

# ANNUAL REPORT

TV4 AB  
REG. NO. 556242-7152

1 JANUARY - 31 DECEMBER 2007

TV4 GROUP



## DIRECTORS' REPORT

The Board and Managing Director of TV4 AB (publ), Reg. No. 556242-7152, having its registered office in Stockholm, hereby present the annual report and consolidated accounts for the financial year 2007. 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

Total viewing time by the 12 – 59-year-old target group in 2007 was two hours 24 minutes a day, up one minute on last year. Contrary to popular belief, total TV viewing is on the increase. It should be pointed out that major sporting events, which tend to increase viewing figures, were absent in 2007.

The most striking development during the year was the strong performance of "Other TV channels". Seen as a single unit, Other TV channels comprise the "most-watched channel" every day of the week. One result of the success of Other TV channels is that all the five major channels have lost audience share as compared with last year, the first time this has happened.

The TV4 channel has seen a fall in its audience share, although our multi-channel strategy remains successful; the Group's overall share of viewing time rose to no less than 27.6 per cent in 2007. TV4 Plus, which is now Sweden's seventh most-watched TV channel, accounted for most of the increase in audience share, while TV4 Guld saw the largest percentage increase. The rising audience share captured by Other TV channels is due to more widespread distribution, increased investment in programmes and successful marketing.

### TV channel shares (per cent) and viewing time per day (minutes) during January – December for 12 – 59-year-old viewers.

	SVT1	SVT2	TV3	TV4	TV4 Plus	Kanal5	Other	TV4 All Total	
<b>07 Share</b>	15.3	8.4	11.3	20.8	3.5	11.1	29.6	27.6	100
<b>06 Share</b>	18.1	10.6	11.7	22.5	2.6	12.1	22.4	26.9	100
<b>07 Minutes</b>	22.1	12.1	16.3	30.0	5.0	15.9	42.8	39.8	144.2
<b>06 Minutes</b>	25.8	15.2	16.7	32.1	3.8	17.2	31.9	38.4	142.7

"Other" comprises other TV channels not including TV4 Plus. Source: MMS - (Hot Time detalj)

The year saw ratings successes and some disappointments. The first *Let's dance* show was the programme that attracted most viewers, with an audience of 2,181,000 (3-99 year-olds). Other successes during the year were *Idol*, *Talang 2007*, *Bonde söker fru* and the Wallander films. Some programmes worthy of particular mention are *En annan del of Köping*, *Nobeldagen* and *House*. These did not quite match the success of TV4's hit shows, but did very well nonetheless. But there were other programmes that did not quite meet viewer expectations. Series belonging to this somewhat unfortunate category include *Labyrint*, *Förkväll* and *Situation Magnusson*. Lastly, it is worth mentioning that tried and tested successes such as *Nyhetsmorgon*, *Parlamentet* and *Postkodmiljönären* continue to attract a large audience.

Many viewers have found new favourites on TV4 Plus during the year, programmes like *Leila bakar/Leilas jul*, *Antikdeckarna*, *Vad blir det för mat* and *Mannen som talar med hundar*. However, as so many times before, TV4 Plus achieved its peak viewing figures with a football match – between Real Madrid and Mallorca, as the Spanish league season reached its climax. The game was seen by 418,000 people (3 - 99 years). Other TV channels in the group are continuing to do well and had a number of small-format successes in 2007. *Jerry Springer* on TV400, *Series A* football on TV4 Sport and *Förlossningskliniken* on TV4 Fakta are examples of this.

## THE TV ADVERTISING MARKET

The upswing in the advertising market continued in 2007. The Institute for Advertising and Media Statistics (IRM) estimates that total advertising spending rose by 2.7 per cent during the period January - December. The TV market grew by 3.3 per cent and advertising on TV4 (advertising and sponsorship revenues) by 2.6 per cent. All divisions – the TV4 channel, TV4 Plus, TV4 Fakta, TV400, TV4 Film, TV4 Guld, TV4 Komedi, TV4 Sport and TV4 Sverige – are

growing. A continuing favourable economic climate has given a boost to brand advertising at the same time as new advertisers tried TV advertising in 2007. Sectors displaying growth during the year include the retail trade, travel, mail-order and e-commerce and non-prescription health products and medicines. There are also clear signs that advertisers have changed their purchasing habits so that other channels are a natural choice in their advertising spending.

#### **THE FRANCHISE FEE**

The franchise fee is being adjusted in line with a parliamentary decision as the analogue terrestrial network is shut down. The variable fee for the first half of 2007 was reduced by 53 per cent. The second-half reduction up to 15 October was 84 per cent. The Swedish Radio and TV Authority has decided that TV4 is to pay no fixed franchise fee after 15 October. TV4 has interpreted this decision to mean that no variable fee is to be paid either.

The franchise fee was altered as of 1st July 2002. TV4 is thus the only TV channel paying a franchise fee on revenues from digital transmissions in a competitive market. TV4 considers this change in the law to be contrary to the Swedish constitution. The County Administrative Court has found the statutory amendment not to be particularly well founded. However, the court held that it was not obviously in contravention of the constitution, which would be required to render the provision invalid. In May the Administrative Court of Appeal upheld the judgment of the County Administrative Court. TV4 has appealed that judgment to the Supreme Administrative Court.

#### **BROADCASTING LICENCES**

The licences for the digital terrestrial network run until the end of March 2008, at which time the analogue broadcasting licence will expire. The shutdown of the analogue network continued in 2007. The last analogue transmitter was shut down at 9.45am on 15 October 2007.

#### **SALES, EARNINGS AND INVESTMENTS**

##### **THE GROUP**

Group net sales rose by 6.1 per cent, totalling SEK 3,143.9 million (2,962.9). Operating expenses, not including the franchise fee and extraordinary items, rose by SEK 201.3 million (9.2 per cent). This increase was due to higher programming costs and new TV channels. Pre-franchise fee profit was SEK 772.6 million (788.0). Earnings after financial items were SEK 627.6 million (393.5).

Investments in tangible and intangible non-current assets totalling SEK 97.1 million were made during the year (63.9). Depreciation during the year totalled SEK 53.0 million (47.8).

The TV4 Group is responsible for its liquidity flows within the framework of a group account system. Surplus liquidity is lent to Bonnier AB and Bonnier Finans on a short-term basis. Liquid assets, including short-term investments, totalled SEK 544.4 million at the end of the year, compared with SEK 494.1 million at the same time last year. Outstanding franchise fee totalled SEK 2.3 million at the end of the period (149.1).

Programme inventory totalled SEK 369.7 million (395.6), of which repeats accounted for SEK 89.0 million (107.9). Programme inventory including contracted programmes not yet delivered totalled SEK 1,025.9 million (845.1). Other stock totalled SEK 0.0 million (1.1).

The equity/assets ratio was 68.9 per cent at 31 December 2007, compared with 56.1 per cent at the same time last year.

##### **THE PARENT COMPANY**

Net sales by the parent company totalled SEK 2,657.0 million (2,592.9), resulting in a profit after financial items of SEK 545.7 million (364.2). The parent company had liquid assets and short-term investments totalling SEK 443.7 million at the end of the period (433.8).

##### **BUSINESS RISKS**

TV4's operations are dependent on access to attractive programme content and distribution of its channels. There are many distributors, but competition has intensified with the growing number of channels available.

