2012
Annual Report
& Accounts

ENTERTAINMENT ANYWHERE

Prague
14.59

Moscow
17.36

Stockholm
20.14

MTG
MODERN TIMES GROUP

Contents

CEO's review

This is my first annual review since taking over as CEO of MTG in September last year, but this is my nineteenth year at MTG, and my eleventh as a member of the senior management group. I have never stopped learning at MTG and now more than ever, as I have travelled around the operations over the past few months to learn more about the parts of the Group that I had not previously reached, and to understand what we offer our customers in each area. This has been an inspiring journey, meeting with a large number of our 3,191 employees from Accra to Helsinki, and London to Kyiv. Each market has its own unique characteristics, but it is great to see that our entrepreneurial way of doing business not only embraces this diversity, but actually harnesses it. The colleagues that I meet share the same passion for our business and our customers; they continually demonstrate the same innovation when it comes to solving problems and identifying opportunities; and they take the same pride in craftsmanship when creating, developing and promoting the entertainment products and services that our customers enjoy around the world.

A lot has been said about the uncertain economic outlook in our markets, the impact of technology on consumer behavior, and the fact that our industry is changing faster and more fundamentally than ever before. This is our daily reality, and everything that we do is focused on building the media house of the future, in order to ensure that we constantly innovate to remain at the forefront of our industry and continue to grow.

The media house of the future is your house, it is the way that you will consume, use, more closer to, and immerse yourself in, entertainment in the future. TV is now available on multiple devices and is mobile – both in and out of the home. So you can now choose between the TV set, the computer, the smartphone, the tablet and the games console... TV is also available on-demand as well as on a linear (scheduled) basis, so viewers are not only choosing what they want to watch but also when they want to watch it. This of course affects the business model in a number of ways, as advertisers increasingly pay for reach delivered through TV viewing on the internet, and subscribers opt for packages that provide all that they need via the open internet for a monthly fee.

We are better positioned than anyone to capitalise on these shifts in the industry's tectonic plates for four reasons – firstly, because we have a balanced mix of advertising and subscription revenues and are not bound by a single business model; secondly, because we are platform agnostic, meaning that we already make our channels and services available on other people's networks so we benefit from overall industry growth; thirdly, because we are present across four continents so we are able to deploy new products, services and models rapidly and efficiently to an installed and growing customer base; and, fourthly, because we do not own much infrastructure and can therefore move quickly and flexibly without tying up a lot of money in costly long term development projects.

All of this provides us with fantastic opportunities, which is why we are investing now and more than ever before. Our investments are focused on three key areas – content, technology and countries. Customer preference and purchasing is driven by three key factors – quality, price and accessibility. The first of these relates to the quality of the content on our channels and platforms, which is why we acted during 2012 to secure long term deals with the major Hollywood and local independent studios and signed multi-year agreements for exclusive access to key domestic and international sports rights. We have invested in technology to ensure that our channels and services are accessible on both our own Viasat (satellite) and Viaplay (online) platforms, as well as on 3rd party networks, and we have competitive price points for each service. And we are constantly looking to expand our footprint into new markets in Europe and Africa.

This is all quite a long way from the launch of our first channel – TV3 – across Scandinavia on new year's eve in 1987 – 25 years ago. It shows just how far we have come on our journey, and there is a lot to learn from the last twenty five years as we plan for the next twenty five. We launched a total of 21 TV channels last year, and there are more to come this year, so we are breaking more monopolies and challenging more incumbents than ever!

It was our emerging markets businesses that showed the strongest growth in 2012 as we took advertising market shares in almost all of our markets, and successfully grew our subscriber bases in all territories. There was little encouragement from the local economic development in these countries, but our free TV channels grew their audience shares and revenues in the Baltics, the Czech Republic, Bulgaria and Ghana. Free-TV emerging market profits were up for the year as we counterbalanced these investments by closing down our Slovenian operations and further reducing our underlying cost base. These advertising markets will return to sustained and higher levels of growth than the Western markets, and we are better positioned today to capture this growth when it comes. Furthermore, our position as the largest shareholder in CTC Media ensures that we will also participate in the high levels of growth in Russia, which is expected to become the largest TV advertising market in Europe next year, and is already the largest market in Europe by number of internet users!

Our emerging markets pay-TV businesses grew their satellite subscriber bases in Russia, Ukraine and the Baltics and we had a combined total of almost 600,000 satellite subscribers by the end of the year. The Baltics are more mature and well penetrated markets now, while Russia and Ukraine offer huge potential as digitalization approaches for a combined population of almost 200 million people. Separately, 32 of our Viasat channels are made available via third party pay-TV networks to subscribers in 31 countries across Central and Eastern Europe, Africa and the United States. This business, which was launched 10 years ago, now attracts 84 million subscriptions. Five out of the fifteen most watched pay-TV channels in Russia are Viasat channels, including the top 2. This is why we are investing further in these markets. We signed multi-year deals with four Hollywood studios and launched a new HD premium pay-TV channel package across Russian and the CIS at the end of the year. We expect to show healthy growth in 2013 and plan to breakeven for the combined emerging market pay-TV businesses despite the investments that we are making.

Our Nordic pay-TV business is the segment where we are investing the most, in order to ensure that we have the best possible content offering and make it as broadly available as possible. Our total subscriber base continued to grow due to the rapid development of our Viaplay online pay-TV service, and this is set to continue as we further enhance the service and its availability. Viaplay has opened up a whole new universe of potential customers for us, as virtually every one of the 9 million homes in the Nordic region has the necessary broadband speed to use the service. The decline in the satellite base reflected the competitive pressures in Denmark in particular, where uneconomic consumer offerings have created a short term negative effect, but our average revenue per premium Nordic satellite subscriber has continued to grow as we have raised prices and added services. The investments that we are making in our content offering (movies, series, sports) and the development of Viaplay will drive growth but also result in a lower profit margin moving forward.

Finally, our free-TV business in Scandinavia is a key focus area for us at the moment, as we have lost audience and advertising market shares in Sweden and Norway in particular, while the markets have grown. We have made changes across the board – from longer planning and piloting horizons to closer relationships with content producers, and from even tighter demographic positioning to even more tailored advertising solutions. We are also securing higher viewing shares online and in the regional advertising markets where the price per eyeball is higher. We delivered a healthy margin of almost 20% for the business in 2012 and will continue to invest where we see opportunities, as we look to increase our audience and advertising market shares.

With new competitive environments come all sorts of opportunities of course, and we have recently signed several highly significant channel distribution agreements. We have concluded a number of deals with Telenor that will enable us to launch a long awaited third free-TV channel in Norway; put all of our Viasat pay-TV channels on their large scale cable network in Norway; raise the household penetration of our free-TV channels in Denmark and Sweden by including the channels in Telenor's networks; and secure attractive third party channels for our pay-TV package offerings in Denmark. We also made our channels available on the digital terrestrial network in Denmark and all of these deals will add incremental advertising and subscription revenue streams to the business. This creative deal-making extended into our emerging markets too, where we have signed a number of sales partnerships with third party broadcasters to include their free-TV channels in our advertising sales packages. This effectively boosts the reach that we can offer advertisers and puts us head to head as market leader in the Czech Republic and Bulgaria.

Finally, we have refreshed and reinvigorated the Group by training and promoting talents internally and hiring in skilled professionals to push our digital online development in particular. The whole organization is already moving faster, acting smarter and taking more responsibility, and we will build on this momentum in 2013 to create long term sustainable value for all of our stakeholders. This is our Modern Responsibility as we see and understand it.

Thank you for your time and for your interest. We have a lot to do together and much to gain, so I look forward to keeping you updated on our progress.

Jørgen Madsen Lindemann
President & Chief Executive Officer

CFO's review

2012 was a year of further considerable change for the Group as we accelerated our development across our markets and businesses. We are a growth company and we have further streamlined our operations by closing down or disposing of non-core or underperforming assets, and consolidating complementary new businesses that match our growth profile. We increased our profitability levels and converted a very high percentage of these earnings into cash, and we ended the year with almost zero net debt. This leaves us in a strong position to invest in the future growth of MTG and that is exactly what we are doing – both organically and through increased M&A activity. It also enables us to increase our pay-out to shareholders, which we are proposing in the form of a higher annual ordinary dividend. Overall, we continue to run the Group in a highly capital efficient manner, which is reflected in returns on equity and capital employed of 34% for the year.

Total group sales of SEK 13.3 billion were up year on year at constant exchange rates in 2012, and total sales for our continuing operations were up even more – by 3% at constant exchange rates. Our Swedish krona reporting currency strengthened significantly against our principal operating currencies during the year so our sales were down marginally year on year at reported exchange rates. Three out of our four broadcasting divisions grew their sales at constant exchange rates, and we also accelerated our investments during the year in content, channels, technology and marketing.

Our total group operating income was up significantly year on year to SEK 2.1 billion and included SEK 429 million of associated company income. This compared with the 2011 result of SEK -615 million, which included SEK -3.2 billion of non-recurring costs and SEK 634 million of associated company income. The associated company income is primarily from CTC Media and the year on year change included non-recurring charges incurred by the company. Our 2011 result also included non-cash and non-recurring items due to the impairment of goodwill relating to our Bulgarian broadcasting assets.

Group operating income, when excluding the non-recurring items in 2011 and associated company income, was down 12% for 2012, but we still reported a Group operating margin of 13% on the same basis. This primarily reflected the impact of the ratings development in our Scandinavian free-TV operations and the increased investment in our Nordic pay-TV business. We announced our forward investment plans in October 2012, which primarily relate to our Nordic and Emerging markets pay-TV operations and are all about driving the future growth of MTG. The change in our 2012 operating profitability reflected these factors, but was offset to some extent by increased profitability levels for our emerging markets businesses.

Our high cash conversion levels increased further during the year as we converted 93% of Group EBITDA into net operating cash flow for our fully owned operations, and we also received USD 31.2 million (SEK 208 million) of cash dividend payments from our holding in the highly cash generative and unleveraged CTC Media business. We therefore generated over SEK 1.9 billion krona of net cash flow from operations in 2012, which was 7% higher than in 2011. This included a SEK 261 million positive change in working capital, which arose from pre-payments for programming and taxes in prior years. Working capital represented 1% of total revenues in 2012, compared to 3% in 2011.

We invested SEK 315 million in the acquisition of shares during the year. This almost entirely comprised the investments in the Paprika Latino content production business, the

LNT free-TV operations in Latvia, the Zitius Open Access Communications Operator in Sweden, and the TV 2 Sport channels in Denmark. We also sold our Bet24 betting and gaming operations, as well as our remaining shares in Metro International during the year.

MTG is a very capital efficient business and our total capital expenditure represented only 1% of Group sales in 2012. Our total depreciation and amortization charges declined during the year as the charges for some of our broadcasting licenses ended, but also increased towards the end of the year as we consolidated the more capital intensive Zitius business. Our expenditure levels, as well as our depreciation and amortisation charges, will increase to some extent moving forward as we invest in the development of our platforms.

We have strict Group-wide financial management structures and policies, with in-country financial controllers reporting to centralized planning and review functions. This enables us to control costs and invest and upstream cash efficiently, so Group free cash flow (defined as net cash flow from operations less capital expenditure) increased by 6% in 2012 to SEK 1.8 billion.

We used our cash to pay out a 20% higher ordinary annual dividend of SEK 600 million, or SEK 9 per share, and to reduce our borrowings by a net SEK 612 million in 2012. We therefore ended the year with a net debt position of SEK 1 million, which comprised total borrowings of SEK 953 million and total interest bearing net assets of SEK 952 million, including SEK 748 million of cash and the SEK 250 million convertible loan to former internet retailing subsidiary CDON Group (spun-off to shareholders at the end of 2010).

Moving forward, we had SEK 6.4 billion of available liquid funds, including unutilised credit and overdraft facilities, at the end of the year, and the NASDAQ quoted value of our 37.9% strategic shareholding in CTC Media was SEK 3.0 billion (USD 467 million).

We are therefore proposing an 11% higher annual ordinary dividend of SEK 10 per share, or approximately SEK 667 million in total, to this year's Annual General Meeting of shareholders. This is equivalent to a more than 40% pay-out ratio, and is in line with our policy to distribute at least 30% of each year's recurring net profit to shareholders in the form of an annual ordinary dividend.

We have now substantially enhanced our M&A capabilities so that we can identify and review more opportunities to grow the business in 2013 and beyond. We have one of the strongest balance sheets in the industry, and this financial firepower and flexibility will be used to seize attractive opportunities at a time when industry peers are not as well positioned.

Mathias Hermansson
Chief Financial Officer

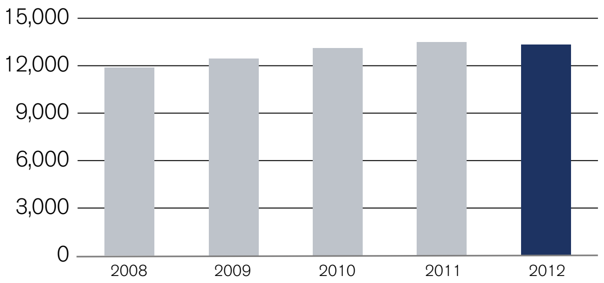
Five Year Summary

SEK million	2012	2011	2010	2009	2008
Net sales[2)]	13,336	13,473	13,101	12,427	11,880
Gross income[2)]	5,438	4,693	5,199	4,873	5,172
Operating income excluding non-recurring items from continuing operations[2)]	2,124	2,567	2,424	1,799	2,572
Income from corporate development	-	-	-	-	1,150
Closure and non-recurring costs	-	-3,182	-	-3,352	-76
Total operating income / loss from continuing operations[2)]	2,124	-615	2,424	-1,553	3,645
Financial net[2)]	-90	-112	-103	-185	-118
Net income from continuing operations[2)]	1,594	-1,289	1,750	-2,089	2,847
Income from discontinued operations	-	-	1,790	81	80
Total net income	1,594	-1,289	3,541	-2,008	2,927
Financial position					
Non-current assets	6,098	5,612	8,648	9,026	12,881
Current assets	5,595	5,668	5,354	5,625	6,351
Total assets	11,693	11,281	14,002	14,651	19,232
Shareholders' equity excl non-controlling interests	4,946	4,128	5,986	5,381	8,662
Non-controllering interests	188	222	253	298	318
Long-term liabilities	1,751	2,168	3,311	4,175	5,263
Short-term liabilities	4,808	4,763	4,452	4,796	4,989
Total shareholders' equity and liabilities	11,692	11,281	14,002	14,651	19,232
Personnel					
Average number of employees[2)]	3,012	3,031	2,844	2,703	2,477
Key figures					
Operating margin %[2)]	13	-	15	-	25
Operating margin adjusted for non-recurring items %[2)]	13	14	15	12	16
Net margin %[2)]	12	-	13	-	24
Return on total assets %	18	-	57	-	19
Return on equity adjusted for non-recurring items %	34	30	30	17	26
Return on capital employed adjusted for non-recurring items %	34	29	25	15	31
Equity / assets ratio %	44	39	45	39	47
Net debt to equity ratio %	24	18	32	48	41
Interest coverage ratio	29	-	17	-	59
Net sales per employee, SEK thousand[2)]	4,428	4,445	4,607	4,597	4,796
Operating income per employee, SEK thousand[2)]	705	-203	852	-575	1,471
Capital expenditures					
Investments in non-current intangible and tangible assets	144	120	157	159	156
Investments in shares	315	-	275	145	6,466
Per share data					
Shares outstanding	66,612,522	66,403,237	66,342,124	65,896,815	66,370,375
Weighted average number of shares before dilution	66,547,156	66,383,647	66,024,365	65,891,592	65,908,373
Weighted average number of shares after dilution[1)]	66,719,177	66,383,647	66,377,452	65,891,592	65,955,478
Total basic earnings per share (SEK)	22.93	-19.98	53.34	-30.86	43.25
Total diluted earnings per share (SEK)[1)]	22.87	-20.02	53.03	-30.97	42.93
Total basic earnings per share continuing operations (SEK)	22.93	-19.98	26.22	-32.08	42.00
Total diluted earnings per share continuing operations (SEK)	22.87	-20.02	26.07	-32.19	41.97
Basic shareholders' equity per share (SEK)	74.33	65.53	94.48	86.20	136.25
Proposed ordinary dividend/Cash dividend per share (SEK)	10.00	9.00	7.50	5.50	5.00

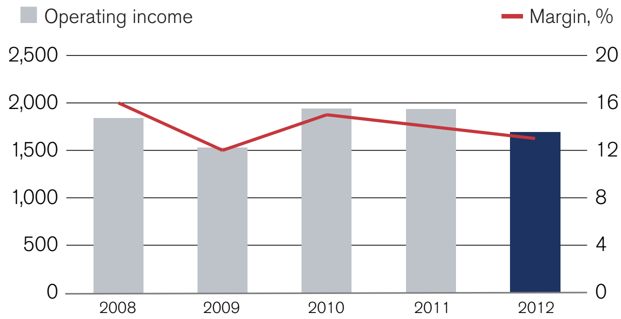
[1)] The Group has Long Term Incentive Plans that may be exercised into 266,050 new class B shares.

[2)] Excluding CDON Group.

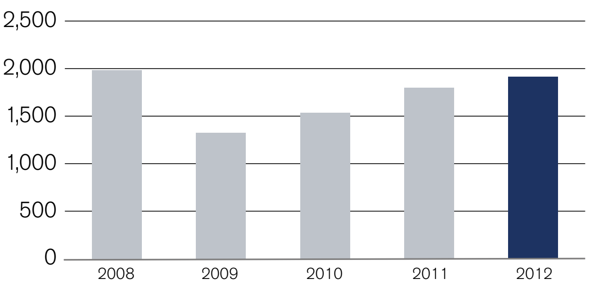
Net sales
(MSEK)



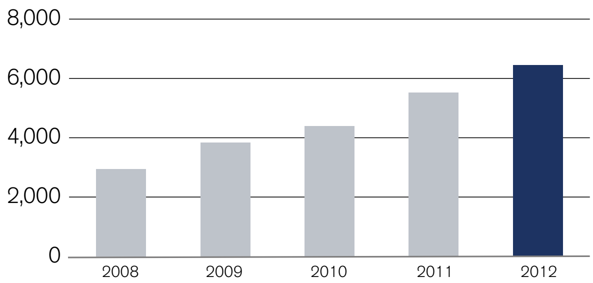
Operating income excluding associated income and non-recurring items (MSEK)



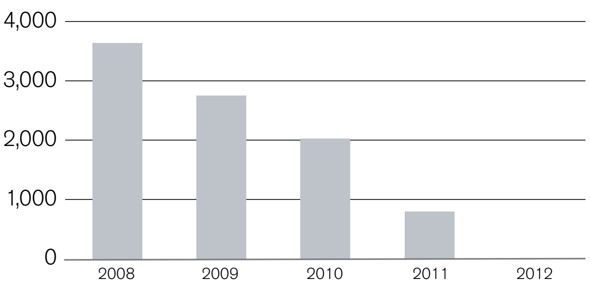
Net cash flow from operations
(MSEK)



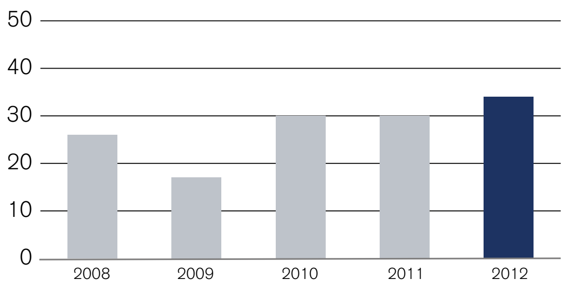
Available liquid funds
(MSEK)



Net debt
(MSEK)



Return on equity adjusted for non-recurring items
(%)



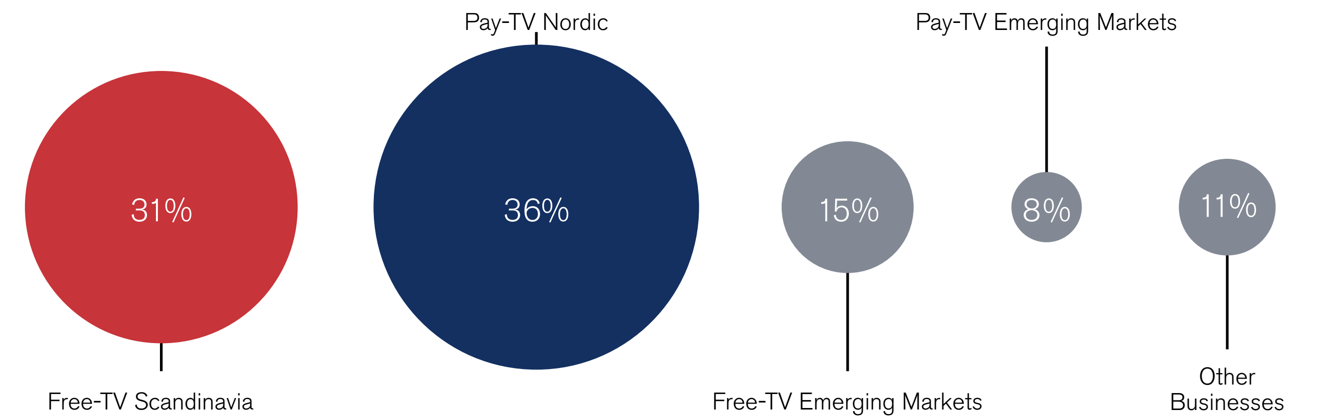
NET SALES (SEK million)	2012	2011	2010	2009	2008
Free-TV Scandinavia	4,157	4,393	4,247	3,820	3,687
Pay-TV Nordic	4,925	4,730	4,484	4,327	3,934
Free-TV Emerging Markets	2,035	2,073	2,004	2,095	2,150
- of which Baltics, Czech & Bulgaria	*1,874*	*1,845*	*1,754*	*1,852*	*1,893*
Pay-TV Emerging Markets	1,062	922	896	875	658
Central operations, eliminations & other businesses	-139	-173	-163	-177	-151
Total Viasat Broadcasting	**12,039**	**11,946**	**11,469**	**10,939**	**10,278**
Other Businesses	1,418	1,675	1,804	1,715	1,718
Total operating businesses	**13,457**	**13,621**	**13,273**	**12,655**	**11,996**
Group central operations	239	186	191	178	174
Eliminations	-360	-334	-363	-406	-405
TOTAL ONGOING OPERATIONS	**13,336**	**13,473**	**13,101**	**12,428**	**11,766**
Discontinued DTV Group *)	-	-	-	-	114
TOTAL OPERATIONS	**13,336**	**13,473**	**13,101**	**12,428**	**11,880**

