

MTG Annual Report 2003

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broadcasting

modern studios



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

MTG's principal broadcasting markets are situated around the Baltic Sea. The Group's broadcasting operations were launched in Scandinavia in the late 1980s and several of its brands have subsequently been cost effectively exported to the high growth Eastern European markets, including the Baltic states, Russia and Hungary, and during 2003 also to some additional high growth markets in Eastern Europe. MTG has also established worldwide operations in the provisioning of subtitling and dubbing services. Furthermore, MTG has developed direct response TV by launching home shopping channels that now reach 100 million households, and has optioned its reality TV formats to over 60 countries worldwide.

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

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



TV-shop



radio



sdi media



Modern times

Different times require different management skills. This has been particularly true over the last three years, during which our industry has gone through the deepest recession since the 1930s. Strict cost control and a strong balance sheet served us well during this period. We managed the downturn but aim for more: Our ambition remains to be a company 'on the move', a company dedicated to innovation and a company that is the home of entrepreneurs.

We understand that this ambition can only be afforded if core assets are well managed and your people support the balance between operating and developing a company.

We have been working on both the operational and the entrepreneurial aspects during 2003. We refocused our energy in the core business on the value that our brands stand for - delivering the product that the customer wants for the lowest possible price and providing the best customer care.

We expanded our business rapidly into new territories and have become the number one Free-TV broadcaster in the Baltic states, and, most importantly, the number one private commercial channel in Russia. We also became established in Hungary; CDON became the largest CD, DVD and games online retailer in the Nordic countries and Sonet commissioned the first English language feature film. We took a strategic position in the betting market; we decided to launch three new branded sports channels in Scandinavia; and last, but not least, we launched the successful TV1000 and Viasat Explorer channels in Eastern Europe and already had over a million subscribers shortly after launch.

This strategy has paid off: MTG delivered its best results in the history of the company, MTG has one of the strongest balance sheets in the industry today and is extremely well positioned in Eastern Europe, which is the only area of Europe that expects double-digit growth levels in the coming years.

But we remain hungry and continue to challenge monopolists that try to

defend their positions at the cost of the customer. TV4 in Sweden will lose its dominant market position as TV3's ratings and penetration increase further; Boxer has to lose its distribution monopoly in the digital terrestrial television network, as they do not act in the interests of the viewer; and the betting and gaming market in Scandinavia is already losing its monopolistic structure as new challengers, including MTG, enter the market.

Pay-TV will grow both in terms of subscribers and revenue per subscriber, and we are committed to expand the Viasat portfolio of sport rights. We are focused on growth in this business, which should deliver the high margins the business has recently enjoyed on the back of a maturing subscriber base. As always, we will expand our business geographically by entering new markets in emerging countries.

We decided to focus the majority of our resources in 2003 on strengthening the position of the Viasat Broadcasting operations where our Pay and Free-TV companies are among the most successful in their respective territories. We therefore closed down the Publishing business area at the beginning of 2003. Our opportunities for growth in the Broadcasting area will lead to further investments, and we hold a strong position in many emerging media markets.

We invested in new programming during 2003 in order to increase our share of viewing. We started to build our programming portfolios again after the slump in the advertising markets and acquired rights to a number of popular sports events, including highlights of Sweden's premier football league, the Swedish national football team matches and the UEFA Champions' League. We acquired several popular drama series including 'Top Model,' 'Fab 5' and 'Real Life', which quickly became successes in their respective markets. Finally, we increased spending on a number of our own productions such as 'Fame Factory', 'Robinson', drama series like 'Paragraf 9' and documentaries. These investments were rewarded with



increased commercial share of viewing for the Viasat channels. We believe there are still more growth opportunities in most of our markets and we will continue to invest in new programming in 2004.

We have expanded our successful Pay-TV channels into new territories. We launched TV1000 and Viasat Explorer in new territories in Eastern Europe in early 2003 and we had 1.7 million subscribers by the year-end. Average revenue per subscriber is still limited compared to Scandinavia, but the significant growth opportunities illustrate the value of MTG's investments in the future.

New channels were also recently launched in Scandinavia. We are committed to being the region's leading sports broadcaster and we have launched two new sports channels to draw on our portfolio of broadcasting rights to leading local and international sports events. We will carve out more attractive niches in the future and make further investments in order to ensure that Viasat is always the number one choice of those who want to watch high quality TV entertainment.

We also focused on increasing the penetration of our channels in 2003. MTG's Viasat channels are typically challengers in their respective markets. The channels are therefore usually operated outside the monopolistic terrestrial licensed environment, which is why we always deliver competitive cost bases, innovation and strong programming schedules. New technology is creating new distribution methods and enabling more households to access our channels. Given our already competitive cost base and attractive content offering, MTG has everything to gain from increasing penetration. This will be achieved by acquiring new subscribers, increasing penetration through new licenses to broadcast our channels in the digital terrestrial network and by embracing new distribution technologies such as ADSL. The number of digital Pay-TV subscribers increased to 629,000 by the end of 2003 and we also applied for licenses to broadcast the TV3, ZTV and TV8 channels in the Swedish digital terrestrial network. The Swedish Ministry of Culture awarded licences for all three channels at the beginning of 2004.

We are in the process of switching to a new secure encryption system on our Pay-TV platform. Piracy has had a negative impact on our business and Viasat has therefore experienced unacceptably high churn levels. Churn is very expensive, as we fight hard for every new subscriber. We take great pride in being the price

leader in our industry but we cannot beat pirates on price when we are effectively paying for their operating expenses by providing the signal and the decoders. We are therefore pleased that the implementation of the new secure encryption system is proceeding according to plan. Our objective remains to complete the implementation by the middle of 2004 and to eliminate piracy from the platform.

Our mantra is: sales, showmanship and cost control. All three elements are instrumental in creating value for our shareholders in a competitive environment, delivering the products that customers want at competitive prices.

Management attention in 2003 was dedicated to cost control and investment for growth. We made investments, and we delivered the best results in the company's history. For us, this is business as usual and you should expect no less than that. We will continue to deliver on our value enhancing mantra.

I would like to thank our shareholders for their support, our employees for their hard work and, most of all, our customers for their well-founded confidence in our products and their loyalty.

The company is 'on the move' at many levels and we are well on the way to establishing MTG as one of Europe's leading broadcasters: Modern Times for MTG.

At your service,



Hans-Holger Albrecht



We have expanded our successful Pay-TV channels into new territories.

Modern Responsibility

Part of MTG's commitment to its customers including advertisers, subscribers, viewers, and listeners in countries around the world is an ambition to invest back into the communities that they live in. MTG has therefore been involved in a number of initiatives and programmes over the past few years with this objective in mind.

The various efforts of local MTG operations around the world have found a uniting purpose in 'The Glocal Forum'. The Glocal Forum was established as a non-profit organization in 2001 by MTG's founder and former Chairman Jan Stenbeck and Uriel Savir, President of the Peres Centre for Peace and Chief Negotiator of the Oslo Peace Accords. MTG is one of the key sponsors of the Forum, along with Tele2, Millicom International Cellular and Metro International.

The work of the Forum focuses on maximizing the benefits of globalization, which is the process whereby economies, societies, cultures and governments are becoming part of global networks but retain their particular local identities and challenges.

Globalization is especially evident in the world's cities – densely populated urban environments where wealth and poverty co-exist in close proximity. The Forum is both an agent of, as well as a catalyst for change, acting as an intermediary with a number of leading organizations in the world including The United Nations and The World Bank.

The Forum held its inaugural 'Globalization Conference' in Rome in May 2002, which drew mayors together from 50 cities around the world. The conference provided a forum to discuss the future of the world's urban populations, to establish a global network of local leaders and citizens and to launch a series of initiatives encouraging sustainable development.

One of these initiatives is the establishment of 'The Glocal Youth Parliament', which is a body of 90 young representatives from over 45 cities around the world. The Parliament is developing an urban agenda for 2020 and lobbying for this agenda both locally and globally. By connecting these local initiatives into a global network, such bodies can begin to effect change across the world through the sharing of ideas and resources.

The conference culminated in the 'Time for Life' concert, which was the first event to be held in Rome's historic Colosseum since

the year 404 AD. The concert included Ray Charles, Nicola Piovani, Carola Häggkvist and many others. Coverage of the concert was aired in 11 countries around the world. The 2004 'We Are The Future' conference and concert takes place in May and MTG is again heavily involved in the planning to promote and broadcast the event.

The Glocal Forum has also forged a partnership with the world famous music producer Quincy Jones and his 'Listen Up Foundation' and The World Bank, in order to establish 'We Are The Future' centers for childcare in conflict and post-conflict areas around the world. The first centers are being set up in Kigali, Addis Ababa, Asmara, Freetown, Kabul, Nablus and Rishon Le-Zion and will focus on providing for the nutrition, health and education related needs of children in each city.

MTG's other activities in the field of corporate and social responsibility include the annual 'Song for the Homeless' concert, which has been held in Stockholm every December for the last

seven years. Famous local bands perform live at the event, which is arranged in cooperation with the 'Stockholms Stadsmission' charity. Ticket sales are donated in full to provide shelter for the homeless, and advertisements on MTG's Viasat channels encourage the viewing public to make contributions.

MTG's channels regularly cooperate on the dedication of TV and radio airtime to promote the work of, and appeal for contributions to organizations including the BRIS Children's Charity, the World Childhood Foundation, Friends, UNICEF, Natravene, Kirkens Nødhjelp, MS Forbundet, Nasjonalföreningen for Folkehelsen, Norges Handicapforbund, Redd Barna, Røde Kors, Reklame for alvor, Population Services International and Children of the World. TV3 Estonia was awarded the 2003 annual UNICEF Bluebird Award for its coverage of UNICEF events and promotion of the organization's activities over the past few years.

TV3 Lithuania originated and managed a special campaign at the end of 2003 to help the 4,000 children living in 58 orphanages across Lithuania. Nomeda – the famous host of Lithuania's most popular daily talk show – led the campaign as a parent who had adopted an orphaned child herself and was supported by leading public figures.



The Glocal Forum was established as a non-profit organization in 2001 by MTG's founder and former Chairman Jan Stenbeck and Uriel Savir








The Forum held its inaugural 'Glocalization' conference in Rome, which drew together Mayors from nearly 50 cities around the world to discuss the future of the world's urban populations.

The campaign ran on air over two months and culminated in a two and a half hour telethon on the final night, which attracted 1.6 million viewers. The event broke the record for the amount of money collected through such an initiative and became one of the most talked about events of the year. All funds raised by the project were used to support the work of the orphanages. A new TV programme will be aired during the spring to show how the project has positively affected life in the orphanages.



Famous local bands and artists performed live at the 'Song for the homeless' concert, which is held annually in Stockholm.

group overview

Description	Share of Group revenue %	Brands
 <p>Broadcasting</p> <p>Viasat Broadcasting is the largest Free-TV and Pay-TV operator across the Nordic and Baltic regions. The Group also has Free-TV and Pay-TV operations in Eastern Europe and Russia and teletext operations in Spain. Viasat Broadcasting broadcasts 25 own-produced TV-Channels, including the leading TV3 and TV1000 branded entertainment channels, and 25 third party channels to a total of fourteen countries, reaching approximately 50 million people every day.</p>	70.0%	<p>Own-produced channels</p> <p>Free-TV TV3 ZTV TV3+ 3+ Viasat 3 Tango TV DTV Pay-TV TV1000 TV1000 Cinema Viasat Nature Viasat Action TV8 Viasat Sport Viasat Explorer Viasat Music</p> <p>Viasat Guide Everytext Pay-per-view Viasat Ticket Third party channels BBC World Bloomberg Television CNN MTV Nickelodeon VH-1 History Channel Fox Reality TV Playboy TV Playboy TV+ Hallmark The Travel Channel</p> <p>DR1 DR2 NRK1 NRK TO RTL The Disney Channel ORT NTV TV Chile SVT1 SVT2 24 Barnkanalen SVT Extra Equity participations TV4 (15.1%) CTC, (StoryFirst Communications, Inc. 29%)</p>
 <p>Modern Studios</p> <p>Modern Studios produces entertainment programming for Viasat and third party broadcasters and has optioned its reality formats to 60 countries. Modern Studios also produces, markets and distributes blockbuster cinema movies, leading book titles by well known authors and high quality customer magazines for corporate clients.</p>	11.0%	<p>Strix Television Sonet Film Modern Entertainment Modern TV Modern Sports & Events Brombergs Redaktöremna Financial Hearings</p>
 <p>Radio</p> <p>MTG Radio is the largest commercial radio operator in the Nordic and Baltic regions. MTG Radio owns or has equity stakes in the largest commercial radio broadcasting networks in Sweden, Norway and Finland, and is growing its market share in Latvia, Estonia and Lithuania. MTG Radio's stations reach over 3 million daily listeners.</p>	2.6%	<p>Own produced RIX FM Power Hit Radio Lugna Favoriter Star FM Metro FM XL Format</p> <p>Equity Participations P4 Radio Hele Norge (33%) Radio Nova (17%)</p>
 <p>TV-Shop</p> <p>TV-Shop is one of the largest TV home shopping channels in Europe, broadcasting to approximately 100 million homes in 52 countries. The business area includes two direct response TV home shopping channels (TV-Shop and PIN24) as well as CDON – the leading Scandinavian internet retailers of CDs, DVDs, electronic games and books.</p>	11.1%	<p>TV-Shop PIN24 CDON.COM NoName4Us</p>
 <p>SDI Media</p> <p>SDI Media Group is a worldwide supplier of translation, subtitling and dubbing services for the creative content industries with a network of international operations located in key markets throughout Europe, Asia and the Americas.</p>	5.3%	<p>SDI Media Group</p>

Board of directors



From left:

Asger Aamund (born 1940) Member of the Board of MTG since 2000. Asger is the majority shareholder in Bavarian Nordic Research Institute and NeuroSearch, both of which are listed on the Copenhagen Stock Exchange. He has many years' experience in top management positions and on the Boards of Danish enterprises, and currently serves as Chief Executive Officer of A.J. Aamund.

Cristina Stenbeck (Born 1977) Member of the Board of MTG since 2003. Vice Chairman of Industriförvaltnings AB Kinnevik, Invik & Co and Metro International. Member of the Board of Millicom International Cellular, Tele2 and Transcom Worldwide.

Pelle Törnberg (born 1956) Member of the Board of MTG since 2001. Pelle started Strix, Kinnevik's first TV production company, in 1987. He subsequently established and launched several of the media operations that currently make up MTG. In 1993, Pelle assumed responsibility for all of Kinnevik's media companies. When shares in Metro International were distributed to MTG's shareholders in August 2000, he chose to become President and CEO of Metro. He is also on the Board of MediaCorp Singapore.

David Chance (born 1957), BA Economics, BSc Psychology, and MBA. Chairman of the Board and has been a Member of the Board of MTG since 1998. David previously served as Vice President of BSKyB. As head of overall strategy and business activities, David was part of making BSKyB into one of the world's most successful television companies. He joined BSKyB in 1989 when he was recruited from Société Européenne de Satellites (SES), which owns and operates the Astra satellite. Prior to that, he worked for seven years in the US television industry. Member of the Board of InterTrust, Viasat Broadcasting UK and Granada Media Group.

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

Hans-Holger Albrecht (born 1963), is President and CEO of MTG. Hans-Holger has been active in MTG since 1997 as Head of the Pay-TV operations, and following the merger of the Pay- and Free-TV operations, as President of the entire business area. He became Chief Operating Officer of MTG in May 2000, and President and CEO in August 2000. He previously worked for Daimler-Benz and with the CLT media group in Luxembourg, where he was responsible for all television activities and development in Germany and Eastern Europe. Hans-Holger was also responsible for SuperRTL and CLT's Digital-TV project. Hans-Holger is not a member of the Board of Directors.

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

Executive management



For our shareholders and the financial markets

From left:

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

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

Mia Brunell (born 1965), Chief Financial Officer. Mia has worked at MTG since 1992 as Financial Manager for TV1000, Controller for the Pay-TV business area and Controller for the entire Viasat Broadcasting business area. She became Group Controller for MTG at year-end 2000 and Chief Financial Officer in March 2001.

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

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

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

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

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

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

Barry Perlestein (born 1964), President of the SDI Media Group. Barry was promoted to President of the SDI Media Group in the fall of 2003. Barry joined the company in 1999 and has previously served as President of SDI Media USA. Barry was previously a management consultant with McKinsey & Co.

Anna Carrfors Bråkenhielm (born 1966), Managing Director of Strix Television. Anna joined Strix Television in 1990 and was appointed Head of Development and Formats in 1994. She was appointed Managing Director of Strix Television in 1996.

Executive management



For our friends and the monopolists...

From left: Jørgen Madsen, Yggers Mortensen, Eivind Schackt, Mia Brunell, Andrew Barron, Hans-Holger Albrecht, Anders Nilsson, Christina Bellander, Hein Espen Hattestad, Barry Perlstein.

Five years with MTG

SEK million	2003	2002	2001	2000	1999
Net Sales	6,311	6,023	6,402	5,431	4,491
Gross Income	2,369	2,084	2,298	1,954	1,309
Income from corporate development	–	–	–	8	–3
Income from sales of securities	–	163	–	106	–
Expensed option premium for TV1000	–	–	–	–	–68
Metro Sweden sales company	–	–	–	32	–
Viasat Digital project	–	–	–15	–555	–
Close-down costs and non-recurring costs	–	–126	–	–	–
Operating income/loss	542	267	360	–227	87
Income/loss after financial items, excluding interest on convertible bond debentures	423	60	317	–271	63
Net income/loss	289	–67	121	–296	–50
Balance sheets					
Fixed assets	2,879	3,070	3,109	2,905	1,599
Current assets	2,837	3,114	3,832	3,135	2,525
Total assets	5,716	6,184	6,941	6,040	4,124
Shareholders' equity	2,145	1,885	1,948	1,790	918
Minority interest	2	16	5	7	23
Provisions	234	173	132	124	125
Long-term liabilities	1,108	1,565	1,518	1,321	687
Short-term liabilities	2,228	2,545	3,338	2,798	2,371
Total shareholders' equity and liabilities	5,716	6,184	6,941	6,040	4,124
Personnel					
Average number of employees	1,481	1,451	1,451	1,445	1,164
Key figures					
Return on total assets %	5%	neg	2%	neg	neg
Return on equity %	13%	neg	6%	neg	neg
Operating margin %	9%	4%	6%	neg	2%
Profit margin %	5%	neg	2%	neg	neg
Equity/assets ratio including convertible %	57%	49%	44%	30%	36%
Equity/assets ratio excluding convertible %	38%	30%	28%	30%	27%
Net debt to equity	41%	43%	46%	29%	46%
Interest coverage ratio	3.25	1.25	3.67	neg	2.13
Net sales per employee, SEK thousand	4,261	4,151	4,412	3,758	3,858
Operating income per employee, SEK thousand	366	184	248	neg	75
Capital Expenditure					
Investments in fixed assets	135	98	106	233	166
Investments in shares	562	481	161	164	142
Per share data					
No of shares outstanding at year-end, incl convertible**	66,375,156	66,375,156	66,375,156	66,375,156	64,685,967
No of shares outstanding at year-end, excl convertible	66,375,156	66,375,156	66,375,156	66,375,156	59,697,732
Denominator for diluted earnings per share**	66,382,520	66,375,156	66,375,156	66,375,156	64,685,967
Denominator for basic earnings per share	66,375,156	66,375,156	66,375,156	66,375,156	59,697,732
Market closing price on the last trading day of the year	151.50	70.50	231.00	250.00	422.00 *
Diluted earnings per share**	4.36	–1.00	1.82	–4.62	–0.84
Basic earnings per share	4.36	–1.00	1.82	–4.62	–0.84
Diluted shareholders' equity per share	32.31	28.40	29.35	26.97	15.38
Basic shareholders' equity per share	32.32	28.40	29.35	26.97	15.38
P/E ratio	35	–	127	–	–
Cash dividend/proposed cash dividend	–	–	–	–	–

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

** The Group has issued convertible debenture loans that may be converted into 2,790,994 new class B shares and a share option program comprising 2,052,840 new class B shares. Only a small part of these programs are included in the dilution, as the conversion prices on most options are significantly higher than the market price as of December 31, 2003.

2003

- ★ TV3 Scandinavia recovers share of viewing and advertisement sales
- ★ Eastern European operations profitable on a combined basis
- ★ Pay-TV record operating income SEK 505 million
- ★ Viasat signs agreement with NDS VideoGuard to eliminate piracy
- ★ Launch of Pay-TV-channels TV 1000 and Viasat Explorer in Eastern and Central Europe

Group history

1987 TV3 launched in Sweden on New Year's Eve as Scandinavia's first commercial TV channel.

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

1989 TV1000 Pay-TV channel launched and TV-Shop sells products and services on TV3.

1990 TV3 achieves 45% penetration in Sweden and commands 90% of TV advertising market. Acquisition of majority shareholding in Svensk Text (SDI Media).

1991 TV3 reports annual profit. TV4 granted license as Sweden's third terrestrial TV station. Kinnevik acquires 30% shareholding in TV4. Launch of Viasat DTH satellite Pay-TV platform.

1992 ZTV's first year as independent channel.
Kinnevik's media companies report annual profit.

1993 P4 Radio Hele Norge receives national commercial radio broadcasting license in Norway. First commercial radio licenses obtained in Sweden. TV3 commences Teletext broadcasting. Terrestrial TV channels launched in Estonia and Lithuania.

1994 TV4 becomes largest channel in Sweden.
TV6 launched

1995 MTG incorporated as Kinnevik subsidiary.
Metro launched in Stockholm.

1996 Satellite TV distribution platform switched from Astra to NSAB. RIX FM radio network formed through mergers. ZTV and TV6 merged to form 3+ in Denmark.

1997 Shares in MTG distributed to Kinnevik shareholders and listed on Stockholmsbörsens 'SBI' list and Nasdaq National Market in New York. Second Metro edition published in Prague. Strix becomes first company in the world to produce the Survivor reality TV format

1998 TV3 acquires TV channel in Latvia. Viasat's satellite TV subscribers exceed one million. Commercial radio operations launched in Estonia and Latvia. Metro launches editions in Gothenburg and Budapest.

1999 Metro launched in Malmö, Helsinki and the Netherlands. Swedish business channel TV8 acquired. MTG's shares listed on Stockholmsbörsen O-list.

2000 Annual General Meeting approves distribution of Metro International S.A. share capital to MTG shareholders. Hans-Holger Albrecht appointed President and CEO of MTG. Viasat3 begins broadcasting in Hungary. PIN24 launches on Sky TV's platform in UK.

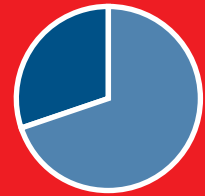
2001 Viasat switches off analogue transmission of premium Pay-TV channels following successful transition to digital TV. MTG acquires 75% of Russian national commercial TV channel DTV. Options to Strix reality TV formats sold in over 30 countries to date. Viasat launches four new digital Pay-TV channels in Nordic region. EUR120 million convertible subordinated bonds issued to fund further expansion.

2002 Acquisition of 37% in StoryFirst Communications Inc., owner of CTC, the second largest privately owned commercial channel in Russia (current ownership of 29.1% is due to subsequent stock issue). MTG acquired Swedish radio stations Lugna Favoriter and launched Metro FM radio station in Sweden. Shopping channel PIN 24 launched in Germany, Austria and Switzerland. Tango TV launched in Lithuania. The number of Viasat digital subscribers exceeds 600,000.



