

TV4 GROUP



**ANNUAL REPORT
TV4 AB**

ORG. NR. 556242-7152
2010-01-01 – 2010-12-31

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DIRECTORS' REPORT

The Board and Managing Director of TV4 AB, Reg. No. 556242-7152, having its registered office in Stockholm, hereby present the annual report and consolidated accounts for the financial year 2010. The parent company of the largest group of companies, in which TV4 AB is a subsidiary, and for which consolidated accounts are prepared, is Albert Bonnier AB, Reg. No. 556520-0341, Stockholm.

PROGRAMME OPERATIONS

TV4 remains the most-watched TV channel in Sweden, with a total audience share of 18.7 per cent (19.5 per cent) in the main 12–59-year-old target group.

Total viewing across the population (3–99 years) fell by 1 minute, and by 3 minutes in the 1–59-year-old target group, to 148.6 minutes (151.9).

It is worth noting that the "Other channels" segment is now experiencing a decline across the entire viewing population, and only a marginal increase in the 12–59-year-old target group. TV4 Group channels in this segment maintained their audience share of just over 11 per cent, thus strengthening their position. Most of this was due to increases in audience share by TV4 Fakta and the Canal+ channels.

The TV4 Group's total audience share fell slightly, to 29.9 per cent in the Group's main 12–59-year-old target group, as compared with a 30.6 per cent share in 2009.

The year ended with a sharp upswing in viewing time in the fourth quarter, both for TV4 as a single channel and for the TV4 Group as a media house (see table page 3).

As in 2009, the single most popular programme on TV4 last year was Let's dance, with a peak audience of 2,040,000 (3–99 years) during voting on the final show.

The spring saw the first episode of the Solsidan comedy series by Felix Herngren. The show was a massive hit with viewers. The peak audience was 1,840,000 (3–99 years); the Solsidan Facebook group had attracted 360,000 members by the end of the year, evidencing the huge impact of TV4. Other major successes during the year were the Morden i Sandhamn

drama series, based on Viveca Sten's book, which attracted a peak audience of 1,679,000 (3–99 years).

An old format made a comeback on TV4 in the autumn with the return of Fångarna på Fortet. Ratings exceeded all expectations as a new generation of viewers were captivated by the adventures at Fort Boyard.

Another show that struck a chord with viewers was the new Saturday evening entertainment show Så mycket bättre, which was also praised by the critics. The CD of music from the show topped the charts just before Christmas.

Fuskbyggarna was a fruitful fusion of investigative journalism and entertainment, with Lennart Ekdal and Martin Timell bringing the spotlight to bear on cowboy builders.

The summer was dominated by the World Cup in South Africa, together with various programmes about the Swedish royal wedding. The arrival of autumn saw massive coverage of the general election.

In addition to the above programmes, TV4's programme schedule included a number of popular classics, such as House, Idol 2010 and Halv åtta hos mig.

The most popular programmes on TV4 Plus during the year were Vad blir det för mat, Det okända, Medium, Söld på hus and a new show launched during the year: 112 – på liv och död, in which viewers gain an inside view of the day-to-day work of the emergency services (fire, ambulance and police). Another new series that proved to be a hit with TV4 Plus viewers was Ladies på Östermalm, an intimate and unique glimpse of the life of the upper classes.

Zlatan Ibrahimovic helped TV4 Sport achieve its highest ratings for the year, in spring playing in the Spanish league (La Liga), and in the autumn in Serie A matches in Italy.

Successes by the TV4 Group's niche channels include TV4 Fakta's successful focus on medical topics and popular nightly documentaries on crime, TV4 Komedi's Monty Python specials and TV4 Film's spotlights on various actors and actresses.

C More Entertainment/Canal+ did not renew their rights to English Premier

League football as from autumn 2010, since the price was considered too high. The company broadened its range of sports by acquiring a number of major sporting rights, including the rights to Italian Serie A football in Norway and Denmark, men's tennis rights and American sports such as NBA and UFC. During the year C More also launched the new channel Canal+ Series to create a clearer profile for the range of series on offer.