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 advertising market is highly susceptible to fluctuations in the economic climate. TV4's prime source of revenue is advertising, and the TV4 channel is the main business of the Group. Revenues from other operations are rising in absolute as well as relative terms, however.

### **HUMAN RESOURCES**

In 2007 TV4 had an average of 909 (875) full-time employees, comprising 54 per cent men and 46 per cent women.

An equal opportunities and diversity plan is revised and adopted each year. This plan contains clear objectives and sets out specific measures to be taken to achieve its aims. All managers and other employees are informed of the contents of the plan at staff meetings, via the TV4 Group intranet and by other means. The results of the action taken during the past year are evaluated.

TV4 has a systematic approach to occupational health and safety, striving to improve the working environment jointly with employees and the unions. By fostering skills development and creating scope for motivation and well-being, this systematic approach to occupational health and safety will create a safe and pleasant workplace.

### **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. Sorting waste at source is another aspect of our environmental performance.

### **REDEMPTION PROCEDURE AND DELISTING**

TV4 was delisted from the First North marketplace on 2 March 2007. A redemption procedure was carried out in 2007 and is expected to be concluded in early 2008. This means that Nordic Broadcasting Oy will own 100 per cent of the shares in TV4 AB.

### **PROPOSED DISTRIBUTION OF PROFIT**

The Board of Directors proposes that TV4's unappropriated earnings of SEK 627,859,875 be allocated as follows:

#### **TV4 AB's profit brought forward:**

Non-restricted equity	SEK 627,859,875
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#### **The Board proposes the following allocation of profit:**

Distribution to the Company's shareholders	SEK 627,859,875
Carried forward	SEK 0
<b>Total</b>	<b>SEK 627,859,875</b>

#### **Statement by the Board of Directors concerning dividend**

In view of the financial position of the Company and the Group, it is the opinion of the Board of Directors that the proposed dividend is defensible in light of the demands made of the equity of the Company and the Group by the nature and risks of the business, and on the basis of the consolidation requirements, liquidity, investment plans and position in other respects of the Company and the Group.

## TV4 IN FIGURES - A FIVE-YEAR OVERVIEW

SEK thousands	2007	2006	2005	2004	2003
<b>Assets</b>					
Non-current assets	199,906	169,453	149,446	138,963	150,780
Deferred tax	-	-	-	-	-
Inventories (stock)	369,722	396,734	387,159	499,171	547,342
Other current assets	537,013	369,059	220,911	174,848	188,634
Accounts receivable - trade	466,393	370,182	331,022	307,401	246,150
Liquid assets	544,419	494,114	481,182	207,387	262,973
<b>Total assets</b>	<b>2,117,453</b>	<b>1,799,542</b>	<b>1,569,720</b>	<b>1,327,770</b>	<b>1,395,878</b>
<b>Equity and liabilities</b>					
Equity	1,459,439	1,009,839	925,718	800,587	871,007
Non-current liabilities and provisions	113,080	84,813	76,586	72,561	69,222
Other current liabilities	308,576	472,800	436,474	353,195	303,633
Accounts payable - trade	236,358	232,090	130,942	101,427	152,015
<b>Total equity and liabilities</b>	<b>2,117,453</b>	<b>1,799,542</b>	<b>1,569,720</b>	<b>1,327,770</b>	<b>1,395,878</b>
SEK thousands	2007	2006	2005	2004	2003
Net sales	3,143,934	2,962,944	2,606,055	2,329,741	2,261,087
Operating expenses	-2,530,602	-2,578,697	-2,349,218	-2,289,089	-2,151,318
<b>Operating profit</b>	<b>613,332</b>	<b>384,248</b>	<b>256,837</b>	<b>40,652</b>	<b>109,769</b>
Financial items	14,251	9,242	5,252	3,047	6,674
<b>Profit after net financial income/expense</b>	<b>627,583</b>	<b>393,490</b>	<b>262,089</b>	<b>43,699</b>	<b>116,443</b>
Minority participations	5,108	4,391	-	-	-
Tax	-184,542	-113,442	-73,942	-14,120	-34,423
<b>Profit for the year</b>	<b>448,149</b>	<b>284,439</b>	<b>188,147</b>	<b>29,579</b>	<b>82,020</b>
<b>Key figures</b>					
Operating margin, %	19.5	13.0	9.9	1.7	4.9
Net margin, %	20.0	13.3	10.1	1.9	5.1
Return					
- on equity, %	36.3	29.2	21.8	3.5	9.3
- on capital employed, %	50.6	40.7	30.4	5.2	13.4
Equity/assets ratio, %	68.9	56.1	59.0	60.3	62.4
No. of employees	909	875	901	935	913

### 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 after financial items minus tax in relation to the average of opening and closing equity. "Tax" takes account of loss carry-forward.

**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	
		2007	2006	2007	2006
Net sales	Note 1	3,143,934	2,962,944	2,657,033	2,592,965
Transmission costs	Note 2, 27, 29	-2,072,432	-2,178,873	-1,838,227	-1,981,934
<b>Gross profit</b>		<b>1,071,502</b>	<b>784,071</b>	<b>818,806</b>	<b>611,031</b>
Selling expenses		-218,082	-188,668	-112,059	-101,339
Administrative expenses		-238,212	-201,246	-209,544	-175,922
Other operating expenses	Note 3	-144	-11,704	-24,001	-11,704
Shares in associated companies and joint ventures	Note 7	-1,732	1,795	-	-
<b>Operating profit</b>	Note 4, 5, 6, 12	<b>613,332</b>	<b>384,248</b>	<b>473,202</b>	<b>322,066</b>
Financial income	Note 8	19,192	10,835	76,467	43,378
Financial expenses	Note 8	-4,941	-1,593	-3,985	-1,227
<b>Profit after financial items</b>		<b>627,583</b>	<b>393,490</b>	<b>545,684</b>	<b>364,217</b>
Appropriations	Note 21	-	-	-94,828	-40,758
<b>Profit before tax</b>		<b>627,583</b>	<b>393,490</b>	<b>450,856</b>	<b>323,459</b>
Tax	Note 9, 29	-184,542	-113,442	-124,048	-84,111
Minority		5,108	4,391		
<b>Net profit for the year</b>	Note 29	<b>448,149</b>	<b>284,439</b>	<b>326,808</b>	<b>239,348</b>

