Modern Times Group

2013 Annual Report & Accounts

Contents

CEO's review

Record sales in a year of transformation

Thank you for taking the time to read this report today. I hope that we have had the opportunity to meet face to face since I took over as CEO of this amazing company in September 2012 and, if not, I hope that we will do soon. I have been with MTG for over 19 years now and it has been an incredible journey. We have developed and expanded more than any of us would have dreamt was possible back in 1987. The constant factors throughout this period have been our desire to learn, to be better, to expand, to grow, to make money, to invest, and to never stop being curious and asking questions. Now, here we are – more than 4,000 people operating across 4 continents in almost 40 countries – and we are still dreaming, and planning for much much more.

I started by thanking you for your time because that is the vital and prized commodity of our modern times - we want as big a slice of your time as possible, so that we can engage you and entertain you. We hate boredom. In fact, we are on a mission to eradicate boredom globally! That may sound like a pretty big statement, but I am serious – that is what MTG is all about. We want our customers, consumers and partners to keep coming back for more every day, because MTG provides you with the entertainment that you love. We want our colleagues to come to work every day because we love what we do. If we love it, we do not get bored by it and we always want more of it… It is by far the highest bar that we can set ourselves.

But, if we are serious about this in a world where time is getting more and more squeezed and entertainment options are multiplying all of the time, then we have to create and craft more innovative products with more passion than ever before. And that is what the last year of MTG life has been all about. I have been lucky enough to travel around most of the countries where we do business and meet with our people, our customers, our consumers and our partners. And it is clearer to me than ever what our "MTG: Shaping the Future of Entertainment" really means – it means *'Relevance'*. It means *'Change'*. And it means *'Simplicity'*. We have to be relevant in all of our markets, every day. We have to dare to change, especially when things are working well and there does not appear to be any need to change. If we wait until things stop working well, it is simply too late. And what we offer has to be simple, cost effective and compelling. We are, after all, in the story telling business and our stories have to matter to people. They have to be fresh, they have to be easy to understand, and people have to fall in love with them.

I very much hope that this context shines through all that we have brought you this year - whether through our quarterly reports and press releases, or through your favourite TV shows or live sports events. After all, 2013 was a year that started with the launch of our TV3 Sport channels in Denmark and ended with our preparation to tell the latest chapter of perhaps one of the greatest stories of them all – the Olympic Games! It was a year full of innovation and characterised by our ongoing investment in the future growth of our business. These investments are paying off in audience share gains, advertising market share gains, subscriber growth and sales growth as you can from our results.

We held our annual capital markets day back in the summer in Stockholm, and we spent a lot of that day discussing the themes that I have just highlighted. We reflected on the fact that traditional TV viewing is actually still growing around the world; that we are attracting new generations of viewers through mobile devices; that video consumption is the primary driver of internet usage; that networks are digitalising at different rates and in different ways around the world; that the emerging markets are often emerging by leapfrogging developments that took decades in more developed markets. But, our main focus was on what would drive MTG's future growth and profitability and cash flows - our three core strategic growth areas of *Content, Digital, Geographical Expansion.*

We have made substantial progress in each of these areas over the last year. Content is the first of these and remains king…but the kingdom is changing shape significantly. We broadcast a combined 880,000 hours of content on our channels in 2013 – that is more than 100 years of viewing if you would try and do it in one sitting – and it is almost twice what our nearest rival in Europe shows! So we have a lot of content and we have more channels and services through which to show it and monetise it than most companies. This is the raw material of our industry and we have signed new deals with Hollywood and independent studios, sports rights holders, and other channel or content owners to ensure that we have the best and most relevant content for our customers and consumers in each of our markets. As a result, we have attracted more channels and content providers onto our platforms and we have made our channels and content even more broadly available on third party platforms. We also want to create more content in-house through our own studios, both in order to secure content for our own services, but also to sell our content to third party entertainment companies. To achieve this, we have significantly expanded our Studios operation into one of the world's leading independent content producers and distributors by acquiring the likes of Nice Entertainment Group, DRG and Novemberfilm – all market leaders in their fields. As I said, the kingdom of content is also changing shape and this is happening as we each become content creators and curators ourselves, through social media and online digital multi-channel networks. That is why we are now creating webisodes or mobisodes and why we have bought Splay – Sweden's leading multi-channel network on YouTube – and Net Info – Bulgaria's leading internet content provider, and launched our own eSports service. These are just some of our new digital services and the second of our three growth drivers.

Digital is my primary focus as it is the primary driver of the future of entertainment. It touches every part of our organisation and we are leading the way in a number of key areas, just as we have done during previous paradigm shifts in consumer behaviour. Not only have we digitalised the distribution of our content to consumers in almost all of our markets, but we were the first to launch fully fledged video on demand services. And we are now substantially accelerating this development. That is why we created MTGx last Summer, so that we now have a team 100% solely focused on finding, identifying, developing and delivering digital entertainment to consumers and customers in our existing and new markets. Our ambition here is simple – to be the number one digital entertainer in each of our markets! Our free-TV catch-up or 'Play' services now have a unified platform and are attracting more and more viewers and advertisers, while our Viaplay online subscription pay-TV service is growing at a rapid rate and remains a unique combination of series, movies and sports content. You will see and hear much more from us in the coming weeks and months as we launch new products and pioneer new areas.

This pioneering spirit brings me to the third of our growth drivers - geographical expansion. This refers to expansion in our existing and new geographies. We have launched new channels in Norway and the Czech Republic, entered the Tanzanian and Turkish markets for the first time, and hope to soon complete the acquisition of Trace, the

France based youth media brand and operator of pay-TV channels that are available in 160 countries worldwide, including all 55 countries in Africa. Eastern Europe and Africa remain our focus areas given the growth potential of these markets and proven ability to operate successfully in these regions.

So…Modern Times Group has changed, and is changing again. After all, that is what being modern is all about. Our culture embraces and encourages this, which is why our Modern Responsibility is now focusing on energising our partnership with the Reach for Change non-profit organisation, of which we are founding shareholders. Our local market operations are now creating social entrepreneurship programmes together with Reach for Change that will support and enable people with ideas that can create positive change in the lives of children around the world for years to come. This greater level of engagement with all of our stakeholders and commitment to long terms and sustainable value creation is at the very centre of all that we do.

Thank you for your time and we hope that you will spend even more of it with us in 2014 and beyond!

Jørgen Madsen Lindemann
President & Chief Executive Officer

CFO's review

Jørgen has talked in his review of a year of further change and the considerable operational momentum that we have built up through the investments that we have been making. We are a growth company and delivered accelerated constant exchange rate net sales growth of 8% in 2013. Over half of this growth was organic and reflects the fact that most of our investment in 2013 was also organic, as we strengthened and expanded our existing operations and launched new products and services. We also scaled up our M&A capabilities during the year and this resulted in an increased potential and actual deal flow, with SEK 905 million of investments in shares, compared to SEK 315 million in 2012.

We reported total Group sales of SEK 14.1 billion, up from SEK 13.3 billion in 2012. Our Swedish krona reporting currency strengthened against our principal operating currencies during the year so our reported sales growth was lower than our growth at constant exchange rates. Each of our five operating segments delivered stable or higher sales at constant exchange rates. We accelerated our investments during the year as previously announced, and the investments were focused on programming content, new channels, our digital development, our technology platforms and marketing – in the Nordic pay-TV, Emerging Markets free and pay-TV, MTG Studios and MTGx businesses. The increase in Group operating expenditure was also impacted by the consolidation of acquired businesses.

Our profitability as a Group was down in 2013 due to the investments that we are making across the business. These investments will however drive our future growth and higher profit levels.

Our total group operating income before associated company income and non-recurring items declined from SEK 1.7 billion to SEK 1.3 billion and from SEK 2.1 billion to SEK 1.9 billion when including increased associated company income of SEK 586 million from CTC Media. Our total Group operating income of SEK 1.7 billion included a SEK 147 million non-cash asset impairment charge related to the Raduga joint venture. We reported a 9.2% group EBIT margin, when excluding associated company income and non-recurring items, compared to 12.7% in 2012.

We continued to convert a high proportion of our earnings into cash flow and received a higher cash dividend from CTC Media. Despite the increased level of investment and paying out of an 11% higher annual cash dividend, we still ended the year with low gearing levels and SEK 772 million of net debt, which was equivalent to 0.5 times trailing twelve month EBITDA. Working capital rose from record low levels but only represented 1% of Group revenues, while Group capital expenditure also increased as expected but only represented 2% of Group revenues.

Overall, we have continued to run the Group in a highly capital efficient manner, which is reflected in the 29% return on capital employed and 25% return on equity for the year. We have strict Group-wide financial management structures and policies, with in-country and business segment financial controllers reporting to centralized planning and review functions. This enables us to control costs and effectively manage our cash flows, and efficiently combine reinvestment with the up streaming of cash.

We had SEK 5.6 billion of available liquid funds, including unutilised credit and overdraft facilities, at the end of 2013, and the NASDAQ quoted value of our 37.9% strategic shareholding in CTC Media was SEK 5.4 billion (USD 834 million). We have restructured our financing to further diversify our funding sources and optimize the terms and conditions of the facilities available to us. In addition to the 5 year SEK 5.5 billion multi-currency credit facility that we arranged at the end of 2013 we have also recently issued a 4 year SEK 1.0 billion corporate bond since the end of the year, which will be used to retire the SEK 1.0 billion term loan that we also arranged at the end of 2013. We have also entered the short term capital markets for the first time by establishing a SEK 2 billion frame commercial paper programme.

We are therefore in a strong financial position with considerable financial flexibility and firepower, and CTC Media has also announced its intention to pay 11% higher cash dividends in 2014. As a result, we are proposing a 5% higher annual ordinary dividend of SEK 10.50 per share, or approximately SEK 700 million in total, to this year's Annual General Meeting of shareholders. This is equivalent to a record high 56% pay-out ratio for the Group, 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 cash dividend.

Mathias Hermansson
Chief Financial Officer

Five Year Summary

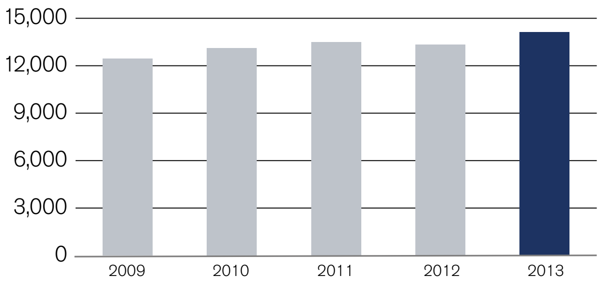
SEK million	2013	2012	2011	2010	2009
Net sales[2)]	14,129	13,336	13,473	13,101	12,427
Gross income[2)]	5,610	5,438	4,693	5,199	4,873
Operating income excluding non-recurring items from continuing operations[2)]	1,885	2,124	2,567	2,424	1,855
Income from corporate development	-	-	-	-	-
Closure and non-recurring costs	-147	-	-3,182	-	-3,352
Total operating income / loss from continuing operations[2)]	1,738	2,124	-615	2,424	-1,497
Financial net[2)]	-12	-90	-112	-103	-241
Net income from continuing operations[2)]	1,168	1,594	-1,289	1,750	-2,089
Income from discontinued operations	-	-	-	1,790	81
Total net income	1,168	1,594	-1,289	3,541	-2,008
Financial position					
Non-current assets	7,171	6,098	5,612	8,648	9,026
Current assets	6,979	5,595	5,668	5,354	5,625
Total assets	14,150	11,692	11,281	14,002	14,651
Shareholders' equity excl non-controlling interests	5,136	4,946	4,128	5,986	5,381
Non-controlling interests	159	188	222	253	298
Long-term liabilities	2,775	1,751	2,168	3,311	4,175
Short-term liabilities	6,080	4,808	4,763	4,452	4,796
Total shareholders' equity and liabilities	14,150	11,692	11,281	14,002	14,651
Personnel					
Average number of employees[2)]	3,361	3,012	3,031	2,844	2,703
Key figures					
Operating margin %[2)]	8	13	-	15	-
Operating margin adjusted for non-recurring items %[2)]	9	13	14	15	12
Net margin %[2)]	8	12	-	13	-
Return on total assets %	9	14	-	25	-
Return on equity adjusted for non-recurring items %	25	34	30	30	17
Return on capital employed adjusted for non-recurring items %	29	34	29	25	15
Equity / assets ratio %	37	44	39	45	39
Net debt to equity ratio %	15	0	18	32	48
Interest coverage ratio	14	21	-	17	-
Net sales per employee, SEK thousand2)	4,204	4,428	4,445	4,607	4,597
Operating income per employee, SEK thousand[2)]	517	705	-203	852	-554
Capital expenditures					
Investments in non-current intangible and tangible assets	319	144	120	157	159
Investments in shares	905	315	-	275	145
Per share data					
Shares outstanding	66,622,711	66,612,522	66,403,237	66,342,124	65,896,815
Weighted average number of shares before dilution	66,619,668	66,547,156	66,383,647	66,024,365	65,891,592
Weighted average number of shares after dilution[1)]	66,697,519	66,719,177	66,383,647	66,377,452	65,891,592
Total basic earnings per share (SEK)	16.39	22.93	-19.98	53.34	-30.86
Total diluted earnings per share (SEK)[1)]	16.37	22.87	-20.02	53.03	-30.97
Total basic earnings per share continuing operations (SEK)	16.39	22.93	-19.98	26.22	-32.08
Total diluted earnings per share continuing operations (SEK)	16.37	22.87	-20.02	26.07	-32.19
Basic shareholders' equity per share (SEK)	77.09	74.33	65.53	94.48	86.20
Proposed ordinary dividend/Cash dividend per share (SEK)	10.50	10.00	9.00	7.50	5.50

[1)] The Group has Long Term Incentive Plans that may be exercised into 373,337 new class B shares.

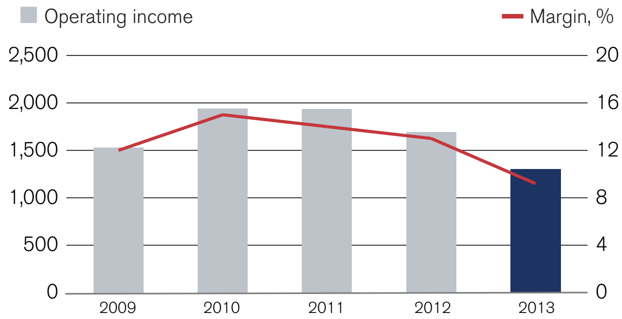
[2)] Excluding CDON Group.

Five Year Summary

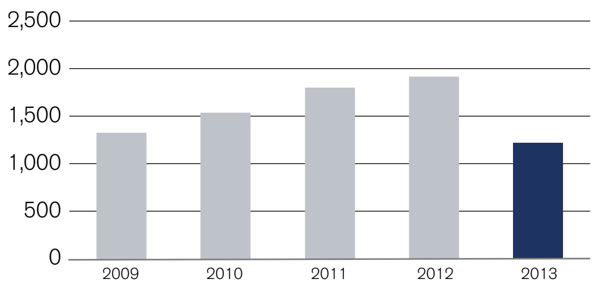
Net sales
(MSEK)



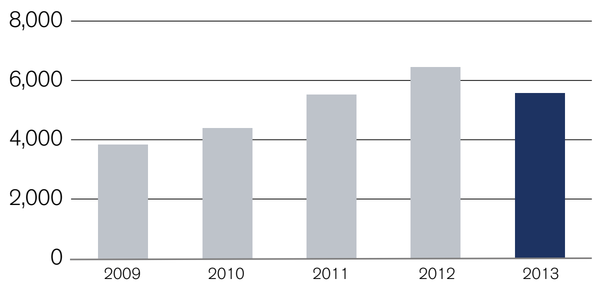
Operating income excluding associated income and non-recurring items (MSEK)



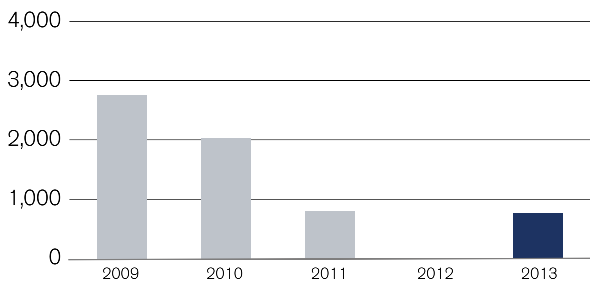
Net cash flow from operations
(MSEK)



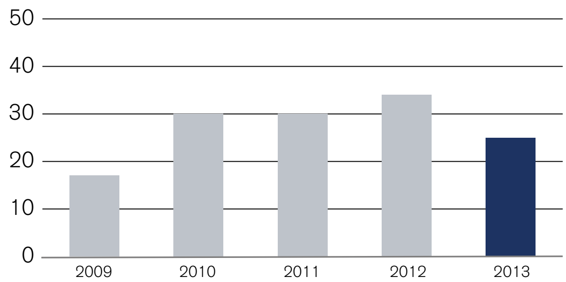
Available liquid funds
(MSEK)



Net debt
(MSEK)



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

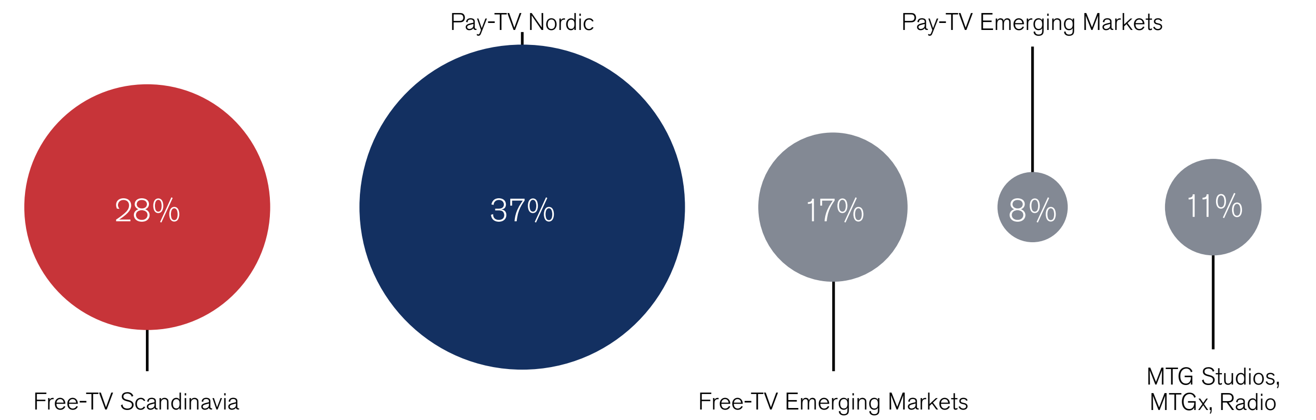


NET SALES (SEK million)	2013	2012	2011	2010	2009
Free-TV Scandinavia	4,110	4,157	4,393	4,247	3,820
Pay-TV Nordic	5,335	5,088	4,897	4,651	4,483
Free-TV Emerging Markets	2,445	2,035	2,073	2,004	2,095
Pay-TV Emerging Markets	1,146	1,062	922	896	875
Central operations, eliminations & other businesses	-197	-303	-340	-329	-334
Total Viasat Broadcasting	**12,839**	**12,039**	**11,946**	**11,469**	**10,939**
MTG Studios, MTGx, Radio	1,537	1,418	1,675	1,804	1,715
Total operating businesses	**14,376**	**13,457**	**13,621**	**13,273**	**12,655**
Group central operations	237	239	186	191	178
Eliminations	-484	-360	-334	-363	-406
TOTAL OPERATIONS	**14,129**	**13,336**	**13,473**	**13,101**	**12,428**