Viasat Broadcasting is the largest Free-TV and Pay-TV operator across the Nordic and Baltic regions. The Group also has Free-TV and Pay-TV operations in Eastern Europe and Russia and teletext operations in Spain. Viasat Broadcasting broadcasts 25 own-produced TV channels, including the leading TV3 and TV1000 branded entertainment channels, and 25 third party channels to a total of 14 countries, reaching approximately 50 million people every day.

share of group revenue



Viasat broadcasting 70.0%

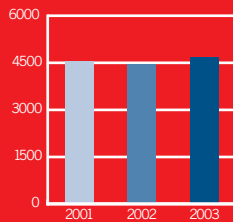
broadcasting

- ★ One of the highest Pay-TV margins in Europe
- ★ TV3 recovers share of viewing and advertisement sales
- ★ Eastern European broadcasting area profitable

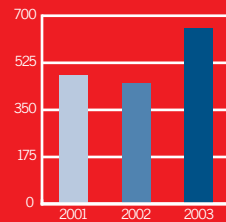
Star Quality – the world's leading stars brought to your home by Viasat.



net sales, msek



ebit, msek



Thousands of DTH subscribers	Dec 2003	Dec 2002
Total subscribers	911	994
- of which, digital subscribers	629	617
Viasat Digital Premium subscribers	439	451
Viasat Digital Basic subscribers	190	166

Continued expansion of successful format leading to increased commercial share of viewing

Viasat Broadcasting

Viasat Broadcasting is the largest Free- and Pay-TV operator across the Nordic and Baltic regions. The Viasat Broadcasting area operates 25 own-produced entertainment channels, which reach approximately 50 million people in 14 countries every day. In total, there are 269 million people living in the markets served by MTG's Free- and Pay-TV channels. Viasat's Free- and Pay-TV channels are distributed from London via Viasat's own satellite distribution platform direct to homes in Sweden, Norway, Denmark and Finland, as well as via third party terrestrial and cable networks in Scandinavia, the three Baltic states (Estonia, Latvia and Lithuania), the Western CIS states of Moldova and Belarus, Romania, Bulgaria, Hungary, Poland and Russia. The Viasat play-out facility in London is Europe's most efficient broadcasting centre, employing only 132 people to centrally manage programme and channel acquisition, scheduling, on-air promotion and the play-out of most of Viasat's own-produced channels. The broadcasting division accounts for about 70% of MTG's revenues. Viasat generates approximately half of its revenue

Client quote



"TV3 is the perfect link between our products and our customers thanks to a wide selection of international and local programs. Their creativity is their strength and the base of our long-term co-operation."
Frédéric Herlin, General Manager Consumer Products Division Sweden, L'Oréal

es from the sale of air time to advertisers on its leading mass-market and niche channels, and half from fees paid either by subscribers to its Pay-TV packages and interactive services or by third party broadcasters to air Viasat channels on their networks.

MTG also provides Teletext services to the Viasat channels in the Nordic region and to 14 independent TV channels in Spain, which reach almost all Spanish TV households.

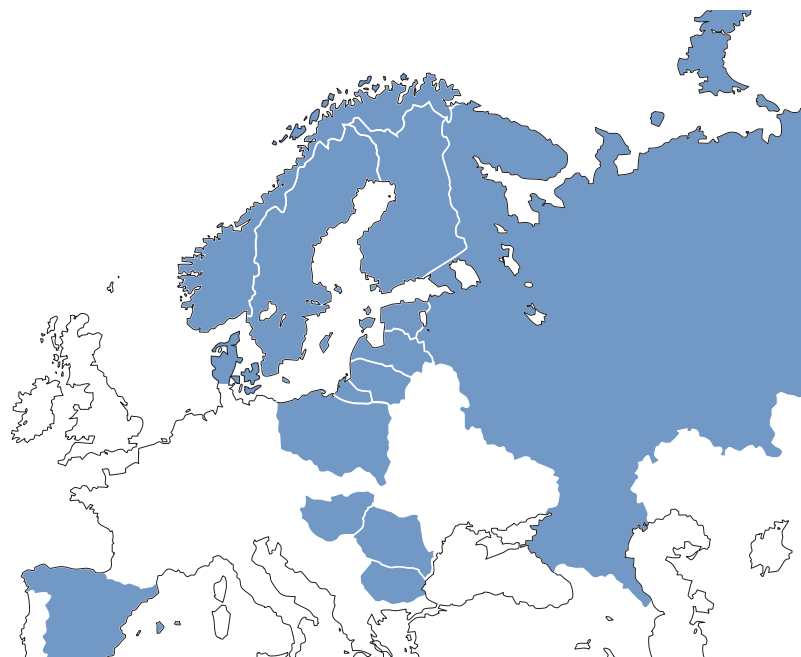
The broadcasting division reported a sales increase of 5%, up to SEK 4,664 (4,451) million for 2003. Operating income increased to SEK 653 (449) million, principally reflecting the strong Pay-TV margins, which were principally derived from a more mature subscriber base and the impact of a lower US dollar rate, as well as the profitability improvements in the Eastern European activities.

Viasat Pay-TV

Viasat markets a portfolio of Pay-TV packages to subscribers in Sweden, Norway, Denmark, Finland and the Baltics. The packages range from Basic to Premium subscriptions. The Basic package enables subscribers to access Viasat's TV3, ZTV and 3+ Free-TV channels, the local public service channels, access to pay-per-view television (Viasat Ticket) and two bonus channels in Sweden and Norway. The number of digital basic package subscribers increased by 14%

countries

Belarus	Hungary	Poland
Bulgaria	Latvia	Romania
Denmark	Lithuania	Russia
Estonia	Moldova	Spain
Finland	Norway	Sweden





1. The Ice Hockey World Championship in 2003 resulted in a record number of viewers for TV3 Sweden of almost 2.4 million.
2. TV3's new show 'The Simple Life', aired from January 2004, follows the daily struggles of the multi-millionaire heiresses Paris Hilton and Nicole Richie in their new home on a farm in Arkansas.

during the year to 190,000. The premium packages include all of the above as well as a wide range of special interest channels and premium sports and movie channels. Viasat's premium subscriber base declined in 2003 to 439,000 from 451,000 subscribers due to the continued impact of piracy in the Scandinavian markets. The total number of digital Pay-TV subscribers increased to 629,000 from 617,000 at the end of 2002.

The Viasat Pay-TV platform is unique in the region, and includes several own-produced channels, such as the well recognized Viasat branded channels – TV1000, Viasat Sport 1, 2 and 3, Viasat Nature, Viasat Action, financial news and current affairs channel TV8, and Viasat Explorer. The platform also carries a range of leading international third party theme channels, including the Disney Channel, CNN, Hallmark, MTV, BBC World, Nickelodeon, Fox News, Bloomberg TV, The History Channel, Playboy, and VH-1. A number of these channels are only available on the Viasat DTH network and carry exclusive content. Viasat's premium movie channel TV1000 increased its operating profit in 2003 to SEK 212 million from SEK 107 million in 2002, due to a more mature subscriber base and the lower US dollar value. TV1000 is distributed on both the Viasat DTH plat-

form and third party networks. TV1000 offers premium movies and sports coverage and is multiplexed in the digital environment as TV1000 Cinema. Viasat has ongoing deals with major Hollywood and Scandinavian film studios and premiered several blockbuster movies during 2003 including 'America's Sweethearts', 'Black Hawk Down', 'Panic Room' and 'A Knight's Tale'.

Churn levels were unacceptably high in 2003 due to continued piracy on the Viasat platform. The process of switching to a new secure encryption service was initiated early in 2003 when Viasat announced that it had commenced the technical implementation of a new conditional access system – NDS's VideoGuard. NDS currently provides the security encryption technology protection for over 30 million active digital smart cards around the world. NDS provides Viasat with encryption codes that are unique to the platform and the territory. The implementation is proceeding according to plan – the first boxes with the new secure technology were sold in November 2003 and the NDS encrypted signal is already being transmitted. Viasat's Pay-TV operating profits increased during the year despite the impact of piracy. This is a result of the maturing subscriber base and positive currency effects.

'Fab 5' in action. The series is a success and is broadcast both in Sweden and in Norway.



TV3 Sweden

TV3 significantly strengthened its position in the Swedish TV market during 2003. New investments in own-produced and acquired programming resulted in improved ratings. TV3 has taken up the battle with market leader TV4 over viewers in the satellite universe, and was the largest channel in Sweden on several occasions during the year.

TV3 had two magical weeks in May as the Swedish national ice hockey team fought to become the 2003 Ice Hockey World Champions. The World Championship was exclusively broadcast on TV3 and this coverage resulted in an all time record audience of 2,385,000 viewers.

TV3 took a major step forward in Swedish drama production when the award winning director Kjell Sundvall directed some of Sweden's leading actors in 'Paragraf 9'. 2003 was also a successful year for favourites such as 'Efterlyst', aired for its 27th season, which makes it the second longest running show in Sweden. 'Efterlyst' achieved its highest share of viewing



1. The 16 Grand Prix races that made up the 2003 Formula 1 Motor Racing World Championship were exclusively broadcast in Denmark on the Viasat channels.
2. Hosts Hasse Aro and Leif GW Persson from the TV crime series 'Efterlyst'. The 27th season saw the best ratings ever.

TV3 strengthened its position in the Swedish TV market during 2003

ever. Reality TV series 'Fab 5' and 'Top Model' were both rating winners whilst the new episodes of 'Sex and the City' and 'E.R.' continued to attract large audiences.

MTG applied for licenses to broadcast in the digital terrestrial network during the fall and was subsequently awarded three licenses in January

2004 for TV3, ZTV and TV8. Viasat also aims to become an operator within the digital terrestrial network. The inclusion of Viasat as an additional operator would create enhanced choice for viewers in the digital terrestrial TV environment.

TV3 significantly increased its ratings in all significant demographic groups during 2003. In the target group of 15-44 year olds, which is core for advertisers, this channel's share of viewing increased from 26.7% in 2002 to an average of 27.9% in 2003, measured amongst the main commercial channels (TV3, TV4 and Kanal 5) in the national universe.

ZTV Sweden

ZTV features entertainment and music programming targeting 15-34 year-olds. The channel achieved all-time high viewing levels during the fall season and has continued to deliver higher viewing shares in the target group aged 15-34 in the satellite universe. The boost in viewing was made possible by increased focus on refining the channel with programming unique to ZTV. The ambition is to further refine the channel schedule and to deliver consistently high ratings amongst its target audience. An agreement with cable service provider Kabelvision enabled ZTV to gain access to another 100,000 television households and increased the channel's penetration to 52%. ZTV's commercial share of viewing increased to 5.6% and ZTV more than doubled the gap to trailing music channel 'MTV' on a national basis.

ZTV became further differentiated during the fall by airing more unique programmes with exclusive events like the Hultsfred Festivalen and Sommarstad Gotland. Swedish reality TV show 'På Riktigt' also achieved ratings successes.

TV3 and TV3+ Denmark

TV3 and sister channel TV3+ are the two most popular satellite and cable TV channels in Denmark. Together they had a commercial share of viewing rated 23% in the target audience of 15-50 year olds in the national universe during 2003. TV3 reaches 1.7 million homes in Denmark, equivalent to 70% of all Danish TV households.

TV3 increased its spending on own productions in the fall in order to increase its commercial share of viewing. The fall schedule included rating winners like 'Robinson', 'Idols' and 'Par på prøve'. The 'Robinson' format was extended to include a new spin-off programme 'Utopia', which attracted a regular audience of 310,000 viewers. 'Idols' was the most watched own production ever in TV3's history, with a 55% commercial share of viewing among 15-34 year olds. 'Par på prøve', which is the Danish version of the 'Wife Swap' format, was the second most watched own production ever on TV3, with as many as 411,000 viewers tuning into the show. The format will run for a second season in the spring of 2004.

Sara Löfgren, one of the most successful participants in Fame Factory, is well on her way to fame. As with several other participants, Sara's songs have made their way up the charts and are frequently played on radio stations in Sweden.





1. 'Sex and the City' - Sarah Jessica Parker, Kim Cattrall and the other girls from the award winning TV series 'Sex and the City'. The series has become one of the all-time favorites on all channels in Scandinavia.
2. The Danish victory over Luxembourg in the European Championship qualification was watched by 978,774 viewers, which makes it the most viewed program at TV3 Denmark during 2003!

The Fall schedule also featured hit US series 'Sex and the City', 'JAG' and 'Charmed'.

TV3 and TV3+ both had extensive coverage of both national and international football championships with exclusive rights to games from the UEFA Champions League and the Danish Football League. The European Championships qualifying clash between Denmark and Luxembourg was aired live on TV3 and watched by 978,774 viewers, which was the largest audience for any programme on TV3 during the year.

TV3 and ZTV Norway

TV3 had a strong recovery from 2002 and increased ratings within commercial share of viewing in the target group 15–49 by nearly 14% in the national universe during 2003, from 13.9% to a 15.8%. TV3 was also the second largest commercial channel in the competitive universe during five out of twelve months. TV3 experienced a strong increase in the fall, being the fastest growing commercial channel in the fourth quarter.

ZTV lost some of its cable distribution in the beginning of January 2003, but still gained commercial share of viewing in the target group 15–49 in the national universe in the fourth quarter. ZTV Norway launched a new fall schedule in November with great success and immediately passed MTV in share of viewing amongst people over twelve years both in November and December.

TV3 is distributed by Viasat and all Norwegian cable networks, reaching 64.3% of Norwegian households. ZTV Norway reaches 38% of the Norwegian households.

The Norwegian advertising market recovered during 2003, and TV3 outperformed the other commercial stations, gaining market shares. The rating success during the fall was due to a stronger performance in all dayparts. This was supported by our strong productions

Top model Tyra Banks created the popular TV series 'Top Model' and she is also executive producer for the show. Top Model is broadcast in both Sweden and Norway.



Teletext page on Spain's largest national commercial channel, Telecinco, provided by Everytext

such as the reality format Robinson, produced by the MTG-owned production company Strix, the gameshow 'Casino', and strong series like 'Sex and the City', 'Homsepatruljen' (Queer eye for a straight guy) and 'Top Model'. The UEFA Champions League is also a very strong event for TV3, and a must see for all football fans.

Everytext

Everytext provides teletext services for the Viasat channels in the Nordic region as well as for 14 channels in Spain including Telecinco, which is Spain's largest national commercial channel and Telemadrid, the largest government owned TV station in Spain's capital city. The Everytext operated pages on Spanish TV attract over 2.1 million daily users, equivalent to a 27% share of viewing.

Everytext provides full production as well as advertising sales for the teletext pages. Sales amounted to SEK 80 (101) million in 2003 and Everytext reported an operating margin of 37.5%.



- 1 Viasat showed both sides of the Iraqi war by broadcasting the American Fox News channel as well as the Arabic news channel Al-Jazeera with live translation.

Eastern Europe

Eastern Europe – Pay-TV

Viasat successfully launched two of its most popular channel formats in Eastern Europe during 2003 – the TV1000 movie channel and the Viasat Explorer documentary and nature channel. Both channels have already attracted large subscriber bases due to competitive pricing levels and popular content.

Viasat Explorer had a combined base of 670,000 subscribers in Estonia, Latvia, Lithuania, Russia, Moldova, Hungary, Bulgaria and Romania by the end of 2003. TV1000 was launched in Belarus, Russia, Moldova, Ukraine and the three Baltic states, and has already passed one million subscribers.

Eastern Europe – Free-TV

TV3 is the most watched commercial television channel in the Baltic region, with a technical penetration of more than 96% in Estonia, Latvia and Lithuania. TV3 reached a record high pan-Baltic commercial share of viewing in December 2003 with 37.8% of viewers between 15–49 years of age. TV3 achieved another record-breaking result in December with an impressive 40.1% share of viewing in the commercially attractive age 15–34 target group. The Pan-Baltic commercial share of viewing amongst the target age group 15–49 in 2003 was 35.0% (32.0%) for the full year. TV3 increased its commercial share of viewing amongst 15–49 year olds in all three markets during 2003.

TV3 Estonia's share grew from 40.7% to 50.0%, advancing its position as the largest channel in the country. TV3 Latvia grew by 9% and achieved a full year commercial share of viewing of 26.6%, compared to 24.5% in 2002. TV3 Lithuania increased its share in a highly competitive market, from 33.4% to 35.0% in 2003 ending the year as the number one channel in Lithuania.

The advertising markets in the Baltics continued to grow in 2003 and TV3 revenues in the Baltics increased by 12% year on year to SEK 254 million. MTG's efficient organization and the advantages of being the largest channel in the region have yielded high incremental margins. Operating profits for Baltic TV operations increased by 24% to SEK 49 million.

Viasat increased its investments in programme acquisition in Lithuania, purchasing high profile sports rights and strong local own productions. The acquired Michael Jackson documentary and the Macaulay Culkin 'Home Alone' movies were the top-rated programmes during the year in all three countries.

Local basketball champions, Zalgiris, once again dominated the sports scene but the biggest sports event of the year was Lithuania's unexpected victory over Scotland in the European Championships qualification round – 50.2% of 15–49 year olds watched the game. Furthermore, TV3 raised charity funds for orphans through another TV event that attracted over 1.6 million viewers. The charity fund increased by 25% during the final two hours of the broadcast and set a new record for the most successful charity collection ever in the country's history.

A charity episode of 'Who wants to be a Millionaire' achieved



Lennox Lewis is one of many great boxers featured on TV1000's boxing coverage.



1. Scotland and Lithuania battling it out in the qualification game for the European Championships. This match was the biggest sports event of the year on TV3 Lithuania with 50.2% share of viewing (age 15-49).
2. The host of the CTC program, Morning show with 'Kirkorov'.

Estonia launched a local social drama series, which was an immediate success

top ratings in both Latvia and Estonia, further extending the worldwide success of the format. Latvia successfully launched another international format, 'The Guinness World Records', which attracted 390,000 viewers. The Ice Hockey World Championships combined with a strong movie line up ensured another successful year in Latvia.

Almost half of the viewers within broadcasting reach watched Latvia's ice hockey game against Russia. Estonia launched a

local social drama series, which was an immediate success and one of the top-rated local productions in Estonia in 2003. 244,000 Estonians followed the three-hour long Cross Country Skiing World Cup race in December, which became the top rated sport event on TV3 in 2003.

Tango TV in Lithuania increased both its reach, to 52% from 33%, and market share during 2003. Viasat launched an additional niche channel in the Baltic states for the second year in a row, with the introduction of 3+ as a cable channel in Latvia. 3+ is aimed at the Russian population in Latvia and benefits from content acquisition synergies and cooperation with DTV and CTC in Russia. 3+ had already achieved a 3.9% share of the Russian audience only two months after launch. Over 19% of Latvian TV households and 31% of Latvia's Russian population can now enjoy this high quality entertainment channel.

Hungary

Viasat3 established itself with the advertising agencies in Hungary during 2003, becoming the fourth most watched commercial TV channel in the country and one of the fastest growing channels. The channel's share

of viewing was 3.1% in 2003. In the Viasat3 universe of homes that can receive the channel, the share rose from 4.8% in 2002 to 5.6% in 2003. The key driver for this growth during the fall was the launch of the coverage of the UEFA Champions League, as well as proven international shows like 'Sex and the City', 'CSI', 'Martial Law' and 'The X-Files'. Viasat3 Hungary has a penetration of 46% according to the latest official survey by the national TV license authority.

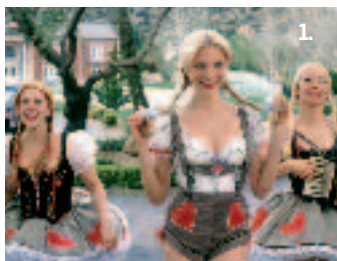
Russia

The Russian TV advertising market was one of the fastest growing markets in the world in 2003 with an increase of 44% to approximately US dollar 1.3 billion. DTV's revenues increased by 92% compared to 2002, due to a stronger content mix and further improvements in sales efficiency. Penetration increased to 42% in the total universe and commercial share of viewing increased to 1.1%.

DTV successfully renewed its national broadcasting license at the beginning of the year for another five year period, which helped the channel to reach a penetration of 60.9 million people in more than 400 cities. DTV cooperates with more than 350 affiliates in Russia and was watched by 41% of the Russian population in December 2003 according to TNS Gallup Media. The key drivers for the positive development of the commercial share of viewing are series like 'Walker-Texas Ranger', and Russian crime series and movies.



Jana, the host of the show 'Guinness World Records' in Latvia. The show was a huge success, attracting 390,000 viewers at the launch.



1.



2.

1. Charlie's Angels make a comeback to once again fight the "bad guys", and rescue Charlie, always in different disguises. One of many great movies broadcast at Viasat Channels.
2. Viasat Sport broadcast the historical event when Annika Sörenstam went up against tough competition on the PGA men's tour.

The 29.1% owned TV-channel, CTC, increased its share of viewing throughout the year and established itself as the most popular Russian commercial channel during specific time-slots of the day. The growth was supported by the launch of Russian own-productions and a line up of top movies. The channel's commercial share of viewing in the target age group of 18–49 years in-

creased from 10.0% in January to 11.8% in December according to TNS Gallup Media Russia. Furthermore, the channel's reach increased to 80.1% in December from 70.4% in January (TNS Gallup).

1. 'Viasat Nature' shows the magic of nature and wildlife
2. Conflict of interest in the reality show 'For Love or Money'
3. Banderas from the movie 'Desperado'
4. The show that saves lives in every program, 'ER'
5. The Simpsons' show

2.



3.



1.



4.

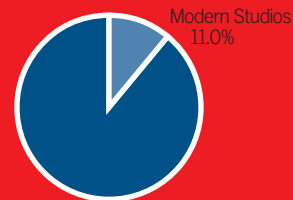


5.



Modern Studios produces high quality entertainment programming for Viasat, as well as selling content to third party broadcasters. Modern Studios also produces, markets and distributes blockbuster cinema movies, leading book titles by well known authors and high quality customer magazines for corporate customers.

share of group revenue



modern studios

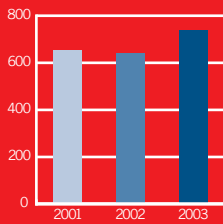


The actors Liv Mjönes and Jonas Karlsson in the Swedish movie 'Miffo'. The movie was co-produced and distributed by Sonet Film and won the 'Best Feature Film' award at the Hollywood Film Festival in October.

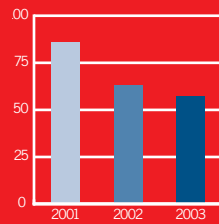
- ★ Strix's 19 reality TV formats have been sold to 63 countries around the world
- ★ Strix generated a record breaking 27 productions in Scandinavia
- ★ Sonet is the leading distribution company for Swedish films



net sales, msek



ebit, msek



A year of success and geographical expansion

Modern Studios is the content production and distribution arm of MTG, enabling the Group to control and leverage the full broadcasting value chain by generating high quality entertainment programming for Viasat, as well as selling content to third party broadcasters. Modern Studios also produces, markets and distributes blockbuster cinema movies, leading book titles by well known authors and high quality customer magazines for corporate customers.

Prolonged uncertainty in the advertising markets has caused broadcasters around the world to continue to cut back the number of hours of own produced programming. Despite this, Strix continued to deliver a line up of successful formats that produced a number of the year's top-rating shows in each market.

The Modern Studios division reported sales growth of 15% to SEK 737 (639) million and an operating income of SEK 57 (63) million. The lower margin principally reflects a change in the product mix in Strix and lower product margins in Sonet.

