MTG

Annual Report 2018

Shaping the Future of Entertainment

Content

Corporate responsibility and sustainability priorities are covered in MTG's Annual Corporate Responsibility Report, published on www.mtg.com

MTG is a leading international digital entertainment group and we are shaping the future of entertainment by connecting consumers with the content that they love in as many ways as possible. Our brands span TV, radio and next generation entertainment experiences in esports, digital video content and online gaming. Born in Sweden, our shares are listed on Nasdaq Stockholm.

2018 in brief

Sales, SEKm

19,742

+4% organic growth

Operating income before IAC, SEKm

1,571

+24% growth

Initiative to

Split

One became two in Q1 2019 with the distribution of NENT Group

As in 2017, the Group's sales, profits and margins all improved. The transformation continued as we stepped up our investments into ESL and Splay while exiting our Afro-urban entertainment company Trace Partners. We also worked hard to prepare for the split of MTG into two, which took place at the beginning of 2019 with the distribution and listing of NENT Group shares on Nasdaq Stockholm.

A record year and a successful split

CEO Statement | 2018 was a successful and eventful year for MTG. We delivered higher sales, profits and margins, while at the same time preparing for the split of MTG, which marks the latest chapter in our transformation story. One became two on 28 March 2019 when all the shares that we distributed in NENT Group were successfully listed on Nasdaq Stockholm. Both companies have a bright future ahead of them with attractive offerings and equity stories.

2018 was an eventful year for MTG

The transformation journey that we have been on during the past four years accelerated even further in 2018. We started the year with the proposed merger of our Nordic businesses with TDC Group, in order to create a scale consumer champion providing unique benefits for customers and significant synergies. This combination was later terminated following the take-over of TDC Group by a financial consortium. This was followed by the Board of Directors' decision to initiate a process to prepare for the split of MTG into two listed companies by distributing all of the shares in Nordic Entertainment Group (NENT Group) to MTG's shareholders. We have also continued to actively align our portfolio to the new strategy, which included the divestment of Trace Partners and acquisitions of further shares in ESL, Zoomin.TV and Splay Networks. The February 2019 Extraordinary General Meeting of MTG shareholders voted in favour of the split, and NENT Group was successfully distributed to our shareholders and listed on Nasdaq Stockholm on March 28 2019.

Continued operational performance

The transformation has not been without challenges, so I am proud to report that we again delivered on our profitable growth ambition in 2018. Net sales were up 13% and operating income before items affecting comparability was up 24%, despite being burdened by significant transaction costs related to the TDC deal and split of MTG. The Nordic Entertainment segment continued to perform well in 2018, with the growth in our streaming platforms more than compensating for the headwind from falling linear viewing and subscriber erosion in our satellite platform. MTG Studios reported falling sales and profits, which primarily reflected timing differences in our drama productions, but we did see a positive trend shift at the end of 2018. MTGx sales were up significantly and boosted by the consolidation of InnoGames and Kongregate, and profitable on a full year basis for the first time. Nova, our Bulgarian business and the only remaining asset in the International Entertainment segment, continued its very healthy performance with significantly increased sales and profits. We signed an agreement at the beginning of the year to sell Nova to PPF Group, which was later disallowed by the Bulgarian Competition Commission. We have subsequently announced the sale of Nova to Advance Media Group and have now received local regulatory approval. Nova will remain part of MTG until the sale is completed in April 2019.

Being at the forefront of the industry

MTG is well-known not only for its innovation but also for being brave enough to challenge and disrupt itself. We always aim to invest our time, energy and money in those areas where our customers spend most of theirs. The adoption of subscription-based streaming services has been very fast, and Nordic penetration levels are now close to 50%. We expect that this level will reach near to 100% in the coming years with multiple subscriptions per household. I am happy that we took the bold decision many years ago to disrupt our business by aggressively promoting our streaming businesses, and this is a key reason why we now not only have leadership positions in the streaming market, but also have higher online market shares than offline. NENT Group is the home of sports in the Nordic region and we have over the past years increased our investments into original content to further differentiate and strengthen our position in this highly competitive but fast-growing market.

Our investments into esports and online gaming are further evidence of our ability to adapt to changing consumer behaviours. We are today the world's leading esports company due to our investments in ESL and DreamHack, which offer best-in-class national and international events, leagues and festivals. Esports is today one of the most viewed and fastest growing sports, and ESL and DreamHack are already global brands and preferred choices for viewers, players, partners and publishers. This is why we have extended our partnership with Intel and Mercedes-Benz, and signed new deals with the likes of Vodafone, AT&T and McDonalds. The video gaming market is today worth well above USD 100 billion, which is more than the movie and music businesses combined. Our key investments are in InnoGames and Kongregate. InnoGames runs a portfolio of seven successful free-to-play games that are played on PC or mobile devices, including titles such as 'Forge of Empires', 'Elvenar' and the newly launched 'Warlords of Aternum'. Kongregate is firmly established as a leading publisher of mobile and PC games.

> The operational momentum of recent years continued into 2018 and again demonstrates that our strategy is working.

A clear vision and a winning team

Both MTG and NENT Group are focused on some of the most exciting entertainment segments. Competition is fierce, and we need to be chosen by our customers every day. The MTG way of doing that is to start by offering high quality entertainment experiences that are value for money. Great content drives engagement, loyalty and satisfaction, which provides us with pricing and buying power. This enables us to reinvest further into our products and we have also made significant progress in identifying and leveraging our broad consumer insight, in order to make our products even more relevant for our customers. Another cornerstone of our strategy is our people. We have over the past years transformed our skillset to match the needs that our new reality requires, and our employees are willing to make that extra effort to make the company successful. We think faster, learn quicker and execute more accurately than ever before. A clear vision and a shared purpose have been fundamental to the successful transformation of MTG from a traditional broadcaster into a digital entertainer, while growing both sales and profits. Our shared purpose is to create responsible and sustainable entertainment, which is why we have identified strategic priorities based on media responsibility, social impact, business ethics, and environmental care. As MTG and NENT Group start their separate journeys, new corporate responsibility strategies, goals and targets that reflect their individual positioning will be communicated in 2019.

Bright future ahead of us

MTG and NENT Group have bright futures ahead of them. We have talented teams with a clear focus on consumer relevance and market segments with substantial structural growth opportunities. NENT Group is a unique play on the Nordic streaming and content markets, while MTG is a unique play on esports and online gaming. Although MTG and NENT Group will now follow separate paths, we still share a common heritage and approach, a focus on consumer insight and relevant innovation, and a commitment to bring the best possible entertainment experiences to our customers. On behalf of everyone at MTG, we wish everyone at NENT every continued success. Thank you for the last 31 years together – from the launch of TV3 as the first commercial TV channel in the Nordics in 1987 to the amazing streaming experience of Viaplay today. We have constantly challenged convention, the industry and ourselves, and we have made lifelong friends along the way. Goodbye for now and good luck to all.

Jørgen Madsen Lindemann
President & Chief Executive Officer

The split

When one became two | MTG and Nordic Entertainment Group began a journey of splitting into separate listed companies

On 23 March 2018, the MTG Board of Directors announced that it had decided to initiate a process to split MTG into two companies – Modern Times Group MTG AB and Nordic Entertainment Group AB – by distributing all the shares in Nordic Entertainment Group (comprising MTG Nordic Entertainment, MTG Studios and Splay Networks) to MTG's shareholders, and listing these shares on Nasdaq Stockholm.

It is expected that both companies, under the leadership of two separate and highly dedicated management teams with separate Boards of Directors and independent access to capital, will better capitalise on consumer trends, capture growth opportunities, and generate sustainable value for owners, customers and employees. In brief, the split will create two separate companies with clear offerings and investment profiles, and with the ambition to increase the long-term value for MTG's shareholders. The operational synergies between the companies are very limited as NENT Group is a regional focused business while MTG's esport and online gaming businesses are global by nature.

MTG worked throughout 2018 to establish NENT Group through multiple work steams and special project teams. Nordic Entertainment Group started to operate as a separate company from 1 July with a new brand, Board of Directors and management team. Other key workstreams have included HR related issues, tax implications, IT systems and finance related projects.

NENT Group was successfully listed on Nasdaq Stockholm on 28 March, 2019

The Extraordinary General Meeting of MTG shareholders on 7 February 2019 decided to distribute Nordic Entertainment Group AB (NENT Group) to MTG's shareholders and list NENT Group on the Nasdaq Stockholm stock exchange.

All the shares in the wholly-owned NENT Group were distributed on 28 March 2019 to MTG's shareholders on a one for one basis, with one share of class A or B in MTG entitling the holder to one share of the same class in NENT Group.

The first day of trading in the NENT Group was 28 March 2019. NENT Group shares are traded under the tickers NENT A and NENT B with the ISIN codes SE0012324226 (A share) and SE0012116390 (B share). Read more about NENT Group at www.nentgroup.com and, if you have any questions, please contact: investors@nentgroup.com or press@nentgroup.com.

The new MTG

The new MTG | MTG will be a strategic operational and investment company that combines investment expertise with hands-on operational engagement.

OUR APPROACH

MTG's **VISION** is to become the home of esports and gaming entertainment.

MTG's **MISSION** is to grow the gaming ecosystem and benefit its communities through relevant storytelling with craftmanship, innovation and sustainability at its centre.

Our **STRATEGY** is to drive profitability and organic growth in portfolio companies and invest in high-potential esports and gaming businesses that complement MTG's brands and products.

OUR STRATEGY

An operating and investment company

MTG is completing its transformation into a global digital entertainer by becoming a strategic holding company that provides hands-on operational support to its portfolio companies, and invests in high potential entrepreneurs in esports and gaming through a dedicated venture fund. In doing so, MTG remains true to its core principles of flexibility and agility when adapting to the fast-changing entertainment landscape.

MTG is set up based on the 'Build and Buy' approach with an active owner framework.

Build

MTG operates a portfolio of esports and gaming companies that creates a unique network of industry knowledge and covers the whole gaming customer journey – watch, interact, learn and share. MTG's owned and operated brands are leaders in their respective categories and span original IP, gaming platforms, publishing services and international mega-events.

MTG's esports (ESL and DreamHack) and gaming (InnoGames and Kongregate) companies develop multiple ways to capitalise on the global appeal of competitive gaming franchises and successful multi-platform games. Their revenue streams are made up of sponsorship deals, media rights sales, event tickets, branded merchandise, advertising and in-game purchasing.

MTG's esports companies create original content in multiple languages, and produce branded national and international leagues and tournaments that are attended by thousands of fans – who often travel across the globe to meet star players – and followed by millions of online users across various platforms. MTG operates the world's largest esports company, ESL, and develops leading category brands, such as Intel Extreme Masters, which is the longest running pro esports circuit in the world.

MTG's gaming companies develop and publish multi-platform games, primarily free-to-play, that constantly evolve through live ops and new content creation.

Buy

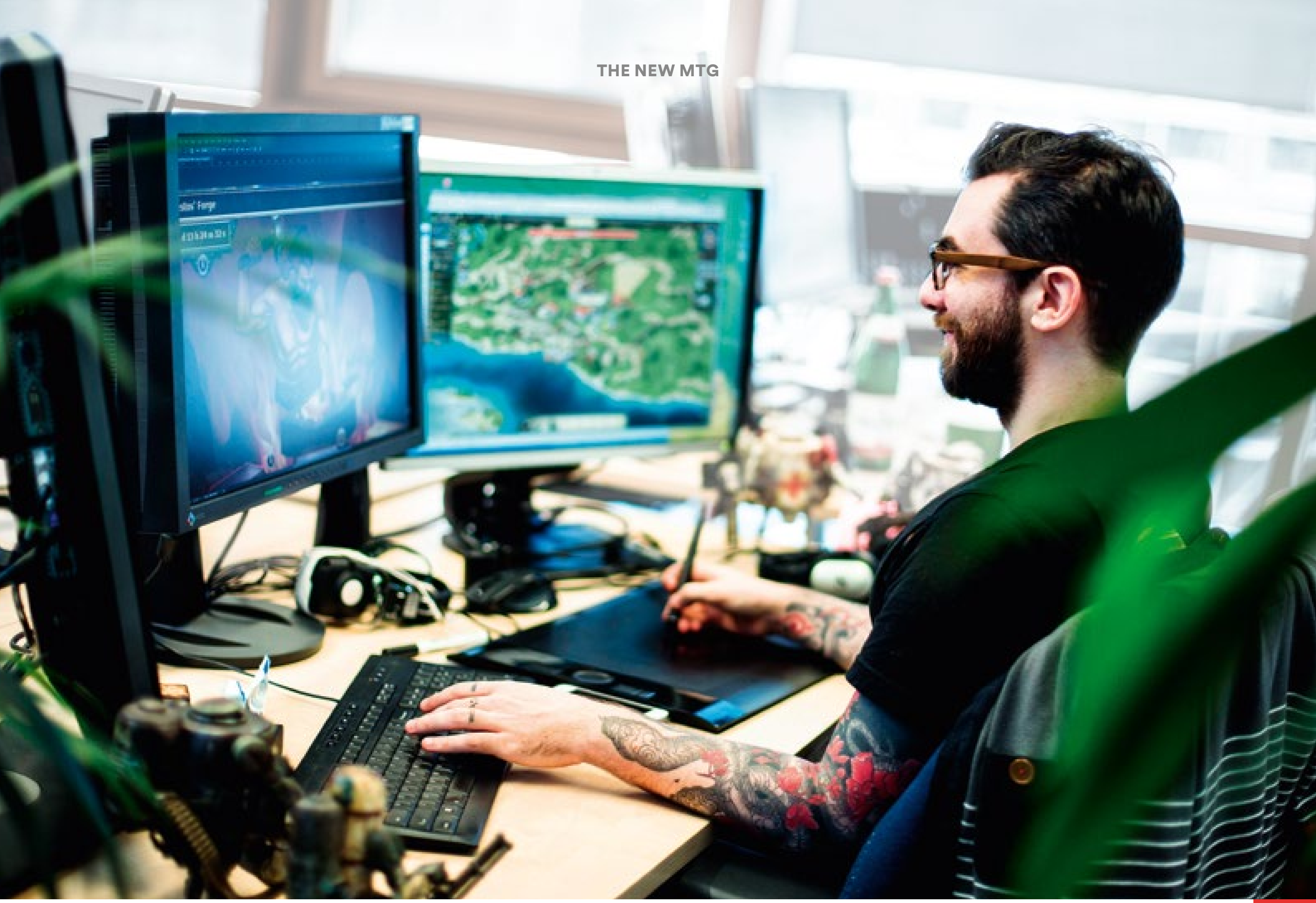
MTG invests in high potential young businesses and the talented entrepreneurs behind them. There are two key criteria for such investments: the complimentary nature of the content, platform or software; and the cultural fit and alignment with MTG's values.

By supporting innovative ideas and the passionate teams behind them, MTG is strengthening the gaming sector from within and scaling new solutions that benefit players, fans and a broad spectrum of stakeholders.

MTG offers start-ups access to a broad range of expertise in building sustainable businesses in a bid to become the preferred partner for entrepreneurs.

Other entertainment companies

Zoomin.TV is a content creator and publisher that is exclusively focusing on Generation Z audiences around the world. Zoomin.TV creates purposeful content in multiple languages that spans such important topics as equality and inclusivity, positive body image and



Esports facts:

- Massive audience of millions of fans
- Inherently global
- Unique touchpoint to millennial demographic
- Higher sponsor ROI compared to sports

Gaming facts:

- Multimillion game communities
- Inherently international
- Average gamer age – 35
- Increasing share of paying users
- Growing spend per player

health, as well as current affairs and social issues through the eyes of young viewers. Zoomin.TV also produces exclusive short- and long-form content for strategically important partners like Tencent Video and Baidu in Asia.

MTG's other holdings include Nova Broadcasting, the leading broadcasting and online media company in Bulgaria; World Boxing Super Series (WBSS), an international professional boxing tournament held annually; and Engage Digital Partners, creators and distributors of sports content.

Value-driven entertainment

A value-driven company with its brand identity rooted in corporate responsibility, MTG is built by motivated media and entertainment professionals with diverse backgrounds, substantial operational and investment experience, a wide range of relevant competences and a shared culture.

Drivers of future returns

MTG's vision, mission and strategy reflect the global nature of gaming and the consumer behaviour of fans and communities. In this context, MTG has identified eight initiatives to drive performance in its existing assets and growth through strategic investments:

- Organically grow esports as mainstream entertainment through increased distribution and new game genres
- Scale the esports business through strategic partnerships
- Establish a strong position across the entire esports ecosystem from grassroots amateur cups to pro leagues
- Increase usage and longevity of products and games-as-a-service
- Continuously cross-promote and share knowledge across the portfolio
- Innovate through developing existing and new products and brands
- Maintain an efficient and well-balanced capital allocation

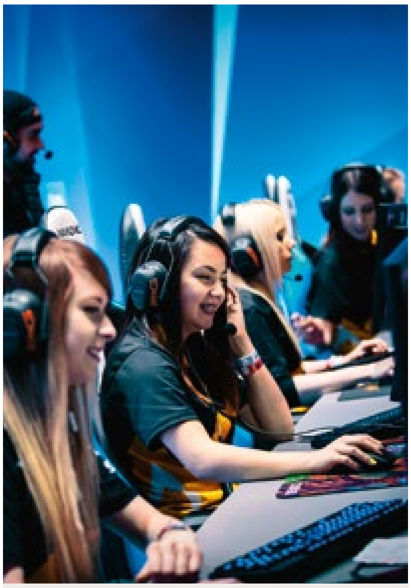
Key events 2018/19

MTG increased its ownership in ESL by 8.44% to 82.48%.

MTG increased its ownership in Zoomin.TV from 51% to 100%.

ESL extended the partnership with Intel through 2021, creating the biggest brand alliance in esports while expanding to more Asian markets and reinforcing Intel Extreme Masters as the longest running pro esports circuit in the world.

ESL extended the partnership with Mercedes-Benz through 2020.



ESL closed an international sponsorship-deal with Vodafone.

DreamHack created eSuperliga and eAllsvenskan, esports extensions to the national FIFA leagues in Denmark and Sweden.

InnoGames launched 'Warlords of Aternum', its first mobile-only game.

MTG funded **11 fast-growing companies** in esports and gaming and became one of the most active investors in the sector.

Business operations

Business operations | In 2018 and up until the listing and distribution of Nordic Entertainment Group, MTG's operations comprised four segments.

NORDIC ENTERTAINMENT

Nordic Entertainment is an integrated broadcasting and streaming media house. The segment combines an established position in pay-TV with challenger positions in free-TV and leading positions in the video-on-demand segment. Nordic Entertainment is also a leader in the Norwegian and Swedish radio markets. The segment combines the most complete content in the Nordic market featuring world-class sports. Key brands include Viasat, TV3, TV6, Rix FM, Viaplay and Viafree. Sweden and Denmark are the biggest markets, and there are substantial growth opportunities in Norway and Finland.

INTERNATIONAL ENTERTAINMENT

International Entertainment comprises MTG's business in Bulgaria, which form an integrated broadcasting and online media house that includes market leading free-TV channels, a fast-growing pay-TV business, advertising VOD platform NovaPlay and a portfolio of digital assets such as the country's biggest news portals (vesti.bg, nova.bg), the email platform abv.bg, and the leading sports website gong.bg. Nova's digital products reach 75% of Bulgarians on average every month. Key TV brands include Nova, Kino Nova, Diema, Diema Extra, Diema Family and Nova Sport, as well as the premium sports channels Diema Sport and Diema Sport 2. On 22 February MTG announced the sale of Nova to Advance Media Group and the sale has now received regulatory approval. MTG completed the sale of its 75% shareholding in TRACE PARTNERS S.A.S. during the year. TRACE was reported in the segment until the end of April 2018.

MTG STUDIOS

MTG Studios is one of the world's leading creators, producers and distributors of media rights, scripted drama, commercials, events and branded content. With 32 companies in 17 countries, MTG Studios has the capabilities to meet the high expectations of today's clients and audiences. Key brands include Splay One, Nice Drama, Strix, Monster, Moskito, Paprika and DRG. Sweden, Norway and Denmark are the biggest markets, and Studios is also growing outside the Nordic region as the demand for quality content continues to rise.

MTGx

MTGx comprises the Group's global digital businesses, which are reported within three verticals: esports, online gaming and digital video content.

Esports: through ESL and DreamHack, MTG is the world's leading esports company and operates national and international tournaments as well as grassroots amateur cups, leagues and festivals. ESL and DreamHack are already global brands and preferred choices for viewers, players, partners and publishers.

Online gaming: InnoGames runs a portfolio of seven successful games including titles such as 'Forge of Empires' and 'Elvenar'. InnoGames is focused on the free-to-play segment and provides players with a cross-platform experience on PC and mobile devices. Kongregate is a cross-platform games publisher for independent developers.

Digital video content: Zoomin.TV is focused on creating thumb-stopping content that people want to engage with and share.

Segmental performance

Segmental performance | The Group's sales for continuing operations increased by 13% and operating profit before items affecting comparability (IAC) with 24%.

Segmental performance (continuing operations)

(SEKm)	2018	2017
Net sales by segment		
Nordic Entertainment	12,800	11,961
International Entertainment	1,227	1,189
MTG Studios	1,880	1,832
MTGx	4,029	2,964
Central operations	114	190
Eliminations	–309	–599
Total net sales	**19,742**	**17,537**
Operating income by segment		
Nordic Entertainment	1,661	1,574
International Entertainment	242	176
MTG Studios	54	68
MTGx	10	–170
Central operations	–396	–384
Total operating income before IAC	**1,571**	**1,264**
Operating margin by segment		
Nordic Entertainment	13.0%	13.2%
International Entertainment	19.7%	14.8%
MTG Studios	2.9%	3.7%
MTGx	0.2%	–5.7%
Total operating margin before IAC	**8.0%**	**7.2%**

Director's Report

Content

Business operations

Modern Times Group MTG AB (publ.) (MTG) is a publicly listed media company. Its Class A and Class B shares are listed on Nasdaq Stockholm's Large Cap list under the symbols MTGA and MTGB. MTG's registered office is located at Skeppsbron 18, P.O. Box 2094, SE-103 13 Stockholm, Sweden. MTG's registration number is 556309-9158.

MTG's objective is to be the leading provider of digital video experiences. MTG is shaping the future of entertainment by connecting consumers with the content that they love through multiple screens, whether at home or on the move, online or offline, scheduled or on demand.

The financial reporting structure included four operating segments in 2018: Nordic Entertainment; International Entertainment; MTG Studios and MTGx. The entertainment businesses are geographically defined and include linear and streamed pay-TV, free-TV and radio services. MTG Studios consists of content production and distribution businesses. MTGx comprises the Group's global digital businesses, which include three verticals – esports, online gaming and digital video content.

At Modern Times Group MTG AB's Extraordinary General Meeting on February 7, 2019, the decision was taken to distribute Nordic Entertainment Group (NENT Group), consisting of Nordic Entertainment, MTG Studios and Splay Networks to the shareholders of MTG and list Nordic Entertainment Group AB on the Nasdaq Stockholm stock exchange. The distribution of the shares in NENT Group was competed on March 28, 2019.

Acquisitions and divestments

Active portfolio realignment is a natural part of MTG's transformation into a leading global digital entertainer. During 2018 and after the year, a number of strategic disposals and acquisitions were completed or announced, including:

19 January 2018 – MTG announced disposal of Trace

MTG announced it had signed an agreement to sell its 75% shareholding in TRACE PARTNERS S.A.S. to TPG Growth for a total cash consideration of EUR 30m (SEK 297m). The transaction valued 100% of the business at an enterprise value of EUR 40m (SEK 396m). The sale was completed on 15 May.

19 February 2018 – MTG announced divestment of Nova Group

MTG announced it had signed an agreement to sell its 95% shareholding in Nova Broadcasting Group Jsc. (Nova) in Bulgaria to PPF Group. The transaction valued 100% of the business at an enterprise value of EUR 185m (approximately SEK 1,830m). On 19 July the Bulgarian Commission for the Protection of Competition decided to disallow the proposed sale and on January 7, 2019 the agreement to sell Nova Broadcasting Group to PPF Group was terminated. On 22 February, 2019 MTG announced that it made an agreement to sell its shareholding in Nova to Advance Media Group. The deal will be closed in April 2019.

23 May 2018 – MTG increased its ownership in Zoomin.TV

MTG increased its ownership in Zoom.in Group B.V. (Zoomin.TV) to 100% by acquiring the remaining 49% from Adversa Media Group B.V., controlled by the previous CEO and CFO of Zoomin.TV, who founded the company. MTG paid a cash consideration of EUR 6.2m (SEK 63m) for the shares and also settled Adversa's EUR 11.3m of shareholder loans to Zoomin.TV.

18 June 2018 – NENT Group acquired the remaining shares in Splay Networks, and Splay and Nice One became Splay One

NENT Group acquired the remaining 4% of the shares in Splay AB from a company controlled by the company's CEO and founder for a cash consideration of SEK 8.8m. Splay and Nice One merged to create Splay One, a new Nordic powerhouse in branded entertainment operating as part of NENT Group's studio business, NENT Studios.

28 September 2018 – MTG increased its ownership in ESL

MTG increased its ownership in Turtle Entertainment GmbH, the world's largest esports company and operator of the well-known ESL brand, by 8.44% to 82.48% for a cash consideration of EUR 14.3m (SEK 148m). MTG acquired the shares from the founders and members of the management team. The remaining liability related to the option and the contingent consideration was valued at SEK 316m based on the terms in the agreement, resulting in a non-cash revaluation gain of SEK 172m.

Other significant events during and after the year

1 February 2018 – The proposed combination of MTG Nordics and TDC Group

On 1 February 2018, MTG announced it had entered into an agreement with TDC A/S to combine its Nordic Entertainment and MTG Studios businesses with TDC Group, in order to create Europe's first fully convergent media and communications provider. On 2 March 2018, TDC Group announced that its Board of Directors had withdrawn its recommendation of the combination and that it would not propose the combination to its shareholders. This followed the public takeover offer for all of TDC Group's shares by a financial consortium. The merger agreement governed the combination was terminated on 19 June 2018.

23 March 2018 – MTG announced the split in two and the distribution of shares in NENT Group to shareholders

MTG announced that its Board of Directors has decided to initiate a process to split MTG into two companies – Modern Times Group MTG AB and Nordic Entertainment Group AB – by distributing the shares in Nordic Entertainment Group AB (comprising the Group's Nordic Entertainment, MTG Studios and Splay Networks operations) to MTG's shareholders, and listing these shares on Nasdaq Stockholm.

11 June 2018 – NENT Group launched new brand

NENT Group started to operate as a separate organisation on 1 July. This was followed by the decision to initiate a process to split MTG into two companies. NENT Group launched its corporate brand on June 11, which reflects its ambition to provide the best and broadest entertainment experiences in the Nordic region and beyond.

12-15 June 2018 – NENT Group acquired key sports rights

NENT Group acquired the exclusive Nordic media rights to the IHF World Handball Championship until 2025 and the EHF European Handball Championship until 2026. NENT Group also extended the rights to the EHF Champions League, European Handball League and the EHF Cup until 2023.

The exclusive Formula 1® rights in Denmark, Norway and Sweden was extended until 2021. NENT Group and Formula 1® will also offer an additional streaming service to the most dedicated Formula 1® fans.

NENT Group was awarded the exclusive rights to show live coverage of Premier League football matches for the 2019/20 to 2021/22 seasons in Sweden, Denmark and Finland.

NENT Group acquired the exclusive Nordic media rights to Germany's Bundesliga, France's Ligue 1, The Netherlands' Eredivisie, Belgium's First Division A and the Scottish Premiership until 2021, as well as the 2019 Copa América.

15 August 2018 – MTG and NENT Group secured SEK 4bn credit facility

MTG and Nordic Entertainment Group jointly agreed a SEK 4bn five-year revolving credit facility with a group of six Nordic banks.

17 August 2018 – Changes in ownership in MTG

On 14 June Kinnevik announced the proposal to distribute Kinnevik's shares in MTG to its shareholders. The distribution was completed on 17 August when Kinnevik AB notified the Swedish Financial Supervision Authority that it had completed the announced distribution of all of its MTG shares to its shareholders. Following the decision to distribute the shares, Joakim Andersson stepped down from MTG Board of Directors on 17 July.

31 August 2018 – Changes in number of votes

Following the reclassification by MTG shareholders of 4,461,691 MTG Class A shares into MTG Class B shares during August 2018, the total number of MTG Class A shares decreased from 5,007,353 to 545,662 and the total number of MTG Class B shares increased from 61,979,771 to 66,441,462. The total number of MTG Class C shares was unchanged at 660,000.

18 September 2018 – NENT Group acquired the exclusive Danish rights to the 2020 UEFA European Football Championship

The tournament will be played in 12 cities across Europe – including four matches in Copenhagen – and all games will be shown live on NENT Group's streaming service Viaplay in Denmark.

