

# Modern Times Group MTG AB

Financial Results for  
the first nine months and third quarter  
ended 30 September 2002

23 October 2002

**“Sales, showmanship and cost control”**

# Sales, Showmanship and Cost Control

- Compound annual sales growth of 21% since 1997
- Largest commercial TV and radio operator in Nordic & Baltic region
- 3rd largest DTH pay-TV operator in Europe and profitable
- Viasat TV-channels reach 45 million people in 9 countries
- Global market leader in DVD subtitling and dubbing
- Leading international Reality-TV production house
- Strong balance sheet with net debt to equity of 55%

# Operating Highlights

*3 months ended 30 September 2002*

- Net sales amounted to SEK 1,371 (1,415) million for the third quarter, due to weak economic climate
- Operating income improved to SEK -23 (-31) million for the quarter
- Pay-TV operating income almost quadrupled during the quarter to SEK 87 (23) million
- The number of digital DTH subscribers increased during the quarter to 589,000, and the number of Viasat 'gold' subscribers was stable at 426,000
- Head-count is reduced by 10% year-on-year, and total costs are down by 5% or SEK 200 million year-to-date

# Group Operating Results



SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
Net Sales	1,371	1,415	4,293	4,550
EBIT from:				
Established Operations	3	0	162	229
New Investments	-23	-40	-91	-100
EBIT from Operations	-20	-40	71	129
Associated Companies	-3	9	-33	21
Non-recurring items	-	-	163	-
Total EBIT	-23	-31	201	150

# Viasat Broadcasting Operating Results



SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
<b>Net Sales</b>	<b>956</b>	<b>981</b>	<b>3,101</b>	<b>3,161</b>
<b>EBIT from:</b>				
<b>Established Operations</b>	<b>36</b>	<b>36</b>	<b>262</b>	<b>313</b>
<b>New Investments</b>	<b>-26</b>	<b>-28</b>	<b>-85</b>	<b>-83</b>
<b>EBIT from Operations</b>	<b>10</b>	<b>8</b>	<b>177</b>	<b>230</b>
<b>Associated Companies*</b>	<b>-1</b>	<b>9</b>	<b>-5</b>	<b>47</b>
<b>Non-recurring items</b>	<b>-</b>	<b>-</b>	<b>163</b>	<b>-</b>
<b>Total EBIT</b>	<b>9</b>	<b>17</b>	<b>335</b>	<b>277</b>

\* TV4 earnings were only consolidated as associated company income until 13 May due to 5% reduction in TV4 stake to 15.1%

# Viasat Broadcasting

## Free-TV



SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
Net Sales	526	507	1,726	1,849
Operating income	-68	-7	-32	154

- TV3 Scandinavia revenues down 3% in weak advertising markets
- Launch of new TV3 schedule in September stabilises CSOV and delivers strong ratings improvements in October
- New schedule includes top rating own productions such as 'Insider', 'Fame Factory', 'Spårlöst Försvunnen', 'Efterlyst' and Dreamworks Hollywood movie package
- Impact of increased investment in programming
- ZTV is fastest growing TV-channel in Norway only 9 months after launch with penetration of 43%

# Viasat Broadcasting Free-TV



SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
Net Sales	526	507	1,726	1,849
Operating income	-68	-7	-32	154

- Pan-Baltic CSOV up to 33%
- TV3 Estonia, Lithuania & Latvia sales up 50% and EBITDA break-even
- DTV revenues above Q2 levels despite seasonality and national CSOV up to 0.7%
- DTV licence renewal process underway
- Viasat3 Hungary quarterly sales up 44% with increase of CSOV to 2.6%
- CTC CSOV up to 7.9% and StoryFirst performs according to plan

# Viasat Broadcasting Pay-TV

SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
Net Sales	523	558	1,618	1,538
Operating income	87	23	235	95

- Pay-TV EBIT nearly quadrupled in 3rd quarter
- 50% proportion of new sales through direct channels in Sweden and Norway and 80% in Denmark as well as maintained strong position in retail
- Innovative new Christmas campaign to be launched in coming weeks
- Digital subscription churn further reduced in Q3
- Quarterly revenue per digital premium subscriber up 21% to SEK 748

