



Modern Times Group MTG AB

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

**Financial results for the 4th quarter and 12 months
ended 31 December 2004**

16 February 2005

Group Overview

Fourth Quarter & twelve months ended 31 Dec 2004

- Highest ever annual operating result despite significant investments in programming, marketing and platform security
- Viasat platform secured and new premium sports, movie & documentary channels launched, resulting in highest quarterly net subscriber intake since digitisation of platform in 2000
- Penetration increases for TV3 in DTT and MTG Radio Sweden stations after cooperation with NRJ
- Programming investments & sales efficiency enable TV3 to take advertising market share in all territories
- 6.4 million mini-pay subscribers to TV1000 East, Viasat Sport, Viasat Explorer and Viasat History channels in 11 C & E European countries – up 35% since Q3
- Disposal of non-core and financial assets: Net gain of SEK 381 from sale of SDI Media at mid year point; TV4 shares sold after end of the year realising net gain of SEK 389 million
- Money received re-invested in core assets – shareholding in CTC Media increased to 39.8% for US\$ 63 million; shareholding in P4 increased to 39.7% in exchange for Metro shares

Group Highlights

Fourth Quarter & twelve months ended 31 Dec 2004

FOURTH QUARTER

- Group net sales up 12% to SEK 1,943 (1,731) million
- TV3 Scandinavia net sales up 16% to SEK 678 (583) million
- Quarterly net intake of 52,000 digital premium subscribers
- Group operating income of SEK 246 (249) million including SEK 66 million write down in Modern Entertainment
- Net income of SEK 106 (163) million
- Earnings per share of SEK 1.60 (2.45)

FULL YEAR

- Group net sales up 8% to SEK 6,836 (6,311) million
- TV3 Scandinavia net sales up 14% to SEK 2,293 (2,007) million
- Record result in Group history with operating income up 6% to SEK 573 (542) million excluding SEK 381 million net gain from sale of SDI Media
- Net income up to SEK 654 (289) million
- Earnings per share increase to SEK 9.85 (4.36)

Financial Highlights

Fourth Quarter & twelve months ended 31 Dec 2004

- Underlying operating income up 21% to SEK 618 (509) million, excluding SEK 335 million in non-recurring items & discontinued businesses in 2004
- Net cash flow from operations of SEK 201 (205) million in Q4 and SEK 578 (624) million for full year including payment of SEK 103 million for settlement of STIM dispute
- SEK 1.35 billion in available liquid funds including unutilised credit facility and SEK 574 million of cash & cash equivalents; SEK 2 billion surplus to book value in listed securities (prior to sale of TV4 shares)
- Net debt to equity ratio reduced to 17% from 41% following repayment of loans
- No proposed dividend for 2004 but continuing investment in development of core broadcasting businesses in existing & new markets - 17% ROCE in 2004, excluding non-recurring items

Summary Income Statement

(SEK million)	Q4 2004	Q4 2003	Full Year 2004	Full Year 2003
Net Sales	1,943	1,731	6,836	6,311
Operating income (EBIT) excluding net gain from the sale of SDI Media	246	249	573	542
Net gain from the sale of SDI Media	-	-	381	-
Operating income (EBIT)	246	249	954	542
Net interest and other financial items	1	-85	-33	-167
Pre-Tax profit	247	165	920	375
Taxes	-141	-2	-266	-92
Minorities	0	0	0	6
Net Income	106	163	654	289
Basic number of shares outstanding	66,375,156	66,375,156	66,375,156	66,375,156
Basic earnings per share (SEK)	1.60	2.45	9.85	4.36

Viasat Broadcasting

Operating Results

(SEK million)	Q4 2004	Q4 2003	Full Year 2004	Full Year 2003
Net Sales				
Free-to-air TV operations	951	799	3,225	2,768
Pay-TV operations	618	544	2,346	2,210
Other & eliminations	-68	-60	-358	-314
Total net sales	1,502	1,284	5,212	4,664
Operating income (EBIT)				
Free-to-air TV operations	183	82	175	32
<i>Operating margin</i>	19%	10%	5%	1%
Pay-TV operations	63	126	306	505
<i>Operating margin</i>	10%	23%	13%	23%
Associated Companies	64	65	135	87
Other & eliminations	8	10	35	29
Total EBIT	246	249	954	542