13 December 2018 – ESL and Intel extended global partnership

MTG's Turtle Entertainment, the operator of the world's largest esports company ESL, and Intel Corporation have extended their global partnership through 2021. The agreement aims to boost the development of the esports ecosystem through the introduction of new technologies, tournaments and events.

7 January 2019 – MTG secured new financing

MTG secured a SEK 1bn credit facility from Nordea, which will provide additional funding for MTG after the spin-off and listing of NENT Group.

8 January 2019 – FilmNation and NENT Group to launch joint venture in the UK

FilmNation Entertainment and NENT Group announced the formation of a new UK-based television joint venture, which will operate under the FilmNation brand. The joint venture will develop, produce and finance premium scripted television content for global audiences, and is currently assembling its creative team.

24 January 2019 – ESL and Epic Games announced that they will host their first joint international Fortnite competition

MTG's Turtle Entertainment, the operator of the world's largest esports company ESL, and Epic Games announced their first international Fortnite competition, which took place at IEM Katowice Expo 2019. 'ESL Katowice Royale – Featuring Fortnite' spanned two weekends at the legendary arena and feature prominent Fortnite players and influencers.

7 February 2019 – MTG EGM resolved to distribute the shares in NENT Group

The Extraordinary General Meeting (EGM) of Modern Times Group MTG AB's shareholders resolved to distribute all of the shares in Nordic Entertainment Group AB (NENT Group) to MTG's shareholders.

The distribution of shares in NENT Group was completed on March 28, 2019.

22 February 2019 – MTG announced sale of Nova to Advance Media Group

MTG signed an agreement to sell its 95% shareholding in Nova Broadcasting Group ("Nova") in Bulgaria to Advance Media Group. The transaction valued 100% of the business at an enterprise value of EUR 185 million (approximately SEK 1,917 million). The transaction is subject to local regulatory approval, and the proceeds will be used to develop MTG's global digital entertainment verticals through organic investment and M&A.

22 March 2019 – MTG's sale of Nova to Advance Media Group receives regulatory approval

The transaction is expected to close in April 2019.

Business review

2018 highlights

- Sales of SEK 19,742m (17,537) with 4% organic growth
- Operating income up 24% to SEK 1,571m (1,264) before items affecting comparability (IAC)
- Total operating income of SEK 1,581m (923)
- Net income from continuing operations of SEK 1,165m (612) and basic earnings per share before dilution of SEK 15.60 (8.19)
- Total net income of SEK 1,160m (1,360) including net income from discontinued operations of SEK –5m (748), and total basic earnings per share before dilution of SEK 15.52 (18.73)
- Net debt of SEK 2,581m (1,812) equivalent to 1.3x trailing 12 month EBITDA before IAC
- Board of Directors propose that MTG does not pay any dividend for 2018 and for NENT Group to pay a dividend of SEK 6.50 per share

Consolidated financial results

(SEKm)	2018	2017
Continuing operations		
Net sales	**19,742**	**17,537**
Organic growth	*4.1%*	*7.7%*
Acquisitions	*5.0%*	*8.3%*
Changes in FX rates	*3.5%*	*1.0%*
Reported growth	*12.6%*	*16.9%*
Operating income before IAC	**1,571**	**1,264**
Operating margin before IAC	8.0%	7.2%
Items affecting comparability	10	–340
Operating income	**1,581**	**923**
Net income	**1,165**	**612**
Basic earnings per share before dilution (SEK)	15.60	8.19
Basic earnings per share after dilution (SEK)	15.48	8.13
Cash flow from operations	1,622	1,311
Discontinued operations		
Net income[1]	–5	748
Total operations		
Net income	1,160	1,360
Basic earnings per share before dilution (SEK)	15.52	18.73
Basic earnings per share after dilution (SEK)	15.40	18.61
Net debt	2,581	1,812

[1] Discontinued operations comprises results of MTG's businesses in Tanzania in 2018 and results of businesses in the Czech Republic and the Baltics in 2017.

Continuing operations

Net sales

Net sales were up 13% on a reported basis to SEK 19,742m (17,537). The organic growth of 4% included growth for Nordic Entertainment, International Entertainment and MTGx. Acquisitions contributed a further 5% and primarily comprised the consolidation of InnoGames and Kongregate. The FX impact was 4%.

Operating expenditure

The Group's operating costs excluding items affecting comparability increased to SEK 18,171m (16,273) and were up 8% (22) at constant exchange rates. The increase was driven primarily by the ongoing investment in digital expansion and Viaplay together with the consolidation of InnoGames and Kongregate. Depreciation and amortisation charges increased to SEK 439m (320), mainly reflected by amortisation charges related to investments in radio licenses in Sweden and the Viaplay and Viafree platforms as well as full year amortisations in InnoGames compared to 8 months in 2017.

Operating income and items affecting comparability

The Group's operating income increased to SEK 1,571m (1,264) before items affecting comparability, with an operating margin of 8% (7). The Group reported items affecting comparability of SEK 10m (–340) related to the restructuring costs related to organisational changes in both NENT Group and Turtle Entertainment (ESL), a capital gain from the sale of Trace, a net revaluation gain resulting from the acquisition of remaining shares in Zoomin.TV, Splay Networks, Paprika Group, Digital Rights Group and 8% of the remaining shares in Turtle Entertainment as well as revaluation of the option liabilities for NetInfo (Bulgaria). In addition, IAC included an impairment of goodwill related to a closed down company and a non-cash cost following the write down of Zoomin.TV´s assets. Total operating profits amounted to SEK 1,581m (923).

Net interest and other financial items

Group net interest expenses decreased to SEK −5m (−24). Other financial items amounted to SEK −45m (−40), which mainly reflected the non-cash effect of discounting options and earn-out liabilities at fair value as well as borrowing costs.

Tax

The Group's tax expenses totalled SEK 367m (247), corresponding to an effective tax rate of 24% (29).

Net income and earnings per share

The Group reported net profits from continuing operations of SEK 1,165m (612), basic earnings per share before dilution of SEK 15.60 (8.19) and after dilution of SEK 15.48 (8.13).

Discontinued operations

Discontinued operations comprise MTG's businesses in Africa and for 2017 also the Czech Republic and the Baltics.

Net income and cash flows from discontinued operations have been reported on separate line items in the consolidated income statement and the consolidated statement of cash flow respectively. The consideration received for divestments is included in cash flow from continuing operations in the line 'Proceeds from sales of shares'. Assets and liabilities related to the named operations are reported on the line items 'Assets held for sale' and 'Liabilities related to assets held for sale' in the consolidated balance sheet.

Net income from discontinued operations amounted to SEK −5m (748). On January 19 the Group completed the sale of its 75% shareholding in TRACE PARTNERS S.A.S. to TPG Growth for a total cash consideration of EUR 30 million (SEK 297 million). The transaction values 100% of the business at an equity value of EUR 40 million (SEK 396 million).

Total net income and earnings per share

The Group reported total net income of SEK 1,160m (1,360), and basic earnings per share of SEK 15.52 (18.73) and after dilution of SEK 15.40 (18.61).

Cash flow and financial position

Group capital expenditure of non-current assets totalled SEK 765m (330). Investments in shares in businesses amounted to SEK 235m (1,250). These investments mainly included the acquisition of remaining 48% in Zoomin.TV and 8.44% in Turtle, and the acquisition of remaining 30% in InnoGames and 100% of Kongregate in 2017. The Group paid out the approved cash dividend of SEK 834m (800) to shareholders in May 2018.

The Group had net debt of SEK 2,581m (1,812) at the end of the year, which was equivalent to 1.3x trailing 12 month EBITDA before items affecting comparability.

Cash flow

(SEKm)	2018	2017
Cash flow from operations	1,622	1,311
Changes in working capital	−568	−725
Net cash flow from operations	**1,054**	**586**
Investment activities	−779	465
Financial activities	−608	−349
Net change in cash, continuing operations	**−333**	**703**
Net change in cash, discontinued operations	−8	42
Total net change in cash and cash equivalents	**−341**	**745**
Cash and cash equivalents	**862**	**1,394**

Net debt

	2018	2017
Net debt (SEKm)	2,581	1,812
Equity to assets ratio (%)	34	34
Net debt to EBITDA (before IAC) ratio (x)	1.3	1.1
Total borrowing (SEKm)	3,679	3,223

Business segments

Nordic Entertainment

(SEKm)	2018	2017
Net sales	**12,800**	**11,961**
of which Free-TV & Radio	*5,358*	*5,094*
of which Pay-TV	*7,442*	*6,867*
Operating income	**1,661**	**1,574**
Operating margin	*13.0%*	*13.2%*
Net sales growth		
Organic growth	*4.5%*	*6.6%*
Acquisitions/divestments	*0.0%*	*0.0%*
Changes in FX rates	*2.5%*	*0.8%*
Reported growth	*7.0%*	*7.4%*

Nordic Entertainment comprises MTG's free-TV, pay-TV, radio and streaming businesses in the Nordics.

Total sales were up 5% (7) on an organic basis and was mainly driven by the growth of Viaplay and the Swedish radio business. Operating income increased to SEK 1,661m (1,574), with an operating margin of 13.0% (13.2).

Free-TV and Radio sales were up 5% on a reported basis following double-digit growth in Viafree and the Swedish Radio business. TV advertising sales were also up as higher prices more than offset lower linear viewing levels. The Swedish TV advertising market is estimated to have grown, while the Danish and Norwegian markets are estimated to have declined. The Norwegian TV audience shares was up while the Danish and Swedish shares were slightly down. The Swedish radio audience share was stable and the Norwegian was slightly up.

Pay-TV sales were up 8% on a reported basis following continued volume and value growth at Viaplay. When excluding Viaplay, the subscriber base was up as the growth in third party networks more than offset the decline in the satellite base. Average revenue per satellite user was slightly down at constant FX compared to last year.

International Entertainment

(SEKm)	2018	2017
Net sales	**1,227**	**1,189**
Operating income	**242**	**176**
Operating margin	*19.7%*	*14.8%*
Net sales growth		
Organic growth	*9.3%*	*6.9%*
Acquisitions/divestments	*–12.3%*	*–1.0%*
Changes in FX rates	*6.2%*	*1.9%*
Reported growth	*3.3%*	*7.8%*

International Entertainment comprise MTG's Bulgarian business with free-TV, pay-TV and portfolio of digital assets.

Sales were up 9% (7) on an organic basis driven by strong performance across all Bulgarian operations. The Bulgarian audience share was stable while the TV advertising market is estimated to have grown. Operating income increased to SEK 242m (176) and the operating margin to 19.7% (14.8).

Trace was deconsolidated from the start of May following the closing of the sale of the business. The previously announced agreement to sell MTG's shareholding in Nova Broadcasting Group to PPF Group was terminated on 7 January 2019 following the decision by the Bulgarian Commission for the Protection of Competition to disallow the proposed sale. On 22 February, 2019 MTG announced that it made an agreement to sell its shareholding in Nova to Advance Media Group. The sale has received regulatory approval and the deal is expected to close in April 2019.

MTG Studios

(SEKm)	2018	2017
Net sales	**1,880**	**1,832**
Operating Income	**54**	**68**
Operating margin	*2.9%*	*3.7%*
Net sales growth		
Organic growth	*–9.7%*	*2.7%*
Acquisitions/divestments	*8.7%*	*0.3%*
Changes in FX rates	*3.7%*	*0.1%*
Reported growth	*2.6%*	*3.1%*

MTG Studios comprise MTG's 32 production companies and Splay Networks which was moved to MTG Studios from the MTGx segment in Q2 2018.

Sales were down 10% (+3) on an organic basis, which partly reflected timing differences in the production schedule for scripted drama. The demand for scripted drama remains healthy and the forward pipeline includes a higher volume of signed development deals and contracted productions. Non-scripted sales were up at reported rates, but down at constant FX rates. Splay Networks delivered double-digit sales growth as interest in branded content and influencer campaigns continued to rise.

Operating income amounted to SEK 54m (68) with an operating margin of 2.9% (3.7).

MTG Studios net sales and operating income would have been SEK 1,718m and SEK 62m respectively if Splay Networks were excluded from the segment. Historical numbers have not been restated.

MTGx

(SEKm)	2018	2017
Net sales	**4,029**	**2,964**
of which esports	*1,520*	*1,370*
of which online gaming	*2,296*	*1,234*
of which digital video content	*213*	*360*
EBITDA	**251**	**14**
EBITDA margin	*6.2%*	*0.5%*
Operating income	**10**	**–170**
Operating margin	*0.2%*	*–5.7%*
Net sales growth		
Organic growth	*5.5%*	*37.0%*
Acquisitions/divestments	*24.2%*	*101.7%*
Changes in FX rates	*6.2%*	*2.6%*
Change in presentation of prize money	*–*	*–17.8%*
Reported growth	*36.0%*	*123.5%*

MTGx comprise MTG's investments into esports, online gaming and digital video content.

MTGx sales were up 6% on an organic basis following growth in the esports and online gaming verticals. The reported growth was up 36% (124) fuelled by the consolidation of InnoGames from 1 May 2017 and Kongregate 21 July 2017 but negatively impacted by the move of Splay Networks into MTG Studios segment from Q2 2018.

EBITDA increased to SEK 251m (14) driven by the InnoGames consolidation and very healthy underlying performance in the segment. Depreciation and amortisation charges totalled SEK 241m (185) and included SEK 122m (82) of surplus value amortisation charges.

Operating income for the segment was positive on full year basis for the first time and amounted to SEK 10m (–170). MTGx net sales and operating income would have been SEK 4,191m and SEK 2m, respectively, if Splay Networks had still been included in the segment.

Esports sales were up 10% on reported basis fuelled by double-digit growth in DreamHack and ESL's owned & operated business, which partly was offset by lower work-for-hire volumes as ESL strategically transformed the business.

Online gaming sales were up 86% on reported basis followed by strong growth in InnoGames which was consolidated 1 May 2017, and the consolidation of Kongregate in 21 July 2017. Total sales for online gaming were up 17% on a pro forma basis. Kongregate pro forma revenues were slightly down reflecting the combination of fewer game launches and tough competition. InnoGames pro forma revenues were up due to exceptional performance of Forge of Empire and successful marketing campaigns around content updates.

Digital Video Content sales were down 41% and reflected the above-mentioned move of Splay Networks out of the segment, as well as a 10% revenue decline for Zoomin.TV, which is being gradually transformed into a branded entertainment company.

Other Group information

Parent Company

Modern Times Group MTG AB (publ.) is the Group's parent company and is responsible for Group-wide management, administration and finance functions. MTG's treasury function provides a central cash pool or financing through internal loans to support the operating companies.

The MTG parent company reported net sales of SEK 36m (49) in 2018. Net interest and other financial items totalled SEK 177m (263), and included SEK 0m (46) of dividends received from subsidiaries. Income before tax and appropriations amounted to SEK −43m (−49). Income after tax and appropriations amounted to SEK 471m (209). The parent company had cash and cash equivalents of SEK 24m (844) at the end of the period. SEK 4,190m (5,820) of the SEK 4,390m total available credit facilities, including SEK 190m overdraft facilities, was unutilised at the end of the reporting period.

At Modern Times Group MTG AB's Extraordinary General Meeting on February 7, 2019, the decision was taken to distribute Nordic Entertainment Group (NENT Group) to the shareholders of MTG and list Nordic Entertainment Group AB on the Nasdaq Stockholm stock exchange.

Dividend and proposed appropriation of earnings

The following funds are at the disposal of the shareholders:

(SEK)	2018
Premium reserve	267,111,846
Retained earnings	4,265,149,254
Net income for 2018	470,732,324
Total as per 31 December 2018	**5,002,993,424**
Distribution of Nordic Entertainment Group AB as decided on 7 February 2019	−2,000,500,000
Total at disposal	**3,002,493,424**

The Board of Directors proposes that MTG does not pay any further dividend for 2018 and that the retained earnings amount of SEK 3,002,4693,424 be carried forward. Of the amount carried forward, SEK 267m is to be carried forward to the premium reserve.

Outlook

Following completion of the split, MTG primarily comprise a portfolio of high growth digital entertainment operations focused on two core verticals – esports and gaming – as well as shareholdings in a number of other entertainment companies, and MTG's own esports and gaming focused venture fund. MTG intends to further develop and expand its portfolio with a flexible "Buy and Build" strategy centred on key digital entertainment verticals. MTG will be a strategic operational and investment holding company that combines investment expertise with "hands-on" operational engagement, and intends to take majority ownership in the established companies in which it invests, with founders maintaining a minority interest and being incentivised to succeed. MTG also intends to take minority stakes in a range of complementary start-ups.

Corporate responsibility and sustainability

In accordance with the Swedish Annual Accounts Act Ch. 6 Sec. 11, MTG has chosen to cover the statutory sustainability report in a separate Corporate Responsibility Report which was submitted to the Company's auditors at the same time as the Annual Report. MTG's Corporate Responsibility Report and the auditor's opinion regarding the statutory sustainability report are available at www.mtg.com/corporate-responsibility-report.

The MTG share

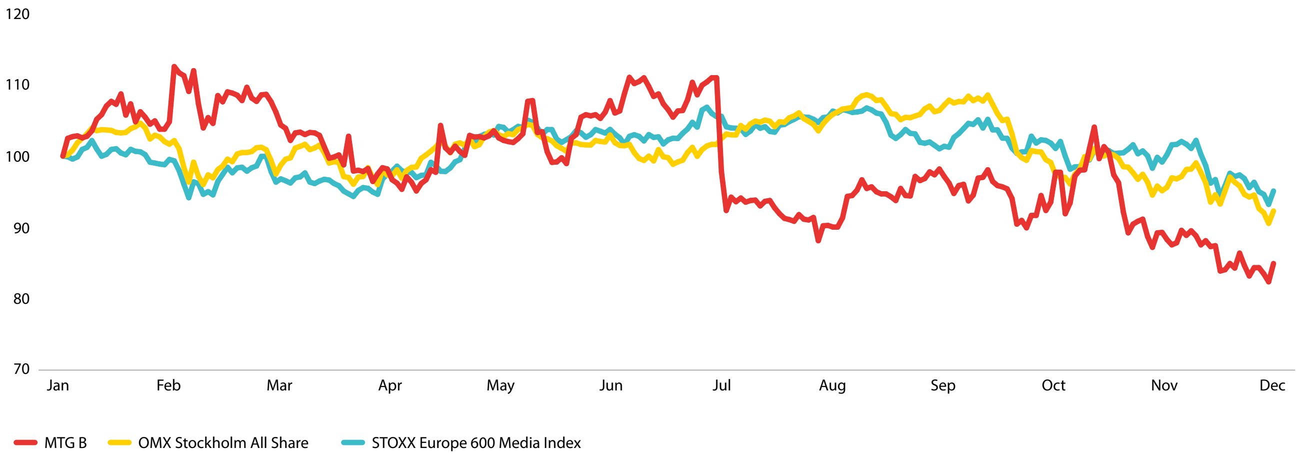
Share price performance and total return
MTG's shares are listed on Nasdaq Stockholm's Large Cap list under the symbols 'MTGA' and 'MTGB'. The price of MTG's series B share decreased by 15% (+28%) in 2018 to SEK 293.00 (344.80), corresponding to a market capitalisation of SEK 19.8 bn (23.0). The parent company paid an ordinary dividend of SEK 12.50 (12.00) per share to shareholders in 2018, resulting in a total shareholder return of –11% (33).

Ownership structure
The total number of shareholders according to the share register held by Euroclear Sweden AB (Swedish Securities Centre) was 80,344 (22,238) at the end of 2018. The shares held by the 10 largest shareholders corresponded to approximately 51% (59) of the share capital and 50% (73) of the voting rights. Swedish institutions and mutual funds owned approximately 49% (53) of the share capital, international investors owned approximately 37% (39) and Swedish private investors owned approximately 14% (8).

In August 2018, Kinnevik AB distributed all Class A and B shares in MTG to its shareholders in accordance with a decision at an Extraordinary General Meeting in Kinnevik. The shares corresponded to 47.6% of the votes and 20% of the capital in MTG.

MTG held 6,222 Class B shares and 660,000 Class C shares as treasury shares at the end of 2018. The total number of issued shares at the end of 2018 was 67,647,124, comprising 545,662 Class A shares, 66,441,462 Class B shares and 660,000 Class C shares.

Share price development 2018, indexed



Shareholders as of 31 December 2018

Name	Class A Shares	Class B Shares	Total	Capital	Votes
Nordea Funds		6,794,435	6,794,435	10.0%	9.4%
Capital Group		5,770,190	5,770,190	8.5%	8.0%
Swedbank Robur Funds		5,756,185	5,756,185	8.5%	7.9%
Marathon Asset Management		3,291,562	3,291,562	4.9%	4.5%
TimesSquare Capital Management		2,469,567	2,469,567	3.7%	3.4%
Skandia Life	161,504	2,237,325	2,398,829	3.5%	5.3%
Lannebo Funds		2,392,657	2,392,657	3.5%	3.3%
Öhman Funds		2,071,024	2,071,024	3.1%	2.9%
Handelsbanken Funds		1,985,000	1,985,000	2.9%	2.7%
Vanguard		1,687,593	1,687,593	2.5%	2.3%
Other	384,158	31,979,702	32,363,860	47.8%	50.3%
Total outstanding shares	**545,662**	**66,435,240**	**66,980,902**	**99.0%**	**100.0%**

Share capital and votes

Each Class A share is entitled to 10 voting rights. Each Class B and C share is entitled to one voting right. The Class C shares are not entitled to dividend payments. The Class C shares are issued and repurchased as part of the MTG performance-based incentive plans approved by the Annual General Meetings of shareholders.

Share distribution

	Number of shareholders	%	Number of shares	%
1 – 1,000	78,214	97.3%	5,015,391	7.4%
1,001 – 5,000	1,625	2.0%	3,248,868	4.8%
5,001 – 10,000	174	0.2%	1,217,557	1.8%
10,001 – 50,000	187	0.2%	4,283,288	6.3%
50,001 – 100,000	43	0.1%	3,176,534	4.7%
100,001 –	101	0.1%	50,039,264	75.0%
Total outstanding shares as of 31 December 2018	**80,344**	**100.0%**	**66,980,902**	**100.0%**

Exercise of long-term incentive plans

In 2018, 255,776 Class B shares as part of the 2015 long term incentive plan were exercised. In 2017, 61,045 Class B shares were exercised as part of the 2014 long term incentive plan. There were no changes to the number of issued shares in 2018 or 2017. For further information, please see Note 18.

Reclassifications

In accordance with the Articles of Association, the Board of Directors approved 4,461,731 reclassifications of Class A shares into Class B shares in 2018. In 2017, 400 Class A shares were reclassified to Class B shares.

Voting rights

Following the reclassification and the exercise of the long-term incentive plan, the total number of voting rights including treasury shares decreased to 72,558,082 (112,713,661) as of 31 December 2018. The total number of outstanding shares increased to 66,980,902.

Share capital

The Group's share capital amounted to SEK 338m (338) at the end of the year. For changes in the share capital between 2018 and 2017, please see the report entitled 'Consolidated statement of changes in equity'.

Share buy-back

The 2018 and 2017 Annual General Meetings approved a mandate to authorise the Board of Directors to buy back MTG Class A or Class B shares up until the 2019 and 2018 Annual General Meetings respectively. The Group's shareholding in its own stock may not exceed 10% of the total number of issued shares. There were no Class A shares or Class B shares bought back in 2018 or 2017.

Issued, reclassified and repurchased shares

Parent company	Class A shares	Class B shares	Class C shares	**Total**
Issued shares as of 31 December 2018	545,662	66,441,462	660,000	**67,647,124**

The number of issued shares is unchanged since 2014. The Class C shares are redeemable and may, upon the decision of the Board of Directors, be reclassified into Class B shares. The quota value is SEK 5.00 per share. The Class C shares were held by the Company as treasury shares during the vesting period for long term incentive plans. The purpose of the Class C shares is to ensure delivery of Class B shares to participants in the plans.

Share-based long-term incentive plans

If all share awards granted to senior executives and key employees as of 31 December 2018 were exercised and all shares awarded, the outstanding shares of the Company would increase by 630,883 (943,828) Class B shares and be equivalent to a dilution of 0.9% (1.4) of the capital and 0.9% (0.8) of the related voting rights as at the end of 2018. Further details about the programmes can be found in Note 26.

Outstanding share rights granted

LTIP 2016	270,057
LTIP 2017	360,826
Number of outstanding rights as of 31 December 2018	**630,883**

Articles of association

The Articles of Association do not include any provisions for appointing or dismissing members of the Board of Directors or for changing the articles. Outstanding shares may be freely transferred without restrictions. MTG is not aware of any agreements between shareholders that limit the right to transfer shares.

Financial policies and risk management

Risks and uncertainties

Competitive risks

Competition for viewers, subscribers, advertising and distribution is intense from broadcasters, cable and broadband networks, satellite and terrestrial platforms, online and mobile operators, movie studios and independent content producers and distributors, video gaming sites and other media, as well as pirated content. The Company's ability to compete successfully is dependent on a number of factors, including the ability to adapt to new technologies and product innovations, to achieve widespread distribution, and to develop quality content and user communities in a sustainable manner. The Company currently depends on a number of third-party network operators for the distribution of programming, which represents a significant proportion of its revenues.

MTG is also increasingly reliant on a wide variety of technological platforms and could therefore face the risk of new market entrants, as well as new ways of distributing content. This could mean significant changes for the entertainment industry and could potentially cause disruption to established contracts and negotiation structures, as well as to business practices, technological standards for distribution of content, and ways in which advertising is traded and sold in the online environment. The increasing shift towards online viewing and platforms could also potentially make the Group a target for cyber-attacks, intrusions, disruptions or denials of service.

Economic and political risks

During 2018, MTG sold Trace. During 2017, companies in the Czech Republic, Estonia, Lithuania and Latvia were sold.

In 2018, MTG announced the sale of its Bulgarian operations but due to the disallowance by the Commission for Protection of Competition the agreement has been terminated. In the first quarter of 2019, MTG signed a new agreement with another party to sell its 95% shareholding in Nova Broadcasting Group ("Nova") in Bulgaria. The transaction has received local regulatory approval. Emerging markets have different risk profiles than developed markets in terms of the prevailing economic and political systems, legal and tax regimes, and standards of corporate governance and business practices. Potential risks inherent in markets with evolving economic and political environments include potentially inadequate protection of foreign investments or intellectual property rights, foreign exchange controls, higher tariffs and other levies, as well as longer payment cycles.

Substantial foreign exchange rate movements can cause impacts on the Group's income statements, financial position and cash flows. MTG hedges the main part of its US dollar denominated contracted outflow on a 16–36-month forward basis in order to reduce the impact of short-term currency transaction effects on the Group's cost base. The Group's equity is not hedged.

Tax related risks

MTG operates through subsidiaries resident in different jurisdictions. The business is conducted in accordance with MTG's understanding or interpretation of applicable tax laws, tax treaties, other tax regulations and requirements from the tax authorities concerned. Amended laws, agreements and other regulations may affect the tax position of the Group as well as if the tax authorities disagree with the Group's interpretation of existing tax rules.

Regulatory risks

The Group's businesses are regulated in many different jurisdictions. The regimes that regulate the Group's business include both European Union and national laws and regulations related to broadcasting, telecommunications, competition (antitrust) and taxation. Changes in such laws and regulations, particularly in relation 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 a materially adverse effect on the Group's business, financial condition or operational results.

Current potential changes in EU law that may have an adverse impact on the Group's business include the following:

- In May 2015 the European Commission launched its Digital Single Market strategy. One of its primary goals is increased consumer access to digital services across borders within the EU. A new EU Regulation on portability of online content services was announced in December 2015 and came into force on 1 April 2018, allowing subscribers to the Group's Viaplay streaming service to access the service when travelling in the EU. The Regulation has not and is not expected to pose a significant risk to the Group's business.
- In 2014 the European Commission opened an anti-trust investigation into the cross-border provision of pay-TV services in the EU. On 12th December 2018, the General Court of the EU published a judgment largely confirming the European Commission's (EC) approach of the case, i.e. that geoblocking clauses in broadcasting contracts amount to a restriction of competition by object (case T-873/16). A week later, on 20th December, NBC Universal, Sony Pictures, Warner Bros and Sky offered commitments to settle the case. The EC is currently market testing the commitments. Whilst the Group's business was not the subject of this investigation, there remains a small risk to the Group's business as a result of the commitments.
- In 2015 the European Commission initiated a sector enquiry into e-commerce in Europe, which sought to examine the possible barriers to accessing goods and services online across borders. On 10 May 2017, the Commission adopted the Final Report on the e-commerce sector inquiry. The Commission considers that the use of exclusivity in licensing technology rights is not problematic in and of itself. Any assessment of licensing practices under EU competition rules would have to take into account the characteristics of the content industry, the legal and economic context of the licensing practice and/or the characteristics of the relevant product and geographic markets. The Commission has said that it will continue to assess licensing practices on a case by case basis, therefore it remains a small risk to the Group's business.

