



# **Modern Times Group MTG AB**

## **“Sales, Showmanship and Cost Control”**

**Financial results for the period ended 30 June 2004**

**3 August 2004**

# Overview

## Six months and second Quarter ended 30 June 2004

- Market outperformance of free-to-air channels in core Scandinavian territories
- Increased penetration for principal free-to-air TV and radio assets in Sweden
- Continued high growth and incremental profitability in Central & Eastern Europe
- Investments in programming to drive ratings and position pay-TV offering
- NDS migration on track and near completion
- Disposal of non-core assets and increased shareholdings in core broadcasting assets
- Successful balance between profitability and investments
- High return on investments

# Highlights

## Six months and second Quarter ended 30 June 2004

### HALF YEAR

- Group net sales up 6% to SEK 3,343 million
- Net income up up 72% to SEK 141 million
- Earnings per share up to SEK 2.12 (SEK 1.24)

### SECOND QUARTER

- Net sales up 9% to SEK 1,772 million
- TV3 Scandinavia net sales up 13% to SEK 636 million
- Operating income up 16% to SEK 184 million
- Net income almost doubles to SEK 119 million
- Earnings per share up to SEK 1.79 (SEK 0.92)
- 642,000 digital pay-TV subscribers at end of period

# Highlights

## Six months and second Quarter ended 30 June 2004

- Cash flow from operations increased to SEK 200 (75) million in Q2 and to SEK 305 (201) million for year to date
- Net debt to equity ratio of 28% at end of period
- SEK 2,233 million or SEK 33.6 per share value in portfolio of marketable securities at end of period
- Payment of SEK 150 million final amortisation on old credit facility in the quarter
- Available liquid resources of SEK 1,178 million

# Highlights

## Developments after end of period

- Disposal of non-core SDI businesses for US\$ 60 million
- Acquisition of additional shares in StoryFirst for US\$ 53.4 million – MTG now owns 37.9% of Russia's largest private TV broadcaster
- Cooperation with NRJ Group gives MTG Radio Sweden 88% national penetration
- Increase in shareholding in P4 Radio to 39.7% in exchange for Metro International shares

# Summary Income Statement

(SEK million)	Q2 2004	Q2 2003	H1 2004	H1 2003
<b>Net Sales</b>	<b>1,772</b>	<b>1,631</b>	<b>3,343</b>	<b>3,144</b>
<b>EBITDA</b>	<b>236</b>	<b>217</b>	<b>375</b>	<b>359</b>
<b>Operating income (EBIT)</b>	<b>184</b>	<b>159</b>	<b>269</b>	<b>239</b>
Net interest and other financial items	20	-55	-28	-104
<b>Pre-Tax profit</b>	<b>204</b>	<b>104</b>	<b>241</b>	<b>135</b>
Taxes	-85	-46	-100	-58
Minorities	0	3	0	5
<b>Net Income</b>	<b>119</b>	<b>61</b>	<b>141</b>	<b>82</b>
Basic number of shares outstanding	66,375,156	66,375,156	66,375,156	66,375,156
Basic earnings per share (SEK)	1.79	0.92	2.12	1.24

- **Operating margin increases to 10.4% in Q2 and 8.0% for year to date**
- **Net interest costs reduced by amortisation of SEK 450 million on old credit facility in last 12 months**
- **Other financial items impacted by unrealized gains & losses on Euro denominated convertible and conversion of US\$ denominated loans into equity**

# Viasat Broadcasting

## Operating Results

(SEK million)	Q2 2004	Q2 2003	H1 2004	H1 2003
<b>Net Sales</b>				
Pay-TV operations	578	553	1,153	1,110
Free-to-air TV operations	894	770	1,577	1,382
Text-TV operations	21	20	42	42
Other and eliminations	-122	-110	-236	-208
<b>Total net sales</b>	<b>1,371</b>	<b>1,233</b>	<b>2,536</b>	<b>2,326</b>
<b>Operating income (EBIT)</b>				
Pay-TV operations	72	127	188	266
<i>Operating margin (%)</i>	<i>12.4</i>	<i>22.9</i>	<i>16.3</i>	<i>24.0</i>
Free-to-air TV operations	89	44	58	23
<i>Operating margin (%)</i>	<i>10.0</i>	<i>5.7</i>	<i>3.7</i>	<i>1.7</i>
Text-TV operations	9	7	18	14
Participation in StoryFirst	22	12	40	11
Other	0	-1	0	-1
<b>Total EBIT</b>	<b>192</b>	<b>188</b>	<b>304</b>	<b>313</b>

# Free-to-air TV Scandinavia

## Highlights

### ■ **Strategic Objectives**

- Increase penetration
- Invest in programming to drive ratings
- Increase market shares

### ■ **Delivery on Objectives**

- TV3 Sweden technical penetration increased by 6% to just under 70% through inclusion in DTT
- TV3 increase market shares in Sweden, Norway and Denmark
- TV3 Scandinavia sales up 13% year on year to SEK 636 million in Q2 following 10% increase in Q1 – operating income up 57% to SEK 69 million
- Strongest ever Fall schedule featuring line-up of proven new own-productions, premium sports content and movies

# Pay-TV

## Subscriber development

<b>Subscribers (000's)</b>	<b>30 June 2004</b>	<b>31 March 2004</b>
Cardholders	856	892
Digital subscribers	642	637
Viasat digital 'Premium' package subscribers	436	438
Viasat digital 'Basic' package subscribers	206	199
TV1000 Scandinavia	447	460
Wholesale Central & Eastern Europe (TV1000 East, Viasat Explorer & Viasat History)	3,400	2,000

# Pay-TV Highlights

## Strategic Objectives

- Implement NDS secure encryption technology on Viasat platform to eliminate piracy and reduce churn
- Increase ARPU
- Invest in programming to strengthen offering
- Maintain price leadership

