# Record sales & ongoing transformation

## Q1 2015 Highlights

- Net sales up 1% at constant FX & up 1% on an organic basis
- Operating income before associated company income and non-recurring items of SEK 142m (118) including SEK 24m net positive effect of Swedish restructuring and copyright settlement in Scandinavia
- Total EBIT of SEK 415m (301) including SEK 195m (183) of associated company income and SEK 77m (-) of non-recurring items
- Net income of SEK 318m (159) and basic earnings per share of SEK 4.92 (2.43)
- Cash flow from operations of SEK 201m (195), with net debt of SEK 396m (738) equivalent to 0.2x trailing 12 month EBITDA (excl. non-recurring items)

## Financial Overview

| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| Net sales | 3,701 | 3,597 | 15,746 |
| *Growth at constant FX* | *1%* | *13%* | *11%* |
| *Organic growth at constant FX* | *1%* | *5%* | *4%* |
| EBIT before associated company income and non-recurring items | 142 | 118 | 1,272 |
| *Margin before associated company income and non-recurring items* | *3.8%* | *3.3%* | *8.1%* |
| Associated company income * | 195 | 183 | 558 |
| EBIT before non-recurring items | 337 | 301 | 1,830 |
| Non-recurring items (NRI) ** | 77 | - | -155 |
| Total EBIT | 415 | 301 | 1,675 |
| Net Income | 318 | 159 | 1,172 |
| Basic Earnings per Share (SEK) | 4.92 | 2.43 | 17.10 |
| Net debt | 396 | 738 | 362 |
| Cash flow from operations | 201 | 195 | 1,337 |

* Including MTG's SEK 74m (USD 11.5m) Q1 2014 participation in USD 29.9m of non-recurring charges incurred by associated company CTC Media in Q4 2013. Including a net positive impact of SEK 18m in Q4 2014 relating to the closure of Raduga TV.

** Comprising in 2015 the SEK 77m capital gain from the sale of Swedish cable TV company Sappa. Comprising in 2014 the SEK 159m non-cash net impairment charge related to MTG's interest in the Ukrainian satellite pay-TV platform; SEK 70m of organisational restructuring charges and other costs; and the SEK 76m capital gain from the sale of Zitius in Sweden.

**For further information** please contact Investor relations at + 46 (0) 703 699 2714 / investors@mtg.com or Public relations at + 46 (0) 703 699 2709 / press@mtg.com

# President & CEO's comments

## Record Q1 sales & stable underlying profits

Sales were up in the quarter to record levels as enhanced efficiency levels in our traditional businesses continued to fuel the growth of our digital businesses, and even though last year's performance was boosted by the Olympics. Profits were stable compared to last year when excluding the net positive effect of the restructuring in Sweden and a copyright settlement in Scandinavia, and this is despite significant FX headwinds and continued investments in our digital products. The growth in online viewing is more than compensating for lower linear channel viewing levels in the Nordic region, and our combined Nordic TV businesses grew their sales, and profits were stable despite the FX impacts and when excluding the abovementioned net positive effect. Our Emerging Market free-TV operations generated higher sales and improved profitability in seven out of eight markets as we took shares in generally stable or growing markets. Our Emerging Market pay-TV operations continue to be impacted by the geopolitical crisis and Russia's ban on advertising on most pay-TV channels. Nice, MTG Radio and MTGx reported stable sales and lower losses on a combined basis.

## Enhanced capital allocation

We continue to optimize our capital allocation and exited Sappa (Swedish cable-TV operator) and our FTV business in Hungary (subject to regulatory approval) in the quarter, in line with the previous exits from Zitius and Raduga. We are also taking ongoing action across the Group to focus and balance our costs and investments, in order to ensure that our products are as relevant and competitive as possible. At the same time, we are identifying and reviewing complementary and scalable digital investment opportunities, in order to concentrate our resources in areas that offer the greatest potential, which is why we have also recently increased our stake in Splay (biggest YouTube network in Sweden).

## Russia update

We are exploring a range of options regarding our Russian operations and holdings, in order to comply with the changes to the Russian law regarding foreign ownership of Russian mass media companies from the beginning of 2016, and to seek to protect the stakeholder value that we have built up over a number of years. We have processes in place and will provide updates when we have significant further developments.

## Outlook

We have now almost finalized the annual upfront agreements for our free-TV businesses, with price increases in most markets reflecting TV's unique reach and superior return on investment. Viaplay continues to grow its subscriber base and usage levels, while our channel packages are more broadly available than ever before. We have also added new programming content or extended valuable existing rights to ensure that we have the best possible entertainment offerings in each market. We continue to face adverse FX headwinds that are inflating our US dollar content costs in the Nordics particularly, and also reducing the results from our Russian ruble denominated operations. We are taking actions across the Group to offset these effects as much as possible.

**Jørgen Madsen Lindemann**
President & Chief Executive Officer

"Our strategic transformation continues and we have more customers enjoying our content and services than ever before. The underlying business continues to perform well but we are being impacted by significant FX headwinds."

# Significant Events during and after the quarter

### 19 January - MTG included in RobecoSAM's Sustainability Yearbook 2015

MTG has qualified for inclusion in the 2015 edition of RobecoSAM's Sustainability Yearbook, which helps investors identify companies that are strongly positioned to create long-term shareholder value. The book lists the world's most sustainable companies in each industry as determined by their score in RobecoSAM's annual Corporate Sustainability Assessment (CSA).

### 11 February - MTG to sell Hungarian free-TV operations

MTG signed an agreement to sell its Hungarian free-TV to Sony Pictures Television (SPT) Networks for an undisclosed cash consideration. The transaction is subject to regulatory approval by the Hungarian competition authority, and is expected to close during Q2 2015.

### 16 February - MTG sells stake in Sappa

MTG completed the sale of its 50% stake in Swedish cable TV company Sappa to Finnish telecom operator Anvia for an enterprise value (on a 100% basis) of SEK 135 million. Sappa generated revenue of SEK 248m in 2014, and an operating profit (EBIT) of SEK 15.7m. MTG has accounted for its 50% participation in the earnings as associated company income in the Pay-TV Nordic business. The sale resulted in a capital gain of SEK 77m which has been reported as a non-recurring item in Q1 2015.

### 4 March - MTG Management appointments

MTG appointed Jakob Mejlhede Andersen as Executive Vice President of MTG Programming & Content Development. Jakob is responsible for third party content acquisition, programming and development for MTG's Nordic online and offline pay-TV businesses, and group-wide online free-TV businesses. The role also includes format sourcing and co-productions. MTG also subsequently announced the departure of Petra Österlund, MTG Executive Vice President of Modern People. Her responsibilities have been shared amongst other Group senior executives while MTG conducts an ongoing search for a new Group Executive Vice President of Human Resources.

### 5 March - CTC Media Board appointments

MTG designated two new members to the Board of Directors of CTC Media, Inc, of which MTG owns 37.9%. Natasha Tsukanova and Kaj Gradevik were appointed to the CTC Media Board in place of MTG CEO Jørgen Madsen Lindemann and MTG CFO Mathias Hermansson. Natasha Tsukanova was also elected as Co-Chairman of CTC Media. Irina Gofman is the third MTG designated member and has served on the Board since 2008.

