

# **Modern Times Group MTG AB**

**Financial results for the Second Quarter  
and 6 months ended 30 June 2005**

25 July 2005

# Results summary

## Second quarter

- Strong underlying growth of 18% in combination with increased profitability – record second quarter operating profit
- High incremental margin of > 60%
- Increased and double-digit operating margins in all three core businesses – Free-to-air TV Scandinavia; Pay-TV Nordic; Central & Eastern Europe
- Not dependent on single operations due to the strength of the combined core Broadcasting businesses
- Continued strong subscriber intake of 28,000 – up 19% or 83,000 year on year + increased market shares
- Weak sales performance with flat revenue for TV3 Scandinavia due to weak Danish market; strategic move of World Championship ice hockey to pay-TV channels in Sweden; as well as underperformance of ratings in TV3 Sweden (incl. 'Club Goa')

# Results summary

## Second quarter

- CTC sales up nearly 50% and operating margin of 40% in Q2
- > doubling year on year in number of C&E European minipay subscribers to 9.2 million
- New businesses report strong growth
  - BET 24 doubles net sales and gross profit result
  - CDON delivers continued high growth and increased profit margins
  - New acquisitions such as Engine

# Results Highlights

## Second Quarter

- Group net sales up 12% to SEK 1,979 (1,772) million
- Group operating income up 60% to SEK 337 (210) million
- Net intake of 28,000 premium DTH subscribers
- TV3 Scandinavia operating profit up 54% to SEK 107 (69) million on stable sales of SEK 635 (635) million
- Net income up 50% to SEK 211 (141) million
- Earnings per share up to SEK 3.18 (2.13)
- Net cash flow from operations of SEK 209 million
- Net cash position of SEK 449 million and SEK 2.5 billion combined market value of listed holdings in Metro Int. and P4 Radio

# Summary Income Statement

(SEK million)	Q2 2005	Q2 2004	H1 2005	H1 2004	FY 2004
<b>Net Sales</b>	<b>1,979</b>	1,772	<b>3,721</b>	3,343	<b>6,836</b>
<b>Operating income (EBIT)</b>	<b>337</b>	210	<b>515</b>	321	<b>1,058*</b>
Net gain from the sale of TV4 Shares	-	-	<b>389</b>	-	-
Net interest and other financial items	<b>-51</b>	20	<b>-76</b>	-28	<b>-34</b>
<b>Pre-Tax profit</b>	<b>286</b>	230	<b>828</b>	292	<b>1,024</b>
Taxes	<b>-75</b>	-88	<b>-138</b>	-106	<b>-278</b>
<b>Net Income</b>	<b>211</b>	141	<b>690</b>	186	<b>746</b>
Basic number of shares outstanding	<b>66,375,156</b>	66,375,156	<b>66,375,156</b>	66,375,156	<b>66,375,156</b>
Basic & fully diluted earnings per share (SEK)	<b>3.18</b>	2.13	<b>10.39</b>	2.81	<b>11.23</b>

\*Includes net gain of SEK 381 million from the sale of SDI Media

# Viasat Broadcasting

## Operating Results

(SEK million)	Q2 2005	Q2 2004	H1 2005	H1 2004	FY 2004
<b>Net Sales</b>					
Free-to-air TV Scandinavia	<b>770</b>	741	<b>1,438</b>	1,318	<b>2,695</b>
Pay-TV Nordic	<b>630</b>	573	<b>1,235</b>	1,144	<b>2,321</b>
Central & Eastern Europe	<b>163</b>	127	<b>285</b>	212	<b>442</b>
Betting, Text TV & eliminations	<b>25</b>	-69	<b>-9</b>	-138	<b>-246</b>
<b>Total net sales</b>	<b>1.587</b>	1.371	<b>2.948</b>	2.536	<b>5,212</b>
<b>Operating income (EBIT)</b>					
Free-to-air TV Scandinavia	<b>145</b>	76	<b>203</b>	64	<b>179</b>
<i>Operating margin</i>	<b>19%</b>	10%	<b>14%</b>	5%	<b>7%</b>
Pay-TV Nordic	<b>117</b>	89	<b>239</b>	216	<b>370</b>
<i>Operating margin</i>	<b>19%</b>	16%	<b>19%</b>	19%	<b>16%</b>
Central & Eastern Europe	<b>20</b>	13	<b>8</b>	-1	<b>-3</b>
<i>Operating margin</i>	<b>12%</b>	10%	<b>3%</b>	-	-
Associated Companies	<b>63</b>	23	<b>98</b>	44	<b>146</b>
Betting, Text TV & Other	<b>17</b>	12	<b>28</b>	22	<b>44</b>
<b>Total EBIT</b>	<b>361</b>	212	<b>577</b>	345	<b>737</b>

