

7 November 2007

Company announcement no. 19-07

Interim management statement Q3 2007 for Søndagsavisen a-s

Summary – Lower prices and higher costs before distribution activities

DKKm	Q3 YTD		Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Year 2006
	2007	2006						
Revenue	1,281.3	1,204.6	395.9	438.7	446.7	462.0	394.5	1,666.6
<i>Index cp. to same period last year</i>	<i>106.4</i>		<i>100.3</i>	<i>101.9</i>	<i>117.6</i>			
Operating profit	49.8	122.9	-1.0	19.9	30.9	57.1	33.9	180.0
<i>Operating margin</i>	<i>3.9%</i>	<i>10.2%</i>	<i>-0.2%</i>	<i>4.5%</i>	<i>6.9%</i>	<i>12.4%</i>	<i>8.6%</i>	<i>10.8%</i>
Profit before tax	44.1	118.2	-3.0	18.7	28.4	56.3	32.7	174.5

- Consolidated revenue in Q3 2007 amounted to DKK 395.9 million, the level of the same period in 2006.
- Result before tax was DKK -3.0 million in Q3 2007, down DKK 35.7 million on Q3 2006.
- The negative profit performance reflects a price war which within the company's Danish distribution activities has gone too far. At the same time, the costs related to the team of distributors are growing rapidly. In 2007 costs were also incurred in connection with the expansion of mid-week coverage.
- The market for distribution of unaddressed items in Denmark in 2007 is smaller than expected.
- As expected, the newspaper activities in Denmark showed a lower profit, primarily as a result of full national coverage, which was launched in August 2006. The market for national advertisements did not come up to expectations, and Søndagsavisen's sub-edition in North Jutland was discontinued in July 2007.

Prospects for the year 2007

- As stated in company announcement no. 16-07, dated 4 October 2007, revenue is expected to be DKK 1,650-1,700 million and profit before tax DKK 20-40 million in 2007.

Søndagsavisen a-s' forward-oriented strategy and objectives

- As a result of the negative development of the expectations for the net profit for the year, the focus in the short term will be placed on adjusting price and cost structures within distribution activities. It is still too early to estimate the total effect of the notice of a price increase of DKK 0.05 per printed item.
- As regards all the other business units of the Group, the coming period will focus on activities aimed at improving earnings.
- The aim is still to be the leading market place for vacancy recruitments in Denmark.

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Denmark – Price war called off on the market for household distribution of printed matter

In Q3 to date consolidated revenue in Denmark rose from DKK 977.9 million in 2006 to 1,048.6 million in 2007, equivalent to a growth rate of 7 %.

In Q3 2007 revenue in Denmark amounted to DKK 328.9 million, which was at the level of the same period in the previous year. Growth in Q2 was flat, too, while a high growth rate of 20 % was realised in Q1 compared with the previous year, reflecting that the Group's newspaper and distribution activities started the year on a high note.

For the first nine months of the year, operating profit was DKK 34.2 million in 2007 against DKK 106.0 million in 2006, or DKK 71.8 million down in 2007. The decline was primarily reported in Q2 and Q3 2007.

In Q3 2007 the operating result was DKK -1.4 million, which is DKK 29.9 million lower than in Q3 2006. The lower result is primarily attributable to the distribution activities.

The market for distribution of unaddressed printed matter is affected by a very intense price war, which is the main cause of the lower result. Further, in the first six months of the year in particular, costs were incurred in connection with the increased coverage of midweek distribution. In addition, the pay costs of the team of distributors have been sharply rising due to the heated situation in the labour market generally. Furthermore, in Q3 2007 non-recurring costs were paid to implement management restructurings. The result of the distribution activities was highly unsatisfactory.

The market for distribution of unaddressed items in 2007 is overall smaller than expected. While the first few months of the year saw handsome growth rates, revenue has subsequently been declining and is at a lower level than last year. A number of cost cutting measures have been taken to ensure that the costs of packing and distribution are adapted to the expectations of a reduction in the volume of printed matter.

A price war has affected the market for household distribution of printed matter in the past 3 or 4 years, the result being continuously falling prices. As stated in company announcement no. 18-07, dated 17 October 2007, all customers have received notice of the end of the price war and of a price increase of at least DKK 0.05 per printed item when new agreements are entered into. It is currently too early to estimate the total effect of the price increase on revenue and profit.