## BALANCE SHEET

SEK thousands

		Group		Parent	
		31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible non-current assets	Note 10				
Other intangible non-current assets		77,545	39,774	72,551	36,906
<b>Total non-current assets</b>		<b>77,545</b>	<b>39,774</b>	<b>72,551</b>	<b>36,906</b>
Tangible non-current assets	Note 11				
Machinery and other plant		77,835	67,210	57,464	42,020
Capitalised refurbishment costs		10,996	9,096	9,204	6,023
Furniture and equipment		28,992	35,472	22,746	27,535
<b>Total non-current assets</b>		<b>117,823</b>	<b>111,778</b>	<b>89,414</b>	<b>75,578</b>
Financial non-current assets					
Participations in group companies	Note 22	-	-	40,996	52,048
Participations in associated companies and joint ventures	Note 7	2,752	5,177	4,211	4,211
Other securities held as non-current assets	Note 13	1,286	1,286	1,286	1,286
Other non-current receivables		500	11,438	500	11,437
Deferred tax receivables		-	-	9,398	8,646
<b>Total financial non-current assets</b>		<b>4,538</b>	<b>17,901</b>	<b>56,391</b>	<b>77,628</b>
<b>Total non-current assets</b>		<b>199,906</b>	<b>169,453</b>	<b>218,356</b>	<b>190,112</b>
<b>Current assets</b>					
Programme inventory	Note 14	369,722	395,627	350,353	388,997
Other stock		0	1,107	0	1,107
Current receivables					
Accounts receivable – trade		466,393	370,182	403,276	328,246
Receivables from group companies		-	-	117,012	19,706
Other receivables		7,721	16,453	756	4,324
Pre-paid expenses and accrued income	Note 15	529,292	352,606	493,973	337,400
<b>Total current receivables</b>		<b>1,003,406</b>	<b>739,241</b>	<b>1,015,017</b>	<b>689,676</b>
Cash and bank balances	Note 25	544,419	494,114	443,684	433,795
<b>Total current assets</b>		<b>1,917,547</b>	<b>1,630,089</b>	<b>1,809,054</b>	<b>1,513,575</b>
<b>TOTAL ASSETS</b>		<b>2,117,453</b>	<b>1,799,542</b>	<b>2,027,410</b>	<b>1,703,687</b>

## BALANCE SHEET

SEK thousands

		Group		Parent	
		31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	Note 16, 29				
Restricted equity					
Share capital		100,000	100,000	100,000	100,000
Restricted reserves		390,867	389,416	392,756	392,756
<b>Total restricted equity</b>		<b>490,867</b>	<b>489,416</b>	<b>492,756</b>	<b>492,756</b>
Non-restricted equity					
Profit brought forward		520,423	235,984	301,052	12,248
Net profit for the year		448,149	284,439	326,808	239,348
<b>Total non-restricted equity</b>		<b>968,572</b>	<b>520,423</b>	<b>627,860</b>	<b>251,596</b>
<b>Total equity</b>		<b>1,459,439</b>	<b>1,009,839</b>	<b>1,120,616</b>	<b>744,352</b>
<b>Untaxed reserves</b>	Note 23	-	-	<b>367,459</b>	<b>272,630</b>
<b>Non-current liabilities</b>					
Minority interests		258	394		
Deferred tax liability		104,481	74,505	-	-
Other liabilities	Note 17	8,341	9,914	8,341	9,914
<b>Total non-current liabilities</b>		<b>113,080</b>	<b>84,813</b>	<b>8,341</b>	<b>9,914</b>
<b>Current liabilities</b>					
Advances from customers		-	-	-	2,004
Accounts payable – trade	Note 29	236,358	232,090	222,112	221,519
Debts to group companies		-	-	78,638	69,394
Tax liabilities		24,023	40,428	25,953	16,772
Other liabilities		71,793	80,458	51,526	62,507
Accrued expenses and pre-paid income	Note 18	212,760	349,979	152,765	302,660
Other short-term allocations	Note 28	-	1,935	-	1,935
<b>Total current liabilities</b>		<b>544,934</b>	<b>704,890</b>	<b>530,994</b>	<b>676,791</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,117,453</b>	<b>1,799,542</b>	<b>2,027,410</b>	<b>1,703,687</b>
Assets pledged	Note 19	161	198	161	198
Contingent liabilities	Note 20	-	430	-	430

## CASH FLOW STATEMENT

SEK thousands

		Group		Parent	
		2007	2006	2007	2006
<b>Day-to-day operations</b>					
Profit after financial items	Note 26	627,583	395,366	545,684	377,730
Adjustments for items not included in cash flow:					
Depreciation and amortisation		53,013	47,808	60,623	32,826
Profit/loss from sale and disposal of non-current assets		-128	11,704	-64	11,704
Unrealised exchange rate gains/losses		-	11,636	-	-
Other items not affecting liquidity		2,008	-8,970	398	-663
Tax paid		-167,192	-79,328	-114,866	-74,519
<b>Cash flow from day-to-day operations before change in working capital</b>		<b>515,284</b>	<b>378,216</b>	<b>491,775</b>	<b>347,078</b>
<b>Cash flow from change in working capital</b>					
Inventories (stock)		27,012	-9,576	39,751	-5,586
Accounts receivable - trade		-96,211	-39,160	-75,031	-25,734
Pre-paid accounts receivable - trade		-178,007	-133,393	-157,895	-135,532
Other current assets		10,514	-8,623	-93,630	13,334
Accounts payable - trade		13,997	91,418	10,322	91,603
Pre-paid accounts payable - trade		-139,154	-7,801	-151,830	-15,141
Other current liabilities		-11,587	15,012	-3,848	-8,976
<b>Change in working capital</b>		<b>-373,436</b>	<b>-92,123</b>	<b>-432,161</b>	<b>-86,032</b>
<b>Cash flow from day-to-day operations</b>		<b>141,848</b>	<b>286,093</b>	<b>59,614</b>	<b>261,046</b>
<b>Investments</b>					
Investment in intangible non-current assets		-46,829	-22,422	-42,795	-21,256
Investment in tangible non-current assets		-50,276	-41,481	-43,402	-35,223
Acquisition of shares, participations and businesses	Note 24	-3,800	-6,762	-12,950	-10,988
Disposal of shares, participations and businesses		-	1,941	-	12,831
Acquisition of other financial assets		10,936	-5,856	1,540	-6,250
<b>Cash flow from investments*</b>		<b>-89,969</b>	<b>-74,580</b>	<b>-97,607</b>	<b>-60,886</b>
<b>Financing</b>					
Increase in non-current liabilities		-1,574	1,419	-1,573	1,419
Dividend paid		-	-200,000	-	200,000
Group contribution				49,455	
<b>Cash flow from financing</b>		<b>-1,574</b>	<b>-198,581</b>	<b>47,882</b>	<b>-198,581</b>
<b>Cash flow for the year</b>		<b>50,305</b>	<b>12,932</b>	<b>9,889</b>	<b>1,579</b>
<b>Cash at beginning of year*</b>		<b>494,114</b>	<b>481,182</b>	<b>433,795</b>	<b>432,216</b>
Cash flow for the year		50,305	12,932	9,889	1,579
<b>Cash at year-end</b>	Note 25	<b>544,419</b>	<b>494,114</b>	<b>443,684</b>	<b>433,795</b>

\*In 2006 short-term investments having a term of more than three months at the time they were made were classified as "short-term investments" under "Investments". Since TV4 does not apply IFRS, short-term investments of this kind are classified as liquid assets.

## NOTES TO THE FINANCIAL STATEMENTS

### Accounting principles

#### Information about the Company

The Parent Company is a public limited liability company having its registered office in Stockholm. The Parent Company's registration number is 556242-7152. The business of the Group consists of commercial television transmissions by TV4, TV4 Plus, TV400, TV4 Film, TV4 Fakta, TV4 Guld, TV4 Komedi, TV4 Sport and TV4 Sverige, as well as Internet services provided under the umbrella of TV4 Nya Medier. The Annual General Meeting of the Shareholders will be held in May 2008.

