

1997

DELÅRSRAPPORT
INTERIM REPORT



SEPTEMBER 30, 1997



PROFIT & LOSS ACCOUNT
SCHIBSTED - CONSOLIDATED

3. QUARTER 96	3. QUARTER 97	(NOK 1 000)	30.9.97	30.9.96	1996
REVENUES					
122 592	121 110	Subscription revenues	380 717	373 700	511 205
558 125	593 626	Retail sales revenues	1 644 723	1 246 892	1 793 345
370 006	415 602	Advertising revenues	1 369 068	1 182 700	1 640 165
105 494	133 625	Other revenues	432 619	295 947	579 632
1 156 217	1 263 963	Total revenues	3 827 127	3 099 239	4 524 347
OPERATING EXPENSES					
131 022	129 869	Raw materials	383 570	340 170	485 426
39 097	55 022	TV/film production expenses	175 001	130 585	216 473
361 199	413 603	Personnel expenses	1 148 863	953 435	1 353 539
483 464	502 252	Other operating expenses	1 478 116	1 183 477	1 698 874
2 476	2 579	Losses on accounts receivables	8 283	9 554	9 397
51 736	52 040	Ordinary depreciation	155 960	136 563	191 354
1 068 994	1 155 365	Total operating expenses	3 349 793	2 753 784	3 955 063
87 223	108 598	Operating profit	477 334	345 455	569 284
FINANCIAL ITEMS					
9 987	10 865	Financial income	48 086	37 390	49 877
(12 068)	(12 108)	Financial expenses	(35 244)	(26 746)	(37 397)
(18 261)	(1 463)	Share of associated companies	78 957	13 114	1 545
(20 342)	(2 706)	Net financial items	91 799	23 758	14 025
<i>(854)</i>	<i>(651)</i>	<i>Minority interests</i>	<i>(1 200)</i>	<i>(2 141)</i>	<i>(4 094)</i>
66 027	105 241	Profit before taxes	567 933	367 072	579 215
18 487	30 519	Taxes	164 700	102 780	178 022
47 540	74 722	Net profit	403 233	264 292	401 193



BALANCE SHEET
SCHIBSTED - CONSOLIDATED

(NOK 1 000)	30.9.97	30.9.96	31.12.96
ASSETS			
Cash and cash equivalents	369 401	336 083	311 490
Accounts receivables	402 653	405 347	460 709
Other current assets	268 434	135 131	241 140
Total current assets	1 040 488	876 561	1 013 339
Other shares and interests	677 576	667 748	723 333
Long-term receivables	415 867	295 194	455 823
Constructions in progress	393 629	37 331	169 728
Machinery, equipment and goodwill	730 862	758 943	757 782
Buildings and land	859 819	849 876	822 699
Net pension assets	10 819	19 283	13 148
Total fixed assets	3 088 572	2 628 375	2 942 513
Total assets	4 129 060	3 504 936	3 955 852
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payables	178 286	153 155	193 256
Accrued public dues and wages	253 048	232 852	284 258
Taxes payable	197 449	152 254	173 630
Proposed dividend			103 875
Other current liabilities	410 623	334 883	366 752
Total current liabilities	1 039 406	873 144	1 121 772
Other long-term debt	411 149	391 852	561 724
Deffered tax	15 984	16 649	16 685
Pension obligations	308 139	296 057	300 113
Total long-term debt	735 272	704 558	878 522
<i>Minority interests</i>	<i>69 685</i>	<i>62 790</i>	<i>65 448</i>
Share capital (69,250,000 shares of NOK 1)	69 250	69 250	69 250
Legal reserves	384 537	331 148	384 537
Temporarily non distributable reserves		47 877	
Retained earnings	1 427 677	1 151 877	1 436 323
Net profit	403 233	264 292	
Total equity	2 284 697	1 864 444	1 890 110
Total liabilities and shareholders' equity	4 129 060	3 504 936	3 955 852