Client quote



"Strix is a unique company with an incredible success story. They have a very privileged position in the market and an extremely strong track record."

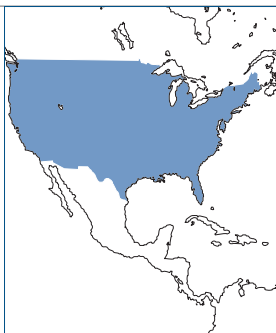
Carlos Gonzalez, Managing Director, Fremantle LatinAmerica and US Spanish Market

Reality TV in 63 countries

Strix sold options and licenses to its 19 'reality TV' formats to leading broadcasters and production companies in over 42 territories around the world during 2003. Strix's hit formats have now been optioned to a total of 63 countries worldwide. 'Expedition Robinson' (based on the 'Survivor' concept) was produced and co-produced for broadcast in seven countries in 2003 during a hectic 15 week period of filming on 12 islands in Malaysia. The show generated increased share of viewing for all the countries where it was broadcast and 2003/04 was the show's seventh year on Swedish public broadcaster 'SVT'. The Danish version of 'Expedition Robinson' was voted 'Best Reality Show of the Year' by Danish television viewers.

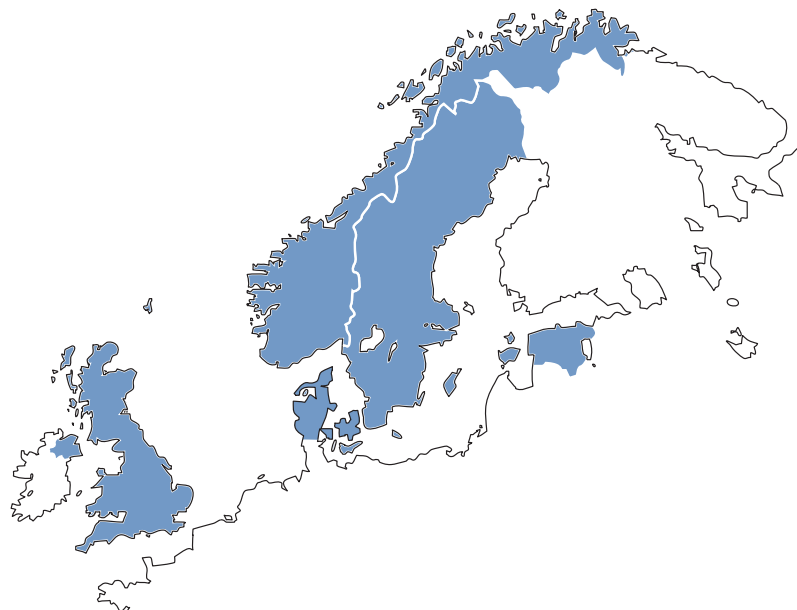
'The Bar' reality TV format, which has been broadcast in 14 countries, was aired again in Poland and in Lithuania and Latvia for the first time during 2003 and options were sold to a further 23 countries.

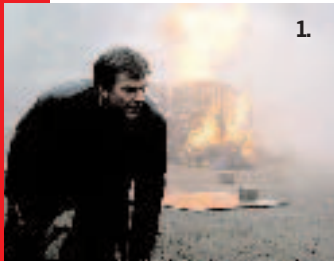
The 'The Farm' and 'Harem' formats have both been aired in seven countries and already set new viewing records during 2003. The final show of the second Norwegian series of 'The Farm' became the most watched entertainment show ever on Norway's TV2 channel, reaching an astonishing 1.3 million viewers, which is equivalent to a 61% share of viewing. The third season of 'The Farm' in Sweden became the most watched entertainment show on the TV4



countries

Denmark
Estonia
Great Britain
Norway
Sweden
USA





1.



2.

1. 'The Third Wave' is the final movie in the successful action trilogy directed by Anders Nilsson and produced by Sonet Film. The previous movies are 'Zero Tolerance' and 'Executive Protection'.
2. The countryside cops Lasse (Göran Ragnestam), Agneta (Sissela Kyle), Benny (Torkel Petersson) and Jacob (Fares Fares) ready for another daring mission in the box office success 'Kopps'. The film sold 765,000 tickets in Sweden during 2003. 'Kopps' was produced by Memphis Film AB and distributed by Sonet.

channel. The channel has commissioned a fourth season that will be recorded in South Africa and aired during the spring of 2004. The leading French TV channel M6 broadcast the 'Harem' format as 'Operation Seduction' for the second time and significantly outperformed the channel's average ratings.

Flying start in Denmark

Strix also produced 'Fame Factory', which is one of Sweden's most popular TV series in 2003 and new episodes are scheduled for 2004. The new format 'Backtrack' had a flying start in Denmark and achieved peak share of viewing of over 40%. This success in Denmark attracted international interest and options have already been sold to broadcasters in countries including Germany, Holland, France, Spain and Italy.

Strix signed four major output deals during 2003 - in France, Spain, Italy and Mexico/US Spanish market. The market leading production company in each respective country optioned the entire Strix catalogue and acquired the right of first option on any new formats developed by Strix over the coming year.

Sonet is Sweden's largest distributor of Swedish language films. Despite increased competition, Sonet defended its market leading position with a 65% share of cinema box-office sales in 2003. Sonet's success is based on the company's ability to create or identify and distribute each year's most popular films. Box office successes during 2003 included 'Kopps', with 765,000 tickets sold, 'The Third Wave'

and 'Miffo' – winner of the 'Best Feature Film' award at the 2003 Hollywood Film Festival in October. This was the second year in a row that a movie distributed by Sonet won an award at this prestigious film festival.

Sonet movies launched during 2003 were nominated for a combined total of three 'Swedish Film Academy' awards in 2004.

Growth in sales despite slow market

Los Angeles-based **Modern Entertainment** owns the rights to a library of more than 500 movies, which it sells to both US domestic and international markets. Despite the continued slow market for catalogue movies and series during 2003, the company's sales grew by 20% measured in local currency (USD). The serialized TV adaptation of Stephen King's bestselling book 'The Dead Zone' continued to be a huge success, attracting an average network audience of four million viewers and ranking as one of the top five original dramas on cable TV.

Modern Sports & Events manages and promotes 15 leading boxers, of whom six are ranked, in Sweden, Norway, Denmark and Poland. The company produced three events during the year and participated in several top billing European fight nights.

Modern TV conducted thought provoking interviews with outstanding professionals and produced numerous successful prime-time documentary series and commercial advertisements for Swedish TV broadcasters during 2003. The company also produced a big multimedia show in connection with the centenary of Riksidrottsförbundet. Modern Studios again produced

Sofia Wistam from Fame Factory – music talent reality show. The already successful Swedish format, produced by production house STRIX, is attracting more and more talents wanting to be transformed into popstars.





1.



2.

1. The documentary 'Ebba & Torgny' and love's wonderful ways' produced by Modern TV and broadcast by public broadcaster SVT is a rollercoaster ride about love and destiny, about suspicious relatives and wrinkles and about being in a hurry as life draws to a close.
2. Strix produced the hit show "Robinson" for broadcast in a total of seven countries in 2003.

the popular Swedish sport event, 'Idrottsgalan', reaching an astonishing 2.1 million viewers with the Swedish public broadcaster 'SVT'.

Nobel Prize to Brombergs

Brombergs bokförlag is a small but successful fiction and non-fiction book publisher, selecting and publishing a highly popular mix of well established and new authors. Brombergs' titles are consistently among the most read in Sweden. For the fourth time in the company's history an author published by Brombergs bokförlag won the prestigious Nobel Prize in literature. Isaac B Singer, Czeslaw Milosz and Octavio Paz have now been followed by J M Coetzee, who was named Nobel laureate in 2003. Bodil Jönsson's new book on physics and the new novel by Arto Paasilinna, both published by Brombergs, also featured at the top of the bestseller lists during the year.

Redaktörerna operates on the contract publishing market. The company has long experience of newspaper and magazine produc-

tion and incorporates in-house editorial staff, production management and graphical design.

Redaktörerna offers the complete production of customer magazines, editorial supplements and other tailor-made print products. Today Redaktörerna is producing some of Sweden's largest customer magazines, including titles such as 'Hallå Comviq' and 'Viasat News'. The company showed strong growth in 2003, with the addition of seven new productions during the year.

The Nobel Prize in Literature for 2003 is awarded to the South African writer John Maxwell Coetzee "who in innumerable guises portrays the surprising involvement of the outsider"

1. Farmen is one of many reality-shows produced by Strix. This year it takes place in Africa.
2. 'Världens bästa by' by Arto Paasilinna, published by Brombergs.
3. Brombergs publishes the books of Nobel Prize winner in Literature for 2003, John Maxwell Coetzee. His titles include amongst others 'Youth' and 'Disgrace.'
4. 'På tal om fysik' by Bodil Jönsson, published by Brombergs.



1.



2.



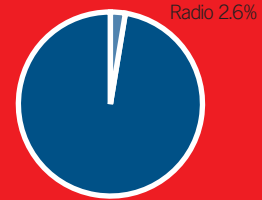
3.



4.

MTG Radio is the largest commercial radio operator in the Nordic and Baltic regions. MTG Radio owns or has equity stakes in the largest commercial radio broadcasting networks in Sweden, Norway and Finland and is growing its market shares in Latvia, Estonia and Lithuania. MTG Radio stations reach over 3 million daily listeners.

share of group revenue



radio

Tack alla lyssnare!
Nu är vi Sveriges största morgonshow

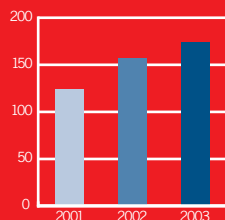


★ MTG's RIX FM became the first commercial radio channel in Swedish radio history to become larger by reach than the national state owned public service channels P1, P2 and P3 during 2003

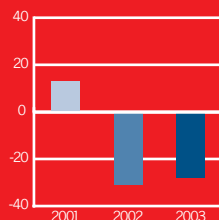
★ MTG's Radio stations reach over 1.2 million daily listeners and Rix Morron Zoo is Sweden's most popular radio show



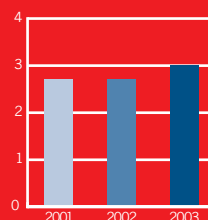
net sales, msek



ebit, msek



listener figures, millions



MTG Radio continues to grow its market shares

MTG Radio sales grew by 11% to SEK 174 (157) million in 2003, reflecting increased market shares on the back of growing listener numbers. The sales force delivered this result in a weak advertising market in which market volumes and prices were down year on year. Operating losses were reduced to SEK -28 (-31) million and include the impact of taking the sales force in-house from a specialist sales agency, which lead to increased fixed costs during the year.

client quote



"Through a consistent listener strategy and proactive co-operation with us at the advertisement firms as well as media agencies and production firms, MTG Radio has achieved a market leading position within commercial radio."

Robert Brink, Vice President at Young & Rubicam Sweden

Sweden

MTG Radio broadcasts 29 of the 90 commercial radio stations in Sweden, including the number one national network - RIX FM. Operating through a network of 24 local stations throughout Sweden, RIX FM reached a daily audience of 898,900 listeners by the end of the year. This reach places RIX FM ahead of the national public service stations - P1, P2 and P3. This was the first time that a commercial station had attracted more listeners than the national state broadcasting networks. RIX FM has a commercial share of listening of 32.3%.

RIX FM's daily number of listeners increased by 18% in 2003 after phenomenal growth during the year, particularly in the major city markets of Stockholm, Gothenburg and Malmö.

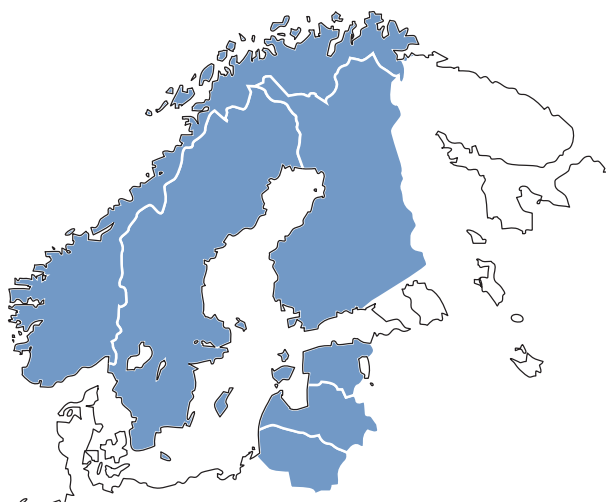
The daily morning drive-time show 'MorrnZoo' is the most popular breakfast show on Swedish radio, attracting a daily audience of over half a million listeners. RIX FM's popularity is based on a market leading format of hot adult contemporary music.

MTG Radio now owns and operates Stockholm's three largest commercial stations, RIX FM, Lugna Favoriter and Power Hit Radio, furthermore it operates the local FM station Metro FM. Lugna Favoriter plays soft popular music and is the number one commercial radio station in Stockholm and second largest station in Gothenburg. Lugna Favoriter was also launched in Umeå during 2003 in line with the station's planned expansion. Power Hit Radio is the second largest station in Stockholm, playing an urban mix of contemporary hit music that has enabled it to become the number one station amongst the target audience of 15-30 year olds. Metro FM continues to grow its market share in Stockholm with an all-Swedish music adult contemporary format. MTG Radio stations enjoyed a combined daily reach of approximately 1.2 million listeners in Sweden and MTG Radio had a 30.9% radio advertising market share by the end of the year.

MTG's Swedish radio stations reported a 10% year on year increase in sales to SEK 161 million and an improved operating income to SEK -14 (-17) million. The stations achieved break-even during two quarters of 2003.

countries

Estonia	Lithuania
Finland	Norway
Latvia	Sweden





1. The Swedish Prime Minister, Göran Persson, after being interviewed by the RIX MorronZoo team.
2. Horace Engdahl (Permanent Secretary of the Swedish Academy) and Gert Fylking (RIX FM) have 'finally' made peace after Gert's second surprise visit at the Swedish Academy's nomination of the Nobel Prize winner for Literature.

Norway and Finland

MTG owns 33% of Norway's national commercial radio network, P4 Radio Hele Norge.

The Norwegian Ministry of Culture awarded the new P5 licence to Radio P4 Hele Norge in June 2003, which provided P4 with 72% national coverage from 2004, compared to the former coverage of 93%. Despite being controversially stripped of its P4 licence, the station increased its daily share of radio listening to 25% or one million listeners. P4 achieved a 27% daily share of all radio listening in Norway and is the most listened to radio station amongst people under the age of 60. Sales amounted to NOK 215.6 million in 2003 and the station's operating margin was 2.6%, reporting operating income of NOK 5.6 (30.1) million.

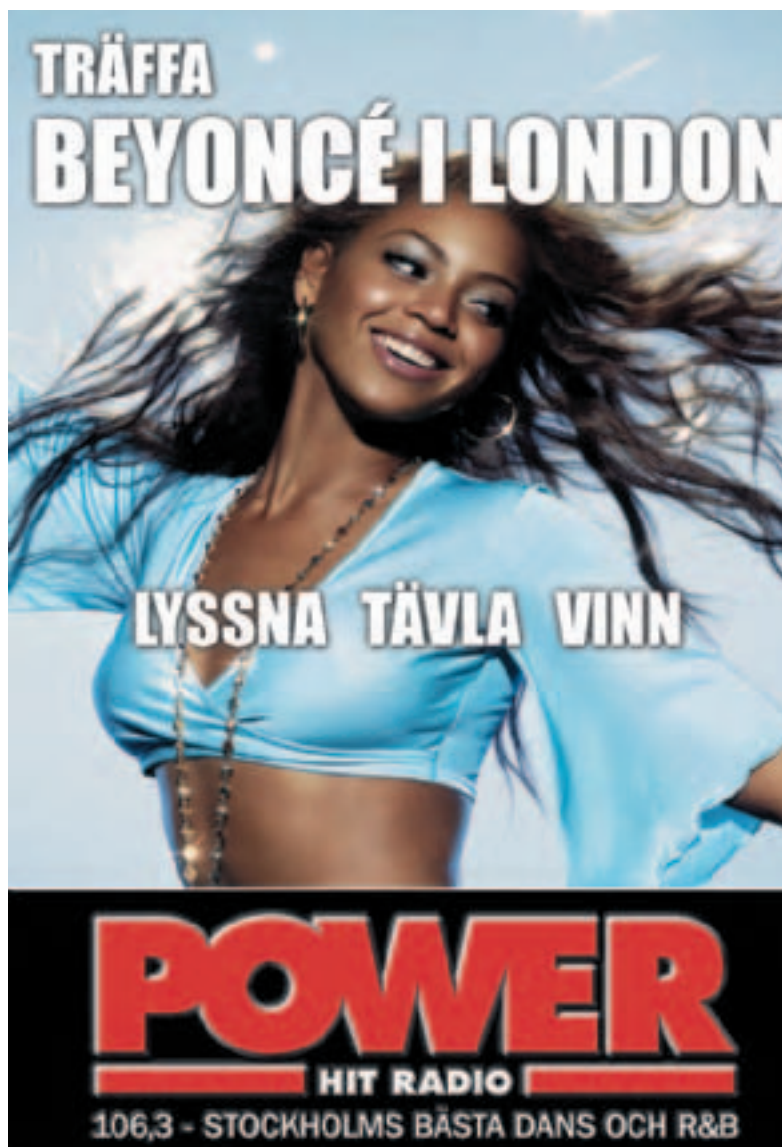
MTG has a minority interest of 17% in Finland's only national commercial radio network, Radio Nova. The network of 86 local stations has a 14% share of listening with 1,805,000 weekly listeners, generating sales growth of 12% and an operating profit of EUR 4.0 million in 2003.

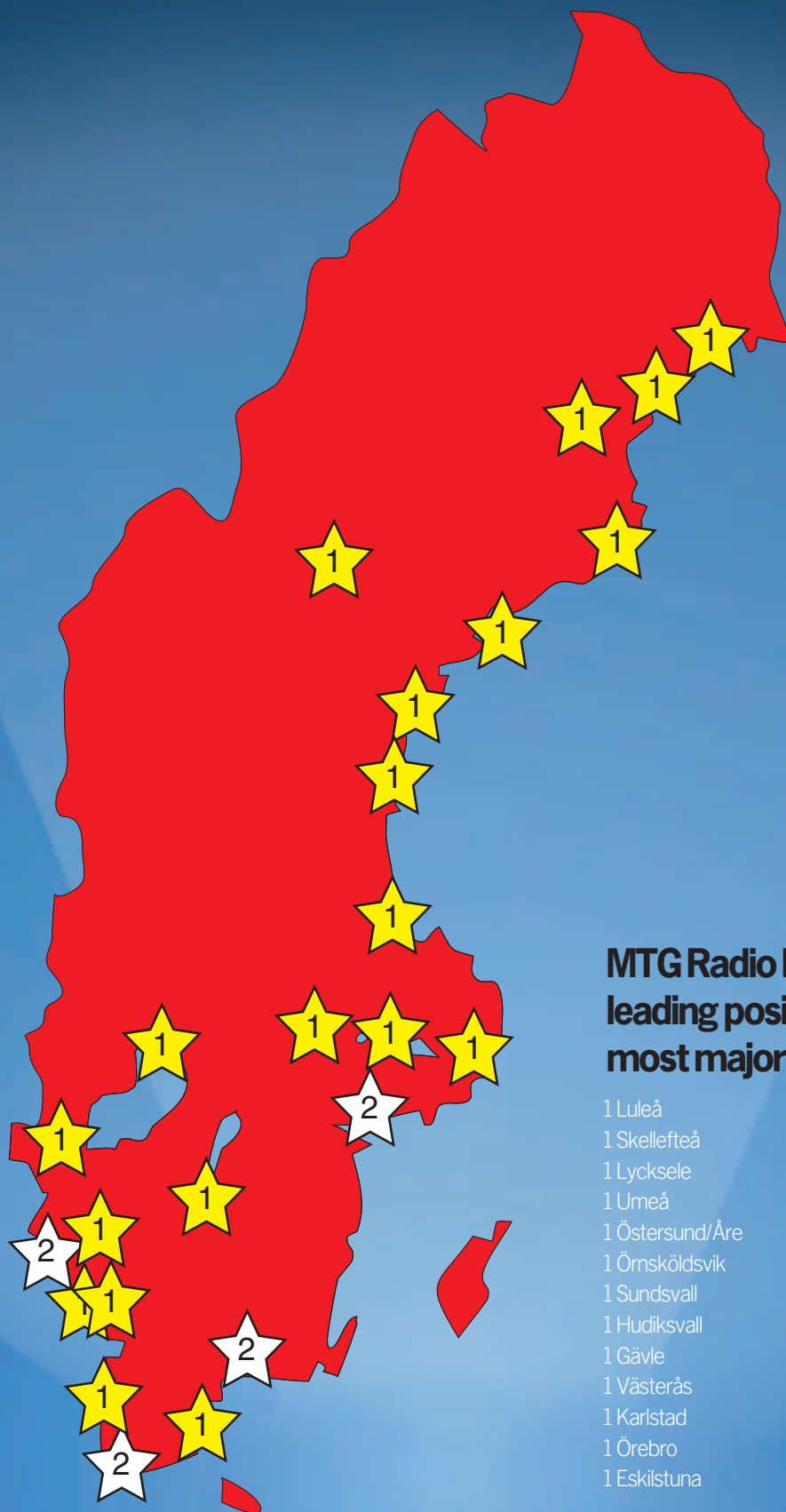
Eastern Europe

Sales were up 19% year on year to SEK 12.7 million for the Baltic radio operations. MTG's Baltic operations comprise the national STAR FM networks in Estonia and Latvia and the local Power Hit Radio stations in Tallinn and Vilnius. MTG Radio is continuously expanding in the Baltics and the most recent channel to be launched, at the beginning of 2003, was the urban youth Power Hit Radio format covering the largest Lithuanian cities. Operating income for the Baltic radio was SEK -0.3 million due to the start up costs for the Lithuanian radio station.

MTG XL Format

MTG XL Format is an outdoor advertising company that sells advertising on large billboards in key locations such as Stureplan, Sergels Torg and Hamngatan in Stockholm. The company was launched five years ago and today holds a market leading position with a market share of 39% in the "Mega Size" market.





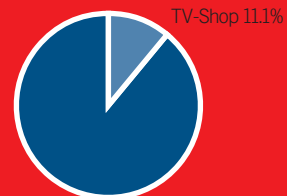
MTG Radio holds market leading positions within most major cities in Sweden

1 Luleå	1 Stockholm
1 Skellefteå	2 Nyköping
1 Lycksele	1 Trestad
1 Umeå	2 Göteborg
1 Östersund/Åre	1 Borås
1 Örnsköldsvik	1 Jönköping
1 Sundsvall	1 Varberg
1 Hudiksvall	1 Halmstad
1 Gävle	2 Växjö
1 Västerås	1 Helsingborg
1 Karlstad	1 Kristianstad
1 Örebro	2 Malmö
1 Eskilstuna	

With its extensive network of stations, MTG, is the leading radio company in Sweden.

