cash provided by operating activities .....		0	( 87 )
Net cash used in investing activities .....		0	( 21,628 )
Net cash provided by financing activities .....		0	22,815
Net cash provided by discontinued operations		0	1,100
<b>Net cash (used in) provided by continuing and discontinued operations</b> .....		( 754 )	1,041
<b>Cash and cash equivalents at 1 January</b> .....		944	662
<b>Effect of exchange rate fluctuations on cash held</b> .....		0	8
<b>Cash and cash equivalents at 30 September</b> .....		190	1,711
<b>Investing and financing activities not affecting cash flows:</b>			
Investment in subsidiaries .....		( 258 )	( 7,918 )
Issue of share capital and sale of own shares .....		484	7,227
Sale shares in subsidiary, associated companies and other companies .....		1,209	0
Sale of operating assets .....		104	0
Long-term and short term receivables .....		( 1,029 )	0
Liabilities .....		( 510 )	691

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

# Notes

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## 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 nine months ended 30 September 2007 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 1 November 2007.

## 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 2006.

The comparative interim income statement has been re-presented due to a change in classification of depreciation.

## 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 2006. The consolidated financial statements for the Group as at and for the year ended 31 December 2006 are available upon request from the Company's registered office at Skaftahlíð 24, Reykjavík or at [www.365.is](http://www.365.is) or at The Nordic Stock Exchange website, [www.omxgroup.com](http://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 2006.

Notes, cont.:

5. Segment reporting

*Business segments*

	Media		Entertainment		Investments		Discontinued operations		Eliminations		Consolidated		Less discontinued operations		Continuing operations	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>For the nine months ended 30 September</b>																
External revenue .....	5,722	5,687	2,608	2,248	0	( 19)	28,216				8,330	36,132	( 28,216)	8,330	7,916	
Inter-segment revenue .....	92		508	100			459	( 600)	( 559)							
Segment revenue .....	<u>5,814</u>	<u>5,687</u>	<u>3,116</u>	<u>2,348</u>	<u>0</u>	<u>( 19)</u>	<u>28,675</u>	<u>( 600)</u>	<u>( 559)</u>		<u>8,330</u>	<u>36,132</u>	<u>( 28,216)</u>	<u>8,330</u>	<u>7,916</u>	
EBITDA .....	581	148	193	268	( 16)	( 454)	2,635				758	2,597	( 2,635)	758	( 38)	
Depreciation and amortization .....	( 173)	( 289)	( 175)	( 81)	( 12)	( 52)	( 1,744)				( 360)	( 2,166)	1,744	( 360)	( 422)	
Impairment loss .....	0	0	0	0	0	0	( 2,500)				0	( 2,500)	2,500	0	0	
Share of loss of associates ...	( 5)	( 133)	( 5)	0	( 29)	26	238				( 39)	131	( 238)	( 39)	( 107)	
Segment result .....	<u>403</u>	<u>( 274)</u>	<u>13</u>	<u>187</u>	<u>( 57)</u>	<u>( 480)</u>	<u>( 1,371)</u>				<u>359</u>	<u>( 1,938)</u>	<u>1,371</u>	<u>359</u>	<u>( 567)</u>	
Net financing costs .....											( 384)	( 3,189)	1,576	( 384)	( 1,613)	
Income tax expense .....											( 15)	430	55	( 15)	485	
Loss for the period .....											<u>( 40)</u>	<u>( 4,697)</u>	<u>3,002</u>	<u>( 40)</u>	<u>( 1,695)</u>	

## Notes, cont.:

### 6. Quarterly statements

Summary of the Group's operating results by quarters:

