



# ANNUAL REPORT 2000



**THE PEOPLE SHOWN ON THE FRONT AND BACK COVERS REPRESENT OUR STARS**

**PEOPLE ON THE FRONT COVER**

**FIRST ROW, FROM LEFT** Petra Hultgren, TV3 Sweden, Hasse Aro, TV3 Sweden, Suzanne Sjögren, TV3 Sweden, Christer Falck, TV3 Norway

**SECOND ROW** David Letterman, ZTV, Ramune Peculiene, TV3 Lithuania, Atle Nilsen, TV3 Norway, Gry Forsell, TV3 Sweden

**THIRD ROW** Evita Dudare, TV3 Latvia, Robert Aschberg, TV3 Sweden, Gabriele Bartkute, TV3 Lithuania, Dick Lundberg, The Bar-winner, TV3 Sweden

**FOURTH ROW** Glenn Hysén, TV3 Sweden, Aurelija Anužite, TV3 Latvia, Algis Ramanauskas, TV3 Lithuania, Anna Järphammar, TV3 Sweden

**FIFTH ROW** Josefin Crafoord, ZTV, Claes Åkeson, TV3 Sweden, Ulrika Eriksson, TV3 Sweden, Nils Ole Oftebro, TV3 Norway

**PEOPLE ON THE BACK COVER**

**FIRST ROW, FROM LEFT** Vilma Cereskiene, TV3 Lithuania, Anders Høglund P4 and TV3 Norway, Linda Isacsson, TV3 Sweden, Marius Veselis, TV3 Lithuania

**SECOND ROW** Marijus Ziedas, TV3 Lithuania, Linda Nyberg, TV3 Sweden, Rune Brynhildsen, TV3 Norway, Ieva Tuna, TV3 Latvia.

**THIRD ROW** Elisa Røtterud, TV3 Norway, Håkan Södergren, TV3 Sweden, Birgitte Søndergaard, TV3 Sweden, Kiur Aarma, TV3 Estonia.

**FOURTH ROW** Enn Eesmaa, TV3 Estonia, Renée Nyberg, TV3 Sweden, Knut Thorbjørn Eggen, TV3 Norway, Algimanta Zukauskiene, TV3 Lithuania

**FIFTH ROW** Pernille Aalund, TV3 Denmark, Henrikas Vaitiekunas, TV3 Lithuania, Heidy Purga, TV3 Estonia, Vytautas Kernagis, TV3 Lithuania

# ANNUAL GENERAL MEETING

The annual general meeting of shareholders will be held at 9:30 AM on May 17, 2001, at Gamla Stans Bryggeri, Tullhus 2, on Skeppsbrokan in the Old Town, Stockholm.

Shareholders who wish to participate in the meeting 1) must notify Värdepapperscentralen (VPC, the Securities Register Center) to be recorded by Monday, May 7, 2001, in the shareholders' register prepared by VPC for the meeting and 2) must notify MTG no later than 1:00 PM on Monday, May 14, 2001, of their desire to attend. Notification must include the following: the shareholder's name, personal identification number (or company registration number), address, telephone number, and number of advisors. Shareholders can notify the Company via the Internet at [www.mtg.se](http://www.mtg.se), by fax at +46 8 205-074, by telephone at +46 8 5620-0050, or by mail at

Modern Times Group MTG AB  
Box 2094  
SE-103 13 Stockholm

## SCHEDULE FOR FINANCIAL INFORMATION

|                               |               |
|-------------------------------|---------------|
| First quarterly report        | April 25      |
| Annual meeting                | May 17        |
| Second quarterly report       | August 6      |
| Third quarterly report        | October 24    |
| Announcement of 2001 earnings | February 2002 |

## CONTENTS

|  |           |  |           |
|--|-----------|--|-----------|
| <b>Letter from the President</b> ..... | <b>2</b>  | <b>Annual Report</b> .....                   | <b>51</b> |
| <b>Group Review</b> .....              | <b>4</b>  | Directors' Report .....                      | <b>52</b> |
| <b>In the Past Year</b> .....          | <b>6</b>  | Consolidated Income Statements .....         | <b>53</b> |
| <b>In the Years Past</b> .....         | <b>7</b>  | Consolidated Balance Sheets .....            | <b>54</b> |
| <b>Board of Directors</b> .....        | <b>8</b>  | Consolidated Statements of Cash Flow .....   | <b>56</b> |
| <b>Executive Management</b> .....      | <b>10</b> | Parent Company Income Statement .....        | <b>57</b> |
| <b>Financial Review</b> .....          | <b>12</b> | Parent Company Balance Sheet .....           | <b>58</b> |
| <b>Viasat Broadcasting</b> .....       | <b>13</b> | Parent Company Statements of Cash Flow ..... | <b>60</b> |
| <b>New Media</b> .....                 | <b>23</b> | Notes .....                                  | <b>61</b> |
| <b>MTG Radio</b> .....                 | <b>27</b> | <b>Audit Report</b> .....                    | <b>77</b> |
| <b>Publishing</b> .....                | <b>31</b> | <b>Addresses</b> .....                       | <b>78</b> |
| <b>Modern Interactive</b> .....        | <b>35</b> |  |           |
| <b>SDI Media</b> .....                 | <b>39</b> |  |           |
| <b>Modern Studios</b> .....            | <b>43</b> |  |           |
| <b>Five Years with MTG</b> .....       | <b>47</b> |  |           |
| <b>MTG Share Data</b> .....            | <b>48</b> |  |           |
| <b>Analysts</b> .....                  | <b>50</b> |  |           |

# LETTER FROM THE PRESIDENT



The simplest thing for a media group would have been to splash them all over the front cover the first time we published an annual report, back when MTG became an independent publicly traded company four years ago. But we decided to hold back the most public faces in the media industry ... the stars.

This year, having already honored the entrepreneurs who created MTG, the salespeople who drive our revenues, and our customers in the form of readers, listeners, viewers, and buyers, in previous reports, it is time for the stars, the people who get the most exposure in this industry.

MTG, which broke the state monopoly 13 years ago by starting the first commercial TV broadcasts to Scandinavia, has done much to stretch the definition of "TV star."

I am thinking of the reality TV show *Baren*, "The Bar," an original concept created by our production company Strix Television. When *Baren* debuted on TV3 in Sweden and on the Swedish pages of the Internet portal Everyday.com in the spring of 2000, it was the world's first completely interactive reality TV show.

When the first 10 participants gathered for the first broadcast, they were more or less unknown. That would quickly change. The participants became "stars." In other words, MTG's stars are no longer only the hosts on TV and radio shows, or the leads in television series purchased from other production companies.

*Baren* is the clearest proof that we have succeeded in our strategy of creating formats for television, the Internet and other interactive media for a global market.

By the end of 2000, the *Baren* concept had been exported to Norway, Denmark, Australia, Italy, Portugal, Argentina, and Germany. New stars are now being born in each of these countries.

*Baren* was just part of an even more eventful 2000. The year began with an extraordinary expansion of *Metro*. During January 2000, *Metro* was introduced in four new markets, including the first editions in North and South America. This led to a logical decision by the annual general meeting of shareholders in May to distribute all shares in Metro International S.A. to MTG's shareholders. Metro's shares are now quoted on Stockholmsbörsen and on Nasdaq in New York. This change follows a Kinnevik group tradition. In 1997, MTG became a publicly traded company in a similar way, when the Company's shares were distributed to Kinnevik shareholders.

We invested SEK 500 million in *Metro* during its development. This investment resulted in the listing of a company worth SEK 6.4 billion on its first day of trading on the public equity markets. We are now streamlining MTG. We are concentrating more on our existing operations and on building new ones.

Besides the spin-off of *Metro*, the most important event in 2000 was the transition to a digital-TV platform. As long as we were able to boost the number of analogue subscribers and, therefore revenues, by offering premium packages, we continued to do so. We decided to wait for lower distribution and technology costs before making the switch into the digital environment. That was a good move. A technical paradigm shift like this takes more time than most of those involved would like to admit.

Once the process was under way, the transition was rapid. All of our premium subscribers were offered free digital TV decoders. When we issued our earnings announcement in



February 2001, we had already delivered 285,000 decoders.

We have also dominated new sales of digital-TV subscriptions in the Nordic countries. By March 1, we had sold more than 105,000 decoders. 79% of these customers had also chosen our Viasat Gold premium package, our largest package.

The digitalization project continues at full speed. In 2000, we added a variety of new channels to our packages, such as BBC World, Travel Deals Direct, and RTL. Ten digital radio channels have also been created. On TV1000 and Cinema Multichoice, movies are now multiplexed and start three times every evening, one hour apart. On the *Goal Show*, you can watch the main Champions League soccer game at the same time as you see goals scored in other games.

In the spring of 2001, interactive services will be added to the digital platform under the new brand Everyday.TV. This brand has been assigned to the same new Business area as the Internet portal Everyday.com: New Media. The New Media area focuses on developing new media revenue streams. These new revenues from content and services are derived from advertising and subscriptions, not only from interactive digital TV and the Internet, but also from mobile telephony, through the recently founded Everymobile.

This business area will make MTG's content accessible in new media windows. New media includes well established platforms, such as text TV, the Internet, and SMS for today's cell phones as well as the next generation of mobile telephony, Universal Mobile Telecommunications Systems (UMTS).

MTG is also a content provider to Tele2, which was awarded UMTS licenses in Sweden and Norway in 2000.

A number of key events took place in 2000.

- PIN24, a digital channel for direct sales via TV, was launched.
- The remainder of TV1000 was acquired from Kinnevik.
- A syndicated credit facility of SEK 900 million was successfully closed in order to finance the digital conversion.
- Our radio interests in Finland were consolidated. MTG is now a minority shareholder in Radio Nova, Finland's leading commercial radio network.
- By making the most of existing synergies in Viasat Broadcasting, we were able to create a complimentary channel in Norway; Viasat+, at low cost at the same time as we propagated the TV3 format outside our core geographic market, to central Europe, as Viasat3 in Hungary. With fewer employees than are usually needed to broadcast one channel in one country, we now operate 18 TV channels in eight countries.

We continue to produce high quality content at a lower cost than our competitors to increase profitability.

For the full-year 2000, we boosted sales by 21% to SEK 5.4 billion. Operating income after depreciation and amortization advanced 123% to SEK 450 million.

There were several reasons for this.

- In the Viasat Broadcasting business area, TV3 had a record year. Sales in Sweden rose 18%. ZTV, 3+, and TV6 made a profit, compared to a loss of SEK 66 million in the preceding year.
- In the Modern Studios business area, Strix Television doubled sales and Sonet Film enjoyed outstanding success. The two companies reported combined sales of SEK 357 million and operating income after depreciation and amortization of SEK 44 million. Sonet Film dominates the Swedish film scene at the moment. Last year, Sonet distributed *Tillsammans* (Together), which sold 850,000 tickets,

making it the most popular film in Sweden and surpassing major U.S. releases like *American Beauty*, *Sixth Sense*, and *Gladiator*.

- The Publishing business area reported impressive growth despite the spin-off of *Metro*. Sales reached 67% to SEK 214 million, thanks to the opportune emphasis on financial news and information. *Finanstidningen* was Sweden's fastest growing daily newspaper in 2000.

The disappointment during this year was TV-Shop. We reacted too late to the high media costs, before we moved the focus of the business into the more cost effective digital distribution.

We face new challenges now; the upshot of our desire to challenge classic methods of production. Media companies have traditionally been organized on the basis of the platforms used to distribute content: i.e. television, radio, or print. With the growing number of platforms in new media, it is time to focus on the strategic development of our business within the context of the total integration of our value chain.

We must think, "Content, distribution, sales" instead of, "TV, radio, print." Content is distributed and sold via multiple media outlets. We have what it takes to succeed in this area, and will draw on the particular ability of our employees to adapt to change.

Our aim is continued stable profit growth for which strong foundations are in place.

In 2000, we saw the beginnings of something we will see more of in 2001 and beyond: the Victory Challenge syndicate's entry in the *America's Cup* in sailing 2003. This is the biggest individual sports venture ever in the Nordic region. We are one of the main sponsors, of course. As the battle for viewers, listeners, and readers intensifies, content will remain paramount. And the *America's Cup* is content.

This is MTG's first annual report for which I am CEO. I succeeded Pelle Törnberg when he decided to head up the demerged *Metro* operations. Pelle had been in charge of what is now MTG since 1993 and had initiated several of the business activities that now make up this media group. I thank him and wish him all the best for *Metro's* continued expansion. I am grateful that he will be joining the Board of Directors of MTG, in order that we can continue to benefit from his expertise.

I wish to thank our shareholders for their trust and all our employees, not least the stars, for their hard work in 2000.

Let me close with a reminder of our motto, which is; *Sales, showmanship, and cost control*.

  
HANS-HOLGER ALBRECHT  
PRESIDENT AND CEO



# GROUP REVIEW

## HISTORY

Thirteen years ago, Industriförvaltnings AB Kinnevik started the first commercial television channel in Sweden, which later covered Scandinavia. This was the origin of today's Modern Times Group MTG AB. MTG's 13-year history is distinguished by entrepreneurial spirit and rapid growth, and virtually all companies in the current MTG Group were founded by MTG. The Group has led the way in busting monopolies and oligopolies in the media sector and has established a position as a leading international media corporation. MTG is one of the biggest such groups in northern Europe.

In 1995, MTG was formed as a subgroup within Kinnevik. On May 23, 1997, the annual general meeting of Kinnevik voted to distribute the stock in MTG to Kinnevik's shareholders. On September 18, 1997, MTG shares were listed on the Nasdaq National Market in New York and Stockholm Börsinformation (SBI) in Stockholm.

Since May 3, 1999, MTG stock has been quoted in Sweden on the Stockholmsbörsens O-list.

The same year that MTG was formed as a subgroup within Kinnevik, the daily newspaper Metro was launched in Stockholm—distributed free of charge and financed entirely by advertising. Success led to expansion of the concept to Gothenburg and Malmö, in Sweden, and abroad to Prague and Budapest, followed by the Netherlands and Helsinki. In January 2000, Metro began publishing outside Europe for the first time.

The annual meeting of shareholders in MTG held on May 25, 2000, voted to distribute all shares in Metro International S.A. to MTG shareholders. On August 18, 2000, the company's shares were listed on the Nasdaq National Market and SBI. Since February 8, 2001, Metro stock has been quoted in Sweden on the Stockholmsbörsens O-list. At year-end 2000, Metro published 17 editions of its daily newspapers free-of-charge in 13 countries on three continents. MTG holds a convertible debenture loan. After full conversion it corresponds to 17% of the capital in Metro.

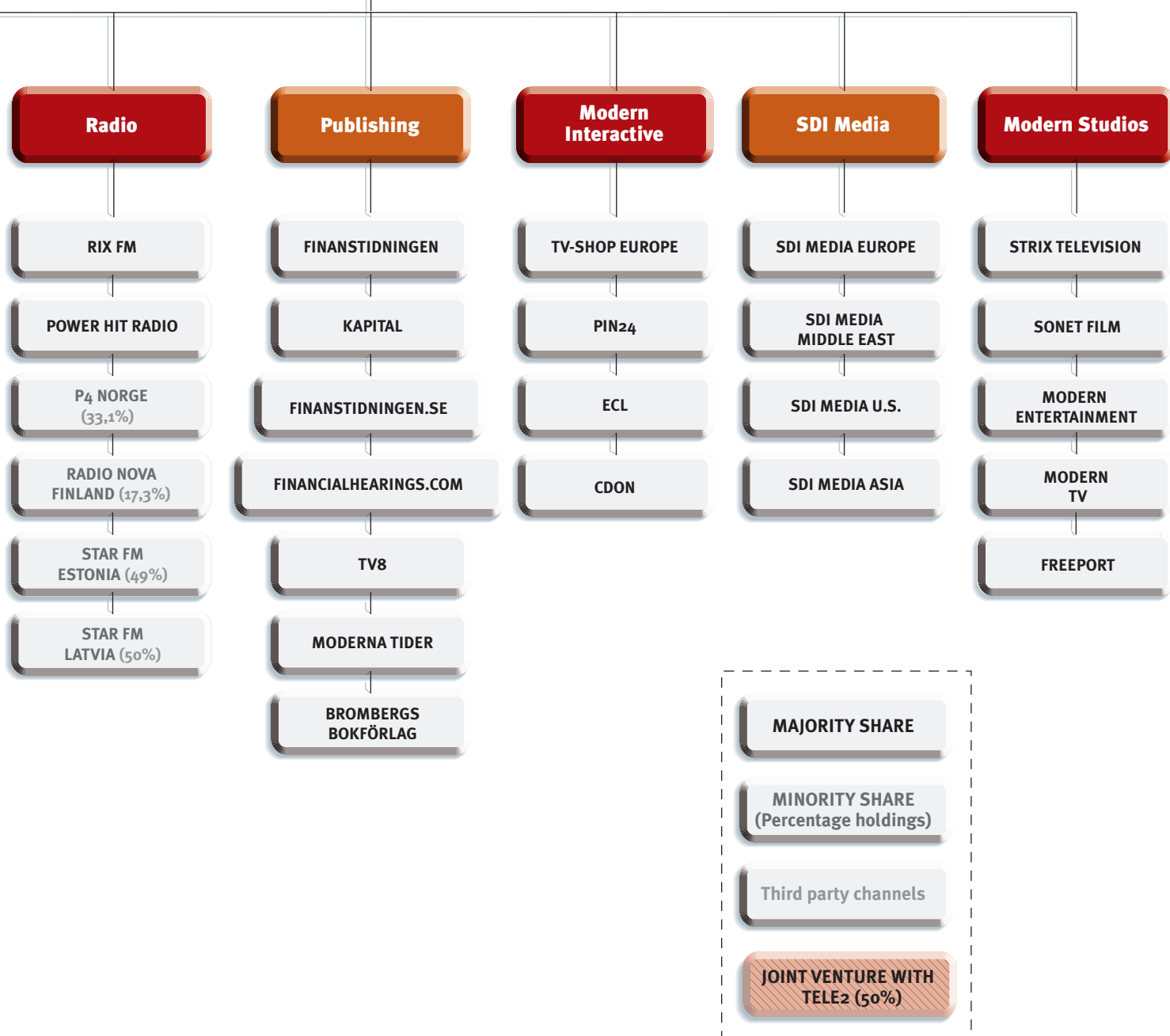
At year-end 2000, MTG set up its current operational structure consisting of seven business areas: Broadcasting, New Media, Radio, Publishing, Modern Interactive, SDI Media, and Modern Studios. All television operations, whether financed by advertising or subscription fees, are gathered under Viasat Broadcasting. In 2000, the transition from analog distribution to a digital satellite-TV platform began in Viasat.

New Media is the new business area in charge of content for the interactive TV portal Everyday.TV, offered through the digital-TV platform.

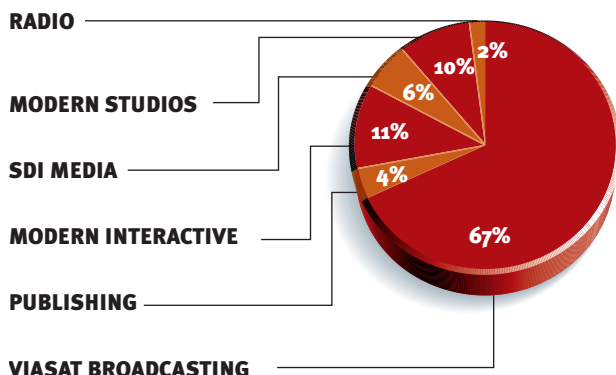
Everymobile.com was started in New Media for mobile telephony content and services. This area is also responsible for MTG's part in the Internet portal Everyday.com, as well as text TV which goes under the name of Everytext.

In 2000, Radio consolidated its operations in Finland through the sale of two smaller radio networks which were replaced with the acquisition of a minority stake in Finland's leading commercial radio network, Radio Nova. MTG already owns RIX FM, Sweden's largest commercial radio network, Power Hit Radio in Stockholm and Gothenburg, and is the largest shareholder in the only nationwide commercial radio network in Norway, P4 Radio Hele Norge.





## DISTRIBUTION OF SALES



The Publishing business area contains *Finanstidningen* and various financial services: the web site [www.finanstidningen.se](http://www.finanstidningen.se), the business magazine *Kapital*, analysts' meetings through [financialhearings.com](http://financialhearings.com), and responsibility for the production of TV8. This area also contains the current affairs magazine *Moderna Tider* and the publisher *Brombergs Bokförlag*. The Modern Interactive business area is responsible for all units in electronic commerce: from traditional home shopping via TV-Shop, to e-Commerce Logistics for fulfillment, and e-Commerce via the Internet. For digital satellite-TV, the channel PIN24 was launched.

te-TV, the channel PIN24 was launched.

The Group conducts business in numerous media: television, radio, newspaper publishing, the Internet, and others. Several companies that produce services for other media enterprises are also part of the Group. SDI Media is the world's largest provider of translations and subtitles for television, video, feature films, DVD, and the Internet. Modern Studios has assembled the Group's companies for production and distribution of feature films for the cinema, music and television production, and interests in film and program rights.

MTG's principal sources of income are advertising revenue and subscription revenue.

## OBJECTIVES

MTG's goal is to generate profit for shareholders by enhancing the value of the Company.

## BUSINESS CONCEPT

MTG's business concept is to be the best at capitalizing on the daily contacts with consumers created by the Group's media. This is achieved by packaging products in ways that attract the audiences that advertisers demand and for which consumers are also prepared to pay in the form of subscription fees. In addition, MTG conducts other business related to media to the extent that such business either produces services more efficiently than external suppliers or provides extraordinary opportunities for profit or value growth. The business concept is pursued through a dual strategy: to establish MTG's products

## IN THE PAST YEAR

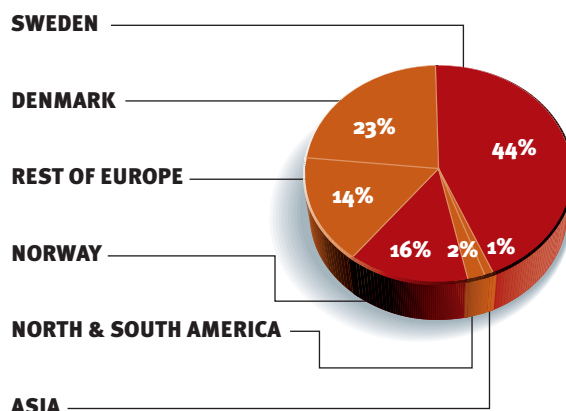
- In the month of January, *Metro* was introduced in four new markets, including the first outside Europe. The new cities were Santiago, Chile; Newcastle, England; Philadelphia, Pennsylvania; and Zurich, Switzerland. In April, *Metro* announced that a distribution agreement had been signed for Rome.
- The annual meeting of shareholders held on May 25 voted to distribute all shares in the rapidly growing company Metro International S.A. to MTG shareholders. On August 18, *Metro*'s shares were listed by Stockholm Börsinformation (SBI) in Stockholm and on the Nasdaq National Market in New York. By then, an edition of the newspaper had also been launched in Toronto, Canada.
- In conjunction with the listing of *Metro*, Pelle Törnberg, President and CEO of MTG since it was formed, chose to become president and CEO of Metro International S.A. Hans-Holger Albrecht, formerly Chief Operating Officer and head of the Broadcasting business area, was appointed president and CEO of MTG.
- All operations in TV1000 Sverige AB were acquired from Kinnevik in 2000. Prior to that, the film channel TV1000 and TV1000 Cinema had been operated and distributed in the Nordic countries by Viasat Broadcasting.
- The Internet portal *Everyday.com* was rolled out in Denmark, Norway, Estonia, Germany, Switzerland, Austria, Italy, Finland, Luxembourg, and Spain. *Everyday* is jointly owned with Tele2 in the Nordic countries, outside of which it is operated as a franchise.
- Modern Entertainment, formerly MTG Media Properties, became a wholly owned company in the new business area Modern Studios, after the Group bought out minority shareholders. Modern Entertainment manages intellectual property rights.
- Strix Television, part of Modern Studios, created the program format for *Baren*, a reality TV program that became a hit on TV3 in Sweden and on the Swedish part of the Internet portal *Everyday.com*. During the year, *Baren* was also launched in Norway, and its success led to subsequent sales to Denmark, Portugal, Australia, Germany, Argentina.
- Modern Merchandising was founded. Its first products included the *Baren* game, *Baren's* drink book, and a *Baren* CD.
- Viasat3 began broadcasts in Hungary. Viewers gained a new, wide-ranging entertainment channel based on the same concept as TV3 in the Nordic countries and Baltic States. For the first time in history, the satellite channel TV3 in Sweden was bigger among young viewers than Sveriges Television's channel 1 and channel 2.
- TV-Shop, in the Modern Interactive business area, started a digital-TV channel called PIN24 for home shopping on Sky TV's platform in England.
- The transition to digital TV commenced with Viasat in the Nordic countries and Baltic States, PIN24 becoming part of the expanding range. Viasat replaced premium subscribers' decoders in stages with digital units free of charge. By year-end, 150,000 digital set-top boxes were in place, while sales of digital decoders to new customers surpassed expectations, attracting 65,000 new subscribers.
- Ten radio channels were introduced on Viasat's digital-TV platform.
- A minority stake was acquired in Finland's leading commercial radio network, Radio Nova. At the same time, management responsibility for two smaller radio networks was wound up. Thus, MTG consolidated its radio operations in Finland.
- Tele2 was awarded licenses for the next generation of mobile telephony, Universal Mobile Telecommunications Systems (UMTS), in Norway and Sweden. In both countries, MTG will supply content. MTG started *Everymobile* to invest in content for mobile services, from SMS in the current GSM networks, to more diverse content for the next generation of mobile telephone service.

in geographic advertising markets with growth potential, and to position them in segments of these advertising markets that are growing faster than the average. The principal geographic markets for MTG's products are the Nordic countries and Baltic States, augmented by prudent extension of the Group's established brands into eastern Europe. The launch of the TV3 concept through Viasat3 in Hungary is an example of this. Some concepts are allowed outside the core market: SDI Media has a global presence for subtitling and dubbing; Modern Interactive works throughout Europe, with home shopping via TV and e-commerce via the Internet; Strix Television (in Modern Studios) has sold television program concepts to Germany, Italy, Portugal, Australia, and Argentina. MTG strives to find ways to use its content in multiple media windows and thereby increase earnings. Varying applications are created for TV formats, the Internet, SMS, merchandising and more.

By having a base in several media and several segments of these media, MTG has unrivaled potential for achieving economies of scale in the purchase of program rights, deployment of staff, and use of technical distribution. Viasat3 in Hungary is an example of this concept, too. Viasat3 broadcasts are transmitted via a satellite uplink from the Viasat Broadcast Centre outside London. This is only one way in which synergies are generated by TV3, ZTV, 3+, Viasat+, TV6, TV8, Viasat Sport, and TV1000; the other TV channels in the Group.

MTG enjoys yet another economy of scale thanks to its presence in multiple media: It can establish new products and

## DISTRIBUTION OF SALES BY REGION



concepts at an extremely low cost. Everymobile.com, which delivers content and services for mobile telephony, is an example of this. MTG is included, as a supplier of content and services, in the licenses for Universal Mobile Telecommunications Systems (UMTS) in Norway and Sweden that Tele2 has been awarded.

## IN THE YEARS PAST

**1987** On New Year's Eve, TV3 began broadcasting and thus introduced commercial TV to Sweden. Print periodicals commenced publication the same year.

**1988** At the start of broadcasting, 1.2 million people were able to watch TV3; by year-end 1988, the number was 3.4 million. Broadcasts were extended to Denmark and Norway. Independent TV production began through Strix.

**1989** TV3 broadcast the World Championship in ice hockey for the first time as well as tennis from Wimbledon. TV-Shop started operations by selling goods and services via TV3. The pay-TV channel TV1000 was launched.

**1990** Satellite TV was established as a new industry in Scandinavia. 45% of households could view TV3, which commanded 90% of the market for television advertising. A majority shareholding was acquired in Svensk Text, today's SDI Media.

**1991** TV3 reported a full-year profit for the first time. TV1000 merged with its rival SF Succé. The first commercial radio broadcasts in Sweden commenced. TV4 was granted the license for Sweden's third terrestrial TV station, and Kinnevik became a shareholder in the autumn, acquiring 30% of the capital. Viasat started distributing program cards in the market for satellite TV channels.

**1992** ZTV completed its first year as an independent channel. For the first time, the TV & Media business area in Kinnevik reported a full-year profit after financial revenue and expense.

**1993** Radio Hele Norge received a license to operate nationwide commercial radio in Norway. In Sweden, the first licenses for commercial radio were obtained. Text-TV broadcasts on TV3 commenced. Terrestrial channels in Estonia and Lithuania were started.

**1994** TV4 was the biggest channel in Sweden. TV6 was launched. The first projects for the Internet began, including Everyday as a brand.

**1995** MTG was formed as a subgroup within Kinnevik. Metro was founded in Stockholm. A minority holding in *Finanstidningen* was acquired. TV-Shop started doing business over the Internet.

**1996** The satellite platform was switched from Astra to the Nordic position. The RIX FM radio network was formed through mergers. ZTV and TV6 in Denmark were merged to form 3+.

**1997** Shares in MTG were distributed to the shareholders of Kinnevik and quoted by Stockholm Börsinformation (SBI) in Stockholm and on the Nasdaq National Market in New York. *Metro* was published for the first time

outside Sweden, in Prague. TV-Shop passed the 100 million mark in the number of households contacted daily. Strix Television was the first company in the world to produce a show in the *Survivor* format, called *Expedition: Robinson* for Sveriges Television.

**1998** TV3 acquired a TV channel in Latvia, its sixth country. Viasat's satellite-TV subscribers numbered more than one million. Commercial radio operations were started in Estonia and Latvia. *Metro* started publication in Gothenburg and Budapest. *Finanstidningen* was acquired. Several new Internet services were launched, including the sale of music CDs through CDON. SDI continued expanding internationally through acquisitions in Hong Kong, Taiwan, Japan, and Thailand.

**1999** *Metro* was launched in Malmö, Helsinki, and the Netherlands. In Sweden, the business monthly *Kapital* commenced publication. The Internet portal *Everyday.com* was introduced jointly with NetCom (now Tele2), first in Sweden, then in the Netherlands and France. The business channel TV8 in Sweden was acquired. MTG Radio entered Finland. SDI Media expanded to Israel, France, and Singapore, acquired companies in the United States, and introduced translation services for the Internet. MTG's shares were quoted on the Stockholm Börsens O-list.





FOR OUR SHAREHOLDERS AND THE FINANCIAL MARKETS.

**JAN HUGO STENBECK (born 1942)**, Chairman of the boards of Industriförvaltning AB Kinnevik, Millicom International Cellular S.A., Tele2 AB, Invik & Co. AB, Modern Times Group MTG AB, and of Metro International S.A. Member of the Board of MTG since founding 1997.

**STIG NORDIN (born 1943)**, MSc Engineering, has more than two decades' experience in the forest products industry. He joined Kinnevik in 1989 and has built enterprises such as TV3 in London. In 1991, Nordin was appointed Vice President of Kinnevik and from 1992 to 1999 he served as President. He was president of Invik & Co. AB until the second quarter of 2001. He also served as President of Korsnäs, from 1993 to 1998. Member of the Board of MTG since founding 1997.

**PELLE TÖRNBERG (born 1956)**, is President and CEO of Metro International S.A. Started Strix, Kinnevik's first TV production company, in 1987. He subsequently established and launched several of the diverse media operations that currently make up MTG. In 1993, Törnberg was put in charge of all media companies previously part of Kinnevik, which now make up MTG. When Metro was distributed to MTG's shareholders in August 2000, he chose to become President and CEO of Metro. Member of the Board of MTG since 2001.

**HANS-HOLGER ALBRECHT (born 1963)**, is President of Modern Times Group MTG AB.

**LARS-JOHAN JARNHEIMER (born 1960)**, MSc Business and Economics, has held various positions with IKEA, Hennes & Mauritz, and SARA Hotels. He served as President of ZTV a short period before joining Comviq as Vice President. Jarnheimer was President of Comviq from 1993 to 1997. From 1997 to

1998, he was a member of the group executive management of Saab Automobile, responsible for the Nordic countries, Russia, and the Baltic States and was President of Saab Opel Sverige AB. On January 1, 1999, he was appointed Vice President of Industriförvaltning AB Kinnevik and President of Investment AB Kinnevik. Since 1999, Jarnheimer has been President of Tele2 AB (formerly NetCom AB). Member of the Board of MTG since founding 1997.

