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**MTG**

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**MODERN TIMES GROUP**

## **Modern Times Group MTG AB (publ)**

**Prospectus regarding listing of SEK 1,000,000,000  
4 year (2014/2018) floating rate bond**

26 May 2014

## IMPORTANT INFORMATION

Words and expressions defined in the Terms and Conditions beginning on page 24 have the same meaning when used in this prospectus, unless expressly stated or the context requires otherwise.

This prospectus shall be read together with all documents which have been incorporated by reference in the Legal matters and supplementary information. Unless otherwise explicitly stated, no information contained in this prospectus has been audited or reviewed by auditors. Certain financial and other numerical information set forth in this prospectus has been rounded off and, as a result, the numerical figures shown as totals in this prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them.

In this prospectus, “**MTG**” or the “**Issuer**” means Modern Times Group MTG AB (publ) or, depending on the context, the group in which Modern Times Group MTG AB (publ) presently is a parent company. The “**MTG Group**” or the “**Issuer Group**” means the Issuer with its subsidiaries from time to time. The “**Joint Lead Managers**” means DNB Bank ASA, filial Sverige (*Eng. Swedish branch*) and Skandinaviska Enskilda Banken AB (publ). The “**CSD**” means Euroclear Sweden AB. “**SEK**” means Swedish kronor.

### Notice to investors

On 19 March 2014 the Issuer issued a four year, floating rate bond loan in the amount of SEK 1,000,000,000 (the “**Bonds**”). The nominal amount of the bonds is SEK 1,000,000 (the “**Nominal Amount**”). This prospectus (the “**Prospectus**”) has been prepared for solely for the listing of the Bonds on a regulated market - the corporate bond list on NASDAQ OMX Stockholm (“**NASDAQ OMX Stockholm**”). The Prospectus does not contain and does not constitute an offer or solicitation to buy or sell Bonds, in any jurisdiction.

The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) (the “**SFSA**”) pursuant to the provisions of Ch. 2 Sec. 25 and 26 of the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*) (the “**Trading Act**”). Approval and registration by the SFSA does not imply that the SFSA guarantees that the factual information provided in the Prospectus is correct and complete.

No person has been authorised to provide any information or to make any statements other than those contained in the Prospectus. Should such information or statements nevertheless be furnished, it/they must not be relied upon as having been authorised or approved by the Issuer and the Issuer assumes no responsibility for such information or statements. Neither the publication of the Prospectus nor the offering, sale or delivery of any Bond implies that the information in the Prospectus is correct and current as at any date other than the date of the Prospectus or that it have not been any changes in the Issuer's or the Issuer Group's business since the date of the Prospectus. If the information in the Prospectus becomes subject to any material change, such material change will be made public in accordance with the provisions governing the publication of supplements to prospectuses in the Trading Act.

The Prospectus is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with the Prospectus.

The Prospectus may not be distributed in or into any country where such distribution or disposal would require any additional prospectus, registration or additional measures other than those required under Swedish law, or otherwise would conflict with regulations in such country. Persons into whose possession the Prospectus comes are therefore required to inform themselves about, and to observe, such restrictions. Any failure to comply with such registration may result in a violation of applicable securities regulations. The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any other country of jurisdiction outside of Sweden. The Bonds may not be offered or sold within the United States (including its territories and possessions, any state of the United States and the District of Columbia) (the “**United States**”) to, or for the account or benefit of, United States persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each potential investor in the Bonds must in light of its own circumstances determine the suitability of the investment. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information which is contained in or incorporated by reference in the Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Bonds in the Terms and Conditions and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Prospectus may contain forward-looking statements and assumptions regarding future market conditions, operations and results. Such forward-looking statements and information are based on the beliefs of the Issuer's Management team and Board of Directors or are assumptions based on information available to the Issuer and do not constitute any guarantee of future conditions and are subject to risks and factors of uncertainty. Further, actual events and financial outcomes may differ significantly from what is described in such statements as a result of the materialisation of risks and other factors affecting the Group's operations (for examples of factors of a significant nature, see section Risk factors). Finally, all forward-looking statements are solely based on the conditions as per when the Prospectus is announced and the Issuer's has no obligation (and expressly declines such obligation), to update or change such forward-looking statements, regardless due to any change in information, conditions or anything else, with exceptions for what is required by applicable law and regulations.

Any information in the Prospectus, and in the documents incorporated by reference, which derive from third parties has, as far as the Issuer is aware and can be judged on the basis of other information made public by that third party, been correctly represented and no information has been omitted which may serve to render the information misleading or incorrect.

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# Risk factors

*All investments in the Bonds, as well as in any financial instrument, involve a degree of risk. The financial performance of the Issuer and the risks associated with its business operations are important when making a decision on whether or not to invest in the Bonds. A number of factors influence and could influence the Group's operations and financial performance and ultimately the Issuer's ability to make interest payments and payments of principal on maturity. In this section a number of risk factors are illustrated and assessed, both risks pertaining to the Issuer's business and risks related to the Bonds as a financial instrument.*

*The risks described below are not the only ones the Issuer and the MTG Group are exposed to. Additional risks that are not currently known to the Issuer, or that the Issuer currently considers to be immaterial, could have an adverse effect on the Issuer's and/or the MTG Group's business and the Issuer's ability to fulfill its obligations under the Bonds.*

*The order in which the risks are presented is not intended to provide an indication of the likelihood of their occurrence or of their relative significance. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

## Risks relating to the Issuer's business

### **MTG business is affected by the economic environment**

The Issuer's business has been, and in the future will continue to be, affected by economic and market conditions, including factors such as the unemployment rate, level of consumer confidence, changes in consumer spending habits, and interest rates. Because substantially all of the Issuer's services are discretionary items, the deterioration of the economies in Northern Europe (Sweden, Denmark, Norway and Finland), Central Europe (Czech Republic, Hungary and Slovenia), Eastern Europe (Bulgaria, Estonia, Latvia, Lithuania and Ukraine), Europe, Russia, Africa or other key international markets could reduce the demand for the Issuer's services and adversely affect the Issuer's subscription and advertising revenues and may adversely affect the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **MTG business is dependent on advertising expenditures**

The Issuer derives substantial revenues from the sale of advertising on its television stations, radio stations, DTH platform and websites. The Issuer's advertising revenue depends on the advertising expenditures in the countries in which the Issuer operates generally and advertising expenditures accounted for by television and radio specifically and the Issuer's share of total advertising in those markets accounted for by television and radio. The future level of advertising expenditures in the countries in which the Issuer operates and the proportion of such expenditures accounted for by television, radio or print advertising will be affected by consumer behavior, consumer spending and the general economic climate in such countries, all of which are outside the Issuer's control. Any material decrease in the advertising expenditures in the countries in which the Issuer operates generally and advertising expenditures accounted for by television and radio specifically, may adversely affect the Issuer's operations, result, financial position and ability to make payments under the Bonds.

Furthermore, average television viewing hours are traditionally lower in Northern Europe (where the Issuer currently generates the bulk of its revenue) than in other European regions and countries. This dynamic has negatively affected advertising revenues in Northern Europe due to the unwillingness of increasingly centralized major European advertisers to pay the higher prices per viewer for advertising in the Northern European market as compared with the prices prevailing in other European markets. This difference may continue to exist in the future and may adversely affect the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **The industry in which MTG operates is highly competitive**

Competition for viewers, pay-TV subscribers, advertising and distribution is intense and comes from broadcast television, cable networks, online and mobile properties, movie studios and independent film producers and distributors, video gaming sites and other media, and pirated content. The Issuer's ability to compete successfully is dependent on a number of factors, including the ability to provide high quality and popular entertainment content attractive to its audiences, maintain its appeal to advertisers, adapt to new technologies and distribution platforms, and achieve widespread distribution.

Although the Issuer has continued to develop its services through technological innovation and by licensing, acquiring and producing a broad range of content, it cannot predict with certainty the changes that may occur in the future which may affect the competitiveness of its businesses or may not be able to compete effectively even if it predicts such changes.

The Issuer's competitors also include market participants with interests in multiple media businesses which are often vertically integrated. Certain competitors may have broader coverage, greater name recognition, larger market share, wider programming content or access to more funding than the Issuer do, or with newer niche channels or pay-TV services offering competitive programming formats. If the Issuer cannot compete successfully in the future against existing or potential competitors, this could adversely affect the Issuer's operations, result, financial position and ability to make payments under the Bonds.

#### **MTG's is dependent on the sale of commercial advertising time at competitive prices**

The Issuer's business depends significantly on advertising revenue, which represented 44 per cent of its revenue in 2013 and is determined by the amount of commercial advertising time sold by or through the Issuer and the advertising prices charged. Both the advertising time and prices are affected by the relative quality and popularity of the Issuer's programming, ratings for its television and radio stations, its broadcast reach, its audience share and the distribution of the channels on which it sells advertising, the availability of alternative forms of entertainment, the viewing behavior of the television audience, television and radio listening levels and general economic conditions. Any adverse development in any of these factors could result in a decline in the advertising revenue and have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

#### **MTG's is dependent on its ability to attract new and retain existing subscribers for its pay-TV services and charge competitive subscription fees**

The Issuer's business depends substantially on subscription revenue, which represented 47 per cent of its revenue in 2013 and is determined by the number of subscribers and level of subscription fees. The ability to attract new and retain existing subscribers for the Issuer's pay-TV services and the ability to charge competitive subscription fees is largely dependent on the popularity of the programming it is able to secure. Although the Issuer makes significant investments in programming, it cannot be assured that its programming will attract satisfactory viewer levels. In addition, the Issuer may, as a result of declining popularity of the programming, competitive pressures or other factors, decrease the level of subscription fees. Any material decrease of the Issuer's programming popularity or other competitive pressures could reduce the number of subscribers or lead to a reduction of the level of subscription fees, any of which could lead to a decline in the Issuer's subscription revenue and could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

#### **MTG may not be able to develop or acquire programming that is attractive to its audiences**

The ability of programming to generate advertising or subscription revenue depends substantially on the Issuer's ability to develop, produce or acquire programming that matches audience tastes and attracts high audience shares. Audience acceptance of a television or radio program represents a response not only to the television or radio program's artistic components but also to critical review, promotion by the distributor, availability of alternative forms of entertainment and leisure activities, general economic climate, public tastes generally and other intangible factors, all of which could change rapidly and cannot be predicted with certainty. The Issuer's viewing or listening audiences may not find all of the Issuer's programming acceptable. There is a risk that some or all of the Issuer's television and radio programming will not be successful, and that the Issuer's programming library will lose its audience appeal more quickly than anticipated.

If MTG are unable to produce or secure a steady supply of high-quality programming, or if MTG fail to anticipate, identify or react appropriately to changes in the Issuer's viewers' tastes by providing appropriate programming, the Issuer's audience shares could be negatively affected. As a result, MTG may lose subscribers and subscription revenue and/or a significant portion of the Issuer's market share and consequently the Issuer's advertising revenues. Any of these factors could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

Moreover, if any of the programming MTG produce, commission or license does not achieve the audience share levels MTG anticipate, MTG may be required to write-off all or a portion of the carrying cost of such programming, and MTG could be forced to broadcast more expensive programming to maintain audience share, either of which could have an adverse impact the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **MTG's programming may become more difficult or expensive to acquire**

The program content and program services the Issuer has licensed from third parties are subject to fixed term contracts which will expire at the end of the term or may terminate early. The Issuer cannot be sure that, upon the expiration of current contracts, program content or program services will continue to be available to it (whether by renewal or otherwise) on acceptable financial and technical terms (including encryption, territorial limitation and copy protection), or at all.

Television programming is an important element of the Issuer's operating costs. The cost of acquiring content attractive to the Issuer's viewers, such as feature films, popular television series and formats, and sports programming rights, has increased, and may continue to increase, as a result of greater competition from existing and new television broadcasting channels and other competitors. The Issuer's expenditure in respect of locally produced programming may also increase due to new laws and regulations mandating the broadcast of a greater number of locally produced programs, changes in audience tastes in favor of locally produced content in the Issuer's operating markets, and competition for local talent.

Any failure to acquire popular or locally produced programming on competitive terms and future increases in the cost of acquiring or producing such content could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **The loss of key talent could disrupt MTG's business**

The Issuer's business depends upon the continued efforts, abilities and expertise of its corporate and divisional executive teams and entertainment personalities. The Issuer employs or contracts with several entertainment personalities with loyal audiences and also produces broadcast content with highly regarded directors, actors and other talent. These individuals are important to achieve audience endorsement of the Issuer's programs, motion pictures and other content. If the Issuer fails to retain these individuals or if the Issuer's entertainment personalities lose their current appeal, the Issuer's operations, result, financial position and ability to make payments under the Bonds could be negatively affected.

