

INTERIM REPORT

Q1–2008

JANUARY

MARCH

A telephone conference will be held
on Tuesday 6 May 2008 at 9.30 AM.

The CEO will be presenting the
period's results and will also be
answering questions. The conference
will be held in English.

Please call in at +46 8 562 124 97.

ZODIAK'S BUSINESS IS TO DEVELOP, PRODUCE AND DISTRIBUTE INNOVATIVE CONTENT FOR ALL SCREENS: TV, CINEMA, INTERNET AND MOBILE PHONES.

SEND US A LETTER
Zodiak Television AB
Magasin 1, Frihamnen, Box 27034
102 51 Stockholm, Sweden

GIVE US A CALL
T: +46 (0)8 50 30 77 00
F: +46 (0)8 50 30 77 01

VISIT OUR WEBSITE
info@zodiaktelevision.se
www.zodiaktelevision.se

GROUP DESCRIPTION

The company carries out its activities under the following brands in the following countries.

OUR BRANDS

UK/US	Diverse Productions, Bullseye, Lucky Day, Red House
Belgium/Netherlands	Kanakna
Sweden	Mastiff, Jarowskij, 5th Element, Yellow Bird
Norway	Mastiff, Mastiff Nyheter
Denmark	Mastiff, Social Club Productions
Finland	T & T Broadcasters, Jarowskij
Poland	Mastiff Media
Russia	TeleAlliance Media Group, Dixi Film
Ukraine	YS Films
India	Sol

The subsidiary **Zodiak International** distributes the programmes and rights of the Group and other production companies in the international market with customers in more than 70 countries.

FIRST QUARTER

Operating revenues amounted to 355.6 MSEK (235.8) – an increase of 51 %.

Operating income amounted to 31.9 MSEK (12.4) – an increase of 157 %

Operating margin was 9.0 % (5.3%).

Earnings after financial items were 26.0 MSEK (11.0).

Earnings after tax were 24.7 MSEK (10.9).

Profit per share was 0.85 SEK (0.45).

The acquisitions of 35 % of Sol, India and 25% of Red House, UK, were finalized.

FUTURE OUTLOOK

Zodiak's objectives over time are an operating margin of at least 10 % as well as 10 % organic growth of revenues.

For 2008 the EBIT target is at least 150 MSEK before any further acquisitions.

MSEK	2008 / JAN-MAR	2007 / JAN-MAR	2007 / FULL YEAR
Net sales	355.6	235.8	1,054.9
Operating profit	31.9	12.4	61.2
Operating margin	9.0 %	5.3 %	5.8 %
Profit after financial items	26.0	11.0	49.6
Profit after tax	24.7	10.9	39.2
Profit per share, SEK	0.85	0.45	1.28

"Zodiak kicks off 2008 with another record quarter. Sales were in excess of 355 MSEK – an increase of more than 50 % from last year. Even more important, profitability stays on the right track. EBIT came in at 32 MSEK, which is 157 % above last year.

Zodiak has previously stated that the EBIT-margin target for 2008 is at least 10 %. We feel so confident in our forecasts that we now instead state the following: Zodiak's aim for 2008 is to reach an operating profit of 150 MSEK."

Patrick Svensk
CEO and President, Zodiak Television

BEING PATRICK SVENSK

In his new blog at www.zodiaktelevision.se, the CEO shares his thoughts.



SUMMARY OF OPERATIONS

Zodiak's growth continues. Sales amounted to 356 MSEK (236 MSEK) in quarter 1 2008, an increase of 51 %. All territories are increasing their sales with Russia taking the lead and now being the largest Zodiak territory. The development in Kanakna, Yellow Bird and Bullseye also contribute to the increase since neither of them were part of the group in the first quarter 2007.

The group is furthermore presenting a record operating profit (EBIT) in the first quarter of 32 MSEK (12.4 MSEK) which is 157 % more than in the same period last year. This represents a margin of 9 % which is 70 % more than last year and well in line with the company's target for the full year.