### 15 April - MTG to show UEFA Champions League football in Finland

MTG will show all the matches from UEFA Champions League in Finland for three years starting from the 2015/2016 season, on Viaplay and a new TV channel. Viasat Sport Finland will be MTG's new flagship sports channel in the country. It will be available to all Finnish households through Viasat's DTH satellite platform, as well as third party cable, IPTV and DTT providers.

### 16 April - Nomination Committee's proposal regarding election of the Board

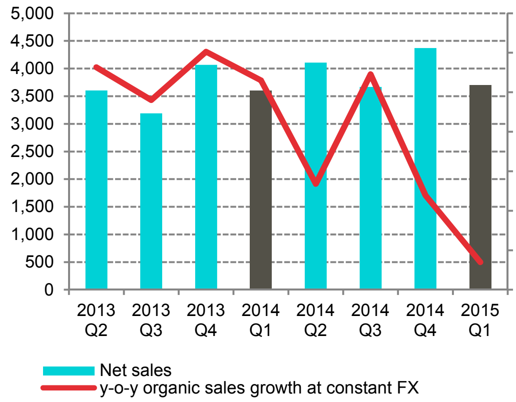
The MTG Nomination Committee proposes the re-election of Board members David Chance, Simon Duffy, Michelle Guthrie, Alexander Izosimov and Mia Brunell Livfors, and the election of Joakim Andersson and Bart Swanson as new Board members. The Nomination Committee also proposes the re-election of David Chance as Chairman of the Board. Blake Chandlee and Lorenzo Grabau have declined re-election.

A full list of MTG corporate events can be found at www.mtg.com.

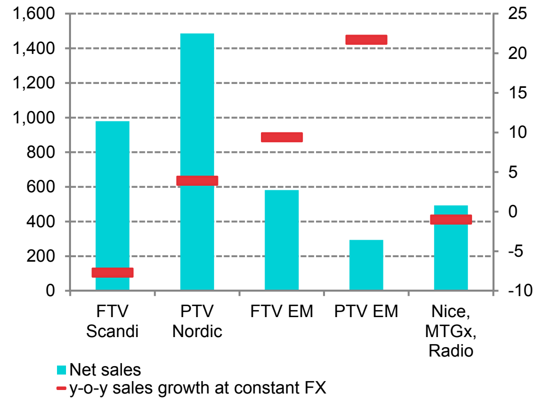
# Operating Review

Group sales were up 1% at constant FX, and up 1% on an organic basis. Growth in the Pay-TV Nordic, Free-TV Emerging Markets and MTG Radio businesses was offset by lower Free-TV Scandinavian sales, which primarily reflected the higher sales in Q1 2014 during the Winter Olympics.

**Net sales & y-o-y (year-on-year) organic growth at constant FX** (SEKm (left side); % (right side))

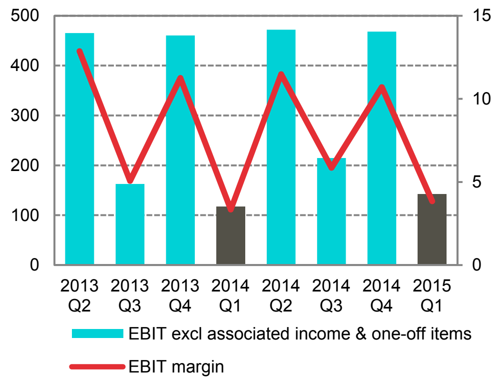



**Q1 2015 Net sales & y-o-y growth at constant FX by segment** (SEKm (left side); % (right side))

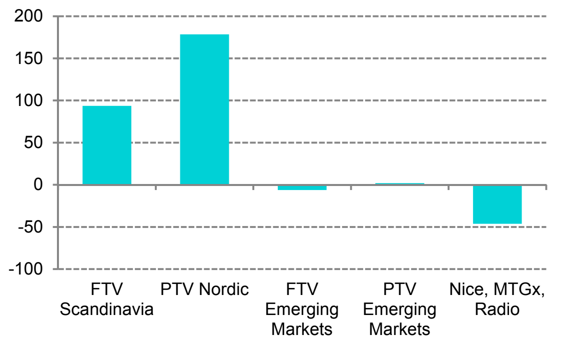



Operating costs were up 1% at constant FX, and up 1% on an organic basis. Ongoing investments in the digital businesses and the adverse impact of the appreciation of the US dollar were offset by not having the Winter Olympics coverage investments this year, as well as by a SEK 24m net positive effect of the Swedish free-TV business restructuring costs (SEK -17m) and a copyright settlement with a third party supplier in Scandinavia (SEK 42m), affecting both the free and pay-TV businesses. Operating income, when excluding associated company income and non-recurring items, amounted to SEK 142m (118), with an increased operating margin of 3.8% (3.3).

**EBIT excl. associated income and NRIs & EBIT margin** (SEKm (left side); % (right side)) *




**Q1 2015 EBIT by segment** (SEKm)




* Quarterly fluctuations reflect seasonality of advertising markets

Net interest income totalled SEK -19m (-3) and other financial items amounted to SEK -7m (-38). The Group reported income before tax of SEK 389m (260); net income of 318m (159); and basic earnings per share of SEK 4.92 (2.43).

# Free-TV Scandinavia

## Sales down 8% at constant FX with stable profits

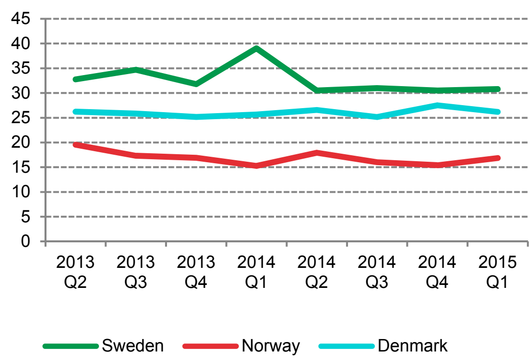
| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| Net sales | 979 | 1,034 | 4,109 |
| *Change y-o-y* | *-5%* | *4%* | *0%* |
| *Change y-o-y at constant FX* | *-8%* | *4%* | *-2%* |
| | | | |
| Costs | 886 | 942 | 3,476 |
| *Change y-o-y* | *-6%* | *9%* | *1%* |
| | | | |
| EBIT | 94 | 92 | 633 |
| *EBIT margin* | *9.6%* | *8.9%* | *15.4%* |

The sales decline at constant FX reflected the combination of lower sales in Sweden and higher sales in Denmark and Norway. The Swedish and Norwegian TV advertising markets are estimated to have declined in Q1 while the Danish market is estimated to have been stable.

