



# SUBSTANTIAL INCREASE IN PROFIT FOR TV4 GROUP

## TV4 Group Annual Report 2008

- A continuing good TV advertising market and continued strong growth in the Other TV segment led to the TV4 Group reporting better results for 2008 than for the previous year. The Group's net sales totalled SEK 3,388 million (3,144 for 2007), an increase of 8 per cent. Operating profit was SEK 761 million (614), equivalent to an operating margin of 22 per cent (20).
- In December, the TV4 Group completed its acquisition of the leading Nordic premium pay TV company, C More Entertainment. C More's TV channels, operating under the Canal+ brand, have a very strong position in all the Nordic countries thanks to exclusive film, TV and sports rights. C More's results are included in the TV4 Group's results as from January 2009.
- In February, new advertising regulations were introduced in Sweden, which increased the supply of advertising space. The combination of increased competition and strong growth in Other TV has led to some downward pressure on prices in the market. However, the TV4 Group has managed this change successfully and the impact has mainly been during hours when TV viewing is at its lowest.
- New terrestrial broadcasting licences were issued in March and came into effect on 1 April. These new licences are for six years. All of the TV4 Group's channels that previously held licences, TV4, TV4 Plus, TV400, TV4 Fakta and TV4 Film, had their licences renewed on unchanged networks. TV4 Sport was awarded a new broadcasting licence on transmission network 5, which has not yet been fully rolled out across Sweden. Terrestrial transmissions of TV4 Sport began on 11 May.
- The TV4 Group's focus on new channels continued and TV4 Science Fiction was launched in Sweden and Finland and MTV3 Sarja in Finland in the first four months of 2008. This business area performed very strongly during the period as regards viewing figures, sales and earnings growth.
- The TV4 New Media business continues to show positive growth. New ventures, such as nyhetskanalen.se, have established themselves, while niche sites, such as recept.nu and fotbollskanalen.se, have continued to be successful.
- TV4 Sverige reported its best ever results, mainly thanks to an increased interest in local advertising products, which led to strong sales.
- During the period, a number of important contracts were signed regarding the distribution of the TV4 Group's channels, increasing the channels' coverage and therefore contributing to improved future profitability.
- Total TV viewing of all TV4 channels rose to 28.2 per cent (27.6) for the period January to December. TV4 was Sweden's single largest TV channel with a total share of 19.7 per cent, compared with the second largest channel, SVT1, which had a 15.2 per cent share of total viewing in the target age group (12–59).

## MARKET

Overall, media investments increased their share of the small advertising cake by 2.8 per cent during the first 11 months of the year, according to IRM (Institute for Advertising and Media Statistics). TV showed stronger growth than total media investments, up approximately 6 per cent on 2007. The internet accounted for the largest percentage increase among the media, at just over 20 per cent. Changes in advertising regulations combined with the continued strong growth of Other TV have created an increased supply of advertising space in the market.

## PERFORMANCE

### The TV4 Group excluding C More, SEKm

	Last four months		Accumulated	Accumulated
	2008	2007	2008	2007
<b>Revenue</b>				
Advertising	1 126	1 077	2 786	2 573
Pay TV	170	148	491	394
Other	46	79	111	177
<b>Total revenue</b>	<b>1 342</b>	<b>1 306</b>	<b>3 388</b>	<b>3 144</b>
<b>Expenses</b>	<b>-953</b>	<b>-888</b>	<b>-2 627</b>	<b>-2 386</b>
Earnings before franchise fee	389	418	761	758
Franchise fee	-	-	-	-144
<b>Operating profit</b>	<b>389</b>	<b>418</b>	<b>761</b>	<b>614</b>

The TV4 Group had a 54.4 per cent (54.8) share of advertising and sponsor revenues in the Swedish commercial television market. Pay TV revenues rose 25 per cent, while other revenue was somewhat lower compared to last year. Overall, revenue rose 8 per cent.

The Group's expenses, excluding the franchise fee, rose 10 per cent to SEK 2,627 million (2,386), which is a consequence of the Group's expansion with new sites and new channels, but also of increased initiatives in existing operations compared with the previous year. As a result of the completion of the digitalisation of the terrestrial network in 2007, the TV4 Group's liability to pay a franchise fee also ceased, which contributed to the Group's increased profitability in 2008. Operating profit was SEK 761 million (614), which is equivalent to an operating margin of 22 per cent (20).

## VIEWING

Total TV viewing of all TV4 channels rose to 28.2 per cent (27.6) in the target age group (12-59). Thanks to an increased focus on programming, TV4 continues to perform very strongly and was Sweden's single largest TV channel in 2008, with a total share of 19.7 per cent, compared with SVT1, which had a 15.2 per cent share of total viewing in the target age group (12-59).

All five major TV channels (SVT1, SVT2, TV3, TV4 and Kanal 5) are exposed to competition from the Other TV segment and are declining relative to this segment. However, the TV4 Group is very well positioned and its other channels - TV4 Plus, TV400, TV4 Guld, TV4 Film, TV4 Fakta, TV4 Komedi, TV4 Sport and TV4 Science Fiction - accounted for 23.0 per cent (20.8) of total viewing time in the Other TV segment and grew faster than the segment in general.

"2008 was the TV4 Group's best ever year. Our deliberate efforts to expand TV4-related operations, such as niche sites, local TV and new media, while implementing efficiencies and economies, have yielded very strong results. These efforts will continue this year, though to a smaller extent. The main focus this year is programming initiatives on TV4, meanwhile we have reduced our investment rate in the light of the recession. We began implementing economies at the end of last year, in order to secure resources for programme content and to avoid redundancies," says **Jan Scherman**, CEO of the TV4 Group.

