

November 14, 2003

Sector: Broadcasting & Cable TV
Market: SWEDENReiterated
BUY

Modern Times Group

Presentation at SHB's Media seminar 2003

Investment conclusion

We reiterate our BUY rating for MTG after the presentation by the company's CEO, Hans Holger Albrecht, at our seminar.

Detail

The main news in MTG is that TV3 is likely to increase its reach next year by approximately 5% in Sweden through digital terrestrial television (DTT), meaning that our estimate for growth next year should start at 6% given the increase in franchise fees in Denmark. This is under the assumption that

TV advertising grows 0%, which is unlikely, in our opinion.

If the market grows, TV3 is likely to grow faster due to gains in ratings this year. Mr Albrecht would not be specific on the up-front deals for next year that were signed already, other than that they were definitely not down.

Neither, MTG, TV4 or SBS would give any predictions other than that MTG and SBS said that their trends from Q3 were continuing.

According to MMS, TV3's rating gain continued in October at the expense of both TV4 and Kanal5.

Price: SEK 150.5
Market cap: EUR 1,112m
<http://www.mtg.se>

Free float: 65.0%

Bloomberg: MTGNY US Equity
Reuters: MTGb.ST

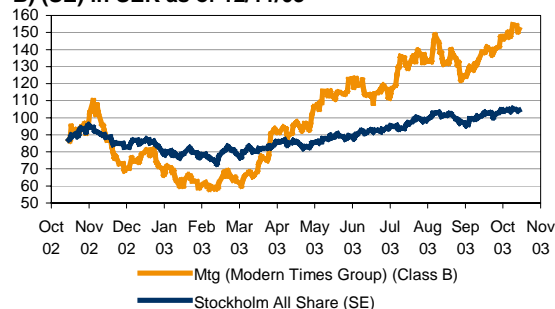
Long-term Credit Rating:

S&P	Moody's	Fitch
BB+	n/a	n/a

Key ratios

	2000	2001	2002	2003e	2004e	2005e
Sales	5,379	6,384	6,023	6,438	6,929	7,476
EBITDA	820	596	554	836	1,005	1,177
EBITDA margin	15.2%	9.3%	9.2%	13.0%	14.5%	15.7%
EBIT	450	360	267	571	764	947
EBIT margin	8.4%	5.6%	4.4%	8.9%	11.0%	12.7%
Pre tax profit	403	250	28	460	694	887
EPS	3.12	1.82	-1.01	3.84	6.80	8.21
Growth	43.5%	-41.9%	n.m.	n.m.	77.0%	20.7%
EPS before goodwill	4.51	3.45	1.32	5.64	8.47	9.88
Growth	29.9%	-23.4%	-61.7%	n.m.	50.3%	16.6%
P/E	79.0	126.7	n.m.	39.2	22.1	18.3
P/E before goodwill	54.8	66.6	54.9	26.7	17.8	15.2
EV/Sales	3.1	2.5	0.9	1.4	1.3	1.1
EV/EBIT	37.4	44.8	20.9	16.3	11.8	8.9
PEG	3.2	2.3	0.9	1.3	1.3	1.2
P/BV	6.68	7.84	2.55	4.68	3.97	3.34
Dividend	0.00	0.00	0.00	0.00	1.00	1.10
Yield	0.0%	0.0%	0.0%	0.0%	0.7%	0.7%
Return on equity	11.4%	5.5%	-3.5%	12.7%	19.4%	19.8%
Net debt to equity	20.9%	45.5%	42.7%	31.7%	13.7%	-7.8%
Interest cover ratio	6.9	2.6	1.2	17.1	8.1	10.1

Price for Mtg (Modern Times Group) (Class B) (SE) in SEK as of 12/11/03



Analyst

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For disclosure information, please refer to the end of this report

