



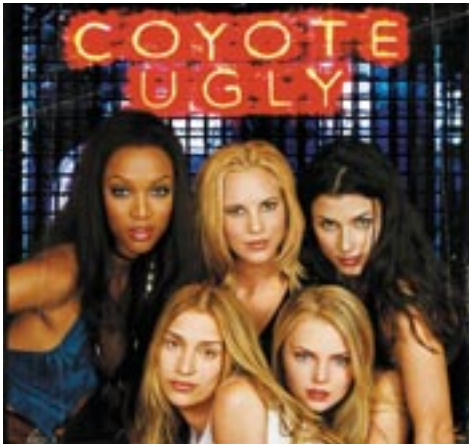
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MTG's business objective is to produce and distribute entertainment, in order to attract the audience that advertisers demand and to generate subscription revenues from consumers.

MTG's principal broadcasting markets are situated around the Baltic Sea. The Group's broadcasting operations were launched in Scandinavia and its successful brands have been cost effectively extended into the high growth Eastern European markets in the three Baltic states, Russia and Hungary. MTG has achieved worldwide market leadership in the provision of subtitling and dubbing services, has developed direct response TV to reach 100 million households with its home shopping channels, and its reality TV formats have been optioned to over 40 countries worldwide.

MTG's involvement in multiple media markets in multiple territories provides the Group with unrivalled potential for realizing synergies and achieving economies of scale in areas such as content acquisition, cross-promotion, distribution and sales. MTG owns and integrates the full media value chain, from content through distribution to sales and services, which enables the Group to maintain a highly efficient, flexible and innovative approach to all of its businesses.

The Group's goal is to create shareholder value by enhancing the value of the Company.



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Jan Hugo Stenbeck
1942–2002



ModernTimes Group MTG AB

Dear Shareholder,

Jan Hugo Stenbeck was Chairman of the Board of Directors of ModernTimes Group MTG AB for five years from 1997 to 2002. He was also Chairman of Industriförvaltnings AB Kinnevik, Invik & Co. AB, Tele2 AB, Millicom International Cellular S.A., Metro International S.A. and Transcom WorldWide S.A.

Jan passed away on 19 August 2002. He possessed a seldom-rivaled energy, panache, ambition and sense of fun. His dynamism, curiosity and restlessness, combined with a charm, determination and healthy fear, drove him to create one of Europe's most innovative and successful group of companies. He would not compromise on quality or efficiency and never ceased to surprise by breaking with convention. His insight – the ability to grasp the key elements of an issue and articulate his views clearly – was his greatest attribute. Loyalty was the quality that he valued most in others.

Born in Stockholm in 1942, Jan graduated in Law from Uppsala University in 1968 and with an MBA from Harvard Business School in 1970. He then joined US investment bank Morgan Stanley and rose to become a Vice President in the bank's Corporate Finance department. He became a member of the Board of Directors of Industriförvaltnings AB Kinnevik in 1971 and became Chairman in 1993, taking over at the helm of the group that his father, the prominent lawyer Hugo Stenbeck, and the Klingspor and von Horn families had built into one of Sweden's largest industrial investment companies. With uncanny foresight, Jan built a multinational information empire from this industrial foundation and transformed Kinnevik into a holding company for new telecommunications, media and service businesses whose brands are now household names not just in his native Sweden but a large number of markets around the world.

As one of the leading entrepreneurs and visionaries of his generation, he started hundreds of companies in his lifetime. They ranged from a college sweatshirt business established in 1963 with 10,000 customers and less than US\$1 million in annual sales to Europe's leading alternative telecommunications provider with over 16.8 million customers and US\$3.7 billion in annual sales. All the businesses share several common features – they all break monopolies in order to provide people with choice, grow sales aggressively, are highly competitive businesses with low cost structures, and they all aspire to be “best in class”.

From Kinnevik's roots in the traditional steel and forestry industries, Jan created a group of companies that embraced new technologies and encouraged a competitive environment in the Nordic region and then internationally. As a pioneer of mobile telephony in the early 1980s, Jan formed a joint venture with British defense company Racal to acquire the UK's second mobile phone license. Racal-Millicom evolved into the US\$122 billion global telecommunications giant, Vodafone. Jan also acquired one of the first mobile telephony licenses in the United States and this model was repeated around the world. Millicom and Tele2 today hold fixed line or mobile telephony licenses in 37 countries – from Estonia to Sierra Leone, Bolivia to Russia, and Portugal to Laos – and have more than 20 million subscribers around the world.

In similar fashion, Jan introduced the first commercial television channel, TV3, to Scandinavia in 1987 by broadcasting commercial television into Scandinavia from London via the Astra satellite in Luxembourg. The same approach enabled Sky Television to launch in the UK. TV3 is now the largest pan-Nordic television channel and the Viasat satellite TV platform broadcasts 36 channels to nine countries, which are watched in 45 million homes.

The most recent project to achieve global scale and reflect the Group ambition is Metro International, the free newspaper group. Again challenging local market monopolies and established media in cities from Boston to Barcelona, Stockholm to Santiago, and Holland to Hong Kong, Metro now reaches over 12 million readers and is the world's largest newspaper outside Japan. The company's advertising revenues have grown at a compound annual rate of 47% since the launch of the first edition in Stockholm in 1995.

All of these companies continue to shape and adapt successfully to new developments as third generation mobile telephony and digital multi-channel television become realities, and as exciting new markets in Eastern Europe and Asia offer significant new opportunities.

Kinnevik has generated a compound annual average rate of return since 1976 of 13%, with the result that one dollar invested in Kinnevik in 1976 would be worth over US\$25 today. The Stenbeck group of publicly listed companies had a combined market capitalization of US\$6 billion in February 2003 and employed more than 25,000 people in more than 50 countries around the world.

In typical style, the Stenbeck group of companies, combined established tradition with ground breaking originality by welcoming in the new millennium with a spectacular fireworks and multi-media display in Stockholm's Old Town on New Year's Eve. The scale and complexity of this event not only mesmerized the record breaking crowd of 700,000 people

and won its place in the Guinness Book of World Records, but also offered a unique showcase for Group brands such as Comviq, TV3 and Metro. The event perfectly illustrated Jan's unusual combination of creative flair and intricate planning.

On the day after he passed away and only a few months before his 60th birthday, one of Jan's greatest dreams was realized when the second Victory Challenge yacht was launched in Auckland, New Zealand. From the time that he had acquired the former committee boat of the New York Yacht Club, Jan had nurtured a dream to compete for one of the sporting world's oldest and most coveted trophies – The America's Cup. The Victory Challenge syndicate brought together leading match race sailors from the Nordic countries in the first challenge by a Nordic crew for twelve years.

The challenge exemplified Jan's approach, as he acquired one of the yachts used by Team New Zealand to win the Cup in 2000, then recruited and motivated world class boat designers, builders, and sailors, forged a team, and pushed each member to the limits of their potential, whilst maintaining a strict control on cost. This was an environment in which he thrived – high adrenaline competition, pitting the Nordic team against the world's best. Every detail counted as seconds decided between success and failure. Victory Challenge won eleven races, including two victories over the New York Yacht Club, reaching the quarterfinals of the Louis Vuitton Cup and becoming the most successful Nordic entry ever. The Challenge generated unparalleled media airtime for its Group sponsors, including live television coverage in Sweden, Norway, Denmark, Switzerland, France, Italy, the United Kingdom, the United States and Canada.

Despite, and perhaps because, of all the achievements above, Jan remained a very private and modest man. "Tell them that I am only a Bassett hound breeder" he would reply to the endless requests for interviews. As Jan always said, "if you can't choose, you shouldn't complain". He led a unique life and is greatly missed. His legacy is an opportunity to build on his success and your Board is firmly committed to fulfilling this responsibility. On behalf of the shareholders, customers, employees and business partners, the Board of Directors wishes to express its gratitude for the enormous contribution of Jan Hugo Stenbeck to the development of Modern Times Group and the other companies, which he founded and in which he engaged.

Stockholm, 3rd February 2003
Modern Times Group MTG AB
The Board of Directors

Five-year figures

SEK million	1998	1999	2000	2001	2002
Net sales	3,595	4,491	5,431	6,402	6,023
Income from corporate development	45	-3	8	-	-
Income from sales of securities	50	-	106	-	163
Expensed option premium for TV1000	-91	-68	-	-	-
Result in Metro Sweden's sales company	-	-	32	-	-
Viasat Digital project	-	-	-555	-15	-
Non-recurring costs	-	-	-	-	-126
Operating income/loss	-45	87	-227	360	267
Income/loss after financial items, excluding interest on convertible debentures	-40	63	-271	317	60
Net income/loss	-125	-50	-296	121	-67
Balance sheets					
Fixed assets	930	1,599	2,905	3,109	3,070
Current assets	2,048	2,525	3,135	3,832	3,114
Total assets	2,978	4,124	6,040	6,941	6,184
Shareholders' equity	774	918	1,790	1,948	1,885
Minority interests	27	23	7	5	16
Provisions	87	125	124	132	173
Long-term liabilities	771	687	1,321	1,518	1,565
Short-term liabilities	1,319	2,371	2,798	3,338	2,545
Total shareholders' equity and liabilities	2,978	4,124	6,040	6,941	6,184
Personnel					
Average number of employees	1,166	1,164	1,445	1,451	1,451
Key figures					
Return on total assets %	neg	neg	neg	2	neg
Return on equity %	neg	neg	neg	6	neg
Operating margin %	neg	2	neg	6	4
Profit margin %	neg	neg	neg	2	neg
Equity/assets ratio including convertible %	44	36	30	44	49
Equity/assets ratio excluding convertible %	31	27	30	28	30
Debt/equity ratio	1.10	1.31	0.78	0.95	0.93
Interest coverage ratio	-2.17	2.13	-2.32	3.67	1.25
Net sales per employee (SEK thousand)	3,083	3,858	3,758	4,412	4,151
Operating income per employee (SEK thousand)	neg	75	neg	248	184
Capital expenditure					
Investments in fixed assets	62	166	233	106	98
Investments in shares and convertible bonds	97	142	164	161	481
Per share data					
Number of shares outstanding at year-end, including convertible**	64,685,967	64,685,967	66,375,156	66,375,156	66,375,156
Number of shares outstanding at year-end, excluding convertible	59,697,732	59,697,732	66,375,156	66,375,156	66,375,156
Market price on the last day of the year	120.0*	422.0*	250.0	231.00	71
Basic earnings per share	-2.09	-0.84	-4.62	1.82	-1.00
Diluted earnings per share	-2.09	-0.84	-4.62	1.82	-1.00
Basic shareholders' equity per share	12.97	15.38	28.00	29.35	28.40
Diluted shareholders' equity per share	11.97	14.19	27.15	29.35	28.40
Cash dividend/proposed cash dividend	-	-	-	-	-

* Market prices before August 15, 2000, include the value of Metro International S.A.

** The Group has issued convertible debenture loans that may be converted into 2,790,994 new class B shares, and a share option program that may be converted into 2,052,840 new class B shares. These have not been included in the dilution as the conversion prices are higher than the market price as at December 31, 2002.

"Early to bed, early to rise, work like hell and advertise!" – Ted Turner, founder of CNN

This is the sixth annual report from MTG since the Group's shares were listed in 1997. High energy, innovation and hard work have characterized each of these years and this was even more the case during one of the most challenging years for media companies in living memory. We have featured the logos of our major advertisers on the front cover of this year's annual report in order to thank them for their support.

Advertisers have supported us since we first introduced commercial television to the Scandinavian region on New Year's Eve 1987, breaking the state broadcasting monopoly, and they continue to support TV3 now that it has become the largest television channel across Scandinavia and the Baltic states. The growth of TV3 and its sister channels and stations has enabled us to build MTG into the leading broadcaster in Northern Europe.

We are a sales company with a mission to entertain people – MTG channels reached 45 million people each day in 2002. Nearly half of our revenues in 2002 were derived from advertising on popular TV channels such as TV3 and ZTV, and radio stations such as RIX FM, Power Hit Radio and Lugna Favoriter.

As for most other companies, 2002 was a roller-coaster experience, but the contrast between the prevailing conditions in our core Scandinavian markets and in the exciting new territories of Estonia, Latvia, Lithuania, Hungary and Russia was extreme during 2002. Viasat nearly doubled its revenues in Eastern Europe during 2002. TV3's revenues in the Baltics increased by nearly 40% and both our TV and radio operations are now profitable, whilst the Russian TV advertising market grew by 76% to US\$900 million. Russia represents a huge potential for MTG with 51 million television households. Our position in this market has been strengthened by the acquisition of a 37% stake in StoryFirst Communications, Inc., the owner of Russia's third largest TV network, as well as the renewal of the national broadcasting license for the DTV channel. StoryFirst Communications, Inc.'s sales doubled in 2002 and it reported US\$14 million in earnings before interest, tax, depreciation and amortization.

We have a clear strategy, to build MTG into a European broadcaster with attractive free-to-air and pay-TV, radio and content assets. We have a strong position in Scandinavia and have already demonstrated our ability to expand our broadcasting businesses cost effectively into exciting high growth markets in Eastern Europe.

Every crisis brings with it opportunities. The global economic recession and the depressed advertising markets have dramatically demonstrated the difference between the size of a media company and its actual operational performance. Former so-called giants of the industry like the Kirch Group, Vivendi and UPC experienced severe difficulties. MTG is one of only very few media groups to have delivered profits, with a clean balance sheet and operations that are well-positioned in growth market segments.

It is in this adverse market environment that we are seeing the benefits of our well-defined business model to develop multiple revenue streams in multiple territories. MTG and Sky Television are unique in this respect in the European market. Pay-TV generates increasing revenue streams and is one of the key drivers for the future. Free-TV advertising revenues will grow again and we are well positioned as the number one pan-Scandinavian and pan-Baltic broadcaster. Thematic channels will also grow during the next few years as the digital multi-channel environment becomes a reality; and we already operate several of our own specialist channels. Last, but not least, we have a lean and mean operating structure, employing only 650 people to broadcast more than 20 own-produced channels to nine countries.

2002 was also a year in which we faced a number of challenges and dealt with them, either through restructuring, reorganization or closure. We have a consistent approach in this respect – if a business is not performing, we either fix it, sell it or close it. We therefore implemented management changes, increased efficiency and closed down non-core loss making operations.

TV-Shop was successfully turned around from an operating loss of SEK 33 million in 2001 to an operating profit of SEK 12 million in 2002,



MTG's entertainment channels reach more than 45 million people every day.

despite a decrease in sales and the launch of the digital home shopping channel to reach 13 million households in Germany, Austria and Switzerland. Premium pay-TV channel TV1000 reported its first annual profit and contributed to a more than doubling of pay-TV operating income during the year, despite the fact that piracy impacted on the Viasat pay-TV platform during the year and reduced subscription revenues. We are changing our conditional access technology and expect to benefit from significantly reduced churn levels as the new system is implemented.

We have now completely restructured our publishing division, with the closure of our two monthly magazines and the daily business newspaper, Finans Vision, which accounted for more than SEK 100 million in losses in 2002. We work to strict benchmarks and, if milestones are not reached and expectations not met, then we take action. It is disappointing to have to close down any operation and we found positions for as many of the employees as possible with other MTG companies. The failure was not that of our employees but of the wrong products at the wrong time in exceptionally weak markets.

In addition, we have now put in place a new management structure for our core broadcasting operations, which have been reorganized into geographical regions. The free and pay-TV broadcasting businesses in Sweden, Norway, Denmark and Eastern Europe have been merged with MTG's radio businesses

and now report to Country Managing Directors. This structure focuses management on exploiting the synergies, economies of scale and cross-promotional opportunities amongst the broadcasting assets. MTG has a unique position, with ownership of the full broadcasting value chain in each territory, and we have brought in a number of executives with wide ranging industry backgrounds in order to capitalize fully on this advantage.

The result was a year in which the Group generated more operating free cash flow than ever before in its history – SEK 345 million – and maintained operating profitability despite the adverse conditions. This combination of free cash flow generation and the clean new operating structure, combined with a transparent balance sheet, places MTG in a strong position in 2003.

It was also a year of heartfelt grief. It was with immense sorrow that we learned that Jan Stenbeck, not only Chairman of the Board of MTG, but also the Group's founder, had passed away in August. Early the next day, the Victory Challenge team launched Orm, the second of its two America's Cup boats. Jan initiated this project, in which MTG was involved as both a sponsor and broadcaster. When she left the base, the flags at all of the rival teams' bases in Auckland's Viaduct Harbour were flying at half-mast as a mark of respect.

Jan's spirit, which has been so well defined in the Victory Challenge project, will never

die – "stretch for more than you thought was possible, work harder and faster than your competitors, and celebrate your victories". Victory Challenge became the most successful Scandinavian America's Cup challenge ever, and TV3 delivered more than 100 hours of top quality sports entertainment as the best yachtsmen from Sweden, Denmark, Norway and Finland fought for one of the sporting world's oldest and most prestigious trophies.

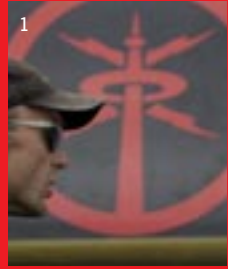
Jan was my mentor, my teacher and my hero. The management team and I will do everything possible to carry forward his ideas and vision, working according to the principles that he taught us. As TV3's strap line for this year's TV3 coverage of the Ice Hockey World Championships goes, "This time, it's personal"!

I would like to thank our shareholders for their support, our employees for their hard work and dedication and, in particular, our customers for their loyalty.

My task and that of everyone at MTG remains clear – sales, showmanship and cost control.



Hans-Holger Albrecht
President and CEO



- 1 Victory Challenge helmsman and double Olympic gold medalist, Jesper Bank (Dan Ljungsvik)
- 2 Victory Challenge's Örn and Örm set sail on the Hauraki Gulf (Chris Lewis/Victory Challenge)
- 3 The crew of Örn celebrate success in the quarterfinals of the Louis Vuitton Cup (Victory Challenge)



Board of Directors

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 and currently serves as Chief Executive Officer of A:J:Aamund A/S. Member of the Board of MTG since 2000.

David Chance (born 1957), BA Economics, BSc Psychology, and MBA, previously served as Vice President of the English media enterprise, BSkyB. As head of overall strategy and business activities, David 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 for seven years in the US television industry. Today he is active in several media related companies. Member of the Board of MTG since 1998, he is also on the Boards of InterTrust Inc and Granada Media Group.

Stig Nordin (born 1943), MSc Engineering, has more than two decades' experience in the forestry products industry. He joined Industriförvaltnings AB Kinnevik in 1989 and has built enterprises such as TV3 in London. In 1991, Stig was appointed Vice President of Kinnevik. From 1992 to 1999 he served as President and is now a member of the Board of Industriförvaltnings AB Kinnevik. He was President of Invik & Co. AB until the second quarter of 2001 and previously served as President of Korsnäs from 1993 to 1998. Member of the Board of MTG since 1997.

Pelle Törnberg (born 1956) is Chairman of the Board of MTG. He started Strix, Kinnevik's first TV production company, in 1987. He subsequently established and launched several of the media operations that currently make up MTG. In 1993, Pelle was put in charge of all Kinnevik's media companies, which now make up MTG. When shares in Metro International were 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, he is also on the Boards of Invik & Co. AB, Tele2 AB, Millicom International Cellular S.A., Media Corporation Singapore and P4 Radio Hele Norge ASA.

Lars-Johan Jarnheimer (born 1960), MSc Business and Economics, has held various positions with IKEA, Hennes & Mauritz, SARA Hotels and Saab Opel Sverige AB, and was President of ZTV for a short time before joining Comviq as Vice President. Lars-Johan was President of Comviq from 1993 to 1997. On January 1, 1999, he was appointed Vice President of Industriförvaltnings AB Kinnevik and President of Investment AB Kinnevik. Since 1999, Lars-Johan has been President of Tele2 AB (formerly NetCom AB). Member of the Board of MTG since 1997, he is also on the Boards of Invik & Co. AB, Millicom International Cellular S.A., Svenska UMTS-Nät AB and Arvid Nordquist AB.

Hans-Holger Albrecht (born 1963), is President and CEO of MTG. Hans-Holger has been active in MTG since 1997, as Head of the Pay-TV operations and, following the merger of the Pay and Free-TV operations as President of the entire business area. He became Chief Operating Officer of MTG in May 2000 and President and CEO in August 2000. He previously worked for Daimler-Benz and with the CLT media group, in Luxembourg, where he was responsible for all television activities and development in Germany and Eastern Europe. Hans-Holger was also responsible for SuperRTL and CLT's Digital-TV project.



From left: Asger Aamund, David Chance, Stig Nordin, Pelle Törnberg, Lars-Johan Jarnheimer and Hans-Holger Albrecht

Executive management

Hans-Holger Albrecht (born 1963), President and CEO.

Mia Brunell (born 1965), Chief Financial Officer. Mia 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.

Andrew Barron (born 1965), Chief Operating Officer. Andrew joined MTG in 2002 from UPC, where he was CEO of chello broadband, and previously served as Executive Vice President of New Media and Business Development for Walt Disney Europe.

Christina Bellander (born 1955), Executive Vice President of MTG and President of the Modern Studios business area. Christina became President of Moderna Tider in 1992 and was also in charge of Brombergs Bokförlag. She managed the millennium celebrations in Stockholm on behalf of MTG, Tele2, Invik & Co, and Industriförvaltnings AB Kinnevik. Christina became President of Modern Studios in early 2000.

Anders Nilsson (born 1967), Managing Director, Sweden. Anders worked for MTG Radio from 1992 before becoming President of MTG's radio operations in 1997. He was appointed President of the Publishing business area in the first quarter of 2000 and was COO of MTG for two years from the end of 2000.

