MTG
MODERN TIMES GROUP

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MODERN TIMES GROUP MTG AB ANNUAL REPORT & ACCOUNTS 2005

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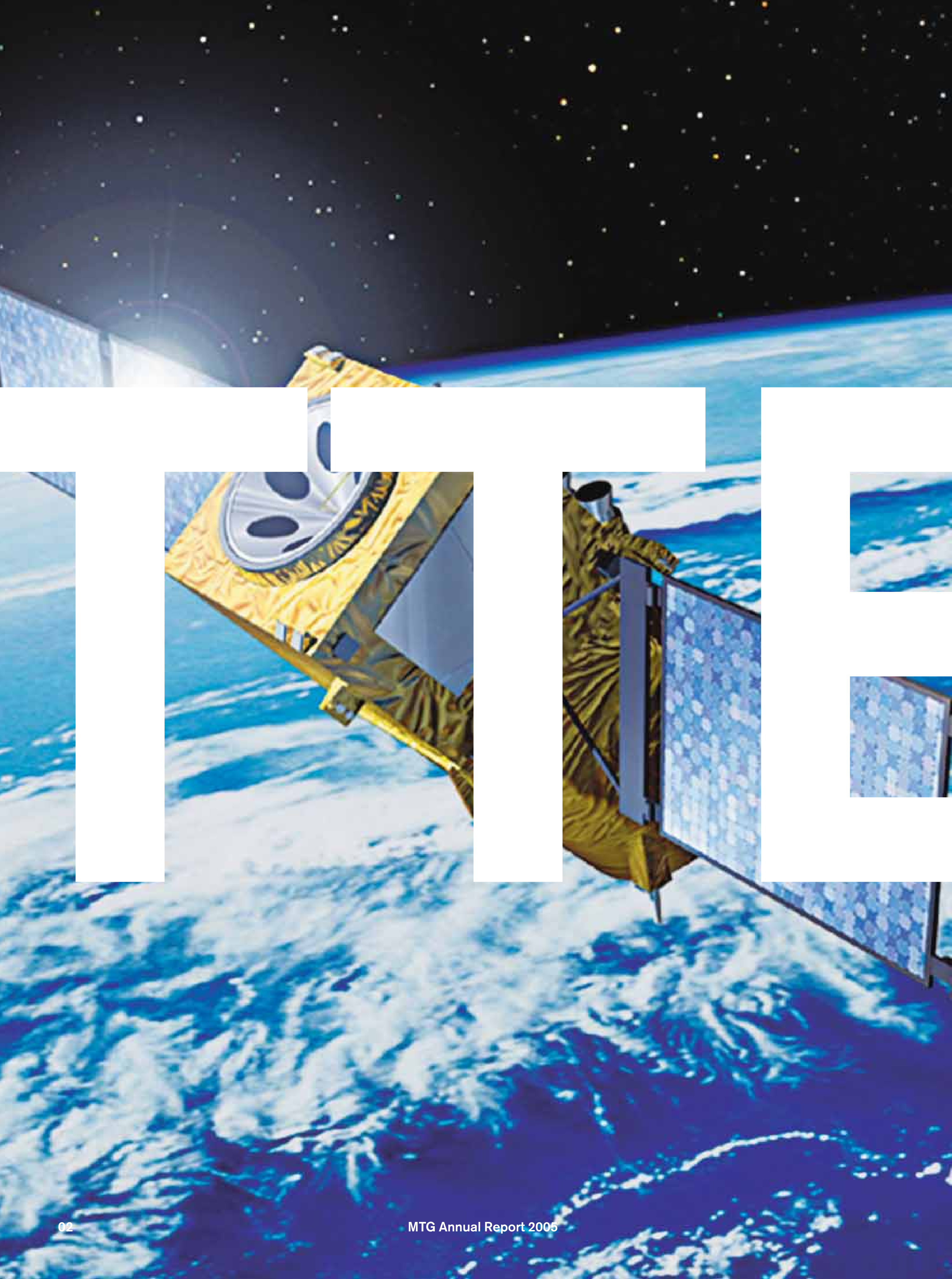
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"MTG IS ALL ABOUT MAXIMISING THE POWER OF ENTERTAINMENT. OUR CHANNELS REACH 86 MILLION TV VIEWERS IN 21 COUNTRIES EVERY DAY, AND WE HAVE THE SECOND LARGEST BROADCAST FOOTPRINT IN EUROPE."

Hans-Holger Albrecht
President and Chief Executive Officer

MTG

MTG GROUP

- > SEK 1,285 million record operating profit
- > Net sales up 18% to SEK 8,012 million
- > Pre-tax profit of SEK 1,567 million
- > Proposal to distribute Metro International shares to MTG shareholders

GROUP

HIGHLIGHTS

FREE-TO-AIR TV SCANDINAVIA

17%

OPERATING MARGIN

- Net sales up 11% to SEK 2,912 million
- TV3 – No. 2 commercial channel in Sweden & Denmark and No. 3 in Norway
- Secondary niche channels – ZTV (Sweden and Norway) & TV3+ (Denmark)
- Distributed on Viasat satellite platform and via third party cable, digital terrestrial and IPTV networks

PAY-TV NORDIC

+128,000

NET NEW PREMIUM SUBSCRIBERS

- Net sales up 13% to SEK 2,633 million
- 603,000 premium subscribers
- Operating margin of 19%
- More than 50 own-produced & third party channels distributed on Viasat satellite platform in Sweden, Norway, Denmark & Finland

CENTRAL & EASTERN EUROPE

11,541,000

SUBSCRIBERS TO FIVE VIASAT PAY-TV CHANNELS ACROSS 17 COUNTRIES

- Net sales up 72% to SEK 813 million
- Operating profit of SEK 335 million, including associated company income from CTC Media in Russia
- TV3 – No. 1 commercial channel in Estonia, Latvia & Lithuania
- Secondary niche channels – 3+ (Estonia, Latvia), Tango TV (Lithuania)
- TV Prima – No. 2 commercial network in Czech Republic
- Viasat3 – No. 3 commercial network in Hungary
- DTV – National TV network in the fast growing Russian market
- CTC Media – MTG is biggest shareholder in largest independent TV broadcaster in Russia

MTG'S TV CHANNELS REACH 86 MILLION PEOPLE IN 21 COUNTRIES ACROSS EUROPE

MTG launched its first commercial TV channel, TV3, in Scandinavia in 1987. Back then, only 1.2 million viewers were able to watch Sweden's first commercial TV channel. 18 years later, as MTG came of age, more than 86 million viewers in 21 countries are able to enjoy over 35 MTG entertainment channels, which are distributed in markets with a combined population of over 360 million people – the second largest geographical broadcasting footprint in Europe.

MTG continued to expand this footprint in 2005 with the acquisition of 50% of Czech TV broadcaster 'TV Prima'. Dominated by a few key players, the Czech market presents unique characteristics and a dynamically changing environment. MTG's entrance into one of the most prosperous economies in Central and Eastern Europe demonstrates the Group's commitment to take advantage of new growth opportunities where attractive new opportunities arise.

MTG also further expanded its wholesale or mini-pay business during the year with the addition of 5 million new subscribers. In total, five Viasat pay-TV channels (TV1000, Viasat Explorer, Viasat Sport, Viasat History, TV1000 Russian Kino) are now distributed by third party operators and attract over 11.5 million subscribers in 17 countries across Central and Eastern Europe.

MTG's journey began back in 1987 in Scandinavia, expanded East into the Baltics in the early 90s, into Hungary and Russia with the dawning of the new Millennium, and now across the Central & East European region. New territories are there to conquer and the journey continues ...

WE'RE GETTING BIGG

EXPANDING THE FOOTPRINT


ER

WE'RE EVEN

FA

WATCHING TV JUST COULDN'T BE EASIER

Innovation and technology. Challenging old truths and established conventions. Exploring new market opportunities. Working ***harder & faster*** than the competition.

MTG introduced its latest innovation, the Viasat+ Personal Video Recorder, during the last few months of 2005. Viasat+ enables 'Gold' package premium subscribers to take control of their TV viewing experience and set their own programming schedules. Viasat+ is a satellite receiver and a digital video recorder in one box and is integrated with Viasat's Electronic Programme Guide (EPG) to enable subscribers to record, plan and view their favourite entertainment programming with a new remote control. Viewers can record up to 60 hours of programming on the box's hard drive, while the decoder's double tuner permits viewers to watch a recorded programme and, at the same time, record two other programmes. Viewers can also record an entire TV series or genre of programming with one setting. What's more, live broadcasts can be paused and even rewound.

It just doesn't get any easier to watch what you want when you want.

STER

CUTTING-EDGE TECHNOLOGY

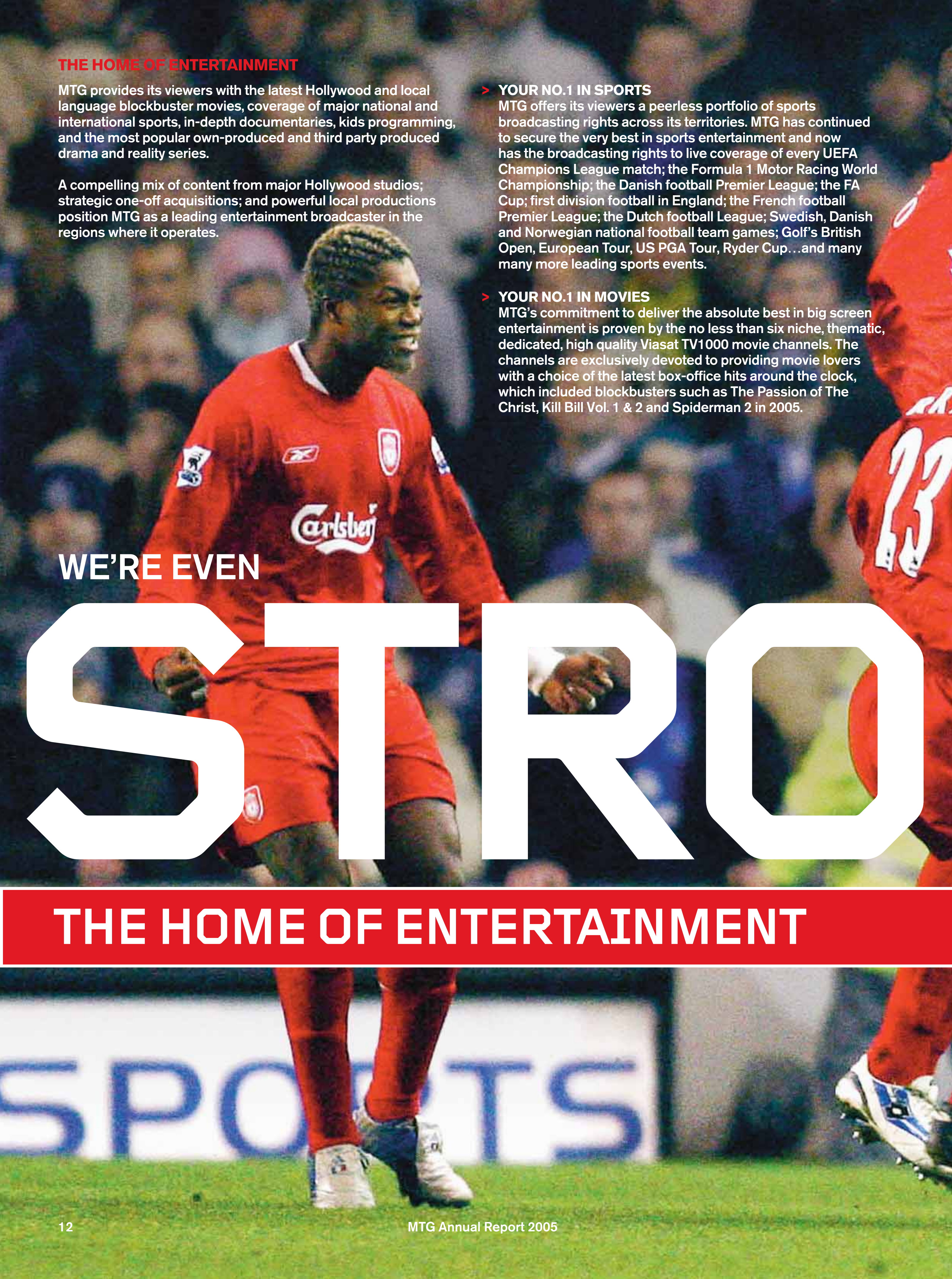
THE HOME OF ENTERTAINMENT

MTG provides its viewers with the latest Hollywood and local language blockbuster movies, coverage of major national and international sports, in-depth documentaries, kids programming, and the most popular own-produced and third party produced drama and reality series.

A compelling mix of content from major Hollywood studios; strategic one-off acquisitions; and powerful local productions position MTG as a leading entertainment broadcaster in the regions where it operates.

> **YOUR NO.1 IN SPORTS**
MTG offers its viewers a peerless portfolio of sports broadcasting rights across its territories. MTG has continued to secure the very best in sports entertainment and now has the broadcasting rights to live coverage of every UEFA Champions League match; the Formula 1 Motor Racing World Championship; the Danish football Premier League; the FA Cup; first division football in England; the French football Premier League; the Dutch football League; Swedish, Danish and Norwegian national football team games; Golf's British Open, European Tour, US PGA Tour, Ryder Cup…and many many more leading sports events.

> **YOUR NO.1 IN MOVIES**
MTG's commitment to deliver the absolute best in big screen entertainment is proven by the no less than six niche, thematic, dedicated, high quality Viasat TV1000 movie channels. The channels are exclusively devoted to providing movie lovers with a choice of the latest box-office hits around the clock, which included blockbusters such as The Passion of The Christ, Kill Bill Vol. 1 & 2 and Spiderman 2 in 2005.



WE'RE EVEN

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THE HOME OF ENTERTAINMENT

NGER

Chief Executive's Review

Size matters

Last year's annual report focused on 'choices' – for the viewer, consumer and advertiser – and our commitment to making our content and products as broadly available as possible on multiple and rapidly evolving distribution platforms.

We delivered on this commitment during 2005 by launching new channels and networks, by increasing our shareholdings in key assets, by launching new services, by increasing our penetration and, at the end of the year, by acquiring 50% of Czech network 'TV Prima'. The latter deal demonstrates how we think about acquisitions, value drivers and market opportunities. As we did with DTV in Russia and the now profitable Viasat3 in Hungary, we have identified a significant market opportunity in the Czech Republic.

Size does matter because it enables us to offer new services to existing customers and also to offer existing services to new customers. Our footprint increased during the year to a record new level of over 360 million people in 21 countries, which is the second largest geographical broadcast footprint in Europe. Our size enables us to benefit from structural changes in our core Scandinavian markets, as well as to increase our exposure to the faster growing markets in Eastern Europe.

Size has also always been important to us because it enables us to extract synergies and benefit from economies of scale. It is not just geographical coverage that matters, but also the range and depth of offering. The fact that we operate free-to-air TV channels, a pay-TV platform, our own premium pay-TV channels, as well as radio and online businesses, gives us a unique leverage and an inherent margin advantage. We buy and schedule programming centrally and our control of multiple media windows gives us a significant competitive edge.

2005 was another year of healthy growth for MTG and saw us report record operating profits – up 90% year on year on an underlying basis. The Group also reported strong operating cash flow and we used the proceeds of the sale of our shares in Sweden's TV4 at the beginning of the year to finance the acquisition of our interest in TV Prima. The balance sheet was therefore strengthened even further and we ended the year in a net cash position. We have continued to review a wide range of investment opportunities, but we did not generate an increased return on capital employed of 22.1% in 2005 by chasing the wrong deals. Our financial position continues to provide us with significant flexibility and the opportunity to seize appropriate opportunities as they arise.

The proposed distribution of our Metro International S.A. shares will simplify the business even further, and enable shareholders to benefit from the significant return that we have enjoyed from our investment in the development of Metro.

BETT

“SIZE HAS ALWAYS BEEN IMPORTANT TO US BECAUSE IT ENABLES US TO EXTRACT SYNERGIES AND BENEFIT FROM ECONOMIES OF SCALE.”

We are focused on not only outperforming our in-country peers, but also our international peer group. There are few broadcasters in Europe that delivered the 24% growth that Viasat Broadcasting showed in 2005, or the 22% profit margin. There are even fewer free-to-air broadcasters that delivered 11% sales growth in 2005, or operating margins of 17%, as we did in Scandinavia. There are few pay-TV operators that saw 27% premium subscriber growth and, at the same time, delivered a best in class operating margin of 19%. All of this has been achieved in one of only two duopolistic satellite markets in Europe and in a market with amongst the highest internet penetration rates in Europe, built-out cable infrastructure and a fully fledged digital terrestrial offering (in the case of Sweden).

Our Central & East European business perfectly shows what MTG is all about. Launched over 10 years ago now in the Baltics, it has mirrored the integrated Scandinavian model. The footprint of our mini-pay business alone, which sells five Viasat channels through over 2,000 contracts with third party cable and satellite networks in 17 countries, almost doubled in 2005 to reach 11.5 million subscriptions by the end of the year. Despite this exponential growth, the combined Central & East European businesses were profitable for the year, even without the contribution from CTC Media.

We are on-track with the strategic objectives that we set in June 2004 and have already outperformed some of the targets that we set ourselves.

So size is important, and bigger can be more beautiful, but the expansion must be disciplined and at the right price! Scale is about extracting value, and we continue to strive to successfully deliver a balance between our dual objectives of high growth and increased profitability.

At the same time, we take our responsibility as a broadcaster very seriously and work hard to ensure that we meet and exceed the standards set by the regulators in each of our markets.

I have been working constantly over the past year to improve the quality of the executive team and of the Group’s overall execution. This has always been a major focus of our daily management routines. We should remember that it is the MTG employees who have delivered these results - it is the performance of the local sales people who go out every day and fight for the company; it is the creative talent and flair of our people in each country; it is the efficiency and innovation of our technical teams; it is the dedication and commitment of our support teams and of all Group employees. They live and breathe our philosophy: ‘Stretch for more than you think is possible, work faster and harder than your competitors and celebrate your victories’.

I would like to thank all of our stakeholders for making 2005 possible, and we look forward to 2006 with great enthusiasm, as we continue to extend and capitalize on our market positions.

At your service,

Hans-Holger Albrecht
President and Chief Executive Officer

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PERFORMANCE THAN EVER

MTG Group overview

VIASAT BROADCASTING

Viasat Broadcasting is the largest Free-to-air and Pay-TV operator in Scandinavia and the Baltics. The Viasat DTH satellite TV platform offers multi-channel digital TV packages of more than 50 own-produced and third party entertainment channels. Viasat's TV channels, including its flagship 'TV3' and 'TV1000' entertainment channels, now reach over 86 million people in 21 countries across Europe. The Group is the biggest shareholder in Russia's largest independent TV broadcaster, CTC Media, and holds a 50% stake in the second largest free-to-air broadcaster in the Czech Republic - TV Prima. MTG also owns the Russian national TV network 'DTV' and 95% of Viasat3, which is the number three commercial channel in Hungary.

Free-to-air TV
TV3
ZTV
TV6
TV8
TV3+
3+
Viasat 3
Tango TV
DTV
TV Prima

Pay-TV
Viasat Sport 1 Sweden
Viasat Sport 1 Denmark
SportN Norway
Viasat Sport 2
Viasat Sport 3
Viasat Sport 24
TV1000
TV1000 Plus One
TV1000 Classic
TV1000 Family
TV1000 Action
TV1000 Nordic
TV1000 Russian Kino
TV1000 Balkan
TV1000 East
Viasat Nature
Viasat Explorer
Viasat History
Viasat Crime
Viasat Music
Viasat Guide
Viasat Games
Viasat Ticket

Other companies
Bet24

Associated companies
CTC Media

77%
SHARE OF GROUP REVENUES
(including internal sales)

MTG RADIO

MTG Radio is the largest commercial radio operator in the Nordic and Baltic regions. MTG Radio owns, or has equity stakes in, the largest commercial radio broadcasting networks in Sweden, Norway and Finland, as well as rapidly growing radio stations and networks in the Baltic countries. MTG Radio's stations reach over three million listeners every day.

RIX FM
Lugna Favoriter
Bandit
Svenska Favoriter
NRJ
Star FM
Power Hit Radio
XL Format

Associated companies
P4 Radio Hele Norge
Radio Nova (indirect ownership)

3%
SHARE OF GROUP REVENUES
(including internal sales)

MODERN STUDIOS

Modern Studios produce entertainment programming for Viasat and third party broadcasters. The STRIX TV production business has sold its 31 reality TV formats to broadcasters and other media companies in more than 72 countries around the world. Modern Studios also produces, markets and distributes feature films, books and magazines.

STRIX Television
Sonet Film
Modern TV
Brombergs Bokförlag
Redaktörerna
Engine
Zoomobile

8%
SHARE OF GROUP REVENUES
(including internal sales)

HOME SHOPPING

CDON.COM is the Nordic region's most visited on-line entertainment retailing site, selling CDs, DVDs, electronic games, music downloads, hardware and books. TV-Shop is one of the largest direct response home shopping operators in Europe, broadcasting 'infomercials' to 100 million homes in more than 50 countries through the Viasat and third party platforms.

CDON
TV-Shop
PIN24

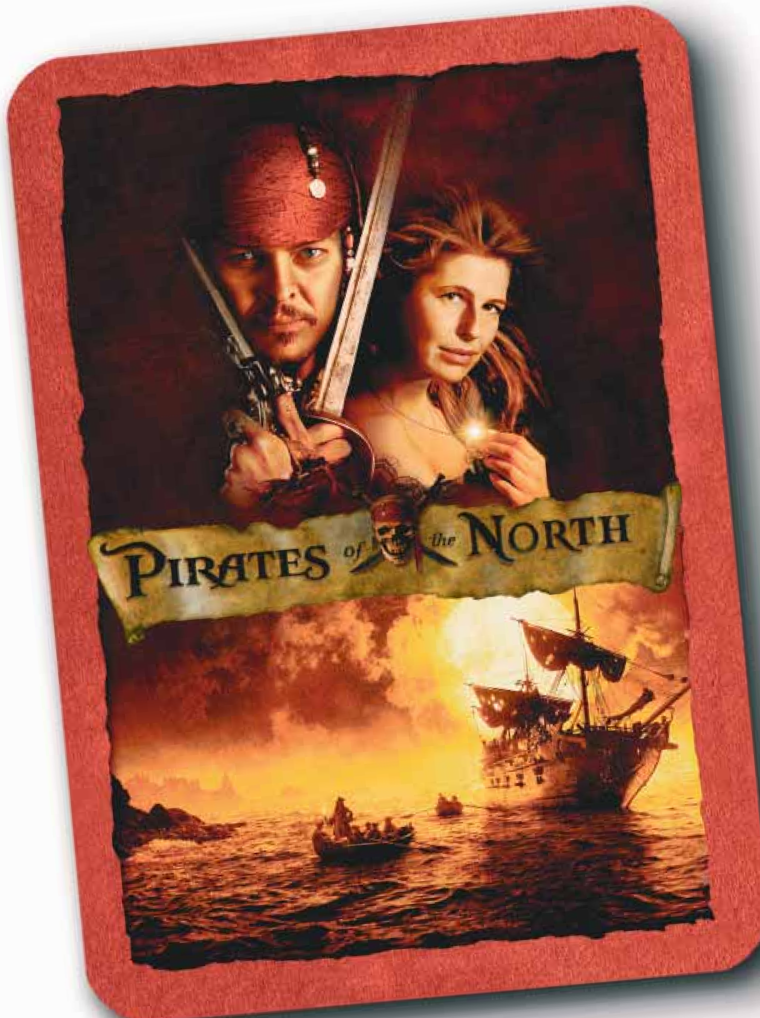
12%
SHARE OF GROUP REVENUES
(including internal sales)

Five years with MTG

(SEK million)	2005 *	2004 *	2003	2002	2001
Net sales	**8,012**	6,805	6,311	6,023	6,402
Gross income	**3,215**	2,355	2,369	2,084	2,298
Income from sale of subsidiaries	**–**	381	–	–	–
Closure and non-recurring costs	**–**	-86	–	-126	-15
Operating income/loss	**1,285**	1,057	542	267	360
Income from sales of shares	**384**	–	–	163	–
Income/loss after financial items, excluding convertible debenture loan costs	**1,681**	1,075	423	60	317
Net income/loss	**1,237**	746	289	-67	121
Balance sheet					
Non-current assets	**5,578**	3,126	2,879	3,070	3,109
Current assets	**4,315**	3,273	2,837	3,114	3,832
Total assets	**9,893**	6,398	5,716	6,184	6,941
Shareholders' equity including minority interests	**5,404**	2,785	2,147	1,901	1,953
Long-term liabilities	**249**	1,172	1,341	1,738	1,650
Short-term liabilities	**4,241**	2,441	2,228	2,545	3,338
Total shareholders' equity and liabilities	**9,893**	6,398	5,716	6,184	6,941
Personnel					
Average number of employees	**1,614**	1,554	1,481	1,451	1,451
Key figures					
Return on total assets (%)	**20%**	19%	5%	neg	2%
Return on equity (%)	**30%**	30%	13%	neg	6%
Operating margin (%)	**16%**	16%	9%	4%	6%
Net margin (%)	**15%**	11%	5%	neg	2%
Return on capital employed (%)	**22%**	21%	15%	6%	10%
Equity to assets ratio (%)	**55%**	44%	38%	30%	28%
Net debt to equity ratio (%)	**–**	16%	41%	43%	46%
Interest coverage ratio (%)	**12.93**	12.91	3.25	1.25	3.67
Net sales per employee (SEK thousand)	**4,964**	4,379	4,261	4,151	4,412
Operating income per employee (SEK thousand)	**796**	680	366	184	248
Capital expenditure					
Investments in non-current tangible and intangible assets	**80**	107	135	98	106
Investments in shares	**932**	496	562	481	161
Per share data					
Shares outstanding at year-end including convertible notes **	**66,375,156**	66,375,156	66,375,156	66,375,156	66,375,156
Shares outstanding at year-end excluding convertible notes **	**66,375,156**	66,375,156	66,375,156	66,375,156	66,375,156
Denominator for diluted earnings per share **	**66,375,156**	66,407,538	66,382,520	66,375,156	66,375,156
Denominator for basic earnings per share	**66,375,156**	66,375,156	66,375,156	66,375,156	66,375,156
Market price of Class B share on last trading day of the year (SEK)	**331.50**	181.00	151.50	70.50	231.00
Diluted earnings per share (SEK) **	**18.56**	11.23	4.36	-1.00	1.82
Basic earnings per share (SEK)	**18.56**	11.23	4.36	-1.00	1.82
Diluted shareholders' equity per share (SEK)	**80.62**	41.92	32.31	28.40	29.35
Basic shareholders' equity per share (SEK)	**80.62**	41.94	32.32	28.40	29.35
Price to Earnings multiple	**18**	16	35	–	127
Cash dividend/proposed cash dividend	**–**	–	–	–	–

* According to International Financial Reporting Standards (IFRS), 2004 restated

** The Group has issued convertible debenture loan notes that may be converted into 2,790,994 new Class B shares and has implemented two share option programmes that may be exercised into 1,096,383 new Class B shares as at 31 December 2005. Only a small part of these programmes is included, as the conversion price of the loan notes and the exercise price of the majority of the options were significantly higher than the average market price of the Class B shares during 2005, 2004 and 2003.

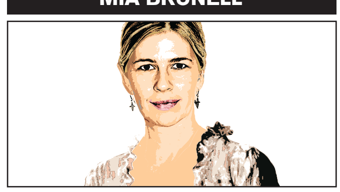


HANS-HOLGER ALBRECHT

Alias: Hans Sparrow
Born: 1963
Title: President and Chief Executive Officer
Beneficial shareholding in MTG: 0
Granted options: 208,809

Hans-Holger joined the Group in 1997 and has served as Head of the Group's Pay-TV operations and as President of Viasat Broadcasting. He became Chief Operating Officer of MTG in May 2000 and was appointed as President and CEO in August 2000. Hans-Holger graduated with a Doctorate in Law from the University of Bochum in Germany. He is co-chairman of CTC Media, Inc. and is also a member of the Board of the International Emmy Association in New York and EM.TV AG. Hans-Holger owns 120,634 shares in Metro International S.A. and 434 shares in Tele2 AB.

