

# Modern Times Group

## Q3 2009 Financial Results

21 October 2009





**MTG**  
MODERN TIMES GROUP

**Q3 Performance Demonstrates  
Resilience of Business Model**

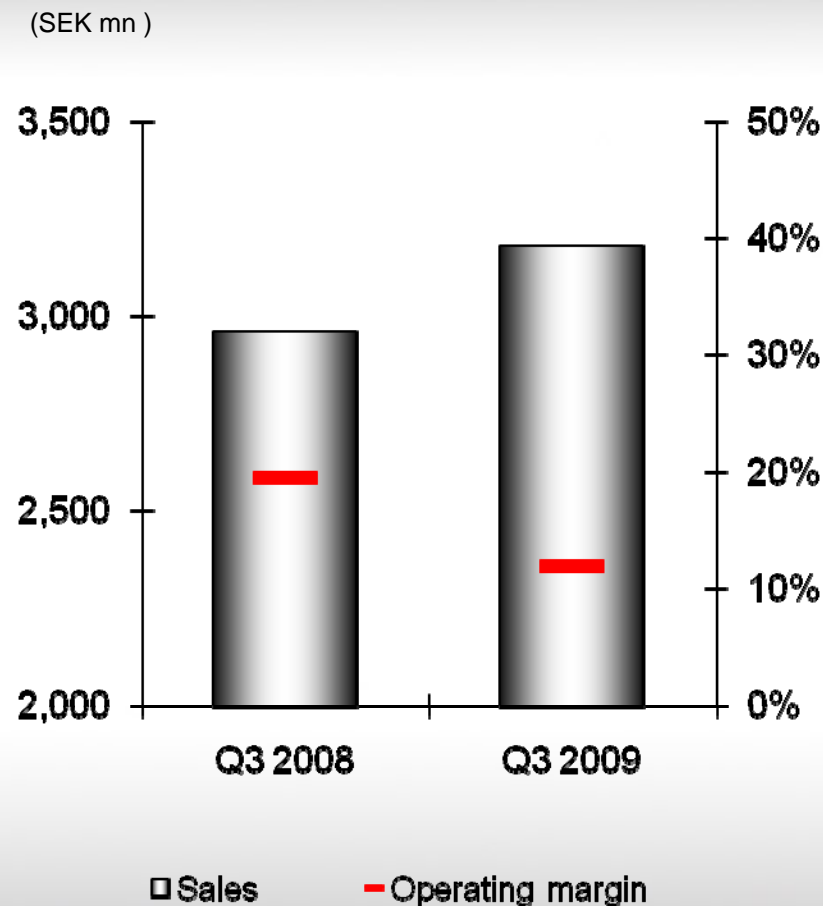


# Highlights

- Continued year on year sales growth in seasonally smallest advertising sales quarter of the year
- More than half of Group sales from resilient pay-TV & online businesses
- Advertising markets down year on year in each territory due to economic recession
- Free-TV: Continued penetration, viewing & advertising market share gains
- Pay-TV: Subscriber growth & rising premium ARPU
- 12% Group operating margin following cost reduction programmes and despite high level of operational gearing & selective investments
- SEK 3 bn of available liquid funds, low financial gearing and no debt maturities in 2009 or 2010

# Third Quarter 7% Sales Growth & 12% Group Operating Margin

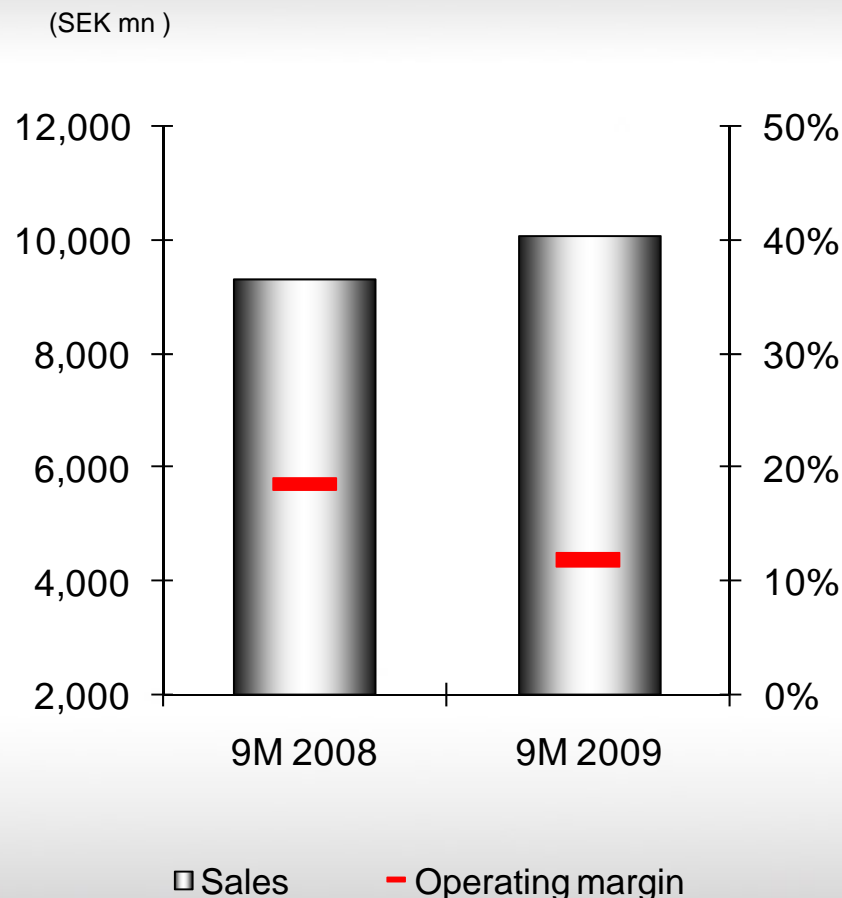
- Group net sales up 7% y/y to SEK 3,177 million
- Positive currency effects add 4 pp of growth
- Group operating income of SEK 377 (574) million with operating margin of 12%
- Pre-tax profit of SEK 336 (595) million
- Net income of SEK 254 (405) million
- Basic earnings per share of SEK 3.86 (6.07)
- Successful bank refinancing of SEK 3.0 bn loan facility