**DAVID CHANCE (born 1957)**, BA Economics, BSc Psychology, and MBA, previously served as Vice President of the English media enterprise Sky Television, BSkyB. As head of overall strategies and business activities, Chance made BSkyB into one of the world's most successful and profitable television companies. He joined BSkyB in 1989, when he was recruited from Société Européenne de Satellites (SES), which owns and operates the Astra satellite. Prior to that, he worked seven years in the U.S. television industry. Today he is active in several media related companies. Member of the Board of MTG since 1998.

**ASGER AAMUND (born 1940)**, is chairman of the boards of Danish subsidiaries of MTG and Tele2. He is the majority shareholder in Bavarian Nordic Research Institute and NeuroSearch, both listed on the Copenhagen Stock Exchange. He has many years' experience in top management positions and on the boards of Danish enterprises. Member of the Board of MTG since 2000.

**JOHAN HAKELIUS (born 1967)**, deputy member, editor-in-chief of *Finanstidningen*, where he started in 1999 as the newspaper's first political editor. Elected in 2000.



FOR OUR FRIENDS AND COMPETITORS.



**HANS-HOLGER ALBRECHT (born 1963)**, Ph.D. in Law, has been President and Chief Executive Officer of Modern Times Group MTG AB since August 2000 and is President of the Broadcasting business area. Albrecht has been active in MTG since 1997, as Head of the pay TV operations and, following the merger of pay and free TV, President of the entire business area. He became Chief Operating Officer of MTG in May 2000. He worked for Daimler-Benz previously and, for five years, with CLT media group, based in Luxembourg, where he was responsible for all television activities and development in Germany and eastern Europe. Albrecht was also responsible for SuperRTL and CLT's digital-TV project.

**JOHAN LINDGREN (born 1957)**, MSc Business and Economics, has worked as an authorized public accountant, in corporate finance, and as Chief Financial Officer. From 1997 to 2001, he was Chief Financial Officer of MTG. He is now Vice President of Modern Times Group MTG AB.

**MIA BRUNELL (born 1965)**, MSc Business and Economics, has worked at MTG since 1992, as Head of accounting for TV1000, Controller for the pay-TV business area, and Controller for the entire Viasat Broadcasting business area. She became Group Controller for MTG at year-end 2000 and Chief Financial Officer in March 2001.

**ANDERS NILSSON (born 1967)**, Chief Operating Officer of MTG and acting business area Head for Modern Interactive. Since 1992, Nilsson has worked with project planning, operations, and development of commercial radio ventures in MTG. He held positions such as program host, administrative assistant, technical manager, project manager, programming manager, and Vice President before becoming President of MTG's radio ventures in 1997. Nilsson was appointed President of the Publishing business area in the first quarter of 2000. He became COO of MTG in the fourth quarter of 2000.

**PETTER NYLANDER (born 1964)**, MSc Business and Economics, is Head of free TV in the Broadcasting business area. Before taking his MBA, Nylander worked for the travel group Fritidsresor for five years, including a position as country manager for Sportresor in the French Alps. He has worked for MTG since 1994, starting as a management trainee in London. Nylander has also served as sales manager, Vice President, and President of TV3 Sweden. He was appointed Head of free TV in the autumn of 2000.

**STEEN ULF JENSEN (born 1966)**, MSc Business and Economics, is Head of pay TV in the Broadcasting business area. He has worked for MTG for 10 years. He started in the analysis department at TV3 Denmark, became Head of analysis in London for all of TV3, was promoted to President of Viasat Denmark, and later became Chief Operating Officer of Viasat Broadcasting. He was appointed Head of pay TV in the autumn of 2000.

**JØRGEN MADSEN (born 1966)**, is President of the new business area New Media and is Head of Viasat Sport. Madsen has worked in the Group since 1994, including being in charge of sponsors for TV3 and Head of Viasat Sport, first in Denmark, and then for Scandinavia. Madsen was appointed President of New Media at year-end 2000.

**SUSANNA BERVÅ (born 1959)** is President of the Radio business area. Bervå joined MTG in 1994 and has served at various posts, including Head of accounting at Strix. She has worked in radio since 1997, as Head of Accounting, Controller, and Vice President. Bervå was appointed President of Radio at year-end 2000.

**MIKAEL PORSERYD (born 1966)**, MSc Business and Economics, is President of the Publishing business area. Porseryd has worked for MTG since 1994, starting as a management trainee at TV3 in London, later serving as programming manager and Vice President of TV3, and President of ZTV, TV8, and Viasat Broadcasting Sweden. He was appointed President of Publishing in the autumn of 2000.

**MARVIN BERCHIN (born 1962)**, Ph.D. in Law, is President of the SDI Media business area. Berchin studied law with a specialization in the media and entertainment industry. From 1994 to 1999, he was Vice President and business manager for the satellite-TV company Orbit Communications, based in Rome. Berchin was appointed President of SDI Media in the autumn of 1999.

**CHRISTINA BELLANDER (born 1955)**, is President of the Modern Studios business area. Bellander has a background as a journalist, including work at the Swedish daily Aftonbladet, combined with studies at the Royal Institute of Technology, Stockholm. She became President of Moderna Tider in 1992 and was also in charge of Bromberg's Bokförlag. Bellander managed the extensive millennium celebrations in Stockholm initiated by MTG, NetCom (currently Tele2), Invik & Co, and Industriförvaltnings AB Kinnevik. Bellander became President of Modern Studios in early 2000.

LEFT TO RIGHT, UPPER ROW: JØRGEN MADSEN, MARVIN BERCHIN, STEEN ULF JENSEN, MICHAEL PORSERYD. MIDDLE ROW: MIA BRUNELL, SUSANNA BERVÅ, CHRISTINA BELLANDER, PETTER NYLANDER. FRONT ROW: JOHAN LINDGREN, HANS-HOLGER ALBRECHT, ANDERS NILSSON

# FINANCIAL REVIEW

**N**et sales for 2000 totaled SEK 5,431 million, compared to SEK 4,491 million for 1999, representing an increase of 21%. Operating profit before depreciation and amortization reached SEK 820 million, up 95% from SEK 421 million in 1999. Operating profit after depreciation and amortization ended at SEK 450 million, up 122% from SEK 202 million in 1999.

On August 15, 2000, all shares in the Metro International business area, including the Swedish and Finnish Metro operations in the Publishing business area, were distributed to shareholders in MTG. In this report, the figures for full-year 2000 and for full-year 1999 do not include Metro International. The Group's net share of earnings in associated companies was SEK 57 (43) million. Net interest and other financial items totaled SEK -43 (-24) million, including SEK -8.8 (-1.6) million in net exchange rate losses on the translation of financial receivables and liabilities denominated in currencies other than Swedish Krona.

Income from operations no longer consolidated equaled SEK 32 (-) million. For several reasons, including adverse tax effects, MTG did not include Metro's Swedish Sales company in the spin-off to shareholders, as it is also a holding company for assets such as the Group's shares in Finanstidningen. Instead, the sales activities in this company were transferred to a new company in the Metro group, effective June 1, 2000. Earnings from this business for the first five months of 2000 have been consolidated in MTG's accounts but are not included in the pro forma comparative figures for 1999, and are therefore reported on a separate line in the income statement.

MTG's remaining interest in Metro consists of a convertible debenture loan totaling USD 23.5 million and a commercial loan of USD 23.5 million. In the fourth quarter, one-sixteenth of this loan was converted into 1,000,000 shares.

At year-end, the number of full-time employees in the Group was 1,467. The figure for the preceding year, excluding Metro, was 1,434. Of the total increase, 26 were attributable to operations added during the year, specifically Viasat in Hungary.

## FINANCIAL POSITION

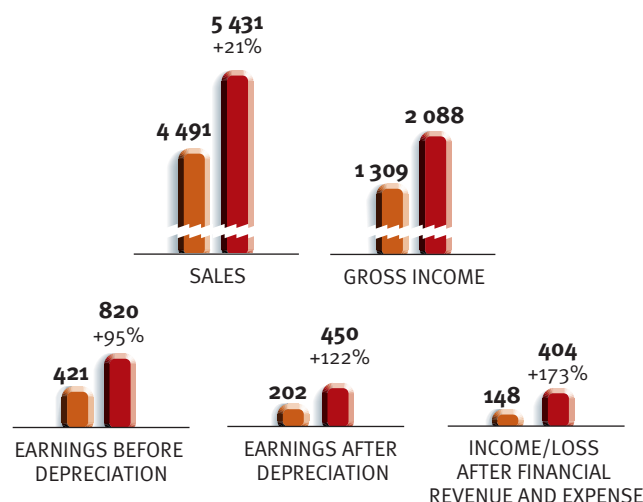
### EQUITY/ASSETS RATIO

Consolidated shareholders' equity expanded in 2000 as a result of holders of a convertible debenture loan converting the entire loan into shares and new shares being issued to a company in the Kinnevik group in connection with the acquisition of TV1000.

The Group's equity/assets ratio (defined as consolidated shareholders' equity including minority interests and the convertible debenture loan, divided by total assets) was 37% (36%) at the end of the period. This calculation does not take into account the shareholdings or convertible debenture loan in TV4, P4, or Metro, all of which are reported as long-term financial assets. Their total market value at the end of the period was SEK 3,262 million. Their total book value was SEK 473 million. The option to acquire shares in Millicom International Cellular S.A. was transferred to Metro

## FINANCIAL REVIEW

(SEK MILLIONS) 1999\* 2000



\* Pro forma, excluding Metro International S.A.

in connection with the spin-off. Total assets increased, to SEK 6,652 million, mainly as a result of the acquisition of TV1000 and the investment in digital decoders. Taking into account the surplus values in publicly quoted shares held, adjusted for tax, the equity/assets ratio would be 52% (46%).

### LIQUIDITY

The Group's liquidity, including unutilized credit facilities, was SEK 514 (401) million at the end of the period.

### NET BORROWINGS

The Group's net borrowings (defined as interest-bearing liabilities, excluding the convertible debenture loan, less interest-bearing assets) totaled SEK 520 (14) million at the end of the period. During the period, the Group's credit facilities were expanded SEK 900 million, to SEK 1,600 million, to finance investments required by the digitalization of TV operations.

### INVESTMENT

During the period, the Group invested SEK 1,032 (407) million, including SEK 555 million in the digitalization project and SEK 305 million in other capitalized development expenses.

### DEPRECIATION AND AMORTIZATION

Group depreciation and amortization equaled SEK 370 (219) million.

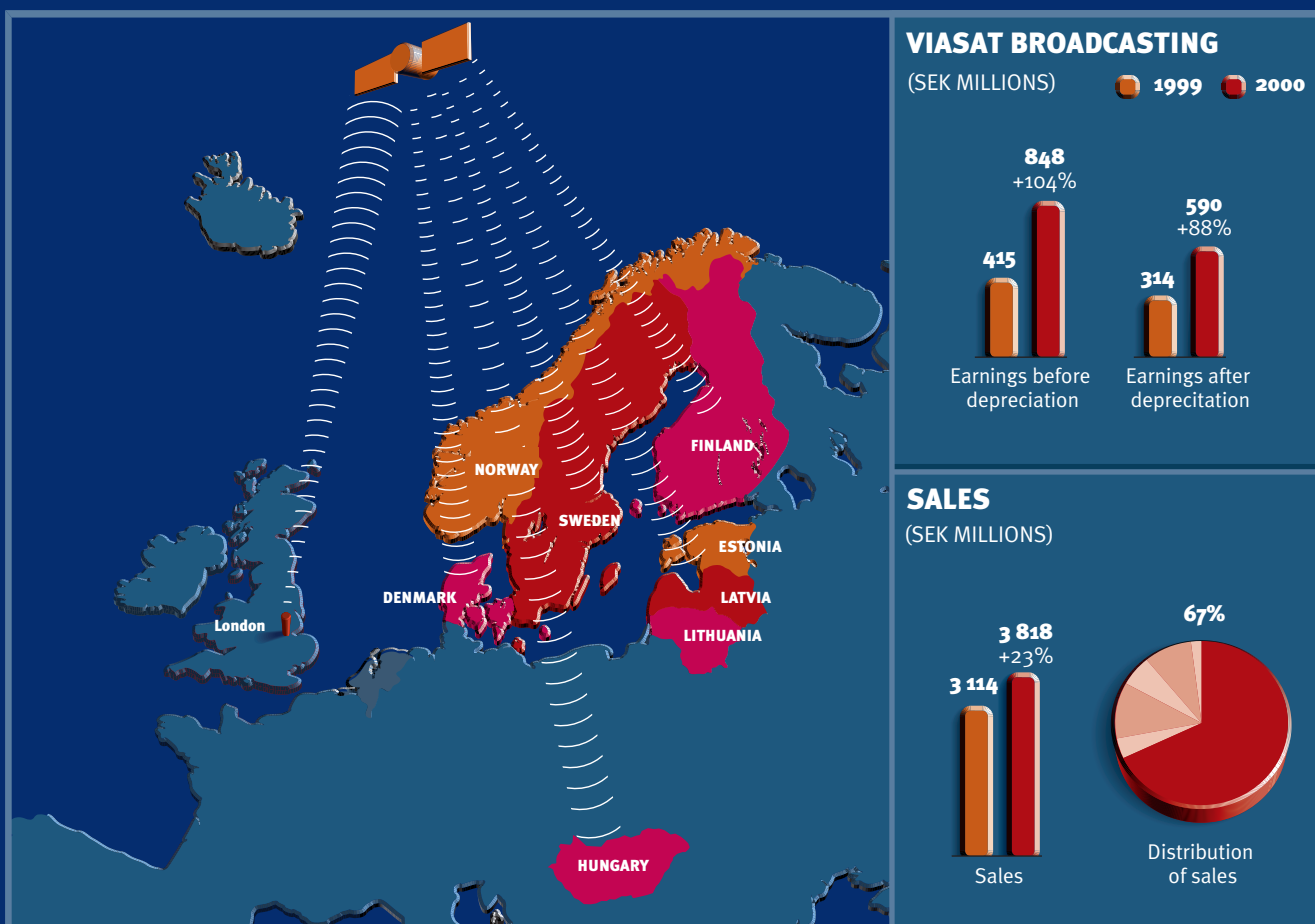
### EARNINGS PER SHARE

Earnings per share after dilution totaled SEK 3.10 (1.33).

### ACCOUNTING PRINCIPLES

Starting in fiscal 2001, new recommendations from the Swedish Financial Accounting Standards Council will be applied. For details, refer to Note 1, Principal accounting and valuation policies.





VIASAT'S DIGITAL TELEVISION SWAP ON TRACK - STRONG NE

TV3 BIGGER THAN SVT1 OCH SVT2 AMONG YOUNG VIEWERS - U

## VIASAT BROADCASTING

The Viasat Broadcasting business area operates 17 free-TV and pay-TV channels in eight countries and distributes 10 third party channels. The introduced digital-TV platform also contains radio channels and a number of interactive services.

# VIASAT BROADCASTING

Viasat Broadcasting operates 17 free-TV and pay-TV channels in eight countries and distributes 10 third-party channels. Viasat Broadcasting's channels reach a total of 21 million people.

Revenues come from two sources: advertising and subscriptions. This is what differentiates Viasat from most other television companies, which usually earn revenue from a single source.

Viasat Broadcasting has localized most of its operations at the Viasat Broadcasting Centre outside London. The head office is situated at the Centre, from which much of the business is run. This leads to outstanding advantages.

Having acquisition, program scheduling, broadcasting, administration, and production of promotional material for channels in eight countries at one and the same location is cost-effective and makes it easy to achieve synergies in cross-promotion between the channels. This ensures that the business model produces high marginal profit.

The local offices in each country handle advertising sales, marketing, program scheduling, and media relations. Viasat runs its 17 channels in eight countries with no more than about 600 employees, implementing lean and efficient organization.

## SIGNIFICANT EVENTS IN 2000

Viasat's digital-TV platform was introduced this year, considerably decreasing the cost of distribution. Marketing commenced in October. These digital broadcasts, which reach total market coverage in the Nordic countries, provide noticeably higher-quality audio and video, offer a broader range of stations, and enable interactive services.

At the same time, digitalization will increase penetration by the TV3 channels, which are accessible in the Nordic countries to households with satellite dishes, to cable-TV viewers in large and small networks.

A digital platform was also rolled out in the Baltic States in 2000, building on the successful range of services initially offered by TV3 in the region.

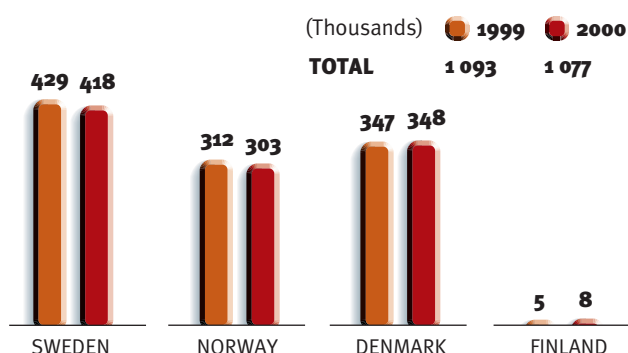
In March, MTG decided to exercise its option to acquire all operations in TV1000 Sverige AB from Industriförvaltnings AB Kinnevik. The operations comprise the film channel TV1000 and its affiliated channel TV1000 Cinema, which have been operated and distributed in the Nordic countries by Viasat Broadcasting for some time based on a management contract.

In October, Viasat expanded its free-TV business to Hungary, by launching Viasat, a channel specializing in entertainment for the whole family and based on the same concept as TV3 in the Nordic countries.

Viasat Plus, a new free-TV channel, was launched in Norway in the second quarter as an affiliate channel to TV3 Norway.

In 2000, Viasat introduced the world's first entirely interactive reality-TV program: *Baren* (The Bar). The show makes the most of MTG's strengths, from the production company Strix that spawned the format, to TV3 and ZTV that broadcast the digests, to the Internet portal Everyday.com that contains an array of interactive features and supplementary content. In autumn 2000, *Baren* was also introduced on TV3 Norway and the Norwegian part of

## VIASAT CARDS

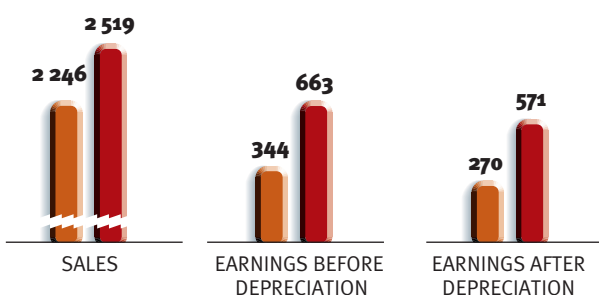


Everyday.com. In early 2001, the format was extended to TV3 Denmark and the Danish part of Everyday.com.

The Viasat brand has been fortified in past years as the companies made the most of opportunities for cross-promotion between free-TV and pay-TV channels. Additional synergies have emerged in sales and between the two forms of television.

## FREE TV

(SEK MILLIONS) 1999 2000



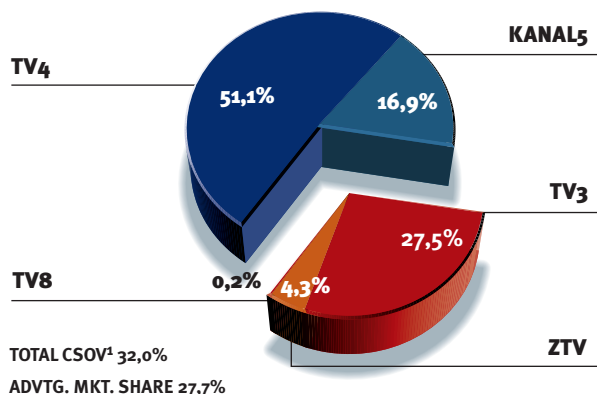
## FREE TV

The Nordic advertising market remains extremely attractive, because television's share of total advertising spending is lower than in other markets. TV continues to take market shares from other media, such as newspapers.

In addition to its economies of scale already achieved, Viasat Broadcasting has other competitive advantages over its rivals in the Nordic countries. One advantage is that broadcasts originate in Great Britain and thus must comply with the British ITC regulations, while another advantage is the great opportunities for cross-promotion within MTG in the region.

During the roll-out of digital TV, Viasat's free-TV channels were crucial in driving expansion of the service offering and new interactive services enabled by digital TV.

## SWEDEN



<sup>1</sup>PROPORTION OF VIEWERS OF COMMERCIAL TV-CHANNELS.

## FREE TV SWEDEN (TV3 AND ZTV)

In 2000, for the first time TV3 succeeded in becoming more popular among young viewers than state-owned channels 1 and 2 of Sveriges Television (SVT). In its primary target group, Swedish 15–34-year-olds, TV3 had its biggest audience ever in 2000, winning a audience share of 17% in that



## LITHUANIA'S MOST POPULAR

Ramune Peculiene and her co-host Algis Ramanauskas have made *Be Tabu* (Nothing taboo), a local entertainment and current affairs program on TV3 Lithuania, the country's most popular TV show.

"I value the program highly, and so do our viewers," says Ramune, who was working as an actress when she tested for the part and was asked to do *Be Tabu*.

The show premiered three years ago, with broadcasts once a week and Ramune Peculiene as the sole host for the program. In the second year, the schedule was expanded to five evenings a week, and Ramune shared her hosting tasks with Algis Ramanauskas.

"We take turns being hosts, and the viewers don't know in advance which one of us is going to be on. That's part of the excitement," Ramune says. For the most recent season, the broadcast schedule was expanded again, with a Saturday program that recaps the week's events: *Be tabu savite*. The two personalities co-host that program.

In Lithuania, where TV3 is a terrestrial channel and reaches 98% of all viewing households, *Be Tabu* has on average 600,000–700,000 viewers. Some episodes have been seen by more than 900,000 people. *Be Tabu* is one of the main reasons that TV3 Lithuania stayed at the top of its market in the year 2000, in terms of viewers as well as advertising revenues.

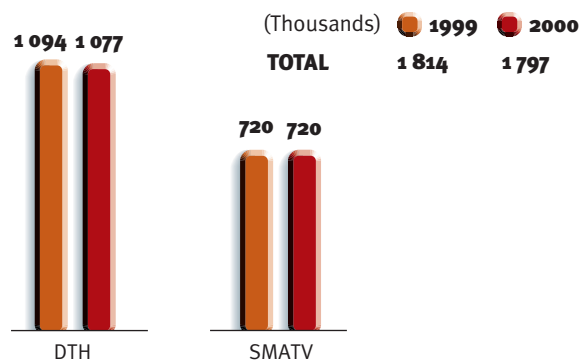
The program mixes everyday events with headline news and presents them with a touch of humor, irony, and commentary. Guests include members of parliament, Lithuanian celebrities, foreign stars, and unknowns who have experienced something special.

"I like it when we have normal people who have had unusual experiences."

For political commentary, she and her colleague are assisted by two characters: the political observer Zbigniew and a mad doctor of political science Stganislovas. Both are dressed in fantastic clothes, to emphasize their character.

Ramune Peculiene also looks different on television than she does in her free time. During broadcasts, she wears make-up, elegant clothing, and sometimes even a wig.

"Otherwise I rarely wear make-up and just wear normal clothes. That's why people on the street don't recognize me right away. But they usually say that I look like the host of *Be Tabu* and then they wonder if I'm the one who's on TV," Ramune says. She is grateful that she does not attract the attention she would otherwise. "Actually, I am quite shy." Ramune still lives 100 km outside Vilnius and commutes every day to the capital.

**VIASAT (subscribers)**

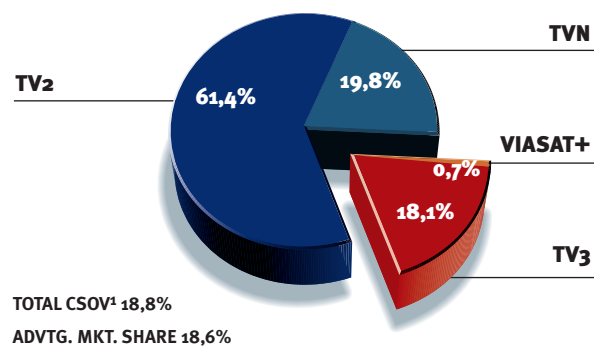
age group from the entire TV-viewing public. In comparison, SVT2 had 14.8% in the age group, and SVT1 16.1%. This should be seen in light of the fact that TV3 is broadcast by satellite and reaches 60% of Swedish households, while Sveriges Television has terrestrial broadcasts and reaches all households.

TV3 also had its best commercial share of viewers ever, winning 27.5% (27.1%) in the age group 15–49 years. Much of this success can be explained by the growing number of young women who watch TV3 thanks to a string of hits including *Klassfesten*, *Silikon*, *Spårlöst försvunnen*, *Efterlyst*, *Baren*, *Sex and the City*, and *Felicity*. Women are the target audience most sought after by advertisers.

ZTV also set a record in 2000. In 2000, ZTV became Sweden's fastest growing TV channel. Among young viewers aged 12–24, ZTV had a commercial share of viewers of 8.3% in the satellite universe, up 27.7% from the preceding year. ZTV is significantly more popular among young Swedish viewers than its internationally established rival MTV.

Advertising revenues in Sweden rose 18%, while the TV market grew 15%. At year-end, TV3's penetration was 60% (60%), and ZTV's 44% (44%).

During the year, responsibility for the production of TV8 was transferred to the new business area New Media.

**NORWAY**

<sup>1</sup>PROPORTION OF VIEWERS OF COMMERCIAL TV-CHANNELS.

**FREE TV NORWAY (TV3 AND VIASAT+)**

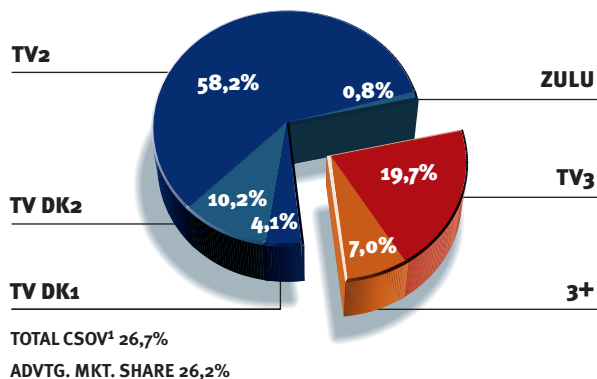
After attracting a smaller than expected viewing audience in the first half of 2000, TV3 Norway came back strong in the autumn, thanks to hit programs produced by Strix, such as *Expedition: Robinson* (Survivor), which set a new audience record for TV3 Norway. The final episode was watched by 615,000 viewers. The wholly interactive reality-TV program *Baren*, produced in-house, was launched in the autumn, which helped TV3 to regain audience share in the second half. The commercial share of viewers was 18.1% (21.2%) in the 15–49 age group.

Penetration at year-end was 62% (62%). The Norwegian market for advertising grew 12.5%. TV3 grew 7% for the year, because of its poor audience share in the first six months.

Viasat+ was introduced as an affiliate channel to TV3 in March 2000. The channel is distributed through all major cable-service providers and is also included in Viasat's basic service. Viasat+ shares program rights with TV3, winning economies of scale in the use of purchased content. The viewing audience for Viasat+ grew quickly during the

year, and in the autumn the channel had an average of 1.9% of the commercial share of viewers. For the full-year, the commercial share of viewers was 0.7%. Viasat+ reached penetration of about 50% during the year.

## DENMARK

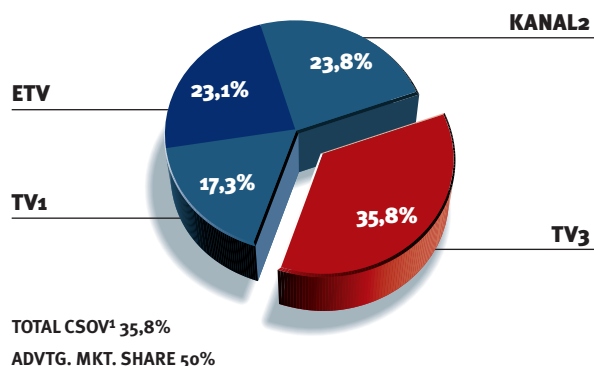


<sup>1</sup>PROPORTION OF VIEWERS OF COMMERCIAL TV-CHANNELS.

## FREE TV DENMARK (TV3 AND 3+)

TV3 and its affiliate channel 3+ had their second best year ever, winning a combined commercial share of viewers of 26.7% (28.5%) in the 15–49 age group. A major factor in their success was the Strix production *Expedition: Robinson*. The final episode was watched by 1.3 million viewers, a record for TV3. The police drama *Skjulte Spor* (Hidden Clues), produced in-house, garnered critical praise and a large viewing audience. Back in 1996, 3+ was introduced as an affiliate channel to TV3. Since then, the number of households who can receive 3+ has grown rapidly, reaching 65% penetration in 2000. In the past few years, 3+ has evolved into the leading sports channel in Denmark, broadcasting much Danish elite series soccer, Champions' League, and golf. At year-end, penetration was 70% (70%) for TV3 and 65% (65%) for 3+. For the free-TV channels in Viasat, total advertising revenues in Denmark rose 5% in 2000, while the advertising market grew 2%.

## ESTONIA



<sup>1</sup>PROPORTION OF VIEWERS OF COMMERCIAL TV-CHANNELS.

## TV3 ESTONIA

Despite severe competition among the four commercial TV channels in the country, TV3 consolidated its position as the market leader, going from a market share of 50% in

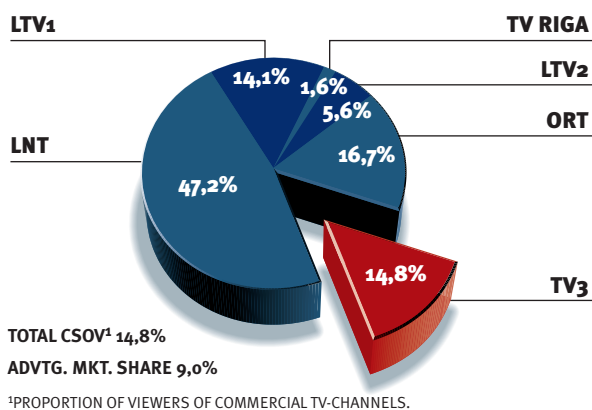


1999, to 53% in 2000.

TV3 has been the most popular commercial TV channel among its target audience, ages 15–49, since 1998. In 2000, TV3 Estonia also had the highest commercial share of viewers for the first time in this target group, 35.8% (33.3%). As the channel is terrestrial, the penetration amounted to 97% (97%).

After a sharp contraction in 1999, the advertising market in Estonia rebounded 10% in 2000. TV3 grew with 8%.

## LATVIA



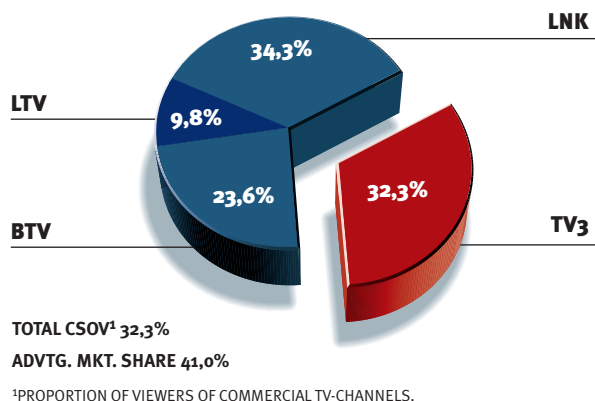
## TV3 LATVIA

In February 2001, TV3 was awarded a license for nationwide terrestrial television broadcasting in Latvia. This expanded TV3's penetration, from 72% in 2000 to 95% of households, so that TV3 will have nationwide coverage in all three Baltic States. In 1999, the penetration in Latvia was 62%.

Despite a maturing market in 2000, TV3 succeeded in doubling its sales and boosting its market share to 9%, compared to 6% in the preceding year. The autumn schedule proved exceptional in 2000, lifting TV3 Latvia's commercial share of viewers, from 16% in October 1999, to 25% in October 2000.