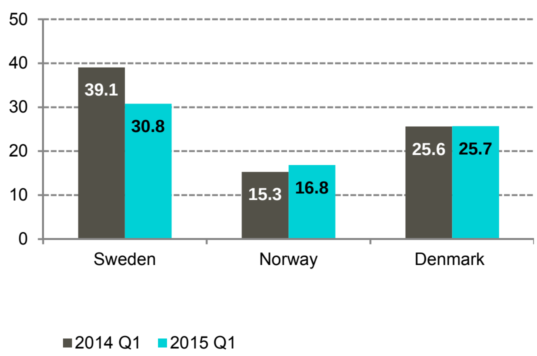
Operating costs were down despite the abovementioned adverse FX impact of the appreciation of the US dollar, which was more than offset by not having the Winter Olympics coverage investments this year, as well as the SEK 6m net positive effect of the Swedish restructuring costs (SEK -17m) and the abovementioned copyright settlement (SEK 24m).

The Swedish media house audience share was for the same reason down y-o-y. The Norwegian media house audience share was up, while the Danish share was stable.

**Commercial share of viewing (%) ***
(Target audience: 15-49)




**Commercial share of viewing (%)***
(Target audience: 15-49)




* The Danish universe has expanded from Q1 2015 to include TV2 Sport.

# Pay-TV Nordic

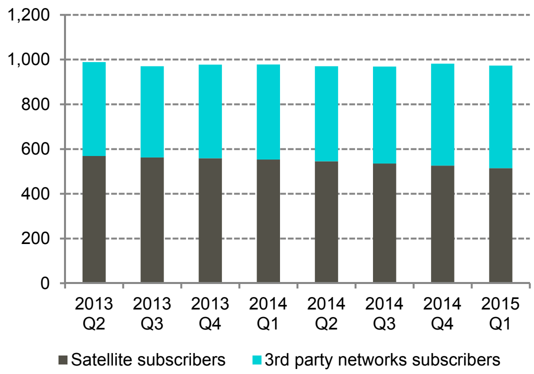
## Sales up 4% at constant FX with higher profits

| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| Net sales | 1,486 | 1,404 | 5,756 |
| *Change y-o-y* | *6%* | *7%* | *8%* |
| *Change y-o-y at constant FX* | *4%* | *7%* | *7%* |
| | | | |
| Costs | 1,307 | 1,249 | 5,047 |
| *Change y-o-y* | *5%* | *7%* | *7%* |
| | | | |
| EBIT | 178 | 155 | 709 |
| *EBIT margin* | *12.0%* | *11.0%* | *12.3%* |

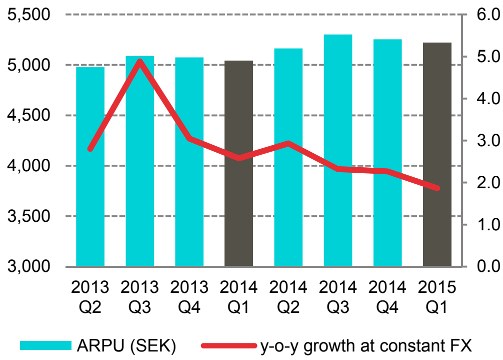
The sales growth at constant FX continued to be driven by the expansion of Viaplay. The increase in operating costs reflected the ongoing investments in content, technology and marketing, and the abovementioned adverse FX impact of the appreciation of the US dollar. These effects were partly offset by not having the Winter Olympics coverage investments this year and the SEK 18m positive effect of the abovementioned copyright settlement.

The subscriber trends continued, with growth in the third party network subscriber base and decline in the satellite base. Premium satellite ARPU continued to grow and was up 2% y-o-y at constant FX following previously introduced price increases.

**Premium subscribers (excluding Viaplay)**
(000's)




**Annualised average revenue per premium satellite subscriber (ARPU) and growth at constant FX** (SEK (left side); % (right side))



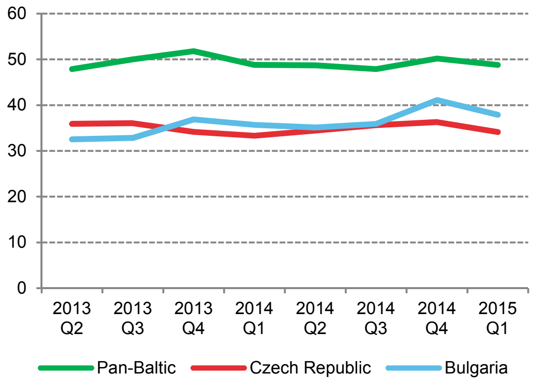
# Free-TV Emerging Markets

## Sales up 9% at constant FX with reduced losses

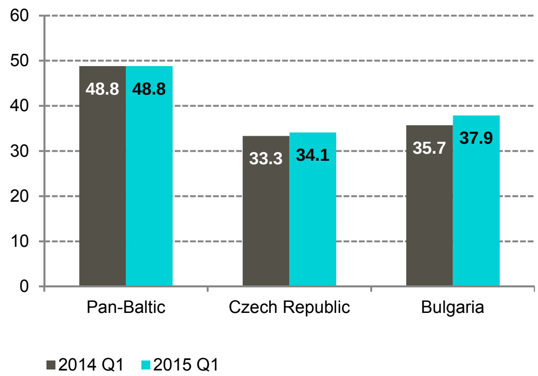
| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| Net sales | 581 | 504 | 2,409 |
| *Change y-o-y* | *15%* | *-2%* | *-1%* |
| *Change y-o-y at constant FX* | *9%* | *-2%* | *-3%* |
| | | | |
| Costs | 588 | 528 | 2,278 |
| *Change y-o-y* | *11%* | *9%* | *2%* |
| | | | |
| EBIT | -6 | -25 | 131 |
| *EBIT margin* | *-1.1%* | *-4.9%* | *5.4%* |

The sales growth at constant FX reflected growth in all but one of the eight country operations in the business area. Operating costs were also up and driven by programming investments across the region.

**Commercial share of viewing (%) ***
Target audience: Baltics 15-49, Czech Republic 15-54, Bulgaria 18-49




**Commercial share of viewing (%) ***
Target audience: Baltics 15-49, Czech Republic 15-54, Bulgaria 18-49




* The source for Bulgarian audience data has been changed as of Q4 2014 from GARB to Nielsen's Mediaresearch. All figures from Q1 2014 are based on the new source. The universe has also expanded from Q1 2014 to include seven new channels.

Sales for the Baltic free-TV operations were up 10% at constant FX, and up in all three markets. The Estonian TV advertising market is estimated to have grown in Q1, while the Lithuanian market is estimated to have been stable and the Latvian market is estimated to have declined. The media house audience shares were down in Estonia and Lithuania, which partly reflected last year's coverage of the Winter Olympics, but up in Latvia. MTG remains the largest media house in each of the Baltic countries.

Sales for the Czech operation were up 6% at constant FX in a TV advertising market that is also estimated to have grown. MTG's media house audience share was up.

The Bulgarian operation generated 17% constant FX sales growth, following healthy linear and online sales development and an increased media house audience share. The Bulgarian TV advertising market is estimated to have been stable in the quarter.

