2014

MTG

Annual Report & Accounts

Contents

CEO's Review	**1**
CFO's Review	**5**
Five Year Summary	**7**
Directors' Report	**11**
The MTG Share	**32**
Corporate Governance Report	**36**
Board of Directors	**46**
Executive Management	**49**
Consolidated Financial Statements	**54**
Parent Company Financial Statements	**59**
Notes to the Accounts	**64**
Audit Report	**119**
Definitions	**121**
Glossary	**122**

This document is in all respects a translation of the Swedish original Annual Report. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

CEO's review

A Year of Progress

We continued to deliver on our strategy in 2014 following the investments that we have made in our three core growth areas – content creation, digital development and geographical expansion – while, at the same time, further improving our execution capabilities and cost control. We now have more customers using more of our products than ever before.

The year started with us making every minute of the winter version of the world's most watched event – the Olympics – available exclusively on our channels and platforms in Sweden. This was the most digital Olympics ever in Sweden and contributed to the accelerated development of our digital services, and the Viaplay OTT service in particular, which continued throughout the year. We also expanded our reach internationally by launching our existing and new channels into more countries.

2014 was also a year in which we faced up to a number of significant challenges – the sudden and rapid fall in the level of traditional TV viewing in Sweden in particular from Q2; the sharp deterioration of the operating environment in Russia and Ukraine; and the large adverse foreign exchange movements during the second half of the year.

The headline facts are that net sales for the year were up 11% at constant exchange rates (including 4% organic growth) following the content company acquisitions that we made in 2013, while operating profits (EBIT) were down 3% (4% when including non-recurring items) for the year as we felt the abovementioned headwinds and continued to invest in our digital future. Group cash flow remained strong and we paid out a record high ordinary dividend (equivalent to a 56% pay-out ratio), to end the year with one of the strongest balance sheets in the industry (with half the net debt of a year ago and equal to only 0.2 times 2014 recurring EBITDA).

A Simple Story

We are managing the transition of our market leading linear video broadcasting businesses into the number one digital entertainment businesses in our existing markets, while also looking to grow new and internationally scalable digital businesses. Furthermore, our objective is to manage this transition while growing our sales, profits and cash flows. This means that our traditional linear channels (both advertising and subscription funded) will provide the cash to fuel the development of our digital products, which almost doubled their sales in 2014.

A Convenient Truth

Much is made of the highly competitive environment with new online entrants and changing consumer behaviour resulting in falling scheduled TV viewing. We saw and felt these impacts more than ever in 2014, as the PUT (people using television) levels fell sharply in Sweden in particular. However, television remains the reach media of choice because it delivers a high quality and large scale audience, so the lower supply of TV minutes but steady demand for TV airtime is resulting in higher TV advertising prices now in 2015.

There is also another overwhelming truth – global video consumption is still growing and it is being driven by online viewing, which is the primary driver of global internet traffic. Global online video data traffic was up almost 25% in 2014, and the number of minutes of video watched online was up more than 50% in Sweden. More than 25% of global online video viewing was on mobile devices (smart phones and tablets), and more than a third of all video viewing by 'Millennials' in the US is now online. So video is delivering a bigger, more accessible and more attractive audience than ever before, which is very good news and only set to grow further!

A Huge Opportunity

This change in consumer behavior is a huge opportunity for us to make our products more broadly available and relevant than ever before, and that is exactly what we are doing. The Nordic markets have the highest broadband penetration levels and speeds in the world and are often the test beds for what will happen in other markets around the world. Our Viaplay online video business was the first of its kind and combines the best TV series, movies and live sport. This is revolutionising the pay-TV industry and Viaplay's rapid expansion is being fuelled by the cash flows from our highly profitable Viasat satellite and pay-TV channels businesses. Viaplay is now available on virtually any internet connected device and to almost all Nordic TV households – the first time we have ever been able to address the whole market with our pay-TV services.

The opportunity is also evident on the free-TV or advertising funded side, where our online TV services across 7 markets are not limited to catch-up TV services but also digital-first online content that is delivering higher online viewing shares and prices than offline. Yes, we still have a lot of work to do with our traditional free-TV business in Sweden and Norway, but our Danish business has continued to perform well and take share, and we remain the clear number two commercial media house in both Sweden and Denmark. And again, the cash flows from these traditional businesses are fuelling our online development. We are the co-owners of the largest multi-channel YouTube network in Sweden (Splay), which we are expanding into new markets, and we are constantly looking to launch new thematic verticals (from cooking to celebrity gossip) that work across both our on and offline platforms.

Only the Beginning

This is only the beginning. Now, we are taking everything a step further to integrate our product offerings and further enhance customer experience. We are creating single sign on solutions where customers can move easily between our online video environments with the same log on profiles and payment details. We are creating programmatic solutions for advertisers to buy online video advertising and also learning from users' consumption patterns and viewing behavior so that we can deliver targeted and relevant advertising reach.

A Unique Model

All of the above is only possible because of our unique structure and model. We buy the best international programming content and the most popular locally produced content. This rich mix is then utilized across our channels, platforms and online services, so as to maximize the consumer impact and return on our investment. We have also enhanced our ability to create content for the broader industry through our Nice Entertainment studios, which are the leading Nordic storyteller and have global distribution capability. We also have scalable digital platforms through common technology platforms and monetization engines. The proof of the overall model is clear to see in the performance of our overall Nordic business – total sales were up 4% in 2014, and profits were also up 4%, and in the fact that the Group as a whole returned to profitable growth from Q2 for the first time since 2011.

Changing Behaviour

Like all industry shifts, our transition requires a change in behavior within the business and our people. That is why we introduced the new MTG brand in 2014 and are hard at work embedding it across our businesses and 4,000 employees through a new group wide cloud-based social network and work sharing platform. We have empowered the organization with a locally accountable and responsible structure that is making us even more customer-focused, creative and nimble. The MTG brand is embodied by passionate igniters – the catalysts or 'x' factors that make a difference or move the needle for our stakeholders. We have therefore adopted 4 new core values that reflect this personality – SMART, BOLD, FUN, ENGAGING – and two behaviours for each value that define who we are and what we do.

Responsible & Sustainable

All that we do as an organization is about creating long term value for our stakeholders. As an organization that has always encouraged and embraced the opportunity created by change, we have many expectations to live up to, and these include the ethical and moral standards enshrined in our Code of Conduct. Our Corporate Responsibility priorities are aligned with our strategic objectives and vice versa, so the focus on digital development is reflected in our focus on internal and external data protection and integrity.

Content creation and distribution require compliance with ever evolving broadcast regulations and are reflected in our rating systems, local editorial policies, watershed observance and parental controls to protect minors. Freedom of expression is an inalienable human right so, in addition to our CR Policy and our Broadcasting Guidelines, we also published our Position Paper on Freedom of Expression in the Media in 2014.

Our geographical expansion is also reflected in our local community engagement; partnerships to promote a wide range of third party non-profit organisations; and our own group-wide 'Game Changers' initiative that has so far identified and supported social entrepreneurs working with young people in 10 countries around the world. Please do learn more about what we are doing by visiting mtg.com/our-way/ or read our corporate responsibility report.

Russia in perspective

As I write this review, we are also working on plans and actions to best protect the stakeholders in our Russian businesses following the changes in various laws in Russia during the second half of 2014 and the geo-political and economic repercussions of the crisis in Ukraine. Laws have been passed that ban advertising on pay-TV channels from the beginning of 2015 and restrict ownership in Russian mass media companies to 20% from the beginning of 2016, and therefore impact our own pay-TV business in Russia and our 39% shareholding in Russia's largest independent media group (CTC Media). We have invested in Russia since the turn of the century and created a number of successful and highly profitable companies, but times have changed and we must comply with the new laws and adapt to the new reality.

Emerging Optionality

Our other Emerging market operations have great potential. The central and east European free-TV advertising markets that we are present in (Czech Republic, Bulgaria, Baltics) are still more than 30% below their pre-2008 levels. However, our viewing shares are substantially higher and we have market leading digital products, so we are well placed to compensate on the growth when it comes. Furthermore, our highly profitable mini-pay channel business now has 130 million subscribers, following the acquisition of the Trace music and lifestyle channels that are present in all 55 African countries, France and the Caribbean. We are constantly adding new channels and businesses in new markets. These have attractive return on investment horizons, due to the proven and highly scalable business model.

Moving Forward

We continue to focus on delivering on our profitable growth strategy, notwithstanding the significant currency exchange rate and Geo-political headwinds we are currently facing. The foundation of our performance is ongoing innovation based on consumer insight, in order to establish relevant, scalable and sustainable products. As we head into 2015, we are focused on optimizing our capital allocation across the Group, and we are focusing the portfolio, in order to ensure that we concentrate our resources on those businesses and products with the greatest potential. We have maintained a strong financial position and this gives us the ability to invest in areas that will drive future returns, as well as returning surplus cash to shareholders, as evidenced by this year's proposed new record high dividend, which is equivalent to a 57% pay-out ratio.

What excites me most as we head into a new year are the talented teams of people that we have at MTG. We are obsessed with shaping new customer experiences by creating fantastic products and capitalizing on fast moving consumer trends. We think big, move fast, and love what we do. That is the foundation of this fantastic company in which I have worked for over 20 years, and it is wonderful to see the energy and inspiration in colleagues' eyes each day. We all thank you for your trust and for your ongoing interest in our story.

Jørgen Madsen Lindemann
President & Chief Executive Officer

CFO's review

Our 11% constant exchange rate revenue growth in 2014 to SEK 15.7 billion was driven by 4% organic growth and 7% M&A driven growth, following the acquisition of the Nice Entertainment content businesses at the end of 2013 in particular. These acquisitions and organic investments also added to our cost base, which was up 12% for the year in total and 5% on an organic basis. The focus on operational excellence and rigorous cost control are in the Group's DNA and we extracted synergies across the business in 2014 as a result of our uniquely integrated structure. We invested these savings in the accelerated development of our digital businesses in particular, which doubled their revenues during the year.

Operating profits excluding non-recurring items and associated company income were largely stable at SEK 1.27 billion, with an operating margin of 8.1%. We reported a negative SEK 155 million net of non-recurring items relating to non-cash impairments, restructuring charges and proceeds from the sale of subsidiaries, and SEK 558 million of associated company income. Total Group operating income was therefore down slightly to SEK 1.68 billion. Net income was however slightly up to SEK 1.17 billion due primarily to lower interest costs and earnings per share increased from SEK 16.4 to SEK 17.1.

We continued to optimize and focus the portfolio, in order to make best use of our resources and maximize our return on investment. We therefore disposed of Swedish communications operator Zitius and closed down the loss making Raduga joint venture satellite pay-TV platform in Russia during 2014. We have continued this work in 2015 by announcing the disposal of Swedish cable TV company Sappa and our sub-scale Hungarian free-TV operations. This increased discipline when it comes to non-core assets and our capital allocation will continue.

At the same time, we continue to invest in the future growth drivers of the business. The majority of this investment was organic in 2014 and focused on our online pay-TV and free-TV digital on-demand services, but we also launched new channels in Tanzania, Turkey and Israel. We also increased our investments in our MTGx digital accelerator, which has grown in size, capability and impact. Our investments in acquiring shares of new companies was limited in 2014 and primarily comprised the acquisition of 75% of the Trace youth media and lifestyle brand, which operates pay-TV channels around the world and in Africa in particular.

We tied up more working capital in 2014 than in the previous year, which reflects the scaling up of our operations and the fact that we had previously managed working capital down to record levels. However, working capital still represented only 2% of sales at the end of the year, and our net cash flow operations was slightly lower at SEK 1.2 billion.

The MTG business model remains asset and capital light with minimal investment in infrastructure due to our focus on providing content over 3rd party networks and the fact that our own satellite platforms work off leased rather than owned capacity. Capital expenditure was down 32% compared to 2013 and represented 1.4% of Group sales for the year. Our operations are therefore highly cash generative, with 62% of EBITDA converted into operating free cash flow in 2014. We have also received a higher dividend pay-out from CTC Media. This enables us to deleverage very quickly and facilitates both further investment and high MTG dividend pay-out ratios. This can be seen clearly in the SEK 778 million reduction in our loans to SEK 1.06 billion during 2014, and the halving of our net debt to SEK 362 million, as well as the paying out of a record high annual cash dividend of SEK 700 million.

We have continued to run the business in a highly capital efficient manner, as evidenced by the 24% return on equity and 25% return on capital employed. Our strict Group-wide financial management structures and policies, with local operation and business segment financial controllers reporting to central planning and review functions, enables us to control costs, manage cash flows and allocate capital effectively.

We ended the year with considerable financial flexibility and firepower, in the form of SEK 6.5 billion of available liquid funds (including unutilized facilities). We further diversified and optimized our funding sources in 2014, which included the issuing and listing of a 4 year SEK 1.0 billion corporate bond and the establishment of an as yet uncommitted SEK 2 billion commercial paper programme. The SEK 250 million convertible that we have held in our former subsidiary CDON Group (now Qliro Group) was repurchased by the company at the end of the year, and gave rise to even greater liquidity. It is to be noted that the SEK 297 million of dividend payments that we received from CTC Media in 2014 may not continue at the same rate in 2015 given the change in trading environment in Russia and the changes in legislation that will result in us having to reduce our shareholding in the Company by the end of 2015.

Moving forward, we have indicated that the adverse foreign currency exchange rate movements in 2014 and into 2015 will negatively impact our earnings due to the substantial strengthening of the US dollar, in which we buy a large part of our programming content, and the substantial weakening of the Russian ruble, in which we generate revenues that are translated back into the relatively stronger Swedish krona. Although we do forward hedge the majority of our major currency exposures on a 12 month basis, this only delays the impact of fluctuations. We are therefore now buying dollars at much higher rates than in the past and we will feel that impact moving forward. We are working to mitigate these effects as far as possible through additional cost saving initiatives.

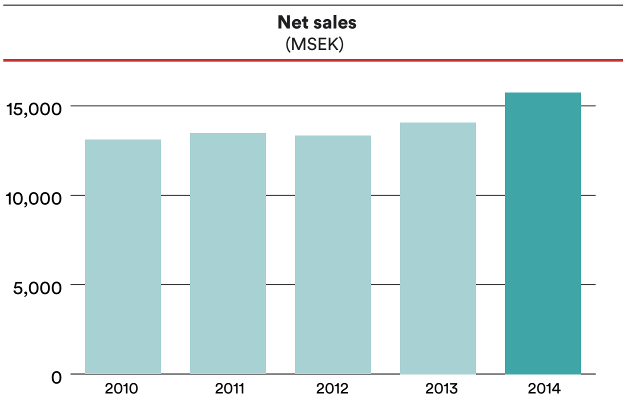
We ended 2014 in a strong financial position with healthy cash flows and a solid balance sheet. We continue to maintain our capital discipline while reviewing the performance of our own operations and the potential of financially accretive and strategically complementary investment opportunities. At the same time, we have continued to increase the cash returns to shareholders, which we are proposing to do again this year through a record high annual dividend payment of SEK 11.0 per share, which is equivalent to a pay-out ratio of 57% and well in line with our dividend policy to distribute at least 30% of each year's recurring net profit to shareholders in the form of an annual ordinary cash payment to shareholders.

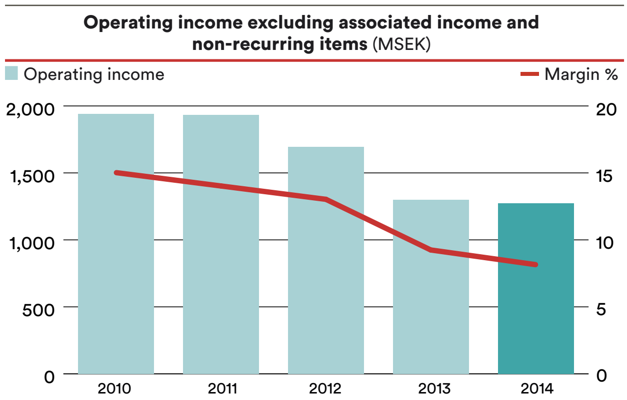
Mathias Hermansson
Chief Financial Officer

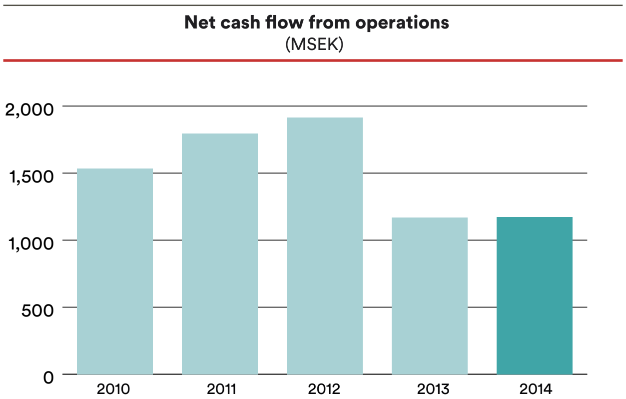
Five Year Summary

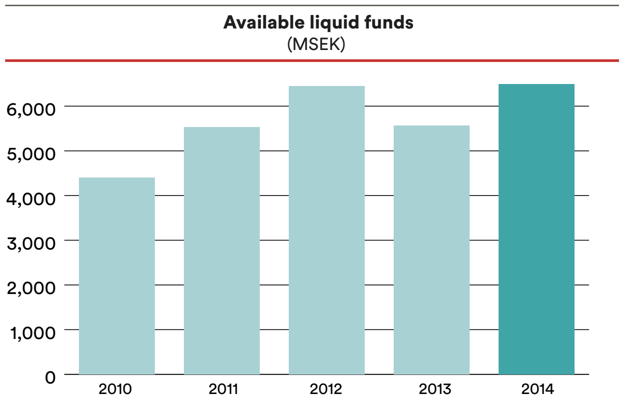
Group (SEK million)[3]	2014	2013	2012	2011	2010
Net sales[2]	15,746	14,073	13,336	13,473	13,101
Gross income[2]	5,912	5,599	5,438	4,693	5,199
Operating income before associated company income and non-recurring items from continuing operations[2]	1,272	1,309	1,695	1,933	1,941
Associated company income[2]	558	576	429	634	413
Operating income excluding non-recurring items from continuing operations[2]	1,830	1,885	2,124	2,567	2,424
Closure and non-recurring costs	-155	-147	-	-3,182	-
Total operating income / loss from continuing operations[2]	1,675	1,738	2,124	-615	2,424
Financial net[2]	-23	-12	-90	-112	-103
Net income from continuing operations[2]	1,172	1,168	1,594	-1,289	1,750
Income from discontinued operations	-	-	-	-	1,790
Total net income	1,172	1,168	1,594	-1,289	3,541
Financial position					
Non-current assets	6,963	7,137	6,098	5,612	8,648
Current assets	7,168	6,970	5,595	5,668	5,354
Total assets	14,131	14,107	11,692	11,281	14,002
Shareholders' equity excl non-controlling interests	5,729	5,136	4,946	4,128	5,986
Non-controlling interests	102	159	188	222	253
Long-term liabilities	2,111	2,774	1,751	2,168	3,311
Short-term liabilities	6,190	6,038	4,808	4,763	4,452
Total shareholders' equity and liabilities	14,131	14,107	11,692	11,281	14,002
Personnel					
Average number of employees[2]	4,059	3,361	3,012	3,031	2,844
Key figures					
Operating margin before associated company income %[2]	7	8	13	-	15
Operating margin before associated company income and non-recurring items %[2]	8	9	13	14	15
Net margin %[2]	7	8	12	-	13
Return on total assets %	8	9	14	-	24
Return on equity adjusted for non-recurring items %	24	25	34	30	30
Return on capital employed adjusted for non-recurring items %	25	29	34	30	26
Equity / assets ratio %	41	38	44	39	45
Net debt to equity ratio %	6	15	0	18	32
Interest coverage ratio	21	14	16	-	17
Net sales per employee, SEK thousand[2]	3,879	4,187	4,428	4,445	4,607
Operating income per employee, SEK thousand[2]	413	517	705	-203	852
Capital expenditures					
Investments in non-current intangible and tangible assets	217	319	144	120	157
Investments in businesses	223	905	315	-	275
Per share data					
Shares outstanding	66,630,189	66,622,711	66,612,522	66,403,237	66,342,124
Weighted average number of shares before dilution	66,627,771	66,619,668	66,547,156	66,383,647	66,024,365
Weighted average number of shares after dilution[1]	66,709,088	66,697,519	66,719,177	66,383,647	66,377,452
Total basic earnings per share (SEK)	17.10	16.39	22.93	-19.99	53.34
Total diluted earnings per share (SEK)[1]	17.07	16.37	22.87	-19.99	53.06
Total basic earnings per share continuing operations (SEK)	17.10	16.39	22.93	-19.99	26.23
Total diluted earnings per share continuing operations (SEK)	17.07	16.37	22.87	-19.99	26.09
Basic shareholders' equity per share (SEK)	85.98	77.09	74.32	62.18	90.66
Proposed ordinary dividend/Cash dividend per share (SEK)	11.00	10.50	10.00	9.00	7.50
Market price at closing day class B shares	248.80	333.20	226.60	328.80	445.00

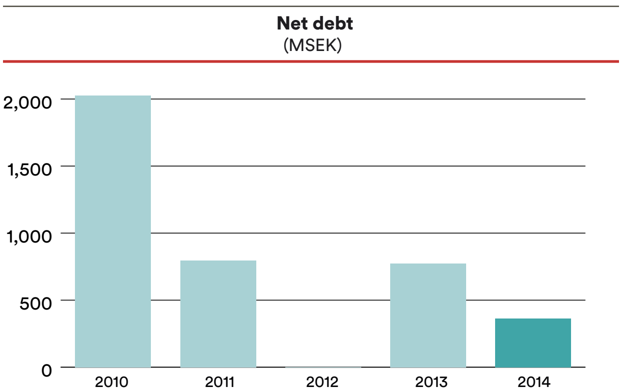
1) The Group has Long Term Incentive Plans that may be exercised into 520,301 new class B shares.
2) Excluding CDON Group.
3) Figures restated for change in accounting principles related to joint ventures (Raduga) for 2013 only.