# First Nine Months

## 8% Sales Growth & 12% Group Operating Margin

- Group net sales up 8% y/y to SEK 10,097 million
- Positive currency effects add 6 pp of growth
- Operating income of SEK 1,199 (1,753) million\*, with operating margin of 12%
- Pre-tax profit of SEK 1,096 (1,790) million\*
- Net income of SEK 836 (1,225) million\*\*
- Basic earnings per share of SEK 12.51 (35.87)
- Launch or relaunch of 7 free-TV channels & addition of 11 channels to the Group's pay-TV offerings since the beginning of 2008



\* Operating income & pre-tax profit excluding SEK 1,173 million of income from discontinued DTV Group in 2008, including impact of participation in non-cash write-down by CTC Media in Q1 2009

\*\* Net income excluding SEK 1,175 million of income from discontinued DTV Group in 2008, including impact of participation in non-cash write-down by CTC Media in Q1 2009



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**Operating Review**

# Third Quarter Operating Results

(SEK mn)	Sales			Operating Profit (EBIT)		
	Q3 2009	Q3 2008	Change (%)	Q3 2009	Q3 2008	Change (%)
Free-TV Scandinavia	790	804	-2	120	173	-31
Pay-TV Nordic	1,091	987	10	180	172	4
Free-TV Emerging Markets	367	387	-5	-102	25	-
Pay-TV Emerging Markets	211	167	26	32	17	85
Associated CTC Media	-	-	-	126	173	-27
Other & eliminations	-48	-38		0	9	-
<b>Viasat Broadcasting business area</b>	<b>2,411</b>	<b>2,308</b>	<b>4</b>	<b>356</b>	<b>569</b>	<b>-37</b>
Other business areas	814	712	14	61	53	15
Group central operations	41	43	-	-40	-40	-
Eliminations	-89	-103	-	-	-	-
<b>Total from ongoing operations</b>	<b>3,177</b>	<b>2,959</b>	<b>7</b>	<b>377</b>	<b>582</b>	<b>-35</b>
Discontinued DTV Group	-	1		-	-9	-
<b>Reported Group total</b>	<b>3,177</b>	<b>2,960</b>	<b>7</b>	<b>377</b>	<b>574</b>	<b>-34</b>