The UK based company Diverse is reporting an order book of more than 130 MSEK which is 20 % higher than its total turnover 2007. Furthermore, the UK operations have added another high profile company to the group, namely Red House (owned to 25 % by Zodiak). Red House is a co-investment together with the prominent producer John Silver, who recently worked as Creative Director for Shed Productions.

At the beginning of 2008 Zodiak finalised the investment of a 35 % stake in the high-growing Indian midsize production company Sol. India is one of the fastest growing television markets in the world, and Sol's already prominent position, especially within entertainment and reality, gives Zodiak a strong first foothold in Asia. Sol is currently producing highly successful program series for Star TV, NDTV and Disney.

Yellow Bird has reported very important deals during the first quarter:

- The production of the bestselling Millennium trilogy by Stieg Larsson was initiated, with Mikael Nykvist and Noomi Rapace in leading roles.
- Financing for another 13 Swedish films about Wallander was secured, again starring Krister Henriksson as the leading character.
- The highly strategic production of 3 films for the BBC of Kurt Wallander was secured. The films star Kenneth Brannagh as detective Wallander and shooting has started in Ystad. This project truly opens up the international scripted market for Yellow Bird and Zodiak International will also be able to add English spoken drama to its distribution.

SALES

COUNTRY	Q1 – 2008	Q1 – 2007
1. Russia	31 %	26 %
2. Sweden	17 %	25 %
3. UK/USA	14 %	18 %
4. Netherlands/Belgium	14 %	-
5. Denmark	9 %	11 %
6. Finland	8 %	9 %
7. Norway	6 %	9 %
8. Rest of the world	1 %	2 %

GENRE	Q1 – 2008	Q1 – 2007
1. Entertainment	48 %	32 %
2. Drama/comedy	31 %	17 %
3. Factual entertainment	13 %	39 %
4. News and documentaries	8 %	10 %

Zodiak's growing revenues and profits are a reflection of how popular the company's shows are with viewers. During the first quarter, the Swedish shows *Så Ska det låta* (Lyrics Board) and *Let's Dance* (Strictly Come Dancing) together reached an all time high with a viewing share of 89 % (4.2 million people) in Sweden during a Friday night. The UK show *Beat the star* peaked at 6 million viewers (24 % viewing share) during its first Sunday on ITV.

Zodiak's five largest customers during the first quarter of 2008 were 1TV (Russia), Discovery (UK/US), TV Norge (Norway), TV 3 (Denmark) and MTV3 (Finland). These have contributed to around 45 % (50 %) of total sales. No individual customer accounts for more than 17 % (14 %)

The five programme series and formats with highest sales contributed to around 28 % (30 %) of sales, but no individual production accounted for more than 6 % (10 %) of sales.

Programme formats and series developed in-house make up about 62 % (58 %) of the turnover.

AFTER THE END OF PERIOD

In April, the now London-based distribution company Zodiak International attended MIPTV in Cannes. MIPTV is one of the largest global content markets, where buyers and sellers meet to create new business across all platforms. Zodiak has attended MIPTV as an exhibitor for the last ten years and the new, strengthened sales force now represented about 150 formats, finished programs and drama titles from across the group and from third party partners. A number of deals were made at the market and after, including several options and licenses on Zodiak formats Stars on Stage, Born to Be Wild, Million Dollar Match, The Wedding Dance, Norway's Ugliest and Undercover Lover. The start of the year is the best for Zodiak's distribution activities ever and it has already become clear that the merger and move to London last year for Zodiak International has been successful.

FUTURE PROSPECTS

The market for development, production and exploitation of moving pictures is expected to be strong during the next few years in Zodiak Television's home markets. A good advertising cycle in particular in Scandinavia and Russia favours the television sector. Increased competition among existing television channels and the establishment of new operators (in particular due to the digitalisation of the distribution networks across all markets) are creating an increased demand for content. In particular, locally produced television programmes with a national connection will be sought after.

Zodiak's objectives over time are an operating margin of at least 10 % as well as 10 % organic growth of revenues. For 2008 the EBIT target is 150 MSEK before any further acquisitions. In addition Zodiak intends to continue its acquisition strategy.