OPERATING INCOME, EBIT (SEK million)	2012	2011	2010	2009	2008
Free-TV Scandinavia	793	1,077	1,082	820	809
Pay-TV Nordic	834	923	822	725	692
Free-TV Emerging Markets	156	32	-43	-84	292
- of which Baltics, Czech & Bulgaria	*186*	*124*	*52*	*34*	*333*
Pay-TV Emerging Markets	144	49	112	168	106
Associated company CTC Media	429	624	474	311	629
Central operations, eliminations & other businesses	-20	7	19	21	14
Total Viasat Broadcasting	**2,336**	**2,712**	**2,465**	**1,961**	**2,542**
Other Businesses	6	114	175	93	159
Total operating businesses	**2,342**	**2,826**	**2,640**	**2,055**	**2,700**
Group central operations & eliminations	-219	-260	-216	-200	-208
TOTAL OPERATIONS	**2,124**	**2,567**	**2,424**	**1,855**	**2,492**
Asset impairment charges & non-recurring costs **)	-	-3,182	-	-3,352	-54
Sale of DTV Group *)	-	-	-	-	1,150
GROUP TOTAL	**2,124**	**-615**	**2,424**	**-1,497**	**3,588**

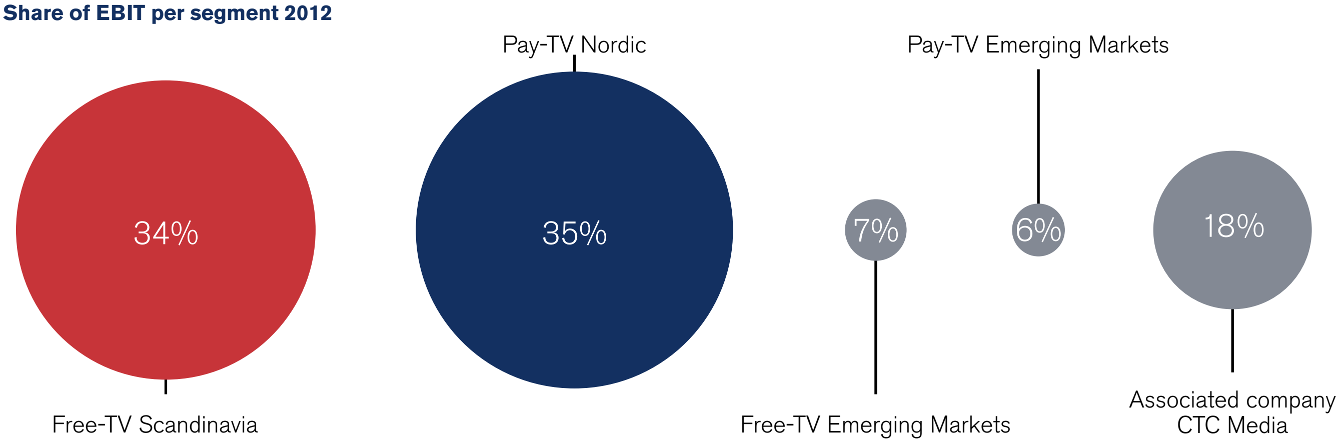
*) DTV Group was sold in 2008 to CTC Media, Inc.

**) Comprise mainly asset impairment charges Bulgaria in 2011 and 2009, as well as impairment charges and other close down costs Slovenia 2011.

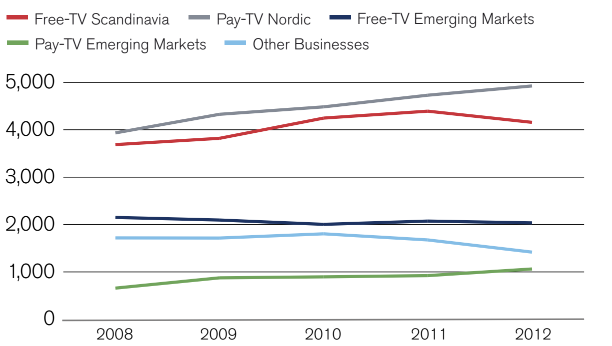
Share of Net Sales per segment 2012



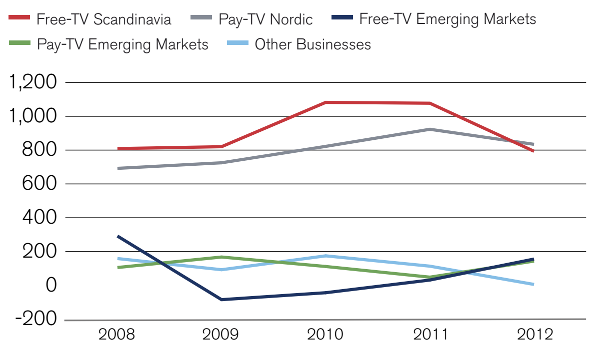
Share of EBIT per segment 2012



Net Sales per Segment (MSEK)



Operating Margin (EBIT) per Segment (MSEK)



Modern Responsibility

Summary Modern Responsibility report 2012

Modern Responsibility is the umbrella for MTG's commitments in relation to economic, social and environmental sustainability.

Our ongoing corporate responsibility agenda revolves around a number of key questions: Are we acting in a responsible way towards our stakeholders? Have we created a strong and stimulating company culture? Are we promoting national diversity and gender equality? Do we embrace our social responsibilities? How does our business impact people and the environment?

To help us achieve these objectives, we have a wide variety of policies and guidelines in place. MTG also abides by established ethical principles and rules, such as the UN's Global Compact and OECD's Guidelines for Multinational Enterprises.

As a media company, we are aware of our responsibilities towards our viewing, listening and online audiences. It is vital that we safeguard the welfare of the children and young people who consume, contribute to or feature in our content. We therefore take precautions to ensure that our material is carefully scheduled and clearly rated. It is also important for us to keep in mind that media has both the power and means to instigate and create positive change.

Each year, MTG's approach to Modern Responsibility evolves, and our development, as well as our reporting process, is informed by a continuous and open dialogue with our stakeholders. In keeping with these directives, MTG worked with a variety of internal and external initiatives during this past year. Training in the updated Anti-bribery and Corruption Policy was given to all MTG's employees, an improved Code of Conduct was unveiled and an updated Supplier Principles Policy was implemented. In addition to that, the fun and interactive School of Tolerance was implemented in our local MTG United for Peace Cup football tournaments, teaching hundreds of children how to accept and embrace each other's differences.

In 2012, MTG was included in the widely recognised Dow Jones Sustainability World Index for the first time. We also improved our rating in the Carbon Disclosure Project's 2012 assessment, making us the highest scoring Nordic media company, and Viasat Sweden took home a European Excellence Award in recognition of its cooperation with the Swedish Childhood Cancer Foundation.

These third party recognitions are a clear sign that we are heading in the right direction. If you would like to know more about our initiatives in this field, please visit our website www.mtg.se where you will find current, as well as previous, Modern Responsibility reports.

Our goals and performances 2012

We have set short- mid- and long-term goals for our sustainability work based on the outcome of our materiality analysis and the on-going dialogue we have with our stakeholders. Engaging with both our internal and external stakeholders helps us determine which questions are important for us to work on and in which areas there is room for improvement. The below table summarises our goals and performance for 2012 in the twelve focus areas that were considered most important. For more information on our mid- and long-term goals, please see our separate 2012 Modern Responsibility Report.

Focus Area	Action point	Target	Performance
Anti-corruption	Train managers	All managers to be trained in anti-corruption by February 2012	100%
Suppliers	Implement Self Check Document	50% of all relevant suppliers will have completed and signed the self-check document by end of Q3 2012	50%
Code of Conduct	Train employees	By January 2012 all employees will be trained in our updated Code of Conduct	100%
	Roll out e-learning course	By end Q2 2012 we will have our Code of Conduct e-learning course up and running	100%
Equality	Benchmark salary differences	We will benchmark salary differences in all countries by February 2012	Completed
	Create strategy	Strategies based on benchmarking in all countries by August 2012	Completed
Life Balance	Roll out policy	Roll out a Life Balance Policy, in line with local business practice and regulations, in UK by February 2012	Completed
Compliance with broadcasting regulations	Create routine for employee updates	New routines in place to ensure 100% of relevant employees are updated when compliance changes occur by 2012	100%
Accessibility	Create new strategy	Evaluate and create a new strategy on subtitling by August 2012	Completed
Environment	Train employees	80% of all employees will be trained in green thinking by February 2012	80%
	Reduce CO_2 emissions	Reduce CO_2 emissions by 5% per employee against the 2009 baseline by February 2012 (Reached end 2011)	6%
Training & Development	Benchmark industry standards	Benchmark and report on industry standards in training & development by 2012	Completed
Internal communication	Create strategy	Formulate strategy & plan by end Q1 2012	Completed
	Create local communication	Enhance internal communications function in local offices and develop local market internal communication plans by end 2012	Completed
Editorial Guidelines & Policy	Benchmark policies	Collect all local policies, benchmark internal/external guidelines and policies by June 2012	Completed
	Establish common MTG standard	Review policies and guidelines to set common MTG standard by end 2012	Completed
MTG United for Peace	Expand School of Tolerance	Implement School of Tolerance in local MTG United for Peace Cup tournaments 2012	Completed

Key performance indicators

We follow the Global Reporting Initiative (GRI) 3.1 guidelines for reporting the Group's non-financial performance. As part of this, we monitor our performance within Modern Responsibility with a set of key performance indicators to measure the impact of our actions and to identify potential areas for improvement. Below is a selection of our 2011 and 2012 performance data - for a full list of performance indicators, please see our separate 2012 Modern Responsibility Report.

Workforce Diversity (based on actual headcount as per 31 December)		2011	2012
Workforce by gender	Male	55%	54%
	Female	45%	46%
Management by gender	Male	64%	66%
	Female	36%	34%
Junior management by gender*	Male	-	62%
	Female	-	38%
Executive management by gender	Male	70%	75%
	Female	30%	25%
Workforce by Age	<30s	36%	34%
	30-50	59%	60%
	>50s	5%	6%
Foreign nationalities in local workforce	**Total**	**7%**	**6%**
	Nordic	1%	1%
	Baltics	1%	1%
	Others	24%	23%

*Data is not available for 2011

New permanent employees and employee turnover		2011	2012
Number of new permanent employee hires*	**Total**	**-**	**695**
	Male	-	47%
	Female	-	53%
	<30s	-	53%
	30-50	-	45%
	>50s	-	2%
	Nordic	-	38%
	Baltics	-	32%
	Others	-	30%
Employee Turnover (Including redundancies)	**Total**	**18%**	**23%**
	Male	18%	22%
	Female	19%	26%
	<30s	25%	35%
	30-50	16%	19%
	>50s	10%	15%
	Nordic	17%	21%
	Baltics	14%	16%
	Others	25%	37%
Internal Recruitment	**Total**	**40%**	**39%**

*Data is not available for 2011

Remuneration (salary plus variable remuneration)		2011	2012
Ratio of remuneration (female vs male)*	**Total, all staff**	**87%**	**72%**
	Total, managers	**-**	**70%**
	Nordic	77%	75%
	Nordic, managers	-	66%
	Baltics	104%	87%
	Baltics, managers	-	94%
	Others	87%	90%
	Others, managers	-	106%

*Manager data is not available for 2011

Corporate Giving	2011	2012
Donated airtime, TSEK	146,137	78,828
Volunteer hours	10,978	4,730
Products and services, TSEK	3,132	2,072
Funds raised for charity, TSEK	37,352	45,696

The donated airtime value is based on the estimated market value of the commercial airtime that MTG has donated to charity organisations. Raised funds include MTG's own fundraising campaigns and funds raised together with NGOs.

As we focus our community support on the environment and children, most of our corporate giving in 2012 went to organisations that work on those fields. The local MTG companies can also choose to support additional causes based on local needs. In 2012 raised funds went to: Barncancerfonden (Childhood Cancer Foundation), Sweden; Cancerfonden (Swedish Cancer Society), Sweden; Dava Sapni (Give a Dream), Latvia; Eņģeļi pār Latviju (Angels over Latvia), Latvia; Išsipildymo akcija (Fulfilment Campaign), Lithuania; Kreftforeningen (Norwegian Cancer Society), Norway; KSI SE Watrpolo Section, Hungary; MTG United for Peace; Pearl Foundation, Hungary; Reach for Change; Tallinn Pelgulinn Children's Hospital, Estonia.

ENVIRONMENTAL PERFORMANCE Carbon footprint	2011	2012
Scope 1 - direct emissions from company owned sources	372	383
Scope 2 - indirect emissions from consumption of purchased electricity, heat and cooling	5,031	6,131
Scope 3 - other indirect emissions from business travel, transports and office material usage	8,679	8,558
Total carbon emissions, ton CO_2e	14,082	15,072
Emissions per employee (excl. MTG Studios)	3.63	3.99

These figures cover the main emission sources from MTG's operations in 15 countries:

- Facilities: energy use in offices and other facilities, including broadcasting and TV production when performed directly by us.
- Material: consumption of office supplies, fruit and coffee.
- Travel: business travel, including air, rail and road travel plus hotel stays.
- Transport: transportation of Viasat set-top-boxes from the central warehouse to the local countries.

We use calculation methodologies that are based on the GHG Protocol and supplemented where necessary by additional data and assumptions by external environmental expert Tricorona Climate Partner.

Emissions per employee exclude MTG Studios, as they have relatively high travel emissions due to overseas productions, and the figure might otherwise not realistically illustrate the emissions and progress of the other MTG companies. Modern African Productions (MAP) is not included in the environmental figures for 2011 or 2012, as we are currently setting up structure for their environmental reporting.

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 36 countries. Viasat Broadcasting is also a 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 in 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, MTG Studios businesses and Bet24 up and until May 2012. 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 one of the largest commercial radio broadcasting network in Finland. MTG Studios comprises the Group's content production businesses including the TV production company Strix, and from September 2012, Paprika Latino Group, a leading Central and Eastern European TV production group.

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

Group sales were up 1% year on year at constant exchange rates, but up 3% when excluding discontinued and sold operating businesses, but including business acquired during the year. Operating income, when excluding associated company income and non-recurring items, were declined compared to 2011, and the Group reported an operating margin of 13% compared to last year's 14%.

Revenues for the Group's free-TV businesses in Scandinavia declined by 4% year on year at constant exchange rates and reported an operating margin of 19%, whilst sales for the

Group's Nordic pay-TV business grew by 5% at constant exchange rates, with an operating margin of 17%. The Group's Emerging Markets free-TV businesses reported a combined revenue growth at constant exchange rates of 3% for the year, while Pay-TV Emerging Markets continued to deliver strong growth of 15% at constant exchange rates for the year.

The Swedish and Norwegian TV advertising markets grew in 2012, while the Danish market declined year on year. The TV advertising markets in our Emerging territories grew on almost all markets. MTG ended the year with over a million premium subscribers in the Nordic region, following a slower intake of third party network subscribers not fully offsetting the ongoing decline in the Group's Nordic premium satellite subscriber base. The Emerging Markets pay-TV business also continued to grow its subscriber base during the year, and ended 2012 with over 584 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 19 million new subscriptions during 2012, with particularly high growth in the Russian base.

MTG's net cash flow from operations increased by 7% year on year in 2012, despite our focus on driving the business forward through selective investments in programming, our pay-TV platforms and new channel launches.

We are proposing an 11% increase in annual ordinary cash dividend to the Annual General Meeting in May, which corresponds to 42% of the net profit, and is in line with last year's adopted dividend policy to distribute at least 30% of recurring net profit to shareholders as an annual ordinary dividend.

MTG is a growth company and we are focused on building the media house of the future by investing in growing businesses. We are also reviewing a wide range of organic investment projects, acquisition opportunities and potential co-operations in both our existing and new markets.

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.

The below review of the Group's results present three years of comparative data. In the commentary, the 2011 and 2010 comparative numbers have been presented in brackets, with the leftmost number within the brackets referring to the corresponding 2011 numbers, whilst the rightmost number within the brackets refers to 2010 numbers. Example: MTG reported net sales of SEK 13,336 (13,473; 13,101) million.

Key figures	2012	2011	2010
Sales growth	-1%	3%	5%
Operating expenses growth (excl non-recurring expenses)	1%	3%	2%
Operating income growth (excl non-recurring expenses)	-17%	8%	31%
Operating margin (excl non-recurring expenses)	13%	14%	15%

Sales In 2012, MTG reported -1% (3%; 5%) net sales change to SEK 13,336 (13,473; 13,101) million. Sales were up 1% (6%) at constant exchange rates, which reflected sales growth in Pay-TV Nordic and Emerging Markets.

The Group's revenue mix reflected its diversified and balanced structure, with 42% (44%; 43%) of revenues derived from advertising sales; 49% (47%; 46%) from subscription revenues; and 9% (9%; 11%) from other business-to-business and business-to-consumer sales.

Operating expenses Group operating costs increased to SEK 11,641 (11,540; 11,160) million and were up 9% (7%) year on year at constant exchange rates in 2012 as a result of continued investments in programming, the Group's Nordic and Emerging Markets pay-TV platforms, launch of new channels and the Viaplay online pay-TV service. Group depreciation and amortisation charges totalled SEK 147 (183; 218) 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. These items were written-down to its entirety.

Operating income before associated company income & non-recurring items Group operating income for the year declined to SEK 1,695 (1,933; 1,941) million when excluding associated company income and the impact of the 2011 non-recurring items with an operating margin of 13% (14%; 15%).

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 429 (634; 482) 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 37.9% (38.1%; 38.3%) of the issued and outstanding shares as at 31 December 2012.

Net interest and other financial items Group net interest expenses were reduced to SEK -34 (-59; -70) million for the full year. Other financial items amounted to SEK -56 (-53; -33) million. These items included a SEK -15 (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.

Tax Group tax charges totalled SEK -440 (-561; -571) million. The lower tax in 2012 reflected positive effects from prior years, as well as the revaluation of deferred tax liabilities in Sweden as a result of the change in the corporate tax rate from 1 January 2013.

Net income and earnings per share The Group reported net profits from continuing operations of SEK 1,594 (-1,289; 1,750) million, and basic earnings per share of SEK 22.93 (-19.98; 53.34). Basic earnings per share for continuing operations excluding non-recurring items amounted to SEK 22.93 (27.94; 26.22).

Total net income The Group reported a total net income of SEK 1,594 (-1,289; 3,541), which included CDON Group in 2010 at SEK 1,790 million.

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)	2012	2011	2010
Cash flow from continuing operations	1,655	1,853	1,810
Changes in working capital, continuing operations	261	-56	-277
Net cash flow from continuing operations	1,915	1,797	1,534
Investment activities, continuing operations	-351	-115	-683
Financial activities, continuing operations	-1,274	1,737	-897
Discontinued operations	-	-	-88
Net change in cash and cash equivalents,	291	-55	-135
Cash and cash equivalents	748	470	500
Return on capital employed % (excluding non-recurring items)	34	29	25

Group capital expenditure on non-current assets totalled SEK 144 (120; 157) million. Investments in shares in subsidiaries amounted to SEK 315 (–; 275) million. The Group's reported return on capital employed, excluding non-recurring items, was 34% (29%; 25%) in 2012.

(SEK million)	2012	2011	2010
Available liquid funds	6,448	5,528	4,400
Net debt	1	797	2,026
Return on equity excl one-off items %	34	30	30
Equity to assets ratio %	44	39	45
Net debt to equity ratio %	24	18	32
Interest-bearing debt	1,024	1,574	2,768

The Group had available liquid funds of SEK 6,448 (5,528; 4,400) million as at 31 December 2012, including the SEK 5,700 (5,058; 3,900) million unutilised element of the Group's credit facilities, and the unutilised overdraft facilities of SEK 100 (100;100) million. SEK 900 (1,542; 2,700) 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 600 (498; 363) million to shareholders during 2012. 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 2012 was SEK 2.7 (2.5) billion.

Acquisitions and divestments

The Group announced on 20 December 2012 that it had completed the acquisition of all of the remaining shares in the 50/50 joint venture company TV 2 Sport A/S ('TV 2 Sport'). The results of the business have been fully consolidated by MTG with effect from 1 January 2013. MTG subsequently rebranded the TV 2 Sport and TV 2 Sport Premier League pay-TV channels as TV3 Sport 1 and TV3 Sport Premier League, and announced the launch of new channel TV3 Sport 2.

The Group announced on 30 July 2012 that it had signed an agreement to acquire 80% of Zitius Service Delivery AB, which is Sweden's leading independent Open Access Communications Operator with approximately 150,000 connected fibre households. The results of the business have been fully consolidated by MTG with effect from 1 September 2012.

The Group announced on 14 June 2012 that it had signed an agreement to acquire a 53% stake in leading Central and Eastern European TV production group Paprika Latino. The results of the business have been fully consolidated by MTG with effect from 17 September 2012.

The Group announced on 1 June 2012 that it had completed the acquisition of 100% of AS Latvijas Neatkarīgā Televīzija, which is the second largest free-TV channel operator in Latvia. The results of the business have been fully consolidated by MTG with effect from 1 June 2012.

The Group announced on 3 May 2012 that it had completed the sale of its Bet24 operations to Unibet Group plc for a total cash consideration of approximately EUR 13.5 million.

Significant Events

CTC Media announced on 7 November 2012 that it would pay a cash dividend of USD 0.13 per share (or approximately USD 20.6 million in aggregate) on or about 28 December 2012 to shareholders of record as at 1 December 2012. MTG therefore received a dividend payment of USD 7.8 million from CTC Media at the end of December 2012 and has received total dividend payments of USD 31.2 million from CTC Media in 2012.

The Group announced at the time of the publication of its Q3 results on 18 October 2012 that it would increase its investments in its Nordic and Emerging Market pay-TV operations, and that these investments would result in lower profitability levels for the two operating segments in the fourth quarter of 2012 and for the full year 2013.

The Group announced on 14 September 2012 that it had been included in the Dow Jones Sustainability World Index for the first time.

