



# Maximising the Power of Entertainment

## Modern Times Group MTG AB

Financial Results for the Second Quarter and First Half Year 2006

Stockholm 26 July 2006



# Results Highlights

Record second quarter and half year results



## Second quarter

- Group net sales up 30% to SEK 2,577 million
- Group operating income up 58% to SEK 486 million
- Viasat Broadcasting net sales up 38% to SEK 2,185 and operating profit up 52% to SEK 507 million
- >15% margins in each of the three core broadcasting segments
- Net income up 80% to SEK 348 million
- Successful IPO of CTC Media, Inc.
- Repayment of EUR 120 million convertible loan
- Ongoing distribution of Metro International S.A. shares
- Acquisition of TV channel PRVA in Slovenia

## Six months

- Group net sales up 33% to SEK 4,939 million
- Group net sales up 17% excluding new businesses
- Group operating income up 81% to SEK 938 million
- Viasat Broadcasting net sales up 40% to SEK 4,125 and operating income up 66% to SEK 965 million
- >15% margins in each of the three core broadcasting segments
- Net income of SEK 653 million
- Net intake of 55,000 premium DTH subscribers in Scandinavia
- Net sales in Free-to-Air TV Scandinavia up 9%

# Free-to-air TV Scandinavia

## Penetration Gains & Margin Enhancement



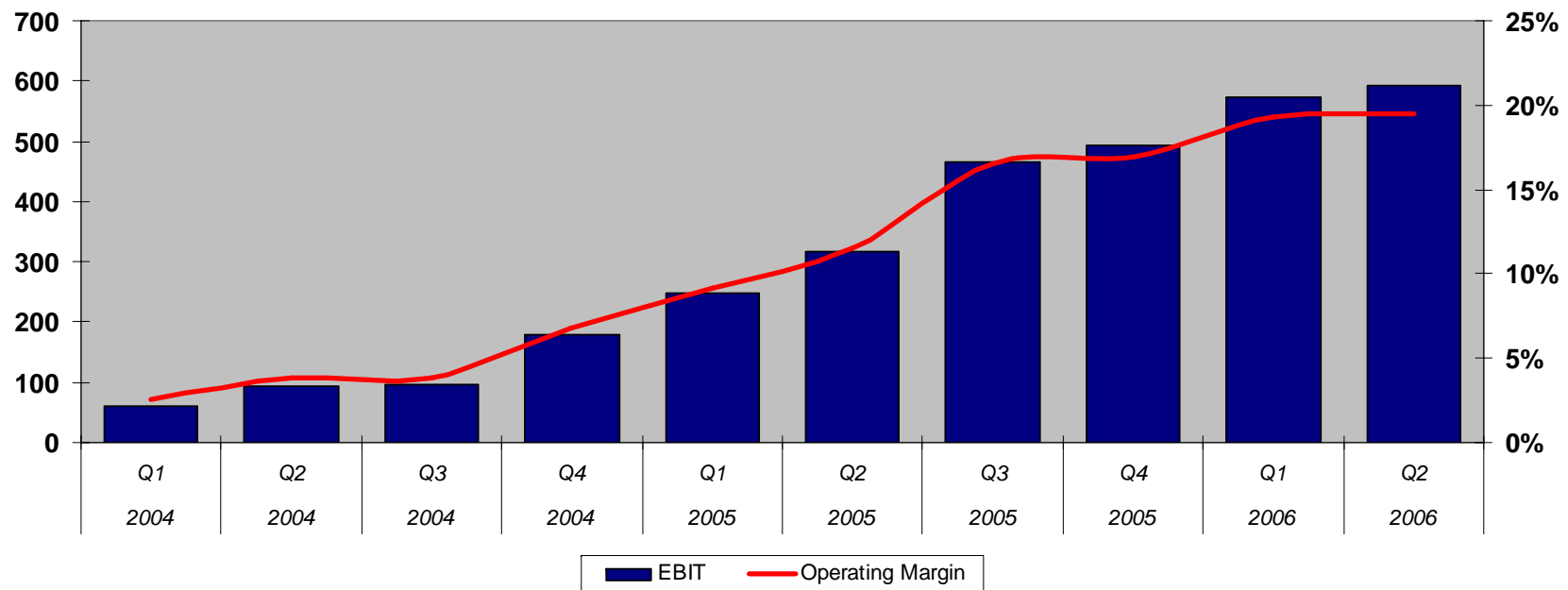
- Net sales up 7% to SEK 810 million in the quarter and 9% to SEK 1.533 million for the first half year
- Operating income increased to SEK 163 million in the quarter
- Operating margin increased to 20% for both the quarter and half year
- TV3 Sweden penetration up to 75% and TV6 Sweden performed beyond expectations
- CSOV (15-49) ratings negatively impacted by the FIFA World Cup
- Cost base increased by 6% in the quarter and 2% in the six months, primarily due to programming investments
- Savings from transponder costs marginal moving forward

