



# Maximising the Power of Entertainment

## Modern Times Group MTG AB

Fourth Quarter and Full Year Financial Results  
2006

London, 16 February 2007



# Results Highlights

## Record Sales & Profits



### Fourth quarter

- Group net sales up 18% to SEK 2,918 million
- Group operating income of SEK 435 million, including SEK 79 million non-cash write down of intangible assets
- Viasat Broadcasting net sales up 14% to SEK 2,310 million and operating profit up 16% to SEK 501 million
- Net income of SEK 316 million
- Net intake of 41,000 premium subscribers in Nordic region
- Cash from ops doubled to SEK 673 million
- Basic earnings per share of SEK 4.60 (4.29)

### Full Year

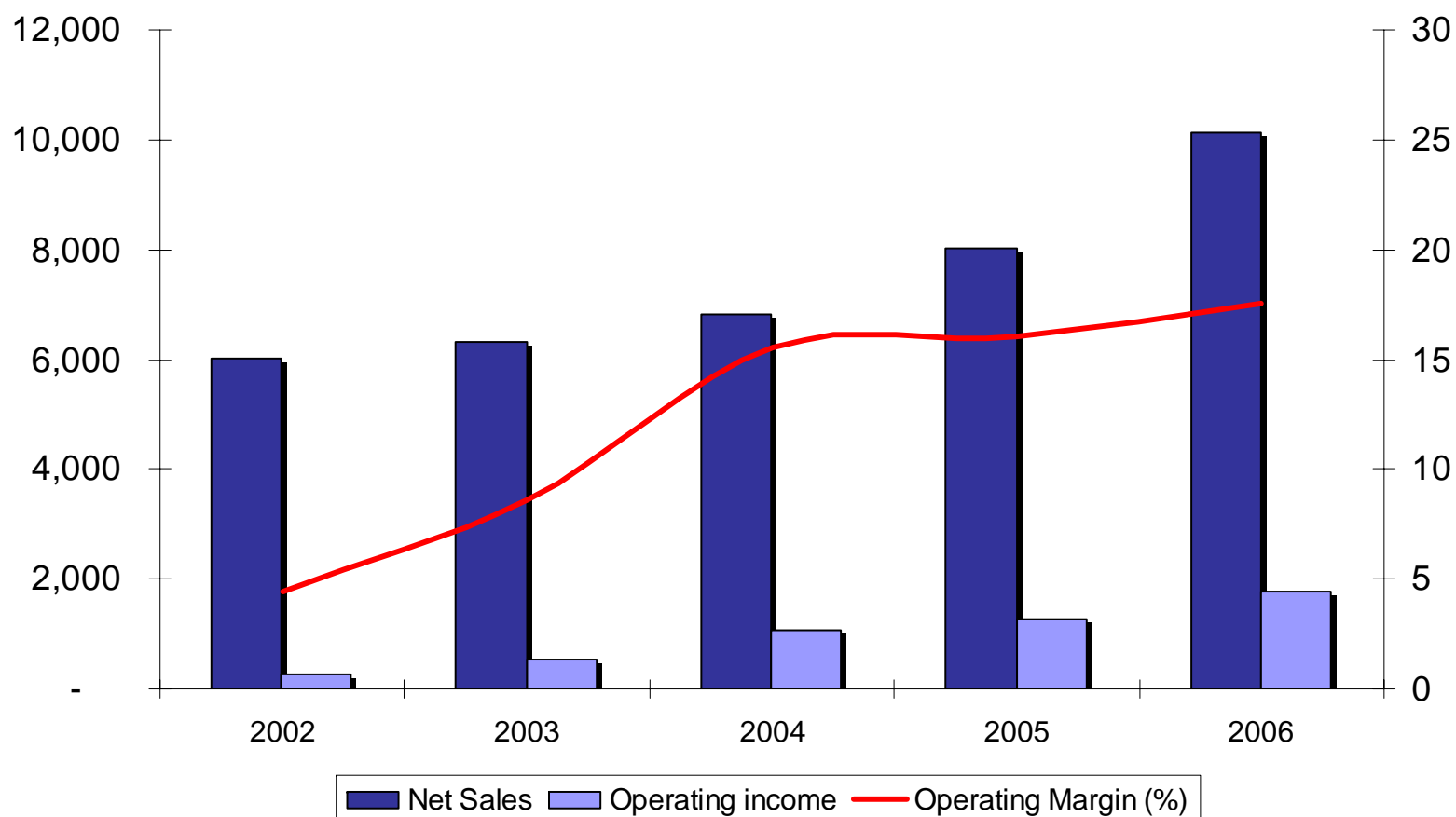
- Group net sales up 27% to SEK 10,136 million
- Group net sales up 17% excluding new businesses
- Group operating income up 47% to SEK 1,777 million, despite SEK 79 million non-cash write down
- Viasat Broadcasting net sales up 29% to SEK 8,291 million and operating income up 43% to SEK 1,880 million
- Net income of SEK 1,499 million, including SEK 241 million non-cash financial gain from CTC Media IPO
- Basic earnings per share of SEK 21.57 (17.78)
- Board to propose dividend of SEK 7.50 per share & buy-back of up to 10% of share capital

# 5 Years of Growth



(SEK million)

(%)



# Strategic Objectives

Set in June 2004



## Objective

- Double Viasat Broadcasting revenues in 5 years
- MTG to become #1 commercial free-to-air operator in Sweden and TV3 to become #2 commercial free-to-air channel in Norway within 5 years
- Export integrated model into new high growth territories - C & E European businesses to generate same level of broadcasting revenues & profits as Scandinavian operations within 5 years
- >15% operating margins in 3 core businesses - Free-to-air TV Scandinavia; Pay-TV Nordic; C&E Europe

## On Track

- ➔ Viasat Broadcasting sales up 78% from 2003
- ➔ Continuation of shut-down of Swedish analogue terrestrial network increases penetration in Sweden; TV3 Norway is second largest commercial channel in comparable universe in each month
- ➔ Operating income incl. CTC Media amounted to SEK 736 million for full year, compared to SEK 1,159 million from the Nordic operations
- ➔ Full year operating margins of 18% for Free-to-air TV Scandinavia; 19% for Pay-TV Nordic; & 17% for C&E Europe (excl. CTC Media)

# Viasat Broadcasting

## Operating Results



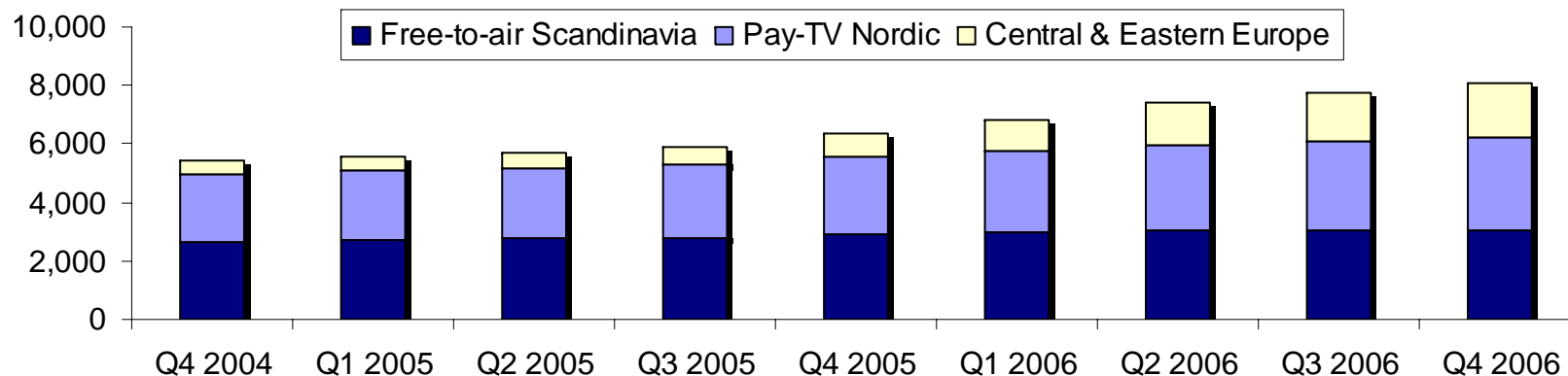
(SEK million)	Q4 2006	Q4 2005	FY 2006	FY 2005
<b>Net Sales</b>				
Free-to-air TV Scandinavia	852	875	3,038	2,912
Pay-TV Nordic	849	726	3,183	2,633
Central & Eastern Europe	553	370	1,841	813
Other & eliminations	56	52	229	80
<b>Total net sales</b>	<b>2,310</b>	<b>2,023</b>	<b>8,291</b>	<b>6,437</b>
<b>Operating income (EBIT)</b>				
Free-to-air TV Scandinavia	174	188	562	492
<i>Operating margin</i>	<b>20%</b>	22%	<b>18%</b>	17%
Pay-TV Nordic	173	136	597	507
<i>Operating margin</i>	<b>20%</b>	19%	<b>19%</b>	19%
Central & Eastern Europe	111	76	304	76
<i>Operating margin</i>	<b>20%</b>	20%	<b>17%</b>	9%
Associated Companies	39	23	432	187
Other & Eliminations	5	8	-14	54
<b>Total EBIT</b>	<b>501</b>	<b>431</b>	<b>1,880</b>	<b>1,316</b>