#### Amounts and dates

Amounts are stated in SEK thousands unless otherwise stated. Profit and loss 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 Company does not comply with Swedish Financial Accounting Standards Council recommendations with respect to information requirements. However, the accounting standards 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 entering into force during or before 2007. 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, ie, they are divided up into deferred tax liabilities and equity. In the Group income statement the allocation 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 goodwill. Only that portion of the equity of the company acquired that is 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 amortisation) 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 affiliate equals or exceeds its holding in the affiliate, 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 reliability calculated. The following specific criteria must be met before revenue is recognised.

**Advertising revenues** comprise payment for commercial spots on one of the Group's TV channels.

**Sponsorship revenues** comprise 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.

**Advertising revenues Nya Medier** comprise advertising income from TV4's various websites, TV4 Text-tv, subscription revenues from Blip, TV4 Anytime and TV i mobilen, as well as private advertising on TV4 Text-tv.

**Other revenues** comprise limited flows that do not require a heading of their own. Examples include licensing revenues (DVDs, books, games etc) and resale of programmes.

### Accrual 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.

Subscription 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 barter agreements. Revenues generated under those agreements are reported under the category according with the above definitions.

### Taxes

Taxes comprise actual 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 actual 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**

Assets and liabilities are valued at the exchange rate at accounting year-end. Transactions in foreign currency are translated in accordance with the exchange rates applying on the transaction day. Most of the Company's receivables and liabilities in foreign currencies are hedged by way of currency futures. Exchange rate changes are reported under "transmission costs"; see Note 27.

### **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 agreements 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 and, where amortisation is required, after amortisation. 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 on the basis of 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. Contracted programmes that are not yet available are not included in programme inventory but are reported under Note 14.

### **Valuation of other inventories (stock)**

Inventories are reported at the lower of cost or market (ie, net sales value). Acquisition cost is determined using the FIFO (first in-first out) method. The acquisition cost of finished products and work in progress comprises development costs, raw materials and other direct costs. Payroll costs are not included. The net sales value is the estimated sale price in day-to-day operations, less applicable variable sales costs.

### **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 amortisation 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.

For example TV4 capitalises a programme planning system, an order and invoicing system and an administration system in accordance with the above definition. These systems are depreciated over three or five years.

### Tangible assets

- Plant and machinery are depreciated over 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, with the exception of computers, which are depreciated over three years.

### 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.

### Note 1 - Net sales

	Group		Parent	
	2007	2006	2007	2006
Advertising sales	2,265,274	2,254,043	1,897,283	1,956,905
Sponsorship	308,187	249,569	274,533	229,135
Pay TV income	393,537	278,767	317,163	230,540
Other sales income	<u>176,936</u>	<u>180,565</u>	<u>168,054</u>	<u>176,385</u>
<b>Total</b>	<b>3,143,934</b>	<b>2,962,944</b>	<b>2,657,033</b>	<b>2,592,965</b>

### Purchases and sales within the Group

SEK 0.7 million (0.2) of the Parent Company's total purchasing costs derive from purchases within the TV Group and SEK 81.7 million (25.8) from purchases from Other Bonnier companies. Intra-group sales during the year totalled SEK 0.4 million (0.3). Sales to other Bonnier companies totalled SEK 52.2 million (51.8).

## Note 2 - Transmission costs

	Group		Parent	
	2007	2006	2007	2006
Franchise fee	145,060	394,482	145,060	394,482
Fee for terrestrial transmission and distribution	185,278	202,837	172,078	193,318
Grant to Swedish film	11,154	10,949	11,154	10,949
Programming costs	1,377,409	1,284,929	1,214,226	1,135,194
Other transmission costs	<u>353,531</u>	<u>285,676</u>	<u>295,709</u>	<u>247,991</u>
<b>Total</b>	<b>2,072,432</b>	<b>2,178,873</b>	<b>1,838,227</b>	<b>1,981,934</b>

### Franchise fee

Under the Franchise Fee Act, the Company is obliged to pay a franchise fee to the Swedish state for advertising revenues from the TV4 channel and TV4 Sverige. A half-yearly fixed fee of SEK 31.1 million is payable, together with a variable fee based on advertising revenues. For 2007 these were payable as follows:

- 20 per cent of revenues in the range SEK 466 - 622 million
- 40 per cent of revenues in the range SEK 622 - 1,243 million
- 50 per cent of revenues exceeding 1,243 million.

The fixed franchise fee and thresholds used when calculating the variable fee are adjusted annually in line with the change in the consumer prices index since October 1991.

The original fixed fee and thresholds for the variable fee were as follows:

Fixed fee: SEK 25 million per six-month period.

- 20 per cent of revenues in the range SEK 375 - 500 million
- 40 per cent of revenues in the range SEK 500 - 1,000 million
- 50 per cent of revenues exceeding SEK 1,000 million.

The Swedish Parliament has decided that the franchise fee is to be lowered in stages as the analogue terrestrial network is gradually shut down. The variable fee was reduced by two per cent for the second half of 2005, 14 per cent for the first half of 2006, 32 per cent for the second half of 2006, 53 per cent in the first half of 2007 and 84 per cent in the second half of 2007.

TV4 analogue transmissions ended on 15 October 2007, when the last transmitter was shut down. The Swedish Radio and TV Authority has therefore decided that no fixed fee will be levied as from 15 October. In accordance with this decision, TV4 has not made any provision for the variable portion after 15 October.

### Grant to Swedish film

Under an agreement with Stiftelsen Filminstitutet, the Company is to pay a grant to Swedish film of SEK 8.0 million a year from 2006 to 2010. In addition, the Company has made a commitment to spend an average of SEK 20 million a year during the term of the agreement on the purchase of screening rights, co-productions and joint financing of Swedish films that are also distributed for screening at cinemas. This sum is adjusted upwards by 2 per cent a year starting on 1 January 2007.

**Note 3 - Other operating expenses**

	Group		Parent	
	2007	2006	2007	2006
Write-down of shares in subsidiaries	-	-	-24,001	-
Loss on sale and disposal of non-current assets	-144	-11,704	-	-11,704
<b>Total</b>	<b>-144</b>	<b>-11,704</b>	<b>-24,001</b>	<b>-11,704</b>

**Note 4 - Number of employees; salaries, remuneration and other benefits**

	Group		Parent	
	2007	2006	2007	2006
<b>Number of employees (full-year basis)</b>				
Male employees	494	490	289	276
Female employees	415	385	266	239
<b>Total</b>	<b>909</b>	<b>875</b>	<b>555</b>	<b>515</b>

**Salaries, remuneration and payroll overheads**

Chairman of the Board	225	300	225	300
Other directors	620	685	620	685
Managing Director*	4,375	4,124	4,375	4,124
Other senior executives*	24,485	17,313	21,249	14,891
Other employees	403,435	361,492	270,050	233,849
<b>Total remuneration and benefits</b>	<b>433,140</b>	<b>383,914</b>	<b>296,519</b>	<b>253,849</b>
including:				
Bonus	3,558	5,157	3,235	4,812
Allocation to profit-sharing fund	18,604	11,572	11,895	7,372
Payroll overhead, Chairman of the Board	73	97	73	97
Payroll overhead, Board of Directors	201	221	201	221
Payroll overhead, Managing Director*	4,371	3,060	4,371	3,060
Payroll overhead, other senior executives*	13,203	10,438	11,478	9,071
Payroll overhead, other employees	178,924	169,612	123,512	114,812
<b>Total payroll overheads</b>	<b>196,772</b>	<b>183,428</b>	<b>139,635</b>	<b>127,261</b>
including:				
Pension costs, Managing Director*	2,891	1,577	2,891	1,577
Pension costs, other senior executives*	4,143	3,933	3,597	3,462
Pension costs, other employees	40,986	43,588	30,653	32,191

\*Last year managing directors of subsidiaries were reported under "Managing directors". As of 2007 they are reported under "Other senior executives". The figures for 2006 have been adjusted to aid comparability.

