



# Year-End Report 1999

<b>Profit after financial items, SEK millions</b>	<b>1999</b>	<b>1998</b>
<b>Pre-franchise fee profit</b>	<b>670</b>	<b>549</b>
<b>Franchise fee</b>	<b>-452</b>	<b>-428</b>
<b>Profit after franchise fee</b>	<b>218</b>	<b>121</b>

- Results in 1999 were the best in the company's 10-year history.
- TV4 was Sweden's most-watched channel, with a 26.9 per cent share of the viewing figures across the population. The channel commanded a 28.7 per cent share of the 20 – 44 year-old group.
- Net sales increased by 6 per cent to SEK 2.184 million. Costs, including the franchise fee, rose by 2 per cent. Profit after net financial income/expense totalled SEK 218 million, an improvement of SEK 97 million on 1999.
- Pre-franchise fee profit was SEK 670 million. The franchise fee rose by 6 per cent to SEK 452 million.
- The fourth quarter was strong, improving on last year's performance by SEK 75 million. Sales rose by 14 per cent.
- The TV4 TV channel increased its revenues by 5 per cent; costs (not including the franchise fee) fell. The channel increased its share of the TV advertising market in the fourth quarter for the firsttime since 1996.
- Local TV earnings rose after a strong fourth quarter in which sales increased by 11 per cent.

<b>Profit by division</b>	<b>1999</b>	<b>1998</b>
<b>The TV4 TV channel</b>		
Pre-franchise fee profit	<b>661</b>	569
Franchise fee	<b>-356</b>	-338
Profit after franchise fee	<b>305</b>	231
<b>Local TV</b>		
Pre-franchise fee profit	<b>16</b>	7
Franchise fee	<b>-96</b>	-91
Profit after franchise fee	<b>-81</b>	-84
<b>TV4 Text-TV</b>	<b>5</b>	6
<b>TV4.se</b>	<b>-11</b>	-12
<b>Severence payment</b>	<b>-</b>	-20

- Text-TV and TV4.se are being merged in 2000 to form a new subsidiary: TV4 Interaktiv

- A dividend of SEK 5 per share is proposed.

- The sales trend in early 2000 is very encouraging. TV4 Interaktiv operations are being given top priority.

**TV4 AB (publ) 15 February 2000 Year-end report 1999**

TV4 Group

**Profit and loss account January - December**

<b>SEK millions</b>	<b>1999</b>	<b>1998</b>	<b>Change</b>
Net sales	2 183.6	2 057.3	126.3
Broadcasting costs	-1 713.5	-1 637.0	-76.5
Selling expenses	-134.3	-137.7	3.4
Administrative expenses	-125.7	-146.4	20.7
Item affecting comparability	-	-19.9	19.9
	<b>210.1</b>	<b>116.3</b>	<b>93.8</b>
<b>Operating profit</b>			
Net interest income/expense	7.5	5.0	2.5
<b>Profit after net interest income/expense</b>	<b>217.6</b>	<b>121.3</b>	<b>96.3</b>
Minority holdings	-5.2	-6.2	1.0
Tax	-68.2	-20.2	-48.0
<b>Netprofit</b>	<b>144.2</b>	<b>94.9</b>	<b>49.3</b>

**Profit and loss account October - December**

<b>SEK millions</b>	<b>1999</b>	<b>1998</b>	<b>Change</b>
Net sales	737.2	647.8	89.4
Broadcasting costs	-518.6	-470.5	-48.1
Selling expenses	-18.8	-36.3	17.5
Administrative expenses	-33.4	-49.6	16.2
Item affecting comparability	-	-	-
<b>Operating profit</b>	<b>166.4</b>	<b>91.4</b>	<b>75.0</b>
Net interest income/expense	1.7	1.5	0.2
<b>Profit after net interest income/expense</b>	<b>168.1</b>	<b>92.9</b>	<b>75.2</b>
Minority holdings	-0.8	-2.3	1.5
	<b>167.3</b>	<b>90.6</b>	<b>76.7</b>

