



# **Modern Times Group MTG AB**

**Financial results for the fourth quarter  
and full year ended 31 December 2003**

**10 February 2004**

# MTG – Entertaining People

- Largest commercial TV and radio broadcaster in Nordic and Baltic region
- Viasat TV channels reach approximately 50 million people each day in 14 countries
- One of Europe's most profitable Pay-TV operators
- Largest shareholder in #1 private commercial TV network in Russia
- Leading international reality TV production house
- Global market leader in DVD feature subtitling

# Operating Highlights 2003

## Free-to-air TV

### Issue:

- Declining commercial share of viewing
- Competing channels surpassed TV3 in penetration

### Action:

- Investments in new programming and launch of new schedules
- TV3, ZTV and TV8 were awarded licenses to broadcast in the digital terrestrial network adding approximately 5% of the Swedish households and making TV3 the second largest channel in Sweden
- Aggressive campaigns to increase number of digital Pay-TV subscribers and consequently penetration of the channels

### Result:

- TV3 Scandinavia has increased its commercial share of viewing and advertising market share
- Increased profits despite one-off charges and continued weak advertising markets
- Number of digital subscribers reached record high of 629,000 by end of fourth quarter

# Operating Highlights 2003

## Pay-TV

### Issue:

- Piracy on the platform resulting in high churn
- Need to increase premium content to make Pay-TV offerings more exclusive
- Migrate analogue subscriber base to lower cost/higher ARPU digital subscribers

### Action:

- Implementation of new NDS encryption system
- Acquisition of new exclusive sport rights and launch of two new sport channels
- New digital basic offering and attractive offering to current analogue subscribers

### Result:

- Implementation of NDS ongoing – will eliminate piracy
- Strong growth in digital subscriber base
- Increased prices in Sweden on premium subscriptions

# Operating Highlights

## Other Business Areas

### Issue:

- Loss making non-core operations
- Consolidation of other operations

### Action:

- Closure of Finans Vision and Publishing business area
- Acquisition of the remaining 40% of SDI Asia and restructuring of Asia and Europe
- Sale of ECL to Tradimus

### Result:

- Financial improvements in several entities (CDON, Strix and Radio)
- Continued focus on increasing returns in other non-core operations

# Highlights

## 4<sup>th</sup> Quarter ended 31 December 2003

- Net sales of SEK 1,731 (1,730) million
- Operating income increased to SEK 249 (66) million
- TV3 Scandinavia increased operating income by 14% to SEK 73 million
- Number of Premium Pay-TV subscribers increased by 26,000 to 439,000
- Pay-TV operating margin increased to 23%
- Record quarter for Russian channel CTC, which contributed SEK 65 million

# Profit & Loss

(SEK million)	Q4 2003	Q4 2002	FY 2003	FY 2002
<b>Net Sales</b>	<b>1,731</b>	<b>1,730</b>	<b>6,311</b>	<b>6,023</b>
<b>EBITDA</b>	<b>348</b>	<b>172</b>	<b>811</b>	<b>554</b>
<b>Operating income (EBIT)</b>	<b>249</b>	<b>66</b>	<b>542</b>	<b>267</b>
- of which non-recurring items	-67	-126	-67	37
Net interest and other financial items	-85	-88	-167	-239
<b>Pre-Tax profit</b>	<b>165</b>	<b>-22</b>	<b>375</b>	<b>28</b>
Taxes	-2	-65	-92	-92
Minorities	0	-7	6	-3
<b>Net Income</b>	<b>163</b>	<b>-94</b>	<b>289</b>	<b>-67</b>
Basic number of shares outstanding	66,375,156	66,375,156	66,375,156	66,375,156
Basic earnings per share	2.45	-1.42	4.36	-1.00

- EBIT margin of 14% in the fourth quarter
- Incremental margin of 95% for the full year