**Auditors' fees**

Öhrlings PricewaterhouseCoopers, audit fees	648	-	485	-
Öhrlings PricewaterhouseCoopers, other fees	62	-	10	-
KPMG, audit fees	108	132	108	132

KPMG, other fees	-	-	-	-
Deloitte, audit fees	-	-	-	-
Deloitte, other fees	-	400	-	307
Other firms, other fees	37	595	-	545
Other firms, other fees	150	375	143	375
<b>Total</b>	<b>1,005</b>	<b>1,502</b>	<b>746</b>	<b>1,359</b>

The Board of Directors comprised four men (six) and three woman (one), of whom five (five) were elected at the AGM. The management team comprised eight men (six) and six women (three).

### **Parent Company**

TV4 AB has an agreement with the Alecta insurance company regarding standard pension arrangements for employees, as provided in the agreement between SAF (the Swedish Employers' Confederation) and PTK (the Federation of Salaried Employees in Industry and Services). This agreement also covers the management team and the Managing Director. Employees earning in excess of approximately SEK 480,000 per annum are entitled to place a certain proportion of their pension premium with an insurance company of their choice.

### **Managing Director**

The Managing Director received salary and other benefits totalling SEK 3.5 million (3.2) and a bonus of SEK 0.8 million (0.9) during the year. He is entitled to a maximum bonus of SEK 1.6 million. The bonus does not confer pension entitlement. The bonus is based on earnings before net financial income and expenses exceeding SEK 580 million. The earnings base is capped at SEK 720 million. The bonus is also linked to individual qualitative parameters. The retirement age for the Managing Director is 60 years; his pension is 50 per cent of qualifying salary. His pension accrues linearly and is covered by premium payments. Pension is paid out between 60 and 75 years, after which pension is paid under an ITP contractual pension scheme. Departure before the age of 60 means that only pension accrued to date will be paid. In addition to a notice period of six months, the Managing Director is entitled to a severance payment equal to twelve months' salary, payable only in the event of termination by the employer. The severance payment is not offset against other income. TV4 AB has no remaining obligations towards any former managing director.

### **Other senior executives**

During the year the Group management team comprised fourteen people (nine). Salaries and benefits are shown in the tables above. The Managing Directors of TV4 Sverige and TV4 Sport, who are members of TV4's management team, are included under "Other senior executives" in the table. Some members of the management team are entitled to a bonus. The bonus is based on earnings before net financial income and expenses exceeding SEK 580 million, capped at SEK 720 million. The bonus is also linked to individual qualitative parameters. The maximum bonus is SEK 5.7 million. Bonuses totalling SEK 2.8 million were paid out during the year (3.4). In most cases, pension is payable from the age of 65 under the standard ITP scheme. The retirement age is 60 in a few cases. Supplementary pension is payable on salary exceeding approximately SEK 1,250,000 so as to match the ITP pension of 65 per cent of pensionable salary. Notice periods follow the provisions of the Swedish Employment Protection Act. Some executives have been granted an extended period of notice or entitlement to additional severance pay, however. In no instance does the total notice period and severance payment exceed 12 months' salary. Severance payments are made only in the event of termination by the employer and are not offset against other income.

### **Board of Directors and Chairman of the Board**

The only directors' fees paid to the directors and Chairman of the Board during the year are those shown in the table above. The fees have been divided as follows: Chairman 225, other directors 150 each. One director stood down prematurely and therefore received 90.

### **Consultative and decision-making process**

Directors' fees are decided at the General Meeting of the Shareholders. The Managing Director's salary and benefits are decided by the Board of Directors. The salaries and benefits

received by executives immediately subordinate to the Managing Director are decided by the Managing Director following consultation with the remuneration committee, comprising the Chairman of the Board and an additional two board members. The principle in the TV4 Group is that the immediate superior of any person holding a managerial position should approve any decisions on salaries and benefits in consultation with the Human Resources Director.

#### Note 5 - Benefits payable to former employees

Retirement and family pension commitments for salaried employees in Sweden are assured by a policy held with the Alecta insurance company. According to a statement issued by the Swedish Financial Accounting Standards Council *Akutgrupp* (ad hoc advisory committee) (URA 42), this is a defined benefit scheme involving a number of employers. For the financial year 2007, the Company has not had access to the information necessary to report this scheme as a defined benefit scheme. The ITP pension scheme assured by a policy with Alecta has therefore been reported as a defined contribution scheme. The year's contributions for Alecta pension insurance policies total SEK 24.0 million (23.6). Alecta's surplus can be distributed among the policy holders and/or those insured. At the end of 2007 Alecta's surplus expressed in the form of its collective consolidation ratio was 164.0 per cent (143.1 per cent). The collective consolidation ratio comprises the market value of Alecta's assets as a percentage of insurance commitments computed in accordance with Alecta's actuarial assumptions, which do not accord with Swedish Financial Accounting Standards Council Recommendation No. 29.

Premiums of SEK 24.0 million for other defined contribution schemes were paid during the year (24.0).

#### Note 6 - Sick leave at the Parent Company

Age group	2007		2006	
	Total sick leave	Over 60 days	Total sick leave	Over 60 days
	Parent Company		Parent Company	
<b>29 or younger</b>				
Women	3%	45%	2%	40%
Men	1%	0%	1%	0%
<b>Total</b>	<b>2%</b>	<b>36%</b>	<b>1%</b>	<b>30%</b>
<b>30 - 49</b>				
Women	5%	63%	5%	55%
Men	2%	24%	2%	27%
<b>Total</b>	<b>3%</b>	<b>54%</b>	<b>3%</b>	<b>47%</b>
<b>50 or older</b>				
Women	5%	79%	12%	93%
Men	2%	67%	3%	65%
<b>Total</b>	<b>3%</b>	<b>72%</b>	<b>5%</b>	<b>81%</b>
<b>Overall</b>				
Women	5%	62%	5%	59%
Men	2%	30%	2%	35%
<b>All employees</b>	<b>3%</b>	<b>54%</b>	<b>3%</b>	<b>52%</b>

## Note 7 - Holdings in associated companies and joint ventures

Both associated companies and joint ventures are reported under this note. There is only one joint venture company (Nordic World AS).

	Group		Parent	
	2007	2006	2007	2006
Opening balance	5,177	890	4,211	1,234
Acquisition of associated companies	-	4,918	-	-4,918
Disposal of associated companies	-	-1,941	-	-1,941
Share of profit/loss for the year	-1,732	1,310	-	-
<b>Closing balance</b>	<b>2,752</b>	<b>5,177</b>	<b>4,211</b>	<b>4,211</b>

The item "Holdings in associated companies" includes goodwill of SEK 3,146,000 at 31 December 2007 (3,932,000).

