Modern Times Group MTG AB
Annual Report and Accounts 2006

Get ready...

to see...


5

just how international...


4

large...


3

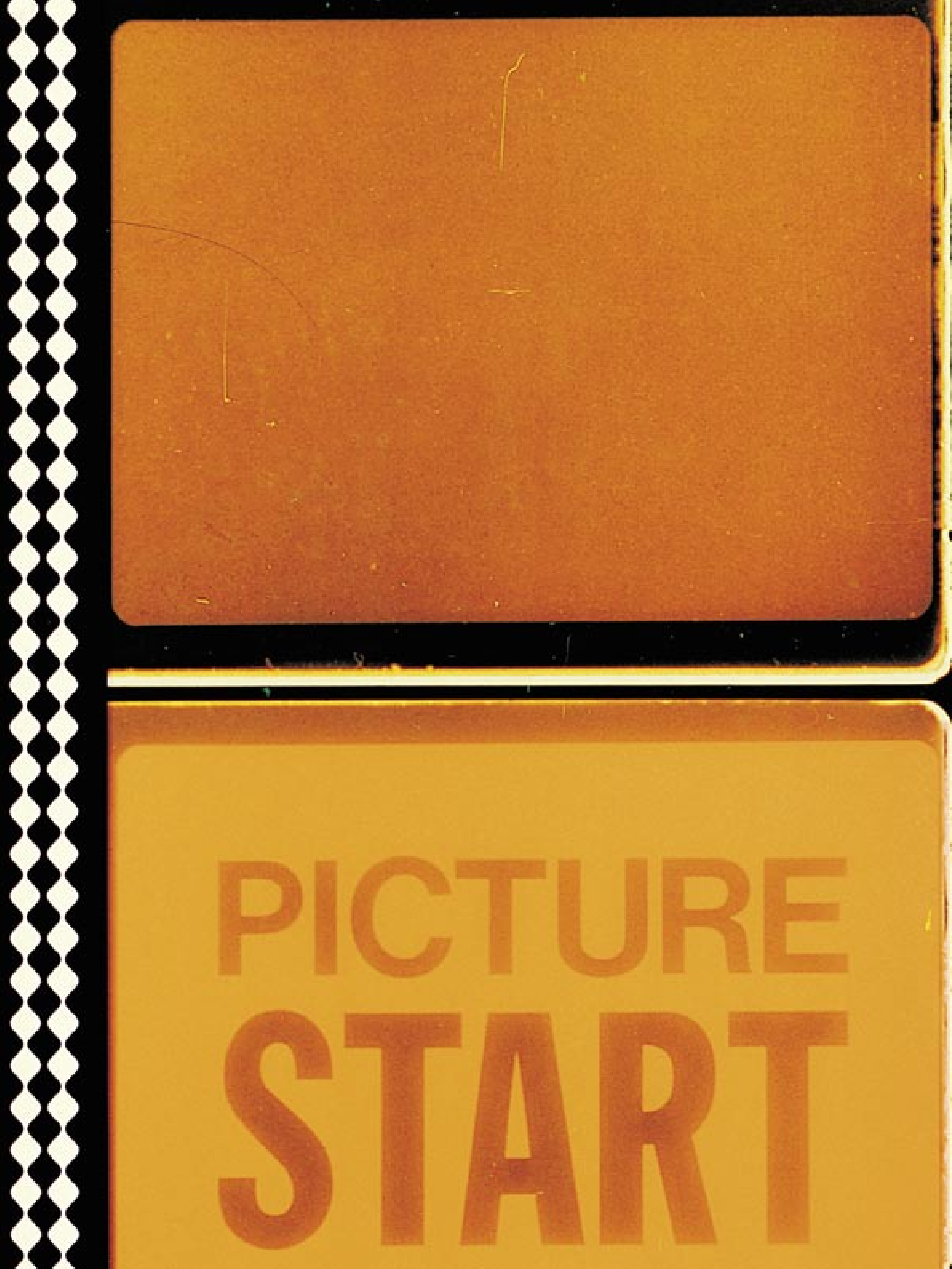
and entertaining...


2

we’ve now become...


1

...MTG maximising the power of entertainment

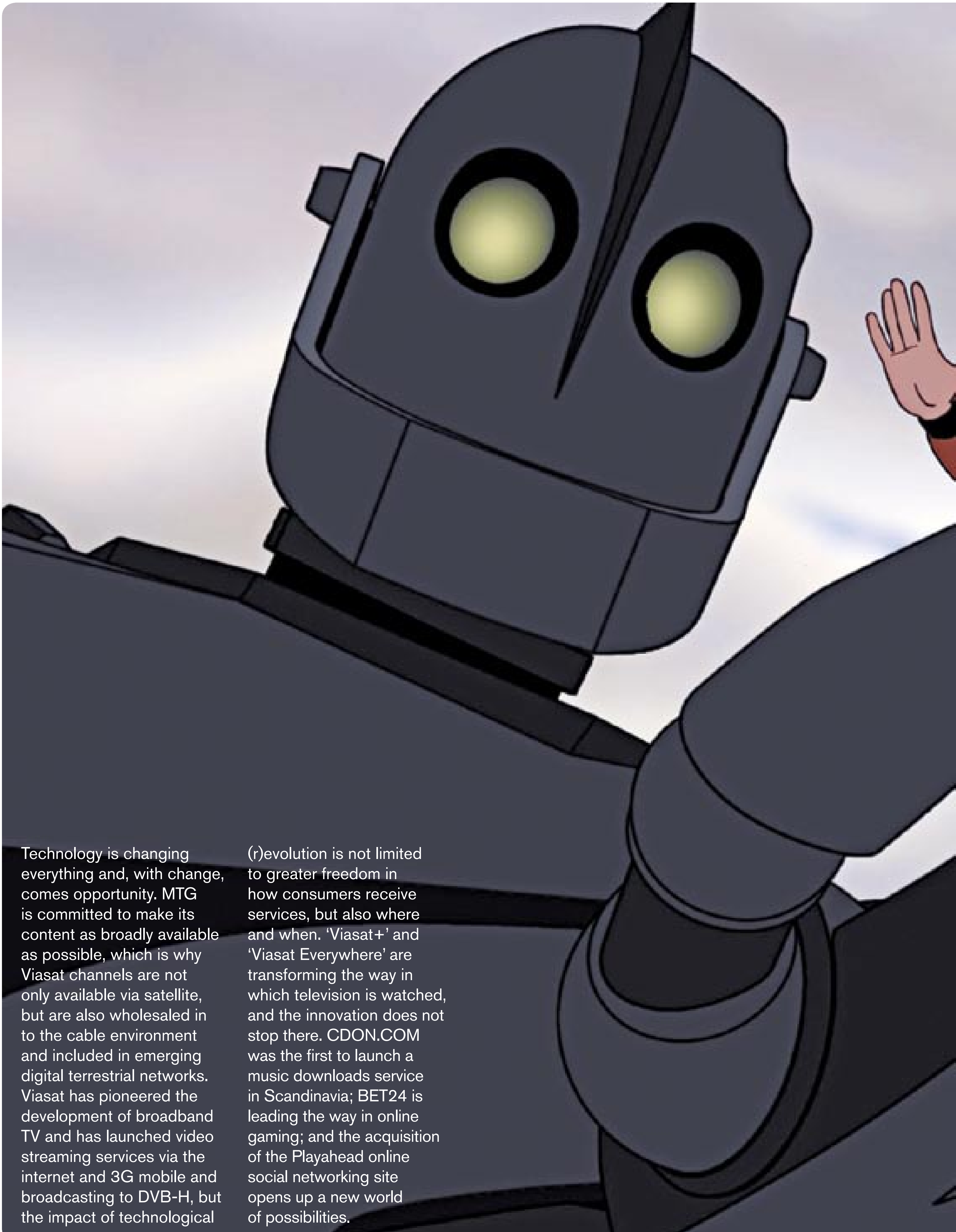

PICTURE
START

The importance of scale was a key focus of last year's annual report, and it has only increased in importance since. MTG derives operating advantage from the integrated nature and broad geographical spread of its operations. Group companies are present in, or sell to, 84 countries on four continents. Viasat's channels are watched by 100 million people in 24 countries. These markets have a combined population of 372 million people, which gives MTG the second largest broadcast footprint in Europe. Size matters because it enables you to think and act differently. It enables you to learn lessons in individual markets and apply the experience elsewhere, it enables you to test and develop new products and businesses more quickly across multiple markets at low incremental cost, it provides the operational insight and perspective to inform investment and acquisition decisions, and it engenders corporate confidence.


SIZE
MATTERS

BALANCING SUBSCRIPTION AND ADVERTISING REVENUE STREAMS

MTG is a unique media group in generating an almost equal balance of advertising and subscription revenues. 42% of Group sales are derived from selling advertising on free-to-air entertainment channels; 37% from the sale of subscriptions to satellite DTH pay-TV platform and channel packages; and the remaining 21% from other B2B or B2C sales. The Group's pure broadcasting operations within Viasat Broadcasting are also increasingly balanced geographically with 75% of revenues generated from the free-to-air and pay-TV businesses in the Nordic region and 22% from their counterparts in the rapidly developing Central and East European markets. The East European markets even account for 39% of Viasat operating profits when including the associated company income from CTC Media in Russia. This balance provides the group with a well-diversified business profile, encompassing the non-seasonal or cyclical own-platform and wholesale pay-TV business, seasonal and cyclical advertising sales, and exposure to the high-growth advertising and emerging pay-TV markets in Eastern Europe.

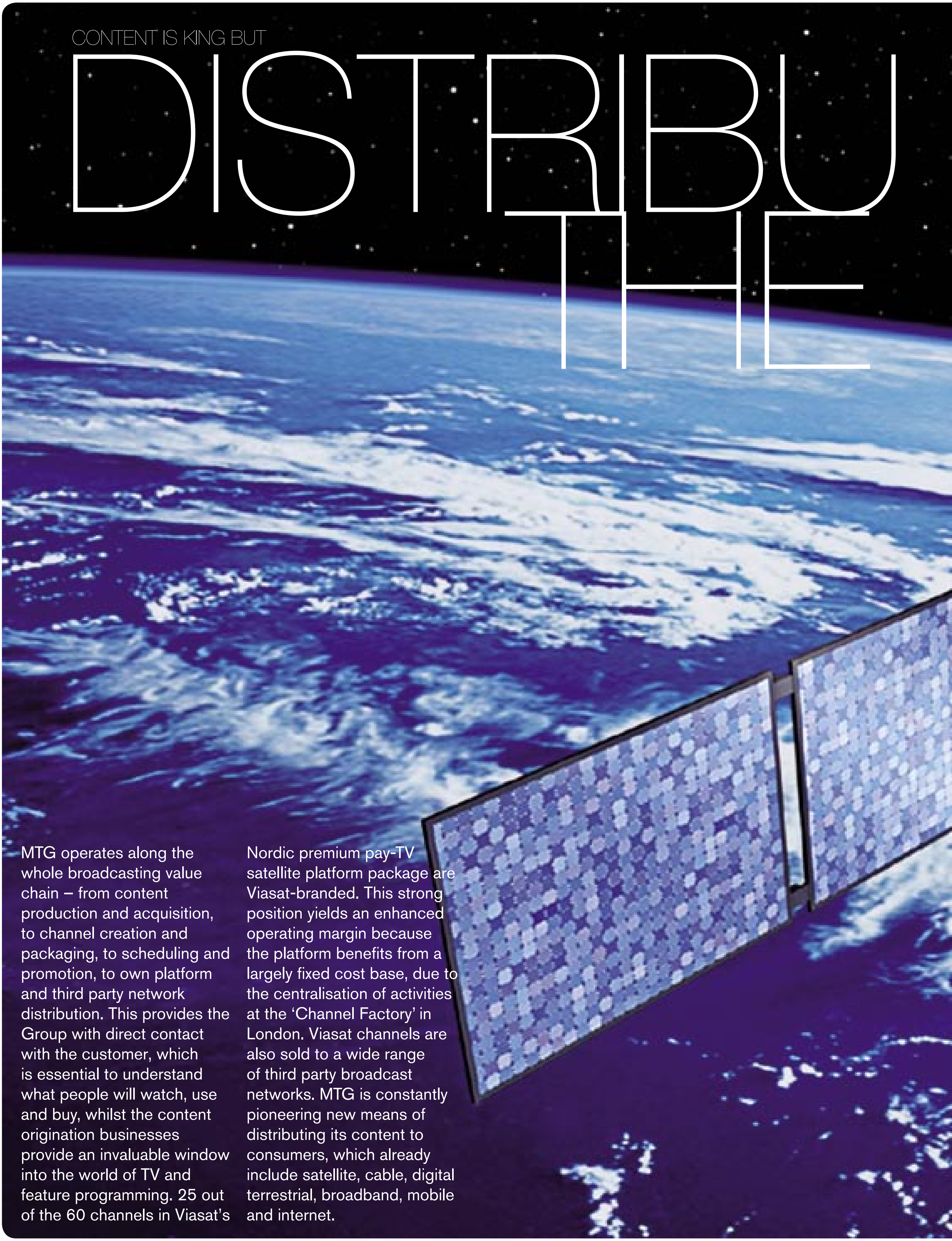


Technology is changing everything and, with change, comes opportunity. MTG is committed to make its content as broadly available as possible, which is why Viasat channels are not only available via satellite, but are also wholesaled in to the cable environment and included in emerging digital terrestrial networks. Viasat has pioneered the development of broadband TV and has launched video streaming services via the internet and 3G mobile and broadcasting to DVB-H, but the impact of technological (r)evolution is not limited to greater freedom in how consumers receive services, but also where and when. 'Viasat+' and 'Viasat Everywhere' are transforming the way in which television is watched, and the innovation does not stop there. CDON.COM was the first to launch a music downloads service in Scandinavia; BET24 is leading the way in online gaming; and the acquisition of the Playahead online social networking site opens up a new world of possibilities.

EMBRACING TECHNOLOGY CHANGES

CONTENT IS KING BUT

DISTRIBU THE



MTG operates along the whole broadcasting value chain – from content production and acquisition, to channel creation and packaging, to scheduling and promotion, to own platform and third party network distribution. This provides the Group with direct contact with the customer, which is essential to understand what people will watch, use and buy, whilst the content origination businesses provide an invaluable window into the world of TV and feature programming. 25 out of the 60 channels in Viasat's Nordic premium pay-TV satellite platform package are Viasat-branded. This strong position yields an enhanced operating margin because the platform benefits from a largely fixed cost base, due to the centralisation of activities at the 'Channel Factory' in London. Viasat channels are also sold to a wide range of third party broadcast networks. MTG is constantly pioneering new means of distributing its content to consumers, which already include satellite, cable, digital terrestrial, broadband, mobile and internet.

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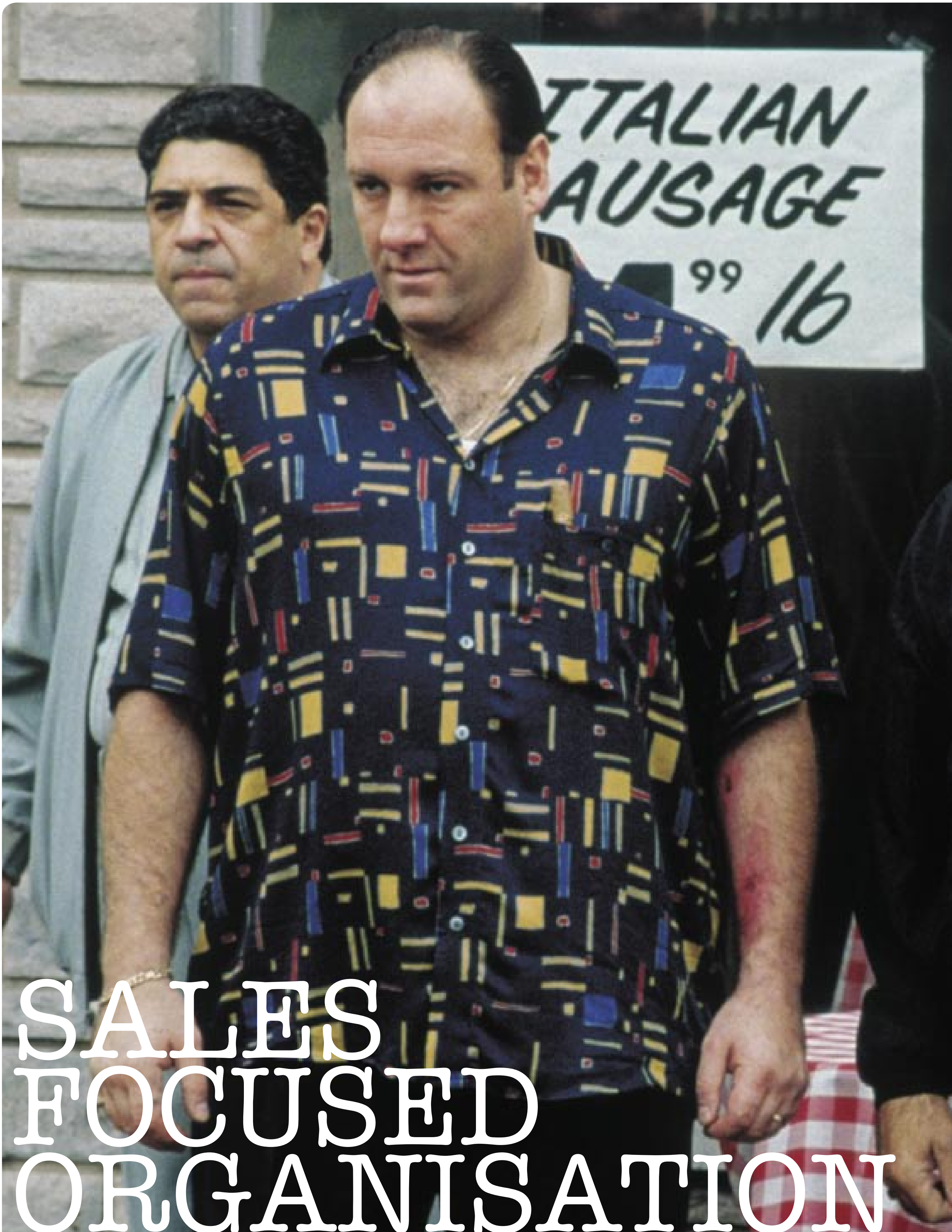
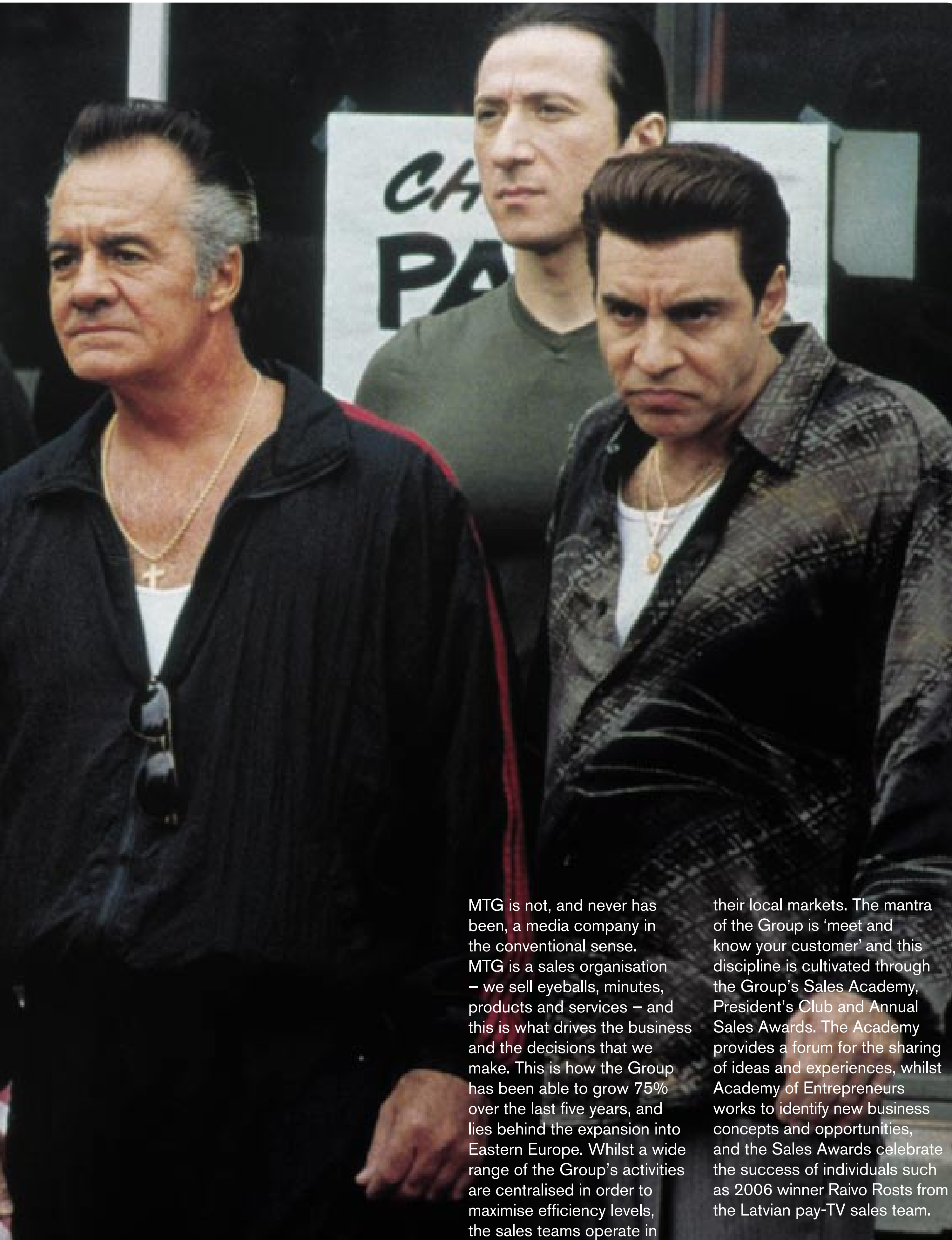


SALES FOCUSED ORGANISATION



MTG is not, and never has been, a media company in the conventional sense. MTG is a sales organisation – we sell eyeballs, minutes, products and services – and this is what drives the business and the decisions that we make. This is how the Group has been able to grow 75% over the last five years, and lies behind the expansion into Eastern Europe. Whilst a wide range of the Group's activities are centralised in order to maximise efficiency levels, the sales teams operate in their local markets. The mantra of the Group is 'meet and know your customer' and this discipline is cultivated through the Group's Sales Academy, President's Club and Annual Sales Awards. The Academy provides a forum for the sharing of ideas and experiences, whilst Academy of Entrepreneurs works to identify new business concepts and opportunities, and the Sales Awards celebrate the success of individuals such as 2006 winner Raivo Rosts from the Latvian pay-TV sales team.

LIVE NEWS
MTG 2006
8 VIASAT
NEWSFLASH
THE FIRST FOR BREAKING NEWS
Your Space – My Tube · Your Space – My Tube · Your Space – My Tube · Your Space

Last year, I wrote about how big MTG has become and how size matters in the modern broadcasting world. But scale is nothing if you do not know how to exploit it, which is why we have deepened and broadened our presence further during 2006. We have always believed in making our content and services as broadly available as possible on as many platforms as possible or, in other words, to use as many 'tubes' as possible to reach your 'space' and to use technology to enlarge the space that you as media consumers occupy.

27%

Increase in the sales growth for the Group

47%

Increase in operating profit

17.5%

Operating margin for the whole group

This principle lies behind the availability of Viasat channels via satellite, terrestrial, cable, broadband, mobile and the internet, as well as our recent acquisition of the Playahead online social networking community. This development not only builds on our already extensive portfolio of online properties, but also extends our reach into the rapidly expanding world of user-generated content.

The genesis of the Group is in Europe's most competitive media market, where content distribution has successfully fragmented and evolved into a multi-channel digital environment. Some or all of our 38 channels are present across multiple distribution platforms and earn us multiple revenue streams – advertising, subscription, pay-per-view, retail and on-demand. This base has expanded to reach an audience of 100 million people in 24 countries, with a combined population of 372 million people, which is the second largest broadcast footprint in Europe.

We continue to generate genuine competitive advantage from the integration of our free-to-air, pay and other service businesses and to benefit from our operating presence at each stage of the broadcasting value chain – from content production to channel development, and from packaging to distribution and marketing.

We have also continued to generate an equal balance of advertising and subscription revenues. This balanced structure ran contrary to perceived wisdom in the 1990s and early 2000s, but has now become an accepted norm.

The other balancing act – that of high growth and increasing profitability – saw further positive developments in 2006, with Group revenues growing by 27% to achieve the SEK 10 billion milestone for the first time in our history, at the same time as we delivered record Group profitability levels.

This growth and earnings enhancement was predominantly due to organic growth and improved performance across the majority of our operations, but also reflects the contribution from newly-acquired TV Prima in the Czech Republic and increasing associated company income from our participation in CTC Media. 2006 also saw a number of our operations in Eastern Europe reach annual profits for the first time. Our original investments in these operations also ran contrary to conventional wisdom at the time and were financed by the issuing of convertible bonds that were repaid in 2006.

The IPO of CTC in the middle of the year has now transformed MTG's total invested capital of US$ 85 million into a 39.6% equity stake in a listed company with a US$ 3.6 billion valuation. Meanwhile, DTV in Russia, Viasat3 in Hungary and the Group's Eastern European pay operations, all achieved annual profitability in 2006.

We have now either achieved, or are well on track to achieve, the strategic objectives that we set ourselves in June 2004. Viasat Broadcasting's sales have now grown by 78% in the three years since the end of 2003 and are exceeding the growth rate required to double over five years.

The Eastern European operations represented 22% of Viasat sales and 39% of profits, and are moving ever closer to the objective of equaling the size of the Nordic operations. We have also already exceeded the target of more than 15% margins in our Scandinavian free-to-air, Nordic pay-TV, and Central and Eastern European operations. Our channels are making steady progress towards their respective objectives, and MTG is firmly established as the number one player in the Swedish radio market.

We have also continued to simplify the Group and focus on the core broadcasting operations. This was achieved by means of the distribution of SEK 1.5 billion of Metro International shares to shareholders in 2006, as well as by continued investment in existing operations and new channels. TV6 Sweden was the most successful channel launch for years, and the acquisitions of PRVA in Slovenia and the rest of P4 Radio in Norway, open up exciting new market opportunities.

So, by the end of 2006 we had 29% return on average capital employed and a healthy financial position – SEK 430 million of net cash, SEK 1.3 billion of annual operating free cash flow and SEK 4 billion of available liquid funds.

