

MODERN TIMES GROUP

CAPITAL MARKETS DAY 2013

THE MATRIOSHKA EFFECT

Irina Gofman
EVP OF RUSSIAN AND CIS BROADCASTING



IRINA GOFMAN

JOINED MTG IN 2002 & 2008

EVP of the Group's Russian & CIS broadcasting operations since October 2011. Member of CTC Media Board since 2008

Has been CEO of MTG Russia & CIS since July 2008

Responsible for the Group's emerging markets mini-pay channel business and satellite pay-TV platform in Ukraine from May 2011

Previously CEO of Rambler Media Group, between 2004 and 2007

Worked for MTG between 2002 and 2004 as Chief Operating Officer of the DTV Russian TV network and was instrumental in the launch of Viasat Broadcasting's wholesale pay-TV business in Russia

Favourite app:



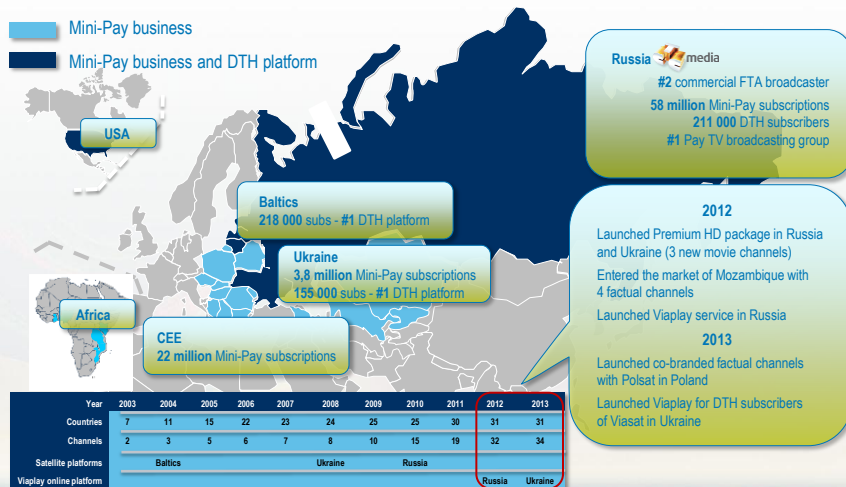
Best lap: Stripping & reassembling an AK47 in less than 30 seconds



ALWAYS EXPANDING FOOTPRINT AND OPERATIONS

Mini-Pay business

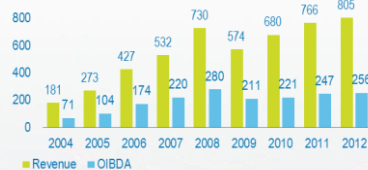
Mini-Pay business and DTH platform



HIGH HISTORICAL GROWTH ACROSS BUSINESS AREAS

CTC MEDIA REVENUE AND OIBDA, MUSD

16% TV Ad market CAGR 21% CTC Revenue CAGR 18% CTC OIBDA CAGR



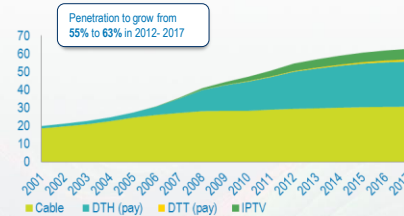
PAY TV EM HISTORICAL PERFORMANCE, MSEK

54% Revenue CAGR 27% EBIT CAGR

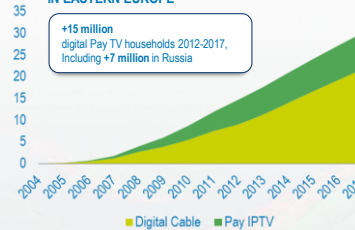


MARKETS DRIVEN BY PAY-TV PENETRATION AND DIGITALIZATION

PAY-TV PENETRATION IN EASTERN EUROPE (%)



DIGITAL PAY-TV HOUSEHOLDS (MILLIONS) IN EASTERN EUROPE



PAY-TV PENETRATION (% OF TV HOUSEHOLDS)