The Group announced on 31 July 2012 that Jørgen Madsen Lindemann had been appointed as President and CEO of MTG with effect from 15 September 2012. The Group subsequently announced that Anna Settman would be appointed as Executive Vice President of the Group's Nordic pay-TV broadcasting operations with effect from 1 March 2013, that Joseph Hundah had been promoted to Executive Vice President of the Group's African operations with effect from 1 November 2012, that Marek Singer was to be appointed as Executive Vice President of the Group's Central European Broadcasting operations with effect from 1 January 2013, that Rikard Steiber was to be appointed to the new role of Executive Vice President and Chief Digital Officer with effect from 4 February 2013, and that Matthew Hooper was to be promoted to the new role of Executive Vice President of Group Corporate Communications with effect from 1 February 2013.

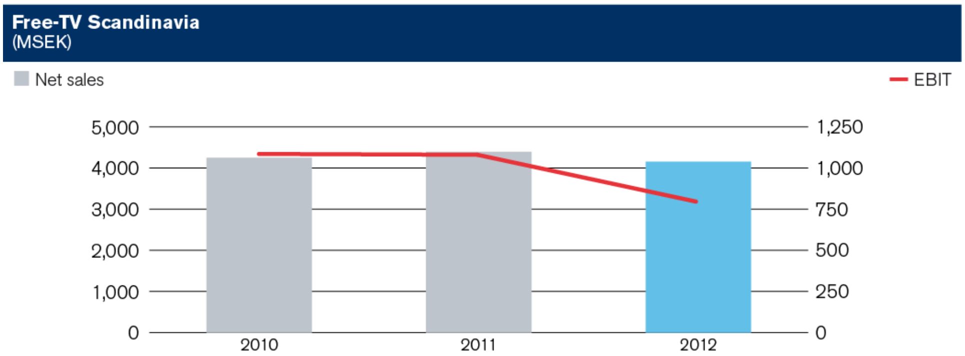
The Group announced on 5 April 2012 that it had filed a registration statement on Form 20-F with the U.S. Securities and Exchange Commission, in order to register MTG's class B shares under the U.S. Securities Exchange Act, as amended. The registration became effective on 4 June 2012. MTG has no intention to seek a listing of its securities on any U.S. stock exchange in connection with this registration.

Segments

Group Review (SEK million)	2012	2011	Change	2010
Net sales per business segment				
Free-TV Scandinavia	4,157	4,393	-5%	4,247
Pay-TV Nordic	4,925	4,730	4%	4,484
Free-TV Emerging Markets	2,035	2,073	-2%	2,004
Pay-TV Emerging Markets	1,062	922	15%	896
Others and elimination	-139	-173	-	-163
Total Viasat Broadcasting	12,039	11,946	1%	11,469
Other Businesses	1,418	1,675	-15%	1,804
Group central operations	239	186	28%	191
Eliminations	-360	-334	-	-363
Continuing operations	13,336	13,473	-1%	13,101
Operating income per business segment				
Free-TV Scandinavia	793	1,077	-26%	1,082
Pay-TV Nordic	834	923	-10%	822
Free-TV Emerging Markets	156	32	385%	-43
Pay-TV Emerging Markets	144	49	195%	112
Associated company income from CTC Media	429	624	-31%	474
Viasat Broadcasting central operations	-20	7	-	19
Total Viasat Broadcasting	2,336	2,712	-14%	2,465
Other Businesses	6	114	-95%	175
Total operating business segments	2,342	2,826	-17%	2,640
Group central operations	-219	-260	-	-216
Non-recurring items	-	-3,182	-	-
Continuing operations	2,124	-615	-	2,424

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

Free-TV Scandinavia



The Free-TV Scandinavia segment comprises 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. The channels broadcast a wide range of entertainment programming and 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 made 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.

The business reported a sales decline of -5% (3%) to SEK 4,157 (4,393; 4,247) million, which corresponded to a sales decrease of -4% (6%) excluding currency exchange effects. The fall in sales reflected the decline in the Danish TV advertising market and loss of market shares in Sweden and Norway. The Norwegian and Swedish TV advertising markets are both expected to have grown during the year.

Total operating costs amounted to SEK 3,364 (3,316; 3,165) million. The stable costs reflected the continued optimization of the Group's programming schedules.

The business segment therefore reported a lower operating profit of SEK 793 (1,077; 1,082) million, with operating margins of 19% (25%; 25%).

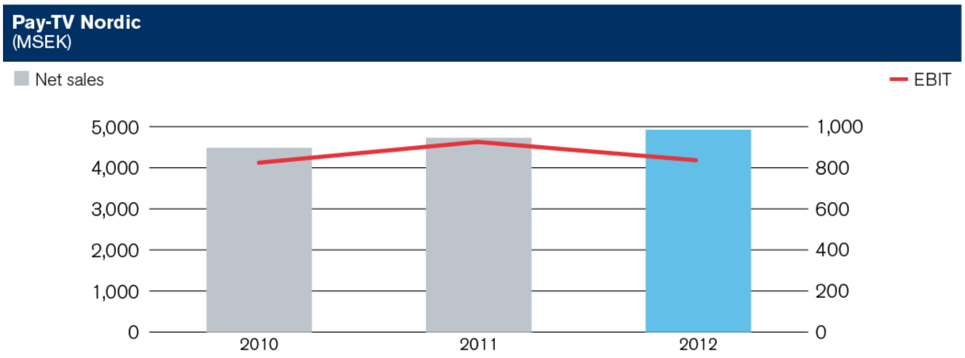
Commercial share of viewing (%) (target audience 15-49)	2012	2011	2010
TV3, TV6, TV8 & TV10 Sweden	34.8	35.8	36.8
TV3 & Viasat4 Norway	18.8	22.4	26.4
TV3, TV3+ & TV3 PULS Denmark	23.5	24.1	24.5

Significant events The Group increased the number of regional broadcasts for its TV3 free-TV channel in Sweden from 6 to 19 as per 27 February 2012.

Significant events after the end of the year On 13 February 2013 the group announced that it would launch a third free-TV channel in Norway during 2013, following the signing of a distribution agreement with Canal Digital Kabel TV AS in Norway. The channel will initially be available to Canal Digital's large installed base of cable TV subscribers, and this will enable MTG to implement its broader multi-channel media house strategy in Norway.

On 17 January 2013, MTG announced that it had signed channel distribution agreements to make TV3 and TV3 PULS Danish Free-TV channels available on Telenor-owned Canal Digital Denmark A/S's satellite pay-TV platform in Denmark and to include SBS Broadcasting's Danish free-TV channels in the Viasat Danish pay-TV offerings. Earlier, in November 2012, the Group signed channel distribution agreements to make MTG's TV3 and TV3 PULS Danish Free-TV channels available on Boxer TV-Access A/S's digital terrestrial pay-TV platform in Denmark and to include C More Entertainment AB's Canal8 Sport and Canal 9 pay-TV channels Viasat pay-TV offerings.

Pay-TV Nordic



The Nordic pay-TV operations market and sell Viasat's premium pay-TV packages and content on the Viasat satellite platform, the Viaplay online platform, and third party IPTV and cable networks. Viasat also distributes its 40 pay-TV channels via third party pay-TV networks.

The business reported sales growth of 4% (5%) to SEK 4,925 (4,730; 4,484) million in 2012, which corresponded to a sales growth of 5% (8%) at constant exchange rates. The annualised average revenue per premium subscriber (ARPU) increased by 4% (5%) to SEK 4,988 (4,791; 4,555) at the end 2012, following price increases and on-going HD subscriber intake.

Total operating costs for the Pay-TV Nordic business amounted to SEK 4,090 (3,807; 3,662) million for 2012. The increase primarily reflects the investments in premium movie and sports content and the Viaplay online pay-TV service, as well as the Viasat Film rebranding and launch of HD and catch-up channels.

Operating income for the Nordic pay-TV operations decreased by -10% (12%) to SEK 834 (923; 822) million, and the operating margin therefore decreased to 17% (20%; 18%).

Subscriber data	31 December 2012	31 December 2011	31 December 2010
Premium subscribers ('000s)	1,019	1,058	1,057
- of which, DTH satellite	*592*	*638*	*663*
- of which, third party network subscribers	*427*	*421*	*394*
Basic DTH subscribers	46	38	43
DTH satellite value-added service subscribers:			
ViasatPlus	192	188	158
Multi-room	250	250	235
High definition	341	297	210
Premium ARPU (SEK)	4,988	4,791	4,555

The premium subscriber base, when excluding the rapidly growing Viaplay online subscriber base, was lower than last year, as the growth in the third party network subscriber base did not fully compensate for the decline in the satellite subscriber base.

Significant events The online pay-TV service Viaplay was further improved during the autumn, and has extended the availability by making the service available on the Sony PlayStation®3 gaming console. Viaplay also launched a new 'Download-to-go service, which makes its content available to download for a period of 30 days on devices with the apple iOS operating system. All PS3™ users in Sweden, Denmark, Norway and Finland have access to Viaplay's rental and pay-per-view services through their consoles. Viaplay's complete subscription video-on-demand (SVOD) offering is made available to console users with a PlayStation®Plus subscription.

In June 2012 Viaplay expanded their Swedish offering by launching a set-top-box which gives subscribers access to the whole Viaplay on-demand streaming experience together with over 30 linear channels, delivered via streaming over the open internet and through Swedish unencrypted digital terrestrial network.

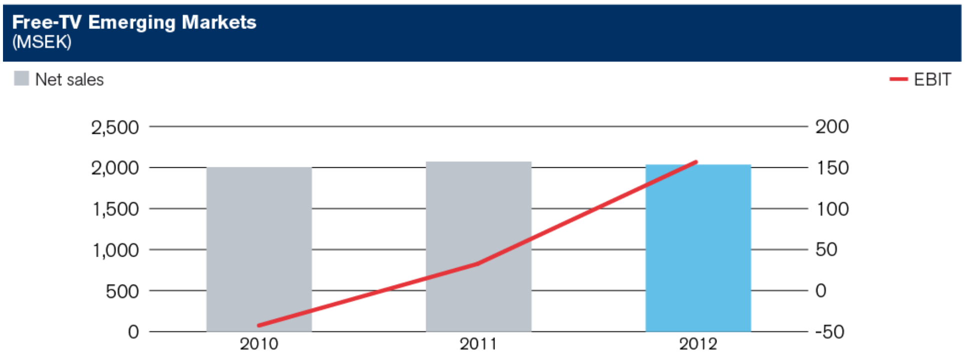
In May, the Group acquired the television broadcasting rights to England's Barclays Premier League in Sweden and Denmark from the start of the 2013/2014 season until the end of the 2015/2016 season from the Football Association Premier League. The rights include coverage of all 38 rounds of the Barclays Premier League comprising matches played in close to 200 individual time slots exclusive on all platforms in Sweden. The rights to approximately 280 of the matches are exclusive on all platforms in Denmark, while the rights to approximately 100 matches are non-exclusive.

In January 2012 MTG announced that it was rebranding of the TV1000 movie channel brand to Viasat Film across the Nordic region. Viasat also launched four new Viasat Film premium pay-TV HD movie channels in Sweden, Norway, Denmark and Finland on 1 March 2012. In August 2012 the Group expanded its Nordic pay-TV offering further by launching 11 additional High Definition (HD) channels and four play catch-up channels. The channels were launched during the fourth quarter of 2012 in Sweden, Norway, Denmark and Finland. Viasat's total offering in the Nordic market therefore includes 40 HD channels and 36 play channels under both the Viasat and 3rd party brands.

Significant events after the end of the year The Group announced on 21 February 2013 that it had signed a multi-year agreement with BSkyB to distribute the Sky Sports News HD channel on MTG's Viasat satellite platforms. The Group will include the channel in its Nordic offerings on an exclusive basis from the end of February 2013, and add it to the Baltic platforms later in year. The exclusive agreement also enables MTG to include Sky Sports programming content on its Nordic and Baltic TV channels, as well as on its Viaplay online pay-TV service across the Nordic countries.

The Group announced on 17 January 2013 that it had signed a channel distribution agreement to include SBS Broadcasting's Danish free-TV channels in MTG's Viasat Danish pay-TV offerings for the first time. The agreement followed the announcement on 16 November 2012 that the Group had signed channel distribution agreements to include C More Entertainment AB's Canal 8 Sport and Canal 9 pay-TV channels in MTG's Viasat pay-TV offerings. These agreements are together expected to further strengthen MTG's Viasat pay-TV offering, which now comprises all of the major free-TV channels in Denmark and the market leading portfolio of premium movie, sports and documentary channels.

Free-TV Emerging Markets



The Group's Emerging Markets free-TV operations comprise a total of 19 free-TV channels in the Baltics, the Czech Republic, Bulgaria, Hungary and Ghana.

Combined sales for the Group's Free-TV Emerging Market operations declined by -2% (3%) to SEK 2,035 (2,073; 2,004) million, but were up 3% (8%) at constant exchange rates.

Sales for the Group's Baltic free-TV operations were up 16% (8%) at constant exchange rates. Sales for the Group's Czech operations were up 5% (20%) year on year in 2012 as a result of significant viewing and advertising market share gains during the year. The increase continued to reflect successful programming investments, as well as the discontinuation of advertising broadcasts by state owned public service channel CT1 from the end of October 2011.

Sales for the Group's Bulgarian operations were up by 1% (-12%) at constant exchange rates. The overall TV advertising market is estimated to have declined compared to last year. The combined commercial audience share for the Group's Bulgarian channels was up significantly following increased investments in successful locally produced programming. The Group's Hungarian operations reported a decline in sales of -14% for the year following declines in the overall TV advertising market. Sales for the Group's Viasat1 channel in Ghana grew by 66% for the year, as the channel continued to increase its share of the growing Ghanaian TV advertising market.

Commercial share of viewing (%)	2012	2011	2010
Estonia (15-49) *)	39.6	38.4	40.0
Latvia (15-49) *) **)	61.1	37.2	38.1
Lithuania (15-49)	42.3	44.0	40.7
Czech Republic (15-54) *)	38.7	34.7	30.5
Bulgaria (18-49)	29.5	28.1	28.4
Hungary (18-49)	8.6	8.1	7.5

*) The universe for Estonia and Latvia was adjusted for 2012 and 2011 to include additional channels. The universe for the Czech Republic has been adjusted to exclude state-owned CT1 and CT2 as the volume of advertising on these channels are minimal due to changes in Czech broadcasting law.
**) The increase in the Group's Latvian commercial audience shares reflected the consolidation of the LNT, TV5 and Kanals 2 free-TV channels within the Latvian media house from 2012.

Combined operating costs for the Emerging Markets free-TV businesses amounted to SEK 1,880 (2,041; 2,048) million. The costs were down 8% (0%) year on year in 2012, which primarily reflected the closing down of the Slovenian operations, the ending of depreciation charges for the Czech and Bulgarian terrestrial broadcasting licenses, the consolidation of the LNT operations and ongoing programming investments in the Czech Republic to drive audience and market shares.

The combined operations reported an operating profit of SEK 156 (32; -43) million in 2012, an almost fivefold increase year on year, with substantially increased operating margins of 8% (2%).

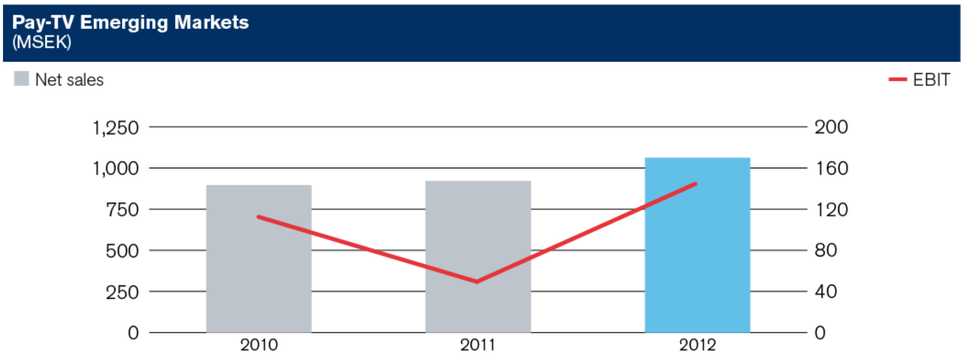
Significant events MTG has acquired the broadcasting rights to the 2014 Olympic Winter Games and the 2016 Olympic Games for the Baltics. MTG will have a 'first pick' for each Baltic country to show one discipline from each of the Sochi 2014 and Rio 2016 exclusively on its commercial free-TV channels in each of the Baltic countries. The Group has also secured the exclusive pay-TV, pay-per-view and online rights to all events from both games in all three Baltic countries.

The Group acquired live TV broadcasting rights to UEFA Champions League football in the Czech Republic from the start of the next championship 2012 until the end of the 2014/2015 championship. The rights include broadcast coverage on free-TV and exclusive rights to pay-TV, mobile and internet coverage in the Czech Republic.

The Group acquired 100% of AS Latvijas Neatkarīgā Televīzija, the second largest free-TV channel operator in Latvia. The results of the business have been fully consolidated with effect from 1 June 2012.

Significant events after the end of the year The Group launched its fourth free-TV channel in the Czech Republic on 1 February 2013. The new nationwide channel – 'Prima ZOOM' – is focused on a somewhat male-skewed audience over 35 years of age and complements MTG´s existing free-TV channel portfolio in the Czech Republic, which previously comprised the 'Prima Family', 'Prima COOL' and 'Prima Love' channels.

Pay-TV Emerging Markets



Pay-TV Emerging Market operations market and sell pay-TV packages on the Viasat satellite platforms in the Baltics and Ukraine, and on the joint venture Raduga TV satellite platform in Russia. Viasat also distributes 32 channels via third party pay-TV networks to subscribers in 31 countries across Central and Eastern Europe, Africa and the United States. The Viaplay online pay-TV service was launched in Russia in March 2012.

The Pay-TV Emerging Markets business segment reported 15% (3%) revenue growth to SEK 1,062 (922; 896) million, and a 15% (13%) revenue increase at constant exchange rates, driven by continued subscriber intake on the Group's satellite pay-TV platforms in Russia, Ukraine and the Baltics, as well as subscription growth for the wholesale mini-pay channel business.

Subscriber data (000's)	2012	2011	2010
Satellite subscribers	584	532	430
Mini-pay TV subscriptions	83,950	64,285	50,245

Viasat's Emerging Markets pay-TV operations added 52,000 net new subscribers in 2012, following continued subscriber intake on the Russian and Ukrainian satellite platforms as well as in the Baltic countries. The wholesale channel business added over 19 million subscriptions in 2012, with growth driven by subscriber intake in Russia in particular.

The Emerging Market pay-TV business reported operating costs of SEK 918 (874; 784) million in 2012, which primarily reflected the investments in Russian and Ukrainian pay-TV content, HD channels and the pre-paid satellite service in Ukraine which to some extent were offset by general and administrative cost savings and the renegotiation of content rights.

The combined businesses reported an operating profit of SEK 144 (49; 112) million, with an operating margin of 14% (5%; 12%).

Significant events The Group launched three new HD pay-TV movie channels – TV1000 Premium HD, TV1000 Megahit HD and TV1000 Comedy HD - in Russia, Ukraine and other CIs countries in October 2012. The channels primarily feature content from four major Hollywood studios, including Twentieth Century Fox Television Distribution, Sony Pictures Television and Warner Bros, with whom the Group has signed multi-year exclusive pay-TV and online movie licensing agreements for the same territories.

The Group signed a number of agreements to extend its exclusive broadcasting rights in the Nordic and the Baltic countries for a number of key golf tournaments, including among other the PGA European Tour, the Ryder Cup and the women's British Open. The new agreements are valid until the end of 2015.

The Group expanded its Viaplay online pay-TV service to Russia, offering unlimited on-demand access to streamed TV series and documentaries, as well as international and local movies. The service is available via broadband internet across Russia.

Associated company CTC Media

MTG's share of Russia's largest independent television broadcaster CTC Media amounted to 37.9% (38.1%; 38.3%) by the end of 2012. 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)	2012	2011	2010
Sales 1 October – 30 September	778	752	559
Income before tax 1 October – 30 September	68	238	152
Share of earnings MTG 37.9% (38,1; 38.3%) (SEK million)	429	624	474

CTC Media's sales grew by 3% (34%) to USD 778 (752; 559) million for the twelve months ended 30 September 2012, and reported pre-tax profits of USD 68 (238; 152) million for the period.

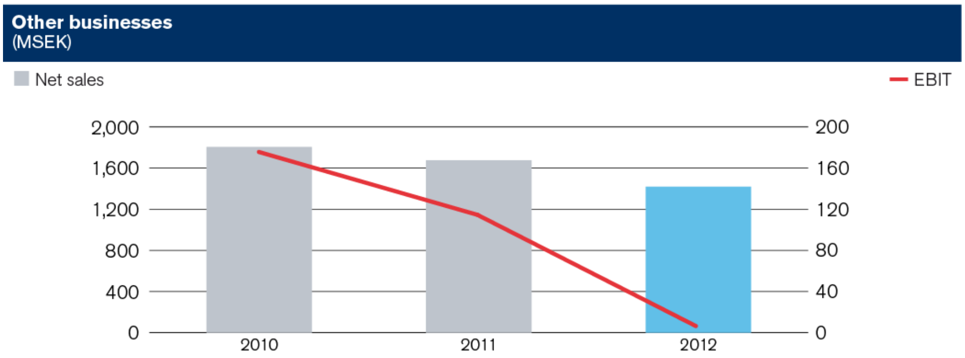
CTC Media's Q3 2012 results included USD 82.5 million of non-cash impairment charges, of which USD 20.5 million impacted MTG's 2012 income statement. CTC Media's Q4 2011 results included USD 89.5 million of non-cash impairment charges, of which USD 4.6 million impacted MTG's 2012 income statement. The impairment charges was reported in the associated company income line. MTG's equity participation in the earnings before tax of CTC Media therefore amounted to SEK 429 (624; 474) million.

CTC Media made four cash dividends and the Group received payments of in total USD total USD 31 (49;31) million, SEK 208 (319; 216) million, during 2012.

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 2012 on 6 March 2013. CTC Media announced its intention to pay an aggregate of USD 100 million in cash dividends in 2013. The Board of Directors of CTC Media has approved the payment of the first installment of the dividend in the amount of USD 0.15 per outstanding share of common stock, or USD 24 million in total.

Other Businesses



The segment comprises the Group's Radio and MTG Studios operations. The Group's radio operations comprise national commercial networks in Sweden and Norway, as well as national and local stations in the Baltics. MTG Studios comprises the Group's content production businesses in Scandinavia, Europe and Africa.