# Viasat Broadcasting

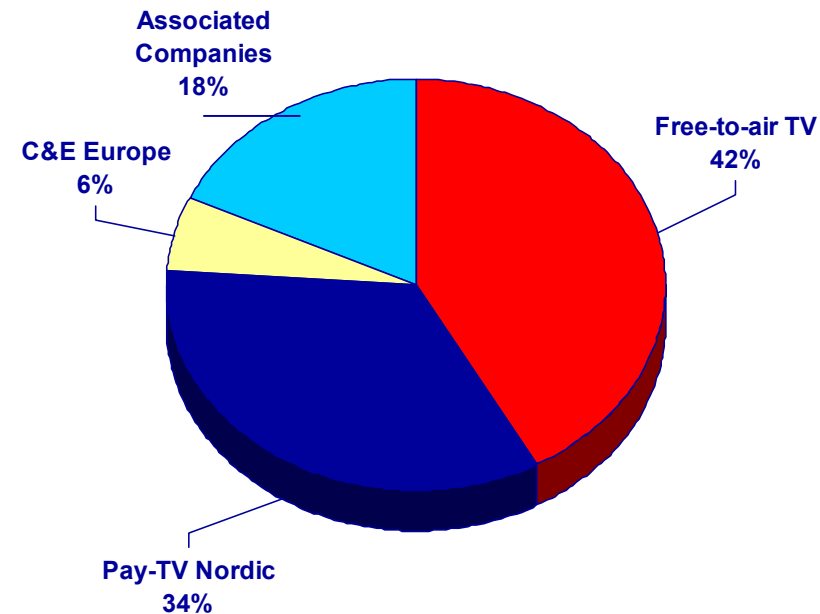
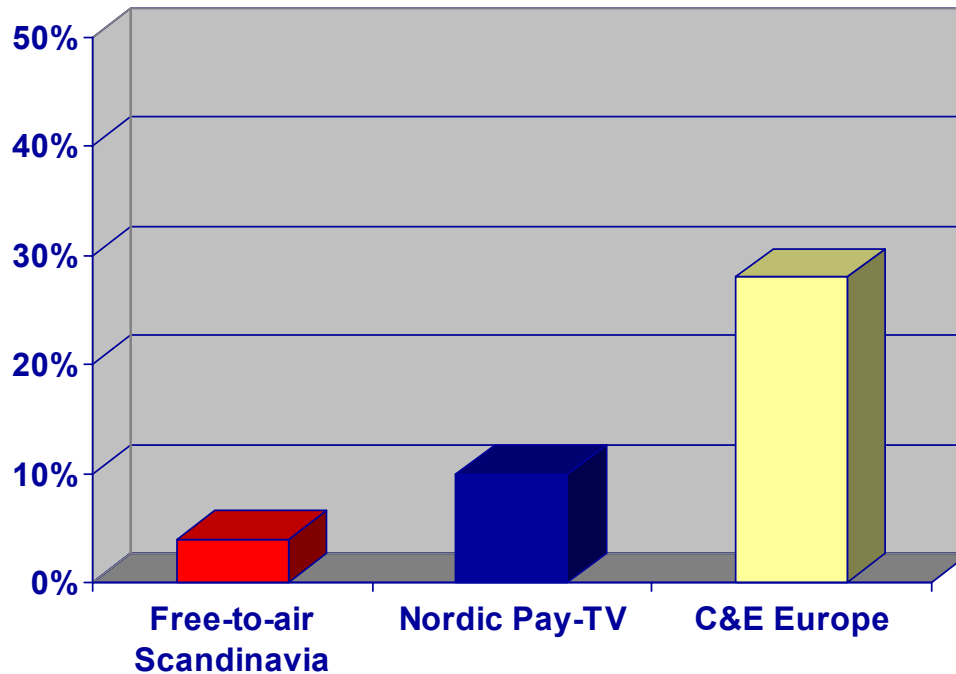
## Balancing growth with profitability in Q2