The Group is a sales organisation, a growth machine, and we are therefore keen to continue to invest in organic and acquisition-led growth. The Board is committed to maintaining an appropriate level of flexibility to invest in growth, whilst also delivering enhanced shareholder returns. The Board is therefore recommending to the annual general meeting of shareholders that MTG pays its first ever cash dividend and be authorised to buy back up to 10% of the Group's shares over the coming year.

As ever, none of this would have been possible without the hard work and dedication of our talented and resourceful employees. We have a high-quality and long-serving Group senior management team and this consistency and continuity is of great value.

I would like to thank all of our stakeholders for your continued support of MTG and for enabling us to make MTG your undisputed number one in entertainment. As a sales organisation, we are only ever as good as our last sale so we are focused on the year ahead and the many opportunities that it will offer.

Hans-Holger Albrecht
President and Chief Executive Officer

N • RECORD SALES OF SEK 10.1

ARS • VIASAT BROADCASTING SALES UP 78% LAST THREE

HIGHLIGHTS 2006

+25% increase in premium subscriber base to 817,000

39% of Viasat operating income, including CTC Media, from Central & Eastern European businesses

29% return on capital employed

37% increase in share price in 2006

ON TRACK WITH STRATEGIC OBJECTIVES

DOUBLE the size of Viasat Broadcasting in 5 years

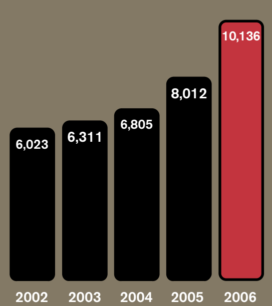
MTG to become the largest free-to-air media house in Sweden and the second largest free-to-air media house in Norway within 5 years

EXPORT integrated model into high growth new territories with intention that Central & Eastern European businesses generate same level of revenues & profits as Scandinavian operations within five years

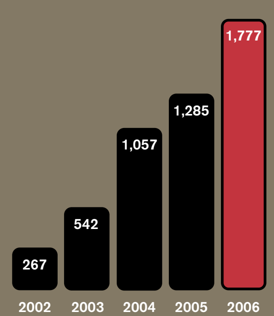
>15% operating margins in three core businesses Free-to-air TV, Pay-TV, Central & Eastern Europe

CONSOLIDATE Swedish commercial radio market

SALES GROWTH (SEKm)



OPERATING PROFIT (EBIT) (SEKm)



NET CASH FLOW FROM OPERATIONS OF SEK 1.3bn

SEK 430 MILLION NET CASH POSITION

SEK 1 BILLION OF INVESTMENTS

SEK 1.5 BILLION DISTRIBUTION OF METRO SHARES

SEK 10 BILLION MARKET VALUE OF CTC MEDIA INC.

SEK 4 BILLION IN AVAILABLE LIQUID FUNDS

BILLION • RECORD SALES OF SE

YEARS • VIASAT BROADCASTING SALES UP 78% LAST THR

"AND HERE'S THE LATEST FROM AROUND THE WORLD"

MTG IS ONE OF THE LARGEST INTERNATIONAL ENTERTAINMENT BROADCASTERS

NORWAY

Acquisition of remaining shares in P4 Radio during the autumn

SWEDEN

Successful launch of new channel TV6 to complement TV3

DENMARK

Launch of 'TV via Broadband' premium channel package offering in partnership with leading fibre network operator Dansk Bredbånd

UK

Continued investment in digitalisation of 'channel factory' outside London

CROATIA

Mini Pay operations expanded into Croatia in the third quarter

E • SECOND LARGEST FOOTPRINT

PLE • IN COUNTRIES WITH A COMBINED POPULATION OF

CZECH REPUBLIC

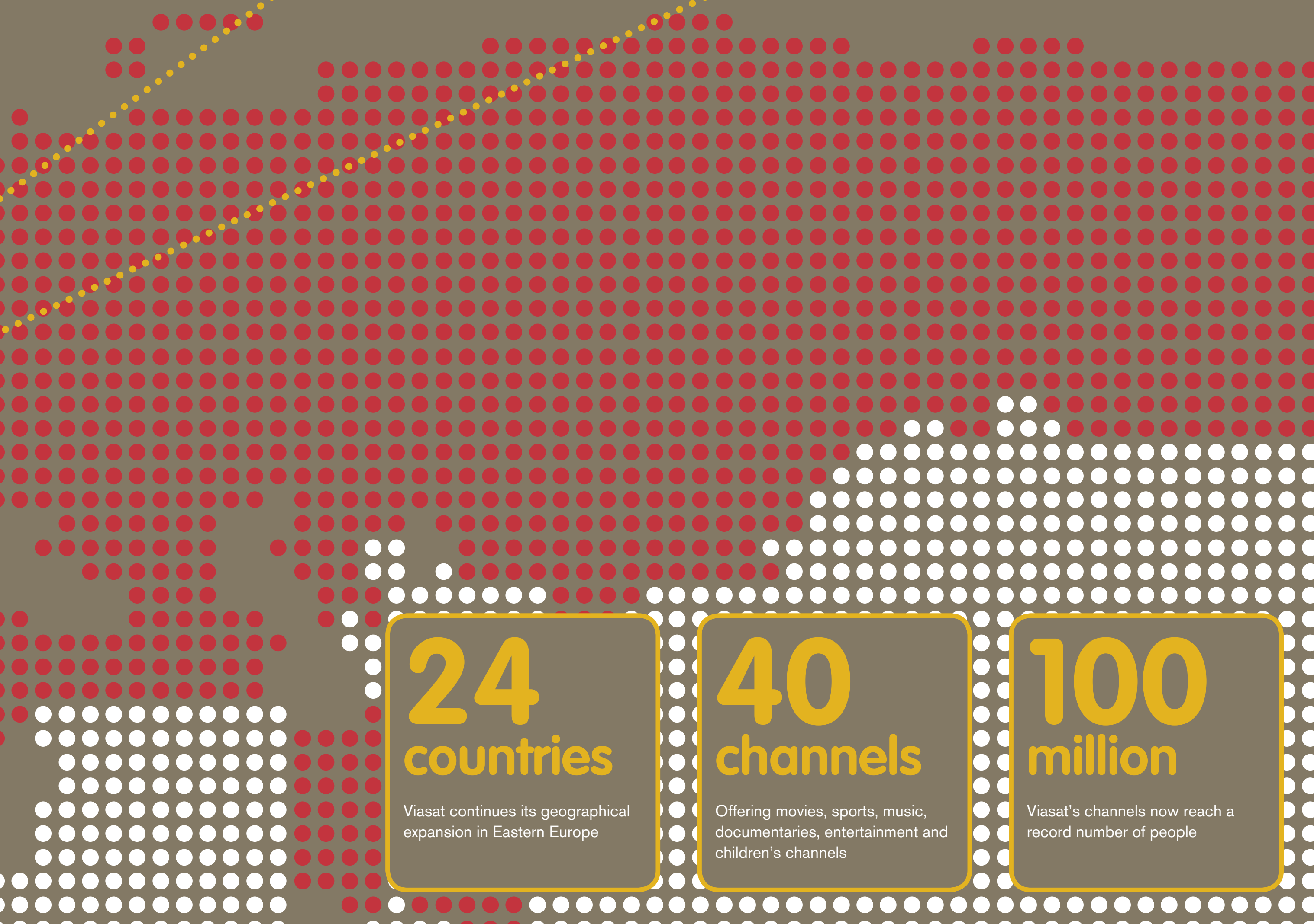
Strong performance by TV Prima on the Czech market

RUSSIA

DTV agreement with Mostelekom to increase penetration in key Moscow region

SLOVENIA

MTG acquired free-to-air TV channel PRVA in August



24 countries

Viasat continues its geographical expansion in Eastern Europe

40 channels

Offering movies, sports, music, documentaries, entertainment and children's channels

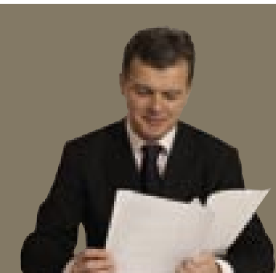
100 million

Viasat's channels now reach a record number of people

IN EUROPE • SECOND LARGEST F

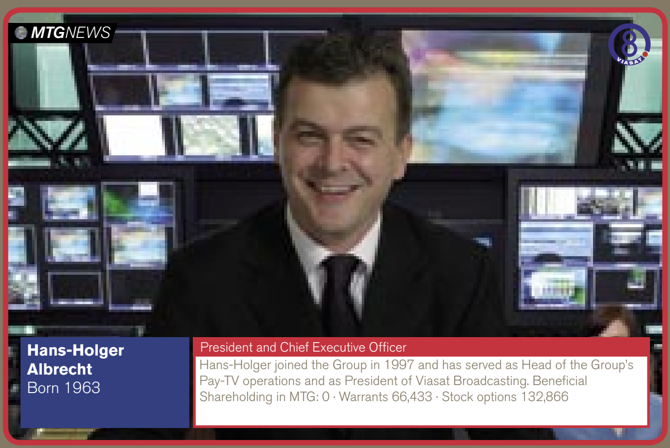
372 MILLION PEOPLE • IN COUNTRIES WITH A COMBINED

"NOW OVER TO OUR PEOPLE IN THE FIELD"

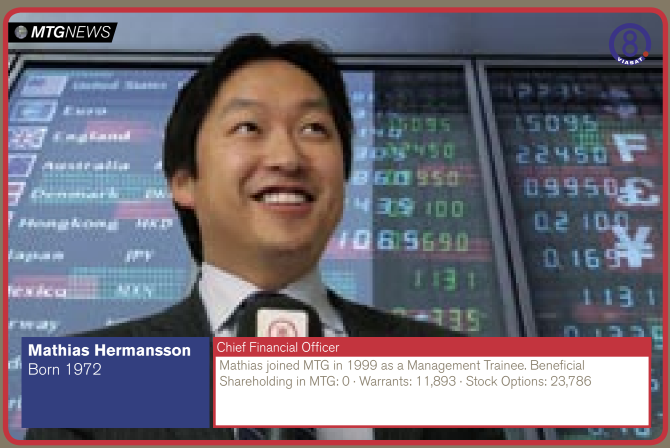


Hans-Holger became COO of MTG in May 2000 and was appointed as President and CEO in August 2000.
Hans-Holger graduated with a Doctorate in Law from the University of Bochum in Germany. He is co-chairman of CTC Media, Inc. and is also a member of the Board of the International Emmy Association in New York and EM.TV AG. Prior to joining MTG, he worked for Daimler-Benz and with the Luxembourg based CLT media group for five years, where he was responsible for all television activities and development in Germany and Eastern Europe.

Mathias served as Finance Director at former subsidiary Metro International S.A.'s North American operations.
Mathias was appointed as Chief Financial Officer of MTG in March 2006, prior to which he served as Group Financial Controller between 2001 and 2006 and held various financial positions at Viasat Broadcasting, MTG Radio and Home Shopping. Mathias worked for Unilever Sweden before joining MTG.



Hans-Holger Albrecht Born 1963
President and Chief Executive Officer
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. Beneficial Shareholding in MTG: 0 · Warrants 66,433 · Stock options 132,866



Mathias Hermansson Born 1972
Chief Financial Officer
Mathias joined MTG in 1999 as a Management Trainee. Beneficial Shareholding in MTG: 0 · Warrants: 11,893 · Stock Options: 23,786

Andrew Barron Born 1965
Chief Operating Officer
Andrew joined MTG in 2002. Beneficial Shareholding in MTG: 0 · Warrants 16,566 · Stock Options 33,132

Hasse Breitholtz Born 1949
Vice President of MTG
Hasse joined MTG in 2004 from Bertelsmann Media Group. Beneficial Shareholding in MTG: 0 Warrants: 7,192 · Stock Options: 14,384

Anders Nilsson Born 1967
Responsible Free-to-air & Pay-TV and Radio – Sweden
Anders has been responsible for the TV- and radio operations since 2003. Beneficial Shareholding in MTG: 0 · Warrants: 10,000 · Stock Options: 20,000

Andrew was appointed COO in 2003. He joined 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.

Hasse was President of BMG's Nordic operations and Chairman of BMG's operations in the UK and Ireland.
Hasse has 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.

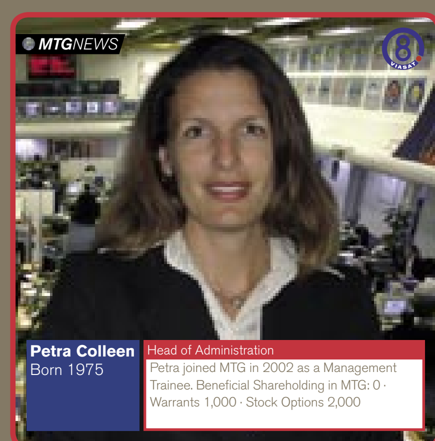
Anders worked for MTG Radio from 1992 before becoming President of MTG's radio operations in 1997.
He was appointed President of MTG Publishing in 2000 and served as Group Chief Operating Officer for two years.

ROL • SALES, SHOWMANSHIP AND

Hein Espen was appointed CEO of P4 Radio Hele Norge ASA in 1999. He 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.

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.

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.



Mikael became the CEO in 2000 when MTG Internet retailing was consolidated into CDON.COM Mikael previously held the position as brand manager at Egmont Kärnan between 1995 and 1999.

Petra was appointed Head of Administration in August 2005. Previously, when based in London, she served as Product Manager for the Eastern European markets, assuming responsibility for the pay-TV channels and the Viasat platform in the Baltic region.

Hanna became CEO of the newly-started business MTG New Media in June 2006. Prior to that she held positions as COO of MTG Radio and CEO of the contract publisher Redaktörerna.

COST CONTROL • SALES, SHOWM

"THANK YOU. NOW LET'S LOOK AT THE YEAR IN DETAIL"

FIVE YEARS WITH MTG

SEK m	IFRS 2006	IFRS 2005	IFRS 2004	2003	2002
Net Sales	**10,136**	8,012	6,805	6,311	6,023
Gross Income	**4,229**	3,215	2,355	2,369	2,084
Income from corporate development	**–**	–	381	–	–
Closure and non-recurring costs	**–**	–	–86	–	–126
Operating income	**1,777**	1,213	1,057	542	267
Income from sales of securities	**–**	384	–	–	163
Income after financial items, excluding convertible debenture loan costs	**2,019**	1,609	1,075	423	60
Net income / loss	**1,499**	1,185	746	289	–67
Balance sheet					
Non-current assets	**4,891**	5,481	3,126	2,879	3,070
Current assets	**4,314**	4,315	3,273	2,837	3,114
Total assets	**9,205**	9,796	6,398	5,716	6,184
Shareholders' equity	**5,105**	5,306	2,785	2,147	1,901
Long-term liabilities	**304**	249	1,172	1,341	1,738
Short-term liabilities	**3,796**	4,241	2,441	2,228	2,545
Total shareholders' equity and liabilities	**9,205**	9,796	6,398	5,716	6,184
Personnel					
Average number of employees	**2,008**	1,614	1,554	1,481	1,451
Key figures					
Return on total assets %	**16**	21	19	5	neg
Return on equity %	**28**	18	30	13	neg
Operating margin %	**18**	15	16	9	4
Net margin %	**15**	15	11	5	neg
Return on capital employed %	**29**	21	21	15	6
Equity / assets ratio %	**56**	55	44	38	30
Net debt to equity ratio %	**–**	–	16	41	43
Interest coverage ratio %	**30**	13	13	3	1
Net sales per employee, SEK thousand	**5,043**	4,964	4,379	4,261	4,151
Operating income per employee, SEK thousand	**884**	752	680	366	184
Capital Expenditures					
Investments in non-current intangible and tangible assets	**343**	80	107	135	98
Investments in shares	**645**	930	496	562	481
Per share data					
Shares outstanding at year-end	**67,042,524**	66,375,156	66,375,156	66,375,156	66,375,156
Denominator for diluted earnings per share *)	**66,994,844**	66,375,156	66,407,538	66,382,520	66,375,156
Denominator for basic earnings per share	**66,591,869**	66,375,156	66,375,156	66,375,156	66,375,156
Market price of Class 'B' share on the last trading day of the year	**450.00**	331.50	181.00	151.50	70.50
Diluted earnings per share *)	**20.55**	17.78	11.23	4.36	–1.00
Basic earnings per share	**21.57**	17.78	11.23	4.36	–1.00
Diluted shareholders' equity per share	**76.20**	79.94	41.92	32.31	28.40
Basic shareholders' equity per share	**76.66**	79.94	41.94	32.32	28.40
Cash dividend / proposed cash dividend	**7.50**	–	–	–	–

* The Group has implemented three share option programmes that may be exercised into 750,384 new class B shares.

VIASAT BROADCASTING

VIASAT BROADCASTING COMPRISES THE GROUP'S BROADCASTING OPERATIONS

MTG is an entertainment broadcasting business and Viasat Broadcasting comprises all of the Group's TV broadcasting businesses and directly related new media assets.

The business area comprises the Viasat DTH satellite platform, which has more than 929,000 subscribers in the seven Nordic and Baltic countries; Viasat's 14 free-to-air channels in the six Scandinavian and Baltic countries; Viasat's free-to-air channels in Hungary, Russia, the Czech Republic and Slovenia; Viasat's 20 own-branded pay-TV channels that are distributed on the Viasat platform and third party networks in 24 Nordic, Baltic and Eastern European countries; the BET24 internet betting and gaming business; and Viasat's near 40% equity participation in Russia's largest independently owned, and now publicly listed, TV network – CTC Media, Inc..

Viasat therefore not only generates revenues from the sale of advertising on its channels and subscription revenues on its platform, but also from the carriage of its channels on third party networks. Total sales were up 29% to SEK 8,291 million and operating income was up 43% to SEK 1,880 million. Including the SEK 432 million of associated company income from CTC Media, the full year operating margin increased from 18% to 23% and included the results for the now fully consolidated TV Prima, BET24 and TV3 Slovenia operations.

The key themes in 2006 continued to be the further expansion into Eastern Europe and the ongoing transitional impact of digitalisation in Scandinavia. Analogue TV switch-off is now almost complete in Sweden, with the majority of homes having already made the decision as to how they will receive multi-channel TV.

The process is positive for both Viasat's free-to-air and pay-TV businesses. The inclusion of Viasat's free-to-air channels in the fast growing digital terrestrial network enables the channels to benefit from increasing penetration levels and to erode analogue terrestrial monopolists' advantage by creating a more level playing field. At the same time, the conversion of analogue subscribers to the digital multi-channel environment is also accelerating Viasat's premium subscriber acquisition. Once this process is complete in Sweden in the last quarter of 2007, it will be the turn of Norway, which is scheduled for switch off in 2009, and then Denmark. The digital environment also opens up the possibility for new channel launches such as TV6 Sweden and Viasat4 Norway.

The Group is also focusing on the development of its New Media assets by leveraging its wide range of online properties to create new portals such as www.viasatsport.com. BET24 is a key part of these developments and MTG consequently increased its ownership to 90% during 2006. BET24 provides on-line live fixed odds sports betting and casino games, and utilises Viasat's sports-rich content portfolio. BET24's sales more than doubled year on year to SEK 426 million and an operating loss of SEK 54 million reflected the ongoing investments in brand-building sponsorship and customer acquisition marketing programmes.

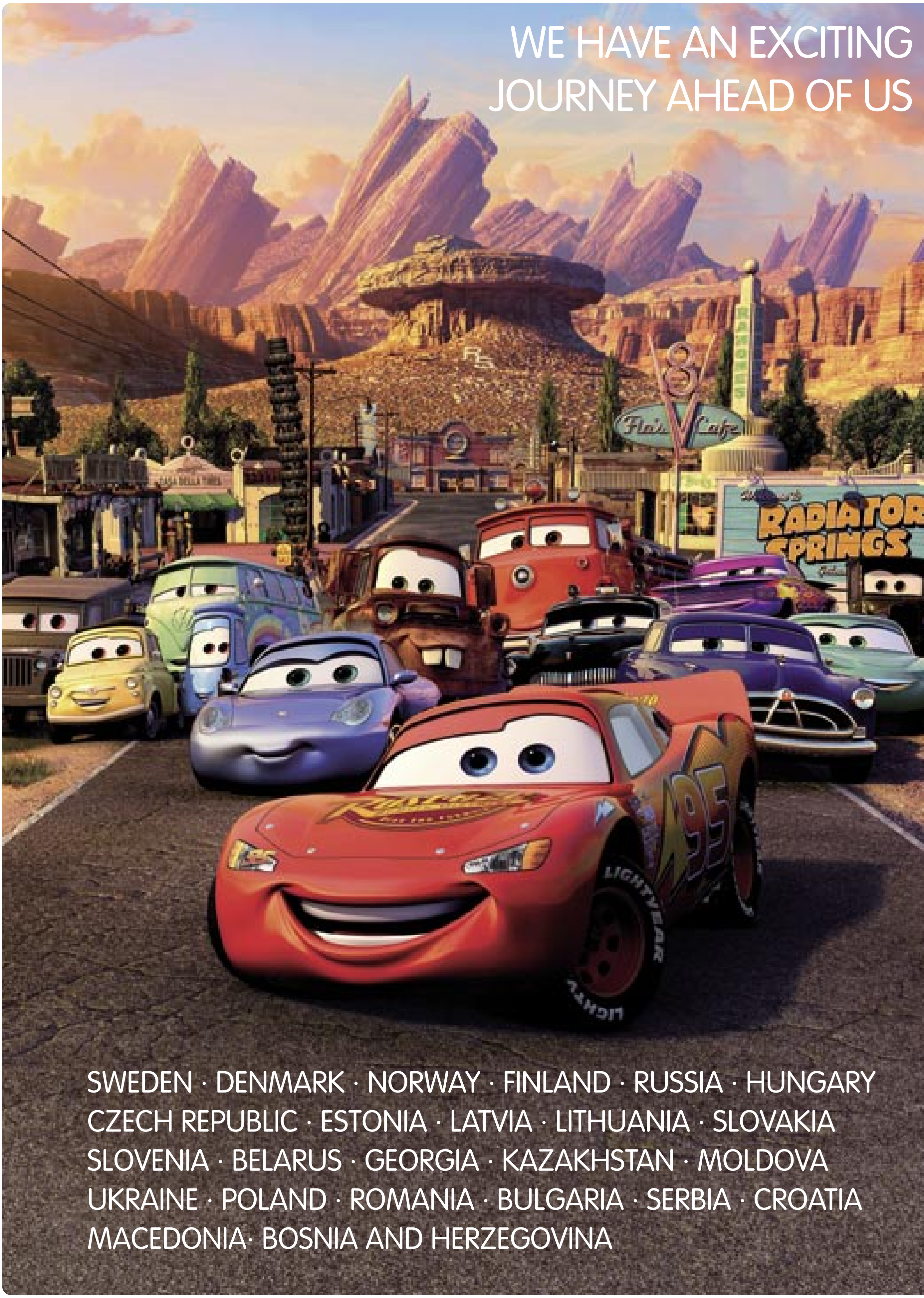
2006 HIGHLIGHTS

+29%
Sales increase to SEK 8.3 billion

40
Channels reaching 100 million people in 24 countries

17%
Operating margin excluding equity participation in CTC Media

WE HAVE AN EXCITING JOURNEY AHEAD OF US



SWEDEN · DENMARK · NORWAY · FINLAND · RUSSIA · HUNGARY
CZECH REPUBLIC · ESTONIA · LATVIA · LITHUANIA · SLOVAKIA
SLOVENIA · BELARUS · GEORGIA · KAZAKHSTAN · MOLDOVA
UKRAINE · POLAND · ROMANIA · BULGARIA · SERBIA · CROATIA
MACEDONIA· BOSNIA AND HERZEGOVINA

SCANDINAVIA: FREE-TO-AIR TV

Viasat launched TV6 in Sweden in May 2006, which achieved a 10% average commercial share of viewing (15–49) during the year with a mix of comedy, action and sports programming.

The new channel is broadcast on the Viasat satellite platform, in most third party cable networks, via broadband and unencrypted on the digital terrestrial network.

The launch of TV6 reflects MTG's ambition to be the leading Swedish media house, with the combined share of viewing of TV3, TV6, ZTV and TV8 having grown year on year and MTG increasingly focusing on a bundled offering to advertisers.

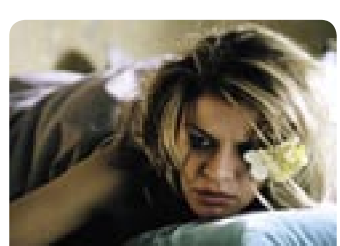
TV6's success ensured that the combined average commercial share of viewing (15–49) for TV3 and TV6 was stable during the year at 31.4%. The channels also benefited from the ongoing digitalisation and regional analogue television switch-off in Sweden, with TV3 and TV6's penetration levels increasing to 78% and 75% respectively.

TV3 Norway achieved its ambition of being the second largest commercial channel, in the 15–49 competitive universe where there is equal distribution, in every month of the year. Combined with ZTV, the two channels attracted an average commercial share of viewing of 17% amongst 15–49 year olds. The viewing shares were reflected in increased advertising market shares and record revenues for the year.

TV3 and TV3+ Denmark's advertising sales grew in line with the market in 2006. The two channels' combined commercial share of viewing (15–49) was 21.8% for the year and ended the year strongly. TV3 and TV3+ also further extended their positions as the second and third most watched commercial channels, respectively. Both channels can now be watched by over 1.6 million of the 2.5 million Danish TV households.

The 2006 programming schedules featured a combination of major sports events including the pan Scandinavian coverage of the UEFA Champions League and World Championship in ice hockey; established own produced ratings winners such as Insider, Efterlyst, Top Model, You are what you eat and From a Dumpster to a Castle; new series of successful acquired formats ER and Navy CIS; new Hollywood hit shows like Prison Break, My Name is Earl and Bones; and high-rating own productions FCZ, Sing Along, Nynne, Lyxfällan, Rocky and Drago and Thank God you are here.

Full year sales were up 4.3% in growing advertising markets. Revenue growth was flat in the second half of the year, with ratings softness for TV3 Sweden and the substantial weakening of the Norwegian and Danish Krona against the Swedish Krona reporting currency being the main contributors to the result. However, the Group's operating margin increased from 16.9% to 18.5% as total operating costs only grew by 2%. The margin of improvement was driven by the discontinuation of analogue broadcasting on the Viasat satellite platform and overall operating efficiency improvements.



2006 HIGHLIGHTS

4.3%
Increase in sales to SEK 3,038 million

14%
Increase in operating profit to SEK 561 million

18.5%
Operating profit margin up from 16.9%

PAY-TV NORDIC

Viasat operates both a satellite TV distribution platform and 25 Viasat-branded TV-channels in Sweden, Norway, Denmark and Finland. Viasat's premium 'Gold' and 'Silver' packages feature a combination of six premium thematic movie channels, three dedicated sports channels, seven documentary channels and a range of leading international third party brands.