Hein Espen Hattestad (born 1963), Managing Director, Norway. Hein Espen was appointed CEO of P4 Radio Hele Norge in 1999 and worked there until he joined MTG Norway as COO in 2001. Prior to 1999, he was Vice President of The Bates Group Norway, which is part of the Cordiant Group.

Jörgen Madsen (born 1966), Managing Director, Denmark. Jörgen has worked in the Group since 1994, as Head of Sponsorship for TV3, and Head of Viasat Sport in Denmark and then for the Scandinavian region. He was President of New Media for two years from the end of 2000.

Yggers Mortensen (born 1971), Managing Director, Eastern Europe. Yggers has held various positions in MTG's radio and Viasat operations since 1995, when he started as a management trainee. Prior to becoming Managing Director of Eastern Europe, he ran operations in the London broadcasting centre and worked with Broadcasting in Eastern Europe.

Eivind Schack, (born 1964), President of the TV-Shop business area. Eivind has worked in the Group since 1993, holding various positions including CEO of TV3 Norway and Scandinavian Manager for TV-Shop. He was appointed President of TV-Shop in the summer of 2001.







Niklas Steenberg (born 1964), President of the Radio business area. Niklas joined MTG in 2002, prior to which he founded a number of marketing, communication and business consulting firms. Niklas was previously President of Message Plus Media, a leading media agency that is part of the Interpublic Group, the world's second largest media services group.

Marvin Berchin (born 1962), President of the SDI Media business area. Marvin was previously a lawyer specializing in the media and entertainment industry. He was appointed President of SDI Media in the fall of 1999.

Anna Bråkenhielm (born 1966), Managing Director of Strix Television. Anna joined Strix Television in 1989 and was appointed Head of Development and Formats in 1994. She was appointed Managing Director of Strix Television in 1996.



From left: Hans-Holger Albrecht, Mia Brunell, Andrew Barron, Christina Bellander, Anders Nilsson, Hein Espen Hattestad, Jörgen Madsen, Yggers Mortensen, Eivind Schack, Niklas Steenberg, Marvin Berchin, Anna Bråkenhielm

	Description	Share of Group revenues %	Brands
 Broadcasting	<p>MTG is the largest commercial free-TV and pay-TV broadcaster in Scandinavia and the largest commercial free-TV operator in the Baltic region. The group also has free-TV operations in Russia and Hungary.</p> <p>New Media generates additional revenue streams by making existing content available through SMS, EPG, Teletext services and iDTV applications. Both MTG's TV operations and the New Media companies operate within the Viasat Broadcasting business area.</p>	69.6%	<p><i>Own-produced channels</i></p> <p><i>Free-to-air</i></p> <p>TV3 ZTV 3+ Viasat 3 Tango TV DTV</p> <p><i>Pay-TV</i></p> <p>TV1000 TV1000 Cinema TV6 Nature World TV6 Action World TV8 Viasat Sport Viasat Explorer Viasat Music Viasat Guide</p> <p>Everytext Everyday.com</p> <p><i>Pay-per-view</i></p> <p>Viasat Ticket</p> <p><i>Third party channels</i></p> <p>BBC World CNN MTV Nickelodeon VH-1 History Channel Bloomberg Television Reality TV Playboy TV Hallmark The Travel Channel DR1</p> <p>DR2 NRK1 NRK TO RTL The Disney Channel ORT NTV TV Chile SVT1 SVT2 24 Barnkanalen SVT Extra</p> <p><i>Equity participations</i></p> <p>TV4 (15.1%) CTC, (StoryFirst Communications, Inc. : 37%)</p>
 TV-Shop	<p>TV-Shop operates in three main areas: TV home shopping, internet retailing and fulfillment logistics.</p>	10.5%	<p>TV-Shop PIN24 CDON DVDON ECL NoName4Us</p>
 Modern Studios	<p>Modern Studios produces and distributes films, television and electronic games as well as producing and managing events.</p>	9.4%	<p>Strix Television Sonet Film Modern Entertainment Modern TV Modern Games Modern Sports & Events</p>
 Radio	<p>MTG Radio operates commercial radio stations in Sweden, Estonia, Latvia and Lithuania, and owns equity stakes in Norway and Finland's only national commercial radio networks.</p>	2.5%	<p>RIX FM Power Hit Radio Lugna Favoriter Star FM</p> <p>Metro FM XL Format P4 Radio Hele Norge (33%) Radio Nova (17%)</p>
 SDI Media	<p>SDI Media provides language versioning and localization services to the entertainment industry throughout North and South America, Europe, the Middle East, Far East and most of Asia.</p>	5.9%	<p>SDI Media Europe SDI Media Middle East SDI Media U.S. SDI Media Asia</p>
 Publishing	<p>Publishing comprises book and magazine publishing, event hosting and web services.</p>	2.1%	<p>Brombergs Bokförlag Redaktörerna Financialhearings</p>

2002

- Acquisition of 37% of StoryFirst Communications, Inc. and of Lugna Favoriter and WOW 105.5 Swedish radio stations
- New TV3 schedule recovers share of viewing in Scandinavia
- Doubling of Eastern European TV revenues
- Launch of PIN24 in Germany, Austria and Switzerland and of Tango TV in Lithuania
- Increase in number of digital DTH subscribers to 617,000 and more than doubling of pay-TV operating income
- TV1000 and Baltic operations both report first annual profits, and TV-Shop turned around
- SEK 423 million increase in operating free cash flow

HISTORY

1987

TV3 launched in Sweden on New Year's Eve as Scandinavia's first commercial TV channel.

1988

Number of TV3 viewers increases from 1.2 million at launch to 3.4 million at end of 1988. TV3 broadcast to Denmark and Norway. Strix launches independent TV production.

1989

Pay-TV channel TV1000 launched and TV-Shop sells products and services on TV3.

1990

TV3 achieves 45% penetration in Sweden and commands 90% of TV advertising market. Acquisition of majority shareholding in Svensk Text (SDI Media).

1991

TV3 reports annual profit. TV4 granted license as Sweden's third terrestrial TV station. Kinnevik acquires 30% shareholding in TV4. Launch of Viasat DTH satellite pay-TV platform.

1992

ZTV's first year as independent channel. Kinnevik's media companies report annual profit.

1993

P4 Radio Hele Norge receives national commercial radio broadcasting license in

Norway. First commercial radio licenses obtained in Sweden. TV3 commences Teletext broadcasting. Terrestrial TV channels launched in Estonia and Lithuania.

1994

TV4 becomes largest channel in Sweden. TV6 launched.

1995

MTG incorporated as Kinnevik subsidiary. Metro launched in Stockholm. Minority holding acquired in Finanstidningen daily business newspaper.

1996

Satellite TV distribution platform switched from Astra to NSAB. RIX FM radio network formed through mergers. ZTV and TV6 merged to form 3+ in Denmark.

1997

Shares in MTG distributed to Kinnevik shareholders and listed on Stockholm Börsinformation and Nasdaq National Market in New York. Second Metro edition published in Prague. Strix becomes first company in the world to produce the Survivor reality TV format.

1998

TV3 acquires TV channel in Latvia. Viasat's satellite TV subscribers exceed 1 million. Commercial radio operations launched in Estonia and Latvia. Metro launches editions in Gothenburg and Budapest.

1999

Metro launched in Malmö, Helsinki and the Netherlands. Monthly magazine Kapital launched in Sweden. Internet portal Everyday.com introduced. Swedish business channel TV8 acquired. MTG's shares quoted on Stockholmsbörsen O-list.

2000

Annual General Meeting approves distribution of Metro International S.A. share capital to MTG shareholders. Hans-Holger Albrecht appointed President and CEO of MTG. Viasat3 begins broadcasting in Hungary. PIN24 launches on Sky TV's platform in UK.

2001

Viasat becomes first European satellite TV broadcaster to switch off analog transmission of premium pay-TV channels following successful transition to digital TV. TV3 awarded national terrestrial broadcasting license in Latvia. Digital home-shopping channel PIN24 launched in Denmark. MTG acquires 75% of Russian national commercial TV channel. Options to Strix reality TV formats sold in over 30 countries to date. Viasat launches four new digital pay-TV channels in Nordic region. EUR 120 million convertible subordinated bonds issued to fund further expansion. Number of Viasat digital DTH subscribers increases to over 550,000 by year-end.



BROADCASTING



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Viasat Broadcasting

Viasat broadcasts 45 channels including 20 popular own-produced brands and 25 leading third party international entertainment channels, reaching 45 million people every day.

Viasat's free-to-air and pay-TV channels are distributed from London via Viasat's own satellite distribution platform direct to homes in Sweden, Norway, Denmark and Finland, as well as via third party terrestrial and cable networks in Scandinavia, the three Baltic countries (Estonia, Latvia and Lithuania), Hungary and Russia.

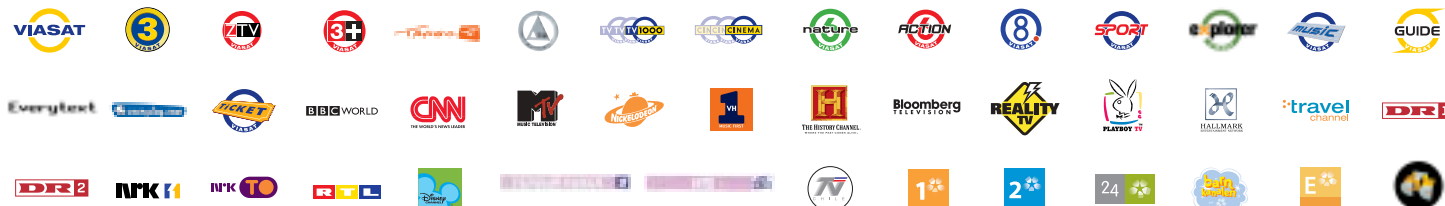
The Viasat play-out facility in London is Europe's most efficient broadcasting center, employing only 123 people to centrally manage program and channel acquisition, scheduling, on-air promotion and the play-out of both Viasat's own-produced channels and the third party channels included in Viasat's premium pay-TV packages.

The broadcasting division accounts for 70% of MTG's revenues. Viasat generates half of its revenues from the sale of advertising on its leading mass market and niche channels, and half from fees paid either by consumers for subscriptions to its pay-TV packages and interactive services or by third party broadcasters to air Viasat channels on their networks.

2



- 1 Disney's An Extremely Goofy Movie, © Disney
- 2 Advertisement for Viasat Digital pay-TV package
- 3 Cmdr. Harmon Rabb Jr and his colleagues continue their fight for military justice in J.A.G.
- 4 Hot issues and outspoken guests make Ricki Lake one of the world's most popular talk shows
- 5 Wictoria Nilsson performs in the final of Fame Factory on TV3 Sweden
- 6 Paolo Roberto lands a punch on Armand Krajnc
- 7 Fame Factory contestants from season 2 (2003)



TV3 and ZTV Sweden

TV3 was the first commercial television channel to be launched in Scandinavia and is now the largest commercial television channel in the region. TV3 is the second largest commercial channel in Sweden and had a 28% commercial share of viewing in the target audience of 15–44 year olds in the satellite universe during 2002. The channel reaches 2.6 million homes, representing a national penetration of 64%, via the Viasat satellite distribution system and third party cable networks. MTG also owns 15.1% of TV4, the country's largest commercial channel.

TV3's revenues are primarily derived from advertising sales. The advertising market in Sweden was exceptionally weak in 2002 and is reported to have declined by 6% year on year. Viasat was already reducing its cost base

back in 2001 in anticipation of the reduced media spend by advertisers. The reduction in programming spend was reflected in a lower commercial share of viewing during the first half of the year and a resulting year-on-year decline in advertising sales. The market began to stabilize in the middle of the year and so TV3 launched a new programming schedule for the fall, which successfully increased the channel's commercial share of viewing and featured a number of record ratings successes.

The new schedule focused on the important evening prime-time viewing period, which accounts for two-thirds of advertising spend. MTG's own-produced reality TV format Fame Factory went head to head in the listings with international hit format Popstars and comprehensively won the ratings war. In December, the final show of the series achieved a 48% commercial share of viewing. A second series is already being aired this spring, with even better results. Another MTG format, Insider, recorded all-time high ratings for an



Countries

Sweden
Norway
Denmark
Finland
Estonia
Latvia
Lithuania



Business outline

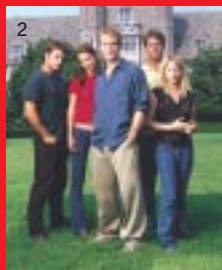
MTG is the largest commercial free-TV and pay-TV broadcaster in Scandinavia and the largest commercial free-TV operator in the Baltic region. The group also has free-TV operations in Russia and Hungary. New Media generates additional revenue streams by making existing content available through SMS, EPG, Teletext services and iDRV applications. Both MTG's TV operations and the New Media companies operate within the Viasat Broadcasting business area.



- 1 Barcelona soccer star Patrick Kluivert in action in the UEFA Champion's League
- 2 The ever popular Dawson's Creek format runs for a fifth series on TV3

- 3 Kim Cattrall and Sarah Jessica Parker strut their stuff in award-winning worldwide hit TV series Sex and the City
- 4 Young talents well on their way to stardom in TV3 Sweden's Fame Factory

- 5 ZTV's Malin Hallberg and Johan Wiman hosted coverage of the Swedish Hit Music Awards
- 6 Former Playboy model Anna Nicole Smith starred in her own reality series The Anna Nicole Show on TV3



own-produced documentary with a 53% commercial share of viewing in October. Acquired programming also performed strongly, with the top-rating movie of the fall attracting an all-time high record of 1.1 million viewers in December. This movie – Tomten är far till alla barn – was distributed by MTG company Sonet Film. The ever popular Efterlyst crime watch format, which has been aired for a record 25 consecutive series, reached a new record of 635,000 viewers in October, equal to a 40% commercial share of viewing, whilst the ER drama series achieved a new record of 580,000 viewers in November, equivalent to a commercial share of viewing of 54%.

ZTV is Viasat's specialist niche channel, featuring entertainment programming for youth audiences, targeted at the 15–34 year old demographic group. Despite also being affected by the advertising downturn, the channel continued to deliver consistently high ratings amongst its target audience, achieving an all-time high for the channel of 180,000 viewers with the movie Buried Secrets, equal to a 13% commercial share of viewing.

TV3 and ZTV generated a combined 30% commercial share of viewing in the 15–44 year old age group during 2002.

2003 will see further investment in programming in order to capitalize on the gradually improving market conditions. TV3 intends to maintain its strong grip on the female audience with a second series of Fame Factory and Hannah. Broader family entertainment programming includes the re-launch of Blåsnigen and the launch of Astronauterna, and the channel will target male viewers with Superstars 2003, the motoring program Prestanda and annual ratings giant the Ice Hockey World Championships. Viasat has now secured the regional broadcasting rights for the Ice Hockey World Championships until 2006.



- 7 Expedition Robinson runs for a fourth successful season on TV3 in Norway (pictured) and a fifth season on TV3 in Denmark
- 8 12 aspiring teenagers take a step closer to their dream of becoming professional football players in Proffdrømmen on TV3 Norway. Pictured: Per Kristian Fylling from the town of Moss



TV3 and ZTV Norway

TV3 is the third largest commercial channel in Norway and had a 22% commercial share of viewing amongst the target audience of 15–49 year olds in the TV3 universe during the fourth quarter of 2002. The channel is broadcast on Viasat's satellite DTH platform as well as through third party cable networks and reaches 62% of the 2.0 million television homes in Norway.

As in Sweden, the Norwegian advertising market was weak during 2002, creating a volatile environment with very low levels of visibility. Similar measures were taken to reduce costs, reflected in a lower commercial share of viewing during the first half of the year and a resulting year-on-year decline in advertising sales, as in Sweden. The introduction of the new schedule in the fall was also successful in Norway, with the new schedule delivering record ratings and improving the channel's share of viewing.

The highly successful Expedition Robinson reality TV format, produced in-house by MTG company Strix Television, ran for its fourth series and achieved a more than 44% average commercial share of viewing. The production won the Best Norwegian Reality TV Show award for 2002.

MTG has the exclusive rights to broadcast matches from the UEFA Champions League football championship in Scandinavia. These rights were extended for a further three seasons

from the end of 2003 for the Scandinavian region and now also include exclusive broadcasting rights in Hungary. A peak of 593,000 viewers tuned in during local Norwegian team Rosenborg's match with Inter Milan in October.

Moving into 2003, TV3 will be airing a new exciting reality TV format, Camp Molloy. TV3 will also run a new series of Expedition Robinson together with other newly acquired top-range movies and drama series. TV3's sports schedule for 2003 not only features the Champions League, but also exclusive rights to broadcast three key qualifying matches for the European National Football Championships.

ZTV Norway was launched in January 2002 in order to repeat the success of the niche channel in Sweden and capture the youth audiences so highly prized by advertisers. ZTV is the first-ever national contemporary music and entertainment channel to be launched in Norway.

10



9 Ørjan Berg and Norwegian team Rosenborg show the Italian superstars a trick or two in Champions League clash with Inter Milan

10 Sisters with special powers – Phoebe (Alyssa Milano), Piper (Holly Marie Combs) and Paige (Rose McGowan) are Charmed in popular TV series



- 1 ER has become a classic on TV3 and is still a ratings winner. Pictured (from left): Anthony Edwards and Alex Kingston
- 2 The Danish national team in action during the 2002 Handball World Cup
- 3 An intimate moment between contestants Nada Bang and Dan Marstrand is caught on camera during TV3 Denmark's Expedition Robinson – The Final Showdown
- 4 Lærke Bregenhøj and Janne Arusi share a lighter moment during the same program

TV3 and 3+ Denmark

TV3 is the second most watched commercial channel in Denmark and had a commercial share of viewing of 20% in the target audience of 15–50 year olds in the TV3 universe during the fourth quarter of 2002. The channel has a stable national penetration of just over 70%, reaching 1.7 million homes.

The Danish TV advertising market has been more stable than its Scandinavian counterparts, still falling by a reported 4% year on year in 2002. The introduction of the new fall schedule further strengthened TV3's position, as the channel increased its commercial share of viewing in the super prime-time slot

between 8.00pm and 11.00pm by 8% year on year in the fourth quarter.

The fall schedule featured hit shows including The One and Only and Lines and popular acquired series including Sex and the City, JAG and Charmed. The Expedition Robinson format proved the value of successful pan-Scandinavian own-productions with its fifth and most successful run on TV3, peaking at an average of 1.1 million viewers on the final show in December last year.

TV3 has not only extended its rights to the UEFA Champions League, but also to the Danish Football League until 2006. The TV3

schedule for 2003 has several strong own-productions, with planned spring and autumn runs of Expedition Robinson, the launch of Gladiator that has performed so strongly in Sweden, the comedy show Parlamentet as well as an exciting line-up of blockbuster movies and new series.

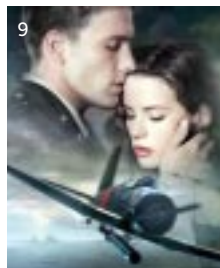
3+ is TV3's sister channel aimed at younger viewers, and features a popular mix of chart music shows, drama series, comedy and sport. Viasat has now also acquired exclusive broadcasting rights to the 2003 Formula 1 Motor Racing World Championship. Each of the 16 Grand Prix races will be broadcast live in Denmark on Viasat.

Everytext

Everytext produces teletext services for the Viasat channels in the Nordic region as well as for 14 channels in Spain including Telecinco, Spain's largest national commercial channel, and Telemadrid, the largest TV station in Spain's capital city. The teletext pages created for Telecinco and Telemadrid attract over 2 million daily users on a combined basis.

Everytext designs and implements the services as well as selling advertising on the pages. Sales increased by 17% in 2002 and the business reported an annual operating margin of 43%.





Viasat pay-TV

Viasat also sells pay-TV packages to subscribers in Sweden, Norway, Denmark and Finland. Viasat now sells several pay-TV packages in Scandinavia. The Basic package enables subscribers to access TV3 and ZTV or 3+, as well as ten digital radio channels (Viasat Music) and pay-per-view television (Viasat Ticket). The number of digital Basic package subscribers increased by 22% during the year to 166,000 following successful spring and fall marketing campaigns. Viasat's premium pay-TV package is the Gold package, which features all the channels above plus 11 additional Viasat

channels and 25 third party channels.

The Viasat pay-TV platform is unique in including so many own-produced channels, such as well recognized Viasat brands TV1000, Viasat Sport, Viasat Nature, Viasat Action, financial news channel TV8 and the newly launched Viasat Explorer. The platform also carries a range of leading international third party channels including CNN, Hallmark, MTV, BBC World, Nickelodeon, Bloomberg, The History Channel, Playboy, RTL, and VH-1. A number of these own-produced and third party thematic channels are only available on

the Viasat DTH network and carry exclusive content. Viasat further strengthened its channel package offering with the acquisition of the exclusive DTH broadcasting rights to the world's leading family entertainment channel – The Disney Channel – during the fall, and will now offer classic Disney movies such as Tarzan, Snow White, Mulan and Beauty and the Beast. A new ground breaking agreement was signed with the Swedish state broadcaster in March 2003 to make the five SVT channels available on the Viasat platform for the first time. This marked a critical point in the development of the multi-channel digital TV environment in Scandinavia.



Viasat's premium movie channel TV1000 recorded its first profitable year in 2002. The channel turned a SEK 68 million operating loss in 2001 into a SEK 107 million operating profit in 2002, as the number of subscribers increased to nearly 500,000 on both the Viasat and third party platforms. TV1000 offers premium movies and sports coverage and is multiplexed in the digital environment as TV1000 Cinema. Viasat has ongoing deals with major Hollywood and Scandinavian film studios and premiered blockbuster movies including Gone in 60 Seconds, Chocolat, Charlie's Angels, Unbreakable, Traffic, What Women Want and Pearl Harbor during the year. Building on this popularity, the channel has also hosted a number of major pay-per-view events during the year including the "fight of the century" between reigning World Heavyweight Champion Lennox Lewis and notorious challenger Mike Tyson.