The advertising market for TV in Latvia was steady in 2000, indicating some growth in the autumn. A reality-TV program produced in-house, a pan-Baltic variation on the *Survivor* format, and the continued success of the homegrown entertainment program *Be tabu* (Nothing Taboo), as well as Russian TV series and feature films, fueled strong growth for the station.

## LITHUANIA



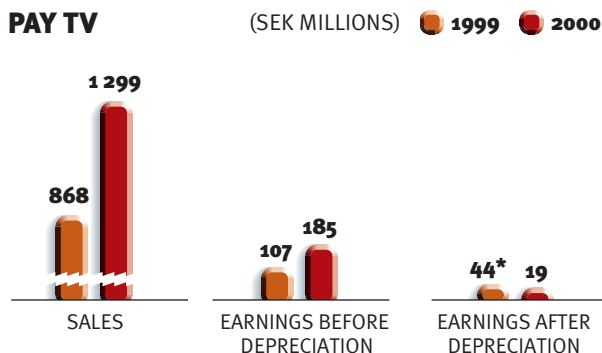
## TV3 LITHUANIA

The year 2000 was yet another successful year for TV3 Lithuania, which maintained its lead in viewer numbers and share of advertising revenues. The channel's commercial share of viewers was 32.3% (35.7%). The programs that attracted the most viewers were the pan-Baltic reality-TV programs in the *Survivor* format, and the entertainment program *Be tabu*, produced in-house.

The Lithuanian TV market eased in 2000 as a result of spending cuts by international advertisers. Despite this, TV3 Lithuania boosted revenues 4%. Penetration amounted to 95% (95%).

## VIASAT3 HUNGARY

In the autumn, Viasat introduced its first TV channel outside its core geographic market, as a result of the strategy to find new geographical markets for MTG's strong brand names. In Viasat3 in Hungary, viewers gained a new, wide-ranging entertainment channel based on the same concept as TV3 in the Nordic countries and Baltic States. Viasat3 was previously a local station in Budapest. The satellite uplink and broadcasts originate from Viasat Broadcast Centre outside London, which is only one of the many synergies achieved with the other TV channels in the business area. Viasat is distributed through all major cable-service providers and by year-end could be viewed by 45% of all TV households in Hungary.



\* Kinnevik's share of TV1000's income in 1999 was 30 MSEK. Goodwill amortization for TV1000 amounted to approximately 36 MSEK in 2000.

## PAY TV

The pay-TV range is sold to households with satellite antennas in the form of Viasat Gold and Viasat Silver packages for a monthly subscription fee. Viasat handles the distribution, marketing, and sale of the packages, which include basic cable-TV service.

## DIGITAL TV

The most significant event in 2000 was the conversion from analog to digital television, which has been the biggest and most important project since the business area was formed.

The conversion from analog to digital TV was implemented by distributing digital set-top boxes free-of-charge to all



## PRISONER AT THE FORT

Thomas Mygind is TV3 Denmark's biggest star bar none. He has hosted 18 of the 20 TV programs that over the years have made it to the list of top 10 shows on TV3, the Danish channel that belongs to MTG's biggest business area; Viasat Broadcasting.

"My favorite program is *Svederen*, which was produced in 1991. But that's probably because it was the first quiz show I did for TV3. Teachers and students used to compete, and I was a very unfair judge," Thomas says. He also enjoys watching *Fångarna på fortet* (Prisoners at the Fort) and *Expedition: Robinson* (Survivor), the two major competition series on TV3 Denmark in 2000.

"Actually, I have my own record in terms of *Fångarna på fortet*. No one else in the world has been a host as long as I have, for 12 seasons," Thomas says.

He thinks that the program has evolved in an interesting way in terms of how the Danish press deals with it.

"When we started *Fångarna på fortet*, the critics panned it — across the board. Today they say I host a 'sit back and relax' show, despite the fact that the program has been exactly the same the whole time."

Now, he is recording a quiz show called *Greed*, after which he will take off to Malaysia for two months to film the next season of *Expedition: Robinson*.

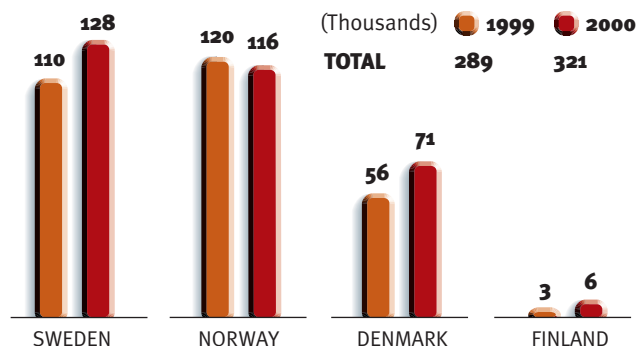
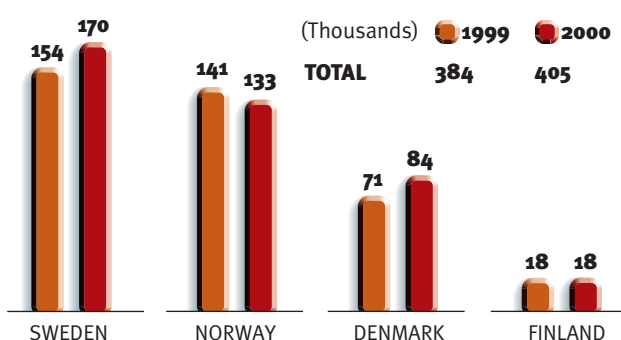
"The event I like most is The Plank, where the contestants balance on a plank above the water. The contestant who held out the longest stood up there for four hours," Thomas says. If you live with other people as closely as you do during the filming of *Expedition: Robinson*, it is hard to stay impartial during the competitive events. "You just can't help taking sides, but of course you aren't allowed to show it."

Thomas Mygind would be willing to be a contestant in *Expedition: Robinson* but only if the contest was not filmed.

"Actually, I'm quite shy," says Thomas, who began his career as an art director at an advertising agency.

After that, he went to local radio, local TV, state-owned TV, and finally TV3. He has also conducted survival courses and knows what kind of stress the contestants are undergoing.

"We have been lucky not to have any accidents on *Expedition: Robinson*. Even a normal tourist can have an accident," Thomas points out. "For the events on *Fångarna på fortet*, I usually tell the contestants that there is nothing that would kill them in the contest. For that matter, they're just as likely to die at the company canteen."

**VIASAT GOLD** (subscribers)**TV1000** (subscribers, CATV & DTH)

of Viasat's premium customers in Sweden, Norway, Denmark, and Finland. This involved about 350,000 households in all. In autumn 2000, the sale of digital set-top boxes to new customers began based on a cash & carry concept. Each customer received a free digital set-top box and free satellite dish when simultaneously subscribing to Viasat Gold for 12 months. This campaign won 65,000 new subscribers for Viasat by year-end. By mid-February 2001, that figure had reached 97,000, by which time 285,000 premium customers had also received their digital-TV decoders.

Viasat was already the largest digital TV operator in the Nordic countries by the end of the first quarter.

The conversion from analogue to digital transmission will enable significant cost savings in the future, due to the lower costs of digital distribution. The closing down of the analogue signal for pay-TV channels in the second quarter is expected to lead to savings which will pay back the investment in the conversion within 3 years. The free TV channels will continue to be distributed in both analogue and digital formats.

The transition to digital TV has been carefully timed. Viasat intentionally delayed introducing digital TV until the cost of digital set-top boxes had dropped, and at a time when Viasat had the possibility to terminate its contracts for analog distribution and thereby avoided duplicating costs of distribution. Another reason for delay was uncertainty about which digital standard would prevail. Viasat selected robust technologies: Viaaccess and Open TV, which is dominating digital TV in Europe.

The business area's chief rival in pay TV is Canal Digital, which has a presence throughout the Scandinavian market. Since its launch of digital TV, Viasat is predominant in new sales.

Digital TV was a hot topic in the region in 2000, and several service providers are active here. One in Sweden is com hem, owned by the incumbent telephone company Telia, which offers digital-TV packages for which subscribers must rent set-top units. In 2000, com hem and the state-owned Swedish operators of a digital terrestrial network, Boxer/Senda, had limited success in the market in terms of the number of digital-TV subscribers.

Since the first quarter of 2000, Viasat Broadcasting has also been available in the digital terrestrial network in Sweden, with TV3, ZTV, TV8, Viasat Sport, and TV1000, in the same way as the company delivers channels to the region's cable-TV and SMATV networks.

Using digital technology, Viasat can distribute television with substantially better image and sound quality at low cost. At year-end, Viasat Gold contained 20 digital-TV channels and 12 digital radio stations produced by the Radio business area of MTG. The digital-TV platform also allows interactive services in the form of games, news, weather, and a program guide for navigating the digital world. The offering includes Goal Show, through which a person viewing a soccer game in the Champions' League can simultaneously see goals from other games in progress.

**TRENDS**

At year-end 2000, Viasat had 1,077,000 satellite-TV sub-

scribers in the Scandinavian market. That reflected a decline during the year that was anticipated, as households chose to wait for digital TV rather than invest in an earlier version of satellite TV.

At the same time, the number of subscribers to the Viasat Gold package increased 11% during the year, from 289,000 to 321,000. The reason being that most new customers during the year opted for premium subscriptions. What helped drive sales of Viasat Gold was the new cash & carry concept, by which a customer pre pays for a 12-month subscription to Viasat Gold and receives a digital set-top box and satellite dish free-of-charge. This means that Viasat's build up of the subscriber base can be done with both positive cash flow and results. On the analog platform, 27% had Viasat Gold, while on the digital platform that figure is around 80%. In the autumn, existing subscribers also upgraded, from Viasat's basic service and from Viasat Silver. Viasat Gold gained the most ground in Sweden and Denmark. Finland reported impressive growth of 98%, albeit from a small subscriber base.

The Baltic markets also began their roll-out of digital TV, in October 2000, with sales of packages comparable to those in the Nordic markets. The range was modified for those markets, including distribution of the Russian station ORT International as well as the local TV3 channels. Satellite distribution of TV1000 also began in the Baltic States, subtitled in the local languages. There is a large population of Russian-speaking viewers in the region, so Russian subtitles are also available. TV1000 can be received by households with satellite antennas or in the cable-TV networks.

## TV1000 AND TV1000 CINEMA

These film channels, which constitute Viasat's premium range, are part of the Viasat Gold package, and are available in cable-TV packages. In the digital-TV roll-out, each film is shown at three different times a day, so called multiplex.

In 2000, the number of TV1000 subscribers increased 5%, from 384,000 to 405,000. The fastest growing markets are Denmark, where the number of subscribers jumped 18%, and Sweden, which grew 10%.

## TV6

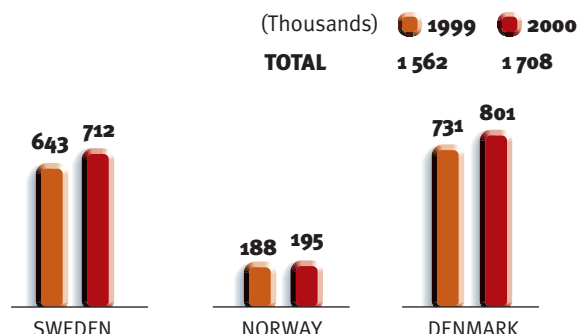
TV6 is a subscription-financed channel with two different formats and brands: TV6 Nature World, which broadcasts 6:00–9:00 PM, and TV6 Action world, which broadcasts 9:00 PM–12:00 midnight. This channel is included in the Viasat packages and distributed through most cable-TV service providers.

At year-end 2000, TV6 had 1,708,000 paying subscribers in the Scandinavian market, 7% more than in the preceding year.

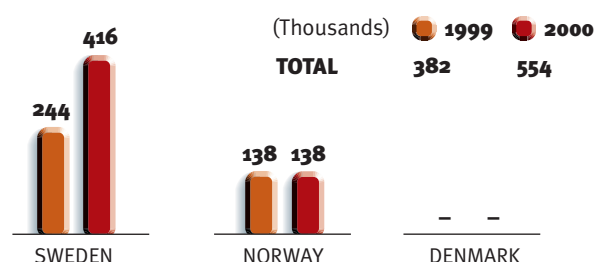
## VIASAT SPORT

Viasat Sport was introduced in 1999 as a sports station in the Viasat range, providing a combination of live golf, European championship soccer, harness racing, and more. The sports channel uses broadcast rights that Viasat held

### TV6 (subscribers, CATV & DTH)



### VIASAT SPORT (subscribers, CATV & DTH)



previously, but could not fully utilize on TV3. All sports in Viasat Broadcasting are concentrated here except for those shown on TV3 and its affiliate channel 3+ in Denmark.

At year-end, the channel had 554,000 subscribers. This figure includes subscribers to the cable-TV networks that distribute Viasat Sport.

## DISTRIBUTION

Viasat reaches viewers through broadcasts to satellite dishes, cable-TV networks or the small cable networks called SMATV, and the digital terrestrial network in Sweden.

The channels within Viasat, whether sent to cable-TV networks, households with satellite antennas, SMATV, or the digital terrestrial network, are distributed over two satellite positions that dominate the Scandinavian market. These are; 1 degree west, owned by Telenor Satellite Services, and 5 degrees east, owned by Nordiska Satellit AB (NSAB), of which 50% is owned by Société Européenne des Satellites S.A., the company behind the Astra satellites. All digital signals are broadcast through NSAB.

Viasat is basically a subscriber management system (SMS) company. In brief, an SMS company rents smartcards that enable consumers to watch encrypted television programs using decoders in their homes. Hence, Viasat works in much the same way as an SMS company for mobile telephony which rents smartcards to subscribers that allow them to use their cell phones. Viasat manages the SMS function for households with satellite antennas and for SMATVs.

Viasat's channels are also distributed by most cable service providers in the market, including com hem and UPC in Sweden; Tele Danmark and Telia in Denmark; and UPC and Telenor Avidi in Norway.

Almost two-thirds of all households in Scandinavia can view Viasat's channels by one of these three means of distribution. The situation is different in the Baltic States, where TV3 is terrestrial and reaches up to 97% of all households in Estonia and 95% in Lithuania. The license for a nationwide terrestrial network in Latvia, awarded to TV3 in February 2001, will boost penetration there from 72% to 95%.

## THE FUTURE

Viasat Broadcasting has established a base for robust growth in future sales and increased profitability. Greater stability will result from dual revenue streams: advertising and subscriptions. The Scandinavian, Baltic, and eastern European markets for television advertising are expected to expand. This is due to higher penetration, a larger proportion of investment in advertising allocated to television, and Viasat's emphasis on sales. This can be done without substantially increasing its cost base. Pay-TV's growth will also be driven by greater penetration as well as by a higher proportion of premium customers, less churn as a result of digital technology, and, finally, new revenues from interactive services. As in the case of Free-TV, Pay-TV can do this with a more or less constant cost base. In conjunction with these developments, the business area will continue expanding to new geographic markets.





EVER4MOBILE TO CREATE CONTENT TO MOBILE SERVICES

EXTENDED CONTRACT FOR EVER4TEXT IN SPAIN • EVER4DAY.CO

## NEW MEDIA

The new business area New Media comprises all companies making existing content available to new distribution platforms, as digital TV and mobile telephony.

# NEW MEDIA

In the fourth quarter of 2000, work began on building the New Media business area, with the aim to apply existing content by making it available to new distribution platforms and thus to create new opportunities for users in this segment, which we refer to as “new media.”

All MTG content is delivered in the format chosen by the customer. The most popular traditional formats are periodicals, radio, and television, but new media is coming to the fore. From platforms such as text TV, the Internet, and SMS messaging for mobile telephony—all already firmly established—new media is expanding through interactive digital TV and the next generation of cell phones; Universal Mobile Telecommunications System (UMTS). MTG is a content provider to Tele2, which has secured operator’s licenses in Sweden and Norway for third-generation (3G) mobile networks. Through the New Media business area, MTG will continue to make the most of new revenue streams as they become viable and multiply.

Within the framework for New Media, the Group started Everyday.TV, an interactive TV portal, and Everymobile, for mobile content. From Modern Interactive, the New Media business has received other interactive businesses, in text TV and the Internet, as Modern Interactive narrows in on conventional direct sales via TV, or “home shopping”, and e-commerce. Thus, New Media contains Everytext (Interactive Television), the advertising broker WebAd (MTG Internet), and MTG’s interest in the Internet portal Everyday.com.

This simplifies the task of making content available simultaneously in multiple media outlets, with simultaneous sales of advertising for those outlets.

Similar to the way in which the wholly interactive reality-TV program *Baren* was launched—as a collaborative effort of TV3, ZTV, RIX FM, Everyday.com, Modern Merchandising, and others with the telecom operator Tele2—New Media will bundle content and services based on vehicles such as TV shows. These could include anything from polling, to chat rooms and sales of products, to expanded information, streaming video, “behind the scenes” broadcasts, ringing tunes and graphics for mobile phones, or advertising packages and sponsorships.

## EVERYDAY.TV

Everyday.TV was introduced at the same time as the Viasat Broadcasting business area started its digital TV platform. Everyday.TV is the interactive TV portal for Viasat Broadcasting’s digital-TV subscribers.

The rapid spread of Viasat’s digital-TV platform made Everyday.TV the leading interactive TV portal in the Nordic market.

One of the first services created was Goal Show, in which a person watching a soccer game in the Champions’ League could see goals scored in other games being played at the same time.

Digital-TV users already have access to a comprehensive electronic TV guide, news, weather, and games. Other services and content are being created for the world championship in ice hockey to be played in Germany in April 2000.

Additional content will become available at Everyday.TV in concert with the newspapers *Metro* and *Finanstidningen*.

For *Metro*, this is an extra channel that makes the newspaper available to households with digital TV in Nordic markets, financed by advertising and free to everyone, like the printed newspaper.

Traffic at Everyday.TV is generated with the help of cross promotion on TV channels, radio networks, newspapers, and web sites for MTG and *Metro*. Thus, marketing expenses are kept to a minimum.

Revenues are generated through regular advertising and fee-based telephony services as well as new options such as interactive-TV advertising and direct sales to viewers, who can make purchases using their digital-TV set-top boxes. This opens up even more opportunities for companies like CDON, in the Modern Interactive business area, and for Modern Merchandising, which offers products related to TV programs. Other revenue streams will come from premium services, such as pay-per-play games.

Everyday.TV's potential will keep pace with the growth of Viasat Broadcasting's base of subscribers for digital TV in the Nordic countries and Baltic States as well as advances in digital-TV technology.

## EVERYMOBILE

Everymobile was started in the fourth quarter of 2000 to make the most of opportunities for MTG as a media house in the mobile business. It has two main objectives. One is to become a service provider to leading mobile network operators in countries where Everymobile conducts business, to be able to offer services and content in mobile telephony to a broad mass market. The other objective is to keep up with the technology shift under way, from today's SMS for GSM telephony, via technologies like WAP, to GPRS and UMTS. Initially, the focus will be on services for GSM telephony, especially those related to the increasingly widespread use of short message service (SMS) messaging. In the first quarter of 2001, the mobile portal Everymobile.com was rolled out on the Internet, featuring ringing tunes and graphics for handsets, entertainment, and dating. For example, in collaboration with ZTV's hit countdown *ZTV Toppen* there are special offers for songs on the charts.

To start, Everymobile.com is available in Swedish, but more language versions will follow, for Norway and the Baltic States. These services will strengthen the ties between mobile network operators and their customers. Infrastructure and a technical platform are being created to help content providers to communicate with their target groups in a cost-effective and secure manner.

## EVERYDAY.COM

The Internet portal Everyday.com, in which MTG owns 50% and Tele2 50%, was introduced in the Swedish market towards year-end 1999. By year-end 2000, it had opened in 11 more countries in Europe: the Netherlands, France, Norway, Austria, Estonia, Italy, Germany, Switzerland, Luxembourg, Denmark, and Finland. At the end of January 2001, Everyday.com was rolled out in Spain.

Outside the Nordic region, Everyday.com is operated through a franchise agreement. These activities are part of



## INTERACTIVE SPORTS

Claes Åkeson is a sports anchor on TV3, the program host who keeps the public up to date on the latest from the world of sports from the studio with his co-anchor Thomas Nordahl. The commentators for the soccer games in the Champions' League are Lasse Kinch and Glenn Hysén.

When the Swedish evening paper *Aftonbladet* reviewed TV sports broadcasts and their hosts, Claes Åkeson won praise and Thomas Nordahl was declared a genius.

"It feels nice to be appreciated," says Claes, who calls Thomas his "father figure." "We are great friends and work together extremely well. I think you notice that dynamism in the studio."

Claes has also done advertisements for Viasat's digital-TV platform. In the New Media business area of MTG, sports have come a long way.

"In the autumn of 2000, the *Goal Show* was introduced, which enables you to see goals in other games while watching the main contest in the Champions' League. Anyone watching our digital broadcast only needs to press a button on the remote control," Claes explains.

He sees endless possibilities in the new interactive features of digital TV. "Right now, digital TV is in its infancy, but during the next few years amazing things will happen. Viewers will gain even easier access to information and services."

TV3 has already established a dialogue with viewers in an effective way. During *World Cup* hockey championships over recent years, TV viewers have been encouraged to e-mail with their questions and comments to the broadcast commentators.

"We have received nothing but positive feedback on this," Claes says. "It is a simple and reliable way to keep in touch with viewers, so we'll continue with it."

In Claes Åkeson's opinion, the top sports broadcasts in 2000 were the ice hockey championships, the Champions' League, and the major golf tournaments. "This year, we're looking forward to the world championship in ice hockey in Germany. That will be a high point, and it's so important that Tre Kronor [the Swedish national hockey team] makes a good showing."

Claes Åkeson has no clear favorite when it comes to the sports he watches on TV because he watches just about everything that has to do with sports. And he enjoys playing sports, too. "I see myself as fairly athletic. I run 80-90 km a week and also play golf."

Before he started working for Viasat and TV3 in 1996, Claes Åkeson worked for Sveriges Television, where his responsibilities included entertainment on Saturday evening with Kattis Ahlström.

"There's a big difference between Sveriges Television and TV3. TV3 is a fearless channel that takes more chances. There's never a dull moment here," Claes says.

a strategy to follow the pan-European telecom operator Tele2, which provides fixed telephony service in these countries. Everyday.com complements those services by providing subscription-free Internet access, free e-mail, a wide variety of content, and e-commerce. At the time of the start in Spain, Everyday.com had more than 1.4 million registered members.

In 2000, Everyday.com established itself as a key player in the Nordic countries and Baltic States and expanded quickly in the Netherlands and France. In other markets, Everyday.com is still in the initial phases of establishment.

## EVERYTEXT

Everytext gathers the Group's text-TV operations, which have provided many years of varied content and services for TV3, ZTV, and others. The most extensive text-TV activities in Everytext are not in MTG's core geographic market at all but have been built in Spain since 1995, to about 3,100,000 unique text-TV viewers or users every day.

In recent years, the text-TV business in Spain has flourished through organic growth and strong earnings. In the summer of 2000, the contract with the nationwide commercial channel Telecinco (Tele5) was renewed.

The Everytext company Interactive Television InTV España S.A. has exclusive rights to the production and sale of advertisements for text TV, for analog and digital distribution. The extended and renewed contract with Telecinco (Tele5) runs until the beginning of 2006.

IMS, another Everytext company, produces and sells advertisements for text TV for Telemadrid, a TV channel that broadcasts in the Madrid region. Content and services include domestic and international news, business news, sports, arts and cultural affairs, and road and traffic information as well as chat pages.

## WEBAD

WebAd (MTG Internet) is the advertising broker for new media, such as the Internet, text TV, and digital TV.

In 2000, its biggest clients in Sweden were Everyday.com, owned by MTG and Tele2, and MTG sites such as tv3.se and ztv.se, as well as the Internet versions of *Metro* in Stockholm, Gothenburg, and Malmö, owned by Metro International S.A.

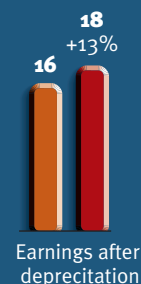
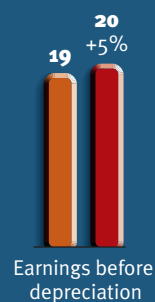
WebAd opened up shop in Norway in 2000 as No. 2 in the market for sales of advertising on the Internet. Its starting position was made possible by sales contracts with external clients such as Yahoo.no, LibertySurf.no, and QXL.no, in addition to MTG's own Everyday.com. When the New Media business area was formed, WebAd bolstered its sales organization and broadened its business activities to include other new media, such as the digital-TV platform, and took over responsibility for sales of text-TV advertising.



## EARNINGS

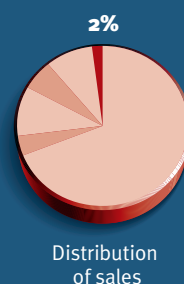
(SEK MILLIONS)

1999 2000



## SALES

(SEK MILLIONS)



MTG CONSOLIDATES FINNISH RADIO OPERATIONS - 10 RADIO

POWER HIT RADIO CONTINUOUS STOCKHOLM'S BIGGEST COM

# MTG RADIO

The MTG Radio business area has holdings in the leading radio networks in Sweden, Norway and Finland. Radio in Estonia and Latvia is also part of the business area.

# MTG RADIO

Following the acquisition in the Finnish radio market, the Radio business area has holdings in leading radio networks in the Swedish, Norwegian, and Finnish markets: RIX FM, Sweden's largest commercial radio network, P4 Radio Hele Norge, Norway's only nationwide commercial radio network, and Radio NOVA, Finland's only national commercial radio network. Power Hit Radio, Stockholm's biggest commercial radio station and the largest in the combined Stockholm and Gothenburg market, is also part of the business area, as are national radio in Estonia and Latvia.

The business area operated during the year according to the same strategy as in 1999: Boost sales and earnings by concentrating sales efforts and cutting costs. This put Radio in the black on a full-year basis for the first time ever.

The music "product" in the radio channel was launched in a new channel during the year, through Viasat's digital-TV platform, for which about a dozen music stations were created based on various themes—everything from classical, to rock and soul.

## SWEDEN

The sales force once again increased effectiveness in 2000. Development efforts in sales management and sales staff training continued during the year, resulting in a higher number of sales calls per salesperson, more closes, and a higher than average order value.

These measures were behind a 15% advance in sales in a market that expanded only 10%. The Radio business area accounted for about 29% of all growth in the Swedish market in 2000 and hence extended its market share.

In addition to selling advertising slots to external customers, Radio serves as a vital tool for other companies within MTG to market themselves. Hence, unsold commercial airtime is used to cross promote other operations, the upshot being more cost-effective marketing for the Group as a whole.

## LISTENERS

Competition for radio listeners intensified in 2000. By refining its "product," RIX FM successfully defended its position as Sweden's biggest commercial network. Power Hit Radio remained Stockholm's biggest commercial station.

In the first survey conducted in 2001 by RUAB, the radio audience survey company, RIX FM was Sweden's largest commercial radio network—for the ninth survey in a row. The station's flagship program, *RIX MorronZoo* morning show, took on a new crew in September who quickly won the ears of listeners.

In 2000, Power Hit Radio beat its record of 11% from the preceding year by continuing to attract a listener audience of 12.2% in Stockholm. Power kept attracting more listeners in Stockholm than the state-owned music station P3.

## MARKET

In 2000, sales in the industry in Sweden advanced more than 10%, from SEK 546 million, to SEK 600 million. As a whole, the industry had revenues equal to costs for the first



time. Growth was driven by existing customers earmarking more of their media expenditure for radio, by new advertisers, and by higher prices.

The RIX network consists of 25 stations targeting the 20-and-older age group. The format is called “hot adult contemporary,” or hot AC, which broadcasts pop hits for adults. The key program is *RIX MorronZoo*, broadcasted on weekdays 6:00–10:00 AM.

Power Hit Radio comprises one station in Stockholm and one in Gothenburg and targets an audience aged 15–34 with a format called “contemporary hit radio with rhythm,” or CHR/rhythmic. The music can be described as the latest hits but with no rock music. On this station, too, the morning slot is key: *The Power Morning Show*. Both stations kept the same format as in the preceding year.

In addition to the business area’s RIX FM and Power Hit Radio, the Swedish market has MIX Megapol, with 13 stations, NRJ with 21 stations, Fria Media with 12 stations, and City3 with four stations.

Among this competition, MTG Radio won 21% of the advertising market in 2000 (20% in 1999).

## P4 RADIO HELE NORGE

P4 Radio Hele Norge is Norway’s only nationwide commercial radio station and is listed on the Oslo Stock Exchange. MTG is the biggest shareholder, with 33.1%. In the 20–40 age group, P4 Norge is clearly the market leader, with a listener share each week of 49%, up from 48% in 1999. P4 Norge is the country’s second largest station overall and expanded its audience slightly during the year. In 2000, 25% of all Norwegians listened to the station daily, compared to 24.7% in 1999. The Norwegian market for radio advertising increased, to 6.0% of the entire advertising market, up from 5.7% at the start of 2000.

Sales amounted to SEK 302.3 million (294.2), pre-tax profit was SEK 102.7 million (93.7). MTGs share of earnings in P4 totaled SEK 24.7 million (29.2).

In addition to concentrating on P4’s core activities, the company aims to capitalize on the value in content that the station produces. By year-end 2000, P4 had established itself as a complete digital media house. The Group established Byrå P4 to produce and make available the content produced to all digital production channels, with the emphasis on fixed and mobile Internet. As a content provider, P4 will be a leader in applying a variety of technologies. Its goal is to be at the leading edge of the market for every advance in electronic and digital communication technology. During the year, P4 decided to transfer the knowledge and experience it has gained through forsiden.no to P4.no, which will become the main conduit for P4 on the Internet. In 2000, P4 released the digital radio set P4 Desktop Radio, a downloadable program for listening to live radio broadcasts on a PC. Surveys show that in 2000 P4 was the station with the most listeners on the Internet.

## CONSOLIDATION IN FINLAND

In line with the Radio business area’s strategy of consolidating its Nordic radio operations, towards year-end a signifi-



## QUITE CONTRARY IN THE BAR

For some years, Anders Høglund has hosted the Norwegian radio program *Tvert imot* (Quite Contrary), broadcasted every weekday between 11 AM and 12 PM on P4 Radio Hele Norge, the country’s only nationwide commercial radio station.

Radio is a business area in MTG, and the Group is the biggest shareholder in P4.

“*Tvert imot* is based on a simple idea. Every day, I pose a question, and then the public calls into the program, where I am ‘quite contrary’ and refute their comments and opinions,” Anders says. “For example, today we had the question, ‘Should homosexuals be allowed to adopt children?’ To those who were in favor of it, I said they had to think about God or what was best for the child. I take a fairly misanthropic stand in the program.”

*Tvert imot* has made waves in Norway, and every day scores of Norwegians sit glued to their radios.

“Sometimes all hell breaks loose, and the people who get on the program yell or cry,” Anders says.

To have a radio program that broadcasts every weekday can be quite demanding, and 53-year-old Anders Høglund admits that from time to time it can be grueling.

“When I have a cold or a fever, it can be tough. But I love doing this program, so I go to work even when I’m sick,” says the controversial talk show host.

But Anders does not work only with the radio program *Tvert imot*. He is also the host of live broadcasts for the Norwegian version of the TV program *Baren*. Norway was the first country outside Sweden to reproduce this program based on a format from Strix (a production company in MTG) which first became a success on TV3 Sweden and on the Swedish part of the web site Everyday.com early in the summer of 2000.

*Baren* debuted in Norway in the autumn of 2000 and is now in its second successful season. Anders believes the Norwegians have made the local *Baren* intrinsically theirs.

“I have visited *Baren* in Sweden and met Robert Aschberg, but I haven’t seen that much of the Swedish TV series.”

Like the Swedish *Baren*, the bar itself is an actual location that anyone can visit. “It’s centrally located in Oslo, right in the middle of Karl Johann.”

He likes the series’ tough reality-TV concept, where the participants’ every move are constantly followed by the cameras.