	2007			2006			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
Revenue .....	2,681	2,814	2,835	2,598	2,770	2,548	3,180
Cost of services and goods sold .....	( 1,765 )	( 1,717 )	( 1,718 )	( 1,915 )	( 1,894 )	( 2,127 )	( 2,284 )
Gross profit .....	<b>916</b>	<b>1,097</b>	<b>1,117</b>	<b>683</b>	<b>876</b>	<b>421</b>	<b>896</b>
Other operating revenue .....	0	0	35	0	0	0	1,587
Operating expenses .....	( 882 )	( 956 )	( 929 )	( 867 )	( 858 )	( 715 )	( 1,146 )
Results from operating activities .....	34	141	223	( 184 )	18	( 294 )	1,337
Net finance costs .....	( 7 )	( 163 )	( 214 )	( 328 )	( 1,049 )	( 235 )	13
Share of loss of associates .....	( 57 )	( 21 )	39	( 18 )	( 100 )	10	( 670 )
(Loss) profit before income tax .....	( 30 )	( 43 )	48	( 530 )	( 1,131 )	( 519 )	680
Income tax .....	( 5 )	( 2 )	( 8 )	89	200	196	( 212 )
<b>(Loss) profit from continuing operations ..</b>	<b>( 35 )</b>	<b>( 45 )</b>	<b>40</b>	<b>( 441 )</b>	<b>( 931 )</b>	<b>( 323 )</b>	<b>468</b>
Profit (loss) from discontinued operations, net of income tax .....	0	0	0	246	( 396 )	( 2,852 )	( 2,714 )
<b>Loss for the period .....</b>	<b>( 35 )</b>	<b>( 45 )</b>	<b>40</b>	<b>( 195 )</b>	<b>( 1,327 )</b>	<b>( 3,175 )</b>	<b>( 2,246 )</b>
<b>Attributable to:</b>							
Equity holders of the Company .....	( 37 )	( 41 )	38	( 196 )	( 1,320 )	( 3,180 )	( 2,246 )
Minority interest .....	2	( 4 )	2	1	( 7 )	5	0
<b>Loss for the period .....</b>	<b>( 35 )</b>	<b>( 45 )</b>	<b>40</b>	<b>( 195 )</b>	<b>( 1,327 )</b>	<b>( 3,175 )</b>	<b>( 2,246 )</b>

An allocation of expense between operating expense and discontinued expense, in the amount of ISK 213 million, has been changed in quarter 2 2006 and a reverse change was done in quarter 4 2006. This change does not affect the result of each quarter.

## Notes, cont.:

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### 7. Acquisition of subsidiaries

#### Business combination

On 28 February 2007, the Group acquired all shares in Inn hf. from Fons Eignarhaldsfélag hf. The acquisition price amounted to ISK 228 million and was settled with shares in the Group at a nominal value of ISK 61 million. The company is a part of the Group from 1 March 2007.

On 8 August 2007 all shares in Inn ehf. were sold to Kögun ehf. The sale price amounted to ISK 240 million and was settled in both shares in the Group and cash. The sale is subjected to approval by the Competition Appeals Committee. Loss on the disposal amounted to 2 million.

In September 2007, the European Film Group ehf. (EFG) was founded by the Company by transferring its shares in Saga Film ehf. to EFG. EFG subsequently purchased European Film Group II A/S from Baugur Group hf. for ISK 204 million. The purchase price was settled with shares in EFG. European Film Group II A/S is a multinational company of 9 commercial film production companies in the Nordic region. It operates in Denmark, Sweden, Norway and Finland. EFG subsequently purchased the minority interest in Saga film. At 30 September 2007 the Group has 63% share in EFG. Assets and liabilities of European Film Group II A/S are included in the balance sheet as at 30 September 2007 and the EFG Group will be a part of the Group from 30 September 2007 with no effect on net earnings and cash flow for the period ended 30 September 2007.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	<b>Inn ehf.</b>	<b>European Film Group II A/S</b>
Operating assets .....	11	47
Intangible assets .....	0	140
Income tax asset .....	0	37
Current assets .....	43	228
Non-current liabilities .....	( 18 )	( 6 )
Current liabilities .....	( 24 )	( 239 )
Equity at acquisition date .....	12	207
Premium .....	216	( 3 )
Total consideration .....	228	204
Settled with shares .....	( 228 )	0
Settled with shares in EFG ehf. ....	0	( 204 )
Cash acquired .....	0	53
Net cash inflow .....	0	53

The purchase price allocation is not completed.

## Notes, cont.:

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### 8. Revenue

Revenue is specified as follows:

	2007 1.1.-30.9.	2006 1.1.-30.9.
Goods sold .....	1,545	1,376
Services .....	6,785	6,540
Total revenues .....	<u>8,330</u>	<u>7,916</u>

### 9. Depreciation and amortisation

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

Cost of services and goods sold .....	111	199
Operating expenses .....	249	223
Discontinued operations .....	0	1,744
Total depreciation and amortisation .....	<u>360</u>	<u>2,166</u>

### 10. Finance income and expense

Finance income and finance expense are specified as follows:

Interest income .....	70	37
Net foreign exchange gain .....	253	0
Capital gains/loss on the sale of shares in other companies .....	( 6)	67
Fair value adjustments of derivatives and dividends income .....	14	233
Total finance income .....	<u>331</u>	<u>337</u>
Interest expenses .....	( 715)	( 1,312)
Net foreign exchange loss .....	0	( 638)
Total finance expenses .....	<u>( 715)</u>	<u>( 1,950)</u>
Net finance income and expenses .....	<u>( 384)</u>	<u>( 1,613)</u>

## Notes, cont.:

### 11. Investments in associates

The Group's share of loss in associates for the nine months period amounted to ISK 39 million (2006: ISK 107 million).

