



## TV4 First Quarter 2002

- TV viewing increased overall as a result of the Winter Olympics. TV4's share fell to 23.9 per cent since we elected not to broadcast the games. TV4's share improved in March and April.
- Loss after net financial income/expense totalled SEK -39 million, compared with a profit of SEK 8 million the previous year. Earnings for the year include a negative one-off figure of SEK 37 million regarding disputed franchise fee on revenues from digital distribution. Group revenues fell by 7 per cent to SEK 535 million. Costs fell by 4 per cent.
- Local TV operations at the sixteen stations have been organised into five regions. Annual costs have been reduced by SEK 20 million. The priority is now to better meet the needs of local advertisers. First quarter revenues were 4 per cent higher than the previous year.
- TV4.se increased the number of unique website visitors to 1,500,000 in March, which is almost three times last year's figure. TV4.se is now Sweden's second most-visited media site. The number of daily viewers of TV4 text TV has risen to 1.83 million, which is an all-time high.
- TV4 Mediteve, a new chat service, was launched in April. It is distributed via Canal Digital, Com hem and one of the three channels allocated to TV4 on the digital terrestrial network.

<b>Profit by division</b>	<b>2002</b>	<b>2001</b>
<b>The TV4 channel</b>		
Pre-franchise fee profit.....	<b>99</b>	130
Franchise fee .....	<b>-70</b>	-86
Profit after franchise fee.....	<b>29</b>	44
<b>Local TV</b>		
Pre-franchise fee profit.....	<b>-5</b>	-6
Franchise fee .....	<b>-22</b>	-21
Profit after franchise fee.....	<b>-27</b>	-27
<b>TV4 Interaktiv</b>	<b>-2</b>	-4
<b>Allt om Stockholm</b>	<b>-2</b>	-5
<b>Items affecting comparability</b>	<b>-37</b>	-
<b>Profit after financial items</b>	<b>-39</b>	8

- The advertising market remains uncertain. The economies that have been made are expected to yield savings of SEK 100 million in 2002 as compared with the previous year.

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Interim report for January - March 2002

**TV4 Group**  
**Profit and loss account January - March**

SEK millions	2002	2001	Change	Full year 2001
Net sales	535.4	573.9	-38.5	2,190.8
Broadcasting costs	-443.8	-471.9	28.1	-1,711.5
Selling expenses	-51.9	-52.8	0.9	-229.9
Administrative expenses	-43.7	-46.7	3.0	-169.4
Items affecting comparability	-36.7	-	-36.7	146.5
<b>Operating profit</b>	<b>-40.7</b>	<b>2.5</b>	<b>-43.2</b>	<b>226.4</b>
Net interest income	1.3	5.5	-4.2	9.0
<b>Profit after net interest income</b>	<b>39.4</b>	<b>8.0</b>	<b>-47.4</b>	<b>235.4</b>
Minority holding	-0.8	0.6	-1.4	0.3
Tax on profit for the period	0.0	-2.4	2.4	-73.4
<b>Profit for the year</b>	<b>-40.2</b>	<b>6.2</b>	<b>-46.4</b>	<b>162.3</b>

Earnings per share (after full tax)	5.80	10.63
Number of shares at date of report, millions	20.0	20.0

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

**TV4 Group**  
**Balance sheet**

SEK millions	31 March 2002	31 March 2001	Change	Full year 2001
Fixed assets	188.3	214.3	-26.0	183.5
Stock	571.4	546.7	24.7	571.7
Other current assets	533.7	459.1	74.6	444.5
Liquid assets	34.5	91.9	-57.4	213.1
<b>Total assets</b>	<b>1,327.9</b>	<b>1,312.0</b>	<b>15.9</b>	<b>1,412.8</b>
Equity	875.9	909.9	-34.0	916.1
Minority holdings	0.0	1.8	-1.8	0.3
Allocations	27.0	22.1	4.9	28.0
Long-time liabilities	0.0	4.2	-4.2	0.0
Current liabilities	425.0	374.0	51.0	468.4
<b>Total equity and liabilities</b>	<b>1,327.9</b>	<b>1,312.0</b>	<b>15.9</b>	<b>1,412.8</b>