Segmental Sales growth

Contribution to operating profit

*16% sales growth*

*Operating income up 70% to SEK 361 million*



# Free-to-air TV Scandinavia

## Highlights

### ■ Strategic Objectives

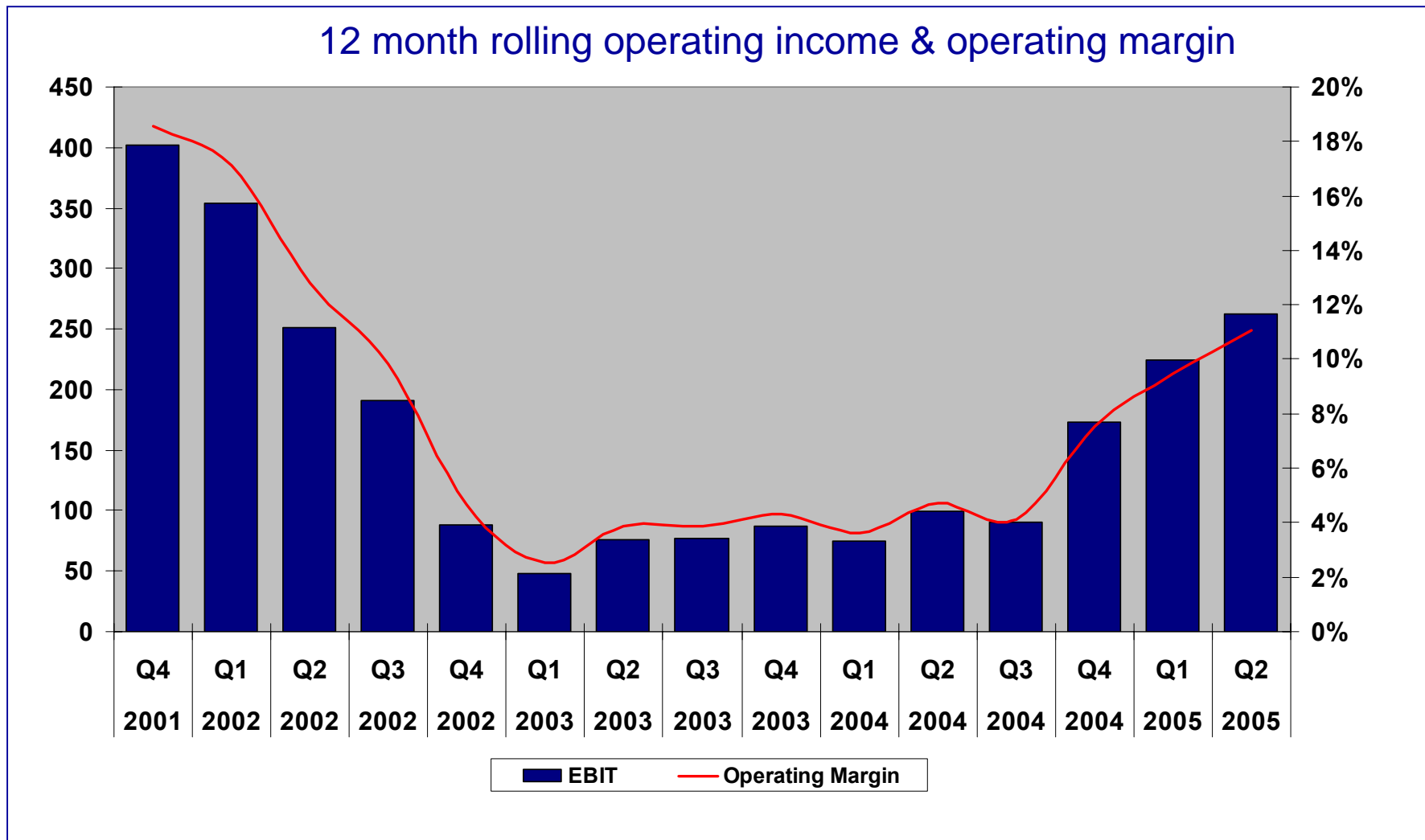
- TV3 to become #1 commercial free-to-air channel in Sweden within 5 years
- TV3 to become #2 commercial free-to-air channel in Norway within 5 years
- > 15% operating margin

