

7 May 2008

Company announcement no. 07-08

## Interim management statement Q1 2008 for Søndagsavisen a-s

**Summary – Expectations for the profit before tax for 2008 maintained at DKK 0-20 million. Cost cutting measures implemented, which compensate for a declining newspaper and distribution market.**

DKKm	Q1 YTD		Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Year 2007
	2008	2007						
Revenue	404.8	446.8	404.8	456.3	395.9	438.7	446.8	1,737.7
<i>Index cp. to same period last year</i>	<i>90.6</i>	<i>117.7</i>	<i>90.6</i>	<i>98.8</i>	<i>100.3</i>	<i>101.9</i>	<i>117.7</i>	<i>104.3</i>
Operating profit	4.7	30.8	4.7	-4.5	-1.0	19.9	30.8	45.2
<i>Operating margin</i>	<i>1.2%</i>	<i>6.9%</i>	<i>1.2%</i>	<i>-1.0%</i>	<i>-0.2%</i>	<i>4.5%</i>	<i>6.9%</i>	<i>2.6%</i>
Profit before tax	2.6	28.4	2.6	-13.8	-3.0	18,7	28,4	30,3

- Consolidated revenue in Q1 2008 amounted to DKK 404.8 million, down DKK 42.0 million, or 9%, on the same period in 2007.
- Profit before tax was DKK 2.6 million in Q1 2008, down DKK 25.8 million on Q1 2007.
- The result for Q1 2008 is unsatisfactory but in line with expectations. The particularly substantial decline in the profit for this quarter compared with Q1 2007 reflects the fact that the negative development of the consolidated profit in 2007 did not occur until from Q2 2007. The profit for the rest of 2008 should be at the level of or better than the profit for the same period in 2007.
- In Q1 2008 the prices of distribution activities were increased. Price increases and intensified competition led, however, to a loss of market share.
- Søndagsavisen's revenue from recruitment ads was affected by a smaller market, but this was widely compensated for by increased market shares in the markets outside the Copenhagen area.
- Price competition intensified considerably with free dailies in and around the major towns. Revenue from text, housing and motor ads was thus significantly lower than in 2007.
- In Q1 2008 cost cutting measures were implemented within distribution and newspaper activities in Denmark as planned. These measures will take effect from the second half of 2008.
- Operating profit from the Swedish activities was DKK 7.0 million in Q1 2008, up DKK 4.0 million on the same period in 2007. The Swedish newspaper activities are showing significant growth. In a generally flat advertisement market, market share is going up while costs are going down.
- The work on a possible sale of Gratistidningar i Sverige AB, Norsk Avisdrift AS and MatchWork World Wide A/S proceeds as planned.

### Prospects for the year 2008

- In Q1 2008 the revenue and profit performance in Denmark proceeded as expected while the performance of the Swedish activities was somewhat better than expected. The total expectations for 2008 are unchanged. Consolidated revenue is expected to be DKK 1,600-1,650 million and profit before tax DKK 0-20 million in 2008.

For additional information, please contact Mads Dahl Andersen, CEO, Tel.: +45 39 57 75 00.

**Denmark – Price increases but a lower market share within distribution activities. Implementation of cost cutting measures.**

In Q1 2008 consolidated revenue in Denmark amounted to DKK 319.7 million, down DKK 48.2 million, or 13%, on Q1 2007 when revenue was DKK 367.9 million.

As stated in company announcement no. 18-07, dated 17 October 2007, a general price increase was made for 2008 within distribution activities. The price increase and further intensified competition caused a loss of market share, which resulted in a negative revenue performance compared with the previous year.

In Q1 2008 the consolidated operating profit in Denmark was DKK -2.6 million, which was in line with expectations and DKK 29.2 million lower than in the same period in the previous year. The negative profit performance reflects the intensified price competition and the significant increase in the pay costs of distributors in the distribution market. This has in part been compensated for by the implementation in 2007 of cost cutting measures which were continued in Q1 2008.

The conversion of Forbruger-Kontakt's packing lines, which was started in Q4 2007, proceeded as planned in Q1 2008. The work is expected to be completed in Q2 2008 and will, together with stronger management efforts, result in enhanced efficiency.

The quality of the distribution activities is improving, and the level of quality is generally considered to be very satisfactory by our customers.

Within the Group's Danish newspaper activities the market for recruitment ads continued at an attractive level. A level which, however, was lower than in 2007. Søndagsavisen's revenue from recruitment ads reflects this, but to a great extent this is compensated for by increased market shares in the markets outside the Copenhagen area.

As expected the market for text, housing and motor ads was adversely affected by the slowdown in the growth of the Danish economy. At the same time price competition intensified with free dailies particularly around the major towns. The revenue from text, housing and motor ads was therefore much lower than in 2007. Cost reductions have compensated for the lower revenue.

Helsingør Dagblad's revenue and profit were negatively affected by the loss of printing jobs. At the same time, the pressure on prices increased as a result of idle capacity in the printing market. New competitors in the midweek newspaper market had a negative impact on the profit.

The commercial development process in the newspaper and online areas, including the development of synergies between the newspaper and online activities, proceeds as planned.

## **Sweden – Significantly higher revenue and profit**

Revenue from the Group's Swedish activities rose by 13% to DKK 69.9 million. The growth in revenue was mainly driven by higher revenue from the 'Mitt i' newspapers. The abolition of advertising tax at the end of 2007 also had a slightly positive impact.

Operating profit was DKK 7.0 million in Q1 2008, up DKK 4.0 million on Q1 2007. The improved profit is driven by higher revenue and improved operating margin.

## **Other countries – MatchWork UK lower revenue in local currency, improved earnings in Norway**

MatchWork UK reported a decline in revenue of 6% in local currency, reflecting some slowdown in the market. Converted into Danish kroner growth was more negative due to the weakening of the British pound.