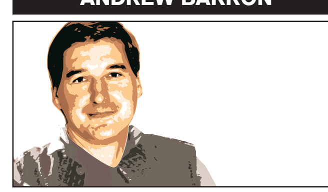
MIA BRUNELL



Alias: Mia Knightley
Born: 1965
Title: Chief Financial Officer
Beneficial shareholding in MTG: 0
Granted options: 94,404

Mia has worked for MTG since 1992, initially as Financial Manager for the TV1000 channel, before becoming Financial Controller for the Pay-TV operations in total, and then Financial Controller for the entire Viasat Broadcasting business area. She was appointed as Group Financial Controller in January 2001 and as Group Chief Financial Officer in March 2001. Mia is a member of the board of CTC Media Inc. since February 2006.

ANDREW BARRON



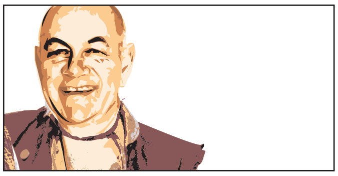
Alias: Barbossa Barron
Born: 1965
Title: Chief Operating Officer
Beneficial shareholding in MTG: 0
Granted options: 19,998

Andrew joined MTG in 2002 from United Pan-Europe Communications, where he was CEO of Chello broadband. He previously served as Executive Vice President of New Media and Business Development for Walt Disney Europe. Andrew was appointed as Chief Operating Officer in 2003.

BOLDER

EXECUTIVE MANAGEMENT

HASSE BREITHOLTZ



Alias: Governor Weatherby Breitholtz
Born: 1949
Title: Executive Vice President of MTG and Managing Director of Modern Studios
Beneficial shareholding in MTG: 0
Granted options: 9,876

Hasse joined MTG in 2004 from Bertelsmann Media Group, where he was President of BMG's Nordic operations and Chairman of BMG's operations in the UK and Ireland. Hasse has also served as Marketing Director for EMI in Sweden and for the Swedish 'Sonet Grammofon' music label. He is a member of the Board of Directors of Djurgården Ice Hockey Club.

ANDERS NILSSON

Alias: Nilsson the Navigator
Born: 1967
Title: Responsible Free-to-air & Pay-TV & Radio – Sweden
Beneficial shareholding in MTG: 0
Granted options: 84,405

Anders worked for MTG Radio from 1992 before becoming President of MTG's radio operations in 1997. He was appointed President of MTG Publishing in 2000 and served as Group Chief Operating Officer for two years. Anders has been responsible for the TV- and radio operations in Sweden since 2003.

HEIN ESPEN HATTESTAD

Alias: The Dashing Hattestad
Born: 1963
Title: Responsible Free-to-air & Pay-TV – Norway
Beneficial shareholding in MTG: 0
Granted options: 84,405

Hein Espen was appointed CEO of P4 Radio Hele Norge ASA in 1999 and worked there until he joined MTG Norway as Chief Operating Officer in 2001. Prior to 1999, he was Vice President of The Bates Group Norway, which was part of the Cordiant advertising and marketing services group. Hein Espen has been responsible for the TV-operations in Norway since 2003.

JØRGEN MADSEN

Alias: Jørgen the Brave
Born: 1966
Title: Responsible Free-to-air TV & Pay-TV – Denmark
Beneficial shareholding in MTG: 969 Class B shares
Granted options: 138,810

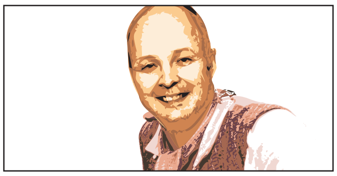
Jørgen has worked in the Group since 1994, serving as the Head of Sponsorship for TV3, Head of Viasat Sport in Denmark and, subsequently, as Head of Viasat Sport for the whole Scandinavian region. He was also President of the New Media business area between 2000 and 2001. Jørgen has been responsible for the TV-operations in Denmark since 2003.

YGGERS MORTENSEN

Alias: Privateer Yggers
Born: 1971
Title: Responsible Free-to-air TV, Pay-TV & Radio – Central & Eastern Europe
Beneficial shareholding in MTG: 700 Class B shares
Granted options: 84,405

Yggers has held various positions in MTG's radio and television operations since 1995, when he joined the Group's management trainee programme. Prior to becoming responsible for the Central and East European operations in 2003, he managed the London broadcasting centre and play-out facility.

EIVIND SCHACKT



Alias: Buccaneer Eivind
Born: 1964
Title: Managing Director of Home Shopping
Beneficial shareholding in MTG: 0
Granted options: 37,143

Eivind joined the Group in 1993 and has held several positions including Managing Director of TV3 Norway and Head of TV-Shop Scandinavia. Eivind was appointed as Managing Director of MTG's Home Shopping operations in 2001.

VIASAT BROADCASTING

VIASAT BROADCASTING COMPRISES THE GROUP'S BROADCASTING OPERATIONS.

Viasat Broadcasting entertains people by providing high quality own-produced and third party TV entertainment channels to viewers across the Nordic region (Sweden, Norway, Denmark and Finland), as well as to viewers in 17 countries in Central and Eastern Europe.

Viasat is one of few integrated free-to-air and pay-TV operators in Europe. Viasat broadcasts its free-to-air television channels (advertising-supported) – TV3, ZTV, TV8, TV3+, 3+ and Tango TV – to viewers in Sweden, Norway, Denmark, Finland, Estonia, Latvia and Lithuania, both through its direct-to-home satellite platform, as well as through third party networks. High quality content is secured through major output deals with Hollywood studios, as well as through contracts with local production houses, providing Viasat with the very best in TV entertainment.

Viasat's 20 own-produced premium movie, sports and documentary pay-TV channels are packaged together with leading third party TV channels and distributed through Viasat's direct-to-home satellite platform, via broadband (in Sweden and Norway) or through third party cable operators to viewers in the Nordic and Baltic regions. In addition, Viasat currently distributes five of its pay-TV channels on a wholesale basis through third party cable networks to 11.5 million subscribers in 17 countries in Central and Eastern Europe.

Viasat's geographical expansion has continued during 2005 and, following the acquisition of 50% of Czech TV station TV Prima in 2005, Viasat now operates free-to-air TV channels in Russia (DTV), the Czech Republic (TV Prima) and Hungary (Viasat3).

In Russia, MTG owns and operates DTV, a Russian TV channel that currently reaches approximately 52% of the population in Russia's largest cities. MTG also holds 43.1% of the shares in CTC Media, which is Russia's largest independent broadcaster. In Hungary, MTG owns and operates Viasat3, the country's third largest commercial TV channel, which is distributed to viewers through third party cable and satellite networks. MTG's latest investment, TV Prima in the Czech Republic, has given MTG one of only two commercial TV licences in one of the most exciting TV markets in the region.

Furthermore, MTG now owns 90% of BET24.com, a fast-growing betting and gaming company providing customers across the world with the latest forms of on-line live sports betting, poker and casino. The integration of Viasat-owned sports rights, sports TV channels and a distribution platform with an innovative fast-moving betting company, provides the Group with exceptional cross-promotional marketing synergies and unique business opportunities in the online betting and gaming markets.

By broadcasting both advertising-supported channels and premium packaged entertainment and sports channels on its own distribution platform, Viasat is able to achieve an unrivalled level of efficiency and flexibility. Viasat's channel factory in London now employs 160 people to centralize functions such as marketing, scheduling, localisation, acquisition of content, on and off-air promotion and play-out.

Viasat Broadcasting reported its best year ever in 2005 and accounted for 80% of Group external sales. Net sales were up 24% to SEK 6,437 (5,181) million and operating profits grew by 88% to SEK 1,388 (737) million. The division's operating margin therefore increased to 22% (14%), which reflected strong growth and margin improvement in each of the three broadcasting segments – Free-to-Air TV Scandinavia, Pay-TV Nordic and Central & Eastern Europe.

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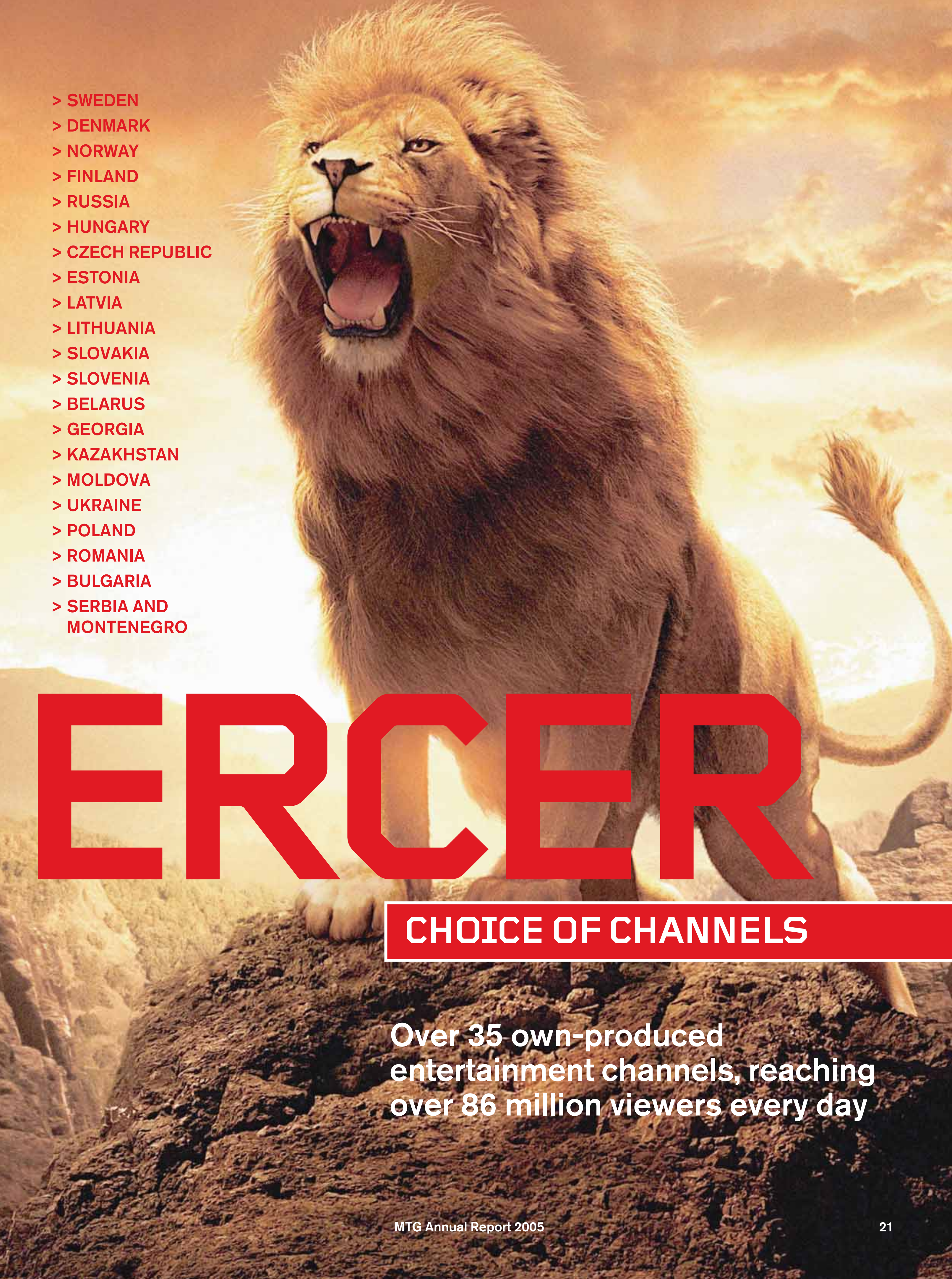


- > SWEDEN
- > DENMARK
- > NORWAY
- > FINLAND
- > RUSSIA
- > HUNGARY
- > CZECH REPUBLIC
- > ESTONIA
- > LATVIA
- > LITHUANIA
- > SLOVAKIA
- > SLOVENIA
- > BELARUS
- > GEORGIA
- > KAZAKHSTAN
- > MOLDOVA
- > UKRAINE
- > POLAND
- > ROMANIA
- > BULGARIA
- > SERBIA AND MONTENEGRO

ERCER

CHOICE OF CHANNELS

Over 35 own-produced entertainment channels, reaching over 86 million viewers every day

VIASAT BROADCASTING

Scandinavia: Free-to-air TV

73%

NATIONAL PENETRATION FOR TV3 IN SWEDEN – UP FROM 66% IN 2004

+11%

DOUBLE DIGIT SALES GROWTH

Viasat Broadcasting distributes its advertising-supported free-to-air television channels in Scandinavia (TV3 and ZTV in Sweden, TV3 and ZTV in Norway, and TV3 and TV3+ in Denmark) on Viasat's DTH satellite platform, as well as third party cable networks, the digital terrestrial network in Sweden, and broadband networks in Sweden and Norway.

TV3, the Group's flagship entertainment channel, is the second largest commercial channel in Sweden and Denmark and the third largest in Norway. In all three countries, the commercial terrestrial licence holder enjoys the advantage of almost 100% penetration of TV households. However, the Scandinavian TV market is rapidly changing as a result of accelerating digitalization and governments setting timeframes for analogue terrestrial switch-off.

The digital future of television made its presence felt in 2005 as Sweden became one of the first countries in Europe to begin the process of analogue terrestrial switch-off. The analogue signal was initially switched off in three Swedish cities during the Fall, leaving households to choose between digital terrestrial, cable and satellite. A further 28 cities will be switched off in 2006 and Sweden will be fully digital by March 2008. The Norwegian government plans its analogue switch-off to take place between end of 2006 and 2009. Viasat's strategy to broadcast its channels across multiple distribution platforms made it possible for TV3, ZTV and TV8 to increase their respective penetration levels in Sweden from 66%, 60% and 22% at the end of 2004 to 73%, 66% and 27% at the end of 2005, as a result of their inclusion in the fast-growing digital terrestrial network. The ubiquitous availability of the major free-to-air channels in each Scandinavian territory is inevitable and will create a level playing field that will help TV3 to fulfil its ambition to become the largest commercial broadcaster in Sweden, and the second largest in Norway.

Viasat's Scandinavian free-to-air channels not only benefited from increased penetration in Sweden, but also from further advertising market growth in Norway and Sweden, and share of viewing increases in Sweden. Established US series such as 'ER' made successful returns, whilst hot new Fox format 'The 4400' drove ratings in the all important Fall season. Long-running own-productions like 'Robinson' and 'Efterlyst' continued to be the backbone of the schedules, together with the ever popular Ice Hockey World Championships and UEFA Champions League coverage.

Net sales for the Scandinavian free-to-air operations were up 11% year on year in 2005 to SEK 2,912 (2,634) million, whilst operating income almost tripled to SEK 492 (179) million. The more than doubling of the operating margin from 7% to 17% reflected the high incremental margins in the business, following moderate programming cost increases during the year and cost savings arising from the gradual discontinuation of analogue distribution on the Viasat satellite platform.

Top: ER
Left: The 4400
Above: Top Model

The ubiquitous availability of the major free-to-air channels in each Scandinavian territory is inevitable and will create a level playing field.

17%

OPERATING MARGIN MORE THAN DOUBLES

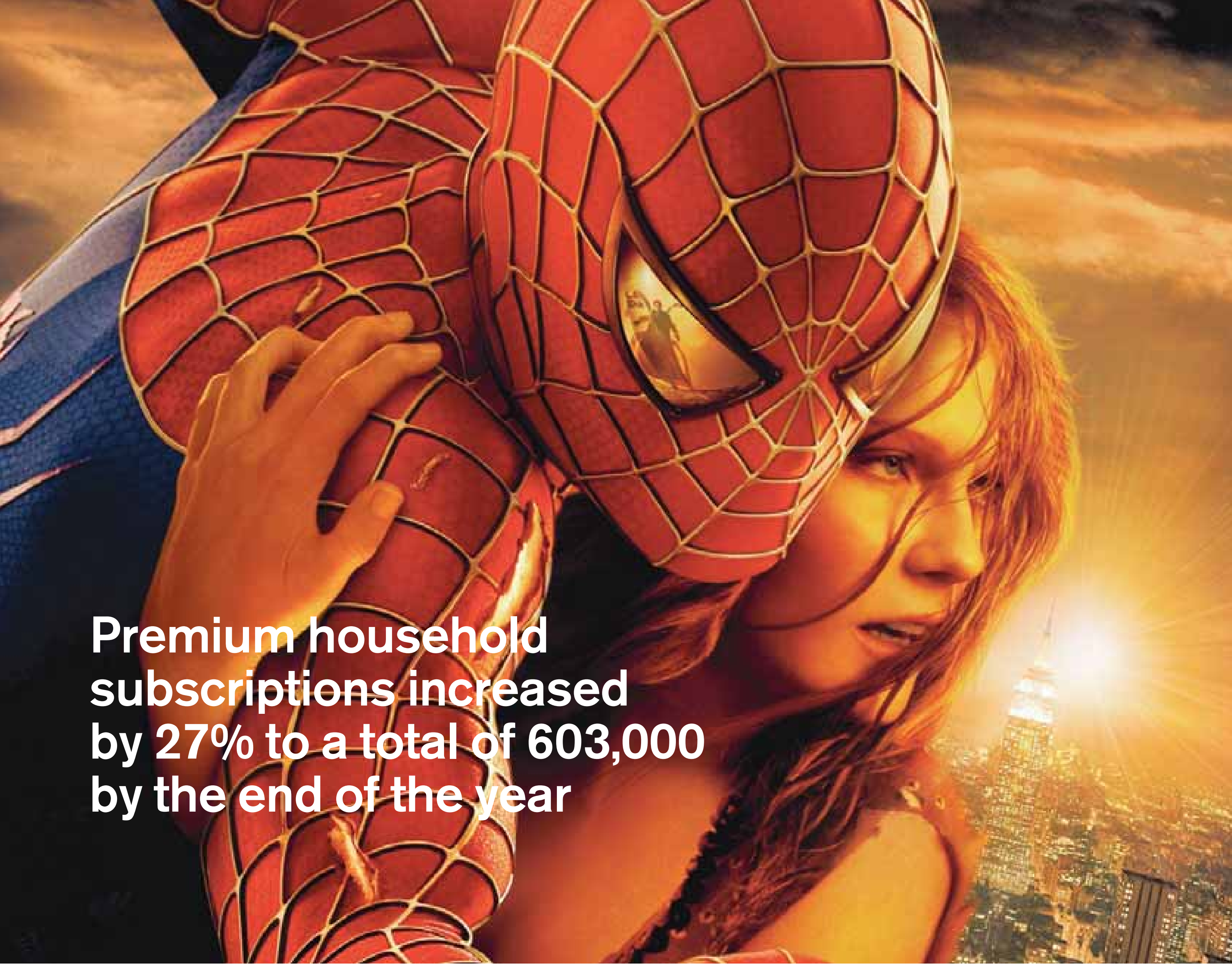
VIASAT BROADCASTING

Nordic: Pay-TV

Top: Pirates of the Caribbean
Right: Spiderman
Above: Ice Hockey World Championship

Viasat sells 'Gold' and 'Silver' premium satellite pay-TV packages of up to 20 Viasat channels and 30 leading third party channels to its subscribers in Sweden, Norway, Denmark and Finland. In addition, subscribers can also choose to receive Viasat's 'Gold' package via broadband in Sweden and certain parts of Norway, and various Viasat channels are also made available through third party cable networks.

Viasat successfully completed the migration of its premium subscriber base to a new secure conditional access technology during 2004. The new encryption system effectively eliminated piracy on the platform. Viasat has also strengthened its content offering with the addition of four new premium sports channels (Viasat Sport 2, Viasat Sport 3, Viasat Sport 24, SportN Norway), four new premium movie channels (TV1000 Action, TV1000 Classic, TV1000 Nordic, TV1000 Family) and two new premium documentary channels (Viasat Explorer, Viasat History) since September 2004. Viasat has also added a range of popular third party channels including Toon Disney, E! Entertainment Television and Cartoon Network. These investments paid off in 2005 with lower premium churn and higher new subscription sales leading to a 27% net increase (128,000 new premium subscribers) in the Viasat Nordic subscriber base. The platform had a total of 603,000



Premium household subscriptions increased by 27% to a total of 603,000 by the end of the year

+13%

SALES GROWTH

19%

OPERATING MARGIN FOLLOWING 37% PROFIT GROWTH

premium household subscriptions by the end of the year, of which 13,000 households had 'multi-room' subscriptions that are counted as single subscriptions in the total number given above.

Viasat became one of Europe's first broadcasters to offer TV via broadband (IPTV), when it launched its IPTV service at the end of 2004. MTG has made its premium 'Gold' pay-TV package widely available to a number of DSL and fibre-connected households in both Sweden and Norway during 2005. Viasat's IPTV offering is especially attractive as it includes all of Sweden's six most watched channels (TV3, ZTV, SVT1, SVT2, TV4 and Kanal5), thereby demonstrating MTG's commitment to act independently across multiple distribution platforms.

IPTV set-top boxes are plugged directly into the broadband socket in the home and this return path will facilitate the future launch of new interactive services such as Video on Demand.

Viasat continued to break new ground during 2005 with the launch of the revolutionary 'Viasat+' product and service (read more about 'Viasat+' on page 11). Viasat+ was introduced for premium subscribers at the end of the year and is expected to reduce subscriber churn levels even further and increase the company's Average Revenue Per Subscriber (ARPU) over time.

Viasat is the indisputable price leader in the premium segment of the Nordic market, and has further strengthened its premium offering of sports, movie and documentary channels. 80% of Viasat's satellite platform subscribers have premium subscriptions, which was reflected in a further rise over the year in the annualized ARPU from SEK 3,100 to SEK 3,277 in the fourth quarter.

Net sales growth of 13% to SEK 2,633 (2,321) million reflected the strong subscriber intake, whilst the 37% increase in operating profits to SEK 507 (370) million reflected the net positive effect of the lower premium churn levels and non-recurring 2004 encryption technology change, offset by higher total subscriber acquisition costs and new channel and product launches. The operating margin consequently increased from 16% to 19%.

VIASAT BROADCASTING

Central and Eastern Europe

11.5m

ALMOST DOUBLING OF MINI-PAY SUBSCRIBERS TO 5 VIASAT CHANNELS IN 17 COUNTRIES

Top: Nomeda
Left: The Simpsons
Above: Gladiator

MTG started its expansion into Eastern Europe in the early 1990s with the acquisition of terrestrial licences and launch of TV3 in the Baltics. Today, MTG operates a full scale and profitable international entertainment broadcasting business with 74 million viewers in 17 country markets across Central & Eastern Europe.

TV3 is now the most watched channel in Estonia, Latvia and Lithuania. TV3 and 3+/Tango TV achieved an increased pan-Baltic commercial share of viewing (CSOV) of 36.7% (36.0%) in its target group of 15-49 year olds in 2005. Following the success of Russian language channel 3+ in Latvia, which was launched at the beginning of 2004 and had achieved a 5% commercial share of viewing only one year later, Viasat repeated the formula with the launch of 3+ in Estonia at the beginning of 2005. Approximately 40% of Estonia's population are Russian speakers and the new channel features a combination of movies, sports, drama series and reality formats.

Viasat also launched its own DTH pay-TV satellite platform in the Baltics in 2000. The platform was heavily pirated until the change of encryption technology in 2004. The number of premium subscribers on the platform more than doubled in 2005 with the addition of 23,000 new premium subscribers, which reflected both the reduced churn levels and the enhancement of the package with new channels. Viasat now has 38,000 premium subscribers in the Baltics. The development in the Baltics has mirrored that in Scandinavia, with the creation of a mass market channel followed by the roll-out of niche channels targeted at specific demographic groups, the launch of the Viasat pay-TV platform and the introduction of sister radio stations to provide cross-promotional support and additonal complementary advertising media.

MTG announced the acquisition of 50% of Czech TV channel 'TV Prima' in September and consolidates the channel's results with effect from 1 November 2005. TV Prima is the second largest TV channel in the country with a commercial share of viewing of 24.6% (22.9%) behind competitor TV Nova, which has enjoyed a share of over 40%. Local legislation has been passed that will prohibit the sale of advertising airtime on the two state channels CT1 and CT2 with effect from 2008. TV Prima has a nationwide technical penetration of over 98% of the 4 million TV households, and is broadcast under a national terrestrial licence that lasts until 2018. The channel broadcasts a well diversified schedule of family-oriented entertainment programming and features a range of local and international content including films, series, news and sports coverage. MTG's involvement has already seen the signing of a new output deal with the Warner Bros Hollywood studio, and MTG intends to use its close operational involvement to increase investments in the schedules, in order to build TV Prima's viewing and advertising market shares moving forward. The channel reported 13% year on year sales growth to Czech Koruna 1,741 million in 2005, whilst the lower operating margin of 7% (20%) reflected the increased programming investments during the year. The Czech Republic has been a member of the European Union since May 2004 and is one of the most prosperous economies in Central and Eastern Europe, with a stable political climate, healthy GDP growth and low inflation.

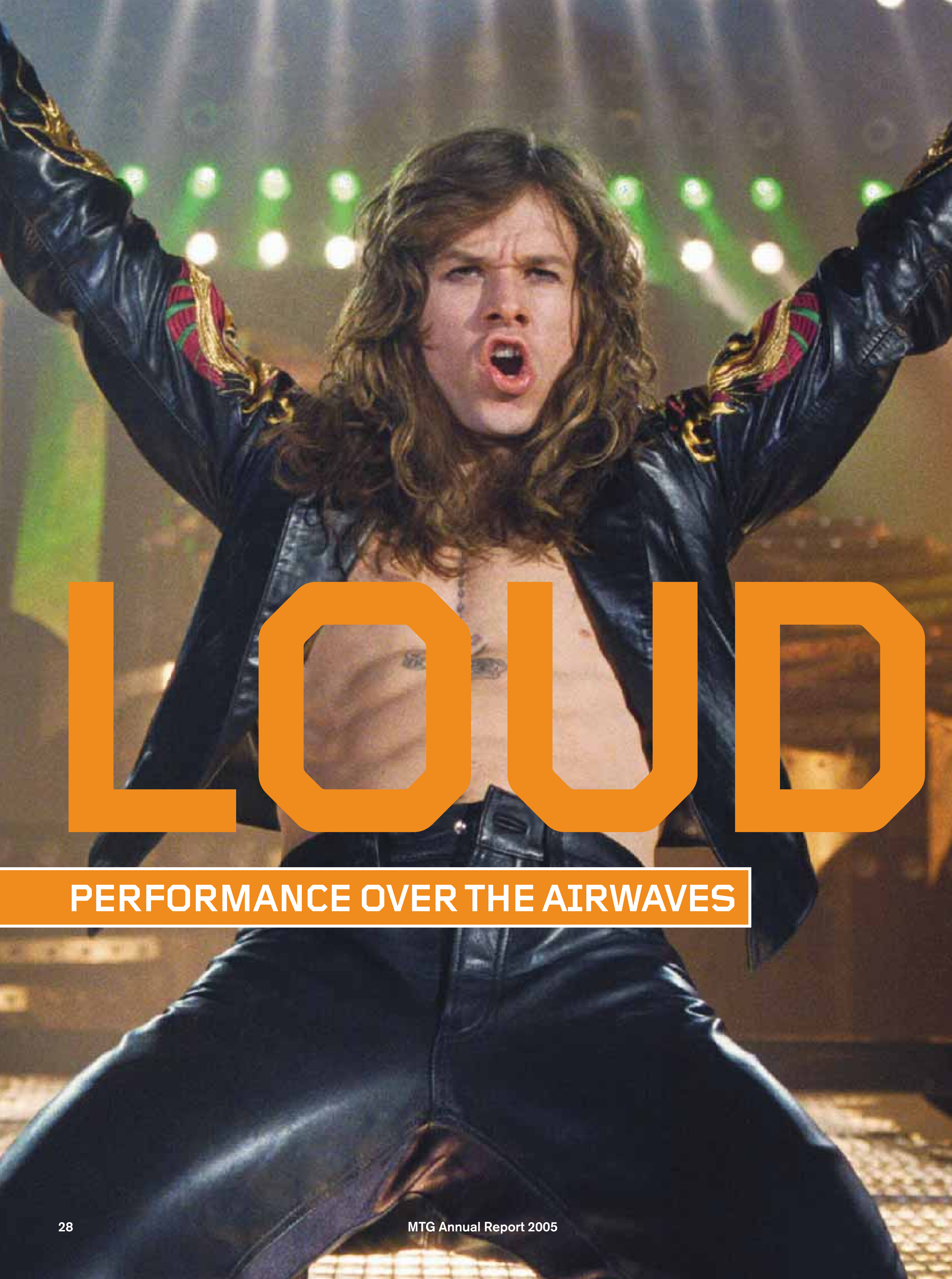
MTG increased its shareholding in CTC Media, Russia's largest independent TV broadcaster, from 39.8 to 43.1% in August following a repurchase of shares by CTC Media. CTC Media launched a second network – Domashny ("Home Channel") – in March 2005, which is based on the four regional television stations that CTC acquired in 2004. The network is targeted at a more female skewed audience and features a range of lifestyle programming and drama series, when compared to CTC. In 2005, the CTC and Domashny networks reported a combined share of viewing (4+ age group) of 11.3%. The Russian national and regional TV advertising markets continued to show high levels of growth in 2005. CTC Media again outperformed the market during 2005 and net sales were up 53% to approximately US$ 237 million. The business reported a slightly lower full year operating margin of 38%, which reflected the investments in the launch and build-out of the new network, as well as general programming cost inflation in the market. MTG accounts for its interest in CTC Media as an equity participation and reported its SEK 258 (146) million share of earnings as income from associated companies.

