MTG
MODERN TIMES GROUP

Annual Report 2008

Content

Chief Executive Officer's Statement

2008 was a record year for the Group in terms of revenues, profit levels, and cash generated. Group sales have grown at a compound rate of 16 per cent over the past 5 years and were up 16 per cent in 2008 to over 13 billion Swedish krona. Underlying operating profits have grown at a compound rate of 30 per cent over the same period and were up 28 per cent in 2008 to 2.6 billion krona, with an increased Group operating margin of 20 per cent. Group free cash flow has developed along similar lines – up a compound 26 per cent over the last 5 years to 1,985 million krona. We took market shares in virtually all of our markets in 2008 and expanded into Ukraine and Ghana. By the end of the year, 56 Viasat channels were available in 29 countries and reached over 100 million people!

The financial crisis, that impacted during the second half of the year, and the wider economic downturn that has followed in its wake, has changed both the conditions and the outlook for the markets in which we operate. This crisis indicates a broader change and refocusing on 'the way' in which companies 'do' business. I wrote last year about MTG as a modern media group for modern times and it is even clearer today what this means. It is about focusing on the principles that drive business. Firstly, every business needs a model, framework and code that define why it exists, are in the interest of all its stakeholders, and reflect the fact that value is not only about financial gain but also about a wider benefit. Secondly, a successful business cares about the quality of its products and the happiness of its customers – this is what we are responsible and accountable for. Finally, a business must have a vision of what it is trying to achieve and against which it can be evaluated.

The foundation of our business has a name – Modern Responsibility. It embodies a responsible approach to business that was born out of the Kinnevik group – a family business with a long term view, an entrepreneurial drive to innovate and succeed, an international perspective, and a clear focus on value creation. All of MTG's businesses focus first and foremost on the customer – on delivering to customers what they want, when they want and where they want. Our goal – put simply – is to entertain people. Our vision is also clear – we are a growth company that is challenging broadcasting monopolies in multiple markets by replicating our multi-channel strategy, whilst at the same time making our content as broadly available as possible and developing our own distribution platforms in attractive markets.

Our objective is therefore to create long term and sustainable value by developing businesses that will enable the Group to continue to thrive in the future. Our investments in emerging markets should be seen in this context – these markets are the growth and profitability drivers of the future, notwithstanding the short term crisis. It was this horizon that we were fixed on when we acquired DTV in Russia for less than 10 million US dollars in 2001. We invested a total of 65 million dollars in the company and sold it in April 2008 for just under 400 million dollars. It is also this horizon that we were fixed on when we acquired a controlling interest in Balkan Media Group in 2007 for 11 million euro and then added to it with the 620 million euro acquisition of Nova Televizia in Bulgaria in 2008. Our objective is simple – to build over time the same integrated media house in Bulgaria that we have successfully developed in Scandinavia and the Baltics. For the same reason that DTV's ambitions were limited by its standalone position and it can now accelerate as part of larger media house, so Balkan Media Group will benefit from being part of the enlarged Nova media house. The creation of integrated media houses is not just a good idea, it is now a necessity.

So, as we head into 2009, the markets in which we operate are undoubtedly challenging. However, our integrated structure as a provider of entertainment products supported by both subscription and advertising revenues across multiple territories makes us relatively more resilient. More than half of our revenues are not from advertising and our largest geographical market – Sweden – accounts for 32 per cent of Group revenues. Our status as challenger to the incumbent in the majority of markets that we operate in will enable us to take market shares providing that we continue to execute on our plans. At the same time, we have a flexible financial position with a relatively low level of gearing and no debt maturing in 2009, which is why the board is proposing a stable ordinary dividend payment to our Annual General Meeting in May.

Whilst we always operate with a lean and mean cost structure and strict cash management policies, we are also seeking to reduce or eliminate all non-essential costs in the light of current market conditions. However, these market conditions also offer the opportunity to further enhance our business prospects by selectively investing to take advantage of the structural tailwind that we have at this time. Analogue switch-off and the transition to a digital multi-channel environment is a beneficial dynamic for us. It has been completed in Sweden, is now happening in Norway and Denmark, and is beginning in the Baltics, the Czech Republic and Hungary. This process provides the opportunity to launch new channels on new platforms, boost the penetration levels for our free-TV channels and acquire new pay-TV subscribers.

We have seen the benefits of this process in Sweden where we successfully grew our satellite pay-TV subscriber base, launched new channel TV6, increased the penetration levels for our channels to achieve national reach and higher combined share of viewing, and bundled our offering to advertisers to close the price gap to the incumbent. The Viasat media house clearly outperformed the market in Scandinavia in 2008 by growing 13 per cent and is now challenging the commercial incumbent's dominance for the first time.

We achieved two major breakthrough operational deals in 2008. The first of these comprised a number of separate agreements with our rival satellite operator in the first quarter. As a result, all of the major free-TV channels in both Sweden and Norway are now available on the markets' both satellite platforms for the first time. Not only did this increase the penetration of our free-TV channels but it has also enabled satellite to compete with other distribution platforms on an equal footing for the first time. The other breakthrough deal was with Sweden's largest telecommunication provider – Telia - in the second quarter. Viasat has secured its position as a supplier of premium pay-TV content to Telia broadband subscribers and as part of Telia's 'triple-play' service offering. This opens up a universe of over 1 million broadband subscribers, a large number of which Viasat has been unable to approach previously.

We also made two new geographical investments in 2008 – the launch of a joint venture satellite pay-TV platform in Ukraine and of a free-TV channel in Ghana in West Africa. These two investments again reinforce the long term view. These markets will not move the needle for group earnings in the short term, but are in large countries that offer considerable longer term potential.

Finally, media businesses are people businesses. What we are and what we achieve stem from who we are and who we want to be. In this context, it is worth underlining that our senior management team of nine executives has been with the Group for an average of seven years. This cohesion provides a solid and essential foundation for our company, and I would like to thank all of MTG's employees for their contribution to the ongoing development and success of the Group in 2008.

Hans-Holger Albrecht
President & Chief Executive Officer

Chief Financial Officer's Statement

Modern Times Group entered 2009 having delivered its strongest ever performance in 2008. It is reassuring to see this proof of our fundamentally robust multi-channel and multi-territory strategy, when advertising and consumer spending is declining around the world. It is also in times like these that the principles that guide businesses come into focus and mark out those who have the required staying power. MTG is guided by strict principles and prudent decision-making policies when it comes to cash management, cost control, investments, and the Group's overall capital structure. The application of these principles is the basis for the continued long term success of the Group.

Group revenues increased by almost two billion Swedish krona or 16 per cent to 13,166 million krona in 2008. This sales performance reflected the strength of our media house strategy and increased market shares for our Nordic and Emerging Markets broadcasting businesses. The underlying growth rate, when excluding acquisitions and divestments, was 15 per cent. Exchange rate movements during the year had a positive impact on Group sales growth of 2 per cent.

Viasat Broadcasting generated 18 per cent growth in 2008, with each of the four segments delivering double digit sales growth. The accelerating growth at the beginning of the year generally slowed down in the second half of the year due to the initial effects of the more challenging operating environment and comparison with our strong revenues in the second half of 2007.

Operating costs increased by 14 per cent, when excluding the impact of the divestment of DTV Group and the goodwill impairment charge in the Online business area in the second quarter of 2008. The primary contributors to this growth were the development of new free-TV channels in Norway, the Baltics and Hungary; the addition of new channels to the Group's pay-TV platforms; the consolidation of Nova Televizia in Bulgaria; the launches of the Ukrainian and Ghanaian businesses; ongoing programming investments and investments in MTG's Online business area.

MTG hedges the main part of its US dollar, sterling and Swiss franc programming costs on a rolling twelve month basis, in order to reduce the impact of currency exchange rate volatility on programming content acquisition.

Despite this increase in costs, MTG reported its highest ever group profits in 2008. Operating profits, when excluding extraordinary items, were up 28 per cent to 2,598 million krona and the underlying group operating margin therefore increased from 18 per cent to 20 per cent. The extraordinary items comprised a 1,150 million krona net gain arising from the sale of DTV Group in Russia in April and a 76 million krona non-cash impairment charge in the Online business area in the second quarter.

Lower corporate tax rates in Sweden and the UK, as well as tax effects related to the acquisition of Nova, reduced the Group's overall underlying tax rate from 29 per cent in 2007 to 27 per cent in 2008. The gain from the sale of DTV Group was not subject to taxation. Net income more than doubled to 2,927 million krona in 2008 for the year, as did the Group's earnings per share to over 43 krona.

The strong operating performance in 2008 resulted in a more than doubling of net cash flow from operations to over 1.9 billion krona, with the pay-TV business in particular delivering increasing and predictable cash flows.

Working capital as a percentage of sales was reduced from 4.5 per cent to 3.4 per cent in 2008. The operations will tie up more working capital moving forward as our operations grow and we expect continued swings between the quarters. We continue to focus on our cash flows and on reducing non-essential expenditure and investments. We also continue to run our business in a capital efficient way – capital expenditure represents approximately 1.5 per cent of Group sales.

The sale of DTV Group Russia raised 395 million US dollars of cash, which was reinvested into EU member Bulgaria through the 620 million euro acquisition of Nova. The balance of the financing was drawn down from a new 3.0 billion krona credit facility that we arranged in the summer and our existing 3.5 billion krona credit facility. Nova was consolidated from mid October. At the same time, 1.3 billion krona was returned to shareholders in 2008 by means of dividend payments and share buy-backs during the first half of the year.

2008 was ended with 2.9 billion krona of available liquid funds. This comprised both cash and cash equivalents of 975 million krona, as well as the undrawn part of our credit facilities. The Group's return on equity was 26 per cent in 2008 and the return on capital employed was 31 per cent.

The Group had a net debt position of 3.6 billion krona at year end. This was equivalent to 1.3 times underlying Group EBITDA for the year. The terms and conditions of the Group's borrowing agreements are favourable, with comfortable covenants and competitive interest rates. The Group's 3.0 billion krona term loan matures in April 2010 and the 3.5 billion krona facility expires in February 2011.

With our solid financial position, we have the flexibility to make selective investments in the long-term growth and profitability of our business at a time when many of our competitors are not able to do so. We are at the same time committed to continuing to deliver shareholder value, both in good times and in challenging times. The Board is therefore proposing to this year's AGM that the ordinary dividend be maintained at 5 krona per share. This would then amount to a total cash dividend payment of approximately 330 million krona.

The overall environment is increasingly challenging, as it is for companies all over the world, Therefore we continue to reduce all non-essential costs in the Group but also continue to invest where we see particularly strong opportunities to advance our positions, such as investments in channel launches in Denmark and the Czech Republic and pay-TV subscriber acquisition investments in Denmark and Norway. MTG has structural tailwind from ongoing or planned analogue shut-downs in several of our markets, which we expect to continue to benefit from.

We remain confident that our way of doing business, of running our operations and of managing our cash will enable us to further strengthen our positions in the current environment.

Mathias Hermansson
Chief Financial Officer

Board of Directors

David Chance
Chairman of the Board
British

Born 1957, has been Chairman of the Board of Directors since May 2003, and a member of the Board since 1998. David was Deputy Managing Director of the BSkyB Group between 1993 and 1998 and is now Chairman of Top Up TV. He also served as a Non-Executive Director of ITV plc and O2 plc. David graduated with a BA, BSc and MBA from the University of North Carolina.

Member of the Remuneration Committee.

Direct or related person ownership: 1,000 Class B shares.

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

Asger Aamund
Non-Executive Director
Danish

Born 1940, has been a member of the Board of Directors since 2000. Asger is the majority shareholder and Chairman of the Bavarian Nordic Research Institute A/S and NeuroSearch A/S, both of which are listed on the Copenhagen Stock Exchange. Asger has many years of experience in Executive Management positions and on the boards of Danish and international companies. Asger graduated from Copenhagen Business School.

Chairman of the Remuneration Committee.

Direct or related person ownership: 1,500 Class B shares.

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

Mia Brunell Livfors
Non-Executive Director
Swedish

Born 1965, was elected at the AGM 2007. Mia has been Chief Executive Officer of Investment AB Kinnevik since 2006. Mia has previously worked for MTG since 1992, in various managerial positions. She was appointed as Chief Financial Officer of Modern Times Group MTG AB in 2001. Mia is Chairman of the Board of Directors of Metro International S.A. since 2008. She serves as a Non-Executive Director of Millicom International Cellular S.A., Tele2 AB and Transcom Worldwide S.A., and is also a member of the board of H & M Hennes & Mauritz AB since 2008. Mia studied Business Administration at Stockholm University.

Member of the Remuneration Committee.

Direct or related person ownership: 26,666 stock options.

Not independent of the Company and management and not independent of major shareholders.*

Simon Duffy
Non-Executive Director
British

Born 1949, was elected at the AGM 2008. Simon was Executive Chairman of Tradus plc from 2007 until the company's sale in March 2008. Simon is Non-Executive Chairman of Cell C (Pty) Limited and Cadogan Petroleum plc as well as a Non-Executive Director of Oger Telecom Limited and mBlox Inc. Simon was also Executive Vice-Chairman of ntl:Telewest, until 2007 having joined ntl in 2003 as CEO. Simon has also served as CFO of Orange SA, CEO of wireless data specialist End2End AS, CEO and Deputy Chairman of WorldOnline International BV, and held senior positions at EMI Group plc and Guinness plc. Simon holds a Master's degree from Oxford University and an MBA from Harvard Business School.

Chairman of the Audit Committee.

Direct or related person ownership: 0

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

Alexander Izosimov
Non-Executive Director
Russian

Born 1964, was elected at the AGM 2008. Alexander was CEO of VimpelCom Group from October 2003 until April 2009 and continues as non-executive President. Alexander is a Board Director of Baltika Breweries plc, Dynasty Foundation and the GSMA (the governing body for the global mobile telecommunications industry) as well as a member of the Russian Prime Minister's Council for Competitiveness and Entrepreneurship. Alexander previously held several senior positions at Mars, Inc. over a period of seven years, including as a member of the Global Executive Management Board and as Regional President for Russia, the CIS, Eastern Europe and the Nordics. Alexander worked as a consultant for McKinsey & Co in Stockholm and London for five years. Alexander graduated from the Moscow Aviation Institute with a Master's degree in Science and from INSEAD with an MBA.

Member of the Audit Committee.

Direct or related person ownership: 2,634 Class B shares.

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

David Marcus
Non-Executive Director
American

Born 1965, has been a member of the Board of Directors since 2004 and is the founder and Chief Executive Officer of MarCap Investors, L.P. David is also the Non-Executive Chairman of Modern Holdings, Inc. and a Non-Executive Director of Carl Lamm AB. David graduated from Northeastern University in Boston.

Member of the Remuneration Committee and of the Audit Committee.

Direct or related person ownership: 6,100 Class B shares.

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

Cristina Stenbeck
Non-Executive Director
American and Swedish

Born 1977, has been a member of the Board of Directors since 2003. Cristina is Chairman of the Board of Directors of Investment AB Kinnevik since 2007 and of Emesco AB since October 2002. She serves as a Non-Executive Director of Metro International S.A., Tele2 AB and Transcom WorldWide S.A. Cristina graduated from Georgetown University in Washington DC.

Direct or related person ownership: 800 Class B shares.

Not independent of the Company and management and not independent of major shareholders.*

Pelle Törnberg
Non-Executive Director
Swedish

Born 1956, has been a member of the Board of Directors since 2000 having been President and Chief Executive Officer of Modern Times Group MTG AB until then. Pelle held a number of senior positions within the media companies of Industriförvaltnings AB Kinnevik from 1993 onwards. Pelle was President and Chief Executive Officer of Metro International S.A. until July 2007. Pelle is member of the Board of RNB Retail and Brands AB and the Swedish-American Chamber of Commerce. From 2007 he is also a Board member of Tele2 AB. Pelle studied at the University of Gothenburg.

Direct or related person ownership: 12,200 Class B shares.

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

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

Executive Management

Hans-Holger Albrecht
President & Chief Executive Officer

Born 1963, Hans-Holger became COO of MTG in May 2000 and was appointed as President and CEO in August 2000. Hans-Holger graduated with a Doctorate in Law from the University of Bochum in Germany. He is co-chairman of CTC Media and is also a member of the Board of the International Emmy Association in New York and EM.Sport Media AG. Prior to joining MTG, he worked for Daimler-Benz and with the Luxembourg-based CLT media group for five years, where he was responsible for all television activities and development in Germany and Eastern Europe. Hans-Holger joined the Group in 1997 and has served as Head of the Group's Pay-TV operations and as President of Viasat Broadcasting.

Shareholding in MTG: 3,400 Class B shares
Warrants: 39,528
Stock options: 104,768

Mathias Hermansson
Chief Financial Officer

Born 1972, Mathias was appointed as Chief Financial Officer of MTG in March 2006, prior to which he served as Group Financial Controller between 2001 and 2006 and held various financial positions at Viasat Broadcasting, MTG Radio and Internet Retailing. Mathias also served as Finance Director at former subsidiary Metro International S.A.'s North American operations and joined MTG in 1999 as a management trainee. Before MTG, Mathias worked for Unilever Sweden.

Shareholding in MTG: 1,000 Class B shares
Warrants: 12,673
Stock options: 47,786

Anders Nilsson
Chief Operating Officer & CEO MTG Online

Born 1967, Anders was appointed COO of MTG and CEO of MTG's Online business area with effect from January 2008. Since October 2008, he is also Head of Free-TV Bulgaria, and since February 2009, he is additionally Head of Free-TV in the Baltic region. Anders had worked at MTG Radio since 1992 when he became President of the Group's radio operations in 1997. He was appointed President of MTG's former business area Publishing in 2000. Between 2003 and 2007 he served as CEO MTG Sweden.

Shareholding in MTG: 1,000 Class B shares
Warrants: 4,000
Stock options: 24,000

Manfred Aronsson
Head of MTG Sweden

Born 1964, Manfred was appointed Head of Free & Pay-TV and Radio in Sweden, with effect from January 2008. During 2008 he was also head of Free-TV in the Baltic region. He started his career in broadcasting in 1993 as a management trainee within MTG and was head of marketing of TV3 when he left in 1995. Thereafter Manfred worked as head of sales for Kanal 5 in Sweden and became CEO in 1999. When he resigned in June 2007, after 12 years within SBS, he was Executive Chairman of Kanal 5 and Canal Plus. Manfred graduated with a Master's degree from Stockholm School of Economics in Sweden.

Shareholding in MTG: 3,000 Class B shares
Warrants: 0
Stock options: 0

Hein Espen Hattestad
CEO MTG Norway

Born 1963, Hein Espen was appointed CEO of P4 Radio Hele Norge ASA in 1999. He worked there until he joined MTG Norway as Chief Operating Officer in 2001. Prior to 1999, he was Vice President of The Bates Group Norway, which was part of the Cordiant advertising and marketing services group. Hein Espen has been responsible for Broadcasting operations in Norway since 2003.

Shareholding in MTG: 1,446 Class B shares
Warrants: 14,042
Stock options: 44,652

Jørgen Madsen
CEO MTG Denmark

Born 1966, Jørgen has worked in the Group since 1994, serving as Head of Sponsorship for TV3, Head of Viasat Sport in Denmark and, subsequently, Head of Viasat Sport for the whole Scandinavian region. He was also President of the New Media business area between 2000 and 2001. Jørgen has been responsible for the TV operations in Denmark since 2003. He also became Chairman of the Board of TV Prima in the Czech Republic in January 2008.

Shareholding in MTG: 3,400 Class B shares
Warrants: 4,285
Stock options: 25,710

Irina Gofman
CEO MTG Russia & CIS

Born 1970, Irina was appointed CEO MTG Russia & CIS with effect from July 2008. She was CEO of Rambler Media Group, one of the leading Russian internet media and services groups between 2004 and 2007. During her time at Rambler Media, Irina led the company's successful IPO and listing on the London Stock Exchange's Alternative Investment Market (AIM). Irina previously worked for MTG between 2002 and 2004 as Chief Operating Officer of the Russian TV network DTV, where she was also instrumental in the launch of Viasat Broadcasting's wholesale pay-TV business in Russia. Irina has most recently served as Managing Partner (Media) at ESN Group, a direct investment and management company. She is a member of the Board of CTC Media. She has a Ph.D. in Philology from Moscow State University and obtained an MBA from Babson College in the United States.

Shareholding in MTG: 1,000 Class B shares
Warrants: 0
Stock options: 0

Laurence Miall-d'Août
CEO Free-TV Emerging Markets

Born 1974, Laurence was appointed CEO Free-TV Emerging Markets with effect from January 2008. She joined MTG in 2002 as Executive Assistant to the President. She launched Viasat's Pay-TV operations in Eastern Europe in 2003 and became head of the business area which comprises both the cable channel business in 20 countries and the Viasat DTH satellite pay-TV platform. In 2007 she was also appointed CEO of the Free-TV Balkan operations. Prior to MTG, Laurence served five years at PricewaterhouseCoopers and obtained an MBA from INSEAD in France.

Shareholding in MTG: 1,000 Class B shares
Warrants: 2,614
Stock options: 10,084

Ulrik Bengtsson
CEO Pay-TV Emerging Markets

Born 1972, Ulrik was appointed CEO of Pay-TV Emerging Markets with effect from January 2008. He joined MTG as CEO of Viasat Sweden in 2004. Ulrik started his career at IBM as a trainee and later advanced to Key Account Manager. He moved on to Telenor Mobile where he acted as Director of Sales, and was part in building up the djuice business in Sweden and became deputy to the CEO of Telenor Mobile Sweden and Business Area Manager for Telenor Nordic Mobile. Ulrik graduated with a Bachelor's degree from Dalhousie University in Canada.

Shareholding in MTG: 2,000 Class B shares
Warrants: 2,100
Stock options: 7,000

Petra Colleen

Head of Administration

Born 1975, Petra was appointed Head of Administration in August 2005. Previously, when based in London, she served as Product Manager for the Eastern European markets, assuming responsibility for the pay-TV channels and the Viasat platform in the Baltic region. Petra joined MTG in 2002 as a management trainee.

Shareholding in MTG: 1,000 Class B shares
Warrants: 2,214
Stock options: 9,284

Five year summary

SEK million	2008	2007	2006	2005	2004
Net sales	13,166	11,351	10,136	8,012	6,805
Gross income	5,364	4,464	4,229	3,215	2,355
Operating income excluding non-recurring items	2,598	2,027	1,777	1,213	762
Income from corporate development	1,150	18	-	-	381
Closure and non-recurring costs	-76	-	-	-	-86
Operating income / loss	3,671	2,027	1,777	1,213	1,057
Income from sales of securities	-	-	-	384	-
Net income	2,927	1,428	1,499	1,185	746
Balance sheet					
Non-current assets	12,881	5,756	4,891	5,481	3,126
Current assets	6,351	5,203	4,314	4,315	3,273
Total assets	19,232	10,958	9,205	9,796	6,398
Shareholders' equity incl minority interests	8,980	5,875	5,105	5,306	2,785
Long-term liabilities	5,263	429	304	249	1,172
Short-term liabilities	4,989	4,654	3,796	4,241	2,441
Total shareholders' equity and liabilities	19,232	10,958	9,205	9,796	6,398
Personnel					
Average number of employees	2,644	2,341	2,008	1,614	1,554
Key figures					
Operating margin %	28	18	18	15	16
Operating margin adjusted for non-recurring items %	20	18	18	15	11
Net margin %	22	13	15	15	11
Return on total assets %	19	14	16	21	19
Return on equity %	26	26	28	18	30
Return on capital employed %	31	34	29	21	21
Equity / assets ratio %	47	54	56	55	44
Net debt to equity ratio %	41	-	-	-	16
Interest coverage ratio	59	30	30	13	13
Net sales per employee, SEK thousand	4,979	4,849	5,043	4,964	4,379
Operating income per employee, SEK thousand	1,389	866	884	752	680
Capital expenditures					
Investments in non-current intangible and tangible assets	156	327	343	80	107
Investments in shares	6,466	219	645	930	496

SEK million	2008	2007	2006	2005	2004
Per share data					
Shares outstanding at year-end	66,370,375	66,352,540	67,042,524	66,375,156	66,375,156
Weighted average number of shares after dilution *)	65,955,478	67,157,781	66,994,844	66,375,156	66,407,538
Weighted average number of shares before dilution	65,908,373	66,945,776	66,591,869	66,375,156	66,375,156
Market price of class 'B' share on the last trading day of the year (SEK)	168.50	455.00	450.00	331.50	181.00
Diluted earnings per share (SEK) *)	43.25	20.11	20.55	17.78	11.23
Basic earnings per share (SEK)	42.93	20.35	21.57	17.78	11.23
Diluted shareholders' equity per share (SEK)	136.15	87.48	76.20	79.94	41.92
Basic shareholders' equity per share (SEK	136.25	87.76	76.66	79.94	41.94
Proposed ordinary dividend/Ordinary cash dividend (SEK)	5.00	5.00	-	-	-
Proposed extraordinary dividend/Extraordinary cash dividend (SEK)	-	10.00	7.50	-	-
Total proposed dividend/Total cash dividend (SEK)	5.00	15.00	7.50	-	-

*) The Group has implemented four share option programmes that may be exercised into 1,049,807 new class B shares.