### **MTG has substantial future programming commitments that it may not be able to vary in response to a decline in advertising revenues**

Programming represents a significant expense, and at any given time the Issuer generally have substantial fixed commitments for the succeeding two to three years. Given the size of these commitments at any time, a reduction in the Issuer's advertising revenues could adversely affect the Issuer's operating margins and results of operations. The Issuer would have only limited ability to reduce the Issuer's costs in the short-run in response to such developments.

For example, the Issuer acquires syndicated programming rights under these multi-year commitments before it can be determined whether such programming will perform well in the Issuer's operating markets. In the event any such programming does not attract adequate audience share, it may be also necessary to increase the Issuer's expenditures by investing in additional programming as well as to write down the value of such underperforming programming, which may have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **MTG's financial results are affected by exchange rate differences and exchange controls**

The Issuer's net sales are denominated in multiple currencies in addition to SEK (33% of total 2013 net sales), most significantly in Danish krona (22% of total 2013 net sales), and Norwegian krona (16% of total 2013 net sales). In addition, a significant proportion of the Issuer's operating costs are similarly denominated in currencies other than SEK. For example, the Issuer acquires the majority of its programming content in U.S. dollars. Certain items in the Issuer's balance sheet are also denominated in currencies other than the SEK. For example, the investment in CTC Media is accounted for in U.S. dollars. Furthermore, rights to broadcast sporting events can also, depending on the jurisdiction of the primary licensors of such events, be denominated in multiple currencies including British pounds, Euro and the Swiss franc. As a result, the Issuer is exposed to exchange rate fluctuations, which in the past had an adverse effect on the Issuer's operations, result, financial position, and could in the future have, an adverse effect on the Issuer's ability to make payments under the Bonds.

### **Some of MTG's operations are in developing markets where there is economic, political and legal uncertainty, risk of biased treatment and loss of business.**

Some of the Issuer's revenue-generating operations are located in emerging markets in Central and Eastern Europe, Russia and Africa. These markets present different and higher risks compared to those posed by investments in developed markets. Unforeseen circumstances or changes in economic, political or social life in these markets may have a greater impact on the Issuer's operations than those in developed markets.

Other potential risks inherent in markets with evolving economic and political environments include inadequate protection of foreign investments or intellectual property rights, exchange controls, higher tariffs and other levies as well as longer payment cycles. The relative level of development of the markets in which the Issuer operates and the influence of local political parties also present a potential for biased treatment of the Issuer before regulators or courts in the event of disputes involving the Issuer's business in these markets. If such a dispute occurs, local regulators or courts might favor local interests over the Issuer's interests. Ultimately, this could lead to the Issuer exiting or disposing of one or more of the Issuer's business operations, and have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

#### **Restrictions on direct or indirect foreign ownership or control of broadcasting companies**

The Issuer is incorporated and headquartered in Sweden, with significant operations in many other countries, including those in Central and Eastern Europe, Russia and Africa. The legislation of certain of these countries, for example Russia, imposes restrictions on direct or indirect foreign ownership or control of broadcasting companies. If any of these or other countries were to adopt new or stricter restrictions on direct or indirect foreign ownership or control of broadcasting companies, the Issuer could be obligated to divest or restructure a portion or all of the related foreign operations, which may have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

In addition, if any countries in which the Issuer may seek to operate in the future impose restrictions on foreign ownership or control of broadcasting companies, the Issuer's ability to grow may be limited. Even if these countries do not adopt such restrictions, they may require regulatory approvals for any significant acquisitions by the Issuer, which could be time-consuming and the Issuer may thus lose out on acquisition opportunities to competitors. Any material limitation on the Issuer's foreign investments or acquisitions may have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

#### **MTG's acquisition strategy may not be successful**

As part of its business strategy, the Issuer has pursued and may continue to pursue selective acquisitions, investments and strategic relationships. The Issuer has completed and may in the future seek such acquisitions, investments and strategic relationships in emerging markets in Central and Eastern Europe, Russia and Africa. In addition to country-specific risks, this strategy presents risks inherent in assessing the value, strengths and weaknesses of potential acquisitions and investment opportunities, in integrating and managing newly acquired operations and improving their operating efficiency. In addition, such acquisitions and investments can divert the Issuer's resources and consume significant management time.

There is a risk that any desired strategic alliance, acquisition or investment cannot be made in a timely manner or on terms and conditions acceptable to the Issuer, also there is a risk that the Issuer will not be successful in identifying attractive acquisition candidates, completing and financing additional acquisitions on favorable terms, or integrating the acquired businesses or assets into its existing operations. The Issuer's ability to make acquisitions may depend on the availability of additional debt financing on acceptable terms and will be subject to compliance with the covenants contained in its debt instruments.

The integration of new businesses poses significant risks to the Issuer's existing operations, including additional and significant demands placed on the Issuer's senior management, who are also responsible for managing the Issuer's existing operations; increased overall operating complexity of the Issuer's business, requiring greater personnel and other resources; difficulties of expanding beyond the Issuer's core expertise; significant initial cash expenditures to acquire and integrate new businesses; contingent liabilities associated with acquired businesses; and incurrence of debt to finance acquisitions and related debt service costs. Additionally, the integration of new businesses may be difficult for a variety of reasons, including differing cultures or management styles, legal restrictions in the target's jurisdiction, poor target records or internal controls. Furthermore, even if MTG are successful in integrating new businesses, expected synergies may not materialize, resulting in lower than expected profit margins.

Each of these risks could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

#### **MTG has only limited influence over some of the companies in which it holds equity stakes**

MTG conducts some of its business through companies in which it does not hold a decisive stake, and through associated companies. MTG's main associated company is CTC Media, Inc. in Russia, where MTG has a 37.9% shareholding and the Group also owns 50% of Raduga TV in Russia. Since the Issuer has limited control over these associated companies, there is an inherent risk that these companies may take actions adverse to the Issuer's interests or otherwise fail to realize their full value.

In addition, the Issuer holds a 50% stake in Prima TV in the Czech Republic. While the Issuer has management control of the operations of Prima TV (and consolidates fully its results), the Issuer does not have full control of Prima TV and there is a residual risk that Prima TV may take action adverse to the Issuer's interest or fail to realize its full value. Any such action could adversely affect the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **The failure or destruction of satellites and facilities that the Issuer depends upon to distribute its programming**

The Issuer uses satellite systems to transmit its program services to subscribers, cable television operators and other distributors worldwide. The distribution facilities include uplinks, communications satellites and downlinks. Despite the back-up and redundant systems, transmissions may be disrupted as a result of accidents, technical faults, disasters or other circumstances that impair uplinks, satellites, downlinks, fiber networks and Conditional Access Systems. Prolonged or repeated disruptions in the Issuer's signals could lead to a loss of viewers, damage to the Issuer's reputation and a reduction in the Issuer's advertising revenues.

Currently, there are a limited number of communications satellites available for the transmission of programming. Pursuant to the contractual arrangements with the satellite owner, if a transponder were to malfunction, the Issuer has the automatic right to receive capacity on a qualifying transponder on other satellites of the satellite owner, provided such capacity is available. However, if a disruption occurs, there is a risk that additional capacity on a qualifying transponder will not be available in a timely fashion or at all and the Issuer may not be able to secure alternate distribution facilities in a cost-efficient and timely manner or at all. This could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

The Issuer accesses uplinks and downlinks, and satellite transponder capacity pursuant to contractual arrangements with third-party owners/operators of such communications channels. There is a risk that, upon expiration of the existing contractual arrangements, the Issuer will not be able to renew or extend its access or secure alternative satellite transponder capacity at attractive terms or at all. This could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

Competition for the limited satellite transponder capacity may also limit the Issuer's ability to grow. If the Issuer cannot obtain additional channels on competitive terms, its ability to expand its operations could be restricted, which could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **MTG is dependent on third-party operators to distribute much of its programming**

The Issuer currently depends on a number of third-party cable, IPTV and mobile broadband operators for the distribution of a large percentage of its programming in each of its Northern European, and some of its Central and Eastern European markets as well as the Russian market. There is a risk that such third-party operators will not continue to distribute the Issuer's channels in the future. Any decrease in distribution via, or decrease in fees received by, these third-party operators could have a negative impact on the Issuer's advertising and pay-TV revenues, which in turn could negatively affect other businesses within the Issuer and the Issuer's operations, result, financial position and ability to make payments under the Bonds could be adversely affected.

### **MTG's business is vulnerable to significant changes in technology**

The television broadcasting industry is affected by rapid innovations in technology. The implementation of new technologies and the introduction of broadcasting distribution systems other than analog terrestrial broadcasting, such as digital terrestrial broadcasting, direct-to-home cable and satellite distribution systems, the internet, video-on-demand and user-generated content sites, and the availability of television programming on portable digital devices, have changed consumer behavior by increasing the number of entertainment choices available to audiences. This has fragmented television audiences in more developed markets and could adversely affect the Issuer's ability to retain audience share and attract advertisers as such technologies and broadcasting systems penetrate its operating markets.

New technologies that enable viewers to choose when and what content to watch, as well as to fast-forward or skip advertisements, may also cause changes in consumer behavior that could negatively affect the Issuer's businesses. The Issuer's competitors may strengthen their positions by increasing the capacity of, or developing the means of delivering services favored by changes in consumer behavior.

In addition, compression techniques and other technological developments may increase the number of channels broadcast in the Issuer's operating markets and expand programming offerings to highly targeted audiences. Reductions in the cost of launching additional channels could lower entry barriers for new channels and encourage the development of increasingly targeted niche programming on

various distribution platforms. To maintain its market share, the Issuer's television broadcasting operations may be required to expend substantial financial and managerial resources on the implementation of new broadcasting technologies or distribution systems. Moreover, expansion of the broadcasting industry caused by technological innovation may fuel competition for audiences and advertising revenue as well as the competitive demand for programming. Any substantial further investment to address such competitions could adversely affect the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **Technological developments may increase the threat of content piracy and signal theft and limit MTG's ability to protect its intellectual property rights**

DTH access to the Issuer's services is restricted through a combination of physical and logical access controls, including smartcards which the Issuer provides to its individual DTH customers. Unauthorized viewing and use of content may be accomplished by counterfeiting the smartcards or otherwise overcoming their security features. Developments in technology, including digital copying and file compressing, and the growing penetration of high-bandwidth internet connections, increase the threat of content piracy by making it easier to duplicate and widely distribute pirated materials. In addition, developments in software or devices that circumvent encryption technology increase the risk of unauthorized use and distribution of DTH programming signals.

The Issuer has taken, and will continue to take, a variety of actions to combat piracy and signal theft, both by itself and, in some instances, together with industry associations. There is a risk that the Issuer's efforts to enforce its rights and protect its products, services and intellectual property will not be successful in preventing content piracy or signal theft. Ineffective control over content piracy and signal theft may adversely affect the Issuer's revenues from products and services, including, but not limited to, films, television shows and DTH programming and could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **Changes in the methods of measuring television audiences could reduce MTG's audience share and ratings**

The systems of audience measurement are different in the territories where the Issuer operates. Such systems are revised from time to time to reflect the changing demographic composition of the respective audiences. When changes to the system of audience measurement occur, the Issuer attempts to take steps when possible in respect of its programming and distribution to counteract the effects of such changes by adapting to the media consumption patterns of the redefined demographic composition. It cannot be assured that these steps will be adequate or effective, or that any further changes in the measurement systems will not result in a decrease in the Issuer's measured audience shares or ratings, which could lead to a material decrease in its advertising revenue and could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **MTG has a significant amount of intangible assets, including goodwill**

The Issuer maintains substantial goodwill on its balance sheet which has an indefinite life and has been recorded following acquisitions of other companies. As at 31 December 2013, such goodwill amounted to SEK 3,463 million. The Issuer does not amortize goodwill but instead performs an impairment test annually or when events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. Intangible assets which are amortized may similarly face a reduction in the fair value, causing impairment losses. The Issuer considers all current information in respect of determining the need for or calculating any impairment charge, including changes in the economy, decreases in the Issuer's audience shares or ratings, increased competition or changes in the audience measurement system. If events or changes in the economic environment or other factors cause a reduction of the fair value of these assets, the Issuer may have to recognize impairment losses that could have an adverse effect on the Issuer's operations, result and financial position.

### **MTG's debt could adversely affect MTG's financial health**

The Issuer's indebtedness could have an adverse effect on the Issuer by: limiting the Issuer's ability to borrow money for working capital, restructurings, capital expenditures, investments, acquisitions or other purposes, if needed, and increasing the cost of any of these borrowings; limiting the Issuer's flexibility in responding to changing business and economic conditions, including increased competition and demand for new services; placing the Issuer at a disadvantage when compared to those of the Issuer's competitors that have less debt; and making the Issuer more vulnerable than those of the Issuer's competitors who have less debt to a downturn in the Issuer's business, industry or the economy in general. Despite the Issuer's indebtedness, the Issuer's may still incur more debt, which could further exacerbate the risks described above.

