A MODERN GROUP

ANNUAL REPORT 2011

FOR MODERN TIMES

MTG
MODERN TIMES GROUP

Contents

Cover: 'Tron Legacy' (© Walt Disney Pictures), 'Pirates of the Caribbean: On Stranger Tides' (© Walt Disney Pictures), 'Avatar' (© 20th Century Fox) and 'Salt' (© Sony Pictures Entertainment) are all showing on Viasat Film and Viaplay in 2012.

CEO's review

2011 was another rollercoaster ride with the Eurozone financial crisis adding to the already uncertain global economic outlook. It was a year in which we saw shifts in the industry begin to take shape and in which we adjusted our structure to meet these challenges and create new opportunities…but more about that later because 2011 was also the year in which MTG generated record full year sales! MTG is one of the fastest growing broadcast media companies in the world precisely because we have a balanced mix of cyclical free-TV advertising revenues and non-cyclical pay-TV subscription fees, and because we operate across so many territories these days. ***MTG*** is ***M***ade ***T***o ***G***row and that is exactly what we have continued to do, whilst at the same time delivering best in class margins for our developed operations.

Our Nordic pay-TV business had over 1 million premium subscribers by the end of the year, whilst our satellite platforms in the Baltics, Ukraine and Russia had more than 500,000 subscribers. Furthermore, our 19 pay-TV channels that are made available on thousands of third party networks in 30 countries had in excess of 64 million subscriptions. The Nordic pay-TV business delivered a 20% operating margin and the emerging market operations were profitable despite the investments we have been making.

Our free-TV operations were impacted by the differing developments in the local TV advertising markets, but we did increase our combined advertising market shares in the majority of territories in which we operate.

Our advertising sales were up across Scandinavia and the MTG 'media house' of multiple channels that are sold on a bundled basis to advertisers is now well established in each country. We do have work to do to increase our audience shares so that we can continue to erode the dominance of the incumbents over time, which is why our schedules feature an ever increasing proportion of locally produced and live television content. The Scandinavian operations generated a combined 25% operating margin for the year.

The picture is somewhat different in the emerging markets where the recovery in Eastern Europe has lagged that in Western Europe, with low or no growth in TV advertising spending and the incumbents maintaining pricing pressure. We did take viewing and audience shares across almost all markets and ended the year in a stronger position than we started it, with more channels, higher sales and a return to full year profitability for the combined businesses. It is a matter of 'when' rather than 'if' these markets return to high growth levels, and the investments that we have been making position us well to benefit from the recovery when it comes.

The prevailing environment in Eastern Europe led us to take two decisions at the end of the year. Firstly, we wrote down the remaining value of our Bulgarian broadcasting assets. While it is clear that the price paid for the Nova asset in 2008 has not been supported by the subsequent market development, we remain committed to the market and have enhanced our position by investing in our multi-channel 'media house' through the downturn. The other decision was to withdraw from Slovenia because the market is simply too small, too heavily dominated by a single player and not open for competition. We have performed well operationally and lobbied hard for change, but must now focus our attention and resources on markets where we can build long term and sustainable value.

A notable exception in every case is Ghana, where TV advertising spending is estimated to have grown by approximately 20% in 2011, and we have already secured a near 20% audience share following the launch of our Viasat1 free-TV channel in late 2008.

The fact that our 29 free-TV channels and 38 pay-TV channels are now available in a total of 35 countries spanning four continents puts our development into perspective. At the end of this year, we will celebrate the 25th anniversary of the launch of our first TV channel – TV3 – in Scandinavia, and we will also celebrate the 21st anniversary of the launch of our Viasat satellite pay-TV platform, and the 15th anniversary of the listing of our shares on the Stockholm stock exchange. MTG has changed beyond all recognition, as has the industry, but the global media industry is now changing faster and more fundamentally than it has for many years. Those companies that are asleep at the moment will quite simply not be around to reflect on these changes in the coming years.

The change is being brought about by the proliferation of digital content delivered over the internet to consumer devices of all types and sizes. This is nothing new for us given our origins in markets with amongst the highest broadband penetration rates and speeds in the world. New challengers are emerging all the time and it is more important than ever that we observe the outside and maximize our own efforts. The rumours of the death of linear TV and the wholesale flight of the advertising dollar to the internet are much exaggerated! Linear free-TV will remain a force for many years to come - people are watching more TV today than ever before, and advertisers are dedicating more of their marketing spend to reach these viewers than ever before. Similarly, the emergence of 'Over The Top' or internet-based on-demand pay-TV services does not change the paradigm. What is important here is the change in consumer behaviour and in the way that TV content is watched and paid for.

This is why we were the first broadcaster to launch a fully-fledged online TV offering more than a year ago, and why we are offering both advertising funded catch-up services and on-demand pay-TV offerings over the open internet. We already have a broad based portfolio of digital broadcast content rights so we can not only offer viewers their favourite free-TV channels over the internet, but also thousands of movies, live sports coverage and a wide range of popular TV shows. This is 'Viaplay' and this is the future.

The changes in the competitive environment and our own evolution have made it necessary to change our management and operating structure so that we can continue to succeed. Time as always is the most valuable commodity we have, so we have adapted our structure to make MTG more nimble, and enable us to share and use information and ideas more effectively across the organisation. We have therefore simplified our reporting lines, broken down country management structures and adopted regional management roles and responsibilities, so that we can plan, decide, act and learn more quickly.

Our investments moving forward in 2012 and beyond are focused on 3 key areas – technology, content and territories. Not only are we investing in the development of Viaplay, but also in additional HD and 3D TV services, as well as the re-branding of our premium pay-TV channel offering. 11 thematically differentiated standard and high definition Viasat Film channels are being introduced across the Nordic region in one of the largest ever rebranding exercises of its kind. We have continued to launch new free and pay-TV channels, and we will also develop our presence in the international content production markets over time by expanding our own Modern Studios operations and selectively acquiring new businesses. Finally, our expansion in Africa is gathering pace following the launch of our pay channels in four new countries in 2011, and we are constantly searching for opportunities to consolidate and extend our existing market positions in Europe.

Overall then, we grew our sales and continued to invest throughout 2011. We ended the year with a net loss due to the write downs, but with higher underlying operating profits and increased net cash flow from operations. This enabled us to reduce our borrowing levels and propose a 20% higher annual dividend to shareholders. MTG is a growth company and we will continue to invest in the development of our existing businesses and new businesses, but our asset light business model also enables us to consistently combine growth with cash flow generation, so that we can both invest and return cash to shareholders. This is why we have now adopted a dividend policy for the first time.

Our Modern Responsibility has also taken significant steps forward over the past year as we have implemented a number of group wide policies and increased our investment in our corporate responsibility programmes. This saw us included in the FTSE4good Index Series and ranked best media company by Ecodesk for energy intensity and utilisation per employee. Our MTG United for Peace foundation is now in its third year and we held the second international football tournament finals in Oslo in October to coincide with the annual announcement of the Nobel Peace Prize winner. The foundation is all about using football as a team sport to encourage mutual respect and peaceful cooperation amongst young people from 12 countries around the world. It is an exciting initiative that aims to contribute to a new outlook on the world for all who participate.

So, in conclusion, we have challenges to face and opportunities to seize, and we are determined to exploit the new waves of growth potential that are sweeping across the industry. I would like to close by thanking our 3,000 MTG colleagues and all of our stakeholders for your continued contribution to MTG's ongoing development. Our objective is clear and constant – to transform ourselves and what we do by working Harder, creating Better, moving Faster and becoming Stronger!

Hans-Holger Albrecht
President & Chief Executive Officer

CFO's review

The Group's highest ever full year sales of SEK 13.5 billion reflected the growth of each of our broadcasting divisions during the year. Group operating costs also increased as we invested in programming content, new channels, technology and subscriber acquisition, and also consolidated the results of the Russian and Ukrainian pay-TV platforms. Group sales were up 6% at constant exchange rates while group operating costs were up 7%, and the Group operating margin before associated company income and non-recurring items was 14% for the year. The higher Pay-TV Nordic margin in particular illustrated our ability to combine investments in content and technology with underlying improvements in profitability.

Currency effects continued to impact the Group's reported results in 2011, with the Group's Swedish krona reporting currency continuing to strengthen year on year against the group's operating currencies, but less so than in 2010. The Group's forward currency hedging policies ensure that exposure to the impact of foreign exchange rate movements on cash costs is managed and predictable.

The full year income statement was impacted by the recognition of SEK 3.2 billion of one-off costs at the end of the year. The majority of these costs was non-cash in nature and related to the impairment of the remaining intangible assets that arose from the acquisition of Nova TV in Bulgaria in 2008. The write-downs followed the regular end of year asset impairment tests, and we are not aware of any other significant asset impairment risks at this time.

When excluding these one-off items, the Group's underlying operating income was up 8% to SEK 2.5 billion. We converted 85% of our SEK 2.1 billion of underlying Group EBITDA into operating cash flow and also received increased dividend payments of USD 49 million from associated company CTC Media. Working capital actually decreased as a percentage of total revenue to 3% in 2011 despite the fact that we significant expanded the operations again during the year. Our net cash flow from operations therefore increased by 17% to SEK 1.8 billion, which was higher than in any other year in the Group's history apart from 2008.

We did not buy any businesses during the year and our asset light business model ensured that CAPEX accounted for less than 1% of Group sales. We therefore generated increased free cash flow (defined as net cash flow from operations less capital expenditure) of SEK 1.7 billion.

These results reflect our strict financial management structures and policies, with in-country financial controllers reporting to centralized planning and review functions, which enables us to control costs and invest and upstream cash efficiently.

We used our cash to repay SEK 1.2 billion of the Group's borrowings and pay out the annual dividend of SEK 500 million to shareholders in the middle of the year. The dividend payment of SEK 7.5 per share in May was 36% higher than for the previous year.

We ended the year with only SEK 1.54 billion krona out of our SEK 6.5 billion multi-currency revolving credit facility drawn down, and total interest bearing assets of SEK 0.8 billion including cash balances of SEK 470 million krona and the SEK 250 million CDON

Group convertible loan. Our net debt was therefore reduced from SEK 2.0 billion to SEK 0.8 billion krona, which was equivalent to just 0.3 times trailing twelve month EBITDA.

The Group continued to be run in a highly capital efficient manner and our return on capital employed had increased to 29% by the end of the year, compared to 25% in 2010, and we reported a stable 30% return on equity for the year.

Our total available liquid funds, including unutilized credit and overdraft facilities, amounted to SEK 5.5 billion at the end of the year and the public equity market value of our 38.1% shareholding in CTC Media was USD 526 million.

Given the strong cash flow generation and healthy financial position of the business, a 20% higher annual dividend of SEK 9 per share, or approximately SEK 600 million in total, will be proposed to the Group's Annual General Meeting of shareholders. We have also adopted a dividend policy for the first time, which is to distribute at least 30% of each year's recurring net profit to shareholders in the form of an annual ordinary dividend. The policy reflects the fact that, as one of Europe's fastest growing broadcasters, MTG needs to maintain a strong financial position in order to take advantage of opportunities as they arise, but that shareholders should also benefit directly and consistently from the Group's healthy cash flow generation.

Fundamentally then, we ended the year in a strong financial position with substantially reduced borrowing levels and considerable financial resources with which to continue to invest in the growth and development of the business, and to increase shareholder returns.

Mathias Hermansson
Chief Financial Officer

Five Year Summary

SEK million	2011	2010	2009	2008	2007
Net sales[2]	13,473	13,101	12,427	11,880	10,271
Gross income[2]	5,434	5,199	4,873	5,172	4,332
Operating income excluding non-recurring items from continuing operations[2]	2,545	2,355	1,799	2,515	1,929
Income from corporate development	-	-	-	1,150	18
Closure and non-recurring costs	-3,182	-	-3,352	-76	-
Total operating income / loss from continuing operations[2]	-637	2,355	-1,553	3,588	1,947
Financial net[2]	-90	-34	-185	-61	-12
Net income from continuing operations[2]	-1,289	1,750	-2,089	2,847	1,348
Income from discontinued operations	-	1,790	81	80	79
Total net income	-1,289	3,541	-2,008	2,927	1,428
Financial position					
Non-current assets	5,612	8,648	9,026	12,881	5,756
Current assets	5,668	5,354	5,625	6,351	5,203
Total assets	11,281	14,002	14,651	19,232	10,958
Shareholders' equity excl non-controlling interests	4,128	5,986	5,381	8,662	5,678
Non-controllering interests	222	253	298	318	197
Long-term liabilities	2,168	3,311	4,175	5,263	429
Short-term liabilities	4,763	4,452	4,796	4,989	4,654
Total shareholders' equity and liabilities	11,281	14,002	14,651	19,232	10,958
Personnel					
Average number of employees[2]	3,031	2,844	2,703	2,477	2,273
Key figures					
Operating margin %[2]	-	15	-	25	14
Operating margin adjusted for non-recurring items %[2]	14	15	12	16	14
Net margin %[2]	-	13	-	24	13
Return on total assets %	-	57	-	19	14
Return on equity adjusted for non-recurring items %	30	30	17	26	26
Return on capital employed adjusted for non-recurring items %	29	25	15	31	34
Equity / assets ratio %	39	45	39	47	54
Net debt to equity ratio %	18	32	48	41	-
Interest coverage ratio	-	17	-	59	30
Net sales per employee, SEK thousand[2]	4,445	4,607	4,597	4,796	4,519
Operating income per employee, SEK thousand[2]	-210	828	-575	1,449	857
Capital expenditures					
Investments in non-current intangible and tangible assets	120	157	159	156	327
Investments in shares	-	275	145	6,466	219
Per share data					
Shares outstanding	66,403,237	66,342,124	65,896,815	66,370,375	66,352,540
Weighted average number of shares before dilution	66,383,647	66,024,365	65,891,592	65,908,373	66,945,776
Weighted average number of shares after dilution[1]	66,383,647	66,377,452	65,891,592	65,955,478	67,157,781
Total basic earnings per share (SEK)	-19.98	53.34	-30.86	43.25	20.35
Total diluted earnings per share (SEK)[1]	-20.02	53.03	-30.97	42.93	20.11
Total basic earnings per share continuing operations (SEK)	-19.98	26.22	-32.08	42.00	19.18
Total diluted earnings per share continuing operations (SEK)	-20.02	26.07	-32.19	41.97	19.11
Basic shareholders' equity per share (SEK)	65.53	94.48	86.20	136.25	87.76
Proposed ordinary dividend/Cash dividend per share (SEK)	9.00	7.50	5.50	5.00	15.00

[1] The Group has Long Term Incentive Plans that may be exercised into 562,892 new class B shares.

[2] Excluding CDON Group.

Modern Responsibility

Summary Modern Responsibility report 2011

Sustainability and taking responsibility at MTG, what we call Modern Responsibility, is an area under constant development. Broadcasting TV and radio involves immense responsibility towards our large daily audience, but also gives us a unique opportunity to make changes and improvements towards a better world. Modern Responsibility involves maximising the positive and minimising the negative impact on society by acting responsibly towards all our business partners, our audience, our employees and all the communities in which we operate. We call these four areas of responsibility “Business Responsibility”, “Broadcast and Marketing Responsibility”, “Colleague Responsibility” and “Responsibility to the Community”. Our business responsibility involves following rules and ethical principles by, amongst others, supporting the principles of the UN’s Global Compact, as well as adhering, where applicable, to OECD’s Guidelines for Multinational Enterprises. Our responsibility to the community involves working to reduce our carbon footprint and supporting social causes. When it comes to responsibility towards colleagues, we strive to be an equal opportunities workplace where competence is key, not gender, ethnic background or suchlike.

The power wielded by the media makes our broadcast and marketing responsibility of vital importance. We live in an exciting and ever-changing world where digital evolution makes it possible for our audience to see their favorite programs when they want, where they want. We work relentlessly to ensure we keep up with these developments and adjust our areas of responsibility accordingly. Helping parents protect children and young adults from unsuitable content is of top priority. A dedicated department within this area is committed to ensuring all rules are followed for all channels and that new technical possibilities are thoroughly reviewed. For example, Viasat and Viaplay customers can use a pin code to lock certain programs and channels deemed unsuitable for a young audience.

In April 2011 MTG’s sustainability work was rewarded with membership in the global sustainable investment indexes the FTSE4good Index Series, an index series used to objectively measure how responsible a company is within important sustainability areas such as environmental work, human and labour rights and corporate governance.

Our goals

We conduct an on-going dialogue with our stakeholders to find out which questions they think are important for us to work on and in which areas they think there is room for improvement. This year we have primarily worked with issues considered most important by our stakeholders in the dialogues held in 2010.

In 2011 we reached 14 of the 15 short-term goals set within the 2010 Modern Responsibility framework. One such goal was to train all relevant employees in the latest updates on “adherence to broadcast rules”. This ensures that we are always educated in the relevant laws and rules, and that we continuously monitor and update any necessary changes regarding the broadcasting of programmes and commercials in each of our operating countries.

Creativity and innovation are important to us, as is being an attractive and equal opportunities workplace. To attract new additions to our workforce and to ensure job satisfaction for our current employees, we have worked and continue to work on several goals within this area. Two projects planned and realised in 2011 actively championed equality by ensuring that gender does not dictate salary levels, and through the development of the “Network for Female Leaders”. Another project we are working on is “Life Balance” - the balance between work and free time within the framework of local customs and traditions. Our 2011 anonymous employee survey can be seen as a sign that we are heading in the right direction, as it revealed that 83% of our workforce looks forward to going to work each morning.

We have also managed to reach our “Anti-corruption” target by updating guidelines to counteract bribes and corruption, and our managers have all completed internal anti-corruption training courses outlining the new policies.

In 2012 we have developed a set of new goals within our sustainability work. Our targets include an investigation of how well we work with the education and development of our workforce, and we will also evaluate all local editorial content guidelines and policies.

Read more on the Modern Responsibility section of our corporate website at www.mtg.se.

Environment and social responsibility

Environmental work is a matter close to our hearts at MTG in the influence we exercise, our internal work and how we act as a company. MTG participates in CDP, Carbon Disclosure Project, which measures companies’ efforts to combat climate change. Our energy consumption has steadily decreased over the three years we’ve participated in the project.

The 2011 sustainability report on media companies, conducted by Ecodesk, the world’s largest database for sustainability information on companies, showed that MTG’s efforts in eco-efficiency have really paid off. MTG ranked second amongst the 14 biggest media companies in carbon-intensity and carbon emissions in relation to economic performance, and ranked first in energy-intensity and energy-usage per employee.

Another step on our environmental responsibility ladder is MTG’s cooperation with WWF, the World Wide Fund for Nature. MTG has, for the third year in a row, joined WWF in raising awareness on climate change through Earth Hour. We also cooperate with numerous local environmental organisations throughout our operating countries. An example is when Viasat Broadcasting in England entered into a partnership with the charitable organisation London Wildlife Trust (LWT) to help them with the protection of London’s wildlife.

MTG’s Modern Responsibility also emphasises social consideration issues, and with that in mind, MTG supports many projects that are both initiated and actioned locally. We support numerous charitable organisations through the donation of advertising space on both TV and radio to increase awareness. In 2011 we donated airtime valued at a total of more than 140 million SEK. As a media company we also have the opportunity to make a change, highlight social causes and show the general public how life is for those less fortunate. We call this opportunity "social programming" and in 2011 we engaged in many such projects, both large and small, with various charitable organisations.

MTG played one of the leading roles in the "Fulfilment Campaign" 2011, one of Lithuania's biggest charity events for children. The campaign, to raise money for children with serious illnesses, disabilities and those living in orphanages, ran for two months and culminated in a live TV gala broadcast on TV3 Lithuania, during which viewers donated over 1 million litas (approximately 2.6 million SEK). Members of the Lithuanian TV3 news team and celebrity couples from the popular "Dance with Me" TV show became goodwill ambassadors for the campaign. In its entirety the campaign raised 2.1 million litas.

In Bulgaria MTG began a cooperation with Gorichka, one of the country's greenest organisations, to increase viewers' awareness of how they themselves can implement green solutions at home and at work. Through our show "Na Kafe", which was broadcast on Nova TV, we have run several campaigns during 2011, one of which raised money for a lifesaving incubator for the neonatal ward at the SBALDB hospital in Sofia. The programme also launched a campaign to raise awareness about autism and provided funding for a project in aid of autistic children.

We support cancer research in many different ways. In Sweden and Denmark we broadcast "The Pink Ribbon Gala" on TV, in cooperation with the Cancer Society to raise awareness for breast cancer. In Norway we raised awareness about the cause on the radio. TV6 and the Bandit radio station in Sweden joined in the "The Moustache Fight" to raise money for prostate cancer research.

At our foundation MTG United for Peace, the language of football plays a central role in giving children a new outlook on the world. Kids from 12 of our operating countries compete in local football tournaments, the winners of which go on to represent their country in the finals in Oslo, coinciding with the announcement of the Nobel Peace Prize winner. In December 2011 a TV documentary captured the everyday life and passion for football of 5 participating children from Bulgaria, Ghana, Denmark, Russia and Sweden. While in Oslo, the children attend the "School of Tolerance" hosted by our partner the Nobel Peace Center. There the children learn how to better understand other people's cultures, the importance of integration and conflict solving. Of all the participants at the 2011 Cup Finals, 91% said they made new friends during the MTG United for Peace Cup, and 98% said they learned things about peace, tolerance and conflict solving that they didn't previously know.

In early 2011 the foundation Playing for Change was launched for the first time outside Sweden, in Ghana. Founded in 2010 by Kinnevik, Korsnäs, Metro, Tele2, Transcom and Hugo Stenbeck's Foundation, Playing for Change works with social entrepreneurs who in their unique way help less fortunate children and youngsters experience a better, more playful childhood. In 2011 Playing for Change helped approximately 850,000 children, who actively participated in the programmes run by the foundation. Today the foundation has ten entrepreneurs in Sweden and six in Ghana. This year MTG's annual Christmas concert was held in aid of Playing for Change to raise awareness and funds for their Christmas collection.

Directors' Report

Modern Times Group MTG AB (MTG) is a publicly listed company. Its 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 is an international entertainment broadcasting group with operations that span four continents and include free-TV, pay-TV, radio and content production businesses. MTG's Viasat Broadcasting is the leading free-TV and pay-TV operator in Scandinavia and the Baltics and has broadcasting operations in Bulgaria, the Czech Republic, Hungary, Russia, Ukraine and Ghana. Viasat's free-TV and pay-TV channels and pay-TV platforms are broadcast in 35 countries. Viasat Broadcasting is also the leading Nordic operator and distributor of live and on-demand streamed free and paid video content over the internet, and offers movies, live sports events, TV series, and catch-up services. MTG is the major shareholder in Russia's largest independent television broadcaster - CTC Media (Nasdaq: CTCM).

MTG's results are reported for six business segments. Five of these segments, Free-TV Scandinavia, Pay-TV Nordic, Free-TV Emerging Markets, Pay-TV Emerging Markets and CTC Media, comprise Viasat Broadcasting.

The sixth business segment, Other Businesses, primarily comprises the Group's Radio, Bet24 and Modern Studios businesses. MTG is the largest commercial radio operator in the Nordic region and the Baltic countries and the Group's radio stations reach over three million listeners on a daily basis. MTG Radio owns one of the largest commercial radio broadcasting networks in Sweden and the largest in Norway, as well as radio stations and networks in the Baltic countries and has an equity stake in the largest commercial radio broadcasting network in Finland. Modern Studios comprises the Group's content production businesses including the TV production company Strix. Bet24.com comprises the Group's betting business.

The Group's internet retailing business – CDON Group AB – was demerged on 15 December 2010. Its shares were distributed to MTG's shareholders and listed on Nasdaq OMX Stockholm's Mid Cap list.

Business Review

MTG delivered another year of record sales in 2011, with Group sales up 6% year on year at constant exchange rates, despite the broader prevailing economic uncertainty during the year. Operating profits, when excluding associated company income and non-recurring items, were stable compared to 2010, and the Group therefore reported a full year operating margin of 14%. The development reflected the investments made by the Group across its businesses in both the free-TV and pay-TV segments.

The Group's free-TV businesses in Scandinavia grew by 6% year on year at constant exchange rates and reported an unchanged high operating margin of 25%, whilst the

Group's Nordic pay-TV business grew by 8% at constant exchange rates and generated an improved operating margin of 20%. Despite the lagging development of the Eastern European advertising markets, the Group's Emerging Markets free-TV businesses reported a combined revenue growth at constant exchange rates of 8% for the year, while Pay-TV Emerging Markets continued to deliver strong growth of 13% at constant exchange rates for the year.

All three Scandinavian TV advertising markets grew strongly in 2011, with increasing demand and pricing levels, whilst the TV advertising markets in our Emerging territories continued to lag the development of their Western counterparts. MTG ended the year with over a million premium subscribers in the Nordic region, and the development reflected the ongoing intake of third party network subscribers offset by lower year on year premium satellite subscriber levels. The Emerging Markets pay-TV business also continued to grow its subscriber base during the year, and ended 2011 with over 530 thousand satellite subscribers. The growth came primarily from continued subscriber intake in Ukraine and Russia. At the same time, the Group's wholesale mini-pay channel business added over 14 million new subscriptions during 2011, which demonstrates the popularity of MTG's channel portfolio.

Our fourth quarter results included SEK 3.2 billion of non-recurring items, primarily related to the impairment of the remaining goodwill and intangible assets which arose from the acquisition of Nova Televizia in 2008. However, despite these one-off costs and despite our focus on driving the business forward through selective investments in programming, new channel launches and the expansion of our pay-TV platforms, we grew our net cash flow from operations by 17% year on year in 2011. We are proposing a 20% increase in annual dividend to the Annual General Meeting in May. Our Board of Directors has also adopted a dividend policy, to distribute at least 30% of recurring net profit to shareholders as an annual ordinary dividend.

We have 2012 strongly positioned across our territories, and our integrated structure with both free-TV and pay-TV activities provide us with a solid foundation for future growth. We continue to focus both on our existing businesses and on new and emerging technologies like our online pay-TV service Viaplay, as well as on our exciting new ventures in Africa, and our solid financial position will make it possible for us to capitalize on exciting opportunities when they arise.