Modern Responsibility

MTG's Corporate Responsibility programme, Modern Responsibility, was first introduced in 2004, and has now been an integrated part of our business for four full years. Acting responsibly towards our stakeholders has always been important for the Group, but with Modern Responsibility it has become more comprehensive and concrete, making it easier for us to incorporate true responsibility across the Group.

Maximising the power of entertainment

The programme is overseen by the Executive Management and coordinated by a central Modern Responsibility Coordinator, with local ambassadors in each country. The programme Modern Responsibility enables the Group to deliver a consistently high level of performance, forming the platform for our future development. This supports the company's mission statement "Maximising the power of entertainment".

Modern Responsibility has not decreased in importance or relevance as a result of the global economic downturn. In fact, the opposite is the case; we believe that in the present financial climate it is more crucial than ever for us to focus on our core values and conduct our business in an ethical and responsible manner. Focusing on cost control, something we have always done anyway, can make us even more creative in the ways we support charities, train and develop our employees and negotiate with suppliers.

Our key stakeholders

We have recognised seven key stakeholder groups towards whom we always seek to act responsibly:

- Customers
- Shareholders
- Employees
- Regulators
- Society
- Non Governmental Organisations (NGOs)
- Suppliers

Modern Responsibility can be divided into five measurable key areas, each one reflecting our responsibilities towards several of these stakeholder groups. We believe this division helps making Modern Responsibility easier to comprehend and manage, as it takes a holistic approach to the Group's important non-financial impacts.

Responsibility to the community

Broadcast media is very powerful in the modern society. Reaching more than 100 million people in 29 countries brings us a great deal of responsibility towards the surrounding communities. Therefore we are committed to maximising the good power of our entertainment, as well as minimising any negative impact that media might have on the society.

MTG has a long tradition of working with local NGOs, including Nationell samverkan för psykisk hälsa, NSPH, and the Cancer Fund in Sweden and Psykiatrifonden in Denmark. We focus our community initiatives on increasing awareness of mental health and supporting environmental causes. Mental health is a highly misunderstood topic with many associated myths and taboos, which is why we have chosen to promote it both internally and through our TV and radio stations. In 2008, the airtime we donated to NGOs was worth more than 77 million Swedish krona and raised funds of 56 million krona.

We seek also to air programmes that present social and environmental issues constructively, such as our Swedish own production programme *Efterlyst* ("Wanted") that fights crime with the public's help, and *You are what you eat*, where viewers are encouraged to adopt healthier eating habits.

Responsibility to the planet

Despite the broadcasting industry's relatively small impact on the environment, we believe tackling climate change is everyone's responsibility and we take it seriously. Our central environmental policy has been implemented in all MTG offices. This policy comprises management and office level initiatives for a greener work environment, such as purchasing furniture made of wood from sustainable sources. Also the Group's travel policy is very strict; we only travel to meetings if video conferencing is not an option. We also don't give out company cars unless absolutely necessary and even then they are environmentally friendly.

MTG Radio in Sweden is the Group's pioneer in green work, as they are currently aiming for the ISO 14001 certificate for their environmental work. The rest of MTG is going to implement best practise from Radio's experiences and strive towards "going green" in all operations. In Stockholm we are working towards decreasing our ecological footprint as the new headquarters for MTG Sweden are being built to be energy efficient, under the EU project GreenBuilding.

The Annual Report 2008 is available on the company's website, www.mtg.se to avoid unnecessary use of paper and the environmental impact of distribution.

Colleague responsibility

MTG's code of conduct, our 12 key rules and mission statement are established guidelines on how we do business and what is expected from our employees. These principles are communicated to all staff to indicate the Group's moral and ethical standards and to ensure compliance with law. All MTG employees are regularly kept updated on any important matters through the intranet, internal newsletters, meetings and emails.

At MTG we rely on having skilled staff and therefore see investing in employee development as essential. Our internal training department, MTG Academy, offers full training programmes for management and sales staff, as well as individual courses for anyone in MTG to attend. In 2008 the Academy offered a total of 223 training days.

We arrange annual awards to reward our employees. The purpose of these awards is to motivate our staff and celebrate the "Best of the Best". We have also established an Innovation website where the best employee innovation gets rewarded and commercialised each quarter.

Broadcast responsibility

Our core business, broadcasting entertainment, is regulated by the Audiovisual Media Services EU-directive and the relevant national broadcast regulations. We follow the strictest of local laws and consistently seek to be pro-active and self-critical in our compliance. We have clear internal policies regarding the scheduling and airing of programmes, which are overseen by our experienced Legal and Compliance departments.

We constantly strive to develop the content and quality of our services. We are committed to meeting our customers' needs by implementing new and improved services, as well as launching new channels. Since January 2008, 15 new own branded channels have been added to our portfolio.

Marketing responsibility

We believe in clear communication with our customers, and seek regular feedback from them. The pricing of our products and services is always transparent, and this information is easily available online. We carry out regular customer satisfaction surveys, conduct customer focus group research and offer customer service facilities for feedback. Our customer service teams offer support in local languages and are continuously trained on our products and services to ensure professional and effective customer care.

The main authority regulating TV advertising on our channels is the Advertising Standards Authority in the UK. In any advertising, the protection of young viewers is always a top priority for us. Our Compliance Team makes sure that only socially responsible product advertising is broadcast during children's programmes.

In 2008 we…

- raised funds of 56 million Swedish krona to NGOs
- donated airtime to NGOs worth over 77 million krona
- took the first steps towards measuring our environmental performance
- had the first radio platform in the world to go green: MTG Radio Sweden
- started the building of "green" MTG Sweden headquarters
- installed new video conferencing equipment to further reduce business travel
- recruited a full-time CR coordinator to further increase our focus and capacity on responsibility issues
- recruited a central internal communications manager.

Corporate Governance Report

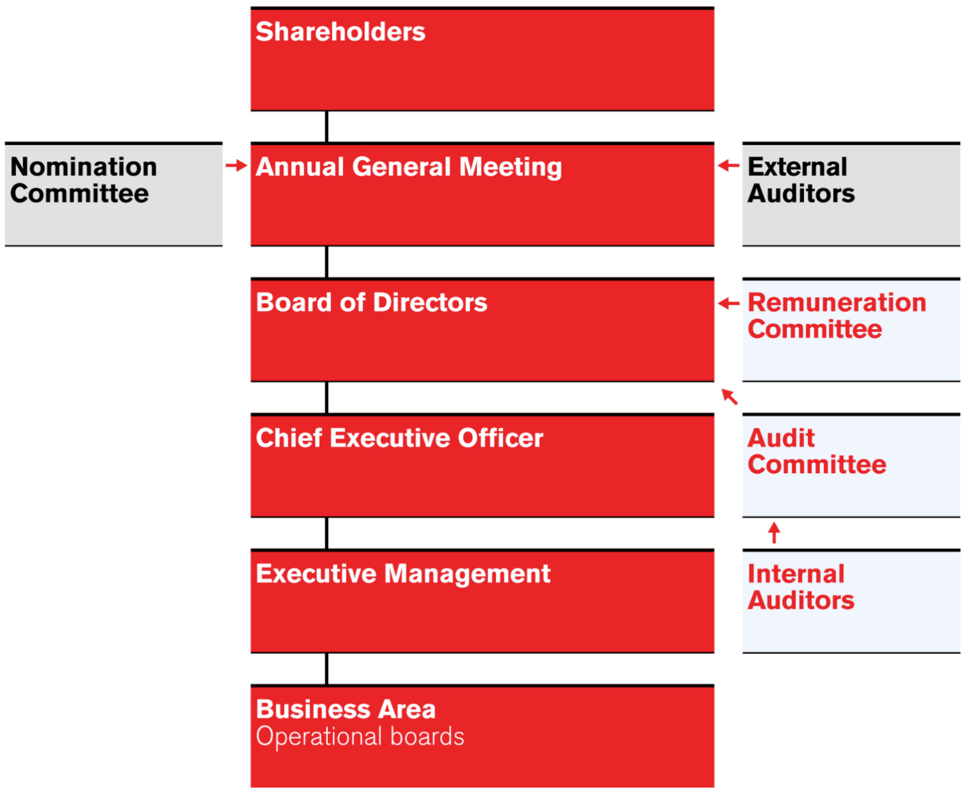
This report provides information on Modern Times Group MTG AB's Corporate Governance policies and practices

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

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

Governance structure

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



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

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

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

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

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

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

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

Those shareholders, who cannot attend the Annual General Meeting in person and wish to be represented by a proxy, must authorise the proxy by issuing a power of attorney. If such power of attorney is issued by a legal entity, an attested copy of the certificate of registration must be attached. The power of attorney and certificate of registration may not be issued more than one year before the date of the Annual General Meeting. The original power of attorney and the certificate of registration, where applicable, are to be sent to Modern Times Group MTG AB, c/o Novator Bolagsservice AB, P.O. Box 10, SE-182 11 Danderyd, Sweden, well in advance of the Meeting. The form to use for a power of attorney can be found on Modern Times Group MTG AB's website www.mtg.se.

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

Nomination procedure

The Nomination Committee The Nomination Committee's tasks include:

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

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

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

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

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

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

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

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

Board of Directors during 2008

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

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

Board working procedures

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

Mia Brunell Livfors' seat on the Remuneration Committee does not comply with the Code, which requires that only Directors who are independent of the Company and its Executive Management should sit on the Remuneration Committee. The Directors however consider that it is in the best interest of the Group that an exception be made in this respect because Mia Brunell Livfors is a shareholder representative on the Board of MTG with significant experience in establishing and defining remuneration principles across many listed companies. The Remuneration Committee is still comprised of a majority of independent Directors. Mia Brunell Livfors replaced Cristina Stenbeck during 2007.

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

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

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

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

Attendance at Board and Committee Meetings

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

External auditors

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

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

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

Audit assignments have involved the examination of the annual report and financial accounting, the administration by the Board and the CEO, other tasks related to the duties of a company auditor and consultation or other services which may result from observations noted during such examination or the implementation of such other tasks. All other tasks are defined as other assignments.

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

Executive Management

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

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

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

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

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

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

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

Internal control report

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

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

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

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

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

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

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

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

Directors' Report

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

Operations

Modern Times Group is a leading international entertainment broadcasting group with the second largest geographical broadcast footprint in Europe.

MTG's Viasat Broadcasting is the largest free-TV and satellite premium pay-TV operator in Scandinavia and the Baltics, and also operates free-TV channels in the Czech Republic, Hungary, Slovenia, Bulgaria, Macedonia and Ghana; pay-TV channels throughout Central & Eastern Europe and in the United States; and a satellite premium pay-TV platform in Ukraine. MTG's TV assets are broadcast in a total of 29 countries and reach over 100 million people. MTG is also the major shareholder in Russia's largest independent television broadcaster - CTC Media (Nasdaq: CTCM).

MTG is the largest commercial radio operator in the Nordic region and the Baltic countries. MTG Radio owns the largest commercial radio broadcasting networks in Sweden and Norway and has an equity stake in the largest commercial radio broadcasting network in Finland, as well as rapidly growing radio stations and networks in the Baltic countries. MTG Radio's stations reach over three million listeners every day.

The Group's Online business area includes the leading Nordic entertainment retailer CDON.COM, Gymgrossisten.com, Bodystore.com, Nelly.se, Linus-Lotta.com, BookPlus.fi, Bet24.com and Playahead.se.

The Modern Studios business area comprises companies that produce and license a wide range of content, including TV production company Strix Television.

Business Review

2008 was a record year for MTG, both in terms of sales and profitability. The Group's underlying operating margin increased to 20% from 18%, when excluding non-recurring items. These results reflect the strength of the Group's geographically diversified and structurally integrated broadcasting business, which generates subscription and advertising revenue streams in equal amount and spans content production and licensing.

Consolidated financial results

Key figures (excluding non-recurring items)	2008	2007
Sales growth	16%	12%
Operating costs growth	14%	11%
Operating margin	20%	18%
Operating income growth	28%	14%
Tax rate	27%	29%

Stable revenue mix

Sales MTG generated 16% net sales growth in 2008 to SEK 13,166 (11,351) million, with the Nordic broadcasting and Online businesses reporting healthy growth and the Emerging Markets pay-TV business continuing its rapid development. The underlying year on year growth rate, when excluding acquisitions and divestments, was 15%.

The Group's revenue mix continued to reflect it's diversified and balanced structure, with 43% (43%) of revenues derived from advertising sales; 38% (39%) from subscription payments; and 19% (18%) from other business-to-business and business-to-consumer sales.

Operating expenses Group operating costs were up 14% to SEK 11,219 (9,804) million, when excluding non-recurring items as the divestment of DTV Group and the goodwill impairment charge in the Online business area. The increase reflected the addition of new channels to the Group's pay-TV offerings, the consolidation of Nova Televizia in Bulgaria, the development of the Ukrainian and Ghanaian businesses, as well as ongoing programming investments and the investments in the Group's Online business operations.

Operating income Group operating income was up 26% to SEK 1,947 (1,547) million, when excluding associated company income, the impact of the sale of DTV Group, and the second quarter Online asset impairment charge.

Associated company income The Group's combined equity participations, which primarily comprise the 39.4% interest in the earnings of CTC Media, contributed increased associated company income of SEK 651 (480) million.

Net interest and other financial items amounted to SEK -61 (-12) million, which included SEK -28 (-9) million of net interest expenses. The increased interest expenses primarily reflected the increase in the Group's borrowings during the year. Other financial items comprise a write-down of the Group's shares in Metro International S.A. of SEK 26 million.

Tax Group tax charges totalled SEK 683 (588) million, whilst paid taxes amounted to SEK 544 (262) million.

Net income and earnings per share The Group reported a more than doubling of net income to SEK 2,927 (1,428) million, and increased basic earnings per share of SEK 43.25 (20.35). Basic earnings per share excluding the SEK 1,150 million net gain from the sale of Russian DTV Group and the Online asset impairment charge amounted to SEK 26.96.

Impact of foreign currency rate fluctuations Favourable exchange rate movements positively impacted the Group's sales growth by 2%, as most of the Group's local operating currencies strengthened against the Swedish krona reporting currency. The Group's equity participation in CTC Media is translated from US dollars. The principal foreign currency exposure for the Group in operating expense terms is the US dollar, in which the majority of the Group's programming content is acquired. The Group also operates in euro-denominated currency markets or markets with a strong link to the euro currency. MTG hedges its main part of contracted outflow for programme acquisition in US dollar, sterling and Swiss franc on a forward rolling twelve-month basis, in order to reduce the impact of short-term currency translation effects on the Group's cost base.

Financial position

(SEK million)	2008	2007
Cash flow from operations	1,918	1,363
Changes in working capital	67	-433
Net cash flow from operations	1,985	930
Investment activities	-4,674	-479
Financial activitites	3,106	-590
Net change in cash and cash equivalents for the period	417	-139
Cash and cash equivalents	975	521
Return on capital employed %	31	34

Group capital expenditure on non-current assets totalled SEK 156 (327) million. The Group reported a return on capital employed, excluding non-recurring items, of 31% (34%) for 2008.

(SEK million)	2008	2007
Available liquid funds	2,935	3,721
Net debt/net cash	-3,637	69
Return on equity %	26	26
Equity to assets ratio %	47	54
Net debt to equity ratio %	41	-
Interest-bearing debt	4,670	478

The Group had available liquid funds of SEK 2,935 million as at 31 December, including the SEK 1,960 million unutilised element of the Group's credit facilities. SEK 1,640 million of the Group's SEK 3,500 million multi-currency credit facility and all of the new SEK 3,000 million loan facility were drawn as at 31 December and were used to finance the acquisition of Nova Televizia in Bulgaria.

During the second quarter, the Group paid out the approved dividend payment of SEK 983 (503) million to shareholders for the twelve months ended 31 December 2007. During the first quarter, the Group repurchased a total of 1.2% of its own share capital, comprising 798,000 class B shares, for a total consideration of SEK 316 million. The Group reported a 26% (26%) return on equity for 2008.

Acquisitions and divestments

MTG announced on 31 July that it had signed an agreement to acquire 100% of Nova Televizia from Antenna Bulgaria on a cash and debt free basis for EUR 620 million in cash. The Nova commercial TV channel is the second largest free-TV channel in Bulgaria and is broadcast under a national terrestrial free-TV license, as well as on cable and satellite networks. The Group announced on 27 August that it had secured a new SEK 3,000 million credit facility, in order to fully finance the acquisition. The Group announced on 16 October that it had completed the acquisition of 100% of Nova Televizia and that the operations would be consolidated from that date.

CTC Media, Inc. acquired 100% of DTV Group on a cash and debt free basis for USD 395 million in cash on 16 April and DTV Group was deconsolidated from that date. The transaction gave rise to a SEK 1,150 million net gain (after accounting for the elimination of MTG's 39.4% shareholding in CTC Media), and was not subject to taxation.

MTG's subsidiary CDON completed the acquisition of Gymgrossisten Nordic AB for SEK 197 million in cash. As at 6 February 2008, MTG controlled 99.42% of the issued and outstanding shares. The company was delisted from First North on 29 February 2008, and after a mandatory tender MTG became the owner of the remaining outstanding shares on 24 November 2008. Gymgrossisten is a leading online supplier of nutritional supplements and has been consolidated since 1 February. Its results are reported within the Online business area.

Business Areas

Group Review (SEK million)	2008	2007	Change
Net sales per business segment			
Free-TV Scandinavia	*3,591*	*3,173*	*13%*
Pay-TV Nordic	*4,017*	*3,613*	*11%*
Free-TV Emerging Markets	*2,150*	*1,639*	*31%*
Pay-TV Emerging Markets	*658*	*417*	*58%*
Discontinued DTV Group	*114*	*272*	*-58%*
Others and elimination	*-138*	*-272*	*-49%*
Viasat Broadcasting	10,392	8,842	18%
Radio	800	715	12%
Other Business Areas	2,204	2,037	8%
Parent Company and others	174	107	62%
Eliminations	-405	-350	16%
	13,166	11,351	16%
Operating income per business segment			
Free-TV Scandinavia	*819*	*627*	*31%*
Pay-TV Nordic	*682*	*631*	*8%*
Free-TV Emerging Markets	*292*	*335*	*-13%*
Pay-TV Emerging Markets	*106*	*43*	*147%*
Discontinued DTV Group	*22*	*18*	*22%*
Others and elimination	*14*	*-88*	*-*
Associated companies	*629*	*461*	*36%*
Viasat Broadcasting	2,564	2,027	26%
Radio	170	134	27%
Other business areas	-4	61	-
Parent Company and others	-208	-195	7%
Gain from sale of DTV Group	1,150	-	
	3,671	2,027	81%

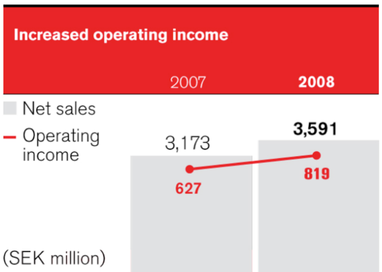
Viasat Broadcasting

Viasat Broadcasting comprises all of the Group's TV broadcasting assets – the Viasat DTH satellite platform, with more than one million subscribers in eight countries, in the Nordic and Baltic regions and in Ukraine; Viasat's 28 free-TV channels in Scandinavia, the Baltics, Hungary, Russia, the Czech Republic, Slovenia, Bulgaria, Macedonia and Ghana; Viasat's 28 own-branded pay-TV channels, which are distributed on the Viasat platform and third party networks in 27 Nordic, Baltic and Central and Eastern European countries as well in the United States; and Viasat's 39.4% equity participation in Russia's largest independently owned, publicly listed TV broadcaster – CTC Media with its three free-TV networks.

Since January 2008 MTG has added 15 more own TV channels to its portfolio; 10 are new pay-TV channels, 5 are free-TV channels. The satellite TV platform has been extended to Ukraine, the free-TV operations to Ghana in Africa, and the pay TV channel business to the United States.

Viasat Broadcasting generated 18% net sales growth in 2008. The Group's four core Nordic and Emerging Markets broadcasting businesses generated double-digit sales growth and market share gains in 2008. The underlying growth levels generally declined during the second half of the year, which reflected the increasingly challenging operating environment and the comparison with strong prior year numbers. Operating profits excluding associated company income were up 24% for the full year, with an increased operating margin of 19% (18%).

Free-TV Scandinavia



MTG's Scandinavian free-TV operations broadcast a wide range of entertainment programming. Viasat's nine free-TV channels are broadcast alongside its pay-TV channels on the Viasat satellite platform, via third party cable, broadband and mobile networks, as well as in the digital terrestrial networks in Sweden and Norway.

Viasat's Scandinavian free-TV operations generated 13% net sales growth in 2008. The growth reflected continued market share gains across each of the three countries during the year and demonstrated the success of Viasat's multi-channel media house strategy.

Total operating costs for the free-TV business increased by 9% to SEK 2,772 (2,546) million. The cost increases were due to increased programming spending and marketing costs, which, together with increased penetration levels in Norway, enabled the Group to grow its audience and market shares.

The business area therefore reported increased operating profits of SEK 819 (627) million, with enhanced operating margins of 23% (20%).

Commercial share of viewing (%)	2008	2007
TV3 & TV6 Sweden (15-49)	34.0	33.6
TV3 & Viasat4 Norway (15-49)*	23.7	16.8
TV3 & TV3+ Denmark (15-49)	22.0	22.9

* Prior to September 2007 the figure include ZTV Norway

Penetration (%)	31 December 2008	31 December 2007
TV3 Sweden	86	79
TV6 Sweden	86	83
TV8 Sweden	63	58
TV3 Norway	85	63
Viasat4 Norway	62	50
TV3 Denmark	65	66
TV3+ Denmark	63	65

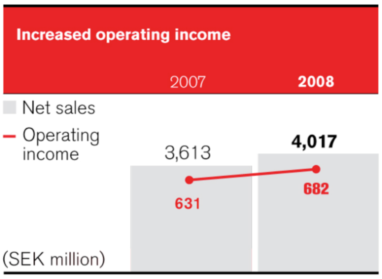
Significant events Viasat's TV3 and Viasat4 channels in Norway continued to report record combined audience shares and substantially increased penetration levels, from 63% to 85% for TV3 and from 50% to 62% for Viasat4, following the distribution agreements signed with Canal Digital in early 2008 and the ongoing market digitalisation process. Viasat became the second largest broadcaster in the Norwegian market during the year.

An agreement was signed in February to include TV3 on competing pay-TV operator Canal Digital's satellite platform in Sweden. TV3 and TV6's penetration levels increased during the year from 79% and 83% to 86%, while TV8's penetration increased from 58% to 63%.

The Danish digitalisation of the terrestrial network is underway and is scheduled to be completed in October 2009. So far Viasat has chosen not to seek to include its channels in the digital terrestrial offering.

Significant events after the end of the year On 23 March 2009 a third free-TV channel in Denmark, TV3 PULS, will be launched. TV3 PULS is as a broad appeal general entertainment channel, positioned between the female skewed TV3, and male skewed TV3+, and target both men and women within the 15-49 demographic.

Pay-TV Nordic



Viasat Broadcasting's pay-TV operations in the Nordic region comprise the Viasat DTH satellite broadcasting platform and 21 own pay-TV channels.

The business reported 11% sales growth in 2008. Annualised average revenue per premium subscriber (ARPU) increased by 10% to SEK 3,917 from SEK 3,554 during the year. The rise in ARPU reflected previously introduced price increases, the higher proportion of multi-room and HDTV subscribers, as well as positive effects from the strengthening of the Danish krona.

Total operating costs for the pay-TV business increased by 12% to SEK 3,335 (2,982) million and reflected the addition of 11 new third party and 6 Viasat branded channels to the platform, ongoing price inflation for sports content and increased sales, marketing and customer service related activities during the Norwegian digital switchover.

