

Modern Times Group MTG AB

**“A Modern Entertainment Group
for Modern Times”**

**Financial results for the 3rd quarter and 9 months
ended 30 September 2004**

19 October 2004

Overview

Nine months and third Quarter ended 30 Sept 2004

- Free-to-air channels take market shares and report strong growth in core Scandinavian territories
- Penetration increases for key TV (TV3) and Radio (RIX FM) assets in Sweden
- Investments in programming and channel development to drive ratings and position premium pay-TV offering
- New CA system successfully implemented on Viasat platform to eliminate piracy & launch of aggressive subscriber acquisition marketing campaigns
- Disposal of non-core assets and increased shareholdings in core broadcasting assets - SDI Media sold for US\$ 60 million and shareholding in CTC Media increased to 39.8% for US\$ 63 million; P4 shareholding increased to 37.9% after exchange of Metro shares
- Successful balance between profitability and investments
- High return on investments

Highlights

Nine months and third Quarter ended 30 Sept 2004

THIRD QUARTER

- Group net sales up 8% to SEK 1,550 million
- TV3 Scandinavia net sales up 17% to SEK 493 million
- Group operating income up 7% to SEK 58 million
(excl. SEK 381 million net gain from sale of SDI Media)
- Net income up to SEK 407 (44) million
- Earnings per share increase to SEK 6.13 (SEK 0.67)

NINE MONTHS

- Group net sales up 7% to SEK 4,893 million
- TV3 Scandinavia net sales up 13% to SEK 1,615 million
- Group operating income up 12% to SEK 327 million
(excl. SEK 381 million net gain from sale of SDI Media)
- Net income up to SEK 548 (127) million
- Earnings per share increase to SEK 8.25 (SEK 1.91)

Highlights

Nine months and third Quarter ended 30 Sept 2004

- Net cash flow from operations of SEK 79 (174) million in Q3 and of SEK 377 (419) million for year to date
- CAPEX equivalent to 2% of group sales
- Proceeds from sale of shares in SDI and Metro reinvested in CTC and P4
- Net debt to equity ratio of 24% at end of period
- Surplus value of portfolio of marketable securities of SEK 1,570 million or SEK 24 per share value at end of period
- SEK 1,187 million in available liquid funds (including unutilized credit facility)

Summary Income Statement

(SEK million)	Q3 2004	Q3 2003	Q1-Q3 2004	Q1-Q3 2003	FY 2003
Net Sales	1,550	1,436	4,893	4,580	6,311
Operating income (EBIT)	58	54	327	293	542
Excl. net gain from sale of SDI Media					
Net gain from sale of SDI Media	381	-	381	-	-
Operating income (EBIT)	439	54	708	293	542
Net interest and other financial items	-7	21	-34	-83	-167
Pre-Tax profit	433	75	674	210	375
Taxes	-26	-32	-126	-90	-92
Minorities	0	2	0	7	6
Net Income	407	44	548	127	289
Basic number of shares outstanding	66,375,156	66,375,156	66,375,156	66,375,156	66,375,156
Basic earnings per share (SEK)	6.13	0.67	8.25	1.91	4.36

Viasat Broadcasting

Operating Results

(SEK million)	Q3 2004	Q3 2003	Q1-Q3 2004	Q1-Q3 2003	FY 2003
Net Sales					
Free-to-air TV operations	696	587	2,274	1,969	2,768
Pay-TV operations	574	556	1,727	1,666	2,210
Other & eliminations	-96	-89	-290	-255	-314
Total net sales	1,174	1,053	3,711	3,380	4,664
Operating income (EBIT)					
Free-to-air TV operations	-66	-74	-8	-51	32
<i>Operating margin</i>	-9%	-13%	0%	-3%	1%
Pay-TV operations	54	113	243	379	505
<i>Operating margin</i>	9%	20%	14%	22.7%	23%
Associated Companies	32	12	71	22	87
Other & eliminations	9	7	26	21	-29
Total EBIT	29	58	332	371	653

