2016 Annual Report

Shaping the Future of Entertainment

Contents

Who we are

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

Alternative performance measures
With effect from 2016, MTG has introduced the new European reporting guidelines concerning Alternative Performance Measures. The purpose of APMs is to facilitate the analysis of business performance and industry trends that cannot be directly derived from financial statements. MTG is using the following APMs:

- Operating income & margin before IAC
- Change in net sales from Organic growth, Acquisitions/divestments and Changes in FX rates
- Net debt and Net debt/EBITDA
- Capital employed and Return on Capital Employed (ROCE)
- Return on Equity (ROE)
- Interest coverage ratio

The reconciliation is found on page 91.

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Record Viaplay customer intake & launch of Viafree streaming service

Record sales of SEK **17.3bn**

CEO's Review Page 4

Operating income excl. IAC of SEK **1.35bn**

Investment in InnoGames online games developer

MTG expands its esports operations globally

Proposed dividend of SEK **12.00** per share

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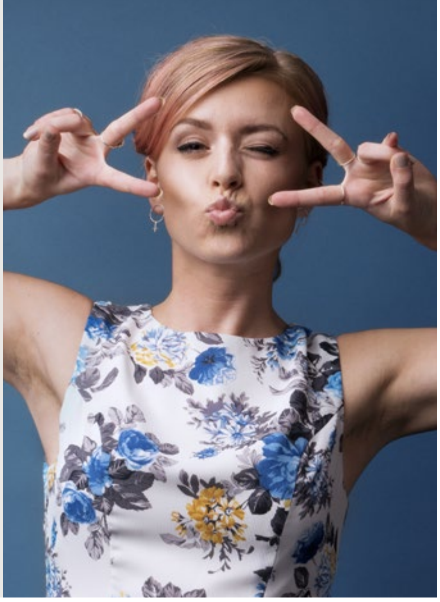


Our Approach

Success is based on strong culture, clear strategy and excellent performance.

Vision

Our ambition is to be the leading provider of digital entertainment experiences in each of our markets. We are shaping the future of entertainment by connecting consumers with the content that they love through multiple screens in the home and on the move, online and offline, scheduled and on demand. We want to reach, engage and entertain more and more people every day; to make as much positive impact as possible in the communities in which we operate; and to create long term sustainable value for all of our stakeholders. We are managing the transformation of a traditional national broadcaster into a global digital entertainer. We want to be the employer, provider and partner of choice in the entertainment industry wherever and whenever we act.

Mission

Our purpose is to Shape the Future of Entertainment, by creating an ever increasing range of engaging and exciting entertainment experiences that enrich and enhance the lives of our customers and consumers. Our products are relevant, simple to use and offer value for money. We generate growing and sustainable positive impact in our communities and value for our stakeholders. We constantly reach for more in everything that we do. We strive to innovate, inspire and ignite – to make a difference each and every single day. We are game changers – constantly redefining how entertainment is consumed and experienced! People and their stories are at the centre of everything that we do and great storytelling is the purpose all of the products that we develop.

Values

We are the Igniter – exploring opportunities, enhancing lives, shaping the future.

We have four values and related behaviours that we aspire to:

SMART
We are obsessed with content and empower talent

BOLD
We think big, move fast, and we are always innovating

FUN
We fight boredom & do what we love

ENGAGING
We put consumer experience first
& stand together

Strategy

Our objective is to create value by generating long term revenue and profit growth and shareholder returns. We are transforming MTG from a traditional national broadcaster into a global digital entertainer in order to achieve this. We want to be a global leader in specific entertainment verticals, and to focus on areas where we have the opportunity to win. We have proactively adapted our operating model and product portfolio to take advantage of changes in consumer behavior, and invested into both our existing and new businesses. We are driving performance in our scale traditional business by innovating, optimising and consolidating; while driving growth in the digital business by expanding, diversifying and partnering in our target verticals. In order to accelerate the transformation, we have undergone a cost transformation and are realigning our portfolio so that we can allocate capital to those areas that offer the greatest value creation potential for the future.

Our Story

A constant challenger & innovator. Born as Scandinavia's first commercial TV channel in 1987, 30 years later our brands now comprise leading linear and streamed TV, radio and content production businesses, as well as next generation entertainment experiences in esports, digital video networks and online gaming around the world.

2016
MTG launches Viafree pan-Scandinavian video streaming service & enters multi-billion dollar online gaming industry by investing in InnoGames

2015
MTG acquires world's largest esports company & world's 5th largest MCN

2013
MTGx launched to accelerate digital development & MTG acquires leading Nordic & international content studios

2011
MTG launches Viaplay pan-Nordic video streaming service & MTG wins exclusive Swedish media rights to 2014 & 2016 Olympic games

2001
Viasat is first European TV platform to fully digitalise

1997
MTG demerged from Kinnevik and listed on the Stockholm Stock Exchange

1993-2008
MTG expands into Central & Eastern Europe and then Africa

1990
Viasat launched as first DTH pay-TV operator in Scandinavia

1987
TV3 launched as first commercial free-TV channel in Scandinavia

We Are

"We delivered on our 2016 objective to accelerate our sales growth and increase our profits. The strategic transformation of MTG continues as we capitalise on changes in consumer behaviour to deliver more popular, more relevant and more available digital entertainment products than ever before"

2016 was an important and successful year for MTG. We accelerated our sales growth compared to previous years and ended the year with the highest growth quarter in over 5 years. We also grew our profits while making significant investments and selling non-core businesses at the same time. All of which has enabled us to propose a higher dividend for 2016.

Leading the way

Consumer behaviour and technological advances are changing our industry more than ever, and we are continuing to lead this change by transforming MTG's products and operations even faster. So 2016 was a year in which we took a number of very important steps to shape our business for the future. We have rolled out new channels and services including the Viafree streaming service; further expanded our Viaplay streaming service; commissioned a pipeline of our own new original TV series formats; secured the best sports rights for years to come; signed broad based multi-year deals with content providers like Fox and Disney; added new esports tournaments, leagues and studios around the world; developed existing and new online video stars; and ensured that all of these fantastic entertainment experiences are available as widely as possible under new long term agreements with network operators and online platforms around the world. Whether it be TV channels or digital video networks, the key success factor remains the same – great story telling, and our award winning MTG Studios, Zoomin.TV and Splay told even more fantastic stories in 2016.

Aligning the portfolio

The strategic transformation we are going through is all about focus – making sure that our people, our money and our decisions are focused on those areas that can deliver the best returns moving forward. This has led us to exit some products, businesses and markets, in order to be able to re-invest in other ones. These decisions have not been easy as we have invested over many years, but they are necessary for the future of the group. We therefore completed our exit from Russia and Ukraine in 2016, with a 5 times cash return on our investment. We have also now completed the sale of our 50% stake in Prima in the Czech Republic for a 2 times return on our investment, and are in the final stages of completing the sale of our free-TV operations in Africa.

the Igniter!

Finally, we have recently also announced the sale of our Baltic operations. We are putting the proceeds to work by investing in new products in the Nordic markets; adding new companies and products to our esports offering; developing original content IP; and moving into a third global vertical – online gaming. Online gaming is a multi-billion dollar industry and mobile gaming is the fastest growing segment, which is why we have bought 21% of Hamburg based games developer InnoGames and have the option to increase our ownership further over time.

Driving growth & profitability

Sales were up 7% on a reported basis and 5% on an organic basis to record new levels, and our group wide digital sales almost doubled. All but one of our free-TV operations reported higher sales, and our audience shares were up in most markets. Linear TV viewing again declined in Scandinavia in 2016 as consumers watched more video online, on mobile and on demand, but was stable in the international markets. TV advertising prices were up in all markets as demand remained high for large scale, high quality and easily measured TV audiences. Our share of the exploding online viewing also increased in all markets. Our Nordic pay-TV subscriber base grew to record new levels in 2016, and revenues were also boosted by higher prices for both our Viasat and Viaplay products as we added more premium content and functionality to both products, and enhanced the overall user experience. This was typified by our exclusive coverage of the Rio Olympics in Sweden, during which we showed every minute of the games on our various platforms and also introduced virtual reality coverage for the first time.

It was in esports that we saw the highest levels of growth. Our ESL and DreamHack brands are 2 of the largest esports organisers in the world and the ecosystem is forecast to attract almost 60 million participants, nearly 200 million fans, a worldwide audience of double that, and almost USD 700 million of revenues in 2017. The venue and online audiences for the more than 400 major events in 2016 broke new records, and we have led the way by acquiring local operators in the UK and Australia; adding new esports events in Brazil and the Philippines; and building out our studios in France and the US. The interest amongst advertisers, sponsors and distributors is growing all the time, and we have just signed deals with both Twitter and Facebook to make content from our tournaments and leagues available through their feeds.

Esports has the potential to become one of the world's leading sports, which is why we are investing in these businesses and also reviewing partnership opportunities to expand even faster. The increased profitability in our traditional businesses, due to organic sales growth and the transformation savings, has more than offset these investments and the higher content costs due to the appreciation of the US dollar. This resulted in a stable operating margin and 6% growth in operating income for the year.

Delivering shareholder value

Our approach continues to combine reinvestment in growth with a shareholder friendly approach to dividends. We ended the year with higher profits and stable net debt that was equivalent to 1.4 times EBITDA, after having paid out 86% of our recurring net income in dividends last year. The Board is therefore proposing to increase the dividend by 4% to SEK 12.00, which would represent a pay-out ratio of 93%. We are otherwise reinvesting the proceeds from our disposals into the future growth of the business.

Storytelling

Is at the heart of all that we do. Our MTG values of Bold, Smart, Fun and Engaging are all about encouraging positive behaviour, embracing diversity and enabling talent, so that we can tell stories that more and more people love and want to share. Our values are integrated with our strategy, our culture and our responsibility. We have a clear strategy to invest in digital video entertainment leadership in our markets and you will see in the following pages how we seek to do this in a responsible and sustainable way.

We also want to tell our own story in the most clear and simple way possible, which is why we have simplified our financial reporting over the past year, relaunched mtg.com, boosted our public profile and shared even more stories through social channels. All that has been achieved and will be achieved is due to the passion and dedication of our worldwide team of 3,800 – so I want to thank you and our owners, customers and partners for making this possible.

Jørgen Madsen Lindemann
President & Chief Executive Officer

Our Responsibility

Vision & strategy

At MTG, we believe that corporate responsibility (CR) creates unique value for all our stakeholder communities – our employees, our customers, our partners, our owners and society at large. That is why we have chosen to place it at the centre of all that we do – integrated with our strategy, our values and our culture.

It is also why MTG's CR activities are reviewed and governed right from the top by MTG's Board-appointed CR Advisory Group. This Group is led by MTG Board member Simon Duffy and includes MTG Board member Joakim Andersson. This approach ensures that our CR strategy is fully integrated in our business decision-making.

We reinforced our CR strategy with four focus areas in 2016 – environmental care, social impact, business ethics and media responsibility. In other words, we aim to offer responsible entertainment while acting ethically, committing to our employees and managing our limited impact on the environment.

Everything we do is guided by the values and principles set out by MTG's code of conduct and policy framework. At the same time, we are committed to the UN Global Compact, OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles for Business and Human Rights.

Achievements & progress

MTG's 2016 CR report, which is available on www.mtg.com, shows that our CR work took a big step forward in 2016.

- We committed to promoting and ensuring diversity and equality for all MTG employees, and to a 50/50 gender split in our management teams by 2020. Companies that embrace equal opportunity and diversity are more successful companies, so we will be implementing our roadmap to reach this goal in 2017 and beyond.
- For the fifth year in a row, MTG was included in the Dow Jones Sustainability Indices, which highlight businesses that are well positioned to deliver long-term sustainable stakeholder value. We were also included in the RobecoSAM Sustainability Yearbook for the fourth time.
- We continued to enhance our child protection processes for both our linear and streaming services, and offered a successful combination of education and entertainment with 'The Great Escape', our first kids' original series on Viaplay.
- All management teams from MTG's newly acquired digital ventures received training in our Anti-Bribery and Corruption policies and guidelines, with further learning planned for 2017.
- Our ESL and DreamHack operations helped found ESIC, an esports industry-wide body to prevent cheating, corruption, doping and match fixing.

Looking forward

We are mapping our energy consumption in 2017, starting with our largest markets, and with the aim of reducing it 20% by 2020. We are further enhancing our data protection procedures and implementing a comprehensive compliance plan to proactively meet the demands of the forthcoming General Data Protection Regulation (GDPR).

We are focusing on how we can use data to innovate and enable efficiencies while delivering even more amazing digital entertainment experiences. And of course, we will heighten our focus on creating high-quality, inclusive and accessible content that uses the power of storytelling to engage diverse audiences and raise important questions.

And we're ready to aim even higher. MTG is already committed to the UN Sustainable Development Goal (SDG) #5: achieve gender equality and empower all women and girls. We will set our CR goals for 2020 during 2017 and connect them to specific SDGs.

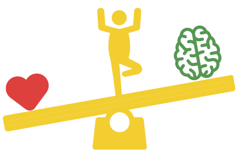
Consumer behaviour, media formats and storytelling techniques keep evolving, and so will we. As we transform into the leading digital entertainer in each of our markets and reach more people than ever before, we have an opportunity to make a truly global impact.

Our Carbon Disclosure Project ranking rose from C (awareness) to B (management) in 2016. We managed our carbon emissions more efficiently, and assessed carbon risks and opportunities in an even more forward-thinking way, including rolling out Skype for Business to encourage environmentally friendly meeting options that result in fewer business trips.

The world is a diverse place – and so is MTG. 38 nationalities were represented in our offices in 2016. We are also committed to promoting equality and achieving 50/50 gender representation in our management teams by 2020, in line with UN Sustainable Development Goal #5: achieve gender equality and empower all women and girls.

MTG was included in the Dow Jones Sustainability Indices as one of the top global media companies well positioned to create long-term stakeholder value for the fifth year running, and in the 2016 RobecoSAM Sustainability Yearbook for the fourth time.

13% of our content was locally produced in 2016. Great stories are those to which audiences can relate, so local storytelling is often the most relevant. This investment in local content also supports local economies by creating jobs and intellectual capital.



In our latest survey, 72% of male employees and 74% of female employees told us that they had a healthy work-life balance in 2016. Even better, 83% of employees would highly recommend MTG as a workplace.

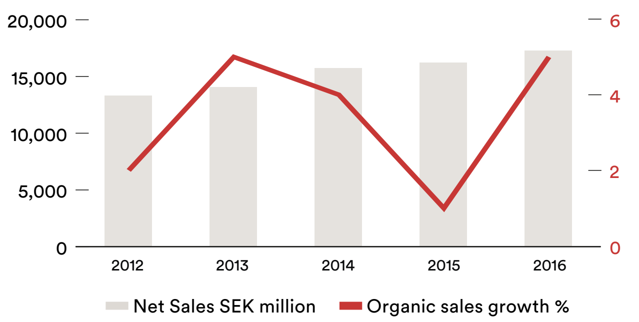
Zero…is the number of confirmed bribery and corruption cases at MTG in 2016. Zero is also our level of tolerance when it comes to this issue, which we make clear through policies, guidelines, training and an in-house gift register.

We helped establish not one but two esports industry bodies in 2016 – the World Esports Association and the Esports Integrity Coalition, both of which are working to support sustainable growth for the worldwide esports community.

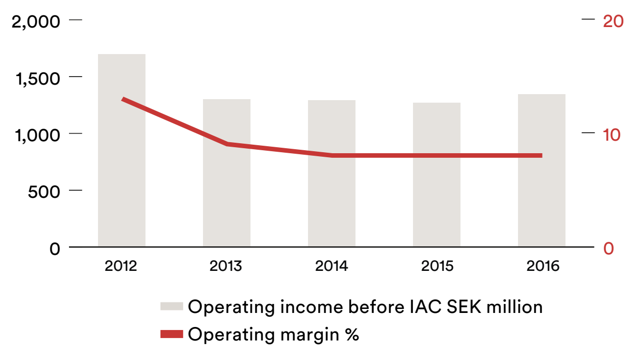
81.3% of our employees took – and passed – our group wide e-learning course on information & IT security in 2016. We are also getting ready for the application of the General Data Protection Regulation (GDPR) in May 2018, which will strengthen and unify data protection for individuals across the European Union.

Five Year Highlights

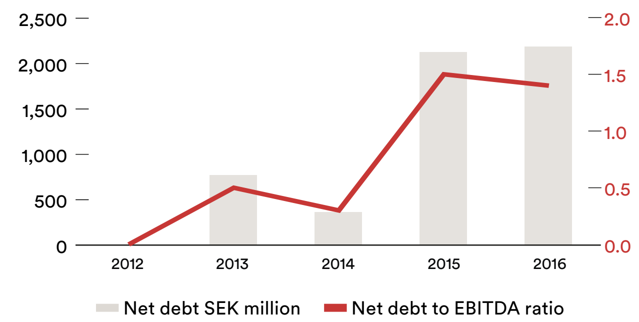
Net Sales



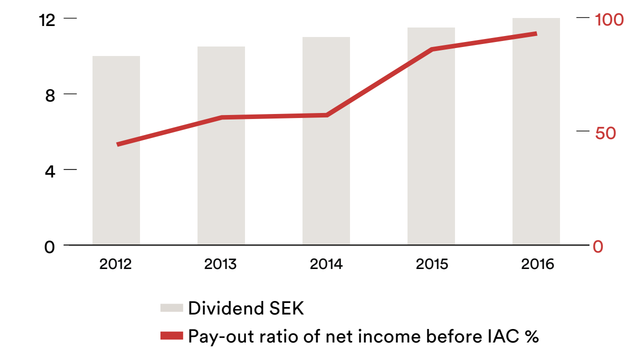
Operating income before items affecting comparability



Net Debt



Dividend



Net income for continuing operations of SEK

963mn

Basic EPS for continuing operations of SEK

12.88

Five Year Summary

Group (SEK million)	2016	2015[3]	2014	2013[2]	2012
Continuing operations					
Net sales	17,299	16,218	15,746	14,073	13,336
Change in reported net sales %	*6.7*	*3.0*	*11.9*	*6.0*	*-1.0*
Organic growth %	*5.4*	*0.7*	*3.8*	*4.7*	*2.2*
Acquisitions/divestments %	*1.2*	*1.9*	*6.9*	*3.0*	*-1.5*
Changes in FX rates %	*0.1*	*0.4*	*1.2*	*-1.7*	*-1.6*
Operating income before items affecting comparability	1,347	1,268	1,290	1,300	1,696
Operating margin before items affecting comparability %	7.8	7.8	8.1	9.3	12.7
Items affecting comparability	-	-512	-155	-147	-
Total operating income	1,347	756	1,135	1,152	1,696
Total operating margin %	*7.8*	*4.7*	*7.2*	*8.2*	*12.7*
Net income	963	533	816	743	1 316
Discontinued operations					
Net income	-1,072	-282	357	425	278
Total operations					
Total net income	-109	251	1,172	1,168	1,594
Cash flow, continuing operations					
Cash flow from operations	940	1,051	1,040	1,348	1,655
Change in working capital	-242	-555	-143	-130	261
Net cash flow from operations	697	497	897	1,218	1,915
Investments in non-current intangible and tangible assets	-345	-293	-217	-319	-144
Net investments of business combinations and divestments	-505	-1,182	7	-905	-207
Net debt					
Total borrowings	3,049	2,567	1,058	1,874	1,024
Total cash and interest-bearing assets	-863	-443	-695	-1,103	-1,023
Net debt	2,186	2,124	363	772	1
Net debt to EBITDA ratio	1.4	1.5	0.3	0.5	0.0
Key ratios					
Return on equity adjusted for items affecting comparability %	-2	12	24	25	34
Return on capital employed adjusted for items affecting comparability %[4]	21	26	30	35	49
Equity/assets ratio %	28	29	41	38	44
Interest coverage ratio adjusted for items affecting comparability[4]	14	23	15	10	12
Per share data					
Shares outstanding	66,663,816	66,635,969	66,630,189	66,622,711	66,612,522
Weighted average number of shares before dilution	66,655,996	66,634,180	66,627,771	66,619,668	66,547,156
Weighted average number of shares after dilution[1]	66,826,825	66,769,596	66,709,088	66,697,519	66,719,177
Total basic earnings per share for continuing operations (SEK)[4]	12.88	7.45	11.75	7.60	16.48
Total basic earnings per share (SEK)	-3.19	3.22	17.10	16.39	22.93
Proposed ordinary dividend/Cash dividend per share (SEK)	12.00	11.50	11.00	10.50	10.00
Market price of Class B shares at close of last trading day	270.00	216.70	248.80	333.20	226.60

[1] The Group has Long Term Incentive Plans that may be exercised into 742,231 new class B shares.
[2] Figures restated for change in accounting principles related to joint ventures (Raduga) for 2013 only.
[3] Associated company CTC Media, Inc., was reclassified in 2015 as 'Assets held for sale' and 'Discontinued operations' respectively, the income statement has been restated accordingly.
[4] Figures restated continuing operations excluding discontinued associated company CTC Media. The value of ROCE has been restated due to updated definition of Capital Employed

Business Operations

MTG's operations comprise four segments that are transforming by driving and shaping the fast moving changes in consumer behaviour. Two of the four segments comprise geographically defined entertainment businesses, while the other two operate globally.

Nordic Entertainment
The segment comprise online and offline free-TV, radio and pay-TV operations, including a total of 50 TV channels and local and international radio stations; the Viasat satellite pay-TV platform; and the Viaplay, Viafree and ILikeRadio streaming services. These products are made available as broadly as possible on fixed and mobile networks. MTG operates differing product ranges in Sweden, Norway, Denmark and Finland.

International Entertainment
The segment comprise online and offline operations in the Baltic states, the Czech Republic, Bulgaria, and the Trace TV international thematic pay-TV business. The Baltic operations include free-TV and pay-TV channels, radio stations, the Viasat satellite platform and Viaplay streaming service. Prima in the Czech Republic and Nova in Bulgaria operate TV channels, digital brands, and other media businesses.