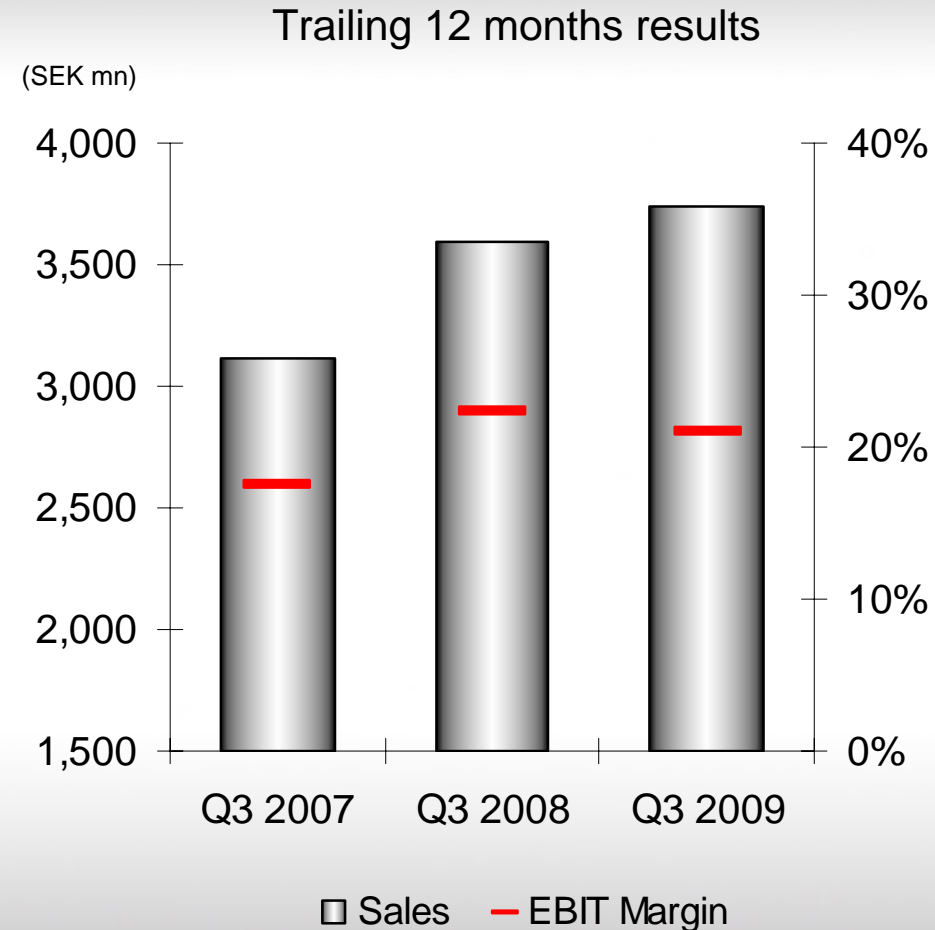
# First Nine Months Operating Results

(SEK mn)	Sales			Operating Profit (EBIT)		
	9M 2009	9M 2008	Change (%)	9M 2009	9M 2008	Change (%)
Free-TV Scandinavia	2,660	2,604	2	539	564	-4
Pay-TV Nordic	3,234	2,919	11	533	492	8
Free-TV Emerging Markets	1,444	1,395	3	-144	156	-
Pay-TV Emerging Markets	649	455	43	106	55	92
Associated CTC Media	-	-	-	154	512	-70
Other & eliminations	-131	-113	-	9	26	-
<b>Viasat Broadcasting business area</b>	<b>7,856</b>	<b>7,260</b>	<b>8</b>	<b>1,197</b>	<b>1,806</b>	<b>-34</b>
Other business areas	2,409	2,101	15	124	97	28
Group central operations	133	129	-	-123	-150	-
Eliminations	-301	-284	-	-	-	-
<b>Total from ongoing operations</b>	<b>10,097</b>	<b>9,207</b>	<b>10</b>	<b>1,199</b>	<b>1,753</b>	<b>-32</b>
Discontinued DTV Group	-	114	-	-	1,173	-
<b>Reported Group total</b>	<b>10,097</b>	<b>9,320</b>	<b>8</b>	<b>1,199</b>	<b>2,925</b>	<b>-59</b>

# Free-TV Scandinavia

## Rising Advertising Market Shares

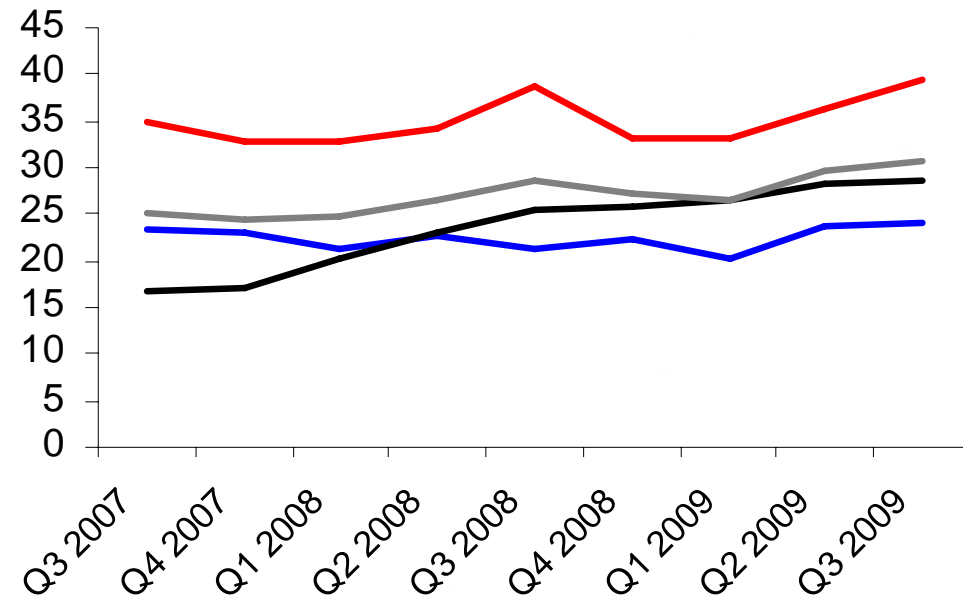
- Net sales of SEK 790 (804) million in Q3 & SEK 2,660 (2,604) million for YTD
- Continued ad market declines in each territory offset by advertising market share gains
- OPEX up 6% y/y to SEK 671 million in Q3 & up 4% to SEK 2,121 million for YTD, following ongoing programming investments & launch of TV3 PULS in Denmark
- Operating income of SEK 120 (173) million in Q3 & SEK 539 (564) for YTD with operating margins of 15% & 20% for respective periods



# Free-TV Scandinavia Rising Audience Shares

- Significant y/y audience share gains in each country following programming investments
  - Sweden up 0.7 pp y/y & 3.1 pp q/q
  - Norway up 3.0 pp y/y & stable q/q
  - Denmark up 2.5 pp y/y & stable q/q
- TV3 & TV6 Sweden penetration stable at 87% & TV8 at 66%
- TV3 Norway penetration up to 88% & Viasat4 penetration up to 68%
  - Norwegian analogue terrestrial television switch-off scheduled for 1 December 2009
- Continued strong development for new channel TV3 PULS in Denmark

Commercial Share of Viewing (15-49)