THE ADVERTISING MARKET

According to IRM, total spending on traditional media (daily press, popular press, trade press, TV, radio, outdoor and cinema advertising) rose by 12.6 per cent to November (figures for December have not yet been released). The TV advertising market did even better, growing by 18.4 per cent. However, actual demand has been even higher, but advertising capacity could not meet the demand, and many advertisers were unable to secure airtime.

DISTRIBUTION

In June it was confirmed that the TV4 Group had been granted a licence to distribute TV4 HD via the terrestrial network, which is strategically important, since it will ultimately be possible to break down TV4 HD into 30 local versions. During the year an agreement was concluded with Teracom on breaking down TV4 Plus into 30 regions. The commercial launch will take place in 2011.

A new distribution agreement was concluded with Telia in May 2010. The agreement means increased distribution for TV4 Guld, TV4 Komedi and TV4 Science Fiction from July the same year.

The relaunch of TV400 as TV11, which took place in early 2011, entailed intensive negotiations with all distributors in 2010. An agreement was concluded with Com Hem under which TV11 is being distributed in the basic analogue package. This means that 75 per cent of Swedish households were able to receive the channel from its launch date.

SALES, EARNINGS AND INVESTMENTS

THE GROUP

Group net sales rose by 9 per cent, totalling SEK 6,019 million (5,543). This increase was due to a buoyant advertising market in 2010. The 6 per cent increase in operating expenses to SEK 5,211 is largely attributable to continuing investment in programme content, such as sport, drama and other entertainment.

Operating profit was SEK 845 million (495). Profit after financial items totalled SEK 671 million (348).

Investments in tangible and intangible non-current assets totalling SEK 19 million were made during the year (36). Depreciation during the year totalled SEK 163 million (218). The TV4 Group is part of a group account system administered by Bonnier AB. Liquid assets, including short-term investments, totalled SEK 848 million at the end of the year, compared with SEK 369 million at the same time last year.

Programme inventory totalled SEK 1,495 million (1,456), of which repeats accounted for SEK 243 million (208). Programme inventory, including contracted programmes not yet delivered, totalled SEK 5,544 million (3,296).

The equity/assets ratio was 12.6 per cent at 31 December 2010, compared with 11.7 per cent at the same time last year.

THE PARENT COMPANY

Net sales by the parent company totalled SEK 2,778 million (2,465), resulting in a profit after financial items of SEK 465 million (186). The parent company had liquid assets and short-term investments totalling SEK 295 million at the end of the year (-192).

BUSINESS RISKS

TV4 Group operations are dependent on access to attractive programme content and distribution of its channels. There are many distributors, but competition has intensified as the number of channels available has grown. Distribution takes place via two satellite platforms – cable and the terrestrial network. Distribution via the terrestrial network requires a government licence.

Some programme content and rights are paid for in foreign currency, mainly

US dollars and euros. This means that the Company is exposed to the risk of exchange rate fluctuations. The Company reduces these risks using derivative instruments, however.

The advertising market is highly susceptible to fluctuations in the economic climate. A substantial portion of TV4 Group revenue consists of advertising sales, and the TV4 channel is the main business of the Group. Revenues from other operations are rising sharply, however, following the acquisition of C More/Canal+, and our relative dependence on advertising revenues is therefore lessening

HUMAN RESOURCES

In 2010 TV4 had an average of 982 (1,017) full-time employees, comprising 52 per cent men (51) and 48 per cent women (49). TV4 uses surveys, risk assessments, action plans and monitoring in its systematic approach to occupational health and safety, designed to promote a good quality physical, psychological and social working environment. This systematic approach to occupational health and safety is pursued as a joint effort between the employer, employees and trade unions.