Overall, the Group's Danish newspaper activities developed as expected in the first half of 2007. In Q3, on the other hand, the market for retail trade advertisements showed a growing decline, and Søndagsavisen has lost market share owing to intensified price competition from free dailies in particular.

The market for recruitment advertisements continues to generate high growth rates, especially in the Jutland editions.

The result of the newspaper activities in 2007 is significantly lower than in 2006, due partly to full national coverage, which was launched in week 34 in 2006, partly to the higher costs of activities aimed at the recruitment market and partly to the abovementioned intensified price competition.

The Group's associate LokalAvisen Holding ApS, which publishes the local midweek newspapers Fjordbyerne Frederikssund and Slotsbyerne Hillerød, has launched a new edition: Fjordbyerne Roskilde.

Sweden – Lower earnings in 2007. Income particularly high in 2006 as a result of election advertisements

For the year as a whole revenue performance in Sweden is flat, a fact that also characterises the market generally. However, revenue in Q3 2007 was DKK 53.0 million and thus 5 % lower than in the same period in 2006.

In Q3 2007 the operating result was - DKK 1.4 million, which is DKK 4.7 million lower than in Q3 2006. The lower result is a consequence of the lower revenue and reflects the fact that the election advertisements in September 2006 were not repeated in 2007.

Other countries – Continued progress in MatchWork UK, improved earnings in Norway

For Q3 to date 2007 revenue in Norway was DKK 28,0 million. This is on par with the level of revenue in the same period in 2006.

The operating result in Norway was DKK -0.2 million for Q3 to date 2007. After the introduction of a number of cost cutting measures, the results of Q2 and Q3 2007 were positive whereas Norsk Avisdrift reported a loss in Q1.

Compared with the same period last year MatchWork UK improved revenue by 31 % in Q3 to date 2007. MatchWork UK is now hosting more than 100 sites in England, where two thirds of all regional dailies are customers today.

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

Internet – Higher staff and marketing expenses for the "We do the job together" project

Revenue from total internet activities was DKK 68.6 million for Q3 to date 2007, up 19 % on the same period in 2006. For Q3 alone the growth rate was 28 %.

For the first nine months of 2007 the operating profit was DKK 4.3 million, down DKK 3.4 million on the previous year. The lower profit reflects higher staff and marketing expenses, mainly related to the increased level of activity aimed at the recruitment market. Furthermore, there were non-recurring costs in connection with management restructurings.

"We do the job together", the designation of OFiR's and Søndagsavisen's common activities aimed at the recruitment market, develops overall as planned except that the growth in internet advertisements is lower than expected, due mainly due to lower advertisement sales in Forum.dk.

Prospects for 2007

The expectations for the Group's revenue and profit before tax are unchanged compared with company announcement no. 16-07, dated 4 October 2007.

The revenue is expected to be DKK 1,650-1,700 million in 2007.

The expectations for profit before tax for 2007 are DKK 20-40 million.

The Group's total operating investments for the whole year are still expected to be DKK 115 million.

These expectations reflect that in the last quarter of the year, revenue performance within distribution activities in Denmark is subject to substantial uncertainty. In addition, the revenue for the whole quarter will be affected by the increase in the number of households who say "No advertisements please". There will also be non-recurring costs in connection with replacements of parts on the packing lines at the two terminals in Taastrup and Tilst near Århus.

The effect of cost cutting measures taken will only come through gradually, and the price increases of which notice has been given will not take effect until from 2008.

Within Danish newspaper activities great uncertainty attaches to the development in the market for retail trade advertisements. This, too, is expected to result in a profit for Q4 2007 which is significantly lower than in the previous year.

The internet activities are expected to show a full-year profit which is lower than in 2006.