### **MTG is exposed to risks associated with disruptions in the financial markets.**

The Issuer is exposed to risks associated with disruptions in the financial markets, which can make it more difficult and more expensive to obtain financing. For example, adoption of new regulations,

implementation of recently enacted laws or new interpretations or the enforcement of existing laws and regulations applicable to financial institutions, the financial markets or the financial services industry could result in a reduction in the amount of available credit or an increase in the cost of credit. In addition, disruptions in the financial markets can adversely affect the Issuer's lenders, insurers, customers and other counterparties. For instance, the inability of the Issuer's counterparties to obtain capital on acceptable terms could impair their ability to perform under their agreements with the Issuer and lead to various negative effects on the Issuer, including business disruptions, decreased revenues and increases in bad debt write-offs. Any of these events could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **MTG is subject to financial covenants of its multi-currency revolving credit facility agreement**

Under the terms of the Issuer's multi-currency revolving credit facility agreement, the Issuer must comply with certain financial covenants. If the Issuer breaches any covenant in the multi-currency revolving credit facility agreement, and fails to receive a waiver regarding such breach from its lenders or sign an amendment modifying such covenant, the Issuer's debt obligations under the multi-currency revolving credit facility agreement may be accelerated or further credit may be withheld. Although it is currently projected that the Issuer would have sufficient cash on hand and cash from operations to repay in full its obligations under the multi-currency revolving credit facility agreement and continue to fund its operations, if such acceleration does occur, the Issuer's liquidity would be negatively impacted and it may be required to implement more restrictive cash management measures

### **The restrictive covenants under the MTG's credit facilities agreements may impose material restrictions on MTG's business.**

The Issuer is subject to certain restrictive covenants under its multi-currency revolving credit facility agreement that limits or restrict its ability to, among other actions:

- incur additional debt;
- pay dividends and make distributions;
- make certain loans;
- create liens on assets;
- transfer or sell assets outside the ordinary course of business; and
- merge or consolidate.

The restrictions under the multi-currency revolving credit facility agreement could make it more difficult for the Issuer to expand, finance its operations or engage in business activities that may be of interest to it, any of which could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **MTG's broadcasting licenses may not be renewed and may be subject to revocation, and MTG may have difficulties obtaining new licenses.**

The Issuer requires broadcasting and, in some cases, other operating licenses or authorizations from national regulatory authorities in the Issuer's operating markets in order to conduct its broadcasting business. Certain of the Issuer's broadcasting licenses will expire at various times within the operational planning horizon of five years. While the Issuer expects that its material licenses and authorizations will be renewed or extended as required to continue to operate the Issuer's business, there is a risk that this will not occur or that such licenses will be subject to revocation, particularly in markets where there is relatively greater political risk as a result of less developed political and legal institutions.

The failure to comply in all material respects with the terms of broadcasting licenses or other authorizations, including the associated applications filed by the Issuer, may result in such licenses or other authorizations not being renewed or otherwise being terminated. Furthermore, there is a risk that renewals or extensions of existing licenses will not be issued on the same terms as existing licenses.

In addition, the Issuer cannot be certain that it will succeed in obtaining all requisite approvals and licenses in the future for its operations without the imposition of restrictions or conditions which may have an adverse consequence to the Issuer, or that compliance issues will not be raised in respect of its operations, including those conducted prior to the date of this filing.

Failure to obtain any requisite licenses, non-renewal or termination of any necessary broadcasting or operating licenses or authorizations, or material modification of the terms of any renewed licenses could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **MTG has been, and may be in the future, subject to claims of intellectual property infringement**

From time to time, the Issuer receives notices from third parties claiming that it infringes their intellectual property rights, such as copyright on soundtracks included in some of the Issuer's

programming. Such claims and lawsuits could require the Issuer to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be restricted preliminarily or permanently from further use of the intellectual property in question. This could require the Issuer to change its business practices, adversely affect its ability to compete effectively and have an adverse impact on the Issuer's business or results of operations. Even if the Issuer believes that the claims are without merit, defending against the claims can be time-consuming and costly and divert management's attention and resources away from its business, which could have an adverse effect on the Issuer's operations, result, financial position and ability to make payments under the Bonds.

### **MTG's business is affected by laws, rules and regulations**

The Group's businesses are regulated in many different jurisdictions. The regimes which regulate the Group's business include both European Union "EU" and national laws and regulations related to broadcasting, telecommunications, competition (antitrust) and taxation. Changes in regulations related to licensing requirements, access requirements, programming transmission and spectrum specifications, consumer protection, taxation, or other aspects of the Group's business, or those of any of its competitors, could have an adverse effect on the Group's business, financial condition or results of operations. In April 2013, the European Commission the "Commission" published a Green Paper on the convergence of audiovisual media services. The Green Paper does not presuppose any action but possible follow-ups could include regulatory and policy responses, including, in the longer term, a revision of the Audiovisual Media Services Directive.

In December 2013, the Commission launched a public consultation on the review of EU copyright rules. In 2013 a number of territories in which the Group operates proposed, and, in certain cases, implemented, changes to the law relating to the exercise of exclusive broadcasting rights to major sporting and cultural events. Any changes which limit the right to broadcast live sports events could potentially have an adverse impact on the Group's business. A parliamentary vote on the Commission's Proposal for a new Data Protection Regulation is anticipated in early 2014. Any such Regulation is not anticipated to pose a significant risk to the Group's business. The long term implications of the decision of the Court of Justice of the European Union (CJEU) in the *Airfield/Canal Digitaal v SABAM* and *Airfield v AGICOA* cases relating to the issue of additional rights clearance being required in respect of the transmission of television programmes by satellite remain uncertain. The implications of: (i) the decision of the CJEU in the joined cases of *Football Association Premier League Ltd and Others v. QC Leisure and Others* and *Karen Murphy v. Media Protection Services Ltd*; and (ii) the recently announced investigation by the Commission into pay TV services, relating to the compatibility of measures to enforce exclusive broadcasting rights with EU law could have an adverse effect on the Issuer's business, financial condition or results of operations and ability to make payments under the Bonds if implemented into EU law.

## **Risks relating to the Bonds**

### **There has been no active trading market for the Bonds**

The Issuer shall apply for the Bonds to be listed on the corporate bond list on NASDAQ OMX Stockholm, but there is a risk that the Bonds are not approved for admission of trading. A failure to obtain such listing may have a negative impact of the market value of the Bonds. Even if a listing will occur, there is a risk that an active market for the Bonds will not evolve, and even if such market would evolve that it would not last.

The nominal amount of the Bonds may not be indicative of their market value after being admitted for trading at NASDAQ OMX Stockholm. In addition, following the listing of the Bonds, the liquidity and trading price of the Bonds may fluctuate due to many factors including general market movements and irrespective of MTG's performance.

All the conditions above may cause the value and trading price of the Bonds to be reduced and Bondholders could lose a part or all of their investment.

### **The Bonds will be structurally subordinated**

The Issuer holds significant assets relating to shares in subsidiaries and associated companies and as such the Issuer is reliant on the ability of other entities to advance loans or make dividends distribution to the Issuer so as to enable it to make payment under the Bonds. The issuer is thus dependent upon receipt of sufficient income arising from the operations of the MTG Group. The Bondholders may also be subordinated to prioritised and unprioritised creditors of the MTG Group by way of so called structural subordination.

### **Certain material interests**

The Joint Lead Managers have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Issuer and the Group in the ordinary course of business. In particular, it should be noted that Joint Lead Managers are lenders under the Issuer's

credit facilities. Accordingly, conflicts of interest may exist or may arise as a result of the Joint Lead Managers having previously engaged, or will in the future engage, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

#### **Bondholders' meeting/representation**

The Terms and Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

#### **Risks relating to the CSD's book-entry system**

The Bonds are affiliated to the CSD's account-based system, why no physical Bonds have been, or will be, issued. Clearing and settlement of the Bonds is carried out within the CSD's book-entry system as well as payment of interest and repayment of the principal. Accordingly, the Bondholders are dependent on the functionality of the CSD's account-based system.

#### **Interest rate risks**

The Bonds' value depends on several factors, whereof the one of the most significant over time being the level of market interest. Investment in the Bonds involves the risk that changes in market interest rates may adversely affect the value of the Bonds.

#### **Credit risk**

Investors in the Bonds carry a credit risk relating to the Issuer, involving the risk that a decline in creditworthiness of the Issuer, the Group and/or the portfolio companies may adversely affect the value of the Bonds and the Issuer's ability to meet its payment obligations against the Bondholders.

#### **Changes in legislation**

The Terms and Conditions are based on Swedish law applicable at the date hereof. As there is a risk relating to the effect of any future legislation or administrative practice, such change could adversely affect the ability of the Issuer to make payments under the Bonds.

## The Bonds in brief

*This section contains a general and broad description of the Bonds. It does not claim to be comprehensive or cover all details of the Bonds. Potential investors should therefore carefully consider this Prospectus as a whole, including documents incorporated by reference, before a decision is made to invest in the Bonds. The complete terms and conditions can be found in the last section of the Prospectus.*

*Concepts and terms defined in the section Terms and Conditions of the Bonds are used with the same meaning in this description unless otherwise are explicitly understood from the context.*

The Issuer:	Modern Times Group MTG AB (publ), reg. no. 556309-9158, a public limited liability company with registered office in Stockholm.
Issue resolution:	The issuance of the Bonds was authorised by resolutions taken by the Board of Directors of the Issuer on 11 February 2014.
The Bonds:	The Bonds are unilateral debt instruments intended for public trading as set out in Ch. 1 Sec. 3 of the Financial Instruments Accounts Act ( <i>Sw. ensidig skuldförbindelse avsedd för allmän omsättning enligt 1 kap. 3 § lag (1998:1479) om kontoföring av finansiella instrument</i> ). The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer.
Issue date:	19 March 2014.
ISIN-codes:	SE0005796927.
The Principle Amount:	SEK 1,000,000,000
Purpose of issue proceeds:	To diversify the Issuer's funding sources and replacing the Issuer's SEK 1,000 million term loan.
The nominal amount and number of Bonds:	Each Bond is denominated in SEK and has a nominal amount of SEK 1,000,000. Accordingly, the number of Bonds is 1,000.
Interest:	Three month STIBOR + 1.10 % per annum, payable on 19 March, 19 June, 19 September and 19 December each year. The first payment is due on 19 June 2014 and the final payment is due on the Maturity Date or, if applicable, upon early redemption of the Bonds. Interest shall be paid on an actual number of days/360-day basis.
Maturity date:	19 March 2018, at which date the Issuer shall redeem all outstanding Bonds at the nominal amount together with accrued interest.
The right to receive payments under the Bonds:	Payment of the nominal amount and interest shall be made to the person who is registered in the securities register ( <i>Sw. skuldbok</i> ) as Bondholder on the Record Date. The right to receive payment of the nominal amount is prescribed and becomes void ten (10) years after the maturity date.
Change of control:	In the case of a Change of Control Event the Bondholders have the right to request their Bonds to be early redeemed at an amount corresponding to the nominal amount of each redeemed Bonds together with accrued interest in accordance with the procedure set out in the <i>Terms and Conditions of the Bonds</i> .
Restrictions on trade:	There are no restrictions in the <i>Terms and Conditions of the Bonds</i> for the Bondholders to freely transfer Bonds.
Issuing Agent:	DNB Bank ASA, filial Sverige ( <i>Eng. Swedish branch</i> ).

Rating:	The Bonds have not been assigned an official credit rating by any credit rating agency.
Listing of the Bonds on the corporate bond list on NASDAQ OMX Stockholm:	The Issuer will submit an application for listing of the Bonds on the corporate bond list on NASDAQ OMX Stockholm in connection with the SFSA's approval of the Prospectus.
Securities register ( <i>Sw. skuldbok</i> ) and financial institution ( <i>Sw. finansiellt institut</i> ) through which the Bondholders can exercise their financial rights:	The Bonds are connected to the account-based system of Euroclear Sweden (with address P.O. Box 191, 101 23 Stockholm). Holdings of the Bonds are registered on behalf of the Bondholders on a securities account and no physical bonds have, or will be, issued. The Bondholders' financial rights such as payments of the Principal Amount and interest, as well as, if applicable, withholding of preliminary tax will be made by Euroclear Sweden.
Governing law:	The Bonds have been issued in accordance with Swedish law.
Issue costs:	Cost and expenses incurred by the Issuer in connection with the issue of the Bonds are expenses for admission to trading in relation to the SFSA and NASDAQ OMX Stockholm (excluding NASDAQ OMX Stockholm's annual fee) as well as fees to advisors.