ENVIRONMENT

TV4's business has limited environmental impact and requires no permits under the Environmental Code. Environmental considerations are taken into account when purchasing logistics services, energy and materials. TV4 sorts waste at source and uses ecolabelled electricity and energy-efficient lighting sources. The TV4 Group contributes to a better environment by working to integrate the environmental dimension in its day-to-day operations.

SIGNIFICANT POST-REPORT EVENTS

No important events have occurred since 1 January 2011.

PROPOSED DISTRIBUTION OF PROFIT

The following profit is available for allocation at the Annual General Meeting of the Shareholders: (*see table page 3*).

STATEMENT BY THE BOARD OF DIRECTORS CONCERNING DIVIDEND

Presupposing approval at the Annual General Meeting, a group contribution has been made in an amount of SEK 290,172,014, and a dividend has been paid in an amount of SEK 168,000,000, thus reducing non-restricted equity as at accounting year-end, taking account of the tax effect, by SEK 381,856,774.

It is the opinion of the Board of Directors that the proposed transfers of value, both in the form of a group contribution and a dividend, will not prevent the Company from meeting its short and long-term obligations, or from making necessary investments. The proposed transfer is therefore defensible in the light of the provisions of chapter 17, section 3 (2)–(3) of the Swedish Companies Act (the precautionary rule).

TV CHANNEL SHARES (PER CENT) AND VIEWING TIME PER DAY (MINUTES) DURING JANUARY – DECEMBER 2010 FOR 12 – 59-YEAR-OLD VIEWERS.

	SVT1	SVT2	TV3	TV4	TV4 PLUS	KANAL5	ÖVRIGA	TV4 GRUPPEN	TOTALT
Share 2010	17.1	5.2	10.2	18.7	3.8	9.4	35.6	29.9	100.0
Share 2009	14.7	5.4	10.6	19.5	3.8	9.9	36.2	30.6	100.0
Minutes 2010	25.4	7.7	15.1	27.7	5.6	14.0	53.1	44.9	148.6
Minutes 2009	22.3	8.2	16.0	29.5	5.8	15.0	55.1	46.4	151.9

"Other" comprises Other TV channels not including TV4 Plus. Source: MMS – Advantedge

PROPOSED DISTRIBUTION OF PROFIT

The following profit is available for allocation at the Annual General Meeting of the Shareholders:

Profit brought forward	1,370,917
Allocation for group contribution (koncernbidrag, a form of tax consolidation)cernbidrag, a form of tax consolidation)	-290,172,014
Tax, group contribution	76,315,240
Profit for the year	381,064,786
Total	168,578,929

THE BOARD OF DIRECTORS PROPOSES THAT TV4'S PROFIT BE ALLOCATED AS FOLLOWS:

Dividend paid to the owner	168,000,000
Carried forward	578,929
Total	168,578,929

TV4 IN FIGURES – A FIVE-YEAR OVERVIEW

The TV4 Group – SEK thousands

	2010	2009	2008	2007	2006
Assets					
Non-current assets	1,998,832	2,902,334	2,873,883	199,906	169,453
Deferred tax	204,978	234,241	157,275	-	-
Inventories (stock)	1,494,735	1,455,957	1,031,164	369,722	396,734
Other current assets	1,767,046	1,000,527	965,709	537,013	369,059
Accounts receivable – trade	597,162	651,659	649,071	466,393	370,182
Liquid assets	848,413	369,533	1,473,327	544,419	494,114
Total assets	6,911,166	6,614,251	7,150,429	2,117,453	1,799,542
Equity and liabilities					
Equity	871,504	774,396	851,676	1,459,439	1,009,839
Non-current liabilities and provisions	455,549	52,050	54,171	113,080	84,813
Other current liabilities	4,991,019	5,065,537	5,452,045	308,576	472,800
Accounts payable – trade	593,094	722,268	792,537	236,358	232,090
Total equity and liabilities	6,911,166	6,614,251	7,150,429	2,117,453	1,799,542
Net sales	6,018,513	5,543,069	3,602,825	3,143,934	2,962,944
Operating expenses	-5,173,206	-5,047,625	-2,870,104	-2,530,602	-2,578,697
Operating profit	845,307	495,444	732,721	613,332	384,248
Financial items	-173,954	-147,706	18,685	14,251	9,242
Profit after net financial income/expense	671,353	347,738	751,406	627,583	393,490
Minority participations	20,627	0	3,981	5,108	4,391
Tax	-173,713	-151,706	-233,859	-184,542	-113,442
Profit for the year	518,267	196,032	521,528	448,149	284,439
Key figures					
Operating margin, %	14.0	8.9	20.3	19.5	13.0
Net margin, %	11.2	6.3	20.9	20.0	13.3
Return					
- on equity, %	63.0	24.1	45.1	36.3	29.2
- on capital employed, %	20.0	11.9	22.4	50.6	40.7
Equity/assets ratio, %	12.6	11.7	11.9	68.9	56.1
No. of employees	982	1,017	1,037	909	875