# Viasat Broadcasting

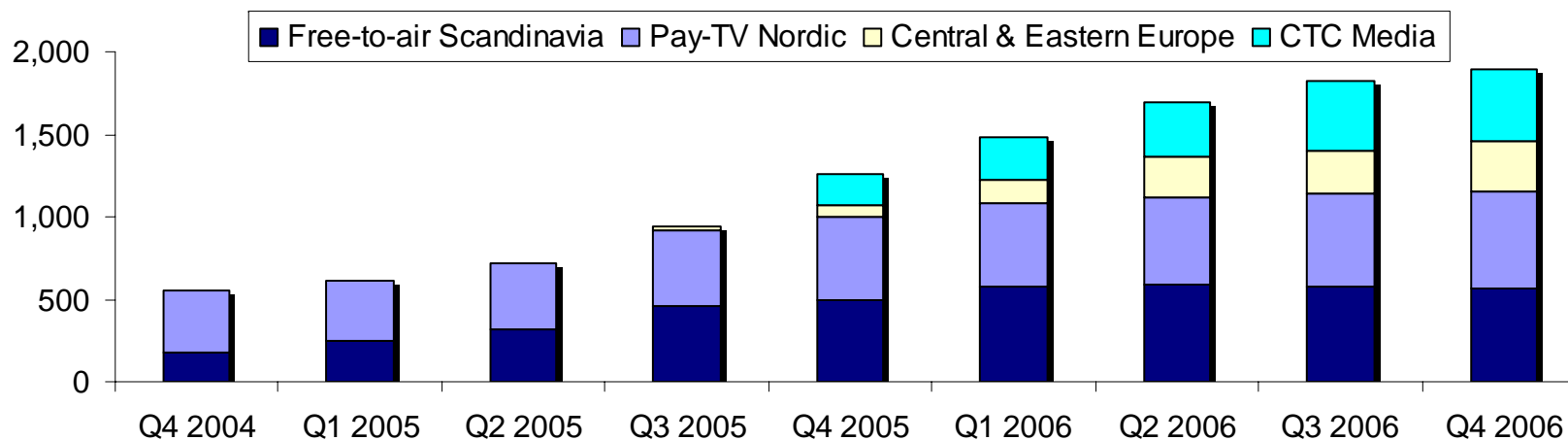
## 12 Months Rolling



Sales (SEK million)



EBIT (SEK million)

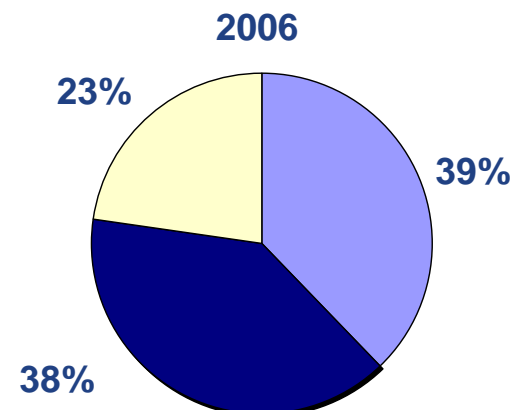
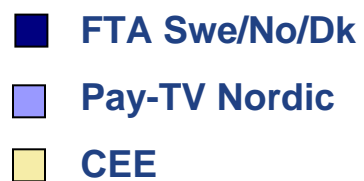
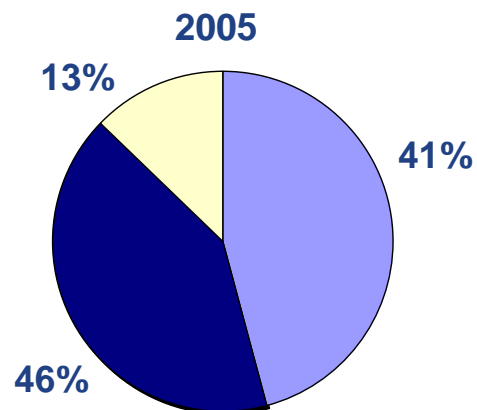


# Viasat Broadcasting

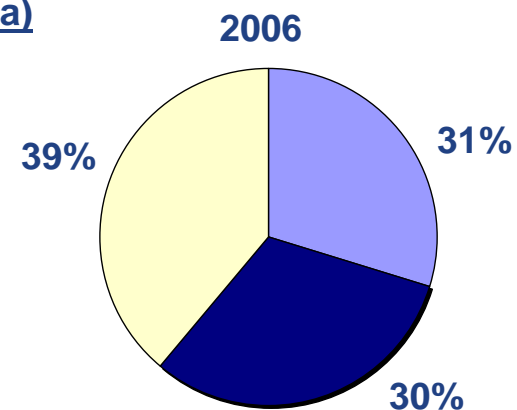
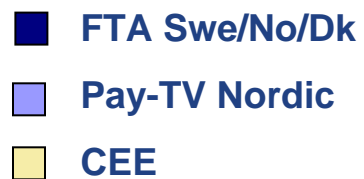
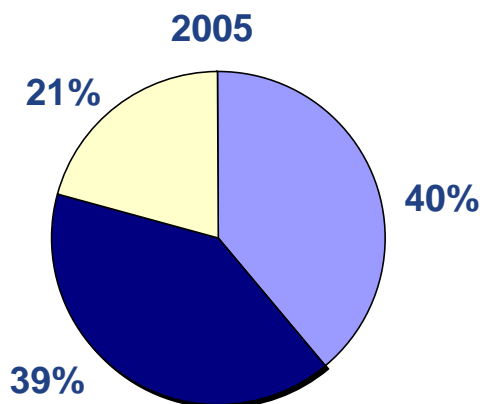
## Geographical Segmentation



### Sales



### EBIT (Including CTC Media)



# Free-to-air TV Scandinavia

Lower than anticipated costs offset lower sales



- Net sales up 4% to SEK 3,038 million in 2006
- TV3/TV6 Sweden penetration up to 78% and 75%
- CSOV (15-49) ratings flat in Sweden
- Rating decreases in Norway
- Denmark ratings down year on year in Q4 but up from Q3
- Operating costs down 1% in Q4 and up 2% for FY, due to lower than anticipated programming cost increases and release of provisions
- Operating margin of 20% in Q4 and 18% for full year
- TV6 successfully launched in Sweden with CSOV up 67% vs ZTV