- In May 2016 the European Commission published a proposal to amend certain provisions of the Audiovisual Media Services Directive to reflect market, consumer and technological changes in the 10 years since the Directive was last updated. The Directive was finalised in May 2018 and will come into force in October 2020. The new Directive is not likely to pose any significant risk on the Group's business activities.
- EU's new General Data Protection Regulation entered into force on 25 May 2018, replacing the EU Data Protection Directive 95/46/EC. The new regulation has resulted in changes to how the Group deals with the personal data of EU citizens. MTG has implemented changes to its data protection policies, procedures and processes in order to become compliant with the regulation.
- On 23 June 2016 the UK voted to leave the European Union. Subsequently, UK triggered Article 50 of the Treaty on European Union by the end of March 2017 and plan to leave the EU in 2019. In the event of a hard Brexit, the Group's UK (Ofcom) broadcasting licences will no longer be valid for broadcasting the Group's TV channels and VOD services into the EU. In December 2018, the Group's Board approved the Group's Brexit Contingency Plan, which will see the Group applying for broadcasting licences in Sweden whilst maintaining its UK operations as they currently are today.
- In September 2016, the European Commission published a proposal for a Regulation on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations. The Proposal extends certain principles of the 1993 Satellite and Cable Directive to the online environment. The Proposal was renamed the "Online Content Directive" and was finalised by the EU institutions in February 2019. The Directive could pose a risk to the Group's business in its current form, especially provisions relating to joint liability for "direct injection" transmission which could result in higher levels of music royalties being paid.

Financing risks

MTG is reliant on access to financing and is therefore exposed to risks associated with disruptions in the financial markets, which could make it more difficult and/or more expensive to obtain financing in the future. Potential events affecting this may include the 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, which could result in a reduction in the amount of available credit or increases in the cost of credit. The Group's existing credit facilities are currently considered sufficient.

Financial policy

The Group's financial risk management is centralised to the parent company to capitalise on economies of scale and synergy effects, as well as to minimise operational risks. The Group's financial policy is subject to review and approval by the Board of Directors and constitutes a framework of guidelines and rules for financial risk management and financial activities in general. The Group's financial risks are continuously evaluated and monitored to ensure compliance with the Group's financial policy. The exposures are described in Note 22.

Foreign exchange risk

Foreign exchange risk is divided into transaction exposure and translation exposure.

Transaction exposure

Transaction exposure is hedged mainly for unmatched contracted programme acquisition outflows through forward exchange agreements based on a maximum of 36 months forward.

Translation exposure

Translation exposure arises from the conversion of the Group's subsidiaries and associated companies' earnings and balance sheets into the Swedish krona reporting currency from other currencies. Since many of the subsidiaries report in currencies other than Swedish krona, the Group is exposed to exchange rate fluctuations. Translation exposure is not hedged.

Interest rate risk

MTG's sources of funding are primarily shareholders' equity, cash flows from operations and external borrowing. Interest-bearing debt exposes the Group to interest rate risk. The Group does not currently use derivative financial instruments to hedge its interest rate risks.

Financing risk

External borrowing is managed centrally in accordance with the Group's financial policies. Loans are primarily taken up by the parent company and transferred to subsidiaries as internal loans or capital injections. There are also companies who have external loans and/or overdraft facilities connected directly to these companies.

Refinancing risk

The refinancing risk is managed by seeking to diversify funding sources and maturities, and by typically initiating the refinancing of all loans 12 months prior to maturity.

Credit risk

The credit risk with respect to MTG's trade receivables is diversified among a large number of customers, both private individuals and companies. High credit ratings are required for all material credit sales and solvency information is obtained to reduce the risk of bad debt.

Insurable risks

The parent company ensures that the Group has sufficient insurance cover, including business interruption, director and officer liabilities, and asset losses. This cover comprises corporate umbrella solutions to cover most territories.

Governance and responsibilities

Corporate Governance
Corporate Governance in MTG is based on Swedish legislation, the Rulebook for Issuer's on Nasdaq Stockholm and the Swedish Code of Corporate Governance (the "Code"), see www.corporategovernanceboard.se. During 2018, MTG has been compliant with the Code and the Rule Book for Issuers on Nasdaq Stockholm and the generally accepted principles in the securities market.

Shareholders
For information about the ownership structure, share capital and the MTG share, please refer to the Section "The MTG share" on pages 20-21.

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 at www.mtg.com under News.

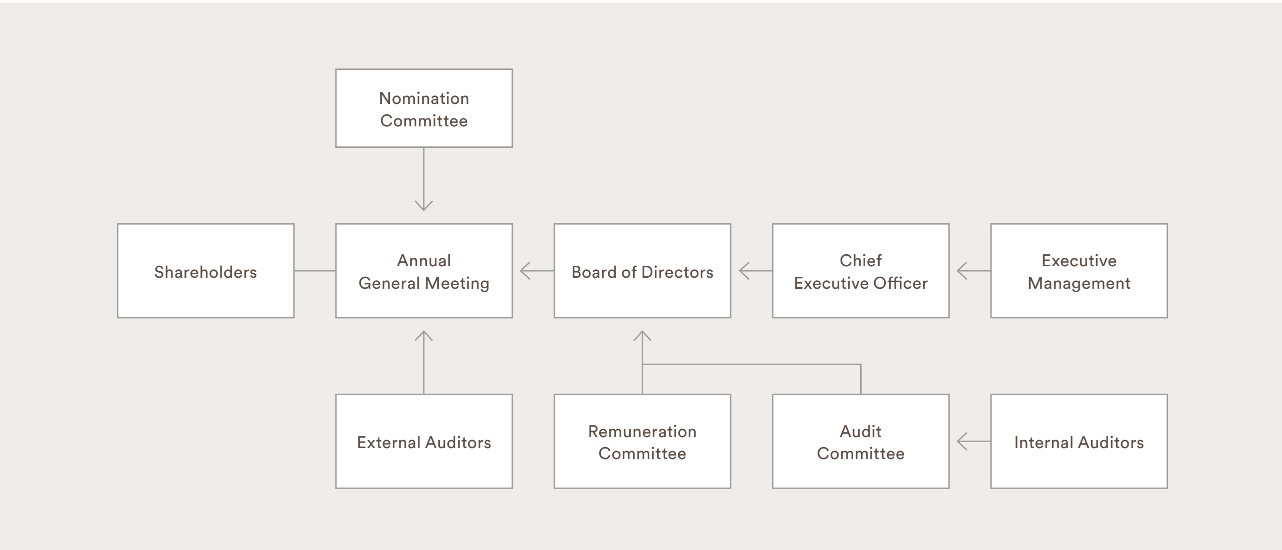
Annual General Meeting
The Swedish Companies Act (2005:551) (the "Swedish Companies Act") and the Articles of Association determine how the notice to the Annual General Meeting and extraordinary general meetings shall occur, and who has the right to participate in and vote at the meeting. There are no restrictions on the number of votes each shareholder may cast at the general meeting. Class A shares entitle to ten votes, whereas Class B and Class C shares entitle to one vote. Distance participation and voting at the general meeting is not possible.

For information on authorizations approved by the Annual General Meeting for the Board to resolve on share buy-backs, please refer to the Section "The MTG share" on pages 20-21.

The Nomination Committee
The Nomination Committee consists of representatives of some of MTG's largest shareholders, and its responsibilities include:

- To evaluate the Board of Directors' work and composition
- To submit proposals to the Annual General Meeting regarding the election of the Board of 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 the Board of 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

Governance structure



In accordance with the resolution of the 2018 Annual General Meeting of MTG shareholders, the then largest shareholder in MTG, Kinnevik AB, convened a Nomination Committee to prepare proposals for the 2019 Annual General Meeting.

Due to the distribution by Kinnevik AB of its shareholding in MTG to its shareholders and the resignation by its representative from the Nomination Committee, the Nomination Committee currently comprises Joachim Spetz, appointed by Swedbank Robur Funds; John Hernander, appointed by Nordea Funds; and Jimmy Bengtsson, appointed by Skandia Liv. The three shareholders who have appointed representatives to the Nomination Committee hold approximately 23 percent of the total voting rights in MTG. The members of the Nomination Committee have appointed Joachim Spetz as Chairperson of the Nomination Committee at their first meeting and the Chairman of the Board has been invited to the Nomination Committee's meetings as deemed appropriate by the Nomination Committee.

Information about how shareholders can submit proposals to the Nomination Committee has been published on www.mtg.com, where the Nomination Committee's motivated statement regarding its proposal to the Annual General Meeting and a brief presentation of its work will also be published well in advance of the Annual General Meeting on 21 May 2019.

In its work, the Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy. Accordingly, the Nomination Committee gives particular consideration to the importance of an increased diversity on the Board, including gender, age and nationality, as well as depth of experiences, professional backgrounds and business disciplines. Further information may be found in the Nomination Committee's motivated statement regarding the proposal for the Board which was given in connection with the 2018 Annual General Meeting.

The Board of Directors

Board members are elected at the Annual General Meeting for a period ending at the close of the next Annual General Meeting. The Articles of Association contains no restrictions pertaining to the eligibility of Board members. According to the Articles of Association, the number of Board members can be no less than three and no more than nine members elected by shareholders.

The Board of Directors of Modern Times Group MTG AB comprises six Non-Executive Directors. The members of the Board of Directors are David Chance, Simon Duffy, Natalie Tydeman, Donata Hopfen, John Lagerling and Gerhard Florin. The Board of Directors' Chairman David Chance and Directors Simon Duffy, Natalie Tydeman, Donata Hopfen and John Lagerling were re-elected and Gerhard Florin was elected for the first time at the 2018 Annual General Meeting. The 2018 Annual General Meeting also re-elected Joakim Andersson as Director but due to Kinnevik's distribution of its shares in MTG he resigned from his position as Director in July 2018. In 2018, the Board of MTG complied with the Code's provision that the majority of members shall be independent in relation to the company and its management, and that at least two of them also shall be independent in relation to the company's major shareholders (i.e. those with a holding exceeding 10%). Biographical information on each Board member is provided on pages 30-31.

Responsibilities and Duties of the Board of Directors

MTG's Board of Directors is responsible for the overall strategy of the Group and for organizing its administration in accordance with the Swedish Companies Act. The Board's work and delegation procedures, instructions for the Chief Executive Officer, and reporting instructions are updated and approved at least annually following the Annual General Meeting.

As in previous years, a Remuneration Committee and an Audit Committee have been established within the Board. These committees are preparatory bodies of the Board and do not reduce the Board's overall responsibility for the governance of the Company and decisions taken.

The work of the Board

During the year, the Board of Directors held 14 Board meetings. Prior to each ordinary Board meeting, the members receive a written agenda, based on the Board's established rules of procedure, and a complete set of documents for information and decision-making. Recurring items include the company's financial results and position, the market situation, investments and adoption of the financial statements. Reports from the Audit and Remuneration Committees, as well as reports on internal control and financing activities are also regularly addressed. The Chief Executive Officer presents matters for discussion at the meetings, and the Company's CFO and other members of management also participate and present specific matters. The Group General Counsel is the Board's secretary.

The attendance of Board members at Board and committee meetings is presented in the table on page 31.

Important issues addressed during the year include strategic issues, with a particular focus on structural options (such as the split of MTG into two listed companies; the MTG Group and the Nordic Entertainment Group and the preparations for a proposal concerning the distribution of Nordic Entertainment Group), portfolio realignment and digital transformation.

Ensuring Quality in Financial Reporting

The reporting instructions approved annually by the Board include detailed instructions on the type of financial reports and similar information which are to be submitted to the Board. In addition to the full-year report, interim reports and the annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities within the Group.

The Board also reviews, primarily through the Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes in these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and financial reporting processes, as well as internal audit reports submitted by the Group's internal audit function. The Group's external auditors report to the Board as necessary. The external auditor also attends the meetings of the Audit Committee. Minutes are taken at all meetings and are made available to all Board members and to the auditor.

Evaluation of the Board of Directors and the Chief Executive Officer

The Board complies with an annual performance review process to assess how well the Board, its committees and processes are functioning and how they might be improved.

Questions focus on whether the Board is adding value to the organisation and on enhancing its performance through examination of Board structure and composition, its operation and effectiveness, and its role in monitoring the execution of agreed strategies. The survey also includes an individual performance review. Answer options include both a quantitative ranking system as well as an opportunity to provide any relevant comments, particularly in relation to ideas for improvement. At the Q4 Board Meeting the Chairman provides the full Board with a report of the outcome of the Board evaluation process. This summary is also presented by the Chairman and discussed with the Nomination Committee.

In addition, every three years a more extensive Board evaluation is undertaken either by an independent Board member or an external consultant. Last time such an extensive board evaluation was carried out was the year 2017.

Remuneration Committee

The Remuneration Committee comprises Natalie Tydeman as Chairman, David Chance, Gerhard Florin and John Lagerling. The Remuneration Committee's assignments are stipulated in Chapter 9.1 of the Code, and comprise issues concerning salaries, pension terms and conditions, incentive programs and other conditions of employment for the senior executives. The guidelines applied in 2018 are presented in Note 26 for the Group. Minutes are kept at the Remuneration Committee's meetings and are reported to the Board at its next meeting.

Audit Committee

The Audit Committee comprises Simon Duffy as Chairman, Donata Hopfen and Natalie Tydeman. The Audit Committee's assignments are stipulated in Chapter 8, Section 49b of the Swedish Companies Act. These tasks include monitoring MTG's financial reporting and the efficiency of MTG's internal controls and internal audits, as well as maintaining frequent contacts with the external and internal auditors. The Audit Committee's work primarily focuses on the quality and accuracy of the Group's financial accounting and the accompanying reporting, as well as the internal financial controls within MTG. Furthermore, the Audit Committee evaluates the auditors' work, qualifications and independence. The Audit Committee monitors the development of relevant accounting policies and requirements, discusses other significant issues connected with MTG's financial reporting and reports its observations to the Board. Minutes are kept at the Audit Committee's meetings and are reported to the Board at its next meeting.

During 2018, the Company's Corporate Responsibility Advisory Group (which was established in 2013 to support the Board on corporate responsibility topics) was dissolved as it was deemed more appropriate and effective for matters that would have been considered by the Corporate Responsibility Advisory Group to be considered by the full Board and within the Audit Committee's work.

Remuneration of Board Members

The remuneration to the Board members for Board work, and work in the committees of the Board, is proposed by the Nomination Committee 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 to Board members is provided in Note 26, please note that members of both MTG's and Nordic Entertainment Group's Boards have received remuneration for both assignments. Board members do not participate in the Group's incentive plans.

External Auditors

KPMG was elected as MTG's auditor for the financial year 2018 for a term-of-office ending at the end of the 2019 Annual General Meeting. KPMG has been the Group's external auditor since 1997. Joakim Thilstedt, Authorised Public Accountant, has been responsible for the audit of the Company on behalf of KPMG since December 2013. 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 that may result from observations noted during such examination or the implementation of such other tasks. All other tasks are defined as other assignments.

The auditor reports its 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 as necessary.

KPMG provided certain additional services in 2018. These services comprised work in relation to the split of MTG and Nordic Entertainment Group, tax compliance work, advice on accounting issues, and advice on processes and internal controls and other assignments of a similar kind and closely related to the auditing process. For more detailed information concerning the auditors' fees, see Note 27.

Pre-approval of Policies and Procedures for Non-audit related Services

In order to ensure the auditor's independence, the Audit Committee has established pre-approval policies and procedures for non-audit related services to be performed by the external auditor. The policy was approved in November 2018 by the Audit Committee.

Executive Management

At year-end of 2018, the members of the Executive Management in MTG included Chief Executive Officer Jørgen Madsen Lindemann, Chief Financial Officer Maria Redin and seven other people. In February 2019, Jette Nygaard-Andersen left MTG. Biographical information, including shareholding as of 31 December 2018, on each member of the Executive Management is provided on pages 32-33. With effect from and including the date of the distribution of Nordic Entertainment Group AB, i.e. 28 March 2019, the Executive Management of MTG was increased by two people; Arnd Benninghoff, EVP Games & Esports, and Johan Levinsson, Group General Counsel.

Chief Executive Officer

The CEO is responsible for the ongoing management of the Company in accordance with the instructions established by the Board.

In consultation with the Chairman of the Board, the CEO prepares the information and documentation required as a basis for the work of the Board and in order to enable Board members to make well-informed decisions. The CEO is supported by the Executive Management team.

The Board evaluates the performance of the CEO on a regular basis. The Board also held one meeting to evaluate the CEO's performance, without the attendance of the CEO or any other member of management. The CEO and the Executive Management, 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. The Company guidelines and policies issued include financial control, communication practices, brands, business ethics and personnel policies.

Executive remuneration

The existing guidelines for remuneration to senior executives approved at the 2018 Annual General Meeting, as well as information regarding the application of, and the deviations from, the existing guidelines and remuneration for the senior executives paid out during 2018, can be found in Note 26 for the Group. Senior executives covered by these guidelines include the Executive Management.

The Remuneration Committee's evaluation has resulted in the conclusion that there has been compliance with the guidelines for remuneration to the senior executives resolved by the 2017 and 2018 Annual General Meetings during 2018. However, the Board has used its possibility to make an exemption to the guidelines. Due to the split of MTG the condition that part of the STI was to be reinvested in MTG shares was waived in relation to senior executives that after the split are working in the management team of Nordic Entertainment Group. These former MTG senior executives will instead be required to reinvest part of the STI in Nordic Entertainment Group shares following the split. This conclusion has been confirmed by the auditor.

Proposal for 2019 executive remuneration guidelines

The Board proposes the following guidelines for determining remuneration for MTG's CEO and other senior executives (the "Senior Executives") as well as members of the Board if they are remunerated outside their directorship.

Remuneration guidelines

MTG's Remuneration Guidelines is designed to drive and reward company and individual performance, be market competitive to attract and retain key talent, and to incentivise creation of long-term shareholder value.

Total remuneration may consist of fixed salary, variable components in the form of short-term and long-term incentive plans, pension and other benefits/allowances.

Fixed salary

The fixed salary for the Senior Executives shall be competitive and based on their individual responsibilities and performance.

Variable remuneration (STI)

The STI shall be based on fulfilment of established targets for the MTG Group and in the area of responsibility for each of the Senior Executives, respectively. The result shall be linked to pre-determined, measurable targets (qualitative, quantitative, general, individual). The targets within each area of responsibility are defined to promote MTG's development in the short and long-term.

The maximum payment under the STI shall generally not exceed 100 percent of Senior Executive's individual fixed salary.

Variable remuneration (LTI)

The LTI shall be linked to pre-determined performance criteria, and may be both share and share price related as well as cash based.

Pension and other benefits

All benefits/allowances including pensions follow the competitive market practice in the applicable country of the Senior Executive's employment or residence.

Notice of termination and severance pay

Notice period can be up to 12 months depending on the local country's market practice, but in any event compensation paid during the notice period plus any additional severance payment will not together exceed an amount equivalent to the individual's 24 months fixed salary.

Deviation from the guidelines

The Board may deviate from the above guidelines on a case by case basis. For example, additional variable remuneration or cash payments may be paid in the case of exceptional performance or in special circumstances such as recruitment or retention. In such cases the Board will explain the reason for the deviation at the following Annual General Meeting.

Internal control report

The processes for internal control, risk assessment, control activities, information and communication, 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 Stockholm. This process involves the Board, Executive Management and other personnel.

Control environment
The Board has specified a set of instructions and working processes 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 monitoring internal audit and establishing accounting policies 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 segments in which a number of items are identified and analysed. 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. The process involves all Group companies, segments and business units. Overall coordination is conducted centrally by the Group's Risk Management function. In addition, a Risk Committee comprising Group top management representatives is tasked with providing a groupwide overview and a basis for decision-making regarding risk management. Risk management is performed through an appropriate balance between preventive and risk-reducing measures. The most important aspects are regulation compliance, license requirements, legal change, information and IT security, political and economic risks. The respective managers are in charge of risk management in the Group's companies, segments and business units. The responsibility encompasses the day-to-day work focused on operational and other relevant risks, and on leading risk management activities in their own areas of responsibility. The managers are supported by central Group functions.

Information and communication
Guidelines used in the Company's financial reporting are updated and communicated to the employees concerned on an ongoing basis. 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 capital markets.

Follow-up
The Board of Directors regularly evaluates the information provided by the Executive Management and the Audit Committee. The Board receives regular updates of the Group's development between the meetings. The Group's financial position, 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 following up on internal control activities. This work includes ensuring that measures are taken to deal with any inaccuracy and following 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.

Board of Directors

David Chance
Chairman of the Board,
American and British, born 1957
Elected 1998

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

Member of the Remuneration Committee.

Independent of the Company and management and independent of major shareholders.

Direct or related person ownership: 3,565 MTG class B per 31 December 2018.

John Lagerling
Non-Executive Director,
Swedish, born 1976
Elected 2016

John was appointed as Executive Director, Chief Executive Officer US and Global Chief Business Officer of Mercari, a leading community-powered marketplace, in June 2017. John held the position as Vice President of Business Development, Mobile and Product Partnerships at Facebook, where he headed the global business development, mobile partnerships and other new partner dependent initiatives, between 2014 – 2017. Prior to joining Facebook, John spent seven years at Google holding various leadership positions, including Director of Android Global Partnerships. John holds an MSc in Marketing and International Business from the Stockholm School of Economics.

Member of the Remuneration Committee.

Independent of the Company and management and independent of the major shareholders.

Direct or related person ownership: 0 shares per 31 December 2018.

Donata Hopfen
Non-Executive Director,
German, born 1976
Elected 2016

Donata is a Digital Transformation Driver and has been the CEO / Managing Director of Verimi from October 2017 to May 2018. Previously Donata was the Publishing Director and Head of the Management Board of BILD Group, Europe's largest newspaper and Germany's largest digital news portal, since May 2014. Before that Donata was the Managing Director of BILD's digital and mobile activities. Donata joined Axel Springer in 2003 and has held various positions including responsibility for business development and product management at BILD.T-Online, and head of business development in Axel Springer's electronic media department. Donata is also a member of the Digital Expert Board of Deutsche Postbank AG and a member of the Foundation Board of SWAB. Donata holds diplomas in European business administration from the Universities of Madrid and Reutlingen.

Member of the Audit Committee.

Independent of the Company and management and independent of the major shareholders.

Direct or related person ownership: 0 shares per 31 December 2018.

Gerhard Florin
Non-Executive Director
German, born 1959
Elected 2018

Gerhard has spent over 20 years in the entertainment and gaming industry, and currently serves on the Boards of MTG's subsidiary InnoGames and Codemasters PLC, a UK based games publishing company. Gerhard has previously served on the Boards of Funcom, Kobojo and King Digital Entertainment, and was Chairman of the latter between 2014 and 2016. Between 2006 and 2010, Gerhard served as an Executive Vice President and General Manager of Publishing at Electronic Arts, being responsible for the company's worldwide publishing business, prior to which he held various positions in Electronic Arts' German and British operations. Before joining Electronic Arts, Gerhard worked at Bertelsmann Music Group and McKinsey. Gerhard holds Master's and PhD degrees in Economics from the University of Augsburg in Germany.

Member of the Remuneration Committee.

Independent of the Company and management, and independent of major shareholders.

Direct or related person ownership: 0 shares per 31 December 2018.

Natalie Tydeman
Non-Executive Director
British, born 1971
Elected 2017

Natalie is Managing Partner of VT Partners LLP. Between 2007 and 2016, Natalie was at GMT Communications Partners, one of Europe's leading private equity specialists in the media and communications sectors, where she became Partner in 2010 and later promoted to Senior Partner in 2014. Natalie helped launch Excite in Europe, built Discovery Communications' European internet operations, was Managing Director of Fox Kids Europe's Online & Interactive division, and led Fremantle Media's business diversification and corporate venturing activities as Senior Vice President. Natalie is also a Trustee of Nesta, a charitable foundation focused on increasing the innovation capacity of the United Kingdom, where she chairs the Venture Investment Committee and Nesta Investment Management. Natalie is also a board member of Nordic Entertainment Group AB. Natalie has also been a Trustee of the Central British Fund and director of Seagull AS. Natalie holds a BA in Mathematics from the University of Oxford and an MBA from Harvard Business School.

Chairman of the Remuneration Committee and member of the Audit Committee.

Independent of the Company and management and independent of the major shareholders.

Direct or related person ownership: 0 shares per 31 December 2018.

Simon Duffy
Non-Executive Director
British, born 1949
Elected 2008

Simon was Executive Chairman of Tradus plc until the company's sale in March 2008. 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 is also a Non-Executive Chairman of YouView TV Ltd., as well as a Non-Executive Director of Oger Telecom Limited, Wizz Air Holdings Plc, Nordic Entertainment Group AB and Telit Communications Plc. Simon has also served as chairman of the board of Bwin.party digital entertainment plc and Mblox Inc. as well as board member of Millicom International Cellular and Avito AB. Simon is a Master's graduate of the University of Oxford and holds an MBA from Harvard Business School.

Chairman of the Audit Committee.

Independent of the Company and management and independent of the major shareholders.

Direct or related person ownership: 1,750 MTG class B shares per 31 December 2018.

Board of Directors and attendance at Board and Committee meetings 2018

Board of Directors	Board meeting attendance[1), 2)]	Audit Committee attendance[1)]	Remuneration Committee attendance[1)]	Corporate Responsibility Advisory Group attendance[3)]	Independent of major shareholders	Independent of company and its management
David Chance	14/14	–	6/6	–	Yes	Yes
John Lagerling	12/14	–	6/6	–	Yes	Yes
Donata Hopfen	14/14	7/7	–	–	Yes	Yes
Gerhard Florin	6/14	–	4/6	–	Yes	Yes
Natalie Tydeman	13/14	7/7	2/6	–	Yes	Yes
Simon Duffy	14/14	7/7	–	–	Yes	Yes
Joakim Andersson	7/14	3/7	2/6	–	No	Yes

[1)] Gerhard Florin was elected as new Director of the Board of Directors at the Annual General Meeting held on 22 May 2018. Immediately after the Annual General Meeting, Gerhard Florin was appointed as member of the Remuneration Committee. In July 2018, Joakim Andersson resigned from his position as Director and Natalie Tydeman was appointed as Chairman of the Remuneration Committee.

[2)] The total number of meetings during 2018 were fourteen, of which seven were held prior to the Annual General Meeting held on 22 May 2018 and seven were held following the 2018 Annual General Meeting.

[3)] During 2018, the Company's Corporate Responsibility Advisory Group (which was established in 2013 to support the Board on corporate responsibility topics) was dissolved as it was deemed more appropriate and effective for matters that would have been considered by the Corporate Responsibility Advisory Group to be considered by the full Board and within the Audit Committee's works.

Group management

Jørgen Madsen Lindemann
President & CEO,
Danish, born 1966

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, prior to which he was 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 Zalando, Turtle Entertainment, The International Emmy Association in New York, and non-profit organisation Reach For Change.

Direct or related person ownership: 71,321 MTG class B shares per 31 December 2018.

Maria Redin
CFO,
Swedish, born 1978

Maria was appointed as Chief Financial Officer of MTG in December 2015. She previously served as Acting Chief Financial Officer from June to November 2015. She has also held a number of senior positions at MTG, including Head of Group Finance and Group Controller. Her roles in the Group have included the positions of CFO, and later CEO, of MTG's former gaming entertainment company Bet24, as well as a number of financial positions, and she started her career at MTG as a management trainee in 2004. Maria has been a Member of the Board of Directors at NetEnt since 2012. She holds a Masters degree in International Business from the University of Gothenburg.

Direct or related person ownership: 4,486 MTG class B shares per 31 December 2018.

Jette Nygaard-Andersen
EVP; CEO of MTG International Entertainment and
MTGx Digital Video Content,
Danish, born 1968

Jette was appointed EVP and CEO of MTG International Entertainment in May 2015. She previously served as EVP of the Group's Nordic pay-TV broadcasting operations from June 2013, directing and overseeing the management of MTG's pay-TV operations across the Nordic and Baltic regions, which included the Viasat satellite pay-TV platform and the B2B elements of the Viaplay streaming service. Jette was acting CEO of the Group's Nordic pay-TV broadcasting operations between October 2012 and March 2013. Jette started at MTG in 2003 and has held a number of managerial positions, among them CEO of Viasat Denmark 2011-2013. She is a member of the Boards of Nova, Turtle Entertainment and Engage Sports Media, and Chairperson of the Board of Zoomin.TV. Before joining MTG, Jette was a strategy management consultant at Accenture working in the telecommunications and media industry and held positions at Maersk Group. She also holds a Board position in Coloplast A/S, which is listed on Nasdaq Copenhagen. Jette graduated with an M.Sc in Business, Finance and Economics from the University of Copenhagen.

Direct or related person ownership: 13,149 MTG class B shares per 31 December 2018.

