



TV4 Second Quarter 2001

- Lower spending on advertising resulted in lower income during the period.
- TV4 is Sweden's most-watched channel, with a 27.8 per cent share of the viewing figures across the population. The channel commanded a 27.7 per cent share of the 20 - 44 year-old age group.
- The number of visitors to TV4.se had risen to 197,205 per day by April 2001, up almost fourfold on last year.
- TV4 Text-TV viewing figures had risen to 1.7 million a day by February 2001, compared with 1.6 million the same time last year.
- Group sales fell by 9 per cent to SEK 1,135 million. Profit After net financial income/expense totalled SEK 222 million, compared with SEK 174 last year. Earnings for the year to date include a lump sum of SEK 196 million, compared with SEK 21 the previous year.
- The Swedish parliament has urged the government to review the franchise fee in the light of changes in the TV market and swiftly coordinate the regulations governing digital television.

TV4 AB (publ) 24 July 2001

Interim report for January – June 2001

Profit by division	2001	2000
The TV4 channel		
Pre-franchise fee profit	264	408
Franchise fee.....	-166	-219
Profit after franchise fee	98	189
Local TV		
Pre-franchise fee profit	-5	9
Franchise fee.....	-47	-51
Profit after franchise fee	-52	-42
TV4 Interaktiv	-11	6
Allt om Stockholm	-9	-
Items affecting comparability	196	21
Profit after financial items	222	174

TV4 Group

Profit and loss account January - June

SEK millions	2001	2000	Change	Full year 2000
Net sales	1,135.4	1,245.3	-109.9	2,509.4
Broadcasting costs	-910.8	-950.7	-39.9	-1,852.9
Selling expenses	-110.9	-83.4	-27.5	-195.7
Administrative expenses	-94.4	-62.7	-31.7	-157.7
Item affecting comparability	196.3	20.8	175.5	20.8
Operating profit	215.6	169.3	46.3	323.9
Net interest income	6.3	5.1	1.2	12.5
Profit after net interest income	221.9	174.4	47.5	336.4
Minority holding	1.3	0.8	0.5	0.7
Tax on profit for the period	-62.5	-49.0	-13.5	-99.4
Profit for the year	160.7	26.2	34.5	237.7
Earnings per share (after full tax)	13.61	11.48		
Number of shares at date of report, millions	20.0	20.0		

Figures for return and earnings per share are based on a rolling 12 month period

Profit and loss account April - June

SEK millions	2001	2000	Change	Full year 2000
Net sales	561.5	667.7	-106.2	2,509.4
Broadcasting costs	-438.9	-488.8	49.9	-1,852.9
Selling expenses	-58.1	-38.4	-19.7	-195.7
Administrative expenses	-47.7	-30.2	-17.5	-157.7
Item affecting comparability	196.3	20.8	175.5	20.8
Operating profit	213.1	131.1	-82.0	323.9
Net interest income	0.8	1.3	-0.5	12.5
Profit after net interest income	213.9	132.4	81.5	336.4
Minority holdings	0.7	-0.6	1.3	0.7
Tax on profit for the period	-60.1	-36.9	-23.2	-99.4
Profit for the year	154.5	94.9	59.6	237.7

Balance sheet

SEK millions	30 Jun 2001	30 Jun 2000	Change	Full year 2000
Fixed assets	198.2	216.0	-17.8	208.9
Stock	608.8	559.9	48.9	584.6
Other current assets	332.8	351.3	-18.5	376.5
Liquid assets	98.5	219.7	-121.2	605.7
Total assets	1,238.3	1,346.9	-108.6	1,775.7
Equity	904.5	771.6	123.1	893.0
Minority holdings	0.1	1.7	-1.6	2.3
Allocations	32.1	19.6	22.3	32.9
Long-time liabilities	2.8	-	2.8	0.6
Current liabilities	298.8	554.0	-255.2	846.9
Total equity and liabilities	1,238.3	1,346.9	-108.6	1,775.7

Equity as at 30 June 2001

SEK Millions	Share capital	Restricted reserv	Nonrestricted reserv	Total
Opening equity according to adopted balance sheet	100.0	498.7	284.5	883.2
Dividend			-150.0	-150.0
Effect of change in accounting principles			10.6	9.8
Profit for the year			160.7	6.2
Closing balance	100.0	498.7	305.8	904.5

Adjustment has been made in line with the new recommendation (No. 9) on income taxes issued by the Swedish Financial Accounting Standards Council. The effect is reported under equity in accordance with Council Recommendation No. 5 (accounting of change in accounting principle). Other accounting principles are the same as in the annual accounts for 2000.