2006 saw the addition of National Geographic, PlayHouse Disney, TV2 News in Denmark, CNBC and Deutsche Welle to the platform. Viasat Golf was also launched after the end of the year to offer subscribers 1,300 hours of live coverage from the 2007 European and US Golf tours. In addition and following the success of Norwegian sports channel SportN, which was launched in cooperation with public broadcaster NRK at the end of 2005, Viasat entered into a new cooperation with state-owned TV2 in Denmark to launch two new dedicated sports channels – TV2 Sport and TV2 Sport Extra – in Denmark, subject to regulatory approval.

123,000 new premium subscribers were added to the satellite platform during the year with a resulting 20% year on year growth in the premium subscriber base to 737,000 households. Sales of the Viasat+ Personal Video Recorder 'decoder with hard drive' and Viasat Gold package continued to grow in popularity during the year. An increasing proportion of subscribers also opted for multi-room access by adding second and third decoders to enable various members of the household to watch and record different shows in different rooms. The number of PVR and multi-room subscriptions increased by nearly ten times to 126,000 by the year end, which was equivalent to 18% of the total premium subscriber base. The latest innovation is the launch of 'Viasat Everywhere' service whereby the set top box is connected to the internet, enabling subscribers to access their pay-TV channel package remotely over the internet.

Average revenue per subscriber (ARPU) consequently increased by 6% to SEK 3,470 (EUR 375) following the addition and growth of these new channels and services.

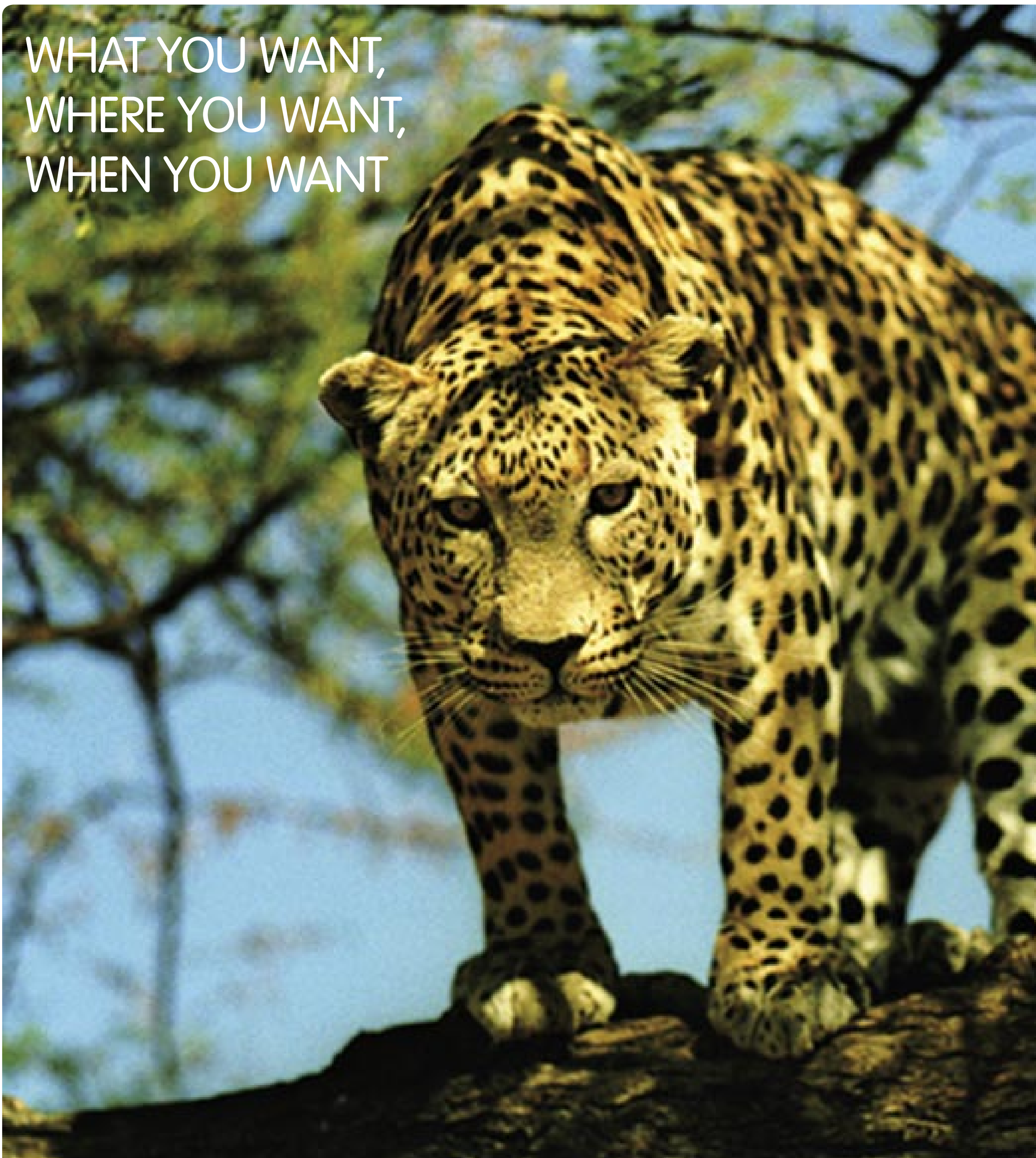
Viasat's premium pay channels are also made available through third party cable networks and through Viasat's broadband pay-TV offering. Viasat was one of the first European broadcasters to launch TV via broadband in 2005, and now delivers premium channel packages to 29,000 broadband subscribers in Sweden and Norway in cooperation with leading local broadband providers. The package is now being rolled out in Denmark.

2006 HIGHLIGHTS

21%
Increase in net sales to SEK 3,183 million

19%
Operating margin

18%
Increase in operating profits to SEK 597 million


WHAT YOU WANT,
WHERE YOU WANT,
WHEN YOU WANT

VIASAT BROADCASTING

CENTRAL & EASTERN EUROPE

EXPANDING THE SUCCESSFUL MODEL

Viasat's Central and East European broadcasting business comprises the free-to-air channels and pay-TV operation in the Baltic States; the free-to-air channels in Hungary, Russia, the Czech Republic and Slovenia; and the regional wholesale pay-TV channel business.

Viasat's channels maintained their combined position as the largest commercial TV player in the Baltic countries, with TV3 achieving a pan-Baltic commercial share of viewing (15–49) of 36.9%. Combined sales were up 21% to SEK 471 million and operating profits were up 47% to SEK 128 million, yielding an increased operating margin of over 27%.

Viasat3 in Hungary achieved its first ever annual profit in 2006 following 30% sales growth to SEK 117 million and a near SEK 20 million swing to a profit of SEK 4 million. Viasat3 increased its full year average commercial share of viewing (18–49) to 5.9% and was the only one of the top three commercial channels to grow its viewing share.

DTV consolidated its position as one of the ten largest national commercial TV networks in Russia during 2006. The channel's commercial share of viewing (6–54) increased to 2.1% and DTV reported its first ever annual profit. The sales agreement with leading Russian advertising sales house, Video International, contributed to a near doubling in sales to SEK 181 million, which was reflected in a near SEK 23 million improvement in profitability to a full year profit of SEK 3 million. DTV also took steps during 2006 to boost its penetration in key markets and is now included in the Mostelekom cable network, which is gradually increasing the channel's reach in the key Moscow region. Approximately 800,000 out of 1.5 million additional households had been connected by the end of the year.

MTG acquired management control and 50% of TV Prima in the Czech Republic in November 2005 and undertook a thorough reorganisation of the business, which has included the securing of new programming deals with four Hollywood studios, a refocusing of the sales team and new management appointments. Management is focused on increasing the 21.8% (15+) commercial share of viewing by enhancing production quality and the marketing of key new prime time own productions. Prima also benefited from long overdue advertising market price rises in 2006 and reported approximately 56% sales growth to SEK 849 million. Prima delivered a full year profit of SEK 171 million and a 20% operating margin.

Doubled

Sales more than doubled to SEK 1.8 billion

MTG acquired the number three Slovenian commercial terrestrial TV station in August for EUR 8 million. The station, which has 83% national penetration, was rebranded and relaunched as TV3 Slovenia just one month later with a new programming schedule, marketing and promotional campaigns.

The investment had immediate results with the commercial share of viewing (15–49) more than doubling to 7.3% in the last quarter of the year when compared with the 3.1% achieved during the first nine months of 2006. The newly-acquired operation, which is still at an early stage of development, contributed SEK 4 million of sales and a SEK 15 million operating loss in 2006.

The Viasat DTH satellite pay-TV platform in the Baltics more than doubled in size with the addition of 42,000 new premium subscribers during the year. Viasat now has 80,000 premium subscribers and is the largest digital operator in the territory. The premium package was enhanced further with the addition of ten public service channels during the summer. Viasat also enhanced its channel offering across Central and Eastern Europe with the addition of 'TV1000 Balkan' and 'Viasat Sport East', and expanded its footprint into Croatia. A total of seven Viasat-produced pay-TV channels are now distributed via agreements with more than 1,300 third party cable operators in 18 countries. Seven million new wholesale subscriptions were added during 2006, growing the total base by 61% to 19 million and the number of unique households to 8 million. Combined net sales for the pay-TV businesses more than doubled to SEK 220 million, with the operations reporting a more than SEK 20 million swing to a full year profit of SEK 13 million.

CTC MEDIA

RUSSIA'S LEADING INDEPENDENT TV BROADCASTER

MTG is the largest shareholder in Russia's leading independent television broadcaster

The CTC entertainment network, which was launched at the end of 1996, reaches approximately 100 million people and is broadcast through more than 210 local affiliate stations. The 'Domashny' network, which was launched in March 2005, reaches approximately 57 million people through more than 170 local affiliate stations.

The Board and shareholders of CTC Media decided to pursue an initial public offering and listing of the Company's shares on the NASDAQ National Market in 2006. The Company raised USD 105 million through the offering of 7,909,784 newly-issued shares. The shares commenced trading on 1 June at USD 14 and the Company's market valuation had risen by 71.5% to USD 3.6 billion by the end of the year. MTG acquired 36% of CTC Media in 2002 and held a 43.1% shareholding before the IPO. MTG sold no shares in the offering and the shareholding was therefore only diluted to 39.6%.

CTC was the third most watched TV channel in Russia amongst 6 to 54 year olds in 2006, with an average share of viewing of 12.9%. Domashny's audience share in its target group of 25 to 60 year old women increased to 1.7% in 2006. Both CTC and Domashny increased their technical penetration levels during the year to 86.6% and 58.2%, respectively.

MTG reports its equity participation in CTC Media's results with a one quarter time lag, due to the fact that CTC Media reports its results after MTG. MTG therefore reported SEK 432 million of associated company income in 2006, which reflected MTG's 42% average shareholding in CTC Media for the 12 month period to 30 September 2006.

69%

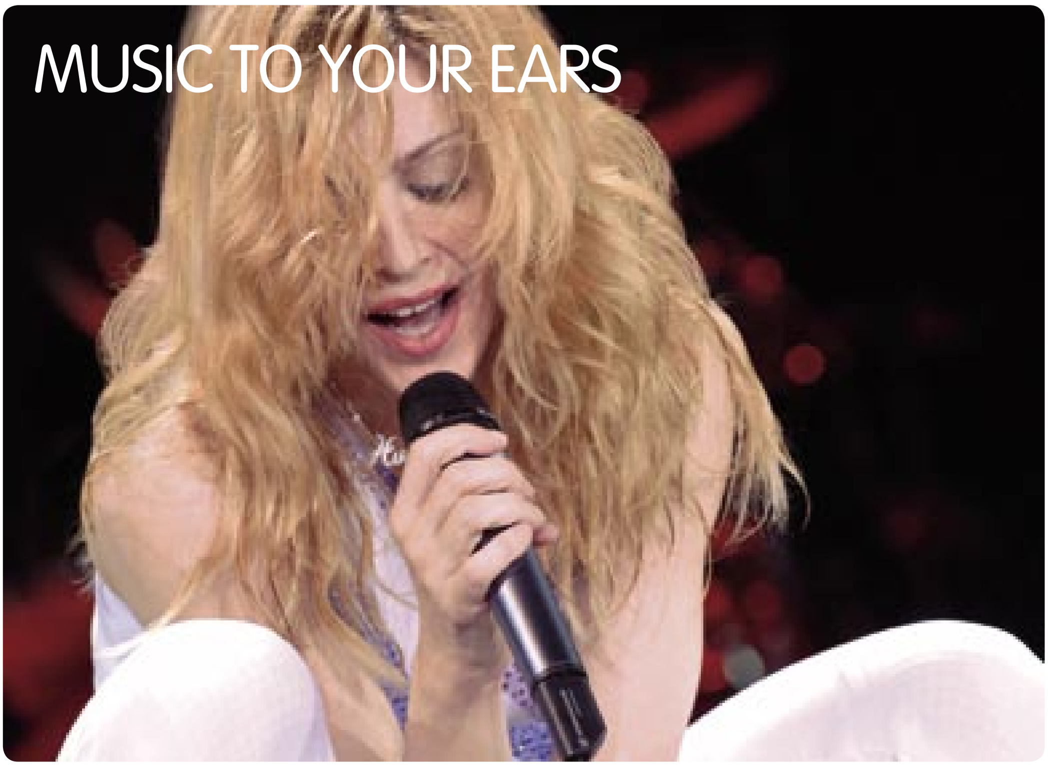
Sales growth to US$ 343 million for 12 months to 30 September 2006

42%

Operating margin for 12 months to 30 September 2006

MTG RADIO

NORTHERN EUROPE'S LARGEST RADIO GROUP



2006 HIGHLIGHTS

49%
Increase in net sales to SEK 433 million

x3
More than tripling in operating profit to SEK 78m (including associated company income)

14%
Operating margin for wholly owned businesses

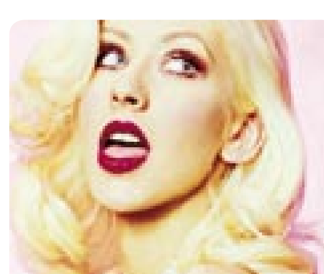
2006 was the first year in which MTG Radio Sweden competed as a national media channel

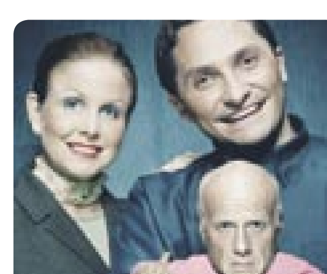
Operating 54 stations out of a total of 86 commercial radio licenses in Sweden, MTG Radio now covers 90% of the population. The first independent survey of the year indicated an all time high reach of over 2 million daily listeners and, by the final survey of the year, Sweden's most popular breakfast show RIX Morning Zoo had broken its own record with an average daily audience of 925,000 listeners.

RIX FM has now been the most popular of any radio station for 9–49 year olds for the past two years, and even outperformed public broadcaster P4 in the 9–79 year old age group in seven regional markets during 2006. MTG's Swedish stations successfully took market share in a radio advertising market that grew by 18% to over SEK 600 million for the first time since 2000, and generated 30% sales growth and record profits.

MTG Radio also operates the Power Hit Radio local FM stations in Tallinn (Estonia) and Vilnius (Lithuania), and the Star FM national networks in Estonia and Latvia, which reported 23% combined sales growth during the year. Moreover, MTG has an equity stake in Radio Nova in Finland.

2006 was also the year in which MTG acquired the remaining 60% of the number one private commercial network in Norway – P4. MTG launched its successful NOK 595 million mandatory cash offer for the Oslo-listed P4 Radio Hele Norge ASA in September, and has consolidated P4's results since 1 October. P4 has a daily audience of 1.3 million listeners, making it the second largest commercial media of any kind in Norway.





MODERN STUDIOS

A LEADING SCANDINAVIAN CONTENT PRODUCER AND DISTRIBUTOR

Modern Studios comprises TV production, feature film production and distribution, and publishing houses.

Strix Television is one of Scandinavia's most successful TV production companies and has now sold rights or options to its 38 TV formats to broadcasters in 75 countries around the world. Options to hit format Paradise Lost, which won the 2006 Rose d'Or for Social Awareness, have now been sold to broadcasters in 17 countries, with the UK and the US markets being the latest additions. Ruth 66 and My Best Friend were also optioned to the US, whilst Phone Booth and Floor Filler were licensed for the Latin American market. Strix established its fifth country operation in 2006, with the opening of an office in the Czech Republic where Strix immediately began work with TV Prima.

Sonet Film is the Nordic region's leading film production and distribution house. Co-produced Farväl Falkenberg was nominated as Sweden's entry for the 'Oscars' and Sonet also established a new unit to focus on television drama.

The Bromberg's book publishing business, which has published four Nobel price-winning authors over the years, was sold at the end of the year.

The results for the final quarter of the year included SEK 79 million of non-cash intangible asset write-downs in Sonet's beneficial rights and goodwill arising from the acquisition of 60% of the Engine concept development business in 2005. The business area reported a loss of SEK 80 million on sales of SEK 619 million.

MTG's production of the annual Sports Awards – Idrottsgalan – for the seventh time in succession, proved yet again why the awards are the largest media event in Sweden. 8,000 guests attended the gala, which attracted three million viewers on Swedish public broadcaster SVT.

2006 HIGHLIGHTS

Strix expands into Czech Republic

Sonet's Farväl Falkenberg nominated for Oscars

HOME SHOPPING

A MARKET LEADING ENTERTAINMENT RETAILER

CDON.COM

Launched in 1999, CDON.COM has firmly established itself as the largest entertainment internet retailer in the Nordic region and increased its sales and market shares in all product categories in 2006.

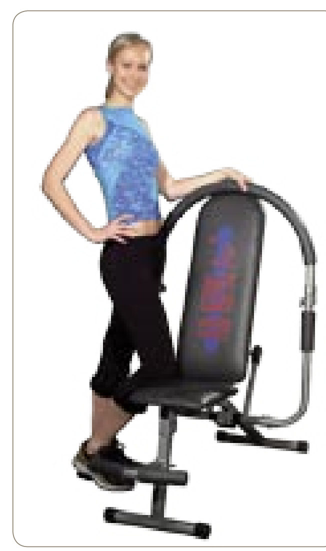
10%
Increase in net sales to SEK 1,087m

54m
Operating profits

In addition to its sales of CDs, DVDs, computer games, books, MP3 players and other consumer electronics, the site also provide DVD rental and internet music downloading services.

CDON.COM consolidated its position as a leading player in the music downloads market by selling more than one million tracks in 2006. A film streaming, broadband video-on-demand service was also launched during the year. The overall customer base surpassed 1.5 million and the year ended with a record Christmas sales period in December. CDON sales were up 25% and represented 68% of business area sales for the year. The company reported an operating margin of 7% for the period.

TV Shop is one of the largest direct response TV or 'infomercials' business in Europe and its channels reach 100 million homes in more than 50 countries. The home fitness and beauty categories again dominated in 2006 with the sale of more than 50,000 'Ab King Pro' units, and 40,000 of each of the '6 Second Abs', 'Velform Rotair Brush' and 'Proactive' products. Internet sales were up 22% and represented 34% of all TV-Shop orders in 2006, with a new web format successfully launched at the end of the year. TV-Shop was profitable for the year.

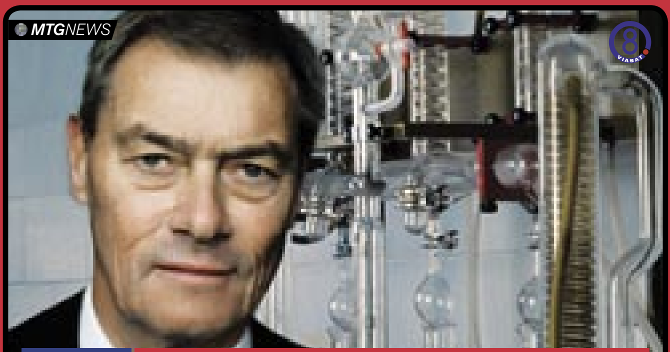


David was Deputy Managing Director of the BSkyB Group between 1993 and 1998 and worked in the US television industry for seven years.
David is Chairman of TOP UP TV and has also served as a Non-Executive Director of ITV Plc and O_2 Plc. David graduated with a BA, BSc and MBA from the University of North Carolina.

David Chance
Born 1957

Chairman and Non-Executive Director
David has been Chairman of the Board of Directors since May 2003, and a member of the Board since 1998. He is considered to be independent of the Company, management and major shareholders. He holds1,000 Class B shares.

Asger is the majority shareholder and Chairman of Bavarian Nordic A/S and NeuroSearch A/S, 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.



Asger Aamund
Born 1940

Non-Executive Director
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. He is considered to be independent of the Company, management and major shareholders. He holds 1,500 Class B shares.

Nick Humby
Born 1957

Non-Executive Director
Nick has been a member of the Board of Directors since 2004. He is considered to be independent of the Company, management and major shareholders. He holds no MTG securities.

Nick has worked in leading financial management positions in the media and sports industries.
He was Group Finance Director of Manchester United FC between 2002 and 2007, when he left to take up the position of CFO of Top Up TV. Prior to that he was Finance Director of Pearson Television. He 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
Born 1965

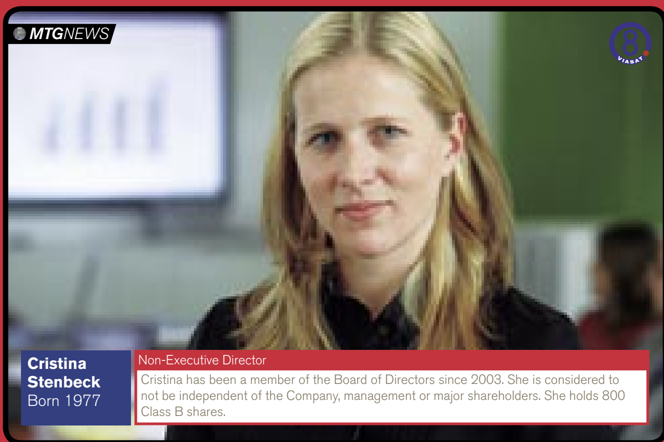
Non-Executive Director
David has been a member of the Board of Directors since 2004. He is considered to be independent of the Company, management and major shareholders. He holds 6,100 Class B shares.

The founding 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 Pergo AB, Carl Lamm AB, Scribona AB and Novestra AB. David graduated from Northeastern University in Boston.

GOVERNANCE

Cristina is Chairman of Emesco AB and Vice Chairman of Investment AB Kinnevik.
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 was President & Chief Executive Officer of Investment AB Kinnevik until 1 August 2006, thereafter Non-Executive Director of the company.
Vigo is also Chairman of Tele2 AB and Korsnäs AB and serves as a Non-Executive Director of Millicom International Cellular S.A..



Pelle is President and Chief Executive Officer of Metro International S.A and a Board Director of RNB AB.
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 has been President and CEO of Tele2 AB since 1999.
Lars-Johan previously served as a member of the group executive management of Saab Automobile and as President of Saab Opel Sverige AB. Lars-Johan is a former President of Comviq and was 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. He holds an MBA from Växjö and Lund Universities in Sweden.

Jonny Searle
Company Secretary

"AND NOW THE FACTS AND FIGURES"

CORPORATE SOCIAL RESPONSIBILITY

MODERN RESPONSIBILITY IS MTG'S CORPORATE SOCIAL RESPONSIBILITY PROGRAMME – OUR PLATFORM FOR FUTURE DEVELOPMENT.

MTG's commitment to 'Modern Responsibility' enables the Group to continue to deliver a consistently high level of performance for all of its stakeholders. Our mission statement is "Maximising the power of entertainment", which we achieve by providing the best in entertainment through multiple distribution channels.

Customers

MTG constantly strives to improve the range and quality of the products and services that we offer to our customers, which reflects our key guiding principle – the customer is always Number 1. We aim to exceed expectations by continuing to enhance our existing products and services and add new ones.

During the fall 2006, the British Government initiated stricter legislation of advertising towards children concerning products containing high levels of fat, salt and sugar. MTG is affected by this regulation stipulated by the British independent regulator and competition authority Ofcom, as free-TV channels such as TV3, TV6 and ZTV are broadcast from UK. It is a matter of course for MTG to follow these rules in order to manage the problem concerning under-age obesity. MTG has during the winter identified the programmes that target a younger audience and guiding principles for the channels and the advertisers have been outlined.

These guiding principles are one among several other actions undertaken by MTG within the 'Modern Responsibility' programme. Furthermore, pay-TV channels such as TV1000 that may include elements of violence and adult entertainment have been regulated, which was described in the 2005 Annual Report. Parental control systems have been implemented in order to provide parents the means to control their children's TV access by using PIN codes that can 'lock out' and 'lock in' what can be viewed in the household.

The "Viasat Everywhere" service was also launched during the year – a groundbreaking piece of hardwired ingenuity that makes your pay-TV subscription portable by enabling Viasat customers to access their EPG and pay-TV channels remotely over the internet Viasat Everywhere therefore turns virtually any internet-connected PC into your personal TV.

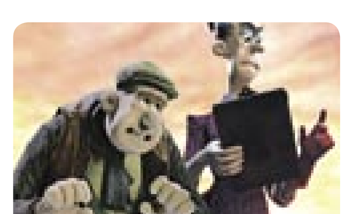
Employees

Our employees are our most valuable assets and the key to our success. We invest in the personal development of our employees because the skills and creativity of our people are our competitive advantage. The MTG Academy is our own internal training facility, where we train our staff in Sales and Management techniques, and foster the team spirit that is so essential to the Group's success. As an equal opportunity employer, MTG's employees are based on each individual's ability to do his or her job and not on physical and/or other personal characteristics or beliefs. We therefore affirm the principle of no unlawful discrimination based on race, colour, gender, religion, national origin or sexual orientation.

MTG promotes innovation and entrepreneurship which is encapsulated in our twelve simple rules which the employees work with, and live by, along with our focus on 'Sales, Showmanship and Cost Control'. MTG strives to maintain a high level of satisfaction amongst its employees, which is why we place so much emphasis on the understanding and enjoyment of our corporate culture.

Regulators

Reaching a pan European audience of 100 million people, MTG takes responsibility not only to live by prevailing regulatory standards, but to exceed them. Our core business is entertainment broadcasting, and we are regulated according to the European Union's 'Television without Frontiers' directive, which is implemented by the applicable national broadcasting regulations in the countries where we operate. MTG has a dedicated and highly experienced Legal and Compliance team, whose responsibility is to ensure Group-wide compliance with the pertaining rules and regulations. The team is responsible for the application of the Group's strict internal policies regarding scheduling and airing of programming, as well as advertising and sponsorship. MTG operates within regulatory guidelines, which prohibit external influence over programming content, in order to ensure editorial independence. We seek to ensure freedom of programming in all circumstances and closely monitor the material that we broadcast, with strict and clear procedures, which avoid any doubt as to the integrity or independence of the content that is broadcast.