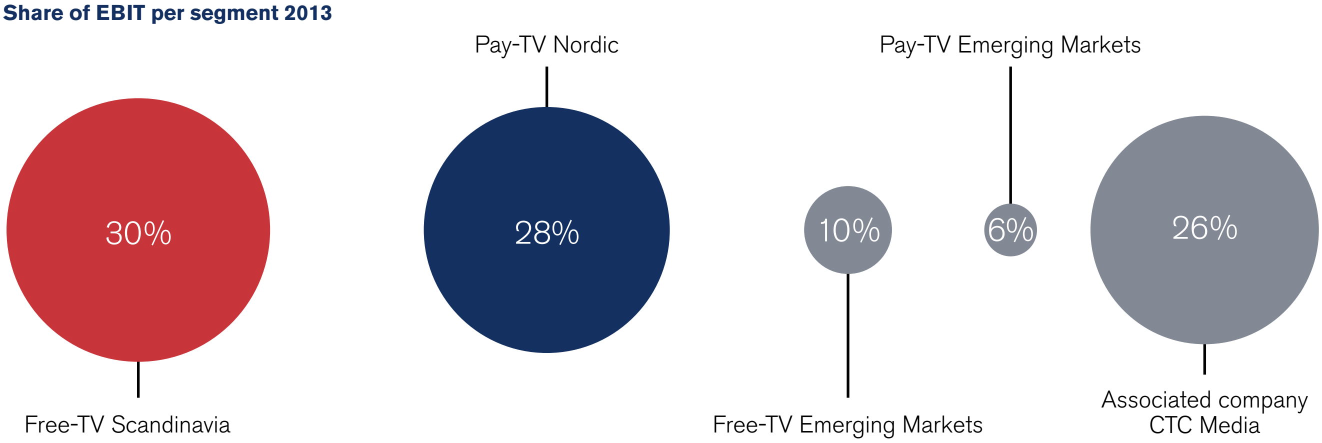
OPERATING INCOME, EBIT (SEK million)	2013	2012	2011	2010	2009
Free-TV Scandinavia	668	793	1,077	1,082	820
Pay-TV Nordic	619	848	933	827	735
Free-TV Emerging Markets	215	156	32	-43	-84
Pay-TV Emerging Markets	129	144	49	112	168
Associated company CTC Media	586	429	624	474	311
Central operations, eliminations & other businesses	-34	-33	-3	13	11
Total Viasat Broadcasting	**2,184**	**2,336**	**2,712**	**2,465**	**1,961**
MTG Studios, MTGx, Radio	-49	6	114	175	93
Total operating businesses	**2,135**	**2,342**	**2,826**	**2,640**	**2,055**
Group central operations & eliminations	-250	-219	-260	-216	-200
TOTAL OPERATIONS	**1,885**	**2,124**	**2,567**	**2,424**	**1,855**
Asset impairment charges & non-recurring costs *)	-147	-	-3,182	-	-3,352
GROUP TOTAL	**1,738**	**2,124**	**-615**	**2,424**	**-1,497**

*) Comprise asset impairment charges for Raduga 2013 and mainly for Bulgaria in 2011 and 2009, as well as impairment charges and other close down costs Slovenia in 2011

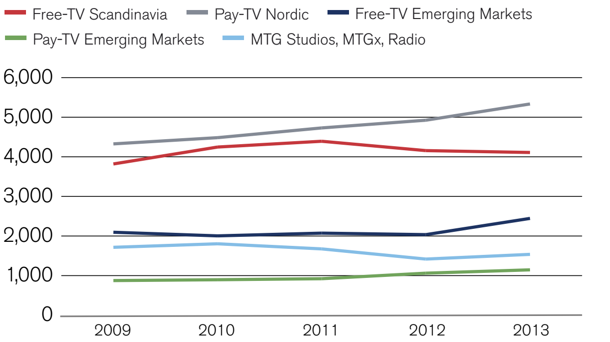
Share of Net Sales per segment 2013



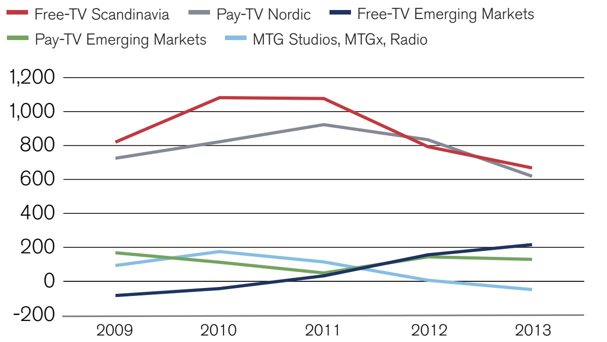
Share of EBIT per segment 2013



Net Sales per Segment (MSEK)



Operating Margin (EBIT) per Segment (MSEK)



Corporate Responsibility

Summary Corporate Responsibility report 2013

We are passionate about entertaining future generations. But passion isn't enough. When the pace of change for both our industry as a whole and our Group itself increases, we need to make sure that we move forward in a healthy and sustainable way. We will achieve this by having the right policies, procedures and guidance tools in place. These tools are not only a necessity, they are key to ensuring that we continue to be one of the best entertainment companies in the world.

Our work this year, especially in our core focus area, media responsibility, has been all about getting us ready for shaping the future of entertainment. This means being ready to offer our customers the entertainment they love, being prepared for the challenges and opportunities related to the rapid change in the digital environment, and being ready to ensure that we engage our communities and stakeholders in a sustainable and socially responsible way. Our platforms, channels and content are fantastic tools that can create tangible positive change, and we believe that it would be irresponsible not to use them to do good.

In 2013, MTG was included in the widely recognised and highly respected Dow Jones Sustainability Europe Index for the first time. We also continued to be a constituent in the Dow Jones Sustainability World and FTSE4Good Indices. We also improved our rating in the Carbon Disclosure Project's 2013 assessment for the fifth year in a row, which highlights the success we have had with our work on adopting environmentally positive thinking and healthy policies and business practices throughout the Group.

That's why 2013 was a bumper year for us. We want to inspire engagement on all levels, high and low. Whether it's our own charities, our ongoing work with large NGO's, or small local initiatives, every level of engagement makes a difference. And good work does not go unnoticed. Our Nova operations in Bulgaria won the Biggest Corporate Donor Award, while Marek Lindmaa, an anchor and reporter at TV3 Estonia, was awarded the UNICEF Bluebird Prize for his charity campaign, where he raised money for children who need help dealing with the loss of a family member by swimming in the Baltic sea.

There are of course many more stories that we could and want to share with you from our work with Corporate Responsibility. We encourage you to visit www.mtg.se to read more about our work, and about the fantastic possibilities it offers us.

Our targets and performance 2013

We have short-, mid- and long-term targets for our sustainability work, based on the outcome of our materiality analysis and on-going dialogue with our stakeholders. Our engagement with both our internal and external stakeholders helps us determine the issues that are important for us to focus on, as well as identify areas with room for improvement. The below table summarises our targets and performance for 2013 in the sustainability aspects that were considered most important. For more information, please see our separate 2013 corporate responsibility report.

Focus Area	Action point		Status
Anti-corruption	Train managers	By January 2013 we will have all employees trained in anti-corruption	Completed
	Produce e-learning courses	Produce and implement anti-corruption e-learning courses by end of 2013	In progress
Code of Conduct	Train new employees	All new employees will take the Code of Conduct e-learning course within 2 weeks of starting, by end 2013	62% of new employees completed the course within two weeks
Female Leadership	Evaluate female network	Evaluation of female leadership network in Scandinavia and project group in the UK by Q1 2013.	Completed
	Join pilot project	Broaden the scope and join Swedish pilot project 'Women Up' by end 2013	Completed
Life Balance	Roll out policy	Roll out a Life Balance Policy, in line with local business practice and regulations, in Scandinavia by end 2013	Scope broadened, in progress: Establish a common basic standard for our Employee Value Proposition.
Environment	Measure water usage	Measure water usage in the Nordic countries and the UK by end 2013	Completed in Scandinavia and UK, Finland in progress
	Improve STB energy efficiency	From 2013 all manufactured Viasat set-top-boxes support Auto Power Down (APD) and the power consumption in passive standby is <0.5W.	Completed
Training & Development	Devise strategies	Devise strategies for training and development by February 2013	Completed
Internal communication	Upgrade internal newsletter	Implementation of new intranet replaces need for internal newsletter	In progress

Key performance indicators

We follow the Global Reporting Initiative (GRI) G4 guidelines for reporting the Group's non-financial performance. As part of this, we monitor our corporate responsibility performance with a set of key performance indicators to measure the impact of our actions and help identify potential areas for improvement. Below is a selection of our 2012 and 2013 performance data - for a full list of performance indicators, please see our separate 2013 corporate responsibility report.

EMPLOYEE FIGURES Workforce		2011	2012	2013
Average Age	Total	34	35	35
Workforce by Region	Total	3,559	3,441	3,587
	Nordic	1,655	1,619	1,556
	Baltics	994	1,047	1,208
	Others	910	775	823
Workforce by Employment Type	Full Time	91%	93%	96%
	Part Time	9%	7%	4%
Workforce by Employment Contract	Temporary	28%	23%	15%
	Permanent	72%	77%	85%

Diversity		2011	2012	2013
Workforce by gender	Male	55%	54%	55%
	Female	45%	46%	45%
Management by gender	Male	64%	66%	63%
	Female	36%	34%	37%
Junior management by gender*	Male	-	62%	55%
	Female	-	38%	45%
Executive management by gender	Male	70%	75%	70%
	Female	30%	25%	30%
Workforce by Age	<30s	36%	34%	33%
	30-50	59%	60%	61%
	>50s	5%	6%	6%

*Data is not available for 2011

New hires and employee turnover		2011	2012	2013
Number of new employee hires*	**Total**	**-**	**695**	**776**
	Male	-	47%	56%
	Female	-	53%	44%
	<30s	-	53%	52%
	30-50	-	45%	46%
	>50s	-	2%	2%
	Nordic	-	38%	39%
	Baltics	-	32%	35%
	Others	-	30%	26%
Employee Turnover (Including redundancies)	**Total**	**18%**	**23%**	**16%**
	Male	18%	22%	17%
	Female	19%	26%	16%
	<30s	25%	35%	26%
	30-50	16%	19%	13%
	>50s	10%	15%	7%
	Nordic	17%	21%	17%
	Baltics	14%	16%	16%
	Others	25%	37%	15%
Internal Recruitment	Total	40%	39%	36%

*Data is not available for 2011

Corporate Giving	2011	2012	2013
Donated airtime, KSEK	146,137	78,828	42,095
Products and services, kSEK	3,132	5,723	2,835
Cash donations, kSEK	-	1,833	3,631
Funds raised for charity, KSEK	37,352	45,696	42,981
Volunteer hours	10,978	4,730	4,956

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

ENVIRONMENTAL PERFORMANCE Carbon footprint, t CO_2e	2011	2012	2013
Scope 1 - direct emissions from company owned sources	350	361	691
Scope 2 - indirect emissions from consumption of purchased electricity, heat and cooling	5,031	6,135	6,283
Scope 3 - other indirect emissions from business travel, transports and office material usage	8,679	8,558	9,194
Total carbon emissions	13,860	15,025	16,167
Emissions per employee (excl. MTG Studios)	3.66	3.99	4.01

Energy consumption, GJ	2011	2012	2013
Total energy consumption	67,685	71,425	73,749
Energy consumption per employee	20	20	20

Total emissions for the Group were up 7% from 2012 as a result of MTG's expansion during 2013. This included Modern African Productions and Paprika Latino in the 2013 climate reporting for the first time.

Emissions per employee, excluding MTG Studios, increased by 0.5% year on year. This excludes the contribution from MTG Studios, as their travel emissions can vary greatly depending on the type and location of their productions each year, and the figure might otherwise not realistically illustrate the emissions and progress of the other MTG companies.

The carbon figures cover the main emission sources from MTG's operations:

Facilities - Energy use in offices and other facilities, including broadcasting and TV production when performed directly by us.
Material - Consumption of office supplies and refreshments in the Group's offices
Travel - Business travel, including air, rail and road travel plus hotel stays.
Transport – The transport of Viasat set-top-boxes from the central warehouse to the local countries.

The calculation methodologies used are based on the GHG Protocol, and supplemented where necessary by additional data and assumptions by our external environmental expert Tricorona Climate Partner

Directors' Report

Modern Times Group MTG AB (publ.) (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 Group is an international entertainment group with operations that span four continents and include free-TV, pay-TV, digital entertainment, 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, Ghana, Kenya, Tanzania, Nigeria, Uganda and Rwanda. Viasat's free-TV and pay-TV channels and pay-TV platforms are broadcasted in 37 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 also the largest 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, primarily comprises the Group's MTG Studios, MTGx and Radio businesses, and included Bet24 until May 2012. MTG Studios comprises the Group's content production businesses including the TV production companies Strix, Paprika Latino Group (from September 2012), DRG (from June 2013) and Nice Entertainment (from November 2013). MTGx develops digital products for the Group. MTG Radio 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.

Business Review

Group sales were up 8% (1%) year on year at constant exchange rates, with an organic growth of 5% (2%). 2013 was a year of investments and the Group's operating margin consequently declined to 9% (13%) when excluding associated company income and non-recurring items.

Revenues for the Group's free-TV businesses in Scandinavia were stable 0% (-4%) at constant exchange rates with an operating margin of 16% (19%), whilst sales for the Group's Nordic pay-TV business grew by 6% (5%) at constant exchange rates, with an operating margin of 12% (17%). The Group's Emerging Markets free-TV businesses reported revenue growth at constant exchange rates of 24% (3%) with an operating margin of 9% (8%), while Pay-TV Emerging Markets continued to deliver strong growth of 11% (15%) at constant exchange rates with an operating margin of 11% (14%).

The Swedish TV advertising markets is estimated to have been stable in 2013. The Norwegian market is estimated to have continued to grow, while the Danish market is estimated to have declined.

MTG ended the year with a higher number of subscribers in the Nordic region when including Viaplay compared to 2012, but with the 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 satellite pay-TV operations had a stable subscriber base during the year, and ended 2013 with 581 (584) thousand satellite subscribers. At the same time, the Group's wholesale mini-pay channel business added over 8 million new subscriptions during the year to a total of 92 (84) million, with particularly high growth in the Russian base.

MTG is proposing a 5% (11%) increase in annual ordinary cash dividend to the Annual General Meeting in May, which corresponds to 56% (42%) of the net profit excluding non-recurring items, and is well 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 existing and new markets.

Consolidated financial results

Key figures	2013	2012
Sales growth (constant exchange rates)	8%	1%
Operating expenses growth (excl non-recurring expenses)	11%	1%
Operating income growth (excl non-recurring expenses)	-11%	-17%
Operating margin (excl non-recurring expenses)	9%	13%

Sales In 2013, MTG reported 6% (-1%) net sales growth to SEK 14,129 (13,336) million. Sales were up 8% (1%) at constant exchange rates, which reflected sales growth in all business segments.

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

Operating expenses Group operating costs increased to SEK 12,975 (11,641) million and were up 9% (9%) year on year at constant exchange rates in 2013 as a result of continued investments in programming, the Group's Nordic and Emerging Markets pay-TV platforms, the launch of new channels and the Viaplay online pay-TV service. Group depreciation and amortisation charges totalled SEK 189 (147) million.

In 2013, the Group reported SEK 147 million of impairment charge to goodwill and other intangible assets that arose from the acquisition of Raduga in Russia in 2010. These items were written-down in their entirety. The decision is based on the ongoing uncertainty and lack of visibility surrounding the licensing status and requirements for Raduga.

Operating income before associated company income & non-recurring items Group operating income for the year declined to SEK 1,301 (1,695) million with an operating margin of 9% (13%) when excluding associated company income and the impact of non-recurring items in 2013.

Associated company income The Group's combined equity participations, which primarily comprise the shareholding in CTC Media, contributed a total of SEK 584 (429) million of associated company income. The Group's reported shareholding in CTC Media was 37.9% (37.9%) of the issued shares as at 31 December 2013.

Net interest and other financial items Group net interest expenses increased to SEK 46 (34) million. Other financial items amounted to SEK 34 (-56) million. These items included a non-cash financial loss of SEK 13 (15) million 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 558 (440) million.

Net income and earnings per share The Group reported net profits of SEK 1,168 (1,594) million, and basic earnings per share of SEK 16.39 (22.93).

Cash flow

(SEK million)	2013	2012
Cash flow from operations	1,340	1,655
Changes in working capital	-120	261
Net cash flow from operations	1,220	1,915
Investment activities	-1,224	-351
Financial activities	96	-1,274
Net change in cash and cash equivalents	92	291
Cash and cash equivalents at end of year	769	748
Return on capital employed % (excluding non-recurring items)	29	34

Group capital expenditure on non-current assets totalled SEK 319 (144) million. Investments in shares in subsidiaries amounted to SEK 905 (315) million. These investments included the acquisitions of Nice Entertainment Group, DRG, Novemberfilm and Net Info. The Group's reported return on capital employed, excluding non-recurring items, was 29% (34%) in 2013.

(SEK million)	2013	2012
Available liquid funds	5,569	6,448
Net debt	772	1
Return on equity excl one-off items %	25	34
Equity to assets ratio %	37	44
Net debt to equity ratio %	15	0
Interest-bearing debt	1,874	1,024

The Group had available liquid funds of SEK 5,569 (6,448) million as at 31 December 2013, including the SEK 4,800 (5,700) million unutilised element of the Group's credit facilities, and the unutilised overdraft facilities of SEK 100 (100) million. SEK 1,800 (900) million of the Group's SEK 6,600 million credit facilities were drawn as at 31 December.

The Group paid out the approved cash dividend of SEK 666 (600) million to shareholders during 2013.

Acquisitions and divestments

The Group announced on 13 June that it had completed the acquisition of 79.45% of Digital Rights Group Ltd ('DRG'), which is the leading independent UK-based content distribution company, for an enterprise value of GBP 15 million, and that it had completed the acquisition of 51% of Novemberfilm A/S ('Novemberfilm'), which is a Norwegian production company. MTG has the option to acquire the remaining shares of the two companies within a five year period and a 10 year period respectively.

MTG announced on 6 August the acquisition of 70% of the merged assets of Darik News and Net Info in Bulgaria for an undisclosed cash consideration on a cash and debt free basis. The combined Operations have a broad range of services across 33 advertising funded sites, and comprise the market leading digital conglomerate in Bulgaria in terms of monthly online reach. MTG has the option to acquire the remaining 30% of the Company within a five year period.

MTG announced on 23 September that it was strengthening its content production and distribution subsidiary MTG Studios, by signing an agreement to acquire a majority stake of 86.8% in Nice Entertainment Group ('Nice') for an enterprise value (100%) of EUR 84.4 million. Nice is the largest independent group of TV production companies in the Nordic region, and comprises market leading TV, event and advertising commercial production businesses. The transaction was closed on 31 October 2013 following regulatory approval by the Swedish and Norwegian competition authorities. Additional 7.6% of the shares were acquired by the end of 2013. MTG has the option to acquire the remaining shares within a five year period.

MTG announced on 18 December that it had signed an agreement to sell its 80% holding in Swedish Communications Operator Zitius Service Delivery AB to TeliaSonera AB for cash at an enterprise value (100%) of SEK 380 million. The transaction is subject to regulatory approval by the Swedish competition authority.

