

Corporate Governance Report

This report provides information on Modern Times Group MTG AB's Corporate Governance policies and practices

Modern Times Group MTG AB is a Swedish public limited liability company. The Company's governance is based on the Articles of Association, the Swedish Companies Act, the listing rules of Nasdaq OMX Stockholm, the Swedish Code of Corporate Governance, and other relevant Swedish and international laws and regulations.

The Company follows the Code in most aspects and only deviates from its recommendations in respect of the membership of the Remuneration Committee and the Chairmanship of the Nomination Committee, which are explained below.

Governance structure

Shares and shareholders The number of shareholders according to the share register held by Euroclear Sweden AB (Swedish Securities Centre) was approximately 21,000 at the end of 2008. The shares held by the ten largest shareholders corresponded to approximately 53% of the share capital and 82% of the voting rights. Swedish institutions and mutual funds own approximately 50% of the share capital, international investors own approximately 31% and Swedish private investors own approximately 19%.



The share capital consists of Class A, Class B and Class C shares. The holder of one Class A share is entitled to ten votes. Holders of Class B and Class C shares are entitled to one vote for each share. The Class A and B shares entitle the holder to the same proportion of assets and earnings and carry equal rights in terms of dividends. The holder of a Class C share is not entitled to dividends. For further information about the Company's shares, see Directors' Report.

Information regularly provided to shareholders includes interim reports and full year reports, Annual Reports and press releases on significant events occurring during the year. All reports, press releases and other information can be found on MTG's website www.mtg.se

Annual General Meeting The Annual General Meeting is the highest decision-making body in a limited liability company and it is at the Annual General Meeting where all shareholders can exercise their right to decide on issues affecting the Company and its operations.

The authority and work of the Annual General Meeting are primarily based on the Companies Act and the Code as well as on the Articles of Association adopted by the Annual General Meeting.

The Annual General Meeting of shareholders shall be held within six months after the end of the financial year. At the Annual General Meeting, resolutions shall be passed with respect to the adoption of the income statement and balance sheet as well as the consolidated income statement and balance sheet, the disposition of the Company's earnings according to the adopted balance sheet, the discharge of liability for the Board of Directors and the Chief Executive Officer, appointment of the Board of Directors and their Chairman and the Company's auditors, and certain other matters provided for by law and the Articles of Association.

Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing at least seven weeks before the Annual General Meeting in order to guarantee that their proposals may be included in the notice to the Meeting. Details on how and when to submit proposals to MTG can be found on www.mtg.se.

Shareholders who wish to participate in the Annual General Meeting must be duly registered as such with Euroclear Sweden AB. The shareholders may then attend and vote at the meeting in person or by proxy. A shareholder wishing to attend the Annual General Meeting must notify MTG of his or her intention to attend. The manner in which to notify MTG can be found in the notice convening the Annual General Meeting.

Those shareholders, who cannot attend the Annual General Meeting in person and wish to be represented by a proxy, must authorise the proxy by issuing a power of attorney. If such power of attorney is issued by a legal entity, an attested copy of the certificate of registration must be attached. The power of

attorney and certificate of registration may not be issued more than one year before the date of the Annual General Meeting. The original power of attorney and the certificate of registration, where applicable, are to be sent to Modern Times Group MTG AB, c/o Novator Bolagsservice AB, P.O. Box 10, SE-182 11 Danderyd, Sweden, well in advance of the Meeting. The form to use for a power of attorney can be found on Modern Times Group MTG AB's website www.mtg.se.

The Annual General Meeting for the 2008 financial year will be held on 11 May 2009 in Stockholm.

Nomination procedure

The Nomination Committee The Nomination Committee's tasks include:

- To evaluate the Board of Directors' work and composition
- To submit proposals to the Annual General Meeting regarding the election of Board Directors and the Chairman of the Board
- To prepare proposals regarding the election of Auditors in cooperation with the Audit Committee (when appropriate)
- To prepare proposals regarding the fees to be paid to Board Directors and to the Company's Auditors
- To prepare proposals for the Chairman of the Annual General Meeting
- To prepare proposals for the administration and order of appointment of the Nomination Committee for the Annual General Meeting.