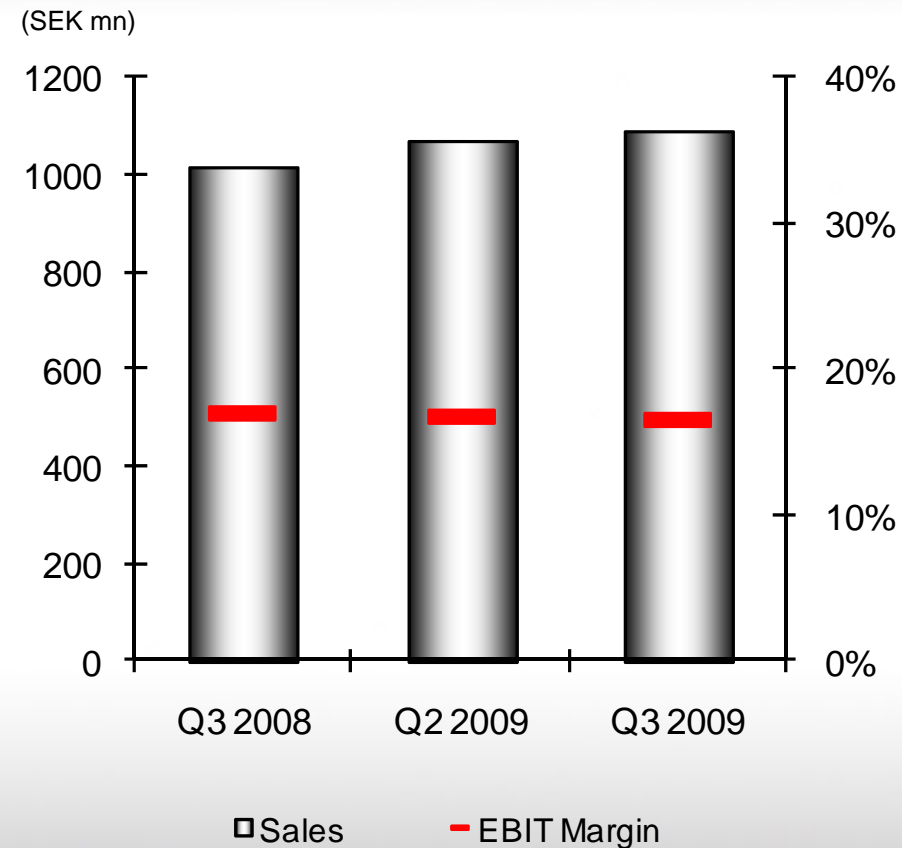


- Sweden: TV3, TV6, TV8, ZTV
- Denmark: TV3, TV3+, TV3 PULS
- Norway: TV3, Viasat4
- Scandinavia

## Pay-TV Nordic

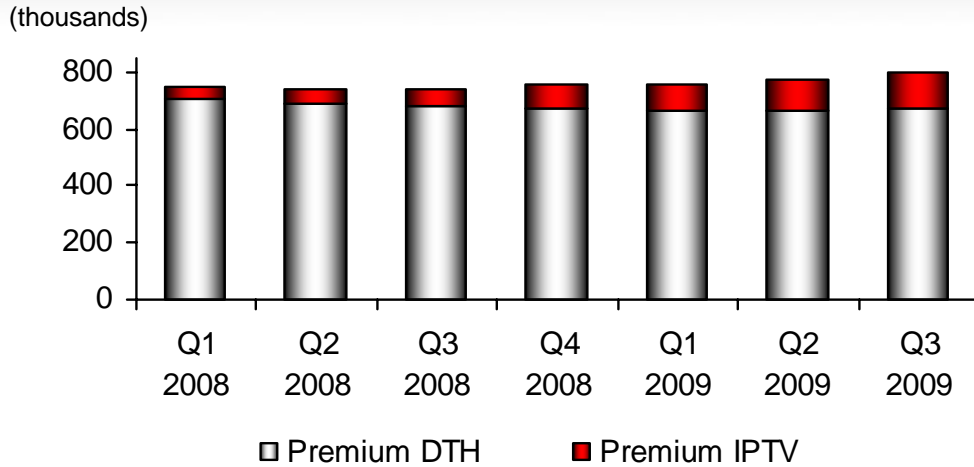
# 10% Sales Growth & 16% Operating Margin

- Sales up 10% y/y to SEK 1,091 million in Q3 & up 11% to SEK 3,234 for YTD
- Total OPEX up 12% y/y to SEK 911 million in Q3 & up 11% to SEK 2,701 million for YTD
  - Addition of 8 Viasat & 15 third party channels, extension or acquisition of key sports rights, ongoing investments in HDTV & subscriber acquisition campaigns in Denmark and Norway
  - SAC up 8% y/y in Q3 & for YTD
- Operating income up 4% y/y to SEK 180 (172) million & up 8% to SEK 533 (492) million for YTD, with margin of 16% (17%) for both periods