“This is culture for young people,” Anders believes. “This is a program you talk about. It’s really something that social anthropologists should study.”

cant stake was acquired in Finland's leading commercial radio network, Radio Nova. MTG Radio became a 50% partner with P4 Radio Hele Norge Oy, which holds the other 50%, in the company that controls 26% of the shares in Radio Nova. Radio Nova is Finland's only nationwide commercial radio network, with 745,000 daily listeners, and is the undisputed leader in the Finnish radio market. As a result of the decision to concentrate on Radio Nova, the Group divested its holdings and management undertakings in the two networks Star FM and Groove FM.

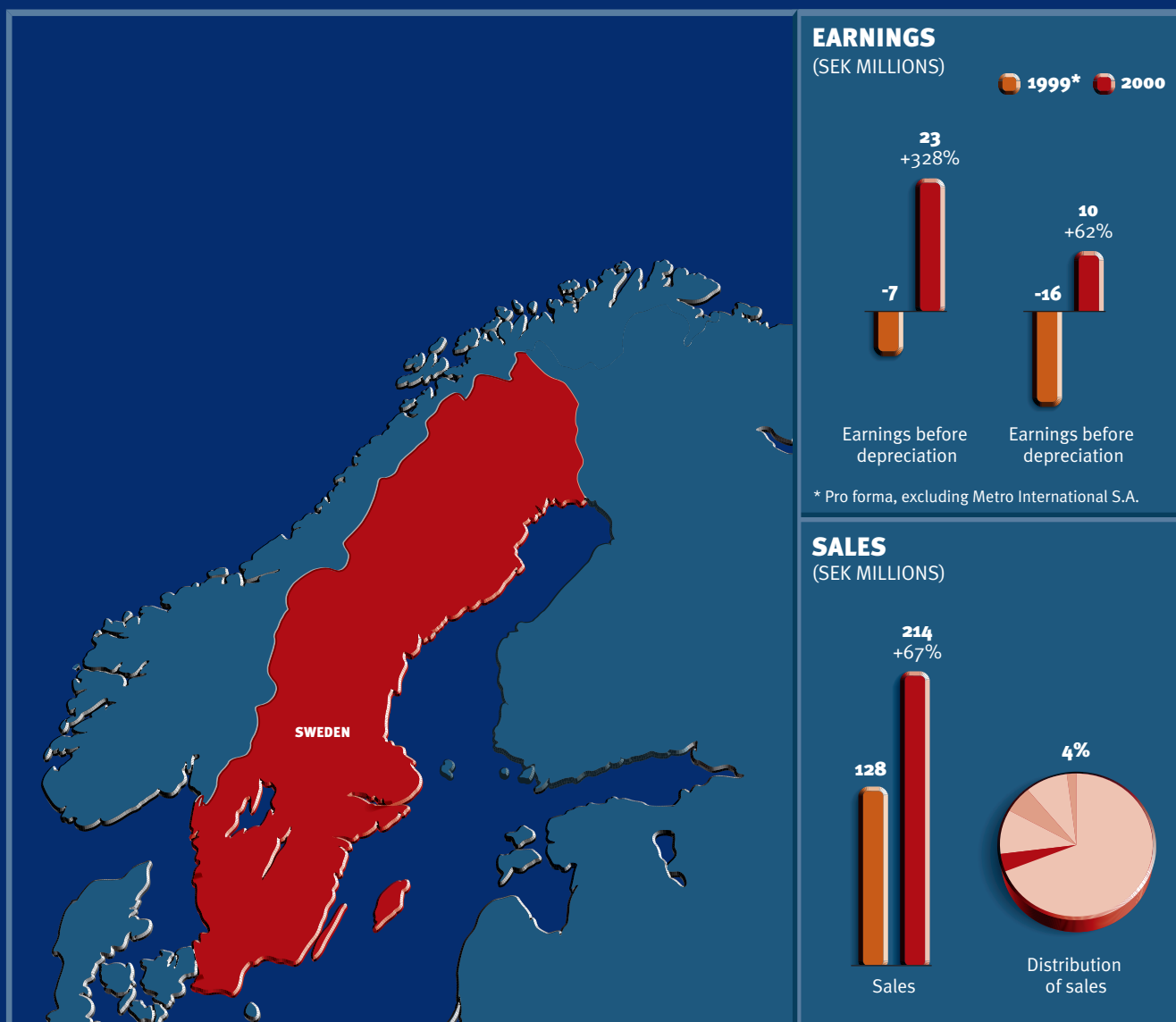
## BALTIC STATES

In 2000, the radio networks in Latvia and Estonia changed their formats from "soft adult contemporary" to the somewhat more energetic "adult contemporary" (AC). The AC format contains contemporary pop music for adults, and the change was intended to attract more listeners and broaden the networks' target audience. In conjunction with the change in format, the networks' names were also changed, to Star FM.

In Estonia, the network was expanded in 2000 to two additional frequencies, so that Star FM now reaches about 70% of the population and about 85% of the advertising market. The network has 73,000 listeners each week, corresponding to a share of about 6.5%. The channel boosted its listening audience 25% in the first six months after the change to Star FM. In May, a Power Hit Radio station was started in Tallinn, too. The station reaches about 400,000 listeners. After six months it had a weekly audience of 35,000 listeners, which has grown steadily since.

Power Hit Radio's format is "contemporary hit radio" (CHR/dance), which targets a young audience by playing the latest hits. In 2000, sales soared 83% in a market that remained at the same level as in the preceding year.

Star FM is one of Latvia's two domestic commercial radio stations. The network has 261,000 listeners each week, up 18% for the year. Sales rose 35%, while the market expanded 20% overall. The focus is on improving the sales force through training and ongoing gains in audience share. Star FM and Power Hit Radio in the Baltic States are reported as associated companies.



FINANSTIDNINGEN FASTEST GROWING DAILY NEWSPAPER IN

LAUNCHED IN FRANKFURT - MODERN TIMES - MODERN DIALO

## PUBLISHING

The Publishing business area is focused on financial news services, building on the success of Finanstidningen. The year 2000 was the first year in which Finanstidningens was in the black.

# PUBLISHING

**A**s a result of the distribution of Metro International S.A. to shareholders in MTG, the publishing business area took a new direction in the autumn of 2000.

A concentration on financial news services began, building on early success at *Finanstidningen*. The production of newspapers, television, and web services based on stock market, business, and economic news was gathered in a single business area. In addition to existing cross-promotion, this allowed content to be offered in different formats at a lower cost and without compromising on quality.

Alongside established media formats such as newspapers, television, and the Internet, formats in new media were added: from mobile services to digital TV. The publishing business area will be a key content provider for the New Media business area, which will open new media formats to MTG content. These include SMS for today's GSM mobile phone standard and services for the next generation of mobile telephony, UMTS, as well as the interactive platform Everyday.TV, within the framework for Viasat's digital-TV platform. These are a few of the new formats to be open for content from Publishing.

In Sweden, interest in financial news services has risen sharply, in conjunction with the pension reform that will result in 70% of all inhabitants directly or indirectly owning shares. The market was previously dominated by one player, now experiencing serious competition for the first time.

Sales for Publishing without *Metro* rose 67%, to SEK 214 million, compared to the preceding year, and the business area made a profit. The year 2000 was also the first year in which *Finanstidningen* was in the black.

## FINANCIAL NEWS SERVICES

## FINANSTIDNINGEN

### READERS

MTG took over *Finanstidningen* in May 1998. Circulation was then 12,000. Since then, circulation has risen steadily. For the full year 2000, audited circulation from Tidningsstatistik (TS) was 27,400, compared to 17,300 the preceding year. That represents a rise of 58.4%, which was the highest percentage increase in circulation by any Swedish daily paper during 2000.

The number of readers also increased, from 143,000 to 177,000, or 24%, according to the cumulative audience survey for the full year conducted by SIFO/Orvesto. Thus, *Finanstidningen* was also the fastest growing business periodical in Sweden during 2000, in percentage terms and number of new readers.

Behind these successes lies an editorial effort combined with effective marketing. In the past two years, a strategy of recruitment has led to high-profile journalists joining the editorial team. At the same time, trial subscriptions have been distributed to the newspaper's target audience; these are decision-makers in companies with more than 50 employees. These executives in Swedish businesses have been able to try out the paper for one to three months, after which they were invited to subscribe. The number accepting the offer has been extremely high. This marketing strategy will continue in 2001.

In March 2001, collaboration began with the *Financial Times*, the world's most respected daily business newspaper. The *Weekend FT*, its weekend edition including the *How to Spend It* supplement, is distributed to full-year subscribers to *Finanstidningen* on Sundays. *Finanstidningen* is issued Tuesday through to Saturday. With the *Weekend FT* on Sundays, a sixth day of publication has been added.

## SALES

Advertising sales also grew apace. During the year, advertising revenues for *Finanstidningen* surged 171%. Thanks to increasingly deeper audience penetration among decision-makers in companies with more than 50 employees, advertisers reach their target audience at a considerably lower cost per contact than in competing media.

## KAPITAL

*Kapital* is a monthly magazine that was originally distributed free of charge to full-year subscribers to *Finanstidningen* as well as to other interested parties.

It was launched in May 1999 and was well received by readers. *Kapital* is still a bonus to full-year subscribers to *Finanstidningen* and thus adds value in the competition with other business periodicals.

For other subscribers to *Kapital*, a transitional process began in 2000. Offers to extend subscriptions for a fee were sent out and garnered a good response. The strategy of converting free subscribers to paying subscribers will continue in 2001.

## TV8

TV8, acquired in 1998, is the only Swedish business channel. It was originally part of the Viasat Broadcasting business area. It is still part of the package of channels that Viasat offers customers with satellite dishes, as well as part of cable-TV service. It is in the Publishing business area, though, that TV8 achieves its greatest synergies.

Since 2000, *Finanstidningen* has produced the business news that is broadcast every hour on TV8, starting before Stockholmsbörsen opens and continuing until after it closes. TV8 also broadcasts *O som i Ortmark* (O as in Ortmark), a program that it produces in-house with Åke Ortmark, winner of Sweden's national award for journalism, who chats with Swedish and international business and political leaders.

In addition to programs produced in-house, the broadcasting schedule includes high-quality documentaries from the BBC and the History Channel. During the day and at night, these are augmented by business broadcasts from Bloomberg Television.

In 2001, the Swedish content will be expanded in collaboration with *Finanstidningen*, *Kapital*, and *Moderna Tider*. *Moderna Tider* is also part of the business area. This collaboration ensures solid credibility.

TV8's penetration increased in 2000, from 13% to 20% of Sweden's viewing public. Thus, the channel can reach 1,740,000 viewers. During 2000, the channel was accounted within the Viasat Broadcasting business area.



## MODERN DIALOGS

Susanna Popova is one of Sweden's most prominent op-ed writers. Since 1999, she has been editor in chief of *Moderna Tider*, an arts and cultural affairs magazine that increased its circulation 93.7% in the year 2000. Before she joined *Moderna Tider*, she was an editorial writer at *Svenska Dagbladet* and *Dagens Nyheter*.

*Moderna Tider* is part of the Publishing business area, which is increasingly focused on financial services. That includes *Finanstidningen*, with which *Moderna Tider* has successfully collaborated. *Finanstidningen* publishes articles from *Moderna Tider* in its own *Kultur & Liv* (culture & lifestyle) section, and new full-year subscribers to *Finanstidningen* receive five issues of *Moderna Tider* as a bonus.

Susanna believes there is a natural link between the arts and financial services. "For a long time, *Finanstidningen* has had a thriving arts and cultural affairs page, which makes perfect sense. We can't let ourselves get trapped in a target-group mindset that underestimates the needs of the group that reads *Finanstidningen* and assumes they aren't interested in the arts or cultural affairs."

Susanna Popova is also a well-known editorial panelist on television. In the beginning of 2001, she made her next move, from being a guest on current affairs programs, to having her own show on TV8, Sweden's only business channel and now part of the Publishing business area. In the highly acclaimed series *Moderna Tider—moderna samtal* (modern times—modern dialogs), she holds discussions on topical issues with interesting personalities, and the debate gets down to the nitty gritty.

"TV8 is the perfect channel for us. Even before we started *Moderna Tider—moderna samtal*, I noticed TV8 when I was channel-surfing," Susanna says. "I'm full of admiration for Åke Ortmark in *O som i Ortmark*. I also appreciate the documentaries."

*Moderna Tider—moderna samtal* is part of the strategy of expanding the Swedish content on the channel, based on the contents of the periodicals *Moderna Tider*, *Kapital*, and *Finanstidningen*.

"The idea was to express our way of thinking, use our content, and give our readers yet another arena. We thought it sounded like lots of fun," Susanna explains.

"I want to make a TV program that isn't clichéd but allows room for reflection. There will always be curious people who want to see form and content evolve. We want to give them something extra, something special. Our readers and viewers should feel that the time they spend reading *Moderna Tider* or watching our program is time well spent, so that they come back and want to stay in touch. That's how I see my task, on my magazine and my show."

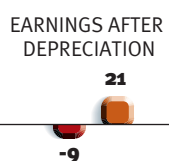
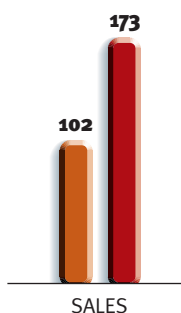


**TV8**

(SEK MILLIONS) 1999 2000

**FINANSTIDNINGEN**

(SEK MILLIONS) 1999 2000

**www.finanstidningen.se**

Finanstidningen's website, [www.finanstidningen.se](http://www.finanstidningen.se), developed well in 2000 and at year-end an enhanced home page was published. The site now features continually updated news and all news reports from the wire service Ticker, through a cooperative effort. The stock market page offers broader and deeper information, including all companies on all lists published by *Finanstidningen*.

**www.financialhearings.com**

Financial Hearings also developed apace. *Finanstidningen* arranges analyst meetings at the request of publicly traded companies via Financial Hearings. Almost all meetings are broadcast on [www.financialhearings.com](http://www.financialhearings.com).

In 2000, Financial Hearings conducted more than 400 analyst meetings. At year-end, Financial Hearings also opened up shop outside Sweden, starting in Frankfurt, and will continue its expansion in Helsinki, Oslo, and London.

**OTHER PUBLISHING OPERATIONS****MODERNA TIDER**

The magazine *Moderna Tider* maintains a solid position in its genre: current affairs. Circulation increased, and the magazine is often discussed in other media. Towards year-end 2000, an extensive campaign was launched in which readers were offered three issues at no charge. After the trial period, these readers receive an offer to continue as paying subscribers. According to SIFO/Orvesto's cumulative audience survey for full-year 2000, the magazine had 54,000 readers, 6% more than in the preceding year. Circulation for the entire year was 13,600. There are no comparative figures for previous years as *Moderna Tider* did not participate in TS audited surveys. The change in circulation during the year alone was a record increase, from 9,600 in the first half of the year, to 18,600 in the second half. That represents growth of 93.7% for the year.

**BROMBERG BOKFÖRLAG**

This company's business concept is to publish quality literature, non-fiction and fiction, aimed at an educated public. Brombergs was extremely successful in 2000 primarily thanks to the ongoing popularity of the bestseller *Tio tankar om tid* (Ten thoughts about time), by Bodil Jönsson. More than 100,000 copies were sold in 2000, putting the total number in print around 230,000 by year-end.

Rights to the book have been sold to 11 countries, including the United States, Germany, France, Italy, Spain, and the Netherlands. Other best-selling authors included John Gray, Arto Paasilinna, Gunilla Dahlgren, Ilon Wikland, and Stephan Rössner. In the year 2000, Brombergs successfully worked with pre-sold publications, selling seven titles in advance in large print-runs. Brombergs also celebrated its 25th anniversary in 2000.

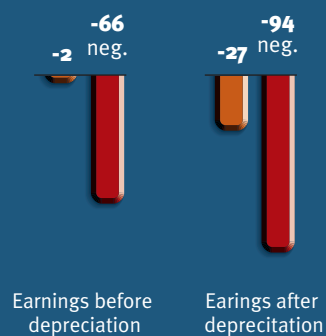
The prize *To Adam Bromberg's Memory* was founded. The first recipient was Christina Monthan Axelsson, for her heavy commitment, within language teaching, to her native language in both speech and writing.



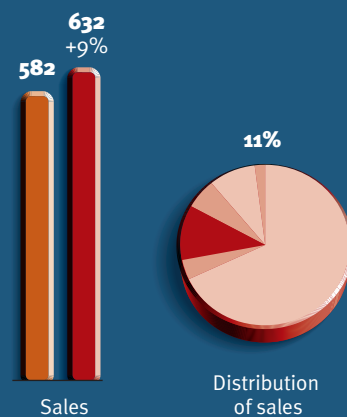


### EARNINGS (SEK MILLIONS)

1999 2000



### SALES (SEK MILLIONS)



PIN24 LAUNCHED AS DIGITAL DIRECT SALES CHANNEL ON 8  
SUBSCRIBERS • PIN24 REACHES 6 MILLION HOUSEHOLDS •

## MODERN INTERACTIVE

The Modern Interactive business area comprises all companies within direct sales, from traditional home shopping, to e-commerce on the Internet and logistics.

# MODERN INTERACTIVE

This business area was previously called Electronic Retailing, but the name was changed to Modern Interactive in May 2000. At that time, the business area began paring operations to concentrate on three core activities: traditional home shopping through TV-Shop and PIN24, e-commerce under the CDON brand, and eCommerce Logistics for logistics.

This specialization became necessary when TV-Shop's business reported continuous losses, mainly because of a weak business model with analog distribution. Yet, MTG's experiences with TV-Shop were a prerequisite for creating PIN24, a channel launched in 2000 for direct sales through the new digital-TV platforms. The business area had invested relatively little funds in e-commerce, but corrective action was called for.

During 2000, existing sites in closely related fields were merged. For example, Gamerson, which sold games, and DVDON, which sold DVDs, were merged with CDON, which thereon became the outlet for all home entertainment. The logistics company eCL enjoyed success in 2000, offering its services to clients outside the Group, and reported a profit.

With the decision to focus on TV-Shop, Modern Interactive transferred CDON and eCL to MTG's part of the Internet portal Everyday.com, in the new business area New Media, which also took over WebAd, the broker for Internet advertising.

## TV-SHOP WITH PIN24

TV-Shop Europe is Europe's biggest enterprise for direct sales via television. The business operates in 33 countries. The industry as a whole has suffered setbacks, leading to the demise last autumn of a few of the company's biggest competitors.

The German market, Europe's biggest, deteriorated yet again in 2000. For TV-Shop, the decline resulted from less access to TV time and from the cancellation of unprofitable media contracts. A write-off of SEK 35 million was charged to the accounts for 2000 to achieve conditions for profitable business. To regain profitability, during the year attention was redirected to product selection, with the emphasis on strong offers in the principal product areas of music and exercise equipment. Work to centralize inventories and distribution continued, as did the streamlining of logistics through eCL. eCL originated in TV-Shop but was spun off to make it easier for the logistics company to offer services to other companies inside and outside MTG's business circles.

The year 2000 also saw a successful transition to digital distribution, through the introduction early in the year of PIN24, an around-the-clock channel for direct sales via television. The main advantage is the strong reduction to cost with digital distribution. First, PIN24 was made available on Sky Television's digital-TV platform in Great Britain. It became accessible to households with satellite antennas in the Nordic countries and Baltic States when Viasat Broadcasting rolled out its digital platform in the region.

During PIN24's first year, in which it made a profit, the programs offered came from traditional direct sales companies as well as new players in the industry. In February 2001, PIN24 could be received by six million homes with television, via Sky, Viasat, and Tele Danmark's cable-TV

company. In 2001, its interactive functions will multiply. Advertisers will let viewers make purchases directly through their TV sets by using their remote controls on the digital-TV set-top boxes. More interactive features will make it possible to develop into a platform for sales and marketing in numerous areas: travel, telecommunications, entertainment, health and personal development.

## CDON

During the year, e-commerce on the Internet was also redirected, alongside TV-Shop's own site, to CDON, a single brand with local language versions in Sweden, Norway, Denmark, Finland, Estonia, and the Netherlands. In the beginning, CDON was a record store, established with relatively small investments compared to its competitors. Other shops in the ON family were integrated with CDON in 2000. Hence, DVDON for DVDs and GAMERSON for games are no longer separate brands, but their product lines are continued in the expanded range offered by CDON.

CDON experienced a burst of growth in the autumn when the market's best-known player closed its shop. CDON's success also resulted from a single-minded application of cross-promotion in other media within MTG, from Radio's RIX FM and Power Hit Radio, to Viasat's TV3 and ZTV. On the Internet, joint campaigns are run primarily with the portal Everyday.com.

CDON offers about 70,000 titles and publishes editorial content comprising more than 1,000 biographies and images of popular artists. At year-end 2000, CDON was No. 2 in the Swedish market and aimed to become the leading record site in the Nordic countries in 2001. Tvshop.com, a media channel that complements TV-Shop's sales via different TV channels in Europe, is available in local language versions in 12 countries.

During the year, other sites that had been started were shut down, including Joy4Life, Comein, and Teleauction.

## e-COMMERCE LOGISTICS

As e-commerce keeps growing, so does the need for special logistics service providers. Europe is seen today as a common market, but operationally each country still has its own separate laws and regulations. e-Commerce Logistics (eCL) is a new company that provides cross-border integration of logistics services. The company is based on experience accumulated in the Modern Interactive business area from operations conducted for more than 10 years. Since the business started in 1989, millions of customer orders have been processed and millions of packages distributed throughout Europe.

eCL is in a position to market an array of logistics services for all of Europe. The range of services includes:

- Order-taking by phone or over the Internet
- Payments system, such as processing of credit cards or other means of payment, including postal money orders or checks
- Transportation of goods from manufacturers to warehouses
- Stock-keeping
- Packaging and handling goods for consumers



## CDON'S BIGGEST STAR

He is one of England's hottest young stars. Craig David got his breakthrough in the autumn of 2000 with the debut album *Born To Do It*, which shot to the top of the charts—in Sweden, as well.

One of its most important sales channels in Sweden was CDON, the Internet record store in the Modern Interactive business area.

By March 31, 2001, 80,000–85,000 of his records had been sold in Sweden.

"I'm amazed at how many records have been sold in Sweden. It makes me very happy," Craig says.

Of the total, more than 4,000 were sold by CDON, making him far and away CDON's biggest star.

"It's incredible that so many were sold over the Internet, and it's flattering that so many people have given me a chance to sing songs that come from my heart. I use the Internet myself for shopping, but usually when I need new things for my computer," Craig explains.

Peter Sandberg, sales manager at the record company Edel, which handles Craig David in Sweden, says, "CDON has accounted for 5% of all sales. That is unprecedented—surprising and gratifying."

When the 19-year-old soul singer was launched in Sweden, the timing was perfect. He had gone straight to the No. 1 spot in England the week before, and in the first week his album sold more than 250,000 copies in his homeland.

On his first promotional visit to Sweden, he gave an interview for ZTV and signed CDs to be given to Power Hit Radio's listeners as prizes. Then, when it was time for an ad campaign in Sweden together with CDON, they went all out: CDON was the "publisher" of the ads on TV and radio, in newspapers, and on the web, involving a variety of MTG media. The ads were combined with a contest at CDON and at the Internet portal Everyday.com, where the first prize was tickets to Craig David's first concert in Sweden, in December.

He performed in the Arena at Fryshuset, a popular club. When he returned in March 2001, he was moved to Hovet, a larger venue.

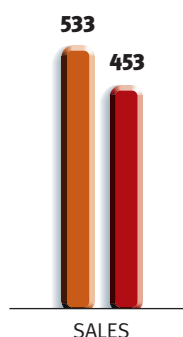
"What I like about Swedes is that they're so friendly and such passionate listeners. The reactions to my album and their response at concerts is fantastic," Craig says. "I would love to come back to Sweden and just soak up the atmosphere. I've never had an audience that expressed so much love and respect, even though I don't come from there."

When will he release his next record?

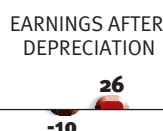
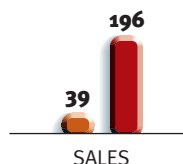
"We haven't set a date yet, but it won't be long, I promise."

**TV-SHOP**

(SEK MILLIONS) 1999 2000

**E-CL**

(SEK MILLIONS) 1999 2000



- Distribution through co-operation with national postal services or shippers
- Customs clearance and documentation to move goods across borders
- Customer care to handle questions from people who have previously placed orders

In 2000, a computer system that had been in development was finished. The move to a central warehouse in Weert in the Netherlands, with a backup warehouse in Borås, Sweden, was carried out. These developments have provided the foundation for a first-class integrated logistics network. In the spring of 2001, outside customer service providers will be pared for greater efficiency.

During the year, eCL served TV-Shop, CDON, Viasat, the customer loyalty program Collect, and other clients.

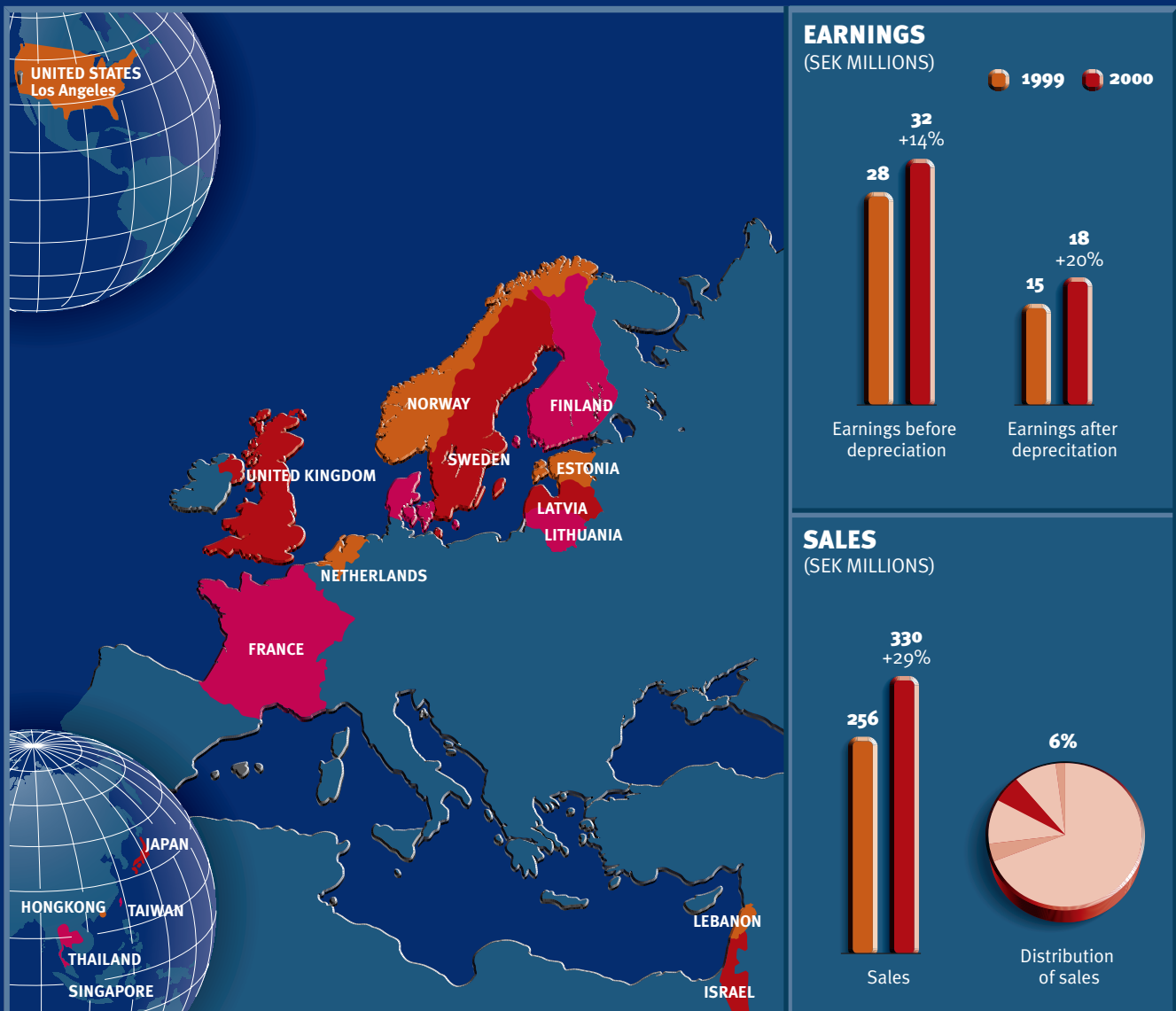
Distribution covers all European countries. eCL's integrated computer system was designed to handle transactions in local currencies and even allows secure processing of orders over the Internet. eCL can provide an array of services spanning a broad spectrum, from traditional mail order to e-commerce. eCL provides its expertise to many companies, well-established and new, that lack knowledge of, or experience in, logistics. Thus, companies can concentrate on their main business, while eCL provides a fully integrated pan-European logistics service focusing on the needs of consumers. Companies can expand geographically with low fixed costs by using eCL's network.

**NO NAME 4US**

Modern Interactive also includes NoName4Us, which provides the business area as well as other MTG companies and external clients with web pages in general and e-commerce systems for the Internet in particular. These comprise a variety of interactive systems.

Their productions include customer loyalty clubs for several companies in the Group, the web software for the wholly interactive reality-TV program *Baren*, e-commerce for CDON and TV-Shop, and the Internet portal Everyday.

# SDI Media Group



SDI MEDIA SIGNS DVD CONTRACT WITH HOLLYWOOD - SDI M

BE A MILLIONAIRE?" - SDI MEDIA CONTINUE EXPANSION -

## SDI MEDIA

The SDI Media business area is the world's largest provider of translation and subtitling for the entertainment industry. The fastest growth area is localized language version for DVD's to all leading Hollywood studios.

# SDI MEDIA

**S**DI continued to consolidate its position as the world's largest provider of translation and subtitling services for the entertainment industry.

The most significant change in 2000 was the massive growth of new media, especially the DVD format; the fastest-growing product in the history of home entertainment.

During the year, SDI supplied localized language versions for DVD to all leading Hollywood studios, making it the dominant supplier to Fox, MGM, and Disney. The company's prospects are bright, considering the growth anticipated for DVD. SDI already commands a solid position in the sector and is set to continue to serve the world's leading producers for these media.

Demand is as high for DVDs of movies previously recorded on videocassettes for sale or rental as it is for completely new releases, as DVD continues to replace VHS videocassettes as the standard.

Part of this success is due to the fact that each DVD released by Hollywood commonly contains subtitles in 20–29 languages. During the year, the DVD portion of SDI Media's total sales increased, from 9% to 28%.

Another growth area for SDI is interactive games. The company has been engaged by Eidos, a major producer of games, to localize multiple language versions (with text and sound) of their interactive game based on *Who wants to be a millionaire?* Translations of web sites also expanded rapidly in 2000.

In 2000, SDI continued expanding internationally albeit at a slower pace than in previous years. An office was opened in South Korea. This office is already the main provider of subtitling in Korean for an array of pan-Asian television companies.

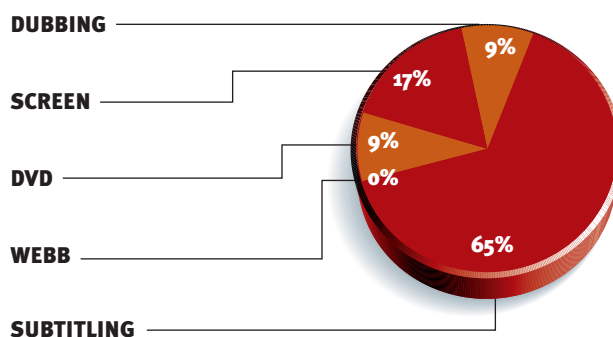
At year-end, SDI Media had 20 offices in 18 countries, with a presence in every key time zone and every key geographic region. Subtitling still accounts for the lion's share of business, although its share of sales has dropped, from 65% to 49%, owing to the rapid growth of DVDs.

The biggest international clients are

- Discovery
- Hallmark
- Sony AXN
- National Geographic
- Turner broadcasting companies

For Discovery, SDI subtitles in all West European languages and in the Middle East and Asia. For Hallmark, SDI provides all subtitles for language versions for the Middle East

## PROPORTION OF SALES 1999





and Asia. For Sony AXN, the company produces all Asian language versions and for National Geographic most Asian languages. For the channels CNN, TNT, and TCM, subtitles are provided in a variety of languages.