# Free-to-air TV Scandinavia Profitability Trend

## 12 month rolling operating income & EBIT margin



(SEK million)

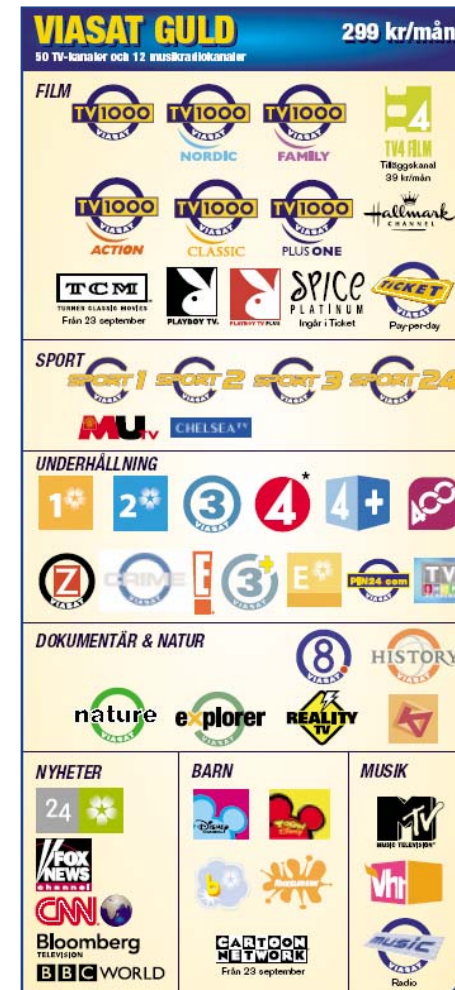


# Pay-TV Nordic

## Further Subscriber and Sales Growth

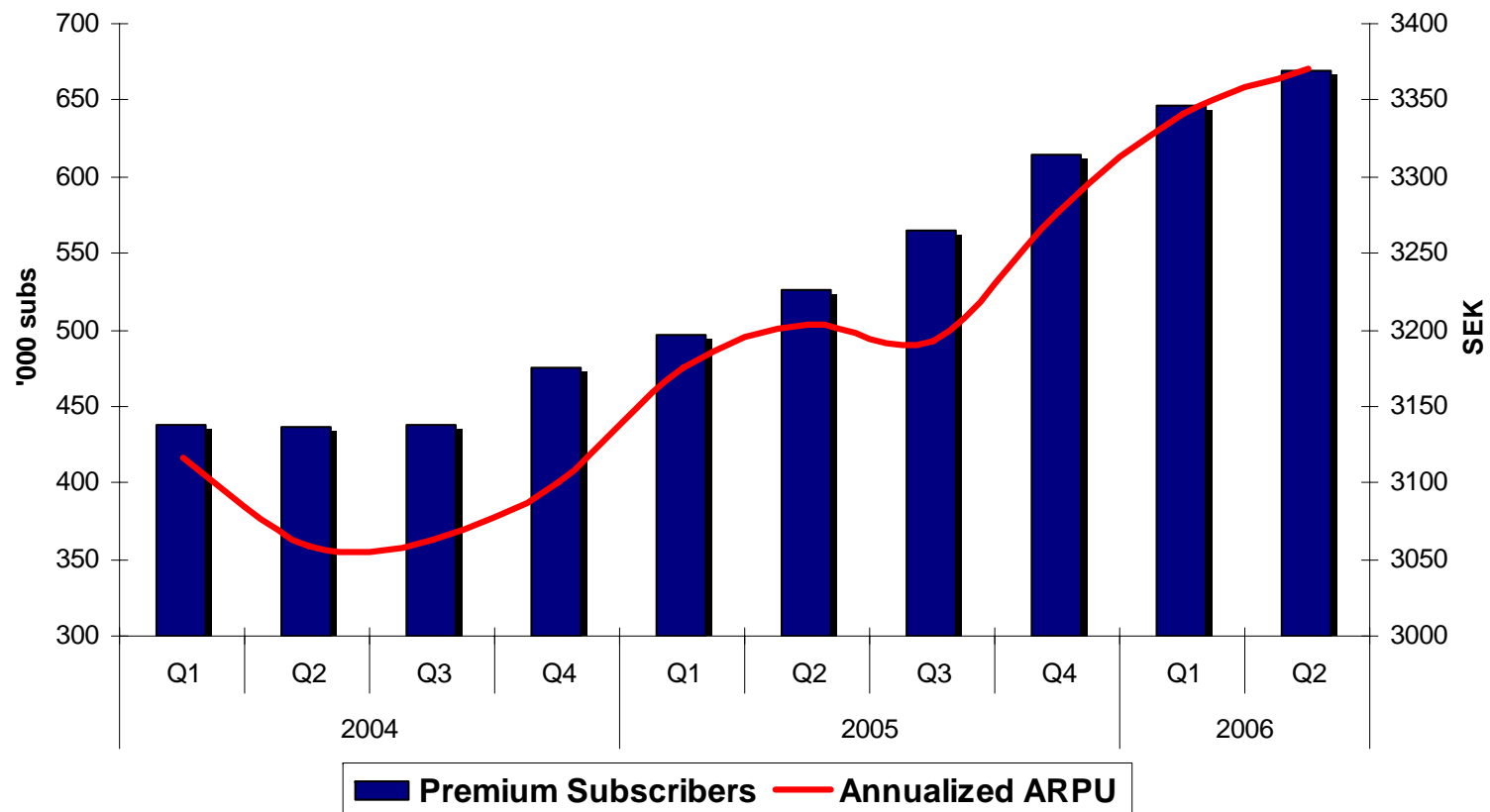


- Net intake of 23,000 premium subscribers in the quarter – 143,000 subs added in last 12 months = 27% growth in premium subscriber base
- 67,000 'multi-room' & 'Viasat+' subscribers by end of period is equivalent to 10% penetration of total premium subscriber base
- ARPU up 5% year on year to SEK 3,370
- Net sales up 24% year on year to SEK 782 million for the quarter and to SEK 1,531 million for the six months
- Operating margin of 18% in the quarter and 17% for the six months
- Cost base impacted by higher expensed SAC of SEK 262 (173) million for year to date, continued marketing for Viasat+ and the addition of more than 12 new channels to the platform



