



TV4 Annual accounts 2001

- TV4 has consolidated its position as Sweden's most-watched channel, with a 27.5 per cent share of the viewing figures across the population. Our share increased, particularly in the second half of the year. TV4 is the only channel increasing its share of the satellite and cable TV audience. The *Farmen* docusoap more than doubled the number of young viewers compared with the same slot last year. TV4 late evening news is now the most popular news programme among young viewers (the 15-39 year-old age group).
- TV4.se increased the number of unique website visitors to 1,460,000 in December 2001, almost three times last year's figure. TV4.se is now Sweden second most-visited media site and the most popular site among home surfers. The number of daily viewers of TV4 text TV has risen to 1.75 million, which is an all-time high and 17 per cent more than last year.
- Profit after net financial income/expense totalled SEK 235 million, compared with SEK 336 million the previous year. Earnings for the year include a positive one-off figure of SEK 146 million. Group revenues fell by 13 per cent to SEK 2.191 million.
- TV4 paid no franchise fee in the first half of 2001. Digital TV revenues are not included in the sum on which the franchise fee is based for the second half of the year.
- Fourth quarter revenues were 21 per cent lower than the previous year. Costs are now under control and are on par with last year.

Profit by division	2001	2000
The TV4 channel		
Pre-franchise fee profit.....	505	853
Franchise fee	-275	-448
Profit after franchise fee	230	405
Local TV		
Pre-franchise fee profit.....	-6	20
Franchise fee	-97	-101
Profit after franchise fee	-103	-81
TV4 Interaktiv	-21	-6
Allt om Stockholm	-17	-3
Items affecting comparability	146	21
Profit after financial items	235	336

- The advertising market has been weak in early 2002. TV4's costs will be lower in all areas of operation. As sole owner, TV4 can now rationalise local TV and reduce losses.

TV4 AB (pub) 12th February 2002
Annual accounts for 2001

TV4 Group**Profit and loss account January - December**

SEK millions	2001	2000	Change
Net sales	2,190.8	2,509.4	-318.6
Broadcasting costs	-1,711.5	-1,852.9	141.4
Selling expenses	-229.9	-195.7	-34.2
Administrative expenses	-169.4	-157.7	-11.7
Item affecting comparability	146.5	20.8	125.7
Operating profit	226.4	323.9	-97.5
Net interest income	9.0	12.5	-3.5
Profit after net interest income	235.4	336.4	-101.0
Minority holding	0.3	0.7	-0.4
Tax on profit for the period	-73.4	-99.4	26.0
Profit for the year	162.3	237.7	-75.4

Earnings per share (after full tax)	8.12	11.90
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Number of shares at date of report, millions	20.0	20.0
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Figures for earnings per share are based on a rolling 12 month period

TV4 Group**Profit and loss account October - December**

SEK millions	2001	2000	Change
Net sales	624.6	792.3	-167.7
Broadcasting costs	-432.4	-520.6	88.2
Selling expenses	-73.4	-65.4	-8.0
Administrative expenses	-48.6	-63.1	14.5
Items affecting comparability	-49.8	-	-49.8
Operating profit	20.4	143.2	-122.8
Net interest income	1.6	5.3	-3.7
Profit after net interest income	22.0	148.5	-126.5
Minority holdings	-0.3	-0.7	0.4
Tax on profit for the period	-13.5	-46.4	32.9
Profit for the year	8.2	101.4	-93.2

TV4 Group
Balance sheet

SEK millions	31 Dec 2001	31 Dec 2000	Change
Fixed assets	183.5	208.9	-25.4
Stock	571.7	584.6	-12.9
Other current assets	444.5	376.5	68.0
Liquid assets	213.1	605.7	-392.6
Total assets	1,412.8	1,775.7	-362.9
Equity	916.1	903.8	12.3
Minority holdings	0.3	2.3	-2.0
Allocations	28.0	22.1	5.9
Long-time liabilities	0.0	0.6	-0.6
Current liabilities	468.4	846.9	-378.5
Total equity and liabilities	1,412.8	1,775.7	-362.9