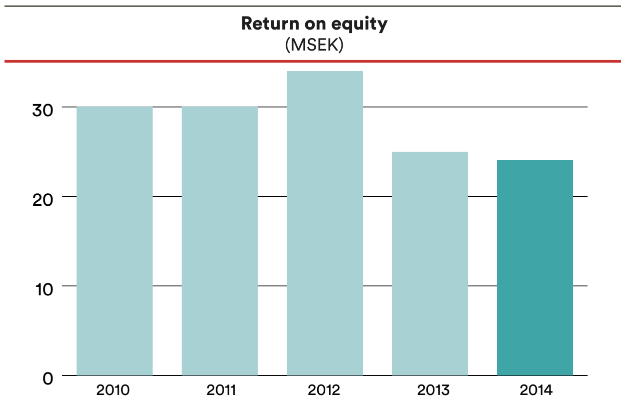

Net sales
(MSEK)
15,000
10,000
5,000
0
2010
2011
2012
2013
2014


Operating income excluding associated income and non-recurring items (MSEK)
Operating income
Margin %
2,000
1,500
1,000
500
0
20
15
10
5
0
2010
2011
2012
2013
2014


Net cash flow from operations
(MSEK)
2,000
1,500
1,000
500
0
2010
2011
2012
2013
2014


Available liquid funds
(MSEK)
6,000
5,000
4,000
3,000
2,000
1,000
0
2010
2011
2012
2013
2014


Net debt
(MSEK)
2,000
1,500
1,000
500
0
2010
2011
2012
2013
2014


Return on equity
(MSEK)
30
20
10
0
2010
2011
2012
2013
2014

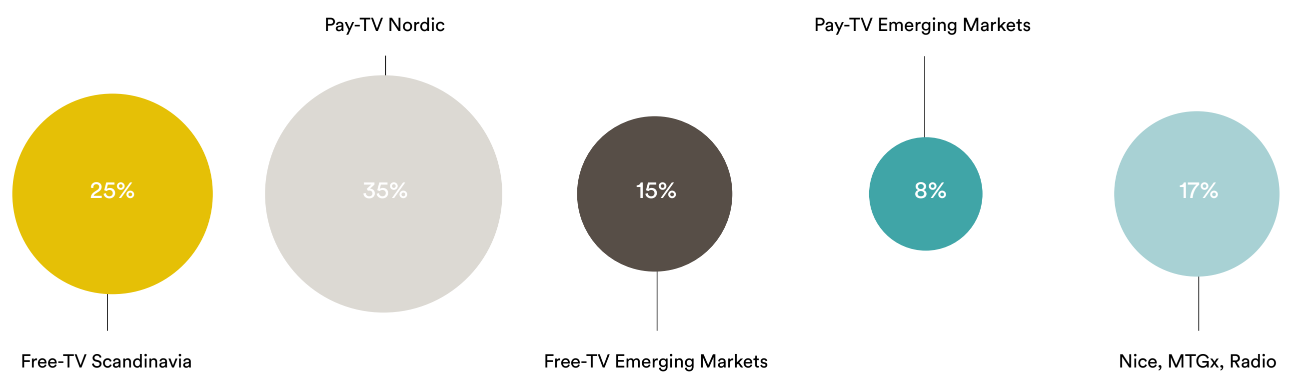
Net sales Business segments (SEK million)	2014	2013	2012	2011	2010
Free-TV Scandinavia	4,109	4,110	4,157	4,393	4,247
Pay-TV Nordic	5,756	5,335	5,088	4,897	4,651
Free-TV Emerging Markets	2,409	2,445	2,035	2,073	2,004
Pay-TV Emerging Markets [1]	1,225	1,089	1,062	922	896
Central operations, eliminations & other businesses	-294	-197	-303	-340	-329
Total Broadcasting	**13,205**	**12,783**	**12,039**	**11,946**	**11,469**
Nice Entertainment, MTGx, MTG Radio	2,778	1,537	1,418	1,675	1,804
Total operating businesses	**15,983**	**14,320**	**13,457**	**13,621**	**13,273**
Group central operations	235	237	239	186	191
Eliminations	-472	-484	-360	-334	-363
TOTAL OPERATIONS	**15,746**	**14,073**	**13,336**	**13,473**	**13,101**

Operating income (EBIT) Business segments (SEK million)	2014	2013	2012	2011	2010
Free-TV Scandinavia	633	668	793	1,077	1,082
Pay-TV Nordic	709	619	848	933	827
Free-TV Emerging Markets	131	215	156	32	-43
Pay-TV Emerging Markets	104	129	144	49	112
Associated company CTC Media	540	586	429	624	474
Central operations, eliminations & other businesses	0	-34	-33	-3	13
Total Broadcasting	**2,117**	**2,184**	**2,336**	**2,712**	**2,465**
Nice Entertainment, MTGx, MTG Radio	-32	-49	6	114	175
Total operating businesses	**2,085**	**2,135**	**2,342**	**2,826**	**2,640**
Group central operations & eliminations	-255	-250	-219	-260	-216
TOTAL OPERATIONS	**1,830**	**1,885**	**2,124**	**2,567**	**2,424**
Asset impairment charges & non-recurring costs [2]	-155	-147	-	-3,182	-
GROUP TOTAL	**1,675**	**1,738**	**2,124**	**-615**	**2,424**

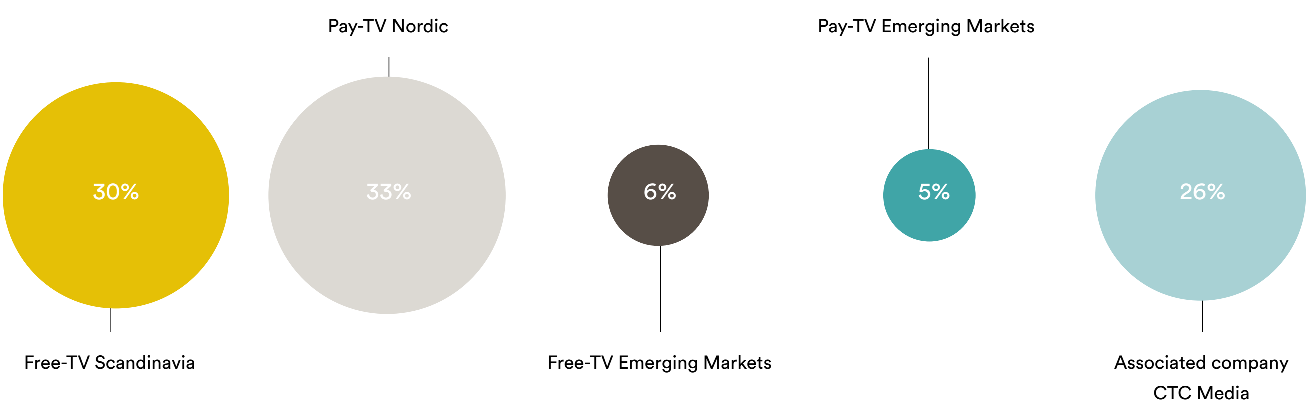
[1] Figures restated for change in accounting principles related to joint ventures (Raduga) for 2013 only

[2] Comprise asset impairment charges for Viastrong, sale of Zitius and restructuring costs in 2014, Raduga 2013 and Bulgaria in 2011, as well as impairment charges and other close down costs Slovenia in 2011

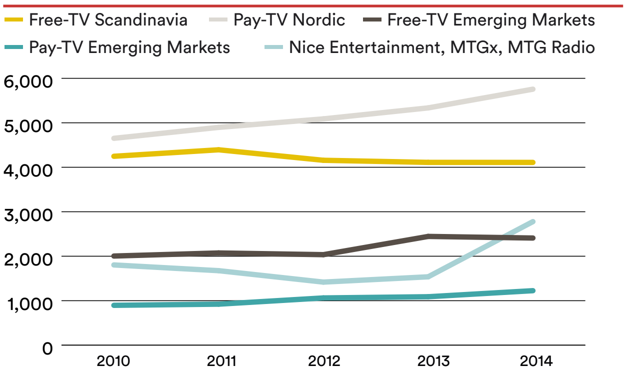
Share of Net Sales per segment 2014
(%)



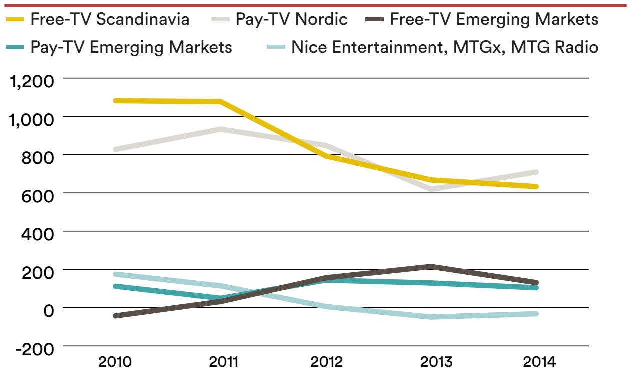
Share of EBIT per segment 2014
(%)



Net Sales per Segment
(MSEK)



Operating Margin (EBIT) per Segment
(MSEK)



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.

Operations

MTG is an international entertainment group with operations that span six continents and include free-TV, pay-TV, digital entertainment, radio and content production businesses. Entertainment is delivered to our viewers through free-TV channels in 11 countries and pay-TV platforms and packages in 8 countries. We also sell a number of thematic documentary and entertainment channels in over 140 countries. We offer everything from the best TV series from the US, to premium live sports like the Champions League and Formula 1 and locally produced series, reality TV and comedy, and even some of the world’s best eSports. It goes without saying that our content is available both on linear TV channels and on your terms, on demand, online. MTG is the leading free-TV and pay-TV operator in Scandinavia and the Baltics and with other main markets in Bulgaria, the Czech Republic, Hungary, Russia, Ukraine and Ghana. Viasat’s free-TV and pay-TV channels and pay-TV platforms including Trace (from July 2014) are broadcasted in over 140 countries. MTG is also a leading Nordic operator and distributor of live and on-demand streamed free and paid video content over the internet, and offers movies, live sports events, TV series, and catch-up services. MTG is also the largest shareholder in Russia’s largest independent television broadcaster - CTC Media (Nasdaq: CTCM).

MTG's results are reported in six business segments, Free-TV Scandinavia, Pay-TV Nordic, Free-TV Emerging Markets, Pay-TV Emerging Markets, CTC Media, and a sixth segment which comprises the Nice, MTGx and Radio businesses. Nice comprises the Group's content production businesses including the TV production companies Strix, Paprika Latino Group, DRG (from June 2013) and Nice Entertainment (from November 2013). MTGx is the Group’s digital accelerator and comprises Viaplay, MTG’s Play catch-up services and MTGx Ventures. MTG Radio owns one of the largest commercial radio broadcasting networks in Sweden and the largest in Norway, as well as radio stations and networks in the Baltic countries and has an equity stake in one of the largest commercial radio broadcasting network in Finland.

Business Review

Group sales were up 11% (8) year on year at constant exchange rates, with an organic growth of 4% (5). 2014 was a year of growing investments. The Group’s operating margin consequently declined to 8% (9) when excluding associated company income and non-recurring items.

Revenues for the Group’s free-TV businesses in Scandinavia declined by 2% (0) at constant exchange rates with an operating margin of 15% (16), whilst sales for the Group’s Nordic pay-TV business grew by 7% (6) at constant exchange rates, with an operating margin of 12% (12). The Group’s Emerging Markets free-TV businesses reported a decline in revenue at constant exchange rates of -3% (24) with an operating margin of 5% (9), while Pay-TV Emerging Markets continued to increase by 14% (12) at constant exchange rates with an operating margin of 9% (12).

The Swedish and Danish TV advertising markets are estimated to have declined in 2014, while the Norwegian market is estimated to have grown. The total number of subscribers in the Nordic region increased as the third party network subscribers offset the ongoing decline in the Group's Nordic premium satellite subscriber base. The Emerging Markets satellite pay-TV subscriber base decreased during the year, and ended 2014 with 306 (364) thousand satellite subscribers, adjusted for the Russian entity Raduga which was closed in December. At the same time, the Group's wholesale mini-pay channel business added over 39 million new subscriptions during the year, to a total of 131 (92) million. The growth was due to the acquisition of Trace.

MTG is proposing a 5% (5) increase in annual ordinary cash dividend to the Annual General Meeting in May to SEK 11.00 (10.50), which corresponds to 57% (56) of the net profit excluding non-recurring items, and is well in line with last year's adopted dividend policy to distribute at least 30% of recurring net profit to shareholders as an annual ordinary dividend.

Consolidated financial results

Key figures	2014	2013
Net sales	15,746	14,073
Growth at constant exchange rates	*11%*	*8%*
Organic growth at constant exchange rates	*4%*	*5%*
Operating income before non-recurring expenses	1,830	1,885
Operating margin before non-recurring expenses	*12%*	*13%*

Sales

In 2014, MTG reported 12% (6) net sales growth to SEK 15,746m (14,073). Sales were up 11% (8) at constant exchange rates, which reflected sales growth in the pay-TV business segments as well as in the segment comprising Nice, MTGx and Radio.

The Group's revenue mix reflected its diversified and balanced structure, with 37% (44) of revenues derived from advertising sales; 48% (47) from subscription revenues; and 15% (9) from other business-to-business and business-to-consumer sales. The change in the revenue mix reflected the growth in the segment comprising Nice, MTGx and Radio.

Operating expenses

Group operating costs excluding one-off items increased to SEK 14,474m (12,764) and were up 12% (9) year on year at constant exchange rates in 2014 as a result of growth in the Nordic Pay-TV segment, investments in MTGx, and consolidation of acquired businesses. Group depreciation and amortisation charges totalled SEK 168m (189).

Non-recurring items

In 2014, the Group reported SEK 155m (147) of total non-recurring items. SEK 159m (147) comprise impairment charges in goodwill and other intangible assets related to the acquisition of Viastrong Ukraine 2008. Last year's impairment charge related to the acquisition of Raduga in Russia 2010. These items were impaired in their entirety. The impairment regarding Ukraine was based on the uncertain economic outlook. The decision to close down Raduga was based on the ongoing uncertainty and lack of visibility surrounding the licensing status and requirements. Raduga was closed in December 2014. Non-recurring items also comprised restructuring costs of SEK 70m, and a net gain of SEK 76m from the sale of Zitius in Sweden.

Operating income before associated company income & non-recurring items

Group operating income for the year declined to SEK 1,272m (1,309) with an operating margin of 8% (9) when excluding associated company income and the impact of non-recurring items in 2014.

Associated company income

The Group's combined equity participations, which primarily comprise the shareholding in CTC Media, contributed a total of SEK 558m (576) of associated company income. The Group's reported shareholding in CTC Media was 37.9% (37.9) of the issued shares and 38.5% (37.9) of the outstanding shares as at 31 December 2014.

Net interest and other financial items

Group net interest expenses were reduced to SEK -1m (46). Other financial items amounted to SEK -23m (34). These items included a non-cash financial loss of SEK 34m (13) due to the change in value of the option element of the SEK 250m Qliro Group convertible bond. The convertible bond was repurchased by Qliro Group in December 2014.

Tax

Group tax charges totalled SEK 480m (558), corresponding to an effective tax rate of 29.0% (32.3).

Net income and earnings per share

The Group reported net profits from operations of SEK 1,172m (1,168), and basic earnings per share of SEK 17.10 (16.39).

Cash flow

(SEKm)	2014	2013
Cash flow from operations	1,337	1,348
Changes in working capital	-143	-130
Net cash flow from operations	**1,194**	**1,218**
Investment activities	-211	-1,224
Financial activities	-1,204	103
Net change in cash and cash equivalents	**-221**	**97**
Cash and cash equivalents	**643**	**765**
Return on capital employed % (excluding non-recurring items)	**25**	**29**

Group capital expenditure on non-current assets totalled SEK 217m (319). Investments in shares in subsidiaries amounted to SEK 223m (905). These investments included the acquisitions of Trace in 2014, and Nice Entertainment Group, DRG, Novemberfilm and Net Info in 2013. The Group's reported return on capital employed, excluding non-recurring items, was 25% (29) in 2014.

(SEKm)	2014	2013
Available liquid funds	6,498	5,569
Net debt	362	772
Return on equity excl one-off items %	24	25
Equity to assets ratio %	41	38
Net debt to equity ratio %	6	15
Interest-bearing debt	1,057	1,874

The Group had available liquid funds of SEK 6,498m (5,569) as at 31 December 2014, including the SEK 5,855m (4,800) unutilised element of the Group's credit facilities, and the unutilised overdraft facilities of SEK 355m (100). SEK -m (1,800) of the Group's SEK 5,500m multi-currency credit facility were drawn as at 31 December.

The Group paid out the approved cash dividend of SEK 700m (666) to shareholders in May 2014.

Acquisitions and divestments

MTG acquired 75% of fast growing pay-TV channel operator Trace Partners SAS for a cash consideration that values 100% of the company at an enterprise value of EUR 40m. Trace is a France based youth media brand and global pay-TV channel operator that has distribution agreements with third party network operators around the world, including all 55 countries in Africa. Trace management still owns 25% of the company. The agreement comprises an option to acquire the remaining shares. Trace is reported within the Pay-TV Emerging Markets business segment with effect from 1 July 2014.

MTG completed the sale of its 80% stake in Zitius Service Delivery AB to TeliaSonera AB, following approval by the Swedish Competition Authority. The transaction generated a capital gain of SEK 76m. Zitius has been reported within the 'Central Operations, eliminations & others' line within the Broadcasting business area in the Group's reporting matrix, and was deconsolidated from MTG's accounts from the beginning of June.

Significant Events

MTG raised SEK 1.0bn in the Swedish domestic bond market in March and used the proceeds to replace the SEK 1.0bn term loan the Group had at the time. The 4 year bond has a floating rate coupon of 1.10% above the three month STIBOR rate. In May, the the corporate bond was listed on NASDAQ Stockholm. The prospectus is available from www.mtg.com and www.fi.se.

The Viaplay online pay-TV business and MTGx digital accelerator was merged in March to create a leading digital entertainment powerhouse under the leadership of Rikard Steiber, MTG Executive Vice President and Chief Digital Officer. MTG appointed Anders Jensen as Executive Vice President of the Group's Scandinavian Free-TV and radio operations with effect from 1 August 2014.

In September President & CEO Jørgen Madsen Lindemann was elected as Co-Chairman of CTC Media, Inc., and Chief Financial Officer Mathias Hermansson rejoined the CTC Media Board as a Director. MTG non-executive Board member Lorenzo Grabau stepped down from his role as the Co-

Chairman and a Director of CTC Media. Please also refer to "Significant events after the end of the year" below.

Net non-recurring income statement charges totalling SEK 155m were included in the Q2 2014 financial results. The charges comprised a SEK 159m net impairment charge related to the Ukrainian satellite pay-TV platform; SEK 70m of organisational restructuring and other costs; and a SEK 76m net gain from the recently completed sale of Zitius. The Ukrainian asset impairment reflected the uncertain economic outlook and the significant devaluation of the local currency. The operation, which is included in the Group's Pay-TV Emerging Markets segment, accounted for less than 1% of full year 2013 Group net sales.

In January, MTG launched its first ever advertising funded free-TV channel in Tanzania. The channel – TV1 - is available through Tanzania's digital terrestrial network and already reaches up to 30% of the 48 million people in the country. TV1 is MTG's second African free-TV channel, and follows the launch of Viasat1 in Ghana in 2008. MTG signed a partnership agreement in January with Viacom International Media Networks to include exclusive advertising-funded video on demand content from the MTV and Comedy Central channels in MTG's free-TV online 'catch-up' services in Sweden, Norway and Denmark from 4 February. MTG handles advertising sales for Viacom's online platforms, and sell the combined online reach of the MTG and Viacom online catch-up TV services to advertisers. An exclusive multi-year content cooperation deal with Sony Pictures Television was made in April, whereby all of MTG's Nordic free-TV channels, pay-TV movie channels and platforms offer viewers the most recent Sony movies and TV series. MTG prolonged its exclusive rights to the Danish Superliga top tier football league in June. The rights cover all platforms in Denmark until the end of the 2020/2021 season. MTG announced that TV1000 Russian Kino had been launched in Israel on 15 June. The Russian language movie channel is now also available on the 'yes' satellite platform. A content distribution agreement with next-generation media brand Maker Studios, a wholly-owned subsidiary of The Walt Disney Company was signed in September. MTG now distributes Maker's content on its advertising funded online video services across Scandinavia, the Baltic States, the Czech Republic, Hungary and Bulgaria. MTG also prolonged its exclusive broadcasting and online rights to Formula 1 motor racing by agreeing new three year deals. MTG will hold the rights until 2017 in the Baltics and 2018 in Scandinavia, where it has provided coverage of Formula 1 since 2005. MTG reached an agreement in December to extend its exclusive rights to the PGA European tour, the Ryder Cup, The World Golf Championships, the British Open Championship, the US PGA Championship, the LPGA and the Asian Tour in the Nordics and the Baltics until the end of 2018. In October, MTG secured the exclusive stand-alone video on demand rights to programming from top children's entertainment brand Nickelodeon in the Nordic region until 2020. This has made Viaplay's kids offering the strongest in the region and viewers will have access to thousands of episodes and movies every month. In December, Viaplay entered a partnership with Swedish telecom operator Tele2 to offer Viaplay to Tele2's 3.7 million mobile and mobile broadband subscribers in Sweden.

In October, the proposed amendments to the Russian Mass Media law became law. The amendments reduced the permitted level of aggregate foreign ownership of Russian mass media from 50% direct ownership to 20% direct or indirect ownership, and applied to both existing and future ownership structures. The legislation will come into force from 1 January 2016. Please see the announcement from CTC Media (www.ctcmedia.ru) regarding the change in legislation and the actions being taken by CTC Media. MTG is also working independently with its own financial and legal advisers to decide on what actions will be taken regarding its Russian holdings and operations. Further comments can be found under Risks and uncertainties.

The Russian digital satellite TV platform Raduga TV stopped its broadcasting services on 5 December 2014. An impairment charge of SEK 147m related to the intangible assets (primarily goodwill) arising from the Group's 50% participation in Raduga Holdings S.A. affected the 2013 financial results due to the then prevailing uncertainty and lack of visibility surrounding the licensing status and requirements for Raduga by the end of 2013.

Significant Events after the end of the year

In February, MTG signed an agreement to sell its Hungarian free-TV operations, comprising the channels VIASAT3 and VIASAT6 and the catch-up service Viasat Play, to Sony Pictures Television (SPT) networks for an undisclosed cash consideration. Both VIASAT3 and VIASAT6 are available on third party cable, DTH satellite and IPTV networks in Hungary. MTG's pay-TV channels Viasat Explore, Viasat History and Viasat Nature, are not part of the agreement, and will continue to be available to viewers in Hungary through a variety of distributors. The transaction is subject to regulatory approval by the Hungarian competition authority, and is expected to close during the second quarter of 2015. The company is reported within the Free-TV Emerging Markets segment.

In February, MTG completed the sale of its 50% stake in Swedish cable TV company Sappa to Finnish telecom operator Anvia for an enterprise value (on a 100% basis) of SEK 135m. Sappa delivers TV channel packages to 350,000 Swedish households through cable and IPTV networks. MTG acquired 50% of the business in 1999. MTG has accounted for its 50% participation in the earnings as associated company income in the Pay-TV Nordic business segment. The sale resulted in a capital gain of approximately SEK 70m.

In March, MTG designated two new members to the Board of Directors of CTC Media, Inc, of which MTG owns 37.9%. Natasha Tsukanova and Kaj Gradevik were appointed to the CTC Media Board in place of MTG CEO Jørgen Madsen Lindemann and MTG CFO Mathias Hermansson. Natasha Tsukanova has also been elected as Co-Chairman of CTC Media in place of Jørgen Madsen Lindemann. The CTC Media stockholders' agreement enables MTG to designate three of the nine members of the CTC Media Board and the Co-Chairman. Irina Gofman is the third MTG designated member and has served on the Board since 2008.

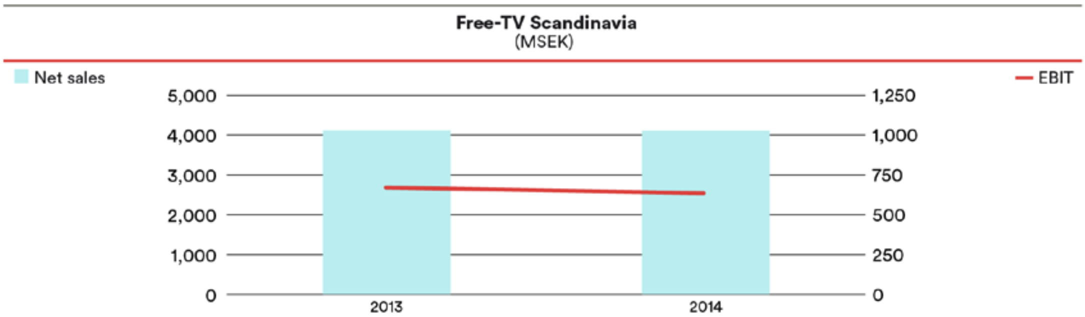
In March, Petra Österlund, MTG Executive Vice President of Modern People, decided to leave MTG. Her current responsibilities is shared amongst other Group senior executives while MTG conducts an ongoing search for a new Group Executive Vice President of Human Resources.