### ■ Delivery on Objectives

- 4% year on year sales growth in Q2 and 9% for year to date BUT almost doubling of operating income in Q2 and tripling for year to date – 19% operating margin in Q2 – primarily reflecting distribution cost savings
- Weak Danish advertising market in the second quarter
- TV3 Sweden underperforms with weak sales & viewing performance – partly driven by strategic move to air more sports content on Viasat Sport to drive subscriber intake
- Strong Fall schedules on programming – return of successful formats with internationally proven new studio acquisitions and local productions
- TV3 Norway takes viewing and market shares
- > 20% combined sales growth for ZTV and TV3+ and profit of SEK 51 million for year to date



# TV3 Scandinavia Profitability Trend



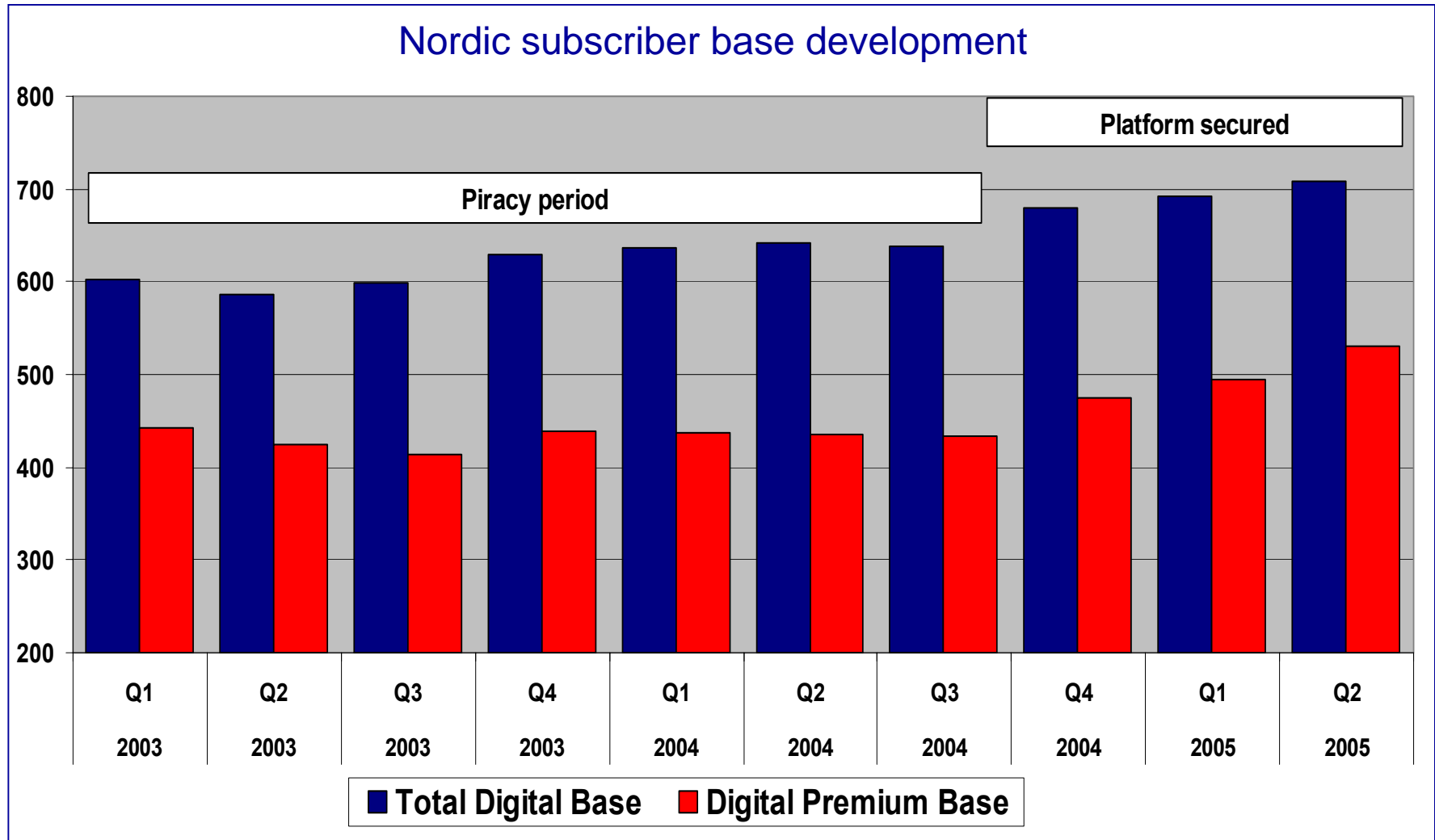
# Pay-TV

## Subscriber development

Subscribers (000's)	Jun 2005	Mar 2005	Dec 2004	Jun 2004
<b>Digital</b>	<b>709</b>	693	680	644
of which, 'Premium' Nordic	<b>519</b>	494	475	436
of which, 'Premium' Baltics	<b>24</b>	21	15	2
of which, Basic Nordic	<b>165</b>	178	190	206
Central & East Europe cable	<b>9,159</b>	7,898	6,400	3,400
IPTV	<b>7</b>	2	-	-

- 10,000 basic tier subscribers remain to be migrated to the VideoGuard encrypted signal and are NOT included in the table above