Consolidated financial results

CDON Group has been excluded from the continuing operations in the income statement and cash flow statement in this report, and its net income has been reported as discontinued operations for 2010 and 2009.

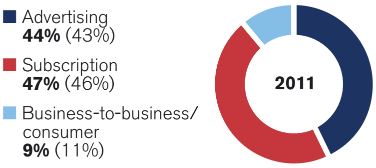
The below review of the Group's results presents three years of comparative data. In the commentary, the 2010 and 2009 comparative numbers have been presented in brackets, with the leftmost number within the brackets referring to the corresponding 2010 numbers, whilst the rightmost number within the brackets refers to 2009 numbers. Example: MTG reported net sales of SEK 13,473 (13,101; 12,427) million.

Key figures	2011	2010	2009
Sales growth	3%	5%	6%
Operating expenses growth (excl non-recurring expenses)	3%	2%	10%
Operating income growth (excl non-recurring expenses)	8%	31%	-28%
Operating margin (excl non-recurring expenses)	14%	15%	12%

Sales In 2011, MTG reported 3% (5%; 6%) net sales growth to SEK 13,473 (13,101; 12,427) million, which reflected sales growth for all segments. Sales were up 6% (12%) at constant exchange rates

The Group's revenue mix reflected its diversified and balanced structure, with 44% (43%; 43%) of revenues derived from advertising sales; 47% (46%; 47%) from subscription revenues; and 9% (11%; 10%) from other business-to-business and business-to-consumer sales.

Revenue mix
(SEK million)



Operating expenses Group operating costs increased to SEK 11,540 (11,160; 10,898) million and were up 7% (8%) year on year at constant exchange rates in 2011. This reflected the launch of 7 free-TV channels and the addition of 12 pay-TV channels since the beginning of 2010, continued programming investments including the acquisition or renewal of several key sports rights, and ongoing investments in the Emerging Markets satellite pay-TV platforms. Group depreciation and amortisation charges totalled SEK 183 (218; 230) million.

In 2011 the Group reported SEK -3,182 million of non-recurring items primarily related to the impairment of goodwill and other intangible assets that arose from the acquisition of Nova Televizia in Bulgaria in 2008, as well as the close down of the loss making free-TV operations in Slovenia. In 2009, the Group reported SEK -3,352 million of non-recurring items primarily related to the impairment of goodwill for the Bulgarian business.

Operating income before associated company income & non-recurring items Group operating income for the year decreased slightly to SEK 1,933 (1,941; 1,529) million when excluding associated company income and the impact of the 2011 and 2009 non-recurring items with an operating margin of 14% (15%;12%).

Associated company income The Group's combined equity participations, which primarily comprise the shareholding in the earnings of CTC Media, contributed a total of SEK 611 (413; 270) million of associated company income. MTG's participation in CTC Media was diluted during the year as a result of new issued shares in the company, and the Group's reported shareholding in CTC Media, was 38.1% (38.3%; 39.4%) of the issued and outstanding shares as at 31 December 2011.

Net interest and other financial items Group net interest expenses were reduced to SEK -71 (-115; -186) million for the full year. Other financial items amounted to SEK -19 (81; 0) million. These items included a SEK 14 (2; -) million non-cash financial gain due to the change in value of the option element of the SEK 250 million CDON Group convertible bond, as well as a non-cash financial gain of SEK 22 (69; 0) million following new share issues by CTC Media and the resulting dilution of the Group's ownership in CTC Media.

Tax Group tax charges totalled SEK -561 (-571; -350) million.

Net income and earnings per share The Group reported net profits from continuing operations of SEK -1,289 (1,750; -2,089) million, and basic earnings per share of SEK -19.98 (53.34; -30.86). Basic earnings per share for continuing operations excluding non-recurring items amounted to SEK 27.94 (26.22; 18.79).

Total net income The Group reported a total net income of SEK -1,289 (3,541; -2,008). There was no income from discontinued operations in 2011, compared to SEK 1,790 million in 2010 and SEK 81 million in 2009.

Net income from discontinued operations The Group distributed all the shares in CDON Group AB in December 2010. Further information is available in Note 30 to the accounts.

Cash flow

(SEK million)	2011	2010	2009
Cash flow from continuing operations	1,853	1,810	1,226
Changes in working capital, continuing operations	-56	-277	101
Net cash flow from continuing operations	1,797	1,534	1,327
Investment activities, continuing operations	-115	-683	-302
Financial activities, continuing operations	1,737	-897	-1,441
Discontinued operations	-	-88	211
Net change in cash and cash equivalents,	-55	-135	-206
Cash and cash equivalents	470	500	737
Return on capital employed % (excl non-recurring items)	29	25	15

Group capital expenditure on non-current assets totalled SEK 120 (157; 156) million. Investments in shares in subsidiaries amounted to SEK - (275; 146) million. The Group's reported return on capital employed, excluding non-recurring items, was 29% (25%; 15%) in 2011.

(SEK million)	2011	2010	2009
Available liquid funds	5,528	4,400	3,837
Net debt	797	2,026	2,749
Return on equity excl one-off items %	30	30	17
Equity to assets ratio %	39	45	39
Net debt to equity ratio %	18	32	48
Interest-bearing debt	1,574	2,768	3,563

The Group had available liquid funds of SEK 5,528 (4,400; 3,837) million as at 31 December 2011, including the SEK 5,058 (3,900; 3,100) million unutilised element of the Group's credit facilities, and the unutilised overdraft facilities of SEK 100 (100) million. SEK 1,542 (2,700; 3,500) million of the Group's SEK 6,500 million multi-currency credit facility were drawn as at 31 December.

The Group paid out the approved cash dividend of SEK 498 (363; 329) million to shareholders during 2011. In December 2010, the shares in CDON Group AB were also distributed to the MTG shareholders at a market value of SEK 2 billion. The market value as per 31 December 2011 was SEK 2.5 billion The Group reported a 30% (30%; 17%) return on equity for 2011 when excluding non-recurring items.

Acquisitions and divestments

During 2011, the Group did not make any acquisitions or divestments in subsidiaries or associates.

Significant Events

The Group announced on 4 January 2012 that it would recognise approximately SEK 3.2 billion of one-off costs in its financial results for the fourth quarter and full year 2011. The announcement followed the completion of the Group's annual asset impairment tests. Approximately EUR 330 million (SEK 2,979 million) of the costs are non-cash and relate to the impairment of the remaining goodwill and other intangible assets that arose from the Group's acquisition of 100% of Nova Televizia in Bulgaria for EUR 620 million in 2008. The total one-off costs also included the writing down of programming related assets by the Group's Bulgarian broadcasting operations, as well as the costs associated with the closing down of the Group's loss making free-TV operations in Slovenia.

Associated company CTC Media, in which the Group owns a 38.1% stake, announced on 15 December 2011 that Angelo Codignoni had been elected as Co-Chairman of the Board of Directors, Dmitry Lebedev had been appointed as a new member of the Board, and that the Company's Chief Financial Officer, Boris Podolsky, would be acting as Chief Executive Officer until a replacement for Anton Kudryashov is appointed.

The Group announced on 24 October 2011 that it had reorganized its management and operating structure with the appointment of Jørgen Madsen as Executive Vice President of

Nordic Broadcasting and Anders Nilsson as Executive Vice President of Central European Broadcasting. It was announced that Irina Gofman would continue in her role as Executive Vice President of Russian & CIS Broadcasting and the central and east European pay-TV channels business. The remaining members of the executive management team comprise Group President and CEO Hans-Holger Albrecht, Mathias Hermansson (Chief Financial Officer), Martin Lewerth (Executive Vice President of Pay-TV and Technology), Patrick Svensk (Executive Vice President of Content), Marc Zagar (Executive Vice President of Finance), Petra Colleen (Executive Vice President of Administration), and Laurence Miall-d'Août (Executive Vice President).

The Group announced on 20 May that it had waived its right to purchase the 39,548,896 shares that ALFA CTC HOLDINGS LIMITED held in CTC Media, Inc. ('CTC Media') for USD 27.097 per share. MTG further announced that MTG Russia AB, CTC Media and Telcrest Investments Limited had signed a new shareholders' agreement, which came into force on 2 June 2011 when Telcrest completed the acquisition of Alfa's shareholding in CTC Media.

CTC Media announced on 4 May 2011 that it intended to increase its aggregate cash dividends for 2011 to USD 130 million from the prior level of USD 100 million, which was announced on 1 March 2011. The Group therefore received a total of USD 49 million, or SEK 319 million, of dividends from CTC Media in 2011.

Significant Events after the end of the year

The Group announced on 9 January 2012 that it had signed an agreement to acquire 100% of AS Latvijas Neatkarīgā Televīzija ('LNT') in Latvia for an undisclosed cash consideration. LNT is the second largest free-TV operator in Latvia, and broadcasts national channel LNT, Russian language channel TV5 and entertainment channel LMK. The closing of the transaction is subject to regulatory approval by the Latvian Competition Council.

Segments

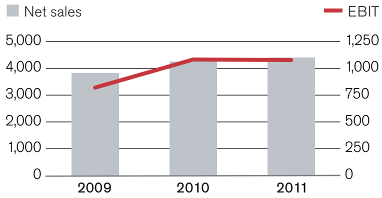
Group Review (SEK million)	2011	2010	Change	2009
Net sales per business segment				
Free-TV Scandinavia	4,393	4,247	3%	3,820
Pay-TV Nordic	4,730	4,484	5%	4,327
Free-TV Emerging Markets	2,073	2,004	3%	2,095
Pay-TV Emerging Markets	922	896	3%	875
Others and elimination	-173	-163	-	-177
Total Viasat Broadcasting	11,946	11,469	4%	10,939
Other Businesses	1,675	1,804	-7%	1,716
Group central operations	186	191	-3%	178
Eliminations	-334	-363	-	-407
Continuing operations	13,473	13,101	3%	12,427
Operating income per business segment				
Free-TV Scandinavia	1,077	1,082	0%	820
Pay-TV Nordic	923	822	12%	725
Free-TV Emerging Markets	32	-43	-	-84
Pay-TV Emerging Markets	49	112	-56%	168
Associated company income from CTC Media	602	405	49%	254
Viasat Broadcasting central operations	7	19	-	21
Total Viasat Broadcasting	2,690	2,396	12%	1,904
Other Businesses	114	175	-35%	93
Total operating business segments	2,804	2,571	9%	1,998
Group central operations	-260	-216	-	-200
Non-recurring items	-3,182	-	-	-3,352
Continuing operations	-637	2,355	-	-1, 553

All figures in the following business segment information exclude the non-recurring costs referred to above.

Free-TV Scandinavia

MTG's free-TV channels TV3, TV6, TV8 and TV10 in Sweden, TV3 and Viasat4 in Norway and TV3, TV3+ and TV3 PULS in Denmark broadcast a wide range of entertainment programming. The channels are made available alongside the Group's pay-TV channels on the Viasat satellite platform and via third party cable, IPTV and mobile networks as well as in the digital terrestrial networks in Sweden and Norway. The free-TV channels are also available as catch up services, through the Play services TV3 Play, TV6 Play and TV8 Play in Sweden, TV3 Play and Viasat4 Play in Norway and TV3 Gensyn, TV3+ Gensyn and TV3 PULS Gensyn in Denmark.

Free-TV Scandinavia
(MSEK)



The business reported sales growth of 3% (11%) to SEK 4,393 (4,247; 3,820) million, which corresponded to sales growth of 6% (16%) excluding currency exchange effects. The performance during the latter part of the year reflected continued TV advertising market growth in Sweden and Norway but lower advertising market shares.

Total operating costs amounted to SEK 3,316 (3,165; 2,999) million. The increase primarily reflected increased investments in programming in all three countries.

The business segment therefore reported a stable operating profit of SEK 1,077 (1,082; 820) million, with operating margins of 25% (25%; 21%).

Commercial share of viewing (%)	2011	2010	2009
TV3, TV6, TV8 & TV10/ZTV Sweden (15-49)	35,8	36.8	36.1
TV3 & Viasat4 Norway (15-49)	22,4	26.4	27.3
TV3, TV3+ & TV3 PULS Denmark (15-49)	24,1	24.5	23.3

Penetration (%)	31 December 2011	31 December 2010	31 December 2009
TV3 Sweden	88	87	88
TV6 Sweden	88	88	88
TV8 Sweden	66	66	65
TV10 Sweden	47	40	-
TV3 Norway	92	92	89
Viasat4 Norway	75	75	68
TV3 Denmark	67	69	68
TV3+ Denmark	60	62	65
TV3 PULS Denmark	44	45	53

Significant events MTG announced on 13 September 2011 that it had extended its exclusive live broadcasting rights to Danish Superligaen football for another three years, until the end of the 2014/2015 season in the Spring of 2015. Selected matches and content from Superligaen are broadcast on MTG's TV3+ channel in Denmark, on the internet pay-TV service Viaplay as well as on the TV2 Sport channel.

The Group prolonged its exclusive live broadcasting rights to UEFA Champions League in Sweden, Denmark and Norway until the end of 2014/2015 championship. The rights include broadcast coverage on pay-TV, mobile devices and the internet.

MTG signed an exclusive four year agreement with Twentieth Century Fox Television Distribution which covers the broadcasting of movies and TV series on the Scandinavian free-TV channels as well as the online and mobile rights for the Viaplay multi-screen online video streaming service.

Pay-TV Nordic

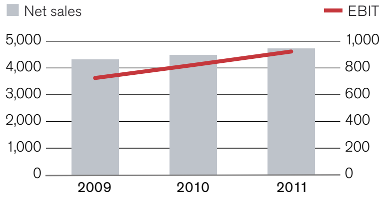
The pay-TV operations in the Nordic region market and sell Viasat's premium pay-TV packages on the Viasat satellite platform, the Viaplay online platform and via third party IPTV and cable networks. Viasat also distributes its 26 Viasat-branded pay-TV channels via a wide range of third party pay-TV networks.

The business reported sales growth of 5% (4%) to SEK 4,730 (4,484; 4,327) million in 2011, which corresponded to a sales growth of 8% (8%) at constant exchange rates. The annualised average revenue per premium subscriber (ARPU) increased by 5% (9%) to SEK 4,791 (4,555; 4,435) at the end 2011. The increase reflected the price increases introduced during 2011 and the ongoing rise in the penetration of accretive value-added services.

Total operating costs for the Pay-TV Nordic business amounted to SEK 3,807 (3,662; 3,602) million for 2011. The increase primarily reflected the ongoing investments in the Viaplay streaming platform, as well as investments in premium sports content.

Operating income for the Nordic pay-TV operations increased by 12% (13%) to SEK 923 (822; 725) million, and the operating margin therefore increased to 20% (18%; 17%).

Pay-TV Nordic
(MSEK)



Subscriber data	31 December 2011	31 December 2010	31 December 2009
Premium subscribers ('000s)	1,058	1,057	997
- of which, DTH satellite	*638*	*663*	*685*
*- of which, third party network subscribers**	*421*	*394*	*312*
Basic DTH subscribers	38	43	45
DTH satellite value-added service subscribers:			
ViasatPlus	188	158	141
Multi-room	250	235	211
High definition	297	210	106
Premium ARPU (SEK)	4,791	4,555	4,435

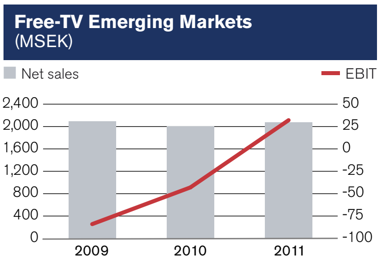
* Includes premium subscribers on both third party IPTV (broadband) and cable networks.

The premium subscriber base was slightly up year on year. This reflected third party network subscriber growth in all three Scandinavian countries. The number of subscribers to Viasat's value-added services continued to grow year on year.

Significant events MTG acquired the exclusive distribution rights to NHL ice hockey for Sweden, Denmark, Norway and Finland. The rights include broadcast on pay-TV and the internet until the end of the 2015-2016 season. The agreement also includes the free-TV distribution rights.

Free-TV Emerging Markets

During 2011, the Group's Emerging Market free-TV operations comprise a total of 19 free-TV channels in the Baltics, the Czech Republic, Bulgaria, Hungary, Slovenia and Ghana. The Group has also launched catch up services in several of its emerging markets, with TV3 Play available in Estonia and Latvia, and Nova Play in Bulgaria.



Combined sales for the Group's Free-TV Emerging Market operations increased by 3% (-4%) to SEK 2,073 (2,004; 2,095) million, and were up 8% (4%) at constant exchange rates. Sales for the Group's Baltic free-TV channels were up 8% at constant exchange rates. Sales for the Group's Czech operations were up 20% year on year in 2011 after significant viewing and advertising market share gains during the year. The increase continued to reflect successful programming investments, as well as the discontinuation advertising broadcasts by state owned public service channel CT1 from the end of October 2011.

Sales for the Group's Bulgarian operations were down by 12% (8%) at constant exchange rates. The decline continued to reflect the decline in the overall TV advertising market and low prevailing advertising prices. The Group's Hungarian operations also reported a decline in sales for the year following declines in the overall TV advertising market. The Group's Ghanaian Viasat1 channel reported substantially higher viewing and advertising market shares in the latter part of the year, as well as continued sales growth at constant exchange rates.

Commercial share of viewing (%)	2011	2010	2009
Estonia (15-49)	42.0	41.9	40.2
Latvia (15-49)	37.2	38.1	34.7
Lithuania (15-49)	44.0	40.7	40.4
Hungary (18-49)	8.1	7.5	7.9
Czech Republic (15-54)	27.7	23. 4	20. 8
Slovenia (18-49)	10.4	10.1	11.2
Bulgaria (18-49)	28.1	28.2	31.7

Combined operating costs for the Emerging Markets free-TV businesses amounted to SEK 2,041 (2,048; 2,179) million. The costs were up 4% at constant exchange rates, following programming investments to drive up audience shares.

The combined operations reported a SEK 75 million positive swing in operating profitability to SEK 32 (-43; -84) million.

Significant events MTG decided to close down the loss-making operations in Slovenia.

MTG prolonged the exclusive Baltic broadcast rights to IIHF Ice Hockey World Championship until 2017. The rights include broadcast coverage on free-TV, pay-TV, mobile devices and the internet.

The exclusive live broadcasting rights to UEFA Champions League and UEFA Europa League football in Estonia, Latvia and Lithuania were prolonged until the end of the 2014/2015 championship. The rights include broadcast coverage on free-TV, pay-TV, mobile devices and the internet.

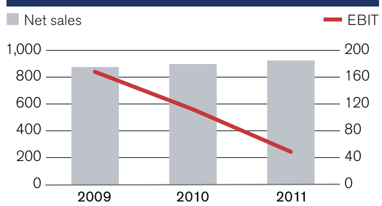
A new free-TV channel – Prima Love – was launched in the Czech Republic. The channel focus on the target group 15-44 year old female audience and will complement the sister channels TV Prima and Prima COOL

Pay-TV Emerging Markets

Viasat's Pay-TV Emerging Markets operations market and sell premium pay-TV packages on the Viasat DTH satellite platforms in the Baltics and Ukraine, and on the joint venture Raduga TV DTH satellite platform in Russia. Viasat also distributes 19 of its channels via third party pay-TV networks to subscribers in 30 countries across Central and Eastern Europe, and in the United States and Africa.

The Group has aligned the accounting treatment of the results of its Ukrainian satellite pay-TV business with that applied to its other pay-TV operations. This resulted in a SEK -29 million accumulated revenue adjustment and a SEK -18 million accumulated operating

Pay-TV Emerging Markets
(MSEK)



income (EBIT) adjustment for the Pay-TV Emerging Markets operations in the Group's consolidated results for 2011. The alignment relates to reporting results net of subscriber connection fees.

The Pay-TV Emerging Markets business segment reported 3% (2%) revenue growth to SEK 922 (896; 875) million, and a 13% (12%) revenue increase at constant exchange rates. The growth was driven by continued subscriber intake on the Group's Ukrainian, Russian and Baltic satellite platforms, as well as the year on year effect of the consolidation of the results of the Group's 50% interest in Raduga TV from the beginning of February 2010 and the full consolidation of Viasat Ukraine from the beginning of June 2010.

Viasat's Emerging Markets pay-TV operations added 102,000 net new subscribers in 2011 and 72,000 subscribers in the fourth quarter alone, following accelerating subscriber intake in Ukraine and Russia and growth in the Baltic subscriber base. The number of wholesale mini-pay subscriptions grew by 28% compared to the beginning of the year to over 64 million subscriptions following the signing of new contracts in Russia in particular.

Subscriber data (000's)	2011	2010	2009
Satellite subscribers	532	430	240
Mini-pay TV subscriptions	64,285	50,245	40,778

In 2011, the Emerging Market pay-TV business reported operating costs of SEK 874 (784; 707) million. The increase reflected the launch of 10 new mini-pay Viasat channels since the beginning of 2010, the ongoing investments in the development of the Ukrainian and Russian platforms, and the aforementioned consolidation of 50% of Raduga TV and 100% of Viasat Ukraine. The combined businesses reported an operating profit of SEK 49 (112; 168) million, with an operating margin of 5% (12%; 19%).

Significant events The documentary pay-TV channels Viasat History and Viasat Nature were launched in Uganda and Tanzania. The channels are distributed through a digital terrestrial television operator, which also includes the channels in its pay-TV offering in Nigeria.

Viasat History HD and Viasat Nature HD were launched to 22 countries in Central & Eastern Europe. Viasat History, Viasat Nature, Viasat Explorer and Viasat Crime were made available to satellite pay-TV subscribers in Nigeria and cable pay-TV subscribers in Kenya.

Associated company CTC Media

MTG's share of Russia's largest independent television broadcaster CTC Media amounted to 38.1% (38.3%) by the end of 2011. 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 rolling 12 months (USD million)	2011	2010	2009
Sales 1 October – 30 September	752	559	513
Income before tax 1 October – 30 September	238	152	-50
Share of earnings MTG 38.1% (38,3; 39.4%) (SEK million)	602	405	254

CTC Media's sales grew by 34% (9%) to USD 752 (559; 513) million for the twelve months ended 30 September 2011, and reported pre-tax profits of USD 238 (152; -50) million for the period. CTC Media's Q3 2011 results included USD 16.8 million of non-cash impairment charges, of which USD 1.5 million impacted MTG's results.

CTC Media's results for the fourth quarter of 2009 (reported in MTG's result in 2010) included a USD 19 million charge, arising from the impairment of the broadcasting licenses of certain regional owned-and-operated stations in Russia, and a USD 29 million stock-based compensation expense recognised in conjunction with the settlement of litigation brought by CTC Media. MTG's equity participation in the earnings before tax of CTC Media therefore amounted to SEK 602 (405; 254) million.

CTC Media made four cash dividends and the Group received payments of in total USD total USD 49 (31; -) million, SEK 319 (216; -) million, during 2011.

Detailed information regarding CTC Media's operations and the company's financial position is available on www.ctcmedia.ru.

Significant events after the end of the year CTC Media published its results for the fourth quarter and full year ended 31 December 2011 on 28 February 2012.

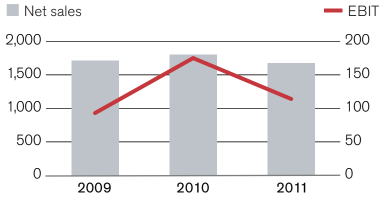
CTC Media announced its intention to pay an aggregate of USD 80 million in cash dividends in 2012. The Board of Directors of CTC Media has approved the payment of the first installment of the dividend in the amount of USD 0.13 per outstanding share of common stock, or USD 21 million in total.

Other Businesses

The Group's 'Other Businesses' segment primarily comprises the Group's Radio, Bet24 and Modern Studios operations. The Group's radio operations comprise the leading national commercial networks in Sweden and Norway, as well as national and local stations in the Baltics. Modern Studios comprises the Group's content production businesses in Europe and Africa.

Combined sales for the other businesses declined by -7% (5%) to SEK 1,675 (1,804; 1,716) million, and was down -5% (11%) at constant exchange rates, as a result of lower sales for the Bet24 betting business. The Group's Swedish and Norwegian radio operations reported sales growth. Operating costs for the combined businesses totalled

Other Businesses
(MSEK)



SEK 1,566 (1,629; 1,623) million. The combined businesses reported operating profits of SEK 114 (175; 93) million, with operating margins of 7% (10%; 5%).

Outlook

The television advertising markets in the Group's Scandinavian operating territories grew year on year in 2011, whilst the advertising markets in the Group's Eastern European countries continued to lag their Scandinavian counterparts in terms of recovery and development.

The exposure of MTG's free-TV and pay-TV businesses position the Group well to take future audience, subscriber and market shares in its operating territories. Overall, MTG is set to benefit from the effect of the digitalisation of TV broadcasting and the resulting multi-channel environment, the Group's position as the primary challenger to commercial incumbents in most of its markets, as well as the ongoing investments in content, technology and geographical development.

MTG's ambition is to continue with its expansion and development as a growth company, whilst delivering healthy margins and increased shareholder returns. The Group's free-TV and pay-TV businesses in the Nordic region already generate healthy margins and cash flows, and are expected to continue to do so going forward. The Group's broadcasting businesses in the Emerging Markets are expected to contribute an increasing proportion of Group revenues and profits over time. The Group also aims to continue to generate healthy returns on investment (Return on Capital Employed and Return on Equity) as well as shareholder returns (Total Shareholder Returns).

The growth of the Scandinavian advertising markets is expected to slow down during 2012 from the levels reported in 2011, following two years of strong recovery and double digit TV advertising market growth. MTG expects to continue to benefit from the demand and price increases for TV advertising during the year, as well as the ongoing increase in the amount of television content that people consume. The development of the operations will be driven by the high channel penetration levels and the Group's multichannel media house offering of channels with complementary audience profiles.