Segments

Group Review (SEKm)	2014	2013	Change
Net sales per business segment			
Free-TV Scandinavia	4,109	4,110	0%
Pay-TV Nordic	5,756	5,335	8%
Free-TV Emerging Markets	2,409	2,445	-1%
Pay-TV Emerging Markets	1,225	1,089	13%
Others and elimination	-294	-197	-
Total Broadcasting	**13,205**	**12,783**	**3%**
Nice, MTGx, Radio	2,778	1,537	81%
Group central operations	235	237	-1%
Eliminations	-472	-484	-
Total operations	**15,746**	**14,073**	**12%**
Operating income per business segment			
Free-TV Scandinavia	633	668	-5%
Pay-TV Nordic	709	619	14%
Free-TV Emerging Markets	131	215	-39%
Pay-TV Emerging Markets	104	129	-19%
Associated company income from CTC Media	540	586	-8%
Broadcasting central operations	0	-34	-
Total Broadcasting	**2,117**	**2,184**	**-3%**
Nice, MTGx, Radio	-32	-49	-
Total operating business segments	**2,085**	**2,135**	**-2%**
Group central operations	-255	-250	-
Total segments	**1,830**	**1,885**	**-3%**
Non-recurring items	-155	-147	-
Total operations	**1,675**	**1,738**	**-4%**

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

Free-TV Scandinavia



The Free-TV Scandinavia segment comprises MTG's free-TV channels TV3, TV6, TV8 and TV10 in Sweden, TV3, Viasat4 and TV6 in Norway and TV3, TV3+ and TV3 PULS in Denmark. The channels are made available alongside the Group's pay-TV channels on the Viasat satellite platform and via third party cable, IPTV and mobile networks, as well as in the digital terrestrial networks in Sweden and Norway. The free-TV channels are also made available as catch up services.

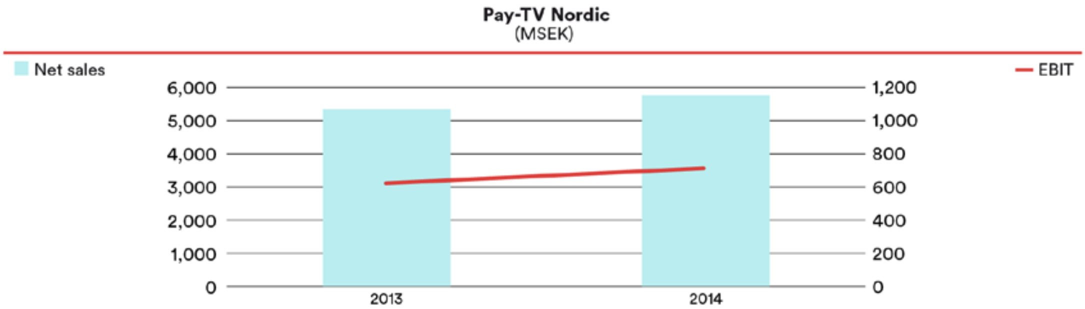
The business reported stable sales of SEK 4,109m (4,110) a 0% (-1) change, which corresponded to a sales performance of -2% (0) at constant exchange rates. Sales reflected the combination of higher sales in Denmark and lower sales in Sweden and Norway. The Swedish and Danish TV advertising markets are estimated to have declined while the Norwegian market is estimated to have grown.

Total operating costs amounted to SEK 3,476m (3,442), which reflected investments balanced against market conditions and audience share development.

The business segment therefore reported a lower operating profit of SEK 633m (668), with an operating margin of 15% (16).

Commercial share of viewing (%) (target audience 15-49)	2014	2013
TV3, TV6, TV8 & TV10 Sweden	33.2	33.1
TV3, Viasat4 & TV 6 Norway	16.1	17.7
TV3, TV3+ & TV3 PULS Denmark	26.2	25.6

Pay-TV Nordic



The Nordic pay-TV operations market and sell premium pay-TV packages and content on the Viasat satellite platform, the Viaplay online platform, and third party IPTV and cable networks. Viasat also distributes its 37 pay-TV channels via third party networks.

The business reported sales growth of 8% (5) to SEK 5,756m (5,335), which corresponded to a sales growth of 7% (6) at constant exchange rates. The annualised average revenue per premium subscriber (ARPU) increased by 2% (2) to SEK 5,254 (5,075) at the end 2014, following price increases in Sweden and Norway and on-going HD subscriber intake.

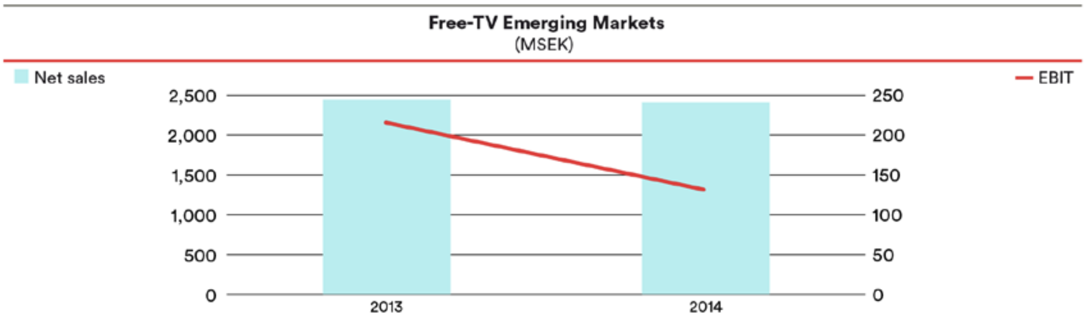
Total operating costs amounted to SEK 5,047m (4,716) for 2014. The increase primarily reflected investments in content, technology and marketing.

The business segment therefore reported a higher operating profit of SEK 709m (619), with an operating margin of 12% (12).

Subscriber data	31 December 2014	31 December 2013
Premium subscribers ('000s)	982	977
- of which, DTH satellite	*526*	*559*
- of which, third party network subscribers	*456*	*418*
Basic DTH subscribers	33	40
Premium ARPU (SEK)	5,254	5,075

The premium subscriber base was higher than last year, as the growth in the third party network subscriber base more than compensated for the decline in the satellite subscriber base.

Free-TV Emerging Markets



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

The business reported sales decrease of -1% (20) to SEK 2,409m (2,445) in 2014, which corresponded to a sales decrease of -3% (24) at constant exchange rates.

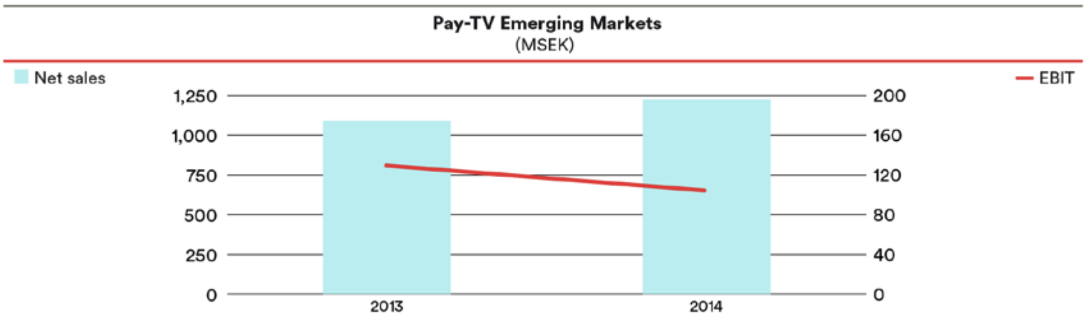
Sales for the Group's Baltic free-TV operations were up 8% (9) at constant exchange rates. Sales for the Group's Czech operations were down -15% (31) at constant exchange rates and reflected the highly competitive market environment. Sales for the Group's Bulgarian operations were up by 18% (30) at constant exchange rates, following healthy underlying sales growth and the consolidation of Net info (November 2013).

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

Commercial share of viewing (%)	2014	2013
Pan-Baltic	48.9	49.1
Estonia (15-49)	40.4	41.0
Latvia (15-49)	58.7	58.2
Lithuania (15-49)	45.4	46.3
Czech Republic (15-54)	34.9	35.9
Bulgaria (18-49)	37.1	34.2
Hungary (18-49)	7.1	7.5

The operating costs amounted to SEK 2,278m (2,230), representing an increase of 2% (19). Operating costs were reduced in the Czech Republic in particular and only partly offset by the launch of TV1 in Tanzania (January 2014). The business segment reported an operating profit of SEK 131m (215) in 2014, with an operating margin of 5% (9).

Pay-TV Emerging Markets



Please note that MTG's 50% ownership interest in Raduga has been accounted for as an equity participation with effect from 1 January 2014 due to changes in IFRS rules. Results for prior periods have been adjusted in the Group's reporting for the purposes of comparison. Raduga ceased broadcasting on 5 December 2014, which resulted in a net positive impact of SEK 18m in Q4 2014.

Pay-TV Emerging Market operations market and sell pay-TV packages on the Viasat satellite platforms in the Baltics and Ukraine, and, until November this year, on the joint venture Raduga TV satellite platform in Russia. Raduga was closed on 5 December 2014. Viasat also distributes 36 channels via third party pay-TV networks to subscribers in 36 countries across Central and Eastern Europe, Africa and the United States. Trace was acquired in June 2014, and operates mainly music TV channels.

The Pay-TV Emerging Markets business segment reported 13% (9) revenue growth to SEK 1,225m (1,089), representing a 14% (12) revenue increase at constant exchange rates, driven primarily by subscription growth for the wholesale mini-pay channel business.

Subscriber data (000's)	2014	2013
Satellite subscribers	306	364
Mini-pay TV subscriptions	131,089	92,223

The wholesale mini-pay channel business has added 39 million subscriptions, with an underlying decrease of 3 million when excluding the contribution from Trace. The combined satellite pay-TV subscriber base continued to decline, which was primarily due to the geopolitical situation in Ukraine.

The operating costs amounted to SEK 1,121m (960) in 2014, which primarily reflected the investments in premium content and HD premium package offering.

The combined businesses reported an operating profit of SEK 104m (129), with an operating margin of 9% (12). An impairment charge related to goodwill and intangible assets in turn related to the acquisitions of Viastrong Ukraine of SEK 159m in 2014 and Raduga of SEK 147m in 2013, is recognized separately outside the segment as a non-recurring item.

Please see "Risks and uncertainties" regarding the risks and uncertainties arising from the amendments to the Russian Mass Media law.

Associated company CTC Media

MTG's shareholding in Russia's largest independent television broadcaster CTC Media amounted to 37.9% (37.9) of issued shares and 38.5% (37.9) of outstanding shares by the end of 2014. The Group reports its equity participation in the earnings of CTC Media with a one quarter time lag, due to the fact that CTC Media reports its results after MTG.

CTC Media rolling 12 months (USDm)	2014	2013
Sales 1 October – 30 September	789	836
Income before tax 1 October – 30 September	211	246
Share of earnings MTG 37.9% (37.9) (SEKm)	540	586

MTG's equity participation in the earnings before tax of CTC Media amounted to SEK 540m (586).

CTC Media made four cash dividends during 2014 and the Group received payments of in total USD 42 (38) million, corresponding to SEK 297m (246).

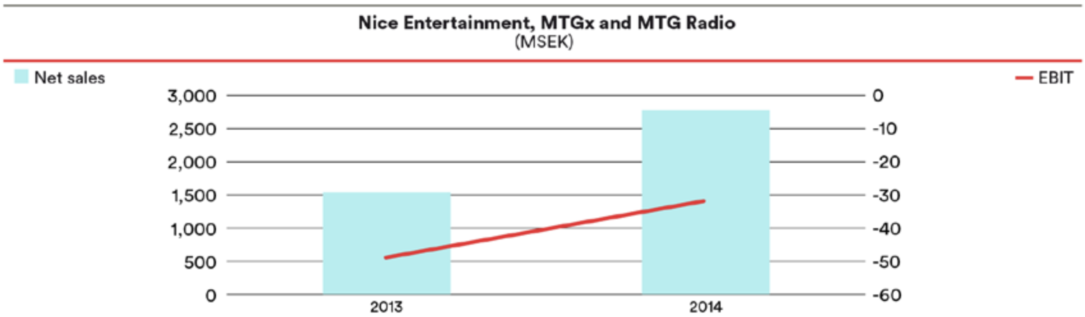
Detailed information regarding CTC Media's operations and the company's financial position is available on www.ctcmedia.ru.

Please see "Risks and uncertainties" regarding the risks and uncertainties arising from the amendments to the Russian Mass Media law.

Significant events after the end of the year

CTC Media published its results for the fourth quarter and full year ended 31 December 2014 on 5 March 2015. In conjunction with the results, CTC Media announced its intention to pay dividends of USD 0.175 per share for the first quarter of 2015, payable on or about March 31, 2015. CTC Media also reported that the Board of Directors and management continue to work with external advisors to develop response to ensure compliance with Mass Media Law while protecting the interests of all stockholders.

Nice Entertainment, MTGx and MTG Radio



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

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

Sales for the business segment increased by 81% (8) to SEK 2,778m (1,537), and were up 80% (10) at constant exchange rates. The sales growth was driven by Nice Group with successful formats and the acquisitions of Nice Entertainment Group (November 2013), DRG and Novemberfilm (June 2013). The radio business in total increased sales in all countries. Operating costs totaled SEK 2,809m (1,586), and the segment reported an operating loss of SEK 32m (49).

Outlook

Going forward, MTG will continue to focus on delivering on the profitable growth strategy. The foundation is a relentless focus on consumer insight, which amongst others includes a commitment to innovation as well as showing the best content on multiple devices. The migration of the businesses towards their digital future continues and MTG currently have a number of digital leadership positions across our markets.

2015 will be impacted by unfavorable currency movements. MTG is accelerating the cost cutting initiatives, and optimizing our investments across the Group. The financial position is very strong and MTG has a great pool of talented people, which means that we are well placed to emerge as a winner from the ongoing transformation of the media industry.

Risks and Uncertainties

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

MTG operates in a highly competitive environment that is subject to rapid change

Competition for viewers, pay TV subscribers, advertising and distribution is intense and comes from broadcast television, cable networks, online and mobile properties, movie studios and independent film producers and distributors, video gaming sites and other media, and pirated content. The Company's ability to compete successfully is dependent on a number of factors, including the ability to adapt to new rapidly developed innovations related to technologies and distribution platforms, and achieve widespread distribution. The Company currently depends on a number of third-party cable TV and IPTV operators for the distribution of programming representing a significant proportion of its revenues.

MTG is also increasingly reliant on a wide variety of technological platforms, and could therefore face the risk of new market entrants, as well as new ways to distribute content. 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 IT attacks, intrusions or disruptions of service.

Economic and political risks

Some of the Company's revenue-generating operations are located in emerging markets in Central and Eastern Europe, Russia, Ukraine and Africa. These markets present different and higher risks compared to those posed by investments in developed markets. The economic and political systems, legal and tax regimes, and standards of corporate governance and business practices in these regions continue to develop. Government regulations may be subject to significant adjustments, especially in the event of a change in political leadership. Other potential risks inherent in markets with evolving economic and political environments include inadequate protection of foreign investments or intellectual property rights, exchange controls, higher tariffs and other levies as well as longer payment cycles. Further, MTG has only limited control over its associated companies, companies which in turn is exposed to economic and political risks. MTG has large scale business interests in Russia, which are affected by recent amendments to the Russian Mass Media Law to reduce 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. These changes apply to both MTG's pay-TV businesses and to MTG's 38% shareholding in CTC Media Inc. ("CTC Media"), the Delaware (US) registered and NASDAQ (US) listed company that owns the leading Russian independent media company. As of today, the existing ownership structures of these businesses do not comply with the amended Law and therefore these businesses will need to take steps to come into compliance with the Law before the end of 2015. Furthermore, the EU and US have imposed sanctions on named parties in Russia that have ownership interests in Telcrest Investments Limited, which owns approximately 25% of CTC Media, and could therefore limit the potential outcomes for CTC Media. MTG is working closely with its advisors to best protect its various Russian business interests, but changes to the structure or ownership of CTC Media and MTG's pay-TV businesses could result in a significant or total loss of value for MTG shareholders.

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

MTG's business is affected by laws, rules and regulations

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

On 1st November 2014 the new European Commission took office. Among their primary goals is the reform of European copyright law in order to facilitate a single digital market in the European Union. Policy statements and new European copyright legislation are expected to be proposed during 2015. Any changes to the current European copyright law could potentially have an adverse impact on the Group's business.

During 2014, the European Commission has been undertaking a REFIT exercise (a test of the regulatory fitness) of the Audiovisual Media Services Directive. Whilst this does not presuppose any action, a possible outcome of the REFIT may be a revision of the Audiovisual Media Services Directive. Any changes to the current legislation could potentially have an adverse impact on the Group's business.

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

The latest proposed Data Protection Regulation was published on 19 December 2014. Originally due to be finalized in 2014, this has been delayed both by the elections last year and the ongoing arguments/ criticisms surrounding the draft regulation. The Member of the European Parliament

(MEP) overseeing the regulation has commented that it could be further delayed until 2016, followed by a two year implementation period. It would seem unlikely at this point that the proposed draft Regulation in its current form would pose a significant risk to the Group's business. Though it may mean some additional administrative burdens, and associated costs will be necessary to bring our MTG's data protection policies and procedures in line with the proposed changes.

It is anticipated that the Regulation of the European Parliament and of the Council laying down measures concerning the European single market for electronic communications and to achieve a Connected Continent (the "Connected Continent Regulation") should pass its final vote in the European Commission in early 2015. Any such regulation could potentially have an adverse impact on the Group's business.

The long term implications of the decision of the Court of Justice of the European Union (CJEU) in the Airfield/Canal Digitaal v SABAM and Airfield v AGICOA cases relating to the issue of additional rights clearance being required in respect of the transmission of television programmes by satellite remain uncertain but could potentially have an adverse impact on the Group's business.

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

MTG is reliant on having access to financing

The Company is exposed to risks associated with disruptions in the financial markets, which could make it more difficult and/or more expensive to obtain financing in the future. Potential events affecting this may include the adoption of new regulation, implementation of recently enacted laws or new interpretations or the enforcement of existing laws and regulations applicable to financial institutions, the financial markets or the financial services industry, which could result in a reduction in the amount of available credit or 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 24 to the Accounts in this report.

Foreign exchange risk

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

Transaction exposure

The main transaction exposure of unmatched contracted programme acquisition outflows are hedged through forward exchange agreements from 2014 on the basis of a maximum of 36 months forward. Other transaction exposure is not hedged.

Translation exposure

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

Interest rate risk

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

Financing risk

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

Refinancing risk

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

Credit risk

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

Insurable risks

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

Business Ethics

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

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

Employees

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

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

The Group employed 4,001 (3,722) full time employees at the end of 2014. Details of the average number of employees during the year and the aggregated remuneration for the year are presented in Notes 27 and 28.

Executive Remuneration

The guiding principles approved by the 2014 Annual General Meeting is found in note 28 to this report. Senior executives covered by these guidelines include the Executive Management. The guiding principles have been followed during 2014.

Proposal for 2015 Senior Executive Remuneration guidelines

The Board of Directors will propose to the 2015 Annual General Meeting that the below guidelines should be applied in 2015 for determining remuneration for the senior executives as well as Directors of the Board to the extent 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 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 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.

Share-based long-term incentive plans

The Group has three outstanding share-based long-term incentive plans, approved in 2012, 2013 and 2014. For information about these programmes, see Note 28 and MTG's website, 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 45m (46) in 2014. Net interest and other financial items totalled SEK 435m (536), and included SEK -m (68) million of dividends received from subsidiaries. Income before tax and appropriations amounted to SEK 207m (317). Income after tax and appropriations amounted to SEK 258m (294). The parent company had cash and cash equivalents of SEK 402m (429) at the end of the period. SEK 5,750m (4,800) of the SEK 5,750m total available credit facilities, including the SEK 250m overdraft facility, was unutilised at the end of the reporting period.

Environmental impact

The Company does not own or operate any businesses in Sweden that are subject to reporting obligation to authorities relating to effects on the environment, or which require compulsory licensing. MTG chooses to report the environmental impact for travel and offices in the Modern Responsibility Report on a voluntary basis.

Proposed appropriation of earnings

The following funds are at the disposal of the shareholders as at 31 December 2014 (SEK):

Premium reserve	267,111,846
Retained earnings	6,598,316,396
Net income 2014	258,418,282
Total	**7,123,846,524**

The Board of Directors propose that an increased annual cash dividend of SEK 11.00 (10.50) per share be paid to shareholders for the twelve months ended 31 December 2014, and that the remaining amount be carried forward. Of the amount carried forward, SEK 267m is to be carried forward to the premium reserve. The total proposed dividend payment for 2014 would amount to a maximum of SEK 734,166,257, based on the maximum potential number of outstanding shares as at the record date, and represent 57% (56) of the Group's net income excluding non-recurring items for the full year 2014.

The MTG Share

MTG's shares are listed on Nasdaq OMX Stockholm's Large Cap list under the symbols 'MTGA' and 'MTGB'. MTG's market capitalisation, as at the close of the trading on Nasdaq OMX Stockholm on the last business day of 2014, was SEK 16.8bn (22.2).

Shareholders

The number of shareholders according to the share register held by Euroclear Sweden AB (Swedish Securities Centre) was 17,721 (18,307) at the end of 2014. The shares held by the ten largest shareholders corresponded to approximately 47% (50) of the share capital and 64% (67) of the voting rights. Swedish institutions and mutual funds own approximately 59% (61) of the share capital, international investors own approximately 32% (30) and Swedish private investors own approximately 9% (9).

Shareholders as at 31 December 2014

Name	Class A Shares	Class B Shares	Total	Capital	Votes
Investment AB Kinnevik	4,461,691	9,042,165	13,503,856	20.0%	48.0%
Nordea Funds		3,840,510	3,840,510	5.7%	3.4%
Swedbank Robur Funds		2,953,987	2,953,987	4.4%	2.6%
AMF Insurance & Funds		2,014,592	2,014,592	3.0%	1.8%
Catella Funds		1,900,767	1,900,767	2.8%	1.7%
SHB Funds		1,591,189	1,591,189	2.4%	1.4%
AFA Insurance		1,521,452	1,521,452	2.2%	1.4%
SEB Funds		1,471,796	1,471,796	2.2%	1.3%
Bank of Norway		1,431,697	1,431,697	2.1%	1.3%
Fourth AP Fund		1,286,163	1,286,163	1,9%	1.2%
Skandia Funds		964,078	964,078	1.4%	0.9%
Skandia Liv	165,709	727,450	893,159	1.3%	2.1%
Odin Funds		576,520	576,520	0.9%	0.5%
Lannebo Funds		556,847	556,847	0.8%	0.5%
Others	380,393	31,743,183	32,123,576	47.5%	31.8%
Total outstanding shares	**5,007,793**	**61,622,396**	**66,630,189**	**98.5%**	**100.0%**

Source: Euroclear Sweden AB

MTG holds 151,935 Class B shares and 865,000 Class C shares as treasury shares. The total number of issued shares are therefore 67,647,124 including 5,007,793 Class A shares, 61,774,331 Class B shares and 865,000 Class C shares as per 31 December 2014.

Share distribution	Number of shareholders	%	Number of shares	%
1 – 1,000	16,265	91.8	3,004,108	4.5
1,001 – 5,000	999	5.6	2,159,048	3.2
5,001 – 10,000	136	0.8	992,242	1.5
10,001 – 50,000	166	0.9	3,750,403	5.6
50,001 – 100,000	57	0.3	4,136,019	6.2
100,001 – 15,000,000	98	0.6	52,588,369	78.9
Total 31 December 2014, outstanding shares	**17,721**	**100.0**	**66,630,189**	**100.0**

Share capital and votes

Each Class A share is entitled to ten voting rights. Each Class B and each C share is entitled to one voting right. The Class C shares are not entitled to dividend payments. The Class C shares were issued and repurchased as part of the MTG performance based incentive plan approved by the Annual General Meetings. In 2014, 7,478 Class B shares were exercised in the 2011 long term incentive plan, changing the number of outstanding shares to 66,630,189. In 2013, 10,189 Class B shares were exercised in the 2010 long term incentive plan. The total number of voting rights including treasury shares are 112,717,261 (112,813,543) as per 31 December 2014. For changes in the issued shares, please see note 20 Shareholders' equity.