- 5 Teletext entertainment news on Madrid's largest TV channel
- 6 Teletext sports news on Spain's Canal 7 TV channel
- 7 Denmark's Thomas Björn plays his part in Europe's thrilling 2002 Ryder Cup victory over the US team
- 8 Mel Gibson knows What Women Want

- 9 Ben Affleck and Kate Beckinsale were among the star-studded cast of the epic Pearl Harbor which premiered on TV1000
- 10 Ewan McGregor is not only a world famous actor – he also loves animals and adventure. Viewers followed McGregor on Viasat Nature as he travelled to one of

- the coldest places on the planet to film Polar Bears in their natural habitat
- 11 The biggest pay-TV event of the year – Champion Lennox Lewis successfully defends his world title belt against Mike Tyson



1-9 Examples of interactive advertising

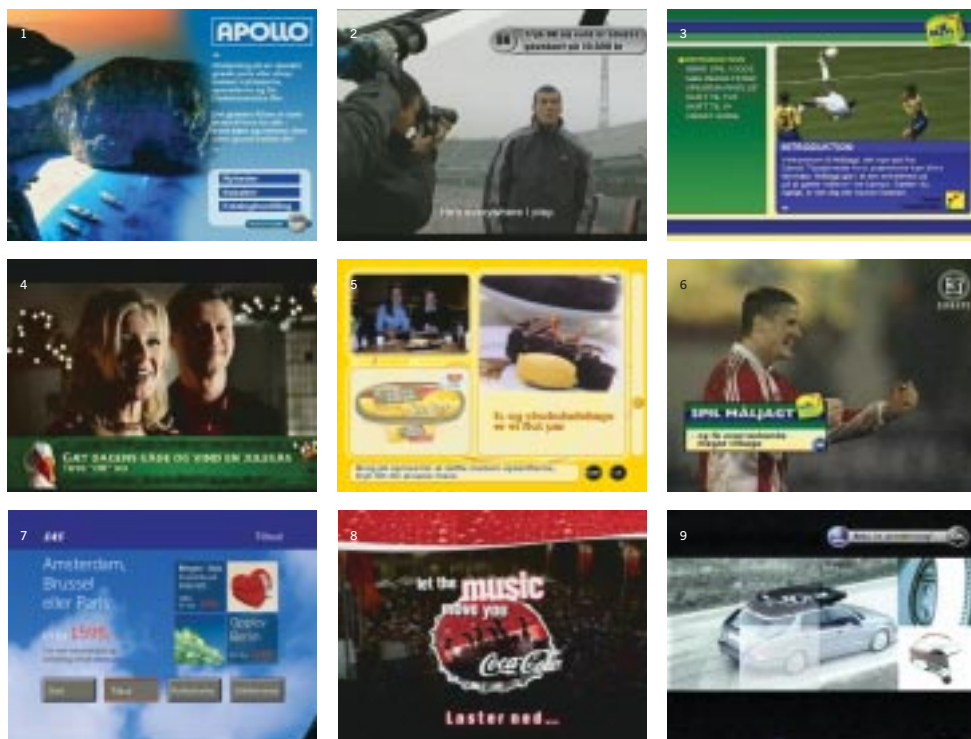
Viasat's premium subscriber base declined in 2002 from 500,000 to 451,000 subscribers as piracy impacted on the Scandinavian markets. The resulting higher churn levels were offset to some extent by successful subscriber acquisition marketing programs and the effective implementation of various counter-piracy measures. In contrast, the number of digital pay-TV subscribers increased to 617,000 from 550,000 at the end of 2001.

Viasat announced at the beginning of 2003 that it had selected and already commenced the technical implementation of a new conditional access system – NDS' VideoGuard. This is the same system that has been used by Sky Television in the UK to successfully keep its subscriber churn levels down to 10%, and provides Viasat with codes unique to the platform and the region.

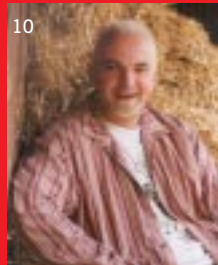
Despite the piracy issue and the resultant decline in pay-TV revenues year on year to SEK 2,166 (2,227) million, Viasat's pay-TV operating profits more than doubled during the year, reflecting both the turnaround of TV1000 and the strong incremental earnings model of the business, with all subscribers cash flow positive in year 1 and EBIT positive from day 1.

The advent of the new digital broadcasting platform also enabled Viasat to pioneer a number of new interactive digital TV applications – from the Viasat electronic program guide to pay-per-view services. Viasat's digital environment offered advertisers exciting new media opportunities during the year – making world history when Microsoft chose the new platform to launch its much anticipated Xbox game console in Denmark on a dedicated channel.

Leading global brands such as Adidas and Coca-Cola have already chosen the Viasat platform to launch interactive digital advertising campaigns. Research clearly shows that this new form of interactive advertising creates higher levels of recall and awareness in the minds of consumers, and the Viasat electronic program guide is used at least once a week by 80% of all Viasat digital TV viewers.



- 10 V3 Hungary host of hit reality TV show The Farm
- 11 The cast of sci-fi drama series Roswell
- 12 Sarah Michelle Gellar as Buffy and David Boreanaz as Angel in Buffy the Vampire Slayer
- 13 Flagship show Tangorama on newly launched Lithuanian channel Tango TV



Eastern Europe

The Baltics

TV3 is the most watched commercial television channel in the Baltic region, with a technical penetration of more than 95% in Estonia, Latvia and Lithuania. The channel has also reached its highest-ever pan-Baltic commercial share of viewing with 35% of viewers between 15 and 49 years of age watching TV3.

The advertising markets and economies are growing strongly and TV3's revenues in the Baltics increased by nearly 40% year on year in 2002 to SEK 226 million. The channels also reported the first combined operating profit in 2002 with earnings before interest and taxes of nearly SEK 40 million.

New programming schedules were introduced in each country, with the successful launch in all three markets of the Who Wants to be a Millionaire? format and another year of Expedition Robinson. Millionaire was the number-one rating show in Estonia whilst Expedition Robinson attracted a record 377,000 viewers in Latvia, and new own-produced local reality TV format Aquarium achieved a 56% peak share of viewing in Lithuania.

TV3 Latvia delivered its first annual operating profit and the Estonian operation was consolidated from the beginning of the year following the buying out of minority shareholders.

The growth in the markets is demonstrated clearly by the fact that TV's share of the overall advertising market in Estonia increased from 22% to 25% during the year, despite the fact that leading national state TV channel ETV stopped airing commercials from the beginning of July.

Viasat also launched its first niche channel in the Baltics in 2002. Tango TV targets young urban viewers in Lithuania's capital city Vilnius and has already generated a peak monthly commercial share of viewing of over 8% amongst 15–30 year old viewers.

Hungary

Viasat acquired the Alpha TV station in late 2000 for less than US\$1 million. The station was rebranded as V3 and is now the fastest growing station in Hungary following the success of MTG-produced reality TV format The Farm and a strong line-up of movies and drama series. The channel is the fourth most watched commercial TV channel in the country.

V3's penetration has also increased to over 40% as a result of the channel's inclusion in cable, satellite and additional terrestrial networks.





1



Russia

Russia is the fastest growing television advertising market in the world and is already one of the top ten largest advertising markets in Europe, attracting double the annual TV advertising spend in Sweden. It also has the

largest number of TV households of any country in Europe. Advertising spending increased by more than 50% during 2002 as marketers targeted increasingly wealthy consumers. This reflected the economic growth in Russia, which expanded by 4% during the year on the back

of the rising oil price, high levels of corporate productivity and profitability, and the world's best-performing listed equities market.

According to the Russian Association of Advertising Agencies, total advertising

2



3



- 1 Moscow's historic Kremlin palace
- 2 Asya Tkacheva and Alexander Valov, presenters of Hit Master, RusTop 20, WestTop 20, MusInfo and DiscoStar on ZTV
- 3 Schola Milizii

expenditure increased to US\$2.7 billion in 2002, with the greatest growth coming in television, which now accounts for 34% of annual advertising spend in Russia. Total television-advertising sales increased by 76% in 2002 to a total of US\$900 million. The Association estimates that the advertising market will grow by a further 50% in 2003 to US\$4 billion.

However, advertising spend still only represents 0.6% of gross domestic product, approximately half the average levels in developed industrial countries. Russia spends under US\$20 per capita on advertising, compared to US\$500 in the US.

Russia represents one of the most exciting TV markets in the world with technical TV penetration of 98% and television therefore reaching 50 million households. The structure of the market is also favourable with TV accounting for 34% of total annual advertising media spend, compared to an average of 32% in Europe and 39% in the US. The Russian TV market is also similar in structure to the US, with both national networks and local affiliates. The local TV market alone generates more than US\$100 million in annual advertising spend.

MTG has two interests in Russia – a majority ownership of DTV and a 37% interest in StoryFirst Communications, Inc. – and has now also launched the TV1000 premium pay-TV channel in the region.

MTG acquired 75% of Darial Television in April 2001 for approximately US\$6.5 million. At that time, Darial had a penetration of 12% of the 51 million Russian TV households (about 17.1 million people), with coverage of 120 cities in Russia.

Today, the station has been successfully turned around operationally and rebranded as DTV. The channel has increased its penetration to cover a potential audience of 42 million people in nearly 300 cities and now works with more than 250 broadcasting partners. The station's terrestrial TV broadcasting license was renewed by the Russian Press Ministry at the beginning of 2003 following a tender process.

MTG acquired a 36.3% stake in StoryFirst Communications, Inc. at the beginning of 2002 for US\$19 million and became the single largest shareholder in the Group. StoryFirst Communications, Inc. owns 75% of CTC, which is Russia's second largest commercial television channel, and also owns six local radio stations in Russia. CTC reaches 75 million people in Russia and had a 9% commercial share of viewing amongst the key 18–49 year old target audience in the fourth quarter of 2002. The channel is similar to TV3 in focusing on pure entertainment programming. StoryFirst reported a more than doubling of revenues to US\$60 million and earnings before interest, taxes, depreciation and amortization of US\$14 million in 2002. The business has enormous potential and MTG takes an active interest in the company's

development through its representation on the Board of Directors.

In March 2003, MTG launched premium pay-TV channel TV1000 in Russia, the Baltics and the CIS states of Moldova, Belarus and Georgia. At the time of launch, TV1000 already reached 100,000 homes in Russia and the CIS states, and 150,000 homes in the three Baltic states of Estonia, Latvia and Lithuania, and MTG intends to extend the penetration further to address an increasing proportion of the 45 million pay-TV homes in the region. The channel is being distributed via national and local cable networks.



- 4 Street Legal
- 5 Journalist Oleg Korotkov hosts Personal Time, an entertaining roundup of quirky and unusual news items from around the world
- 6 Street Legal
- 7 VIP

TV-SHOP



TV-Shop is one of Europe's largest television home shopping business, broadcasting into 100 million households in 52 countries. The Business area includes two direct response TV home shopping channels (TV-Shop and PIN24), Scandinavia's second largest internet CD and DVD retailers (CDON and DVDON), and one of Europe's largest logistics and fulfillment companies (ECL).



TV-Shop was turned around during the year, despite the weak sales environment, from a business losing just under SEK 40 million in 2001 to a business that was profitable in two quarters and lost just under SEK 5 million in 2002. All of the other operations in the business area are profitable and it therefore reported a turnaround from a loss of SEK 33 million in 2001 to a profit of SEK 12 million in 2002, despite an 11% reduction in revenues to SEK 671 million as a result of the weak trading environment during the year.

TV-Shop is Europe's largest direct response sales company and was the first company to launch direct sales on the internet in Sweden. The TV-Shop channel is currently broadcast in 52 countries in English and German language formats, and today reaches approximately 100 million households. The channel features advertisements and infomercials for a wide range of popular items – from music compilations to sunglasses and from personal fitness to household cleaning products. The same products are sold across multiple markets, thereby enabling the Company to realize significant sales synergies and economies of scale.



Countries

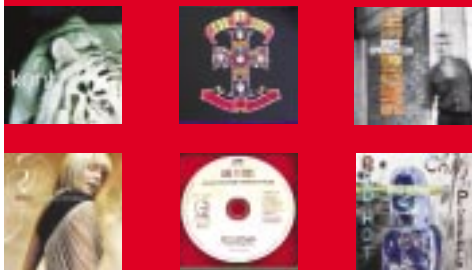
Austria
Belgium
Czech Republic
Denmark
Finland
France
Germany
Great Britain

Holland
Italy
Norway
Poland
Spain
Sweden
Switzerland

Business outline

TV-Shop operates in three main areas: TV home shopping, internet retailing and fulfillment logistics.





The turnaround in 2002 was achieved through a combination of renegotiating expensive airtime contracts, whereby TV-Shop paid third party broadcasters or channels for off-peak airtime on analog networks, and the restructuring of the company to reduce costs and focus on more profitable product lines.

This reorganization provides a stable platform from which to grow the business in 2003.

PIN24 is a 24-hour-a-day home shopping TV channel that currently reaches almost 24 million households in eight countries. The channel was launched in 2000 on the BSkyB

TV platform in the UK and has subsequently been launched on the Viasat digital DTH TV platform in Scandinavia. A German-language format of the PIN24 channel was launched in Germany, Austria and Switzerland via the Astra satellite during 2002, reaching 13 million households. PIN24 has been profitable since





its first year and proves the enhanced potential of DRTV in the digital environment where the channel is accessible 24 hours a day via electronic program guides.

MTG Internet Retailing is the Nordic region's second largest online compact and digital video disc retailer. The business sells CDs, DVDs and electronic games under the well-established CDON.com brand, and continued its rapid growth in 2002 with sales up by over 60% year on year to SEK 156 million. Sales of electronic games also more than doubled during the year.

DVDON.com was rolled out across all the Nordic countries during 2002 in order to fully exploit the exponential growth in the DVD sales market through the creation of a differentiated DVD brand and web address, which would be easier to recognize, remember and use. DVD sales growth is already outstripping the speed with which CDs were taken up. DVD sales through CDON.com and DVDON.com increased by over six times year on year in 2002 and total DVD sales in Sweden more than doubled in 2002. The site also capitalizes on the substantial and well-established market for the sales of VHS cassettes and DVDON.com is expected to continue to grow rapidly as it capitalizes on the cross-promotion opportunities within the business area and the wider Group, with mass market and specialist contemporary music and movie entertainment TV and radio channels like TV3, ZTV and RIX FM.

E-Commerce Logistics is one of Europe's leading logistics companies, handling the fulfillment of an order from the point of sale to delivery to destinations in 15 European countries for customers including TV-Shop, MTG Internet Retailing, and leading European telecommunications company Tele2 AB. The company expanded its geographical presence into Italy in 2002 and now covers all the countries in Western Europe as well as the Czech Republic. The company went through a consolidation phase in 2002 in line with the reorganization of TV-Shop in order to focus the business on profitability. As a result, despite a sales volume decrease of 30%, operating income remained at the same level as in 2001. The company reported net sales of SEK 171 (241) million for the year and operating income of SEK 13 (12) million.





MODERN STUDIOS



Modern Studios is the content production and distribution arm of MTG, enabling the Group to control and leverage the full broadcasting value chain by generating high quality entertainment programming for Viasat, as well as for other broadcasters. Modern Studios has continued to expand internationally despite the challenging market conditions and reduced spend by broadcasters on programming.

Strix Television is one of the world's leading reality TV production houses. The company produced a new record of 1,225 hours of television programming in 2002, featuring a number of the year's top-rating formats in each market. Strix also sold options and licenses to its 12 formats to leading broadcasters in over 28 territories around the world. Strix's hit formats have now been optioned to over 40 countries worldwide.

Expedition Robinson (based on the Survivor concept) was produced and co-produced for a total of nine countries in 2002 during a hectic 15-week period of filming on 12 islands in Malaysia. The show has generated increased share of viewing in all countries and Russia's largest TV channel ORT has now co-produced its second season of Survivor together with Strix Television. The Bar reality-TV format, which has already been broadcast in 12 countries, was aired in a further three European countries for the first time during 2002 and options were sold in a further 11 territories. The final episode of the series in Greece during the spring attracted a phenomenal average share of viewing of over 58%.



STRIX
TELEVISION AB

SONET
FILM

MODERN GAMES

MTG
MODERN SPORTS & EVENTS LTD

MTG
MODERN ENTERTAINMENT

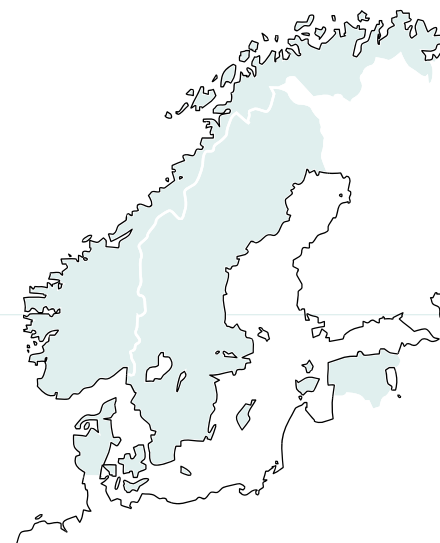
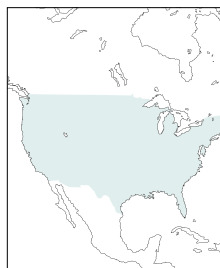
MTG
MODERN TELEVISION



- 1 Elisabet Carlsson, star of 2002's number-one grossing Swedish box office smash hit film Grabben I Graven Bredvid
- 2 Team North competes on Expedition Robinson
- 3 Hit reality-TV show Harem achieves ratings success on leading French channel M6
- 4 Bjørn André competes in Expedition Robinson 2002
- 5 Fame Factory winner Magnus Bäcklund formed pop group Fame with Jessica Andersson and together they are representing Sweden in this year's Eurovision song contest

Countries

Sweden
Denmark
Norway
Estonia
USA



Business outline

Modern Studios produces and distributes films, television and electronic games as well as producing and managing events.



- 1 The last episode of the Harem format in the Ukraine attracted 4.9 million viewers
- 2 TV3 Sweden's investigative programme Insider uncovers the truth behind your garage bill
- 3 Fun in the sun for French Harem contestants
- 4 Busy behind The Bar in the show's first season
- 5 Expedition Robinson

To date, new formats The Farm and Harem have both been aired in seven countries and set new viewing records during 2002. The final show of the second Swedish series of The Farm reached an astonishing 1.8 million viewers, equivalent to a 46% share of viewing. Leading French TV channel M6 ran the Harem format as Operation Seduction and more than doubled its average number of prime-time viewers.

Strix also produced Sweden's most popular "search for a star" TV series in 2002, Fame Factory. The final show of the series was watched by more than one in three Swedish TV viewers, of whom nearly half cast their votes to select the winner, breaking all phone-in voting records for an entertainment programme.

Strix has now embarked on its largest production to date with the filming in Australia's tropical Queensland of the brand new action-packed reality TV format Camp Molloy. The new show has been commissioned by TV4 in Sweden and TV3 in Norway and Strix is in negotiations with broadcasters in a number of other countries around the world.

Sonet is Sweden's largest and most successful movie distribution company and increased its share of cinema box-office sales from Swedish films to almost 60% in 2002. Sonet again distributed a number of the year's biggest grossing independent films. Box office successes included Grabben i graven bredvid – the number-one ranked Swedish film of the year with more than 800,000 ticket sales, Lilja 4-ever and Everyone Loves Alice – winner of the Best European Film award at the 2002 Hollywood Film Festival in October. Five Sonet-produced or -distributed movies were nominated for a combined total of 17 Swedish Film Academy awards in 2002.

Los Angeles-based Modern Entertainment owns the rights to a library of more than 500



movies, which it sells to both US domestic and international markets. Despite the reduced spend by TV stations on programming during the year, the company had a number of high profile successes including the serialized TV adaptation of Stephen King's bestseller *The Dead Zone*, which was the year's top-rating show on US network television with an average weekly audience of over 4 million viewers.

Modern Sports & Events manages and promotes 15 leading boxers from the Nordic region. The premier event of 2002 was *The Battle of the Baltic* in November when Swedish boxer Paolo Roberto won the WBC welterweight title, watched by a TV audience in 13 countries.

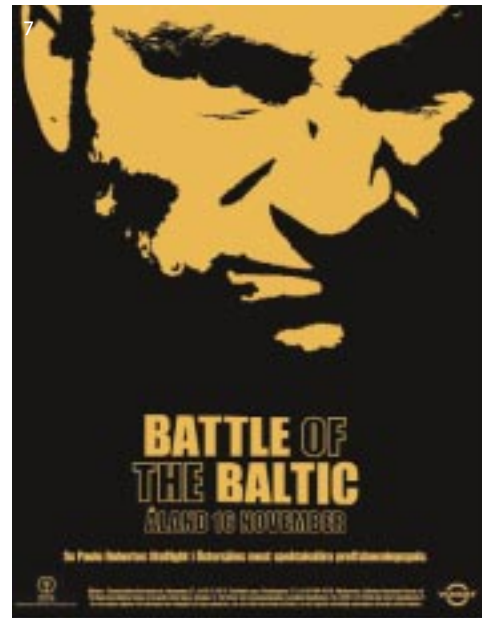
Modern TV produced a number of successful prime-time documentary series and commercial

advertisements during 2002 for Swedish TV broadcasters and film distributors, whilst event management company Nordic Artist again produced the massively popular Sports Personality of the Year Awards, as well as the inaugural Glocal Forum peace event held in Rome's Coliseum in May, which was broadcast to 12 countries.