# Pay-TV Emerging Markets

## 22% sales growth at constant FX with profits impacted by FX

| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| Net sales | 293 | 266 | 1,225 |
| *Change y-o-y* | *10%* | *8%* | *13%* |
| *Change y-o-y at constant FX* | *22%* | *10%* | *14%* |
| | | | |
| Costs | 292 | 244 | 1,121 |
| *Change y-o-y* | *19%* | *-1%* | *17%* |
| | | | |
| EBIT | 2 | 22 | 104 |
| *EBIT margin* | *0.6%* | *8.2%* | *8.5%* |

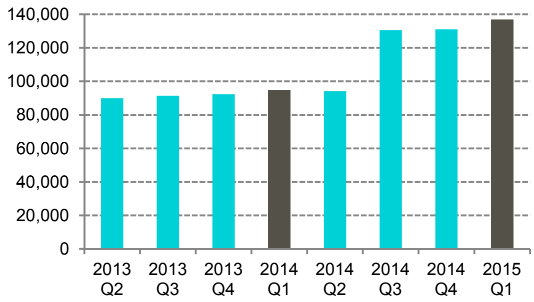
Please note that Raduga ceased broadcasting on 5 December 2014, which resulted in a net positive impact of SEK 18m in Q4 2014. The non-recurring and non-cash impairment of the intangible assets related to the satellite platforms in Ukraine (Q2 2014) is not included in the segment operating results.

The sales and cost growth at constant FX reflected the consolidation of Trace (from July 2014). Sales were up 2% on an organic basis with growth in the wholesale channel business offsetting lower sales for the Ukrainian satellite platform.

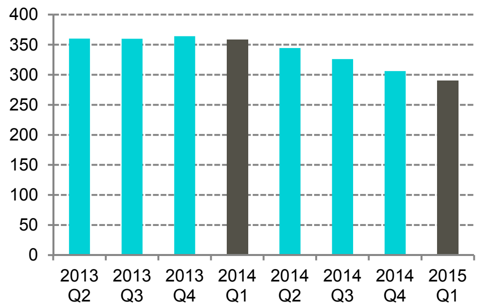
The wholesale mini-pay channel business including Trace added 42 million subscriptions y-o-y and 6 million q-o-q. The satellite pay-TV subscriber base continued to decline due to the effects of the geopolitical situation in Ukraine.

Please see page 12 (Other Information) regarding the risks and uncertainties arising from the amendments to the Russian Mass Media law.

**Wholesale mini-pay channel subscriptions ***
(000's)




**Satellite subscribers ****
(000's)



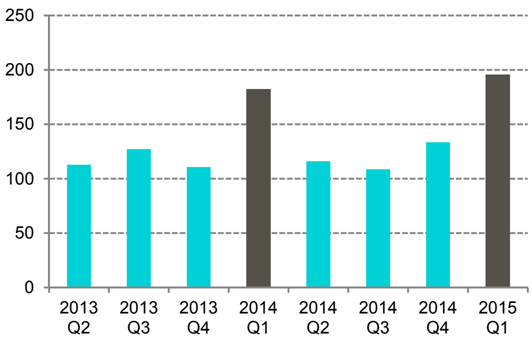

* Including Trace from Q3 2014.
** Subscriber numbers have been restated to exclude Raduga subscribers following the closure of the business.

# CTC Media

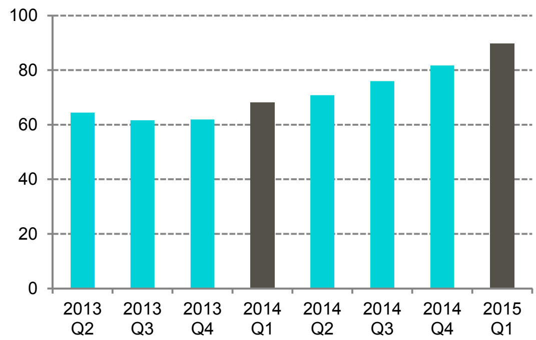
The Group reports its equity participation in the earnings of CTC Media with a one quarter time lag due to the fact that CTC Media reports its financial results after MTG. MTG's participation in CTC Media's US dollar reported results is translated into Swedish krona at the average currency exchange rate for the MTG reporting period. The Group owned 37.9% (37.9%) of CTC Media's issued shares at the end of the quarter. CTC Media reported its fourth quarter financial results on 5 March 2015. Please see www.ctcmedia.ru for further information about CTC Media.

Please see page 12 (Other Information) regarding the risks and uncertainties that stems from the new Russian Mass Media law.

**MTG participation in CTC Media results ***
(SEKm)




**CTC Media dividends received by MTG**
(SEKm)




* Including MTG's USD 11.5m Q1 2014 participation in USD 29.9m of non-recurring charges incurred by associated company CTC Media in Q4 2013.

# Nice Entertainment, MTGx, MTG Radio

## Sales down 1% at constant FX and losses reduced

| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| Net sales | 493 | 483 | 2,778 |
| *Change y-o-y* | *2%* | *100%* | *81%* |
| *Change y-o-y at constant FX* | *-1%* | *105%* | *80%* |
| | | | |
| Costs | 539 | 547 | 2,809 |
| *Change y-o-y* | *-1%* | *111%* | *77%* |
| | | | |
| EBIT | -46 | -64 | -32 |
| *EBIT margin* | *-9.4%* | *-13.3%* | *-1.1%* |

The double digit sales growth at constant FX for the radio businesses was offset by lower revenues for Nice Entertainment following the exceptional growth in Q1 2014.

The reduction in operating costs reflected lower production volumes for Nice Entertainment, which were only partly offset by ongoing investments in MTGx.

# Financial Review

## Cash Flow

### Operating cash flow

Cash flow from operations before changes in working capital amounted to SEK 201m (195) in the quarter, and included CTC Media dividend payments of SEK 90m (68). Depreciation and amortisation charges totaled SEK 39m (49) in the quarter. The Group reported a negative SEK 243m (99) change in working capital in the quarter, which reflected the combination of the seasonal impact of lower payables and net increase in inventory levels. Net cash flow from operations totaled SEK -42m (95) for the period.

### Investing activities

Acquisitions of associates amounted to SEK 1m (2) in the quarter, while cash flow from the divestment of associated company Sappa totaled SEK 87m (-). Group capital expenditure on tangible and intangible assets totaled SEK 46m (62) in the quarter. Total cash flow from investing activities therefore amounted to SEK 40m (-64) for the period.

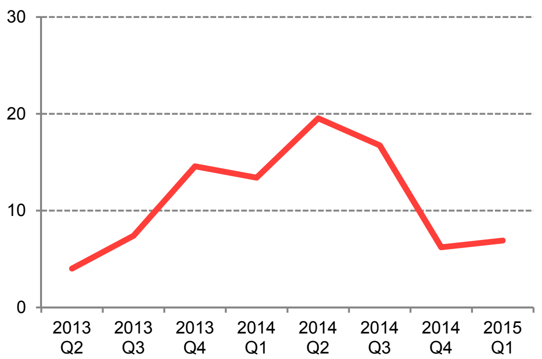
### Financing activities

Cash flow from financing activities amounted to SEK 52m (-29) in the quarter, and primarily comprised an increase in borrowings of SEK 44m (-71) to SEK 1,097m (1,759) and compared with SEK 1,055m at the end of 2014. The net change in cash and cash equivalents therefore amounted to SEK 49m (2) in the quarter. The Group had cash and cash equivalents of SEK 682m (715) at the end of the period, compared to SEK 643m as at 31 December 2014.