Significant Events

Rikard Steiber was appointed to the new role of Executive Vice President and Chief Digital Officer with effect from 4 February 2013, and Matthew Hooper was promoted to the new role of Executive Vice President of Group Corporate Communications with effect from 1 February 2013.

Lorenzo Grabau (a non-executive member of MTG’s Board of Directors) was appointed as a non-executive member and co-Chairman of CTC Media’s Board of Directors following the closing of the 2013 Annual General Meeting of CTC Media shareholders on 30 April 2013. MTG’s President and Chief Executive Officer Jørgen Madsen Lindemann was also elected as a new non-executive member of the Board of Directors at the CTC Media AGM.

The Group filed a certification under Form 15-F with the United States Securities and Exchange Commission (the ‘SEC’) to terminate the registration of its Class B shares and its reporting obligations under Section 13(a) of the Securities Exchange Act of 1934, as amended. MTG’s reporting obligations with the SEC were therefore suspended with immediate effect upon filing. The termination of the registration and reporting obligations became effective on 19 September 2013.

MTG announced on 13 September that it had been included in the Dow Jones Sustainability Europe Index for the first time, following an 11% year on year improvement in the Group’s total Corporate Sustainability Assessment score. The Group is already included in the Dow Jones Sustainability World Index. MTG is also included in the FTSE4Good Index, which identifies companies that meet globally recognized standards of business practice.

MTG announced on 13 December that it had successfully replaced its existing SEK 6.5 billion credit facility with a new SEK 5.5 billion five-year multi-currency facility and a new two-year SEK 1.0 billion term loan.

MTG announced on 12 February 2014 that it has taken the decision to write down 100% of the intangible assets (primarily goodwill) arising from its 50% participation in Raduga Holdings S.A., which operates the Raduga TV satellite pay-TV platform in Russia. The decision was based on the ongoing uncertainty and lack of visibility surrounding the licensing status and requirements for Raduga. MTG’s financial results for the full year 2013 therefore include a SEK 147 million non-cash and non-recurring impairment charge in the Group’s operating income. MTG acquired 50% of Raduga in February 2010 and the company’s results have been proportionately consolidated by MTG on a 50/50 joint venture accounting basis since Q1 2010. The Raduga revenues that MTG had consolidated in 2013 represented less than 0.5% of Group full year 2013 net sales.

Significant Events after the end of the year

MTG announced on 25 February that it had signed an agreement to acquire 75% of Trace Partners SAS ('Trace'), the France based youth media brand and global pay-TV channel operator that has distribution agreements with third party network operators in 160 countries worldwide, including all 55 countries in Africa. The deal was done for a cash consideration that values 100% of the company at an enterprise value of EUR 40.0 million. Trace management will retain the remaining 25% of the company. The transaction is subject to regulatory approval by the French media authorities.

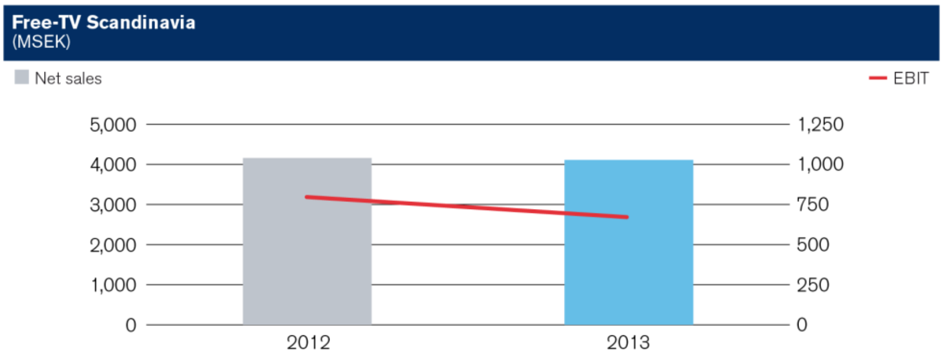
MTG announced on 11 March 2014 that it had successfully raised SEK 1.0 billion in the Swedish domestic bond market. MTG intends to use the proceeds of the corporate bond to replace the Group's existing SEK 1.0 billion term loan. MTG will apply for a listing of the bond on NASDAQ OMX Stockholm. The bond has a maturity of 4 years and is on a floating rate coupon of three month STIBOR plus 1.10%. SEB (publ) and DNB (publ) have acted as lead Managers for the issue. The Group has also entered the short term capital market by establishing a SEK 2 billion frame commercial paper programme, in order to enable it to access short term financing on attractive terms

Segments

Group Review (SEK million)	2013	2012	Change
Net sales per business segment			
Free-TV Scandinavia	4,110	4,157	-1%
Pay-TV Nordic	5,335	5,088	5%
Free-TV Emerging Markets	2,445	2,035	20%
Pay-TV Emerging Markets	1,146	1,062	8%
Others and elimination	-197	-303	-
Total Viasat Broadcasting	12,839	12,039	7%
MTG Studios, MTGx, Radio	1,537	1,418	8%
Group central operations	237	239	-1%
Eliminations	-484	-360	-
Total operations	14,129	13,336	6%
Operating income per business segment			
Free-TV Scandinavia	668	793	-16%
Pay-TV Nordic	619	848	-27%
Free-TV Emerging Markets	215	156	38%
Pay-TV Emerging Markets	129	144	-10%
Associated company income from CTC Media	586	429	37%
Others and elimination	-34	-33	-
Total Viasat Broadcasting	2,184	2,336	-6%
MTG Studios, MTGx, Radio	-49	6	-
Total operating business segments	2,135	2,342	-9%
Group central operations	-250	-219	-
Total segments	1,885	2,124	-11%
Non-recurring items	-147	-	-
Total operations	1,738	2,124	-18%

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, Viasat4 and TV6 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.

The business reported a sales decline of -1% (-5%) to SEK 4,110 (4,157) million, which corresponded to a sales performance 0% (-4%) at constant exchange rates. Sales reflected the combination of higher sales in Sweden and Denmark and lower sales in Norway. The Swedish TV advertising markets is estimated to have been stable in 2013. The Norwegian market is estimated to have continued to grow, while the Danish market is estimated to have declined.

Total operating costs amounted to SEK 3,442 (3,364) million. The cost increase primarily reflected higher programming investments and the launch of TV6 in Norway.

The business segment therefore reported a lower operating profit of SEK 668 (793) million, with an operating margin of 16% (19%).

Commercial share of viewing (%) (target audience 15-49)	2013	2012
TV3, TV6, TV8 & TV10 Sweden	33.1	32.7
TV3, Viasat4 & TV 6 Norway	17.7	17.6
TV3, TV3+ & TV3 PULS Denmark	25.6	22.6

Significant events The Group announced on 17 January 2013 that it had signed 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 for the first time, and to include SBS Broadcasting's Danish free-TV channels in MTG's Viasat Danish pay-TV offerings for the first time.

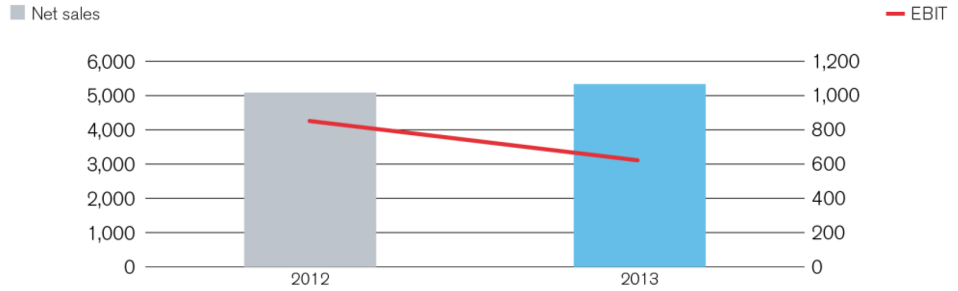
MTG announced on 31 October that it would launch a new free-TV channel - TV6 - in Norway on 21 November. TV6 is MTG's third free-TV channel in Norway and complements the Group's existing Norwegian free-TV channels TV3 and Viasat4.

MTG announced on 31 October that it had prolonged its exclusive rights to UEFA Champions League football in Sweden, Norway and Denmark, from the start of the 2015/2016 championship until the end of the 2017/2018 championship. MTG was the first European broadcaster to secure rights to the UEFA Champions League for this period. The rights are platform neutral and include, but are not limited to, coverage on Free-TV, Pay-TV, mobile devices and the Internet.

Significant events after the end of the year The Group announced on 30 January 2014 that it had signed a partnership agreement with Viacom International Media Networks ('Viacom') to include exclusive advertising-funded video on demand content from the MTV and Comedy Central channels in MTG's free-TV online 'catch-up' services in Sweden, Norway and Denmark from 4 February. MTG will also handle advertising sales for Viacom's online platforms, and sell the combined online reach of the MTG and Viacom online catch-up TV services to advertisers.

Pay-TV Nordic

Pay-TV Nordic
(MSEK)



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 38 pay-TV channels via third party networks.

The business reported sales growth of 5% (4%) to SEK 5,335 (5,088) million in 2013, which corresponded to a sales growth of 6% (5%) at constant exchange rates. The annualised average revenue per premium subscriber (ARPU) increased by 2% (4%) to SEK 5,075 (4,988), following price increases in Sweden and Norway and on-going HD subscriber intake.

Total operating costs amounted to SEK 4,716 (4,240) million for 2013. The increase primarily reflected 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.

The business segment therefore reported a lower operating profit of SEK 619 (848) million, with an operating margin of 12% (17%).

Subscriber data	31 December 2013	31 December 2012
Premium subscribers ('000s)	977	1,019
- of which, DTH satellite	*559*	*592*
- of which, third party network subscribers	*418*	*427*
Basic DTH subscribers	40	46
Premium ARPU (SEK)	5,075	4,988

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

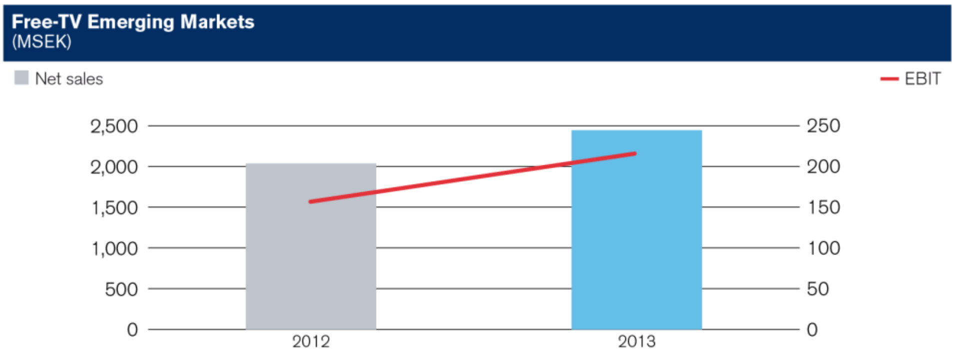
Significant events Following the Group's acquisition of the remaining shares of TV 2 Sport A/S in December 2012, the TV 2 Sport channels were rebranded as TV3 Sport and new channel TV3 Sport 2 was launched in the first quarter of 2013.

The Group announced the appointment of Jette Nygaard-Andersen as Executive Vice President of the Group´s Nordic pay-TV broadcasting operations on 3 June with immediate effect. In addition, Peter Nørrelund was appointed as MTG Head of Sport with overall responsibility for the Group's sports production, broadcasting and channel operations.

MTG announced on 31 October that it had prolonged its exclusive rights to UEFA Champions League football in Sweden, Norway and Denmark, from the start of the 2015/2016 championship until the end of the 2017/2018 championship.

MTG announced on 4 December that it had extended its pay-TV content licensing agreements with Disney Nordic for first-run and library movie rights in Sweden, Norway, Denmark and Finland. MTG also extended its carriage agreements to include Disney Channel, Disney Junior and Disney XD on its Viasat Nordic and Baltic satellite platforms.

Free-TV Emerging Markets



The Group's Emerging Markets free-TV operations comprise a total of 20 free-TV channels in the Baltics, the Czech Republic, Bulgaria, Hungary, Ghana and Tanzania.

The business reported sales growth of 20% (-2%) to SEK 2,445 (2,035) million in 2013, which corresponded to a sales growth of 24% (3%) at constant exchange rates.

Sales for the Group's Baltic free-TV operations were up 9% (16%) at constant exchange rates. Sales for the Group's Czech operations were up 31% (5%) in 2013 as a result of an advertising sales co-operation with TV Barrandov and the launch of Prima ZOOM channel.

Sales for the Group's Bulgarian operations were up by 30% (1%) at constant exchange rates, following healthy underlying sales growth and an advertising sales co-operation with nine international channels. The Group's Hungarian operations reported a decline in sales of -2% (-14%) for the year following declines in the overall TV advertising market. Sales for the Group's Viasat1 channel in Ghana grew by 38% (66%) for the year, as the channel continued to increase its share of the growing Ghanaian TV advertising market.

The commercial audience share for the Group's Baltic and Bulgarian channels were up significantly during the year while our audience share decreased in the Czech Republic and in Hungary.

Commercial share of viewing (%)	2013	2012
Pan-Baltic	50.4	48.5
Estonia (15-49) *)	41.0	39.6
Latvia (15-49) *) **)	58.2	61.1
Lithuania (15-49)	46.3	42.3
Czech Republic (15-54) *)	35.9	38.7
Bulgaria (18-49)	34.2	29.5
Hungary (18-49)	7.5	8.6

*) The universe for Estonia and Latvia has been adjusted for 2012 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.

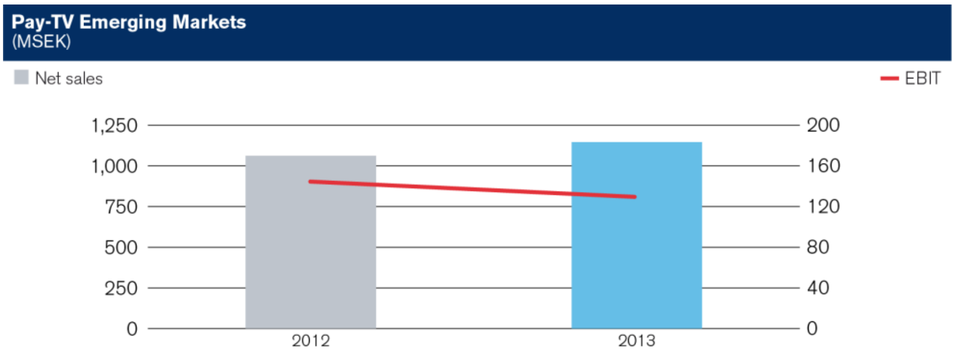
The operating costs amounted to SEK 2,230 (1,880) million, representing an increase of 19% (-8%). This primarily reflected the above mentioned sales co-operations in the Czech Republic and Bulgaria and the launch of Prima ZOOM channel in the Czech Republic in 2013.

The business segment reported an operating profit of SEK 215 (156) million in 2013, with an operating margin of 9% (8%).

Significant events MTG announced on 6 August the acquisition of 70% of the merged assets of Darik News and Net Info in Bulgaria.

Significant events after the end of the year MTG announced on 13 January that it had launched its first ever advertising funded free-TV channel in Tanzania. The channel – TV1 - is available through Tanzania's digital terrestrial network and already reaches up to 30% of the 48 million people in the country. TV1 is MTG's second African free-TV channel, and follows the launch of Viasat1 in Ghana in 2008.

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 34 channels via third party pay-TV networks to subscribers in 32 countries across Central and Eastern Europe, Africa and the United States.

The Pay-TV Emerging Markets business segment reported 8% (15%) revenue growth to SEK 1,146 (1,062) million, representing an 11% (15%) revenue increase at constant exchange rates, driven primarily by subscription growth for the wholesale mini-pay channel business.

Subscriber data (000's)	2013	2012
Satellite subscribers	581	584
Mini-pay TV subscriptions	92,223	83,950

The wholesale mini-pay channel business added over 8 million subscriptions in 2013 to a total of over 92 million, with growth driven by subscriber intake in Russia in particular.

The operating costs amounted to SEK 1,016 (918) million in 2013, which primarily reflected the investments in premium content and HD premium package offering.

The businesses reported an operating profit of SEK 129 (144) million, with an operating margin of 11% (14%). A write-down of goodwill and intangible assets related to the acquisition of Raduga of SEK 147 million is recognized separately outside the segment as a non-recurring item.

Significant events On 19 August MTG announced that it had prolonged the exclusive television broadcasting rights to England's Barclays Premier League in Estonia, Latvia and Lithuania on all platforms, from the start of the 2013/2014 season until the end of the 2015/2016 season. The rights include exclusive coverage of all 38 rounds of the Barclays Premier League.

MTG announced on 17 December that its channels would be available to viewers in Turkey for the first time following the signing of a multi-year distribution agreement with Türksat Satellite Communication and Cable TV Operation A.S. Viasat History HD, Viasat Nature HD and Viasat Explorer were subsequently launched on 1 January 2014.

Significant events after the end of the year MTG announced on 25 February that it had signed an agreement to acquire 75% of Trace Partners SAS ('Trace'), the France based youth media brand and global pay-TV channel operator that has distribution agreements with third party network operators in 160 countries worldwide, including all 55 countries in Africa. The transaction is subject to regulatory approval by the French media authorities

Associated company CTC Media

MTG's shareholding in Russia's largest independent television broadcaster CTC Media amounted to 37.9% (37.9%) by the end of 2013. 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)	2013	2012
Sales 1 October – 30 September	836	778
Income before tax 1 October – 30 September	246	68
Share of earnings MTG 37.9% (37.9%) (SEK million)	586	429

MTG's equity participation in the earnings before tax of CTC Media amounted to SEK 586 (429) million.

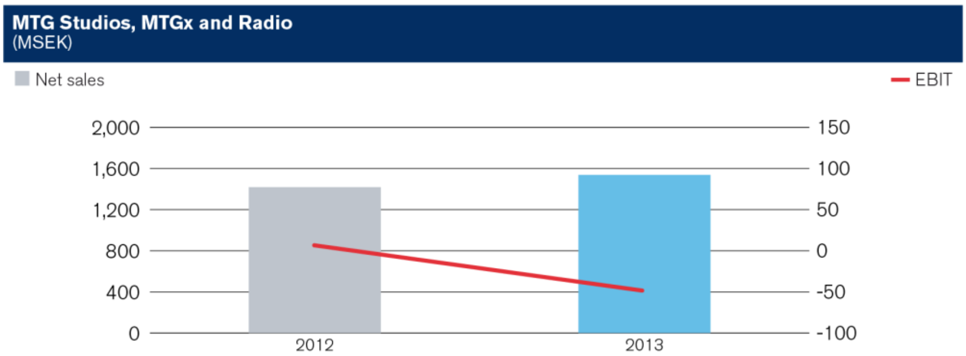
CTC Media made four cash dividends and the Group received payments of in total USD 38 (31) million, corresponding to SEK 246 (208) million, during 2013.

CTC Media announced the appointment of Yuliana Slashcheva as its new Chief Executive Officer in July 2013.

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 2013 on 6 March 2014.

MTG Studios, MTGx and Radio



The segment comprises the Group's content production, digital development and radio operations.

MTG Studios comprises the Group's content production and distribution businesses in Scandinavia, Europe and Africa. MTGx is the enabling hub for the Group's digital planning and execution, and is focused on increasing the speed of development of the Group's existing and future digital entertainment products and services. The Group's radio operations comprise national commercial networks in Sweden and Norway, as well as national and local stations in the Baltics.