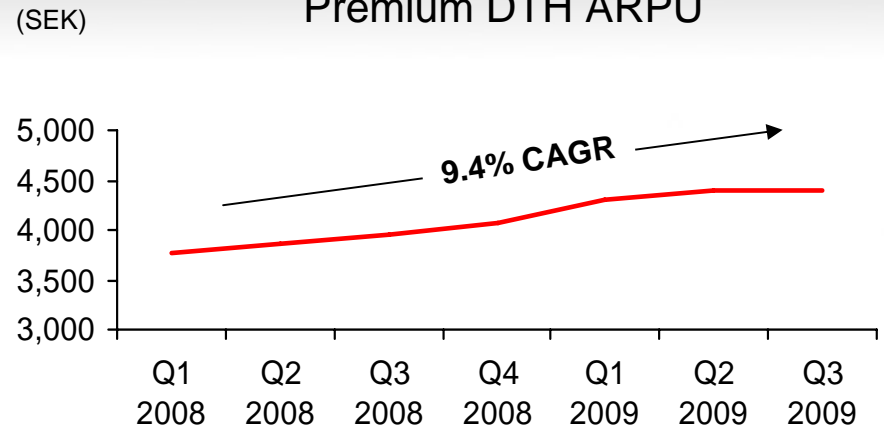


# Pay-TV Nordic Premium Subscriber & ARPU Growth

## Premium Subscribers

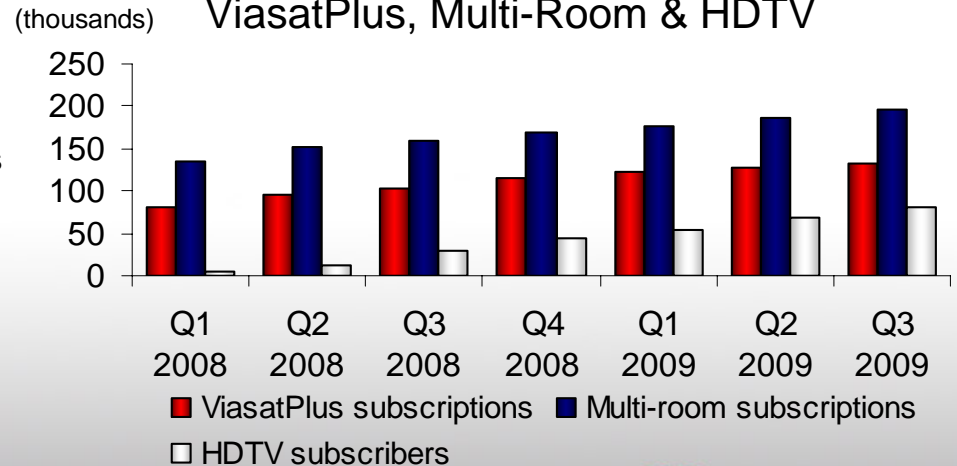


## Premium DTH ARPU



- Total premium subscribers up 24,000 q/q
  - Net growth of 9,000 premium DTH satellite subscribers following campaigns in Norway and Denmark & popularity of Viasat’s sports offering
  - Net growth of 16,000 IPTV subscribers
  
- Premium DTH ARPU up 11% y/y to SEK 4,401
  - Driven by previous price increases, ongoing uptake of value-added services (multi-room & HDTV), and positive currency effects & offset by initially discounted campaign offers in Denmark and Norway