Viasat's free-to-air channel in Hungary, Viasat3, increased its commercial share of viewing in the all important 18-49 year old audience group by a full percentage point to 5.5%. This reflected the success of newly acquired programming such as hit US series C.S.I., as well as the enduring popularity of the UEFA Champions League, to which MTG has secured the rights for a further three seasons. Viasat3 consequently almost doubled its net sales to SEK 90 million for the full year and reported its first profitable quarter during the last quarter of the year. The channel, which is being distributed by cable and satellite operators and is available to 2.3 million households, reported a reduced operating loss of SEK -16 (-44) million for the full year following the investments in the programming schedule.

MTG's Russian TV channel DTV similarly boosted its commercial share of viewing during the year, which reached 2.3 % in the fourth quarter – up from 1.5% for the same period of 2004. DTV reaches 52% of the population in Russia's largest cities, and is one of Russia's ten largest national TV networks. Sales increased by 62% year on year to SEK 98 million, with losses gradually reducing throughout the year but stable at SEK -20 million for the full year. The network is now well-positioned to capitalize on its viewing share and signed a sales agreement with leading Russian sales house, Video International, at the end of the year.

Viasat added a fifth channel – Russian movie channel, TV1000 Russian Kino – to its Central and East European wholesale pay-TV business in 2005. In total, five Viasat produced pay-TV channels (Viasat Explorer, Viasat History, TV1000, Viasat Sport, TV1000 Russian Kino) are now distributed via agreements with 971 unique third party cable operators into 17 countries. 5.1 million new wholesale subscribers to the five channels were added during the year and the channels now attract a total of 11.5 million subscribers. Net sales for this high growth business tripled to SEK 30 million and significantly reduced losses of SEK -7 (-23) million reflected the clear momentum.

MTG's Central & Eastern European business area (excluding CTC Media) reported a combined 72% increase in net sales to SEK 813 million and its first full year operating profit of SEK 77 (-3) million. Including CTC Media, the business area reported a more than doubling of operating income to SEK 335 (143) million.



LOUD

PERFORMANCE OVER THE AIRWAVES

MTG RADIO

+34%

SALES GROWTH

www.rixfm.com

MTG Radio's flagship station brand – RIX FM – became Sweden's first truly national commercial radio network in 2005.

By adding the two cities of Norrköping and Linköping to its network, RIX FM now operates 36 out of the 86 commercial stations in Sweden. RIX FM also increased its audience by 23% to 1,439,600 daily listeners and the daily reach grew from 15.3% to 18.8%.

RIX FM's outrageous breakfast show "MorronZoo" increased its daily audience by 27% to 917,700 listeners and remains Sweden's most popular morning show.

MTG Radio also operates Lugna Favoriter (12 stations), NRJ (three stations), Svenska Favoriter and Bandit in Sweden. MTG's 53 stations in Sweden attracted an average daily audience of over two million listeners for the first time in 2005, and achieved a combined commercial share of listening of 65% – up from 59% in 2004. MTG Radio's stations have a combined national penetration of 89% in Sweden.

MTG Radio also operates the Star FM national commercial networks in Estonia and Latvia, and local Power Hit FM stations in Tallinn (Estonia) and Vilnius (Lithuania).

MTG Radio reported 34% sales growth to SEK 290 million and operating result of SEK 23 million, including associated company income in 2005.

MTG Radio has an indirect 15% equity interest in Finland's only national commercial radio network – Radio Nova.

MTG Radio also owns 39.7% of Radio P4 Hele Norge ASA in Norway. P4 had a strong year with sales up 14% to NOK 271 million and operating profits grew by 65% to NOK 71 million, following strong listener figures.

1,439,600

LISTENERS TUNED IN TO RIX FM ON A DAILY BASIS BY THE END OF THE YEAR

The audience for Sweden's most popular breakfast show 'MorronZoo' grew by 27%.

MODERN STUDIOS

Modern Studios comprises MTG's content production and distribution businesses.

Strix Television is MTG's primary TV production house and continued to sell options and licences to its reality TV formats around the world during 2005. A total of 27 options and 24 licences to 10 Strix formats were sold to broadcasters and production companies in 27 countries during the year, which included the sale of hit reality show 'The Farm' to Lebanon and the UK, as well as the sale of 'Paradise Lost' in 13 countries.

Sonet is the number one Swedish film distributor and new releases during the year included 'Zozo', which was directed by famous Swedish filmmaker Josef Fares. Sonet produced or co-produced movies that sold 1,577,000 tickets in movie theatres across Sweden in 2005. Successful features such as 'Bang Bang Orangutang' and 'The Chef' helped maintain Sonet's 60% share of theatre admissions for Swedish movies.

MTG acquired 60% of Engine in June 2005. Engine is a concept developer creating unique music and video products for market leading brands and characters. The Company is currently developing the official music programme for the 2006 FIFA World Cup in Germany, as well as for the 2006 European Athletics Championships to be held in Gothenburg (Sweden).

MTG sold the majority of Modern Entertainment's movie title rights library during the year and subsequently closed down the Los Angeles-based business. The decision to close down Modern Entertainment reflects MTG's strategy to focus on its core broadcasting operations and directly related businesses in Europe.

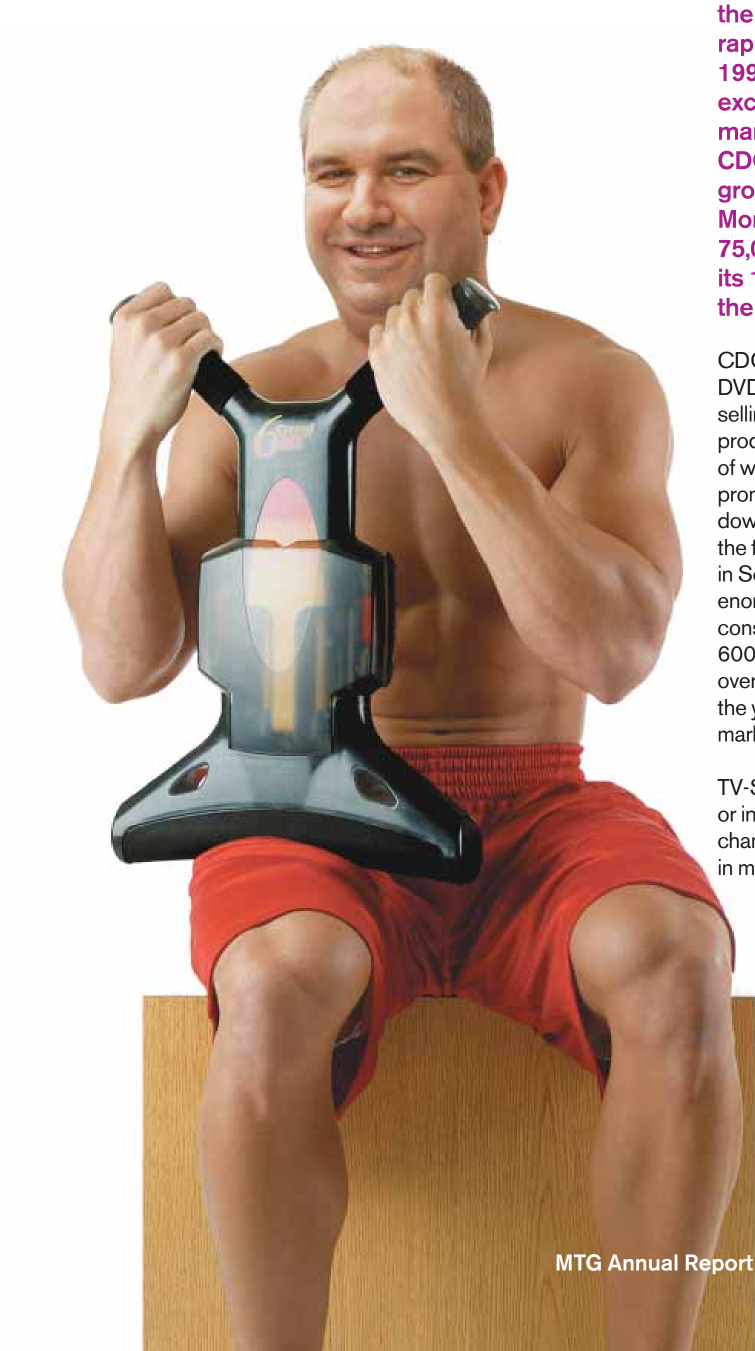
Net sales for the business area amounted to SEK 638 (829) million. The business area reported a full year operating loss of SEK -26 million, compared to a profit of SEK 22 million in 2004. The 2005 result included a non-cash write-down of SEK 33 million arising from Sonet's debut English language feature film 'Rancid' and the 2004 result included SEK 66 million of non-cash write downs of beneficial rights in Modern Entertainment.

Top: Bang Bang Orangutang
Above: Zozo

HOME SHOPPING

+20%

SALES GROWTH & MORE THAN TRIPLING OF OPERATING PROFITS



Top: GT Express
Left: Ab King Pro
Above: www.cdon.com

CDON.com, the largest internet retailer of entertainment products in the Nordic region, has grown rapidly since its launch in 1999, and 2005 was no exception. Despite an overall market decline in CD sales, CDON reported double digit growth in music CD sales. Moreover, CDON delivered 75,000 unique music titles to its 1.3 million customers in the Nordic region.

CDON also launched an online DVD rental service and began selling electronic hardware products over the internet, both of which businesses have started promisingly. CDON's music downloads service, which was the first of its kind to be launched in Scandinavia, has proven enormously popular with consumers. The extensive list of 600,000 music tracks attracted over one million downloads during the year, which represented a 52% market share in Sweden.

TV-Shop is a direct response TV or infomercials business. The channels reach 100 million homes in more than 50 countries. TV Shop launched a new channel – TV Shop 24/7 – during the year, which is available to Viasat's Basic pay-TV package subscribers in Sweden, Norway, Denmark and Finland. Internet sales also showed strong growth with the success of home fitness products such as 'Ab King Pro' and kitchen appliance 'The Magic Bullet'.

The Home Shopping business area reported a 20% increase in net sales to SEK 992 (829) million and an increase in operating income from SEK 17 million in 2004 to SEK 63 million. Both CDON and TV Shop were profitable for the full year.

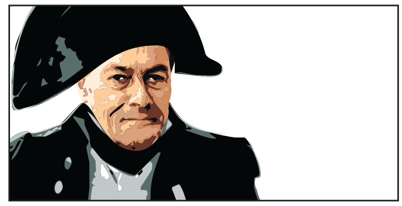
Board of Directors

DAVID CHANCE

Alias: First Lord of the Admiralty
Born: 1957
Title: Chairman & Non-Executive Director
Independence: Independent of the Company, management & major shareholders
Direct or related person ownership of MTG securities: 0

David has been Chairman of the Board of Directors since May 2003, and a member of the Board since 1998. David was Managing Director of the BSkyB Group between 1993 and 1998 and worked in the U.S. television industry for seven years. David is Chairman of TOP UP TV and has also served as a Non-Executive Director of ITV Plc and O2 Plc. David graduated with a BA, BSc and MBA from the University of North Carolina.

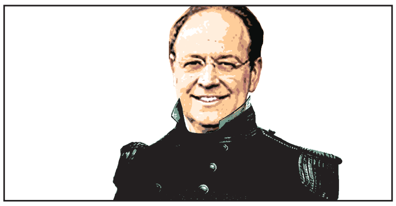
ASGER AAMUND



Alias: Admiral of the Fleet
Born: 1940
Title: Non-Executive Director
Independence: Independent of the Company, management & major shareholders
Direct or related person ownership of MTG securities: 0

Asger has been a member of the Board of Directors since 2000 and is also Chairman of the Boards of the Danish subsidiaries of MTG. Asger is the majority shareholder and Chairman of the Bavarian Nordic Research Institute and NeuroSearch, both of which are listed on the Copenhagen Stock Exchange. Asger has many years experience in senior management positions and on the boards of Danish and international companies. Asger graduated from Copenhagen Business School.

NICK HUMBY



Alias: Warrant Officer & Paymaster General
Born: 1957
Title: Non-Executive Director
Independence: Independent of the Company, management & major shareholders
Direct or related person ownership of MTG securities: 0

Nick has been a member of the Board of Directors since 2004 and has worked in leading financial management positions in the media and sports industries. He was appointed Group Finance Director of Manchester United, one of the world's most successful sports clubs, in 2002, prior to which he was Finance Director of Pearson Television. Nick also serves as a Non-Executive Director of The Ambassador Theatre Group. Nick graduated from Birmingham University and is a member of the Institute of Chartered Accountants.

DAVID MARCUS

Alias: Midshipman Marcus
Born: 1965
Title: Non-Executive Director
Independence: Independent of the Company, management & major shareholders
Direct or related person ownership of MTG securities: 6,100 Class B shares

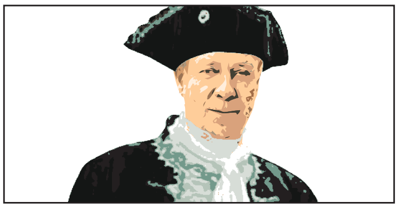
David has been a member of the Board of Directors since 2004 and is the founder and Managing Partner of investment advisor M2 Capital. David is also the Non-Executive Chairman of Modern Holdings, Inc. and a Non-Executive Director of Scribona AB and Novestra AB. David graduated from Northeastern University in Boston.

CRISTINA STENBECK

Alias: The Commodore Lady Cristina
Born: 1977
Title: Non-Executive Director
Independence: Not independent of the Company, management or major shareholders
Direct or related person ownership of MTG securities: 0

Cristina has been a member of the Board of Directors since 2003. Cristina is Chairman of Emesco AB and Vice Chairman of Investment AB Kinnevik and Invik & Co. AB. She serves as a Non-Executive Director of Metro International S.A., Millicom International Cellular S.A., Tele2 AB and Transcom WorldWide S.A. Cristina graduated from Georgetown University in Washington DC.

VIGO CARLUND



Alias: Munitions Master
Born: 1946
Title: Non-Executive Director
Independence: Not independent of the Company, management or major shareholders
Direct or related person ownership of MTG securities: 1,000 Class B shares

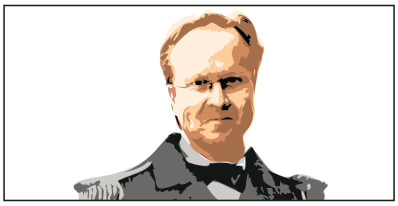
Vigo has been a member of the Board of Directors since 2005 and is President & Chief Executive Officer of Investment AB Kinnevik. Vigo is also Chairman of Metro International S.A. and Korsnäs AB and serves as a Non-Executive Director of Tele2 AB, Transcom WorldWide S.A., Millicom International Cellular S.A. and Invik & Co. AB.

PELLE TÖRNBERG

Alias: Harbour Master
Born: 1956
Title: Non-Executive Director
Independence: Not independent of the Company, management or major shareholders
Direct or related person ownership of MTG securities: 12,200 Class B shares

Pelle has been a member of the Board of Directors since 2000 having been the President & Chief Executive Officer of MTG until 2000. Pelle is President & Chief Executive Officer and a Board Director of Metro International S.A. Pelle established and launched a wide range of media companies within Industriförvaltnings AB Kinnevik before assuming responsibility for all of Kinnevik's media operations in 1993. Pelle is a member of the Board of the Swedish American Chamber of Commerce and studied at the University of Gothenburg.

LARS-JOHAN JARNHEIMER



Alias: Flag Officer
Born: 1960
Title: Non-Executive Director
Independence: Independent of the Company and management, not independent of major shareholders
Direct or related person ownership of MTG securities: 2,000 Class B shares

Lars-Johan has been a member of the Board of Directors since 1997 and has been President and CEO of Tele2 AB since 1999. Lars-Johan has previously served as a member of the group executive management of Saab Automobile with responsibility for the Nordic countries, Russia and the Baltic States, and was President of Saab Opel Sverige AB between 1997 and 1998. Lars-Johan was President of Comviq from 1993 to 1997 and was appointed as Vice President of Industriförvaltnings AB Kinnevik in 1999. Lars-Johan is a Non-Executive Director of Millicom International Cellular S.A., Arvid Nordquist Handels AB, and INGKA Holding B.V. (the parent company of the IKEA group of companies). Lars-Johan graduated with an MBA from Växjö and Lund Universities in Sweden.

Corporate Social Responsibility

Maximizing the power of entertainment

Modern Responsibility

Modern Responsibility is MTG's Corporate Social Responsibility programme. As described in last year's annual report, the programme has now been implemented across the Group in order to maximize MTG's potential and deliver a consistent, long-term and high level of performance.

Our mission statement is 'Maximizing the Power of Entertainment' and our values spring from this to address each and every one of our stakeholder groups. An organization's ability to create and adapt to change in its environment and to capitalize on these opportunities is what defines it. The speed and efficiency with which this is accomplished is what determines success.

Modern Responsibility is our platform for MTG's future development. It addresses the impact of our business on each of our stakeholder groups and outlines how we manage this impact moving forward. It is about our position at the forefront of change; our commitment to the broad but responsible availability of entertainment content; the development of our brands and services by enhancing relationships, loyalty and reputation; and ensuring consistently high quality in the way that MTG's companies conduct business in every market. Modern Responsibility is about MTG continuing to be a great place to work and the working environment continuing to foster and reward the qualities that we value. The opportunity to thrive within this culture and to advance our abilities is paramount.

In this context, MTG has a responsibility to all of its stakeholders – customers, owners, regulators, suppliers, the wider business community, society at large and each and every MTG employee. Our daily work is the basis on which MTG is perceived and measured. We have therefore developed a clear statement of what MTG stands for and how we do business, which is reflected in MTG's unparalleled and successful track record of challenging convention and monopolies by establishing new entrepreneurial businesses in Europe.

Customers

The customer is No.1 . MTG strives to improve the content and services that we provide to our customers. We act according to our customers' needs by implementing new or improved services, as well as launching new channels.

The Viasat+ Personal Video Recorder (PVR) product and service, which was launched in 2005, enables viewers to take control of their TV experience by allowing Viasat pay-TV subscribers to easily record, plan and view their favourite entertainment programming.

The 'Viasat Gold' pay-TV package of approximately 50 mass market and premium TV channels contains a broad range of entertainment for all members of the family. With a TV in virtually every room in the house, the responsible provision of content is central to Viasat's programming and broadcasting policies. Viasat therefore introduced PIN codes during 2005 as a parental control system, in order to provide parents with the ability to 'lock out' and 'lock in' what each member of the family is able to view. Viasat exceeds the requirements and guidelines regarding the protection of minors (children) by means of publishing clear ratings in publications, warnings before airing, as well as the previously mentioned PIN codes.

Above: Responsible handling of content through clear communication

Employees

Our mission statement, twelve key rules, and our code of conduct have been presented and communicated to employees by local management in each of the countries that we operate in. Employees have received localised handbooks and regular newsletter updates, and internal surveys have been put in place in order to measure the success of the programme. The code of conduct is intended to promote the interests of MTG and its stakeholders, to ensure compliance with the law, and to clearly indicate MTG's moral and ethical standards. The code exists to ensure that we are individually accountable for conducting our business in accordance with MTG's values, and that we provide equal opportunity in every aspect of our business.

MTG has also put in place a disclosure ("Whistle Blowers") policy, which is a procedure to enable individuals to raise concerns about actual or potential workplace malpractice or mismanagement on a protected basis.

Regulators

The daily provision of entertainment content and products to millions of people around the world brings power, opportunity and responsibility. Our core business of broadcasting entertainment is regulated under the provisions of the "Television without Frontiers" EU-directive, as well as the relevant national broadcast regulations.

We have strict internal policies with regard to the approved acquisition, scheduling, logistics, licensing and airing of programming, as well as marketing, advertising, sponsorship and sales. These processes are facilitated by the largely centralised functions within Viasat Broadcasting. We also have a dedicated compliance team that reviews all regulatory changes and ensures compliance with the existing and pertaining rules. MTG holds itself responsible for this decision-making process but also seeks to exceed the prescribed standards.

MTG's Modern Reponsibility programme continues to evolve and reach out more widely and comprehensively.

Suppliers

At MTG, we seek to conduct our relationships with our suppliers in a decent and proper manner, and we seek to develop relationships with suppliers that conduct their business in an ethical manner, in line with MTG's own internal standards.

We expect our suppliers to:

- Support universal human rights and to operate employment practices that respect human dignity
- Judge their employees and contractors based upon their ability to do their job and not upon their physical and/or personal characteristics or beliefs, affirming the principle of no unlawful discrimination based on race, colour, gender, religion, national origin or sexual orientation
- Neither to employ anyone under the legal working age nor to condone physical or other unlawful abuse or harassment, or the use of forced or other compulsory labour in any of their operations
- Follow all applicable laws, and similar standards and principles in the countries in which they operate

NGOs (Non governmental organisations)

MTG has always promoted a wide range of charitable and community initiatives, both locally and worldwide. 2005 was no exception. TV3 Sweden continued to work with the Cancer Fund to promote awareness of breast cancer prevention, suffering and treatment. This work culminated in the 'Pink Ribbon Gala' in October, broadcast live on TV3. Over 1.4 million viewers watched the two hour telethon and the overall campaign raised SEK 28 million.

MTG also supported the 'SOS Children's Villages' welfare organization providing long-term care for orphans and children in need, and 'The International Peto Institute' for disabled children in Hungary. Airtime on Viasat channels was provided to campaigns by the 'Red Cross' to support the victims of the earthquake in Pakistan; 'Webaid' to help street children in St. Petersburg; 'Friends' against school bullying; and other organizations including 'Amnesty International', 'The Church - SOS', 'Norwegian People's Aid', 'Rainforest Foundation Norway', 'Advertisement for Charity' and the 'WWF'.

As we move into 2006, MTG is prioritising its support for a number of Mental Health initiatives. Often overlooked, psychological diseases have a major impact on today's society. A large amount of adults will suffer from some form of mental illness during their lifetime, with the most common conditions resulting in anxiety, depression, substance abuse, anti-social behaviour, violence and suicide. MTG will therefore support wide-ranging efforts to raise awareness of the causes, symptoms and results of such problems, and seek to prevent their development and support those suffering from, and affected by, mental health disorders.

Society

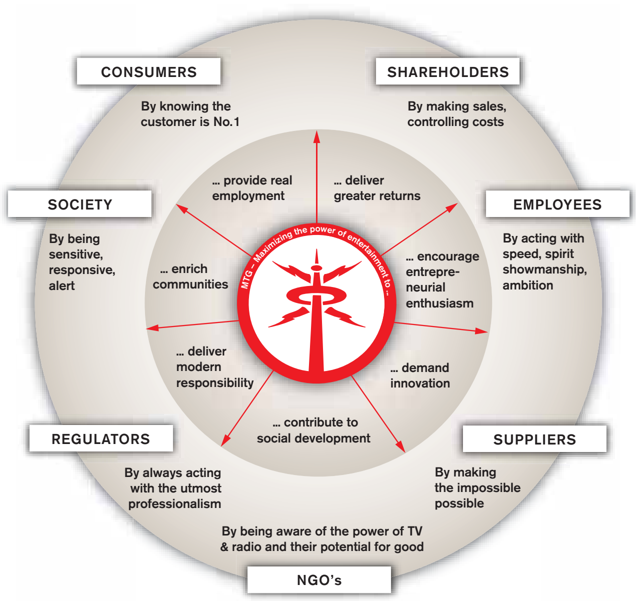
As MTG operates primarily in the service sector, our operations create limited environmental impact. However, MTG takes the environmental impact of its businesses seriously and works to prevent environmental exploitation and damage, by minimising the adverse impact of our operations through the adoption of best practice environmental management.

Viasat Finland contributed financially to the 'Mannerheim Childrens Fund' by giving up the traditional Christmas card and emailing customers instead, with the resulting savings being donated to the Fund. This initiative also reflects MTG's efforts to reduce company wastage and protect the environment, and sits alongside a number of other recycling initiatives.

Shareholders

The record high level of operating profit generated by MTG in 2005 has created significant value for shareholders and generated a return on capital employed of 22.1%. MTG is on track with its strategic objectives and will continue to review new investment opportunities in order to generate further shareholder value.

MTG's Modern Responsibility programme continues to evolve and reach out more widely and comprehensively within the organization and outside. The planning, implementation and development of all of the aspects above is being worked on by the Board of Directors and Senior Management on an ongoing basis.



Left: MTG has a responsibility to all of its stakeholders.

Corporate Governance

This Report provides information regarding Modern Times Group MTG AB's Corporate Governance policies and practices. The Company follows the Swedish Code of Corporate Governance in most aspects and only deviates from the recommendations in respect of the membership of the Remuneration Committee and the Chairmanship of the Nomination Group, which are explained below.

Background
Modern Times Group MTG AB is a Swedish public limited liability company and the Annual General Meeting (AGM) of shareholders is the highest decision-making authority in the Group's governance hierachy.

The Board of Directors
The Board of Directors of Modern Times Group MTG AB comprises eight non-executive Directors. The members of the Board of Directors are Asger Aamund, Vigo Carlund, David Chance, Nick Humby, Lars-Johan Jarnheimer, David Marcus, Cristina Stenbeck and Pelle Törnberg. The Directors were all elected or re-elected at the Company's AGM on 11 May 2005. At a statutory Board meeting following the AGM, David Chance was elected as Chairman of the Board of Directors.

Biographical information on each Board member is provided on pages 32-33 of this report.