INDUSTRY-RELATED RISKS

By nature, assessments of future development include a certain degree of uncertainty since they depend on future events and conditions in the external environment. The aforementioned assessment of future development is based on our current expectations of Zodiak subsidiaries' development in their respective markets given the conditions that exist today. Some examples of external environment changes that could affect Zodiak's earnings are:

- Generally lowered private consumption and a general downswing in the market can lead to reduced ad earnings at the TV channels, which could lead to lower programme budgets and, in turn, reduced demand for our productions.
- Increased competition could press margins in our industry.
- In the long term, fragmentation of the TV market could lead to the TV channels changing their business models, which could force Zodiak to adapt its business model.

In order to reduce the industry-related risks, Zodiak continually works to increase flexibility by reducing the number of fixed expenses and becoming established in several markets, in several genres and delivering to several customers. In addition to this, Zodiak has increased its ambition to control and exploit intellectual property rights and expand its catalogue to create further revenue possibilities. These actions are taken to spread the business risks.

FINANCIAL RESULTS

- Turnover amounted to 355.6 MSEK (235.8)
- Operating income was 31.9 MSEK (12.4)
- Depreciation and write-downs in the group amounted to 5.1 MSEK (2.4)
- Interest expenses and other financial items amounted to -7.0 MSEK (-1.4)
- Earnings after financial items amounted to 26.0 MSEK (11.0)
- Earnings after financial items and estimated taxes amounted to 24.7 MSEK (10.9)

FINANCIAL POSITION

- The Group's assets/equity ratio at the end of the quarter was 42.6 % (47.0)
- Cash flow from operating activities was -21.9 MSEK (26.7)
- Return on equity was 5.7 % (3.6 %)
- Return on capital employed was 4.2 % (2.6 %)
- The Group's investments in tangible and intangible assets throughout the quarter amounted to 10.8 MSEK (32.2). It is primarily investments in fixed assets and intangible assets that have been made, over and above company acquisitions
- Liquid assets and unutilised credit amounted at the end of the period to 70.8 MSEK (109.7)
- Total tax deficit deductions were approx. SEK 80 million, and because of this the Swedish, Denmark and Norwegian operations will not be in a tax position for the next couple of years.
- Profit per share before dilution was 0.85 SEK (0.45) and after dilution of the outstanding convertibles 0.68 SEK (0.44)
- Equity per share was 20.1 SEK (15.3)

CONVERTIBLE PROGRAMME

The convertibles carry an annual interest rate of 6 percent from January 1, 2008 until May 31, 2013. Interest is paid to the holder on May 31 each year, the first time on May 31, 2008 and the last time on May 31, 2013. The convertibles fall due for payment of the nominal amount on May 31, 2013, if conversion to shares has not been implemented prior to this date. Conversion to shares may be requested up to and including March 31, 2013. The conversion price is SEK 27. The convertible loan is SEK 177.2 million less costs for raising of capital

OPTION PROGRAMME

The company has outstanding option programmes from 2006, 2007 and 2008.

- Series 2006/2009 is for warrants and employee options. It makes a total of 262,000 shares available at a subscription price of 31.40 SEK. Subscription is possible between 1 January 2009 and 30 June 2009.
- Series 2006/2010 is for warrants and employee options. It makes a total of 242,000 shares available at a subscription price of 29.70 SEK. Subscription is possible between 1 January 2010 and 30 June 2010.
- Series 2006/2011 is for warrants and employee options. It makes a total of 300,000 shares available at a subscription price of 27.20 SEK. Subscription is possible between 1 January 2011 and 30 June 2011.

The estimated cost according to IFRS2 for all three series for the period 2007-2011 is approx. 3.4 MSEK.

NUMBER OF EMPLOYEES

At the end of the fourth quarter, the number of permanent employees in the Group was 230 compared to 232 for the previous year. The average total number of employees in the group was 588 compared to 314 the previous year.