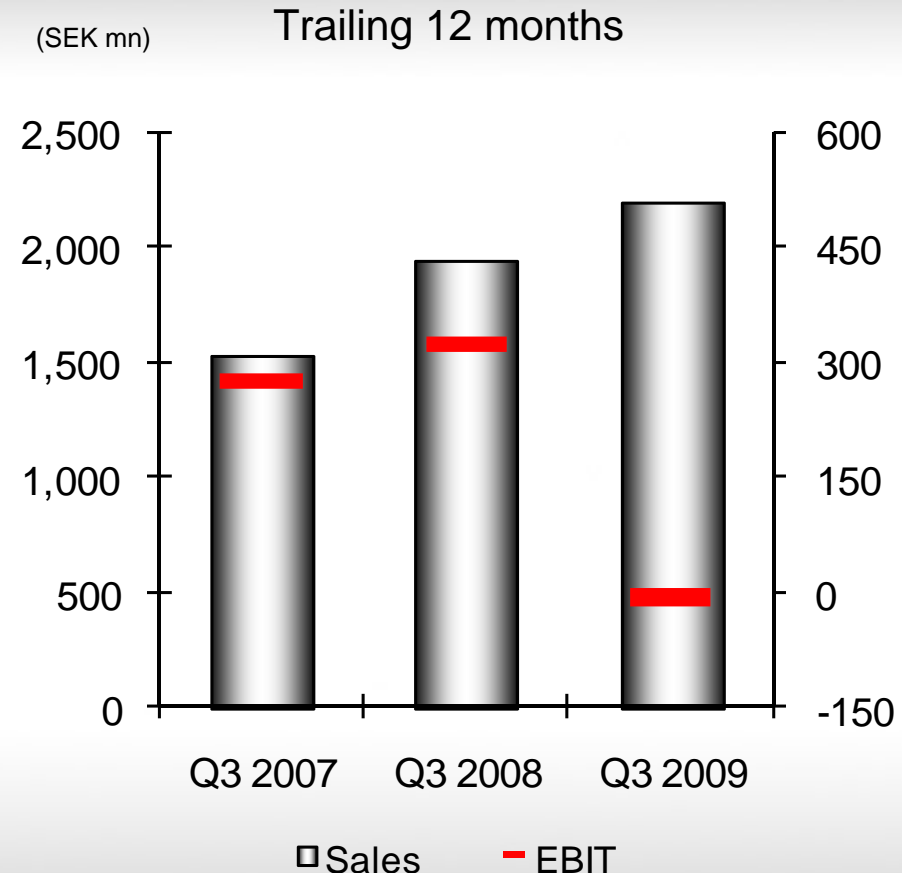
## ViasatPlus, Multi-Room & HDTV



# Free-TV Emerging Markets

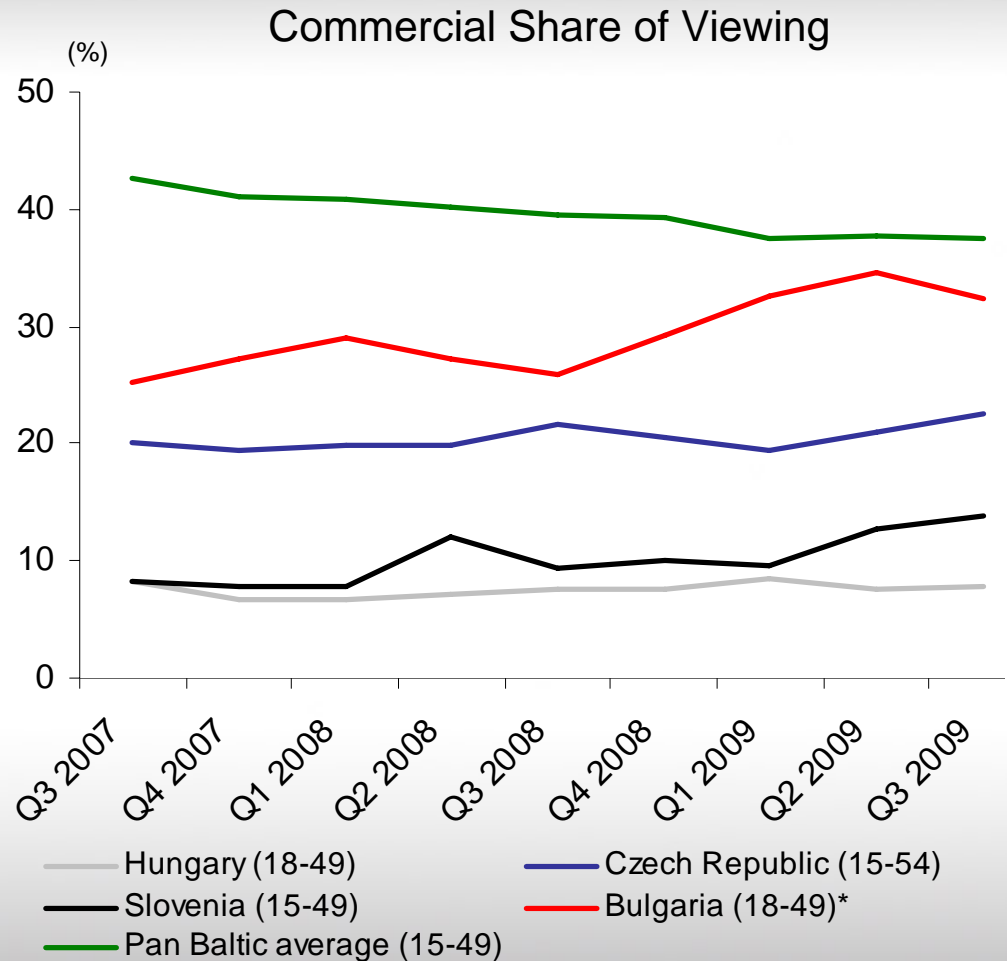
## Selectively Investing to Build Market Positions

- Sales down 5% to SEK 367 (387) million in Q3 but up 3% to SEK 1,444 (1,395) million for YTD, when including Nova Televizia
  - Adverse economic environment affecting advertising spending
  - Reported sales supported by positive currency effects
- Sales excluding Nova Televizia down 16% y/y in Q3 & down 12% for YTD
- OPEX up 30% y/y in Q3 and up 28% for YTD. OPEX excluding Nova Televizia in Bulgaria was up 7% y/y in Q3 and 5% for YTD
  - Increase reflects launch or relaunch of 6 channels, programming investments, adverse impact of exchange rate movements - offset by cost savings across the business area
- Operating result of SEK -102 (25) million in Q3 & SEK -144 (156) million for YTD
  - Impacted by high level of operational gearing



# Free-TV Emerging Markets Audience Share Development

- Baltics - q/q audience share stable
  - Lithuania: Return to higher viewing shares following successful programming formats and sports events,
  - Estonia: Channels' audience share slightly down
  - Latvia: Decrease in audience share reflected increased competition levels
- Czech - q/q audience share increase reflected successful own productions & development of new Prima COOL channel
- Bulgaria – y/y audience share\* increase reflected investments in programming schedules including new Hollywood studio deals and the acquisition of premium sports rights