TV-Shop is one of Europe's largest TV home shopping businesses broadcasting to approximately 100 million homes in 52 countries. The business area includes two direct response TV home shopping channels (TV-Shop and PIN24) as well as CDON.COM – the leading Scandinavian internet retailer selling CDs, DVDs, electronic games and books.

share of group revenue



tv-shop

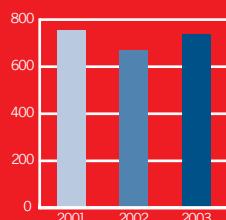
- ★ MTG TV home shopping channels reach 100 million homes in 52 countries
- ★ CDON.COM is the largest online retailer for entertainment products in the Nordic region
- ★ CDON.COM expands its product offerings of CDs, DVDs and computer games by offering a wide range of popular book titles



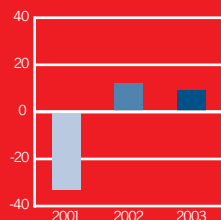
Popular book titles have successfully been added to CDON.COM's product range.



net sales msek



ebit msek



CDON.COM almost doubles sales year-on-year

The TV-Shop business area comprises the Group's home shopping activities.

TV-Shop is one of Europe's largest TV home shopping businesses with own operations in 19 countries and a broadcasting reach of approximately 100 million households in 52 countries. The business area includes two direct response TV home shopping channels (TV-Shop and PIN24) and the leading Nordic internet retailer CDON, which sells CD's, DVD's, books and electronic games. The business area reported sales of SEK 738 (671) million and an operating income of SEK 9 (12) million.

CDON had another great year with strong growth from all its product lines. Sales grew by 99% to SEK 311 (156) million. Despite fast growth, the business reported an increase in operating margins to 7% and operating income consequently increased to SEK 23 (10) million. CDON sells four product lines in five markets and manages these operations with only 21 employees located in the Swedish city of Malmö.

CDON extended its product range in November 2003 with the launch of a Swedish book department. This fits naturally with CDON's other entertainment products. Book sales greatly exceeded expectations in December 2003. In similar fashion, CDON

client quote



"Good products with lots of variety at affordable prices with outstanding service at all times."

Tonnie Nyström, Stockholm

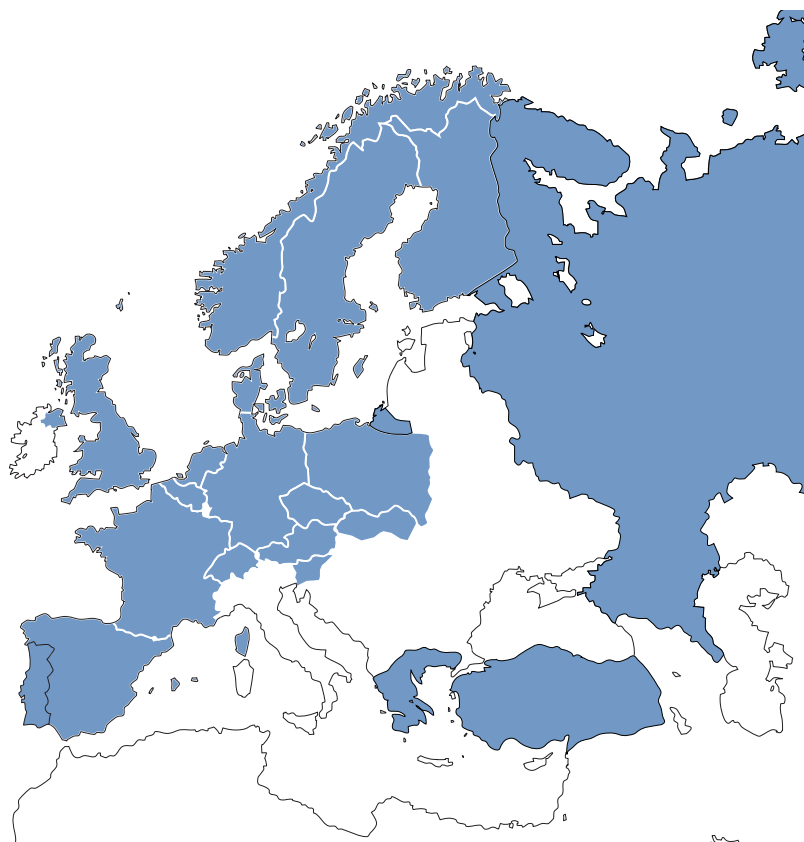
expanded its games department to include all Nordic countries in February 2003, consequently games sales have exploded, growing by close to 300% year on year.

TV-Shop is one of Europe's largest direct response sales companies and it was the first company to launch direct sales on the Internet in Sweden. TV-Shop is currently broadcast in 52 countries in English, German and other language formats and reaches approximately 100 million households. TV-Shop launched local versions of the channel in several of the 52 countries at the end of 2003 in order to meet local customer demand. TV-Shop sells a wide range of popular items – from compilation CDs to sunglasses and from personal fitness equipment to household cleaning products. The same products are sold across multiple markets, thereby enabling the Company to realize significant synergies and economies of scale. The TV-Shop channels reported sales of SEK 399 (423) million and operating income of SEK - 11 (- 5) million, reflecting a year of weak and highly competitive markets.

TV-Shop's internet sales increased by more than 22% year on

countries

Austria	Germany	Russia
Belgium	Great Britain	Slovakia
Czech Republic	Greece	Slovenia
Denmark	Holland	Spain
Finland	Iran	Sweden
France	Norway	Switzerland
	Portugal	Turkey





1. The latest hits and classical favourites, both CDs and DVDs, are available at CDON for convenient Internet shopping. Books are now also available.
2. New product up-dates, product range information and sales offerings are available at TV-shop websites.

year, illustrating the synergies that can be realized from co-operating with the well recognized and trusted CDON brand. TV-Shop's best selling product in 2003 was the 'Revo Styler/Super Styler' hair styler, followed by the popular personal fitness product 'Ab Swing'.

PIN24 is TV-Shop's 24-hour-a-day home shopping TV channel that currently reaches almost 24 million households in eight countries. The channel is broadcast on the Sky Digital TV platform in the UK, the Viasat Digital platform in Scandinavia and in German, via the Astra satellite to Germany, Austria and Switzerland.

TV-Shop sold its 'ECL' logistics fulfillment business during 2003 in an outsourcing deal. The disposal and outsourcing enables TV-Shop to focus on what it does best – marketing and sales – while also reducing the businesses' fixed costs.

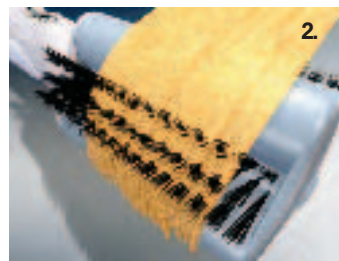
The extraordinary growth of music proves CDON's concept. While the market declined by 17.5% in 2003 CDON increased its music sales by 74%.

'Ab Swing' – TV-Shop's number 1 product during 2003 in sales value! The Ab Swing machine is a six-in-one complete abdominal and lower back muscle training exercise, that achieved amazing sales figures across all TV-Shop countries.



'Gymform Quick Fitness' - one of the most promising TV-Shop products for the year ahead. A state of the art fitness aid that can be easily used anywhere to tone muscles and sculpt a better looking body.





1. Splitender – another best selling product in 2003. The Splitender gets rid of damaged split ends to restore healthy-looking shine, vitality and silkiness to hair.

2. RevoStyler – hairstylers were popular in 2003 and the Revostyler led the way. This hand-held, portable and rechargeable hair styler, developed by leading Beverly Hills hair stylist Bruno Meglio, was one of the top selling product in 2003.

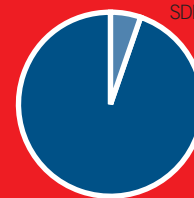


CDON offers products for the whole family, something that is reflected in its top ten list. Last year top selling products were: CDs Metallica 'St Anger', DVD's 'The Lord of the Rings – The Two Towers', games 'Backpacker' and books including Mark Levengood's 'Gud som haver barnen kär, har du någon ull'.

SDI Media Group is a worldwide supplier of translation, subtitling and dubbing services for the creative content industries, with a network of international operations located in key markets throughout Europe, Asia and the Americas.

share of group revenue

SDI Media 5.3%



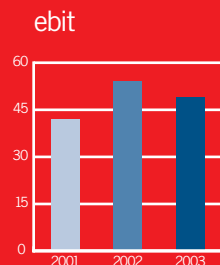
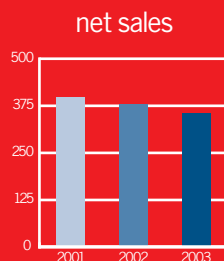
sdi media



SDI's operations range from traditional movie subtitling to the localization of interactive gameshows.

- ★ SDI worked with the world's leading movie studios on many of the major entertainment properties of the year
- ★ New releases during 2003 included Lord of the Rings – The Two Towers, Harry Potter and the Chamber of Secrets, Matrix Reloaded, Terminator 3, Bad Boys 2, SWAT, League of Extraordinary Gentlemen, School Rock, Seabiscuit and Finding Nemo

SDI Media Group



1. Voice-over actor in action recording a version of an interactive game in a different language.

SDI increased margins in a competitive market

SDI has a network of international operations located in key markets throughout Europe, Asia and the Americas and works with its clients on a global basis. SDI counts many of the world's leading media and entertainment groups on its extensive client list, including all but one of the major Hollywood studios.

SDI's business by segment consists of DVD subtitling (56%); broadcast subtitling (31%); subtitling software (10%) and dubbing and voice-over services (3%). SDI's value proposition is based on high quality, superior service, worldwide capacity and competitive pricing. SDI is one of the market leaders in subtitling and dubbing technology. This is proved by the successful launch of a new generation of digital subtitle transmission and preparation systems by the Screen Subtitling subsidiary, as well as the leadership role SDI is taking in the development and production of digital cinema subtitles for theatrical releases such as 'Finding Nemo', 'Master and Commander' and 'Pirates of the Caribbean'.

The business area's sales decreased by 7% year on year to SEK 354 (379) million in 2003. A large share of the business area's sales are in US dollars and were therefore adversely affected by the weakening of the US dollar against the Swedish Krona during 2003.

Client quote



"SDI offers a one-stop shop for all Travel

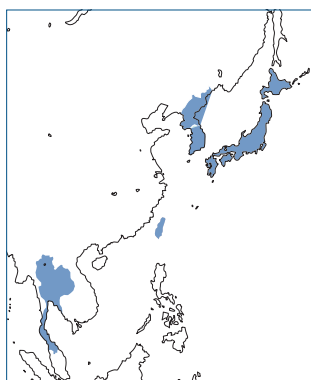
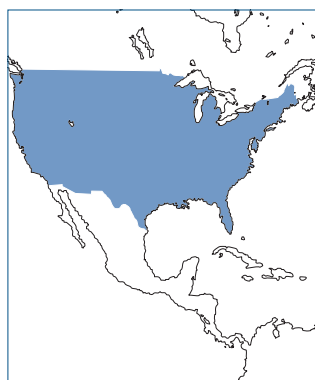
Channel's varied and exacting language adaptation requirements. As we rapidly expand the number of languages in the next 6 - 12 months, SDI's international infrastructure and support services will be invaluable."

Colin McLeod, Travel Channel's Affiliate Sales and Marketing Director

Underlying sales growth in local currency, excluding the currency translation effect was stronger at 7% year on year. Operating income declined to SEK 49 (54) million, as the company incurred one-time restructuring charges to rationalise operations in Asia and Europe in the fourth quarter.

SDI continued to build on its market leading subtitling and dubbing position during 2003 by adding new global key clients including Lions Gate Entertainment, DreamWorks, National Geographic and the Travel Channel. In addition, SDI is expanding its service offering in the dubbing and voice-over segments for traditional entertainment companies as well as new media companies, such as interactive games developers and publishers and the producers of multimedia corporate presentations.

In a competitive market, SDI continues to focus on maintaining a low cost structure. The development of the company's proprietary software has been instrumental in raising productivity and decreasing cost. The Asian, French and Dutch operations were restructured in the second half of the year and will consequently benefit from ongoing year on year savings. SDI's network of freelancers was bolstered in territories where the company does not have an office in order to provide additional capacity.



countries

Denmark
Estonia
Finland
Holland
Hong Kong
Israel
Japan
Korea
Latvia
Lebanon
Lithuania
Singapore
Slovenia
Sweden
Taiwan
Thailand
United Kingdom
USA



Financial review

The Group reported a net sales increase of 5% to SEK 6,311 (6,023) million for 2003. Sales increased mainly as a result of increased viewing and listening shares and thus increased advertisement sales in the advertisement financed TV and Radio areas. Depreciation and amortisation charges for the full year totalled SEK 269 (287) million. The Group reported earnings before interest and taxes of SEK 542 (267) million for the full year, including non-recurring items of SEK -67 (37) million. The improved profitability is to a large extent found in the Pay-TV area and is a consequence of a more mature subscriber base in combination with a lower dollar rate, which had a positive impact on program acquisition costs. Also, the closure of unprofitable businesses had a positive impact on operating income year-on-year.

The non-recurring items for 2003 comprise a provision of SEK 38 million after a ruling by the Stockholm City Court for music rights performed during 1993 and 1998 on TV3 Sweden, and a write-off of SEK 29 million for Viaccess encrypted cards which are currently being replaced. The court ruling on the music rights has been appealed. The non-recurring items for 2002 included a capital gain of SEK 163 million for the sale of TV4 shares and a provision of SEK 126 million mainly relating to the closure of the Publishing business area and sponsorship costs of the Victory Challenge in the America's Cup. MTG's share of earnings in associated companies amounted to SEK 69 (-4) million for 2003, the main contribution coming from the 29% holding in StoryFirst Communication Inc., owner of the Russian TV-channel CTC.

MTG reported net interest and other financial items of SEK -167 (-239) million for the year, including net exchange rate losses on the translation of financial receivables and liabilities in foreign currencies of SEK -71 (-134) million, principally relating to the translation of previous receivables from Metro in USD into SEK.

Pre-tax profit increased to SEK 375 (28) million for the full year. The tax cost amounted to SEK -92 (-92) million and includes a non-recurring positive impact of SEK 60 million, relating to the valuation of losses carried forward that has been confirmed and recognised during the year.

Tax payments relate principally to the operations in Norway and Denmark, Spain and the United States. MTG's tax loss carry forwards with no expiry total SEK 1.3 billion. Net income amounted to SEK 289 (-67) million. Basic and fully diluted earnings per share totalled SEK 4.36 (-1.00) for the full year.

Cash flow

The Group generated SEK 624 million in cash flow from operations before investments for the full year, compared to SEK 345 million for 2002. The positive change in working capital was SEK 38 million, compared to SEK 97 million in 2002.

The Group's capital expenditure during the year totalled SEK 135 (98) million, of which beneficial rights amounted to SEK 88 million. MTG also invested SEK 19 (277) million in shares, principally for the acquisition of the outstanding minority holdings in SDI Hong-Kong and TV3 Lithuania. The loans to Metro International of a total of SEK 542 million were converted into shares.

Equity/assets ratio

The Group's equity to assets ratio was 57% (49%) at 31 December 2003. The ratio is defined as the sum of consolidated equity and minority interests, including the subordinated convertible debentures, as a percentage of total assets.

The Group holds minority interests in TV4 AB and P4 Radio Hele Norge ASA, as well as shares in Metro International S.A.. These holdings are treated as fixed assets and have a combined book value of SEK 800 (640) million. The aggregate market value of these securities amounted to SEK 2,514 (812) million at December 31, 2003. Each asset reported a surplus to book value and gave rise to a total net surplus value of SEK 1,714 million. Adjusted for the net premium of these listed shares and for deferred tax, the equity to assets ratio was 64% (50%) at December 31, 2003. The equity to assets ratio was 38% (30%) on the basis of treating the convertible debenture loan as debt rather than equity.

Liquid funds

The Group had liquid funds, including available credit facilities, of SEK 1,477 (576) million at December 31, 2003. A new credit facility of SEK 800 million was arranged in May 2003.

Net debt

The Group's net debt amounted to SEK 886 (811) million at the close of the reporting period. Net debt is defined as interest-bearing liabilities, including the subordinated convertible debentures, less interest-bearing assets. The Group's net debt to equity ratio was 41% (43%) at 31 December 2003. The ratio is defined as the Group's net debt as a percentage of consolidated equity and minority interests. The strong cash flow over the last twelve months has been partly used to amortise SEK 400 million of the long-term credit facility. The former interest bearing receivables from Metro of SEK 542 million were converted into shares in August 2003.

The MTG share

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

The chart below shows the changes in share price and trading volume for the MTG B share since it was listed and began trading on September 18, 1997, on the Stockholm Börsinformation (SBI) list through April 1999 and on the Stockholmsbörsen O-list from May 3, 1999, and for the MTG ADR on the Nasdaq National Market.

The ADRs were voluntarily deregistered from the Nasdaq National Market on December 31, 2003. The chart has been adjusted for the distribution of Metro International S.A. shares to MTG shareholders on August 15, 2000. MTG's market capitalization, based on its stock price on the Stockholmsbörsen on December 31, 2003 was SEK 10.0 billion. No dividend is proposed for 2003.

* If all the options offered to senior executives and key employees were exercised, the number of shares in the Company will increase by 2,052,840 B shares. 1,039,136 options have a strike price of SEK 294.50 and are exercisable at the earliest on May 4, 2004. 54,405 options have a strike-price of SEK 100 and are exercisable from August 5, 2005. If the EUR 120 million convertible loan is fully exercised, the number of B shares will increase by 2,790,994 shares in total. The conversion price is SEK 385.97 and the convertible bonds expire in June 2006.

	Total	A shares	B shares	Votes	Capital
Invik & Co AB	6,181,249	6,181,249	0	30.0%	9.3%
Industriförvaltnings AB Kinnevik	3,753,762	3,529,637	224,125	172%	5.7%
Emesco AB	3,328,845	3,328,845	0	16.1%	5.0%
Stenbeck, Jan Hugo (estate)	1 526,000	1 526,000	0	7.4%	2.3%
SEB	4,702,721	0	4,702,721	2.3%	7.1%
AMF Pension	3,290 000	0	3,290 000	1.6%	5.0%
4th AP-fund	2,848,000	0	2,848,000	1.4%	4.3%
Robur	2,166,929	0	2,166,929	1.1%	3.3%
Stenbecks Stiftelse, Hugo	199,530	199,530	0	1.0%	0.3%
State Street bank and Trust Co	1,872,060	0	1,872,060	0.9%	2.8%
2nd AP-fund	1,831,816	0	1,831,816	0.9%	2.8%
Länsförsäkringar AB	572,023	133,496	438,527	0.9%	0.9%
3rd AP-fund	1,672,928	0	1,672,928	0.8%	2.5%
Fidelity	1,655,125	0	1,655,125	0.8%	2.5%
Skandia	1,625,623	0	1,625,623	0.8%	2.4%
Chase Manhattan Bank	1,481,437	4,950	1,476,487	0.7%	2.2%
Goldman Sachs	336,499	110,453	226,046	0.6%	0.5%
Morgan Stanley & Co	1,311 500	0	1,311,500	0.6%	2.0%
Von Horn Family	319,694	90 000	229,694	0.5%	0.5%
Nordea	459,175	47,250	411,925	0.4%	0.7%
Other	25,240,240	394,211	24,846,029	13.9%	38.0%
Total	66,375,156	15,545,621	50,829,535	100.0%	100.0%

MTG B share on Stockholmsbörsen
closing price SEK



MTG ADR on Nasdaq
closing price USD



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 Stockholmsbörsen O-list. The shares were distributed to the shareholders of former parent company Industriförvaltnings AB Kinnevik on 18 September 1997.

Significant events in 2003

The Scandinavian advertising markets showed signs of stability and growth during the first half year of 2003, but the markets weakened during the second half of the year and visibility remained short term. The MTG Free-TV channels in Scandinavia generated a 7% year on year increase in revenues during 2003, as a result of higher shares of viewing following successful investments in programming. MTG's operating profit for its combined Free-TV businesses in all regions was flat at SEK 32 (33) million for the year. The Free-TV operating income however includes an exceptional provision of SEK 38 million for music right payments payable by TV3 Sweden for the period from 1993 to 1998 according to a recent decision from the Stockholm City Court. This judgment is subject to an appeal by TV3.

The number of Viasat Digital Pay-TV subscribers increased from 617,000 at the end of 2002 to 629,000 at the end of 2003. High churn rates among the premium Pay-TV subscriber base have prevailed throughout the year due to continued pirate card sales. In order to combat the Pay-TV piracy problems, Viasat Broadcasting announced in February 2003 that it had chosen NDS VideoGuard to implement new secure conditional access encryption technology on its Pay-TV platform. The switch to NDS VideoGuard is expected to be completed by mid 2004. The strength of the Pay-TV business model is proven and the Pay-TV division increased its operating profit year on year to SEK 505 (352) million. The weak US dollar, a more mature subscriber base and higher revenue per subscriber are the main factors behind the higher profits. As a consequence of the move to NDS VideoGuard technology for the digital platform, the profit for 2003 includes a non-recurring cost of SEK 29 million for the writing off of the legacy Viaccess cards. At the same time as launching the new encryption system to eliminate piracy, Viasat has also enhanced its subscriber package offering in order to increase penetration for both its Free- and Pay-TV channels. Both the basic and premium tier packages are subsidized, which could lead to temporarily lower margins in the Pay-TV business particularly as net subscriber intake increases.

The Eastern European TV operations reported an operating profit of SEK 65 (-41) million for the year, including SEK 88 (26) million from the participation in Storyfirst Inc., which owns the Russian TV channel CTC. Storyfirst Inc. acquired the outstanding 25% of the Russian commercial Free-TV channel CTC during the third quarter of 2003. Storyfirst now owns 100% of CTC and paid for the acquisition by issuing new shares. MTG's holding in Storyfirst after the transaction represents a 29.1% economic and voting interest. All MTG's Eastern European channels performed strongly throughout the year in growing markets.

The national broadcasting license of the Russian Free-TV channel 'DTV' was renewed in March 2003 following a tender process. DTV is currently broadcast to more than 400 cities across Russia, covering a potential audience of 60.9 million people in Europe's largest television market measured by number of viewers.

The TV1000 premium Pay-TV channel was launched in Russia, the Baltics and the Western CIS states of Moldova and Belarus in March 2003 and is being distributed via national and local cable networks. The channel already reached 1,050,000 homes by the end of 2003. Following the successful launch of TV1000 in Eastern Europe, the Viasat Explorer channel was also launched in the same region in November. The channel had approximately 670,000 subscribers in Russia, the Baltic states, the Western CIS states of Moldova and Belarus, Hungary, Poland, Romania and Bulgaria by the end of 2003. A second Free-TV channel, '3+', was launched in Latvia during 2003 to target the Russian speaking population of the country.

At the end of March 2003, MTG announced that its Viasat Broadcasting division had signed an agreement with the Swedish state television broadcaster for the inclusion of the five Swedish public service 'SVT' channels on the Viasat digital Pay-TV platform for the first time.

MTG acquired the remaining 16% of the shares in TV3 Lithuania in June 2003, increasing its ownership to 100%. MTG now owns 100% of TV3 in all the three Baltic States.

MTG applied for licenses in September 2003 to broadcast nine of the Viasat television channels in the Swedish digital terrestrial broadcasting network. The Swedish government announced its decision in January 2004 to award licences to TV3, ZTV and TV8. TV3 and ZTV started to broadcast in the digital terrestrial network on March 12, 2004. MTG's TV8 channel will be broadcast from April 30 at the latest. The transmissions will increase viewer choice and provide access to Viasat entertainment programming. In addition, Viasat has the ambition to become an operator in the digital terrestrial network. The inclusion of Viasat as an additional operator would benefit viewers by providing more package choice for viewers.