Total expensed subscriber acquisition costs increased to SEK 582 (555) million, which reflected higher subscriber acquisition levels in Norway and the success of campaigns to promote ViasatPlus, ViasatHD and multi-room subscriptions.

Operating income for the Nordic operations increased by 8% to SEK 682 (631) million in 2008, and the operating margin was stable year on year at 17 (17)%.

Subscriber data	31 December 2008	31 December 2007
Premium Subscribers ('000s)	754	760
- of which, DTH Satellite	676	714
- of which, IPTV	78	46
Basic DTH Subscribers	69	88
Premium ARPU (SEK)	3,917	3,554

The total premium subscriber base declined slightly during the year following a period of increased DTH churn in Norway that stabilised at the end of the year. The IPTV subscriber base grew, following the 5 year agreement signed with Telia in Sweden in May, whereby Viasat was enabled to market and sell its pay-TV channel packages to Telia's more than one million broadband customers and more than 300,000 IPTV customers. The number of basic subscribers continued to decline in line with Viasat's ongoing focus on up-selling these customers into the premium package tiers.

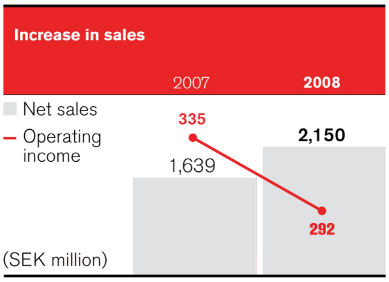
Significant events A number of new localised premium sports channels were launched in Sweden and Norway in October. Viasat Sport, Viasat Fotboll and Viasat Motor were launched in Sweden, and Viasat Sport and Viasat Motor in Norway. The channels replaced existing Viasat Sport channels. The exclusive live UEFA Champions League football broadcasting rights for Sweden, Norway and Denmark were also prolonged until the end of the 2011/2012 season, as were the rights for the Formula One world motor racing championship.

The HDTV service ViasatHD was launched in the Nordic region in January. In conjunction with the introduction of the service, TV1000 HD and Viasat Sport HD as well as TV 2 Sport HD (Denmark) were launched.

The satellite businesses in all countries in Scandinavia signed agreements during the year that led to the addition of a number of local TV channels; TV 2, TV 2 Nyhetskanalen, TV 2 Filmkanalen, TVNorge, FEM and TV 2 SPORT in Norway, TV 2 Zulu, TV 2 Charlie and TV 2 Film in Danmark and SVT HD and Kanal 5 in Sweden.

Significant events after the end of year An eighth thematic TV1000 channel for the Nordic countries, TV1000 Drama, was launched in February. The TV1000Play catch up service for the ViasatPlusHD customers, launched in 2008, was extended considerably, with the addition of programmes from TV1000 HD, Viasat Explorer, Viasat Nature and Viasat History in March. The offering is part of ViasatOnDemand which also comprises a catch up service for Viasat customers within the Telia's IPTV-network as well as an online pay-TV offering with movies, series and live sports events as UEFA Champions League and Formula One.

Free-TV Emerging Markets



Free-TV Emerging Markets comprises the 20 free-TV channels in the Baltics, Hungary, the Czech Republic, Slovenia, Bulgaria, Macedonia and Ghana.

The Emerging Markets free-TV operations generated 24% sales growth in 2008, excluding the results of both DTV Group Russia and Nova Televizia. The DTV Group Russia was sold and deconsolidated with effect from 16 April 2008. Nova Televizia in Bulgaria was acquired and consolidated with effect from 16 October.

The operating profit development reflected the deterioration in the operating and financial environment during the second half of the year and the ongoing investment in the Group's operations in Ghana. The full year results were also impacted by the cost of acquiring the broadcast rights to the UEFA EURO 2008 Football Championship for the Czech Republic, Bulgaria and Slovenia, as well as the launch of new channels in Estonia, Lithuania and Hungary.

Commercial share of viewing (%)	2008	2007
Estonia (15-49)	43.5	44.1
Latvia (15-49)	36.2	40.5
Lithuania (15-49)	40.3	39.6
Hungary (18-49)	7.3	7.7
Czech Republic (15+)	21.2	21.6
Slovenia (15-49)	9.7	7.3
Bulgaria (18-49) *	28.0	26.3

* Pro forma for the combined channels Diema and Nova

Viasat in the Baltics comprises TV3, TV6 and 3+ in Estonia and Latvia and TV3 and TV6 in Lithuania. Viasat is the largest broadcaster in the Baltics and was impacted by the weaker performance of the local economies and advertising markets, with the condition of the Estonian and Latvian markets being most adversely affected. The Baltic businesses reported a 9% growth in sales to SEK 613 (564) million. The combined Baltic free-TV businesses reported an operating income of SEK 151 (163) million, and operating margins of 25% (29%).

TV Prima in the Czech Republic generated 25% growth to SEK 1,045 (837) million, which reflected price increases and the relative strengthening of the Czech koruna currency.

TV Prima reported an operating profit of SEK 160 (185) million. The operating performance reflected the investments made to prepare for the launch of the new Prima COOL channel in 2009 following the awarding of new digital terrestrial licenses as part of the digital TV transition process, as well as the investment in UEFA EURO 2008. TV Prima therefore reported operating margins of 15% (22%).

The Group's free-TV operations in Bulgaria comprise the Diema, Diema2, Diema Family and MM, and Nova Televizia which was consolidated from 16 October. The combined businesses reported sales of SEK 234 (42) million, and operating profits of SEK 22 (-6) million. The operating results included a SEK 11 million charge arising from the integration of the Nova and Diema businesses.

Viasat's other Emerging Markets free-TV operations comprise Viasat3 and TV6 in Hungary, TV3 Slovenia and Viasat1 in Ghana in West Africa, which was launched on 12 December. The combined businesses reported 31% sales growth to SEK 256 (196) million. Viasat Hungary generated 27% growth following price increases and improved sales efficiency levels. The combined operations reported an operating result of SEK -42 (-6) million, which reflected the ongoing investments in the development of the Ghanaian and Slovenian businesses, as well as lower margins for the Hungarian business due to increased programming spend, the launch of a new channel and the impact of adverse currency exchange rate fluctuations on international content acquisition.

Associated company CTC Media

MTG owns 39.4% of Russia's largest independent television broadcaster CTC Media and the Group reports its equity participation in the earnings of CTC Media with a one quarter time lag due to the fact that CTC Media reports its results after MTG. CTC Media comprises the three Russian networks CTC, Domashny and DTV, the latter acquired from MTG in 2008. CTC Media generated 43% sales growth to USD 615 (428) million for the twelve month period ended 30 September. Operating profits increased by 56% to USD 259 (167) million over the same period and CTC Media generated an increased operating margin of 42% (39%). MTG's reported share of earnings in CTC Media's results therefore amounted to SEK 629 (461) million for the twelve month period.

For more information please visit www.ctcmedia.ru.

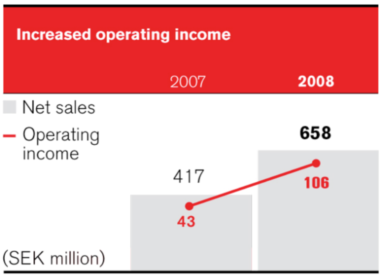
Significant events The Group acquired 100% of the shares in Bulgarian Nova Televizia on October 16. The Group launched a national terrestrial TV channel in Ghana in West Africa on 12 December. The new channel, Viasat1, has a five year national terrestrial TV license and is Viasat Broadcasting's first commercial free-TV entertainment channel outside Europe.

Significant events after the end of the year On 26 February, CTC Media reported the financial results for the fourth quarter and full year 2008. Sales growth for the full year 2008 was 36% to USD 640 (472) million, with a net income before tax of USD -158 (86) million for the fourth quarter and USD 4 (205) million for the full year. The result included an impairment of intangible assets of USD 233 million.

On 3 March 2009 MTG announced that it is reorganising the ownership of its free-TV assets in Bulgaria. MTG has signed an agreement with Apace Media plc whereby the assets within Balkan Media Group, Diema, Diema2, Diema Family and MM in Bulgaria and the Albanian language channel ERA TV in Macedonia, will be transferred into the MTG subsidiary Nova Televizia. MTG will own 95% of the enlarged Nova Televizia group, whilst Apace will hold a 5% minority interest.

On 1 April the free-TV channel Prima COOL will be launched in the Czech Republic. The new channel complement MTG's existing TV Prima channel. Prima COOL will be launched following the award of new digital licenses to TV Prima as part of the ongoing digitalisation of the Czech TV market. Analogue terrestrial broadcasting is gradually being switched off, with the process due to be completed by the end of 2011.

Pay-TV Emerging Markets



Viasat's Emerging Markets pay-TV operations comprise the DTH satellite platforms in the Baltics and in Ukraine, which is a joint venture, and the 11 Viasat channels that are distributed through third party cable and satellite networks to subscribers in 23 countries across Central and Eastern Europe and in the United States. Viasat Ukraine has been proportionately consolidated on a 50:50 basis with effect from 1 March 2008.

Sales for the combined pay-TV businesses grew by 58% to SEK 658 (417) million, operating profits more than doubled to SEK 106 (43) million. The results reflected healthy subscriber growth levels across the region, as well as a particularly strong performance by the Russian mini-pay business. The Ukrainian business is in its early stages of development and reported an operating loss of SEK 24 million.

Subscriber data	2008	2007
DTH Premium ('000s)	218	164
Mini-pay subscriptions ('000s)	36,469	26,426

Significant events The Viasat Ukraine DTH satellite platform was launched on 21 April as a joint venture with Strong Media Group.

In April TV1000 Premium, with Hollywood blockbuster movies 24 hours a day, was launched in the Baltic states.

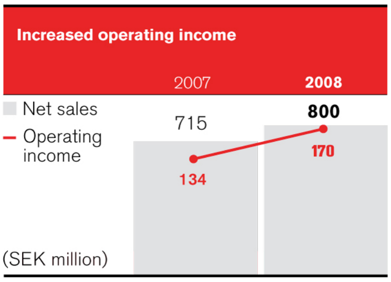
A new version of the original Nordic TV1000 Action channel was launched in September in Russia, other countries within CIS and in the Baltic states.

In November TV1000 Russian Kino was launched for the Russian speaking population of the United States, initially through the DISH Network, the third largest pay-TV provider in the US.

Significant events after the end of the year A new localised premium sports channel, Viasat Sport Baltic, was launched in Estonia, Latvia and Lithuania in January. With the introduction of Viasat Sport Baltic – and Viasat Golf – in the Baltic states, the previous pan-Nordic/pan-Baltic channels Viasat Sport 2 & 3 were closed down.

In February TV1000 Russian Kino became available to Time Warner Cable customers in the New York City Region.

Radio

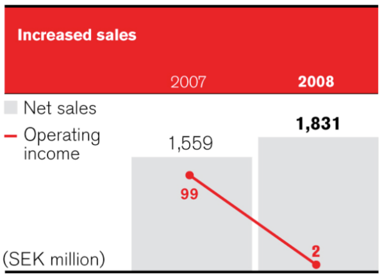


MTG Radio comprises the Group's national networks and local radio stations in Sweden, Norway, Estonia, Latvia and Lithuania.

The Group's radio operations include the leading national commercial networks, RIX FM and P4, in Sweden and Norway respectively. The business area reported 12% sales growth in 2008.

The Group's wholly owned operations reported a 33% increase in operating profits of SEK 165 (124) million with enhanced operating margins of 21% (17%).

Online

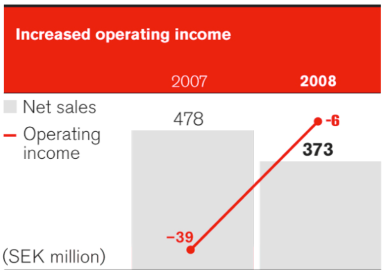


The Online business area comprises MTG Internet Retailing, Bet24 and Playahead. MTG Internet Retailing comprises the CDON.COM, Gymgrossisten.com, Bodystore.com, Nelly.com, Linus-Lotta.com and BookPlus.fi businesses.

Sales for the Online business area grew by 18% in 2008. Underlying sales growth for the business area was 13% in 2008. CDON reported sales of over SEK 1 billion for the first time ever and the combined MTG Internet Retailing business reported a 41% sales growth. Gymgrossisten.com was acquired at the beginning of 2008. Bet24 reported 22% sales growth, with gross profits up 19%.

The results included SEK 31 million of costs for the development of the Group's online pay-TV operations, and a SEK 76 million non-cash goodwill impairment charge at the Playahead online social networking community. The results also reflected the investments being made to develop the various Online businesses acquired in 2007 and at the beginning of 2008.

Modern Studios



The Modern Studios Business area includes companies such as Strix Television, which produce and license a wide range of content.

Net sales for the Modern Studios business area declined year on year to SEK 373 (478) million and the business area reported a SEK -6 (-39) million operating result. All of the Modern Studios companies were profitable in the fourth quarter following increased sales of successful formats and, compared to last year, the closure of loss making Sonet Film.

Outlook

MTG has four strategic objectives that provide performance targets for the Group over the 5 year period to the end of 2011. The targets were defined in 2007 and comprised an additional target relating to existing Free-TV and Pay-TV Emerging Markets operations, but following the sale of DTV Group Russia the target has been obsolete.

Double Group net sales to SEK 20 billion in 2011, with more than 10% organic annual sales growth

Underlying the target of reaching SEK 20 billion of revenues in 2011, revenues are expected to grow at a compound organic rate of at least 10% per annum over the five year period, and the objective is also to continue to add new operations. Organic growth was up 15% in 2008.

Viasat Broadcasting to deliver a more than 20% operating margin in 2011

The target margin excludes the contribution from associated company CTC Media. The Group achieved an operating margin of 19% (18%) in 2008.

Free-TV and Pay-TV Emerging Markets contribute to more than half of Viasat's operating profit in 2011

The target operating profit includes associated company income from CTC Media. The Free-TV and Pay-TV operations contributed 40% (41%) of Viasat's operating profit in 2008.

Achieve return on equity of 30% for the five year period from 2007 to 2011

MTG achieved a return on equity of 26% (26%) in 2008. Return on equity is defined as net income as a percentage of average shareholders' equity.

Risks and Uncertainties

The text below describes the major risk factors affecting the Group's business operations. These risks could materially affect any or all of the Group's businesses, financial position, liquidity or operating results. Additional risks and uncertainties of which the Group is not currently aware of could also adversely affect the Group's performance and position.

MTG's business is affected by the economic environment The general economic downturn could affect the demand for the Group's products and services. These factors could in turn impact the value of the Group's assets, the ability to repay its existing debt, the interest thereon, and to fulfil its debt covenants.

Substantial foreign exchange rate movements also increase the risk of adverse impacts on the Group's income statement, balance sheet and cash flows. The Group is primarily exposed to the US dollar, in which the majority of programming content is acquired and the equity participation in CTC is accounted for, and to the euro in euro or euro-pegged currency markets. MTG hedges the main part of its US dollar, sterling and Swiss franc denominated contracted outflow on a forward rolling twelve-month basis, in order to reduce the impact of short-term currency translation effects on the Group's cost base. The outflow primarily relates to programming content acquired in foreign currencies. The Group's equity is not hedged, with the exception of part of the financing for the Nova Televizia acquisition, which was drawn down in euro.

MTG is reliant on debt capital markets to finance its operations General refinancing risks have increased due to the turbulence in the financial markets. The existing credit facilities are currently considered sufficient.

MTG's business is affected by governmental rules and regulations. Changes to these rules and regulations, interpretations or failure to obtain approvals or licenses, could adversely affect the Group's ability to operate and the results of its operations MTG is subject to extensive laws and regulations in the countries where MTG broadcasts its services. The laws to which MTG is subject include relevant European Union legislation such as the Audiovisual Media Services Directive and the Directives dealing with the regulatory framework for Telecoms**.** The Audiovisual Media Services Directive updates the previous Television without Frontiers Directive and is expected to be implemented by all Member States before the end of 2009. MTG's businesses are also subject to numerous other laws and regulations and authorities may introduce additional or new regulations affecting the business operations. Changes in regulations to licensing, access requirements, programming transmission, consumer protection, commercial advertising or taxation in particular may affect aspects of the business operations, or those of MTG's competitors, and could have a materially adverse impact on the business and the results of the Group's operations.

MTG operates in highly competitive environment that is subject to rapid change Competition arises from a broad range of companies offering communication and entertainment services, including operators of cable TV, digital and analogue terrestrial networks, providers of internet and interactive services, and betting and gaming companies. The means of delivering various services may be subject to rapid technological change and MTG's competitors' positions may be strengthened by an increase in their capacity or further development.

MTG's ability to compete successfully depends on the ability to continue to acquire and produce programming content and package content that is attractive to subscribers. MTG cannot ensure that such programming content or programming services will be attractive to customers, even if available.

The future demand and speed of take-up of MTG's DTH services, IPTV broadband services and value-added services like the ViasatPlus, a service with a recordable digital box, will depend on MTG's ability to offer them to customers at competitive prices, competing services, and the ability to create demand for products, as well as to attract and retain customers through a wide range of marketing activities. Viewers with ViasatPlus digital boxes or viewers of on-demand programming may choose not to view advertising including that on Viasat Broadcasting channels.

MTG cannot ensure that the current or future marketing and other activities will succeed in generating sufficient demand to achieve operating targets.

MTG is expanding into new territories The Group has expanded into new territories in Eastern Europe and Africa during the past few years and its goal is to continue to do so. The expansion has involved both the acquisition of broadcasting licences and companies, as well as investments in programming and the addition of new channels.

MTG is exposed to regional economies and advertising markets in Europe and, to a lesser extent in Africa, which could favourably or adversely affect the results of MTG's business operations.

MTG has only limited control of its associated companies and the success of investments depends on the actions of MTG's co-owners MTG conducts some of its business through associated companies, in which MTG does not have a decisive control, such as CTC Media in Russia. As a result, the Group has limited influence over the conduct of these businesses. The risk of actions outside the Group's or the associated companies' control, or adverse to MTG's interests, is inherent in such associated entities.

MTG's business is reliant on technology, which is subject to the risk of failure, change and development MTG is reliant on encrypted broadcasting and other technologies to restrict unauthorised access to MTG's services. Unauthorised viewing and use of content may be accomplished by counterfeiting smart cards or otherwise overcoming security features.

MTG is dependent upon satellites that are subject to significant risks and may prevent or impair proper commercial operation, including defects, destruction or damage, or lack of capacity.

MTG is reliant on third party cable network operators to distribute a large part of its programming.

Any failure of MTG's technologies, network or other operational systems or hardware or software, which results in significant interruptions to its operations, could have a materially adverse effect on its business.

MTG depends on recruiting and retaining skilled personnel To remain competitive and be able to implement its strategies, MTG depends on being able to recruit and retain skilled personnel. The extent to which this will be possible is among other things due to the ability to offer competitive remuneration packages. Failure to do so may adversely affect MTG's competitiveness and the development of its operations.

MTG is reliant on key suppliers for the provision of important equipment and services MTG is reliant on consistent and efficient suppliers. Any failure to meet requirements, delays in delivery or lack of quality may impact MTG's ability to deliver its products and services.

Financial policies and risk management

Financial policy The Group's financial risk management is centralised to the parent company, in order to capitalise on economies of scale and synergy effects in the financial sector and 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 followed up to ensure compliance with the Group's financial policy.

Foreign exchange risk is divided into transaction exposure and translation exposure. The main transaction exposure of unmatched contracted programme acquisition outflows are hedged through forward exchange agreements on a rolling twelve months basis. Other transaction exposure is not hedged. The exposure is described in Note 22 to the Accounts in this report.

Translation exposure arises from the conversion of the Group's subsidiaries 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. Part of the financing of the net investment in Nova was raised in euro, which is recognised as a hedging instrument. Other translation exposure is not hedged.

Interest rate risk MTG's sources of funding are primarily shareholders' equity, cash flows from operations and 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 All 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, including the 50% owned, who have external loans and/or overdraft facilities connected directly to these companies.

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 expense.

Insurable risks Insurance cover is governed by corporate guidelines. The business units and other units, which are responsible for assessing such risks, decide the extent of actual cover.

Business Ethics

In line with MTGs values and corporate social responsibility in conducting its business, MTG has the following principles and guidelines:

- Acting with honesty and integrity
- Commitment to free and open competition
- Compliance with laws and regulations and corporate policies
- Compliance with all competition and anti-trust laws
- Non-participation in party politics and never making political contributions
- Prohibition on bribes or other unlawful payments

Employees

An organisation's ability to create and adapt to change in its environment and to capitalise on these opportunities is what defines it. The speed and efficiency with which this is accomplished is what determines success. The employees are the most important factor in achieving goals and objectives. The Code of Conduct, mission statement and twelve key rules have been presented and communicated to employees by local management in each of the countries in which MTG operates. Internal surveys have been put in place to measure the extent to which employees embrace the policies, their view of management and the Company, and how well the policies are and could be implemented. The most essential policies are:

- Equal opportunities irrespective of race, religion, nationality, gender, mental or physical disabilities, marital status, age, sexual orientation or any other status unrelated to the individual's ability to perform
- Valuing diversity
- Not tolerating discrimination or sexual, physical or mental harassment
- Seek to provide a healthy, safe and clean working environment
- Respect and support for each other

The Group employed 2,969 full time employees at the end of 2008, compared to 2,381 employees at the beginning of 2008. Details of the average number of employees during the year and the aggregated remuneration for the year are presented in Notes 24 and 25.

Executive Remuneration

The guiding principles below were approved by the 2008 Annual General Meeting. Senior executives covered by these guidelines include the Executive Management (below the "Executives").

Remuneration guidelines The objective of the guidelines is to ensure that MTG can attract, motivate and retain senior executives, within the context of MTG's international peer group, which consists of Northern and Eastern European media companies. Remuneration is based on conditions that are market competitive and at the same time aligned with shareholders' interests.

Remuneration to the Executives consists of a fixed and variable salary, as well as the possibility of participation in a long-term incentive programme and pension schemes. These components create a well-balanced remuneration structure reflecting individual performance and responsibility, both short-term and long-term, as well as MTG's overall performance.

Fixed salary Executives' fixed salaries are competitive and based on individual Executive's responsibilities and performance.

Variable salary Executives may receive variable remuneration in addition to fixed salaries. The contracted variable remuneration will generally not exceed a maximum of 50 per cent of the fixed annual salary. The variable remuneration shall be based on the performance of Executives in relation to established goals and targets.

In addition, the Board of Directors has previously approved certain exceptional bonus schemes for 2007 and 2008. The variable remuneration payments under the scheme in 2007 were SEK 8 million and will be significantly less for 2008.

Other benefits MTG provides other benefits to Executives in accordance with local practice. Other benefits can include, for example, company cars and health care. Housing allowance can also occasionally be granted for defined periods.

Pension Executives are entitled to pension commitments based on those that are customary in the country of employment. Pension commitments will be secured through premiums paid to insurance companies.

Notice of termination and severance pay If MTG terminates the employment of an Executive, salary payments will continue to be paid during the contractual notice period for a maximum of 12 months. There is no standard severance pay in addition to notice periods.

Deviations from the guidelines In special circumstances, the Board of Directors may deviate from the above guidelines, for example, with the payment of additional variable remuneration in the case of exceptional performance. In such cases the Board of Directors is obliged to explain the reason for the deviation at the following Annual General Meeting.

These guiding principles have been followed during 2008.

Proposal for 2009 Executive Remuneration guidelines

The Board of Directors will propose to the 2009 Annual General Meeting that the guidelines for 2008 should be applied in 2009 with a few changes resulting in a new wording as follows:

Variable salary Executives may receive variable remuneration in addition to fixed salaries. The contracted variable remuneration will generally not exceed a maximum of 50 per cent of the fixed annual salary. The variable remuneration shall be based on the performance of Executives in relation to established goals and targets.

The last paragraph in this section in the guidelines for 2008 is omitted.

Notice of termination and severance pay The maximum notice period in any Executive's contract is twelve months during which time salary payment will continue. The Company does not generally allow any additional contractual severance payments to be agreed although there can be occasional cases where this takes place.

Share-based long-term incentive plans

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

Parent Company

Modern Times Group MTG AB is the Group's parent company and is responsible for Group-wide management, administration and finance functions, and also holds shares in the parent companies of the various operating business areas. MTG's financial policy includes providing a central cash pool or financing through internal loans to support the operating companies.