Shareholders

MTG continued to deliver increasing shareholder value in 2006 by generating a 29% return on average capital employed. The Group is on track with its strategic objectives and is balancing its exposure to mature west European economies and high growth new east European markets. New businesses were launched, expanded or acquired during the year, in both existing and new territories, in order to enhance the Group's scale and efficiency. MTG has a clear focus – we are a growth company in the entertainment broadcasting business. This is where the Group's capital investments are made, and is why MTG is the fastest growing pan-European media company today.

Shareholder returns were significantly increased in 2006 by the distribution of SEK 1.5 billion of Metro International shares in the summer. Furthermore, the Group has proposed its first ever cash dividend of SEK 7.50 per share. These measures would amount to a yield of up to 6.6% for 2006. The Board also proposes to buy back up to 10% of the Group's shares.

Non-Governmental Organisations

MTG has a long history of working with and promoting different organisations and community initiatives around the world. MTG has sought to increase the impact of its efforts by focusing on one specific area – the often overlooked and neglected area of mental health. A surprisingly high proportion of adults will, at some point in their lives, be affected by mental illness – either as sufferers or carers. Each and every MTG local country operation therefore now works with a national mental health organisation on an ongoing basis, in order to increase awareness and understanding of mental health issues. The objective of this cooperation is as much to prevent and counteract the development of illness, as it is to treat and support those affected.

TV3 Sweden also continues to work with the Cancer Fund to promote awareness of breast cancer, whilst Viasat's other channels have supported the work of organisations including: The Swedish National Association for Social and Mental Health; SOS Barnbyar; Tallinn Childrens Hospital Foundation; UNICEF Fund; and Nadace Naše díte (Our Child Foundation).

Society and Environment

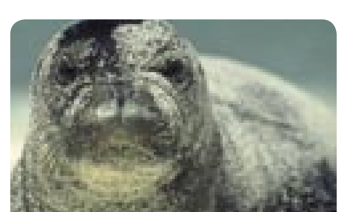
The broadcast media – television and radio – are powerful forces in modern society. The impact of the media may be less tangible than the impact of other forces on society and the environment, but this does not make it any less significant. We recognise its influence, and also believe in its potential for good. We are therefore committed to using the power of the media responsibly. We continually seek opportunities to enhance the benefits that television and radio can offer, whilst also remaining alert to ways in which we can avoid or minimise the potential harm that they can cause.

MTG adopts and pursues the best practices in environmental management by minimising the impact and possible damage to the environment, as well as by working with environmental agencies to produce environmental programmes for our channels. As a service company, MTG continues to implement a wide range of local initiatives, such as responsible waste management and recycling programmes, in order to comply with and extend with local and international environmental legislation and codes of conduct.

Suppliers

MTG's intention is to work only with suppliers and subcontractors whose own working practices and business standards are in line with the standards set by MTG's 'Modern Responsibility'. We seek to conduct our relationships with our suppliers in a decent and proper way, and to develop relationships with suppliers that conduct their business in an ethical manner. MTG only works with suppliers who support universal human rights and whose employment practices respect human dignity. We expect our suppliers to interact with their employees and contractors in the same way that we do. Furthermore, we require our suppliers to conduct business in a way that protects and preserves the environment, according to the laws and principles that we ourselves follow and support in the countries where we operate.

MTG's Modern Responsibility programme continues to evolve with our stakeholders' interests and priorities. The Board of Directors and Senior Management are responsible for the continued evaluation and development of the programme as a key driver of MTG's success and sustainability.



CORPORATE GOVERNANCE

THIS REPORT PROVIDES INFORMATION ON MODERN TIMES GROUP MTG AB'S CORPORATE GOVERNANCE POLICIES AND PRACTICES

Modern Times Group MTG AB is a Swedish public limited liability company. The Company's Governance is based on the Articles of Association, the Swedish Companies Act ('Companies Act'), the listing agreement with the Nordic Stock Exchange, the Swedish Code of Corporate Governance ('the Code'), and other relevant Swedish and foreign laws and regulations.

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 Committee, which are explained below.

Shares and Shareholders

The number of shareholders according to the share register held by VPC AB (the Nordic Central Securities Depository) was approximately 18.800 at year-end 2006. The shares held by the ten largest shareholders correspond to approximately 50% of the share capital and 76% of the voting rights. Swedish institutions and mutual funds own approximately 44% of the share capital, foreign investors approximately 47% and Swedish private investors approximately 9%.

The share capital consists of Class A shares and B shares. The holder of one MTG A share is entitled to 10 votes, the holder of one MTG B share one vote. All shares entitle the holder to the same proportion of assets and earnings and carry equal rights in terms of dividends.

Annual General Meeting

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

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

The Annual General Meeting shall be held within six months of the end of the financial year. At the Annual General Meeting, resolutions shall be passed with respect to adoption of the income statement and balance sheet as well as the consolidated income statement and balance sheet, dispositions of the Company's profit and loss according to the adopted balance sheet, discharge from liability for the Board of Directors and the CEO, appointment of the Board of Directors and the Company's auditors when appropriate, and certain other matters provided by law and the Articles of Association.

Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing at least seven weeks before the Annual General Meeting in order to guarantee that the proposal may be included in the notice to the meeting. Details on how and when to notify MTG is described in the notice convening the Annual General Meeting.

Shareholders, who wish to participate in the Annual General Meeting, must be duly registered as such with VPC AB (the Nordic Central Securities Depository). The shareholders may then attend and vote at the meeting in person or by proxy. A shareholder wishing to attend the Annual General Meeting must notify MTG of his or her intention to attend. The manner in which to notify MTG is described in the notice convening the Annual General Meeting.

The Annual General Meeting will be held on 9 May 2007 in Stockholm.

Nomination Committee

Following a resolution of the Annual General Meeting of Modern Times Group MTG AB in May 2006, a Nomination Committee consisting of major shareholders in Modern Times Group MTG AB was created with Cristina Stenbeck as Chairman. The Nomination Committee comprises Cristina Stenbeck on behalf of Investment AB Kinnevik and Emesco AB, Magnus Bakke on behalf of Swedbank Robur Fonder 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 Committee's tasks include making an evaluation of the Board's composition and work, submitting proposals to the Annual General Meeting regarding the election of Directors of the Board and Chairman of the Board, preparing proposals regarding the election of auditors, when necessary, preparing proposals regarding fees to the Directors of the Board and to the Company's auditors, as well as preparing proposals of Chairman for the Annual General Meeting.

Shareholders wishing to propose candidates for election to the Modern Times Group MTG AB Board of Directors at 2007 Annual General Meeting should submit their proposals in writing.

The composition of the Nomination Committee does not follow the Code of Corporate Governance, which recommends that the chair of the Nomination Committee should not be a member of the Board of Directors. The Nomination Committee 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 shareholding in Modern Times Group MTG AB.

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 David Chance, Asger Aamund, Vigo Carlund, Nick Humby, Lars-Johan Jarnheimer, David Marcus, Cristina Stenbeck and Pelle Törnberg. The Directors were all re-elected at the Company's Annual General Meeting of Shareholders on 10 May 2006 and David Chance was elected as Chairman of the Board of Directors.

Biographical information on each Board member is provided on pages 44–45 of this report.

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 which 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. The work of the Board is also governed by rules and regulations which include the Companies Act, the Articles of Association, and the Code.

In order to carry out its work more effectively, the Board has appointed a remuneration committee and an audit committee 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 decisions made, irrespective of whether the issue in question has been reviewed by one of these committees.

The Board has also adopted procedures and instructions which the Chief Executive Officer should comply with. These procedures require that investments in non-current assets of more than SEK 500,000 have to be approved by the Board. The Board also approves large-scale programme investments and other significant transactions including acquisitions and closures or disposals of businesses.

In addition, the Board has 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.

INTERNAL CONTROL OF FINANCIAL REPORTING

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

Control Environment

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

The responsibility for maintaining an effective control environment and internal control over financial reporting is delegated to the CEO. Other senior managers at various levels have specific responsibilities. The senior management regularly reports to the Board according to established routines and in addition to the Audit Committee's reports. Limits of responsibilities, instructions, guidelines, manuals and policies together with laws and regulations form the control environment. All employees are accountable for compliance with these guidelines.

Risk Assessment and Control Activities

The Company has prepared a model for assessing risks in all areas in which a number of items are identified and measured. These risks are 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.

The Company regularly reviews important areas such as compliance with the broadcasting regulations, control and follow-up on penetration, share of viewing and listeners, and the development of advertising markets.

The assessment and control of risks also involves the operational boards in each business area, where meetings are held at least four times a year. The CEO, the business area management and CFO participate in the meetings. Minutes are kept of these meetings. The functioning of the operational boards are further described under the headline Senior Executives below.

Information and Communication

Guidelines and manuals used in the Company's financial reporting are communicated to the employees concerned. The MTG Handbook is an example of the supporting manuals produced for this purpose. There are formal as well as informal information channels to the senior 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. The Group has established an annual procedure for the senior executives to state their opinion of the quality of the financial reporting, disclosures and procedures and compliance with internal and external guidelines and regulations.

Follow-up

The Board of Directors regularly evaluates the information provided by senior management and the Audit Committee. The Board receives monthly reports of the financial position. The Group's financial situation, its strategies and investments are discussed at every board meeting. Each quarterly report is examined by the Audit Committee. The Audit Committee is also responsible for following up internal control activities. The work includes ensuring that measures are taken to deal with potential inaccuracies and to follow up suggestions for actions emerging from the internal and external audits.

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

BOARD WORKING PROCEDURES

Remuneration Committee

The Remuneration Committee comprises Asger Aamund as Chairman and David Chance, David Marcus and Cristina Stenbeck. 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.

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 Remuneration Committee members are independent.

Audit Committee

The Audit Committee constitutes Nick Humby as Chairman and David Marcus and Asger Aamund. 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 fairness and reasonableness of the presentation of the Company's financial reporting, the quality of internal controls within the Company, the qualification and independence of the auditors, the Company's adherence to prevailing rules and regulations, and, where applicable it reviews transactions between the Company and related parties.

Remuneration to Board members

Remuneration to the Board Members is authorised by the Annual General Meeting. Information on remuneration to Board members is given in Note 25 to the Annual Report. Board members do not participate in the Group's share option plans.

Work of the Board during 2006

The Board reviewed the financial position of Modern Times Group MTG AB and 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 strategies and forward development plans, and visited Group operations in Sweden and Russia.

Attendance at ordinary Board meetings during 2006

The Board of Directors	Meetings
Number of Meetings during the year	6
David Chance, Chairman	6
Asger Aamund	5
Vigo Carlund	6
Nick Humby	6
Lars-Johan Jarnheimer	6
David Marcus	6
Cristina Stenbeck	5
Pelle Törnberg	6

The Remuneration Committee held four ordinary meetings during 2006. Two Directors attended all meetings, one Director was excused from two meetings, and one Director was excused from one meeting.

The Audit Committee held three ordinary meetings during 2006. Two Directors attended all three meetings, and one Director was excused from one meeting.

External Auditors

MTG's auditors are elected by the Annual General Meeting for a period of four years. The two current auditors were elected at the 2006 and 2003 Annual General Meetings respectively.

KPMG was last elected as MTG's lead auditor in 2006 and has been MTG's external auditor since 1997. Carl Lindgren, authorised public accountant, is responsible for the audit of the Company. The next election of the auditor will be held at the 2010 Annual General Meeting. The second auditor is Ernst & Young, and Erik Åström, authorised public accountant, is responsible for the audit. The next election of the second auditor will take place at the 2007 Annual General Meeting. Ernst & Young has served as external auditors since 1997.

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

KPMG provided certain additional and audit-related services to MTG for 2004 through to 2006. 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 implemented in 2005, and other assignments of a similar kind closely related to the audit.

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

For more detailed information concerning the auditors' fees, see Note 26 of the notes to the consolidated financial statements on page 95 of this report.

Senior Executives

MTG Group senior executives comprise the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), Vice Presidents, Business Area Managing Directors and other key executives. Biographical information on each executive is provided on pages 28–29 of this report.

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

The CEO and the senior executive management, supported by the various staff functions, are responsible for the adherence to the Group's overall strategy, business control, distribution of the financial resources among the business groups and the Group's financing, capital structure and risk management. Among other tasks, this includes company acquisitions, preparation of financial reports, communication with the stock market and other issues.

For each of the business areas there is an operational board. The CEO chairs the operational board meetings which are attended by the management in the business areas and the Chief Financial Officer. The business areas' guidelines and policies include financial control, communication, brands, business ethics and personnel policies.

Executive Remuneration

The guiding principles, as approved by the Annual General Meeting in 2006, are that the remuneration and the other terms of employment for the senior executives shall be competitive to attract, motivate and retain senior group and operational management within the context of the international peer group, which consist of northern European media companies.

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

The executives may receive variable salaries in addition to fixed salaries. The variable salary may amount to a maximum of 50% of the fixed annual salary. The variable salary is based on the performance of executives in relation to established goals and targets. Senior executives may, at the discretion of the Board, receive additional variable remuneration in the case of exceptional performance.

On a yearly basis, the Board evaluates whether a share or share-price related incentive programme should be proposed to the Annual General Meeting and if approved, which senior executives shall be invited to join.

The executives are entitled to customary non-monetary benefits such as company cars and company healthcare. In exceptional cases a housing allowance may be granted for a defined period.

The senior executives shall be entitled to pension commitments based on those which are customary in the country in which they are employed. Pension commitments will be secured through premiums paid to insurance companies.

If the Company terminates the employment of a senior executive, 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 periods.

The CEO has a three-year contract from the beginning of 2005 until the end of 2007, and one of the senior executives has a two-year contract from the beginning of 2007 until the end of 2008.

The remuneration paid to the Group's senior management, as well as information about the beneficial ownership of shares and other financial instruments in the Company are set out in Note 25 to the Accounts.

EXECUTIVE SHARE OPTION PLANS

2006 and 2005 Global Share Option Plan

The 2006 and 2005 Annual General Meetings established new stock-based incentive programmes for senior executives. The programmes offer a combination of warrants and stock options, entitling senior executives 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 was set to115% of the average share price of the Class B share over the ten days following the Annual General Meeting.

To encourage participation in the incentive programme, the Board of Directors decided upon a cash bonus which may be paid three years following the acquisition of the warrants by the participant.

A cash bonus will be paid if the stock options and the Class B shares acquired by exercising the warrants are still held by the participant and if the participant is still employed by the Group after three years.

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 acquisition of the warrants and stock options.

The 2006 programme was directed towards a group of 25 senior executives. The exercise price for the options allotted was set at SEK 450.30 per MTG Class B share, which was the average share price of the Class B share over the ten days following the Annual General Meeting. The stock options may be exercised on or after 15 May 2009, if the proprietor is still employed by the Group. In July 2006, the exercise price for warrants was recalculated to SEK 417.70 and for the stock options to SEK 413.30 due to the redemption of the shares in Metro International S.A..

The 2005 programme was directed towards a group of 20 senior executives. The exercise price for the options allotted was set at SEK 261.70 per MTG Class B share, according to the same principle as the 2006 programme. The stock options may be exercised on or after 15 May 2008, provided that the proprietor is still employed by the Group. The exercise price for warrants was recalculated to SEK 239.30 and for the stock options to SEK 235.80 due to the redemption of the shares in Metro International S.A..

Incentive Programme 2001

An Extraordinary General Meeting 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. Options have not been granted as part of this plan since August 2002, and a total of 29,016 options were still valid by the end of the year. The exercise price for these options was SEK 294.50 per Class B share. In 2006, the price was recalculated to SEK 273.90 due to the redemption of the shares in Metro International S.A.

This Corporate Governance report has not been reviewed by the Company's Auditors.

DIRECTORS' REPORT

Modern Times Group MTG AB (MTG) is a publicly-listed company. The Group's Class A and Class B shares are listed on the Nordic Stock Exchange (Nordiska Börsen). The Company's registered office is at Skeppsbron 18, Box 2094, SE-103 13 Stockholm, Sweden. Registration No 556309-9158.

BUSINESS OVERVIEW

Strategy and Objectives

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 Board determined the following specific goals in June 2004:

- To double the size of Viasat Broadcasting in five years in revenue terms.
- For MTG to become the largest free-to-air media house in Sweden and the second largest free-to-air media house 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 & 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, in some cases, has already delivered these objectives.

Business Review

MTG's results for 2006 reflected the investments made in 2005, as the Group was able to show strong growth in its core markets and to exploit the strong position which the Group has developed in the high-growth Central and East European territories.

MTG's results for 2006 again demonstrated the Group's ability to balance strong growth with increasing underlying and reported profitability. Group sales were up 27% to over SEK 10 billion for the first time in the Group's history. Operating profits leapt by 47%.

The Group has either achieved or is well on track with the strategic objectives set out above. Viasat Broadcasting's sales have now grown by 78% in the three years since the end of 2003 and the Eastern European operations represented 22% of Viasat sales and 39% of profits in 2006. The high percentage of profits is principally due to the associated company income derived from the highly successful equity participation in CTC Media, Inc. The Group has already achieved its target of 15% in its three core businesses with full year 2006 margins of 18% for the free-to-air Scandinavian operations; 19% for pay-TV Nordic; and 17% for Central and Eastern Europe. The Group has also successfully consolidated the Swedish radio market and established itself as the clear market leader, operating 54 out of the 86 commercial radio stations in the country and covering an unrivalled 90% of the population. The Group's Swedish radio operations attracted an average of over 2 million daily listeners, representing a 64% commercial share of listening.

Viasat's Swedish free-to-air channel combination of TV3 and TV6 made further strides towards their objective by increasing their penetration levels to 78% and 75%, respectively, and reporting a combined 4% growth in sales, whilst TV3 Norway was the second most watched channel in the competitive universe (where all channels are equally distributed) of 15–49 year olds for every month of the year.

Viasat Broadcasting generated 29% growth in 2006 and improved profitability in the Nordic pay-TV and Central & East European broadcasting segments. Excluding the Group's participation in the earnings of associated companies, Viasat reported a 28% increase in operating profits and a 17% operating margin. These results also included the full consolidation of the results of TV3 Slovenia from 1 September 2006, Czech TV channel TV Prima from 1 November 2005, and BET24 from 1 April 2005.

Both the Scandinavian free-to-air and Nordic pay-TV operations benefited from increasing penetration levels as a result of the impending switch-off of analogue terrestrial network in Sweden. New channel TV6 was launched in Sweden in May 2006 and had already achieved a 10% commercial share of viewing in the target group of 15 to 49 year olds by the end of the year. The combined Scandinavian operations reported a weak second half of the year following ratings softness at TV3 Sweden and the weakness of the Norwegian and Danish Krona against the Swedish Krona reporting currency, but total operating costs only increased by 2% due in large part to the discontinuation of analogue distribution on the Viasat platform. Operating profits were therefore up 14% and the operating margin increased to 18%.

The Viasat satellite platforms in the Nordic and Baltic regions reported a combined 15% growth to 929,000 subscribers by the end of 2006, whilst the premium base increased by 25% to 817,000 subscribers.

Sales for the Nordic pay-TV business were up 21% following the addition of 123,000 new premium subscribers to the platform during the year. Annualised average revenue per premium DTH subscriber (ARPU) increased by 6%, which reflected the maturing of the subscriber base, previously implemented price rises, and the increasing proportion of Viasat+ and multi-room subscribers. This latter group increased in size by nearly ten times during the year and represented 18% of the total DTH subscriber base by the end of the year. The number of broadband TV subscribers in Sweden and Norway more than doubled during the year to 29,000 and a broadband offering was launched in Denmark at the end of the year.

Operating costs for the Nordic pay-TV business increased by 22% but total expensed subscriber acquisition costs stabilised during the year to reflect the consistently high net premium subscriber intake over the last two years. 12 third party channels were added to the platform during the year and the Group continued to invest in subscriber acquisition marketing campaigns. Operating profits were up 18% for the year and the business reported a 19% operating margin.

Viasat's free-to-air and pay-TV operations in Central and Eastern Europe reported a more than doubling of sales and a quadrupling of operating profits in 2006, which included the first full year contribution from TV Prima. The combined operating margin for the businesses, again excluding associated company income, more than doubled to 17%. The Baltic free-to-air operations reported 21% sales growth on a pan-Baltic commercial share of viewing (15–49) of 37% and operating profits were up 47% with an increased margin of 27%.

Underlying sales for TV Prima in the Czech Republic were up approximately 56% following market share gains and price rises during the year. Management continues to implement changes at the station to drive ratings and improve operating efficiency levels. TV Prima reported a 20% margin for the year.

DTV in Russia and Viasat3 in Hungary reported their first ever annual profits.

The doubling of sales in Russia reflected the agreement with leading media agency Video International, which enabled DTV to leverage its position as a national media with approximately 53% household penetration.

A new distribution agreement was also signed with leading cable operator Mostelekom in order to extend DTV's penetration in the key Moscow region.

Viasat3 reported 30% sales growth following further viewing and market share gains. The channel reported its best-ever weekly and monthly commercial share of viewing figures close to 8%.

Associated company CTC Media, Inc. in Russia continued to outperform the national advertising market with 69% sales growth for the twelve months to 30 September. Operating profits almost doubled and the Company reported an increased operating margin of 42%. MTG's reported share of earnings in CTC Media's results therefore more than doubled for the period.

The PRVA Slovenian terrestrial TV channel was acquired in August 2006. The channel was immediately rebranded as 'TV3 Slovenia' and the new programming schedule had already achieved a more than doubling in commercial share of viewing (3.5%–7.3%) by the end of the year.

Sales for the pay-TV business in Central and Eastern Europe more than doubled, and the combined Baltic satellite platform and wholesale business was profitable for the first time. Viasat added another 7 million subscriptions during the year, growing the base by 61% to 19 million subscriptions in 8 million households. The footprint was extended into Croatia and two new channels – TV1000 Balkan and Viasat Sport East – were launched at the end of the year.

MTG's radio businesses reported 48% sales growth as MTG stations continued to win viewing and market shares in the growing Swedish and Baltic markets, and consolidated the results of newly-acquired P4 Radio in Norway from 1 October 2006. The stations reported a return to profitability with a 14% margin.

Net sales for the Modern Studios content production and distribution business area declined due to the winding down of the Modern Entertainment title library in the US, the comparative effects of the high number of options sold to Strix's reality-TV formats in 2005, and the impact of weaker theatrical sales by Sonet. The increased full year operating loss reflected non-cash intangible asset write-downs in Sonet and Engine at the end of the year following the Group's regular impairment tests.

The Home Shopping business area generated 10% sales growth with leading Nordic online entertainment retailer CDON.COM increasing its market shares in all product categories and countries, and TV-Shop being adversely affected by the discontinuation of the analogue infomercials business in Germany. The business area consequently reported lower earnings for the year.

The Group's revenue mix continued to reflect the Group's diversified and balanced structure, with 42% of revenues derived from advertising sales; 37% from subscription payments; and 21% from other business-to-business and business-to-consumer sales.

The Group employed 2,312 full time employees at the end of the year, compared to 1,760 employees at the beginning of 2006. Details of the average number of employees during the year and the aggregated remuneration for the year are presented in Notes 24 and 25 to the Accounts of this report.

Significant events in 2006

In line with the Group's focus on its core broadcasting assets, MTG made a number of changes to its structure during 2006.

A new five-year SEK 3,500 million revolving multicurrency credit facility was arranged in February. The facility is unsecured and there are no required amortisations. The facility has been provided by a group of seven leading international banks – Deutsche Bank, Calyon, DnB NOR, Nordea, SEB Merchant Banking, Svenska Handelsbanken and West LB as mandated lead arrangers. Deutsche Bank has been selected to act as facility agent. The new facility replaced the previous SEK 800 million-credit facility.

In December 2005, MTG signed an option agreement to increase its shareholding in Nordic Betting Ltd. from 51% to 90%. The agreement was exercised in March for a cash consideration of EUR 8 million and a 10% shareholding in Modern Betting Ltd. MTG now owns 90% of Modern Betting Ltd, which in turn owns 100% of Nordic Betting Ltd. Nordic Betting Ltd. operates the BET24 online betting and gaming businesses. MTG has consolidated the results of Nordic Betting Ltd. since the second quarter of 2005, when the Group increased its shareholding in the Company from 20% to 51% by means of a directed new share issue.

MTG's shareholding in CTC Media, Inc. became diluted from 43.1% to 39.6% in June following the Company's successfully completed Initial Public Offering and Listing on the Nasdaq National Market. The share price has increased during 2006 from USD 14 at the time of the listing to USD 24 at year end. This corresponds to an increased market value of MTG's shareholding from SEK 6 billion to SEK 10 billion respectively. The Group's total investment in the company amount to USD 85 million.

The Company repaid its EUR 120 million convertible loan notes on 15 June, primarily from its existing cash balances. The five-year convertible debentures had an exercise price of SEK 385.97. No bonds were called for conversion by the holders of the notes.

The Group signed an agreement at the end of June 2006 to acquire 100% of the shares in Prva TV d.o.o., which company owns PRVA TV in Slovenia, for a total cash consideration of EUR 8 million. PRVA is the third largest private commercial free-to-air TV broadcaster in Slovenia. PRVA was fully consolidated with effect from 1 September.

The Board of Directors and Chief Executive Officer proposed to the 2006 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 made in Metro International shares. The distribution was completed in July and 46,569,243 Class A shares and 93,138,486 Class B share were distributed. MTG currently owns 3,538,242 Metro International Class A shares and 3,722,342 Class B shares, which is equivalent to a 1.38% economic interest and 1.34% voting interest in the Company.

The Group made a mandatory offer of NOK 30 per share for the outstanding shares of P4 Radio Hele Norge ASA in September, in accordance with Chapter 4 of the Norwegian Securities Trading Act, following the purchase of shares which increased MTG's prior holding of 39.7% of P4 Radio shares to above 40%. The Company is the number one private national radio network in Norway. P4 Radio was fully consolidated with effect from 1 October.

Consolidated Financial Results

The Group generated 27% year on year net sales growth to SEK 10,136 (8,012) 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 2005 acquired Czech TV-channel, TV Prima.

The Group reported its highest ever annual operating profit in 2006, with operating income up 47% to SEK 1,777 (1,213) million. 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 39.6% shareholding
in CTC Media in Russia.

Depreciation and amortisation charges totalled SEK 220 (146) million. Operating costs increased by 26% year on year, which reflected the consolidation of BET24 and TV Prima from April and November 2005 and PRVA and P4 from September and October in 2006, as well as increased programming investments and subscriber acquisition in the Group's broadcasting operations in Scandinavia and Central & Eastern Europe. The Group reported an operating margin of 17.5% (12%), including share of earnings in associated companies.