The Group is also increasing its focus on the regional TV advertising market in Sweden, and will expand its regional offering from 6 to 19 regions across the country in the first quarter of 2012. The Group expects its increased regional focus to gradually benefit the overall growth of the Group's Scandinavian free-TV operations. The free-TV environment continues to be competitive, and the Group therefore expects to increase its programming investments in 2012.

The Nordic pay-TV business reported a stable year on year premium development of its overall premium subscriber base during 2011, with the ongoing decline in the premium satellite subscriber base offset by subscriber growth on third party networks. Satellite premium average revenue per user (ARPU) grew in 2011, and is expected to continue to increase as a result of price increases, as well as the growing size of the Group's HD, multi-room and 3D subscriber bases, and additional channels. Overall operating expenditure is expected to increase during 2012, as a result of the renewal of a number of key sports rights, the investments in the Group's online pay-TV service Viaplay and the already announced rebranding of the TV1000 channel portfolio into Viasat Film and launch of a number of new high definition channels. The operating margin for the full year is therefore expected to be lower compared to the high levels reported for the full year 2011.

The performance of the free-TV businesses in the Emerging Markets is highly geared to the development of the Baltic, Czech and Bulgarian advertising markets. MTG has continued to invest selectively in programming during 2011, and has therefore been able to deliver strong audience shares in most of its markets. MTG expects to continue to strengthen its positions in the Emerging Markets through ongoing selective investments in programming schedules, as well as the development of its channel portfolio and the ongoing evolution of its media house offering to advertisers. The Group also expects the closing down of its loss making Slovenian operations to be beneficial to the profitability of its combined Emerging Markets free-TV businesses during 2012.

The Group's Emerging Markets pay-TV business is expected to continue reporting healthy growth levels. As a result of the ongoing investments made by the Group in its Russian and Ukrainian satellite platforms, MTG expects satellite subscriber intake in both countries to continue during 2012. The wholesale mini-pay business is expected to continue to deliver growth and exhibit healthy profitability levels. However, as the Group increases its pay-TV network penetration in the countries where the mini-pay channel portfolio is available, the levels of subscription growth are expected to slow down. The Group's Russian and Ukrainian satellite TV platforms are still in an investment phase, but losses for each of businesses are expected to continue to decline going forward in line with the ongoing growth and maturity of the businesses.

As a whole, the Group therefore expects to continue to report revenue growth, as well as healthy margins moving forward. MTG converts a high proportion of EBITDA into cash, and expects strong cash conversion levels going forward. The Group expects its 38.1% shareholding in associated company CTC Media to continue to generate cash flows in 2012, in line with CTC Media's high cash conversion levels and philosophy to distribute excess cash to shareholders. MTG capital expenditure has historically represented a very low percentage of the Group's revenues, and this is expected to continue going forward.

As a result of its strong cash flow generation, the Group was able to pay down a significant amount of debt during 2011, and was therefore in a healthy financial position at the end of the year, with a Net Debt to EBITDA ratio of 0.3 times. The Group therefore expects to be able to continue to invest organically in the growth of its businesses, capitalise on relevant acquisition opportunities as and when they arise, and to continue to return cash to shareholders.

MTG's Board of Directors has adopted a dividend policy to distribute a minimum of 30 per cent of each year's recurring net profit to shareholders in the form of an annual ordinary dividend. As one of Europe's fastest growing broadcasters, MTG needs to maintain a strong financial position in order to take advantage of opportunities as they arise. However, MTG also believes that shareholders should benefit directly and consistently from its strong cash flow generating ability.

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 could also adversely affect the Group's performance and position.

MTG's business is affected by the economic environment The general economic cycle can affect the demand for the Group's products and services. These factors can 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 impact on the Group's income statement, financial position 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, pound sterling and, until autumn 2011, 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 relates to programming content acquired in foreign currencies. The Group's equity is not hedged.

The Company is dependent on third-party operators to distribute much of its programming. The Company currently depends on a number of third-party cable, IPTV operators for the distribution of a large percentage of its programming in each of its Northern European, and some of its Eastern European markets as well as the Russian market. There can be no assurance that such third-party operators will continue to distribute the Company's channels in the future. Any decrease in distribution via, or decrease in carriage fees received by, these third-party operators could have a material negative impact on the Company's advertising and pay-TV revenues and could have a material adverse effect on the Company's business, financial condition or results of operations.

MTG is reliant on debt capital markets to finance its operations The Company is exposed to risks associated with disruptions in the financial markets, which can make it more difficult and more expensive to obtain financing. For example, adoption of new regulations, implementation of recently enacted laws or new interpretations or the enforcement of existing laws and regulations applicable to financial institutions, the financial markets or the financial services industry could result in a reduction in the amount of available credit or an increase in the cost of credit.

In addition, disruptions in the financial markets can adversely affect the Company's lenders, insurers, customers and other counterparties. For instance, the inability of the Company's counterparties to obtain capital on acceptable terms could impair their ability to perform under their agreements with the Company and lead to various negative effects on the Company, including business disruptions, decreased revenues and increases in bad debt write-offs. Any of these events could have a material adverse effect on the Company's business, financial condition or results of operations.

The Groups' existing credit facilities are currently considered sufficient.

MTG's business is affected by laws, rules and regulations Changes to these laws, rules and regulations, and the outcome of court cases could positively or adversely affect the Group's ability to operate and the results of its operations. The Company's business is regulated in many jurisdictions. The regimes which regulate the Company's business include both European Union ("EU") and national laws and regulations related to broadcasting, telecommunications, competition (antitrust), gambling and taxation. Changes in regulations relating to licensing requirements, access requirements, programming transmission and spectrum specifications, consumer protection, taxation, or other aspects of the Company's business, or those of any of its competitors, could have a material adverse effect on the Company's business, financial condition or results of operations.

On July 13, 2011, the European Commission announced a consultation in the form of a Green Paper on the online distribution of audiovisual works in the EU entitled Opportunities and Challenges Towards a Digital Single Market. The European Commission is currently expected to propose a new Directive in 2012. Any Directive will not become law for some time, but significant changes to the law affecting the licensing of content for internet distribution l, if enacted, could have a material adverse effect on the Company's business, financial condition or results of operations.

It is currently expected that the European Commission will propose a number of new Regulations and Directives in 2012 including (i) a Directive on Collective Rights Management; (ii) a new revision of the IPR Directive; (iii) General Data Protection Regulation (revising the current Data Protection Directive); and (iv) a Directive on the Licensing of Orphan Works. While none of these Regulations and Directives is anticipated to pose a significant risk to the Company's business, there is no guarantee that any final legislation as adopted will not have a material adverse effect on the Company's business, financial condition or results of operations.

On October 13, 2011, the European Court of Justice (the "ECJ") passed judgment in the Airfield/Canal Digitaal v SABAM and Airfield v AGICOA cases relating to the issue of payment for the (re)broadcasting of television programmes transmitted by broadcasting organisations. The implications of the judgment to the territories in which we operate are as yet uncertain however it could result in negative financial implications for our business.

On October 14, 2011, the ECJ delivered judgment in the joined cases of Football Association Premier League Ltd and Others v. QC Leisure and Others and Karen Murphy v. Media Protection Services Ltd. The cases concern the issue of whether measures to enforce exclusive broadcasting rights are incompatible with EU law. The main effect of the judgment is that subscribers in one Member State may not be prevented by a rights holder or broadcaster from acquiring a decoder and smart card from an operator in another Member State on the basis of territorial restrictions in the contract. The judgment has had no significant impact on the Company's business but it cannot be discounted that In the long term, the judgment may have an adverse effect on the Company's business, financial condition or results of operations.

In 2011 changes have been introduced to the Russian law "On Mass Media" affecting in particular licensing of TV and Radio channels in Russia. To comply with the requirements, Viasat has to re-register the channels and re-apply for the currently held licenses.

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

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

The Company's competitors also include market participants with interests in multiple media businesses which are often vertically integrated. Certain competitors may have broader coverage, greater name recognition, larger market share, wider programming content or access to more funding than we do, or with newer niche channels or pay TV services offering competitive programming formats. If the Company cannot compete successfully in the future against existing or potential competitors, this may have a material adverse effect on the Company's business, financial condition or results of operations.

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

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

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

In addition, compression techniques and other technological developments may increase the number of channels broadcast in the Company's operating markets and expand programming offerings to highly targeted audiences. Reductions in the cost of launching additional channels could lower entry barriers for new channels and encourage the development of increasingly targeted niche programming on various distribution platforms. To maintain its market share, the Company's television broadcasting operations may be required to expend substantial financial and managerial resources on the implementation of new broadcasting technologies or distribution systems. Moreover, expansion of the broadcasting industry caused by technological innovation may fuel competition for audiences and advertising revenue as well as the competitive demand for programming. Any substantial further investment to address such competitions could have a material adverse effect on the Company's business, financial condition or results of operations.

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

MTG depends upon third party operating satellites where we have limited control and that are subject to significant risks and may prevent or impair proper commercial operation, including defects, destruction or damage.

The Company has taken, and will continue to take, a variety of actions to combat piracy and signal theft, both by itself and together with industry associations. There can be no assurance that the Company's efforts to enforce its rights and protect its products, services and intellectual property will be successful in preventing content piracy or signal theft. Ineffective control over content piracy and signal theft may adversely affect the Company's revenues from products and services, including, but not limited to, films, television shows and DTH programming and could have a material adverse effect on the Company's business, financial condition or results of operations. MTG is also dependent upon other providers to secure its content.

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 ambition is to continue to do so. The expansion has involved both acquisitions of broadcasting licences and companies as well as investments in programming and the addition of new channels to the Group's portfolio.

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. The political and economic risks on some of these markets may be regarded as higher than those prevailing on MTG's Scandinavian markets. Further, the expansion results in an increased exposure to foreign currencies.

MTG has only limited control over its associated companies MTG conducts some of its business through associated companies in which the Group does not have a decisive controlling stake, 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 has a significant amount of intangible assets with indefinite lives that is not amortised. If events or changes in the economic environment cause a reduction of the fair value of the assets, MTG may have to recognise impairment losses that can adversely impact net income. Further, other intangible assets which are amortised may face a reduction in the fair value, causing impairment losses.

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, related to the Group's 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. 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, as well as to minimise operational risks. The Group's financial policy is subject to review and approval by the Board of Directors and constitutes a framework of guidelines and rules for financial risk management and financial activities in general. The Group's financial risks are continuously evaluated and followed up to ensure compliance with the Group's financial policy. The exposures are described in Note 22 to the Accounts in this report.

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

Transaction 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.

Translation exposure 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. Translation exposure is not hedged.

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

Financing risk External borrowing is managed centrally in accordance with the Group's financial policies. Loans are primarily taken up by the parent company, and transferred to subsidiaries as internal loans or capital injections. There are also companies, including those where the Group owns a 50% interest, 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 The parent company ensures that the Group has sufficient insurance cover, including business interruption, director and officer liabilities and asset losses. This is done via corporate umbrella solutions to cover most territories.

Business Ethics

MTG has the following principles and guidelines, in line with the Group's values and corporate responsibility in conducting its business,

- We act with honesty and integrity
- We are committed to free and open competition
- We comply with laws and regulations as well as corporate policies
- We comply with all competition and anti-trust laws
- We do not participate in party politics and never make political contributions
- We strictly prohibit any bribes and other unlawful payments

Employees

An organisation is defined by its ability to create change, adapt to its environment and capitalise on the opportunities presented to it. The speed and efficiency with which this is accomplished is what determines success, and its employees are the most important factor in achieving goals and objectives. MTG's Code of Conduct, mission statement and employee guidelines have all 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 Group policies, to provide feedback on their views on how the Company is managed, as well as any other feedback regarding the implementation of the Group's policies. The most essential of these policies are:

- We promote equal opportunities irrespective of race, ethnical background, religion, nationality, gender, mental or physical handicaps, marital status, age, sexual orientation or any other status unrelated to the individual's ability to perform
- We value diversity
- We do not tolerate discrimination or sexual, physical or mental harassment
- We seek to provide a healthy, safe and clean working environment
- We respect and support each other

The Group employed 3,137 (2,651) full time employees at the end of 2011, compared to 2,936 employees at the beginning of 2010. This takes into account the distribution of the Group's e-commerce group – CDON Group AB. 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 2011 Annual General Meeting. Senior executives covered by these guidelines include the Executive Management (below the "Executives"). Remuneration to the Executive Management is presented in note 25 to this report.

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 consisting of Northern and Eastern European media companies. Remuneration is based on market competitive conditions and which are also aligned with shareholders' interests. Executive Remuneration consists of a fixed and variable salary in cash, as well as the possibility of participation in an equity based long-term incentive programme and pension schemes. These components create a well-balanced remuneration structure which reflects 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 each 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 75% of the fixed annual salary. The variable remuneration shall be based on the performance of Executives in relation to established goals and targets.

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 time 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 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 and it should be noted that the Chief Executive Officer is entitled to receive a severance payment equivalent to one month's basic salary per year of service in the Group if he complies with certain conditions.

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.

The guiding principles have generally been followed during 2011. However the Board of Directors has considered it appropriate to make an exception from the guidelines and has entered an employment agreement with one Executive providing for the potential award of variable remuneration greater than the 75% annual salary cap to a maximum of 150% of fixed annual salary in the event of significant financial over-performance in the Executive's business area.

Proposal for 2012 Executive Remuneration guidelines

The Board of Directors will propose to the 2012 Annual General Meeting that the guidelines for 2011 should be applied in 2012.

Share-based long-term incentive plans

The Group has four outstanding share-based long-term incentive plans, approved in 2007, 2009, 2010 and 2011. For information about these programmes, see Note 25 and MTG's 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. 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 38 (41; 52) million in 2011. Net interest and other financial items totalled SEK 769 (543; 1,259) million, and included SEK 400 (73; 1,305) million of dividends received from subsidiaries, and net group contributions of SEK -206 (-156; 261). Income before tax amounted to SEK 562 (212; 1,367) million. The parent company had cash and cash equivalents of SEK 96 (136; 536) million at the end of the period. SEK 5,058 (3,900; 3,100) million of the SEK 6,600 million total available credit facilities, including the SEK 100 million overdraft facility, was unutilised at the end of the reporting period.

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, but MTG chooses, on a voluntary basis, to report our environmental impact for travel and offices in our Modern Responsibility Report.

Proposed appropriation of earnings The following funds are at the disposal of the shareholders as at 31 December 2011 (SEK):

Premium reserve	267,111,846
Retained earnings	7,719,164,872
Net profit for 2011	515,116,391
Total	**8,501,393,108**

The Board of Directors propose that a SEK 9.00 (7.50; 5.50) dividend per share be paid to shareholders for the twelve months ended 31 December 2011 and that the remaining amount be carried forward, of which SEK 267 million to the premium reserve. The total proposed dividend payment would amount to a maximum of SEK 599,772,708, based on the maximum potential number of outstanding shares as at the record date, and represent 32% of the Group's normalised reported net income for the full year 2011.

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 2011, was SEK 21.8 billion.

Shareholders The number of shareholders according to the share register held by Euroclear Sweden AB (Swedish Securities Centre) was approximately 21,710 (20,900) at the end of 2011. The shares held by the ten largest shareholders corresponded to approximately 47% (43 %; 47%) of the share capital and 65% (59%; 61%) of the voting rights. Swedish institutions and mutual funds own approximately 49% (43%; 50%) of the share capital, international investors own approximately 35% (42%; 33%) and Swedish private investors own approximately 16 % (16 %; 18%).

Shareholder's as at 31 December 2011

Name	Total	Class A Shares	Class B Shares	Capital	Votes
Investment AB Kinnevik	13,503,856	5,119,491	8,384,365	20.0%	49.9%
Capital Group Funds	4,324,000	0	4,324,000	6.4%	3.6%
Lannebo Funds	2,731,298	0	2,731,298	4.0%	2.3%
Nordea Funds	2,562,413	0	2,562,413	3.8%	2.1%
Swedbank Robur Fund	1,742,729	0	1,742,729	2.6%	1.5%
SHB Funds	1,692,246	0	1,692,246	2.5%	1.4%
SEB Funds	1,484,959	0	1,484,959	2.2%	1.2%
AMF Pension Funds	1,327,000	0	1,327,000	2.0%	1.1%
Second AP Fund	1,206,858	0	1,206,858	1.8%	1.0%
First AP Fund	1,195,250	0	1,195,250	1.8%	1.0%
Government of Norway	1,023,315	0	1,023,315	1.5%	0.9%
Enter Funds	955,500	0	955,500	1.4%	0.8%
AFA Försäkring	791,150	0	791,150	1.2%	0.7%
Länsförsäkringar funds	641,197	0	641,197	0.9%	0.5%
Others	31,221,466	759,440	30,462,026	46.2%	32.0%
Total outstanding shares	**66,403,237**	**5,878,931**	**60,524,306**	**98.2%**	**100.0%**

Source: Euroclear Sweden AB

MTG holds 378,887 Class B shares and 865,000 Class C shares as treasury shares. The total number of issued shares are therefore 67,647,124 including 5,878,931 Class A shares, 60,903,193 Class B shares and 865,000 Class C shares as per 31 December 2011.

Share distribution	Number of shareholders	%	Number of shares	%
1 – 1,000	19,974	92.0	3,782,174	5.7
1,001 – 5,000	1,236	5.7	2,599,695	3.9
5,001 – 10,000	135	0.6	963,849	1.5
10,001 – 50,000	198	0.9	4,592,780	6.9
50,001 – 100,000	60	0.3	4,416,329	6.7
100,001 – 15,000,000	107	0.5	50,048,410	75.4
Total 31 December 2011	**21,710**	**100.0**	**66,403,237**	**100.0**

Share capital and votes Each Class A share is entitled to ten voting rights. Each Class B and each C share is entitled to one voting right. The Class C shares are not entitled to dividend payments. The Class C shares were issued and repurchased as part of the MTG performance based incentive plan approved by the Annual General Meetings. During 2011, 440,000 class C shares were converted to B shares, of which 61,113 shares were transferred to employees as part of the exercise of the 2008 long term incentive plan. The total number of voting rights are 120,557,503 (127,138,441; 138,123,124) as per 31 December 2011. For changes in the issued shares, please see note 18 Shareholders' equity.

The Group's share capital amounted to SEK 338 (337) million at the end of the year. For changes in the share capital between 2009 and 2011, please see the report entitled "Consolidated statement of changes in equity".

Dividends The parent company paid an ordinary dividend of SEK 7.50 (5.50; 5.00) per share to shareholders in 2011, amounting to a total payment of SEK 498 (363; 329) million. The shares in CDON Group were distributed in December 2010 at a market value of SEK 2 billion.

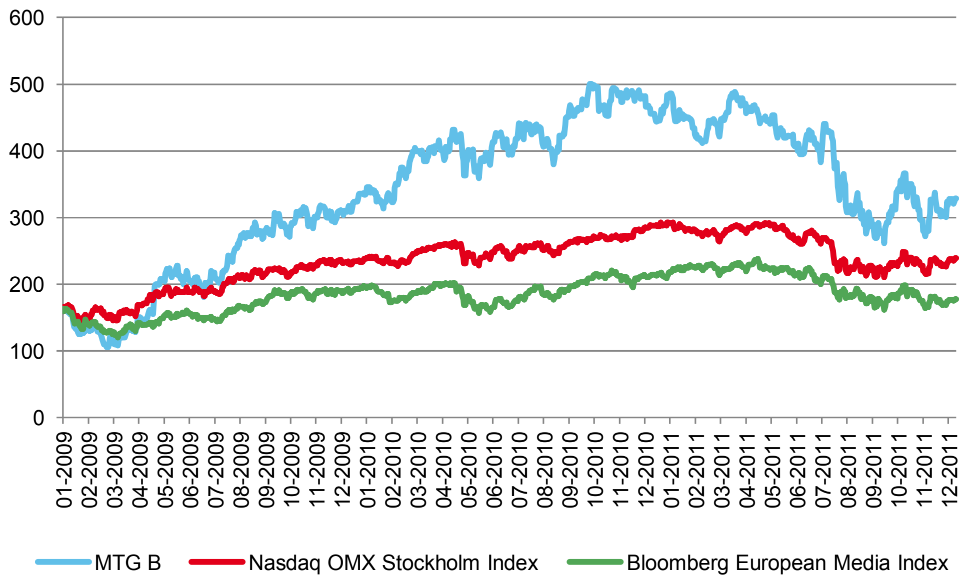
Share buy-back A total of 1,517,000 Class B shares were repurchased during 2008 and 2007 and cancelled in 2008. The 2009, 2010 and 2011 Annual General Meetings approved a mandate to authorise the Board of Directors to buy back MTG Class A and Class B shares up until the 2010, 2011 and 2012 Annual General Meeting. The Group's shareholding in its own stock may not exceed 10% of the total number of issued shares. No Class A shares or Class B shares were bought back during 2009, 2010 and 2011. 480,000 Class C shares were issued and repurchased in 2008, 370,000 Class C shares in 2009, 215,000 in 2010, and 240,000 in 2011. The quota value is SEK 5.00, and the total consideration was SEK 2 million in 2008 and 2009 respectively, and SEK 1 million in 2010 and 2011 respectively. The share relating to class C shares of the total share capital represented 0.7%, 1.3%, 1.6% and 1.3% for the respective years. The Class C shares are redeemable and, upon the decision of the Board of Directors, may be reclassified into Class B shares. The Class C shares were held by the Company as treasury shares during the vesting period for the 2011, 2010, 2009 and 2008 long term incentive plans. The purpose of the Class C shares 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 may be put before the Annual General Meetings in 2012 and 2013 respectively.

Reclassifications In accordance with the Articles of Association, and the Extra General Meeting in 2009, the Board of Directors approved the reclassification of a total of 150,242 MTG Class A shares into MTG Class B shares in 2008, of 7,160,725 Class A shares into Class B shares in 2009, and 1,293,888 in 2010, and 757,882 Class A shares into class B shares in 2011. 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 2011 were exercised and all shares awarded, the issued share capital of the Company would increase by 562,892 Class B shares, and be equivalent to a dilution of 0.8% of the issued capital and 0.5% of the related voting rights as at the end of 2011.

The remaining 28,890 options granted under the 2007 programme have an exercise price of SEK 405.10 for the stock options and the warrants, and are exercisable from 15 May 2010 to 15 May 2012. The 239,490 retention and performance shares granted in the 2009 programme entitle holders to one Class B share per share, free of charge. The 105,224 performance options granted in the 2010 programme have an exercise price of SEK 452.00 and the 63,543 retention and performance rights entitle holders to one free Class B share per right. The 117,750 retention and performance rights granted in the 2011 programme entitle holders to one free Class B share per right, and the the 97,900 performance options have an exercise price of SEK 517.30. Further details about the programmes can be found in Note 25.

Share performance



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

Corporate Governance Report

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 with the exception of the Chairmanship of the Nomination Committee, which are explained below.

Governance structure

Shares and shareholders The share capital consists of Class A, Class B and Class C shares. The holder of one Class A share is entitled to ten voting rights. Holders of Class B and Class C shares are entitled to one voting right 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 under the heading The MTG share, page 34.

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 statement of financial position, 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 original power of attorney and the certificate of registration, where applicable, are to be sent to

Modern Times Group MTG AB, c/o Computershare AB, P.O. Box 610, SE-182 16 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 2011 financial year will be held on 8 May 2012 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 2011, 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, Thomas Ehlin on behalf of Nordea Investment Funds, Johan Ståhl on behalf of Lannebo Fonder, and Kerstin Stenberg on behalf of Swedbank Robur funds. 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 2012 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.

Cristina Stenbeck, who is a Member of the Board of Directors of MTG, 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 2011 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, Mia Brunell Livfors, Simon Duffy, Lorenzo Grabau, Alexander Izosimov, Michael Lynton, David Marcus, and Cristina Stenbeck. The Board of Directors and its Chairman, David Chance, were re-elected, and Lorenzo Grabau was elected for the first time at the Company's Annual General Meeting of Shareholders on 18 May 2011. Biographical information on each Board member is provided on pages 48-50 of this report.

Responsibilities and duties of the Board of Directors The Board of Directors has the overall responsibility for MTG's organisation and administration. 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. These committees handle business within their respective segment 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's and its subsidiaries' financial positions, should be reported.

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

The Board also reviews, primarily through the Group's Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes in these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and financial reporting processes, as well as internal audit reports submitted by the Group's internal audit function. The Group's external auditors report to the Board as necessary, but at least once a year. A minimum of one such meeting is held without the presence of the CEO or any other member of Excecutive Management. The external auditor also attend the meetings of the Audit Committee. Minutes are taken at all meetings and are made available to all Board members and to the auditor.

Board of Directors during 2011

Name	Position	Born	Nationality	Elected	Independent to major shareholders	Independent to company and its management	Remuneration Committee	Audit Committee
David Chance	Chairman	1957	American and British	1998	Yes	Yes	Member	
Mia Brunell Livfors	Member	1965	Swedish	2007	No	Yes	Member	
Simon Duffy	Member	1949	British	2008	Yes	Yes		Chairman
Lorenzo Grabau	Member	1965	Italian	2011	Yes	Yes		Member
Alexander Izosimov	Member	1964	Russian	2008	Yes	Yes		Member
Michael Lynton	Member	1960	American and British	2009	Yes	Yes		Member
David Marcus	Member	1965	American	2004	Yes	Yes	Chairman	
Cristina Stenbeck	Member	1977	American and Swedish	2003	No	Yes		

Mia Brunell Livfors became independent of the Company and its management as although she is a member of the Board of Directors of Transcom Worldwide S.A., MTG’s relationship with Transcom Worldwide S.A. is no longer considered as significant.

Board working procedures

Remuneration Committee The Remuneration Committee comprises David Marcus as Chairman and David Chance 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.

Audit Committee The Audit Committee comprises Simon Duffy as Chairman, Lorenzo Grabau, Alexander Izosimov and Michael Lynton. The Audit Committee's responsibility is to

- monitor the company's financial reporting
- monitor the company's efficiency relating to internal control, internal audit and risk management
- keep informed regarding the audit of the annual report and the consolidated accounts
- review and monitor the impartiality and independence of the auditor, with special attention to the services provided other than audit
- assist the Nomination committee to prepare for the election of auditors at the Annual General Meeting

In addition, the Audit Committee should, when applicable, monitor and secure the quality and fairness of transactions with related parties.

