



**MTG**  
MODERN TIMES GROUP

# **Modern Times Group MTG AB**

## **“Entertaining People”**

**Financial Results for the fourth quarter  
and full year ended 31 December 2002**

**12 February 2003**

# “Entertaining People”

- Largest commercial TV and radio broadcaster in Nordic & Baltic region
- Viasat TV channels reach 45 million people in 9 countries
- One of Europe’s leading satellite pay-TV operators and ... profitable
- Largest shareholder in #2 commercial broadcaster (CTC) in Russia
- Global market leader in DVD subtitling
- Leading international reality-TV production house

# Operating Highlights

## Free-to-air TV

### Issues:

- Weak advertising markets in Scandinavia
- Unsatisfactory viewer ratings for TV3 Scandinavia
- Reduced sales efficiency

### Action:

- Trimmed cost base and signs of stability in the market
- Strike back programming schedules introduced since beginning of the Fall, resulting in growing CSOV
- New management in place and strict focus on sales excellence

# Operating Highlights

## Pay-TV

### Issues:

- Piracy
- Analogue conversion

### Action:

- NDS chosen as new conditional access encryption supplier
- Launch of low-price set-top box campaigns to increase penetration
- Disney Channel added to strengthen platform content

# Operating Highlights

## Other Business Areas

### Issues:

- Ensure future top line growth
- Lack of profitability in Publishing
- Capital tied up in operations

### Action:

- Expansion into East European markets
- Closure of Finans Vision and other unprofitable businesses
- Strict focus on working capital, including programme inventory

# Financial Highlights

## 4<sup>th</sup> Quarter & 12 months ended 31 Dec 2002

- Net sales of SEK 1,730 (1,852) million for the quarter, EBITDA before non-recurring items of SEK 257 (289) million and operating income before non-recurring items of SEK 191 (225) million, resulting in an operating margin of 11%
- Net sales of SEK 6,026 (6,402) million for the full year, EBITDA before non-recurring items of SEK 476 (611) million and operating income before non-recurring items of SEK 230 (375) million, resulting in an operating margin of 4%
- Non-recurring items of SEK -126 million for the quarter and SEK 37 million for the full year
- SEK 423 million increase in net cash flow from operations to SEK 345 (-78) million for the full year as a result of focus on working capital efficiency – inventory reduced by SEK 341
- More than doubling of pay-TV operating income to SEK 352 (164) million for the full year
- Strong balance sheet with equity to assets ratio (including €120 million convertible) of 49% (44%)

# Group Operating Results

<b>SEK million</b>	<b>Q4 2002</b>	<b>Q4 2001</b>	<b>FY 2002</b>	<b>FY 2001</b>
<b>Net Sales</b>	1,730	1,852	6,023	6,402
EBITDA before non-recurring items	257	289	476	611
EBIT before non-recurring items	192	225	230	375
Non-recurring items	-126	-15	37	-15
Closures / write offs	-96	-	-96	-
Viasat's Digital Project	-	-15	-	-15
Victory Challenge Sponsorship	-30	-	-30	-
Sale of shares in TV4	-	-	163	-
<b>EBIT</b>	66	210	267	360
Net interest and other financial costs	-29	-43	-105	-123
Unrealised exchange rate gains / losses	-59	72	-134	13
<b>PBT</b>	-22	239	28	250

# Viasat Broadcasting

## Operating Results

SEK million	Q4 2002	Q4 2001	FY 2002	FY 2001
<b>Net Sales</b>	1,252	1,392	4,353	4,553
EBITDA before non-recurring items and associates	241	285	519	602
EBIT before non-recurring items and associates	203	249	382	478
Non-recurring items	-	-15	163	-15
Associates – StoryFirst & TV4*	14	12	8	59
<b>Total EBIT</b>	217	246	553	522

\* TV4 earnings consolidated until 13 May due to reduction in TV4 stake to 15.1%

# Viasat Broadcasting

## Free-to-air TV

SEK million	Q4 2002	Q4 2001	FY 2002	FY 2001
<b>Net Sales</b>				
TV3 Scandinavia	585	639	1,893	2,166
Other Scandinavian channels	103	110	357	356
TV3 Baltics	80	50	226	124
Viasat3 Hungary	5	2	12	4
DTV	7	1	18	1
<b>TOTAL</b>	<b>780</b>	<b>802</b>	<b>2,506</b>	<b>2,651</b>
<b>Operating income</b>				
TV3 Scandinavia	64	166	88	402
Other Scandinavian channels	17	19	20	13
TV3 Baltics	30	16	39	-3
Viasat3 Hungary	-15	-10	-56	-59
DTV	-7	-8	-34	-16
StoryFirst – associated co.	14	-	26	-
<b>TOTAL</b>	<b>102</b>	<b>183</b>	<b>83</b>	<b>337</b>