**Equity as at 31 March 2002**

SEK Millions	Share capital	Restricted reserve	Non-restricted reserves	Total
Opening equity according to adopted balance sheet	100.0	551.4	264.7	916.1
Result for the period			-40.2	-40.2
Closing balance	100.0	551.4	224.5	875.9

**Key figures**

<b>SEK millions</b>	<b>2002</b>	<b>2001</b>
Return on equity, % (after tax)	13.1	24.9
Return on capital employed, %	21.0	35.4
Equity/assets ratio, %	66.0	69.5
EPS, (after tax)	5.80	10.63
Equity per share	43.79	45.50
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 - March**

<b>SEK millions</b>	<b>2002</b>	<b>2001</b>	<b>Full year 2001</b>
Profit after net interest income/expense	-39.4	8.0	235.4
Depreciation	11.6	12.8	85.2
Minority and profit/loss from associated companies	-0.5	4.0	2.9
Tax paid	-18.2	-80.3	-132.5
Total funds generated by the business	-46.5	-55.5	191.0
Changes in working capital	-115.5	-442.0	-377.3
<i>Including change in franchise fee due</i>	-52.6	-399.9	-361.4
Cash flow from day-to-day operations	<b>-162.0</b>	<b>-497.5</b>	<b>-186.3</b>
<b>Net investments</b>	<b>-16.4</b>	<b>-19.3</b>	<b>-59.5</b>
<b>Financing</b>	<b>-0.2</b>	<b>3.0</b>	<b>-146.8</b>
<i>Including dividend</i>	-	-	-150.0
<b>Cash flow for the period</b>	<b>-178.6</b>	<b>-513.8</b>	<b>-392.6</b>
<b>Liquid assets, opening balance</b>	<b>213.1</b>	<b>605.7</b>	<b>605.7</b>
Cash flow for the period	-178.6	-513.8	-392.6
<b>Liquid assets, closing balance</b>	<b>34.5</b>	<b>91.9</b>	<b>213.1</b>
<b>Net cash flow</b>	<b>34.5</b>	<b>91.9</b>	<b>213.1</b>

**Programme operations**

TV viewing in the first quarter was affected by Sveriges Television's broadcasts from the Winter Olympics. TV4's share of viewing time fell by 7 minutes, down 4.1 percentage points on last year. Total TV viewing increased from 171 to 173 minutes. A feature of the first quarter was that SVT1 and Kanal 5 increased their share while TV3 and TV4 lost ground.

TV4 chose to postpone the start of its Friday entertainment package until after the

broadcasts from the Winter Olympics and the Swedish Eurovision regional heats had finished in early March. Nonetheless, TV4's performance in January matched the previous spring season. The fall in our share of the ratings came in February when we lost 6.9 percentage points as compared with 2001. Our figures improved again in March.

Weekend scheduling (Friday – Sunday) has not achieved the levels of last year. *Sikta mot stjärnorna* and *Vem vill bli miljonär* have faced tougher competition than did *Gladiatorena*, *Vem vill bli miljonär* and *Sen kväll med Luuk* in 2001. The *Bingolotto* season got off to a poor start in face of SVT's regional qualifying heats for the Swedish entry for the Eurovision Song Contest on Saturdays. The programme is now doing better, however, and is achieving the same ratings as it did this time last year.

Sundays have been successful, thanks to *Djursjukhuset*, *Odjurens Tid*, *Sporten* and *Parlamentet*. Among weekday prime-time programmes, *Dokumentären* on Wednesdays has continued the positive trend it established last autumn.

#### **TV channel shares (per cent) and viewing time per day (minutes) during January - March 2002 and 2001 for the entire population**

	<b>SVT1</b>	<b>SVT2</b>	<b>TV3</b>	<b>TV4</b>	<b>Kanal 5</b>	<b>Other</b>	<b>All</b>
2002 share	29.6	17.2	9.3	23.9	7.2	12.8	100
2001 share	24.6	18.2	10.3	28.0	5.7	13.2	100
2002 minutes	51	30	16	41	12	22	173
2001 minutes	42	31	18	48	10	23	171

#### **TV channel shares (per cent) and viewing time per day (minutes) during January - March 2002 and 2001 for viewers aged 20 - 44**

	<b>SVT1</b>	<b>SVT2</b>	<b>TV3</b>	<b>TV4</b>	<b>Kanal 5</b>	<b>Other</b>	<b>All</b>
2002 share	25.9	12.2	12.8	23.5	11.2	14.4	100
2001 share	20.6	13.0	13.6	28.5	8.5	15.8	100
2002 minutes	43	20	21	39	19	24	166
2001 minutes	33	21	22	45	14	25	159

*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 14 per cent to the end of March. The TV advertising market is estimated to have contracted by 9 per cent. TV4's advertising revenues fell by 5 per cent.