Effect of each holding, including amortisation of goodwill, on profit/loss

GI Viktkoll i Sverige AB	-307	1,369
Planet Players AB, sold Dec 2006	-	215
Lägenhetsbyte i Sverige AB	10	52
Nordic World AS	-1,447	311
118100 online AB	12	-152
<b>Net effect on profit/loss</b>	<b>-1,732</b>	<b>1,795</b>
<b>Tax</b>	<b>-</b>	<b>485</b>
<b>Effect on profit after tax</b>	<b>-1,732</b>	<b>1,310</b>

<u>Company name, Reg. No.</u>	<u>Reg. office</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>
GI Viktkoll i Sverige AB, 556674-9387	Stockholm, Sweden	5,375	-1,102	-4,273
Lägenhetsbyte i Sverige AB, 556657-2912	Stockholm, Sweden	1,400	-689	-711
Nordic World AS, 988873160	Oslo, Norway	3,244	-6,633	3,389
118100 online AB, 556696-3160	Stockholm, Sweden	4,776	-4,640	-136
<b>Total</b>		<b>14,795</b>	<b>-13,064</b>	<b>-1,731</b>

<u>Company name, Reg. No.</u>	<u>Income</u>	<u>Stake</u>	<u>Number</u>	<u>Book value</u>
GI Viktkoll i Sverige AB, 556674-9387	12,767	24.4%	284,516	3,264
Lägenhetsbyte i Sverige AB, 556657-2912	3,987	22.5%	225	727
Nordic World AS, 988873160	2,316	50.0%	5,000	-1,133
118100 online AB, 556696-3160	<u>19,444</u>	<u>24.5%</u>	<u>240</u>	<u>-116</u>
<b>Total</b>	<b>38,514</b>	<b>-</b>	<b>289,981</b>	<b>2,752</b>

### Note 8 – Profit/loss from financial investments

	Group		Parent	
	2007	2006	2007	2006
Dividends	-	-	59,898	33,643
Interest income	<u>19,192</u>	<u>10,835</u>	<u>16,569</u>	<u>9,735</u>
Interest expenses	-4,941	-1,581	-3,985	-1,227
Financial expenses	<u>0</u>	<u>-12</u>	<u>0</u>	<u>0</u>
	<b>-4,941</b>	<b>-1,593</b>	<b>-3,985</b>	<b>-1,227</b>
<b>Total</b>	<b>14,251</b>	<b>9,242</b>	<b>72,482</b>	<b>42,151</b>

SEK 7.7 million (0.1) of the Parent Company's total interest income comprises interest from Bonnier Finans. SEK 8.5 million (-) of Group interest income comprises interest from Bonnier Finans. SEK 0.1 million (-) of the Parent Company's total interest expenses comprises interest paid to Bonnier Finans. SEK 0.5 million (-) of the Group interest expenses comprises interest paid to Bonnier Finans.

### Note 9 - Tax on profit for the year

	Group		Parent	
	2007	2006	2007	2006
Current tax cost	-150,787	-108,065	-140,248	-88,431
Tax effect of group contribution	-	-	19,232	-
Deferred tax cost relating to temporary differences	-33,755	-5,377	-3,032	-
Deferred tax income relating to temporary differences	-	-	-	4,320
<b>Net tax cost</b>	<b>-184,542</b>	<b>-113,442</b>	<b>-124,048</b>	<b>-84,111</b>

### Note 10 – Intangible assets

	Group		Parent	
	2007	2006	2007	2006
<b>Other intangible assets</b>				
Opening acquisition value	52,409	54,681	49,012	52,271
Purchases	46,829	22,422	42,795	21,256
Sales/disposals	-	-13,550	-	13,371
Reclassifications	<u>284</u>	<u>-11,144</u>	<u>283</u>	<u>-11,144</u>
Closing accumulated acquisition value	99,522	52,409	92,090	49,012
Opening depreciation	-12,635	-13,989	-12,106	-13,906
Sales/disposals	-	7,343	-	7,343
Reclassifications	-144	-	-143	-
Depreciation for the year	<u>-9,198</u>	<u>-5,989</u>	<u>-7,290</u>	<u>-5,543</u>
Closing accumulated depreciation	-21,977	-12,635	-19,539	-12,106
<b>Closing residual value according to plan</b>				
<b>Accumulated depreciation in excess of plan</b>	<b>77,545</b>	<b>39,774</b>	<b>72,551</b>	<b>36,906</b>

Other intangible assets comprise systems. The largest are: (i) an order and invoicing system (useful life five years, remaining life four years, residual value SEK 23 million); (ii) an administration system (useful life five years, remaining life five years, residual value SEK 29

million); and (iii) new technical platforms/sites for Nya Medier (useful life three years, remaining life three years, residual value SEK 10 million). TV4 has one fully depreciated intangible asset that is still in use: a programme planning system. TV4 has no internally generated intangible assets. TV4 has no intangible assets with an indeterminable useful life.

## Note 11 - Tangible assets

	Group		Parent	
	2007	2006	2007	2006
<b>Plant and machinery</b>				
Opening acquisition value	381,233	369,563	314,620	290,853
New subsidiaries	-	5,163	-	-
Purchases	39,880	17,254	35,527	14,210
Sales/disposals	-336	-20,986	-	-1,587
Reclassifications	1,981	10,239	-	11,144
Closing accumulated acquisition value	422,758	381,233	350,147	314,620
Opening depreciation	-314,023	-308,107	-272,600	-256,316
Sales/disposals	153	20,449	-	1,099
Depreciation for the year	-29,290	-26,365	-20,083	-17,383
Reclassifications	-1,763	-	-	-
Closing accumulated depreciation	-344,923	-314,023	-292,683	-272,600
<b>Closing residual value according to plan</b>	<b>77,835</b>	<b>67,210</b>	<b>57,464</b>	<b>42,020</b>
<b>Capitalised refurbishment costs</b>				
Opening acquisition value	35,127	40,503	28,038	31,867
Purchases	4,648	4,306	4,450	2,799
Sales/disposals	-221	-9,682	-221	-6,628
Closing accumulated acquisition value	39,554	35,127	32,267	28,038
Opening depreciation	-26,031	-28,720	-22,015	-23,446
Sales/disposals	110	5,676	110	2,674
Depreciation for the year	-2,637	-2,987	-1,158	-1,243
Closing accumulated depreciation	-28,558	-26,031	-23,063	-22,015
<b>Closing residual value according to plan</b>	<b>10,996</b>	<b>9,096</b>	<b>9,204</b>	<b>6,023</b>
<b>Equipment</b>				
Opening acquisition value	161,359	152,576	141,627	128,326
New subsidiaries	-	228	-	-
Purchases	5,748	19,921	3,425	18,214
Sales/disposals	-1,191	-12,273	-1,143	-4,913
Reclassifications	-1,258	907	-	-
Closing accumulated acquisition value	164,658	161,359	143,909	141,627
Opening depreciation	-125,888	-124,425	-114,092	-109,114
Sales/disposals	1,104	11,004	1,019	3,679
Depreciation for the year	-11,888	-12,467	-8,090	-8,657
Reclassifications	1,006	-	-	-
Closing accumulated depreciation	-135,666	-125,888	-121,163	-114,092
<b>Closing residual value according to plan</b>	<b>28,992</b>	<b>35,471</b>	<b>22,746</b>	<b>27,535</b>

The Group has a limited number of operational leasing agreements for cars and other equipment. All agreements are on customary fair market terms. The Group's lease of rented premises is on customary fair market terms. In cash terms, Group renting mainly comprises the

lease for the Parent Company's premises. The cost of the Parent Company's premises totalled 22,382 in 2007.