KEY FIGURES
SCHIBSTED - CONSOLIDATED

	30.9.97	30.9.96	1996
Total revenues (NOK 1,000)	3 827 127	3 099 239	4 524 347
Depreciation (NOK 1,000)	155 960	136 563	191 354
Royalty amortization (NOK 1,000)		36 640	36 640
Operating profit (NOK 1,000)	477 334	345 455	569 284
Pre-tax profit (NOK 1,000)	567 933	367 072	579 215
Net operating margin	12.5%	11.1%	12.6%
Gross profit ratio	14.8%	11.8%	12.8%
Profit ratio	10.5%	8.5%	8.9%
Equity ratio	57.0%	55.0%	49.4%
Current ratio	1.00	1.00	0.90
EPS (NOK)	5.82	3.82	5.79
Cash flow per share (NOK)	7.56	6.30	9.50
CIRCULATION - YEAR-TO-YEAR			
Aftenposten morning edition, weekdays	283 838	281 717	283 915
Aftenposten evening edition, weekdays	189 387	186 807	188 635
Aftenposten Sunday	228 100	221 303	223 501
VG, weekdays	367 531	352 258	356 861
VG, Sunday	287 599	274 237	279 571
Aftenbladet morning edition, weekdays	410 011	375 000	381 200
Aftenbladet Sunday	511 000	480 000	484 400
ADVERTISING VOLUMES - YEAR-TO-YEAR (COLUMN METRES)			
Aftenposten	42 102	37 845	52 126
VG	5 618	5 399	7 419
Aftenbladet	7 750	7 856	11 143
	30.9.97	30.9.96	1996
PRINT			
Total revenues (NOK 1,000)	3 539 741	2 883 450	4 079 345
Operating profit (NOK 1,000)	454 722	372 760	501 843
Pre-tax profit (NOK 1,000)	528 847	444 510	598 136
Net operating margin	12.8%	12.9%	12.3%
Gross profit ratio	14.9%	15.4%	14.7%
TV/FILM			
Total revenues (NOK 1,000)	250 522	188 918	308 429
Operating profit/loss (NOK 1,000)	(7 430)	(19 442)	(13 867)
Pre-tax profit/loss (NOK 1,000)	32 974	(34 064)	(48 840)
Net operating margin	(3.0%)	(10.3%)	(4.5%)
Gross profit ratio	13.2%	(18.0%)	(15.8%)
MULTI MEDIA			
Total revenues (NOK 1,000)	37 923	21 904	131 876
Operating profit/loss (NOK 1,000)	(51 135)	(61 264)	2 541
Pre-tax profit/loss (NOK 1,000)	(51 708)	(63 819)	(1 726)



STATEMENT
SEPTEMBER 30, 1997

The positive trend from the first half of 1997 continued in the third quarter and most of the business areas experienced increased revenues and improved results. The development in circulation and advertising volumes has been positive for the Norwegian newspapers and Aftenbladet's lead in terms of circulation compared to its competitor has remained stable. The co-operation agreement between TVNorge and TV 2 and the restructuring of the ownership in TVNorge were approved by the Norwegian Competition Authority in October. In October Schibsted increased its ownership in the Estonian TV channel, Kanal 2, to 80 %.

At the end of October Schibsted entered into a USD 300 million 7 year revolving credit facility with 11 banks. This facility replaces the NOK 700 million revolving credit entered into in 1996.

PRINT MEDIA

Most Norwegian newspapers experienced significant growth in revenues and improvement in earnings during the first 9 months of 1997.

The morning edition of Aftenposten had an increase in circulation of 2,100 copies compared to the same period in 1996, up from 281,700 copies in 1996 to 283,800 copies in 1997. The evening edition increased by 2,600 copies to 189,400 copies, while the Sunday circulation increased by 6,800 copies to 228,100 copies.

The positive development in VG's circulation in the first half of 1997 continued in the third quarter and VG's weekday circulation increased by 15,200 copies from 352,300 copies for the first 9 months of 1996 to 367,500 copies for the first 9 months of 1997. The Sunday edition also developed positively and the circulation increased by 13,400 copies to 287,600 copies. September 1997 had several newsworthy events, including the Norwegian Parliamentary election.