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

Work of the Board during 2011 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, the establishment of new operations, 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.

The Board of Directors had 6 ordinary meetings and 3 extraordinary meeting during 2011.

Attendance at Board and Committee Meetings

Board of Directors	Board meetings	Audit Committee	Remuneration Committee
Meetings until the Annual General Meeting 18 May	2	1	2
Meetings from the Annual General Meeting 18 May	7	2	2
Total number of meetings	9	3	4
David Chance, Chairman	9/9		4/4
Mia Brunell Livfors	9/9		4/4
Simon Duffy	8/9	3/3	
Lorenzo Grabau (from 18 May 2011)	7/7	2/2	
Alexander Izosimov	8/9	3/3	
Michael Lynton	9/9	3/3	
David Marcus	6/9		4/4
Cristina Stenbeck	9/9		

External auditors

The Company's auditors are elected by the Annual General Meeting for a period of four years. The current auditor was elected at the 2010 Annual General Meeting. KPMG was last elected as MTG's lead auditors in 2010 and has been external auditors since 1997. George Pettersson, authorised public accountant, is responsible for the audit of the Company on behalf of KPMG since 2010. 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.

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 2009, 2010 and 2011. These services comprised tax compliance work, advice on accounting issues, and advice on processes and internal controls and other assignments of a similar kind and closely related to the auditing process. For more detailed information concerning the auditors' fees, see Note 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), and Executive Vice Presidents ((EVP). Biographical information on each executive is provided on pages 51–55 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 segments. The Chief Executive Officer chairs the operational board meetings, which are attended by the Executive Management of the relevant business segments and the Chief Financial Officer and other Executive Vice Presidents.

Executive remuneration The current guiding principles for executive remuneration and the proposals for 2012 are described under the heading Executive Remuneration on pages 31–32.

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 2007, 2009, 2010 and 2011. 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, information and communication, and monitoring regarding the financial reporting are designed to ensure reliable overall financial reporting and external financial statements in accordance with International Financial Reporting Standards, applicable laws and regulations and other requirements for listed companies on Nasdaq 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 monitoring internal audit and establishing 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 segments 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 segments 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 segment, and includes risk registers, contingency plans and disaster recovery plans. 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.

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.

Board of Directors

David Chance

Chairman of the Board
American and British

Born 1957. 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 has also served as a Non-Executive Director of ITV plc and O2 plc. David graduated with a BA, BSc and MBA from the University of North Carolina.

Member of the Remuneration Committee.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.

Mia Brunell Livfors

Non-Executive Director
Swedish

Born 1965. Member of the Board of Directors since 2007. Mia has been Chief Executive Officer of Investment AB Kinnevik since 2006. Mia previously worked for MTG in various managerial positions from 1992. She was appointed as Chief Financial Officer of Modern Times Group MTG AB in 2001. Mia has been Chairman of the Board of Directors of Metro International S.A. since 2008. She also serves as a Non-Executive Director of Millicom International Cellular S.A., Tele2 AB, Transcom Worldwide S.A., Korsnäs AB and CDON Group AB, and has been 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: 5,505 Class B shares.

Independent of the Company and management but not independent of major shareholders.

Simon Duffy

Non-Executive Director
British

Born 1949. Member of the Board of Directors since 2008. Simon was Executive Chairman of Tradus plc until the company's sale in March 2008. Simon is Non-Executive Chairman of bwin.party digital entertainment plc, Cell C (Pty) Limited and mBlox Inc., as well as a Non-Executive Director of Oger Telecom Limited. 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: 1,750 Class B shares.

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

Lorenzo Grabau

Non-Executive Director
Italian

Born in 1965. Member of the Board of Directors since 2011. Lorenzo is a former Managing Director of Goldman Sachs, which he joined in 1994 after five years with Merrill Lynch. Lorenzo held a number of leadership positions within the Goldman Sachs Investment Banking division, including Head of Media and Head of Consumer Retail. Lorenzo is a graduate from Universita degli Studi di Roma, La Sapienza, Italy.

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

Member of the Audit Committee.

Direct or related person ownership: 34 Class B shares.

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

Michael Lynton

Non-Executive Director
American and British

Born 1960. Member of the Board of Directors since 2009. Michael became Chairman and Chief Executive Officer of Sony Pictures Entertainment in January 2004. Prior to joining Sony Pictures, Michael worked for Time Warner and served as CEO of AOL Europe, President of AOL International, and President of Time Warner International. He was Chairman and CEO of Pearson plc’s Penguin Group from 1996 to 2000. Michael joined The Walt Disney Company in 1987 and was responsible for establishing Disney Publishing, and served as President of Disney’s Hollywood Pictures division from 1992 to 1996. Michael is a graduate of Harvard College and Harvard Business School.

Member of the Audit Committee.

Direct or related person ownership: 0

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

David Marcus

Non-Executive Director
American

Born 1965. Member of the Board of Directors since 2004. Co-founder and Chief Executive Officer of Evermore Global Advisors, LLC. David is also the Non-Executive Chairman of Modern Holdings, Inc.. David graduated from Northeastern University in Boston.

Chairman of the Remuneration 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. Member of the Board of Directors since 2003. Cristina has been Chairman of the Board of Directors of Investment AB Kinnevik since 2007 and has served as a Non-Executive Director of Metro International S.A. and Tele2 AB since 2003. Cristina graduated with a BSc from Georgetown University in Washington DC.

Direct or related person ownership: 279,683 Class B shares. In addition to her own directly held shares, Cristina is via Verdere S.à r.l. indirectly owner of a considerable shareholding in MTG's major shareholder, Investment AB Kinnevik.

Independent of the Company and management but not independent of major shareholders.

Executive Management

Hans-Holger Albrecht

President & Chief Executive Officer
Born 1963

Hans-Holger became Chief Operating Officer of MTG in May 2000 and was appointed as President and CEO in August 2000. He joined the Group in 1997 and has served as Head of the Group's Pay-TV operations and as President of Viasat Broadcasting. Hans-Holger is co-Chairman of the Board of Directors of CTC Media, Inc. and Chairman of CDON Group AB (the internet retailing group that was demerged from MTG and listed on Nasdaq OMX Stockholm in December 2010), and is also a member of the Board of Directors of Millicom International Cellular S.A. and the International Emmy Association in New York. 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 graduated with a Doctorate in Law from the University of Bochum in Germany.

Shareholding in MTG: 18,974 Class B shares

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 senior financial positions at Viasat Broadcasting, MTG Radio and former MTG subsidiary CDON Group AB. Mathias also previously served as Finance Director at former subsidiary Metro International S.A.'s North American operations. He joined MTG in 1999 as a management trainee after working for Unilever in Sweden. He is a member of the Board of Directors of CTC Media, Inc.

Shareholding in MTG: 5,454 Class B shares

Anders Nilsson

Executive Vice President of Central European Broadcasting
Born 1967

Anders was appointed as EVP of Central European Broadcasting in October 2011 and is responsible for MTG's free-TV operations in the Baltics, the Czech Republic, Bulgaria, Hungary and Slovenia, and for the Group's pay-TV channels in the Baltics. Anders joined MTG Radio in 1992 and became President of the Group's radio operations in 1997. He was appointed President of MTG's former Publishing business area in 2000, was Chief Operating Officer of MTG between 2000 and 2003, and served as Head of MTG Sweden between 2003 and 2007. Anders was appointed as Group Chief Operating Officer in 2008 and was CEO of MTG's Online business area between 2008 and 2010.

Shareholding in MTG: 3,300 Class B shares
Stock options: 25,680

Jørgen Madsen

Executive Vice President of Nordic Broadcasting
Born 1966

Jørgen was appointed as Executive Vice President of Nordic Broadcasting in October 2011 and is responsible for all of the Group's Nordic free-TV, pay-TV and radio operations. Jørgen was CEO of MTG Denmark from 2002 and was also responsible for Viasat Broadcasting's sports operations. Separately, Jørgen became Chairman of the Board of TV Prima in the Czech Republic in January 2008. He 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 Nordic region.

Shareholding in MTG: 3,400 Class B shares

Irina Gofman

Executive Vice President of Russian & CIS Broadcasting
Born 1970

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

Shareholding in MTG: 4,843 Class B shares

Martin Lewerth

Executive Vice President of Pay-TV and Technology
Born 1973

Martin was appointed Executive Vice President of Pay-TV and Technology in October 2011. Martin was appointed Chief of Staff of Pay-TV in 2010 and Chief Technology Officer in 2007. Martin joined MTG in 2001 as CEO of Viasat Satellite Services. Martin was Viasat Broadcasting's Chief Technology Officer between 2005 and 2007. Prior to joining MTG, Martin worked at management consultancy firm Applied Value. Martin graduated with a Masters of Science degree from Chalmers University of Technology in Sweden.

Shareholding in MTG: 2,686 Class B shares

Laurence Miall-d'Août

Executive Vice President
Born 1974

Laurence was appointed as Executive Vice President in October 2011. Laurence was previously Chief of Staff of Free-TV from March 2010 and CEO of Free-TV Emerging Markets from January 2008. Laurence 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 comprised both the cable channel business in 20 countries and the Viasat DTH satellite pay-TV platform in the Baltics. Laurence was appointed CEO of the Free-TV Balkan operations in 2007. Laurence spent five years at PricewaterhouseCoopers before joining MTG and graduated with an MBA from INSEAD in France.

Shareholding in MTG: 3,888 Class B shares

Patrick Svensk

Executive Vice President of Content
Born 1966

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

Shareholding in MTG: 1,000 Class B shares

Marc Zagar
Executive Vice President of Finance
Born 1965

Marc was appointed as Executive Vice President of Finance in October 2011. Marc joined MTG in 2001 as Business Area Controller of Viasat Broadcasting. Marc was appointed as Chief Operating Officer for MTG's Broadcasting businesses in March 2006. Prior to joining MTG, Marc worked for over 10 years in various financial management positions within Vivendi Universal's book publishing business in the UK and France. He graduated with a Bachelor's degree from CESEM Business School in Reims, France and has a Master's degree from Université Dauphine in Paris.

Shareholding in MTG: 1,950 Class B shares

Petra Colleen
Executive Vice President of Administration
Born 1975

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

Shareholding in MTG: 3,649 Class B shares

See Note 25 for employee retention and performance shares and options held by Executive Management members.

Financial statements

Consolidated income statement

(SEK million)	Note	2011	2010	2009
CONTINUING OPERATIONS				
Net sales	3	13.473	13.101	12.427
Cost of goods and services		-8.780	-7.902	-7.611
Gross income		**4.693**	**5.199**	**4.816**
Selling expenses		-3.715	-1.169	-4.410
Administrative expenses		-2.101	-1.992	-2.139
Other operating income	5	5	12	10
Other operating expenses	3, 5	-130	-109	-100
Share of earnings in associated companies	6	611	413	270
Operating income	3, 4, 5, 6, 7, 10, 11, 13, 23, 25, 26, 28	**-637**	**2.355**	**-1.553**
Gain from financial assets	8	36	79	0
Financial income	8	53	31	40
Financial costs	8	-179	-144	-225
Income before tax		**-727**	**2.321**	**-1.739**
Tax expenses	9	-561	-571	-350
Net income for the year continuing operations		**-1.289**	**1.750**	**-2.089**
DISCONTINUED OPERATIONS				
Net gain from distribution of CDON Group		-	1.717	-
Net income for the period from discontinued operations		-	73	81
Net income for the year from discontinued operations	30	**-**	**1.790**	**81**
Total net income for the year		**-1.289**	**3.541**	**-2.008**
Attributable to:				
Equity holders of the parent		-1.327	3.522	-2.033
Non-controlling interest		38	19	25
Net income for the year		**-1.289**	**3.541**	**-2.008**
Basic earnings per share (SEK)	17	-19,98	53,34	-30,86
Diluted earnings per share (SEK)	17	-20,02	53,03	-30,97

Consolidated statement of comprehensive income

(SEK million)	Note	2011	2010	2009
Net income for the year		-1.289	3.541	-2.008
Other comprehensive income				
Change in currency translation differences		-139	-818	-883
Cash flow hedge		21	9	-13
Revaluation of shares at market value		-10	2	8
Share of other comprehensive income of associates		73	69	45
Other comprehensive income for the year, net of tax	9, 18	**-55**	**-737**	**-843**
Total comprehensive income for the year		**-1.344**	**2.803**	**-2.851**
Attributable to:				
Equity holders of the parent		-1.370	2.810	-2.853
Non-controlling interest		26	-7	2
Total comprehensive income for the year		**-1.344**	**2.803**	**-2.851**

Consolidated statement of financial position

(SEK million)	Note	31 December 2011	31 December 2010	31 December 2009
ASSETS				
Non-current assets				
Intangible assets	10			
Capitalised expenditure		34	20	39
Patents and trademarks		522	1.009	1.151
Licenses and beneficial rights		26	153	233
Goodwill		2.447	4.928	5.239
Total intangible assets		**3.029**	**6.111**	**6.662**
Tangible assets	11			
Machinery		50	48	48
Equipment, tools and installations		217	249	298
Total tangible assets		**267**	**297**	**346**
Long-term financial assets				
Shares in associated companies	6, 12	1.922	1.827	1.798
Receivables on associated companies		18	24	28
Shares and participation in other companies	12	71	67	21
Deferred tax asset	9	64	103	119
Other long-term receivables		241	220	51
Total long-term financial assets		**2.317**	**2.241**	**2.018**
Total non-current assets		**5.612**	**8.648**	**9.026**
Current assets				
Inventories				
Finished goods and merchandise		52	43	251
Program rights		1.528	1.625	1.682
Advances to suppliers		10	16	6
Total inventories		**1.591**	**1.684**	**1.940**
Current receivables				
Accounts receivables	14	1.380	1.369	1.419
Accounts receivables, affiliated companies		9	4	5
Tax receivables		190	75	146
Other current receivables, interest-bearing		63	2	-
Other current receivables, non interest-bearing		158	100	173
Prepaid expense and accrued income		1.809	1.619	1.206
Total current receivables		**3.608**	**3.170**	**2.948**
Cash and cash equivalents	16, 22			
Cash and bank		470	500	737
Total cash and cash equivalents		**470**	**500**	**737**
Total current assets		**5.668**	**5.354**	**5.625**
Total assets		**11.281**	**14.002**	**14.651**

(SEK million)	Note	31 December 2011	31 December 2010	31 December 2009
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company	18			
Share capital		338	337	334
Other paid-in capital		1.797	1.797	1.617
Reserves		-238	-122	659
Retained earnings including net income for the year		2.231	3.974	2.772
Total equity attributable to equity holders of the parent company		**4.128**	**5.986**	**5.381**
Non-controlling interest				
Non-controlling interest		222	253	298
Total equity		**4.350**	**6.239**	**5.680**
Non-current liabilities	22			
Interest-bearing				
Liabilities to financial institutions		1.522	2.667	3.495
Other interest-bearing liabilities		2	16	14
Total non-current interest-bearing liabilities		**1.524**	**2.683**	**3.509**
Non-interest bearing				
Non-interest bearing liabilities		60	59	22
Deferred tax liability	9	322	371	406
Provisions	19	261	197	238
Total non-current non-interest bearing liabilities		**644**	**627**	**666**
Total non-current liabilities		**2.168**	**3.311**	**4.175**
Current liabilities	22			
Interest-bearing				
Liabilities to financial institutions		44	73	23
Other interest-bearing liabilities		6	9	31
Total current interest-bearing liabilities		**50**	**83**	**54**
Non-interest-bearing				
Advances from customers		76	70	69
Accounts payable		1.172	1.008	1.226
Tax liability		234	234	292
Other liabilities		336	337	351
Accrued expense and prepaid income		2.895	2.721	2.803
Total current non-interest bearing liabilities		**4.713**	**4.370**	**4.741**
Total current liabilities		**4.763**	**4.452**	**4.796**
Total liabilities		**6.931**	**7.763**	**8.971**
Total equity and liabilities		**11.281**	**14.002**	**14.651**

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

Consolidated statement of changes in equity

(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	Non-controlling interest	Total equity
	Equity attributable to the equity holders of the parent company									
Balance as of 1 January 2009	**332**	**1.615**	**1.502**	**33**	**0**	**-12**	**5.191**	**8.662**	**318**	**8.980**
Net income for the year							-2.033	-2.033	25	-2.008
Other comprehensive income for the year			-860	-13	8		45	-820	-23	-843
Total comprehensive income for the year 2009			**-860**	**-13**	**8**		**-1.988**	**-2.853**	**2**	**-2.851**
Acquisition from non-controlling interests							-122	-122		-122
Dividends to shareholders (SEK 5 per share)							-329	-329		-329
Dividends to shareholders with non-controlling interests								-	-21	-21
Sale of MTG shares							3	3		3
New share issue, Class C shares	2							2		2
Share buy-back, Class C shares							-2	-2		-2
Effect of employee share option programmes							19	19		19
Employee options exercised	0	1						2		2
Balance as of 31 December 2009	**334**	**1.617**	**642**	**21**	**8**	**-12**	**2.772**	**5.381**	**298**	**5.680**
Net income for the year							3.522	3.522	19	3.541
Other comprehensive income for the year			-792	9	2		69	-712	-26	-737
Total comprehensive income for the year 2010			**-792**	**9**	**2**		**3.591**	**2.810**	**-7**	**2.803**
Dividends to shareholders (SEK 5,50 per share)							-363	-363		-363
Distribution of CDON Group							-2.042	-2.042		-2.042
Dividends to shareholders with non-controlling interests								0	-39	-39
New share issue, Class C shares	1							1		1
Share buy-back, Class C shares							-1	-1		-1
Effect of employee share option programmes							17	17		17
Employee options exercised	2	180						182		182
Balance as of 31 December 2010	**337**	**1.797**	**-150**	**30**	**10**	**-12**	**3.974**	**5.986**	**253**	**6.239**
Net income for the year							-1.327	-1.327	38	-1.289
Other comprehensive income for the year			-126	21	-10		73	-42	-12	-55
Total comprehensive income for the year 2011			**-126**	**21**	**-10**		**-1.254**	**-1.369**	**26**	**-1.343**
Dividends to shareholders (SEK 7,50 per share)							-498	-498		-498
Dividends to shareholders with non-controlling interests								0	-57	-57
New share issue, Class C shares	1							1		1
Share buy-back, Class C shares							-1	-1		-1
Effect of employee share option programmes							10	10		10
Balance as of 31 December 2011	**338**	**1.797**	**-276**	**51**	**0**	**-12**	**2.231**	**4.128**	**222**	**4.350**

Consolidated statement of cash flow

(SEK million)	Note	2011	2010	2009
Cash flow from operations				
Net income for the year from continuing operations		-1.289	1.750	-2.089
Adjustments to reconcile net income/loss to net cash provided by operations	27	3.141	60	3.314
Cash flow from continuing operations		**1.853**	**1.810**	**1.226**
Changes in working capital				
Increase (-)/decrease (+) inventories		38	32	-140
Increase (-)/decrease (+) other current receivables		-545	-441	499
Increase (+)/decrease (-) accounts payable		192	4	-296
Increase (+)/decrease (-) other current liabilities		258	129	38
Total change in working capital		**-56**	**-277**	**101**
Net cash flow from continuing operations		**1.797**	**1.534**	**1.327**
Investment activities				
Investment in tangible and intangible assets		-120	-157	-156
Acquisitions of shares in subsidiaries and associated companies	4	-	-275	-139
Other investments in shares and securities		-	-	-7
Sale of shares in subsidiaries and associated companies		5	-	-
Other cash flow to investing activities, CDON Group convertible loan		-	-250	-
Cash flow to investing activities, continuing operations		**-115**	**-683**	**-302**
Financing activities				
Change in other long-term receivables		-	-	14
Borrowings		1.953	4.957	3.850
Loan amortisations		-3.141	-5.757	-4.990
Change in other interest-bearing liabilities		7	-6	11
Change in non-interest-bearing liabilities		-	128	20
Paid-in capital for employee share option programmes		-	182	2
Sale of MTG shares		-	-	3
Dividends		-498	-363	-329
Dividends to shareholders with non-controlling interest		-57	-39	-21
Cash flow from/to financing activities, continuing operations		**-1.737**	**-897**	**-1.441**
Cash flow from discontinued operations, CDON Group	30	**-**	**-88**	**211**
Net change in cash and cash equivalents		**-55**	**-135**	**-206**
Cash and cash equivalents at beginning of year		**500**	**737**	**975**
Translation differences in cash and cash equivalents		25	-102	-32
Cash and cash equivalents at end of year		**470**	**500**	**737**

Parent company income statement

(SEK million)	Note	2011	2010	2009
Net sales		38	41	52
Gross income		**38**	**41**	**52**
Administrative expenses		-245	-217	-204
Operating loss	10, 11, 13, 23, 25, 26	**-207**	**-175**	**-152**
Interest revenue and other financial income	8	833	653	297
Interest expense and other financial costs	8	-258	-184	-332
Results from shares in subsidiaries	8	194	-83	1.555
Income before tax		**562**	**212**	**1.367**
Tax expenses	9	-47	-38	-31
Net income for the year		**515**	**173**	**1.336**

Parent company statement of comprehensive income

(SEK million)	Note	2011	2010	2009
Net income for the year		515	173	1.336
Other comprehensive income				
Change in currency translation differences		-	-	35
Revaluation of shares at market value		-10	2	8
Other comprehensive income for the year, net of tax	12	**-10**	**2**	**43**
Total comprehensive income for the year		**505**	**175**	**1.379**

Parent company balance sheet

(SEK million)	Note	31 December 2011	31 December 2010	31 December 2009
ASSETS				
Non-current assets				
Intangible assets	10			
Capitalised expenditure		0	0	0
Total intangible assets		**0**	**0**	**0**
Tangible assets	11			
Equipment, tools and installations		0	0	0
Total tangible assets		**0**	**0**	**0**
Long-term financial assets				
Shares and participations in Group companies	12	3.676	3.676	3.702
Receivable from Group companies	29	12.593	12.538	12.074
Shares and participations in other companies	12	8	18	21
Deferred tax asset	9	-	5	43
Other long-term receivables	29	7	6	-
Total long-term financial assets		**16.285**	**16.243**	**15.839**
Total non-current assets		**16.285**	**16.243**	**15.839**
Current assets				
Current receivables				
Accounts receivable		0	0	-
Receivable from Group companies		710	526	536
Tax receivables		70	2	2
Other receivables		58	52	73
Prepaid expense and accrued income	15	3	7	1
Total current receivables		**842**	**587**	**613**
Cash and cash equivalents				
Cash and cash equivalents	16, 22	96	136	536
Total cash and cash equivalents		**96**	**136**	**536**
Total current assets		**937**	**723**	**1.148**
Total assets		**17.222**	**16.966**	**16.988**

(SEK million)	Note	31 December 2011	31 December 2010	31 December 2009
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	18			
Restricted equity				
Share capital		338	337	334
Total restricted equity		**338**	**337**	**334**
Non-restricted equity				
Premium reserve		267	267	87
Translation reserve		-	-103	-103
Fair value reserve		0	10	8
Retained earnings		7.719	8.143	7.682
Net income for the year		515	173	1.144
Total non-restricted equity		**8.502**	**8.490**	**8.818**
Total shareholders´ equity		**8.840**	**8.827**	**9.151**
Non-current liabilities				
Interest-bearing				
Liabilities to Group companies		2.686	3.848	3.531
Liabilities to financial institutions	22	1.522	2.667	3.462
Total non-current interest-bearing liabilities		**4.208**	**6.516**	**6.993**
Non-interest bearing				
Non-interest bearing liabilities		60	49	-
Provisions	19	6	10	6
Total non-current liabilities		**4.275**	**6.575**	**6.999**
Current liabilities				
Interest-bearing				
Liabilities to Group companies		3.279	872	474
Other interest-bearing liabilities		6	-	-
Total current interest-bearing liabilities		**3.284**	**872**	**474**
Non-interest bearing				
Accounts payable		11	10	10
Liabilities to Group companies		753	627	243
Other liabilities		7	14	76
Accrued expense and prepaid income	20	52	40	36
Total current non-interest bearing liabilities		**823**	**691**	**364**
Total current liabilities		**4.107**	**1.563**	**838**
Total shareholders´ equity and liabilities		**17.222**	**16.966**	**16.988**
Memorandum items				
Pledged assets		None	None	None
Contingent liabilities	21	920	357	362

Parent company statement of changes in equity

		Restricted equity	Non-restricted equity				
				Fair value reserve			
(SEK million)	Note 18	Share capital	Premium reserve	Translation reserve	Fair value reserve	Retained earnings	Total
Balance as of 1 January 2009		**332**	**86**	**-138**	**-**	**7.813**	**8.093**
Net income for the year						1.336	1.336
Other comprehensive income for the year:							
Revaluation of shares at market value					8		8
Currency effect on hedge				47			47
Tax effect on hedge				-12			-12
Total comprehensive income 2009				**35**	**8**	**1.336**	**1.379**
Dividends to shareholders						-329	-329
Sale of MTG shares						3	3
New share issue, Class C shares		2				-2	-
Effect of employee share option programmes						5	5
Employee options exercised		0	1				2
Balance as of 31 December 2009		**334**	**87**	**-103**	**8**	**8.826**	**9.151**
Net income for the year						173	173
Other comprehensive income for the year:							
Revaluation of shares at market value					2		2
Total comprehensive income 2010					**2**	**173**	**175**
Dividends to shareholders						-363	-363
Distribution of CDON Group						-324	-324
New share issue, Class C shares		1				-1	-
Effect of employee share option programmes						5	5
Employee options exercised		2	180				182
Balance as of 31 December 2010		**337**	**267**	**-103**	**10**	**8.317**	**8.827**
Net income for the year						515	515
Other comprehensive income for the year:							
Revaluation of shares at market value					-10		-10
Total comprehensive income 2011					**-10**	**515**	**505**
Dividends to shareholders						-498	-498
Transfer to retained earnings				103		-103	-
New share issue, Class C shares		1				-1	-
Effect of employee share option programmes						5	5
Balance as of 31 December 2011		**338**	**267**	**-**	**0**	**8.235**	**8.840**

All comparative figures have been adjusted following the change in accounting principles which implies recognising both received and paid out group contributions in the income statement.