Combined sales for the Other Businesses segment declined by 15% (7%) to SEK 1,418 (1,675; 1,804) million, and was down 15% (5%) at constant exchange rates due to lower year on year sales for the Swedish radio operations as a result of Group's operation of 20 NRJ licenses coming to an end on 31 December 2012, as well as due to the sale of the Bet24 betting operations in May 2012. This was somewhat offset by revenue growth in the Norwegian radio business and MTG Studios operations. Operating costs for the combined businesses totalled SEK 1,410 (1,566; 1,629) million, and the segment reported operating profits of SEK 6 (114; 175) million, with operating margins of 0% (7%; 10%).

Significant events The Group acquired a 53% stake in leading Central and Eastern European TV production group Paprika Latino and the results have been fully consolidated with effect from 17 September 2012.

The Group sold its Bet24 operations to Unibet Group plc for a total cash consideration of EUR 13.5 million.

Outlook

MTG's overall ambition is to be a growth company and to continue to expand and develop its businesses in its existing and new territories. The Group's aim is to combine sales growth with healthy profitability and cash generation, leading to rising shareholder returns. MTG's objective is to create long term sustainable value, and the Group therefore takes a long term approach when it comes to the positioning of, and investments in, its business segments.

MTG's free-TV and pay-TV assets in its Nordic and Emerging markets are positioned to continue to take audience and advertising market shares, as well as to grow their subscriber and subscription bases. MTG has historically benefitted from the effects of the digitalisation of TV broadcasting, and the Group has enjoyed an early mover advantage in relation to new technologies and trends like online video-on-demand advertising funded and subscription based TV services, free-TV channel fragmentation and growth in new and emerging markets. MTG's competitive position is that of primary challenger in almost all of its territories, which enables the Group to target growth both from potential overall market expansion, and from taking market shares from incumbents. 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) and shareholder returns (Total Shareholder Returns).

Free-TV Scandinavia The Swedish and Norwegian TV advertising markets are currently expected to grow less in 2013 than in 2012, following strong growth for the TV ad markets since 2010, following the global financial crisis in 2009. MTG expects to continue to benefit from high demand and resulting price increases for TV advertising during 2013.

The Group has signed several key channel distribution agreements to make MTG's TV3 and TV3 PULS Danish free-TV channels available on Telenor-owned Canal Digital Denmark A/S's satellite pay-TV platform in Denmark and on Boxer TV-Access A/S's digital terrestrial pay-TV platform in Denmark. These agreements are together expected to boost the Danish national perceived penetration of TV3 from 67% in Q4 2012 to approximately 79% in February 2013, and of TV3 PULS from 46% in Q4 2012 to approximately 57% in July 2013. This boost is expected to result in higher audience and advertising market shares, and carriage fees, in Denmark in 2013. The Group has also entered into a sales cooperation to sell commercial airtime on Viacom's MTV and VH1 channels as part of the MTG media house channel package from 1 January 2013.

MTG has signed new distribution agreements with Telenor for TV10 to be included in the basic package of the Bredbandsbolaget IPTV network and the Canal Digital cable network in mid-2013, which is expected to boost the national technical household penetration of TV10 from approximately 73% at the end of 2012 to approximately 77% later in 2013. MTG continues to focus on the regional TV advertising market in Sweden, and will work towards increasing its regional TV advertising market share, following the expansion of its regional offering form 6 to 19 regions across the country in the first quarter of 2012. The Group is also focusing on the small but growing proportion of advertising video on demand revenues, and will continue to grow its online audience and advertising market shares in Scandinavia.

MTG has signed a distribution agreement with Canal Digital Kabel TV AS in Norway to make a yet to be launched third Norwegian free-TV channel available to Canal Digital's large installed base of cable TV customers. This will enable MTG to implement its broader multi-channel media house strategy in Norway during 2013.

Pay-TV Nordic The Group's Nordic premium subscriber base declined year on year in 2012, as the continued intake of third party subscribers did not compensate for the ongoing loss of premium satellite subscriber customers. The decline in premiums satellite subscribers was primarily driven by increased churn in Denmark during 2012 as a result of increased competitive pressure. MTG has strengthened its Danish pay-TV offering by signing strategic agreements to include SBS Broadcasting's Danish free-TV channels in MTG's Viasat Danish pay-TV offerings for the first time, and has also signed agreements to include C More Entertainment AB's Canal 8 Sport and Canal 9 pay-TV channels in MTG's Viasat pay-TV offerings. The total subscriber base is however increasing when the fast-growing subscriber base of the Viaplay online pay-TV service is included. Satellite premium average revenue per user (ARPU) grew in 2012, and is expected to continue to increase as the result of price increases and the continued growth in the penetration of value-added services in the premium satellite subscriber base.

The Group currently expects its Nordic pay-TV revenues to grow at constant exchange rates in 2013, following the full consolidation of the TV 2 Sport business from the beginning of 2013. The Group also expects the Nordic pay-TV business to report an operating (EBIT) margin of approximately 10-12% for the full year 2013, and for the segment margin to increase in 2014. The lower profitability levels in 2013 reflect increasing investments in Nordic pay-TV content, premium channels and the Viaplay online pay-TV service, as well as the ongoing premium satellite subscriber churn. The total Nordic premium pay-TV subscriber base (excluding Viaplay) is currently expected to continue to decline for the full year 2013 due to the ongoing decline in the DTH subscriber base and lower than anticipated growth in the third party network subscriber base. The fast growing Viaplay online pay-TV service is expected to continue to grow its subscribers and revenues throughout this period.

Free-TV Emerging Markets 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's selective strategic programming investments and channel launched in its Emerging Markets territories resulted in significant audience and advertising market share gains in both the Czech Republic and Bulgaria, and the Group will continue to focus on the evolution of its free-TV offering to benefit from the positive momentum in 2012. The Group launched a fourth free-TV channel in the Czech Republic in February 2013. The new channel has been branded 'Prima ZOOM', and targets a male 35+ skewed audience to complement the Group's current Czech channel portfolio.

The Group's Czech media house has entered into a strategic sales cooperation with TV Barrandov, and started selling the advertising airtime on the channel from 1 January 2013. The Group's Bulgarian media house also sells advertising airtime for the Discovery Channel, TLC, Disney Channel, Cartoon Network, Fox, Fox Crime, Fox Life, 24Kitchen and the National Geographic Channel. These agreements provide the Group with a higher combined reach for its sales package and to now compete head to head as market leader with the incumbent in each market. MTG has also significantly increased its audience and market shares in Latvia, following the acquisition of 100% of AS Latvijas Neatkarīgā Televīzija, which is the second largest free-TV channel operator in Latvia. The results of the business have been fully consolidated by MTG with effect from 1 June 2012 and boosted sales in Latvia since that date.

Pay-TV Emerging Markets The Group's Pay-TV operations in the Emerging Markets are expected to continue reporting healthy growth levels. The Group is currently investing in content, new channels and the development of its satellite platforms, and expects these investments to result in lower year on year profitability levels and a breakeven result in 2013, with rising profitability levels in 2014.

Financial position The Group converts a high proportion of EBITDA into cash due to its asset light model and low maintenance capital expenditure requirements. This is expected to continue moving forward but with slightly higher capital expenditure levels due to the consolidation of more capital intensive businesses. The Group expects to continue to report healthy income and receive dividend payments from its 37.9% shareholding in associated company CTC Media in line with the Company's stated objectives and outlook.

As a result of its strong cash flow generation, the Group was able to pay down a significant amount of debt during 2012, and was therefore in a healthy financial position at the end of the year, with a Net Debt of SEK 1 million. The Group therefore expects to be able to continue to invest organically in the growth of its businesses, capitalize on relevant acquisition opportunities as and when they arise, and to continue to return cash to shareholders.

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, British pounds until 2012, 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 and IPTV operators for the distribution of programming representing a significant proportion of its revenues in each of its Northern European, and some of its Eastern European markets, as well as in Russia. There can be no assurances 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/or more expensive to obtain financing in the future. Potential events affecting this may include the adoption of new regulation, implementation of recently enacted laws or new interpretations or the enforcement of existing laws and regulations applicable to financial institutions, the financial markets or the financial services industry, which could result in a reduction in the amount of available credit or an increases in the cost of credit.

In addition, disruptions in the financial markets can adversely affect the Company's lenders, insurers, customers and other stakeholders. An inability of the Company's counterparties to obtain capital on acceptable terms could, for example, impair their ability to full fill contractual obligations or agreements with the Company, and result in various negative effects for MTG, 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) 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.

In January 2012 the European Commission (the "Commission") published a Proposal for a new Data Protection Regulation. Whilst any such Regulation is not anticipated to pose a significant risk to the Company's business, it is possible that any final legislation as adopted may have an adverse effect on the Company's business, financial condition or results of operations.

In May 2012 BEREC (the Body of European Regulators for Electronic Communications) published the results of its investigation into traffic management and other practices that restrict the use of the open internet in Europe. A consultation process has subsequently taken place with the findings due to be published during 2013. Any changes to the current laws, rules and regulations may have an adverse impact on the Company's business, financial condition or results of operations.

In July 2012 the Commission published a Proposal for a Collective Rights Management Directive which aims to improve the governance of collecting societies and facilitate multi-territorial licensing of musical works for online use. It is possible that any such Directive may have an adverse impact on elements of the Company's business, financial condition or results of operations. The Directive is currently expected to be published during 2013.

It is currently anticipated that the Commission will, at some point during 2013, publish a Green Paper on the convergence of audiovisual media services. This will be likely to address issues that could have a material adverse effect on the Company's business, financial condition or results of operations if implemented into EU law.

The Commission is also expected to follow up on the 2011 Green Paper on the online distribution of audiovisual works in the EU entitled "Opportunities and Challenges Towards a Digital Single Market" during 2013. Any changes to the law affecting the licensing of content for internet distribution, if enacted, could have an adverse effect on the Company's business, financial condition or results of operations.

The decision of the Court of Justice of the European Union (the "CJEU") in relation to the questions referred by the UK Court in the "TV Catchup" case relating to the internet streaming of free to air terrestrial channels is expected during 2013. The outcome may have an adverse effect on the Company's business, financial condition or results of operations.

In addition, the long term implications of the decisions of the CJEU in (i) the Airfield/Canal Digitaal v SABAM and Airfield v AGICOA cases relating to the issue of additional rights clearance being required for in respect of the transmission of television programmes by satellite; and (ii) the joined cases of Football Association Premier League Ltd and Others v. QC Leisure and Others and Karen Murphy v. Media Protection Services Ltd relating to the compatibility of measures to enforce exclusive broadcasting rights with EU law continue to remain uncertain and could result in an adverse effect on the Company's business, financial condition or results of operations.

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 the Company 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 3,191 (3,137; 2,651) full time employees at the end of 2012. 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 2012 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, which consists of Northern and Eastern European media companies. The remuneration shall be based on conditions that are market competitive and at the same time aligned with shareholders' interests. Remuneration to the Executives shall consist 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 shall create a well-balanced remuneration structure reflecting individual performance and responsibility, both short-term and long-term, as well as MTG's overall performance.

Fixed salary The Executives' fixed salaries shall be competitive and based on the individual Executive's responsibilities and performance.

Variable salary The 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, a company car and company health care. Occasionally, housing allowance could be granted for a defined period.

Pension The Executives are entitled to pension commitments based on those that are customary in which they are employed. 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 additional variable remuneration in the case of exceptional performance. In such a case the Board of Directors is obliged to explain the reason for the deviation at the following Annual General Meeting.

The guiding principles have been followed during 2012. However the Board of Directors has considered it appropriate to make an exception to the guidelines and entered an agreement in 2011 with one Executive providing for the potential award of variable remuneration greater than the 75% annual salary cap in the event of significant financial over-performance in the Executive's area of responsibility. The agreement is still valid.

Proposal for 2013 Executive Remuneration guidelines

The Board of Directors will propose to the 2013 Annual General Meeting that the guidelines for 2012 should be applied in 2013 for determining remuneration for the senior executives as well as Directors of the Board to the extent they are remunerated outside their Directorship, with the amendments (changes to wording in bold) below.

Pension The Executives are entitled to pension commitments based on those that are customary, **competitive and in line with market conditions** in which they are employed. 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.

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

Share-based long-term incentive plans

The Group has three outstanding share-based long-term incentive plans, approved in 2010, 2011 and 2012. 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 58 (38; 41) million in 2012. Net interest and other financial items totalled SEK 736 (974; 542) million, and included SEK 75 (400; 73) million of dividends received from subsidiaries. Income before tax and appropriations amounted to SEK 561 (767; 368) million. Income after tax and appropriations amounted to SEK 19 (515; 173) million. The parent company had cash and cash equivalents of SEK 371 (96; 136) million at the end of the period. SEK 5,700 (5,058; 3,900) 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 that are subject to reporting obligation to authorities, or which require compulsory licensing. MTG chooses to report the environmental impact for travel and offices in the Modern Responsibility Report on a voluntary basis.

Proposed appropriation of earnings The following funds are at the disposal of the shareholders as at 31 December 2012 (SEK):

Premium reserve	267,111,846
Retained earnings	7,639,994,721
Net profit 2012	18,670,018
Total	**7,925,776,585**

The Board of Directors propose that an increased annual cash dividend of SEK 10.00 (9.00; 7.50) per share be paid to shareholders for the twelve months ended 31 December 2012, and that the remaining amount be carried forward. Of the amount carried forward, SEK 267 million is to be carried forward to the premium reserve. The total proposed dividend payment for 2012 would amount to a maximum of SEK 666,838,970, based on the maximum potential number of outstanding shares as at the record date, and represent 42 % of the Group's reported net income for the full year 2012.

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 2012, was SEK 15.1 (21.8; 29.5) billion.

Shareholders The number of shareholders according to the share register held by Euroclear Sweden AB (Swedish Securities Centre) was approximately 18,893 (21,710; 20,900) at the end of 2012. The shares held by the ten largest shareholders corresponded to approximately 52% (47%; 43%) of the share capital and 69% (65%; 59%) of the voting rights. Swedish institutions and mutual funds own approximately 60% (49%; 43%) of the share capital, international investors own approximately 25% (35%; 42%) and Swedish private investors own approximately 15% (16%; 16%).

Shareholders as at 31 December 2012

Name	Total	Class A Shares	Class B Shares	Capital	Votes
Investment AB Kinnevik	13,503,856	5,119,491	8,384,365	20.0%	49.8%
Nordea Funds	4,049,261	0	4,049,261	6.0%	3.4%
Swedbank Robur Funds	3,627,419	0	3,627,419	5.4%	3.0%
AMF Insurance & Funds	3,046,800	0	3,046,800	4.5%	2.5%
First AP Fund	2,365,789	0	2,365,789	3.5%	2.0%
Lannebo Funds	2,248,016	0	2,248,016	3.3%	1.9%
SHB Funds	1,948,163	0	1,948,163	2.9%	1.6%
Capital Group Funds	1,777,200	0	1,777,200	2.6%	1.5%
Skandia Liv	1,295,593	109,666	1,185,927	1.9%	1.9%
Fourth AP Fund	1,087,074	0	1,087,074	1.6%	0.9%
Tapiola Pension Fund	1,000,000	0	1,000,000	1.5%	0.8%
Second AP Fund	874,309	0	874,309	1.3%	0.7%
Bank of Norway	834,296	0	834,296	1.2%	0.7%
AFA Försäkring	822,050	0	822,050	1.2%	0.7%
Others	28,132,696	649,774	27,482,922	41.6%	28.4%
Total outstanding shares	**66,612,522**	**5,878,931**	**60,733,591**	**98.5%**	**100.0%**

Source: Euroclear Sweden AB

MTG holds 169,602 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 2012.

Share distribution	Number of shareholders	%	Number of shares	%
1 – 1,000	17,445	92.3	3,169,679	4.8
1,001 – 5,000	999	5.3	2,106,581	3.2
5,001 – 10,000	114	0.6	823,032	1.2
10,001 – 50,000	182	1.0	4,371,801	6.6
50,001 – 100,000	131	0.7	22,059,259	33.1
100,001 – 15,000,000	22	0.1	34,082,170	51.2
Total 31 December 2012	**18,893**	**100.0**	**66,612,522**	**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. In 2012, 209,285 Class B shares were exercised in the 2009 long term incentive plan, changing the number of outstanding shares to 66,612,522. 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 including treasury shares are 120,557,503 (120,557,503; 127,138,441) as per 31 December 2012. For changes in the issued shares, please see note 18 Shareholders' equity.

The Group's share capital amounted to SEK 338 (338; 337) million at the end of the year. For changes in the share capital between 2010 and 2012, please see the report entitled "Consolidated statement of changes in equity".

Dividends The parent company paid an ordinary dividend of SEK 9.00 (7.50; 5.50) per share to shareholders in 2012, amounting to a total payment of SEK 600 (498; 363) million. The shares in CDON Group were distributed in December 2010 at a market value of SEK 2 billion.

Share buy-back The 2010, 2011 and 2012 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 2011, 2012 and 2013 Annual General Meeting. The Group's shareholding in its own stock may not exceed 10% of the total number of issued shares. There were no Class A shares or Class B shares bought back during 2010 up until the end of 2012.

Issued, reclassified and repurchased shares

Parent company	Class A shares	Class B shares	Class C shares	Total
Shares issued 1 January 2010	**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 2011	-757,882	757,882		-
Conversion of Class C shares to Class B shares 2011		440,000	-440,000	-
Shares issued 31 December 2011/2012	**5,878,931**	**60,903,193**	**865,000**	**67,647,124**

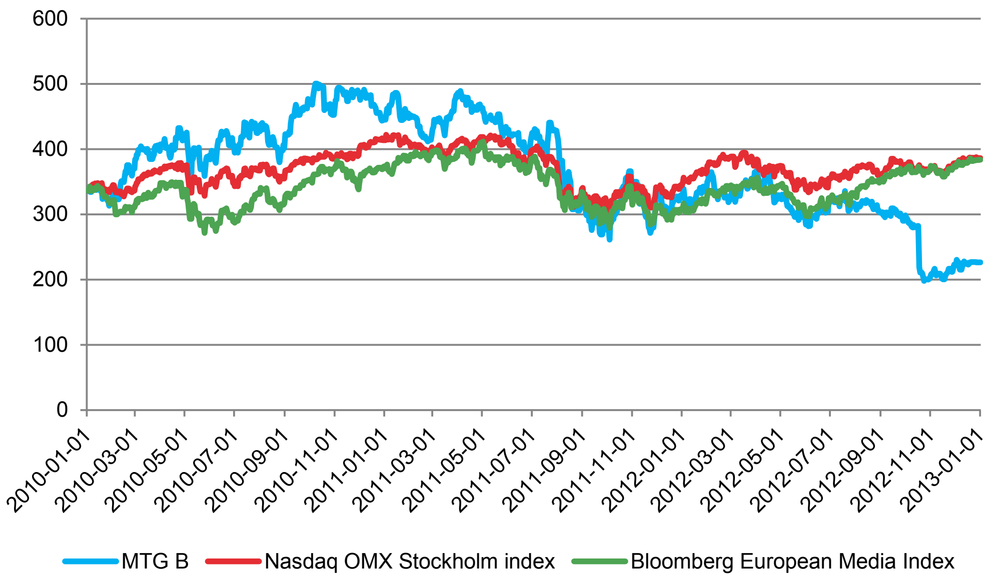
The Class C shares are redeemable and may, upon the decision of the Board of Directors, be reclassified into Class B shares. The quota value is SEK 5.00. The Class C shares were held by the Company as treasury shares during the vesting period for the 2012, 2011, 2010 and 2009 long term incentive plans. 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 2013 Annual General Meeting.

Reclassifications In accordance with the Articles of Association, and the Extra General Meeting in 2009, the Board of Directors approved the reclassifications in 2010 and 2011.

Share-based long-term incentive plans If all options granted to senior executives and key employees as at 31 December 2012 were exercised and all shares awarded, the issued share capital of the Company would increase by 266,050 Class B shares, and be equivalent to a dilution of 0.4% of the issued capital and 0.2% of the related voting rights as at the end of 2012.

The outstanding 43,998 performance options granted in the 2010 programme have an exercise price of SEK 452.00 and the outstanding 27,377 retention and performance rights entitle holders to one free Class B share per right. The outstanding 46,600 retention and performance rights granted in the 2011 programme entitle holders to one free Class B share per right, and the outstanding 38,100 performance options have an exercise price of SEK 517.30. The outstanding 61,675 retention and performance rights granted in the 2012 programme entitle holders to one free Class B share per right, and the outstanding 48,300 performance options have an exercise price of SEK 361.70. 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 Swedish Annual Accounts 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 46.

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 2012 financial year will be held on 14 May 2013 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 2012, 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, Investment AB Kinnevik, Thomas Ehlin, Nordea Investment Funds, Johan Ståhl, Lannebo Fonder, and Björn Lind, AMF Försäkring och Fonder. 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 2013 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 2012 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, Blake Chandlee, Simon Duffy, Lorenzo Grabau, Alexander Izosimov, Michael Lynton, and Cristina Stenbeck. The Board of Directors and its Chairman, David Chance, were re-elected, and Blake Chandlee was elected for the first time at the Company's Annual General Meeting of Shareholders on 8

May 2012. Biographical information on each Board member is provided on pages 60–62 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 2012

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	
Blake Chandlee	Member	1966	American	2012	Yes	Yes		
Simon Duffy	Member	1949	British	2008	Yes	Yes		Chairman
Lorenzo Grabau	Member	1965	Italian	2011	Yes	Yes	Chairman	Member
Alexander Izosimov	Member	1964	Russian	2008	Yes	Yes		Member
Michael Lynton	Member	1960	American and British	2009	Yes	Yes		Member
David Marcus	Member until May 8 2012	1965	American	2004	Yes	Yes		
Cristina Stenbeck	Member	1977	American and Swedish	2003	No	Yes		

Board working procedures

Remuneration Committee The Remuneration Committee comprises Lorenzo Grabau 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
- the employment terms for the Chief Executive Officer and Executive Management within MTG
- advice 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 2012 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 2 extraordinary meeting during 2012.