# Viasat Broadcasting

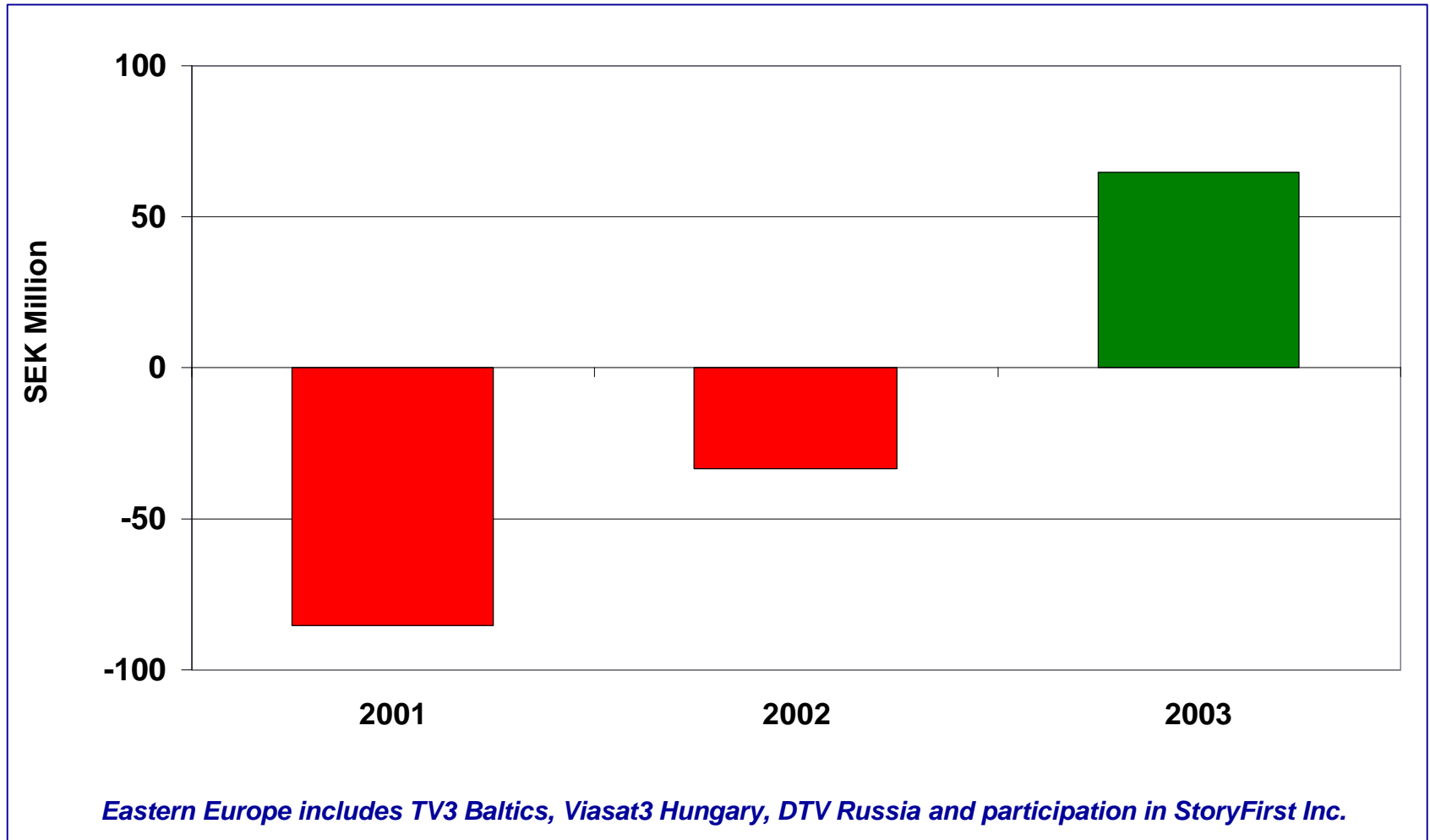
## Operating Results

SEK million	Q4 2003	Q4 2002	chg	FY 2003	FY 2002	chg
<b>Net Sales</b>						
Pay-TV operations	544	549		2,210	2,166	
Free-TV operations	799	808		2,768	2,592	
Text-TV operations	20	23		80	101	
Other and eliminations	-79	-105		-395	-408	
<b>Total net sales</b>	<b>1,284</b>	<b>1,276</b>	<b>1%</b>	<b>4,664</b>	<b>4,451</b>	<b>5%</b>
<b>Operating income (EBIT)</b>						
Pay-TV operations	126	117		505	352	
Free-TV operations	82	84		32	33	
Text-TV operations	9	10		30	41	
Participation in StoryFirst	65	13		87	26	
Other	0	2		-1	-3	
<b>Total EBIT</b>	<b>282</b>	<b>227</b>	<b>24%</b>	<b>653</b>	<b>449</b>	<b>45%</b>
<b>EBIT Margin</b>	<b>22%</b>	<b>18%</b>		<b>14%</b>	<b>10%</b>	