Peter Nørrelund
EVP; Head of Product Development and Incubation, and
Co-CEO of DreamHack,
Danish, born 1971

Peter was appointed EVP, Head of Product Development and Incubation, and Co-CEO of DreamHack in May 2018. He previously served as EVP and CEO of MTG Sport from March 2016 and as COO of Turtle Entertainment from February 2017. Peter joined MTG in 2003 and headed up the Danish sports operations from 2004. He has been responsible for all sports rights' acquisitions across the Group since 2006 and was appointed MTG Head of Sport in 2013. Peter has a degree in journalism from the Danish School of Media & Journalism, and prior to joining MTG he worked as a reporter, commentator, host and Editor in Chief at Danish public service broadcaster DR.

Direct or related person ownership: 8,093 MTG class B shares per 31 December 2018.

Anders Jensen
President & CEO of Nordic Entertainment Group, Swedish, born 1969

Anders was appointed President & CEO of NENT Group in April 2018 after serving as EVP, CEO of MTG Nordic Entertainment. Anders joined MTG Sweden in 2014, prior to which he held senior positions at a number of Europe's leading telecommunications, retail and consumer goods companies. These roles included Senior Executive Vice President at TDC Group, where he ran the Consumer division and was also Chief Marketing Officer; CEO of Telenor, the second largest mobile operator in Hungary; CEO of Grameenphone, the market leading telecommunications service provider in Bangladesh; and Chief Marketing Officer of Vodafone / Telenor in Sweden.

Direct or related person ownership: 9,391 MTG class B shares per 31 December 2018.

Gabriel Catrina
EVP; CFO of NENT Group and Head of Strategy and M&A, Argentinian, born 1974

Gabriel was appointed Chief Financial Officer at NENT Group on May 29, 2018, a role that he combines with his position as EVP, Head of Strategy and M&A at NENT Group. Before that, Gabriel served as Chief Strategy Officer at MTG AB from March 2016. He joined MTG in September 2013 as Head of Group Strategy and has since been driving strategy for MTG and has worked closely with the Group's operating businesses. Gabriel was previously Head of the Media, Communications and Technology Practice for management consulting firm Booz & Company in the Nordics, where he spent eight years advising leading companies globally on strategy, innovation and operations. Gabriel has worked in C-level and business development positions in the US, Europe and Latin America, including three years as CFO and COO of Argentinian digital education company Educ.ar, and five years as VP of Business Development in Europe & Latin America for US-based telecommunications software company TCS. Gabriel has an MBA from the Stockholm School of Economics in Sweden and an M.Sc in Business Administration from UCC in Argentina.

Direct or related person ownership: 3,109 MTG class B shares per 31 December 2018.

Jakob Mejlhede Andersen
EVP; Group Head of Content, Danish, born 1973

Jakob was appointed EVP and Group Head of Content at NENT Group in April 2018. He holds responsibility for content acquisition, programming and development for NENT Group's pay-TV channels, on demand services and free-TV businesses. The role also includes format sourcing and co-productions. He is also on the Board of DRG. Before that Jakob served as EVP, Group Head of Programming and Content Development at MTG from March 2015. He joined MTG in 2005 and became Senior Vice President of Acquisitions & Programming in 2009. Jakob previously worked as Programme Director for SBS TV in Denmark and as Executive Producer for TV2 Denmark. Jakob has a journalism degree from the Danish School of Media and Journalism.

Direct or related person ownership: 12,236 MTG class B shares per 31 December 2018.

Matthew Hooper
EVP; Group Head of Corporate Affairs and CEO of NENT Group UK, British, born 1970

Matthew was appointed EVP, Group Head of Corporate Affairs and CEO of NENT Group UK in April 2018. Matthew has held the position of EVP and Head of Corporate Communications at MTG since February 2013 with responsibility for Group-wide Corporate Communications including brand development and experience; public, investor and government relations; corporate responsibility; and employee communications, as well as MTG's digital channels and corporate events. He joined MTG in 2011 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 the University of Oxford.

Direct or related person ownership: 13,900 class B shares per 31 December 2018.

Financial Reports

Content

Consolidated income statement

(SEK million)	Note	2018	2017
Continuing operations			
Net sales	3, 4	19,742	17,537
Cost of goods and services		–12,273	–10,971
Gross income		**7,469**	**6,566**
Selling expenses		–2,081	–1,639
Administrative expenses		–3,869	–3,706
Other operating income	6	215	117
Other operating expenses	6	–157	–83
Share of earnings in associated companies and joint ventures	7	–5	8
Items affecting comparability	10	10	–340
Operating income	3, 4, 5, 11, 12, 24, 26, 27, 29	**1,581**	**923**
Net interest	8	–5	–24
Other financial items	8	–45	–40
Income before tax		**1,532**	**859**
Tax expenses	9	–367	–247
Net income for the year, continuing operations		**1,165**	**612**
Discontinued operations			
Czech, the Baltics and Africa	30	–5	748
Net income for the year, discontinued operations		**–5**	**748**
Total net income for the year		**1,160**	**1,360**
Net income for the year, continuing operations, attributable to:			
Equity holders of the parent company		1,043	546
Non-controlling interest		122	66
Total net income for the year, continuing operations		**1,165**	**612**
Total net income for the year, attributable to:			
Equity holders of the parent company		1,038	1,250
Non-controlling interest		122	110
Total net income for the year		**1,160**	**1,360**
Continuing operations			
Basic earnings per share (SEK)	17	15.60	8.19
Diluted earnings per share (SEK)	17	15.48	8.13
Total operations			
Total basic earnings per share (SEK)	17	15.52	18.73
Total diluted earnings per share (SEK)	17	15.40	18.61
Number of shares			
Shares outstanding at the end of the period		66,980,902	66,725,249
Basic average number of shares outstanding	17	66,854,133	66,706 398
Diluted average number of shares outstanding	17	67,362,405	67,142,319

Consolidated statement of comprehensive income

(SEK million)	Note	2018	2017
Net income for the year, continuing operations		1,165	612
Other comprehensive income			
Items that are or may be reclassified to profit or loss net of tax:			
Change in currency translation differences	18	261	36
Cash flow hedge	18	68	–121
Other comprehensive income, continuing operations		**329**	**–85**
Total comprehensive income, continuing operations		**1,494**	**527**
Net income for the year, discontinued operations	30	–5	748
Other comprehensive income			
Items that are or may be reclassified to profit or loss net of tax:			
Change in currency translation differences	18	–3	–54
Total comprehensive income, discontinued operations		**–8**	**693**
Total comprehensive income for the year		**1,486**	**1,221**
Attributable to:			
Equity holders of the parent company		1,303	1,098
Non-controlling interest		183	123
Total comprehensive income for the year		**1,486**	**1,221**

Consolidated balance sheet

(SEK million)	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	11		
Capitalised expenditure		519	500
Trademarks		1,350	1,385
Customer relations and other		877	636
Goodwill		6,159	6,363
Total intangible assets		**8,904**	**8,884**
Tangible assets	12		
Machinery		55	68
Equipment, tools and installations		215	204
Total tangible assets		**270**	**272**
Long-term financial assets	7		
Shares and participations in associated companies and joint ventures		46	75
Receivables from associated companies		9	10
Shares and participations in other companies		88	9
Other long-term receivables		141	141
Total long-term financial assets		**284**	**236**
Deferred tax assets	9	232	272
Total non-current assets		**9,690**	**9,664**
Current assets			
Inventories			
Finished goods and merchandise		73	89
Program rights		2,352	2,072
Advances to suppliers		18	22
Total inventories		**2,443**	**2,183**
Current receivables			
Accounts receivables	15	1,683	1,969
Accounts receivables, associated companies		2	2
Tax receivables		44	63
Other current receivables, interest-bearing		0	2
Other current receivables, non interest-bearing		478	171
Prepaid programming expense		2,875	2,509
Prepaid expense and accrued income		1,316	1,313
Assets held for sale[1]		931	16
Total current receivables		**7,330**	**6,045**
Cash and cash equivalents		862	1,394
Total current assets		**10,634**	**9,622**
Total assets		**20,324**	**19,285**

[1] Relates to Nova Group in 2018 and to the Czech Republic, Baltic and African companies (excluding Trace) in 2017.

(SEK million)	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	18		
Share capital		338	338
Other paid-in capital		203	189
Reserves		–95	–345
Retained earnings including net income for the year		5,231	4 997
Total equity attributable to equity holders of the parent company		**5,678**	**5 179**
Non-controlling interest			
Non-controlling interest		1,320	1,393
Total equity		**6,997**	**6,572**
Non-current liabilities	22		
Interest-bearing			
Bond loan		500	500
Other interest-bearing liabilities		–	95
Total non-current interest-bearing liabilities		**500**	**595**
Non-interest-bearing			
Non-interest bearing liabilities		6	48
Deferred tax liabilities	9	828	815
Provisions	19	229	359
Liabilities at fair value	22	405	829
Total non-current non-interest-bearing liabilities		**1,469**	**2,052**
Total non-current liabilities		**1,969**	**2,648**
Current liabilities	22		
Interest-bearing			
Liabilities to financial institutions		3,179	2,625
Other interest-bearing liabilities		0	3
Total current interest-bearing liabilities		**3,179**	**2,628**
Non-interest-bearing			
Advances from customers		596	564
Accounts payable	22	1,947	1,791
Tax liabilities		307	207
Provisions	19	169	158
Liabilities at fair value	22	37	176
Other liabilities		466	656
Accrued programming expense		2,364	2,069
Accrued expense and deferred income		1,912	1,800
Liabilities related to assets held for sales[1]		380	18
Total current non-interest-bearing liabilities		**8,178**	**7,438**
Total current liabilities		**11,357**	**10,066**
Total liabilities		**13,326**	**12,713**
Total equity and liabilities		**20,324**	**19,285**

[1] Relates to Nova Group in 2018 and to the Czech Republic, Baltic and African companies (excluding Trace) in 2017.
For information about pledged assets and contingent liabilities, see note 21.

Consolidated statement of changes in equity

(SEK million)	Share capital	Paid-in capital	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Retained earnings incl. net income for the year	Total	Non-controlling interest	Total equity
	Equity attributable to the equity holders of the parent company									
Balance as of 1 January 2017	**338**	**1,797**	**–289**	**110**	**0**	**–12**	**2,865**	**4,809**	**207**	**5,016**
Net income for the year							1,250	**1,250**	110	**1,360**
Other comprehensive income			–31	–121				**–152**	13	**–139**
Total comprehensive income for the year 2017			**–31**	**–121**	**–**	**–**	**1,250**	**1,098**	**123**	**1,221**
Dividends to shareholders (SEK 12.00 per share)							–800	**–800**		**–800**
Dividends to shareholders with non-controlling interests								**–**	–4	**–4**
Change in non-controlling interest								**–**	1,067	**1,067**
Effect of share-based programmes							73	**73**		**73**
Balance as of 31 December 2017	**338**	**1,797**	**–320**	**–11**	**0**	**–12**	**3,387**	**5,179**	**1,393**	**6,572**
Net income for the year							1,038	**1,038**	122	**1,160**
Other comprehensive income			197	68				**265**	61	**326**
Total comprehensive income for the year 2018			**197**	**68**	**–**	**–**	**1,038**	**1,303**	**183**	**1,486**
Dividends to shareholders (SEK 12.50 per share)							–834	**–834**		**–834**
Dividends to shareholders with non-controlling interests								**–**	–257	**–257**
Change in non-controlling interest								**–**	1	**1**
Effect of share-based programmes							30	**30**		**30**
Balance as of 31 December 2018	**338**	**1 797**	**–123**	**57**	**0**	**–12**	**3,621**	**5,678**	**1,320**	**6,997**

For information about changes in equity for the Group, see note 18.

Consolidated statement of cash flow

(SEK million)	Note	2018	2017
Cash flow from operations			
Net income for the year		1,165	612
Adjustments to reconcile net income/loss to net cash provided by operations	23	457	699
Cash flow from operations, continuing operations		**1,622**	**1,311**
Changes in working capital			
Increase (-)/decrease (+) net programme inventories		–454	–717
Increase (-)/decrease (+) other current receivables		–448	–213
Increase (+)/decrease (-) accounts payable		224	–228
Increase (+)/decrease (-) other current liabilities		109	433
Total change in working capital		**–568**	**–725**
Net cash flow from operations, continuing operations		**1,054**	**586**
Investing activities			
Investment in other non-current assets		–765	–330
Acquisitions of subsidiaries and associates	29	–235	–1,250
Divestments of subsidiaries and associates	30	297	2,013
Other cash flow from investing activities		–76	32
Cash flow from investing activities, continuing operations		**–779**	**465**
Financing activities			
Change in short-term borrowings		452	190
New long-term borrowings		–	37
Decrease of other long-term receivables		32	228
Dividends to shareholders		–834	–800
Dividends to shareholders with non-controlling interest		–257	–4
Cash flow from financing activities, continuing operations		**–608**	**–349**
Total cash flow, continuing operations		**–333**	**703**
Cash flow, discontinued operations		**–8**	**42**
Cash flow from the year		**–341**	**745**
Cash and cash equivalents at beginning of year		**1,394**	**666**
Translation differences in cash and cash equivalents		30	2
Change in cash and cash equivalents reclassified to assets held for sale		–221	–19
Cash and cash equivalents at end of year		**862**	**1,394**

Parent company income statement

(SEK million)	Note	2018	2017
Net sales		36	49
Gross income		**36**	**49**
Administrative expenses	26, 27	–256	–361
Operating loss		**–220**	**–312**
Interest income and other financial income	8	214	244
Interest expense and other financial costs	8	–37	–44
Results from shares in subsidiaries	8	–	63
Income before tax and appropriations		**–43**	**–49**
Group contribution		687	407
Untaxed reserves, tax allocation reserve		–149	–90
Income before tax		**495**	**268**
Tax expenses	9	–24	–59
Net income for the year		**471**	**209**

Parent company statement of comprehensive income

(SEK million)	2018	2017
Net income for the year	471	209
Other comprehensive income	–	–
Total comprehensive income for the year	**471**	**209**

Parent company balance sheet

(SEK million)	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	11		
Capitalised expenditure		0	0
Total intangible assets		**0**	**0**
Tangible assets	12		
Equipment, tools and installations		2	0
Total tangible assets		**2**	**0**
Long-term financial assets			
Shares and participations in group companies	13	8,024	6,339
Receivables from group companies	14	12,067	9,941
Shares and participations in other companies		1	1
Other long-term receivables		10	35
Total long-term financial assets		**20,102**	**16,316**
Total non-current assets		**20,104**	**16,316**
Current assets			
Current receivables			
Receivables from group companies		4,603	781
Tax receivables		–	13
Other receivables		55	75
Prepaid expense and accrued income	16	15	7
Total current receivables		**4,673**	**877**
Cash and cash equivalents		24	844
Total current assets		**4,697**	**1,721**
Total assets		**24,801**	**18,037**

Cont. Parent company balance sheet

(SEK million)	Note	31 Dec 2018	31 Dec 2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	18		
Restricted equity			
Share capital (67,647,124 shares)		338	338
Total restricted equity		**338**	**338**
Non-restricted equity			
Premium reserve		267	267
Fair value reserve		0	0
Retained earnings		4,265	4,885
Net income for the year		471	209
Total non-restricted equity		**5,003**	**5,361**
Total shareholders' equity		**5,341**	**5,699**
Untaxed reserves, tax allocation reserve		239	90
Non-current liabilities			
Interest-bearing	22		
Bond loan		500	500
Total non-current interest-bearing liabilities		**500**	**500**
Non-interest bearing			
Liabilities to group companies		10	35
Provisions		5	13
Total non-current non-interest-bearing liabilities		**14**	**48**
Total non-current liabilities		**514**	**548**
Current liabilities			
Interest-bearing			
Liabilities to group companies		15,231	8,602
Liabilities to financial institutions	22	3,179	2,625
Total current interest-bearing liabilities		**18,410**	**11,227**
Non–interest–bearing			
Accounts payable		17	12
Liabilities to group companies		141	299
Tax payables		35	–
Other liabilities		58	85
Accrued expense and deferred income	20	46	77
Total current non–interest–bearing liabilities		**296**	**473**
Total current liabilities		**18,706**	**11,700**
Total liabilities		**19,460**	**12,338**
Total shareholders' equity and liabilities		**24,801**	**18,037**

For information about pledged assets and contingent liabilities, see note 21.

Parent company statement of changes in equity

	Restricted equity	Non-restricted equity			
(SEK million)	**Share capital**	**Premium reserve**	**Fair value reserve**	**Retained earnings incl. net income for the year**	**Total**
Balance as of 1 January 2017	**338**	**267**	**0**	**5,646**	**6,252**
Net income for the year				209	**209**
Other comprehensive income					**-**
Total comprehensive income for the year 2017			**–**	**209**	**209**
Dividends to shareholders				−800	**−800**
Effect of share-based programmes				38	**38**
Balance as of 31 December 2017	**338**	**267**	**0**	**5,093**	**5,699**
Net income for the year				471	**471**
Other comprehensive income					**-**
Total comprehensive income for the year 2018			**–**	**471**	**471**
Dividends to shareholders				−834	**−834**
Effect of share-based programmes				6	**6**
Balance as of 31 December 2018	**338**	**267**	**0**	**4,735**	**5,341**

For information about changes in equity for the Parent company, see note 18.

Parent company cash flow statement

(SEK million)	Note	2018	2017
Cash flow from operations	23		
Net income for the year		471	209
Adjustments to reconcile net income/loss to net cash provided by operations:			
Depreciation and write-downs	11, 12	0	1
Appropriations, group contribution and untaxed reserves		–538	–317
Unrealised change in LTIP schemes value		6	38
Change in provisions		–8	11
Unrealised exchange difference	8	3	–2
Total adjustments to reconcile net income/loss to net cash provided by operations		**–537**	**–268**
Cash flow from operations		**–66**	**–60**
Changes in working capital			
Increase (–)/decrease (+) short-term receivables		857	182
Increase (+)/decrease (–) accounts payable		2	11
Increase (+)/decrease (–) other liabilities		–153	52
Total changes in working capital		**705**	**245**
Net cash flow from operations		**639**	**186**
Investing activities			
Investment in non-current assets		–2	0
Proceed from liquidation of subsidiary		0	0
Cash flow from investing activities		**–2**	**0**
Financing activities			
Receivables/liabilities from group companies		–1,177	662
Dividends to shareholders		–834	–800
New long-term borrowings		–	–
Change in short-term borrowings		554	190
Cash flow from financing activities		**–1,457**	**52**
Cash flow from the year		**–819**	**238**
Cash and cash equivalents at beginning of year		**844**	**606**
Cash and cash equivalents at end of year		**24**	**844**

Note 1 Accounting and valuation principles

Modern Times Group MTG AB (MTG) is a company domiciled in Sweden. The Company's registered office is located at Skeppsbron 18, P.O. Box 2094, SE-103 13 Stockholm, Sweden. The consolidated financial statements of the Company for the year ended 31 December 2018 comprise the Company and its subsidiaries and their share of participation in joint ventures and associated companies.

The financial statements were authorised for issue by the Board of Directors on 2 April 2019. The consolidated income statement and statement of financial position, and the income statement and the balance sheet of the parent company will be presented for adoption by the Annual General Meeting on 21 May 2019.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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 Annual report.

The consolidated accounts have been prepared based on the acquisition values except that the following assets and liabilities are stated at their fair value: derivative financial instruments, contingent considerations and financial instruments classified as financial assets measured at fair value. The changes in the value of instruments clasified as financial assets measured at fair value are reported in other comprehensive income until derecognised, with the exception of assets with a significant long-term decrease in value where the value change is reported in the income statement.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated below. For information on accounting for certain line items, see each note.

Change in accounting principles and new accounting standards

The Group's consolidated accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2017 Annual Report except for the implementation of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers.

IFRS 9 Financial instruments

This standard addresses the classification, measurement, recognition, impairment and derecognition of financial instruments. It also addresses general hedge accounting. The standard has not had any material impact on the Group's financial position or result. The standard was effective for annual periods beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

The standard replaces IAS 11 Construction Contracts and IAS 18 Revenue and establishes a new framework for determining when and how much revenue to recognise. The standard introduces a five-step model to be applied to all contracts with customers in order to establish the revenue recognition. The standard has not had any significant effects on the timing and the amount of revenue recognised in the Group's consolidated accounts. For further information and disclosures related to revenue recognition see Note 3. IFRS 15 was effective for annual periods beginning on or after 1 January 2018.

New and amended Accounting standards and interpretations in 2019

The following new standard has been issued and will be applied for the financial year 2019:

IFRS 16 Leases

A new standard for lease accounting – IFRS 16 Leases – will be introduced with effect from 1 January 2019. The main changes are the following: For the lessee, the classification according to IAS 17 of operating and finance leases is replaced by a single lease accounting model. All leases should be recognised on the balance sheet as a right-of-use asset and lease liability. Leases of low value assets, as well as leases of 12 months or less, are exempt from the requirements. The expense for operating leases will be replaced by depreciation on the right-of-use asset, and interest expense on the lease liability. The depreciation of lease assets must be separately recognised from the interest on lease liabilities in the income statement. This will increase operating income at the expense of the financial net, and front load the expenses due to linear depreciation but diminishing interest expense. The Group has identified the following categories of leases: offices, cars and car parks. Studio equipment is normally leased short-term, and most types of leased office furniture and personal IT equipment are of low value and are therefore out of scope. MTG has decided to apply the modified retrospective method, which implies no restatements of previous periods. It is expected that a right-of-use asset and a leasing obligation amounting to approximately SEK 1,100 million will be recognised with the first application of the standard on 1 January 2019. The lease obligation will be included in the net debt calculation, and the Net debt/EBITDA ratio will include the impact of the new standard in both the denominator and the numerator of the calculation. The Group's debts covenants will not be impacted by the change. The impact on the income statement is not expected to be material, but it will lead to a partial reclassification of lease expenses from operating income to financial expenses. See note 24 for more information on operational leases in the Group. The standard is effective for annual periods beginning on or after 1 January 2019.

Other new and changed Accounting standards and interpretations are not judged to have any material effect on the Group's financial reports.

New and amended Accounting standards and interpretations after 2019

The Group has not made any early adoptions of new or changed Accounting standards and interpretations effective after 31 December 2019.

Consolidated accounts

The consolidated accounts include the Parent company, all subsidiaries and the share of participation in joint ventures and associated companies.

Subsidiaries

Subsidiaries are companies in which the Group exercises control, meaning that the Group has power over the subsidiary and has exposure or rights to its variable returns. The Group must also have the ability to use the power to affect the return from the subsidiary. For all companies in which the Group holds more than 50% of the votes the criteria's of control are fulfilled and the companies are consolidated as subsidiaries.

All business combinations are accounted for in accordance with the purchase method. At the date of acquisition, the acquired assets and assumed liabilities (net identifiable assets) are measured at fair value. The difference between the acquisition value of shares in a subsidiary and identifiable assets and liabilities measured at fair values at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of identifiable net assets acquired is recognised in the profit and loss in the period of acquisition. Acquisition related costs are expensed as incurred. Results for companies acquired during the year are included in the consolidated statement of comprehensive income from the date of acquisition.

Non-controlling interest
In subsidiaries not wholly owned, the share of equity owned by external shareholders is recorded as non-controlling interest. There are two alternatives for the recognition of non-controlling interests. One alternative is to recognise the non-controlling interest at its share of fair value of the acquired company; another alternative is to recognise the non-controlling interests at its share of the fair value of the acquired net assets. The former method (the full goodwill methods) leads to a higher value of non-controlling interest and goodwill than the later method (the partial goodwill method). The choice of method is made for each acquisition separately.

Associated companies
Associated companies are reported based on the equity method. An associated company is a company in which the Group exercises significant influence. Normally, this means companies in which the Group holds voting rights of at least 20% and no more than 50%.

Joint ventures
Joint ventures are arrangements in which two or more parties have joint control and have rights to the net assets of the arrangement. Joint ventures are recognised according to the equity method (see Associated companies).

Discontinued operations/Assets held for sale
Discontinued operations refer to companies that have been disposed of or have been classified as held for sale and the companies represent a separate major line of business or geographical area of operations. The group usually classifies a company as an Assets held for sale when there is signed agreement to divest the company. Result and cash flow from discontinued operations are presented separate from result and cash flow from continuing operations.

Functional currency and reporting currency
The functional currency of the parent company is the Swedish krona (SEK). This is also the reporting currency for the Group and the parent company.

Financial statements of foreign operations
The balance sheets of the Group's foreign subsidiaries are translated into Swedish krona (SEK). The translation is based on the exchange rates ruling at the balance sheet date, while the income statements are translated using an average rate for the period. The resulting translation differences are charged in other comprehensive income and accumulated in the translation reserve in equity. The accumulated translation differences are reclassified to the income statement when the foreign operation is divested.

Parent company
The Parent company has prepared the Annual Report according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. RFR 2 involves application of all IFRSs and interpretations endorsed by the European Commission, except where the possibility to apply IFRS is restricted by the Swedish Company Act and due to tax rules. Holdings in subsidiaries are recognised in the Parent Company according to the purchase method which means that the transaction costs are included in the recognised value of shares in subsidiaries. The Group recognises these costs in the income statement immediately when occurred.

Group contributions
Group contributions received and paid are recognised as appropriations in the income statement.

Untaxed reserves
Untaxed reserves in the parent company comprise a tax allocation reserve. The reserve makes it possible to defer tax, and hence even out the tax cost between years.

Shareholders' contribution
Shareholders' contribution paid is recognised as an increase in shares in subsidiaries. When the contribution is given to cover losses made, an impairment test is made. Impairment is recognised in the income statement.

Note 2 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Board of Directors and the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates are reviewed by the Audit Committee.

Key sources of estimation uncertainty
Note 11 and 29 contain information of the assumptions and the risk factors relating to goodwill impairment. Litigations and provisions made are reported in note 19.

Goodwill and other intangible assets
Intangible assets, except goodwill and intangible assets with indefinite useful lives, are amortised and depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue.

Goodwill and intangible assets with indefinite useful lives are subject to impairment tests yearly or when triggered by events. The impairment review requires management to determine the fair value of the cash generating units on the basis of cash flow projections and internal forecasts and business plans. For further information, see note 11 Intangible assets.

Note 2, continued

Valuation of liabilities at fair value
The calculation of fair values of options, to acquire non-controlling interests of acquired subsidiaries, and contingent considerations are based on terms defined in agreements set up in connection with the acquisitions. The valuations are usually based on projections and forecasts of future revenues and operating margin. The outcome of revenues and operating margin could deviate from projections and forecast, and, as a result of this, affect the valuation and the eventual consideration for non-controlling interests. This deviation would impact the income for the period and the financial position.

Depreciation and amortisation of beneficial rights and programme rights inventory
Depreciation and amortisation of beneficial rights and programme rights inventory are expensed in accordance with the estimated broadcasting period. A higher proportion of the costs are expensed in the beginning of the broadcasting period than the following years. The estimated broadcasting period could change, and, as a result of this, affect the income for the period and the financial position. For further information, see note 3 Revenue accounting and note 11 Intangible assets.

Provisions and contingent liabilities
A provision is recognised when a present obligation exist as a result of a past event, it is probable that economic resources will be transferred, and reliable estimates can be made of the amount of the obligation. In such a case, a provision is calculated and recognised in the balance sheet. A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group's control, or when it is not possible to calculate the amount. Realisation of any contingent liability which is not disclosed or for which no amount is not currently recognised could have a material impact on the Group's financial position.

The Group regularly reviews significant outstanding litigations in order to assess the need for provisions. Among the factors considered, are the nature of the litigation, claims, legal processes and potential level of damages, the opinions and views of the legal counselors, and the management's intentions to respond to the litigations or claims. To the extent the estimates and judgments do not reflect the actual outcome; this could materially affect the income for the period and the financial position. For further information, see note 19 Provisions.

Note 3 Revenue accounting

Revenue recognition
Revenue from external customers is mainly derived from sale of advertising air time, subscription, content production, licenses as well as online gaming and esport. To some extent, revenue is also derived from the sale of goods. The accounting principles for the main revenue streams are described in further detail below.

Advertising revenue
A large component of the Group's revenue derives from sale of advertising air time as well as sponsoring. Revenue generated from advertising is generally recognised over time in a pattern that best depict the service performed (e.g. as the ad is played out). A smaller portion of the Group's revenue refers to ad sales, which is recognised at a point in time as the Group delivers the goods or service and control is transferred to the customer.

For yearly contracts, which typically contain several performance obligations (such as different campaigns or spots), the transaction price is allocated to each performance obligation based on their stand-alone selling price.

Barter transactions
Barter entails the exchange of air time on TV or radio for other goods or services. Revenue from barter transactions is recognised at an amount equal to the fair value of the goods or services received from the customer. If the fair value of the good or service received cannot be reasonably estimated, the Group recognises revenue equal to the stand-alone selling price of the service promised to the customer. Revenue is recognised over time in a way that depict the transfer of control of the good or service as provided to the customer.

