Financing growth and managing cash flow

What to expect moving forward

Mathias Hermansson
Chief Financial Officer

MTG

Mathias Hermansson

Background

- Chief Financial Officer since June 2006
  - Group Controller of MTG AB 2001-2006
  - CFO North America – Metro International 2000-2001
  - Joined MTG in 1999 as Trainee
  - Previously with Unilever Sweden

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Value creation

The MTG way

	MTG 2003-2007: Last five years	MTG 2006-2011: MTG 5-year plan
Top line growth	14% CAGR	Min. 10% organic CAGR & SEK 20bn in total
+ Margin (& EBIT)	7% to 14%	Brc. 17% to 20% by 2011
= Cash flow growth	CAGR 40% *(From SEK 0.3 mn to SEK 1.4 mn)*	
+ Capital efficiency	ROCE 15% to 35% ROE 13% to 27%	ROE 30%
= Value creation	Market Cap CAGR 27% From SEK 9 bn to SEK 28 bn	

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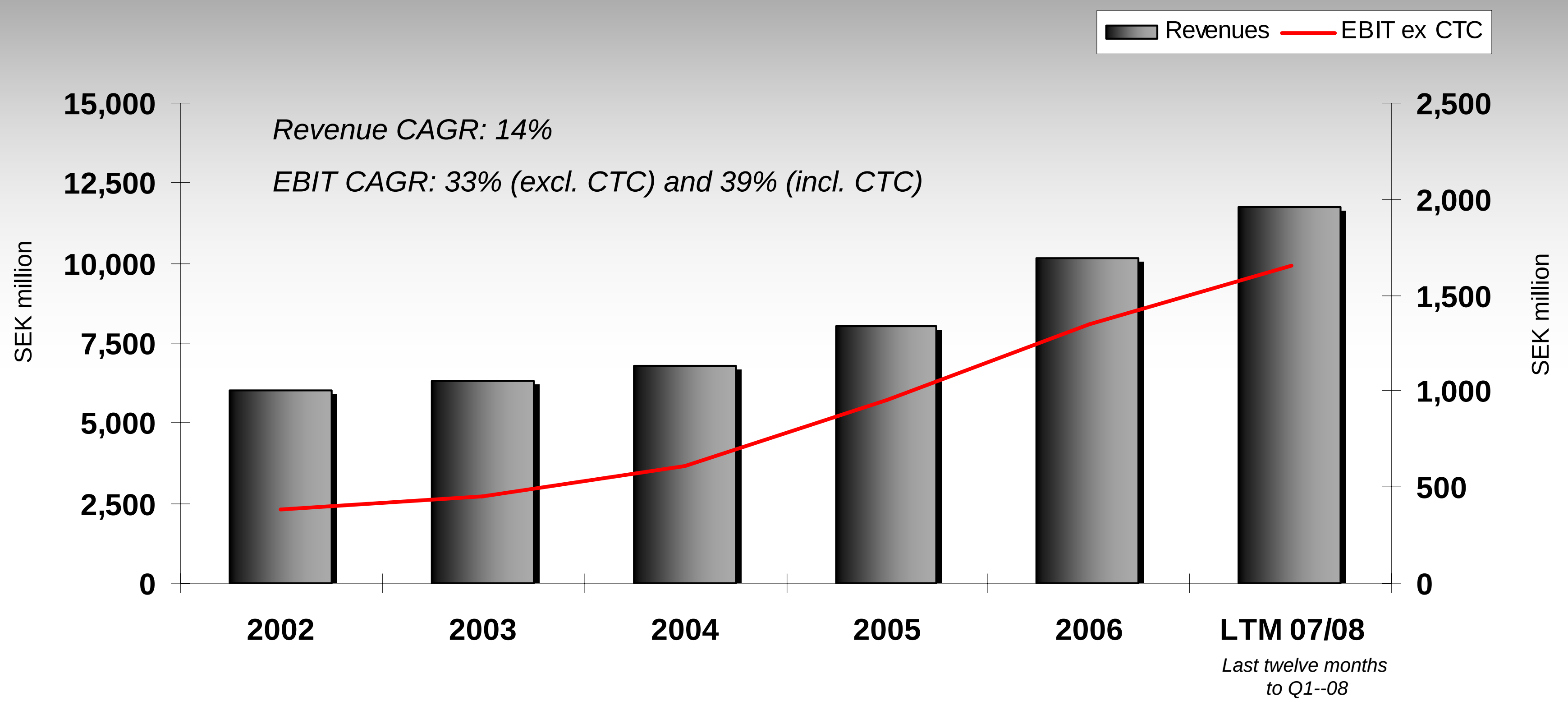
Overview of Financials