The radio advertising market in Sweden remained weak throughout the year. Despite this, MTG Radio's Swedish stations generated 10% year on year sales growth on the back of increased audience shares. The radio division reduced its operating losses to SEK -28 (-31) million, with the Swedish radio stations reporting combined operational break-even in two quarters of the year. The Power Hit Radio station, which is the second largest station in Stockholm and Tallinn (Estonia), was launched in Lithuania in March 2003. The new license provides the station with 43% national penetration and covers the three biggest cities of Lithuania.

The Norwegian Ministry of Culture decided in June to award the new P5 national commercial radio license to Radio P4 Hele Norge. The Norwegian Government had previously decided in December 2002 that it would not renew the P4's ten-year broadcasting license when it expired at the end of 2003, despite the fact that the channel had complied with all

of the license requirements. The new license agreement runs for ten years and the concession fee is NOK 90 million for the full period, which started in January 2004. The license guarantees a minimum penetration of 60% of the Norwegian population and P4 aims to increase this further. MTG owns 33% of the voting rights in the company.

Revenues for the Modern Studios division increased by 15% year on year in 2003 and the business area reported an operating profit of SEK 57 (63) million for the year.

The SDI global subtitling and dubbing division reported an operating profit of SEK 49 (54) million for the year on revenue of SEK 354 (379) million. The business area was negatively affected by the weak US dollar, as a large part of its sales are generated in US dollars. MTG announced in June that it had acquired the remaining 40% of the SDI Media operation in Hong Kong and now owns 100% of the company, which is the leading subtitling and dubbing company in Asia.

The TV-Shop business area's revenues were up by 10% year on year in 2003 and the division achieved an operating profit of SEK 9 (12) million. Online retailing company CDON doubled both its revenues, to SEK 311 (156) million, and operating profits, to SEK 23 (10) million in 2003, whereas the TV-Shop entity reported a loss of SEK -11 (-5) million. The logistics operations of the ECL subsidiary were sold during the third quarter but the company to which the operations were sold will continue to provide distribution and fulfillment services for MTG's CDON and TV-shop companies. The sale has had no significant impact on MTG's results.

MTG announced the closure of the Finans Vision daily business newspaper in January 2003 as the paper had not achieved the sales and profitability targets that were set when the paper was launched. A net cost of SEK 11 million for closing down the newspaper was included in the operating results for 2003.

The Group signed a new SEK 800 million revolving multi-currency credit facility during the second quarter, which is in addition to the Group's existing bank facilities. The facility matures on 31 December 2007 and will be used for general corporate purposes and the continued expansion of the Group. The facility was arranged and coordinated by Deutsche Bank and provided by a group of leading international banks comprising Deutsche Bank, ING Bank, Nordea and Handelsbanken.

The SEK 542 million of interest bearing receivables from Metro International S.A. were converted into shares in August 2003. MTG received 51.1 million new Metro class A shares and 93.6 million new Metro class B shares at a price of SEK 3.75 per share. MTG's holding in Metro now totals 52.3 million class A shares and 96.9 million class B shares, representing 19.9% of the voting rights and 28.4% of the equity in the company respectively.

MTG announced in December 2003 that TV3 is appealing a ruling by the Stockholm City Court that TV3 is to pay SEK 74 million to The Swedish Performing Rights Society (STIM) in royalty payments for music broadcast by TV3 Sweden between 1 July 1993 and 31 December 1998 plus accumulated interest and in addition to what already has been paid for the period. Due to the ruling, an additional provision of SEK 70 million was consequently booked in December, comprising SEK 38 million of operating cost and SEK 32 million of interest.

MTG also announced in December that it has voluntarily deregistered its American Depositary Receipts (ADRs) from the Securities and Exchange Commission in the US. In connection with the deregistration

of the ADRs, MTG also delisted the ADRs from the NASDAQ National Market with effect from the close of trading on Wednesday 31 December 2003. The decision to deregister the ADRs reflected the low trading volumes and the fact that there were less than 300 holders of MTG's class A and B shares and ADRs who were resident in the United States. The Board of Directors does not believe that the delisting will have an adverse effect on the ability of MTG's principal U.S. shareholders to hold MTG shares.

Consolidated earnings

Group net sales in 2003 totaled SEK 6,311 (6,023) million and the Group reported earnings before interest and taxes of SEK 542 (267) million for the full year. The operating result for 2003 includes exceptional costs of SEK 67 million, which comprised an additional provision of SEK 38 million for disputed music rights payments for the period from 1993 to 1998 and a SEK 29 million write-off of legacy Viaccess cards. The operating result for 2002 included SEK 37 million of non-recurring items, which comprised a capital gain of SEK 163 million arising from the sale of TV4 shares and a provision of SEK 126 million principally relating to the closure of Finans Vision and costs for the sponsorship of the Victory Challenge syndicate's entry in the America's Cup.

Income from associated companies in which MTG holds minority equity interests amounted to SEK 69 (-4) million in 2003. MTG's participations principally comprise Storyfirst, P4 Radio, Radio Nova and Everyday.com. Net interest and other financial items totaled SEK -167 (-239) million and included SEK -71 million in net currency exchange rate losses, principally arising from the translation of the US dollar 66 million in receivables from former subsidiary Metro International into Swedish Krona. The Group reported a SEK 375 (28) million profit before tax for the year.

Group structure

MTG reorganized its broadcasting operations and their management structure into geographical regions in January 2003. MTG's Free- and Pay-TV broadcasting businesses in Sweden, Norway, Denmark and Eastern Europe were merged with MTG's radio businesses. The merged entities now report to a Managing Director for each country, enabling MTG management to focus further on utilizing the synergies and exploiting the economies of scale amongst the broadcasting assets, in order to increase ratings and sales, as well as to reduce costs.

Following the closure of the Publishing division in January 2003, the Group's operations were organized into five business areas:

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

The Group's remaining publishing companies - Brombergs, Financial Hearings and Redaktörerna were moved to Modern Studios from the beginning of the year. Divisional results for prior reporting periods have been re-stated to reflect the new organizational structure.

Financial position

The Group's equity to assets ratio was 57% (49%) at 31 December 2003. The ratio is defined as the sum of consolidated equity and minority interests, including the EUR 120 million of subordinated convertible debentures, as a percentage of total assets. Adjusted for the net surplus to book value of the Group's minority interests in TV4 AB, P4 Radio Hele Norge ASA and Metro International S.A. and for deferred tax, the equity to assets ratio was 64% (50%) at 31 December 2003. The equity to assets ratio was 38% (30%) on the basis of treating the convertible debenture as debt rather than equity. The Group had liquid funds, including available credit facilities, of SEK 1,477 (576) million as at 31 December 2003. The Group's net debt amounted to SEK 886 (811) million at the close of the reporting period. Net debt is defined as interest-bearing liabilities, including the EUR 120 million subordinated convertible debentures, less interest-bearing assets.

Outlook

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

Significant events after the year-end

The following significant events have taken place since 31 December 2003 and before the publication of this annual report.

MTG announced the launch of two additional sports channels in January 2004, which were broadcast from February 2004. Viasat now broadcasts three dedicated sports channels – Viasat Sport 1, 2 and 3, which broadens the choice for viewers and offers enhanced viewing access to Viasat's extensive portfolio of sports rights.

MTG also announced in January 2004 that it has acquired 19.9% of the company that operates the Bet24 betting web site and has an option to increase the shareholding in the future. The acquisition is MTG's first step into the rapidly growing betting market.

Parent company

The parent company reported net sales of SEK 76 (105) million for the full year, principally relating to charges to Group companies. Profit before tax totalled SEK 126 (161) million, of which net interest and other financial items accounted for SEK 233 (300) million. MTG's financial policy includes the provision of a central cash pool to support the operating companies. Parent company capital expenditure totalled SEK 17 million for the year.

The Company complies fully with the Swedish Annual Accounts Act and recommendations issued by the Swedish Financial Accounting Standards Council. The consolidated accounts have been prepared on the basis of the same accounting principles as the 2002 annual report, using the new recommendations from The Swedish Financial Accounting Standards Council, namely RR22 Presentation of Financial Statements, RR25 Segment reporting, meaning business area and geographical area, RR26 Events after the Balance Sheet Date, RR27 Financial instruments – Recognition and Measurement and RR2:02 concerning inventories. These recommendations has no impact on the Group's accounting principles.

Other items

The Group had 1,520 full time employees at the end of the year, compared to 1,501 at the beginning of the year. Details of the average number of employees and remuneration paid during the year are presented in notes 22 and 23 to the accounts respectively.

IFRS/IAS

From 2005 MTG will prepare the consolidated accounts based on the International Financial Reporting Standards.

MTG monitors the developments concerning IFRS to be able to align the accounts to the new rules and regulations.

The Group has initiated the process by collecting relevant information in each subsidiary from year-end 2003 for comparative reasons, based on what is known about IFRS today. In 2005, the company will only report one comparative year according to IFRS 1. Thus, the statements for 2004 will be restated and reconciled with the statements according to the current accounting principles. The main changes affecting the consolidated accounts for the Group based on what is currently known or proposed are the following:

- Reporting of financial instruments, which will be reported at current value
- Goodwill and certain other intangible assets, which will no longer be amortized. An impairment test for the yearly valuation will be used instead to determine any need for a write-down.

Board procedures

The Board of Directors of MTG is constituted to provide effective support and control of the activities of the executive management of the Company. MTG's Board of Directors held four meetings during 2003 and background documentation and reports were distributed to the Directors one week in advance of each meeting. The Board has adopted procedures for the execution of its own tasks and for the provision of instructions and mandates to the Chief Executive Officer. These procedures include the requirement that investments in fixed assets of more than SEK 100,000 have to be approved by the Board. The Board also approves large scale programming investments, acquisitions and closures or disposals of businesses. The Board has elected a remuneration committee to decide the remuneration for senior managers. A procedure for nominating Board members was adopted at the Annual General Meeting in May 2003. The nomination group is led by Cristina Stenbeck, Director of the Board.

Proposed appropriation of earnings

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

Retained earnings	2,136,642,710
Net profit for 2003	155,755,258
Total	2,292,397,968

The Group's non-restricted equity totaled SEK 267 (51) million at the end of the year after deducting the proposed charges to restricted equity. The Board of Directors and Chief Executive Officer propose that the retained earnings be carried forward into the accounts for 2004 and that no dividend payment be paid to shareholders for the 12 months ended 31 December 2003.

Consolidated income statement

SEK million	Note	2003	2002	2001
Net Sales	2	6,311.3	6,023.2	6,402.1
Cost of goods and services	3	-3,942.3	-3,939.6	-4,103.7
Gross income/loss		2,368.9	2,083.6	2,298.4
Selling expenses		-620.3	-542.5	-584.1
Administrative expenses		-1,101.0	-1,167.0	-1,161.0
Other operating revenues		9.8	14.6	21.0
Other operating expenses	3	-184.1	-280.6	-239.4
Income/ loss from sales of securities	4	-0.4	162.6	-
Share of earnings in associated companies	6	69.0	-3.9	25.0
OPERATING INCOME/LOSS	2, 5, 21, 22, 23, 24	542.0	266.8	359.9
Dividends from shares		15.1	-	-
Interest revenue and other financial income	7	61.5	58.6	50.8
Interest STIM court ruling 1993-1998	7	-32.6	-	-
Interest expense and other financial costs	7	-162.6	-265.6	-93.5
Income/loss after financial revenue and expense excluding interest on convertible debentures		423.4	59.8	317.2
Interest on convertible debentures		-60.0	-59.5	-33.1
Unrealised exchange difference on convertible debentures		11.8	28.1	-34.1
Income/loss before tax		375.2	28.4	250.0
Current tax	8	-103.5	-135.0	-156.9
Change in deferred tax	8	11.3	42.8	25.0
Minority interests		6.3	-2.8	2.6
NET INCOME FOR THE YEAR		289.3	-66.6	120.7
Denominator for basic earnings per share		66,375,156	66,375,156	66,375,156
Denominator for diluted earnings per share		66,382,520	66,375,156	66,375,156
Basic earnings per share		4.36	-1.00	1.82
Diluted earnings per share		4.36	-1.00	1.82
Dividend		-	-	-

Consolidated balance sheet

SEK million	Note	Dec 31, 2003	Dec 31, 2002	Dec 31, 2001
ASSETS				
Fixed assets				
Intangible assets				
	9			
Capitalized development expenses		33.0	39.4	62.0
Beneficial rights		296.1	297.3	310.0
Goodwill		845.5	950.1	1,032.6
		1,174.5	1,286.8	1,404.6
Tangible assets				
	10			
Machinery and other technical plant		1.2	16.4	16.4
Equipment, tools and installations		136.3	197.0	237.0
		137.5	213.3	253.4
Long-term financial assets				
Shares in associated companies	11	347.3	302.7	307.7
Receivables from associated companies		50.6	64.7	180.9
Shares and participation in other companies	11	767.8	222.8	98.2
Deferred tax receivable	8	390.1	377.0	323.7
Metro Convertible bonds		-	371.4	235.5
Long-term receivable from Metro		-	207.4	269.5
Other long-term receivables		10.7	23.7	35.1
		1,566.5	1,569.6	1,450.6
Total fixed assets		2,878.6	3,069.7	3,108.6
Current assets				
Inventories etc.				
Products in progress		5.6	8.2	9.6
Finished goods and merchandise		112.7	98.2	209.8
Program rights		205.7	179.8	216.6
Work in progress		6.1	3.6	5.3
Advances to suppliers		805.7	1,093.8	1,283.4
		1,135.6	1,383.7	1,724.7
Current receivables				
Accounts receivable	12	721.3	836.2	1,081.2
Other current receivables		128.7	188.6	209.1
Prepaid expense and accrued revenue	13	449.8	404.8	562.0
		1,299.8	1,429.6	1,852.3
Short-term investments	14	0.6	4.7	0.8
Cash and cash equivalents		401.4	295.9	254.6
		401.9	300.6	255.4
Total current assets		2,837.4	3,113.8	3,832.4
TOTAL ASSETS		5,715.9	6,183.6	6,941.0

Consolidated balance sheet

SEK million	Note	Dec 31, 2003	Dec 31, 2002	Dec 31, 2001
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	15			
Restricted equity				
Share capital		331.9	331.9	331.9
Restricted reserves		1,546.4	1,502.4	1,400.9
		1,878.3	1,834.3	1,732.8
Non-restricted equity				
Non-restricted reserves		-22.6	117.8	94.8
Net income/loss for the year		289.3	-66.6	120.7
		266.7	51.1	215.5
Total shareholders' equity		2,145.0	1,885.4	1,948.3
Minority interests in equity		2.0	15.8	4.7
Provisions				
Provisions for pensions		0.9	0.5	0.4
Deferred tax liability	8	4.0	1.7	-
Other provisions	16	228.6	170.6	131.9
Total provisions		233.4	172.8	132.3
Long-term liabilities	17, 18			
Interest-bearing				
Overdraft facilities		-	-	37.1
Other liabilities to financial institutions		-	425.0	315.0
Convertible debenture loan 2001/2006		1,091.3	1,103.1	1,130.3
Other liabilities		5.1	7.1	9.3
		1,096.3	1,535.2	1,491.7
Non-interest bearing		11.5	30.0	26.1
Total long-term liabilities		1,107.9	1,565.1	1,517.8
Current liabilities				
Interest-bearing				
Liabilities to financial institutions		250.0	225.0	350.0
Trade notes payable		-	-	0.2
Liabilities to associated companies		-	1.9	-
		250.0	226.9	350.2
Non-interest-bearing				
Advances from customers		37.7	57.1	92.9
Accounts payable		630.1	818.1	1,274.4
Liabilities to associated companies		-	-	13.5
Tax liability		40.4	93.0	126.8
Other liabilities		324.1	384.3	488.6
Accrued expense and prepaid revenue	19	945.4	965.0	991.5
		1,977.7	2,317.6	2,987.7
Total current liabilities		2,227.7	2,544.5	3,337.9
Total liabilities		3,570.9	4,298.2	4,992.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,715.9	6,183.6	6,941.0
Pledged assets		None	None	None
Contingent liabilities	20	0.3	120.1	135.3

Consolidated changes in shareholders' equity

SEK million	Share capital	Restricted reserves	Non-restricted reserves	Total
Opening balance as of January 1, 2001	331.9	1,392.6	729.4	2,453.9
Change of accounting principle			-664.0	-664.0
Translation differences			37.7	37.7
Total changes charged directly to equity			-626.3	-626.3
Transfer between restricted and non-restricted equity		8.3	-8.3	-
Net income for the year 2001			120.7	120.7
Closing balance as of December 31, 2001	331.9	1,400.9	215.5	1,948.3
Translation differences charged directly to equity			3.7	3.7
Transfer between restricted and non-restricted equity		101.5	-101.5	-
Net income for the year 2002			-66.6	-66.6
Closing balance as of December 31, 2002	331.9	1,502.4	51.1	1,885.4
Translation differences charged directly to equity		-16.7	-13.0	-29.7
Transfer between restricted and non-restricted equity		60.7	-60.7	-
Net income for the year 2003			289.3	289.3
CLOSING BALANCE AS OF DECEMBER 31, 2003	331.9	1,546.4	266.7	2,145.0

Restricted reserves in the Group include SEK 135.6 million in a capital interest reserve, representing the positive difference between the consolidated value and book value of each company's holding of shares in associated companies. Accumulated translation differences since January 1, 1996 amounted to SEK -9.2 (23.9; 20.2) million at year end.

Consolidated statements of cash flows

SEK million	Note	2003	2002	2001
CASH FLOW FROM OPERATIONS				
Net income for the year		289.3	-66.6	120.7
Adjustments to reconcile net income/loss to net cash provided by operations	25	297.1	314.9	221.0
		586.4	248.3	341.7
CHANGES IN WORKING CAPITAL				
Inventories		248.0	341.0	-523.5
Accounts receivables		114.9	244.8	-100.2
Other current receivables		69.9	-36.1	150.4
Prepaid expense and accrued income		-45.0	214.0	-261.3
Advances from customers		-47.5	-35.7	25.4
Accounts payable		-188.1	-456.2	101.7
Liabilities to associated companies		0.0	-13.5	12.4
Tax liability		-62.6	-33.8	10.2
Other short-term liabilities, non-interest-bearing		-60.3	-101.0	-64.9
Accrued expense and prepaid revenue		8.3	-26.5	229.8
Net cash flow from operations		624.0	345.3	-78.3
INVESTMENT ACTIVITIES				
Investment in fixed assets		-135.3	-98.0	-105.5
Acquisitions of shares in subsidiaries and associated companies		-19.1	-276.7	-160.8
Other investments in shares and securities Metro International		-542.6	-204.1	-
Conversion of loans to Metro International		542.6	-	-
Proceeds from sales of shares in subsidiaries and associated companies		19.9	204.1	-
Dividends from associated companies		10.4	34.5	48.6
Cash flow to investing activities		-124.1	-340.2	-217.7
FINANCING ACTIVITIES				
Change in receivables from associated companies		-3.1	118.8	-50.3
Metro International transaction		-	-	-19.4
Change in other long-term receivables		86.2	-8.3	-23.2
Net change in liabilities to financial institutions		-400.0	-15.0	-710.0
Change in other interest-bearing liabilities		-31.1	-36.7	1,059.3
Change in non-interest-bearing liabilities		-18.5	3.9	-17.8
Cash flow from financing activities		-366.5	62.7	238.6
Net increase in cash and cash equivalents		133.4	67.8	-57.4
Cash and cash equivalents at beginning of year		300.6	255.4	292.1
Translation differences in cash and cash equivalents		-32.1	-22.7	20.7
Cash and cash equivalents at end of year		401.9	300.6	255.4

Parent company income statements

SEK million	Note	2003	2002	2001
Net Sales		76.3	104.7	63.8
Gross Income		76.3	104.7	63.8
Selling expenses		-	-	-
Administrative expenses		-183.8	-243.7	-151.7
Operating income	5, 21, 22, 23, 24	-107.5	-139.0	-87.9
Dividends group	7	-	244.6	-
Gain from financial assets	7	18.9	-	-
Interest revenue and other financial income	7	313.2	360.5	383.6
Interest expense and other financial costs	7	-50.5	-273.5	-60.2
Income/loss after financial revenue and expense excluding interest on convertible debentures		174.1	192.6	235.5
Interest on convertible debentures		-60.0	-59.5	-33.1
Unrealised exchange difference on convertible debentures		11.8	28.1	-34.1
Income/loss before appropriations and tax		125.9	161.2	168.3
Taxes	8	29.9	316.1	-121.0
NET INCOME FOR THE YEAR		155.8	477.3	47.3

Parent company balance sheets

SEK million	Note	Dec 31, 2003	Dec 31, 2002	Dec 31, 2001
ASSETS				
Fixed assets				
Intangible assets				
Capitalized development expenses	9	22.6	15.2	13.0
		22.6	15.2	13.0
Tangible assets				
Equipment, tools and installations	10	0.1	0.2	0.4
		0.1	0.2	0.4
Long-term financial assets				
Shares and participations in Group companies	11	136.4	136.4	136.4
Receivable from Group companies		2,484.0	3,046.5	3,059.5
Shares and participations in associated companies	11	202.7	193.6	-
Receivable from associated companies		-	13.6	156.5
Shares and participations in other companies	11	643.1	98.1	98.0
Deferred tax receivable	8	255.3	286.2	-
Metro convertible		-	371.4	235.5
Long-term receivable from Metro		-	207.4	269.5
		3,721.5	4,353.1	3,955.4
Total fixed assets		3,744.2	4,368.4	3,968.8
Current assets				
Current receivables				
Accounts receivable	12	4.5	29.8	15.6
Receivable from Group companies		2,740.5	2,474.7	1,779.2
Other receivables		6.7	19.5	15.6
Prepaid expense and accrued revenue	13	36.6	475	74.3
		2,788.4	2,571.4	1,884.7
Short-term investments	14	-	4.0	-
Cash and cash equivalents		32.8	5.0	38.5
		32.8	9.0	38.5
Total current assets		2,821.2	2,580.4	1,923.2
TOTAL ASSETS		6,565.4	6,948.9	5,892.0

Parent company balance sheets

SEK million	Note	Dec 31, 2003	Dec 31, 2002	Dec 31, 2001
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Restricted equity	15			
Share capital		331.9	331.9	331.9
Premium reserve		1,332.5	1,332.5	1,332.5
Legal reserve		7.7	7.7	7.7
		1,672.1	1,672.1	1,672.1
Non-restricted equity				
Retained earnings/losses		2,136.6	1,495.8	1,473.0
Net income for the year		155.8	477.3	47.3
		2,292.4	1,973.1	1,520.3
Total shareholders' equity		3,964.5	3,645.2	3,192.4
Long-term liabilities				
Interest-bearing				
Overdraft facilities	17, 18	-	-	37.1
Other liabilities to financial institutions	17	-	425.0	315.0
Convertible debenture loan 2001/2006	17	1,091.3	1,103.1	1,130.3
Liabilities to Group companies		235.2	258.5	-
		1,326.5	1,786.6	1,482.4
Total long-term liabilities		1,326.5	1,786.6	1,482.4
Current liabilities				
Interest-bearing				
Other liabilities to financial institutions		250.0	225.0	350.0
Liabilities to Group companies		800.7	635.6	342.4
		1,050.7	860.6	692.4
Non-interest-bearing				
Accounts payable		5.9	6.1	20.3
Liabilities to Group companies		169.5	596.1	451.1
Other liabilities		2.4	2.2	6.4
Accrued expense and prepaid revenue	19	45.9	52.1	47.0
		223.7	656.5	524.8
Total current liabilities		1,274.4	1,517.1	1,217.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,565.4	6,948.9	5,892.0
Pledged assets		None	None	None
Contingent liabilities	20	372.8	470.8	706.6

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

SEK million	Share capital	Premium reserve	Legal reserve	Retained earnings	Total
Balance as of January 1, 2001	331.9	1,332.5	7.7	1,783.9	3,456.0
Net income for the year 2001				47.3	47.3
Group/Shareholders' contributions				-310.9	-310.9
Balance as of December 31, 2001	331.9	1,332.5	7.7	1,520.3	3,192.4
Net income for the year 2002				477.3	477.3
Group/Shareholders' contributions				-24.5	-24.5
Balance as of December 31, 2002	331.9	1,332.5	7.7	1,973.1	3,645.2
Net income for the year 2003				155.8	155.8
Group/Shareholders' contributions				163.6	163.6
Balance as of December 31, 2003	331.9	1,332.5	7.7	2,292.4	3,964.5

Parent company statement of cash flows

SEK million	Note	2003	2002	2001
CASH FLOW FROM OPERATIONS				
Net income for the year		155.8	477.3	473
ADJUSTMENTS TO RECONCILE NET INCOME/LOSS TO NET CASH PROVIDED BY OPERATIONS	25			
Depreciation		10.4	6.3	4.4
Write-downs of fixed assets		-	-	1.7
Change in deferred tax		30.8	-286.2	-
Unrealised exchange difference		-119.2	164.3	-18.5
		77.8	361.7	34.9
CHANGES IN WORKING CAPITAL				
Accounts receivables		25.3	-14.2	1.7
Receivable from Group companies		-265.9	-695.4	502.4
Other short-term receivables		12.7	-3.9	-10.6
Prepaid expense and accrued income		10.9	26.7	-71.0
Accounts payable		-0.3	-14.2	12.3
Liabilities to Group Companies		-426.6	144.9	-548.0
Other liabilities		0.2	-4.2	-61.1
Accrued expense and prepaid revenue		-6.2	5.1	31.7
Net cash flow from operations		-572.0	-193.5	-107.7
INVESTMENT ACTIVITIES				
Investment in capital development costs		-17.3	-8.1	-2.5
Investment in shares		-554.1	-193.6	-83.9
Investment in Metro convertible		-	-204.1	-
Conversion of loans to Metro International		542.6	-	-
Proceeds from sales of shares in other companies		18.9	-	-
Cash flow to investing activities		-9.9	-405.8	-86.4
FINANCING ACTIVITIES				
Receivable from Group companies		562.5	13.0	20.2
Receivable from associated companies		13.6	142.9	-54.9
Convertible debenture loan		-	-27.2	1,096.3
Net change in liabilities to financial institutions		-400.0	-15.0	-710.0
Other interest-bearing liabilities		266.1	480.6	160.6
Group/shareholders' contributions		163.5	-24.5	-310.9
Issue of long-term receivable from Metro		-	-	-19.4
Cash flow from financing activities		605.8	569.8	181.9
Net increase in cash and cash equivalents		23.8	-29.5	-12.2
Cash and cash equivalents at beginning of year		9.0	38.5	50.7
Cash and cash equivalents at end of year		32.8	9.0	38.5

Notes

Figures in SEK million unless other specified

Note 1 ACCOUNTING AND VALUATION PRINCIPLES

The Company complies with the Swedish Annual Accounts Act and recommendations issued by the Swedish Financial Accounting Standards Councils as well as the statements issued by the Emerging Issues Task Force.