# Description of MTG

## MTG in brief

### Overview

MTG is an international entertainment group with operations that span four continents and include free-TV, pay-TV, radio and content production businesses. MTG's Viasat Broadcasting operates free-TV and pay-TV channels, which are available on Viasat's own satellite platforms and third party networks, and also distributes TV content over the internet. MTG is also the largest shareholder in CTC Media, which is Russia's leading independent television broadcaster.

MTG generated net sales of SEK 14.1 billion in 2013 and employs more than 4,000 people in almost 40 countries.

### History

MTG was founded in 1987 by Investment AB Kinnevik ("Kinnevik"). Kinnevik entered the media sector in the mid-1980s when it was a member of the consortium that operated the Astra satellites, which it then used to launch and distribute TV3 as the first Scandinavian commercial television channel.

TV3 was divided into three distinct language and content channels in 1989 through the launch of TV3 Sweden, TV3 Denmark and TV3 Norway. Due to the limited infrastructure available in the Scandinavian television industry, Kinnevik expanded its operations through the establishment of the Strix television production company in 1988. Kinnevik then launched premium pay television channel TV1000 in 1989 and created marketing and distribution company Viasat AB in 1990 to manage the service for its direct to home satellite subscribers via a decoder and smartcard system. MTG, which comprised all of the above businesses, commenced operations as Kinnevik's media division in 1994.

### The Issuer Group

Kinnevik was MTG's parent company prior to the demerger of MTG from Kinnevik by means of the distribution of MTG shares as a special dividend to Kinnevik shareholders in September 1997.

Modern Times Group MTG AB is the parent company of the MTG Group. As of 31 December 2013 the Group included almost 100 directly and more than 80 indirectly owned subsidiaries. For a comprehensive list of the Group Companies as of 31 December 2013, please refer to note 13 for the parent company in the 2013 annual report (incorporated by reference and constituting a part of the Prospectus). Whilst certain of MTG's substantial holdings in the portfolio companies are held through wholly-owned Group Companies, the Issuer does not believe that it is dependent on any of the Group Companies.

## Strategic focus

MTG's strategic focus is to continue to grow its sales and profits and shareholder value by investing in the three strategic growth areas; content, digital and geographical expansion, while maintaining strict cost control and effective capital allocation across the Group.

MTG's investments are focused on content production and branding, programming, technology and geographical expansion into new territories. The Group broadcasts in a wide range of formats on its own satellite platforms in nine countries and on third-party broadcast networks (terrestrial, cable, satellite and IPTV) and over the open internet. The Group is constantly increasing the number of in-house and third-party channels on these platforms and adding attractive content and segmenting its offering in order to increase its subscriber base and pricing power. It is also investing in programming and channels in order to drive up its commercial share of viewing, advertising prices and overall TV advertising market shares. In addition, the Group seeks to expand its broadcasting businesses into new markets by means of greenfield start-ups or acquisitions, with a particular focus on central and eastern Europe and Africa. MTG also reviews opportunities, as they arise from time to time, to consolidate its existing market positions by acquiring competing or complementary businesses.

MTG benefits from its scale and integrated operations in terms of synergies among its operations in areas such as content production, acquisition and distribution, cross-promotional marketing and sales, customer relationship management and targeting, and the exporting of proven concepts to new markets.

## The market

MTG's revenues are primarily derived from advertising revenue from its free-TV channels, and subscription revenues from the Viasat satellite pay-TV platforms in Scandinavia, the Baltic countries, Ukraine and Russia and its business as a virtual TV operator in third-party networks, primarily in Scandinavia. Furthermore, the Group generates subscription revenues through the distribution via third-party pay-TV networks to subscribers. The Group also has subscription revenue streams from carriage fees, generated by sales of its free-TV channels to third-party networks. MTG has a wide-ranging client base among advertising buyers in each of its free-TV markets, and works both with media agencies as well as directly with advertisers.

MTG also generates a proportion of annual revenues from other business to business and business to consumer sales. These primarily comprise revenues from the Group's content production businesses under the Nice Entertainment Group umbrella.

## Modern Responsibility

Modern Responsibility is the umbrella for MTG's commitments in relation to economic, social and environmental sustainability. The MTG corporate responsibility comprises of four areas, all pointing to the role and responsibility as a media company regarding MTG's commitments and interests:

- Business Responsibility
- Broadcast & Marketing Responsibility
- Employee Responsibility
- Environmental & Community Responsibility

The Modern Responsibility work of MTG aims to maximise the positive effect, and minimise the negative impact MTG has, on all people, organisations and environments MTG comes into contact with.

During 2013, MTG was included in the Dow Jones Sustainability Europe Index and continued to be part of the Dow Jones Sustainability World Index and FTSE4GOOD. For the fifth subsequent year the MTG ranking was moved up 2013 in the Carbon Disclosure Projects Climate Change report. MTG abides by established ethical principles and rules, such as the UN's Global Compact and OECD's Guidelines for Multinational Enterprises.

## Operations

MTG's organizational structure is designed to enable its units to maintain and develop their positions in the markets in which they operate, and to exploit their established brands. Responsibility for each of the business areas resides with MTG's separate operating subsidiaries.

### Business segments

MTG comprises six business segments:

- Free-TV Scandinavia
- Pay-TV Nordic
- Free-TV Emerging Markets
- Pay-TV Emerging Markets
- CTC Media
- Nice, MTGx and MTG Radio

The first five of these segments comprises MTG's broadcasting business which broadcasts more than 60 own branded channels in 37 countries. The sixth business segment primarily comprises Nice Entertainment Group, MTGx and Radio businesses. Nice Entertainment Group is MTG's content production division. MTGx develops digital products for the Group. MTG is also a commercial radio operator in the Nordic and Baltic regions.

MTG acquires or commissions the majority of its television programming content (including movies, sports, dramas, comedies, documentaries, reality shows and soaps) from Hollywood studios, independent production companies and sports rights holders. MTG also produces certain programming in-house. MTG also purchases a wide range of free-TV and pay-TV channels from third party broadcasters for inclusion in its pay-TV packages.

### Free-TV Scandinavia

MTG's Scandinavian free-TV operations consist of the transmission of advertising-financed television channels generally available to viewers without the payment of a subscription fee. The channels primarily generate advertising revenue, but a lower proportion of overall free-TV revenues come from carriage fees of the Group's free-TV channels on third-party networks.

The launch of TV3 on New Year's Eve 1987 in Sweden, Denmark and Norway is the origin of what today is the Modern Times Group. TV3 was the first commercial TV channel in Scandinavia – at that time the airwaves were solely for the use of the national public broadcasters.

**Sweden** MTG's Swedish media house comprises the TV3, TV6, TV8 and TV10 free-TV channels.

**Norway** MTG's Norwegian media house comprises the channels TV3, Viasat4 and TV6.

**Denmark** MTG's Danish media house comprises the channels TV3, TV3+ and TV3 PULS.

### **Pay-TV Nordic**

MTG's Nordic pay-TV operations package, market and sell MTG's own content and channels, as well as a wide selection of third-party content in Sweden, Norway, Denmark and Finland. MTG has contracts with major Hollywood studios, and also has the exclusive broadcasting rights to a wide range of premium sports content ranging from football, ice hockey and American football to motor racing, golf, tennis and boxing. MTG packages this content on its own thematic premium pay-TV channels under the *Viasat* brand, and on its online pay-TV platform *Viaplay*. MTG also has distribution rights for a wide range of thematic international third-party channels. MTG also makes its own free-TV channels available on its pay-TV platform.

MTG's satellite platforms in the Scandinavian countries offer subscribers a range of content packages. These packages range from basic offerings, which consist of popular free-TV channels and thematic international channels, to premium offerings, which include a high number of general and thematic free-TV and pay-TV channels. These offerings include popular TV content, new and library movie titles and premium sports content. MTG's satellite proposition also offers a number of value-added services like multi-room subscriptions, HD and 3D content, PVRs and selection of catch-up content, both from MTG and third-party content providers through the digital set-top box.

The own pay-TV channels comprise the portfolio of thematic *Viasat* Film channels, a number of localised own sports channels, *Viasat* History, *Viasat* Explorer, *Viasat* Nature and *Viasat* Crime. Most of the *Viasat* channels are also available in HD.

MTG also makes its content packages available on major third-party IPTV and cable TV networks in Scandinavia. In most cases, these agreements allow the Group to market and sell its channels directly to the subscribers of each respective network, and the agreements are structured on a revenue sharing-basis.

MTG also offers its content through its online pay-TV service *Viaplay*. *Viaplay* is a streaming service offering subscription packages which range from a basic TV content offering to a premium offering of live sports, current and library movie titles and TV content.

The Group is focused on subscriber intake and retention, and therefore periodically makes available special offers in each of the markets, which may include reduced monthly prices during a shorter set subscription period, new technology offerings or special content deals.

### **Free-TV Emerging Markets**

*Viasat*'s free-TV operations in the Emerging Markets consist of the transmission of advertising financed television channels generally available to viewers without the payment of a subscription fee. MTG transmits its Emerging Market free-TV channels both from its London-based broadcast centre in United Kingdom and from local play-out facilities in the individual countries of operation. The channels primarily generate advertising revenue, but a lower proportion of overall free-TV revenues come from carriage fees generated from third-party networks.

**The Baltics:** MTG's media houses in Estonia, Latvia and Lithuania are composed in a similar way to the Group's Scandinavian media houses, with a primary broad TV3 channel and secondary channels targeting complementary demographics in each country in order to offer advertisers increased reach. It comprises the channels TV3, TV6, 3+, TV8, LNT, Kanals 2 and TV5.

**Czech Republic:** MTG's media house in the Czech Republic comprises the channels Prima Family, Prima COOL, Prima Love and Prima Zoom. The Group's Czech media house entered into a strategic sales cooperation with TV Barrandov in the beginning of 2013.

**Bulgaria:** MTG's media house in Bulgaria comprises the channels Nova, Diema, Diema Family and KinoNova. Nova is the second most viewed channel in Bulgaria. MTG's Bulgarian media house also sells advertising airtime for the Discovery Channel, TLC, Disney Channel, Cartoon Network, Fox, Fox Crime, Fox Life, 24Kitchen and the National Geographic Channel.

**Hungary:** MTG's Hungarian media house comprises the channels Viasat3 and Viasat6.

**Ghana:** The Group launched its first African free-TV channel, Viasat1, in December 2008 in Ghana. Viasat1 focuses on locally produced and international entertainment content as well as news.

**Tanzania:** In the beginning of 2014, MTG announced the launch of MTG's first ever advertising funded free-TV channel in Tanzania under the TV1 brand. The channel is available through Tanzania's digital terrestrial network, and already reaches up to 30% of the 48 million people in the country.

### **Pay-TV Emerging Markets**

MTG's Pay-TV operations in the Emerging Markets comprise the Group's Baltic, Ukrainian and Russian satellite TV platforms, and the wholesale "mini-pay" channel business.

The Group is focused on subscriber intake and retention, and therefore periodically has special offers in each of the markets, which may include reduced monthly prices during a shorter set subscription period, new technology offerings or special content deals.

**The Baltics** The satellite TV platforms in Estonia, Latvia and Lithuania bring specialized premium content to the Baltic states for viewers who want more movies, local and international sports, news and documentaries. The platforms comprise Viasat Broadcasting's own local free-TV channels, TV3 and TV6 in Estonia, Latvia and Lithuania and 3+ in Estonia and Latvia, as well as pay-TV channels and a number of local and international third-party channels.

**Ukraine** The Viasat Ukraine satellite TV platform was launched in April 2008, as a joint venture with Strong Media Group, becoming the first licensed digital premium satellite operator in the country. Viasat Ukraine offers a wide range of Ukrainian, Russian and international third-party channels, as well as Viasat's six branded pay-TV channels in the region. MTG now owns 85% of the company which operates Viasat Ukraine.

**Russia** The digital satellite TV platform Raduga TV was launched in February 2009 and offers a package including a wide range of Russian channels, as well as the localized versions of leading international channel brands such as Discovery Channel, Eurosport, National Geographic and Jetix. The package also includes Viasat Broadcasting's Viasat History, Viasat Explorer, TV1000 Russian Kino, TV1000 East, TV1000 Action East and Viasat Nature East channels. Russian networks CTC, Domashny and DTV, which are operated by CTC Media, Inc., as well as a number of other Russian free-TV channels, are also available on a free-to-air basis on the platform.