A top line *and* earnings growth company…

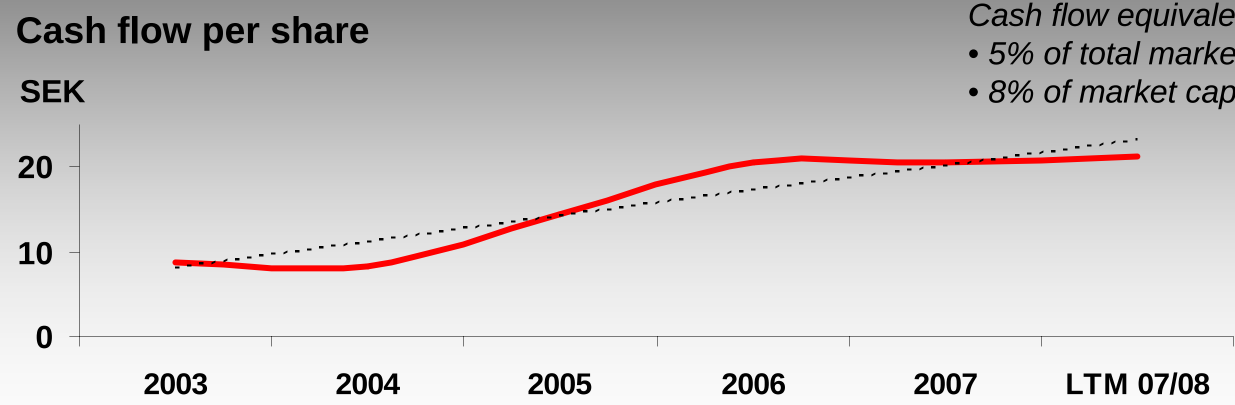


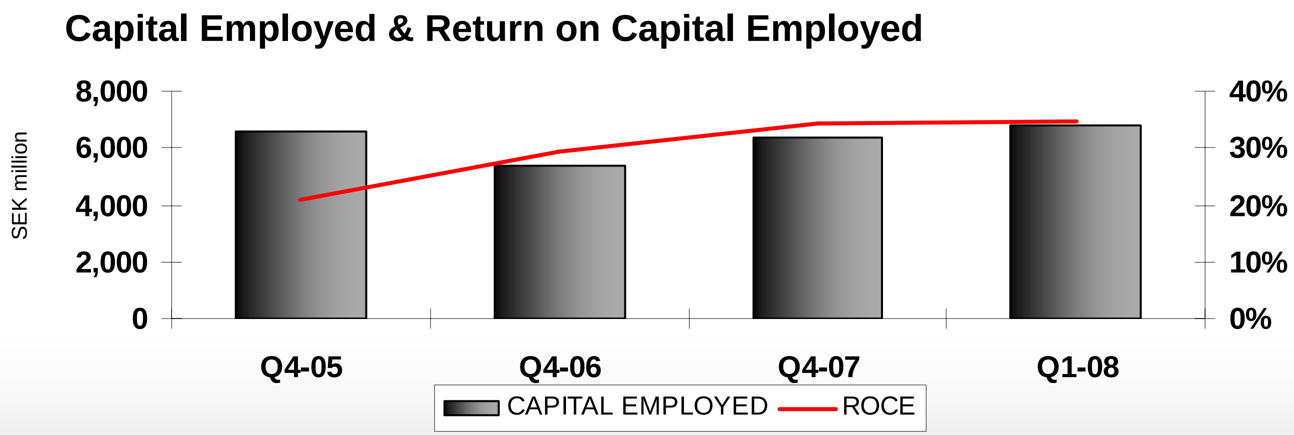
Cash generative and improved profitability