Subscription revenue
The Group generates subscription revenue from subscription fees for pay-TV and streaming services.

Subscriptions for pay-TV
A subscription usually consists of a main subscription fee, hardware (a box) and card fee. Since the customer cannot benefit from the subscription fee, hardware and card fee on its own, these product and services are bundled into one performance obligation. The contract period for subscription of pay-TV varies between 6, 12 and 24 months and the customer receives and consumes the benefits as the Group provides the service. Revenue is therefore recognised over time over the binding period of the contract. The customer pays for the subscription in advance on a monthly basis.

The subscription contracts could also contain additional services/products other than the main subscription fee, hardware and card fee as described above. These additional services/products include, but are not limited to, installation, extra hardware and TV channel package. When a contract contains additional services/products, an analysis is performed in order to assess if these are separate performance obligations. The additional services/products are normally regarded as separate performance obligations.

Streaming services
For streaming services, the customer pays a fee to access content which the customer has subscribed for. The customer pays for the streaming service in advance on a monthly basis. The streaming

period usually consists of a trial period, during which the customer is not committed to start a subscription. The transaction price is not allocated to the trial period. The performance obligation is satisfied over time as the Group provides access to the content over a period of time (in practice per month).

In addition to the fee for the streaming service, the customer can add other services to the contract such as rental or purchase of films and series. The services added are regarded as separate performance obligations as the customer can benefit from these separately. Each service added has a separate price and the revenue is recognised at a point in time.

The subscription contracts are without a binding period with a notice period of one month. Both the Group and the customer have the right to terminate the contract and the parties have no enforceable rights and obligations beyond that month. The contracts for streaming services are therefore accounted for as a month-to-month contract.

Production revenue

Revenue in the Studio business is generated by production of films, TV series and by granting licenses to format and broadcasting rights. All contracts within Studio normally consist of one performance obligation. Revenue for production of films and TV series is recognised over time. Revenue for other services and products such as events and ready-made series is recognised at a point in time when control of the service or product is transferred to the customer.

Online gaming revenue

In the Online gaming business the Group offers both own and third party games. The customer uses games that are free to play and purchases goods to be used virtually in the game. Revenue is recognised at a point in time or over time depending on if the virtual good is a consumable or durable.

Event revenue

In the Esports business the Group provides event driven goods and services from producing online and physical events on behalf of third parties. Revenue from producing events on behalf of third party are recognised at a point in time. Revenue from goods related to specific events (products and tickets etc) are recognised at a point in time.

Licenses

A license arrangement establish the customer's right related to the Group's intellectual property and the obligation of the Group to provide those rights. Licenses exist within the Studio business. All licenses are classified as right to use-licenses and revenue are recognised at granting date.

Other

Other revenue consists mainly of revenue from products, such as hardware when sold separately from subscriptions.

Significant judgement in revenue recognition

Agent or principal

The Group assesses whether it is acting as a principal or agent in all transactions where another party is involved in providing products or services to the customer. In transactions where the Group is acting as an agent, revenue is recognised net in the income statement. In transactions where the Group is acting as a principal, revenue is recognised gross in the income statement.

Disaggregation of revenue

Revenue from external customers is mainly derived from sale of advertising air time, subscription, content production, licenses as well as online gaming and esport.

2018

(SEK million)	Nordic Entertainment	International Entertainment	MTG Studios	MTGx	Central Operations	Eliminations	Total
External revenue	12,751	1,227	1,740	4,023	0	–	19,742
Internal revenue	49	0	140	6	113	–309	–
Total revenue for the segment	**12,800**	**1,227**	**1,880**	**4,029**	**114**	**–309**	**19,742**
Revenue streams							
Advertising revenue	4,017	835	150	553	–	–	5,554
Subscription revenue	8,272	259	–	74	–	–	8,605
Production revenue	58	1	1,325	0	–	–	1,384
License and royalty revenue	–	–	236	56	–	–	292
Online gaming revenue	–	–	–	2,114	–	–	2,114
Other	404	133	28	1,228	0	–	1,792
Revenue from external customers	**12,751**	**1,227**	**1,740**	**4,023**	**0**	**–**	**19,742**
Timing of revenue recognition							
At a point in time	404	133	265	1,283	0	–	2,084
Over time	12,347	1,095	1,475	2,740	0	–	17,657
Revenue from external customers	**12,751**	**1,227**	**1,740**	**4,023**	**0**	**–**	**19,742**

Note 3, continued

2017

(SEK million)	Nordic Entertain-ment	International Entertain-ment	MTG Studios	MTGx	Central Operations	Eliminations	**Total**
External revenue	11,845	1,185	1,559	2 948	1	–	**17,537**
Internal revenue	116	4	273	16	189	–599	**–**
Total revenue for the segment	**11,961**	**1,189**	**1,832**	**2 964**	**190**	**–599**	**17,537**
Revenue streams							
Advertising revenue	3,766	871	–	425	–	–	**5,062**
Subscription revenue	7,637	226	–	94	–	–	**7,958**
Production revenue	70	–	1,172	0	–	–	**1,242**
License and royalty revenue	–	–	271	0	–	–	**271**
Online gaming revenue	–	–	–	1 265	–	–	**1,265**
Other	371	89	116	1 163	1	–	**1,739**
Revenue from external customers	**11,845**	**1,185**	**1,559**	**2 948**	**1**	**–**	**17,537**
Timing of revenue recognition							
At a point in time	371	89	387	1 163	1	–	**2,011**
Over time	11,474	1,096	1,172	1 784	0	–	**15,527**
Revenue from external customers	**11,845**	**1,185**	**1,559**	**2 948**	**1**	**–**	**17,537**

Cost to obtain a contract

Part of the subscriber acquisition costs within the pay-TV has been defined as cost to obtain a contract. These costs consist of external fees paid to third parties for the provision of new subscriptions and are incremental costs to obtain contracts the Group would not have incurred if the contracts had not been obtained. Costs to obtain a contract are recognised as an asset and amortised over the subscription period. The Group recognises a contract cost asset even if the expected amortisation period is one year or less. Costs to obtain a contract are included in prepaid expenses.

Group (SEK million)	2018	2017
Opening balance 1 January	202	185
Increase of contract assets due to new contracts during the year	310	209
Amortisation expense of costs to obtain contracts	–242	–191
Closing balance 31 December	**271**	**202**

Contract asset

Contract assets consists of accrued revenue, when the Group is entitled to compensation for completed work, but the invoice has not been sent on the closing date. The change during the year represents the net reclassification between accrued revenue and accounts receivable.

Group (SEK million)	2018	2017
Opening balance 1 January	730	616
A change in the timeframe for a right to consideration to become unconditional	–12	114
Closing balance 31 December	**718**	**730**

Contract liability

Contract liabilities consist of the following prepaid income:

- Prepaid advertising revenues within free-TV and radio occurs when the customer has been invoiced in advance of service delivery,
- Prepaid subscription revenues as customers within pay-TV pay one month in advance,
- Prepaid revenue related to content production as the revenue is recognised over time in a pattern that depict the transfer of control and,
- Prepaid revenues related to online gaming as the customer buys virtual goods that are recognised as income over time depending on whether it is consumable or durable.

Group (SEK million)	2018	2017
Opening balance 1 January	275	259
Net change in contract liability during the year	115	16
Reclassification to asset held for sale	–28	–
Closing balance 31 December	**362**	**275**

Contract liabilities reported at the beginning of 2018 and 2017 has been recognised as revenue during each year.

Revenue from performance obligations satisfied in previous periods

Within free-TV third party distribution fees occurs related to third party agreements for end customers usage of TV channels. This fee is estimated based on historical data for previous period. When the actual usage is received from the customer an adjustment is booked for revenue recognised up to date.

Unsatisfied performance obligations

The Group does not disclose any information regarding unsatisfied performance obligations as at December 31 since the performance obligations refer to contracts where the contract term is 12 months or less.

Note 4 Business segments

MTG's financial reporting structure is divided into the following segments:

Nordic Entertainment
Nordic Entertainment includes both pay-TV, free-TV and radio services for the Nordic region. Free-TV comprises TV channels primarily financed by advertising in Sweden, Norway and Denmark, as well as Viafree. Pay-TV markets and sells Viasat's premium pay-TV packages on the Viasat DTH satellite platform, the Viaplay online platform and on third party IPTV and cable networks. Viasat also distributes pay-TV channels via third party pay-TV networks. The segment's radio operations comprise the leading national commercial networks in Sweden and Norway.

International Entertainment
International Entertainment comprises MTG's businesses in Bulgaria as well as Trace, an Afro-urban entertainment business. MTG's businesses in Bulgaria consists of commercial free-TV channels. MTG signed agreements in January 2018 to divest Trace and in February 2018 to divest the businesses in Bulgaria. Trace was deconsolidated from the start of May following the closing of the sale of the business. The agreement to sell MTG's shareholding in Nova Broadcasting Group to PPF Group was terminated on 7 January 2019 following the decision by the Bulgarian Commission for the Protection of Competition to disallow the proposed sale, as well as the expiration of an extended long-stop date under the sale and purchase agreement. On 22 February, 2019 MTG announced that it made an agreement to sell its shareholding in Nova to Advance Media Group. The sale is awaiting regulatory approval. The Czech, Baltic and African businesses previously reported within the segment was divested during 2017.

MTG Studios
MTG Studios comprise the Group's content production and distribution businesses in Scandinavia and Europe. The segment comprises a number of leading creators, producers and distributors of television shows, commercials, events and branded content. These include the Nice Entertainment Group with content production and distribution companies. Splay Network is included in MTG Studios since Q2 2018.

MTGx
MTGx comprise the Group's global digital businesses which currently include three verticals; esports, online gaming and digital video networks. The segment comprises Turtle Entertainment, Zoomin.TV, DreamHack, InnoGames, Engage Sports Media and Kongregate, as well as a number of start-ups. Splay Networks was moved from MTGx to MTG Studios in Q2 2018.

	Net sales	
(SEK million)	2018	2017
Nordic Entertainment	12,800	11,961
of which Free-TV & Radio	*5,358*	*5,094*
of which Pay-TV	*7,442*	*6,867*
International Entertainment	1,227	1,189
MTG Studios	1,880	1,832
MTGx	4,029	2,964
of which esports	*1,520*	*1,370*
of which online gaming	*2,296*	*1,234*
of which digital video content	*213*	*360*
Central Operations	114	190
Eliminations	–309	–599
Total	**19,742**	**17,537**

	External sales		Internal sales		Operating income	
(SEK million)	2018	2017	2018	2017	2018	2017
Nordic Entertainment	12,751	11,845	49	116	1,661	1,574
International Entertainment	1,227	1,185	0	4	242	176
MTG Studios	1,740	1,559	140	273	54	68
MTGx	4,023	2,948	6	16	10	–170
Central Operations	0	1	113	189	–396	–384
Total before items affecting comparability	**19,742**	**17,537**	**309**	**599**	**1,571**	**1,264**
Items affecting comparability	–	–	–	–	10	–340
Total Group	**19,742**	**17,537**	**309**	**599**	**1,581**	**923**

For a specification of Items affecting comparability, see note 10.

The business segments are responsible for the management of the operational assets and the performance is monitored at the business segment level. Financing is managed centrally in the Group. Consequently, liquid funds, interest-bearing receivables and liabilities are not allocated to the business segments.

Note 4, continued

(SEK million)	Assets 2018	Assets 2017	Liabilities and Equity 2018	Liabilities and Equity 2017	Capital Employed 2018	Capital Employed 2017
Nordic Entertainment	9,223	7,538	6,990	6,078	2,233	1,460
International Entertainment	44	1,325	10	455	34	870
MTG Studios	2,604	2,080	713	681	1,891	1,399
MTGx	6,545	6,893	1,179	1,040	5,366	5,853
Central Operations	1,335	1,229	1,601	2,420	–266	–1,191
Total	**19,751**	**19,065**	**10,493**	**10,674**	**9,258**	**8,392**
Total cash and interest-bearing assets	867	1,405				
Total borrowings			3,679	3,224		
Equity incl. non-controlling interest			6,997	6,572		
Eliminations	–1,225	–1,202	–1,225	–1,202		
Total continuing operations	**19,392**	**19,268**	**19,944**	**19,267**	**9,258**	**9,362**
Assets held for sale	931	16	380	18		
Total	**20,324**	**19,285**	**20,324**	**19,285**	**9,258**	**8,392**

(SEK million)	Capital expenditure excluding investments in subsidiaries 2018	Capital expenditure excluding investments in subsidiaries 2017	Depreciation and amortisation 2018	Depreciation and amortisation 2017
Nordic Entertainment	490	114	150	115
International Entertainment	12	24	14	33
MTG Studios	35	16	46	32
MTGx	191	156	227	133
Central Operations	28	20	4	7
Total	**756**	**330**	**441**	**320**

The Group's business segments operate mainly in Europe and USA. Net sales and non-current assets are shown below by geographical area. Non-current assets constitute of intangible and tangible assets. Sales are shown per country from which the revenues are derived.

(SEK million)	Net sales 2018	Net sales 2017	Non-current assets 2018	Non-current assets 2017
Sweden	5,977	5,460	2,222	1,859
Denmark	4,277	3,907	163	146
Bulgaria	0	963	0	133
Norway	3,051	3,000	852	828
Germany	701	321	4,415	4,306
Netherlands	117	123	125	150
Finland	800	651	298	301
Rest of Europe	2,764	1,391	310	679
USA	1,501	1,203	759	722
Other regions	554	519	31	32
Total	**19,742**	**17,537**	**9,174**	**9,156**

Note 5 Cost accounting

Inventories

A significant portion of the amount reported as inventory by the Group refers to the TV channels' catalogue of programme rights. Programme rights are reported as inventory when the license period has begun, the programme itself is available for its first broadcast, the cost of the programme is known, and the programme content has been approved by the TV channel. Programme rights invoiced but where the license period has not started and the programme cannot be reported as inventory is reported as prepaid expenses. Future payment commitments in respect of contractual programme rights that have not yet been reported as inventory or prepaid expenses are reported as other commitments, note 24. Programme rights are normally acquired for a specific number of runs, which can be played out during a determined license period in certain territories. The programme rights are expensed per run according to how the program is expected to be broadcasted during the license period. The recognition of sports rights starts when the contractual period starts or when an advance payment is made. Sports rights are allocated over the seasonal year and on a yearly basis.

Other inventories are valued at the acquisition cost or net realisable value, whichever is lower. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Nature of expenses

A function based income statement is presented as part of the financial statements of the Group. The table below presents how the operational costs are classified based on the nature of expense.

Group (SEK million)	2018	2017
Net sales	19,742	17,537
Other operating income	215	117
Cost of programmes and goods	–10,457	–9,220
Distribution costs	–3,645	–3,615
Salaries, remuneration, and social security expenses	–3,385	–3,170
Depreciation and amortisation	–439	–320
Impairment charges	–103	–50
Other expenses	–352	–24
Share of earnings in associated companies and joint ventures	–5	8
Items affecting comparability	10	–340
Operating Income	**1,581**	**923**

Note 6 Other operating income and expenses

Group (SEK million)	2018	2017
Other operating income		
Gain from exchange rate differences	131	53
Gain from divested entities and revaluation of option liabilities	6	1
Government grants/ tax incentives	14	–
Other	65	63
Total	**215**	**117**
Other operating expenses		
Loss from exchange rate differences	–137	–47
Acquisition costs	–3	–28
Loss from divested entities	–6	–2
Amortisation and depreciation	–5	–13
Write-downs	0	–2
Repaid acquisition cost Innogames	4	–
Reversed provision	–	24
Other	–11	–15
Total	**–157**	**–83**

Note 7 Shares in associated companies and joint ventures

Group (SEK million)	2018	2017
Share of earnings	–5	8
Net income	**–5**	**8**

Associated companies and joint ventures are reported based on the equity method. The share of earnings is equal to the Group's share of net income in each associated company or joint venture after conversion into Swedish krona. The calculation of share in net income is based on the latest available accounts.

Summarised financial information for associated companies and joint ventures

Group (SEK million)	2018	2017
Net sales	277	725
Net income	–20	48
Other comprehensive income	–	–
Non-current assets	48	53
Current assets	145	187
Total assets	**192**	**241**
Non-current liabilities	16	21
Current liabilities	133	110
Total liabilities	**149**	**131**

Note 7, continued

Shares and participations in associated companies and joint ventures

Group (SEK million)	2018	2017
Carrying amount	46	75
Total	**46**	**75**

Note 8 Financial items

Group (SEK million)	2018	2017
Interest income	6	2
Interest expenses on borrowings	–11	–26
Net interest	**–5**	**–24**
Net exchange rate differences	5	2
Borrowing costs	–29	–21
Interest expenses from discounting	–17	–20
Other	–5	–1
Other financial items	**–45**	**–40**
Net financial items	**–50**	**–64**

Parent company (SEK million)	2018	2017
Interest income from external parties	1	1
Interest income from subsidiaries	209	244
Net exchange rate differences	3	–2
Total interest income and other financial income	**214**	**244**
Interest expense to external parties	–5	–18
Interest expense to subsidiaries	–6	–5
Borrowing costs	–26	–21
Total interest expense and other financial costs	**–37**	**–44**
Dividends from subsidiaries	–	46
Gain from sale of intellectual properties	–	17
Results from shares in subsidiaries	**–**	**63**
Net financial items	**177**	**263**

The interest income and expenses on borrowings relate to financial assets and liabilities valued at amortised cost.

Note 9 Taxes

Accounting for corporate income tax

Tax expenses reported includes current Swedish and foreign corporate income taxes and deferred tax arising from temporary differences. Temporary differences arises when there are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. A deferred tax asset is reported corresponding to the tax value of loss carry forwards if it is judged likely that the loss carry forward will be used to taxable income in the foreseeable future. Net income for the year is charged with tax on taxable earnings for the year and with tax estimated for the change in temporary differences for the year as current tax and deferred tax expenses respectively in each Group company.

Distribution of tax expense

Group (SEK million)	2018	2017
Current tax		
Current tax expense	–430	–310
Adjustment for prior years	81	–8
Total	**–349**	**–318**
Deferred tax		
Tax attributable to temporary differences	–18	71
Total	**–18**	**71**
Total tax expense in the income statement	**–367**	**–247**

Reconciliation of tax expense

Group (SEK million)	2018	%	2017	%
Tax/Tax rate in Sweden	–337	22.0	–189	22.0
Non-taxable income	20	–1.3	35	-4.1
Foreign tax rate differential	–12	0.8	50	5,8
Effect of losses carry-forward not previously recognised	33	–2.2	23	-2.6
Non-deductible expenses	–74	4.8	–64	7.4
Impairment of goodwill and option liabilities	-1	0.0	–72	8.4
Losses where no deferred tax was recognised	–116	7.6	–21	2.4
Other permanent effects	39	–2.8	–1	0.1
Under/over provided in prior years	81	–5.3	–8	1.0
Effective tax/tax rate	**–367**	**23.6**	**–247**	**28.8**

Group (SEK million)	31 Dec 2018	31 Dec 2017
Deferred tax asset attributable to:		
Tangible assets	11	6
Intangible assets	3	0
Provisions	10	12
Current receivables	11	11
Current liabilities	12	4
Financial assets	9	23
Tax value of tax losses carry forward recognised	177	215
Total	**232**	**272**

Group (SEK million)	31 Dec 2018	31 Dec 2017
Deferred tax liabilities attributable to:		
Intangible assets	613	632
Goodwill	147	147
Tangible assets	0	–1
Provisions	42	19
Current liabilities	3	3
Financial assets	22	14
Total	**828**	**815**
Deferred tax net	**–596**	**–543**

The movements in deferred tax net

	2018					
Group (SEK million)	Opening balance 1 January	Deferred tax recognised in the P&L	Reclass to assets held for sale	Deferred tax recog-nised in OCI	Translation differences	Closing balance 31 December
Tax losses carry forward	215	–27	–	–	–12	177
Temporary differences in:						
Goodwill	–147	–	–	–	–	–147
Tangible assets	7	–2	7	–	–	11
Intangible assets	–631	–12	–	–	32	–611
Provisions	–7	–31	6	–	–	–33
Current receivables	11	20	–20	–	–	11
Current liabilities	1	9	–1	–	–	9
Financial assets	9	25	–17	–30	1	–13
Total	**–543**	**–18**	**–26**	**–30**	**21**	**–596**

	2017					
Group (SEK million)	Opening balance 1 January	Deferred tax recognised in the P&L	Acquisition of subsidiary	Deferred tax recog-nised in OCI	Translation differences	Closing balance 31 December
Tax losses carry forward	126	79	–	7	3	215
Temporary differences in:						
Goodwill	–147	–	–	–	–	–147
Tangible assets	7	–	–	–1	–	7
Intangible assets	–394	–29	–202	–	–6	–631
Provisions	9	–16	–	–	–	–7
Current receivables	1	10	–	–	–	11
Current liabilities	–2	3	–	–	–	1
Financial assets	–32	24	–	17	–	9
Total	**–433**	**71**	**–202**	**23**	**–3**	**–543**

Total tax losses carry forward without expiration date, for which deferred tax assets has been recognised, amounts to SEK 344 (249) million for the Group at 31 December 2018. The recognised deferred tax asset for these tax losses are SEK 111 (75) million. The accounts for 2018 and 2017 include deferred tax assets as a tax value of the tax losses carry forward in all countries where it is judged likely that the Group will be able to use its tax losses carry forward to a taxable surplus in a foreseeable future. As a consequence, deferred tax assets related to losses carried forward are not recognised in some countries.

Note 9, continued

Unrecognised tax losses carry-forward by expiry date

Group (SEK million)	2018	2017
2018	–	8
2019	17	16
2020	22	20
2021	47	45
2022 and thereafter	226	152
No expiry date	397	149
Total	**709**	**390**

Parent company

There were no tax losses carry forward in 2018 or 2017 in the parent company.

Distribution of tax expenses

Parent company (SEK million)	2018	2017
Current tax	–107	–59
Adjustment for prior years	83	0
Total tax expenses	**–24**	**–59**

Reconciliation of tax expense

Parent company (SEK million)	2018	%	2017	%
Tax/tax rate in Sweden	–109	22.0	–59	22.0
Non-deductible expenses	–1	0.2	–11	4.1
Non-taxable income	3	–0.6	11	–4.1
Prior year tax adjustments	83	–16.8	–	–
Effective tax/ tax rate	**–24**	**4.8**	**–59**	**22.0**

Note 10 Items affecting comparability

Items affecting comparability (IAC) refers to material items and events related to changes in the Group's structure or line of business, which are relevant to understanding the Group's development on a like-for-like basis.

Group (SEK million)	2018	2017
Restructuring NENT Group	–53	–
Restructuring Turtle (ESL)	–49	–
Capital gain divestment of Trace	61	–
Net capital gain related to options to acquire shares	193	333
Impairment of goodwill related to closed company	–6	–
Write down of assets, Zoomin.TV	–136	–
Impairment related to goodwill, Zoomin.TV	–	–593
Impairment related to capitalized development expenditures, Zoomin.TV	–	–58
Reclassification of transaction cost related to InnoGames	–	–23
Total	**10**	**–340**

In 2018 IAC included restructuring costs related to organisational changes in both NENT Group and Turtle (ESL), a capital gain from the sale of Trace, gain on the settlement of options and contingent consideration resulting from the acquisition of remaining shares in Zoomin.TV, Splay Networks, Paprika Group, Digital Rights Group and 8% of the remaining shares in Turtle Entertainment as well as revaluation of the option liaibilities for NetInfo (Bulgaria). In addition IAC included an impairment of goodwill related to a closed down company and a non-cash cost following the writing down of Zoomin.TV´s assets.

IAC in 2017 refer to the impairment of goodwill related to Zoomin.TV, revaluation of liabilities related to options to acquire shares in Zoomin.TV and Splay AB and for minority interests within the Nice and Turtle groups and finally the impact of previously capitalised transaction costs when InnoGames became a fully consolidated subsidiary rather than an associated company in May.

Items affecting comparability classified by function

Group (SEK million)	2018	2017
Cost of goods sold	–15	–58
Administrative expenses	–86	–
Other operating income	274	333
Other operating expenses	–162	–616
Net income	**10**	**–340**

Note 11 Intangible assets

Accounting for intangible assets

Intangible assets are reported net after deductions for accumulated amortisation according to plan and impairment losses. Amortisation according to plan are normally calculated on a straight-line schedule based on the acquisition value of the asset and its estimated useful life. The intangible assets are classified in the following categories:

Asset	Amortisation period
Capitalised development expenditure	3–10 years
Trademarks	Trademarks being part of a purchase price allocation are normally judged to have indefinite lives and are tested for impairment tests annually or if triggered by events
Customer relations	10–15 years
Beneficial rights/ broadcasting licenses	Estimated amortisation period based on the terms of the license
Goodwill	Indefinite lives with impairment tests annually or if triggered by events

Capitalised expenditure

Expenditure on development activities, aiming at new or substantially improved products and processes, are capitalised if the process is technically and commercially feasible and the Group has sufficient resources to complete the development. The development expenditure capitalised includes the direct costs and, when appropriate, cost of direct labour and an appropriate proportion of overheads. Other expenditures is expensed in the income statement as incurred. Capitalised development expenditures are stated at cost less accumulated amortisation and impairment losses. The capitalised expenditure relates mainly to software and software platforms.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of an acquired business. Goodwill is recognised as an asset and tested for impairment losses at least annually. Any impairment is recognised immediately in the income statement and cannot be reversed. Goodwill arising from acquisitions of associated companies is included in the reported value of shares in associated companies. Impairment tests are made on the total cash generating unit.

Other intangible assets
Other intangible assets, such as acquired customer relations, beneficial rights, broadcasting licenses and trademarks, are stated at cost less accumulated amortisation and impairment losses.

	Group					Parent company
(SEK million)	Capitalised development expenditure	Trademarks	Customer relations and other[1]	Goodwill	**Total**	Capitalised expenditure
Acquisition values						
Opening balance 1 January 2017	450	1,593	697	10,402	**13,142**	55
Investments during the year	226	0	1	–	**228**	–
Acquisitions through business combinations	275	325	319	2,353	**3,272**	–
Revaluations due to finalisations of purchase price allocations	–	–	–2	–	**–2**	–
Sales and disposals during the year	–51	–	0	–10	**–62**	–
Change in Group structure, reclassifications etc	–	0	0	–	**0**	–
Translation differences	7	24	12	202	**245**	–
Closing balance 31 December 2017	**907**	**1,941**	**1,026**	**12,948**	**16,823**	**55**
Opening balance 1 January 2018	907	1,941	1,026	12,948	**16,823**	55
Investments during the year	202	26	377	12	**616**	–
Sales and disposals during the year	–7	–80	–35	–1,176	**–1,298**	–
Change in Group structure, reclassifications etc	–15	19	–13	0	**–9**	–
Reclassification to assets held for sale	–	–573	–110	–5,773	**–6,456**	–
Translation differences	24	79	41	526	**670**	–
Closing balance 31 December 2018	**1,111**	**1,412**	**1,285**	**6,537**	**10,345**	**55**
Accumulated amortisation and impairment losses						
Opening balance 1 January 2017	–252	–525	–300	–5,819	**–6,896**	–54
Sales and disposals during the year	51	–	0	–	**51**	–
Amortisation during the year	–106	–15	–90	0	**–212**	–1
Impairment losses during the year	–97	–	–	–593	**–690**	–
Translation differences	–3	–15	–1	–173	**–192**	–
Closing balance 31 December 2017	**–407**	**–556**	**–391**	**–6,585**	**–7,939**	**–55**
Opening balance 1 January 2018	–407	–556	–391	–6,585	**–7,939**	–55
Sales and disposals during the year	2	0	35	877	**915**	–
Amortisation during the year	–140	–31	–143	0	**–313**	0
Impairment losses during the year	–42	0	–1	–53	**–96**	–
Change in Group structure, reclassifications etc	1	–1	1	0	**1**	–
Reclassification to assets held for sale	–	553	100	5,682	**6,335**	–
Translation differences	–7	–26	–11	–299	**–344**	–
Closing balance 31 December 2018	**–593**	**–62**	**–408**	**–378**	**–1,441**	**–55**
Carrying amount						
As per 1 January 2017	198	1,067	397	4,584	**6,246**	1
As per 31 December 2017	500	1,385	636	6,363	**8,884**	0
As per 1 January 2018	500	1,385	636	6,363	**8,884**	0
As per 31 December 2018	519	1,350	877	6,159	**8,904**	0

[1] Other refers to licenses and beneficial rights.