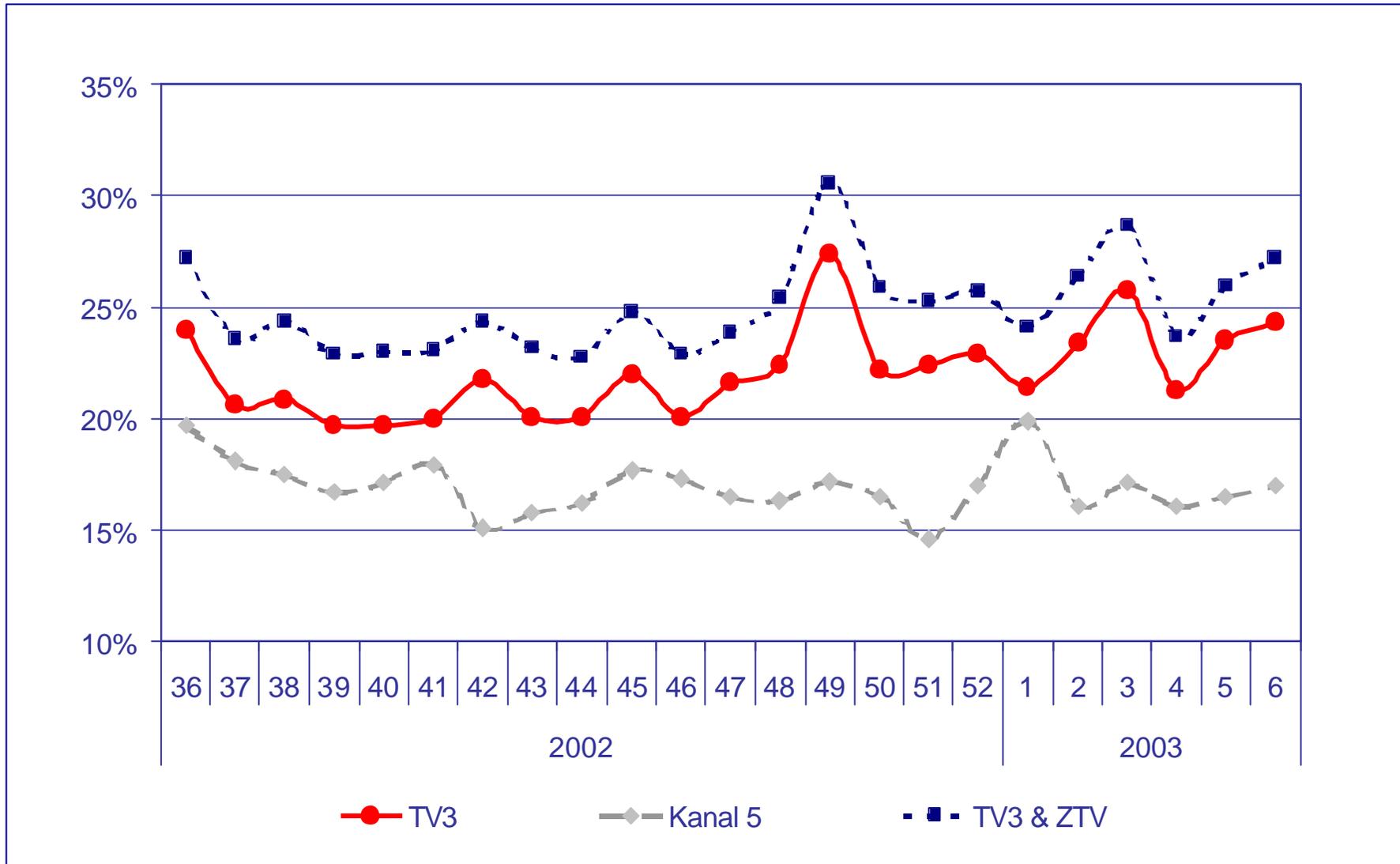
# Viasat Broadcasting

## Free-to-air TV - Scandinavia

- Fame Factory own-produced format wins ratings battle with peak 45% share of viewing in Sweden; Expedition Robinson continues success in Norway and Denmark
- Re-acquisition of rights to UEFA Champion's League and Ice Hockey World Championships
- Focus on increasing reach through sale of channels into new 3<sup>rd</sup> party networks and new digital subscriber acquisition
- Strike back schedule successful in winning back strategic target group - young females - 13% growth in share of viewing amongst 15-34 yr old women in Sweden when comparing the Fall of 2002 with the Spring of 2002

# Free-to-Air TV Broadcasting - Scandinavia

Commercial Share of Viewing in National Universe (3+)