# Viasat Broadcasting Pay-TV



SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
Net Sales	523	558	1,618	1,538
Operating income	87	23	235	95

- Wholesale revenues from sale of Viasat channels to 3<sup>rd</sup> party networks up 11% to SEK 386 million for the first nine months
- TV1000 profitable for fourth consecutive quarter; 10% operating margin
- Viasat Sport reports first quarterly profit on sales up 215% with 12% operating margin
- Disney Channel to be included in 'Gold' and 'Silver' packages
- 'Gold' package increased to SEK 269 (249) per month + introduction of middle tier 'Silver' package at SEK 199 per month with equivalent contribution margin to 'Gold'

# Viasat Broadcasting

## Pay-TV subscriber development

Subscribers (000's)	Total Card Holders	Number of Digital subscribers	Digital 'Gold' package
Balance as at 30 Sept 2002	1,017	589	426
Balance as at 30 Jun 2002	1,045	577	426
Balance as at 30 Sept 2001	1,154	527	447
	Other 'Premium' Digital package	TV1000	
Balance as at 30 Sept 2002	27	484	
Balance as at 30 Jun 2002	30	488	
Balance as at 30 Sept 2001	42	517	

# New Media

SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
Net Sales	25	28	80	71
EBIT from:				
Established Operations	10	15	31	9
New Investments	1	-11	-6	-16
Associated Companies	-2	-9	-12	-45
<b>Total EBIT</b>	<b>9</b>	<b>-5</b>	<b>13</b>	<b>-52</b>

- Division reports profits for second consecutive quarter
- New IDTV personal banking campaign for Danske Bank
- Everytext now providing teletext services to 14 national and local Spanish channels
- Everytext Spain operating margin of 40% on sales up 19%
- Significantly reduced costs in Everyday.com improves share of earnings to SEK -2 (-9) million

# Radio

SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
<b>Net Sales</b>	<b>36</b>	<b>26</b>	<b>112</b>	<b>94</b>
<b>EBIT from:</b>				
<b>Operations</b>	<b>-6</b>	<b>-4</b>	<b>-17</b>	<b>-7</b>
<b>Associated Companies</b>	<b>-1</b>	<b>9</b>	<b>-19</b>	<b>20</b>
<b>Total EBIT</b>	<b>-7</b>	<b>5</b>	<b>-36</b>	<b>13</b>

- Sales in Sweden up 37% for the quarter due to acquisition of Lugna Favoriter
- Swedish radio operations achieve combined market share of 35% and 1 million daily listeners
- RIX FM consolidates position as leading Swedish national network with 27% CSOL
- Established No.1 and No.2 stations in Stockholm and No.1 in Gothenburg
- Baltic operations report combined profits for second consecutive quarter
- Reduced contribution from associates due to weak advertising markets
- Strongly positioned for high incremental earnings contribution in recovering market

# Publishing

SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
Net Sales	26	33	96	128
EBITDA	-19	-17	-64	-38
EBIT	-21	-19	-71	-45

- Finans Vision established as largest daily business newspaper in Stockholm with daily circulation of over 100,000
- Relunched on 12 August so only contributes to half of the quarter
- Pink Metro – 65,000 copies distributed by hand in Stockholm city centre
- Distribution increased to include 560 company offices, 4 hotel chains, Airports and McDonald's
- Operating cost base reduced by 20% in Finans Vision quarter on quarter

# Modern Studios

SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
Net Sales	145	142	419	466
EBIT from:				
Established Operations	21	19	37	55
New Investments	3	-1	0	0
Total EBIT	24	18	37	55

- Strix improves Q3 operating margin to 18% (12%)
- Sonet sales up 42% and operating margin of 29%
- Sonet scores box office success with No.1 and No.2 movies in Sweden in September and 50% market share
- Strix sold 8 options and 1 licence of its Reality-TV formats in 9 territories during quarter
- STRIX has produced or co-produced 10 formats for broadcast in 20 territories year to date
- Modern Entertainment sales up 29% quarter on quarter following re-commissioning of No 1 rating series 'The Dead Zone' for US Network TV

# TV-Shop

SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
Net Sales	158	164	481	564
EBITDA	2	-24	23	-14
EBIT	-2	-29	10	-30