Best in class Return on Capital Employed

Cash flow equivalent of:

- *5% of total market capitalisation*
- *8% of market capitalisation excl. CTC*



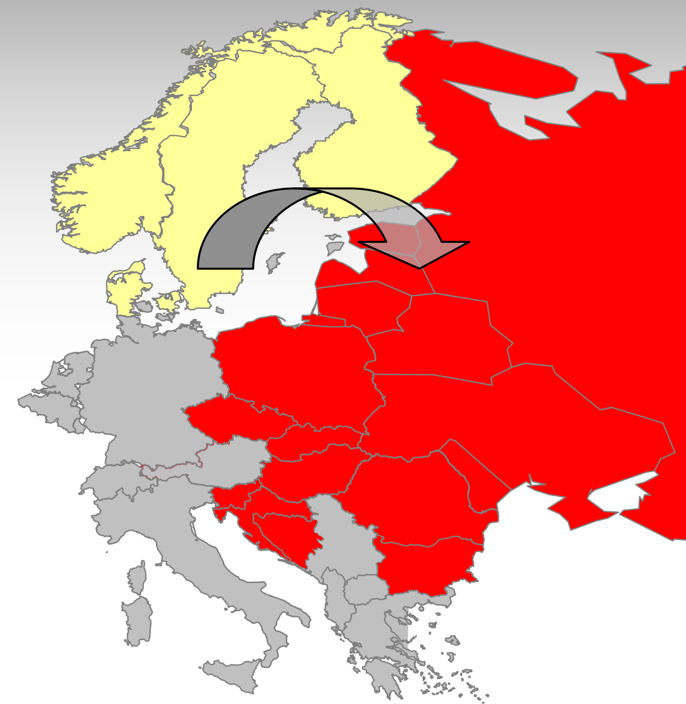


Track record in putting our cash to work

Investments in new businesses and return to shareholders

SEK 2.8 billion cash from operations generated last 2 years

- **Capex SEK 650 million (3% of revs)**
- **Acquisitions SEK 1.1 billion**
  - **Slovenia, Bulgaria, P4, Internet retailing**
- **Losses in new businesses SEK 150 million**
  - **Slovenia, Bet24, Viasat Baltics, Viasat Sport East, Bulgaria, Ukraine**
- **Return to shareholders SEK 2.1 billion (7% of MCap)**
  - **Cash dividends SEK 1.5 billion**
  - **Share buy-backs SEK 0.6 billion**



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What to expect moving forward?

Balanced approach – flexible tools in place

Re-investments in business

- Focus continued on emerging markets expansion to support further growth
- Capex outlook – maintained levels below 3% of revenues
- Investments (operating losses) in new businesses of SEK 250-300 million according to plan in the next two years
- New acquisitions in emerging markets and core Nordic markets

Share buy-back and dividend

- Dividend decisions to be taken each year – established floor for future at SEK 5 per share
- Renewed buy-back mandate from AGM
- Trade-off between organic growth, acquisitions and short-term shareholder return is the same as last year
- More buy back of shares than last year, unless acquisition opportunity