# Viasat Broadcasting – Eastern Europe

EBIT development in Free-TV



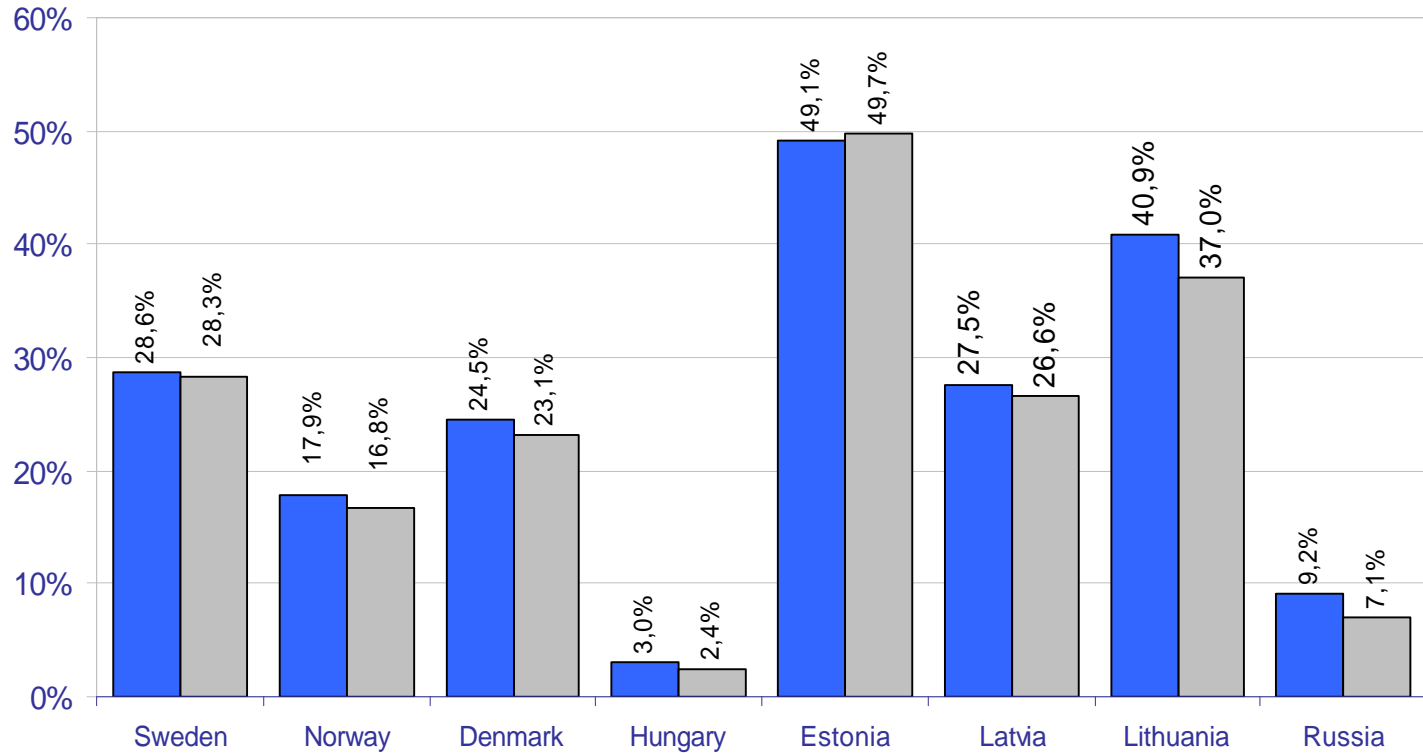
# Free-to-air TV

## Fourth quarter highlights

- Free-TV sales in Scandinavia flat in weak markets
- Increasing advertising market shares in most regions
- Investments in programming successful with increased commercial share of viewing in most markets
- Both own productions, such as Fame Factory, Efterlyst and Robinson, as well as acquisitions like Top Model and Fab 5 have showed strong ratings
- TV3 Baltics sales increased by 5%
- Price increases for TV3 in Danish cable networks
- Hungarian Viasat3 and Russian DTV proceeding according to plan

# Free-to-air TV

## Commercial Share of Viewing



<b>Channels:</b>	<b>TV3 ZTV</b>	<b>TV3 ZTV</b>	<b>TV3 3+</b>	<b>Viasat3</b>	<b>TV3</b>	<b>TV3</b>	<b>TV3</b>	<b>CTC DTV</b>
<b>Age Group:</b>	<b>15-49</b>	<b>15-49</b>	<b>15-49</b>	<b>18-49</b>	<b>15-49</b>	<b>15-49</b>	<b>15-49</b>	<b>18+</b>

■ Q4 2003

■ Q4 2002

Sources: MMS, Gallup, BMF, AGB Q4 2003

# Pay-TV

## Highlights fourth quarter

- Annual premium ARPU up 3% to 3,019 SEK
- New campaigns result in increasing number of digital Pay-TV subscribers by 30,000 to 629,000
- Increased number of premium subscribers with 26,000 to 439,000
- EBIT margins remained strong and increased to 23% in the quarter