**Revenue and operating profit
by country and business area**

DKKkm	Revenue									
	Q3 YTD		Q3	Q2	Q1	Q4	Q3	Q2	Q1	Year
	2007	2006	2007	2007	2007	2006	2006	2006	2006	2006
<u>By country</u>										
Denmark	1,048.6	977.9	328.9	351.8	367.9	375.5	324.1	347.3	306.4	1,353.4
<i>Index cp. to same period last year</i>	<i>107.2</i>		<i>101.5</i>	<i>101.3</i>	<i>120.1</i>					
Sweden	184.3	182.3	53.0	69.3	62.0	70.7	55.8	67.3	59.2	253.0
<i>Index cp. to same period last year</i>	<i>101.1</i>		<i>94.9</i>	<i>103.0</i>	<i>104.7</i>					
Other countries	48.3	44.5	14.0	17.5	16.8	15.8	14.5	15.8	14.1	60.2
<i>Index cp. to same period last year</i>	<i>108.7</i>		<i>96.2</i>	<i>110.8</i>	<i>119.3</i>					
<u>By business area</u>										
Newspaper publication and distribution	1,212.6	1,146.7	373.4	415.5	423.8	442.3	376.9	411.3	358.6	1,589.0
<i>Index cp. to same period last year</i>	<i>105.7</i>		<i>99.1</i>	<i>101.0</i>	<i>118.2</i>					
Internet	68.6	57.9	22.5	23.2	23.0	19.7	17.6	19.1	21.1	77.6
<i>Index cp. to same period last year</i>	<i>118.5</i>		<i>127.6</i>	<i>121.1</i>	<i>108.6</i>					
Total	1,281.3	1,204.6	395.9	438.7	446.7	462.0	394.5	430.4	379.7	1,666.6
<i>Index cp. to same period last year</i>	<i>106.4</i>		<i>100.3</i>	<i>101.9</i>	<i>117.6</i>					

DKKkm	Operating profit									
	Q3 YTD		Q3	Q2	Q1	Q4	Q3	Q2	Q1	Year
	2007	2006	2007	2007	2007	2006	2006	2006	2006	2006
<u>By country</u>										
Denmark	34.2	106.0	-1.4	9.1	26.6	49.3	28.5	45.9	31.6	155.3
<i>Operating margin</i>	<i>3.3%</i>	<i>10.8%</i>	<i>-0.4%</i>	<i>2.6%</i>	<i>7.2%</i>	<i>13.1%</i>	<i>8.8%</i>	<i>13.2%</i>	<i>10.3%</i>	<i>11.5%</i>
Sweden	10.2	14.0	-1.4	8.7	3.0	7.5	3.3	7.7	2.9	21.5
<i>Operating margin</i>	<i>5.5%</i>	<i>7.7%</i>	<i>-2.7%</i>	<i>12.5%</i>	<i>4.8%</i>	<i>10.6%</i>	<i>5.9%</i>	<i>11.5%</i>	<i>5.0%</i>	<i>8.5%</i>
Other countries	5.4	2.9	1.9	2.1	1.3	0.3	2.1	0.3	0.5	3.2
<i>Operating margin</i>	<i>11.1%</i>	<i>6.5%</i>	<i>13.4%</i>	<i>12.2%</i>	<i>8.0%</i>	<i>2.0%</i>	<i>14.5%</i>	<i>1.8%</i>	<i>3.5%</i>	<i>5.3%</i>
<u>By business area</u>										
Newspaper publication and distribution	45.5	115.2	0.9	15.3	29.2	58.3	33.9	50.4	30.9	173.5
<i>Operating margin</i>	<i>3.8%</i>	<i>10.0%</i>	<i>0.2%</i>	<i>3.7%</i>	<i>6.9%</i>	<i>13.2%</i>	<i>9.0%</i>	<i>12.2%</i>	<i>8.6%</i>	<i>10.9%</i>
Internet	4.3	7.7	-1.9	4.6	1.6	-1.2	0.0	3.5	4.1	6.4
<i>Operating margin</i>	<i>6.3%</i>	<i>13.2%</i>	<i>-8.4%</i>	<i>19.7%</i>	<i>7.2%</i>	<i>-6.2%</i>	<i>-0.1%</i>	<i>18.4%</i>	<i>19.6%</i>	<i>8.3%</i>
Total	49.8	122.9	-1.0	19.9	30.9	57.1	33.9	53.9	35.0	180.0
<i>Operating margin</i>	<i>3.9%</i>	<i>10.2%</i>	<i>-0.2%</i>	<i>4.5%</i>	<i>6.9%</i>	<i>12.4%</i>	<i>8.6%</i>	<i>12.5%</i>	<i>9.2%</i>	<i>10.8%</i>