Key figures

SEK millions	2001	2000
Return on equity,% (after full tax)	32.1	32.0
Return on capital employed, %	45.5	45.8
Equity/assets ratio, %	73.1	58.1
EPS, (after full tax)	13.61	11.48
Equity per share	45.22	39.07
Number of shares at date of report, millions	20.0	20.0

Figures for return and earnings per share are based on a rolling 12 month-period. The equity/assets ratio and equity per share figures are as at the end of the accounting period.

Cash flow statement, January - June

SEK millions	2001	2000	Full year 2000
Profit after net interest income/expense	221.9	174.4	336.4
Depreciation	26.0	36.7	79.0
Minority and profit/loss from associated companies	5.0	2.2	1.0
Tax paid	-94.9	-60.8	-94.8
Total funds generated by the business	158.0	152.5	321.6
Changes in working capital	-498.9	-181.8	46.9
<i>Including change in franchise fee due</i>	<i>-492.1</i>	<i>-156.8</i>	<i>93.4</i>
Cash flow from day-to-day operations	-340.9	-29.3	368.5
Net investments	-16.3	-25.6	-61.8
Financing	-150.1	-103.6	-79.3
<i>Including dividend paid</i>	<i>-150</i>	<i>-100</i>	<i>-100.0</i>
Cash flow for the period	-507.2	-158.6	227.4
Liquid assets, opening balance	605.7	378.3	378.3
Cash flow for the period	-507.2	-158.6	227.4
Liquid assets, closing balance	98.5	219.7	605.7
Net cash flow	98.5	219.7	605.7

Programme operations

TV4 maintained its position as Sweden's most-watched TV channel in the first half of 2001. TV4 viewing time fell by one minute and its share of the viewing public was down somewhat on last year. A marked trend in the first six months was a sharp increase in "other TV viewing". This is partly explained by the fact that all digital TV is reported in this category, regardless of which channel the viewer has watched. This inaccuracy will be rectified in the second half. Another clear trend is the fall in SVT's share of viewers and viewing time.

TV4 has retained its hold on the viewing public at weekends (Friday - Sunday) this season. Vem vill bli miljonär, Gladiatorerna, Småstjärnorna and films showcased on Bio4 continue to attract a large audience. Sunday has been the main weekend success story. The new Swedish comedy En ängels tålamod has attracted an audience of over a million. Parlamentet, Sporten and Vem vill bli miljonär have all helped TV4 to increase its audience share by no less than eight percentage points on Sunday evenings.

Nyhetsmorgon strengthened its position as the leading breakfast TV show during the season, with an audience share of 49 per cent. Nyhetsmorgon lördag has been a success, attracting around 350,000 viewers. It is true that TV4 has lost viewers overall as a result of the afternoon schedule for younger viewers, but it has gained ground among viewers aged 3 - 34. Afternoon scheduling has been revitalised and is now therefore more commercially attractive. More advertising slots have been filled and it has thus been possible to raise prices. Early evenings were a success during the first half; audience share has increased and we are pleased to see that we are attracting a larger share of the younger audience.

As for prime time viewing, Tuesdays continue to be a success, with Äntligen hemma, När & Fjärran and Ally McBeal. Thursday figures are also good, thanks to Kalla fakta and Providence, whose ratings are up on last year.

TV4's main loss of audience share occurred during prime time on Mondays and Wednesdays. Tipslördag has fallen back.

All channels, with the exception of "Other" (including digital-TV), lost audience share in the 20 - 44 year target group in the first half. SVT lost almost two percentage points, compared with TV4's one per cent loss. TV3 and Kanal 5 each lost about half a per cent. "Other channels" increased their market share by no less than 3.5 percentage points, partly because an above average number of homes in this age group have digital TV.