The consolidated accounts have been prepared based on the same accounting principles as were applied in the preparation of the 2002 accounts, using the new recommendations from The Swedish Financial Accounting Standards Council, namely RR22 Presentation of Financial Statements, RR25 Segment reporting, meaning business area and geographical area, RR26 Events after the Balance Sheet Date, RR27 Financial instruments – Recognition and Measurement and RR2:02 concerning inventories. These recommendations had no impact on the Group's financial position and performance.

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 agreement solely exercises decisive influence, are consolidated as subsidiaries.

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

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

The balance sheets of the Group's foreign subsidiaries are translated into Swedish krona using the exchange rate prevailing on the closing date, while the income statements are translated using an average rate. The resulting translation differences are charged directly to shareholders' equity. Minority interest includes the share of net profit/loss and shareholders' equity. For negative shareholders' equity, a receivable is reported for the minority to the extent that minority owners are expected to contribute their share of the deficit.

ACCOUNTS OF ASSOCIATED COMPANIES

Associated companies are reported based on the equity method. The Group's share of earnings in associated companies' profits or losses after financial items are reported under Profit/loss on shares and participations in associated companies in the income statements. The share of associated companies' tax expense is reported among the Group's tax expenses. Surplus values on consolidation in foreign associated companies are reported as assets denominated in foreign currencies. These values are translated using the same principles applied to the associated companies' income statements and balance sheets. An associated company is a company in which the Group over the long term exercises considerable influence. Normally, this means companies in which the Group owns at least 20% and no more than 50% and in which that level of ownership is judged to be long-term. This applies to amongst other Story First Communication Inc (29%) and P4 Radio Hele Norge asa (33%). Surplus values are attributable to assets in each associated company or to goodwill. Goodwill is amortized over five or twenty years, while other fixed assets are depreciated or amortized based on each asset's estimated economic life. An individual assessment of the economic life of goodwill is made in the same way as for goodwill connected to subsidiaries. This has resulted in amortization periods longer than five years.

This is the case with the goodwill of Story First Communication Inc., with an economic life of twenty years. The final accounts of associated companies are adjusted before the share of earnings is calculated so that the accounts comply with MTG's accounting and valuation principles. When the Group's capital participation in an associated company decreases because of an issue of new shares, the profit or loss is reported in the consolidated income statements under Profit/loss on shares and participations in associated companies. This is analogous to the rules stated in the Swedish Financial Accounting Standards Council's recommendation on reporting issues of new shares in subsidiaries.

REVENUE RECOGNITION

Revenue is recognized at the time the service is performed. Accordingly, MTG reports revenue from TV, radio, and newspaper advertising at the time of broadcast or publication. Subscription fees for Pay-TV are distributed over the subscription period. Revenues from the sale of goods and services are reported upon delivery. The TV production revenue recognition is based on the percentage of completion for each project. Revenue for film rights is recognized when a contract is signed, the product is complete and available for delivery.

RECEIVABLES AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

CLASSIFICATION

Fixed assets and long term 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.

FIXED ASSETS

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

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

Capitalized expenditure

Capitalized expenditures are depreciated straight-line from the time when the asset started to be used or produced commercially and during the estimated useful life of the asset. Capitalized development expenses refer to software and similar expenditures.

Write-downs on fixed assets

The Group continuously appraises the book value of fixed assets. If the present value of the estimated cash flow indicates a decline in the asset's value compared to the book value this warrants a write-down of the difference between the book value and the recoverable value.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

General

Financial assets and liabilities are recorded at acquisition value. To the extent that a market value is known, information about this is found in the corresponding note. The stated market values are an indication of the value, not necessarily possible to realize.

Finance policy

MTG's financing and financial risks are managed under the control and supervision of the Board of Directors. Financial management is centralized to the parent company, which functions as MTG Group's internal bank and is responsible for the management of financing and financial risks. This includes netting and pooling of capital requirements and payment flows in Scandinavia.

The borrowings are normally denominated in SEK with the exception of the convertible debenture loan, denominated in EUR.

Cash surplus are normally deposited in banks.

Financial risk management*Foreign exchange risk*

The Group does not take any hedging positions to protect the Group against the effects of fluctuations in exchange rates, neither for transaction exposure nor exposure through equity in foreign subsidiaries. The exposure is described in Note 27.

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 interest on the bank loan is based on STIBOR (Stockholm Interbank Offered Rates). The convertible debenture loan has a fixed interest rate of 5.5% on the nominal value of EUR 120 million.

Financing risk

MTG AB is rated BB+ stable in credit rating by Standard & Poor's. The Group has a new loan facility of SEK 800 million, and total available facilities of SEK 975 million at year-end and an available overdraft facility of SEK 100 million.

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. Solvency information is required for all material credit sales to minimize the risk of unnecessary bad debt expense.

Insurable risks

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

Convertible Debenture Loan

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

The debenture loan expires in 2006 with a conversion price of SEK 385.97.

ACCOUNTING FOR LEASES

A financial lease is a contract that entails the lessee to a material extent enjoying all economic benefits and bearing all economic risks associated with the asset regardless of whether or not the lessee retains the legal right of ownership of the asset. For financial leases, the leasing asset is reported as a fixed asset and the obligation for future payments as a liability in the lessee's balance sheet. An operating lease is a lease that does not fulfill the conditions for a financial lease. For operating leases, the rental expense is reported in the lessee's accounts distributed equally over the period during which the asset is used, even if the payments are made according to some other schedule.

INVENTORIES

Inventories are valued at the acquisition cost or actual value, whichever is lower. A significant portion of the amount reported as inventory by the Group refers to the TV channels' catalog of program rights. Program rights are reported as inventory when the license period has begun, the program itself is available for its first broadcast, the cost of the program is known, and the program content has been approved by the TV channel. At any time, the program inventories for MTG's TV channels roughly correspond to the future two months program costs in addition to prepaid programming costs. Future payments in respect of

contractual program rights that have not yet been reported as inventory are reported as a memorandum item, Note 21. Program rights are normally acquired for a specific number of runs, which can be played out during a determined license period in certain territories. The program rights are costed per run according to how revenue is expected to accrue.

LOAN EXPENSES

The financial costs relating to loans raised are annualized over the term of the loan.

CORPORATE INCOME TAX

Tax liability reported includes actual Swedish and foreign corporate income taxes paid and deferred tax liabilities arising from temporary differences between accounts for financial reporting and accounts for tax assessment, calculated using the liability method. Such temporary differences are caused chiefly by 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. Deferred tax expenses and revenues resulting from temporary differences arising during the period are reported in the consolidated income statements in the line item Change in deferred tax.

PENSIONS

There are defined-contribution pension plans within the Group. It is normally financed through payments from each Group company. 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 the Netherlands. Independent actuaries calculate the size of the obligations each plan has. 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 obligation is reevaluated 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 obligation are reported as provisions and as costs in the period when the employee performed the services to which the fee relates.

GROUP CONTRIBUTIONS

The parent company reports Group contributions in accordance with the statement issued by the Emerging Issues Task force of the Swedish Financial Accounting Standards Council. Group contributions are therefore reported according to their economic reality, namely having the purpose of minimizing the Group's tax burden. Since they do not constitute consideration for fulfillment of services, they are taken directly to equity after deducting the tax component.

BARTER TRANSACTIONS

Barter entails the exchange of air time on TV or radio for other goods or services. Barter transactions are reported at the market value of the goods or services involved. 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 goods and services are provided. Expenses are reported when the goods or service is delivered.

Note 2 BUSINESS SEGMENTS

The business is primarily divided into five business segments. Viasat Broadcasting is a commercial Free-TV and Pay-TV broadcaster in Scandinavia and in the Baltics. The group also has Free-TV as well as Pay-TV operations in Russia and Hungary. Viasat Broadcasting also includes teletext and iDTV applications. MTG Radio operates commercial radio stations in Sweden, Estonia, Latvia and Lithuania, and owns equity stakes in Norwegian and Finnish commercial radio networks. TV Shop operates in TV home shopping and internet retailing. SDI Media provides language versioning and localization services to the entertainment industry in North and South America, Europe, the Middle East, Far East and most of Asia. MTG Modern Studios produces and distributes films and television programs as well as producing and managing events, mainly in Scandinavia and the United States.

Comparative figures per business area for 2001 and 2002 have been restated to facilitate comparison. The stated figures for 2001, 2002 and 2003 are based on the same operational structure.

Business area (SEK million)	2003	2002	2001
EXTERNAL SALES			
Viasat Broadcasting	4,651.1	4,427.0	4,621.0
MTG Radio	171.4	154.4	121.2
TV Shop	733.5	661.7	734.1
SDI Media	302.3	333.1	347.6
MTG Modern Studios	440.1	334.2	395.6
Parent company and other companies	2.5	2.7	29.5
Discontinued businesses	10.4	110.2	153.0
Total	6,311.3	6,023.2	6,402.1
INTERNAL SALES			
Viasat Broadcasting	12.7	23.8	37.7
MTG Radio	2.7	2.9	2.8
TV Shop	4.5	9.0	21.0
SDI Media	51.3	45.8	49.6
MTG Modern Studios	297.3	305.2	258.8
Parent company and other companies	100.1	106.2	73.2
Discontinued businesses	-	2.8	5.4
Total	468.6	495.8	448.4

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

OPERATING INCOME/LOSS

Viasat Broadcasting	652.9	448.9	478.4
Sales of shares in TV4	-	162.9	-
Share of earnings TV4	-	-18.1	59.3
Viasat digital project	-	-	-15.0
Victory Challenge	-	-30.0	-
MTG Radio	-28.2	-31.0	12.6
TV Shop	9.2	11.6	-33.1
SDI Media	48.5	53.7	41.5
MTG Modern Studios	57.3	62.7	85.9
Parent company and other companies	-172.7	-160.3	-167.2
Discontinued businesses	-15.5	-203.5	-90.5
Other non-recurring costs	-	-20.5	-
Eliminations	-9.6	-9.6	-12.0
Total	542.0	266.8	359.9
<i>of which, share of earnings in associated companies</i>			
Viasat Broadcasting	92.8	17.7	59.1
MTG Radio	-11.8	-11.6	22.8
Parent company and other companies	-12.0	-10.0	-56.9
Total	69.0	-3.9	25.0

TOTAL ASSETS

Viasat Broadcasting	3,324.9	3,704.8	4,385.9
MTG Radio	123.1	110.9	158.5
TVShop	267.0	316.1	331.3
SDI Media	140.6	147.7	218.1
MTG Modern Studios	414.6	448.3	464.0
Discontinued businesses	0.7	11.5	69.4
Parent company and other companies	1,054.8	1,067.4	990.1

Total	5,325.7	5,806.6	6,617.3
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Deferred tax receivables	390.1	377.0	323.7
Total assets reconciled	5,715.9	6,183.6	6,941.0

Of which, total share of equity in associated companies (incl in total assets)

Viasat Broadcasting	284.5	218.1	212.9
MTG Radio	60.3	75.5	89.7
Parent company and other companies	2.5	9.2	5.1

Total	347.3	302.7	307.7
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TOTAL INVESTMENTS IN FIXED ASSETS

Viasat Broadcasting	35.9	37.9	61.3
MTG Radio	0.8	3.8	7.1
TVShop	0.2	1.8	7.3
SDI Media	1.0	0.9	5.8
MTG Modern Studios	80.6	53.5	21.2
Discontinued businesses	-	0.1	1.5
Parent company and other companies	16.8	-	1.3

Total	135.3	98.0	105.5
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Depreciation and amortization by business area is shown in Note 5.

TOTAL LIABILITIES

Viasat Broadcasting	1,637.4	1,803.9	2,353.7
MTG Radio	50.8	53.2	49.6
TVShop	162.8	142.1	145.6
SDI Media	42.1	40.0	52.9
MTG Modern Studios	203.5	212.5	225.2
Discontinued businesses	2.5	68.3	58.7
Parent company and other companies	1,427.3	1,883.6	1,980.3

Total	3,526.6	4,203.5	4,865.8
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Shareholders' equity	2,145.0	1,885.4	1,948.3
Deferred tax liabilities	4.0	1.7	-
Current tax liability	40.4	93.0	126.8

Total liabilities and equity reconciled	5,715.9	6,183.6	6,941.0
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GEOGRAPHIC DISTRIBUTION

External sales

Sweden	2,337.9	2,215.1	2,504.0
Norway	1,093.2	986.1	1,138.2
Denmark	1,664.3	1,595.3	1,526.1
Rest of Europe	991.4	977.8	953.6
North America	172.5	186.8	202.9
South America	2.9	4.1	12.1
Asia	48.9	57.9	64.9
Africa	0.3	-	0.2
Total	6,311.3	6,023.2	6,402.1

Total assets

Sweden	2,372.6	2,813.5	2,650.1
Norway	216.5	287.0	379.7
Denmark	220.2	368.8	326.6
Rest of Europe	3,501.2	3,845.7	4,197.0
North America	152.4	187.0	252.0
Asia	12.5	22.7	31.8
Eliminations	-1,149.6	-1,718.2	-1,219.9
Total	5,325.7	5,806.6	6,617.3

Deferred tax receivables

390.1 377.0 323.7

Total assets reconciled

5,715.9 6,183.6 6,941.0

Investments in fixed assets

Sweden	108.7	26.9	21.2
Norway	0.3	4.3	11.3
Denmark	1.3	3.1	7.1
Rest of Europe	17.9	23.3	49.3
North America	6.8	40.3	16.1
Asia	0.4	0.1	0.6
Total	135.3	98.0	105.5

Net sales by type

Advertising revenue	2,314.3	2,229.2	2,442.5
Subscription fees	2,331.6	2,315.1	2,470.2
Services, production and other	888.7	825.0	753.5
Consumer goods	711.9	580.5	620.4
Barter	64.7	73.4	115.5
Total	6,311.3	6,023.2	6,402.1

Note 3 NON-RECURRING COSTS

In cost of goods and services and in other operating expenses the following non-recurring costs are included:
(SEK million)

GROUP

	2003	2002	2001
Costs STIM court ruling 1993-1998	-38.0	-	-
Write-down Viaccess encryption Pay-TV cards	-29.0	-	-
Viasat digital project	-	-	-15.0
Victory Challenge	-	-30.0	-
Other non-recurring items	-	-95.8	-
Total	-67.0	-125.8	-15.0

The Stockholm City Court ruled in December 2003 that TV3 must pay SEK 74 million to STIM in royalty payments for music broadcast by TV3 between 1993-1998 plus accumulated interest. These payments are in addition to approximately SEK 20 million already paid for this period. TV3 must also pay litigation costs incurred by STIM of SEK 6 million. Total payment due according to the ruling exceeds previous provisions made by SEK 38 million, interest expense excluded. The ruling has been appealed.

A write-down of redundant Viaccess encryption Pay-TV smart cards was made with SEK 29 million, the cards being exchanged in the transition of the Pay-TV platform to the NDS VideoGuard encryption system.

The non-recurring items in 2002 comprise a provision of SEK 96 million relating to the closure of Finans Vision and other smaller businesses and the writing off of goodwill as well as technology write-downs in joint venture company Everyday Webguide AB. MTG announced the closure of the newspaper Finans Vision in January 2003. The close-down costs consist of goodwill write-off and the termination of business agreements. The SEK 30 million costs for Victory Challenge comprise the sponsorship costs of Victory Challenge syndicate's entry in the America's Cup sailing competition.

During 2001 costs of SEK 15.0 million was charged to the income statement in order to finalize the digitalisation of Pay-TV, which was started in 2000.

Note 4 INCOME FROM SALES OF SECURITIES

(SEK million)	2003	2002	2001
GROUP			
Sales of shares in TV4 AB	-	162.9	-
Sales of shares in group companies	-0.4	-0.2	-
Total	-0.4	162.6	-

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

Note 5 DEPRECIATION AND AMORTIZATION

(SEK million)	2003	2002	2001
GROUP			
Tangible and intangible assets			
Capitalized development expenses	14.7	17.9	17.0
Beneficial rights	68.2	38.2	34.0
Goodwill	100.9	154.7	108.7
Machinery and other technical plant	9.8	5.6	14.8
Equipment, tools and installations	75.7	70.7	61.9
Total	269.3	287.1	236.4
Depreciation by function			
Cost of goods and services	79.8	94.5	50.1
Selling expenses	0.1	0.1	0.1
Administrative expenses	27.2	45.6	42.2
Other operating expenses	162.3	146.9	144.0
Total	269.3	287.1	236.4
Depreciation by business area			
Viasat Broadcasting	151.2	139.8	103.2
MTG Radio	4.5	4.2	3.2
TV-Shop	13.4	16.3	21.4
SDI Media	7.3	13.6	15.7
MTG Modern Studios	71.0	45.3	40.9
Discontinued businesses	0.4	51.8	11.5
Parent company and other	21.4	16.1	40.5
Total	269.3	287.1	236.4
Depreciation by geographical area			
Sweden	130.2	109.1	100.9
Norway	8.6	0.6	0.1
Denmark	7.7	4.7	5.5
Rest of Europe	88.1	137.9	97.8
North America	33.1	32.8	29.7
Asia	1.6	2.1	2.5
Total	269.3	287.1	236.4
PARENT COMPANY			
Tangible and intangible assets			
Capitalized development expenses	10.3	6.0	4.0
Equipment, tools and installations	0.2	0.3	0.4
Total	10.4	6.3	4.4
Distributed by function			
Other operating expenses	10.4	6.3	4.4
Total	10.4	6.3	4.4

Note 6 SHARE OF EARNINGS IN ASSOCIATED COMPANIES

(SEK million)	%	2003	2002	2001
GROUP				
Everyday Webguide AB	50	-13.5	-14.6	-56.9
Mediainvest Holding AS	-	-	-	-0.9
Mediamätning i Skandinavien MMS AB	43	1.4	4.6	0.0
P4 Radio Hele Norge ASA	33	-7.5	-7.3	28.0
Radio National i Luleå AB	49	-0.9	-0.8	-0.9
Radio National i Skellefteå AB	49	-0.8	-0.7	-0.6
Radioindustri Xerkses i Borås AB	49	-1.6	-1.5	-1.7
ScanSat A/S	-	-0.8	-	-
Svensk Programagentur AB	50	5.2	9.5	1.7
TV 3 Estonia	-	-	-	-1.9
TV 4 AB	15	-	-18.1	59.3
Finland Radio Investment AS	50	-0.9	-1.0	-1.0
Gigahertz KB	33	-0.1	-0.1	-0.1
Story First Communications, Inc.	29	88.4	26.3	-
Total		69.0	-3.9	25.0

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

Note 7 FINANCIAL ITEMS

(SEK million)	2003	2002	2001
GROUP			
Proceeds from sales of subscription right certificates Metro Intl	18.9	-	-
Proceeds from sales of shares in other companies	0.2	-	-
Proceeds from sales of shares in subsidiaries	1.0	-	-
Total	20.1	-	-
Interest revenue	41.4	58.6	50.8
Total	41.4	58.6	50.8
Total interest revenue and other financial income	61.5	58.6	50.8
Interest STIM court ruling 1993-1998	-32.6	-	-
Total	-32.6	-	-
Interest expense	-50.4	-67.7	-119.0
Exchange rate differences	-82.7	-160.9	47.4
Other	-29.4	-37.1	-21.9
Total	-162.6	-265.6	-93.5

The Stockholm City Court ruled in December 2003 that TV3 must pay SEK 74 million to STIM in royalty payments for music broadcast by TV3 between 1993-1998 plus accumulated interest of SEK 32.6 million. The ruling has been appealed.