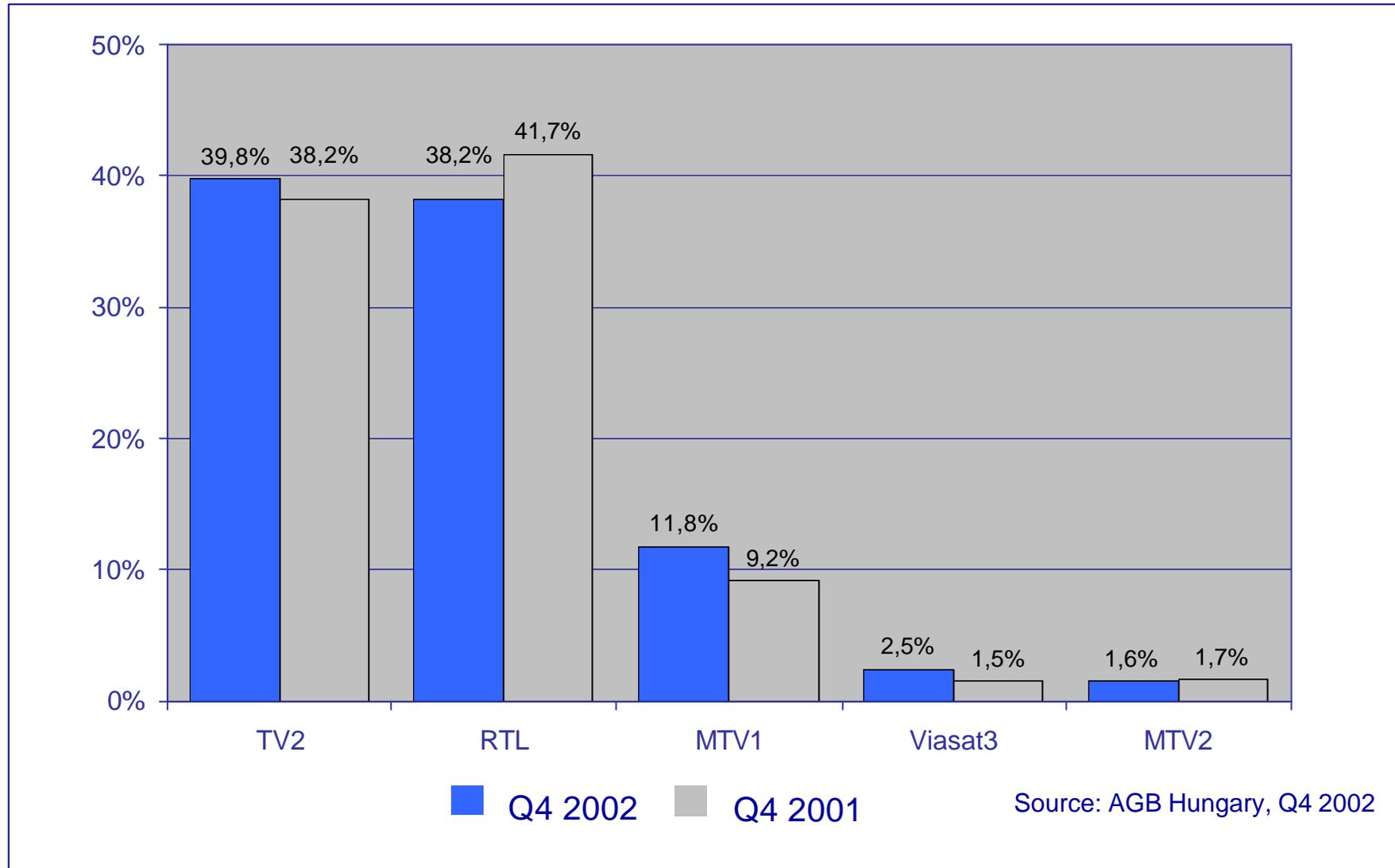
# Viasat Broadcasting

## Free-to-air TV – Eastern Europe

- Doubling of advertising sales in Hungary and whole of Eastern Europe in 2002
- TV3 Baltics profitable for full year for first time
- StoryFirst (CTC) estimated to reach US\$ 14 million in EBITDA for 2002
- Share of viewing in CTC up to over 9% in TV advertising market up 76% year on year to US\$ 900 million
- Decision on DTV license due in first quarter