Free-to-air TV Scandinavia

Highlights

■ **Strategic Objectives**

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

■ **Delivery on Objectives**

- TV3 Scandinavia continues year on year growth trend and profits almost double in Q4 and full year
- TV3 increases advertising market shares in all countries – clear # 2 channel in Norway in 2004 in target group and record sales result in Denmark
- TV3, ZTV and TV8 benefit from increased penetration in Sweden through inclusion in rapidly growing DTT platform – TV3 approaches 70% penetration by year end and narrows gap to TV4
- Agreement signed with Boxer (DTT) in Sweden after year end provides wholesale revenues and ongoing penetration increases for TV3, ZTV and TV8 in Sweden

Pay-TV

Subscriber development

Subscribers (000's)	Dec 2004	Sep 2004	Dec 2003
Digital subscribers *	680	638	629
of which, 'Premium' Scandinavia*	475	434	438
of which, 'Premium' Baltics	15	4	1
of which, 'Basic' Scandinavia	190	201	190
Total cardholders	854	841	911
TV1000 Scandinavia subscribers**	484	441	465
Subscribers in Central & Eastern Europe (TV1000 East, Viasat Sport, Viasat Explorer & Viasat History)	6,384	4,731	1,720

* Excluding 9,000 premium pay-TV subscribers yet to migrate to new VideoGuard encrypted signal (7,000 by 11 February)

** Excluding 8,000 subscribers yet to migrate to VideoGuard encrypted signal

Pay-TV Scandinavia & Baltics

Highlights

Strategic Objectives

- Grow subscriber base
- Increase ARPU
- Increase profitability

Delivery on Objectives

- Highest quarterly net subscriber intake since 2000 reflects switch-off of pirated card encryption system in September and enhanced channel portfolio
- Strong premium subscriber growth in both Scandinavia & the Baltics
- Total pay-TV sales up 14% year on year in Q4 and 6% for full year
- Margins in overall pay-TV business increased to 10% in the quarter from 9% in Q3 but down year on year in Q4 from 23% due to increased subscriber marketing, subsidy, programming and ongoing encryption costs
- 4 new thematic channels, 2 new dedicated sports channels and 1 documentary channel launched in 2004; TV4 included on DTH platform after end of year
- Roll-out of IP-TV platform in Sweden – in negotiations with SvT to make Viasat the only platform with all 5 major channels

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

- Free-to-air operations reported combined 19% year on year sales growth in Q4 and 17% for full year following advertising market share gains in all territories
- Viasat's pan-Baltic CSOV (15-49) increased to 39% (35%) following particularly strong ratings performance in Latvia - TV3 now largest channel in all 3 territories for first time
- Baltic operating margin up year on year to 41% (34%) in Q4 and 26% (19%) for full year following 40% growth in operating profit in Q4 and 63% for full year
- Viasat3 Hungary CSOV up to nearly 5% and strong sales growth reported for year and quarter
- Associated company CTC Media SOV (6-54) approaches 15% - sales up 62% in 2004 and operating margin of 40%; DTV sales doubled in Q4 and up 79% in 2004
- Roll-out of mini-pay model in C & E European cable networks continues – 4 channels now in 11 countries with 6.4 million subscribers (up from 4.7 million at end of September)

Results by Business Area

Net Sales & Operating Income

(SEK million)	Q4 2004	Q4 2003	Full Year 2004	Full Year 2003
Net Sales				
Viasat Broadcasting	1,502	1,284	5,212	4,664
Radio	65	48	216	174
Other Business Areas	523	414	1,658	1,475
Parent Company & Other Companies	25	22	116	103
Eliminations	-169	-125	-553	-469
SDI Media & Discontinued Businesses	-2	88	187	364
Total net sales	1,943	1,731	6,836	6,311
Operating income (EBIT)				
Viasat Broadcasting	319	282	651	653
Radio	-4	-4	-2	-28
Other Business Areas *	-42	19	35	66
Parent Company & Other Companies	-24	-57	-123	-173
Eliminations	-2	-2	-10	-10
SDI Media & Discontinued Businesses	-1	12	21	33
Net gain from the sale of SDI	-	-	381	-
Total EBIT	246	249	954	542
* Including SEK 78 million in non-cash write-downs of beneficial rights in Modern Entertainment and Sonet in Q4 2004				