FINANCIALS

GROUP INCOME STATEMENT

KSEK	3 mths – Q1 2008	3 mths – Q1 2007	12 mths – Full year 2007
Net sales	355,636	235,764	1,054,895
Production costs	-276,757	-189,990	-811,625
Gross profit	78,879	45,774	243,270
	22.2 %	19.4 %	23.1 %
Sales costs	-4,470	-3,011	-27,235
Administration costs	-42,699	-30,611	-156,490
Other income	192	284	1,748
Other operating costs	-	-	-65
Operating profit	31,902	12,436	61,228
Other financial expenses and similar items	-7,031	-1,387	-13,996
Profit from shares in associated companies	1,099	-96	2,343
Profit after financial items	25,970	10,953	49,575
Income Tax	-1,285	-81	-10,346
Net profit	24,685	10,872	39,229
Related to:			
Parent company shareholders	21,735	9,061	26,931
Minority interest	2,950	1,811	12,298
	24,685	10,872	39,229
Profit per share before dilution, SEK	0.85*	0.45*	1.28*
Profit per share after dilution, SEK	0.68*	0.44*	1.21*
Weighted number of shares before dilution	25,441,168	19,920,098	21,061,263
Weighted number of shares after dilution	31,801,460	20,558,098	22,278,807
* Weighted average number			
Number of shares per closing day before dilution	25,441,168	19,981,683	25,441,168
Number of shares per closing day after dilution	31,801,460	20,619,683	32,681,460

GROUP BALANCE SHEET

KSEK	3/31/2008	3/31/2007	12/31/2007
ASSETS			
Intangible assets	84,573	62,801	87,127
Goodwill	713,096	319,160	711,747
Tangible assets	41,547	27,939	41,242
Holdings in associated companies	12,634	2,816	5,255
Deferred tax claims	21,000	21,000	21,000
Other long-term receivables	13,390	7,330	11,277
Total financial assets	886,240	441,046	877,648
Accounts receivable	157,115	67,876	145,759
Other short term receivables	118,859	79,573	202,192
Cash	39,900	64,152	90,086
Total current assets	315,874	211,601	438,037
Total assets	1,202,114	652,647	1,315,685
EQUITY AND LIABILITIES			
Equity (incl equity part of convertible loan)	512,217	306,450	490,045
LONG-TERM LIABILITIES			
Interest-bearing loans	204,976	158,302	213,251
Convertible loan	140,060	-	140,060
Deferred tax liabilities	13,603	3,596	12,641
Total long term liabilities	358,639	161,898	365,952
CURRENT LIABILITIES			
Accounts payable	84,169	43,128	110,743
Other interest-bearing debts	136,648	32,430	144,824
Other current liabilities	110,441	108,741	204,121
Total current liabilities	331,258	184,299	459,688
Total equity and liabilities	1,202,114	652,647	1,315,685

CHANGES IN GROUP EQUITY

KSEK	Related to parent company shareholders	Minority interest	Total equity
YEAR 2008			
Opening Balance Equity	477,276	12,769	490,045
Employee option programme - value of employees' work	485	-	485
Translation difference	-2,998	-	-2,998
Profit for the year	21,735	2,950	24,685
Equity closing balance first quarter 2008	496,498	15,719	512,217
YEAR 2007			
Opening Balance Equity	290,834	-	290,834
New share issue on company acquisition	144,223	-	144,223
Minority share in equity	-	471	471
Employee option programme - payment of issued shares	365	-	365
Employee option programme - value of employees' work	1,761	-	1,761
Tax impact on previous years profit	1,211	-	1,211
Equity share of convertible loan	15,086	-	15,086
Translation difference	-3,135	-	-3,135
Profit for the year	26,931	12,298	39,229
Equity closing balance year 2007	477,276	12,769	490,045