Aftenbladet's weekday circulation increased by 35,000 copies to 410,000 copies for the first nine months of 1997 (375,000 copies for the corresponding period in 1996). The Sunday circulation increased by 31,000 copies to 511,000 (480,000) copies. The lead on Expressen has stabilised at approximately 65,000 copies despite several initiatives launched by the competitor during 1997. The competitive situation will continue to be intense among the casual sales newspapers in Sweden and any significant improvement in margins for Aftenbladet is not expected in the near future.

The demand for advertising has remained at a high level. Aftenposten had an increase in volume of 11.2 % and an increase in revenues of 11.5 %, to NOK 974.3 million compared to the corresponding period in 1996. VG also experienced improved demand for advertising and had a 4.0 % increase in volume and 10.2 % increase in revenues. September was VG's best month ever in terms of advertising revenue.

The advertising market continues to be disappointing for the evening newspapers in Sweden and as of September Aftenbladet had a decline in revenues of approximately NOK 14 million compared to the corresponding period in 1996. With the increase in private consumption in Sweden, advertising sales are expected to improve in the near future.

Aftenposten's operating profit for the first nine months of 1997 was NOK 269.6 million, an increase of NOK 59.8 million or 29 % compared to the corresponding period in 1996. VG's operating profit increased by NOK 19.8 million to NOK 179 million while Aftenbladet's operating profit was NOK 30.4 million compared to NOK 32.2 million for the corresponding period in 1996.

Dine Penger continues to show strong results. Revenues increased by NOK 3.5 million compared to the corresponding period in 1996, to NOK 18.7 million. The operating profit before goodwill amortisation increased by NOK 1.8 million from NOK 5.0 million to NOK 6.8 million.

Print Media's revenues increased by NOK 656 million to NOK 3,540 million. Aftenbladet's revenues up to May 1st, 1997 accounted for NOK 437 million of this increase. The operating profit increased by NOK 82 million to NOK 455 million.

Schibsted's newspapers have so far not experienced any negative effects from the free newspaper, Osloposten, which has been in circulation for 6 months.

On November 1, 1997 Torbjörn Larsson left the position as Editor in Chief at Aftenbladet and became a member of Schibsted's group management. Anders Gerdin, who previously had the position of Managing Editor at Aftenbladet assumed the position as Editor in Chief as of the same date.

The construction of the group's new printing facility in Nydalen is developing according to plan and is expected to be operational in the first quarter of 1999 within the budget of NOK 1.4 billion.

TV/FILM

The co-operation agreement between TVNorge and TV 2 and the restructuring of the ownership in TVNorge were approved by the Norwegian Competition Authority in October. As part of the co-operation agreement, TV 2 will be responsible for TVNorge's programming. The effect of this co-operation will not have any significant impact until the first quarter of 1998. TV 2 AS had an operating profit of NOK 123 million for the first nine months of 1997, compared to NOK 95 million during the corresponding period in 1996. The 1997 operating profit includes losses in TVNorge from June 1, 1997. Not including TVNorge, TV 2's operating profit increased by NOK 58 million, while the share of TVNorge contributed with a loss of NOK 30 million.

In October Schibsted increased its ownership in the Estonian TV channel, Kanal 2, to 80 % of the share capital and 49.5 % of the voting shares. The channel now has two owners, Schibsted and the channel's Estonian founder and CEO. The increased ownership represented an investment of NOK 27 million.

The production companies had an increase in revenues of approximately NOK 34 million to NOK 190 million, of which 50 % of the increase is related to newly acquired companies and 50 % is related to the production of the series «7 Sisters». The operating profit, which was a loss of NOK 4.9 million compared to a profit of NOK 6.9 million for the corresponding period in 1996, was significantly lower than expected.

The next quarterly statement will be released on February 26, 1998.

This is partly due to the fact that the activities in Denmark are being expanded, but also the fact that some of the TV productions had too low margins.

The TV/Film business area had an operating loss of NOK 7.4 million, an improvement compared to a loss of NOK 12 million for the corresponding period in 1996. The business area's contribution from associated companies was NOK 47.5 million, of which TV 2 and TVNorge together contributed with NOK 58 million, including the gain of NOK 55.9 million from the sale of the shares in TVNorge to TV 2 in the first half of 1997. The business area's pre-tax profit was NOK 33 million compared to a pre-tax loss of NOK 34 million in 1996.