Nomination Group
Following a resolution of the AGM of Modern Times Group MTG AB in May 2005, a Nomination Group consisting of major shareholders in Modern Times Group MTG AB was created with Cristina Stenbeck as Chairman. The Nomination Group comprises Cristina Stenbeck on behalf of Investment AB Kinnevik and Emesco AB; Annika Andersson on behalf of the Fourth Swedish National Pension Fund; Mats Lagerquist on behalf of Robur; and Björn Lind on behalf of SEB Asset Management and SEB Trygg Liv, who together represent more than 50% of the voting rights in Modern Times Group MTG AB. The Nomination Group will submit a proposal for the composition of the Board of Directors and the appointment of the Group's auditors to the 2006 AGM for approval.

The composition of the Nomination Group does not follow the Code of Corporate Governance, which recommends that the Chairman of the Nomination Group should not be a member of the Board of Directors. The Nomination Group however considers it to be in the best interests of the Company to elect Cristina Stenbeck as Chairman, due to her representation of a substantial combined shareholding in Modern Times Group MTG AB.

Responsibilities and duties of the Board of Directors
The Board of Directors is constituted to provide effective support for, and control of, the activities of the executive management of the Company. The Board has adopted working procedures for its internal activities that include rules pertaining to the number of Board meetings to be held, the matters to be handled at such regular meetings of the Board, and the duties of the Chairman.

In order to carry out its work more effectively, the Board has appointed a remuneration committee and an audit committee with special tasks. These committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions. However, all members of the Board have the same responsibility for all decisions made, irrespective of whether the issue in question has been reviewed by such a committee or not.

The Board has also adopted procedures for instructions and mandates issued to the Chief Executive Officer. These procedures require that investments in fixed assets with a value of more than SEK 500,000 have to be approved by the Board. The Board also approves large scale programming investments and other significant transactions including acquisitions and closures or disposals of businesses. In addition, the Board has also issued written instructions specifying when and how information, which is required in order to enable the Board to evaluate the Group and its subsidiaries' financial positions, should be reported to the Board.

Remuneration Committee
At a statutory Board meeting following the 2005 AGM, Asger Aamund was appointed as Chairman of the Remuneration Committee and David Chance, David Marcus and Cristina Stenbeck were appointed as members of the Committee. The Board of Directors commissions the work of the Remuneration Committee. The responsibilities of the Remuneration Committee include issues regarding salaries, pension plans, bonus programmes and other employment terms for the Chief Executive Officer and executive management within the MTG Group. The Committee also advises the Board on share option programmes.

The remuneration paid to the Group's senior management, as well as information about the Company's existing share option programmes and executives' beneficial ownership of shares and other financial instruments in the Company, are set out in Note 28 to the Accounts on pages 67–68 of this report.

Cristina Stenbeck's seat on the Remuneration Committee is not in compliance with the Code, which requires that only Directors who are independent of the company and its management should sit on the Remuneration Committee. The Directors however consider that it is in the best interests of the Group that an exception to the Code be made in this respect, provided that a majority of the members of the Remuneration Committee are independent.

Audit Committee

At a statutory Board meeting following the 2005 AGM, Nick Humby was appointed as Chairman of the Audit Committee and David Marcus and Asger Aamund were appointed as members of the Committee. The Board of Directors commissions the work of the Audit Committee. The Audit Committee's responsibility is to maintain the working relationship with the Company's internal and external auditors, as well as to review the Group's accounting and financial reporting procedures. The Audit Committee focuses on ensuring quality and accuracy in the Company's financial reporting, the internal controls within the Company, the qualification and independence of the auditors, the Company's adherence to prevailing rules and regulations and, where applicable, transactions between the Company and related parties.

The work of the Board during 2005

The Board reviewed the financial position of Modern Times Group MTG AB and the MTG Group on a regular basis during the year. The Board also regularly dealt with matters involving divestments, acquisitions, the establishment of new operations, and matters related to investments in programming and non-current assets in the Group's business areas. The Board of Directors also reviewed the Group's strategy and forward development plans, and visited Group operations in Sweden and the United Kingdom.

The Board of Directors met seven times during 2005. One Director was excused from two of the ordinary meetings. Three Directors were excused from one ordinary meeting each.

The Remuneration Committee held one ordinary meeting during 2005, which was attended by all Directors, and a number of extraordinary meetings.

The Audit Committee held three ordinary meetings during 2005. Two Directors attended all three meetings and one Director was excused from two meetings.

External auditors

MTG's auditors are elected by the AGM for a period of four years. The two current auditors were elected at the 2002 and 2003 AGMs respectively. KPMG was last elected as MTG's lead auditor in 2002 and has been MTG's external auditor since 1997. Carl Lindgren (authorized public accountant) of KPMG is responsible for the audit of the company. The next election of the auditor will take place at the 2006 AGM. The second auditor is Ernst & Young and Erik Åström (authorized public accountant) is responsible for the audit. The next election of the second auditors will take place at the 2007 AGM. Ernst & Young has served as co-auditor since 1997.

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

KPMG provided certain additional and audit-related services to MTG during 2003, 2004 and 2005. These services comprised advice on the preparation and implementation of internal control testing and reporting procedures, advice on the transition to International Financial Reporting Standards, and other similar assignments, which took place during 2003, 2004 and 2005.

Auditing assignments over the three year period have involved the examination of the annual report and financial accounts and the administration by the Board and the CEO, other tasks related to the duties of a company auditor and consultation or other services that may result from observations noted during such examination or implementation of such other tasks. All other tasks are defined as other assignments.

For more detailed information concerning the auditors' fees for the year, see note 29 of the notes to the consolidated financial statements of page 68 of this report.

Executive Remuneration

The objective of the Group's remuneration policy is to offer competitive remuneration packages in order to attract, motivate and retain senior group and operational management, within the context of MTG's international peer group. The aim is to incentivize management to deliver excellent operating results and also align senior executive remuneration with the creation of value for shareholders.

Corporate Governance continued

Remuneration should provide for an appropriate balance between fixed and variable, short and long term incentives. The current senior executive remuneration programme therefore consists of a combination of fixed salary, variable remuneration and participation in option programmes.

MTG Group senior executives comprise the Chief Executive Officer, the Chief Financial Officer, Vice Presidents and Business Area Managing Directors. Variable remuneration is based on the performance of executives in relation to established goals and targets. The general contractual bonus system is based on an earnings period of one year, and is normally capped at 50 % of an executive's fixed salary. However, bonuses of more than 50% of salary may be granted in some cases on the basis of exceptional performance.

The CEO and the other senior executives are entitled to the standard prevailing pension contributions in the country in which they are employed, and pension commitments are secured by means of premiums paid to insurance companies. Other benefits include company cars and, in one case, housing allowance.

If the company terminates the employment of other senior executives, salary payments will continue to be paid during the contractual notice period for a maximum of 12 months. There is no standard severance pay in addition to the notice period. The Chief Executive Officer has a three year contract from the beginning of 2005 until the end of 2007, and one of the senior executives has a three-year contract from the beginning of 2006 until the end of 2008.

Executive Share Option Plans

2005 Global Share Option Plan

The 2005 AGM resolved to establish a new stock-based incentive programme for senior executives. The programme offered a combination of warrants and stock options to a group of 20 executives, entitling them to a combined maximum of 399,999 MTG class B shares. The participants were offered the opportunity to buy warrants at the prevailing market price and, for each warrant purchased, a maximum of two stock options were issued, each carrying the right to purchase one class B share. The exercise price for the options allotted during 2005 was set at SEK 261 .70 per MTG class B share, which was the average trading price of the class B share over the ten days following the AGM. The stock options may be exercised on or after 15 May 2008, provided that the holder is still employed by the Group. In order to encourage participation in the incentive programme, the Board of Directors decided upon a cash bonus that may be paid three years following the acquisition of the warrants by the participant. The cash bonus will only be paid if the warrants, stock options and/or class B shares acquired by exercising the warrants and stock options are still held by the participant and if the participant is still employed by the Group. The bonus may amount to a maximum of the difference between the total price paid by the participant and 2% of the total value of the underlying class B shares at the time of the acquisition of the warrants and stock options. It is the intention of the Board of Directors to make proposals to the 2006 and 2007 AGMs for annual allocations to be made on the same basis as in 2005.

2001 Global Share Option Plan

An Extraordinary General Meeting of Shareholders in 2001 resolved to issue a maximum of 2,052,840 options to acquire shares in the company to a group of senior executives. The options could be exercised after three years and no later than eight years from the date of issue, provided that the holder is still employed by the Group. No options have been granted as part of this plan since August 2002, and a total of 696,384 options had been granted and were still valid by the end of the year. The exercise price for these options is SEK 294.50 per class B share.

This report is not part of the formal Annual Report and has not been reviewed by the Company's auditors.

Internal Control

This report is limited to a description of how the internal control of MTG's financial reporting is organized. This report has been prepared in accordance with the Swedish Code of Corporate Governance; the guidelines proposed by the Swedish Association of Authorised Auditors (FAR) and the Confederation of Swedish Enterprise (Svenskt Näringsliv); and the transitional regulations introduced by The Swedish Corporate Governance Board (Kollegiet för svensk bolagsstyrning) with effect from 15 December 2005.

Control environment

In order to ensure the efficient management of MTG's business risk, the Board has specified a set of instructions and plan of work regarding the roles and responsibilities of the Chief Executive Officer and the Board committees. The Board also has a number of established basic guidelines, which are central to its work on internal control activities. This includes monitoring performance against plans and prior years. The senior management regularly reports to the Board according to established routines and in addition to the Audit Committee's reports. The senior management is however responsible for internal controls being in place to manage the risks of MTG's daily business operations. Guidelines for other employees are also distributed so that they may understand and appreciate the importance of their respective roles, and in order to maintain properly functioning internal controls.

Risk assessment and control activities

The Company has prepared a model for assessing the risk in all areas in which a number of items are identified in the income statement and the balance sheet where significant risks are enhanced. The summary of these risks is reviewed regularly by the Board of Directors and by the Audit Committee. Designing control activities is of particular importance to enable the Company to prevent and identify shortcomings in these areas.

Information and communication

The most significant guidelines and manuals used in the Company's financial reporting are communicated to the employees concerned. There are formal as well as informal information channels to the Group management and to the Board of Directors for information from the employees identified as significant information. Guidelines for external communication ensure that the Company applies the highest standards for providing accurate information to the financial market.

Follow-up

The Board of Directors regularly evaluates the information provided by Group management and the Audit Committee. The Audit Committee is responsible for further investigation into the work in this area, which is of particular importance for the following up of the internal control activities. The work includes ensuring that measures are taken to deal with any inaccuracies and to follow-up suggestions for actions emerging from internal and external audits.

Internal audit

The Company has an internal audit function responsible for the evaluation of risk management and internal control activities. This work includes scrutinizing the application of established routines and guidelines. The internal audit function plans its work in cooperation with the Audit Committee and reports its reviews to the Audit Committee.

This report is not part of the formal Annual Report and has not been reviewed by the Company's auditors.

Directors' Report

Modern Times Group MTG AB (publ.) is a publicly listed company. The Group's class 'A' and class 'B' shares are listed on the Stockholm Stock Exchange (Stockholmsbörsen) O-list. The Company's registered office is at Skeppsbron 18, Box 2094, SE-103 13 Stockholm, Sweden. Registration no. 556309-9158.

Significant events in 2005

In line with the Group's focus on its core broadcasting assets, MTG made a number of changes to its structure during 2005.

MTG sold its entire holding of 3,020,013 shares in TV4 AB, which was equivalent to a 15.1% interest in the Company, to Proventus Industrier AB in the first quarter for SEK 513 million. The shares were sold for SEK 170 per share, which represented a premium to the price of the shares on the Stockholm Stock Exchange on the day of the transaction, and resulted in a net gain of SEK 389 million. The gain was reported as a financial item below the 'Operating Income' line in the Group's accounts.

MTG has consolidated the results of Nordic Betting Limited since the second quarter, when the Group increased its shareholding in the Company from 19.9% to 51.0% by means of a directed new share issue. Nordic Betting Limited owns the BET24.com online betting and gaming businesses. MTG signed an option agreement in December, which, on exercise, would increase its shareholding in Nordic Betting Limited to 90% for a cash consideration of EUR 8 million.

MTG also acquired 60% of the shares in Engine Holding AS in June for SEK 12 million. Engine is a concept developer, creating unique music and video products for market leading brands and characters, and is developing the official music programme for the 2006 FIFA World Cup in Germany. The purchase agreement provides for additional payments, depending on the fulfillment of pre-agreed conditions.

MTG sold the majority of the movie title rights in its Modern Entertainment library to Lions Gate Entertainment in July, which resulted in a small net gain. MTG simultaneously announced the intention to close down the Los Angeles-based business. This reflects the Group's strategy to focus on its core broadcasting operations and directly related businesses in Europe.

MTG's shareholding in CTC Media, Inc. increased from 39.8% to 43.1% in August following a repurchase of shares by the Company. CTC repurchased and cancelled 3,320,800 shares from non-institutional shareholders, which corresponded to 8.7% of the total number of outstanding shares.

The Group signed an agreement at the end of September 2005 to acquire 50% of the shares in GES Media Holding a.s. (GMH) in the Czech Republic for a total cash consideration of EUR 96 million. GMH owns 100% of FTV Prima, spol. s r.o. (TV Prima), which is the second largest national television channel in the Czech Republic. TV Prima was consolidated with effect from 1 November.

Business Overview

The Group's objective as stated previously, is to build market-leading positions and generate earnings and cash flow growth in order to deliver enhanced shareholder value. The Group announced the following specific goals in June 2004:

- To double the size of Viasat Broadcasting in five years in revenue terms
- For TV3 to become the largest commercial free-to-air channel in Sweden within five years and for TV3 to become the second largest commercial free-to-air channel in Norway within five years
- To export the integrated operating model into high growth new territories with the intention that the Central & East European businesses should generate the same level of revenues and profits as the Scandinavian operations within five years
- To achieve more than 15% operating margins in MTG's three core businesses – Free-to-air TV Scandinavia, Pay-TV Nordic, Central & Eastern Europe
- To consolidate the Swedish radio market and establish clear market leadership

The Group made significant progress in each of these areas during the year and has, in some cases, already delivered these objectives in 2005.

MTG's results for 2005 reflected the investments made in 2004, as the Group was able to show strong growth in its core markets and to exploit the strong position that the Group has developed in the high growth Central and East European territories.

Viasat's investments in programming to drive ratings and share of viewing, together with increasing penetration arising from the structural change in the TV markets in Scandinavia, enabled the Group's free-to-air operations to take advertising market shares. The structural change relates to the switch-off of analogue terrestrial TV distribution in Sweden, which started during the Fall and is scheduled for completion in 2008, and the anticipated similar development in the Norwegian market. The inclusion of TV3 and ZTV in the fast-growing digital terrestrial network in Sweden enabled the channels to increase their penetration to 73% and 66% respectively. At the same time, Viasat has switched off its own analogue distribution in Norway and Sweden and is now preparing to do the same in Denmark, which is yielding considerable cost savings. The Group's free-to-air operations in Scandinavia therefore reported 11% year on year sales growth and an increased operating margin to 17% (7%) following an almost tripling of operating income.

Viasat's Nordic pay-TV business also reaped the rewards of the investments made in 2004 to secure the operating platform by switching to a new conditional access encryption system for its premium pay-TV channels, as well as the launch of new Viasat channels during 2004 and 2005. The consequent elimination of piracy on the platform and reduction in churn, combined with continued strong new subscriber sales, enabled Viasat to report a 27% growth in the Nordic premium subscriber base in 2005. Sales growth of 13% generated an increased operating margin of 19% (16%) and a 37% increase in operating income. The year ended with the introduction of the Viasat+ personal video recorder product, which is expected to revolutionize TV viewing habits and lead to a further reduction in churn and increased ARPU over time.

The Group's Central and East European assets continued to provide the Group with exposure to the faster growing regional economies and advertising markets and also reported their first combined annual profit on sales up 72%. TV3 was established as the largest channel in each of the Baltic States and the secondary channels consolidated their strong niche demographic reach. Sales were up 17% year on year and the operating margin of 22% (25%) reflected increased programming costs and the launch of the new secondary Russian language channels. Viasat3 in Hungary and DTV in Russia both significantly increased their commercial shares of viewing to above 5% and 2% respectively. This was reflected in an almost doubling of sales in Hungary and the operation's first profitable quarter at the end of the year, and in 62% sales growth for DTV. Associated company CTC Media, Inc. in Russia continued to outperform the national advertising market with a 50% increase in sales. CTC Media's operating margin was 38% (40%) for the year and reflected the successful launch of a second national network channel and rising programming costs. The roll-out of the mini-pay business in Central and Eastern Europe continued and Viasat added a fifth channel to the offering. By the end of the year, the channels had increased their number of wholesale subscribers by 81% to 11 .5 million through third party cable networks in 17 countries.

MTG has already fulfilled its strategic objective to consolidate the Swedish radio market and establish clear market leadership. Following the cooperation agreement with NRJ in 2004 and the subsequent operational integration of NRJ's 20 Swedish stations, MTG Radio now broadcasts 53 out of the 86 commercial radio stations in Sweden and has an unrivalled national penetration of 89%. The Group's Swedish stations now attract more than two million daily listeners and have a 65% commercial share of listening. Sales were consequently up 34% year on year.

The performance of MTG's other businesses (Modern Studios and Home Shopping) reflected strong sales growth and margin improvement in the direct response TV and internet retailing businesses, but lower sales and earnings in the content businesses following an exceptional 2004 result, the write-off of unsuccessful movies in 2005 and fewer box office releases.

The Group's revenue mix continued to reflect the Group's diversified and balanced structure, with 40% of revenues derived from advertising sales; 39% from subscription payments; and 21% from other business-to-business and business-to-consumer sales. This compared with 40%, 38% and 22% respectively in 2004.

The Group employed 1,760 full time employees at the end of the year, compared to 1,446 employees at the beginning of 2005. Details of the average number of employees during the year and the aggregated remuneration paid during the year are presented in Notes 27 and 28 to the Accounts on pages 67 and 68 of this report.

Consolidated financial results

The Group generated 18% year on year net sales growth to SEK 8,012 (6,805) million, which reflected continued strong growth in each of the Group's three core broadcasting businesses – Free-to-air TV Scandinavia, Pay-TV Nordic and Central & Eastern Europe – as well as the consolidation of the BET24 betting and gaming business and the newly acquired Czech TV channel – TV Prima.

The Group reported its highest ever annual operating profit in 2005, with operating income (earnings before interest and tax) up 21% to SEK 1,285 million. Excluding the SEK 381 million net gain from the sale of SDI Media in the third quarter of 2004, Group operating income grew by 90% year on year. The record level of operating profitability reflected continued margin improvement in each of the Group's core television broadcasting businesses – Free-to-air TV Scandinavia, Pay-TV Nordic and Central & Eastern Europe – as well as a substantially increased contribution from the Group's 43.1% shareholding in CTC Media in Russia.

Depreciation and amortization charges totaled SEK 146 (219) million. Operating costs excluding discontinued or sold businesses increased by 19% year on year, which reflected the consolidation of BET24 and TV Prima from April and November respectively, higher subscriber acquisition costs relating to the continued substantial subscriber intake throughout the year, as well as increased programming investments and channel launch costs in the Group's broadcasting operations in Scandinavia and Central & Eastern Europe. Excluding discontinued businesses and the net gain from the sale of SDI Media, the Group reported an operating margin of 16% (10%) including associated companies. The margin comparison for the full year also reflects the non-recurring costs incurred during 2004 to successfully secure the pay-TV platform against piracy.

MTG hedges its US dollar, Swiss Franc and Euro denominated contracted outflow on a rolling twelve month basis, which relates solely to programming content acquired in foreign currencies. The hedging programme reduces the impact of short term currency exchange effects on the Group's cost base.

Income from associated companies amounted to SEK 299 (167) million before tax in 2005. MTG's participations principally comprise the Group's shareholdings in CTC Media, Inc. and P4 Radio Hele Norge ASA.

Net interest and other financial items totaled SEK 282 (-34) million, which included the net gain of SEK 389 million from the

Directors' Report continued

sale of TV4 shares in the first quarter. Net interest amounted to SEK -42 (-61) million, whilst other financial items of SEK -65 (27) million included unrealised currency exchange rate differences of SEK -51 (10) million arising from the translation of the Euro-denominated convertible debentures, but excluding the gain on the sale of TV4 shares.

Group pre-tax profit therefore increased by 53% year on year to SEK 1,567 (1,024) million. Group tax charges amounted to SEK 330 (278) million. The Group tax rate is lower than in previous years, which is due to the effect of confirmed tax loss carry forward that had not previously been confirmed or accounted for; to the rapid development of operations in countries with tax rates of below 30%; and to declining losses with unrecognized tax benefits in certain territories. The underlying forward Group tax rate is expected to be approximately 30-35%, but may vary between interim reporting periods. Paid taxes in the year amounted to SEK 131 (57) million, and the sale of the TV4 shares was not subject to any tax charges. The Group consequently reported a 66% year on year increase in net income after tax to SEK 1,237 (746) million, and Group earnings per share increased by 65% to SEK 18.56 (11.23).

The Group generated SEK 966 (558) million of cash flow from operations. Net cash flow from operations amounted to SEK 981 (578) million, which reflected a SEK 16 (20) million change in working capital. Group capital expenditure totaled SEK 80 (107) million, which was equivalent to less than 1% of Group sales. The Group's return on capital employed, excluding non-recurring items, increased to 22% (17%) in 2005.

Parent company

The parent company reported net sales of SEK 108 (89) million, principally relating to charges to Group companies. Net interest and other financial items totaled SEK -34 (113) million and the parent company's pre-tax profit therefore amounted to SEK -153 (-3) million. MTG's financial policy includes the provision of a central cash pool to support operating companies. Parent company capital expenditure totaled SEK 0 (0) million in 2005.

Financial position

The Group's available liquid funds, including unutilized credit facilities, amounted to SEK 2,046 (1,349) million at 31 December 2005 and the Group's cash and cash equivalents totaled SEK 1,207 (574) million at the end of the year.

The Group had a net cash position at the end of 2005 of SEK 15 million, compared to a net debt position of SEK 438 million at the end of 2004. The convertible debentures are included within current liabilities as they are due for repayment in June 2006.

The Group's total assets amounted to SEK 9,893 (6,398) million at 31 December and the Group's equity to assets ratio, which is defined as consolidated equity as a percentage of total assets, stood at 55% (44%). The Group's 27.9% shareholding in Metro International S.A. had a stock market value of SEK 1,940 million as at the close of business on the last trading day of 2005, which compared with a stock market value of SEK 2,184 million as at the close of business on the last trading day of 2004. The difference in these market values has been charged directly to the Group's equity. The Group's 39.7% shareholding in associated company P4 Radio Hele Norge ASA is accounted for at its book value of SEK 72 million, whereas the stock market value of the holding on the last trading day of December 2005 was SEK 394 million.

Significant events after the end of the year

The following significant events have taken place since 31 December 2005 and before the publication of this annual report.

MTG announced in February 2006 the arrangement of a new five year SEK 3,500 million revolving multi-currency credit facility. The facility is unsecured and there are no required amortizations. The new facility replaces the existing SEK 800 million credit facility and may be drawn to cover the repayment of the EUR 120 million convertible bond maturing in June 2006, as well as to fund the continued expansion of the Group.

MTG announced in March 2006 that its Modern Betting subsidary had exercised the option to increase its shareholding in Nordic Betting Limited from 51% to 90%.

The Group has received a claim after the end of the year relating to the disposal of the SDI Media businesses area in July 2004 to private equity group Warburg Pincus. The buyer is claiming damages of approximately USD 9.4 million of the USD 60 million consideration paid, in relation to warranties given by the Group in the sales process. Based on the arguments for the claim and the initial information received, the Group finds that the claim is substantially without merit, both in regards to the basis of the claim and the amounts, and has therefore not made any provisions in relation to the claim.

MTG also announced that the Swedish Government has awarded Viasat Broadcasting a new license to broadcast an additional channel in the Swedish digital terrestrial network. The new channel, TV6, will be a broad-based entertainment channel and will be made available free of charge on an unencrypted basis, to viewers through Sweden's digital terrestrial network, as well as be available to all subscribers to the Viasat satellite TV platform and to third party cable networks. TV6 is expected to be launched and start broadcasting at the beginning of May 2006.

Outlook

The Group has a clear set of strategic objectives and a defined execution path in order to generate enhanced shareholder value. The Group continues to be on track to deliver these objectives subject to the prevailing advertising market environment and general economic development in the operating regions. The Group's core broadcasting assets are well positioned to exploit further market growth and structural changes.

The Scandinavian free-to-air assets are capitalising on market growth, as well as penetration gains due to the ongoing digitalization of terrestrial television distribution in the region. Programming costs are increasing year on year but the Viasat channels are also benefiting from the cost savings resulting from the discontinuation of analogue distribution. The Nordic pay-TV business has established itself as one of the main providers of premium content with competitive pricing and an extensive range of in-house and leading third party channels. The securing of the platform and elimination of piracy, as well as the introduction of new services and technologies, continues to enable Viasat to grow its premium subscriber base and take market share, whilst also benefiting from ARPU increases over time. The Group has built a valuable portfolio of assets in Central & Eastern Europe, which enable MTG to continue to benefit from increased exposure to these higher growth economies, where advertising spend per capita and pay-TV penetration and pricing remain low by comparison with their European peers.

The Group is even more strongly positioned than a year ago, and continues to benefit from the synergies and economies of scale that arise from its efficient operating model and broad geographical diversification. The addition of TV Prima and the consolidation of BET24 during 2005 provide two further exciting high growth stories for the Group. Cash flow management has improved further and the Group's balance sheet provides significant financial flexibility to take advantage of organic and acquisition-led growth opportunities.

Environmental impact

The company does not own or operate any businesses in Sweden that require a licence or have a reporting duty that would require compliance with rules or laws regarding environmental impact.

Proposed appropriation of earnings

The following funds are at the disposal of the shareholders as at 31 December 2005 (SEK):

Retained earnings	2,730,311,920
Net loss for 2005	-161,705,918
Total	2,568,606,002

The Board of Directors and Chief Executive Officer propose that the retained earnings be carried forward into the accounts for 2006 and that no dividend be paid to shareholders for the twelve months ended 31 December 2005.

In order to further enhance capital deployment efficiency levels and to achieve a capital structure that better reflects the profile of MTG's core broadcasting operations, the Board of Directors and Chief Executive Officer will also propose to the Annual General Meeting that a distribution of shares in Metro International S.A. be achieved by means of a share split and mandatory redemption programme, with payment to be made in Metro International shares. MTG currently owns 50,107,485 Metro International class 'A' shares and 96,860,828 class 'B' shares, which is equivalent to a 28% economic interest and 19% voting interest in the Company. As per the close of trading on 15 February 2006, the market value of the Metro shares to be distributed was approximately SEK 1,907 million.

The Group's consolidated accounts have been prepared according to International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), as well as the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission. This financial report is the first annual financial report to be prepared according to IFRS. IFRS 1 First Time Adoption has been used for the transition from previously applied accounting principles to IFRS. Recommendation RR30 on Supplementary Accounting Regulations for Groups, and RR32 on Accounting for Legal Entities, as issued by the Swedish Financial Accounting Standards Council, had also been applied in the preparation of the report. The 2004 figures have been restated accordingly for comparative purposes. IAS 39 regarding financial instruments has been applied from 1 January 2005 and has therefore not had an impact on the 2004 figures. A description of the significant changes affecting the Group, as well as reconciliations between the previously reported accounts and current IFRS accounts, are included at the end of this report. This report has been prepared in accordance with IAS 1 and has been reviewed by the Company's auditors. The parent company applies the same accounting principles as the Group, except where the possibility to apply IFRS is restricted by the Swedish Companies Act and, in some cases, due to tax rules. The effects of the adoption of IFRS are set out in Note 34 to the Accounts on page 70 of this report.