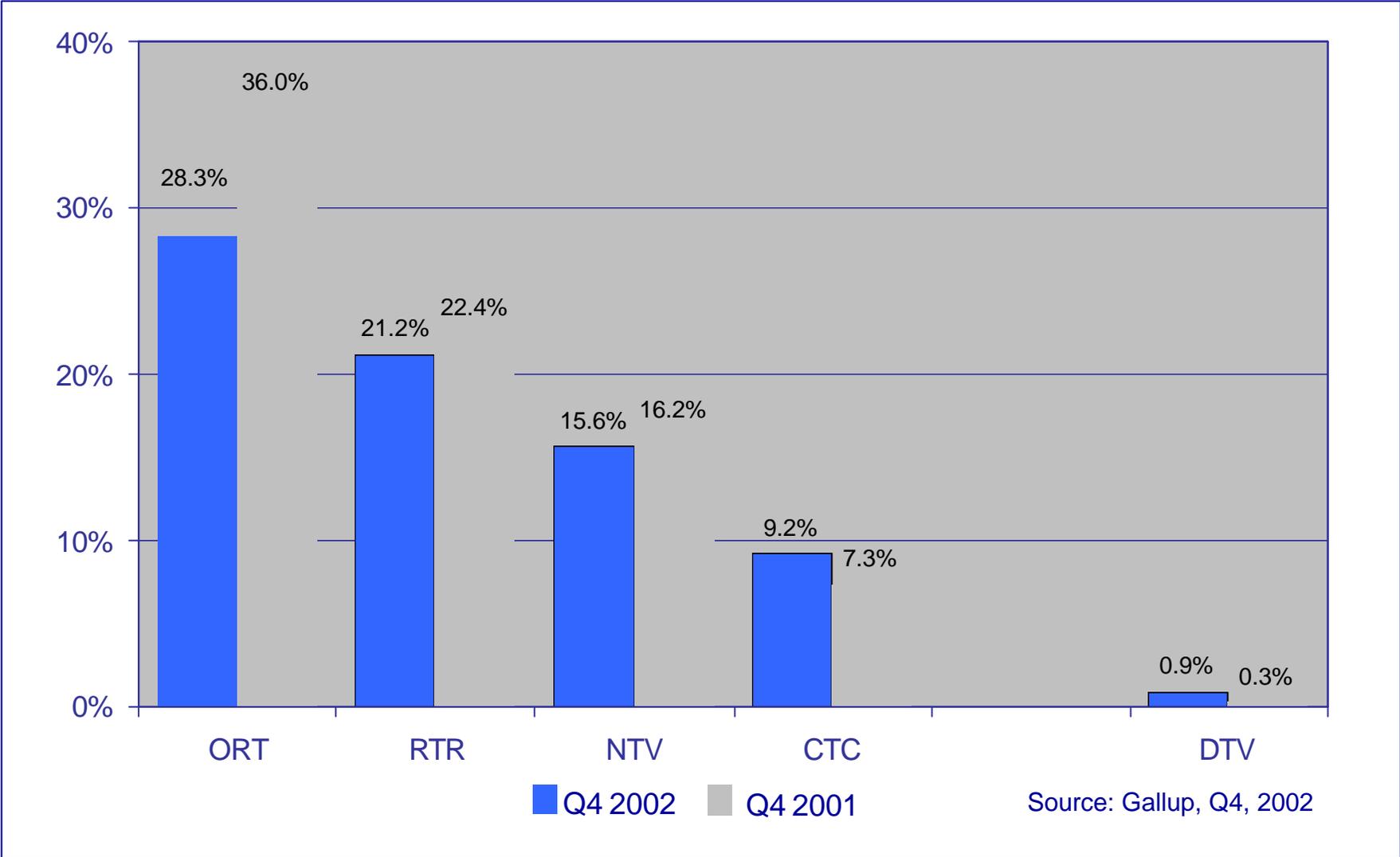
# Free-to-Air TV Broadcasting – Hungary

Commercial Share of Viewing in National Universe (18-49)



# Free-to-Air TV Broadcasting – Russia

Commercial Share of Viewing in National Universe (18-49)



# Viasat Broadcasting - Scandinavia

## Pay-TV

SEK million	Q4 2002	Q4 2001	FY 2002	FY 2001
Net Sales	549	690	2,166	2,227
Operating income	117	69	352	164

- Increase in number of digital DTH subscribers to 617,000
- TV1000 delivers over SEK 100 million in operating income in 2002
- More than doubling of operating income for pay-TV
- New conditional access supplier, NDS, to enable reduction in piracy and churn
- Price increase on Gold Package and inclusion of The Disney Channel
- Drive penetration through introduction of low cost 'zapper' set-top boxes, multichannel subscriptions and digital functionality