Group advertising revenues were SEK 488 million (501.6), of which sponsorship revenues accounted for SEK 50.8 million (46.8). The TV4 TV channel's advertising revenues totalled SEK 428.9 million (455.1), of which sponsorship income accounted for SEK 47.1 million (42.8).

## Sales and earnings

Group net sales fell by SEK 38.5 million (-6.7 per cent), totalling SEK 535.4 million (573.9). Operating expenses, not including the franchise fee, fell by 3.9 per cent and totalled SEK 446.8 million (465.0). Pre-franchise fee profit was SEK 53.3 million (114.6). The franchise fee fell from SEK 106.5 million to SEK 92.7 million. Loss after financial income/expense was SEK -39.4 million (8.0). Earnings for the year includes a negative one-off figure of SEK 36,7 million.

Adjusted to take account of acquisitions of local TV companies, revenues fell by 8.4 per cent; costs, not including the franchise fee, fell by 6.7 per cent.

## Profit by division

Net sales by the **TV4 TV channel** fell by SEK 53.8 million (-10.6 per cent) to SEK 454.5 million (508.3). Operating expenses fell by SEK 42.3 million (-9.0 per cent) to SEK 427.6 million (469.9). Not including the franchise fee, costs fell by SEK 26.9 million, ie, by 7.0 per cent. Programme costs, which represent the largest single cost item, totalled SEK 218.6 million (240.4). Profit after franchise fee fell by SEK 15.4 million to SEK 28.5 million.

Licensing revenues totalled SEK 3.5 million (17.3). Sales were affected by a weak music market and a lack of new products.

**Local TV** has been reorganised. The 16 stations now operate in five wholly-owned subsidiaries and two stations not owned by TV4. A rationalisation programme will yield annual cost savings of SEK 20 million. SEK 8 million of the allocation made to the restructuring reserve last year was utilised during the quarter. TV4 increased its stake in local television in late 2001, acquiring three additional subsidiaries in the process. A pro forma calculation of the figures for 2001 has been made to achieve better comparability with that year. Local TV company net sales were SEK 65 million (62.2), an increase with 4.5 per cent on last year. After deduction of franchise fee, a loss of SEK -27.0 million by the local TV companies was charged to Group profit (-27.3). TV4 pays franchise fee on total advertising revenues, regardless of the size of its stake in these companies.

### Local TV in the TV4 Group January – March 2002

SEK millions	2002	Pro forma 2001	Change	2001
Advertising revenues	59.1	55.2	3.9	46.5
Other income	5.9	7.0	-1.1	5.3
<b>Total income</b>	<b>65.0</b>	<b>62.2</b>	<b>2.8</b>	<b>51.8</b>
Operating expenses	-64.9	-62.8	-2.1	-49.1
Result from participations in associated companies	0.0	0.0	0.0	-1.5
<b>Operating profit/loss</b>	<b>0.1</b>	<b>-0.6</b>	<b>0.7</b>	<b>1.2</b>
Financial items and depreciation	-3.9	-2.5	-1.4	-2.3
<b>Profit/loss</b>	<b>-3.8</b>	<b>-3.1</b>	<b>-0.7</b>	<b>-1.1</b>
Joint costs	-0.7	-3.4	2.7	-5.1
Franchise (40 per cent)	-22.5	-20.8	-1.7	-20.8
<b>Loss after financial items</b>	<b>-27.0</b>	<b>-27.3</b>	<b>0.3</b>	<b>-27.0</b>

Proforma adjusted for goodwill write-down and acquisitions

**Allt om Stockholm, Göteborg and Malmö** are leading city guides on the Internet. Visitor numbers continue to rise and new features are being added to the service. The loss for the period was SEK –2.2 million (-4.7). Revenues, which were SEK 3.9 million, are increasing (2.5).