Free-to-air TV Scandinavia

Highlights

■ Strategic Objectives

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

■ Delivery on Objectives

- TV3 Sweden continues to benefit from increased penetration through inclusion in growing DTT platform
- Continued increased investments in strongest ever Fall schedule
- TV3 increases advertising market shares in Sweden, Norway and Denmark despite Olympics on rival channels – TV3 Norway bigger than TVN in competitive universe for 3rd consecutive quarter & TV3 Denmark reports record Q3 sales
- TV3 Scandinavia sales up 17% year on year in Q3 and 13% for year to date

Pay-TV

Subscriber development

Subscribers (000's)	30 Sept 2004	30 June 2004
Digital subscribers *	638	642
Viasat 'Premium' subscribers *	438	436
Viasat 'Basic' subscribers	201	206
Total cardholders	841	856
TV1000 Scandinavia subscribers **	441	447
Subscribers in Central & Eastern Europe (TV1000 East, Viasat Sport, Viasat Explorer & Viasat History)	4,731	3,407

* Excluding 17,000 premium pay-TV subscribers yet to migrate to new VideoGuard encrypted signal (13,000 by Oct 15)

** Excluding 15,000 subscribers yet to migrate to VideoGuard encrypted signal

Pay-TV Nordic Highlights

Strategic Objectives

- Grow subscriber base
- Increase ARPU
- Increase profitability

■ Delivery on Objectives

- VideoGuard secure Conditional Access technology implemented in order to eliminate piracy on platform - legacy encryption of premium channels switched off in Nordic region in mid-September
- Ground-breaking 'TV over IP' agreement with Bredbandsbolaget to make Viasat channels available to 300,000 customers with fibre connections in Sweden
- ARPU increases to SEK 3,063 following price increases in 2003 and 2004
- 2 new 'Viasat Sport' channels launched in Q1; 4 new TV1000 thematic movie channels launched in Q3; 'Viasat History' channel to be launched in Q4
- High impact marketing campaigns running to promote premium package offering – free installation in Sweden and introductory price offers in Norway and Denmark
- Margins under pressure short term due to costs of migration to new CA system, programming investments, and increased marketing and subscriber acquisition costs – platform positioned for future growth

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

- TV3 - 36.8% pan-Baltic CSOV (15-49) and >95% penetration
- 19% y-on-y sales growth for Baltic free-to-air channels in Q3 and for year to date – almost doubling of operating profits for first nine months of 2004 and operating margin of 18.7%
- Viasat3 Hungary investments in programming to drive ratings growth pay off with first ever quarterly CSOV (18-49) of >5% in Q3 - sales almost double y-on-y in Q3
- DTV (Russia) ratings up and channel reports 50% y-on-y sales growth in Q3 and 68% for year to date
- MTG increases shareholding in CTC Media to 39.8% and CTC acquires four new stations to form basis of 2nd network
- TV1000 East, Viasat Explorer, Viasat Sport and Viasat History now have 4.7 million subscribers in 11 countries – Viasat History launched into 8 C&E European territories in Q2; Viasat Sport launched in Baltics in Q3; and Viasat History to be launched in Baltics in Q4

Results by Business Area

Net Sales & Operating Income

(SEK million)	Q3 2004	Q3 2003	Q1-Q3 2004	Q1-Q3 2003	FY 2003
Net Sales					
Viasat Broadcasting	1,174	1,053	3,711	3,380	4,664
Radio	52	41	151	126	174
Other Business Areas	412	329	1,134	1,061	1,475
Parent Company & Other Companies	24	32	91	81	103
Eliminations	-112	-112	-384	-344	-469
SDI & Discontinued Businesses	0	93	189	276	364
Total net sales	1,550	1,436	4,893	4,580	6,311
Operating income (EBIT)					
Viasat Broadcasting	29	58	332	371	653
Radio	6	-8	2	-25	-28
Other Business Areas	43	20	77	48	67
Parent Company & Other Companies	-16	-26	-99	-115	-173
Eliminations	-2	-2	-7	-7	-10
SDI & Discontinued Businesses	-1	12	21	22	33
Net gain from sale of SDI	381	-	381	-	-
Total EBIT	439	54	708	293	542