Sweden



Norway



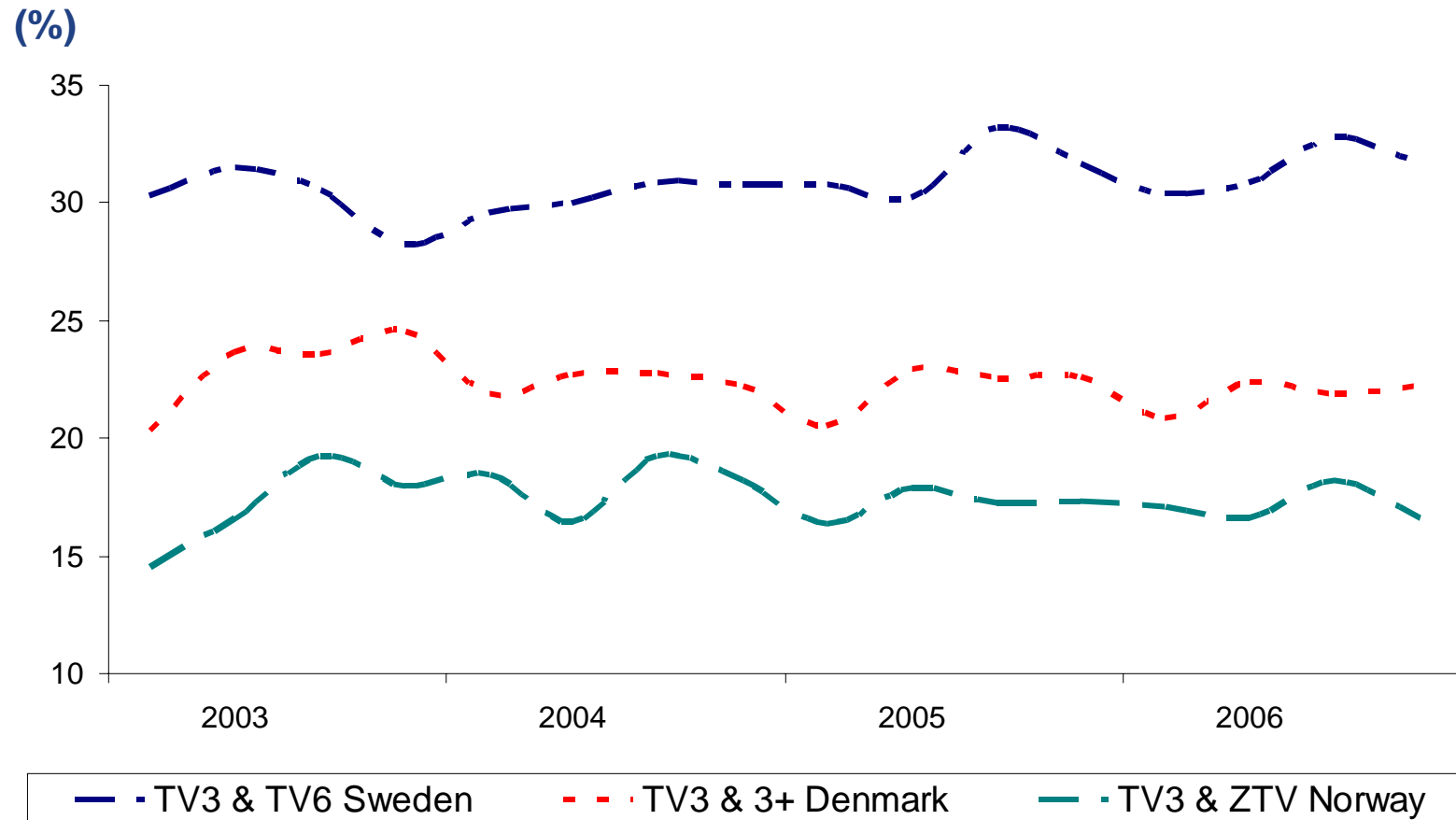
Denmark





# Free-to-air-TV Scandinavia

## Commercial Share of Viewing (15-49)



# Free-to-air TV Sweden

## Actions



- Integrated Media house approach – TV3, TV6, TV8, ZTV bundling
- Increase investments in Sports and Acquired programming with total programming costs expected to be up by approximately 10 %
- More scientific approach
  - Regular brand tracking
  - Re-engineered own-production process
  - Earlier targeted use of focus groups
  - Refocused scheduling
- Increase pressure on local production companies
- Middle management changes

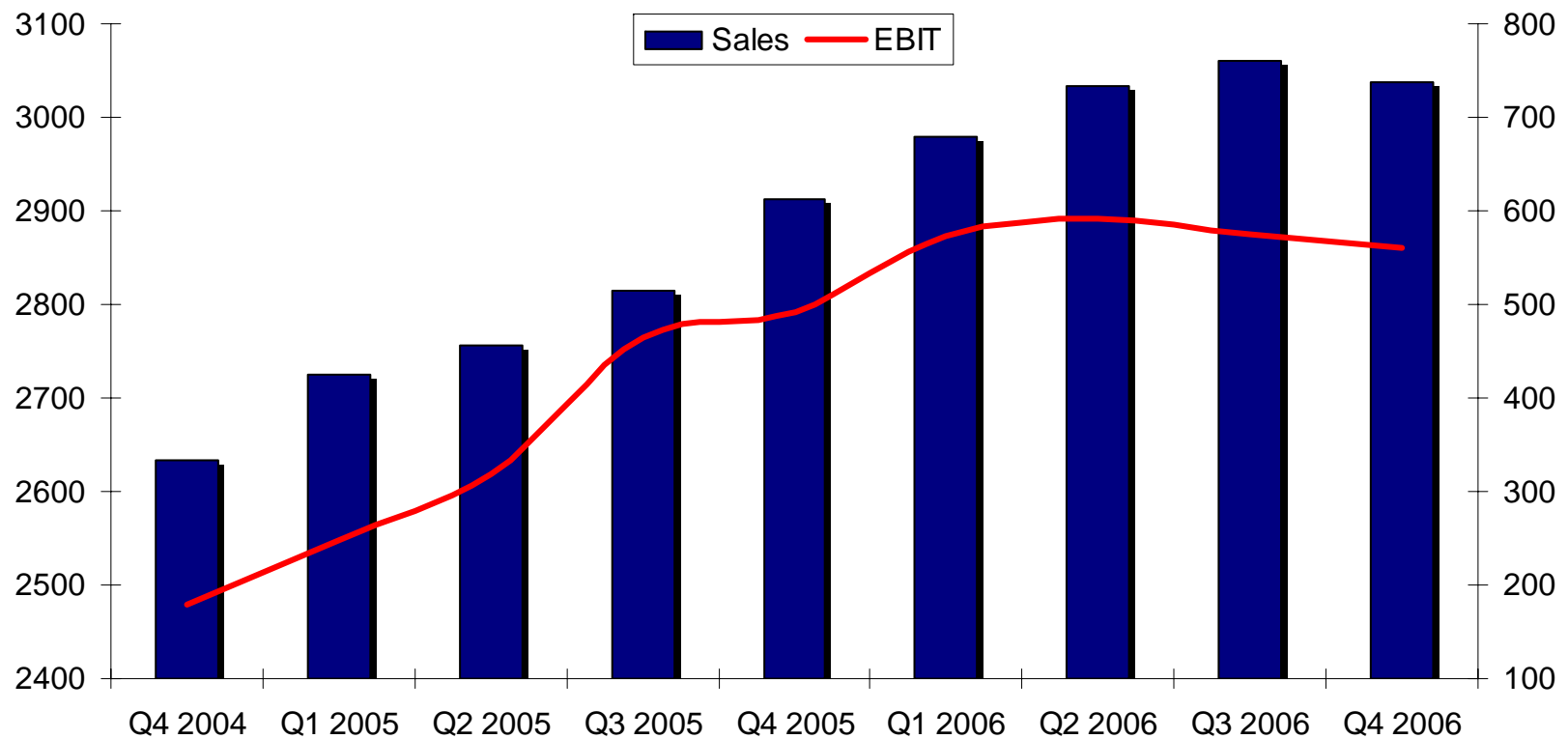
# Free-to-air TV Scandinavia

## Sales and Operating Profit - 12 Months Rolling



(SEK million)

(SEK million)



# Pay-TV Nordic

## Continued Healthy Subscriber Intake & Margins



- Net intake of 41,000 premium subscribers in Q4 – 123,000 subs added in last 12 months = 20% growth in premium subscriber base
- Net sales up 17% to SEK 849 million in Q4 and 21% to SEK 3,183 million for full year
- 12 third party channels added since beginning of 2006. Added TV2 News in Denmark from December 06
- Launch of dedicated Viasat Golf channel
- Announced launch of two new sports channels in Denmark with TV2
- Investments in content + investments in technology of approximately SEK 160 million during 2007



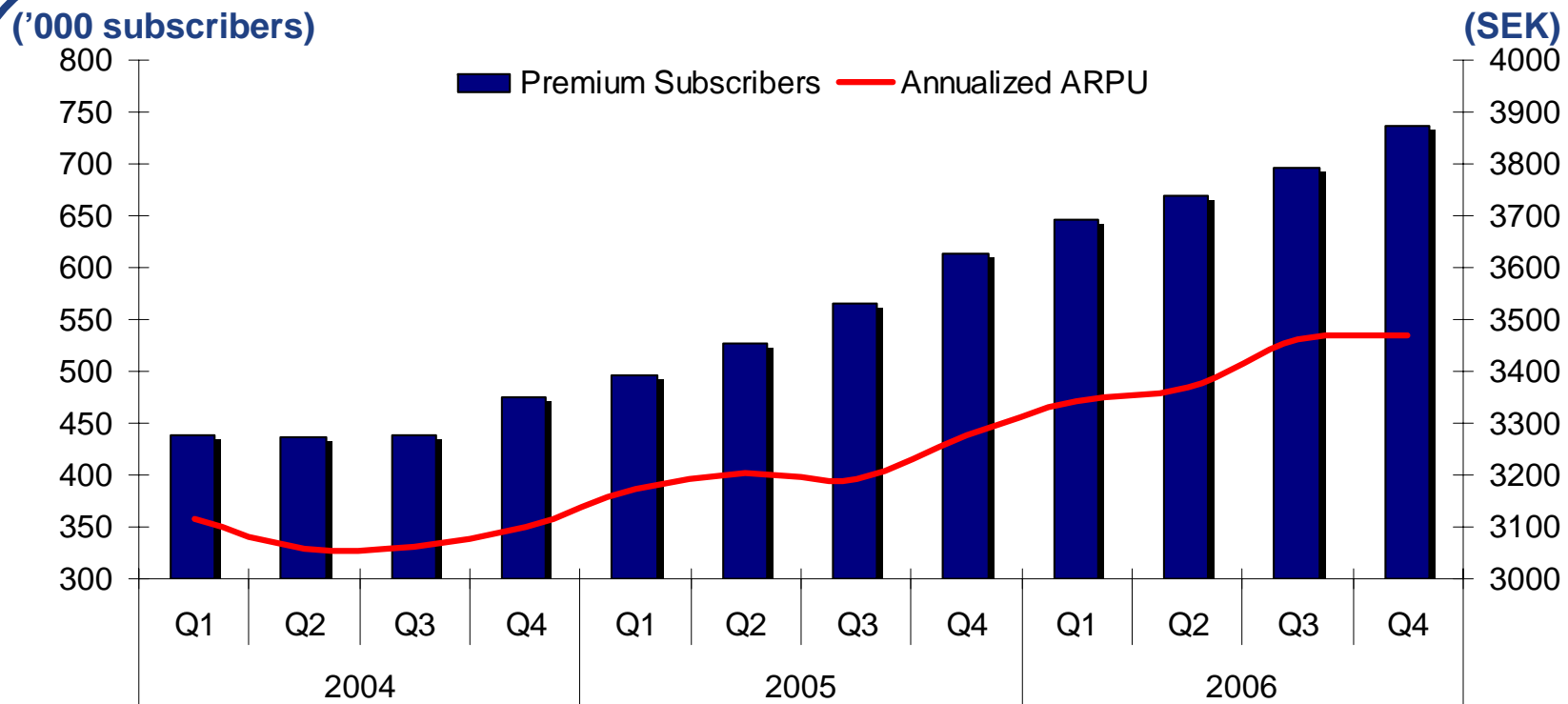
### Your No.1 Entertainer

Movies			Sports	Children
TV1000	TV1000 NORDIC	TV1000 FAMILY	SPORT 1	Disney Channel
TV1000 ACTION	TV1000 CLASSIC	TV1000 PLUS ONE	SPORT 2	Från 1 okt
Hallmark CHANNEL	TCM TURNER CLASSIC MOVIES	PECKET Play-per-day	SPORT 3	NICKELODEON
4	PRIVATE SPICE Ingår i Ticket	PLAYBOY TV	SPORT 24	CN CARTOON NETWORK
			CHELSEA TV	JETIX
			MU TV	