The MTG share

The origin of the Modern Times Group business was the launch of the first commercial television channel in Scandinavia – TV3, at that time part of investment company Industriförvaltnings AB Kinnevik, on New Year's Eve 1987. Kinnevik's Annual General Meeting in May 1997 then approved the demerger of MTG by means of the distribution of MTG shares to Kinnevik shareholders. MTG's shares were subsequently listed on the Stockholm Stock Exchange's 'SBI' list and on the Nasdaq National Market in New York (in the form of American Depositary Receipts) in September 1997. MTG's shares have been quoted on the Stockholm Stock Exchange's O-list since May 1999.

The chart at the bottom of this page shows the development of the price of the MTG Class B share since the beginning of 2003. MTG's Class A and B shares are traded under the symbols 'MTGA' and 'MTGB' on the Stockholm Stock Exchange's O-list. The ADRs were voluntarily deregistered from the Nasdaq National Market in December 2003. MTG's market capitalization, as at the close of trading on the Stockholm Stock Exchange on the last business day of 2005, was SEK 22 billion.

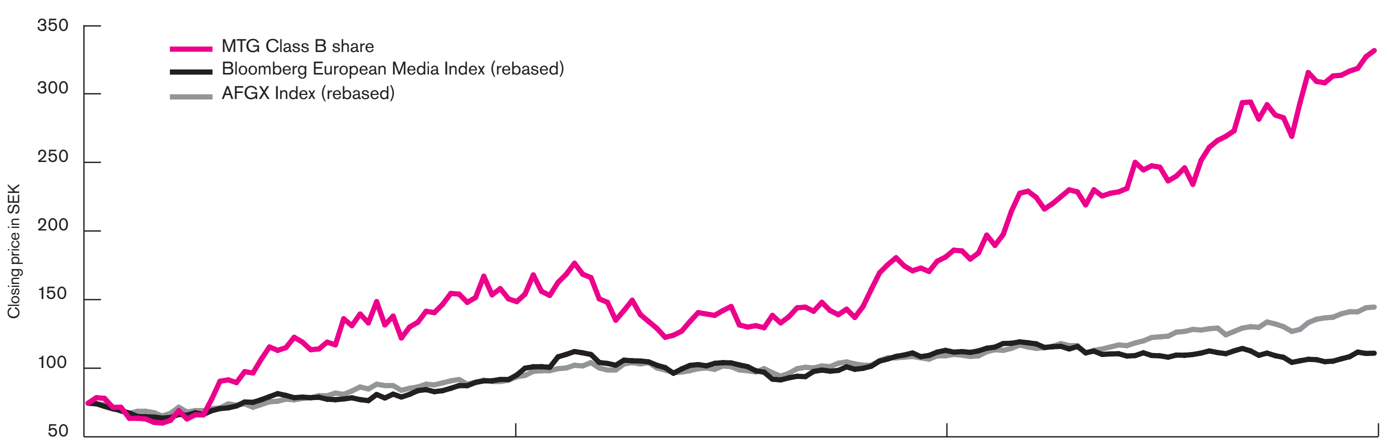
The Board of Directors and Chief Executive Officer will propose to the Annual General Meeting of shareholders that a distribution of shares in Metro International S.A. be achieved by means of a share split and mandatory share redemption programme, with payment to be made in Metro International S.A. shares. MTG currently owns 50,107,485 Metro International S.A. Class A shares and 96,860,828 Class B shares, which is equivalent to a 28% economic interest and 19% voting interest in Metro International S.A.

If the options granted to senior executives and key employees as at 31 December 2005 were exercised, the issued share capital of the Company would increase by 1,096,383 class B shares. 696,384 of these options have a strike price of SEK 294.50 and were partly exercisable from 4 May 2004 at the earliest. The remaning 399,999 options have a strike price of SEK 261 .70 and are exercisable at the earliest from 2008. If the EUR 120 million convertible loan due June 2006 is converted in full, the issued share capital of the Company would increase by a further 2,790,994 Class B shares. The conversion price for the subordinated convertible debentures is SEK 385.97 per Class B share.

As at 31 December 2005	Total	Class A Shares	Class B Shares	Capital	Votes
Investment AB Kinnevik	**9,935,012**	9,710,887	224,125	15.0%	47.2%
Fidelity	**6,917,552**	0	6,917,552	10.4%	3.4%
Emesco AB	**3,328,845**	3,328,845	0	5.0%	16.1%
Robur	**2,386,342**	0	2,386,342	3.6%	1.2%
State Street Bank and Trust Co.	**2,220,100**	0	2,220,100	3.3%	1.1%
Chase Manhattan Bank	**2,062,030**	0	2,062,030	3.1%	1.0%
SEB	**2,015,990**	0	2,015,990	3.0%	1.0%
4th AP Fund	**1,700,750**	0	1,700,750	2.6%	0.8%
Investors Bank & Trust Company	**1,657,144**	0	1,657,144	2.5%	0.8%
Handelsbanken	**1,639,005**	69,300	1,569,705	2.5%	1.1%
Estate of Jan Hugo Stenbeck	**1,526,000**	1,526,000	0	2.3%	7.4%
Skandia	**1,472,293**	0	1,472,293	2.2%	0.7%
Nordea	**1,258,900**	76,900	1,182,000	1.9%	0.9%
States of New Jersey Pension Fund	**1,188,650**	0	1,188,650	1.8%	0.6%
Morgan Stanley & Co.	**1,188,371**	3,300	1,185,071	1.8%	0.6%
Northern Trust Co.	**1,029,491**	0	1,029,491	1.6%	0.5%
Pictet & Cie	**871,989**	0	871,989	1.3%	0.4%
3rd AP Fund	**827,250**	0	827,250	1.2%	0.4%
Folksam	**748,143**	0	748,143	1.1%	0.4%
Boston Safe Deposit and Trust Co.	**747,447**	0	747,447	1.1%	0.4%
Other	**21,653,852**	830,389	20,823,463	33%	14%
Total	**66,375,156**	**15,545,621**	**50,829,535**	**100.0%**	**100.0%**

Source: VPC

MTG Class B share price performance on the Stockholm Stock Exchange



Source: Bloomberg

CONSOLIDATED INCOME STATEMENT

Figures in SEK million unless otherwise specified

(SEK million)	Note	2005	2004
Net sales	3, 4	**8,011.9**	6,804.9
Cost of goods and services	3, 4, 6	**-4,796.7**	-4,449.7
Gross income		**3,215.2**	2,355.1
Selling expenses		**-903.8**	-653.1
Administrative expenses		**-1,290.4**	-1,034.4
Other operating revenues		**19.4**	5.7
Other operating expenses	6	**-54.2**	-163.0
Gain from sale of SDI Media business area	4, 7	**–**	380.7
Share of earnings in associated companies	8	**298.5**	166.5
Operating income	3, 4, 6, 12, 14, 25, 26, 27, 28	**1,284.6**	1,057.4
Dividends from shares		**0.0**	15.1
Gain from sales of securities	9	**383.9**	15.7
Interest revenue and other financial income	9	**29.8**	11.3
Interest expense and other financial costs	9	**-131.4**	-75.5
Income before tax		**1,566.9**	1,024.1
Current tax	10	**-235.1**	-107.0
Deferred tax expenses	10	**-94.9**	-171.5
Net income for the year		**1,236.9**	745.6
Attributable to:			
Equity holders of the parent		**1,232.0**	745.6
Minority interests		**4.9**	0.1
Net income for the period		**1,236.9**	745.6
Denominator for basic earnings per share		**66,375,156**	66,375,156
Denominator for diluted earnings per share		**66,375,156**	66,407,538
Basic earnings per share (SEK)		**18.56**	11.23
Diluted earnings per share (SEK)		**18.56**	11.23
Basic earnings per share from continuing operations (SEK)		**18.56**	5.38
Diluted earnings per share from continuing operations (SEK)		**18.56**	5.38
Dividends		**–**	–

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER

(SEK million)	Note	2005	2004
Assets			
Non-current assets			
Intangible assets	11		
Capitalized development expenses		**35.7**	36.5
Patents and trademarks		**184.3**	0.3
Beneficial rights		**170.3**	156.9
Goodwill		**1,814.1**	855.3
		2,204.4	1,049.0
Tangible assets	12		
Machinery and other technical plant		**42.4**	9.6
Equipment, tools and installations		**91.1**	106.7
		133.5	116.2
Long-term financial assets			
Shares in associated companies	8, 13	**1,111.0**	901.4
Receivables from associated companies		**32.7**	45.3
Shares and participation in other companies	13	**1,940.2**	763.4
Deferred tax receivable	10	**147.7**	242.0
Other long-term receivables		**9.0**	8.5
		3,240.5	1,960.6
Total non-current assets		**5,578.3**	3,125.8
Current assets			
Inventories etc.			
Products in progress		**0.7**	0.3
Finished goods and merchandise		**126.7**	108.1
Program rights		**1,011.4**	948.6
Advances to suppliers		**12.2**	174.0
		1,151.0	1,231.0
Current receivables			
Accounts receivable	15	**888.3**	675.6
Tax receivables		**43.5**	60.8
Other current receivables		**155.9**	119.4
Prepaid expense and accrued revenue	16	**868.3**	611.7
		1,956.0	1,467.4
Cash and cash equivalents	17, 21		
Short-term investments		**18.7**	0.5
Cash and bank		**1,188.7**	573.7
		1,207.5	574.2
Total current assets		**4,314.5**	3,272.6
Total assets		**9,892.8**	6,398.4

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER

(SEK million)	Note	2005	2004
Shareholders' equity	18		
Share capital		**331.9**	331.9
Other paid-in capital		**1,340.2**	1,340.2
Reserves		**1,240.3**	-85.5
Retained earnings including net income for the year		**2,438.7**	1,197.4
		5,351.1	2,784.0
Minority interests		**52.5**	1.4
Total equity		**5,403.6**	2,785.5
Non-current liabilities	20, 24		
Interest-bearing			
Convertible debenture loan 2001/2006		**–**	1,060.4
Other liabilities		**41.4**	4.8
		41.4	1,065.1
Non-interest bearing			
Non-interest bearing liabilities		**30.2**	6.9
Deferred tax liability	10	**52.8**	15.0
Other provisions	19	**124.4**	84.5
		207.4	106.5
Total non-current liabilities		**248.7**	1,171.6
Current liabilities	20, 21, 24		
Interest-bearing			
Liabilities to financial institutions		**67.7**	–
Convertible debenture loan 2001/2006		**1,124.6**	–
		1,192.4	–
Non-interest-bearing			
Advances from customers		**53.0**	35.5
Accounts payable		**790.6**	559.2
Tax liability		**110.9**	38.8
Other liabilities		**393.7**	307.9
Accrued expense and prepaid revenue	22	**1,699.9**	1,499.9
		3,048.1	2,441.3
Total current liabilities		**4,240.5**	2,441.3
Total liabilities		**4,489.2**	3,612.9
Total shareholders' equity and liabilities		**9,892.8**	6,398.4

For information about pledged assets and contingent liabilities, see note 23 and 25.

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY
AS AT 31 DECEMBER

(SEK million)	Note	Share capital	Premium reserve	Translation reserve	Hedging reserve	Fair value reserve	Retained earnings incl. net income for the year	Total	Minority interests	**Total**
Group	18									
Opening balance as of January 1, 2004		331.9	1,340.2				472.9	2,145.0	2.0	**2,147.0**
Change in accounting principles							-21.1	-21.1		**-21.1**
Opening balance adjusted for change in accounting principles		**331.9**	**1,340.2**	**–**	**–**	**–**	**451.8**	**2,123.9**	**2.0**	**2,125.9**
Translation differences charged directly to equity				-85.5				-85.5		**-85.5**
Net income for the year 2004							745.6	745.6	-0.6	**745.1**
Balance as of December 31, 2004		**331.9**	**1,340.2**	**-85.5**	**–**	**–**	**1,197.4**	**2,784.0**	**1.4**	**2,785.5**
Change in accounting principles						1,872.0		1,872.0		**1,872.0**
Opening balance adjusted for change in accounting principles		**331.9**	**1,340.2**	**-85.5**	**–**	**1,872.0**	**1,197.4**	**4,656.0**	**1.4**	**4,657.5**
Translation differences charged directly to equity				12.1				12.1		**12.1**
Changes in minority interests									46.2	**46.2**
Effect of employee share option programmes							9.3	9.3		**9.3**
Revaluation of shares at market value						-243.8		-243.8		**-243.8**
Sale of shares in TV4 AB						-322.0		-322.0		**-322.0**
Cash flow hedge					7.5			7.5		**7.5**
Income recognised direct to equity		**–**	**–**	**12.1**	**7.5**	**-565.8**	**9.3**	**-536.9**	**46.2**	**-490.7**
Net income for the year 2005							1,232.0	1,232.0	4.9	**1,236.9**
Balance as of December 31, 2005		**331.9**	**1,340.2**	**-73.4**	**7.5**	**1,306.2**	**2,438.7**	**5,351.1**	**52.5**	**5,403.6**

CONSOLIDATED CASH FLOW STATEMENTS

(SEK million)	Note	2005	2004
Cash flow from operations			
Net income for the year		**1,236.9**	745.6
Adjustments to reconcile net income/loss to net cash provided by operations	30	**-271.3**	-187.9
Payment to STIM for years prior to current year	30	**–**	-102.5
		965.6	455.2
Changes in working capital			
Increase (-)/decrease (+) Inventories		**130.1**	-107.0
Increase (-)/decrease (+) Other current receivables		**-352.6**	-267.1
Increase (+)/decrease (-) Accounts payable		**89.8**	-62.2
Increase (+)/decrease (-) Other current liabilities		**148.5**	559.1
Net cash flow from operations		**981.4**	578.0
Investment activities			
Investment in tangible and intangible assets		**-80.0**	-106.6
Acquisitions of shares in subsidiaries and associated companies	5	**-932.1**	-495.8
Proceeds from sales of beneficial rights		**21.7**	–
Proceeds from sales of shares in subsidiaries and other companies		**513.4**	449.1
Dividends from associated companies		–	3.4
Cash flow to investing activities		**-477.0**	-149.9
Financing activities			
Change in receivables from associated companies		**12.6**	5.2
Change in other long-term receivables		**0.1**	-2.0
Loan		**27.2**	–
Loan amortizations		**–**	-250.0
Change in other interest-bearing liabilities		**31.6**	-0.3
Change in non-interest-bearing liabilities		**-22.3**	-4.4
Effect of paid in capital for employee share option programmes		**5.7**	–
Cash flow from financing activities		**54.8**	-251.5
Net increase in cash and cash equivalents		**559.2**	176.6
Cash and cash equivalents at beginning of year		**574.3**	401.9
Translation differences in cash and cash equivalents		**74.1**	-4.2
Cash and cash equivalents at end of year		**1,207.5**	574.3

PARENT COMPANY INCOME STATEMENT

(SEK million)	Note	2005	2004
Net sales		108.3	89.4
Gross income		**108.3**	89.4
Administrative expenses		-226.9	-206.2
Operating loss	12, 25, 26, 27, 28	**-118.6**	-116.8
Gain from financial assets	9	–	15.4
Interest revenue and other financial income	9	223.4	199.9
Interest expense and other financial costs	9	-257.5	-101.9
Income/loss before tax		**-152.7**	-3.3
Taxes	10	-9.0	-17.8
Net income/loss for the year		**-161.7**	-21.2

PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER

(SEK million)	Note	2005	2004
Assets			
Non-current assets			
Intangible assets	11		
Capitalized development expenses		7.3	12.4
		7.3	12.4
Tangible assets	12		
Equipment, tools and installations		0.0	0.1
		0.0	0.1
Long-term financial assets			
Shares and participations in Group companies	13	136.4	136.4
Receivable from Group companies	33	1,699.5	1,594.5
Shares and participations in associated companies		–	202.7
Shares and participations in other companies	13	634.0	634.2
Deferred tax receivable	10	100.9	187.0
		2,570.8	2,754.7
Total non-current assets		**2,578.2**	2,767.1
Current assets			
Current receivables			
Accounts receivable	15	0.2	3.4
Receivable from Group companies		3,170.1	3,214.0
Tax receivables		–	0.8
Other receivables		0.7	4.5
Prepaid expense and accrued revenue	16	11.9	25.5
		3,182.9	3,248.3
Cash and cash equivalents	17	**316.4**	70.5
Total current assets		**3,499.4**	3,318.8
Total assets		**6,077.5**	6,085.9

PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER

(SEK million)	Note	2005	2004
Shareholders' equity	18		
Restricted equity			
Share capital		**331.9**	331.9
Premium reserve		**–**	1,332.5
Legal reserve		**1,340.2**	7.7
		1,672.1	1,672.1
Non-restricted equity			
Retained earnings including net loss for the year		**2,568.6**	2,506.0
Total shareholders' equity		**4,240.7**	4,178.1
Non-current liabilities			
Interest-bearing			
Convertible debenture loan 2001/2006	20	**–**	1,080.8
Liabilities to Group companies		**0.7**	136.9
		0.7	1,217.8
Total non-current liabilities		**0.7**	1,217.8
Current liabilities			
Interest-bearing			
Convertible debenture loan 2001/2006	20	**1,131.6**	–
		1,131.6	–
Non-interest-bearing			
Accounts payable		**8.5**	7.4
Liabilities to Group companies		**638.3**	625.0
Tax payables		**0.4**	–
Other liabilities		**2.6**	1.4
Accrued expense and prepaid revenue	22	**54.8**	56.3
		704.6	690.0
Total current liabilities		**1,836.2**	690.0
Total shareholders' equity and liabilities		**6,077.5**	6,085.9
Pledged assets		**None**	None
Contingent liabilities	23, 25	**280.3**	380.0

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY
AS AT 31 DECEMBER

(SEK million)	Share capital	Premium reserve	Legal reserve	Retained earnings	Total
Parent Company					
Balance as of January 1, 2004	331.9	1,332.5	7.7	2,292.4	**3,964.5**
Net income for the year 2004				-21.2	**-21.2**
Group/shareholders' contributions				234.8	**234.8**
Balance as of December 31, 2004	331.9	1,332.5	7.7	2,506.0	**4,178.1**
Net income for the year 2005				-161.7	**-161.7**
Group/shareholders' contributions				224.3	**224.3**
Transfer between premium and legal reserve		-1,332.5	1,332.5		**–**
Balance as of December 31, 2005	331.9	–	1,340.2	2,568.6	**4,240.7**

PARENT COMPANY CASH FLOW STATEMENTS

(SEK million)	2005	2004
Cash flow from operations		
Net income for the year	**-161.7**	-21.2
Adjustments to reconcile net income/loss to net cash provided by operations		
Income/loss from sales of securities	**–**	-15.4
Depreciation	**5.1**	10.3
Change in deferred tax	**9.0**	68.3
Unrealised exchange difference	**50.8**	-12.6
	-96.8	29.4
Changes in working capital		
Increase (-)/decrease (+) Short-term receivables	**21.5**	13.6
Increase (+)/decrease (-) Accounts payable	**1.1**	1.5
Increase (+)/decrease (-) Other liabilities	**0.1**	9.4
Net cash flow from operations	**-74.2**	53.9
Investment activities		
Investment in capital development costs	**–**	0.0
Proceeds from sales of shares in other companies	**–**	24.3
Proceeds from internal sales of shares in associated companies	**202.8**	–
Cash flow to investing activities	**202.8**	24.3
Financing activities		
Receivable from Group companies	**117.3**	209.7
Amortization of debt	**–**	-250.0
Receivable from associated companies	**–**	0.0
Cash flow from financing activities	**117.3**	-40.3
Net increase in cash and cash equivalents	**245.9**	37.7
Cash and cash equivalents at beginning of year	**70.5**	32.8
Cash and cash equivalents at end of year	**316.4**	70.5

NOTES

Figures in SEK million unless otherwise specified

NOTE 1 Accounting and valuation principles

Modern Times Group MTG AB is a company domiciled in Stockholm, Sweden. The consolidated financial statements of the Company for the year ended 31 December 2005 comprise the Company and its subsidiaries and associated companies (together referred to as the "Group").

The financial statements were authorized for issue by the Directors on 23 March 2006. The consolidated income statement and balance sheet, and the income statement and balance sheet of the Parent Company, will be presented for adoption by the Annual General Meeting on May 10, 2006.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and its interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission. Recommendations RR30 on Supplementary Accounting Regulations for Groups as issued by the Swedish Financial Accounting Standards Council, has also been applied in the preparation of the report. These are the Group's first consolidated financial statements and IFRS 1 has been applied for the transition.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 34.

The consolidated accounts have been prepared based on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as available-for-sale. The changes in the available-for-sale instruments, are reported directly to equity.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRSs.

CHANGE IN ACCOUNTING PRINCIPLES

The Group applies as of 1 January 2005 the IFRS accounting principles acknowledged and accepted by the European Commission. Implementing the new standards imply changes in accounting principles and has had an effect on the income statement and the balance sheet. The Group has made re-statements of the quarterly financial results for each quarter of 2004.

IAS 39 Financial Instruments has been approved from 1 January 2005.

IFRS 5 Discontinued Operations has been applied from 2004.

IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied in the transition to IFRSs. The transition is described in note 34.

IFRS 7 Financial instruments; Disclosures will be applicable from 1 January 2006 and will have an effect on the Group's financial reports from that date.

CLASSIFICATION

Non-current assets and liabilities comprise in all material aspects amounts expected to be recovered or paid after 12 months or more from the closing day. Current assets and short-term liabilities comprise in all material aspects amounts expected to be recovered or paid within 12 months from the closing day.

CONSOLIDATED ACCOUNTS

The consolidated accounts include the parent company and all subsidiaries and associated companies. All companies in which the Group holds or controls more than 50% of the votes, or in which the Group through agreements solely exercises decisive influence, are consolidated as subsidiaries. The holdings in the FTV Prima Group are an example of the latter, with 50% of the votes, but where the Group exercises a decisive influence through agreements.

The consolidated accounts for the year were prepared based on the purchase method, as specified in the International Financial Reporting Standards, as well as in previous years. 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. Values for companies acquired during the year are included in the consolidated income statement only for the period during which they were controlled.

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 identifiable assets, liabilities and contingent liabilities measured at fair values at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of identifiable net assets acquired is credited to profit and loss in the period of acquisition.

The balance sheets of the Group's foreign subsidiaries are translated into Swedish krona (SEK) which is the functional currency of the parent company. The translation is based on the current method, i.e. conversion of the balance sheet uses 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.

Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

In subsidiaries not wholly owned, the share of equity and untaxed reserves owned by external shareholders is recorded as minority interest. For negative shareholders' equity, a receivable is reported for the minority to the extent that minority owners are expected to contribute their share of the deficit through a binding commitment and have an ability to fulfill this.

ACCOUNTS OF ASSOCIATED COMPANIES

Associated companies are reported based on the equity method. An associated company is a company in which the Group exercises significant influence. Normally, this means companies in which the Group holds voting rights of at least 20% and no more than 50%. This applies to among other CTC Media Inc. (43%) and P4 Radio Hele Norge asa (40%).The Group's share of earnings in associated companies' pre-tax profits or losses after financial items are reported under Profit/loss on shares and participations in associated companies in operating income. The operations of the associated companies are related to Broadcasting and Radio. The share of associated companies' tax expense is reported among the Group's tax expenses. The tax expenses are translated using the same principles applied to the associated companies' income statements and balance sheets. Surplus values are attributable to assets in each associated company or to goodwill. Differences between the acquisition value and the acquired equity are treated in accordance with IFRS 3 Business Combinations. The 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.

REVENUE RECOGNITION

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

- TV and radio advertising at the time of broadcast
- Subscription fees for pay TV over the subscription period.
- Cable revenues as the services are provided to the cable wholesalers, based on the number of subscribers taking the MTG channels, as reported by the cable companies
- Sale of goods and services in accordance with the terms of sales, i.e. when the goods have been transferred to the shipping agent. Any risk remaining on the company is accrued
- Sale of services when the services are provided
- TV productions where recognition is based on the percentage of completion for each project in the same relation as expenses are related to the pre-calculated budget for the entire project
- Film rights when a contract is signed, the product is complete and delivered, and the license term has commenced.
- Distribution rights for films when the films are begin to be shown
- Dividend income from investments when the shareholders' right to receive payment has been established. Dividends from associated companies decrease the book value of the asset.

BARTER TRANSACTIONS

Barter entails the exchange of air time on TV or radio for non-similar other goods or services. Barter transactions are reported at the market value of the goods or services involved. The market value is determined by agreements made with other customers for the same type of transactions. Revenues from barter transactions are reported when the commercial is broadcast. Expenses are reported when the goods or service is consumed.

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 operating receivables and liabilities are reported in operating profit/loss, while differences attributable to financial assets or liabilities denominated in foreign currencies are reported under financial items. Exchange rate differences on financial loans within the Group are reported directly to equity.

NOTES

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

Capitalized expenditure	3–5 years
Patents and trademarks	Estimated revenue period based on the terms of the licence
Beneficial rights/film rights	Estimated revenue period, sometimes a non-straight-line depreciation
Machinery and equipment	3–5 years

Capitalized expenditure
Expenditure on development activities, whereby new or substantially improved products and processes, is capitalized if the process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalized includes the cost of direct labor and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized expenditures are stated at cost less accumulated amortization and impairment losses.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate.

Goodwill is recognized as an asset and reviewed for impairment test regularly at least annually. Any impairment losses are recognized immediately in the income statement and cannot be subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous Swedish GAAP amounts, subject to being tested for impairment at that date.

Other intangible assets
Other intangible assets, such as beneficial rights and patents and trademarks, are stated at cost less accumulated amortization and impairment losses.

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
General
Financial assets and liabilities including liquid funds, securities, other financial receivables, accounts receivables, accounts payable, leasing undertakings and loan liabilities are recorded at fair value.

MTG adopted IAS 39 Financial instruments; Recognition and Measurement with effect from January 1, 2005.

Financial assets available-for-sale
The Group's holdings in listed shares available-for-sale are valued at market price based on bid price as per the balance sheet day and changes in the market values of these shares will impact equity directly.

Accounts receivable
Accounts receivable are stated at their cost less impairment losses. The receivables are reviewed at each balance sheet date to determine whether there is an indication of impairment. Doubtful accounts receivable are reported with the amount at which, after a careful assessment, it is deemed likely to be paid.

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

Derivative instruments
The Group uses forward contracts to hedge its exposure to foreign exchange arising from operational activities. Contracted programme acquisition outflows in USD, CHF and EUR are hedged on a rolling twelve months basis from December 2004. Derivatives that do not qualify for hedge accounting due to the rules in IAS 39 are accounted for as trading instruments.

Derivative financial instruments are recognized initially at cost and revalued at fair value thereafter. The effective part of the gain or loss in the cash flow hedge revaluation is recognized directly in equity. When the forecasted transaction results in the recognition of programme inventory, the cumulative gain or loss is removed from equity and included in the initial cost of inventory.

Any gains or losses from hedging transactions discontinued are recognized immediately in the income statements.

Finance policy
The Group's financial risk management is centralized to the parent company to capitalize on economies of scale and synergy effects in the financial sector and to minimize operational risks. The parent company functions as the Group's internal bank and is responsible for the management of financing and the financial risk policy. This includes netting and pooling of capital requirements and payment flows in Scandinavia and aim at limiting the Group's financial risk. Further, it also ensures that the Group has appropriate and secure financing for its current needs.

The Group's financial policy is established by the Board of Directors and constitutes a framework of guidelines and rules for financial risk management and financial activities in general. The policy is subject to a yearly review. The Group's financial risks are continuously compiled and followed up to ensure compliance with the financial policy.

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

Financial risk management
Foreign exchange risk
Foreign exchange risk can be divided into transaction exposure and translation exposure. In terms of transaction exposure contracted programme acquisition outflows in USD, CHF and EUR are hedged through forward exchange agreements on a rolling twelve months basis from December 2004. Other transaction exposure is not hedged. The exposure is described in note 32.