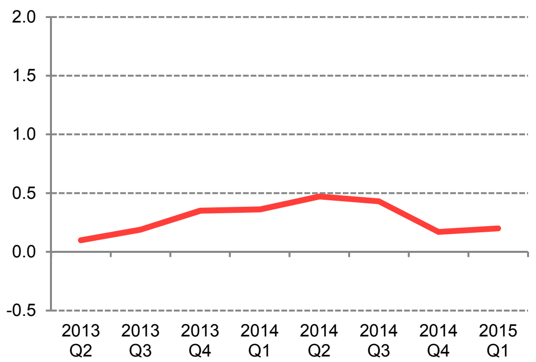
## Net debt & Liquid funds

The Group's net debt position, which is defined as cash and cash equivalents and interest bearing assets less interest bearing liabilities, amounted to SEK 396m (738) at the end of the period, and compared to a net debt position of SEK 362m at the end of 2014. The Group's available liquid funds, including unutilised credit and overdraft facilities, totaled SEK 6,538m (6,315) at the end of the period, and compared to SEK 6,498m as at 31 December 2014.

Net debt to equity
(%)




Net debt to last 12 months' EBITDA (excl. NRI)
(Ratio)



## Holdings in listed companies

The book value of the Group's shareholding in associated company CTC Media was SEK 1,608m (1,996) at the end of the period, and compared with the SEK 2,051m (USD 238m) public equity market value of the shareholding as at the close of trading on the last business day of March 2015. The book value was affected by negative currency translation differences in equity of USD 192m, of which MTG's share was SEK 640m and is reported in 'other comprehensive income'.

## Related Party Transactions

Related party transactions are of the same character and of similar amounts as the transactions described in the 2014 Annual Report.

# Parent Company

Modern Times Group MTG AB is the Group's parent company and responsible for Group-wide management, administration and finance functions.

| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| Net sales | 17 | 12 | 45 |
| Net interest and other financial terms | 90 | 114 | 435 |
| Income before tax and appropriations | 40 | 65 | 207 |

Net interest and other financial items were stable in the quarter, which primarily reflected the lower prevailing interest rate levels. The parent company had cash and cash equivalents of SEK 524m (466) at the end of the period, compared to SEK 402m at the end of 2014. SEK 5,750m (5,600) of the SEK 5,750m of total available credit facilities, including a SEK 250m overdraft facility, was unutilised at the end of the reporting period.

The total number of outstanding shares was 66,630,189 (66,622,711) at the end of the quarter and excluded the 865,000 Class C shares and 151,935 Class B shares held by MTG in treasury. The total number of issued shares did not change during the period.

# Corporate Responsibility Review

In line with the Group's focus on its corporate responsibility, this section has been added to the quarterly report to provide an update on the Group's activities in this key area. This should be read alongside the Group's annual corporate responsibility report, which assesses MTG's sustainability performance and discloses the results in a similar way to financial reporting. The 2014 report will be published shortly. It was announced in January that MTG has been included and highlighted in RobecoSAM's Sustainability Yearbook for the first time as one of the top 15% of media companies globally. A group-wide anti-bribery and corruption e-learning program was also introduced during the quarter for all employees and produced in cooperation with the UN Office on Drugs and Crime and the UN Global Compact. The Group's existing 'Whistleblower' service has also now been enhanced through the addition of a new and independent local language system that is constantly accessible anonymously online or by phone.

# Other Information

## Accounting policies

This Interim report has been prepared according to 'IAS 34 Interim Financial Reporting' and 'The Annual Accounts Act'. The interim report for the parent company has been prepared according to the Annual Accounts Act - Chapter 9 'Interim Report'.

The Group's consolidated accounts and the parent company accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2014 Annual Report. New 2015 IFRSs have no effect on the group.

## Risks and uncertainties

Significant risks and uncertainties exist for the Group and the parent company. MTG has large scale business interests in Russia, which are affected by recent amendments to the Russian Mass Media Law to reduce the permitted level of aggregate foreign ownership in Russian mass media companies to 20% direct or indirect ownership or control from the beginning of 2016. These changes apply to both MTG's pay-TV businesses and to MTG's 38% shareholding in CTC Media Inc. ("CTC Media"), the Delaware (US) registered and NASDAQ (US) listed company that owns the leading Russian independent media company. As of today, the existing ownership structures of these businesses do not comply with the amended Law and therefore will need to take steps to come into compliance with the Law before the end of 2015. Furthermore, the EU and US have imposed sanctions on named parties in Russia that have ownership interests in Telcrest Investments Limited, which owns approximately 25% of CTC Media, and could therefore limit the potential outcomes for CTC Media. MTG is working closely with its advisors to best protect its various Russian business interests, but changes to the structure or ownership of CTC Media and MTG's pay-TV businesses could result in loss of value for MTG shareholders.

The risks and uncertainties also include the prevailing economic and business environments in other markets and the impact of the Eurozone, as well as the Crimean crisis; commercial risks related to expansion into new territories; other political and legislative risks related to changes in rules and regulations in the various territories in which the Group operates; exposure to foreign exchange rate movements and the US dollar, Russian Rubles and Euro linked currencies in particular; and the emergence of new technologies and competitors. Risks and uncertainties are also described in more detail in the 2014 Annual Report, which is available at www.mtg.com.

# 2015 Annual General Meeting

The 2015 Annual General Meeting will be held on Tuesday 19 May 2015 in Stockholm. The Board of Directors will propose the payment of an annual ordinary cash dividend of SEK 11.00 (10.50) per share to the Annual General Meeting of shareholders in May. The total proposed dividend payment would therefore amount to approximately SEK 734m (700), based on the maximum potential number of outstanding ordinary shares. The Board of Directors will propose that the remainder of the Group's retained earnings for the year ended 31 December 2014 be carried forward into the accounts for 2015. The proposal is in line with the dividend policy to distribute a minimum of 30 per cent of each year's recurring net profit to shareholders in the form of an annual ordinary cash dividend. The Board will also propose an adaptation of a new long-term incentive programme. Please refer to http://www.mtg.com/press-releases/notice-to-attend-the-annual-general-meeting-4/ for a full description of the plan.

## Financial calendar

MTG's financial results for the second quarter 2015 will be published on 21 July 2015.

## Conference Call

The company will host a conference call today at 09.00 Stockholm local time, 08.00 London local time and 03.00 New York local time. To participate in the conference call, please dial:

| | |
|---|---|
| Sweden: | +46 (0) 8 5033 6538 |
| UK: | +44 (0) 20 3427 1908 |
| US: | +1 646 254 3388 |

The access pin code for the call is 9769768. To listen to the conference call online and for further information, please visit www.mtg.com.