GROUP CASH FLOW ANALYSIS

KSEK	3 mths – 3/31/2008	3 mths – 3/31/2007	12 mths – 12/31/2007
Cash flow from operating activities	26,428	13,469	66,869
Changes in cash flow from operating activities	-48,278	13,242	-16,467
Investments	-10,787	-32,172	-303,936
Cash flow after investment activities	-32,637	-5,461	-253,534
Financing activities	-16,451	16,250	288,893
Cash flow for the period	-49,088	10,789	35,359
Liquid assets at start of year	90,086	53,458	53,458
Translation differences in liquid assets	-1,098	-95	1,269
Liquid assets at end of period	39,900	64,152	90,086
Operating margin	9.0 %	5.3 %	5.8 %
Profit margin	6.9 %	4.6 %	3.7 %
Assets/equity ratio	42.6 %	47.0 %	41.2 %
Equity per share, SEK	20,1	15.3	19.3
Profit per share before dilution, SEK	0.85	0.45	1.28
Profit per share after dilution, SEK	0.68	0.44	1.21
Weighted number of shares per closing day before dilution	25,441,168	19,920,098	21,061,263
Weighted number of shares per closing day after dilution	31,801,460	20,558,098	22,278,807
Number of shares per closing day before dilution	25,441,168	19,981,683	25,441,168
Number of shares per closing day after dilution	31,801,460	20,619,683	32,681,460

During the first quarter, Zodiac invested in 25% of Red House, UK and 35 % of Sol, India. Both entities are reported as associated companies.

The business of the Yellowbird Group is classified as another segment than the rest of the Zodiac Group. The split of revenue and operating profit

KSEK	3 mths – 3/31/2008		3 mths – 3/31/2007		12 mths – Full year 2007	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Tvproduction	337,599	30,280	235,764	12,436	1,031,505	57,655
Filmproduction	18,037	1,622	-	-	23,390	3,573
Total	355,636	31,902	235,764	12,436	1,054,895	61,228

PARENT COMPANY'S INCOME STATEMENT

KSEK	3 mths – Q1 2008	3 mths – Q1 2007	12 mths – Full year 2007
Net sales	10,070	7,188	33,090
Production costs	-337	-525	-4,719
Gross profit	9,733	6,663	28,371
	96.7 %	92.7 %	85.7 %
Sales costs	-451	-907	-3,076
Administration costs	-8,303	-5,946	-26,578
Operating profit/loss	979	-190	-1,283
Other financial income and expenses similar items	-5,591	-1,026	-7,039
Profit/loss after financial items	-4,612	-1,216	-8,322
Net profit/loss	-4,612	-1,216	-8,322

PARENT COMPANY'S BALANCE SHEET

KSEK	3/31/2008	3/31/2007	12/31/2007
ASSETS			
Intangible assets	14,466	-	14,466
Tangible assets	631	885	599
Holdings in associated companies	759,189	332,247	759,189
Other long-term receivables	1,000	1,000	-
Total financial assets	775,286	334,132	774,254
Accounts receivable	7,415	13,933	195
Other short term receivables	47,140	79,216	22,708
Cash	2,649	56	14,221
Total current assets	57,204	93,205	37,124
Total assets	832,490	427,337	811,378
EQUITY AND LIABILITIES			
Equity (incl equity part of convertible loan)	371,020	219,597	375,630
LONG-TERM LIABILITIES			
Interest-bearing loans	266,771	166,196	219,800
Convertible loan	140,060	-	140,060
Total long-term Liabilities	406,831	166,196	359,860
CURRENT LIABILITIES			
Accounts payable	5,609	3,022	14,795
Other interest-bearing debts	41,181	35,947	56,422
Other current liabilities	7,849	2,575	4,671
Total current liabilities	54,639	41,544	75,888
Total equity and liabilities	832,490	427,337	811,378

ACCOUNTING PRINCIPLES

This interim report has been established in agreement with IAS 34, Interim reports, which is in accordance with the requirements made by Recommendation 31 (Interim reports for Groups) of the Swedish Financial Accounting Standards Council. The same accounting principles have been used as we used during the last annual report. This report has not been assessed by the company's auditors

FUTURE REPORTS

The financial statement for the second quarter of 2008 will be presented on August 26th 2008, (preliminary date). The annual report for 2007 is available on the company's web site www.zodiaktelevision.se

Patrick Svensk – CEO, Zodiak Television

A large, stylized handwritten signature in black ink, reading "Patrick Svensk". The signature is fluid and cursive, with the first name "Patrick" and last name "Svensk" clearly distinguishable.

For further information, please contact:

Patrick Svensk
CEO and President
+46 708 660 730

Erik Hultkvist
Investor Relations
+46 739 37 05 16



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