

TV4 INTERIM REPORT **JANUARY – MARCH 1999**

- TV4 maintained its position as Sweden's most-watched TV channel, attracting 27.4 per cent of viewers. Our share of the audience aged between 20 and 44 years was 30.7 per cent.
- Net sales rose by four per cent to SEK 499 million. Profit after net interest income/expense was SEK 14 million, an improvement of SEK one million on 1998.
- The state franchise fee rose by 10 per cent, totalling SEK 104 million. TV4 Group pre-franchise fee profit was SEK 118 million, an increase of SEK 10 million on the same period last year.
- The local TV companies reported total net sales of SEK 61 million, a decrease of SEK one million on the first quarter last year. Results varied widely between the companies. Of the large companies, TV4 Skåne has performed well. Local TV profit fell.
- Text TV had a poor quarter. Licensing operations did well.

Profit after net interest income/expense by division

The TV4 TV channel	1999	1998
Pre-franchise fee profit	121	107
Franchise fee	-85	-76
Profit after franchise fee	36	31
Local TV		
Pre-franchise fee profit	-4	-3
Franchise fee	-19	-18
Profit after franchise fee	-23	-21
TV4 Text-TV	4	5
TV4.se	-3	-2

The TV4 Group		
Pre-franchise fee profit	118	108
Franchise fee	-104	-95
Profit after franchise fee	14	13

TV4 Group

Profit and loss account January-March

SEK millions	1999	1998	Change
Net sales	499,3	481,3	18,0
Broadcasting costs	-426,8	-401,4	-25,4
Selling expenses	-32,9	-36,2	3,3
Administrative expenses	-30,2	-32,5	2,3
Operating profit	9,4	11,2	-1,8
Net interest interest income/expense	4,3	2,3	2,0
Profit after net interest income/expense	13,7	13,5	0,2
Minority holdings	-0,9	-0,1	-0,8
Tax	-3,9	-	-3,9
Profit for the period	8,9	13,4	-4,5

Balance sheet

SEK millions	31 st March 1999	31 st March 1998	Change
Fixed assets	205,2	245,6	-40,4
Programme stock	478,6	484,0	-5,4
Other current assets	318,6	331,3	-12,7
Liquid assets	100,4	44,3	56,1
Total assets	1 102,8	1 105,2	-2,4
Equity	713,8	719,6	-5,8
Minority holdings	4,3	3,3	1,0
Allocations	7,2	0,9	6,3
Long-term liabilities	1,9	50,2	-48,3
Current liabilities	375,6	331,2	44,4
Total equity and liabilities	1 102,8	1 105,2	-2,4

Key figures (12 months)

	1999	1998
Return on equity, % (after full tax)	13,4	20,3
Return on capital employed, %	16,5	19,7
Equity/assets ratio, %	65,1	65,4
EPS, (after financial income and expense)	4,52	7,01
Equity per share	35,69	35,98

Statement of source and application of funds

SEK millions	1999	1998
Profit after net interest income/expense	13,7	13,5
Adjustment item	10,9	17,1
Tax paid	-11,3	0,8
Cash flow from day-to-day operations	-265,7	-225,6
Cash flow from investments	-5,1	-14,9
Cash flow from financing	-0,7	41,8
Cash flow for the year	-258,2	-167,2
Liquid assets, opening balance	358,6	211,5
Liquid assets, closing balance	100,4	44,3

The major part of the franchise fee is paid on 31st March the year following the financial year, which explains the negative cash flow during the first quarter. SEK 371 million was paid in 1999, as compared with SEK 288 the preceding year.

Programme operations

TV4 is Sweden's most-watched TV channel, commanding a 27.4 per cent of the audience during the first quarter of 1999. Total viewing time fell from 167 to 157 minutes a day. TV4's share was slightly lower than the 1998 figure of 27.7 per cent. TV4's share of viewers in the 20 - 44 year-old age group, the key viewer category for commercial TV, increased from 29.8 to 30.7 per cent.