Note 11, continued

Amortisation by function

Group (SEK million)	2018	2017
Cost of goods and services	292	154
Administrative expenses	14	54
Other operating expenses	0	4
Total	**313**	**212**

Impairment losses by function

Group (SEK million)	2018	2017
Cost of goods and services	14	38
Administrative expenses	1	–
Other operating expenses	0	1
Selling expenses	0	–
Items affecting comparability	81	651
Total	**96**	**690**

Impairment tests for cash-generating units

Cash generating units with significant carrying amounts of goodwill:

Group (SEK million)	2018	2017
Pay-TV Nordic	671	672
Nice	508	499
P4 Radio	437	425
Turtle	1,227	1,216
Trace	–	286
InnoGames	2,080	1,994
Kongregate	422	385
Other units	813	887
Total	**6,159**	**6,363**

The decrease in goodwill between 2017 and 2018 are due to the the sale of TRACE PARTNERS S.A.S and reclassification of Nova Broadcasting Group to assets held for sale.

Cash generating units with significant carrying amounts of trademarks with indefinite lives:

Group (SEK million)	2018	2017
P4 Radio	243	236
Nice	146	140
Turtle	376	344
Zoomin.TV	72	69
InnoGames	256	249
Kongregate	69	63
Trace	–	77
Other units	189	208
Total	**1,350**	**1,385**

These trademarks have a strong position on their respective markets and will be actively used in the businesses, and are thereby judged to have indefinite lives. The trademarks are improved and developed continuously, and the net cash flows generated through these are not considered to cease within a foreseeable future. The changes in trademarks during 2018 are mainly due to the sale of TRACE PARTNERS S.A.S and reclassification of Nova Broadcasting Group to assets held for sale.

Impairment testing

Impairment testing, of goodwill and other intangible assets with indefinite lives, for cash-generating units in the business segment are based on calculations of the recoverable amount (value in use), using a discounted cash flow model. The cash flow is discounted at a pre-tax interest of 12% (12) considering the cost of capital and risk. Specific individual discount rates might be used in some cases, related to circumstances such as the territory or the economic environment. If the headroom turn out to be low in relation to the carrying amount, specifically calculated WACC for the business in question is used. The model involves key assumptions such as market size, share and growth rates, sales prices and cost growth together with working capital requirements. These cash flow projections, calculated over a minimum of a five year period, are based on actual operating results, forecasts and financial projections, using historical trends, general market conditions, industry trends and other available information. After the five-year period, a growth rate of 2.5% (2.5) is normally applied.

The cash flow projections are based on a sustainable growth rate which is individually estimated based on each unit's outlook. Individual assumptions are also made on cost and capital turnover development.

Impairments

The impairment tests are carried out on a regular basis, annually or when triggered by events. The impairment tests 2018 did not trigger an impairment for the Group. During 2017 an impairment of SEK 593m attributable to Zoomin.TV included in the MTGx segment was recognised. The impairment charge was reported as items affecting comparabilities in the Income statement. In addition an impairment of SEK 58m related to capitalized development expenditures was recognised in Zoomin.TV.

Sensitivity

The units, which do not indicate an impairment requirement, have such a margin that reasonably possible adverse changes in individual parameters would not cause the value in use to fall below the book value. However, cash flow projections are to its nature more uncertain and may also be influenced by factors not in control by the company. Such factors could be political risks and general market conditions, which might quickly deteriorate due to a financial crisis such as crisis due to instability in the financial sector.

The following table shows carrying amount and the recoverable amount of the digital video business in Studios. The current calculation, using an individual WACC of 8.7%, do not indicate impairment, but a change in the recoverable amount, depending on changes in the market conditions or other parameters, could result in an impairment. A change in the growth rate would give the following results.

(SEK million)	Digital Video business
Recoverable amount	337
Carrying amount	309

The recoverable amount in relation to the carrying amount in case of a decrease in the growth rate:

–0.5 percentage point	311
–1 .0 percentage point	289

Note 12 Tangible assets

Accounting for tangible assets

Tangible assets are reported at cost less accumulated depreciation and any impairment losses. Where parts of an item of machinery and equipment have different useful lives, they are accounted for as separate items of machinery and equipment. Depreciation are normally calculated using the straight-line method over the assets estimated useful life. Machinery and equipment are depreciated over a period of 3 to 5 years.

	Group			Parent company
(SEK million)	Machinery	Equipment, tools and installations	**Total**	Equipment
Acquisition values				
Opening balance 1 January 2017	118	716	**834**	7
Investments during the year	26	77	**103**	0
Acquisitions through business combinations	0	32	**32**	–
Sales and disposals during the year	–3	–36	**–39**	–
Change in Group structure, reclassifications etc	16	–16	**0**	–
Translation differences	–1	2	**2**	–
Closing balance 31 December 2017	**156**	**776**	**932**	**7**
Opening balance 1 January 2018	156	776	**932**	7
Investments during the year	15	134	**149**	2
Acquisitions through business combinations	0	0	**0**	–
Sales and disposals during the year	–14	–86	**–100**	–
Change in Group structure, reclassifications etc	3	6	**9**	–
Nova reclassified to assets held for sale	–5	–156	**–161**	–
Translation differences	3	27	**31**	–
Closing balance 31 December 2018	**157**	**701**	**859**	**8**
Accumulated depreciation and impairment losses				
Opening balance 1 January 2017	–63	–516	**–579**	–6
Sales and disposals during the year	3	29	**32**	–
Depreciation during the year	–24	–83	**–108**	0
Impairment losses during the year	0	–1	**–1**	–
Change in Group structure, reclassifications etc	–4	4	**0**	–
Translation differences	0	–3	**–3**	–
Closing balance 31 December 2017	**–88**	**–572**	**–660**	**–7**
Opening balance 1 January 2018	–88	–572	**–660**	–7
Sales and disposals during the year	11	70	**81**	0
Depreciation during the year	–27	–99	**–126**	0
Impairment losses during the year	0	–7	**–7**	0
Change in Group structure, reclassifications etc	0	–2	**–1**	0
Nova reclassified to assets held for sale	3	143	**146**	–
Translation differences	–2	–20	**–22**	–
Closing balance 31 December 2018	**–103**	**–486**	**–589**	**–7**
Carrying amount				
As per 1 January 2017	55	199	**255**	0
As per 31 December 2017	68	204	**272**	0
As per 1 January 2018	68	204	**272**	0
As per 31 December 2018	55	215	**270**	2

Note 11, continued

Depreciation by function

Group (SEK million)	2018	2017
Cost of goods and services	68	56
Selling expenses	5	1
Administrative expenses	49	42
Other operating expenses	4	9
Total	**126**	**108**

Impairment losses by function

Group (SEK million)	2018	2017
Cost of goods and services	–	0
Administrative expenses	–	0
Other operating expenses	0	1
Items affecting comparability	7	–
Total	**7**	**1**

Accounting for finance leases

A finance lease is a contract that entails the lessee to a material extent enjoying all economic benefits and bearing all economic risks associated with the asset regardless of whether or not the lessee retains the legal right of ownership of the asset. For finance leases, the lease asset is reported as a non-current asset and the obligation for future payments as a liability in the lessee's balance sheet. The Group has no material finance leases.

Note 13 Long-term financial assets

Group companies

The following table lists the major companies included in the MTG Group. A detailed specification of Group companies has been submitted to the Swedish Companies Registration Office and is available upon request from Modern Times Group MTG AB Investor Relations.

Shares and participations in Group companies

Parent company (SEK million)	Co. Reg.no.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2017	Book value 31 Dec 2018
MTG Publishing AB	556457-2229	Stockholm	1,000	100	100	6,023	6,023
Nordic Entertainment Group Radio AB *(former MTG Radio AB)*	556365-3335	Stockholm	1,000	–	–	65	–
NENT Studio AB *(former This is Nice AB)*	556264-3261	Stockholm	2,000	–	–	117	–
Nordic Entertainment Group Sweden Holding AB *(former MTG Holding AB)*	556057-9558	Stockholm	5,000	–	–	102	–
Nordic Entertainment Group AB	559124-6847	Stockholm	500,000	100	100	–	2,000
Nordic Entertainment Group Norway AS *(former MTG AS Norge)*		Norway	82,300	–	–	33	–
MTG Nordics A/S		Denmark	50,000,000	100	100	–	1
Total						**6,339**	**8,024**

Share capital (%) and Voting rights (%) represent 31 December 2018.

Ownership in Group companies	Former name	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG Broadcasting AB [1]		556353-2687	Sweden	100	100
MTG Publishing AB		556457-2229	Sweden	100	100
Nordic Entertainment Group Radio AB	MTG Radio AB	556365-3335	Sweden	100	100
Nordic Entertainment Group Sweden AB	Viasat AB	556304-7041	Sweden	100	100
Viaplay AB		556513-5547	Sweden	100	100
Dreamhack AB		556845-8763	Sweden	100	100
Splay AB [2]		556909-3882	Sweden	100	100
Strix Television AB		556345-5624	Sweden	100	100
Nordic Entertainment Group Denmark A/S	Viasat A/S		Denmark	100	100
TV3 Sport1 A/S			Denmark	100	100
Modern Times Group MTG A/S			Denmark	100	100
Nordic Entertainment Group Norway A/S	Viasat AS		Norway	100	100
Modern Times Group MTG AS			Norway	100	100
P4 Radio Hele Norge AS			Norway	100	100
NICE Entertainment Group Oy			Finland	100	100
Oy Viasat Finland Ab			Finland	100	100
Modern Times Group MTG Ltd			United Kingdom	100	100
Digital Rights Group Limited			United Kingdom	95	95
Nova Broadcasting Group Jsc.			Bulgaria	95	95
Zoom In Group BV			Netherlands	100	100
Turtle Entertainment GmbH			Germany	74	74
Turtle Entertainment America Inc			USA	74	74
Innogames GmbH			Germany	51	51
Kongregate Inc.			USA	100	100

[1] The company name was as of 2018-12-31 Nordic Entertainment Group Holding AB. 2019-01-19 the company changed name to MTG Broadcasting AB.
[2] The company name was changed to Splay One AB as of 2019-02-14.

Shares and participations in Group companies

Parent company (SEK million)	2018	2017
Opening balance 1 January	6,339	6,339
Acquisition	1	–
Shareholder contributions	2,000	–
Sales, internally	–316	–
Closing balance 31 December	**8,024**	**6,339**

Non-controlling interests

MTG holds a number of subsidiaries with non-controlling interest, of which one is considered to be significant. The Group holds 51% of the shares and voting rights in Innogames GmbH, Germany. The holding in InnoGames GmbH is therefore consolidated as a subsidiary and the non-controlling interest amounts to 49% of the shares and voting rights. Net assets stated in the table below are excluding group surplus values amounting to SEK 1,200 million (1,178). InnoGames became a subsidiary in 2017.

InnoGames (SEK million)	2018	2017
Net sales	1,881	1,017
Net income	114	80
Other comprehensive income	62	15
Total comprehensive income for the year	**176**	**96**
of which attributable to non-controlling interest	86	47
Non-current assets	209	161
Current assets	303	480
Total assets	**512**	**641**
Non-current liabilities	75	45
Current liabilities	269	209
Total liabilities	**344**	**254**
Net assets	**167**	**388**
of which attributable to non-controlling interest	82	190

Note 14 Long-term receivables

Long-term receivables from Group companies

Parent company (SEK million)	2018	2017
Opening balance 1 January	9,941	10,016
New lending	5,825	12
Repayments	–3,699	–76
Reclassifications	–	–12
Closing balance 31 December	**12,067**	**9,941**

Note 15 Accounts receivables

Group (SEK million)	31 Dec 2018	31 Dec 2017
Accounts receivables		
Gross accounts receivables	1,745	2,142
Less allowances for doubtful accounts	–62	–174
Total	**1,683**	**1,969**
Allowance for doubtful accounts		
Opening balance 1 January	174	109
Provision for potential losses	21	85
Actual losses	–11	–5
Reversed write-offs	–23	–17
Divestment of subsidiary	–47	–
Nova reclassified to Assets held for sale	–56	–
Translation differences	4	2
Closing balance 31 December	**62**	**174**
Age analysis of account receivables		
Not due	1,165	1,192
< 30 days	255	419
30-90 days	88	200
> 90 days	176	157
Total	**1,683**	**1,969**

Note 16 Prepaid expense and accrued income

Parent company (SEK million)	31 Dec 2018	31 Dec 2017
Prepaid financing costs	13	5
Other	1	2
Total	**15**	**7**

Note 17 Earnings per share

Group (SEK million)	2018	2017
Earnings per share before dilution		
Net income for the year attributable to equity holders of the parent company	1,038	1,250
Shares outstanding on 1 January	66,725,249	66,663,816
Effect from share awards exercised	128,884	42,582
Weighted average number of shares, basic	**66,854,133**	**66,706,398**
Basic earnings per share, SEK	15.52	18.73
Diluted earnings per share		
Diluted net income for the year attributable to the equity holders of the parent company	1,038	1,250
Weighted average number of shares, basic	66,854,133	66,706,398
Effect from share awards	508,272	435,921
Weighted average number of shares, diluted	**67,362,405**	**67,142,319**
Diluted earnings per share, SEK	15.40	18.61
Earnings per share before dilution, continued operations		
Net income for the year attributable to equity holders of the parent company, continued operations	1,043	546
Basic earnings per share, SEK, continued operations	15.60	8.19
Diluted earnings per share, SEK, continued operations	15.48	8.13

Potentially dilutive instruments

Modern Times Group MTG AB has outstanding long-term incentive plans. The potential dilution is calculated in order to determine the number of shares that can be acquired at fair value based on the value of the share awards. Retention and performance share awards are included in the potentially dilutive shares from the start of the program, and in accordance with the performance targets achieved. The Company has outstanding programmes from 2016 and 2017, where the performance are not yet achieved, but that might have a diluting effect. As per 31 December 2018 the share awards amounted to 630,883 (943,828).

Note 18 Shareholders' equity

Shares issued	2018		2017	
Parent company	Number of shares paid	Quota value (SEK million)	Number of shares paid	Quota value (SEK million)
MTG Class A	545,662	3	5,007,393	25
MTG Class B	66,441,462	332	61,774,731	309
MTG Class C	660,000	3	865,000	4
Total number of shares issued/total quota value as per 31 December	**67,647,124**	**338**	**67,647,124**	**338**

The holder of an MTG Class A share is entitled to 10 voting rights, the holder of an MTG Class B and MTG Class C share one voting right. Class C shareholders are not entitled to dividend payments. The Class C shares are held by the parent company. The quota value is SEK 5 (5) per share. During 2018, 4,461,731 Class A shares and 205,000 Class C shares were reclassified to Class B shares.

Out of the totally issued shares, 6,222 (56,875) Class B shares and 660,000 (865,000) Class C shares are held as treasury shares.

The Board of Directors will propose to the Annual General Meeting 2019 that no dividend be paid to MTG shareholders for the financial year 2018. At the Annual General Meeting 2018 the Board of Directors proposed an ordinary dividend of SEK 12.50 per share, which corresponded to 95% of last year's net income continuing operations and excluding items affecting comparability. The total dividend payment amounted to SEK 843 million. The Board of Directors was given a mandate to buy back shares at the Annual General Meeting in 2018 and 2017. The mandate was not utilised in 2018 or 2017.

Paid-in capital/Premium reserve

The paid-in capital arises when shares are issued at a premium, i.e. shares were paid at a higher price than the quota value. The premium reserve in the parent company relates to employee options exercised during 2010, 2009 and 2008 only.

Translation reserve in equity

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations to Swedish krona in the consolidated accounts.

Group (SEK million)	2018	2017
Opening balance 1 January	–320	–289
This year's translation differences, net of tax, continuing operations	200	20
This year's translation differences, net of tax, discontinued operations	–3	–52
Total accumulated translation differences 31 December	**–123**	**–320**

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Hedging positions are taken to protect the Group against the effects of transaction exposures in the contracted outflow for the main part of programme acquisitions in foreign currency.

Group (SEK million)	2018	2017
Opening balance 1 January	–11	110
Recognised in other comprehensive income	–52	–147
Transferred to the acquisition value of item hedged (inventory programme rights)	120	26
Closing balance 31 December	**57**	**–11**

Revaluation reserve

The revaluation reserve includes revaluation of trademarks in relation to successive share purchase.

Group (SEK million)	2018	2017
Opening balance, 1 January	–12	–12
Closing balance, 31 December	**–12**	**–12**

Retained earnings

Retained earnings comprise of previously earned income.

Non-controlling interest

In subsidiaries not wholly owned, the share of equity owned by external shareholders is recorded as non-controlling interest. In cases where option clauses exist, the companies have been 100% consolidated.

Note 19 Provisions

Accounting for Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the anticipated liability.

Accounting for Pensions
There are mainly defined contribution pension plans within the Group. The Group's payments to defined contribution plans are reported as costs in the period when the employee performed the services to which the fee relates. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Group (SEK million)	Restructuring provisions	Royalties and other provisions	Pension provisions	Total
Opening balance 1 January 2017	64	387	7	**459**
Provisions during the year	–	220	1	**221**
Provisions from acquisition of entities	–	1	–	**1**
Utilised during the year	–26	–16	–	**–43**
Reversed during the year	–	–121	–	**–121**
Translation differences	–	1	–	**1**
Closing balance 31 December 2017	**38**	**471**	**9**	**518**
Opening balance 1 January 2018	38	471	9	**518**
Provisions during the year	102	150	0	**252**
Utilised during the year	–90	–221	–	**–311**
Reversed during the year	–2	–52	–	**–54**
Reclassifications	–	0	–	**0**
Nova reclassified to Assets held for sale	–	–12	–2	**–15**
Translation differences	0	8	–	**8**
Closing balance 31 December 2018	**47**	**344**	**7**	**398**

The Group has defined benefit pension plans in Norway and Sweden. The plans relate to a few employees and the amount is immaterial. In Sweden there is a multi-employer defined benefit plan. The Group reports these pension costs in the same way as defined contribution plans.

During 2018 restructuring programs were initiated in NENT Group and Turtle (ESL).

Note 20 Accrued expense and deferred income

Parent company (SEK million)	31 Dec 2018	31 Dec 2017
Accrued personnel costs	30	52
Accrued interest costs	–	1
Accrued professional fees	12	21
Other	3	2
Total	**46**	**77**

Note 21 Pledged assets and contingent liabilities

There are no pledged assets in the Group in 2018 and 2017.

Various MTG companies are involved in disputes, with collecting societies, over payment of royalties for the past use of copyrights and similar rights. Further, MTG companies are parties in litigations. The Company does not believe that the outcome of these litigations are likely to have a material adverse effect on the financial position of the Group. These litigations are therefore not included in the contingent liabilities. There are no contingent liabilities in the Group in 2018 and 2017.

Contingent liabilities

Parent company (SEK million)	31 Dec 2018	31 Dec 2017
Guarantees subsidiaries	431	500
Total	**431**	**500**

The parent company issues guarantees to the benefit of the subsidiaries. These include mainly rental agreements and capital coverage.

Note 22 Financial instruments and financial risk management

Capital management

The primary objective of the Group's capital management is to ensure financial stability, manage financial risks and secure the Group's short-term and long-term need of capital. The Group defines its capital as equity including non-controlling interest as stated in the balance sheet.

The Group manages its capital structure and makes adjustments when necessary due to economic conditions in its environment. To maintain or adjust the capital structure, the Group may change the dividend payment to shareholders, buy-back shares or issue new shares.

The Group monitors capital efficiency using different ratios, such as net debt, return on capital employed and equity to assets ratio.

Financial risk management

In addition to business operational risks, the Group is exposed to various financial risks in its operations. The most important financial risks are refinancing-, credit-, interest rate- and currency risk, which all are regulated by the financial policy adopted by MTG's Board of Directors.

The Group's financial policy constitutes a framework of guidelines and rules for financial risk management and financial activities in general. The policy is subject to a yearly review. The Group's financial risks are continuously compiled and followed up at corporate level by the Group's treasury function to ensure compliance with the financial policy. The parent company treasury function is responsible for managing the financial risks. The aim is to limit the Group's financial risks, and ensure that the Group has appropriate and secure financing for its current needs.

Liquidity in the Group is concentrated with the central financing function and in local cash pools. Surplus liquidity may be invested during a period of maximum six months. The financial policy includes a special counterparty regulation by which a maximum credit exposure for various counterparties to minimise the risk is stipulated.

Financing and refinancing risk

Financing risk is the risk of not being able to meet the need for future funding requirements. The Group's sources of funding are primarily shareholders' equity, cash flows from operations and borrowing. In order to reduce the refinancing risk the Group strives to diversify the funding sources and maturity tenors and normally initiate refinancing of all loans 12 months prior to maturity. The Group shall at all times strive for relevant key ratios equal to investment grade rating.

External borrowing is managed centrally in accordance with the Group's financial policy. Loans are primarily taken up by the parent company, and transferred to subsidiaries as internal loans or capital injections. There are also companies who have external loans and/or overdraft facilities connected directly to these companies.

The Group has a SEK 500 million corporate bond maturing October 2020 with a floating rate 3-month Stibor plus a 1.40% coupon. In the short-term capital market the Group has an uncommitted SEK 3,000 million frame commercial paper programme, of which SEK 2,979 million was issued at the balance sheet date.

At the balance sheet date the Group also had a five year committed SEK 4,000 million syndicated multi-currency bank facility arranged in August 2018, of which SEK 200 million was utilised. The revolving credit facility is unsecured with no required amortisations and can be paid out in optional currencies. The interest varies with IBOR (not lower than 0%) depending on the currency utilised. Covenants for the facility are 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 the parent company or any of the subsidiaries other than the covenants. The covenants have been fulfilled. Additionally after the balance sheet date the Group secured a SEK 1,000 million facility in January 2019.

Overdraft facilities within the Group's cash-pool banks consist of two overdraft facilities of SEK 125 million each, one of DKK 50 million, one of NOK 55 million and one of SEK 15 million. In total SEK 390 million of which nil was drawn at the balance sheet date. Facilities in subsidiaries amounted to a total of SEK 3 million of which nil was drawn at the balance sheet date.

As per 31 December 2018, total short- and long-term borrowings amounted to SEK 3,679 (3,223) million including SEK 3,479 million borrowed from the capital market.

Finance lease liabilities

The Group has no material finance leases.

Note 22, continued

Net debt

Group (SEK million)	31 Dec 2018	31 Dec 2017
Short-term loans	3,179	1,625
Current part of long-term loans	–	1,000
Short-term borrowings	**3,179**	**2,625**
Other short-term interest-bearing liabilities	–	3
Total short-term borrowings	**3,179**	**2,628**
Long-term borrowings	500	500
Other long-term interest-bearing liabilities	–	95
Total long-term borrowings	**500**	**595**
Total borrowings	**3,679**	**3,223**
Cash and cash equivalents	862	1,394
Long- and short-term interest-bearing assets	6	11
Total cash and interest-bearing assets	**867**	**1,405**
Net debt excluding assets held for sales	**2,812**	**1,818**
Net debt related to assets held for sale	–231	–6
Total net debt	**2,581**	**1,812**
Total credit facilities	4,390	5,882
Where of unutilised	4,190	5,882

Maturity of long-term loans

Parent company (SEK million)	31 Dec 2018	31 Dec 2017
Amount due for settlement within 12 months	–	1,000
Amount due for settlement within 13 to 59 months	500	500
Amount due for settlement after 60 months	–	–
Total	**500**	**1,500**

Terms and payback period, gross values

	2018						
Group (SEK million)	Interest rate	Fixed interest rate	Effective interest rate	Total	Maturity 2019	Maturity 2020	Maturity 2021 or later
Bond loan	0.94	3 months	0.96	506	5	501	–
Bank loan (RCF)	0.75	1 month	2.29	200	200	–	–
Commercial papers	0.06	5 months	0.09	2,979	2,979	–	–
Other interest-bearing liabilities				0	–	–	–
Accounts payable				1,947	1,947	–	–
				5,632	**5,131**	**501**	**–**

Terms and payback period, gross values

	2017						
Group (SEK million)	Interest rate	Fixed interest term	Effective interest rate	Total	Maturity 2018	Maturity 2019	Maturity 2020 or later
Bond loan	1.03	3 months	1.05	1,516	1,007	5	504
Commercial papers	0.11	1–4 months	0.14	1,625	1,625	–	–
Other interest-bearing liabilities				98	3	95	–
Accounts payable				1,791	1,791	–	–
				5,030	**4,426**	**100**	**504**

The interest have been calculated using the current interest rates on 31 December. The liabilities have been included in the period when repayment may be required at the earliest.

Market risks

Interest rate risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect cash flow, financial assets and liabilities. The Group is exposed to interest rate risk through loans, derivatives, other financial assets and utilised interest-bearing credit facilities. The Group's financial policy aim to gain financial flexibility through a balanced mix between variable and fixed interest rates and spreading maturities to match funding needs. During 2017-2018, the interest rate period was less than 1 year.

Short-term investments and cash and cash equivalents amounted to SEK 862 (1,394) million as per 31 December and the average interest rate period on these assets was approximately 0 month. Assuming the same debt structure, a 1% increase in interest rates would have an impact on the Group's interest expense of approximately SEK 32 million. A 1% decrease would reduce the interest expense by approximately SEK 5 million. The difference is due to the terms of the loans and current negative interest rates, assuming it would be more difficult to benefit fully from a decrease using committed facilities and potential new commercial papers. The Group does not currently hedge its interest rate risks.

Credit risk

Credit risk is defined as the risk that the counterparty in a transaction will not fulfil its contractual obligations and any collateral will not cover the claim of the Group. The credit risk in the Group consists of financial credit risk and customer credit risk.

Financial credit risk is the risk arising for the Group in its relations with financial counterparties. The management of the financial credit risk is regulated in the Group's financial policy.

Financial counterparties must have a rating of the equivalent of S&P's single A rating or higher for larger deposits of cash or surplus funds. Standardised ISDA agreements are signed with all counterparties involved in foreign exchange transactions. Transactions are made within fixed limits and exposures are continuously monitored.

The credit risk with respect to the Group's accounts receivables is diversified among a large number of customers, both private individuals and companies. The Group's assessment based on historical data is that there are no write-down requirements for accounts receivables not due. The majority of the current outstanding accounts receivables comprise previously known customers, who are judged to have good credit worthiness. See also note 15 Accounts receivables.

The Group's exposure to credit risk amounts to SEK 2,642 (3,386) million as per 31 December. The exposure is based on the carrying amount for the financial assets, the major part comprising cash and cash equivalents and accounts receivables.

Insurable risks

The parent company ensures that the Group has sufficient insurance coverage, including business interruption, director and officer liabilities and asset losses. This is done via corporate umbrella solutions to cover most territories.

Currency risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect the income statement, financial position and/or cash flows. The risk can be divided into transaction exposure and translation exposure. Please also refer to the Directors' report under Risks and uncertainties.

Derivative instruments

The Group uses forward contracts to hedge its exposure to foreign exchange arising from operational activities. The major part of contracted programme acquisition outflows in US dollars is hedged. Derivatives that do not qualify for hedge accounting due to the rules in IFRS 9 are accounted for as financial instruments valued at fair value through profit and loss.

Derivative financial instruments which are used as hedging instruments are recognised initially at cost and remeasured to fair value thereafter. The effective part of the gain or loss in the cash flow hedge is recognised in other comprehensive income with the aggregated changes in value in the hedge reserve in equity. When the forecasted transaction results in the recognition of programme inventory, the cumulative gain or loss is removed from equity and included in the initial cost of inventory. When a hedging instrument expires, the cumulative gain or loss is recognised in the income statement.

Transaction exposure

Transaction exposure arise when inflow and outflow in foreign currencies in the financial statements of the separate entities within the Group are not matched. According to the Group´s financial policy, the Group shall hedge the major contractual future currency flows on the basis of maximum 36 months forward. The corporate treasury department strives to match inflows and outflows in the same currency and also to take advantage of natural hedges. Hedging is performed to protect the Group against the effects of transaction exposures in the contracted outflow for the main part of programme acquisitions in US dollars. Approximately 85-100% of the contracted currency flows related to programme acquisitions for the next 12 months are hedged. The hedging reserve at year-end amounted to a total of SEK 57 (–11) million. Hedges with a maturity later than 12 months have a market value of SEK 8 (–35) million at year-end.

The transaction exposures in the Group occurs when the subsidiaries have external and internal transactions in currencies other than the subsidiary's functional currency. Below is the net of hedges and forecasted transaction exposures for the next 12 months:

Currency (SEK million)	USD	EUR	DKK	NOK	GBP
Transaction flows	–3,061	–2,581	2,568	1,130	–264
Hedges due in 12 months	2,374	–49	–177	–	171
Net transaction flows	**–687**	**–2,630**	**2,392**	**1,130**	**–93**
Effect if SEK falls 5%	–34	–132	120	57	–5

Note 22, continued

The nominal value of the major hedge contracts amounted to:

Currency (million)	2018	2017
EUR	–5	42
USD	361	383

The effect of a change in the rate by 5% on all of the outstanding positions as per 31 December would have been approximately SEK 164 (166) million, the impact on equity would be after deduction of tax.

Translation exposure

Translation exposure is the risk that arises when translating equity in a foreign subsidiary, associated company or joint venture. There are no hedging positions for translation exposure.