Attendance at Board and Committee Meetings

Board of Directors	Board meetings	Audit Committee	Remuneration Committee
Meetings until the Annual General Meeting 8 May 2012	1	1	3
Meetings from the Annual General Meeting 8 May 2012	7	2	2
Total number of meetings	8	3	5
David Chance, Chairman	8/8		5/5
Mia Brunell Livfors	6/8		5/5
Blake Chandlee (from 8 May 2012)	6/7		
Simon Duffy	8/8	3/3	
Lorenzo Grabau	8/8	3/3	2/2
Alexander Izosimov	8/8	3/3	
Michael Lynton	3/8	2/3	
David Marcus (until 8 May 2012)	1/1		3/3
Cristina Stenbeck	8/8		

External auditors

The Company's auditors are elected by the Annual General Meeting for a period of four years. KPMG was elected as MTG's lead auditors in 2010 and has been external auditors since 1997. Åsa Wirén Linder, authorised public accountant, is responsible for the audit of the Company on behalf of KPMG since December 2012 and replaced George Pettersson, authorised public accountant who has been 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 2010, 2011 and 2012. 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.

Pre-approval policies and procedures for non-audit related services In order to ensure the auditor's independence, the Audit Committee has established pre-approval policies and procedures for non-audit related services to be performed by the external auditor. The policy was approved in June 2012 by the Audit Committee of MTG. None of the above services were such that they needed approval by the Audit Committee.

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 63–66 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 2013 are described under the heading Executive Remuneration on pages 42–44.

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 three outstanding share based long-term incentive programmes, decided upon in 2010, 2011 and 2012. 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 analyzed. These risks are reviewed regularly by the Board of Directors and by the Audit Committee, and include both the risk of losing assets as well as irregularities and fraud. The process involves all Group companies, segments and business units. Overall coordination is done centrally by the Group's Risk Management staff function. In addition to that a Risk Committee has been established comprising Group top management representatives. The purpose is to provide a group-wide overview and a basis for decision-making regarding risk management. Risk management is performed through an appropriate balance between preventive and risk-reducing measures. The most important segments are compliance with the broadcasting regulations, control and follow-up on penetration, share of viewing and listeners, broadcasting continuity and the development of advertising markets. The respective managers are in charge of risk management in the Group's companies, segments and business units. The responsibility encompasses the day-to-day work focused on operational and other relevant risks, and on leading risk management activities in their own areas of responsibility. The managers are supported by central Group resources.

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 following up on 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.

Direct or related person ownership: 3,565 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 Metro International S.A. since 2008, and a member of the Board since 2006. She also serves as a Non-Executive Director of Millicom International Cellular S.A., Tele2 AB, BillerudKorsnas 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.

Blake Chandlee
Non-Executive Director
American

Born in 1966. Member of the Board of Directors since 2012. Blake is Vice President of Global Agency Relations and Global Business Accounts at Facebook, where he has worked since 2007 and managed the expansion of Facebook's international footprint with the establishment of operations across Europe, the Middle East, Africa, Latin America and the Asia Pacific region. Blake previously worked at Yahoo for five years, including as Vice President and Commercial Director of the UK business. Blake graduated with a bachelor's degree in management from Gettysburg College in the United States.

Direct or related person ownership: 0

Independent of the Company and management and independent of the 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 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. He has served as Non-Executive Director of SoftKinetic BV and Rouge Partners Sarl since 2011. Lorenzo was a Partner and Managing Director at Goldman Sachs, International in London until 2011. Lorenzo joined the Investment Banking division of Goldman Sachs in 1994 and during his 17 years at the firm held various leadership positions within the Consumer/ Retail and Media/Online industry practices, and the Financial Sponsors group. Lorenzo began his career in Investment Banking in 1990 when he joined Merrill Lynch, where he remained for five years working in the Mergers & Acquisitions department in London and New York. Lorenzo is a graduate from Universita degli Studi di Roma, La Sapienza, Italy.

Chairman of the Remuneration Committee and 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., Transcom Worldwide S.A., Dynasty Foundation and LM Ericsson AB. Alexander previously held several senior management positions at Mars, Inc. over a period of seven years, including as a member of the Global Executive Management Board and as Regional President for Russia, the CIS, Eastern Europe and the Nordics. Alexander worked as a consultant for McKinsey & Co in Stockholm and London for five years. Alexander graduated from the Moscow Aviation Institute with a Master's degree in Science and from INSEAD with an MBA.

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 joined Sony in 2004 as the Chairman and CEO of Sony Pictures Entertainment. In 2012, he became the CEO of Sony Entertainment, Inc. and currently oversees Sony's global entertainment businesses, including Sony Music Entertainment, Sony/ATV Music Publishing and Sony Pictures Entertainment. Prior to joining Sony, Michael worked for Time Warner and served as CEO of AOL Europe, President of AOL International and President of Time Warner International from 2000 to 2004. Between 1996 and 2000, Michael served as Chairman and CEO of Pearson plc's Penguin Group. From 1992 to 1996, he served as President of Disney's Hollywood Pictures. Michael holds a Bachelor of Arts in history and literature from Harvard College and a Masters of Business Administration from Harvard Business School. Michael was elected to the Harvard Board of Overseers in May 2012, and is the interim presiding governor of the U.S. Broadcasting Board of Governors.

Member of the Audit Committee.

Direct or related person ownership: 0

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. Cristina is also a non-executive director of Tele2 AB. 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 the major shareholders.

Executive Management

Jørgen Madsen Lindemann

President & Chief Executive Officer
Born 1966

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

Shareholding in MTG: 17,300 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: 11,132 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 was 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. Anders left the Group on 31 December 2012 to assume a new position with Millicom International Cellular S.A.

Shareholding in MTG: 11,123 Class B shares

Joseph Hundah

Executive Vice President of the Group's African operations
Born 1972

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

Shareholding in MTG: 0

Irina Gofman

Executive Vice President of Russian & CIS Broadcasting
Born 1970

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

Shareholding in MTG: 10,884 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 MTG Studios business area. Patrick originally joined MTG as a management trainee at TV3 in 1991 and was Managing Director of Kinnevik Media International until 1994. After serving as Managing Director of Swedish advertising agency Hallstedt & Hvid, Patrick returned to broadcasting in 1995 as Managing Director and CEO of Swedish TV channel Kanal 5. Patrick was CEO of SkyVentures between 2000 and 2002 and a member of the Board of Directors of television production company MTV Produktion, of which he later became President and CEO when MTV Produktion was rebranded as Zodiak Television (publ) in 2003. After the acquisition of Zodiak Television by De Agostini in 2008, Patrick served as Executive Vice President of M&A and Business Development at the newly formed Zodiak Media Group until 2010. Patrick graduated with an MSc in Economics and Business Administration from Stockholm School of Economics.

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. Marc left the Group on January 31 2013 to assume a new position with Millicom International Cellular S.A.

Shareholding in MTG: 1,960 Class B shares

Petra Österlund

Executive Vice President of Modern People
Born 1975

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

Shareholding in MTG: 3,600 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	2012	2011	2010
CONTINUING OPERATIONS				
Net sales	3	13,336	13,473	13,101
Cost of goods and services		-7,898	-8,780	-7,902
Gross income		**5,438**	**4,693**	**5,199**
Selling expenses		-1,321	-3,715	-1,169
Administrative expenses		-2,356	-2,101	-1,992
Other operating income	5	68	5	12
Other operating expenses	5	-134	-130	-109
Share of earnings in associated companies	6	429	634	482
Operating income	3, 4, 5, 6, 7, 10, 11, 13, 23, 25, 26, 28	**2,124**	**-615**	**2,424**
Result from financial assets	8	-6	14	10
Financial income	8	55	53	31
Financial costs	8	-138	-179	-144
Income before tax		**2,034**	**-727**	**2,321**
Tax expenses	9	-440	-561	-571
Net income for the year continuing operations		**1,594**	**-1,289**	**1,750**
DISCONTINUED OPERATIONS				
Net gain from distribution of CDON Group		-	-	1,717
Net income for the period from discontinued operations		-	-	73
Net income for the year from discontinued operations	30	**-**	**-**	**1,790**
Total net income for the year		**1,594**	**-1,289**	**3,541**
Attributable to:				
Equity holders of the parent		1,526	-1,327	3,522
Non-controlling interest		68	38	19
Net income for the year		**1,594**	**-1,289**	**3,541**
Basic earnings per share (SEK)	17	22.93	-19.98	53.34
Diluted earnings per share (SEK)	17	22.87	-20.02	53.03

Consolidated statement of comprehensive income

(SEK million)	Note	2012	2011	2010
Net income for the year		1,594	-1,289	3,541
Other comprehensive income				
Change in currency translation differences		-123	-139	-818
Cash flow hedge		-31	21	9
Revaluation of shares at market value		0	-10	2
Share of other comprehensive income of associates		27	73	69
Other comprehensive income for the year, net of tax	9, 18	**-126**	**-55**	**-737**
Total comprehensive income for the year		**1,468**	**-1,344**	**2,803**
Attributable to:				
Equity holders of the parent		1,401	-1,370	2,810
Non-controlling interest		67	26	-7
Total comprehensive income for the year		**1,468**	**-1,344**	**2,803**

Consolidated statement of financial position

(SEK million)	Note	31 December 2012	31 December 2011	31 December 2010
ASSETS				
Non-current assets				
Intangible assets	10			
Capitalised expenditure		58	34	20
Patents and trademarks		502	522	1,009
Licenses and beneficial rights		16	26	153
Goodwill		2,866	2,447	4,928
Total intangible assets		**3,441**	**3,029**	**6,111**
Tangible assets	11			
Machinery		98	50	48
Equipment, tools and installations		240	217	249
Total tangible assets		**338**	**267**	**297**
Long-term financial assets				
Shares in associated companies	6, 12	1,940	1,922	1,827
Receivables on associated companies		18	18	24
Shares and participation in other companies	12	48	71	67
Deferred tax asset	9	69	64	103
Other long-term receivables		244	241	220
Total long-term financial assets		**2,318**	**2,317**	**2,241**
Total non-current assets		**6,098**	**5,612**	**8,648**
Current assets				
Inventories				
Finished goods and merchandise		53	52	43
Program rights		1,566	1,528	1,625
Advances to suppliers		6	10	16
Total inventories		**1,626**	**1,591**	**1,684**
Current receivables				
Accounts receivables	14	1,464	1,380	1,369
Accounts receivables, associated companies		5	9	4
Tax receivables		108	190	75
Other current receivables, interest-bearing		22	63	2
Other current receivables, non interest-bearing		105	158	100
Prepaid expense and accrued income		1,517	1,809	1,619
Total current receivables		**3,221**	**3,608**	**3,170**
Cash and cash equivalents	16, 22			
Cash and bank		748	470	500
Total cash and cash equivalents		**748**	**470**	**500**
Total current assets		**5,595**	**5,668**	**5,354**
Total assets		**11,692**	**11,281**	**14,002**

(SEK million)	Note	31 December 2012	31 December 2011	31 December 2010
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company	18			
Share capital		338	338	337
Other paid-in capital		1,797	1,797	1,797
Reserves		-390	-238	-122
Retained earnings including net income for the year		3,201	2,231	3,974
Total equity attributable to equity holders of the parent company		**4,946**	**4,128**	**5,986**
Non-controlling interest				
Non-controlling interest		188	222	253
Total equity		**5,134**	**4,350**	**6,239**
Non-current liabilities	22			
Interest-bearing				
Liabilities to financial institutions		903	1,522	2,667
Other interest-bearing liabilities		30	2	16
Total non-current interest-bearing liabilities		**934**	**1,524**	**2,683**
Non-interest bearing				
Non-interest bearing liabilities		206	60	59
Deferred tax liability	9	291	322	371
Provisions	19	320	261	197
Total non-current non-interest bearing liabilities		**817**	**644**	**627**
Total non-current liabilities		**1,751**	**2,168**	**3,311**
Current liabilities	22			
Interest-bearing				
Liabilities to financial institutions		50	44	73
Other interest-bearing liabilities		40	6	9
Total current interest-bearing liabilities		**90**	**50**	**83**
Non-interest-bearing				
Advances from customers		76	76	70
Accounts payable		1,079	1,172	1,008
Tax liability		232	234	234
Other liabilities		326	336	337
Accrued expense and prepaid income		3,005	2,895	2,721
Total current non-interest bearing liabilities		**4,718**	**4,713**	**4,370**
Total current liabilities		**4,808**	**4,763**	**4,452**
Total liabilities		**6,558**	**6,931**	**7,763**
Total equity and liabilities		**11,692**	**11,281**	**14,002**

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 2010	**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**
Net income for the year							1,526	1,526	68	1,594
Other comprehensive income for the year			-122	-31	0		27	-125	-1	-126
Total comprehensive income for the year 2012			**-122**	**-31**	**0**		**1,553**	**1,401**	**68**	**1,468**
Dividends to shareholders (SEK 9,00 per share)							-600	-600		-600
Dividends to shareholders with non-controlling interests								0	-96	-96
Change in non-controlling interest							-1	-1	-6	-6
Other							8	8		8
Effect of employee share option programmes							9	9		9
Balance as of 31 December 2012	**338**	**1,797**	**-398**	**20**	**0**	**-12**	**3,201**	**4,946**	**188**	**5,134**

Consolidated statement of cash flow

(SEK million)	Note	2012	2011	2010
Cash flow from operations				
Net income for the year from continuing operations		1,594	-1,289	1,750
Adjustments to reconcile net income/loss to net cash provided by operations	27	60	3,141	60
Cash flow from continuing operations		**1,655**	**1,853**	**1,810**
Changes in working capital				
Increase (-)/decrease (+) inventories		-29	38	32
Increase (-)/decrease (+) other current receivables		271	-545	-441
Increase (+)/decrease (-) accounts payable		-121	192	4
Increase (+)/decrease (-) other current liabilities		140	258	129
Total change in working capital		**261**	**-56**	**-277**
Net cash flow from continuing operations		**1,915**	**1,797**	**1,534**
Investment activities				
Investment in tangible and intangible assets		-144	-120	-157
Acquisitions of shares in subsidiaries and associated companies	4	-315	-	-275
Sales of shares and securities		24	-	-
Sale of shares in subsidiaries		-	5	-
Sale of Bet 24 business		84	-	-
Other cash flow to investing activities, CDON Group convertible loan		-	-	-250
Cash flow to investing activities, continuing operations		**-351**	**-115**	**-683**
Financing activities				
Borrowings		2,877	1,960	4,957
Loan amortisations		-3,489	-3,141	-5,763
Repayment other long-term receivables		33	-	-
Repayment non-interest-bearing liabilities		-	-	128
Paid-in capital for employee share option programmes		-	-	182
Dividends		-600	-498	-363
Dividends to shareholders with non-controlling interest		-96	-57	-39
Cash flow from/to financing activities, continuing operations		**-1,274**	**-1,737**	**-897**
Cash flow from discontinued operations, CDON Group	30	**-**	**-**	**-88**
Net change in cash and cash equivalents		**291**	**-55**	**-135**
Cash and cash equivalents at beginning of year		**470**	**500**	**737**
Translation differences in cash and cash equivalents		-12	25	-102
Cash and cash equivalents at end of year		**748**	**470**	**500**

Parent company income statement

(SEK million)	Note	2012	2011	2010
Net sales		58	38	41
Gross income		**58**	**38**	**41**
Administrative expenses		-232	-245	-217
Operating loss	10, 11, 23, 25, 26	**-175**	**-207**	**-175**
Interest revenue and other financial income	8	978	833	653
Interest expense and other financial costs	8	-318	-258	-184
Results from shares in subsidiaries	8	75	400	73
Income before tax		**561**	**767**	**368**
Appropriations		-562	-206	-156
Tax expenses	9	20	-47	-38
Net income for the year		**19**	**515**	**173**

Parent company statement of comprehensive income

(SEK million)	Note	2012	2011	2010
Net income for the year		19	515	173
Other comprehensive income				
Revaluation of shares at market value		0	-10	2
Other comprehensive income for the year, net of tax	12	**0**	**-10**	**2**
Total comprehensive income for the year		**19**	**505**	**175**

Parent company balance sheet

(SEK million)	Note	31 December 2012	31 December 2011	31 December 2010
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		2	0	0
Total tangible assets		**2**	**0**	**0**
Long-term financial assets				
Shares and participations in Group companies	12	3,676	3,676	3,676
Receivable from Group companies	29	1,208	12,593	12,538
Shares and participations in other companies	12	1	8	18
Deferred tax asset	9	8	-	5
Other long-term receivables	29	-	7	6
Total long-term financial assets		**4,893**	**16,285**	**16,243**
Total non-current assets		**4,896**	**16,285**	**16,243**
Current assets				
Current receivables				
Accounts receivable		-	0	0
Receivable from Group companies		13,009	710	526
Tax receivables		29	70	2
Other receivables		60	58	52
Prepaid expense and accrued income	15	1	3	7
Total current receivables		**13,099**	**842**	**587**
Cash and cash equivalents				
Cash and cash equivalents	16, 22	371	96	136
Total cash and cash equivalents		**371**	**96**	**136**
Total current assets		**13,470**	**937**	**723**
Total assets		**18,366**	**17,222**	**16,966**

(SEK million)	Note	31 December 2012	31 December 2011	31 December 2010
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	18			
Restricted equity				
Share capital (67,647,124 shares)		338	338	337
Total restricted equity		**338**	**338**	**337**
Non-restricted equity				
Premium reserve		267	267	267
Translation reserve		-	-	-103
Fair value reserve		0	0	10
Retained earnings		7,640	7,719	8,143
Net income for the year		19	515	173
Total non-restricted equity		**7,926**	**8,502**	**8,490**
Total shareholders´ equity		**8,264**	**8,840**	**8,827**
Non-current liabilities				
Interest-bearing				
Liabilities to Group companies		-	2,686	3,848
Liabilities to financial institutions	22	894	1,522	2,667
Total non-current interest-bearing liabilities		**894**	**4,208**	**6,516**
Non-interest bearing				
Non-interest bearing liabilities		55	60	49
Provisions	19	1	6	10
Total non-current liabilities		**951**	**4,275**	**6,575**
Current liabilities				
Interest-bearing				
Liabilities to Group companies		8,105	3,279	872
Other interest-bearing liabilities		8	6	-
Total current interest-bearing liabilities		**8,113**	**3,284**	**872**
Non-interest bearing				
Accounts payable		7	11	10
Liabilities to Group companies		982	753	627
Other liabilities		7	7	14
Accrued expense and prepaid income	20	42	52	40
Total current non-interest bearing liabilities		**1,038**	**823**	**691**
Total current liabilities		**9,151**	**4,107**	**1,563**
Total shareholders´ equity and liabilities		**18,366**	**17,222**	**16,966**
Memorandum items				
Pledged assets		None	None	None
Contingent liabilities	21	1,182	920	357

Parent company statement of changes in equity

(SEK million)	Note 18	Restricted equity: Share capital	Non-restricted equity: Premium reserve	Fair value reserve: Translation reserve	Fair value reserve: Fair value reserve	Retained earnings	Total
Balance as of 1 January 2010		**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**
Net income for the year						19	19
Other comprehensive income for the year:							
Revaluation of shares at market value					0		0
Total comprehensive income 2012					**0**	**19**	**19**
Dividends to shareholders						-600	-600
Effect of employee share option programmes						5	5
Balance as of 31 December 2012		**338**	**267**	**-**	**0**	**7,659**	**8,264**

Parent company cash flow statement

(SEK million)	2012	2011	2010
Cash flow from operations			
Net income for the year	19	515	173
Adjustments to reconcile net income/loss to net cash provided by operations:			
Depreciation	0	-	-
Group contribution	562	206	156
Options	5	5	5
Change in deferred tax	-8	5	38
Change in provisions	-5	-4	5
Result from sale of financial assets	-9	-	-
Unrealised exchange difference	-27	-10	-21
Total adjustments to reconcile net income/loss to net cash provided by operations	**518**	**201**	**182**
Cash flow from operations	**537**	**717**	**356**
Changes in working capital			
Increase (-)/decrease (+) short-term receivables	309	-255	26
Increase (+)/decrease (-) accounts payable	-4	2	0
Increase (+)/decrease (-) other liabilities	220	131	327
Total changes in working capital	**524**	**-123**	**353**
Net cash flow from/to operations	**1,061**	**594**	**708**
Investment activities			
Investment in shares in subsidiaries	0	0	-58
Shareholders' contribution CDON Group	-	-	-240
Other long-term receivables	-	-1	-1
Investments in tangible non-current assets	-3	-	-
Proceeds from sale of shares	24	-	-
Cash flow to investing activities	**21**	**-1**	**-299**
Financing activities			
Receivables/liabilities from Group companies	425	984	95
Paid-in capital for employee share option programmes	-	-	182
Dividends to shareholders	-600	-498	-363
Other long-term liabilities	-3	70	77
Borrowings	2,871	1,953	4,957
Loan amortisation	-3,500	-3,141	-5,757
Cash flow from financing activities	**-806**	**-632**	**-809**
Net change in cash and cash equivalents	**275**	**-40**	**-400**
Cash and cash equivalents at beginning of year	**96**	**136**	**536**
Cash and cash equivalents at end of year	**371**	**96**	**136**

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 2012 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 7 March 2013. 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 14 May 2013.

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. The Group's consolidated accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2011 Annual Report with the exception that the results arising from new share issues by associated companies are included in the associated company income and not, as previously, in other financial items, and SEK 22 million and SEK 69 million respectively have been moved from the financial items line to the associated income line in the 2011 and 2010 financial statements.

New and amended Accounting standards and interpretations after 2012 The Group has not made any early adoptions of new or changed Accounting standards and interpretations effective after 31 December 2012.

The following new standards and amendments have been issued but are not effective for the financial year 2012.

IAS 1 Presentation of Financial Statements The standard has been amended for the presentation of other comprehensive income, where the components should be divided between those that cannot be reclassified and those that could be reclassified to profit or loss. Other comprehensive income for the Group comprise items that could be reclassified to profit or loss. However, associated companies might have items that cannot be reclassified, and in that case this will be presented as such. The standard is effective for annual periods beginning on or after 1 January 2013.

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 2014, but earlier adoption will be permitted.

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 (until 2012), and allows consolidation of the income statement and the statement of financial position in the same proportion as the ownership. The standard is effective for annual periods beginning on or after 1 January 2014, but earlier adoption will be permitted.

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 2014, but earlier adoption will be permitted.

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 2014, but earlier adoption will be permitted,

IFRS 9 Financial instruments The issued part of the 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 will be effective for annual periods beginning on or after 1 January 2015.

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.