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

Income from associated companies amounted to SEK 458 (227) million in 2006. MTG's participations principally comprise the Group's shareholdings in CTC Media, Inc. and P4 Radio Hele Norge ASA (until September 2006).

Net interest and other financial items totalled SEK 239 (282) million, which included the non-cash gain from CTC Media Inc. IPO new share issue in 2006 and net gain of SEK 389 million from the sale of TV4 shares in the first quarter of 2005. The full year items included the SEK 27 million of interest cost on the EUR 120 million convertible loan notes, which were retired on 15 June 2006 and currency exchange rate gains of SEK 24 (–51) million arising from the translation of the Euro-denominated convertible debentures prior to their repayment.

Group pre-tax profit therefore increased to SEK 2,016 (1,495) million. Group tax charges amounted to SEK 517 (310) million. The Group consequently reported a net income after tax of SEK 1,499 (1,185) million, and Group earnings per share increased to SEK 21.57 (17.78).

The Group generated SEK 1,372 (966) million of cash flow from operations. Net cash flow from operations amounted to SEK 1,294 (981) million, which reflected a SEK –78 (16) million change in working capital. Group capital expenditure on tangible and intangible assets totalled SEK 329 (80) million, which was equivalent to less than 3% of Group sales. The Group's investment in shares totalled SEK 645 (932) million. These investments comprised P4 Radio shares, the acquisition of PRVA, a repayment of part of the TV Prima acquisition price, and the increased shareholding in BET24. The Group's return on capital employed increased to 29% (21%) in 2006.

Financial Position

The Group's available liquid funds, including the SEK 3,350 million undrawn monies on the Group's credit facility, amounted to SEK 3,996 (2,046) million at 31 December 2006 and the Group's cash and cash equivalents totalled SEK 646 (1,207) million at the end of the year.

The Group had a net cash position at the end of 2006 of SEK 430 (15) million. The convertible debenture loan, included within current liabilities, was repaid in June 2006.

The Group's total assets amounted to SEK 9,205 (9,795) billion at 31 December and the Group's equity to assets ratio, which is defined as the sum of the consolidated equity as a percentage of total assets, stood at 56% (55%).

Significant Events after the end of the year

The following significant events have taken place since 31 December 2006 and before the publication of this annual report.

The Group agreed to acquire 90% of the shares of Playahead AB on 9 January 2007 for a total estimated consideration of SEK 102 million. Playahead is an online social networking community and Sweden's second largest internet community. Playahead will be reported within Viasat Broadcasting business area with effect from the acquisition date.

The Group has also signed an agreement to acquire 50% of Balkan Media Group Limited from Apace Media plc. The Balkan Media Group comprise of six TV channels in Bulgaria, an Albanian language terrestrial TV broadcaster in Macedonia and a soon to be launched online social networking community in Bulgaria. The total consideration including the buy-out of a minority shareholder in a subsidiary amounts to EUR 12 million.

Outlook

The Group remains on track to deliver its five year strategic objectives and to maintain its balance between healthy growth and increasing profitability. The Group is well positioned to benefit from the positive structural developments in the Nordic media markets, as well as the rapid growth in the Eastern European markets. 2007 will be a year of investment, in order to capitalise on the Group's established and new market positions and generate sustained growth in the future.

The Scandinavian free-to-air assets are expected to continue to benefit from penetration gains as a result of the ongoing digitalisation of terrestrial television distribution in the region, as well as increasing market shares for the newly launched channels. MTG is also increasingly bundling its free-to-air channel offering and building its position as a pan-Scandinavian media powerhouse. Programming costs for the Scandinavian free-to-air operations are expected to increase in 2007, which reflects ongoing inflation, investments in new channels, and the focus on improving ratings and commercial share of viewing.

The Nordic pay-TV business also benefits from the ongoing digitalisation process, and has established itself as the market leading provider of premium content. The maturing of the premium subscriber base, the increasing proportion of higher ARPU Viasat+/multi-room subscriptions, price rises and lower churn are all contributing to underlying margin expansion. However, MTG has also committed to invest additional money in 2007 in new technologies (HDTV, VOD), the enhancement of the in-house and third party channel offering, and Viasat channel programming.

The Group has increased its exposure to the high growth economies in Eastern Europe through the acquisition of assets in Slovenia and the Balkans, as well as the further expansion of the Eastern European pay-TV footprint and channel offering. Advertising spend per capita and pay-TV penetration and pricing in Eastern Europe remain low by comparison with Western European markets, and MTG is committed to increasing its viewing and market shares in these dynamic markets through the further development of the Baltic, Russian, Czech and Hungarian operations.

Finally, the increasing focus on the development of the Group's online assets (CDON.COM, BET24, Viasat channel sites and newly acquired Playahead social networking community) and the consolidation of the Swedish and Norwegian commercial radio markets, are both expected to further exploit MTG's potential.

The Group is even more strongly positioned than a year ago, with improved cash flow management and greater financial fire power.

The proposed payment of the first cash dividend in MTG's history and announcement that the Board will seek authorisation for a buy back of up to 10% of the Group's shares, are balanced by the retention of sufficient flexibility to make further acquisitions in both the Scandinavian and Eastern European markets.

RISKS AND UNCERTAINTIES

The below describes the major risk factors affecting the Group's business operations. These risks could materially affect any or all of our business, financial conditions, liquidity or results of the operations.

Our business is affected by governmental rules and regulations

Changes in regulations, interpretations or failure to obtain approvals or licences could adversely affect our ability to operate as well as the results of operations.

We are subject to extensive regulations in all markets into which the Company has entered or intends to enter. This includes broadcasting, timing and content of commercial advertising, competition (anti-trust), gambling and taxation laws and regulations.

Authorities may introduce additional or new regulations applicable to our business operations. Changes in regulations to licensing, access requirements, programming transmissions, consumer protection, commercial advertising, taxation or other aspects of our business operations or those of our competitors could have a material adverse effect on our business and the results of our operations.

We operate in a highly competitive environment subject to rapid changes.

Competition arises from a broad range of companies offering communication and entertainment services, including cable television operators, digital and analogue terrestrial television suppliers, internet services, betting and gaming companies and providers of interactive services. The means of delivering various services may be subject to rapid technological change. Our competitors' positions may be strengthened by an increase in their capacities or development.

Our ability to compete successfully will depend on our ability to continue to acquire and produce programming content and package content which is attractive to our subscribers.

The future demand and speed of take up of our DTH services, our IPTV broadband services and Viasat+ Personal Video Recorder (PVR) will depend on our ability to offer them to our customers at competitive prices, competing services, and our ability to create demand for our products and to attract and retain customers through a wide range of marketing activities. Viewers with PVR digital boxes or viewers of on-demand programming may choose not to view advertising including that on Viasat Broadcasting channels.

We are expanding into new territories

The Group has successfully expanded into new territories in Central and Eastern Europe, and significantly increased its exposure to such markets in recent years. This expansion is expected to continue through both the organic development of existing operations – programming and distribution investments and new channel launches – as well as through the acquisition of broadcasting companies and licences.

MTG is therefore increasingly exposed to higher growth but less mature local markets in Eastern Europe. The political, economic, regulatory, legal and tax systems in some of these countries are still developing, as are the prevailing governance, reporting and disclosure standards, and broader business practices. Public policy could therefore change significantly or be applied inconsistently, especially in the event of a change of government. Some of these markets therefore present different risks from those associated with investments in Western Europe. These risks include potential social or economic instability; the application of political pressure on legal, tax or regulatory affairs; and restrictions on foreign ownership of, or involvement in, media assets.

We are affected by the legislation in the European Union – the Television Without Frontiers Directive

The EC Television Without Frontiers Directive (TWF) of 1989 as amended in 1997 sets forth basic principles for the regulation of television broadcasting activity within the European Union and therefore has an effect on almost all our broadcasting activities. The Directive is currently under revision and will be amended and become the Audiovisual Media Services Directive (AMS). In March 2007, after the first plenary vote of the EU Parliament and the Council of Minister's recommendation for change at the end of 2006, the Commission published its redrafted proposal for the revision of the Directive. During 2007, the Council of Ministers, European Parliament and European Commission will carry out further work on this text. It is expected that in the second half of 2007, the final text will be adopted.

A principal issue is the scope of the Directive, which currently only applies to traditional broadcasting, but will in future include new methods of audiovisual content delivery such as on demand services which will have to comply with minimum standards including protection of minors and human dignity and advertising. There may be some changes to the provisions relating to the principles which establish that a broadcaster should be regulated by the laws of the country in which it is established. Proposals have been made whereby member states would be able to apply some of their stricter public policy rules on broadcasts coming from other member states where they can satisfy the Commission that they are doing so to prevent abuse or fraudulent conduct. Changes have also been proposed to liberalise advertising break patterns. Product placement may be introduced subject to limitations about clarity to the viewers and editorial independence. The AMS Directive is unlikely to come into effect in Members States during 2007, and could favorably or adversely affect our business operations.

We have limited control of our associated companies and the success of our investments also depends on the actions of our co-owners

We conduct some of our business through associated companies in which we do not have decisive interest, such as CTC Media, Inc. in Russia, and as a result, we have limited influence over the conduct of these businesses. The risk of actions outside our or our associated company's control or adverse to our interest is inherent in associated entities.

Our business is reliant on technology, which is subject to the risk of failure, change and development

We are reliant on encrypted broadcasting and other technologies to restrict unauthorised access to our services. Unauthorised viewing and use of content may be accomplished by counterfeiting the smart cards or otherwise overcoming their security features.

We are dependent upon satellites which are subject to significant risks, which may prevent distribution of our television signals and could have an adverse effect on our business.

We are reliant on third party cable network operators to distribute a large part of our programming.

Any failure of our technologies, network or other operational systems or hardware or software which results in significant interruptions to our operations could have an adverse material effect on our business.

We depend on recruiting and retaining skilled personnel.

To remain competitive and be able to implement our strategies, we depend on being able to recruit and retain skilled personnel. The extent to which this is possible, is among other things, due to our ability to offer competitive remuneration packages. Failure to do so may adversely affect our competitiveness and the development of our operations.

We are reliant upon key suppliers for the provision of important equipment and services

We are reliant on consistent and efficient suppliers. Any failure to meet requirements, delays in deliveries or lack of quality may impact our ability to deliver our products and services.

FINANCIAL INSTRUMENTS AND RISK POLICIES

Financial policy

The Group's financial risk management is centralised to the parent company to capitalise on economies of scale and synergy effects in the financial sector and to minimise operational risks. The Group's financial policy is established by the Board of Directors and constitutes framework of guidelines and rules for financial risk management and financial activities in general. Policy is subject to a yearly review. The Group's financial risks are continuously reviewed and followed up to ensure compliance with the financial policy.

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, EUR and CHF are hedged through forward exchange agreements on a rolling twelve months basis. Other transaction exposure is not hedged. The exposure is described in Note 22.

Translation exposure arises from the conversion of the Group's subsidiaries earnings and balance sheet 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. 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.

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

Insurable risks
The insurance cover is governed by corporate guidelines, and centrally negotiated insurance policies cover the majority of its subsidiaries. In certain cases, local insurance policies have been put in place. Each business unit is responsible for assessing and managing the insurable risks associated with its day-to-day operations.

EMPLOYEES
An organisation's ability to create and adapt to change in its environment and to capitalise on these opportunities is what defines it. The speed and efficiency with which this is accomplished is what determines success. The employees are the most important factor in achieving goals and objectives. The Code of Conduct, our mission statement and our twelve key rules have been presented and communicated to employees by local management in each of the countries in which we operate. Internal surveys have been put in place to measure the extent to which the employees embrace the policies, their view of management and the Company, and how well they are and could be implemented. The most essential policies comprise:

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

BUSINESS ETHICS
In line with our values and corporate social responsibility in conducting business, we have the following principles and guidelines:

- We act with honesty and integrity
- We are committed to free and open competition
- We comply with laws and regulations and the corporate policies
- We comply with all competition and anti-trust laws
- We do not participate in party politics or make political contributions

- We do not allow bribes or other unlawful payments.

Since MTG operates mainly in the service sector, the adverse environmental impacts of many of our operations are limited.

However, the Company's policies work with preventing environmental exploitation from two perspectives:

- By minimising the adverse impact of our operations through the adoption of best practice in environmental management
- By working with environmental organisations (such as Naturfredningsforening, Dyrenes Beskyttelse and Miljøstyrelsen) to produce environmental programmes for our channels.

PARENT COMPANY

The parent company reported net sales of SEK 89 (108) million, principally relating to charges to Group companies. Net interest and other financial items totalled SEK 360 (–34) million and the parent company's pre-tax profit therefore amounted to SEK 214 (–153) million. MTG's financial policy includes the provision of a central cash pool to support operating companies. Parent company capital expenditure totalled SEK 0 (0) million in 2006.

Environmental Impact

The Company does not own or operate any businesses in Sweden which are subject to an obligation to report or require compulsory licensing.

Proposed Appropriation of Earnings

The following funds are at the disposal of the Shareholders as at 31 December 2006:

Retained earnings	2,145,386,247
Net profit for 2006	131,635,897
Total	**2,277,022,144**

The Board of Directors and Chief Executive Officer propose that a dividend of SEK 7.50 per share to all holders of MTG be paid, a maximum of SEK 503,036,550, and that the remaining retained earnings be carried forward into the accounts for 2007. The Board of Directors and Chief Executive Officer will also propose that the Annual General Meeting authorises the Board of Directors to resolve to buy back up to 10% of the Group's issued and outstanding share capital on one or more occasions for the period up until the Annual General Meeting in 2008.

THE MTG SHARE

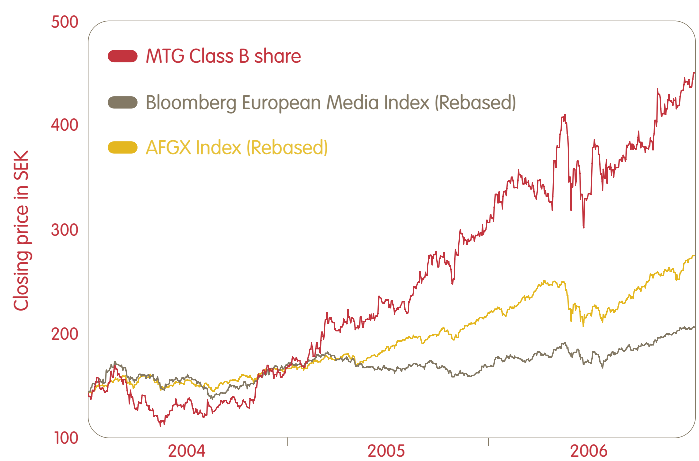
The origin of the Modern Times Group was the launch of the first commercial television channel in Scandinavia – TV3 – by the media arm of investment company Industriförvaltnings AB Kinnevik on New Year's Eve 1987. Kinnevik's Annual General Meeting in May 1997 then approved the demerger of MTG by means of the distribution of MTG shares as a dividend to Kinnevik shareholders. MTG's shares were subsequently listed on the Stockholmsbörsen'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 were quoted on the Stockholmsbörsen O-list in May 1999 and are now listed solely on the Nordic Stock Exchange Large Cap list under the symbols 'MTGA' and 'MTGB'.

The chart at the bottom of this page shows the development of the price of the MTG Class B share since the beginning of 2004. MTG's market capitalisation, as at the close of trading on the Nordic Stock Exchange on the last business day of 2006 was SEK 30 billion.

The Board of Directors and Chief Executive Officer will propose to the Annual General Meeting of shareholders that a dividend payment of SEK 7.50 per share be paid to all holders of MTG class A and B shares. The total proposed dividend payment would therefore amount to a maximum of SEK 503 million, based on the maximum potential number of issued and outstanding ordinary shares. The Board of Directors and Chief Executive Officer will also propose that the Annual General Meeting of shareholders authorises the Board of Directors to resolve to buy back up to 10% of the Group's issued and outstanding share capital, on one or more occasions for the period up until the Annual General Meeting 2008.

If all options granted to senior executives and key employees as at 31 December 2006 were exercised, the issued share capital of the Company would increase by 750,384 Class B shares and be equivalent to a dilution of 1.1% of the issued and outstanding capital and 0.4% of the related voting rights at the end of 2006. The 29,016 of options granted in 2001 outstanding at year-end have a strike price of SEK 273.90 and are exercisable until May 2007. The 396,999 outstanding options from the 2005 programme have a strike price of SEK 235.80 for the stock options and SEK 239.30 for the warrants, and are exercisable from 2008. The remaining 324,369 outstanding options from the 2006 programme have an exercise price of SEK 413.30 for the stock options and SEK 417.70 for the warrants, and are exercisable from 2009.

MTG Class B share price performance on the Nordic Stock Exchange



As at 31 December 2006	Total	Class A shares	Class B shares	Capital	Votes
Investment AB Kinnevik	9,935,011	9,821,336	113,675	14.8%	47.5%
Fidelity	6,397,477	0	6,397,477	9.5%	3.1%
Emesco Group	3,328,845	3,328,845	0	5.0%	16.1%
State Street Bank	2,928,903	0	2,928,903	4.4%	1.4%
Swedbank Robur Fonder	2,896,504	0	2,896,504	4.3%	1.4%
JP Morgan Chase Bank	2,567,205	0	2,567,205	3.8%	1.2%
Investors Bank and Trust Company	1,709,560	0	1,709,560	2.5%	0.8%
The Northern Trust Company	1,689,288	0	1,689,288	2.5%	0.8%
SEB	1,658,835	0	1,658,835	2.5%	0.8%
Stenbeck, Jan Hugo (estate)	1,526,000	1,526,000	0	2.3%	7.4%
State of New Jersey Pension Fund	1,404,150	0	1,404,150	2.1%	0.7%
Mellon Financial	1,080,873	200	1,080,673	1.6%	0.5%
4th AP Fund	1,055,200	0	1,055,200	1.6%	0.5%
Nordea	1,043,679	0	1,043,679	1.6%	0.5%
Pictet & CIE	902,887	0	902,887	1.4%	0.4%
Handelsbanken	856,626	0	856,626	1.3%	0.4%
2nd AP Fund	745,684	0	745,684	1.1%	0.4%
Folksam	712,301	0	712,301	1.1%	0.3%
AMF Pension	650,000	0	650,000	1.0%	0.3%
Skandia Liv	616,581	92,950	523,631	0.9%	0.7%
Other	**23,338,715**	**776,290**	**22,562,425**	**34.8%**	**14.7%**
Total	**67,042,524**	**15,545,621**	**51,496,903**	**100.0%**	**100.0%**

Source: VPC

CONSOLIDATED INCOME STATEMENT

(SEK million)	Note	2006	2005
Net Sales	3	**10,136.5**	8,011.9
Cost of goods and services		**–5,907.9**	–4,796.7
Gross income		**4,228.6**	3,215.2
Selling expenses		**–1,205.6**	–903.8
Administrative expenses		**–1,637.7**	–1,290.4
Other operating income		**9.5**	19.4
Other operating expenses	5, 6	**–75.8**	–54.2
Share of earnings in associated companies	7	**458.4**	227.1
Operating income	3, 4, 5, 6, 7, 10, 11, 13, 23, 25, 26	**1,777.5**	1,213.2
Dividends from shares		**0.0**	0.0
Gain from sales of securities	8	**2.5**	383.9
Non-cash gain from CTC Media Inc. IPO new share issue	8	**241.2**	–
Interest income and other financial income	8	**58.9**	29.8
Interest expense and other financial costs	8	**–64.0**	–131.4
Income before tax		**2,016.2**	1,495.5
Current tax expenses	9	**–425.3**	–215.4
Deferred tax expenses	9	**–92.1**	–94.9
Net income for the year		**1,498.7**	1,185.2
Attributable to:			
Equity holders of the parent		**1,436.6**	1,180.3
Minority interests		**62.1**	4.9
Net income for the year		**1,498.7**	1,185.2
Denominator for basic earnings per share	17	**66,591,869**	66,375,156
Denominator for diluted earnings per share	17	**66,994,844**	66,375,156
Basic earnings per share (SEK)	17	**21.57**	17.78
Diluted earnings per share (SEK)	17	**20.55**	17.78
Proposed cash dividend (SEK)		**7.50**	–

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER

(SEK million)	Note	2006	2005
Assets			
Non-current assets			
Intangible assets	10		
Capitalised expenditure		**29.1**	35.7
Patents and trademarks		**494.0**	184.3
Beneficial rights and licenses		**351.7**	170.3
Goodwill		**2,234.6**	1,814.1
		3,109.3	2,204.4
Tangible assets	11		
Machinery and other technical plant		**26.9**	42.4
Equipment, tools and installations		**129.4**	91.1
		156.4	133.5
Long-term financial assets			
Shares in associated companies	7, 12	**1,458.2**	1,013.7
Receivables, associated companies		**30.7**	32.7
Shares and participation in other companies	12	**66.4**	1,940.2
Deferred tax asset	9	**50.8**	147.7
Other long-term receivables		**19.5**	9.0
		1,625.6	3,143.2
Total non-current assets		**4,891.3**	5,481.0
Current assets			
Inventories			
Products in progress		**0.8**	0.7
Finished goods and merchandise		**178.1**	126.7
Programme rights		**1,171.2**	1,011.4
Advances to suppliers		**12.4**	12.2
		1,362.5	1,151.0
Current receivables			
Accounts receivable	14	**1,057.1**	888.3
Accounts receivables, associated companies		**5.4**	–
Tax receivables		**35.7**	43.5
Other current receivables		**119.7**	155.9
Prepaid expenses and accrued income	15	**1,087.1**	868.3
		2,305.0	1,956.0
Cash and cash equivalents	16, 22		
Short-term investments		**0.1**	18.7
Cash and bank		**646.1**	1,188.7
		646.3	1,207.5
Total current assets		**4,313.8**	4,314.5
Total assets		**9,205.1**	9,795.5

(SEK million)	Note	2006	2005
Shareholders' equity attributable to the parent company	18		
Share capital		**335.2**	331.9
Other paid in capital		**1,529.5**	1,340.2
Reserves		**−61.7**	1,240.3
Retained earnings including net income for the year		**3,181.1**	2,341.4
		4,984.2	5,253.8
Minority interests		**120.7**	52.5
Total equity		**5,104.9**	5,306.3
Non-current liabilities	22		
Interest-bearing			
Other liabilities		**25.8**	41.4
		25.8	41.4
Non-interest bearing			
Non-interest bearing liabilities		**0.9**	30.2
Deferred tax liability	9	**123.0**	52.8
Other provisions	19	**154.9**	124.4
		278.7	207.4
Total non-current liabilities		**304.6**	248.7
Current liabilities	22		
Interest-bearing			
Liabilities to financial institutions		**239.0**	67.7
Convertible debenture loan 2001/2006		**–**	1,124.6
		239.0	1,192.4
Non-interest-bearing			
Advances from customers		**62.7**	53.0
Accounts payable		**995.3**	790.6
Tax liability		**228.2**	110.9
Other liabilities		**314.0**	393.7
Accrued expenses and prepaid income	20	**1,956.5**	1,699.9
		3,556.7	3,048.1
Total current liabilities		**3,795.7**	4,240.5
Total liabilities		**4,100.3**	4,489.2
Total shareholders' equity and liabilities		**9,205.1**	9,795.5

For information about pledged assets and contingent liabilities, see note 21.