* * *

**Any questions?**
www.mtg.com
Facebook: facebook.com/MTGAB
Twitter: @mtgab
press@mtg.com (or Per Lorentz +46 73 699 27 09)
investors@mtg.com (or Stefan Lycke +46 73 699 27 14)

Stockholm, 22 April 2015

Jørgen Madsen Lindemann, President & Chief Executive Officer

Modern Times Group MTG AB
Skeppsbron 18
P.O. Box 2094
SE-103 13 Stockholm, Sweden
Registration number: 556309-9158

*MTG (Modern Times Group MTG AB (publ.)) is an international entertainment group. Our operations span six continents and include TV channels and platforms, online services, content production businesses and radio stations. We are also the largest shareholder in CTC Media, which is Russia's leading independent media company. Our shares are listed on Nasdaq Stockholm ('MTGA' and 'MTGB').*

*The information in this announcement is that which MTG is required to disclose according to the Securities Market Act and/or the Financial Instruments Trading Act, and was released at 07:30 CET on 22 April 2015.*

This report has not been reviewed by the Group's auditors.

## Condensed consolidated income statement

| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| Net sales | 3,701 | 3,597 | 15,746 |
| Cost of goods and services | -2,341 | -2,320 | -9,779 |
| **Gross income** | **1,360** | **1,277** | **5,967** |
| | | | |
| Selling and administrative expenses | -1,145 | -1,090 | -4,492 |
| Other operating revenues and expenses, net | -72 | -70 | -203 |
| Share of earnings in associated companies and joint ventures | 195 | 183 | 558 |
| One-off items | 77 | - | -155 |
| **Operating income (EBIT)** | **415** | **301** | **1,675** |
| | | | |
| Net interest | -19 | -3 | -1 |
| Other financial items | -7 | -38 | -23 |
| **Income before tax** | **389** | **260** | **1,652** |
| | | | |
| Tax | -71 | -101 | -480 |
| **Net income for the period** | **318** | **159** | **1,172** |
| | | | |
| Attributable to: | | | |
| Equity holders of the parent | 328 | 162 | 1,139 |
| Non-controlling interest | -10 | -3 | 33 |
| **Net income for the period** | **318** | **159** | **1,172** |
| | | | |
| Basic earnings per share (SEK) | 4.92 | 2.43 | 17.10 |
| Diluted earnings per share (SEK) | 4.91 | 2.42 | 17.07 |

## Condensed consolidated statement of comprehensive income

| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| **Net income for the period** | **318** | **159** | **1,172** |
| *Other comprehensive income* | | | |
| *Items that are or may be reclassified to profit or loss net of tax:* | | | |
| Currency translation differences | 184 | 116 | 424 |
| Cash flow hedge | 34 | -8 | 136 |
| Share of other comprehensive income of associates | -640 | -21 | -407 |
| **Other comprehensive income for the period** | **-422** | **88** | **153** |
| | | | |
| **Total comprehensive income for the period** | **-104** | **247** | **1,325** |
| | | | |
| Total comprehensive income attributable to: | | | |
| Equity holders of the parent | -94 | 247 | 1,283 |
| Non-controlling interest | -10 | 0 | 42 |
| **Total comprehensive income for the period** | **-104** | **247** | **1,325** |
| | | | |
| Shares outstanding at the end of the period | 66,630,189 | 66,622,711 | 66,630,189 |
| | | | |
| Basic average number of shares outstanding | 66,630,189 | 66,622,711 | 66,627,771 |
| Diluted average number of shares outstanding | 66,796,124 | 66,705,940 | 66,709,088 |

## Condensed consolidated statement of financial position

| (SEKm) | 2015 31 Mar | 2014 31 Mar | 2014 31 Dec |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 3,375 | 3,523 | 3,396 |
| Other intangible assets | 942 | 857 | 941 |
| **Total intangible assets** | **4,317** | **4,380** | **4,337** |
| | | | |
| **Total tangible assets** | **382** | **467** | **380** |
| | | | |
| Shares and participations | 1,672 | 2,032 | 2,058 |
| Other financial receivables | 156 | 383 | 188 |
| **Total long-term financial assets** | **1,828** | **2,416** | **2,246** |
| **Total non-current assets** | **6,527** | **7,262** | **6,963** |
| | | | |
| **Current assets** | | | |
| Total inventory | 2,414 | 2,164 | 2,179 |
| Total current receivables | 4,423 | 3,813 | 4,346 |
| Cash, cash equivalents and short-term investments | 682 | 715 | 643 |
| **Total current assets** | **7,518** | **6,692** | **7,168** |
| **Total assets** | **14,046** | **13,954** | **14,131** |
| | | | |
| **Shareholders' equity** | | | |
| Shareholders' equity | 5,644 | 5,316 | 5,729 |
| Non-controlling interest | 93 | 191 | 102 |
| **Total equity** | **5,737** | **5,506** | **5,831** |
| | | | |
| **Long-term liabilities** | | | |
| **Total non-current interest-bearing liabilities** | **1,001** | **991** | **1,001** |
| | | | |
| Total provisions | 771 | 790 | 823 |
| Total non-interest-bearing liabilities | 295 | 188 | 287 |
| **Total non-current non-interest-bearing liabilities** | **1,066** | **977** | **1,110** |
| **Total non-current liabilities** | **2,066** | **1,969** | **2,111** |
| | | | |
| **Current liabilities** | | | |
| Total current interest-bearing liabilities | 105 | 798 | 57 |
| Total current non-interest-bearing liabilities | 6,137 | 5,680 | 6,133 |
| **Total current liabilities** | **6,243** | **6,479** | **6,190** |
| **Total liabilities** | **8,309** | **8,447** | **8,300** |
| **Total shareholders' equity and liabilities** | **14,046** | **13,954** | **14,131** |

The carrying amounts are considered to be reasonable approximations of fair value for all financial assets and financial liabilities.