Entertainment	Documentaries	Music
1*	8	HISTORY
2*	explorer	nature
3	travel channel	zone reality
4	4 FAKTA	NATIONAL GEOGRAPHIC CHANNEL
6	24	Bloomberg TELEVISION
CRIME	DW-TV	CNN
3+	3	BBC WORLD
E		
TV 3		

# Pay-TV Nordic

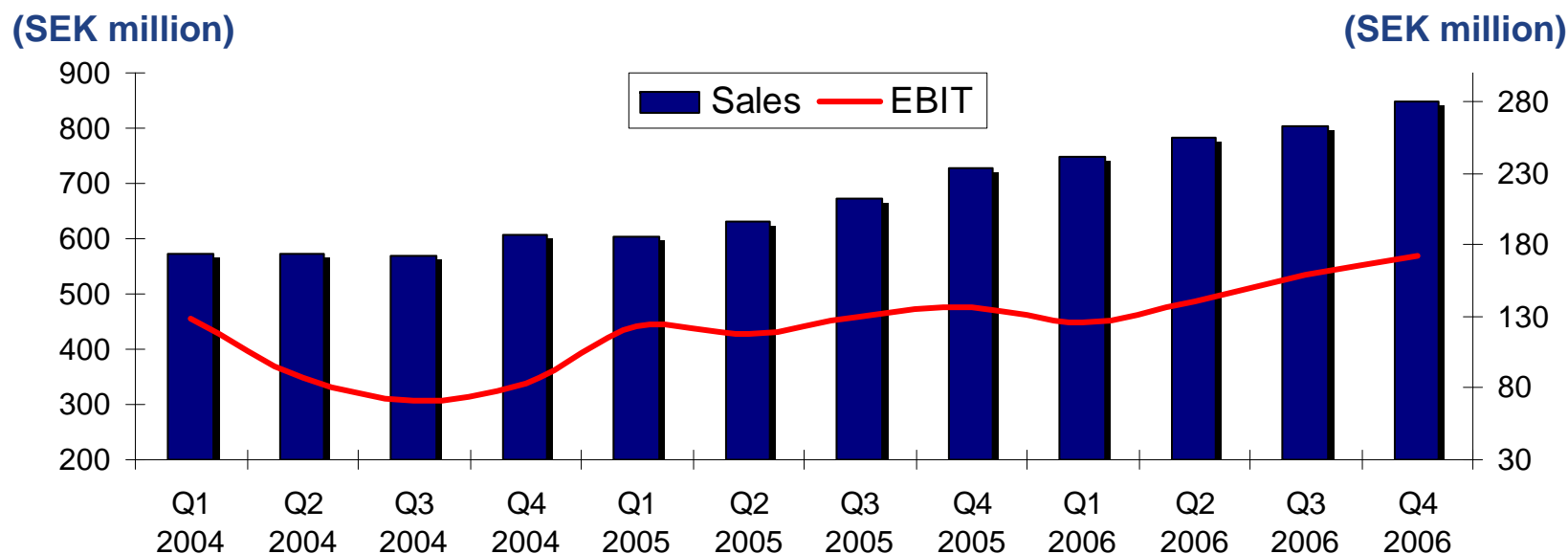
## Premium Subscriber & ARPU Growth



- 126,000 Viasat+ and Multiroom subscriptions represent 18% of premium DTH subscriber base
- ARPU up 6% year on year to SEK 3,470

# Pay-TV Nordic

## Increasing Margins



- Healthy sales growth of 17% in Q4 and 21% for the full year in highly competitive market
- Operating margin of 20% in Q4 and 19% for full year
- Leading premium offering with continued focus on premium subscribers
- Approx SEK 160 million anticipated investments in 2007 to further enhance offering

# Central & Eastern Europe

## High Growth & Increasing Profitability



- Net sales up by 49% to SEK 553 million in Q4 and more than doubled to SEK 1,841 million for full year, including consolidation of TV Prima and TV3 Slovenia
- Operating margin, excluding associated company income (CTC), of 20% (20%) and 17% (9%) for the two periods
- Addition of new Viasat Sport channel together with NASN from November 2006
- DTV net sales up 38% to SEK 51 million in Q4 and near doubled to SEK 181 million for full year.
- Baltics net sales up 21% to SEK 471 million with pan-Baltic CSOV (15-49) of 36.9% for the full year
- First time ever annual profit for DTV Russia and Viasat3 Hungary

### ■ The Baltics



### ■ Czech Republic



### ■ Russia



### ■ Hungary



### ■ Slovenia



### ■ Pay-TV

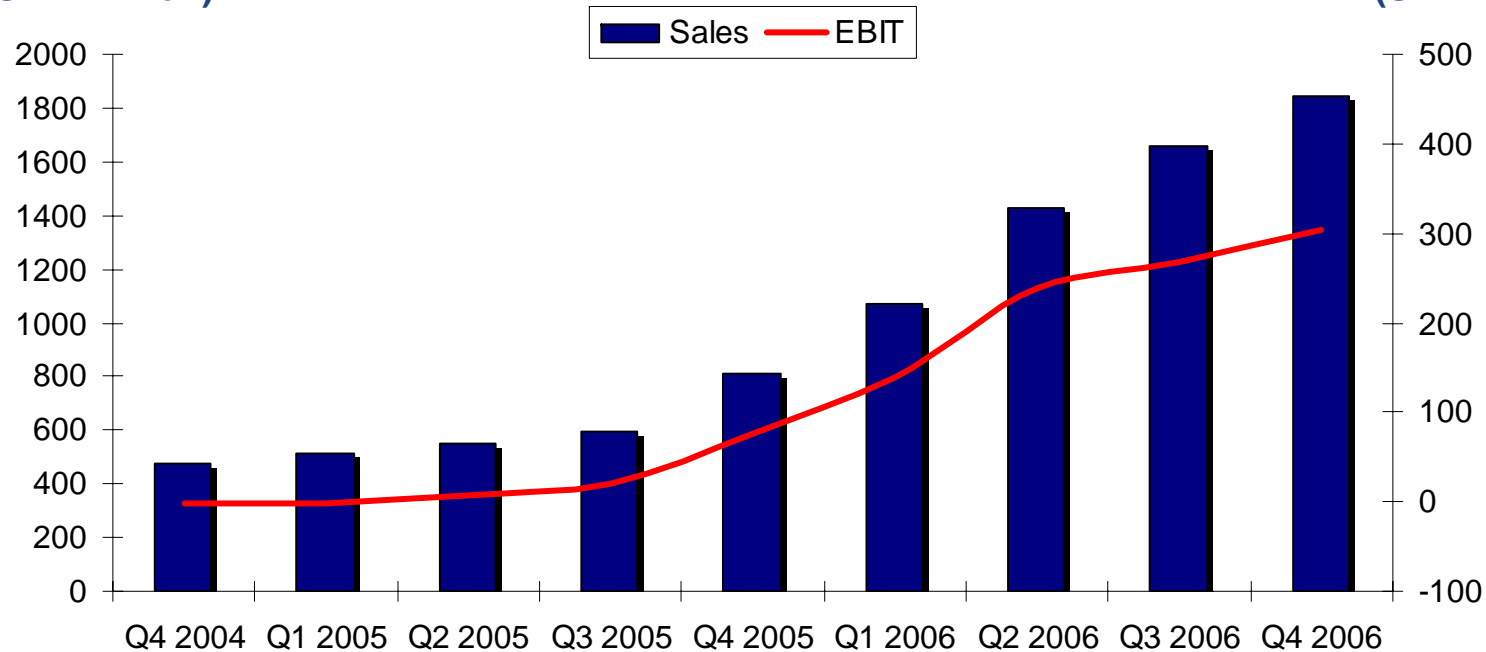


# Central & Eastern Europe

12 Months Rolling (Excl. CTC media)



(SEK million)