MULTIMEDIA

The traffic on Scandinavia Online's (SOL) Internet pages in Norway has been developing positively and has reached 3.8 million hits per week. The subscription services «SOL-Medlem», «SOL-BN» and «SOL-referanse» were launched in the third quarter. However, advertising revenues have not developed satisfactorily, partly because the major brand name advertisers continue to be hesitant to the Internet as an advertising vehicle. The effort to develop SOL to become an attractive advertising medium is continuously ongoing, among other things through the continued development of the vis@visen database together with Aftenposten and the regional newspapers.

SOL in Sweden launched its first service, directed towards private investors, in September and several new services will be launched during the fall. SOL AB was established without an agreement with any of the Internet access suppliers and the main challenge is to establish alliances whereby high quality content to a greater extent leads to increased revenues.

The activity in Denmark is in the start-up phase and has five employees. The emphasis in Denmark will to a great extent be based on existing products and services from SOL in Norway.

The business area's revenues during the first nine months was NOK 38 million, an increase from 16 million for the corresponding period in 1996. The operating loss was NOK 51 million compared to a loss of NOK 61 million in 1996.

FINANCIAL HIGHLIGHTS

The group's revenues for the first nine months of 1997 were NOK 3,827 million, an increase of 23.5 % or NOK 728 million compared to the same period in 1996. Aftenbladet's revenues up to May 1st, 1997 accounts for NOK 437 million of this increase. The operating profit was NOK 477.3 million compared to NOK 345.5 million in 1996, an increase of 38.2 %. In addition to the consolidation of Aftenbladet, the main reasons for this increase are Aftenposten's higher advertising revenues and improved results in the TV/Film business area. Net financial items were NOK 91.8 million compared to NOK 23.8 million in 1996. Financial income includes a gain from the sale of shares of NOK 12.5 million, while financial expenses are higher due to increased borrowings.

The contribution from associated companies is negatively impacted by the loss in TVNorge during the first half, but positively impacted by the gain on the sale of the shares in TVNorge.

The group's cash flow from operations was NOK 523 million for the first nine months of 1997 compared to NOK 436 million in 1996.

Pre-tax profit was NOK 567.9 million compared to NOK 367.1 million in 1996, an increase of 54.7 %. The tax rate for the first nine months of 1997 is estimated to approximately 29 % and is influenced by the sale of the shares in TVNorge.

INVESTMENTS

Investments for the first three quarters of 1997 totalled NOK 435 million, of which NOK 60 million is related to Dine Penger, approximately NOK 180 million to the new printing plant, approximately NOK 63 million to the office building under construction in Apotekergaten and approximately NOK 108 million in ongoing operational and maintenance investments.

FUTURE PROSPECTS

The Norwegian economy continues to perform well and unemployment is low and declining. As noted earlier, there is a danger of inflationary pressures, and the interest rate and currency markets have already discounted increased price and wage growth over the next few years. The growth in private consumption continues and auto sales are still increasing. After the increase in interest rates this summer, the first such increase in a long time, real estate prices have stabilised while the activity in the real estate market continues to be strong. As a result, we expect revenues at the Norwegian operations to remain at a high level in the near term. The effect on the Norwegian economy as a result of the change in government remains to be seen and the effect of the recent instability in the financial markets is unknown.

The main challenge currently is related to cost control within the newspapers and the TV channels. There continues to be significant uncertainty relating to the growth in advertising and subscription revenues within Multimedia and continued significant operating losses in all the Scandinavian countries are expected. The challenge within multimedia lies in rapid adjustment of the organisation, technology and products to the trends which are observed.

During the summer and fall, there has been significant attention given to the possibility of changes in VAT for Norwegian newspapers. Based on the negative consequences such a proposal would have on Norwegian newspapers as a whole and considering proposals within the EU regarding VAT on newspapers, Schibsted assumed that the VAT regime for newspapers would not be changed. The recently proposed national budget is in line with this.

Oslo, November 6, 1997