* Russia without Tricolor

% OF HOUSEHOLDS DIGITALIZED (CABLE AND IPTV)



Source: Screen Digest 2013



AS WELL AS PREMIUM SERVICES AND NEW TECHNOLOGIES

SHARE OF PREMIUM SEGMENT OF PAY-TV TOTAL IS STILL VERY LOW (% OF REVENUES)



RUSSIA & UKRAINE: THREEFOLD INCREASE IN PREMIUM PAY REVENUES (MILLIONS USD)



HUGE ONLINE MARKETS WITH A POTENTIAL TO GROW (NUMBER OF INTERNET USERS, MILLION AND PENETRATION, %)



Source: Screen Digest 2012, Internet World Stats 2013, ComScore, Boston Consulting Group, Mindshare Interaction, ITU

INCREASE OF TIME SPENT ONLINE (HOURS PER DAY)

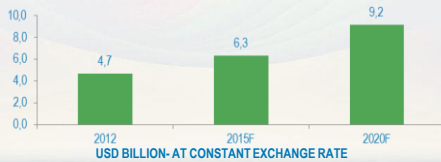


ALSO, NEXT YEAR RUSSIA IS TO BECOME THE BIGGEST ADVERTISING MARKET IN EUROPE

SIZE OF THE TV ADVERTISING MARKET BY 2014

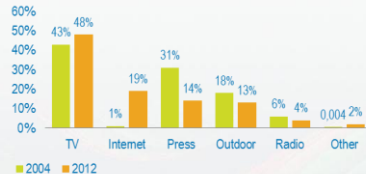


RUSSIAN TV ADVERTISING MARKET IS STILL TO DOUBLE FROM 2012 TO 2020



Source: Zenith Optimedia, Video International, Russian Association of Communication Agencies, Initiative Media, MTG data

TV TO CONTINUE TO BE THE LARGEST MEDIA SEGMENT IN RUSSIA



WITH GOOD AD SPEND GROWTH POTENTIAL



FY 2012 TV COST PER THOUSAND, USD



7

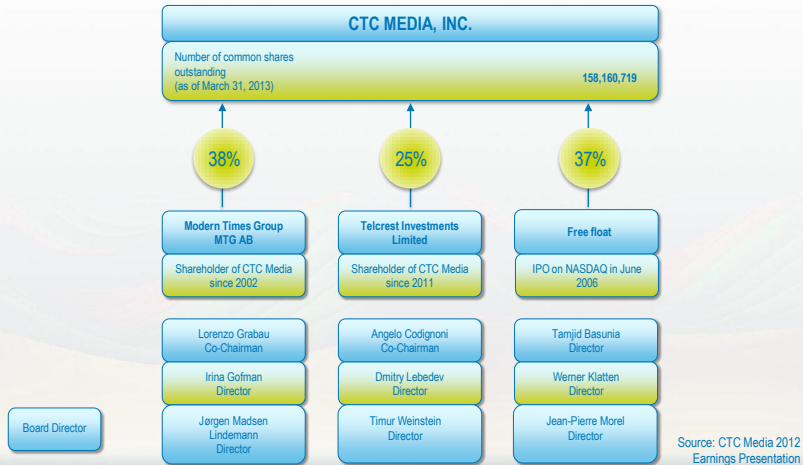


CTC MEDIA TARGETING SUCCESS

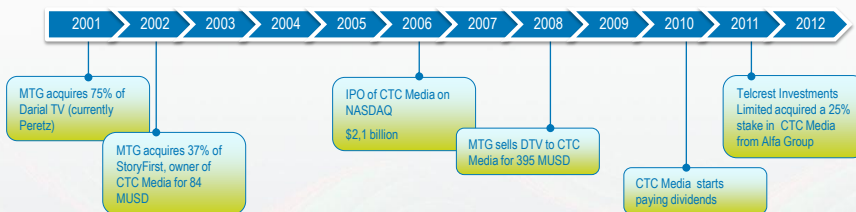


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CTC MEDIA SHAREHOLDER STRUCTURE