- 6,000 premium subscribers have twin subscriptions but are only counted once in table above

# Viasat Subscriber Base – continued growth



# Pay-TV Nordic Highlights

## Strategic Objectives

- Grow net subscriber base
- Increase ARPU
- > 15% operating margin

## Delivery on Objectives

- Sales up 10% year on year in Q2 and 8% for year to date
- Continued strong net premium DTH subscriber intake – up 25,000 in Q2 and up 83,000 or 19% since June 2004
- Operating margin increases to 19% from 16% in Q2 04 and operating income up 32% year on year in Q2
- 7 new premium movie & sports channels launched since Q2 2004
- New third party channels added to Viasat's premium pay-TV offering in 2005; TV4 channels, 'E! Entertainment Television', 'Toon Disney', 'Cartoon Network' and 'TCM'
- Churn gradually decreasing and annualized premium ARPU up 5% year on year to SEK 3,204 in Q2
- 7,000 'Viasat Gold' IP-TV package subscribers by end of Q2 reflecting Viasat's position as the first non-cable and non-terrestrial Swedish pay-TV platform to offer 'Big 6' channels

# Central & Eastern Europe Highlights

## Strategic Objectives

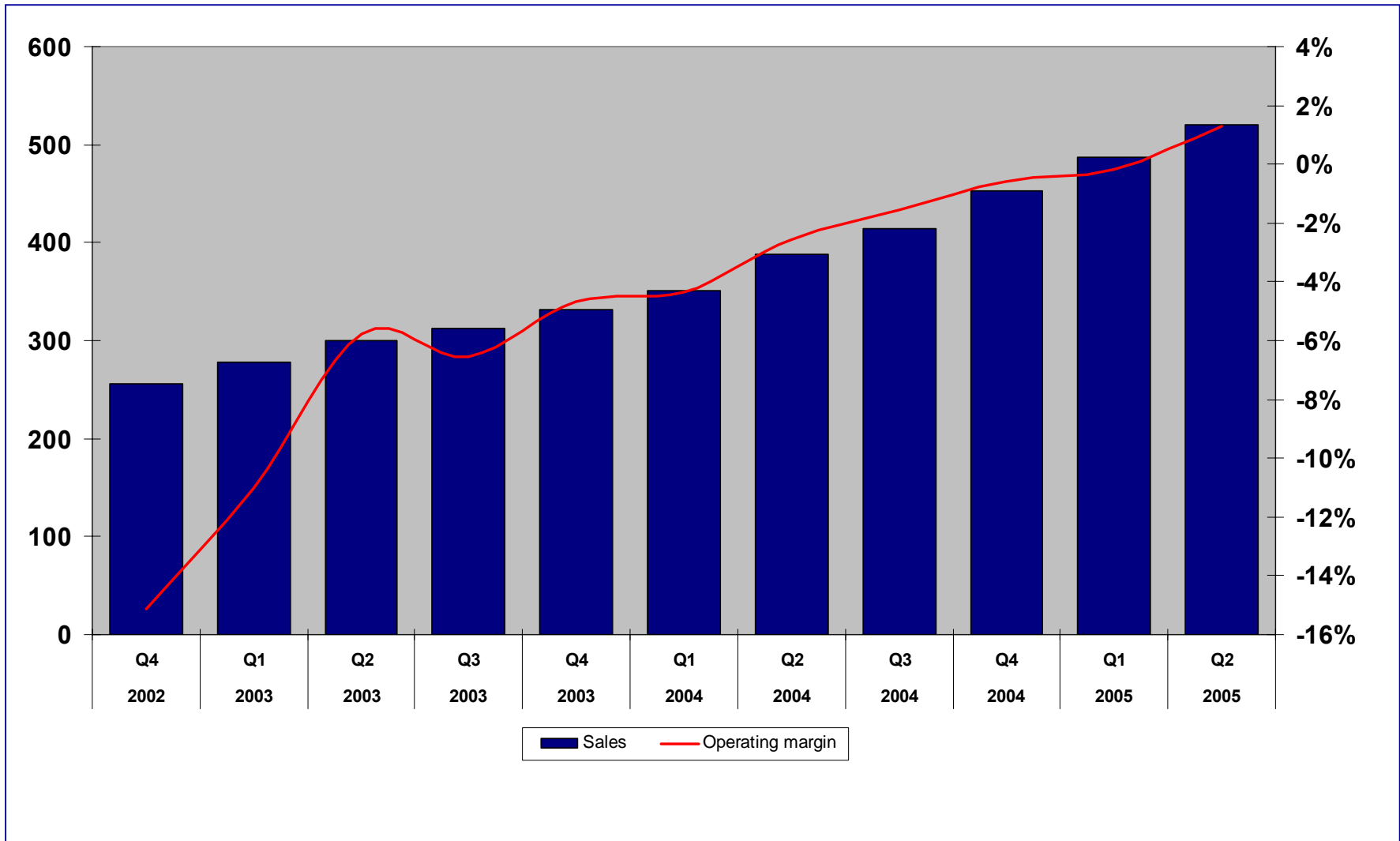
- Export integrated model into new high growth territories
- Generate same level of revenues and profits as Nordic operations within 4 years
- > 15% operating margin