The MTG parent company reported net sales of SEK 68 (81) million in 2008. Net interest and other financial items totalled SEK 178 (6,418) million, with the 2007 figure including an internal financial gain of SEK 6,000 million as a result of an internal restructuring. Parent company income before tax amounted to SEK 27 (6,270) million. No investments in non-current assets were made in 2008. Cash and cash equivalents at the end of the year amounted to SEK 59 (3) million. SEK 1,960 million of the total 6,600 million available credit facilities were unutilised as at 31 December 2008.

Environmental impact The Company does not own or operate any businesses in Sweden subject to an obligation to report to authorities or require compulsory licensing.

Proposed appropriation of earnings The following funds are at the disposal of the shareholders as at 31 December 2008:

Retained earnings	7,769,141,270
Net profit for 2008	- 8,127,485
Total	7,761,013,785

The Board of Directors propose that a SEK 5 ordinary dividend be paid to shareholders for the twelve months ended 31 December 2008 and that the remaining amount be carried forward. The total proposed dividend payment would amount to a maximum of SEK 329,451,875, based on the maximum potential number of outstanding shares as at the record date, and represent 11% of the Group's reported net income for the full year 2008.

The Board of Directors will also propose that the Annual General Meeting authorises the Board of Directors to resolve to buy back MTG Class A and Class B shares on one or more occasions for the period up until the Annual General Meeting in 2010, but not exceeding 10% of the number of issued shares. The proposal aims to create flexibility in the work with the company's capital structure.

The MTG Share

MTG's shares are listed on Nasdaq OMX Stockholm's Large Cap list under the symbols 'MTGA' and MTGB'. MTG's market capitalisation, as at the close of the trading on Nasdaq OMX Stockholm on the last business day of 2008, was SEK 11.6 billion.

Shareholder's as at 31 December 2008

Name	Total	Class A Shares	Class B Shares	Capital	Votes
Investment AB Kinnevik	9,935,011	9,605,257	329,754	15.1%	47.8%
Swedbank Robur fonder	4,319,186	0	4,319,186	6.6%	2.1%
Emesco AB	3,568,845	3,328,845	240,000	5.4%	16.6%
Handelsbanken	3,087,109	230	3,086,879	4.7%	1.5%
AMF Pension	2,944,041	0	2,944,041	4.5%	1.5%
Nordea Funds	2,916,781	0	2,916,781	4.4%	1.4%
SEB Funds	2,909,662	300	2,909,362	4.4%	1.4%
State Street Bank	2,090,993	0	2,090,993	3.2%	1.0%
JP Morgan	1,541,048	0	1,541,048	2.3%	0.8%
Stenbeck, Jan Hugo (estate)	1,526,000	1,526,000	0	2.3%	7.6%
Second AP Fund	1,445,549	0	1,445,549	2.2%	0.7%
DNB Nor	1,174,729	0	1,174,729	1.8%	0.6%
Credit Suisse	1,123,502	0	1,123,502	1.7%	0.6%
Skandia Liv AB	841,316	107,530	733,786	1.3%	0.9%
Others	26,466,603	523,264	25,943,339	40.2%	15.5%
Total outstanding shares	65,890,375	15,091,426	50,798,949	100.0%	100.0%
Class C shares held by MTG	480,000				
Total shares issued	66,370,375				

Source: Euroclear Sweden AB

Share distribution	Number of shareholders	%	Number of shares	%
1 – 1,000	19,280	90.9	3,813,310	5.8
1,001 – 5,000	1,398	6.6	2,982,174	4.5
5,001 – 10,000	155	0.7	1,116,570	1.7
10,001 – 50,000	226	1.1	5,016,230	7.6
50,001 – 100,000	43	0.2	3,135,420	4.8
100,001 – 4,000,0000	116	0.5	49,826,671	75.6
Total 31 December 2008	**21,218**	**100.0**	**65,890,375**	**100.0**

Share capital As at 31 December 2008, the total number of shares issued was 66,370,375, of which 15,091,426 were Class A shares, 50,798,949 were Class B shares, and 480,000 were Class C shares. The Class C shares are held by the Company. Each Class A share is entitled to ten votes. Each Class B and each C share is entitled to one vote. The Class C shares are not entitled to dividend payments. The Class C shares were issued and repurchased in 2008 as part of the MTG performance based incentive plan approved by the Annual General Meeting in 2008.

The Group's share capital amounted to SEK 332 million at the end of the year. For changes in the share capital between 2007 and 2008, please see the report on Changes in consolidated equity.

Dividends The parent company paid an ordinary dividend of SEK 5.00 per share and an extraordinary dividend of SEK 10.00 per share to shareholders in 2008, amounting to a total payment of SEK 983 million.

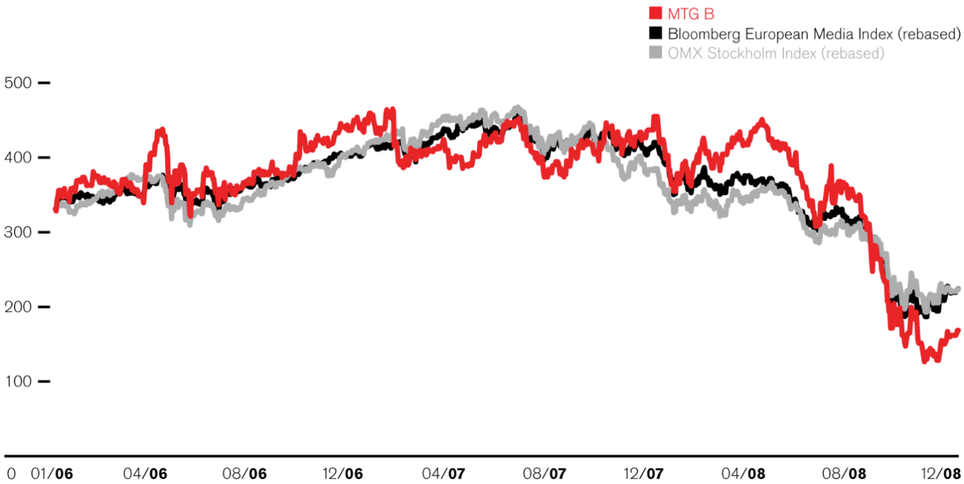
Share buy-back The 2007 Annual General Meeting authorised a share buy-back of Class A and Class B shares up until the 2008 Annual General Meeting and 798,000 Class B shares were repurchased during 2008. Following the decision at the Annual General Meeting in 2008, a total of 1,517,000 Class B shares repurchased since the Annual General Meeting in 2007 were cancelled in July, which represented 2.3% of the Group's total issued shares at the time of the Annual General Meeting. The Group's shareholding in its own stock may not exceed 10 per cent of the total number of issued shares. The 2008 Annual General Meeting approved to authorise the Board of Directors to buy back its Class A and Class B shares up until the 2009 Annual General Meeting. No shares were bought back during the period between the resolution and year-end 2008. 480,000 Class C shares were issued and repurchased in 2008. The shares are redeemable and, upon the decision of the Board of Directors, may be reclassified into Class B shares. The Class C shares will be held by the Company as treasury shares during the vesting period for the 2008 share option plan. The intention is to hedge the social security costs related to the scheme by selling the reclassified shares on Nasdaq OMX Stockholm. The proposal to sell shares for this purpose will be put before the Annual General Meeting in 2010.

Reclassifications In accordance with the resolution of the MTG 2007 Annual General Meeting the Board of Directors approved reclassification of a total of 150,242 MTG Class A shares into MTG Class B shares. The 2008 Annual General Meeting also decided upon a reduction of the company's equity reserves by SEK 523 million from SEK 523 million. The Swedish Company Registration Office registered the decision and granted the leave in August 2008.

Share-based long-term incentive plans If all options granted to senior executives and key employees as at 31 December 2008 were exercised, the issued share capital of the Company would increase by 1,049,807 Class B shares, and be equivalent to a dilution of 1.6% of the issued capital and 0.5% of the related voting rights as at the end of 2008.

The outstanding 44,832 stock options from the 2005 programme have a strike price of SEK 235.80, and are exercisable until 10 October 2009. The remaining 281,769 outstanding options from the 2006 programme have an exercise price of SEK 413.30 for the stock options and SEK 417.70 for the warrants, and are exercisable from 15 May 2009. The remaining 327,355 options granted under the 2007 programme have an exercise price of SEK 432.50 for the stock options and the warrants, and are exercisable from 15 May 2010. The 256,275 performance options granted in the 2008 programme have an exercise price of SEK 498.10 and the 139,577 retention and performance rights entitle holders to one free Class B share per right. Further details about the programmes can be found in note 25.

Share performance



Consolidated income statement

(SEK million)	Note	2008	2007
Net Sales	3	13,166	11,351
Cost of goods and services		-7,802	-6,887
Gross income		**5,364**	**4,464**
Selling expenses		-1,199	-1,110
Administrative expenses		-2,163	-1,831
Other operating income	5, 30	13	34
Other operating expenses	5	-145	-10
Gain on sale of DTV Group		1,150	-
Share of earnings in associated companies	6	651	480
Operating income	3, 4, 5, 6, 7, 10, 11, 13, 23, 25, 26, 28	**3,671**	**2,027**
Non-cash gain from CTC Media new share issue	8	57	5
Interest revenue and other financial income	8	83	36
Interest expense and other financial costs	8	-201	-53
Income before tax		**3,610**	**2,015**
Current tax expenses	9	-615	-560
Deferred tax expenses	9	-68	-28
Net income for the year		**2,927**	**1,428**
Attributable to:			
Equity holders of the parent		2,851	1,363
Minority interest		77	65
Net income for the year		**2,927**	**1,428**
Basic earnings per share	17	43.25	20.35
Diluted earnings per share	17	42.93	20.11
Denominator for basic earnings per share	17	65,908,373	66,945,776
Denominator for diluted earnings per share	17	65,955,478	67,157,781
Proposed/decided cash dividends		5.00	15.00

Consolidated balance sheet

(SEK million)	Note	31 December 2008	31 December 2007
ASSETS			
Non-current assets			
Intangible assets	10		
Capitalised expenses		34	28
Patents and trademarks		1,214	536
Licenses and beneficial rights		335	545
Goodwill		8,798	2,491
Total intangible assets		**10,381**	**3,600**
Tangible assets	11		
Buildings		3	-
Machinery and other technical plant		60	31
Equipment, tools and installations		294	170
Total tangible assets		**357**	**202**
Long-term financial assets			
Shares in associated companies	6, 12	1,924	1,841
Receivables on associated companies		29	31
Shares and participation in other companies	12	5	36
Deferred tax asset	9	156	23
Other long-term receivables		29	24
Total long-term financial assets		**2,143**	**1,954**
Total non-current assets		**12,881**	**5,756**
Current assets			
Inventories			
Finished goods and merchandise		318	181
Program rights		1,463	1,368
Advances to suppliers		16	9
Total inventories		**1,797**	**1,559**
Current receivables			
Accounts receivable	14	1,585	1,341
Accounts receivables, affiliated companies		6	5
Tax receivables		192	82
Other current receivables, interest-bearing		35	11
Other current receivables		271	207
Prepaid expense and accrued income	15	1,490	1,478
Total current receivables		**3,579**	**3,124**
Cash and cash equivalents	16, 22		
Short-term investments		-	0
Cash and bank		975	521
Total cash and cash equivalents		**975**	**521**
Total current assets		**6,351**	**5,203**
Total assets		**19,232**	**10,958**

(SEK million)	Note	31 December 2008	31 December 2007
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	18		
Share capital		332	335
Other paid-in capital		1,615	1,537
Reserves		1,523	1
Retained earnings including net income for the year		5,191	3,804
Total equity attributable to equity holders of the parent company		**8,662**	**5,678**
Minority interest			
Minority interest		318	197
Total equity		**8,980**	**5,875**
Non-current liabilities	22		
Interest-bearing			
Other liabilities to financial institutions		4,623	31
Other liabilities		25	6
Total non-current interest-bearing liabilities		**4,649**	**37**
Non-interest bearing			
Non-interest bearing liabilities		2	2
Deferred tax liability	9	403	159
Provisions	19	209	233
Total non-current non-interest bearing liabilities		**614**	**394**
Total non-current liabilities		**5,263**	**431**
Current liabilities	22		
Interest-bearing			
Liabilities to financial institutions		30	433
Other interest-bearing liabilities		26	45
Total current interest-bearing liabilities		**56**	**478**
Non-interest-bearing			
Advances from customers		57	69
Accounts payable		1,563	1,134
Tax liability		261	356
Other liabilities		399	379
Accrued expense and prepaid income	20	2,654	2,237
Total current non-interest bearing liabilities		**4,933**	**4,176**
Total current liabilities		**4,989**	**4,654**
Total liabilities		**10,252**	**5,085**
Total equity and liabilities		**19,232**	**10,958**

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

Changes in consolidated equity

	Equity attributable to the equity holders of the parent company									
(SEK million) Note 18	Share capital	Paid-in capital	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Retained earnings incl net income for the year	Total	Minority interest	Total equity
Balance as of January 1, 2007	335	1,529	-67	-18	35	-12	3,181	4,984	121	5,105
Change in translation differences			73					73		73
Changes in minority interest								-	11	11
Revaluation of shares at market value					-30			-30		-30
Change in accounting of associated company CTC Media							53	53		53
Cash flow hedge				21				21		21
Net income recognised directly in equity			**73**	**21**	**-30**	**0**	**53**	**116**	**11**	**127**
Net income for the year 2007							1,363	1,363	65	1,428
Total recognised income and expense for the period			**73**	**21**	**-30**	**0**	**1,415**	**1,478**	**76**	**1,555**
Dividends to shareholders							-503	-503		-503
Share buy-back							-307	-307		-307
Effect of employee share option programmes							17	17		17
Employee options exercised	0	8						8		8
Balance as of December 31, 2007	**335**	**1,537**	**6**	**3**	**5**	**-12**	**3,804**	**5,678**	**197**	**5,875**
Change in translation differences			1,431					1,431	38	1,469
Tax effects on translation differences			65					65		65
Changes in minority interests								0	6	6
Revaluation of shares at market value					-5			-5		-5
Other							5	5		5
Cash flow hedge				31				31		31
Net income recognised directly in equity			**1,496**	**31**	**-5**	**-**	**5**	**1,527**	**44**	**1,571**
Net income for the year 2008							2,851	2,851	77	2,927
Total recognised income and expense for the period			**1,496**	**31**	**-5**	**-**	**2,855**	**4,377**	**121**	**4,498**
Dividends to shareholders							-983	-983		-983
Share buy-back							-316	-316		-316
Redemption without payments	-8						8	-		-
Minority acquisition							-155	-155	0	-155
New share issue, Class C shares	2						-2	-		-
Effect of employee share option programmes							-19	-19		-19
Employee options exercised	2	78						80		80
Balance as of December 31, 2008	**332**	**1,615**	**1,502**	**33**	**0**	**-12**	**5,191**	**8,662**	**318**	**8,980**

Consolidated cash flow statement

(SEK million)	Note	2008	2007
Cash flow from operations			
Net income for the year		2,927	1,428
Adjustments to reconcile net income/loss to net cash provided by operations	27	-1,009	-65
Cash flow from operations		**1,918**	**1,363**
Changes in working capital			
Increase (-)/decrease (+) inventories		-233	-219
Increase (-)/decrease (+) other current receivables		-422	-835
Increase (+)/decrease (-) accounts payable		373	148
Increase (+)/decrease (-) other current liabilities		349	473
Total change in working capital		**67**	**-433**
Net cash flow from operations		**1,985**	**930**
Investment activities			
Investment in tangible and intangible assets		-156	-327
Acquisitions of shares in subsidiaries and associated companies	4	-6,466	-219
Proceeds from sales of shares in subsidiaries and other companies	27, 30	1,948	70
Other cash flow from investing activities		-	-4
Cash flow to investing activities		**-4,674**	**-479**
Financing activities			
Change in other long-term receivables		0	-5
Raise of loan		5,645	200
Loan amortisations		-1,405	-50
Change in other interest-bearing liabilities		85	64
Change in non-interest-bearing liabilities		0	-15
Paid-in capital for employee share option programmes		80	25
Dividends and share buy-back		-1,300	-810
Cash flow from/to financing activities		**3,105**	**-591**
Net change in cash and cash equivalents		**417**	**-139**
Cash and cash equivalents at beginning of year		**521**	**646**
Translation differences in cash and cash equivalents		**37**	**14**
Cash and cash equivalents at end of year		**975**	**521**

Parent company income statement

(SEK million)	Note	2008	2007
Net Sales		68	81
Gross income		**68**	**81**
Administrative expenses		-219	-229
Operating loss	10, 11, 13, 23, 25, 26	**-150**	**-148**
Dividends group	8	-	118
Gain from internal sale of financial assets	8	-	6,000
Loss from shares in subsidiaries	8	-99	-
Interest revenue and other financial income	8	479	416
Interest expense and other financial costs	8	-202	-115
Income before tax		**27**	**6,270**
Tax expenses	9	-36	-45
Net income/loss for the year		**-8**	**6,225**

Parent company balance sheet

(SEK million)	Note	31 December 2008	31 December 2007
ASSETS			
Non-current assets			
Intangible assets	10		
Capitalised expenses		0	1
Total intangible assets		**0**	**1**
Tangible assets	11		
Equipment, tools and installations		0	0
Total tangible assets		**0**	**0**
Long-term financial assets			
Shares and participations in Group companies	12	3,703	400
Receivable from Group companies	29	12,388	1,837
Receivable from associated companies		0	-
Shares and participations in other companies	12	5	36
Deferred tax asset	9	87	-
Total long-term financial assets		**16,183**	**2,273**
Total non-current assets		**16,183**	**2,275**
Current assets			
Current receivables			
Accounts receivable	14	0	0
Receivable from Group companies		218	8,811
Tax receivables		27	15
Other receivables		124	38
Prepaid expense and accrued income	15	2	9
Total current receivables		**371**	**8,874**
Cash and cash equivalents			
Cash and cash equivalents	16, 22	59	3
Total cash and cash equivalents		**59**	**3**
Total current assets		**430**	**8,876**
Total assets		**16,613**	**11,151**

(SEK million)	Note	31 December 2008	31 December 2007
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Shareholders´equity	18		
Restricted equity			
Share capital		332	335
Legal reserve		-	523
Total restricted equity		**332**	**858**
Non-restricted equity			
Premium reserve		86	8
Translation reserve		-138	-
Fair value reserve		0	5
Retained earnings		7,821	2,562
Net income/loss for the year		-8	6,225
Total non-restricted equity		**7,761**	**8,799**
Total shareholders´ equity		**8,093**	**9,657**
Non-current liabilities			
Interest-bearing			
Liabilities to Group companies		2,559	-
Other liabilities to financial institutions	22	4,623	-
Total non-current interest-bearing liabilities		**7,183**	**-**
Non-interest bearing			
Provisions	19	8	22
Total non-current liabilities		**7,190**	**22**
Current liabilities			
Interest-bearing			
Other liabilities to financial institutions	22	-	400
Total current interest-bearing liabilities		**-**	**400**
Non-interest bearing			
Accounts payable		50	9
Liabilities to Group companies		1,233	902
Tax payables		-	133
Other liabilities		7	3
Accrued expense and prepaid income	20	39	23
Total current non-interest bearing liabilities		**1,330**	**1,071**
Total current liabilities		**1,330**	**1,472**
Total shareholders´ equity and liabilities		**16,613**	**11,151**
Pledged assets		None	None
Contingent liabilities	21	273	182

Parent company changes in shareholders' equity

		Restricted equity		Non-restricted equity				
(SEK million)	Note 18	Share capital	Legal reserve	Premium reserve	Translation reserve	Fair value reserve	Retained earnings	Total
Balance as of January 1, 2007		335	1,523	-	-	35	2,242	4,135
Reduction of legal reserve			-1,000				1,000	-
Revaluation of shares at market value						-30		-30
Group contributions net of tax							130	130
Net income recognised directly in equity			**-1,000**			**-30**	**1,130**	**99**
Net income for the year 2007							6,225	6,225
Total recognised income and expense for the period			**-1,000**			**-30**	**7,355**	**6,324**
Dividends to shareholders							-503	-503
Share buy-back							-307	-307
Employee options exercised		0		8				8
Balance as of December 31, 2007		**335**	**523**	**8**	**-**	**5**	**8,786**	**9,657**
Reduction of legal reserve			-523				523	0
Revaluation of shares at market value						-5		-5
Currency effect on hedge					-187			-187
Tax effect on hedge					49			49
Other							5	5
Group contributions net of tax							-194	-194
Net income recognised directly in equity			**-523**		**-138**	**-5**	**334**	**-332**
Net income for the year 2008							-8	-8
Total recognised income and expense for the period			**-523**		**-138**	**-5**	**326**	**-340**
Dividends to shareholders							-983	-983
Share buy-back							-316	-316
Redemption without payment		-8					8	-
New share issue, Class C shares		2					-2	-
Effect of employee share option programmes							-4	-4
Employee options exercised		2		78				80
Balance as of December 31, 2008		**332**	**-**	**86**	**-138**	**0**	**7,813**	**8,093**

Parent company cash flow statement

(SEK million)	2008	2007
Cash flow from operations		
Net income for the year	-8	6,225
Adjustments to reconcile net income/loss to net cash provided by operations:		
Revaluation shares available for sale	26	-30
Gain from sale of financial assets	-	-6,000
Depreciation	1	1
Change in deferred tax	-87	-
Change in provisions	-14	11
Unrealised exchange difference	-155	34
Total adjustments to reconcile net income/loss to net cash provided by operations	**-238**	**240**
Changes in working capital		
Increase (-)/decrease (+) short-term receivables	-90	-43
Increase (+)/decrease (-) accounts payable	41	-2
Increase (+)/decrease (-) other liabilities	218	94
Total changes in working capital	**169**	**49**
Net cash flow from operations	**-69**	**290**
Investment activities		
Investment in shares in subsidiaries	-3,303	-
Cash flow to investing activities	**-3,303**	**-**
Financing activities		
Receivables/liabilities from Group companies	407	362
Paid-in capital for employee share option programmes	80	8
Dividends to shareholders	-983	-503
Share buy-back	-316	-307
Raise of loan	5,645	200
Loan amortisation	-1,405	-50
Cash flow from/to financing activities	**3,428**	**-290**
Net change in cash and cash equivalents	**56**	**0**
Cash and cash equivalents at beginning of year	**3**	**3**
Cash and cash equivalents at end of year	**59**	**3**

Notes to the accounts

Figures in SEK million unless otherwise specified

Note 1 Accounting and valuation principles

Modern Times Group MTG AB 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 2008 comprise the Company and its subsidiaries and the share of participation in joint ventures and associated companies.

The financial statements were authorised for issue by the Board of Directors on 20 March 2009. The consolidated income statement and balance sheet, and the income statement and the balance sheet of the parent company will be presented for adoption by the Annual General Meeting on 11 May 2009.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and its interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission. Recommendation RFR 1.1 on Supplementary Accounting Rules for Groups as issued by the Swedish Financial Reporting Board has also been applied in the preparation of the 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 and financial instruments classified as available-for-sale. The changes in the available-for-sale instruments are reported directly to equity, 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.

Change in accounting principles and new accounting standards

Standards and interpretations as issued by IASB

The following interpretation was applied from 1 January 2008:

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions – relate to the recognition of share-based payments

The change has not affected the consolidated accounts.

The following Accounting standards and interpretations will be applied from 1 January 2009:

IFRS 2 Share-based payment – amendments relating to vesting and non-vesting conditions and in respect of cancellation

IFRS 7 Financial instruments: Disclosures – amendments to fair vale measurement disclosures and additional disclosure requirements regarding liquidity risks

IFRS 8 Operating Segments – the reports should reflect the management segments

IFRIC 13 Customer Loyalty Programmes

IAS 1 Presentation of Financial Statements – changes in the presentation of financial statements

IAS 27 Consolidated and Separate Financial Statements – amendments related to the treatment of dividends, where dividends received before the date of acquisitions should be recognised as revenue as opposed to reducing the cost of the investment

IAS 38 Intangible Assets – amendments clarify that expenditure on advertising and promotional activities is recognised as an expense at the time that the benefit or goods or services become available to the entity

The changes will affect the consolidated accounts regarding IFRS 2, regarding the 2008 option programme, IFRIC 13 if and when such a customer loyalty programme will be introduced, and IAS 27 if and when such a dividend is received. All other changes relate to the presentation of the financial statements and disclosures. Operating segments remain unchanged.