# Pay-TV Nordic

ARPU +5% & continued growth of premium subscriber base

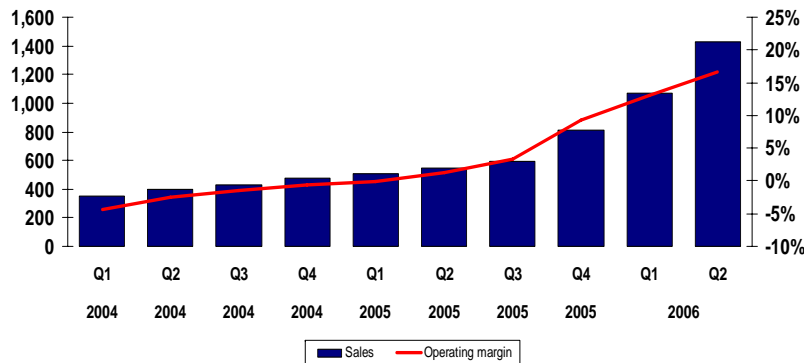


# Central & Eastern Europe

## High Growth & Healthy Margin Improvement



12 month rolling sales & EBIT margin ex CTC



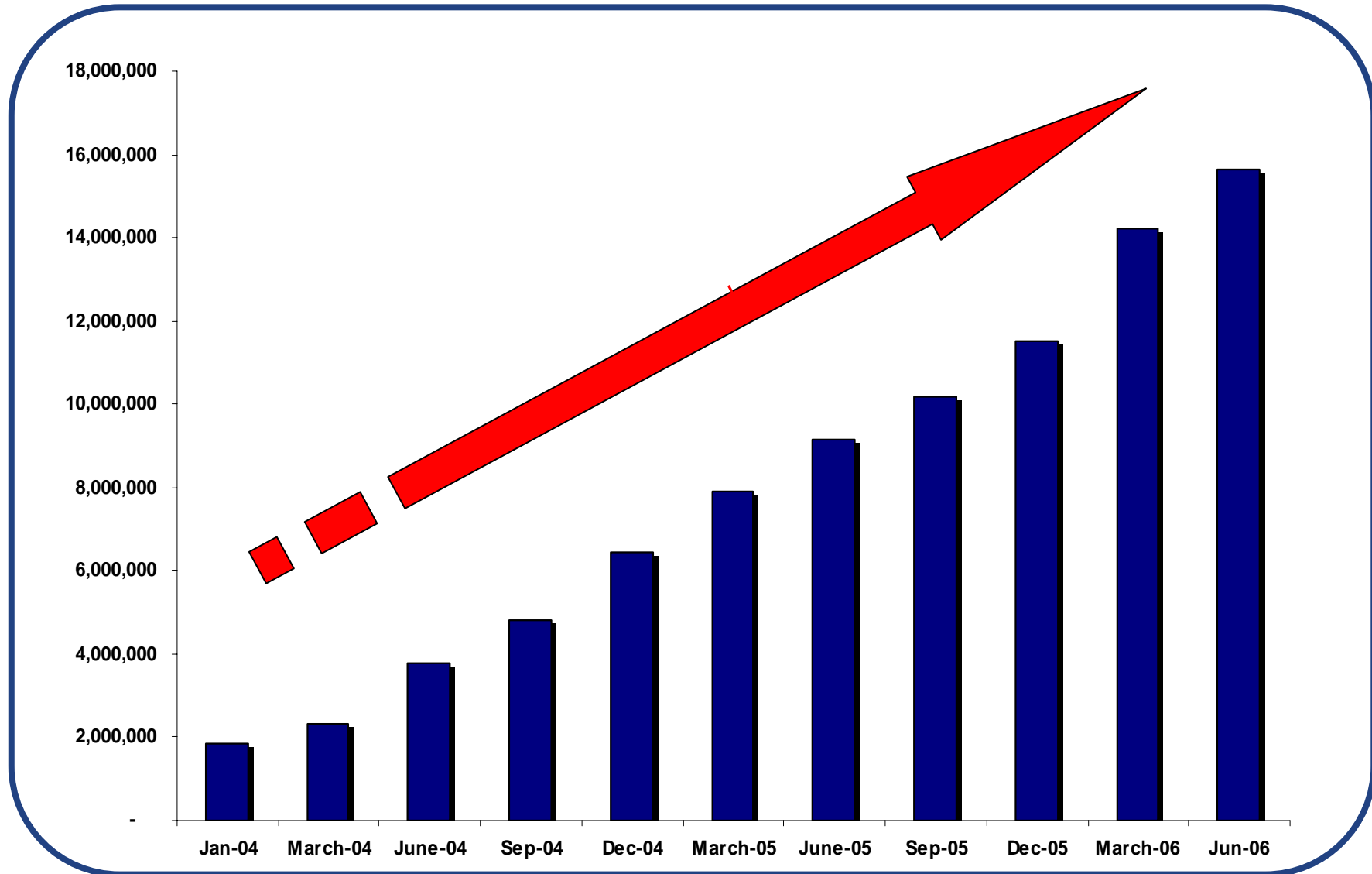
- More than tripling of net sales to SEK 533 million in the second quarter and SEK 920 (302) million for YTD, including the consolidation of TV Prima
- Operating margin, excluding associated company income (CTC), increased to 22% (12%) and 18% (3%) for the two periods
- IPO of CTC Media, Inc – market value of US\$ 2,753 million at the end of the quarter, MTG now owns 39.6% of CTC