In 2000, the company focused on maximizing existing businesses and business relationships following several years of acquisitions and rapid expansion. This resulted in higher sales and earnings. A common sales and marketing strategy was worked out for the different offices in the different regions. This turned around the Asian operations and led to stronger earnings or fewer losses in almost all other countries.

The objective for 2001 is to build upon and fine tune these efforts to enhance day-to-day operations. Better coordination between companies in the SDI group could considerably boost sales and profit.

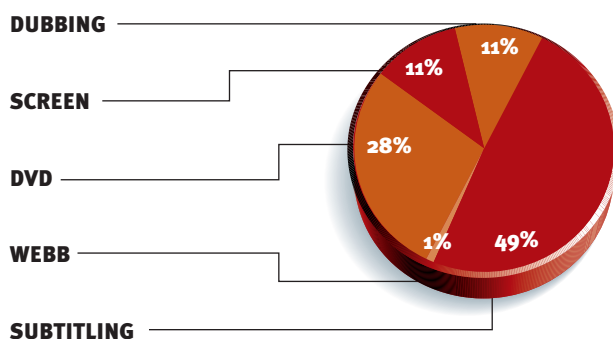
The SDI Media companies enjoy many advantages: membership in a group with a single owner, wide geographic presence, stable customer group, and opportunities in multimedia. These constitute a foundation for further consolidation of day-to-day operations and enable the company to offer additional services to prominent television companies and studios, specifically, premium services that certain customers have already requested.

One example is Discovery Communications Europe, which would like SDI's assistance with all the logistics entailed in traditional subtitling of programs in local languages, such as digital archiving. This would make SDI a one-stop shop. TV companies or studios could then turn to a single vendor to get help with everything they need to localize their content.

SDI (the letters stand for Subtitling & Dubbing International) was founded in 1981. Its business concept is to develop, produce, sell, and deliver language versions for moving picture media and related technologies. The language versions comprise translation and editing, time coding, and subtitling or dubbing. Back in 1990, the greater part of an operation originally called Svensk Text was acquired. At that time, the company provided much of the subtitling services required by the relatively young TV3.

By tradition, much of SDI's sales have been to TV channels in Viasat Broadcasting, but the proportion of external clients is steadily increasing. In 1999, Viasat channels accounted for 25.3% of sales, while in 2000 that figure was down to 17.9%.

## PROPORTION OF SALES 2000



PETER HARRYSON,  
DUBBING.

## DUBBING IS FUN

Peter Harryson is undoubtedly the most beloved actor and television program host in Sweden. He is just as comfortable on the small screen as on the stage. But you cannot always see him when he works. Sometimes, you can only hear his voice, as when Peter dubs films and TV series. He has lent his voice and his personality to an array of characters in movies such as Disney's *Hercules* and *A Bug's Life*.

"Today, I work less regularly," says Peter Harryson. "Now I'm able to work because it's fun. But once upon a time, I did it to support myself."

In fact, Peter's dubbing activities are a family affair and closely related to MTG's business area SDI Media (Subtitling and Dubbing International), which dubs videos for Disney and subtitles the company's films in most West European languages.

Even Peter's father, the actor John Harryson, has done work for MediaDubb, SDI's dubbing company in Sweden. He provided the voice for Uncle Scrooge in the TV3 series *Duck Tales*. And Peter's son Oscar works as a sound technician at MediaDubb.

"Oscar is the one who spins the dials and directs me when I do voices," Peter says.

In 2000, Peter provided the voice of Colonel Hati in the video release of *The Jungle Book*, for which MediaDubb did the Swedish dubbing. The film was not Disney's animated version but a movie with real animals that is more faithful to Kipling's celebrated tale. In 2000, he also had the opportunity to give a voice to a new kind of animated character. "Oscar was the one who suggested that I should play a villain for once. So I did the voice for the bad guy El Cid in the TV series *Tick*." This superhero comedy series will be shown on TV3.

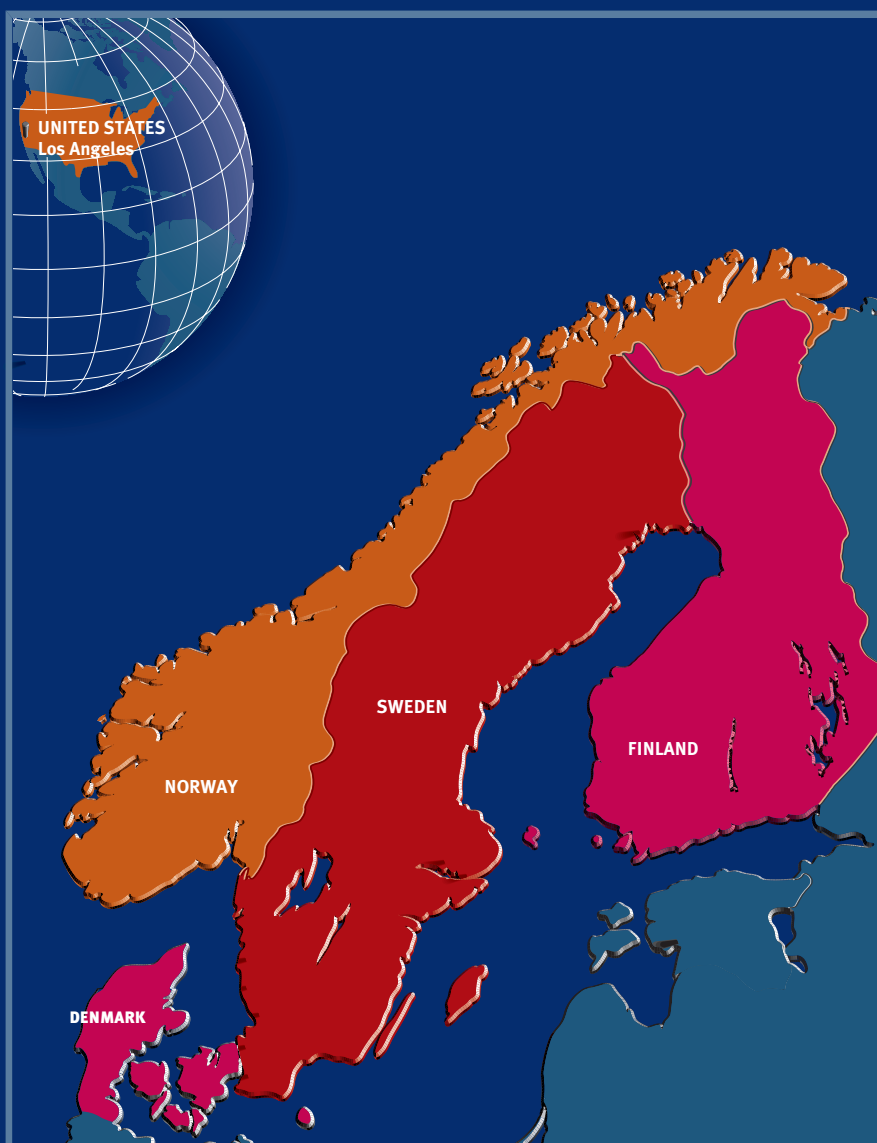
"When you dub a film, first you look at the images. Then you listen to the English voice-over and try to get your Swedish lines to synch with the movements of your character's mouth," Peter explains.

He has just come out with a new cookbook, the follow-up to his first one, *Så ska det smaka* (That's the way it should taste). The title was inspired by the popular Swedish music quiz program *Så ska det låta* (That's the way it goes).

"I would be pleased to work on the series for a few more seasons," Peter says. "But even though it's the most popular TV program ever on Sveriges Television, surprisingly they have not yet decided whether they want to continue with it."

SDI Media's sales advanced 29% from 1999 to 2000. Profit after depreciation and amortization rose 20%, despite the expansion to South Korea and a poor year for Screen Subtitling Systems, usually a strong contributor to group earnings.

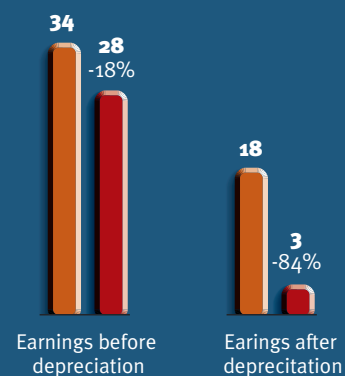
Further geographic expansion is possible, based on needs expressed by key international clients.



## EARNINGS

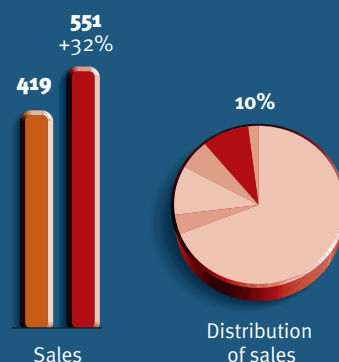
(SEK MILLIONS)

1999 2000



## SALES

(SEK MILLIONS)



THE BAR BEATS BIG BROTHER IN SWEDEN • THE BAREN SOL

GERMANY • SONET FILM NOMINATED TO 14 GULDBAGGE AWA

## MODERN STUDIOS

The Modern Studios business area consists of all companies producing and distributing content. Strix Television, creator of program format to the global market for TV and the Internet, and Sonet Film, leading distributor of feature films in Sweden, are the most successful companies.

# MODERN STUDIOS

The companies in the Modern Studios business area make up one of Europe's largest production enterprises. The companies include Strix Television, Sonet Film, Modern Entertainment, Modern TV, and Freeport.

For a media Group, the first link in the value chain is content. What all companies in Modern Studios have in common is that they develop or acquire the rights to content—to produce, sell, or distribute that content.

Hence, Modern Studios supplies the TV channels in Viasat Broadcasting and other media outlets in the Group with vital content. Its strategy includes being able to sell the specific formats and rights in the global media market.

In 2000, the business flourished thanks to Strix Television's success in creating program formats and Sonet Film's stronger position in Swedish film.

The ability to generate TV and Internet formats in-house adds massive value in the global market. The biggest success in 2000 was Strix's creation called *Baren* (The Bar). It was the world's first entirely interactive reality-TV program in which the public could follow the competitors through daily programs on television and around the clock on the Internet, influence events, and even visit the eponymous bar.

*Baren* was a rousing popular success, and the format was sold to various other countries immediately after the first season, which ran from the spring through early summer 2000 on TV3 Sweden and the Swedish part of the Internet portal Everyday.com.

## STRIX TELEVISION

Today Strix Television is one of the biggest TV production companies in the Nordic countries and a prominent player in the international market for the production of "reality TV." In the year 2000 alone, Strix produced six different reality-TV shows for numerous TV channels and exported formats to 12 countries.

One Strix production is the most hotly debated TV show ever in Scandinavia; *Expedition: Robinson*. Strix was the first production company in the world to make *Expedition: Robinson*, the format known internationally as *Survivor*.

Since 1997, Strix has produced the show for an escalating number of countries: Sweden, Denmark, Norway, the Netherlands, Belgium, Germany, and Austria. In addition, the company's knowledge and expertise expressed in this format has been sold for Robinson productions in Italy, Spain, Argentina, and France. The final episode of *Expedition: Robinson* in 2000 attracted one of the largest audiences ever in Sweden: 4,045,000 viewers.

The biggest hit in 2000 was the entirely interactive reality-TV program *Baren*, created and produced by Strix. *Baren* was produced for TV3 Sweden and Norway and for the Swedish and Norwegian parts of the Internet portal Everyday.com in 2000.

In the programme, contestants compete to run a bar in an actual restaurant. They are followed 24 hours a day by strategically positioned cameras in the bar and in the apartment where they live. Every event is followed live on the Internet. A 30-minute summary is broad-cast on television every weekday. Once a week, viewers and Internet users are asked to vote out one of the participants during an

hour-long live broadcast on TV. Many send SMS messages from mobile phones or call premium phone numbers. In 2000, a variety of products were also produced in conjunction with *Baren*, including *Barens drinkbok* (Baren's drink book), a *Baren* CD, and the *Baren* board game.

In early 2001, *Baren* was reproduced in Denmark, on TV3 and the Danish part of Everyday.com.

By the end of the first quarter of 2001, *Baren* had also debuted on Channel 2 America in Argentina and become a hit there. In that country, the production company Idea del Sur acquired the format, producing the show locally with Quatro Cabezas.

Additional sales of the format were closed in 2000, broadcast is anticipated in 2001. Purchasers include RLT of Germany, Europe's biggest commercial TV channel; Reti Televisive Italiane Spa, which belongs to the Mediaset Group; and Pearson Television Worldwide Production, for Australia and Portugal.

In spring 2001, *Baren* was nominated for the Golden Rose Light Entertainment TV Festival in Montreux, Switzerland.

Other Strix productions in this genre are *Ombytt roller* (Life Swap), *24-timmar* (24 Hours), *På rymmen* (On the Run), *Friends på turné* (Friends on Tour), and *Villa Medusa*. Strix strives to create new formats, in line with the business area's strategy, for clients around the world, for television and the Internet.

## SONET FILM

In 2000, Sonet Film substantially strengthened its position as the leading distributor of feature films in the Swedish market. The number of movie tickets sold in Sweden totaled 17 million (16) in 2000, 25% (21%) of which were for Swedish films. Sonet had a 55% share of the expanding Swedish market.

Of the top 10 Swedish box office draws in 2000, five were distributed by Sonet. Sonet's No. 1 success was *Tillsammans* (Together), by Lukas Moodysson, which sold 849,134 tickets to become the biggest hit in Sweden. That film alone represented 5% of all ticket sales in 2000. In other words, it beat all major U.S. releases in Sweden, including *American Beauty*, *The Sixth Sense*, *Gladiator*, and *Toy Story 2*.

The four other top Swedish draws distributed by Sonet were *Livet är en schlager* (Life is a Pop Song, 304,958 tickets), *Tomten är far till alla barnen* (Santa Claus is the father of all children, 291,503 tickets), *En häxa i familjen* (A Witch in the Family, 160,018 tickets), and *Den bästa sommaren* (My Best Summer, 150,861 tickets).

Other movies that reached a broad public were Reza Bagher's *Vingar av Glas* (Wings of Glass), for which Sonet was distributor and co-producer.

Both *Den bästa sommaren* and *Vingar av glas* each received "Guldbagge" awards (Swedish film academy awards). Films distributed by Sonet garnered a total of 14 Guldbagge nominations for 2000.

The year 2001 also began with a film distributed by Sonet at No. 1 in box office receipts in Sweden: Josef Fare's *Jalla Jalla*. The film premiered right before Christmas 2000. In January 2001, it sold 335,593 tickets.

As a distributor, Sonet has made a commitment to a new



## A NEW FILM GENERATION

Sara Sommerfeld plays the lead in *Vingar av glas* (Wings of Glass), one of the biggest Swedish cinema hits in 2000. The film also features Alexander Skarsgård and Rafael Edholm and was praised by critics and audiences alike.

*Vingar av glas* was co-produced and distributed by Sonet Film, part of the Modern Studios business area. It is one of the movies that has propelled Sonet to the forefront of the Swedish market, thanks especially to the company's commitment to a new generation of actors and directors.

In *Vingar av glas*, Sara plays the role of 18-year-old Nazli, who was born in Iran but grew up in Sweden. Nazli's father wants her to marry an Iranian man he has chosen for her. But Nazli calls herself Sara and wants to fit into Swedish society. Once she meets Johan, a Swede she falls in love with, the culture clash is inevitable.

"The film paints a faithful picture of real life today. We wanted to have characters who are as realistic, likable, and believable as possible, who have good and bad sides to them. You'll recognize the people in the story," Sara believes.

"But *Vingar av glas* is also a love story. I think it tells about the life of a teenager and her struggle to be free, not just a culture clash. I identify with the teenager: her problems, her love for her parents, and her desire to be free."

Teenage daughters of immigrants identify with Sara's character in the movie.

"Many young women come up to me and say, 'You acted out my life.' Many of them also say that they've had a much tougher time than Nazli did."

Sara won the role as Nazli while living in Stockholm and doing an apprenticeship at the Stockholm City Theater.

"I went to the audition and took a screen test. The director Rezar Bagher was satisfied with what I could do but not so with my appearance, so I had to try wearing brown contact lenses to appear Iranian.

Sara's parents are immigrants themselves. In contrast to Nazli's father, though, her parents have never interfered with her choice of boyfriend.

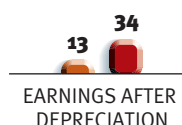
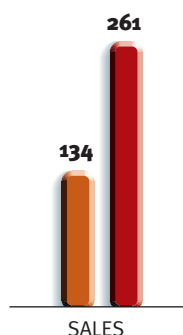
"My parents come from Poland, from a Jewish background, and aren't like that at all. They would never try to control my life."

Sara is in her final semester at the drama school in Gothenburg. She is performing at Gothenburg City Theater in the play *Dom* (Them) while working on a production of *Tro, hopp och kärlek* (Faith, Hope, and Charity) for the autumn.

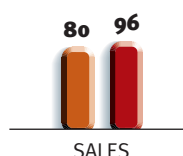
"It takes a lot of time to study at the same time as acting in the theater in the evenings, but I'm energized by my acting," Sara says.

**STRIX TELEVISION**

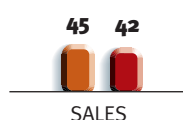
(SEK MILLIONS) 1999 2000

**SONET FILM**

(SEK MILLIONS) 1999 2000

**MODERN ENTERTAINMENT**

(SEK MILLIONS) 1999 2000



generation of directors and actors in Sweden and contributed to a renaissance in Swedish film.

In 2000, Sonet also began its first major dramatic production for television and started preparations for shooting its first major English-language film.

During the year, Sonet's feature films were also watched by millions of viewers on video as well as on pay and free TV.

**MODERN ENTERTAINMENT**

In 2000, Modern Entertainment became a wholly owned intellectual property rights company within Modern Studios. It fortifies the Group's base for investments in broadcast and distribution rights for movies aimed at the television, video, and DVD markets as well as content for the Internet. In accordance with a previous agreement, MTG bought out the minority shareholders in the company (formerly known as MTG Media Properties). With the aid of an arbitration panel, the parties agreed to a price of USD 10.7 million for the minority shares. The transaction made it possible to integrate the operations with other activities within MTG related to rights, which was previously impossible.

As part of ongoing investments, worldwide distribution rights were acquired for the Crown Film Library, which contains 110 feature films.

The 20-year distribution rights for these mean that Modern Entertainment's intellectual property rights company now holds 500 titles.

**MODERN TV**

The production company Modern TV was founded in January 2000 and is a spin-off from TV production activities previously associated with the magazine *Moderna Tider*. The company mainly produces meetings, debates, and documentaries and reported a profit for its first year of operation.

**FREEPORT**

The Danish company Freeport cut back its production volume in 2000 but still reported a profit as result of sustained sales margins and an extremely low level of fixed costs.

**NORDIC ARTIST**

The business activities in Nordic Artist made a loss in 2000, and completion of the business began.



# FIVE YEARS WITH MTG

| <b>Income statements<br/>(SEK million)</b>   | <b>1996</b><br>pro forma* | <b>1997</b><br>pro forma* | <b>1998</b><br>pro forma* | <b>1999</b><br>pro forma* | <b>2000</b> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|-------------|
| Net sales  | 2 915                     | 2 782                     | 3 595                     | 4 491                     | 5 431       |
| Income from corporate development  | 31                        | 4                         | 45                        | -3                        | 8           |
| Income from sales of securities  | -                         | -                         | 50                        | -                         | 106         |
| Expensed option premium for TV1000   | -                         | -96                       | -91                       | -68                       | -           |
| Result in Metro Sweden's sales company   | -                         | -                         | -                         | -                         | 32          |
| Operating income/loss  | -62                       | -283                      | 145                       | 202                       | 450         |
| Income/loss after financial items,<br>excluding interest on convertible debentures | -213                      | -332                      | 150                       | 178                       | 406         |
| Net income/loss  | -**                       | -386                      | 65                        | 65                        | 203         |
| <b>Balance sheets<br/>(SEK million)</b>  |                           |                           |                           |                           |             |
| Fixed assets   | 1 177                     | 1 075                     | 1 120                     | 1 766                     | 3 603       |
| Current assets   | 3 767                     | 1 703                     | 2 048                     | 2 506                     | 3 049       |
| Total assets   | 4 944                     | 2 778                     | 3 168                     | 4 272                     | 6 652       |
| Shareholders' equity   | 802                       | 806                       | 964                       | 1 119                     | 2 454       |
| Minority interest  | 6                         | 10                        | 27                        | 23                        | 7           |
| Provisions   | 68                        | 83                        | 87                        | 125                       | 124         |
| Long-term liabilities  | 2 135                     | 826                       | 771                       | 687                       | 1 321       |
| Short-term liabilities   | 1 933                     | 1 053                     | 1 319                     | 2 318                     | 2 746       |
| Total shareholders' equity and liabilities   | 4 944                     | 2 778                     | 3 168                     | 4 272                     | 6 652       |
| <b>Personnel</b>   |                           |                           |                           |                           |             |
| Average number of employees  | 1 063                     | 930                       | 1 166                     | 1 164                     | 1 445       |
| <b>Key figures</b>   |                           |                           |                           |                           |             |
| Return on total assets %   | 2                         | neg                       | 5                         | 6                         | 9           |
| Return on equity %   | neg                       | neg                       | 10                        | 8                         | 11          |
| Operating margin %   | neg                       | neg                       | 4                         | 5                         | 8           |
| Profit margin %  | neg                       | neg                       | 2                         | 1                         | 4           |
| Equity/assets ratio excluding convertible %  | -**                       | 43                        | 44                        | 36                        | 37          |
| Equity/assets ratio including convertible %  | -**                       | 29                        | 31                        | 27                        | 37          |
| Debt/equity ratio  | -**                       | 0.45                      | 0.33                      | 0.51                      | 0.57        |
| Interest coverage ratio  | -**                       | -**                       | 13.02                     | 4.21                      | 5.98        |
| Net sales per employee, SEK thousand   | 2 742                     | 2 991                     | 3 083                     | 3 858                     | 3 758       |
| Operating income per employee, SEK thousand  | neg                       | neg                       | 124                       | 174                       | 311         |
| <b>Capital expenditures<br/>(SEK million)</b>                                      |                           |                           |                           |                           |             |
| Investments in fixed assets  | 192                       | 144                       | 131                       | 407                       | 1 032       |
| Investments in shares  | 167                       | 17                        | 97                        | 142                       | 164         |
| <b>Per share data<br/>SEK</b>  |                           |                           |                           |                           |             |
| No of shares outstanding at year-end, incl convertible                             | -**                       | 64 685 967                | 64 685 967                | 64 685 967                | 66 375 156  |
| No of shares outstanding at year-end, excl convertible                             | -**                       | 59 697 732                | 59 697 732                | 59 697 732                | 66 375 156  |
| Denominator for diluted earnings per share   | -**                       | 64 685 967                | 64 685 967                | 64 685 967                | 65 952 859  |
| Denominator for basic earnings per share   | -**                       | 59 697 732                | 59 697 732                | 59 697 732                | 63 944 505  |
| Market price on the last day of the year   | -**                       | 47.50***                  | 120.00***                 | 422.00***                 | 250.00      |
| Diluted earnings per share   | -**                       | neg                       | 1.30                      | 1.33                      | 3.10        |
| Basic earnings per share   | -**                       | neg                       | 1.10                      | 1.08                      | 3.17        |
| Diluted shareholders' equity per share   | -**                       | 18.29                     | 20.93                     | 23.59                     | 36.97       |
| Basic shareholders' equity per share   | -**                       | 13.50                     | 16.15                     | 18.74                     | 36.97       |
| P/E ratio  | -**                       | neg                       | 92***                     | 317***                    | 81          |
| Cash dividend/proposed cash dividend   | -                         | -                         | -                         | -                         | -           |

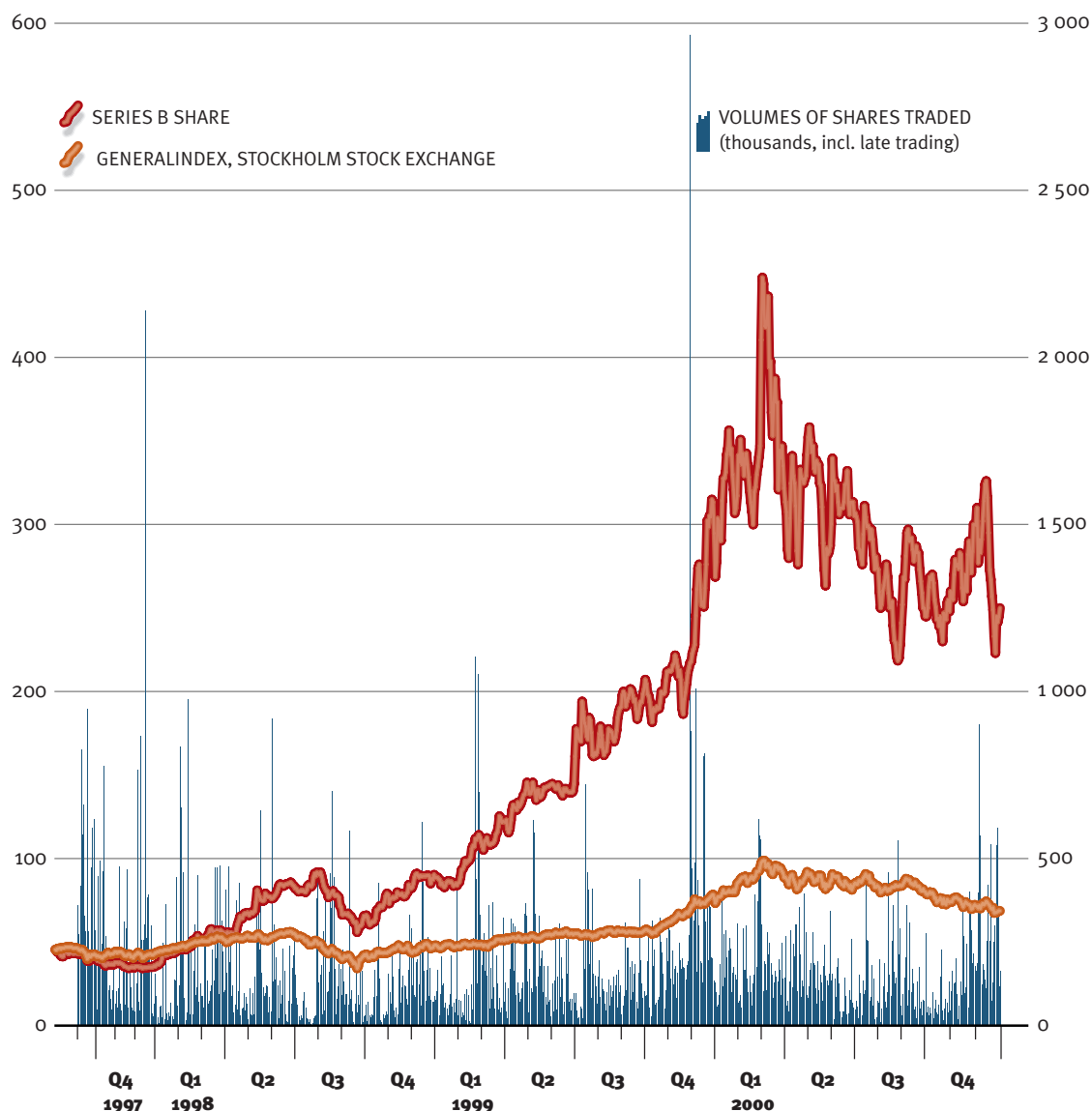
\* The MTG Group according to the present structure.

\*\* The MTG Group was capitalized in a transaction with Kinnevik on August 31, 1997, and was listed on SBI and the Nasdaq National Market from September 18, 1997. Key figures involving net earnings, equity, interest, or market prices before these dates are thus irrelevant.

\*\*\* Market prices before September 15, 2000, include the value of Metro International SA.

# MTG SHARE

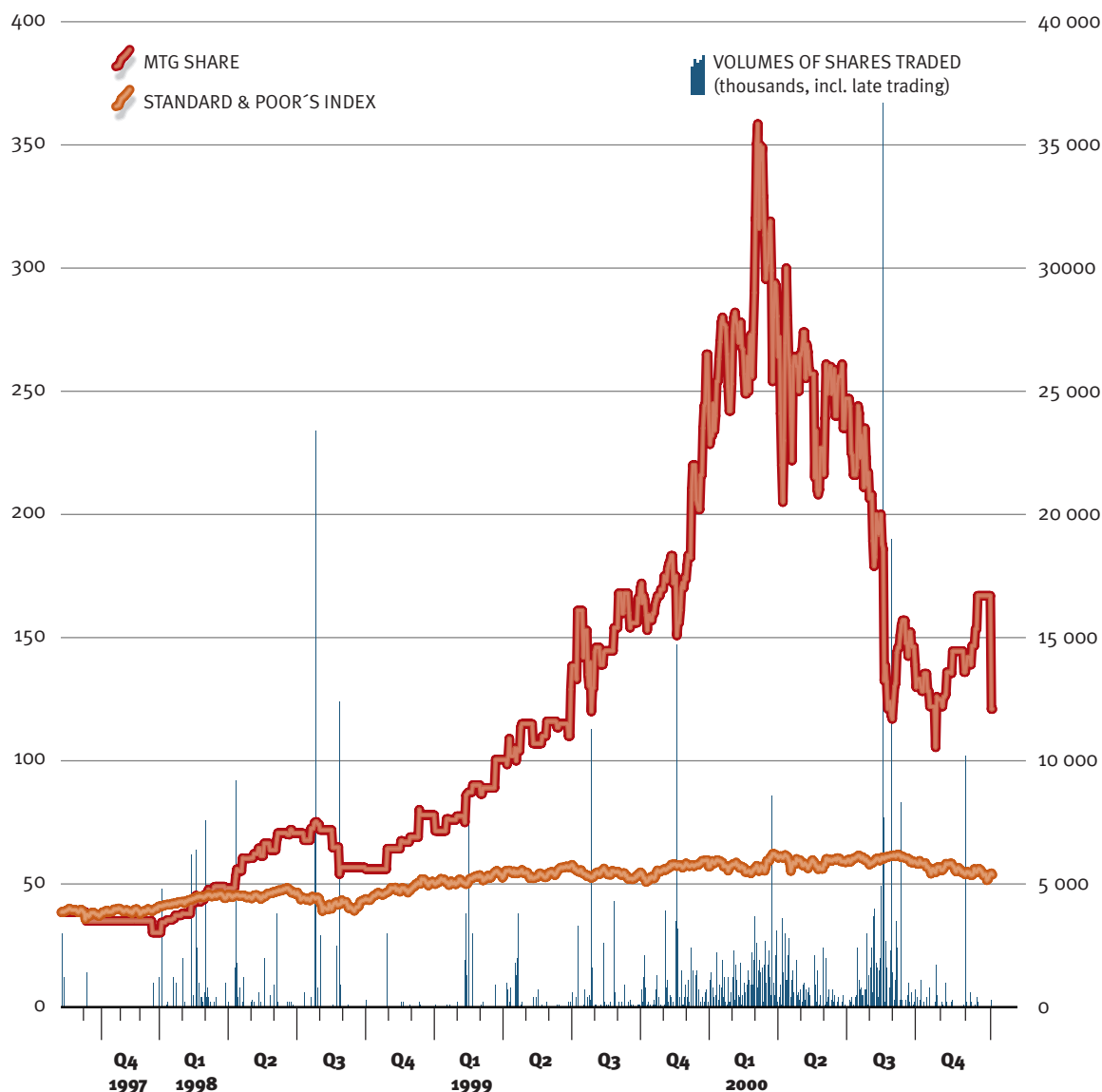
## MTG ON STOCKHOLMSBÖRSEN\*



\* MTG WAS QUOTED ON THE STOCKHOLM BÖRSINFORMATION LIST UNTIL APRIL 30 1999.

| SHAREHOLDER                      | CLASS A   | CLASS B   | PCTG. CAPITAL | PCTG. VOTES | NO. OF VOTES |
|----------------------------------|-----------|-----------|---------------|-------------|--------------|
| Invik & Co. AB                   | 6.381.249 |           | 9,6%          | 25,4%       | 63.812.490   |
| Industriförvaltnings AB Kinnevik | 5.120.570 | 1.031.125 | 9,3%          | 20,8%       | 52.236.825   |
| Emesco AB                        | 2.424.345 |           | 3,7%          | 9,7%        | 24.243.450   |
| Stenbeck, Jan Hugo               | 1.526.000 |           | 2,3%          | 6,1%        | 15.260.000   |
| Förvaltnings AB Confidentia      | 904.500   |           | 1,4%          | 3,6%        | 9.045.000    |
| Klingspor Family                 | 614.116   | 65.967    | 1,0%          | 2,5%        | 6.207.127    |
| Franklin Mutual Series Fund      | 382.050   | 1.546.058 | 2,9%          | 2,1%        | 5.366.558    |
| SEB Fonder                       |           | 4.654.825 | 7,0%          | 1,9%        | 4.654.825    |
| Chase Manhattan Bank             | 302.260   | 1.275.455 | 2,4%          | 1,7%        | 4.298.055    |
| Alfred Berg Fondkommision        | 418.638   | 2.720     | 0,6%          | 1,7%        | 4.189.100    |
| von Horn Family                  | 388.847   | 45.876    | 0,7%          | 1,6%        | 3.934.346    |
| Korsnäs AB:s Sociala fond        | 329.219   | 64        | 0,5%          | 1,3%        | 3.292.254    |
| SHB Fonder                       | 124.050   | 1.752.600 | 2,8%          | 1,2%        | 2.993.100    |
| Bankers Trust                    |           | 2.595.311 | 3,9%          | 1,0%        | 2.595.311    |
| Nordea Fonder                    |           | 2.564.100 | 3,9%          | 1,0%        | 2.564.100    |
| State Street Bank and Trust Co.  | 102.219   | 1.047.148 | 1,7%          | 0,8%        | 2.069.338    |

## MTG ON NASDAQ



\* ONE ADR CORRESPONDS TO FIVE SHARES.

|                          |                   |                   |               |               |                    |
|--------------------------|-------------------|-------------------|---------------|---------------|--------------------|
| Hugo Stenbecks Stiftelse | 199.530           |                   | 0,3%          | 0,8%          | 1.995.300          |
| Bank of New York         |                   | 1.838.255         | 2,8%          | 0,7%          | 1.838.255          |
| Länsförsäkringar         | 122.000           | 227.183           | 0,5%          | 0,6%          | 1.447.183          |
| Banco Fonder             |                   | 1.308.939         | 2,0%          | 0,5%          | 1.308.939          |
| Totally represented      | 19.339.593        | 19.955.626        | 59,2%         | 84,9%         | 213.351.556        |
| Other shareholders       | 1.194.680         | 25.885.257        | 40,8%         | 15,1%         | 37.832.057         |
| <b>Total*</b>            | <b>20.534.273</b> | <b>45.840.883</b> | <b>100,0%</b> | <b>100,0%</b> | <b>251.183.613</b> |

\*At the close of accounts, no convertibles, options, or other instruments that could be converted into shares were outstanding. At the extraordinary shareholders' meeting held February 16, 2001, a stock option program for MTG management was approved that would result in dilution of 3% if fully exercised.