#### *Wholesale mini-pay channel business*

Viasat distributes a number of its branded channels via third-party pay-TV networks to subscribers in 30 countries across Central and Eastern Europe, Africa and the United States. The offering consists of more than 30 of Viasat's own branded channels which are adapted to local and regional markets.

### **CTC Media**

MTG is the largest shareholder in Russia's biggest independent TV broadcaster, CTC Media, Inc. of which it owns 37.9%. The Group owns and operates the CTC, Domashny and Peretz television channels in Russia, as well as Channel 31 in Kazakhstan and a TV company in Moldova. The international pay-TV version of the CTC channel is available in North America, Europe, North Africa, the Middle East, Central Asia, Armenia, Georgia, Azerbaijan and Kyrgyzstan. CTC Media also has its own TV content production facilities through its subsidiary Story First Production. The company's common stock is listed on the NASDAQ Global Select Market exchange under the symbol "CTCM".

### **Nice, MTGx and Radio**

#### *Nice Entertainment Group*

Nice Entertainment Group is MTG's content production and distribution group. It comprises well known and powerful brands such as Strix Television, Novemberfilm, Titan, and Baluba among others. It comprises 16 strong brands and 28 local companies, in 16 countries distributing content to broadcasters in 240 territories around the world.

Furthermore, MTG's Modern African Productions business creates and distributes content to broadcasters in Tanzania and Ghana.

#### *MTGx*

MTGx was launched in 2013 and is the digital accelerator and enabling hub for MTG's digital planning and execution. MTGx is focused on leveraging on MTG's digital assets and industry leading content portfolio and to increase the development speed of MTG's digital entertainment services.

### *Radio*

MTG is among the largest commercial radio operator in the Nordic and Baltic regions. MTG owns P4 Hele Norge, one of the largest commercial radio network in Norway, and P5, local radio stations in Norway's four largest cities. MTG has an equity stake in Radio Nova, one of the largest commercial radio network in Finland. In Sweden, MTG owns RIX FM, one of the largest commercial radio networks. Additionally MTG operates Bandit Rock, Lugna Favoriter and Power Hit Radio in Sweden. MTG also operates rapidly growing radio stations and networks in the Baltic countries; STAR FM and Power Hit Radio.

## **Board, executive management and auditor of MTG**

All members of the Board of Directors and executive management can be reached at the Issuer's postal address at Modern Times Group MTG AB (publ), P.O. Box 2094, SE-103 13 Stockholm.

### **The Board**

#### **David Chance, Chairman of the Board**

Chairman of the Board of Directors since May 2003, and a member of the Board since 1998. David was Deputy Managing Director of the BSkyB Group between 1993 and 1998. David is Chairman of Top Up TV and is a Non-Executive Director of PCCW Limited (Hong Kong) and Chairman of its NOW TV media group. He has also served as a Non-Executive Director of ITV plc and O2 plc. David graduated with a BA, BSc and MBA from the University of North Carolina.

#### **Mia Brunell Livfors, Board member**

Member of the Board of Directors since 2007. Mia was Chief Executive Officer of Investment AB Kinnevik between 2006 and 2014. Mia previously held various managerial positions at Modern Times Group MTG AB from 1992 including Chief Financial Officer from 2001. Mia is a Non-Executive Director of Millicom International Cellular S.A., Tele2 AB, BillerudKorsnas AB and CDON Group AB, and was a member of the Board of H&M Hennes & Mauritz AB between 2008 and 2013. Mia studied Business Administration at Stockholm University.

#### **Blake Chandlee, Board member**

Member of the Board of Directors since 2012. Blake currently serves as Vice President Global Partnerships at Facebook and oversees the relationships with partners across the digital marketing ecosystem. Prior to his current role Blake built out a series of business groups within Facebook since joining the company in 2007 as its first international employee based out of London. These teams included the EMEA, APAC, Latam and Emerging market sales and marketing organizations, the Global Agency team and the Global Account teams serving the world's largest agency holding companies and largest global accounts. Prior to Facebook Blake was a Vice President at Yahoo and with his last role being Vice President of Yahoo's UK business. Blake graduated with a bachelor's degree in management from Gettysburg College in the United States.

#### **Simon Duffy, Board member**

Member of the Board of Directors since 2008. Simon was Executive Chairman of Tradus plc until the company's sale in March 2008. Simon is Non-Executive Chairman of bwin.party digital entertainment plc, YouView TV Ltd and mBlox Inc., as well as a Non-Executive Director of Oger Telecom Limited and Wizz Air Holdings Plc. Simon was also Executive Vice-Chairman of ntl:Telewest until 2007, having joined ntl in 2003 as CEO. Simon has also served as CFO of Orange SA, CEO of wireless data specialist End2End AS, CEO and Deputy Chairman of WorldOnline International BV, and held senior positions at EMI Group plc and Guinness plc. Simon holds a Master's degree from Oxford University and an MBA from Harvard Business School.

#### **Lorenzo Grabau, Board member**

Member of the Board of Directors since 2011. Lorenzo was appointed Chief Executive Officer of Investment AB Kinnevik in 2014. He has served as Non-Executive Director of SoftKinetic BV and Rouge Partners Sarl since 2011. Lorenzo was a Partner and Managing Director at Goldman Sachs, International in London until 2011. Lorenzo joined the Investment Banking division of Goldman Sachs in 1994 and during his 17 years at the firm held various leadership positions within the Consumer/Retail and Media/Online industry practices, and the Financial Sponsors group. Lorenzo began his career in Investment Banking in 1990 when he joined Merrill Lynch, where he remained for five years working in the Mergers & Acquisitions department in London and New York. Lorenzo is co-Chairman of the Board of Directors of CTC Media, Inc, and is also a non-executive member of the Board of Directors of Millicom International Cellular S.A. and Zalando A.G.. Lorenzo is a graduate from Università degli Studi di Roma, La Sapienza, Italy.

**Alexander Izosimov, Board member**

Member of the Board of Directors since 2008. Alexander served as Chief Executive Officer of the VimpelCom Group and, latterly, the enlarged VimpelCom Ltd, which is one of the world's largest emerging market telecommunications companies, between 2003 and 2011. Alexander is a Director of East Capital AB, EVRAZ Group S.A., Transcom Worldwide S.A., Dynasty Foundation and LM Ericsson AB. Alexander previously held several senior management positions at Mars, Inc. over a period of seven years, including as a member of the Global Executive Management Board and as Regional President for Russia, the CIS, Eastern Europe and the Nordics. Alexander worked as a consultant for McKinsey & Co in Stockholm and London for five years. Alexander graduated from the Moscow Aviation Institute with a Master's degree in Science and from INSEAD with an MBA.

**Michelle Guthrie, Board member**

Member of the Board of Directors since 2013. Michelle Guthrie joined Google in Singapore in 2011 and is currently Managing Director, Partner Business Solutions for Japan and Asia Pacific, with responsibility for managing Google's partner monetisation activities across the region. Michelle was Managing Director in the Hong Kong office of global private equity firm Providence Equity between 2007 and 2009, and was a Senior Advisor to Providence Equity between 2009 and 2010. Michelle was the Chief Executive Officer of STAR Group Limited (a wholly-owned subsidiary of News Corporation), Asia's leading media and entertainment company, between 2004 and 2007, and has also worked in legal and business development roles for FOXTEL in Sydney and News International / BSkyB in London. Michelle is a Director of Auckland International Airport Limited and has previously served on the Boards of a number of companies including NASDAQ-listed VeriSign, Inc. and various STAR joint venture companies including Balaji, ESPN STAR Sports, Hathway, China Network Systems, ANTV and Tata Sky. Michelle graduated from Sydney University in Australia.

**Executive management****Jørgen Madsen Lindemann, President & Chief Executive Officer**

Jørgen was appointed as President and CEO of MTG in September 2012, prior to which he served as Executive Vice President of the Group's Nordic Broadcasting (free-TV, pay-TV and radio) operations from October 2011. He was also responsible for the Group's Czech operations between 2008 and 2011, and the Hungarian operations between 2010 and 2011, and served as CEO of MTG Denmark from 2002. He was also responsible for MTG's New Media department between 2000 and 2002. Jørgen has worked in the Group since 1994 when he joined as Head of Interactive Services. He became Head of Sponsorship for TV3 in 1997, then Head of Viasat Sport in Denmark and, subsequently, Head of Viasat Sport for the Group in 1998. He is also a member of the Boards of Directors of CTC Media, Inc., and the International Emmy Association in New York.

**Mathias Hermansson, Chief Financial Officer**

Mathias was appointed as Chief Financial Officer of MTG in March 2006, prior to which he served as Group Financial Controller between 2001 and 2006 and held various senior financial positions at Viasat Broadcasting, MTG Radio and former MTG subsidiary CDON Group AB. Mathias also previously served as Finance Director at former subsidiary Metro International S.A.'s North American operations. He joined MTG in 1999 as a management trainee after working for Unilever in Sweden.

**Irina Gofman, Executive Vice President of the Group's Russian & CIS broadcasting operations**

Irina was appointed as Executive Vice President of the Group's Russian & CIS broadcasting operations in October 2011, and manages MTG's Pay-TV Emerging Markets business. Irina has been CEO of MTG Russia & CIS since July 2008 and assumed responsibility for the Group's emerging markets mini-pay channel business and satellite pay-TV platform in Ukraine from May 2011. Irina was CEO of Rambler Media Group, one of the leading Russian internet media and services groups, between 2004 and 2007. During her time at Rambler Media, Irina led the company's successful IPO and listing on the London Stock Exchange's Alternative Investment Market (AIM). Irina previously worked for MTG between 2002 and 2004 as Chief Operating Officer of the DTV Russian TV network and was also instrumental in the launch of Viasat Broadcasting's wholesale pay-TV business in Russia. Prior to returning to MTG, Irina served as Managing Partner (Media) at ESN Group, the direct investment and management company. She is a member of the Board of Directors of CTC Media, Inc. Irina graduated with a Ph.D. in Philology from Moscow State University and an MBA from Babson College in the United States.

**Marek Singer, Executive Vice President of the Group's Central European broadcasting operations**

Marek was appointed as Executive Vice President of the Group's Central European Broadcasting operations in January 2013. Marek has responsibility for the Group's free-TV operations in Estonia, Latvia, Lithuania, the Czech Republic, Bulgaria and Hungary, as well as the Group's pay-TV and radio operations in the Baltic countries. Marek was CEO and a Board member of the TV Prima free-TV operations in the Czech Republic, of which the Group owns 50%, from 2008 until his appointment to MTG's Executive Management team in January 2013. He continues as Chairman of the Board of TV Prima. Before joining TV Prima, Marek worked in various sales and marketing director positions at Mars in the CEE region and Unilever in the UK and USA.

**Joseph Hundah, Executive Vice President of the Group's African operations**

Joseph was appointed as Executive Vice President of the Group's African operations in November 2012, and has been CEO of MTG's African operations since joining the Group in 2011. Joseph previously worked for South African pay-TV operator M-Net and Supersport, and was Managing Director of the MultiChoice satellite pay-TV platform in Nigeria. MTG's African operations comprise the free-TV channels Viasat1 Ghana and TV1 in Tanzania, Modern African Productions, and the distribution of MTG's Viasat documentary channels on third party broadcast networks in five African countries.

**Patrick Svensk, Executive Vice President of Content**

Patrick was appointed as Executive Vice President of Content in October 2011. Patrick joined MTG Group in September 2011 as Vice President of Content and Chairman of the MTG Studios business area. Patrick originally joined MTG as a management trainee at TV3 in 1991 and was Managing Director of Kinnevik Media International until 1994. After serving as Managing Director of Swedish advertising agency Hallstedt & Hvid, Patrick returned to broadcasting in 1995 as Managing Director and CEO of Swedish TV channel Kanal 5. Patrick was CEO of SkyVentures between 2000 and 2002 and a member of the Board of Directors of television production company MTV Produktion, of which he later became President and CEO when MTV Produktion was rebranded as Zodiak Television (publ) in 2003. After the acquisition of Zodiak Television by De Agostini in 2008, Patrick served as Executive Vice President of M&A and Business Development at the newly formed Zodiak Media Group until 2010. Patrick graduated with an MSc in Economics and Business Administration from Stockholm School of Economics.

**Rikard Steiber, Executive Vice President and Chief Digital Officer**

Rikard was appointed as Executive Vice President and Chief Digital Officer in February 2013. Prior to joining MTG, he worked at Google for 6 years where his roles included Director of Product Marketing for Europe, the Middle East and Africa and subsequently Global Marketing Director for Google's Mobile & Social Advertising business. During his time at Google, Rikard oversaw the launch and ongoing marketing of products including Google+, Search, YouTube, Android, Chrome, Maps, Apps, Adwords, Analytics, DoubleClick and AdSense. Ahead of joining Google, Rikard was CEO and co-founder of XLENT Strategy and Digiscope Consulting in Stockholm and one of the co-founders of Scandinavia Online AB. He also had managerial positions at Telia and Procter & Gamble. He is a graduate from SDA Bocconi, Italy and Chalmers University of Technology, Sweden.