DEFINITIONS

OPERATING MARGIN

Operating profit/loss in relation to net sales.

NET MARGIN

Profit/loss after financial items in relation to net sales.

RETURN ON EQUITY

Profit/loss for the year in relation to the average of opening and closing equity.

RETURN ON CAPITAL EMPLOYED

Profit/loss after financial items plus interest expenses in relation to the average of opening and closing capital employed.

CAPITAL EMPLOYED

Total assets minus non-interest-bearing liabilities and deferred tax liabilities.

EQUITY/ASSETS RATIO

Equity in relation to total assets.

NO. OF EMPLOYEES

Average number of employees during the year.

INCOME STATEMENT SEK thousands		GROUP		PARENT	
		2010	2009	2010	2009
Net sales	Note 1	6,018,513	5,543,069	2,777,898	2,464,944
Transmission costs	Note 2	-4,318,699	-4,127,138	1,862,707	-1,763,012
Gross profit		1,699,814	1,415,931	915,191	701,932
Selling expenses		-502,321	-444,906	-157,449	-126,410
Administrative expenses		-507,226	-472,481	-314,558	-244,799
Other operating income		157,074	-	128,327	-
Other operating expenses	Note 3	-	-	-2,876	-9,509
Shares in associated companies and joint ventures	Note 7	-2,034	-3,100	-	-
Operating profit	Note 4, 5, 6, 12	845,307	495,444	568,635	321,214
Financial income	Note 8	27,734	46,663	57,242	24,754
Financial expenses	Note 8	-201,688	-194,369	-160,700	-159,654
Profit after financial items		671,353	347,738	465,177	186,314
Appropriations	Note 21	-	-	-560	19,585
Profit before tax		671,353	347,738	464,617	205,899
Tax	Note 9	-173,713	-151,706	-83,552	-56,307
Minority		20,627	-	-	-
Net profit for the year		518,267	196,032	381,065	149,592

BALANCE SHEET SEK thousands		GROUP		PARENT	
		2010-12-31	2009-12-31	2010-12-31	2009-12-31
ASSETS					
Non-current assets					
Intangible non-current assets	Note 10				
Goodwill		1,876,152	2,742,906	-	-
Other intangible non-current assets		19,324	16,886	15,175	16,886
Total intangible non-current assets		1,895,476	2,759,792	15,175	16,886
Tangible non-current assets	Note 11				
Machinery and other plant		41,229	52,283	20,411	28,576
Capitalised refurbishment costs		18,425	16,306	16,365	11,937
Furniture and equipment		21,715	36,920	11,254	18,136
Total tangible non-current assets		81,369	105,509	48,030	58,649
Financial non-current assets					
Participations in group companies	Note 22	-	-	2,605,695	3,270,162
Participations in associated companies and	Note 7	12,817	13,802	17,085	17,085
Other securities held as non-current assets	Note 13	986	986	986	986
Other non-current receivables	Note 26	8,184	22,245	1,326	1,418
Deferred tax receivables	Note 9	204,978	234,241	4,307	11,539
Total financial non-current assets		226,965	271,274	2,692,399	3,301,190
Total non-current assets		2,203,810	3,136,575	2,692,604	3,376,725
Current assets					
Programme inventory	Note 14	1,494,735	1,455,957	924,568	839,432
Current receivables					
Accounts receivable - trade		597,162	651,659	376,991	389,871
Receivables from group companies		-	-	299,645	353,575
Other receivables		123,014	53,822	57,319	10,098
Pre-paid expenses and accrued income	Note 15	1,644,032	946,705	1,130,061	691,052
Total current receivables		2,364,208	1,652,186	1,864,016	1,444,596
Cash and bank balances	Note 25	848,413	369,533	295,494	-192,452
Total current assets		4,707,356	3,477,676	3,084,078	2,091,576
TOTAL ASSETS		6,911,166	6,614,251	5,776,682	5,468,301