**Profit for the period**

**Balance sheet**

<b>SEK Millions</b>	<b>Dec 31. 1999</b>	<b>Dec 31. 1998</b>	<b>Change</b>
Fixed assets	227.6	218.0	9.6
Stock	509.0	462.1	46.9
Other current assets	386.5	313.4	73.1
Liquid assets	378.3	358.6	19.7

	<b>1 501.4</b>	<b>1 352.1</b>	<b>149.3</b>
<b>Total assets</b>			
Equity	745.5	701.3	44.2
Minority shares	3.9	8.0	-4.1
Provisions	19.6	7.0	12.6
Long-term liabilities	1.4	2.8	-1.4
Current liabilities	731.0	633.0	98.0
	<b>1 501.4</b>	<b>1 352.1</b>	<b>149.3</b>
<b>Total equity and liabilities</b>			

#### Key figures

	<b>1999</b>	<b>1998</b>
Return on equity, % (after full tax)	20.5	14.2
Return on capital employed, %	29.9	17.2
Equity/assets ratio, %	49.9	52.5
Earnings per share (after full tax)	7.21	4.75
	37.28	35.06
<b>Equity per share</b>		

#### Statement of source and application of funds

<b>SEK Millions</b>	<b>1999</b>	<b>1998</b>
	217.6	121.3
Profit after net interest income/expense		
Depreciation	74.1	75.1
Minority and profit/loss from associated companies	-4.4	-8.0
Tax paid	-28.3	-8.6
Changes in working capital	-61.2	105.5
<i>Including change in franchise fee due</i>	<i>27.1</i>	<i>83.7</i>
<b>Cash flow from day-to-day operations</b>	<b>197.8</b>	<b>285.3</b>
	<b>-85.3</b>	<b>-42.7</b>
<b>Net investments</b>		
<b>Financing</b>	<b>-92.8</b>	<b>-95.5</b>
<i>Including dividend paid</i>	<i>-100.0</i>	<i>-100.0</i>
<b>Cash flow for the period</b>	<b>19.7</b>	<b>147.1</b>

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<b>Liquid assets, opening balance</b>	<b>358.6</b>	<b>211.5</b>
Cash flow for the period	19.7	147.1
<b>Liquid assets, closing balance</b>	<b>378.3</b>	<b>358.6</b>
<b>Net cash flow</b>	<b>378.3</b>	<b>356.9</b>

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## Programme operations

TV4 was Sweden's most-watched TV channel, with a 26.9 per cent share of the audience in 1999.

Total viewing time fell by one minute per day from 144 to 143 minutes per day. TV4's share was the same as last year. TV4's share of the 20 - 44 year-old age group fell from 40 to 39 minutes. This was partly because TV4 broadcast fewer hours during the summer months. The number of hours broadcast will increase by 700 in 2000.

TV4's share of weekday and weekend prime time viewing (6.00pm - 11.00pm) rose from 25.6 to 25.9 per cent. In the latter part of the year TV4 strongly improved the ratings on Friday and Saturday evenings as compared with last year.

Two Friday evening light entertainment programmes: *Sikta mot stjärnorna* and *Friends på turné* and the Saturday evening show *Bingolotto*, led by a new presenter (*Lasse Kronér*) were the success stories of the autumn. Saturday and Sunday evening films showcased on *Bio 4* are also attracting many viewers in the face of fierce competition from other channels. However, *Kalas-TV* was not a success; the show was discontinued at the end of its first season. *Sen kväll med Luuk*, a light entertainment/talk show, attracted great attention throughout the year thanks to guest appearances by many international stars and its fresh new approach to Swedish light entertainment.

Various sporting events on TV4, including the national ice hockey championship play-offs, the world handball championships in Egypt and the World Athletics Championships in Spain were seen by more than 1.8 million viewers on several occasions and did much to enhance the channel's sports profile.

TV4's consumer programmes have continued to be a great hit with viewers. The most popular programme in this genre is *Äntligen hemma* (DIY), seen by an average of 1.4 million viewers in the autumn. *När&Fjärran* (travel) and *Matmakarna* (cooking) are also doing well, while *Oktan*, a new motor programme, is still some way short of attracting a million viewers.