The Group's share capital amounted to SEK 338m (338) at the end of the year. For changes in the share capital between 2014 and 2013, please see the report entitled "Consolidated statement of changes in equity".

Dividends

The parent company paid an ordinary dividend of SEK 10.50 (10.00) per share to shareholders in 2014, amounting to a total payment of SEK 700m (666).

Share buy-back

The 2014 and 2013 Annual General Meetings approved a mandate to authorise the Board of Directors to buy back MTG Class A and Class B shares up until the 2015 respectively 2014 Annual General Meeting. The Group's shareholding in its own stock may not exceed 10% of the total number of issued shares. There were no Class A shares or Class B shares bought back in 2014 or 2013.

Issued, reclassified and repurchased shares

Parent company	Class A shares	Class B shares	Class C shares	Total
Number of shares issued 1 January 2014	5.018.491	61.763.633	865.000	67.647.124
Conversion of Class A shares to Class B shares 2014	-10.698	10.698	-	-
Number of shares issued 31 December 2014	**5.007.793**	**61.774.331**	**865.000**	**67.647.124**

The Class C shares are redeemable and may, upon the decision of the Board of Directors, be reclassified into Class B shares. The quota value is SEK 5.00. The Class C shares were held by the Company as treasury shares during the vesting period for the 2014, 2013, 2012, and 2011 long term incentive plans. The purpose of the Class C shares is to hedge the social security costs related to the scheme by selling the reclassified shares on Nasdaq Stockholm. The proposal to sell shares for this purpose may be put before the 2015 Annual General Meeting.

Reclassifications

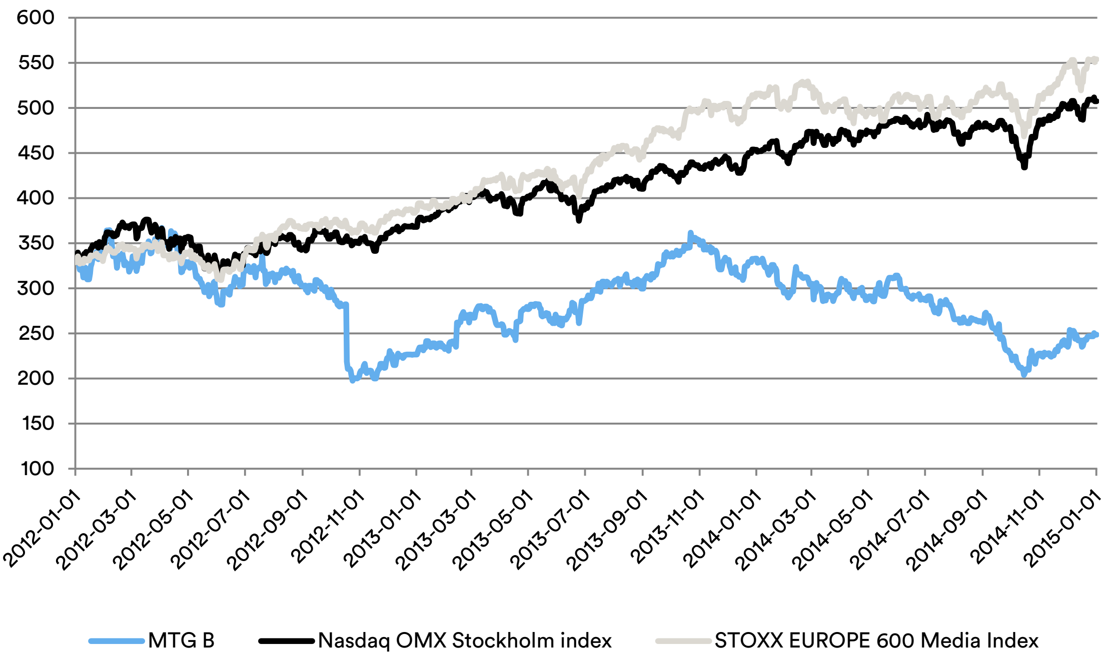
In accordance with the Articles of Association, and the Extra General Meeting in 2009, the Board of Directors approved reclassifications in 2014 and 2013.

Share-based long-term incentive plans

If all options granted to senior executives and key employees as at 31 December 2014 were exercised and all shares awarded, the issued share capital of the Company would increase by 520,301 (373,337) Class B shares, and be equivalent to a dilution of 0.8% (0.6) of the issued capital and 0.5% (0.3) of the related voting rights as at the end of 2014.

The outstanding 59,925 retention and performance rights granted in the 2012 programme entitle holders to one free Class B share per right, and the outstanding 49,300 performance options have an exercise price of SEK 361.70. The outstanding 153,990 share awards granted in the 2013 programme entitle holders to one free Class B share per right. The outstanding 257,086 share awards granted in the 2014 programme entitle holders to one free Class B share per right. The share price for a MTG Class B share was SEK 248.80 (333.20) as per 30 December 2014. Further details about the programmes can be found in Note 28.

Share performance



Articles of Association

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

Corporate Governance Report

The Company's governance is based on the Articles of Association, the Swedish Companies Act, the Swedish Annual Accounts Act, the listing rules of Nasdaq Stockholm, the Swedish Code of Corporate Governance (the Code), and other relevant Swedish and international laws and regulations.

The Company follows the Code in most aspects but deviates from its recommendations in respect of the membership of the Remuneration Committee, which is explained below.

Governance structure

Shares and shareholders

The share capital consists of Class A, Class B and Class C shares. The holder of one Class A share is entitled to ten voting rights. Holders of Class B and Class C shares are entitled to one voting right for each share. The Class A and B shares entitle the holder to the same proportion of assets and earnings and carry equal rights in terms of dividends. The holder of a Class C share is not entitled to dividends. For further information about the Company's shares, see under the heading The MTG share, page 32.

Information regularly provided to shareholders includes interim reports and full year reports, Annual Reports and press releases on significant events occurring during the year. All reports, press releases and other information can be found on MTG's website www.mtg.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 statement of financial position, the disposition of the Company's earnings according to the adopted balance sheet, the discharge of liability for the Board of Directors and the Chief Executive Officer, appointment of the Board of Directors and their Chairman and the Company's auditors, and certain other matters provided for by law and the Articles of Association.

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

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

Those shareholders, who cannot attend the Annual General Meeting in person and wish to be represented by a proxy, must authorise the proxy by issuing a power of attorney. If such power of attorney is issued by a legal entity, an attested copy of the certificate of registration must be attached. The original power of attorney and the certificate of registration, where applicable, are to be sent to Modern Times Group MTG AB, c/o Computershare AB, P.O. Box 610, SE-182 16 Danderyd, Sweden, well in advance of the Meeting. The form to use for a power of attorney can be found on Modern Times Group MTG AB's website www.mtg.com.

The Annual General Meeting for the 2014 financial year will be held on 19 May 2015 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 2014, a Nomination Committee was established, consisting of major shareholders with Cristina Stenbeck as convener. The committee comprises Cristina Stenbeck, Investment AB Kinnevik; Marianne Nilsson, Swedbank Robur funds; and Erik Durhan, Nordea Funds. The members of the Nomination Committee do not receive any remuneration for their work.

The Nomination Committee will submit a proposal for the composition of the Board of Directors and Chairman of the Board to be presented to the 2015 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 2014

The Board of Directors of Modern Times Group MTG AB comprises seven Non-Executive Directors. The members of the Board of Directors are David Chance, Mia Brunell Livfors, Blake Chandlee, Simon Duffy, Lorenzo Grabau, Michelle Guthrie, and Alexander Izosimov. The Board of Directors and its Chairman, David Chance, were re-elected. Biographical information on each Board member is provided on pages 46–48 of this report.

Responsibilities and duties of the Board of Directors

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

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

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

Ensuring quality in financial reporting

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

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

Board of Directors during 2014

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		
Mia Brunell Livfors	Member	1965	Swedish	2007	No	No	Member		Member
Blake Chandlee	Member	1966	American	2012	Yes	Yes			
Simon Duffy	Member	1949	British	2008	Yes	Yes		Chairman	
Lorenzo Grabau	Member	1965	Italian	2011	No	No	Chairman	Member	
Michelle Guthrie	Member	1965	Australian	2013	Yes	Yes		Member	Member
Alexander Izosimov	Member	1964	Russian and Swedish	2008	Yes	Yes		Member	

Board working procedures

Remuneration Committee

The Remuneration Committee comprises Lorenzo Grabau as Chairman and David Chance and Mia Brunell Livfors. The Board of Directors commissions the work of the Remuneration Committee. The responsibilities of the Remuneration Committee include

- issues related to salaries, pension plans, bonus programmes
- advise the Board on proposals for the Guidelines for Remuneration applicable to the Chief Executive Officer and Executive Management
- the review and monitor of the application of the Guidelines for Remuneration, the variable remuneration programmes and of the remuneration structure and levels of remuneration within MTG
- advise the Board on long-term incentive schemes.

Mia Brunell Livfors and Lorenzo Grabau are not independent from the company and management but it has been assessed that the directors' knowledge and experience benefits the committee and the exercise of their responsibilities will be as free of conflict as if they were independent.

Audit Committee

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

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

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

CR Advisory Group

Further to the board committees, a CR Advisory Group was established in 2014 to support the Board on corporate responsibility topics. The Group consist of six members including Board Directors Mia Brunell Livfors and Michelle Guthrie.

Remuneration to Board members

The remuneration of the Board members is proposed by the Nomination Committee, comprising the Company's largest shareholders and approved by the Annual General Meeting. The Nomination Committee proposal is based on benchmarking of peer group company compensation and company size. Information on the remuneration of Board members is provided in Note 28 to the Accounts in this Report. Board members do not participate in the Group's incentive schemes.

Work of the Board during 2014

The Board reviewed the financial position of Modern Times Group MTG AB and the Group on a regular basis during the year. The Board also regularly dealt with matters involving acquisitions, the establishment of new operations, and matters related to investments in programming and non-current assets. The Board of Directors also reviewed the Group's strategies and future plans with a particular focus on online distribution content and the economic and legal situation in Russia.

The Board of Directors had 7 meetings during 2014.

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 13 May 2014	1	1	2	2
Meetings from the Annual General Meeting 13 May 2014	6	3	2	1
Total number of meetings	7	4	4	3
David Chance, Chairman	7/7		4/4	
Mia Brunell Livfors	7/7		4/4	3/3
Blake Chandlee	6/7			
Simon Duffy	7/7	4/4		
Lorenzo Grabau	7/7	4/4	3/4	
Michelle Guthrie	6/7	3/4		3/3
Alexander Izosimov	7/7	4/4		

External auditors

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

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

KPMG provided certain additional services for the years 2014 and 2013. 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 29 of the notes to the consolidated financial statements.

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

In order to ensure the auditor's independence, the Audit Committee has established pre-approval policies and procedures for non-audit related services to be performed by the external auditor. The policy was approved in December 2014 by the Audit Committee of MTG.

Executive Management

MTG's Executive Management comprises the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), and Executive Vice Presidents (EVP). Biographical information on each executive is provided on pages 49–53 of this report.

Chief Executive Officer

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

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

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

Executive remuneration

The current guiding principles for executive remuneration and the proposals for 2015 are described under the heading Executive Remuneration on pages 28–30.

The remuneration paid to the Group's Executive Management, as well as information about the beneficial ownership of the Company shares and other financial instruments are set out in Note 28 to the Accounts of this report.

Share based long-term incentive plans

The Group has three outstanding share based long-term incentive programmes, decided upon in 2012, 2013 and 2014. For information about these programmes, see Note 28 to the Accounts of this report and the MTG website at 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 personnel.

Control environment

The Board has specified a set of instructions and working plans regarding the roles and responsibilities of the Chief Executive Officer and the Board committees. The Board also has a number of established basic guidelines, which are important for its work on internal control activities. This includes monitoring performance against plans and prior years. The Audit Committee assists the Board in overseeing various issues such as monitoring internal audit and establishing accounting 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 analyzed. These risks are reviewed regularly by the Board of Directors and by the Audit Committee, and include both the risk of losing assets as well as irregularities and fraud. The process involves all Group companies, segments and business units. Overall coordination is done centrally by the Group's Risk Management staff function. In addition to that a Risk Committee has been established comprising Group top management representatives. The purpose is to provide a group-wide overview and a basis for decision-making regarding risk management. Risk management is performed through an appropriate balance between preventive and risk-reducing measures. The most important segments are compliance with the broadcasting regulations, control and follow-up on penetration, share of viewing and listeners, broadcasting continuity and the development of advertising markets. The respective managers are in charge of risk management in the Group's companies, segments and business units. The responsibility encompasses the day-to-day work focused on operational and other relevant risks, and on leading risk management activities in their own areas of responsibility. The managers are supported by central Group functions.

Information and communication

Guidelines and manuals 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 financial market.

Follow-up

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

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

Board of Directors

David Chance

Chairman of the Board
American and British

Born 1957. Chairman of the Board of Directors since May 2003, and a member of the Board since 1998. David was Deputy Managing Director of the BSkyB Group between 1993 and 1998. David is Chairman of Top Up TV and is a Non-Executive Director of PCCW Limited (Hong Kong) and Chairman of its NOW TV media group, as well as a Non-Executive Director of Olswang LLP. He has also served as a Non-Executive Director of ITV plc and O2 plc. David graduated with a BA, BSc and MBA from the University of North Carolina.

Member of the Remuneration Committee.
Direct or related person ownership: 3,565 Class B shares.
Independent of the Company and management and independent of major shareholders.

Mia Brunell Livfors

Non-Executive Director
Swedish

Born 1965. Member of the Board of Directors since 2007. Mia was Chief Executive Officer of Investment AB Kinnevik between 2006 and 2014. Mia previously held various managerial positions at Modern Times Group MTG AB from 1992 including Chief Financial Officer from 2001. Mia is a Non-Executive Director of Millicom International Cellular S.A., Tele2 AB, Transcom Worldwide AB, Qliro Group AB, Stena AB, Efva Attling Stockholm AB, and she is also an advisor to Axel Johnson AB. She was a member of the Board of H&M Hennes & Mauritz AB between 2008 and 2013 and BillerudKorsnäs AB between 2011 and 2014. She is also Chairman of the non-profit organisation Reach For Change. Mia studied Business Administration at Stockholm University.

Member of the Remuneration Committee.
Direct or related person ownership: 5,505 Class B shares.
Not independent of the Company, management or major shareholders.

Blake Chandlee

Non-Executive Director
American

Born 1966. Member of the Board of Directors since 2012. Blake currently serves as Vice President Global Partnerships at Facebook and oversees the relationships with partners across the digital marketing ecosystem. Prior to his current role Blake built out a series of business groups within Facebook since joining the company in 2007 as its first international employee based out London. These teams included the EMEA, APAC, Latam and Emerging market sales and marketing organizations, the Global

Agency team and the Global Account teams serving the world's largest agency holding companies and largest global accounts. Prior to Facebook Blake was a Vice President at Yahoo and with his last role being Vice President of Yahoo's UK business. Blake graduated with a bachelor's degree in management from Gettysburg College in the United States.

Direct or related person ownership: 1,000 class B shares
Independent of the Company and management and independent of the major shareholders.

Simon Duffy

Non-Executive Director
British

Born 1949. Member of the Board of Directors since 2008. Simon was Executive Chairman of Tradus plc until the company's sale in March 2008. Simon is Non-Executive Chairman of YouView TV Ltd and mBlox Inc., as well as a Non-Executive Director of Oger Telecom Limited and Wizz Air Holdings Plc. Simon was also Executive Vice-Chairman of ntl:Telewest until 2007, having joined ntl in 2003 as CEO. Simon has also served as CFO of Orange SA, CEO of wireless data specialist End2End AS, CEO and Deputy Chairman of WorldOnline International BV, and held senior positions at EMI Group plc and Guinness plc. Simon holds a Master's degree from Oxford University and an MBA from Harvard Business School.

Chairman of the Audit Committee.
Direct or related person ownership: 1,750 Class B shares.
Independent of the Company and management and independent of the major shareholders.

Lorenzo Grabau

Non-Executive Director
Italian

Born in 1965. Member of the Board of Directors since 2011. Lorenzo is Chief Executive Officer of Investment AB Kinnevik. Lorenzo is also Chairman of the Board of Avito AB, Global Fashion Group SA and of Rocket Internet AG, and a non-executive member of the Board of Directors of Millicom International Cellular S.A., Qliro Group AB, Tele2 AB, Zalando SE and SoftKinetic BV. Lorenzo was a Partner and Managing Director at Goldman Sachs International in London until 2011. Lorenzo joined the Investment Banking division of Goldman Sachs in 1994 from Merrill Lynch, where he worked in the Mergers & Acquisitions department in London and New York. Lorenzo is a graduate from Università degli Studi di Roma, La Sapienza, Italy.

Chairman of the Remuneration Committee and member of the Audit Committee.
Direct or related person ownership: 0
Not independent of the Company, management or major shareholders.

Alexander Izosimov

Non-Executive Director
Russian and Swedish

Born 1964. Member of the Board of Directors since 2008. Alexander served as Chief Executive Officer of the VimpelCom Group and, latterly, the enlarged VimpelCom Ltd, which is one of the world's largest emerging market telecommunications companies, between 2003 and 2011. Alexander is a Director of EVRAZ Group S.A., Transcom Worldwide S.A., Dynasty Foundation and LM Ericsson AB. Alexander previously held several senior management positions at Mars, Inc. over a period of seven years, including as a member of the Global Executive Management Board and as Regional President for Russia, the CIS, Eastern Europe and the Nordics. Alexander worked as a consultant for McKinsey & Co in Stockholm and London for five years. Alexander graduated from the Moscow Aviation Institute with a Master's degree in Science and from INSEAD with an MBA.

Member of the Audit Committee.

Direct or related person ownership: 34 Class B shares.

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

Michelle Guthrie

Non-Executive Director
Australian

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

Member of the Audit Committee.

Direct or related person ownership: 0 Class B-shares

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

Executive Management

Jørgen Madsen Lindemann

President & Chief Executive Officer
Born 1966

Jørgen was appointed as President and CEO of MTG in September 2012, prior to which he served as Executive Vice President of the Group's Nordic Broadcasting (free-TV, pay-TV and radio) operations from October 2011. He was also responsible for the Group's Czech operations between 2008 and 2011, and the Hungarian operations between 2010 and 2011, and served as CEO of MTG Denmark from 2002. He was also responsible for MTG's New Media department between 2000 and 2002. Jørgen has worked in the Group since 1994 when he joined as Head of Interactive Services. He became Head of Sponsorship for TV3 in 1997, then Head of Viasat Sport in Denmark and, subsequently, Head of Viasat Sport for the Group in 1998. He was also a member of the Board of Directors and Co-Chairman of CTC Media Inc. until March 2015, and a member of the Board of the International Emmy Association in New York and a member of the Board of non-profit organisation Reach For Change.

Shareholding in MTG: 18,703 Class B shares.

Mathias Hermansson

Chief Financial Officer
Born 1972

Mathias was appointed as Chief Financial Officer of MTG in March 2006, and is also responsible for the Group's Strategy, M&A and Legal functions. He previously served as Group Financial Controller between 2001 and 2006 and held various senior financial positions at Viasat Broadcasting, MTG Radio and former MTG subsidiary CDON Group AB. Mathias also previously served as Finance Director at former subsidiary Metro International S.A.'s North American operations. He joined MTG in 1999 as a management trainee after working for Unilever in Sweden. Mathias was also a member of the Board of Directors of CTC Media Inc. from September 2014 until March 2015.

Shareholding in MTG: 12,160 Class B Shares.

Irina Gofman

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

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

Shareholding in MTG: 12,114 Class B shares.

Anders Jensen

Executive Vice President of the Scandinavian free-TV and radio operations
Born 1969

Anders joined MTG as Executive Vice President of the Scandinavian free-TV and radio operations in August 2014. He is also CEO of MTG TV Sweden. Prior to joining MTG, Anders worked in senior positions in some of Europe's leading telecommunications, retail and consumer goods companies. Until recently, he was Senior Executive Vice President of TDC Group where he ran the Consumer division and was also Chief Marketing Officer. Prior to that, he was 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.

Shareholding in MTG: 0

Marek Singer

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

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

Shareholding in MTG: 700 Class B shares.

Joseph Hundah

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

Joseph was appointed as Executive Vice President of the Group's African operations in November 2012, and has been CEO of MTG's African operations since joining the Group in 2011. Joseph previously worked for South African pay-TV operator M-Net and Supersport, and was Managing Director of the MultiChoice satellite pay-TV platform in Nigeria. MTG's African operations comprise the free-TV channels Viasat1 Ghana and TV1 in Tanzania, the global Trace youth media brand, Modern African Production, and the distribution of MTG's Viasat documentary channels on third party broadcast networks in five African countries.

Shareholding in MTG: 0.

Rikard Steiber

Executive Vice President and Chief Digital Officer
Born 1969

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

Shareholding in MTG: 2,400 Class B Shares.

Jette Nygaard-Andersen

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

Jette Nygaard-Andersen was appointed as Executive Vice President of the Group's Nordic pay-TV broadcasting operations in June 2013. Jette directs and oversees the management of MTG's pay-TV operations across the Nordic and Baltic regions, which include the Viasat pay-TV channels, the Viasat satellite pay-TV platform, and the B2B elements of the Viaplay online pay-TV service. Jette has worked for MTG since 2003 and has been CEO of Viasat Denmark since 2011. Jette also served as acting CEO of the Group's Nordic pay-TV broadcasting operations between October 2012 and March 2013. Before joining MTG, Jette was a strategy management consultant at Accenture working within the Telecommunications & Media industry, and also held positions at the Maersk Group. Jette graduated with an M.Sc in Business, Finance and Economics from the University of Copenhagen.

Shareholding in MTG: 2,057 Class B Shares.

Petra Österlund

Executive Vice President of Modern People
Born 1975

Petra was appointed as Executive Vice President of Modern People in October 2012, having been appointed Executive Vice President of Administration in October 2011. Petra had served as Head of Administration since 2005. Petra oversees MTG's Corporate Responsibility, and Modern Services (primarily focused on Human Resources). Petra previously worked as Product Manager for Viasat's pay-TV operations in Eastern Europe, which comprised both the cable channel business in 20 countries and the Viasat DTH satellite pay-TV platform in the Baltics. Petra joined MTG in 2002 as a management trainee and left in March 2015.

Shareholding in MTG: 2,800 Class B Shares.

Matthew Hooper

Executive Vice President of Corporate Communications
Born 1970

Matthew was appointed as Executive Vice President of Corporate Communications in February 2013 with responsibility for the planning and implementation of MTG's corporate communications activities including public relations, investor relations, government relations and internal communications. He joined MTG in October 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.

Shareholding in MTG: 2,119 Class B Shares.