Equity as at 31 December 2001

SEK Millions	Share capital	Restricted reserve	Non-restricted reserves	Total
Opening equity according to adopted balance sheet	100.0	498.7	284.5	883.2
Effect of change in Accounting principles			20.6	20.6
Opening equity adjusted in accordance with new principle	100.0	498.7	305.1	903.8
Transfer between restricted and non-restricted equity		52.7	-52.7	-
Dividend			-150.0	-150.0
Profit for the year			162.3	162.3
Closing balance	100.0	551.4	264.7	916.1

Adjustment has been made in line with recommendation (No. 9) on income taxes issued by the Swedish Financial Accounting Standards Council. The effect is reported under equity in accordance with Council Recommendation No. 5 (accounting of change in accounting principle). Other accounting principles are the same as in the annual accounts for 2000.

Key figures

SEK millions	2001	2000
Return on equity,% (after tax)	17.8	28.4
Return on capital employed,%	25.9	40.3
Equity/assets ratio, %	64.9	51.0
EPS, (after tax)	8.12	11.89
Equity per share	45.80	45.19
Number of shares at date of report, millions	20.0	20.0

Figures for return and earnings per share are based on a rolling 12 month-period. The equity/assets ratio and equity per share figures are as at the end of the accounting period.

Cash flow statement, January - December

SEK millions	2001	2000
Profit after net interest income/expense	235.4	336.4
Depreciation	85.2	79.0
Minority and profit/loss from associated companies	2.9	1.0
Tax paid	-132.5	-94.8
Total funds generated by the business	191.0	321.6
Changes in working capital	-377.3	46.9
<i>Including change in franchise fee due</i>	-361.4	93.4
Cash flow from day-to-day operations	-186.3	368.5
Net investments	-59.5	-61.8
Financing	-146.8	-79.3
<i>Including dividend paid</i>	-150.0	-100.0
Cash flow for the period	-392.6	227.4
Liquid assets, opening balance	605.7	378.3
Cash flow for the period	-392.6	227.4
Liquid assets, closing balance	213.1	605.7
Net cash flow	213.1	605.7

Programme operations

TV4 strengthened its position as Sweden's most-watched TV channel during the year. Our audience share rose to 27.5 per cent. Most of this increase is attributable to the "satellite universe", ie, among viewers also able to see TV3 and Kanal 5. Total TV viewing fell by just over one per cent to 148 minutes. A marked trend during the year was that SVT and TV3 lost viewers, particularly among the younger segment, at the same time as viewing of "Other channels" increased. Kanal 5 audience figures altered only marginally during the year.

The increase seen for "Other channels" is partly explained by the fact that all digital TV viewing in the first six months was reported in this category. Since 1 July digital TV viewing has been broken down into the various channels. As a result, this category has not increased market share or viewing time compared with the second half of 2000.

TV4, which lost audience share among the 20 – 44 age group in the first half, recaptured viewers in the second half and ended the year with a slightly higher share of this important target group.

TV4 retained its hold on the viewing public at weekends. Spring scheduling, with *Vem vill bli miljonär*, *Gladiatorerna*, *Småstjärnorna* and films showcased on *Bio4* attracted a large audience. Ratings also topped a million on Sundays, thanks to *En ängels tålamod* (a new Swedish comedy), *Parlamentet*, *Sporten* and *Vem vill bli miljonär*.

"Super Friday" also attracted large numbers of viewers last autumn, thanks to *Djurens ö*, *Farmen* and *Sen kväll med Luuk*.

TV4's major new docusoap – *Farmen*, broadcast at 7.30pm Monday to Thursday, has gone according to plan. The programme attracted an average of 1,156,000 viewers, representing an audience share of 36 per cent. The *Farmen* final every Friday was also a success, attracting no fewer than 1,755,000 viewers.

The success of *Farmen* was also reflected in the ratings for the programmes following it on weekday evenings. Thanks to the success of the autumn season, TV4 has recaptured viewers among the younger target groups and gained prime-time weekday market share. The high points are Tuesday evenings, with *Äntligen hemma*, *När & Fjärran* and *Ally McBeal*, and Thursdays, featuring *Kalla fakta* and *The District*, where TV4's share of the viewing audience is up on last year. Drama series like *Skilda Världar* have lost some of their appeal. A series of documentaries on Wednesdays was a great hit with the viewers, and was a further factor in our increased market share among younger and female viewers.