6



7



8



9



- 6 Sonet movie *Everyone Loves Alice* wins Best European Film award at Hollywood Film Festival
- 7 Swedish boxer Paolo Roberto fought Argentinean Raul Eduardo Bejarano for the vacant WBC Welterweight title
- 8 In *Harem* the girls get to choose the lucky guys
- 9 *The Boys – Expedition Robinson*

RADIO

1



MTG is the largest radio operator in the Nordic and Baltic regions, with ownership of, or equity stakes in, the largest commercial broadcasting networks in Sweden, Norway, Finland, Latvia, Estonia and Lithuania. This position was strengthened in 2002 with the acquisition of new stations, the consolidation of existing investments, and the organic development of the network and listener base. As a result, sales for the division were up 27% year on year in 2002 to SEK 157 million, despite the weak advertising environment.



2



- 1 The hosts of Sweden's number-one morning radio show – RIX's MorronZoo
- 2 Rix FM thanks its listeners for their support during the Summer Festival in Kungsträdgården, which attracted 58,000 people

Countries

Sweden
Norway
Finland
Estonia
Latvia
Lithuania

Business outline

MTG Radio operates commercial radio stations in Sweden, Estonia, Latvia and Lithuania, and owns equity stakes in Norway's and Finland's only national commercial radio networks.



MTG operates 29 of the 87 commercial radio stations in Sweden, including the leading national network RIX FM. RIX operates through a network of 25 local stations throughout Sweden and reached a daily audience of 755,000 listeners by the end of the year, equivalent to a 27% commercial share of listening and almost equaling the daily reach of P3, the public service channel. RIX's number of daily listeners increased by 3.6% in 2002 and the daily morning drive-time show MorronZoo is now the most popular morning show on Swedish radio, attracting a daily audience of nearly half a million listeners. RIX's popularity is based on a strong format of hot adult contemporary music.

MTG also operates the local FM station, Power Hit Radio, in Stockholm, and acquired the successful Lugna Favoriter and WOW 105.5 stations in February 2002. Lugna Favoriter is the largest station in Stockholm and, following its successful launch in Gothenburg in March 2002, is now also the largest station in Sweden's second biggest city. Lugna's soft adult contemporary format attracts a total of 226,000 listeners in the two cities. Power Hit Radio is the second largest station in Stockholm, playing an urban mix of contemporary hit music that has enabled it to become the number one station amongst the target audience of 15–35 year olds.

RIX FM took over the WOW 105.5 frequency in Stockholm, which immediately boosted ratings.

Metro Radio in turn took over the former RIX frequency in Stockholm in April 2002, launching an all-Swedish format.

MTG Radio has a combined daily reach of 1.2 million listeners in Sweden and MTG Radio had a 28% radio advertising market share by the end of the year.

The Baltic operations reported a combined operating profit for the year. MTG's Baltic operations comprise the national STAR FM networks in Estonia and Latvia and the local Power Hit Radio station in Estonia's capital city of Tallinn. MTG bought out the remaining minority interests in the Estonian operations in January 2002, which were therefore consolidated for the full year. In early 2003, MTG announced it was to enter the Lithuanian market for the first time, building on the success of the Power Hit Radio brand in Stockholm and Tallinn, to launch the Power Hit Radio urban youth format in Lithuania's three biggest cities.

MTG owns 33% of Norway's only national commercial radio network, P4 Radio Hele Norge. Following the successful restructuring of the station's operations in 2002 under a new management team, the station delivered a strong fourth quarter as well as its highest ever listener figures. P4 now achieves a daily share of all radio listening in Norway of 27% and is the most listened to radio station amongst people under the age of 60.

Despite complying with all requirements of its broadcasting license, the Norwegian Government announced at the end of the year that it had decided not to renew the ten-year national radio broadcasting license of P4 Radio Hele Norge when it expires at the end of 2003, and that the license is to be awarded to a rival bidder. P4 believes this decision to be legally invalid and has therefore lodged an appeal with the Ombudsman and expects a decision imminently. P4 will challenge the judgment in the courts if necessary. Concurrently, P4 has also decided to submit an application for the new P5 national broadcasting license in Norway, provided that the terms of the license are acceptable.

MTG has a minority interest of 17% in Finland's only national commercial radio network, Radio Nova. The network of 22 local stations has a 13% share of listening with 1.9 million weekly listeners, and generated sales growth of 20% and an operating margin of 18% in 2002.

MTG XL Format, the outdoor advertising company that sells advertising on its large-scale bill boards, increased sales by 56% during the year and the operating margin increased to over 15%. A new product called XL Digital was launched at the end of the year, which for the first time enables advertisers to run moving images and film on giant screens in prime locations such as shopping malls.



- 1 RIX FM's official James Bond website – www.rixfm.com/007
- 2 RIX FM's "Memory" competition



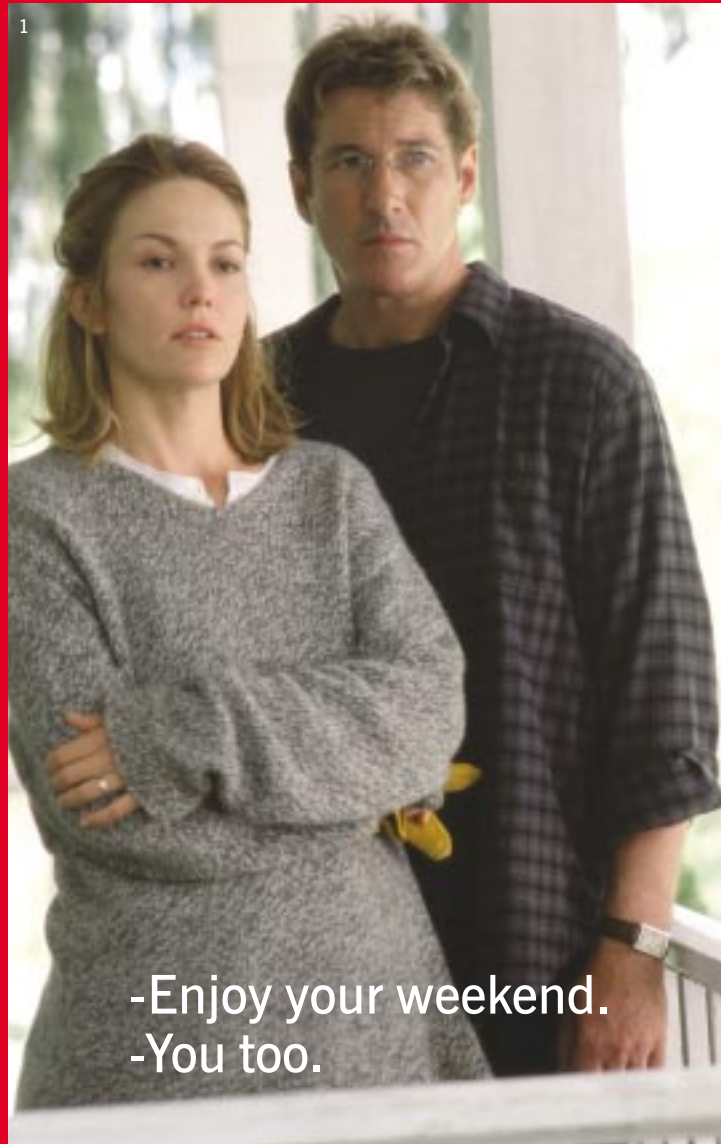


SDI MEDIA

The Group continued to strengthen its DVD market position during 2002, providing the subtitling for many new, high profile Hollywood DVD releases including the year's biggest grossing film, Spiderman, and the blockbusters Men In Black II and Minority Report (all three of which were subtitled into 32 languages with additional features). SDI also provided the DVD subtitling for hit TV series such as Sex and the City, Friends, The West Wing, The Sopranos, ER, Ally McBeal, The Simpsons and Band of Brothers.

Despite the overall retrenching media market, DVD subtitling volume continued to grow in 2002 due to the number, demand and complexity of Hollywood's releases along with the continued digitalization of back catalogs. Group DVD sales helped contribute to a 29% rise in operating profits for SDI. The overall operating margin was also positively impacted by the efficiencies gained from new technical developments and increased to 14% for the full year.

The Group further consolidated its position during the year as the leading provider of international broadcast subtitling services, supplying the world's best-known television channels including Discovery, Animal Planet, Sony AXN, National Geographic, The Disney Channel, Hallmark and The TNT/Cartoon Network. SDI worked closely with both National Geographic and the Star TV Network, supporting their recent launch in 23 Middle Eastern countries.



-Enjoy your weekend.
-You too.

SDI Media is one of the world's leading providers of language versioning and localization services to the entertainment industry. SDI provides these services throughout North and South America, Europe, the Middle East, Far East and most of Asia. SDI has agreements with the majority of major Hollywood studios and provides the subtitling for 60% of Hollywood's DVD movie releases worldwide. DVD subtitling now represents 44% of SDI's revenues.

- 1 Unfaithful. Courtesy of Twentieth Century Fox Film Corporation. All rights reserved.
- 2 Men In Black II. Courtesy of Sony Pictures Entertainment. All rights reserved.

SDI Media Group



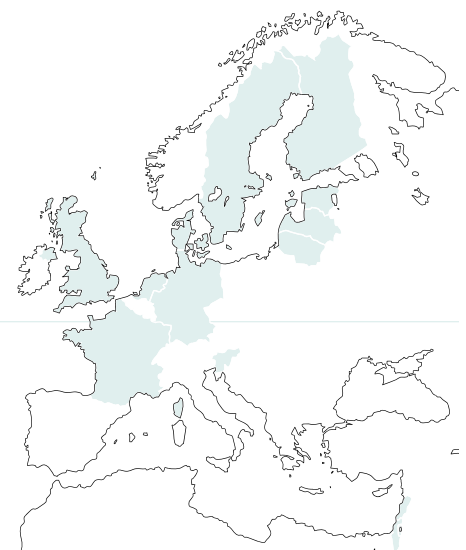
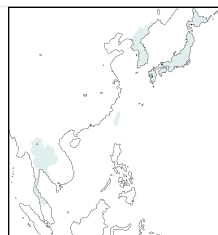
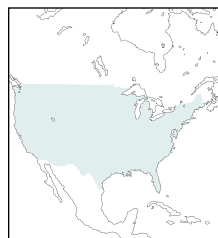
-Why didn't you tell me?
-Would you have let her go?

Countries

Denmark
Estonia
Finland
France
Germany
Holland
Hong Kong

Israel
Japan
Korea
Latvia
Lebanon
Lithuania
Singapore

Slovenia
United Kingdom
Sweden
Taiwan
Thailand
USA



Business outline

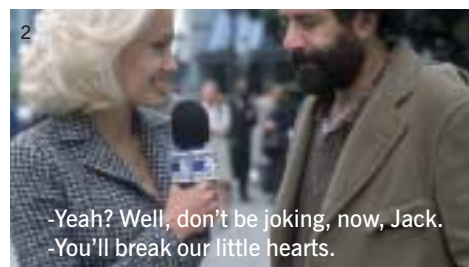
SDI Media provides language versioning and localization services to the entertainment industry throughout North and South America, Europe, the Middle East, Far East and most of Asia.

The opening of new offices in Slovenia and Germany as well as the expansion of operations in Korea's fast growing direct-to-home satellite TV market, extended SDI's reach and capability.

The Group launched its groundbreaking proprietary GTS DVD subtitling system during 2002. This innovation represented a major competitive advantage enabling multi-language DVD subtitles to be created, edited and rendered with unparalleled efficiency, high-definition quality graphics and at greater speeds. Utilizing the latest in digital audio and video technology, it works just as easily on a translator's laptop as on an advanced network system. This was just one of the Group's pioneering technical advancements during the year. SDI joined forces with Lucas Film's technical development teams to engineer the world premiere of multilingual digital cinema subtitles for *Star Wars II: Attack Of The Clones*. The French version of the six-language master was premiered in the presence of *Star Wars* creator George Lucas at the Cannes Film Festival in May 2002.

SDI also continued to provide more traditional sound localization (dubbing and voice-over) services, supporting a number of the year's major releases including the first installment of the massively popular *Harry Potter* series, providing the voiced localization assets for the Warner Bros. interactive DVD ROM release. The disc was dubbed into 23 languages.

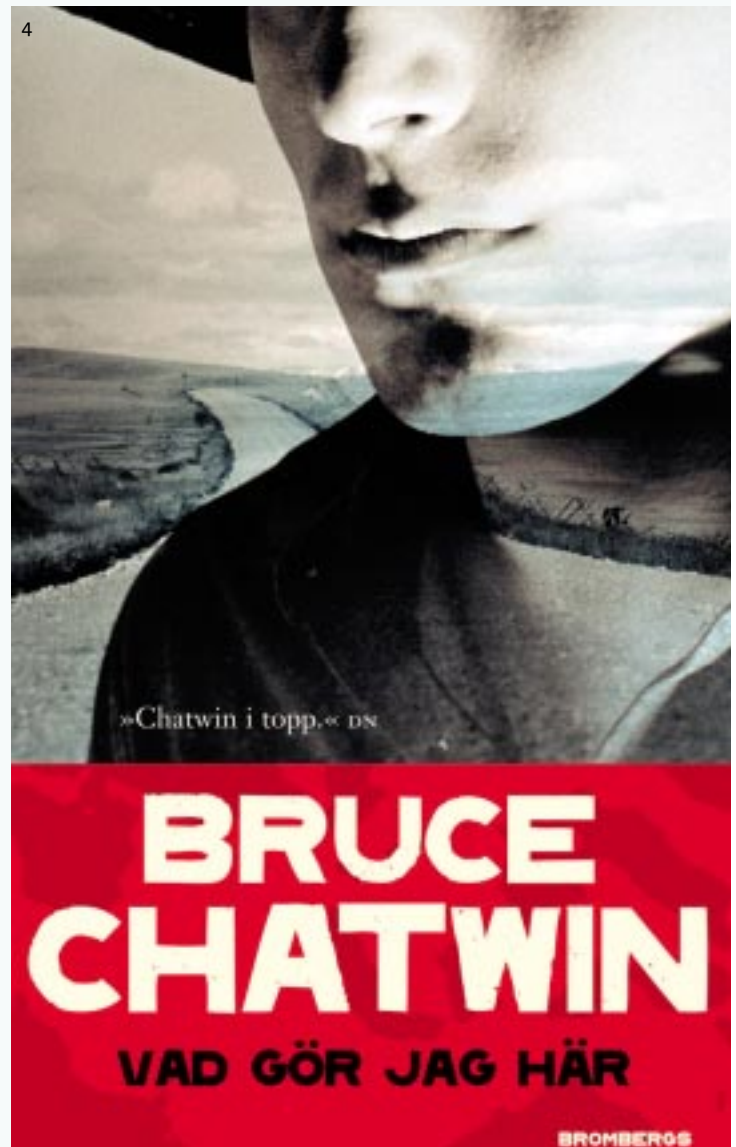
Finally, in commemoration of the tragic events of September 11, 2001, the company was retained to subtitle the Paramount-distributed 9/11 DVD documentary, released on the one year anniversary of the tragedy. The DVD was subtitled into five languages and included the unique film footage shot by two French film journalists who were inside the World Trade Center alongside NYC firefighters as the disaster unfolded.



- 1 One Hour Photo. Courtesy of Twentieth Century Fox Film Corporation. All rights reserved.
- 2 Life Or Something Like It. Courtesy of Twentieth Century Fox Film Corporation. All rights reserved.



PUBLISHING



3 Tio Rivjärn by Arto Paasilinna

4 What am I Doing Here by Bruce Chatwin

Business outline

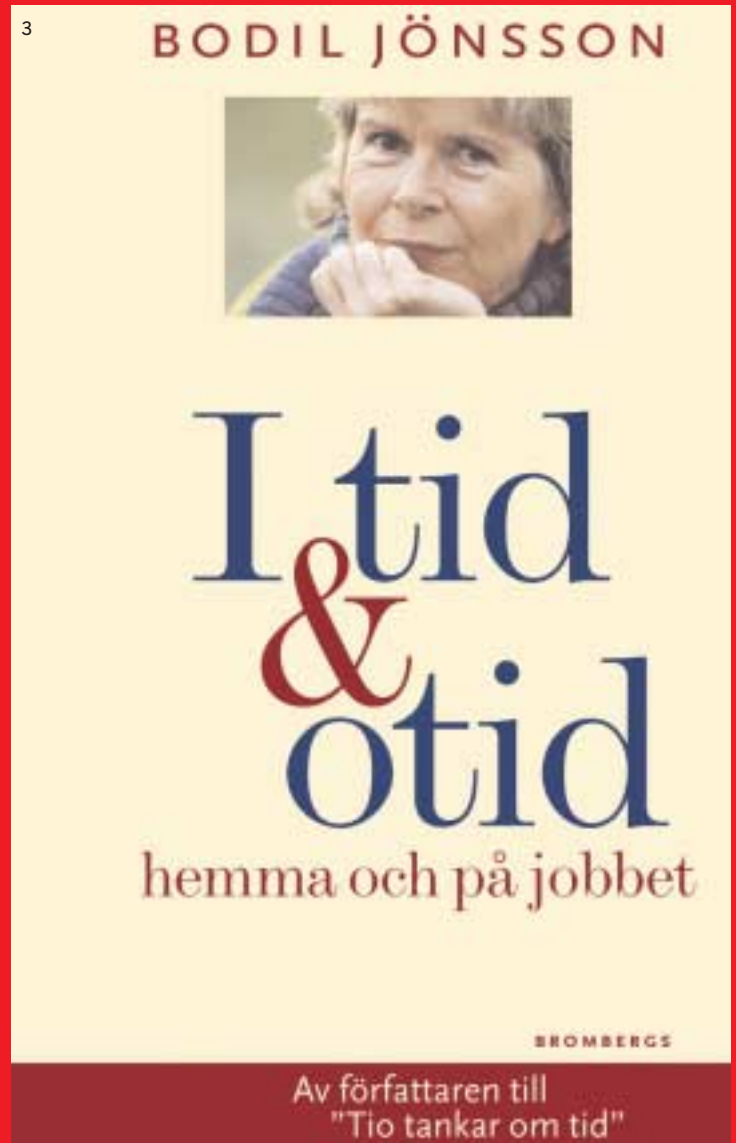
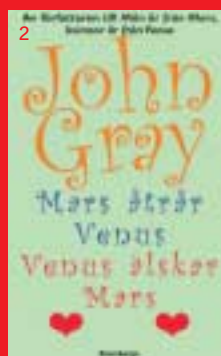
Publishing comprises book and magazine publishing, event hosting and web services.

Countries
Sweden





- 1 Ten Thoughts on Time by Bodil Jönsson
- 2 John Gray's follow up to the successful, Men are From Mars, Women are From Venus
- 3 Home Time/Work Time by Bodil Jönsson



The publishing business area has been completely restructured with the closure of monthly current affairs and business magazines Moderna Tider and Kapital in October 2002 and the closure of Swedish daily business newspaper Finans Vision at the beginning of 2003.

This reflected the exceptionally weak print advertising markets in Sweden, which declined by 7% during the year, as well as the underperformance of the businesses and the increasing focus of MTG on its core broadcasting assets. MTG has consistently made it clear that it works to strict benchmarks in both growth and challenging market conditions. It is disappointing to have to close down any operation and, wherever possible, MTG has offered new positions to the employees with other businesses in the Group, but MTG is also committed to closing down operations that do not reach growth and profitability milestones within the required timeframes and to developing scalable media products.

Finans Vision, its predecessor Finanstidningen, and the two magazines incurred operating losses of approximately SEK 110 million during 2002, and the closure of Finans Vision resulted in a non-recurring provision that included the writing off of goodwill.

Financial and business TV channel TV8, which had been moved into Publishing in order to generate synergies amongst the different financial news channels, has consequently now been returned to Viasat Broadcasting.

The three other businesses within the publishing division reported operating profits in 2002.

Brombergs Bokförlag is one of Sweden's most successful fiction and non-fiction book publishers, selecting and publishing a highly popular mix of both well-established and new authors, which are consistently amongst the most-read in Sweden. During 2002, Bromberg's published two bestselling books by leading author Bodil Jönsson – Ten Thoughts on Time, which has been Bromberg's top selling title over the last two years and was launched in paperback in 2002, and the follow-up Home Time/Work Time. The biography of Jussi Björling by Yrsa Stenius and Arto Paasilinnas' new novel also featured at the top of the bestseller lists during the year.

The book publishing business in Sweden benefited from a reduction in VAT payable on cover sales from 25% in 2001 to 6% in 2002. Brombergs sold 20% more books in 2002 and the company reported a full year operating margin of 18%.

Redaktörerna was set up in 2001 and provides commercial publishing, printing and distribution solutions for companies. The business has enormous potential as companies seek to control cost and improve quality by outsourcing the drafting, production and distribution of magazines, newsletters and marketing materials to specialist agencies.

Financialhearings organizes analyst and investor presentations, meetings and

teleconferences, for publicly listed companies in the Nordic region. The company manages the entire process for a company from logistical organization to event promotion through the placement of advertisements in leading financial newspapers including The Financial Times international editions, and from links to company websites enabling audio and video web casting to the arrangement of expert hosting by leading investment analysts.

Financialhearings expanded its services to cover the whole Nordic region during 2002 and organized a new record of more than 400 meetings in 2002 for leading international companies including Scania, Sandvik, Securitas, Autoliv and Atlas Copco. Financialhearings also co-produces the influential annual Swedish investment analyst ratings survey.

The Group reported net sales of SEK 6,023 (6,402) million for 2002. Depreciation and amortization charges for the full year totaled SEK 287 (236) million. The Group therefore reported earnings before interest and tax of SEK 267 (360) million for the full year, including non-recurring items of SEK 37 (–15) million.