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 (37.9%). 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 Raduga Holdings S.A., TV 2 Sport A/S Denmark until 2012, and Viastrong Holding AB until 2009 with its Ukrainian subsidiaries. TV 2 Sport

A/S was acquired and reclassified as a subsidiary as per 20 December 2012, Viastrong Holding AB 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
- Interest revenue is recognised using the effective interest method
- 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.

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 until 2012, 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 investments The risk related to changes in currency rates for net investments in subsidiaries between the Swedish krona and other currencies may be hedged in full or in part. The change in value of a hedging instrument is recognised in other comprehensive income.

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 anticipated 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 Annual Accounts 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 adopted the alternative rule in RFR 2 Accounting for legal entities, which states that both received and paid Group contributions can be recognized as appropriations in the income statement, as opposed to the previous method where the Group contributions were reported as a financial item. The comparative years has been restated accordingly by SEK 206 million and SEK 156 for the respective years 2011 and 2010.

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 on-going 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 counselors, 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 certain forward contracts. 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 Raduga Holdings S.A., and, until December 2012, TV 2 Sport A/S. 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.

• 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, the Viaplay online platform and third party IPTV and cable networks. Viasat also distributes its 40 pay-TV channels via third party pay-TV networks.

• Free-TV Emerging Markets is a commercial free-TV broadcaster and comprise a total of 19 free-TV channels in the Baltics, the Czech Republic, Bulgaria, Hungary and Ghana.

• Pay-TV Emerging Markets market and sell 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 32 channels via third party pay-TV networks to subscribers in 31 countries across Central and Eastern Europe, Africa and the United States.

• 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, and MTG Studios businesses, and, until May 2012, Bet24. These businesses are reported as one segment due to their size. 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 own equity stakes in a Finnish national commercial radio network. MTG Studios comprise the Group's content production businesses in Scandinavia, Europe and Africa. Bet24 operated in the betting and gaming business, but the business was sold in May 2012.

The stated figures for 2012, 2011 and 2010 are based on the same operational structure.

	External sales			Operating income		
(SEK million)	2012	2011	2010	2012	2011	2010
Free-TV Scandinavia	3,989	4,224	4,078	793	1,077	1,082
Pay-TV Nordic	4,729	4,547	4,319	834	923	822
Free-TV Emerging Markets	2,030	2,070	2,001	156	32	-43
Pay-TV Emerging Markets	1,062	915	878	144	49	112
Associated company CTC Media	-	-	-	429	624	474
Other and eliminations	218	175	171	-20	7	19
Total Viasat Broadcasting	12,028	11,932	11,446	2,336	2,712	2,465
Other Businesses	1,282	1,519	1,640	6	114	175
Parent company and other companies	26	22	15	-219	-260	-216
Total Group	**13,336**	**13,473**	**13,101**	**2,124**	**2,567**	**2,424**
Asset impairment charges and non-recurring costs	-	-	-	-	-3,182	-
- of which Free-TV Emerging Markets	-	-	-	-	*-3,153*	-
- of which Other Businesses	-	-	-	-	*-29*	-
Total Group continuing operations	**13,336**	**13,473**	**13,101**	**2,124**	**-615**	**2,424**
Discontinued operations	-	-	1,870	-	-	122
Total Group	**13,336**	**13,473**	**14,971**	**2,124**	**-615**	**2,546**

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 2012	Internal sales 2011	Internal sales 2010
Free-TV Scandinavia	168	169	170
Pay-TV Nordic	195	183	165
Free-TV Emerging Markets	5	3	4
Pay-TV Emerging Markets	-	7	18
Other	1,068	1,002	1,214
Total Viasat Broadcasting	1,436	1,365	1,570
Other Businesses	136	155	164
Parent company and other companies	213	163	176
Total internal sales continuing operations	**1,785**	**1,684**	**1,911**
Discontinued businesses	-	-	-
Total internal sales	**1,785**	**1,684**	**1,911**

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.

	Assets			Liabilities		
(SEK million)	2012	2011	2010	2012	2011	2010
Free-TV Scandinavia	2,051	2,373	2,306	1,805	1,735	1,835
Pay-TV Nordic	2,166	3,792	2,142	3,111	3,315	2,936
Free-TV Emerging Markets	2,475	2,441	5,590	816	936	977
Pay-TV Emerging Markets	798	741	720	336	248	190
Associated company CTC Media	1,903	1,878	1,785	-	-	-
Other and eliminations	186	2,432	-683	-647	-1,037	-1,047
Total Viasat Broadcasting	9,579	13,658	11,860	5,420	5,196	4,892
Other Businesses	1,317	1,262	1,169	610	618	608
Parent company and other companies	899	1,121	851	418	4,141	199
Total	**11,795**	**16,041**	**13,880**	**6,448**	**9,954**	**5,698**
Eliminations	-1,126	-5,629	-791	-1,126	-5,629	-791
Unallocated assets/liabilities	1,023	870	913	1,236	2,606	2,856
Total continuing operations	**11,692**	**11,281**	**14,002**	**6,558**	**6,931**	**7,763**
Discontinued operations	-	-	-	-	-	-
Total	**11,692**	**11,281**	**14,002**	**6,558**	**6,931**	**7,763**

	Capital expenditure			Depreciation and amortisation		
(SEK million)	2012	2011	2010	2012	2011	2010
Free-TV Scandinavia	16	18	14	25	27	30
Pay-TV Nordic	46	42	33	26	19	8
Free-TV Emerging Markets	29	30	86	44	97	130
Pay-TV Emerging Markets	5	3	2	6	3	3
Other	15	1	5	17	7	17
Total Viasat Broadcasting	111	94	140	118	153	188
Other Businesses	30	23	10	24	26	25
Parent company and other companies	4	3	3	4	4	4
Total continuing operations	**144**	**120**	**153**	**146**	**183**	**218**
Discontinued operations	-	-	4	-	-	6
Total	**144**	**120**	**157**	**146**	**183**	**224**

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)	2012	2011	2010	2012	2011	2010
Sweden	4,511	4,293	3,950	1,186	843	1,020
Denmark	3,002	3,355	3,367	120	9	15
Norway	2,396	2,438	2,408	791	749	769
Baltics, Czech Republic, Bulgaria	2,225	1,845	1,754	1,238	1,163	4,260
Rest of Europe	1,157	1,499	1,583	435	525	331
Other regions	44	43	39	9	8	13
Total continuing operations	**13,336**	**13,473**	**13,101**	**3,779**	**3,296**	**6,407**
Discontinued operations	-	-	1,870	-	-	-
Total	**13,336**	**13,473**	**14,971**	**3,779**	**3,296**	**6,407**

External sales by type of product/service (SEK million):	2012	2011	2010
Advertising revenue	5,590	5,878	5,633
Subscription revenue	6,579	6,330	6,077
Business-to-business/Consumer revenue	1,167	1,265	1,391
Total continuing operations	**13,336**	**13,473**	**13,101**
Discontinued operations	-	-	1,870
Total	**13,336**	**13,473**	**14,971**

Note 4 Operations acquired

Acquired operations 2012 (SEK million)	LNT	Zitius	TV2 Sport	Paprika	Total
Cash paid	59	119	47	26	250
Transfer of assets	-	-	69	-	69
Additional consideration, non-paid	-	39	-	3	41
Fair value options, non-paid	-	84	-	23	107
Total consideration	**59**	**241**	**116**	**51**	**467**
Recognized amounts of identifiable assets and liabilities					
Property, plant and equipment	13	56	0	-	69
Intangible assets	1	21	1	5	28
Inventories	14	1	-	-	15
Trade and other receivables	23	11	139	-5	178
Cash and cash equivalents	1	7	4	-	12
Borrowings	-23	-44	-	-	-67
Deferred tax receivables/liabilitiets	-	0	16	-1	16
Trade and other payables	-66	-21	-37	-	-123
Net identifiable assets and liabilities	**-38**	**32**	**124**	**9**	**127**
Fair value previous participation	**-**	**-**	**116**	**-**	**116**
Goodwill	**97**	**209**	**110**	**42**	**458**
Total consideration	**59**	**241**	**116**	**51**	**467**

Cash consideration					
Cash paid	59	119	47	26	250
Cash and cash equivalents	-1	-7	-2	-	-10
Borrowings	23	52	-	-	75
Total cash consideration	**81**	**163**	**45**	**26**	**315**

Acquisition of LNT, Latvia

The Group signed an agreement on 9 January 2012 to acquire 100% of the shares in AS Latvijas Neatkarigä Televizija (LNT) in Latvia. LNT is a free-TV operator and broadcasts a national channel, a Russian language channel and an entertainment channel. LNT is reported within the Free-TV Emerging Markets segment. The transaction was closed on 31 May 2012. The consideration was EUR 6.5 million excluding transaction costs of SEK 2.2 million.The acquisition gave rise to separately identified intangible assets of SEK 1 million and goodwill of SEK 97 million.

The goodwill in 2012 comprise of synergies and growth in customer revenues expected to be realised in future as well as the skill of existing employees. The goodwill will not be tax deductible.

Acquisition of Zitius, Sweden
The Group acquired 80% of the shares in Zitius Service Delivery AB on 31 August 2012. Zitius is Sweden's leading independent Open Access Communications Operator with connections to fibre households. Zitius is reported within Other operations in the business area Viasat Broadcasting. The cash consideration was SEK 119 million excluding transaction costs of SEK 2.8 million. The acquisition gave rise to separately identified intangible assets of SEK 21 million and goodwill of SEK 209 million.

The agreement includes an additional consideration to be paid in March 2015, and has been calculated at present value based on the clauses in the agreement related to earnings. The outcome of the consideration range from SEK 0 to maximum 50 million. Further, the agreement includes an option to acquire the remaining 20% of the shares in June 2016.The purchase price is calculated at the present fair value of the company based on the option clauses in the agreement, and, as a consequence, 100% of Zitius is consolidated without non-controlling interest.

The goodwill in 2012 comprise of potential new customer relationships 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.

Acquisition of TV 2 Sport A/S, Denmark
The Group acquired the remaining 50% of the shares in the joint venture company TV 2 Sport A/S on 20 December 2012. TV 2 Sport is a pay-TV broadcaster of sport channels. TV 2 Sport, which will be rebranded as TV 3 Sport 1, was reported in Other operations in the business area Viasat Broadcasting during 2012, but will be reported in Pay-TV Nordic from 1 January 2013. The balance sheet is consolidated at total value. The cash consideration was DKK 41 million excluding transaction costs of SEK 2.8 million. The transfer of assets comprise sports rights. The work on the purchase price allocation, which includes the identification and valuation of intangible assets, is in progress and in a very early stage, as the company was acquired in late December 2012. A preliminary goodwill of SEK 110 million is recognized at this stage.

The goodwill in 2012 comprise of potential new customer relationships on additional pay-TV channels expected to be realised in future. The goodwill will not be tax deductible.

Acquisition of Paprika Latino Group
The Group acquired 53% of Paprika Latino Group, a leading Central and Eastern European TV production group in September 2012. The Group is reported within the Other businesses segment. The cash consideration was EUR 2.4 million excluding transaction costs of SEK 5 million. A goodwill of SEK 42 million is recognized at this stage.

The agreement includes an additional consideration to be paid in 2013, and an option price for the remaining 47% of the shares with payment in 2015 and 2017. The consideration are calculated at a discounted fair value based on the clauses in the agreement related to net income before tax. The additional consideration range from EUR 0.3 to maximum 0.6 million. As a consequence, 100% of the Paprika Group is consolidated without non-controlling interest.

The goodwill in 2012 comprise of new market segments expected to be realised in future as well as the skill of existing employees. The goodwill will not be tax deductible.

Contributions during 2012 from the acquisition date (SEK million):	LNT	Zitius	TV 2 Sport	Paprika	Total
Net sales	53	45	163	16	276
Net income	-26	1	9	1	-15

Group amounts 2012 if the acquisition had occurred on 1 January (SEK million)	LNT	Zitius	TV 2 Sport	Paprika
Net sales	13,372	13,411	13,499	13,336
Net income	1,593	1,604	1,603	1,594

Acquisitions 2011
During 2011, there were no acquisitions made.

Acquired operations 2010 (SEK million)	Raduga	Viastrong	Total
Cash paid	161	108	269
Additional consideration, non-paid	-	58	58
Total consideration	**161**	**166**	**327**
Recognized amounts of identifiable assets and liabilities			
Property, plant and equipment	2	2	4
Intangible assets	5	12	17
Trade and other receivables	9	42	52
Cash and cash equivalents	11	4	15
Deferred tax receivables/liabilities	4	16	20
Trade and other payables	-37	-118	-155
Net identifiable assets and liabilities	**-4**	**-42**	**-46**
Goodwill	**165**	**208**	**373**
Total consideration	**161**	**166**	**327**

Cash consideration	Other companies	Raduga	Viastrong	Total
Cash paid	15	161	108	284
Cash and cash equivalents		-6	-4	-10
Borrowings		-	-	-
Total cash consideration	**15**	**155**	**104**	**275**

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.

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. Viastrong 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 above.

The goodwill in 2010 comprise of potential new customer relationships 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.

Contributions during 2010 from the acquisition date (SEK million):	Raduga	Viastrong	Group
Net sales	43	42	85
Net income	-8	-59	-67

Group amounts 2010 if the acquisition had occurred on 1 January (SEK million)	Raduga	Viastrong
Net sales	13,104	13,122
Net income continuing operations	1,670	1,667

Note 5 Other operating income and expenses

Group (SEK million):	2012	2011	2010
Other operating income			
Gain from sale on non-current assets	-	-	0
Gain from exchange rate differences	12	-	-
Gain from sale of Bet24 operations	21	-	-
Net gain from acquisition of TV2 Sport	34	-	-
Other	1	5	12
Total	**68**	**5**	**12**
Other operating expenses			
Loss from sale on non-current assets	-1	-	-
Loss from exchange rate differences	-1	-7	-9
Depreciation	-42	-8	-14
Other	-90	-115	-86
Total	**-134**	**-130**	**-109**

Note 6 Share of earnings in associated companies

Group (SEK million)	Country	Share capital %	2012	2011	2010
Mediamätning i Skandinavien MMS AB	Sweden	25	0	0	0
Radio National i Luleå AB	Sweden	49	0	0	1
Radio National i Skellefteå AB	Sweden	49	-1	0	0
Radioindustri Xerkses i Borås AB	Sweden	49	-1	0	0
AB Sappa	Sweden	50	3	4	2
Oy Suomen Uutisradio Ab / Radio Nova	Finland	22	2	7	7
Digital Radio Norge AS	Norway	33	-3	-1	-1
GH GigaHertz HB	Sweden	33	0	0	0
Altorenscheuerhof S.A.	Luxembourg	33	-1	-	-
CTC Media, Inc.	USA	38	429	624	474
Total			**429**	**634**	**482**
Tax			-152	-197	-158
Net Income			**277**	**436**	**324**

Results arising from new share issues by associated company CTC Media are included in the associated company income from 2012, and not, as previously, in other financial items. The associated income for prior periods have been restated accordingly and SEK 22 million and SEK 69 million for 2011 and 2010 respectively have been moved from financial items to associated income.

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 2012, 2011 and 2010 and the 12 month period then ended.

Totally recorded values in associated companies (SEK million)	2012	2011	2010
Revenues	5,640	5,261	4,393
Net income	436	1,532	1,082
Assets	5,943	6,839	6,430
Liabilities	1,346	1,520	1,216

For further information, see also note 12.

Note 7 Joint venture companies

Totally recorded values in joint venture companies (SEK million)	31 December 2012	31 December 2011	31 December 2010
Revenues	523	524	518
Net income	11	-8	-10
Current assets	32	169	175
Long-term assets	246	282	281
Current liabilities	82	145	135
Long-term liabilities	13	1	2

Raduga Group Russia is recognised as joint venture company. In December 2012 all of the remaining shares in the 50/50 joint venture company TV2 Sport was aquired. As a consequense all of the revenues and net income, but none of the assets and liabilities which are already included in the Group accounts, are included in the values for 31 December 2012 above. The company will be fully consolidated from 1 January 2013.

Note 8 Financial items

Group (SEK million)	2012	2011	2010
Result from financial assets at fair value through profit, CDON Group options	-15	14	2
Result from financial assets available-for-sale	9	-	8
Total gain from financial assets	**-6**	**14**	**10**
Interest revenue	55	53	24
Net exchange rate differences	-	-	8
Total financial income	**55**	**53**	**31**
Interest expenses	-88	-113	-94
Borrowing costs, included in the effective interest	-14	-12	-45
Net exchange rate differences	-11	-29	-
Other	-24	-26	-5
Total financial costs	**-138**	**-179**	**-144**
Net financial items	**-90**	**-112**	**-103**

Parent company (SEK million)	2012	2011	2010
Interest revenue from external parties	28	29	13
Interest revenue from subsidiaries	941	802	618
Exchange rate differences	-	2	21
Gain from financial assets available-for-sale	9	-	-
Other financial revenues	0	0	0
Total interest revenue and other financial income	**978**	**833**	**653**
Interest expense to external parties	-80	-110	-100
Interest expense to subsidiaries	-193	-117	-17
Borrowing costs, included in the effective interest	-14	-12	-45
Exchange rate differences	-8	-	-15
Other	-22	-19	-7
Total interest expense and other financial costs	**-318**	**-258**	**-184**
Dividends from subsidiaries	75	400	73
Results from shares in subsidiaries	**75**	**400**	**73**
Net financial items	**736**	**974**	**543**

Results arising from new share issues by associated company CTC Media are included in the associated company income from 2012, and not, as previously, in other financial items. The financial items for prior periods have been restated accordingly and SEK 22 million and SEK 69 million for 2011 and 2010 respectively have been moved from financial items to associated income.

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)	2012	2011	2010
Current tax			
Current tax expense	-493	-585	-572
Adjustment for prior years	8	9	15
Total	**-485**	**-575**	**-557**
Deferred tax			
Temporary differences	45	14	-13
Total	**45**	**14**	**-13**
Total income tax expense in the income statement	**-440**	**-561**	**-571**

Reconciliation of tax expense (SEK million)	2012	%	2011	%	2010	%
Tax/Tax rate in Sweden	-535	-26.3	191	26.3	-610	-26.3
Non-taxable income	167	8.2	174	23.9	122	5.2
Foreign tax rate differential	-6	-0.3	-56	-7.8	-58	-2.5
Effect of losses carry-forward not previously recognised	4	0.2	3	0.4	40	1.7
Non-deductible write-down of goodwill	-	-	-642	-88.3	-	-
Non-deductible amortisation and write-down of beneficial rights	-	-	-87	-11.9	-11	-0.5
Non-deductible expenses	-73	-3.6	-86	-11.8	-54	-2.3
Losses where no deferred tax was recognised	-40	-2.0	-65	-9.0	-39	-1.7
Revalued tax losses carry-forward	13	0.6	-	-	-	-
Revalued tax losses carry-fwd due to change in tax rate	29	1.4	-	-	-	-
Other permanent effects	-6	-0.3	-2	-0.3	25	1.1
Under/over provided in prior years	8	0.4	9	1.3	15	0.6
Effective tax/tax rate	**-440**	**-21.6**	**-561**	**-77.2**	**-571**	**-24.6**

The Swedish tax rate was changed on 1 January 2013 from 26.3% to 22.0%.

Tax related to other comprehensive income (SEK million)	Gross 2012	Tax 2012	Net of tax 2012	Gross 2011	Tax 2011	Net of tax 2011	Gross 2010	Tax 2010	Net of tax 2010
Change in currency translation differences	-118	-5	-123	-140	1	-139	-810	-8	-818
Cash flow hedge	-33	2	-31	24	-3	21	8	1	9
Revaluation of shares at market value	0		0	-10		-10	2		2
Other comprehensive income related to associates	27		27	73		73	69		69
Total other comprehensive income	**-124**	**-3**	**-126**	**-53**	**-2**	**-55**	**-731**	**-7**	**-737**

(SEK million)	31 December 2012	31 December 2011	31 December 2010
Deferred tax asset			
Equipment	16	12	13
Beneficial rights	2	4	4
Provisions	9	10	4
Inventory	1	4	3
Current receivables	-1	-	9
Current liabilities	8	9	11
Tax value of losses carry-forward recognised	33	26	59
Total	**69**	**64**	**103**
Deferred tax liabilities			
Trademarks	132	129	197
Goodwill	147	176	176
Equipment	-	-	-2
Inventory	-	13	-
Current receivables	3	5	-
Current liabilities	9	-1	-
Total	**291**	**322**	**371**
Deferred tax net	**-222**	**-258**	**-268**

The movements in temporary differences net are explained below:

(SEK million)	2012 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	26	7					33
Temporary differences in:							
Goodwill	-176	28					-147
Equipment	12	4					16
Intangible assets	-125	3		-5		-2	-130
Provisions	10	-2					9
Inventory	-10	11					1
Non-current receivables	0	0					-
Current receivables	-5	2					-4
Current liabilities	10	-8			-3		-1
Total	**-258**	**45**	**-**	**-5**	**-3**	**-2**	**-222**

(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
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	-2	21	-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				-
Total	**-287**	**-13**	**16**	**-3**	**-2**	**21**	**-268**

The Group had recognised losses carry-forward without expiration date of SEK 145 (104; 247) million at 31 December 2012. The accounts for 2012, 2011 and 2010 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)	2012	2011	2010
2012	-	26	87
2013	5	41	59
2014	96	53	58
2015	167	119	45
2016 and thereafter	132	85	-
No expiry date	6	-	0
Total	**406**	**325**	**249**

Parent company

The loss carry forward of SEK 39 (-; 17) million recognised in the accounts correspond to the tax rate of 22%. The tax loss carry forward of 2010 was fully utilised in 2011. Tax loss carry forward are without expiration date.