## ■ Delivery on Objectives

- Conditional Access technology migration almost complete with less than 10% of premium subscribers left to convert prior to legacy system 'switch off'
- Price increases to drive ARPU
- 2 New sports channels now launched and 6 TV1000 channels to be launched in September
- Margins under pressure short term reflecting cost of migration, programming investments, increased marketing and subscriber acquisition costs

# Central & Eastern Europe Highlights

## ■ Strategic Objectives

- Increase exposure to high growth new territories
- Drive CSOV and market share growth
- Increase penetration of mini-pay business

## ■ Delivery on objectives

- 37.4% pan-Baltic commercial share of viewing
- 28% net sales growth for TV3 Baltics in Q2 to SEK 92 million and 19% to SEK 152 million for year to date - combined 62% increase in operating income to SEK 34 million in Q2 and 50% to SEK 39 million for year to date
- Viasat3 Hungary reports 50% increase in CSOV (18-49) and DTV-Viasat reports 60% increase in CSOV (12-49) following programme investments
- MTG increases shareholding in StoryFirst to 37.9% and CTC channel SOV (4+) increases to over 10% for first time
- TV1000 East, Viasat Explorer and Viasat History now reach 3.4 million subscribers

# MTG Radio

## Highlights

### ■ Strategic Objectives

- Increase penetration
- Increase market shares
- Increase ownership in core assets

### ■ Delivery on Objectives

- Cooperation with NRJ Group adds 20 channels to MTG radio Sweden and increases penetration of national RIX FM network from 69% to 88%
- MTG Radio Sweden sales up 20% in Q2 to SEK 60 million following 10% increase in Q1
- 20 NRJ channels to add to 44% commercial share of listening for MTG Radio Sweden
- MTG has increased its ownership in P4 to 39.7% and P4 expects to increase its penetration to nearly 80% in the second half of the year and already has a 23% national daily reach

# Other Businesses

## Highlights

- Record result for STRIX Television following sale of options and licences to 5 reality TV formats in 14 territories – Q2 operating income doubles to SEK 31 million
- 15 STRIX format productions to be aired in 14 countries in the Fall
- CDON sales up over 50% for Q2 and half year – operating income up 44% to SEK 13 million for year to date
- CDON.com becomes first Swedish site to offer music downloads over the internet
- SDI sales up over 10% in quarter and first six months - stable operating income following non-recurring costs of SEK 9 million for year to date

# Cash flow

(SEK million)	Q2 2004	Q2 2003	H1 2004	H1 2003
Cash flow from operations	200	75	305	201
Changes in Inventory	52	172	31	220
Changes in Current Receivables	13	83	-41	26
Changes in Current Liabilities	-50	-113	3	-201
<b>Net cash flow from operations</b>	<b>214</b>	<b>217</b>	<b>298</b>	<b>246</b>
Financial investment activities including transactions with Metro International		-10		-10
Investments in fixed assets	-33	-23	-56	-52
Other cash flow from investing activities	3	5	3	5
<b>Cash flow to investing activities</b>	<b>-29</b>	<b>-28</b>	<b>-53</b>	<b>-57</b>
Cash flow from/to financing activities	-145	-192	-249	-143
<b>Net change in cash and cash equivalents for the period</b>	<b>40</b>	<b>-3</b>	<b>-4</b>	<b>46</b>

- **SEK 200 (75) million in cash flow from operations in Q2; SEK 305 (201) million for H1**
- **SEK 150 million final payment on old credit facility**

# Balance Sheet

(SEK million)	30 June 2004	30 June 2003	31 Dec 2003
Non-current assets	2,791	2,893	2,879
Current assets	2,848	2,890	2,837
<b>Total assets</b>	<b>5,639</b>	<b>5,783</b>	<b>5,716</b>
Shareholders' equity	2,292	1,967	2,145
Minority equity interests	2	-5	2
Provisions	256	127	233
Long-term liabilities	1,110	1,127	1,108
Current liabilities	1,980	2,567	2,228
<b>Total equity and liabilities</b>	<b>5,639</b>	<b>5,783</b>	<b>5,716</b>

- Equity to assets ratio of 60%, 41% when convertible treated as debt and 68% when adjusted for value of marketable securities
- SEK 1,178 million of available liquid funds
- Net debt of SEK 643 million and 28% net debt to equity ratio following repayment of SEK 450 million in last 12 months

# Value of marketable securities portfolio (as at 30 June 2004)

	SEK million	SEK per share
Metro International S.A.	1,736	26.1
TV4 AB	376	5.7
P4 Radio Hele Norge ASA	121	1.8
<b>Total Market Value</b>	<b>2,233</b>	<b>33.6</b>
<i>Convertible loan</i>	- 1,096	-16.5
<i>Cash</i>	403	6.1
<i>Other interest bearing long-term items</i>	50	0.7
<b>Net debt</b>	<b>- 643</b>	<b>- 9.7</b>
<b>NET VALUE</b>	<b>1,590</b>	<b>23.9</b>

# Well-positioned & well-equipped

- Continued programming investments and strong Fall schedules position Viasat channels well for advertising market improvement
- Short term visibility in Scandinavian advertising markets
- Benefiting from growth in Eastern European markets
- Increased shareholdings in key assets
- Penetration increases for free-to-air TV and radio channels in Sweden
- Near completion of NDS migration to eliminate piracy – margins under pressure for remainder of year due to costs of transition and then aggressive new subscriber acquisition campaigns
- Viasat premium pay-TV package is clear content and price leader
- Penetration of Viasat mini-pay channels increasing in Central & Eastern Europe
- Well-financed with significant flexibility and generating operating free cash flow