Summary financial information for associates, not adjusted for the percentage ownership held by the Group:

	30.9.2007	31.12.2006
	Share	Share
Bistro ehf., Reykjavík .....	-	36.7%
Dagsbrún Media K/S, (Nyhedsavisen), Denmark .....	-	17.4%
Daybreak Holdco Ltd., (Wyndeham), UK .....	-	36.0%
Útgáfufélag DV ehf., Reykjavík .....	-	40.0%
Hands holding hf., Reykjavík .....	-	30.7%
Ísafoldarprentsmiðja ehf., Reykjavík .....	50.0%	50.0%
Pósthúsið ehf., Reykjavík .....	37.3%	37.3%
2AM Ltd., UK .....	50.0%	50.0%

In March 2007, the Company sold a 17% share in Daybreak Holdco Ltd.(Wyndeham) ("Daybreak"), to Baugur Group hf., at book value. Following the sale the remaining 19% share in Daybreak is classified as available-for-sale financial asset under other investments.

Shares in Dagsbrún Media K/S are classified as other investments.

At end of May, the Company sold all its' shares in Hands holding hf. to Arena Holding hf. a company owned by Baugur Group hf., Fons Eignarhaldsfélag hf. and Icon hf. The shares were sold at book value ISK 1,620 million and ISK 1,500 million was received in cash in July 2007, ISK 120 million is receivable in year 2010.

### 12. Other investments

Other investments are specified as follows:

	Share	30.9.2007	31.12.2006
Dagsbrún Media K/S, (Nyhedsavisen), Denmark .....	17.4%	277	-
Daybreak Holdco Ltd., (Wyndeham), UK .....	19.0%	1,202	-
Receivable arising from a sale of Daybreak Holdco Ltd. ....		846	-
Other investments .....		382	192
Other investments total .....		<u>2,707</u>	<u>192</u>

Shares in other companies are recognised at fair value. The investment in Daybreak Holdco Ltd. is classified as available for-sale-financial asset and is recognised at fair value. The change in the fair value of available-for-sale financial assets is recognised directly in fair value reserve in equity until the investment is derecognised.

The receivable arising from the sale of a 17% share in Daybreak Holdco Ltd. to Baugur Group hf. amounted to ISK 846 million at the end of September 2007. The collection of this receivable from Baugur hf. is based upon the return Baugur will receive from the investment. The Company will receive 79% of the gain from sale or dividends Baugur will receive from its shareholding in Daybreak.

## Notes, cont.:

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### 13. Trade and other receivables

Trade and other receivables are specified as follows:

	30.9.2007	31.12.2006
Trade receivables .....	1,691	1,955
Other receivables .....	842	315
Allowance for bad debt .....	( 250)	( 260)
Derivatives .....	0	5
Total trade and other receivables .....	<u>2,283</u>	<u>2,015</u>

### 14. Cash and cash equivalents

Bank balances .....	190	244
Market securities .....	0	700
Cash and cash equivalents in the statement of cash flows .....	<u>190</u>	<u>944</u>

### 15. Equity

#### *Issued capital*

*In millions of shares*

On issue at 1 January 2007 .....	3,287
Issued new shares .....	143
On issue at 30 September 2007 .....	<u>3,430</u>

The Company holds own shares amounting to a nominal amount of ISK 149 million, own shares are deducted from equity. Issued capital at September-end amounted to ISK 3,430 and is all paid for.

In January 2007, the Company used own shares with a nominal value of ISK 82 million to settle the additional payment arising from the purchase of shares in Sena ehf. in 2006. The fair value of the own shares amounted to ISK 400 million. In March 2007, the Company issued new shares with a nominal value of ISK 61 million which were used to settle the acquisition price of the shares in Inn hf. The fair value of shares issued amounted to ISK 228 million.