## PROGRAMMING INITIATIVES

In 2008, the TV4 Group continued its focus on quality formats. *Let's Dance* and *Fotbolls-EM 2008 (Euro 2008)* had the highest ratings. Some Euro 2008 matches had an audience of more than three million, while *Let's Dance* had a maximum audience of nearly 2.7 million. Other hits during the year included *Idol*, *Bonde söker fru (Farmer Seeks Wife)*, the *Wallander* films and *Stjärnor på is (Dancing on Ice)*. New formats such as *Körslaget (Last Choir Standing)*, *Berg flyttar in (Berg Moves in)* and *Sommar med Ernst (Summer with Ernst)* were well received.

TV4 also focused on Swedish drama with the series *Oskyldigt dömd (Innocently Convicted)*, starring Mikael Persbrandt, which was very popular.

Thanks to *TV4Nyheter* (*TV4's News*) at 10 o'clock, TV4 remains the largest news channel in the 12–59 age group. The autumn saw a major focus on the US Presidential Election. Programmes that have increased their audience include *Kalla fakta (Cold Facts)* and *Kvällsöppet med Ekdal (Evening Debate with Ekdal)*.

On TV4 Plus, *Bingolotto* made a strong comeback after reprofiling. Other popular programmes on this channel included *Leilas jul (Leila's Christmas)*, *Vad blir det för mat (What's for Dinner)* and *Hundcoachen (The Dog Trainer)*.

## TV4 GROUP'S BUSINESS AREAS

### GENERAL CHANNELS

TV4's position remains strong, despite the increased competition from the Other TV segment. This increased competition and the increased supply of advertising space resulting from the new advertising regulations have led to some downward pressure on prices in the market. However, the TV4 Group has managed this change successfully and the impact has mainly been during hours when TV viewing is at its lowest, while the price of TV4 prime time is relatively stable.

TV4 Plus performed strongly during the year and grew considerably in terms of net sales, earnings and number of viewers. Overall, this resulted in increased sales and earnings for the TV4 Group's general channels, compared with the equivalent period the previous year.

### NISCHE CHANNELS

Other TV grew by 12 per cent in 2008 and now accounts for 37 per cent of viewing. During the same period, the TV4 Group's niche channels, including TV4 Plus, grew by 25 per cent to a 23 per cent market share of Other TV. TV4 Sport saw the strongest growth thanks to improved distribution and rights, such as the Ice Hockey Premier League, La Liga and the Swedish Floorball Super League. The TV4 Group's niche channels showed a sharp increase in both sales and profitability during the year.

TV4 Sport continued to grow in popularity and achieved the position of Sweden's largest sports channel in the spring. In March, TV4 Sport was awarded a broadcasting licence on the digital terrestrial network, transmission network 5, further increasing the channel's coverage. Just under 80 per cent of households now have access to TV4 Sport. The share of viewing time rose to 1.3 per cent during the year, compared with 0.4 per cent the previous year. Both pay TV and advertising revenues exceeded expectations. Earnings remain negative, which is wholly due to significant investments in programming.

TV4 Film continued to increase its audience and delivered new records for viewing time and coverage in the autumn. On New Year's Eve, the channel beat its record for share by 3 per cent. Revenue and earnings both increased compared with the previous year.

TV400 increased its audience in its main target group, young women, in the autumn. *Blondinbellas tv-dagbok (Blondinbella's TV Diary)* and the US TV series *90210* strengthened the preference for the channel, had a major media impact, drew an audience to the network and attracted new TV advertisers. The channel increased both revenue and earnings during the year, compared with the previous year.

TV4 Fakta adjusted its programming in the autumn, which led to an increased share of viewing time and a younger profile. The areas of medicine and crime in particular work well. The channel beat its record for share by 1.1 per cent in week 42 and then equalled that record several times. The demand for advertising space was high and space was sold out on the channel for most of the year. Advertising revenues for 2008 doubled compared with 2007.

The development of TV4 Guld and TV4 Komedi follows the market. Both channels beat their records for share. TV4 Komedi has now stabilised at around 0.3 per cent, a very good figure as the channel only reaches 13 per cent of Sweden's population. The channels' earnings improved compared with the previous year thanks to increased pay TV revenues.

TV4 Science Fiction remains unchanged at a 0.1 per cent share of viewing time. Work is in progress to launch the channel in Norway and Denmark.

## TV4 SVERIGE

TV4 Sverige, the TV4 Group's local TV operations, continued to grow while maintaining good profitability and increased in terms of sales, earnings and audience during the year, compared with the equivalent period the previous year. Sales were particularly strong in the first eight months of the year, chiefly in June, which was mainly due to Euro 2008. The retail, travel, furniture and food industries increased their advertising investments during the period.

A new product, the Jobbrutan (Job Spot), was launched during the period. This product combines TV and web and has been very well received.

The centralisation of broadcasting units to four locations was completed and the expansion of the number of editions from 16 to 24 began during the year.

## TV4 NEW MEDIA

TV4 New Media continued its strong growth in sales and number of visitors. New ventures, such as nyhetetskanalen.se, were well received, while established sites, such as recept.nu and fotbollskanalen.se, continued to be successful. Revenue for 2008 rose 39 per cent. Viewings of video clips and programmes saw explosive growth in the autumn and nearly doubled, compared with the same period of 2007. Idol alone had 27 million viewings during the year.

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1 Comprising daily press, popular press, trade press, TV, radio, outdoor advertising and cinema advertising

2 Reported with a one-month time lag

3 Comprising the channels TV4, TV4 Plus, TV4 Fakta, TV400, TV4 Sport, TV4 Film, TV4 Guld, TV4 Komedi, TV4 Science Fiction and TV4 Sverige.