The following Accounting standards and interpretations have been changed and have an effect on the Group's financial reports. They will be applied from 1 January 2010:

IFRS 3 Business combinations - amendments

IAS 27 Consolidated and Separate Financial Statements - amendments

Classification Non-current assets and liabilities comprise in all material aspects amounts expected to be recovered or paid after twelve months or more from the closing day. Current assets and liabilities comprise in all material aspects amounts expected to be recovered or paid within twelve months from the closing day.

Consolidated accounts The consolidated accounts include the parent company and all subsidiaries, and the share of participation in joint ventures and associated companies. All companies in which the Group holds or controls more than 50% of the votes, or in which the Group through agreements exercises decisive influence, are consolidated as subsidiaries. The holdings in the Prima Group and in Balkan Media Group are examples of the latter, with 50% of the votes, but where the Group exercises a decisive influence through agreements.

The consolidated accounts for the year were prepared based on the purchase method, as specified in the International Financial Reporting Standards, as well as in previous years. By this method, the book value of the parent company's shares in each subsidiary is netted against that subsidiary's acquisition value, in other words, the subsidiary's shareholders' equity (including the equity component of untaxed reserves) at the time of acquisition based on the fair value of that subsidiary's net assets. Results for companies acquired during the year are included in the consolidated income statement only for the period during which they were controlled.

The Group's shareholders' equity includes only that part of each subsidiary's equity added after acquisition. The difference between the acquisition value of shares in a subsidiary and identifiable assets, liabilities and contingent 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.

Additional investments for business combinations achieved in stages without change in control are accounted for as an equity transaction. During 2008, the acquisition of part of the minority in MTG Russia AB relate to the described principle.

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 directly to equity in the translation reserve.

Transactions eliminated on consolidation Intra-group balances and any unrealised gains and losses or revenues and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Minority interest In subsidiaries not wholly owned, the share of equity owned by external shareholders is recorded as minority interest. For negative shareholders' equity, a receivable is reported for the minority to the extent that minority owners are expected to contribute their share of the deficit through a binding commitment and have an ability to fulfil this. The minority interest is reported in total equity.

Accounts of associated companies and joint ventures 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%. This applies to among other CTC Media (39.4%). The Group's share of earnings in associated companies' pre-tax profits or losses are reported under Profit/loss on shares and participations in associated companies in operating income. The operations of the associated companies are related to Broadcasting, Radio and Modern Studios. The share of associated companies' tax expense is reported among the Group's tax expenses. Surplus values are attributable to assets in each associated company or to goodwill. Differences between the acquisition value and the acquired equity are treated in accordance with the principles for consolidation of subsidiaries described in "Consolidated accounts" above. The accounts of associated companies are adjusted before the share of earnings is calculated, if necessary, so that the accounts comply with MTG's accounting and valuation principles.

The joint ventures are recognised according to the proportional method, whereby the income statement and the balance sheet items are proportionately consolidated in accordance with the percentage owned. This applies to TV 2 Sport A/S Denmark, Viastrong Holding AB with its Ukrainian subsidiaries and That's Strix Entertainment AS. The proportionate method is applied from the date that joint control commences until the date that joint control ceases.

Revenue recognition Revenue is recognised at the time the service is performed. Accordingly, the Group reports revenue from:

- TV and radio advertising at the time of broadcast
- Subscription fees for pay-TV over the subscription period
- Cable revenues as the services are provided to the cable wholesalers, based on the number of subscribers taking the Viasat channels, as reported by the cable companies
- Sale of goods in accordance with the terms of sales, i.e. when the goods have been transferred to the shipping agent, less returns
- Sale of services when the services are provided
- TV productions where recognition is based on the percentage of completion for each project in the same relation as accrued expenses are related to the total cost for the entire project
- Film rights when a contract is signed, the product is complete and delivered, and the license term has commenced
- Distribution rights for films when the films are beginning to be shown
- Dividend income from investments when the shareholders' right to receive payment has been established. Dividends from associated companies decrease the book value of the asset.

Barter transactions Barter entails the exchange of air time on TV or radio for non-similar other goods or services. Barter transactions are reported at the fair value of the goods or services involved. The fair value is determined by agreements made with other customers for the same type of transactions. Revenues from barter transactions are reported when the commercial is broadcast. Expenses are reported when the goods or service is consumed.

Receivables and liabilities denominated in foreign currencies The Group's monetary receivables and liabilities that are denominated in foreign currencies are translated into local currency using exchange rates prevailing on the closing date. Realised and unrealised gains/losses on foreign exchange (exchange rate differences) are reported in the income statements. Exchange rate differences attributable to operating receivables and liabilities are reported in operating profit/loss, while differences attributable to financial assets or liabilities denominated in foreign currencies are reported under financial items. Exchange rate differences on financial loans, representing an expansion or reduction of the parent company's net investment in the subsidiary, are reported directly to equity.

Non-current tangible and intangible assets Non-current assets are reported net after deductions for accumulated depreciation and amortisation according to plan. Depreciation and 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 non-current assets are classified in the following categories:

Capitalised expenses	3–10 years
Patents and trademarks	Trademarks being part of a purchase price allocation are normally judged to have indefinite lives, other rights and licenses are amortised over the estimated revenue period based on the terms of the license
Beneficial rights/film rights/ broadcasting licenses	Estimated revenue period, sometimes a non-straight-line depreciation
Goodwill	Impairment tests annually or if triggered by events
Machinery and equipment	3–5 years

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

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 a subsidiary and any contingent liabilities.

Goodwill is recognised as an asset and reviewed for impairment test 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 asset. Goodwill arising on acquisitions before the date of transition to IFRS, 1 January 2004, has been retained at the previous Swedish GAAP amounts, subject to being tested for impairment at that date.

Other intangible assets Other intangible assets, such as beneficial rights, broadcasting licenses and patents and trademarks, are stated at cost less accumulated amortisation and impairment losses. Trademarks forming part of a purchase price allocation are normally judged to have indefinite useful lives.

Machinery and equipment Items of machinery and equipment are stated at cost less accumulated depreciation and 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.

Impairment of tangible and intangible non-current assets At the balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised as an expense immediately.

Financial instruments Financial assets and liabilities include liquid funds, securities, derivative instruments, other financial receivables, accounts receivables, accounts payable, leasing undertakings and loan liabilities.

Financial assets available-for-sale The Group's holdings in listed shares available-for-sale are valued at market price based on bid price as per the balance sheet day. Changes in the market values of these shares will impact equity directly, or, when there is significant decrease in value (above 20%) or if the decrease continues for a longer period of time, is charged to the profit and loss accounts in the income statement.

Accounts receivable Accounts receivable are stated at their cost less impairment losses. The receivables are reviewed monthly to determine whether there is an indication of impairment. Doubtful accounts receivable are reported with the amount at which, after a careful assessment, it is deemed likely to be paid.

Other liabilities Other liabilities are stated at cost and include accounts payable, leasing undertakings and other liabilities.

Loan liabilities Loan liabilities are recognised initially at the amount received less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

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, British pounds and Swiss francs, and before 2008 euros, is hedged on a rolling twelve months basis. Derivatives that do not qualify for hedge accounting due to the rules in IAS 39 are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost and re-valued at fair value thereafter. The effective part of the gain or loss in the cash flow hedge revaluation is recognised directly 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. Any gains or losses from hedging transactions discontinued are recognised immediately in the income statement.

MTG hedges part of the book value of the net investment in Nova against fluctuation in currency rates, that is, the risk related to changes in currency rates between the Swedish krona and Bulgarian leva. Part of the financing of the acquisition of Nova was raised in euro, which is recognised as a hedging instrument.

Accounting for leases A financial 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 financial leases, the leasing asset is reported as a non-current asset and the obligation for future payments as a liability in the lessee’s balance sheet. An operating lease is a lease that does not fulfil the conditions for a financial lease. For operating leases, the rental expense is reported in the lessee’s accounts distributed equally over the period during which the asset is used.

Inventories 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.

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 judged as inventory is reported as prepaid expenses. Future payment commitments in respect of contractual programme rights that have not yet been reported as inventory are reported as a memorandum item, note 23. 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 revenue is expected to accrue.

Prepaid subscriber acquisition expenses Prepaid expenses include incremental direct variable subscriber acquisition costs incurred to obtain new customers in fixed-term contracts, i.e. the contract includes fixed revenue over the subscription period. The costs are balanced since it is probable that the future economic benefit will flow to the company and the value can be measured with reliability. The costs are allocated over the contract period. Costs exceeding the contracted revenues are expensed when incurred.

Corporate income tax Tax expenses reported includes actual Swedish and foreign corporate income taxes and deferred tax arising from temporary differences between accounts for financial reporting and accounts for tax assessment, calculated using the liability method. Such temporary differences are caused mainly by differences between taxable value and the reported value of assets and liabilities. A deferred tax asset is reported corresponding to the value of loss carry forwards if it is judged likely that they will be applied to taxable income in the foreseeable future. Profit/loss 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.

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 benefits will be required to settle the obligation and the amount can be reliably calculated. 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 liability.

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.

One Swedish subsidiary has defined-benefit plans in Alecta, a multi-employer defined-benefit plan. The Group reports these pension costs as defined-contribution plans, in accordance with the statement UFR 3. Independent actuaries calculate the size of the obligations for each defined-benefit plan separately. The estimates are made using the so-called Projected Unit Credit method in a way that distributes the costs over the employee's working life. The obligations are revaluated each year. The obligations are valued at the present value of the expected future payments using a discounting interest rate corresponding to the interest rate on first-class corporate or government bonds. The obligations are reported as provisions and as costs in the period when the employee performed the services to which the fees relate. The amounts relating to the defined-benefit pension plans are immaterial.

Share-based payments The Group applies the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that was unvested as of 1 January 2005. Information about the 2001 programme is disclosed in the note 25.

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 are expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. A bonus may be paid three years following each participant's acquisition of warrants, provided the participant is still employed by the Group. The bonus and social security costs are allocated over the vesting period. The fair value is re-valued each quarter as a basis for the calculation of social security costs. All changes are reported in the income statement as personnel costs and in equity.

Fair value is measured by use of the Black & Scholes' model, taking into consideration the terms and conditions of the allotted financial instruments.

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 2.1 Accounting for Legal Entities. RFR 2.1 involves application of all IFRSs and interpretations endorsed of by the European Commission, except where the possibility to apply IFRS is restricted by the Swedish Company Act and due to tax rules. The principles applied by the company have not been changed during 2008.

Group contributions The parent company reports Group contributions in accordance with UFR 2. Group contributions are therefore reported according to their economic reality, namely having the purpose of minimising the Group's tax. Since they do not constitute consideration for fulfilment of services, they are taken directly to equity after deducting the tax component.

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 profit and loss accounts of the income statement.

Note 2 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs 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 4 and 10 contain information of the assumptions and the risk factors relating to goodwill impairment. In note 22 detailed analyses is given of the foreign exchange exposure of the Group and risks in relation to foreign exchange movements. In note 19, the basis for provisions made and litigations are described.

Goodwill and other intangible assets Intangible assets, other than 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.

At the balance sheet date, the Group reviews the carrying amounts to determine whether there is any indication that the assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is estimated by management through calculated future cash flows. Although management believes that the estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the valuations.

Goodwill is 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 plansFor further information, see note 10 Intangible assets.

Depreciation and amortisation beneficial rights and programme rights inventory Depreciation and amortisation of beneficial rights and programme rights inventory are calculated in accordance with the estimated revenue period. A higher proportion of the costs are expensed in the beginning of the revenue period than the following years. The estimated revenue periods could change, and, as a result of this, affect the income for the period and the financial position. For further information, see note 10 Intangible assets and 13 Nature of expenses.

Provisions and contingent liabilities Liabilities are recognised when a present obligation exist as a result of a past event, it is probable that economic benefits will be transferred, and reliable estimates can be made of the amount of this 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 liabilities not currently recognised or disclosed 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 counsellors, and the management's intentions to respond to the litigations or claims. To the extent the estimates and judgements 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.

Deferred tax Deferred taxes are recognised for temporary differences as well as for unutilised tax loss carry-forwards. A deferred tax asset is calculated as a tax value of the loss carry-forward in all countries where it is judged likely that the Group will be able to apply its losses carry-forward to a taxable surplus. As a consequence, deferred tax asset is not reported in some countries. If actual results differ from these estimates or management adjusts these estimates in future, changes in the valuation may materially impact the income for the period as well as the financial position. For further information, see note 9 Taxes.

Critical accounting judgments and choices in applying the Group's accounting policies Certain critical accounting judgements and choices made in applying the Group's accounting policies are described below:

Cash flow hedges Cash flow hedges are made on a rolling twelve month basis, and comprise forward currency contracts used to cover exchange rate differences on the Group's programme purchases. The derivatives are valued at market rate on the balance day. MTG has elected to use hedge accounting in certain entities and/or forward contracts, Certain forward contracts impact equity directly; others affect the net income, due to the rules applied for hedge accounting according to IAS 39.

Prima Group and Balkan Media Group The Group holds 50% of the shares in the Prima Group and the Balkan Media Group. The holdings are judged to be recognised as subsidiaries based on the agreements which give the Group a decisive influence in Prima Group and Balkan Media Group. The Group consequently consolidates the Prima Group and Balkan Media Group as subsidiaries. A minority interest is calculated.

Joint ventures The Group holds 50% of the shares in TV 2 Sport A/S, Viastrong Holding AB together with the Ukrainian subsidiaries, and That's Strix Entertainment AS. MTG has elected to recognise the holdings in the consolidated accounts according to the proportional method, whereby the income statement and the balance sheet are proportionately consolidated in accordance with the percentage owned. The holdings are jointly controlled entities, and a contractual agreement between the parties establishes the joint control over the economic activity of the entity.

Note 3 Business segments

The business is primarily divided into four business segments. Viasat Broadcasting is a commercial free-TV and pay-TV broadcaster in Scandinavia and in the Nordic countries respectively, and in Emerging Markets.

Radio operates commercial radio stations in Sweden, Norway, Estonia, Latvia and Lithuania, and owns equity stakes in a Finnish national commercial radio network.

Online operates in internet retailing, operates and develops a social network community, the betting and gaming business as well as teletext in Spain.

Modern Studios produces television programmes, distributes films and television programs, and produces and manages events mainly in Scandinavia. The group also publishes customer magazines.

The stated figures for 2008 and 2007 are based on the same operational structure, where the 2007 figures have been adjusted to facilitate comparison.

	External Sales		Operating income	
(SEK million)	2008	2007	2008	2007
Free-TV Scandinavia	3,443	3,037	819	627
Pay-TV Nordic	3,843	3,448	682	631
Free-TV Emerging Markets	2,149	1,639	292	335
Pay-TV Emerging Markets	645	395	106	43
Discontinued DTV Group	117	272	23	18
Other and eliminations	171	44	643	373
Viasat Broadcasting	10,368	8,835	2,564	2,027
Radio	795	710	170	134
Online	1,816	1,553	2	99
Modern Studios	180	249	-6	-39
Parent company and other companies	6	3	-208	-195
Total	**13,166**	**11,351**	**2,521**	**2,027**
Gain from sale of DTV Group			1,150	-
Total Group	**13,166**	**11,351**	**3,671**	**2,027**

Internal sales are sales revenues between business areas, primarily sales from the Modern Studios business areas to the Viasat Broadcasting business area. Such sales are made at market prices.

	Internal sales	
(SEK million)	2008	2007
Free-TV Scandinavia	148	136
Pay-TV Nordic	173	165
Free-TV Emerging Markets	1	0
Pay-TV Emerging Markets	13	22
Discontinued DTV Group	-	-
Others	-311	-316
Viasat Broadcasting	23	7
Radio	5	5
Online	15	5
Modern Studios	193	230
Parent company and other companies	168	104
Total eliminations	**405**	**350**

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

(SEK million)	Assets 2008	Assets 2007	Liabilities 2008	Liabilities 2007	Net Assets 2008	Net Assets 2007
Free-TV Scandinavia	3,094	2,263	2,535	2,206	559	56
Pay-TV Nordic	3,572	3,268	2,112	2,481	1,461	786
Free-TV Emerging Markets	12,471	4,511	1,017	1,065	11,454	3,446
Pay-TV Emerging Markets	457	244	309	234	148	10
Discontinued DTV Group	-	617	-	532	-	86
Others	2,062	-1,353	8,779	313	-6,718	-1,666
Viasat Broadcasting	21,657	9,550	14,752	6,832	6,904	2,718
Radio	1,145	1,148	311	292	834	856
Online	840	580	502	355	337	226
Modern Studios	275	168	240	146	36	22
Parent company and other companies	6,318	3,985	1,741	1,945	4,578	2,040
Total	**30,235**	**15,431**	**17,545**	**9,569**	**12,690**	**5,861**
Eliminations	-11,286	-4,383	-11,286	-4,383	-	-
Unallocated assets/liabilities	283	-89	3,993	-103	-3,710	14
Equity	-	-	8,980	5,875	-8,980	-5,875
Total	**19,232**	**10,958**	**19,232**	**10,958**	**-**	**-**

(SEK million)	Capital expenditure 2008	Capital expenditure 2007	Depreciation and amortization 2008	Depreciation and amortization 2007
Free-TV Scandinavia	22	44	29	21
Pay-TV Nordic	43	5	17	19
Free-TV Emerging Markets	35	90	44	32
Pay-TV Emerging Markets	3	0	1	0
Discontinued DTV Group	6	99	8	24
Others	23	3	7	2
Viasat Broadcasting	133	242	105	98
Radio	5	15	17	17
Online	2	49	12	9
Modern Studios	5	20	3	35
Parent company and other companies	11	1	3	2
Total	**156**	**327**	**141**	**161**

The Group's business segments operate mainly in Europe. Net sales, assets, capital expenditure and depreciation are shown below by geographical area. Sales are shown regardless of where the services were provided or produced.

(SEK million)	Net sales 2008	Net sales 2007	Assets 2008	Assets 2007
Sweden	4,197	3,734	4,868	5,207
Norway	2,322	2,103	368	187
Denmark	3,073	2,582	940	698
Rest of Europe	3,564	2,913	12,629	3,848
Other regions	9	19	7	10
Unallocated	-	-	419	1,008
Total	**13,166**	**11,351**	**19,232**	**10,958**

(SEK million)	Capital expenditure 2008	Capital expenditure 2007	Depreciation 2008	Depreciation 2007
Sweden	59	21	30	59
Norway	6	1	17	1
Denmark	25	2	7	2
Rest of Europe	62	302	86	100
Other regions	4	-	-	-
Total	**156**	**327**	**141**	**161**

Barter (SEK million):	2008	2007
Sales	125	106

Note 4 Operations acquired during 2008

Gymgrossisten

The Group declared an unconditional offer for Gymgrossisten Nordic AB on 23 January 2008. Gymgrossisten is a leading online supplier of nutritional supplements. MTG controlled 99.42% of the shares on 8 February 2008 and initiated a mandatory tender for the remaining issued and outstanding shares. As per 24 November, MTG was in control of 100% of the shares. The results is reported within the Online business area with effect from 1 February 2008. The total consideration was SEK 198 million including transaction costs of SEK 2 million.The acquisition gave rise to separately identified immaterial rights of SEK 55 million and goodwill of SEK 89 million.

The goodwill acquired in 2008 comprise of strategic benefits, market position and synergy effects.

Net assets acquired (SEK million):	Book value	Fair value adjustment	Recognised values
Property, plant and equipment	5		5
Intangible assets	52	55	107
Inventories	26		26
Trade and other receivables	7		7
Cash and cash equivalents	7		7
Deferred tax receivables	1		1
Deferred tax liabilities	-	-15	-15
Trade and other payables	-29		-29
Net identifiable assets and liabilities	**68**	**40**	**108**
Goodwill on acquisition			89
Total consideration			**198**
Liquid funds in acquired companies			-7
Net cash outflow			**192**

Nova Televizia, Bulgaria

On 16 October 2008, the Group acquired 100% of the shares in Nova Televizia for a total cash consideration of EUR 620 million and transaction costs of EUR 4.5 million. The Nova commercial TV channel is the second largest free-TV channel in Bulgaria, and is broadcast under a national terrestrial free-TV license, as well as on cable and satellite networks. The acquisitions gave preliminary rise to goodwill of SEK 5,321 million, and separately identified intangible assets of SEK net 581 million. Nova is reported within Viasat Broadcasting business area with effect from 16 October 2008.

The goodwill acquired in 2008 comprise of strategic benefits, synergy effects and geographical presence.

Net assets acquired (SEK million):	Book value	Fair value adjustment	Recognised values
Property, plant and equipment	103		103
Broadcasting license	-	153	153
Trademarks	27	493	519
Intangible assets	0		0
Inventories	64		64
Trade and other receivables	88		88
Cash and cash equivalents	18		18
Interest-bearing loans and borrowings	-9		-9
Provisions	-1		-1
Deferred tax liabilities	-	-65	-65
Trade and other payables	-148		-148
Net identifiable assets and liabilities	**142**	**581**	**723**
Goodwill on acquisition			5,321
Total cash consideration			**6,044**
Liquid funds in acquired companies			-18
Net cash outflow			**6,026**

Other acquisitions during the year

Other acquisitions during the year comprise the 50% joint venture Viastrong Holding AB, owner of the Ukrainian companies entailing the DTH satellite pay-TV platform. The DTH platform was launched on 21 April 2008. The purchase price was SEK 44 million and gave rise to a goodwill of SEK 31 million. An acqusition was made of GENUS TV in the Czech Republic, a regional terrestrial broadcasting licence. Additional purchase prices were paid for ERA TV, the Macedonian channel within Balkan Media Group. The acquisitions are reported within the Viasat Broadcasting business area.

Additional purchase prices were paid for Playahead AB, NLY Scandinavia AB, and Helsingin Dataclub OY during 2008 in accordance with the acquisition agreements. These acquisitions are reported within the Online business area.

In addition, acquisitions of part of the minority in MTG Russia AB and payment of the acquisition of Altlorenscheurhof S.A. from last year have been made during the year.

Net assets acquired (SEK million):	2008	2007
Net identifiable assets and liabilitites acquired	13	9
Additional consideration from previous years, paid out	184	-1
Goodwill on acquisition	52	39
Total cash consideration	**249**	**47**

Summary (SEK million):	Net cash outflow	Net identifiable assets and liabilitites acquired	Goodwill
Gymgrossisten	192	108	89
Nova, Bulgaria	6,026	723	5,321
Other acquisitions	249	13	52
Total	**6,466**	**844**	**5,462**

	2008			2007		
Summary (SEK million):	Book value	Fair value adjustment	Total	Book value	Fair value adjustment	Total
Tangible assets	109		109	13		13
Intangible assets	79	700	780	5	41	46
Other long-term assets	-		-	1		1
Inventories	90		90			
Trade and other receivables	109		109	59		59
Cash and cash equivalents	25		25	15		15
Deferred tax liability	0	-80	-80		-10	-10
Interest-bearing loans	-9		-9	-25		-25
Provisions	-1		-1			-
Trade and other payables	-179		-179	-49		-49
Net identifiable assets and liabilities	**223**	**621**	**844**	**18**	**31**	**49**
Goodwill			5,462			223
Minority interest			-			-7
Purchase price			**6,306**			**265**
Additional consideration from previous years, paid out			184			-
Additional consideration not paid out			-			-32
Liquid funds in acquired companies			-25			-15
Net cash flow			**6,466**			**219**

Contributions during 2008 from the acquired companies by business area:

From the acquisition date (SEK million):	Viasat Broadcasting	Online	Group
Net sales	120	145	265
Operating income	-16	16	-1
Net profit	-20	7	-13

If the acquisition had occurred on 1 January (SEK million)	Viasat Broadcasting	Online	Group
Net sales	506	157	664
Operating income	74	20	94
Net profit	60	10	70

Note 5 Other revenues and expenses in operating income

Group

Items reported in Operating Income (SEK million):	2008	2007
Loss from sale of non-current assets	-2	-4
Gain/Loss from exchange rate differences	-34	43
Total	**-36**	**39**

Note 6 Share of earnings in associated companies

Group

(SEK million)	Country	Share capital %	2008	2007
Mediamätning i Skandinavien MMS AB	Sweden	25	6	2
Radio National i Luleå AB	Sweden	49	0	0
Radio National i Skellefteå AB	Sweden	49	0	0
Radioindustri Xerkses i Borås AB	Sweden	49	0	1
Svensk Programagentur AB	Sweden	50	11	6
Radio Nova	Finland	22	5	10
Gigahertz KB	Sweden	33	0	0
CTC Media	Russia	39	629	461
Total			**651**	**480**
Tax			-193	-156
Net Income			**459**	**324**

Shares in associated companies (SEK million)	31 December 2008	31 December 2007
Balance brought forward 1 January	1,841	1,458
Change in accounting for CTC Media associated company	-	53
Investments in associated companies	-	11
Effect from new share issues CTC Media	57	5
Sale of associated companies	-7	-
Share of earnings in associated companies	651	480
Share of tax expense in associated companies	-193	-156
Elimination of internal part for the sale of DTV	-755	-
Dividend received	-16	-11
Translation differences	346	1
Balance carried forward 31 December	**1,924**	**1,841**

Totally recorded values in associated companies (SEK million)	31 December 2008	31 December 2007
Assets	8,741	4,131
Liabilities	2,754	657
Revenues	3,177	2,261
Net income	759	534

Associated companies are reported based on equity accounting. The share of earnings is equal to the Group's share in the profit/loss after financial items but before tax in each associated company after conversion into Swedish krona and after adjustments to MTG's accounting principles (when necessary). The calculation of share in profit/loss are based on the latest available accounts. The figures for CTC Media are based on the interim report of 30 September, 2008 and 2007.
For further information, see also note 12.