- Total number of Eastern European cable subscribers increased to 1,720,000, less than 12 months after launch

# Pay-TV

## NDS VideoGuard implementation

- NDS signal up and running in parallel with Viaccess since September
- New sales with NDS embedded Pace boxes since November
- Migration process of existing boxes is according to plan, with the aim to be completed by mid-2004
- NDS related investments will amount to SEK 75-100 million in total, of which SEK 13 million was taken in 2003
- Non-cash write-off of existing Viaccess cards made in the fourth quarter of SEK 29 million. With the new NDS contract, MTG will no longer have 'smart-cards' on its balance sheet

# Viasat Broadcasting

## Subscriber development

Subscribers (000's)	31 Dec 2003	30 Sept 2003
<b>Cardholders</b>	<b>911</b>	<b>909</b>
-of which digital subscribers	629	599
<b>Viasat premium subscribers (digital)</b>	<b>439</b>	<b>413</b>
<b>Viasat basic digital subscribers</b>	<b>190</b>	<b>186</b>
TV1000 Scandinavia	465	441
TV1000 Eastern Europe	1,050	850

# Radio

SEK million	Q4 2003	Q4 2002	FY 2003	FY 2002
Net Sales	48	45	174	157
Total EBIT	-4	5	-28	-31

- Strong performance in weak advertising markets
- Swedish Radio operations profitable in two out of four quarters during 2003
- MTG continues to be the largest Swedish radio network with >1.2 million daily listeners
- P4 in Norway kept >1 million daily radio listeners vs. new competitors 0.3 million