Translation exposure arise from the conversion of the Group's subsidiaries' earnings and balance sheets to SEK from other currencies. Since many of the subsidiaries report in currencies other than SEK, the Group is exposed to exchange rate fluctuations. The translation exposure is not hedged.

Interest rate risk
MTG's sources of funds are primarily shareholders' equity, cash flows from operations and borrowing. The interest-bearing borrowing exposes the Group to interest rate risk.

A new five year revolving multicurrency credit facility of SEK 3,500 were granted in February 2006. The interest rate is determined by the Group's consolidated earnings before depreciation and amortization and tax (Ebitda) in relation to total net debt and in relation to net financial expenses.

The convertible debenture loan has a fixed interest rate of 5,5% on the nominal value of EUR 120 million. The loan is due on 15 June, 2006.

The Group does not use derivative financial instruments to hedge its interest rate risks.

Financing risk
All external borrowing is managed centrally in accordance with the financial policy. A new five year revolving multicurrency credit facility of SEK 3,500 million was granted in February 2006, and replaces the previous SEK 800 million credit facility. The new facility may be drawn to cover the potential repayment of the convertible bond maturing in June 2006 as well as to fund the continued expansion of the Group. The facility is unsecured and there are no required amortizations. Further to the revolving credit facility, an overdraft facility of SEK 100 million is granted. None of the credit facilities have been used during 2005.

MTG AB is rated BB+ positive in credit rating by Standard & Poor's.

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

NOTES

Insurable risks
The insurance cover is governed by corporate guidelines. The business units and other units being responsible for assessing the risks decide the extent of actual cover. In a majority of the Group operations the related Moderna Försäkringar manages most insurance policies.

Convertible Debenture Loan
The convertible debenture loan is reported as a short-term interest bearing liability in its entirety. The annual interest, 5.5% on the nominal value of EUR 120 million, equals the market rate and there is therefore no difference between the calculated liability and the convertible loan including the option to convert.

The debenture loan expires in June 2006 with a conversion price of SEK 385.97. For conversion, a notification has to be made not later than 8 June, 2006.

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

INVENTORIES
Inventories are valued at the acquisition cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

A significant portion of the amount reported as inventory by the Group refers to the TV channels' catalog of programme rights. Programme rights are reported as inventory when the license period has begun, the programme itself is available for its first broadcast, the cost of the programme is known, and the programme content has been approved by the TV channel. Programme rights invoiced but where the license period has not started and the programme cannot be judged as inventory are reported as prepaid expenses. Future payments in respect of contractual programme rights that have not yet been reported as inventory are reported as a memorandum item, Note 25. Programme rights are normally acquired for a specific number of runs, which can be played out during a determined license period in certain territories. The programme rights are costed per run according to how revenue is expected to accrue.

CORPORATE INCOME TAX
Tax expenses reported includes actual Swedish and foreign corporate income taxes and deferred tax arising from temporary differences between accounts for financial reporting and accounts for tax assessment, calculated using the liability method. Such temporary differences are caused mainly by differences between taxable value and the reported value of assets and liabilities. A deferred tax asset is reported corresponding to the value of loss carry-forwards if it is judged likely that they will be applied to taxable income in the foreseeable future.

Profit/loss for the year is charged with tax on taxable earnings for the year ("Current tax") and with tax estimated for the change in temporary differences and tax loss carry-forwards for the year ("Deferred tax expenses") in each Group company.

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

PENSIONS
There are mainly defined-contribution pension plans within the Group. The Group's payments to defined-contribution plans are reported as costs in the period when the employee performed the services to which the fee relates.

Defined-benefit plans exist in Sweden and Norway. Independent actuaries calculate the sizes of the obligations for each plan separately. The estimates are made using the so-called projected unit credit method in a way that distributes the costs over the employee's working life. The obligations are revaluated each year. The obligations are valued at the present value of the expected future payments using a discounting interest rate corresponding to the interest rate on first-class corporate or government bonds. The obligations are reported as provisions and as costs in the period when the employee performed the services to which the fee relates.

One Swedish subsidiary has defined-benefit plans in Alecta, a multi-employer defined-benefit plan. The Group reports these pension costs as defined contribution plans, in accordance with the statement URA 42, issued by the Emerging Issues Task Force of the Swedish Accounting Standards Council.

The balanced values for the defined-benefit plans are immaterial.

SHARE-BASED PAYMENTS
The Group has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that was unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments including social security costs are expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. A bonus may be paid three years following each participant's acquisition of warrants, provided the participant is still employed by the Group. The bonus and social security costs are allocated over the vesting period. The fair value is revalued each quarter as a basis for the calculation of social security costs. All changes are reported in the income statement as personnel costs and in equity.

Fair value is measured by use of Black & Scholes model. The expected life used in the model has been adjusted, based on managements' best estimate, for the effects of exercise restrictions and behavioral considerations.

PARENT COMPANY
The parent company has prepared the Annual Report according to the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council recommendation RR32 Accounting for Legal Entities. RR32 involves application of all IFRSs and interpretations endorsed of by the European Commission, except where the possibility to apply IFRS is restricted by the Swedish Company Act and due to tax rules. The principles applied by the company have not been changed during 2005.

The differences between the Group's and the parent company's accounting principles are the following – the company has chosen not to value its financial instruments available-for-sale at fair value, the company has also chosen to report the loan liabilities gross at the amount received and the transaction costs as prepaid expenses, allocated over the term of the loan. The company account for shares and participations at acquisition value.

GROUP CONTRIBUTIONS
The parent company reports Group contributions in accordance with the statement issued by the Emerging Issues 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 Accounting estimates and judgements

Management has discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

KEY SOURCES OF ESTIMATION UNCERTAINTY
Note 5 and 11contains information of the assumptions and their risk factors relating to goodwill impairment. In note 32 detailed analysis is given of the foreign exchange exposure of the Group and risks in relation to foreign exchange movements. In note 19 the basis for provisions made and litigations are described.

CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES
Certain critical accounting judgements in applying the Group's accounting policies are described below:

Cash flow hedges
Cash flow hedges are made on a rolling twelve month basis. The derivatives are valued at market rate on the balance day. Certain forward contracts impact equity directly, others effect the net income, due to the rules applied for hedge accounting according to IAS 39.

Tax loss carry forwards
A deferred tax receivable is calculated as a tax value of the loss carry-forwards in all countries where it is judged likely that the Group will be able to apply its loss carry-forwards to a taxable surplus. As a consequence, deferred tax receivable is not reported in some countries.

Depreciation and amortization beneficial rights and programme inventory
Depreciation and amortization of beneficial rights and programme inventory are calculated in accordance with the estimated revenue period. A higher proportion of the costs is expensed at the time in the beginning of the revenue period than the following years.

NOTES

NOTE 2 Accounting estimates and judgements (continued)

Goodwill
Goodwill is subject to impairment tests yearly or immediately when triggered by events, and the recoverable amount is calculated based on cash flow projections on a five-year business plan. The discount rate used are based on historical WACC.

OTHER CHOICES IN APPLYING ACCOUNTING PRINCIPLES
Prima
The Group holds 50% of the shares in the Prima Group. The Group exercises decisive influence in Prima through agreements and consequently consolidates Prima as subsidiaries. A minority interests is calculated.

Financial instruments
The Group's holdings in Metro International S.A. are classified as available-for-sale and are therefore valued at market price. Changes in market value have a direct impact on equity.

NOTE 3 Business segments

The business is primarily divided into four (five) business segments. Viasat Broadcasting is a commercial free-TV and pay-TV broadcaster in Nordic and in Central and Eastern Europe. Viasat Broadcasting also includes teletext and teletext operations in Scandinavia and Spain, and the Bet24 betting and gaming business. MTG Radio operates commercial radio stations in Sweden, Estonia, Latvia and Lithuania, and owns equity stakes in Norwegian and Finnish national commercial radio networks. Home Shopping operates in TV home shopping and Internet retailing. Modern Studios produces and distributes films, television programs and produce and manage events mainly in Scandinavia and the United States. The Group also publishes books and customer magazines. SDI Media, which was sold during 2004, provided language versioning and localization services to the entertainment industry in North and South America, Europe, the Middle East, Far East and most of Asia.

The stated figures for 2005 and 2004 are based on the same operational structure.

Internal sales are sales revenues between business areas, primarily sales from the MTG Modern Studios and, in 2004, SDI Media business areas to the Viasat Broadcasting business area. Such sales are made at market prices.

2005	Free-to-air Scandinavia	Pay-TV Nordic	Central & Eastern Europe	Others	Viasat Broad-casting	MTG Radio	Home Shopping	MTG Modern Studios	Parent company and other companies	SDI Media and other discontinued businesses	Eliminations	Total
Revenue from external customers:												
Advertising	2,151.4	13.1	600.7	102.2	2,867.4	276.8	6.0	0.3				**3,150.6**
Subscription fees	551.9	2,433.1	113.6		3,098.6			1.4				**3,100.0**
Consumer goods			22.5		22.5	0.1	943.0					**965.5**
Services, production and other	65.0	65.8	75.9	227.0	433.7	10.1	40.5	309.1	2.4			**795.8**
Total revenue from external customers	2,768.4	2,512.0	812.7	329.2	6,422.3	286.9	989.5	310.8	2.4			**8,011.9**
Internal sales	143.9	120.8	0.1	-249.6	15.1	3.3	2.0	326.8	125.8		-473.0	**0.0**
Total sales	2,912.3	2,632.8	812.7	79.6	6,437.4	290.2	991.5	637.6	128.2	–	-473.0	**8,011.9**
Operating income	492.0	506.9	76.5	53.9	1,129.3	-10.7	62.5	-25.6	-162.7			**992.7**
Income from associates			258.1	0.3	258.4	33.6						**292.0**
Unallocated expenses												
Total operating income	492.0	506.9	334.6	54.2	1,387.7	22.9	62.5	-25.6	-162.7	–		**1,284.6**
Gain from financial assets												**383.9**
Net financing costs												**-101.6**
Tax												**-330.1**
Net income of the year												**1,236.9**
Assets	2,122.0	2,425.0	1,957.4	-2,729.0	3,775.3	20.7	372.3	277.8	5,088.2		-2,224.1	**7,310.3**
Investments in associates		5.4		993.6	999.0	108.3		3.7				**1,111.0**
Unallocated assets												**1,471.6**
Total assets	2,122.0	2,430.5	1,957.4	-1,735.5	4,774.3	129.0	372.3	281.4	5,088.2	–	-2,224.1	**9,892.8**
Liabilities	2,006.8	1,630.7	631.9	269.7	4,539.1	47.7	213.1	252.5	488.6		-2,224.1	**3,316.9**
Unallocated liabilities												**1,172.3**
Total liabilities												**4,489.2**
Capital expenditure	3.2	14.1	3.3	5.6	26.2	1.1	1.5	35.6	15.5			**80.0**
Depreciation and amortization	25.6	13.4	13.3	4.3	56.5	2.4	0.3	80.0	6.4			**145.5**

Geographical distribution	Sweden	Norway	Denmark	Rest of Europe	Other regions	Eliminations	Total
Revenue from external customers	2,989.4	1,436.0	2,120.7	1,434.7	31.2		**8,011.9**
Assets	4,776.8	299.7	321.5	2,918.5	41.3	1,535.0	**9,892.8**
Capital expenditure	63.7	0.4	5.2	7.8	3.0		**80.0**
Depreciation and amortisation	91.7	0.2	3.9	40.2	9.5		**145.5**

NOTE 3 Business segments (continued)

2004	Free-to-air Scandinavia	Pay-TV Nordic	Central & Eastern Europe	Others	Viasat Broadcasting	MTG Radio	Home Shopping	MTG Modern Studios	Parent company and other companies	SDI Media and other discontinued businesses	Eliminations	Total
Revenue from external customers:												
Advertising	*1,962.3*	*0.8*	*429.8*	*83.7*	2,476.5	194.1	4.0	10.4				**2,685.0**
Subscription fees	*479.2*	*2,091.2*	*32.5*		2,602.9							**2,602.9**
Consumer goods	*22.2*				22.2	0.1	785.7	23.7				**831.6**
Services, production and other	*35.7*		*10.5*	*23.0*	69.2	19.5	36.0	404.2	3.4	153.1		**685.4**
Total revenue from external customers	*2,499.4*	*2,092.0*	*472.8*	*106.6*	5,170.8	213.7	825.7	438.3	3.4	153.1		**6,804.9**
Internal sales	*134.4*	*228.7*	*0.1*	*-352.6*	10.6	2.6	2.9	390.4	112.3	34.1	-553.0	**0.0**
Total sales	*2,633.8*	*2,320.7*	*472.9*	*-246.0*	5,181.4	216.3	828.6	828.7	115.7	187.2	-553.0	**6,804.9**
Operating income	*178.8*	*370.4*	*-2.6*	*44.3*	590.8	-11.3	17.2	21.8	-124.0	20.6		**515.2**
Income from associates			*146.1*		146.1	13.8			1.7			**161.5**
Gain from sales of SDI Media business area												**380.7**
Total operating income	*178.8*	*370.4*	*143.4*	*44.3*	736.9	2.6	17.2	21.8	-122.3	20.6		**1,057.4**
Net financing costs												**-33.4**
Tax												**-278.5**
Net income of the year												**745.6**
Assets	*1,590.5*	*1,999.7*	*517.9*	*-1,020.0*	3,088.2	24.2	288.5	483.6	4,679.8	5.7	-3,328.6	**5,241.4**
Investments in associates		*5.0*		*597.1*	602.1	94.3		3.7	201.4			**901.4**
Unallocated assets												**255.6**
Total assets	*1,590.5*	*2,004.7*	*517.9*	*-422.9*	3,690.3	118.5	288.5	487.3	4,881.2	5.7	-3,328.6	**6,398.4**
Liabilities	*1,849.2*	*1,347.7*	*338.7*	*1,382.1*	4,917.6	54.4	202.3	503.5	438.0	0.2	-3,328.6	**2,787.4**
Unallocated liabilities												**825.4**
Total liabilities												**3,612.9**
Capital expenditure	*19.2*	*24.7*	*5.0*	*7.5*	56.5	3.4	0.1	45.1	0.0	1.4		**106.6**
Depreciation and amortization	*24.3*	*12.8*	*8.8*	*3.5*	49.3	2.0	1.3	136.7	11.5	18.5		**219.3**

Geographical distribution	Sweden	Norway	Denmark	Rest of Europe	Other regions	Eliminations	Total
Revenue from external customers	2,563.1	1,190.2	1,812.1	1,106.7	132.7		**6,804.9**
Assets	3,164.4	363.3	279.0	1,883.5	75.4	632.8	**6,398.4**
Capital expenditure	64.4	0.2	7.8	25.5	8.7		**106.6**
Depreciation and amortization	67.9	0.1	3.6	46.7	101.0		**219.3**

Barter	2005	2004
Sales	**74.0**	66.9

NOTES

NOTE 4 Discontinued businesses

On July 2, 2004, the SDI Media business group was divested. The effects of this on the remaining businesses are the following:

Income statement	Remaining businesses 2005	2004	Discontinued business 2005	2004	Total 2005	2004
Net sales	**8,011.9**	6,651.8	**–**	153.1	**8,011.9**	6,804.9
Operating expenses	**-6,727.3**	-5,995.6	**–**	-132.5	**-6,727.3**	-6,128.1
Net gain from sale of SDI Media	**–**	380.7	**–**	–	**–**	380.7
Operating income	**1,284.6**	1,036.8	**–**	20.6	**1,284.6**	1,057.4
Interest and other financial income/expenses	**282.3**	-32.4	**–**	-0.9	**282.3**	-33.3
Net income before tax	**1,566.9**	1,004.5	**–**	19.7	**1,566.9**	1,024.1
Tax	**-330.1**	-266.5	**–**	-12.0	**-330.1**	-278.5
Net income	**1,236.9**	738.0	**–**	7.6	**1,236.9**	745.6

Cash flow from operations	Remaining businesses 2005	2004	Discontinued business 2005	2004	Total 2005	2004
Net income for the year	**1,236.9**	737.8	**–**	7.7	**1,236.9**	745.6
Adjustments to reconcile net income/loss to net cash provided by operations	**-271.3**	-308.4	**–**	18.0	**-271.3**	-290.4
Changes in working capital	**15.8**	149.1	**–**	-26.3	**15.8**	122.8
Net cash flow from operations	**981.4**	578.5	**–**	-0.5	**981.4**	578.0
Other Investments in fixed assets	**-80.0**	-106.6	**–**	–	**-80.0**	-106.6
Acquisitions of shares in subsidiares and associated companies	**-932.1**	-495.8	**–**	–	**-932.1**	-495.8
Proceeds from sales of shares in subsidiaries and associated companies	**535.1**	449.1	**–**	–	**535.1**	449.1
Dividends from associated companies	–	3.4	**–**	–	**–**	3.4
Cash flow to investing activities	**-477.0**	-149.9	**–**	–	**-477.0**	-149.9
Net change in loans from banks	**–**	-250.0	**–**	–	**–**	-250.0
Other cash flow from/to financing activities	**54.8**	33.3	**–**	-34.8	**54.8**	-1.5
Net change in cash and cash equivalents for the period	**559.2**	211.9	**–**	-35.4	**559.2**	176.6
Cash and cash equivalents at the beginning of the year	**574.3**	367.9	**–**	34.0	**574.3**	401.9
Translation differencies in cash and cash equivalents	**74.1**	-5.6	**–**	1.4	**74.1**	-4.2
Cash and cash equivalents at end of the period	**1,207.5**	574.3	**–**	–	**1,207.5**	574.3

NOTE 5 Operations acquired during 2005

The Group signed an agreement at the end of September 2005 to acquire 50% of the shares in GES Media Holding a.s. (GMH) in the Czech Republic for a maximum total cash consideration of 96 million. GMH owns 100% of TV Prima, which is the second largest national television channel in the Czech Republic. TV Prima was fully consolidated with effect from 1 November, and its results are reported within the Viasat Broadcasting business area. The total preliminary consideration as of 1 November was equivalent to SEK 904 million including transaction costs. The acquisition gave rise to separately identified immaterial rights of SEK 181.5 million and goodwill of SEK 866.8 million. In the two months to 31 December 2005 the Czech Group contributed SEK 11 million to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2005, Group revenue would have been SEK 8,391.3 million and net profit would have been SEK 1,236.5 million

In 2005 the Group increased its shareholding in Nordic Betting Ltd from 19.9% to 51%, acquired 60% of the shares in Engine Holding AS and Vakaru Lietuvos televizija for a total consideration of SEK 30.6 million. The acquisitions gave rise to a goodwill of SEK 15.0 million and intangible assets of SEK 3.2 million. If the acquisitions had occured on 1 January 2005, Group revenue would have been SEK 8,062.4 million and net income SEK 1,234.6 million. In the months from the acquisition to 31 December 2005 the acquisitions contributed to net profit by SEK -3.1 million to the consolidated net profit for the year.

Goodwill has arisen on the acquisitions since among other customer relations or trademarks did not meet the criteria for recognition as an intangible asset at the date of the acquisitions.

Net assets acquired (SEK million):	Recognised values	Book value
Prima Group		
Property, plant and equipment	39.4	39.4
Beneficial rights	65.0	65.0
Trademarks	181.5	–
Other intangible assets	2.9	2.9
Inventories	50.1	50.1
Trade and other receivables	141.6	141.6
Cash and cash equivalents	2.5	2.5
Interest-bearing loans and borrowings	-59.7	-59.7
Provisions	-15.1	-15.1
Deferred tax liabilities	-47.2	-47.2
Trade and other payables	-286.7	-286.7
Net identifiable assets and liabilities	74.3	-107.2
Minority interest	-37.1	
Goodwill on acquisition	866.8	
Total consideration	904.0	
Liquid funds in acquired companies	-2.5	
Cash consideration	901.5	
Other operations		
Net identifiable assets and liabilitites acquired	12.6	9.4
Minority interests	3.0	
Goodwill on acquisition	15.0	
Total consideration	30.6	

NOTES

NOTE 6 Non-recurring costs

GROUP

The following non-recurring costs are included in cost of goods and services and in other operating expenses:

(SEK million)	2005	2004
Cost of goods and services		
Costs STIM ruling 1993-1998	–	55.0
Change in program inventory policies	–	-75.0
Cost of goods and services	–	-20.0
Other operating expenses		
Write-down beneficial rights Modern Entertainment	–	-66.3
Other operating expenses	–	-66.3
Total non-recurring costs	–	-86.3

In December 2004, an agreement was reached with STIM with regard to the outstanding royalty payments for music broadcast by TV3 between 1 July 1993 and 31 December 2004. An agreement was also reached with STIM on the structure for royalty payments for the future period from 1 January 2005 until the end of 2007. The payments to STIM were SEK 55 million lower than the provisions made and thus had a positive impact on the net income under 2004.

The programme inventory accounting and amortization policies were changed in the Group's Scandinavian free-to-air broadcasting business. The policy requires that a higher proportion of the costs of series and own productions are expensed at the time of the first run, reflecting the expected shorter lifetime of such content. The valuation change had a negative impact of SEK 75 million.

NOTE 7 Income/loss from business development

(SEK million)	2005	2004
Group		
Sales of shares in SDI Media business area	–	380.7
Total	–	380.7

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

NOTE 8 Share of earnings in associated companies

(SEK million)	Country	Share capital %	2005	2004
Group				
Mediamätning i Skandinavien MMS AB	Sweden	43	–	1.7
P4 Radio Hele Norge ASA	Norway	40	32.7	14.2
Radio National i Luleå AB	Sweden	49	0.3	-0.1
Radio National i Skellefteå AB	Sweden	49	-0.1	-0.2
Radioindustri Xerkses i Borås AB	Sweden	49	-0.9	0.0
Svensk Programagentur AB	Sweden	50	6.8	5.0
Finland Radio Investment AS	Norway	50	1.6	0.0
Gigahertz KB	Sweden	33	-0.1	-0.1
CTC Media, Inc.	Russia	43	257.3	146.4
Nordic Betting Ltd	Malta	–	0.8	-0.4
Total			298.5	166.5
Tax			-93.2	-51.8
Net income			205.3	114.7

As at 31 December	2005	2004
Shares in associated companies		
Balance brought forward 1 January	901.4	345.8
Investments in associated companies	23.1	476.9
Sale of associated companies	0.0	–
Share of earnings in associated companies	298.5	166.5
Share of tax expense in associated companies	-93.2	-51.8
Reclassifications	1.4	0.1
Dividend received	-30.3	-3.4
Translation differences	10.1	-32.6
Balance carried forward 31 December	1,111.0	901.4

(SEK million)	2005	2004
Assets	2,583.0	2,286.6
Liabilities	955.0	961.6
Revenues	2,261.0	1,524.0
Profit/loss	500.0	350.5

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 but before tax in each associated company after conversion into Swedish kronor and after adjustments to MTG's accounting principles (when necessary). The calculation of share in profit/loss are based on the latest available accounts, which in all cases but for P4 Radio Hele Norge ASA, are prepared on 31 December 2005 and 2004 respectively. The figures for P4 Radio Hele Norge ASA are based on the interim report of 30 September 2005 and 2004.

For further information, see also note 13.

NOTE 9 Financial items

(SEK million)	2005	2004
Group		
Proceeds from sales of shares in Metro International S.A.	–	15.4
Proceeds from sales of shares in TV4 AB	388.8	–
Gain/loss from short-term investments	-4.9	0.3
Total	383.9	15.7
Interest revenue	29.8	11.3
Total	29.8	11.3
Interest expense	-8.4	-11.7
Interest expense on convertible loan notes	-62.9	-60.9
Interest relating to music rights provisions	–	12.6
Exchange rate differences	-46.7	10.0
Other	-13.3	-25.5
Total	-131.4	-75.5
Net financial costs	282.3	-48.5
Parent Company		
Proceeds from sales of shares in Metro International	–	15.4
Total	–	15.4
Interest revenue from external parties	11.2	2.8
Interest revenue from subsidiaries	212.3	197.1
Total	223.4	199.9
Interest expense to external parties	-2.6	-5.8
Interest expense on convertible loan notes	-62.9	-60.9
Interest expense to subsidiaries	-21.9	-21.6
Exchange rate differences	-47.6	3.7
Other	-122.5	-17.3
Total	-257.5	-101.9
Net financial costs	-34.1	113.4

Hedging positions are taken to protect the Group against the effects of transaction exposures in the contracted outflow of US dollars and Swiss Francs/Euro, on a rolling twelve month basis. This was done for the first time in December 2004. Hedge accounting was applied during the fourth quarter for the major forward contracts. This resulted in a SEK 7.5 million equity reserve. The total value of the forward cash flow hedges were SEK 38 million at year-end.

There are no hedging positions in the parent company.

Other financial expenses in the Group and the parent company include amortization of capitalised borrowing costs for the convertible debenture of EUR 120 million and costs for guarantees, in total these costs amounted to SEK 16.3 million in 2005 and SEK 16.8 million in 2004.

NOTE 10 Taxes

(SEK million)	2005	2004
Distribution of tax expense		
Current tax		
Current tax expense	**-234.9**	-124.2
Adjustment for prior years	**-0.2**	17.2
Total	**-235.1**	-107.0
Deferred tax		
Temporary differences	**-23.5**	-14.7
Benefit of tax losses recognised	**-71.5**	-156.9
Total	**-94.9**	-171.5
Total income tax expense in income statement	**-330.1**	-278.5

Reconciliation of tax expense	2005	(%)	2004	(%)
Tax/Taxe rate in Sweden	**-438.7**	-28.0	-286.7	-28.0
Non-taxable income	**109.0**	7.0	115.1	11.2
Foreign tax rate differential	**14.5**	0.9	7.2	0.7
Effect of loss carry-forwards	**4.0**	0.3	4.5	0.4
Non-deductible amortization of goodwill	**–**	–	-1.8	-0.2
Non-deductible write-down of beneficial rights	**–**	–	-18.6	-1.8
Non-deductible expenses	**-17.4**	-1.1	-19.5	-1.9
Losses where no tax benefit was recognized	**-12.4**	-0.8	-20.3	-2.0
Revalued tax loss carry-forwards	**38.2**	2.4	-42.1	-4.1
Other permanent effects	**-27.1**	-1.7	-35.0	-3.4
Under/over provided in prior years	**-0.2**	-0.0	18.6	1.8
Effective tax/tax rate	**-330.1**	-21.0	-278.5	-27.2

As at 31 December	2005	2004
Deferred tax receivable		
Goodwill	**-24.6**	–
Equipment	**9.6**	3.2
Beneficial rights	**8.4**	8.4
Provisions	**4.2**	–
Inventory	**3.7**	0.8
Current short term receivables	**2.9**	5.0
Current short term liabilities	**4.5**	17.8
Tax value of loss carry-forwards recognised	**138.9**	206.8
Total	**147.7**	242.0
Deferred tax liabilities		
Trademarks	**47.2**	12.3
Equipment	**3.4**	–
Beneficial rights	**–**	0.2
Provisions	**1.5**	–
Inventory	**–**	–
Current short term receivables	**0.5**	2.6
Current short term liabilities	**0.2**	–
Total	**52.8**	15.0
Deferred tax net	**94.9**	227.0

PARENT COMPANY

The accounts for 2005 consist of deferred tax receivables of SEK 100.9 million corresponding to 28% of the loss carry forwards without expiration date allocated to the parent company.