**Jette Nygaard-Andersen Executive Vice President of the Group's Nordic pay-TV broadcasting operations**

Jette Nygaard-Andersen was appointed as Executive Vice President of the Group's Nordic pay-TV broadcasting operations in June 2013. Jette directs and oversees the management of MTG's pay-TV operations across the Nordic and Baltic regions, which include the Viasat pay-TV channels, the Viasat satellite pay-TV platform, and the B2B elements of the Viaplay online pay-TV service. Jette has worked for MTG since 2003 and has been CEO of Viasat Denmark since 2011. Jette also served as acting CEO of the Group's Nordic pay-TV broadcasting operations between October 2012 and March 2013. Before joining MTG, Jette was a strategy management consultant at Accenture working within the Telecommunications & Media industry, and also held positions at the Maersk Group. Jette graduated with an M.Sc in Business, Finance and Economics from the University of Copenhagen.

**Petra Österlund, Executive Vice President of Modern People**

Petra was appointed as Executive Vice President of Modern People in October 2012, having been appointed Executive Vice President of Administration in October 2011. Petra had served as Head of Administration since 2005. Petra oversees MTG's Corporate Responsibility, Modern Responsibility, and Modern Services (primarily Human Resources, training and development) areas. Petra previously worked as Product Manager for Viasat's pay-TV operations in Eastern Europe, which comprised both the cable channel business in 20 countries and the Viasat DTH satellite pay-TV platform in the Baltics. Petra joined MTG in 2002 as a management trainee.

### **Matthew Hooper, Executive Vice President of Corporate Communications**

Matthew was appointed as Executive Vice President of Corporate Communications in February 2013 with responsibility for the planning and implementation of MTG's corporate communications activities including public relations, investor relations, government relations and internal communications. He joined MTG in October 2012 as Group Head of Corporate Communications and Planning, prior to which he was the co-Founder and Managing Partner of Shared Value Limited, the international corporate communications consulting firm, and a Board Director of Shandwick Consultants Limited, a division of the then publicly listed Shandwick global marketing and communications group. Matthew is a Masters graduate of Oxford University.

### **Conflict of interests**

None of the members of the board or management has a private interest or other duties resulting from their directorship of other companies, enterprises, undertakings or otherwise, that may be in conflict with the interests of the Issuer.

As set out above:

- board member Lorenzo Grabau is currently the CEO of in Kinnevik, which is MTG's largest shareholder; and
- board members Lorenzo Grabau, Mia Brunell Livfors and Alexander Izosimov are currently board members of other portfolio companies of Kinnevik.

While the Issuer recognizes the potential conflicts, the Issuer does not believe that such appointments constitute an actual conflict of interest between such persons' duties to the Issuer and their duties to Kinnevik or other portfolio companies of Kinnevik, respectively.

As set out on the Issuer's website [www.mtg.se](http://www.mtg.se), many of the members of the Board and Executive management have financial interest of the Issuer through their direct or related person's shareholding in the Issuer.

### **Auditor**

The Issuer's auditor is elected by the annual general meeting for a term-of-office of four years.

At the 2014 annual general meeting the registered accounting firm KPMG AB, with postal address P.O. Box 16106, SE-103 23 Stockholm, was re-elected as auditor. KPMG AB has appointed Joakim Thilstedt, authorised public accountant and member of FAR, as auditor-in-charge.

KPMG AB has been auditing the Issuer's annual reports 2012 and 2013.

## The MTG Share

### Shares

As of 13 May 2014 the number of shares in MTG amounted to 67,647,124 shares of which 5,007,793 are class A shares with ten votes each, 61,774,331 are class B shares with one vote each and 865,000 are class C treasury shares with one vote each. The total number of votes in the Issuer amounted to 112,717,261 (111,700,141 excluding 152,120 class B treasury shares and 865,000 class C treasury shares). The share capital amounted to SEK 338,235,620 and the quota value of the share was SEK 5.

During 2014, 10,698 class A shares have been converted to class B shares following requests from shareholders.

The Annual General Meeting 13 May 2014 has authorised the Board to repurchase a maximum of 10 per cent of all shares in MTG.

### Stock exchange listing

The MTG class A and class B shares have been listed on NASDAQ OMX Stockholm since 1999. The shares are listed on the Nordic list for large-cap companies within the media sector. The ticker codes are MTGA and MTGB. The closing price of the MTG class B share on 13 May 2014 was SEK 305.00.

### Ownership structure

Number of shareholders as of 31 March 2014 was 18,122.

MTG's largest shareholders in terms of capital and votes as of 31 March 2014 are set out in the schedule below.<sup>1</sup>

<b>Largest shareholders (%)</b>	<b>Votes</b>	<b>Share capital</b>
Investment AB Kinnevik	48.0	20.0
Swedbank Robur Funds	3.7	6.1
Nordea Funds	3.4	5.6
Lannebo Funds	1.8	2.9
Norges Bank Investment Management	1.6	2.7
Skandia Life Funds	2.9	2.6
AMF Insurance & Funds	1.6	2.6
SHB Funds	1.5	2.5
SEB Funds	1.3	2.2
Fourth AP Fund	1.2	2.0
Second AP Fund	1.0	1.6
Skandia Funds	0.9	1.5
Länsförsäkringar Funds	0.8	1.4
Enter Funds	0.7	1.2
<b>Total</b>	<b>54.9</b>	<b>70.4</b>

Kinnevik can thus exercise a material influence over the Issuer. However the provisions regarding minority protection rights in the Swedish Companies Act (*Sw. aktiebolagslagen (2005:551)*) limit the influence of named shareholder in certain aspects.

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<sup>1</sup> Source: SIS Ägarservice

# Legal considerations and supplementary information

## Authorisation and responsibility

The Issuer has obtained all necessary resolutions, authorisations and approvals required in connection with the Bonds and the performance of its obligations relating thereto. The issuance of the Bonds on 19 March 2014 was authorised by a resolution of the Board of the Issuer on 11 February 2014.

The Issuer accepts responsibility for the information given in the Prospectus and declares having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of the Issuer's knowledge, in accordance with the facts and contains no omission likely to affect its import. The Board of the Issuer is, to the extent provided by Swedish law, responsible for the information given in the Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

## Legal proceedings

The MTG Group is currently and may from time to time be subject to disputes, claims and administrative proceedings as a part of the ordinary course of business. However, the MTG Group is not, and has not been, party to any legal or arbitral proceedings (including such proceedings which are pending or which MTG is aware of may arise) during the past 12 months which may have, or have had in the recent past, a material effect on MTG's or the MTG Group's financial position or result.

## Material contracts

In December 2013, the Group arranged a SEK 5,500 million multi-currency facility maturing 2018 and a SEK 1,000 million term loan. The term loan had a maturity of two years and was replaced in March 2014 by the issuance of the Bonds.

The SEK 5,500 million facility is unsecured, with no required amortisations. The SEK 5,500 million facility loan agreement have covenants based on the ratios total consolidated net debt in relation to consolidated EBITDA and consolidated EBITDA to net financial expenses. There are no regulatory external capital requirements to be met by MTG or any of the subsidiaries other than the covenants. The covenants have been fulfilled. The revolving credit facility of SEK 5,500 million can be paid out in optional currencies, and the interest rate varies with IBOR, depending on the currency utilised.

## Trend information

There has been no material change in the prospects of the Issuer since 8 April 2014, being the date of publication of the last audited financial information of the Issuer.

## Significant changes since 25 April 2014

There have been no significant changes in the financial or trading position of the MTG Group since 25 April 2014, being the date of publication of the latest interim report of the Issuer.

## Listing

The Issuer will submit an application for listing of the Bonds on the corporate bond list on NASDAQ OMX Stockholm in connection with the SFSA's approval of the Prospectus.

Cost and expenses incurred by the Issuer in connection with the issue of the Bonds are expenses for admission to trading in relation to the SFSA and NASDAQ OMX Stockholm (excluding NASDAQ OMX Stockholm's annual fee) as well as fees to advisors. It is estimated that the costs in conjunction with the admission to trading will be no higher than SEK 175,000.

### **Certain material interests**

The Joint Lead Managers have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Issuer in the ordinary course of business. In particular, it should be noted that Joint Lead Managers maybe lenders under the Issuer's credit facilities with the Issuer as borrower as well as dealers of the Issuer's commercial papers. Therefore, conflicts of interest may exist or may arise as a result of the Joint Lead Managers having previously engaged, or will in the future engage, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

### **Incorporation by references**

The following has been incorporated into the Prospectus by reference and should be read as a part of the Prospectus (the non-incorporated parts of the Issuer's reports 2012 and 2013 are either not relevant or covered elsewhere in the Prospectus):

<b>Annual report 2012</b>	as regards the audited consolidated information on pages 67-76 and 128;
<b>Annual report 2013</b>	as regards the audited consolidated information on pages 61-70 and 116; and
<b>2014 Q1 interim financial report</b>	as regards the unaudited consolidated financial information for the period from January-March 2014 (including comparable numbers for the period January-March 2013).

The Issuer's reports 2012 and 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and its interpretations provided by the IFRS Interpretations Committee as endorsed by the European Commission. Recommendation RFR 1 on Supplementary Accounting Rules for Groups as issued by the Swedish Financial Reporting Board has also been applied in the preparation of the reports.

### **Documents on display**

Copies of the following documents are electronically available at on the Issuer's website [www.mtg.se](http://www.mtg.se). Paper copies of the documents are also available at the Issuer's office at Skeppsbron 18 in Stockholm, during the validity period of the Prospectus:

- the Issuer's articles of association;
- the Issuer's annual reports (including auditor's report) for the financial years 2012 and 2013;
- the Issuer's interim financial report for the period January-March 2014; and
- the Terms and Conditions for the Bonds (Swedish translation).

### **Other information**

The Issuer, Modern Times Group MTG AB (publ), reg. no. 556309-9158, is a public limited liability company with registered office in Stockholm, with address P.O. Box 2094, SE-103 13 Stockholm, Sweden and phone no. +46 8 562 000 50. The legal form of the Issuer is regulated by the Swedish Companies Act (*Sw. aktiebolagslagen (2005:551)*). The Issuer was founded in Sweden and was registered with the Swedish Companies Registration Office on 26 October 1987. The Issuer has conducted business since that date.

# Terms and Conditions

**TERMS AND CONDITIONS FOR MODERN TIMES GROUP MTG AB's (publ)  
BOND ISSUE NR. 1  
10 MARCH 2014 OF SEK 1,000,000,000**

## § 1 DEFINITIONS

In these terms and conditions, the following terms shall have the meanings stated below.

