



**MTG**  
MODERN TIMES GROUP

# **Modern Times Group MTG AB**

**Financial Results for the second quarter  
and first six months ended 30 June**

**6 August 2003**

# MTG – Entertaining People

- Largest commercial TV and radio broadcaster in Nordic and Baltic region
- Viasat TV channels reach 45 million people each day in 12 countries
- One of Europe's most profitable pay-TV operators
- Largest shareholder in #2 commercial TV network in Russia
- Leading international reality TV production house
- Global market leader in DVD subtitling

# Operating Highlights

## 2<sup>nd</sup> Quarter ended 30 June 2003

- All Free-TV-channels increased commercial share of viewing in each country
- Increased TV and Radio advertising market shares in Scandinavia
- TV3 Sweden reached new viewing record with 2.5 million viewers in the Ice Hockey World Championships
- DTV is fastest growing channel in Russia in terms of share of viewing
- New Basic pay-TV-package launched with aggressive campaigns
- Piracy remains a problem with high premium subscriber churn. NDS Videoguard implementation proceeding.
- TV1000 Eastern Europe acquires 104,000 new subscribers in the quarter bringing total up to 584,000 subscribers

# Financial Highlights

2<sup>nd</sup> Quarter ended 30 June 2003

- Highest operating profit in a second quarter ever despite tough markets - Group EBIT SEK 159 (41) million and EBIT margin 10%
- Pre tax profit almost doubled to SEK 104 (53) million
- Net sales up 8% to SEK 1,631 (1,506) million, increased shares of Nordic radio and TV advertising markets
- TV3 Scandinavia net sales up 14% to SEK 561 (492) million
- Growth in Viasat3 Hungary of 200% and DTV of 64% and turnaround expected during 2004
- Pay-TV operating income up 44% to SEK 127 (88) million
- Radio Sweden net sales up 15% to SEK 47 million (41), and profitable in the quarter

# Profit & Loss

(SEK million)	Q2 2003	Q2 2002	H1 2003	H1 2002
<b>Net Sales</b>	<b>1,631</b>	<b>1,506</b>	<b>3,144</b>	<b>2,922</b>
<b>EBITDA</b>	<b>217</b>	<b>99</b>	<b>359</b>	<b>182</b>
<b>Operating income (EBIT)</b>	<b>159</b>	<b>41</b>	<b>239</b>	<b>61</b>
Non-recurring items	-	163	-	163
Financial net	-56	-151	-103	-110
<b>Pre-Tax profit</b>	<b>104</b>	<b>53</b>	<b>135</b>	<b>114</b>
Taxes	-46	-40	-58	-72
Minorities	3	2	5	5
<b>Net Income</b>	<b>61</b>	<b>15</b>	<b>82</b>	<b>47</b>
Basic number of shares outstanding	66,375,146	66,375,146	66,375,146	66,375,146
Basic earnings per share	0.92	0.22	1.24	0.71

- Net sales up 8% in the quarter
- EBIT in Q2, excluding sale of shares in TV4 in 2002, up 288% to SEK 159 million
- EBIT margin in Q2 10%

# Viasat Broadcasting

## Operating Results

SEK million	Q2 2003	Q2 2002	% chg	H1 2003	H1 2002	% chg
<b>Net Sales</b>						
Pay-TV operations	553	557	-1%	1,110	1,095	1%
Free-TV operations	770	692	11%	1,382	1,241	11%
Text-TV operations	20	29	-32%	42	55	-24%
Other and eliminations	-109	-114		-207	-197	
<b>Total net sales</b>	<b>1,234</b>	<b>1,163</b>	<b>6%</b>	<b>2,326</b>	<b>2,194</b>	<b>6%</b>
<b>Operating income (EBIT)</b>						
Pay-TV operations	127	88	44%	266	147	81%
Free-TV operations	44	12	267%	23	23	0%
Text-TV operations	7	9	-22%	14	19	-26%
Associated Companies	11	-1		10	-7	
<b>Total EBIT *</b>	<b>188</b>	<b>109</b>	<b>72%</b>	<b>313</b>	<b>183</b>	<b>55%</b>
<b>EBIT Margin</b>	<b>15.2%</b>	<b>9.4%</b>		<b>13.5%</b>	<b>8.3%</b>	
* Excluding capital gain of SEK 163 million from sale of TV4 shares in Q2 2002						