## Condensed consolidated statement of cash flows

| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| Cash flow from operations | 201 | 195 | 1,337 |
| Changes in working capital | -243 | -99 | -143 |
| **Net cash flow from operations** | **-42** | **95** | **1,194** |
| | | | |
| Proceeds from sales of shares | 87 | - | 230 |
| Acquisitions of subsidiaries and associates | -1 | -2 | -223 |
| Investments in other non-current assets | -46 | -62 | -217 |
| **Cash flow used in investing activities** | **40** | **-64** | **-211** |
| | | | |
| Net change in loans | 44 | -71 | -778 |
| Dividends to shareholders | - | - | -700 |
| Other cash flow from/to financing activities | 8 | 42 | 273 |
| **Cash flow used in financing activities** | **52** | **-29** | **-1,204** |
| | | | |
| **Net change in cash and cash equivalents for the period** | **49** | **2** | **-221** |
| | | | |
| **Cash and cash equivalents at the beginning of the period** | **643** | **765** | **765** |
| Translation differences in cash and cash equivalents | -10 | -53 | 99 |
| **Cash and cash equivalents at end of the period** | **682** | **715** | **643** |

## Condensed consolidated statement of changes in equity

| (SEKm) | 2015 31 Mar | 2014 31 Mar | 2014 31 Dec |
|---|---|---|---|
| **Opening balance** | **5,831** | **5,295** | **5,295** |
| Net loss/income for the period | 318 | 159 | 1,172 |
| Other comprehensive income for the period | -422 | 88 | 153 |
| **Total comprehensive loss/income for the period** | **-104** | **247** | **1,325** |
| | | | |
| Effect of employee share option programmes | 7 | 0 | 1 |
| Share of option changes in equity of associates | 3 | -3 | 4 |
| Change in non-controlling interests | - | -32 | -6 |
| Dividends to shareholders | - | - | -700 |
| Dividends to non-controlling interests | - | - | -88 |
| **Closing balance** | **5,737** | **5,506** | **5,831** |

## Parent company condensed income statement

| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| Net sales | 17 | 12 | 45 |
| **Gross income** | **17** | **12** | **45** |
| | | | |
| Administrative expenses | -67 | -61 | -273 |
| **Operating income (EBIT)** | **-50** | **-49** | **-228** |
| | | | |
| Net interest and other financial items | 90 | 114 | 435 |
| **Income before tax and appropriations** | **40** | **65** | **207** |
| | | | |
| Appropriations | - | - | 123 |
| | | | |
| Tax | -9 | -12 | -71 |
| **Net income for the period** | **31** | **53** | **258** |

## Parent company condensed statement of comprehensive income

| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| **Net income for the period** | **31** | **53** | **258** |
| | | | |
| *Other comprehensive income* | | | |
| *Items that are or may be reclassified to profit or loss net of tax:* | | | |
| Revaluation of shares at market value | - | - | 0 |
| **Other comprehensive income for the period** | **-** | **-** | **0** |
| | | | |
| **Total comprehensive income for the period** | **31** | **53** | **259** |

## Parent company condensed balance sheet

| (SEKm) | 2015 31 Mar | 2014 31 Mar | 2014 31 Dec |
|---|---|---|---|
| **Non-current assets** | | | |
| Capitalised expenditure | 2 | - | 2 |
| Machinery and equipment | 1 | 2 | 1 |
| Shares and participations | 6,398 | 6,398 | 6,398 |
| Other financial receivables | 358 | 419 | 295 |
| **Total non-current assets** | **6,759** | **6,819** | **6,696** |
| | | | |
| **Current assets** | | | |
| Current receivables | 10,110 | 9,798 | 10,544 |
| Cash, cash equivalents and short-term investments | 524 | 466 | 402 |
| **Total current assets** | **10,634** | **10,264** | **10,946** |
| **Total assets** | **17,392** | **17,083** | **17,642** |
| | | | |
| **Shareholders' equity** | | | |
| Restricted equity | 338 | 338 | 338 |
| Non-restricted equity | 7,155 | 7,618 | 7,124 |
| **Total equity** | **7,493** | **7,956** | **7,462** |
| | | | |
| **Long-term liabilities** | | | |
| Interest-bearing liabilities | 1,025 | 1,000 | 1,024 |
| Provisions | 2 | 4 | 2 |
| Non-interest-bearing liabilities | 46 | 1 | 23 |
| **Total long-term liabilities** | **1,074** | **1,005** | **1,049** |
| | | | |
| **Current liabilities** | | | |
| Other interest-bearing liabilities | 8,323 | 8,003 | 8,294 |
| Non-interest-bearing liabilities | 503 | 119 | 838 |
| **Total current liabilities** | **8,826** | **8,122** | **9,132** |
| **Total shareholders' equity and liabilities** | **17,392** | **17,083** | **17,642** |

## Net Sales – Business segments

| (SEKm) | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Full year 2014 | Q1 2015 |
|---|---|---|---|---|---|---|
| Free-TV Scandinavia | 1,034 | 1,065 | 900 | 1,111 | 4,109 | 979 |
| Pay-TV Nordic | 1,404 | 1,439 | 1,441 | 1,472 | 5,756 | 1,486 |
| Free-TV Emerging Markets | 504 | 680 | 463 | 762 | 2,409 | 581 |
| *- Baltics, Czech & Bulgaria* | *472* | *640* | *431* | *721* | *2,264* | *546* |
| Pay-TV Emerging Markets | 266 | 271 | 333 | 355 | 1,225 | 293 |
| Central operations, elim & others | -48 | -61 | -92 | -93 | -294 | -102 |
| **Total Broadcasting** | **3,159** | **3,394** | **3,045** | **3,607** | **13,205** | **3,238** |
| | | | | | | |
| Nice Entertainment, MTGx, Radio | 483 | 799 | 681 | 815 | 2,778 | 493 |
| Group central operations | 60 | 57 | 57 | 61 | 235 | 59 |
| Eliminations | -104 | -141 | -115 | -112 | -472 | -89 |
| **TOTAL OPERATIONS** | **3,597** | **4,109** | **3,669** | **4,371** | **15,746** | **3,701** |
| | | | | | | |
| *Organic Growth at constant FX* | *5.3%* | *2.7%* | *5.5%* | *2.4%* | *3.8%* | *0.7%* |
| *FX* | *-0.4%* | *0.6%* | *2.5%* | *1.8%* | *1.2%* | *1.9%* |
| *Divestments* | *0.0%* | *-0.4%* | *-1.3%* | *-1.1%* | *-0.7%* | *-1.2%* |
| *Acquisitions* | *7.2%* | *11.1%* | *8.3%* | *4.3%* | *7.6%* | *1.5%* |
| *Total growth* | *12.1%* | *14.0%* | *15.0%* | *7.5%* | *11.9%* | *2.9%* |

## Operating income (EBIT) – Business segments

| (SEKm) | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Full year 2014 | Q1 2015 |
|---|---|---|---|---|---|---|
| Free-TV Scandinavia | 92 | 200 | 120 | 220 | 633 | 94 |
| Pay-TV Nordic | 155 | 184 | 186 | 184 | 709 | 178 |
| Free-TV Emerging Markets | -25 | 121 | -57 | 91 | 131 | -6 |
| *- Baltics, Czech & Bulgaria* | *-12* | *137* | *-35* | *109* | *199* | *15* |
| Pay-TV Emerging Markets | 22 | 19 | 39 | 25 | 104 | 2 |
| Associated Company CTC Media | 182 | 116 | 109 | 133 | 540 | 195 |
| Central operations, elim & others | 0 | 0 | -18 | 18 | 0 | -3 |
| **Total Broadcasting** | **426** | **640** | **378** | **673** | **2,117** | **460** |
| | | | | | | |
| Nice Entertainment, MTGx, Radio | -64 | 11 | 12 | 9 | -32 | -46 |
| Group central ops & elims | -61 | -62 | -61 | -71 | -255 | -76 |
| **TOTAL OPERATIONS EXCL NRI** | **301** | **589** | **329** | **611** | **1,830** | **337** |
| Non-recurring items | - | -155 | 0 | 0 | -155 | 77 |
| **TOTAL EBIT** | **301** | **434** | **329** | **611** | **1,675** | **415** |
| *TOTAL EXCL CTC MEDIA AND NRI* | *119* | *473* | *221* | *478* | *1,290* | *142* |