Financial statements

Consolidated income statement

(SEK million)	Note	2014	2013
Net sales	3	15,746	14,073
Cost of goods and services		-9,835	-8,473
Gross income		**5,912**	**5,599**
Selling expenses		-1,538	-1,573
Administrative expenses		-3,133	-2,677
Other operating income	5	164	11
Other operating expenses	5	-288	-199
Share of earnings in associated companies and joint ventures	6, 7	558	576
Operating income	3, 4, 8, 12, 13, 26, 28, 29, 30	**1,675**	**1,738**
Result from financial assets	9	-34	-13
Financial income	9	94	131
Financial costs	9	-84	-130
Income before tax		**1,652**	**1,726**
Tax expenses	10	-480	-558
Net income for the year		**1,172**	**1,168**
Attributable to:			
Equity holders of the parent		1,139	1,092
Non-controlling interest		33	76
Net income for the year		**1,172**	**1,168**
Basic earnings per share (SEK)	19	17.10	16.39
Diluted earnings per share (SEK)	19	17.07	16.37

Consolidated statement of comprehensive income

(SEK million)	Note	2014	2013
Net income for the year		1,172	1,168
Other comprehensive income			
Items that are or may be reclassified to profit or loss net of tax:			
Change in currency translation differences	20	424	-141
Cash flow hedge	20	136	15
Revaluation of shares at market value		0	0
Share of other comprehensive income of associated companies and joint ventures	14	-407	-76
Other comprehensive income, net of tax		**153**	**-202**
Total comprehensive income for the year		**1,325**	**966**
Attributable to:			
Equity holders of the parent		1,283	900
Non-controlling interest		42	66
Total comprehensive income for the year		**1,325**	**966**

Consolidated statement of financial position

(SEK million)	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Intangible assets	12		
Capitalised expenditure		102	82
Trademarks		719	632
Licenses and beneficial rights		120	128
Goodwill		3,396	3,463
Total intangible assets		**4,337**	**4,304**
Tangible assets	13		
Machinery		43	130
Equipment, tools and installations		337	344
Total tangible assets		**380**	**474**
Long-term financial assets			
Shares and participations in associated companies and joint ventures	14	2,054	1,953
Receivables from associated companies		9	12
Shares and participations in other companies	14	4	37
Deferred tax asset	10	76	61
Other long-term receivables		103	295
Total long-term financial assets		**2,246**	**2,359**
Total non-current assets		**6,963**	**7,137**
Current assets			
Inventories			
Finished goods and merchandise		38	59
Program rights		2,117	1,746
Advances to suppliers		24	5
Total inventories		**2,179**	**1,810**
Current receivables			
Accounts receivables	16	1,658	1,670
Accounts receivables, associated companies		6	9
Tax receivables		184	163
Other current receivables, interest-bearing		32	28
Other current receivables, non interest-bearing		376	221
Prepaid expense and accrued income		2,091	2,305
Total current receivables		**4,346**	**4,395**
Cash and cash equivalents	18, 24		
Cash and bank		643	765
Total cash and cash equivalents		**643**	**765**
Total current assets		**7,168**	**6,970**
Total assets		**14,131**	**14,107**

(SEK million)	Note	31 December 2014	31 December 2013
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	20		
Share capital		338	338
Other paid-in capital		1,797	1,797
Reserves		-809	-952
Retained earnings including net income for the year		4,403	3,953
Total equity attributable to equity holders of the parent company		**5,729**	**5,136**
Non-controlling interest			
Non-controlling interest		102	159
Total equity		**5,831**	**5,295**
Non-current liabilities	24		
Interest-bearing			
Liabilities to financial institutions		-	1,779
Bond loan		1,000	-
Other interest-bearing liabilities		1	23
Total non-current interest-bearing liabilities		**1,001**	**1,801**
Non-interest bearing			
Non-interest bearing liabilities		228	181
Deferred tax liability	10	385	326
Provisions	21	438	466
Liabilities to associated companies		60	-
Total non-current non-interest bearing liabilities		**1,110**	**973**
Total non-current liabilities		**2,111**	**2,774**
Current liabilities	24		
Interest-bearing			
Liabilities to financial institutions		55	51
Other interest-bearing liabilities		2	22
Total current interest-bearing liabilities		**57**	**73**
Non-interest-bearing			
Advances from customers		86	65
Accounts payable		1,351	1,705
Tax liabilities		268	257
Other liabilities		466	346
Accrued expense and prepaid income		3,962	3,592
Total current non-interest bearing liabilities		**6,133**	**5,965**
Total current liabilities		**6,190**	**6,038**
Total liabilities		**8,300**	**8,812**
Total equity and liabilities		**14,131**	**14,107**

For information about pledged assets and contingent liabilities, see note 23.

Consolidated statement of changes in equity

(SEK million)	Note 20	Share capital	Paid-in capital	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Retained earnings incl net income for the year	Total	Non-controlling interest	Total equity
		Equity attributable to the equity holders of the parent company									
Balance as of 1 January 2013 1)		**338**	**1,797**	**-734**	**-14**	**0**	**-12**	**3,571**	**4,946**	**188**	**5,134**
Net income for the year								1,092	1,092	76	1,168
Other comprehensive income				-207	15	0			-192	-9	-202
Total comprehensive income for the year 2013				**-207**	**15**	**0**		**1,092**	**900**	**66**	**966**
Dividends to shareholders (SEK 10.00 per share)								-666	-666		-666
Dividends to shareholders with non-controlling interests									-	-98	-98
Change in non-controlling interest									-	3	3
Share of option changes in equity of associated companies								-62	-62		-62
Effect of employee share option programmes								18	18		18
Balance as of 31 December 2013		**338**	**1,797**	**-941**	**1**	**0**	**-12**	**3,953**	**5,136**	**159**	**5,295**
Net income for the year								1,139	1,139	33	1,172
Other comprehensive income				8	136	0			143	9	153
Total comprehensive income for the year 2014				**8**	**136**	**0**		**1,139**	**1,283**	**42**	**1,325**
Dividends to shareholders (SEK 10.50 per share)								-700	-700		-700
Dividends to shareholders with non-controlling interests									-	-88	-88
Change in non-controlling interest								4	4	-10	-6
Share of option changes in equity of associated companies								4	4		4
Effect of employee share option programmes								1	1		1
Balance as of 31 December 2014		**338**	**1,797**	**-934**	**137**	**0**	**-12**	**4,403**	**5,729**	**102**	**5,831**

1) MTGs share of currency translation differences in CTC Media and the currency translation difference relating to a hedge of net investments have been reclassified from retained earnings and the hedging reserve respectively to the translation reserve.

Consolidated statement of cash flow

(SEK million)	Note	2014	2013
Cash flow from operations			
Net income for the year		1,172	1,168
Adjustments to reconcile net income/loss to net cash provided by operations	25	165	180
Cash flow from operations		**1,337**	**1,348**
Changes in working capital			
Increase (-)/decrease (+) inventories		-348	-185
Increase (-)/decrease (+) other current receivables		137	-801
Increase (+)/decrease (-) accounts payable		-363	591
Increase (+)/decrease (-) other current liabilities		431	265
Total change in working capital		**-143**	**-130**
Net cash flow from operations		**1,194**	**1,218**
Investing activities			
Investment in tangible and intangible assets		-217	-319
Acquisitions of businesses	4	-223	-905
Sales of businesses	25	230	-
Cash flow to investing activities		**-211**	**-1,224**
Financing activities			
Borrowings		3,075	6,066
Loan amortisations		-3,853	-5,190
Decrease other long-term receivables		309	11
Repayment non-interest bearing liabilities		-7	-19
Dividends to shareholders		-700	-666
Dividends to shareholders with non-controlling interest		-29	-98
Cash flow from/to financing activities		**-1,204**	**103**
Cash flow from the year		**-221**	**97**
Cash and cash equivalents at beginning of year		**765**	**739**
Translation differences in cash and cash equivalents		99	-71
Cash and cash equivalents at end of year		**643**	**765**

Parent company income statement

(SEK million)	Note	2014	2013
Net sales		45	46
Gross income		**45**	**46**
Administrative expenses		-273	-264
Operating loss	12, 13, 26, 28, 29	**-228**	**-219**
Interest revenue and other financial income	9	570	739
Interest expense and other financial costs	9	-135	-271
Results from shares in subsidiaries	9	-	68
Income before tax and appropriations		**207**	**317**
Appropriations		123	54
Income before tax		**330**	**372**
Tax expenses	10	-71	-78
Net income for the year		**258**	**294**

Parent company statement of comprehensive income

(SEK million)	Note	2014	2013
Net income for the year		258	294
Other comprehensive income			
Items that are or may be reclassified to profit or loss net of tax:			
Revaluation of shares at market value	14	0	0
Other comprehensive income, net of tax		**0**	**0**
Total comprehensive income for the year		**259**	**294**

Parent company balance sheet

(SEK million)	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Intangible assets	12		
Capitalised expenditure		2	0
Total intangible assets		**2**	**0**
Tangible assets	13		
Equipment, tools and installations		1	2
Total tangible assets		**1**	**2**
Long-term financial assets			
Shares and participations in Group companies	14	6,397	6,397
Receivable from Group companies	15	272	421
Shares and participations in other companies	14	1	1
Other long-term receivables		23	-
Total long-term financial assets		**6,693**	**6,819**
Total non-current assets		**6,696**	**6,821**
Current assets			
Current receivables			
Accounts receivable		-	0
Receivable from Group companies		10,177	13,116
Tax receivables		73	65
Other receivables		277	29
Prepaid expense and accrued income	17	17	2
Total current receivables		**10,544**	**13,213**
Cash and cash equivalents			
Cash and bank	18	402	429
Total cash and cash equivalents		**402**	**429**
Total current assets		**10,946**	**13,642**
Total assets		**17,642**	**20,463**

(SEK million)	Note	31 December 2014	31 December 2013
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
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		6,598	7,004
Net income for the year		258	294
Total non-restricted equity		**7,124**	**7,565**
Total shareholders´ equity		**7,462**	**7,903**
Non-current liabilities			
Interest-bearing	24		
Liabilities to financial institutions		-	1,779
Bond loan		1,000	-
Liabilities to Group companies		24	-
Total non-current interest-bearing liabilities		**1,024**	**1,779**
Non-interest bearing			
Non-interest bearing liabilities		-	16
Liabilities to Group companies		23	-
Provisions	21	2	4
Total non-current non-interest bearing liabilities		**25**	**19**
Total non-current liabilities		**1,049**	**1,798**
Current liabilities			
Interest-bearing			
Liabilities to Group companies		8,294	7,258
Other interest-bearing liabilities		0	1
Total current interest-bearing liabilities		**8,294**	**7,259**
Non-interest bearing			
Accounts payable		8	9
Liabilities to Group companies		707	3,388
Tax liabilities		73	59
Other liabilities		8	6
Accrued expense and prepaid income	22	42	40
Total current non-interest bearing liabilities		**838**	**3,503**
Total current liabilities		**9,132**	**10,762**
Total liabilities		**10,180**	**12,560**
Total shareholders´ equity and liabilities		**17,642**	**20,463**
Memorandum items	23		
Pledged assets		None	None
Contingent liabilities		1,670	1,332

Parent company statement of changes in equity

(SEK million)	Note 20	Restricted equity	Non-restricted equity			
		Share capital	Premium reserve	Fair value reserve	Retained earnings incl net income for the year	Total
Balance as of 1 January 2013		**338**	**267**	**0**	**7,658**	**8,264**
Net income for the year					294	294
Other comprehensive income:						
Revaluation of shares at market value				0		0
Total comprehensive income for the year 2013				**0**	**294**	**294**
Dividends to shareholders					-666	-666
Effect of employee share option programmes					12	12
Balance as of 31 December 2013		**338**	**267**	**0**	**7,298**	**7,903**
Net income for the year					258	258
Other comprehensive income:						
Revaluation of shares at market value				0		0
Total comprehensive income for the year 2014				**0**	**258**	**259**
Dividends to shareholders					-700	-700
Effect of employee share option programmes					0	0
Balance as of 31 December 2014		**338**	**267**	**0**	**6,856**	**7,462**

Parent company cash flow statement

(SEK million)	Note	2014	2013
Cash flow from operations			
Net income for the year	25	258	294
Adjustments to reconcile net income/loss to net cash provided by operations:			
Depreciation		1	1
Group contribution		-123	-54
Unrealised change in LTIP schemes value		-1	-12
Change in deferred tax		-	8
Change in provisions		-	4
Unrealised exchange difference		-7	-41
Total adjustments to reconcile net income/loss to net cash provided by operations		**-130**	**-95**
Cash flow from operations		**128**	**199**
Changes in working capital			
Increase (-)/decrease (+) short-term receivables		306	-114
Increase (+)/decrease (-) accounts payable		-1	3
Increase (+)/decrease (-) other liabilities		-171	-259
Total changes in working capital		**134**	**-371**
Net cash flow from/to operations		**262**	**-171**
Investment activities			
Investments in tangible non-current assets		-2	-1
Cash flow to investing activities		**-2**	**-1**
Financing activities			
Receivables/liabilities from Group companies		1,488	26
Dividends to shareholders		-700	-666
Other recievables		-276	-14
Borrowings		3,075	6,074
Loan amortisation		-3,875	-5,190
Cash flow from financing activities		**-288**	**230**
Cash flow from the year		**-27**	**58**
Cash and cash equivalents at beginning of year		**429**	**371**
Cash and cash equivalents at end of year		**402**	**429**

Notes to the accounts

Figures in SEK million unless otherwise specified

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 2014 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 30 March 2015. 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 19 May 2015.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and its interpretations provided by the IFRS Interpretations Committee as endorsed by the European Commission. Recommendation RFR 1 on Supplementary Accounting Rules for Groups as issued by the Swedish Financial Reporting Board has also been applied in the preparation of the report.

The consolidated accounts have been prepared based on the acquisition values except that the following assets and liabilities are stated at their fair value: derivative financial instruments, 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.

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 2013 Annual Report with the exception of the consolidation of joint ventures, which, in accordance with IFRS 11 Joint Arrangements, is accounted for using the equity method instead of the proportional method. The financial statements of 2013 have been restated accordingly for the purpose of comparison. The proportional method was used for the consolidation of Raduga until 2013. The effects of the revised standard on the financial statements for the comparative period are specified in the following schedules:

(SEK million)	2013
Change in:	
Net sales	-56
Cost of goods and services	46
Selling expenses	2
Administrative expenses	16
Participations in Joint Ventures	-8
Income before tax	**-**

	31 Dec 2013
Change in:	
Intangible assets	-1
Shares and participations in joint ventures	-33
Inventories	-4
Current receivables	-2
Cash and cash equivalents	-3
Non-current non-interest bearing liabilities	-1
Current non-interest bearing liabilities	-42
Retained earnings	**-**

IFRS 10 Consolidated Financial Statements

Replaced IAS 27 Consolidated and Separate Financial Statements, which identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The new standard has not had any impact on which companies that are consolidated in the Group's accounts.

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements and associated companies.The new standard has resulted in changed or extended disclosures in notes 6, 7 and 14.

New and amended Accounting standards and interpretations after 2014

The Group has not made any early adoptions of new or changed Accounting standards and interpretations effective after 31 December 2014.

The following new standards have been issued but are not effective for the financial year 2014:

IFRS 9 Financial instruments

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

IFRS 15 Revenue from Contracts with Customers

The standard replaces IAS 11 Construction Contracts and IAS 18 Revenue. The Group is yet to assess IFRS 15's full impact, but at this stage the standard is judged to have limited effects on the timing of Revenue recognition in the Group's consolidated accounts. The disclosures related to Revenue recognition in the Group's annual report will increase as a result of the new standard. IFRS 15 is effective for annual periods beginning on or after 1 January 2017.

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

Classification

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

Consolidated accounts

The consolidated accounts include the parent company, 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. 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.

The Group's shareholders' equity includes only the part of each subsidiary's equity added after the acquisition. Contingent considerations are determined at fair value at the time of the acquisition and effects of revaluations of liabilities related to the contingent considerations are recognised as a revenue or expense in the income statement.

Additional acquisitions made after control is achieved are recognised as shareholder transactions and recorded directly in equity.

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 and goodwill. One alternative is to recognise the non-controlling interest at fair value by including goodwill, another alternative is to include the non-controlling interests in net assets. The choice of method is made for each acquisition separately.

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%. The Group's share of earnings in associated companies' pre-tax profits or losses are reported under profit/loss on shares and participations in associated companies in operating income. Dividends from associated companies decrease the book value of the asset. The share of associated companies' tax expense is reported among the Group's tax expenses. Differences between the acquisition value and the acquired equity are treated in accordance with the principles for consolidation of subsidiaries described in the section Consolidated accounts above. Surplus values on assets, including deferred taxes and goodwill are included in the share of equity from an associated company. The accounts of associated companies are adjusted before the share of earnings is calculated, if necessary, so that the accounts comply with MTG's accounting and valuation principles. The equity method is applied from the date that significant influence commences until the date that significant influence ceases.

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.

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

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

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

- TV and radio advertising at the time of broadcast
- Subscription fees for pay-TV over the subscription period
- Cable revenues as the services are provided to the cable wholesalers, based on the number of subscribers taking the MTG channels, as reported by the cable companies
- Sale of goods in accordance with the terms of sales, i.e. when the goods have been transferred to the shipping agent, less returns
- Sale of services when the services are provided
- TV productions where recognition is based on the percentage of completion for each project in the same relation as incurred expenses are related to the total cost for the entire project
- Interest revenue is recognised using the effective interest method
- Dividend income from investments when the shareholders' right to receive payment has been established

Barter transactions
Barter entails the exchange of air time on TV or radio for non-similar other goods or services. Barter transactions are reported at the fair value of the goods or services involved. The fair value is determined by agreements made with other

customers for the same type of transactions. Revenues from barter transactions are reported when the commercial is broadcast. Expenses are reported when the goods or service is consumed.

Non-current tangible and intangible assets

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

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

Capitalised expenditure

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of 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 beneficial rights, broadcasting licenses and trademarks, are stated at cost less accumulated amortisation and impairment losses. Trademarks forming part of a purchase price allocation are normally judged to have indefinite useful lives.

Machinery and equipment

Items of machinery and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of machinery and equipment have different useful lives, they are accounted for as separate items of machinery and equipment.

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

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

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

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

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

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

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

Convertible debenture Qliro Group

The Group has subscribed to a convertible debenture in Qliro Group (disposed of in December 2014). The bond was initially recognised at the transaction price less the fair value of the option to convert the bond into Qliro Group shares. The option was valued at fair value through profit or loss.

Financial assets and liabilities at fair value through profit or loss

Derivatives at fair value that are not subject to hedge accounting are recognised as financial assets or liabilities and categorised as held for trading. 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 minority owners, the agreement often includes an option for the minority owners 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 present value of the redemption amount of the shares.

Other liabilities

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

Derivative instruments

The Group uses forward contracts to hedge its exposure to foreign exchange arising from operational activities. The major part of contracted programme acquisition outflows in US dollars 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 cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

Net investments

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

Accounting for leases

A 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 statement of financial position. 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.

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 26. 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. Sports rights are expensed throughout the period on a yearly basis.

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

Prepaid subscriber acquisition expenses

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

Corporate income tax

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

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably calculated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the anticipated liability.

Pensions

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

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments including social security costs 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. Fair value is measured by use of the Black & Scholes' model, taking into consideration the terms and conditions of the allotted financial instruments.

Parent company

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

Classification and presentation

The Parent company uses the terms 'Balance sheet' and 'Cash flow statement' for the reports where the Group uses 'Consolidated statement of financial position' and 'Consolidated statement of cash flow' respectively.

Holdings in subsidiaries

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 recognized as appropriations in the income statement.

Shareholders' contribution

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

Note 2 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the Board of Directors and the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates are reviewed by the Audit Committee.

Key sources of estimation uncertainty

Note 4 and 12 contain information of the assumptions and the risk factors relating to goodwill impairment. Litigations and provisions made are reported in note 21.

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 12 Intangible assets.

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 8 Nature of expenses and 12 Intangible assets.

Valuation of Shares and participations

The holdings in Russian companies, both subsidiaries 100% owned by the Group as well as associated company CTC Media, Inc., are subject to changes in the Russian Mass Media Law, which reduce the permitted level of aggregate foreign ownership in Russian mass media companies to 20% direct or indirect ownership or control from 1 January 2016. The changes to the structure or ownership of CTC Media and the Group's pay-TV businesses could result in a loss of the recognised balance sheet value.

Measurement of fair value of financial instruments

The fair values of options, to acquire non-controlling interests of acquired subsidiaries, and contingent considerations are based on calculations defined in agreements set up in connection with the acquisitions. The valuations are usually based on cash flow projections, internal forecasts and business plans combined with probability calculations of various outcomes.

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 21 Provisions.

Critical accounting judgements and choices in applying the Group's accounting policies

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

Prima Group

The Group holds 50% of the shares in the Prima Group. The holdings are judged to be recognised as subsidiaries based on the agreements which give the Group a decisive influence in Prima Group. The Group consequently consolidates the entities within Prima Group as subsidiaries and a non-controlling interest is calculated, see note 11 Non-controlling interests.

Note 3 Business segments

MTG Modern Times Group comprises of six business segments.

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

• **Pay-TV Nordic** markets and sells Viasat's premium pay-TV packages on the Viasat DTH satellite platform, the Viaplay online platform and third party IPTV and cable networks. Viasat also distributes its 37 pay-TV channels via third party pay-TV networks.

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

• **Pay-TV Emerging Markets** markets and sells pay-TV packages on the Viasat DTH satellite platforms in the Baltics and Ukraine, and until the beginning of December 2014, on the 50% owned joint venture Raduga TV DTH satellite platform in Russia. Viasat also distributes 36 channels via third party pay-TV networks to subscribers in 36 countries across Central and Eastern Europe, Africa and the United States.

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

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

• The Group's **Nice Entertainment, MTGx and Radio businesses** constitue the sixth segment. These businesses are reported as one segment due to their size. Nice Entertainment comprise the Group's content production businesses in Scandinavia, Europe and Africa. DRG and Novemberfilm were acquired in June 2013, and Nice Entertainment Group on 1 November 2013. MTGx develops digital products for the whole Group.The Group's radio operations comprise the leading national commercial networks in Sweden and Norway, as well as national and local stations in the Baltics and own equity stakes in a Finnish national commercial radio network.

The stated figures for 2014 and 2013 are based on the same operational structure.

	External sales		Operating income	
(SEK million)	2014	2013	2014	2013
Free-TV Scandinavia	3,917	3,929	633	668
Pay-TV Nordic	5,570	5,152	709	619
Free-TV Emerging Markets	2,404	2,441	131	215
Pay-TV Emerging Markets	1,225	1,089	104	129
Associated company CTC Media	-	-	540	586
Other	76	153	0	-34
Total Broadcasting	**13,193**	**12,764**	**2,117**	**2,184**
Nice Entertainment, MTGx, Radio	2,548	1,295	-32	-49
Group central operations	5	14	-255	-250
Total Group before impairment charges and non-recurring costs	**15,746**	**14,073**	**1,830**	**1,885**
Asset impairment charges and non-recurring costs	-	-	-155	-147
Total Group	**15,746**	**14,073**	**1,675**	**1,738**

Asset impairment charges and non-recurring costs comprise in 2014 the SEK 159 million non-cash net impairment charge related to MTG's interest in the Ukrainian satellite pay-TV platform, SEK 70 million of organisational restructuring charges and other costs and the SEK 76 million net gain from the sale of Zitius in Sweden. For 2013 the amount comprise the non-cash net impairment related to MTG's interest in Raduga, the Russian satellite pay-TV platform.