- TV-Shop improved its operating income by SEK 20 million during the quarter due to a significantly lower cost structure
- PIN24 reaches 20 million homes and profitable in all territories
- ECL active in 16 countries and reports third consecutive quarterly profit
- 47% growth in CDON sales year to date
- 46% increase in number of items sold by CDON; DVD sales up to 22% of total

SEK million	Q3 2002	Q3 2001	9m 2002	9m 2001
Net Sales	94	109	286	288
EBITDA	20	17	50	38
EBIT	16	13	39	27

- Operating profit up 25% and operating margin increased to 18%
- DVD subtitling revenues now represent 51% of business area sales vs. 43% last quarter
- Extension of global agreement with Paramount for DVD and home video subtitling
- Subtitling for successful launch of Disney Channel in Korea
- Continued dominance in global DVD subtitling market

# Profit and Loss

(SEK million)

	Q3 2002	Q3 2001	9m 2002	9m 2001
<b>Established Operations</b>				
Net Sales	1 343	1 405	4 202	4525
EBIT	3	0	162	229
<b>New Investments</b>				
Net Sales	28	10	91	25
EBIT	-23	-40	-91	-100
<b>EBIT from Operations</b>	<b>-20</b>	<b>-40</b>	<b>71</b>	<b>129</b>
Associated companies	-3	9	-33	21
Capital Gain from sale of TV4 shares	-	-	163	-
<b>Operating Profit</b>	<b>-23</b>	<b>-31</b>	<b>201</b>	<b>150</b>
Net interest and other financial items	-41	-82	-151	-139
<b>Profit Before Tax</b>	<b>-64</b>	<b>-113</b>	<b>50</b>	<b>11</b>

# Cash flow

(SEK million)	Q3 2002	Q3 2001	9m 2002	9m 2001
<b>Cash flow from operations</b>	<b>-52</b>	<b>-19</b>	<b>213</b>	<b>195</b>
Changes in W/C	164	-133	-89	-406
<b>Net cash flow from operations</b>	<b>112</b>	<b>-152</b>	<b>124</b>	<b>-211</b>
Investments in shares in subsidiaries and associates	0	-	-281	-
Proceeds from sale of shares in associates	0	-	204	-
Other investments in shares and securities	0	-	-204	-76
Investments in other non-current assets	-25	-35	-69	-76
Other cash flow from investing activities	0	-	33	48
<b>Cash flow to investing activities</b>	<b>-25</b>	<b>-35</b>	<b>-317</b>	<b>-104</b>
<b>Cash flow from/to financing activities</b>	<b>-87</b>	<b>-780</b>	<b>245</b>	<b>207</b>
<b>Net change in cash and cash equivalents for the period</b>	<b>0</b>	<b>-967</b>	<b>52</b>	<b>-108</b>

- Positive cash flow in each quarter in year to date
- Positive changes in working capital due to reduced inventory levels

# Balance Sheet

(SEK million)	30 Sept 2002	30 Sept 2001	31 Dec 2001
Liquid assets	3,517	3,809	3,832
Fixed assets	3,223	3,086	3,109
<b>Total assets</b>	<b>6,740</b>	<b>6,895</b>	<b>6,941</b>
Short-term liabilities	2,909	3,048	3,338
Long-term liabilities	1,857	1,999	1,650
Equity	1,974	1,848	1,953
<b>Total liabilities</b>	<b>6,740</b>	<b>6,895</b>	<b>6,941</b>

- Equity:assets ratio of 45% including convertible
- SEK 310 million surplus value of marketable assets
  - adjusted equity:assets ratio of 47%
- SEK 441 million in liquid funds including undrawn credit facilities
- Net debt:equity ratio of 55% or interest bearing debt:equity ratio of 89%

# Outlook

- Fall schedule to increase market shares in core Scandinavian markets
- Increasing CSOV in emerging high growth territories – Baltics, Hungary and Russia
- Anti-piracy solution to be implemented in early 2003
- New subscriber acquisition campaigns in Q4 and increased prices to drive ARPU and increase profitability
- Restructuring completed in FinansVision – reduced cost operating model and improved reach
- Fully exploit content portfolio through STRIX, Sonet and Modern Entertainment
- Focus on driving sales growth and continued margin improvements in TV Shop and SDI