WITH MTG TAKING KEY PART IN THE INVESTMENT STORY...TO BE CONTINUED



Source: MTG data; * at \$11.79 per share

Total Cash Investment (DTV+CTC)	USD 100 million	
Proceeds from DTV sale		USD 395 million
CTC Dividends received		USD 120 million
Current Value of MTG stake		USD 708 million*
Current ROI		1,105%



... PROVIDING HEALTHY CONTRIBUTION TO MTG

ASSOCIATED COMPANY INCOME FOR MTG (EBIT) (MSEK)

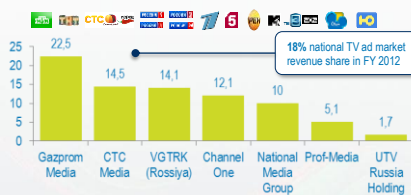


ANNUAL DIVIDENDS RECEIVED BY MTG (MSEK)



CTC MEDIA: RUSSIAN LEADING MEDIA GROUP CTC MEDIA IS #2 COMMERCIAL BROADCASTER IN RUSSIA

COMBINED AUDIENCE SHARES, % (ALL 6-54 DEMOGRAPHIC), FY 2012

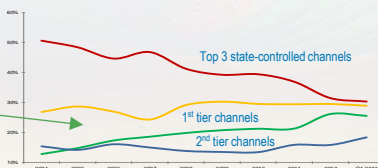


AUDIENCE SHARE IN CHANNELS' TARGET DEMOGRAPHICS, %



Source: CTC Media 2012 Earnings Presentation

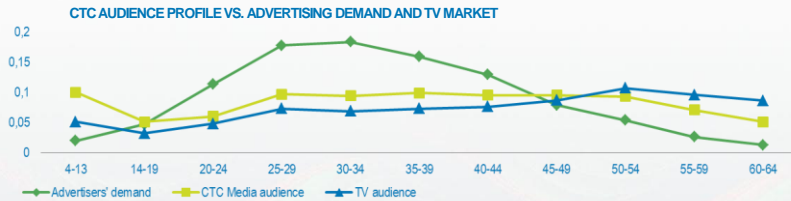
WITH CHANNEL PORTFOLIO BENEFITING FROM MARKET FRAGMENTATION; AUDIENCE SHARES, ALL 10-45 DEMOGRAPHICS



Non-FTA and regional channels



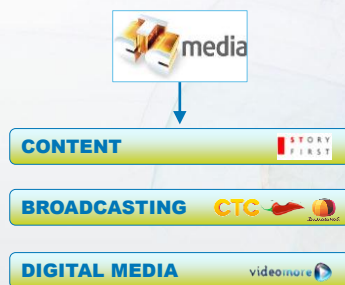
ATTRACTIVE AUDIENCE PROFILE AND REACH ACROSS COMPLIMENTARY DEMOGRAPHICS



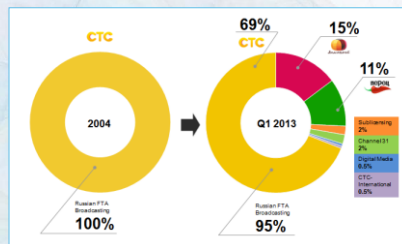
Source: CTC Media 2012 Earnings Presentation



WITH MEDIA HOUSE APPROACH



CTC MEDIA REVENUE SPLIT EVOLUTION



Source: CTC Media 2012 Earnings Presentation



RESULTING IN STRONG TOP AND BOTTOM-LINE GROWTH...