CHANGES IN SHAREHOLDERS' EQUITY GROUP

	Equity attributable to the equity holders of the parent company									
(SEK million)	Share capital	Paid in capital	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Retained earnings incl net income for the year	Total	Minority interests	Total equity
Balance as of 1 January, 2005	331.9	1,340.2	–85.5	–	–	–	1,197.4	2,784.0	1.4	2,785.5
Change in accounting principles (IAS39)					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**
Change in accounting of associated company CTC Media, Inc.							–45.6	–45.6		–45.6
Change in translation differences			12.1					12.1		12.1
Changes in minority interests								–	46.2	46.2
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
Net income recognised directly in equity			**12.1**	**7.5**	**–565.8**	**–**	**–45.6**	**–591.9**	**46.2**	**–545.7**
Net income for the year 2005							1,180.3	1,180.3	4.9	1,185.2
Total recognised income and expense for the period			**12.1**	**7.5**	**–565.8**	**–**	**1,134.7**	**588.5**	**51.1**	**639.5**
Effect of employee share option programs							9.3	9.3		9.3
Balance as of 31 December 2005	**331.9**	**1,340.2**	**–73.4**	**7.5**	**1,306.2**	**–**	**2,341.4**	**5,253.8**	**52.5**	**5,306.3**
Change in translation differences			6.8					6.8		6.8
Changes in minority interests								–	6.1	6.1
Revaluation of trademark in relation to successive share purchase						–12.3		–12.3		–12.3
Revaluation of shares at market value					–379.1			–379.1		–379.1
Cash flow hedge				–25.6				–25.6		–25.6
Net income recognised directly in equity			**6.8**	**–25.6**	**–379.1**	**–12.3**	**–**	**–410.2**	**6.1**	**–404.1**
Net income for the year 2006							1,436.6	1,436.6	62.1	1,498.7
Total recognised income and expense for the period			**6.8**	**–25.6**	**–379.1**	**–12.3**	**1,436.6**	**1,026.4**	**68.2**	**1,094.6**
Effect of employee share option programs		6.8					6.1	12.9		12.9
Employee options exercised	3.3	182.6						185.9		185.9
Distribution of Metro International S.A. shares					–891,8		–603.0	–1,494.8		–1,494.8
Balance as of 31 December 2006	**335.2**	**1,529.5**	**–66.6**	**–18.1**	**35.3**	**–12.3**	**3,181.1**	**4,984.2**	**120.7**	**5,104.9**

CONSOLIDATED CASH FLOW STATEMENTS

(SEK million)	Note	2006	2005
Cash flow from operations			
Net income for the year		**1,498.7**	1,185.2
Adjustments to reconcile net income/loss to net cash provided by operations	27	**–127.0**	–219.6
		1,371.7	965.6
Changes in working capital			
Increase (–)/decrease (+) Inventories		**–195.4**	130.1
Increase (–)/decrease (+) Other current receivables		**–301.5**	–352.6
Increase (+)/decrease (–) Accounts payable		**166.9**	89.8
Increase (+)/decrease (–) Other current liabilities		**251.8**	148.5
Net cash flow from operations		**1,293.4**	981.4
Investment activities			
Investment in tangible and intangible assets		**–328.5**	–80.0
Acquisitions of shares in subsidiaries and associated companies	4	**–644.5**	–932.1
Proceeds from sales of beneficial rights		**–**	21.7
Proceeds from sales of shares in subsidiaries and other companies		**21.0**	513.4
Other cash flow from investing activities		**2.0**	–
Cash flow to investing activities		**–950.0**	–477.0
Financing activities			
Change in receivables from associated companies		**4.7**	12.6
Change in other long-term receivables		**–12.2**	0.1
Raise of loan		**750.0**	27.2
Loan amortisations		**–1,675.3**	–
Change in other interest-bearing liabilities		**–100.0**	31.6
Change in non-interest-bearing liabilities		**–29.4**	–22.3
Paid in capital for employee share option programs		**185.9**	5.7
Cash flow from financing activities		**–876.3**	54.8
Net change in cash and cash equivalents		**–532.9**	559.2
Cash and cash equivalents at beginning of year		**1,207.5**	574.3
Translation differences in cash and cash equivalents		**–28.4**	74.1
Cash and cash equivalents at end of year		**646.3**	1,207.5

PARENT COMPANY INCOME STATEMENT

(SEK million)	Note	2006	2005
Net Sales		**89.4**	108.3
Gross Income		**89.4**	108.3
Administrative expenses		**–235.6**	–226.9
Operating loss	10, 11, 23, 25, 26	**–146.2**	–118.6
Gain from financial assets		**0.0**	0.0
Interest income and other financial income	8	**473.8**	223.4
Interest expense and other financial costs	8	**–113.4**	–257.5
Income/loss before tax		**214.2**	–152.7
Tax expenses	9	**–82.7**	–9.0
Net income/loss for the year		**131.6**	–161.7

PARENT COMPANY BALANCE SHEET

AS AT 31 DECEMBER

(SEK million)	Note	2006	2005
Assets			
Non-current assets			
Intangible assets	10		
Capitalised expenditure		**2.0**	7.3
		2.0	7.3
Tangible assets	11		
Equipment, tools and installations		**0.0**	0.0
		0.0	0.0
Long-term financial assets			
Shares and participations in Group companies	12	**400.4**	136.4
Receivable from Group companies	29	**1,811.1**	1,699.5
Shares and participations in other companies	12	**66.4**	634.0
Deferred tax asset	9	**–**	100.9
		2,277.9	2,570.8
Total non-current assets		**2,279.9**	2,578.2
Current assets			
Current receivables			
Accounts receivable	14	**1.3**	0.2
Receivable from Group companies		**3,043.6**	3,170.1
Other receivables		**2.5**	0.7
Prepaid expenses and accrued income	15	**16.4**	11.9
		3,063.7	3,182.9
Cash and cash equivalents	16, 22	**2.5**	316.4
		2.5	316.4
Total current assets		**3,066.3**	3,499.4
Total assets		**5,346.2**	6,077.5

PARENT COMPANY BALANCE SHEET

AS AT 31 DECEMBER

(SEK million)	Note	2006	2005
Shareholders' equity	18		
Restricted equity			
Share capital		**335.2**	331.9
Legal reserve		**1,522.8**	1,340.2
		1,858.0	1,672.1
Non-restricted equity			
Fair value reserve		**35.3**	–
Retained earnings/losses including net result for the year		**2,110.1**	2,730.3
Net Income/loss for the year		**131.6**	–161.7
Total shareholders' equity		**4,135.0**	4,240.7
Non-current liabilities			
Interest-bearing			
Liabilities to Group companies		**–**	0.7
		–	0.7
Provisions	19	**10.6**	–
Total non-current liabilities		**10.6**	0.7
Current liabilities			
Interest-bearing			
Convertible debenture loan 2001/2006	22	**–**	1,131.6
Other liabilities to financial institutions	22	**250.0**	–
		250.0	1,131.6
Non-interest-bearing			
Accounts payable		**11.8**	8.5
Liabilities to Group companies		**873.4**	638.3
Tax payables		**36.7**	0.4
Other liabilities		**11.0**	2.6
Accrued expenses and prepaid income	20	**17.8**	54.8
		950.6	704.6
Total current liabilities		**1,211.2**	1,836.2
Total shareholders' equity and liabilities		**5,346.2**	6,077.5
Pledged assets		**None**	None
Contingent liabilities	21	**328.7**	280.3

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY GROUP

(SEK million)	Restricted equity			Non-restricted equity		
	Share capital	Premium reserve	Legal reserve	Fair value reserve	Retained earnings	Total
Balance as of 1 January, 2005	331.9	1,332.5	7.7	–	2,506.0	4,178.1
Group/Shareholders' contributions					224.3	224.3
Net income recognised directly in equity	**331.9**	**1,332.5**	**7.7**	**–**	**2,730.3**	**4,402.4**
Net income of the year 2005					–161.7	–161.7
Transfer between premium and legal reserves		–1,332.5	1,332.5			–
Balance as of 31 December, 2005	**331.9**	**–**	**1,340.2**	**–**	**2,568.6**	**4,240.7**
Change in accounting principles (IAS39)				35.3		35.3
Group/Shareholders' contributions					140.3	140.3
Net income recognised directly in equity				**35.3**	**140.3**	**175.6**
Net Income of the year 2006					131.6	131.6
Total recognised income and expense for the period				**35.3**	**271.8**	**307.2**
Effect of employee share option programs	3.3		182.6		4.2	190.1
Distribution of Metro International S.A. shares					–603.0	–603.0
Balance as of 31 December, 2006	**335.2**	**–**	**1,522.8**	**35.3**	**2,241.6**	**4,135.0**

PARENT COMPANY CASH FLOW STATEMENT

(SEK million)	2006	2005
Cash flow from operations		
Net income for the year	**131.6**	–161.7
Adjustments to reconcile net income/loss to net cash provided by operations		
Depreciation	**8.0**	5.1
Change in deferred expenses	**61.2**	9.0
Unrealised exchange difference	**–58.8**	50.8
	142.0	–96.8
Changes in working capital		
Increase (–)/decrease (+) Short-term receivables	**–7.3**	21.5
Increase (+)/decrease (–) Accounts payable	**3.3**	1.1
Increase (+)/decrease (–) Other liabilities	**7.7**	–0.1
Net cash flow from operations	**145.6**	–74.2
Investment activities		
Investment in intangible assets	**–2.7**	–
Investment in shares in subsidiaries	**–264.1**	–
Proceeds from intercompany sales of shares in associated companies	**–**	202.8
Cash flow to investing activities	**–266.7**	202.8
Financing activities		
Receivables/liabilities from Group companies	**478.9**	117.3
Paid in capital for employee share option programs	**185.9**	–
Raise of loan	**750.0**	–
Loan amortisation	**–1,607.6**	–
Cash flow from financing activities	**–192.8**	117.3
Net change in cash and cash equivalents	**–313.9**	245.9
Cash and cash equivalents at beginning of year	**316.4**	70.5
Cash and cash equivalents at end of year	**2.5**	316.4

NOTES

Figures in SEK million unless other 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 2006 comprise the Company and its subsidiaries and associated companies.

The financial statements were authorised for issue by the Directors on 5 March 2007. The consolidated income statement and balance sheet, and the income statement and the balance sheet of the Parent Company will be presented for adoption by the Annual General Meeting on 9 May, 2007.

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 RR30:05 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.

The consolidated financial statements 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 accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated below.

CHANGE IN AND NEW ACCOUNTING STANDARDS

The following new Accounting standard will be applied from 1 January 2007 and have an effect on the Group's financial reports from that date:

IFRS 7	Financial instruments; Disclosures
IFRIC 8	Scope of IFRS 2
IFRIC 10	Interim financial reporting and impairment

The new standards require additional disclosures, but have no effect on the result and financial position.

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 exercises decisive influence, are consolidated as subsidiaries. The holdings in the 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.

Functional currency and presentation currency

The functional currency of the parent company is SEK. This is also the presentation currency for the Group and the parent company.

Financial statements of foreign operations

The balance sheets of the Group's foreign subsidiaries are translated into Swedish krona (SEK). The translation is based on the exchange rates ruling at the balance sheet date, while the income statements are translated using an average rate for the period. The resulting translation differences are charged directly to shareholders' equity.

Transactions eliminated on consolidation

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

Minority interests

In subsidiaries not wholly owned, the share of equity owned by other than the parent company's 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. The minority interest is reported in total equity.

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%, and the holdings are considered to be long-term. This applies to among other CTC Media Inc. (39.6%). The Group's share of earnings in associated companies' pre-tax profits or losses are reported under Profit/loss on shares and participations in associated companies in operating income. The operations of the associated companies are related to Broadcasting and MTG Radio. The share of associated companies' tax expense is reported among the Group's tax expenses. 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 recognised at the time the service is performed. Accordingly, the Group reports revenue from:

- TV and radio advertising at the time of broadcast
- Subscription fees for pay TV over the subscription period
- Cable revenues as the services are provided to the cable wholesalers, based on the number of subscribers taking the MTG channels, as reported by the cable companies
- Sale of goods in accordance with the terms of sales, i.e. when the goods have been transferred to the shipping agent. 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 beginning 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.

NOTE 1

ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 monetary receivables and liabilities that are denominated in foreign currencies are translated into Swedish krona using exchange rates prevailing on the closing date. Realised and unrealised gains/losses on foreign exchange (exchange rate differences) are reported in the income statements. Exchange rate differences attributable to operating receivables and liabilities are reported in operating profit/loss, while differences attributable to financial assets or liabilities denominated in foreign currencies are reported under financial items. Exchange rate differences on financial loans within the Group are reported directly to equity.

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

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

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

Goodwill is recognised as an asset and reviewed for impairment test at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Goodwill arising from acquisitions of associated companies is included in the reported value of shares in associated companies. Impairment tests are made on the total assets.

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, broadcasting licenses and patents and trademarks, are stated at cost less accumulated amortisation and impairment losses. Trademarks forming part of a purchase price allocation are normally judged to have indefinite lives.

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

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

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

FINANCIAL INSTRUMENTS
General
Financial assets and liabilities include liquid funds, securities, derivative instruments, other financial receivables, accounts receivables, accounts payable, leasing undertakings and loan liabilities.

Financial assets available-for-sale
The Group's holdings in listed shares available-for-sale are valued at market price based on bid price as per the balance sheet day 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.

Other liabilities
Other liabilities are stated at cost and include accounts payable, leasing undertakings and other liabilities.

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

Derivative instruments
The Group uses forward contracts to hedge its exposure to foreign exchange arising from operational activities. Contracted programme acquisition outflows in USD, EUR and CHF 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 recognised initially at cost and revalued at fair value thereafter. The effective part of the gain or loss in the cash flow hedge revaluation is recognised 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 recognised immediately in the income statements.

NOTES

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 realisable value, whichever is lower. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

A significant portion of the amount reported as inventory by the Group refers to the TV channels' catalogue of programme rights. Programme rights are reported as inventory when the license period has begun, the programme itself is available for its first broadcast, the cost of the programme is known, and the programme content has been approved by the TV channel. Programme rights invoiced but where the license period has not started and the programme cannot be judged as inventory 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 23. Programme rights are normally acquired for a specific number of runs, which can be played out during a determined license period in certain territories. The programme rights are costed per run according to how revenue is expected to accrue.

PREPAID SUBSCRIBER ACQUISITION COSTS

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

CORPORATE INCOME TAX

Tax expenses reported includes current 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 recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably calculated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the 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 Norway and in one Swedish company. Independent actuaries calculate the sise 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.

The 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 amounts relating to the defined-benefit pension 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. Information about the 2001 programme are disclosed in the note.

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 vale is measured by use of the Black & Scholes' model, taking into consideration the terms and conditions of the allotted financial instruments.

PARENT COMPANY

The parent company has prepared the Annual Report according to the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council recommendation RR32:05 Accounting for Legal Entities. RR32:05 involves application of all IFRSs and interpretations endorsed by the European Commission, except where the possibility to apply IFRS is restricted by the Swedish Annual Accounts Act and due to tax rules. The principles applied by the company have not been changed during 2006 or 2005 with the exception of financial assets available-for-sale, which is recognised at fair value. IAS 39 Financial instruments: Recognition and measurement has been applied from 1 January 2006.

The company has 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 fair value from 1 January 2006.

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 minimising 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.

NOTES

NOTE 2

ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRSs requires 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates are reviewed by the Audit Committee.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Note 4 and 10 contains information of the assumptions and their risk factors relating to goodwill impairment. In note 22 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.

Deferred tax

Deferred taxes are recognised for temporary differences as well as for unutilised tax loss carry-forwards. A deferred tax asset is calculated as a tax value of the loss carry-forward in all countries where it is judged likely that the Group will be able to apply its losses carry-forward to a taxable surplus. As a consequence, deferred tax receivable is not reported in some countries. If actual results differ from these estimates or management adjusts these estimates in future, changes in the valuation may materially impact the income for the period as well as the financial position.

Depreciation and amortisation beneficial rights and programme inventory

Depreciation and amortisation of beneficial rights and programme inventory are calculated in accordance with the estimated revenue period. A higher proportion of the costs are expensed in the beginning of the revenue period than the following years. The estimated revenue periods could change, and, as a result of this, affect the income for the period and the financial position.

Tangible assets, goodwill and other intangible assets

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

At the balance sheet date, the Group reviews the carrying amounts to determine whether there is any indication that the assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is estimated by management through calculated future cash flows. Although management believes that the estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the valuations.

Goodwill is subject to impairment tests yearly or when triggered by events. The impairment review requires management to determine the fair value of the cash generating units on the basis of cash flow projections and internal forecasts and business plans.

Provisions and contingent liabilities

Liabilities are recognised when a present obligation exists as a result of a past event, it is probable that economic benefits will be transferred, and reliable estimates can be made of the amount of this obligation. In such a case, a provision is calculated and recognised in the balance sheet. A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group's control, or when it is not possible to calculate the amount. Realisation of any contingent liabilities not currently recognised or disclosed could have a material impact on the Group's financial position.

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

CRITICAL ACCOUNTING JUDGEMENTS AND CHOICES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

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 affect the net income, due to the rules applied for hedge accounting according to IAS 39.

Prima

The Group holds 50% of the shares in the Prima Group. The Group exercises a decisive influence in Prima Group through agreements and consequently consolidates the Prima Group as subsidiaries. A minority interest is calculated.

NOTE 3

BUSINESS SEGMENTS (SEK MILLION)

The business is primarily divided into four business segments. Viasat Broadcasting is a commercial free-TV and pay-TV broadcaster in the Nordic countries and in the 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, Norway, Estonia, Latvia and Lithuania, and owns equity stakes in a Finnish national commercial radio network. Home Shopping operates in TV home shopping in Europe and internet retailing in the Nordic countries. Modern Studios produces and distributes films, television programs and produce and manage events mainly in Scandinavia. The group also publishes books and customer magazines.

The stated figures for 2006 and 2005 are based on the same operational structure.

Internal sales is revenues between business areas, primarily sales from the Modern Studios business areas to the Viasat Broadcasting business area. Such sales are made at market prices.

2006	Free-to-air Scandinavia	Pay-TV Nordic	Central & Eastern Europe	Others	Viasat Broadcasting	MTG Radio	Home Shopping	Modern Studios	Parent company and other companies	Eliminations	Total
Revenue from external customers:											
Advertising	2,221.5	27.1	1,491.6	60.9	3,801.0	403.2	4.7				**4,209.0**
Subscription fees	588.0	2,928.0	221.7		3,737.7						**3,737.7**
Consumer goods			34.0	423.4	457.4		1,036.7	0.5	0.0		**1,494.5**
Services, production and other	77.3	93.1	78.6	32.8	281.8	24.9	44.3	341.9	2.4		**695.2**
Total revenue from external customers	**2,886.8**	**3,048.1**	**1,825.9**	**517.1**	**8,277.9**	**428.1**	**1,085.7**	**342.4**	**2.5**		**10,136.5**
Internal sales	151.1	135.2	14.8	–287.7	13.5	5.3	1.2	276.7	108.8	–405.6	**0.0**
Total sales	**3,037.9**	**3,183.3**	**1,840.7**	**229.5**	**8,291.4**	**433.4**	**1,086.8**	**619.1**	**111.2**	**–405.6**	**10,136.5**
Operating income	561.5	596.8	303.9	–14.0	1,448.2	61.4	53.9	–80.2	–156.8		**1,326.6**
Income from associates			432.2		432.2	16.8			1.8		**450.9**
Unallocated expenses											**–**
Total operating income	**561.5**	**596.8**	**736.1**	**–14.0**	**1,880.5**	**78.2**	**53.9**	**–80.2**	**–155.0**		**1,777.5**
Gain from financial assets			241.2		241.2			2.5			**243.7**
Net financing items											**–5.1**
Tax											**–517.4**
Net income of the year											**1,498.7**
Assets	2,565.7	2,867.4	2,499.1	–2,104.2	5,828.0	278.0	385.5	234.6	3,765.5	–3,527.7	**6,964.0**
Investments in associates		5.8	1,428.6		1,434.4	18.8		5.0			**1,458.2**
Unallocated assets											**782.9**
Total assets	**2,565.7**	**2,873.2**	**3,927.8**	**–2,104.2**	**7,262.5**	**296.8**	**385.5**	**239.6**	**3,765.5**	**–3,527.7**	**9,205.1**
Liabilities	2,035.3	1,985.5	1,125.7	135.7	5,282.2	189.1	224.9	217.7	1,783.5	–3,527.7	**4,169.7**
Unallocated liabilities											**–69.5**
Total liabilities	**2,035.3**	**1,985.5**	**1,125.7**	**135.7**	**5,282.2**	**189.1**	**224.9**	**217.7**	**1,783.5**	**–3,527.7**	**4,100.2**
Capital expenditure	48.9	8.0	212.5	6.9	276.3	3.6	0.7	44.7	3.2		**328.5**
Depreciation, amortisation and impairment losses	28.8	16.0	34.9	10.5	90.2	6.8	0.7	75.3	8.6		**181.5**
Impairment losses								38.5			**38.5**

Geographical distribution	Sweden	Norway	Denmark	Rest of Europe	Other regions	Unallocated	Total
Revenue from external customers	3,419.3	1,721.2	2,477.6	2,478.8	30.5		**10,136.5**
Assets	5,231.5	206.0	379.8	2,864.0	8.4	515.8	**9,205.1**
Capital expenditure	56.7	0.2	2.2	269.3			**328.5**
Depreciation, amortisation and impairment losses	96.9	0.3	5.0	112.8	5.0		**220.0**

Barter	2006	2005
Sales	**121.9**	74.0

NOTE 3

BUSINESS SEGMENTS (continued)

2005	Free-to-air Scandi-navia	Pay-TV Nordic	Central & Eastern Europe	Others	Viasat Broadcasting	MTG Radio	Home Shopping	Modern Studios	Parent company and other companies	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			186.7	0.3	187.0	33.6					220.5
Unallocated expenses											
Total operating income	**492.0**	**506.9**	**263.2**	**54.2**	**1,316.2**	**22.9**	**62.5**	**–25.6**	**–162.7**		**1,213.2**
Gain from financial assets											383.9
Net financing items											–101.6
Tax											–310.3
Net income of the year											**1,185.2**
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		896.2	901.7	108.3		3.7			1,013.6
Unallocated assets											1,471.6
Total assets	**2,122.0**	**2,430.5**	**1,957.4**	**–1,832.8**	**4,677.0**	**129.0**	**372.3**	**281.4**	**5,088.2**	**–2,224.1**	**9,795.5**
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	**2,006.8**	**1,630.7**	**631.9**	**269.7**	**4,539.1**	**47.7**	**213.1**	**252.5**	**488.6**	**–2,224.1**	**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, amortisation and impairment losses	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	Unallocated	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	2,821.2	41.3	1,535.0	**9,795.5**
Capital expenditure	63.7	0.4	5.2	7.8	3.0		**80.0**
Depreciation, amortisation and impairment losses	91.7	0.2	3.9	40.2	9.5		**145.5**

NOTES

NOTE 4

OPERATIONS ACQUIRED

The Group made a mandatory offer to acquire the outstanding share capital of P4 Hele Norge ASA for a total cash consideration of NOK 595 million. The outstanding share capital equalled 60% of the capital and increased MTG's prior holding of 40% in the listed company. The company was fully consolidated with effect from 1 October, and its results are reported within MTG Radio business area. The total preliminary consideration as of 31 December was equivalent to SEK 658 million including transaction costs. The acquisition gave rise to separately identified net assets of a preliminary value of SEK 191 million and goodwill of SEK 446 million.

P4 Radio Hele Norge ASA

Net assets acquired (MSEK):	Recognised values	Fair value adjustment	Book value
Property, plant and equipment	6.3		6.3
Broadcasting license	73.5		73.5
Trademarks	265.7	265.7	–
Other intangible assets	28.4		28.4
Trade and other receivables	51.2		51.2
Cash and cash equivalents	84.4		84.4
Provisions	–3.9		–3.9
Deferred tax liabilities	–74.4	–74.4	–
Trade and other payables	–115.9		–115.9
Net identifiable assets and liabilities	**315.2**	**191.3**	**123.8**
Of which acquired in previous years	–97.3		
Minority interest	–5.1		
Goodwill on acquisition	445.6		
Total cash consideration	**658.3**		
Liquid funds in acquired companies	–84.4		
Net cash outflow	**573.9**		

On 30 August 2006 the Group acquired 100% of the shares in Prva TV d.o.o. for a total cash consideration of EUR 8 million. The acquisitions gave rise to goodwill of SEK 112 million. Prva TV, rebranded as TV3 Slovenia, is reported within Viasat Broadcasting business area with effect from 1 September 2006.

Prva TV

Net assets acquired (MSEK):	Recognised values	Fair value adjustment	Book value
Non-current assets	10.4		10.4
Programme inventories	19.8		19.8
Trade and other receivables	3.5		3.5
Cash and cash equivalents	1.8		1.8
Interest-bearing loans	–13.0		–13.0
Provisions	–4.8		–4.8
Trade and other payables	–54.5		–54.5
Net identifiable assets and liabilitites	**–36.7**		**–36.7**
Goodwill on acquisition	112.3		
Total cash consideration	**75.6**		
Liquid funds in acquired companies	–1.8		
Net cash outflow	**73.8**		

Goodwill has arisen on the acquisition of Prva TV since customer relations, broadcasting licenses, trademarks or other beneficial rights did not meet the criteria for recognition as an intangible asset at the date of the acquisitions. Goodwill for P4 Hele Norge comprise mainly synergy effects, which do not meet the definition of intangible assets.

In 2005 the Group increased its shareholding in Nordic Betting Ltd from 51% to 90%, the transaction was effected by means of the acquisition of all of the remaining shares in Nordic Betting Ltd by Modern Betting Ltd, in exchange for a cash consideration of EUR 8 million and a 10% shareholding in Modern Betting Ltd. The Group now owns 90% of Modern Betting Ltd, which, in turn, owns 100% of Nordic Betting Ltd. The acquisition gave rise to goodwill of SEK 71 million and intangible assets of SEK 49.5 million. The Group also received a repayment of part of the TV Prima acquisition price of EUR 9.5 million (SEK 88 million).

Other acquisitions during the year	Recognised values	Fair value adjustment	Book value
Tangible assets	0.5		0.5
Trademarks	48.1	48.1	–
Other intangible assets	4.0	4.0	–
Deferred taax asset	0.7		0.7
Trade and other receivables	2.0		2.0
Cash and cash equivalents	31.1		31.1
Deferred tax liability	–2.6	–2.6	–
Trade and other payables	–37.4		–37.4
Net identifiable assets and liabilitites	**46.4**	**49.5**	**–3.1**
Goodwill net	–49.6		
Total cash consideration	**–3.2**		

Contributions during 2006 from acquired companies by business area:

From the acquisition date	Viasat Broadcasting	Radio	Group
Net sales	3.8	74.4	78.2
Operating income	–14.8	28.7	13.9
Net prof	0.4	1.1	1.5

If the acquisition had occured on 1 January	Viasat Broadcasting	Radio	Group
Net sales	10.0	296.4	306.4
Operating income	–48.3	60.6	12.2
Net profit	–1.1	29.3	28.2

Summary	Net cash outflow	Net identifiable assets and liabilitites acquired	Goodwill
P4 Radio	573.9	315.2	445.6
TV3 Slovenia	73.8	–36.7	112.3
Other acquisitions	–3.2	46.4	–49.6
Total	**644.5**	**324.9**	**508.2**

Acquisitions after the end of the balance sheet date

The Group agreed to acquire 90% of the shares in Playahead AB on 9 January 2007. The work with the purchase price allocation is in progress and remains to be finalised. The preliminary recorded fair values are as follows:

Playahead	Recognised values	Fair value adjustment	Book value
Tangible assets	2.5		2.5
Intangible assets	10.6	10.6	–
Trademarks	20.6	20.6	–
Other long-term assets	5.8		5.8
Trade and other receivables	0.9		0.9
Cash and cash equivalents	0.5		0.5
Deferred tax liability	–8.7	–8.7	–
Trade and other payables	–6.6		–6.6
Net identifiable assets and liabilitites	**25,5**	**22,4**	**3,1**
Minority interest	–2,6		
Goodwill on acquisition	79,0		
Total cash consideration	**102,0**		
Liquid funds in acquired companies	–0,5		
Net cash outflow	**101,5**		

In February 2007. the Group signed an agreement to acquire 50% of Balkan Media Group. The acquisition had not yet been completed by the time of this report.

NOTES

NOTE 5
NON-RECURRING COSTS (SEK MILLION)

The following non-recurring costs are included in other operating expenses:

Group	2006	2005
Other operating expenses		
Impairment charge goodwill	**–37.5**	–
Total non-recurring costs	**–37.5**	–

Based on impairment tests, the goodwill of the music company Engine was written down as per year-end. The performance compared to expected outcome were well below required cash flows.

NOTE 6
OTHER OPERATING EXPENSES

Group	2006	2005
Expenses		
Loss from sale of non-current assets	**–1.4**	–
Loss from exchange rate differences	**–1.6**	–
Total	**–3.0**	–

NOTE 7
SHARE OF EARNINGS IN ASSOCIATED COMPANIES

Group (SEK million)	Country	Share capital %	2006	2005
Mediamätning i Skandinavien MMS AB	Sweden	43	**1.8**	–
P4 Radio Hele Norge ASA	Norway	–/40	**17.5**	32.7
Radio National i Luleå AB	Sweden	49	**0.3**	0.3
Radio National i Skellefteå AB	Sweden	49	**0.1**	–0.1
Radioindustri Xerkses i Borås AB	Sweden	49	**0.6**	–0.9
Svensk Programagentur AB	Sweden	50	**7.5**	6.8
Finland Radio Investment AS	Norway	–/50	**–1.5**	1.6
Gigahertz KB	Sweden	33	**–0.1**	–0.1
CTC Media, Inc.	Russia	40/43	**432.2**	185.9
Nordic Betting Ltd	Malta	–	**–**	0.8
Total			**458.4**	227.1
Tax			**–145.5**	–73.5
Net Income			**312.9**	153.6

Shares in associated companies as at 31 December	2006	2005
Balance brought forward 1 January	**1,013.7**	901.4
Change in accounting for CTC Media Inc.	–	–45.6
Investments in associated companies	**24.1**	23.1
Gain from CTC Media, Inc. IPO new share issue	**241.2**	–
Sale of associated companies	–	0.0
Share of earnings in associated companies	**458.4**	227.1
Share of tax expense in associated companies	**–145.5**	–73.5
Reclassifications	**–103.3**	1.4
Dividend received	**–27.4**	–30.3
Translation differences	**–3.0**	10.1
Balance carried forward 31 December	**1,458.2**	1,013.7

Totally recorded values in associated companies – as at 31 December	2006	2005
Assets	**3,185.7**	2,583.0
Liabilities	**578.3**	955.0
Revenues	**2,060.1**	2,261.0
Profit/loss	**501.1**	500.0

Associated companies are reported based on equity accounting. The share of earnings is equal to the MTG Group's share in the profit/loss after financial items but before tax in each associated company after conversion into Swedish kronor and after adjustments to MTG's accounting principles (when necessary). The figures for CTC Media, Inc. are based on the interim report of 30 September, 2006 and 2005. The figures for P4 Radio Hele Norge ASA are based on the interim report of 30 June, 2006, and 30 September 2005. On 30 September, 2006, P4 Radio were consolidated as a subsidiary, following the acquisition. The calculation of share of earnings for all other associated companies are based on the as per 31 December accounts.