Note 7 Continued

(SEK million)	2003	2002	2001
PARENT COMPANY			
Dividends from subsidiaries	-	244.6	-
Proceeds from sales of subscription right certificates Metro Intl	18.9	-	-
Interest revenue from external parties	15.9	44.6	49.8
Interest revenue from subsidiaries	297.3	315.9	333.8
Total	313.2	360.5	383.6
Interest expense to external parties	-21.7	-47.9	-63.4
Interest expense to subsidiaries	-48.3	-42.6	-36.2
Exchange rate differences	36.5	-167.4	54.9
Other	-17.1	-15.6	-15.5
Total	-50.5	-273.5	-60.2

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

Note 8 TAXES

(SEK million)	2003	2002	2001
DISTRIBUTION OF PROFIT/LOSS BEFORE TAX AND MINORITY INTEREST			
Sweden	286.5	-244.7	-174.1
Norway	125.9	114.9	177.7
Denmark	77.4	177.8	103.5
United Kingdom	-158.4	-139.0	216.8
Other countries	184.5	205.6	-41.0
Eliminations	-140.8	-86.2	-32.9
Total	375.2	28.4	250.0
DISTRIBUTION OF TAX EXPENSE			
Current tax			
Sweden	-13.0	-3.5	-0.9
Norway	-41.4	-37.3	-0.9
Denmark	-29.1	-40.2	-30.8
United Kingdom	29.9	-7.3	-69.2
Other countries	-49.8	-46.7	-55.1
Total	-103.5	-135.0	-156.9
Deferred tax			
Sweden	-33.0	41.1	65.2
Norway	6.3	4.2	-40.9
Denmark	-2.6	20.1	0.0
United Kingdom	37.6	-20.0	0.0
Other countries	2.9	-2.5	0.7
Total	11.3	42.8	25.0
Grand Total	-92.2	-92.2	-131.9
Associated companies' taxes account for MSEK 14.8 of the total tax expense in 2003			
DEFERRED TAX RECEIVABLE			
	31 Dec 2003	31 Dec 2002	31 Dec 2001
Sweden	298.6	331.4	283.3
Norway	31.5	25.2	19.6
Denmark	17.5	20.1	0.0
United Kingdom	38.1	0.3	20.3
Other countries	4.5	-	0.5
Total	390.1	377.0	323.7

(SEK million)	31 Dec 2003	31 Dec 2002	31 Dec 2001
DEFERRED TAX LIABILITIES			
Sweden	0.0	0.0	0.0
Norway	0.0	0.0	0.0
Denmark	0.0	0.0	0.0
United Kingdom	0.0	0.0	0.0
Other countries	4.0	1.7	0.0
Total	4.0	1.7	0.0

NET DEFERRED TAX RECEIVABLE

The movement in deferred tax receivable net is explained below:

	Opening balance	Deferred tax expense	Other movements	Translation differences	Closing balance
Financial assets	19.8	4.2	-19.1	-3.2	1.7
Current assets	13.8	-14.6	21.8	-	21.1
Liabilities	-	-0.3	-	-	-0.3
Tax loss carryforwards	341.7	22.0	-	-	363.7
	375.3	11.3	2.7	-3.2	386.1

The closing balance of net deferred tax receivable comprises deferred tax receivables of SEK 390.1 million and deferred tax liabilities of SEK 4.0 million.

The Group had loss carry-forwards without expiration date of SEK 1,295 million at December 31, 2003. The accounts for 2003 include deferred tax receivable as a tax value of the loss carry-forwards in all countries where it is judged likely that the Group will be able to apply its loss carry-forwards to a taxable surplus. As a consequence, deferred tax receivable is not reported in some countries.

The tax loss carry-forward in the United Kingdom is reported at a tax value of SEK 55.7 million. It was valued for the first time in 2003 since the loss carry-forward was secured during the autumn and judged likely to be applied to a taxable surplus.

UNRECOGNIZED NET OPERATING LOSS CARRY FORWARDS BY EXPIRY DATE

2004	-
2005	5.5
2006	0.1
2007	2.0
2008 and thereafter	1.7
No expiry date	150.0
Total	159.4

RECONCILIATION OF TAX EXPENSE

	2003	(%)	2002	(%)	2001	(%)
Tax/Tax rate in Sweden	-105.1	-28.0	-7.9	-28.0	-70.0	-28.0
Non-deductible expenses	-42.3	-11.3	-58.4	-205.7	-19.8	-7.9
Foreign tax rate differential	3.2	0.8	5.7	20.1	-14.2	-5.7
Effect of loss carry-forwards	60.2	16.0	79.3	279.1	8.7	3.5
Losses where no tax benefit was recognized	-8.2	-2.2	-110.8	-390.0	-36.6	-14.6
Effective tax/tax rate	-92.2	-24.6	-92.2	-324.7	-131.9	-52.8

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

PARENT COMPANY

The accounts for 2003 consist of deferred tax receivables of 255.3 MSEK corresponding to 28% of the loss carry forwards without expiration date allocated to the parent company.

	2003	2002	2001
Current tax relating to group contributions	60.7	29.9	-121.0
Deferred tax	-30.8	286.2	-
Total tax	29.9	316.1	-121.0
	31 Dec 2003	31 Dec 2002	31 Dec 2001
Deferred tax receivables	255.3	286.2	-

Note 9 INTANGIBLE ASSETS

(SEK million)	Group			Parent company
	Capitalized development expenses	Beneficial rights	Goodwill	Capitalized development expenses
Acquisition values brought forward	143.8	445.5	1,507.9	27.8
Change in Group structure, reclassifications etc	0.4	0.0	-	4.9
Investments during the year	24.5	88.2	-	17.3
Divestment/retirement during the year	-92.6	-	-3.7	-
Translation differences	-0.7	-41.6	-	-
Acquisition values carried forward	75.4	492.0	1,504.2	50.0
Accumulated depreciation brought forward	-104.4	-148.2	-557.8	-12.6
Changes in Group structure, reclassifications etc	0.0	-2.4	-	-4.5
Divestment/retirement during the year	76.1	-	-	-
Depreciation during the year	-12.6	-67.8	-100.9	-10.3
Write-down during the year	-2.1	-0.4	-	-
Translation differences	0.5	22.8	-	-
Accumulated depreciation carried forward	-42.5	-196.0	-658.7	-27.3
Residual value carried forward	33.0	296.1	845.5	22.6

Note 10 TANGIBLE ASSETS

(SEK million)	Group			Parent company
	Machinery, technical plant	Equipment, tools	Equipment, tools	
Acquisition values brought forward	59.5	567.8	3.0	
Change in Group structure, reclassifications etc	-0.3	5.4	-	
Investments during the year	0.2	22.2	0.1	
Divestment/retirement during the year	-1.5	-21.1	-	
Translation differences	-3.1	-13.2	-	
Acquisition values carried forward	54.8	561.2	3.1	
Accumulated depreciation brought forward	-43.1	-370.9	-2.9	
Changes in Group structure, reclassifications etc	-2.8	-1.9	-	
Divestment/retirement during the year	0.9	14.0	-	
Depreciation during the year	-3.6	-63.9	-0.2	
Write-down during the year	-6.2	-12.0	-	
Translation differences	1.2	9.8	-	
Accumulated depreciation carried forward	-53.6	-424.9	-3.0	
Residual value carried forward	1.2	136.3	0.1	

Note 11 LONG-TERM FINANCIAL ASSETS

	Co. Reg.no.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value (SEK million)
SHARES IN SUBSIDIARIES (HELD BY PARENT COMPANY)						
MTG Broadcasting SA		Luxembourg	1,000	100	100	0.3
MTG Radio SA		Luxembourg	1,000	100	100	0.3
MTG Publishing SA		Luxembourg	1,000	100	100	0.3
MTG Electronic Retailing SA		Luxembourg	1,000	100	100	0.3
MTG Media Services SA		Luxembourg	1,000	100	100	0.3
Subtitling & Dubb Intl SA		Luxembourg	1,000	100	100	0.3
MTG Holding AB	556057-9558	Stockholm	5,000	100	100	101.9
MTG AS Norge		Norway	82,300	100	100	32.7
						136.4

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

	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
SHARES IN SUBSIDIARIES (WITHIN THE GROUP)				
MTG Broadcasting SA		Luxembourg	100	100
MTG Broadcasting Holding AB	556580-7806	Stockholm	100	100
MTG Broadcasting AB	556353-2687	Stockholm	100	100
TV6 Sverige AB	556098-4709	Stockholm	100	100
ZTV AB	556022-0831	Stockholm	100	100
Viasat AB	556304-7041	Stockholm	100	100
TV1000 AB	556133-5521	Stockholm	100	100
TV1000 Norge AS		Norway	100	100
TV1000 Finland Oy		Finland	100	100
Viasat Satellite Service AB	556278-7910	Stockholm	100	100
MTG Broadcast Centre Stockholm AB	556493-2340	Stockholm	100	100
Strix Nyheter AB	556513-5554	Stockholm	100	100
Viasat AS Estonia		Estonia	100	100
Eesti Vaba Television EVTV		Estonia	100	100
Televisionsaktiebolaget TV8	556507-2401	Stockholm	100	100
UAB TV3 Lithuania		Lithuania	100	100
TV3 Estonia AS		Estonia	100	100
Viasat Hungária Rt		Hungary	95	95
Viasat Broadcasting UK Ltd		United Kingdom	100	100

Note 11 *Continued*

	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
TV6 Broadcasting Ltd		United Kingdom	100	100
3+ Television Ltd		United Kingdom	100	100
TV3 Broadcasting Group Ltd		United Kingdom	100	100
TV3 AB	556153-9726	Stockholm	100	100
TV3 A/S Danmark		Denmark	100	100
TV3 AS Norge		Norway	100	100
Darial TV ZAO		Russia	75	75
TV3 Latvia SIA		Latvia	100	100
MTG Modern Group Espana SL		Spain	100	100
In TV Espana SL		Spain	100	100
Interactive Partner SL		Spain	100	100
Interactive Media Solutions SL		Spain	100	100
MTG New Media Ltd		United Kingdom	100	100
Modern Sport and Event Ltd		United Kingdom	100	100
Felista ZAO		Russia	100	100
Nomad ZAO		Russia	100	100
Modern Russia ZAO		Russia	100	100
Viasat World Ltd		United Kingdom	100	100
MTG Radio SA				
MTG Radio Holding AB	556580-7814	Stockholm	100	100
MTG Radio AB	556365-3335	Stockholm	100	100
KiloHertz AB	556444-7158	Stockholm	100	100
Production of World Entertainment Radio in Sweden AB	556307-3476	Stockholm	100	100
MTG XLformat AB	556469-8263	Stockholm	100	100
Star FM SIA		Latvia	100	100
Mediainvest Holding AS		Estonia	100	100
UAB TV3 Radio Lithuania		Lithuania	100	100
MTG Radio Sales AB	556490-7979	Stockholm	100	100
MTG Frekvens AB	556514-3103	Stockholm	100	100
MTG Lugna Favoriter AB		Stockholm	100	100
MTG FM 101.9 i Stockholm AB		Stockholm	100	100
MTG Publishing SA				
MTG Publishing Holding AB	556580-7798	Stockholm	100	100
MTG Publishing AB	556457-2229	Stockholm	100	100
FinansVision AB	556301-5014	Stockholm	100	100
Moderna Tider Förlags AB	556401-4941	Stockholm	99	99
OY MTG Publishing Åland AB		Åland	100	100
MTG Publishing Media AB	556426-8745	Stockholm	100	100
Vision Direkt i Stockholm AB	556533-8372	Stockholm	100	100
MTG Publishing bv		The Netherlands	100	100
MTG Electronic Retailing SA				
MTG Electronic Retailing Holding AB	556580-7749	Stockholm	100	100
MTG Modern Interactive AB	556035-6940	Stockholm	100	100
e-Commerce Logistics i Malmö AB	556465-9950	Stockholm	100	100
MTG Internet Retailing AB	556406-1702	Stockholm	100	100
MTG Internet Retailing bv		The Netherlands	100	100
TV-Shop Europe AB	556497-0019	Malmö	100	100
TV-Shop Homeshopping Oy		Finland	100	100
TV-Shop Lithuania SA		Lithuania	100	100
Mediashop bv		The Netherlands	100	100
TV-Shop SA		Luxembourg	100	100
TV-Shop Nederland bv		The Netherlands	100	100
TV-Shop AS Norge		Norway	100	100
TV-Shop Polska Sp Zoo		Poland	100	100
TV-Shop Europe GmbH		Germany	100	100

Note 11 *Continued*

	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
Unimedia GmbH		Germany	100	100
TV-Shop Hungary Trading Ltd		Hungary	100	100
TV-Shop Fullfillment House Kft		Hungary	100	100
No Name 4 Us AB	556558-5147	Malmö	100	100
TV-Shop Broadcasting Ltd		United Kingdom	100	100
TV-Shop Portugal Ltda		Portugal	100	100
TV-Shop Spain SL		Spain	96	96
MTG Media Services SA		Luxembourg	100	100
MTG Media Services Holding AB	556580-7848	Stockholm	100	100
MTG Modern Studios AB	556264-3261	Stockholm	100	100
Modern Entertainment, Ltd		United States	100	100
Nordic Artist AB	556422-1447	Stockholm	100	100
Sonet Film AB	556103-7283	Stockholm	100	100
MTG Modern TV AB	556419-9544	Stockholm	100	100
Redaktörerna i Stockholm AB	556472-8425	Stockholm	100	100
Brombergs Bokförlag AB	556204-4627	Stockholm	98	98
Financial Hearings AB	556361-7405	Stockholm	100	100
Strix Television AB	556345-5624	Stockholm	100	100
Strix Televisjon AS		Norway	100	100
MTG Modern Games AB	556146-9700	Stockholm	100	100
MTG Filmproduktion AB	556323-0670	Stockholm	100	100
Subtitling & Dubb Intl SA		Luxembourg	100	100
Subtitling Holding AB	556580-7509	Stockholm	100	100
SDI Media AB	556170-2217	Stockholm	100	100
MediaDubb International AB	556442-2706	Stockholm	100	100
SDI Media Scandinavia AB	556538-9375	Stockholm	100	100
SDI Media Finland Oy		Finland	100	100
SDI Media Eesti Ou		Estonia	100	100
UAB SDI Media International		Lithuania	100	100
SDI Media Latvia SIA		Latvia	100	100
SDI Media Netherlands bv		The Netherlands	90	90
Subtitling International SA		Luxembourg	100	100
SDI Media Hong Kong Ltd		Hong Kong	100	100
SDI Media Japan Ltd		Japan	70	70
SDI Media Thailand Ltd		Thailand	49	91
SDI Media Group UK Ltd		United Kingdom	100	100
Screen Subtitling Systems Ltd		United Kingdom	100	100
SDI Media UK Ltd		United Kingdom	100	100
SDI Media Middle East sarl		Lebanon	100	100
SDI Media France SARL		France	100	100
SDI Media Asia Pacific Pte Ltd		Singapore	100	100
SDI Media Israel		Israel	100	100
SDI Media USA Inc		United States	100	100
MTG Holding AB	556057-9558	Stockholm	100	100
Bäckegrube AB	556170-7752	Stockholm	100	100
Scansat Intressenter AB	556353-2679	Stockholm	100	100
MTG Accounting AB	556298-5597	Stockholm	100	100
Applied Sales Management ASM AB	556513-5547	Stockholm	100	100
Svithjod News AB	556504-7551	Stockholm	100	100
Kinnevik Media International AB	556339-8014	Stockholm	100	100
DVDON AB	556237-4628	Stockholm	100	100
Gamerson AB	556052-4174	Stockholm	100	100
MTG Modern Merchandising AB	556400-1476	Stockholm	100	100
Senaste Nytt på Nätet SNN AB	556448-0076	Stockholm	100	100
Everymobile Skandinavien AB	556529-7917	Stockholm	100	100

Note 11 Continued

	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
Skybus AB	556098-4691	Stockholm	100	100
SatTrans KB	916624-2512	Stockholm	100	100
Staden Staden AB	556205-6449	Stockholm	100	100
MTG Money Penny Productions AB	556491-9685	Stockholm	100	100
Everytext Skandinavien AB	556484-0154	Stockholm	100	100
Everyday TV AB	556353-3065	Stockholm	100	100
MTG A/S Danmark		Denmark	100	100
TV-Shop A/S Danmark		Denmark	100	100
Strix Television A/S Danmark		Denmark	100	100
ViaSat A/S Danmark		Denmark	100	100
Scannews A/S Danmark		Denmark	100	100
Viasat Sport A/S		Denmark	100	100
Freeport Film A/S		Denmark	100	100
SDI Media Danmark A/S		Denmark	100	100
MTG New Media A/S Danmark		Denmark	100	100
TV1000 Danmark A/S		Denmark	100	100
TV Holding International SA		Luxembourg	100	100
TV-Shop i Sverige AB	556374-8176	Stockholm	100	100
MTG New Media AB	556461-1662	Stockholm	100	100
MTG New Media A/S		Norway	100	100
CDON AB	556308-2105	Stockholm	100	100
MTG AS Norge		Norway	100	100
Viasat AS Norge		Norway	100	100
Metro Norge AS		Norway	100	100

	Co. Reg. No.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value (SEK million)	Market value (SEK million)
SHARES IN ASSOCIATED COMPANIES (HELD BY PARENT COMPANY)							
Story First Communication, Inc		Moscow	-	29	29	202.7	
SHARES IN ASSOCIATED COMPANIES (WITHIN THE GROUP)							
Everyday Webguide AB	556182-6016	Stockholm	1,750	50	50	0.0	
Forum och Marknad 107,7 i Nyköping HB	969651-4125	Nyköping	-	33	33	0.0	
GigaHertz 106,7 i Malmö HB	969651-2970	Malmö	-	33	33	0.0	
GH GigaHertz KB	969616-7551	Göteborg	-	33	33	0.0	
Göteborg Air 105,9 HB	969661-0600	Göteborg	-	33	33	2.3	
Jönköpings Reklamradio 106,0 HB	969651-3739	Jönköping	-	33	33	0.0	
Mediamätning i Skandinavien MMS AB	556353-3032	Stockholm	2,150	43	43	2.5	
P4 Radio Hele Norge asa		Norway	10,673,508	33	33	33.8	47.5
Power i Stockholm HB	969651-2236	Stockholm	-	33	33	0.0	
Radio 2000 107,6 Helsingborg HB	969651-5015	Helsingborg	-	33	33	0.0	
Radio Air 104,5 i Hällby och Eskilstuna HB	969651-1980	Eskilstuna	-	33	33	0.0	
Radio National i Luleå AB	556475-0411	Stockholm	490	49	49	0.1	
Radio National i Skellefteå AB	556475-0346	Stockholm	490	49	49	0.0	
Radio Storpinnan 104,8 i Göteborg HB	969651-2228	Göteborg	-	33	33	0.0	
Reklammedia 104,4 i Kil och Karlstad HB	969651-4109	Karlstad	-	33	33	0.0	
Reklammedia 107,3 i Kristianstad HB	969651-3697	Kristianstad	-	33	33	0.0	
Rix i Borås AB	556034-4391	Borås	490	49	49	0.0	
Rix i Skandinavien AB	556475-3670	Stockholm	500	50	50	0.0	
Stop AB	556249-0424	Uppsala	500	50	50	0.0	
Svensk Programagentur AB	556453-6281	Göteborg	4,270	50	50	5.0	
Trestad Air 105,0 HB	969651-2715	Vänersborg	-	33	33	0.0	
Växjö Reklamradio 104,3 HB	969651-1972	Växjö	-	33	33	0.0	
Z-Radio 101,9 HB	969651-2269	Stockholm	-	33	33	0.0	
Östersund Air 104,0 HB	969651-2681	Östersund	-	33	33	0.0	
FRI Finland Radio Investment AS		Norway	-	50	50	24.2	
Kimtevil HB	969680-2272	Stockholm	-	33	33	0.0	
Story First Communication, Inc		Moscow	51,221	29	29	279.4	
						347.3	

Note 11 *Continued***RECONCILIATION OF THE BOOK VALUE OF SHARES
IN ASSOCIATED COMPANIES (WITHIN THE GROUP)**

(SEK Million)	2003	2002	2001
Balance brought forward January 1	302.7	307.7	225.8
Investment in associated companies	9.1	193.6	33.2
Share of earnings in associated companies as per Note 6	69.0	-3.9	25.0
Share of tax expense in associated companies	-14.8	-3.7	-27.5
Dividend received	-10.5	-34.4	-49.0
Reclassified	15.0	-119.9	96.5
Sold shares	-	-41.2	-
Liquidation of company	-1.2	-	-
Translation differences	-22.1	4.5	3.7
Balance carried forward December 31	347.3	302.7	307.7

	Registered Office	Number of shares	Share capital (%)	Voting rights (%)	Book value (SEK million)	Market value (SEK million)
SHARES AND PARTICIPATIONS IN OTHER COMPANIES (WITHIN THE GROUP)						
Metro International S.A.	Luxembourg	149,188,942	28.4	19.9	642.8	2,016.9
TV4 AB	Stockholm	3,020,013	15.1	15.1	124.5	450.0
Other	-	-	-	-	0.4	-
					767.8	
SHARES AND PARTICIPATIONS IN OTHER COMPANIES (HELD BY PARENT COMPANY)						
Metro International S.A.	Luxembourg	149,188,942	28.4	19.9	642.8	2,016.9
Other	-	-	-	-	0.4	-
					643.1	

On August 15, 2000, all shares in Metro International S.A. were distributed to the shareholders of MTG. In 2002 MTG's remaining interest in Metro consisted of a convertible debenture loan totalling USD 22.1 million, a commercial loan of USD 23.5 million plus a convertible debenture loan of USD 20.0 million, which was added in 2002. In 2003 all loans were converted to shares.

Note 12 ACCOUNTS RECEIVABLE

(SEK million)	31 Dec 2003	31 Dec 2002	31 Dec 2001
GROUP			
Accounts receivable			
Gross accounts receivable	864.7	943.0	1,131.2
Less allowances for doubtful accounts	-143.4	-106.9	-50.0
Total	721.3	836.2	1,081.2
Allowance for doubtful accounts			
Balance at beginning of year	106.9	50.0	46.5
Charged to allowance and expenses	53.8	56.0	5.4
Write-offs	-17.3	-1.2	-1.9
Reversed write-offs	-	2.1	-
Balance at end of year	143.4	106.9	50.0
PARENT COMPANY			
Gross accounts receivable	5.2	29.8	15.6
Less allowances for doubtful accounts	-0.7	-	-
Total	4.5	29.8	15.6

Note 13 PREPAID EXPENSE AND ACCRUED INCOME

(SEK million)	31 Dec 2003	31 Dec 2002	31 Dec 2001
GROUP			
Prepaid rent expenses	5.3	7.9	3.1
Prepaid government fees	0.0	0.3	5.8
Prepaid transponder costs	13.2	40.5	18.0
Prepaid financing costs	31.3	44.5	56.4
Prepaid media costs	46.2	17.5	4.1
Prepaid insurance premiums	6.4	1.8	0.9
Prepaid print costs	1.2	0.6	2.9
Prepaid sales commission	107.8	106.5	197.0
Accrued sales revenue	61.5	55.4	113.0
Accrued interest revenue	12.0	0.0	8.6
Prepaid distribution costs	2.8	13.0	11.7
Other	162.0	116.9	140.5
Total	449.8	404.8	562.0
PARENT COMPANY			
Prepaid financing costs	31.3	44.5	53.5
Accrued interest income	-	-	8.4
Other	5.3	3.0	12.4
Total	36.6	47.5	74.3

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

Note 14 SHORT-TERM INVESTMENTS

(SEK million)	31 Dec 2003	31 Dec 2002	31 Dec 2001
GROUP			
Deposit	0.6	4.7	0.8
Total	0.6	4.7	0.8
PARENT COMPANY			
Deposit	-	4.0	-
Total	-	4.0	-

Note 15 SHAREHOLDERS' EQUITY

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

The holder of an MTG A share is entitled to ten votes, the holder of an MTG B share one vote. On April 9, 2001 4,988,652 Class A Shares were converted into 4,988,652 Class B shares.