## Key performance indicators

| | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Full year 2014 | Q1 2015 |
|---|---|---|---|---|---|---|
| GROUP | | | | | | |
| Sales growth (%) | 12.1 | 14.0 | 15.0 | 7.5 | 11.9 | 2.9 |
| Sales growth at constant FX (%) | 12.5 | 13.4 | 12.5 | 5.7 | 10.7 | 1.0 |
| Change in operating costs (%) [1] | 16.5 | 15.8 | 14.1 | 8.2 | 13.4 | 2.3 |
| Operating margin (%) [1] | 3.3 | 11.5 | 5.9 | 10.7 | 8.1 | 3.8 |
| Return on capital employed (%) | 26 | 25 | 25 | 25 | | 26 |
| Return on equity (%) | 22 | 24 | 24 | 24 | | 26 |
| Equity to assets ratio (%) | 39 | 35 | 39 | 41 | | 41 |
| Liquid funds (SEKm) | 6,315 | 6,149 | 6,150 | 6,498 | | 6,538 |
| Net debt (SEKm) | 738 | 987 | 928 | 362 | | 396 |
| FREE-TV SCANDINAVIA | | | | | | |
| Sales growth (%) | 4.1 | -1.4 | 1.4 | -3.4 | 0.0 | -5.3 |
| Sales growth at constant FX (%) | 4.0 | -2.9 | -1.4 | -5.2 | -1.6 | -7.7 |
| Change in operating costs (%) | 8.7 | -0.8 | 1.4 | -4.8 | 1.0 | -6.0 |
| Operating margin (%) | 8.9 | 18.8 | 13.3 | 19.8 | 15.4 | 9.6 |
| **Commercial share of viewing (%)** | | | | | | |
| Sweden (15-49) | 39.1 | 30.5 | 31.0 | 30.5 | 33.2 | 30.8 |
| Norway (15-49) | 15.3 | 17.9 | 16.0 | 15.4 | 16.1 | 16.8 |
| Denmark (15-49) [2] | 25.6 | 26.6 | 25.1 | 27.5 | 26.2 | 25.7 |
| PAY-TV NORDIC | | | | | | |
| Sales growth (%) | 7.1 | 6.7 | 10.2 | 7.6 | 7.9 | 5.8 |
| Sales growth at constant FX (%) | 7.2 | 5.4 | 7.9 | 6.0 | 6.6 | 3.9 |
| Change in operating costs (%) | 7.3 | 4.9 | 9.0 | 7.0 | 7.0 | 4.7 |
| Operating margin (%) | 11.0 | 12.8 | 12.9 | 12.5 | 12.3 | 12.0 |
| **Subscriber data ('000s)** | | | | | | |
| Premium subscribers | 978 | 970 | 969 | 982 | | 973 |
| - of which, satellite | 553 | 546 | 535 | 526 | | 514 |
| - of which, 3rd party networks | 425 | 425 | 434 | 456 | | 459 |
| Basic satellite subscribers | 37 | 36 | 35 | 33 | | 31 |
| Premium satellite ARPU (SEK) | 5,044 | 5,164 | 5,302 | 5,254 | | 5,220 |
| FREE-TV EMERGING MARKETS | | | | | | |
| Sales growth (%) | -1.7 | -1.8 | 1.3 | -2.8 | -1.5 | 15.4 |
| Sales growth at constant FX (%) | -1.8 | -3.6 | -1.0 | -4.9 | -3.1 | 9.4 |
| Change in operating costs (%) | 8.6 | 1.1 | 6.0 | -4.2 | 2.2 | 11.2 |
| Operating margin (%) | -4.9 | 17.8 | -12.4 | 12.0 | 5.4 | -1.1 |
| **Commercial share of viewing (%)** | | | | | | |
| Estonia (15-49) | 41.0 | 39.9 | 38.1 | 42.1 | 40.4 | 39.4 |
| Latvia (15-49) | 55.0 | 59.7 | 58.7 | 61.9 | 58.7 | 59.5 |
| Lithuania (15-49) | 47.3 | 44.5 | 43.9 | 45.0 | 45.4 | 44.8 |
| Czech Republic (15-54) | 33.3 | 34.4 | 35.6 | 36.3 | 34.9 | 34.1 |
| Bulgaria (18-49) [3] | 35.7 | 35.1 | 35.9 | 41.1 | 37.1 | 37.9 |
| Hungary (18-49) | 7.5 | 6.4 | 7.1 | 7.3 | 7.1 | 7.9 |
| PAY-TV EMERGING MARKETS | | | | | | |
| Sales growth (%) | 8.3 | 0.9 | 24.4 | 15.6 | 12.5 | 10.4 |
| Sales growth at constant FX (%) | 9.8 | 7.9 | 24.9 | 14.7 | 14.4 | 21.7 |
| Change in operating costs (%) | -0.9 | 16.5 | 22.4 | 28.9 | 16.8 | 19.4 |
| Operating margin (%) | 8.2 | 6.9 | 11.7 | 7.1 | 8.5 | 0.6 |
| **Subscriber data ('000s)** | | | | | | |
| Satellite subscribers [4] | 358 | 344 | 326 | 306 | | 290 |
| Mini-pay subscriptions [5] | 94,837 | 94,197 | 130,559 | 131,089 | | 136,969 |

1. Based on operating income excl. associated income and non-recurring items.
2. The universe has expanded from Q1 2015 to include TV2 Sport.
3. The source for Bulgarian audience data has been changed as of Q4 2014 from GARB to Nielsen's Mediaresearch. All figures from Q1 2014 are based on the new source. The universe has also expanded from Q1 2014 to include seven new channels.
4. Have been restated following the closure of Raduga.
5. Includes Trace subscriptions from Q3 2014.

For definitions, please refer to the 2014 Annual Report under the heading "Definitions". Data on CTC and share of viewing is made available after each quarter on www.mtg.com.

# Notes to the accounts

## 1. Condensed sales Group segments

| (SEKm) | 2015 Jan-Mar | 2014 Jan-Mar | 2014 Jan-Dec |
|---|---|---|---|
| **Sales external customers** | | | |
| Broadcasting | 3,233 | 3,157 | 13,193 |
| Nice Entertainment, MTGx, Radio | 466 | 438 | 2,548 |
| Parent company & holding companies | 1 | 2 | 5 |
| **Total** | **3,701** | **3,597** | **15,746** |
| | | | |
| **Sales between segments** | | | |
| Broadcasting | 4 | 3 | 12 |
| Nice Entertainment, MTGx, Radio | 27 | 44 | 229 |
| Parent company & holding companies | 58 | 57 | 230 |
| **Total** | **89** | **104** | **472** |