MTG Radio

Highlights

Strategic Objectives

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

Delivery on Objectives

- Addition of 20 new channels following cooperation with NRJ Group increases penetration of RIX FM national network from 69% to 88%
- Combined commercial share of listening for MTG's 49 channels in Sweden increased year on year to 59% from 41% according to latest independent market research
- Sales up 24% in 2004 and operating losses (including contribution from P4 Radio) reduced by SEK 26 million to almost reach breakeven
- First full quarter impact of the NRJ cooperation - sales up 35% year on year but costs increased year on year – incremental benefit moving forward as RIX FM and Lugna Favoriter capitalise on penetration and share of listening
- P4 Radio results for the first nine months reflect new competition, increasing penetration and new record of more than one million daily weekday listeners for Norway's leading commercial radio broadcaster

Other Businesses

Highlights

- 28% year on year sales growth in Q4 and 12% for full year for Modern Studios content production, sales & distribution businesses
- STRIX Television delivered record result for Q4 and full year 2004 – sales up 33% year on year and operating profit doubled in Q4
- Sonet Film's 'As it is in Heaven' nominated for 'Best Foreign Language Film' Oscar
- Non-recurring write downs of SEK 66 million in Modern Entertainment and SEK 12 million in Sonet Film in Q4 relating to beneficial rights
- CDON sales up nearly 50% in 2004 following market share gains in all product categories - now established as most visited internet retailing site in Nordic region and first to launch music downloads service across Scandinavia in 2004
- Home-shopping businesses report combined 25% year on year sales growth in Q4 and 12% for full year - operating income up 67% to SEK 15 million for the year and ongoing restructuring of TVShop

Cash flow

(SEK million)	Q4 2004	Q4 2003	Full Year 2004	Full Year 2003
Cash flow from operations	216	315	558	586
Payment to STIM for years prior to current year	-103	-	-103	-
Changes in Working Capital	87	-110	123	38
Net cash flow from operations	201	205	578	624
Financial investment activities including transactions with Metro International	-	-	24	19
Net Investments in securities	-	-	-71	-18
Net Investments in fixed assets	-14	-45	-107	-135
Other cash flow from investing activities	0	-	3	30
Cash flow to investing activities	-14	-45	-150	-124
Cash flow from/to financing activities	-18	-252	-251	-367
Net change in cash and cash equivalents for the period	168	-91	177	133

- Net cash flow from operations impacted by SEK 103 million STIM payment in Q4
- CAPEX = 1.6% of group sales for full year
- Reinvestment of proceeds from sale of non-core assets in core broadcasting assets

Balance Sheet

(SEK million)	31 Dec 2004	31 Dec 2003
Non-current assets	3,045	2,879
Current assets	3,291	2,837
Total assets	6,336	5,716
Shareholders' equity	2,714	2,145
Minority equity interests	1	2
Provisions	87	234
Long-term liabilities	1,093	1,108
Current liabilities	2,441	2,228
Total equity and liabilities	6,336	5,716

- Equity to assets ratio of 43%; 57% when adjusted for surplus value of marketable securities
- SEK 1.3 billion of available funds (including unutilised credit facility); SEK 574 million in cash & cash equivalents
- Net debt to equity ratio of 17% compared to 41% at end of 2003

Value of marketable securities (as at 31 December 2004)

	SEK million	SEK per share
Metro International S.A.	2,184	32.90
TV4 AB	447	148
P4 Radio Hele Norge ASA	255	3.8
Total Market Value	2,886	43.5
<i>Convertible loan</i>	-1,081	-16.3
<i>Cash</i>	574	8.7
<i>Other interest bearing long-term items</i>	48	0.7
Net debt	-458	-6.9
NET VALUE	2,428	36.6

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

Well-positioned & well-equipped

- Major content deals for pay and free-to-air TV now completed with major studios and sports rights owners
- Year on year increases in TV3 Scandinavia programming spend significantly reduce moving forward yielding return to high incremental margins if advertising markets continue to grow
- Model for increasing penetration & entering new distribution platforms in Sweden applies to other Scandinavian markets
- Continued investment in premium subscriber acquisition in Scandinavia & Baltics with market-leading content and pricing; further roll-out of mini-pay business in C & E Europe
- Increased exposure to strong growth in E European markets
- Generating operating free cash flow + significant financial flexibility combined with capital discipline