Distribution of tax expenses (SEK million)	2012	2011	2010
Current tax	12	-42	-
Deferred tax	8	-5	-38
Total tax	**20**	**-47**	**-38**

(SEK million)	31 December 2012	31 December 2011	31 December 2010
Deferred tax asset (tax loss carry forwards)	8	-	5
Total	**8**	**-**	**5**

Reconciliation of tax expense (SEK million)	2012	%	2011	%	2010	%
Tax/Tax rate in Sweden	2	26.3	-148	-26.3	-56	-26.3
Non-deductible expenses	-1	-11.0	-6	-1.1	-1	-0.6
Non-taxable income	24	401.9	107	19.1	19	9.1
Other permanent effects	-5	-81.5	-	-	-	-
Effective tax/tax rate	**20**	**335.7**	**-47**	**-8.3**	**-38**	**-17.8**

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 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**
Opening balance 1 January 2012	115	1,022	513	7,693	53
Investments during the year	53	1	1	0	-
Acquisitions through business combinations	1	25	-	458	-
Retirement during the year	-14	-64	-181	-28	-
Change in Group structure, reclassifications etc	1	0	0	-	-
Translation differences	0	-17	-10	-186	-
Closing balance 31 December 2012	**156**	**968**	**325**	**7,937**	**53**
Accumulated amortisation and impairment losses					
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**
Opening balance 1 January 2012	-81	-500	-487	-5,246	-53
Retirement during the year	13	6	181	-	-
Amortisation during the year	-20	-2	-12	-	-
Impairment losses during the year	-15	-	-	-	-
Write-back	5	-	-	-	-
Change in Group structure, reclassifications etc	0	13	-	4	-
Translation differences	0	17	10	171	-
Closing balance 31 December 2012	**-98**	**-467**	**-309**	**-5,071**	**-53**
Book value carried forward					
As per 1 January 2010	39	1,151	233	5,239	-
As per 31 December 2010	20	1,009	153	4,928	-
As per 1 January 2011	20	1,009	153	4,928	-
As per 31 December 2011	34	522	26	2,447	-
As per 1 January 2012	34	522	26	2,447	-
As per 31 December 2012	58	502	16	2,866	-

Only external expenditure have been capitalised.

Amortisation by function (SEK million)	2012	2011	2010
Cost of goods and services	26	43	54
Administrative expenses	2	42	46
Other operating expenses	6	0	1
Total	**35**	**85**	**101**

Impairment losses by function (SEK million)	2012	2011	2010
Cost of goods and services	15	548	9
Selling expenses	0	2,441	-
Total	**15**	**2,990**	**9**

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

(SEK million)	2012	2011	2010
Viasat Film	666	666	666
Prima Group	807	818	850
P4 Radio	495	487	492
Nova	-	-	2,442
Ukraine	204	204	204
Subtotal	**2,172**	**2,176**	**4,654**
Other units	694	272	274
Total	**2,866**	**2,447**	**4,928**

The change in goodwill for Prima Group and P4 Radio in 2012, 2011 and 2010 are due to translation differences.The goodwill in Nova was impaired in 2011.

Trademarks with indefinite lives included in Patents and trademarks are:

(SEK million)	2012	2011	2010
Prima Group	191	194	209
P4 Radio	275	271	272
Nova	-	-	464
Subtotal	**466**	**464**	**945**
Other units	36	57	102
Total	**502**	**522**	**1,047**

The change in trademark for Prima Group and P4 Radio in 2012, 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 discounted at a pre-tax interest of 12% (12%;12%). A higher interest rate might be used in some cases, depending on circumstances such as territory. The model involves key assumptions such as 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% (2.5%;2.5%) is normally applied.

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

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, 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 crisis due to bankruptcies in the financial sector.

The following table shows how the carrying amount relates to the recoverable amount. The calculation do not indicate impairment, but a change in the recoverable amount, depending on changes in market conditions or other parameters, could result in an impairment. The carrying amount is expressed as 100. A recoverable amount below 100 indicates that the carrying value is above the recoverable amount, and hence an impairment might be considered.

	Ukraine
Recoverable amount	163
Carrying amount	100
Carrying amount of 100 in relation to recoverable amount in case of increase in the discount rate:	
+ 1 percentage points	129
+ 5 percentage points	42

A change in the discount rate of 2 percentage points will result in a relation of the recoverable amount to the carrying amount of 100

Note 11 Tangible assets

(SEK million)	Group		Parent company
	Machinery	Equipment, tools and installations	Equipment
Acquisitions			
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**
Opening balance 1 January 2012	129	963	3
Investments during the year	25	64	3
Acquisitions through business combinations	54	55	-
Divestment during the year	-17	-20	-
Change in Group structure, reclassifications etc	-5	3	-
Translation differences	-2	-16	-
Closing balance 31 December 2012	**183**	**1,047**	**6**
Accumulated depreciation			
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**
Opening balance 1 January 2012	-79	-745	-3
Divestment during the year	16	15	-
Depreciation during the year	-24	-88	0
Impairment losses during the year	-	0	-
Change in Group structure, reclassifications etc	1	-1	-
Translation differences	1	11	-
Closing balance 31 December 2012	**-85**	**-807**	**-3**
Book value carried forward			
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	-
As per 1 January 2012	50	217	-
As per 31 December 2012	98	240	2

Depreciation by function (SEK million)	2012	2011	2010
Cost of goods and services	32	39	53
Selling expenses	0	0	11
Administrative expenses	44	52	47
Other operating expenses	35	7	12
Total	**112**	**98**	**123**

Impairment losses by function (SEK million)	2012	2011	2010
Cost of goods and services	0	7	2
Other operating expenses	-	-	-
Total	**0**	**7**	**2**

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 Studios 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
Total						**3,676**

Shares in subsidiaries (Within the group) Parent companies in bold	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG Investment AS		Norway	100	100
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
Viaplay AB	556513-5547	Stockholm	100	100
Zitius Service Delivery AB	556642-8339	Stockholm	80	80
Viasat AS		Estonia	100	100
Viasat AS Latvia filiāle		Latvia	100	100
Eesti Vaba Television EVTV		Estonia	100	100
UAB TV3 Lithuania		Lithuania	100	100
TV3 AS Estonia		Estonia	100	100
SIA TV3 Latvia		Latvia	100	100
AS Latvijas Neatkarīgā Televīzija		Latvia	100	100
Viasat Hungária Zrt.		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
Viasat Media LLC		Russia	100	100
Prva TV d.o.o.		Slovenia	100	100
Viasat Ukraine LLC		Ukraine	100	100
MTG Africa Ltd		United Kingdom	100	100
MTG Africa AB	556170-2217	Stockholm	100	100
MTG Africa Management Ltd		Ghana	100	100
Modern African Productions Ltd		Ghana	100	100
Viasat Broadcasting G Ltd		Ghana	85	85
Viasat 1 Tanzania Ltd		Tanzania	49	49
MTG Senegal Ltd		Senegal	100	100
MTG Broadcasting Nigeria Ltd		Nigeria	100	100
Modern Times Group Uganda Ltd		Uganda	100	100
Nova Televizia First Private Channel EAD		Bulgaria	95	95
Agency Eva OOD		Bulgaria	76	76
Edutainment Television Group S.àr.l.		Luxembourg	51	51
LLC TV Education		Russia	51	51
LLC Viasat DaVinci		Russia	51	51
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
Viasat Sales AB	556840-9287	Stockholm	100	100
Viasat Film AB	556133-5521	Stockholm	100	100
Viasat Film 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.		The Czech Republic	50	50
FTV Prima, spol s.r.o.		The Czech Republic	50	50
TV Produkce, a.s.		The Czech Republic	50	50
Česká výrobní s.r.o.		The Czech Republic	50	50
Regio Media a.s.		The Czech Republic	50	50
TV Vřídlo s.r.o.		The Czech Republic	50	50
TV Lyra s.r.o.		The Czech Republic	30	30
MTG Modern Group Espana SL		Spain	100	100

Shares in subsidiaries (Within the group) Parent companies in bold	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
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		Denmark	100	100
TV3 AS		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
MTG Studios AB	556264-3261	Stockholm	100	100
Redaktörerna i Stockholm AB	556472-8425	Stockholm	100	100
Engine AB	556572-8408	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 B.V.		Netherlands	100	100
Paprika Holding AB	556896-1444	Stockholm	53	53
Paprika Latino Studios EOOD		Bulgaria	53	53
Paprika Latino Studios D.O.O		Serbia	53	53
Paprika Latino Studios SRL		Romania	53	53
Paprika Latino Studio d.o.o		Slovenia	53	53
Paprika Latino Studios Kft		Hungary	53	53
MTG Holding AB	556057-9558	Stockholm	100	100
MTG Online AB	556461-1662	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 Modern Services AB	556711-0290	Stockholm	100	100
Modern Betting Ltd		Malta	100	100
Bet24 Ltd		United Kingdom	100	100
Nordic Casino Ltd		Malta	100	100
B24 Marketing Services Ltd		Gibraltar	100	100
Nordic Betting Ltd		Malta	100	100
Bet 24 ApS		Denmark	100	100
Modern Times Group MTG A/S		Denmark	100	100
Strix Television A/S		Denmark	100	100
ViaSat A/S		Denmark	100	100
Viasat Sport A/S		Denmark	100	100
Visat Film A/S		Denmark	100	100
TV2 Sport A/S		Denmark	100	100
Modern Times Group MTG AS		Norway	100	100
Viasat AS		Norway	100	100
SportN AS		Norway	100	100
TV4 AS		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 venture companies	Registered office	Share capital (%)	Voting rights (%)
Raduga Holding S.A.	Luxembourg	50	50
LLC DalGeoCom	Russia	100	100
LLC Raduga 2009	Russia	100	100
LLC Raduga 2011	Russia	100	100

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 2012	Book value 31 Dec 2011	Book value 31 Dec 2010	Market value 31 Dec 2012
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	6	
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	0	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	8	11	9	
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	
Oy Suomen Uutisradio Ab / Radio Nova		Finland	-	22	22	5	7	8	
Norges Mobil TV AS		Norway	33,334	33	33	0	0	0	
Digital Radio Norge AS		Norway	36	33	33	0	0	0	
Kimtevill HB	969680-2272	Stockholm	-	33	33	0	0	0	
Altlorenscheuerhof S.A.		Luxembourg	625	33	33	9	10	10	
CTC Media, Inc.		USA	60,008,800	38	38	1,903	1,878	1,785	3,035
Total						**1,940**	**1,922**	**1,827**	

Shares in associated companies within the Group (SEK million)	2012	2011	2010
Balance brought forward 1 January	1,922	1,827	1,798
Investments in associated companies	4	0	2
Share of earnings in associated companies	429	634	482
Share of tax expense in associated companies	-152	-197	-158
Dividend received	-220	-325	-223
Effect of employee share option programmes CTC Media	27	73	72
Translation differences	-71	-90	-146
Balance carried forward 31 December	**1,940**	**1,922**	**1,827**

Shares and participations in other companies within the group (SEK million)	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2012	Book value 31 Dec 2011	Book value 31 Dec 2010	Market value 31 Dec 2012
Metro International S.A. – shares	Luxembourg	-	-	-	-	4	8	-
Metro International S.A. – warrants	Luxembourg	-	-	-	-	4	9	-
CDON Group options	Stockholm	6,578,947			47	62	49	47
Other					1	0	0	1
Total					**48**	**71**	**67**	**48**

In 2012, the parent company sold the warrants and the debentures in Metro International S.A. to Investment AB Kinnevik for SEK 24 million.The shares were classified as shares available-for-sale, and were thereby valued at fair value. The change in the fair value was recognised in other comprehensive income. The cumulative net changes were recognised in the fair value reserve in equity. The subordinated debentures were recognised in the statement of financial position as Other long-term receivables. In 2010, the Group invested in the CDON Group convertible loan.

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 2012	Book value 31 Dec 2011	Book value 31 Dec 2010	Market value 31 Dec 2012
Metro International S.A. – shares	Luxembourg	-	-	-	-	4	8	-
Metro International S.A. – warrants	Luxembourg	-	-	-	-	4	9	-
Other					1	0	0	1
Total					**1**	**8**	**18**	**1**

Shares and participation in Parent company (SEK million)	2012	2011	2010
Accumulated acquisition values			
Opening balance 1 January	3,676	3,676	3,702
Acquisition of subsidiary	-	-	58
Founding of subsidaries	-	0	-
Internal sale of subsidiaries	0	-	-
Distribution CDON Group	-	-	-324
Shareholders' contribution	-	-	240
Write down	-	-	-
Closing balance 31 December	**3,676**	**3,676**	**3,676**

The shareholder contribution in 2010 was made to CDON Group AB.

Shares and participation in other companies, Group (SEK million)	2012	2011	2010
Accumulated acquisition values			
Opening balance 1 January	116	116	73
Reclassification convertible debentures Metro	-	-	-4
Sale of warrants and shares in Metro	-68	-	-
Acquisition CDON Group share options	-	-	47
Total acquisition values	**47**	**116**	**116**
Accumulated fair value revaluations			
Opening balance 1 January	-44	-49	-53
Revaluation available-for-sale during the year	61	-10	2
Revaluation fair value through profit and loss during the year	-15	14	2
Total fair value revaluations	**1**	**-44**	**-49**
Closing balance 31 December	**48**	**71**	**67**

Shares and participation in other companies, Parent company (SEK million)	2012	2011	2010
Accumulated acquisition values			
Opening balance 1 January	69	69	73
Reclassification convertible debentures Metro	-	-	-4
Sale warrants and shares in Metro	-68	-	-
Total acquisition values	**1**	**69**	**69**
Accumulated fair value revaluations			
Opening balance 1 January	-61	-51	-53
Revaluation available-for-sale during the year	61	-10	2
Total fair value revaluations	**0**	**-61**	**-51**
Closing balance 31 December	**1**	**8**	**18**

Note 13 Nature of expenses

(SEK million)	2012	2011	2010
Net sales	13,336	13,473	13,101
Cost of programmes and goods	-6,920	-6,824	-6,235
Distribution costs	-1,537	-1,567	-1,412
Employee benefits expense	-1,736	-1,627	-1,782
Depreciation and amortisation expense	-147	-183	-218
Asset impairment charges	-15	-2,998	-11
Other expenses	-1,286	-1,523	-1,503
Share of earnings in associated companies	429	634	482
Operating Income	**2,124**	**-615**	**2,424**

Note 14 Accounts receivable

Group (SEK million)	31 December 2012	31 December 2011	31 December 2010
Accounts receivable			
Gross accounts receivable	1,617	1,562	1,560
Less allowances for doubtful accounts	-154	-182	-191
Total	**1,464**	**1,380**	**1,369**
Allowance for doubtful accounts			
Openingen balance 1 January	182	191	199
Provision for potential losses	40	55	58
Actual losses	-49	-42	-37
Reversed write-offs	-16	-38	-9
Discontinued operations	-	-	-6
Translation differences	-3	16	-13
Closing balance 31 December	**154**	**182**	**191**
Receivables due without provisions for bad debt			
< 30 days	180	181	211
30-90 days	133	85	62
> 90 days	13	35	3
Total	**326**	**301**	**276**
Receivables due with provisions for bad debt			
> 90 days	154	182	191
Total	**154**	**182**	**191**

Note 15 Prepaid expense and accrued income

Parent company (SEK million)	31 December 2012	31 December 2011	31 December 2010
Prepaid insurance premium	0	1	0
Other	1	3	7
Total	**1**	**3**	**7**

Note 16 Cash and cash equivalents

Group (SEK million)	31 December 2012	31 December 2011	31 December 2010
Bank balances	748	468	494
Deposits	0	1	5
Total	**748**	**470**	**500**

Parent company (SEK million)	31 December 2012	31 December 2011	31 December 2010
Bank balances	371	96	136
Total	**371**	**96**	**136**

Note 17 Earnings per share

(SEK million)	2012	2011	2010
Earnings per share before dilution			
Net income for the year attributable to equity holders of the parent company, continuing operations	1,526	-1,327	1,731
Net income for the year attributable to equity holders of the parent company, discontinued operations	-	-	1,790
Net income for the year attributable to equity holders of the parent company, total Group	**1,526**	**-1,327**	**3,522**
Shares outstanding on 1 January	66,403,237	66,342,124	65,896,815
Effect from stock options exercised	143,919	41,523	127,550
Weighted average number of shares, basic	**66,547,156**	**66,383,647**	**66,024,365**
Basic earnings per share, continuing operations, SEK	22.93	-19.98	26.22
Basic earnings per share, discontinued operations, SEK	-	-	27.12
Basic earnings per share, total Group, SEK	**22.93**	**-19.98**	**53.34**
Diluted earnings per share			
Net income for the year attributable to equity holders of the parent company	1,526	-1,327	3,522
Effect from dilution in associated companies (CTC Media)	0	-2	-1
Diluted net income for the year attributable to the equity holders of the parent company	**1,526**	**-1,329**	**3,521**
Weighted average number of shares, basic	66,547,156	66,383,647	66,024,365
Effect from stock options and performance rights and options	172,021	-	353,087
Weighted average number of shares, diluted	**66,719,177**	**66,383,647**	**66,377,452**
Diluted earnings per share, continuing operations, SEK	22.87	-20.02	26.06
Diluted earnings per share, discontinued operations, SEK	-	-	26.97
Diluted earnings per share, total Group, SEK	**22.87**	**-20.02**	**53.03**

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 2010, 2011 and 2012 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 2012 these amounted to 266,050 (562,892; 817,785).

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 2012	**67,647,124**	**338**

The holder of an MTG Class A share is entitled to 10 voting rights, the holder of an MTG Class B and MTG Class C share one voting right. Class C shareholders are not entitled to dividend payments. The Class C shares are held by the parent company. The quota value is SEK 5 per share.

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 2011	-757,882	757,882		-
Conversion of Class C shares to Class B shares 2011		440,000	-440,000	-
Shares issued 31 December 2011/2012	**5,878,931**	**60,903,193**	**865,000**	**67,647,124**

Out of the totally issued shares, 169,602 Class B shares and 865,000 Class C shares are held as treasury shares.

Parent company (SEK)	2012	2011	2010
Proposed/decided cash dividends	**10.00**	**9.00**	**7.50**

The Board of Directors propose to the Annual General Meeting 2013 an ordinary dividend of SEK 10.00 (9.00; 7.50) per share, which corresponds to 42% of this year's net income. The total proposed dividend payment would amount to a maximum of SEK 666,838,970, 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 2012, 2011 and 2010.

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 and parent (SEK million)	2012	2011	2010
Opening balance, 1 January	-276	-150	642
This year's translation differences, net of tax	-122	-126	-792
Realised accumulated translation differences by sale of shares in Group companies	-	-	0
Total accumulated translation differences, 31 December	**-398**	**-276**	**-150**

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)	2012	2011	2010
Opening balance, 1 January	51	30	21
Recognised in other comprehensive income	-31	21	9
Recognised in the income statement	-92	16	-1
Transferred to the acquisition value of item hedged (inventory program rights)	92	-16	2
Closing balance, 31 December	**20**	**51**	**30**

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 and parent (SEK million)	2012	2011	2010
Opening balance, 1 January	0	10	8
Recognised in other comprehensive income	0	-10	2
Closing balance, 31 December	**0**	**0**	**10**

Revaluation reserve

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

Group (SEK million)	2012	2011	2010
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 2010	**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**
Provisions during the year	174	-	174
Utilised during the year	-72	-	-72
Reversed during the year	-34	-5	-39
Translation differences	-4	0	-4
Closing balance, 31 December 2012	**312**	**9**	**320**
Included in non-current liabilities 31 December 2010	183	14	197
Included in non-current liabilities 31 December 2011	248	13	261
Included in non-current liabilities 31 December 2012	312	9	320

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 1 (6; 10) million.

Note 20 Accrued expense and prepaid income

Parent company (SEK million)	31 December 2012	31 December 2011	31 December 2010
Accrued personnel costs	31	33	29
Accrued interest costs	1	1	5
Accrued professional fees	7	13	-
Other	3	4	7
Total	**42**	**52**	**40**

Note 21 Pledged assets and Contingent liabilities

Contingent liabilities Group (SEK million)	31 December 2012	31 December 2011	31 December 2010
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 2012, 2011 and 2010.

Contingent liabilities Parent company (SEK million)	31 December 2012	31 December 2011	31 December 2010
Guarantees external parties	-	-	-
Guarantees subsidiaries	1,182	920	357
Total	**1,182**	**920**	**357**

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. This was replaced by a new mid-term credit facility of SEK 3,000 million 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 2012 SEK 900 (1,542; 2,700) million of the credit facilities were utilised. The available liquid funds as per 31 December 2012 was SEK 6,448 (5,528; 4,400) million.

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 2012, 2011 as well as 2010.

The Bulgarian company Nova has a credit facility of EUR 6 million, of which EUR 5,7 (4.9; 5.8) million were drawn at the balance sheet date. EUR 0.3 (1.1; 0.2) million were unutilised as per 31 December 2012. 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)	2012	2011	2010
Interest-bearing loans and borrowings	-953	-1,566	-2,741
Other interest-bearing liabilities	-71	-9	-27
Cash and short term deposits	748	470	500
Long- and short-term interest-bearing assets	275	307	242
Net debt	**-1**	**-797**	**-2,026**

Financial lease liabilities

The leasing liabilities refer to play out equipment and cameras, and, from September 2012, active broadband network components. The equipment had a value of SEK 39 (1; 2) million as per 31 December. Finance lease liabilities are payable as follows:

	2012		
Group (SEK million)	Minimum lease payments	Interest	Principal
Less than a year	17	2	15
Between one and five years	28	1	27
Total financial lease	**45**	**3**	**43**

	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**

Interest-bearing liabilities

Group (SEK million)	31 December 2012	31 December 2011	31 December 2010
Non-current liabilities			
Non-current portion of bank loans	903	1,522	2,667
Other long-term liabilities	3	2	12
Finance lease liabilities	27	-	4
Total	**934**	**1,524**	**2,683**
Current liabilities			
Current portion of bank loans	50	44	73
Other short-term interest-bearing liabilities	25	1	5
Current portion of finance lease liabilities	15	5	4
Total	**90**	**50**	**83**

Maturity of long-term loans

Parent company (SEK million)	31 December 2012	31 December 2011	31 December 2010
Amount due for settlement within 12 months	-	-	-
Amount due for settlement within 13 to 59 months	894	1,522	2,667
Amount due for settlement after 60 months	-	-	-

Terms and payback period, gross values

	2012						
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	3.32-7.64	12 months	3.32-7.64	45	17	28	-
Loan from bank	2.56-4.67	1 month	4.67	1,079	98	42	939
Forward agreements				55	55	-	-
Interest-bearing liabilities				28	25	3	-
Accounts payable				1,079	1,079	-	-
				2,286	**1,274**	**73**	**939**

	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**

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 2012, 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 2010-2012, the interest rate period was short term.