Shares outstanding on December 31, 2001	66,375,156
Shares outstanding on December 31, 2002	66,375,156
Shares outstanding on December 31 2003	66,375,156

Basic average number of shares outstanding	66,375,156
Fully diluted average number of shares outstanding	66,382,520

Basic earnings per share	4.36
Diluted earnings per share	4.36

RESTRICTED EQUITY

Restricted reserves cannot be decreased by dividends to the shareholders. The premium reserve arise when shares were issued at a premium, i.e. shares were paid at a higher price than the nominal value. The difference between the nominal value and the price paid is reserved as a part of the restricted reserves.

NON-RESTRICTED EQUITY

Non-restricted reserves consist of last years' net income. Together with this year's net income this forms the non-restricted reserves, free to be distributed for dividends.

TRANSLATION DIFFERENCES IN EQUITY

(SEK million)	31 Dec 2003	31 Dec 2002	31 Dec 2001
Accumulated translation differences	23.9	20.2	-17.5
This year's translation differences	-29.7	3.7	37.7
Realized acc translation differences			
by sale of shares in group companies	-2.9	-	-
Other	-0.5	-	-
Total accumulated translation differences	-9.2	23.9	20.2

Note 16 OTHER PROVISIONS

(SEK million)	Provision for music royalties	Restructuring costs	Total
GROUP			
Opening balance, January 1 2003	142.6	28.0	170.6
Provisions during the year	102.0	-	102.0
Withdrawals during the year	-21.3	-22.6	-43.9
Translation differences	-0.1	-	-0.1
Closing balance, December 31 2003	223.2	5.4	228.6

MTG's TV channels have differences of opinion with the Swedish Performing Rights Society STIM, its Norwegian counterpart TONO, and its Danish counterpart KODA on the matter of compensation for music played on some of the TV channels. Provisions have been made in the accounts corresponding to the estimated outcome of ongoing litigation and negotiations. In 2003, the Stockholm City Court ruled that TV3 must pay SEK 74 million to STIM in royalty payments for music broadcast by TV3 between 1993 and 1998. These payments are in addition to approximately SEK 20 million already paid. Further, the ruling implies litigation costs of SEK 6 million and interest costs of SEK 32.6 million. The ruling has been appealed.

Restructuring costs during 2002 includes close-down costs for FinansVision, which was all reverted during 2003.

The Company has been involved in an arbitration with two former employees regarding options on the Company's shareholding in Metro at the time when Metro was a subsidiary of MTG. The arbitration panel ruled in favor of the Company but one of the former employees has appealed the ruling.

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

Note 17 LONG-TERM LIABILITIES

The Group was refinanced in 2000 through an amendment to the loan agreement with a syndicate of banks led by Deutsche Bank AG. The variances between years depend on the utilization of the different tranches. At the closing day, the utilized part of the loan SEK 250 million were regarded as a short-term liability, since it is due in June 2004. During 2003 a new loan facility of SEK 800 million was granted, of which none were utilized at closing day. The new loan facility is available until December 2007. Total available non-utilized credit facilities were SEK 975 million at Dec 31, 2003.

The loan agreements have covenants in terms of various ratios to be reached. The covenants are based on the ratios debt to total Ebitda, Ebit to total interest charges and debt to Ebitda for the Viasat Broadcasting business area. Guarantors for the loan are selected group companies.

The loan can be paid out in optional currencies and the interest rate varies with Libor, Euribor and Stibor, depending on the currency utilized. The loan due in June 2004 is originally denominated in SEK.

The Group issued convertible debentures on June 15, 2001 with a nominal value of EUR 120 million and with an annual interest of 5.50%. The loans can be converted into 2,790,994 new MTG Class B shares and will expire 2006. The conversion price is SEK 385.97.

MATURITY OF LONG-TERM LOANS

(SEK million)	31 Dec 2003	31 Dec 2002	31 Dec 2001
Group			
2003	-	-	202.4
2004	-	462.0	185.1
2005	12.0	-	-
2006	1,095.3	1,103.1	1,130.3
2007	0.5	-	-
2008	-	-	-
	1,107.9	1,565.1	1,517.8
Parent company			
2003	-	-	167.0
2004	-	425.0	185.1
2005	-	-	0.0
2006	1,091.3	1,103.1	1,130.3
2007	-	-	-
2008	-	-	-
	1,091.3	1,528.1	1,482.4

Note 18 OVERDRAFT FACILITIES

The amount granted for bank overdraft facilities at December 31, 2003, equaled SEK 100.0 (100.0; 100.0) million, of which SEK 100.0 (100.0; 62.9) million was unutilized.

Note 19 ACCRUED EXPENSE AND PREPAID INCOME

(SEK million)	31 Dec 2003	31 Dec 2002	31 Dec 2001
GROUP			
Accrued programming costs	43.6	40.4	28.3
Accrued transponder costs	3.9	5.8	47.5
Accrued personnel costs	74.6	62.4	58.8
Accrued rent costs	0.6	1.0	0.8
Accrued interest costs	35.5	41.9	40.2
Accrued commission to sales agents	13.2	8.6	34.7
Accrued audit costs	4.4	5.2	4.5
Accrued insurance premiums	0.2	0.1	-
Accrued guarantee costs	0.4	2.6	4.2
Accrued freight costs	0.1	0.4	0.8
Accrued royalties	54.9	55.1	52.3
Accrued government fees	4.9	3.2	9.1
Prepaid revenue	546.6	554.2	557.1
Other	162.4	184.3	153.2
Total	945.4	965.0	991.5
PARENT COMPANY			
Accrued personnel costs	10.9	4.7	4.3
Accrued interest costs	34.2	36.9	37.4
Other	0.8	10.5	5.3
Total	45.9	52.1	47.0

Note 20 CONTINGENT LIABILITIES

(SEK million)	31 Dec 2003	31 Dec 2002	31 Dec 2001
GROUP			
Guarantees for subsidiaries	-	118.7	129.5
Guarantees for Metro International S.A.	0.3	1.4	5.8
	0.3	120.1	135.3
PARENT COMPANY			
Guarantees for subsidiaries	165.8	118.7	129.5
Guarantees for Metro International S.A.	0.3	1.4	5.8
Guarantees subsidiaries other	206.7	350.7	571.3
Total	372.8	470.8	706.6

Guarantees for Metro International S.A. and its subsidiaries are phased out gradually.

Note 21 LEASE AND OTHER COMMITMENTS

Lease and other commitments for future payments at December 31, 2003

(SEK million)	Future rent on non- cancelable leases	Future payments for program rights	Transponder commit- ments	Total commit- ments
GROUP				
2004	32.7	889.1	244.0	1,165.7
2005	18.4	832.9	132.8	984.2
2006	16.8	623.4	65.6	705.8
2007	15.3	329.5	10.9	355.7
2008	10.2	202.1	2.8	215.0
2009 and thereafter	26.2	82.4	-	108.5
Total lease and other commitments	119.7	2,959.4	456.0	3,535.0
This year's operational leasing costs	28.4	864.5	291.5	1,184.4

(SEK million)	Future rent on non- cancelable leases	Future payments for program rights	Transponder commit- ments	Total commit- ments
PARENT COMPANY				
2004	5.0	-	-	5.0
2005	-	-	-	0.0
Total lease and other commitments	5.0	-	-	5.0
This year's operational leasing costs	5.9	-	-	5.9

Note 22 AVERAGE NUMBER OF EMPLOYEES

	2003		2002		2001	
	men	women	men	women	men	women
GROUP						
Sweden	348	219	339	224	340	225
United Kingdom	104	96	111	86	107	90
Denmark	52	58	61	35	71	58
United States	55	58	52	53	60	65
Lithuania	48	23	40	18	42	27
Norway	43	42	40	38	40	40
Estonia	30	34	22	24	7	5
Spain	29	17	20	23	19	17
Russia	26	31	35	26	5	6
Hong Kong	23	28	29	35	31	38
Latvia	15	25	20	26	27	26
Finland	8	3	7	5	6	3
Netherlands	5	7	5	7	5	6
Hungary	4	10	3	9	5	12
Thailand	4	7	4	7	5	6
Taiwan	3	6	4	6	5	5
Germany	2	5	4	8	5	11
Lebanon	1	-	-	1	1	1
South Korea	1	4	2	9	2	11
France	1	2	1	2	1	-
Israel	1	2	1	2	1	1
Japan	-	1	-	1	-	1
Czech Republic	-	-	1	5	3	4
Poland	-	-	-	-	1	1
Portugal	-	-	-	-	2	2
Singapore	-	-	-	-	1	-
Total	803	678	801	650	790	661
Total number of employees	1,481		1,451		1,451	

	2003	2002	2001
PARENT COMPANY			
Men	27	23	25
Women	18	23	17
	45	46	42

DISTRIBUTION OF SENIOR EXECUTIVES BY SEX

(%)	Men	Women
GROUP		
Board of directors	75	25
CEO	87	13
Other senior executives	70	30
Total	75	25
(%)	Men	Women

PARENT COMPANY		
Board of directors	83	17
CEO	100	-
Other senior executives	75	25
Total	78	22

SICK LEAVE

As a percentage of standard working hours

PARENT COMPANY	
29 years	0.4%
30-49 years	1.9%
50 years	2.0%
Men	0.4%
Women	2.9%
Total	1.5%
Sick leave longer than 60 days of total	23%

Note 23 SALARIES, OTHER REMUNERATION, AND SOCIAL AND SECURITY EXPENSES				SALARIES BY COUNTRY			
(SEK million)	2003	2002	2001	(SEK million)	2003	2002	2001
GROUP				GROUP			
Board of Directors, presidents and vice presidents				Sweden	317.8	266.2	219.2
Companies in Sweden	66.8	59.5	23.8	United Kingdom	100.7	108.1	110.1
Companies outside Sweden	45.0	47.2	42.3	Denmark	109.6	98.2	68.9
Total ¹⁾	111.9	106.7	66.1	United States	51.7	61.4	63.5
<i>of which, variable salary</i>	48.9	31.5	15.5	Lithuania	11.0	10.4	12.5
1) Includes SEK 1.9 million (1.5; 1.7) Board fees approved by the Annual General Meeting				Norway	48.7	40.5	54.9
Other employees				Estonia	4.1	5.0	0.5
Companies in Sweden	250.9	206.7	195.3	Spain	9.0	9.2	8.1
Companies outside Sweden	332.6	329.7	310.6	Russia	11.1	10.0	3.4
Total	583.5	536.4	505.9	Hong Kong	4.4	4.8	4.4
Total salaries and other remuneration	695.4	643.1	572.0	Latvia	5.5	5.9	7.6
Social security expenses	167.0	127.9	133.0	Finland	5.1	4.3	3.8
<i>of which, pension costs</i>	30.3	30.7	24.9	Netherlands	3.7	3.8	3.6
PARENT COMPANY				Hungary	2.8	3.1	6.8
Board of Directors, presidents and vice presidents	18.2	11.5	10.4	Thailand	0.4	0.4	0.4
<i>of which, variable salary</i>	8.5	1.2	1.7	Taiwan	1.3	1.4	1.5
Other employees	50.9	53.3	45.8	Germany	4.6	6.1	-
Total salaries and other remuneration	69.1	64.9	56.2	Lebanon	0.3	0.4	0.3
Social security expenses	20.2	19.4	20.2	South Korea	0.3	0.4	-
<i>of which, pension costs</i>	4.8	5.0	5.3	France	2.2	1.1	0.8
				Israel	0.8	0.9	0.9
				Japan	0.4	0.5	0.5
				Czech Republic	-	0.7	-
				Poland	-	0.1	-
				Portugal	-	-	-
				Singapore	-	0.0	0.1
				Total	695.4	643.1	572.0

REMUNERATION TO SENIOR EXECUTIVES

Principles

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

Remuneration to the CEO and other senior executives comprises a base salary, bonus and other benefits. Other senior executives include vice presidents, business area presidents and the CFO. The senior executives are found on page 8.

The variable remuneration is based on the performance in relation to established goals. The general bonus system is based on an earnings period of one year, and is normally between 35-100% of the base salary, and in all cases with a maximum. However, there are two cases where the bonus is based on a percentage of the profit in the subsidiaries where the persons are active.

Remuneration and other benefits during the year

(SEK thousand)	Base salary	Variable remuneration	Other benefits	Pension costs	Other remuneration	Financial instruments	Total
David Chance, Chairman of the Board	350	-	-	-	701	-	1,051
Pelle Törnberg, Chairman of the Board (former)	300	-	-	-	-	-	300
Hans Holger Albrecht, CEO	7,913	8,486	2,122	800	-	-	19,321
Other senior executives (10 persons)	20,302	14,429	524	1,724	-	-	36,979
Total	28,865	22,915	2,646	2,524	701	-	57,651

Note 23 *Continued*

Pelle Törnberg was the Chairman of the Board until May 15, 2003. David Chance was elected Chairman of the Board on May 15, 2003.

David Chance has further to the board fee in MTG also received a consultancy fee and board fee 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 for the CEO, housing allowance and school fees.

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

DECISION PROCESS

The remuneration to the CEO was decided by the Board of Directors, remuneration to senior executives is decided by the CEO. From 2004 remuneration to senior executives is decided by the Board of Directors.

FINANCIAL INSTRUMENTS

	Stock options 2001/2009 Number
Chairman of the Board	-
CEO	108,810
Other senior executives	984,731
Total	1,093,541

In 2001, an extraordinary General Meeting decided to issue a maximum of 2,052,840 options to acquire shares in MTG. Senior executives and key employees were offered approximately 80% of the options, to be called upon in three years time at the earliest and no later than eight years from the time of issue. The remaining 20% of the options were granted to the fully owned subsidiary MTG Holding AB. It is expected that the MTG subsidiary would then sell the options and use the proceeds to cover the Company's social security expenses and other expenses connected with the option program. The exercise price of the options granted in 2001 is SEK 294.50 per share. Shares allotted in 2002 are exercised at SEK 100 per share. The proprietor must be employed by the Group when the option is executed. The maximum number of options correspond to appr 0.6% of the votes and appr 2.4% of the share capital. No options were granted during 2003. 467,883 options have been cancelled since the proprietor no longer is employed by the Group.

Senior executives in the MTG Group were entitled to participate in a program approved by the Annual General Meeting of Industriförvaltnings AB Kinnevik on May 3, 1996. An option on 5% of the share capital in MTG were acquired, executed through a separate company MTG Intressenter AB (MTGI). As per December 31, 2003 all options have been exercised.

Note 24 **AUDIT FEES**

(SEK million)	2003	2002	2001
GROUP			
KPMG, audit services	5.6	7.1	5.3
KPMG, other services	1.5	2.8	5.6
Ernst & Young, audit services	0.1	0.1	0.3
Ernst & Young, other services	0.5	0.9	-
Other auditors (audit services)	0.8	0.5	0.2
Total	8.4	11.3	11.4
PARENT COMPANY			
KPMG, audit services	0.5	1.0	0.5
KPMG, other services	0.1	1.3	5.0
Ernst & Young, audit services	0.1	0.1	0.2
Ernst & Young, other services	-	-	-
Total	0.7	2.3	5.7

Note 25 **SUPPLEMENTAL CASH-FLOW INFORMATION**

(SEK million)	2003	2002	2001
Adjustments to reconcile net income/loss to net cash provided by operations			
Income/loss from sales of securities	-	-162.7	-
Depreciation and amortization	269.3	287.1	236.4
Divestment of fixed assets	53.0	41.1	20.8
Minority share in earnings	-5.4	11.1	-2.6
Share in the earnings of associated companies	-68.6	17.7	-25.0
Share in tax expense of associated companies	14.1	11.1	28.0
Change in deferred tax	-13.1	-61.8	-25.0
Change in provisions	60.8	37.6	8.0
Unrealised exchange differences	-13.0	133.6	-19.6
Total	297.1	314.9	221.0

Minority shares in SDI Hongkong Ltd. and UAB TV3 Lithuania has been acquired during the year.

Cash paid for interest and corporate tax: (SEK million)	2003	2002	2001
GROUP			
Interest	116.8	115.2	84.9
Corporate income tax	88.1	99.3	129.9
Total	205.0	214.5	214.8
PARENT COMPANY			
Interest	54.9	104.9	67.0
Corporate income tax	-	-	2.0
Total	54.9	104.9	69.0

Note 26 **RELATED PARTY TRANSACTIONS**

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

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

Note 26 Continue**BUSINESS AGREEMENTS WITH RELATED PARTIES**

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

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

MTG rents office space from Kinnevik, and purchased up to mid 2003, through their subsidiary CIS Finance, administrative financial services. Airtime AB sold advertising slots in TV and Radio commissioned by MTG up to September 2002.

MTG rents office space in New York from Millicom.

MTG purchases customer service and telemarketing services from Transcom.

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

MTG purchases advertising, print and distribution from Metro.

MTG purchases consulting services and technical consulting from Applied Value, Shared Value and Search Value.

MTG purchases internal audit services from Audit Value (formerly SISF).

ACQUISITIONS AND DEMERGERS TO RELATED PARTIES

In 2002, MTG acquired the business in AirTime AB from Kinnevik. The purchase price was 14 million SEK, corresponding to the book value.

In December 2002, MTG acquired part of CIS Credit International Services providing administrative financial services to MTG, with gradual transfer of operations during spring 2003.

OTHER TRANSACTIONS

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

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

	2003	2002	2001
REVENUES			
Invik Group	1.4	0.1	3.0
Transcom	0.2	0.0	-
Kinnevik Group	0.1	2.5	1.6
Tele2 Group	80.2	100.1	154.8
Metro Group	25.2	40.4	3.2
Other related companies	-	11.2	0.3
Total revenues	107.1	154.3	163.0
OPERATING COSTS			
Invik Group	7.7	3.4	6.7
Transcom	114.3	126.1	134.7
Kinnevik Group	15.3	94.0	61.7
Tele2 Group	31.3	22.5	22.4
Metro Group	22.1	35.9	15.6
Other related companies	29.3	26.0	12.1
Total operating costs	220.0	307.9	253.1
ACCOUNTS RECEIVABLE			
Invik Group	1.3	1.2	41.3
Transcom	-	0.2	3.4
Kinnevik Group	-	25.3	11.5
Tele2 Group	13.4	21.3	34.4
Metro Group	6.8	57.1	29.5
Other related companies	-	0.3	0.8
Total Accounts receivable	21.5	105.3	121.0
ACCOUNTS PAYABLE			
Invik Group	0.8	1.0	8.1
Transcom	30.2	19.4	15.1
Kinnevik Group	0.8	14.7	22.8
Tele2 Group	8.2	23.9	21.5
Metro Group	2.9	15.4	3.6
Other related companies	0.1	3.0	7.7
Total Accounts payable	43.0	77.4	78.7

Note 27 FINANCIAL RISK MANAGEMENT - FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect the income statement, balance sheet and/or cash flows.

The risk can be divided into transaction exposure and conversion exposure. MTG do not take any hedging positions to protect the Group from exchange risks.

TRANSACTION EXPOSURE

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

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

Currency	2003 SEK million	2002 SEK million	2001 SEK million
DKK	524.7	542.0	549.2
NOK	300.3	161.5	224.8
EUR	-90.9	-108.7	-102.5
CHF	-142.9	-107.0	-99.0
USD	-490.5	-639.4	-661.5

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	2003 SEK million	%	2002 SEK million	%	2001 SEK million	%
GBP	1,126.7	45.5	898.6	36.7	426.2	26.5
NOK	647.9	26.2	643.7	26.3	525.3	32.7
DKK	253.2	10.2	551.6	22.5	695.4	43.3
USD	375.7	15.2	305.2	12.4	91.6	5.7
Other currencies	71.0	2.9	51.5	2.1	-132.1	-8.2
Total equivalent SEK value	2,474.5	100.0	2,450.6	100.0	1,606.3	100.0

Stockholm, March 22, 2004

Pelle Törnberg Lars-Johan Jarnheimer Asger Aamund

Cristina Stenbeck David Chance
Chairman of the Board Stig Nordin

Hans-Holger Albrecht
President and CEO

Our Audit report was submitted on March 22, 2004.

Carl Lindgren
Authorised Public Accountant
KPMG

Lars Träff
Authorised Public Accountant
Ernst & Young

Auditor's report

To the Annual General Meeting of shareholders of Modern Times Group MTG AB
(Company registration number 556309-9158)

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Modern Times Group MTG AB for the full year 2003. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts.

An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions,

actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 22, 2004.

Carl Lindgren
Authorised Public Accountant
KPMG

Lars Träff
Authorised Public Accountant
Ernst & Young

Annual General Meeting

The Annual General Meeting will be held on Wednesday 12 May 2004 at 9.30 a.m. at Brasserie by the Sea, Tullhus 2, Skeppsbron, Stockholm. Shareholders who wish to participate at the Annual General Meeting shall:

- have been entered in the register of shareholders maintained by VPC AB (the Swedish Securities Register Center) on Friday 30 April 2004.
- notify the company of their intention of participating by no later than Thursday 6 May 2004 at 1.00 p.m. The notification shall be made on the company's website, www.mtg.se, by telephone on +46-433-747 56 or in writing to the company at:
Modern Times Group MTG AB
P.O. Box 2094
SE-103 13 Stockholm, Sweden

When giving notice of participation, the shareholder should state name, personal identification number (or company registration number), address, telephone number, shareholdings and any advisors attending. Shareholders who wish to be represented by a representative shall submit a written power of attorney giving authorisation to a specific person together with the notice of participation. Written notifications should be marked "Bolagsstämma/AGM". Shareholders whose shares are registered in the names of nominees must temporarily re-register the shares in their own name in order to be entitled to participate in the Meeting. In order to be entered in the register of shareholders by Friday 30 April 2004, shareholders must request temporary re-registration a sufficient number of working days before this date.

Cristina Stenbeck is chairing the nomination group for the 2004 AGM. Shareholders who would like to suggest representatives for the MTG Board of Directors can contact: agm@mtg.se.

Financial calendar

First quarter results announcement	20 April 2004
Annual General Meeting	12 May 2004
Second quarter results announcement	3 August 2004
Third quarter results announcement	19 October 2004
Fourth quarter and full year results announcement	February 2005

Definitions

EBIT

Earnings before interest and tax.

EBITDA

Earnings before interest, tax, depreciation and amortization.

PBT

Profit before tax.

Net debt

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

Equity/assets ratio

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

Debt/equity ratio

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

Cash flow from operations

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

Liquid funds

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

Return on total assets

Net income as a percentage of total assets.

Return on equity

Net income as a percentage of shareholders' equity.

Operating margin

Operating profit as a percentage of net sales.

Interest coverage ratio

Operating profit divided by net interest.

Earnings per share

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

Net assets

Assets less liabilities including provisions.

p/e ratio

Market price per share as a percentage of earnings per share.

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.

CATV

Cable- or fiber-optic-based distribution of television programs used with both satellite and terrestrial broadcasting.

Churn rate

Subscription disconnections (either voluntarily terminated by the subscriber or involuntarily terminated due to non-payment of bills or because of expected fraudulent use), 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.

DTT

Digital-terrestrial-transmission of television programs to customers with parabolic satellite dishes and receivers.

Encrypted

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

Smartcard

A card rendered from Viasat or one of its competitors which is inserted into a decoder box in a DTH customer's home and which receives and implements signals to permit or prevent the transmission of particular television channels.

SMATV

Small master antenna-based distribution of television programs; a common parabolic satellite dish is used to link a group of customers via a satellite network.

Terrestrial Broadcasting

Transmission of television programming using the VHF frequencies.

Transponder

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

Downlink facilities

Technical facilities needed to receive satellite transmitted programming.

Uplink facilities

Technical facilities needed to transmit television programs through satellites.

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At MTG we care. We thank



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