Sales for the business segment increased by 8% (-15%) to SEK 1,537 (1,418) million, and were up 10% (-15%) at constant exchange rates. The sales growth was driven by MTG Studios with successful formats and the acquisitions of Nice Entertainment Group, DRG and Novemberfilm. The Norwegian radio business delivered stable sales while the Swedish radio business was down. Operating costs totaled SEK 1,586 (1,412) million, and the segment reported an operating loss of SEK 49 (+6) million.

Significant events The Group announced on 13 June that it had completed the acquisition of 79.45% of Digital Rights Group Ltd, which is the leading independent UK-based content distribution company and that it had completed the acquisition of 51% of Novemberfilm A/S, which is a Norwegian production company.

The acquisition of 94.4% of Nice Entertainment Group was completed following the receipt of regulatory approval from the Swedish and Norwegian competition authorities.

The Group announced on 13 June the launch of a new Group-wide initiative called MTGx to accelerate the pace of its digital innovation and expansion across all of its markets.

Outlook

MTG is a growth company that constantly seeks to develop its businesses in its existing markets and to expand into new markets. The Group's strategy is based on three core growth pillars – content, digital, and geographical expansion. The Group seeks to combine healthy sales growth and profitability levels with strong cash flow generation, enabling it to balance investments in its future organic and M&A led growth with the delivery of sustainable shareholder returns. The Group generates healthy returns on investment (Return on Capital Employed and Return on Equity) and has a dividend policy to return at least 30% of recurring net income to shareholders in the form of an annual cash dividend. MTG's objective is to create long term value for all of its stakeholders, and the Group therefore takes a long term approach when it comes to the positioning of, and investments in, its businesses.

Free-TV Scandinavia The Scandinavian TV advertising markets are currently expected to show low levels of overall growth in 2014 and there continues to be limited visibility in the markets. MTG currently expects to benefit from price increases for TV advertising in 2014. The Group has benefitted from the various channel distribution agreements to make its free-TV channels more broadly available in third party networks; the acquisition of the rest of the TV 2 Sport channel business in Denmark and expansion of the operations; the launch of a third channel in Norway in late 2013; the sales cooperation agreement with Viacom across Scandinavia; and the exclusive (in Sweden) broadcast coverage of the Winter Olympics in February 2014. These developments have positioned the Group to deliver higher audience and advertising market shares and carriage fees moving forward. MTG also continues to rapidly develop its online audience and advertising market shares through its catch-up video on demand services, as well as to focus on the expansion of its regional TV advertising market shares. Segment sales for the first quarter of 2014 have been boosted by the Olympics coverage in Sweden, but profitability has also been adversely affected.

Pay-TV Nordic The Group's total Nordic subscriber base is expected to continue to grow, with the undisclosed growth in the number of video on demand subscribers to the Group's Viaplay service more than compensating for the ongoing decline in the number of premium subscribers to the Group's Viasat platform due to increased competition. MTG has continued to strengthen its content offerings by including additional third party channels in its packages and acquiring or extending premium movie (from Hollywood studios) and sports rights (including the UEFA Champions League, the English Premier League, and the Sochi and Rio Olympics for Sweden). The Group has also continued to raise the prices for its linear and on demand offerings, and the penetration of its value added services has also risen, with the result that satellite premium average revenue per user (ARPU) continues to increase. The Group expects the Nordic pay-TV business to generate higher sales and an increased operating (EBIT) margin in 2014 when compared to 2013. Segment sales for the first quarter of 2014 have been boosted by the Olympics coverage in Sweden, but profitability has also been adversely affected.

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, which have continued to lag the recovery in western Europe and to show low or no growth. MTG has however gained audience and advertising market shares in almost all of its emerging market territories; signed scale sales cooperation agreements in a number of territories; added new channels in the Czech Republic (Q1 2013) and Tanzania (Q1 2014); and rapidly developed its online offerings both organically and through the acquisition of the Net Info business in Bulgaria in 2013. The Group is firmly established as the number one media house in the Baltics, but competition has increased in the Czech Republic in particular. It will therefore be tougher for the Group to generate sales growth in 2014, but the rise in programming investments is also expected to be lower than in 2013.

Pay-TV Emerging Markets The Group's Pay-TV operations in the Emerging Markets are expected to continue reporting healthy growth levels, driven by higher wholesale mini-pay revenues in Russia in particular, as well as growth in the overall Baltic and Ukrainian subscriber bases. Due to changes in the accounting rules, MTG has ceased consolidating the results of its 50% interest in the Raduga Russian satellite platform from the beginning of 2014, and will now only report its participation in the earnings of the company as joint venture company income. MTG has also impaired the intangible assets arising from its interest in Raduga due to the ongoing uncertainty surrounding the licensing status and requirements for Raduga, which accounted for less than 0.5% of Group net sales in 2013. The Group continues to invest in content, new channels and the development of its satellite platforms, and to enter new markets, including Turkey most recently. The Group expects segment profitability levels to rise for the full year 2014.

MTG Studios, MTGx, Radio The Group's content production and distribution businesses have been significantly enlarged with the acquisition of Novemberfilm, DRG and Nice Entertainment Group. MTG therefore expects higher revenue growth and profitability levels for its MTG Studios business in 2014. MTG also launched its MTGx digital development business in June 2013, in order to accelerate its overall digital development. The operation is being established with its personnel and other costs being accounted for centrally, while the majority of the online video on demand and other revenues and costs are accounted for in the local operations.

Financial position The Group converts a high proportion of its earnings into cash due to its asset light model. The Group continues to report associated company income and receive dividend payments from its 38% shareholding in CTC Media, in line with the Company's stated objectives and outlook. The Group has low levels of net debt when compared to its EBITDA generation, and has further optimised its borrowing structures to provide even greater flexibility moving forward 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, divided into business operations and financial 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 adapt to new rapidly developed innovations related to technologies and distribution platforms, and achieve widespread distribution. The Company currently depends on a number of third-party cable TV and IPTV operators for the distribution of programming representing a significant proportion of its revenues.

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

Economical and political risks Some of the Company's revenue-generating operations are located in emerging markets in Central and Eastern Europe, Russia, Ukraine and Africa. These markets present different and higher risks compared to those posed by investments in developed markets. The economic and political systems, legal and tax regimes, and standards of corporate governance and business practices in these regions continue to develop. Government regulations may be subject to significant adjustments, especially in the event of a change in political leadership. Other potential risks inherent in markets with evolving economic and political environments include inadequate protection of foreign investments or intellectual property rights, exchange controls, higher tariffs and other levies as well as longer payment cycles. Further, MTG has only limited control over its associated companies, companies which in turn is exposed to economic and political risks. Further, expansion into new markets results in an increased exposure to foreign currencies. Substantial foreign exchange rate movements increase the risk of adverse impact on the Group's income statement, financial position and cash flows. MTG hedges the main part of its US dollar, Euro, British pound, Russian Rouble and Swiss franc denominated contracted outflow on a maximum of 36 month forward basis, in order to reduce the impact of short-term currency translation effects on the Group's cost base. The Group's equity is not hedged.

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

In April 2013, the European Commission (the "Commission") published a Green Paper on the convergence of audiovisual media services. The Green Paper does not presuppose any action but possible follow-ups could include regulatory and policy responses, including, in the longer term, a revision of the Audiovisual Media Services Directive.

In December 2013, the Commission launched a public consultation on the review of EU copyright rules.

In 2013 a number of territories in which the Group operates proposed, and, in certain cases, implemented, changes to the law relating to the exercise of exclusive broadcasting rights to major sporting and cultural events. Any changes which limit the right to broadcast live sports events could potentially have an adverse impact on the Group's business.

A parliamentary vote on the Commission's Proposal for a new Data Protection Regulation is anticipated in early 2014. Any such Regulation is not anticipated to pose a significant risk to the Group's business.

The long term implications of the decision of the Court of Justice of the European Union (CJEU) in the Airfield/Canal Digitaal v SABAM and Airfield v AGICOA cases relating to the issue of additional rights clearance being required in respect of the transmission of television programmes by satellite remain uncertain.

The implications of: (i) the decision of the CJEU in the joined cases of Football Association Premier League Ltd and Others v. QC Leisure and Others and Karen Murphy v. Media Protection Services Ltd; and (ii) the recently announced investigation by the Commission into pay TV services, relating to the compatibility of measures to enforce exclusive broadcasting rights with EU law could have an adverse effect on the Group's business.

MTG is reliant on having access to financing The Company is exposed to risks associated with disruptions in the financial markets, which could make it 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 increases in the cost of credit. The Groups' existing credit facilities are currently considered sufficient.

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 monitored to ensure compliance with the Group's financial policy. The exposures are described in Note 23 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 from

2013 on the basis of a maximum of 36 months forward. Other transaction exposure is not hedged.

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

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

Financing risk External borrowing is managed centrally in accordance with the Group's financial policies. Loans are primarily taken up by the parent company, and transferred to subsidiaries as internal loans or capital injections. There are also companies, including those where the Group owns a 50% interest, who have external loans and/or overdraft facilities connected directly to these companies.

Refinancing risk The refinancing risk is managed through aiming at diversifying the funding sources and maturity tenors to reduce risk, and by normally initiating refinancing of all loans 12 months prior to maturity.

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

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

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 3,722 (3,191) full time employees at the end of 2013. Details of the average number of employees during the year and the aggregated remuneration for the year are presented in Notes 26 and 27.

Executive Remuneration

The guiding principles below were approved by the 2013 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 27 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 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, competitive and in line with market conditions 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.

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.

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 2013. In 2011 the Board of Directors considered it appropriate to make an exception to the guidelines when entitling one Executive to a potential award of variable remuneration greater than the 75% annual salary cap in the guidelines in the event of significant financial over-performance in the Executive's area of responsibility. The agreement is still valid.

Proposal for 2014 Executive Remuneration guidelines

The Board of Directors will propose to the 2014 Annual General Meeting that the guidelines for 2013 should be applied in 2014 for determining remuneration for the senior executives as well as Directors of the Board to the extent they are remunerated outside their Directorship.

Share-based long-term incentive plans

The Group has three outstanding share-based long-term incentive plans, approved in 2011, 2012 and 2013. For information about these programmes, see Note 27 and MTG's website, www.mtg.se.

Parent Company

Modern Times Group MTG AB (publ.) is the Group's parent company and is responsible for Group-wide management, administration and finance functions. MTG's 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 46 (58) million in 2013. Net interest and other financial items totalled SEK 536 (736) million, and included SEK 68 (75) million of dividends received from subsidiaries. Income before tax and appropriations amounted to SEK 317 (561) million. Income after tax and appropriations amounted to SEK 294 (19) million. The parent company had cash and cash equivalents of SEK 429 (371) million at the end of the period. SEK 4,800 (5,700) 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 2013 (SEK):

Premium reserve	267,111,846
Retained earnings	7,004,024,645
Net profit 2013	293,735,505
Total	**7,564,871,996**

The Board of Directors propose that an increased annual cash dividend of SEK 10.50 (10.00) per share be paid to shareholders for the twelve months ended 31 December 2013, 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 2013 would amount to a maximum of SEK 700,310,216, based on the maximum potential number of outstanding shares as at the record date, and represent 56% (44%) of the Group's net income excluding non-recurring items for the full year 2013.

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 2013, was SEK 22.2 (15.1) billion.

Shareholders The number of shareholders according to the share register held by Euroclear Sweden AB (Swedish Securities Centre) was 18,307 (18,893) at the end of 2013. The shares held by the ten largest shareholders corresponded to 50% (52%) of the share capital and 67% (69%) of the voting rights. Swedish institutions and mutual funds own 61% (60%) of the share capital, international investors own 30% (25%) and Swedish private investors own 9% (15%).

Shareholders as at 31 December 2013

Name	Total	Class A Shares	Class B Shares	Capital	Votes
Investment AB Kinnevik	13,503,856	4,461,691	9,042,165	20.0%	48.0%
Swedbank Robur Funds	4,029,395		4,029,395	6.0%	3.6%
Nordea Funds	3,215,346		3,215,346	4.8%	2.9%
Bank of Norway	2,284,637		2,284,637	3.4%	2.0%
SEB Funds	2,169,273		2,169,273	3.2%	1.9%
AMF Insurance & Funds	1,985,608		1,985,608	2.9%	1.8%
SHB Funds	1,952,275		1,952,275	2.9%	1.7%
Lannebo Funds	1,914,700		1,914,700	2.8%	1.7%
Skandia Liv	1,579,576	110,227	1,469,349	2.3%	2.3%
Fourth AP Fund	1,164,090		1,164,090	1,7%	1.0%
Second AP Fund	977,530		977,530	1.4%	0.9%
Skandia Funds	947,647		947,647	1.4%	0.8%
Enter Funds	833,650		833,650	1.2%	0.7%
Länsförsäkringar	770,759		770,759	1.1%	0.7%
Others	29,294,369	446,573	28,847,796	43.3%	29.8%
Total outstanding shares	**66,622,711**	**5,018,491**	**61,604,220**	**98.5%**	**100.0%**

Source: Euroclear Sweden AB

MTG holds 159,413 Class B shares and 865,000 Class C shares as treasury shares. The total number of issued shares are therefore 67,647,124 including 5,018,491 Class A shares, 61,763,633 Class B shares and 865,000 Class C shares as per 31 December 2013.

Share distribution	Number of shareholders	%	Number of shares	%
1 – 1,000	16,808	91.8	3,070,543	4.6
1,001 – 5,000	1,019	5.6	2,166,539	3.3
5,001 – 10,000	133	0.7	962,555	1.4
10,001 – 50,000	180	1.0	4,279,679	6.5
50,001 – 100,000	63	0.3	4,435,201	6.7
100,001 – 15,000,000	104	0.6	51,690,194	77.6
Total 31 December 2013, outstanding shares	**18,307**	**100.0**	**66,622,711**	**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 2013, 10,189 Class B shares were exercised in the 2010 long term incentive plan, changing the number of outstanding shares to 66,622,711. In 2012, 209,285 Class B shares were exercised in the 2009 long term incentive plan. The total number of voting rights including treasury shares are 112,813,543 (120,557,503) as per 31 December 2013. For changes in the issued shares, please see note 18 Shareholders' equity.

The Group's share capital amounted to SEK 338 (338) million at the end of the year. For changes in the share capital between 2013 and 2012, please see the report entitled "Consolidated statement of changes in equity".

Dividends The parent company paid an ordinary dividend of SEK 10.00 (9.00) per share to shareholders in 2013, amounting to a total payment of SEK 666 (600) million.

Share buy-back The 2013 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 2014 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 in 2013 or 2012.

Issued, reclassified and repurchased shares

Parent company	Class A shares	Class B shares	Class C shares	Total
Number of shares issued 1 January 2012	5,878,931	60,903,193	865,000	67,647,124
Conversion of Class A shares to Class B shares 2013	-860,440	860,440	-	-
Number of shares issued 31 December 2013	**5,018,491**	**61,763,633**	**865,000**	**67,647,124**

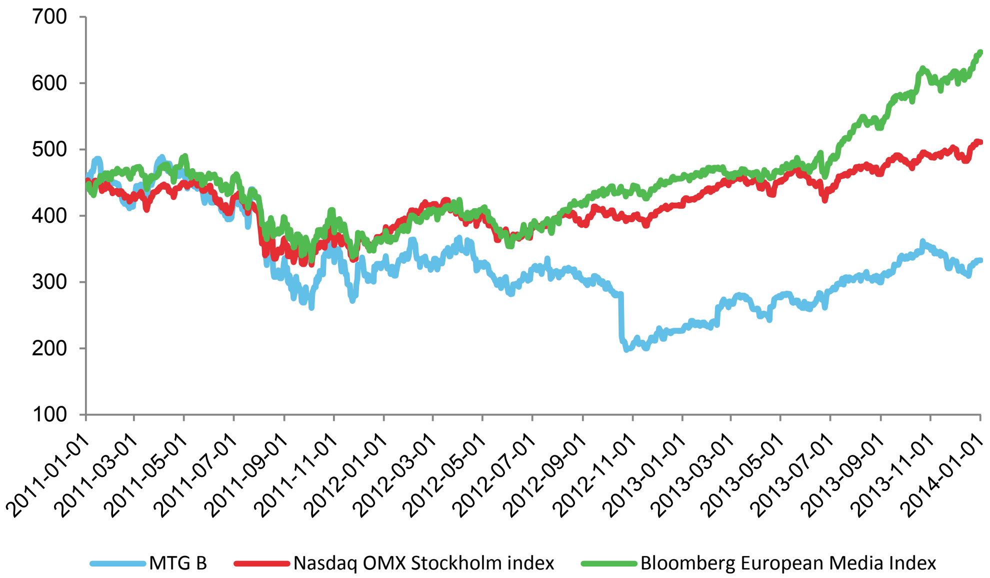
The Class C shares are redeemable and may, upon the decision of the Board of Directors, be reclassified into Class B shares. The quota value is SEK 5.00. The Class C shares were held by the Company as treasury shares during the vesting period for the 2013, 2012, and 2011 long term incentive plans. The purpose of the Class C shares is to hedge the programmes including 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 2014 Annual General Meeting.

Reclassifications In accordance with the Articles of Association, and the Extra General Meeting in 2009, the Board of Directors approved reclassifications of Class A shares to Class B shares in 2013.

Share-based long-term incentive plans If all options granted to senior executives and key employees as at 31 December 2013 were exercised and all shares awarded, the issued share capital of the Company would increase by 373,337 (266,050) Class B shares, and be equivalent to a dilution of 0.6 (0.4) % of the issued capital and 0.3 (0.2)% of the related voting rights as at the end of 2013.

The outstanding 40,600 retention and performance rights granted in the 2011 programme entitle holders to one free Class B share per right, and the outstanding 32,900 performance options have an exercise price of SEK 517.30. The outstanding 69,084 retention and performance rights granted in the 2012 programme entitle holders to one free Class B share per right, and the outstanding 50,341 performance options have an exercise price of SEK 361.70. The outstanding 180,412 share awards granted in the 2013 programme entitle holders to one free Class B share per right. The share price for a MTG Class B share was SEK 333.20 as per 30 December 2013. Further details about the programmes can be found in Note 27.

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.

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 39.

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 2013 financial year will be held on 13 May 2014 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 2013, 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; Marianne Nilsson, Swedbank Robur funds; and Hans Ek, SEB Funds. 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 2014 Annual General Meeting for approval. Shareholders wishing to propose candidates for election to the Modern Times Group MTG AB Board of Directors should submit their proposals in writing.

The Board of Directors as at 31 December 2013 The Board of Directors of Modern Times Group MTG AB comprises seven Non-Executive Directors. The members of the Board of Directors are David Chance, Mia Brunell Livfors, Blake Chandlee, Simon Duffy, Lorenzo Grabau, Michelle Guthrie, and Alexander Izosimov. The Board of Directors and its Chairman, David Chance, were re-elected, and Michelle Guthrie was elected for the first time at the Company's Annual General Meeting of Shareholders on 14 May 2013. Cristina Stenbeck and Michael Lynton declined a re-election at the Annual General Meeting. Biographical information on each Board member is provided on pages 53–55 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.

CR Advisory Group A CR Advisory Group was established in 2013 to support the Board on corporate responsibility topics. The Group consists of six members including Board Directors Mia Brunell Livfors and Michelle Guthrie.

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 2013

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	No	Yes	Chairman	Member
Michelle Guthrie	Member from 14 May 2013	1965	Australian	2013	Yes	Yes		Member
Alexander Izosimov	Member	1964	Russian	2008	Yes	Yes		Member
Michael Lynton	Member until 14 May 2013	1960	American and British	2009	Yes	Yes		Former Member
Cristina Stenbeck	Member until 14 May 2013	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
- advise the Board on long-term incentive schemes.