The non-recurring items comprised a capital gain of SEK 163 million arising from the sale of 1 million TV4 shares in May 2002, a provision of SEK 126 million relating to the closure of Finans Vision and other smaller businesses, the writing off of goodwill and technology write downs in joint venture company Everyday.com, as well as SEK 30 million in costs for the sponsorship of the Victory Challenge syndicate's entry in the America's Cup.

MTG's share of the earnings of associated companies amounted to SEK –4 (25) million for 2002. MTG's 20.1% equity interest in TV4 resulted in the proportional consolidation of earnings up until May 13, when MTG sold 1 million shares and thereby reduced its equity interest to 15.1%.

MTG reported net interest and other financial items of SEK –238 (–110) million for the year, including net exchange rate gains and losses on the translation of financial receivables and liabilities in foreign currencies and including items relating to the EUR 120 million of subordinated convertible debentures. The interest paid and exchange rate gain on the translation of this liability into Swedish krona amounted to SEK –31 (–67) million in 2002.

Pre-tax profit fell to SEK 28 (250) million for the full year due in large part to unrealized net currency translation losses of SEK 134 million. These unrealized losses, which are included in the "Net interest and other financial items" line of the accounts, arose mainly from the impact of the weakening US dollar currency exchange rate on the translation of the US\$66 million in receivable loans from Metro International S.A. into Swedish krona.

Tax payments relate principally to operations in Norway and Denmark, Spain and the United States. MTG's deferred tax credits with no expiry total SEK 1.2 billion.

Basic and fully diluted earnings per share consequently totaled SEK –1.00 (1.82) for the full year.

Cash flow

The Group generated SEK 345 million of operating free cash flow for the full year, compared to SEK –78 million for 2001. The positive change in working capital was SEK 97 million, compared to negative SEK 420 million in 2001.

The Group's capital expenditure during the year totaled SEK 98 (106) million. MTG sold shares in TV4 as above for SEK 204 million and invested SEK 204 million in an issue of convertible loan notes issued by former subsidiary Metro International SA, the international publishing group, in May. MTG also invested SEK 277 (161) million in shares, including the acquisition of a 37% equity stake in StoryFirst Communications, Inc.

Equity/assets ratio

The Group's equity to assets ratio was 49% (44%) at 31 December 2002. The ratio is defined as the sum of consolidated equity and minority interests, including the subordinated convertible debentures, as a percentage of total assets.

The Group holds minority interests in TV4 AB and P4 Radio Hele Norge ASA, as well as shares in, and loans to, Metro International S.A. These holdings are treated as fixed assets and have a combined book value of SEK 640 (576) million. The aggregate market value of these securities amounted to SEK 812 (1,825) million at December 31, 2002, giving rise to a net surplus to book value of SEK 172 million. The TV4 shares account for a surplus to book value of SEK 253 million, whilst the book value of the Metro and P4 shares were at a discount to the market value at December 31, 2002 of SEK 72 million and SEK 9 million respectively. Adjusted for the net premium of these listed shares and for deferred tax, the equity to assets ratio was 50% (51%) at December 31, 2002.

Liquid funds

The Group had liquid funds, including available credit facilities, of SEK 576 (828) million at December 31, 2002.

Net debt

The Group's net debt amounted to SEK 811 (889) million at the close of the reporting period. Net debt is defined as interest-bearing liabilities, including the subordinated convertible debentures, less interest-bearing assets. Excluding the convertible debenture loan, net debt stood at SEK –292 million.

Parent company

The parent company reported net sales of SEK 105 (64) million for the full year, principally relating to charges to Group companies. Profit before tax totaled SEK 161 (168) million, of which net interest and other financial items accounted for SEK 300 (256) million. MTG's financial policy includes the provision of a central cash pool to support the operating companies. Parent company capital expenditure totaled SEK 8 million for the year.

The Company complies fully with the Swedish Annual Accounts Act and recommendations issued by the Swedish Financial Accounting Standards Council, including RR20. The consolidated accounts have been prepared on the basis of the same accounting principles as the 2001 annual report.

The Group had 1,451 full time employees at the end of the year, compared to 1,451 at the beginning of the year.

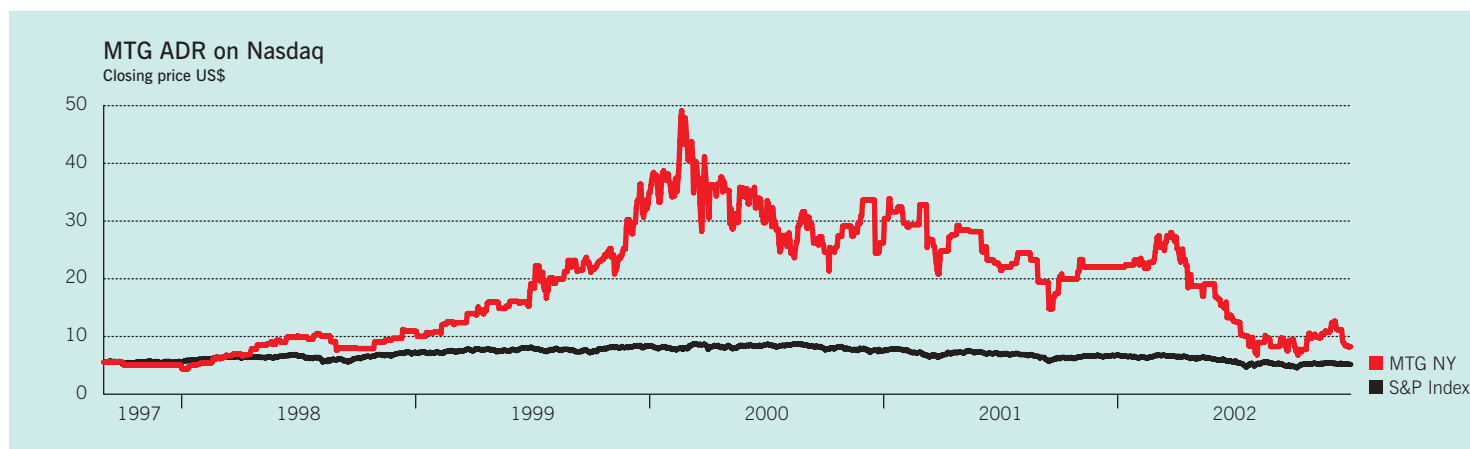
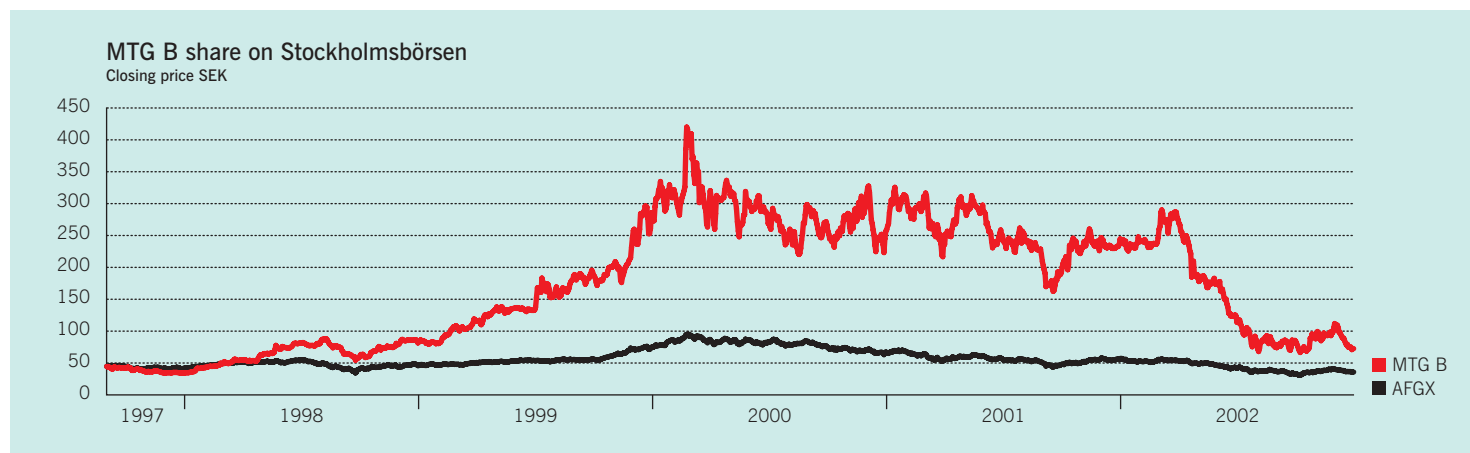
The MTG share

On New Year's Eve 1987, Industriförvaltnings AB Kinnevik launched TV3, the first commercial television channel in Scandinavia. This was the origin of today's international media group, Modern Times Group MTG AB. At Kinnevik's Annual General Meeting on May 23, 1997, it was decided that MTG would be demerged by means of the distribution of MTG's shares as a dividend to Kinnevik shareholders. MTG's shares were subsequently listed on the Stockholmsbörsen's "SBI" list and the Nasdaq National Market in New York on September 18, 1997. MTG shares have been quoted on the Stockholmsbörsen O-list since May 3, 1999.

The chart below shows the changes in share price and trading volume for the MTG B share since it was listed and began trading on September 18, 1997, on the Stockholm Börsinformation (SBI) list through April 1999 and on the Stockholmsbörsen O-list from May 3, 1999, and for the MTG ADR on the Nasdaq National Market. The A and B shares are traded under the symbols "MTGA" and "MTGB" on the Stockholmsbörsen. American depository receipts (ADRs) are traded under the symbol "MTGNY" on Nasdaq. The chart has been adjusted for the distribution of Metro International S.A. shares to MTG shareholders on August 15, 2000. MTG's market capitalization, based on its stock price on the Stockholmsbörsen on December 31, 2002 was SEK 4.7 billion. No dividend is proposed for 2002.

* If all the options offered to senior executives and key employees are exercised, the number of shares in the Company will increase by 2,052,840 B shares. If the EUR 120 million convertible loan is fully exercised, the number of B shares will increase by 2,790,994 shares in total.

	Total	A shares	B shares	Votes	Capital
Invik & Co. AB	6,181,249	6,181,249	–	30.0%	9.3%
Kinnevik AB	4,947,718	3,529,637	1,418,081	17.8%	7.5%
Emesco AB	3,328,845	3,328,845	–	16.1%	5.0%
Stenbeck, Jan Hugo (estate)	1,526,000	1,526,000	–	7.4%	2.3%
SEB	4,499,831	–	4,499,831	2.2%	6.8%
Handelsbanken	2,406,442	124,165	2,282,277	1.7%	3.6%
4th AP-Fund	3,285,000	–	3,285,000	1.6%	4.9%
Robur	2,772,340	–	2,772,340	1.3%	4.2%
Bankers Trust	2,284,860	–	2,284,860	1.1%	3.4%
Stenbecks Stiftelse, Hugo	199,530	199,530	–	1.0%	0.3%
2nd AP-Fund	1,963,509	–	1,963,509	1.0%	3.0%
State Street Bank and Trust Co	1,672,965	–	1,672,965	0.8%	2.5%
Länsförsäkringar AB	541,351	118,060	423,291	0.8%	0.8%
Nordea	1,130,343	41,675	1,088,668	0.7%	1.7%
Morgan Stanley & Co	1,371,729	–	1,371,729	0.7%	2.1%
Chase Manhattan Bank	1,296,156	–	1,296,156	0.6%	2.0%
3rd AP-Fund	1,272,928	–	1,272,928	0.6%	1.9%
Von Horn Family	347,194	90,000	257,194	0.6%	0.5%
Boston Safe Deposit and Trust Co	961,832	–	961,832	0.5%	1.4%
Skandia	886,383	–	886,383	0.4%	1.3%
Other	23,498,951	406,460	23,092,491	13.2%	35.4%
Total	66,375,156	15,545,621	50,829,535	100.0%	100.0%



A and B shares in Modern Times Group MTG AB (MTG) were distributed to shareholders in former parent company Industriförvaltnings AB Kinnevik on September 18, 1997. MTG A and B shares are listed on the Stockholmsbörsen O-list and in the form of American Depositary Receipts on the Nasdaq National Market in New York.

Significant events in 2002

The advertising markets in Scandinavia were exceptionally weak in 2002, reflecting the adverse economic conditions around the world. MTG's low operating cost base enabled its broadcasting businesses to maintain a strong position through the gradually deteriorating market in the second half of 2001, but the impact was seen in the year-on-year decline in advertising sales in 2002. The market began to stabilize in the second half of the year and MTG launched new programming schedules for the fall season, which successfully won back shares of viewing with record ratings performances. In contrast, MTG's operations and investments in Eastern Europe (Estonia, Latvia, Lithuania, Hungary and Russia) performed strongly throughout the year in growing markets.

The number of Viasat Digital pay-TV subscribers increased from 550,000 at the end of 2001 to 617,000 at the end of 2002, as the transition to the digital multi-channel environment continued. Higher churn rates amongst the premium pay-TV subscribers, as a result of increased piracy, resulted in lower sales for the pay-TV division, but were offset to some extent by strong spring and fall subscriber acquisition marketing campaigns as well as the implementation of a range of anti-piracy measures. The strength of the Viasat Digital TV business model continued to be proven as the average revenue per premium subscriber still increased by 9% year on year and operating income for the pay-TV operations doubled. Viasat also added the world's leading family entertainment channel – The Disney Channel – to its premium package of 30 own-produced and third party channels.

The year saw a number of successful turnarounds in the Group as TV1000 moved into profit for the first time, turning a SEK 68 million operating loss into a SEK 107 million operating profit. The successful reorganization of the TV-Shop home shopping business, and continued

growth in MTG internet retailing, enabled the TV-Shop business area to report an operating profit of SEK 11.5 million, compared to a loss of SEK 33.1 million in 2001. Operating losses at Everyday.com were reduced by 74% following a complete restructuring.

The DTV channel in Russia, which was acquired in April 2001, was successfully turned around during the year.

The Group acquired the remaining shares in its Estonian operations, comprising the TV3 channel and Star FM radio station, in January 2002. Niche channel Tango TV was launched in May 2002 in Lithuania to target the young urban audience in capital city Vilnius.

The publishing business area was restructured with the closure of the monthly current affairs magazine Moderna Tider and the monthly business magazine Kapital. The operations were closed down because they did not perform according to expectations and were not expected to reach profitability in the foreseeable future. The weekly newspaper Vision was acquired and merged with MTG's daily newspaper Finanstidningen in January 2002. The new business daily Finans Vision was launched in March.

MTG acquired two radio stations, Lugna Favoriter and WOW 105.5, from the RTL Group in January 2002.

In May 2002, MTG acquired 36.3% of StoryFirst Communications Inc. for US\$19 million, becoming the single largest shareholder in the corporation. StoryFirst Communications, Inc. owns CTC, the second largest commercial TV network in Russia that reaches 75 million people, as well as six Russian local radio stations.

MTG subscribed to an issue of convertible loan notes by former subsidiary Metro International in May 2002. The principal amount of the notes is US\$20 million and they have a five-year yield to maturity in 2007. The notes are convertible into Metro International S.A. B shares at a price of US\$2.01 per share and have an annual coupon of 6.25%. The notes were issued at 100% (par value), and the terms of the convertible notes were based on an independent fair market valuation. MTG's interest in Metro International would be 13.6% on the basis of the conversion of the Group's outstanding convertible loans to Metro.

MTG owns 33% of Norway's only national commercial radio network, P4 Radio Hele Norge. The Norwegian Government announced at the end of 2002 that it had decided not to renew the station's ten-year national radio broadcasting license when it expires at the end of 2003. P4 has stated that it has complied with all requirements of its broadcasting license, and MTG supports P4 in its belief that the Government's decision is legally invalid. P4 is appealing the decision and will challenge the judgment in the courts if necessary. Concurrently, P4 has also decided to submit an application for the new P5 national broadcasting license in Norway.

Consolidated earnings

Group net sales in 2002 totaled SEK 6,023 (6,402) million and the Group reported earnings before interest and tax of SEK 267 (360) million for the full year, including non-recurring items of SEK 37 (–15) million. The non-recurring items comprised a capital gain of SEK 163 million arising from the sale of 1 million TV4 shares in May 2002, a provision of SEK 126 million relating to the closure of Finans Vision and other smaller businesses and the writing off of goodwill as well as technology write downs in joint venture company Everyday.com, and SEK 30 million in costs for the sponsorship of the Victory Challenge syndicate's entry in the America's Cup.

Income from associated companies in which MTG holds minority equity interests amounted to SEK –4 (25) million. MTG's participations principally comprise TV4, P4 Radio, Radio Nova and Everyday.com.

Net interest and other financial items totaled SEK –238 (–110) million, and included unrealized currency exchange rate gains and losses on the translation of the EUR 120 million of subordinated convertible debentures and US\$66 million in receivables from former subsidiary Metro International into Swedish krona, as well as the interest payable on the convertible debentures. Profit before tax consequently amounted to SEK 28 (250) million.

Group structure

During the year, the Group's operating structure has comprised six business areas:

- Broadcasting
- TV-Shop
- Modern Studios
- Radio
- SDI Media
- Publishing.

The new media businesses, which were previously split out as a separate business area, were reported separately throughout the year for the purposes of transparent comparability. The Modern Interactive Business Area was renamed TV-Shop in 2002.

Financial position

The Group's equity to assets ratio was 49% (44%) at 31 December 2002. The ratio is defined as the sum of consolidated equity and minority interests, including the EUR 120 million of subordinated convertible debentures, as a percentage of total assets. Adjusted for the net surplus to book value of the Group's minority interests in TV4 AB, P4 Radio Hele Norge ASA and Metro International S.A., and for deferred tax, the equity to assets ratio was 50% (51%) at December 31, 2002.

The Group had liquid funds, including available credit facilities, of SEK 576 (828) million at December 31, 2002.

The Group's net debt amounted to SEK 811 (889) million at the close of the reporting period. Net debt is defined as interest-bearing liabilities, including the EUR 120 million subordinated convertible debentures, less interest-bearing assets. Excluding the convertible debenture loan, net debt stood at SEK -292 million.

Outlook

MTG remains focused on delivering increased profitability from both sales growth and enhanced efficiency levels. The Group also continues to review opportunities for the further expansion of its core broadcasting operations into high growth new markets.

Significant events after the year end

The following significant events have taken place since December 31, 2002 and up to March 2003.

MTG announced the reorganization of its broadcasting operations and their management structure into geographical

regions in January 2003. MTG's free and pay-TV broadcasting businesses in Sweden, Norway, Denmark and Eastern Europe have been merged with MTG's radio businesses. The merged entities now report to a Managing Director in each country, enabling MTG management to focus further on utilizing the synergies and exploiting the economies of scale amongst the broadcasting assets, in order to increase ratings and sales, as well as to reduce costs.

MTG announced the closure of daily business newspaper Finans Vision in January 2003 because the paper had not achieved the readership and advertising sales growth milestones that were set for the business when it was launched in March 2002. As a result, the TV8 business news channel was moved back into the Viasat Broadcasting area, and the remaining operations, which are all profitable, have been moved into the Modern Studios business area.

In order to combat the pay-TV piracy problems outlined above, Viasat Broadcasting announced in February that it had chosen NDS, subject to contract, to provide new conditional access encryption technology for its pay-TV platform in order to solve the piracy issue. Low price digital set-top box campaigns will also be launched during the year in order to further increase penetration.

The successful Power Hit Radio station, which is the second largest station in Stockholm and Tallinn (Estonia), was launched in Lithuania in March 2003 after MTG had been awarded a radio-broadcasting license during 2002. The new license provides the station with 43% national penetration and covers the three biggest cities of Vilnius, Kaunas and Klaipeda, which have a combined population of 1.6 million.

DTV's national broadcasting license was renewed in March 2003 following a tender process. DTV is broadcast to 298 cities across Russia, covering a potential audience of 42 million people in Europe's largest television market by number of viewers.

The TV1000 premium pay-TV channel was launched in Russia, the Baltics and the Western CIS states of Moldavia, Belorussia and Georgia in March 2003 and is being distributed via national and local cable networks. The channel already reached 100,000 homes in Russia and the Western

states, and 150,000 homes in the three Baltic states of Estonia, Latvia and Lithuania at the time of launch.

Parent company

The parent company runs no business operations itself. The parent company generated profit before tax of SEK 161 (168) million in 2002.

Other items

Details of the number of employees and remuneration paid during the year are presented in notes 21 and 22 to the accounts respectively.

Board procedures

The Board of Directors of MTG is constituted to provide effective support and control of the activities of the executive management of the Company. MTG's Board of Directors held six meetings during 2002 and background documentation and reports were distributed to directors one week in advance of each meeting. The Board has adopted procedures for the execution of its own tasks and for the provision of instructions and mandates to the Chief Executive Officer. These procedures include the requirement that all investments be approved by the Board.

Proposed appropriation of earnings

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

Retained earnings	1,495,760
Net profit for 2002	477,350
Total	1,973,110

The Group's non-restricted equity totaled SEK 51 (215) million at the end of the year, after deducting the proposed charges to restricted equity. The Board of Directors and Chief Executive Officer propose that the retained earnings be carried forward into the accounts for 2003 and that no dividend payment be paid to shareholders for the 12 months ending December 31, 2002.

