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## **MTG ACQUIRES 50% OF BALKAN MEDIA GROUP**

**Modern Times Group MTG AB (publ.) ('MTG' or 'the Group'), the international entertainment broadcasting group, today announced that it has signed an agreement to acquire 50% of Balkan Media Group Limited ('BMGL') from Apace Media plc (London Stock Exchange AIM market: APA.L) ('Apace'). MTG will also assume management control of BMGL with effect from the closing of the transaction. The total consideration to be paid by MTG, including the buy-out of a minority shareholder in a subsidiary of BMGL, amounts to €11.6 million.**

BMGL's assets comprise 100% of 'Diema Vision', 66% of 'Television MM', 100% of 'Apace Internet Balkans', 100% of 'Apace Media Bulgaria', and 66% of 'TV ERA'. Diema Vision and Television MM own six TV channels in Bulgaria; Apace Internet Balkans is a soon to be launched online social networking community in Bulgaria; Apace Media Bulgaria provides central services; and TV ERA is an Albanian language terrestrial TV broadcaster in Macedonia.

MTG will consolidate BMGL in its accounts with effect from the closing of the transaction. No regulatory approvals are deemed to be required as at the time of the transaction. A forward options agreement has also been put in place, the exercise of which would enable MTG to increase its ownership in BMGL over the next 5 years.

BMGL had pro forma sales of €2.63 million for the six months ended 30 June 2006. BMGL generated €0.34 million of operating income (EBIT) for the period and an operating margin of 13%. The channels generate the majority of their revenues from subscription sales, with pay-TV revenues generated from fees paid by third party cable and satellite broadcasters for the carriage of the packaged channels in their networks.

Bulgaria is a high growth emerging European economy and TV market with a population of 7.9 million people. The country joined the European Union on 1 January 2007. Bulgarian TV advertising was estimated to have generated €75-80 million of revenues in 2005 and to represent approximately two thirds of the total advertising market. The market has been growing strongly in recent years at a rate of more than 20% per annum (source: Zenith Optimedia). BMGL is the leading broadcaster via cable in Bulgaria, operating six channels ('Diema+', 'Diema 2', 'Diema Family', 'Diema Extra', 'MM TV', and 'M2'), which are

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broadcast through nearly 400 cable networks, covering almost 70% of the 3.1 million TV households in Bulgaria.

BMGL's six Bulgarian channels had an estimated combined share of viewing (SOV) (4+ age group) of 4.5% in December 2006. The largest channel - Diema+ - features a broad range of sports, movies and entertainment content and had a 2.0% SOV (4+ age group) in December 2006. Diema 2 has a broader schedule of drama series and sport, while Diema Family targets a more female audience profile with its focus on family entertainment programming.

In common with MTG's Viasat Broadcasting operations in other country markets, BMGL has the broadcasting rights for a range of high profile sports content including the UEFA 2008 European Championship, and also has the broadcasting rights to the English, Spanish and French football Leagues.

The principal competing commercial channels in Bulgaria are 'bTV' (NewsCorp owned) and 'Nova TV' (owned by Antenna Group from Greece), which had estimated 39% and 17% SOV (4+) in December 2006, respectively, and strong power ratios. State broadcaster BNT's 'Kanal 1' public service channel had a SOV of 14% for the same period but shows less advertising airtime than the other commercial channels.

Hans-Holger Albrecht, President and CEO of MTG, commented: "This transaction further extends our reach in Eastern Europe, into an emerging EU country with a fast developing economy and attractive media landscape. We have to date been present in the Balkan markets through the sale of our Viasat pay-TV channels to third party broadcasters, which has enabled us to analyze and explore new opportunities in the region."

"This investment provides us with critical mass and a scale bridgehead for further expansion in South Eastern Europe. There are significant operating synergies with our other broadcasting operations, and we will invest further to increase penetration levels, programme ratings and market shares. We will utilize our pan-regional presence to facilitate the development of these very promising operations. This move not only consolidates and strengthens our pay-TV presence in the region, but also gives us access to high growth new advertising markets. Our intention is to create the number one Balkan TV channel operator."

WOOD & Co is acting as financial adviser to MTG on the transaction.

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**For further information, please visit [www.mtg.se](http://www.mtg.se), email [info@mtg.se](mailto:info@mtg.se), or contact:**

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*Modern Times Group is an international entertainment broadcasting group with operations in more than 30 countries around the world. MTG is the largest Free-to-air and Pay-TV operator in Scandinavia and the Baltics, the largest shareholder in Russia's largest independent television network, and the number one commercial radio operator in the Nordic region. The Viasat DTH satellite TV platform offers digital multi-channel TV packages of 50 own-produced and third party entertainment channels. Viasat TV channels now reach over 90 million people every day in 22 countries across Europe.*

*Modern Times Group MTG AB class A and B shares are listed on the Nordic Stock Exchange Large Cap list under the symbols 'MTGA' and 'MTGB'.*