Expiry of Group leases breaks down as follows.

- Within a year	32,771
- Within between one and five years	109,130
- More than five years	82,600

**Note 12 - Depreciation charged to operating profit**

	Group		Parent	
	2007	2006	2007	2006
Intangible assets	9,198	5,989	7,290	5,543
Plant and machinery	29,290	26,365	20,083	17,383
Capitalised refurbishment costs	2,637	2,987	1,158	1,243
Equipment	<u>11,888</u>	<u>12,467</u>	<u>8,090</u>	<u>8,657</u>
<b>Total</b>	<b>53,013</b>	<b>47,808</b>	<b>36,621</b>	<b>32,826</b>

**Breakdown of depreciation by function**

	Group		Parent	
	2007	2006	2007	2006
Transmission costs	47,406	42,477	34,181	30,779
Selling expenses	3,434	3,385	915	768
Administrative expenses	<u>2,173</u>	<u>1,946</u>	<u>1,525</u>	<u>1,279</u>
<b>Total</b>	<b>53,013</b>	<b>47,808</b>	<b>36,621</b>	<b>32,826</b>

**Note 13 - Other securities held as non-current assets**

Other long-term securities are held as part of the business. MMS Mediamätning i Skandinavien AB is owned by the major Swedish TV channels. La Société de la Chaîne Européenne Multilingue d'Information EuroNews owns EuroNews.

	Number	Stake	Par value	Opening value Add/deduct Mkt valuation Book value
Company, Reg. No.				
MMS Mediamätning i Skandinavien AB, 556353-3032	500	10.00%	300	300
				-
				-
				<b>300</b>
La Société de la Chaîne Européenne Multilingue d'Information EuroNews, B 387 858 046	1,300	0.50%		986
				-
				-
				<b>986</b>
Total opening value				1,286
Total additional securities				-
<b>Total closing value</b>				<b>1,286</b>

#### Note 14 - Programme inventory

	Group		Parent	
	2007	2006	2007	2006
Screening rights acquired	233,987	240,476	225,255	233,846
In-house productions	135,735	155,151	125,098	155,151
<b>Total book value</b>	<b>369,722</b>	<b>395,627</b>	<b>350,353</b>	<b>388,997</b>
including repeat value	89,006	107,885	87,514	107,885
<b>Delivery plan</b>				
Programme inventory contracted but not yet delivered:				
Stock for delivery within one year	510,489	293,969	509,008	292,109
Stock for delivery later than one year	<u>145,728</u>	<u>155,529</u>	<u>145,022</u>	<u>155,529</u>
<b>Total</b>	<b>656,217</b>	<b>449,498</b>	<b>654,030</b>	<b>447,638</b>
<b>Payment plan</b>				
Payment obligations for programmes ordered but not delivered:				
Paid in advance	394,128	201,617	392,327	200,260
Payments due within one year	117,067	92,352	116,681	91,849
Payments due within more than one year	<u>145,022</u>	<u>155,529</u>	<u>145,022</u>	<u>155,529</u>
<b>Total</b>	<b>656,217</b>	<b>449,498</b>	<b>654,030</b>	<b>447,638</b>

#### Note 15 - Pre-paid expenses and accrued income

	Group		Parent	
	2007	2006	2007	2006
Advance payments to programme suppliers	394,128	201,617	392,327	200,260
Pre-paid distribution costs	12,154	14,397	10,875	12,917
Pre-paid rents	9,224	8,250	6,759	6,703
Accrued income	105,283	94,917	79,186	85,446
Other pre-paid expenses	<u>8,503</u>	<u>33,425</u>	<u>4,826</u>	<u>32,074</u>
<b>Total</b>	<b>529,292</b>	<b>352,606</b>	<b>493,973</b>	<b>337,400</b>

#### Note 16 - Equity

Group equity comprises share capital, other reserves, other contributed capital and earnings.

Share capital	2007	2006
Number of shares, class A (ten votes)	20,000,000	20,000,000
Par value per share (SEK)	5	5
Total share capital (SEK)	100,000,000	100,000,000

#### Reserves:

Reserves include all exchange rate differences arising when translating financial reports on foreign operations presenting their financial reports in a currency other than the currency in which the Group presents its financial reports. The Parent Company and the Group present their financial reports in Swedish kronor (SEK).

**Other contributed capital:**

This comprises a share premium fund and the portion of the statutory reserve not created by allocation from profit for the year.

**Profit brought forward (unappropriated earnings) including profit/loss for the year:**

Group profit brought forward comprises profit for the year and profit brought forward from previous years after payment of any dividends.

**The Parent Company's equity comprises share capital, statutory reserve and non-restricted equity**

**Share capital:**

As above.

**Statutory reserve:**

This item includes a share premium fund. As of 31 December 2005 allocation to the statutory reserve is no longer necessary.

**Non-restricted equity:**

The Parent Company's non-restricted equity comprises profit for the year and profit brought forward from the previous year after payment of any dividends. The Board of Directors proposes a dividend. The dividend amount is decided at the AGM.

**Change in equity**

<u>The Group</u>	Share capital	Other contributed capital	Other reserves	Profit brought forward	Total
<b>Closing equity at 31 Dec 2005</b>	100,000	389,746	-12	441,288	931,022
Change in accounting principles in line with Swedish Financial Accounting Standards Council Recommendation No. 5				-5,304	-5,304
<b>Adjusted opening balance at 1 Jan 2006</b>	100,000	389,746	-12	435,984	925,718
Exchange rate differences			-318		-318
Profit for the year				284,439	284,439
<b>Total changes in assets not including transactions with shareholders</b>	100,000	389,746	-330	720,423	1,209,839
Dividend				-200,000	-200,000
<b>Closing equity 31 Dec 2006</b>	100,000	389,746	-330	520,423	1,009,839
Exchange rate differences			1,451		1,451
Profit for the year				448,149	448,149
<b>Total changes in assets not including transactions with shareholders</b>	100,000	389,746	1,121	968,572	1,459,439
Dividend				-	-
<b>Closing equity 31 Dec 2007</b>	100,000	389,746	1,121	968,572	1,459,439
<u>Parent Company</u>	Share capital	Share premium reserve	Statutory reserve	Unrestricted equity	Total
<b>Closing balance according to adopted balance sheet 2005</b>	100,000	-	392,756	212,248	705,004
Dividend				-200,000	-200,000
Profit for the year				239,348	239,348
<b>Closing balance according to adopted balance sheet 2006</b>	100,000	0	392,756	251,596	744,352
Dividend				-	-
Group contribution ( <i>koncernbidrag</i> )				68,688	68,688
Tax effect resulting from group contribution				-19,232	-19,232
Profit for the year				326,808	326,808
<b>Closing balance 2007</b>	100,000	0	392,756	627,860	1,120,616

**Note 17 - Non-current liabilities**

	Group		Parent	
	2007	2006	2007	2006
Long-term accounts payable - trade	<u>8,341</u>	<u>9,914</u>	<u>8,341</u>	<u>9,914</u>
<b>Total</b>	<b>8,341</b>	<b>9,914</b>	<b>8,341</b>	<b>9,914</b>

The Company's long-term accounts payable are not interest-bearing.