BALANCE SHEET SEK thousands	GROUP		PARENT	
	2010-12-31	2009-12-31	2010-12-31	2009-12-31
EQUITY AND LIABILITIES				
Equity	Note 16			
Restricted equity				
Share capital		100,000	100,000	100,000
Restricted reserves		387,417	391,379	392,756
Total restricted equity		487,417	491,379	492,756
Non-restricted equity				
Profit brought forward		-134,180	86,985	-212,486
Net profit for the year		518,267	196,032	149,592
Total non-restricted equity		384,087	283,017	1,371
Total equity		871,504	774,396	661,335
Untaxed reserves	Note 23	-	-	354,689
Non-current liabilities				
Minority interests		429,321	-	-
Other non-current liabilities	Note 17	26,228	52,050	52,050
Total non-current liabilities		455,549	52,050	52,050
Current liabilities				
Advances from customers		-	15,313	-
Accounts payable - trade		593,094	722,268	316,457
Debts to group companies		4,149,820	3,805,120	4,180,840
Tax liabilities		-	-	-
Other liabilities		47,038	99,632	27,912
Accrued expenses and pre-paid income	Note 18	794,161	1,145,472	209,221
Total current liabilities		5,584,113	5,787,805	4,734,430
TOTAL EQUITY AND LIABILITIES		6,911,166	6,614,251	5,776,682
Assets pledged	Note 19	445	993	122
Contingent liabilities	Note 20	-	-	89,113
				164,445

CASH FLOW STATEMENT SEK thousands		GROUP		PARENT	
		2010	2009	2010	2009
Day-to-day operations					
Profit after financial items	Note 8	671,353	347,738	465,177	186,314
Adjustments for items not included in cash flow:					
Depreciation and amortisation		163,264	218,424	28,276	59,633
Profit/loss from sale and disposal of non-current assets		1,099	1,734	-88	-77
Övriga ej likvidpåverkande poster		-28,585	2,854	-1,873	1,456
Betald skatt		-13,710	-10,733	-16,385	3,492
Cash flow from day-to-day operations before change in working capital		793,421	560,017	475,107	250,818
Cash flow from change in working capital					
Inventories (stock)		-38,778	-424,793	-85,136	-223,971
Accounts receivable - trade		54,497	-2,588	12,880	25,000
Pre-paid accounts receivable - trade		-131,601	-6,767	-439,010	13,202
Other current assets		-55,892	-37,861	18,461	-143,413
Accounts payable - trade		-129,347	-70,096	-62,946	-42,533
Pre-paid accounts payable - trade		-349,414	-3,109	-10,487	-13,066
Other current liabilities		-67,757	39,251	-102,959	47,216
Change in working capital		718,292	-505,963	-669,197	-337,565
Cash flow from day-to-day operations		75,129	54,054	-194,090	-86,747
Investments					
Investment in intangible non-current assets		-	-	-	-
Investment in tangible non-current assets		-24,146	-35,972	-13,078	-18,503
Sale of tangible non-current assets		-	82,091	-	81,935
Acquisition of shares and participations	Note 24	-	-18,759	-1,950	-14,511
Sale of shares and participations	Note 24	661,033	-	661,033	-
Change in other financial assets		14,060	13,662	7,324	-1,833
Cash flow from investments		650,947	41,022	653,329	47,088
Financing					
Change in interest-bearing current liabilities		344,700	-826,488	344,700	-826,488
Increase in non-current liabilities		-25,821	-2,122	-25,821	-2,122
Group contribution (koncernbidrag)		-566,075	-370,259	-290,172	-201,114
Cash flow from financing		-247,196	-1,198,869	28,707	-1,029,724
Cash flow for the year		478,880	-1,103,793	487,946	-1,069,383
Cash at beginning of year		369,533	-1,473,326	-192,452	876,931
Cash flow for the year		478,880	-1,103,793	487,946	-1,069,383
Cash at year-end	Note 25	848,413	369,533	295,494	-192,452