TV4 achieved successes with a number of broadcast events in the first half. The Bara barn gala was broadcast in early January and attracted an audience of 1,070,000 and many younger viewers in the face of competition from SVT's popular music programme Så ska det låta. The World Handball Championships were broadcast later the same month. The live broadcasts, which had a number of innovative features, were a hit with viewers: the final was seen by no fewer than 2,635,000 people - TV4's third highest figure ever. Grammisgalan (1,145,000) continues to be popular with younger and middle-aged viewers. The ice-hockey finals lasted throughout April and attracted a healthy audience, peaking at 1,705,000. This year's Faddergala telethon beat all records: 19,500 people called TV4 to sign up as sponsors, almost twice last year's number. The Swedish royal couple celebrated their silver wedding anniversary in June, giving a TV4 interview (1,150,000) and participating in a live gala broadcast (1,480,000). These broadcasts, lasting from 8.00pm to 11.00pm, attracting over 50 per cent of the viewing public.

TV channel shares (per cent) and viewing time per day (minutes) in the first half of 2001 and 2000 for the entire population

	SVT1	SVT2	TV3	TV4	Kanal 5	Other	All
2001 share	24.2	17.2	11.4	27.8	6.0	13.5	100
2000 share	20.0	23.9	11.3	28.1	6.1	10.5	100
2001 minutes	37	26	17	42	9	20	152
2000 minutes	31	37	17	43	9	16	154

TV channel shares (per cent) and viewing time per day (minutes) in the first half of 2001 and 2000 for viewers aged 20 - 44

	SVT1	SVT2	TV3	TV4	Kanal 5	Other	All
2001 share	20.0	12.4	14.9	27.7	8.9	16.1	100
2000 share	17.5	16.6	15.3	28.6	9.4	12.6	100
2001 minutes	29	18	21	40	13	23	144
2000 minutes	25	24	22	41	13	18	144

Source: MMS-(Hot Time detalj)

The TV advertising market

The downturn in the economy has had a pronounced impact on the advertising market. The Institute for Advertising and Media Statistics (IRM) estimates that spending on advertising fell by just over six per cent in the first five months of the year. The TV advertising market is estimated to have contracted by seven per cent. TV4's advertising revenues fell by 10 per cent in the first five months of this year. The TV4 TV channel underperformed the market as a whole but local TV did better.

For TV4's part, the loss of revenues is entirely explained by the sizeable revenues generated last year by the pension reform, the stock market flotation of state-owned Telia and spending by the dot.com sector. TV4's regular advertisers spent somewhat more than last year during the first half. In addition, we have attracted 128 new advertisers. TV4's advertising revenue rose by no less than 23 per cent in the second quarter of last year.

First-half Group advertising revenues were SEK 1,014.9 million (1,155.1), of which sponsorship revenues accounted for SEK 78.4 million (68.6). The TV4 TV channel's advertising revenues totalled SEK 913.3 million (1,046.9), of which sponsorship income accounted for SEK 71.2 million (61.8). TV4's total advertising revenues thus fell by 12.1 per cent during the period.

Sales and earnings

Group net sales fell by SEK 109.9 million (-8.8 per cent), totalling SEK 1,135.4 million (1,245.3). Operating expenses, not including the franchise fee, increased by 9.2 per cent and totalled SEK 903.2 million (826.6). Pre-franchise fee profit was SEK 435.0 million (444.6). Profit after financial income/expense was SEK 221.9 million (174.4). This figure includes items affecting comparability totalling SEK 196.3, compared with SEK 20.8 million last year.

Second-quarter profit after net interest income totalled SEK 213.9 million, compared with SEK 132.4 million the previous year. This figure includes positive items affecting comparability totalling SEK 196.3 million, compared with SEK 20.8 million last year. Net sales fell by 15.9 per cent. The decline in the advertising market has had a pronounced impact on all operations. Costs rose less in the second quarter than in the first.

Profit by division

Net sales by the TV4 TV channel fell by SEK 105.8 million (-9.6 per cent) to SEK 996.3 million (1,102.1). Operating expenses fell by SEK 12.8 million (1.4 per cent) to SEK 904.7 million (917.5). Not including the franchise fee, costs rose by SEK 41.0 million, ie, by 5.9 per cent. Programme costs, which represent the largest single cost item, totalled SEK 437.7 million (413.3). This increase is attributable to a number of major light entertainment programmes in the first quarter. Profit after franchise fee fell by SEK 91.1 million to SEK 97.9 million.