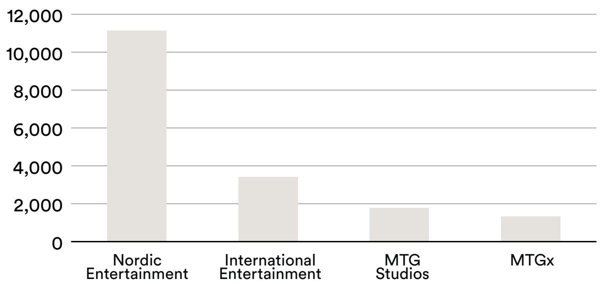
MTG Studios
MTG Studios comprise a number of leading creators, producers and distributors of television shows, commercials, events, movies and branded content. These included the nice entertainment group of 28 content production companies in 16 countries; leading international format distributor DRG; Scandinavian TV format developer Strix TV; and international production studio Paprika.

MTGx
MTGx is the group's global digital business and delivers next generation entertainment experiences. MTGx comprised the world's largest esports organiser through Turtle Entertainment and DreamHack; one of the world's leading international digital video networks through Zoomin.TV and Splay; and shareholdings in online games developer InnoGames, digital sports producer Engage Sports Media, and a number of start-ups.

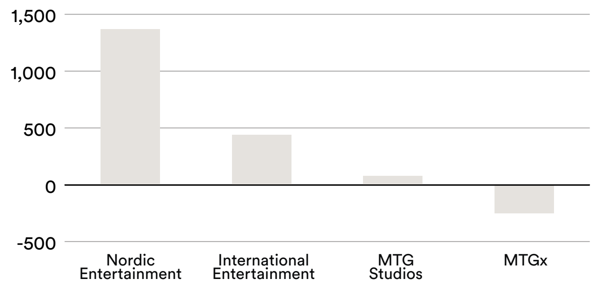
Segmental Performance

MTG simplified its financial reporting structure from the beginning of 2016 in order to reflect the changes to the Group's organisational structure during its ongoing strategic transformation from a traditional broadcaster into a digital entertainer.

Net sales by business segment (SEK million)



Operating income by business segment (SEK million)



Net sales per business segment (SEK million)	2016	2015	2014
Nordic Entertainment	11,139	10,487	10,260
o/w Free-TV and Radio	*4,866*	*4,656*	*4,600*
o/w Pay-TV	*6,272*	*5,831*	*5,660*
International Entertainment	3,404	3,796	3,656
o/w Free-TV and Radio	*2,769*	*2,703*	*2,430*
o/w Pay-TV	*635*	*1,093*	*1,225*
MTG Studios	1,777	1,780	2,052
MTGx	1,326	451	-
Central operations	185	217	316
Eliminations	-532	-513	-538
Total operations	**17,299**	**16,218**	**15,746**

Operating income per business segment (SEK million)	2016	2015	2014
Nordic Entertainment	1,370	1,405	1,339
International Entertainment	438	311	238
MTG Studios	77	3	15
MTGx	-251	-111	-
Central operations & eliminations	-288	-340	-302
Total operations excl items affecting comparability	**1,347**	**1,268**	**1,290**
Items affecting comparability	-	-512	-155
Total operating income	**1,347**	**756**	**1,135**

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 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.

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Business Operations

MTG's objective is to be the leading digital video entertainment provider in each of our markets. MTG is shaping the future of entertainment by connecting consumers with the content that they love through multiple screens in the home and on the move, online and offline, scheduled and on demand. MTG's TV channels and radio stations are funded by subscription and advertising revenues, and made available on its own platforms, online and on third party networks. MTG operates channels and platforms across the Nordic region and the Baltics, as well as scale broadcasting operations in Bulgaria and the Czech Republic. MTG packages and offers the best TV series, movies, live sports and kids content to its viewers and subscribers. The majority of this programming content is acquired but MTG also owns nice entertainment, which is a leading content creator, producer and distributor. In addition, MTG is the world's number one esports company (through Turtle Entertainment and DreamHack), Europe's largest multi-channel network (through Zoomin.TV and Splay), a global TV channel operator through Trace TV, and shareholder in online gaming company InnoGames and digital sports producer Engage Sports Media.

Business Review

Group sales were up 6.7% (3.0) year on year at constant exchange rates, with organic growth of 5.4% (0.7). The Group's operating margin for its continuing operations before items affecting comparability was 7.8% (7.8).

Revenues for the Group's Nordic Entertainment business grew by 6.2% (2.7) at an organic basis with an operating margin of 12.3% (13.4). The Group's International Entertainment business reported 6.7% (5.5) organic revenue growth, with an operating margin of 12.9% (8.2). MTG Studios' organic sales were up 2.2% (-14.2) with an operating margin of 4.4% (0.2). MTGx sales were up 194% (-) and reflected the acquisition of a number of new companies during the second half of 2015, while the operating loss reflected the ongoing investment in these high growth businesses. MTG's total group-wide digital revenues almost doubled in 2016.

The Norwegian advertising market is estimated to have grown in 2016, while the Swedish and Danish markets are estimated to have declined. The total number of pay-TV subscribers in the Nordic region grew as the growth in the number of Viaplay and third party network subscribers more than offset the ongoing decline in the satellite subscriber base. Average revenue per Nordic subscriber also increased during the year. The Czech, Bulgarian and Lithuanian advertising markets are all estimated to have grown in 2016, while the Estonian and Latvian markets are estimated to have declined. The Baltic satellite subscriber base decreased during the year but average revenue per subscriber increased. MTG disposed of its Hungarian free-TV operations and Russian and international pay-TV channel businesses in 2015, and its Ukrainian pay-TV and Ghanaian and Nigerian operations in 2016.

MTG is proposing a 4% (5) increase in its annual ordinary cash dividend to the Annual General Meeting in May to SEK 12.00 (11.50), which corresponds to 93% (86) of the net profit from continuing operations before items affecting comparability, and is well in line with the dividend policy to distribute at least 30% of recurring net profit as an annual ordinary cash dividend.

Consolidated financial results

Key figures	**2016**	**2015**
Net sales	17,299	16,218
Organic growth	*5.4%*	*0.7%*
Acquisitions/divestments	*1.2%*	*1.9%*
Changes in FX rates	0.1%	0.4%
Reported growth	*6.7%*	*3.0%*
Operating income before items affecting comparability, continuing operations	*1,347*	*1,268*
Operating margin before items affecting comparability	*7.8%*	*7.8%*

CONTINUING OPERATIONS

Sales

MTG reported 6.7% (3.0) net sales growth to SEK 17,299m (16,218), which reflected healthy organic sales growth in the Nordic and International Entertainment business segments as well as the acquisitions made in the MTGx segment.

The Group's revenue mix reflected its diversified and balanced structure, with 33% (32) of revenues derived from advertising sales; 49% (52) from subscription revenues; and 18% (16) from other business-to-business and business-to-consumer sales.

Operating expenses

Group operating costs excluding items affecting comparability increased to SEK 15,952m (14,950) and were up 6.7% (3.1) at constant exchange rates. The increase reflected the adverse impact of the appreciation of the US dollar on content costs; investments in sports rights and programming; and the full year consolidation and investment in the expansion of the MTGx acquired businesses, which were offset to an extent by the savings from the Group's cost transformation programme and the disposal of a number of international entertainment businesses. Group depreciation and amortisation charges totalled SEK 241m (190).

Operating income before items affecting comparability

The Group's operating income increased to SEK 1,347m (1,268) before items affecting comparability, with an operating margin of 7.8% (7.8).

Items affecting comparability

The Group reported no items affecting comparability in 2016 and SEK 512m of items affecting comparability in 2015. The 2015 items comprised restructuring costs of SEK 652m, and a combined net gain of SEK 140m from the sale of Viasat Hungary, the Russian and international pay-TV channels businesses, and associated companies Sappa and Radio Nova as well as revaluation of acquisition related liabilities.

Financial net

Group financial income amounted to SEK 15m (24) and financial costs to SEK -96m (-54) which mainly reflected the non-cash effect of discounting options to acquire further shares in subsidiaries and earn-out liabilities at fair value.

Tax

Group tax charges totalled SEK 303m (194), corresponding to an effective tax rate of 24% (27).

Net income and earnings per share

The Group reported net profits from continuing operations of SEK 963m (533), and basic earnings per share of SEK 12.88 (7.45).

DISCONTINUED OPERATIONS

CTC Media

MTG had large scale business interests in Russia, and was therefore affected by the amendments to the Russian Mass Media Law to reduce the permitted level of aggregate foreign ownership in Russian mass media companies from the beginning of 2016. MTG's interest was therefore classified as a discontinued operation prior to its sale in May 2016, with the fair value reported at each quarter balance sheet date. The cash payment received was USD 123 million, which was equivalent to SEK 1,023 million, and the divestment of the interest gave rise to a non-cash charge of SEK -1,002m, which was mainly due to the reclassification of accumulated currency translation differences. Net income from discontinued operations amounted to SEK -1,072m (-282).

Total net income and earnings per share

The Group reported total net income of SEK -109m (251), and basic earnings per share of SEK -3.19 (3.22).

Cash flow

(SEKm)	2016	2015
Cash flow from operations	940	1,051
Changes in working capital	-242	-555
Net cash flow from operations	**697**	**497**
Investment activities	-833	-1,467
Financial activities	-463	656
Net change in cash, continuing operations	**-599**	**-314**
Net change in cash, discontinued operations	**1,023**	**90**
Total net change in cash and cash equivalents	**425**	**-224**
Cash and cash equivalents	**845**	**410**
Return on capital employed % (excluding items affecting comparability)	21	26

Group capital expenditure of non-current assets totalled SEK 345m (293). Investments in shares in subsidiaries and associated companies amounted to SEK 607m (1,594). These investments included the acquisition of 21% of InnoGames and 22% of Engage Sports Media in 2016, and the acquisitions of stakes in Turtle, Zoomin.TV, Splay and DreamHack in 2015. The Group's reported return on capital employed for continuing operations and before items affecting comparability was 21% (26).

(SEKm)	2016	2015
Net debt	2,186	2,124
Equity to assets ratio %	28	29
Net debt to EBITDA ratio	1.4	1.5
Total borrowing	3,049	2,567

The Group had net debt of SEK 2,186m (2,124) at the end of the year, which was equivalent to 1.4x trailing 12 month EBITDA before items affecting comparability.

The Group paid out the approved cash dividend of SEK 767m (733) to shareholders in May 2016.

Acquisitions and divestments

On 1 March, MTG announced that it has signed an agreement to sell its Ukrainian pay-TV business to Ukraine's 1+1 Media Group for an undisclosed consideration. The sale was completed in October.

On 23 May, MTG announced that it had completed the sale of its 38% shareholding in Russian media company CTC Media, Inc. The cash payment received amounted to a total of USD 123 million, which was equivalent to SEK 1,023 million. MTG no longer has any interests in CTC Media or its operations.

On 25 May, MTG announced that it had acquired 22% of Engage Sports Media for an undisclosed consideration, with the option to increase its shareholding in the future. ESM enables premium sports rights owners to digitalise and monetize their content for global audiences.

On 1 December, MTG announced that it had completed the acquisition of 21% of InnoGames, a leading online games developer. MTG plans to acquire a further 14% of InnoGames in the first half of 2017 and has the right to acquire a further 16% of the company at the same valuation up until the end of September 2017, as well as options to increase the shareholding further over time. The transaction was based on an enterprise value of EUR 260 million for 100% of the company.

On 16 December, MTG announced the completion of the sale of its free-TV broadcasting and production businesses in Ghana and Nigeria to Econet Media Group for an undisclosed consideration. The previously announced sale of MTG's free-TV broadcasting business in Tanzania to the same buyer is pending local regulatory approval.

Significant Events

17 March - New Financial Reporting Structure
MTG announced changes to its financial reporting structure with effect from the first quarter of 2016. This followed the changes to MTG's management and operating structure during the Group's strategic transformation from a traditional broadcaster into a digital entertainment company. Comparable figures for prior periods were made available at www.mtg.com/our-performance/quarterly-results/.

23 March - Management team changes
MTG appointed Peter Nørrelund as Executive Vice President and CEO of MTG Sport, and Gabriel Catrina as Chief Strategy Officer. Joseph Hundah left his position as Executive Vice President and CEO of MTG Africa, and MTG EVP Jette Nygaard-Andersen took on responsibility for MTG's African operations.

29 June - MTG and Telenor sign new TV distribution agreement
MTG and Telenor signed a new multi-year agreement for the broader distribution of MTG's TV channels on Telenor's networks across the Nordic region. Telenor is the biggest network operator in the region and has 1.9 million TV subscribers, while MTG is the Nordic region's number one video entertainment provider and also operates its own TV platforms.

28 July - MTG launches Viaplay in the Baltics
MTG expanded its Viaplay video streaming service to Estonia, Latvia and Lithuania. MTG also signed a partnership agreement with mobile telecom operator Tele2 to make Viaplay available to their mobile customers across the Baltics.

9 September - MTG included in Dow Jones Sustainability Indices
MTG was included in the Dow Jones Sustainability Index for the fifth consecutive year. MTG was the only Swedish media company in the European index, and one of the top nine media companies in the global index.

27 September - MTG issues SEK 500 million bond
MTG successfully issued a SEK 500 million four year corporate bond. The notes were placed with Swedish and international investors, and the coupon is based on the three month STIBOR rate plus 1.4%.

A full list of MTG corporate events can be found at www.mtg.com.

Significant Events after the end of the year

25 January 2017 – MTG sells Czech TV holding
to invest further in InnoGames MTG announced that it had signed an agreement to sell its 50% shareholding in FTV Prima Holding to Denemo Media. The cash transaction values 100% of FTV Prima Holding at an enterprise value of EUR 237.4 million (approximately SEK 2,255 million). MTG also announced subsequently that it intends to use the proceeds from the sale to increase its ownership in InnoGames from 21% to 51%.

17 March 2017 - MTG sells Baltic broadcasting businesses
MTG announced that it had signed an agreement to sell its free-TV, pay-TV, digital and radio businesses in the Baltic region to Providence Equity Partners. The transaction values 100% of the business at an enterprise value of EUR 115 million (approximately SEK 1,094 million).

Segments

MTG has a new financial reporting structure from 2016 following the changes to MTG's management and operating structure during the Group's strategic transformation from a traditional broadcaster into a digital entertainment company. MTG is thereby divided into four operating business segments: Nordic Entertainment; International Entertainment; MTG Studios; and MTGx. The entertainment businesses are geographically defined and include pay-TV, free-TV and radio services, which are made available both on- and offline. MTG Studios consists of content production and distribution businesses. MTGx comprises the Group's global digital businesses, which currently include three verticals - esports, online gaming and digital video networks. The stated figures for 2016 and 2015 are based on the same operational structure.

All figures in the following business segment information exclude items affecting comparability .

Nordic Entertainment

(SEKm)	2016	2015
Net sales	11,139	10,487
o/w Free-TV & Radio	*4,866*	*4,656*
o/w Pay-TV	*6,272*	*5,831*
Costs	-9,768	-9,082
Operating income	1,370	1,405
Operating margin	*12.3%*	*13.4%*
Net sales growth		
Organic growth	*6.2%*	*2.7%*
Acquisitions/divestments	*0.0%*	*-0.7%*
Changes in FX rates	*0.0%*	*0.2%*
Reported growth	*6.2%*	*2.2%*

The segment comprise free-TV and radio operations; the Viasat satellite pay-TV platform and channel packages; and the Viaplay and Viafree streaming services.

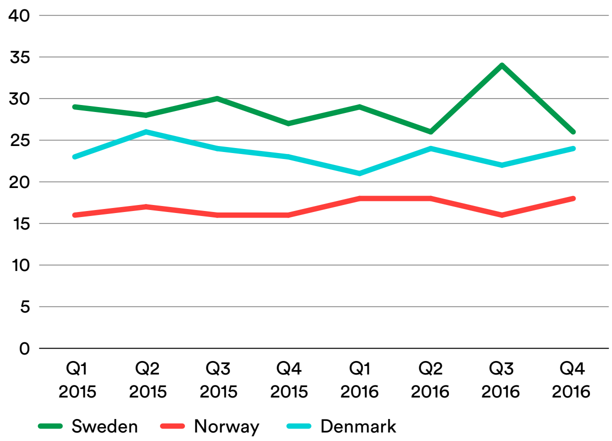
Sales were up 6% (3) on an organic basis following high Viaplay subscriber intake and higher prices, new distribution agreements with third party networks, and coverage of popular sports events during the year.

Operating costs were up more than sales due primarily to investments in content, the expansion of Viaplay, and the impact of the appreciation of the US dollar on content costs.

These were partly offset by transformation savings. Operating income was thereby down with a lower operating margin.

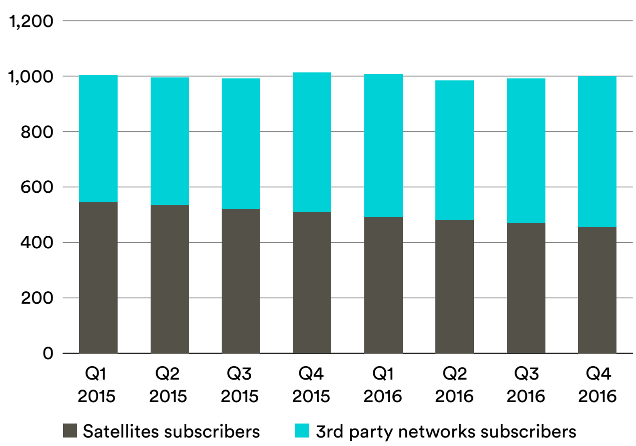
Free-TV and radio sales were up at constant FX, with higher sales in Sweden, Norway and Denmark. The Norwegian advertising market is estimated to have grown, while the Swedish and Danish markets are estimated to have declined. Advertising prices were up in all three markets. MTG's Norwegian and Swedish audience shares were up, while the Danish share was down for the full year.

Commercial share of viewing (%)
(Target audience: 15-49)



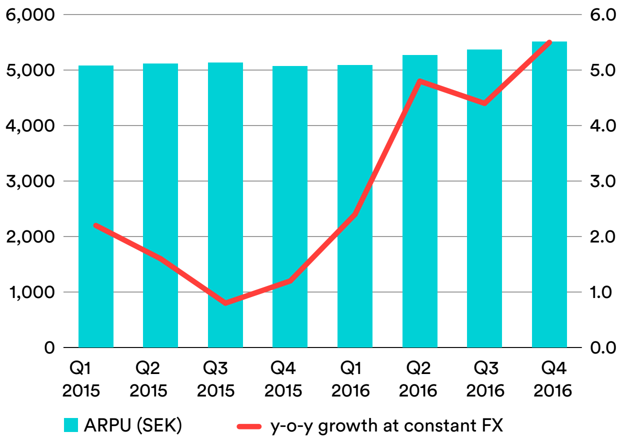
Pay-TV sales were up at constant FX following Viaplay subscriber intake and price rises. The subscriber base (excluding Viaplay) declined slightly as the growth in the third party network subscriber base almost offset the decline in the satellite base. Satellite ARPU was up following price increases.

Satellite and 3rd party subscribers (excluding Viaplay)
(000's)



Annualised revenue per satellite subscriber (ARPU) and growth at constant FX

SEK (left side); % (right side)



International Entertainment

(SEKm)	2016	2015
Net sales	3,404	3,796
o/w Free-TV & Radio	*2,769*	*2,703*
o/w Pay-TV	*635*	*1,093*
Costs	-2,965	-3,485
Operating income	438	311
Operating margin	*12.9%*	*8.2%*
Net sales growth		
Organic growth	*6.7%*	*5.5%*
Aquisitions/divestments	*-18.3%*	*-1.5%*
Changes in FX rates	*1.3%*	*-0.2%*
Reported growth	*-10.3%*	*3.8%*

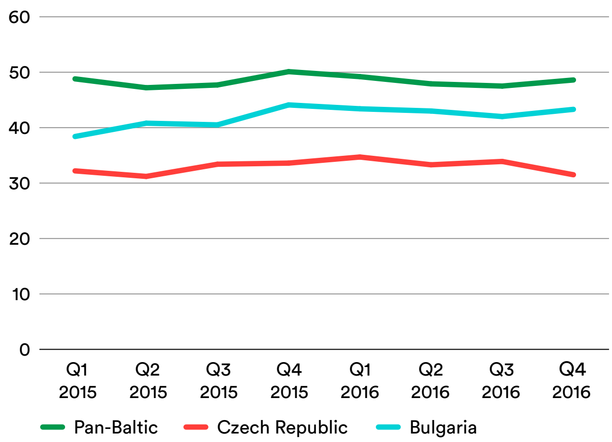
The segment comprise the non-Nordic free-TV and radio operations; Viasat satellite pay-TV platform; pay-TV channels; and Viaplay streaming service. The key operating markets were the Baltics, Bulgaria and the Czech Republic.

Sales were up 7% (6) on an organic basis following higher sales across the board. Reported sales were down due to the divestment of the Hungarian free-TV operations and the Russian and international pay-TV channel businesses in 2015, the Ukrainian pay-TV business from the end of 2015 and the Ghanaian and Nigerian operations at the end of 2016. Operating costs were also down and operating income increased substantially with a higher operating margin.

Free-TV and radio sales were up at constant FX and up even more on an organic basis, with higher sales in all but one market. The Bulgarian, Czech and Lithuanian advertising markets are estimated to have grown, while the Estonian and Latvian markets are estimated to have declined. MTG's audience shares were up in all but one market for the full year.