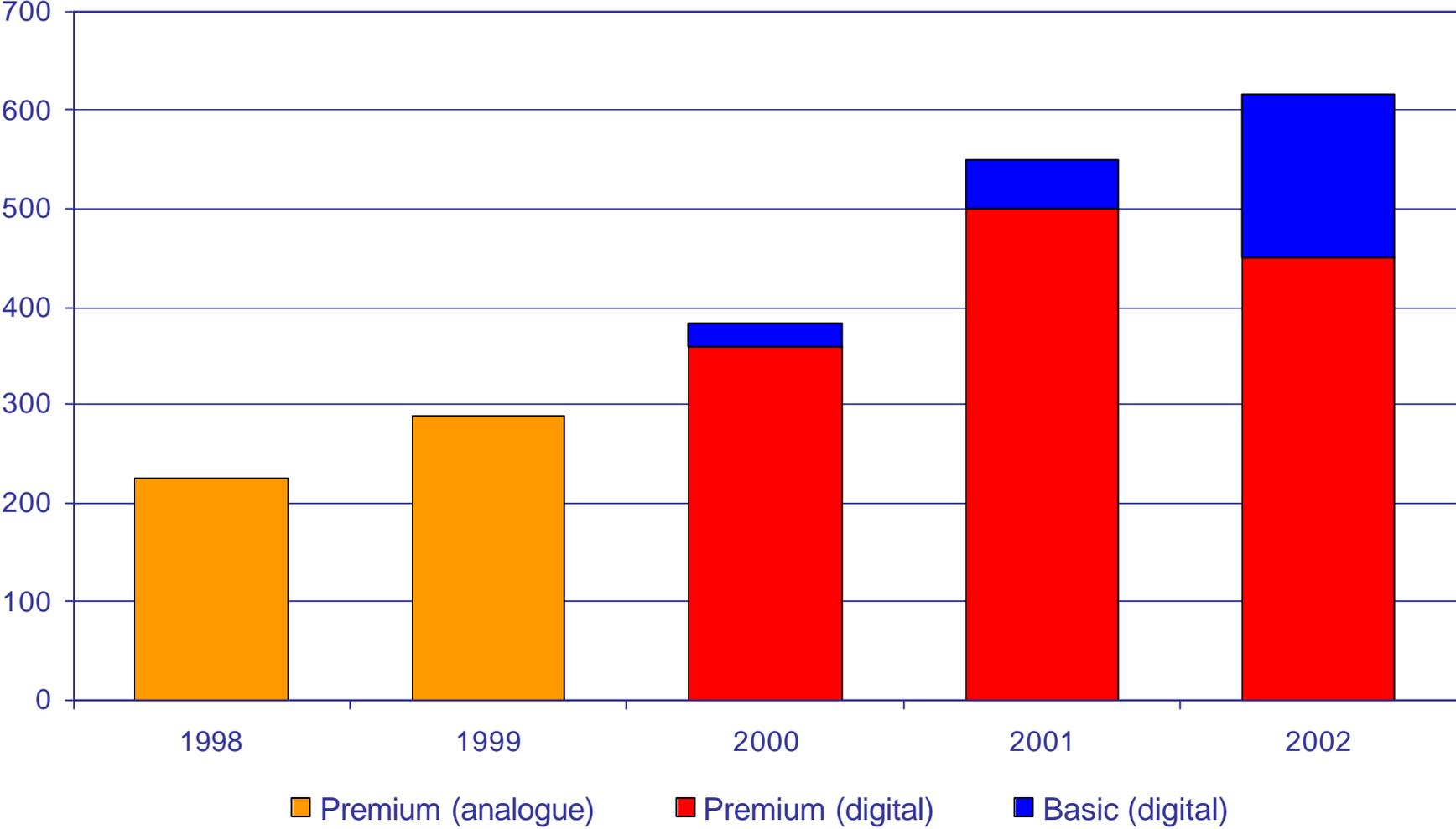
# Viasat Broadcasting – Scandinavia

## Subscriber development

Subscribers (000's)	31 Dec 2002	30 Sept 2002
Digital premium	451	453
-Gold package	425	426
-Silver package	26	27
Digital basic	166	136
Total digital	617	589
<b>Total cardholders</b>	<b>994</b>	<b>1,017</b>
TV 1000	499	484