CTC MEDIA REVENUE, USD MILLION

TV AD MARKET CAGR – 16%
CTC MEDIA REVENUE CAGR – 21%



■ Comparable basis total operating revenues

Source: CTC Media 2012 Earnings Presentation

CTC MEDIA OIBDA, USD MILLION

OIBDA' CAGR – 18%



■ OIBDA — OIBDA margin, % — Peers average OIBDA margin, %



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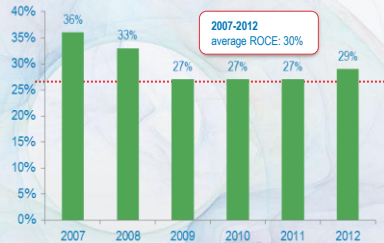
AS WELL AS STRONG BALANCE SHEET AND HIGH LEVEL OF RETURN ON CAPITAL

CONSOLIDATED BALANCE SHEET HIGHLIGHTS

USD million	As of December 31, 2012	As of March 31, 2012
Cash and cash equivalents	55.2	15.4
Short-term investment	131.4	128.5
Total assets	985.6	947.5
Including goodwill	178.0	173.9
Including broadcasting licenses	83.3	76.1
Including programming rights	255.3	242.4
Working capital ¹	298.3	285.0
Total debt (bank overdraft)	13.2	6.1
Stockholders' equity	762.9	750.1
Net cash position ²	173.4	137.9

Source: CTC Media 2012 Earnings Presentation

RETURN ON CAPITAL EMPLOYED



2007-2012
average ROCE: 30%



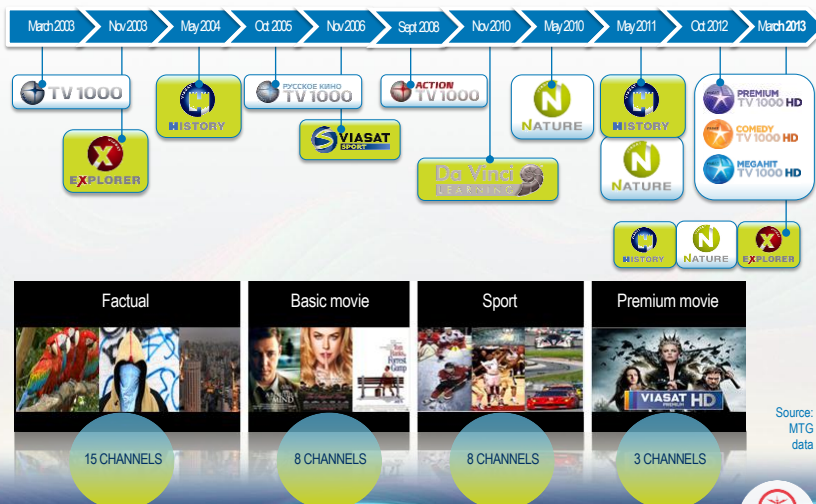
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CHANNEL BUSINESS REACHING NEW HEIGHTS



CHANNEL BUSINESS: BUILDING CONTENT OFFERING

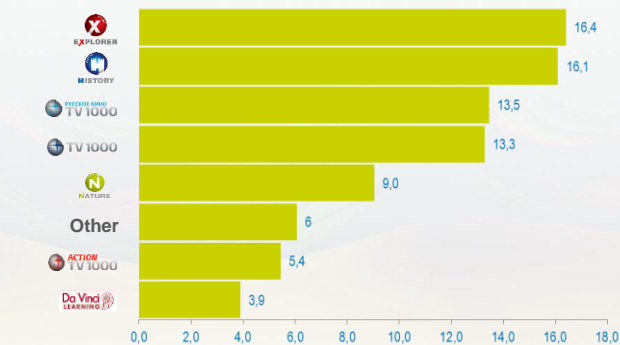


Source:
MTG
data



WITH A HIGH IMPACT BRAND PORTFOLIO

NUMBER OF SUBSCRIPTIONS SOLD PER CHANNEL, 2012 (MILLIONS)



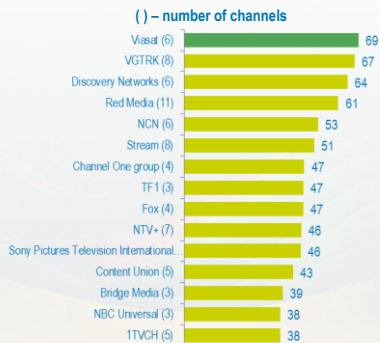
Source: MTG data



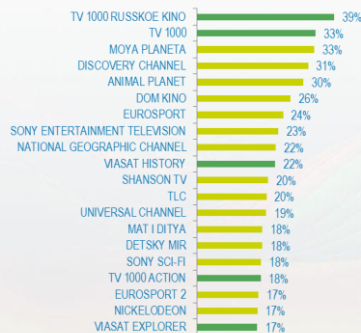
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RUSSIA – THE STRONGEST MARKET POSITION WITH THE MOST POPULAR PAY CHANNELS IN THE COUNTRY