	2005	2004
Current tax relating to Group Contribution	**77.1**	50.5
Deferred tax	**-86.1**	-68.3
Total	**-9.0**	-17.8

As at 31 December	2005	2004
Deferred tax receivable	**100.9**	187.0

The movement in temporary differences net is explained below:

Deferred tax receivables net As at 31 December	2005 Opening balance1 Jan	Deferred tax expense	Acquisition of subsidiary	Charged to equity	Translation differences	**2005 Closing balance 31 December**
Tax loss carry-forwards	206.8	-71.5	3.6			**138.9**
Temporary differences in:						
Goodwill	-12.3	-12.3				**-24.6**
Equipment	3.1	1.7	1.6		0.1	**6.3**
Beneficial rights	8.4	–	-47.2			**-38.8**
Provisions	–	0.7	2.1			**2.7**
Inventory	0.8	1.3	1.6			**3.7**
Current short term receivables	5.0	-3.8	1.2			**2.4**
Current short term liabilities	15.2	-11.0				**4.3**
	227.0	-94.9	-37.2	–	0.1	**94.9**

Deferred tax receivables net As at 31 December	2004 Opening balance 1 Jan	Deferred tax expense	Acquisition of subsidiary	Charged to equity	Translation differences	2004 Closing balance 31 December
Tax loss carry-forwards	363.7	-157.1			0.2	206.8
Temporary differences in:						
Goodwill	–	-12.3				-12.3
Equipment	-7.8	8.9			2.0	3.1
Beneficial rights	–	–		8.4		8.4
Inventory	–	0.8				0.8
Current short term receivables	23.9	-18.9			0.0	5.0
Current short term liabilities	6.4	7.1			1.7	15.2
	386.1	-171.6	–	8.4	3.9	227.0

NOTES

NOTE 10 Taxes (continued)

The Group had loss carry-forwards without expiration date of SEK 506.0 million at 31 December 2005. The accounts for 2005 include deferred tax receivable as a tax value of the loss carry-forwards in all countries where it is judged likely that the Group will be able to apply its loss carry-forwards to a taxable surplus. As a consequence, deferred tax receivable is not reported in some countries.

	2005	2004
Unrecognized tax loss carry-forwards by expiry date		
2005	–	6.3
2006	43.1	0.9
2007	2.7	0.4
2008	0.7	–
2009	0.4	0.3
2010 and thereafter	52.9	–
No expiry date	63.1	157.2
Total	163.0	165.0

NOTE 11 Intangible assets

(SEK million)	Group Capitalized development expenses	Patents and trademarks	Beneficial rights	Goodwill	Parent company Capitalized development expenses
Acquisitions					
Opening balance 1 January 2004	75.4	1.1	491.0	845.5	50.0
Investments during the year	21.5		39.3	27.8	
Acquisitions through business combinations	–		–	–	–
Divestment/retirement during the year	-8.2		-0.8	–	–
Change in Group structure, reclassifications etc	0.3		-0.7	–	0.2
Translation differences	0.0		-19.1	–	–
Closing balance 31 December 2004	88.9	1.1	509.6	873.3	50.1
Opening balance 1 January 2005	88.9	1.1	509.6	873.3	50.1
Investments during the year	11.4		47.0		
Acquisitions through business combinations	–	186.4	65.0	920.0	
Divestment/retirement during the year			-129.7		
Change in Group structure, reclassifications, etc.	-0.1		19.6		
Translation differences	0.2		39.3	39.3	
Closing balance 31 December 2005	100.4	187.5	550.8	1,832.7	50.1
Accumulated depreciation and amortisation					
Opening balance 1 January 2004	-42.5	-0.6	-225.3	–	-27.3
Divestment/retirement during the year	5.2		0.7	–	–
Amortisation during the year	-13.6	-0.2	-58.6	–	-10.2
Impairment losses	-1.3		-78.6	-18.0	–
Changes in Group structure, reclassifications, etc.	-0.2		-4.4	–	-0.2
Translation differences	0.0		13.4	–	–
Closing balance 31 December 2004	-52.4	-0.8	-352.7	-18.0	-37.7
Opening balance 1 January 2005	-52.4	-0.8	-352.7	-18.0	-37.7
Divestment/retirement during the year	–		87.2		
Amortisation during the year	-12.2	-2.5	-57.0	–	-5.1
Impairment losses	-0.2		-23.2	-0.6	
Changes in Group structure, reclassifications, etc.	0.2		-6.2		
Translation differences	0.0		-28.7		
Closing balance 31 December 2005	-64.6	-3.3	-380.5	-18.6	-42.8

NOTE 11 Intangible assets (continued)

Residual value carried forward					
As 1 January 2004	32.9	0.5	265.7	845.5	22.6
As 31 December 31 2004	36.5	0.3	156.9	855.3	12.4
As 1 January 2005	36.5	0.3	156.9	855.3	12.4
As 31 December 2005	35.7	184.3	170.3	1,814.1	7.3

Impairment tests for cash-generating units containing goodwill

The following business units have significant carrying amounts of goodwill:

	2005	2004
TV1000	669.1	669.1
Prima	866.8	–
	1,535.9	669.1
Other units without significant goodwill	278.2	186.2
Total	1,814.1	855.3

The recoverable amount of the goodwill in the business areas is based on cash flow calculations. These cash flow projections are based on actual operating results and a five-year business plan. A discount rate of 12% has been used in the projected cash flows.

NOTE 12 Tangible assets

(SEK million)	Group Machinery, technical plant	Equipment, tools	Parent company Equipment, tools
Acquisitions			
Opening balance 1 January 2004	54.8	561.2	3.1
Investments during the year	3.3	37.7	0.0
Acquisitions through business combinations	–	–	–
Divestment/retirement during the year	-6.2	-25.7	–
Change in Group structure, reclassifications, etc.	12.8	-30.4	–
Translation differences	0.2	-0.5	–
Closing balance 31 December 2004	64.9	542.3	3.1
Opening balance 1 December 2005	64.9	542.3	3.1
Investments during the year	4.6	16.7	–
Acquisitions through business combinations	34.5	8.1	–
Divestment/retirement during the year	-10.1	-11.1	–
Change in Group structure, reclassifications, etc.	0.0	-82.6	–
Translation differences	1.1	7.6	–
Closing balance 31 December 2005	95.0	481.1	3.1
Accumulated depreciation and amortisation			
Opening balance 1 January 2004	-53.6	-424.9	-3.0
Divestment/retirement during the year	6.2	12.7	–
Depreciation during the year	-3.5	-44.9	-0.1
Impairment losses	–	-0.6	–
Changes in Group structure, reclassifications, etc.	-4.3	21.9	–
Translation differences	-0.2	0.3	–
Closing balance 31 December 2004	-55.3	-435.6	-3.1
Opening balance 1 January 2005	-55.3	-435.6	-3.1
Divestment/retirement during the year	10.1	11.9	–
Depreciation during the year	-6.4	-43.7	0.0
Impairment losses	–	–	–
Changes in Group structure, reclassifications, etc.	0.0	82.9	–
Translation differences	-1.0	-5.4	–
Closing balance 31 December 2005	-52.5	-389.9	-3.1
Residual values carried forwards			
As 1 January 2004	1.2	136.3	0.1
As 31 December 2004	9.6	106.7	0.1
As 1 January 2005	9.6	106.7	0.1
As 31 December 2005	42.4	91.1	0.0

NOTES

NOTE 12 Tangible assets (continued)

The depreciation and amortisation and impairment losses on intangible and tangible assets were recognised in the following line items in the income statement:

Depreciation and impairment losses by function (SEK million)	2005	2004
Cost of goods and services	**95.5**	88.2
Selling expenses	**0.5**	0.0
Administrative expenses	**44.6**	32.2
Other operating expenses	**4.9**	32.7
Write-down beneficial rights Modern Entertainment	**–**	66.3
Total	**145.5**	219.3
Parent company		
Depreciation by function		
Administrative expenses	**5.1**	10.3
Total	**5.1**	10.3

NOTE 13 Long-term financial assets

(SEK million)	Co. Reg.no.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value
Shares in subsidiaries (held by parent company)						
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
						136.4

	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
Shares in subsidiaries (within the Group)				
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
Viasat Satellite Service AB	556278-7910	Stockholm	100	100
MTG Broadcast Centre Stockholm AB	556493-2340	Stockholm	100	100
Viasat AS Estonia		Estonia	100	100
Eesti Vaba Television EVTV		Estonia	100	100
Televisionsaktiebolaget TV8	556507-2401	Stockholm	100	100
UAB TV3 Lithuania		Lithuania	100	100
TV3 Estonia AS		Estonia	100	100
Viasat Hungária Rt		Hungary	95	95
Viasat Broadcasting UK Ltd		United Kingdom	100	100
3+ Television Ltd		United Kingdom	100	100
TV3 Broadcasting Group Ltd		United Kingdom	100	100
TV3 AB	556153-9726	Stockholm	100	100
TV3 A/S Danmark		Denmark	100	100
TV3 AS Norge		Norway	100	100
Darial TV ZAO		Russia	100	100
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 New Media Ltd		United Kingdom	100	100
Modern Sport and Event Ltd		United Kingdom	100	100
Felista ZAO		Russia	100	100

	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
Shares in subsidiaries (within the Group)				
Nomad ZAO		Russia	100	100
Modern Russia ZAO		Russia	100	100
Viasat World Ltd		United Kingdom	100	100
Viasat Holding ZAO		Russia	100	100
Zollen ZAO		Russia	100	100
Premi ZAO		Russia	100	100
GES Media Holding A.S.		Czech Republic	50	50
FTV Prima, spol s.r.o.		Czech Republic	50	50
TV Produkce, a.s.		Czech Republic	50	50
TV Prima Support spol s.r.o.		Czech Republic	50	50
Regio Media spol s.r.o.		Czech Republic	50	50
TV Vridlo s.r.o.		Czech Republic	50	50
TV Morava, s.r.o.		Czech Republic	26	26
TV Lyra, s.r.o.		Czech Republic	30	30
Regionalni televise DAKR, s.r.o.		Czech Republic	26	26

NOTES

NOTE 13 Long-term financial assets (continued)

	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
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	Stockholm	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
UAB TV3 Radio Lithuania		Lithuania	100	100
MTG Radio Sales AB	556490-7979	Stockholm	100	100
MTG Frekvens AB	556514-3103	Stockholm	100	100
MTG Lugna Favoriter AB	556517-9669	Stockholm	100	100
MTG FM 101,9 i Stockholm AB	556438-4062	Stockholm	100	100
MTG Moneypenny Productions AB	556491-9685	Stockholm	100	100
MTG Publishing SA		Luxembourg	100	100
MTG Publishing Holding AB	556580-7798	Stockholm	100	100
MTG Publishing AB	556457-2229	Stockholm	100	100
Moderna Tider Förlags AB	556401-4941	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 Homeshopping AB	556035-6940	Stockholm	100	100
Entertainment Distribution Enterab AB	556406-1702	Stockholm	100	100
MTG Internet Retailing bv		The Netherlands	100	100
TV-Shop Europe AB	556497-0019	Malmö	100	100
TV Shop Homeshopping Oy		Finland	100	100
TV Shop Lithuania SA		Lithuania	100	100
Mediashop SA		Luxembourg	60	60
TV Shop AS Norge		Norway	100	100
TV Shop Polska Sp Zoo		Poland	100	100
TV Shop Europe GmbH		Germany	100	100
Unimedia GmbH		Germany	100	100
TV Shop Broadcasting Ltd		United Kingdom	100	100
TV Shop Netherlands bv		The Netherlands	100	100
TV Shop Portugal Ltda		Portugal	100	100
TV Shop Spain SL		Spain	96	96
CDON AB	556308-2105	Stockholm	100	100
CDON Entertainment AB	556513-5554	Stockholm	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, Ltd		United States	100	100
Sonet Film AB	556103-7283	Stockholm	100	100
MTG Modern TV AB	556419-9544	Stockholm	100	100
Redaktörerna i Stockholm AB	556472-8425	Stockholm	100	100
Brombergs Bokförlag AB	556204-4627	Stockholm	99	99
Strix Television AB	556345-5624	Stockholm	100	100
Strix Televisjon AS		Norway	100	100
Strix Television bv		The Netherlands	100	100
MTG New Media AB	556461-1662	Stockholm	100	100
Zoomobile AB	556529-7917	Stockholm	100	100
Engine Holding AS		Norway	100	100
Engine AB	556572-8408	Stockholm	100	100
Subtitling & Dubb Intl SA		Luxembourg	100	100
MTG Media Services AB	556580-7509	Stockholm	100	100
MTG Media AB	556170-2217	Stockholm	100	100

	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG Holding AB	556057-9558	Stockholm	100	100
Bäckegruve AB	556170-7752	Stockholm	100	100
MTG Accounting AB	556298-5597	Stockholm	100	100
Applied Sales Management ASM AB	556513-5547	Stockholm	100	100
Senaste Nytt på Nätet SNN AB	556448-0076	Stockholm	100	100
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
Viasat Sport A/S		Denmark	100	100
TV1000 Danmark A/S		Denmark	100	100
TV Holding International SA		Luxembourg	100	100
MTG New Media A/S		Norway	100	100
Modern Betting Ltd		Malta	100	100
Nordic Betting Ltd		Malta	51	51
MTG AS Norge		Norway	100	100
Viasat AS Norge		Norway	100	100
Metro Norge AS		Norway	100	100
SportN AS		Norway	100	100

NOTES

NOTE 13 Long-term financial assets (continued)

(SEK million)	Co. Reg. No.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 2005	Book value 2004	Market value 2005
Shares in associated companies (within the Group)								
Forum och Marknad 107,7 i Nyköping HB	969651-4125	Nyköping	–	33	33	0.0	0.0	
GigaHertz 106,7 i Malmö HB	969651-2970	Malmö	–	33	33	0.0	0.0	
GH GigaHertz KB	969616-7551	Göteborg	–	33	33	2.0	2.1	
Göteborg Air 105,9 HB	969661-0600	Göteborg	–	33	33	0.0	0.0	
Jönköpings Reklamradio 106,0 HB	969651-3739	Jönköping	–	33	33	0.0	0.0	
Mediamätning i Skandinavien MMS AB	556353-3032	Stockholm	2,150	43	43	3.7	3.7	
P4 Radio Hele Norge asa		Norway	12,798,328	40	40	72.2	66.4	394.3
Power i Stockholm HB	969651-2236	Stockholm	–	33	33	0.0	0.0	
Radio 2000 107,6 Helsingborg HB	969651-5015	Helsingborg	–	33	33	0.0	0.0	
Radio Air 104,5 i Hällby och Eskilstuna HB	969651-1980	Eskilstuna	–	33	33	0.0	0.0	
Radio National i Luleå AB	556475-0411	Stockholm	490	49	49	0.3	0.0	
Radio National i Skellefteå AB	556475-0346	Stockholm	490	49	49	0.0	0.0	
Radio Storpannan 104,8 i Göteborg HB	969651-2228	Göteborg	–	33	33	0.0	0.0	
Reklammedia 104,4 i Kil och Karlstad HB	969651-4109	Karlstad	–	33	33	0.0	0.0	
Reklammedia 107,3 i Kristianstad HB	969651-3697	Kristianstad	–	33	33	0.0	0.0	
Rix i Borås AB	556034-4391	Borås	490	49	49	6.0	0.0	
Rix i Skandinavien AB	556475-3670	Stockholm	500	50	50	0.0	0.0	
Svensk Programagentur AB	556453-6281	Göteborg	4,270	50	50	5.4	5.0	
Svensk Radioreklam AB	556623-1345	Stockholm	400	40	40	0.0	0.0	
Trestad Air 105,0 HB	969651-2715	Vänersborg	–	33	33	0.0	0.0	
Växjö Reklamradio 104,3 HB	969651-1972	Växjö	–	33	33	0.0	0.0	
Z-Radio 101,9 HB	969651-2269	Stockholm	–	33	33	0.0	0.0	
Östersund Air 104,0 HB	969651-2681	Östersund	–	33	33	0.0	0.0	
FRI Finland Radio Investment AS		Norway	750	50	50	27.7	24.3	
Kimtevill HB	969680-2272	Stockholm	–	33	33	0.0	0.0	
Nordic Betting Ltd		Malta	–	–	–	–	-0.4	
CTC Media Inc.		USA	15,002,200	43	43	993.6	800.2	
						1,111.0	**901.4**	
Shares and participations in other companies (within the Group)								
Metro International S.A.		Luxembourg	146,968,313	28	19	1,940.0	633.8	1,940.0
Other						0.2	129.6	0.2
						1,940.2	**763.4**	**1,940.2**
Shares and participations in other companies (held by parent company)								
Metro International S.A.		Luxembourg	146,968,313	28	19	633.8	633.8	1,940.0
Other						0.2	0.4	0.2
						634.0	**634.2**	**1,940.2**

NOTE 14 Nature of Expenses

(SEK million)	2005	2004
Group		
Revenue	**8,011.9**	6,804.9
Changes in inventories of finished goods and work in progress	**-3,285.8**	-3,111.1
Distribution costs	**-463.1**	-528.4
Employee benefit expenses	**-1,113.1**	-908.7
Depreciation and amortisation expenses	**-145.5**	-219.3
Other expenses	**-1,719.8**	-980.0
Operating Income	**1,284.6**	1,057.4

NOTE 15 Accounts receivable

As at 31 December (SEK million)	2005	2004
Group		
Accounts receivable		
Gross accounts receivable	**986.4**	768.5
Less allowances for doubtful accounts	**-98.0**	-92.9
Total	**888.3**	675.6
Allowance for doubtful accounts		
Balance at beginning of year	**92.9**	143.4
Charged to allowance and expenses	**47.7**	33.4
Write-offs	**-46.7**	-83.9
Translation differences	**4.1**	–
Balance at end of year	**98.0**	92.9
Parent Company		
Gross accounts receivable	**1.1**	3.8
Less allowances for doubtful accounts	**-1.0**	-0.4
Total	**0.2**	3.4

NOTES

NOTE 16 Prepaid expense and accrued income

As at 31 December (SEK million)	2005	2004
Group		
Prepaid transponder costs	**10.5**	13.0
Prepaid financing costs	**5.8**	18.5
Prepaid media costs	**29.7**	51.6
Accrued sales revenue	**75.9**	63.8
Prepaid production costs	**16.7**	13.6
Prepaid distribution costs	**42.1**	62.0
Prepaid subscriber acquisition costs	**421.9**	309.2
Prepaid programme acquisition costs	**208.9**	50.8
Other	**56.6**	29.2
Total	**868.3**	611.7

Prepaid subscriber acquisition costs in Broadcasting consist of subsidies of set-top boxes and installation costs, telemarketing costs and retailer commissions. These costs are distributed over the contract period, SEK 331.7 million will be expensed in 2006 and SEK 90.2 million in 2007.

	2005	2004
Parent Company		
Prepaid financing costs	**5.8**	18.5
Prepaid insurance premium	**5.2**	4.8
Other	**0.9**	2.2
Total	**11.9**	25.5

Prepaid financing costs refer to a convertible debenture of EUR 120 million issued by the parent company in June 2001, distributed over 60 months.

NOTE 17 Cash and cash equivalents

As at 31 December (SEK million)	2005	2004
Group		
Bank balances	**1,174.6**	573.7
Short term investments	**18.7**	–
Deposit	**14.1**	0.5
Total	**1,207.5**	574.2
Parent company		
Bank balances	**302.3**	70.5
Deposit	**14.1**	–
Total	**316.4**	70.5

NOTE 18 Shareholders' equity

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

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

Earnings per share	2005	2004
Shares outstanding on 31 December	**66,375,156**	66,375,156
Net income for the year attributable to equity holders of the parent	**1,232.0**	745.6
Adjustments to exclude profit for the period from discontinued operations	**–**	-388.3
Earnings from continued operations	**1,232.0**	357.2
Weighted Basic average number of shares outstanding 31 December	**66,375,156**	66,375,156
Effect of Personnel options	**–**	32,382
Weighted average number of shares after dilution	**66,375,156**	66,407,538
Earnings per share before and after dilution, SEK		
Profit from continuing operations	**18.56**	5.38
Profit from discontinued operations	**–**	5.85
Total earnings per share before dilution	**18.56**	11.23

PAID-IN CAPITAL/LEGAL RESERVE
The paid-in capital consist of paid in capital and legal statutory reserves in accordance with the Swedish Company Act. The part of the reserve that arise from paid in capital were added when shares were issued at a premium, i.e. shares were paid at a higher price than the normal value. The difference between the nominal value and the price paid is reserved as a part of the restricted reserves in the parent company, which cannot be used for dividends.

HEDGING RESERVE
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. There is no hedging reserve in the parent company.

FAIR VALUE RESERVE
The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised. There is no fair value reserve in the parent company.

TRANSLATION RESERVE IN EQUITY
Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations in the consolidated accounts.

As at 31 December	2005	2004
Accumulated translation differences	**-85.5**	–
This year's translation differences	**12.1**	-100.8
Realized accumulated translation differences by sale of shares in Group companies	**–**	15.3
Other	**–**	–
Total accumulated translation differences	**-73.4**	-85.5

NOTE 19 Other provisions

As at 31 December (SEK million)	Provision for music royalties	Restruc-turing costs	Other	Total
Group				
Opening balance, 1 January 2005	75.0	5.4	4.1	**84.5**
Provisions during the year	67.3	–	37.6	**104.9**
Utilised during the year	-61.1	-0.6	-3.7	**-65.3**
Withdrawals during the year	-4.9	–	–	**-4.9**
Translation differences	4.7	0.2	0.3	**5.3**
Closing balance, 31 December 2005	81.0	5.0	38.4	**124.4**
Included in current liabilities	–	–		**–**
Included in non-current liabilities	81.0	5.0	38.4	**124.4**

MTG has for a number of years been in dispute with rights societies throughout Scandinavia as well as their British counterpart regarding payment of fees for the use of musical works in various TV channels. During 2004 the Company resolved its dispute with STIM (Swedish Performing Rights Society) regarding the royalties payable for TV3 between 1 July 1993 and 31 December 2004 and regarding the future period from 1 January 2005 to the end of 2007. Amounts payable under this agreement are included in the provision for music royalties. Due to the on-going nature of discussions and lack of final agreements with various other collecting societies, provisions have also been made for the estimated outcome of these negotiations.

The Group has received a claim relating to the disposal of the SDI Media business area in July 2004 to private equity group Warburg Pincus. The buyer is claiming damages of approximately USD 9 million in relation to warranties given by the Group in the sales process. Based on the arguments for the claim and the initial information received, the Group finds that the claim is substantially without merit, both in regards to the basis of the claim and the amounts, and has therefore not made any provisions in relation to the claim.

Various Group Companies are parties to non-material litigation. The Company does not believe that liabilities related to these proceedings are likely to have a material adverse effect on the financial position of the MTG Group.

NOTES

NOTE 20 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 loan of SEK 250 million was paid on its due date in June 2004. During 2003 a new loan facility of SEK 800 million was granted, of which none was utilized at year-end. The new loan facility was available until December 2007.

After the end of the reporting period, a new revolving multicurrency credit facility of SEK 3,500 million was granted. The facility is unsecured and there are no required amortizations. The new facility replaces the existing SEK 800 million credit facility. The facility is available until December 2011 .The loan agreements have covenants based on the ratios total consolidated Ebitda in relation to total net debt and Ebitda in relation to net financial expenses. The loan can be paid out in optional currencies and the interest rate varies with Libor, Euribor and Stibor, depending on the currency utilized. as well as the financial covenance rate.

The Prima Group is granted a loan facility of CZK 125 million (SEK 68 million) of which CZK 84 million (SEK 27 million) was utilized on 31 December 2005.

The Group issued convertible debentures on 15 June 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 June 2006. The conversion price is SEK 385.97.

As at 31 December (SEK million)	2005	2004
Group		
Maturity of long-term loans		
2005		11.7
2006	**1,192.4**	1,060.4
2007	**–**	–
2008	**–**	–
2009	**–**	–
	1,192.4	1,072.1
Amount due for settlement within 12 months	**1,192.4**	
Amount due for settlement after 12 months	**–**	1,072.1
Parent company		
Maturity of long-term loans		
2006	**1,131.6**	1,080.8
	1,131.6	1,080.8
Amount due for settlement within 12 months	**1,131.6**	–
Amount due for settlement after 12 months	**–**	1,080.8

NOTE 21 Overdraft facilities

The amount granted for bank overdraft facilities at 31 December 2005, equalled SEK 100.0 (100.0) millon, of which SEK 100.0 (100.0) million was unutilized. The Prima Group is granted a bank overdraft facility of which CZK 124 million was utilized.

NOTE 22 Accrued expense and prepaid income

As at 31 December (SEK million)	2005	2004
Group		
Accrued personnel costs	**91.2**	107.8
Accrued interest costs	**34.9**	33.4
Accrued commission to sales agents	**19.1**	14.0
Accrued royalties	**41.4**	46.4
Accrued professional fees	**12.8**	11.8
Accrued media costs	**17.9**	48.6
Accrued distribution costs	**28.0**	27.2
Accrued production costs	**21.8**	55.4
Accrued programme costs	**643.3**	482.2
Prepaid revenue	**658.6**	583.0
Other	**130.8**	90.1
Total	**1,699.9**	1,499.9
Parent company		
Accrued personnel costs	**4.3**	8.3
Accrued interest costs	**34.4**	32.9
Other	**16.1**	15.1
Total	**54.8**	56.3

NOTE 23 Contingent liabilities and pledged assets

As at 31 December (SEK million)	2005	2004
Group		
Guarantees external parties	**0.3**	5.4
	0.3	5.4

Various MTG Companies are parties to non-material litigation. The Company has made full provisions and/or accruals at the level of the likely outcome of these proceedings. These litigations are therefore not included in the contingency liabilities. There are no pledged assets in 2005 and 2004.

	2005	2004
Parent Company		
Guarantees external parties	**0.3**	5.4
Guarantees subsidiaries	**280.0**	374.6
Total	**280.3**	380.0

NOTE 24 Financial instruments

Effective interest rates and repricing analysis	**2005 Effective interest rate**	Total	6 months or less	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents	1.7%	1,207.5	1,207.5	–	–	–
Convertible notes	5.5%	-1,124.6	-1,124.6	–	–	–
Finance lease liabilities	12.8%	-0.6	-0.5	-0.1	–	–
Loan from related parties	3.4%	-35.7	-13.0	-22.7	–	–
Loan from bank	3.9%	-67.7	-40.4	-27.4	–	--

The loan from related parties refers to GES Media Europe. the partner in the Prima Group.

Effective interest rates and repricing analysis	**2004** Effective interest rate	Total	6 months or less	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents	1.7%	574.2	574.2	–	–	–
Convertible notes	5.5%	-1,060.4	–	-1,060.4	–	–

NOTE 25 Lease and other commitments

Lease and other commitments for future payments at 31 December 2005 (SEK million)	Future rent on non-cancelable leases	Future payments for programme rights	Transponder commitments	Total commitments
Group				
2006	31.6	910.1	184.0	1,125.7
2007	16.9	902.6	147.7	1,067.3
2008	7.4	724.2	43.4	775.0
2009	3.2	429.5	8.1	440.8
2010	1.7	140.5	4.0	146.1
2011 and thereafter	–	28.5	–	28.5
Total lease and other commitments	60.9	3,135.4	387.2	3,583.4
This year's operational costs	41.0	1,169.5	209.4	1419.9

Lease and other commitments for future payments at 31 December 2004 (SEK million)	Future rent on non-cancelable leases	Future payments for programme rights	Transponder commitments	Total commitments
Group				
2005	25.7	1,131.3	153.9	1,310.9
2006	19.5	715.9	57.6	793.0
2007	16.0	597.7	13.6	627.3
2008	8.6	421.7	2.9	433.2
2009	5.5	241.3	–	246.8
2010 and thereafter	19.7	140.3	–	160.0
Total lease and other commitments	95.0	3,248.2	228.0	3,571.2
This year's operational costs	26.3	1,045.9	293.2	1,365.4

NOTES

NOTE 25 Lease and other commitments (continued)

Lease and other commitments for future payments at 31 December (SEK million)	2005	2004
Parent company		
2005	–	1.6
2006	2.4	1.0
2007	0.4	1.0
2008	0.4	1.0
2009	0.4	1.0
2010 and thereafter	–	1.0
Total lease and other commitments	3.6	6.6
This year's operational leasing costs	1.8	2.6

NOTE 26 Financial lease liabilities

Finance lease liabilities are payable as follows:

(SEK million)	2005 Minimum lease payments	Interest	Principal	2004 Minimum lease payments	Interest	Principal
Group						
2006	1.2	0.2	1.0	–	–	–
2007	0.7	0.1	0.6	–	–	–
Total financial lease	1.8	0.3	1.6	–	–	–

The financial lease liabilities arise from the acquisition of Prima.