ACCOUNTING PRINCIPLES

INFORMATION ABOUT THE COMPANY

The Parent Company is a limited liability company having its registered office in Sweden. The Parent Company's registration number is 556242-7152. The business of the TV4 Group consists of commercial television transmissions by TV4, TV4 Plus, TV400 (renamed TV11 in 2011), TV4 Film, TV4 Fakta, TV4 Guld, TV4 Komedi, TV4 Science Fiction, TV4 Sport and TV4 Sverige AB (local TV), Internet operations conducted under the umbrella of TV4 Digitala medier, mobile operations under the umbrella of TV4 Expressen Mobilab AB, as well as Canal+ and the C More Entertainment AB pay TV company brand. The Annual General Meeting of the Shareholders will be held in April 2011.

AMOUNTS AND DATES

Amounts are stated in SEK thousands unless otherwise stated. Income statement items relate to the period 1 January – 31 December, and balance sheet items relate to 31 December. Figures given in brackets refer to previous years.

PRINCIPLES USED IN PREPARING THE ACCOUNTS

The financial statements have been prepared in accordance with the Annual Accounts Act and general guidelines issued by the Swedish Accounting Standards Board. The accounting principles applied by the Company conform to all applicable recommendations issued by the Swedish Financial Accounting Standards Council and all applicable statements issued by the Swedish Financial Accounting Standards Council Akutgrupp (ad hoc advisory committee) entering into force during or before 2010. The Company does not comply with Swedish Financial Accounting Standards Council recommendations with respect to all information requirements. Instances of non-compliance with Council recommendations are confined to certain requirements regarding information and are not considered to be material.

DIFFERENCES BETWEEN THE ACCOUNTING PRINCIPLES USED BY THE GROUP AND THOSE USED BY THE PARENT COMPANY

Unless otherwise stated below, accounting principles used by the Parent Company are consistent with those used by the Group.

Swedish tax legislation allows companies to defer payment of tax by making allocations to untaxed reserves on the balance sheet and via appropriations in the income statement. Thus, the Parent Company reports untaxed reserves on the balance sheet and appropriations in the income statement. These items are treated as temporary differences on the consolidated balance sheet, i.e., they are divided up into deferred tax liabilities and equity. In the Group income statement the allocation to untaxed reserves is entered under "deferred tax", and reversed allocations are included in "net profit for the year".

Pensions are accounted for in accordance with the Swedish Annual Accounts Act and the Assurance of Pension Provisions Act, as well as regulations issued by the Swedish Financial Supervisory Authority.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the Parent Company and all subsidiaries. The term "subsidiaries" means all companies controlled by the Parent Company.

The consolidated financial statements have been prepared using the acquisition accounting method. This method means that assets and liabilities acquired are valued at their actual value at the time of their acquisition according to an acquisition analysis.

If the acquisition value of the shares exceeds the actual value of the net assets of the company acquired, the surplus is reported as Group goodwill. Goodwill is depreciated using the straight-line method over the estimated useful life. Goodwill arising as a result of major strategic acquisitions is depreciated over a maximum period of 20 years. Other Group goodwill is depreciated over five years. Depreciation of goodwill is reported in the income statement under "Administrative expenses".