- DTV more than doubled net sales to SEK 51 million in Q2 and signs agreement to increase distribution in Moscow
- Viasat3 profitable in the second quarter and for the six months – net sales grew by 28% and 42% for the two periods
- TV Prima contributed SEK 266 million to net sales for the quarter and SEK 446 million for the year to date – estimated sales growth of 43% and 66% respectively - and reported operating margins of 25% and 23%
- Baltic free-to-air TV operations generated increased operating margins of 36% and 28% for the quarter and half year respectively
- Baltic premium DTH satellite subscriber base more than doubled year on year to 50,000 at the end of the quarter



# C&E European Expansion

15.6 million mini-pay subscriptions





# MTG Radio & Other Businesses



## MTG Radio

- Best ever results - MTG's wholly owned operations profitable for third consecutive quarter with an operating margin of 17%
- 16% growth in net sales to SEK 99 million in the quarter and 23% to SEK 179 million for the six months
- MTG Radio operates 53 out of 86 commercial stations in Sweden including #1 national commercial network in Sweden, RIX FM, with a 89% national penetration
- Associated company contribution of SEK 6 million in the quarter and SEK 13 million YTD, mainly from P4



## Other Businesses

- Net sales for Modern Studios declined to SEK 126 (152) million in the quarter and SEK 285 (330) million for the year to date following fewer new movie releases by Sonet, weakening theatrical sales market and fewer TV productions by Strix
- Home shopping businesses – CDON & TV Shop – reported combined 5% sales growth to SEK 232 million for the quarter and 7% to SEK 501 million for the six months
- DVD sales grew 30% in the quarter
- Internet sales accounted for approximately 50% of TV Shop's sales in Q2

# Viasat Broadcasting

## Operating Results



(SEK million)	Q2 2006	Q2 2005	H1 2006	H1 2005	FY 2005
<b>Net Sales</b>					
Free-to-air TV Scandinavia	810	756	1,533	1,412	2,912
Pay-TV Nordic	782	630	1,531	1,235	2,633
Central & Eastern Europe	533	173	920	302	813
Bet24, Other & eliminations	60	25	141	-9	80
<b>Total net sales</b>	<b>2,185</b>	<b>1,583</b>	<b>4,125</b>	<b>2,940</b>	<b>6,437</b>
<b>Operating income (EBIT)</b>					
Free-to-air TV Scandinavia	163	145	303	203	492
<i>Operating margin</i>	<b>20%</b>	19%	<b>20%</b>	14%	17%
Pay-TV Nordic	140	118	265	241	507
<i>Operating margin</i>	<b>18%</b>	19%	<b>17%</b>	20%	19%
Central & Eastern Europe	119	20	170	8	76
<i>Operating margin</i>	<b>22%</b>	12%	<b>18%</b>	3%	9%
Associated Companies	105	33	243	101	187
Bet24 & Other	-20	17	-17	28	54
<b>Total EBIT</b>	<b>507</b>	<b>333</b>	<b>965</b>	<b>581</b>	<b>1,316</b>

# All Business Areas

## Operating Results



(SEK million)	Q2 2006	Q2 2005	H1 2006	H1 2005	FY 2005
<b>Net Sales</b>					
Viasat Broadcasting	2,185	1,583	4,125	2,940	6,437
Radio	99	85	179	145	290
Other business areas	358	373	785	797	1,629
Parent company & other companies	32	40	60	74	128
Eliminations	-96	-105	-211	-243	-473
<b>Total net sales</b>	<b>2,577</b>	<b>1,975</b>	<b>4,939</b>	<b>3,713</b>	<b>8,012</b>
<b>Operating income (EBIT)</b>					
Viasat Broadcasting	507	333	965	581	1,316
Radio	23	11	30	2	23
Other business areas	9	11	31	10	37
Parent company & other companies	-52	-47	-88	-74	-163
<b>Total EBIT</b>	<b>486</b>	<b>308</b>	<b>938</b>	<b>519</b>	<b>1,213</b>