Note 7 Joint venture companies

Group

Totally recorded values in joint venture companies (SEK million)	31 December 2008	31 December 2007
Current assets	217	120
Long-term assets	15	1
Current liabilities	20	30
Long-term liabilities	133	41
Revenues	400	87
Net income	-15	-136

Joint venture companies are reported based on the proportional method. The companies involved are TV 2 Sport A/S, Viastrong Group, Ukraine and That's Strix Entertainment AS.

Note 8 Financial items

Group

(SEK million)	2008	2007
Non-cash gain from CTC Media new share issue	57	5
Total	**57**	**5**
Interest revenue	68	36
	15	-
Total	**83**	**36**
Interest expense	-96	-45
Revaluation of Metro shares	-26	-
Net exchange rate differences	-79	-6
Other	-	-1
Total	**-201**	**-53**
Net financial items	**-61**	**-12**
Parent Company		
Dividends from subsidiaries	-	118
Total	**-**	**118**
Gain from internal sale of shares in subsidiaries	-	6,000
Total	**-**	**6,000**
Shareholders' contribution	-99	-
Total	**-99**	**-**
Interest revenue from external parties	36	1
Interest revenue from subsidiaries	328	415
Exchange rate differences	107	-
Other financial revenues	7	-
Total	**479**	**416**
Interest expense to external parties	-94	-19
Interest expense to subsidiaries	-80	-26
Revaluation of Metro shares	-26	-
Exchange rate differences	-	-34
Other	-2	-37
Total	**-202**	**-115**
Net financial items	**178**	**6,418**

Hedging positions are taken to protect the Group against the effects of transaction exposures in the main part of contracted outflow for programme acquisitions in US dollars, euro (before 2008), British pounds, and Swiss francs on a rolling twelve month basis. The equity reserve at year end was SEK 33 (3) million. The total value of the forward cash flow hedges were SEK 122 (-17) million at year-end.

MTG has financed part of the investment in Nova in euros, recognising the euro loan as a hedging instrument.

Other financial expenses in the Group and the Parent Company include amortisation of capitalised borrowing costs for loans and costs for guarantees, in total these costs amounted to SEK 2 million in 2008 and SEK 7 million in 2007.

The gain of SEK 6,000 million in the parent company in 2007 arose from the sale of the shares in MTG Broadcasting S.A. as a part of an internal restructuring.

The non-cash gain from the equity stake of CTC Media is a consequence of the dilution from options exercised in 2008 and 2007. The gain is calculated as the difference between the MTG book value and the option exercise value.

Note 9 Taxes

Group

Distribution of tax expense (SEK million)	2008	2007
Current tax		
Current tax expense	-637	-559
Adjustment for prior years	22	-1
Total	**-615**	**-560**
Deferred tax		
Temporary differences	-68	-28
Total	**-68**	**-28**
Total income tax expense in income statement	**-683**	**-588**

Reconciliation of tax expense (SEK million)	2008	%	2007	%
Tax/Tax rate in Sweden	-1,012	-28.0	-564	-28.0
Non-taxable income	338	9.4	7	0.3
Foreign tax rate differential	80	2.2	-11	-0.5
Effect of losses carry-forward	-	-	18	0.9
Non-deductible amortisation of goodwill	-21	-0.6	-13	-0.6
Non-deductible write-down of beneficial rights	-	-	-4	-0.2
Non-deductible expenses	-71	-2.0	-17	-0.8
Losses where no tax benefit was Recognised	-25	-0.7	0	0.0
Revalued tax losses carry-forward	-	-	2	0.1
Other permanent effects	6	0.2	-6	-0.3
Under/over provided in prior years	22	0.6	-1	0.0
Effective tax/tax rate	**-683**	**-18.9**	**-588**	**-29.2**

(SEK million)	31 December 2008	31 December 2007
Deferred tax asset		
Goodwill	-14	-49
Equipment	1	4
Beneficial rights	15	12
Provisions	2	5
Inventory	4	1
Non-current receivables	32	-
Current receivables	5	10
Current liabilities	9	1
Tax value of losses carry-forward recognised	101	38
Total	**156**	**23**
Deferred tax liabilities		
Trademarks	232	156
Goodwill	162	-
Equipment	-2	1
Current receivables	5	-
Current liabilities	3	1
Other	3	-
Total	**403**	**159**
Deferred tax net	**-247**	**-135**

The movement in temporary differences net is explained below:

(SEK million)	2008 Opening balance 1 January	Deferred tax expense	Acquisition of subsidiary	Charged to equity	Translation differences	Closing balance 31 December
Tax losses carryforward	38	63				101
Temporary differences in:						
Goodwill	-49	-127				-176
Equipment	3	0				4
Intangible assets	-144	4	-66		-10	-217
Provisions	5	-3				2
Inventory	1	3				4
Non-current long-term receivables				32		32
Current short term receivables	10	-10				0
Current short term liabilities	1	5				6
Other		-3				-3
Total	**-135**	**-68**	**-66**	**32**	**-10**	**-247**

(SEK million)	2007 Opening balance 1 January	Deferred tax expense	Acquisition of subsidiary	Charged to equity	Translation differences	Closing balance 31 December
Tax losses carryforward	39	-1				38
Temporary differences in:						
Goodwill	-37	-12				-49
Equipment	14	-11				3
Intangible assets	-101	-9	-31		-4	-144
Provisions	4	1				5
Inventory	2	-1				1
Current short term receivables	8	2				10
Current short term liabilities	-2	3				1
Total	**-72**	**-28**	**-31**	**0**	**-4**	**-135**

The Group had recognised losses carry-forward without expiration date of SEK 378 (83) million at 31 December, 2008. The accounts for 2008 and 2007 include deferred tax assets as a tax value of the losses carry-forward in all countries where it is judged likely that the Group will be able to apply its losses carry-forward to a taxable surplus. As a consequence, deferred tax assets are not reported in some countries.

Unrecognised tax losses carry-forward by expiry date (SEK million)	2008	2007
2008	-	1
2009	0	0
2010	0	0
2011	20	22
2012	20	27
2013 and thereafter	11	-
No expiry date	20	24
Total	**71**	**74**

Parent company

The tax loss carry forward of SEK 87 million recognised in the accounts of 2008 correspond to the tax rate of 26.3%. The tax loss carry forward is without expiration date.

Distribution of tax expenses (SEK million)	2008	2007
Current tax relating to Group contributions	-76	51
Current tax payable	-	-95
Adjustment for prior years	2	-
Temporary differences	-50	-
Tax losses carry forward	87	-
Total tax	**-36**	**-45**

(SEK million)	31 December 2008	31 December 2007
Deferred tax asset	87	-
Total	**87**	**-**

Reconciliation of tax expense (SEK million)	2008	%	2007	%
Tax/Tax rate in Sweden	-8	-28.0	-1,756	-28.0
Non-deductible expenses	-2	-8.4	-7	-0.1
Non-taxable income	-	-	1,713	27.3
Adjustment for prior years	2	7.3	-	-
Other permanent effects	-28	-101.6	5	0.1
Effective tax/tax rate	**-36**	**-130.7**	**-45**	**-0.7**

Note 10 Intangible assets

	Group				Parent company
(SEK million)	Capitalised expenses	Patents and trademarks	Licenses and beneficial rights	Goodwill	Capitalised expenses
Acquisitions					
Opening balance 1 January 2007	104	504	822	2,291	53
Investments during the year	11	0	223	223	
Acquisitions through business combinations		30	37		
Divestment/retirement during the year	-10				
Change in Group structure, reclassifications etc	16	-11	-76		
Translation differences	0	20	13	38	
Closing balance 31 December 2007	**122**	**543**	**1,018**	**2,552**	**53**
Opening balance 1 January 2008	122	543	1,018	2,552	53
Investments during the year	39	546	157		
Acquisitions through business combinations		30	0	5,508	
Divestment during the year	-1		-603	-82	
Retirement during the year			-34		
Change in Group structure, reclassifications etc	-53	0	-21	19	
Translation differences	1	108	39	943	
Closing balance 31 December 2008	**107**	**1,227**	**556**	**8,940**	**53**
Accumulated depreciation and amortisation					
Opening balance 1 January 2007	-75	-10	-470	-56	-51
Divestment/retirement during the year	2	0	0	-5	
Amortisation during the year	-15	-2	-69	0	-1
Impairment losses			-13		
Change in Group structure, reclassifications etc	-5	7	78		
Translation differences	0	-2	0		
Closing balance 31 December 2007	**-94**	**-7**	**-473**	**-61**	**-52**
Opening balance 1 January 2008	-94	-7	-473	-61	-52
Divestment during the year	1		289		
Retirement during the year			3		
Amortisation during the year	-16	-5	-55		-1
Impairment losses	-16			-76	
Change in Group structure, reclassifications etc	52	0	19		
Translation differences	-1	-1	-4	-4	
Closing balance 31 December 2008	**-73**	**-13**	**-221**	**-142**	**-53**
Book value carried forward					
As 1 January 2007	29	494	352	2,235	2
As 31 December 2007	28	536	545	2,491	1
As 1 January 2008	28	536	545	2,491	1
As 31 December 2008	34	1,214	335	8,798	0

Depreciation by function (SEK million)	2008	2007
Cost of goods and services	33	85
Administrative expenses	41	14
Other operating expenses	1	0
Total	**75**	**99**

Impairment losses by function (SEK million)	2008	2007
Cost of goods and services	16	-
Other operating expenses	76	-
Total	**93**	**-**

Depreciation by function, parent company (SEK million)	2008	2007
Administrative expenses	-	1
Total	**-**	**1**

Impairment tests for cash-generating units containing goodwill
Major cash generating units with significant carrying amounts of goodwill are :

(SEK million)	2008	2007
TV1000	668	669
Prima Group	972	784
P4 Radio	458	494
Bulgaria	6,222	104
Subtotal	**8,320**	**1,948**
Other units	478	439
Total	**8,798**	**2,491**

The increase in goodwill in Prima Group and the increase between acquisition value and year-end regarding Nova, Bulgaria, as well as the decrease in goodwill in P4 Radio, are due to translation differences.

Impairment testing of the goodwill and other intangible assets with indefinite lives for cash-generating units in the business areas are based on calculations of the recoverable amount, and by use of a discounted cash flow model. The model involves among other factors terminal values, market growth rates, and working capital requirements. These cash flow projections calculated over 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.

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. The cash flow is discounted for each unit using an appropriate discount rate considering the cost of capital and risk with individual consideration taken only in special circumstances.

Based on the assessments, the Board and the management concluded that the goodwill relating to the social network community Playahead had an impairment requirement of SEK 76 million in 2008. Playahead is reported in the Online business area.

Impairment losses are included in other operating expenses in the income statement.

Sensitivity
The Board and the management estimates that the units, which do not indicate an impairment requirement, have generally 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, the major goodwill amount, SEK 6,222 million, comprise Bulgaria, including this year's aquisition of Nova. Given the new general economic environment, and the economic conditions in Bulgaria, the cash flow projections are more uncertain and may also be influenced by factors not in control by the company.

Note 11 Tangible assets

	Group			Parent company
(SEK million)	Machinery, technical plant	Equipment, tools	Buildings	Equipment, tools
Acquisitions				
Opening balance 1 January 2007	76	561	-	3
Investments during the year	14	79		-
Acquisitions through business combinations				-
Divestment/retirement during the year	-15	-58		-
Change in Group structure, reclassifications etc	-2	20		-
Translation differences	7	9		-
Closing balance 31 December 2007	**78**	**611**	**-**	**3**
Opening balance 1 January 2008	78	611	-	3
Investments during the year	39	86		
Acquisitions through business combinations		117	4	
Divestment during the year	-3	-46		
Change in Group structure, reclassifications etc	4	24		
Translation differences	13	21		
Closing balance 31 December 2008	**131**	**814**	**4**	**3**
Accumulated depreciation and amortisation				
Opening balance 1 January 2007	-49	-432	-	-3
Divestment/retirement during the year	14	51		
Depreciation during the year	-15	-47		
Impairment losses				
Change in Group structure, reclassifications etc	6	-5		
Translation differences	-5	-7		
Closing balance 31 December 2007	**-49**	**-440**	**-**	**-3**
Opening balance 1 January 2008	-49	-440	-	-3
Divestment during the year	3	13		
Depreciation during the year	-14	-52	0	
Impairment losses				
Change in Group structure, reclassifications etc	-4	-23		
Translation differences	-8	-19		
Closing balance 31 December 2008	**-71**	**-521**	**0**	**-3**
Book values carried forwards				
As 1 January 2007	27	129	-	0
As 31 December 2007	31	170	-	0
As 1 January 2008	31	170	-	0
As 31 December 2008	60	294	3	0

The tax assessment value for the building (Kuttern 3) is SEK 4 million.

Depreciation by function (SEK million)	2008	2007
Cost of goods and services	8	15
Selling expenses	0	1
Administrative expenses	42	41
Other operating expenses	16	4
Total	**66**	**62**

Note 12 Long-term financial assets

Shares in subsidiaries, held by parent company (SEK million)	Co. Reg.no.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec
MTG Publishing AB	556457-2229	Stockholm	1,000	100	100	3,302
MTG Radio AB	556365-3335	Stockholm	1,000	100	100	65
MTG Internet Retailing AB	556035-6940	Stockholm	10,000	100	100	84
MTG Modern Studios Holding AB	556264-3261	Stockholm	2,000	100	100	117
MTG Holding AB	556057-9558	Stockholm	5,000	100	100	102
MTG AS Norge		Norway	82,300	100	100	33
Danmarks TV A/S		Denmark	500	100	100	1
Total						**3,703**

Shares in subsidiaries (Within the group)	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG Publishing AB	556457-2229	Stockholm	100	100
MTG Services AB	556022-0831	Stockholm	100	100
MTG Financing Partners HB	969725-9514	Stockholm	100	100
MTG Broadcasting SA		Luxembourg	100	100
MTG Broadcasting Holding AB	556580-7806	Stockholm	100	100
MTG Broadcasting AB	556353-2687	Stockholm	100	100
ViaSat Pay Channels AB	556098-4709	Stockholm	100	100
Viasat AS Estonia		Estonia	100	100
Eesti Vaba Television EVTV		Estonia	100	100
Televisionsaktiebolaget TV8	556507-2401	Stockholm	100	100
UAB TV3 Lithuania		Lithuania	100	100
Vakaru Lietuvos		Lithuania	100	100
TV3 Estonia AS		Estonia	100	100
TV3 Latvia SIA		Latvia	100	100
Viasat Hungária Rt		Hungary	95	95
MTG Russia AB	556650-6472	Stockholm	98	98
Felista ZAO		Russia	100	100
Viasat Holding LLC		Russia	100	100
Viasat Global LLC		Russia	100	100
Viasat Entertainment LLC		Russia	100	100
Prva d.o.o.		Slovenia	100	100
Viasat Broadcasting G Ltd		Ghana	85	85
Nova Televizia First Private Channel EAD		Bulgaria	100	100
Nova Televizia Plus EOOD		Bulgaria	100	100
Agency Eva OOD		Bulgaria	80	80
Viasat Ukraine LLC		Ukraine	100	100

Shares in subsidiaries (Within the group)	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
Viasat AB	556304-7041	Stockholm	100	100
Viasat Satellite Service AB	556278-7910	Stockholm	100	100
MTG Broadcast Centre Stockholm AB	556493-2340	Stockholm	100	100
TV1000 AB	556133-5521	Stockholm	100	100
TV1000 Norge AS		Norway	100	100
OY Viasat Finland Ab		Finland	100	100
Viastrong Holding AB	556733-1086	Stockholm	50	50
Solutions LLC		Ukraine	50	50
Vision TV LLC		Ukraine	50	50
FTV Prima Holding A.S.		Czech Republic	50	50
FTV Prima, spol s.r.o.		Czech Republic	50	50
TV Produkce, a.s.		Czech Republic	50	50
TV Prima Support spol s.r.o.		Czech Republic	50	50
Ceska Vyrobni s.r.o.		Czech Republic	50	50
Regio Media spol s.r.o.		Czech Republic	50	50
TV Vridlo s.r.o.		Czech Republic	50	50
TV Morava, s.r.o.		Czech Republic	26	26
TV Lyra, s.r.o.		Czech Republic	30	30
Regionalni televise DAKR, s.r.o.		Czech Republic	26	26
ZAK TV s.r.o.		Czech Republic	26	26
Genus TV s.r.o.		Czech Republic	50	50
Balkan Media Group Ltd		Bulgaria	50	50
Diema Vision EAD		Bulgaria	50	50
TV ERA DOO		Macedonia	50	50
MTG Modern Group Espana SL		Spain	100	100
In TV Espana SL		Spain	100	100
Interactive Partner SL		Spain	100	100
Interactive Media Solutions SL		Spain	100	100
Interactive New Media SL		Spain	100	100
Viasat Broadcasting UK Ltd		United Kingdom	100	100
3+ Television Ltd		United Kingdom	100	100
TV3 Broadcasting Group Ltd		United Kingdom	100	100
TV3 AB	556153-9726	Stockholm	100	100
TV3 A/S Danmark		Denmark	100	100
TV3 AS Norge		Norway	100	100
Viasat World Ltd		United Kingdom	100	100
MTG TV Online Ltd		United Kingdom	100	100
MTG Radio AB	556365-3335	Stockholm	100	100
KiloHertz AB	556444-7158	Stockholm	100	100
Star FM SIA		Latvia	100	100
Mediainvest Holding AS		Estonia	100	100
UAB TV3 Radio Lithuania		Lithuania	100	100
MTG Radio Sales AB	556490-7979	Stockholm	100	100
MTG Frekvens AB	556514-3103	Stockholm	100	100
MTG Internet Retailing AB	556035-6940	Stockholm	100	100
CDON AB	556406-1702	Stockholm	100	100
CDON.com GmbH		Germany	100	100
NLY Scandinavia AB	556653-8822	Stockholm	90	90
Helsingin Dataclub OY		Stockholm	100	100
CDON Alandia AB		Finland	100	100

Shares in subsidiaries (Within the group)	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
Linus & Lotta Postorder AB	556078-3135	Stockholm	90	90
Linus & Lotta AS		Norway	90	90
Gymgrossisten Nordic AB	556690-6987	Stockholm	100	100
Gymgrossisten Sverige AB	556564-4258	Stockholm	100	100
MTG Modern Studios Holding AB	556264-3261	Stockholm	100	100
MTG Film AB	556103-7283	Stockholm	100	100
MTG Modern Studios Production AB	556419-9544	Stockholm	100	100
Redaktörerna i Stockholm AB	556472-8425	Stockholm	100	100
Strix Television AB	556345-5624	Stockholm	100	100
Strix Televisjon AS		Norway	100	100
That's Strix Entertainment AS		Norway	50	50
Strix Television bv		The Netherlands	100	100
Strix Television s.r.o.		Czech Republic	100	100
MTG Online AB	556461-1662	Stockholm	100	100
Playahead AB	556557-8951	Stockholm	90	90
MTG TV Online AB	556513-5547	Stockholm	100	100
MTG Publiken AB	556533-8372	Stockholm	100	100
Engine Holding AS		Norway	100	100
Engine AB	556572-8408	Stockholm	100	100
MTG Holding AB	556057-9558	Stockholm	100	100
Bäckegruve AB	556170-7752	Stockholm	100	100
MTG Accounting AB	556298-5597	Stockholm	100	100
Senaste Nytt på Nätet SNN AB	556448-0076	Stockholm	100	100
MTG Media AB	556170-2217	Stockholm	100	100
MTG Facility Management AB	556711-0290	Stockholm	100	100
Modern Betting Ltd		Malta	90	90
Nordic Betting Ltd		Malta	90	90
Bet24 Ltd		United Kingdom	90	90
Nordic Casino Ltd		Malta	90	90
MTG A/S Danmark		Denmark	100	100
Strix Television A/S Danmark		Denmark	100	100
ViaSat A/S Danmark		Denmark	100	100
Viasat Sport A/S		Denmark	100	100
TV1000 Danmark A/S		Denmark	100	100
TV2 Sport A/S		Denmark	50	50
MTG AS Norge		Norway	100	100
Viasat AS Norge		Norway	100	100
Metro Norge AS		Norway	100	100
SportN AS		Norway	100	100
TV4 AS Norge		Norway	100	100
Zoomobile AS		Norway	100	100
P4 Radio Hele Norge ASA		Norway	100	100
Finland Radio Investment AS		Norway	100	100

There is a third party agreement linked to the holding in MTG Russia AB, with a put and call option relating to the remaining minority holding.

Shares in associated companies, Within the group (SEK million)	Co. Reg.no.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2008	Book value 31 Dec 2007	Market value 31 Dec 2008
Forum och Marknad 107,7 i Nyköping HB	969651-4125	Nyköping	-	33	33	0	0	
Lugna Favoriter 104,7 i Stockholm HB	969651-2970	Stockholm	-	33	33	0	0	
GH GigaHertz HB	969616-7551	Göteborg	-	33	33	2	2	
Göteborg Air 105,9 HB	969661-0600	Göteborg	-	33	33	0	0	
Jönköpings Reklamradio 106,0 HB	969651-3739	Jönköping	-	33	33	0	0	
Mediamätning i Skandinavien MMS AB	556353-3032	Stockholm	1,225	25	25	5	7	
Power i Stockholm HB	969651-2236	Stockholm	-	33	33	0	0	
Radio 2000 107,6 Helsingborg HB	969651-5015	Helsingborg	-	33	33	0	0	
Radio Air 104,5 i Hällby och Eskilstuna HI	969651-1980	Eskilstuna	-	33	33	0	0	
Radio National i Luleå AB	556475-0411	Stockholm	490	49	49	1	1	
Radio National i Skellefteå AB	556475-0346	Stockholm	490	49	49	0	0	
Radio Storpannan 104,8 i Göteborg HB	969651-2228	Göteborg	-	33	33	0	0	
Reklammedia 104,4 i Kil och Karlstad HB	969651-4109	Karlstad	-	33	33	0	0	
Reklammedia 107,3 i Kristianstad HB	969651-3697	Kristianstad	-	33	33	0	0	
Rix i Borås AB	556034-4391	Borås	490	49	49	7	7	
Rix i Skandinavien AB	556475-3670	Stockholm	500	50	50	0	0	
Svensk Programagentur AB	556453-6281	Göteborg	4,270	50	50	7	5	
Radiobranschen RAB AB	556623-1345	Stockholm	400	40	40	0	0	
Trestad Air 105,0 HB	969651-2715	Vänersborg	-	33	33	0	0	
Växjö Reklamradio 104,3 HB	969651-1972	Växjö	-	33	33	0	0	
Z-Radio 101,9 HB	969651-2269	Stockholm	-	33	33	0	0	
Östersund Air 104,0 HB	969651-2681	Östersund	-	33	33	0	0	
Radio Nova		Finland	-	22	22	6	13	
Kimtevill HB	969680-2272	Stockholm	-	33	33	0	0	
Altlorenscheuerhof S.A.		Luxembourg	625	33	33	11	11	
CTC Media Inc.		USA	60,008,800	39	39	1,886	1,796	2,233
						1,924	**1,841**	

Shares and participations in other companies, within the group (SEK million)	Co. Reg.no.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2008	Book value 31 Dec 2007	Market value 31 Dec 2008
Metro International S.A.		Luxembourg	7,260,584	1.38	1.34	5	35	5
Other						0	0	0
Total						**5**	**36**	**5**

Shares and participations in other companies, held by parent company (SEK million)	Co. Reg.no.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2008	Book value 31 Dec 2007	Market value 31 Dec 2008
Metro International S.A.		Luxembourg	7,260,584	1.38	1.34	5	35	5
Other						0	0	0
Total						**5**	**36**	**5**

The shares in Metro International S.A. are classified as shares available for sale, and are thereby valued at fair value. The difference between the historical book value and the fair value is from 2008 recognised in the income statement, and in 2007 directly in equity.