Group total long-term accounts payable - trade break down as follows

- More than one year but within five years	8,341
- More than five years	-

**Note 18 - Accrued expenses and pre-paid income**

	Group		Parent	
	2007	2006	2007	2006
Accrued franchise fee	2,270	149,148	2,270	149,148
Accrued personnel costs	101,098	87,191	60,693	52,391
Pre-paid income	10,976	6,611	1,171	1,347
Other accrued expenses	<u>98,416</u>	<u>107,029</u>	<u>88,631</u>	<u>99,774</u>
<b>Total</b>	<b>212,760</b>	<b>349,979</b>	<b>152,765</b>	<b>302,660</b>

**Note 19 - Assets pledged**

	Group		Parent	
	2007	2006	2007	2006
Deposits	<u>161</u>	<u>198</u>	<u>161</u>	<u>198</u>
<b>Total</b>	<b>161</b>	<b>198</b>	<b>161</b>	<b>198</b>

The "Deposits" item largely consists of rent for an apartments in New York.

**Note 20 - Contingent liabilities**

	Group		Parent	
	2007	2006	2007	2006
Disputes	<u>-</u>	<u>430</u>	<u>-</u>	<u>403</u>
<b>Total</b>	<b>0</b>	<b>430</b>	<b>0</b>	<b>430</b>

TV4 is involved in seven disputes. TV4 has made provision for costs in the disputes where it is considered that it risks losing the case.

**Note 21 – Appropriations**

	<b>Parent</b>	
	<b>2007</b>	<b>2006</b>
Difference between book depreciation and depreciation according to plan	-800	3,500
Allocation to tax adjustment reserve ( <i>periodiseringsfond</i> )	<u>-94,028</u>	<u>-44,258</u>
<b>Total</b>	<b>-94,828</b>	<b>-40,758</b>

**Note 22 - Shares in Group companies**

<u>Company name, registration number</u>	<b>Number Reg. office</b>	<b>Stake</b>	<b>Nominal value</b>	<b>Opening value Add/deduct Book value</b>
Nordisk Television AB, 556273-6032	1,000 Stockholm	100.00%	100	105 - 105
TV4 Vision AB, 556417-6898	30,000 Gothenbur g	100.00%	3,000	3,600 - 3,600
TV4 Väst AB, 556491-8422	10,000 Gothenbur g	100.00%	1,000	1,200 - 1,200
TV4 Stockholm AB, 556423-2626	50,000 Stockholm	100.00%	500	25,221 -9,582 15,639
TV4 Norr AB, 556490-0685	26,600 Luleå	100.00%	2,660	2,741 - 2,741
TV4 Sverige AB, 556289-4237	2,250 Malmö	100.00%	225	7,351 - 7,351
TV4 Öst AB, 556166-2023	20,000 Västerås	100.00%	2,000	3,745 - 3,745
TV4 Uppland AB, 556496-0630	16,000 Uppsala	100.00%	400	503 - 503
Blipworld AB, 556630-6808	1,000 Stockholm	100.00%	100	100 - 100
TV Fakta Nordic Oy, 1956124-6	1,000 Helsinki	100.00%	100	1,307 - 1,307
TV4 Sport AB, 5562246-8164	1,040 Stockholm	66.20%	104	9,174 -4,570 4,604

Bloggvärlden Svensson och Alsén AB, 556728-0085	1,000	100.00%	100	- 100 100
<b>Total</b>				<b>40,996</b>

### Note 23 - Untaxed reserves

	Parent	
	2007	2006
Difference between book depreciation and depreciation according to plan	8,539	7,739
Allocation to tax adjustment reserve	<u>385,920</u>	<u>264,891</u>
<b>Total</b>	<b>367,459</b>	<b>272,630</b>

### Note 24 - Acquisition of shares and participations

	Group		Parent	
	2007	2006	2007	2006
Price paid for acquisition of subsidiaries and associated companies	3,800	6,762	3,800	6,418
Shareholders' contribution	<u>-</u>	<u>-</u>	<u>9,150</u>	<u>4,570</u>
<b>Total</b>	<b>3,800</b>	<b>6,762</b>	<b>12,950</b>	<b>10,988</b>

Shares in subsidiaries were acquired during the year.

#### Subsidiaries

TV4 acquired an additional 15.2 per cent of TV4 Sport AB as of 1 May 2007, and now owns 66.2 per cent of the company. The acquisition price was 3,000, all of which was paid in cash. A shareholder's contribution was paid during the year.

Bloggvärlden Svensson och Alsén AB was acquired as of 30 September 2007. The acquisition price was 800, all of which was paid in cash. The company has no business operations and made a loss in 2007, for which reason a shareholder's contribution was paid.

### Note 25 - Cash position

	Group		Parent	
	2007	2006	2007	2006
Short-term investments held to maturity having a term of more than three months at time of acquisition	-	426,183	-	426,183
Cash and bank balances	<u>544,419</u>	<u>67,931</u>	<u>443,684</u>	<u>7,612</u>
<b>Total</b>	<b>544,419</b>	<b>494,114</b>	<b>443,684</b>	<b>433,795</b>

**Note 26 – Dividends and interest**

	Group		Parent	
	2007	2006	2007	2006
Dividends received	-	-	59,898	33,643
Interest received	19,192	10,835	16,569	9,735
Interest paid	-4,941	-1,581	-3,985	-1,227

**Note 27 – Exchange rate differences**

	Group		Parent	
	2007	2006	2007	2006
Exchange rate difference transmission costs	3,858	4,620	3,858	16,255
<b>Total</b>	<b>3,858</b>	<b>4,620</b>	<b>3,858</b>	<b>16,255</b>

**Note 28 – Other short-term provisions**

The Company carried out a restructuring programme in 2005. In conjunction with that programme a provision was made to cover obligations to redundant employees.

	Group		Parent	
	2007	2006	2007	2006
Opening balance	1,935	19,057	1,935	15,691
Provision for redundancies	-	-	-	-
Redundancy payments settled during the year	-1,935	-17,122	-1,935	-13,756
<b>Total</b>	<b>0</b>	<b>1,935</b>	<b>0</b>	<b>1,935</b>

**Note 29 – Change in accounting principles**

As of 1 January 2007 TV4 prepares its financial statements in accordance with the Annual Accounts Act and the general guidelines issued by the Accounting Standards Board. The changeover from IFRS (International Financial Reporting Standards) has been reported in accordance with Swedish Financial Accounting Standards Council Recommendation No. 5.

The change has a negative effect on Group equity for 2006 of 5,304. Earnings in 2006 have been adjusted to aid comparability. The adjustment gives a positive effect of 1,907 before minority interests. The overall effect of the change is 3,397. The consolidated balance sheet has also been affected by the fact that the market value of derivative instruments and accounts payable – trade has been adjusted.

Parent Company earnings in 2006 have been reduced by 9,729. The Parent Company's balance sheet has also been affected by the fact that the market value of derivative instruments and accounts payable – trade has been adjusted.