NOTE 27 Average number of employees

	2005 men	2005 women	2004 men	2004 women
Group				
Sweden	372	262	347	251
United Kingdom	100	90	90	79
Denmark	160	62	125	76
United States	7	3	8	5
Lithuania	55	36	50	22
Norway	51	69	59	52
Estonia	29	33	30	31
Spain	27	16	26	18
Russia	28	41	18	39
The Netherlands	1	6	–	–
Malta	8	2	–	–
Latvia	30	31	19	27
Finland	6	2	6	3
Hungary	15	15	10	10
Germany	3	5	3	5
Czech Republic	25	24	–	–
Total	917	697	791	618
SDI	–	–	74	71
Total number of employees		1,614		1,554

	2005	2004
Parent company		
Men	31	33
Women	23	18
	54	51

	Men %	Women %
Senior executives		
Group		
Board of Directors	87	13
CEO	85	15
Other senior executives	89	11
Total	86	14

	Men %	Women %
Parent company		
Board of Directors	87	13
CEO	100	–
Other senior executives	50	50
Total	82	18

As a percentage of standard working hours	2005	2004
Absence due to illness		
Parent company		
<29 years	0.5%	0.3%
30-49 years	0.7%	2.4%
>50 years	0.1%	0.2%
Men	0.8%	0.5%
Women	0.4%	3.1%
Total	0.6%	1.5%
Absence longer than 60 days of total	–	41.1%

NOTE 28 Salaries, other remuneration and social security expenses

(SEK million)	2005	2004
Group		
Personnel expenses		
Wages and salaries	864.5	737.5
Social security expenses	186.7	142.6
Pension costs - defined contribution plans	47.3	27.2
Pension costs - defined benefit plans	2.2	1.4
Share-based payments	2.3	–
Social security expenes on share-based payments	10.0	–
Total	1,113.1	908.7

	2005	2004
Board of Directors, presidents and vice presidents		
Total excl SDI Media (1)	125.6	109.7
SDI Media	–	4.6
Total	125.6	114.3
of which, variable salary SDI Media excluded	*35.2*	*46.2*
(1) Includes SEK 3.5 (2.9) million Board fees approved by the Annual General Meeting		
Parent company		
Board of Directors, presidents and vice presidents	31.1	21.1
of which, variable salary	*15.5*	*10.0*
Other employees	52.2	49.0
Total salaries and other remuneration	83.3	70.1
Social security expenses	23.1	24.9
of which, pension costs	*7.0*	*5.5*
of which, pension costs CEO	*0.4*	*0.7*

REMUNERATION TO SENIOR EXECUTIVES

Principles

A fee is paid to the Board of Directors in accordance with the ruling of the Annual General Meeting.

The objectives with the Remuneration policy are to offer competitive remuneration packages to attract, motivate and retain senior group and operational management, within the context of the international peer group. The aim is to incentivize management to deliver excellent operating results and also align senior executive remuneration with the creation of value for shareholders. The remuneration should provide for an appropriate balance between fixed and variable, short and long term incentives. The current senior executive remuneration programme therefore consists of a combination of fixed salary, variable salary and participation in option programmes, and is designed to meet the objectives of the policy.

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 senior executives are found on pages 18 and 19.

NOTE 28 Salaries, other remuneration and social security expenses (continued)

The variable remuneration shall be based on the performance in relation to established goals. The general contractual bonus system is based on an earnings period of one year, and is normally 50% of the base salary and in all cases with a maximum. However in some cases a super bonus above the 50% target has been granted based on exceptional performance, and in two cases a loyalty bonus according to agreements from previous years have been paid.

REMUNERATION AND OTHER BENEFITS DURING THE YEAR

(SEK thousand)	Base fee	Base salary	Variable remun-eration	Other benefits	Pension costs	Other remun-eration	Total
David Chance, Chairman of the Board	1,000	–	–	–	–	536	**1,536**
Hans-Holger Albrecht, CEO		10,501	11,254	388	440	–	**22,583**
Other senior executives (8 persons)		21,905	23,399	1,166	1,841	–	**48,311**
Total	1,000	32,406	34,653	1,554	2,281	536	**72,430**

David Chance has, further to the Board fee in MTG, also received a Board fee of SEK 536 thousand as a Director of the Board in Viasat Broadcasting UK.

The CEO and the other members of the Company's 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.

Other benefits include company cars and, in one case, housing.

If the Company terminates the employment of the CEO or other senior executives, salary will be paid during the period of notice, maximum 12 months. However, the CEO has a three-year contract from the beginning of 2005 until 2007, and one of the senior executives have a three-year contract with the beginning of 2006 until 2008.

DECISION PROCESS
The remuneration to the CEO was decided by the Board of Directors. Remuneration to senior executives is proposed by the CEO and decided by the Board of Directors.

FINANCIAL INSTRUMENTS
The following personnel options were granted for the the two programmes issued. The different programmes are described below.

Stock options	Number
Options granted to key personnel 2001	881,361
Options granted to key personnel 2002	38,084
Options granted to key personnel 2005	105,627
Options granted to senior executives 2001	424,359
Options granted to senior executives 2002	108,810
Options granted to senior executives 2005	194,373
Options granted to CEO 2001	108,810
Options granted to CEO 2005	99,999
Total options granted	**1,961,423**
Options cancelled	**-865,040**
Options outstanding	**1,096,383**

The calculated fair value of services received in return for share options granted for the 2005 programme were based on the following:

Share price when granted	244.50
Strike price	261.70
Expected volatility	30%
Time to maturity (years)	3
Expected dividends	–
Risk free interest rate	2.13%

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. which includes all outstanding options from this program. 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. Options under this program have not been granted since August 2002. 865,040 options have been cancelled since the proprietor is no longer employed by the Group.

In 2005, the Annual General Meeting decided to adopt an incentive program, where employees were offered a combination of warrants and stock options, which entitle them to Class B shares in MTG. Senior executives and key employees were offered to purchase warrants on market terms. Senior executives and key employees were offered the options, to be called upon in three years time at the earliest and no later than 5 (five) years from the time of issue. The exercise price of the options granted are SEK 261.70 per share. The proprietor must be employed by the Group when the option is exercised. The stock options are not transferable. The maximum number of options correspond to approximately 0.2% of the votes and approximately 0.6% of the share capital.

The two programs' current outstanding options corresponds to a 1.0% dilution of votes and 3.1% of the share capital.

Options outstanding	2005	2004
Options outstanding at 1 January	**870,480**	1,093,541
Options and warrants issued during the year	**399,999**	–
Options cancelled during the year	**-174,096**	-223,061
Options outstanding at 31 December	**1,096,383**	870,480

NOTE 29 Audit fees

(SEK million)	2005	2004
Group		
KPMG, audit services	**7.0**	7.8
KPMG, other services	**0.8**	3.2
Ernst & Young, audit services	**0.1**	0.1
Ernst & Young, other services	**0.4**	0.6
Other auditors (audit services)	**1.2**	1.1
Total	**9.4**	12.8
Parent Company		
KPMG, audit services	**0.5**	0.6
KPMG, other services	**0.2**	1.6
Ernst & Young, audit services	**0.1**	0.1
Ernst & Young, other services	**–**	–
Total	**0.8**	2.3

NOTE 30 Supplemental cash-flow information

(SEK million)	2005	2004
Adjustments to reconcile net income/loss to net cash provided by operations		
Income/loss from sales of securities	**-388.8**	-429.4
Depreciation and amortization	**145.5**	219.3
Divestment of fixed assets	**-4.1**	24.9
Minority share in earnings	**-4.9**	-0.4
Share in the earnings of associated companies	**-298.5**	-166.5
Share in tax expense of associated companies	**93.2**	51.8
Dividends from associated companies	**30.3**	–
Change in deferred tax	**94.3**	168.8
Change in provisions	**6.8**	-43.8
Unrealised exchange differences	**55.0**	-12.6
Total	**-271.3**	-187.9
Payment to STIM for years prior to 2004	**–**	-102.5

Provisions were made for music played on some of the TV channels due to differences of opinion with the Swedish Performing Rights Society STIM. During 2004 the Company has reached an agreement with STIM regarding the royalties between 1 July 1993 and 31 December 2004 as well as a new agreement for the period from 1 January 2005 until the end of 2007. Payments for the years prior to current year are shown separately.

NOTE 30 Supplemental cash-flow information (continued)

Other information	2005	2004
Cash paid for interest and corporate tax		
Group		
Interest	**69.8**	68.3
Corporate income tax	**131.1**	57.0
Total	**200.9**	125.3
Parent company		
Interest	**64.4**	65.4
Corporate income tax	**–**	–
Total	**64.4**	65.4

For further information about acquisitions, see note 5.

NOTE 31 Related party transactions

Related party	
Investment AB Kinnevik (Kinnevik)	Kinnevik holds shares in Modern Times Group MTG AB.
Invik AB	Related parties to MTG hold a significant amount of shares in Invik.
Tele2 AB (Tele2)	Related parties to MTG hold a significant amount of shares in Tele2.
Metro International S.A. (Metro)	MTG holds shares in Metro. Related parties to MTG holds shares in 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.
Shared Services S.A. (Shared Services)	Related parties to MTG hold a significant amount of shares in Shared Services.
Shared Value Ltd. (Shared Value)	Related parties to MTG hold a significant amount of shares in Shared Value.
AVI Audit Value International (Audit Value)	Related parties to MTG hold a significant amount of shares in Audit Value International.
Search Value Partners Ltd. (Search Value)	Related parties to MTG hold a significant amount of shares in Search Value.
Foreign Value S.A. (Foreign Value)	Related parties to MTG hold a significant amount of shares in Foreign Value.

During 2004, Invik and Kinnevik were merged by Invik absorbing Kinnevik. On 1 September 2005, Invik was demerged and listed on the stock exchange.

The Group has related party transactions with its subsidiaries (see note 13) and associated companies (see note 13).

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

BUSINESS AGREEMENTS WITH RELATED PARTIES
MTG sells advertising to Tele2 and Metro.

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

MTG rents office space from Kinnevik.

MTG purchases credit management services, customer service and telemarketing services from Transcom.

MTG purchases tele and data communication services from Tele2 and technical consulting and services through their subsidiary Uni2. TeleVision, owned by Tele2, offers its customers the MTG TV-channels through their cable network.

MTG purchases advertising from Metro.

MTG purchases consulting services from Shared Services, Foreign Value, Shared Value and Search Value.

MTG purchases internal audit services from Audit Value.

OTHER TRANSACTIONS
In 2002 MTG invested in a convertible bond issued by Metro. The principal of the convertible notes was USD 20 million and had a five year maturity in 2007. Further, MTG had since 2000 a convertible debenture loan as well as commercial loan in Metro of USD 22.1 million and USD 23.5 million respectively.

In 2003, all convertible debenture loans as well as the commercial loan in Metro were converted into 51,064,252 A shares and 93,593,686 B shares.

During 2004, holdings of 2,220,629 Metro Intl A shares was sold.

	Group		Parent company	
	2005	2004	2005	2004
Revenues				
Invik Group	**3.1**	0.2	**0.6**	0.1
Transcom	**–**	1.2	**–**	0.3
Kinnevik Group	**0.2**	–	**0.1**	–
Tele2 Group	**56.2**	54.2	**–**	0.9
Metro Group	**18.9**	13.7	**0.9**	1.2
Other related companies	**9.0**	2.4	**-0.4**	–
Total revenues	**87.4**	71.7	**1.3**	2.6
Operating costs				
Invik Group	**7.4**	8.6	**6.4**	8.6
Transcom	**145.2**	226.2	**0.0**	0.0
Kinnevik Group	**2.4**	–	**0.2**	–
Tele2 Group	**29.5**	33.5	**2.9**	2.4
Metro Group	**17.9**	8.0	**0.1**	0.1
Other related companies	**20.9**	19.1	**20.9**	15.5
Total operating costs	**223.3**	295.4	**30.5**	26.7

NOTES

NOTE 31 Related party transactions (continued)

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Accounts receivable				
Invik Group	**–**	–	**–**	–
Transcom	**0.6**	0.3	**–**	0.3
Kinnevik Group	**4.4**	–	**–**	–
Tele2 Group	**11.4**	9.5	**0.2**	0.7
Metro Group	**2.9**	4.1	**0.7**	0.7
Other related companies	**3.8**	0.5	**0.3**	0.3
Total accounts receivable	**23.0**	14.4	**1.2**	2.0
Accounts payable				
Invik Group	**1.4**	0.9	**0.6**	0.7
Transcom	**6.7**	37.9	**–**	–
Kinnevik Group	**–**	–	**–**	–
Tele2 Group	**5.4**	5.1	**0.5**	0.0
Metro Group	**4.5**	4.1	**–**	0.0
Other related companies	**0.6**	0.3	**0.3**	–
Total accounts payable	**18.7**	48.3	**1.5**	0.8

Remuneration of key management personnel

Transactions other than reported in note 28 have not been made.

NOTE 32 Financial risk management foreign exchange risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect the income statement, balance sheet and/or cash flows. The risk can be divided into transaction exposure and conversion exposure. As of December 2004, hedging positions are taken to protect the Group against the effects of transaction exposures in the contracted outflow for programme acquisitions in US dollars and Swiss francs on rolling twelve month basis.

TRANSACTION EXPOSURE

Transaction exposure is the risk that arises from net inflow or outflow of a foreign currency required by operations and financing.

The Scandinavian and UK entities' net foreign exchange cash flow was distributed among the currencies as follows:

Currency	2005 SEK million	2004 SEK million
DKK	**556.6**	535.5
NOK	**524.5**	282.6
EUR	**-102.7**	-62.2
CHF	**11.9**	-128.3
USD	**-1,079.4**	-820.1

Hedge contracts amount to USD 83.5 million, CHF 20.8 million and EUR 14.0 million at closing day.

TRANSLATION EXPOSURE

Translation exposure is the risk that arises from equity in a foreign subsidiary or associated company that is denominated in a foreign currency.

Net foreign assets are distributed as follows:

Currency	2005 SEK million	2005 %	2004 SEK million	2004 %
NOK	**655.6**	41.7	750.3	52.3
DKK	**406.2**	25.8	308.8	21.5
USD	**371.6**	23.6	294.8	20.5
Other currencies	**140.3**	8.9	81.2	5.7
Total equivalent SEK value	**1,573.7**	100.0	1,435.2	100.0

For translation exposure there are no hedging positions.

NOTE 33 Long-term receivables, Group

Accumulated acquisition values (SEK mlilion)	2005	2004
Parent company		
Opening balance 1 January	**1,594.5**	2,484.0
Purchases	**157.9**	107.3
Payments	**-56.6**	-995.9
Reclassifications	**0.5**	–
Translation differences	**3.4**	-1.0
Closing balance 31 December	**1,699.5**	1,594.5

NOTE 34 IFRS

With effect from 1 January 2005, the Group have presented its financial statements in accordance with International Financial Reporting Standards (IFRS). The following disclosure are required in the year of transition. The last financial statements under Swedish GAAP were for the year ended 31 December 2003 and the date of transition to IFRS was 1 January 2004.

When applying IFRS1, First time adoption, and where there is a choice, the Group has made the following decisions:

- the Group has elected not to recalculate goodwill on acquisitions before 1 January 2004
- Accumulated differences in the translation of the financial statements of foreign subsidiaries has been set to zero with effect from the transition date
- The Group has elected not to provide comparable figures in regard to IAS 39, Financial instruments

The following items have been identified to have material impact on the Group's opening balance sheet for 2004 and income statement for 2004:

- the discontinuation of the amortization of Goodwill (IFRS 3/IAS 36)
  Goodwill will be subject to impairment tests and has not been amortized. This treatment has also been adopted for indirect goodwill arising from MTG's acquisitions of shares in associated companies. A smaller part of the acquired goodwill in associated companies has been allocated to other identifiable intangible assets in 2004.

- Financial instruments (IAS 39)
  The Group's holdings in TV4 AB and Metro International S.A. are valued at market price and changes in the market values of each company will impact directly on Equity and not the profit and loss account. This will only apply from 1 January 2005 and the Group has chosen to illustrate the effects of this in the table below.

- Borrowing costs (IAS 23)
  Prepaid borrowing costs for the convertible debenture notes have been re-calculated at the effective interest rate. The prepaid borrowing costs have also been reclassified in the balance sheet and netted off against the convertible loan liability in the balance sheet.

- Impairment of Assets/Intangible assets (IAS 36/38)
  The methodology of valuing certain assets has been changed, and primarily impacts the valuation of the Beneficial film rights. Impairment tests of Sonet's film rights are now made on an individual basis compared to impairment tests of the total library under the previous principle.

NOTE 34 IFRS (continued)

TRANSITION TO IFRS – RECONCILIATION

Consolidated income statement (SEK million)	Note	Income statement Jan-Dec, 2004 2004 Jan-Dec	IFRS Adjustment IFRS	2004 Jan-Dec
Net sales		6,805		6,805
Cost of goods and services		-4,450		-4,450
Gross income		2,355		2,355
Selling and administrative expenses		-1,687		-1,687
Other operating revenues		6		6
Other operating expenses	1	-188	91	-97
Share of earnings in associated companies	2	154	13	167
Write-down of beneficial rights in Modern Entertainment		-66		-66
Net gain from sale of SDI Media		381		381
Operating income (EBIT)		954	104	1,058
Gain from sales of securities		15		15
Dividends from shares		15		15
Interest on STIM fee 1993-1998 according to ruling		–		0
Net other financial revenue and expense		-64		-64
Income before tax		920	104	1,024
Taxes	3	-266	-12	-278
Minority interest	4	0	0	–
Net income for the period		654	92	746
Basic and diluted earnings per share (SEK)		9.85	1.38	11.23
Attributable to:				
Equity holders of the parent		654	92	746
Minority interest	4	–	0	0
Net income for the period		654	92	746

NOTE 34 IFRS (continued)

Consolidated balance sheet (SEK million)	Note	Previous GAAP	Adjustment IFRS		Previous GAAP	Adjustment IFRS		Adjustment IFRS	
		1 Jan 04	IFRS	1 Jan 04	31 Dec 04	IFRS	31 Dec 04	IFRS	1 Jan 05
Non-current assets									
Capitalised development expenses		33		33	36		36		36
Beneficial rights	5	296	-30	266	187	-30	157		157
Goodwill	6	846		846	764	91	855		855
Machinery and equipment		138		138	116		116		116
Shares and participations	7, 13	1,115	-2	1,114	1,654	11	1,665	1,872	3,537
Long-term receivables	8	451	8	460	287	8	296		296
		2,879	-23	2,856	3,045	81	3,126	1,872	4,998
Current assets									
Inventory		1,136		1,136	1,231		1,231		1,231
Current receivables	9	1,300	-31	1,268	1,486	-19	1,467		1,467
Cash, cash equivalents and short-term investments		402		402	574		574		574
		2,837	-31	2,806	3,291	-19	3,273		3,273
Total assets		5,716	-54	5,662	6,336	62	6,398	1,872	8,270
Shareholders' equity									
Restricted equity		1,878		1,878	1,946		1,946		1,946
Non-restricted equity	10, 13	267	-21	246	768	70	838	1,872	2,710
Minority interests in equity	11		2	2	–	1	1		1
		2,145	-19	2,126	2,714	72	2,785	1,872	4,657
Minority interest	11	2	-2	–	1	-1	–		–
Provisions	12	233	-233	–	87	-87	–		–
Long-term liabilities									
Convertible debenture loan 2001/2006	9	1,091	-34	1,058	1,081	-20	1,060		1,060
Other interest-bearing liabilities		5		5	5		5		5
Long-term provisions	12	–	233	233	–	100	100		100
Non-interest-bearing liabilites		12		12	7		7		7
		1,108	200	1,308	1,093	79	1,172		1,172
Current liabilities									
Other interest-bearing liabilities		250		250	–		–		0
Non-interest-bearing liabilites		1,978		1,978	2,441		2,441		2,441
		2,228		2,228	2,441		2,441		2,441
Total shareholders' equity and liabilities		5,716	-54	5,662	6,336	62	6,398	1,872	8,270

NOTES

NOTES TO THE ADJUSTMENTS

Note 1
Goodwill will be subject to impairment tests and the goodwill amortization is discontinued. The amount of SEK 91 million comprise of amortization of goodwill from acquisitions of subsidiaries.

Note 2
Indirect goodwill amortization arising from shares in participations is discontinued and is subject to impairment tests. Analyses of the acquisitions made during 2004 have been done, and the Group has identified a smaller part of the acquired goodwill as identifiable intangible assets, which will be amortized according to the plan. The share of equity in associates are reported in accordance with the accounting principles in IFRS.

Note 3
Deferred tax refers to amortization of goodwill in legal entities.

Note 4
In accordance with IFRS, deductions are not made for the minority interest in the Income Statement. Instead, a distribution between the parent's shareholders and the minority interest is made, which is reported adjacent to the Income Statement.

Note 5
The methodology for valuing certain assets has been changed and primarily impacts the valuation of Beneficial film rights. Impairment tests of Sonet's film rights are now made on an individual basis, compared to the impairment test of the total library made under the previous principle. The Balance sheet is affected as follows:

	Dec 04	Jan 04
Beneficial film rights	-30	-30
Deferred tax receivables	8	8
Net effect on equity	-22	-22

Note 6
Goodwill has not been recalculated for acquisitions made before 1 January 2004. Impairment tests have been made during 2004.

Note 7
Indirect goodwill arising from the acquisition of shares in associated companies has not been re-calculated for acquisitions made before 1 January 2004. A smaller part of the acquired goodwill in associated companies has been allocated to other identifiable intangible assets in 2004. The associated companies accounting principles have been changed to IFRS and certain changes has been reported directly to equity. The latter refers to above all pension costs. The Balance sheet is affected as follows:

Shares and participations	11	-2
Net effect on equity	11	-2

Note 8
Deferred tax receivable refers to the effect of the valuation of beneficial rights.

Note 9
Prepaid borrowing costs for the convertible debenture loan have been re-calculated at the effective interest rate. Further, a reclassification of the prepaid borrowing costs has been made and netted off against the convertible loan liability in the Balance sheet. The Balance sheet is affected as follows:

Prepaid borrowing costs	-19	-31
Convertible debenture loan	20	34
Net effect on equity	2	2

Note 10
Unrestricted equity has been adjusted as a result of the adoption of IFRS. The adjustment can be divided into the following:

Adjustment of beneficial rights, note 5	-30	-30
Adjustment of goodwill amortization for subsidiaries, notes 1 and 6	91	–
Adjustment shares of equity associated companies, notes 2 and 7	11	-2
Deferred tax receivables, note 8	8	8
Re-calculation of borrowing costs, note 9	2	2
Deferred tax liabiltiy, notes 3 and 12	-12	–
Net effect on equity	70	-21

Note 11
Due to the adoption of IFRS, minority interests are classified as part of equity.

Note 12
The heading Provisions is discontinued and the items have been transferred to long-term liabilities.

Deferred tax liabilities has been calculated for the goodwill amortization referring to goodwill in legal entities.

Note 13
The Group's holdings in listed companies available-for-sale are valued at market price and changes in the market values of each company impact directly on Equity. This is implied from 1 January 2005 in accordance with IAS 39.

The Board of Directors and CEO certify that the financial reporting is prepared in accordance with generally accepted accounting principles for a publicly listed company in Sweden. The information presented is consistent with the actual conditions and that nothing of a significant nature has been omitted that would be required for a fair presentation of the Group and Parent Company in the financial reporting.

The annual accounts and the consolidated statements were approved for the review and approval of the Board of Directors on March 23, 2006. The consolidated income statement and balance sheet, and the income statement and balance sheet of the Parent Company, will be presented for adoption by the Annual General Meeting on May 10, 2006.

Stockholm, 23 March, 2006

Pelle Törnberg

David Chance
Chairman of the Board

Lars-Johan Jarnheimer

Asger Aamund

David Marcus

Cristina Stenbeck

Nick Humby

Hans-Holger Albrecht
President and CEO

Vigo Carlund

Our Audit report was submitted on 23 March, 2006

KPMG Bohlins AB
Carl Lindgren
Authorised Public Accountant

Ernst & Young AB
Erik Åström
Authorised Public Accountant

AUDITORS' REPORT

To the annual meeting of the shareholders of Modern Times Group MTG AB (publ)
Corporate identity 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 managing director of Modern Times Group MTG AB (publ) for the year 2005. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. 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 high but not absolute 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 managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the consolidated accounts 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 managing director. We also examined whether any board member or the managing director has, in any other way, acted in contraventionof 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 have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sh eets 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 administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 23 March, 2006 (signature on original document)

KPMG Bohlins AB
Carl Lindgren
Authorised Public Accountant

Ernst & Young AB
Erik Åström
Authorised Public Accountant

ANNUAL GENERAL MEETING

WHERE AND WHEN
The Annual General Meeting will be held on Wednesday 10 May 2006 at 9.30 a.m. at the 'Skandia' cinema at Drottninggatan 82, Stockholm. The venue will open for registration at 8.30 a.m. and the registration will close at 9.30 a.m.

WHO IS ENTITLED TO PARTICIPATE?
Shareholders who wish to partcipate in the Annual General Meeting must:
- have been entered in the register of shareholders maintained by VPC AB (the Swedish Securities Register Centre) on 4 May 2006
- notify the company of their intention to participate by no later than 4 May 2006 at 1.00 p.m.

HOW TO BE ENTERED IN THE REGISTER OF SHAREHOLDERS
Shareholders can have their shares registered in their own names or in the names of nominees. Shareholders whose shares are registered in the names of nominees must temporarily re-register the shares in their own names in order to be entitled to participate in the Meeting. Shareholders must request re-registration a sufficient number of working days before 4 May 2006 in order to be entered in the register of shareholders.

HOW TO REGISTER FOR THE AGM
Registration for the AGM can be made:
- via the company's home page at www.mtg.se
- by telephone on +46 433 74 756
- in writing to Modern Times Group MTG AB, P.O. Box 2094, SE-103 13 Stockholm, Sweden. Written notification should be marked "AGM".

REQUIREMENTS
When giving notice of participation, the shareholder must state:
- Name
- Personal identification number (or company registration number)
- Address and contact telephone number
- Shareholding
- The names of any advisors who will also be attending

Shareholders who wish to be represented by a representative must submit a written power of attorney giving authorisation to a specific person together with the notice of participation. The notice of participation must be received by the company no later than 1.00 p.m. on 4 May 2006.

FINANCIAL CALENDAR 2006

Q1 2006 Interim Report	**26 April 2006**
Annual General Meeting (Stockholm)	**10 May 2006**
Q2 2006 Interim Report	**26 July 2006**
Q3 2006 Interim Report	**25 October 2006**

DEFINITIONS & KEY RATIOS

Ebit
Ebit is read earnings before interest and tax, and also referred to as operating income.

Ebitda
Ebitda is read Earnings before interest, tax, depreciation and amortisation.

Pbt
Profit before tax, also referred to as income before tax.

Net debt
Net debt is the sum of consolidated interest-bearing liabilities, including the convertible debenture loan, less interest-bearing short-term and long-term assets.

Equity/assets ratio
The equity/assets ratio corresponds to shareholders' equity plus minority interest expressed as a percentage of total assets.

Debt/equity ratio
The debt/equity ratio is expressed as net debt in relation to shareholders' equity, including minority interests.

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

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

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

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

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

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

Earnings per share
Earnings per share is expressed as net income divided by the number of shares.

Net assets
Assets less liabilities including provisions.

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

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

ADDRESSES

HEADQUARTERS

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