Foreign net assets including goodwill and other intangible assets arising from acquisitions are distributed as follows:

	2018		2017	
Currency	SEK million	%	SEK million	%
USD	1,110	13	655	7
NOK	1,486	17	1,399	15
EUR	5,022	57	6,130	66
DKK	522	6	592	6
Other currencies	647	7	559	6
Total equivalent SEK value	**8,787**	**100**	**9,336**	**100**

A 5% change in EUR/SEK would affect equity by approximately SEK 251 (307) million.

Accounting for financial instruments

Financial assets and liabilities include cash and cash equivalents, securities, derivative instruments, other financial receivables, accounts receivables, accounts payable, contingent considerations and loan liabilities.

Financial instruments – categories

From 1 January 2018, the categories for financial instruments has changed through the introduction of IFRS 9. The categories for 2017 according to IAS 39 still apply for this year. The comparable figures in the tables below recognise the same levels as for 2018, as the change did no cause a transfer between levels or categories. In the below table, the classification for the respective years.

2018	2017	Financial instruments
Financial assets at fair value through profit and loss	Financial assets available for sale	Shares, derivatives such as forward contracts
Financial assets valued at amortised costs	Loans and account receivables	Loans and account receivables and cash and cash equivalents
Financial liabilities at fair value through profit and loss	Financial liabilities at fair value through profit and loss	Derivatives such as forward contracts and contingent considerations and options to acquire remaining shares in subsidiaries
Financial liabilities valued at amortised costs	Trade payables, short and long-term interest-bearing liabilities	Trade payables, short and long-term interest-bearing liabilities

Financial assets at fair value through profit and loss

Shares

The Group's holdings in listed shares are measured at market value based on bid price as per the balance sheet day. Changes in the market values of these shares will impact other comprehensive income.

Derivatives

Derivates are recognised as a financial asset at fair value and realised changes in the value are recognised in profit and loss and unrealised value changes are recognised in equity as a result of hedge accounting.

Financial assets at amortised costs

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as current assets, with exception for receivables with maturities later than 12 months after the balance sheet date. These receivables are classified as non-current assets. Loan receivables and accounts receivables comprise accounts receivables and other receivables and cash and cash equivalents. Receivables are stated at amortised cost less impairment losses. The receivables are reviewed monthly to determine whether there is an indication of impairment. Such indications include receivables due for a longer period than 90 days. Doubtful accounts receivables are reported with the amount at which, they are deemed likely to be paid.

Financial liabilities at fair value through profit or loss

Derivatives

Derivatives at fair value are recognised as financial liabilities and realised changes in the value are recognised in profit and loss and unrealised value changes are recognised in equity as a result of hedge accounting.

Contingent considerations and options to acquire remaining shares in subsidiaries

When a subsidiary is acquired and previous owners remain as non-controlling interest, the agreement often includes an option for the minority owners to sell their share of the acquired company to the Group at a later stage. In such cases no non-controlling interest is reported but instead a financial liability is recognised. The liability is reported at the discounted present value of the redemption amount of the shares.

Financial liabilities valued at amortised costs

Financial liabilities are reported as trade payables, short and long-term interest-bearing liabilities.

The table shows the carrying amounts and fair values of financial assets and financial liabilities, including the levels in the fair value hierarchy.

The carrying amount of cash and cash equivalents, other receivables, accounts receivables and accounts receivables from associated companies and interest-bearing liabilities, accounts payables and other liabilities represent a reasonable approximation of fair value.

Group (SEK million)	Fair value hedging instru-ments	Fair value through profit and loss	Financial assets/ liabilities at amor-tised cost	Total	Level 1	Level 2	Level 3	Total
	31 December 2018							
Financial assets measured at fair value								
Forward exchange contracts used for hedging	134	–	–	**134**	–	134	–	**134**
Shares and participations in other companies	–	88	–	**88**	88	–	–	**88**
Total	**134**	**88**	**–**	**221**	**88**	**134**	**–**	**221**
Financial assets measured at amortised cost								
Trade and other receivables	–	–	1,711	**1,711**	–	–	–	**–**
Cash and cash equivalents	–	–	862	**862**	–	–	–	**–**
Total	**–**	**–**	**2,573**	**2,573**	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value								
Contingent consideration	–	442	–	**442**	–	–	442	**442**
Total	**–**	**442**	**–**	**442**	**–**	**–**	**442**	**442**
Financial liabilities measured at amortised cost								
Trade and other payables	–	–	5,626	**5,626**	–	–	–	**–**
Total	**–**	**–**	**5,626**	**5,626**	**–**	**–**	**–**	**–**

Book value equals fair value except for other financial liabilities where the fair value is SEK 6 million higher than the book value.

Group (SEK million)	Fair value hedging instru-ments	Fair value through profit and loss	Financial assets/ liabilities at amor-tised cost	Total	Level 1	Level 2	Level 3	Total
	31 December 2017							
Financial assets measured at fair value								
Shares and participations in other companies	–	9	–	**9**	9	–	–	**9**
Total	**–**	**9**	**–**	**9**	**9**	**–**	**–**	**9**
Financial assets measured at amortised cost								
Trade and other receivables	–	–	2,002	**2,002**	–	–	–	**–**
Cash and cash equivalents	–	–	1,394	**1,394**	–	–	–	**–**
Total	**–**	**–**	**3,396**	**3,396**	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	112	–	–	**112**	–	112	–	**112**
Contingent consideration	–	1,005	–	**1,005**	–	–	1,005	**1,005**
Total	**112**	**1,005**	**–**	**1,117**	**–**	**112**	**1,005**	**1,117**
Financial liabilities measured at amortised cost								
Trade and other payables	–	–	5,012	**5,012**	–	–	–	**–**
Total	**–**	**–**	**5,012**	**5,012**	**–**	**–**	**–**	**–**

Book value equals fair value except for other financial liabilities where the fair value is SEK 9 million higher than the book value.

Note 22, continued

Parent Company (SEK million)	31 December 2018 Fair value hedging instru-ments	Fair value through profit and loss	Financial assets/ liabilities at amor-tised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Forward exchange contracts used for hedging	61	–	–	**61**	–	61	–	**61**
Shares and participations in other companies	–	1	–	**1**	1	–	–	**1**
Total	**61**	**1**	**–**	**62**	**1**	**61**	**–**	**62**
Financial assets measured at amortised cost								
Trade and other receivables	–	–	15,818	**15,818**	–	–	–	**–**
Cash and cash equivalents	–	–	24	**24**	–	–	–	**–**
Total	**–**	**–**	**15,842**	**15,842**	**–**	**–**	**–**	**–**
Financial liabilities measured at amortised cost								
Forward exchange contracts used for hedging	61	–	–	**61**	–	61	–	**61**
Total	**61**	**–**	**–**	**61**	**–**	**61**	**–**	**61**
Financial liabilities measured at amortised cost								
Trade and other payables	–	–	16,927	**16,927**	–	–	–	**–**
Total	**–**	**–**	**16,927**	**16,927**	**–**	**–**	**–**	**–**

Book value equals fair value except for other financial liabilities where the fair value is SEK 6 million higher than the book value.

Parent Company (SEK million)	31 December 2017 Fair value hedging instru-ments	Fair value through profit and loss	Financial assets/ liabilities at amor-tised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Forward exchange contracts used for hedging	110	–	–	**110**	–	110	–	**110**
Shares and participations in other companies	–	1	–	**1**	1	–	–	**1**
Total	**110**	**1**	**–**	**111**	**1**	**110**	**–**	**111**
Financial assets measured at amortised cost								
Trade and other receivables	–	–	10,012	**10,012**	–	–	–	**–**
Cash and cash equivalents	–	–	843	**843**	–	–	–	**–**
Total	**–**	**–**	**10,855**	**10,855**	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	112	–	–	**112**	–	112	–	**112**
Total	**112**	**–**	**–**	**112**	**–**	**112**	**–**	**112**
Financial liabilities not measured at fair value								
Trade and other payables	–	–	11,742	**11,742**	–	–	–	**–**
Total	**–**	**–**	**11,742**	**11,742**	**–**	**–**	**–**	**–**

Book value equals fair value except for other financial liabilities where the fair value is SEK 9 million higher than the book value.

Valuation techniques level 1, 2 and 3

Shares and participations in other companies – quoted prices in active markets for identical assets or liabilities are used to determine the fair value.

Contingent consideration – discounted cash flows at the present value of expected future payments. The discount rate is risk-adjusted. The most critical parameters are estimated future revenue growth and future operating margin.

Forward exchange contracts – the fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

Financial liabilities, level 3

Group (SEK million)	2018	2017
Opening balance 1 January	1,005	1,342
New acquisitions	35	17
Exercise	–244	–48
Changes in fair value	–355	–344
Interest expenses from discounting	17	22
Reclassification Nova assets held for sale	–56	–
Translation differences	40	17
Closing balance 31 December	**442**	**1,005**

Note 23 Supplementary information to the statement of cash flows

Adjustments to reconcile net income/loss to net cash provided by operations

Group (SEK million)	2018	2017
Gain or loss from investments	–61	23
Depreciation and amortisation	439	320
Write-downs	103	691
Write-down of assets Zoom.in	136	–
Provisions	4	59
Participation in associated companies and joint ventures	5	–
Revaluation of liabilities related to options to acquire shares	–211	–344
Unrealised exchange differences	32	–21
Other items	10	–29
Total	**457**	**699**

Cash paid for interest and corporate tax

Group (SEK million)	2018	2017
Interest paid	–9	–18
Interest received	1	1
Corporate income tax	–234	–359
Total	**–242**	**–376**

Parent company (SEK million)	2018	2017
Interest paid	–9	–18
Interest received	1	240
Corporate income tax	–23	–26
Cash received for group dividends	0	46
Total	**–31**	**242**

Reconciliation of debts arising from financing activities

Group (SEK million)	Opening balance 2018	Cash flows	Reclassification	Exchange rate difference	**Closing balance 2018**
Short-term loans	1,625	1,554	–	–	**3,179**
Long-term borrowings	500	–	–	–	**500**
Current part of long-term loans	1,000	–1,000	–	–	**–**
Other long-term interest bearing liabilities	95	–95	–	–	**–**
Total	**3,220**	**459**	**–**	**–**	**3,679**

Group (SEK million)	Opening balance 2017	Cash flows	Reclassification	Exchange rate difference	**Closing balance 2017**
Short-term loans	1,435	190	–	–	**1,625**
Long-term borrowings	1,500	–	–1,000	–	**500**
Current part of long-term loans	–	–	1,000	–	**1,000**
Other long-term interest bearing liabilities	56	37	–	2	**95**
Total	**2,991**	**227**	**–**	**2**	**3,220**

All external borrowings, except for Other long-term interest-bearing liabilities, are attributable to the parent company. In addition the parent company has interest-bearing receivables from and liabilities to other Group companies. The liabilities to Group Companies at year-end amounted to SEK 13,231 (8,602) million, the change during the year is explained by a positive cash flow of SEK 4,629 million. Receivables from Group Companies at year-end amounted to SEK 12,067 (9,941) million, the change during the year is explained by a negative cash flow in the parent company of SEK 2,126 million.

Note 24 Lease and other commitments

Accounting for leases

An operating lease is a lease that does not fulfil the conditions for a finance lease. For operating leases, the rental expense is recognised in the lessee's accounts on a straight-line basis over the period during which the asset is used. The main part of the Group's operating lease agreements are rental agreements for offices.

Commitments for future payments on non-cancellable operational leases at 31 December

Group (SEK million)	2018	2017
2018	–	245
2019	229	201
2020	202	183
2021	176	157
2022	164	142
2023 and thereafter	481	355
Total lease commitments	**1,251**	**1,284**

This year's costs		
Minimum lease fees	219	257
Variable fees	1	7
This year's costs	**220**	**264**

Other commitments for future payments at 31 December

	Future payments for programme rights		Transponder commitments	
Group (SEK million)	2018	2017	2018	2017
2018	–	3,430	–	192
2019	5,346	3,064	168	168
2020	4,350	2,214	55	56
2021	3,156	942	–	–
2022	1,331	295	–	–
2023 and thereafter	1,687	295	–	–
Total other commitments	**15,870**	**10,239**	**223**	**416**

Note 25 Average number of employees

	2018		2017	
Group	Men	Women	Men	Women
Sweden	608	392	567	326
Germany	417	91	440	90
Bulgaria	284	299	262	290
Norway	173	151	162	146
United Kingdom	111	91	79	96
Denmark	132	88	118	88
The Netherlands	23	29	38	57
Finland	29	40	32	33
France	15	5	59	31
United States	158	58	143	41
Other	79	32	132	50
Total	**2,029**	**1,276**	**2,032**	**1,248**
Total average number of employees		**3,305**		**3,280**

Parent company	2018	2017
Men	25	27
Women	20	17
Total	**45**	**44**

Gender distribution senior executives

	2018		2017	
Group	Men %	Women %	Men %	Women %
Board of Directors	60	40	70	30
Senior executives	82	18	87	13
Total	**79**	**21**	**73**	**27**

	2018		2017	
Parent company	Men %	Women %	Men %	Women %
Board of Directors	67	33	67	33
CEO	100	–	100	–
Other senior executives	78	22	71	29
Total	**75**	**25**	**71**	**29**

Note 26 Salaries, other remuneration and social security expenses

Group (SEK million)	2018	2017
Wages and salaries	2,674	2,488
Social security expenses	555	445
Pension costs	138	133
Share-based payments	30	72
Social security expenses on share-based payments	–12	32
Total	**3,385**	**3,170**

Group (SEK million)	2018	2017
Board of Directors, CEO and other senior executives[1]	182	173
of which variable salary	*46*	*46*

[1] Includes SEK 4.8 (4.8) million board fees approved by the Annual General Meeting.

Parent company (SEK million)	2018	2017
Board of Directors, CEO and other senior executives	42	45
of which variable salary	*17*	*20*
Other employees	55	56
Total salaries and other remuneration	**97**	**101**
Social security expenses	42	44
of which pension costs	*8*	*9*
of which pension costs CEO	*1*	*1*

Total salaries in the parent company include remuneration to other members of Group Management 4 (3) persons of SEK 14 (19) million, of which variable salary is SEK 6 (9) million. Two persons were included in the parent company during half of the year.

Remuneration to Group Management 2018

A fee is paid to the Board of Directors in accordance with the decision of the Annual General Meeting. The remuneration to senior executives is paid in accordance with the guidelines approved by the Annual General Meeting 2018.

The objective of the guidelines is to ensure that the group can attract, motivate and retain senior executives, within the context of the group's international peers, which primarily consists of Nordic and European media, telecom and global online companies. The aim is to create a remuneration that is market competitive, well balanced and reflects individual performance and responsibility, both short-term and long-term, as well as the group's overall performance and align the incentives with the interests of the shareholders. The intention is that the Group Management shall have a significant long term shareholding in the group and that remuneration to the Group Management shall be based on the pay for performance principle.

Remuneration to the Group Management shall consist of fixed salary, short-term variable remuneration paid in cash ("STI"), the possibility to participate in long-term share or share price related incentive programs ("LTI") as well as pension and other customary benefits.

Fixed salary

The fixed salary for the members of the Group Management shall be competitive and based on the individual responsibilities and performance.

Variable remuneration

The STI shall be based on fulfilment of established targets for the group and in the area of responsibility for each member of the Group Management. The result shall be linked to measurable targets (qualitative, quantitative, general, individual). The targets within each area of responsibility are defined to promote the group's development in the short and long-term. The maximum payment under the STI shall generally not exceed 100 percent of the senior executives' fixed salary. Payment of part of the STI is conditional upon it being invested in MTG shares and on those shares being held for an agreed period of time. The LTI shall be linked to certain pre-determined financial and/or share or share-price related performance criteria and shall ensure a long-term commitment to the development of the group and align the Group Management's incentives with the interests of the shareholders.

Pension and other benefits

The Group Management shall be entitled to pension commitments that are customary, competitive and in line with market conditions in the country in which the member of the Group Management is employed. Pension commitments will be secured through premiums paid to insurance companies. The group provides other benefits to the Group Management in accordance with local practice. Other benefits can include, for example, a company car and health care. Occasionally, housing allowance could be granted for a defined period.

Notice of termination and severance pay

The maximum notice period of the Group Management members' contract is twelve months during which time salary payment will continue. The group does not generally allow any additional contractual severance payments to be agreed.

Compensation to Board Members

Board members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board.

Deviations from the guidelines

The Board may deviate from the above guidelines on a case by case basis. For example, additional variable remuneration or cash payments may be paid in the case of exceptional performance or in special circumstances such as recruitment or retention. In such cases the Board will explain the reason for the deviation at the following Annual General Meeting.

Note 26, continued

Group Management

Group Management include the Chief Executive Officer, the Chief Financial Officer, Executive Vice Presidents and Group General Counsel. The current NENT Chief Executive Officer, Chief Financial Officer, EVP Group Head of content and EVP Group Head of corporate affairs for NENT were all part of Group management. The Group Management is found on pages 32–33.

Remuneration and other benefits 2018

(SEK thousand)	Board fee	Base salary	Variable remuneration	Other benefits	Pension costs	Total
David Chance, Chairman of the Board	1,503					**1,503**
Joakim Andersson	115					**115**
Simon Duffy	735					**735**
Gerard Florin	553					**553**
Donata Hopfen	630					**630**
John Lagerling	553					**553**
Natalie Tydeman	719					**719**
Jørgen Madsen Lindemann, CEO		12,069	9,310	513	1,207	**23,098**
Executive managers (9 persons)		25,401	21,228	2,667	2,271	**51,567**
Total	**4,806**	**37,469**	**30,538**	**3,179**	**3,478**	**79,470**

The 2018 amounts disclosed for the major part of the Group Management relate to the full year, but part of the year for some of the executives. The numbers include variable salary remuneration incurred to be paid after the year end for the Chief Executive Officer of SEK 8 (9) million. In addition, non-cash share-based incentive programme costs calculated in accordance with IFRS 2 amounted to SEK 4 (16) million for the CEO and SEK 13 (20) million for other members of Group Management. Out of the remuneration to other members of the Group Management SEK 14 (19) million was expensed in the parent company, SEK 33 (29) million was expensed in the subsidiaries.

Remuneration and other benefits 2017

(SEK thousand)	Board fee	Base salary	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
David Chance, Chairman of the Board	1,503						**1,503**
Joakim Andersson	735						**735**
Simon Duffy	735						**735**
Donata Hopfen	630						**630**
John Lagerling	553						**553**
Natalie Tydeman	630						**630**
Jørgen Madsen Lindemann, CEO		10,824	10,824	424	1,076		**23,148**
Executive managers (7 persons)		24,368	23,037	752	2,195	609	**50,961**
Total	**4,785**	**35,192**	**33,861**	**1,176**	**3,271**	**609**	**78,894**

Decision process

The remuneration to the Chief Executive Officer was decided by the Board of Directors. Remuneration to executive management is monitored and reviewed by the Board.

Share based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments including social security costs is based on the Group's estimate of shares that will eventually vest and is expensed on a straight-line basis over the vesting period. The fair value expense excluding social fees is reported in the income statement as personnel costs with the corresponding increase in equity. For the recurring calculation of social security costs the fair value is re-valued quarterly. MTG's share-based plans all have three-year vesting periods and payment is depending on fulfilment of certain stipulated goals.

The 2017 long-term incentive programme was terminated after the vesting period in the first quarter of 2019.

The Annual General Meetings, with the beginning in 2005, have established incentive programmes for senior executives and key personnel.

Long-term incentive programmes (LTIP) 2017

The long-term incentive programmes are performance based and directed towards approximately 85 senior executives and other key employees. The CEO and the senior executives are required to have a certain shareholding in MTG shares (Target Holding) in order for the share awards to vest. The Target Holding to be achieved is for the CEO a shareholding equivalent to the value of 1 year's net base salary at time of grant and, for the senior executives, equivalent to a value of 50% year's net base salary. Based on the participant's annual gross salary and the share price at grant, the CEO is granted share awards equivalent of 125% of the annual gross salary, senior executives are granted share awards equivalent of 100% of the annual gross salary and, for the key employees, 75% of the annual gross salary, depending on the fulfilment of certain stipulated performance conditions. The performance conditions relate to absolute shareholder return (TSR), MTG EBIT level, and MTGx value creation. The target level for the MTG normalised EBIT are set by the Board for each of the calendar years, with the relative weight of each of the three one-year periods being one third. The MTGx value creation target includes organic sales growth and normalised EBIT margin which is set annually by the Board. The share rights were granted by the company at the end of May 2017, free of charge, and may be exercised the day following the release of the interim report for Q1 2020. Dividends paid on underlying shares during the vesting period will increase the number of shares in order to treat the shareholders and the participants equally. As a result of the split of MTG into two companies, the vesting of the share rights granted by the company at the end of May 2017, was accelerated by one year to March 2019. The fulfilment of the performance conditions was determined based on the 2017 and 2018 financial years and the number of share rights to be exercised under the plan were reduced accordingly to 2/3. The programme was calculated to comprise a maximum of 500,000 shares, of which 108,109 shares will vest in March 2019.

Long-term incentive programmes (LTIP) 2015 and 2016

The long-term incentive programmes are performance based and directed towards between 85 and 100 senior executives and other key employees. The CEO and the senior executives are required to have a certain shareholding in MTG shares (Target Holding) in order for the share awards to vest. The Target Holding to be achieved is for the CEO a shareholding equivalent to the value of 1 year's net base salary at time of grant and, for the senior executives, equivalent to a value of 50% year's net base salary. Based on the participant's annual gross salary and the share price at grant, the CEO and senior executives are granted share awards equivalent to 75% of the annual gross salary and, for the key employees, 50% of the annual gross salary, depending on the fulfillment of certain stipulated performance conditions. The performance conditions relate to total shareholder return (TSR) compared to a peer group, normalised operating income (excluding associated company income) and absolute TSR. The target levels for normalised operating income (excluding associated company income) are set by the Board for each of the calendar years, with the relative weight of each of the three one year periods being one third. The share rights were granted by the company at the beginning of June each respective year, free of charge, and may be exercised the day following the release of the interim report for Q1 2018 and 2019 respectively. Dividends paid on underlying shares during the vesting period will increase the number of shares in order to treat the shareholders and the participants equally. The 2015 programme was calculated to comprise 495,000 shares, of which 255,776 shares vested in April 2018 based on a 100% fulfilment of performance conditions. As a result of the split of MTG into two companies, the vesting of the share rights granted by the company in June 2016, was accelerated to March 2019. The 2016 programme was calculated to comprise 450,000 shares, of which 253,233 shares vested in March 2019 based on a 89% fulfilment of performance conditions.

Note 26, continued

2017 program	3 year target	2 year actual as per 31 Dec 2018	2 year outcome (% category awards vesting)	2018 target	2018 actual	Outcome (% category award vesting)	2017 target	2017 actual	Outcome (% category award vesting)
Absolute TSR (average weighting 40%)	10%	17%	44%						
MTG normalised operating income 2018[2]/2017 (average 40%)				1,643	1,561	44%	1,264	1,318	83%
MTGx organic sales growth (average weighting 20%)				58%	34%	Not met	38%	37%	52%
MTGx EBIT margin (average weighting 20%)				4%	0%	Not met	–10%	–18%	Not met
Esports organic sales growth (average weighting 4%)				29%	11%	Not met	49%	53%	95%
Esports EBIT margin (average weighting 4%)				0%	–14%	Not met	–6%	–16%	Not met
Digital Video organic sales growth (average weighting 4%)				0%	–14%	Not met	38%	11%	Not met
Digital Video EBIT margin (average weighting 4%)				–9%	–29%	Not met	–3%	–10%	Not met
OVERALL 44% FULFILMENT OF PERFORMANCE CONDITIONS (AVERAGE WEIGHTED)			**17%**			**9%**			**18%**

Please note that the performance conditions have different relative weight in the calculation of outcome, depending on participant´s category. As the vesting period is two out of three years, 29% of the programme vested.

2016 program	3 year target	3 year actual as per 31 Dec 2018	3 year outcome (% category awards vesting)	2018 target	2018 actual	2018 outcome (% category awards vesting)	2017 target	2017 actual	2017 outcome (% category awards vesting)	2016 target	2016 actual	2016 outcome (% category awards vesting)
Relative TSR (weighting 33.33%)	0%	60%	100%									
Absolute TSR (weighting 33.33%)	10%	45%	100%									
MTG normalised operating income 2018[2] / 2017[1), 2] / 2016[2] (weighting 33.33%)				1,643	1,561	0%	1,264	1,318	100%	1,391	1,402	100%
OVERALL 89% FULFILMENT OF PERFORMANCE CONDITIONS			**67%**			**0%**			**11%**			**11%**

2015 program	3 year target	3 year actual as per 31 Dec 2017	3 year outcome (% category awards vesting)	2017 target	2017 actual	2017 outcome (% category awards vesting)	2016 target	2016 actual	2016 outcome (% category awards vesting)	2015 target	2015 actual	2015 outcome (% category awards vesting)
Relative TSR (weighting 33.33%)	0%	31%	100%									
Absolute TSR (weighting 33.33%)	10%	61%	100%									
MTG normalised operating income 2017[1), 2] / 2016[2] / 2015 (weighting 33.33%)				1,264	1,318	100%	1,391	1,402	100%	1,414	1,461	100%
OVERALL 100% FULFILMENT OF PERFORMANCE CONDITIONS			**67%**			**11%**			**11%**			**11%**

[1] The original target level of SEK 1,505m has been recalculated for discontinued operations.

[2] Refers to normalised operating income (EBIT), excluding associated company income. In accordance with the Plan rules, the Board of Directors has adjusted the calculation of actual level for large transactions and negative exchange rate movements outside of budget.

Cost effects of the incentive programmes

The programmes are equity-settled programmes. The initial fair value at grant date of the stock option programmes, is expensed during the vesting period. The cost for the programmes is recognised in equity and as an operating expense. The cost is based on the fair value of the MTG Class B share at grant date and the number of shares expected to vest. The cost recognised for the programmes in 2018 amounts to SEK 30 (72) million excluding social charges. Total provision for the social fees in the balance sheet amounted to SEK –12 (32) million.

There were no share rights exercisable at the end of 2018.

Dilution

If all share rights awarded to senior executives and key employees as at 31 December 2018 were exercised, the outstanding shares of the Company would increase by 630,883 (943,828) Class B shares, and be equivalent to a dilution of 0.9% (1.4) of the issued capital and 0.9% (0.8) of the related voting rights at the end of 2018. In July 2018 255,776 performance shares from the 2015 programme were exercised, and in May 2017 61,045 performance shares from the 2014 programme were exercised.

Distribution of issued share awards:

No of share awards outstanding	CEO	Senior executives	Key personnel	Total
LTIP 2016	32,131	83,626	154,300	**270,057**
LTIP 2017	45,644	81,864	233,318	**360,826**
Total outstanding as per 31 December 2018	**77,775**	**165,490**	**387,618**	**630,883**

	2018		2017	
	No of share awards	Weighted exercise price	No of share awards	Weighted exercise price
Share awards outstanding at 1 January	943,828	–	742,231	–
Recalculated due to dividends	21,385	–	3,521	–
Share awards issued during the year	–	–	419,190	–
Share awards exercised during the year	–255,776	–	–61,045	–
Share awards forfeited during the year	–78,554	–	–160,069	–
Total outstanding as per 31 December	**630,883**	**–**	**943,828**	**–**

The share awards exercised in 2018 and 2017 were free of charge. The weighted average remaining contractual life for the remaining share awards is 0.25 (1.5) year. These awards will be exercised in the first quarter of 2019 due to the planned distribution of Nordic Entertainment Group.

LTIP/ Financial year	No. of allocated share awards	No. of participants	Theoretical value at allocation	Exercise period	Outstanding share awards as per 1 January	Recalculation due to dividend	Forfeited during the year	Exercised during the year	**Outstanding share awards as per 31 December**
Grant 2015									
2018					244,356	21,385	–9,965	–255,776	**–**
2017	406,554	100	237.56	2018	267,219		–22,863		**244,356**
Grant 2016									
2018					299,327		–29,270		**270,057**
2017	358,956	85	210.42	2019	333,639		–34,312		**299,327**
Grant 2017									
2018					400,145		–39,319		**360,826**
2017	419,190	85	257.81	2020			–19,045		**400,145**
Total grant									
2018	–				943,828	21,385	–78,554	–255,776	**630,883**
2017	1,184,700				600,858	–	–76,220	–	**943,828**
After the balance sheet date, the following distribution of share awards for the programmes has been made:									
Grant 2016	358,956	85	210.42	2019	270,057	13,194	–30,018	–253,233	–
Grant 2017	419,190	85	257.81	2020	360,826	2,593	–255,310	–108,109	–

Note 27 Audit fees

	Group		Parent company	
(SEK million)	2018	2017	2018	2017
KPMG, audit fees	16	15	2	2
KPMG, audit related fees	0	2	–	1
KPMG, tax related fees	0	0	–	–
KPMG, other services	14	1	0	–
EY, audit fees	0	1	–	–
Other, audit fees	2	1	–	–
Total	**32**	**20**	**2**	**3**

Note 28 Related party transactions

Related Parties

The Group has related party relationships with its subsidiaries, associated companies and joint ventures (see note 7 and 13).