TV4 has seen a very substantial increase in its share of prime-time viewing, with an increase from 24.2 to 27.7 per cent. On Tuesdays, for example, programmes like *Äntligen Hemma*, *Alice Bah* and the US series, *Ally McBeal*, have proved to be enormously popular with the viewers. These programmes appeal particularly to young women; TV4's Tuesday evening schedule is now watched by 45 per cent of women between the ages of 20 and 44. *Äntligen Hemma* and *Alice Bah* are seen by over a million people and *När & Fjärran*, *Jeopardy!*, *Full fry*s and *Matmakarna* have also achieved this on a number of occasions.

Two major galas were broadcast during the period: *Filmgalan* and *Grammisgalan* (film and music awards). Both captured the viewing public on their respective evenings, with audience figures of 1.7 and 1.3 million, respectively. The Sjukhuset hospital documentary series started and soon found an audience of just under a million. TV4 broadcast a number of unscheduled programmes during the period, including interviews with Nelson Mandela and Monica Lewinsky.

On Saturday, 10th April TV4 arranged a telethon for victims of the war in the Balkans. The programme was seen by 1.3 million people and gave the Red Cross just over SEK 31 million for various relief purposes.

The live broadcasts from the final of the Swedish ice hockey championships were also successful, attracting almost 1.9 million viewers for the final match.

TV4 is now watched by an average of 880,000 viewers out of the entire population during weekday prime time, compared with an average figure of 249,000 for our closest commercial competitor.

Programme sales operations have also been intensified through TV4 International. Sales of broadcasting rights have been successful in the first quarter of 1999. Among other things, a forthcoming TV4 documentary on Nelson Mandela has been bought by TV channels in Germany, Switzerland, Austria and other Nordic countries.

TV channel shares (%) and viewing time per day (min.) in the first quarter of 1999 och 1998 for the entire population

	SVT1	SVT2	TV3	TV4	Kanal 5	Other	All
99 Andel	22,3	26,9	9,6	27,4	5,6	8,2	100,0
98 Andel	23,0	26,3	8,3	27,7	6,1	8,6	100,0
99 Minuter	35	42	15	43	9	13	157
98 Minuter	38	44	14	46	10	14	167

TV channel shares (%) and viewing time per day (min.) in the first quarter of 1999 och 1998 for the viewers aged 20 - 44

	SVT1	SVT2	TV3	TV4	Kanal 5	Other	All
99 Andel	19,0	17,7	13,7	30,7	8,5	10,4	100,0
98 Andel	20,0	18,2	12,3	29,8	8,7	11,0	100,0
99 Minuter	27	25	20	44	12	15	144
98 Minuter	31	28	19	46	13	17	154

Source: MMS/ImpAct

Licensing

Licensing revenues rose by 67 per cent to SEK 3.5 million (2.1). A large proportion of sales are made in the fourth quarter. Sales of music and CD-rom games have been particularly successful in the first quarter of 1999.

The TV advertising market

The TV advertising market continues to expand in 1999. TV4's advertising sales, including the 15 local TV companies, rose by 4.6 per cent. TV4's advertising revenues are estimated to have risen less than the market as a whole, largely owing to a poor showing by local TV. TV4's own estimates indicate that its share of the total TV advertising market, including local TV, was 62.1 per cent (65,3).

Group advertising revenues increased by 5.1 per cent to SEK 472.4 million (449.5), of which sponsorship revenues accounted for SEK 34.4 million (29.8). The TV4 TV channel's advertising revenues totalled SEK 434.8 million (412.7), of which sponsorship income accounted for SEK 32.1 million (24.8). This represents a 5.4 per cent increase during the period.

Sales and earnings

Group net sales during the period increased by SEK 18.0 million (3.7 per cent), totalling SEK 499.3 million (481.3). Operating expenses totalled SEK 489.9 million (470.1). Pre- franchise fee profit was SEK 117.8 million (108.2). The Group franchise fee increased from SEK 94.7 million in 1998 to SEK 104.1 million in 1999. Profit after net interest income/expense was SEK 13.7 million (13.5).