## Delivery on objectives

- 28% year on year sales growth in Q2 and 34% for year to date
- > 50% year on year increase in operating profit in Q2 and first combined half year profit  
- 12% operating margin in Q2
- Lower level of growth in Baltic free-to-air operations due to strong performance in Q2 04 – 31% operating margin in Q2 following launch of 3+ in Estonia and programming investments
- VIASAT3 Hungary achieves first monthly breakeven as CSOV rises above target 5% level  
– sales up over 80% year on year and significantly reduced losses
- 49% year on year sales growth for associated company CTC Media and 40% operating margin in Q2 – participation in earnings almost triples to SEK 62 million
- Mini-pay business extends footprint into 4 new territories and adds 1.3 million subscribers in Q2  
– 4 Viasat channels now attract 9.2 million subscribers in 15 countries

# Balanced Expansion – C&E Europe

12 month rolling revenue & operating margin development



# Results by Business Area

## Net Sales & Operating Income

(SEK million)	Q2 2005	Q2 2004	H1 2005	H1 2004	FY 2004
<b>Net Sales</b>					
Viasat Broadcasting	1,587	1,371	2,948	2,536	5,212
Radio	85	60	145	99	216
Other Business Areas	373	352	797	723	1,657
Parent Company & Other Companies	40	37	74	67	116
Eliminations	-105	-143	-243	-272	-553
SDI Media & Discontinued Businesses	-	94	0	189	187
<b>Total net sales</b>	<b>1,979</b>	<b>1,772</b>	<b>3,721</b>	<b>3,343</b>	<b>6,836</b>
<b>Operating income (EBIT)</b>					
Viasat Broadcasting	361	212	577	345	737
Radio	11	8	2	-1	3
Other Business Areas *	11	21	10	37	39
Parent Company & Other Companies	-47	-45	-74	-83	-122
SDI Media & Discontinued Businesses	-	13	-	23	21
Net gain from the sale of SDI	-	-	-	-	381
<b>Total EBIT</b>	<b>337</b>	<b>210</b>	<b>515</b>	<b>321</b>	<b>1,058</b>

\* Including a SEK 10 non-cash write down of beneficial rights in Sonet Film in Q1 05 and SEK 78 million in non-cash write-downs in Modern Studios businesses in Q4 04

# MTG Radio

## Highlights

### Strategic Objectives

- Increase penetration
- Increase share of listening & advertising market shares
- Increase profitability