Until 17 august 2018, Kinnevik held 48.0 % of the votes in Modern Times Group MTG AB, whereafter Kinnevik distribute its shares in Modern Times Group MTG AB to its shareholders. Due to the distribution of shares, Kinnevik is since 17 august 2018 no longer consider as a related party. None of Kinnevik's owners are considered as a related party.

All related party transactions are based on market terms and negotiated on "arm's-length basis".

Business agreements with related parties

Transactions with associated companies and joint ventures consists mainly of advertising sales and program rights acquisitions.

	Group		Parent company	
(SEK million)	2018	2017	2018	2017
Net Sales				
Kinnevik	–	0	–	–
Associated companies and joint ventures	108	112	–	–
Total income	**108**	**112**	**–**	**–**
Expenses and procurement				
Kinnevik	–	3	–	3
Associated companies and joint ventures	44	49	–	0
Total operating costs	**44**	**52**	**–**	**3**
Receivables				
Associated companies and joint ventures	16	13	–	–
Total receivables	**16**	**13**	**–**	**–**
Payables				
Associated companies and joint ventures	0	0	–	–
Total payables	**0**	**0**	–	**–**

Remuneration of senior executives

No other transactions than reported in note 26 have been made.

Note 29 Acquired operations

Acquired operations 2018

(SEK million)	Energy Holding Norway AS	Epic Film ApS	Other Subsidiaries	**Total**
Cash paid	3	4	222	**230**
Additional purchase price and other settlements, non-paid	–	6	–	**6**
Total consideration	**3**	**10**	**222**	**236**
Recognised amounts of identifiable assets and liabilities				
Accounts receivables and other receivables	15	–	–	**15**
Cash and cash equivalents	0	–	–	**0**
Deferred tax receivables/liabilities	0	–	–	**0**
Accounts payable and other liabilities	–12	–	–	**–12**
Net identifiable assets and liabilities	**3**	**–**	**–**	**3**
Goodwill	–	10	–	**10**
Total value	**3**	**10**	**–**	**13**

Cash consideration

(SEK million)	Energy Holding Norway AS	Epic Film ApS	Other Subsidiaries	**Total**
Cash paid	3	4	222	**230**
Cash and cash equivalents in the acquired companies	0	–	–	**0**
Cash consideration	**3**	**4**	**222**	**230**
Transaction costs rendered	–	0	5	**5**
Total cash consideration	**3**	**4**	**227**	**235**

Acquisitions 2018

The Group acquired 100% of the shares in Energy Holding Norway AS on January 18, 2018 for a cash consideration of SEK 3.5 million. The company merged with its parent company P4 Radio Hele Norge AS in April 2018. On September 15, the Group acquired 51% of the shares in Epic Film ApS for a consideration of SEK 4.2 million and a contingent consideration of SEK 5.5 million, transaction costs amounted to SEK 0.3 million.

Acquisition by utilization of option to acquire shares (Other Subsidiaries)

In May the Group increased its ownership in Zoom.in Group B.V. (Zoomin.TV) to 100% by acquiring the remaining 49% from Adversa Media Group B.V. The Group paid a cash consideration of SEK 63.3 million (EUR 6.2m) for the shares and transaction cost amounted to SEK 4.3 million.

In June the Group acquired the remaining 4% of the shares in Paprika Holding AB for cash consideration of SEK 1.4 million as well as the remaining 4% of the shares in Splay AB from a company controlled by the company's CEO and founder for a cash consideration of SEK 8.8 million, and a potential deferred variable consideration based on the performance of Splay AB in the first half of 2018.

In September the Group acquired the remaining 4,96% of the shares in Digital Rights Group Ltd for a cash consideration of SEK 1.3 million and increased its ownership in Turtle Entertainment GmbH by 8.44% to 82.48% for a cash consideration of SEK 148.2 million (EUR 14.3 million) and transaction cost of SEK 0.8 million.

Contributions from acquisitions during 2018 from the acquisition date

(SEK million)	Energy Holding Norway AS	Epic Film ApS	**Total**
Net sales	31	1	**32**
Net income	12	0	**12**

Contributions from acquisitions if the acquisition had occurred 1 January 2018

(SEK million)	Energy Holding Norway AS	Epic Film ApS	**Total**
Net sales	31	1	**32**
Net income	12	0	**12**

Since the acquisition of Energy Holding Norway AS occurred on the 1 of January total sales and net income have been included for the full year.

Note 29, continued

Acquired operations 2017

(SEK million)	InnoGames	Kongregate	Other	**Total**
Cash paid	801	543	91	**1,435**
Effect of previous participation	545	–	–	**545**
Additional purchase price and other settlements, non-paid	–	–	–35	**–35**
Total consideration	**1,346**	**543**	**56**	**1,945**
Recognised amounts of identifiable assets and liabilities				
Tangible assets	27	1	–	**27**
Intangible assets	727	154	47	**928**
Accounts receivables and other receivables	181	90	1	**272**
Financial assets	11	–	16	**27**
Cash and cash equivalents	213	–	2	**215**
Deferred tax receivables/liabilities net	–187	–26	–8	**–222**
Provisions	–1	–	–	**–1**
Accounts payable and other liabilities	–285	–59	0	**–345**
Net identifiable assets and liabilities	**687**	**159**	**56**	**902**
Non-controlling interest	–1,293	–	–	**–1,293**
Goodwill	1,953	384	–	**2,336**
Total value	**1,346**	**543**	**56**	**1,945**

Cash consideration

(SEK million)	InnoGames	Kongregate	Other	**Total**
Cash paid	801	543	91	**1,435**
Cash and cash equivalents in the acquired companies	–213	–	–2	**–215**
Cash consideration	**588**	**543**	**89**	**1,220**
Transaction costs rendered				**30**
Total cash consideration				**1,250**

Acquisition of InnoGames GmbH

The Group increased its share ownership in InnoGames from 21% to 51% on 30 April 2017 for SEK 801 million. InnoGames is a global online games developer and publisher, and is reported within the segment "MTGx". Call options in stages up until 2023 for the remaining shares are included in the agreement. Transaction costs were SEK 30 million. Goodwill amounted to SEK 1,953 million in total, and comprise among other development capabilities and competence in the work force. Other intangible assets amounted to SEK 440 million. The goodwill will not be tax deductible. The accounts receivables are judged to be paid in accordance with the recognised amounts above. The purchase price allocations were finalised at the end of 2017.

Acquisition of Kongregate Inc.

The Group acquired 100% of the shares in Kongregate, Inc. on 21 July 2017 for a consideration of SEK 463 million. Kongregate is a game publisher and developer, and is reported within the segment "MTGx". Goodwill amounted to SEK 339 million and other intangible assets to SEK 93 million net of deferred tax liabilities. Goodwill comprise the ability to leverage and improve the existing business through inhouse developers as well as the network of external developers. Transaction costs amounted to SEK 14 million. Kongregate acquired two American companies in November 2017 – Synapse Games, Inc. and Chinzilla, Inc.. The companies were immediately merged with Kongregate, Inc.. The acquisition gave rise to a goodwill of SEK 43 million and other intangible assets of SEK 37 million. The consideration was SEK 80 million. The purchase price allocation was ended at the end of 2017.

Other

The Group acquired 100% of the shares in Matador Film AB on 31 August 2017 for a cash consideration of SEK 17 million and a deferred consideration of SEK 17 million. The acquisition gave rise to an intangible asset of SEK 30 million net of tax. The company is included in the segment "MTG Studios". The Group acquired 15% of the shares in Splay AB in December 2017 for a cash consideration of SEK 35 million by utilizing an option, and thereby owns 96% of the shares. The Group acquired 5% of the shares in Turtle UK by exercising options to buy further shares, and made earn-out payments to former owners in SmartAd, Nice Drama and Turtle HongKong. The total considerations for these transactions were in total SEK 14 million. The Group acquired shares in JTV Digital, a Trace company for SEK 6 million. The Group also invested in Bitcraft for SEK 16 million. Bitcraft is reported as a financial asset.

Contributions during 2017 from the acquisition date

(SEK million)	MTGx companies	Other	**Total**
Net sales	1,234	6	**1,240**
Net income	77	2	**79**

Contributions from acquisitions if the acquisition had occurred 1 January 2017

(SEK million)	MTGx companies	Other	**Total**
Net sales	1,975	8	**1,983**
Net income	115	5	**120**

The Group's total sales if the acquisition had occurred on 1 January would have been SEK 18,280 million and net income would have been SEK 1,401 million for continuing operations.

Note 30 Divested operations, assets held for sale and discontinued operations

Discontinued operations

Discontinued operations refer to companies that have been disposed or have been classified as held for sale. Result and cash flow from discontinued operations are presented separate form result and cash flow from continued operations.

Group (SEK million)	2018 The Baltics and Africa	2017 Prima, the Baltics and Africa (excl. Trace)
Net sales	4	1,207
Operating expenses	–10	–1,105
Financial expenses	0	–2
Net income before tax	**–7**	**99**
Tax	1	–28
Net income	**–5**	**71**
Net gain on sales of operations	–	677
Total net income from discontinued operations	**–5**	**748**
Non-current assets	–	2
Accounts receivables and other receivables	5	8
Cash and cash equivalents	16	6
Assets held for sale	**20**	**16**
Interest-bearing liabilities	–	–
Accounts payable and other liabilities	0	–18
Liabilities related to assets held for sales	**0**	**–18**
Net assets	**20**	**–1**

Divested operations

2018

On January 19 the Group completed the sale of its 75% shareholding in TRACE PARTNERS S.A.S. to TPG Growth for a total cash consideration of EUR 30 million (SEK 297 million). The transaction values 100% of the business at an equity value of EUR 40 million (approximately SEK 396 million).

2017

The sale of Prima was finalised on April 24 2017 and the sale of the Baltic companies on October 26 2017. The sale of the companies in Tanzania was not finalised in 2017 as approval from the authorities was not received. After the sales are finalised, all operations in the Czech Republic, the Baltics and Tanzania does not have any shareholdings in these countries.

The table below presents divested operations related to Trace in 2018, with comparables for 2017 related to Prima and the Baltics.

Group (SEK million)	2018	2017
Net sales	73	1,202
Operating expenses	–70	–1,085
Financial expenses	–1	–2
Net income before tax	**2**	**114**
Tax	–2	–28
Net income	**–**	**87**
Net gain on sales of operations	–	677
Total net income	**–**	**763**
Non-current assets	33	1,246
Accounts receivables and other receivables	293	1,023
Cash and cash equivalents	17	230
Interest-bearing liabilities	–145	–220
Accounts payables and other liabilities	–145	–605
Net assets	**53**	**1,674**
Cash and cash equivalents	–17	–230
Sales price	314	2,013
Net cash inflow	**297**	**1,784**

Assets held for sale

The Group entered into an agreement to sell its shares in the Nova Broadcasting Group within the segment International Entertainment. Hereby, the assets and liabilities of the company have been reported as Assets held for sale and Liabilities related to assets held for sale since the first quarter of 2018. In February 22 2019 MTG has signed an agreement to sell its 95% shareholding in Nova Broadcasting Group in Bulgaria to Advance Media Group. The transaction values 100% of the business at an enterprise value of EUR 185 million (approximately SEK 1,917 million). The transaction is subject to local regulatory approval.

Note 31 Events after the reporting period

MTG secures new financing
On January 7 MTG secured a SEK 1bn credit facility from Nordea, which will provide additional funding for MTG after the spin-off and listing of Nordic Entertainment Group (NENT Group) during the first quarter of 2019.

MTG's Extraordinary General Meeting February 7 2019
The EGM approved the Board of Directors' proposal to distribute all of the shares in the wholly owned subsidiary NENT Group, which comprises MTG's Nordic Entertainment and Studios business segments. Holders of one (1) MTG class A share will receive one (1) NENT Group class A share and holders of one (1) MTG class B share will receive one (1) NENT Group class B share. The MTG class C shares, which are held by MTG in treasury, are not entitled to dividends and will not receive any NENT Group shares.

The Board of Directors was also authorised to determine the record date for the distribution of the NENT Group shares. The record date took place 26 March 2019 and the NENT Group shares were listed on Nasdaq Stockholm 28 March 2019. A prospectus regarding the distribution and listing have been published in March, and NENT Group and MTG have hosted Capital Markets Days on 11 March and 12 March, respectively.

MTG signs an agreement to sell Nova Broadcasting Group
In February 22 2019 MTG has signed an agreement to sell its 95% shareholding in Nova Broadcasting Group in Bulgaria to Advance Media Group. The transaction values 100% of the business at an enterprise value of EUR 185 million (approximately SEK 1,917 million). The transaction is expected to close in April 2019, and the proceeds will be used to develop MTG's global digital entertainment verticals through organic investment and M&A.

Note 32 Proposed appropriations of earnings

The following funds are at the disposal of the shareholders as at 31 December 2018 (SEK):

(SEK)	
Premium reserve	267,111,846
Retained earnings	4,265,149,254
Net income 2018	470,732,324
Total as per 31 December 2018	**5,002,993,424**
Distribution of Nordic Entertainment Group AB as decided on 7 February 2019	–2,000,500,000
Total	**3,002,493,424**

The Board of Directors propose that no further dividend be paid to MTG shareholders for the financial year 2018, and that the retained earnings be carried forward. Of the amount carried forward, SEK 267 million is to be carried forward to the premium reserve.

Signatures

The Board of Directors and the Chief Executive Officer confirm that the annual accounts have been prepared in accordance with accepted accounting standards in Sweden, and that the consolidated accounts have been prepared in accordance with the international accounting standards in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards. The annual accounts and the consolidated accounts give a true and fair view of the Group's and Parent Company's financial position and results of operations.

The Board of Directors' Report for the Group and the Parent Company gives a true and fair view of the Group's and the Parent Company's operations, position and results, and describes significant risks and uncertainty factors that the Parent Company and Group companies face.

The annual accounts and the consolidated statements were approved by the Board of Directors and the Chief Executive Officer on 2 April 2019. The consolidated income statement and statement of financial position, and the income statement and balance sheet of the Parent Company, will be presented for adoption by the Annual General Meeting on 21 May 2019.

Stockholm 2 April 2019

Gerhard Florin
Non-Executive Director

David Chance
Chairman of the Board

John Lagerling
Non-Executive Director

Simon Duffy
Non-Executive Director

Donata Hopfen
Non-Executive Director

Natalie Tydeman
Non-Executive Director

Jørgen Madsen Lindemann
President and Chief Executive Officer

Our Audit report was submitted 3 April 2019
KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Audit report

To the general meeting of the shareholders of Modern Times Group MTG AB (publ.), corp. id 556309-9158.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Modern Times Group MTG AB for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 12–83 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Recoverability of goodwill and intangible assets

See note 2 and 11 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of goodwill and other intangible assets such as trademarks and customer relations as at 31 December 2018 amount to SEK 8.9 billion, which is approximately 44 % of total assets.

Goodwill and intangible assets with indefinite lives are required to be tested annually for impairment. Other intangible assets are tested where there is an impairment trigger.

The impairment tests are complex and include significant judgements. The recoverable value of these assets is based on forecasting and discounting future cash flows using assumptions, such as discount rates, revenue forecasts and long-term growth, which are inherently judgemental and which could be influenced by management bias.

Response in the audit

We obtained and considered the groups impairment tests to assure compliance with the methodology prescribed by IFRS.

We have further evaluated the future cash flow forecasts and their underlying assumptions including long-time growth rates as well as the discount rates used. We have also evaluated historical accuracy of forecasts.

We have had reviews with management among others including specific focus on the assumptions used in the impairment test for the digital video business in Studios, where a resonable change in assumptions could result in an impairment.

We considered management's sensitivity analysis showing the impact of a reasonable change in assumptions to determine whether impairment charged was required.

We have further ensured that the financial statement disclosures meet the requirements in the accounting standards.

Valuation of put and call liabilities and contingent considerations

See note 2 and 22 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

In connection with certain business combinations options have been issued where the seller of the company has the right to sell further shares to the group and the group has the right to purchase further shares. The acquired company is fully consolidated without non-controlling interest. Instead a liability is recorded measured at present value of the exercise price of the options which is dependent on the future performance of the acquired business.

Certain other business combinations include contingent considerations, which are measured at fair value.

At 31 December 2018 the carrying value of these put liabilites and contingent considerations are SEK 442 million in the balance sheet.

The value is calculated based on the terms in agreements including estimates of future revenue growth and operating margin discounted to present value. The calculation of the value therefore include significant judgements which could be influenced by management bias.

Response in the audit
We obtained and considered the group's valuation of the put and call liabililties and contingent considerations and evaluated the forecasts for revenue growth and operating margin as well as the discount rates used.

Major changes in estimated fair value following divestments or exercise for aquisitions are recorded related to Trace, Turtle and Zoomin.TV.

We have further ensured that the financial statement disclosures fulfill met requirements in the accounting standards.

Program rights amortisation
See note 2 and 5 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
Payments for program rights are reported either as inventory or as prepaid expenses mainly depending on the start of the license period. Program rights inventory, where the license period has started, amount to SEK 2.4 billion as per 31 December 2018. Determining the timing and amount of program right expense recognized in the period requires judgement in selection the appropriate recognition profile and ensuring that this profile achieves the objective of recognizing inventory expense in line with the way that it is consumed by the group.

There is a risk that the recognition profile selected by management does not correctly recognize the expense in line with consumption.

Response in the audit
We examined the method for expensing program rights inventory, taking into account the differing genres of programs, any significant changes in viewing patterns during the year and other assessments made by the group. In addition sample testing on contract were performed to evaluate acqusition cost and amortisation periods.

We assessed whether the carrying value of the balances are considered recoverable by analyzing the assets on a portfolio basis and comparing the carrying value at 31 December 2018 against current year revenue and forecasts to determine if any indicators of impairment exist.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–11 and 88–92. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Modern Times Group MTG AB for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Modern Times Group MTG AB by the general meeting of the shareholders on the 22 May 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1997.

Stockholm 3 April 2019

KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Five year summary

Group (SEK million)	2018	2017	2016[1]	2015[2]	2014
Continuing operations					
Net sales	19,742	17,537	14,999	16,218	15,746
Change in reported net sales %	*12.6*	*16.9*	*7.0*	*3.0*	*11.9*
Organic growth %	*4.1*	*7.7*	*5.8*	*0.7*	*3.8*
Acquisitions/divestments %	*5.0*	*8.3*	*1.4*	*1.9*	*6.9*
Changes in FX rates %	*3.5*	*1.0*	*–0.2*	*0.4*	*1.2*
Operating income before items affecting comparability	1,571	1,264	1,060	1,268	1,290
Operating margin before items affecting comparability %	*8.0*	*7.2*	*7.1*	*7.8*	*8.1*
Items affecting comparability	10	–340	–	–512	–155
Total operating income	1,581	923	1,060	756	1,135
Total operating margin %	*8.0*	*5.3*	*7.1*	*4.7*	*7.2*
Net income	1,165	612	744	533	816
Discontinued operations					
Net income	–5	748	–853	–282	357
Total operations					
Total net income	1,160	1,360	–109	251	1,172
Cash flow, continuing operations					
Cash flow from operations	1,622	1,311	674	1,051	1,040
Change in working capital	–568	–725	–204	–555	–143
Net cash flow from operations	1,054	586	470	497	897
Investments in non-current intangible and tangible assets	–765	–330	–308	–293	–217
Net investments of business combinations and divestments	62	763	–504	–1,182	7
Net debt					
Total borrowings	3,679	3,223	2,993	2,567	1,058
Total cash and interest-bearing assets	–867	–1,405	–682	–443	–695
Net debt related to assets held for sale	–231	–6	–126	–	–
Net debt	2,581	1,812	2,186	2,124	363
Net debt to EBITDA ratio	1.3	1.1	1.7	1.5	0.3
Key ratios					
Return on equity adjusted for items affecting comparability %	17	30	–2	12	24
Return on capital employed adjusted for items affecting comparability %	18	18	22	26	30
Equity/assets ratio %	34	34	28	29	41
Interest coverage ratio adjusted for items affecting comparability	26	19	11	23	15
Per share data					
Shares outstanding	66,980,902	66,725,249	66,663,816	66,635,969	66,630,189
Weighted average number of shares before dilution	66,854,133	66,706,398	66,655,996	66,634,180	66,627,771
Weighted average number of shares after dilution[3]	67,362,405	67,142,319	66,826,825	66,769,596	66,709,088
Total basic earnings per share for continuing operations (SEK)	15.60	8.19	10.99	7.45	11.75
Total basic earnings per share (SEK)	15.52	18.73	–3.19	3.22	17.10
Proposed ordinary dividend/Cash dividend per share (SEK)	–	12.50	12.00	11.50	11.00
Market price of Class B shares at close of last trading day	293.00	344.80	270.00	216.70	248.80

[1] The Czech, Baltic and African operations (excluding Trace) were reclassified as 'Assets held for sale' and 'Discontinued operations', and the statements for 2016 has been restated accordingly. 2015 and earlier are not restated.

[2] Associated company CTC Media, Inc., was reclassified in 2015 as 'Assets held for sale' and 'Discontinued operations' respectively, the income statement has been restated accordingly.

[3] The Group has Long Term Incentive Plans that may be exercised into 630,883 new class B shares.

Alternative Performance Measures

The purpose of APMs is to facilitate the analysis of business performance and industry trends that cannot be directly derived from financial statements. MTG is using the following APMs:

- Operating income and margin before items affecting comparability (IAC)
- Change in net sales from organic growth, acquisitions/divestments and changes in FX rates
- Net debt and net debt/EBITDA
- Capital employed and return on capital employed (ROCE)
- Return on equity (ROE)
- Interest coverage ratio

Reconciliation of sales growth

Since the Group generates the majority of its sales in currencies other than in the reporting currency (i.e. SEK, Swedish Krona) and currency rates have proven to be rather volatile, and due to the fact that the Group has historically made several acquisitions and divestments, the company's sales trends and performance are analysed as changes in organic sales growth. This presents the increase or decrease in the overall SEK net sales on a comparable basis, allowing separate discussions of the impact of acquisitions/divestments and exchange rates. The following tables present changes in organic sales growth as reconciled to the change in the total reported net sales.

Sales growth

Group (SEK million)	2018	%	2017	%
Nordic Entertainment				
Organic growth	543	4.5	733	6.6
Acquisitions/divestments	0	0.0	–	–
Changes in FX rates	295	2.5	90	0.8
Reported growth	**839**	**7.0**	**822**	**7.4**
International Entertainment				
Organic growth	99	9.3	75	6.9
Acquisitions/divestments	–134	–12.3	–10	–1.0
Changes in FX rates	74	6.2	21	1.9
Reported growth	**39**	**3.3**	**86**	**7.8**
MTG Studios				
Organic growth	–178	–9.7	48	2.7
Acquisitions/divestments	159	8.7	6	0.3
Changes in FX rates	68	3.7	2	0.1
Reported growth	**48**	**2.6**	**56**	**3.1**
MTGx				
Organic growth	189	5.5	455	37.0
Acquisitions/divestments	693	24.2	1,249	101.7
Changes in FX rates	184	6.2	32	2.6
Change in presentation of prize money	–	–	–98	–17.8
Reported growth	**1,066**	**36.0**	**1,638**	**123.5**
Total				
Organic growth	902	4.1	1,151	7.7
Acquisitions/divestments	687	5.0	1,244	8.3
Changes in FX rates	615	3.5	143	1.0
Reported growth	**2,205**	**12.6**	**2,538**	**16.9**

Reconciliation of operating income before IAC
Operating income before items affecting comparability refers to operating income after the reversal of material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis. This measure is used by management to follow and analyse the underlying profits and to offer more comparable figures between periods.

Operating income before and after IAC

Group (SEK million)	2018	2017
Operating income	1,581	923
Items affecting comparability	–10	340
Operating income before items affecting comparability	**1,571**	**1,264**

Items affecting comparability comprise the impairment of Zoomin.TV, revaluation of option and earn-out liabilities mainly related to Zoomin.TV and Splay and revaluation of the holdings in InnoGames due to the transformation from associated company to a subsidiary. The later was mainly due to previously capitalised transaction costs.

Reconciliation of net debt/EBITDA before IAC ratio
Please refer to the net debt reconciliation in note 22. Net debt refers to the sum of short- and long-term interest-bearing liabilities less total cash and interest-bearing assets. Net debt is used by management to track the debt evolvement of the Group and to analyse the leverage and refinancing needs of the Group. The net debt to EBITDA ratio provides a KPI for net debt in relation to cash profits generated by the business, i.e. an indication of a business' ability to pay off all its debts. This measure is commonly used by financial institutions to rate credit worthiness.

Net debt/EBITDA (before IAC) ratio

Group (SEK million)	2018	2017
Operating income before IAC	1,571	1,264
Depreciation and amortisation	439	321
EBITDA last 12 months[1]	**2,011**	**1,584**
Net debt	2,581	1,812
Net debt/EBITDA ratio 12 months trailing	**1.3**	**1.1**

[1] EBITDA relates to continuing operations.

Reconciliation of return on capital employed (ROCE)
Return on capital employed is a performance measure whereby operating income before items affecting comparability is put in relation to the capital employed within the operations. Operating income before items affecting comparability is the main profit level for which operations are responsible and comprise results before interest and tax. Capital employed is the sum of current and non-current assets less current and non-current liabilities, provisions and liabilities at fair value. All items are non-interest-bearing. Capital employed thus equals the sum of equity and net debt.

Group (SEK million)	2018	2017
Operating income before IAC	1,571	1,264
Inventory	2,443	2,183
Other current receivables	6,398	6,027
Intangible assets	8,904	8,884
Tangible assets	270	272
Shares and participations	134	85
Other financial assets	376	413
Total non-current non-interest-bearing liabilities	–1,469	-2,052
Total current non-interest-bearing liabilities	–7,761	-7,244
Current liabilities at fair value	–37	-176
Capital Employed	**9,258**	**8,392**
Average Capital Employed (5 quarters)	**8,941**	**7,200**
ROCE %	**18%**	**18%**

Reconciliation of return on equity (ROE)
Return on equity is a performance measure whereby net income before items affecting comparability is put in relation to total equity (including non-controlling interest). ROE measures the return generated on shareholders' capital invested in the company.

Group (SEK million)	2018	2017
Net income	1,160	1,360
Items affecting comparability net of tax	–10	328
Net income before items affecting comparability	**1,150**	**1,687**
Shareholders' equity	5,678	5,179
Non-controlling interest	1,320	1,393
Total shareholders' equity	**6,997**	**6,572**
Average shareholders' equity (5 quarters)	**6,848**	**5,612**
ROE %	**17%**	**30%**

Reconciliation of interest coverage ratio
Interest coverage ratio is a performance measure whereby operating income less net interest expenses is put in relation to the net interest. The interest coverage ratio measures how easily a company can pay interest on outstanding debt.

Group (SEK million)	2018	2017
Operating income before items affecting comparability	1,571	1,264
Total financial costs	–61	–68
Interest coverage ratio	**26**	**19**

Definitions

Capital employed
Capital employed is the sum of current and non-current assets less current and non-current liabilities, provisions and liabilities at fair value. All items are non-interest-bearing.

Cash flow from operations
Cash flow from operations comprises operating cash flow before financial items and tax payments, taking into account other financial cash flow.

Earnings per share
Earnings per share is expressed as net income attributable to equity holders of the parent divided by the average number of shares.

EBITDA
EBITDA is read Earnings Before Interest, Tax, Depreciation and Amortisation.

Equity/assets ratio
The equity/assets ratio corresponds to shareholders' equity including non-controlling interest, expressed as a percentage of total assets.

Interest coverage ratio
Interest coverage ratio is calculated as operating income less financial costs divided by financial costs.

Items affecting comparability (IAC)
Items affecting comparability refers to material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis.

Net debt
Net debt is the sum of short- and long-term interest-bearing liabilities less total cash and interest-bearing assets.

Operating income
Operating income comprise results before interest and tax. A synonym for operating income is EBIT (Earnings Before Interest and Tax).

Operating margin %
Operating profit as a percentage of net sales.

Return on capital employed (ROCE) %
Return on capital employed is calculated as operating income as a percentage of average capital employed.

Return on equity (ROE) %
Return on equity is expressed as net income as a percentage of average shareholders' equity.

Financial calendar

Q1 Results Announcement
Thursday, 9 May 2019

Annual General Meeting 2019
Tuesday, 21 May 2019
Stockholm
Documentation and further details of when and how to give notice to attend will be published in advance on www.mtg.com.

Q2 Results Announcement
Monday, 22 July 2019

Q3 Results Announcement
Tuesday, 29 October 2019

Annual Report 2018

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