#### *Share premium*

Share premium represents excess of payment above nominal value (ISK 1 per share) that shareholders have paid for shares sold by the Company. According to Icelandic Companies Act, 25% of the nominal value of share capital must be held in reserve which can not be paid out as dividend to shareholders. Share premium is reduced by accumulated deficit.

#### *Translation reserve*

Foreign exchange differences arising on translation of financial statements of foreign subsidiaries and foreign

## Notes, cont.:

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### 15. Equity, cont.:

#### *Hedging reserve*

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

#### *Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised.

### 16. Earnings per share

#### *Basic earnings per share*

	2007 1.1.-30.9.	2006 1.1.-30.9.
Loss for the period attributable to equity holders of the Company .....	( 40 )	( 4,696 )
Share capital at the beginning of the period .....	3,188	4,325
Effect of bought and sold own shares .....	63	( 10 )
Effect of increase in share capital during the period .....	46	966
Calculated average share capital .....	<u>3,297</u>	<u>5,281</u>
Basic earnings per share (ISK) .....	( 0.012 )	( 0.889 )

#### *Diluted earnings per share*

Loss for the period attributable to equity holders of the Company .....	( 40 )	( 4,696 )
Share capital at the beginning of the period .....	3,188	4,325
Effect of bought and sold own shares .....	63	( 10 )
Effect of increase in share capital during the period .....	46	966
Calculated average share capital .....	<u>3,297</u>	<u>5,281</u>
Diluted earnings per share (ISK) .....	( 0.012 )	( 0.889 )

### 17. Trade and other payables

Trade and other payables are specified as follows:

	30.9.2007	31.12.2006
Trade payables .....	1,100	1,893
Other payables .....	1,156	1,354
Derivatives .....	10	0
Obligations arising from acquisitions of subsidiaries .....	0	418
Total trade and other payables .....	<u>2,266</u>	<u>3,665</u>

## Notes, cont.:

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### 18. Statement of cash flows

Loss for the period, in the statement of cash flows is adjusted for operating items specified as follows:

	2007	2006
	1.1.-30.9.	1.1.-30.9.
Depreciation and amortisation .....	360	422
Discontinued operations .....	0	3,002
Net finance cost .....	384	1,612
Share of loss of associates .....	39	108
Income tax .....	15 (	485)
Other items .....	( 38) (	11)
Inventories and program rights, (increase) .....	( 227) (	20)
Trade and other receivables, (increase) .....	( 171) (	795)
Trade and other payables, (decrease) increase .....	( 523)	728
	<u>( 161)</u>	<u>4,561</u>

### 19. 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 1,063 millions. Transactions with associates are priced on an arm's length basis.

## Notes, cont.:

### 20. Group entities

At the end of the period, the Company owned three subsidiaries that are all included in the consolidation. The subsidiaries owned fourteen subsidiaries at the end of the period. The companies are as follows:

	30.9.2007	31.12.2006
	Share	Share
365 - miðlar ehf. ....	100.0%	100.0%
Sena ehf. ....	100.0%	100.0%
D3 ehf. ....	100.0%	100.0%
Prjúbíó ehf. ....	100.0%	-
Bíómyndir ehf. ....	66.7%	66.7%
Concert .....	60.0%	-
European Film Group ehf. ....	63.0%	-
Saga film ehf. ....	100.0%	87.1%
European Film Group II A/S .....	100.0%	-
Blarke Sonne Levring A/S .....	100.0%	-
Welcome Post Production A/S .....	100.0%	-
Post Selskabet A/S .....	100.0%	-
Club Viral A/S .....	100.0%	-
Moland Film Company A/S .....	100.0%	-
Moland Film Company AS .....	100.0%	-
Otto Tuotanto OY .....	100.0%	-
MFL AB .....	100.0%	-

### 21. Ratios

The Group's primary ratios are specified as follows:

<b>Income statement</b>	2007	2006
	1.1.-30.9.	1.1.-30.9.
EBITDA .....	758 (	38 )
EBIT .....	398 (	460 )
<b>Balance sheet</b>	30.9.2007	31.12.2006
Current ratio - current assets / current liabilities .....	1.23	0.62
Equity ratio - equity / capital employed .....	40.0%	32.7%
Return on equity .....	( 0.6%)	( 1.7%)
Market value of outstanding shares .....	8,235	15,271
Change in price per share from the beginning of the year .....	( 47.6%)	( 20.2%)
Price per share .....	2.51	4.79