Following a resolution of the Annual General Meeting of Modern Times Group MTG AB in May 2008, a Nomination Committee was established, consisting of major shareholders in Modern Times Group MTG AB with Cristina Stenbeck as convener. The committee comprises Cristina Stenbeck on behalf of Investment AB Kinnevik and Emesco AB, Kerstin Stenberg on behalf of Swedbank Robur fonder, Peter Lindell on behalf of AMF Pension and Peter Rudman on behalf of Nordea Fonder. Together, the members of the Nomination Committee represent more than 50% of the voting rights in Modern Times Group MTG AB. The members of the Nomination Committee do not receive any remuneration for their work.

The Nomination Committee will submit a proposal for the composition of the Board of Directors and Chairman of the Board to be presented to the 2009 Annual General Meeting for approval. Shareholders wishing to propose candidates for election to the Modern Times Group MTG AB Board of Directors should submit their proposals in writing.

The Member of the Board, Cristina Stenbeck, has been appointed Chairman of the Nomination Committee, an appointment that deviates from what the Code prescribes. The other members of the Nomination Committee have declared their decision regarding election of the Chairman of the Nomination Committee as being in the Company's and shareholders' best interest and a natural

consequence of Cristina Stenbeck representing the Company's largest shareholders.

The Board of Directors as at 31 December 2008 The Board of Directors of Modern Times Group MTG AB comprises eight Non-Executive Directors. The members of the Board of Directors are David Chance, Asger Aamund, Mia Brunell Livfors, Simon Duffy, Alexander Izosimov, David Marcus, Cristina Stenbeck and Pelle Törnberg. The Board of Directors and its Chairman, David Chance, were re-elected at the Company's Annual General Meeting of Shareholders on 14 May 2008, with the exception of Simon Duffy and Alexander Izosimov who were elected for the first time at the 2008 Annual General Meeting replacing Nick Humby and Lars-Johan Jarnheimer. Biographical information on each Board member is provided on pages 7–9 of this report.

Responsibilities and duties of the Board of Directors The Board of Directors is constituted to provide effective support for, and control of, the activities of the Executive Management of the Company. The Board has adopted working procedures for its internal activities which include rules pertaining to the number of Board meetings to be held, the matters to be handled at such regular Board meetings, and the duties of the Chairman. The work of the Board is also governed by rules and regulations which include the Companies Act, the Articles of Association, and the Code.

In order to carry out its work more effectively, the Board has appointed a Remuneration Committee and an Audit Committee with special tasks. These committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions. However, all members of the Board have the same responsibility for decisions made and actions taken, irrespective of whether issues have been reviewed by such committees or not.

The Board has also adopted procedures for instructions and mandates to the Chief Executive Officer. These procedures require that investments in non-current assets of more than SEK 2,000,000 have to be approved by the Board. The Board also has to approve large-scale programming investments and other significant transactions including acquisitions and closures or disposals of businesses. In addition, the Board has also issued written instructions specifying when and how information, which is required in order to enable the Board to evaluate the Group and its subsidiaries' financial positions, should be reported.

Board of Directors during 2008

Name	Position	Born	Nationality	Elected	Independent to major shareholders	Independent to company and its management	Remuneration Committee	Audit Committee
David Chance	Chairman	1957	British	1998	Yes	Yes	Member	
Asger Aamund	Member	1940	Danish	2000	Yes	Yes	Chairman	Former member
Mia Brunell Livfors	Member	1965	Swedish	2007	No	No	Member	
Simon Duffy	Member	1949	British	2008	Yes	Yes		Chairman
Alexander Izosimov	Member	1964	Russian	2008	Yes	Yes		Member
David Marcus	Member	1965	American	2004	Yes	Yes	Member	Member
Cristina Stenbeck	Member	1977	American and Swedish	2003	No	No		
Pelle Törnberg	Member	1956	Swedish	2000	Yes	Yes		
Nick Humby	Former member	1957	British	2004	Yes	Yes		Former Chairman
Lars-Johan Jarnheimer	Former member	1960	Swedish	1997	No	Yes		

Mia Brunell Livfors and Cristina Stenbeck are not independent of the Company and its management due to their Board roles on Transcom Worldwide S.A., a significant supplier of call centre services (CRM) to MTG.

Board working procedures

Remuneration Committee The Remuneration Committee comprises Asger Aamund as Chairman and David Chance, David Marcus and Mia Brunell Livfors. The Board of Directors commissions the work of the Remuneration Committee. The responsibilities of the Remuneration Committee include issues related to salaries, pension plans, bonus programmes and the employment terms for the Chief Executive Officer and Executive Management within MTG. The Committee also advises the Board on long-term incentive schemes.