The diagram above shows changes in price and trading volume for MTG stock from September 18, 1997, when it was first listed: in Sweden on the Stockholm Börsinformation (SBI) list through April 1999 and on Stockholmsbörsen, the O-list, from May 3, 1999; and in the United States on the Nasdaq National Market.

On Stockholmsbörsen, the shares are traded under the symbol "MTG," in round lots of 200 shares each. On Nasdaq, MTG's stock is traded under the symbol "MTGNY" as American depositary receipts (ADRs), one ADR corresponding to five shares. The chart has been adjusted for the distribution of Metro International S.A. All shares in Metro were distributed to the shareholders of MTG on August 15, 2000. For trading on Nasdaq, MTG has signed market-

maker agreements with Goldman, Sachs & Co, Morgan Stanley & Co, and SBC Warburg.

The annual meeting of shareholders in MTG held in May 2000 voted to distribute all shares in Metro International S.A. to MTG shareholders. On August 18, Metro's shares were listed on SBI in Stockholm and on the Nasdaq National Market in New York. Since February 8, 2001, Metro stock has been quoted in Sweden on the O-list of Stockholmsbörsen, in addition to its Nasdaq listing.

MTG's market capitalization based on its stock price on Stockholmsbörsen was SEK 16,600 million at year-end. No cash dividend is proposed for fiscal 2000.

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# ANNUAL REPORT

The Board of Directors and President hereby submit their annual report for Modern Times Group MTG AB, company registration number 556309-9158, for the period January 1–December 31, 2000.

# MANAGEMENT’S DISCUSSION AND ANALYSIS

Shares in Modern Times Group MTG AB (MTG) were distributed to the shareholders of Kinnevik on September 18, 1997. MTG A and MTG B shares are quoted on the Nasdaq National Market and on Stockholmsbörsen.

**SIGNIFICANT EVENTS IN 2000**

During the year, the Viasat Broadcasting business area started two new TV channels: Viasat+ in Norway in the first quarter and Viasat3 in Hungary in the third quarter.

TV1000 was acquired from Kinnevik in the second quarter but included in the accounts retroactively from January 1. TV1000’s results had been included in MTG’s accounts before then as a premium on an option, but since the acquisition the company has been consolidated as a wholly owned subsidiary to MTG.

In the autumn, the conversion to digital distribution of Viasat’s premium channels began, including all Viasat Gold subscribers eventually receiving a digital decoder free of charge. This investment will enable Viasat to reduce significantly its costs of satellite distribution. In parallel with the investment, Viasat began to sell digital decoders bundled with a subscription to Viasat Gold. By year-end a total of 65,000 new subscriptions had been sold, 75% of them for Viasat Gold.

During the year in the Radio business area, the Group’s minority stake in the Finnish radio networks Star FM and Groove FM were exchanged for a 17% stake in Radio Nova, Finland’s only nationwide commercial radio network.

In the Publishing business area, the newspaper Metro was distributed to shareholders in MTG on August 15, 2000.

During the year, the Modern Interactive business area started PIN24 as a 24-hour home-shopping channel, distributed in digital format via Sky TV’s platform in England.

In the SDI Media business area, outstanding shares in Gelula & Co Inc were acquired from minority partners.

In the Modern Studios business area, outstanding shares in MTG Modern Entertainment Ltd were acquired from minority partners.

**CONSOLIDATED EARNINGS**

Sales totaled SEK 5,431 million in 2000, compared to SEK 4,491 million the preceding year. Income after depreciation and amortization equaled SEK 450 million, compared to SEK 202 million for 1999. Earnings included capital gains of SEK 106 million on the sale of portions of MTG’s holding in TV4.

MTG’s share in earnings from associated companies totaled SEK 57 (43) million.

Net financial revenues and expenses ended at SEK -43 (-24) million.

Income after financial revenues and expenses reached SEK 406 million, compared to SEK 178 million in 1999.

The comparative figures for 1999 are based on pro forma accounts excluding Metro.

**GROUP STRUCTURE**

During the year, operations were conducted in six business areas:

- Viasat Broadcasting, for free and pay TV,
- Radio, for commercial radio,
- Publishing, for news periodicals,

- Modern Interactive, for “home shopping,”
- SDI Media, for translations of moving pictures, and
- Modern Studios, for companies that primarily produce content for customers inside and outside the Group.

**FINANCIAL POSITION**

The Group’s liquidity, including unutilized credit facilities, was SEK 514 (401) million at year-end.

The Group’s net borrowings (defined as interest-bearing liabilities less interest-bearing assets) totaled SEK 520 (14) million at year-end.

During the year, holders of the convertible debenture loan converted their claim into new shares in MTG.

**OUTLOOK**

MTG will maintain its focus on heightened efficiency, for sales as well as expenses, with the aim of further enhancing profitability.

Special measures are being taken to resolve the situation of Group units that are still unprofitable, chiefly parts of the Modern Interactive business area.

**PARENT COMPANY**

The parent company conducts no operations of its own. Income after net financial items equaled SEK 208 (142) million.

**OTHER**

The number of employees as well as fees and other remuneration are specified in Notes 22 and 23.

**WORK OF THE BOARD OF DIRECTORS**

MTG’s Board of Directors is set up to efficiently support and guide the work of company management. In 2000, MTG’s Board of Directors met four times. The background materials for each meeting are distributed one week in advance.

The Board of Directors has adopted a program for its own tasks and instructions for the Chief Executive Officer. These include rules such as the requirement that all investments and all new hires be approved by the Board of Directors.

**PROPOSED APPROPRIATION OF EARNINGS**

The following funds are at the disposal of the meeting of shareholders (SEK thousand):

|                                   |           |
|-----------------------------------|-----------|
| Retained earnings brought forward | 1 833 132 |
| Net loss for the year             | -49 180   |
| Total                             | 1 783 952 |

Non-restricted earnings in the Group totaled SEK 729.4 (690.9) million after deducting the proposed provisions to restricted equity. The Board of Directors and CEO propose that the retained earnings at the disposal of the shareholders’ meeting be carried forward to the accounts for fiscal 2001.



# CONSOLIDATED INCOME STATEMENTS

| SEK million   |           | 2000           | 1999<br>pro forma | 1999     |
|---|-----------|----------------|-------------------|----------|
| Net sales   | Note 2    | 5 430.9        | 4 490.7           | 5 009.7  |
| Cost of goods and services  |           | -3 477.0       | -3 181.4          | -3 396.1 |
| <b>Gross income/loss</b>  |           | <b>1 953.9</b> | 1 309.3           | 1 613.6  |
| Selling expenses  |           | -294.3         | -107.1            | -126.1   |
| Administrative expenses   |           | -1 187.2       | -824.2            | -949.0   |
| Other operating revenues  |           | 18.2           | 16.6              | 16.8     |
| Other operating expenses  |           | -243.7         | -163.5            | -240.9   |
| Income/loss from corporate development  | Note 3    | 7.8            | -3.3              | -3.3     |
| Income/loss from sales of securities  | Note 3    | 106.0          | -                 | -        |
| Expensed option premium for TV1000  | Note 3    | -              | -68.5             | -68.5    |
| Result in Metro Sweden sales company Jan-May 2000   | Note 3    | 32.3           | -                 | -        |
| Share of earnings in associated companies   | Note 5    | 56.8           | 42.8              | 42.8     |
| <b>Operating income/loss</b>  | Note 2, 4 | <b>449.8</b>   | 202.1             | 285.4    |
| Interest revenue and similar income   | Note 6    | 37.9           | 31.8              | 32.0     |
| Interest expense and similar costs  | Note 7    | -81.5          | -55.6             | -86.3    |
| <b>Income/loss after financial revenue and expense excluding interest on convertible debentures</b> | Note 2    | <b>406.2</b>   | 178.3             | 231.1    |
| Interest on convertible debentures  |           | -2.5           | -30.3             | -30.3    |
| <b>Income/loss before tax</b>   |           | <b>403.7</b>   | 148.0             | 200.8    |
| Current tax   | Note 8    | -155.0         | -124.0            | -124.0   |
| Change in deferred tax  | Note 8    | -47.4          | 39.9              | 39.9     |
| Minority interests  |           | 1.2            | 0.6               | 13.3     |
| <b>Net income for the year</b>  |           | <b>202.5</b>   | 64.5              | 130.0    |

# CONSOLIDATED BALANCE SHEETS

| SEK million                                  |                | 001231         | 991231<br>pro forma | 991231  |
|--|----------------|----------------|---------------------|---------|
| <b>ASSETS</b>                                |                |                |                     |         |
| <b>Fixed assets</b>                          |                |                |                     |         |
| Intangible assets                            | <b>Note 9</b>  |                |                     |         |
| Capitalized development expenses             |                | 1 045.9        | 347.2               | 586.0   |
| Beneficial rights                            |                | 298.1          | 111.8               | 114.0   |
| Goodwill                                     |                | 1 045.4        | 286.3               | 466.0   |
|  |                | <b>2 389.4</b> | 745.3               | 1 166.0 |
| Tangible assets                              | <b>Note 10</b> |                |                     |         |
| Machinery and other technical plant          |                | 27.6           | 162.7               | 162.7   |
| Equipment, tools and installations           |                | 224.3          | 84.7                | 107.2   |
|  |                | <b>251.9</b>   | 247.4               | 269.9   |
| Long-term financial assets                   | <b>Note 11</b> |                |                     |         |
| Shares in associated companies               |                | 268.6          | 272.1               | 272.1   |
| Receivables from associated companies        |                | 130.6          | 22.1                | 22.1    |
| Shares and participations in other companies |                | 34.7           | 0.2                 | 0.2     |
| Deferred tax receivable                      | <b>Note 8</b>  | 62.0           | 39.2                | 39.2    |
| Metro convertible                            |                | 216.9          | –                   | –       |
| Long-term receivable from Metro              |                | 216.2          | 424.0               | –       |
| Other long-term receivables                  |                | 32.6           | 15.3                | 15.7    |
|  |                | <b>961.6</b>   | 772.9               | 349.3   |
| <b>Total fixed assets</b>                    |                | <b>3 602.9</b> | 1 765.6             | 1 785.2 |
| <b>Current assets</b>                        |                |                |                     |         |
| Inventories etc.                             |                |                |                     |         |
| Products in progress                         |                | 13.7           | 12.1                | 12.1    |
| Finished goods and merchandise               |                | 69.7           | 57.5                | 58.8    |
| Program rights                               |                | 176.0          | 143.9               | 143.9   |
| Work in progress                             |                | 13.0           | 2.6                 | 2.6     |
| Advances to suppliers                        |                | 928.8          | 529.8               | 529.8   |
|  |                | <b>1 201.2</b> | 745.9               | 747.2   |
| Current receivables                          |                |                |                     |         |
| Accounts receivable                          | <b>Note 12</b> | 981.0          | 955.1               | 1 018.6 |
| Other current receivables                    |                | 359.5          | 231.5               | 261.2   |
| Prepaid expense and accrued revenue          | <b>Note 13</b> | 215.2          | 249.2               | 262.8   |
|  |                | <b>1 555.7</b> | 1 435.8             | 1 542.6 |
| Short-term investments                       | <b>Note 14</b> | 16.7           | 0.0                 | 0.1     |
| Cash and cash equivalents                    |                | 275.4          | 323.9               | 341.7   |
| <b>Total current assets</b>                  |                | <b>3 049.0</b> | 2 505.6             | 2 631.6 |
| <b>TOTAL ASSETS</b>                          |                | <b>6 651.9</b> | 4 271.2             | 4 416.8 |

|   |                | 001231  | 991231<br>pro forma | 991231  |
|---|----------------|---------|---------------------|---------|
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |                |         |                     |         |
| <b>Shareholders' equity</b>                       | <b>Note 15</b> |         |                     |         |
| Restricted equity                                 |                |         |                     |         |
| Share capital                                     |                | 331.9   | 298.5               | 298.5   |
| Restricted reserves                               |                | 1 392.6 | 98.9                | 98.9    |
|   |                | 1 724.5 | 397.4               | 397.4   |
| Non-restricted equity                             |                |         |                     |         |
| Non-restricted reserves                           |                | 526.9   | 656.9               | 560.9   |
| Net income/loss for the year                      |                | 202.5   | 64.5                | 130.0   |
|   |                | 729.4   | 721.4               | 690.9   |
| <b>Total shareholders' equity</b>                 |                | 2 453.9 | 1 118.8             | 1 088.3 |
| <b>Minority interests in equity</b>               |                | 6.5     | 22.5                | 9.3     |
| <b>Provisions</b>                                 |                |         |                     |         |
| Provisions for pensions                           |                | 1.8     | 0.5                 | 2.2     |
| Deferred tax liability                            | <b>Note 8</b>  | 5.0     | 27.7                | 27.7    |
| Other provisions                                  | <b>Note 16</b> | 117.5   | 97.0                | 97.0    |
| <b>Total provisions</b>                           |                | 124.3   | 125.2               | 126.9   |
| <b>Long-term liabilities</b>                      | <b>Note 17</b> |         |                     |         |
| Interest-bearing                                  |                |         |                     |         |
| Overdraft facilities                              | <b>Note 19</b> | 17.5    | 77.3                | 77.3    |
| Other liabilities to financial institutions       |                | 1 250.8 | 591.3               | 601.1   |
| Other liabilities                                 |                | 8.5     | 18.4                | 18.4    |
|   |                | 1 276.8 | 687.0               | 696.8   |
| Non-interest-bearing                              |                | 43.9    | 0.3                 | 0.6     |
| <b>Total long-term liabilities</b>                |                | 1 320.7 | 687.3               | 697.4   |
| <b>Current liabilities</b>                        |                |         |                     |         |
| Interest-bearing                                  |                |         |                     |         |
| Convertible debenture loan                        | <b>Note 18</b> | –       | 407.1               | 407.1   |
| Liabilities to financial institutions             |                | 125.0   | 100.0               | 100.0   |
| Trade notes payable                               |                | 0.0     | 8.8                 | 8.8     |
|   |                | 125.0   | 515.9               | 515.9   |
| Non-interest-bearing                              |                |         |                     |         |
| Advances from customers                           |                | 67.5    | 15.6                | 15.8    |
| Accounts payable                                  |                | 1 172.7 | 762.5               | 847.2   |
| Liabilities to associated companies               |                | 1.1     | 0.7                 | 0.7     |
| Tax liability                                     |                | 116.6   | 68.1                | 100.6   |
| Other liabilities                                 |                | 501.9   | 338.1               | 343.5   |
| Accrued expense and prepaid revenue               | <b>Note 20</b> | 761.7   | 616.5               | 671.2   |
|   |                | 2 621.5 | 1 801.5             | 1 979.0 |
| <b>Total current liabilities</b>                  |                | 2 746.5 | 2 317.4             | 2 494.9 |
| <b>Total liabilities</b>                          |                | 4 067.2 | 3 004.7             | 3 192.3 |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> |                | 6 651.9 | 4 271.2             | 4 416.8 |
| <b>Assets pledged</b>                             |                | None    | None                | None    |
| <b>Contingent liabilities</b>                     | <b>Note 21</b> | 165.9   | 11.9                | 4.3     |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| SEK million  | 2000     | 1999<br>pro forma | 1999   |
|--|----------|-------------------|--------|
| <b>Cash flow from operations</b>   |          |                   |        |
| Net income for the year  | 202.5    | 64.5              | 130.0  |
| <b>Adjustments to reconcile net income/loss to net cash provided by operations</b> | Note 25  |                   |        |
|  | 302.7    | 226.5             | 255.9  |
|  | 505.2    | 291.0             | 385.9  |
| <b>Changes in working capital</b>  |          |                   |        |
| Inventories  | -455.2   | -214.0            | -214.9 |
| Accounts receivable  | -25.9    | -276.4            | -297.1 |
| Other current receivables  | -128.1   | -33.1             | -60.5  |
| Prepaid expense and accrued revenue  | 34.0     | 56.4              | 47.7   |
| Short-term investments   | -16.7    | 0.8               | 0.8    |
| Advances from customers  | 51.9     | -4.1              | -3.9   |
| Accounts payable   | 410.2    | 380.6             | 445.3  |
| Liabilities to associated companies  | 0.4      | -1.5              | -1.5   |
| Tax liability  | 48.5     | 45.8              | 77.9   |
| Other short-term receivables, non-interest-bearing                                 | 163.7    | 12.5              | -163.2 |
| Accrued expense and prepaid revenue  | 145.2    | 131.5             | 151.9  |
| <b>Net cash flow from operations</b>   | 733.2    | 389.5             | 368.4  |
| <b>Investment activities</b>   |          |                   |        |
| Other investment in fixed assets   | -1 032.2 | -407.4            | -630.5 |
| Acquisitions of shares in subsidiaries and associated companies                    | -164.1   | -141.5            | -78.7  |
| Proceeds from sales of shares in subsidiaries and associated companies             | 129.1    | 12.1              | 12.1   |
| Dividends from associated companies  | 34.0     | 33.4              | 33.4   |
| <b>Cash flow to investing activities</b>   | -1 033.2 | -503.4            | -663.7 |
| <b>Financing activities</b>  |          |                   |        |
| Change in receivables from associated companies                                    | -108.5   | -10.7             | -10.7  |
| Metro International transaction  | -235.0   | -185.9            | -      |
| Change in other long-term receivables  | -17.3    | -43.1             | -43.5  |
| Change in interest-bearing liabilities   | 550.9    | 348.2             | 358.0  |
| Change in non-interest-bearing liabilities   | 43.6     | -3.5              | -3.2   |
| <b>Cash flow from financing activities</b>   | 233.7    | 105.0             | 300.6  |
| <b>Net increase in cash and cash equivalents</b>                                   | -66.3    | -8.9              | 5.3    |
| <b>Cash and cash equivalents at beginning of year</b>                              | 341.7    | 332.8             | 336.4  |
| <b>Cash and cash equivalents at end of year</b>                                    | 275.4    | 323.9             | 341.7  |

# PARENT COMPANY INCOME STATEMENTS

| SEK million   |        | 2000         | 1999   |
|---|--------|--------------|--------|
| Net sales   |        | 58.9         | 36.2   |
| <b>Gross income</b>   |        | <b>58.9</b>  | 36.2   |
| Selling expenses  |        | 0.0          | -15.0  |
| Administrative expenses   |        | -147.0       | -114.6 |
| Share of earnings in associated companies   | Note 5 | 0.0          | 0.6    |
| <b>Operating income</b>   |        | <b>-88.1</b> | -92.8  |
| Interest revenue and similar costs  | Note 6 | 358.2        | 298.1  |
| Interest expense and similar costs  | Note 7 | -62.2        | -63.0  |
| <b>Income/loss after financial revenue and expense<br/>excluding interest on convertible debentures</b> |        | <b>207.9</b> | 142.3  |
| Interest on convertible debentures  |        | -2.5         | -30.3  |
| <b>Income/loss before appropriations and tax</b>  |        | <b>205.4</b> | 112.0  |
| Taxes   |        | -254.6       | -      |
| <b>Net income for the year</b>  |        | <b>-49.2</b> | 112.0  |

# PARENT COMPANY BALANCE SHEETS

| SEK million                                  |                | 001231         | 991231         |
|--|----------------|----------------|----------------|
| <b>ASSETS</b>                                |                |                |                |
| <b>Fixed assets</b>                          |                |                |                |
| Intangible assets                            | <b>Note 9</b>  |                |                |
| Capitalized development expenses             |                | 16.3           | 18.7           |
|  |                | 16.3           | 18.7           |
| Tangible assets                              | <b>Note 10</b> |                |                |
| Equipment, tools and installations           |                | 0.7            | 0.7            |
|  |                | 0.7            | 0.7            |
| Long-term financial assets                   | <b>Note 11</b> |                |                |
| Shares and participations in Group companies |                | 136.4          | 143.8          |
| Receivable from Group companies              |                | 3 079.7        | 3 087.6        |
| Receivable from associated companies         |                | 101.6          | 0.0            |
| Shares and participations in other companies |                | 14.1           | 0.2            |
| Metro convertible                            |                | 216.9          | –              |
| Long-term receivable from Metro              |                | 216.2          | –              |
|  |                | 3 764.9        | 3 231.6        |
| <b>Total fixed assets</b>                    |                | <b>3 781.9</b> | <b>3 251.0</b> |
| <b>Current assets</b>                        |                |                |                |
| Current receivables                          |                |                |                |
| Accounts receivable                          | <b>Note 12</b> | 17.3           | 6.0            |
| Receivable from Group companies              |                | 2 281.6        | 1 112.6        |
| Other receivables                            |                | 5.0            | 15.8           |
| Prepaid expense and accrued revenue          | <b>Note 13</b> | 3.3            | 0.2            |
|  |                | 2 307.2        | 1 134.6        |
| Cash and cash equivalents                    |                | 50.7           | 0.0            |
| <b>Total current assets</b>                  |                | <b>2 357.9</b> | <b>1 134.6</b> |
| <b>TOTAL ASSETS</b>                          |                | <b>6 139.8</b> | <b>4 385.6</b> |



|   |                |                |         |
|---|----------------|----------------|---------|
|   |                | <b>001231</b>  | 991231  |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |                |                |         |
| <b>Shareholders' equity</b>                       | <b>Note 15</b> |                |         |
| Restricted equity                                 |                |                |         |
| Share capital                                     |                | <b>331.9</b>   | 298.5   |
| Premium reserve                                   |                | <b>1 332.5</b> | 52.0    |
| Legal reserve                                     |                | <b>7.7</b>     | 7.7     |
|   |                | <b>1 672.1</b> | 358.2   |
| Non-restricted equity                             |                |                |         |
| Retained earnings/losses                          |                | <b>1 833.1</b> | 2 575.8 |
| Net income for the year                           |                | <b>-49.2</b>   | 112.0   |
|   |                | <b>1 783.9</b> | 2 687.8 |
| <b>Total shareholders' equity</b>                 |                | <b>3 456.0</b> | 3 046.0 |
| <b>Long-term liabilities</b>                      |                |                |         |
| Interest-bearing                                  |                |                |         |
| Overdraft facilities                              |                | <b>17.5</b>    | 79.7    |
| Other liabilities to financial institutions       |                | <b>1 250.0</b> | 575.3   |
|   |                | <b>1 267.5</b> | 655.0   |
| <b>Total long-term liabilities</b>                |                | <b>1 267.5</b> | 655.0   |
| <b>Current liabilities</b>                        |                |                |         |
| Interest-bearing                                  |                |                |         |
| Convertible debenture loan                        | <b>Note 18</b> | <b>—</b>       | 407.1   |
| Other liabilities to financial institutions       |                | <b>125.0</b>   | 100.0   |
| Liabilities to Group companies                    |                | <b>201.4</b>   | 0.0     |
|   |                | <b>326.4</b>   | 507.1   |
| Non-interest-bearing                              |                |                |         |
| Accounts payable                                  |                | <b>8.0</b>     | 35.7    |
| Liabilities to Group companies                    |                | <b>999.1</b>   | 130.9   |
| Other liabilities                                 |                | <b>67.5</b>    | 1.7     |
| Accrued expense and prepaid revenue               | <b>Note 20</b> | <b>15.3</b>    | 9.2     |
|   |                | <b>1 089.9</b> | 177.5   |
| <b>Total current liabilities</b>                  |                | <b>1 416.3</b> | 684.6   |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> |                | <b>6 139.8</b> | 4 385.6 |
| <b>Assets pledged</b>                             |                | <b>None</b>    | None    |
| <b>Contingent liabilities</b>                     | <b>Note 21</b> | <b>493.6</b>   | 414.9   |

# PARENT COMPANY STATEMENTS OF CASH FLOWS

| SEK million   | 2000     | 1999     |
|---|----------|----------|
| <b>Cash flow from operations</b>  |          |          |
| Net income for the year   | -49.2    | 112.0    |
| <b>Adjustments to reconcile net income/loss to net cash provided by operations:</b> |          |          |
| Depreciation  | 4.3      | 3.0      |
| Write-downs of fixed assets   | 8.1      | -        |
|   | -36.8    | 115.0    |
| <b>Changes in working capital</b>   |          |          |
| Accounts receivable   | -11.3    | -5.6     |
| Receivable from Group companies   | -1 169.0 | 2 695.5  |
| Other short-term receivables  | 10.8     | -15.8    |
| Prepaid expense and accrued revenue   | -3.1     | 0.2      |
| Short-term investments  | 0.0      | 0.1      |
| Accounts payable  | -27.7    | 35.7     |
| Liabilities to Group companies  | 868.2    | -348.6   |
| Other liabilities   | 65.8     | -4.2     |
| Accrued expense and prepaid revenue   | 6.1      | 4.9      |
| <b>Net cash flow from/to operations</b>   | -297.0   | 2 477.2  |
| <b>Investing activities</b>   |          |          |
| Investments in fixed assets   | -10.0    | -22.4    |
| Investments in shares   | -13.9    | -8.9     |
| <b>Cash flow to investing activities</b>  | -23.9    | -31.3    |
| <b>Financing activities</b>   |          |          |
| Receivable from Group companies   | 7.9      | -3 087.6 |
| Receivable from associated companies  | -101.6   | 4.5      |
| Convertible debenture loan  | 6.7      | 17.0     |
| Other interest-bearing liabilities  | 838.9    | 617.9    |
| Issue of new shares   | 900.0    | -        |
| Group/shareholders' contributions   | -654.6   | -        |
| Issue of Metro convertible  | -216.9   | -        |
| Issue of long-term receivable from Metro  | -216.2   | -        |
| Other capitalization of Metro   | -192.6   | -        |
| <b>Net cash flow to/from financing activities</b>                                   | 371.6    | -2 448.2 |
| <b>Net decrease in cash and cash equivalents</b>                                    | 50.7     | -2.3     |
| <b>Cash and cash equivalents at beginning of year</b>                               | 0.0      | 2.3      |
| <b>Cash and cash equivalents at end of year</b>                                     | 50.7     | 0.0      |

# NOTES

Amounts in millions of Swedish kronor unless otherwise stated

## Note 1 ACCOUNTING AND VALUATION PRINCIPLES

The Company complies with the Swedish Annual Accounts Act and recommendations issued by the Swedish Financial Accounting Standards Council, the Swedish Accounting Standards Board, and the Swedish Institute of Authorized Public Accountants.

### CONSOLIDATED ACCOUNTS

The consolidated accounts include the parent company and all subsidiaries and associated companies.

The consolidated accounts for the year were prepared based on the purchase method, as specified in the Annual Accounts Act and recommendations of the Swedish Financial Accounting Standards Council. By this method, the book value of the parent company's shares in each subsidiary is netted against that subsidiary's acquisition value, in other words, the subsidiary's shareholders' equity (including the equity component of untaxed reserves) at the time of acquisition based on a market appraisal of that subsidiary's net assets. The Group's shareholders' equity includes only that part of each subsidiary's equity added after acquisition. The difference between the acquisition value of shares in a subsidiary and the reported shareholders' equity of that subsidiary at the time of acquisition not resulting from differences between market value and book value of fixed assets is reported as goodwill. Goodwill acquired in or after 1997 is amortized in accordance with the Swedish Annual Accounts Act and, as a rule, on a straight-line basis over five years, while goodwill from earlier acquisitions is amortized on a straight-line basis over 10 years. An individual assessment of the economic life of goodwill and surplus values is made for major acquisitions, where the Company considers factors such as the foreseeable future for the industry, product life-cycles and the strength of trademarks, in order to determine for how long the high profitability is expected to prevail. This may result in amortization periods longer than five years. According to the assessment made following the acquisition of TV1000 in 2000, the economic life of its goodwill is 20 years. Profit/loss for the year is charged with tax on taxable earnings for the year ("Current tax") and with tax estimated for the change in untaxed reserves for the year ("Change in deferred tax") in each Group company. Tax liabilities in untaxed reserves are reported as a deferred tax liability, while the remainder of untaxed reserves are reported under shareholders' equity in restricted reserves.

The balance sheets of the Group's foreign subsidiaries are translated into Swedish krona using the exchange rate prevailing on the closing date, while the income statements are translated using an average rate. The resulting translation differences are charged directly to shareholders' equity.

Minority interest includes the share of net profit/loss and shareholders' equity. For negative shareholders' equity, a liability is reported for the minority to the extent that minority owners are expected to contribute their share of the deficit.

### ACCOUNTS OF ASSOCIATED COMPANIES

Associated companies are reported based on the equity method. The Group's share of earnings in associated companies' profits or losses after financial items is reported under Profit/loss on shares and participations in associated companies in the income

statements. The share of associated companies' tax expense is reported among the Group's tax expenses.

Surplus values on consolidation in foreign associated companies are reported as assets denominated in foreign currencies. These values are translated using the same principles applied to the associated companies' income statements and balance sheets.

Companies in which the Group owns at least 20% and no more than 50% and in which that level of ownership is judged to be long-term are regarded as associated companies. This applies to TV4 AB (20.1%) and P4 Radio Hele Norge asa (33%).

Surplus values are attributable to assets in each associated company or to goodwill. Goodwill is amortized over five or ten years, while other fixed assets are depreciated or amortized based on each asset's depreciation/amortization schedule.

The final accounts of associated companies are adjusted before the share of earnings is calculated so that the accounts comply with MTG's accounting and valuation principles.