Parent company cash flow statement

(SEK million)	2011	2010	2009
Cash flow from operations			
Net income for the year	515	173	1.336
Adjustments to reconcile net income/loss to net cash provided by operations:			
Group contribution	206	156	-261
Options	5	5	-
Change in deferred tax	5	38	44
Change in provisions	-4	5	-2
Unrealised exchange difference	-10	-21	-76
Total adjustments to reconcile net income/loss to net cash provided by operations	**201**	**182**	**-295**
Cash flow from operations	**717**	**356**	**1.041**
Changes in working capital			
Increase (-)/decrease (+) short-term receivables	-255	26	-241
Increase (+)/decrease (-) accounts payable	2	0	-40
Increase (+)/decrease (-) other liabilities	131	327	-924
Total changes in working capital	**-123**	**353**	**-1.205**
Net cash flow from/to operations	**594**	**708**	**-164**
Investment activities			
Investment in shares in subsidiaries	0	-58	-
Shareholders' contribution CDON Group	-	-240	-
Other long-term receivables	-1	-1	-
Investment in Metro depository receipts	-	-	-7
Cash flow to investing activities	**-1**	**-299**	**-7**
Financing activities			
Receivables/liabilities from Group companies	984	95	2.022
Paid-in capital for employee share option programmes	-	182	2
Dividends to shareholders	-498	-363	-329
Other long-term liabilities	70	77	-
Sales of MTG shares	-	-	3
Borrowings	1.953	4.957	3.850
Loan amortisation	-3.141	-5.757	-4.900
Cash flow from financing activities	**-632**	**-809**	**648**
Net change in cash and cash equivalents	**-40**	**-400**	**477**
Cash and cash equivalents at beginning of year	**136**	**536**	**59**
Cash and cash equivalents at end of year	**96**	**136**	**536**

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 2011 comprise the Company and its subsidiaries and their share of participation in joint ventures and associated companies.

The financial statements were authorised for issue by the Board of Directors on 1 March 2012. The consolidated income statement and statement of financial position, and the income statement and the balance sheet of the parent company will be presented for adoption by the Annual General Meeting on 8 May 2012.

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 IFRS Interpretations Committee as endorsed by the European Commission. Recommendation RFR 1 on Supplementary Accounting Rules for Groups as issued by the Swedish Financial Reporting Board has also been applied in the preparation of the 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 value of available-for-sale instruments are reported in other comprehensive income until derecognised, with the exception of assets with a significant long-term decrease in value where the value change is reported in the income statement.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated below.

Change in accounting principles and new accounting standards Standards and interpretations as issued by the IASB.

New and amended Accounting standards and interpretations after 2011 The Group has not made any early adoptions of new or changed Accounting standards and interpretations effective after 31 December 2011.

The following new standards and amendments have been issued but are not effective for the financial year 2011 and have not been early adopted.

IFRS 9 Financial instruments This standard addresses the classification and measurement of financial instruments and will probably affect the Group's accounting for its financial assets and liabilities. The Group is yet to assess IFRS 9's full impact. The standard is effective for annual periods beginning on or after 1 January 2015.

IFRS 10 Consolidated Financial Statements The standard replaces IAS 27 Consolidated and Separate Financial Statements and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The Group is yet to assess IFRS 10's full impact.The standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements The standard replaces IAS 31 Interests in Joint Ventures. The standard is judged to have an effect on the Group's consolidated accounts, as the proportionate method disappears, and the equity method is to be used instead. The proportionate method is currently used for the consolidation of Raduga and TV2 Sport, and allows consolidation of the income statement and the balance sheet in the same proportion as the ownership. The standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates. The standard will increase the disclosures in the Group's annual report. The standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement This standard establishes a single definition of fair value and the disclosure requirements. The standard will increase the disclosures in the Group's annual report. The standard is effective for annual periods beginning on or after 1 January 2013.

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

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 control, are consolidated as subsidiaries. The holding in the Prima Group is an example of the latter, with 50% of the votes, but where the Group exercises control through agreements.

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

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 and liabilities measured at fair values at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of identifiable net assets acquired is recognised in the profit and loss in the period of acquisition. Conditional considerations is determined at fair value at the time of the acquisition and effects of revaluations of liabilities related to the conditional considerations are recognised as a revenue or expense in the income statement or other comprehensive income.

Additional investments for business combinations achieved in stages without change in control are accounted for as an equity transaction. During 2009, the acquisition of part of the minority in MTG Russia AB relate to the described principle.

Additional acquisitions made after control is achieved are recognised as shareholder transactions and recorded directly in equity. There are two alternatives for the recognition of non-controlling interests and goodwill. One alternative is to recognise the non-controlling interest at fair value by including goodwill, another alternative is to include the non-controlling interests in net assets. The choice of method is made for each acquisition separately. The rules for additional acquisitions when control is achieved were applied for the acquisition of 35% of the shares in Viastrong Holding AB in

2010, previously a joint venture of 50%. The original 50% share was revalued at fair value, and the remaining 15% shares included in the purchase price allocation.

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.

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 in other comprehensive income.

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

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.

Non-controlling interest In subsidiaries not wholly owned, the share of equity owned by external shareholders is recorded as non-controlling interest.

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 others CTC Media (38.1%). 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. Dividends from associated companies decrease the book value of the asset. The operations of the associated companies are related to Pay-TV and Other Businesses. 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 and Raduga Holdings S.A., and for 2009 Viastrong Holding AB with its Ukrainian subsidiaries and That's Strix Entertainment AS. Viastrong Holding AB and That's Strix Entertainment AS was acquired and reclassified as subsidiaries in 2010. 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 incurred expenses are related to the total cost for the entire project
- Dividend income from investments when the shareholders' right to receive payment has been established

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.

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:

Asset	Depreciation/amortisation
Capitalised expenditure	3–10 years
Patents and trademarks	Patents and trademarks being part of a purchase price allocation are normally judged to have indefinite lives
Beneficial rights/ broadcasting licenses	Estimated revenue period based on the terms of the license
Goodwill	Impairment tests annually or if triggered by events
Machinery and equipment	3–5 years

Capitalised expenditure 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. The capitalised expenditure relate mainly to software and software platforms.

Goodwill Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of 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 The Group reviews the carrying amounts of its tangible and intangible assets annually but not later than at the balance sheet date 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 cash and cash equivalents, securities, derivative instruments, other financial receivables, accounts receivables, accounts payable, leasing undertakings and loan liabilities.

Recognition and derecognition in the statement of financial position Financial assets and liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument. Trade receivables are recognised when the invoice is sent. A liability is recognised when the delivery of goods or services is made and there is a contractual obligation to pay, regardless whether the invoice has been received or not. Trade payables are recognised when an invoice has been received.

Financial assets are derecognised in the statement of financial position when the contractual rights to cash flows from the asset expires, become due or when the company loses control over the asset. Financial liabilities are derecognised when the obligations are fulfilled or extinguished in any other way.

Financial instruments recorded at fair value should, for disclosure purposes, be classified into a three level hierarchy depending on the quality of the source of data used to derive at the fair value.

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 other comprehensive income, 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.

Distribution of non-cash assets to owners Liabilities for dividends are recognised at fair value of the asset to be distributed at the date of decision with the corresponding decrease in retained earnings. At the date of settlement, the Group recognise the difference between the fair value of the distributed asset, i. e. the fair value of the liability and the Group's book value of the net assets in net income. The dividend liabilities are remeasured on the settlement date and any changes recognised directly in equity. The principle was applied to the distribution of the former subsidiary CDON Group AB in 2010.

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

Convertible debenture CDON Group The Group has subscribed to a convertible debenture in CDON Group. The bond is initially recognised at the transaction price less the fair value of the option to convert the bond into CDON Group shares. The option is valued at fair value through profit and loss.

Financial assets and liabilities at fair value through profit and loss Derivatives at fair value that are not subject to hedge accounting are recognised as financial assets or liabilities and categorised as held for trading. The assets and liabilities are valued at fair value with the changes in value reported in profit or loss.

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

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, until the autumn 2011, Swiss francs, 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 financial instruments held for trading.

Derivative financial instruments are recognised initially at fair value and re-valued thereafter. The effective part of the gain or loss in the cash flow hedge revaluation is recognised in other comprehensive income with the aggregated changes in value in the hedge reserve in equity. When the forecasted transaction results in the recognition of programme inventory, the cumulative gain or loss is removed from equity and included in the initial cost of inventory. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously reported in other comprehensive income is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

Net investment Nova, Bulgaria MTG hedged 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 lev. Part of the financing of the acquisition of Nova was raised in euro, which is recognised as a hedging instrument. The change in value of the hedging instrument is recognised in other comprehensive income. The loan was repaid during 2009.

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 statement of financial position. 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 during the license period. Sports rights are expensed throughout the period on a yearly basis.

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 recognised as prepaid expenses as 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 statement of financial position 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. There are defined benefit pension plans in Norway. The amounts relating to these pension plans are immaterial.

Share-based payments The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments including social security costs are expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The fair value expense is reported in the income statement as personnel costs with the corresponding increase in equity. 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 bonus is related to the 2005-2007 share-based payment programmes only. The fair value is re-valued each quarter as a basis for the calculation of social security costs.

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 Accounting for Legal Entities. RFR 2 involves application of all IFRSs and interpretations endorsed by the European Commission, except where the possibility to apply IFRS is restricted by the Swedish Company Act and due to tax rules.

Classification and presentation The Parent company reports total comprehensive income for the first time 2010. The Parent company uses the terms 'Balance sheet' and 'Cash flow statement' for the reports where the Group uses 'Consolidated statement of financial position' and 'Consolidated statement of cash flow' respectively.

Holdings in subsidiaries are recognised in the Parent Company according to the purchase method which means that the transaction costs are included in the recognised value of shares in subsidiaries. The Group recognises these costs in the income statement immediately when occurred.

Group contributions The parent company has changed its accounting principle related to Group contributions following the decision from the Swedish Financial Reporting Board to withdraw UFR 2. Group contributions are therefore reported as a financial item in the income statement, as opposed to the previous method where the Group contributions were reported directly to equity. The comparative years has been restated accordingly.

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

Note 2 Accounting estimates and judgements

The preparation of financial statements in conformity with 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. A description of litigations and provisions made are found in note 19.

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

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

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 fair value on the balance day. MTG has elected to use hedge accounting related to forward contracts with a few exceptions. Certain forward contracts impact other comprehensive income; others affect the net income, due to the rules applied for hedge accounting according to IAS 39.

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

Joint ventures The Group holds 50% of the shares in TV 2 Sport A/S and Raduga Holdings S.A.. 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

MTG Modern Times Group AB comprises of six business segments. The number of segments have decreased compared to the reported segments in 2009, following the distribution of CDON Group.

• Free-TV Scandinavia is a commercial free-TV broadcaster in Scandinavia.

• Pay-TV Nordic market and sell Viasat's premium pay-TV packages on the Viasat DTH satellite platform and third party IPTV (broadband) and cable networks. Viasat also distributes its 26 Viasat-branded pay-TV channels via a wide range of third party pay-TV networks.

• Free-TV Emerging Markets is a commercial free-TV broadcaster in Eastern Europe and Africa.

• Pay-TV Emerging Markets market and sell premium pay-TV packages on the Viasat DTH satellite platforms in the Baltics and Ukraine, and on the 50% owned joint venture Raduga TV DTH satellite platform in Russia. Viasat also distributes 19 of its channels via third party pay-TV networks to subscribers in 30 countries across Central and Eastern Europe, the United States and in Africa.

• CTC Media is one of Russia's largest independent commercial television broadcaster and is listed on The Nasdaq Global Select Market.

The above TV broadcasting segments comprise Viasat Broadcasting. To facilitate comparability between years, the TV broadcasting segments have been summarised in this presentation.

• Other Businesses primarily comprises the Group's Radio, Bet24 and Modern Studios businesses. These businesses were earlier recognised as separate segments, but from 2010, due to their size, they are reported as one segment. The Group's radio operations comprise the leading national commercial networks in Sweden and Norway, as well as national and local stations in the Baltics and owns equity stakes in a Finnish national commercial radio network. Bet24 operates in the betting and gaming business. Modern Studios produces television programmes and films, distributes films and television programmes, and produces and manages events mainly in Scandinavia.

The stated figures for 2011, 2010 and 2009 are based on the same operational structure, where the 2009 figures have been adjusted for the distributed CDON Group to facilitate comparison.

	External sales			Operating income		
(SEK million)	2011	2010	2009	2011	2010	2009
Free-TV Scandinavia	4.224	4.078	3.652	1.077	1.082	820
Pay-TV Nordic	4.547	4.319	4.163	923	822	725
Free-TV Emerging Markets	2.070	2.001	2.091	32	-43	-84
Pay-TV Emerging Markets	915	878	848	49	112	168
Associated company CTC Media	-	-	-	602	405	254
Other and eliminations	175	171	164	7	19	21
Total Viasat Broadcasting	11.932	11.446	10.919	2.690	2.396	1.904
Other Businesses	1.519	1.640	1.505	114	175	93
Parent company and other companies	22	15	3	-260	-216	-200
Total Group	**13.473**	**13.101**	**12.427**	**2.544**	**2.355**	**1.798**
Asset impairment charges and non-recurring costs	-	-	-	-3.182	-	-3.352
- of which Free-TV Emerging Markets	-	-	-	*-3.153*	-	*-3.304*
- of which Other Businesses	-	-	-	*-29*	-	*-47*
Total Group continuing operations	**13.473**	**13.101**	**12.427**	**-637**	**2.355**	**-1.553**
Discontinued operations	-	1.870	1.746	-	122	125
Total Group	**13.473**	**14.971**	**14.173**	**-637**	**2.477**	**-1.428**

Within Viasat Broadcasting and the Other Businesses segment, there are companies that provide the different segments with acquired and own produced TV-programmes. Such sales are made at market price.

(SEK million)	Internal sales		
	2011	2010	2009
Free-TV Scandinavia	169	170	168
Pay-TV Nordic	183	165	163
Free-TV Emerging Markets	3	4	4
Pay-TV Emerging Markets	7	18	27
Other	1.002	1.214	1.237
Total Viasat Broadcasting	1.365	1.570	1.599
Other Businesses	155	164	210
Parent company and other companies	163	176	175
Total internal sales continuing operations	**1.684**	**1.911**	**1.984**
Discontinued businesses	-	-	1
Total internal sales	**1.684**	**1.911**	**1.985**

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 are not allocated to the business segments.

(SEK million)	Assets			Liabilities		
	2011	2010	2009	2011	2010	2009
Free-TV Scandinavia	2.373	2.306	1.784	1.735	1.835	1.545
Pay-TV Nordic	3.792	2.142	2.085	3.315	2.936	2.683
Free-TV Emerging Markets	2.441	5.590	6.167	936	977	1.021
Pay-TV Emerging Markets	741	720	339	248	190	198
Associated company CTC Media	1.878	1.785	1.757	-	-	-
Other and eliminations	2.432	-683	406	-1.037	-1.047	-887
Total Viasat Broadcasting	13.658	11.860	12.537	5.196	4.892	4.560
Other Businesses	1.262	1.169	1.331	618	608	677
Parent company and other companies	1.121	851	949	4.141	199	963
Total	**16.041**	**13.880**	**14.818**	**9.954**	**5.698**	**6.200**
Eliminations	-5.629	-791	-1.591	-5.629	-791	-1.591
Unallocated assets/liabilities	865	913	956	2.601	2.856	3.893
Total continuing operations	**11.276**	**14.002**	**14.183**	**6.926**	**7.763**	**8.501**
Discontinued operations	-	-	468	-	-	470
Total	**11.276**	**14.002**	**14.651**	**6.926**	**7.763**	**8.971**

(SEK million)	Capital expenditure			Depreciation and amortisation		
	2011	2010	2009	2011	2010	2009
Free-TV Scandinavia	18	14	16	27	30	31
Pay-TV Nordic	42	33	27	19	8	10
Free-TV Emerging Markets	30	86	58	97	130	145
Pay-TV Emerging Markets	3	2	2	3	3	1
Other	1	5	33	7	17	15
Total Viasat Broadcasting	94	140	136	153	188	202
Other Businesses	23	10	19	26	25	25
Parent company and other companies	3	3	1	4	4	3
Total continuing operations	**120**	**153**	**156**	**183**	**218**	**230**
Discontinued operations	-	4	3	-	6	6
Total	**120**	**157**	**159**	**183**	**224**	**236**

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

	Net sales			Non-current assets		
(SEK million)	2011	2010	2009	2011	2010	2009
Sweden	4.293	3.950	3.398	843	1.020	793
Denmark	3.355	3.367	3.279	9	15	26
Norway	2.438	2.408	2.164	749	769	826
Baltics, Czech Republic, Bulgaria	1.845	1.754	1.852	1.163	4.260	4.854
Rest of Europe	1.499	1.583	1.714	525	331	231
Other regions	43	39	22	8	13	20
Total continuing operations	**13.473**	**13.101**	**12.427**	**3.296**	**6.407**	**6.750**
Discontinued operations	-	1.870	1.746	-	-	258
Total	**13.473**	**14.971**	**14.173**	**3.296**	**6.407**	**7.008**

External sales by type of product/service (SEK million):	2011	2010	2009
Advertising revenue	5.878	5.633	5.267
Subscription revenue	6.330	6.077	5.871
Business-to-business/Consumer revenue	1.265	1.391	1.289
Total continuing operations	**13.473**	**13.101**	**12.427**
Discontinued operations	-	1.870	1.746
Total	**13.473**	**14.971**	**14.173**

Note 4 Operations acquired

Acquisitions 2011

During 2011, there were no acquisitions made.

Acquisitions 2010

Summary of acquisitions

	2010			2009		
Group (SEK million)	Net cash outflow	Net identifiable assets and liabilities	Goodwill	Net cash outflow	Net identifiable assets and liabilities	Goodwill
Raduga, Russia	155	-	165	-	-	-
Viastrong, Ukraine	104	-	208	-	-	-
Additional consideration from previous years, paid	-	-	-	23	-	7
Other acquisitions	16	-	-	122	-	-
Total	**275**	**-**	**373**	**145**	**-**	**7**

Raduga, Russia

On 8 February 2010, the Group agreed to acquire 50% of the shares in Raduga Holdings S.A.. Raduga operates a Russian nationwide DTH satellite pay-TV platform, Raduga TV. The business is a joint venture with shared management control between the owners. Raduga is proportionately consolidated, and reported within the Pay-TV Emerging Markets segment. The consideration was USD 22.5 million excluding transaction costs of SEK 1.2 million.The acquisition gave rise to separately identified intangible assets of SEK 4 million and goodwill of SEK 165 million.

The goodwill in 2010 comprise of potential new products and customers expected to be realised in future as well as the skill of existing employees. The goodwill will not be tax deductible.

Net assets acquired (SEK million):	Book value	Fair value adjustment	Recognised values
Property, plant and equipment	2		2
Intangible assets	1	4	5
Trade and other receivables	9		9
Cash and cash equivalents	11		11
Deferred tax receivables	5		5
Deferred tax liabilities	-	-1	-1
Trade and other payables	-37		-37
Net identifiable assets and liabilities	**-8**	**4**	**-4**
Goodwill on acquisition			165
Total consideration			**161**
Liquid funds in acquired companies			-6
Net cash outflow			**155**

Viastrong, Ukraine
On 9 June 2010 the Group acquired a further 35% of Viastrong Holding AB, and now owns 85% of the shares. The agreement includes an option to acquire the remaining 15% of the shares. Viastrong operates through Vision TV LCC the Viasat Ukraine DTH satellite pay-TV platform. The acquisition was made following the plans to further capitalise on this market. The operating results is reported in the Pay-TV Emerging Market segment and have been fully consolidated from June 2010. Viasat Ukraine was previously a joint venture and was as such consolidated according to the proportional method up until May 2010. The consideration was EUR 11.25 million in cash, excluding transaction costs of SEK 0.2 million.

The purchase price for the remaining 15% of the shares is calculated based on the option clauses in the agreement, and, as a consequence, 100% of Viastrong is consolidated without non-controlling interest.

The receivables are recorded at fair value, and thus the related cash flows are expected to be collected at the same value, which is shown in the table below.

The goodwill in 2010 comprise of potential new customer relationsships on new market segments expected to be realised in future as well as the skill of existing employees. The goodwill will not be tax deductible.

Net assets acquired (SEK million):	Book value	Fair value adjustment	Recognised values
Property, plant and equipment	2		2
Intangible assets	1	11	12
Trade and other receivables	42		42
Cash and cash equivalents	4		4
Deferred tax receivables	19		19
Deferred tax liabilities	-	-3	-3
Trade and other payables	-61		-61
Interest-bearing liabilities	-57		-57
Net identifiable assets and liabilities	**-50**	**8**	**-42**
Goodwill on acquisition			208
Total consideration			**166**
Purchase price unpaid			-58
Liquid funds in acquired companies			-4
Net cash outflow			**104**

Contributions during 2010 from the acquired companies:

From the acquisition date (SEK million):	Raduga	Viastrong	Group
Net sales	43	42	85
Net income	-8	-59	-67

Group amounts 2010 from the acquired companies:

If the acquisition had occurred on 1 January (SEK million)	Raduga	Viastrong
Net sales	13.104	13.122
Net profit	1.670	1.667

Acquisitions 2009
The Group has acquired additional shares from minority holders during the year. Acquisitions of the remaining minority in MTG Russia AB have been made. In the Other Businesses segment, part of the minority in Playahead AB were acquired. In the discontinued operations, acquisitions were made in NLY Scandinavia AB and additional purchase prices were paid for Helsingin Dataclub OY.

Acquisitions after the balance sheet date
The Group signed an agreement on 9 January 2012 to acquire 100% of the shares in AS Latvijas Neatkarigā Televizija (LNT) in Latvia. LNT is a free-TV operator and broadcasts a national channel, a Russian language channel and an entertainment channel. LNT will be reported within the Free-TV Emerging Markets segment. The closing of the transaction is subject to regulatory approval by the Latvian Competition Council.

Note 5 Other operating income and expenses

Group

(SEK million):	2011	2010	2009
Other operating income			
Gain from sale on non-current assets	-	0	0
Gain from exchange rate differences	-	-	10
Other	5	12	-
Total	**5**	**12**	**10**
Other operating expenses			
Loss from exchange rate differences	-7	-9	-
Other	-123	-100	-100
Total	**-130**	**-109**	**-100**

Note 6 Share of earnings in associated companies

Group

(SEK million)	Country	Share capital %	2011	2010	2009
Mediamätning i Skandinavien MMS AB	Sweden	25	0	0	1
Radio National i Luleå AB	Sweden	49	0	1	1
Radio National i Skellefteå AB	Sweden	49	0	0	0
Radioindustri Xerkses i Borås AB	Sweden	49	0	0	0
AB Sappa	Sweden	50	4	2	8
Radio Nova	Finland	22	7	7	7
Digital Radio Norge AS	Norway	33	-1	-1	-
Gigahertz HB	Sweden	33	0	0	0
CTC Media	Russia	38	602	405	254
Total			**611**	**413**	**270**
Tax			-197	-158	-2
Net Income			**414**	**255**	**268**

Totally recorded values in associated companies (SEK million)	31 December 2011	31 December 2010	31 December 2009
Revenues	5.261	4.393	4.124
Net income	1.532	1.082	670
Assets	6.839	6.430	6.200
Liabilities	1.520	1.216	1.572

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. 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, 2011, 2010 and 2009 and the 12 month period then ended.

For further information, see also note 12.

Note 7 Joint venture companies

Group

Totally recorded values in joint venture companies (SEK million)	31 December 2011	31 December 2010	31 December 2009
Revenues	524	518	495
Net income	-8	-10	-41
Current assets	169	175	190
Long-term assets	282	281	90
Current liabilities	145	135	124
Long-term liabilities	1	2	51

TV 2 Sport A/S Denmark and Raduga Group Russia are recognised as joint venture companies. As per 31 December 2009 Viastrong Group Ukraine and That's Strix Entertainment AS Norway were joint venture companies.

Note 8 Financial items

Group (SEK million)	2011	2010	2009
Gain from shares in associated companies, CTC Media new share issue	22	69	0
Gain from financial assets at fair value through profit, CDON Group options	14	2	-
Gain from financial assets available-for-sale	-	8	-
Total gain from financial assets	**36**	**79**	**0**
Interest revenue	53	24	18
Net exchange rate differences	-	8	21
Total financial income	**53**	**31**	**40**
Interest expenses	-113	-94	-181
Borrowing costs, included in the effective interest	-12	-45	-23
Net exchange rate differences	-29	-	-
Other	-26	-5	-21
Total financial costs	**-179**	**-144**	**-225**
Net financial items	**-90**	**-34**	**-185**

Parent company (SEK million)	2011	2010	2009
Interest revenue from external parties	29	13	17
Interest revenue from subsidiaries	802	618	250
Exchange rate differences	2	21	29
Other financial revenues	0	0	0
Total interest revenue and other financial income	**833**	**653**	**297**
Interest expense to external parties	-110	-100	-139
Interest expense to subsidiaries	-117	-17	-18
Borrowing costs, included in the effective interest	-12	-45	-23
Exchange rate differences	-	-15	-148
Other	-19	-7	-4
Total interest expense and other financial costs	**-258**	**-184**	**-332**
Dividends from subsidiaries	400	73	1.305
Write-down of shares in subsidiaries	-	-	-10
Group contribution	-206	-156	261
Results from shares in subsidiaries	**194**	**-83**	**1.555**
Net financial items	**769**	**387**	**1.519**

MTG financed part of the 2008 investment in Nova Televizia in EUR, recognising the EUR loan as a hedging instrument. The loan was repaid in its entirety during 2009.