Licensing revenues rose by 87 per cent to SEK 29.8 million (15.9). Books, CD-ROM games, video films and DVD productions are sold under the TV4 Vision brand. The *Gladiatorerna* CD was a success, achieving sales of 60,000. Thomas Ledin's *Greatest Hits* went platinum in two weeks. Over 150,000 copies have now been sold, making it the best-selling music CD so far this year. Children's programme presenters *Nicke & Moje*'s CD has been in the best-seller chart for 20 weeks. *Äntligen hemma*, the first of three video releases this year, was launched in May. The second, a *När & Fjärran* DVD, came out in June. A new *Rummel & Rabalder* CD-ROM game was also released in May.

Local TV companies

The local TV companies saw their pre-franchise fee profitability fall during the first quarter of 2001. Net sales by the local TV companies were SEK 145.3 million (155.5). Sales results vary between the companies. Of the subsidiaries, TV4 Halland, TV4 Öresund and TV4 Norrbotten reported most sales growth. TV4's share of local TV company profit/loss less joint costs totalled SEK -4.5 million (8.7). After deduction of franchise fee, a loss of SEK -51.7 million by the local TV companies was charged to Group profit (-42.0). Ten of the fifteen local TV companies are subsidiaries, of which six are wholly owned. Five local TV companies are associated companies. TV4 pays franchise fee on total advertising revenues, regardless of the size of its stake in these companies. TV Norrbotten became a wholly-owned subsidiary on 30th April. This acquisition will have no more than a marginal effect on group earnings this year.

Local TV operations are governed by TV4's broadcasting agreement with the Swedish state and by agreements with the local companies. The latter expire at the end of 2001. TV4 is seeking to improve local TV profitability without any decline in programme quality.

Local TV, all companies, January - June

SEK millions	2001	2000	Change
Advertising revenues	129.6	137.8	-8.2
Other income	15.7	17.7	-2.0
Total income	145.3	155.5	-10.2
Operating expenses	-137.6	-133.3	-4.3
Operating profit/loss	7.7	22.2	-14.5
Financial items and depreciation	-5.5	-3.4	-2.1
Profit/loss after financial items	2.2	18.8	-16.6

Local TV in the TV4 Group, January - June

SEK millions	2001	2000	Change
Advertising revenues	101.6	108.2	-6.6
Other income	10.3	11.1	-0.8
Total income	111.9	119.3	-7.4
Operating expenses	-100.3	-97.1	-3.2
Result from participations in associated companies	-1.8	-0.6	-1.2
Operating profit/loss	9.8	21.6	-11.8
Financial items and depreciation	-4.3	-1.4	-2.9
Profit/loss	5.5	20.2	-14.7
Joint costs	-10.0	-11.5	1.5
Franchise (40 per cent)	-47.2	-50.7	3.5
Loss after financial items	-51.7	-42.0	-9.7

Allt om Stockholm, a leading city guide on the Internet, was acquired in late 2000. Visitor numbers are increasing.

186,000 unique visitors used the site in April (Relevant knowledge, MMXI). The loss for the period was SEK -9,3 million. Revenues, which were SEK 5.1 million during the period, are increasing. The service was launched in Gothenburg and Malmö in March. Coordination between the local TV stations and Allt om Stockholm is yielding substantial economies.

TV4 Interaktiv comprises the operations previously split into TV4 Text-TV and TV4.se.

The year has got off to an excellent start in audience terms, both for text TV and for tv4.se. TV4 Text-TV achieved a record of 1.7 million daily viewers in February (MMS). This is the highest figure ever and represents an increase of 16 per cent on October 2000, when the last survey was performed.

The relaunch of the tv4.se Internet service, commenced in September last year, continues to yield results in the form of visitor numbers. According to MMXI/Netcheck, the number of daily visitors rose from 45,223 to 197,205 between August 2000 and April this year, an increase of 336 per cent. TV4 is now one of the three largest media sites. Revenues continue to grow even though the market for Internet advertising contracted sharply during the first six months of 2001. Behind this success lies the launch of a number of new interactive services linked to popular TV programmes, the latest examples being *Vem vill bli miljonär*, *Lattjölajban* and *Gladiatorerna*, where the visitor himself can take part and see how well he does. Another

popular service is the new weather site.