# Free TV

## Highlights second quarter

- Increased investments in programming paid off with increase in commercial share of viewing and advertising market share gains in all countries
- TV3 Scandinavia sales up 14% to SEK 561 (492) million, growth in all countries with incremental margin of 41%
- TV3 Baltics sales grew 18% to SEK 72 (61) million with incremental margin of 87%
- Russian TV-channels continue to outperform with strong profitability at CTC (share of earnings SEK 11 million) and 64% increase in sales at DTV
- Hungary triples sales to SEK 10 (3) million. Sales for first six months 34% higher than sales for full year 2002

# Pay TV

## Highlights second quarter

- Pay TV EBIT up 44% to SEK 127 (88) million due to maturing subscriber base and dollar effect
- Pay TV revenues stable at SEK 553 (557) million despite continued piracy
- Quarterly Premium ARPU up 8% year on year to SEK 759
- NDS implementation ongoing - launch expected in October in combination with new campaigns
- TV1000 Eastern Europe subscriber numbers up 22% from Q1 to 584,000
- 2.7 million Nordic cable households subscribe to MTG pay TV channels

# Viasat Broadcasting – Scandinavia

## Subscriber development

Subscribers (000's)	30 Jun 2003	31 March 2003
<b>Cardholders</b>	<b>929</b>	<b>955</b>
-of which Digital subscribers	587	603
<b>Viasat premium subscribers (digital)</b>	<b>424</b>	<b>442</b>
<b>Viasat basic digital subscribers</b>	<b>164</b>	<b>161</b>
TV1000	460	492
TV1000 Eastern Europe	584	480

# Radio

<b>SEK million</b>	<b>Q2 2003</b>	<b>Q2 2002</b>	<b>H1 2003</b>	<b>H1 2002</b>
Net Sales	50	44	85	76
EBIT from operations	0	-4	-10	-10
EBIT from associates	5	-12	-5	-18
Others and eliminations	-1	-1	-1	-1
Total EBIT	5	-17	-16	-29

- Swedish radio operations profitable in Q2 after strong sales and increased incremental margin
- Sales up 13%, despite shrinking Swedish advertising market
- Radio P4 in Norway wins new P5 national commercial radio license
- Radio operations established in Lithuania through Power Hit Radio brand

# Modern Studios

SEK million	Q2 2003	Q2 2002	H1 2003	H1 2002
Net Sales	175	145	365	287
EBIT from STRIX	14	17	25	30
EBIT from other businesses	-5	-9	-3	-9
Others and eliminations	-1	-1	-3	-1
Total EBIT	5	4	18	12

- Strong growth for Strix but lower margins due to sales mix more focused on productions
- First Asian option sales for Strix to leading Malaysian production company
- Successful second season for Fame Factory in Sweden
- Sonet movie “Kopps” sells 770,000 tickets at box office, “Miffo”, launched in Q3

# SDI Media

<b>SEK million</b>	<b>Q2 2003</b>	<b>Q2 2002</b>	<b>H1 2003</b>	<b>H1 2002</b>
Net Sales	84	102	171	191
EBIT	13	15	25	23

- Outstanding minority stake acquired of SDI Hong Kong during the quarter
- Top line sales and EBIT decline explained by unfavourable currency effects
- Continued strict cost control and EBIT margin increased to 16% in the quarter

# TV-Shop

<b>SEK million</b>	<b>Q2 2003</b>	<b>Q2 2002</b>	<b>H1 2003</b>	<b>H1 2002</b>
Net Sales	166	153	367	324
Total EBIT	2	4	9	12

- Core homeshopping business in TV-shop stable, although quarter impacted by weak wholesale performance
- CDON delivers third consecutive quarter of year on year doubling of sales with strong profitability. DVD-sales nearly tripled during the quarter.
- CDON continues to balance expansion into new territories and product categories with strong margins

# Cash flow

(SEK million)	Q2 2003	Q2 2002	H1 2003	H1 2002
Cash flow from operations	75	177	201	265
Changes in Working Capital	141	-167	45	-253
<b>Net cash flow from operations</b>	<b>217</b>	<b>10</b>	<b>246</b>	<b>12</b>
Proceeds from sale of shares and securities	1	204	1	204
Investments in shares in subsidiaries and associates	-11	-220	-11	-281
Other investments in shares	-	-204	-	-204
Investments in other fixed assets	-23	-17	-52	-44
Other cash flow from investing activities	5	33	5	33
<b>Cash flow to investing activities</b>	<b>-28</b>	<b>-204</b>	<b>-57</b>	<b>-292</b>
Cash flow from/to financing activities	-199	33	-166	32
<b>Net change in cash and cash equivalents for the period</b>	<b>-10</b>	<b>-161</b>	<b>23</b>	<b>52</b>