Following the attacks on the World Trade Center and the Pentagon on 11th September, it was decided to cancel all scheduled programmes and commercials. TV4 broadcast news continuously using our own news resources, CNN International and studio discussions. We were able to use CNN news footage thanks to our digital terrestrial broadcasting arrangement with that station. The viewing public chose TV4; we captured a 37.9 per cent share of the ratings during the 24-hour period after the attacks.

TV channel shares (per cent) and viewing time per day (minutes) during 2001 and 2000 for the entire population

	SVT1	SVT2	TV3	TV4	Kanal 5	Other	All
2001 share	25.0	16.9	11.3	27.5	6.5	12.9	100
2000 share	20.0	23.9	11.4	27.0	6.3	11.5	100
2001 minutes	37	25	17	41	9	19	148
2000 minutes	30	36	17	41	9	17	150

TV channel shares (per cent) and viewing time per day (minutes) during 2001 and 2000 for viewers aged 20 - 44

	SVT1	SVT2	TV3	TV4	Kanal 5	Other	All
2001 share	20.2	12.2	14.8	27.5	9.8	15.4	100
2000 share	17.4	16.5	15.5	27.4	9.6	13.6	100
2001 minutes	28	17	21	39	14	22	141
2000 minutes	25	24	22	39	14	20	144

Source: MMS

The TV advertising market

The downturn in the economy has had a pronounced impact on the advertising market. The Institute for Advertising and Media Statistics (IRM) estimates that spending on advertising fell by eleven per cent to the end of November. The TV advertising market is estimated to have contracted by twelve per cent. The TV4 TV channel underperformed the market as a whole but local TV did better. TV4 outperformed the market somewhat in October-November.

Group advertising revenues were SEK 1,976.5 million (2,311.5), of which sponsorship revenues accounted for SEK 151.4 million (143.2). The TV4 TV channel's advertising revenues totalled SEK 1,755.4 million (2,095.1), of which sponsorship income accounted for SEK 138.2 million (129.3). TV4's total advertising revenues thus fell by 14.4 per cent. The economic downturn and the absence of major events comparable to the previous year's pension reform explain why revenues are back at 1999 levels.

Sales and earnings

Group net sales fell by SEK 318.6 million (-12.7 per cent), totalling SEK 2,190.8 million (2,509.4). Operating expenses, not including the franchise fee, increased by 4.9 per cent and totalled SEK 1,738.7 million (1,657.7). Pre-franchise fee profit was SEK 607.5 million (885.0). Profit after financial income/expense was SEK 235.4 million (336.4). This figure includes items affecting comparability totalling SEK 146.5, compared with SEK 20.8 million the previous year.

Fourth-quarter earnings after net interest income totalled SEK 22.0 million, compared with SEK 148.5 million the previous year. Not including items affecting comparability, profit for the period was SEK 71.8 million. Net sales fell by 21.1 per cent. The decline in the advertising market has had a pronounced impact on all operations. Fourth-quarter costs, not including the franchise fee, were on a par with the previous year. If newly-acquired subsidiaries are excluded, costs fell slightly.

Profit by division

Net sales by the **TV4 TV channel** fell by SEK 303.1 million (-13.6 per cent) to SEK 1,918.3 million (2,221.5). Operating expenses fell by SEK 132.2 million (7.2 per cent) to SEK 1,695.1 million (1,828.1). Not including the franchise fee, costs rose by SEK 40.8 million, ie, by 3.0 per cent. Programme costs, which represent the largest single cost item, totalled SEK 826.4 million (777.6). The dollar exchange rate increased programme costs by SEK 6 million. Profit after franchise fee fell by SEK 174.3 million to SEK 230.4 million.