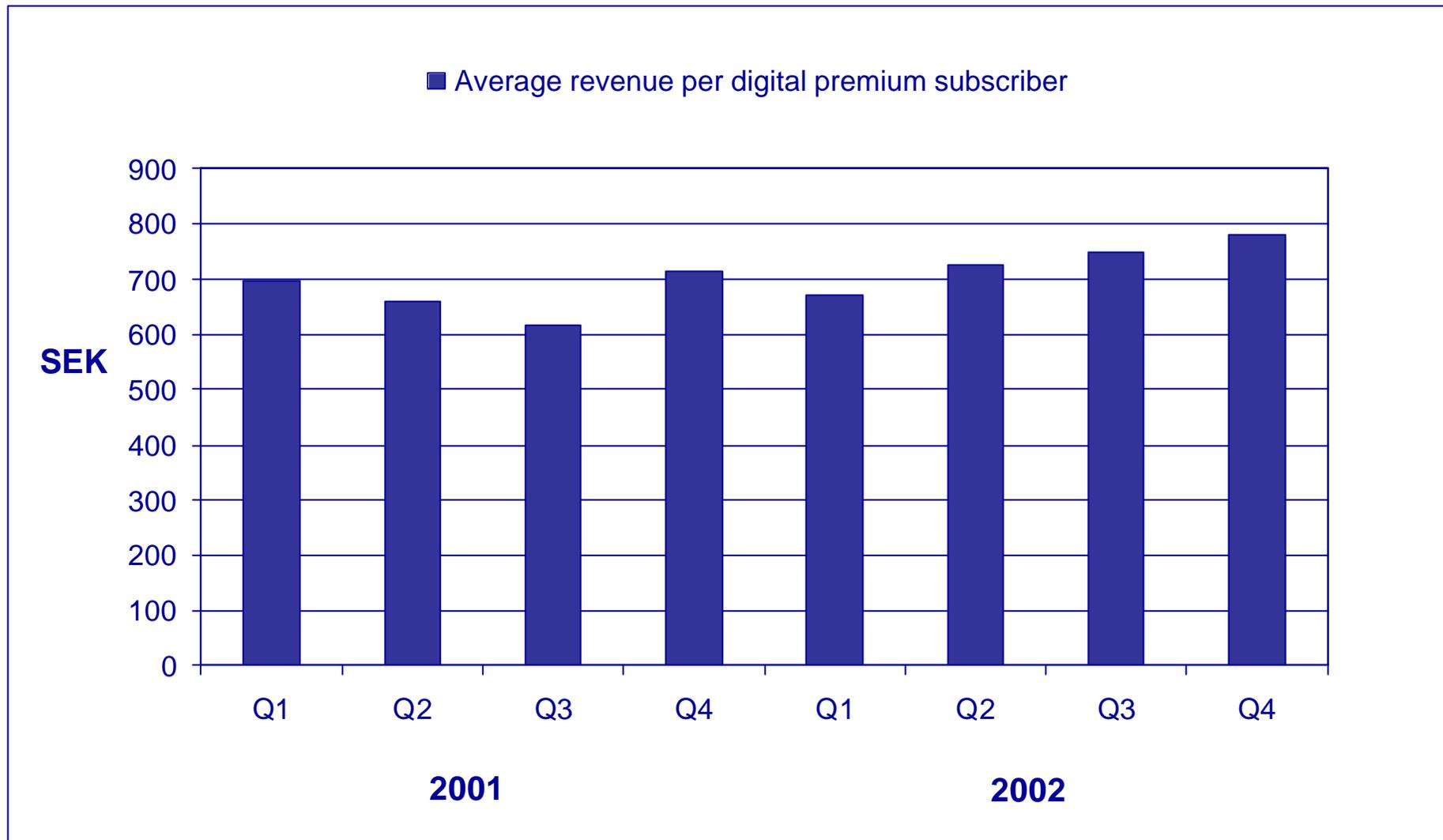
# Pay-TV Broadcasting - Scandinavia

## Subscriber Development



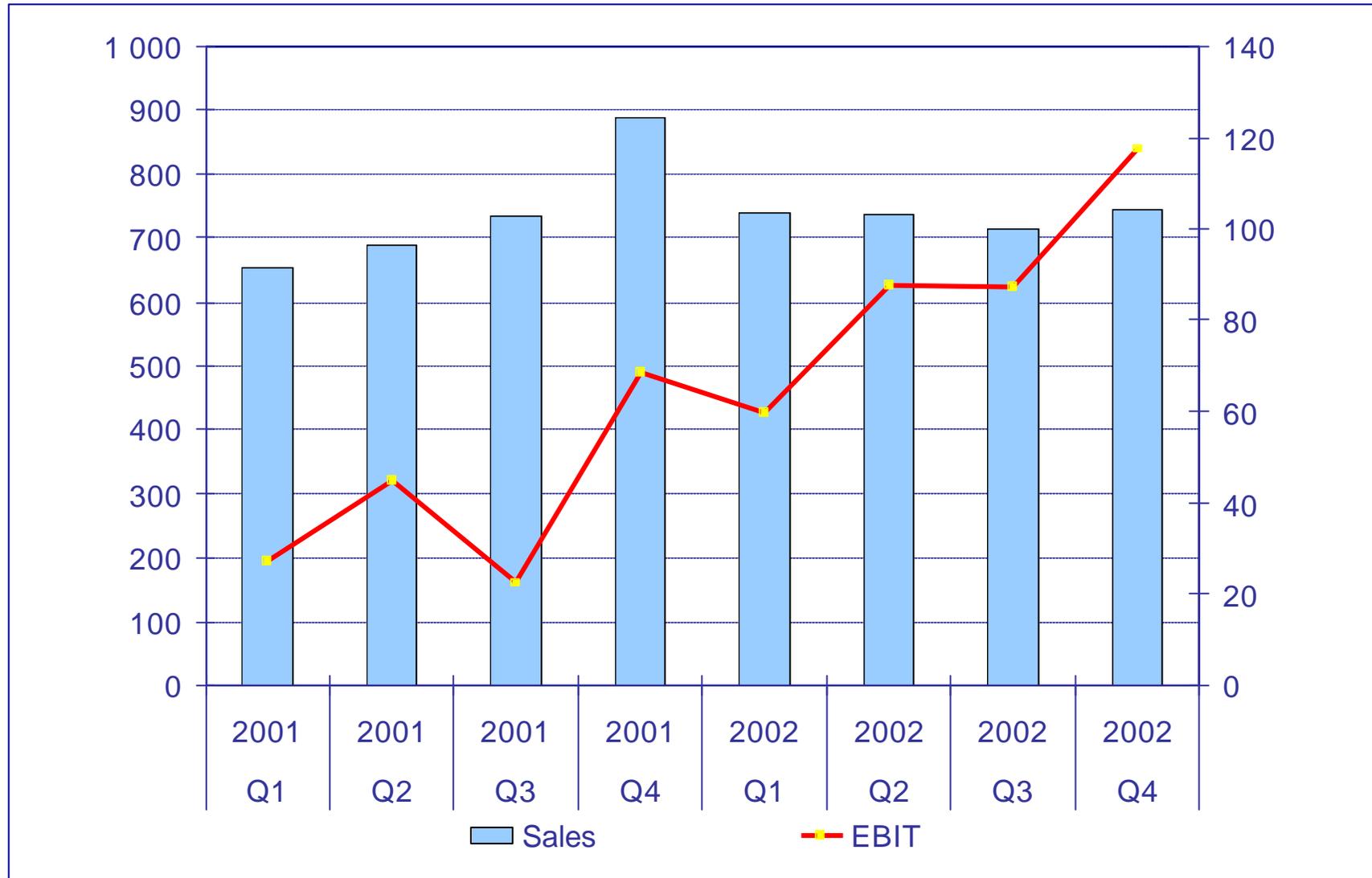
# Pay-TV Broadcasting - Scandinavia

## Average Revenue Per Subscriber (ARPU)



# Pay-TV Broadcasting - Scandinavia

## Revenue & EBIT Development



# New Media

SEK million	Q4 2002	Q4 2001	FY 2002	FY 2001
Net Sales	24	36	104	107
EBIT from established operations	11	2	42	11
EBIT from new investments	0	-8	-5	-24
Participation in Everyday.com	-2	-12	-15	-57
Total EBIT	9	-18	22	-70

- Business area profitable on quarterly and annual basis
- Everytext margin reaches 47% in fourth quarter
- Everytext now provide teletext services to 14 TV channels in Spain and Viasat channels in Scandinavia
- New businesses wound down
- Everyday.com losses reduced substantially

# Radio

SEK million	Q4 2002	Q4 2001	FY 2002	FY 2001
Net Sales	45	30	157	124
EBIT from operations	-2	-3	-19	-10
EBIT from participation in P4	7	3	-12	23
Total EBIT	5	0	-31	13

- 48% increase in Net Sales in Sweden in fourth quarter including Lugna Favoriter
- RIX FM sales up 27% in fourth quarter
- Swedish radio operations achieve combined market share of 35% and 1.2 million daily listeners
- Established No.1 and No.2 stations in Stockholm and No.1 station in Gothenburg
- RIX FM extends position as leading Swedish national network with 779,000 daily listeners, driven by 'RIX Morron Zoo' - Sweden's most popular radio show
- Estonian operations consolidated in 2002 and Baltic operations profitable in fourth quarter
- P4 Radio licence runs until 1 January 2004 – MTG supporting P4's appeal of Norwegian Government's decision not to renew 10 year broadcasting licence and application for new P5 licence

# Publishing

SEK million	Q4 2002	Q4 2001	FY 2002	FY 2001
Net Sales	38	49	134	177
EBIT from Finans Vision	-31	-19	-89	-52
EBIT from other operations	2	-3	-5	-10
Eliminations	-2	-2	-8	-7
Total EBIT	-31	-24	-102	-69