Commercial share of viewing (%)

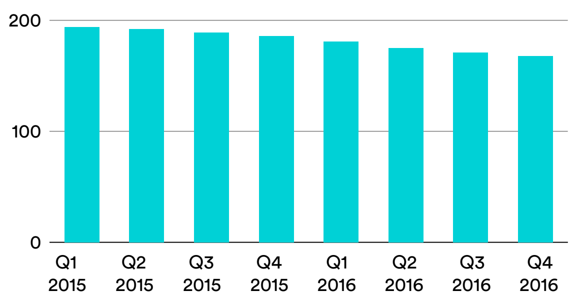
Target audience: Baltics 15-49, Czech Republic 15-54, Bulgaria 18-49



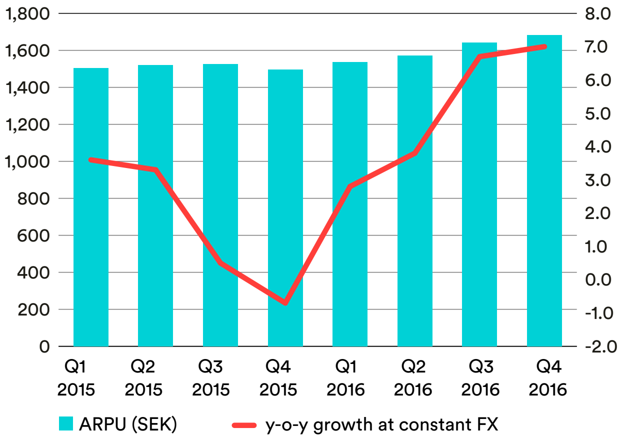
Pay-TV sales were up on an organic basis, and included a promising start for Viaplay in the Baltics, as well as higher sales in Bulgaria and for Trace TV. The subscriber base in the Baltics (excluding Viaplay) declined but satellite ARPU was up following price increases.

Satellite subscribers

(000's)



Annualised revenue per satellite subscriber (ARPU) and growth at constant FX
SEK (left side); % (right side)



MTG Studios

(SEKm)	2016	2015
Net sales	1,777	1,780
Costs	-1,700	-1,777
Operating Income	77	3
Operating margin	*4.4%*	*0.2%*
Net sales growth		
Organic growth	*2.2%*	*-14.2%*
Acquisitions/divestments	*0.0%*	*0.0%*
Changes in FX rates	*-2.4%*	*1.0%*
Reported growth	*-0.2%*	*-13.2%*

MTG Studios comprise a number of leading creators, producers and distributors of television shows, commercials, events and branded content. These include the nice entertainment group of 28 content production and distribution companies in 16 countries.

Sales were up 2% (-14) on an organic basis and driven by continued high demand for scripted drama and branded entertainment content. Operating costs were down following the implementation of cost optimisation programmes. The operating income and the operating margin were both up.

MTGx

(SEKm)	2016	2015
Net sales	1,326	451
Costs	-1,577	-562
Operating income	-251	-111
Operating margin	*-18.9%*	*-24.7%*
Reported growth	*194.3%*	-

MTGx is the group's global digital video entertainment business and delivers next generation entertainment experiences in esports, digital video networks and online gaming. MTGx comprise Turtle Entertainment (74% owned), Zoomin.TV (51% owned), Splay (81% owned), DreamHack (100% owned), InnoGames (21% owned) and Engage Sports Media (22% owned), as well as a number of start-ups.

Sales were up 194% following the acquisition of Turtle, Zoomin.TV, Splay and DreamHack in the second half of 2015, and continued high levels of growth for the combined businesses in 2016. Operating costs were also up due to the consolidation of the businesses and investments in the rapid expansion of the esports businesses in particular to include more events, more leagues and more studios around the world. Operating losses therefore also increased. Following the Group's annual impairment tests, MTG reported a SEK 95m impairment of the goodwill related to Zoomin.TV due to ongoing pressure on online advertising prices. This was fully offset by a corresponding reduction in the value of the liability related to the option to acquire further shares in the company.

Outlook

MTG is executing on its strategy to transform its business from a primarily traditional national broadcast model to a primarily digital video entertainment model, in order to capitalise on the shift to online, on mobile and on demand media consumption with ever increasing social applications. MTG's objective is to manage this migration while delivering long term sales and profit growth, and returning cash to shareholders. MTG has substantially optimised its cost base, in order to offset adverse currency exchange rate movements and enable investment in high quality content and enhanced user experiences, and the expansion of its digital entertainment business. MTG is well positioned for further growth because it has more customers today than ever before, and these customers are spending more time and money with MTG products, which are more broadly available, more relevant and more popular than ever.

MTG continues to review and realign its portfolio of operations, in order to ensure that the Group's resources are focused on those areas that offer the greatest potential returns. MTG's ambition is to shape the future of entertainment and to be the leading digital video entertainment player in each of its markets.

Risks and Uncertainties

The text below describes the major risk factors affecting the Group's operations, and is divided into business operations and financial operations.

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

MTG is also increasingly reliant on a wide variety of technological platforms, and could therefore face the risk of new market entrants, as well as new ways to distribute content. This could mean significant change to the entertainment industry and 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 cyber-attacks, intrusions, disruptions or denials of service.

Economic and political risks
MTG sold its fully owned subsidiaries in Russia in 2015 and its shares in CTC Media were divested through a buy back in 2016. Procedures to liquidate a few 50% owned companies are still pending in January 2017.

The Company also has operations and investments in emerging markets in Central and Eastern Europe and African markets. These markets have different risk profiles than developed markets, in terms of the prevailing economic and political systems, legal and tax regimes, and standards of corporate governance and business practices.

Potential risks inherent in markets with evolving economic and political environments include potentially inadequate protection of foreign investments or intellectual property rights, foreign exchange controls, higher tariffs and other levies, as well as longer payment cycles.

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

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 and national laws and regulations related to broadcasting, telecommunications, competition (antitrust) and taxation. Changes in such laws and regulations, particularly in relation to licensing requirements, access requirements, programming transmission and spectrum specifications, consumer protection, taxation, or other aspects of the Group's business, or those of any of its competitors, could have a materially adverse effect on the Group's business, financial condition or operational results.

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

- In May 2015 the European Commission launched its digital single market strategy. One of its primary goals is increased consumer access to digital services across borders within the EU. A new EU Regulation on portability of online content services was announced in December 2015 and is expected to come into force in late 2017, allowing subscribers to the Group's Viaplay streaming service to access the service when travelling in the EU. The Regulation is not expected to pose a significant risk to the Group's business.
- In 2014 the European Commission opened an anti-trust investigation into the cross-border provision of pay-TV services in the EU. A decision is possible during 2017.
- In 2015 the European Commission initiated a sector enquiry into e-commerce in Europe, which seeks to examine the barriers to accessing goods and services online across borders. A decision is possible during 2017.
- In May 2016 the European Commission published a proposal to amend certain provisions of the Audiovisual Media Services Directive to reflect market, consumer and technological changes in the ten years since the Directive was last updated.

Whilst amendments to this Directive could pose a risk to the Group's business, it is not expected that the Directive will be finalized until late 2018.

- In January 2016 a new General Data Protection Regulation was approved by the European Parliament and Council and will take effect in January 2018, replacing the EU Data Protection Directive 95/46/EC. The new regulation will result in changes to how the Group deals with the data of EU Citizens. MTG has reviewed the legal implications of the Regulation, and while its enactment will result in additional administration and associated costs to bring the Group's data protection policies and procedures in line, MTG considers that the Regulation will not pose a significant risk to the Group's business.
- On 23rd June 2016 the UK voted to leave the European Union. Subsequently, it was announced that the UK will trigger Article 50 of the Treaty on European Union by the end of March 2017 and leave the EU by spring 2019. The UK's decision to leave the European Union and to negotiate a new trading relationship could impact the Group's UK broadcasting operation should the UK not be able to secure EU single market access for the audiovisual sector.
- In September 2016, the European Commission published a proposal for a Regulation on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations. The Proposal extends certain principles of the 1993 Satellite and Cable Directive to the online environment. Whilst consideration of the Proposal is at an initial stage, it could pose a risk to the Group's business in its current form. The effect of the Proposal would be to end exclusive territorial rights as it would enable all service providers to reach out to consumers in 28 Member States, whilst only having to clear copyright in one Member State.

MTG is reliant on access to financing

The Company is exposed to risks associated with disruptions in the financial markets, which could make it more difficult and/or more expensive to obtain financing in the future. Potential events affecting this may include the adoption of new regulations, implementation of recently enacted laws or new interpretations, or the enforcement of existing laws and regulations applicable to financial institutions, the financial markets or the financial services industry, which could result in a reduction in the amount of available credit or increases in the cost of credit. The 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 21.

Foreign exchange risk

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

Transaction exposure

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

Translation exposure

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

Interest rate risk

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

Financing risk

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

Refinancing risk

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

Credit risk

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

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

Business Ethics

MTG has adopted 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, ethnicity, 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 3,805 (3,995) full time employees at the end of 2016. Details of the average number of employees during the year and the aggregated remuneration for the year are presented in Notes 24 and 25.

Executive Remuneration

The guiding principles approved by the 2016 Annual General Meeting can be found in Note 25. Senior executives covered by these guidelines include the Executive Management. The guiding principles have been followed during 2016.

Proposal for 2017 Executive Remuneration guidelines

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

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

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

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

Variable remuneration
The STI shall be based on fulfillment of established targets for the MTG Group and in the area of responsibility for each member of the Group Management. The result shall be linked to measurable targets (qualitative, quantitative, general, individual). The targets within each area of responsibility are defined to promote MTG's development in the short and long-term.

The maximum payment under the STI shall generally not exceed 100 percent of each Group Management member's fixed salary. Payment of part of the STI is conditional upon it being invested in MTG shares and on those shares being held for an agreed period of time.

The LTI shall be linked to certain pre-determined financial and/or share or share-price related performance criteria and shall ensure a long-term commitment to the development of the MTG Group and align the Group Management's incentives with the interests of the shareholders.

Pension and other benefits
The Group Management shall be entitled to pension commitments that are customary, competitive and in line with market conditions in the country in which the member of the Group Management is employed. Pension commitments will be secured through premiums paid to insurance companies.

MTG provides other benefits to the members of the Group Management in accordance with local practice. Other benefits can include, for example, a company car and health care. Occasionally, housing allowance could be granted for a defined period.

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

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

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

Share-based long-term incentive plans

The Group has three outstanding share-based long-term incentive plans, approved in 2014, 2015 and 2016.
For information about these programmes, see Note 25 and www.mtg.com.

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 45 (51) million in 2016. Net interest and other financial items totalled SEK 235 (401) million, and included SEK 15 (153) million of dividends received from subsidiaries. Income before tax and appropriations amounted to SEK 4 (135) million. Income after tax and appropriations amounted to SEK 139 (133) million. The parent company had cash and cash equivalents of SEK 606 (115) million at the end of the period. SEK 5,871 (5,849) million of the SEK 5,871 million total available credit facilities, including SEK 371 million overdraft facilities, 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 obligations to authorities relating to effects on the environment, or which require compulsory licensing. MTG chooses to report the environmental impact for travel and offices in the Corporate Responsibility Report on a voluntary basis.

Proposed appropriation of earnings
The following funds are at the disposal of the shareholders as at 31 December 2016 (SEK):

Premium reserve	267,111,846
Retained earnings	5,507,342,854
Net income 2016	139,278,413
Total	**5,913,733,113**

The Board of Directors proposes that an increased annual cash dividend of SEK 12.00 (11.50) per share be paid to shareholders for the twelve months ended 31 December 2016, 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 2016 would amount to a maximum of SEK 801,385,488 based on the maximum potential number of outstanding shares as at the record date, and represent 93% (86) of the Group's net income from continuing operations excluding items affecting comparability.

The MTG Share

MTG's shares are listed on Nasdaq Stockholm's Large Cap list under the symbols 'MTGA' and 'MTGB'. MTG's market capitalisation, as at the close of the trading on Nasdaq Stockholm on the last business day of 2016, was SEK 18.0 (14.4) billion. The MTGB share price was SEK 270.00 (216.70) as at the close of trading on the last business day of 2016.

Shareholders

The total number of shareholders according to the share register held by Euroclear Sweden AB (Swedish Securities Centre) was 21,478 (19,374) at the end of 2016.

The shares held by the ten largest shareholders corresponded to approximately 46% (45) of the share capital and 63% (65) of the voting rights. Swedish institutions and mutual funds owned approximately 53% (51) of the share capital; international investors owned approximately 38% (41); and Swedish private investors owned approximately 9% (8).

MTG held 118,308 Class B shares and 865,000 Class C shares as treasury shares at the end of 2016. The total number of issued shares at the end of 2016 was 67,647,124, comprising 5,007,793 Class A shares; 61,774,331 Class B shares; and 865,000 Class C shares.

Shareholders as at 31 December 2016

Name	Class A Shares	Class B Shares	Total	Capital	Votes
Kinnevik AB	4,461,691	9,042,165	13,503,856	20.0%	48.0%
Nordea Funds		5,281,152	5,281,152	7.8%	4.7%
The Capital Group Companies Inc.		3,486,081	3,486,081	5.2%	3.1%
Handelsbanken Funds		2,934,000	2,934,000	4.3%	2.6%
Öhman Funds		1,390,634	1,390,634	2.1%	1.2%
SEB Funds		1,109,257	1,109,257	1.6%	1.0%
Lannebo Funds		875,000	875,000	1.3%	0.8%
Catella Funds		828,192	828,192	1.2%	0.7%
DFA Funds		647,362	647,362	1.0%	0.6%
Swedbank Robur Funds		628,706	628,706	0.9%	0.6%
Norges Bank		588,026	588,026	0.9%	0.5%
Folksam		536,162	536,162	0.8%	0.5%
Enter Funds		499,200	499,200	0.7%	0.4%
SPP Funds		492,584	492,584	0.7%	0.4%
Oddo Meriten Funds		487,088	487,088	0.7%	0.4%
Vanguard Funds		461,417	461,417	0.7%	0.4%
Skandia Funds		455,088	455,088	0.7%	0.4%
Second Swedish National Pension Fund		421,540	421,540	0.6%	0.4%
Skandia Life	166,214	251,250	417,464	0.6%	1.7%
Others	379,888	31,241,119	31,621,007	46.7%	31.3%
Total outstanding shares	**5,007,793**	**61,656,023**	**66,663,816**	**98.5%**	**100.0%**

Source: Euroclear Sweden AB

Share distribution, number	Number of shareholders	%	Number of shares	%
1 – 1,000	19,872	92.5%	3,502,734	5.3%
1,001 – 5,000	1,194	5.6%	2,529,709	3.8%
5,001 – 10,000	152	0.7%	1,091,522	1.6%
10,001 – 50,000	149	0.7%	3,400,323	5.1%
50,001 – 100,000	35	0.2%	2,439,967	3.7%
100,001 – 15,000,000	76	0.4%	53,699,561	80.6%
Total outstanding shares at 31 December 2016	**21,478**	**100%**	**66,663,816**	**100%**

Share capital and votes

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

In 2016, 28,892 Class B shares were exercised as part of the 2013 long term incentive plan and increased the number of outstanding shares to 66,663,816. In 2015, 5,780 Class B shares were exercised as part of the 2012 long term incentive plan. The total number of voting rights including treasury shares was 112,717,261 (112,717,261) as at 31 December 2016. There were no changes to the number of issued shares in 2016 or 2015. For further information, please see note 17 – 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 2016 and 2015, please see the report entitled "Consolidated statement of changes in equity".

Dividends

The parent company paid an ordinary dividend of SEK 11.50 (11.00) per share to shareholders in 2016, amounting to a total payment of SEK 767 (733) million.

Share buy-back

The 2016 and 2015 Annual General Meetings approved a mandate to authorise the Board of Directors to buy back MTG Class A or Class B shares up until the 2017 and 2016 Annual General Meetings, respectively. The Group's shareholding in its own stock may not exceed 10% of the total number of issued shares. There were no Class A shares or Class B shares bought back in 2016 or 2015.

Reclassifications

In accordance with the Articles of Association, and the Extraordinary General Meeting of shareholders in 2009, the Board of Directors approved reclassifications from Class A to Class B shares in 2014. There were no requests for reclassifications in 2016 or 2015.

Share-based long-term incentive plans

If all share awards granted to senior executives and key employees as at 31 December 2016 were exercised and all shares awarded, the issued share capital of the Company would increase by 742,231 (600,157) Class B shares, and be equivalent to a dilution of 1.1% (0.9) of the issued capital and 0.7% (0.5) of the related voting rights as at the end of 2016. Further details about the programmes can be found in Note 25.

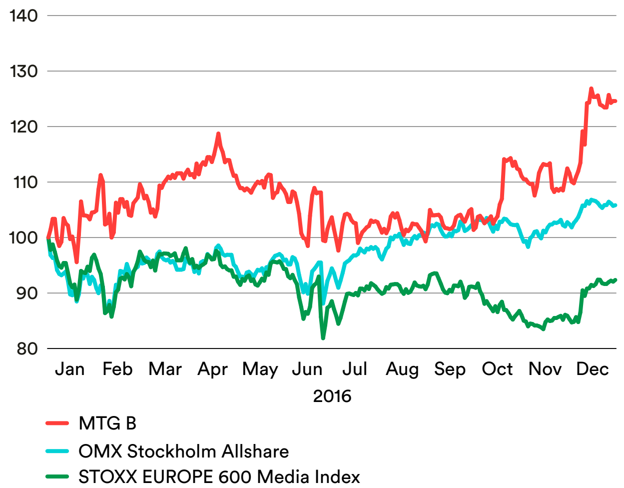
Outstanding retention and performance rights granted

Programmes	No. of rights
LTIP 2014	141,373
LTIP 2015	267,219
LTIP 2016	333,639
Number of outstanding rights as at 31 December 2016	**742,231**

Articles of Association

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

Share performance index



Issued, reclassified and repurchased shares

Parent company	Class A shares	Class B shares	Class C shares	Total
Number of issued shares as at 31 December 2016	5,007,793	61,774,331	865,000	67,647,124

The number of issued shares of each class is unchanged since 2014. The Class C shares are redeemable and may, upon the decision of the Board of Directors, be reclassified into Class B shares. The quota value is SEK 5.00 per share.

The Class C shares were held by the Company as treasury shares during the vesting period for the 2015, 2014, 2013, and 2012 long term incentive plans. The purpose of the Class C shares is to ensure delivery of Class B shares to participants in the plans.

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 Stockholm, the Swedish Code of Corporate Governance (the Code), and other relevant Swedish and international laws and regulations.

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 The MTG share on pages 23-24.

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

Annual General Meeting

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

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

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

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

Shareholders who wish to participate in the Annual General Meeting must be duly registered 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 at www.mtg.com.

The Annual General Meeting for the 2016 financial year will be held on 9 May 2017 in Stockholm.

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 2016, a Nomination Committee was established, consisting of major shareholders. The Nomination Committee comprises David Chance, Chairman of the MTG Board of Directors; Cristina Stenbeck, appointed by Kinnevik AB; Erik Durhan, appointed by Nordea Funds; and Yvonne Sörberg, appointed by Handelsbanken Funds. Cristina Stenbeck was appointed as the Chairman of the Nomination Committee at their first meeting. 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 2017 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 2016

The Board of Directors of Modern Times Group MTG AB comprises six Non-Executive Directors. The members of the Board of Directors are David Chance, Joakim Andersson, Simon Duffy, Donata Hopfen, John Lagerling and Bart Swanson. The Board of Directors' Chairman David Chance, Joakim Andersson, Simon Duffy, and Bart Swanson were re-elected, while Donata Hopfen and John Lagerling were elected for the first time at the 2016 Annual General Meeting. Michelle Guthrie and Alexander Izosimov declined re-election. Biographical information on each Board member is provided on pages 30–31.

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 that 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 that include the Companies Act, the Articles of Association, and the Swedish Corporate Governance Code.

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

The Board has also adopted procedures for the provision of instructions 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 the Executive Management. The external auditor also attends the meetings of the Audit Committee. Minutes are taken at all meetings and are made available to all Board members and to the auditor.

Evaluation of the Board of Directors and the Chief Executive Officer

Each year in Q4 the Chairman of the Board circulates a questionnaire asking the Directors of the Board to individually assess how they think the Board itself has performed during the past year. Questions focus on whether the Board is adding value to the organisation and enhancing its performance through examination of Board structure and composition, its operation and effectiveness and its role in monitoring the execution of agreed strategies. The survey also includes an individual performance review.

Answer options include both a quantitative ranking system as well as an opportunity to provide any relevant comments, particularly in relation to ideas for improvement. At the Q4 Board Meeting the Chairman provides the full Board with a report of the outcome of the Board evaluation process. This summary is also presented by the Chairman and discussed with the Nomination Committee.

Board of Directors during 2016

Name	Position	Born	Nationality	Elected	Independent to major shareholders	Independent to company and its management	Remuneration Committee	Audit Committee	Corporate Responsibility Advisory Group
David Chance	Chairman	1957	American and British	1998	Yes	Yes	Member		
Joakim Andersson	Member	1974	Swedish	2015	No	Yes	Member	Member	Member
Simon Duffy	Member	1949	British	2008	Yes	Yes		Chairman	Chairman
Michelle Guthrie	Member until 24 May 2016	1965	Australian	2013	Yes	Yes		Member	Member
Donata Hopfen	Member from 24 May 2016	1976	German	2016	Yes	Yes		Member	
Alexander Izosimov	Member until 24 May 2016	1964	Russian and Swedish	2008	Yes	Yes	Chairman		
John Lagerling	Member from 24 May 2016	1976	Swedish	2016	Yes	Yes		Member	
Bart Swanson	Member	1963	American	2015	Yes	Yes	Chairman		

Board working procedures

Remuneration Committee

The Remuneration Committee comprises Bart Swanson as Chairman, David Chance and Joakim Andersson. 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
- advice to the Board on proposals for the Guidelines for Remuneration applicable to the Chief Executive Officer and Executive Management
- the review and monitoring of the application of the Guidelines for Remuneration, the variable remuneration programmes and of the remuneration structure and levels of remuneration within MTG
- advice to the Board on long-term incentive schemes

Audit Committee

The Audit Committee comprises Simon Duffy as Chairman, Joakim Andersson, Donata Hopfen and John Lagerling. 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.

Corporate Responsibility Advisory Group

Further to the Board committees, a CR Advisory Group was established in 2013 to support the Board on corporate responsibility topics. The Group consists of Board Directors Simon Duffy and Joakim Andersson.

Remuneration of Board members

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

Work of the Board during 2016

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 mat-

Attendance at Board and Committee Meetings

Board of Directors	Board meetings	Audit Committee	Remuneration Committee	Corporate Responsibility Advisory Group
Meetings until the Annual General Meeting on 24 May 2016	1	1	2	1
Meetings after the Annual General Meeting on 24 May 2016	6	3	2	2
Total number of meetings	7	4	4	3
David Chance, Chairman	7	-	4	-
Simon Duffy	7	4	-	3
Michelle Guthrie (until 24 May 2016)	1	1	-	1
Donata Hopfen (from 24 May 2016)	5	3	-	-
Alexander Izosimov (until 24 May 2016)	1	-	2	-
John Lagerling (from 24 May 2016)	5	3	-	-
Joakim Andersson	7	4	4	2
Bart Swanson	7	1	2	0

ters related to investments in programming and non-current assets. The Board of Directors also reviewed the Group's strategies and future plans with a particular focus on the digital transformation and cost transformation and portfolio realignment measures.