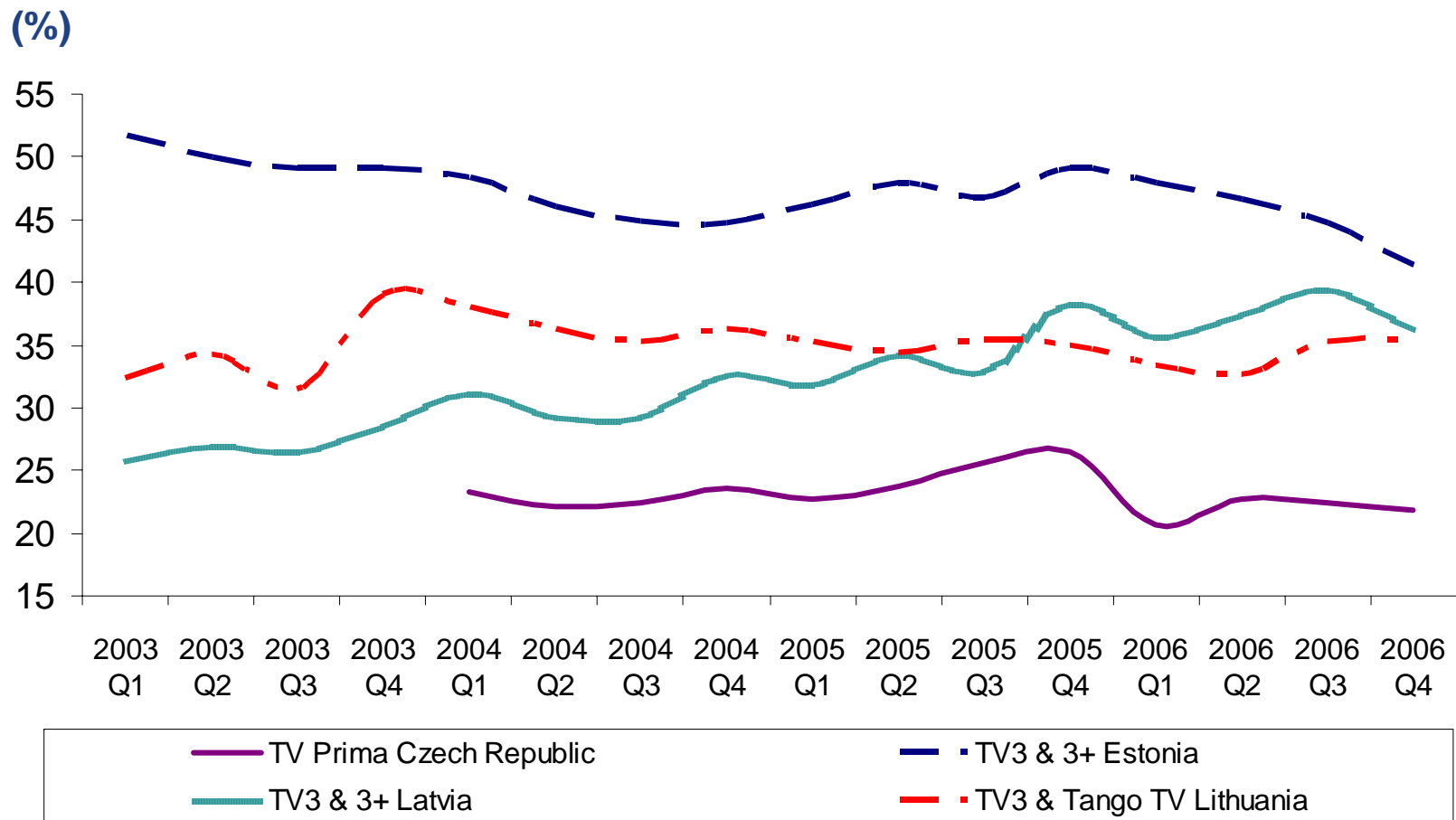
(SEK million)

- Strong exposure to fast growing Eastern European markets
- Proven strategy for acquisition and management of Eastern European assets
- Strong integrated model and know-how benefits future expansion



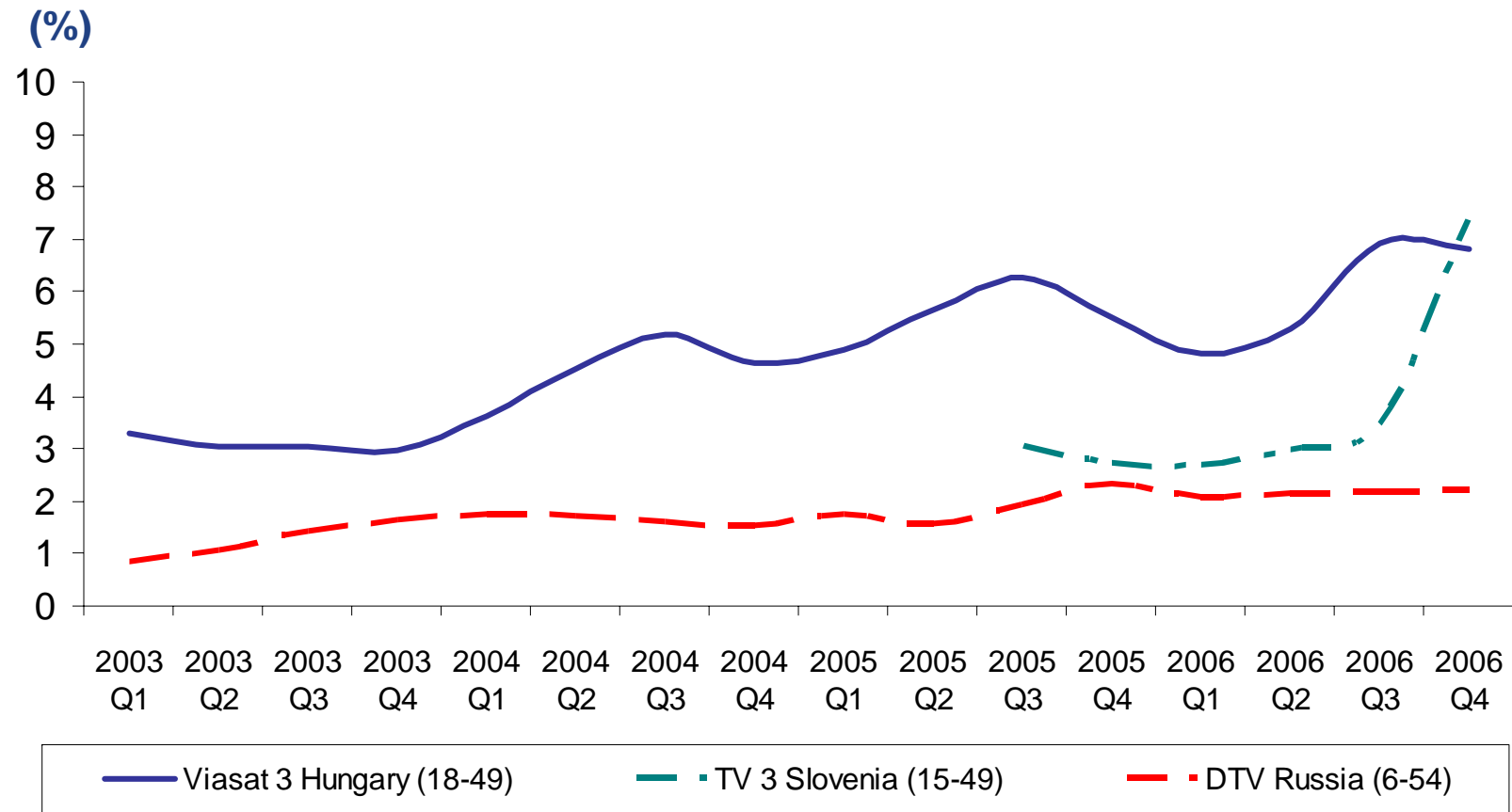
# Free-to-air TV Eastern Europe

## Commercial Share of Viewing



# Free-to-air TV Eastern Europe

## Commercial Share of Viewing contd.



- Underlying net sales growth of 32% in Q4 and of 56% for FY
- Operating profits of SEK 52 million in Q4 and SEK 171 millions for full year = operating margins of 22% and 20%
- Management continues to implement changes to improve operating efficiency
- Focus on delivery of prime time own productions to boost overall ratings
- Agreements with Warner, Universal, Fox and Disney signed during 2006