Only that portion of the equity of the company acquired that has been generated after the acquisition is included in Group equity. Corporate income and expenses acquired are consolidated as of the date of acquisition. Divested corporate income and expenses are consolidated up to the time of disposal. Capital gains or losses on the

sale of subsidiaries are reported on the contract date.

ACCOUNTING OF ASSOCIATED COMPANIES

The term "associated companies" means all companies over which the Group has significant influence, but not control, which generally applies where a stake represents between 20 and 50 per cent of the voting rights. Holdings in associated companies are reported using the equity method and are valued initially at their acquisition cost. The value reported by the Group of its holdings in associated companies includes goodwill (net of any write-down) identified at the time of acquisition. The Group's share of the profit/loss of associated companies following acquisition is recorded in the income statement. Accumulated changes following acquisition are reported as changes in the recorded value of the holding. When the Group's share of losses made by an associated company equals or exceeds its holding in that company, including any receivables, the Group does not report any further losses unless it has assumed additional obligations.

JOINT VENTURES

For accounting purposes, a "joint venture" is an enterprise over whose operational and financial management the Group exercises joint operational and financial control under a joint venture agreement.

TV4 chooses to report its holdings using the equity method as described in Recommendation No. 14 issued by the Swedish Financial Accounting Standards Council. This accounting is consistent with that of associated companies as described above.

REVENUE RECOGNITION

Revenues are recognised to the extent it is likely that the financial benefits will accrue to the Group and the revenues can be reliably calculated. Revenues are classified as follows.

Advertising revenues comprise (i) payment for commercial spots on one of the Group's TV channels; and (ii) sponsorship revenues (payment for billboards before and after programmes are transmitted on one of the Group's TV channels).

Pay TV income comprises payment from

programme distributors for distributing TV4 channels.

Other revenues comprise revenue flows that do not have a heading of their own. Examples include revenues from Digitala medier, licensing revenues (DVDs, books, games etc) and resale of programmes.

ACCURAL ACCOUNTING OF REVENUES

The basis for recognition of advertising revenues is the time the commercial is transmitted. Sponsorship revenues are recognised at the time of insertion of sponsor information. Pay TV revenues are recognised from the time when the channel in question is distributed by the distributor. Other revenues are recognised on performance.

INTEREST

Interest income is recognised as it accrues. Interest is calculated on the basis of the return on the underlying assets.

DIVIDENDS

Income is recognised in the income statement when the shareholder's right to receive the dividend has been established.

OTHER INFORMATION ON REVENUE RECOGNITION

Each year the Group enters into a limited number of service barter agreements. Revenues generated under those agreements are reported under the category according with the above definitions.

TAXES

Taxes comprise current tax and deferred tax. Deferred tax is reported using the balance sheet method, which means that deferred tax is calculated for all identified temporary differences as at accounting year-end, the difference being the difference between the tax base of the assets or liabilities and their book value. Deferred tax receivables are reported for all tax-deductible temporary differences and unutilised loss carry-forward to the extent it is likely that future taxable profits will be available against which the temporary differences or unutilised loss carry-forward can be offset. The book value of the deferred tax receivables is reassessed at each accounting year-end and reduced to the

extent it is no longer likely to be possible to use them. TV4's current tax liability is affected by the appropriations and other tax provisions made by the individual companies. Utilisation of loss carry-forward in the accounts of TV4 or companies it has acquired also has an effect. TV4 has no tax-deductible temporary differences, loss carry-forward or other forms of relief that are not matched by reported temporary tax receivables. Taxes are recorded in the income statement, except where underlying transactions are booked direct against equity, where the resulting tax effect is booked under equity.