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

	Internal sales	
(SEK million)	2014	2013
Free-TV Scandinavia	192	181
Pay-TV Nordic	186	183
Free-TV Emerging Markets	4	4
Pay-TV Emerging Markets	-	-
Other	1,359	1,213
Total Broadcasting	**1,741**	**1,582**
Nice Entertainment, MTGx, Radio	229	242
Group central operations	230	224
Total internal sales	**2,201**	**2,047**

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

	Assets		Liabilities	
(SEK million)	2014	2013	2014	2013
Free-TV Scandinavia	2,598	2,605	2,126	2,139
Pay-TV Nordic	2,724	2,594	3,575	3,124
Free-TV Emerging Markets	2,752	2,684	845	1,025
Pay-TV Emerging Markets	936	624	422	245
Associated company CTC Media	1,984	1,931	-	-
Other and eliminations	-616	-297	-516	-331
Total Broadcasting	**10,377**	**10,141**	**6,452**	**6,202**
Nice Entertainment, MTGx, Radio	2,900	2,647	1,066	1,077
Group central operations	967	1,112	340	436
Total	**14,244**	**13,900**	**7,857**	**7,715**
Eliminations	-964	-1,197	-964	-1,197
Unallocated assets/liabilities	850	1,404	1,407	2,294
Total	**14,131**	**14,107**	**8,300**	**8,812**

	Capital expenditure		Depreciation and amortisation	
(SEK million)	2014	2013	2014	2013
Free-TV Scandinavia	49	100	21	29
Pay-TV Nordic	41	56	46	37
Free-TV Emerging Markets	39	38	23	37
Pay-TV Emerging Markets	7	6	6	4
Other	25	58	22	42
Total Broadcasting	**161**	**258**	**117**	**150**
Nice Entertainment, MTGx, Radio	49	48	44	35
Group central operations	7	13	7	5
Total	**217**	**319**	**168**	**189**

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

	Net sales		Non-current assets	
(SEK million)	2014	2013	2014	2013
Sweden	5,024	4,630	951	1,282
Denmark	3,361	3,072	139	134
Baltics, Czech Republic, Bulgaria	2,671	2,656	1,354	1,260
Norway	2,982	2,314	705	718
Rest of Europe	1,541	1,274	1,554	1,380
Other regions	167	127	13	5
Total	**15,746**	**14,073**	**4,717**	**4,778**

External sales by type of product/service (SEK million):	2014	2013
Advertising revenue	5,890	6,101
Subscription revenue	7,472	6,661
Business-to-business/Consumer revenue	2,385	1,310
Total	**15,746**	**14,073**

Note 4 Operations acquired

Acquisitions in 2014

Acquired operations 2014 (SEK million)	Trace	Other	Total
Cash paid	262	2	265
Adjustment to 2013 acquisition, cash paid	-	-32	-32
Contingent consideration, non-paid	-	37	37
Options at fair value, non-paid	95	-	95
Total consideration	**358**	**8**	**365**
Recognized amounts of identifiable assets and liabilities			
Property, plant and equipment	6	-	6
Intangible assets	72	18	90
Program rights	40	-	40
Trade and other receivables	109	-	109
Cash and cash equivalents	28	-	28
Borrowings	-46	-	-46
Deferred tax receivables/liabilities	-22	-2	-24
Provisions	0	0	-1
Trade and other payables	-97	-	-97
Net identifiable assets and liabilities	**91**	**16**	**107**
Goodwill	**267**	**23**	**290**
Goodwill adjustment to 2013 acquisitions	**-**	**-32**	**-32**
Total consideration	**358**	**8**	**365**

Cash consideration (SEK million)			
Cash paid	262	2	265
Cash and cash equivalents	-28	-	-28
Borrowings	46	-	46
Sum cash consideration	**280**	**2**	**282**
Adjustment to 2013 acquisitions, cash received	**-**	**-59**	**-59**
Total cash consideration	**280**	**-56**	**223**

Acquisition of Trace Partners SAS, France

The Group acquired 75% of the shares in Trace Partners SAS on 26 June 2014. Trace is a global youth media brand and pay-TV channel operator with distribution agreements in 160 countries worldwide, including all 55 countries in Africa. Trace is reported within the segment "Pay-TV Emerging Markets". The cash consideration was SEK 262 million excluding transaction costs of SEK 12 million, which are reported on the line "Other operating expenses" in the income statement. The purchase price allocation is still preliminary. The acquisition gave rise to separately identified intangible assets of SEK 72 million and goodwill of SEK 267 million.

The agreement includes an option to acquire the remaining 25% of the shares in 2017 or 2018. 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 Trace is consolidated without non-controlling interest.

The goodwill comprise future potential new customers and programmes as well as brand extensions and assembled work force.

Acquisition of other companies

The Group acquired 79.45% of the shares in Digital Rights Group Limited on 13 June 2013. The purchase price has been renegotiated and reduced by SEK 21 million in 2014. The amount was recognized in the income statement. The purchase price allocation for Nice has been finalised during the year. The purchase price was reduced by SEK 32 million, and goodwill subsequently decreased by the same amount.

The Group acquired 100% of the shares in Darik Net EAD and the net assets in Net Info.BG EAD in October 2013. A new share issue of 30% of the shares in the said company were subscribed by Darik Radio AD and Web Finance contributing in kind the shares in Darik News. The purchase price allocation was then finalised as per 31 January 2014, and the Group now owns 70% of the shares in Darik Net EAD. Further, the agreement includes an option to acquire the remaining 30% of the shares in 2019. The options are valued at approximately Euro 4 million. The acquisition gave rise to an increased goodwill of SEK 19 million and other intangible assets of SEK 18 million.

Contributions during 2014 from the acquisition date (SEK million):	Trace	Total
Net sales	118	118
Net income	6	6

The Group's total sales if the acquisition had occurred on 1 January would have been SEK 15,837 million and net income would have been SEK 1,176 million.

Acquisitions in 2013

Acquired operations 2013 (SEK million)	Nice	Other	Total	Adjustments 2014	Final
Cash paid	507	178	685	-59	626
Contingent consideration, non-paid	7	-	7	-	7
Options at fair value, non-paid	16	25	41	-	41
Total consideration	**530**	**202**	**732**	**-59**	**674**
Recognized amounts of identifiable assets and liabilities					
Property, plant and equipment	22	3	25	-	25
Intangible assets	237	47	284	-	284
Shares in associated companies	13	-	13	-	13
Program rights	14	-	14	-	14
Trade and other receivables	211	174	386	-	386
Cash and cash equivalents	32	22	54	-	54
Borrowings	-234	-71	-305	-	-305
Deferred tax receivables/liabilities	-19	-10	-30	-	-30
Provisions	-24	-	-24	-	-24
Trade and other payables	-280	-224	-504	-	-504
Net identifiable assets and liabilities	**-28**	**-59**	**-87**	**-**	**-87**
Goodwill	**558**	**261**	**818**	**-32**	**787**
Recognised in the income statement				**-27**	**-27**
Total consideration	**530**	**202**	**732**	**-59**	**674**

Cash consideration (SEK million)					
Cash paid	507	178	685	-59	626
Cash and cash equivalents	-32	-22	-54	-	-54
Borrowings	204	71	275	-	275
Total cash consideration	**679**	**227**	**905**	**-59**	**847**

Acquisition of Nice Entertainment Group, Finland

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

The agreement includes a contingent additional consideration to be paid in 2014 and 2015, and has been calculated at present value based on the clauses in the agreement related to earnings.The outcome of the consideration range from EUR 0 to maximum 5 million. The calculated value is approximately 50% of the possible outcome. Further, the agreement includes an option to acquire the remaining 5.8% of the shares in 2017. The purchase price is calculated at the present fair value of the company based on the option clauses in the agreement, and, as a consequence, 100% of Nice is consolidated without non-controlling interest.

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

Acquisition of other companies

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

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

The cash considerations were SEK 178 million excluding transaction costs of SEK 31 million. The acquisitions gave rise to separately identified intangible assets of SEK 47 million and goodwill of SEK 261 million.

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

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

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

Note 5 Other operating income and expenses

Other operating income for the Group of SEK 164 (11) million mainly comprise of the gain from the sale of operations, mainly Zitius SEK 76 million and adjustments of considerations relating to acquisitions in previous periods of SEK 27 million.

Other operating expenses for the Group of SEK 288 (199) million mainly comprise of foreign exchange losses on operating receivables and payables and depreciation.

Note 6 Share of earnings in associated companies

Group (SEK million)	Registered office	Share capital %	2014	2013
CTC Media, Inc.	USA	39	540	586
Other associated companies			9	-2
Total			**549**	**584**
Tax			-187	-163
Net Income			**362**	**422**

Associated 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 to Swedish krona. The calculation of share in net income is based on the latest available accounts.

Group (SEK milion)	CTC Media		Other associated companies	
Totally recorded values in associated companies	2014	2013	2014	2013
Net Sales	5,410	5,450	523	368
Net income	926	1,119	23	8
Other comprehensive income	-1,057	-200	0	0
Non-current assets	2,914	3,066	66	34
Current assets	3,516	2,905	182	149
Total	**6,430**	**5,971**	**248**	**183**
Non-current liabilities	76	96	20	-
Current liabilities	1,579	1,221	170	118
Total	**1,654**	**1,317**	**189**	**118**

For further information, see also note 14.

Note 7 Share of earnings in joint venture companies

Group (SEK million)	2014	2013
Raduga	9	-8
Total	**9**	**-8**
Tax	-3	1
Net Income	**6**	**-7**

Group (SEK million) Totally recorded values in joint venture companies	2014	2013
Net sales	99	113
Net income	-23	-16
Other comprehensive income	22	-2

For further information, see also note 14.

Note 8 Nature of expenses

Group (SEK million)	2014	2013
Net sales	15,746	14,073
Other operating income	164	11
Cost of programmes and goods	-8,297	-7,634
Distribution costs	-1,940	-1,957
Employee benefits expense	-2,592	-1,954
Depreciation and amortisation expense	-168	-189
Asset impairment charges	-230	-149
Other expenses	-1,566	-1,039
Share of earnings in associated companies and joint ventures	558	576
Operating Income	**1,675**	**1,738**

Note 9 Financial items

Group (SEK million)	2014	2013
Result from financial assets at fair value through profit, Qliro Group options	-34	-13
Total gain from financial assets	**-34**	**-13**
Interest revenue	64	69
Net exchange rate differences	30	63
Total financial income	**94**	**131**
Interest expenses	-65	-115
Borrowing costs, included in the effective interest	-19	-6
Other	1	-9
Total financial costs	**-84**	**-130**
Net financial items	**-23**	**-12**

Parent company (SEK million)	2014	2013
Interest revenue from external parties	29	43
Interest revenue from subsidiaries	462	687
Net exchange rate differences	79	9
Other	0	-
Total interest revenue and other financial income	**570**	**739**
Interest expense to external parties	-61	-71
Interest expense to subsidiaries	-54	-178
Borrowing costs, included in the effective interest	-19	-6
Other	-	-17
Total interest expense and other financial costs	**-135**	**-271**
Dividends from subsidiaries	-	68
Results from shares in subsidiaries	**-**	**68**
Net financial items	**435**	**536**

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

Note 10 Taxes

Group

Group (SEK million) Distribution of tax expense	2014	2013
Current tax		
Current tax expense	-283	-349
Tax associated companies and joint ventures	-190	-163
Adjustment for prior years	-22	-35
Total	**-496**	**-547**
Deferred tax		
Temporary differences	16	-12
Total	**16**	**-12**
Total income tax expense in the income statement	**-480**	**-558**

Group (SEK million) Reconciliation of tax expense	2014	%	2013	%
Tax/Tax rate in Sweden	-363	-22.0	-380	-22.0
Non-taxable income	42	2.5	38	2.2
Foreign tax rate differential	-54	-3.3	-34	-2.0
Effect of losses carry-forward not previously recognised	8	0.5	-	-
Non-deductible expenses	-61	-3.7	-99	-5.7
Losses where no deferred tax was recognised	-30	-1.8	-37	-2.1
Revalued tax losses carry-forward due to change in tax rate	-	-	1	0.0
Other permanent effects	1	0.1	-12	-0.7
Under/over provided in prior years	-22	-1.4	-35	-2.0
Effective tax/tax rate	**-480**	**-29.0**	**-558**	**-32.3**

Group (SEK million)	31 December 2014	31 December 2013
Deferred tax asset		
Equipment	7	11
Intangible assets	2	1
Provisions	22	12
Inventory	3	1
Current receivables	0	-
Current liabilities	10	3
Tax value of tax losses carry forward recognised	32	34
Total	**76**	**61**
Deferred tax liabilities		
Intangible assets	188	168
Goodwill	147	147
Equipment	9	-
Provisions	-3	-
Current receivables	6	4
Current liabilities	32	7
Financial assets	5	-
Total	**385**	**326**
Deferred tax net	**-309**	**-265**

The movements in temporary differences net are explained below:

	2014					
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	34	9			-10	32
Temporary differences in:						
Goodwill	-147					-147
Equipment	11	-12				-2
Intangible assets	-167	8	-24		-3	-186
Provisions	12	9			3	24
Inventory	1	2				3
Current receivables	-4	-2				-6
Current liabilities	-4	7		-25		-22
Financial assets	-	-5				-5
Total	**-265**	**16**	**-24**	**-25**	**-11**	**-309**

	2013					
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 carryforward	33	3			-2	34
Temporary differences in:						
Goodwill	-147					-147
Equipment	16	-5			-1	11
Intangible assets	-130	0	-47		9	-167
Provisions	9	5			-1	12
Inventory	1	0				1
Current receivables	-4	0				-4
Current liabilities	-1	-15		11		-4
Total	**-222**	**-12**	**-47**	**11**	**4**	**-265**

The Group had recognised tax losses carry forward without expiration date of SEK 144 (152) million at 31 December 2014. The accounts for 2014 and 2013 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	2014	2013
2014	-	90
2015	194	154
2016	205	125
2017 and thereafter	314	49
No expiry date	88	79
Total	**802**	**496**

Parent company

There were no tax losses carry forward in 2014 or 2013 in the parent company.

Parent company (SEK million) Distribution of tax expenses	2014	2013
Current tax	-73	-59
Adjustment for prior years	2	-10
Deferred tax	-	-8
Total tax	**-71**	**-78**

Parent company (SEK million) Reconciliation of tax expense	2014	%	2013	%
Tax/Tax rate in Sweden	-72	-22.0	-82	-22.0
Non-deductible expenses	-1	-0.3	0	-0.1
Non-taxable income	1	0.2	15	4.0
Other permanent effects	2	0.5	-11	-3.0
Effective tax/tax rate	**-71**	**-21.6**	**-78**	**-21.0**

Note 11 Non-controlling interests

MTG holds a number of subsidiaries with non-controlling interest, of which one is considered to be significant. The Group holds 50% of the shares and voting rights in Prima Group in the Czech Republic, but exercises control through agreements. The Prima Group is therefore consolidated as a subsidiary and the non-controlling interest amounts to 50% of the shares and voting rights.

Prima Group (SEK million)	2014	2013
Net sales	1,119	1,322
Net income	94	163
Other comprehensive income	-21	24
Total comprehensive income for the year	**73**	**188**
of which attributable to non-controlling interest	36	94
Dividends paid to non-controlling interest	-85	-97
Non-current assets	98	117
Current assets	647	779
Total assets	**745**	**896**
Non-current liabilities	121	2
Current liabilities	385	564
Total liabilities	**506**	**566**
Net assets	**239**	**330**
of which attributable to non-controlling interest	120	170
Cash flow from operations	87	217
Cash flow from investing activites	-123	23
Cash flow from financing activities	-50	-204
Net change in cash and cash equivalents	**-85**	**35**

For further information, see also note 14.

Note 12 Intangible assets

(SEK million)	Group: Capitalised expenditure	Group: Trademarks	Group: Licenses and beneficial rights	Group: Goodwill	Parent company: Capitalised expenditure
Acquisitions					
Opening balance 1 January 2013	156	968	325	7,937	53
Investments during the year	52	3	2	0	-
Acquisitions through business combinations	2	164	119	819	-
Sales and disposals during the year	3	0	-1	-3	-
Change in Group structure, reclassifications etc	-1	0	0	2	-
Translation differences	0	-14	-11	94	-
Closing balance 31 December 2013	**212**	**1,121**	**434**	**8,849**	**53**
Opening balance 1 January 2014	212	1,121	434	8,849	53
Investments during the year	74	1	1	-	2
Acquisitions through business combinations	-	89	0	259	-
Sales and disposals during the year	-8	-20	-10	-214	-
Change in Group structure, reclassifications etc	-9	0	0	-142	-
Translation differences	0	50	16	375	-
Closing balance 31 December 2014	**269**	**1,242**	**442**	**9,128**	**55**
Accumulated amortisation and impairment losses					
Opening balance 1 January 2013	-98	-467	-309	-5,071	-53
Sales and disposals during the year	0	-	2	-	-
Amortisation during the year	-29	-4	-13	-	-
Impairment losses during the year	-1	-2	-	-145	-
Change in Group structure, reclassifications etc	-3	0	-1	3	-
Translation differences	0	-17	14	-173	-
Closing balance 31 December 2013	**-130**	**-490**	**-306**	**-5,386**	**-53**
Opening balance 1 January 2014	-130	-490	-306	-5,386	-53
Sales and disposals during the year	7	5	10	-	-
Amortisation during the year	-41	-3	-17	-	0
Impairment losses during the year	-13	-6	-	-205	-
Change in Group structure, reclassifications etc	10	1	0	142	-
Translation differences	0	-30	-10	-283	-
Closing balance 31 December 2014	**-167**	**-523**	**-322**	**-5,732**	**-53**
Book value carried forward					
As per 1 January 2013	58	502	16	2,866	0
As per 31 December 2013	82	632	128	3,463	0
As per 1 January 2014	82	632	128	3,463	0
As per 31 December 2014	102	719	120	3,396	2

Only external expenditures have been capitalised.

Group (SEK million) Amortisation by function	2014	2013
Cost of goods and services	43	32
Administrative expenses	2	2
Other operating expenses	15	11
Total	**60**	**45**

Group (SEK million) Impairment losses by function	2014	2013
Cost of goods and services	17	3
Selling expenses	204	145
Administrative expenses	0	-
Other operating expenses	2	-
Total	**223**	**149**

Impairment tests for cash-generating units

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

Group (SEK million)	2014	2013
Prima Group	804	766
Pay-TV Nordic	670	670
Nice	525	551
P4 Radio	445	449
Trace	275	-
Ukraine	-	204
Subtotal	**2,719**	**2,640**
Other units	677	823
Total	**3,396**	**3,463**

The changes in goodwill for Prima Group and P4 Radio in 2014 and 2013 are due to translation differences. The change in goodwill for Nice is mainly due to a change in the purchase price.

Trademarks with indefinite lives included in Trademarks are:

Group (SEK million)	2014	2013
P4 Radio	247	249
Prima Group	190	181
Nice	134	126
Trace	74	-
Subtotal	**645**	**557**
Other units	74	75
Total	**719**	**632**

The changes in trademark for Prima Group, P4 Radio and Nice in 2014 and 2013 are due to translation differences.

Impairment testing

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

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

Impairments
The impairment tests are done on a regular basis, annually or when triggered by events. In 2014, based on uncertain economic outlook in Ukraine, and the significant devaluation of the Ukrainian Hryvnia currency, the Board and the management concluded that all goodwill and other intangible assets had an impairment requirement of in total SEK 159 million related to Viastrong Ukraine, of which SEK 154 million net related to goodwill and a revaluation of the option to acquire the remaining shares, and SEK 6 million to trademark. In 2013, based on the ongoing uncertainty and lack of visibility surrounding the licensing status and requirements for Raduga, the Board and the management concluded that all goodwill and other intangible assets had an impairment requirement of in total SEK 147 million, of which SEK 145 million related to goodwill and SEK 2 million to trademark. Raduga was closed in December 2014. Viastrong and Raduga are reported in the Pay-TV Emerging Markets segment. The impairment is presented as a separate item in the segment reports, note 3.

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 Ukraine was 18 per cent due to the prevailing uncertainties. The discount rate used when calculating the recoverable amount related to Raduga was 12 per cent before tax in both periods. Impairment losses in goodwill are included in selling expenses in the income statement.

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

Note 13 Tangible assets

(SEK million)	Group – Machinery	Group – Equipment, tools and installations	Parent company – Equipment
Acquisitions			
Opening balance 1 January 2013	183	1,047	6
Investments during the year	72	189	0
Acquisitions through business combinations	-	25	-
Sales and scrapping during the year	-3	-46	-
Change in Group structure, reclassifications etc	2	0	-
Translation differences	-4	0	-
Closing balance 31 December 2013	**250**	**1,216**	**6**
Opening balance 1 January 2014	250	1,216	6
Investments during the year	39	111	-
Acquisitions through business combinations	1	6	-
Sales and scrapping during the year	-141	-70	-
Change in Group structure, reclassifications etc	0	46	-
Translation differences	4	16	-
Closing balance 31 December 2014	**152**	**1,326**	**6**
Accumulated depreciation			
Opening balance 1 January 2013	-85	-807	-4
Sales and scrapping during the year	3	39	-
Depreciation during the year	-42	-102	0
Impairment losses during the year	-	0	-
Change in Group structure, reclassifications etc	1	-2	-
Translation differences	3	0	-
Closing balance 31 December 2013	**-120**	**-871**	**-4**
Opening balance 1 January 2014	-120	-871	-4
Sales and scrapping during the year	45	42	-
Depreciation during the year	-32	-76	-1
Impairment losses during the year	0	-6	-
Change in Group structure, reclassifications etc	0	-65	-
Translation differences	-3	-12	-
Closing balance 31 December 2014	**-109**	**-989**	**-5**
Book value carried forward			
As per 1 January 2013	98	240	2
As per 31 December 2013	130	344	2
As per 1 January 2014	130	344	2
As per 31 December 2014	43	337	1

Group (SEK million) Depreciation by function	2014	2013
Cost of goods and services	43	65
Selling expenses	1	2
Administrative expenses	47	55
Other operating expenses	17	22
Total	**108**	**144**

Group (SEK million) Impairment losses by function	2014	2013
Cost of goods and services	6	0
Other operating expenses	0	-
Total	**6**	**0**

Note 14 Long-term financial assets

Shares and participations in Group companies, held by parent company (SEK million)	Co. Reg.no.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec
MTG Publishing AB	556457-2229	Stockholm	1,000	100	100	6,023
MTG Radio AB	556365-3335	Stockholm	1,000	100	100	65
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
MTG Investment AS		Norway	1,000	100	100	58
Total						**6,397**

Direct and indirect ownership in Group companies Parent companies in bold	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG Investment AS		Norway	100	100
MTG Publishing AB	556457-2229	Stockholm	100	100
MTG Broadcasting Holding AB	556580-7806	Stockholm	100	100
MTG Broadcasting AB	556353-2687	Stockholm	100	100
ViaSat Pay Channels AB	556098-4709	Stockholm	100	100
Viaplay AB	556513-5547	Stockholm	100	100
MTGx International AB	556931-8651	Stockholm	100	100
Viasat AS		Estonia	100	100
UAB TV3 Lithuania		Lithuania	100	100
TV3 AS Estonia		Estonia	100	100
SIA TV3 Latvia		Latvia	100	100
AS Latvijas Neatkarīgā Televīzija		Latvia	100	100
Viasat Hungária Zrt.		Hungary	100	100
MTG Russia AB	556650-6472	Stockholm	100	100
Felista ZAO		Russia	100	100
Viasat Holding LLC		Russia	100	100
Imperiya Filmov OOO		Russia	100	100
Viasat Global LLC		Russia	100	100
Viasat Media LLC		Russia	100	100
Prva TV d.o.o.		Slovenia	100	100
Viasat Ukraine LLC		Ukraine	100	100
MTG Africa Ltd		United Kingdom	100	100
MTG Africa AB	556170-2217	Stockholm	100	100
MTG Africa Management Ltd		Ghana	100	100
Modern African Productions Ltd		Ghana	100	100
Viasat Broadcasting G Ltd		Ghana	85	85
Viasat 1 Tanzania Ltd		Tanzania	49	49
Modern African Productions Ltd		Tanzania	99	99
MTG Senegal SA		Senegal	100	100
MTG Broadcasting Nigeria Ltd		Nigeria	99	99
Modern Times Group Uganda Ltd		Uganda	99	99
MTG Entertainment Nigeria Ltd		Nigeria	99	99
MTG Kenya Ltd		Kenya	100	100
Nova Broadcasting Group Jsc.		Bulgaria	95	95
Agency Eva Ltd.		Bulgaria	76	76
Net Info AD		Bulgaria	67	67
Darik News EOOD		Bulgaria	67	67
VBox EAD		Bulgaria	67	67
Hosting OOD		Bulgaria	57	57
Lex.bg Ad		Bulgaria	60	60
Edutainment Television Group S.àr.l.		Luxembourg	51	51
LLC TV Education		Russia	51	51
LLC Viasat DaVinci		Russia	51	51
Viasat AB	556304-7041	Stockholm	100	100
Viasat Satellite Service AB	556278-7910	Stockholm	100	100
MTG Broadcast Centre Stockholm AB	556493-2340	Stockholm	100	100
Viasat Sales AB	556840-9287	Stockholm	100	100
Viasat Film AB	556133-5521	Stockholm	100	100
Viasat Film AS		Norway	100	100
OY Viasat Finland Ab		Finland	100	100
Viastrong Holding AB	556733-1086	Stockholm	85	85
Solutions LLC		Ukraine	85	85
Vision TV LLC		Ukraine	85	85
Vision Media LLC		Ukraine	85	85
MTG Broadcasting CZ, s.r.o.		Czech Republic	100	100
FTV Prima Holding a.s		Czech Republic	50	50
FTV Prima spol s.r.o.		Czech Republic	50	50
TV Produkce, a.s.		Czech Republic	50	50
Česká výrobní s.r.o.		Czech Republic	50	50
Modern Times Group MTG Ltd		United Kingdom	100	100
3+ Television Ltd		United Kingdom	100	100
TV3 Broadcasting Group Ltd		United Kingdom	100	100
MTG TV AB (TV3 AB)	556153-9726	Stockholm	100	100