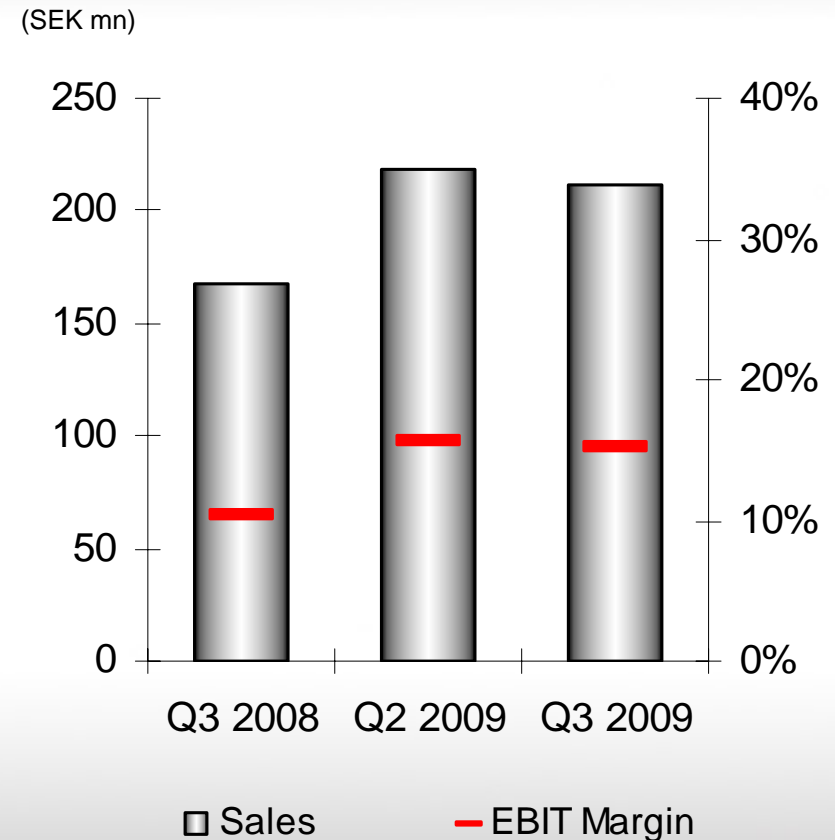


\*Pro forma

# Pay-TV Emerging Markets

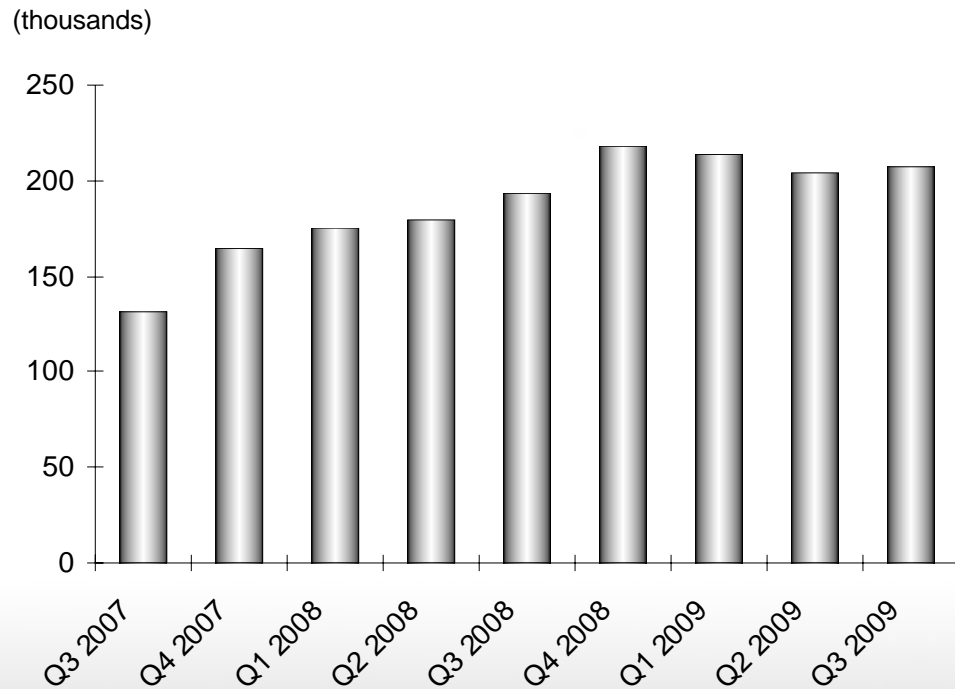
## 26% Sales Growth & 15% Margin

- Sales up 26% y/y to SEK 211 million in Q3 & up 43% to SEK 649 million for YTD
- Baltic & Ukrainian DTH platforms added 14,000 net premium subscribers y/y & 3,000 q/q
  - Smaller net loss of subscribers in Baltics than in Q2 2009 & continued subscriber intake in Ukraine
- Mini-pay wholesale business subscriptions up 6.5 million y/y to 39.6 million in Q3, q/q decline reflected loss of two major cable operators
- OPEX up due to increase in subscriber acquisition costs & addition of new channels
- Operating income up 85% y/y to SEK 32 million in Q3 & up 92% to SEK 106 million for YTD, increased operating margins of 15% and 16% respectively
- 4 year agreement signed with Elion in Estonia - Viasat to market and sell pay-TV packages to 175,000 broadband customers & benefit from increased penetration for free-TV channels

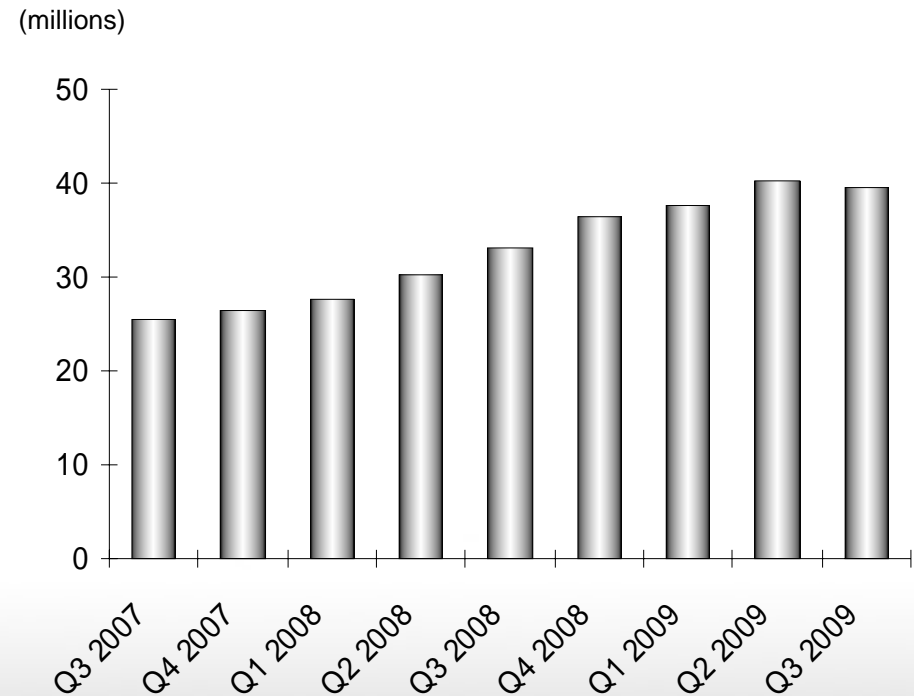


# Pay-TV Emerging Markets Subscriber Base Development

## Premium DTH Subscribers (Baltics & Ukraine)



## Mini-pay Subscriptions (24 countries)



# Other Businesses

## Online

- Sales up 26% y/y to SEK 531 million in Q3 & up 23% to SEK 1,541 million for YTD
- MTG Internet Retailing drives growth
  - CDON.COM sales up 32% y/y in Q3 & 22% for YTD following successful ad campaigns & higher average order values
  - Gymgrossisten sales up 33% y/y in Q3 and 54% for YTD
  - Nelly.com sales up 114% y/y in Q3 & 159% for YTD following integration of Linus & Lotta and introduction of new product lines
- Operating income more than doubled y/y in Q3 to SEK 31 (15) million & stable for YTD at SEK 59 million\*