MatchWork's establishment of a sales office in Germany progresses as planned.

For Q1 2008 revenue in Norway was DKK 8.8 million, representing a fall of DKK 0.5 million compared with the same period in the previous year. However, the operating profit improved by DKK 1.0 million to DKK -0.2 million driven by a reduction of the circulation in Stjørdal. At the same time, the commercial newspaper Byens Næringsliv was inserted into Byavisa Trondheim.

## **Internet – Further development of OFiR and commercial development of Online**

The revenue from total Internet activities was DKK 25.9 million in Q1 2008, up 13% on the same period last year.

The operating profit in Q1 2008 was DKK -1.7 million, which is DKK 3.3 million lower than in Q1 2007. The result is a direct consequence of the decision to increase the efforts to develop OFiR further and the implementation of the commercial development process for the Online area.

BoligPortal.dk, Denmark's largest portal for housing rentals, is still developing very positively, showing significant growth. MatchWork shows satisfactory growth in local currency but is affected by the weakening of the British pound. FORUM shows growth, though less than expected. OFiR's revenue growth is lower than market growth, and further development of OFiR is a focus area for the coming quarters.

## **Prospects for the year 2008**

The expectations for consolidated revenue and profit before tax are unchanged relative to company announcement no. 01-08, dated 8 February 2008.

Consolidated revenue is expected to be DKK 1,600-1,650 million in 2008.

Expectations for consolidated profit before tax in 2008 are DKK 0-20 million.

The Group's total operating investments for the whole year are still expected to be DKK 70 million.

In the field of distribution activities in Denmark focus is retained on carrying out efficiency improvements and to raise the price level. The payroll costs of distributors in particular are expected

to continue to grow in 2008, though at a lower rate than in 2007.

Substantial price increases will also be needed in 2009 in the market for distribution of unaddressed printed matter. However, the price level will still be lower than it was when the price war started 5 or 6 years ago.

It is expected that the newspaper activities in Denmark will continue to be affected by an attractive level in the market for recruitment ads even though the market has declined compared with the same period in 2007.

In Sweden, revenue and profit are expected to grow in 2008 compared with 2007. The market is slightly better than in Denmark, and GISAB should be able to increase its market shares.

As stated in company announcement no. 01-08, dated 8 February 2008, the strategy and evaluation of the present commercial basis are being revised as a result of market developments and intensified competition in the newspaper and distribution markets.

The development of the Group's revised strategy is expected to be finished in the second half of 2008.

## Revenue and operating profit by country and business area

DKK m	Revenue							Year 2007
	Q1 YTD		Q1	Q4	Q3	Q2	Q1	
	2008	2007	2008	2007	2007	2007	2007	
<b><u>By country</u></b>								
Denmark	319.7	367.9	319.7	355.5	328.9	351.8	367.9	1,404.1
<i>Index cp. to same period last year</i>	86.9	120.1	86.9	94.6	101.5	101.3	120.1	103.7
Sweden	69.9	62.0	69.9	84.8	53.0	69.3	62.0	269.1
<i>Index cp. to same period last year</i>	112.7	104.7	112.7	120.0	94.9	103.0	104.7	106.4
Other countries	15.2	16.8	15.2	16.2	14.0	17.5	16.8	64.5
<i>Index cp. to same period last year</i>	90.5	119.3	90.5	102.6	96.2	110.8	119.3	107.1
<b><u>By business area</u></b>								
Newspaper publication and distribution	378.8	423.8	378.8	434.0	373.4	415.5	423.8	1,646.7
<i>Index cp. to same period last year</i>	89.4	118.2	89.4	98.2	99.1	101.0	118.2	103.6
Internet	25.9	23.0	25.9	22.3	22.5	23.2	23.0	91.0
<i>Index cp. to same period last year</i>	112.9	108.6	112.9	112.1	127.6	121.1	108.6	117.2
Total	404.8	446.8	404.8	456.3	395.9	438.7	446.8	1,737.7
<i>Index cp. to same period last year</i>	90.6	117.7	90.6	98.8	100.3	101.9	117.7	104.3

DKK m	Operating profit							Year 2007
	Q1 YTD		Q1	Q4	Q3	Q2	Q1	
	2008	2007	2008	2007	2007	2007	2007	
<b><u>By country</u></b>								
Denmark	-2.6	26.6	-2.6	-26.5	-1.4	9.1	26.6	7.8
<i>Operating margin</i>	-0.8%	7.2%	-0.8%	-7.5%	-0.4%	2.6%	7.2%	0.6%
Sweden	7.0	3.0	7.0	20.6	-1.4	8.7	3.0	30.9
<i>Operating margin</i>	10.1%	4.8%	10.1%	24.3%	-2.7%	12.5%	4.8%	11.5%
Other countries	0.3	1.3	0.3	1.2	1.9	2.1	1.3	6.5
<i>Operating margin</i>	1.7%	8.0%	1.7%	7.3%	13.4%	12.2%	8.0%	10.1%
<b><u>By business area</u></b>								
Newspaper publication and distribution	6.4	29.2	6.4	1.8	0.9	15.3	29.2	47.2
<i>Operating margin</i>	1.7%	6.9%	1.7%	0.4%	0.2%	3.7%	6.9%	2.9%
Internet	-1.7	1.6	-1.7	-6.3	-1.9	4.6	1.6	-2.0
<i>Operating margin</i>	-6.4%	7.2%	-6.4%	-28.2%	-8.4%	19.7%	7.2%	-2.1%
Total	4.7	30.8	4.7	-4.5	-1.0	19.9	30.8	45.2
<i>Operating margin</i>	1.2%	6.9%	1.2%	-1.0%	-0.2%	4.5%	6.9%	2.6%