Autumn saw the start of a new weekday drama series entitled *Nya tider*, which has enabled TV4 to dramatically cut the costs for this kind of production. Although it has climbed steadily in the ratings, the new series has not yet achieved the popularity of its predecessor, *Skilda världar*.

Of our foreign series, which account for about half our scheduling, *Ally McBeal* is worth a special mention, attracting around one million viewers each week.

TV4 broadcast several telethons during the year. *En kväll för krigets offer* was broadcast in spring in cooperation with the Red Cross to raise money for war victims in

the Balkans. *Barn 2000* and *Faddergalan* were two more telethons, broadcast in the autumn.

TV4 has started the year 2000 well, with the Friday evening quiz show *Vem vill bli miljonär?* as well as the new *Nyhetstimmen* (news hour), including business and financial news in cooperation with Dagens Industri, a daily business newspaper. The *Äntligen hemma* DIY programme will be published in magazine form in the spring in cooperation with LRF Media.

**TV channel shares (per cent) and viewing time per day (minutes) in 1999 and 1998 for the entire population**

	SVT1	SVT2	TV3	TV4	Kanal 5	Other	All
99 share	21.6	25.2	10.8	26.9	6.0	9.4	100.0
98 share	22.2	26.0	9.8	26.9	6.4	8.7	100.0
99 minutes	31	36	15	38	9	13	143
98 minutes	32	37	14	39	9	13	144

**TV channel shares (per cent) and viewing time per day (minutes) in 1999 and 1998 for viewers aged 20 - 44**

	SVT1	SVT2	TV3	TV4	Kanal 5	Other	All
99 share	18.4	17.3	14.8	28.7	8.9	11.8	100.0
98 share	19.0	17.1	14.0	29.6	9.0	11.3	100.0
99 minutes	25	23	20	39	12	16	135
98 minutes	26	23	19	40	12	15	135

Source: MMS/ImpAct

### **Licensing**

Licensing revenues rose by 55 per cent to SEK 32.0 million (20.6). Numerous books, CDs, video films and CD-rom games have been launched under the TV4 Vision brand. Successes include the Friends på turné, album, which has sold 40,000 copies and Carola's Jul i Betlehem, which sold 195,000 copies. A book called När kärleken kom, a spin-off from the Nya Tider series, was well received. The comedian Robert Gustavsson's videos Skallgång and its follow-up, Rundgång, were a hit, selling 150,000 and 50,000 copies respectively. There was a large range of products; no single product accounted for more than one tenth of revenues. The range has been progressively expanded; the first DVD product will soon be on the market.

### **The TV advertising market**

The TV advertising market continued to expand in 1999. TV4's advertising sales, including the 15 local TV companies, rose by 4.6 per



cent. According to the IRM market research company, TV4's share of the total TV advertising market, including local TV, was 62.7 per cent (63.7). Market share rose during the fourth quarter to 64.6 per cent (63.2), although this was not enough to offset the earlier fall, which was most pronounced in the first quarter.

Group advertising revenues were SEK 2,107.8 million (1,935.2), of which sponsorship revenues accounted for SEK 146.3 million (86.0). The TV4 TV channel's advertising revenues totalled SEK 1,837.7 million (1,761.8), of which sponsorship income accounted for SEK 108.3 million (70.4). Advertising revenues thus increased by 4.3 per cent during the year.

The local TV companies increased their sales by 7.2 per cent during the year. They achieved an increase of no less than 14.1 per cent in the fourth quarter.

### **Sales and earnings**

Group net sales during the period increased by SEK 126.3 million (6.1 per cent), totalling SEK 2,183.6 million (2,057.3). Operating expenses, not including the franchise fee, increased by 0.5 per cent and totalled SEK 1,520.9 million (1,512.7). A cost of SEK 19.9 million (a severance payment to the former managing director) was reported the previous year. Pre-franchise fee profit was SEK 670.2 million (549.1). The franchise fee increased from SEK 427.8 million in 1998 to SEK 452.6 million in 1999. Profit after net interest income/expense was SEK 217.6 million (121.3). Profit after tax totalled SEK 144.2 million (94.9). All accumulated loss carry forward was utilised in 1998.