Company data, Modern Times Group

November 14, 2003

Annual data

	2000	2001	2002	2003e	2004e	2005e
Sales	5,379	6,384	6,023	6,438	6,929	7,476
Sales growth	24.0%	18.7%	-5.6%	6.9%	7.6%	7.9%
EBITDA margin	15.2%	9.3%	9.2%	13.0%	14.5%	15.7%
EBITDA growth	50.5%	-27.4%	-7.1%	51.1%	20.2%	17.1%
EBIT margin	8.4%	5.6%	4.4%	8.9%	11.0%	12.7%
EBIT growth	57.5%	-20.0%	-25.9%	114.3%	33.7%	24.0%
Pre-tax growth	100.9%	-38.1%	-88.7%	n.m.	51.0%	27.7%
EPS	3.12	1.82	-1.01	3.84	6.80	8.21
Growth	43.5%	-41.9%	n.m.	n.m.	77.0%	20.7%
EPS bef. Goodwill	4.51	3.45	1.32	5.64	8.47	9.88
Growth	29.9%	-23.4%	-61.7%	n.m.	50.3%	16.6%
P/E	79.0	126.7	n.m.	39.2	22.1	18.3
P/E before goodwill	54.8	66.6	54.9	26.7	17.8	15.2
Dividend	0.00	0.00	0.00	0.00	1.00	1.10
Yield	0.0%	0.0%	0.0%	0.0%	0.7%	0.7%

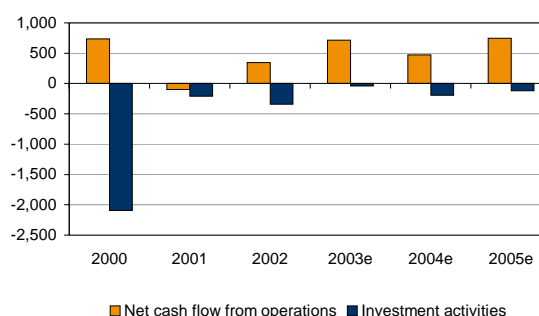
Ownership structure

2002-06-30	% of votes	% of capital
Invik	30	9.3
Kinnevik	17.8	7.5
SEB fonder	2	6.4
Emesco	16.1	5
4th AP fund	1.5	4.5
AMF	1.2	3.6
Number of A-shares		15,545,621
Number of B-shares		50,829,535
Total		66,375,156
Freefloat		65.0%

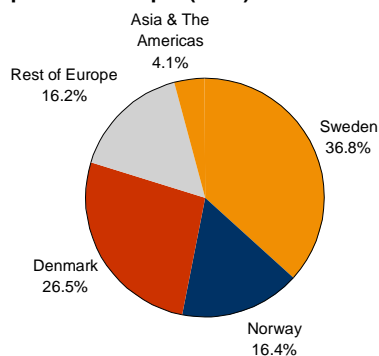
Quarterly data

	Q2-03	Q3-03	Q4-03e	Q1-04e	Q2-04e	Q3-04e
Sales	1,631	1,436	1,858	1,591	1,743	1,540
Growth y-o-y	8.3%	4.7%	7.4%	5.1%	6.9%	7.2%
EBITDA	217	104	373	174	269	121
Growth y-o-y	-17.1%	n.m.	n.m.	22.2%	24.2%	16.3%
EBITDA margin	13.3%	7.2%	20.1%	10.9%	15.4%	7.8%
EBIT	159	54	279	119	208	59
Growth y-o-y	-22.3%	n.m.	329.0%	48.3%	30.7%	10.4%
EBIT margin	9.7%	3.7%	15.0%	7.5%	11.9%	3.8%
Pre tax profit	103	75	250	97	201	38
Growth y-o-y	91.8%	n.m.	n.m.	202.0%	95.4%	-48.7%

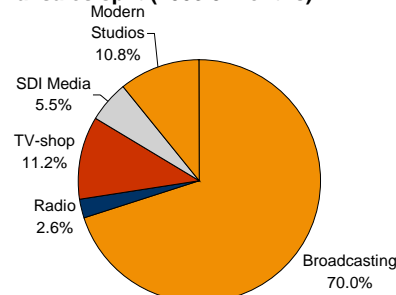
Investment and cash flow



Geographical sales split (2002)



Divisional sales split (2003 9 months)



Company description

MTG is a TV broadcaster. The core of its business is in Scandinavia, but with significant growth coming from the Baltic states, Russia and Hungary. Roughly half the sales in the Broadcasting division are pay-TV-related, with the rest stemming from advertising.