Short-term investments and cash and cash equivalents amount to SEK 748 (470; 500) and the average interest rate period on these assets was less than 1 month. With an average fixed interest period of 1 (1; 1) month on the revolving credit facility that amount to SEK 900 (1,542; 2,700), a one percentage change in interest rates would have an impact on the Group's interest expense of approximately SEK 8 (14; 25) 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. The Group's assessment based on historical data is that there are no write-down requirements for trade receivables not due. Approximately 80% of the current outstanding trade receivables comprise previously known customers, who are judged to have good credit worthiness. See also note 14 Accounts receivable.

The Group's exposure to credit risk amounts to SEK 2,517 (2,190; 2,186) million as per 31 December 2012. 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 until 2012, and, until 2011, Swiss francs. The hedging reserve at year end was SEK 20 (51; 30) 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):

Currency (SEK million)	2012	2011	2010
DKK	346	526	583
NOK	355	519	696
EUR	-1,307	-1,207	-1,638
CHF	-8	-12	-30
USD	-1,498	-1,241	-1,303

A 5% change in USD/SEK would have a net effect on profit before tax of approximately SEK 70-80 (55-65; 60-70) million. A 5% change in EUR/SEK would have a net effect on profit before tax of approximately SEK 60-70 (55-65; 75-85) million.

The nominal value of the hedge contracts amounted to:

Currency (million)	2012	2011	2010
GBP	-	3	1
CHF	-	-	13
USD	237	172	154

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 80 (61; 75) 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. There are no hedging positions for translation exposure.

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

	2012		2011		2010	
Currency	SEK million	%	SEK million	%	SEK million	%
BGN	-	-	-	-	3,061	37
USD	1,903	31	1,878	31	1,785	22
NOK	1,374	22	1,269	21	976	12
EUR	478	8	565	9	229	3
DKK	489	8	446	7	88	1
Other currencies	1,864	31	1,898	31	2,081	25
Total equivalent SEK value	**6,109**	**100**	**6,056**	**100**	**8,220**	**100**

A 5% change in USD/SEK would affect equity by approximately SEK 95 (94; 89) million, while the respective change in the currencies in the Central European countries would affect equity by SEK 100 (95; 260) 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 2012		31 December 2011		31 December 2010	
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	1	-	8	-	18	-
Financial assets at fair value through profit and loss						
Shares and other investments in other companies	-	47	-	62	-	49
Derivatives						
Forward foreign exchange contracts	-	-	-	54	-	-
Financial liabilities						
Derivatives						
Forward foreign exchange contracts	-	55	-	-	-	56

Level 1 items have been valued at the market prices on Nasdaq OMX Stockholm on the balance sheet day without transaction costs from the acquisition or future potential costs at a divestment. 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 are judged to equal the book value, as the remaining economic life are less than six months.

Note 23 Lease and other commitments

Lease and other commitments for future payments at 31 December 2012

Group (SEK million)	Future rent on non-cancelable leases	Future payments for program rights	Transponder commitments	Total commitments
2013	142	2,474	325	2,941
2014	127	2,918	242	3,286
2015	113	1,768	210	2,090
2016	108	921	201	1,230
2017	99	536	50	686
2018 and thereafter	299	322	-	621
Total lease and other commitments	**888**	**8,939**	**1,027**	**10,854**
This year's operational costs				
Minimum lease fees	128	2,913	379	3,420
Variable fees	1	136	13	151
Total operational costs	**129**	**3,050**	**392**	**3,571**

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**

Future rent on non-cancelable leases at 31 December

Parent company (SEK million)	2012	2011	2010
2011	-	-	1
2012	-	1	1
2013	1	1	1
2014	1	1	1
2015	1	1	1
2016	1	1	1
2017	1	1	-
2018 and thereafter	1	-	-
Total lease and other commitments	**6**	**6**	**6**
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

	2012		2011		2010	
Group	Men	Women	Men	Women	Men	Women
Sweden	483	337	537	310	575	433
Bulgaria	199	171	162	161	161	161
United Kingdom	164	179	172	189	112	117
Denmark	166	118	166	99	149	84
Norway	143	116	147	122	153	127
The Czech Republic	110	104	110	98	117	101
Latvia	59	81	49	68	42	60
Estonia	49	88	47	79	49	67
Lithuania	61	41	56	38	57	40
Ghana	73	35	44	19	30	9
Ukraine	47	41	61	47	92	61
Russia	34	51	35	50	31	47
Hungary	17	21	14	24	25	33
Finland	7	5	6	4	6	5
Netherlands	2	7	3	7	1	7
Malta	1	1	27	14	26	13
Slovenia	-	-	18	23	25	28
Spain	-	-	16	8	17	7
Other	-	1	-	1	-	1
Total	**1,615**	**1,397**	**1,672**	**1,360**	**1,668**	**1,401**
Total number of employees		**3,012**		**3,031**		**3,069**

Parent company	2012	2011	2010
Men	22	18	22
Women	14	11	9
Total	**36**	**29**	**31**

Gender distribution senior executives

Group	Men %	Women %
Board of Directors	87	13
CEO	76	24
Other senior executives	64	36
Total	**73**	**27**

Parent company	Men %	Women %
Board of Directors	75	25
CEO	100	0
Other senior executives	67	33
Total	**75**	**25**

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

Group (SEK million)	2012	2011	2010
Personnel expenses			
Wages and salaries	1,346	1,275	1,288
Social security expenses	292	250	254
Pension costs – defined contribution plans	75	60	75
Pension costs – defined benefit plans	6	7	8
Share-based payments	10	8	13
Social security expenses on share-based payments	-7	-1	11
Total	**1,722**	**1,599**	**1,649**

Group (SEK million)	2012	2011	2010
Board of Directors, CEO and other senior executives [1]	132	156	147
of which, variable salary	*36*	*32*	*31*

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

Parent company (SEK million)	2012	2011	2010
Board of Directors, CEO and other senior executives	55	46	48
of which, variable salary	*18*	*6*	*12*
Other employees	42	47	33
Total salaries and other remuneration	**97**	**92**	**82**
Social security expenses	47	31	26
of which, pension costs	*7*	*5*	*6*
of which, pension costs CEO	*3*	*1*	*1*

Total salaries in the parent company include remuneration to other senior executives 5 (5; 5) persons of SEK 25 (25; 22) million, of which variable salary is SEK 1 (1; 6) 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 2012.

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. The remuneration shall be based on conditions that are market competitive and at the same time aligned with shareholders' interests. Remuneration to the Executives shall consist 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 shall create a well balanced remuneration reflecting individual performance and responsibility, both short-term and long-term, as well as MTG's overall performance.

Fixed salary The Executives' fixed salary shall be competitive and based on the individual Executive's responsibilities and performance.

Variable salary The 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, a company car and company health care. Occasionally, housing allowance could be granted for a defined period. **Pension** The Executives shall be entitled to pension commitments based on those that are customary in the country in which they are employed. 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 a case the Board of Directors is obliged to explain the reason for the deviation at the following Annual General Meeting. The wording about the CEO's severance payment refers to the former CEO.

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 63-66. 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 Patrick Svensk joined the Executive Management. Hein Espen Hattestad left the Group and Manfred Aronsson assumed a different position. On 15 September 2012, Jørgen Madsen Lindemann was appointed CEO of MTG. Laurence Miall-d'Aout, Martin Lewerth and Anders Nilsson decided to leave the Group on 15 October, 31 October and 31 December 2012 respectively. The remuneration therefore reflect these changes from the respective dates in the figures below.

Remuneration and other benefits 2012

(SEK thousand)	Base fee	Base salary	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
David Chance, Chairman of the Board	1,225					73	1,298
Mia Brunell Livfors	475						475
Blake Chandlee	450						450
Simon Duffy	650						650
Lorenzo Grabau	575						575
Alexander Izosimov	525						525
Michael Lynton	525						525
Cristina Stenbeck	450						450
Jørgen Madsen Lindemann, CEO from 15 September		2,324	1,513	62	152	-	4,051
Executive managers (10 persons)		30,702	17,401	437	2,616	-	51,156
Hans-Holger Albrecht, CEO until 14 September		9,694	7,918	86	2,425	3,500	23,623
Total	**4,875**	**42,720**	**26,832**	**585**	**5,193**	**3,573**	**83,778**

The 2012 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 1 (2; 4) million. In addition, non-cash share based incentive programme costs calculated in accordance with IFRS 2 amounted to SEK 1 (2; 2) million for the CEO and SEK 5 (5; 6) million for other executive managers. Part of the variable remuneration to the former CEO is related to 2011, and other remuneration is a settlement comprising partial payment of the contractual severance payment. Out of the remuneration to other executive managers SEK 25 (25; 22) million was expensed in the parent company, SEK 23 (37; 25) million was expensed in the subsidiaries.

David Chance has, further to the board fee in MTG, also received a board fee in 2012 of SEK 73 (27; 102) thousand as a Director of the Board in Viasat Broadcasting UK.

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	-	19,895
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.

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.

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.

2012 Long-term incentive programme (LTIP)

The 2012 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 2012, and may be exercised the day following the release of the interim report for Q1 2015. 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 26,850 retention shares, 120,500 performance shares, and 120,500 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.

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 was exercised the day following the release of the interim report for Q1 2012. Dividends paid on underlying shares during the vesting period increased the number of retention and performance shares in order to treat the shareholders and the participants equally. The programme 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 were adjusted for dividends. The programme comprised 12,500 retention shares, 131,000 performance shares and 262,000 performance options. All options were either exercised or forfeited at year end 2012.

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. All options were either exercised or forfeited at year end 2012.

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 2012, 2011 and 2010 respectively for the programmes amounts to SEK 10 (8; 14) 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.

There were no share rights or options exercisable at the end of 2012.

Dilution

If all options granted to senior executives and key employees as at 31 December 2012 were exercised and all share rights awarded, the issued share capital of the Company would increase by 266,050 (562,892; 817,785) Class B shares, and be equivalent to a dilution of 0.4 (0.8; 1.2) % of the issued capital and 0.2 (0.5; 0.7) % of the related voting rights at the end of 2012. In May 2012, 209,285 performance shares from the 2009 programme were exercised, and in May 2011, 61,113 performance shares from the 2008 programme were exercised. 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.

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

Options and rights outstanding	CEO	Senior executives	Key personnel	Total
LTIP 2010	7,963	27,923	35,489	71,375
LTIP 2011	10,200	40,800	33,700	84,700
LTIP 2012	13,600	42,700	53,675	109,975
Total outstanding as per 31 December 2012	**31,763**	**111,423**	**122,864**	**266,050**

	2012		2011		2010	
	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	562,892	171.75	817,785	231.24	1,130,159	293.89
Recalculated due to dividends	2,451	-	-	-	25,333	225.56
Retention shares and options issued during the year	229,525	151.85	191,375	236.56	168,768	303.53
Retention and performance shares exercised during the year	-209,285	-	-61,113	-	-445,309	408.77
Retention and performance shares and options forfeited during the year	-319,533	141.75	-385,155	315.57	-61,166	408.09
Total outstanding at 31 December	**266,050**	**210.86**	**562,892**	**171.75**	**817,785**	**231.24**

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 respectively for stock options exercised in 2010. The share rights exercised in 2012 and 2011 were free of charge, and all stock options in the 2007 programme were forfeited during the period.

Outstanding options and other rights as per 31 December 2012 have an exercise price between SEK 0 and SEK 517.30, and the weighted average price is SEK 210.86 (171.75; 231.24). The weighted average remaining contractual life is 1.5 (1.2; 1.1) year.

	2012	2011	2010	2009	2008	2007		2006	
Share option programmes at grant	Options	Options	Options		Options	Warrants	Stock options	Warrants	Stock options
Expected volatility %	33%	22%	30%	-	28%	27%	27%	30%	27%
Expected life of options (years)	3.24	3.26	3.05	-	2.95	3.00	3.00	3.00	3.00
Risk free interest rate %	0.8%	2.4%	1.5%	-	4.3%	4.2%	4.1%	3.3%	4.1%
Adjustment factor market conditions TSR	60%	70%	70%	80%	82%				
Adjustment factor market conditions TSR peer groups	45%	35%	35%	30%	44%				

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										
2012	399,999					-				-
2011	399,999					-				-
2010	399,999	20	235.80	49.52	2008-2010	38,392			38,392	-
Grant 2006										
2012	327,369					-				-
2011	327,369					-				-
2010	327,369	25	413.30	54.82	2009-2011	164,846		7,800	157,046	-
Grant 2007										
2012	356,923					28,890		28,890		-
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
Grant 2008										
2012	395,851					-				-
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
Grant 2009										
2012	239,490	50		65.60	2012	205,750	2,451	-1,084	209,285	-
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
Grant 2010										
2012	168,767	50	452.00	69.17	2013	151,127		79,752		71,375
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										
2012	191,375	100	517.30	98.66	2014	177,125		92,425		84,700
2011	191,375	100	517.30	98.66	2014	-		14,250		177,125
Grant 2012										
2012	229,525	100	361.70	70.01	2015	-		119,550		109,975
Total grant										
2012	2,309,299					562,892	2,451	319,533	209,285	266,050
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

Employee expenses, Group (SEK million)	2012	2011	2010
Share options granted in 2005	-	-	1
Share options granted in 2006	-	-	2
Share options granted in 2007	-	-1	-3
Retention rights and options granted in 2008	-	-4	6
Retention rights and performance shares granted in 2009	0	3	7
Retention rights and options granted in 2010	-1	3	12
Retention rights and options granted in 2011	1	5	-
Retention rights and options granted in 2012	3	-	-
Total expense recognised as employee costs including social fees	**3**	**7**	**25**

Employee expenses, Parent company (SEK million)	2012	2011	2010
Share options granted in 2005	-	-	1
Share options granted in 2006	-	-	1
Share options granted in 2007	-	-1	1
Retention rights and options granted in 2008	-	-6	9
Retention rights and performance shares granted in 2009	-1	3	5
Retention rights and options granted in 2010	-1	2	1
Retention rights and options granted in 2011	0	3	-
Retention rights and options granted in 2012	2	-	-
Total expense recognised as employee costs	**0**	**1**	**17**

Options outstanding, Parent company	2012	2011	2010
Stock options issued 2005	-	-	-
Stock options issued 2006	-	-	-
Warrants issued 2007	-	-	-
Stock options issued 2007	-	28,890	28,890
Retention shares issued 2008	-	-	3,567
Performance shares issued 2008	-	-	36,492
Performance options issued 2008	-	-	78,093
Retention shares issued 2009	-	17,910	11,800
Performance shares issued 2009	-	103,330	56,200
Retention shares issued 2010	2,612	4,811	4,063
Performance shares issued 2010	10,577	26,285	18,400
Performance options issued 2010	21,614	53,714	39,376
Retention shares issued 2011	4,000	7,900	-
Performance shares issued 2011	18,800	46,400	-
Performance options issued 2011	18,800	46,400	-
Retention shares issued 2012	6,700	-	-
Performance shares issued 2012	24,075	-	-
Performance options issued 2012	24,075	-	-
Total	**131,253**	**335,640**	**276,881**

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)	2012	2011	2010
KPMG, audit fees	13	10	10
KPMG, audit related fees	2	0	1
KPMG, tax related fees	1	1	0
KPMG, other services	0	1	1
Ernst & Young, audit fees	-	-	0
Ernst & Young, audit related fees	-	-	0
Ernst & Young, tax related fees	-	-	5
Ernst & Young, other services	-	-	0
Total	**16**	**12**	**17**

Parent company (SEK million)	2012	2011	2010
KPMG, audit fees	1	1	0
KPMG, audit related fees	1	-	-
KPMG, tax related fees	0	-	-
KPMG, other services	0	0	0
Ernst & Young, audit fees	-	-	0
Ernst & Young, audit related fees	-	-	0
Ernst & Young, tax related fees	-	-	1
Ernst & Young, other services	-	-	0
Total	**3**	**1**	**2**

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)	2012	2011	2010
Income/loss from sale of subsidiaries	-127	6	-7
Revaluation of CDON Group options	15	-14	-2
Loss from sale of non-current assets	1	-	-
Depreciation and amortisation, write-downs and disposals of fixed assets	225	3,180	228
Share in the earnings of associated companies	-429	-634	-482
Share in tax expense of associated companies	152	197	158
Dividends from associated companies	219	319	223
Change in deferred tax	-45	-13	-11
Change in provisions	59	78	-41
Options	9	10	17
Unrealised exchange differences	-19	10	-22
Total	**60**	**3,141**	**60**

Other information

Cash paid for interest and corporate tax

Group (SEK million)	2012	2011	2010
Interest paid	-71	-200	-119
Interest received	35	19	23
Corporate income tax	-236	-489	-416
Total	**-273**	**-670**	**-512**

Parent company (SEK million)	2012	2011	2010
Cash paid for interest	-69	-90	-96
Cash received for interest	28	2	3
Cash received for group dividends	75	400	73
Total	**33**	**312**	**-20**

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.

In 2012, a subsidiary to GES Media Europe produced formats and provided audio text services for FTV Prima spol s.r.o., a subsidiary to FTV Prima Holding A.S.. FTV Prima spol s.r.o. launched a new channel in 2011, which was distributed through companies owned by GES Media Europe at the time.

FTV Prima Holding A.S. has provided a loan to GES Media Europe in 2012 and 2011. A similar loan has been provided to MTG Group.

	Group			Parent company		
(SEK million)	2012	2011	2010	2012	2011	2010
Revenues						
Kinnevik	22	2	1	0		
CTC	1	2	3	-		
GES Media Europe	10	10	9	-		
Other related parties	6	4	-	-		
Total revenues	**38**	**17**	**13**	**0**	**-**	**-**
Operating costs						
Kinnevik	12	10	14	7	5	5
CTC	-	1	2	-	-	-
GES Media Europe	7	31	7	-	-	-
Other related parties	9	14	11	-	3	-
Other Kinnevik subsidiaries	-	-	-	-	1	-
Total operating costs	**28**	**56**	**34**	**7**	**8**	**5**
Receivables						
Kinnevik	1	0	0			
CTC	-	-	0			
GES Media Europe	19	62	3			
Other related parties	2	1	1			
Total Receivables	**22**	**63**	**4**	**-**	**-**	**-**
Payables						
Kinnevik	4	2	1	3	2	0
GES Media Europe	0	4	0	-	-	-
Other related parties	1	1	1	-	-	-
Total Payables	**5**	**7**	**1**	**3**	**2**	**0**
Dividends from associated companies						
CTC	208	319	216			
Other related parties	11	6	6			
Total dividends associated companies	**220**	**325**	**223**	**-**	**-**	**-**

Remuneration of key management personnel

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

Note 29 Long-term receivable

Long-term Group receivables, Parent company (SEK million)	2012	2011	2010
Opening balance 1 January	12,593	12,538	12,074
New lending	953	55	464
Re-payments	-	-	-
Reclassification to short-term receivables	-12,339	-	-
Closing balance 31 December	**1,208**	**12,593**	**12,538**

Long-term External receivables, Parent company (SEK million)	2012	2011	2010
Opening balance 1 January	7	6	-
Payments	-7	-	-
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
Sales	1,870
Expenses	-1,766
Net income before tax	105
Tax	-31
Net income from discontinued operations	**73**
Distribution of CDON Group at fair value	2,042
Book value CDON Group	-326
Total net income from discontinued operations	**1,790**
Attributable to:	
Equity holders of the parent	1,790
Non-controlling interest	0
Net income for the year from discontinued operations	**1,790**
Basic earnings per share from discontinued operations (SEK)	**27.12**
Net income from continuing operations	1,750
Net income from continuing operations	**1,750**
Attributable to:	
Equity holders of the parent	1,732
Non-controlling interest	19
Net income for the year from continuing operations	**1,750**
Basic earnings per share from continuing operations (SEK)	**26.22**

Cash flow from discontinued operations

Group (SEK million)	2010
Net income	1,790
Adjustments	-1,711
Change in working capital	-116
Cash flow to/from operations	**-37**
Cash flow to investing activities	-27
Cash flow to financial activities	-24
Cash flow to/from discontinued operations	**-88**

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

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 7 March 2013. 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 14 May 2013.

Stockholm 7 March 2013

Mia Brunell Livfors
Non-Executive Director

David Chance
Chairman of the Board

Blake Chandlee
Non-Executive Director

Simon Duffy
Non-Executive Director

Lorenzo Grabau
Non-Executive Director

Alexander Izosimov
Non-Executive Director

Michael Lynton
Non-Executive Director

Jørgen Madsen Lindemann
President and
Chief Executive Officer

Cristina Stenbeck
Non-Executive Director

Our Audit report was submitted on 28 March 2013

KPMG AB

Åsa Wirén Linder
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 2012. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 16-127.

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 opinions.

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 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 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 statement has been prepared. The statutory administration report and the Corporate Governance statement 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 income statement and statement of financial position for the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited 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 2012.

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 opinions.

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 28 March 2013

KPMG AB

Åsa Wirén Linder
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 attributable to equity holders of the parent 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.

Catch-up services
Services offering television content delivered on an on-demand basis via non-linear transmission which enables viewers to access programming that has been broadcast in linear stream at a time of their choice, via an Internet-connected Device.

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

DTH
Direct-to-home reception of a television program service, the signal for which is transmitted directly to a satellite dish at the place of reception.

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

Free-TV
TV channels or services broadcast in analogue or digital form which are primarily financed by advertising Revenue

Internet-connected device
Equipment which is capable of receiving audiovisual content using IP technology, including set-top boxes, personal computers, mobile (and other handheld devices including smartphones), internet-enabled TV sets, tablets and games consoles.

IPTV
A distribution system using cable or telephone wire employing DSL or similar technology which enables delivery of television programming services.

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
A service by which subscribers locate receiving devices in different rooms in their households

Multi-screen
A pay-TV service that is not dependent on the use of a particular receiving device.

OTT
Video content delivered "over-the-top" to Internet-connected Devices via the open Internet (as opposed to closed networks).

Pay-TV
TV channels or services broadcast in analogue or digital form which are primarily financed by subscription revenue.

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

Premium subscriber
Subscriber paying for and receiving premium pay-TV content.

Share of viewing
Measured proportion of people viewing a particular channel as a percentage of the total measured audience. If it is commercial share of viewing, it excludes channels (public service broadcasters) that do not show advertising. Such share of viewing data is also often measured among specific target groups and typically according to an age profile.

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

ViasatPlus
The brand name for Viasat's PVR service.

Production: Narva
Print: Elanders

Accra
07.02

Sofia
11.28

ENTERTAINMENT EVERYWHERE

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

MIX
Paper from responsible sources
FSC® C011209

The printing house is environmentally certified and uses renewable hydro-power energy.