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%
- Latest RUAB research shows RIX FM has >1 million listeners for first time and 13.2% national audience share – 18.1% combined national share for MTG Radio Sweden stations
- MTG Radio businesses in Sweden, Estonia, Latvia and Lithuania generate 27% y-on-y sales growth in Q3 and 20% for year to date
- Total business area (including associated companies) profitable for quarter and year to date despite consolidation of additional costs of NRJ stations from 1 September
- Increased ownership in P4 Radio (39.7%) following acquisition of shares in Summer delivers increased participation in estimated profits

Other Businesses

Highlights

- Modern Studios content businesses deliver 43% y-on-y sales growth in Q3 and 20% operating margin following near tripling of operating income
- New record sales quarter for STRIX Television with 66% y-on-y sales growth in Q3 – operating income > doubles y-on-y for 2nd quarter in succession
- STRIX has sold options and licences to broadcasters & production companies in 24 territories in 2004
- CDON continues strong development with sales up 39% y-on-y in Q3 and further investments in geographical and product expansion
- SDI Media deconsolidated from 1 July 2004 and included

Cash flow

(SEK million)	Q3 2004	Q3 2003	Q1-Q3 2004	Q1-Q3 2003
Cash flow from operations	36	71	341	271
Changes in Inventory	93	-18	124	202
Changes in Current Receivables	-128	138	-169	164
Changes in Current Liabilities	78	-17	81	-218
Net cash flow from operations	79	174	377	419
Financial investment activities including transactions with Metro International	24	19	24	19
Investments in fixed assets	-107	-46	-160	-98
Other cash flow from investing activities	0	5	3	10
Cash flow to investing activities	-83	-22	-136	-79
Cash flow from/to financing activities	16	28	-233	-115
Net change in cash and cash equivalents for the period	13	179	9	224

- SEK 36 (71) million of cash flow from operations in Q3 & SEK 341 (271) million for year to date
- CAPEX less than 2% of group sales for first nine months of 2004
- Proceeds from sale of SDI Media & Metro shares reinvested in CTC Media and P4 Radio shares

Balance Sheet

(SEK million)	30 Sept 2004	30 Sept 2003	31 Dec 2003
Non-current assets	3,255	2,836	2,879
Current assets	2,800	2,977	2,837
Total assets	6,056	5,813	5,716
Shareholders' equity	2,660	2,004	2,145
Minority equity interests	1	-6	2
Provisions	267	146	233
Long-term liabilities	1,101	1,120	1,108
Current liabilities	2,026	2,549	2,228
Total equity and liabilities	6,056	5,813	5,716

- Equity to assets ratio of 44% or 55% when adjusted for surplus value of portfolio of marketable securities
- SEK 412 million in cash and cash equivalents and SEK 1,187 million of available liquid funds (including unutilised credit facility)
- Net debt of SEK 627 million and 24% net debt to equity ratio

Value of marketable securities (as at 30 Sept 2004)

	SEK million	SEK per share
Metro International S.A.	1,763	26.6
TV4 AB	381	5.7
P4 Radio Hele Norge ASA	244	3.7
Total Market Value	2,388	36.0
<i>Convertible loan</i>	-1,088	-16.4
<i>Cash</i>	412	6.2
<i>Other interest bearing long-term items</i>	49	0.7
Net debt	-627	-9.4
NET VALUE	1,761	26.6

- MTG also owns 39.8% of CTC Media, Inc. and 19.9% of Bet24

Well-positioned & well-equipped

- Limited visibility in Scandinavian advertising markets but programming investments paying off in market share growth
- Benefiting from increased exposure to fast growing Eastern European markets
- Increased shareholdings in core broadcasting assets
- Penetration increases for free-to-air TV and radio businesses in Sweden, as well as mini-pay TV business in Central & Eastern Europe
- Viasat premium pay-TV package is clear content and price leader - High impact new marketing campaigns to drive subscriber acquisition
- Switch off of legacy premium channel encryption system renders premium pirate cards useless – pay-TV margins under short term pressure due to investment in migration of Viasat platform to secure VideoGuard CA technology, content, expansion and marketing
- Well-financed with significant flexibility and generating operating free cash flow