Fourth quarter earnings were substantially up on the same period last year. Revenues rose by 13.8 per cent, compared with 2.6 per cent in the first three quarters. Some 34 per cent of revenues are generated in the fourth quarter. Operating expenses, not including the franchise fee, were somewhat less than on last year. Fourth quarter profit was SEK 167.3 million, compared with SEK 90.6 million the previous year.

### **Profit by division**

Net sales by the **TV4 TV channel** increased by SEK 88.3 million (4.8 per cent) to SEK 1,914.5 million (1,826.2). Operating expenses rose by SEK 16.0 million (1.0 per cent) to SEK 1,616.7 million (1,600.7). Not including the franchise fee, costs fell by SEK 2.4 million, ie, by 0.2 per cent. Programme costs, which represent the largest single cost item, totalled SEK 728.0 million (709.5). Profit after franchise fee improved by SEK 74.0 million to SEK 304.9 million.

**The local TV companies** improved their pre-franchise fee profitability during the year. Net sales by the local TV companies were SEK 303.4 million (288.6). Sales results vary between the stations. Of the subsidiaries, TV4 Skåne, TV4 Stockholm, TV4 Skaraborg and TV4 Halland reported most sales growth, whereas TV4 Öst and TV4 Värmland reported falling revenues. TV4's share of local TV company

profit/loss less joint costs totalled SEK 15.4 million (6.8). After deduction of franchise fee, a loss of SEK -80.9 million by the local TV companies was charged to Group profit (-83.7). The stake in TV4 Stockholm was increased from 65 to 100 per cent during the year; the 35 per cent stake in TV4 Norrbotten was increased to 65 per cent. TV4 Norrbotten, which is now a subsidiary, contributed net sales of SEK 16.8 million and SEK 15.5 operating expenses to the group in 1999. In the annual accounts for 1999 ten of the fifteen local TV companies are subsidiaries, of which four 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.

#### **Local TV. all companies**

<b>SEK millions</b>	<b>1999</b>	<b>1998</b>	<b>Change</b>
Advertising revenues	264.8	247.3	17.5
Other income	38.6	41.3	-2.7
<b>Total income</b>	<b>303.4</b>	<b>288.6</b>	<b>14.8</b>
	-261.8	-247.9	-13.9
Operating expenses			
<b>Operating profit</b>	<b>41.6</b>	<b>40.7</b>	<b>0.9</b>
Financial items and depreciation	-14.9	-19.8	4.9
<b>Profit after financial items</b>	<b>26.7</b>	<b>20.9</b>	<b>5.8</b>

#### **Local TV in the TV4 Group**

<b>SEK Millions</b>	<b>1999</b>	<b>1998</b>	<b>Change</b>
Advertising revenues	205.1	173.4	31.7
Other income	22.6	23.0	-0.4
<b>Total income</b>	<b>227.7</b>	<b>196.4</b>	<b>31.3</b>
	-187.5	-175.6	-11.9
Operating expenses			
Result from participations in associated companies	-1.6	0.6	-2.2
<b>Operating profit</b>	<b>38.6</b>	<b>21.4</b>	<b>17.2</b>
Financial items and depreciation	-10.0	-1.4	-8.6
<b>Profit</b>	<b>28.6</b>	<b>20.0</b>	<b>8.6</b>
Joint costs	-13.2	-13.2	-
Franchise (40 per cent)	-96.3	-90.5	-5.8
<b>Loss after financial items</b>	<b>-80.9</b>	<b>-83.7</b>	<b>2.8</b>

According to the latest figures, **TV4 Text-TV** has an average of 1.1 million viewers a day. The travel and stock exchange pages had a successful year in terms of audience figures and sales. Revenues were SEK 64.9 million (64.8). Sales of space on local text TV pages increased, whereas revenues from the national pages fell somewhat. Changes in accounting principles reduced both costs and revenues by about SEK 4 million. Profit totalled SEK 5.1 million (5.7).