The Board of Directors met seven times during 2016.

External auditors

The Company's auditor is elected by the Annual General Meeting for a period of four years. KPMG was elected as MTG's auditor in 2014 and has been external auditor since 1997. Joakim Thilstedt, authorised public accountant, has been responsible for the audit of the Company on behalf of KPMG since December 2013. Audit assignments have involved the examination of the annual report and financial accounting, the administration by the Board and the CEO, other tasks related to the duties of a company auditor and consultation or other services that may result from observations noted during such examination or the implementation of such other tasks. All other tasks are defined as other assignments.

The auditor reports its findings to the shareholders by means of the auditors' report, which is presented to the Annual General Meeting. In addition, the auditor's 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 in the years 2016 and 2015. These services comprised tax compliance work, advice on accounting issues, and advice on processes and internal controls and other assignments of a similar kind and closely related to the auditing process. For more detailed information concerning the auditors' fees, see Note 26.

Pre-approval of policies and procedures for non-audit related services

In order to ensure the auditor's independence, the Audit Committee has established pre-approval policies and procedures for non-audit related services to be performed by the external auditor. The policy was approved in December 2016 by the Audit Committee of MTG.

Group Management

MTG's Group Management comprises the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), and Executive Vice Presidents. Biographical information on each executive is provided on pages 32-34.

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 Group 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. The Company guidelines and policies issued include financial control, communication practices, 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 Group 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 2017 are described under the heading Executive Remuneration on pages 21-22 and note 25.

The remuneration paid to the Group's Executive Management is set out in Note 25, together with information about the beneficial ownership of Company shares set out in the biographical information on each executive.

Share based long-term incentive plans

The Group has three outstanding share based long-term incentive programmes, decided upon in 2014, 2015 and 2016. For information about these programmes, see Note 25 and www.mtg.com.

Internal control report

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

Control environment

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

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

Risk assessment and control activities

The Company has prepared a model for assessing risks in all segments in which a number of items are identified and analysed.

These risks are reviewed regularly by the Board of Directors and by the Audit Committee, and include both the risk of losing assets as well as irregularities and fraud. The process involves all Group companies, segments and business units. Overall coordination is conducted centrally by the Group's Risk Management staff function. In addition 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 aspects are regulation compliance, license requirements, legal change, information and IT security, political and economic risks. The respective managers are in charge of risk management in the Group's companies, segments and business units. The responsibility encompasses the day-to-day work focused on operational and other relevant risks, and on leading risk management activities in their own areas of responsibility. The managers are supported by central Group functions.

Information and communication

Guidelines used in the Company's financial reporting are updated and communicated to the employees concerned on an ongoing basis. There are formal as well as informal information channels to the Executive Management and to the Board of Directors for information from the employees identified as significant. Guidelines for external communication ensure that the Company applies the highest standards for providing accurate information to the capital markets.

Follow-up

The Board of Directors regularly evaluates the information provided by the Executive Management and the Audit Committee. The Board receives regular updates of the Group's development between the meetings. The Group's financial position, 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.

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

Direct or related person ownership:
3,565 class B shares

Bart Swanson

Non-Executive Director
American, born 1963

Bart Swanson is currently an advisor at Horizons Ventures, a venture capital firm based in Hong Kong with a focus on disruptive and technology-focused start-ups. Mr. Swanson is on the boards of Zoom Video Communications Inc, Impossible Foods, Modern Meadow, Sentient Technologies, Benevolent AI, Shine Communications, Cortica Ltd., Hola Networks, and several other technology companies. Previously, Bart was Chairman of the Board of Summly Ltd. from 2012 up until 2013 when the company was acquired by Yahoo. During 2010 and 2011 Bart was Chief Operating Officer of Badoo, one of the largest Internet social dating sites, prior to which Bart spent three years as Managing Director at GSI Commerce International (later eBay Enterprise). Before joining GSI Commerce International, Bart was a General Manager at Amazon, where he was one of the key executives in establishing and expanding Amazon.com's footprint in Germany, France and the United Kingdom. Bart graduated from the University of Southern California with a Bachelor's degree in History and from the University of Pennsylvania with an MA in International Studies, as well as an MBA from Wharton.

Chairman of the Remuneration Committee.

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

Direct or related person ownership:
1,300 class B shares

Donata Hopfen

Non-Executive Director
German, born 1976

Donata Hopfen has been the Publishing Director and Head of the Management Board of BILD Group, Europe's largest newspaper and Germany's largest digital news portal, since May 2014. Donata was previously the Managing Director of BILD's digital and mobile activities. Donata joined Axel Springer in 2003 and has held various positions including responsibility for business development and product management at BILD.T-Online, and head of business development in Axel Springer's electronic media department. Donata previously worked as a Strategy Consultant for Accenture's Media & Entertainment Practice for three years from 2000. Donata is also a member of the Advisory Board of Transfermarkt GmbH, member of the Digital Advisory Board of Deutsche Postbank AG and a member of the Foundation Board of SWAB. Donata holds diplomas in European business administration from the Universities of Madrid and Reutlingen.

Member of the Audit Committee.

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

Direct or related person ownership:
0 class B shares

Joakim Andersson

Non-Executive Director
Swedish, born 1974

Joakim Andersson was appointed Chief Financial Officer of Kinnevik AB, MTG's large reference shareholder, in February 2015 and was also appointed acting Chief Executive Officer of Kinnevik in December 2016. Joakim joined the Kinnevik Group in 2001 at Banque Invik, and became Group Treasurer of Kinnevik in 2007. As Group Treasurer, Joakim supported Kinnevik's investee companies in managing capital markets, financing and corporate financial management, and was responsible for Kinnevik's cash and liquidity management as well as its treasury operations and controls. Joakim holds a Master of Science in Business and Economics from Växjö University.

Member of the Remuneration Committee and Audit Committee.

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

Direct or related person ownership:
100 class B shares

John Lagerling

Non-Executive Director
Swedish, born 1976

John Lagerling has been Vice President of Business Development, Mobile and Product Partnerships at Facebook, where he heads global business development, mobile partnerships and other new partner dependent initiatives, since 2014. Prior to joining Facebook, John spent seven years at Google holding various leadership positions, including Director of Android Global Partnerships. John holds an MSc in Marketing and International Business from the Stockholm School of Economics.

Member of the Audit Committee.

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

Direct or related person ownership:
0 class B shares

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 YouView TV Ltd., as well as a Non-Executive Director of Oger Telecom Limited, Wizz Air Holdings Plc and Millicom International Cellular. 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.

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

Direct or related person ownership:
1,750 class B shares

Group Management

Jørgen Madsen Lindemann

President & Chief Executive Officer
Danish, born 1966

Jørgen was appointed as President and CEO of MTG in September 2012, prior to which he served as Executive Vice President of the Group's Nordic Broadcasting (free-TV, pay-TV and radio) operations from October 2011. He was also responsible for the Group's Czech operations between 2008 and 2011, and the Hungarian operations between 2010 and 2011, and served as CEO of MTG Denmark from 2002, prior to which he was responsible for MTG's New Media department between 2000 and 2002. Jørgen has worked in the Group since 1994 when he joined as Head of Interactive Services. He became Head of Sponsorship for TV3 in 1997, then Head of Viasat Sport in Denmark and, subsequently, Head of Viasat Sport for the Group in 1998. He is also a member of the Boards of Zalando, Turtle Entertainment, The International Emmy Association in New York, and non-profit organisation Reach For Change.

Direct or related person ownership:
32,753 class B shares

Maria Redin

Chief Financial Officer
Swedish, born 1978

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

Direct or related person ownership:
1,648 class B shares

Anders Jensen

EVP; Chairman of the Nordic Entertainment Management Board & CEO of MTG Sweden
Swedish, born 1969

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

Direct or related person ownership:
2,650 class B shares

Arnd Benninghof

EVP; CEO of MTGx
German, born 1969

Arnd was appointed as MTG Executive Vice President and CEO of MTGx in December 2015. He previously served as Deputy CEO of MTGx and CEO of Play & Ventures from November 2014 to November 2015. Prior to joining MTG, Arnd worked as Chief Digital Officer for Digital & Adjacent at ProSiebenSat.1 Media AG and also served as Managing Director of its Seven Ventures, the venture arm of that group. Arnd has also been CEO of Holtzbrinck eLAB, the incubator of the Holtzbrinck Publishing Group, founded and built fifteen companies, and also had different management roles at Tomorrow Focus AG. He started his career as a journalist, working for Deutsche Presse Agentur and TV networks. Arnd currently holds Board positions in the following companies within MTGx: Dreamhack, Turtle ESL, Engage Sports Media, Zoomin.TV, Splay and Innogames.

Direct or related person ownership:
911 class B shares

Gabriel Catrina

Chief Strategy Officer
Argentinian, born 1974

Gabriel Catrina was appointed as Chief Strategy Officer in March 2016. He joined MTG in September 2013 as Head of Group Strategy and has also worked closely with the Group's operating businesses. Gabriel also serves on the Boards of MTG subsidiaries Zoomin.TV and Trace. Gabriel was previously Head of the Media, Communications and Technology Practice for management consulting firm Booz & Company in the Nordics, where he spent 8 years advising leading companies globally on strategy, innovation and operations. Gabriel has worked in C-level and business development positions in the US, Europe and Latin America, including 3 years as CFO and COO of Argentinian digital education company Educ.ar, and 5 years as VP of Business Development (Europe & Latin America) for US-based telecommunications software company TCS. Gabriel has an MBA from the Stockholm School of Economics in Sweden and an M.Sc in Business Administration from UCC in Argentina.

Direct or related person ownership:
527 class B shares

Jakob Mejlhede Andersen

EVP; Group Head of Programming and Content Development
Danish, born 1973

Jakob was appointed as Executive Vice President of Programming and Content Development in March 2015 with responsibility for content acquisition, programming and development for MTG's Nordic on- and offline pay-TV businesses, and group-wide online free-TV businesses. The role also includes format sourcing and co-productions. He is also on the Board of DRG. He joined MTG in 2005 and became Senior Vice President of Acquisitions & Programming in 2009. He also became Chief Content Officer of the Group's digital accelerator MTGx in 2014. Jakob previously worked as Programme Director for SBS TV in Denmark and as Executive Producer for TV2 Denmark. Jakob has a journalism degree from the Danish School of Media and Journalism.

Direct or related person ownership:
3,944 class B shares

Jette Nygaard-Andersen

EVP; CEO of MTG's Central European operations
Danish, born 1968

Jette was appointed MTG Executive Vice President and CEO of the Group's Central European TV, radio and digital operations in May 2015. She previously served as MTG Executive Vice President and CEO of the Group's Nordic pay-TV broadcasting operations from October 2012., Jette joined MTG in 2003 and has held a number of senior managerial positions across the Group, including CEO of Viasat Denmark between 2011 and 2013. Jette is a member of the Boards of FTV Prima, Nova Broadcasting Group and Turtle Entertainment. Prior to joining MTG, Jette was a strategy management consultant at Accenture, specializing in the Telecommunications & Media industry, and also held positions at the Maersk Group. Jette is a non-executive Board member of Coloplast A/S, which is listed on the Nasdaq Copenhagen Stock Exchange. Jette graduated with an M.Sc in Business, Finance and Economics from the University of Copenhagen.

Direct or related person ownership:
3,909 class B shares

Matthew Hooper

EVP; Group Head of Corporate Communications
British, born 1970

Matthew was appointed as Executive Vice President and Head of Corporate Communications in February 2013 with responsibility for Group-wide Corporate Communications including brand development and experience; public, investor and government relations; corporate responsibility; and employee communications, as well as MTG's digital channels and corporate events. He joined MTG in October 2012 as Group Head of Corporate Communications and Planning, prior to which he was the co-Founder and Managing Partner of Shared Value Limited, the international corporate communications consulting firm, and a Board Director of Shandwick Consultants Limited, a division of the then publicly listed Shandwick global marketing and communications group. Matthew is a Masters graduate of Oxford University.

Direct or related person ownership:
4,981 class B shares

Peter Nørrelund

EVP; CEO of MTG Sport
Danish, born 1971

Peter Nørrelund was appointed as Executive Vice President and CEO of MTG Sport in March 2016 and as COO of Turtle Entertainment in February 2017. Peter joined MTG in 2003 and has headed up the Danish sports operations since 2004. Peter has been responsible for all sports rights acquisition across the Group since 2006 and was appointed as MTG Head of Sport in 2013. Peter is responsible for MTG's global sports organisation of 200+ people that acquires rights for MTG's online and offline platforms across multiple territories, and runs the technical play-out of MTG's sports channels and production of local language commentary and programming. Peter has a degree in Journalism from the Danish School of Media & Journalism and, prior to joining MTG, worked as a reporter, commentator, host and Editor in Chief at Danish public service broadcaster DR.

Direct or related person ownership:
2,581 class B shares

Mathias Hermansson

Executive Chairman of MTGx Ventures and adviser to MTG's President & CEO
Swedish, born 1972

Mathias was appointed as Executive Chairman of MTGx Ventures and adviser to MTG's President & CEO in December 2015. He previously served as Chief Financial Officer of MTG between March 2006 and November 2015, and was also responsible for the Group's Strategy, M&A, Legal and Security functions. He also worked as Group Financial Controller between 2001 and 2006 and held various senior financial positions at Viasat Broadcasting, MTG Radio and former MTG subsidiary Qliro Group. Mathias also previously served as Finance Director at former subsidiary Metro International's North American operations. He joined MTG in 1999 as a management trainee after working for Unilever in Sweden.

Direct or related person ownership: 14,589 class B shares

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Consolidated income statement

(SEK million)	Note	2016	2015
Continuing operations			
Net sales	3, 4	17,299	16,218
Cost of goods and services	3	-11,256	-10,707
Gross income		**6,042**	**5,511**
Selling expenses		-1,353	-1,332
Administrative expenses		-3,318	-3,355
Other operating income	5	154	230
Other operating expenses	5	-173	-298
Share of earnings in associated companies and joint ventures	6	-5	-1
Operating income	3, 4, 10, 11, 23, 25, 26, 28	**1,347**	**756**
Financial income	7	15	24
Financial costs	7	-96	-54
Income before tax		**1,266**	**727**
Tax expenses	8	-303	-194
Net income for the year, continuing operations		**963**	**533**
Discontinued operations			
CTC Media	29	-1,072	-282
Net income for the year, discontinued operations [1]		**-1,072**	**-282**
Total net income for the year		**-109**	**251**
Attributable to:			
Equity holders of the parent company		-213	214
Non-controlling interest		104	37
Total net income for the year		**-109**	**251**
Continuing operations			
Basic earnings per share (SEK)	16	12.88	7.45
Diluted earnings per share (SEK)	16	12.85	7.43
Total			
Total basic earnings per share (SEK)	16	-3.19	3.22
Total diluted earnings per share (SEK)	16	-3.19	3.21

[1] Net income, discontinued operations, is attributable to the equity holders of the parent.

Consolidated statement of comprehensive income

(SEK million)	Note	2016	2015
Net income for the year, continuing operations		963	533
Other comprehensive income			
Items that are or may be reclassified to profit or loss net of tax:			
Change in currency translation differences	17	170	20
Cash flow hedge	17	32	-59
Change in non-controlling interest		0	-4
Other comprehensive income, continuing operations		**203**	**-42**
Total comprehensive income, continuing operations		**1,166**	**491**
Net income for the year, discontinued operations	29	-1,072	-282
Other comprehensive income			
Items that are or may be reclassified to profit or loss net of tax:			
Change in currency translation differences	17	1,010	-548
Other comprehensive income, discontinued operations		**-62**	**-830**
Total comprehensive income for the year		**1,104**	**-339**
Attributable to:			
Equity holders of the parent company		990	-372
Non-controlling interest		113	33
Total comprehensive income for the year		**1,104**	**-339**

Consolidated balance sheet

(SEK million)	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Intangible assets	10		
Capitalised expenditure		199	137
Trademarks		1,265	1,216
Customer relations and other		399	393
Goodwill		5,578	5,187
Total intangible assets		**7,441**	**6,933**
Tangible assets	11		
Machinery		68	42
Equipment, tools and installations		268	409
Total tangible assets		**335**	**452**
Long-term financial assets			
Shares and participations in associated companies and joint ventures	6	611	46
Receivables from associated companies		6	16
Shares and participations in other companies		5	4
Other long-term receivables		160	54
Total long-term financial assets		**783**	**121**
Deferred tax asset	8	158	83
Total non-current assets		**8,717**	**7,589**
Current assets			
Inventories			
Finished goods and merchandise		72	37
Program rights		1,951	1,770
Advances to suppliers		34	17
Total inventories		**2,057**	**1,825**
Current receivables			
Accounts receivables	14	2,180	1,959
Accounts receivables, associated companies		0	7
Tax receivables		124	133
Other current receivables, interest-bearing		14	6
Other current receivables, non interest-bearing		466	555
Prepaid programming expense		2,134	1,975
Prepaid expense and accrued income		1,160	956
Total current receivables		**6,079**	**5,592**
Cash and cash equivalents			
Cash and bank		845	410
Total cash and cash equivalents		**845**	**410**
Assets held for sale, CTC Media	21, 29	–	1,081
Total current assets		**8,981**	**8,909**
Total assets		**17,699**	**16,497**

(SEK million)	Note	31 December 2016	31 December 2015
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	17		
Share capital		338	338
Other paid-in capital		1,797	1,797
Reserves		-191	-1,395
Retained earnings including net income for the year		2,865	3,816
Total equity attributable to equity holders of the parent company		**4,809**	**4,556**
Non-controlling interest			
Non-controlling interest	9	207	212
Total equity		**5,016**	**4,768**
Non-current liabilities	21		
Interest-bearing			
Bond loan		1,500	1,000
Other interest-bearing liabilities		58	18
Total non-current interest-bearing liabilities		**1,558**	**1,018**
Non-interest bearing			
Non-interest bearing liabilities		23	23
Deferred tax liability	8	634	604
Provisions	18	349	525
Liabilities at fair value	21	1,214	1,109
Liabilities to associated companies		18	26
Total non-current non-interest bearing liabilities		**2,237**	**2,286**
Total non-current liabilities		**3,795**	**3,305**
Current liabilities	21		
Interest-bearing			
Liabilities to financial institutions		1,490	1,548
Other interest-bearing liabilities		1	1
Total current interest-bearing liabilities		**1,491**	**1,549**
Non-interest bearing			
Advances from customers		464	467
Accounts payable	21	2,131	1,906
Tax liabilities		271	170
Provisions	18	125	211
Liabilities at fair value	21	137	5
Other liabilities		470	490
Accrued programming expense		2,007	2,013
Accrued expense and prepaid income		1,792	1,614
Total current non-interest bearing liabilities		**7,397**	**6,876**
Total current liabilities		**8,888**	**8,425**
Total liabilities		**12,683**	**11,730**
Total equity and liabilities		**17,699**	**16,497**

For information about pledged assets and contingent liabilities, see note 20.