The gain from the equity stake of CTC Media is a consequence of the dilution from the options held by other shareholders exercised in 2011, 2010 and 2009. The gain is calculated as the difference between the MTG book value and the option exercise value.

The interest revenue and expenses relate to financial assets and liabilities valued at amortised cost.

Note 9 Taxes

Group

Distribution of tax expense (SEK million)	2011	2010	2009
Current tax			
Current tax expense	-585	-572	-374
Adjustment for prior years	9	15	36
Total	**-575**	**-557**	**-337**
Deferred tax			
Temporary differences	14	-13	-13
Total	**14**	**-13**	**-13**
Total income tax expense in the income statement	**-561**	**-571**	**-350**

Reconciliation of tax expense (SEK million)	2011	%	2010	%	2009	%
Tax/Tax rate in Sweden	191	26,3	-610	-26,3	457	26,3
Non-taxable income	174	23,9	122	5,2	202	11,6
Foreign tax rate differential	-56	-7,8	-58	-2,5	-40	-2,3
Effect of losses carry-forward not previously recognised	3	0,4	40	1,7	20	1,2
Non-deductible write-down of goodwill	-642	-88,3	-	-	-859	-49,4
Non-deductible amortisation and write-down of beneficial rights	-87	-11,9	-11	-0,5	-11	-0,6
Non-deductible expenses	-86	-11,8	-54	-2,3	-147	-8,4
Losses where no deferred tax was recognised	-65	-9,0	-39	-1,7	-24	-1,4
Revalued tax losses carry-forward	-	-	-	-	0	0,0
Other permanent effects	-2	-0,3	25	1,1	15	0,9
Under/over provided in prior years	9	1,3	15	0,6	35	2,0
Effective tax/tax rate	**-561**	**-77,2**	**-571**	**-24,6**	**-350**	**-20,1**

Tax related to other comprehensive income (SEK million)	Gross 2011	Tax 2011	Net of tax 2011	Gross 2010	Tax 2010	Net of tax 2010	Gross 2009	Tax 2009	Net of tax 2009
Change in currency translation differences	-140	1	-139	-810	-8	-818	-869	-14	-883
Cash flow hedge	24	-3	21	8	1	9	-13		-13
Revaluation of shares at market value	-10		-10	2		2	8		8
Other comprehensive income related to associates	73		73	69		69	45		45
Total other comprehensive income	**-53**	**-2**	**-55**	**-731**	**-7**	**-737**	**-829**	**-14**	**-843**

(SEK million)	31 December 2011	31 December 2010	31 December 2009
Deferred tax asset			
Equipment	12	13	11
Beneficial rights	4	4	10
Provisions	10	4	6
Inventory	4	3	1
Current receivables	-	9	1
Current liabilities	9	11	17
Tax value of losses carry-forward recognised	26	59	73
Total	**64**	**103**	**119**
Deferred tax liabilities			
Trademarks	129	197	225
Goodwill	176	176	176
Equipment	-	-2	-
Current receivables	13	-	-
Current liabilities	5	-	-
Other	-1	-	5
Total	**322**	**371**	**406**
Deferred tax net	**-258**	**-268**	**-287**

The movements in temporary differences net are explained below:

(SEK million)	2011 Opening balance 1 January	Deferred tax recognised in the P&L	Discontinued operations	Acquisition of subsidiary	Other comprehensive income	Translation differences	Closing balance 31 December
Tax losses carryforward	59	-33					26
Temporary differences in:							
Goodwill	-176						-176
Equipment	12	0					12
Intangible assets	-191	70			0	-3	-125
Provisions	4	6					10
Inventory	3	-13					-10
Non-current receivables	0	0					0
Current receivables	9	-14					-5
Current liabilities	11	-2					10
Other	0						0
Total	**-268**	**14**	**-**	**-**	**0**	**-3**	**-258**

(SEK million)	2010 Opening balance 1 January	Deferred tax recognised in the P&L	Discontinued operations	Acquisition of subsidiary	Other comprehensive income	Translation differences	Closing balance 31 December
Tax losses carryforward	73	-14					59
Temporary differences in:							
Goodwill	-176						-176
Equipment	11	1					12
Intangible assets	-216	-6	15	-3	13	5	-191
Provisions	6	-1					4
Inventory	1	2					3
Non-current receivables	-4	4					0
Current receivables	1	7					9
Current liabilities	17	-6					11
Other	-1				1		0
Total	**-287**	**-13**	**15**	**-3**	**14**	**5**	**-268**

(SEK million)	2009 Opening balance 1 January	Deferred tax recognised in the P&L	Discontinued operations	Acquisition of subsidiary	Other comprehensive income	Translation differences	Closing balance 31 December
Tax losses carryforward	101	-27					73
Temporary differences in:							
Goodwill	-176						-176
Equipment	4	7					11
Intangible assets	-217	-1				2	-216
Provisions	2	4					6
Inventory	4	-3					1
Non-current receivables	32	-36					-4
Current receivables	0	1					1
Current liabilities	6	11					17
Other	-3	2					-1
Total	**-247**	**-42**	**-**	**-**	**-**	**2**	**-287**
of which CDON Group		30					
Total continuing operations	**-247**	**-13**	**-**	**-**	**-**	**2**	**-287**

The Group had recognised losses carry-forward without expiration date of SEK 104 (247; 279) million at 31 December 2011. The accounts for 2011, 2010 and 2009 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 recognised in some countries.

Unrecognised tax losses carry-forward by expiry date (SEK million)	2011	2010	2009
2011	-	-	16
2012	26	87	34
2013	41	59	3
2014	53	58	-
2015	119	45	-
2016 and thereafter	85	-	-
No expiry date	-	0	86
Total	**325**	**249**	**140**

Parent company

The tax loss carry forward of SEK - (17; 163) million recognised in the accounts correspond to the tax rate of 26.3%. The tax loss carry forward of 2010 has been fully utilised in 2011. Tax loss carry forward are without expiration date.

Distribution of tax expenses (SEK million)	2011	2010	2009
Current tax	-42	-	-
Deferred tax	-5	-38	-31
Total tax	**-47**	**-38**	**-31**

(SEK million)	31 December 2011	31 December 2010	31 December 2009
Deferred tax asset (tax loss carry forwards)	-	5	43
Total	**-**	**5**	**43**

Reconciliation of tax expense (SEK million)	2011	%	2010	%	2009	%
Tax/Tax rate in Sweden	-148	-26,3	-56	-26,3	-360	-26,3
Non-deductible expenses	-6	-1,1	-1	-0,6	-21	-1,5
Non-taxable income	107	19,1	19	9,1	343	25,1
Other permanent effects	-	-	-	-	6	0,4
Effective tax/tax rate	**-47**	**-8,3**	**-38**	**-17,8**	**-31**	**-2,2**

Note 10 Intangible assets

(SEK million)	Group				Parent company
	Capitalised expenditure	Patents and trademarks	Licenses and beneficial rights	Goodwill	Capitalised expenditure
Acquisitions					
Opening balance 1 January 2009	107	1.227	556	8.940	53
Investments during the year	14	0	2	-	-
Acquisitions through business combinations	-	-	-	6	-
Retirement during the year	-9	-	-	-	-
Change in Group structure, reclassifications etc	-4	0	0	37	-
Translation differences	0	-22	-13	-403	-
Closing balance 31 December 2009	**108**	**1.205**	**546**	**8.581**	**53**
Opening balance 1 January 2010	108	1.205	546	8.581	53
Investments during the year	19	1	23	-	-
Acquisitions through business combinations	-	19	1	376	-
Retirement during the year	-8	-	0	-	-
Discontinued operations	-30	-50	-1	-228	-
Change in Group structure, reclassifications etc	3	2	1	11	-
Translation differences	-1	-114	-44	-849	-
Closing balance 31 December 2010	**90**	**1.062**	**525**	**7.891**	**53**
Opening balance 1 January 2011	90	1.062	525	7.891	53
Investments during the year	30	0	5	-	-
Retirement during the year	-5	-21	-11	-84	-
Change in Group structure, reclassifications etc	-	-1	3	-	-
Translation differences	0	-18	-10	-114	-
Closing balance 31 December 2011	**115**	**1.022**	**513**	**7.693**	**53**
Accumulated amortisation and impairment losses					
Opening balance 1 January 2009	-73	-13	-221	-142	-53
Retirement during the year	10	-	0	-	-
Amortisation during the year	-6	-8	-91	-	0
Impairment losses	-2	-35	-4	-3.252	-
Change in Group structure, reclassifications etc	2	0	0	-54	-
Translation differences	0	1	5	106	-
Closing balance 31 December 2009	**-69**	**-55**	**-312**	**-3.342**	**-53**
Opening balance 1 January 2010	-69	-55	-312	-3.342	-53
Retirement during the year	8	-	0	-	-
Amortisation during the year	-9	-9	-83	-	-
Impairment losses during the year	-7	-2	-	-	-
Discontinued operations	7	9	0	17	-
Change in Group structure, reclassifications etc	0	-	0	-15	-
Translation differences	1	3	23	378	-
Closing balance 31 December 2010	**-70**	**-53**	**-372**	**-2.962**	**-53**
Opening balance 1 January 2011	-70	-53	-372	-2.962	-53
Retirement during the year	5	21	11	80	-
Amortisation during the year	-12	-5	-68	-	-
Impairment losses during the year	-11	-472	-66	-2.441	-
Change in Group structure, reclassifications etc	7	1	-2	-	-
Translation differences	0	8	10	78	-
Closing balance 31 December 2011	**-81**	**-500**	**-487**	**-5.246**	**-53**
Book value carried forward					
As per 1 January 2009	34	1.214	335	8.799	0
As per 31 December 2009	39	1.151	233	5.239	0
As per 1 January 2010	39	1.151	233	5.239	0
As per 31 December 2010	20	1.009	153	4.928	0
As per 1 January 2011	20	1.009	153	4.928	0
As per 31 December 2011	34	522	26	2.447	0

Only external expenditure have been capitalised.

Amortisation by function (SEK million)	2011	2010	2009
Cost of goods and services	43	54	56
Administrative expenses	42	46	48
Other operating expenses	0	1	0
Total	**85**	**101**	**105**

Impairment losses by function (SEK million)	2011	2010	2009
Cost of goods and services	548	9	1
Selling expenses	2.441	-	3.293
Total	**2.990**	**9**	**3.294**

Amortisation by function, parent company (SEK million)	2011	2010	2009
Administrative expenses	-	-	0
Total	**-**	**-**	**0**

Impairment tests for cash-generating units

Major cash generating units with significant carrying amounts of goodwill are:

(SEK million)	2011	2010	2009
TV1000	666	666	663
Prima Group	818	850	927
P4 Radio	487	492	516
Nova	-	2.442	2.783
Subtotal	**1.972**	**4.450**	**4.889**
Other units	476	478	351
Total	**2.447**	**4.928**	**5.239**

The decrease in goodwill for Prima Group and P4 Radio in 2011 and 2010 are due to translation differences.The goodwill in Nova was impaired in 2011 as well as in 2009.

Trademarks with indefinite lives included in Patents and trademarks are:

(SEK million)	2011	2010	2009
Prima Group	194	209	218
P4 Radio	271	272	293
Nova	-	464	524
Subtotal	**464**	**945**	**1.035**
Other units	57	102	181
Total	**522**	**1.047**	**1.216**

The decrease in trademark for Prima Group and P4 Radio in 2011 and 2010 are due to translation differences.The trademark in Nova was impaired in 2011.

Impairment testing

Impairment testing of the goodwill and other intangible assets with indefinite lives for cash-generating units in the business segment are based on calculations of the recoverable amount based on value in use, and by use of a discounted cash flow model. The cash flow is in the normal case discounted at a pre-tax interest of 12%. A higher interest rate is used in some cases. The model involves among other factors terminal values, market growth rates, and working capital requirements. These cash flow projections, calculated over a minimum of a five year period, are based on actual operating results, forecasts and financial projections, using historical trends, general market conditions, industry trends and other available information. After the five-year period, a growth rate of 2.5-3% is normally applied.

The cash flow projections are based on a sustainable growth rate which is individually estimated based on each unit's outlook. Individual assumptions are also made on cost and capital turnover development. The cash flow is discounted for each unit using an appropriate discount rate considering the cost of capital and risk with individual consideration taken.

Impairments

The impairments tests are done on a regular basis, annually or when triggered by event. In 2011, based on the impairment tests, the Board and the management concluded that the goodwill and other intangible assets relating to Nova, Bulgaria, had an impairment requirement of in total SEK 2,979 million, of which SEK 2,441 million related to goodwill, SEK 472 million to trademark and SEK 66 million to the broadcasting license. Nova is reported in the Free-TV Emerging Markets segment. The discount rate used has been the same as for previous periods. The write-down is due to the ongoing deterioration of the market in Bulgaria during 2011. The economy is dependent on export to other EU countries and contributions from EU. The effect from the ongoing accelerating crisis in Greece and the euro crisis during 2011 contributes to the greater uncertainty in all official economic forecasts.

In 2009, the Board and the management concluded that the goodwill and other intangibles relating to Nova, TV3 Slovenia and the social network community Playahead had an impairment requirement of SEK 3,151 million, SEK 120 million and 30 million respectively. The impairment in other intangibles, mainly the trademark, relate to Playahead. Nova and TV3 Slovenia are reported in the Free-TV Emerging Markets segment and Playahead in the Other Businesses segment. The write-downs were then due to the deterioration in the economic and financial climate and the prevailing advertising market conditions for Nova in Bulgaria and TV3 in Slovenia. As for the Playahead business, the impairment was due to the declining number of users.

The goodwill and other intangible assets are calculated at net present value in use, as described above. The discount rate used when calculating the recoverable amount related to Nova was 12 per cent before tax in all three periods. Impairment losses in goodwill are included in selling expenses in the income statement.

Sensitivity

The units, which do not indicate an impairment requirement, generally have such a margin that reasonably possible adverse changes in individual parameters would not cause the value in use to fall below the book value. However, cash flow projections are to its nature more uncertain and may also be influenced by factors not in control by the company. Such factors could be general market conditions, which might quickly deteriorate due to a financial crisis such as the on-going euro crisis or the crisis which developed in 2008 due to bankruptcies in the financial sector.

The following table shows how the carrying amount relates to the recoverable amount for the Group's largest goodwill items. The carrying amount is expressed as 100. A recoverable amount below 100 indicates that the carrying value is above the recoverable amount.

	TV1000	Prima	P4
Recoverable amount	593	180	217
Carrying amount	100	100	100

Carrying amount of 100 in relation to recoverable amount in case of increase in WACC:

+ 1 percent	541	163	200
+ 5 percent	406	119	156

Note 11 Tangible assets

	Group			Parent company
(SEK million)	Machinery, technical plant	Equipment, tools	Buildings	Equipment, tools
Acquisitions				
Opening balance 1 January 2009	131	814	4	3
Investments during the year	27	116	-	-
Divestment during the year	-37	-16	-4	-
Change in Group structure, reclassifications etc	-5	22	-	-
Translation differences	-4	-17	-	-
Closing balance 31 December 2009	**112**	**919**	**-**	**3**
Opening balance 1 January 2010	112	919	-	3
Investments during the year	17	98	-	-
Divestment during the year	-8	-11	-	-
Discontinued operations	-	-11	-	-
Change in Group structure, reclassifications etc	5	-7	-	-
Translation differences	-7	-59	-	-
Closing balance 31 December 2010	**118**	**929**	**-**	**3**
Opening balance 1 January 2011	118	929	-	3
Investments during the year	26	59	-	-
Divestment during the year	-5	-12	-	-
Change in Group structure, reclassifications etc	-7	-5	-	-
Translation differences	-3	-8	-	-
Closing balance 31 December 2011	**129**	**963**	**-**	**3**
Accumulated depreciation				
Opening balance 1 January 2009	-71	-521	0	-3
Divestment during the year	17	11	0	-
Depreciation during the year	-15	-116	-	-
Impairment losses during the year	-	-1	-	-
Change in Group structure, reclassifications etc	3	-2	-	-
Translation differences	3	8	-	-
Closing balance 31 December 2009	**-63**	**-621**	**-**	**-3**
Opening balance 1 January 2010	-63	-621	-	-3
Divestment during the year	8	6	-	-
Depreciation during the year	-18	-105	-	-
Impairment losses during the year	0	-2	-	-
Discontinued operations	-	7	-	-
Change in Group structure, reclassifications etc	-3	-2	-	-
Translation differences	6	37	-	-
Closing balance 31 December 2010	**-70**	**-680**	**-**	**-3**
Opening balance 1 January 2011	-70	-680	-	-3
Divestment during the year	5	5	-	-
Depreciation during the year	-19	-78	-	-
Impairment losses during the year	-4	-4	-	-
Change in Group structure, reclassifications etc	6	5	-	-
Translation differences	3	6	-	-
Closing balance 31 December 2011	**-79**	**-745**	**-**	**-3**
Book values carried forwards				
As per 1 January 2009	60	294	3	-
As per 31 December 2009	48	298	-	-
As per 1 January 2010	48	298	-	-
As per 31 December 2010	48	249	-	-
As per 1 January 2011	48	249	-	-
As per 31 December 2011	50	217	-	-

Depreciation by function (SEK million)	2011	2010	2009
Cost of goods and services	39	53	60
Selling expenses	0	11	2
Administrative expenses	52	47	64
Other operating expenses	7	12	5
Total	**98**	**123**	**131**

Impairment losses by function (SEK million)	2011	2010	2009
Cost of goods and services	7	2	0
Other operating expenses	-	-	1
Total	**7**	**2**	**1**

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 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
MTG Investment AS		Norway	1.000	100	100	58
Modern Africa Production Ltd		Ghana	100	100	100	0
Total						**3.676**

Shares in subsidiaries (Within the group) Parent companies in bold	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
UAB TV3 Lithuania		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	100	100
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
Viasat Ukraine LLC		Ukraine	100	100
MTG Africa Ltd		United Kingdom	100	100
Nova Televizia First Private Channel EAD		Bulgaria	95	95
Agency Eva OOD		Bulgaria	76	76
Edutainment Television Group S.A		Luxembourg	51	51
LLC TV Education		Russia	51	51
LLC Viasat DaVinci		Russia	51	51

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	85	85
Solutions LLC		Ukraine	85	85
Vision TV LLC		Ukraine	85	85
Vision Media LLC		Ukraine	85	85
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
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 Lyra, s.r.o.		Czech Republic	60	60
Regionalni televise DAKR, s.r.o.		Czech Republic	51	51
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
Televisionsaktiebolaget TV8	556507-2401	Stockholm	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

Shares in subsidiaries (Within the group)	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG Modern Studios Holding AB	556264-3261	Stockholm	100	100
Redaktörerna i Stockholm AB	556472-8425	Stockholm	100	100
Strix Television AB	556345-5624	Stockholm	100	100
Strix Drama AB	556419-9544	Stockholm	100	100
Strix Televisjon AS		Norway	100	100
Strix Television bv		Netherlands	100	100
Strix Television s.r.o.		Czech Republic	100	100
MTG Online AB	556461-1662	Stockholm	100	100
MTG TV Online AB	556513-5547	Stockholm	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 Modern Services 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
B24 Marketing Services Ltd		Gibraltar	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
MTG AS Norge		Norway	100	100
Viasat AS Norge		Norway	100	100
SportN AS		Norway	100	100
TV4 AS Norge		Norway	100	100
P4 Radio Hele Norge AS		Norway	100	100
P5 Radio Halve Norge AS		Norway	100	100
OY Suomen Radioviestinäly (SR)		Finland	69	69
OY Special-Hopea (SH)		Finland	100	100
Radio Melodi Norge AS		Norway	100	100
P6 Radio Rundt i Norge AS		Norway	100	100

Shares in joint ventures	Registered office	Share capital (%)	Voting rights (%)
Raduga Holding SA	Luxembourg	50	50
LLC DalGeoCom	Russia	50	50
LLC Raduga 2009	Russia	100	100
LLC Raduga 2011	Russia	100	100
TV2 Sport A/S	Denmark	50	50

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 2011	Book value 31 Dec 2010	Book value 31 Dec 2009	Market value 31 Dec 2011
Forum och Marknad 107,7 i Nyköping HB	969651-4125	Nyköping	-	33	33	0	0	0	
Lugna Favoriter 104,7 i Stockholm HB	969651-2970	Stockholm	-	33	33	0	0	0	
GH GigaHertz HB	969616-7551	Göteborg	-	33	33	1	1	1	
Göteborg Air 105,9 HB	969661-0600	Göteborg	-	33	33	0	0	0	
Jönköpings Reklamradio 106,0 HB	969651-3739	Jönköping	-	33	33	0	0	0	
Mediamätning i Skandinavien MMS AB	556353-3032	Stockholm	1.225	25	25	6	6	5	
Power i Stockholm HB	969651-2236	Stockholm	-	33	33	0	0	0	
Radio 2000 107,6 Helsingborg HB	969651-5015	Helsingborg	-	33	33	0	0	0	
Radio Air 104,5 i Hällby och Eskilstuna HB	969651-1980	Eskilstuna	-	33	33	0	0	0	
Radio National i Luleå AB	556475-0411	Stockholm	490	49	49	1	1	1	
Radio National i Skellefteå AB	556475-0346	Stockholm	490	49	49	0	0	0	
Radio Storpannan 104,8 i Göteborg HB	969651-2228	Göteborg	-	33	33	0	0	0	
Reklammedia 104,4 i Kil och Karlstad HB	969651-4109	Karlstad	-	33	33	0	0	0	
Reklammedia 107,3 i Kristianstad HB	969651-3697	Kristianstad	-	33	33	0	0	0	
RadioIndustri Xerkses i Borås AB	556034-4391	Borås	490	49	49	7	7	7	
Rix i Skandinavien AB	556475-3670	Stockholm	500	50	50	0	0	0	
AB Sappa	556453-6281	Göteborg	4.270	50	50	11	9	8	
Radiobranschen RAB AB	556623-1345	Stockholm	400	40	40	0	0	0	
Trestad Air 105,0 HB	969651-2715	Vänersborg	-	33	33	0	0	0	
Växjö Reklamradio 104,3 HB	969651-1972	Växjö	-	33	33	0	0	0	
Z-Radio 101,9 HB	969651-2269	Stockholm	-	33	33	0	0	0	
Östersund Air 104,0 HB	969651-2681	Östersund	-	33	33	0	0	0	
Radio Nova		Finland	-	22	22	7	8	8	
Norges Mobil TV AS		Norway	33.334	33	33	0	0	-	
Digital Radio Norge AS		Norway	36	33	33	0	0	-	
Kimtevill HB	969680-2272	Stockholm	-	33	33	0	0	0	
Altlorenscheuerhof S.A.		Luxembourg	625	33	33	10	10	10	
CTC Media, Inc.		USA	60.008.800	38	38	1.878	1.785	1.757	3.618
Total						**1.922**	**1.827**	**1.798**	

Shares in associated companies (SEK million)	2011	2010	2009
Balance brought forward 1 January	1.827	1.798	1.924
Investments in associated companies	0	2	1
Effect from new share issues CTC Media	22	69	0
Share of earnings in associated companies	611	413	270
Share of tax expense in associated companies	-197	-158	-2
Dividend received	-325	-223	-12
Effect of employee share option programmes CTC Media	73	72	45
Translation differences	-90	-146	-427
Balance carried forward 31 December	**1.922**	**1.827**	**1.798**

Shares and participations in other companies, within the group (SEK million)	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2011	Book value 31 Dec 2010	Book value 31 Dec 2009	Market value 31 Dec 2011
Metro International S.A. – shares	Luxembourg	7.260.584	1,38	1,34	4	8	7	4
Metro International S.A. – warrants	Luxembourg	18.151.460			4	9	9	4
CDON Group options	Stockholm	6.578.947			62	49	-	62
Other					0	0	5	0
Total					**71**	**67**	**21**	**71**

The shares in Metro International S.A. are classified as shares available-for-sale, and are thereby valued at fair value. The change in the fair value is recognised in other comprehensive income. The cumulative net changes are recognised in the fair value reserve in equity. In 2010, the Group invested in CDON Group convertible loan. In 2009, the parent company invested in Metro warrants and subordinated debentures, also classified as available-for-sale. The subordinated debentures are recognised in the statement of financial position as Other long-term receivables.

Shares and participations in other companies, held by parent company (SEK million)	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2011	Book value 31 Dec 2010	Book value 31 Dec 2009	Market value 31 Dec 2011
Metro International S.A. – shares	Luxembourg	7.260.584	1,38	1,34	4	8	7	4
Metro International S.A. – warrants	Luxembourg	18.151.460			4	9	9	4
Other					0	0	5	0
Total					**8**	**18**	**21**	**8**

Shares and participation in Parent company (SEK million)	2011	2010	2009
Accumulated acquisition values			
Opening balance 1 January	3.676	3.702	3.703
Liquidation of subsidiaries	-	-	-1
Acquisition of subsidiary	-	58	-
Founding of subsidaries	0	-	-
Distribution CDON Group	-	-324	-
Shareholders' contribution	-	240	10
Write down	-	-	-10
Closing balance 31 December	**3.676**	**3.676**	**3.702**

The shareholder contribution in 2010 was made to CDON Group AB and in 2009 to Modern Studios Holding AB.