**TV4 Interaktiv** comprises TV4 Text-TV and tv4.se. The year was excellent in audience terms, both for text TV and for tv4.se. TV4 Text-TV achieved a record of 1.83 million daily viewers in February (MMS). This is the highest figure ever, up 90,000 on last year.

tv4.se continues to be a hit with the public, with 1,500,000 unique visitors in March. This was the highest figure ever. Our focus on utility and entertainment services, such as Gladiatorena, games, sports services and a recipe database, has made tv4.se the number one site among home surfers and the second most popular media site overall, according to official Internet survey figures (Jupiter MMXI Nordic and Nielsen Netratings). tv4.se's revenues continue to grow, while costs are down on last year.

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 Interaktiv's strategic advantage lies in its ability to combine TV, text TV, the Internet and various mobile channels, and also take advantage of its dual presence nationwide and locally.

TV4 Interaktiv sales fell by 4.0 per cent to SEK 19.5 million during the period (20.3). The loss was SEK –2.0 million (-4.3). Text TV revenues fell partly as a result of the decline in the advertising market.

Text-TV's sales were SEK 14.3 million, down 15.9 per cent on last year's figure of SEK 17.0 million. tv4.se's sales totalled SEK 5.2 million (3.3).

### **Investments and financial position**

Investments totalling SEK 29.8 million were made during the period (15.7). This figure includes financial investments of SEK 2.2 million (0.0). Depreciation during the period totalled SEK 11.6 million (12.8). Group liquid assets totalled SEK 34.5 million at the end of the period, compared with SEK 91.9 at the same time last year. Outstanding franchise fee totalled SEK 78.1 million (92.1). Programme stock totalled SEK 560.2 million (527.3), of which repeats accounted for SEK 177.7 million (160.8). Other stock totals SEK 11.3 million (19.3).

The equity/assets ratio as at 31st March 2002 was 66.0 per cent, compared with 69.5 per cent at the same time last year.

### **The parent company**

Net sales by the parent company totalled SEK 455.3 million (508.7). Loss after financial income/expense was SEK –16.6 million (42.7). The parent company had liquid assets totalling SEK –12.5 million at the end of the period (44.0).

### **Franchise fee**

The Radio and TV Authority has decided that the basis for calculating the franchise fee payable by TV4 should include advertising revenues from digital broadcasts. TV4 deducted these revenues from the fee basis in its annual financial statements for 2001. The Authority's decision has been appealed to the county administrative court. Pending a judgment on appeal, TV4 has decided to calculate the accrued franchise fee in accordance with the

Authority's decision. The franchise fee for the second half of 2001 would then be SEK 36.7 million higher than the figure TV4 considers correct. As a precautionary measure, this figure has been charged to first quarter earnings in 2002 and is reported as an item affecting comparability. First quarter franchise fee includes SEK 17 million relating to digital distribution.

The government has presented draft legislation to the effect that TV4 should also be liable to pay a franchise fee on digital distribution of the TV4 channel. If this proposal becomes law, TV4 will be the only digital TV channel obliged to pay a franchise fee.

In March the government decided to appoint a commission charged with the task of reviewing the franchise fee in the light of changes occurring in the TV market.

### **Miscellaneous**

In April TV4 launched a new chat service called "Mediteve". The service is distributed using one of TV4's three channels on the digital terrestrial network, Canal Digital and Com hem and is based on interactive use of SMS messages.

The new recommendations by the Swedish Financial Accounting standards council has been observed but have had no effect on the accounting. Other accounting principles are the same as in the annual accounts for 2001.

### **Prospects for 2002**

There are still considerable doubts about the economy. The advertising market contracted in the first months of the year. Costs are being cut in all areas of operation. Cost savings of SEK 100 million (not including franchise fee, items affecting comparability and local TV) will be achieved in 2002.

### **Next report**

TV4's interim report for the second quarter 2002 will be issued on 23rd July.

Stockholm, 26th April 2002  
TV4 AB (publ)

Jan Scherman  
*Managing Director*

*This interim report has not been subject to special examination by TV4's auditors.*

*For further information contact Jan Scherman, Managing Director, tel. +46 8 459 4072, Erik Haegerstrand, Financial Director, tel. +46 8 459 4061, or Eva Franchell, Information Director, tel. +46 8 459 4012. Tel. switchboard +46 8 459 4000.*

*This report and other financial information is also available on the Internet at **www.tv4.se***