Consolidated statement of changes in equity

(SEK million)	Note 17	Share capital	Paid-in capital	Trans-lation reserve	Hedging reserve	Fair value reserve	Reval-uation reserve	Retained earnings incl net income for the year	Total	Non-con-trolling interest	Total equity
		Equity attributable to the equity holders of the parent company									
Balance as of 1 January 2015		**338**	**1,797**	**-934**	**137**	**0**	**–12**	**4,403**	**5,729**	**102**	**5,831**
Net income for the year								214	214	37	251
Other comprehensive income				-527	-59	-			-586	-4	-590
Total comprehensive income for the year 2015				**-527**	**-59**	**0**		**214**	**-372**	**33**	**-339**
Dividends to shareholders (SEK 11.00 per share)								-733	-733		-733
Dividends to shareholders with non-con-trolling interests									–	-5	-5
Change in non-controlling interest								-79	-79	81	2
Share of option changes in equity of associated companies								5	5		5
Effect of share-based programmes								6	6		6
Balance as of 31 December 2015		**338**	**1,797**	**-1,461**	**78**	**0**	**–12**	**3,816**	**4,556**	**212**	**4,768**
Net income for the year								-213	-213	104	-109
Other comprehensive income				1,171	32	-			1,204	9	1,212
Total comprehensive income for the year 2016				**1,171**	**32**	**0**		**-213**	**991**	**113**	**1,104**
Dividends to shareholders (SEK 11.50 per share)								-767	-767		-767
Dividends to shareholders with non-controlling interests									-	-120	-120
Change in non-controlling interest									0	2	2
Effect of share-based programmes								29	29		29
Balance as of 31 December 2016		**338**	**1,797**	**-289**	**110**	**0**	**-12**	**2,865**	**4,809**	**207**	**5,016**

Consolidated statement of cash flow

(SEK million)	Note	2016	2015
Cash flow from operations			
Net income for the year		963	533
Adjustments to reconcile net income/loss to net cash provided by operations	22	-23	518
Cash flow, continuing operations		**940**	**1,051**
Changes in working capital			
Increase (–)/decrease (+) net programme inventories		-373	-812
Increase (–)/decrease (+) other current receivables		-275	-192
Increase (+)/decrease (–) accounts payable		221	586
Increase (+)/decrease (–) other current liabilities		185	-137
Total change in working capital		**-242**	**-555**
Net cash flow, continuing operations		**697**	**497**
Investing activities			
Investment in other non-current assets		-345	-293
Acquisitions of subsidiaries and associates	28	-607	-1,594
Divestments of subsidiaries and associates	28	102	412
Other cash flow from investing activities		17	7
Cash flow to investing activities, continuing operations		**-833**	**-1,467**
Financing activities			
Change in short-term borrowings		-58	1,494
New long-term borrowings		540	-
Decrease other long-term receivables		-51	-70
Dividends to shareholders		-767	-733
Dividends to shareholders with non-controlling interest		-127	-36
Cash flow from/to financing activities, continuing operations		**-463**	**656**
Total cash flow, continuing operations		**-599**	**-314**
Cash flow, discontinued operations	29	**1,023**	**90**
Cash flow from the year		**425**	**-224**
Cash and cash equivalents at beginning of year		**410**	**643**
Translation differences in cash and cash equivalents		10	-8
Cash and cash equivalents at end of year		**845**	**410**

Parent company income statement

(SEK million)	Note	2016	2015
Net sales		45	51
Gross income		**45**	**51**
Administrative expenses		-275	-316
Operating loss	10, 11, 25, 26	**-231**	**-265**
Interest revenue and other financial income	7	272	360
Interest expense and other financial costs	7	-52	-57
Results from shares in subsidiaries	7	15	98
Income before tax and appropriations		**4**	**135**
Appropriations		162	24
Income before tax		**166**	**159**
Tax expenses	8	-27	-26
Net income for the year		**139**	**133**

Parent company statement of comprehensive income

(SEK million)	Note	2016	2015
Net income for the year		139	133
Other comprehensive income		0	-
Total comprehensive income for the year		**139**	**133**

Parent company balance sheet

(SEK million)	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Intangible assets	10		
Capitalised expenditure		1	1
Total intangible assets		**1**	**1**
Tangible assets	11		
Equipment, tools and installations		0	1
Total tangible assets		**0**	**1**
Long-term financial assets			
Shares and participations in Group companies	12	6,339	6,342
Receivable from Group companies	13	10,016	9,938
Shares and participations in other companies		1	1
Other long-term receivables		32	32
Total long-term financial assets		**16,389**	**16,313**
Total non-current assets		**16,390**	**16,315**
Current assets			
Current receivables			
Receivable from Group companies		478	460
Tax receivables		46	73
Other receivables		172	58
Prepaid expense and accrued income	15	12	14
Total current receivables		**707**	**604**
Cash and cash equivalents			
Cash and bank		606	115
Total cash and cash equivalents		**606**	**115**
Total current assets		**1,313**	**719**
Total assets		**17,703**	**17,034**

Parent company balance sheet, continued

(SEK million)	Note	31 December 2016	31 December 2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	17		
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		5,507	6,129
Net income for the year		139	133
Total non-restricted equity		**5,914**	**6,529**
Total shareholders' equity		**6,252**	**6,868**
Non-current liabilities			
Interest-bearing	21		
Bond loan		1,500	1,000
Total non-current interest-bearing liabilities		**1,500**	**1,000**
Non-interest bearing			
Liabilities to Group companies		32	64
Provisions	18	2	20
Total non-current non-interest bearing liabilities		**34**	**84**
Total non-current liabilities		**1,534**	**1,084**
Current liabilities			
Interest-bearing			
Liabilities to Group companies		8,005	6,994
Liabilities to financial institutions	21	1,435	1,494
Total current interest-bearing liabilities		**9,440**	**8,488**
Non-interest bearing			
Accounts payable		4	9
Liabilities to Group companies		416	493
Tax liabilities		-	26
Other liabilities		9	10
Accrued expense and prepaid income	19	48	57
Total current non-interest bearing liabilities		**478**	**595**
Total current liabilities		**9,917**	**9,083**
Total liabilities		**11,451**	**10,167**
Total shareholders' equity and liabilities		**17,703**	**17,034**

For information about pledged assets and contingent liabilities, see note 20.

Parent company statement of changes in equity

		Restricted equity	Non-restricted equity			
(SEK million)	Note 17	Share capital	Premium reserve	Fair value reserve	Retained earnings incl net income for the year	Total
Balance as of 1 January 2015		**338**	**267**	**0**	**6,856**	**7,462**
Net income for the year					133	133
Other comprehensive income				-		-
Total comprehensive income for the year 2015				**-**	**133**	**133**
Dividends to shareholders					-733	-733
Effect of share-based programmes					5	5
Balance as of 31 December 2015		**338**	**267**	**0**	**6,262**	**6,868**
Net income for the year					139	139
Other comprehensive income				0		0
Total comprehensive income for the year 2016				**0**	**139**	**139**
Dividends to shareholders					-767	-767
Effect of share-based programmes					12	12
Balance as of 31 December 2016		**338**	**267**	**0**	**5,646**	**6,252**

Parent company cash flow statement

(SEK million)	Note	2016	2015
Cash flow from operations	22		
Net income for the year		139	133
Adjustments to reconcile net income/loss to net cash provided by operations:			
Depreciation and write-downs		2	56
Group contribution		-162	-24
Unrealised change in LTIP schemes value		12	5
Change in provisions		-18	17
Unrealised exchange difference		4	21
Total adjustments to reconcile net income/loss to net cash provided by operations		**-163**	**76**
Cash flow from operations		**-24**	**210**
Changes in working capital			
Increase (–)/decrease (+) short-term receivables		32	321
Increase (+)/decrease (–) accounts payable		-5	0
Increase (+)/decrease (–) other liabilities		-86	-223
Total changes in working capital		**-59**	**99**
Net cash flow from/to operations		**-82**	**308**
Investing activities			
Investments in non-current assets		-1	0
Proceed from liquidation of subsidiary		2	0
Cash flow to investing activities		**1**	**0**
Financing activities			
Receivables/liabilities from Group companies		898	-1,376
Dividends to shareholders		-767	-733
Other long-term liabilities		-	20
New long-term borrowings		500	-
Change in short-term borrowings		-60	1,495
Cash flow from financing activities		**571**	**-595**
Cash flow from the year		**490**	**-287**
Cash and cash equivalents at beginning of year		**115**	**402**
Cash and cash equivalents at end of year		**605**	**115**

Notes to the accounts

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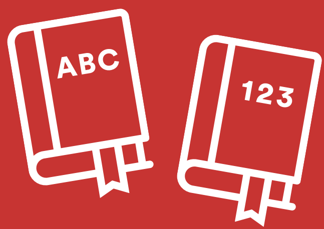

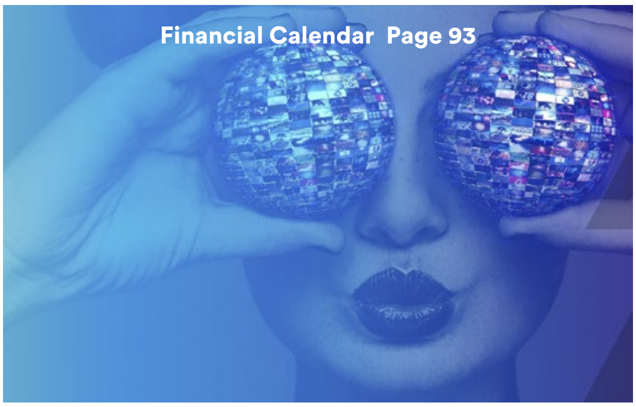

Note 1 Accounting and valuation principles

Modern Times Group MTG AB (MTG) is a company domiciled in Sweden. The Company's registered office is located at Skeppsbron 18, P.O. Box 2094, SE-103 13 Stockholm, Sweden. The consolidated financial statements of the Company for the year ended 31 December 2016 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 29 March 2017. 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 9 May 2017.

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 Annual report.

The consolidated accounts have been prepared based on the acquisition values except that the following assets and liabilities are stated at their fair value: derivative financial instruments, contingent considerations and financial instruments classified as 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. For information on accounting for certain line items, see each note.

Change in accounting principles and new accounting standards

The Group's consolidated accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2015 Annual Report.

New and amended Accounting standards and interpretations after 2016

The Group has not made any early adoptions of new or changed Accounting standards and interpretations effective after 31 December 2016.

The following new standards have been issued but are not effective for the financial year 2016. IFRS 9 and IFRS 15 were adopted by the EU in 2016 but IFRS 16 has not been adopted by the EU at the time of writing.

IFRS 9 Financial instruments

This standard addresses the classification, measurement, recognition, impairment and derecognition of financial instruments. It also addresses general hedge accounting. The standard is not expected to have any material impact on the Group's financial position or result. 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.

IFRS 15 Revenue from Contracts with Customers

The standard replaces IAS 11 Construction Contracts and IAS 18 Revenue and establishes a new framework for determining when and how much revenue to recognise. The standard introduces a five-step model to be applied to all contracts with customers in order to establish the revenue recognition. The Group is yet to assess IFRS 15's full impact, but at this stage the standard is judged to have no significant effects on the timing and the amount of revenue recognised in the Group's consolidated accounts. The disclosures related to revenue recognition in the Group's annual report will, however, increase as a result of the new standard. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

IFRS 16 Leases

New accounting standard for leases. For the lessee the classification according to IAS 17 in operating and finance lease is replaced by a single lease accounting model. All leases should be recognized on-balance sheet as a right-of-use asset and lease liability. Leases of low-value assets and items as well as leases of 12 months or less are exempt from the requirements. Depreciation of lease assets must be separately recognised from interest on lease liabilities in the income statement. The Group is yet to assess IFRS 16's full impact. The standard is effective for annual periods beginning on or after 1 January 2019.

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

Consolidated accounts

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

Subsidiaries

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

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

Note 1, continued

Non-controlling interest

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

Associated companies

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

Joint ventures

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

Functional currency and reporting currency

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

Financial statements of foreign operations

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

Parent company

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

Group contributions

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

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 10 and 28 contain information of the assumptions and the risk factors relating to goodwill impairment. Litigations and provisions made are reported in note 18.

Goodwill and other intangible assets

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

Goodwill and intangible assets with indefinite useful lives are subject to impairment tests yearly or when triggered by events. The impairment review requires management to determine the fair value of the cash generating units on the basis of cash flow projections and internal forecasts and business plans. For further information, see note 10 Intangible assets.

Valuation of liabilities at fair value

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

Note 2, continued

Depreciation and amortisation of beneficial rights and programme rights inventory

Depreciation and amortisation of beneficial rights and programme rights inventory are expensed in accordance with the estimated broadcasting period. A higher proportion of the costs are expensed in the beginning of the broadcasting period than the following years. The estimated broadcasting period could change, and, as a result of this, affect the income for the period and the financial position. For further information, see note 3 Revenue and cost accounting and note 10 Intangible assets.

Provisions and contingent liabilities

A provision is recognised when a present obligation exist as a result of a past event, it is probable that economic resources will be transferred, and reliable estimates can be made of the amount of the obligation. In such a case, a provision is calculated and recognised in the 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 liability which is not disclosed or for which no amount is not currently recognised could have a material impact on the Group's financial position.

The Group regularly reviews significant outstanding litigations in order to assess the need for provisions. Among the factors considered, are the nature of the litigation, claims, legal processes and potential level of damages, the opinions and views of the legal counselors, and the management's intentions to respond to the litigations or claims. To the extent the estimates and judgments do not reflect the actual outcome; this could materially affect the income for the period and the financial position. For further information, see note 18 Provisions.

Note 3 Revenue and cost accounting

Revenue recognition

The Group's revenues are mainly derived from selling of advertising, subscription fees, content production, and various services. To some extent revenue is also derived from selling of merchandise. Revenue is recognised at the time the service is performed or when the risk and reward of the goods have been transferred. 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 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

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.

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 23. Programme rights are normally acquired for a specific number of runs, which can be played out during a determined license period in certain territories. The programme rights are expensed per run according to how the program is expected to be broadcasted during the license period. The recognition of sports rights starts when the contractual period starts or when an advance payment is made. Sports rights are allocated over the seasonal year and on a yearly basis.

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

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.

Note 3, continued

External sales by type of product/service (SEK million):	2016	2015
Advertising revenue	5,759	5,249
Subscription revenue	8,392	8,369
Business-to-business/Consumer revenue	3,147	2,600
Total	**17,299**	**16,218**

The Group has a large number of customers and no single customer amounts to a material share of revenues.

Nature of expenses
The financial statements for the group is presented as a function based income statement. The table below presents how the operational costs are classified based on the nature of expense.

Group (SEK million)	2016	2015
Nature of expenses		
Net sales	17,299	16,218
Other operating income	154	230
Cost of programmes and goods	-9,073	-8,395
Distribution costs	-2,368	-2,326
Salaries, remuneration, and social security expenses	-2,701	-2,807
Depreciation and amortisation expense	-241	-190
Asset impairment charges	-105	-55
Other expenses	-1,612	-1,921
Share of earnings in associated companies and joint ventures	-5	-1
Operating Income	**1,347**	**756**

Items affecting comparability

Group (SEK million)	2016	2015
Items affecting comparability		
Cost of goods and services	-	-598
Selling expenses	-	-
Administrative expenses	-	-102
Other operating income	-	188
Items affecting comparability	**-**	**-512**

Items affecting comparability comprise a net capital gain of SEK 140 million from the sale of subsidiaries and associates (including revaluations) and net restructuring charges of SEK 652 million for the full year 2015.

Note 4 Business segments

MTG has a new financial reporting structure from 2016 following the changes to MTG's management and operating structure during the Group's strategic transformation from a traditional broadcaster into a digital entertainment company. The MTG Group is thereby divided into four operating business segments: Nordic Entertainment, International Entertainment, MTG Studios and MTGx.

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

International Entertainment
International Entertainment includes both pay-TV, free-TV and radio services. Free-TV within the segment comprise of commercial free-TV broadcasters and free-TV channels in the Baltics, the Czech Republic, Bulgaria, Ghana and Tanzania and radio operations in the Baltics. The free-TV business in Ghana was divested in December 2016. Pay-TV markets and sells pay-TV packages on the Viasat DTH satellite platforms in the Baltics and on the Viaplay online platform. Trace distributes channels to subscribers in Africa.

MTG Studios
MTG Studios comprise the Group's content production and distribution businesses in Scandinavia, Europe and Africa. The segment comprises a number of leading creators, producers and distributors of television shows, commercials, events and branded content. These include the nice entertainment group of 28 content production and distribution companies in 16 countries.

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

The stated figures for 2016 and 2015 are based on the same operational structure.

	Net sales	
(SEK million)	**2016**	**2015**
Nordic Entertainment	11,139	10,487
o/w Free-TV & Radio	*4,866*	*4,656*
o/w Pay-TV	*6,272*	*5,831*
International Entertainment	3,404	3,796
o/w Free-TV & Radio	*2,769*	*2,703*
o/w Pay-TV	*635*	*1,093*
MTG Studios	1,777	1,780
MTGx	1,326	451
Central Operations	185	217
Eliminations	-532	-513
Total	**17,299**	**16,218**

Note 4, continued

(SEK million)	External sales 2016	External sales 2015	Internal sales 2016	Internal sales 2015	Operating income 2016	Operating income 2015
Nordic Entertainment	10,986	10,326	153	162	1,370	1,405
International Entertainment	3,403	3,796	1	-	438	311
MTG Studios	1,597	1,642	180	139	77	3
MTGx	1,312	449	14	1	-251	-111
Central Operations	1	5	184	212	-288	-340
Total before items affecting comparability	**17,299**	**16,218**	**532**	**513**	**1,347**	**1,268**
Items affecting comparability						-512
Total Group	**17,299**	**16,218**	**532**	**513**	**1,347**	**756**

Items affecting comparability 2015 comprise a net capital gain from the sale of subsidiaries and revaluation of investment liabilities and net restructuring charges for the full year.

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

(SEK million)	Assets 2016	Assets 2015	Equity and Liabilities 2016	Equity and Liabilities 2015	Capital Employed 2016	Capital Employed 2015
Nordic Entertainment	7,201	6,409	5,846	5,703	1,355	706
International Entertainment	3,750	3,361	1,011	1,068	2,739	2,293
MTG Studios	1,835	1,831	610	551	1,225	1,279
MTGx	4,241	3,341	469	415	3,772	2,926
Central Operations	703	843	2,592	2,237	-1,890	-1,394
Total	**17,729**	**15,784**	**10,528**	**9,973**	**7,201**	**5,811**
Total cash and interest-bearing assets	863	442				
Total borrowings			3,049	2,567		
Equity incl. non-controlling interest			5,016	4,767		
Eliminations	-893	-810	-893	-810		
Total continuing operations	**17,699**	**15,416**	**17,699**	**16,497**		
Assets held for sale, CTC Media	-	1,081				
Total	**17,699**	**16,497**	**17,699**	**16,497**		

(SEK million)	Capital expenditure excluding investments in subsidiaries 2016	Capital expenditure excluding investments in subsidiaries 2015	Depreciation and amortisation 2016	Depreciation and amortisation 2015
Nordic Entertainment	154	168	104	80
International Entertainment	56	52	48	46
MTG Studios	15	16	28	29
MTGx	112	56	55	28
Central Operations	8	2	6	7
Total	**345**	**293**	**241**	**190**

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

(SEK million)	Net sales 2016	Net sales 2015	Non-current assets 2016	Non-current assets 2015
Sweden	5,103	4,778	2,074	2,023
Denmark	3,702	3,637	134	131
Baltics, Czech Republic, Bulgaria	3,183	2,958	1,411	1,346
Norway	2,826	2,728	704	647
Germany	122	55	1,569	1,306
Netherlands	85	99	762	721
Finland	537	408	223	309
Rest of Europe	742	1,030	685	759
USA	684	296	204	129
Other regions	315	230	11	12
Total	**17,299**	**16,218**	**7,777**	**7,384**

Note 5 Other operating income and expenses

Group (SEK million)	2016	2015
Other operating income		
Gain from exchange rate differences	13	17
Gain from divested entities and revaluation of investment liabilities	108	188
Adjustment consideration acquisitions previous periods	-	7
Other	33	17
Total	**154**	**230**
Other operating expenses		
Loss from exchange rate differences	-12	-15
Acquisition costs	-31	-39
Depreciation	-19	-34
Write-down	-95	-14
Other	-16	-195
Total	**-173**	**-298**

Note 6 Share in associated and joint venture companies

Group (SEK million)	2016	2015
Share of earnings	-5	-1
Net Income	**-5**	**-1**

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

Group (SEK million) Total recorded values in associated and joint venture companies	2016	2015
Net sales	427	187
Net income	0	1
Other comprehensive income	0	-
Non-current assets	268	72
Current assets	479	83
Total	**747**	**156**
Non-current liabilities	81	34
Current liabilities	393	59
Total	**474**	**93**

(SEK million) Shares and participations in associated and joint ventures companies	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2016	Book value 31 Dec 2015
Innogames GmbH	Germany	10,323	21	21	554	-
Other associated companies					57	46
Total					**611**	**46**

Note 7 Financial items

Group (SEK million)	2016	2015
Interest revenue	4	26
Net exchange rate differences	12	-2
Total financial income	**15**	**24**
Interest expenses on borrowings	-21	-38
Borrowing costs (Credit and Arrangement Fees)	-19	-16
Interest expenses from discounting	-53	-
Other	-3	0
Total financial costs	**-96**	**-54**
Net financial items	**-81**	**-30**

Parent company (SEK million)	2016	2015
Interest revenue from external parties	1	20
Interest revenue from subsidiaries	268	324
Net exchange rate differences	4	16
Total interest revenue and other financial income	**272**	**360**
Interest expense to external parties	-16	-31
Interest expense to subsidiaries	-17	-10
Borrowing costs, included in the effective interest	-19	-16
Total interest expense and other financial costs	**-52**	**-57**
Dividends from subsidiaries	15	153
Write-down shares in subsidiaries	0	-55
Results from shares in subsidiaries	**15**	**98**
Net financial items	**235**	**401**

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

Note 8 Taxes

Accounting for 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. 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. Net income for the year is charged with tax on taxable earnings for the year and with tax estimated for the change in temporary differences for the year as current tax and deferred tax expenses respectively in each Group company.

Group (SEK million)	2016	2015
Distribution of tax expense		
Current tax expense	-330	-206
Adjustment for prior years	-43	19
Total	**-373**	**-187**
Deferred tax		
Temporary differences	70	-7
Total	**70**	**-7**
Total income tax expense in the income statement	**-303**	**-194**

Group (SEK million) Reconciliation of tax expense	2016	%	2015	%
Tax/Tax rate in Sweden	-279	-22.0	-160	-22.0
Non-taxable income	28	2.2	86	11.8
Foreign tax rate differential	28	2.2	9	1.3
Effect of losses carry-forward not previously recognised	48	3.8	0	0.0
Non-deductible expenses	-47	-3.7	-103	-14.2
Losses where no deferred tax was recognised	-36	-2.8	-42	-5.8
Other permanent effects	-3	-0.2	-3	-0.3
Under/over provided in prior years	-43	-3.4	19	2.6
Effective tax/tax rate	**-303**	**-24.0**	**-194**	**-26.6**

Note 8, continued

Group (SEK million)	31 December 2016	31 December 2015
Deferred tax asset		
Equipment	5	5
Intangible assets	1	1
Provisions	12	20
Inventory	6	7
Current receivables	1	1
Current liabilities	1	1
Financial assets	5	-
Tax value of tax losses carry forward recognised	126	47
Total	**158**	**83**
Deferred tax liabilities		
Intangible assets	446	426
Goodwill	147	147
Equipment	2	7
Provisions	2	-1
Current receivables	0	0
Current liabilities	-1	-1
Financial assets	38	25
Total	**634**	**604**
Deferred tax net	**-476**	**-521**

The movements in temporary differences net are explained below:

	2016					
Group (SEK million)	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	47	75	0		4	126
Temporary differences in:						
Goodwill	-147	0				-147
Equipment	-2	6			0	3
Intangible assets	-425	8	-1		-26	-445
Provisions	21	-13			1	10
Inventory	7	-2			0	6
Current receivables	1	0			0	2
Current liabilities	2	2			-1	3
Financial assets	-25	-5		-1	-1	-32
Total	**-521**	**70**	**-2**	**-1**	**-22**	**-476**

Note 8, continued

Group (SEK million)	2015					
	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	32	-42	44		14	47
Temporary differences in:						
Goodwill	-147					-147
Equipment	-2	-1			0	-2
Intangible assets	-186	-1	-243		5	-425
Provisions	24	-2			-1	21
Inventory	3	5			0	7
Current receivables	-6	8			0	1
Current liabilities	-22	10		15	-1	2
Financial assets	-5	-7		-12	-1	-25
Total	**-309**	**-31**	**-199**	**3**	**15**	**-521**

The Group had tax losses carry forward without expiration date amounting to SEK 187 (132) million at 31 December 2016, for which tax assets have been recognised. The accounts for 2016 and 2015 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	2016	2015
2016	-	91
2017	2	46
2018	11	57
2019 and thereafter	267	218
No expiry date	497	377
Net Income	**777**	**789**

Parent company
There were no tax losses carry forward in 2016 or 2015 in the parent company.