Consolidated income statement

For the year ended December 31, 2002

	Note	2002 SEK million	2001 SEK million	2000 SEK million
Net sales	2	6,023.2	6,402.1	5,430.9
Cost of goods and services		-3,939.6	-4,103.7	-3,507.5
Gross income/loss		2,083.6	2,298.4	1,923.4
Selling expenses		-542.5	-584.1	-312.5
Administrative expenses		-1,167.0	-1,161.0	-1,228.3
Other operating revenues		14.6	21.0	18.2
Other operating expenses		-154.8	-224.4	-235.2
Income/loss from sales of securities	3	162.6	-	113.8
Result in Metro Sweden sales company January–May 2000	3	-	-	32.3
Non-recurring costs	3	-125.8	-15.0	-555.0
Share of earnings in associated companies	5	-3.9	25.0	16.3
Operating income/loss	2,4,21,22,23	266.8	359.9	-227.0
Interest revenue and other financial income	6	58.6	50.8	37.9
Interest expense and other financial costs	7	-265.6	-93.5	-81.5
Income/loss after financial revenue and expense excluding interest on convertible debentures		59.8	317.2	-270.6
Interest on convertible debentures		-59.5	-33.1	-2.5
Unrealized exchange difference on convertible debentures		28.1	-34.1	-
Income/loss before tax	2	28.4	250.0	-273.1
Current tax	8	-135.0	-156.9	-155.0
Change in deferred tax	8	42.8	25.0	131.3
Minority interests		-2.8	2.6	1.2
Net income for the year		-66.6	120.7	-295.6
Denominator for basic earnings per share		66,375,156	66,375,156	66,375,156
Denominator for diluted earnings per share		66,375,156	66,375,156	66,375,156
Basic earnings per share (SEK)		-1.00	1.82	-4.62
Diluted earnings per share (SEK)		-1.00	1.82	-4.62

Consolidated balance sheet

At December 31, 2002

	Note	2002 SEK million	2001 SEK million	2000 SEK million
ASSETS				
Fixed assets				
Intangible assets	9			
Capitalized development expenses		39.4	62.0	110.6
Beneficial rights		297.3	310.0	298.1
Goodwill		950.1	1,032.6	1,045.4
		1,286.8	1,404.6	1,454.1
Tangible assets	10			
Machinery and other technical plant		16.4	16.4	27.6
Equipment, tools and installations		197.0	237.0	224.3
		213.3	253.4	251.9
Long-term financial assets				
Shares in associated companies	11	302.7	307.7	268.6
Receivables from associated companies		64.7	180.9	130.6
Shares and participation in other companies	11	222.8	98.2	34.7
Deferred tax receivable	8	377.0	323.7	299.9
Metro convertible bonds		371.4	235.5	216.9
Long-term receivable from Metro		207.4	269.5	216.2
Other long-term receivables		23.7	35.1	32.6
		1,569.6	1,450.6	1,199.5
Total fixed assets		3,069.7	3,108.6	2,905.5
Current assets				
Inventories etc.				
Products in progress		8.2	9.6	13.7
Finished goods and merchandise		98.2	209.8	69.7
Program rights		179.8	216.6	176.0
Work in progress		3.6	5.3	13.0
Advances to suppliers		1,093.8	1,283.4	928.8
		1,383.7	1,724.7	1,201.2
Current receivables				
Accounts receivable	12	836.2	1,081.2	981.0
Other current receivables		188.6	209.1	359.5
Prepaid expense and accrued revenue	13	404.8	562.0	300.7
		1,429.6	1,852.3	1,641.2
Short-term investments	14	4.7	0.8	16.7
Cash and cash equivalents		295.9	254.6	275.4
		300.6	255.4	292.1
Total current assets		3,113.8	3,832.4	3,134.5
Total assets		6,183.6	6,941.0	6,040.0

Consolidated balance sheet

At December 31, 2002

	Note	2002 SEK million	2001 SEK million	2000 SEK million
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Restricted equity	15			
Share capital		331.9	331.9	331.9
Restricted reserves		1,502.4	1,400.9	1,392.6
		1,834.3	1,732.8	1,724.5
Non-restricted equity				
Non-restricted reserves		117.8	94.8	361.0
Net income/loss for the year		-66.6	120.7	-295.6
		51.1	215.5	65.4
Total shareholders' equity		1,885.4	1,948.3	1,789.9
Minority interests in equity		15.8	4.7	6.5
Provisions				
Provisions for pensions		0.5	0.4	1.8
Deferred tax liability	8	1.7	-	5.0
Other provisions	16	170.6	131.9	117.5
		172.8	132.3	124.3
Long-term liabilities	17, 18			
Interest-bearing				
Overdraft facilities		-	37.1	17.5
Other liabilities to financial institutions		425.0	315.0	1,250.8
Convertible debenture loan 2001/2006		1,103.1	1,130.3	-
Other liabilities		7.1	9.3	8.5
		1,535.2	1,491.7	1,276.8
Non-interest bearing		30.0	26.1	43.9
Total long-term liabilities		1,565.1	1,517.8	1,320.7
Current liabilities				
Interest-bearing				
Liabilities to financial institutions		225.0	350.0	125.0
Trade notes payable		-	0.2	-
Liabilities to associated companies		1.9	-	-
		226.9	350.2	125.0
Non-interest-bearing				
Advances from customers		57.1	92.9	67.5
Accounts payable		818.1	1,274.4	1,172.7
Liabilities to associated companies		-	13.5	1.1
Tax liability		93.0	126.8	116.6
Other liabilities		384.3	488.6	554.0
Accrued expense and prepaid revenue	19	965.0	991.5	761.7
		2,317.6	2,987.7	2,673.6
Total current liabilities		2,544.5	3,337.9	2,798.6
Total liabilities		4,298.2	4,992.7	4,250.1
Total shareholders' equity and liabilities		6,183.6	6,941.0	6,040.0
Pledged assets		None	None	None
Contingent liabilities	20	120.1	135.3	165.9

Consolidated statement of cash flow

For the year ended December 31, 2002

	Note	2002 SEK million	2001 SEK million	2000 SEK million
Cash flow from operations				
Net income for the year		-66.6	120.7	-295.6
Adjustments to reconcile net income/loss to net cash provided by operations	24	314.9	221.0	36.8
		248.3	341.7	-258.8
Changes in working capital				
Inventories		341.0	-523.5	-455.2
Accounts receivable		244.8	-100.2	-25.9
Other current receivables		-36.1	150.4	-144.8
Prepaid expense and accrued income		214.0	-261.3	-52.1
Advances from customers		-35.7	25.4	51.9
Accounts payable		-456.2	101.7	410.2
Liabilities to associated companies		-13.5	12.4	0.4
Tax liability		-33.8	10.2	48.5
Other short-term liabilities, non-interest-bearing		-101.0	-64.9	214.4
Accrued expense and prepaid revenue		-26.5	229.8	145.2
Net cash flow from operations		345.3	-78.3	-66.2
Investment activities				
Other investment in fixed assets		-98.0	-105.5	-232.8
Acquisitions of shares in subsidiaries and associated companies		-276.7	-160.8	-164.1
Other investments in shares and securities		-204.1	-	-
Proceeds from sales of shares in subsidiaries and associated companies		-	-	-
Dividends from associated companies		204.1	-	129.1
		34.5	48.6	34.0
Cash flow to investing activities		-340.2	-217.7	-233.8
Financing activities				
Change in receivables from associated companies		118.8	-50.3	-108.5
Metro International transaction		-	-19.4	-235.0
Change in other long-term receivables		-31.0	-2.5	-17.3
Change in interest-bearing liabilities		-51.7	349.3	550.9
Change in non-interest-bearing liabilities		3.9	-17.8	43.6
Cash flow from financing activities		40.0	259.3	233.7
Net increase in cash and cash equivalents		45.2	-36.7	-66.3
Cash and cash equivalents at beginning of year		255.4	292.1	341.7
Cash and cash equivalents at end of year		300.6	255.4	292.1

Parent company income statement

For the year ended December 31, 2002

	Note	2002 SEK million	2001 SEK million	2000 SEK million
Net sales		104.7	63.8	58.9
Gross income		104.7	63.8	58.9
Selling expenses		–	–	–
Administrative expenses		–243.7	–151.7	–147.0
Share of earnings in associated companies	5	–	–	–
Operating income	4, 20, 21, 22, 23	–139.0	–87.9	–88.1
Group dividends		244.6	–	–
Interest revenue and other financial income	6	360.5	383.6	358.2
Interest expense and other financial costs	7	–273.5	–60.2	–62.2
Income/loss after financial revenue and expense excluding interest on convertible debentures		192.6	235.5	207.9
Interest on convertible debentures		–59.5	–33.1	–2.5
Unrealized exchange difference on convertible debentures		28.1	–34.1	–
Income/loss before appropriations and tax		161.2	168.3	205.4
Taxes	8	316.1	–121.0	–254.6
Net income for the year		477.3	47.3	–49.2

Parent company balance sheet

For the year ended December 31, 2002

	Note	2002 SEK million	2001 SEK million	2000 SEK million
ASSETS				
Fixed assets				
Intangible assets	9			
Capitalized development expenses		15.2	13.0	16.3
		15.2	13.0	16.3
Tangible assets	10			
Equipment, tools and installations		0.2	0.4	0.7
		0.2	0.4	0.7
Long-term financial assets				
Shares and participations in Group companies	11	136.4	136.4	136.4
Receivable from Group companies		3,046.5	3,059.5	3,079.7
Shares and participations in associated companies	11	193.6	–	–
Receivable from associated companies		13.6	156.5	101.6
Shares and participations in other companies	11	98.1	98.0	14.1
Deferred tax receivable	8	286.2	–	–
Metro convertible		371.4	235.5	216.9
Long-term receivable from Metro		207.4	269.5	216.2
		4,353.1	3,955.4	3,764.9
Total fixed assets		4,368.4	3,968.8	3,781.9
Current assets				
Current receivables				
Accounts receivable	12	29.8	15.6	17.3
Receivable from Group companies		2,474.7	1,779.2	2,281.6
Other receivables		19.5	15.6	5.0
Prepaid expense and accrued revenue	13	47.5	74.3	3.3
		2,571.4	1,884.7	2,307.2
Short-term investments	14	4.0	–	–
Cash and cash equivalents		5.0	38.5	50.7
		9.0	38.5	50.7
Total current assets		2,580.4	1,923.2	2,357.9
Total assets		6,948.9	5,892.0	6,139.8

Parent company balance sheet

For the year ended December 31, 2002

	Note	2002 SEK million	2001 SEK million	2000 SEK million
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Restricted equity	15			
Share capital		331.9	331.9	331.9
Premium reserve		1,332.5	1,332.5	1,332.5
Legal reserve		7.7	7.7	7.7
		1,672.1	1,672.1	1,672.1
Non-restricted equity				
Retained earnings/losses		1,495.8	1,473.0	1,833.1
Net income for the year		477.3	47.3	-49.2
		1,973.1	1,520.3	1,783.9
Total shareholders' equity		3,645.2	3,192.4	3,456.0
Long-term liabilities				
Interest-bearing				
Overdraft facilities	17, 18	–	37.1	17.5
Other liabilities to financial institutions	17	425.0	315.0	1,250.0
Convertible debenture loan 2001/2006	17	1,103.1	1,130.3	–
Liabilities to Group companies		258.5	–	–
		1,786.6	1,482.4	1,267.5
Total long-term liabilities		1,786.6	1,482.4	1,267.5
Current liabilities				
Interest-bearing				
Other liabilities to financial institutions		225.0	350.0	125.0
Liabilities to Group companies		635.6	342.4	201.4
		860.6	692.4	326.4
Non-interest-bearing				
Accounts payable		6.1	20.3	8.0
Liabilities to Group companies		596.1	451.1	999.1
Other liabilities		2.2	6.4	67.5
Accrued expense and prepaid revenue	19	52.1	47.0	15.3
		656.5	524.8	1,089.9
Total current liabilities		1,517.1	1,217.2	1,416.3
Total shareholders' equity and liabilities		6,948.9	5,892.0	6,139.8
Pledged assets		None	None	None
Contingent liabilities	20	470.8	706.6	493.6

Parent company cash flow statement

For the year ended December 31, 2002

	2002 SEK million	2001 SEK million	2000 SEK million
Cash flow from operations			
Net income for the year	477.3	47.3	-49.2
Adjustments to reconcile net income/loss to net cash provided by operations			
Depreciation	6.3	4.4	4.3
Write-downs of fixed assets	–	1.7	8.1
Change in deferred tax	-286.2		
Unrealized exchange difference	164.3	-18.5	
	361.7	34.9	-36.8
Changes in working capital			
Accounts receivable	-14.2	1.7	-11.3
Receivable from Group companies	-695.4	502.4	-1,169.0
Other short-term receivables	-3.9	-10.6	10.8
Prepaid expense and accrued income	26.7	-71.0	-3.1
Accounts payable	-14.2	12.3	-27.7
Liabilities to Group companies	144.9	-548.0	868.2
Other liabilities	-4.2	-61.1	65.8
Accrued expense and prepaid revenue	5.1	31.7	6.1
Net cash flow from operations	-193.5	-107.7	-297.0
Investment activities			
Investment in fixed assets	-8.1	-2.5	-10.0
Acquisitions of shares in associated companies	-193.6	-83.9	-13.9
Investments in Metro convertible	-204.1	–	-216.9
Cash flow to investing activities	-405.8	-86.4	-240.8
Financing activities			
Receivable from Group companies	13.0	20.2	7.9
Receivable from associated companies	142.9	-54.9	-101.6
Convertible debenture loan	-27.2	1,096.3	6.7
Other interest-bearing liabilities	465.6	-549.4	838.9
Issue of new shares	–	0.0	900.0
Group/shareholders' contributions	-24.5	-310.9	-654.6
Issue of long-term receivable from Metro	–	-19.4	-216.2
Other capitalization of Metro	–	–	-192.6
Cash flow from financing activities	569.8	181.9	588.5
Net increase in cash and cash equivalents	-29.5	-12.2	50.7
Cash and cash equivalents at beginning of year	38.5	50.7	–
Cash and cash equivalents at end of year	9.0	38.5	50.7

Note 1 Accounting and valuation principles

The Company complies with the Swedish Annual Accounts Act and recommendations issued by the Swedish Financial Accounting Standards Councils.

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 assets is reported as goodwill. Goodwill is amortized in accordance with the Swedish Annual Accounts Act and, as a rule, on a straight-line basis over five or ten 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 or ten 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 remaining 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, among others, 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 future two months' program costs in addition to prepaid programming costs. Future payments in respect of contractual program rights that have not yet been reported as inventory are reported as a memorandum item, note 20. 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 different channels and countries. These program rights are then amortized at the same rate as the revenues accrued.

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

The Company applies the standards recommended by the Swedish Accounting Standards Board. Capitalized development expenses refer to software and the like.

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 goods or service are 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.

Note 2 Business segments

	2002 SEK million	2001 SEK million	2000 SEK million
Net sales by business area			
Viasat Broadcasting	4,353.3	4,549.6	3,789.1
MTG New Media	103.5	106.6	60.8
MTG Radio	157.3	124.0	132.9
MTG Publishing	134.0	195.9	233.9
TV-Shop	670.7	755.1	580.5
SDI Media	378.9	397.2	330.4
MTG Modern Studios	601.9	626.9	551.1
Parent company and other companies	122.7	110.2	105.1
Eliminations	-499.0	-463.4	-352.8
Total	6,023.2	6,402.1	5,430.9

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.

	2002 SEK million	2001 SEK million	2000 SEK million
Operating income/loss by business area			
Viasat Broadcasting	390.1	550.4	500.2
Sales of shares in TV4	162.9	–	106.0
Viasat Digital project	–	-15.0	-555.0
Victory Challenge	-30.0	–	–
MTG New Media	22.0	-69.6	-39.3
MTG Radio	-31.0	12.6	18.2
MTG Publishing	-102.3	-82.0	-52.8
TV-Shop	11.5	-33.1	-127.0
SDI Media	53.7	41.5	17.9
MTG Modern Studios	58.3	79.2	2.6
Parent company and other companies	-163.1	-112.1	-116.9
Other non-recurring items	-95.8	–	–
Metro Sweden's sales company January–May 2000	–	–	32.3
Eliminations	-9.6	-12.0	-13.2
Total	266.8	359.9	-227.0

Income/loss after financial items by business area			
Viasat Broadcasting	322.9	470.7	473.9
Sales of shares in TV4	162.9	–	106.0
Viasat Digital project	–	-15.0	-555.0
Victory Challenge	-30.0	–	–
MTG New Media	20.7	-69.5	-39.3
MTG Radio	-39.7	8.3	15.0
MTG Publishing	-112.9	-90.0	-58.0
TV-Shop	-17.4	-43.0	-158.5
SDI Media	52.7	33.1	11.9
MTG Modern Studios	50.6	73.8	-3.8
Parent company and other companies	-276.2	-106.3	-84.3
Other non-recurring items	-95.8	–	–
Metro Sweden's sales company January–May 2000	–	–	32.3
Eliminations	-9.6	-12.0	-13.2
Total	28.4	250.0	-273.1

Comparative figures per business area for 2000 have been restated to facilitate comparison.

The stated figures for 2000, 2001 and 2002 are based on the same operational structure.

Note 2 Business segments continued

	2002 SEK million	2001 SEK million	2000 SEK million
Geographic distribution of net sales (according to purchaser's market)			
Sweden	2,215.1	2,504.0	2,383.2
Norway	986.1	1,138.2	861.5
Denmark	1,595.3	1,526.1	1,261.3
Rest of Europe	977.8	953.6	742.6
North America	186.8	202.9	135.0
South America	4.1	12.1	1.9
Asia	57.9	64.9	45.1
Africa	–	0.2	0.3
Total	6,023.2	6,402.1	5,430.9

Note 3 Non-recurring items

	2002 SEK million	2001 SEK million	2000 SEK million
Income from sales of securities			
Group			
Både Og AS	–	–	2.1
Nordic Satellite Distribution AS	–	–	0.8
P4 Finland Oy	–	–	4.5
Vision Recording AB	–	–	0.4
Sales of shares in TV4 AB	162.9	–	106.0
Sales of shares in Group companies	–0.2	–	–
Total	162.6	–	113.8

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

	2002 SEK million	2001 SEK million	2000 SEK million
Income from Metro Sweden			
Result in Metro Sweden's sales company January–May 2000	–	–	32.3

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, and are therefore reported on a separate line.

	2002 SEK million	2001 SEK million	2000 SEK million
Other non-recurring items			
Group			
Viasat Digital project	–	–15.0	–555.0
Other non-recurring items	–95.8	–	–
Victory Challenge	–30.0	–	–
	–125.8	–15.0	–555.0

During April 2000 MTG started to transmit its pay-TV digitally. During the year 2000 costs associated with the conversion to digital transmission technique and costs for converting analog Viasat Gold subscribers to digital customers were charged to the income statement with SEK 555.0 million. During 2001 costs of SEK 15.0 million was charged to the income statement in order to finalize this project.

The non-recurring items comprise a provision of SEK 125.8 million relating to the closure of FinansVision and other smaller businesses and the writing off of goodwill as well as technology write-downs in joint venture company Everyday Webguide AB, and include SEK 30 million in costs for the sponsorship of the Victory Challenge syndicate's entry in the America's Cup match sailing competition.

Note 4 Depreciation and amortization

	2002 SEK million	2001 SEK million	2000 SEK million
Group			
Capitalized development expenses	17.9	17.0	49.1
Beneficial rights	38.2	34.0	20.8
Goodwill	154.7	108.7	89.6
Machinery and other technical plant	5.6	14.8	15.0
Equipment, tools and installations	70.7	61.9	67.8
Total	287.1	236.4	242.3
Parent company			
Capitalized development expenses	6.0	4.0	3.8
Equipment, tools and installations	0.3	0.4	0.5
Total	6.3	4.4	4.3

Note 5 Share of earnings in associated companies

	%	2002 SEK million	2001 SEK million	2000 SEK million
Group				
Electric Farm ASA	9	0.0	0.0	0.0
Everyday Webguide AB	50	-14.6	-56.9	-47.6
Gamla Stans Millennium Evenemang KB	25	0.0	0.0	0.0
Mediainvest Holding AS	-	-	-0.9	-1.5
Mediamätning i Skandinavien MMS AB	43	4.6	0.0	0.0
P4 Finland Oy	-	-	-	-4.2
P4 Radio Hele Norge ASA	33	-7.3	28.0	24.6
Radio National i Luleå AB	49	-0.8	-0.9	-0.8
Radio National i Skellefteå AB	49	-0.7	-0.6	-0.7
Radio Rigas Jurmala SIA	-	-	0.0	-2.9
Radioindustri Xerkses i Borås AB	49	-1.5	-1.7	-1.4
ScanSat A/S	50	0.0	0.0	0.0
Svensk Programagentur AB	50	9.5	1.7	1.0
TV 3 Estonia	-	-	-1.9	-5.6
TV 3 Latvia	-	-	0.0	-12.0
TV 4 AB	15	-18.1	59.3	67.4
Vision Recording AB	-	-	-	0.0
Finland Radio Investment AS	50	-1.0	-1.0	0.0
Gigahertz KB	33	-0.1	-0.1	0.0
StoryFirst Communications, Inc.	37	26.3	-	-
Total		-3.9	25.0	16.3
Parent company				
Gamla Stans Millennium Evenemang KB	25	0.0	0.0	0.0

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 krona 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

	2002 SEK million	2001 SEK million	2000 SEK million
Group			
Interest revenue	58.6	50.8	37.9
Total	58.6	50.8	37.9
Parent company			
Interest revenue from external parties	44.6	49.8	15.5
Interest revenue from subsidiaries	315.9	333.8	342.7
Total	360.5	383.6	358.2

Note 7 Interest expense and similar costs

	2002 SEK million	2001 SEK million	2000 SEK million
Group			
Interest expense	-67.7	-119.0	-65.5
Exchange rate differences	-160.9	47.4	-8.8
Other	-37.1	-21.9	-7.2
Total	-265.6	-93.5	-81.5
Parent company			
Interest expense to external parties	-47.9	-63.4	-51.8
Interest expense to subsidiaries	-42.6	-36.2	-23.8
Exchange rate differences	-167.4	54.9	13.4
Other	-15.6	-15.5	-
Total	-273.5	-60.2	-62.2

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

	2002 SEK million	2001 SEK million	2000 SEK million
Distribution of profit/loss before tax and minority interest			
Sweden	-331.0	-207.0	-539.3
Norway	114.9	177.7	72.4
Denmark	177.8	103.5	83.0
United Kingdom	-139.0	216.8	211.5
Other countries	205.6	-41.0	-100.7
Total	28.4	250.0	-273.1
Distribution of tax expense			
Current tax			
Sweden	-3.5	-0.9	-28.9
Norway	-37.3	-0.9	-6.9
Denmark	-40.2	-30.8	-24.5
United Kingdom	-7.3	-69.2	-83.3
Other countries	-46.7	-55.1	-11.4
Total	-135.0	-156.9	-155.0

Note 8 Taxes continued

	2002 SEK million	2001 SEK million	2000 SEK million
Deferred tax			
Sweden	41.1	65.2	139.1
Norway	4.2	-40.9	-14.2
Denmark	20.1	0.0	0.0
United Kingdom	-20.0	0.0	1.5
Other countries	-2.5	0.7	4.9
Total	42.8	25.0	131.3
Grand total	-92.2	-131.9	-23.7

Associated companies' taxes account for SEK 3.7 million of the total tax expense

	December 31 2002	December 31 2001	December 31 2000
Deferred tax receivable			
Sweden	331.4	283.3	218.0
Norway	25.2	19.6	56.9
Denmark	20.1	0.0	0.0
United Kingdom	0.3	20.3	20.3
Other countries	0.0	0.5	4.7
Total	377.0	323.7	299.9

Deferred tax liabilities

Sweden	0.0	0.0	0.0
Norway	0.0	0.0	0.0
Denmark	0.0	0.0	0.0
United Kingdom	0.0	0.0	0.0
Other countries	1.7	0.0	5.0
Total	1.7	0.0	5.0

The Group had loss carry-forwards without expiration date of SEK 1,220 million in Sweden and Denmark, at December 31, 2002. The accounts for 2002 include deferred tax receivable corresponding to 28% and 30% of the loss carry-forwards in Sweden and Denmark respectively, since it is judged likely that the Group will be able to apply its loss carry-forwards to taxable surplus.