Shares and participation in Group companies, Parent company (SEK million)	2008	2007
Accumulated acquisition values		
Opening balance 1 January	400	400
Sales of subsidiaries (internal)	-	0
Acquisition of subsidiary	0	0
Shareholders' contribution	3,302	-
Closing balance 31 December	**3,703**	**400**

The shareholder contribution in 2008 was made to MTG Publishing AB. The sale of MTG Broadcasting S.A. in 2007 was a part of an internal restructure.

Shares and participation in other companies, Parent company and Group (SEK million)	2008	2007
Accumulated acquisition values		
Opening balance 1 January	66	66
Total acquisition values	**66**	**66**
Accumulated fair value revaluations		
Opening balance 1 January	-30	-
Revaluation shares available-for-sale during the year	-30	-30
Closing balance 31 December	**5**	**36**

Note 13 Nature of expenses

(SEK million)	2008	2007
Net sales	13,166	11,351
Cost of programmes and goods	-4,630	-4,187
Distribution costs	-961	-916
Employee benefits expense	-1,362	-1,278
Depreciation and amortisation expense	-141	-161
Other expenses	-4,203	-3,262
Gain of sale of DTV Group	1,150	-
Share of earnings in associated companies	651	480
Operating Income	**3,671**	**2,027**

Note 14 Accounts receivable

Group (SEK million)	31 December 2008	31 December 2007
Accounts receivable		
Gross accounts receivable	1,747	1,453
Less allowances for doubtful accounts	-161	-112
Total	**1,585**	**1,341**
Allowance for doubtful accounts		
Balance at beginning of year	112	93
Provision for potential losses	57	23
Actual losses	-2	-8
Reversed write-offs	3	-
Translation differences	-9	4
Balance at end of year	**161**	**112**
Receivables due without provisions for bad debt		
<30 days	250	210
30-90 days	135	51
> 91 days	21	30
Total	**406**	**261**
Receivables due with provisions for bad debt		
> 91 days	161	112
Total	**161**	**112**

Parent company (SEK million)	31 December 2008	31 December 2007
Gross accounts receivable	0	0
Less allowances for doubtful accounts	0	0
Total	**0**	**0**

Receivables are regarded as bad debts when payment is more than 90 days past due or when there is other information that causes MTG to provide for bad debts.

Note 15 Prepaid expense and accrued income

Group (SEK million)	31 December 2008	31 December 2007
Prepaid transponder costs	2	17
Prepaid financing costs	-	8
Prepaid media costs	11	51
Accrued sales revenue	117	101
Prepaid production costs	21	27
Prepaid distribution costs	9	12
Prepaid subscriber acquisition costs	441	372
Prepaid programme acquisition costs	779	684
Other	110	208
Total	**1,490**	**1,478**

The prepaid subscriber acquisition costs are distributed over the contract period (in Sweden 24 months), and SEK 143 million will be expensed in 2010.

Parent company (SEK million)	31 December 2008	31 December 2007
Prepaid financing costs	-	8
Prepaid insurance premium	0	1
Other	2	0
Total	**2**	**9**

Prepaid financing costs in 2007 comprise the costs for the current credit facility.

Note 16 Cash and cash equivalents

Group (SEK million)	31 December 2008	31 December 2007
Bank balances	931	490
Short term investments	-	0
Deposits	44	31
Total	**975**	**521**

Parent company (SEK million)	31 December 2008	31 December 2007
Bank balances	59	2
Short term investments	-	0
Total	**59**	**3**

Note 17 Earnings per share

(SEK million)	2008	2007
Earnings per share before dilution		
Net income for the year attributable to equity holders of the parent company	2,851	1,363
Shares outstanding on 1 January	66,352,540	67,042,524
Effect from stock options exercised	188,097	21,158
Effect from share buy-back	-632,264	-117,906
Weighted average number of shares before dilution	**65,908,373**	**66,945,776**
Earnings per share before dilution, SEK	**43.25**	**20.35**
Earnings per share after dilution		
Net income for the year attributable to equity holders of the parent company	2,851	1,363
Effect from dilution in associated companies	-19	-12
Diluted net income for the year attributable to the equity holders of the parent company	**2,832**	**1,350**
Weighted average number of shares before dilution	65,908,373	66,945,776
Effect from stock options exercised	47,105	212,005
Weighted average number of shares after dilution	**65,955,478**	**67,157,781**
Earnings per share after dilution, SEK	**42.93**	**20.11**

Potentially dilutive instruments
Modern Times Group MTG AB has outstanding employee stock option programmes where the strike price exceeded the average share price for ordinary shares. These options are therefore not included in the calculation of diluted earnings per share. If the average share price exceeds the strike price in future, these options will be dilutive.

MTG has bought back 798,000 Class B shares between 1 March and 31 March 2008, and 719,000 Class B shares in 2007, in accordance with the decision at the Annual General Meeting on 9 May 2007. The Annual General Meeting on 14 May 2008 approved to cancel all of the repurchased shares.

Note 18 Shareholders' equity

Shares issued (SEK million)	Number of shares paid	Par value
MTG Class A	15,091,426	75
MTG Class B	50,798,949	254
MTG Class C	480,000	2
Total number of shares issued/total par value as per December 31 2008	**66,370,375**	**332**

The holder of an MTG Class A share is entitled to 10 votes, the holder of an MTG Class B share one vote and MTG Class C share one vote. Class C shareholders are not entitled to dividend payments.

	Class A shares	Class B shares	Class C shares	Total
31 December 1997	15,123,741	44,573,991		59,697,732
New share issue 2000	5,410,532	1,266,892		6,677,424
31 December 2000	20,534,273	45,840,883		66,375,156
Conversion of Class A shares to Class B shares 2001	-4,988,652	4,988,652		-
31 December 2001	15,545,621	50,829,535		66,375,156
New share issue 2006, exercise of stock options issued 2001	-	667,368		667,368
31 December 2006	15,545,621	51,496,903		67,042,524
New share issue 2007, exercise of stock options issued 2001	-	29,016		29,016
Conversion of Class A shares to Class B shares, 2007	-303,953	303,953		-
Repurchase of Class B shares 2007	-	-719,000		-719,000
31 December 2007	15,241,668	51,110,872		66,352,540
New share issue 2008, exercise of stock options issued 2005		335,835		335,835
New share issue 2008, share option plan issued 2008			480,000	480,000
Conversion of Class A shares to Class B shares, 2008	-150,242	150,242		-
Repurchase of Class B shares 2008		-798,000		-798,000
Shares outstanding 31 December 2008	**15,091,426**	**50,798,949**	**480,000**	**66,370,375**

Legal reserve
The legal reserves in the parent company are legal statutory reserves in accordance with the Swedish Company Act. In 2008 and 2007, the legal reserves were reduced and transferred to retained earnings.

Paid-in capital
The paid-in capital arise when shares are issued at a premium, i.e. shares were paid at a higher price than the quotient value.

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

Group (SEK million)	31 December 2008	31 December 2007
Opening balance, 1 January	6	-67
This year's translation differences	1,347	76
Realised accumulated translation differences by sale of shares in Group companies	149	-3
Total accumulated translation differences, 31 December	**1,502**	**6**

MTG hedges the book value of the net investment in Nova against fluctuation in currency rates, that is, the risk related to changes in currency rates between the Swedish krona and Bulgarian leva. In relation to the acquisition MTG raised a euro loan which is recognised as hedging instrument for part of the investment.

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.

Group (SEK million)	31 December 2008	31 December 2007
Opening balance, 1 January	3	-18
Recognised direct in equity	31	39
Recognised in the income statement	93	19
Transferred to the acquisition value of item hedged	-94	-37
Closing balance, 31 December	**33**	**3**

Fair value reserve
The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised. If a decrease in values have occurred for a longer period of time, the change is charged to the income statement and will therefore not be recognised in the reserve.

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

Retained earnings
Retained earnings comprise of previously earned income.

Minority interest
In subsidiaries not wholly owned, the share of equity owned by external shareholders is recorded as minority interest. If the shareholders' equity is negative, a receivable is reported for the minority to the extent that minority owners are expected to contribute their share.

Note 19 Provisions

Group (SEK million)	Provision for music royalties	Pension costs	Other costs	Total
Opening balance 1 January 2007	73	5	77	155
Provisions during the year	136	8	17	161
Utilised during the year	-40	-	-11	-51
Reversed during the year	-8	-	-16	-24
Translation differences	-7			-7
Closing balance, December 31 2007	**152**	**13**	**67**	**233**
Provisions during the year	111		19	130
Utilised during the year	-110		-22	-133
Reversed during the year	-23		-7	-29
Translation differences	3	-1	6	8
Closing balance, December 31 2008	**135**	**12**	**63**	**209**
Included in current liabilities December 31 2007	-	-	-	-
Included in non-current liabilities December 31 2007	152	13	67	233
Included in current liabilities December 31 2008	-	-	-	-
Included in non-current liabilities December 31 2008	135	12	63	209

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 to non-material litigations. The Company does not believe that liabilities related to these matters are likely to have a material adverse effect on the financial position of the Group.

The entire pension costs are recognised in operating income. The Group's defined-benefit pension plans for employees upon retirement exist in Norway and in one Swedish company. The Swedish plans are multi-employer defined benefit plans. The Group reports these pension costs in the same way as defined contribution plans.

Parent company
The provisions in the Parent company comprise accrued social expenses on share-based payments of SEK 8 (22) million.

Note 20 Accrued expense and prepaid income

Group (SEK million)	31 December 2008	31 December 2007
Accrued personnel costs	157	128
Accrued interest costs	25	3
Accrued commission to sales agents	205	191
Accrued royalties	37	95
Accrued professional fees	14	16
Accrued media costs	63	26
Accrued distribution costs	28	32
Accrued costs of goods sold	59	17
Accrued programme costs	1,059	852
Prepaid income	755	681
Other	253	196
Total	**2,654**	**2,237**

Parent company (SEK million)	31 December 2008	31 December 2007
Accrued personnel costs	10	9
Accrued interest costs	25	-
Other	5	14
Total	**39**	**23**

Note 21 Contingent liabilities

Group (SEK million)	31 December 2008	31 December 2007
Guarantees external parties	-	5
Total	**-**	**5**

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 to non-material litigation. The Company does not believe that liabilities related to these matters are likely to have a material adverse effect on the financial position of the Group. These litigations are therefore not included in the contingency liabilities. There are no pledged assets in 2008 and 2007.

Parent company (SEK million)	31 December 2008	31 December 2007
Guarantees external parties	-	5
Guarantees subsidiaries	273	177
Total	**273**	**182**

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 minority 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. New strategic goals were presented during 2007, and are described in the Directors' report.

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

The Board of Directors propose to the Annual General Meeting 2009 an ordinary dividend of SEK 5 per share, which corresponds to 11% of this year's net income. The total proposed dividend payment would amount to a maximum of SEK 329,451,875, based on the maximum potential number of outstanding ordinary shares as at the record date. The Group continues to maintain a strong financial position for its future development.

The Board of Directors was given a mandate to buy back shares at the Annual General Meeting in 2008 and 2007. The Board of Directors will propose to the Annual General Meeting in 2008 a new authorisation for a share buy-back.

There are no regulatory external capital requirements to be met by the parent company or any of the subsidiaries other than covenants described under the heading "Loan facility" in this note.

Group (SEK million)	2008	2007
Interest-bearing loans and borrowings	-4,653	-478
Short-term interest-bearing liabilities	-52	-37
Cash and short term deposits	975	521
Long- and short-term interest-bearing assets	92	64
Net debt/net cash	**-3,637**	**69**
Equity including minority interest	8,980	5,875
Net debt to equity ratio	41%	N.A
Assets	19,232	10,958
Equity to assets	47%	54%
Capital employed, average	8,240	5,925
Operating income adjusted for the gain on sale of DTV 2008	2,521	2,027
Return on Capital employed	31%	34%

Financial policy

The Group's financial risk management is centralised to the parent company to capitalise on economies of scale and synergy effects in the financial sector and to minimise operational risks. The parent company functions as the Group's internal bank and is responsible for the management of financing and the financial risk policy. This includes netting and pooling of capital requirements, and payment flows in Scandinavia. The aim is to limit the Group's financial risk, and ensure that the Group has appropriate and secure financing for its current needs.

The Group's financial policy is reviewed and approved by the Board of Directors and 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 to ensure compliance with the financial policy.

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 involves a special counterparty regulation by which a maximum credit exposure for various counterparties to minimise the risk is stipulated.

Loan facility

A revolving multicurrency credit facility of SEK 3,500 million was granted in February 2006. The facility is unsecured and there are no required amortisations. The facility is available until February 2011. A new credit facility of SEK 3,000 million was granted in August 2008. Loans drawn under this facility is due 12 months after utilisation, with a possibility to prolong the credit by 6 months to 15 April 2010. In addition to the credit facilities, an overdraft facility of SEK 100 million is granted. As per 31 December, 2008 SEK 4,640 (400) million of the credit facilities were utilised. The loan agreements have covenants based on the ratio's total consolidated EBITDA in relation to total net debt and to net financial expenses.

The revolving credit facility of SEK 3.5 billion can be paid out in optional currencies and the interest rate varies with Libor, Euribor or Stibor, depending on the currency utilised as well as the financial covenance level.

The Prima Group has a revolving credit facility of CZK 290 million (SEK 119 million), of which CZK 60 million (SEK 25 million) is an overdraft facility. The facilities were unutilised on 31 December 2008. As per 31 December 2007, CZK 125 million (SEK 45 million) of the loan facility was utilised.

Diema in Balkan Media Group has a credit facility of EUR 6 million, of which EUR 2.7 (SEK 30) million were drawn at the balance sheet date, and provided a bank guarantee of EUR 1.7 million to an external supplier. EUR 1.6 million was therefore unutilised as per 31 December 2008.

Financial lease liabilities

The leasing liabilities refer to studio and HD playout equipment. The equipment had a value of SEK 11 (5) million as per 31 December. Finance lease liabilities are payable as follows:

	2008			2007		
Group (SEK million)	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than a year	5	1	4	5	1	4
Between one and five years	13	1	12	11	1	10
Total financial lease	**18**	**2**	**16**	**15**	**2**	**14**

Interest-bearing liabilities

Group (SEK million)	31 December 2008	31 December 2007
Non-current liabilities		
Non-current portion of bank loans	4,623	-
Other long-term liabilities	9	35
Finance lease liabilities	17	2
Total	**4,649**	**37**
Current liabilities		
Current portion of bank loans	30	433
Other short-term interest-bearing liabilities	21	-
Current portion of finance lease liabilities	5	0
Total	**56**	**433**
Amount due for settlement within 12 months	56	433
Amount due for settlement after 12 months	4,649	37

Maturity of long-term loans

Parent company (SEK million)	31 December 2008	31 December 2007
Amount due for settlement within 12 months	-	400
Amount due for settlement after 60 months	-	-

Overdraft facilities

The amount granted for bank overdraft facilities in Sweden at December 31, 2008, equaled SEK 100.0 (100.0) millon, of which SEK 100.0 (100.0) million was unutilised. The Prima Group is granted a bank overdraft facility of CZK 60 million, of which CZK 0 (0) million was utilised.

Interest rate and refinancing risk

MTG’s sources of funds are primarily shareholders’ equity, cash flows from operations and borrowing. The interest-bearing borrowing exposes the Group to interest rate risk. The refinancing risk and the maturities for the loans are described under Loan facility in this note. The Group does not use derivative financial instruments to hedge its interest rate risks.

Market risk - interest rate

With an average fixed interest period of six months, a one percentage change in interest rates would have an impact on the Group's interest expense of approximately SEK 23 million, calculated on the basis of long-term interest-bearing loans of SEK 4,623 million as per 31 December 2008. The calculation is based on the change in interest expense after the interest period and does not take the maturity of the loans or changes in currency rates into consideration.

Credit risk

The credit risk with respect to the Group'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 expense. See also note 14 Accounts receivable.

Insurable risks

The insurance cover is governed by corporate guidelines, and centrally negotiated insurance policies cover the majority of its subsidiaries. In certain cases, local insurance policies have been put in place. Each business unit is responsible for assessing and managing the insurable risks associated with its day-to-day operations.

Group

Terms and payback period (SEK million)	2008 Interest rate	Fixed interest term	Effective interest rate	Total	12 months or less	1-5 years	More than five years
Finance lease liabilities	6.3-7.2	12 months	6.3-7.2	17	0	17	-
Loan from bank	3.43-6.12	1 - 9 months	5.68-7.14	4,654	30	4,624	-
Other interest-bearing liabilities				34	26	9	-
Accounts payable				1,563	1,563	-	-
				6,268	**1,619**	**4,649**	**-**

Terms and payback period (SEK million)	2007 Interest rate	Fixed interest term	Effective interest rate	Total	12 months or less	1-5 years	More than five years
Finance lease liabilities	6.3%	12 months	6.3%	15	5	11	-
Loan from related parties	4.2%	3 months	4.2%	21	-	21	-
Loan from bank	4.0%	1 month	5.0%	433	433	-	-
Other interest-bearing liabilities				45	40	6	-
Accounts payable				1,134	1,134	-	-
				1,649	**1,612**	**37**	**-**

The loan from related parties in 2007 refers to GES Media Europe, the partner in the Prima Group.

Foreign exchange risk
Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect the income statement, balance sheet and/or cash flows. The risk can be divided into transaction exposure and conversion exposure.

Transaction exposure
Transaction exposure is the risk that arises from net inflow or outflow of a foreign currency required by operations and financing. 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 US dollars, euro (before 2008), British pounds and Swiss francs on a rolling twelve month basis. Other transaction exposure is not hedged.

The entities' net foreign exchange cash flow was distributed among the currencies as follows:

Currency (SEK million)	2008	2007
DKK	526	468
NOK	625	656
EUR	-781	-753
CHF	-65	-86
USD	-1,013	-910

The fair value of the hedge contracts amount to USD 139 (106) million, CHF 12 (10) million, GBP 3 (3) and EUR - (29) million at closing day.

Market risks – exchange risk
The transactions in US dollars, euro, british pounds and Swiss francs comprise mainly program acquisitions. The cash flow is hedged through forward contracts, covering 12 months of the net outflow. The programme acquisitions are amortised according to expected revenue earnings. At year-end the forward contracts in US dollars had an average rate to SEK of 6.98. Swiss francs had an average rate to SEK of 5.87. A change in that rate by 10% would affect the outflow related to these currencies by SEK 104 million, regardless of any forward contracts.

Conversion exposure
Conversion exposure is the risk that arises from equity in a foreign subsidiary or associated company that is denominated in a foreign currency. The USD amount comprise the holding in CTC Media. MTG hedges part of the book value of the net investment in Nova against fluctuation in currency rates, that is, the risk related to changes in currency rates between the Swedish krona and Bulgarian leva. In relation to the acquisition MTG raised a euro loan which is recognised as the hedging instrument.

Net foreign assets are distributed as follows:

	2008		2007	
Currency	SEK million	%	SEK million	%
NOK	745	5	685	17
DKK	643	4	505	13
USD	1,886	13	1,108	28
EUR	9,837	67	220	6
Other currencies	1,484	10	1,438	36
Total equivalent SEK value	**14,595**	**100**	**3,956**	**100**

There are no other hedging positions for conversion exposure.

Financial instruments
Book value and fair value for interest-bearing financial instruments are shown below.

	31 December 2008		31 December 2007	
Group (SEK million)	Book value	Fair value	Book value	Fair value
Financial assets available for sale	5	5	36	36
Other financial assets	2,660	2,660	1,909	1,909
Financial assets	2,665	2,665	1,945	1,945
Financial liabilities	-6,316	-6,316	-1,712	-1,712
Net assets	**-3,651**	**-3,651**	**233**	**233**

	31 December 2008		31 December 2007	
Parent company (SEK million)	Book value	Fair value	Book value	Fair value
Financial assets available for sale	5	5	36	36
Other financial assets	12,665	12,665	10,651	10,651
Financial assets	12,671	12,671	10,687	10,687
Financial liabilities	-5,899	-5,899	-1,312	-1,312
Net assets	**6,772**	**6,772**	**9,376**	**9,376**

Other financial assets is reported in the balance sheet in cash and cash equivalents, interest-bearing long-term receivable, accounts receivables, and accounts receivables affiliated companies. Financial liabilities are reported in accounts payable, short-term interest-bearing liabilities and long-term interest-bearing liabilities.

Note 23 Lease and other commitments

Lease and other commitments for future payments at December 31, 2008

Group (SEK million)	Future rent on non-cancelable leases	Future payments for program rights	Transponder commitments	Total commitments
2009	85	1,309	245	1,639
2010	77	1,163	190	1,429
2011	72	794	184	1,050
2012	64	363	45	473
2013	64	162	0	226
2014 and thereafter	247	138	-	385
Total lease and other commitments	**609**	**3,928**	**665**	**5,202**
This year's operational costs				
Minimum lease fees	69	2,129	263	2,460
Variable fees	0	316	26	342
Total	**69**	**2,444**	**289**	**2,802**

Lease and other commitments for future payments at December 31, 2007

Group (SEK million)	Future rent on non-cancelable leases	Future payments for program rights	Transponder commitments	Total commitments
2008	137	1,266	215	1,617
2009	108	1,147	187	1,443
2010	7	864	175	1,046
2011	6	562	175	742
2012	0	214	44	258
2013 and thereafter	-	191	-	191
Total lease and other commitments	**257**	**4,243**	**795**	**5,296**
This year's operational costs				
Minimum lease fees	26	1,781	243	2,050
Variable fees	9	138	24	172
Total	**35**	**1,920**	**268**	**2,222**

Future rent on non-cancelable leases at December 31

Parent company (SEK million)	2008	2007
2008	-	1
2009	1	1
2010	1	1
2011	1	1
2012	1	-
2013	1	-
2014 and thereafter	1	-
Total lease and other commitments	**6**	**4**
This year's operational costs		
Minimum lease fees	1	1
Variable fees	0	0
Total	**1**	**1**

Note 24 Average number of employees

	2008		2007	
Group	Men	Women	Men	Women
Sweden	476	368	389	262
Czech Republic	153	124	137	117
Norway	127	121	123	110
United Kingdom	129	114	165	97
Denmark	137	93	233	63
Bulgaria	102	87	40	55
Estonia	52	80	38	44
Lithuania	52	49	59	29
Latvia	22	63	54	29
Russia	29	35	52	67
Slovenia	28	23	27	17
Hungary	18	22	17	22
Spain	27	10	27	15
Ukraine	21	10	1	-
Malta	19	11	19	7
Ghana	11	3	-	-
Finland	7	3	6	3
The Netherlands	1	6	1	10
Poland	-	6	-	3
Other	1	4	1	2
Total	**1,412**	**1,232**	**1,389**	**952**
Total number of employees		**2,644**		**2,341**

Parent company	2008	2007
Men	28	32
Women	12	18
Total	**40**	**50**

Senior executives

Group	Men %	Women %
Board of Directors	75	25
CEO	78	22
Other senior executives	83	17
Total	**79**	**21**

Parent company	Men %	Women %
Board of Directors	75	25
CEO	100	-
Other senior executives	75	25
Total	**77**	**23**

Absence due to illness

	As a percentage of standard working hours	
Parent company	2008	2007
Men	0.3%	0.3%
Women	1.0%	1.1%
Total	**0.5%**	**0.6%**
Absence longer than 60 days of total	**0.0%**	**0.0%**

Since the number of employees are relatively low and that absence due to illness therefore could be attached to private individuals, no information about age categories will be disclosed.