# Modern Studios

SEK million	Q4 2003	Q4 2002	FY 2003	FY 2002
Net Sales	216	200	737	639
Total EBIT	23	26	57	63

- Sales and EBIT growth in Strix in highly competitive markets
- Sonet scored another success with 'Miffo' but did not reach same levels as last years box office success 'Grabben i graven bredvid'

# TV-Shop

SEK million	Q4 2003	Q4 2002	FY 2003	FY 2002
Net Sales	198	189	738	671
EBIT	-4	2	9	12

- Strong growth in CDON, double over full year. Books launched as new product range in Q4
- TV-Shop operations, weak performance in competitive and weak home-shopping markets

# SDI Media

SEK million	Q4 2003	Q4 2002	FY 2003	FY 2002
Net Sales	90	93	354	379
Total EBIT	6	14	49	54

- Stable revenues despite negative currency effect from weak dollar
- Costs from restructuring of operations in Europe and Asia in the fourth quarter.



# Cash flow

(SEK million)	Q4 2003	Q4 2002	FY 2003	FY 2002
Cash flow from operations	315	39	586	252
Changes in Inventory	46	153	248	341
Changes in Current Receivables	-34	243	130	423
Changes in Current Liabilities	-122	-214	-340	-671
<b>Net cash flow from operations</b>	<b>205</b>	<b>221</b>	<b>624</b>	<b>345</b>
Financial investment activities including transactions with Metro International	-	4	-19	-277
Investments in fixed assets	-45	-29	-135	-98
Other cash flow from investing activities	-	2	30	35
<b>Cash flow to investing activities</b>	<b>-45</b>	<b>-23</b>	<b>-124</b>	<b>-340</b>
Cash flow from/to financing activities	-288	-205	-399	40
<b>Net change in cash and cash equivalents for the period</b>	<b>-128</b>	<b>-7</b>	<b>101</b>	<b>45</b>

- Net cash flow from operations improving by SEK 279 million year-on-year
- Amortisation of SEK 200 million in bank loans in the fourth quarter and SEK 400 million for the full year

# Balance Sheet

(SEK million)	31 Dec 2003	31 Dec 2002	31 Dec 2001
Non-current assets	2,879	3,069	3,109
Current assets	2,837	3,115	3,832
<b>Total assets</b>	<b>5,716</b>	<b>6,184</b>	<b>6,941</b>
Shareholders' equity	2,145	1,885	1,948
Minority equity interests	2	16	5
Provisions	234	173	132
Long-term liabilities	1,108	1,565	1,518
Current liabilities	2,228	2,545	3,338
<b>Total equity and liabilities</b>	<b>5,716</b>	<b>6,184</b>	<b>6,941</b>

- Equity to asset ratio 57% by the end of the year
- Net debt to equity ratio 41% by the end of the year
- Holdings in Metro, TV4 and Radio P4 had a combined book value of SEK 798 million and a market value of SEK 2,514 million as of 31 December 2003

# Surplus value in listed companies

SEK million	Value	Value per share
Metro International S.A.	2,010	30.3
TV4 AB*	429	6.5
P4 Radio Hele Norge ASA	72	1.1
<b>Total Market Value</b>	<b>2,512</b>	<b>37.8</b>
<i>Convertible loan</i>	-1,091	-16.4
<i>Syndicated loan</i>	-250	-3.8
<i>Cash</i>	402	6.1
<i>Other interest bearing long-term items</i>	53	0.8
<b>Net debt</b>	<b>-886</b>	<b>-13.3</b>
<b>Net value</b>	<b>1,626</b>	<b>24.5</b>

Share prices based on market close 9 February. Net debt as of 31 December 2003

# Outlook

- Visibility remains low in advertising markets in Scandinavia
- Continued investments in programming to continue to strengthen MTG's position both in Free-TV and Pay-TV
- Increased marketing efforts to drive penetration of premium subscribers and to switch off analogue signals
- Continued focus on expansion in Eastern Europe