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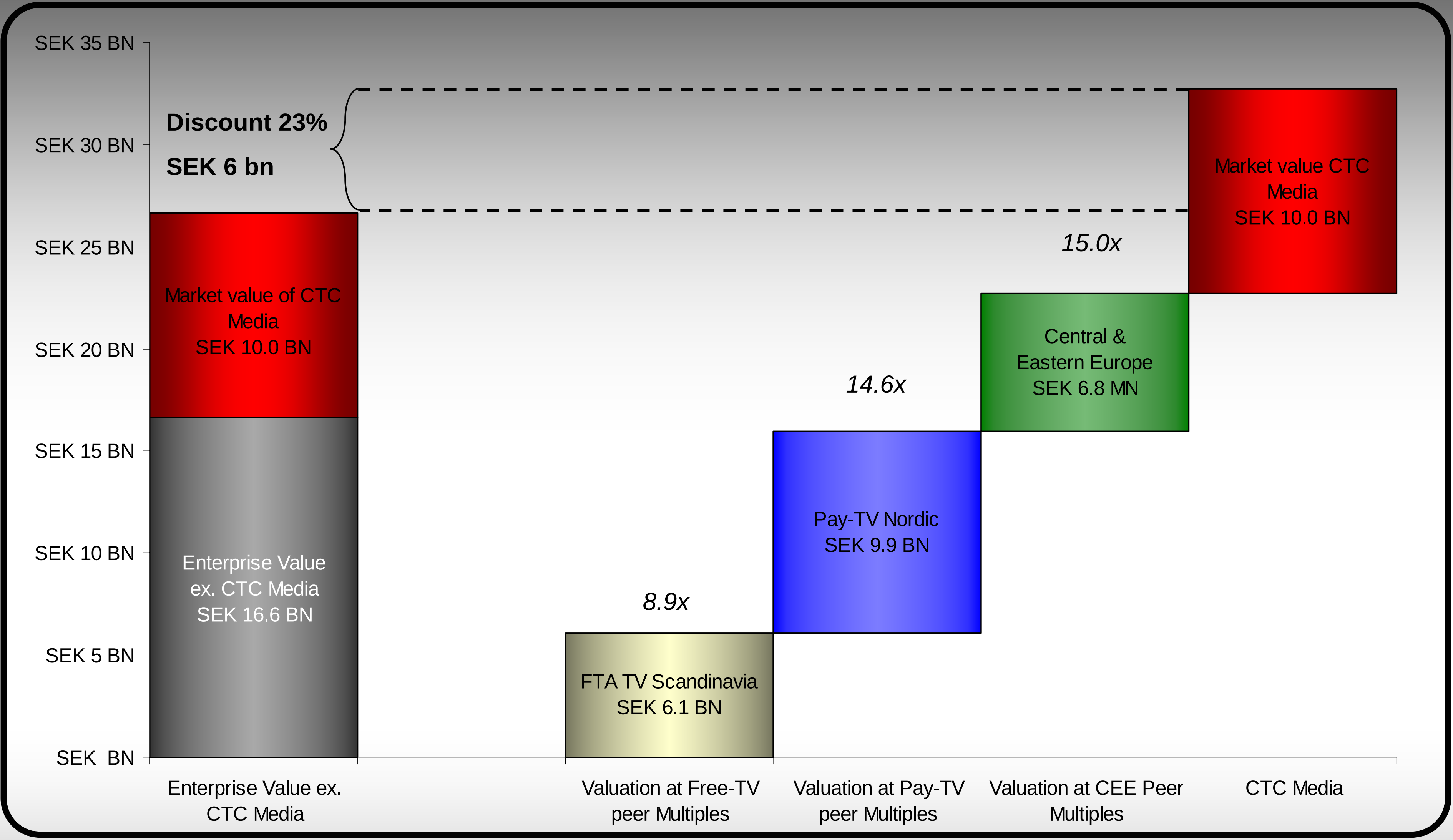
Why buy back is attractive?

Still trading with discount



Source: Internal Consensus; JP Morgan Earnings Forecasts & Multiples

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Significant debt capacity and free cash flow

Current balance sheet and debt capacity

- Net Cash post dividend and DTV proceeds >SEK 1 billion
- LTM EBITDA ex CTC of SEK 1.9 billion (SEK 2.4 billion incl.)
- Debt capacity of >3 x EBITDA (MTG+Target) for right acquisition target with maintained flexibility and without need for equity financing.
- Credit markets still intact for funding of transactions
- Current facility only SEK 3.5 billion (1.5x LTM EBITDA) – need to refinance once conditions improve

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Conclusions

Long-term outlook

- Outlook positive with strong cash generative portfolio
- Structurally positioned in the top of the peer group in terms of EBIT growth outlook & five year plan shows upside to market expectations
- Investments in future growth is a priority in the years to come
- Excess cash will continue to be returned to shareholders – share buy back attractive from a valuation standpoint
- Track record of using generated cash wisely – best in class Return on Capital Employed
- Debt capacity continued strong for larger scale acquisitions

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