

TV4 GROUP CAPTURES A LARGER SHARE OF A CONTRACTING MARKET

TV4 Group, 1 January – 31 December 2009

- The TV4 Group reports strong earnings, given the difficult market conditions prevailing in 2009. Group net sales totalled SEK 5,543 million (SEK 3,388 million the previous year), an increase of just over 63 per cent. The acquisition of C More/Canal+ accounted for much of the increase. Operating profit was SEK 642 million (SEK 761 million), representing an operating margin of 12 per cent (22 per cent).
- The TV4 Group strengthened its position during the year. 2009 was an extremely challenging year. Although IRM (the Institute for Advertising and Media Statistics) estimates that the TV advertising market contracted by 13.9 per cent (January – November), TV4 Group advertising revenue fell by 12.6 per cent, which meant that the TV4 Group captured market share.
- TV viewing continued to grow. Total TV viewing among TV4's main target group (12 – 59-year-olds) rose to 151.9 minutes per day (145.1 last year). The entire increase occurred within the "Other channels" segment (all channels except the "Big 5": SVT1, SVT2, TV3, TV4 and Kanal 5), whereas Big 5 audience share was slightly down on last year.
- TV4 Group channels reported an audience share of 30.6 per cent in 2009 (28.2 per cent) among the main target group (12 – 59-year-olds). The figure for 2009 includes 1.7 per cent for C More/Canal+. TV4 remained Sweden's single most-watched TV channel, with a total audience share of 19.5 per cent among 12 – 59-year-olds.
- C More, which operates premium pay-TV services under the Canal+ brand, was acquired in December 2008, and has therefore been included in Group financial statements since 1 January 2009. During the year C More's operations were integrated with the TV4 Group, generating significant synergies. Sales have increased, with a subscriber base that grew substantially during the year, reaching 1 million subscribers in the Nordic region in December.
- TV4 Sverige, the TV4 Group's local TV operator, had a highly successful year, capturing market share in local advertising markets, where the main competition is the locally daily press. Despite the recession, TV4 Sverige reported record results, with both sales and earnings up on the previous year.
- TV4 Group channels in the "Other channels" segment (TV4 Plus, TV4 Sport, TV4 Fakta, TV400, TV4 Film, TV4 Guld, TV4 Komedi and TV4 Science Fiction) strengthened their position during the year. The "Other channels" segment attracted a greater share of the 12 – 59-year-old target group – up 8 per cent on 2008. TV4 Group channels in this segment grew by 11 per cent, representing a 24 per cent share of the "Other channels" market.
- In April the TV4 Group launched TV4 Play, whose features include a seven-day "catch-up" service, offering viewers on-demand Internet access to footage from several TV4 Group channels.
- Traffic on TV4 Nya medier (TV4 New Media) grew very strongly during the year, particularly for tv4.se, fotbollskanalen.se and recept.nu. In December TV4 Play was launched as an iPhone application, which rapidly became the most downloaded application.

- July saw the launch of the Danish TV channel Canal9, where the focus is on sport, but which also broadcasts documentaries, series and films. Canal+ SF-kanalen was launched in October. This is Sweden's first all-Swedish film channel, showing Swedish movies and family classics seven days a week.
- In December the TV4 Group and Ericsson announced a ten-year strategic partnership aimed at driving and leading the development of the TV technology of the future. As part of the deal, Ericsson took over TV4 Group transmission operations, and some 40 TV4 employees were offered positions at Ericsson.

THE MARKET

According to IRM advertising spending on the daily press, popular press, trade press, TV, radio, outdoor and cinema advertising fell by 19.4 per cent during the first 11 months of the year¹. TV did better than average in a contracting market, down 13.9 per cent on the previous year. All media saw a fall in spending except for the Internet, where spending rose by 3 per cent².

TV4 GROUP EARNINGS

SEK millions	2009	2008	Change
Income			
Advertising	2,490	2,786	- 296
Pay-TV	2,815	491	2,324
Other revenue	238	111	127
Total revenue	5,543	3,388	2,155
Expenses	-4,901	- 2,627	- 2,274
Operating profit/EBITA	642	761	- 119

As from 2009, C More/Canal+ is included in the figures for the TV4 Group.
No pro forma calculations have been made in relation to the figures for 2008.

According to IRM, the TV4 Group's share of advertising and sponsorship spending in the Swedish commercial TV market to November was 55.3 per cent (54.4 per cent). The decision to further increase programme spending despite the recession thus helped the TV4 Group to strength its existing position as market leader in 2009.

The increase in Pay-TV revenue was largely due to the acquisition of C More/Canal+, although other pay-TV revenue were also up on the previous year.