TOP 15 CONTENT PROVIDERS CUMULATED REACH, %



TOP 20 PAY CHANNELS, AVERAGE MONTHLY REACH, %



Source: Source: TNS Russia, TV Index project, Peplemeters, Russia (cities 100 000+), 01/02/2013-30/04/2013, Total day, Population aged 4+.



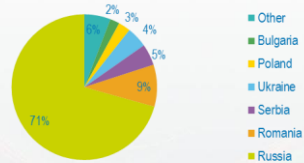
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TO DRIVE SUBS AND REVENUE GROWTH WITH RUSSIA AS THE LEADING MARKET

MINI-PAY CHANNEL SUBSCRIPTIONS (MILLION) – 64% CAGR



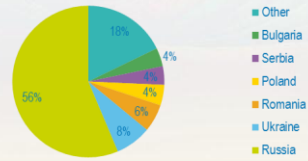
SUBSCRIPTIONS BY COUNTRY 2012



REVENUE GROWTH (MSEK) – 47% CAGR



REVENUE BY COUNTRY 2012

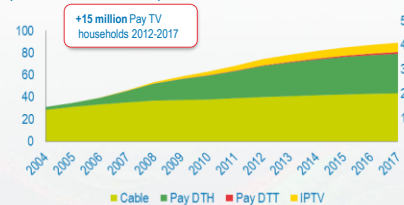


Source: MTG data



STILL VOLUME OPPORTUNITY TO DRIVE FUTURE GROWTH

EASTERN EUROPE: STRUCTURE OF THE PAY TV MARKET (MILLIONS HOUSEHOLDS)



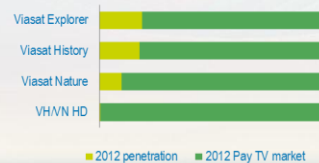
NUMBER OF PAY TV HOUSEHOLDS (MILLIONS)



RUSSIA: CURRENT PENETRATION VS. CURRENT PAY TV MARKET



CEE: CURRENT PENETRATION VS. CURRENT PAY TV MARKET

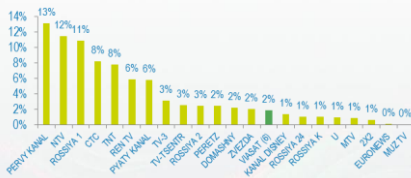


Source: Screen Digest 2013, MTG data

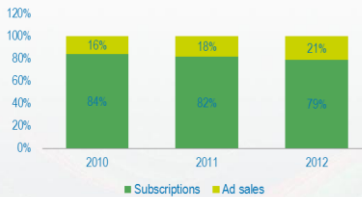


AS WELL AS ADVERTISING POTENTIAL

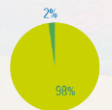
SHARE OF VIEWING – FREE TV AND VIASAT CHANNELS
(RUSSIA, 25-54*)



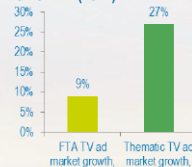
RUSSIAN CHANNEL BUSINESS REVENUE SPLIT, %



RUSSIA – THEMATIC CHANNEL ADVERTISING MARKET
(2012)



RUSSIA – THEMATIC CHANNEL ADVERTISING MARKET
GROWTH (2012)

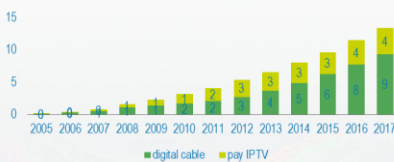


Source: *TNS Russia, TV Index and TV Index Plus project, Peoplometers Russia (cities 100 000+), 01/02/2013-30/04/2013, Total day, Population aged 25-54. Russian Association of Communication Agencies, MTG data