Audit Committee The Audit Committee comprises Simon Duffy as Chairman, Lorenzo Grabau, Michelle Guthrie and Alexander Izosimov. 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 27 to the Accounts in this Report. Board members do not participate in the Group's incentive schemes.

Work of the Board during 2013 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 10 meetings during 2013.

Attendance at Board and Committee Meetings

Board of Directors	Board meetings	Remuneration Committee	Audit Committee
Meetings until the Annual General Meeting 14 May 2013	2	2	1
Meetings from the Annual General Meeting 14 May 2013	8	2	3
Total number of meetings	10	4	4
David Chance, Chairman	10/10	4/4	
Mia Brunell Livfors	10/10	4/4	
Blake Chandlee	6/10		
Simon Duffy	10/10		4/4
Lorenzo Grabau	10/10	4/4	3/4
Michelle Guthrie (from 14 May 2013)	8/8		3/3
Alexander Izosimov	10/10		3/4
Michael Lynton (until 14 May 2013)	-/2		1/1
Cristina Stenbeck (until 14 May 2013)	2/2		

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. Joakim Thilstedt, authorised public accountant, is responsible for the audit of the Company on behalf of KPMG since December 2013 and replaced Åsa Wirén Linder, authorised public accountant who has been responsible for the audit of the Company on behalf of KPMG since 2012. 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 2013 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 28 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.

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 56–60 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 2014 are described under the heading Executive Remuneration on pages 36–37.

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 27 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 2011, 2012 and 2013. For information about these programmes, see Note 27 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. David is Chairman of Top Up TV and is a Non-Executive Director of PCCW Limited (Hong Kong) and Chairman of its NOW TV media group. 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 held various managerial positions at Modern Times Group MTG AB from 1992 including Chief Financial Officer from 2001. Mia is a Non-Executive Director of Millicom International Cellular S.A., Tele2 AB, BillerudKorsnas AB and CDON Group AB, and was a member of the Board of H&M Hennes & Mauritz AB between 2008 and 2013. 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 currently serves as Vice President Global Partnerships at Facebook and oversees the relationships with partners across the digital marketing ecosystem. Prior to his current role Blake built out a series of business groups within Facebook since joining the company in 2007 as its first international employee based out London. These teams included the EMEA, APAC, Latam and Emerging market sales and marketing organizations, the Global Agency team and the Global Account teams serving the world's largest agency holding companies and largest global accounts. Prior to Facebook Blake was a Vice President at Yahoo and with his last role being Vice President of Yahoo's 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, YouView TV Ltd and mBlox Inc., as well as a Non-Executive Director of Oger Telecom Limited and Wizz Air Holdings Plc. 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 is a Non-Executive Director of Investment AB Kinnevik, Millicom International Cellular SA, CTC Media Inc. and SoftKinetic BV. 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 but not 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.

Michelle Guthrie
Non-Executive Director
Australian

Born 1965. Member of the Board of Directors since 2013. Michelle Guthrie joined Google in Singapore in 2011 and is currently Managing Director, Partner Business Solutions for Japan and Asia Pacific, with responsibility for managing Google's partner monetisation activities across the region. Michelle was Managing Director in the Hong Kong office of global private equity firm Providence Equity between 2007 and 2009, and was a Senior Advisor to Providence Equity between 2009 and 2010. Michelle was the Chief Executive Officer of STAR Group Limited (a wholly-owned subsidiary of News Corporation), Asia's leading media and entertainment company, between 2004 and 2007, and has also worked in legal and business development roles for FOXTEL in Sydney and News International / BSkyB in London. Michelle is a Director of Auckland International Airport Limited and has previously served on the Boards of a number of companies including NASDAQ-listed VeriSign, Inc. and various STAR joint venture companies including Balaji, ESPN STAR Sports, Hathway, China Network Systems, ANTV and Tata Sky. Michelle graduated from Sydney University in Australia.

Member of the Audit Committee.

Direct or related person ownership: 0

Independent of the Company and management and independent of 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. He is also a member of the Boards of Directors of CTC Media, Inc., and the International Emmy Association in New York.

Shareholding in MTG: 17,596 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 heads up the Group's M&A and Strategy departments. He 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.

Shareholding in MTG: 11,675 Class B shares

Irina Gofman

Executive Vice President of the Group's Russian & CIS broadcasting operations
Born 1970

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

Shareholding in MTG: 11,501 Class B shares

Marek Singer

Executive Vice President of the Group's Central European broadcasting operations
Born 1968

Marek was appointed as Executive Vice President of the Group's Central European Broadcasting operations in January 2013. Marek has responsibility for the Group's free-TV operations in Estonia, Latvia, Lithuania, the Czech Republic, Bulgaria and Hungary, as well as the Group's pay-TV and radio operations in the Baltic countries. Marek was CEO and a Board member of the TV Prima free-TV operations in the Czech Republic, of which the Group owns 50%, from 2008 until his appointment to MTG's Executive Management team in January 2013. He continues as Chairman of the Board of TV Prima. Before joining TV Prima, Marek worked in various sales and marketing director positions at Mars in the CEE region and Unilever in the UK and USA.

Shareholding in MTG: 0

Joseph Hundah

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

Joseph was appointed as Executive Vice President 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 free-TV channels Viasat1 Ghana and TV1 in Tanzania, Modern African Productions, and the distribution of MTG's Viasat documentary channels on third party broadcast networks in five African countries.

Shareholding in MTG: 0

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: 1,500 Class B shares

Rikard Steiber

Executive Vice President and Chief Digital Officer
Born 1969

Rikard was appointed as Executive Vice President and Chief Digital Officer in February 2013. He is the CEO of MTGx, the Group's digital accelerator. Prior to joining MTG, he worked at Google for 6 years where his roles included Director of Product Marketing for Europe, the Middle East and Africa and subsequently Global Marketing Director for Google's Mobile & Social Advertising business. During his time at Google, Rikard oversaw the launch and ongoing marketing of products including Google+, Search, YouTube, Android, Chrome, Maps, Apps, Adwords, Analytics, DoubleClick and AdSense. Ahead of joining Google, Rikard was CEO and co-founder of XLENT Strategy and Digiscope Consulting in Stockholm and one of the co-founders of Scandinavia Online AB. He also had managerial positions at Telia and Procter & Gamble. He is a graduate from SDA Bocconi, Italy and Chalmers University of Technology, Sweden.

Shareholding in MTG: 1,200 Class B shares

Jette Nygaard-Andersen

Executive Vice President of the Group's Nordic pay-TV broadcasting operations
Born 1968

Jette Nygaard-Andersen was appointed as Executive Vice President of the Group's Nordic pay-TV broadcasting operations in June 2013. Jette directs and oversees the management of MTG's pay-TV operations across the Nordic region, which include the Viasat pay-TV channels, the Viasat satellite pay-TV platform, Viasat's offering in third party networks and the Viaplay online pay-TV service. Jette has worked for MTG since 2003 and has been CEO of Viasat Denmark since 2011. Jette also served as acting CEO of the Group's Nordic pay-TV broadcasting operations between October 2012 and March 2013. Before joining MTG, Jette was a strategy management consultant at Accenture working within the Telecommunications & Media industry, and also held positions at the Maersk Group. Jette graduated with an M.Sc in Business, Finance and Economics from the University of Copenhagen.

Shareholding in MTG: 1,107 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

Matthew Hooper

Executive Vice President of Corporate Communications
Born 1970

Matthew was appointed as Executive Vice President of Corporate Communications in February 2013 with responsibility for the planning and implementation of MTG's corporate communications activities including public relations, investor relations, government relations and internal communications. He joined MTG in October 2011 as Group Head of Corporate Communications and Planning, prior to which he was the co-Founder and Managing Partner of Shared Value Limited, the international corporate communications consulting firm. He was also a Board Director of Shandwick Consultants Limited, a division of the then publicly listed Shandwick global marketing and communications group. Matthew is a Masters graduate of Oxford University.

Shareholding in MTG: 1,437 Class B shares

Financial statements

Consolidated income statement

(SEK million)	Note	2013	2012
Net sales	3	14,129	13,336
Cost of goods and services		-8,519	-7,898
Gross income		**5,610**	**5,438**
Selling expenses		-1,575	-1,321
Administrative expenses		-2,693	-2,356
Other operating income	5	11	68
Other operating expenses	5	-199	-134
Share of earnings in associated companies	6	584	429
Operating income	3, 4, 5, 6, 7, 8, 11, 12, 25, 27, 28, 29	**1,738**	**2,124**
Result from financial assets	9	-13	-6
Financial income	9	131	55
Financial costs	9	-130	-138
Income before tax		**1,726**	**2,034**
Tax expenses	10	-558	-440
Net income for the year		**1,168**	**1,594**
Attributable to:			
Equity holders of the parent		1,092	1,526
Non-controlling interest		76	68
Net income for the year		**1,168**	**1,594**
Basic earnings per share (SEK)	18	16.39	22.93
Diluted earnings per share (SEK)	18	16.37	22.87

Consolidated statement of comprehensive income

(SEK million)	Note	2013	2012
Net income for the year		1,168	1,594
Other comprehensive income			
Items that are or may be reclassified to profit or loss net of tax:			
Change in currency translation differences		-141	-123
Cash flow hedge		15	-31
Revaluation of shares at market value		0	0
Share of other comprehensive income of associates		-76	27
Other comprehensive income for the year, net of tax	10, 19	**-202**	**-126**
Total comprehensive income for the year		**966**	**1,468**
Attributable to:			
Equity holders of the parent		900	1,401
Non-controlling interest		66	67
Total comprehensive income for the year		**966**	**1,468**

Consolidated statement of financial position

(SEK million)	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Intangible assets	11		
Capitalised expenditure		82	58
Trademarks		632	502
Licenses and beneficial rights		128	16
Goodwill		3,463	2,866
Total intangible assets		**4,304**	**3,441**
Tangible assets	12		
Machinery		130	98
Equipment, tools and installations		345	240
Total tangible assets		**475**	**338**
Long-term financial assets			
Shares in associated companies	6, 13	1,986	1,940
Receivables on associated companies		12	18
Shares and participation in other companies	13	37	48
Deferred tax asset	10	61	69
Other long-term receivables		295	244
Total long-term financial assets		**2,392**	**2,318**
Total non-current assets		**7,171**	**6,098**
Current assets			
Inventories			
Finished goods and merchandise		59	53
Program rights		1,746	1,566
Advances to suppliers		9	6
Total inventories		**1,813**	**1,626**
Current receivables			
Accounts receivables	15	1,671	1,464
Accounts receivables, associated companies		9	5
Tax receivables		164	108
Other current receivables, interest-bearing		28	22
Other current receivables, non interest-bearing		221	105
Prepaid expense and accrued income		2,305	1,517
Total current receivables		**4,397**	**3,221**
Cash and cash equivalents	17, 23		
Cash and bank		769	748
Total cash and cash equivalents		**769**	**748**
Total current assets		**6,979**	**5,595**
Total assets		**14,150**	**11,692**

(SEK million)	Note	31 December 2013	31 December 2012
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	19		
Share capital		338	338
Other paid-in capital		1,797	1,797
Reserves		-534	-418
Retained earnings including net income for the year		3,535	3,229
Total equity attributable to equity holders of the parent company		**5,136**	**4,946**
Non-controlling interest			
Non-controlling interest		159	188
Total equity		**5,295**	**5,134**
Non-current liabilities	23		
Interest-bearing			
Liabilities to financial institutions		1,779	903
Other interest-bearing liabilities		23	30
Total non-current interest-bearing liabilities		**1,801**	**934**
Non-interest bearing			
Non-interest bearing liabilities		181	206
Deferred tax liability	10	326	291
Provisions	20	467	320
Total non-current non-interest bearing liabilities		**974**	**817**
Total non-current liabilities		**2,775**	**1,751**
Current liabilities	23		
Interest-bearing			
Liabilities to financial institutions		51	50
Other interest-bearing liabilities		22	40
Total current interest-bearing liabilities		**73**	**90**
Non-interest-bearing			
Advances from customers		70	76
Accounts payable		1,716	1,079
Tax liability		258	232
Other liabilities		346	326
Accrued expense and prepaid income		3,617	3,005
Total current non-interest bearing liabilities		**6,007**	**4,718**
Total current liabilities		**6,080**	**4,808**
Total liabilities		**8,855**	**6,558**
Total equity and liabilities		**14,150**	**11,692**

For information about pledged assets and contingent liabilities, see note 22.

Consolidated statement of changes in equity

(SEK million) Note 19	Share capital	Paid-in capital	Trans-lation reserve	Hedging reserve	Fair value reserve	Revalu-ation 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 2012	**338**	**1,797**	**-304**	**51**	**0**	**-12**	**2,259**	**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**	**-426**	**20**	**0**	**-12**	**3,229**	**4,946**	**188**	**5,134**
Net income for the year							1,092	1,092	76	1,168
Other comprehensive income for the year			-132	15	0		-76	-192	-9	-202
Total comprehensive income for the year 2013			**-132**	**15**	**0**		**1,016**	**900**	**66**	**966**
Dividends to shareholders (SEK 10,00 per share)							-666	-666		-666
Dividends to shareholders with non-controlling interests								0	-98	-98
Change in non-controlling interest								0	3	3
Share of option changes in equity of associates							-62	-62		-62
Effect of employee share option programmes							18	18		18
Balance as of 31 December 2013	**338**	**1,797**	**-557**	**35**	**0**	**-12**	**3,535**	**5,136**	**159**	**5,295**

Consolidated statement of cash flow

(SEK million)	Note	2013	2012
Cash flow from operations			
Net income for the year		1,168	1,594
Adjustments to reconcile net income/loss to net cash provided by operations	24	172	60
Cash flow from operations		**1,340**	**1,655**
Changes in working capital			
Increase (-)/decrease (+) inventories		-183	-29
Increase (-)/decrease (+) other current receivables		-802	271
Increase (+)/decrease (-) accounts payable		594	-121
Increase (+)/decrease (-) other current liabilities		270	140
Total change in working capital		**-120**	**261**
Net cash flow from operations		**1,220**	**1,915**
Investment activities			
Investment in tangible and intangible assets		-319	-144
Acquisitions of shares in subsidiaries and associated companies	4	-905	-315
Sales of shares and securities		-	24
Sale of Bet 24 business		-	84
Cash flow to investing activities		**-1,224**	**-351**
Financing activities			
Borrowings		6,066	2,877
Loan amortisations		-5,190	-3,489
Repayment other long-term receivables		11	33
Repayment non-interest-bearing liabilities		-25	-
Dividends to shareholders		-666	-600
Dividends to shareholders with non-controlling interest		-98	-96
Cash flow from/to financing activities		**97**	**-1,274**
Net change in cash and cash equivalents		**92**	**291**
Cash and cash equivalents at beginning of year		**748**	**470**
Translation differences in cash and cash equivalents		-71	-12
Cash and cash equivalents at end of year		**769**	**748**

Parent company income statement

(SEK million)	Note	2013	2012
Net sales		46	58
Gross income		**46**	**58**
Administrative expenses		-264	-232
Operating loss	11, 12, 25, 27, 28	**-219**	**-175**
Interest revenue and other financial income	9	739	978
Interest expense and other financial costs	9	-271	-318
Results from shares in subsidiaries	9	68	75
Income before tax and appropriations		**317**	**561**
Appropriations		54	-562
Income before tax		**372**	**-1**
Tax expenses	10	-78	20
Net income for the year		**294**	**19**

Parent company statement of comprehensive income

(SEK million)	Note	2013	2012
Net income for the year		294	19
Other comprehensive income			
Items that are or may be reclassified to profit or loss net of tax:			
Revaluation of shares at market value	13	0	0
Other comprehensive income for the year, net of tax		**0**	**0**
Total comprehensive income for the year		**294**	**19**

Parent company balance sheet

(SEK million)	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Intangible assets	11		
Capitalised expenditure		0	0
Total intangible assets		**0**	**0**
Tangible assets	12		
Equipment, tools and installations		2	2
Total tangible assets		**2**	**2**
Long-term financial assets			
Shares and participations in Group companies	13	6,397	3,676
Receivable from Group companies	14	421	1,208
Shares and participations in other companies	13	1	1
Deferred tax asset	10	-	8
Other long-term receivables	14	-	-
Total long-term financial assets		**6,819**	**4,893**
Total non-current assets		**6,821**	**4,896**
Current assets			
Current receivables			
Accounts receivable		0	-
Receivable from Group companies		13,116	13,009
Tax receivables		65	29
Other receivables		29	60
Prepaid expense and accrued income	16	2	1
Total current receivables		**13,213**	**13,099**
Cash and cash equivalents			
Cash and cash equivalents	17, 23	429	371
Total cash and cash equivalents		**429**	**371**
Total current assets		**13,642**	**13,470**
Total assets		**20,463**	**18,366**

(SEK million)	Note	31 December 2013	31 December 2012
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	19		
Restricted equity			
Share capital (67,647,124 shares)		338	338
Total restricted equity		**338**	**338**
Non-restricted equity			
Premium reserve		267	267
Fair value reserve		0	0
Retained earnings		7,004	7,640
Net income for the year		294	19
Total non-restricted equity		**7,565**	**7,926**
Total shareholders´ equity		**7,903**	**8,264**
Non-current liabilities			
Interest-bearing			
Liabilities to financial institutions	23	1,779	894
Total non-current interest-bearing liabilities		**1,779**	**894**
Non-interest bearing			
Non-interest bearing liabilities		16	55
Provisions	20	4	1
Total non-current liabilities		**1,798**	**951**
Current liabilities			
Interest-bearing			
Liabilities to Group companies		7,258	8,105
Other interest-bearing liabilities		1	8
Total current interest-bearing liabilities		**7,259**	**8,113**
Non-interest bearing			
Accounts payable		9	7
Liabilities to Group companies		3,388	982
Tax liabilities		59	-
Other liabilities		6	7
Accrued expense and prepaid income	21	40	42
Total current non-interest bearing liabilities		**3,503**	**1,038**
Total current liabilities		**10,762**	**9,151**
Total shareholders´ equity and liabilities		**20,463**	**18,366**
Memorandum items			
Pledged assets		None	None
Contingent liabilities	22	1,332	1,182

Parent company statement of changes in equity

(SEK million)	Note 19	Restricted equity Share capital	Non-restricted equity Premium reserve	Fair value reserve	Retained earnings	Total
Balance as of 1 January 2012		**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**
Net income for the year					294	294
Other comprehensive income for the year:						
Revaluation of shares at market value				0		0
Total comprehensive income 2013				**0**	**294**	**294**
Dividends to shareholders					-666	-666
Effect of employee share option programmes					12	12
Balance as of 31 December 2013		**338**	**267**	**0**	**7,298**	**7,903**

Parent company cash flow statement

(SEK million)	2013	2012
Cash flow from operations		
Net income for the year	294	19
Adjustments to reconcile net income/loss to net cash provided by operations:		
Depreciation	1	0
Group contribution	-54	562
Unrealised change in LTIP schemes value	-12	5
Change in deferred tax	8	-8
Change in provisions	4	-5
Result from sale of financial assets	-	-9
Unrealised exchange difference	-41	-27
Total adjustments to reconcile net income/loss to net cash provided by operations	**-95**	**518**
Cash flow from operations	**199**	**537**
Changes in working capital		
Increase (-)/decrease (+) short-term receivables	-114	309
Increase (+)/decrease (-) accounts payable	3	-4
Increase (+)/decrease (-) other liabilities	-259	220
Total changes in working capital	**-371**	**524**
Net cash flow from/to operations	**-171**	**1,061**
Investment activities		
Investment in shares in subsidiaries	-	0
Investments in tangible non-current assets	-1	-3
Proceeds from sale of shares	-	24
Cash flow to investing activities	**-1**	**21**
Financing activities		
Receivables/liabilities from Group companies	26	425
Dividends to shareholders	-666	-600
Other long-term liabilities	-14	-3
Borrowings	6,074	2,871
Loan amortisation	-5,190	-3,500
Cash flow from financing activities	**230**	**-806**
Net change in cash and cash equivalents	**58**	**275**
Cash and cash equivalents at beginning of year	**371**	**96**
Cash and cash equivalents at end of year	**429**	**371**

Notes to the accounts

Figures in SEK million unless otherwise specified

Note 1 Accounting and valuation principles

Modern Times Group MTG AB (publ.) (MTG) is a company domiciled in Sweden. The Company's registered office is located at Skeppsbron 18, P.O. Box 2094, SE-103 13 Stockholm, Sweden. The consolidated financial statements of the Company for the year ended 31 December 2013 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 26 March 2014. 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 13 May 2014.