Parent company (SEK million) Distribution of tax expenses	2016	2015
Current tax	-27	-26
Adjustment for prior years	0	0
Total tax	**-27**	**-26**

Parent company (SEK million) Reconciliation of tax expenses	2016	%	2015	%
Tax/Tax rate in Sweden	-37	-22.0	-35	-22.0
Non-deductible expenses	-3	-1.9	-25	-15.4
Non-taxable income	13	7.8	34	21.2
Other permanent effects	-	-	-	-
Effective tax/tax rate	**-27**	**-16.1**	**-26**	**-16.2**

Note 9 Non-controlling interests

MTG holds a number of subidiaries with non-controlling interest, of which one is considered to be significant. In Prima Group in the Czech Republic the Group holds 50% of the shares and voting rights, but exercises control through agreements. The holding in the Prima Group is therefore consolidated as a subsidiary and the non-controlling interest amounts to 50% of the shares and voting rights. Net assets stated in the table below are excluding group surplus values.

Prima Group (SEK million)	2016	2015
Net sales	1,257	1,205
Net income	185	113
Other comprehensive income	13	-18
Total comprehensive income for the year	**198**	**94**
of which attributable to non-controlling interest	99	47
Dividends paid to non-controlling interest	-113	-34
Non-current assets	103	100
Current assets	715	711
Total assets	**818**	**811**
Non-current liabilities	41	63
Current liabilities	438	398
Total liabilities	**479**	**460**
Net assets	**339**	**351**
of which attributable to non-controlling interest	169	175
Cash flow from operations	169	29
Cash flow from investing activites	-107	59
Cash flow from financing activities	-83	-69
Net change in cash and cash equivalents	**-21**	**19**

For further information, see also note 12.

Note 10 Intangible assets

Accounting for non-current intangible assets

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

Asset	Amortisation
Capitalised expenditure	3–10 years
Trademarks	Trademarks being part of a purchase price allocation are normally judged to have indefinite lives
Customer relations	10–15 years
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

Capitalised expenditure

Expenditure on development activities, whereby new or substantially improved products and processes, are capitalised if the process is technically and commercially feasible and the Group has sufficient resources to complete 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 relates mainly to software and software platforms.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of an acquired business. Goodwill is recognised as an asset and 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.

Other intangible assets

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

Note 10, continued

(SEK million)	Group				Parent company
	Capitalised expenditure	Trademarks	Customer relations and other[1]	Goodwill	Capitalised expenditure
Acquisitions					
Opening balance 1 January 2015	269	1,242	442	9,128	55
Investments during the year	83	2	13	-	0
Acquisitions through business combinations	39	531	287	1,903	-
Sales and disposals during the year	-17	-3	-4	-8	-
Change in Group structure, reclassifications etc	9	0	11	-27	-
Translation differences	-3	-47	-19	-226	-
Closing balance 31 December 2015	**380**	**1,724**	**729**	**10,770**	**55**
Opening balance 1 January 2016	380	1,724	729	10,770	55
Investments during the year	119	0	41	106	0
Acquisitions through business combinations	-	-	0	-	-
Revaluations due to finalisations of purchase price allocations	-	1	2	219	-
Sales and disposals during the year	-46	-1	0	-	-
Change in Group structure, reclassifications etc	-1	0	1	4	-
Translation differences	3	68	31	361	-
Closing balance 31 December 2016	**455**	**1,791**	**804**	**11,460**	**55**
Accumulated amortisation and impairment losses					
Opening balance 1 January 2015	-167	-523	-322	-5,732	-53
Sales and disposals during the year	12	2	4	5	-
Amortisation during the year	-54	-1	-28	-	-1
Impairment losses during the year	-32	-	0	-	-
Change in Group structure, reclassifications etc	-5	0	-2	-	-
Translation differences	2	14	12	144	-
Closing balance 31 December 2015	**-243**	**-508**	**-336**	**-5,583**	**-54**
Opening balance 1 January 2016	-243	-508	-336	-5,583	-54
Sales and disposals during the year	42	1	0	0	-
Amortisation during the year	-55	0	-52	0	0
Impairment losses during the year	-	-1	-1	-97	-
Change in Group structure, reclassifications etc	2	0	2	0	-
Translation differences	-1	-19	-18	-202	-
Closing balance 31 December 2016	**-256**	**-526**	**-405**	**-5,882**	**-54**
Book value carried forward					
As per 1 January 2015	102	719	120	3,396	2
As per 31 December 2015	137	1,216	393	5,187	1
As per 1 January 2016	137	1,216	393	5,187	1
As per 31 December 2016	199	1,265	399	5,578	1

[1] Other refers to licenses and beneficial rights.

Note 10, continued

Group (SEK million) Amortisation by function	2016	2015
Cost of goods and services	94	53
Administrative expenses	3	9
Other operating expenses	10	20
Total	**107**	**82**

Group (SEK million) Impairment losses by function	2016	2015
Cost of goods and services	3	32
Selling expenses	0	-
Administrative expenses	1	-
Other operating expenses	95	-
Total	**99**	**32**

Impairment tests for cash-generating units

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

Group (SEK million)	2016	2015
Prima Group	835	804
Pay-TV Nordic	670	674
Nice	503	485
P4 Radio	447	406
Turtle including subsequent acquisitions	1,202	902
Zoomin	588	563
Trace	278	267
Subtotal	**4,523**	**4,100**
Other units	1,055	1,087
Total	**5,578**	**5,187**

The changes in goodwill between 2016 and 2015 are due to acquisitions (Turtle including subsequent acquisitions), finalisation of the purchase price allocations of the 2015 acquired companies, and, in the case of Zoomin, including impairment charges in goodwill. Other changes are due to translation differences.

Trademarks with indefinite lives included in trademarks are:

Group (SEK million)	2016	2015
P4 Radio	248	226
Prima Group	197	190
Nice	136	131
Turtle	334	322
Zoomin	67	64
Trace	75	72
Subtotal	**1,057**	**1,005**
Other units	208	211
Total	**1,265**	**1,216**

These trademarks have a strong position on their respective markets and will be actively used in the businesses, and are thereby judged to have indefinite lives. The trademarks are improved and developed continuously, and the net cash flows generated through these are not considered to cease within a foreseeable future. The changes in trademark for 2016 are mainly 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). Specific discount rates might be used in some cases, related to circumstances such as the territory or the economic environment. If the headroom turn out to be to low related to the carrying value, specifically calculated WACC for the business in question is used. The model involves key assumptions such as market size, share and growth rates, sales prices and cost growth together with working capital requirements. These cash flow projections, calculated over a minimum of a five year period, are based on actual operating results, forecasts and financial projections, using historical trends, general market conditions, industry trends and other available information. After the five-year period, a growth rate of 2.5% (2.5) is normally applied.

The cash flow projections are based on a sustainable growth rate which is individually estimated based on each unit's outlook. Individual assumptions are also made on cost and capital turnover development. 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 2016, based on the performance of Zoomin, in turn mainly due to lower advertising prices for digital video networks, the Board and the management concluded that the goodwill had an impairment requirement of in total EUR 10 million/ SEK 95 million. The enterprise value as per the acquisition was EUR 88 million. Zoomin is reported in the MTGx segment.

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 Zoomin was 11.2 per cent based on the individually calculated WACC. Impairment losses in goodwill are included in other operating 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 crisis due to instability in the financial sector.

Note 11 Tangible assets

Accounting for 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.

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. Machinery and equipment are depreciated over a period of 3 to 5 years.

	Group		Parent company
(SEK million)	Machinery	Equipment, tools and installations	Equipment
Acquisitions			
Opening balance 1 January 2015	152	1,326	6
Investments during the year	13	180	-
Acquisitions through business combinations	8	23	-
Sales and scrapping during the year	-6	-454	-
Change in Group structure, reclassifications etc	1	14	-
Translation differences	-1	-51	-
Closing balance 31 December 2015	**167**	**1,038**	**6**
Opening balance 1 January 2016	167	1,038	6
Investments during the year	47	137	0
Acquisitions through business combinations	-	6	-
Sales and scrapping during the year	-23	-243	-
Change in Group structure, reclassifications etc	2	-2	-
Translation differences	5	35	-
Closing balance 31 December 2016	**197**	**971**	**7**
Accumulated depreciation			
Opening balance 1 January 2015	-109	-989	-5
Sales and scrapping during the year	4	449	-
Depreciation during the year	-19	-89	-1
Impairment losses during the year	-1	-22	-
Change in Group structure, reclassifications etc	-1	-20	-
Translation differences	1	41	-
Closing balance 31 December 2015	**-124**	**-629**	**-6**
Opening balance 1 January 2016	-124	-629	-6
Sales and scrapping during the year	22	66	-
Depreciation during the year	-25	-108	-1
Impairment losses during the year	-	-6	-
Change in Group structure, reclassifications etc	1	0	-
Translation differences	-3	-26	-
Closing balance 31 December 2016	**-130**	**-703**	**-6**
Book value carried forward			
As per 1 January 2015	43	337	1
As per 31 December 2015	42	409	1
As per 1 January 2016	42	409	1
As per 31 December 2016	68	268	0

Note 11, continued

Accounting for financial leases

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

Group (SEK million) **Depreciation by function**	**2016**	**2015**
Cost of goods and services	54	22
Selling expenses	2	1
Administrative expenses	68	52
Other operating expenses	9	33
Subtotal	**134**	**108**

Group (SEK million) **Impairment losses by function**	**2016**	**2015**
Cost of goods and services	2	11
Administrative expenses	4	9
Other operating expenses	0	3
Subtotal	**6**	**23**

Note 12 Long-term financial assets

Group companies

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

Parent company (SEK million) **Shares and participations in Group companies**	**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
This is nice 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
Total						**6,339**

Note 12, continued

Direct and indirect ownership in Group companies	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
Viasat AB	556304-7041	Sweden	100	100
MTG Broadcasting AB	556353-2687	Sweden	100	100
MTG Publishing AB	556457-2229	Sweden	100	100
KiloHertz AB	556444-7158	Sweden	100	100
Dreamhack AB	556845-8763	Sweden	100	100
Splay AB	556909-3882	Sweden	81	81
MTG Radio AB	556365-3335	Sweden	100	100
Strix Television AB	556345-5624	Sweden	100	100
Viasat A/S		Denmark	100	100
TV3 Sport1 A/S		Denmark	100	100
Modern Times Group MTG A/S		Denmark	100	100
Viasat AS		Norway	100	100
Modern Times Group MTG AS		Norway	100	100
P4 Radio Hele Norge AS		Norway	100	100
NICE Entertainment Group Oy		Norway	95	95
Oy Viasat Finland Ab		Finland	100	100
Modern Times Group MTG Ltd		United Kingdom	100	100
Digital Rights Group Limited		United Kingdom	95	95
SIA TV3 Latvia		Latvia	100	100
TV3 Lithuania UAB EUR		Lithuania	100	100
Viasat AS		Estonia	100	100
Nova Broadcasting Group Jsc.		Bulgaria	95	95
Zoom In Group BV		Netherlands	51	51
FTV Prima spol s.r.o.		Czech Republic	50	50
Trace TV SA		France	75	75
Turtle Entertainment GmbH		Germany	74	74
Turtle Entertainment America Inc		USA	74	74

Parent company (SEK million) Shares and participations in Group companies	2016	2015
Accumulated acquisition values		
Opening balance 1 January	6,342	6,397
Write-down of shares	-	-55
Liquidation of subsidiary	-3	-
Closing balance 31 December	**6,339**	**6,342**

Note 13 Long-term receivables

Parent company (SEK million) Long-term Group receivables	2016	2015
Opening balance 1 January	9,938	272
New lending	420	69
Re-payments	-333	-20
Reclassifications	-9	9,617
Closing balance 31 December	**10,016**	**9,938**

Note 14 Accounts receivables

Group (SEK million)	31 December 2016	31 December 2015
Accounts receivables		
Gross accounts receivables	2,332	2,103
Less allowances for doubtful accounts	-151	-144
Total	**2,180**	**1,959**
Allowance for doubtful accounts		
Opening balance 1 January	144	190
Provision for potential losses	64	50
Actual losses	-11	-19
Reversed write-offs	-50	-68
Translation differences	4	-9
Closing balance 31 December	**151**	**144**
Receivables due without provisions for bad debt		
< 30 days	369	350
30-90 days	181	189
> 90 days	137	109
Total	**688**	**648**
Receivables due with provisions for bad debt		
> 90 days	151	144
Total	**151**	**144**

Note 15 Prepaid expense and accrued income

Parent company (SEK million)	31 December 2016	31 December 2015
Prepaid financing costs	9	12
Other	3	2
Total	**12**	**14**

Note 16 Earnings per share

Group (SEK million)	2016	2015
Earnings per share before dilution		
Net income for the year attributable to equity holders of the parent company	-213	214
Net income for the year attributable to equity holders of the parent company, total Group	**-213**	**214**
Shares outstanding on 1 January	66,635,969	66,630,189
Effect from share awards exercised	20,027	3,991
Weighted average number of shares, basic	**66,655,996**	**66,634,180**
Basic earnings per share, SEK, total Group	-3.19	3.22
Diluted earnings per share		
Diluted net income for the year attributable to the equity holders of the parent company	**-213**	**214**
Weighted average number of shares, basic	66,655,996	66,634,180
Effect from share awards	170,829	135,416
Weighted average number of shares, diluted	**66,826,825**	**66,769,596**
Diluted earnings per share, SEK, total Group	-3.19	3.21
Earnings per share before dilution, continued operations		
Net income for the year attributable to equity holders of the parent company, continued operations	**859**	**496**
Basic earnings per share, SEK, continued operations	12.88	7.45
Diluted earnings per share, SEK, continued operations	12.85	7.43

Potentially dilutive instruments

Modern Times Group MTG AB has outstanding long-term incentive plans. The potential calculation 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 Company has outstanding programmes from 2014, 2015 and 2016, where the performance are not yet achieved, but that might in future have a diluting effect. As per 31 December 2016 these amounted to 742,231 (600,157).

Note 17 Shareholders' equity

Parent company Shares issued	2016 Number of shares paid	2016 Quota value (SEK million)	2015 Number of shares paid	2015 Quota value (SEK million)
MTG Class A	5,007,793	25	5,007,793	25
MTG Class B	61,774,331	309	61,774,331	309
MTG Class C	865,000	4	865,000	4
Total number of shares issued/total quota value as per 31 December	**67,647,124**	**338**	**67,647,124**	**338**

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

Out of the totally issued shares, 118,308 (146,155) Class B shares and 865,000 (865,000) Class C shares are held as treasury shares.

The Board of Directors propose to the Annual General Meeting 2017 an ordinary dividend of SEK 12.00 (11.50) per share, which corresponds to 93% (86) of this year's net income continuing operations and excluding items affecting comparability. The total proposed dividend payment would amount to a maximum of SEK 801,385,488, 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 2016 and 2015. The mandate was not utilised in 2016 or 2015.

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)	2016	2015
Opening balance, 1 January	-1 461	-934
This year's translation differences, net of tax, continuing operations	162	20
This year's translation differences, net of tax, discontinued operations CTC Media	1 010	-548
Total accumulated translation differences, 31 December	**-289**	**-1 461**

Hedging reserve

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

Group (SEK million)	2016	2015
Opening balance, 1 January	78	137
Recognised in other comprehensive income	84	125
Transferred to the acquisition value of item hedged (inventory programme rights)	-52	-184
Closing balance, 31 December	**110**	**78**

Fair value reserve

The fair value reserve of 0 (0) million 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.

Revaluation reserve

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

Group (SEK million)	2016	2015
Opening balance, 1 January	-12	-12
Closing balance, 31 December	-12	-12

Retained earnings

Retained earnings comprise of previously earned income.

Non-controlling interest

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

Note 18 Provisions

Accounting for Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic 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.

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

Group (SEK million)	Restructuring provision	Royalties and other provisions	Pension provisions	Total
Opening balance, 1 January 2015	-	430	7	438
Provisions during the year	390	239	-	629
Provisions through business combinations	-	90	-	90
Utilised during the year	-104	-77	-	-181
Reversed during the year	-	-191	-	-191
Provisions reversed due to divestment of entity	-	-30	-	-30
Reclassifications	-	-10	-	-10
Translation differences	-2	-6	-	-8
Closing balance, 31 December 2015	**284**	**446**	**7**	**737**
Opening balance, 1 January 2016	284	446	7	737
Provisions during the year	-	185	-	185
Utilised during the year	-222	-42	-	-264
Reversed during the year	-	-107	-	-107
Reclassifications	-	-89	-	-89
Translation differences	2	8	-	11
Closing balance, 31 December 2016	**64**	**402**	**7**	**473**

The entire pension cost is 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.The restructuring provision consists of expenses related to the restructuring programme launched during 2015, mainly for redundancies.

The majority of the provision at the beginning of the year has been paid out during 2016.

Parent company
The provisions in the Parent company comprise accrued social expenses on share-based payments of SEK 2 (1) million and SEK - (19) million in restructuring charges.

Note 19 Accrued expense and prepaid income

Parent company (SEK million)	31 December 2016	31 December 2015
Accrued personnel costs	40	43
Accrued interest costs	2	1
Accrued professional fees	6	9
Other	1	4
Total	**48**	**57**

Note 20 Pledged assets and Contingent liabilities

Group (SEK million) Contingent liabilities	31 December 2016	31 December 2015
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 2016 and 2015.

Parent company (SEK million) Contingent liabilities	31 December 2016	31 December 2015
Guarantess subsidiaries	227	1,278
Total	**227**	**1,278**

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

Note 21 Financial instruments and financial risk management

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

Financial assets available-for-sale
The Group's holdings in listed shares available-for-sale are valued at market price based on bid price as per the balance sheet day. Changes in the market values of these shares will impact other comprehensive income, or, when there is significant decrease in value (above 20%) or if the decrease continues for a longer period of time, the value change 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 receivables are reported with the amount at which, they are deemed likely to be paid.

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. Other items reported in this category are contingent considerations relating to acquisitions of subsidiaries. The assets and liabilities are valued at fair value with the changes in value reported in profit or loss.

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

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 and Euro is hedged. 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

Note 21, continued

cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

Capital management

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

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

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

Financial risk management

In addition to business operational risks, 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 treasury function is responsible for managing the financial risks. The aim is to limit the Group's financial risks, and ensure that the Group has appropriate and secure financing for its current needs.

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

Financing and refinancing risk

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

External borrowing is managed centrally in accordance with the Group's financial 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.

The Group has a SEK 1,000 million corporate bond maturing March 2018 with a floating rate 3-month Stibor (if Stibor is higher than 0%) plus a 1.10% coupon. During 2016 a medium term note program (frame SEK 2,000 million) was put in place. A SEK 500 million corporate bond was issued under the program, maturing October 2020 with a floating 3-month Stibor plus 1.40% coupon (not lower than 0% in total). In the short term capital market the Group has an uncommitted SEK 3,000 million frame commercial paper programme of which SEK 1,435 million was issued at the balance sheet date.

Additionally the Group has a five-year committed SEK 5,500 million syndicated multi-currency bank facility arranged in December 2013. The revolving credit facility is unsecured with no required amortisations and can be paid out in optional currencies. The interest varies with IBOR (not lower than 0%) depending on the currency utilised. Covenants for the facility are based on the ratios total consolidated net debt in relation to consolidated EBITDA and consolidated EBITDA to net financial expenses. There are no regulatory external capital requirements to be met by the Parent company or any of the subsidiaries other than the covenants. The covenants have been fulfilled. The facility was unutilized at the balance sheet date.

Overdraft facilities within the Group's cash-pool banks consist of two overdraft facilities of SEK 125 million each, one of EUR 5 million, one of NOK 55 million and one of SEK 15 million. In total SEK 371 million of which nil was drawn at the balance sheet date. Facilities in subsidiaries amounted to a total of SEK 140 million of which SEK 55 million was drawn at the balance sheet date.

As per 31 December 2016, total short- and long-term borrowings amounted to SEK 3,049 (2,567) million including SEK 2,935 million borrowed from the capital market.

Finance lease liabilities

MTG has no material financial leases.

Net debt

Group (SEK million)	31 December 2016	31 December 2015
Short-term loans	1,490	1,548
Current part of long term loans	0	0
Short-term borrowings	**1,490**	**1,548**
Other short-term interest-bearing liabilities	1	1
Total short-term borrowings	**1,491**	**1,549**
Long-term borrowings	1,500	1,000
Other long-term interest-bearing liabilities	58	18
Total long-term borrowings	**1,558**	**1,018**
Total borrowings	**3,049**	**2,567**
Cash and cash equivalents	845	410
Long- and short-term interest bearing assets	18	32
Total cash and interest bearing assets	**863**	**443**
Net debt	**2,186**	**2,124**
Total credit facilites	6,011	6,010
Where of unutilised	5,956	5,953

Maturity of long-term loans

Parent company (SEK million)	31 December 2016	31 December 2015
Amount due for settlement within 12 months	-	-
Amount due for settlement within 13 to 59 months	1,500	1,000
Amount due for settlement after 60 months	-	-
Total	**1,500**	**1,000**

Note 21, continued

Terms and payback period, gross values

Group (SEK million)	Interest rate	Fixed interest term	Effective interest rate	Total	Maturity 2017	Maturity 2018	Maturity 2019 or later
			2016				
Loan from bank	0.97	1 month	0.97	55	55		-
Bond loan	1.03	3 months	1.05	1,530	15	1,007	508
Commercial papers	0.16	1-4 months	0.20	1,435	1,435		-
Other interest-bearing liabilities				59	1		58
Accounts payable				2,131	2,131	-	-
				5,210	**3,637**	**1,007**	**566**

Group (SEK million)	Interest rate	Fixed interest term	Effective interest rate	Total	Maturity 2016	Maturity 2017	Maturity 2018 or later
			2015				
Loan from bank	1.46	1 month	1.46	57	57	-	-
Bond loan	1.17	3 months	1.17	1,024	11	11	1,002
Commercial papers	0.09	1-4 months	0.16	1,495	1,495	-	-
Other interest-bearing liabilities				19	1	18	-
Accounts payable				1,906	1,906	-	-
				4,501	**3,470**	**29**	**1,002**

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 is exposed to interest rate risk through loans, derivatives, other financial assets and utilised interest bearing credit facilities. The Group's financial policy aim to gain financial flexibility through a balanced mix between variable and fixed interest rates and spreading maturities to match funding needs. During 2015-2016, the interest rate period was less than 1 year.