Licensing revenues rose by 25.2 per cent to SEK 48.1 million (38.4). The *Gladiatorerna 1* CD was a success, achieving sales of 60,000; a follow-up was launched in the third quarter. Thomas Ledin's Greatest Hits has sold over 240,000 copies. The *Ainbusk* Christmas record sold 75,000 copies. The Dan Bäckman video sold 24,000 copies in VHS format and 10,000 in DVD. Book successes include Ann Cheng's *Asiatisk Mat* and Steffo Törnqvist's *Njut!*

The **local TV companies** saw their profitability fall in 2001. Net sales by these companies were SEK 295.2 million (314.4). Sales results vary between the companies. TV4 Norrbotten, TV4 Halland and TV4 Bergslagen reported the best performance. TV4's share of local TV company profit/loss less joint costs totalled SEK -5.9 million (20.1). After deduction of franchise fee, a loss of SEK -103.1 million by the local TV companies was charged to Group profit (-80.6). TV4 pays franchise fee on total advertising revenues, regardless of the size of

its stake in these companies. TV4 Norrbotten, TV4 Uppland, TV4 Öst, Kanal Skaraborg, TV Värmland, TVF lokalTV, TV Bergslagen and TV4 Halland became wholly-owned subsidiaries during the year.

Local TV, all companies

SEK millions	2001	2000	Change
Advertising revenues	264.4	274.3	-9.9
Other income	30.8	40.1	-9.3
Total income	295.2	314.4	-19.2
Operating expenses	-276.9	-261.1	-15.8
Operating profit/loss	18.3	53.3	-35.0
Financial items and depreciation	-12.2	-12.4	0.2
Profit/loss after financial items	6.1	40.9	-34.8

Local TV in the TV4 Group

SEK millions	2001	2000	Change
Advertising revenues	201.1	216.4	-15.3
Other income	20.0	26.3	-6.3
Total income	221.1	242.7	-21.6
Operating expenses	-196.0	-191.1	-4.9
Result from participations in associated companies	0.0	-0.4	0.4
Operating profit/loss	25.1	51.2	-26.1
Financial items and depreciation	-9.6	-8.0	-1.6
Profit/loss	15.5	43.3	-27.7
Joint costs	-21.4	-23.2	1.8
Franchise (40 per cent)	-97.2	-100.7	3.5
Loss after financial items	-103.1	-80.6	-22.5

Allt om Stockholm, a leading city guide on the Internet, was acquired in late 2000. Visitor numbers continue to rise. The loss for the period was SEK -17.0 million. Revenues, which were SEK 10.7 million, are increasing. Revenues improved in the autumn, a trend which has continued into 2002. The service was launched in Gothenburg and Malmö in March and visitor numbers are improving steadily.

TV4 Interaktiv comprises TV4 Text-TV and tv4.se. The year was excellent in audience terms, both for text TV and for tv4.se. TV4 Text-TV achieved a record of 1.75 million daily viewers in February (MMS). This is the highest figure ever and represents an increase of 17 per cent on last year. The figure for October was 1.67 million, a record for that month.

tv4.se continues to be a hit with the public, with 1,460,000 unique visitors in September. This was the highest figure ever. In August last year, before the relaunch of the new Internet service, tv4.se had 362,000 visitors. Our focus on utility and entertainment services has made tv4.se the number one site among home surfers and the second most popular media site overall, according to official Internet survey figures (Jupiter MMXI Nordic and Nielsen Netratings).

tv4.se's revenues continue to grow even though the market for Internet advertising has contracted sharply.

The aim of TV4 Interaktiv is to create interactive entertainment and utility services for viewers and customers on the Internet, text TV and via other distribution media. TV4 Interaktiv's strategic advantage lies in its ability to combine TV, text TV, the Internet and various mobile channels, and also take advantage of its dual presence nationwide and locally.

TV4 Interaktiv sales fell by 7.4 per cent to SEK 78.1 million during the year (84.4). The loss was SEK -21.4 million (-5.7). Text TV revenues fell partly as a result of the decline in the advertising market, particularly that for financial services, and partly because of lower revenues generated by the stock exchange service.

Text-TV's sales were SEK 61.2 million, down 13.8 per cent on last year's figure of SEK 71.0 million. tv4.se's sales totalled SEK 16.9 million (13.4).

Investments and financial position

Investments totalling SEK 71.1 million were made during the period (54.6). This figure includes financial investments of SEK 11.6 million (9.9). Depreciation during the period totalled SEK 55.4 million (80.6). Group liquid assets totalled SEK 213.1 million at the end of the period, compared with SEK 605.7 at the same time last year. Outstanding franchise fee totalled SEK 130.6 million (492.0). Programme stock totalled SEK 560.5 million (571.1), of which repeats accounted for SEK 171.1 million (159.6). Other stock totals SEK 11.2 million (13.5).