- Strong improvement in Working Capital, Inventory down by SEK 171 million
- Capex maintained tight

# Balance Sheet

(SEK million)	30 June 2003	30 June 2002	31 Dec 2002
Non-current assets	2,893	3,235	3,067
Current assets	2,890	3,634	3,115
<b>Total assets</b>	<b>5,783</b>	<b>6,869</b>	<b>6,182</b>
Shareholders' equity	1,967	2,082	1,885
Minority equity interests	-5	4	16
Provisions	127	134	171
Long-term liabilities	1,127	1,811	1,565
Current liabilities	2,567	2,838	2,545
<b>Total equity and liabilities</b>	<b>5,783</b>	<b>6,869</b>	<b>6,182</b>

- Equity to asset ratio 53% at 30 June
- Holdings in Metro, TV4 and Radio P4 have a combined book value of SEK 587 million and a market value of SEK 917 million at 30 June 2003

# Value in listed companies

<b>SEK million, August 5 2003</b>	<b>Value</b>	<b>Value per share</b>
Metro International S.A.	1,038	15.6
TV4 AB	544	8.2
P4 Radio Hele Norge ASA	67	1.0
<b>Total Market Value</b>	<b>1,638</b>	<b>24.8</b>
<i>Convertible loan</i>	-1,100	
<i>Syndicated loan</i>	-450	
<i>Cash</i>	323	
<i>Other interest bearing long-term items</i>	62	
<b>Net debt</b>	<b>-1,165</b>	<b>-17.6</b>
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<b>Net value</b>	<b>473</b>	<b>7.2</b>

Based on closing prices 5 August 2003. Net debt is from June 30 2003

# Outlook

- Ad markets continue to be tough but signs of stability - visibility remains low
- Investments in programming to continue with a strong Fall schedule to increase commercial share of viewing and ad market shares
- Churn in Pay TV remains high due to piracy. New encryption technology launched during the Fall
- Low price set-top-boxes in the market from October
- New basic package and campaigns launched
- Continued strong performance in Eastern Europe with improving results in Darial TV and Viasat3 Hungary

# Appendix

1. Free TV financial highlights
2. Pay TV financial highlights
3. Free TV commercial share of viewing

# Viasat Broadcasting

## Free-to-air TV

SEK million	Q2 2003	Q2 2002	% chg	H1 2003	H1 2002	% chg
<b>Net Sales</b>						
TV3 Scandinavia	561	492	14%	1,003	915	10%
Other Scandinavian channels	99	92	8%	188	171	10%
TV3 Baltics	72	61	18%	128	104	23%
Viasat3 Hungary	10	3	233%	16	5	220%
DTV Russia	8	5	60%	15	6	150%
Other and elimination	19	38		34	41	
<b>TOTAL</b>	<b>770</b>	<b>692</b>	<b>11%</b>	<b>1,382</b>	<b>1,241</b>	<b>11%</b>
<b>Operating income (EBIT)</b>						
			<b>Margin 2003</b>			<b>Margin 2003</b>
TV3 Scandinavia	44	16	8%	50	62	5%
Other Scandinavian channels	-1	11		-7	8	
TV3 Baltics	21	11	29%	26	12	20%
Viasat3 Hungary	-7	-11		-16	-28	
DTV	-7	-9		-16	-19	
Other and eliminations	-7	-7		-14	-13	
<b>TOTAL</b>	<b>44</b>	<b>12</b>	<b>6%</b>	<b>23</b>	<b>23</b>	<b>2%</b>

# Viasat Broadcasting Pay-TV

SEK million	Q2 2003	Q2 2002	% chg	H1 2003	H1 2002	% chg
<b>Net Sales</b>						
Viasat	527	515	2%	1,052	1,030	2%
TV1000	179	191	-6%	366	382	-4%
Other Scandinavian channels	32	33	-2%	66	67	-1%
Eliminations	-186	-181		-374	-383	
<b>TOTAL</b>	<b>553</b>	<b>557</b>	<b>-1%</b>	<b>1,110</b>	<b>1,095</b>	<b>1%</b>
<b>Operating Income (EBIT)</b>						
			<b>Margin 2003</b>			<b>Margin 2003</b>
Viasat	58	56	11%	136	107	13%
TV1000	67	25	37%	124	30	34%
Other Scandinavian channels	2	7	6%	6	11	9%
<b>TOTAL</b>	<b>127</b>	<b>88</b>	<b>23%</b>	<b>266</b>	<b>147</b>	<b>24%</b>

# Free-TV

## Commercial Share of Viewing