For further information, see also note 12.

NOTES

NOTE 8
FINANCIAL ITEMS (SEK MILLION)

Group	2006	2005
Gain from sales of shares in TV4 AB	–	388.8
Gain/loss from sales of shares in other companies	2.5	–4.9
Total	2.5	383.9
Non-cash gain from CTC Media, Inc. IPO new share issue	241.2	–
Interest income	41.2	29.8
Net exchange rate differences	17.7	–
Total	58.9	29.8
Interest expense	–27.1	–8.4
Interest expense on convertible loan notes	–26.8	–62.9
Net exchange rate differences	–	–46.7
Other	–10.0	–13.3
Total	–64.0	–131.4
Net financial costs	238.7	282.3

Parent Company	2006	2005
Interest income from external parties	9.8	11.2
Exchange rate differences	82.8	–
Interest income from subsidiaries	381.3	212.3
Total	473.8	223.4
Interest expense to external parties	–6.6	–2.6
Interest expense on convertible loan notes	–26.8	–62.9
Interest expense to subsidiaries	–35.0	–21.9
Exchange rate differences	–	–47.6
Other	–45.0	–122.5
Total	–113.4	–257.5
Net financial costs	360.4	–34.1

Hedging positions are taken to protect the Group against the effects of transaction exposures in the contracted outflow of US dollars, Euro and Swiss Francs on a rolling twelve month basis. Hedge accounting was applied during the fourth quarter 2005 for the major forward contracts. The equity reserve at year-end was SEK –18.1 (7.5) million. The total value of the forward cash flow contracts were SEK –41 (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 amortisation of capitalised borrowing costs for the convertible debenture loan of EUR 120 million, the new credit facility and costs for guarantees, in total these costs amounted to SEK 8.0 million in 2006 and SEK 16.3 million in 2005.

The non-cash gain from the IPO of CTC Media, Inc. in June 2006, is a consequence of the resulting dilution. The gain is calculated as the difference between the MTG book value per share and the IPO subscription price paid per shares issued.

NOTE 9
TAXES (SEK MILLION)

Group	2006	2005
Distribution of tax expense		
Current tax		
Current tax expense	–444.9	–215.2
Adjustment for prior years	19.6	–0.2
Total	–425.3	–215.4
Deferred tax		
Temporary differences	7.8	–23.5
Benefit of tax losses recognised	–99.9	–71.5
Total	–92.1	–94.9
Total income tax expense in income statement	–517.4	–310.3

Group	2006	(%)	2005	(%)
Reconciliation of tax expense				
Tax/Tax Rate rate in Sweden	–564.5	–28.0	–419.0	–28.0
Non-taxable income	87.9	4.4	109.0	7.3
Foreign tax rate differential	–6.0	–0.4	14.5	1.0
Effect of losses carry-forward	5.5	0.4	4.0	0.3
Non-deductible impairment of goodwill	–10.5	–0.7	–	–
Non-deductible write-down of beneficial rights	–11.6	–0.8	–	–
Non-deductible expenses	–12.8	–0.9	–17.4	–1.2
Losses where no tax benefit was recognised	–23.7	–1.6	–12.4	–0.8
Revalued tax losses carry-forward	17.3	1.2	38.2	2.6
Other permanent effects	–18.6	–1.2	–27.1	–1.8
Under/over provided in prior years	19.6	1.3	–0.2	–0.0
Effective tax/tax rate	–517.4	–34.5	–310.3	–20.7

Group As at 31 December	2006	2005
Deferred tax receivable		
Goodwill	–36.8	–24.6
Equipment	14.6	9.6
Beneficial rights	21.4	8.4
Provisions	4.2	4.2
Inventory	1.6	3.7
Current short-term receivables	8.0	2.9
Current short-term liabilities	–1.2	4.5
Tax value of losses carry-forward recognised	39.0	138.9
Total	50.8	147.7
Deferred tax liabilities		
Trademarks	122.1	47.2
Equipment	0.4	3.4
Provisions	–	1.5
Current short-term receivables	–	0.5
Current short-term liabilities	0.5	0.2
Total	123.0	52.8
Deferred tax net	–72.2	94.9

NOTES

NOTE 9
TAXES (SEK MILLION) (continued)

The movement in tax assets and liabilities net is explained below:

	2006 Opening balance 1 Jan	Deferred tax expense	Acquisition of subsidiary	Translation differences	Closing balance 31 December
Tax losses carry forward	138.9	–99.9			**39.0**
Temporary differences in:					
Goodwill	–24.6	–12.3			**–36.8**
Equipment	6.3	8.0			**14.2**
Beneficial rights	–38.8	13.0	–74.9		**–100.7**
Provisions	2.7	1.5			**4.2**
Inventory	3.7	–2.1			**1.6**
Current short-term receivables	2.4	5.6			**8.0**
Current short-term liabilities	4.3	–5.9			**–1.7**
	94.9	**–92.1**	**–74.9**	**–**	**–72.2**

	2005 Opening balance 1 Jan	Deferred tax expense	Acquisition of subsidiary	Translation differences	Closing balance 31 December
Tax losses carry forward	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**

The Group had recognised losses carry-forward without expiration date of SEK 138 million at 31 December, 2006. The accounts for 2006 include deferred tax receivable as a tax value of the losses carry-forward in all countries where it is judged likely that the Group will be able to apply its losses carry-forward to a taxable surplus. As a consequence, deferred tax receivable is not reported in some countries.

Unrecognised tax losses carry-forward by expiry date

	2006	2005
2006	**–**	43.1
2007	**–**	2.7
2008	**0.4**	0.7
2009	**0.7**	0.4
2010	**0.4**	52.9
2011 and thereafter	**51.5**	–
No expiry date	**57.4**	63.1
Total	**110.4**	163.0

Parent company

The accounts for 2005 consisted of deferred tax receivables of SEK 100.9 million corresponding to 28% of the losses carry forward without expiration date allocated to the parent company. In 2006 the tax loss carry forwards were utilised.

	2006	2005
Current tax relating to Group contributions	**54.5**	77.1
Current tax payable	**–36.3**	–
Deferred tax due to the benefit of tax losses utilised	**–100.9**	–86.1
Total tax	**–82.7**	–9.0

As at 31 December	2006	2005
Deferred tax receivable	**–**	100.9

Reconciliation of tax expense	2006	(%)	2005	(%)
Tax/Tax Rate rate in Sweden	**–60.0**	**–28.0**	42.8	28.0
Non-deductible expenses	**–14.5**	**–6.8**	–31.4	–20.5
Other permanent effects	**–8.2**	**–3.8**	–20.4	–13.4
Effective tax/tax rate	**–82.7**	**–38.6**	–9.0	–5.9

NOTE 10

INTANGIBLE ASSETS (SEK MILLION)

	Group				Parent company
	Capitalised expenditure	Patents and trademarks	Beneficial rights and licenses	Goodwill	Capitalised expenditure
Acquisitions					
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**
Opening balance 1 January 2006	100.4	187.5	550.8	1832.7	50.1
Investments during the year	13.6	6.9	213.7		2.7
Acquisitions through business combinations		306.4	71.0	508.2	
Divestment/retirement during the year	–9.4	0.0	0.0		
Change in Group structure, reclassifications etc.	–0.1	0.1	–0.4	–50.1	
Translation differences	–0.2	2.8	–12.8		
Closing balance 31 December 2006	**104.3**	**503.7**	**822.2**	**2,290.8**	**52.8**
Accumulated depreciation and amortisation					
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		–6.1		
Translation differences	0.0		–28.7		
Closing balance 31 December 2005	**–64.6**	**–3.3**	**–380.5**	**–18.6**	**–42.8**
Opening balance 1 January 2006	–64.6	–3.3	–380.5	–18.6	–42.8
Divestment/retirement during the year	8.3		0.0		
Amortisation during the year	–11.5	–5.4	–42.0		–7.9
Impairment losses	–7.2	–0.9	–41.4	–37.6	
Changes in Group structure, reclassifications etc.	0.0	0.0	–19.7		
Translation differences	–0.1	–0.1	13.1		
Closing balance 31 December 2006	**–75.2**	**–9.7**	**–470.5**	**–56.2**	**–50.8**
Residual value carried forward					
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
As 1 January 2006	35.7	184.3	170.3	1,814.1	7.3
As 31 December 2006	29.1	494.0	351.7	2,234.6	2.0

Depreciation and impairment losses by function

Intangible assets	2006	2005
Cost of goods and services	**100.0**	90.0
Administrative expenses	**7.9**	5.1
Other operating expenses	**38.1**	0.6
Total	**146.0**	95.7

NOTES

NOTE 10

INTANGIBLE ASSETS (SEK MILLION) (continued)

Impairment tests for cash-generating units containing goodwill

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

	2006	2005
TV1000	**669.1**	669.1
Prima	**792.6**	866.8
P4	**445.6**	–
	1,907.3	1,535.9
Other units without significant goodwill	**327.3**	278.2
Total	**2,234.6**	1,814.1

The decrease in goodwill Prima is due to a EUR 9.5 million (SEK 88 million) repayment of part of the acquisition price.

Impairment testing of the goodwill and other intangible assets with indefinite lives for cash-generating units in the business areas is based on calculations of the recoverable amount, and by use of a discounted cash flow model. The model involves among other factors terminal values, market growth rates, and working capital requirements. These cash flow projections are based on actual operating results, forecasts and financial projections, using historical trends, general market conditions, industry trends and other available information.

The cash flows projections are based on a sustainable growth rate which is individually estimated based on each unit's outlook. Individual assumptions are also made on cost and capital turnover development. The cash flow is discounted for each unit using a discount rate of 12% considering the costs of capital and risk with individual consideration taken only in special circumstances.

Based on the assessment, management concluded that the goodwill relating to the music company Engine had an impairment requirement of SEK 37.5 million.

Impairment losses are included in other operating expenses in the income statement.

Sensitivity

Management estimates that the units, which do not indicate an impairment requirement, have such a margin that reasonably possible adverse changes in individual parameters would not cause the value in use to fall below the book value. This assessment is valid even with changes in other variables.

NOTE 11

TANGIBLE ASSETS (SEK MILLION)

	Group		Parent Company
	Machinery, technical plant	Equipment, tools	Equipment, tools
Acquisitions			
Opening balance 1 January 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**
Opening balance 1 January 2006	95.0	481.1	3.1
Investments during the year	9.5	84.8	–
Acquisitions through business combinations		13.5	–
Divestment/retirement during the year	–30.1	–16.5	–
Change in Group structure, reclassifications etc.	1.7	7.3	–
Translation differences	–0.2	–9.0	–
Closing balance 31 December 2006	**75.8**	**561.1**	**3.1**
Accumulated depreciation and amortisation			
Opening balance 1 January 2005	–55.3	–435.6	–3.1
Divestment/retirement during the year	10.0	11.9	–
Depreciation during the year	–6.4	–43.7	0.0
Impairment losses	0.0	0.0	–
Change 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**
Opening balance 1 January 2006	–52.5	–389.9	–3.1
Divestment/retirement during the year	21.4	8.5	–
Depreciation during the year	–16.7	–57.2	0.0
Changes in Group structure, reclassifications etc.	–1.5	2.3	–
Translation differences	0.5	4.7	–
Closing balance 31 December 2006	**–48.9**	**–431.6**	**–3.1**
Residual values carried forwards			
As 1 January 2005	9.6	106.7	0.1
As 31 December 2005	42.4	91.1	0.0
As 1 January 2006	42.4	91.1	0.0
As 31 December 2006	26.9	129.4	0.0

Groupe	2006	2005
Depreciation and impairment losses by function		
Cost of goods and services	**10.5**	5.5
Selling expenses	**0.6**	0.5
Administrative expenses	**59.9**	39.5
Other operating expenses	**2.9**	4.3
Total	**73.9**	49.8

Parent company	2006	2005
Depreciation by function		
Administrative expenses	**8.0**	5.1
Total	**8.0**	5.1

NOTES

NOTE 12

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 AB	556365-3335	Stockholm	1,000	100	100	65.0
MTG Home Shopping AB	556035-6940	Stockholm	1,000	100	100	84.0
MTG Modern Studios AB	556264-3261	Stockholm	1,000	100	100	116.6
MTG Holding AB	556057-9558	Stockholm	5,000	100	100	101.9
MTG AS Norge		Norway	82,300	100	100	32.7
						400.4

Shares in subsidiaries (within the Group)	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG Broadcasting SA		Luxembourg	100	100
MTG Broadcasting Holding AB	556580-7806	Stockholm	100	100
MTG Broadcasting AB	556353-2687	Stockholm	100	100
ViaSat Pay Channels AB	556098-4709	Stockholm	100	100
Viasat AB	556304-7041	Stockholm	100	100
TV1000 AB	556133-5521	Stockholm	100	100
TV1000 Norge AS		Norway	100	100
OY Viasat Finland Ab		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
Vakaru Lietuvos		Lithuania	100	100
TV3 Estonia AS		Estonia	100	100
TV3 Latvia SIA		Latvia	100	100
Viasat Hungária Rt		Hungary	95	95
Darial TV ZAO		Russia	100	100
MTG Russia AB	556650-6472	Stockholm	100	100
Felista ZAO		Russia	100	100
Nomad ZAO		Russia	100	100
Modern Russia ZAO		Russia	100	100
Viasat Holding ZAO		Russia	100	100
Zollen ZAO		Russia	100	100
Premi ZAO		Russia	100	100
Prva d.o.o.		Slovenia	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
ZAK TV s.r.o.		Czech Republic	26	26

Shares in subsidiaries (continued)	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
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
Interactive New Media SL		Spain	100	100
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
ZTV AB	556022-0831	Stockholm	100	100
TV3 A/S Danmark		Denmark	100	100
TV3 AS Norge		Norway	100	100
Modern Sport and Event Ltd		United Kingdom	100	100
Viasat World Ltd		United Kingdom	100	100
MTG Radio AB	556365-3335	Stockholm	100	100
KiloHertz AB	556444-7158	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 Homeshopping AB	556035-6940	Stockholm	100	100
Entertainment Distribution Enterab AB	556406-1702	Stockholm	100	100
TV-Shop Europe AB	556497-0019	Malmö	100	100
TV Shop Homeshopping Oy		Finland	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 Nederland bv		The Netherlands	100	100
TV Shop Portugal Ltda		Portugal	100	100
TV Shop Spain SL		Spain	100	100
CDON AB	556308-2105	Stockholm	100	100
CDON.com GmbH		Germany	100	100

NOTE 12

LONG-TERM FINANCIAL ASSETS (SEK MILLION) (continued)

Shares in subsidiaries (continued)	Co. Reg. no.	Registered office	Share capital (%)	Voting rights (%)
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
MTG Förlag 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
Strix Television s.r.o.		Czech Republic	100	100
MTG New Media AB	556461-1662	Stockholm	100	100
Zoomobile AB	556529-7917	Stockholm	100	100
Engine Holding AS		Norway	60	60
Engine AB	556572-8408	Stockholm	60	60
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 Radio Holding AB	556580-7814	Stockholm	100	100
MTG Electronic Retailing Holding AB	556580-7749	Stockholm	100	100
MTG Media Services Holding AB	556580-7848	Stockholm	100	100
MTG Media Services AB	556580-7509	Stockholm	100	100
MTG Media AB	556170-2217	Stockholm	100	100

Shares in subsidiaries (continued)	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG Publishing Holding AB	556580-7798	Stockholm	100	100
MTG Publishing AB	556457-2229	Stockholm	100	100
Vision Direkt i Stockholm AB	556533-8372	Stockholm	100	100
CDON Entertainment AB	556513-5554	Stockholm	100	100
Zoomobile AS		Norway	100	100
Modern Betting Ltd		Malta	90	90
Nordic Betting Ltd		Malta	90	90
Bet24 Ltd		United Kingdom	90	90
MTG A/S Danmark		Denmark	100	100
TV Shop A/S Danmark		Denmark	100	100
Strix Television A/S Danmark		Denmark	100	100
ViaSat A/S Danmark		Denmark	100	100
Viasat Sport A/S		Denmark	100	100
TV1000 Danmark A/S		Denmark	100	100
MTG AS Norge		Norway	100	100
Viasat AS Norge		Norway	100	100
Metro Norge AS		Norway	100	100
SportN AS		Norway	100	100
TV4 AS Norge		Norway	100	100
P4 Radio Hele Norge ASA		Norway	100	100

Although the Group owns 50% only of the Prima Group companies, the Group exercise decisive influence through agreements with the other shareholders, and consequently consolidates Prima in the same way as the other subsidiaries and reports a minority interest.

Shares in associated companies (within the Group)	Co. Reg. No.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 2006	Book value 2005	Market value 2006
Everyday Webguide AB	556182-6016	Stockholm	1,750	0	0	**0.0**	0.0	
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	**1.9**	2.0	
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	**5.0**	3.7	
P4 Radio Hele Norge ASA		Norway	–	–	–	**–**	72.2	
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	**0.6**	0.3	
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	**6.1**	6.0	
Rix i Skandinavien AB	556475-3670	Stockholm	500	50	50	**0.0**	0.0	
Svensk Programagentur AB	556453-6281	Göteborg	4,270	50	50	**5.8**	5.4	
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	
Radio Nova		Finland	–	26	26	**10.1**	–	
FRI Finland Radio Investment AS		Norway	–	–	–	**–**	27.7	
Kimtevill HB	969680-2272	Stockholm	–	33	33	**0.0**	0.0	
CTC Media Inc.		USA	60,008,800	40	40	**1,428.6**	896.2	**9,898.4**
						1,458.2	1,013.7	

NOTES

(SEK million) Shares and participations in other companies (within the Group)	Co. Reg. No.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 2006	2005	Market value
Metro International S.A.		Luxembourg	7,260,584	1.4	1.3	**65.9**	1,940.0	**65.9**
Other						**0.5**	0.2	**0.5**
						66.4	1,940.2	**66.4**

Shares and participations in other companies (held by parent company)	Co. Reg. No.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 2006	2005	Market value
Metro International S.A.		Luxembourg	7,260,584	1.4	1.3	**65.9**	633.8	**65.9**
Other						**0.5**	0.2	**0.5**
						66.4	634.0	**66.4**

The shares in Metro International S.A. are classified as shares available for sale, and are thereby valued at fair value. The difference between the historical book value and the fair value is recognised in equity. The decrease in the number of shares in 2006, are due to the redemption of shares to the shareholders of MTG.

Parent Company Shares and participation in Group companies	2006	2005
Accumulated acquisition values		
Opening balance 1 January	**136.4**	136.4
Acquisitions	**265.6**	–
Divestment	**–1.5**	–
Closing balance 31 December	**400.4**	136.4

Parent company Shares and participation in other companies	2006	2005
Accumulated acquisition values		
Opening balance 1 January	**634.0**	634.2
Redemption of Metro International S.A. shares/other changes	**–603.0**	–0.2
Revaluation shares available-for-sale	**35.3**	–
Closing balance 31 December	**66.4**	634.0

The Luxembourg holding companies, with the exception of MTG Broadcasting S.A., have been voluntarily liquidated and the parent company now owns the Swedish parent companies in each business area directly. The change has been done for administrative purposes.

NOTE 13
NATURE OF EXPENSES (SEK MILLION)

Group	2006	2005
Sales	**10,136.5**	8,011.9
Cost of programmes and goods	**–3,092.7**	–3,285.8
Distribution costs	**–857.5**	–463.1
Employee benefits expense	**–1,204.6**	–1,113.1
Depreciation, amortisation and impairment losses	**–220.0**	–145.5
Other expenses	**–2,984.2**	–1,791.2
Operating income	**1,777.5**	1,213.2

NOTE 14
ACCOUNTS RECEIVABLE (SEK MILLION)

Group – as at 31 December	2006	2005
Gross accounts receivable	**1,150.0**	986.4
Less allowances for doubtful accounts	**–92.9**	–98.0
Total	**1,057.1**	888.3
Allowance for doubtful accounts		
Balance at beginning of year	**98.0**	92.9
Charged to allowance and expenses	**–1.7**	47.7
Write-offs	**–2.5**	–46.7
Translation differences	**–0.9**	4.1
Balance at end of year	**92.8**	98.0
Parent Company		
Gross accounts receivable	**1.3**	1.1
Less allowances for doubtful accounts	**–**	–1.0
Total	**1.3**	0.2

NOTE 15
PREPAID EXPENSES AND ACCRUED INCOME (SEK MILLION)

Group – as at 31 December	2006	2005
Prepaid transponder costs	**8.4**	10.5
Prepaid financing costs	**9.4**	5.8
Prepaid media costs	**26.9**	29.7
Accrued sales revenue	**102.2**	75.9
Prepaid production costs	**26.8**	16.7
Prepaid distribution costs	**15.0**	42.1
Prepaid subscriber acquisition costs	**443.9**	421.9
Prepaid programme acquisition costs	**332.2**	208.9
Other	**122.4**	56.6
Total	**1,087.1**	868.3

The prepaid subscriber acquisition costs are distributed over the contract period (in Sweden 24 months), and SEK 85 million will be expensed in 2008.

Parent Company – as at 31 December	2006	2005
Prepaid financing costs	**9.4**	5.8
Prepaid insurance premium	**5.7**	5.2
Other	**1.3**	0.9
Total	**16.4**	11.9

Prepaid financing costs refer to the convertible debenture of EUR 120 million issued by the parent company in June 2001. Other prepaid financing costs comprise the costs for the current credit facility.

NOTES

NOTE 16
CASH AND CASH EQUIVALENTS (SEK MILLION)

Group – as at 31 December	2006	2005
Bank balances	615.1	1,174.6
Short-term investments	0.1	18.7
Deposit	31.0	14.1
Total	646.3	1,207.5

Parent Company	2006	2005
Bank balances	2.4	302.3
Short-term investments	0.1	–
Deposit	–	14.1
Total	2.5	316.4

NOTE 17
EARNINGS PER SHARE

Group	2006	2005
Earnings per share before dilution		
Net income for the year attributable to equity holders of the parent	1,436.6	1,180.3
Shares outstanding on 1 January	66,375,156	66,375,156
Effect from stock options exercised	216,713	–
Weighted average number of shares before dilution	66,591,869	66,375,156
Earnings per share before dilution	21.57	17.78
Earnings per share after dilution		
Net income for the year attributable to equity holders of the parent company	1,436.6	1,180.3
Effect from dilution in associated company CTC Media, Inc.	−59.9	–
Diluted net income for the year attributable to the equity holders of the parent	1,376.7	1,180.3
Weighted average number of shares before dilution	66,591,869	66,375,156
Effect from employee options	402,975	–
Weighted average number of shares after dilution	66,994,844	66,375,156
Earnings per share after dilution	20.55	17.78

POTENTIALLY DILUTIVE INSTRUMENTS
Modern Times Group MTG AB has outstanding employee stock option programs where the strike price exceeded the average share price for ordinary shares. These options are therefore not included in the calculation of diluted earnings per share. If the average share price exceeds the strike price in future, these options will be dilutive.

NOTE 18
SHAREHOLDERS' EQUITY

	Number of shares paid	Par value
MTG class A	15,545,621	77.7
MTG class B	51,496,903	257.5
Total number of shares as per 31 December 2006	67,042,524	335.2

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

	2006	2005
Shares outstanding on 31 December	67,042,524	66,375,156

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 quotient value. The difference between the quotient 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 instruments in the parent company.

As at 31 December	2006	2005
Opening balance, 1 January	7.5	–
Recognised direct in equity	−33.1	7.5
Recognised in the income statement	−34.0	–
Transferred to the acquisition value of item hedged	41.5	–
Closing balance, 31 December	−18.1	7.5

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.

REVALUATION RESERVE
The revaluation reserve include revaluation relating to trademarks.

RETAINED EARNINGS
Retained earnings comprise of previously earned income.

After the balance sheet date, the Board of Directors proposed a dividend for 2006 amounting to a maximum of SEK 503 million (SEK 7.50 per share). The dividend is subject to the approval of the Annual General Meeting on 9 May, 2007.

MINORITY INTEREST
In subsidiaries not wholly owned, the share of equity 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.

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

As at 31 December	2006	2005
Accumulated translation differences	−73.4	−85.5
This year's translation differences	6.8	12.1
Total accumulated translation differences	−66.6	−73.4

NOTE 19

OTHER PROVISIONS (SEK MILLION)

Group	Provision for music royalties	Restructuring costs	Provisions for pensions	Other costs	Total
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
Reversed 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**
Provisions during the year	38.6	–	4,7	62.0	105,3
Utilised during the year	–16.0	–	–	–11.8	–27.8
Reversed during the year	–31.6	–5.0	–	–11.8	–48.4
Translation differences	1,5				1.5
Closing balance, 31 December 2006	**73.4**	**–**	**4,7**	**76.8**	**154,9**
Included in current liabilities 31 December 2005	–	–	–	–	–
Included in non-current liabilities 31 December 2005	81.0	5.0	–	38.4	124.4
Included in current liabilities 31 December 2006	–	–	–	–	–
Included in non-current liabilities 31 December 2006	73.4	–	4.7	76.8	154,9

Various MTG companies are involved in disputes with collecting societies over payment of royalties for the past use of copyrights and similar rights. Further, MTG companies are parties to non-material litigation. The Company does not believe that liabilities related to these matters are likely to have a material adverse effect on the financial position of the MTG Group.

The entire pension costs is recognised in operating income. The Group's defined-benefit pension plans for employees upon retirement exist in Norway and in one Swedish company. The plans are multi-employer defined benefit plans. The Group reports these pension costs in the same way as defined contribution plans.

