

# **MODERN TIMES GROUP**

## **Q1 2014 FINANCIAL RESULTS**

***“RECORD Q1 SALES WITH DOUBLE DIGIT GROWTH”***



# Q1 2014 – HIGHLIGHTS

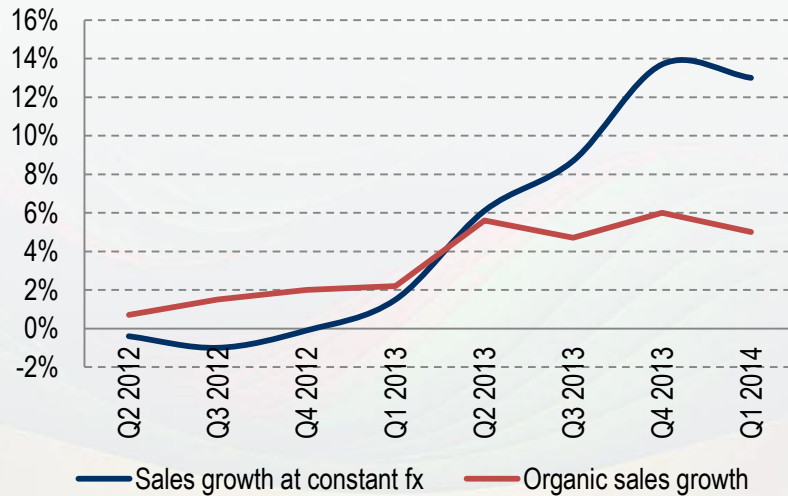
- Sales up 13% at constant FX & 5% on an organic basis
- Organic growth in FTV Scandi and PTV Nordic accelerated by Olympics coverage in Sweden
- Double digit organic growth in PTV EM & content production businesses
- FTV EM – double digit growth in Baltics, Bulgaria and Ghana not fully offsetting lower sales in Czech Rep.
- Merger of Viaplay and MTGx to create leading digital entertainment powerhouse
- Y-o-Y profit growth in PTV Nordic for the first time in 2 years. Overall profitability impacted by seasonality, Olympics, channel launches and digital investments
- Retain our FY14 expectation for higher operating margin in PTV Nordic but not currently reiterating expectation for higher profits in PTV EM given the significant currency changes seen in the region



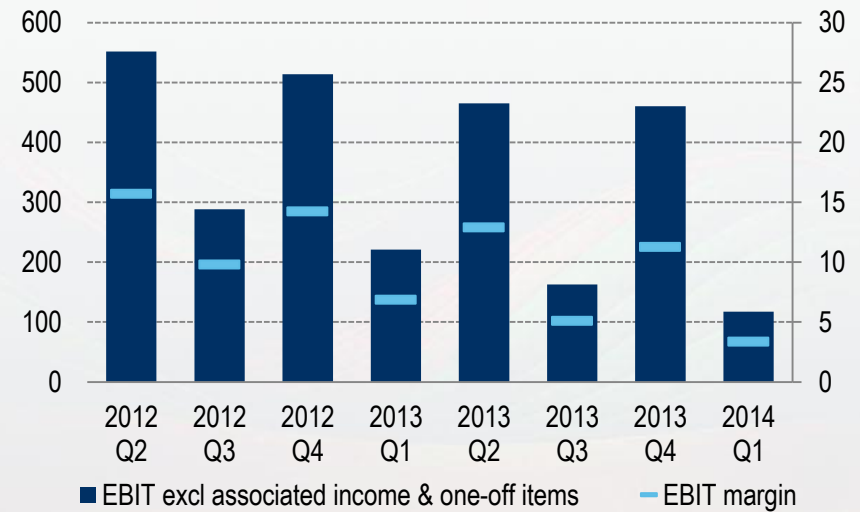
# GROUP PERFORMANCE

## INVESTMENTS DRIVING GROWTH

### SALES GROWTH (Y-O-Y)



### EBIT (SEK MN) AND EBIT MARGIN (%)



# FREE-TV SCANDINAVIA

## THE OLYMPIC QUARTER

### Sales up 4% at constant FX

- Growth for 3rd consecutive quarter
- Swedish & Norwegian TV ad markets estimated to have grown, while the Danish market is estimated to have declined

### Audience share gains in Sweden and Denmark

- Denmark – highest Q1 CSOV level since 2000
- Sweden – highest CSOV in over 2 decades boosted by the Olympics
- Norway – down due to the Olympics shown on a rival network

### Margin impacted by the Olympics

- OpEx up 9% at constant FX – following programme investments, in particular related to coverage in Sweden of Winter Olympics and the launch of TV6 in Norway

28% of Group sales	2014	2013
	Jan-Mar	Jan-Mar
Sales (SEKm)	1,034	993
Growth (at constant FX)	4%	-1%
EBIT (SEKm)	92	127
EBIT margin	8.9%	12.8%
CSOV (15-49)		
Sweden	39.1%	32.4%
Norway	15.3%	17.3%
Denmark	25.6%	25.4%

# PAY-TV NORDIC

## ACCELERATED GROWTH

### Sales up 7% at constant FX

- Primarily driven by continued strong subscriber intake at Viaplay
- The organic growth has accelerated as the acquisition of the Danish TV3 Sports channels have now annualized

### Continued subscriber growth

- The premium subscriber base incl. Viaplay continued to grow y-o-y and q-o-q and the intake at Viaplay reached a new all-time-high
- Premium satellite ARPU continued to rise following price increases

### Profits up and margin within the expected range

- OpEx increased primarily due to MTG's coverage in Sweden of the Winter Olympics and continued expansion of Viaplay
- Profits up y-o-y for the first time in 2 years. Continue to expect higher EBIT margin for FY14