Direct and indirect ownership in Group companies Parent companies in bold	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG TV A/S (TV3 A/S)		Denmark	100	100
MTGTV AS (TV3 AS)		Norway	100	100
Televisionsaktiebolaget TV8	556507-2401	Stockholm	100	100
MTG World Ltd		United Kingdom	100	100
Trace Partners SAS		France	75	75
Trace TV SA		France	75	75
Trace Asia SDC BHD		Malaysia	75	75
Trace TV PTY Ltd		South Africa	75	75
Trace UK World Ltd		United Kingdom	74	74
Trace Cameroun		Cameroun	37	37
Radio Bis - Trace FM		France	75	75
Digital Rights Group Limited		United Kingdom	79	79
ID Distribution Ltd		United Kingdom	79	79
C4i Distribution Ltd		United Kingdom	79	79
Zeal Entertainment Ltd		United Kingdom	79	79
IR2 Ltd		United Kingdom	79	79
This Is Your Life Experience Ltd		United Kingdom	79	79
3DRG Ltd		United Kingdom	79	79
Alchemy TV Distribution Ltd		United Kingdom	79	79
Ovation TV Distribution Ltd		United Kingdom	79	79
DRG America Ltd		United Kingdom	79	79
DRG America LLC		USA	79	79
Portman Film and Televison Ltd		United Kingdom	79	79
Click TV Ltd		United Kingdom	79	79
Saigon Productions Ltd		United Kingdom	79	79
Portman Acquisitions Ltd		United Kingdom	79	79
Portman Entertainment Ltd		United Kingdom	79	79
Portman Media Assets Ltd		United Kingdom	79	79
Portman Media Assets (No.2) Ltd		United Kingdom	79	79
Coming Home Ltd		United Kingdom	79	79
Nancherrow Ltd		United Kingdom	79	79
Dancemerit Ltd		United Kingdom	79	79
Portman Productions Ltd		United Kingdom	79	79
An Awfully Big Production Company Ltd		United Kingdom	79	79
NICE Entertainment Group Oy		Finland	94	94
Gong Media Aps		Denmark	94	94
Nice Entertainment Sweden AB	556777-9268	Stockholm	94	94
Titan Television AB	556579-2610	Stockholm	94	94
Nice Drama AB	556783-6704	Stockholm	94	94
Baluba AB	556513-3146	Stockholm	94	94
Baluba Event AB	556590-1492	Stockholm	94	94
Baluba Television AB	556500-4362	Stockholm	94	94
A nice company AS		Norway	94	94
Rakett AS		Norway	94	94
One Big Happy Family AS		Norway	94	94
Monster AS		Norway	94	94
Monster Entertainment AS		Norway	94	94
Monster Scripted AS		Norway	94	94
Monster Format AS		Norway	94	94
Playroom AS		Norway	94	94
Nice Talent AS		Norway	94	94
Playroom Music AS		Norway	94	94
Playroom Event AS		Norway	94	94
Moskito Group Oy		Finland	94	94
Production House Oy		Finland	94	94
Moskito Television Oy		Finland	94	94
Moskito Sport Oy		Finland	94	94
Grillifilms Oy		Finland	57	57
Production Service Finland Oy		Finland	55	55

Direct and indirect ownership in Group companies Parent companies in bold	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG Radio AB	556365-3335	Stockholm	100	100
KiloHertz AB	556444-7158	Stockholm	100	100
Planet 103.9 Södertälje AB	556670-2477	Stockholm	100	100
Radio National Skellefteå AB	556475-0346	Stockholm	89	89
Star FM SIA		Latvia	100	100
Mediainvest Holding AS		Estonia	100	100
UAB TV3 Radio Lithuania		Lithuania	100	100
MTG Radio Sales AB	556490-7979	Stockholm	100	100
This is nice AB	556264-3261	Stockholm	100	100
Redaktörerna i Stockholm AB	556472-8425	Stockholm	100	100
Novemberfilm AS		Norway	51	51
Strix Television AB	556345-5624	Stockholm	100	100
Strix Drama AB	556419-9544	Stockholm	100	100
Strix Code AB	556958-3775	Stockholm	100	100
Strix Televisjon AS		Norway	100	100
Strix Television B.V.		Netherlands	100	100
Paprika Holding AB	556896-1444	Stockholm	55	55
Paprika Latino Studios EOOD		Bulgaria	55	55
Paprika Latino Studios D.O.O		Serbia	55	55
Paprika Latino Studios SRL		Romania	55	55
Paprika Latino Studio d.o.o		Slovenia	55	55
Paprika Latino Studios Kft		Hungary	55	55
UAB Studija Paprika		Lithuania	55	55
Onair Studios SIA		Latvia	37	37
Paprika Latino Studios OÜ		Estonia	45	45
MTG Holding AB	556057-9558	Stockholm	100	100
Bäckegruve AB	556170-7752	Stockholm	100	100
MTG Accounting AB	556298-5597	Stockholm	100	100
Senaste Nytt på Nätet SNN AB	556448-0076	Stockholm	100	100
MTG Modern Services AB	556711-0290	Stockholm	100	100
MTG Financing Holding Ltd		Malta	100	100
B24 Marketing Services Ltd		Gibraltar	100	100
Nordic Casino Ltd		Malta	100	100
MTG Financing Ltd		Malta	100	100
Bet 24 ApS		Denmark	100	100
Modern Times Group MTG A/S		Denmark	100	100
Strix Television A/S		Denmark	100	100
ViaSat A/S		Denmark	100	100
TV3 Sport A/S		Denmark	100	100
Visat Film A/S		Denmark	100	100
TV3 Sport1 A/S		Denmark	100	100
Selskabet 23092011 A/S		Denmark	100	100
Modern Times Group MTG AS		Norway	100	100
Viasat AS		Norway	100	100
SportN AS		Norway	100	100
TV4 AS		Norway	100	100
P4 Radio Hele Norge AS		Norway	100	100
P5 Radio Halve Norge AS		Norway	100	100
OY Suomen Radioviestinäly (SR)		Finland	69	69
OY Special-Hopea (SH)		Finland	100	100

Shares and participations in joint ventures	Registered office	Share capital (%)	Voting rights (%)
Raduga Holdings S.A.	Luxembourg	50	50
LLC DalGeoCom	Russia	50	50
LLC Raduga 2009	Russia	50	50
LLC Raduga 2011	Russia	50	50

Group (SEK million) Shares and participations in associated companies	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2014	Book value 31 Dec 2013	Market value 31 Dec 2014	Market value 31 Dec 2013
CTC Media, Inc.	USA	60,008,800	39	39	1,984	1,931	2,269	5,382
Other associated companies					70	55		
Total					**2,054**	**1,986**		

Group (SEK Million) Shares in CTC Media, Inc.	2014	2013
Share of net assets 1 January	1,692	1,664
Share of earnings	540	586
Share of tax expense	-184	-161
Share of other comprehensive income	-407	-76
Effect of employee share option programmes	4	-62
Dividend received	-297	-246
Translation differences	396	-13
Share of net assets 31 December	**1,745**	**1,692**
Goodwll	417	417
Elimination	-177	-177
Balance carried forward 31 December	**1,984**	**1,931**

Group (SEK million) Shares and participations in joint ventures	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2014	Book value 31 Dec 2013	Market value 31 Dec 2014	Market value 31 Dec 2013
Raduga Holding S.A.	Luxemburg	120,000	50	50	0	-33		

Due to changes in IFRS, the interest in Raduga has been accounted for as an equity participation with effect from 1 January 2014. Figures for prior periods have been adjusted for comparison, see note 1 for more information. Raduga ceased broadcasting on 5 December 2014 and the value of Raduga in the consolidated accounts has therefore been adjusted to zero.

Group (SEK million) Shares and participations in other companies	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2014	Book value 31 Dec 2013	Market value 31 Dec 2014	Market value 31 Dec 2013
Qliro Group subscription options	Stockholm				-	34	-	34
Other					4	3	4	3
Total					**4**	**37**	**4**	**37**

The Qliro Group subsciption options related to the SEK 250 million convertible bond that was repurchased in December 2014.

Group (SEK million) Shares and participations in other companies	2014	2013
Accumulated acquisition values		
Opening balance 1 January	50	47
Investments in shares in other companies through acquisitions	0	3
Disposal subscription options Qliro Group	-47	-
Total acquisition values	**4**	**50**
Accumulated fair value revaluations		
Opening balance 1 January	-13	1
Revaluation available-for-sale during the year	0	-
Revaluation fair value through profit and loss during the year	-	-13
Disposal subscription options Qliro Group	13	-
Total fair value revaluations	**0**	**-13**
Closing balance 31 December	**4**	**37**

Parent company (SEK million) Shares and participations in other companies	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2014	Book value 31 Dec 2013	Market value 31 Dec 2014	Market value 31 Dec 2013
Other					1	1	1	1
Total					**1**	**1**	**1**	**1**

Parent company (SEK million) Shares and participations in Group companies	2014	2013
Accumulated acquisition values		
Opening balance 1 January	6,397	3,676
Shareholders' contribution	-	2,721
Closing balance 31 December	**6,397**	**6,397**

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

Parent company (SEK million) Shares and participation in other companies	2014	2013
Accumulated acquisition values		
Opening balance 1 January	1	1
Total acquisition values	**1**	**1**
Accumulated fair value revaluations		
Opening balance 1 January	0	0
Revaluation available-for-sale during the year	0	-
Total fair value revaluations	**0**	**0**
Closing balance 31 December	**1**	**1**

Note 15 Long-term receivables

Parent company (SEK million) Long-term Group receivables	2014	2013
Opening balance 1 January	421	1,208
New lending	362	425
Re-payments	-511	-1,211
Closing balance 31 December	**272**	**421**

Note 16 Accounts receivables

Group (SEK million)	31 December 2014	31 December 2013
Accounts receivables		
Gross accounts receivables	1,848	1,828
Less allowances for doubtful accounts	-190	-158
Total	**1,658**	**1,670**
Allowance for doubtful accounts		
Opening balance 1 January	158	154
Provision for potential losses	81	32
Actual losses	-36	-13
Reversed write-offs	-7	-15
Translation differences	-6	1
Closing balance 31 December	**190**	**158**
Receivables due without provisions for bad debt		
< 30 days	434	393
30-90 days	161	115
> 90 days	15	15
Total	**610**	**522**
Receivables due with provisions for bad debt		
> 90 days	190	158
Total	**190**	**158**

Note 17 Prepaid expense and accrued income

Parent company (SEK million)	31 December 2014	31 December 2013
Prepaid insurance premium	1	1
Prepaid financing costs	15	-
Other	1	1
Total	**17**	**2**

Note 18 Cash and cash equivalents

Group (SEK million)	31 December 2014	31 December 2013
Bank balances	643	765
Total	**643**	**765**

Parent company (SEK million)	31 December 2014	31 December 2013
Bank balances	402	429
Total	**402**	**429**

Note 19 Earnings per share

Group (SEK million)	2014	2013
Earnings per share before dilution		
Net income for the year attributable to equity holders of the parent company	1,139	1,092
Net income for the year attributable to equity holders of the parent company, total Group	**1,139**	**1,092**
Shares outstanding on 1 January	66,622,711	66,612,522
Effect from stock options exercised	5,060	7,146
Weighted average number of shares, basic	**66,627,771**	**66,619,668**
Basic earnings per share, SEK	17.10	16.39
Diluted earnings per share		
Net income for the year attributable to equity holders of the parent company	1,139	1,092
Effect from dilution in associated companies (CTC Media)	-1	0
Diluted net income for the year attributable to the equity holders of the parent company	**1,139**	**1,092**
Weighted average number of shares, basic	66,627,771	66,619,668
Effect from stock options and performance rights and options	81,317	77,851
Weighted average number of shares, diluted	**66,709,088**	**66,697,519**
Diluted earnings per share, SEK	17.07	16.37

Potentially dilutive instruments

Modern Times Group MTG AB has outstanding long-term incentive plans. For the share options, the calculation of the potential dilution is done to determine the number of shares that could have been acquired at fair value based on the value of the subscription rights. Retention and performance share rights are included in the potentially dilutive shares from the start of the program, and in accordance with the performance targets achieved. The dilution from the incentive plans is a consequence of the 2014, 2013 and 2012 programs. Further, the Company has outstanding programmes, where the strike price or performance are not yet achieved. These rights and options might be diluting in the future. As per 31 December 2014 these amounted to 520,301 (373,337).

Note 20 Shareholders' equity

Parent company Shares issued	Number of shares paid	Quota value (SEK million)
MTG Class A	5,007,793	25
MTG Class B	61,774,331	309
MTG Class C	865,000	4
Total number of shares issued/total quota value as per 31 December 2014	**67,647,124**	**338**

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

Parent company	Class A shares	Class B shares	Class C shares	Total
Number of shares issued 1 January 2014	**5,018,491**	**61,763,633**	**865,000**	**67,647,124**
Conversion of Class A shares to Class B shares 2014	-10,698	10,698		
Number of shares issued 31 December 2014	**5,007,793**	**61,774,331**	**865,000**	**67,647,124**

Out of the totally issued shares, 151,935 Class B shares and 865,000 Class C shares are held as treasury shares.

Parent company (SEK)	2014	2013
Proposed/decided cash dividends	**11.00**	**10.50**

The Board of Directors propose to the Annual General Meeting 2015 an ordinary dividend of SEK 11.00 (10.50) per share, which corresponds to 57% (56)% of this year's net income excluding non-recurring items. The total proposed dividend payment would amount to a maximum of SEK 734,166,257, 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 2014 and 2013. The mandate was not utilised in 2014 or 2013.

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)	2014	2013
Opening balance, 1 January	-941	-734
This year's translation differences, net of tax	8	-207
Total accumulated translation differences, 31 December	**-934**	**-941**

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Group (SEK million)	2014	2013
Opening balance, 1 January	1	-14
Recognised in other comprehensive income	230	15
Recognised in the income statement	0	22
Transferred to the acquisition value of item hedged (inventory program rights)	-94	-21
Closing balance, 31 December	**137**	**1**

Fair value reserve

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

Group and parent company (SEK million)	2014	2013
Opening balance, 1 January	0	0
Recognised in other comprehensive income	0	0
Closing balance, 31 December	**0**	**0**

Revaluation reserve

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

Group (SEK million)	2014	2013
Opening balance, 1 January	-12	-12
Closing balance, 31 December	**-12**	**-12**

Retained earnings

Retained earnings comprise of previously earned income.

Non-controlling interest

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

Note 21 Provisions

Group (SEK million)	Royalties and other provisions	Pension provisions	Total
Opening balance, 1 January 2013	**311**	**8**	**319**
Provisions during the year	254	-	254
Utilised during the year	-104	0	-104
Reversed during the year	-3	-	-3
Translation differences	0	-1	-1
Closing balance, 31 December 2013	**458**	**7**	**466**
Opening balance, 1 January 2014	**458**	**7**	**466**
Provisions during the year	131	-	131
Utilised during the year	-86	0	-86
Reversed during the year	-13	-	-13
Reclassifications	-66	-	-66
Translation differences	6	0	7
Closing balance, 31 December 2014	**430**	**7**	**438**

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.

Parent company

The provisions in the Parent company comprise accrued social expenses on share-based payments of SEK 2 (4) million.

Note 22 Accrued expense and prepaid income

Parent company (SEK million)	31 December 2014	31 December 2013
Accrued personnel costs	34	31
Accrued interest costs	0	1
Accrued professional fees	6	7
Other	2	1
Total	**42**	**40**

Note 23 Pledged assets and Contingent liabilities

Group (SEK million) Contingent liabilities	31 December 2014	31 December 2013
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 2014 and 2013.

Parent company (SEK million) Contingent liabilities	31 December 2014	31 December 2013
Guarantees subsidiaries	1,670	1,332
Total	**1,670**	**1,332**

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

Note 24 Financial instruments and financial risk management

Capital management

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

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

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

Financial risk management

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

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

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

Financing and refinancing risk

Financing risk is the risk of not being able to meet the need for future funding requirements. MTG's sources of funding are primarily shareholders' equity, cash flows from operations and borrowing. 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 a credit rating valuation equal to investment grade.

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 committed SEK 5,500 million five-year syndicated multi-currency facility arranged in December 2013, and issued a SEK 1,000 million corporate bond in March 2014. The bond replaced the SEK 1,000 million term loan that was issued in December 2013. The bond has a maturity of 4 years and is on a floating rate coupon of three month STIBOR plus 1.10%. The revolving credit facility is unsecured, with no required amortisations and can be paid out in optional currencies. The interest rate of the revolving facility varies with IBOR, depending on the currency utilised. The Group has also entered the short term capital market by establishing an uncommitted SEK 2,000 million frame commercial paper programme. The SEK 5,500 millon facility has covenants based on the ratios total consolidated net debt in relation to consolidated EBITDA and consolidated EBITDA to net financial expenses. The covenants have been fulfilled. There are no regulatory external capital requirements to be met by the parent company or any of the subsidiaries other than the covenants.

In addition to the SEK 5,500 million facility, two overdraft facilities of SEK 125 million each, one of EUR 5 million and one of NOK 55 million in total SEK 355 million, are granted. As per 31 December 2014 SEK - (1,800) million of the credit facilities were utilised and no commercial papers out of the SEK 2,000 million commercial paper program were outstanding. The available liquid funds as per 31 December 2014 was SEK 6,498 (5,569) million.

The Prima Group has a revolving credit facility of CZK 220 million, of which CZK 60 million is an overdraft facility. The facilities were unutilised on 31 December 2014 and 2013.

The Bulgarian company Nova has a credit facility of EUR 6 million, of which EUR 5.8 (5.7) million were drawn at the balance sheet date. EUR 0.2 (0.3) million were unutilised as per 31 December.

Group (SEK million)	2014	2013
Interest-bearing loans and borrowings	-1,055	-1,829
Other interest-bearing liabilities	-2	-45
Cash and cash equivalents	643	769
Long- and short-term interest-bearing assets	52	334
Net debt	**-362**	**-772**

Finance lease liabilities

The lease liabilities refer to play out equipment, cameras and active broadband network components. The equipment had a value of SEK 1 (26) million as per 31 December. Finance lease liabilities are payable as follows:

	2014		
Group (SEK million)	Minimum lease payments	Interest	Principal
Less than a year	0	0	0
Between one and five years	0	0	0
Total finance lease	**1**	**0**	**1**

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

Interest-bearing liabilities

Group (SEK million)	31 December 2014	31 December 2013
Non-current liabilities		
Non-current portion of bank loans	-	1,779
Bond loan	1,000	-
Other long-term liabilities	0	7
Non-current portion of finance lease liabilities	1	16
Total	**1,001**	**1,801**
Current liabilities		
Current portion of bank loans	55	51
Other short-term liabilities	1	8
Current portion of finance lease liabilities	0	14
Total	**57**	**73**

Maturity of long-term loans

Parent company (SEK million)	31 December 2014	31 December 2013
Amount due for settlement within 12 months	-	-
Amount due for settlement within 13 to 59 months	1,024	1,779
Amount due for settlement after 60 months	-	-
Total	**1,024**	**1,779**

Terms and payback period, gross values

	2014						
Group (SEK million)	Interest rate	Fixed interest term	Effective interest rate	Total	12 months or less	1-2 years	More than 2 years
Finance lease liabilities	4.44	24 months	4.44	1	0	0	-
Loan from bank	1.27	1 month	1.27	55	55	-	-
Bond loan	1.84	3 months	1.85	1,035	11	22	1,002
Forward agreements				4	4	-	-
Other interest-bearing liabilities				1	1	0	-
Accounts payable				1,351	1,351	-	-
				2,447	**1,423**	**22**	**1,002**

	2013						
Group (SEK million)	Interest rate	Fixed interest term	Effective interest rate	Total	12 months or less	1-2 years	More than 2 years
Finance lease liabilities	2.1-12.3	12 months	2.1-12.3	31	15	16	-
Loan from bank	1.50-2.44	1 month	4.67	2,181	136	1,082	963
Forward agreements				16	16	-	-
Other interest-bearing liabilities				16	8	7	-
Accounts payable				1,705	1,705	-	-
				3,948	**1,880**	**1,105**	**963**

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 by matching lending and borrowing in terms of interest rates and maturity periods. During 2013-2014, the interest rate period was less than 1 year.

Short-term investments and cash and cash equivalents amounted to SEK 643 (765) million as per 31 December and the average interest rate period on these assets was approximately 1 month. With an average fixed interest period of 3 months on the bond loan, amounting to SEK 1,000 million, a one percentage point change in interest rates, assuming a positive interest rate, would have an impact on the Group's interest expense of approximately SEK 8 million. The calculation is based on the change in the 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 in the case of deposits of surplus funds, bank account balances and investments in financial assets. Administration of the financial credit risk, arising from corporate treasury transactions when using derivative instruments, is regulated in the Group's financial policy.

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

The credit risk with respect to the Group's trade receivables is diversified among a large number of customers, both private individuals and companies. The credit risks on certain markets in Eastern Europe has increased during 2014 as a result of the financial turbulence on those markets. High credit ratings are required for material credit sales and solvency information is obtained to reduce the risk of bad debt expense. The Group's assessment based on historical data is that there are no write-down requirements for trade receivables not due. The majority of the current outstanding trade receivables comprise previously known customers, who are judged to have good credit worthiness. See also note 16 Accounts receivables.

The Group's exposure to credit risk amounts to SEK 2,747 (2,781) 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.

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 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. Approximately 85-100% of the currency flows related to programme acquisitions for the next 12 months are hedged. The hedging reserve at year end amounted to SEK 137 (1) million. Other transaction exposures are not hedged.

The most important external net foreign cash flows in the separate entities of the Group, which is cash flows in another currency than the local currency of each entity, was distributed among the currencies as follows, hedges not included:

Currency (SEK million)	2014	2013
GBP	-378	-349
DKK	429	503
NOK	246	265
EUR	-916	-1,270
USD	-2,048	-1,977

A 5% change in USD/SEK would have a net effect on profit before tax of approximately SEK 95-105 (95-105) million. A 5% change in EUR/SEK would have a net effect on profit before tax of approximately SEK 40-50 (50-60) million.

The nominal value of the hedge contracts amounted to:

Currency (million)	2014	2013
EUR	116	101
USD	324	253

The effect of a change in the rate by 5% on the outstanding positions as per 31 December would have been approximately SEK 119 (84) million.

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. The USD amount comprises the holding in CTC Media. There are no hedging positions for translation exposure.