NOTE 20

ACCRUED EXPENSES AND PREPAID INCOME (SEK MILLION)

Group	2006	2005
Accrued personnel costs	**104.1**	91.2
Accrued interest costs	**2.4**	34.9
Accrued commission to sales agents	**135.7**	19.1
Accrued royalties	**57.1**	41.4
Accrued professional fees	**9.0**	12.8
Accrued media costs	**37.9**	17.9
Accrued distribution costs	**27.4**	28.0
Accrued costs of goods sold	**32.8**	42.7
Accrued programme costs	**722.5**	643.3
Prepaid revenue	**677.6**	658.6
Other	**150.1**	109.9
Total	**1,956.5**	1,699.9

Parent Company	2006	2005
Accrued personnel costs	**8.4**	4.3
Accrued interest costs	**0.3**	34.4
Other	**9.1**	16.1
Total	**17.8**	54.8

NOTE 21

CONTINGENT LIABILITIES (SEK MILLION)

Group – as at 31 December	2006	2005
Guarantees external parties	**–**	0.3
	–	0.3

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 contingent liabilities. There are no pledged assets in 2006 and 2005.

Parent Company – as at 31 December	2006	2005
Guarantees external parties	**–**	0.3
Guarantees subsidiaries	**328.7**	280.0
Total	**328.7**	280.3

NOTES

NOTE 22

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

FINANCIAL POLICY

The Group's financial risk management is centralised to the parent company to capitalise on economies of scale and synergy effects in the financial sector and to minimise operational risks. The parent company functions as MTG 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 MTG 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 minimise the risk is stipulated.

LOAN FACILITY

During 2003 a loan facility of SEK 800 million was granted, through a loan agreement with a syndicate of banks led by Deutsche Bank AG. The loan facility was available until December 2007.

A new revolving multicurrency credit facility of SEK 3,500 million was granted in February 2006. The facility is unsecured and there are no required amortisations. The new facility replaces the previous SEK 800 million credit facility. The facility is available until December 2011. Further to the revolving credit facility, an overdraft facility of SEK 100 million is granted. None of the credit facilities was utilised during 2005. In 2006, SEK 250 million was utilised at year-end.

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 or Stibor, depending on the currency utilised as well as the financial covenance rate.

The Prima Group was granted a loan facility of CZK 125 million (SEK 68 million), of which SEK 27 million was utilised 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 could be converted into 2,790,994 new MTG Class B shares and expired in June 2006. The conversion price was SEK 385.97. The loan was repaid in full and no bonds were called for conversion by the holders of the notes.

Financial lease liabilities

The leasing liabilities refer to studio equipment in the TV company Prima.
Finance lease liabilities are payable as follows:

Group	2006 Minimum lease payments	Interest	Principal	2005 Minimum lease payments	Interest	Principal
Less than a year	**0.7**	**0.0**	**0.7**	1.2	0.2	1.0
Between one and five years	**0.2**	**0.0**	**0.2**	0.7	0.1	0.6
More than five years	**–**	**–**	**–**	–	–	–
Total financial lease	**0.9**	**0.1**	**0.8**	1.8	0.3	1.6

Interest-bearing liabilities

Group – as at 31 December (SEK million)	2006	2005
Non-current liabilities		
Other long-term liabilities	**25.6**	41.4
Finance lease liabilities	**0.2**	–
Total	**25.8**	41.4
Current liabilities		
Convertible loan notes	**–**	1,124.6
Current portion of bank loans	**239.0**	67.7
Current portion of finance lease liabilities	**0.7**	–
Total	**239.7**	1,192.4
Amount due for settlement within 12 months	**239.7**	1,192.4
Amount due for settlement after 12 months	**25.8**	41.4

Parent company	2006	2005
Maturity of long-term loans		
2006	**–**	1,131.6
2007	**250.0**	–
Total	**250.0**	1,131.6
Amount due for settlement within 12 months	**250.0**	1,131.6
Amount due for settlement after 12 months	**–**	–

NOTES

OVERDRAFT FACILITIES

The amount granted for bank overdraft facilities in Sweden at 31 December, 2006, equaled SEK 100,0 (100,0) million, of which SEK 100,0 (100,0) million was unutilised. The Prima Group is granted a bank overdraft facility of which none was utilised.

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.

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

Credit risk

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

Insurable risks

The insurance cover is governed by corporate guidelines, and centrally negotiated insurance policies cover the majority of its subsidiaries. In certain cases, local insurance policies have been put in place. Each business unit is responsible for assessing and managing the insurable risks associated with its day-to-day operations.

Group (SEK million)	2006 Interest rate	Fixed interest term	Effective interest rate	Total	12 months or less	1–5 years	More than five years
Terms and payback period							
Convertible notes	5.5%	Five years	6.9%	–	–	–	–
Finance lease liabilities	10.1%	10 months	10.1%	–0.8	–0.7	–0.2	–
Loan from related parties	3.9%	Three months	3.9%	–19.9	–	–19.9	–
Loan from bank	3.2%	One month	5.2%	–239.0	–239.0	–	–
Other interest-bearing liabilitites				–5.8	–	–5.8	–
				–265.5	**–239.7**	**–25.8**	**–**

The loan from related parties refers to GES Media Europe, the partner in the Prima Group in 2006 and 2005.

Group (SEK million)	2005 Interest rate	Fixed interest term	Effective interest rate	Total	12 months or less	1–5 years	More than five years
Terms and payback period							
Convertible notes	5.5%	Five years	6.9%	–1.124.6	–1,124.6	–	–
Finance lease liabilities		10 months	12.8%	–0.6	–0.6	–	–
Loan from related parties		24 months	3.4%	–35.7	–13.0	–22.7	–
Loan from bank		24 months	3.9%	–67.7	–40.4	–27.4	–
Other interest-bearing liabilitites				–4.6	–	–4.6	–
				–1,233.2	**–1,178.5**	**–54.8**	**–**

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, Euro and Swiss Francs on rolling twelve month basis. Other transaction exposure is not hedged.

TRANSACTION EXPOSURE

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

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

Currency	2006 SEK million	2005 SEK million
DKK	**464.2**	556.6
NOK	**475.3**	524.5
EUR	**–381.8**	–102.7
CHF	**–115.4**	11.9
USD	**–896.3**	–1,079.4

Hedge contracts amount to USD 85.0 (83.5) million, CHF 9.5 (20.8) million and EUR 32.6 (14.0) million at closing day.

NOTE 22

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

CONVERSION EXPOSURE

Conversion 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	2006 SEK million	%	2005 SEK million	%
NOK	**844.9**	**34.2**	655.6	41.7
DKK	**453.9**	**18.4**	406.2	25.8
USD	**645.2**	**26.1**	371.6	23.6
Other currencies	**528.0**	**21.4**	140.3	8.9
Total equivalent SEK value	**2,472.0**	**100.0**	1,573.7	100.0

There are no hedging positions for translation exposure.

Book value and fair value for interest-bearing financial instruments are shown below. Interest free financial instruments, such as accounts receivable and accounts payable are not included, as these items are reported at cost less impairment losses in the balance sheet.

Group	2006 Book value	2006 Fair value	2005 Book value	2005 Fair value
Receivables from associated companies	**30.7**	**30.7**	32.7	32.7
Shares and participations in other companies	**66.4**	**66.4**	1,940.2	1,940.2
Other long-term receivables	**19.5**	**19.5**	9.0	9.0
Short-term investments	**0.1**	**0.1**	18.7	18.7
Cash and bank	**646.1**	**646.1**	1,188.7	1,188.7
Provisions for pensions	**4.7**	**4.7**		
Financial leasing liabilities	**–0.8**	**–0.8**	–0.6	–0.6
Liabilities to financial institutions	**–239.0**	**–239.0**	–67.7	–67.7
Convertible debenture loan 2001/2006			–1,124.6	–1,124.6
	527.7	**527.7**	1,996.4	1,996.4

Parent company	2006 Book value	2006 Fair value	2005 Book value	2005 Fair value
Receivables from group companies	**5,059.3**	**5,059.3**	1,699.5	1,699.5
Shares and participations in other companies	**66.4**	**66.4**	634.0	1,940.2
Short-term investments	**0.1**	**0.1**	–	–
Cash and bank	**2.4**	**2.4**	316.4	316.4
Liabilities to group companies	**–518.4**	**–518.4**	–0.7	–0.7
Liabilities to financial institutions	**–250.0**	**–250.0**		–
Convertible debenture loan 2001/2006	**–**	**–**	–1,131.6	–1,131.6
	4,359.9	**4,359.9**	1,517.6	2,823.8

NOTE 23

LEASE AND OTHER COMMITMENTS (SEK MILLION)

Lease and other commitments for future payments at 31 December 2006

Group	Future rent on non-cancelable leases	Future payments for programme rights	Transponder commitments	Total commitments
2007	**41.8**	**1,086.2**	**228.8**	**1,356.8**
2008	**17.8**	**1,048.5**	**74.0**	**1,140.4**
2009	**10.8**	**772.9**	**20.2**	**803.8**
2010	**2.1**	**420.7**	**3.1**	**425.9**
2011	**0.4**	**165.1**		**165.5**
2012 and thereafter	**0.4**	**221.3**	**–**	**221.7**
Total lease and other commitments	**73.2**	**3,714.7**	**326.1**	**4,114.0**
Minimum lease fees	**15.3**	**1,451.5**	**206.1**	**1,672.9**
Variable fees	**19.9**	**40.3**	**28.7**	**89.0**
This year's operational costs	**35.3**	**1,491,8**	**234.8**	**1,761.9**

Lease and other commitments for future payments at 31 December 2005

Group	Future rent on non-cancelable leases	Future payments for programme rights	Transponder commitments	Total commitments
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**
Minimum lease fees	22.0	1,152.0	193.7	1,367.6
Variable fees	19.0	17.5	15.7	52.3
This year's operational costs	**41.0**	**1,169.5**	**209.4**	**1,419.9**

Future rent on non-cancelable leases at 31 December

Parent company	2006	2005
2006	**–**	2.4
2007	**4.3**	0.4
2008	**1.7**	0.4
2009	**1.7**	0.4
2010	**0.4**	–
2011 and thereafter	**–**	–
Total lease and other commitments	**8.1**	3.6
Minimum lease fees	**4.2**	1.8
Variable fees	**1.5**	–
This year's operational leasing costs	**5.7**	**1.8**

NOTE 24
AVERAGE NUMBER OF EMPLOYEES

Group	2006 men	2006 women	2005 men	2005 women
Sweden	**391**	**255**	372	262
United Kingdom	**142**	**121**	100	90
Denmark	**165**	**62**	160	62
Czech Republic	**139**	**157**	25	24
United States	**1**	**–**	7	3
Lithuania	**59**	**38**	55	36
Norway	**74**	**79**	51	69
Estonia	**28**	**38**	29	33
Spain	**25**	**17**	27	16
Russia	**29**	**43**	28	41
The Netherlands	**1**	**9**	1	6
Malta	**16**	**6**	8	2
Latvia	**25**	**34**	30	31
Finland	**9**	**1**	6	2
Hungary	**16**	**15**	15	15
Germany	**3**	**4**	3	5
Slovenia	**4**	**–**	–	–
Poland	**–**	**2**	–	–
Total	**1,127**	**881**	917	697
Total number of employees		**2,008**		1,614

Parent company	2006	2005
Men	**25**	31
Women	**18**	23
Total employees	**43**	54

Senior executives

Group	Men %	Women %
Board of Directors	**87**	**13**
CEO	**85**	**15**
Other senior executives	**79**	**21**
Total	**84**	**16**

Parent company	Men %	Women %
Board of Directors	**87**	**13**
CEO	**100**	**–**
Other senior executives	**100**	**–**
Total	**90**	**10**

	As a % of standard working hours	
Absence due to illness Parent company	**2006**	**2005**
Men	**0.4**	0.8
Women	**3.7**	0.4
Total	**1.7**	0.6

Since the number of employees are relatively low and that absence due to illness therefore could be attached to private individuals, no information about age categories will be disclosed.

NOTE 25
SALARIES, OTHER REMUNERATION, AND SOCIAL AND SECURITY EXPENSES (SEK MILLION)

Group	2006	2005
Personnel expenses		
Wages and salaries	**942.2**	864.5
Social security expenses	**188.2**	186.7
Pension costs – defined contribution plans	**47.5**	47.3
Pension costs – defined benefit plans	**3.7**	2.2
Share-based payments	**6.1**	2.3
Social security expenses on share-based payments	**16.8**	10.0
Total	**1,204.6**	1,113.1

Group	2006	2005
Board of Directors, presidents and vice presidents (1)	**134.7**	125.6
of which, variable salary	**41.1**	35.2

(1) Includes SEK 3.6 (3.5) million Board fees approved by the Annual General Meeting

Parent company	2006	2005
Board of Directors, presidents and vice presidents	**35.1**	31.1
of which, variable salary	**18.5**	15.5
Other employees	**41.2**	52.2
Total salaries and other remuneration	**76.2**	83.3
Social security expenses	**40.1**	23.1
of which pension costs	**6.6**	7.0
of which pension costs President	**0.8**	0.4

Total salaries include remuneration to other senior executives SEK 8.9 (12.9) million, of which variable salary SEK 2.2 (4.0) million.

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 MTG 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 incentivise 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 programs, 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, key executives and the CFO. The senior executives are found on pages 28 and 29.

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 an extra bonus above the 50% target has been granted based on exceptional performance.

NOTE 25

SALARIES, OTHER REMUNERATION, AND SOCIAL AND SECURITY EXPENSES (continued)

REMUNERATION AND OTHER BENEFITS DURING THE YEAR

(SEK thousand)	Base fee	Base salary	Variable remuneration	Other benefits	Pension costs	Financial instruments	Other remuneration	Total
David Chance, Chairman of the Board	1,000	–	–	–	–		1,000	2,000
Hans Holger Albrecht CEO		13,873	7,108	447	805	3,629	–	25,861
Other senior executives (10 persons)		23,400	20,324	1,293	2,155	4,991	–	52,164
Total	**1,000**	**37,273**	**27,432**	**1,740**	**2,960**	**8,620**	**1,000**	**80,025**

Financial instruments (SEK thousand)	Option programmes previous years 2001 and 2005 Number	Benefit	Option programme 2006/2010 Warrants 2006 Number	Acquisition price	Stock options Number	Benefit
CEO	99,999	3,301	33,100	2,049	66,200	3,629
Senior executives	212,508	5,593	45,523	2,818	91,046	4,991
Total	**312,507**	**8,894**	**78,623**	**4,867**	**157,246**	**8,620**

David Chance has, further to the board fee in MTG, also received a board fee of SEK 1,000,000 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 includes company cars and, in one case, housing.

If the Company terminates the employment of the Chief Executive Officer 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 has a two-year contract from the beginning of 2007 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.

SHAREBASED PAYMENTS

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 five year's from the time of issue. The exercise price of the options granted were SEK 261.70 per share. The proprietor must be employed by the Group when the option is exercised. The stock options are not transferable. Due to the distribution of shares in Metro International S.A. to the shareholders, the exercise price was recalculated in accordance with the terms and conditions in the share option plan. The new exercise price is SEK 239.30 for the warrants, and SEK 235.80 for the stock options.

In 2006, 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 year's time at the earliest and no later than five year's from the time of issue. The exercise price of the options granted were SEK 450.30 per share. The proprietor must be employed by the Group when the option is exercised. The stock options are not transferable. Due to the distribution of shares in Metro International S.A. to the shareholders, the exercise price was recalculated in accordance with the terms and conditions in the share option plan. The new exercise price is SEK 417.70 for the warrants, and SEK 413.30 for the stock options.

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 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 exercise price of the options granted was SEK 294.50 per share. The proprietor must be employed by the Group when the option is exercised. Options have not been granted since August 2002. In 2006, the Company's shares in Metro International S.A. were distributed to the shareholders, and the exercise price was recalculated in accordance with the terms and conditions in the share option plan.The new exercise price is SEK 273.90 for options expiring in May 2007.

Distribution of issued warrants and stock options:

Warrants and stock options granted	CEO	Senior executives	Key personnel	Total
Stock option programme 2001	108,810	533,169	919,445	1,561,424
Options exercised	–108,810	–340,938	–217,620	–667,368
Options forfeited	–	–174,096	–690,944	–865,040
Options 2001 programme outstanding as per 31 December 2006	–	18,135	10,881	29,016
Share option programme 2005, warrants	33,333	64,791	35,209	133,333
Share option programme 2005, stock options	66,666	129,582	70,418	266,666
Share option programme 2006, warrants	33,100	45,523	30,500	109,123
Share option programme 2006, stock options	66,200	91,046	61,000	218,246
Total options granted	**199,299**	**349,077**	**208,008**	**756,384**
Options forfeited	–	–	–6,000	–6,000
Options outstanding as per 31 December 2006	**199,299**	**349,077**	**202,008**	**750,384**

The three programs' current outstanding options corresponds to a 0.4% dilution of votes and 1.1% of the share capital.

NOTES

Options outstanding	2006 No of options	2006 Weighted exercise price	2005 No of options	2005 Weighted exercise price
Options outstanding at 1 January	**1,096,383**	**265.63**	870,480	294.50
Warrants issued during the year	**109,123**	**417.70**	133,333	239.30
Options issued during the year	**218,246**	**413.30**	266,666	235.80
Options exercised during the year	**−667,368**	**273.90**	–	–
Options forfeited during the year	**−6,000**	**324.55**	–174,096	294.50
Options outstanding at 31 December	**750,384**	**310.17**	1,096,383	265.63

The weighted exercise price is recalculated for the redemption of the shares in Metro International S.A..

The weighted share price at exercise day was SEK 278.60 for stock options exercised during the period.

Outstanding options as per 31 December 2006 have an exercise price between SEK 235.80 and SEK 417.70, and the weighted average price is SEK 310.17. The weighted average remaining contractual life is 1.8 year.

The calculated fair value of services received in return for share options granted were calculated based on the Black & Scholes method. The expected volatility is based on historical values. Further, it has been assumed that 10% of the personnel will leave during the period.

	Share option programs			
	2006 Warrants	Stock options	2005 Warrants	Stock options
Expected volatility %	**30**	**30**	30	30
Expected life of options (years)	**3**	**3**	3	3
Expected dividends	**–**	**–**	–	–
Risk free interest rate %	**3.31**	**3.31**	2.13	2.13

Terms and conditions	Options outstanding Number	Acquisition price (SEK)	Share per option	Theoretical fair value	Exercise price recalculated (SEK)	Exercise date
Stock option programme 2001	29,016	–	1	–	273.90	5 May 2007–10 October 2007
Share option programme 2005, warrants	133,333	42.89	1	–	239.30	15 May 2008–10 October 2009
Share option programme 2005, stock options	263,666	–	2	49.52	235.80	15 May 2008–10 October 2009
Share option programme 2006, warrants	109,123	61.90	1	–	417.70	15 May 2009–10 October 2010
Share option programme 2006, stock options	215,246	–	2	54.82	413.30	15 May 2009–10 October 2010

Employee expenses (SEK million)	2006	2005
Share options granted in 2001/2002	**5.0**	7.9
Share options granted in 2005	**11.6**	4.5
Share options granted in 2006	**4.2**	–
Total expense recognised as employee costs	**20.8**	12.4

Parent company Employee expenses (SEK million)	2006	2005
Share options granted in 2001	**4.9**	–
Share options granted in 2005	**7.2**	–
Share options granted in 2006	**1.1**	–
Total expense recognised as employee costs	**13.2**	–

Parent company Options	Number	Weighted exercise price
Warrants issued 2005	**78,083**	239.30
Stock options issued 2005	**156,166**	235.80
Warrents issued 2006	**66,246**	417.70
Stock options issues 2006	**132,492**	413.30
Outstanding options 31 December 2006	**432,987**	318.58

Terms, prices and basis of calculations are the same as for the Group.

NOTES

NOTE 26
AUDIT FEES (SEK MILLION)

Group	2006	2005
KPMG, audit services	**9.1**	7.0
KPMG, other services	**0.7**	0.8
Ernst & Young, audit services	**0.6**	0.1
Ernst & Young, other services	**0.1**	0.4
Other auditors (audit services)	**0.5**	1.2
Total	**11.1**	9.4

Parent Company	2006	2005
KPMG, audit services	**2.1**	0.5
KPMG, other services	**0.1**	0.2
Ernst & Young, audit services	**0.1**	0.1
Ernst & Young, other services	**–**	–
Total	**2.3**	0.8

Auditing assignments have involved the examination of the Annual Report and financial accounting and the administration by the Board and the CEO, other tasks related to the duties of a company auditor and consultation or other services which may result from observations noted during such examination or implementation of such other tasks. All other tasks are defined as other assignments.

NOTE 27
SUPPLEMENTAL CASH-FLOW INFORMATION (SEK MILLION)

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

Group	2006	2005
Income/loss from sales of securities	**–**	–388.8
Gain from CTC Media, Inc. IPO new share issue	**–241.2**	–
Depreciation and amortisation	**220.0**	145.5
Divestment of fixed assets	**–1.6**	–4.1
Minority share in earnings	**–**	–4.9
Share in the earnings of associated companies	**–458.4**	–227.1
Share in tax expense of associated companies	**145.5**	73.5
Dividends from associated companies	**27.4**	30.3
Change in deferred tax asset	**96.9**	94.3
Change in provisions	**100.7**	6.8
Unrealised exchange differences	**–16.4**	55.0
Total	**–127.0**	–219.6

OTHER INFORMATION
CASH PAID FOR INTEREST AND CORPORATE TAX

Group	2006	2005
Interest	**72.5**	69.8
Corporate income tax	**225.0**	131.1
Total	**297.5**	200.9

Parent company	2006	2005
Interest	**53.2**	64.4
Corporate income tax	**–**	–
Total	**53.2**	64.4

NOTE 28
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.

NOTES

During 2004, Invik and Kinnevik was 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 12) and associated companies (see note 12).

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

BUSINESS AGREEMENTS WITH RELATED PARTIES

The MTG Group 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.

The MTG Group rents office space from Kinnevik.

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

The MTG Group 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.

The MTG Group purchases advertising from Metro.

The MTG Group purchases consulting services from Shared Services, Foreign Value, Shared Value and Search Value. Shared Value was by the end of 2006 no longer a related company.

The MTG Group purchases internal audit services from Audit Value.

OTHER TRANSACTIONS

In July 2006, 46,569,243 class A and 93,138,486 class B shares were distributed by MTG to its shareholders. The distribution had a market value of SEK 1.5 billion at the record date.

	Group		Parent company	
	2006	**2005**	**2006**	**2005**
Revenues				
Invik Group	**0.8**	3.1	**–**	0.6
Transcom	**0.2**	–	**0.2**	–
Kinnevik Group	**0.1**	0.2	**0.1**	0.1
Tele2 Group	**67.9**	56.2	**1.0**	–
Metro Group	**23.6**	18.9	**1.2**	0.9
Other related companies	**8.6**	9.0	**0.0**	–0.4
Total revenues	**101.3**	87.4	**2.5**	1.3
Operating costs				
Invik Group	**6.7**	7.4	**5.3**	6.4
Transcom	**154.8**	145.2	**0.0**	0.0
Kinnevik Group	**3.0**	2.4	**3.0**	0.2
Tele2 Group	**36.0**	29.5	**6.8**	2.9
Metro Group	**6.7**	17.9	**0.1**	0.1
Other related companies	**17.2**	20.9	**11.8**	20.9
Total operating costs	**224.4**	223.3	**27.0**	30.5
Accounts receivable				
Invik Group	**–**	–	**–**	–
Transcom	**0.9**	0.6	**0.0**	–
Kinnevik Group	**–**	4.4	**–**	–
Tele2 Group	**8.0**	11.4	**0.0**	0.2
Metro Group	**2.4**	2.9	**–**	0.7
Other related companies	**0.8**	3.8	**0.0**	0.3
Total Accounts receivable	**12.0**	23.0	**0.0**	1.2
Accounts payable				
Invik Group	**–**	1.4	**–**	0.6
Transcom	**31.1**	6.7	**–**	–
Kinnevik Group	**0.5**	–	**0.5**	–
Tele2 Group	**4.0**	5.4	**0.9**	0.5
Metro Group	**1.8**	4.5	**0.0**	–
Other related companies	**4.5**	0.6	**4.4**	0.3
Total Accounts payable	**41.9**	18.7	**5.9**	1.5

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

NOTE 29

LONG-TERM RECEIVABLE, GROUP COMPANIES (SEK MILLION)

Accumulated acquisition values	2006	2005
Parent company		
Opening balance 1 January	**1,699.5**	1,594.5
Purchases	**145.1**	157.9
Payments	**–30.1**	–56.6
Reclassification	**–**	0.5
Translation differences	**–3.5**	3.4
Closing balance 31 December	**1,811.1**	**1,699.5**

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 by the Board of Directors on 5 March, 2007. 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 9 May, 2007.

Stockholm, 5 March, 2007

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 15 March, 2007

KPMG Bohlins AB

Ernst & Young AB

Carl Lindgren
Authorised Public Accountant

Erik Åström
Authorised Public Accountant

AUDIT REPORT

To the annual meeting of the shareholders of Modern Times Group MTG AB
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 for the year 2006. The company's annual report are included in this document on pages 54–98. 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 contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts 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 sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 15 March, 2007

KPMG Bohlins AB

Ernst & Young AB

Carl Lindgren
Authorised Public Accountant

Erik Åström
Authorised Public Accountant

DEFINITION AND 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 including 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 average 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.

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

Analogue
A signalling technology in which signals are conveyed by continuously varying, among other things, the frequency, amplitude or phase of the transmission.

ARPU
Annualised Average Revenue per User calculated for premium subscriber

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

Digital
A signalling technology in which a signal is encoded into digits for transmission.

DTH
Direct-to-home transmission of television programs to customers with parabolic satellite dishes and receivers.

DVB-H
Digital Video Broadcasting-Handheld is a technical specification for bringing broadcast services to handheld receivers

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

IP-TV
IPTV (Internet Protocol Television) is a system where a digital television service is delivered using the Internet Protocol over a network infrastructure, which may include delivery by a broadband connection.

IPO
An initial public offering (IPO) is the first sale of a corporation's common shares to investors on a public stock exchange.

Penetration
Share of households with access to the media in question.

Premium subscriber
Subscriber with either gold or silver Pay TV package.

PVR
A personal video recorder is a device that records video without videotape to a hard drive-based digital storage medium streaming.

Terrestrial Broadcasting
Transmission of television programming using the VHF frequencies.

Transponder
Satellite-based device that is able to receive signals from uplink facilities and re-transmit them to ground-based receivers.

Video-on-Demand
Video-on-Demand systems allow pay-TV subscribers to select and watch video content as part of an interactive television system.

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THE END

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