Profit by division

Net sales by the TV4 TV channel increased by SEK 20.0 million (4.5 per cent) to SEK 445.1 million. Costs rose by SEK 16,7 million (4.2 per cent) to SEK 410,4 million. Not including the franchise fee, costs rose by SEK 7,7 million, ie, by 2.4 per cent. Programme costs, which represent the largest single cost item, totalled SEK 203,3 million during the period (194.5). Profit after franchise fee rose by SEK 3,3 million to SEK 34,7 million.

Local TV

Net sales by the local TV companies during the period were SEK 60.8 million (61.3). Sales results varied widely between the stations. Skåne, Halland and Skaraborg reported most sales growth, whereas Sundsvall and Sydost reported falling revenues. TV4's shares of local TV company profit/loss less joint costs totalled SEK -4.3 million (-2.5). After deduction of the franchise fee, a loss of SEK 23.2 million (-20.9) by the local TV companies' was charged to Group profit.

Local TV, all companies

SEK millions	1999	1998	Change
Advertising revenues	52,2	52,2	0,0
Other income	8,6	9,1	-0,5
Total income	60,8	61,3	-0,5
Operating expenses	-62,8	-57,7	-5,1
Operating profit/loss	-2,0	3,6	-5,6
Financial items and depreciation	-3,4	-4,3	0,9
Loss after financial income and expense	-5,4	-0,7	-4,7

Local TV in the TV4 Group

SEK millions	1999	1998	Change
Advertising revenues	37,6	36,4	1,2
Other income	5,2	5,2	0,0
Total income	42,8	41,6	1,2
Operating expenses	-41,2	-38,4	-2,8
Result from participations in associated companies	-1,3	-0,3	-1,0
Operating profit/loss	0,3	2,9	-2,6
Financial items and depreciation	-1,9	-2,6	0,7
Profit/loss	-1,6	0,3	-1,9
Joint costs	-2,7	-2,8	0,1
Franchise (40%)	-18,9	-18,4	-0,5
Loss after financial income and expense	-23,2	-20,9	-2,3

Only marginal changes in TV4's holdings in the local TV companies have occurred during the period. Nine of the fifteen local TV companies are subsidiaries; three of them are wholly owned. Six local TV companies are associated companies. TV Fyrstad AB has become an associated company during the period. TV4 pays franchise fee on total advertising revenues, regardless of the size of its participation.

TV4 Text-TV's income fell to SEK 14.7 million during the period (19.4). Costs fell from SEK 14.3 million to SEK 11.0 million. Profit totalled SEK 3.7 million (5.1). The fall in revenues was partly due to a change in the accounting periods used.

TV4.se, which is in the process of establishing its operations, reported a loss of SEK 2.6 million during the period (-2.3). First quarter sales were SEK 1.2 million (0.4).

Financial position

Investments totalling SEK 2,4 million were made during the period (14,0). First quarter depreciation was SEK 13,7 million (13,4). Group liquid assets totalled SEK 100.4 million at the end of the period, compared with SEK 44.3 million at the same time last year. Programme stock totalled SEK 478,6 million (484.0), of which repeats represented SEK 168.5 million (176.6).

The parent company

Sales by the parent company during the period totalled SEK 445.7 million (425.6). Profit after financial income/expense was SEK 30.5 million (10.9). The parent company had liquid assets totalling SEK 71.4 million at the end of the period (13.6).

Miscellaneous

Digital broadcasts on the terrestrial network have begun. TV4 has delayed the start of broadcasting pending the outcome of negotiations with Teracom on the terms of distribution.

The Broadcasting Commission has brought proceedings before the county administrative court requesting that the court order TV4 to pay a fine of SEK 5 million for contravention of the advertising regulations. TV4 considers the Commission to be mistaken. Any fine imposed will be charged to results for the second quarter.

Tax of SEK 3.9 million (0,0) has been charged to profit for the period. All existing loss carry forward was utilised in 1998.

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

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