Shares and participation in other companies, Group (SEK million)	2011	2010	2009
Accumulated acquisition values			
Opening balance 1 January	116	73	66
Reclassification convertible debentures Metro	-	-4	-
Acquisition depository receipts in Metro	-	-	7
Acquisition CDON Group share options	-	47	-
Total acquisition values	**116**	**116**	**73**
Accumulated fair value revaluations			
Opening balance 1 January	-49	-53	-61
Revaluation available-for-sale during the year	-10	2	8
Revaluation fair value through profit and loss during the year	14	2	-
Total fair value revaluations	**-44**	**-49**	**-53**
Closing balance 31 December	**71**	**67**	**21**

Shares and participation in other companies, Parent company (SEK million)	2011	2010	2009
Accumulated acquisition values			
Opening balance 1 January	69	73	66
Reclassification convertible debentures Metro	-	-4	-
Acquisition depository receipts in Metro	-	-	7
Total acquisition values	**69**	**69**	**73**
Accumulated fair value revaluations			
Opening balance 1 January	-51	-53	-61
Revaluation available-for-sale during the year	-10	2	8
Total fair value revaluations	**-61**	**-51**	**-53**
Closing balance 31 December	**8**	**18**	**21**

Note 13 Nature of expenses

(SEK million)	2011	2010	2009
Net sales	13.473	13.101	12.427
Cost of programmes and goods	-6.824	-6.235	-5.807
Distribution costs	-1.567	-1.412	-1.690
Employee benefits expense	-1.627	-1.782	-1.742
Depreciation and amortisation expense	-183	-218	-230
Asset impairment charges	-2.998	-11	-3.352
Other expenses	-1.523	-1.503	-1.429
Share of earnings in associated companies	611	413	270
Operating Income	**-637**	**2.355**	**-1.553**

Note 14 Accounts receivable

Group (SEK million)	31 December 2011	31 December 2010	31 December 2009
Accounts receivable			
Gross accounts receivable	1.562	1.560	1.617
Less allowances for doubtful accounts	-182	-191	-199
Total	**1.380**	**1.369**	**1.419**
Allowance for doubtful accounts			
Openingen balance 1 January	191	199	161
Provision for potential losses	55	58	68
Actual losses	-42	-37	-18
Reversed write-offs	-38	-9	-9
Discontinued operations	-	-6	-
Translation differences	16	-13	-3
Closing balance 31 December	**182**	**191**	**199**
Receivables due without provisions for bad debt			
< 30 days	181	211	215
30-90 days	85	62	79
> 90 days	35	3	5
Total	**301**	**276**	**299**
Receivables due with provisions for bad debt			
> 90 days	182	191	199
Total	**182**	**191**	**199**

Note 15 Prepaid expense and accrued income

Parent company (SEK million)	31 December 2011	31 December 2010	31 December 2009
Prepaid insurance premium	1	0	0
Other	3	7	1
Total	**3**	**7**	**1**

Note 16 Cash and cash equivalents

Group (SEK million)	31 December 2011	31 December 2010	31 December 2009
Bank balances	468	494	730
Deposits	1	5	7
Total	**470**	**500**	**737**

Parent company (SEK million)	31 December 2011	31 December 2010	31 December 2009
Bank balances	96	136	536
Total	**96**	**136**	**536**

Note 17 Earnings per share

(SEK million)	2011	2010	2009
Earnings per share before dilution			
Net income for the year attributable to equity holders of the parent company, continuing operations	-1.327	1.731	-2.114
Net income for the year attributable to equity holders of the parent company, discontinued operations	-	1.790	81
Net income for the year attributable to equity holders of the parent company, total Group	**-1.327**	**3.522**	**-2.033**
Shares outstanding on 1 January	66.342.124	65.896.815	65.890.375
Effect from stock options exercised	41.523	127.550	1.217
Weighted average number of shares, basic	**66.383.647**	**66.024.365**	**65.891.592**
Basic earnings per share, continuing operations, SEK	-19,98	26,22	-32,08
Basic earnings per share, discontinued operations, SEK	-	27,12	1,22
Basic earnings per share, total Group, SEK	**-19,98**	**53,34**	**-30,86**
Diluted earnings per share			
Net income for the year attributable to equity holders of the parent company	-1.327	3.522	-2.033
Effect from dilution in associated companies (CTC Media)	-2	-1	-7
Diluted net income for the year attributable to the equity holders of the parent company	**-1.329**	**3.521**	**-2.040**
Weighted average number of shares, basic	66.383.647	66.024.365	65.891.592
Effect from stock options and performance rights and options	-	353.087	-
Weighted average number of shares, diluted	**66.383.647**	**66.377.452**	**65.891.592**
Diluted earnings per share, continuing operations, SEK	-20,02	26,06	-32,19
Diluted earnings per share, discontinued operations, SEK	-	26,97	1,22
Diluted earnings per share, total Group, SEK	**-20,02**	**53,03**	**-30,97**

Potentially dilutive instruments

Modern Times Group MTG AB has outstanding long-term incentive plans. For the share options, the calculation of the potential dilution are done to determine the number of shares that could have been acquired at fair value based on the value of the subscription rights. Retention and performance share rights are included in the potentially dilutive shares from the start of the program, and in accordance with the performance targets achieved. The dilution from the incentive plans is a consequence of the 2007, 2008, 2009, 2010 and 2011 programs. Further, the Company has outstanding programmes, where the strike price or performance are not yet achieved. These rights and options might be diluting in the future. As per 31 December 2011 these amounted to 562,892 (464,698; 1,130,159).

Note 18 Shareholders' equity

Parent company Shares issued (SEK million)	Number of shares paid	Quota value
MTG Class A	5.878.931	29
MTG Class B	60.903.193	305
MTG Class C	865.000	4
Total number of shares issued/total quota value as per 31 December 2011	**67.647.124**	**338**

The holder of an MTG Class A share is entitled to 10 voting rights, the holder of an MTG Class B and MTG Class C share one voting right. Class C shareholders are not entitled to dividend payments. The Class C shares are held by the parent company.

Parent company	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
31 December 2008	15.091.426	50.798.949	480.000	66.370.375
New share issue 2009, exercise of stock options issued 2005		6.440		6.440
New share issue 2009, share option plan issued 2009			370.000	370.000
Conversion of Class A shares to Class B shares, 2009	-7.160.725	7.160.725		-
Shares issued 31 December 2009	**7.930.701**	**57.966.114**	**850.000**	**66.746.815**
New share issue 2010, exercise of stock options issued 2006 and 2007		445.309		445.309
New share issue 2010, share option plan issued 2010			215.000	215.000
Conversion of Class A shares to Class B shares	-1.293.888	1.293.888		-
Shares issued 31 December 2010	**6.636.813**	**59.705.311**	**1.065.000**	**67.407.124**
New share issue 2011, share option plan issued 2011			240.000	240.000
Conversion of Class A shares to Class B shares	-757.882	757.882		-
Conversion of Class C shares to Class B shares		440.000	-440.000	-
Shares issued 31 December 2011	**5.878.931**	**60.903.193**	**865.000**	**67.647.124**

Out of the totally issued shares, 378,887 Class B shares and 865,000 Class C shares are held as treasury shares.

Parent company (SEK)	2011	2010	2009
Proposed/decided cash dividends	**9,00**	**7,50**	**5,50**

The Board of Directors propose to the Annual General Meeting 2012 an ordinary dividend of SEK 9.00 (7.50; 5.50) per share, which corresponds to 32% of this year's normalised net income. The total proposed dividend payment would amount to a maximum of SEK 599,772,708, 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 2011, 2010 and 2009.

Paid-in capital/Premium reserve

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

Translation reserve in equity

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

Group (SEK million)	2011	2010	2009
Opening balance, 1 January	-150	642	1.502
This year's translation differences, net of tax	-126	-792	-860
Realised accumulated translation differences by sale of shares in Group companies	-	0	-
Total accumulated translation differences, 31 December	**-276**	**-150**	**642**

MTG hedged the book value of the net investment in Nova Televizia 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. The loan was repaid during 2009. The related amount in the parent company was transferred to retained earnings 2011.

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)	2011	2010	2009
Opening balance, 1 January	30	21	33
Recognised in other comprehensive income	21	9	-13
Recognised in the income statement	16	-1	-12
Transferred to the acquisition value of item hedged (inventory program rights)	-16	2	13
Closing balance, 31 December	**51**	**30**	**21**

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 has occurred for a longer period of time, the change is charged to the income statement and will therefore not be recognised in the fair value reserve.

Group (SEK million)	2011	2010	2009
Opening balance, 1 January	10	8	0
Recognised in other comprehensive income	-10	2	8
Closing balance, 31 December	**0**	**10**	**8**

Revaluation reserve

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

Group (SEK million)	2011	2010	2009
Opening balance, 1 January	-12	-12	-12
Closing balance, 31 December	**-12**	**-12**	**-12**

Retained earnings

Retained earnings comprise of previously earned income.

Non-controlling interest

In subsidiaries not wholly owned, the share of equity owned by external shareholders is recorded as non-controlling interest.

Note 19 Provisions

Group (SEK million)	Royalties and other provisions	Pension provisions	Total
Opening balance, 1 January 2009	**197**	**12**	**209**
Provisions during the year	174	-	174
Utilised during the year	-84	-	-84
Reversed during the year	-60	-	-60
Translation differences	-2	2	-1
Closing balance, 31 December 2009	**224**	**14**	**238**
Provisions during the year	189	1	190
Utilised during the year	-145	-	-145
Reversed during the year	-78	-	-78
Translation differences	-7	-1	-7
Closing balance, 31 December 2010	**183**	**14**	**197**
Provisions during the year	177	-	177
Utilised during the year	-66	-	-66
Reversed during the year	-46	-1	-46
Translation differences	-1	0	-1
Closing balance, 31 December 2011	**248**	**13**	**261**
Included in non-current liabilities 31 December 2009	224	14	238
Included in non-current liabilities 31 December 2010	183	14	197
Included in non-current liabilities 31 December 2011	248	13	261

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 6 (10; 6) million.

Note 20 Accrued expense and prepaid income

Parent company (SEK million)	31 December 2011	31 December 2010	31 December 2009
Accrued personnel costs	33	29	29
Accrued interest costs	1	5	5
Accrued professional fees	13	-	-
Other	4	7	2
Total	**52**	**40**	**36**

Note 21 Contingent liabilities

Group (SEK million)	31 December 2011	31 December 2010	31 December 2009
Guarantees external parties	-	-	-
Total	**-**	**-**	**-**

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 2011, 2010 and 2009.

Parent company (SEK million)	31 December 2011	31 December 2010	31 December 2009
Guarantees external parties	-	-	-
Guarantees subsidiaries	920	357	362
Total	**920**	**357**	**362**

Note 22 Financial instruments and financial risk management

Capital management

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

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

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

Financial risk management

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

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

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

Financing and refinancing risk

Financing risk is the risk of not being able to meet the need for future funding requirements. MTG's sources of funding are primarily shareholders' equity, cash flows from operations and borrowing. The refinancing risk is limited partly through having loans with a number of financial institutions, partly by initiating refinancing of all loans 12 months prior to maturity.

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 those where the Group owns a 50% interest, who have external loans and/or overdraft facilities connected directly to these companies.

In October 2010, the Group arranged a new SEK 6,500 million five year revolving multi-currency credit facility, replacing the then existing loan facilities. The latter comprised a revolving multicurrency credit facility of SEK 3,500 million which was granted in February 2006. The facility was unsecured,with no required amortisations, and available until February 2011. A new mid-term credit facility of SEK 3,000 million was granted in July 2009, available until 2 July 2012. The existing loan agreements have covenants based on the ratios total consolidated net debt in relation to consolidated EBITDA and consolidated EBITDA to net financial expenses. There are no regulatory external capital requirements to be met by the parent company or any of the subsidiaries other than covenants.The revolving credit facility of SEK 6,500 million can be paid out in optional currencies and the interest rate varies with IBOR, depending on the currency utilised.

In addition to the credit facilities, two overdraft facilities of SEK 50 million, in total SEK 100 million, are granted. As per 31 December 2011 SEK 1,542 (2,700; 3,500) million of the credit facilities were utilised. The available liquid funds as per 31 December 2011 was 5,528 (4,400; 3,837).

The Prima Group has a revolving credit facility of CZK 220 million, of which CZK 60 million is an overdraft facility. The facilities were unutilised on 31 December 2011, 2010 as well as 2009.

The Bulgarian company Nova has a credit facility of EUR 6 million, of which EUR 4,9 (5.8; 2.3) million were drawn at the balance sheet date. EUR 1.1 (0.2; 2.9) million were unutilised as per 31 December 2011. As per 31 December 2009 a bank guarantee of EUR 0.8 million to an external supplier were provided. The guarantee expired at the beginning of 2010.

Group (SEK million)	2011	2010	2009
Interest-bearing loans and borrowings	-1.566	-2.741	-3.518
Other interest-bearing liabilities	-9	-27	-45
Cash and short term deposits	470	500	737
Long- and short-term interest-bearing assets	307	242	77
Net debt	**-797**	**-2.026**	**-2.749**

Financial lease liabilities

The leasing liabilities refer to HD playout equipment. The equipment had a value of SEK 1 (2; 9) million as per 31 December. Finance lease liabilities are payable as follows:

	2011		
Group (SEK million)	Minimum lease payments	Interest	Principal
Less than a year	5	0	5
Between one and five years	0	0	0
Total financial lease	**5**	**0**	**5**

	2010		
Group (SEK million)	Minimum lease payments	Interest	Principal
Less than a year	4	0	3
Between one and five years	4	0	4
Total financial lease	**8**	**1**	**7**

	2009		
Group (SEK million)	Minimum lease payments	Interest	Principal
Less than a year	4	1	3
Between one and five years	8	1	8
Total financial lease	**13**	**1**	**11**

Interest-bearing liabilities

Group (SEK million)	31 December 2011	31 December 2010	31 December 2009
Non-current liabilities			
Non-current portion of bank loans	1.522	2.667	3.495
Other long-term liabilities	2	12	5
Finance lease liabilities	-	4	9
Total	**1.524**	**2.683**	**3.509**
Current liabilities			
Current portion of bank loans	44	73	23
Other short-term interest-bearing liabilities	1	5	27
Current portion of finance lease liabilities	5	4	4
Total	**50**	**83**	**54**

Maturity of long-term loans

Parent company (SEK million)	31 December 2011	31 December 2010	31 December 2009
Amount due for settlement within 12 months	-	-	-
Amount due for settlement within 13 to 59 months	1.522	2.667	3.462
Amount due for settlement after 60 months	-	-	-

Terms and payback period, gross values

	2011						
Group (SEK million)	Interest rate	Fixed interest term	Effective interest rate	Total	12 months or less	1-2 years	More than 2 years
Finance lease liabilities	6.3-7.2	12 months	6.3-7.2	5	5	0	-
Loan from bank	2.29-3.35	1 month	4,79	1.881	117	74	1.689
Forward agreements				54	54	-	-
Interest-bearing liabilities				8	1	7	-
Accounts payable				1.172	1.172	-	-
				3.120	**1.350**	**81**	**1.689**

	2010						
Group (SEK million)	Interest rate	Fixed interest term	Effective interest rate	Total	12 months or less	1-2 years	More than 2 years
Finance lease liabilities	6.3-7.2	12 months	6.3-7.2	8	4	4	-
Loan from bank	1.1-4.05	1 month	1.56	2.933	73	80	2.780
Forward agreements				56	56	-	-
Interest-bearing liabilities				17	5	12	-
Accounts payable				1.008	1.008	-	-
				4.023	**1.147**	**96**	**2.780**

	2009						
Group (SEK million)	Interest rate	Fixed interest term	Effective interest rate	Total	12 months or less	1-2 years	More than 2 years
Finance lease liabilities	6.3-7.2	12 months	6.3-7.2	13	4	9	-
Loan from bank	1.1-2.3	3 months	2.8-3.9	3.732	113	583	3.036
Forward agreements				70	70	-	-
Other interest-bearing liabilities				32	27	5	-
Accounts payable				1.226	1.226	-	-
				5.073	**1.439**	**598**	**3.036**

The interest payments arising from the financial instruments were calculated using the last interest rates before or on 31 December. The liabilities were calculated to be repaid on the earliest possible time period.

Overdraft facilities

The amount granted for bank overdraft facilities in Sweden at 31 December 2011, equaled SEK 100 (100; 100) million, of which SEK 100 (100; 100) million was unutilised. The Prima Group is granted a bank overdraft facility of CZK 60 (60; 60) million, of which CZK 60 (60; 60) million was unutilised.

Market risks

Interest rate risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect cash flow and financial assets and liabilities. Group financial policy is to have a balanced mix between variable and fixed interest rates and to match lending and borrowing in terms of interest rates and maturity periods. The interest bearing multi-currency facility exposes the Group to interest rate risk and, during 2009-2011, the interest rate period was short term.

Short-term investments and cash and cash equivalents amount to SEK 470 (500; 737) and the average interest rate period on these assets was less than 1 month. With an average fixed interest period of 1 (1; 2.5) months on the borrowing portfolio that amount to SEK 1,542 (2,700; 3,500), a one percentage change in interest rates would have an impact on the Group's interest expense of approximately SEK 14 (25; 27) million. 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. The Group does not currently use derivative financial instruments to hedge its interest risks.

Credit risk

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

Financial credit risk is the risk arising for the Group in its relations with financial counterparties in the case of deposits of surplus funds, bank account balances and investments in financial assets. Administration of the financial credit risk, arising from corporate treasury transactions when using derivative instruments, is regulated in the financial policy.

The Group's policy related to the credit risk in financial activities expresses only well-established international financial institutions as counterparties. The counterparties must possess a rating at least equivalent to Moody's A-1 or equivalent rating at other rating institute. Transactions are made within fixed limits and exposures are continuously monitored. MTG has signed standardised netting agreements (ISDA) with counterparties of the bank funding group in efforts to limit the number of financial counterparties.

The credit risk with respect to the Group's trade receivables is diversified among a large number of customers, both private individuals and companies. The credit risks on certain markets increased from the autumn in 2008 due to the financial crises, and the risks are still high on some of these markets. High credit ratings are required for material credit sales and solvency information is obtained to reduce the risk of bad debt expense. See also note 14 Accounts receivable.

The Group's exposure to credit risk amounts to SEK 2,190 (2,186; 2,261) million as per 31 December 2011. The exposure are based on the carrying amount for the financial assets, the major part comprising trade receivables and cash.

Insurable risks

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

Currency risk

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

Transaction exposure

Transaction exposure arise when inflow and outflow of foreign currencies are not matched. According to the MTG financial policy, the corporate treasury function shall hedge the major contractual future currency flows on a rolling 12 month basis. 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, British pounds and, until the autumn 2011, Swiss francs. The hedging reserve at year end was SEK 51 (30; 21) million. Approximately 85-100% of the currency flows are hedged. Other transaction exposure is not hedged.

The entities' net foreign exchange cash flow was distributed among the currencies as follows, hedges not included (the cash flows from CDON Group are included in 2010 and 2009):

Currency (SEK million)	2011	2010	2009
DKK	526	583	646
NOK	519	696	788
EUR	-1.207	-1.638	-557
CHF	-12	-30	-49
USD	-1.241	-1.303	-1.153

A 5% change in USD/SEK would have a net effect on profit before tax of approximately SEK 55-65 (60-70; 50-65) million.

The nominal value of the hedge contracts amounted to:

Currency (million)	2011	2010	2009
GBP	3	1	3
CHF	-	13	12
USD	172	154	158

The effect of a change in the rate by 5% on the outstanding positions in the hedge reserves in equity as per 31 December would have been approximately SEK 61 (75; 63) million.

Translation exposure

Translation 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 comprises the holding in CTC Media. MTG hedged part of the book value of the net investment in Nova Televizia 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, as the Bulgarian leva is pegged to euro. The euro loan was repaid at 31 December 2009. There are no other hedging positions for translation exposure.

Net foreign assets including goodwill and other intangible assets arising from acquisitions are distributed as follows:

	2011		2010		2009	
Currency	SEK million	%	SEK million	%	SEK million	%
BGN	-	-	3.061	37	4.028	43
USD	1.878	31	1.785	22	1.757	19
NOK	1.269	21	976	12	984	10
EUR	565	9	229	3	738	8
DKK	446	7	88	1	53	1
Other currencies	1.898	31	2.081	25	1.915	20
Total equivalent SEK value	**6.056**	**100**	**8.220**	**100**	**9.475**	**100**

A 5% change in USD/SEK would affect equity by approximately SEK 94 (89; 88) million, while the respective change in the currencies in the Central European countries would affect equity by SEK 95 (260; 300) million.

Measurement of financial instruments at fair value in the statement of financial position

Financial instruments recorded at fair value are classified in a three level hierarchy depending on the quality of the source of data used to derive the fair value:

Level 1 – quoted prices in active markets for identical assets or liabilities are used to determine the fair value.

Level 2 – observable sources of data for the asset or liability, either directly or as prices or indirectly as derived from prices, are used to arrive at fair value.

Level 3 – unobservable input data which are not based on market data are used to arrive at the fair value.

Financial instruments available-for-sale, which comprise shares in listed companies are classifed as level 1. Derivative instruments such as forward foreign exchange contracts are classifed as level 2, which also applies to the CDON option value. There are no financial instruments at level 3.

Fair value of Financial instruments in the statement of financial position

	31 December 2011		31 December 2010		31 December 2009	
Group (SEK million)	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Financial assets						
Financial assets available-for-sale						
Shares and other investments in other companies	8	-	18	-	21	-
Financial assets at fair value through profit and loss						
Shares and other investments in other companies	-	62	-	49	-	-
Derivatives						
Forward foreign exchange contracts	-	54	-	-	-	-
Financial liabilities						
Derivatives						
Forward foreign exchange contracts	-	-	-	56	-	70

Level 1 items have been valued at the market prices on Nasdaq OMX Stockholm. For level 2 items, the market prices on Nasdaq OMX have been used to derive at fair value by applying the Black & Scholes method for the CDON option value. As for the forward contracts, market interest rates from Six Edge have been used to derive at fair value.

Other financial assets are reported in the statement of financial position in cash and cash equivalents, interest-bearing long-term receivable, and loans and receivables (accounts receivables, and accounts receivables affiliated companies). Financial liabilities are other liabilities reported in accounts payable, short-term interest-bearing liabilities and long-term interest-bearing liabilities. The company judges the book values and the fair values to correspond for these items. The fair value of financial liabilities other than derivatives are based on future contractual cash flows for the principal amount and interest, discounted at market interest rate at the balance sheet date. Fair value for financial leasings are based on the present value of future cash flows discounted at the market interest rate for such leasing agreements. The fair value of trade receivables and payables equals approximately the book value as the impact of the discounting rate is insignificant.

Note 23 Lease and other commitments

Lease and other commitments for future payments at 31 December 2011

Group (SEK million)	Future rent on non-cancelable leases	Future payments for program rights	Transponder commitments	Total commitments
2012	132	1.708	298	2.139
2013	88	1.830	225	2.143
2014	74	1.669	212	1.955
2015	69	1.309	180	1.558
2016	65	554	176	795
2017 and thereafter	146	309	44	499
Total lease and other commitments	**575**	**7.378**	**1.135**	**9.088**
This year's operational costs				
Minimum lease fees	107	2.129	347	2.582
Variable fees	1	135	19	155
Total operational costs	**108**	**2.264**	**366**	**2.737**

Lease and other commitments for future payments at 31 December 2010

Group (SEK million)	Future rent on non-cancelable leases	Future payments for program rights	Transponder commitments	Total commitments
2011	114	1.858	266	2.239
2012	92	1.646	75	1.813
2013	80	1.016	8	1.105
2014	70	612	2	684
2015	70	382	1	454
2016 and thereafter	211	181	0	392
Total lease and other commitments	**638**	**5.695**	**352**	**6.686**
This year's operational costs				
Minimum lease fees	99	2.939	312	3.350
Variable fees	1	149	22	172
Total operational costs	**100**	**3.088**	**333**	**3.522**

Lease and other commitments for future payments at 31 December 2009

Group (SEK million)	Future rent on non-cancelable leases	Future payments for program rights	Transponder commitments	Total commitments
2010	85	1.573	257	1.915
2011	97	1.592	207	1.896
2012	87	1.366	67	1.519
2013	74	772	2	849
2014	80	229	1	311
2015 and thereafter	257	219	1	477
Total lease and other commitments	**681**	**5.750**	**536**	**6.967**
This year's operational costs				
Minimum lease fees	78	2.139	297	2.514
Variable fees	1	179	17	196
Total operational costs	**79**	**2.318**	**313**	**2.710**

Future rent on non-cancelable leases at 31 December

Parent company (SEK million)	2011	2010	2009
2010	-	-	1
2011	-	1	1
2012	1	1	1
2013	1	1	1
2014	1	1	1
2015	1	1	-
2016	1	1	-
2017 and thereafter	1	-	-
Total lease and other commitments	**6**	**6**	**5**
This year's operational costs			
Minimum lease fees	1	1	1
Variable fees	-	-	-
Total operational costs	**1**	**1**	**1**

Note 24 Average number of employees

	2011		2010		2009	
Group	Men	Women	Men	Women	Men	Women
Sweden	537	310	575	433	548	399
United Kingdom	172	189	112	117	120	120
Bulgaria	162	161	161	161	156	164
Norway	147	122	153	127	144	116
Denmark	166	99	149	84	158	89
The Czech Republic	110	98	117	101	140	120
Estonia	47	79	49	67	67	96
Latvia	49	68	42	60	27	47
Ukraine	61	47	92	61	30	25
Lithuania	56	38	57	40	53	29
Russia	35	50	31	47	17	26
Ghana	44	19	30	9	29	8
Slovenia	18	23	25	28	18	21
Malta	27	14	26	13	24	15
Hungary	14	24	25	33	14	27
Spain	16	8	17	7	16	7
The Netherlands	3	7	1	7	2	8
Finland	6	4	6	5	12	8
Poland	-	-	-	-	1	2
Other	-	1	-	1	1	2
Total	**1.672**	**1.360**	**1.668**	**1.401**	**1.577**	**1.329**
Total number of employees		**3.031**		**3.069**		**2.906**

Parent company	2011	2010	2009
Men	18	22	21
Women	11	9	10
Total	**29**	**31**	**31**

Gender distribution senior executives

Group	Men %	Women %
Board of Directors	90	10
CEO	69	31
Other senior executives	62	38
Total	**72**	**28**

Parent company	Men %	Women %
Board of Directors	75	25
CEO	100	0
Other senior executives	80	20
Total	**79**	**21**

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

Group (SEK million)	2011	2010	2009
Personnel expenses			
Wages and salaries	1.275	1.288	1.249
Social security expenses	250	254	231
Pension costs – defined contribution plans	60	75	74
Pension costs – defined benefit plans	7	8	12
Share-based payments	8	13	6
Social security expenses on share-based payments	-1	11	14
Total	**1.599**	**1.649**	**1.586**

(SEK million)	2011	2010	2009
Board of Directors, CEO and other senior executives [1]	156	147	176
of which, variable salary	*32*	*31*	*37*

1) Includes SEK 4.9 (3.9; 4.4) million Board fees approved by the Annual General Meeting

Parent company (SEK million)	2011	2010	2009
Board of Directors, CEO and other senior executives	46	48	43
of which, variable salary	*6*	*12*	*11*
Other employees	47	33	57
Total salaries and other remuneration	**92**	**82**	**100**
Social security expenses	31	26	26
of which, pension costs	*5*	*6*	*7*
of which, pension costs CEO	*1*	*1*	*1*

Total salaries in the parent company include remuneration to other senior executives 5 (5; 4) persons of SEK 25 (22; 20) million, of which variable salary is SEK 1 (6; 5) million.