Adjustments for major internal gains resulting from transactions with associated companies are included in the calculation of shares of profit/loss and equity. Such internal gains are reversed when capital gains are realized through external sales and/or when the MTG Group reduces its stake in the associated company.

When the Group's capital participation in an associated company decreases because of an issue of new shares, the profit or loss is reported in the consolidated income statements under Profit/loss on shares and participations in associated companies. This is analogous to the rules stated in the Swedish Financial Accounting Standards Council's recommendation on reporting issues of new shares in subsidiaries.

### RECEIVABLES AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's receivables and liabilities that are denominated in foreign currencies are translated into Swedish krona using exchange rates prevailing on the closing date. Realized and unrealized gains/losses on foreign exchange (exchange rate differences) are reported in the income statements. Exchange rate differences attributable to accounts payable or accounts receivable, for example, are reported in operating profit/loss, while differences attributable to loans or investments denominated in foreign currencies are reported under financial items.

### INVENTORIES

Inventories are valued at the acquisition cost or actual value, whichever is lower.

A significant portion of the amount reported as inventory by the Group refers to the TV channels' catalog of program rights. Program rights are reported as inventory when the license period has begun, the program itself is available for its first broadcast, the cost of the program is known, and the program content has been approved by the TV channel. At any time, the program inventories for MTG's TV channels roughly correspond to the program costs of two months of programming in the future. Future payments in respect of contractual program rights that have not yet been reported as inventory are reported as a memorandum item, Note 21.

Inventories of program rights are valued at the acquisition cost or actual value, whichever is lower. The same program right may often be utilized at different broadcast times, sometimes in dif-

ferent channels and countries. These program rights are then amortized at the same rate as the revenues accrue.

#### FIXED ASSETS

Fixed assets are reported net after deductions for accumulated depreciation and amortization according to plan. Depreciation and amortization according to plan are calculated on a straight-line schedule based on the acquisition value of the asset and its estimated useful life.

For calculating depreciation and amortization, fixed assets are classified in the following categories based on useful life.

|                                     |   |
|-------------------------------------|---|
| Goodwill                            | 5–20 years  |
| Capitalized development expenditure | 3–5 years   |
| Machinery and equipment             | 3–5 years   |
| Beneficial rights—film rights       | Estimated revenue period, not always straight-line depreciation |

Capitalized development expenses refers to internal and external expenses in respect of newly started operations as well as other major projects of a product development or marketing nature. All start-up expenses up to the commercial start of the project are capitalized and amortized over a period of five years or less. Amortization commences with the commercial commissioning of the project. Expenses that represent losses during the first year of operations and that were planned in budgets or project plans are capitalized and amortized in the same way.

#### WRITE-DOWNS ON FIXED ASSETS

The Group continuously appraises the book value of fixed assets. A decline in value warrants a write-down of the book value if the present value of the estimated cash flow is less than the asset's book value.

#### ACCOUNTING FOR LEASES

A financial lease is a contract that entails the lessee to a material extent enjoying all economic benefits and bearing all economic risks associated with the asset regardless of whether or not the lessee retains the legal right of ownership of the asset. For financial leases, the leasing asset is reported as a fixed asset and the obligation for future payments as a liability in the lessee's balance sheet.

An operating lease is a lease that does not fulfill the conditions for a financial lease. For operating leases, the rental expense is reported in the lessee's accounts distributed equally over the period during which the asset is used, even if the payments are made according to some other schedule.

For the lease of transponders for TV broadcasts via satellite, the contracts are continuously renegotiated, and current contracts specify a payment schedule expected to correspond to revenues. In this context, MTG expenses transponder costs according to the payment schedule.

#### BARTER TRANSACTIONS

Barter entails the exchange of air time on TV or radio for other goods or services. Barter transactions are reported at the market value of the goods or services involved. Revenues from barter transactions are reported when the commercial is broadcast. Expenses are reported when the good or service is consumed.

#### REVENUE RECOGNITION

Revenue is recognized at the time the service is performed. Accordingly, MTG reports revenue from TV, radio, and newspaper advertising at the time of broadcast or publication. Subscription fees for pay TV are distributed over the subscription period. Revenues from the sale of goods are reported upon delivery.

#### CORPORATE INCOME TAX

Tax liability reported includes actual Swedish and foreign corporate income taxes paid and deferred tax liabilities arising from temporary differences between accounts for financial reporting and accounts for tax assessment, calculated using the liability method. Such temporary differences are caused chiefly by untaxed reserves in Group companies.

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.

Deferred tax expenses and revenues resulting from temporary differences arising during the period are reported in the consolidated income statements in the line item Change in deferred tax.

#### GROUP CONTRIBUTIONS

The parent company reports Group contributions in accordance with the statement issued by the Task force of the Swedish Financial Accounting Standards Council.

Group contributions are therefore reported according to their economic reality, namely having the purpose of minimizing the Group's tax burden. Since they do not constitute consideration for fulfillment of services, they are taken directly to equity after deducting the tax component.

#### NEW ACCOUNTING PRINCIPLES FROM 2001

The Swedish Financial Accounting Standards Council issued a number of new accounting standards in 1999 and 2000, which will be applied by MTG as from the beginning of the financial year 2001.

In particular there are new rules about the accounting for Intangible assets, as stated in RR15. As from 2001, start-up costs and major marketing projects will be expensed as they occur instead of being capitalized. When the new accounting principles are implemented, the comparative figures for previous years will be adjusted and the effect on the 2001 opening balance will be taken directly to equity.

## Note 2 REVIEW OF THE GROUP

|                                    | 2000    | 1999    |
|------------------------------------|---------|---------|
| Net sales by business area         |         |         |
| Viasat Broadcasting                | 3 818.0 | 3 114.0 |
| MTG Radio                          | 132.9   | 107.5   |
| MTG Publishing                     | 214.1   | 127.4   |
| Metro International                | –       | 519.0   |
| MTG Modern Interactive             | 632.1   | 581.8   |
| MTG Modern Studios                 | 551.1   | 419.4   |
| SDI Media                          | 330.4   | 256.0   |
| Parent company and other companies | 105.2   | 94.0    |
| Eliminations                       | –352.9  | –209.4  |
|                                    | 5 430.9 | 5 009.7 |

Eliminations are eliminations of sales revenues between business areas, primarily sales from the MTG Modern Studios and SDI Media business areas to the Viasat Broadcasting business area. Such sales are made at market prices.

|  |        |        |
|--|--------|--------|
| Operating income/loss by business area     |        |        |
| Viasat Broadcasting                        | 590.5  | 314.4  |
| MTG Radio                                  | 18.0   | 16.1   |
| MTG Publishing                             | 10.5   | –16.1  |
| Metro International                        | –      | 83.3   |
| MTG Modern Interactive                     | –94.1  | –26.7  |
| MTG Modern Studios                         | 2.8    | 18.4   |
| SDI Media                                  | 17.7   | 15.4   |
| Parent company and other companies         | –114.8 | –106.3 |
| Metro Sweden's sales company, Jan-May 2000 | 32.3   | –      |
| Eliminations                               | –13.1  | –13.1  |
|  | 449.8  | 285.4  |

|  |        |       |
|--|--------|-------|
| Income/loss after financial items by business area |        |       |
| Viasat Broadcasting                                | 564.2  | 281.9 |
| MTG Radio  | 14.8   | 11.0  |
| MTG Publishing                                     | 5.3    | –17.9 |
| Metro International                                | –      | 52.8  |
| MTG Modern Interactive                             | –125.6 | –57.2 |
| MTG Modern Studios                                 | –3.6   | 7.4   |
| SDI Media  | 11.7   | 12.8  |
| Parent company and other companies                 | –81.3  | –46.6 |
| Metro Sweden's sales company, Jan-May 2000         | 33.8   | –     |
| Eliminations                                       | –13.1  | –13.1 |
|  | 406.2  | 231.1 |

Comparative figures per business area for 1999 have been restated to facilitate comparison. The stated figures for 1999 and 2000 are based on the same operational structure.

The geographic distribution of net sales (according to purchasers' market) was as follows:

|                |         |         |
|----------------|---------|---------|
| Sweden         | 2 383.2 | 2 496.6 |
| Norway         | 861.5   | 636.6   |
| Denmark        | 1 261.3 | 1 100.4 |
| Rest of Europe | 742.6   | 661.0   |
| North America  | 135.0   | 78.8    |
| South America  | 1.9     | 0.0     |
| Asia           | 45.1    | 36.3    |
| Africa         | 0.3     | 0.0     |
|                | 5 430.9 | 5 009.7 |

## Note 3 INCOME FROM CORPORATE DEVELOPMENT

|                                  | 2000 | 1999 |
|----------------------------------|------|------|
| Group                            |      |      |
| Både Og AS                       | 2.1  | –    |
| Nordic Satellite Distribution AS | 0.8  | –    |
| P4 Finland Oy                    | 4.5  | –    |
| T & T Broadcasters Oy            | –    | –3.3 |
| Vision Recording AB              | 0.4  | –    |
|                                  | 7.8  | –3.3 |

Income from corporate development includes capital gains on the sale of shares in subsidiaries and associated companies and similar transactions.

## INCOME FROM SALES OF SECURITIES

|                           | 2000  | 1999 |
|---------------------------|-------|------|
| Group                     |       |      |
| Sales of shares in TV4 AB | 106.0 | –    |
|                           | 106.0 | –    |

## EXPENSED OPTION PREMIUM FOR TV1000

In conjunction with the demerger of MTG a contract was concluded between Kinnevik and MTG granting an option to MTG to acquire Kinnevik's participation in TV1000 at market value. According to the contract, MTG was responsible for the losses in TV1000 that exceeded SEK 100 million in 1997, SEK 60 million in 1998, and 30 million in 1999. Kinnevik had transferred responsibility for operations to MTG. In March 2000, MTG exercised its option to acquire TV1000.

## RESULT IN METRO SWEDEN'S SALES COMPANY JANUARY-MAY 2000

For several reasons, including adverse tax effects, MTG did not include Metro's Swedish Sales company in the spin-off to shareholders, as it is also a holding company for assets such as the Group's shares in Finanstidningen. Instead the sales activities in this company were transferred to a new company in the Metro Group, effective June 1, 2000. Earnings from this business for the first five months of 2000 have been consolidated in MTG's accounts but are not included in the pro forma comparative figures for 1999, and are therefore reported on a separate line.

**Note 4 DEPRECIATION AND AMORTIZATION**

|                                     | 2000   | 1999   |
|-------------------------------------|--------|--------|
| Group                               |        |        |
| Capitalized development expenses    | -176.8 | -104.0 |
| Beneficial rights                   | -20.8  | -11.7  |
| Goodwill                            | -89.6  | -77.2  |
| Machinery and other technical plant | -15.0  | -23.3  |
| Equipment, tools and installations  | -67.8  | -43.0  |
|                                     | -370.0 | -259.2 |

**Note 5 SHARE OF EARNINGS IN ASSOCIATED COMPANIES**

|  | 2000  | 1999  |
|--|-------|-------|
| Group                                      |       |       |
| Electric Farm asa (18 %)                   | 0.0   | -1.5  |
| Everyday Webguide AB (50%)                 | -7.1  | -0.2  |
| Gamla Stans Millennium Evenemang KB (25 %) | 0.0   | 0.6   |
| Mediainvest Holding AS (49%)               | -1.5  | 0.0   |
| Mediamätning i Skandinavien MMS AB (43 %)  | 0.0   | 1.1   |
| P4 Finland Oy Ab (-)                       | -4.2  | -0.1  |
| P4 Radio Hele Norge asa (33 %)             | 24.6  | 29.2  |
| Radio National i Luleå AB (49 %)           | -0.8  | -0.6  |
| Radio National i Skellefteå AB (49 %)      | -0.7  | -0.6  |
| Radio Rigas Jurmala SIA (50%)              | -2.9  | -0.9  |
| Radioindustri Xerkses i Borås AB (49%)     | -1.4  | -1.4  |
| ScanSat A/S (50 %)                         | 0.0   | 0.8   |
| Svensk Programagentur AB (50%)             | 1.0   | 0.4   |
| TV3 Estonia (42 %)                         | -5.6  | -8.5  |
| TV3 Latvia (49 %)                          | -12.0 | -12.2 |
| TV4 AB (20 %)                              | 67.4  | 38.2  |
| Vision Recording AB (-)                    | 0.0   | -1.5  |
|  | 56.8  | 42.8  |
| Parent Company                             |       |       |
| Gamla Stans Millennium Evenemang KB (25%)  | 0.0   | 0.6   |
|  | 0.0   | 0.6   |

Associated companies are reported based on equity accounting. The share of earnings is equal to the MTG Group's share in the profit/loss after financial items in each associated company after conversion into Swedish kronor and after adjustments to MTG's accounting principles (when necessary), less amortization of goodwill on consolidation generated when MTG acquired that shareholding. For some companies, the calculation of share in profit/loss was based on preliminary accounts that had not yet been audited.

**Note 6 INTEREST REVENUE AND SIMILAR INCOME**

|  | 2000  | 1999  |
|--|-------|-------|
| Group                                  |       |       |
| Interest revenue                       | 37.9  | 32.0  |
|  | 37.9  | 32.0  |
| Parent Company                         |       |       |
| Interest revenue from external parties | 15.5  | 3.4   |
| Interest revenue from subsidiaries     | 342.7 | 294.7 |
|  | 358.2 | 298.1 |

**Note 7 INTEREST EXPENSE AND SIMILAR COSTS**

|                                      | 2000  | 1999  |
|--------------------------------------|-------|-------|
| Group                                |       |       |
| Interest expense                     | -65.5 | -60.1 |
| Exchange rate differences            | -8.8  | -18.9 |
| Other                                | -7.2  | -7.3  |
|                                      | -81.5 | -86.3 |
| Parent Company                       |       |       |
| Interest expense to external parties | -51.8 | -22.0 |
| Interest expense to subsidiaries     | -23.8 | -31.0 |
| Exchange rate differences            | 13.4  | -10.0 |
|                                      | -62.2 | -63.0 |

As a rule, no hedging positions are taken to protect the Group against the effects of fluctuations in exchange rates, neither for transaction exposure nor exposure through equity in foreign subsidiaries.

**Note 8 TAXES**

|  | 2000  | 1999  |
|--|-------|-------|
| Distribution of profit/loss before tax and minority interest |       |       |
| Sweden   | 119.6 | 7.7   |
| Norway   | 72.4  | 71.7  |
| Denmark  | 83.0  | 69.4  |
| United Kingdom   | 213.3 | 124.9 |
| Other countries  | -84.6 | -72.9 |
|  | 403.7 | 200.8 |
| Distribution of tax expense                                  |       |       |
| Current tax  |       |       |
| Sweden   | -28.9 | -17.5 |
| Norway   | -6.9  | -23.1 |
| Denmark  | -24.5 | -13.4 |
| United Kingdom   | -83.3 | -63.0 |
| Other countries  | -11.4 | -7.0  |



|                                  |        |       |
|----------------------------------|--------|-------|
| Change in deferred tax liability |        |       |
| Sweden                           | -34.1  | 39.2  |
| Norway                           | -14.2  | 0.5   |
| Denmark                          | 0.0    | 0.0   |
| United Kingdom                   | 1.0    | 0.0   |
| Other countries                  | -0.1   | 0.2   |
|                                  | -202.4 | -84.1 |

Associated companies' taxes account for MSEK 31.9 of the total tax expense for 2000.

|  | 001231 | 991231 |
|--|--------|--------|
| Deferred tax receivable                  |        |        |
| Sweden                                   | 5.1    | 39.2   |
| Norway                                   | 56.9   | 0.0    |
| Denmark                                  | 0.0    | 0.0    |
| United Kingdom                           | 0.0    | 0.0    |
| Other countries                          | 0.0    | 0.0    |
|  | 62.0   | 39.2   |
| Distribution of deferred tax liabilities |        |        |
| Sweden                                   | 0.0    | 0.0    |
| Norway                                   | 0.0    | 1.6    |
| Denmark                                  | 0.0    | 0.0    |
| United Kingdom                           | 0.0    | 23.2   |
| Other countries                          | 5.0    | 2.9    |
|  | 5.0    | 27.7   |

The Group had loss carry-forwards without expiration date of SEK 250 million in Sweden and SEK 200 million in Norway, at December 31, 2000. The accounts for 2000 include a deferred tax receivable corresponding to 28%

of the loss carry-forwards in Sweden and Norway, because it is judged likely that the Group will be able to apply its loss carry-forwards to taxable surpluses. In accordance with the prudence concept, no deferred tax receivable is reported for the value of loss carry-forwards outside Sweden and Norway.

Unrecognized net operating loss carry-forwards outside of Sweden and Norway by expiry date

|                     |       |
|---------------------|-------|
| 2001                | 16.7  |
| 2002                | 34.9  |
| 2003                | 31.5  |
| 2004                | 19.2  |
| 2005                | 58.9  |
| 2006 and thereafter | 0.1   |
| No expiry date      | -     |
|                     | 161.3 |

| Reconciliation of tax expense              | 2000   | (%)   | 1999  | (%)   |
|--|--------|-------|-------|-------|
| Tax/Tax rate in Sweden                     | -113.1 | -28.0 | -56.2 | -28.0 |
| Non-deductible expenses                    | -45.8  | -11.3 | -74.5 | -37.1 |
| Foreign tax rate differential              | -7.6   | -1.9  | -7.3  | -3.6  |
| Effect of loss carry-forwards              | 5.1    | 1.3   | 87.4  | 43.5  |
| Losses which no tax benefit was recognized | -41.0  | -10.2 | -33.5 | -16.7 |
| Effective tax/tax rate                     | -202.4 | -50.1 | -84.1 | -41.9 |

Non-deductible expenses refer mainly to the option premium for TV1000, goodwill depreciation in the consolidated accounts and certain interest expenses in the United Kingdom.

## Note 9 INTANGIBLE ASSETS

|   | Capitalized development expenses | Beneficial rights | Goodwill | Capitalized development expenses |
|---|----------------------------------|-------------------|----------|----------------------------------|
| Group   |                                  |                   |          | Parent Company                   |
| Acquisition values brought forward                | 771.1                            | 180.0             | 703.8    | 27.7                             |
| Distribution of Metro International               | -259.2                           | -4.1              | -212.7   |                                  |
| Changes in Group structure, reclassifications etc | 71.0                             |                   |          |                                  |
| Investments during the year                       | 860.1                            | 196.6             | 844.7    | 9.5                              |
| Divestment/retirement for the year                | -63.6                            | -2.3              |          | -18.3                            |
| Translation differences                           | 2.0                              | 18.4              | 4.0      |                                  |
| Acquisition values carried forward                | 1 381.4                          | 388.6             | 1 339.8  | 18.9                             |
| Accumulated depreciation brought forward          | -185.1                           | -66.0             | -237.8   | -9.0                             |
| Distribution of Metro International               | 20.4                             | 1.9               | 33.0     |                                  |
| Changes in Group structure, reclassifications etc | -41.7                            |                   |          |                                  |
| Divestment/retirement for the year                | 47.1                             | 2.1               |          | 10.2                             |
| Depreciation for the year                         | -176.8                           | -20.8             | -89.6    | -3.8                             |
| Translation differences                           | 0.6                              | -7.7              |          |                                  |
| Accumulated depreciation carried forward          | -335.5                           | -90.5             | -294.4   | -2.6                             |
| Residual value carried forward                    | 1 045.9                          | 298.1             | 1 045.4  | 16.3                             |

Substantial investment this year in capitalized development expenses resulted from MTG's policy of capitalizing the costs of new businesses and costs of other major projects of a product development or marketing nature. Investments in Capitalized development expenses during 2000 include SEK 555 million invested in the digital swap project.

**Note 10 TANGIBLE ASSETS**

|  | Machinery,<br>technical plant | Equipment,<br>tools | Equipment,<br>tools |
|--|-------------------------------|---------------------|---------------------|
| Group  |                               |                     | Parent Company      |
| Acquisition values brought forward                   | 289.4                         | 330.1               | 2.4                 |
| Distribution of Metro International                  |                               | -33.3               |                     |
| Changes in Group structure,<br>reclassifications etc | -161.1                        | 285.4               |                     |
| Investments during the year                          | 4.1                           | 79.0                | 0.5                 |
| Divestment/retirement for the year                   | -23.9                         | -39.0               |                     |
| Translation differences                              | 1.3                           | 14.4                |                     |
| Acquisition values carried forward                   | 109.8                         | 636.6               | 2.9                 |
| Accumulated depreciation brought forward             | -126.7                        | -222.9              | -1.7                |
| Distribution of Metro International                  |                               | 10.8                |                     |
| Changes in Group structure,<br>reclassifications etc | 35.9                          | -158.4              |                     |
| Divestment/retirement for the year                   | 23.7                          | 31.1                |                     |
| Depreciation for the year                            | -15.0                         | -67.8               | -0.5                |
| Translation differences                              | -0.1                          | -5.1                |                     |
| Accumulated depreciation carried forward             | -82.2                         | -412.3              | -2.2                |
| Residual value carried forward                       | 27.6                          | 224.3               | 0.7                 |

**Note 11 LONG-TERM FINANCIAL ASSETS**

|  | Co. reg. no. | Registered<br>office | Number<br>of shares | Share<br>capital (%) | Voting<br>rights (%) | Book<br>value |
|--|--------------|----------------------|---------------------|----------------------|----------------------|---------------|
| (SEK thousand)                                     |              |                      |                     |                      |                      |               |
| Shares in subsidiaries<br>(held by parent company) |              |                      |                     |                      |                      |               |
| MTG Broadcasting SA                                |              | Luxembourg           | 1 000               | 100                  | 100                  | 300           |
| MTG Radio SA                                       |              | Luxembourg           | 1 000               | 100                  | 100                  | 300           |
| MTG Publishing SA                                  |              | Luxembourg           | 1 000               | 100                  | 100                  | 300           |
| MTG Electronic Retailing SA                        |              | Luxembourg           | 1 000               | 100                  | 100                  | 300           |
| MTG Media Services SA                              |              | Luxembourg           | 1 000               | 100                  | 100                  | 300           |
| Subtitling & Dubb Intl SA                          |              | Luxembourg           | 1 000               | 100                  | 100                  | 300           |
| MTG Holding AB                                     | 556057-9558  | Stockholm            | 5 000               | 100                  | 100                  | 101 886       |
| MTG AS Norge                                       |              | Norway               | 82 300              | 100                  | 100                  | 32 689        |
|  |              |                      |                     |                      |                      | 136 375       |

The tax-effective acquisition value of shares in subsidiaries substantially exceeds their book value in the parent company's accounts.

Shares in subsidiaries  
(within the group)

|                             |             |            |   |     |     |
|-----------------------------|-------------|------------|---|-----|-----|
| <b>MTG Broadcasting SA</b>  |             | Luxembourg | – | 100 | 100 |
| MTG Broadcasting Holding AB | 556580-7806 | Stockholm  | – | 100 | 100 |
| MTG Broadcasting AB         | 556353-2687 | Stockholm  | – | 100 | 100 |
| TV6 Sverige AB              | 556098-4709 | Stockholm  | – | 100 | 100 |
| Z-TV AB                     | 556022-0831 | Stockholm  | – | 100 | 100 |
| Viasat AB                   | 556304-7041 | Stockholm  | – | 100 | 100 |
| TV1000 AB                   | 556133-5521 | Stockholm  | – | 100 | 100 |

|  | Co. reg. no. | Registered office | Number of shares | Share capital (%) | Voting rights (%) | Book value |
|--|--------------|-------------------|------------------|-------------------|-------------------|------------|
| TV1000 Norge AS                                      |              | Norway            | –                | 100               | 100               |            |
| TV1000 Danmark A/S                                   |              | Denmark           | –                | 100               | 100               |            |
| TV1000 Finland Oy                                    |              | Finland           | –                | 100               | 100               |            |
| TV1000 London Ltd                                    |              | United Kingdom    | –                | 100               | 100               |            |
| Viasat Satellite Service AB                          | 556278-7910  | Stockholm         | –                | 100               | 100               |            |
| MTG Broadcast Centre Stockholm AB                    | 556493-2340  | Stockholm         | –                | 100               | 100               |            |
| Strix Nyheter AB                                     | 556513-5554  | Stockholm         | –                | 100               | 100               |            |
| Viasat AS Estonia                                    |              | Estonia           | –                | 100               | 100               |            |
| Eesti Vaba Television ETV                            |              | Estonia           | –                | 100               | 100               |            |
| Televisionsaktiebolaget TV8                          | 556507-2401  | Stockholm         | –                | 100               | 100               |            |
| UAB TV3 Lithuania                                    |              | Lithuania         | –                | 84                | 84                |            |
| Alfa TV Kft  |              | Hungary           | –                | 95                | 95                |            |
| Viasat Broadcasting UK Ltd                           |              | United Kingdom    | –                | 100               | 100               |            |
| UK Teleauction Ltd                                   |              | United Kingdom    | –                | 100               | 100               |            |
| TV6 Broadcasting Ltd                                 |              | United Kingdom    | –                | 100               | 100               |            |
| 3+ Television Ltd                                    |              | United Kingdom    | –                | 100               | 100               |            |
| TV3 Broadcasting Group Ltd                           |              | United Kingdom    | –                | 100               | 100               |            |
| TV3 AB   | 556153-9726  | Stockholm         | –                | 100               | 100               |            |
| TV3 A/S Danmark                                      |              | Denmark           | –                | 100               | 100               |            |
| TV3 AS Norge   |              | Norway            | –                | 100               | 100               |            |
| <b>MTG Radio SA</b>                                  |              | Luxembourg        | –                | 100               | 100               |            |
| MTG Radio Holding AB                                 | 556580-7814  | Stockholm         | –                | 100               | 100               |            |
| MTG Radio AB   | 556365-3335  | Stockholm         | –                | 100               | 100               |            |
| KiloHertz AB   | 556444-7158  | Göteborg          | –                | 100               | 100               |            |
| Production of World Entertainment Radio in Sweden AB | 556307-3476  | Stockholm         | –                | 100               | 100               |            |
| MTG XLformat AB                                      | 556469-8263  | Stockholm         | –                | 100               | 100               |            |
| <b>MTG Publishing SA</b>                             |              | Luxembourg        | –                | 100               | 100               |            |
| MTG Publishing Holding AB                            | 556580-7798  | Stockholm         | –                | 100               | 100               |            |
| MTG Publishing AB                                    | 556457-2229  | Stockholm         | –                | 100               | 100               |            |
| Finanstidningen AB                                   | 556301-5014  | Stockholm         | –                | 100               | 100               |            |
| Finanstext Sverige AB                                | 556472-8425  | Stockholm         | –                | 100               | 100               |            |
| Moderna Tider Förlags AB                             | 556401-4941  | Stockholm         | –                | 98                | 98                |            |
| Brombergs Bokförlag AB                               | 556204-4627  | Solna             | –                | 98                | 98                |            |
| Silikon AB   | 556361-7405  | Stockholm         | –                | 80                | 80                |            |
| MTG Publishing International bv                      |              | The Netherlands   | –                | 100               | 100               |            |
| <b>MTG Electronic Retailing SA</b>                   |              | Luxembourg        | –                | 100               | 100               |            |
| MTG Electronic Retailing Holding AB                  | 556580-7749  | Stockholm         | –                | 100               | 100               |            |
| MTG Electronic Retailing AB                          | 556035-6940  | Fagersta          | –                | 100               | 100               |            |
| e-Commerce Logistics i Malmö AB                      | 556465-9950  | Stockholm         | –                | 100               | 100               |            |
| MTG Internet Retailing AB                            | 556406-1702  | Karlstad          | –                | 100               | 100               |            |
| MTG Internet Retailing bv                            |              | The Netherlands   | –                | 100               | 100               |            |
| Cdon AB  | 556308-2105  | Stockholm         | –                | 100               | 100               |            |
| TV-Shop Europe AB                                    | 556497-0019  | Malmö             | –                | 100               | 100               |            |
| TV Shop i Sverige AB                                 | 556374-8176  | Malmö             | –                | 100               | 100               |            |
| Musik-Industri i Sverige AB                          | 556490-7979  | Stockholm         | –                | 100               | 100               |            |
| TV Shop Eesti AS                                     |              | Estonia           | –                | 100               | 100               |            |
| TV Shop Homeshopping Oy                              |              | Finland           | –                | 100               | 100               |            |
| TV Shop USA Inc                                      |              | United States     | –                | 100               | 100               |            |
| TV Shop SIA  |              | Latvia            | –                | 100               | 100               |            |
| TV Shop Lithuania SA                                 |              | Lithuania         | –                | 100               | 100               |            |
| Mediashop SA   |              | Luxembourg        | –                | 100               | 100               |            |
| TV Shop SA   |              | Luxembourg        | –                | 100               | 100               |            |
| TV Shop Nederland bv                                 |              | The Netherlands   | –                | 100               | 100               |            |
| TV Shop AS Norge                                     |              | Norway            | –                | 100               | 100               |            |
| TV Shop Polska Sp Zoo                                |              | Poland            | –                | 100               | 100               |            |

|   | Co. reg. no. | Registered office | Number of shares | Share capital (%) | Voting rights (%) | Book value |
|---|--------------|-------------------|------------------|-------------------|-------------------|------------|
| TV Shop Slovakia as                       |              | Slovakia          | –                | 100               | 100               |            |
| TV Shop Spain SL                          |              | Spain             | –                | 96                | 96                |            |
| TV Shop Ceska Republika as                |              | Czech Republic    | –                | 100               | 100               |            |
| TV Shop Versandhandels GmbH               |              | Germany           | –                | 100               | 100               |            |
| Unimedia GmbH                             |              | Germany           | –                | 100               | 100               |            |
| TV Shop Hungary Trading Ltd               |              | Hungary           | –                | 100               | 100               |            |
| TV Shop Fullfillment House Kft            |              | Hungary           | –                | 100               | 100               |            |
| No Name 4 Us AB                           | 556558-5147  | Malmö             | –                | 90                | 90                |            |
| MTG Internet AB                           | 556461-1662  | Stockholm         | –                | 100               | 100               |            |
| Webad AS                                  |              | Norway            | –                | 100               | 100               |            |
| Interactive Italia SRL                    |              | Italy             | –                | 90                | 90                |            |
| MTG Modern Group España SL                |              | Spain             | –                | 100               | 100               |            |
| InTV España SL                            |              | Spain             | –                | 100               | 100               |            |
| Interactive Partner SL                    |              | Spain             | –                | 100               | 100               |            |
| Interactive Media Solutions SL            |              | Spain             | –                | 100               | 100               |            |
| MTG Telesubasta SL                        |              | Spain             | –                | 100               | 100               |            |
| <b>MTG Media Services SA</b>              |              | Luxembourg        | –                | 100               | 100               |            |
| MTG Media Services Holding AB             | 556580-7848  | Stockholm         | –                | 100               | 100               |            |
| MTG Modern Studios AB                     | 556264-3261  | Stockholm         | –                | 100               | 100               |            |
| MTG Media Properties Ltd                  |              | United States     | –                | 100               | 100               |            |
| Nordic Artist AB                          | 556422-1447  | Stockholm         | –                | 100               | 100               |            |
| RTS Rent the Show AB                      | 556593-1044  | Stockholm         | –                | 51                | 51                |            |
| Nordic Artist Oy                          |              | Finland           | –                | 100               | 100               |            |
| Nordic Artist AS                          |              | Norway            | –                | 100               | 100               |            |
| Sonet Film AB                             | 556103-7283  | Stockholm         | –                | 100               | 100               |            |
| Filmarehn AB                              | 556323-0670  | Stockholm         | –                | 100               | 100               |            |
| MTG Modern TV AB                          | 556419-9544  | Lund              | –                | 100               | 100               |            |
| Oslo Kinoreklame AS                       |              | Norway            | –                | 100               | 100               |            |
| Strix Television AB                       | 556345-5624  | Stockholm         | –                | 100               | 100               |            |
| Strix Televisjon AS                       |              | Norway            | –                | 100               | 100               |            |
| <b>Subtitling &amp; Dubb Intl SA</b>      |              | Luxembourg        | –                | 100               | 100               |            |
| Subtitling Holding AB                     |              | Stockholm         | –                | 100               | 100               |            |
| SDI Media AB                              | 556170-2217  | Stockholm         | –                | 100               | 100               |            |
| MediaDubb International AB                | 556442-2706  | Stockholm         | –                | 100               | 100               |            |
| SDI Media Scandinavia AB                  | 556538-9375  | Stockholm         | –                | 100               | 100               |            |
| SDI Media Finland Oy                      |              | Finland           | –                | 100               | 100               |            |
| SDI Media Eesti Oy                        |              | Estonia           | –                | 100               | 100               |            |
| UAB SDI Media International               |              | Lithuania         | –                | 100               | 100               |            |
| SDI Media Latvia SIA                      |              | Latvia            | –                | 100               | 100               |            |
| SDI Media Netherlands bv                  |              | The Netherlands   | –                | 90                | 90                |            |
| Subtitling International SA               |              | Luxembourg        | –                | 100               | 100               |            |
| SDI Media Hong Kong Ltd                   |              | Hong Kong         | –                | 60                | 60                |            |
| SDI Media Japan Ltd                       |              | Japan             | –                | 70                | 70                |            |
| Media Watchers International Ltd          |              | Hong Kong         | –                | 60                | 60                |            |
| Media Watchers Thailand Ltd               |              | Thailand          | –                | 49                | 91                |            |
| Subint Ltd                                |              | United Kingdom    | –                | 100               | 100               |            |
| Screen Subtitling Systems Ltd             |              | United Kingdom    | –                | 100               | 100               |            |
| Subtitling International UK Ltd           |              | United Kingdom    | –                | 100               | 100               |            |
| Subtitling International Middle East sarl |              | Lebanon           | –                | 100               | 100               |            |
| SDI Media France SARL                     |              | France            | –                | 100               | 100               |            |
| SDI Media Asia Pacific Pte Ltd            |              | Singapore         | –                | 100               | 100               |            |
| SDI Media Israel                          |              | Israel            | –                | 100               | 100               |            |
| Gelula & Co Inc                           |              | United States     | –                | 100               | 100               |            |
| <b>MTG Holding AB</b>                     | 556057-9558  | Stockholm         | –                | 100               | 100               |            |
| Bäckegrube AB                             | 556170-7752  | Stockholm         | –                | 100               | 100               |            |