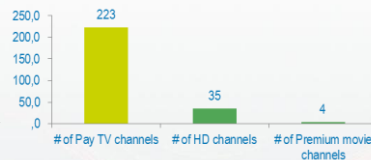


AND PREMIUM SERVICES IN RUSSIA AND UKRAINE

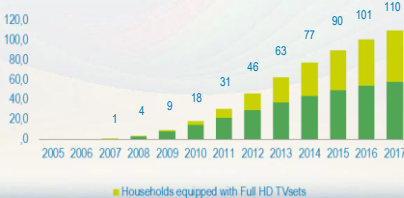
RUSSIA & UKRAINE: DIGITAL HHS TO DOUBLE IN 5 YEARS
(MILLIONS HHS)



PREMIUM PAY CHANNELS AT THE RUSSIAN MARKET – VERY
FEW DIGITAL CONTENT DRIVERS



RUSSIA & UKRAINE: LARGE PARK OF HD READY TVS (MILLIONS)



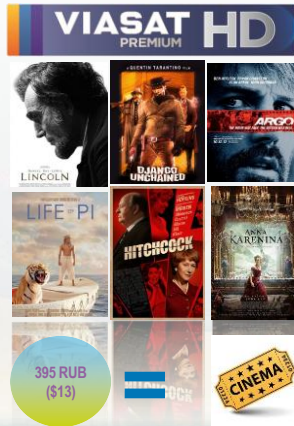
RUSSIA & UKRAINE: STEEP GROWTH OF HD ENABLED
HOUSEHOLDS



Source: Screen Digest 2013, Cableman magazine



FROM BASIC CHANNELS SALES TO PACKAGING PREMIUM CONTENT



395 RUB
(\$13)

New Channels



Exclusive Studios Deals Before FTA window



Package Subscription vs B2B channels sales

Monthly Premium
ARPU \$9.3 vs \$0.5

Key Operators Already Signed



Source: MTG data

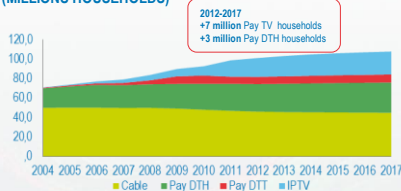


DTH TAKING ADVANTAGE OF GROWTH MARKETS



EASTERN EUROPEAN MARKETS ARE TO GROW FOR SATELLITE

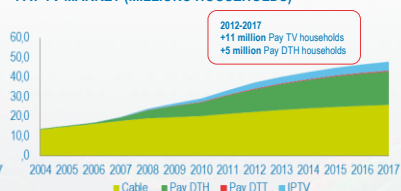
WESTERN EUROPE: STRUCTURE OF THE PAY TV MARKET (MILLIONS HOUSEHOLDS)



TOTAL NON-CABLE HOUSEHOLDS (2012, MILLIONS)



RUSSIA, UKRAINE & BALTICS: STRUCTURE OF THE PAY TV MARKET (MILLIONS HOUSEHOLDS)



SATELLITE PAY-TV HOUSEHOLDS IN RUSSIA, UKRAINE AND BALTICS (MILLIONS)



Source: Screen Digest 2013



OUR PLATFORMS & CONSUMER OFFERS DIFFER TO FIT VARIOUS MARKET DEVELOPMENT STAGES



BALTICS

TV households	2.7 million
Non-cable households	1.7 million
Competition in DTH	High
Our market position	#1
Number of subscribers 2012	218,000
MTG ownership	100%
Offering tier	Premium
Business model	Full Box subsidy
Monthly ARPU	16.9 USD (Premium)

UKRAINE

TV households	19.1 million
Non-cable households	15.5 million
Competition in DTH	Moderate
Our market position	#1
Number of subscribers 2012	155,000
MTG ownership	85%
Offering tier	Middle/Premium
Business model	Partial box subsidy
Monthly ARPU	11 USD (Mid-tier)