The equity/assets ratio as at 31st December 2001 was 64.9 per cent, compared with 51.0 per cent at the same time last year.

The parent company

Net sales by the parent company totalled SEK 1,920.3 million (2,223.1). Profit after financial income/expense was SEK 309.7 million (332.0). The parent company had liquid assets totalling SEK 149.0 million at the end of the period (531.5).

Franchise fee

The Swedish parliament decided in June that TV4 did not have to pay any franchise fee for the first half of 2001. This followed a decision in April by the Radio and TV Authority that TV4's exclusive right to transmit commercial television had been ended by the establishment of a nationwide digital TV network. The government then proposed an amendment to the law reinstating TV4's franchise fee obligation. Parliament did not accept that this proposal should apply retroactively for the first half of 2001. The fee is once again payable as of 1st July 2001 in line with a scale producing the same fee as under the previous model, although the fee is now payable every six months instead of once a year.

In June parliament urged the government to review the regulations governing the franchise fee in the light of technical developments and changes in the market since the fee's inception. Following reviews of franchise regulations in Finland and Norway, franchise fees in those countries will now be substantially lower than that paid by TV4 in Sweden.

The fee for the first half of 2001 has been calculated as if it had been payable under the new rules. This figure (SEK 212.9 million) is reported as a positive item under "items affecting comparability". The Franchise Fee Act was amended in June so that the obligation to pay a franchise fee is coupled with the exclusive right to broadcast on the analogue terrestrial network, the franchise being based solely on revenues from analogue broadcasting. The fee, calculated exclusive of revenues from digital distribution, is SEK 36.6 million lower than under the previous regulations. The amount affects the result for the fourth quarter. The fee for the second half of 2001, which is the first accounting period following the statutory amendment, will be decided by the Radio and TV Authority on 1st March 2002. An official report, produced at the instigation of the Ministry of Culture, proposes that the digital distribution of TV4 should also be made subject to the franchise fee. If this proposal is implemented, TV4 will be the only digitally distributed channel that is obliged to pay the franchise fee.

Miscellaneous

The scope of local TV operations is governed by TV4's broadcasting licence. The administrative and commercial arrangement of operations has been governed by agreements between TV4 and the local TV companies. These expired at the end of 2001. TV4 is now sole owner of 13 of these companies and has disposed of two stations (which continue to supply programmes, however). Operations will be rationalised to reduce losses. A provision of SEK 20 million in the annual accounts for 2001 has been made to cover planned restructuring, and goodwill has been written down by SEK 30 million. The goodwill write-down includes goodwill from the acquisition of Allt om Stockholm. These sums are reported as items affecting comparability.

Following financial difficulties experienced by one of its customers in the dot.com sector, TV4 was obliged to write off a debt of SEK 16.6 million. This sum is reported as a negative item under "items affecting comparability".

Prospects for 2002

Doubts remain about the prospects for the Swedish economy and the advertising market continues to contract in early 2002, albeit more slowly than last year. TV4's costs in 2002 will be lower than last year in all areas of operation.

Dividend

The Board of Directors and Managing Director propose a dividend of SEK 5.00 per share.

AGM

The Annual General Meeting of the Shareholders will take place at TV4's offices at Tegeluddsvagen 3 in Stockholm at 9.30am on 10th April. The annual report will be distributed to the shareholders and will be available at the offices of the company from 11th March. The annual report will also be available on the Internet (see address below).

Next report

TV4's interim report for the first quarter 2002 will be issued on 26th April 2002. The half-yearly report will be presented on 23th July.

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TV4 AB (publ)

Jan Scherman
Managing Director

For further information contact Jan Scherman, Managing Director, tel. +46 8 459 4072, Erik Haegerstrand, Financial Director, tel. +46 8 459 4061, or Eva Franchell, Information Director, tel. +46 8 459 4012. Tel. switchboard +46 8 459 4000.

*This report and other financial information is also available on the Internet at **www.tv4.se***