Note 25 Salaries, other remuneration, and social and security expenses

Group (SEK million)	2008	2007
Personnel expenses		
Wages and salaries	1,088	1,000
Social security expenses	212	193
Pension costs - defined contribution plans	51	55
Pension costs - defined benefit plans	10	7
Share-based payments	4	11
Social security expenses on share-based payments	-3	13
Total	**1,362**	**1,278**

(SEK million)	2008	2007
Board of Directors, CEO and other senior executives [1]	156	140
of which, variable salary	46	*44*

1) Includes SEK 4.4 (3.8) million Board fees approved by the Annual General Meeting

Parent company (SEK million)	2008	2007
Board of Directors, CEO and other senior executives	46	39
of which, variable salary	20	*17*
Other employees	61	44
Total salaries and other remuneration	**107**	**83**
Social security expenses	37	33
of which, pension costs	*10*	*7*
of which, pension costs CEO	*2*	*1*

Total salaries in the parent company include remuneration to other senior executives (4 persons) of SEK 20 (19) million, of which variable salary is SEK 6 (8) million.

Remuneration to senior executives

A fee is paid to the Board of Directors in accordance with the ruling of the Annual General Meeting.

The objectives of the Group's Remuneration policy are to offer competitive remuneration packages to attract, motivate and retain senior group and operational management, within the context of the international peer group. The aim is to incentivise management to deliver excellent operating results and also align senior executive remuneration with the creation of value for shareholders. The remuneration should provide for an appropriate balance between fixed and variable, short and long term incentives. The current senior executive remuneration programme therefore consists of a combination of fixed salary, variable salary and participation in incentive programmes, and is designed to meet the objectives of the policy.

Remuneration to the CEO and other senior executives comprises a base salary, bonus and other benefits. Other senior executives include business area managers, Chief Operating Officer and the Chief Financial Officer. The Executive Management are found on pages 10-13.

The variable remuneration shall be based on the performance in relation to established goals. The general contractual bonus system is based on an earnings period of one year, and is normally 50% of the base salary and in all cases with a maximum. However, in some cases an extra bonus above the 50% target has been granted based on exceptional performance, and, in other cases, due to the cash bonus paid out in connection with the exercise of the share options from the 2005 programme, in accordance with the decision of the Annual General Meeting.

Remuneration and other benefits 2008

(SEK thousand)	Base fee	Base salary	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
David Chance, Chairman of the Board	1,125	-	-	-	-	252	1,377
Asger Aamund	450						450
Mia Brunell Livfors	425						425
Simon Duffy	600						600
Alexander Izosimov	475						475
David Marcus	500						500
Cristina Stenbeck	400						400
Pelle Törnberg	400						400
Hans-Holger Albrecht, CEO	-	14,107	7,303	108	1,950	-	23,468
Other senior executives (9 persons)	-	29,503	13,468	935	2,389	-	46,295
Total	**4,375**	**43,610**	**20,771**	**1,043**	**4,339**	**252**	**74,389**

Variable salary remuneration incurred to be paid the year after for the Chief Executive Officer is SEK 2.2 (1.1) million. In addition, non-cash share based incentive program costs calculated in accordance with IFRS 2 amounted to SEK 2.2 million for the CEO and SEK 4.2 million for Other senior executives.

Remuneration and other benefits 2007

(SEK thousand)	Base fee	Base salary	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
David Chance, Chairman of the Board	1,025	-	-	-	-	328	1,353
Asger Aamund	450						450
Mia Brunell Livfors	375						375
Nick Humby	500						500
Lars-Johan Jarnheimer	350						350
David Marcus	425						425
Cristina Stenbeck	350						350
Pelle Törnberg	350						350
Hans-Holger Albrecht, CEO	-	16,122	8,570	105	1,081	-	25,878
Other senior executives (11 persons)	-	28,335	15,538	1,744	2,202	-	47,819
Total	**3,825**	**44,457**	**24,108**	**1,849**	**3,283**	**328**	**77,850**

In addition, non-cash share based incentive program costs calculated in accordance with IFRS 2 amounted to SEK 3.1 million for the Chief Executive Officer and SEK 6.7 million for Other senior executives.

	2005/2009	2006/2010	2007/2011	2008/2011	
	Stock options	Warrants and stock options	Warrants and stock options	Retention and performance	
Financial instruments 2008	Number	Number	Number	Shares	Options
CEO	-	99,300	44,996	27,200	51,000
Senior executives (9 persons)	6,440	58,546	174,384	67,750	124,950
Total	**6,440**	**157,846**	**219,380**	**94,950**	**175,950**

David Chance has, further to the board fee in MTG, also received a board fee of SEK 252 (328) thousand as a Director of the Board in Viasat Broadcasting UK.

The CEO and the other members of the Company's senior exeecutives are entitled to customary pension commitments based on the national pension plan, entailing retirement at the age of 65. Pension commitments are secured through premiums paid to insurance companies.

Other benefits includes company cars and, in one case, housing allowance.

The maximum notice period in any Executive's contract is twelve months during which time salary payment will continue. The Company does not generally allow any additional contractual severance payments to be agreed although there can be occasional cases where this takes place. The Chief Executive Officer is entitled to receive a payment equivalent to one month's basic salary per year of service in the Group if he complies with certain conditions.

Decision process
The remuneration to the Chief Executive Officer was decided by the Board of Directors. Remuneration to executive management is proposed by the Chief Executive Officer and decided by the Board of Directors.

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

2008 Long-term incentive programme (LTIP)
The 2008 program is performance based and directed towards 50 senior executives and other key employees. Individual investments in MTG shares are required to participate. These shares can be shares already held or shares purchased on the market in connection with the notification to participate in the program. The shares must be held during the three year vesting period. Thereafter, the participants are granted retention shares and performance shares and options depending on the fulfilment of certain stipulated goals. The goals relate to shareholder return, and return on capital employed and organic growth. The rights to retention and performance shares were granted by the company free of charge at the end of May 2008, and may be exercised after the release of the interim report for Q1 2011. The program is estimated to comprise 12,500 retention shares, 131,000 performance shares and 262,000 performance options.

2005-2007 programmes – conditions in general

The 2005-2007 incentive programmes have comprised a combination of warrants and stock options, which entitle senior executives to a combined maximum of 399,994 MTG Class B shares under the 2007 programme and 399,999 MTG Class B shares under the 2006 and 2005 programme. The participants have the opportunity to buy warrants at the prevailing market price, and, for each warrant purchased, a maximum of six stock options under the 2007 programme and two stock options under the 2006 and 2005 programmes are issued, each carrying the right to purchase one Class B share. The exercise price for both the 2005 and 2006 programmes was set at 115% and for the 2007 programme at 110% of the average share price of the Class B share over the ten days following the Annual General Meeting.

To encourage participation in the incentive programme, the AGMs also approved the payment of a cash bonus three years after the acquisition of the warrants by the participant. The cash bonus will be paid if the stock options and the Class B shares acquired by exercising the warrants are still held by the participant, and if the participant is still employed by the MTG Group, after three years. The bonus may amount to a maximum of the difference between the total price paid by the participant and 2% of the total value of the underlying Class B shares at the time of acquisition of the warrants and stock options.

The 2007 option programme

The 2007 programme was directed towards a group of 41 senior executives. The exercise price for the allotted options was set at SEK 432.50 per MTG Class B share. The stock options may be exercised on, or after, 15 May 2010 provided that the holder is still employed by the Group.

The 2006 programme

The 2006 programme was directed towards a group of 25 senior executives. The exercise price for the allotted options was set at SEK 450.30 per MTG Class B share. The stock options may be exercised on, or after, 15 May 2009 provided that the holder is still employed by the Group. Following the distribution of the majority of MTG's shareholding in Metro International S.A. to MTG shareholders in July 2006, the exercise price for the warrants was recalculated as SEK 417.70 and the exercise price for the stock options as SEK 413.30.

The 2005 programme

The 2005 programme was directed towards a group of 20 senior executives. The exercise price for the allotted options was set at SEK 261.70 per MTG Class B share. The stock options may be exercised on, or after, 15 May 2008 provided that the holder is still employed by the Group. Following the distribution of the majority of MTG's shareholding in Metro International S.A. to MTG shareholders in July 2006, the exercise price for the warrants was recalculated as SEK 239.30 and the exercise price for the stock options as SEK 235.80.

The 2001 programme (expired in 2007)

In 2001, an Extraordinary General Meeting decided to issue a maximum of 2,052,840 options to acquire shares in MTG. Senior executives and key employees were offered to participate, The exercise price of the options was SEK 294.50 per share, which in 2006 was recalculated to SEK 273.90, due to the distribution of shares in Metro International S.A. to the shareholders. A number of options were exercised during 2007 and 2006. The 2001 programme expired in 2007, and the remaining options ceased to be valid in 2007.

Dilution

If all options granted to senior executives and key employees as at 31 December 2008 were exercised, the issued share capital of the Company would increase by 1,049,807 Class B shares, and be equivalent to a dilution of 1.6% of the issued capital and 0.5% of the related voting rights at the end of 2008. In 2008, 335,835 options from the 2005 programme were exercised.

Distribution of issued warrants, stock options and retention and performance rights and options:

Warrants and Stock options granted	CEO	Senior executives	Key personnel	Total
Stock option programme 2001	108,810	533,169	919,445	1,561,424
Options exercised 2007 and 2006	-108,810	-359,073	-217,620	-685,503
Options forfeited	-	-174,096	-701,825	-875,921
Options 2001 programme outstanding as per 31 December 2008 and 2007	**0**	**0**	**0**	**0**
Incentive programme 2005, warrants	33,333	64,791	35,209	133,333
Incentive programme 2005, stock options	66,666	129,582	70,418	266,666
Incentive programme 2006, warrants	33,100	45,523	30,500	109,123
Incentive programme 2006, stock options	66,200	91,046	61,000	218,246
Incentive programme 2007, warrants	6,428	28,626	15,935	50,989
Incentive programme 2007, stock options	38,568	171,756	95,610	305,934
LTIP 2008, retention shares	1,700	5,275	4,463	11,438
LTIP 2008, performance shares	25,500	62,475	40,163	128,138
LTIP 2008, performance options	51,000	124,950	80,325	256,275
Total granted	**322,495**	**724,024**	**433,623**	**1,480,142**
Options exercised	-99,999	-136,209	-99,627	-335,835
Options forfeited	-	-87,500	-7,000	-94,500
Total outstanding as per 31 December 2008	**222,496**	**500,315**	**326,996**	**1,049,807**

	2008		2007	
	No of options	Weighted exercise price	No of options	Weighted exercise price
Options outstanding at 1 January	1,078,291	351.64	750,384	310.17
Warrants issued during the year	-	-	50,989	432.50
Retention shares and options issued during the year	395,851	322.47	305,934	432.50
Options exercised during the year	-335,835	237.19	-29,016	273.90
Options forfeited during the year	-88,500	386.96	-	-
Total outstanding at 31 December	**1,049,807**	**374.28**	**1,078,291**	**351.64**

The weighted exercise price for the 2005-2007 option programmes were recalculated for the redemption of the shares in Metro International S.A..

The weighted share price at exercise day was SEK 415.06 (397.50) for stock options exercised during the period .

Outstanding options as per 31 December 2008 have an exercise price between SEK 235.80 and SEK 498.10, and the weighted average price is SEK 374.28 (351.64). The weighted average remaining contractual life is 1.95 (1.4) year.

The calculated fair value of services received in return for share options granted were calculated based on the Black & Scholes method. The expected volatility is based on historical values. Further, it has been assumed that 10% of the personnel will leave during the period.

	2008	2007		2006		2005
Share option programmes at grant	Options	Warrants	Stock options	Warrants	Stock options	Stock options
Expected volatility %	28%	27%	27%	30%	27%	27%
Expected life of options (years)	3	3	3	3	3	3
Expected dividends	-	-	-	-	-	-
Risk free interest rate %	4.32%	4.19%	4.05%	3.31%	4.10%	4.09%

Terms and conditions	Options outstanding 31 Dec 2008	Acquisition price (SEK)	Share per option	Theoretical fair value	Exercise price recalculated (SEK)	Exercise date
Incentive programme 2005, warrants		42.89	1	-	239.30	15 May 2008 - 10 October 2009
Incentive programme 2005, stock options	44,832	-	2	49.52	235.80	15 May 2008 - 10 October 2009
Incentive programme 2006, warrants	109,123	61.90	1	-	417.70	15 May 2009 - 10 October 2010
Incentive programme 2006, stock options	172,646	-	2	54.82	413.30	15 May 2009 - 10 October 2010
Incentive programme 2007, warrants	50,989	94.37	1	-	432.50	15 May 2010 - 10 October 2011
Incentive programme 2007, stock options	276,366	-	6	104.38	432.50	15 May 2010 - 10 October 2011
LTIP 2008, retention shares	11,438	-	1	415.10	Free of charge	After 27 April 2011
LTIP 2008, performance shares	128,138	-	1	415.10	Free of charge	After 27 April 2011
LTIP 2008, performance options	256,275	-	1	57.00	498.10	After 27 April 2011

Employee expenses, Group (SEK million)	2008	2007
Share options granted in 2001/2002	-	-1
Share options granted in 2005	-14	11
Share options granted in 2006	1	7
Share options granted in 2007	7	8
Retention rights and options granted in 2008	7	-
Total expense recognised as employee costs	**1**	**25**

Employee expenses, Parent company (SEK million)	2008	2007
Share options granted in 2001/2002	-	-
Share options granted in 2005	-18	8
Share options granted in 2006	-6	2
Share options granted in 2007	2	2
Retention rights and options granted in 2008	5	-
Total expense recognised as employee costs	**-16**	**12**

Options outstanding, Parent company	2008	2007
Warrants issued 2005	-	78,083
Stock options issued 2005	44,832	156,166
Warrants issued 2006	53,823	66,246
Stock options issued 2006	104,646	132,492
Warrants issued 2007	18,121	19,335
Stock options issued 2007	108,726	116,010
Retention shares issued 2008	4,500	-
Performance shares issued 2008	46,500	-
Performance options issued 2008	93,000	-
Total	**474,148**	**568,332**

Terms, prices and basis of calculation are the same as for the Group.

Note 26 Audit fees

Group (SEK million)	2008	2007
KPMG, audit services	11	7
KPMG, other services	1	1
Ernst & Young, audit services	0	1
Ernst & Young, other services	4	1
Other auditors (audit services)	1	1
Total	**17**	**10**

Parent company (SEK million)	2008	2007
KPMG, audit services	1	0
KPMG, other services	-	0
Ernst & Young, audit services	0	0
Ernst & Young, other services	2	1
Total	**3**	**1**

Auditing services have involved the examination of the Annual Report and financial accounting and the administration by the Board and the Chief Executive Officer, other tasks related to the duties of a company auditor and consultation or other services which may result from observations noted during such examination or implementation of such other tasks. All other tasks are defined as other assignments.

Note 27 Supplemental cash-flow information

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

Group (SEK million)	2008	2007
Income/loss from sales of subsidiaries	-1,150	-18
Gain from CTC Media new share issues	-57	-5
Depreciation and amortization, write-downs and disposals of fixed assets	390	161
Share in the earnings of associated companies	-651	-480
Share in tax expense of associated companies	193	156
Dividends from associated companies	23	11
Change in deferred tax	68	30
Change in provisions	83	83
Options	7	-
Unrealised change in value of Metro shares	26	-
Unrealised exchange differences	59	-1
Total	**-1,009**	**-65**

Divested entities during 2008

Group (SEK Million)	2008
Assets	472
Liabilities	-423
Gain on divestment	1,905
Payment received	**1,954**
Cash in sold entities	-5
Cash flow effect	**1,948**

Other information

Cash paid for interest and corporate tax

Group (SEK million)	2008	2007
Interest	65	11
Corporate income tax	544	262
Total	**609**	**274**

Parent company (SEK million)	2008	2007
Interest	45	43
Corporate income tax	119	12
Total	**164**	**55**

Note 28 Related party transactions

Related party	
Investment AB Kinnevik (Kinnevik)	Kinnevik holds shares in Modern Times Group MTG AB.
Invik AB (Invik)	Related parties to MTG held a significant amount of shares in Invik during parts of 2007.
Tele2 AB (Tele2)	Related parties to MTG hold a significant amount of shares in Tele2.
Metro International S.A. (Metro)	Related parties to MTG holds shares in Metro.
Millicom International Cellular S.A. (Millicom)	Related parties to MTG hold a significant amount of shares in Millicom.
Transcom WorldWide S.A. (Transcom)	Related parties to MTG hold a significant amount of shares in Transcom.
AVI Audit Value International (Audit Value)	Related parties to MTG hold a significant amount of shares in Audit Value.
CTC Media (CTC)	MTG holds a significant amount of shares in CTC Media.

In August 2007, Invik was acquired by Milestone and therefore ceased to be a related party to MTG.

The Group has related party relationship with its subsidiaries, joint ventures and associated companies (see note 12)

The transactions between the different parties are based on market prices negotiated on arm's-length basis.

Business agreements with related parties

The Group sells advertising to Tele2 and Metro.

The Group bought treasury functions and financial services from Invik through their subsidiary Banque Invik up until December 2007, and insurances from the subsidiary Moderna Försäkringar. The treasury functions are now part of MTG.

The Group rents office space from Kinnevik.

The Group purchases credit management services, customer service and telemarketing services from Transcom.

The Group purchases tele and data communication services from Tele2 and technical consulting and services through their subsidiary Datametrix, Tele2Vision, offers its customers the MTG TV-channels through their cable network.

The Group purchases advertising from Metro.

The Group purchases internal audit services from Audit Value.

The Group sold programme rights to CTC Media as part of the DTV transaction.

	Group		Parent company	
	2008	2007	2008	2007
Revenues				
Transcom	0	0		0
Kinnevik	-	3		2
Tele2	77	75		0
Metro	6	10		0
CTC	49	-		-
Other related companies	9	8		-
Total revenues	**140**	**97**	**-**	**2**
Operating costs				
Invik	-	-		2
Transcom	179	217		0
Kinnevik	3	2	2	2
Tele2	30	31	0	4
Metro	13	6	0	-
Other related companies	29	29	7	-
Total operating costs	**254**	**286**	**9**	**8**
Accounts receivable				
Transcom	0	0		0
Kinnevik	-	0		0
Tele2	8	9		0
Metro	2	4		0
Other related companies	5	3		-
Total Accounts receivable	**15**	**17**	**-**	**0**
Accounts payable				
Transcom	17	21		-
Kinnevik	0	12		0
Tele2	3	3		0
Metro	3	3		-
Other related companies	24	48		0
Total Accounts payable	**47**	**88**	**-**	**1**

Remuneration of key management personnel

Other transactions than reported in note 25 have not been made.

Note 29 Long-term receivable, Group companies

Parent company

Acquisition values (SEK million)	2008	2007
Opening balance 1 January	1,837	1,811
New lending	12,272	82
Payments	-1,718	-
Reclassification	-	-54
Translation differences	-3	-1
Closing balance 31 December	**12,388**	**1,837**

Note 30 Discontinued operations

In June 2007, TV-Shop Europe AB and its subsidiaries were sold. The capital gain of the divested operations was SEK 18 million.

Income Statement for TV-Shop operations (SEK million)	Jan-Jun 2007
Net Sales	169
Cost of goods and services	-101
Gross income	**67**
Selling expenses	-42
Administrative expenses	-26
Other operating expenses	0
Operating income	**-1**
Interest revenue and other financial income	2
Interest expense and other financial costs	-1
Income before tax	**0**
Current tax expenses	-2
Net income for the year	**-2**

The TV-Shop operations comprised separate cash flow units. Therefore assumptions or calculated allocation of costs or other judgements have not been made.

The net results for the sold entities are reported in the Group's income statement.

Balance sheet/cash flow (SEK million)	2007
Non-current assets	9
Inventories	46
Trade and other receivables	55
Cash and cash equivalents	24
Long-term liabilities	-1
Trade and other payables	-57
Net assets	**76**
Purchase price	94
Net cash inflow	**70**

The Board of Directors and Chief Executive Officer certify that the financial reporting is prepared in accordance with generally accepted accounting principles for a publicly listed company in Sweden. The information presented is consistent with the actual conditions and that nothing of a significant nature has been omitted that would be required for a fair presentation of the Group and Parent Company in the financial reporting.

The annual accounts and the consolidated statements were approved by the Board of Directors on 20 March, 2009. The consolidated income statement and balance sheet, and the income statement and balance sheet of the Parent Company, will be presented for adoption by the Annual General Meeting on 11 May, 2009.

Stockholm, 20 March 2009

Asger Aamund
Non-Executive Director

David Chance
Chairman of the Board

Mia Brunell Livfors
Non-Executive Director

Simon Duffy
Non-Executive Director

Alexander Izosimov
Non-Executive Director

David Marcus
Non-Executive Director

Cristina Stenbeck
Non-Executive Director

Hans-Holger Albrecht
President and
Chief Executive Officer

Pelle Törnberg
Non-Executive Director

Our Audit report was submitted on 25 March 2009

KPMG Bohlins AB
Carl Lindgren
Authorised Public Accountant

Ernst & Young AB
Erik Åström
Authorised Public Accountant

Audit Report

To the annual meeting of the shareholders of Modern Times Group MTG AB (publ)
Corporate identity number 556309-9158

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Modern Times Group MTG AB (publ) for the year 2008. The annual accounts and the consolidated accounts are included in this document on pages 54-108. The Board of Directors and the Chief Executive Officer are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 25 March 2009

KPMG Bohlins AB

Carl Lindgren
Authorised Public Accountant

Ernst & Young AB

Erik Åström
Authorised Public Accountant

Definitions

EBIT
EBIT is read Earnings Before Interest and Tax, and also referred to as operating income.

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

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

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

Net debt/equity ratio
The net debt/equity ratio is expressed as net debt in relation to shareholders' equity, including minority interest.

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.

Liquid funds
Liquid funds is expressed as cash and cash equivalents plus short-term investments including unutilised credit facilities.

Return on total assets %
Return on total assets corresponds to income before financial costs and tax as a percentage of average total assets.

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

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

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

Earnings per share
Earnings per share is expressed as net income divided by the number of shares.

Net assets
Assets less liabilities including provisions.

Capital employed
Capital employed is calculated as an average of total fixed assets, cash and networking capital reduced by provisions.

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

Glossary

The following explanations are not intended as technical definitions, but to assist the general reader to understand certain terms.

Analogue
A signalling technology in which signals are conveyed by continuously varying, among other things, the frequency, amplitude or phase of the transmission.

Analogue terrestrial
The method most people have used to receive television, with the TV signal broadcast unencrypted, free-to-air, and receivable with a regular antenna.

ARPU
Annualised Average Revenue per User calculated for premium subscribers.

Churn
Subscription disconnections expressed as a percentage of the midpoint of the number of subscribers at the beginning and end of the period.

Digital
A signalling technology in which a signal is encoded into digits for transmission.

Digital terrestrial
The method more and more people are using to receive television, an implementation of digital technology to provide a greater number of channels and/or better quality of picture and sound using aerial broadcasts.

Digital switchover
The process when a country, step by step, or entirely at one point, moves from broadcasting via the analogue terrestrial network to broadcasting via the digital terrestrial network.

DTH
Direct-to-home transmission of TV programmes to customers with parabolic satellite dishes and receivers.

Encrypted
Distribution of transmissions that are scrambled in order to prevent illegitimate access.

Free-TV
TV channels that are mainly financed through advertising.

IPTV
Internet Protocol Television is a system where a digital TV service is delivered using the Internet Protocol over a network infrastructure, which may include delivery by a broadband connection. IPTV is also known as Broadband TV.

Media house strategy
An MTG expression, which means that the Group clearly profiles its free-TV channels to target different audience groups, then bundles the channels when selling its combined reach to advertisers.

Multi room
When analogue terrestrial signals are replaced by digital terrestrial signals, all TV sets in a household need to be able to receive the digital signals, which may require new receivers.

Pay-TV
TV channels that are mainly financed through subscriptions.

Penetration
Share of households with access to the channel or station in question.

Premium subscriber
Subscriber with prepaid premium pay-TV content.

TV1000Play
A catch up service – where the TV1000 subscriber – is able to access the TV1000 movie, via the internet or their ViasatPlusHD recordable digital box at any time.

ViasatOnDemand
The brand name for Viasat's catch up service, available through the internet or the ViasatPlusHD recordable digital box or through selected IPTV networks.

ViasatPlus
A service for satellite TV subscribers receiving the Viasat channel offering with parabolic satellite dishes and a recordable digital box.

Production: Narva
Print: Alfaprint

Modern Times Group MTG AB
Skeppsbron 18
P.O. Box 2094
SE-103 13 Stockholm
Sweden
+46 8 562 000 50
+46 8 20 50 74
www.mtg.se