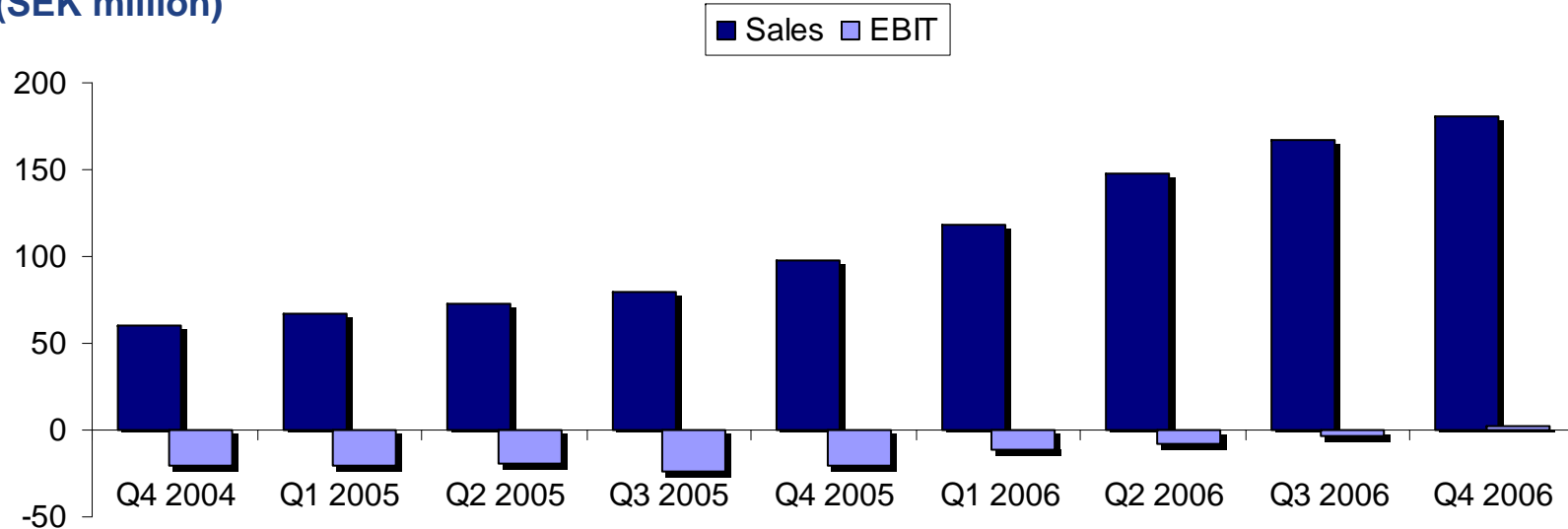


# DTV Russia

## 12 Months Rolling



(SEK million)



- Distribution increase through MosTelecom deal now expected to add 1.5 million households in Moscow
- 2005 sales agreement with Video International drives sales growth
- First ever annual profit despite continued programming investments

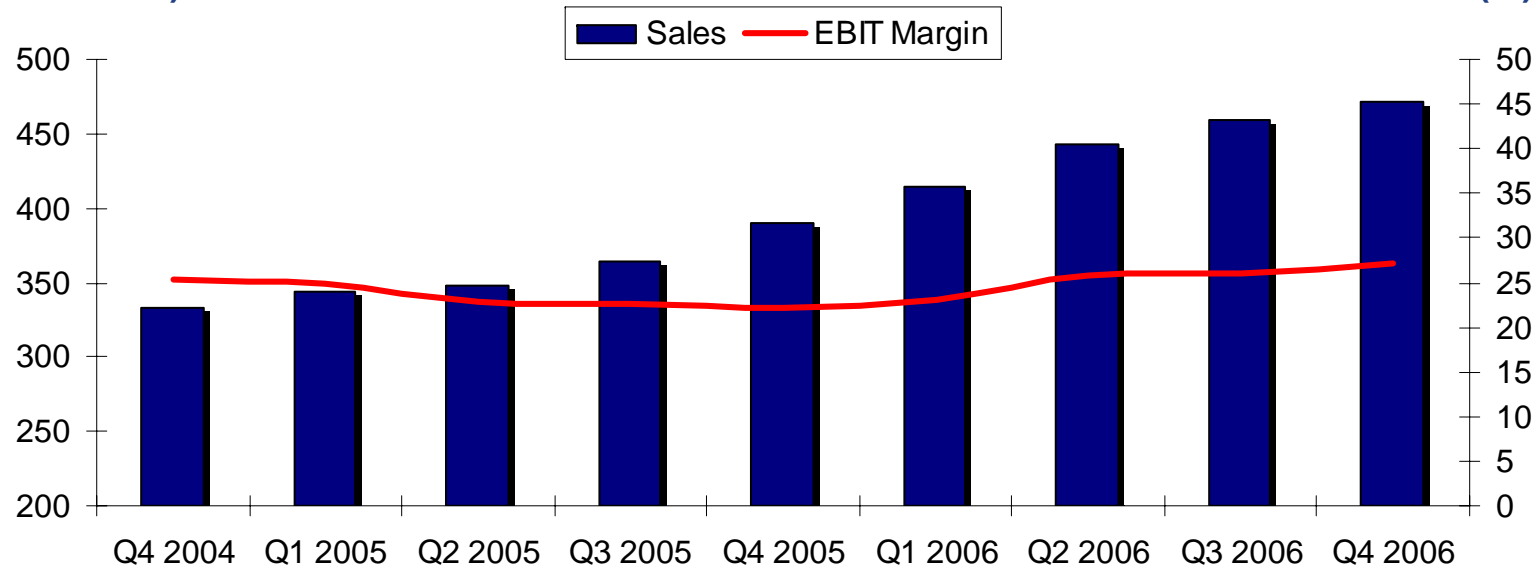
# Free-to-air TV Baltics

## 12 Months Rolling



(SEK million)

(%)



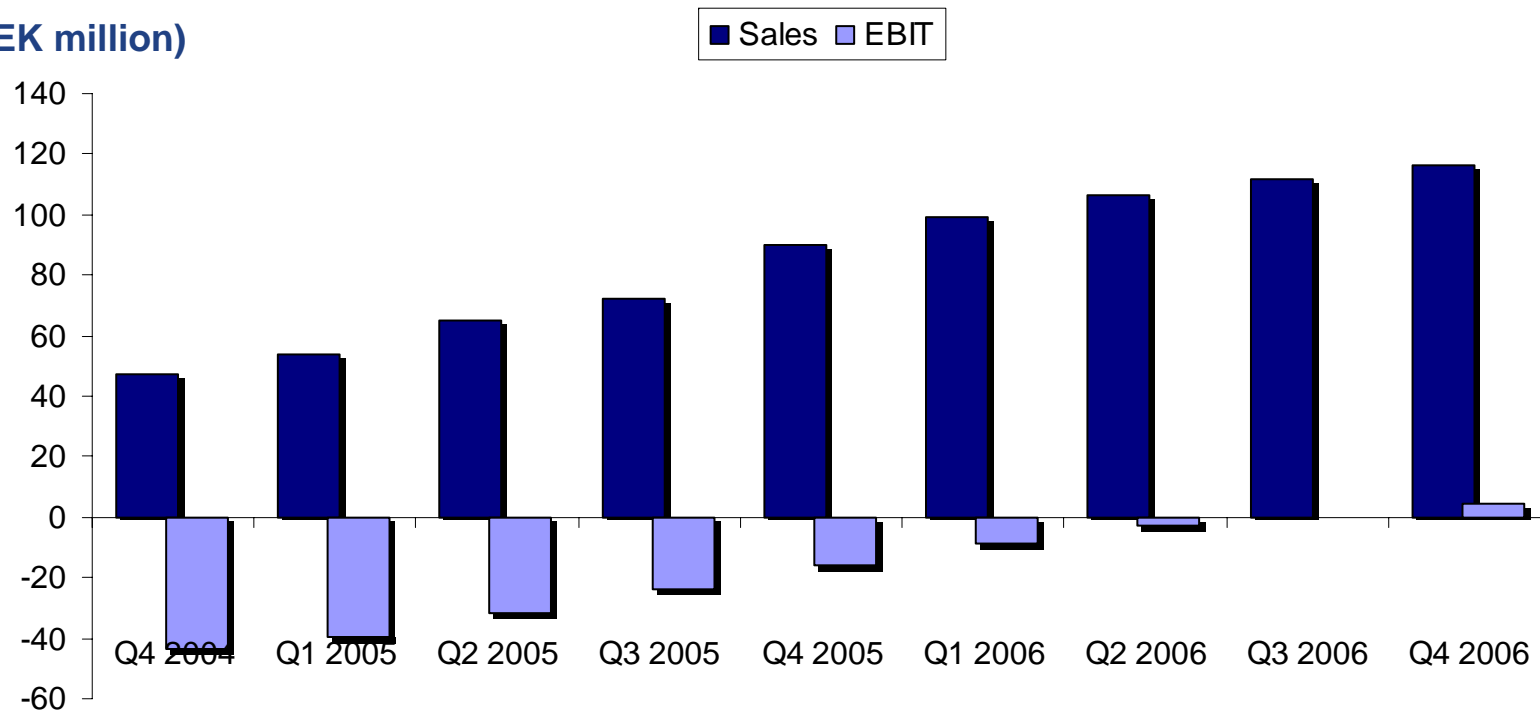
- Recognized brands with leading market positions
- Recent ratings softness in Estonia being addressed through local productions of hit international formats
- Continued net sales and profits growth, and margin improvement

# Viasat3 Hungary

## 12 Months Rolling



(SEK million)



- Net sales up 16% to SEK 38 million in Q4 and 30% to SEK 117 million for FY
- First ever annual profit + 13% margin in Q4
- Continued ratings and market share improvements