The increase in Other revenue was also largely due to the acquisition of C More/Canal+, in combination with the growth in event and telephone revenue in particular during the year.

In addition to the acquisition of C More/Canal+, higher operating costs were mainly due to the rise in programme expenses. Earnings before goodwill and financial items (EBITA) totalled SEK 642 million (761). TV4 Group profit thus fell, despite the positive contribution made by C More/Canal+. The fall was due to lower advertising revenue.

The TV4 Group's operating margin is 12 per cent (22 per cent).

¹IRM's figures are released with a one-month delay.

²IRM estimate. Internet advertising figures are released with a three-month delay.

AUDIENCE SHARE

The audience share captured by TV4 Group channels grew in 2009; the overall share of viewers in the main target group (12 – 59-year-olds) was 30.6 per cent (29.9 per cent), including Canal+. TV4 Fakta reported the greatest relative improvement, increasing its share from 0.8 per cent to 1.4 per cent. TV4 Guld and TV4 Sport also reported significant increases in audience share during the year. TV4 Plus did somewhat less well, but has essentially maintained its position (losing 0.1 percentage points).

“Other channels” (non-Big 5) continue to grow in popularity, and in 2009 their combined audience share exceeded 40 per cent among people in the 12 – 59-year-old target group for the first time³. Viewing of TV4 Group niche channels increased by 11 per cent, which means they have a 24 per cent share of the “Other channels” market.

PROGRAMME INVESTMENTS

The single most popular programme on TV4 last year was *Let's dance (Strictly Come Dancing)*, reaching a peak audience of 2,637,000 (across the entire population, 3 – 99-year-olds), a show of strength, bearing in mind the intense competition for weekend viewers. The expansion of the *Pop Idol* concept, particularly in the form of regional semi-finals, was a great hit, both with viewers, and commercially speaking, with sold-out venues in both Malmö and Gothenburg.

Another programme whose audience figures have risen is *Halv åtta hos mig (Come dine with me)*. During its first season (autumn 2008) the programme had an audience share of 14.1 per cent. The average figure for the latest season was 21.4 per cent (12 – 59-year-olds), on a rising trend.

A number of newly produced *Beck* films were shown in 2009, attracting very large audiences. All films were at the very top of the year's programmes ratings on the TV4 channel.

One of the investigative journalism reports on *Kalla fakta (Cold Facts) – “Dun till varje pris” (“Down at any price”)* by Per Hermanrud – was awarded *Stora Journalistpriset (“the Grand Journalist Prize”)* during the year. In terms of viewing figures, the autumn season of *Kalla fakta* was a good one, with a peak audience of 747,000 (across the whole population), and an audience share of 24.7 per cent (12 – 59-year-olds).

During the year the new programme *Såld på hus (Sold)* on TV4 Plus attracted a large audience, peaking at 348,000 (across the population). Other programmes also deserve a mention, including the late-night police series package *Crimetime*, as well as the cooking programmes *Vad blir det för mat* and *the Leila Lindholm* series, which are among the channel's real ratings successes.

As Sweden's only dedicated documentary TV channel, TV4 Fakta attracted a rapidly growing number of viewers during the year, doubling its audience among many target groups, largely thanks to a successful focus on crime documentaries.

TV4 Sport did very well indeed in 2009, with broadcasting rights for top-flight Spanish football (*La Liga*) and *Uefa Europa League*. Record viewing figures were achieved in the autumn, when 775,000 people saw Zlatan Ibrahimovic play his first *El Clásico* match.

Canal+ expanded its range of programmes during the year. Canal9, a sports-centred Danish basic package channel aimed at a male audience, was launched in the summer, with rights such as *SAS-Ligaen*, *Premier League*, *La Liga* and the handball *Champions League*. The launch of Canal9 was followed in the autumn by SF-kanalen, which broadcasts Swedish films around the clock, and has been very well received by both distributors and viewers.

³By way of comparison, it may be mentioned that their combined audience share ten years ago (1999) was 11 per cent.

TV4 GROUP SEGMENTS

TV4 GENERAL CHANNELS

The TV4 channel itself suffered a marginal loss of audience share during the year, achieving 19.5 per cent (19.7 per cent) among the main target group (12 – 59-year-olds). This means that TV4 is still Sweden's single most-watched TV channel among people in the main target group. The lead over the closest rival (SVT1) increased by 0.3 percentage points. It is worth noting that all the five major channels (the Big 5) lost audience share as compared with 2008. Spending on advertising has fallen in the recession, which, combined with growing competition, has put pressure on prices. This led to lower earnings for the TV4 channel. However, the continued high viewing figures are essential for growth in the TV4 Group's other operations and segments.