Short-term investments and cash and cash equivalents amounted to SEK 845 (410) million as per 31 December and the average interest rate period on these assets was approximately 0 month. Assuming unchanged debt structure for full year 2017 a 1% increase in interest rates would have an impact on the Group's interest expense of approximately SEK 21 million. A 1% decrease would reduce the interest expense by approximately SEK 4 million. The difference is due to the terms of the loans and current negative interest rates. The calculation is based on the change in Stibor interest rate and does not take the maturity of the loan or changes in currency rates into consideration. The Group does not currently hedge its interest rate risks.

Credit risk

Credit risk is defined as the risk that the counterparty in a transaction will not fulfill 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. Administration of the financial credit risk is regulated in the Group's financial policy.

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

The credit risk with respect to the Group's trade receivables is diversified among a large number of customers, both private individuals and companies. The Group's assessment based on historical data is that there are no write-down requirements for trade receivables not due. The majority of the current outstanding trade receivables comprise previously known customers, who are judged to have good credit worthiness. See also note 14 Accounts receivables.

The Group's exposure to credit risk amounts to SEK 3,054 (2,492) million as per 31 December. The exposure is based on the carrying amount for the financial assets, the major part comprising cash and cash equivalents and trade receivables.

Note 21, continued

Insurable risks

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

Currency risk

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

Transaction exposure

Transaction exposure arise when inflow and outflow of foreign currencies in the financial statements of the separate entities within the Group are not matched. According to the MTG financial policy, the Group shall hedge the major contractual future currency flows on the basis of maximum 36 months forward. The corporate treasury department strives to match inflows and outflows in the same currency and also to take advantage of natural hedges. Hedging is performed to protect the Group against the effects of transaction exposures in the contracted outflow for the main part of programme acquisitions in US dollars and Euro. Approximately 85-100% of the contracted currency flows related to programme acquisitions for the next 12 months are hedged. The hedging reserve at year-end amounted to a total of SEK 110 (78) million. Hedges above 12 months have a market value of SEK 32 (32) million at year-end.

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

Currency (SEK million)	USD	EUR	DKK	NOK	CHF	GBP
Transaction flows	-2,893	-1,639	1,966	1,148	-52	-350
Hedges due in 12 months	2,302	740	-199	-333	24	186
Net transaction flows	**-591**	**-899**	**1,767**	**815**	**-28**	**-164**
Effect if SEK falls 5%	-30	-45	88	41	-1	-8

The nominal value of the major hedge contracts amounted to:

Currency (million)	2016	2015
EUR	75	91
USD	358	425

The effect of a change in the rate by 5% on all of the outstanding positions as per 31 December would have been approximately SEK 170 (190) million. The impact on equity would be the impact on operating income after tax.

Translation exposure

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

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

	2016		2015	
Currency	SEK million	%	SEK million	%
USD	91	1	1,161	17
NOK	1,262	16	1,171	17
EUR	4,463	56	3,181	47
DKK	588	7	607	9
Other currencies	1,561	20	605	9
Total equivalent SEK value	**7,964**	**100**	**6,725**	**100**

A 5% change in EUR/SEK would affect equity by approximately SEK 220 (160) million.

Note 21, continued

Financial assets and liabilities

Group (SEK million)	Recognised value[1] 2016	Recognised value 2015
Financial assets through profit and loss, other long-term receivables	32	32
Financial assets through profit and loss, other current receivables, non interest-bearing	173	47
Financial assets available-for-sale	5	4
Loans and receivables	3,044	2,405
Total financial assets	**3,255**	**2,488**
Financial liabilities valued at fair value	1,351	1,114
Other financial liabilities	5,197	4,495
Totalt financial liabilities	**6,548**	**5,610**
Financial assets through profit and loss		
Financial assets held for sale, CTC Media Inc.	-	1,081

[1] Book value equals fair value except for other financial liabilities where the fair value is SEK 12 (8) million higher than the book value.

Parent company (SEK million)	Recognised value[1] 2016	Recognised value 2015
Financial assets through profit and loss	203	79
Financial assets available-for-sale	1	1
Loans and receivables	10,679	10,192
Total financial assets	**10,883**	**10,272**
Financial liabilities valued at fair value	199	115
Other financial liabilities	11,193	9,929
Total financial liabilities	**11,392**	**10,044**

[1] Book value equals fair value except for other financial liabilities where the fair value is SEK 12 (8) million higher than the book value.

Classification of financial instruments at fair value in the balance sheet

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 price noted on a market or indirectly as derived from market data, 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. Contingent considerations and options at fair value related to acquisitions are classified as level 3.

Fair value of Financial instruments in the balance sheet

	31 December 2016			31 December 2015		
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	5			4		
Financial assets at fair value through profit and loss						
Assets held for sale, CTC Media		-			1,081	
Derivatives						
Forward foreign exchange contracts		206			79	
Financial liabilities						
Contingent considerations acquisitions						
Contingent considerations and options to acquire further shares			1,351			1,114

Note 21, continued

	31 December 2016			31 December 2015		
Parent company (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	1			1		
Derivatives						
Forward foreign exchange contracts		203			79	
Financial liabilities						
Derivatives						
Forward foreign exchange contracts		199			115	

Level 1 items have been valued at the market prices on Nasdaq Stockholm on the balance sheet day without transaction costs from the acquisition or future potential costs at a divestment. For level 2 items, forward rates from Bloomberg have been used to calculate fair value for the derivatives. Further, the calculation of assets held for sale for 2015 was based on the bid price and other public information from CTC Media. Level 3 items are recognised at present value which is based on calculations defined in the agreements.

Other financial assets are reported in the balance sheet in cash and cash equivalents, interest-bearing receivables, 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 approximately 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. The carrying value of cash and cash equivalents, other receivables, trade receivables and receivables from associated companies and interest-bearing liabilities, trade payables and other liabilities represent a reasonable approximation of fair value. Level 3 financial liabilities refer to put options from previous acquisitions where the seller has the option to sell further shares in previously acquired subsidiaries to MTG. The options are measured and recognised as a liability due to the seller´s possibility to exercise the put option. The valuation of the liability is based on the contractual terms for exercise and are normally constructed as a price multiple based on a company valuation which in turn is based on forecasted cash flows of the business concerned. The most critical parameters are estimated future revenue growth and future operating margin. The options are revalued at each closing and the calculations are based on updated forecasts and market interest rates for discounting. A change in estimated future growth of plus/minus 2% would impact the aggregated valuation with SEK +/- 10 million. A change in estimated future operating margin of plus/minus 1% would impact the aggregated valuation with SEK +/- 22 million.

Group (SEK million) Financial liabilities, level 3	**2016**	**2015**
Accumulated values		
Opening balance 1 January	1,114	227
New acquisitions	66	940
Reclassification	-	-8
Revaluations due to finalisations of purchase price allocations	200	-
Exercise	-8	-24
Changes in fair value	-103	-16
Interest expenses from discounting	38	-
Translation differences	44	-5
Closing balance 31 December	**1,351**	**1,114**

Note 22 Supplementary information to the statement of cash flow

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

Group (SEK million)	2016	2015
Gain from investments	-5	-176
Depreciation and amortisation, write-downs and disposals	251	497
Provisions	-273	234
Unrealised exchange differences	7	21
Other items	-4	-58
Total	**-23**	**518**

Other information

Cash paid for interest and corporate tax

Group (SEK million)	2016	2015
Interest paid	-20	-19
Interest received	3	1
Corporate income tax	-225	-234
Total	**-243**	**-252**

Parent company (SEK million)	2016	2015
Interest paid	-20	-23
Interest received	262	326
Corporate income tax	-22	-72
Cash received for group dividends	15	153
Total	**235**	**383**

Note 23 Lease and other commitments

Accounting for leases

An operating lease is a lease that does not fulfil the conditions for a finance lease. For operating leases, the rental expense is reported in the lessee's accounts distributed equally over the period during which the asset is used. The main part of the Group's operational leasing agreements are rental agreements for offices.

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

Group (SEK million)	2016	2015
2016	-	149
2017	237	137
2018	202	131
2019	156	104
2020	147	75
2021 and thereafter	589	346
Total lease commitments	**1,332**	**942**
This year's operational costs		
Minimum lease fees	235	143
Variable fees	7	2
This year's operational costs	**243**	**145**

Other commitments for future payments at 31 December

	Future payments for programme rights[1]		Transponder commitments	
Group (SEK million)	**2016**	**2015**	**2016**	**2015**
2016	-	3,740	-	331
2017	3,550	3,714	259	285
2018	3,185	2,630	193	189
2019	1,241	953	163	160
2020	812	559	53	53
2021 and thereafter	304	235	-	-
Total other commitments	**9,092**	**11,831**	**668**	**1,018**

[1] Commitments for programme rights for 2015 have been restated.

Note 24 Average number of employees

	2016		2015	
Group	**Men**	**Women**	**Men**	**Women**
Sweden	610	341	640	384
Germany	164	32	101	16
Bulgaria	274	274	267	239
Norway	183	154	194	173
United Kingdom	150	103	186	175
Denmark	156	94	197	117
Czech Republic	115	115	121	107
Latvia	75	115	66	115
Netherlands	61	44	24	18
Estonia	57	85	50	89
Lithuania	75	54	81	48
Finland	42	41	56	64
France	51	32	69	30
Other	239	56	166	115
Total	**2,252**	**1,540**	**2,216**	**1,691**
Total average number of employees		**3,792**		**3,907**

Parent company	**2016**	**2015**
Men	31	27
Women	20	24
Total	**51**	**51**

Gender distribution senior executives

	2016		2015	
Group	**Men %**	**Women %**	**Men %**	**Women %**
Board of Directors	73	27	83	17
Senior executives	88	12	89	11
Total	**76**	**24**	**84**	**16**

Parent company	**Men %**	**Women %**	**Men %**	**Women %**
Board of Directors	83	17	83	17
CEO	100	-	100	-
Other senior executives	75	25	75	25
Total	**80**	**20**	**80**	**20**

Note 25 Salaries, other remuneration, and social security expenses

Group (SEK million)	**2016**	**2015**
Salaries, other remuneration and social security expenses		
Wages and salaries	2,127	2,211
Social security expenses	438	481
Pension costs – defined contribution plans	106	111
Pension costs – defined benefit plans	-	2
Share-based payments	28	4
Social security expenses on share-based payments	3	-1
Total	**2,701**	**2,807**

Group (SEK million)	**2016**	**2015**
Board of Directors, CEO and other senior executives[1]	176	159
of which, variable salary	*50*	*40*

[1] Includes SEK 4.6 (4.4) million Board fees approved by the Annual General Meeting. Senior Executives comprises a large number of managers from across the group's operations.

Parent company (SEK million)	**2016**	**2015**
Board of Directors, CEO and other senior executives	47	47
of which, variable salary	*20*	*20*
Other employees	55	75
Total salaries and other remuneration	**102**	**122**
Social security expenses	44	49
of which, pension costs	*9*	*9*
of which, pension costs CEO	*1*	*1*

Total salaries in the parent company include remuneration to other Group managers 4 (3) persons of SEK 21 (21) million, of which variable salary is SEK 8 (9) million.

Remuneration to Group management 2016

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 2016.

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

Remuneration to the senior executives shall consist of fixed salary, short-term variable remuneration paid in cash ("STI") the possibility

Note 25, continued

to participate in long-term share or share price related incentive programs ("LTI") as well as pension and other customary benefits.

Fixed salary
The senior executives' fixed salary shall be competitive and based on the individual senior executive's responsibilities and performance.

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

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

Notice of termination and severance pay
The maximum notice period in any senior executive's contract is twelve months during which time salary payment will continue. MTG does not generally allow any additional contractual severance payments to be agreed.

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

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

Group Management include the Chief Executive Officer, the Chief Financial Officer, Executive Vice Presidents and the Chief Strategy Officer. The Group Management is found on pages 32-34. The following changes to the Executive Management were made in 2016; Peter Nörrelund joined the executive management team as per 1 April; Gabriel Catrina at the end of March, while Joseph Hundah left the executive management at the same date. Mathias Hermansson left the team in December 2016. Changes in 2015 were; Jakob Mejlhede joined the management team in January, and Maria Redin in June; Marek Singer left the executive management in August; Irina Gofman and Rikard Steiber left the Group in December. The remuneration therefore reflect these changes from the respective dates in the figures below.

Remuneration and other benefits 2016

(SEK thousand)	Base fee	Base salary	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
David Chance, Chairman of the Board	1,425						1,425
Joakim Andersson	650						650
Simon Duffy	700						700
Bart Swanson	575						575
Donata Hopfen	600						600
John Lagerling	600						600
Jørgen Madsen Lindemann, CEO		10,379	10,379	487	1,012		22,256
Group managers (9 persons)		30,327	24,532	253	2,546		57,658
Total	**4,550**	**40,706**	**34,911**	**740**	**3,557**	**0**	**84,464**

Note 25, continued

The 2016 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 8 (7) 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 6 (1) million for other Group managers. Out of the remuneration to other Group managers SEK 21 (21) million was expensed in the parent company, SEK 34 (29) million was expensed in the subsidiaries.

David Chance had, in addition to the board fee in MTG, a remuneration of SEK - (215) thousand for his work as a Director of the Board in Modern Times Group MTG Ltd.

Remuneration and other benefits 2015

(SEK thousand)	Base fee	Base salary	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
David Chance, Chairman of the Board	1,310					215	1,525
Joakim Andersson	650						650
Simon Duffy	700						700
Michelle Guthrie	600						600
Alexander Izosimov	575						575
Bart Swanson	600						600
Jørgen Madsen Lindemann, CEO		9,851	11,144	358	985		22,338
Group managers (10 persons)		32,768	17,979	1,570	2,523		54,840
Total	**4,435**	**42,619**	**29,123**	**1,928**	**3,508**	**215**	**81,828**

Decision process

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

Share-based payments

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

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

Long-term incentive programmes (LTIP) 2015 and 2016

The long-term incentive programmes are performance based and directed towards between 85 and 100 senior executives and other key employees. The CEO and the senior executives are required to have a certain shareholding in MTG shares (Target Holding) in order for the Share Awards to vest. The Target Holding to be achieved is for the CEO a shareholding equivalent to the value of 1 year's net base salary at time of grant and, for the senior executives, equivalent to a value of 0.5 × 1 year's net base salary. Based on the participant's annual gross salary and the share price at grant, the CEO and senior executives are granted share awards equivalent to 75% of the annual gross salary and, for the key employees, 50% of the annual gross salary, depending on the fulfillment of certain stipulated performance conditions. The performance conditions relate to total shareholder return (TSR) compared to a peer group, normalised operating income (excluding associated company income) and absolute TSR. The target levels for normalised operating income (excluding associated company income) are set by the Board for each of the calendar years, with the relative weight of each of the three one year periods being one third. The share rights were granted by the company at the beginning of June each respective year, free of charge, and may be exercised the day following the release of the interim report for Q1 2018 and 2019 respectively. Dividends paid on underlying shares during the vesting period will increase the number of shares in order to treat the shareholders and the participants equally. The programme is calculated to comprise a maximum of 450,000 in the 2016 programme and 495,000 shares in the 2015 programme. The target level in the 2015 programme for normalised operating income (excluding associated company income) for 2015 and 2016 was met. The target level in the 2016 programme was met for 2016.

Long-term incentive programmes (LTIP) 2013 and 2014

The long-term incentive programmes are performance based and directed towards between 100 and 140 senior executives and other key employees. The CEO and the senior executives are required to make a personal investment in MTG shares to participate. 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

Note 25, continued

price at grant, and, for the CEO and senior executives, the number of invested shares, the participants were 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 relates to normalised return on capital employed. The share rights were granted by the company free of charge at the beginning of June each respective year, and exercised the day following the release of the interim report for Q1 2016 and 2017 respectively. Dividends paid on underlying shares during the vesting period will increase the number of shares in order to treat the shareholders and the participants equally. The programmes were calculated to comprise a maximum of 345,000 in the 2014 programme and 240,000 shares in the 2013 programme. The 2013 programme ended in April 2016.

Cost effects of the incentive programmes

The cost recognised for the programmes in 2016 amounts to SEK 28 (4) million excluding social charges. Total provision for the social fees in the balance sheet amounted to SEK 2 (2) million.

There were no share rights exercisable at the end of 2016.

Dilution

If all share rights awarded to senior executives and key employees as at 31 December 2016 were exercised, the outstanding shares of the Company would increase by 742,231 (600,157) Class B shares, and be equivalent to a dilution of 1.1 (0.9) % of the issued capital and 0.7 (0.5) % of the related voting rights at the end of 2016. In May 2016 28,892 performance shares from the 2013 programme were exercised, and in May 2015 5,780 performance shares from the 2012 programme were exercised.

Distribution of issued retention and performance rights:

No. of share awards outstanding	CEO	Senior executives	Key personnel	Total
LTIP 2014	22,343	27,837	91,193	141,373
LTIP 2015	28,652	71,061	167,506	267,219
LTIP 2016	32,131	83,625	217,883	333,639
Total outstanding as per 31 December 2016	**83,126**	**182,523**	**476,582**	**742,231**

	2016		2015	
	No. of share awards	Weighted exercise price	No. of options and share awards	Weighted exercise price
Options and other rights outstanding at 1 January	600,157	-	520,301	34.27
Recalculated due to dividends	1,439	-	285	-
Retention shares issued during the year	358,956	-	406,554	-
Retention and performance shares exercised during the year	-28,892	-	-5,780	-
Retention and performance shares and options forfeited during the year	-189,429	-	-321,203	-34.27
Total outstanding as per 31 December	**742,231**	**-**	**600,157**	**-**

Note 25, continued

The share rights exercised in 2016 and 2015 were free of charge.

There were no outstanding options as per 31 December 2016 and other rights are free of charge. The weighted average remaining contractual life is 1.6 (1.6) year.

LTIP programmes/ Financial year	No. of allocated options and other rights	No. of people	Exercise price options	Theoretical value at allocation	Exercise period	Outstanding options and share awards as per 1 January	Recalcu-lation due to dividend	Forfeited during the year	Exercised during the year	Outstanding share awards as per 31 December
Grant 2012										
2015	229,525	100	361.70	70.01	2015	109,225	285	103,730	5,780	-
Grant 2013										
2016	180,789	100	-	265.00	2016	114,390	1,439	86,937	28,892	-
2015	180,789	100	-	265.00	2016	153,990		39,600		114,390
Grant 2014										
2016	282,966	140	-	137.32	2017	174,121		32,748		141,373
2015	282,966	140	-	137.32	2017	257,086		82,965		174,121
Grant 2015										
2016	406,554	100	-	237.56	2018	311,646		44,427		267,219
2015	406,554	100	-	237.56	2018			94,908		311,646
Grant 2016										
2016	358,956	85	-	210.42	2019			25,317		333,639
Total grant										
2016	1,229,265					600,157	1,439	189,429	28,892	742,231
2015	1,099,834					520,301	285	321,203	5,780	600,157

Note 26 Audit fees

	Group		Parent company	
(SEK million)	**2016**	**2015**	**2016**	**2015**
KPMG, audit fees	16	16	2	1
KPMG, audit related fees	2	2	-	-
KPMG, tax related fees	1	0	0	0
KPMG, other services	1	3	-	0
EY, audit fees	2	1	-	-
Deloitte, audit fees	0	0	-	-
Other, audit fees	1	1	-	-
Total	**22**	**22**	**2**	**2**

Note 27 Related party transactions

Related party	
Kinnevik AB (Kinnevik)	Kinnevik holds shares in Modern Times Group MTG AB.
CTC Media, Inc. (CTC)	Until May 2016, MTG held a significant amount of shares in CTC Media.

All subsidiaries of Kinnevik are considered as related parties.

The Group has related party relationship with its subsidiaries, associated companies and joint ventures (see note 6 and 12).

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

Business agreements with related parties

The Group rents office space from Kinnevik.

The Group has previously sold program rights to and previously bought program rights from CTC Media. Transactions with associates and joint venture companies are mainly advertising sales and program rights acquisitions.

	Group		Parent company	
(SEK million)	**2016**	**2015**	**2016**	**2015**
Net sales				
Kinnevik	0	3	-	-
Associated companies and joint ventures	74	4		
Total revenues	**74**	**7**	**-**	**-**
Expenses and procurement				
Kinnevik	4	6	3	3
Associated companies and joint ventures	88	19	1	1
CTC	-	5	-	-
Total operating costs	**92**	**29**	**4**	**4**
Receivables				
Kinnevik	-	0	-	-
Associated companies and joint ventures	21	14	-	-
Total Receivables	**21**	**14**	**-**	**-**
Payables				
Associated companies and joint ventures	2	1	-	-
Total Payables	**2**	**1**	**-**	**-**
Dividends from associated companies				
CTC	-	90	-	-
Total dividends associated companies	**-**	**90**	**-**	**-**

Remuneration of key management personnel

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

Note 28 Acquired and divested operations

Acquisitions in 2016

Acquired operations 2016 (SEK million)	MTGx acquisitions	Other	Total
Cash paid	27	8	35
Effect of previous participation		2	2
Additional purchase price and other settlements, non-paid	66		66
Total consideration	**92**	**10**	**103**
Recognised amounts of identifiable assets and liabilities			
Property, plant and equipment	7	0	7
Intangible assets	0	0	0
Inventories	0	0	0
Trade and other receivables	10	0	10
Cash and cash equivalents	7	4	11
Borrowings	0	0	0
Deferred tax receivables/liabilities	0	0	0
Provisions	-2	0	-2
Trade and other payables	-26	-1	-27
Net identifiable assets and liabilities	**-4**	**3**	**-1**
MTG's share	**-4**	**1**	**-4**
Goodwill	**97**	**10**	**106**
Total consideration	**92**	**10**	**103**

Cash consideration (SEK million)	MTGx acquisitions	Other	Total
Cash paid	27	8	35
Cash and cash equivalents in the acquired companies	-7	-4	-11
Borrowings in the acquired companies	0	-	0
Total cash consideration	**20**	**4**	**24**

Acquisitions of subsidiary companies

The Group acquired 51% of the shares in the companies VIM Media & Events Pty Ltd, Australia, Kuoda Ltd, UK, both within the ESL business for SEK 16 million. Illuminata Media Ltd, Ireland was acquired and incorporated with Zoomin at a purchase price SEK 11 million. The acquired companies are reported within the segment "MTGx". Further, the Group acquired minorities in the two Bulgarian companies Grabo and Trendo at SEK 8 million. The companies are reported within the segment "International Entertainment". Total transactions costs for all acquisitions amounted to SEK 1 million, which are recognised in operating income. Total goodwill amounted to SEK 106 million in total, and comprise potential trademark extension and various buyer specific synergies. The goodwill will not be tax deductible. The trade receivables are judged to be paid in accordance with the recognised amounts above. The purchase price allocations were finalised during 2016.