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

	2014		2013	
Currency	SEK million	%	SEK million	%
USD	1,984	30	1,931	31
NOK	1,316	20	1,270	20
EUR	1,483	23	862	14
DKK	749	11	546	9
Other currencies	1,013	15	1,647	26
Total equivalent SEK value	**6,546**	**100**	**6,256**	**100**

A 5% change in USD/SEK would affect equity by approximately SEK 99 (97) million, while the corresponding change in the Central European currencies would affect equity by SEK 63 (82) million.

Financial assets and liabilities

Group (SEK million)	Book value 2014	Fair value 2014	Book value 2013	Fair value 2013
Financial assets through profit and loss	303	303	34	34
Financial assets available-for-sale	4	4	3	3
Loans and receivables	2,339	2,339	2,761	2,761
Total financial assets	**2,646**	**2,646**	**2,799**	**2,799**
Financial liabilities valued at fair value	231	231	296	296
Other financial liabilities	2,467	2,472	3,578	3,578
Totalt financial liabilities	**2,698**	**2,703**	**3,874**	**3,874**

Parent company (SEK million)	Book value 2014	Fair value 2014	Book value 2013	Fair value 2013
Financial assets through profit and loss	298	298	17	17
Financial assets available-for-sale	1	1	1	1
Loans and receivables	10,579	10,579	13,546	13,546
Total financial assets	**10,878**	**10,878**	**13,563**	**13,563**
Financial liabilities valued at fair value	294	294	16	16
Other financial liabilities	9,761	9,766	12,425	12,425
Totalt financial liabilities	**10,056**	**10,060**	**12,441**	**12,441**

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

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

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

Level 2 – observable sources of data for the asset or liability, either directly or as 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, which also applies to the Qliro option value (2013). Contingent considerations and options at fair value related to acquisitions are classified as level 3.

Fair value of Financial instruments in the statement of financial position

	31 December 2014			31 December 2013		
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	4		0	3		
Financial assets at fair value through profit and loss						
Shares and other investments in other companies		-			34	
Derivatives						
Forward foreign exchange contracts		303			-	
Financial liabilities						
Derivatives						
Forward foreign exchange contracts		4			16	
Contingent considerations acquisitions						
Contingent considerations and options at fair value			227			280

	31 December 2014			31 December 2013		
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		0	1		
Derivatives						
Forward foreign exchange contracts		298			17	
Financial liabilities						
Derivatives						
Forward foreign exchange contracts		294			16	

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, the market prices on Nasdaq Stockholm have been used to derive at fair value by applying the Black & Scholes method for the Qliro option value. As for the forward contracts, forward rates from Bloomberg have been used to arrive at fair value. Level 3 items are recognized at present value which is based on calculations defined in the agreements.

Other financial assets are reported in the statement of financial position 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 correspond for these items. The fair value of financial liabilities other than derivatives are based on future contractual cash flows for the principal amount and interest, discounted at market interest rate at the balance sheet date. Fair value for finance lease liabilities are based on the present value of future cash flows discounted at the market interest rate for such lease agreements. The fair value of trade receivables and payables are judged to equal the book value, as the remaining economic life are less than six months. Level 3 financial liabilities are revalued at each closing and the calculations are based on updated forcasts and market interest rates for discounting.

Group (SEK million) Financial liabilities, level 3	2014	2013
Accumulated values		
Opening balance 1 January	280	206
New acquisitions	138	48
New entries through acquisitions	-	24
Reclassification	-24	-
Sale of subsidiaries	-123	-
Changes in fair value	-51	-
Translation differences	6	2
Closing balance 31 December	**227**	**280**

Note 25 Supplementary information to the statement of cash flow

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

Group (SEK million)	2014	2013
Income/loss from sale of subsidiaries	-79	-
Revaluation of Qliro Group, options and interest	14	14
Depreciation and amortisation, write-downs and disposals of fixed assets	348	338
Share in the earnings of associated companies and joint ventures	-558	-576
Share in tax expense of associated companies and joint ventures	190	162
Dividends from associated companies	309	251
Other items	-46	39
Unrealised exchange differences	-12	-47
Total	**165**	**180**

Other information

Cash paid for interest and corporate tax

Group (SEK million)	2014	2013
Interest paid	-53	-80
Interest received	21	51
Corporate income tax	-344	-421
Total	**-376**	**-450**

Parent company (SEK million)	2014	2013
Interest paid	-23	-70
Interest received	21	49
Corporate income tax	-72	-46
Cash received for group dividends	-	68
Total	**-74**	**0**

Divested operations, Zitius

	Jan-May 2014	2013
Net sales	72	152
Operating expenses	-66	-134
Financial expenses	-1	-3
Tax	-1	-3
Net income	**4**	**12**

	Jan-May 2014	2013
Non-current assets	345	339
Trade and other receivables	27	24
Cash and cash equivalents	9	10
Interest-bearing liabilities	-185	-199
Trade and other liabilities	-37	-43
Net assets	**159**	**131**
Sales price	238	-
Net cash inflow	**230**	**-**

Note 26 Lease and other commitments

Lease and other commitments for future payments at 31 December 2014

Group (SEK million)	Future rent on non-cancellable leases	Future payments for program rights	Transponder commitments	Total commitments
2015	150	3,108	340	3,597
2016	132	2,942	262	3,336
2017	115	2,332	50	2,496
2018	111	1,403	-	1,515
2019	97	659	-	756
2020 and thereafter	369	480	-	848
Total lease and other commitments	**973**	**10,923**	**652**	**12,548**
This year's operational costs				
Minimum lease fees	150	3,648	399	4,197
Variable fees	1	58	13	72
This year's operational costs	**151**	**3,707**	**412**	**4,269**

Lease and other commitments for future payments at 31 December 2013

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

Lease and other commitments for future payments at 31 December

Parent company (SEK million)	2014	2013
2014	-	1
2015	2	1
2016	2	1
2017	2	1
2018	2	1
2019	2	1
2020 and thereafter	2	-
Total lease and other commitments	**10**	**7**
This year's operational costs		
Minimum lease fees	1	1
Variable fees	-	-
This year's operational costs	**1**	**1**

Note 27 Average number of employees

Group	2014 Men	2014 Women	2013 Men	2013 Women
Sweden	766	507	637	385
Bulgaria	253	220	193	176
Norway	221	189	146	138
United Kingdom	194	208	177	196
Denmark	209	133	171	108
The Czech Republic	128	114	116	118
Latvia	53	109	64	105
Estonia	50	94	51	98
Lithuania	73	47	63	46
Russia	23	38	38	57
Finland	52	53	10	7
Ukraine	43	36	50	44
Ghana	59	20	73	22
Tanzania	41	21	6	3
Hungary	19	27	20	26
France	32	13	-	-
Other	9	8	7	11
Total	**2,224**	**1,834**	**1,821**	**1,540**
Total average number of employees		**4,059**		**3,361**

Parent company	2014	2013
Men	27	26
Women	22	17
Total	**49**	**43**

Gender distribution senior executives

Group	2014 Men %	2014 Women %	2013 Men %	2013 Women %
Board of Directors	83	17	84	16
Senior executives	63	37	64	36
Total	**71**	**29**	**71**	**29**

Parent company	2014 Men %	2014 Women %	2013 Men %	2013 Women %
Board of Directors	71	29	71	29
CEO	100	-	100	-
Other senior executives	67	33	75	25
Total	**73**	**27**	**75**	**25**

Note 28 Salaries, other remuneration, and social security expenses

Group (SEK million)	2014	2013
Personnel expenses		
Wages and salaries	1,986	1,532
Social security expenses	423	301
Pension costs – defined contribution plans	115	89
Pension costs – defined benefit plans	0	0
Share-based payments	1	18
Social security expenses on share-based payments	-2	3
Total	**2,524**	**1,944**

Group (SEK million)	2014	2013
Board of Directors, CEO and other senior executives [1]	148	129
of which, variable salary	*28*	*30*

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

Parent company (SEK million)	2014	2013
Board of Directors, CEO and other senior executives	42	42
of which, variable salary	*7*	*13*
Other employees	68	42
Total salaries and other remuneration	**111**	**84**
Social security expenses	42	41
of which, pension costs	*8*	*7*
of which, pension costs CEO	*2*	*1*

Total salaries in the parent company include remuneration to other senior executives 5 (5) persons of SEK 21 (25) million, of which variable salary is SEK 7 (8) million.

Remuneration to senior executives
A fee is paid to the Board of Directors in accordance with the decision of the Annual General Meeting. The remuneration to senior executives is paid in accordance with the guidelines approved by the Annual General Meeting 2014.

The objective of the guidelines is to ensure that MTG can attract, motivate and retain senior executives, within the context of MTG's international peer group, which consists of Northern and Eastern European media companies. The remuneration shall be based on conditions that are market competitive and at the same time aligned with shareholders' interests. Remuneration to the Executives shall consist of a fixed and variable salary in cash, as well as the possibility of participation in equity based long-term incentive programmes and pension schemes. These components shall create a well balanced remuneration reflecting individual performance and responsibility, both short-term and long-term, as well as MTG's overall performance.

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

Variable salary The Executives may receive variable remuneration in addition to fixed salaries. The contracted variable remuneration will generally not exceed a maximum of 75 per cent of the fixed annual salary. The variable remuneration shall be based on the performance of Executives in relation to established goals and targets. **Other benefits** MTG provides other benefits to the Executives in accordance with local practice. Other benefits can include, for example, a company car and company health care. Occasionally, housing allowance could be granted for a defined period. **Pension** The Executives shall be entitled to pension commitments based on those that are customary, competitive and in line with market conditions in the country in which they are employed. Pension commitments will be secured through premiums paid to insurance companies.

Notice of termination and severance pay The maximum notice period in any Executive's contract is twelve months during which time salary payment will continue. The Company does not generally allow any additional contractual severance payments to be agreed although there can be occasional cases where this takes place. **Compensation to Board Members** Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board. **Deviations from the guidelines** In special circumstances, the Board may deviate from the above guidelines, for example additional variable remuneration in the case of exceptional performance. In such a case the Board is obliged to explain the reason for the deviation at the following Annual General Meeting.

Senior executives include segment managers, the Chief Executive Officer, the Chief Financial Officer, and Executive Vice Presidents. The Executive Management is found on pages 49-53. Patrick Svensk left the Group in May 2014. Anders Jensen joined the Group as per 1 August 2014. Matthew Hooper and Rikard Steiber joined the the Executive Management group in February 2013. Jette Nygaard-Andersen joined the Executive Management group in June 2013. The remuneration therefore reflect these changes from the respective dates in the figures below.

Remuneration and other benefits 2014

(SEK thousand)	Base fee	Base salary	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
David Chance, Chairman of the Board	1,310					1,413	2,723
Mia Brunell Livfors	525						525
Blake Chandlee	475						475
Simon Duffy	700						700
Lorenzo Grabau	700						700
Alexander Izosimov	600						600
Michelle Guthrie	600						600
Jørgen Madsen Lindemann, CEO		9,483	7,010	108	941		17,542
Executive managers (10 persons)		30,959	16,030	1,225	2,679		50,893
Total	**4,910**	**40,442**	**23,040**	**1,333**	**3,620**	**1,413**	**74,758**

The 2014 amounts disclosed for the major part of the executive managers relate to the full year, but part of the year for some of the executive managers. The numbers include variable salary remuneration incurred to be paid after the year end for the Chief Executive Officer of SEK 4 (4) million. In addition, non-cash share-based incentive programme costs calculated in accordance with IFRS 2 amounted to SEK 2 (2) million for the CEO and SEK 8 (8) million for other executive managers. Out of the remuneration to other executive managers SEK 21 (25) million was expensed in the parent company, SEK 26 (21) million was expensed in the subsidiaries.

David Chance has, in addition to the board fee in MTG, also received remuneration of SEK 1,413 (37) thousand for services to the company and his work as a Director of the Board in Modern Times Group MTG Ltd.

Remuneration and other benefits 2013

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

The 2013 amounts disclosed for the executive managers relate to the full year, although part of the year for some of the executive managers. The numbers include variable salary remuneration incurred to be paid after the year end for the Chief Executive Officer of SEK 4 (1) million. In addition, non-cash share-based incentive programme costs calculated in accordance with IFRS 2 amounted to SEK 2 (1) million for the CEO and SEK 8 (5) million for other executive managers. Out of the remuneration to other executive managers SEK 25 (25) million was expensed in the parent company, SEK 21 (23) million was expensed in the subsidiaries.

David Chance has, further to the board fee in MTG, also received a board fee in 2013 of SEK 37 (73) thousand as a Director of the Board in Modern Times Group MTG Ltd.

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

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

2014 Long-term incentive programme (LTIP)
The 2014 programme is performance based and directed towards 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 price at grant, and, for the CEO and senior executives, the number of invested shares, the participants will be granted rights to receive MTG Class B shares free of charge, depending on the fulfillment of certain stipulated goals and the employee category. The goal relate to normalised return on capital employed. The share rights were granted by the company free of charge at the beginning of June 2014, and may be exercised the day following the release of the interim report for Q1 2017. 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 345,000 share rights.

2013 Long-term incentive programme (LTIP)
The 2013 programme is performance based and directed towards 100 senior executives and other key employees. The CEO and the senior executives are required to make a personal investment in MTG shares to participate. Investment shares can be shares already held or shares purchased on the market in connection with the notification to participate in the programme, and must be held during the three year vesting period. Based on the participant's annual gross salary and the share price at grant, and, for the CEO and senior executives, the number of invested shares, the participants will be granted rights to receive MTG Class B shares free of charge, depending on the fulfillment of certain stipulated goals and the employee category. The goal relate to normalised return on capital employed. The share rights were granted by the company free of charge at the beginning of June 2013, and may be exercised the day following the release of the interim report for Q1 2016. Dividends paid on underlying shares during the vesting period will increase the number of shares in order to treat the shareholders and the participants equally. The programme is calculated to comprise a maximum of 240,000 share rights.

2012 Long-term incentive programme (LTIP)
The 2012 programme is performance based and directed towards 100 senior executives and other key employees. Individual investments in MTG shares are required to participate. These shares can be shares already held or shares purchased on the market in connection with the notification to participate in the programme. The shares must be held during the three year vesting period. Approximately 50 of the participants are granted retention and performance rights and performance options, depending on the fulfillment of certain stipulated goals and the employee category. The other 50 participants are granted retention shares only. The goals relate to shareholder return, normalised return on capital employed and shareholder return to be equal to a peer group. The rights to retention shares and performance shares were granted by the company free of charge at the beginning of June 2012, and may be exercised the day following the release of the interim report for Q1 2015. Dividends paid on underlying shares during the vesting period will increase the number of retention and performance shares in order to treat the shareholders and the participants equally. The programme is calculated to comprise 26,850 retention shares, 120,500 performance shares, and 120,500 performance options, where approximately 50 participants and their investments are matched. The exercise price for the performance options was set at 120% of the average share price of the Class B share at grant date.

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

2010 Long-term incentive programme (LTIP)
The 2010 programme was performance based and directed towards 100 senior executives and other key employees. Individual investments in MTG shares were required to participate. These shares can be shares already held or shares purchased on the market in connection with the notification to participate in the programme. The shares had to be held during the three year vesting period. The participants were granted retention and performance rights, and performance options, depending on the fulfillment of certain stipulated goals and the employee category. The goals related to shareholder return, normalised return on capital employed and shareholder return to be equal to a peer group. The rights to retention shares and performance shares were granted by the company free of charge at the beginning of June 2010, and could be exercised the day following the release of the interim report for Q1 2013. Dividends paid on underlying shares during the vesting period increased the number of retention and performance shares in order to treat the shareholders and the participants equally. The programme was calculated to comprise 12,500 retention shares, 53,000 performance shares, and 106,000 performance options. The exercise price for the performance options was set at 120% of the average share price of the Class B share at grant date. All options were forfeited by the end of May 2014.

Cost effects of the incentive programmes
The programmes are equity-settled programmes. The initial fair value at grant date of the stock option programmes, is expensed during the vesting period. The cost for the programmes is recognised in equity and as an operating expense. The cost is based on the fair value of the MTG Class B share at grant date and the number of shares expected to vest. The cost recognised in 2014 and 2013 respectively for the programmes amounts to SEK 1 (18) million excluding social charges.

The fair value of services received in return for share options granted were calculated based on the Black & Scholes method. The expected volatility is based on historical values. Further, it has been assumed that 10 per cent of the personnel will leave during the period. As for the performance programmes, the probability that the goals are met has been taken into consideration by applying adjustment factors to the different goals, when calculating the costs.

There were no share rights or options exercisable at the end of 2014.

Dilution

If all options granted to senior executives and key employees as at 31 December 2014 were exercised and all share rights awarded, the outstanding shares of the Company would increase by 520,301 (373,337) Class B shares, and be equivalent to a dilution of 0.8 (0.6) % of the issued capital and 0.5 (0.3) % of the related voting rights at the end of 2014. In May 2014 7,478 performance shares from the 2011 programme were exercised, and in May 2013, 10,189 performance shares from the 2010 programme were exercised.

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

No of options and rights outstanding	CEO	Senior executives	Key personnel	Total
LTIP 2012	13,600	46,750	48,875	109,225
LTIP 2013	22,330	56,179	75,481	153,990
LTIP 2014	22,343	54,301	180,442	257,086
Total outstanding as per 31 December 2014	**58,273**	**157,230**	**304,798**	**520,301**

	2014		2013	
	No of options and other rights	Weighted exercise price	No of options and other rights	Weighted exercise price
Options and other rights outstanding at 1 January	373,337	113.40	266,050	210.86
Recalculated due to dividends	720	-	963	-
Retention shares and options issued during the year	272,749	-	180,789	-
Retention and performance shares exercised during the year	-7,478	-	-10,189	-
Retention and performance shares and options forfeited during the year	-119,027	142.99	-64,276	351.25
Total outstanding as per 31 December	**520,301**	**34.27**	**373,337**	**113.40**

The exercise prices for the 2010 incentive programmes were recalculated for the distribution of the shares in Qliro Group in 2010.

The share rights exercised in 2014 and 2013 were free of charge.

Outstanding options as per 31 December 2014 of 49,300 have an exercise price of SEK 361.70, other rights are free of charge. The weighted average price is SEK 34.27 (113.40). The weighted average remaining contractual life is 1.6 (1.6) year.

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

Specification of LTIP programmes	No. of allocated options and other rights	No. of people	Exercise price options	Theoretical value at allocation	Exercise period	Outstanding options and other rights as per 1 January	Recalcu-lation due to dividend	Forfeited during the year	Exercised during the year	Outstanding options and other rights as per 31 December
Grant 2010										
2014	168,767									-
2013	168,767	50	452.00	69.17	2013	71,375	963	62,149	10,189	-
Grant 2011										
2014	191,375	100	517.30	98.66	2014	73,500	720	66,742	7,478	-
2013	191,375	100	517.30	98.66	2014	84,700		11,200		73,500
Grant 2012										
2014	229,525	100	361.70	70.01	2015	119,425		10,200		109,225
2013	229,525	100	361.70	70.01	2015	109,975		-9,450		119,425
Grant 2013										
2014	180,789	100	-	117.32	2016	180,412		26,422		153,990
2013	180,789	100	-	117.32	2016			377		180,412
Grant 2014										
2014	282,966	140	-	137.32	2017			25,880		257,086
Total grant										
2014	1,053,422					373,337	720	129,244	7,478	520,301
2013	770,456					266,050	963	64,276	10,189	373,337

Group (SEK million) Employee expenses	2014	2013
Retention rights and options granted in 2010	-	-8
Retention rights and options granted in 2011	2	-4
Retention rights and options granted in 2012	1	-5
Retention rights granted in 2013	4	-4
Retention rights granted in 2014	-6	-
Total expense recognised as employee costs including social charges	**1**	**-21**

Parent company (SEK million) Employee expenses	2014	2013
Retention rights and options granted in 2010	-	-6
Retention rights and options granted in 2011	1	-2
Retention rights and options granted in 2012	1	-3
Retention rights granted in 2013	3	-2
Retention rights granted in 2014	-3	-
Total expense recognised as employee costs including social charges	**1**	**-14**

Note 29 Audit fees

Group (SEK million)	2014	2013
KPMG, audit fees	14	11
KPMG, audit related fees	1	2
KPMG, tax related fees	0	1
KPMG, other services	0	1
EY, audit fees	2	1
Deloitte, audit fees	0	0
Total	**19**	**16**

Parent company (SEK million)	2014	2013
KPMG, audit fees	1	1
KPMG, audit related fees	-	1
KPMG, tax related fees	0	0
KPMG, other services	0	1
Total	**2**	**3**

Note 30 Related party transactions

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

All subsidiaries of Kinnevik are considered as related parties.

The Group has related party relationship with its subsidiaries, joint ventures and associated companies (see note 14).

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

Business agreements with related parties

The Group rents office space from Kinnevik.

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

A subsidiary to GES Media Europe produced formats and provided audio text services for FTV Prima spol s.r.o., a subsidiary to FTV Prima Holding A.S.

	Group		Parent company	
(SEK million)	2014	2013	2014	2013
Net sales				
Kinnevik	7	13	-	-
GES Media Europe	6	7	-	-
Other related parties	4	3	-	-
Total revenues	**17**	**24**	**-**	**-**
Operating costs				
Kinnevik	9	9	8	7
CTC	4	5	-	-
GES Media Europe	5	6	-	-
Other related parties	9	8	-	-
Total operating costs	**27**	**27**	**8**	**7**
Receivables				
Kinnevik	6	4	-	-
GES Media Europe	1	1	-	-
Other related parties	2	1	-	-
Total Receivables	**8**	**6**	**-**	**-**
Payables				
Kinnevik	1	1	-	1
CTC	0	2	-	-
GES Media Europe	58	1	-	-
Other related parties	1	1	-	-
Total Payables	**60**	**4**	**-**	**1**
Dividends from associated companies				
CTC	297	246	-	-
Other related parties	12	4	-	-
Total dividends associated companies	**309**	**251**	**-**	**-**

Remuneration of key management personnel

Other transactions than reported in note 28 have not been made.

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

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

The annual accounts and the consolidated statements were approved by the Board of Directors and the Chief Executive Officer on 30 March 2015. 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 19 May 2015.

Stockholm 30 March 2015

Mia Brunell Livfors
Non-Executive Director

David Chance
Chairman of the Board

Blake Chandlee
Non-Executive Director

Simon Duffy
Non-Executive Director

Lorenzo Grabau
Non-Executive Director

Michelle Guthrie
Non-Executive Director

Alexander Izosimov
Non-Executive Director

Jørgen Madsen Lindemann
President and
Chief Executive Officer

Our Audit report was submitted 1 April 2015

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Audit report

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and the consolidated accounts of Modern Times Group MTG AB (publ) for the year 2014. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 11-118.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A Corporate Governance statement has been prepared. The statutory administration report and the Corporate Governance statement are consistent with the other parts of the annual accounts and the consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Modern Times Group MTG AB (publ) for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

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

Stockholm 1 April 2015

KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Definitions

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

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

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

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

Earnings per share
Earnings per share is expressed as net income attributable to equity holders of the parent divided by the 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 financial costs divided by financial costs.

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

Net assets
Assets less liabilities including provisions.

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

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

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

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

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

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

Glossary

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

ARPU
Annualised Average Revenue per User calculated for premium subscribers.

AVOD
Advertising Video on Demand.

BTV
Broadband Television in open fibernet.

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

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

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

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

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

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

IPTV
Internet Protocol Television is a distribution system using cable or telephone wire employing DSL or similar technology which enables delivery of television programming services.

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

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

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

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

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

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

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

SVOD
Subscription video on demand, is a service offered which charges subscribers a monthly fee for accessing an unlimited number of programs.

TVOD
With transactional VOD the customer pays for each individual video on demand program.

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

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Print: Elanders

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