<b>Account Operator:</b>	a bank or other party authorised to act as an account operator ( <i>Sw. kontoförande institut</i> ) pursuant to the Financial Instruments Accounts Act ( <i>Sw: lag (1998:1479) om kontoföring av finansiella instrument</i> ) where a Bondholder has opened a Securities Account in respect of a Bond;
<b>Adjusted Principal Amount:</b>	the aggregate nominal amount of outstanding Bonds, less all Bonds held by the Company or any Group Company;
<b>Banking Day:</b>	any day in Sweden which is not a Sunday or a public holiday, or which, with respect to payment of debt, is not equivalent to a public holiday. Saturdays, midsummers eve ( <i>Sw. midsommarafton</i> ), Christmas eve and new year's eve shall for this definition be considered equivalent to a public holiday;
<b>Banks:</b>	DNB Bank ASA, filial Sverige ( <i>Eng. Swedish branch</i> ) and Skandinaviska Enskilda Banken AB (publ);
<b>Base Rate Margin:</b>	1.10 per cent. per annum;
<b>Bondholder:</b>	any person who is registered on a Securities Account (securities account ( <i>Sw. avstämningskonto</i> )) according to the Swedish Financial Instruments Accounts Act ( <i>Sw: lag (1998:1479) om kontoföring av finansiella instrument</i> )) as a creditor or who is otherwise entitled to receive payment under a Bond;
<b>Bondholder meeting:</b>	has the meaning set forth in section 11;
<b>Bonds:</b>	a unilateral debt instrument intended for public circulation which have been issued by the Company in accordance with these terms and conditions;
<b>Company:</b>	Modern Times Group MTG AB (publ) (reg. no. 556309-9158);
<b>Euroclear:</b>	Euroclear Sweden AB;
<b>Group:</b>	the group of which the Company is the parent company;
<b>Group Company:</b>	the subsidiaries of the Company in accordance with the Swedish Companies Act ( <i>Sw: Aktiebolagslagen (2005:551)</i> );
<b>Interest Determination Date:</b>	17 March 2014 for the first Interest Period and thereafter the day occurring two Banking Days before the first day of each Interest Period;
<b>Interest Base Rate:</b>	3 months STIBOR;
<b>Interest Payment Date:</b>	19 March, 19 June, 19 September and 19 December each year the Loan is outstanding, with the first Interest Payment Date being 19 June 2014 and the last Interest Payment Date being 19 March 2018, or, if such day is not a Banking Day, the Banking Day immediately following such day unless this would cause the Interest Payment Date to fall in the next calendar month in which case such Interest Payment Date shall be deemed to occur on the Banking Day immediately preceding such day;

<b>Interest Period:</b>	the period from 19 March 2014 to 19 June 2014 (= the first Interest Period) and thereafter each period of approximately (3) months whose first day falls on the last day of the preceding Interest Period and with an end date on the following Interest Payment Date;
<b>ISIN-code:</b>	SE0005796927;
<b>Issue Date:</b>	means 19 March 2014;
<b>Issuing Agent:</b>	DNB Bank ASA, filial Sverige ( <i>Eng. Swedish branch</i> )
<b>Material Group Company:</b>	a Group Company whose total assets or EBITDA according to the latest annual financial statements are equal to ten (10) percent or more of the Group's total assets or total EBITDA;
<b>Maturity Date:</b>	19 March 2018 or such earlier date that may follow from the provisions in these terms and conditions;
<b>Principal Amount:</b>	has the meaning set forth in section 2;
<b>Reference Banks:</b>	DNB Bank ASA, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and Swedbank AB (publ);
<b>Securities Account:</b>	a securities account ( <i>Sw. värdepapperskonto</i> ) (account for shares and other securities) where each Bondholder's holding of Bonds is registered according to the Swedish Financial Instruments Accounts Act ( <i>Sw: lag (1998:1479) om kontoföring av finansiella instrument</i> );
<b>SEK:</b>	the lawful currency of Sweden;
<b>Stenbeck Party:</b>	<ul style="list-style-type: none"> <li>(i) Investment AB Kinnevik (publ) and its subsidiaries;</li> <li>(ii) any of Cristina Stenbeck or her children, siblings or children of siblings or any spouse of the foregoing persons; or</li> <li>(iii) any trust, foundation or similar legal entity where one or more of the persons under (ii) above is a beneficiary or a board member; or</li> <li>(iv) any other company (publicly listed or not), partnership, limited partnership or other legal entity under direct or indirect control by one or more of the persons under (i), (ii) or (iii) where control, directly or indirectly, shall be deemed to be at hand if one or more of the persons under (i), (ii) or (iii) alone or jointly could exercise twenty-five (25) percent or more of the voting rights of the board or similar management body or have the benefit of twenty-five (25) percent or more of the economic rights from such a company, partnership, limited partnership or other legal entity;</li> </ul>
<b>STIBOR:</b>	<p>Is</p> <ul style="list-style-type: none"> <li>(a) the annual interest rate which is published at about 11.00 a.m. on a relevant day on the NASDAQ OMX webpage for STIBOR fixing (or on such other webpage which replaces the above-mentioned webpage) for deposits in SEK for a period comparable with the relevant Interest Period; or</li> <li>(b) if such interest rate is not given for the relevant Interest Period, the average rate (rounded upwards to four decimals) of the interest rates which the Reference Banks supplies to the Issuing Agent at its request for deposits in SEK 100,000,000 for the relevant Interest Period; or</li> <li>(c) if no interest rate is given according to paragraph (b) above, the interest rate which according to the Issuing Agent's reasonable estimate best corresponds to the interest rate for deposits in SEK in the Stockholm interbank market for the relevant Interest Period; and</li> </ul> <p>if such interest rate is below zero, STIBOR shall be zero.</p>

## **§ 2 TOTAL PRINCIPAL AMOUNT AND PAYMENT UNDERTAKING**

The total Principal Amount is SEK ONE BILLION (1,000,000,000), and will be represented by Bonds, each of a nominal amount of SEK ONE MILLION (1,000,000) (the "**Principal Amount**") or whole multiples thereof (the "**Loan**"). The Bonds will be issued at a price corresponding to 100 percent of the Principal Amount.

The Company hereby undertakes to, in accordance with these terms and conditions, repay the Loan and pay interest.

## **§ 3 INTEREST**

The loan shall bear interest from (but excluding) the Issue Date until (and including) the Maturity Date.

The interest rate for each Interest Period is calculated by the Issuing Agent on the relevant Interest Determination Date and is the sum of the Interest Base Rate supplemented by the Base Rate Margin.

If the Interest Rate cannot be calculated due to an impediment referred to in section 15 paragraph 1, the Bonds shall continue to bear interest at the rate applicable for the previous Interest Period. As soon as the impediment has ceased, the Issuing Agent shall calculate a new interest rate, which shall apply from the second Banking Day after the date of calculation until the end of the then current Interest Period.

Interest shall be paid in arrears on each Interest Payment Date and shall be calculated based on an actual number of days/360-day basis of the relevant Interest Period.

## **§ 4 REGISTRATION OF THE BONDS**

The Bonds will be issued in book-entry form and shall be registered on Securities Accounts on behalf of Bondholders, why no physical securities will be issued.

Any request for a specific registration measure to be taken in respect of the Bonds shall be made to an Account Operator.

Any person who, due to an appointment, pledge, the provisions of the Swedish Parental Code, a testamentary provision or a deed of gift, or otherwise, has acquired a right to receive payment under a Bond shall cause his or her entitlement to payment to be registered.

The Company shall be entitled to obtain information from the debt register relating to the Bonds established by Euroclear. The Company shall, at the request of the Banks, obtain and provide such information to the Banks.

## **§ 5 REPAYMENT OF THE LOAN AND PAYMENT OF INTEREST**

The Loan shall become due and payable on the Maturity Date. Interest shall be paid on each Interest Payment Date.

Repayment of the Loan and payment of interest shall be made to the person being a Bondholder on the fifth Banking Day preceding the respective due date, or on the Banking Day closer to the respective due date which generally may be applied on the Swedish bond market (= the record date).

If a Bondholder has registered, through an Account Operator, that the principal amount and interest shall be paid into a certain bank account, such payment shall be made through the operation of Euroclear on the relevant due date. In other cases, Euroclear shall transfer the amount on such date to the Bondholder at his or her address which is registered with Euroclear on the due date. Where a due date falls on a day which is not a Banking Day, the Interest Payment Date shall be deemed to be the Business Day falling immediately after the Interest Payment Date, provided that such Banking Day does not fall in a new calendar month, in which case the Interest Payment Date shall be deemed to fall on the Banking Day falling immediately prior to the due date.

In the event Euroclear, due to a delay by the Company or any other impediment, is unable to disburse an amount in accordance with the above, the amount shall be disbursed by Euroclear to the person who was a Bondholder on the record date as soon as the impediment has ceased.

If the Company is unable to fulfil its payment obligations through Euroclear in accordance with the above due to an impediment of Euroclear referred to in section 13 paragraph 1, the Company shall have the right to defer the payment obligation until the impediment has ceased. In that case, interest shall be paid according to section 6 paragraph 2.

If a person to whom payment has been made in accordance with the provisions above was not entitled to receive such payment, the Company and Euroclear shall nonetheless be deemed to have fulfilled their relevant obligations. The foregoing shall not apply if the Company or Euroclear was aware that the amount was paid to the wrong recipient or failed to exercise the care which should reasonably have been exercised in the relevant circumstances.

## **§ 6 DEFAULT INTEREST**

In the event of a delay in the payment of principal and/or interest, default interest shall be payable on the amount due from the due date until the day on which payment is made, at an interest rate equal to the one week STIBOR on the first Banking Day in each calendar week during which such delay is continuing, plus one (1) per cent. However, default interest pursuant to this section shall never be payable at an interest rate which is lower than the Interest Rate payable plus one (1) percentage unit. Default interest shall not be capitalised.

If the delay is due solely to an impediment of the Banks or Euroclear as referred to in section 13 paragraph 1, default interest shall not be charged at a higher rate than the Interest Rate.

## **§ 7 PRESCRIPTION**

The right to receive payment of the principal amount shall be prescribed ten (10) years from the Maturity Date. The right to receive payment of interest shall be prescribed (3) years from the relevant Interest Payment Date. Any funds which have been set aside for payments which are barred by the expiry of the applicable limitation period shall inure to the Company.

Where the limitation period is duly interrupted, a new limitation period of ten (10) years shall apply with respect to the Principal Amount and three (3) years with respect to interest payments, in both cases calculated from the date of interruption as such date is determined pursuant to the provisions of the Swedish Act on Limitations. (*Sw. Preskriptionslag (1981:130)*).

## **§ 8 CERTAIN UNDERTAKINGS**

A. For such time as any Bonds are outstanding, the Company undertakes:

- a) not to – without the Bondholders' written consent or at least equivalent security, in the opinion of the Bondholders, is given at the same time for the payments of the outstanding Bonds –
  - (i) provide or permit to subsist any security or permit someone else to provide or permit to subsist any security in the form of a guarantee or otherwise to secure any present or future market loan of the Company;
  - (ii) provide security for any market loan – other than in the form of a guarantee, which in turn cannot be secured – entered into (or to be entered into) by any other person than the Company;
- b) to ensure that each Group Company, at its own borrowing, complies with the provisions in paragraph a) above as regards market loans – whereby it shall be applied to the relevant Group Company as applied with respect to the Company – however, with the exception that Group Companies may receive a guarantee from the Company or a Group Company, which cannot be secured;

The term "market loan" as used in section 8 A. paragraphs a) and b) means any loan where the company issues certificates, bonds or any other securities (including loans under MTN- or any other market funding programme), which are or can be subject to trading on a regulated market or any other recognised market place.

- c) not to, without the Bondholders' written consent, materially change the general nature of the Group's business.

B. The Bondholders shall be entitled to entirely or in partly waive the Company's obligations under A. above if adequate security is provided for the payment of the Bonds and such security is approved at a Bondholders' meeting.

## **§ 9 RIGHT TO EARLY REDEMPTION**

The Bondholders have a right to early redemption of the Bonds if any one or several persons acting jointly, other than one or several Stenbeck Party(ies), acquires shares, directly or indirectly,

representing more than the higher of (a) thirty (30) percent of the total number of votes in the Company and (b) the total number of votes attaching to shares held by one or more Stenbeck Party(ies). As soon as the Company becomes aware of any such change of control, the Company shall to notify the Bondholders in accordance with section 11.

If a right to early redemption is at hand, the Company shall, if so requested by Bondholder, repay Bonds together with accrued interest up to and including the Redemption Date to the Bondholders on the redemption date.

A Bondholder who wishes to exercise its right to early redemption of Bonds must give the Company notice thereof no later than 30 days prior to the Redemption Date.

Upon early redemption in accordance with this section, the provisions in section 5 about repayment of the Bonds and payment of interest shall apply correspondingly.

The term "**Redemption Date**" means the day that occurs 90 days after the day notice about the change of control has been given to the Bondholders, however, if the Redemption Date is not a Banking Day the Redemption Date shall mean the immediately following Banking Day.

## § 10 CANCELLATION

The Issuing Agent shall, if so requested by Bondholders representing not less than ten (10) per cent of the principal amount of all Bonds issued under the Loan or if so resolved at a Bondholders' Meeting, by written notice declare the Loan and accrued interest immediately, or at the time decided by the Bondholders, due and payable if:

- a) the Company fails to pay any principal or interest on the Loan on the due date, unless the delay is caused by technical or administrative error and it does not last for more than five (5) Banking Days;
- b) the Company, in any other way than as set out in paragraph a), does not satisfy its obligations under these terms, or otherwise breaches these terms, provided that the Bondholders have requested the Company to remedy such breach and the Company, within twenty five (25) Banking Days thereafter, has failed to remedy such breach, or
- c) the Company or any Group Company does not pay on the due date, or within any applicable grace period, the principal amount or interest in respect of any other loan, which loan amounts to at least SEK 300 million (300,000,000) or the equivalent in another currency, borrowed by the Company or such Group Company, and the relevant loan(s) is declared, or could have been declared, due and payable prior to its specified maturity as a result of the payment default, or - when there is no early termination clause or when defaulted payment would have been the final repayment - if the payment default has been continuing for at least twenty five (25) Banking Days; or
- d) the Company or any Group Company does not, within twenty five (25) Banking Days after receiving a justified written demand, fulfil its obligations under any guarantee for another person's loan or obligation or undertaking to, as a principal or guarantor for a principal, remunerate such person for payments made pursuant to such guarantee(s), provided that the aggregate amount of the obligations exceeds SEK 200 million (200,000,000) or the equivalent in any other currency; or
- e) any fixed asset of the Company, or a Material Group Company, of significant value for the Group has been distressed (*Sw. utmätt*); or
- f) the Company or a Material Group Company suspends its payments on any of its debts (*Sw. inställer sina betalningar*); or
- g) the Company or a Material Group Company applies for, or approves of, a company reorganisation order pursuant to the Company Reorganisation Act (*Sw. Lag (1996:764) om företagsrekonstruktion*); or
- h) the Company or a Material Group Company is declared bankrupt (*Sw. försätts i konkurs*); or
- i) a resolution is passed that the Company or a Material Group Company shall enter into liquidation unless, with regards to a Material Group Company, the liquidation is voluntary and not a result of such Material Group Company's' insolvency (*Sw. obestånd*); or

- j) a shareholders' meeting of the Company approves of a merger plan according to which the Company is the non-surviving entity (*Sw. överlåtande bolag*), or a shareholders' meeting of a Material Group Company approves of a merger plan, according to which the Material Group Company is the non-surviving entity (*Sw. överlåtande bolag*), with a company which is not a member of the Group - provided that no written consent has been obtained from the Banks.