### Delivery on Objectives

- Further market share gains with 42% year on year sales growth in Q2 and 47% for year to date
- Consolidated operations return to profitability in Q2 following operational integration of 20 NRJ stations in September 2004 – operating costs up 50% year on year for first six months of 2005
- Addition of two new Swedish cities to RIX FM national network – penetration now at 88%
- MTG Radio now operates 53 out of 86 Swedish commercial radio stations and attracts 61% combined daily commercial share of listening
- Share of earnings in associated company P4 Radio in Norway triples for year to date



# Other Businesses

## Highlights

- Modern Studios content production, sales & distribution businesses report stable first half year growth but decline in Q2 and decline in margins for both periods due to record level of high margin option sales by Strix TV in 2004
- Strix signed licensing agreements for production of its formats to Croatia, Georgia and Slovenia during Q2 + options in India and Israel
- Sale of majority of LA based Modern Entertainment's film rights library and announcement of intention to close down business in line with strategic focus on core broadcasting assets
- Home Shopping businesses report combined 18% sales growth in Q2 and 19 % for year to date
- Sales growth in all territories and product categories for CDON
- Launch of new Nordic TVShop channel – 'TVShop 24/7 – and CDON's online DVD rental business in Q2
- Margin increases for Home Shopping businesses in quarter and for year to date

# Cash flow

(SEK million)	Q2 2005	Q2 2004	H1 2005	H1 2004	FY 2004
Cash flow from operations	270	200	401	305	558
Payment to STIM for years prior to current year	-	-	-	-	-103
Changes in Working Capital	-61	15	5	-7	123
<b>Net cash flow from operations</b>	<b>209</b>	<b>214</b>	<b>406</b>	<b>298</b>	<b>578</b>
Proceeds from sales of shares & subsidiaries	-	-	513	-	449
Investments in shares in subsidiaries & associates	-12	-	-29	-	-496
Net Investments in fixed assets	-20	-33	-37	-56	-107
Other cash flow from investing activities	19	-	19	3	3
<b>Cash flow to investing activities</b>	<b>-13</b>	<b>-33</b>	<b>466</b>	<b>-53</b>	<b>-150</b>
<b>Cash flow from/to financing activities</b>	<b>-11</b>	<b>-145</b>	<b>14</b>	<b>-249</b>	<b>-251</b>
<b>Net change in cash and cash equivalents for the period</b>	<b>185</b>	<b>36</b>	<b>886</b>	<b>-4</b>	<b>177</b>

- Annual coupon of EUR 6.6 million on the €120 million convertible bond paid in Q2
- Cash proceeds of SEK 513 million from sale of shares in TV4 AB in Q1

# Balance Sheet

(SEK million)	30 Jun 2005	30 Jun 2004	31 Dec 2004
Non-current assets	4,517	2,820	3,126
Current assets	4,354	2,823	3,273
<b>Total assets</b>	<b>8,871</b>	<b>5,643</b>	<b>6,398</b>
Shareholders' equity	5,053	2,319	2,785
Long-term liabilities	1,247	1,344	1,172
Current liabilities	2,571	1,980	2,441
<b>Total equity &amp; liabilities</b>	<b>8,871</b>	<b>5,643</b>	<b>6,398</b>

- Equity to assets ratio of 57%
- SEK 2.3 billion of available liquid funds (including unutilised credit facility) and SEK 1.5 billion in cash & cash equivalents; portfolio of listed securities with market value of SEK 2.5 billion
- Net cash position of SEK 449 million

## Q2 Summary – 'on track' with 5 year plan

- 19% operating margin for Free-to-air TV Scandinavia
- 19% operating margin for Pay-TV Nordic
- 12% operating margin for C & E Europe (excluding CTC Media)
- Operating free cash flow, net cash position and listed securities provide significant flexibility
- Strong capital discipline

## Q2 Summary – 'on track' with 5 year plan

- Strong Fall schedules position TV3 to improve ratings and take market share
- Further strong net premium subscriber intake reflecting price leadership / enhanced content / declining churn
- Addition of new Viasat and 3<sup>rd</sup> party premium channels to pay-TV offering
- CTC continues ratings and sales growth and delivers 40% EBIT margin
- Mini-pay footprint more than doubles year on year to 9.2 million subscribers in 15 C & E European countries
- Increased shareholding in Nordic Betting; IPTV roll-out; and launch of PVR technology in second half provide new platforms for further growth

# **Modern Times Group MTG AB**

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and 6 months ended 30 June 2005**

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