|                                 | Co. reg. no. | Registered office | Number of shares | Share capital (%) | Voting rights (%) | Book value |
|---------------------------------|--------------|-------------------|------------------|-------------------|-------------------|------------|
| TV Holdings International SA    |              | Luxembourg        | –                | 100               | 100               |            |
| Scansat Intressenter AB         | 556353-2679  | Stockholm         | –                | 100               | 100               |            |
| Modern Services MTG AB          | 556298-5597  | Stockholm         | –                | 100               | 100               |            |
| Applied Sales Management ASM AB | 556513-5547  | Stockholm         | –                | 100               | 100               |            |
| Svithjod News AB                | 556504-7551  | Stockholm         | –                | 100               | 100               |            |
| Kinnevik Media International AB | 556339-8014  | Stockholm         | –                | 100               | 100               |            |
| DVDON AB                        | 556237-4628  | Stockholm         | –                | 100               | 100               |            |
| Gamerson AB                     | 556052-4174  | Stockholm         | –                | 100               | 100               |            |
| Pharmaon AB                     | 556400-1476  | Stockholm         | –                | 100               | 100               |            |
| TV3 Production SIA              |              | Latvia            | –                | 100               | 100               |            |
| Senaste Nytt på Nätet SNN AB    | 556448-0076  | Stockholm         | –                | 100               | 100               |            |
| Everymobile AB                  | 556529-7917  | Stockholm         | –                | 100               | 100               |            |
| Skybus AB                       | 556098-4691  | Stockholm         | –                | 100               | 100               |            |
| SatTrans KB                     | 916624-2512  | Stockholm         | –                | 100               | 100               |            |
| Norges Teleauktion AS           |              | Norway            | –                | 100               | 100               |            |
| Oslo Kinoreklame AS             |              | Norway            | –                | 100               | 100               |            |
| Staden Staden AB                | 556205-6449  | Stockholm         | –                | 100               | 100               |            |
| Frankvik AB                     | 556491-9685  | Stockholm         | –                | 100               | 100               |            |
| Moderna Tider Holding AB        | 556426-8745  | Stockholm         | –                | 100               | 100               |            |
| Webad Sverige AB                | 556484-0154  | Stockholm         | –                | 100               | 100               |            |
| AdOn Försäljnings AB            | 556146-9700  | Stockholm         | –                | 100               | 100               |            |
| Interactive Italia SRL          |              | Italy             | –                | 90                | 90                |            |
| MTG A/S Danmark                 |              | Denmark           | –                | 100               | 100               |            |
| TV Shop A/S Danmark             |              | Denmark           | –                | 100               | 100               |            |
| Strix Television A/S Danmark    |              | Denmark           | –                | 100               | 100               |            |
| ViaSat A/S Danmark              |              | Denmark           | –                | 100               | 100               |            |
| Scannews A/S Danmark            |              | Denmark           | –                | 100               | 100               |            |
| Viasat Sport A/S                |              | Denmark           | –                | 100               | 100               |            |
| Freeport Film A/S               |              | Denmark           | –                | 100               | 100               |            |
| SDI Media Danmark A/S           |              | Denmark           | –                | 100               | 100               |            |
| MTG Invest AB                   | 556353-3065  | Stockholm         | –                | 100               | 100               |            |
| <b>MTG AS Norge</b>             |              | Norway            | –                | 100               | 100               |            |
| Viasat AS Norge                 |              | Norway            | –                | 100               | 100               |            |
| Metro Norge AS                  |              | Norway            | –                | 100               | 100               |            |

|   | Co. reg. no. | Registered office | Number of shares | Share capital (%) | Voting rights (%) | Book value | Market value |
|---|--------------|-------------------|------------------|-------------------|-------------------|------------|--------------|
| (SEK thousand)  |              |                   |                  |                   |                   |            |              |
| Shares in associated companies (held by parent company) |              |                   |                  |                   |                   |            |              |
| Gamla Stans Millennium Evenemang KB                     | 969653-5997  | Stockholm         | –                | 25                | 25                | 0          |              |
| Shares in associated companies (within the Group)       |              |                   |                  |                   |                   |            |              |
| Everyday Webguide AB                                    | 556182-6016  | Stockholm         | 1 750            | 50                | 50                | 0          |              |
| Forum och Marknad 107,7 i Nyköping HB                   | 969651-4125  | Nyköping          | –                | 33                | 33                | 0          |              |
| Gamla Stans Millennium Evenemang KB                     | 969653-5997  | Stockholm         | –                | 25                | 25                | 0          |              |
| GigaHertz 106,7 i Malmö HB                              | 969651-2970  | Malmö             | –                | 33                | 33                | 0          |              |
| GH GigaHertz KB   | 969616-7551  | Göteborg          | –                | 33                | 33                | 2 667      |              |
| Göteborg Air 105,9 HB                                   | 969661-0600  | Göteborg          | –                | 33                | 33                | 0          |              |
| Jönköpings Reklamradio 106,0 HB                         | 969651-3739  | Jönköping         | –                | 33                | 33                | 0          |              |
| Mediainvest Holding AS                                  |              | Estonia           | 49               | 49                | 49                | 0          |              |
| Mediamätning i Skandinavien MMS AB                      | 556353-3032  | Stockholm         | 2 150            | 43                | 43                | 3 632      |              |
| P4 Radio Hele Norge asa                                 |              | Norway            | 10 673 508       | 33                | 33                | 51 558     | 629 017      |
| Power i Stockholm HB                                    | 969651-2236  | Stockholm         | –                | 33                | 33                | 0          |              |
| Radio 2000 107,6 i Helsingborg HB                       | 969651-5015  | Helsingborg       | –                | 33                | 33                | 0          |              |
| Radio Air 104,5 i Hällby och Eskilstuna HB              | 969651-1980  | Eskilstuna        | –                | 33                | 33                | 0          |              |
| Radio National i Luleå AB                               | 556475-0411  | Stockholm         | 500              | 50                | 50                | 2 715      |              |
| Radio National i Skellefteå AB                          | 556475-0346  | Stockholm         | 500              | 50                | 50                | 2 038      |              |
| Radio Rigas Jurmala AS                                  |              | Latvia            | 5                | 50                | 50                | 0          |              |
| Radio Storpannan 104,8 i Göteborg HB                    | 969651-2228  | Göteborg          | –                | 33                | 33                | 0          |              |
| Reklammedia 104,4 i Kil och Karlstad HB                 | 969651-4109  | Karlstad          | –                | 33                | 33                | 0          |              |
| Reklammedia 107,3 i Kristianstad HB                     | 969651-3697  | Kristianstad      | –                | 33                | 33                | 0          |              |
| Rix i Borås AB  | 556034-4391  | Borås             | 490              | 49                | 49                | 0          |              |
| Rix i Skandinavien AB                                   | 556475-3670  | Stockholm         | 500              | 50                | 50                | 49         |              |
| ScanSat A/S   |              | Denmark           | 901 500          | 50                | 50                | 1 956      |              |
| Stop AB   | 556249-0424  | Uppsala           | 500              | 50                | 50                | 46         |              |
| Svensk Programagentur AB                                | 556453-6281  | Göteborg          | 4 270            | 50                | 50                | 214        |              |
| Trestad Air 105,0 HB                                    | 969651-2715  | Vänersborg        | –                | 33                | 33                | 0          |              |
| TV3 Broadcasting SIA                                    |              | Latvia            | 49               | 49                | 49                | 0          |              |
| TV3 Estonia AS  |              | Estonia           | 2 100            | 42                | 42                | 12 735     |              |
| TV3 Latvia SIA  |              | Latvia            | 98               | 49                | 49                | 0          |              |
| TV4 AB  | 556242-7152  | Stockholm         | 4 020 013        | 20                | 20                | 190 991    | 1 206 004    |
| Växjö Reklamradio 104,3 HB                              | 969651-1972  | Växjö             | –                | 33                | 33                | 0          |              |
| Z-Radio 101,9 HB  | 969651-2269  | Stockholm         | –                | 33                | 33                | 0          |              |
| Östersund Air 104,0 HB                                  | 969651-2681  | Östersund         | –                | 33                | 33                | 0          |              |
|   |              |                   |                  |                   |                   | 268 601    |              |



Reconciliation of the book value of shares in associated companies (within the Group)  
(SEK million)

|   |       |
|---|-------|
| Balance brought forward January 1, 2000                 | 272.1 |
| Investment in associated companies                      | 4.1   |
| Share of earnings in associated companies as per Note 5 | 56.8  |
| Share of tax expense in associated companies            | -31.9 |
| Dividends received                                      | -34.0 |
| Book value of sold shares in associated companies       | -17.7 |
| Reclassified  | 19.6  |
| Translation differences                                 | -0.4  |
| Balance carried forward December 31, 2000               | 268.6 |

|   | Co. reg. no. | Registered office | Number of shares | Share capital (%) | Voting rights (%) | Book value | Market value |
|---|--------------|-------------------|------------------|-------------------|-------------------|------------|--------------|
| (SEK thousand)  |              |                   |                  |                   |                   |            |              |
| Shares and participations in other companies (held by parent company) |              |                   |                  |                   |                   |            |              |
| Metro International S.A.  |              | Luxembourg        | 1 000 000        | 1                 | 2                 | 13 908     | 71 000       |
| Other   |              |                   |                  |                   |                   | 187        |              |
|   |              |                   |                  |                   |                   | 14 095     |              |

Shares and participations in other companies (within the Group)

|                          |  |            |           |    |    |        |        |
|--------------------------|--|------------|-----------|----|----|--------|--------|
| Metro International S.A. |  | Luxembourg | 1 000 000 | 1  | 2  | 13 908 | 71 000 |
| Oy Suomen Utisradio Ab   |  | Finland    | –         | 17 | 17 | 18 989 |        |
| Other                    |  |            |           |    |    | 1 866  |        |
|                          |  |            |           |    |    | 34 703 |        |

On August 15, 2000, all shares in Metro International S.A. were distributed to the shareholders of MTG. MTG's remaining interest in Metro consists of a convertible debenture loan totalling USD 23.5 million and a commercial loan of USD 23.5 million. In December 1/16 of the debenture loan was converted into 1,000,000 shares.

**Note 12 ACCOUNTS RECEIVABLE**

|                                       | 001231  | 991231  |
|---------------------------------------|---------|---------|
| Group                                 |         |         |
| Gross accounts receivable             | 1 027.5 | 1 045.1 |
| Less allowances for doubtful accounts | -46.5   | -26.5   |
|                                       | 981.0   | 1 018.6 |
| Parent Company                        |         |         |
| Gross accounts receivable             | 17.3    | 6.0     |
| Less allowances for doubtful accounts | 0.0     | 0.0     |
|                                       | 17.3    | 6.0     |

**Note 13 PREPAID EXPENSE AND ACCRUED REVENUE**

|                            | 001231 | 991231 |
|----------------------------|--------|--------|
| Group                      |        |        |
| Prepaid rent expenses      | 6.7    | 4.2    |
| Prepaid government fees    | 6.7    | 6.8    |
| Prepaid transponder costs  | 29.4   | 35.1   |
| Prepaid media costs        | 17.2   | 6.0    |
| Prepaid insurance premiums | 0.6    | 0.5    |
| Accrued sales revenue      | 117.9  | 113.9  |
| Accrued interest revenue   | 2.3    | 0.0    |
| Other                      | 34.4   | 96.3   |
|                            | 215.2  | 262.8  |
| Parent Company             |        |        |
| Other                      | 3.3    | 0.2    |
|                            | 3.3    | 0.2    |

**Note 14 SHORT-TERM INVESTMENTS**

|   | 001231 | 991231 |
|---|--------|--------|
| Group   |        |        |
| Spanish treasury bills  | 16.7   | –      |
| Option to acquire shares in<br>Millicom International Cellular S.A. | –      | 0.1    |
|   | 16.7   | 0.1    |

**Note 15 SHAREHOLDERS' EQUITY**

|             | Number<br>of shares | Par<br>value |
|-------------|---------------------|--------------|
| MTG class A | 20 534 273          | 102.7        |
| MTG class B | 45 840 883          | 229.2        |
|             | 66 375 156          | 331.9        |

The holder of an MTG A share is entitled to 10 votes, the holder of an MTG B share one vote.

|   | Share<br>capital | Restricted<br>reserves | Non-restricted<br>reserves | Total   |
|---|------------------|------------------------|----------------------------|---------|
| Group   |                  |                        |                            |         |
| Balance as of January 1, 2000                         | 298.5            | 98.9                   | 690.9                      | 1 088.3 |
| Translation differences                               |                  |                        | 13.3                       | 13.3    |
| Transfer between restricted and non-restricted equity |                  | 13.2                   | –13.2                      | 0.0     |
| Net income for the year 2000                          |                  |                        | 202.5                      | 202.5   |
| Issue of new shares                                   | 33.4             | 1 280.5                |                            | 1 313.9 |
| Dividend  |                  |                        | –164.1                     | –164.1  |
| Balance as of December 31, 2000                       | 331.9            | 1 392.6                | 729.4                      | 2 453.9 |

Restricted reserves in the Group include SEK 76.1 million in a capital interest reserve, representing the positive difference between the consolidated value and book value of each company's holding of shares in associated companies in subgroups. Accumulated translation differences since January 1, 1996 amounted to SEK –17.5 (–30.8) million at year end.

|                                   | Share<br>capital | Premium<br>reserve | Legal<br>reserve | Retained<br>earnings | Total   |
|-----------------------------------|------------------|--------------------|------------------|----------------------|---------|
| Parent company                    |                  |                    |                  |                      |         |
| Balance as of January 1, 2000     | 298.5            | 52.0               | 7.7              | 2 687.8              | 3 046.0 |
| Net income for the year 2000      |                  |                    |                  | –49.2                | –49.2   |
| Issue of new shares               | 33.4             | 1 280.5            |                  |                      | 1 313.9 |
| Group/shareholders' contributions |                  |                    |                  | –654.7               | –654.7  |
| Dividend                          |                  |                    |                  | –200.0               | –200.0  |
| Balance as of December 31, 2000   | 331.9            | 1 332.5            | 7.7              | 1 783.9              | 3 456.0 |

The increase of consolidated shareholders' equity resulting from the conversion of the convertible debenture loan into shares and the issue of new shares to a company in the Kinnevik Group in connection with the acquisition of TV1000 are accounted for above as issues of new shares.

On August 15, 2000, all shares in Metro International S.A. were distributed to the shareholders of MTG. The book value of the parent company's holding of Metro shares at the time of the distribution amounted to SEK 200.0 million, and is reported as a dividend. In the consolidated financial statements, the value at Group level of the net assets in Metro is stated as a dividend.

**Note 16 OTHER PROVISIONS**

|                                  | 001231 | 991231 |
|----------------------------------|--------|--------|
| Group                            |        |        |
| Provision for music royalties    | 117.5  | 91.2   |
| Reserve for restructuring of TV8 | -      | 5.8    |
|                                  | 117.5  | 97.0   |

MTG's TV channels have differences of opinion with the Swedish Performing Rights Society STIM, its Norwegian counterpart TONO, and its Danish counterpart KODA on the matter of compensation for music played on the TV channels. Provisions have been made in the accounts corresponding to the estimated outcome of ongoing litigation and negotiations.

**Note 17 LONG-TERM LIABILITIES**

The Group was refinanced in 1999 through a loan agreement with a syndicate of banks led by Deutsche Bank AG. The Group was refinanced again in 2000 through an amendment of the loan agreement whereby the loan amount increased by SEK 900 million.

|                             | 001231  | 991231 |
|-----------------------------|---------|--------|
| Maturity of long-term loans |         |        |
| 2001                        | -       | 100.0  |
| 2002                        | 373.7   | 100.0  |
| 2003                        | 410.0   | 150.0  |
| 2004                        | 537.0   | 347.4  |
|                             | 1 320.7 | 697.4  |

**Note 18 CONVERTIBLE DEBENTURE LOAN**

|                          | 001231 | 991231 |
|--------------------------|--------|--------|
| Debenture loan 1997/2000 | -      | 407.1  |

When MTG was capitalized prior to the demerger, Kinnevik's net claim of SEK 750 million was converted into SEK 326 million in equity and SEK 424 million in a convertible debenture loan. The conversion price was SEK 85 per share. The loan fell due for payment on December 30, 2000, and entitled the lender to 3% interest. The convertible debenture loan was reported by MTG in accordance with the Swedish Financial Accounting Standards Council's recommendation at its net present value, based on an assumed market interest rate of 7% per annum. The convertible debenture loan was converted into shareholders' equity in 2000.

**Note 19 OVERDRAFT FACILITIES**

The amount granted for bank overdraft facilities at December 31, 2000, equaled SEK 100.0 (100.0) million, of which SEK 82.5 (22.7) million was unutilized.

**Note 20 ACCRUED EXPENSE AND PREPAID REVENUE**

|                                    | 001231 | 991231 |
|------------------------------------|--------|--------|
| Group                              |        |        |
| Accrued programming costs          | 23.2   | 57.0   |
| Accrued transponder costs          | 3.9    | 1.5    |
| Accrued personnel costs            | 37.8   | 64.6   |
| Accrued rent costs                 | 1.3    | 3.9    |
| Accrued interest costs             | 10.8   | 5.2    |
| Accrued commission to sales agents | 15.2   | 6.9    |
| Accrued audit costs                | 4.7    | 3.2    |
| Accrued insurance premiums         | 0.2    | 0.9    |
| Accrued guarantee costs            | 1.2    | 0.0    |
| Accrued freight costs              | 19.1   | 6.1    |
| Accrued royalties                  | 60.5   | 17.9   |
| Accrued government fees            | 10.7   | 5.2    |
| Accrued option premium for TV1000  | -      | 39.2   |
| Prepaid revenue                    | 379.1  | 243.7  |
| Other                              | 194.0  | 215.9  |
|                                    | 761.7  | 671.2  |
| Parent company                     |        |        |
| Accrued personnel costs            | 2.8    | 4.7    |
| Accrued interest costs             | 9.1    | 4.3    |
| Other                              | 3.4    | 0.2    |
|                                    | 15.3   | 9.2    |

**Note 21 CONTINGENT LIABILITIES**

|  | 001231 | 991231 |
|--|--------|--------|
| Group  |        |        |
| Surety bonds and guarantees                  | 165.9  | 4.3    |
| Parent Company                               |        |        |
| Surety bonds and guarantees                  | 165.9  | 4.3    |
| Surety bonds and guarantees for subsidiaries | 327.7  | 410.6  |
|  | 493.6  | 414.9  |

Guarantees for Metro International S.A. and its subsidiaries accounted for SEK 155.3 million. These guarantees will be phased out gradually.

Commitments for future payments at December 31, 2000

|                        | Future rent<br>on non-<br>cancelable<br>leases | Future<br>payments<br>for program<br>rights | Transponder<br>commit-<br>ments | Total<br>commit-<br>ments |
|------------------------|--|---|---------------------------------|---------------------------|
| Group                  |  |   |                                 |                           |
| 2001                   | 75.7   | 1 148.4                                     | 218.2                           | 1 442.3                   |
| 2002                   | 67.3   | 582.3                                       | 164.8                           | 814.4                     |
| 2003                   | 30.8   | 312.1                                       | 160.8                           | 503.7                     |
| 2004                   | 10.6   | 58.3  | 130.9                           | 199.8                     |
| 2005 and<br>thereafter | 45.0   | 458.9                                       | 54.0                            | 557.9                     |
|                        | 229.4  | 2 560.0                                     | 728.7                           | 3 518.1                   |

**Note 22 AVERAGE NUMBER OF EMPLOYEES**

|                           | men | 2000<br>women | men | 1999<br>women |
|---------------------------|-----|---------------|-----|---------------|
| Group                     |     |               |     |               |
| Sweden                    | 355 | 254           | 390 | 258           |
| United Kingdom            | 97  | 81            | 113 | 82            |
| Denmark                   | 85  | 82            | 33  | 27            |
| United States             | 49  | 50            | 19  | 15            |
| Norway                    | 51  | 46            | 42  | 37            |
| Lithuania                 | 53  | 26            | 66  | 37            |
| Hong Kong                 | 30  | 39            | 30  | 45            |
| Spain                     | 18  | 17            | 17  | 17            |
| Finland                   | 15  | 4             | 17  | 15            |
| Germany                   | 6   | 10            | 4   | 5             |
| Netherlands               | 8   | 7             | 13  | 10            |
| Thailand                  | 4   | 7             | 3   | 8             |
| Taiwan                    | 4   | 4             | 3   | 6             |
| Estonia                   | 4   | 3             | –   | 2             |
| Czech Republic            | 1   | 5             | 25  | 30            |
| Poland                    | 1   | 5             | 2   | 4             |
| Hungary                   | 2   | 3             | 20  | 25            |
| Portugal                  | 2   | 3             | 2   | 3             |
| Latvia                    | 1   | 2             | –   | 2             |
| Lebanon                   | 1   | 1             | 1   | 1             |
| South Korea               | –   | 2             | –   | –             |
| France                    | 1   | 1             | 1   | –             |
| Israel                    | 1   | 1             | 1   | –             |
| Japan                     | –   | 2             | –   | 4             |
| Singapore                 | 1   | –             | –   | –             |
| Russia                    | –   | –             | 1   | 8             |
| Chile                     | –   | –             | 19  | 16            |
| Belgium                   | –   | –             | –   | –             |
|                           | 790 | 655           | 822 | 657           |
| Total number of employees |     | 1 445         |     | 1 479         |

**Note 23 SALARIES, OTHER REMUNERATION, AND SOCIAL AND SECURITY EXPENSES**

|  | 2000  | 1999  |
|--|-------|-------|
| Group  |       |       |
| Boards of Directors, presidents, and vice presidents |       |       |
| Companies in Sweden                                  | 23.1  | 34.9  |
| Companies outside Sweden                             | 37.1  | 22.4  |
|  | 60.2  | 57.3  |
| Other employees                                      |       |       |
| Companies in Sweden                                  | 238.7 | 182.5 |
| Companies outside Sweden                             | 270.2 | 191.7 |
|  | 508.9 | 374.2 |
| Total salaries and other remuneration                | 569.1 | 431.5 |
| Social security expenses                             | 140.0 | 123.6 |
| thereof pension expense                              | 41.3  | 25.6  |

In accordance with the ruling of the annual general meeting concerning remuneration to the Board of Directors, in 2000 SEK 1 425 thousand was disbursed, of which SEK 300 thousand to the Chairman of the Board based on a decision by the Board. No remuneration has been paid to Boards of subsidiaries. During the year, the Chairman of the Board and companies owned by him have received consultancy fees of USD 200,000 based on a decision by the Board.

The President was paid a total of SEK 3 989 thousand in salary and benefits. The vice Presidents were paid a total of SEK 3 410 thousand in salaries and benefits.

The former President, Pelle Törnberg, received a total of SEK 5 624 thousand in salaries and benefits. Former vice Presidents were paid a total of SEK 5 678 thousands in salaries and benefits.

The President and other members of the Company's executive management are entitled to customary pension commitments based on the national pension plan, entailing retirement at the age of 65. Pension commitments are secured through premiums paid to insurance companies.

Of the Group's total pension expense, SEK 4.7 million pertains to the presidents.

Senior executives in the MTG Group are entitled to participate in a program approved by the annual general meeting of Industriförvaltnings AB Kinnevik on May 3, 1996, by which they have acquired an option on 5% of the share capital in MTG, executed through a separate company.

In 1999, one fifth of the option was executed and the value was paid in cash by Kinnevik. In 2000, another one fifth of the option was executed and the shares were delivered by Kinnevik. Furthermore, the number of shares outstanding has increased through the issue of new MTG shares. As a consequence, the company owned by the senior executives held an option as per December 31, 2000, to acquire 2.7 per cent of the share capital.

If the Company terminates the employment of the President or other senior executives, salary will be paid during the period of notice, 12–24 months.

The President has a 12-month period of notice when resigning.

**Note 24 AUDIT FEES**

|                                 | 2000 | 1999 |
|---------------------------------|------|------|
| Group                           |      |      |
| KPMG, audit services            | 4.2  | 2.5  |
| KPMG, other services            | 4.4  | 0.2  |
| Ernst & Young, audit services   | 0.2  | 0.3  |
| Ernst & Young, other services   | 0.7  | 0.5  |
| Other auditors (audit services) | 0.5  | 0.5  |
|                                 | 10.0 | 4.0  |
| Parent company                  |      |      |
| KPMG, audit services            | 0.5  | 0.3  |
| KPMG, other services            | 1.0  | 0.0  |
| Ernst & Young, audit services   | 0.1  | 0.2  |
| Ernst & Young, other services   | 0.0  | 0.2  |
|                                 | 1.6  | 0.7  |

## Note 25 SUPPLEMENTAL CASH-FLOW INFORMATION

|   | 2000   | 1999  |
|---|--------|-------|
| Adjustments to reconcile net income/loss to net cash provided by operations |        |       |
| Income/loss from corporate development sales of securities                  | -113.8 | 3.3   |
| Depreciation and amortization   | 370.0  | 259.2 |
| Divestment of fixed assets  | 26.1   | 20.3  |
| Minority share in earnings  | -1.2   | -13.3 |
| Share in the earnings of associated companies                               | -56.8  | -42.8 |
| Share in tax expense of associated companies                                | 31.9   | 29.1  |
| Change in deferred tax  | 47.4   | -39.9 |
| Change in provisions  | -0.9   | 40.0  |
|   | 302.7  | 255.9 |
| Cash paid for interest and corporate income tax                             |        |       |
| Parent Company  |        |       |
| Interest  | 57.0   | 45.9  |
| Corporate income tax  | 0.0    | 0.0   |
|   | 57.0   | 45.9  |
| Group   |        |       |
| Interest  | 87.7   | 72.7  |
| Corporate income tax  | 118.8  | 94.4  |
|   | 206.5  | 167.1 |

## Note 26 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES

The consolidated accounts have been prepared based on Swedish accounting principles, which differ from U.S. generally accepted accounting principles (GAAP) in some respects.

Because the Company's shares are quoted on the Nasdaq National Market in the United States, each year the Company prepares a reconciliation of differences in items based on Swedish accounting principles and U.S. GAAP.

|  | 2000   | 1999   |
|--|--------|--------|
| Group  |        |        |
| Reconciliation of net income                                     |        |        |
| Net income reported under Swedish GAAP                           | 202.5  | 130.0  |
| Adjustments to reconcile to corresponding amounts under US GAAP: |        |        |
| Capitalized development expenses                                 | -696.1 | -352.1 |
| Program rights amortization                                      | -21.4  | -27.3  |
| Transactions between entities under common control               | -3.0   | -      |
| US GAAP differences in the accounts of associated companies      | -57.3  | -15.3  |
| Stock compensation expense                                       | 180.0  | -557.6 |
| Tax basis difference associated companies                        | -7.0   | -14.0  |
| Consolidation of Metro International S.A.                        | -384.7 | -      |
| Deferred tax adjustment  | 193.4  | 50.1   |
| Net income/loss under US GAAP                                    | -593.6 | -786.2 |

|  | 001231   | 991231  |
|--|----------|---------|
| Reconciliation of shareholders' equity                           |          |         |
| Shareholders' equity under Swedish GAAP                          | 2 453.9  | 1 088.3 |
| Adjustments to reconcile to corresponding amounts under US GAAP: |          |         |
| Capitalized development expenses                                 | -1 045.9 | -586.0  |
| Program rights amortization                                      | -116.6   | -95.2   |
| Transactions between entities under common control               | 26.1     | 29.1    |
| US GAAP differences in the accounts of associated companies      | -72.6    | -15.3   |
| Tax basis difference associated companies                        | -21.0    | -14.0   |
| Deferred tax adjustment  | 330.8    | 138.0   |
| Shareholders' equity under US GAAP                               | 1 554.7  | 544.9   |

In accordance with Swedish accounting regulations, MTG capitalizes expenses for developing new ventures. U.S. GAAP requires that such costs be expensed. Amortization has also been adjusted correspondingly.

In accordance with Swedish accounting regulations, purchased program rights for TV are amortized in pace with the advertising revenue at each broadcast. U.S. GAAP requires that the amortization at the first broadcast be higher than at later broadcasts if the first broadcast is more valuable than the reruns.

Also, adjustments have been made for transactions between companies under the common control, in that U.S. GAAP requires that such transactions be reported using a method that closely corresponds to the pooling method.

Some of the associated companies have US GAAP differences in their accounts, primarily referring to capitalized development expenses, which are adjusted for as from 2000. The figures for 1999 have been restated accordingly.

Under Swedish GAAP, the option program described in Note 23 is not accounted for by MTG, since it was established and financed by Kinnevik. Under US GAAP, however, this program is accounted for by MTG as from 2000, since MTG benefits from the services of the employees. The figures for 1999 have been restated accordingly.

Under US GAAP, a deferred tax payable is recorded relating to the difference between the book value and the tax value in associated companies.

Under Swedish GAAP, Metro International S.A., which was demerged on August 15, 2000, may be deconsolidated for the entire financial year. Under US GAAP, the net result of Metro is consolidated for the period to and including the date of the dividend.

# SIGNATURES

Stockholm, April 2, 2001

Jan Hugo Stenbeck

Asger Aamund

David Chance

Lars-Johan Jarnheimer

Stig Nordin

Pelle Törnberg

Hans-Holger Albrecht  
President and CEO

Our audit report was submitted on April 4, 2001.

Hans Karlsson  
Authorized Public Accountant

Lars Träff  
Authorized Public Accountant



# AUDIT REPORT

To the annual general meeting of shareholders in Modern Times Group MTG AB  
(company registration number 556309-9158)

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of directors and the President of Modern Times Group MTG AB for the year 2000. These accounts and the administration of the company are the responsibility of the Board of directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the section Management's Discussion and Analysis, and that the members of the Board of directors and the President be discharged from liability for the financial year.

Stockholm, April 4, 2001

Hans Karlsson  
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**PHOTOS** Board of Directors and Executive Management, Åke Gunnarsson. Photo For our friends and competitors is a montage, Oscar Falk the Metro-photo, Mats Danielsson the Rome-photo. Other photographers: Aftonbladet Bild, Nikolaj Alsterdal, Micael Engström, Mårten Svemark, Börje Thuresson.



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