## Radio

- Sales down 12% y/y in Q3 to SEK 172 million & down 14% for YTD to SEK 519 million, reflecting year on year declines in advertising markets in Sweden, Norway & Baltics
- Operating income of SEK 22 (45) million in Q3 & SEK 45 (127) million for YTD with operating margins of 13% & 9% for respective periods

## Modern Studios

- Sales up 16% y/y to SEK 111 million in Q3 & up 41% to SEK 348 million for YTD
  - Market share gains & sale of licenses to Strix formats internationally
- Operating profit of SEK 6 (-6) million in Q3 & SEK 12 (-19) million for YTD

\*When excluding SEK -76 million asset impairment charge in Q2 2008

# Financial Review



# Income Statement

## Third quarter 2009

- Net sales up 7%
- Operating income from ongoing operations down 40%

## Nine months 2009

- Net sales up 8%
- Operating income from ongoing operations down 16%
- Net interest of SEK -36 (36) million in Q3 and SEK -106 (46) million for YTD reflects increase in borrowing level in Q4 2008

(SEK million)	Q3 2009	Q3 2008	9M 2009	9M 2008	FY 2008
<b>Net sales</b>	3,177	2,960	10,097	9,320	13,166
<b>Operating income from ongoing operations</b>	246	408	1,030	1,232	1,848
<b>Associated company income*</b>	131	174	169	520	651
<b>Total operating income from ongoing operations</b>	377	582	1,199	1,753	2,499
<b>Discontinued DTV Group Russia**</b>	-	-9	-	1,173	1,173
<b>Total operating income (EBIT)</b>	377	574	1,199	2,925	3,671
<b>Net interest &amp; other financial items</b>	-41	21	-102	38	-61
<b>Income before tax</b>	336	595	1,096	2,963	3,610
<b>Net income</b>	254	405	836	2,400	2,927
<b>Basic EPS</b>	3.86	6.07	12.51	35.87	43.25

\* Includes Q1 2009 participation in non-cash impairment of intangible assets by associated company CTC Media

\*\* Comprises the net impact of the sale of DTV Group in Q2 2008 and DTV Group operating results up to time of sale

# Cash Flow

- Changes in working capital reflected lower receivables & timing differences
- CAPEX of SEK 18 million in Q3 & SEK 70 million for YTD represented less than 1% of revenues
- SEK 329 million ordinary dividend (SEK 5 per share) paid out during Q2
- Cash flow from/to investing activities in 9M 2008 included sale of DTV
- Cash & cash equivalents amounted to SEK 977 (2,086) million at end of Q3 & compared to SEK 1,084 million at end of Q2

(SEK million)	Q3 2009	Q3 2008	9M 2009	9M 2008	FY 2008
<b>Cash flow from operations</b>	114	242	707	1,247	1,918
<b>Changes in working capital</b>	177	33	150	57	67
<b>Net cash flow from operations</b>	291	275	857	1,304	1,985
<b>Cash flow to/from investing activities</b>	-21	444	-215	1,578	-4,674
<b>Cash flow to/from financing activities</b>	-351	565	-614	-1,329	3,106
<b>Net change in cash and cash equivalents</b>	-81	1,283	28	1,552	417

# Financial Position

- Total borrowings of SEK 4.4 bn, compared to 4.7 bn as of Q2
- SEK 3.4 bn of net debt at end of period less than 1.5x LTM underlying EBITDA
- Successful bank refinancing of SEK 3 bn facility in July 2009 with syndicate of 5 banks & at favorable terms
  - SEK 3.5 bn facility falling due in 2011
  - SEK 3.0 bn facility falling due in 2012
- Available liquid funds of SEK 3,215 million at end of Q3, compared to SEK 2,966 million at end of Q2 2009
- Equity to assets ratio of 45%

(SEK million)	30 Sep 2009	30 Sep 2008	31 Dec 2008
<b>Non-current assets</b>	12,088	5,316	12,881
<b>Current assets</b>	6,309	6,930	6,351
<b>Total assets</b>	18,397	12,245	19,232
<b>Shareholders' equity</b>	8,243	7,320	8,980
<b>Long-term liabilities</b>	5,030	418	5,263
<b>Current liabilities</b>	5,123	4,507	4,989
<b>Total equity and liabilities</b>	18,397	12,245	19,232



Summary

# Summary

- Sales growth and penetration, viewing & market share gains in seasonally smallest advertising quarter of the year
- Advertising markets down y/y in each territory due to economic recession
- Pay-TV subscriber & ARPU growth
- Ongoing cost savings balanced by selective investments in programming, channels & platforms to build long-term market positions
- More than half of total sales from non-cyclical, resilient, well positioned pay-TV and internet retailing businesses
- Healthy financial position with low gearing & no debt maturities in 2009 or 2010
- Well-positioned as primary challenger to incumbents & with structural tailwind of digitalisation



**For Further Information, please visit [www.mtg.se](http://www.mtg.se) or contact:**

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