- Closure of Finans Vision daily business newspaper – annual losses of SEK 89 million
- Closure of monthly business magazines ‘Kapital’ and ‘Moderna Tider’
- Provision for closure in fourth quarter including goodwill write-off
- Remaining companies profitable, including successful Brombergs book publishing house

# Modern Studios

SEK million	Q4 2002	Q4 2001	FY 2002	FY 2001
Net Sales	183	161	602	627
EBIT from established operations	26	32	72	104
EBIT from new investments	1	-5	1	-6
Eliminations	-5	-3	-15	-19
Total EBIT	22	24	58	79

- Quarterly sales up 13% for division with STRIX up 12% and Sonet up 33%
- STRIX ratings successes in Scandinavia with Fame Factory, Expedition Robinson, and The Farm; Harem format achieves 29% share of viewing on M6 France
- STRIX produced or co-produced 17 different formats in 10 countries during quarter; 80 options or licenses now sold to STRIX formats in 40 countries around the world
- Largest ever STRIX production - Camp Molloy reality TV format - sold to TV3 in Norway and TV4 in Sweden for 2003
- Sonet achieves 60% share of Swedish movie theatre box office ticket sales in 2002

# TV Shop

SEK million	Q4 2002	Q4 2001	FY 2002	FY 2001
Net Sales	189	191	671	755
EBIT from TV Shop	-3	-2	-5	-39
EBIT from Internet retailing	6	0	10	-6
EBIT from Other companies	-1	-1	7	12
Total EBIT	2	-3	12	-33

- Business area profitable for fourth quarter and full year
- Turnaround in TV Shop from SEK 39 million operating loss in 2001 to SEK 5 million operating loss in 2002
- 69% increase in CDON sales in fourth quarter – CDs, DVDs and electronic games - operating margin improved to 9% in the quarter

# Subtitling and Dubbing International

SEK million	Q4 2002	Q4 2001	FY 2002	FY 2001
Net Sales	93	109	379	397
EBIT	14	15	54	42

- 29% increase in operating profit for full year
- Operating margin increased to 14% (10%) for full year
- DVD subtitling for Hollywood blockbusters in 32 languages – ‘Spiderman’, ‘Minority Report’ and ‘Men in Black II’
- Increase in DVD subtitling as proportion of sales to 48% (45%)
- Provided subtitling technology systems to Astro – largest pay-TV operator in Malaysia
- Launched broadcasting services to National Geographic and Star Networks movie channel in 23 countries in Middle East and North Africa

# Cash flow

(SEK million)	Q4 2002	Q4 2001	FY 2002	FY 2001
Cash flow from operations	39	147	252	342
Changes in Working Capital	182	-14	93	-420
<b>Net cash flow from operations</b>	<b>221</b>	<b>133</b>	<b>345</b>	<b>-78</b>
Investments in shares in subsidiaries and associates	4	-85	-277	-161
Proceeds from sale of shares in associates	-	-	204	-
Other investments in shares and securities	-	-	-204	-
Investments in fixed assets	-29	-30	-98	-106
Other cash flow from investing activities	2	1	35	49
<b>Cash flow to investing activities</b>	<b>-23</b>	<b>-114</b>	<b>-340</b>	<b>-218</b>
Cash flow from/to financing activities	-205	52	40	259
<b>Net change in cash and cash equivalents for the period</b>	<b>-7</b>	<b>71</b>	<b>45</b>	<b>-37</b>

- SEK 93 million positive change in working capital following SEK 341million reduction in inventory during year
- Generation of SEK 345 (-78) million in operating free cash flow in 2002
- Scheduled loan repayments met of SEK 350 million in 2002 and SEK 750 million to date

# Balance Sheet

(SEK million)	31 Dec 2002	31 Dec 2001
Liquid assets	3,115	3,832
Fixed assets	3,067	3,109
<b>Total assets</b>	<b>6,182</b>	<b>6,941</b>
Short-term liabilities	2,545	3,338
Long-term liabilities	1,736	1,650
Equity	1,901	1,953
<b>Total liabilities</b>	<b>6,182</b>	<b>6,941</b>

- Equity:assets ratio of 49% (44%) (including convertible debentures)
- SEK 576 million in liquid funds including undrawn credit facilities
- SEK 172 million surplus value of marketable assets

# Outlook

- New successful programming schedule increases share of viewing in Free-to-air TV businesses
- Short term visibility in Scandinavian advertising markets but signs of stability
- Focus on core broadcasting assets and driving channel and subscriber penetration
- Well positioned in high growth Eastern European markets – Russia growing at 50% per annum
- New conditional access system to enable return to net subscriber acquisition and maintain incremental profitability model
- Content businesses deliver consistently high ratings with significant pipeline
- Cash generative group with high incremental margins