In accordance with the prudence concept, no deferred tax receivable is reported for the value of loss carry-forwards outside Sweden, Denmark and Norway.

SEK million

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

2003	2.2
2004	6.6
2005	7.2
2006	4.9
2007 and thereafter	64.3
No expiry date	277.4
Total	362.6

Note 8 Taxes continued

	2002 SEK million	%	2001 SEK million	%	2000 SEK million	%
Reconciliation of tax expense						
Tax/tax rate in Sweden	-7.9	-28.0	-70.0	-28.0	76.5	28.0
Non-deductible expenses	-58.4	-205.7	-19.8	-7.9	-45.8	-16.7
Foreign tax rate differential	5.7	20.1	-14.2	-5.7	-7.6	-2.8
Effect of loss carry-forwards	79.3	279.1	8.7	3.5	-5.8	-2.1
Losses where no tax benefit was recognized	-110.8	-390.0	-36.6	-14.6	-41.0	-15.0
Effective tax/tax rate	-92.2	n/a	-131.9	n/a	-23.7	n/a

Non-deductible expenses refer mainly to goodwill depreciation in the consolidated accounts and certain interest expenses in the United Kingdom.

Parent company

The accounts for 2002 consist of deferred tax receivables of SEK 286.2 million corresponding to 28% of the loss carry-forwards without expiration date allocated to the parent company.

	2002 SEK million	2001 SEK million	2000 SEK million
Current tax relating to Group contributions	29.9	-121.0	-254.6
Deferred tax	286.2	—	—
Total tax	316.1	-121.0	-254.6
	December 31 2002	December 31 2001	December 31 2000
Deferred tax receivables	286.2	—	—

Note 9 Intangible assets

	Capitalized development expenses SEK million	Beneficial rights SEK million	Goodwill SEK million	Parent company Capitalized development expenses SEK million
Group				
Acquisition values brought forward	154.4	440.6	1 435.7	19.6
Change in Group structure, reclassifications etc	-2.0	0.6	—	—
Investments during the year	1.5	53.4	72.2	8.2
Divestment/retirement during the year	—	-4.3	—	—
Translation differences	-10.1	-44.8	—	—
Acquisition values carried forward	143.8	445.5	1 507.9	27.8
Accumulated depreciation brought forward	-92.4	-130.6	-403.1	-6.6
Changes in Group structure, reclassifications etc	0.6	-0.7	—	—
Depreciation during the year	-17.9	-38.2	-154.7	-6.0
Write-down during the year	—	-0.2	—	—
Translation differences	5.3	21.5	—	—
Accumulated depreciation carried forward	-104.4	-148.2	-557.8	-12.6
Residual value carried forward	39.4	297.3	950.1	15.2

Note 10 Tangible assets

	Machinery, technical plant SEK million	Equipment, tools SEK million	Parent company Equipment, tools SEK million
Group			
Acquisition values brought forward	58.4	718.5	3.0
Change in Group structure, reclassifications etc	-2.9	-139.5	–
Investments during the year	6.0	39.3	0.0
Divestment/retirement during the year	-3.6	-36.4	–
Translation differences	1.5	-14.1	–
Acquisition values carried forward	59.5	567.8	3.0
Accumulated depreciation brought forward	-42.0	-481.5	-2.6
Changes in Group structure, reclassifications etc	1.9	155.1	–
Divestment/retirement during the year	3.5	18.0	–
Depreciation during the year	-5.6	-70.7	-0.3
Write-down during the year	-0.3	-1.1	–
Translation differences	-0.6	9.4	–
Accumulated depreciation carried forward	-43.1	-370.9	-2.9
Residual value carried forward	16.4	197.0	0.2

Note 11 Long-term financial assets

Shares in subsidiaries (held by parent company)	Company registration number	Registered office	Number of shares	Share capital %	Voting rights %	Book value SEK million
MTG Broadcasting SA		Luxembourg	1,000	100	100	0.3
MTG Radio SA		Luxembourg	1,000	100	100	0.3
MTG Publishing SA		Luxembourg	1,000	100	100	0.3
MTG Electronic Retailing SA		Luxembourg	1,000	100	100	0.3
MTG Media Services SA		Luxembourg	1,000	100	100	0.3
Subtitling & Dubb Intl SA		Luxembourg	1,000	100	100	0.3
MTG Holding AB	556057-9558	Stockholm	5,000	100	100	101.9
MTG AS Norge		Norway	82,300	100	100	32.7
MTG New Media AB	556461-1662	Stockholm	1,000	100	100	0.1
						136.4

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

Note 11 Long-term financial assets continued

Shares in subsidiaries (within the Group)	Company registration number	Registered office	Number of shares	Share capital %	Voting rights %	Book value SEK million
MTG Broadcasting SA		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	
ZTV AB	556022-0831	Stockholm	–	100	100	
Viasat AB	556304-7041	Stockholm	–	100	100	
TV1000 AB	556133-5521	Stockholm	–	100	100	
TV1000 Norge AS		Norway	–	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	
UAB TV3 Radio Lithuania		Lithuania	–	100	100	
TV3 Estonia AS		Estonia	–	100	100	
Viasat Hungária Rt		Hungary	–	95	95	
Viasat Broadcasting UK 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	
Darial TV ZAO		Russia	–	75	75	
TV3 Latvia SIA		Latvia	–	100	100	
MTG Modern Group Espana SL		Spain	–	100	100	
In TV Espana SL		Spain	–	100	100	
Interactive Partner SL		Spain	–	100	100	
Interactive Media Solutions SL		Spain	–	100	100	
MTG Telesubasta SL		Spain	–	100	100	
Everymobile SL		Spain	–	100	100	
MTG New Media Ltd		United Kingdom	–	100	100	
Modern Sport and Event Ltd		United Kingdom	–	100	100	
MTG Radio SA		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	
Star FM SIA		Latvia	–	100	100	
Mediainvest Holding AS		Estonia	–	100	100	
MTG Radio Sales AB	556490-7979	Stockholm	–	100	100	
MTG Frekvens AB	556514-3103	Stockholm	–	100	100	
MTG Lugna Favoriter AB		Stockholm	–	100	100	
MTG FM 101,9 i Stockholm AB		Stockholm	–	100	100	

Note 11 Long-term financial assets continued

Shares in subsidiaries (within the Group)	Company registration number	Registered office	Number of shares	Share capital %	Voting rights %	Book value SEK million
MTG Publishing SA		Luxembourg	–	100	100	
MTG Publishing Holding AB	556580-7798	Stockholm	–	100	100	
MTG Publishing AB	556457-2229	Stockholm	–	100	100	
FinansVision AB	556301-5014	Stockholm	–	100	100	
Redaktörerna i Stockholm 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	–	100	100	
OY MTG Publishing Åland AB		Åland	–	100	100	
MTG Publishing Media AB	556426-8745	Stockholm	–	100	100	
Vision Direkt i Stockholm AB	556533-8372	Stockholm	–	100	100	
MTG Electronic Retailing SA		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		Netherlands	–	100	100	
Cdon AB	556308-2105	Stockholm	–	100	100	
TV-Shop Europe AB	556497-0019	Malmö	–	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	
Mediashop bv		Netherlands	–	100	100	
TV Shop SA		Luxembourg	–	100	100	
TV Shop Nederland bv		Netherlands	–	100	100	
TV Shop AS Norge		Norway	–	100	100	
TV Shop Polska Sp Zoo		Poland	–	100	100	
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	
NoName4Us AB	556558-5147	Malmö	–	100	100	
TV Shop Broadcasting Ltd		United Kingdom	–	100	100	
TV Shop Portugal Ltda		Portugal	–	100	100	
MTG Media Services SA		Luxembourg	–	100	100	
MTG Media Services Holding AB	556580-7848	Stockholm	–	100	100	
MTG Modern Studios AB	556264-3261	Stockholm	–	100	100	
Modern Entertainment		United States	–	100	100	
Nordic Artist AB	556422-1447	Stockholm	–	100	100	
Sonet Film AB	556103-7283	Stockholm	–	100	100	
MTG Modern TV AB	556419-9544	Lund	–	100	100	
Strix Television AB	556345-5624	Stockholm	–	100	100	
Strix Televisjon AS		Norway	–	100	100	
MTG Modern Games AB	556146-9700	Malmö	–	100	100	

Note 11 Long-term financial assets continued

Shares in subsidiaries (within the Group)	Company registration number	Registered office	Number of shares	Share capital %	Voting rights %	Book value SEK million
Subtitling & Dubb Intl SA		Luxembourg	–	100	100	
Subtitling Holding AB	556580-7509	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 Ou		Estonia	–	100	100	
UAB SDI Media International		Lithuania	–	100	100	
SDI Media Latvia SIA		Latvia	–	100	100	
SDI Media Netherlands bv		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	
SDI Media Thailand Ltd		Thailand	–	29	55	
SDI Media Group UK Ltd		United Kingdom	–	100	100	
Screen Subtitling Systems Ltd		United Kingdom	–	100	100	
SDI Media UK Ltd		United Kingdom	–	100	100	
SDI Media 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	
SDI Media USA Inc		United States	–	100	100	
MTG Holding AB	556057-9558	Stockholm	–	100	100	
Bäckegrube AB	556170-7752	Stockholm	–	100	100	
Scansat Intressenter AB	556353-2679	Stockholm	–	100	100	
MTG Accounting 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	
MTG Modern Merchandising AB	556400-1476	Stockholm	–	100	100	
Senaste Nytt på Nätet SNN AB	556448-0076	Stockholm	–	100	100	
Everymobile Skandinavien AB	556529-7917	Stockholm	–	100	100	
Skybus AB	556098-4691	Stockholm	–	100	100	
SatTrans KB	916624-2512	Stockholm	–	100	100	
Staden Staden AB	556205-6449	Stockholm	–	100	100	
MTG Moneypenny Productions AB	556491-9685	Stockholm	–	100	100	
Everytext Skandinavien AB	556484-0154	Stockholm	–	100	100	
Everyday TV AB	556353-3065	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 New Media A/S Danmark		Denmark	–	100	100	
TV1000 Danmark A/S		Denmark	–	100	100	

Note 11 Long-term financial assets continued

Shares in subsidiaries (within the Group)	Company registration number	Registered office	Number of shares	Share capital %	Voting rights %	Book value SEK million
TV Holding International SA		Luxembourg	–	100	100	
TV Shop i Sverige AB	556374-8176	Malmö	–	100	100	
MTG Filmproduktion AB	556323-0670	Stockholm	–	100	100	
MTG AS Norge		Norway	–	100	100	
Viasat AS Norge		Norway	–	100	100	
Metro Norge AS		Norway	–	100	100	
MTG New Media AB	556558-5147	Stockholm	–	100	100	
MTG New Media A/S		Norway	–	100	100	

Shares in associate companies (within parent company)	Company registration number	Registered office	Number of shares	Share capital %	Voting rights %	Book value SEK million	Market value SEK million
Gamla Stans Millennium Evenemang KB	969653-5997	Stockholm	–	25	25	–	
StoryFirst Communications, Inc.		Moscow	–	37	37	193.6	
			–			193.6	

Shares in associate companies (within the Group)	Company registration number	Registered office	Number of shares	Share capital %	Voting rights %	Book value SEK million	Market value SEK million
Everyday Webguide AB	556182-6016	Stockholm	1,750	50	50	0.0	
Forum och Marknad 107,7 i Nyköping HB	969651-4125	Nyköping	–	33	33	0.0	
Gamla Stans Millennium Evenemang KB	969653-5997	Stockholm	–	25	25	0.0	
GigaHertz 106,7 i Malmö HB	969651-2970	Malmö	–	33	33	0.0	
GH GigaHertz KB	969616-7551	Göteborg	–	33	33	2.4	
Göteborg Air 105,9 HB	969661-0600	Göteborg	–	33	33	0.0	
Jönköpings Reklamradio 106,0 HB	969651-3739	Jönköping	–	33	33	0.0	
Mediamätning i Skandinavien MMS AB	556353-3032	Stockholm	2,150	43	43	7.2	
P4 Radio Hele Norge asa		Norway	10,673,508	33	33	46.2	37.6
Power i Stockholm HB	969651-2236	Stockholm	–	33	33	0.0	
Radio 2000 107,6 Helsingborg HB	969651-5015	Helsingborg	–	33	33	0.0	
Radio Air 104,5 i Hällby och Eskilstuna HB	969651-1980	Eskilstuna	–	33	33	0.0	
Radio National i Luleå AB	556475-0411	Stockholm	490	49	49	1.0	
Radio National i Skellefteå AB	556475-0346	Stockholm	490	49	49	0.7	
Radio Storpannan 104,8 i Göteborg HB	969651-2228	Göteborg	–	33	33	0.0	
Reklammedia 104,4 i Kil och Karlstad HB	969651-4109	Karlstad	–	33	33	0.0	
Reklammedia 107,3 i Kristianstad HB	969651-3697	Kristianstad	–	33	33	0.0	
Rix i Borås AB	556034-4391	Borås	490	49	49	0.0	
Rix i Skandinavien AB	556475-3670	Stockholm	500	50	50	0.0	
ScanSat A/S		Denmark	901,500	50	50	2.0	
Stop AB	556249-0424	Uppsala	500	50	50	0.0	
Svensk Programagentur AB	556453-6281	Göteborg	4,270	50	50	6.0	
Trestad Air 105.0 HB	969651-2715	Vänersborg	–	33	33	0.0	
Växjö Reklamradio 104,3 HB	969651-1972	Växjö	–	33	33	0.0	
Z-Radio 101,9 HB	969651-2269	Stockholm	–	33	33	0.0	
Östersund Air 104,0 HB	969651-2681	Östersund	–	33	33	0.0	
FRI Finland Radio Investment AS		Norway	–	50	50	25.1	
KB Stengrunden nämnändr till Kimtevíll HB	969680-2272	Stockholm	–	33	33	0.0	
StoryFirst Communications, Inc.		Moscow	–	37	37	212.1	
						302.7	

Note 11 Long-term financial assets continued

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

	2002 SEK million	2001 SEK million	2000 SEK million
Balance brought forward January 1	307.7	268.6	272.1
Investment in associated companies	193.6	33.2	4.1
Share of earnings in associated companies as per note 5	-3.9	25.0	16.3
Share of tax expense in associated companies	-3.7	-27.5	-31.9
Dividend received	-34.4	-49.0	-34.0
Reclassified	-119.9	96.5	60.1
Changed accounting principles	-	-42.8	-
Sold shares	-41.2	-	-17.7
Translation differences	4.5	3.7	-0.4
Balance carried forward December 31	302.7	307.7	268.6

Shares and participations in other companies (within the Group)	Company registration number	Registered office	Number of shares	Share capital %	Voting rights %	Book value SEK million	Market value SEK million
Metro International S.A.		Luxembourg	4,531,004	4.2	2.3	97.9	25.4
TV4 AB		Stockholm	3,020,013	15.1	15.1	124.5	377.5
Other						0.4	
						222.8	

Shares and participations in other companies (held by the parent company)	Company registration number	Registered office	Number of shares	Share capital %	Voting rights %	Book value SEK million	Market value SEK million
Metro International S.A.		Luxembourg	4,531,004	4.2	2.3	97.9	25.4
Other						0.2	
						98.1	

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 US\$22.1 million and a commercial loan of US\$23.5 million. In 2002 a convertible debenture loan of US\$20.0 million was added.

Note 12 Accounts receivable

	December 31 2002 SEK million	December 31 2001 SEK million	December 31 2000 SEK million
Group			
Accounts receivable			
Gross accounts receivable	943.0	1,131.2	1,027.5
Less allowances for doubtful accounts	-106.9	-50.0	-46.5
Total	836.2	1,081.2	981.0
Allowance for doubtful accounts			
Balance at beginning of year	50.0	46.5	26.5
Charged to allowance and expenses	56.0	5.4	20.6
Write-offs	-1.2	-1.9	-0.6
Reversed write-offs	2.1	-	-
Balance at end of year	106.9	50.0	46.5
Parent company			
Gross accounts receivable	29.8	15.6	17.3
Less allowances for doubtful accounts	-	-	-
Total	29.8	15.6	17.3

Note 13 Prepaid expense and accrued income

	December 31 2002 SEK million	December 31 2001 SEK million	December 31 2000 SEK million
Group			
Prepaid rent expenses	7.9	3.1	6.7
Prepaid government fees	0.3	5.8	6.7
Prepaid transponder costs	40.5	18.0	29.4
Prepaid financing costs	44.5	56.4	-
Prepaid media costs	17.5	4.1	17.2
Prepaid insurance premiums	1.8	0.9	0.6
Prepaid print costs	0.6	2.9	-
Prepaid sales commission	106.5	197.0	85.5
Accrued sales revenue	55.4	113.0	117.9
Accrued interest revenue	-	8.6	2.3
Prepaid distribution costs	13.0	11.7	-
Other	116.9	140.5	34.4
Total	404.8	562.0	300.7
Parent company			
Prepaid financing costs	44.5	53.5	-
Accrued interest income	-	8.4	-
Other	3.0	12.4	3.3
Total	47.5	74.3	3.3

Prepaid financing costs refer to a convertible debenture issued by the Group in June 2001. The costs are distributed over 60 months.

Note 14 Short-term investments

	December 31 2002 SEK million	December 31 2001 SEK million	December 31 2000 SEK million
Group			
Spanish treasury bills	–	–	16.7
Deposit	4.7	0.8	–
Total	4.7	0.8	16.7
Parent company			
Deposit	4.0	–	–
Total	4.0	–	–

Note 15 Shareholders' equity

	Number of shares	Par value
MTG class A	15,545,621	77.7
MTG class B	50,829,535	254.2
	66,375,156	331.9

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

On April 9, 2001 4,988,652 class A shares were converted into 4,988,652 class B shares.

	Share capital SEK million	Restricted reserves SEK million	Non- restricted reserves SEK million	Total SEK million
Group				
Opening balance January 1, 2002	331.9	1,400.9	215.5	1,948.3
Translation differences			3.7	3.7
Transfer between restricted and non-restricted equity		101.5	–101.5	–
Net income for the year 2002			–66.6	–66.6
Balance as of December 31, 2002	331.9	1,502.4	51.1	1,885.4

Restricted reserves in the Group include SEK 74.8 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 23.9 (20.2) million at year end.

	Share capital SEK million	Premium reserve SEK million	Legal reserve SEK million	Retained earnings SEK million	Total SEK million
Parent company					
Balance as of January 1, 2002	331.9	1,332.5	7.7	1,520.3	3,192.4
Net income for the year 2002				477.3	477.3
Group/shareholders' contributions				–24.5	–24.5
Balance as of December 31, 2002	331.9	1,332.5	7.7	1,973.1	3,645.2

Note 16 Other provisions

	December 31 2002 SEK million	December 31 2001 SEK million	December 31 2000 SEK million
Group			
Provision for music royalties	142.6	126.3	117.5
Restructuring costs	28.0	5.6	–
	170.6	131.9	117.5

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.

MTG has a legal dispute with one of the Metro founders. The arbitration proceedings have ended in favor of MTG. The counterparty has, however, decided to appeal. No provisions have been made as MTG regards the outcome of an appeal to be to MTG's advantage.

Restructuring costs during 2002 includes close-down costs for FinansVision.

Note 17 Long-term liabilities

The Group was refinanced in 2000 through an amendment to the loan agreement with a syndicate of banks led by Deutsche Bank AG. The limits were SEK 775 million as per year end. The variances between years depend on the utilization of the different tranches.