CEO: Hans Holger Albrecht

IR: Matthew Hooper

CFO: Mia Brunell

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Event Calendar

Date	Event
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Annual key ratios, Modern Times Group

November 14, 2003

End of Period	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31
	1999	2000	2001	2002	2003e	2004e	2005e	2006e
Income statement								
Sales	4,337	5,379	6,384	6,023	6,438	6,929	7,476	8,031
Earnings before depreciation and amortisation	545	820	596	554	836	1,005	1,177	1,369
whereof Depreciation Machinery & Equipment	-66	-83	-77	-76	-111	-130	-119	-115
Total Depreciation	-66	-83	-77	-76	-111	-130	-119	-115
whereof Total Depreciation	-66	-83	-77	-76	-111	-130	-119	-115
Amortisation of goodwill	-77	-90	-109	-114	-119	-111	-110	-113
Operating income	285	450	360	267	571	764	947	1,141
Interest income	32	38	51	59	0	13	22	31
Interest expense	-90	-68	-152	-127	-29	-97	-97	-97
Net financials	-58	-30	-101	-69	-124	-70	-61	-40
Income after net financial items	201	403	250	28	460	694	887	1,102
Reported tax	-84	-202	-132	-92	-210	-238	-336	-400
Minority interests	13	1	3	-3	6	-5	-6	-7
Net income	130	202	121	-67	255	452	545	694
Balance sheet								
Goodwill	466	1,045	1,033	950	847	736	626	513
Machinery and equipment	270	313	254	213	163	226	226	239
Shares and associated companies	272	303	406	527	1,073	1,073	1,073	1,073
Total fixed assets	1,749	3,007	2,413	2,417	2,731	2,622	2,499	2,387
Inventory	747	1,201	1,725	1,384	1,159	1,247	1,346	1,446
Accounts receivables	1,543	1,556	1,851	1,430	1,140	1,226	1,323	1,422
Cash, short-term investment & fin receivables	378	888	952	951	818	1,152	1,733	2,445
Total current assets	2,668	3,645	4,528	3,765	3,117	3,626	4,402	5,312
Total assets	4,417	6,652	6,941	6,182	5,847	6,248	6,901	7,699
Equity	1,088	2,454	1,948	1,885	2,133	2,518	2,990	3,604
Minority	9	7	5	16	10	15	20	27
Interest bearing debt	1,213	1,402	1,841	1,762	1,498	1,498	1,498	1,498
Oth Non-interest bearing current liabilities	1	44	27	30	32	35	37	40
Total liabilities and equity	4,417	6,652	6,941	6,182	5,847	6,248	6,901	7,699
Capital employed	2,310	3,863	3,794	3,663	3,641	4,031	4,508	5,129
Working capital	183	-32	429	295	92	257	277	297
Cash flow								
Change in working capital, incr(-)/decr(+)	-17	228	-419	93	203	-164	-20	-21
Cash flow from operations	53	983	144	676	1,037	841	1,157	1,349
Net cash flow from operations	-116	734	-98	345	715	473	747	896
Capex	-630	-1,027	-49	-63	-71	-193	-120	-129
Divestments	0	0	0	0	30	0	0	0
Free Cash Flow to Firm	-824	-1,357	-307	5	674	281	628	768
Change in interest bearing debt	340	-174	269	40	-264	0	0	0
Paid dividend	0	0	0	0	0	-66	-73	-80
Change in cash	-484	-1,531	-38	45	410	214	555	687
Shares								
Number of shares (end of period), millions	59.70	66.38	66.38	66.38	66.38	66.38	66.38	66.38
Number of shares (average), millions	59.71	64.71	66.38	66.38	66.38	66.38	66.38	66.38
Price per share (end of period)	420.0	247.0	230.0	72.5	150.5	150.5	150.5	150.5
Market cap, millions	25,073.0	16,394.7	15,266.3	4,812.2	9,989.5	9,989.5	9,989.5	9,989.5
Enterprise Value	25,908.0	16,796.7	16,118.3	5,582.1	9,326.7	8,993.0	8,412.2	7,699.8