Mia Brunell Livfors' seat on the Remuneration Committee does not comply with the Code, which requires that only Directors who are independent of the Company and its Executive Management should sit on the Remuneration Committee. The Directors however consider that it is in the best interest of the Group that an exception be made in this respect because Mia Brunell Livfors is a shareholder representative on the Board of MTG with significant experience in establishing and defining remuneration principles across many listed companies.

The Remuneration Committee is still comprised of a majority of independent Directors. Mia Brunell Livfors replaced Cristina Stenbeck during 2007.

Audit Committee The Audit Committee comprises Simon Duffy as Chairman, Alexander Izosimov and David Marcus. The Audit Committee's responsibility is to maintain the working relationship with the Company's auditors, to keep themselves informed about the work of the external auditors, as well as to review the Group's financial reporting procedures. The Audit Committee focuses on ensuring quality and accuracy in financial reporting, changes in accounting policies when applicable, the internal controls, risk assessment, the qualification and independence of the auditors, adherence to prevailing rules and regulations and, where applicable, transactions with related parties.

Remuneration to Board members The remuneration of the Board members is proposed by the Nomination Committee, comprising the Company's largest shareholders and approved by the Annual General Meeting. The Nomination Committee proposal is based on benchmarking of peer group company compensation and company size. Information on the remuneration of Board members is provided in Note 25 to the Accounts in this Report. Board members do not participate in the Group's incentive schemes. One Board member has stock options from previous employment in MTG.

Work of the Board during 2008 The Board reviewed the financial position of Modern Times Group MTG AB and the Group on a regular basis during the year. The Board also regularly dealt with matters involving acquisitions such as Nova, Bulgaria, divestments (in 2008 the DTV Group), the establishment of new operations, among others in Ukraine and Ghana, and matters related to investments in programming and non-current assets. The Board of Directors also reviewed the Group's strategies and forward development plans, and visited the operations in Denmark.

The Board of Directors had 6 ordinary meetings and 2 extraordinary meeting during 2008.

Attendance at Board and Committee Meetings

Board of Directors	Board meetings	Audit Committee	Remuneration Committee
<i>Meetings before the Annual General Meeting 14 May</i>	2	1	2
<i>Meetings after the Annual General Meeting 14 May</i>	6	2	2
<i>Total number of meetings</i>	8	3	4
David Chance, Chairman	8/8		4/4
Asger Aamund	7/8	1/1	4/4
Mia Brunell Livfors	8/8		4/4
Simon Duffy (as of 14 May 2008)	5/6	2/2	
Alexander Izosimov (as of 14 May 2008)	6/6	2/2	
David Marcus	5/8	1/3	3/4
Cristina Stenbeck	7/8		
Pelle Törnberg	8/8		
Nick Humby (until 14 May 2008)	2/2	1/1	
Lars-Johan Jarnheimer (until 14 May 2008)	2/2		

External auditors

The Company's auditors are elected by the Annual General Meeting for a period of four years. The two current auditors were elected at the 2006 and 2007 Annual General Meetings respectively. KPMG was last elected as MTG's lead auditor in 2006 and has been external auditor since 1997. Carl Lindgren, authorised public accountant, is responsible for the audit of the Company on behalf of KPMG since 2002. The next election of the auditor will be at the 2010 Annual General Meeting. The second auditor is Ernst & Young with authorised public accountant Erik Åström responsible since 2005. Ernst & Young was last elected as second auditor in 2007. The next election of the second auditor will be at the 2011 Annual General Meeting. Ernst & Young has served as co auditor since 1997.

The auditors report their findings to the shareholders by means of the auditors' report, which is presented to the Annual General Meeting. In addition, the auditors report detailed findings at each of the ordinary meetings of the Audit Committee and to the full Board once a year.

KPMG provided certain additional services for the years 2006, 2007 and 2008. These services comprised advice on the preparation and implementation of internal control testing and reporting procedures, and other assignments of a similar kind and closely related to the auditing process. Ernst & Young provided tax counselling services during 2008 and 2007.

Audit assignments have involved the examination of the annual report and financial accounting, the administration by the Board and the CEO, other tasks related to the duties of a company auditor and consultation or other services

which may result from observations noted during such examination or the implementation of such other tasks. All other tasks are defined as other assignments.

For more detailed information concerning the auditors' fees, see Note 26 of the notes to the consolidated financial statements.