VALUATION OF RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

Monetary assets and liabilities are valued at the exchange rate at accounting year-end. Transactions in foreign currency are translated in accordance with the spot rate applying on the transaction day. Exchange rate changes attributable to the business are reported under "transmission costs"; see Note 27. Exchange rate changes of a financial nature are reported as a financial item. Some of the Company's receivables and liabilities in foreign currencies are hedged by way of currency futures.

CURRENCY FUTURES

Currency future contracts are concluded in order to give the Group a degree of financial protection against exchange rate changes in that the contract sets the exchange rate at which an asset or liability in foreign currency will be realised. Both the asset/liability and the derivative instrument are valued at accounting year-end exchange rates, and the change in value is reported in the income statement. Changes in the value of operating liabilities and the derivative instruments used to hedge them are reported under operating profit/loss. The interest element in a contract accrues over the term of the contract.

VALUATION OF LEASING AGREEMENTS

TV4's leasing agreements are agreements in which all risks and benefits associated with ownership accrue to the lessor. These are classified as operational leasing agreements. Leasing fees are reported as a cost in the income statement. For a

detailed breakdown of the agreements, see Note 11.

VALUATION OF PROGRAMME INVENTORY

Programme inventory consists of screening rights acquired, programmes produced by independent production companies as commissioned by TV4, in-house productions and co-productions of Swedish films. Programme inventory is reported at its historical acquisition cost reduced by the portion used at transmission. Where write-down is required, inventory is reported after write-down. Programmes are written off when transmitted. It is considered that certain programmes may be repeated on a later occasion and these are thus not fully written off when transmitted for the first time. Their repeat value is fixed in accordance with rules based on programme genre, number of times shown, number of episodes and length of the licence period.

An individual assessment of the value of repeat stock is made at the end of each accounting period. The assessment is based on the premise that repeats of programmes in the repeat stock should be planned in accordance with a repeats plan. If a programme is not considered to have a repeat value, it will be written off completely.

Programmes are reported as programme inventory as they become available to TV4. As a rule, this coincides with agreed licensing periods. The value of contracted programmes that are not yet available is not included in programme inventory but is reported under Note 14.

NON-CURRENT ASSETS

Non-current assets are valued at their historical acquisition cost, less a deduction for accumulated depreciation. Depreciation is straight-line based on the useful life of the asset.

The book value of non-current assets is reviewed regularly in terms of a potential need for write-down where events or changed circumstances indicate that the residual value may not be recovered. If there are indications and if the balance sheet value exceeds the anticipated recoverable amount, the assets or the cash-generating units are written down

to the recoverable amount. The recoverable amount for non-current assets equals the net sales price or the utility value, whichever is the higher. The utility value is estimated by discounting the anticipated future cash flows to arrive at a current value.

INTANGIBLE ASSETS

An intangible asset is defined as an identifiable, non-monetary asset without physical substance, held for use in production. It is likely that financial advantages are attributable to the asset and that it is possible to calculate its acquisition cost in a reliable manner.

TANGIBLE ASSETS

- Plant and machinery are depreciated over four or five years.
- Capitalised costs for the refurbishment of rented premises are depreciated over the term of the lease.
- Machinery and equipment are depreciated over five years, except for computers, which are depreciated over three years.

WRITE-DOWN

Where there is an indication that an asset or a group of assets has fallen in value, an assessment is made of their book value. Where the book value exceeds the estimated recovery value, the book value is immediately written down to the recovery value. Where goodwill refers to a group of assets for which write-down is found to be required, the write-down amount is first allocated to goodwill, and then to other assets in proportion to their book value. The need to write down intangibles that have a useful life of more than 20 years or that are not yet ready for use is assessed once a year, whether or not there is any indication of a decline in value. Write-down is included in the income statement where the asset is used.

Earlier write-down of an asset is reversed when a change has occurred in the assumptions forming the basis for determining the recovery value of the asset at the time it was written down. The amount reversed increases the book value of the asset, albeit not to more than the value the asset would have had (less normal depreciation) if no write-down had taken place.

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Liquid assets are calculated as the sum of cash and bank deposits, together with short-term investments made by the Parent Company.