# TV3

## Slovenia



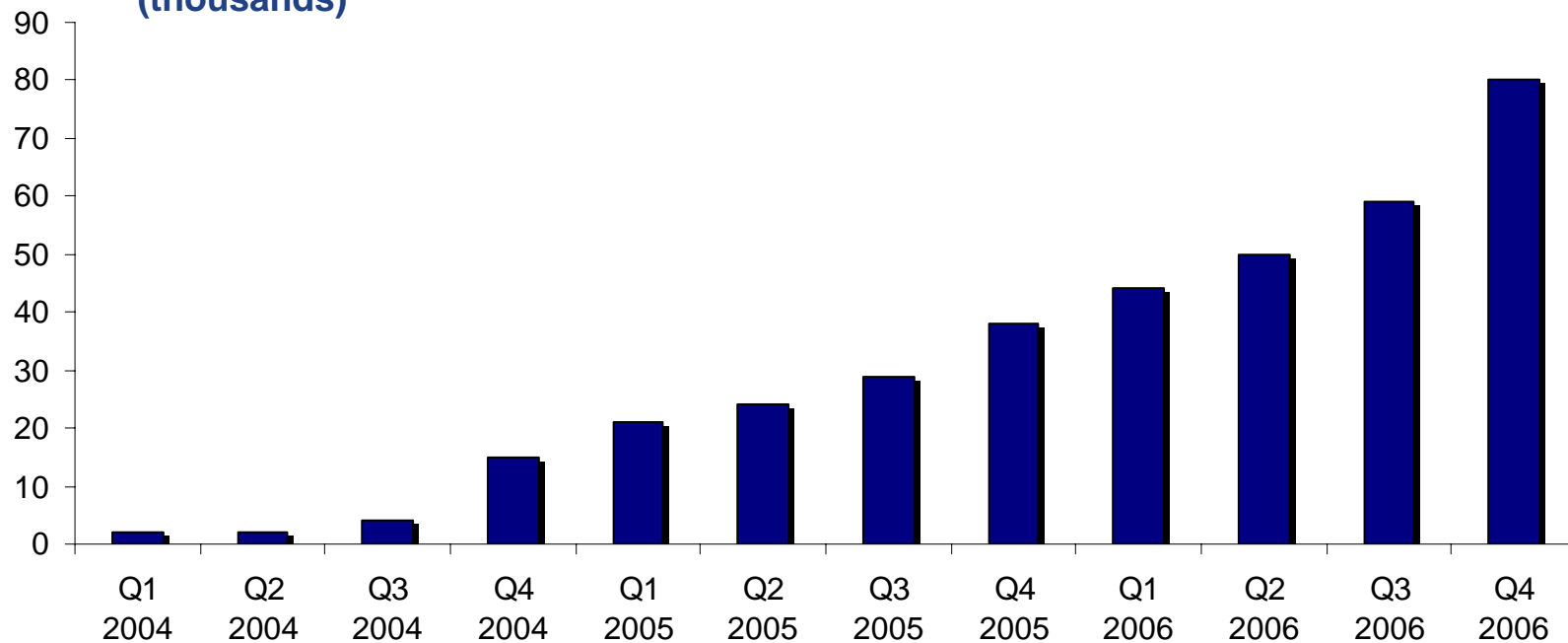
- Acquired 100% of issued share capital of Prva TV d.o.o. in August 2006
- Total cash consideration of EUR 8.1 million
- Rebranding of TV3 Slovenia within 1 month of control
- Ongoing investments in programming and branding
- More than doubling in CSOV to 7.3% by year end
- Operating loss of SEK 12 million for Q4 and SEK 15 million since acquisition



# Baltic DTH Pay-TV Platform



**Premium DTH Subscribers  
(thousands)**



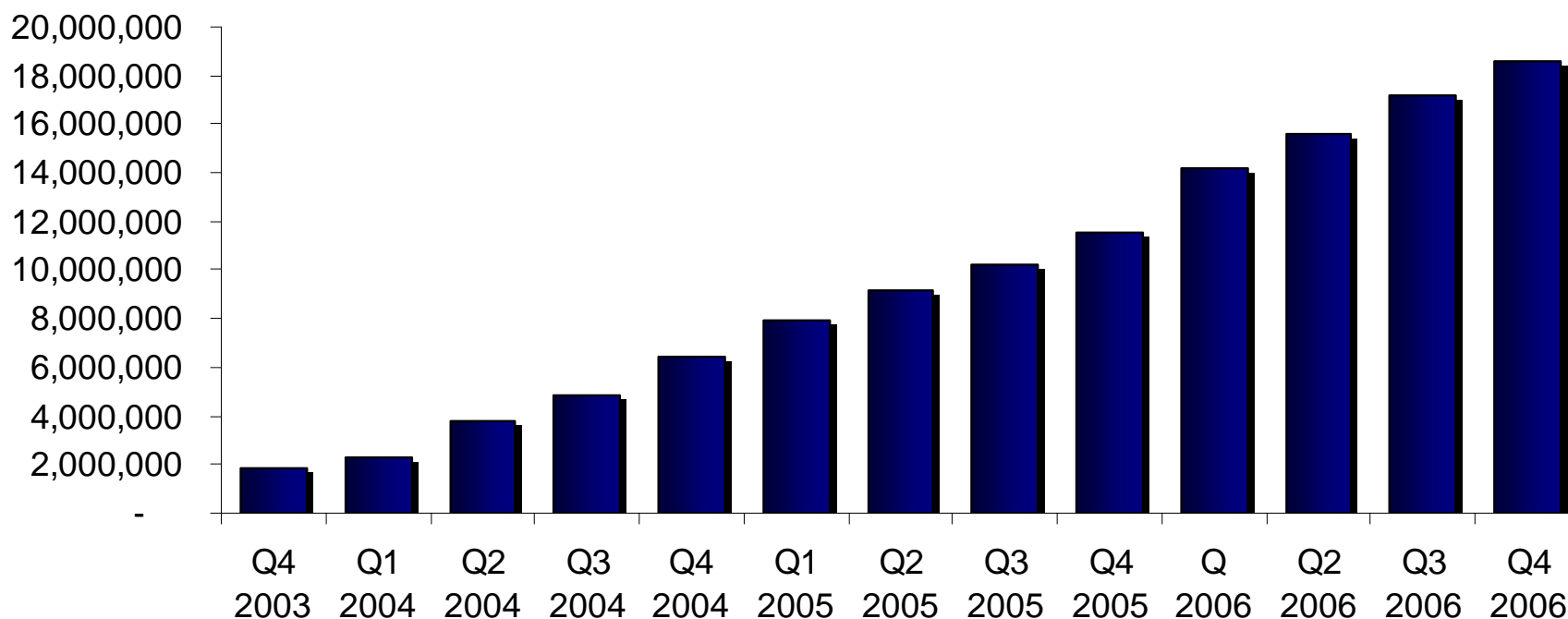
- Doubling of premium subscriber base to 80,000 by year end
- Viasat established as largest digital TV operator in the Baltics
- Addition of ten Baltic public service channels to platform in summer 2006



# Wholesale Pay-TV Eastern Europe



## Subscriptions



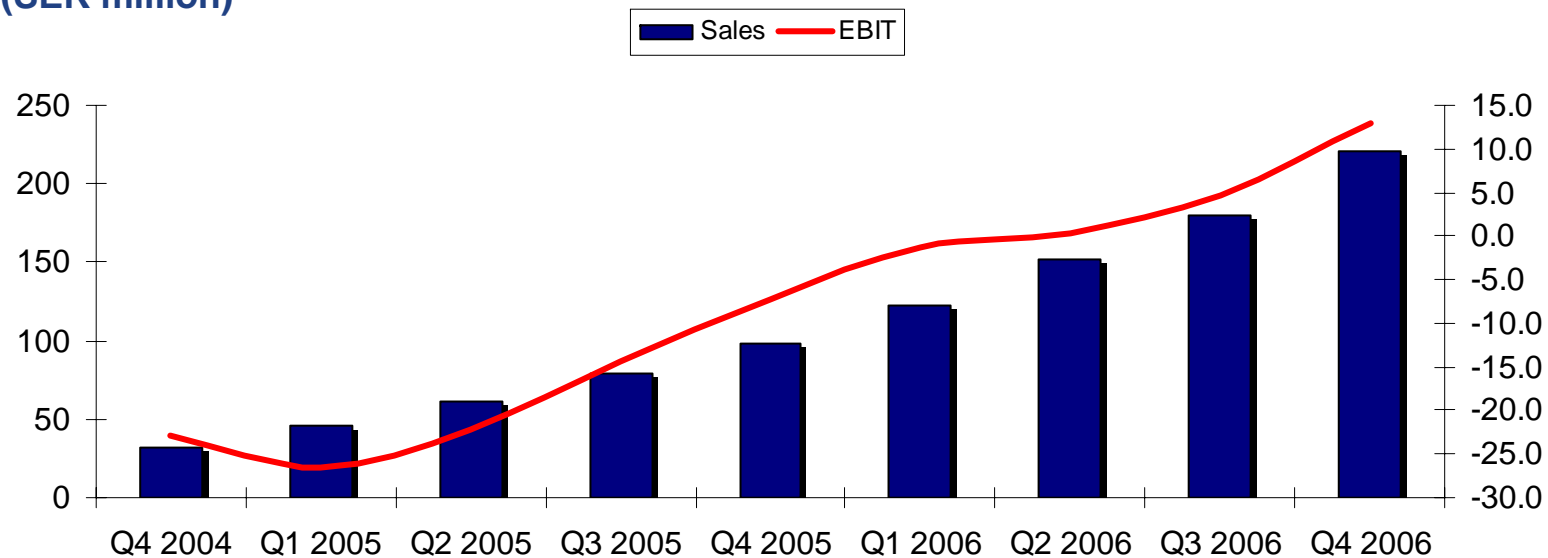
- Addition of 7.1 million subscribers in 2006 = 61% growth
- Increased average revenue per sold subscription by 25% following price rises
- Launch of premium Russian channel Viasat Sport East and TV1000 Balkan + expansion into Croatia