# Summary Income Statement



(SEK million)	Q2 2006	Q2 2005	H1 2006	H1 2005	FY 2005
<b>Net Sales</b>	<b>2,577</b>	1,975	<b>4,939</b>	3,713	8,012
<b>Operating income (EBIT)</b>	<b>486</b>	308	<b>938</b>	519	1,213
Net gain from the sale of financial assets	<b>0</b>	-	<b>2</b>	389	384
Net interest and other financial items	<b>13</b>	-51	<b>-2</b>	-76	-102
<b>Income before tax</b>	<b>499</b>	257	<b>939</b>	832	1,495
Tax	<b>-150</b>	-63	<b>-285</b>	-137	-310
<b>Net Income</b>	<b>348</b>	193	<b>653</b>	695	1,185
Basic average number of shares outstanding	<b>66,479,130</b>	66,375,156	<b>66,428,352</b>	66,375,156	66,375,156
Basic earnings per share (SEK)	<b>4.78</b>	2.88	<b>9.16</b>	10.44	17.78

- Last quarter of interest & exchange differences arising from convertible bond
- Group tax rate 30% for quarter & year to date

# Cash Generative



(SEK million)	Q2 2006	Q2 2005	H1 2006	H1 2005	FY 2005
Cash flow from operations	350	270	587	401	966
Changes in working capital	19	-61	-74	5	16
<b>Net cash flow from operations</b>	<b>369</b>	<b>209</b>	<b>513</b>	<b>406</b>	<b>981</b>
Proceeds from sales of shares	0	-	21	513	513
Investments in shares in subsidiaries & associates	86	-12	3	-29	-932
Investments in other non-current assets	-179	-20	-209	-37	-80
Other cash flow from investing activities	-	19	-	19	22
<b>Cash flow from/to investing activities</b>	<b>-93</b>	<b>-13</b>	<b>-185</b>	<b>466</b>	<b>-477</b>
<b>Cash flow from/to financing activities</b>	<b>-868</b>	<b>-11</b>	<b>-870</b>	<b>14</b>	<b>55</b>
<b>Net change in cash and cash equivalents for the period</b>	<b>-592</b>	<b>185</b>	<b>-542</b>	<b>886</b>	<b>559</b>

- EUR 9.5 million repayment of cash paid for TV Prima
- Investments in increased distribution for DTV of SEK 133 million
- Repayment of EUR 120 million convertible bond on June 15<sup>th</sup> + final payment of annual coupon of EUR 6.6 million
- Cash proceeds of SEK 513 million from sale of TV4 AB shares in Q1 05

# Financial Flexibility



(SEK million)	30 June 2006	31 March 2006	31 Dec 2005
Non-current assets	5,393	5,520	5,481
Current assets	4,144	4,703	4,314
<b>Total assets</b>	<b>9,538</b>	<b>10,223</b>	<b>9,795</b>
Shareholders' equity	5,776	5,549	5,306
Long-term liabilities	248	296	249
Current liabilities	3,514	4,377	4,240
<b>Total equity &amp; liabilities</b>	<b>9,538</b>	<b>10,223</b>	<b>9,795</b>

- SEK 4.1 billion of available liquid funds including new SEK 3.5 billion credit facility arranged in February 2006 (of which SEK 3.3 billion is unutilized)
- Net cash position of SEK 420 million
- Equity to assets ratio of 61% (57%)
- Ongoing distribution of shares in Metro International
- Shareholdings in listed holdings of CTC Media, Inc. and P4 Radio Hele Norge represent SEK 6.9 billion and SEK 0.3 billion surpluses to book values

# 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 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 36% in last 12 months
- ➔ Continuation of shut-down of Swedish analogue terrestrial network has lead to penetration increases in Sweden & MTG takes market shares in Norway
- ➔ Operating income from C&E Europe, including CTC, amounted to SEK 413 million YTD compared to SEK 568 million from the Nordic operations – Viasat3 and DTV profitable YTD, TV Prima delivered 23% operating margin and the Baltics a 28% operating margin YTD
- ➔ Last 12 month operating margins of 20% for Free-to-air TV Scandinavia; 18% for Pay-TV Nordic; & 17% for C&E Europe (excluding participation in CTC Media)