38% of Group sales	2014	2013
	Jan-Mar	Jan-Mar
Sales (SEKm)	1,404	1,310
Growth (at constant FX)	7%	4%
EBIT (SEKm)	155	146
EBIT margin	11.0%	11.1%
Premium subs ('000)	978	1,003
o/w satellite ('000)	553	580
o/w third party ('000)	425	424
Satellite premium ARPU (SEK)	5,044	4,955



# FREE-TV EMERGING MARKETS

## CONTINUED INVESTMENTS

### Slightly lower sales at constant FX

- Double digit growth in each of the Baltic markets, Bulgaria and Ghana
- Offset by lower sales in the Czech Republic following the exceptional growth levels in 2013 and aggressive competition

### Record high audience shares in the Baltics

- Pan-Baltic CSOV reached a new all-time high for Q1
- Bulgarian CSOV down slightly from a high base
- Czech Republic CSOV down, primarily driven by Prima Family

### EBIT impacted by higher investments

- Material investments including the Baltic coverage of the Winter Olympics and the launch of TV1 in Tanzania
- Profitability also impacted by lower sales in the Czech Republic

14% of Group sales	2014	2013
	Jan-Mar	Jan-Mar
Sales (SEKm)	504	512
Growth (at constant FX)	-2%	25%
EBIT (SEKm)	-25	26
EBIT margin	-	5.0%
CSOV		
Pan-Baltic (15-49)	48.8%	46.8%
Czech Republic (15-54)	33.3%	37.5%
Bulgaria (18-49)	33.8%	34.0%

# PAY-TV EMERGING MARKETS

## CONTINUED GOOD PERFORMANCE

### Sales up 10% at constant FX

- Driven by wholesale subscription in general, and the Russian market in particular

### Continued strong subscription growth

- Added almost 10m mini-pay subscriptions y-o-y and almost 3m q-o-q
- The satellite pay-TV subscriber base declined 27k q-o-q due in particular to the ongoing Raduga license uncertainty

### Change in FY14 expectations due to the geopolitical situation

- Not in a position to reiterate expectation for higher profitability in FY14 at this stage, primarily due to substantial currency fluctuations
- Remain committed to the region and continue to see substantial market opportunity

7% of Group sales	2014	2013
	Jan-Mar	Jan-Mar
Sales (SEKm)	266	245
Growth (at constant FX)	10%	10%
EBIT (SEKm)	22	-1
EBIT margin	8.2%	-
Subscribers / subscriptions ('000)		
Satellite	554	578
Mini-pay wholesale	94,837	85,153

# NICE, MTGx, RADIO

## CONTENT PRODUCTION DRIVES GROWTH

### Organic + acquisition led growth

- Consolidation of Nice, DRG and Novemberfilm in H2 2013
- 6% organic sales growth driven by double-digit growth within content production
- Sales for the combined radio businesses were down

### Profitability pressured by seasonality and investments

- Continued investments in MTGx
- Profits also impacted by the seasonality of the content production businesses which have become much bigger following acquisitions

### MTGx continues to develop according to plan

- A new AVOD platform rolled out during the quarter in seven markets
- Launched a new dedicated Olympics website, new mobile app, re-launch of the Viasatsport.se site etc.

13% of Group sales	2014	2013
	Jan-Mar	Jan-Mar
Sales (SEKm)	483	242
Growth (at constant FX)	105%	-41%
Growth (organic)	6%	-19%
EBIT (SEKm)	-64	-17
EBIT margin	-	-





# INCOME STATEMENT

## INVESTMENTS DELIVER GROWTH

### Sales up 13% at constant FX

- 5% organic growth
- Acquisitions add ~ 7 percentage points of growth

### 3% EBIT margin (excl. associates)

- OpEx up 17% at constant FX & 9% organically
- Investments in the Winter Olympics, launch of new channels (Norway and Tanzania) and MTGx
- Total EBIT includes SEK 74m (0) participation in USD 29.9m of non-recurring charges incurred by CTC Media in Q4 2013

### Effective tax rate of 39% for the quarter

- Expect FY14 rate to be in 25-30% range

Q1 in brief	2014	2013
	Jan-Mar	Jan-Mar
Sales (SEKm)	3,597	3,209
Sales growth (at constant FX)	13%	1%
Organic growth (at constant FX)	5%	2%
EBIT excl. associates	118	221
Margin excl. associates	3.3%	6.9%
Total EBIT	301	454

# CASH FLOW

## HIGH CASH CONVERSION LEVELS

### Healthy cash flow generation

- 76% of earnings converted into operating cash flow
- SEK 68m cash dividend payments received from CTCM

### Strong financial position

- Net debt to trailing twelve month EBITDA ratio of just 0.4x
- SEK 6.3bn of available liquid funds
- SEK 3.6bn market value of CTC stake as at end of period with a book value of SEK 2.0bn

### Board proposes annual cash dividend of SEK 10.50

- Record pay-out ratio of 56% excl. non-recurring items
- Continuing to balance investments in future growth with shareholder returns

(SEKm)	2014	2013
	Jan-Mar	Jan-Mar
<b>Cash flow from operations</b>	<b>195</b>	<b>269</b>
Changes in working capital	-99	-190
<b>Net cash flow from operations</b>	<b>95</b>	<b>79</b>
Cash flow used in investing activities	-64	-47
Cash flow used in financing activities	-29	-220
<b>Net change in cash &amp; cash equivalents</b>	<b>2</b>	<b>-188</b>

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# MTG INVESTOR RELATIONS

FOR FURTHER INFORMATION

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