# Pay-TV East

## 12 Months Rolling



(SEK million)



- Doubling of sales to SEK 70 million in Q4 and SEK 220 million for FY
- First annual profit + 10% margin in Q4
- DTH platform still in investment phase

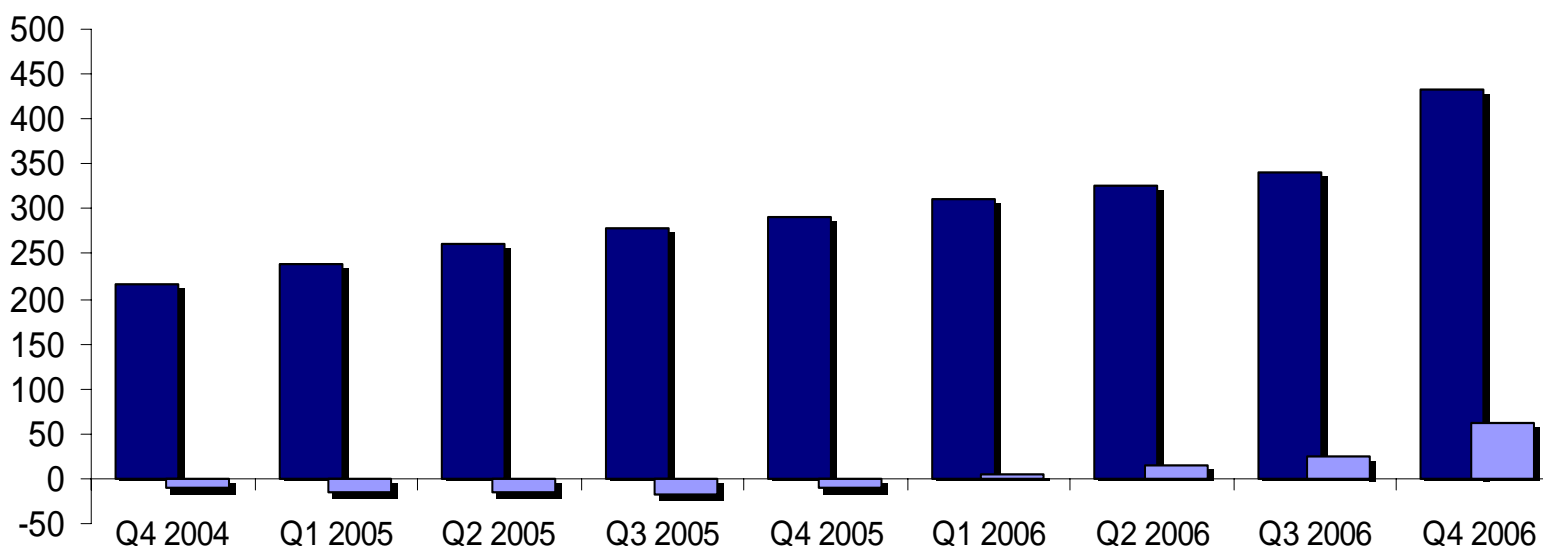
# Radio

12 Months Rolling



(SEK million) (excl. associated companies)

■ Sales ■ EBIT



- Net sales more than doubled to SEK 169 million in Q4 and up 49% to SEK 433 million in 2006
- EBIT more than tripled to SEK 33 million in Q4 and more than doubled to SEK 78 million for FY = operating margins of 21% and 14% (excluding associates)
- Consolidation of P4 Radio from 1 October 2006

# Other Businesses

## Highlights



### Home Shopping

- Combined 12% sales growth for CDON and TV Shop to SEK 334 million in Q4 & 10% to SEK 1,087 million for FY
- CDON.com - DVD sales increased > 50% in Q4 and pay per view 'on demand' streaming launched in Q3
- CDON.com accounted for 76% of business area sales in Q4 and 68% for FY
- Internet sales accounted for approximately 41% of TV Shop's sales in Q4 and 35% in 2006
- Total operating profit of SEK 21 (21) million in Q4 and SEK 54 (63) million for FY



### Modern Studios

- Net sales for Modern Studios of SEK 172 (160) million in Q4 and SEK 619 (638) million for FY
- 'Farväl Falkenberg' nominated for Oscars and 'Förortsungar' awarded 5 Guldbaggen awards
- SEK 79 million of non-cash intangible asset write downs
- Strix opened office in Czech Republic following TV Prima acquisition
- SEK -84 (10) million operating loss in Q4 and SEK -80 (-26) million for FY



# All Business Areas

## Operating Results



(SEK million)	Q4 2006	Q4 2005	FY 2006	FY 2005
<b>Net Sales</b>				
Viasat Broadcasting	2,310	2,023	8,291	6,437
Radio	169	77	433	290
Other business areas	506	459	1,706	1,629
Parent company & other companies	25	30	111	128
Eliminations	-92	-126	-406	-473
<b>Total net sales</b>	<b>2,918</b>	<b>2,463</b>	<b>10,136</b>	<b>8,012</b>
<b>Operating income (EBIT)</b>				
Viasat Broadcasting	501	431	1,880	1,316
Radio	33	10	78	23
Other business areas	-63	30	-26	37
Parent company & other companies	-36	-43	-155	-163
<b>Total EBIT</b>	<b>435</b>	<b>427</b>	<b>1,777</b>	<b>1,213</b>

# Summary Income Statement



(SEK million)	Q4 2006	Q4 2005	FY 2006	FY 2005
<b>Net Sales</b>	<b>2,918</b>	2,463	<b>10,136</b>	8,012
<b>Operating income (EBIT)</b>	<b>435</b>	427	<b>1,777</b>	1,213
Gain/loss from financial assets	1	-5	3	384
Non-cash gain from CTC Media IPO new share issue	-	-	241	-
Net interest and other financial items	-5	-21	-5	-102
<b>Income before tax</b>	<b>431</b>	401	<b>2,016</b>	1,495
Tax	-114	-114	-517	-310
<b>Net Income for the period</b>	<b>316</b>	288	<b>1,499</b>	1,185
Basic number of shares outstanding	<b>67,042,524</b>	66,375,156	<b>67,042,524</b>	66,375,156
Basic earnings per share (SEK)	<b>4.60</b>	4.29	<b>21.57</b>	17.78

# Cash Flow



(SEK million)	Q4 2006	Q4 2005	FY 2006	FY 2005
Cash flow from operations	533	370	1,372	966
Changes in working capital	141	-38	-78	16
<b>Net cash flow from operations</b>	<b>673</b>	<b>331</b>	<b>1,294</b>	<b>981</b>
Proceeds from sales of shares	-	-	21	513
Investments in shares in subsidiaries & associates	-40	-900	-645	-932
Investments in other non-current assets	-72	-17	-329	-80
Other cash flow from investing activities	2	-12	2	22
<b>Cash flow from/to investing activities</b>	<b>-110</b>	<b>-929</b>	<b>-950</b>	<b>-477</b>
<b>Cash flow from/to financing activities</b>	<b>-593</b>	<b>66</b>	<b>-877</b>	<b>55</b>
<b>Net change in cash and cash equivalents for the period</b>	<b>-30</b>	<b>-532</b>	<b>-533</b>	<b>559</b>

- SEK 658 million net invested in the acquisition of P4 Radio shares
- SEK 73 million net invested in PRVA
- Investments in distribution in DTV Russia
- Repayment of EUR 120 million convertible loan in June 2006

# Key metrics improvement



Cash flow per basic share (SEK)

Rolling 12 Months



(%)

Return on Capital Employed





# Balance Sheet



(SEK million)	31 Dec 2006	31 Dec 2005
Non-current assets	4,891	5,481
Current assets	4,314	4,314
<b>Total assets</b>	<b>9,205</b>	<b>9,795</b>
Shareholders' equity	5,105	5,306
Long-term liabilities	305	249
Current liabilities	3,796	4,240
<b>Total equity &amp; liabilities</b>	<b>9,205</b>	<b>9,795</b>

- SEK 250 million utilised of SEK 3.5 billion credit facility by year end
- Net cash position of SEK 430 (15) million (SEK -28 million Q3 2006)
- Equity to assets ratio of 56% (55%)
- Equity reduced by SEK 1.5 billion due to distribution of Metro International shares
- SEK 8.5 billion surplus to book value for CTC Media 39.6% shareholding

# Capital Structure

Supporting aggressive growth



- Net cash position of SEK 430 million at year end
- Increased cash flow from operations of SEK 1.3 billion for full year
- Available liquid funds of SEK 4 billion as at 31 December 2006
- Return on capital employed of 29% for full year
- Proposed dividend of SEK 7.50 per share of totalling maximum distribution of SEK 503 million
- Proposal to seek authorisation for buy back of up to 10% of outstanding shares – accretive for shareholders and effective means of increasing shareholder value
- Round trading lot reduced from 50 to 25 shares to further stimulate liquidity

Balancing appropriate financial flexibility with shareholder returns