Annual key ratios, Modern Times Group

November 14, 2003

Valuation - multiples	1999	2000	2001	2002	2003e	2004e	2005e	2006e
P/E trailing	192.83	79.04	126.69	n.m	39.16	22.12	18.32	14.39
P/E	192.83	79.04	126.69	n.m	39.16	22.12	18.32	14.39
P/E before goodwill	121.00	54.77	66.61	54.87	26.68	17.76	15.24	12.38
P/BV	23.05	6.68	7.84	2.55	4.68	3.97	3.34	2.77
P/Sales	5.78	2.97	2.39	0.80	1.55	1.44	1.34	1.24
EV/Sales	5.97	3.12	2.52	0.93	1.45	1.30	1.13	0.96
EV/EBITDA	47.57	20.49	27.06	10.08	11.15	8.95	7.15	5.62
EV/EBIT	90.76	37.37	44.81	20.93	16.32	11.77	8.88	6.75
EV/(Operating cash flow per share)	492.55	17.10	112.09	8.26	8.99	10.69	7.27	5.71
Per Share								
EPS	2.18	3.12	1.82	-1.01	3.84	6.80	8.21	10.46
EBITDA per share	9.12	12.67	8.97	8.34	12.60	15.14	17.73	20.63
EBITDA growth	32.9%	38.9%	-29.2%	-7.1%	51.1%	20.2%	17.1%	16.3%
Dividend per share	0.00	0.00	0.00	0.00	0.00	1.00	1.10	1.21
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	14.7%	13.4%	11.6%
Margins and Growth								
EBIT Operating margin	6.6%	8.4%	5.6%	4.4%	8.9%	11.0%	12.7%	14.2%
Sales growth	34.0%	24.0%	18.7%	-5.6%	6.9%	7.6%	7.9%	7.4%
Growth in EBITDA	32.9%	50.5%	-27.4%	-7.1%	51.1%	20.2%	17.1%	16.3%
Growth in operating income	30.6%	57.5%	-20.0%	-25.9%	114.3%	33.7%	24.0%	20.5%
Growth in net income	-66.4%	55.5%	-40.4%	-155.6%	n.m	77.0%	20.7%	27.3%
Profitability								
Return on shareholders' equity	12.6%	11.4%	5.5%	-3.5%	12.7%	19.4%	19.8%	21.1%
Return on capital employed	14.0%	15.3%	10.5%	4.2%	13.4%	20.6%	23.0%	24.9%
Efficiency								
Average number of employees, in thousands	1,445.00	1,451.00	1,436.49	1,422.13	1,393.82	1,325.51	1,312.26	1,299.14
Sales per employee, in thousands	3.00	3.71	4.44	4.24	4.62	5.23	5.70	6.18
Subscribers (M)	1,093,000.00	n.m.	n.m.	994,000.00	894,600.00	0.00	0.00	0.00
Subscriber growth	6.9%	-1.5%	4.4%	-11.6%	-10.0%	-100.0%	0.0%	0.0%
MC/Subscribers	0	0	0	0	0	0	0	0
Turnover ratios								
Net capital expenditure/Sales, %	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Financial information								
Net Debt / EBITDA	1.5	0.6	1.5	1.5	0.8	0.3	-0.2	-0.7
Tax percentage	30.2%	41.1%	36.8%	50.4%	36.3%	29.6%	33.7%	33.0%

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Modern Times Group

As of November 13, 2003, Handelsbanken's analyst Rasmus Engberg has a position in MTG or a related instrument.

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