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 2012 Annual Report with the exception of the presentation of other comprehensive income, which, in accordance to the amendments of IAS 1 Presentation of Financial Statements, is divided between items that cannot be reclassified and those that could be reclassified to profit or loss. Other comprehensive income for the Group comprises only items that could be reclassified to profit or loss.

IFRS 13 Fair Value Measurement, which is a standard that establishes a single definition of fair value and related disclosure requirements is applied as from 2013.The standard have a limited effect on the disclosures in the Group's annual report.

As a result of the deregistration of MTGs Class B shares with the United States Securities and Exchange Commission (the 'SEC') in the U.S,, comparative figures are, from 2013, presented for one single year.

New and amended Accounting standards and interpretations after 2013 The Group has not made any early adoptions of new or changed Accounting standards and interpretations effective after 31 December 2013.

The following new standards and amendments have been issued but are not effective for the financial year 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 new standard is not considered to have any impact on which companies that will be consolidated in the group accounts. The standard is effective for annual periods beginning on or after 1 January 2014.

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 used for the consolidation of Raduga until 2013 and TV2 Sport (until 2012 when the company became a subsidiary), 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.

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.

IFRS 9 Financial instruments This standard addresses the classification and measurement of financial instruments and will probably affect the Group's accounting for its financial assets and liabilities. The Group is yet to assess IFRS 9's full impact. The standard is effective for annual periods beginning on or after 1 January 2018.

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. 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 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.

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%. 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 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. 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
Trademarks	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	Indefinite lives with 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 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.

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 or loss.

Financial assets and liabilities at fair value through profit or 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, Euro, British pounds, Russian roubles and, Swiss francs, is hedged on the basis of a maximum of 36 months forward. 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 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 or prepaid expenses are reported as a memorandum item, note 25. 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.

The remaining 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.

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. For the recurring calculation of social security costs the fair value is re-valued quarterly. Fair value is measured by use of the Black & Scholes' model, taking into consideration the terms and conditions of the allotted financial instruments.

Parent company

The Parent company has prepared the Annual Report according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. RFR 2 involves application of all IFRSs and interpretations endorsed by the European Commission, except where the possibility to apply IFRS is restricted by the Swedish Company Act and due to tax rules.

Classification and presentation The Parent company 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 received and paid are recognized as appropriations in the income statement.

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 11 contain information of the assumptions and the risk factors relating to goodwill impairment. A description of litigations and provisions made are found in note 20.

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

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

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 8 Nature of expenses and 11 Intangible assets.

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 20 Provisions.

Critical accounting judgements 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 the basis of a maximum of 36 months forward, 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** markets and sells 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 38 pay-TV channels via third party pay-TV networks.

• **Free-TV Emerging Markets** is a commercial free-TV broadcaster and comprise a total of 24 free-TV channels in the Baltics, the Czech Republic, Bulgaria, Hungary, Ghana and Tanzania.

• **Pay-TV Emerging Markets** markets and sells 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 34 channels via third party pay-TV networks to subscribers in 32 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.

• The Group's **MTG Studios, MTGx and Radio businesses** constitue the sixth segment, which, until May 2012, included Bet24. These businesses are reported as one segment due to their size. MTG Studios comprise the Group's content production businesses in Scandinavia, Europe and Africa. DRG and Novemberfilm were acquired in June 2013, and Nice Entertainment Group on 1 November 2013. MTGx develops digital products for the whole Group.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. Bet24 operated in the betting and gaming business, but the business was sold in May 2012.

The stated figures for 2013 and 2012 are based on the same operational structure.

	External sales		Operating income	
(SEK million)	2013	2012	2013	2012
Free-TV Scandinavia	3,929	3,989	668	793
Pay-TV Nordic	5,152	4,892	619	848
Free-TV Emerging Markets	2,441	2,030	215	156
Pay-TV Emerging Markets	1,146	1,062	129	144
Associated company CTC Media	-	-	586	429
Other and eliminations	153	55	-34	-33
Total Viasat Broadcasting	12,820	12,028	2,184	2,336
MTG Studios, MTGx, Radio	1,295	1,282	-49	6
Group central operations	14	26	-250	-219
Total Group before impairment charges and non-recurring costs	**14,129**	**13,336**	**1,885**	**2,124**
Asset impairment charges and non-recurring costs	-	-	-147	-
Total Group	**14,129**	**13,336**	**1,738**	**2,124**

The impairment charge relate to Raduga, a joint venture within Pay-TV Emerging Markets.

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

	Internal sales	
(SEK million)	2013	2012
Free-TV Scandinavia	181	168
Pay-TV Nordic	183	195
Free-TV Emerging Markets	4	5
Pay-TV Emerging Markets	-	-
Other and eliminations	1,213	1,027
Total Viasat Broadcasting	1,582	1,396
MTG Studios, MTGx, Radio	242	136
Group central operations	224	213
Total internal sales	**2,047**	**1,745**

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)	2013	2012	2013	2012
Free-TV Scandinavia	2,605	2,051	2,139	1,805
Pay-TV Nordic	2,594	2,290	3,124	3,129
Free-TV Emerging Markets	2,684	2,475	1,025	816
Pay-TV Emerging Markets	667	798	288	336
Associated company CTC Media	1,931	1,903	-	-
Other and eliminations	-297	62	-331	-665
Total Viasat Broadcasting	10,184	9,579	6,245	5,420
MTG Studios, MTGx, Radio	2,647	1,317	1,077	610
Group central operations	1,112	899	436	418
Total	**13,943**	**11,795**	**7,758**	**6,448**
Eliminations	-1,197	-1,126	-1,197	-1,126
Unallocated assets/liabilities	1,404	1,023	2,294	1,236
Total	**14,150**	**11,692**	**8,855**	**6,558**

	Capital expenditure		Depreciation and amortisation	
(SEK million)	2013	2012	2013	2012
Free-TV Scandinavia	100	16	29	25
Pay-TV Nordic	56	46	37	26
Free-TV Emerging Markets	38	29	37	44
Pay-TV Emerging Markets	6	5	5	6
Other and eliminations	58	15	42	17
Total Viasat Broadcasting	258	111	150	118
MTG Studios, MTGx, Radio	48	30	35	24
Group central operations	13	4	5	4
Total	**319**	**144**	**190**	**146**

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)	2013	2012	2013	2012
Sweden	4,630	4,511	1,282	1,186
Denmark	3,072	3,002	134	120
Baltics, Czech Republic, Bulgaria	2,656	2,225	1,260	1,238
Norway	2,314	2,396	718	791
Rest of Europe	1,330	1,157	1,381	435
Other regions	127	44	5	9
Total	**14,129**	**13,336**	**4,779**	**3,779**

External sales by type of product/service (SEK million):	2013	2012
Advertising revenue	6,156	5,590
Subscription revenue	6,663	6,579
Business-to-business/Consumer revenue	1,310	1,167
Total	**14,129**	**13,336**

Note 4 Operations acquired

Acquired operations 2013 (SEK million)	Nice	Other	Total
Cash paid	507	178	685
Contingent consideration, non-paid	7	-	7
Options at fair value, non-paid	16	25	41
Total consideration	**530**	**202**	**732**
Recognized amounts of identifiable assets and liabilities			
Property, plant and equipment	22	3	25
Intangible assets	237	47	284
Shares in associated companies	13	-	13
Inventories	14	-	14
Trade and other receivables	211	174	386
Cash and cash equivalents	32	22	54
Borrowings	-234	-71	-305
Deferred tax receivables/liabilities	-19	-10	-30
Provisions	-24	-	-24
Trade and other payables	-280	-224	-504
Net identifiable assets and liabilities	**-28**	**-59**	**-87**
Goodwill	**558**	**261**	**818**
Total consideration	**530**	**202**	**732**

Cash consideration (SEK million)			
Cash paid	507	178	685
Cash and cash equivalents	-32	-22	-54
Borrowings	204	71	275
Total cash consideration	**679**	**227**	**905**

Acquisition of Nice Entertainment Group, Finland

The Group acquired 86.78% of the shares in Nice Entertainment Group OY on 31 October 2013. In December 2013 another 7.42% was acquired, and the Group now owns 94.2% in total. Nice is the largest independent group of TV production companies in the Nordic region, and comprises market leading TV, event and advertising commercial production businesses. Nice provides its services to all of the major TV broadcasters in the Nordics. Nice is reported within the segment "MTG Studios, MTGx and Radio". The cash consideration was SEK 507 million excluding transaction costs of SEK 10 million. The acquisition gave rise to separately identified intangible assets of SEK 237 million and goodwill of SEK 558 million.

The agreement includes a contingent consideration to be paid in 2014 and 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 EUR 0 to maximum 5 million. The calculated value is approximately 50% of the possible outcome. Further, the agreement includes an option to acquire the remaining 5.8% of the shares in 2017.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 Nice is consolidated without non-controlling interest.

The goodwill comprise future potential customers and programs and synergies as well as the skill of existing employees. The goodwill will not be tax deductible.

Acquisition of other companies

The Group acquired 79.45% of the shares in Digital Rights Group Limited on 13 June 2013. DRG is the UK's leading independent TV rights distribution group, and provides TV producers and broadcasters with international distribution for their rights and programmes. The Group acquired 51% of the shares in Novemberfilm AS on the same day. Novemberfilm is a Norwegian production company. DRG and Novemberfilm are reported within "MTG Studios, MTGx and Radio". The agreements include an option to acquire the remaining shares in 2017 and between 2015 and 2025 respectively. The purchase price is calculated at the present fair value of the companies based on the option clauses in the agreements, and, as a consequence, 100% of the two companies is consolidated without non-controlling interest.

The Group acquired 100% of the shares in Darik Net EAD and the net assets in Net Info.BG EAD in October 2013. Net Info comprise the market leading digital conglomerate in Bulgaria in terms of monthly online reach. Net Info is reported within Free-TV Emerging Markets. The purchase price allocation is preliminary as other steps have followed to finalise the acquisition, which was final as per 31 January 2014.

The cash considerations were SEK 178 million excluding transaction costs of SEK 31 million. The acquisitions gave rise to separately identified intangible assets of SEK 46 million and goodwill of SEK 261 million.

The goodwill comprise future potential synergies as well as the skill of existing employees. The goodwill will not be tax deductible.

Contributions during 2013 from the acquisition date (SEK million):	Nice	Other	Total
Net sales	178	123	301
Net income	-11	3	-8

Group amounts 2013 if the acquisition had occurred on 1 January (SEK million)	Nice	Other	Total
Net sales	14,990	14,361	15,222
Net income	1,141	1,145	1,118

Acquisitions in 2012

Acquired operations 2012 (SEK million)	LNT	Zitius	TV2 Sport	Paprika	Total
Cash paid	59	119	47	26	250
Transfer of assets	-	-	69	-	69
Contingent consideration, non-paid	-	39	-	3	41
Options at fair value, 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 (SEK million)					
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 the 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, which 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.

In December 2013, the Group signed an agreement to sell its shareholding to TeliaSonera AB for a cash consideration that values Zitius at an enterprise value (100%) of SEK 380 million. The transaction is subject to regulatory approval from the Swedish competition authority, and is expected to be finalised during 2014.

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 was 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. A final goodwill of SEK 110 million was recognized in accordance with the above.

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 MTG Studios, MTGx, Radio segment. The cash consideration was EUR 2.4 million excluding transaction costs of SEK 5 million. A final goodwill of SEK 42 million was recognized.

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 is 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	Total
Net sales	13,372	13,411	13,499	13,336	13,610
Net income	1,593	1,604	1,603	1,594	1,612

Note 5 Other operating income and expenses

Other operating income for the Group of SEK 11 (68) million mainly comprise of foreign exchange gains on operating receivables and payables, and, for 2012, the gain from the sale of Bet24 operations and from the acquisition of TV2 Sport of in total SEK 55 million.

Other operating expenses for the Group of SEK 199 (134) million mainly comprise of foreign exchange losses on operating receivables and payables and depreciation.

Note 6 Share of earnings in associated companies

Group (SEK million)	Country	Share capital %	2013	2012
CTC Media, Inc.	USA	38	586	429
Other associated companies			-2	0
Total			**584**	**429**
Tax			-163	-152
Net Income			**422**	**277**

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 is based on the latest available accounts. The figures for CTC Media are based on the interim report of 30 September 2013 and 2012 and the 12 month period then ended.

Group (SEK milion) Totally recorded values in associated companies	2013	2012
Revenues	5,818	5,640
Net income	1,553	436
Assets	6,155	5,943
Liabilities	1,435	1,346

For further information, see also note 13

Note 7 Joint venture companies

Group (SEK million) Totally recorded values in joint venture companies	31 December 2013	31 December 2012
Revenues	113	523
Net income	-16	11
Current assets	18	32
Long-term assets	230	246
Current liabilities	89	82
Long-term liabilities	2	13

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 above, but none of the assets and liabilities, are included in the values for 31 December 2012 above. The assets and liabilities are already included in the Group accounts. The company is fully consolidated from 1 January 2013. Joint venture companies will be accounted for according to the equity method from 1 January 2014.

Note 8 Nature of expenses

Group (SEK million)	2013	2012
Net sales	14,129	13,336
Cost of programmes and goods	-7,671	-6,920
Distribution costs	-1,968	-1,537
Employee benefits expense	-1,964	-1,736
Depreciation and amortisation expense	-189	-147
Asset impairment charges	-149	-15
Other expenses	-1,034	-1,286
Share of earnings in associated companies	584	429
Operating Income	**1,738**	**2,124**

Note 9 Financial items

Group (SEK million)	2013	2012
Result from financial assets at fair value through profit, CDON Group options	-13	-15
Result from financial assets available-for-sale	-	9
Total gain from financial assets	**-13**	**-6**
Interest revenue	69	55
Net exchange rate differences	63	-
Total financial income	**131**	**55**
Interest expenses	-115	-88
Borrowing costs, included in the effective interest	-6	-14
Net exchange rate differences	-	-11
Other	-9	-24
Total financial costs	**-130**	**-138**
Net financial items	**-12**	**-90**

Parent company (SEK million)	2013	2012
Interest revenue from external parties	43	28
Interest revenue from subsidiaries	687	941
Gain from financial assets available-for-sale	-	9
Exchange rate differences	9	-
Other financial revenues	-	0
Total interest revenue and other financial income	**739**	**978**
Interest expense to external parties	-71	-80
Interest expense to subsidiaries	-178	-193
Borrowing costs, included in the effective interest	-6	-14
Exchange rate differences	-	-8
Other	-17	-22
Total interest expense and other financial costs	**-271**	**-318**
Dividends from subsidiaries	68	75
Results from shares in subsidiaries	**68**	**75**
Net financial items	**536**	**736**

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

Note 10 Taxes

Group

Group (SEK million) Distribution of tax expense	2013	2012
Current tax		
Current tax expense	-511	-493
Adjustment for prior years	-35	8
Total	**-547**	**-485**
Deferred tax		
Temporary differences	-12	45
Total	**-12**	**45**
Total income tax expense in the income statement	**-558**	**-440**

Group (SEK million) Reconciliation of tax expense	2013	%	2012	%
Tax/Tax rate in Sweden	-380	-22.0	-535	-26.3
Non-taxable income	38	2.2	167	8.2
Foreign tax rate differential	-34	-2.0	-6	-0.3
Effect of losses carry-forward not previously recognised	-	-	4	0.2
Non-deductible write-down of goodwill	-32	-1.9	-	-
Non-deductible amortisation and write-down of beneficial rights	0	0.0	-	-
Non-deductible expenses	-67	-3.9	-73	-3.6
Losses where no deferred tax was recognised	-37	-2.1	-40	-2.0
Revalued tax losses carry-forward	-	-	13	0.6
Revalued tax losses carry-forward due to change in tax rate	1	0.0	29	1.4
Other permanent effects	-12	-0.7	-6	-0.3
Under/over provided in prior years	-35	-2.0	8	0.4
Effective tax/tax rate	**-558**	**-32.3**	**-440**	**-21.6**

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

Group (SEK million)	31 December 2013	31 December 2012
Deferred tax asset		
Equipment	11	16
Beneficial rights	1	2
Provisions	12	9
Inventory	1	1
Current receivables	-	-1
Current liabilities	3	8
Tax value of tax losses carry forward recognised	34	33
Total	**61**	**69**
Deferred tax liabilities		
Trademarks	168	132
Goodwill	147	147
Current receivables	4	3
Current liabilities	7	9
Total	**326**	**291**
Deferred tax net	**-265**	**-222**

The movements in temporary differences net are explained below:

Group (SEK million)	2013					
	Opening balance 1 January	Deferred tax recognised in the P&L	Acquisition of subsidiary	Other comprehensive income	Translation differences	Closing balance 31 December
Tax losses carry forward	33	3			-2	34
Temporary differences in:						
Goodwill	-147					-147
Equipment	16	-5			-1	11
Intangible assets	-130	0	-47		9	-167
Provisions	9	5			-1	12
Inventory	1	0				1
Current receivables	-4	0				-4
Current liabilities	-1	-15		11		-4
Total	**-222**	**-12**	**-47**	**11**	**4**	**-265**

Group (SEK million)	2012					
	Opening balance 1 January	Deferred tax recognised in the P&L	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**

The Group had recognised tax losses carry forward without expiration date of SEK 152 (145) million at 31 December 2013. The accounts for 2013 and 2012 include deferred tax assets as a tax value of the tax losses carry forward in all countries where it is judged likely that the Group will be able to apply its tax losses carry forward to a taxable surplus. As a consequence, deferred tax assets are not recognised in some countries.

Group (SEK million) Unrecognised tax losses carry-forward by expiry date	2013	2012
2013	-	5
2014	90	96
2015	154	167
2016 and thereafter	174	132
No expiry date	79	6
Total	**496**	**406**

Parent company

The tax losses carry forward of SEK - (39) million recognised in the accounts correspond to the tax rate of 22%. Tax losses carry forward are without expiration date.