According to TS/Netcheck, the number of daily visits to **TV4.se** increased from around 30,000 in January 1999 to 38,000 in December. TV4.se reported a loss of SEK -11.5 million (-11.7). Sales during the year were SEK 5.6 million (2.7).

Since the end of the financial year, TV4.se and TV4 Text-TV have amalgamated to form a new company, **TV4 Interaktiv**, which will be a sales and development company for new media. TV4 Interaktiv will create utility and interactive services for viewers and customers on the TV screen, the Internet and via other distribution media. The strength of TV4 Interaktiv lies in combining various distribution media with the most-watched TV channel in Sweden, sixteen local TV stations and also in bringing together the million or so text TV viewers with the depth and interactive potential of the Internet.

News coverage for TV4 Text TV and TV4.se was transferred to the TV4 newsroom at the end of the year.

### **Investments and financial position**

Investments totalling SEK 82.8 million were made during the year (47.2), of which SEK 23.6 million were financial investments (0.7). Depreciation during the year totalled SEK 74.1 million (75.1). Group liquid assets totalled SEK 378.3 million at year-end, compared with SEK 358.6 million at the same time last year. Outstanding franchise fee totalled SEK 398.6 million at the end of the year (371.4). Programme stock totalled SEK 503.7 million (462.1), of which repeats accounted for SEK 165.9 million (167.1). Cost-efficient pre-production of the drama *Nya Tider* explains the increase in stock. Other stock totals SEK 5.3 million.

The equity/assets ratio as at 31st December 1999 was 49.9 per cent, compared with 52.5 per cent at the same time last year.

### **The parent company**

Sales by the parent company during the year totalled SEK 1,916.1 million (1,828.1). Profit after financial items was SEK 214.6 million (107.8). The parent company had liquid assets totalling SEK 300.7 million at the end of the year (302.3).

### **Digital TV**

TV4 started broadcasting on the terrestrial digital network on 1 September 1999. Under its agreement with Teracom, TV4 will not incur any costs for these broadcasts until they are received by 100,000 households. TV4 was granted a further two regional broadcasting licences in January this year and now has a licence for one national channel and regional licences in all areas receiving digital broadcasts.

### **Ownership of TV4**

Only minor ownership changes occurred during the year. Alma Media Oyj is the largest shareholder in TV4, holding 23.42 per cent of the voting rights and capital in the company.

## **Broadcasting license**

The broadcasting license was not cancelled by the Government and it will be extended another four years, to the end of year 2005. TV4 still has the right to cancel the license.

## **Miscellaneous**

TV4 has been notified by the SPP insurance company that SEK 22 million of SPP's surplus funds have been allocated to the TV4 Group. It has not yet been decided when and in what way the funds allocated can be used. The allocation has not affected the annual accounts for 1999.

TV4 intends to dispose of its holding in Airtime. For this reason, TV4's share of Airtime's earnings has not been included in the profit and loss account.

## **Prospects for 2000**

According to current forecasts (IRM), the TV advertising market will increase by 6.3 per cent for the full year and with 3 per cent for the first quarter in 2000. TV4 expects the TV channels revenues in the first quarter from advertising and sponsorship to grow considerably more. Particular emphasis will be placed on TV4 Interaktiv operations during the forthcoming year.

## **Dividend**

The Board of Directors and the CEO recommend that the Annual General Meeting approve a dividend of SEK 5 per share.

## **Annual General Meeting**

The Annual General Meeting will be held at TV4's headquarters, Tegeluddsvägen 3, Stockholm, at 3:00 p.m. on May 2, 2000. The interim report for the first quarter will be presented on the same day. The Annual Report in English will be distributed at the Annual General Meeting.

Stockholm, February 15, 2000

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*This report and other financial information are also available on the Internet at <http://www.tv4.se/bolag>*