TV4 Plus has retained its position, both in terms of audience share and earnings-wise.

TV4 Sport continued to grow in popularity, cementing its position as Sweden's premier sports channel during the year. Nearly 80 per cent of households now have access to TV4 Sport. The channel's audience share rose during the year among the 12 – 59-year-old target group, from 1.3 to 1.5 per cent. Revenue from both pay-TV and advertising exceeded expectations, with the channel making a profit for the first time in 2009, despite substantial investment in attractive football rights, including the Spanish La Liga and Uefa Europa League.

TV4 NICHE CHANNELS

The “Other channels” segment increased its audience share by 8 per cent compared with 2008. TV4 Group Niche channels grew by 10.6 per cent, achieving an audience share of 9.4 per cent, which represents a 24 per cent share of the “Other channels” market. Earnings-wise, TV4 Niche channels did well against the competition, although earnings were down somewhat.

TV4 Fakta was the third-fastest-growing channel in Sweden in 2009, doubling its audience among several target groups. TV4 Guld and TV4 Komedi also reported a healthy rate of growth.

TV4 Film had a somewhat weaker first half, but grew in the final quarter of the year thanks to movies such as *Paradiset*, *Karate Kid* and *The Clan of the Cave Bear*. In terms of number of subscribers, the channel is now Sweden's premier movie channel.

TV400 lost audience share in the 12 – 59-year-old target group and held steady among 15 – 39-year-olds. However, it was all the more popular among younger target groups, on occasions attracting larger audiences than its competitor MTV, which can be seen by almost twice as many people. TV400 began to broadcast an increasing proportion of American drama in 2009.

A Norwegian version of TV4 Science Fiction was launched in 2009 under the name TV2 Science Fiction.

In April the TV4 Group launched TV4 Play, whose features include a seven-day “catch-up” service, offering viewers on-demand Internet access to footage from several TV4 Group channels. These services have been widely applauded by advertisers and viewers alike. On average, TV4 Play reached 617,000 unique visitors each week during the autumn⁴. The most popular programmes on TV4 Play are in light entertainment, programmes like *Pop Idol* and *Bonde söker fru* (*Farmer wants a wife*), but news and sports also did well.

The TV4 Group also started “on-demand” services with the distributors Com Hem and Viasat in 2009.

⁴Source: Nielsen

TV4 SVERIGE

TV4 Sverige (TV4 Sweden), which is responsible for TV4 Group local TV operations, continued to grow in 2009 and also improved profitability. Sales were up by 3 per cent on the previous year, which meant a larger share of the local advertising market. Sectors increasing their spending on advertising on TV4 Sverige during the year were travel, food, home and garden and sport, leisure and recreation.

Moving the Pop Idol semi-finals to Malmö and Gothenburg offered new opportunities for local advertisers to be seen in connection with these sell-out events. This was greatly appreciated and generated numerous new customer contacts.

TV4 Sverige is also growing geographically. The number of local news editions was increased from 16 to 25 during the year, increasing the local presence substantially vis-à-vis viewers and advertisers alike. TV4 Sverige offers advertisers the opportunity to broadcast local advertisements via 30 masts/areas.

TV4 NEW MEDIA

For TV4 Nya medier (TV4 New Media), 2009 was a year that saw the launch of quite a number of exciting new products, with TV4 Play in mobile phones in December perhaps foremost among them. Other operations saw very strong growth in traffic, the greatest improvements being the figures reported by tv4.se, fotbollskanalen.se and recept.nu.

First-half revenue were down, as the market for display advertising experienced a dramatic decline. The second half was much better, with successes both for TV4 Play and TV4 Group niche sites. Tried and tested concepts around strong TV4 Group formats, with Pop Idol at the forefront, also contributed to a strong finish for the year. All in all, this resulted in higher earnings than the previous year.

During the year the TV4 Group entered into a number of joint commercial and editorial projects with the Expressen newspaper, a fellow group company, involving stationary and mobile Internet services. Mobile operations were gathered under the new jointly-owned company TV4 Expressen Mobilab AB.

C MORE/CANAL+

C More/Canal+ premium/pay-TV operations had a good year, managing to top a million subscribers in the Nordic region late in the year. This must be seen as a sign that the TV4 Group via Canal+ supplies film and sports channels offering consistently high quality.

During the year an increase of the subscription fees was carried through. C More/Canal+ also signed a number of new distribution agreements, for example with Finnish PlusTV and Danish Boxer.

An extensive process of integration took place during the year in order to strengthen the overall range of products offered by the TV4 Group, and also to realise the cost-saving synergies that were identified when the TV4 Group acquired C More/Canal+ in 2008. This has helped to improve operating profit as compared with the previous year.

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