The aim of TV4 Interaktiv is to create interactive entertainment and utility services for viewers and customers on the Internet, text TV and via other distribution media. TV4's strategic advantage lies in its ability to combine TV, text TV, the Internet and various mobile channels and also make use of its dual presence nationwide and locally.

TV4 Interaktiv sales fell by 11.4 per cent to SEK 39.5 million during the period (44.6), resulting in a loss of SEK -11.3 million (6.3). First-half development costs for the new Internet service were high. Text TV revenues fell partly as a result of the decline in the advertising market, particularly that for financial services, and partly because of lower revenues generated by the stock exchange service.

Text-TV's sales were SEK 31.9 million, down 21.5 per cent on last year's figure of SEK 40.4 million. tv4.se's sales totalled SEK 7.6 million (4.1).

Investments and financial position

Investments totalling SEK 24.9 million were made during the period (25.5). This figure includes financial investments of SEK 0.7 million (7.4). Depreciation during the period totalled SEK 26.0 million (36.7). Group liquid assets totalled SEK 98.5 million at the end of the period, compared with SEK 219.7 at the same time last year. Outstanding franchise fee totalled SEK 0 million at the end of the period (241.8). Programme stock totalled SEK 594.4 million (550.6), of which repeats accounted for SEK 168.7 million (170.4). Other stock totals SEK 14.4 million (9.3).

The equity/assets ratio as at 30th June 2001 was 73.1 per cent, compared with 57.4 per cent at the same time last year.

The parent company

Net sales by the parent company totalled SEK 997.1 million (1,102.9). Profit after financial items was SEK 263.4 million (174.2). The parent company had liquid assets totalling SEK 59.6 million at the end of the period (160.0).

Digital TV

TV4 started broadcasting on the terrestrial digital network in September 1999 and now has access to two channels. Development of programme content broadcast exclusively on the digital network has begun but remains limited. Examples of unique programmes on the digital terrestrial network are Cityliv, films and World Handball Championship matches. TV4 has been broadcasting digitally via Canal Digital since April 2001.

Digital TV gives scope for developing new services and increasing broadcasting hours with access to new channels. This will allow more efficient use of TV4's programme stock. TV4 is now upgrading its technology to simplify transmission of more than one TV channel.

Franchise fee

The Swedish parliament decided in June that TV4 will not have to pay any franchise fee for the first half of 2001. This followed a decision by the Radio and TV Authority that TV4's exclusive right to transmit commercial television had been ended by the government's decision to establish a nationwide digital TV network. The government proposed an

amendment to the law reinstating TV4's franchise fee obligation. Parliament did not accept that this proposal should apply retroactively for the first half of 2001. The fee is therefore once again payable as of 1st July 2001. In future the fee will be computed per calendar six months in line with a scale producing the same fee as earlier.

Parliament urged the government to review the regulations governing the franchise fee in the light of technical developments and changes in the market since the fee's inception. Parliament also strongly urged that the government should waste no time putting a bill before parliament ensuring that TV4 is not placed at a disadvantage as regards the franchise fee payable on revenues from digital transmissions.

Following reviews of franchise regulations in Finland and Norway, franchise fees in those countries are now substantially lower than that paid by TV4 in Sweden.

The fee for the first half of 2001 has been calculated as if it had been payable under the new rules. The figure thus arrived at (SEK 212.9 million) is reported as a positive item under "items affecting comparability".

Miscellaneous

In February 2001 TV4 entered into an agreement with Teracom settling the dispute over distribution costs. TV4 changed satellite in June 2001, which will yield cost savings.

One of TV4's customers in the dot.com business has come into financial difficulties and TV4 has therefore been obliged to write off a debt of SEK 16.6 million. reported as a negative item under "items affecting comparability".

Prospects for 2001

Doubts remain about the prospects for the Swedish economy. Forecasts for the advertising market for the full year have been revised downwards considerably. IRM expects spending on TV advertising to fall by four per cent compared with 2000, although some recovery is expected in the fourth quarter. TV4's costs in the second half will be lower than the same period last year.

Next report

TV4's interim report for the third quarter of 2001 will be issued on 31st October.

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This interim report and other financial information is also available on the Internet at <http://tv4.se>