Parent company (SEK million) Distribution of tax expenses	2013	2012
Current tax	-59	12
Adjustment for prior years	-10	-
Deferred tax	-8	8
Total tax	**-78**	**20**

Parent company (SEK million)	31 December 2013	31 December 2012
Deferred tax asset (tax losses carry forward)	-	8
Total	**-**	**8**

Parent company (SEK million) Reconciliation of tax expense	2013	%	2012	%
Tax/Tax rate in Sweden	-82	-22.0	2	26.3
Non-deductible expenses	0	-4.6	-1	-11.0
Non-taxable income	15	249.6	24	401.9
Other permanent effects	-11	-183.8	-5	-81.5
Effective tax/tax rate	**-78**	**39.2**	**20**	**335.7**

Note 11 Intangible assets

(SEK million)	Group Capitalised expenditure	Group Trademarks	Group Licenses and beneficial rights	Group Goodwill	Parent company Capitalised expenditure
Acquisitions					
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	-
Sales and disposals 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**
Opening balance 1 January 2013	156	968	325	7,937	53
Investments during the year	52	3	2	0	
Acquisitions through business combinations	2	164	119	819	
Sales and disposals during the year	-1	0	-1	-	
Change in Group structure, reclassifications etc	3	0	0	-1	
Translation differences	0	-14	-11	94	
Closing balance 31 December 2013	**212**	**1,121**	**434**	**8,849**	**53**
Accumulated amortisation and impairment losses					
Opening balance 1 January 2012	-81	-500	-487	-5,246	-53
Sales and disposals during the year	13	6	181	-	-
Amortisation during the year	-20	-2	-12	-	-
Impairment losses during the year	-15	-	-	0	-
Reversal of impairment losses	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**
Opening balance 1 January 2013	-98	-467	-309	-5,071	-53
Sales and disposals during the year	0	-	2	-	
Amortisation during the year	-29	-4	-13	-	
Impairment losses during the year	-1	-2	-	-145	
Change in Group structure, reclassifications etc	-3	0	-1	3	
Translation differences	0	-17	14	-173	
Closing balance 31 December 2013	**-130**	**-490**	**-306**	**-5,386**	**-53**
Book value carried forward					
As per 1 January 2012	34	522	26	2,447	0
As per 31 December 2012	58	502	16	2,866	0
As per 1 January 2013	58	502	16	2,866	0
As per 31 December 2013	82	632	128	3,463	0

Only external expenditures have been capitalised.

Group (SEK million) Amortisation by function	2013	2012
Cost of goods and services	32	26
Administrative expenses	2	2
Other operating expenses	11	6
Total	**46**	**35**

Group (SEK million) Impairment losses by function (SEK million)	2013	2012
Cost of goods and services	3	15
Selling expenses	145	0
Total	**149**	**15**

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

Group (SEK million)	2013	2012
Viasat Film	670	666
Prima Group	766	807
P4 Radio	449	495
Nice	551	-
Ukraine	204	204
Subtotal	**2,640**	**2,172**
Other units	823	695
Total	**3,463**	**2,866**

The changes in goodwill for Prima Group and P4 Radio in 2013 and 2012 are due to translation differences.

Trademarks with indefinite lives included in Trademarks are:

Group (SEK million)	2013	2012
Prima Group	181	191
P4 Radio	249	275
Nice	126	-
Subtotal	**557**	**466**
Other units	75	36
Total	**632**	**502**

The changes in trademark for Prima Group and P4 Radio in 2013 and 2012 are due to translation differences.

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%). 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%) 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 impairment tests are done on a regular basis, annually or when triggered by events. In 2013, based on the ongoing uncertainty and lack of visibility surrounding the licensing status and requirements for Raduga, the Board and the management concluded that all goodwill and other intangible assets had an impairment requirement of in total SEK 147 million, of which SEK 145 million related to goodwill and SEK 2 million to trademark. Raduga is reported in the Pay-TV Emerging Markets segment. The impairment is presented as a separate item in the segment reports, note 3. The discount rate used has been the same as for previous periods.

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 Raduga was 12 per cent before tax in both 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 political risks and general market conditions, which might quickly deteriorate due to a financial crisis such as the on-going euro crisis or crisis due to instability in the financial sector.

The following table shows how the carrying amount relates to the recoverable amount of the Ukraine business. 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. For Ukraine, the political environment could be such a parameter. 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	140
Carrying amount	100
Carrying amount of 100 in relation to recoverable amount in case of increase in the discount rate:	
+ 1 percentage point	123
+ 5 percentage points	42

A change in the discount rate of 2.5 percentage points will result in a relation of the recoverable amount to the carrying amount of 100.

Note 12 Tangible assets

	Group		Parent company
(SEK million)	Machinery	Equipment, tools and installations	Equipment
Acquisitions			
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**
Opening balance 1 January 2013	183	1,047	6
Investments during the year	72	189	-
Acquisitions through business combinations	-	25	-
Divestment during the year	-3	-46	-
Change in Group structure, reclassifications etc	2	0	-
Translation differences	-4	0	-
Closing balance 31 December 2013	**250**	**1,216**	**6**
Accumulated depreciation			
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**
Opening balance 1 January 2013	-85	-807	-3
Divestment during the year	3	39	-
Depreciation during the year	-42	-102	-
Impairment losses during the year	-	0	-
Change in Group structure, reclassifications etc	1	-2	-
Translation differences	3	0	-
Closing balance 31 December 2013	**-120**	**-871**	**-3**
Book value carried forward			
As per 1 January 2012	50	217	-
As per 31 December 2012	98	240	2
As per 1 January 2013	98	240	2
As per 31 December 2013	130	345	2

Group (SEK million) Depreciation by function	2013	2012
Cost of goods and services	65	32
Selling expenses	2	0
Administrative expenses	55	44
Other operating expenses	22	35
Total	**144**	**112**

Group (SEK million) Impairment losses by function	2013	2012
Cost of goods and services	0	0
Total	**0**	**0**

Note 13 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	6,023
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						**6,397**

Direct and indirect ownership in subsidiaries 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 Broadcasting S.A.		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
MTGx International AB	556931-8651	Stockholm	100	100
Viasat AS		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	97	97
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 SA		Senegal	100	100
MTG Broadcasting Nigeria Ltd		Nigeria	100	100
Modern Times Group Uganda Ltd		Uganda	100	100
MTG Kenya Ltd		Kenya	100	100
Nova Broadcasting Group Jsc.		Bulgaria	95	95
Agency Eva Ltd.		Bulgaria	76	76
Darik Net AD		Bulgaria	95	95
VBox EAD		Bulgaria	95	95
Hosting OOD		Bulgaria	81	81
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
MTG Broadcasting CZ, s.r.o.		Czech Republic	100	100
FTV Prima Holding a.s		Czech Republic	50	50
FTV Prima spol s.r.o.		Czech Republic	50	50
TV Produkce, a.s.		Czech Republic	50	50
Česká výrobní s.r.o.		Czech Republic	50	50
Prima On-Line s.r.o.		Czech Republic	50	50
Mediaclub s.r.o.		Czech Republic	50	50
Regio Media a.s.		Czech Republic	50	50
TV Lyra s.r.o.		Czech Republic	30	30

Direct and indirect ownership in subsidiaries 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
Digital Rights Group Limited		United Kingdom	79	79
ID Distribution Ltd		United Kingdom	79	79
C4i Distribution Ltd		United Kingdom	79	79
Zeal Entertainment Ltd		United Kingdom	79	79
IR2 Ltd		United Kingdom	79	79
This Is Your Life Experience Ltd		United Kingdom	79	79
3DRG Ltd		United Kingdom	79	79
Alchemy TV Distribution Ltd		United Kingdom	79	79
Ovation TV Distribution Ltd		United Kingdom	79	79
DRG America Ltd		United Kingdom	79	79
DRG America LLC		USA	79	79
Portman Film and Televison Ltd		United Kingdom	79	79
Click TV Ltd		United Kingdom	79	79
Saigon Productions Ltd		United Kingdom	79	79
Portman Acquisitions Ltd		United Kingdom	79	79
Portman Entertainment Ltd		United Kingdom	79	79
Portman Media Assets Ltd		United Kingdom	79	79
Portman Media Assets (No.2) Ltd		United Kingdom	79	79
Coming Home Ltd		United Kingdom	79	79
Nancherrow Ltd		United Kingdom	79	79
Dancemerit Ltd		United Kingdom	79	79
Portman Productions Ltd		United Kingdom	79	79
An Awfully Big Production Company Ltd		United Kingdom	79	79
NICE Entertainment Group Oy		Finland	94	94
Gong Media Aps		Denmark	94	94
Nice Entertainment Sweden AB	556777-9268	Stockholm	94	94
Titan Television AB	556579-2610	Stockholm	94	94
Nice Drama AB	556783-6704	Stockholm	94	94
Baluba AB	556513-3146	Stockholm	94	94
Baluba Event AB	556590-1492	Stockholm	94	94
Baluba Television AB	556500-4362	Stockholm	94	94
A nice company AS		Norway	94	94
Rakett AS		Norway	94	94
One Big Happy Family AS		Norway	94	94
Monster AS		Norway	94	94
Monster Entertainment AS		Norway	94	94
Monster Scripted AS		Norway	94	94
Monster Format AS		Norway	94	94
Playroom AS		Norway	94	94
Playroom Artist AS		Norway	94	94
Playroom Music AS		Norway	94	94
Playroom Event AS		Norway	94	94
Moskito Group Oy		Finland	94	94
Production House Oy		Finland	94	94
Moskito Television Oy		Finland	94	94
Moskito Sport Oy		Finland	94	94
Moskitonet Oy		Finland	94	94
Grillifilms Oy		Finland	57	57
Production Service Finland Oy		Finland	54	54

Direct and indirect ownership in subsidiaries Parent companies in bold	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG Radio AB	556365-3335	Stockholm	100	100
KiloHertz AB	556444-7158	Stockholm	100	100
Planet 103.9 Södertälje AB	556670-2477	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
Novemberfilm AS		Norway	51	51
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
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
MTG Financing Holding Ltd		Malta	100	100
B24 Marketing Services Ltd		Gibraltar	100	100
Nordic Casino Ltd		Malta	100	100
MTG Financing 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
TV3 Sport A/S		Denmark	100	100
Visat Film A/S		Denmark	100	100
TV3 Sport1 A/S		Denmark	100	100
Selskabet 23092011 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 Holdings S.A.	Luxembourg	50	50
LLC DalGeoCom	Russia	50	50
LLC Raduga 2009	Russia	50	50
LLC Raduga 2011	Russia	50	50

Group (SEK million) Shares in associated companies	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2013	Book value 31 Dec 2012	Market value 31 Dec 2013
CTC Media, Inc.	USA	60,008,800	38	38	1,931	1,903	5,382
Other associated companies					55	37	
Total					**1,986**	**1,940**	

Group (SEK Million) Shares in associated companies	2013	2012
Opening balance 1 January	1,940	1,922
Investments in associated companies	12	4
Investments through acquisitions	14	-
Share of earnings in associated companies	584	429
Share of tax expense in associated companies	-163	-152
Dividend received	-251	-220
Effect of employee share option programmes CTC Media	-62	27
Translation differences	-88	-71
Balance carried forward 31 December	**1,986**	**1,940**

Group (SEK million) Shares and participations in other companies	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2013	Book value 31 Dec 2012	Market value 31 Dec 2013
CDON Group subscription options	Stockholm	8,064,516			34	47	34
Other					3	1	3
Total					**37**	**48**	**37**

In 2013, CDON Group made a new share issue, and the number of shares that could be converted from the loan was recalculated.

Parent company (SEK million) Shares and participations in other companies	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2013	Book value 31 Dec 2012	Market value 31 Dec 2013
Other					1	1	1
Total					**1**	**1**	**1**

Parent company (SEK million) Shares and participation	2013	2012
Accumulated acquisition values		
Opening balance 1 January	3,676	3,676
Internal sale of subsidiaries	-	0
Shareholders' contribution	2,721	-
Closing balance 31 December	**6,397**	**3,676**

The shareholder contribution in 2013 was made to MTG Publishing AB.

Group (SEK million) Shares and participation in other companies	2013	2012
Accumulated acquisition values		
Opening balance 1 January	47	116
Sale of warrants and shares in Metro	-	-68
Investments in shares in other companies through acquisitions	3	-
Total acquisition values	**50**	**47**
Accumulated fair value revaluations		
Opening balance 1 January	1	-44
Revaluation available-for-sale during the year	-	61
Revaluation fair value through profit and loss during the year	-13	-15
Total fair value revaluations	**-13**	**1**
Closing balance 31 December	**37**	**48**

Parent company (SEK million) Shares and participation in other companies	2013	2012
Accumulated acquisition values		
Opening balance 1 January	1	69
Sale warrants and shares in Metro	-	-68
Total acquisition values	**1**	**1**
Accumulated fair value revaluations		
Opening balance 1 January	0	-61
Revaluation available-for-sale during the year	-	61
Total fair value revaluations	**0**	**0**
Closing balance 31 December	**1**	**1**

In 2012, the parent company sold the shares and warrants 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.

Note 14 Long-term receivables

Parent company (SEK million) Long-term Group receivables	2013	2012
Opening balance 1 January	1,208	12,593
New lending	425	953
Re-payments	-1,211	-
Reclassification to short-term receivables	-	-12,339
Closing balance 31 December	**421**	**1,208**

Parent company (SEK million) Long-term External receivables	2013	2012
Opening balance 1 January	-	7
Payments	-	-7
Closing balance 31 December	**-**	**-**

Note 15 Accounts receivables

Group (SEK million)	31 December 2013	31 December 2012
Accounts receivable		
Gross accounts receivable	1,829	1,617
Less allowances for doubtful accounts	-158	-154
Total	**1,671**	**1,464**
Allowance for doubtful accounts		
Opening balance 1 January	154	182
Provision for potential losses	32	40
Actual losses	-13	-49
Reversed write-offs	-15	-16
Translation differences	1	-3
Closing balance 31 December	**158**	**154**
Receivables due without provisions for bad debt		
< 30 days	393	180
30-90 days	115	133
> 90 days	15	13
Total	**522**	**326**
Receivables due with provisions for bad debt		
> 90 days	158	154
Total	**158**	**154**

Note 16 Prepaid expense and accrued income

Parent company (SEK million)	31 December 2013	31 December 2012
Prepaid insurance premium	1	0
Other	1	1
Total	**2**	**1**

Note 17 Cash and cash equivalents

Group (SEK million)	31 December 2013	31 December 2012
Bank balances	769	748
Deposits	-	0
Total	**769**	**748**

Parent company (SEK million)	31 December 2013	31 December 2012
Bank balances	429	371
Total	**429**	**371**

Note 18 Earnings per share

(SEK million)	2013	2012
Earnings per share before dilution		
Net income for the year attributable to equity holders of the parent company	1,092	1,526
Net income for the year attributable to equity holders of the parent company, total Group	**1,092**	**1,526**
Shares outstanding on 1 January	66,612,522	66,403,237
Effect from stock options exercised	7,146	143,919
Weighted average number of shares, basic	**66,619,668**	**66,547,156**
Basic earnings per share, SEK	16.39	22.93
Diluted earnings per share		
Net income for the year attributable to equity holders of the parent company	1,092	1,526
Effect from dilution in associated companies (CTC Media)	0	0
Diluted net income for the year attributable to the equity holders of the parent company	**1,092**	**1,526**
Weighted average number of shares, basic	66,619,668	66,547,156
Effect from stock options and performance rights and options	77,851	172,021
Weighted average number of shares, diluted	**66,697,519**	**66,719,177**
Diluted earnings per share, SEK	16.37	22.87

Potentially dilutive instruments

Modern Times Group MTG AB has outstanding long-term incentive plans. For the share options, the calculation of the potential dilution is 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 2013, 2012 and 2011 programs. Further, the Company has outstanding programmes, where the strike price or performance are not yet achieved. These rights and options might be diluting in the future. As per 31 December 2013 these amounted to 373,337 (266,050).

Note 19 Shareholders' equity

Parent company Shares issued	Number of shares paid	Quota value (SEK million)
MTG Class A	5,018,491	25
MTG Class B	61,763,633	309
MTG Class C	865,000	4
Total number of shares issued/total quota value as per 31 December 2013	**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
Number of shares issued 1 January 2012	**5,878,931**	**60,903,193**	**865,000**	**67,647,124**
Conversion of Class A shares to Class B shares 2013	-860,440	860,440	-	-
Number of shares issued 31 December 2013	**5,018,491**	**61,763,633**	**865,000**	**67,647,124**

Out of the totally issued shares, 159,413 Class B shares and 865,000 Class C shares are held as treasury shares.

Parent company (SEK)	2013	2012
Proposed/decided cash dividends	**10.50**	**10.00**

The Board of Directors propose to the Annual General Meeting 2014 an ordinary dividend of SEK 10.50 (10.00) per share, which corresponds to 56% (44)% of this year's net income excluding non-recurring items. The total proposed dividend payment would amount to a maximum of 700,310,216, 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 2013 and 2012. The mandate was not utilised in 2013 or 2012.

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

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

Group (SEK million)	2013	2012
Opening balance, 1 January	-426	-304
This year's translation differences, net of tax	-132	-122
Realised accumulated translation differences by sale of shares in Group companies	-	-
Total accumulated translation differences, 31 December	**-557**	**-426**

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)	2013	2012
Opening balance, 1 January	20	51
Recognised in other comprehensive income	15	-31
Recognised in the income statement	22	-92
Transferred to the acquisition value of item hedged (inventory program rights)	-21	92
Closing balance, 31 December	**35**	**20**

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 company (SEK million)	2013	2012
Opening balance, 1 January	0	0
Recognised in other comprehensive income	0	0
Closing balance, 31 December	**0**	**0**

Revaluation reserve

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

Group (SEK million)	2013	2012
Opening balance, 1 January	-12	-12
Closing balance, 31 December	**-12**	**-12**

Retained earnings

Retained earnings comprise of previously earned income.

Non-controlling interest

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

Note 20 Provisions

Group (SEK million)	Royalties and other provisions	Pension provisions	Total
Opening balance, 1 January 2012	**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**
Provisions during the year	254	-	254
Utilised during the year	-104	0	-104
Reversed during the year	-3	-	-3
Translation differences	0	-1	-1
Closing balance, 31 December 2013	**459**	**8**	**467**

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 plans relate to a few employees and represent limited values. 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 4 (1) million.

Note 21 Accrued expense and prepaid income

Parent company (SEK million)	31 December 2013	31 December 2012
Accrued personnel costs	31	31
Accrued interest costs	1	1
Accrued professional fees	7	7
Other	1	3
Total	**40**	**42**

Note 22 Pledged assets and Contingent liabilities

Group (SEK million) Contingent liabilities	31 December 2013	31 December 2012
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 contingent liabilities.

There are no pledged assets in 2013 and 2012.

Parent company (SEK million) Contingent liabilities	31 December 2013	31 December 2012
Guarantees subsidiaries	1,332	1,182
Total	**1,332**	**1,182**

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

Note 23 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 the Financial Policy adopted by MTG's Board of Directors.

The Group's financial policy constitutes a framework of guidelines and rules for financial risk management and financial activities in general. The policy is subject to a yearly review. The Group's financial risks are continuously compiled and followed up at corporate level by 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 are 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 Group shall aim to diversify the funding sources and maturity tenors to reduce the refinancing risk. The Group shall at all times strive for a credit rating valuation equal to investment grades. The refinancing risk is limited partly through having loans with a number of financial institutions, partly by initiating refinancing of all loans normally 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 December 2013, the Group arranged a new SEK 5,500 million five-year multi-currency facility and a new SEK 1,000 million term loan replacing its existing SEK 6,500 million five year revolving multi-currency credit facility. The term loan has a maturity of two years. The facility is unsecured, with no required amortisations, as was the former facility. The replaced facility was available until October 2015. 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 the covenants. The covenants have been fulfilled. The revolving credit facility of SEK 5,500 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 2013 SEK 1,800 (900) million of the credit facilities were utilised. The available liquid funds as per 31 December 2013 was SEK 5,569 (6,448) 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 2013 and 2012.