The agreements to acquire VIM Media & Events Pty Ltd and Kuoda Ltd includes an option to acquire the remaining 49% of the shares from 2016 up until 2020. 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 the two companies are consolidated without non-controlling interest.

Acquisitions of associated companies

Innogames GmbH, Germany

The Group acquired 20.6% of the shares in Innogames GmbH on 1 December 2016. Innogames is a global online games developer and publisher, creating strategy and role-playing games. It operates a 100% free-to-play model with revenues coming from in-game purchasing. Innogames is reported within the segment 'MTGx'. The cash consideration was EUR 54 million. The agreement include a further acquisition of 14.6% of the shares planned for Q1 2017 at the same underlying value subject to specific terms, and call options for additional 65% of the shares in stages up until 2023. The acquired company is reported as an associated company as the shareholding gives a significant influence. The purchase price allocation is preliminary as the work is ongoing.

Note 28, continued

Engage Sports Media Ltd, UK

The Group acquired 22% of the shares in Engage Sports Media Ltd (ESM) on 25 May 2016. ESM enables premium sports rights owners to digitalise and monetise their content for global audiences, by making it available online, on demand and on mobile. ESM is reported within the segment 'MTGx'. The cash consideration was GBP 2 million. The agreement include a further additional acquisition of 1.8% of the company at the same underlying value in 2017 subject to specific terms, and also include call options for additional 65% of the shares in stages up until 2020. The acquired company is judged to be an associated company as the shareholding gives a significant influence. The purchase price allocation is preliminary as the work is ongoing.

Other

The Group acquired shares in Turtle Spain by exercising options to buy further shares. The purchase price was in total SEK 4 million. The Group also made earn-out payments of in total SEK 4 million to former owners of Nice Drama, Against All Odds and Paprika.

Contributions during 2016 from the acquisition date (SEK million):	MTGx acquisitions	Other	Total
Net sales	50	23	73
Net income	4	5	9

Contributions from acquisitions if the acquisition had occurred 1 January 2016 (SEK million)	MTGx acquisitions	Other	Total
Net sales	68	23	91
Net income	2	6	8

The Group's total sales if the acquisition had occurred on 1 January would have been SEK 17,316 million and net income would have been SEK 962 million for continuing operations.

Acquisitions in 2015

Acquired operations 2015 (SEK million)	Turtle	Other	Total
Cash paid	739	841	1,581
Effect of previous participation	-	101	101
Additional purchase price and other settlements, non-paid	381	463	844
Total consideration	**1,120**	**1,405**	**2,525**
Recognised amounts of identifiable assets and liabilities			
Property, plant and equipment	25	4	30
Intangible assets	522	347	869
Inventories	1	0	1
Trade and other receivables	147	65	212
Cash and cash equivalents	13	76	89
Borrowings	-30	-26	-56
Deferred tax receivables/liabilities	-128	-79	-207
Provisions	-7	0	-7
Trade and other payables	-226	-84	-310
Net identifiable assets and liabilities	**318**	**304**	**622**
Goodwill	**802**	**1,101**	**1,903**
Total consideration	**1,120**	**1,405**	**2,525**

Cash consideration (SEK million)	Turtle	Other	Total
Cash paid	739	841	1,581
Cash and cash equivalents	-13	-76	-89
Borrowings	26	-	26
Total cash consideration	**753**	**765**	**1,518**

Note 28, continued

Acquisition of Turtle Entertainment GmbH, Germany

The Group acquired 74% of the shares in Turtle Entertainment GmbH on 1 September 2015. Turtle is a provider of eSports entertainment and runs some of the world's largest eSport events under among others the trademark ESL. Turtle is reported within the segment 'Nice Entertainment, MTGx, Radio'. The cash consideration was EUR 78 million excluding transaction costs of SEK 31 million, which are reported on the line "Other operating expenses" in the income statement. The acquisition gave rise to separately identified intangible assets of a preliminary value of SEK 503 million and goodwill of SEK 802 million. The purchase price allocation was finalised in 2016, and the separately identified intangible assets were valued at SEK 511 million and the goodwill at SEK 1,081 million.

The agreement includes an option to acquire the remaining 26% of the shares from 2016 up until 2020. 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 Turtle is consolidated without non-controlling interest.

The goodwill comprise future potential new customers, potential trademark extension, various buyer specific synergies and the assembled workforce. The goodwill will not be tax deductible.

Acquisition of other companies

The Group acquired 51% of the shares in Zoomin BV Group in July 2015. Zoomin is a online video entertainment network, content production and advertising sales house. The cash consideration was SEK 422 million excluding transaction costs of SEK 9 million. The agreement includes an option to acquire the remaining 49% of the shares in 2017 and 2019. The options are valued at approximately EUR 37 million. The acquisition gave rise to separately identified intangible assets of SEK 127 million and goodwill of SEK 572 million.

The Group acquired 24% of Splay AB in July 2015 together with a new share issue of 8% of the shares in the said company. The Group now owns in total 81% of the shares. Further, the agreement includes an option to acquire the remaining 19% of the shares in 2020. The options are valued at approximately SEK 154 million. The acquisition gave rise to an increased goodwill of SEK 159 million and separately identified intangible assets of SEK 94 million. Further, the acquisition gave rise to additional goodwill for the previous ownership of SEK 101 million, which was recognised in the income statement as other operating income. The Group acquired 100% of the shares in Dreamhack in November 2015. The cash consideration was SEK 205 millon excluding transaction costs of SEK 6 millon. The agreement includes an earn-out value of SEK 39 million for the years 2017-2019 to be paid in 2019 and 2020 respectively. The acquisition gave rise to a goodwill of SEK 150 million and separately identified intangible assets of SEK 98 million.

The purchase prices of the option values for Zoomin and Splay are calculated at the present fair value of the companies based on the option clauses in the agreements, and, as a consequence, 100% of these companies are consolidated without non-controlling interest. Both Zoomin, Splay and Dreamhack is reported in the the segment 'Nice Entertainment, MTGx, Radio'. Transaction costs are reported on the line other operating expenses' in the income statement. The goodwill for these acquisitions comprise future potential new customers, potential trademark extension, various buyer specific synergies, and the assembled workforce. The goodwill will not be tax deductible.The above preliminary purchase price allocations were finalised during 2016, and the separately identified intangible assets were valued at in total SEK 312 million and goodwill of SEK 960 million.

Other

The Group acquired 41% of the shares in Paprika Holding AB on 13 August 2015 by exercising options to buy further shares. The purchase price was SEK 66 million, and the option was valued at SEK 20 million. The difference in amounts, SEK 45 million, was recognised in the income statement.

The Group further acquired stakes in Trendy Media s.r.o. (You.bo) and Comosa AG for a purchase price of in total SEK 9 million.

Total cash flow effect for these acquisitions were in total SEK 76 million. Total acquisitions had thereby an effect on the cash flow of SEK 1,594 million.

Contributions during 2015 from the acquisition date (SEK million):	**Turtle**	**Other**	**Total**
Net sales	280	179	458
Net income	-37	-9	-46

Contributions from acquisitions if the acquisition had occurred 1 January 2015 (SEK million)	**Turtle**	**Other**	**Total**
Net sales	612	369	981
Net income	-54	-10	-64

The Group's total sales if the acquisition had occurred on 1 January would have been SEK 16,741 million and net income would have been SEK 515 million for continuing operations.

Note 28, continued

Divested operations

2016
The Group sold at the end of 2016 its Free-TV operation in Ghana and two production companies in Ghana and Nigeria respectively. Viasat Ukraine was sold in June. Further, the final payment for the sale of the Russian pay-tv companies was received in October.

2015
The Group sold at the end of 2015 its entities in Russia & international pay-TV channels businesses as amendments to the Russian Mass Media Law reduced the permitted level of aggregate foreign ownership in Russian mass media companies to 20% direct or indirect ownership or control from the beginning of 2016.

The Group also sold its Hungarian free-TV channel subsidiary, as well as its interest in Radio Nova, Finland.

Further, associated company SAPPA was sold at the beginning of the year.

Group (SEK million)	2016 Ghana, Nigeria, Ukraine	2015 Russia, Hungary among others
Net sales	21	853
Operating expenses	-36	-722
Financial expenses	-48	-89
Net income before tax	**-62**	**42**
Tax	-2	-31
Net income	**-63**	**11**
Non-current assets	2	79
Trade and other receivables	40	448
Cash and cash equivalents	6	118
Interest-bearing liabilities	-343	0
Trade and other liabilities	-37	-287
Net assets	**-331**	**359**
Cash and cash equivalents	-6	-118
Sales price	18	530
Net cash inflow	**12**	**412**
Deferred payment from 2015	89	-
Total net cash inflow	**102**	**412**

Note 29 Assets held for sale and discontinued operation

MTG owned 38.4416% of the outstanding shares in CTC Media, Inc., Russia's leading independent media company up until May 2016. CTC Media entered into an agreement in 2015 to sell 75% of its business operations to UTV-Management LLC. The transactions was approved by the shareholders at a special meeting convened on 17 December 2015. MTG reclassified its interest in CTC Media in the second quarter of 2015 as a 'Discontinued operation'.

The fair value of MTG's holding as per 31 December 2015 was calculated at SEK 1,081 million and reflected the anticipated return of the value to the shareholders of CTC Media of in total USD 255 million. The asset was recognised at fair value less costs and was classified at level 2 as the valuation was derived from public data on the CTC Media website. On 23 May 2016, the payment was made to the shareholders at USD 2.05 per share, of which MTG received in total USD 123 million.

Net income for CTC Media totaled SEK -1,072 (-282) million and reflected the change in the fair value of the holding including charge to net income of SEK -1,000 million arising from the accumulated translation differences recognised through other comprehensive income and related to CTC Media. This charge was recognised in the 'Discontinued operations' line in the income statement. Equity is unaffected.

Further information can be found CTC Media's website www.ctcmedia.ru.

Group (SEK million) CTC Media, Inc.	2016	2015
Share of earnings		126
Translation difference communicated bid		-18
Revaluation/translation difference	-1,072	-
Transaction costs		-30
Share of tax expense		-38
Write-down to fair value		-322
Net income for the year, discontinued operations	**-1,072**	**-282**
Basic earnings per share from discontinued operations (SEK)	**-16,08**	**-4,23**

Note 29, continued

Group (SEK million) Shares in CTC Media, Inc.	2016	2015
Share of net assets 1 January	1,081	1,745
Share of earnings		90
Share of tax expense		-38
Translation differences including share of other comprehensive income CTC Media		-548
Change in fair value		-82
Effect of employee share option programmes		5
Dividend received		-90
Divestment	-1,081	-
Share of net assets 31 December	**-**	**1,081**
Goodwill value	-	-
Elimination	-	-
Share of assets including goodwill 31 December	**-**	**1,081**
Cash flow	**1,023**	**90**

	Market value 31 Dec 2016	Market value 31 Dec 2015
CTC Media, Inc., USA	-	934

Note 30 Significant events after the end of the year

25 January 2017 – MTG sells Czech TV holding to invest further in InnoGames

On 25 January 2017 MTG signed an agreement to sell its 50% shareholding in FTV Prima Holding to Denemo Media. The transaction values 100% of FTV Prima Holding at an enterprise value of EUR 237.4 million (approximately SEK 2,255 millions). MTG has fully consolidated FTV Prima Holding. Closing is subject to local regulatory approval and expected in Q1 2017.

17 March 2017 – MTG sells Baltic broadcasting businesses

On 17 March 2017 MTG signed an agreement to sell its free-TV, pay-TV, digital and radio businesses in the Baltic region to Providence Equity Partners. The transaction values 100% of the business at an enterprise value of EUR 115 million (approximately SEK 1,094 million). MTG has fully consolidated these businesses. Closing is subject to regulatory approvals.

Note 31 Proposed appropriations of earnings

The following funds are at the disposal of the shareholders as at 31 December 2016 (SEK):	
Premium reserve	267,111,846
Retained earnings	5,507,342,854
Net income 2016	139,278,413
Total	**5,913,733,113**

The Board of Directors propose that an increased annual cash dividend of SEK 12.00 (11.50) per share be paid to shareholders for the twelve months ended 31 December 2016, 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 2016 would amount to a maximum of SEK 801,385,488 based on the maximum potential number of outstanding shares as at the record date, and represent 93% (86) of the Group's net income, continued operations excluding items affecting comparability for the full year 2016.

Signatures

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

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

The annual accounts and the consolidated statements were approved by the Board of Directors and the Chief Executive Officer on 29 March 2017. 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 9 May 2017.

Stockholm 29 March 2017

Joakim Andersson
Non-Executive Director

David Chance
Chairman of the Board

Simon Duffy
Non-Executive Director

Donata Hopfen
Non-Executive Director

John Lagerling
Non-Executive Director

Bart Swanson
Non-Executive Director

Jørgen Madsen Lindemann
President and Chief Executive Officer

Our Audit report was submitted on 3 April 2017

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Audit report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Modern Times Group MTG AB (publ.) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 12-84 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

Recoverability of goodwill and intangible assets

See note 2 and 10 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of goodwill and other intangible assets such as trademarks and customer relations as at 31 December 2016 amount to SEK 7.4 billion, which is approximately 42 % of total assets.

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

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

Response in the audit

We obtained and considered the groups impairment tests to assure compliance with the methodology prescribed by IFRS. A goodwill impairment of SEK 95 million has been recorded related to Zoomin in the reporting segment MTGx.

We have further evaluated the future cash flow forecasts and their underlying assumptions including long-time growth rates as well as the discount rates used. We have had reviews with management including specific focus on the assumptions used in the impairment test for Zoomin. We have also evaluated historical accuracy of forecasts.

As part of our work we have involved our valuation specialists to assist in our assessment of the impairment models.

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

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

Valuation of put and call liabilities and contingent considerations
See note 2 and 21 in the annual account and consolidated accounts for detailed information and description of the matter.

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

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

At 31 December 2016 the carrying value of these put liabilites and contingent considerations are SEK 1.4 billion in the balance sheet.

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

Response in the audit
We obtained and considered the group's valuation of the put and call liabililties and contingent considerations and evaluated the forecasts for revenue growth and operating margin as well as the discount rates used. One major change in value is recorded related to the acquisition of Zoomin, where the carrying value has decreased substantially.

As part of our work we have involved our valuation specialists to assist in our assessment of the calculated values.

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

Revenue recognition
See note 3 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
The Group's revenue as described in note 3 are mainly derived from advertising, subscription fees, content production sales and other services.

The risk for misstatement due to valuation and allocation of revenue is different for each revenue stream depending on the nature of trade and the respective revenue recognition policies. Inappropriate allocation could lead to non-compliance with accounting standards and incorrect acceleration or deferral of revenue.

Response in the audit
We evaluated the group's revenue recognition policy against relevant accounting standards and guidance and confirmed the consistent application of the policy across the group.

We have among others performed sample testing of transactions and evaluated and tested implementation of selected controls over key revenue streams with different characteristics and challenges such as completeness and cut-off of advertising revenue, provision for discounts and advertises not yet aired, accurate allocation of subscription revenue, gross or net presentation and valuation of ongoing fixed price projects.

For contracts in the businesses accounted for in accordance with the percentage of completion method we have reviewed underlying contracts to assess whether revenue was correctly recognized in line with the contract and the stage of completion including management's judgement of the cost to complete.

Program rights amortisation *See note 2 and 3 in the annual account and consolidated accounts for detailed information and description of the matter.*	
Description of key audit matter Payments for program rights are reported either as inventory or as prepaid expenses mainly depending on the start of the license period. Program rights inventory, where the license period has started, amount to SEK 2.0 billion as per 31 December 2016. Determining the timing and amount of program right expense recognized in the period requires judgement in selection the appropriate recognition profile and ensuring that this profile achieves the objective of recognizing inventory expense in line with the way that it is consumed by the group. There is a risk that the recognition profile selected by management does not correctly recognize the expense in line with consumption.	**Response in the audit** We examined the method for expensing program rights inventory, taking into account the differing genres of programs, any significant changes in viewing patterns during the year and other assessments made by the group. We assessed whether the carrying value of the balances are considered recoverable by analyzing the assets on a portfolio basis and comparing the carrying value at 31 December 2016 against current year revenue and forecasts to determine if any indicators of impairment exist.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-11 and 90-93. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Modern Times Group MTG AB (publ.) for the year 2016 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

Stockholm 3 April 2017

KPMG AB

Joakim Thilstedt

Authorized Public Accountant

Definitions

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

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

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 average number of shares.

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

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

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

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

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

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

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

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

Alternative performance measures

With effect from 2016, MTG has introduced the new European reporting guidelines concerning Alternative Performance Measures. The purpose of APMs is to facilitate the analysis of business performance and industry trends that cannot be directly derived from financial statements. MTG is using the following APMs:

- Operating income & margin before IAC
- Change in net sales from Organic growth, Acquisitions/divestments and Changes in FX rates
- Net debt and Net debt/EBITDA
- Capital employed and Return on Capital Employed (ROCE)
- Return on Equity (ROE)
- Interest coverage ratio

Reconciliation of sales growth

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

Sales growth

Group (SEK million)	2016	%	2015	%
Nordic Entertainment				
Organic growth	654	6.2%	274	2.7%
Acquisitions/divestments	0	0.0%	-71	-0.7%
Changes in FX rates	-2	0.0%	24	0.2%
Reported growth	**651**	**6.2%**	**228**	**2.2%**
International Entertainment				
Organic growth	209	6.7%	194	5.5%
Acquisitions/divestments	-650	-18.3%	-47	-1.5%
Changes in FX rates	50	1.3%	-7	-0.2%
Reported growth	**-392**	**-10.3%**	**140**	**3.8%**
MTG Studios				
Organic growth	39	2.2%	-292	-14.2%
Acquisitions/divestments	0	0.0%	0	0.0%
Changes in FX rates	-42	-2.4%	20	1.0%
Reported growth	**-3**	**-0.2%**	**-272**	**-13.2%**
Total operations				
Organic growth	834	5.4%	106	0.7%
Acquisitions/divestments	230	1.2%	299	1.9%
Changes in FX rates	16	0.1%	67	0.4%
Reported growth	**1,080**	**6.7%**	**472**	**3.0%**

Reconciliation of operating income before IAC

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

Operating income before and after IAC

Group (SEK million)	2016	2015
Operating income	1,347	756
Items affecting comparability	0	512
Operating income before items affecting comparability	**1,347**	**1,268**

IAC comprise a net capital gain from the sale of subsidiaries and associates (including revaluations) and restructuring charges for 2015.

Reconciliation of net debt/EBITDA before IAC ratio

Please refer to the net debt reconciliation in note 21. Net debt refers to the net of interest bearing liabilities less total cash and interest bearing assets. Net debt is used by management to track the debt evolvement of the Group and to analyse the leverage and refinancing need of the Group. The net debt to EBITDA ratio provides a KPI for net debt in relation to cash profits generated by the business, i.e. an indication of a business' ability to pay off all its debts. This measure is commonly used by financial institutions to rate credit worthiness.

Net debt/EBITDA (before IAC) ratio

Group (SEK million)	2016	2015
Operating income before IAC	1,347	1,268
Depreciation and amortisation	241	195
EBITDA	**1,588**	**1,463**
Net debt	**2,186**	**2,124**
Net debt/EBITDA ratio	**1.4**	**1.5**

Reconciliation of Return On Capital Employed (ROCE)

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

Group (SEK million)	2016	2015
Operating income before IAC	**1,347**	**1,268**
Total inventory	2,057	1,825
Other current receivables	6,070	5,587
Intangibles assets	7,441	6,933
Tangible assets	335	452
Shares and participations	616	51
Other financial assets	316	126
Total non-current non-interest-bearing liabilities	-2,237	-2,286
Total current non-interest-bearing liabilities	-7,260	-6,871
Current liabilities at fair value	-137	-5
Capital Employed	**7,201**	**5,811**
Average Capital Employed (5 quarters)	**6,436**	**4,917**
ROCE %	**21%**	**26%**

Reconciliation of Return On Equity (ROE)

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

Group (SEK million)	2016	2015
Net income	-109	251
Items affecting comparability net of tax	-	366
Net income before items affecting comparability	**-109**	**617**
Shareholders' equity	4,809	4,556
Non-controlling interest	207	212
Total shareholders' equity	**5,016**	**4,768**
Average shareholders' equity (5 quarters)	**4,676**	**5,099**
ROE %	**-2%**	**12%**

Reconciliation of interest coverage ratio

Interest coverage ratio is a performance measure whereby operating income is put in relation to financial costs. The interest coverage ratio measures how easily a company can pay interest on outstanding debt.

Group (SEK million)	2016	2015
Operating income before items affecting comparability	1,347	1,268
Financial costs	-96	-54
Interest coverage ratio	**14**	**23**

Financial Calendar

Apr 21 2017 FRIDAY	**Q1 Results Announcement**
May 09 2017 TUESDAY	**Annual General Meeting of shareholders** Hotel Rival, Stockholm
Jul 18 2017 TUESDAY	**Q2 Results Announcement**
Oct 19 2017 THURSDAY	**Q3 Results Announcement**

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