The Group issued convertible debentures on June 15, 2001 with a nominal value of EUR 120 million and with an annual interest of 5.50%. The loans can be converted into 2,790,994 new MTG class B shares and will expire in 2006. The Group may decide to convert the debenture loans at the earliest 2004, if the quoted share price is above 130% of the conversion price SEK 385.97.

Maturity of long-term loans	December 31 2002 SEK million	December 31 2001 SEK million	December 31 2000 SEK million
Group			
2002	–	–	373.7
2003	–	202.4	410.0
2004	462.0	185.1	537.0
2005	–	–	–
2006	1,103.1	1,130.3	–
	1,565.1	1,517.8	1,320.7
Parent company			
2002	–	–	320.5
2003	–	167.0	410.0
2004	425.0	185.1	537.0
2005	–	–	–
2006	1,103.1	1,130.3	–
	1,528.1	1,482.4	1,267.5

Note 18 Overdraft facilities

The amount granted for bank overdraft facilities at December 31, 2002, equaled SEK 100.0 (100.0) million, of which SEK 100.0 (62.9) million was unutilized.

Note 19 Accrued expense and prepaid income

	2002 SEK million	2001 SEK million	2000 SEK million
Group			
Accrued programming costs	40.4	28.3	23.2
Accrued transponder costs	5.8	47.5	3.9
Accrued personnel costs	62.4	58.8	37.8
Accrued rent costs	1.0	0.8	1.3
Accrued interest costs	41.9	40.2	10.8
Accrued commission to sales agents	8.6	34.7	15.2
Accrued audit costs	5.2	4.5	4.7
Accrued insurance premiums	0.1	–	0.2
Accrued guarantee costs	2.6	4.2	1.2
Accrued freight costs	0.4	0.8	19.1
Accrued royalties	55.1	52.3	60.5
Accrued government fees	3.2	9.1	10.7
Prepaid revenue	554.2	557.1	379.1
Other	184.3	153.2	194.0
Total	965.0	991.5	761.7
Parent company			
Accrued personnel costs	4.7	4.3	2.8
Accrued interest costs	36.9	37.4	9.1
Other	10.5	5.3	3.4
Total	52.1	47.0	15.3

Note 20 Contingent liabilities

	December 31 2002 SEK million	December 31 2001 SEK million	December 31 2000 SEK million
Group			
Surety bonds and guarantees	120.1	135.3	165.9
Parent company			
Surety bonds and guarantees	120.1	135.3	165.9
Surety bonds and guarantees for subsidiaries	350.7	571.3	327.7
Total	470.8	706.6	493.6

Guarantees for Metro International S.A. and its subsidiaries accounted for SEK 1.4 million. These guarantees will be phased out gradually.

	Future rent on non-cancelable leases SEK million	Future payments for program rights SEK million	Transponder commitments SEK million	Total commitments SEK million
Commitments for future payments at December 31, 2002				
Group				
2003	38.1	669.0	257.1	964.2
2004	31.1	539.5	203.3	773.9
2005	18.3	445.0	98.5	561.7
2006	14.2	325.4	40.6	380.1
2007	5.6	271.4	–	277.0
2008 and thereafter	31.3	84.6	–	115.9
Total commitments	138.6	2,334.9	599.4	3,072.9

Note 20 Contingent liabilities continued

	Future rent on non-cancelable leases SEK million	Future payments for program rights SEK million	Transponder commitments SEK million	Total commitments SEK million
Commitments for future payments at December 31, 2002				
Parent company				
2003	6.7	—	—	6.7
2004	4.3	—	—	4.3
Total commitments	11.0	—	—	11.0

Note 21 Average number of employees

	2002 men	2002 women	2001 men	2001 women	2000 men	2000 women
Group						
Sweden	339	224	340	225	355	254
United Kingdom	111	86	107	90	97	81
Denmark	61	35	71	58	85	82
United States	52	53	60	65	49	50
Norway	40	38	40	40	51	46
Hong Kong	29	35	31	38	30	39
Russia	35	26	5	6	—	—
Lithuania	40	18	42	27	53	26
Estonia	22	24	7	5	4	3
Latvia	20	26	27	26	1	2
Spain	20	23	19	17	18	17
Finland	7	5	6	3	15	4
Germany	4	8	5	11	6	10
Netherlands	5	7	5	6	8	7
Hungary	3	9	5	12	2	3
Thailand	4	7	5	6	4	7
South Korea	2	9	2	11	—	2
Taiwan	4	6	5	5	4	4
Czech Republic	1	5	3	4	1	5
France	1	2	1	—	1	1
Israel	1	2	1	1	1	1
Lebanon	—	1	1	1	1	1
Japan	—	1	—	1	—	2
Poland	—	—	1	1	1	5
Portugal	—	—	2	2	2	3
Singapore	—	—	1	—	1	—
Total	801	650	790	661	790	655
Total number of employees		1,451		1,451		1,445

Note 22 Salaries, other remuneration, and social and security expenses

	2002 SEK million	2001 SEK million	2000 SEK million
Group			
Board of Directors, presidents and vice presidents			
Companies in Sweden	40.3	23.8	23.1
Companies outside Sweden	56.3	42.3	37.1
Total (1)	96.6	66.1	60.2
<i>of which, variable salary</i>	31.5	15.5	18.4
(1) Includes SEK 1.5 million (1.7; 1.4) Board fees approved by the Annual General Meeting			
Other employees			
Companies in Sweden	216.7	195.3	238.7
Companies outside Sweden	329.7	310.6	270.2
Total	546.4	505.9	508.9
Total salaries and other remuneration	643.1	572.0	569.1
Social security expenses	127.9	133.0	140.0
<i>of which, pension costs</i>	30.7	24.9	41.3
Parent company			
Board of Directors, presidents and vice presidents	11.5	10.4	11.8
<i>of which, variable salary</i>	1.2	1.7	0.9
Other employees	53.3	45.8	45.9
Total salaries and other remuneration	64.9	56.2	57.7
Social security expenses	19.4	20.2	22.1
<i>of which, pension costs</i>	5.0	5.3	5.3

Remuneration to senior executives

Principles

A fee is paid to the Board of Directors in accordance with the ruling of the Annual General Meeting. Consultancy fees was paid to the former Chairman of the Board and companies owned by him based on decisions by the Board.

Remuneration to the CEO and other senior executives comprises a base salary, bonus and other benefits. Other senior executives include vice presidents, business area presidents and the CFO.

The variable remuneration shall be based on the performance in relation to established goals. The bonus system is based on an earnings period of one year and is maximized to between 35% and 100% of the base salary.

The remuneration to the CEO was decided by the Board, remuneration to senior executives is decided by the CEO.

	Base salary	Variable remuneration	Other benefits	Pension costs	Financial instruments	Total
Remuneration and other benefits during the year in SEK thousands						
Jan Hugo Stenbeck, Chairman of the Board	2,659	–	–	–	–	2,659
Pelle Törnberg, Chairman of the Board	250	–	–	–	–	250
Hans Holger Albrecht, CEO	8,073	–	2,122	807	–	11,002
Other senior executives (14 persons)	18,147	10,046	1,815	1,828	–	31,836
Total	29,129	10,046	3,937	2,635	–	45,747

Note 22 Salaries, other remuneration, and social and security expenses continued

Jan Hugo Stenbeck was the Chairman of the Board until August 19, 2002. Pelle Törnberg was elected Chairman of the Board on August 22, 2002.

The CEO and the Company's other senior executives 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.

If the Company terminates the employment of senior executives, salary will be paid during the period of notice, six to 12 months. The CEO has a three-year contract commencing at the beginning of 2003.

	Stock options 2001/2009 Number
Financial instruments	
Programs from prior years	
Chairman of the Board	—
CEO	108,810
Other senior executives and key personnel	1,452,614
Total	1,561,424

In 2001, an extraordinary General Meeting decided to issue a maximum of 2,052,840 options to acquire shares in MTG. Senior executives and key employees were offered approximately 80% of the options, to be called upon in three years' time at the earliest and no later than eight years from the time of issue. The remaining 20% of the options were granted to the fully owned subsidiary MTG Holding AB. It is expected that the MTG subsidiary would then sell the options and use the proceeds to cover the Company's social security expenses and other expenses connected with the option program. The exercise price of the options granted in 2001 is SEK 294.50 per share. Shares allotted during the autumn of 2002 are exercised at SEK 100 per share. The proprietor must be employed by the Group when the option is exercised. The maximum number of options correspond to approximately 0.6% of the votes and approximately 2.4% of the share capital. In 2002, 146,894 options were allotted, of which 119,691 to senior executives.

Senior executives in the MTG Group at the time of the offer were entitled to participate in a program approved by the Annual General Meeting of Industriförvaltnings AB Kinnevik on May 3, 1996. An option on 5% of the share capital in MTG was acquired, executed through a separate company MTG Intressenter AB (MTGI). In 2000 and 2001, additional options were executed. As per December 31, 2002, MTGI has the right to acquire an additional 1.8% of the share capital.

Note 23 Audit fees

	2002 SEK million	2001 SEK million	2000 SEK million
Group			
KPMG, audit services	7.1	5.3	4.2
KPMG, other services	2.8	5.6	4.4
Ernst & Young, audit services	0.1	0.3	0.2
Ernst & Young, other services	0.9	0.0	0.7
Other auditors (audit services)	0.5	0.2	0.5
Total	11.3	11.4	10.0
Parent company			
KPMG, audit services	1.0	0.5	0.5
KPMG, other services	1.3	5.0	1.0
Ernst & Young, audit services	0.1	0.2	0.1
Ernst & Young, other services	—	—	—
Total	2.3	5.7	1.6

Note 24 Supplemental cash flow information

	2002 SEK million	2001 SEK million	2000 SEK million
Adjustments to reconcile net income/loss to net cash provided by operations			
Income/loss from sales of securities	-162.7	–	-113.8
Depreciation and amortization	287.1	236.4	242.3
Divestment of fixed assets	41.1	20.8	26.1
Minority share in earnings	11.1	-2.6	-1.2
Share in the earnings of associated companies	17.7	-25.0	-16.3
Share in tax expense of associated companies	11.1	28.0	31.9
Change in deferred tax	-61.8	-25.0	-131.3
Change in provisions	37.6	8.0	-0.9
Unrealized exchange differences	133.6	-19.6	–
Total	314.9	221.0	36.8
Cash paid for interest and corporate tax			
Group			
Interest	115.2	84.9	87.7
Corporate income tax	99.3	129.9	118.8
Total	214.5	214.8	206.5
Parent company			
Interest	104.9	67.0	57.0
Corporate income tax	–	2.0	–
Total	104.9	69.0	57.0

Note 25 Related party transactions

Related party	Nature of relationship
Invik & Co. AB (Invik)	Invik holds shares in Modern Times Group MTG AB. Related parties to MTG hold shares in Invik, which gives Invik a substantial influence over MTG.
Industriförvaltnings AB Kinnevik (Kinnevik)	Kinnevik owns shares in MTG. Related parties to MTG hold shares in Kinnevik, which gives Kinnevik a substantial influence over MTG.
Tele2 AB (Tele2)	Related parties to MTG hold a significant amount of shares in Tele2.
Metro International S.A. (Metro)	MTG holds shares and convertible notes in Metro. Related parties to MTG hold shares in Metro, which gives a substantial influence over Metro.
Millicom International Cellular S.A. (MIC)	Related parties to MTG hold a significant amount of shares in Millicom.
Transcom WorldWide S.A. (Transcom)	Related parties to MTG hold a significant amount of shares in Transcom.
Applied Value Corporation (Applied Value)	Related parties to MTG hold a significant amount of shares in Applied Value.
Shared Value Ltd. (Shared Value)	Related parties to MTG hold a significant amount of shares in Shared Value.
Société Internationale de Supervision Financière S.A. (SISF)	Related parties to MTG hold a significant amount of shares in SISF.
Search Value Partners Ltd. (Search Value)	Related parties to MTG hold a significant amount of shares in Search Value.

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

Note 25 Related party transactions continued**Business agreements with related parties**

MTG sells advertising and logistic services to Tele2, advertising and staff outsourcing to Metro.

MTG buys treasury functions, financial services and insurances from Invik through their subsidiaries Banque Invik and Moderna Försäkringar.

MTG rents office space from Kinnevik and purchases, through its subsidiary CIS Finance, administrative financial services. Airtime AB sold advertising slots in TV and radio commissioned by MTG up to September 2002.

MTG purchases consultancy services and rents office space from Millicom.

MTG purchases customer service and telemarketing services from Transcom.

MTG purchases tele and data communication services from Tele2 and technical consulting and services through their subsidiary XSource. The cable network company Kabelvision provides customers with MTG TV channels.

MTG purchases advertising, print and distribution from Metro.

MTG purchases consultancy services from Applied Value, Shared Value and Search Value.

MTG purchases internal audit services from SISF.

MTG has together with related parties sponsored Victory Challenge syndicate's entry in the America's Cup match sailing competition.

Acquisitions and demergers to related parties

MTG acquired the business in AirTime AB from Kinnevik. The purchase price was SEK 14 million, corresponding to the book value.

In December 2002, MTG acquired part of CIS Credit International Services providing administrative financial services to MTG.

Other transactions

In 2002 MTG invested in a convertible bond issued by Metro. The principal of the convertible notes is US\$20 million and has a five-year maturity in 2007. Further, MTG has since 2000 a convertible debenture loan as well as commercial loan in Metro of US\$22.1 million and US\$23.5 million respectively.

The revenues, costs, receivables and liabilities are stated below:

	2002 SEK million	2001 SEK million
Revenues		
Invik Group	0.1	3.0
Transcom	0.0	—
Kinnevik Group	2.5	1.6
Tele2 Group	100.1	154.8
Metro Group	40.4	3.2
Other related companies	11.2	0.3
Total revenues	154.3	163.0
Costs		
Invik Group	3.4	6.7
Transcom	126.1	134.7
Kinnevik Group	94.0	61.7
Tele2 Group	22.5	22.4
Metro Group	35.9	15.6
Other related companies	26.0	12.1
Total costs	307.9	253.1

Note 25 Related party transactions continued

	December 31 2002 SEK million	December 31 2001 SEK million
Accounts receivable		
Invik Group	1.2	2.0
Transcom	0.2	3.4
Kinnevik Group	25.1	5.7
Tele2 Group	18.3	27.6
Metro Group	42.6	21.1
Other related companies	0.3	0.8
Total accounts receivable	87.6	60.7
Other short-term receivables		
Invik Group	–	39.3
Kinnevik Group	0.2	5.8
Tele2 Group	3.0	6.8
Metro Group	14.5	8.4
Total short-term receivables	17.7	60.3
Accounts payable		
Invik Group	1.0	8.1
Transcom	19.4	15.1
Kinnevik Group	12.2	22.6
Tele2 Group	21.0	17.8
Metro Group	11.4	3.6
Other related companies	3.0	7.7
Total accounts payable	68.1	74.8
Other short-term liabilities		
Kinnevik Group	2.5	0.2
X Source Corp. Group	0.3	0.1
Tele2 Group	2.6	3.6
Metro Group	4.0	–
Total short-term liabilities	9.5	3.9

Note 26 Generally accepted accounting principles in the United States

The consolidated accounts have been prepared based on Swedish accounting principles, which differ from US 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 US GAAP.

	2002 SEK million	2001 SEK million	2000 SEK million
Group			
Reconciliation of net income			
Net income reported under Swedish GAAP	-66.6	120.7	-295.6
Adjustments to reconcile to corresponding amounts under US GAAP			
Capitalized development expenses	108.1	48.6	-71.5
Program right amortization	-13.7	-11.3	-21.4
Transactions between entities under common control	-6.5	-	-3.0
US GAAP differences in the accounts of associated companies	18.3	7.6	-12.2
Stock compensation expense	146.4	1.6	180.0
Tax basis difference associated companies	16.4	4.8	4.9
Consolidation of Metro International S.A.	-	-	-384.7
Financial instruments Metro convertible bond	-273.5	273.5	-
Goodwill depreciation	154.7	-	-
Deferred tax adjustment	-12.8	-10.0	9.9
Net income/loss under US GAAP	70.9	435.5	-593.6

	December 31 2002 SEK million	December 31 2001 SEK million	December 31 2000 SEK million
Reconciliation of shareholders' equity			
Shareholders' equity under Swedish GAAP	1,885.4	1,948.3	1,789.9
Adjustments to reconcile to corresponding amounts under US GAAP			
Capitalized development expenses	-39.4	-147.5	-196.1
Program right amortization	-141.5	-127.8	-116.6
Transactions between entities under common control	19.5	26.0	26.0
US GAAP differences in the accounts of associated companies	-1.5	-19.8	-27.5
Tax basis difference associated companies	12.1	-4.3	-9.1
Unrealized gain Metro shares and convertible bonds	-72.5	462.7	41.1
Unrealized gain TV4 shares	253.0	-	-
Goodwill depreciation	154.7	-	-
Deferred tax adjustment	14.0	-52.2	87.4
Shareholders' equity under US GAAP	2,083.9	2,085.4	1,595.8

Note 26 Generally accepted accounting principles in the United States continued

The reasons for the differences between Swedish GAAP and US GAAP are stated below:

Differences are found between Swedish accounting regulations and US GAAP regarding capitalized development expenses and the distribution over time of sales commissions.

In accordance with Swedish accounting regulations, purchased program rights for TV are amortized in pace with the advertising revenue at each broadcast. US GAAP requires the amortization rate at the first broadcast to be higher.

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

Under Swedish GAAP the option program described in note 22 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.

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.

Under US GAAP, calculated gain on Metro shares should be accounted for. The gain is the difference between the market and book value and is recorded directly against equity.

Under US GAAP, the value of Metro convertible bonds should be calculated and accounted for at the lowest of market and book value. The resulting difference is recorded in the income statement.

Under US GAAP, calculated gain on TV4 shares should be accounted for. The gain is the difference between the market and book value and is recorded directly against equity.

Under US GAAP, goodwill with indefinite useful lives should not be amortized but rather evaluated for impairment on an annual basis.

EBIT

Earnings before interest and tax.

EBITDA

Earnings before interest, tax and depreciation.

PBT

Profit before tax.

Net debt

The sum of interest-bearing liabilities, including the subordinated convertible debenture loan, less interest-bearing assets.

Equity/assets ratio

The sum of consolidated shareholders' equity and minority interest, including the subordinated convertible debenture loan as a percentage of total assets.

Debt/equity ratio

Total debt as a percentage of consolidated shareholders' equity and minority interests.

Cash flow from operations

Operating cash flow less financial items and tax payments, adjusted for changes in working capital.

Liquid funds

Cash and cash equivalents plus short-term investments, including unutilized credit facilities.

Return on total assets

Net income as a percentage of total assets.

Return on equity

Net income as a percentage of shareholders' equity.

Operating margin

Operating profit as a percentage of net sales.

Interest coverage ratio

Operating profit divided by net interest.

Earnings per share

Net income divided by the number of ordinary shares outstanding at the end of the accounting period.

Stockholm, March 31, 2003

Pelle Törnberg
Chairman of the Board

Lars-Johan Jarnheimer

Asger Aamund

David Chance

Stig Nordin

Hans-Holger Albrecht
President and CEO

Our Audit report was submitted on March 31, 2003.

Carl Lindgren
Authorised Public Accountant
KPMG

Lars Träff
Authorised Public Accountant
Ernst & Young

Auditor's report

**To the Annual General Meeting of shareholders of 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 2002. 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, March 31, 2003

Carl Lindgren
Authorised Public Accountant
KPMG

Lars Träff
Authorised Public Accountant
Ernst & Young

Annual General Meeting

The Annual General Meeting of shareholders will be held at 9.30am on Thursday May 15, 2003, at Gamla Stans Bryggeri, Tullhus 2, on Skeppsbron, Stockholm, Sweden.

Shareholders who wish to participate at the Annual General Meeting shall

- have entered in the register of shareholders maintained by VPC AB (the Swedish Securities Register Center) on Monday May 5, 2003,
- notify the Company of their intention of participating by no later than on Friday May 9, 2003 at 1.00pm. The notification shall be made on the Company’s website, www.mtg.se, or in writing to the Company, Modern Times Group MTG AB, PO Box 2094, SE-103 13 Stockholm, Sweden, or by telephone +46 33 724 1267.

When giving notice of participation, the shareholder should state name, personal identification number (or company registration number), address, telephone number, shareholdings and any advisors attending. Shareholders who wish to be represented by a representative shall submit a written power of attorney giving authorization to a specific person together with the notice of participation. Written notifications should be marked “Bolagsstämma/AGM”.

Shareholders whose shares are registered in the names of nominees must temporarily re-register the shares in their own name in order to be entitled to participate in the meeting. In order to be entered in the register of shareholders by Monday May 5, 2003, shareholders must request temporary re-registration a sufficient number of working days before this date.

Financial calendar

First quarter results announcement	24 April 2003
Annual General Meeting	15 May 2003
Second quarter results announcement	6 August 2003
Third quarter results announcement	22 October 2003
Fourth quarter and full year results announcement	February 2004

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“

TV3 is at the center of Coca-Cola's long term media strategy in the Nordic region.

Morten Funch, Media Manager, Coca-Cola Nordic Services

”

“

The RIX FM sales team take it to a new level with their uniquely creative approach to radio as an advertising medium.

Fredrik Pettersson, Account Director, MindShare

”

“

The Viasat Digital TV platform made it possible for us to have a dedicated channel to launch and promote the new Xbox in Denmark – this innovative new way of structuring advertising campaigns created a big impact and enabled us to exceed our sales targets!

Magnus Langley, Xbox Product Marketing Manager, Microsoft

”

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