The Bulgarian company Nova has a credit facility of EUR 6 million, of which EUR 5.7 (5.7) million were drawn at the balance sheet date. EUR 0.3 (0.3) million were unutilised as per 31 December 2013.

Group (SEK million)	2013	2012
Interest-bearing loans and borrowings	-1,829	-953
Other interest-bearing liabilities	-45	-71
Cash and short term deposits	769	748
Long- and short-term interest-bearing assets	334	275
Net debt	**-772**	**-1**

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 26 (39) million as per 31 December. Financial lease liabilities are payable as follows:

	2013		
Group (SEK million)	Minimum lease payments	Interest	Principal
Less than a year	15	1	14
Between one and five years	16	0	16
Total financial lease	**31**	**1**	**29**

	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**

Interest-bearing liabilities

Group (SEK million)	31 December 2013	31 December 2012
Non-current liabilities		
Non-current portion of bank loans	1,779	903
Other long-term liabilities	7	3
Financial lease liabilities	16	27
Total	**1,801**	**934**
Current liabilities		
Current portion of bank loans	51	50
Other short-term interest-bearing liabilities	8	25
Current portion of financial lease liabilities	14	15
Total	**73**	**90**

Maturity of long-term loans

Parent company (SEK million)	31 December 2013	31 December 2012
Amount due for settlement within 12 months	-	-
Amount due for settlement within 13 to 59 months	1,779	894
Amount due for settlement after 60 months	-	-
Total	**1,779**	**894**

Terms and payback period, gross values

Group (SEK million)	Interest rate	Fixed interest term	Effective interest rate	Total	12 months or less	1-2 years	More than 2 years
	2013						
Financial lease liabilities	2.1-12.3	12 months	2.1-12.3	31	15	16	-
Loan from bank	1.50-2.44	1 month	4.67	2,181	136	1,082	963
Forward agreements				16	16	-	-
Interest-bearing liabilities				16	8	7	-
Accounts payable				1,716	1,716	-	-
				3,959	**1,891**	**1,105**	**963**

Group (SEK million)	Interest rate	Fixed interest term	Effective interest rate	Total	12 months or less	1-2 years	More than 2 years
	2012						
Financial 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**

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.

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. The Group's financial policy aim to gain financial flexibility and by a balanced mix between variable and fixed interest rates and by matching lending and borrowing in terms of interest rates and maturity periods. The interest bearing credit facilities when utilised exposes the Group to interest rate risk and, during 2012-2013, the interest rate period was short term.

Short-term investments and cash and cash equivalents amount to SEK 769 (748) million and the average interest rate period on these assets was approximately 1 month. With an average fixed interest period of 1 (1) month on the revolving credit facility and the term loan that amount to SEK 1,800 (900) million, a one percentage change in interest rates would have an impact on the Group's interest expense of approximately SEK 16 (8) million. The calculation is based on the change in the interest rate 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 rate 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 Group's financial policy.

The Group’s financial 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 institutes. 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 credit risk exposure.

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 15 Accounts receivables.

The Group's exposure to credit risk amounts to SEK 2,781 (2,517) million as per 31 December 2013. The exposure is 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 coverage, including business interruption, director and officer liabilities and asset losses. This is done via corporate umbrella solutions to cover most territories.

Currency risk

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

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 the basis of maximum 36 months forward. 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, Euro, Swiss francs and Russian roubles. The hedging reserve at year end was SEK 35 (20) million. Approximately 85-100% of the currency flows related to programme acquisitions 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 :

Currency (SEK million)	2013	2012
DKK	503	346
NOK	265	355
EUR	-1,270	-1,307
CHF	-27	-8
USD	-1,977	-1,498

A 5% change in USD/SEK would have a net effect on profit before tax of approximately SEK 95-105 (70-80) million. A 5% change in EUR/SEK would have a net effect on profit before tax of approximately SEK 50-60 (60-70) million.

The nominal value of the hedge contracts amounted to:

Currency (million)	2013	2012
GBP	0	-
EUR	101	50
USD	253	237
RUB	196	371

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 84 (80) 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:

	2013		2012	
Currency	SEK million	%	SEK million	%
USD	1,931	31	1,903	31
NOK	1,270	20	1,374	22
EUR	862	14	478	8
DKK	546	9	489	8
Other currencies	1,647	26	1,864	31
Total equivalent SEK value	**6,256**	**100**	**6,109**	**100**

A 5% change in USD/SEK would affect equity by approximately SEK 97 (95) million, while the corresponding change in the currencies in the Central European countries would affect equity by SEK 82 (100) million.

Financial assets and liabilities

Group (SEK million)	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Financial assets through profit and loss	34	34	47	47
Financial assets available for sale	3	3	1	1
Loans and receivables	2,743	2,743	2,460	2,460
Total financial assets	**2,781**	**2,781**	**2,508**	**2,508**
Financial liabilities valued at fair value	296	296	261	261
Other financial liabilities	3,590	3,590	2,103	2,103
Total financial liabilities	**3,886**	**3,886**	**2,364**	**2,364**

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. Contingent considerations and options at fair value related to acquisitions are classified as level 3.

Fair value of Financial instruments in the statement of financial position

	31 December 2013			31 December 2012		
Group (SEK million)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Financial assets available-for-sale						
Shares and other investments in other companies	3			1		
Financial assets at fair value through profit and loss						
Shares and other investments in other companies		34			47	
Derivatives						
Forward foreign exchange contracts						
Financial liabilities						
Derivatives						
Forward foreign exchange contracts		16			55	
Contingent liabilities acquisitions						
Contingent consideration and options at fair value			280			206

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, forward rates from Bloomberg have been used to arrive at fair value. Level 3 items are calculated at present value based on the agreements related to earnings.

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.

Group (SEK million) Financial liabilities, level 3	2013	2012
Accumulated values		
Opening balance 1 January	206	58
New acquisitions	48	148
New entries through acquisitions	24	-
Translation differences	2	-
Closing balance 31 December	**280**	**206**

Note 24 Supplementary information to the statement of cash flow

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

Group (SEK million)	2013	2012
Income/loss from sale of subsidiaries	-	-127
Revaluation of CDON Group options	13	15
Loss from sale of non-current assets	1	1
Depreciation and amortisation, write-downs and disposals of fixed assets	338	225
Share in the earnings of associated companies	-584	-429
Share in tax expense of associated companies	163	152
Dividends from associated companies	250	219
Change in deferred tax	12	-45
Change in provisions	9	59
Unrealised change in LTIP schemes value	18	9
Unrealised exchange differences	-47	-19
Total	**172**	**60**

Other information

Cash paid for interest and corporate tax

Group (SEK million)	2013	2012
Interest paid	-80	-71
Interest received	51	35
Corporate income tax	-421	-236
Total	**-450**	**-273**

Parent company (SEK million)	2013	2012
Interest paid	-70	-69
Interest received	49	28
Corporate income tax	-46	-
Cash received for group dividends	68	75
Total	**0**	**33**

Note 25 Lease and other commitments

Lease and other commitments for future payments at 31 December 2013

Group (SEK million)	Future rent on non-cancelable leases	Future payments for program rights	Transponder commitments	Total commitments
2014	156	3,089	314	3,559
2015	125	2,720	218	3,063
2016	112	1,417	202	1,731
2017	102	877	50	1,029
2018	100	413		513
2019 and thereafter	300	174		473
Total lease and other commitments	**894**	**8,691**	**783**	**10,368**
This year's operational costs				
Minimum lease fees	140	3,600	399	4,138
Variable fees	1	230	16	246
This year's operational costs	**140**	**3,830**	**414**	**4,385**

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
This year's operational costs	**129**	**3,050**	**392**	**3,571**

Future rent on non-cancelable leases at 31 December

Parent company (SEK million)	2013	2012
2013	-	1
2014	1	1
2015	1	1
2016	1	1
2017	1	1
2018	1	1
2019 and thereafter	1	-
Total lease and other commitments	**7**	**6**
This year's operational costs		
Minimum lease fees	1	1
Variable fees	-	-
This year's operational costs	**1**	**1**

Note 26 Average number of employees

	2013		2012	
Group	Men	Women	Men	Women
Sweden	637	385	483	337
United Kingdom	177	196	164	179
Bulgaria	193	176	199	171
Denmark	171	108	166	118
Norway	146	138	143	116
The Czech Republic	116	118	110	104
Latvia	64	105	59	81
Estonia	51	98	49	88
Lithuania	63	46	61	41
Ghana	73	22	73	35
Ukraine	50	44	47	41
Russia	38	57	34	51
Hungary	20	26	17	21
Other	22	21	10	14
Total	**1,821**	**1,540**	**1,615**	**1,397**
Total average number of employees		**3,361**		**3,012**

Parent company	2013	2012
Men	26	22
Women	17	14
Total	**43**	**36**

Gender distribution senior executives

Group	2013		2012	
	Men %	Women %	Men %	Women %
Board of Directors	84	16	87	13
Senior executives	64	36	65	35
Total	**71**	**29**	**73**	**27**

Parent company	2013		2012	
	Men %	Women %	Men %	Women %
Board of Directors	71	29	75	25
CEO	100	-	100	-
Other senior executives	75	25	67	33
Total	**75**	**25**	**75**	**25**

Note 27 Salaries, other remuneration, and social and security expenses

Group (SEK million)	2013	2012
Personnel expenses		
Wages and salaries	1,532	1,346
Social security expenses	301	292
Pension costs – defined contribution plans	89	75
Pension costs – defined benefit plans	0	6
Share-based payments	18	10
Social security expenses on share-based payments	3	-7
Total	**1,944**	**1,722**

Group (SEK million)	2013	2012
Board of Directors, CEO and other senior executives [1]	129	132
of which, variable salary	*30*	*36*

1) Includes SEK 4.8 (4.9) million Board fees approved by the Annual General Meeting

Parent company (SEK million)	2013	2012
Board of Directors, CEO and other senior executives	42	55
of which, variable salary	*13*	*18*
Other employees	42	42
Total salaries and other remuneration	**84**	**97**
Social security expenses	41	47
of which, pension costs	*7*	*7*
of which, pension costs CEO	*1*	*3*

Total salaries in the parent company include remuneration to other senior executives 5 (5) persons of SEK 25 (25) million, of which variable salary is SEK 8 (1) 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 is paid in accordance with the guidelines approved by the Annual General Meeting 2013.

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 equity based long-term incentive programmes 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 the 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, competitive and in line with market conditions 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. **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. **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.

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 56-60. Matthew Hooper and Rikard Steiber joined the the Executive Management group in February 2013. Jette Nygaard-Andersen joined the Executive Management group in June 2013. The remuneration therefore reflect these changes from the respective dates in the figures below.

Remuneration and other benefits 2013

(SEK thousand)	Base fee	Base salary	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
David Chance, Chairman of the Board	1,298					37	1,335
Mia Brunell Livfors	513						513
Blake Chandlee	475						475
Simon Duffy	675						675
Lorenzo Grabau	650						650
Alexander Izosimov	575						575
Michelle Guthrie	575						575
Jørgen Madsen Lindemann, CEO		7,890	5,019	95	875	-	13,879
Executive managers (10 persons)		29,007	16,776	1,649	2,457	-	49,888
Total	**4,761**	**36,897**	**21,794**	**1,744**	**3,332**	**37**	**68,565**

The 2013 amounts disclosed for the major part of the executive managers relate to the full year, but 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 4 (1) million. In addition, non-cash share-based incentive programme costs calculated in accordance with IFRS 2 amounted to SEK 2 (1) million for the CEO and SEK 8 (5) million for other executive managers. Out of the remuneration to other executive managers SEK 25 (25) million was expensed in the parent company, SEK 21 (23) million was expensed in the subsidiaries.

David Chance has, further to the board fee in MTG, also received a board fee in 2013 of SEK 37 (73) thousand as a Director of the Board in Viasat Broadcasting UK.

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) million. In addition, non-cash share-based incentive programme costs calculated in accordance with IFRS 2 amounted to SEK 1 (2) million for the CEO and SEK 5 (5) 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) million was expensed in the parent company, SEK 23 (37) 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) thousand as a Director of the Board in Viasat Broadcasting UK.

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

Share-based 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.

2013 Long-term incentive programme (LTIP)
The 2013 programme is performance based and directed towards 100 senior executives and other key employees. The CEO and the senior executives are required to make a personal investment in MTG shares to participate, other key employees are not. Investment shares can be shares already held or shares purchased on the market in connection with the notification to participate in the programme, and must be held during the three year vesting period. Based on the participant's annual gross salary and the share price at grant, and, for the CEO and senior executives, the number of invested shares, the participants will be granted rights to receive MTG Class B shares free of charge, depending on the fulfillment of certain stipulated goals and the employee category. The goal relate to normalised return on capital employed. The share rights were granted by the company free of charge at the beginning of June 2013, and may be exercised the day following the release of the interim report for Q1 2016. Dividends paid on underlying shares during the vesting period will increase the number of shares in order to treat the shareholders and the participants equally. The programme is calculated to comprise a maximum of 240,000 shares.

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.

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 could be exercised on, or after, 15 May 2010 provided that the holder was still employed by the Group. The exercise period was 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.

Cost effects of the incentive programmes
The programmes are equity-settled programmes. The initial fair value at grant date of the stock option programmes, is expensed during the vesting period. The cost for the programmes is recognised in equity and as an operating expense. The cost is based on the fair value of the MTG Class B share at grant date and the number of shares expected to vest. The cost recognised in 2013 and 2012 respectively for the programmes amounts to SEK 18 (10) 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 2013.

Dilution
If all options granted to senior executives and key employees as at 31 December 2013 were exercised and all share rights awarded, the outstanding shares of the Company would increase by 373,337 (266,050) Class B shares, and be equivalent to a dilution of 0.6 (0.4) % of the issued capital and 0.3 (0.2) % of the related voting rights at the end of 2013. In May 2013 10,189 performance shares from the 2010 programme were exercised and in May 2012, 209,285 performance shares from the 2009 programme were exercised.

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

No of options and rights outstanding	CEO	Senior executives	Key personnel	Total
LTIP 2011	10,200	30,600	32,700	73,500
LTIP 2012	13,600	46,286	59,539	119,425
LTIP 2013	22,330	59,272	98,810	180,412
Total outstanding as per 31 December 2013	**46,130**	**136,158**	**191,049**	**373,337**

	2013		2012	
	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	266,050	210.86	562,892	171.75
Recalculated due to dividends	963	-	2,451	-
Retention shares and options issued during the year	180,789	-	229,525	151.85
Retention and performance shares exercised during the year	-10,189	-	-209,285	-
Retention and performance shares and options forfeited during the year	-64,276	351.25	-319,533	141.75
Total outstanding as per 31 December	**373,337**	**113.40**	**266,050**	**210.86**

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 share rights exercised in 2013 and 2012 were free of charge, and all stock options in the 2007 programme were forfeited in 2012.

Outstanding options as per 31 December 2013 have an exercise price between SEK 361.70 and SEK 517.30, other rights are free of charge. The weighted average price is SEK 113.40 (210.86). The weighted average remaining contractual life is 1.6 (1.5) year.

Share option programmes at grant	2012 Options	2011 Options	2010 Options
Expected volatility %	33%	22%	30%
Expected life (years)	3.24	3.26	3.05
Risk free interest rate %	0.8%	2.4%	1.5%
Adjustment factor market conditions TSR	60%	70%	70%
Adjustment factor market conditions TSR peer groups	45%	35%	35%

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 2007										
2013	356,923					-				-
2012	356,923					28,890		28,890		-
Grant 2009										
2013	239,490					-				-
2012	239,490	50		65.60	2012	205,750	2,451	-1,084	209,285	-
Grant 2010										
2013	168,767	50	452.00	69.17	2013	71,375	963	62,149	10,189	-
2012	168,767	50	452.00	69.17	2013	151,127		79,752		71,375
Grant 2011										
2013	191,375	100	517.30	98.66	2014	84,700		11,200		73,500
2012	191,375	100	517.30	98.66	2014	177,125		92,425		84,700
Grant 2012										
2013	229,525	100	361.70	70.01	2015	109,975		-9,450		119,425
2012	229,525	100	361.70	70.01	2015	-		119,550		109,975
Grant 2013										
2013	180,789	100	-	117.32	2016	-		377		180,412
Total grant										
2013	1,366,869					266,050	963	64,276	10,189	373,337
2012	1,186,080					562,892	2,451	319,533	209,285	266,050

Group (SEK million) Employee expenses	2013	2012
Retention rights and performance shares granted in 2009	-	0
Retention rights and options granted in 2010	-8	-1
Retention rights and options granted in 2011	-4	1
Retention rights and options granted in 2012	-5	3
Retention rights granted in 2013	-4	-
Total expense recognised as employee costs including social charges	**-21**	**3**

Parent company (SEK million) Employee expenses	2013	2012
Retention rights and performance shares granted in 2009	-	-1
Retention rights and options granted in 2010	-6	-1
Retention rights and options granted in 2011	-2	0
Retention rights and options granted in 2012	-3	2
Retention rights granted in 2013	-2	-
Total expense recognised as employee costs including social charges	**-14**	**0**

Note 28 Audit fees

Group (SEK million)	2013	2012
KPMG, audit fees	11	13
KPMG, audit related fees	2	2
KPMG, tax related fees	1	1
KPMG, other services	1	0
EY, audit fees	1	-
EY, audit related fees	0	-
EY, tax related fees	0	-
Total	**16**	**16**

Parent company (SEK million)	2013	2012
KPMG, audit fees	1	1
KPMG, audit related fees	1	1
KPMG, tax related fees	0	0
KPMG, other services	1	0
Total	**3**	**3**

Note 29 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 13).

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.

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

(SEK million)	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Revenues				
Kinnevik	13	22		0
CTC	-	1		-
GES Media Europe	7	10		-
Other related parties	3	6		-
Total revenues	**24**	**38**	**-**	**0**
Operating costs				
Kinnevik	9	12	7	7
CTC	5	5	-	-
GES Media Europe	6	7	-	-
Other related parties	8	9	-	-
Other Kinnevik subsidiaries	-	-	-	-
Total operating costs	**27**	**33**	**7**	**7**
Receivables				
Kinnevik	4	1		
CTC	-	-		
GES Media Europe	1	19		
Other related parties	1	2		
Total Receivables	**6**	**22**	**-**	**-**
Payables				
Kinnevik	1	4	1	3
CTC	2	-	-	-
GES Media Europe	1	0	-	-
Other related parties	1	1	-	-
Total Payables	**4**	**5**	**1**	**3**
Dividends from associated companies				
CTC	246	208		
Other related parties	4	11		
Total dividends associated companies	**251**	**220**	**-**	**-**

Remuneration of key management personnel

Other transactions than reported in note 27 have not been made.

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 26 March 2014. 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 13 May 2014.

Stockholm 26 March 2014

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

Michelle Guthrie
Non-Executive Director

Alexander Izosimov
Non-Executive Director

Jørgen Madsen Lindemann
President and
Chief Executive Officer

Our Audit report was submitted on 7 April 2014

KPMG AB

Joakim Thilstedt
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 2013. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 15-115.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance the Annual Accounts Act and of the 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 2013 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 2013 and of their financial performance and cash flows for the year then ended 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 2013.

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 7 April 2014

KPMG AB

Joakim Thilstedt
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 divided by interest expenses.

Liquid funds, available
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 net income 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

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