Remuneration to senior executives
A fee is paid to the Board of Directors in accordance with the decision of the Annual General Meeting. The remuneration to senior executives are paid in accordance with the guidelines approved of by the Annual General Meeting 2011.

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 consisting of Northern and Eastern European media companies. Remuneration is based on market competitive conditions and which also are aligned with shareholders' interests. Executive Remuneration consists of a fixed and variable salary in cash, as well as the possibility of participating in an equity based long-term incentive programme and pension schemes. These components create a well-balanced remuneration structure which reflects 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 each 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 75 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. **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 time 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 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 and it should be noted that the Chief Executive Officer is entitled to receive a severance payment equivalent to one month's basic salary per year of service in the Group if he complies with certain conditions. **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.

Senior executives include segment managers, the Chief Executive Officer, the Chief Financial Officer, Executive Vice Presidents and Head of Administration. The Executive Management is found on pages 51-55. Martin Lewerth joined the Executive Management group in January 2010. Marc Zagar joined the Executive Management group in September 2010. From the end of October 2011 the management structure was reorganised, and Patrik Svensk joined the Executive Management. Hein Espen Hattestad left the Group and Manfred Aronsson assumed a different position.The remuneration therefore reflect these changes from the respective dates in the figures below.

Remuneration and other benefits 2011

(SEK thousand)	Base fee	Base salary	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
David Chance, Chairman of the Board	1.225					27	1.252
Mia Brunell Livfors	475						475
Simon Duffy	650						650
Lorenzo Grabau	525						525
Alexander Izosimov	525						525
Michael Lynton	525						525
David Marcus	500						500
Cristina Stenbeck	450						450
Hans-Holger Albrecht, CEO	-	12.897	5.838	165	995	-	19.894
Executive managers (11 persons)	-	48.408	12.774	646	1.833	-	63.661
Total	**4.875**	**61.305**	**18.612**	**811**	**2.827**	**27**	**88.457**

The 2011 amounts disclosed for the executive managers relate to the full year, although part of the year for some of the executive managers. The numbers include variable salary remuneration incurred to be paid after the year end for the Chief Executive Officer of SEK 2 (4; 3) million. In addition, non-cash share based incentive programme costs calculated in accordance with IFRS 2 amounted to SEK 2 (2; 5) million for the CEO and SEK 5 (6; 10) million for other executive managers. Out of the remuneration to other executive managers SEK 25 (22; 20) million was expensed in the parent company, SEK 37 (25; 24) million was expensed in the subsidiaries.

Remuneration and other benefits 2010

(SEK thousand)	Base fee	Base salary	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
David Chance, Chairman of the Board	1.125					102	1.227
Mia Brunell Livfors	425						425
Simon Duffy	600						600
Alexander Izosimov	475						475
Michael Lynton	475						475
David Marcus	450						450
Cristina Stenbeck	400						400
Hans-Holger Albrecht, CEO	-	12.874	7.789	220	990	-	21.873
Executive managers (9 persons)	-	33.656	12.841	597	2.487	-	49.581
Total	**3.950**	**46.530**	**20.630**	**817**	**3.477**	**102**	**75.506**

The 2010 amounts disclosed for the executive managers relate to the full year, although part of the year for one of the executive managers. The numbers include variable salary remuneration incurred to be paid after the year end for the Chief Executive Officer of SEK 4 (3; 2) million. In addition, non-cash share based incentive programme costs calculated in accordance with IFRS 2 amounted to SEK 2 million for the CEO and SEK 6 million for other executive managers.

Remuneration and other benefits 2009

(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	425						425
Mia Brunell Livfors	425						425
Simon Duffy	600						600
Alexander Izosimov	475						475
Michael Lynton	475						475
David Marcus	450						450
Cristina Stenbeck	400						400
Hans-Holger Albrecht, CEO	-	13.721	5.908	315	1.287	-	21.231
Executive managers (9 persons)	-	31.586	11.829	1.278	2.058	-	46.751
Total	**4.375**	**45.307**	**17.737**	**1.593**	**3.345**	**252**	**72.609**

During 2009, the Group has applied a salary freeze for all senior executives. The 2009 amounts disclosed relate to the full year. The numbers include variable salary remuneration incurred to be paid after the year end for the Chief Executive Officer of SEK 3 (2) million. In addition, non-cash share based incentive programme costs calculated in accordance with IFRS 2 amounted to SEK 5 million for the CEO and SEK 10 million for other executive managers.

David Chance has, further to the board fee in MTG, also received a board fee in 2011 of SEK 27 (102; 252) thousand as a Director of the Board in Viasat Broadcasting UK.

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.

Recalculation due to distribution of CDON Group

The terms for long-term incentive 2008-2010 plans have been recalculated due to the distribution of CDON Group. This applies both to exercise prices for the performance options as well as the maximums grants for retention rights, performance rights and performance options.

2011 Long-term incentive programme (LTIP)

The 2011 programme is performance based and directed towards 100 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 programme. The shares must be held during the three year vesting period. Approximately 50 of the participants are granted retention and performance rights and performance options, depending on the fulfillment of certain stipulated goals and the employee category. The other 50 participants are granted retention shares only. The goals relate to shareholder return, normalised return on capital employed and shareholder return to be equal to a peer group. The rights to retention shares and performance shares were granted by the company free of charge at the beginning of June 2011, and may be exercised the day following the release of the interim report for Q1 2014. Dividends paid on underlying shares during the vesting period will increase the number of retention and performance shares in order to treat the shareholders and the participants equally. The programme is calculated to comprise 19,850 retention shares, 97,900 performance shares, and 97,900 performance options, where approximately 50 participants and their investments are matched. The exercise price for the performance options was set at 120% of the average share price of the Class B share at grant date.

2010 Long-term incentive programme (LTIP)

The 2010 programme is performance based and directed towards 100 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 programme. The shares must be held during the three year vesting period. The participants are granted retention and performance rights, and performance options, depending on the fulfillment of certain stipulated goals and the employee category. The goals relate to shareholder return, normalised return on capital employed and shareholder return to be equal to a peer group. The rights to retention shares and performance shares were granted by the company free of charge at the beginning of June 2010, and may be exercised the day following the release of the interim report for Q1 2013. Dividends paid on underlying shares during the vesting period will increase the number of retention and performance shares in order to treat the shareholders and the participants equally. The programme is calculated to comprise 12,500 retention shares, 53,000 performance shares, and 106,000 performance options. The exercise price for the performance options was set at 120% of the average share price of the Class B share at grant date.

2009 Long-term incentive programme (LTIP)

The 2009 programme 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 programme. The shares must be held during the three year vesting period. Thereafter, the participants are granted retention rights and performance rights depending on the fulfillment of certain stipulated goals. The goals relate to shareholder return, normalised return on capital employed and shareholder return to be equal to a peer group. The rights to retention shares and performance shares were granted by the company free of charge at the beginning of June 2009, and may be exercised the day following the release of the interim report for Q1 2012. Dividends paid on underlying shares during the vesting period will increase the number of retention and performance shares in order to treat the shareholders and the participants equally. The programme is calculated to comprise 43,225 retention shares, and 217,900 performance shares.

2008 Long-term incentive programme (LTIP)

The 2008 programme 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 programme. 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, return on capital employed, organic growth and shareholder return compared to a peer group. 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 until 30 days before the planned release of the Q2 report in 2011. The retention rights and the performance shares will be adjusted for dividends. The programme comprises 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 had 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 (AGM).

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 was 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 Group, after three years. The bonus might 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 exercise period is 15 May 2010 – 15 May 2012. Following the distribution of CDON Group 2010, the exercise price was recalculated to SEK 405.10.

The 2006 option 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 exercise period was 15 May 2009 – 15 May 2011. All options were either exercised or forfeited at year end 2010.

The 2005 option 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 exercise period is 15 May 2008 – 15 May 2010. All options were either exercised or forfeited at year end 2010.

Cost effects of the incentive programmes

The programmes are equity-settled programmes. The initial fair value at grant date of the stock option programmes, are expensed during the vesting period. The cost for the programmes are recognised in equity and as an operating expense. The cost is based on the fair value of the MTG Class B share at grant date and the number of shares expected to vest. The cost recognised in 2011, 2010 and 2009 respectively for the programmes amounts to SEK 8 (14; 19) million excluding social charges.

The 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 per cent of the personnel will leave during the period. As for the performance programmes, the probability that the goals are met has been taken into consideration by applying adjustment factors to the different goals, when calculating the costs.

At the end of 2011, exercisable stock options granted in 2007, entitling the holders to acquire 28,890 MTG Class B shares had not yet been utilised.

Dilution

If all options granted to senior executives and key employees as at 31 December 2011 were exercised and all share rights awarded, the issued share capital of the Company would increase by 562,892 (817,785; 1,130,159) Class B shares, and be equivalent to a dilution of 0.8 (1.2; 1.7) % of the issued capital and 0.5 (0.7; 0.8) % of the related voting rights at the end of 2011. In 2010, 38,392 options from the 2005 programme were exercised, 157,046 options from the 2006 programme, and 249,871 options from the 2007 programme. In May 2011, 61,113 performance shares from the 2008 programme were exercised.

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

Options and rights outstanding	CEO	Senior executives	Key personnel	Total
Incentive programmes 2007	-	25.680	3.210	28.890
LTIP 2008	-	-	-	-
LTIP 2009	59.170	114.145	32.435	205.750
LTIP 2010	26.545	71.671	52.911	151.127
LTIP 2011	32.300	91.800	53.025	177.125
Total outstanding as per 31 December 2011	**118.015**	**303.296**	**141.581**	**562.892**

	2011		2010		2009	
	No of options and other rights	Weighted exercise price	No of options and other rights	Weighted exercise price	No of options and other rights	Weighted exercise price
Options and other rights outstanding at 1 January	817.785	231,24	1.130.159	293,89	1.049.807	374,28
Recalculated due to distribution CDON Group	-	-	25.333	225,56	-	-
Retention shares and options issued during the year	191.375	236,56	168.768	303,53	239.490	-
Retention and performance shares exercised during the year	-61.113	-	-445.309	408,77	-6.440	235,80
Retention and performance shares and options forfeited during the year	-385.155	315,57	-61.166	408,09	-152.698	413,12
Total outstanding at 31 December	**562.892**	**171,75**	**817.785**	**231,24**	**1.130.159**	**293,89**

The weighted exercise price for the 2005-2007 option programmes were recalculated for the redemption of the shares in Metro International S.A.. The exercise prices for the 2008-2010 incentive programmes were recalculated for the distribution of the shares in CDON Group in 2010.

The weighted share price at exercise day was SEK 408.77 and 235.80 respectively for stock options exercised in 2010 and 2009. The share rights exercised in 2011 were free of charge, and all options in the 2008 programme were forfeited during the period.

Outstanding options and other rights as per 31 December 2011 have an exercise price between SEK 0 and SEK 517.30, and the weighted average price is SEK 171.75 (231.24; 293.89). The weighted average remaining contractual life is 1.2 (1.1; 1.5) year.

	2011	2010	2009	2008	2007		2006	
Share option programmes at grant	Options	Options		Options	Warrants	Stock options	Warrants	Stock options
Expected volatility %	22%	30%	-	28%	27%	27%	30%	27%
Expected life of options (years)	3,26	3,05	-	2,95	3,00	3,00	3,00	3,00
Risk free interest rate %	2,44%	1,45%	-	4,32%	4,19%	4,05%	3,31%	4,10%
Adjustment factor market conditions TSR	70%	70%	80%	82%				
Adjustment factor market conditions TSR peer groups	35%	35%	30%	44%				

The 2009 programme comprise share rights only.

Specification of LTIP programmes	No. of allocated options and other rights	No. of people	Exercise price options	Theoretical value at allocation	Exercise period	Outstanding options and other rights as per 1 January	Recalcu-lation due to dividend	Forfeited during the year	Exercised during the year	Outstanding options and other rights as per 31 December
Grant 2005										
2011	399.999					-				-
2010	399.999	20	235,80	49,52	2008-2010	38.392			38.392	-
2009	399.999	20	235,80	49,52	2008-2010	44.832			6.440	38.392
Grant 2006										
2011	327.369					-				-
2010	327.369	25	413,30	54,82	2009-2011	164.846		7.800	157.046	-
2009	327.369	25	413,30	54,82	2009-2011	281.769		116.923		164.846
Grant 2007										
2011	356.923	41	405,10	104,38	2010-2012	28.890				28.890
2010	356.923	41	432,50	104,38	2010-2012	296.155	1.890	19.284	249.871	28.890
2009	356.923	41	432,50	104,38	2010-2012	327.355		31.200		296.155
Grant 2008										
2011	395.851					376.275		315.162	61.113	-
2010	395.851	50	466,60	57,00	2011	393.401	10.930	28.056		376.275
2009	395.851	50	498,10	57,00	2011	395.851		2.450		393.401
Grant 2009										
2011	239.490	50		65,60	2012	233.646		27.896		205.750
2010	239.490	50		65,60	2012	237.365	2.156	5.875		233.646
2009	239.490	50		65,60	2012			2.125		237.365
Grant 2010										
2011	168.767	50	452,00	69,17	2013	178.974		27.847		151.127
2010	168.767	50	452,00	69,17	2013	-	10.357	150		178.974
Grant 2011										
2011	191.375	100	517,30	98,66	2014	-		14.250		177.125
Total grant										
2011	2.079.774					817.785	-	385.155	61.113	562.892
2010	1.888.399					1.130.159	25.333	61.165	445.309	817.785
2009	1.719.632					1.049.807		152.698	6.440	1.130.159

The 2007 programme were exercisable at the balance sheet date.

Employee expenses, Group (SEK million)	2011	2010	2009
Share options granted in 2005	-	1	-1
Share options granted in 2006	-	2	-5
Share options granted in 2007	-1	-3	8
Retention rights and options granted in 2008	-4	6	11
Retention rights and performance shares granted in 2009	3	7	5
Retention rights and options granted in 2010	3	12	-
Retention rights and options granted in 2011	5	-	-
Total expense recognised as employee costs including social fees	**7**	**25**	**18**

Employee expenses, Parent company (SEK million)	2011	2010	2009
Share options granted in 2005	-	1	-1
Share options granted in 2006	-	1	-2
Share options granted in 2007	-1	1	2
Retention rights and options granted in 2008	-6	9	2
Retention rights and performance shares granted in 2009	3	5	2
Retention rights and options granted in 2010	2	1	-
Retention rights and options granted in 2011	3	-	-
Total expense recognised as employee costs	**1**	**17**	**3**

Options outstanding, Parent company	2011	2010	2009
Stock options issued 2005	-	-	38.392
Stock options issued 2006	-	-	30.646
Warrants issued 2007	-	-	18.121
Stock options issued 2007	28.890	28.890	77.610
Retention shares issued 2008	-	3.567	4.500
Performance shares issued 2008	-	36.492	46.500
Performance options issued 2008	-	78.093	93.000
Retention shares issued 2009	17.910	11.800	14.475
Performance shares issued 2009	103.330	56.200	66.900
Retention shares issued 2010	4.811	4.063	-
Performance shares issued 2010	26.285	18.400	-
Performance options issued 2010	53.714	39.376	-
Retention shares issued 2011	7.900	-	-
Performance shares issued 2011	46.400	-	-
Performance options issued 2011	46.400	-	-
Total	**335.640**	**276.881**	**390.144**

Terms, prices and basis of calculation for all incentive programs are the same as for the Group.The increase in 2011 for the 2009 and 2010 incentive programs relate to employee contracts which have been moved from subsidiaries to the parent company in 2011.

Note 26 Audit fees

Group (SEK million)	2011	2010	2009
KPMG, audit fees	10	10	10
KPMG, audit related fees	0	1	1
KPMG, tax related fees	1	0	0
KPMG, other services	1	1	1
Ernst & Young, audit fees	-	0	0
Ernst & Young, audit related fees	-	0	-
Ernst & Young, tax related fees	-	5	2
Ernst & Young, other services	-	0	2
Total	**12**	**17**	**17**

Parent company (SEK million)	2011	2010	2009
KPMG, audit fees	1	0	0
KPMG, other services	0	0	1
Ernst & Young, audit fees	-	0	0
Ernst & Young, audit related fees	-	0	-
Ernst & Young, tax related fees	-	1	-
Ernst & Young, other services	-	0	3
Total	**1**	**2**	**4**

Ernst & Young was second auditor until the Annual General Meeting in 2011.

Note 27 Supplemental information to the statement of cash flow

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

Group (SEK million)	2011	2010	2009
Income/loss from sale of subsidiaries	6	-7	-
Revaluation of CDON Group options	-14	-2	-
Gain from CTC Media new share issues	-22	-69	0
Depreciation and amortisation, write-downs and disposals of fixed assets	3.180	228	3.529
Share in the earnings of associated companies	-611	-413	-270
Share in tax expense of associated companies	197	158	2
Dividends from associated companies	319	223	5
Change in deferred tax	-13	-11	60
Change in provisions	78	-41	58
Options	10	17	19
Unrealised exchange differences	10	-22	-89
Total	**3.141**	**60**	**3.314**

Other information

Cash paid for interest and corporate tax

Group (SEK million)	2011	2010	2009
Interest paid	-200	-119	-175
Interest received	19	23	18
Corporate income tax	-489	-416	-263
Total	**-670**	**-512**	**-420**

Parent company (SEK million)	2011	2010	2009
Cash paid for interest	-90	-96	-158
Cash received for interest	2	3	3
Cash received for group dividends	400	73	1.305
Total	**312**	**-20**	**1.150**

Note 28 Related party transactions

Related party	
Investment AB Kinnevik (Kinnevik)	Kinnevik holds shares in Modern Times Group MTG AB.
CTC Media, Inc. (CTC)	MTG holds a significant amount of shares in CTC Media.
GES Media Europe	MTG owns shares in FTV Prima Holding A.S. amounting to 50% of the share capital and votes. GES Media Europe owns the remaining 50% of the share capital and votes.

All subsidiaries of Kinnevik are considered as related parties.

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 rents office space from Kinnevik.

The Group sells program rights to and buys program rights from CTC Media.

FTV Prima spol s.r.o., a subsidiary to FTV Prima Holding A.S., launched a new channel in 2011, which is distributed through companies owned by GES Media Europe.

FTV Prima Holding A.S. has provided a loan to GES Media Europe in 2011. A similar loan has been provided to MTG Group.

(SEK million)	Group 2011	Group 2010	Group 2009	Parent company 2011	Parent company 2010	Parent company 2009
Revenues						
Kinnevik	2	1	0			
CTC	2	3	1			
GES Media Europe	10	9	8			
Other related parties	4	-	-			
Total revenues	**17**	**13**	**9**	**-**	**-**	**-**
Operating costs						
Kinnevik	8	4	3	5	5	2
CTC	1	2	4	-	-	-
GES Media Europe	31	7	7	-	-	-
Other related parties	16	18	26	3	-	-
Other Kinnevik subsidiaries	1	2	6	1	-	6
Total operating costs	**56**	**34**	**45**	**8**	**5**	**8**
Receivables						
Kinnevik	0	0	0			
CTC	-	0	1			
GES Media Europe	62	3	3			
Other related parties	1	1	1			
Total Receivables	**63**	**4**	**5**	**-**	**-**	**-**
Payables						
Kinnevik	2	1	1	2	0	-
GES Media Europe	4	0	1	-	-	-
Other related parties	1	1	1	-	-	-
Total Payables	**7**	**1**	**3**	**2**	**0**	**0**
Dividends from affiliated companies						
CTC	319	216				
Other related parties	6	6				
Total dividends affiliated companies	**325**	**223**	**-**	**-**	**-**	**-**

Remuneration of key management personnel

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

Note 29 Long-term receivable

Parent company

Long-term Group receivables (SEK million)	2011	2010	2009
Opening balance 1 January	12.538	12.074	12.388
New lending	55	464	0
Re-payments	-	-	-314
Closing balance 31 December	**12.593**	**12.538**	**12.074**

Long-term External receivables (SEK million)	2011	2010	2009
Opening balance 1 January	6	-	-
Reclassification	-	4	-
Accrued interest	1	1	-
Closing balance 31 December	**7**	**6**	**-**

Note 30 Discontinued operations - distribution of CDON Group

The Group distributed CDON Group in December 2010. Net income before tax was SEK 105 million. Tax expenses was SEK 31 million, and net income for the year SEK 73 million.

Net income from discontinued operations

Group (SEK million)	2010	2009
Sales	1.870	1.746
Expenses	-1.766	-1.633
Net income before tax	105	113
Tax	-31	-33
Net income from discontinued operations	**73**	**81**
Distribution of CDON Group at fair value	2.042	-
Book value CDON Group	-326	-
Total net income from discontinued operations	**1.790**	**81**
Attributable to:		
Equity holders of the parent	1.790	80
Non-controlling interest	0	1
Net income for the year from discontinued operations	**1.790**	**81**
Basic earnings per share from discontinued operations (SEK)	**27,12**	**1,22**
Net income from continuing operations	1.750	-2.089
Net income from continuing operations	**1.750**	**-2.089**
Attributable to:		
Equity holders of the parent	1.732	-2.113
Non-controlling interest	19	24
Net income for the year from continuing operations	**1.750**	**-2.089**
Basic earnings per share from continuing operations (SEK)	**26,22**	**-32,08**

Cash flow from discontinued operations

Group (SEK million)	2010	2009
Net income	1.790	81
Adjustments	-1.711	47
Change in working capital	-116	138
Cash flow to/from operations	**-37**	**266**
Cash flow to investing activities	-27	-6
Cash flow to financial activities	-24	-49
Cash flow to/from discontinued operations	**-88**	**211**

Group Effect on assets and liabilities (SEK million)	2010	2009
Non-current assets	281	258
Inventories	275	153
Trade receivables	50	16
Other receivables	72	41
Cash, bank	88	15
Long-term liabilities	14	16
Short-term liabilities	426	458
Divested assets and liabilities, net	**325**	**8**

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

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

The annual accounts and the consolidated statements were approved by the Board of Directors and the Chief Executive Officer on 1 March 2012. The consolidated income statement and statement of financial position, and the income statement and balance sheet of the Parent Company, will be presented for adoption by the Annual General Meeting on 8 May 2012.

Stockholm 1 March 2012

Mia Brunell Livfors
Non-Executive Director

David Chance
Chairman of the Board

Simon Duffy
Non-Executive Director

Lorenzo Grabau
Non-Executive Director

Alexander Izosimov
Non-Executive Director

Michael Lynton
Non-Executive Director

David Marcus
Non-Executive Director

Hans-Holger Albrecht
President and
Chief Executive Officer

Cristina Stenbeck
Non-Executive Director

Our Audit report was submitted on 2 March 2012

KPMG AB

George Pettersson
Authorised Public Accountant

Audit report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and the consolidated accounts of Modern Times Group MTG AB (publ) for the year 2011. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 10-115.

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

Auditor's responsibility Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A Corporate Governance Report has been prepared. The Board of Director's report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Modern Times Group MTG AB (publ) for the year 2011.

Responsibilities of the Board of Directors and the Managing Director The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Stockholm 2 March 2012

KPMG AB

George Pettersson
Authorized Public Accountant

Definitions

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

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.

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.

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

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

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

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

Net assets
Assets less liabilities including provisions.

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

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

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

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

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

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

Glossary

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

ARPU
Annualised Average Revenue per User calculated for premium subscribers.

Internet-connected device
Equipment which is connected to the internet through IP technology, for example set-top-boxes, internet enabled TV sets, smartphones and tablets.

Catch-up services
Services offering television content delivered on an on-demand basis via non-linear transmission. Catch-up services enable viewers to access programming at a time of their choice, thus 'catching up' with the programming that they otherwise may have missed or did not have the time to view at the time of its traditional, linear, broadcast. Catch-up services are typically delivered via IP based technologies, either as part of a set-top-box or on an 'over-the-top' OTT basis.

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

Digital terrestrial Television (DTT)
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, also known as 'DTT'.

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 includes delivery by a broadband connection.

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 additional receivers in the form of set-top-boxes.

Multi-screen
On-demand pay-TV service which is not dependent on which internet-connected device that is used.

OTT
Over the top. Video content delivered by alternative means other than traditional TV broadcasts, through IP based technologies.

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

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

Play channels
A catch up service – where the free-TV channel viewer or pay-TV channel subscriber – is able to access the program, via the internet or their recordable box at any time.

Portability
Instead of broadcasting through a regular TV set – portability makes live TV and on-demand programming available on any internet-connected device.

Premium subscriber
Subscriber with prepaid premium pay-TV content.

Viasat OnDemand
The previous brand name for the Viasat's service, available through the internet or the recordable box or selected IPTV networks and cable TV network. The service comprice Play channels, subscription video on demand and pay-per-event or per-per day programming. Viasat OnDemand was rebranded to Viaplay on March 2011.

Viaplay
The new brandname for the multi-screen on-demand pay-TV service which provides thousands of hours of streamed movies, live sports coverage, TV series and catch-up services of favourite free-TV channels.

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

Production: Narva
Print: Elanders

MTG

MADE TO GROW

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