The term "loan" in subsections c) and d) above also includes overdraft facilities (*Sw. kredit i räkning*) and amounts which are not received as a loan but which are to be paid pursuant to a bond (*Sw. skuldebrev*) obviously intended for public trading.

If the Bondholders' right to cancellation arises from a decision by a court, authority or shareholders' meeting it is not required that the decision has gained legal force or that the time period to contest the decision has elapsed.

The Company shall as soon as possible notify the Bondholders and the Banks upon the occurrence of an event of the type referred to in subsections a)-j) above. If no such notice has been given the Bondholders and the Banks may assume that no such event has occurred, provided that the Bondholders are not aware of the opposite. If, in the opinion of the Bondholders, any of the above mentioned events have occurred or is expected to occur, the Company shall immediately on request provide the Bondholders and the Banks with a certificate in the form instructed by the Bondholders, stating whether such event as referred to in this section has occurred or is expected to occur. Furthermore, the Company shall provide to the Bondholders and the Banks any further details which the Bondholders or the Banks may request concerning such events as referred to in this section and, at the Bondholder's and the Bank's request, provide all documentation which may be of importance in this regard.

The Company's obligations to provide information in accordance with the paragraph above applies only if it would not be in violation with any law or rules issued by, or included in the Company's agreement with, any stock exchange or regulated market where the Company's or any Group Company's shares or debt documents are listed.

## § 11 BONDHOLDERS' MEETINGS

The Issuing Agent shall be entitled to, and shall at the written request of the Company or Bondholders representing not less than one tenth of the Adjusted Principal Amount on the date of the request, convene a meeting of Bondholders ("**Bondholders' Meeting**"). Notice to attend the meeting must be given to the Company and the Bondholders not less than ten (10) Banking Days in advance in accordance with section 11.

The notice to attend a Bondholders' Meeting must state the time and location of the meeting and the agenda for the meeting. In the event voting may take place via an electronic voting procedure, the details of this procedure must be clearly stated in the notice. The notice shall include the matters that will be discussed and resolved upon at the meeting. The matters shall be numbered. The main object of each submitted matter shall be specified. Only matters included in the notice may be decided upon at the Bondholders' Meeting. In case prior registration is needed in order for Bondholders to be entitled to attend a Bondholders' Meeting, it must be clearly stated in the notice. The notice shall include a form of power of attorney.

The meeting shall begin with appointing a chairman, a keeper of the minutes and persons to approve the minutes. Unless the Bondholders' Meeting determines otherwise, the Issuing Agent shall appoint the chairman.

The directors, the managing director and other senior executives of the Company, the Company's auditors and legal advisors and the Banks, shall be entitled to participate at Bondholders' Meetings in addition to Bondholders and their respective proxies and assistants. Representatives shall present a duly issued power of attorney which shall be approved by the chairman.

The Issuing Agent shall ensure that, at the Bondholders' Meeting, a printout is available of the securities register maintained by Euroclear from the end of the fifth Banking Day prior to the date of the Bondholders' Meeting. The chairman shall make a list of those Bondholders who are present and entitled to vote, including details of the proportion of the Adjusted Principal Amount represented by each Bondholder ("**Voting Register**"). Bondholders who have submitted their vote via an electronic voting procedure, a voting slip or the equivalent, shall be deemed present at the Bondholders' Meeting for the purpose of these provisions. Only those that on the fifth Banking Day prior to the Bondholder's Meeting were Bondholders, and representatives for such Bondholders and that are subject to the Adjusted Principal Amount, are entitled to vote at the Bondholder's Meeting and shall be included in the Voting Register. The Voting Register shall subsequently be approved by the Bondholders' Meeting.

Minutes shall be kept at the Bondholders' Meeting, which shall include the date and location of the meeting, a list of those present, the matters discussed, the outcome of the voting, and the resolutions passed. The Voting Register shall be included in, or appended to, the minutes. The minutes shall be signed by the keeper of the minutes. The minutes shall be approved by the chairman if he or she did not keep the minutes and by at least one other person appointed at the Bondholders' Meeting to approve the minutes. The minutes shall then be provided to the Issuing Agent. The minutes shall be provided to Bondholders no later than ten Banking Days after the Bondholders' Meeting in accordance with section 12. New or amended terms and conditions shall be appended to the minutes and shall be provided to Euroclear through the Issuing Agent or another party appointed by the Issuing Agent. The minutes shall be held in safekeeping at the Issuing Agent.

The Bondholders' Meeting shall be quorate where Bondholders representing not less than one fifth (1/5) of the Adjusted Principal Amount (or if so required Adjusted Principal Amount for all outstanding Loans) are present at the Bondholders' Meeting.

However, resolutions concerning the following issues ("**Extraordinary Resolutions**") require that Bondholders representing at least half of the Adjusted Principal Amount are present at the Bondholder's Meeting in order to be valid:

- a) the approval of an agreement with the Company or any other person regarding a change of the Maturity Date, a reduction of the loan amount, a change to a stipulated currency for the Bonds (unless prescribed by law), a change to an Interest Payment Date or other terms and conditions relating to interest;
- b) the approval of a change of debtor; and
- c) the approval of an amendment to this section 11.

If a Bondholders' Meeting is convened and the proportion of the Adjusted Principal Amount represented by the Bondholders which is required for a quorum has not been satisfied within thirty (30) minutes of the appointed time for the Bondholders' Meeting, the meeting shall be adjourned until the day falling one week later (or, if such day is not a Banking Day, the Banking Day immediately following such day). If a Bondholders' Meeting is quorate regarding some of the matters that shall be decided upon, but not all of them, the meeting shall be adjourned after decision is made in those matters in respect of which a quorum is present. Notice of the adjournment of a Bondholders' Meeting and details of the time, date and location of the next meeting shall be provided to Bondholders as soon as possible through Euroclear. When such adjourned Bondholders' Meeting is resumed, the Bondholders' Meeting is quorate (also concerning Extraordinary Resolutions), if Bondholders representing at least one tenth of the Adjusted Principal Amount according to the printout of the securities register made available according to paragraph 5 of this section 11 (taking into account paragraph 12 of this section 11) attends the meeting. The resumed meeting shall be opened by the chairman preparing a new voting register (based on the same principles as referred to in paragraph 5 of this section 11 and based on the aforementioned printout of the securities register). Only those Bondholders who are listed in such new voting register are entitled to vote at the meeting. A Bondholders' Meeting cannot be adjourned more than one time.

Resolutions at a Bondholders' Meeting shall be passed by means of voting at the request of any Bondholder. When voting, each Bondholder who is entitled to vote shall have one vote for each Bond held by such Bondholder.

Extraordinary Resolutions require a majority of nine tenths of the votes casted. For all other resolutions, the opinion applies which has received more than half of the casted votes.

In connection with the application of this section 11, the holder of a nominee-registered (*Sw. förvaltarregistrerad*) Bond shall be regarded as a Bondholder instead of the nominee if the holder presents a certificate from the nominee evidencing that the person concerned was the holder of the Bond as of the fifth banking day prior to the Bondholders' Meeting and the size of his holding. A nominee of a nominee-registered Bond shall be deemed present at a Bondholders' Meeting with the number of Bonds which the nominee was instructed to represent.

Any resolution which is passed at a Bondholders' Meeting which has been duly convened and conducted shall be binding on all Bondholders, irrespective of whether or not they were present at the meeting, and irrespective of whether, and how, they voted at the meeting. Any Bondholder who voted in favour of a resolution passed at a Bondholders' Meeting shall not be held liable for any loss which another Bondholder may incur as a result of the resolution.

All reasonable costs incurred by the Issuing Agent, Euroclear and the Banks (but not the Bondholders) in connection with a Bondholders' Meeting shall be paid by the Company.

The Issuing Agent shall, in connection with the application of this section 11, be entitled to an extract from the securities register maintained by Euroclear relating to the Loan. The Issuing Agent is entitled (but not obliged) to provide a copy of the extract to the Company.

Requests for Bondholders' Meetings shall be submitted to the Issuing Agent at the address set out in the prospectus. The request shall state that the matter is urgent.

## § 12 NOTICES

Notices relating to the Loan shall, unless otherwise stated in these terms, be provided to the Bondholders at the address of such Bondholder registered with Euroclear.

As long as any Bond is outstanding, the Company shall provide the Bondholders with its financial reports for part of the year (*Sw: delårsrapporter*) and its annual reports as soon as such reports are available. This obligation shall be deemed satisfied at the time the aforementioned documents are available at the Company's internet website.

If any other adverse event occurs than mentioned in section 10 of these terms and conditions, and it is of material importance for the Company's development or if the Company's position, profit, liquidity or financial situation materially deteriorates, the Company shall promptly notify the Bondholders thereof (this obligation shall be deemed satisfied if the information is available on the Company's internet website). The Company shall also at request deliver such or other information about the Company that Bondholders during the contract term and as long as any Bonds are outstanding reasonably may request.

The Company's obligation to provide information in accordance with the paragraph above applies only if it would not be in violation with any law or rules issued by, or included in the Company's agreement with, any stock exchange or regulated market where the Company's or any Group Company's shares or debt documents are listed.

## § 13 NOMINEE REGISTRATION

When applying these terms and conditions, in respect of Bonds registered with a nominee pursuant to the Financial Instruments Accounts Act (*Sw. lag (1998:1479) om kontoföring av finansiella instrument*), the nominee shall be regarded as a Bondholder.

## § 14 AMENDMENTS TO THESE TERMS AND CONDITIONS

The Company and the Banks shall be entitled to amend these terms and conditions in order to correct any manifest error.

These terms and conditions may be amended in other cases through a resolution passed at a Bondholders' Meeting in accordance with section 11 provided that the Company gives its written consent to such amendment.

Any amendment of these terms and conditions pursuant to the paragraphs above shall be notified by the Company to the Bondholders as soon as possible in accordance with section 12.

## § 15 LIMITATION OF ISSUING AGENT'S, THE BANKS' AND EUROCLEAR'S LIABILITY

With respect to any measures that are to be taken by the Issuing Agent, the Banks or Euroclear (each a "**Relevant Party**") – in the case of Euroclear, taking into consideration the provisions of the Financial Instruments Accounts Act (*Sw. lag (1998:1479) om kontoföring av finansiella instrument*) – the Issuing Agent, the Banks and Euroclear shall not be liable for any loss due to a Swedish or foreign enactment, any measure taken by a Swedish or foreign public authority, acts of war, strikes, blockades, boycotts, lockouts or other similar events. The reservation with respect to strikes, blockades, boycotts and lockouts shall apply notwithstanding that the Issuing Agent, the Banks or Euroclear itself is subject to or takes action of this nature.

Any loss incurred in other cases shall not be compensated by the Relevant Party if the Relevant Party has exercised normal care. Compensation shall under no circumstances be payable for any indirect loss.

Where the Relevant Party is obstructed from taking any measure pursuant to a circumstance as described in paragraph 1 of this section 15, the measure may be postponed until the obstruction has ceased.

#### **§ 16 GOVERNING LAW; JURISDICTION**

Swedish law shall apply when interpreting and applying these terms and conditions.

Disputes shall be settled by the courts of Sweden, with Stockholm District Court (*Sw. Stockholms tingsrätt*) as the first instance.

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It is hereby confirmed that we are bound by the terms and conditions above.

Stockholm, 10 March 2014

**Modern Times Group MTG AB (publ)**

# Addresses

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