Executive Management

MTG's Executive Management comprises the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), Chief Operating Officer (COO), and other key executives. Biographical information on each executive is provided on pages 10–13 of this report.

Chief Executive Officer The CEO is responsible for the ongoing management of the Company in accordance with the guidelines and instructions established by the Board.

The CEO and the Executive Management team, supported by the various employee functions, are responsible for the adherence to the Group's overall strategy, financial and business control, financing, capital structure, risk management and acquisitions. Among other tasks, this includes preparation of financial reports and communication with the stock market and other issues. The Company guidelines and policies issued include financial control, communication, brands, business ethics and personnel policies.

There is an operational board for each of the business areas. The Chief Executive Officer chairs the operational board meetings, which are attended by the Executive Management of the relevant business areas and the Chief Financial Officer and the Chief Operating Officer.

Executive remuneration The current guiding principles for executive remuneration and the proposals for 2009 are described in the Directors' Report.

The remuneration paid to the Group's Executive Management, as well as information about the beneficial ownership of the Company shares and other financial instruments are set out in Note 25 to the Accounts of this report.

Share based long-term incentive plans The Group has four outstanding share based long-term incentive programmes, decided upon in 2005, 2006, 2007 and 2008. For information about these programmes, see Note 25 to the Accounts of this report and the MTG website at www.mtg.se.

Internal control report

The processes for internal control, risk assessment, control activities and monitoring regarding the financial reporting are designed to ensure reliable overall financial reporting and external financial statements in accordance with International Financial Reporting Standards, applicable laws and regulations and other requirements for listed companies on Nasdaq OMX Stockholm. This process involves the Board, Executive Management and personnel.

Control environment The Board has specified a set of instructions and working plans regarding the roles and responsibilities of the Chief Executive Officer and the Board committees. The Board also has a number of established basic guidelines, which are important for its work on internal control activities. This includes monitoring performance against plans and prior years. The Audit Committee assists the Board in overseeing various issues such as internal audit and accounting principles applied by the Group.

The responsibility for maintaining an effective control environment and internal control over financial reporting is delegated to the Chief Executive Officer. Other Executive Managers at various levels have respective responsibilities. The Executive Management regularly reports to the Board according to established routines and in addition to the Audit Committee's reports. Defined responsibilities, instructions, guidelines, manuals and policies together with laws and regulations form the control environment. All employees are accountable for compliance with these guidelines.

Risk assessment and control activities The Company has prepared a model for assessing risks in all areas in which a number of items are identified and measured. These risks are reviewed regularly by the Board of Directors and by the Audit Committee, and include both the risk of losing assets as well as irregularities and fraud. Designing control activities is of particular importance to enable the Company to prevent and identify shortcomings. The important areas are compliance with the broadcasting regulations, control and follow-up on penetration, share of viewing and listeners, and the development of advertising markets. Assessing and controlling risks also involve the operational boards in each business area, where meetings are held at least four times a year. The Chief Executive Officer, the business area management, the Chief Financial Officer and the Chief Operating Officer participate in the meetings. Minutes are kept for these meetings. The operational boards are further described under the heading "Executive Management".

Information and communication Guidelines and manuals used in the Company's financial reporting are communicated to the employees concerned. There are formal as well as informal information channels to the Executive Management and to the Board of Directors for information from the employees identified as significant. Guidelines for external communication ensure that the Company applies the highest standards for providing accurate information to the financial market. The Group has an established annual procedure for the operating management to give their opinion of the quality of the financial

reporting, disclosure and procedures and compliance with internal and external guidelines and regulations.

Follow-up The Board of Directors regularly evaluates the information provided by Executive Management and the Audit Committee. The Board receives regular updates of the Group's development between the meetings. The Group's financial position, its strategies and investments are discussed at every Board meeting. The Audit Committee reviews the quarterly reports prior to publication. The Audit Committee is also responsible for the following up of the internal control activities. This work includes ensuring that measures are taken to deal with any inaccuracy and to follow up suggestions for actions emerging from the internal and external audits.

The Company has an independent internal audit function responsible for the evaluation of risk management and internal control activities. This work includes scrutinising the application of established routines and guidelines. The internal audit function plans its work in cooperation with the Audit Committee and reports the result of its reviews to the Audit Committee. The external auditors report to the Audit Committee at each ordinary meeting of the Committee.

This Corporate Governance Report has not been reviewed by the Company's auditors, however it has been reviewed and approved by the Board of Directors.