RUSSIA

TV households	50.7 million
Non-cable households	32.8 million
Competition in DTH	High
Our market position	Emerging player
Number of Subscribers 2012	211,000
MTG ownership	50%
Offering tier	Middle/Premium
Business model	No box subsidy
Monthly ARPU	7 USD (Mid-tier)

Package	# of channels	Monthly fee
Gold	>50	\$31
Silver	>30	\$16
Start	>10	\$11

Package	# of Pay channels	Monthly fee, \$
Prem HD	45	\$25
HD	43	\$19
Prestige	38	\$12
Family	20	\$9

Package	# of Pay channels	Monthly fee, \$
Basic	>90	\$8
Affordable	>60	\$6.3

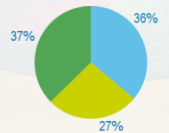


TO DRIVE SUBSCRIBER GROWTH AND POSITION FOR THE INVESTMENT RETURN

DTH SUBSCRIBERS, THOUSANDS 57% CAGR



DTH SUBSCRIBERS 2012

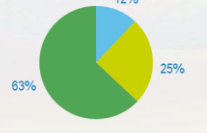


Source: MTG data

DTH REVENUES, TSEK 70% CAGR



DTH REVENUE 2012



■ Russia 50% basis ■ Ukraine ■ Baltics



DTH 2012 DEVELOPMENTS HIGHLIGHTS

Baltics



Stabilised subscriber base;
2% increase in 2012

Premium content portfolio: the strongest sport content line-up in the territory

Ukraine



Growing subscriber base: net growth of 16%

New drivers of growth: full roll out of Premium, HD and Viaplay multiscreen service

Further DTH expansion to be driven by potential encryption of DTH channels

Re-examining UA.TV positioning

Russia



Growing subscriber base: net growth of 14%

Strong content portfolio with more than 90 channels, including Viasat portfolio

Vast geographical reach: signal available all over the country, time zones channels introduced

New CEO hired in may 2013

Source: MTG data



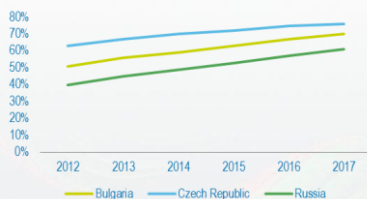


ONLINE AWAKENING

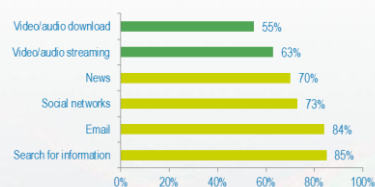


ONLINE DEVELOPMENT

BROADBAND PENETRATION (% OF POPULATION)



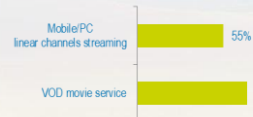
RUSSIA: MAIN REASONS FOR USING INTERNET (% OF AUDIENCE)



INTERNET ADVERTISING MARKET, MILLION USD



PAY TV VIEWERS ARE INTERESTED IN MULTISCREEN ADD-ON SERVICES (% OF PAY TV AUDIENCE INTERESTED IN SERVICE)



Source: ComScore Magna Global, GfK 2012, MASMI, IPSOS 2012, Pyramid 2012



MTG ONLINE PRESENCE

Free Viewing

Aggregated number of unique users, millions



■ Web ■ Smart TV & Mobile



OTT AVOD portal featuring catch-up and library from all CTC Media channels
Available on PC, Mobile platforms and Smart TV



Female website featuring short lifestyle videos and articles
Available on PC, Mobile platforms, Smart TVs and IPTV boxes



Channel websites containing short-form channels content and promos
Available on PC, Mobile platforms, Smart TVs and IPTV boxes

Pay/Multiscreen Viewing



SVOD service launched in 2012 in **Russia** and in 2013 in **Ukraine**
Featuring premium content from major Hollywood studios
Available Anytime, Anywhere through PC and mobile devices

Viaplay to be used as a complementary **multiscreen solution** for subscribers of the Viasat premium package in Russia and Ukraine

Facilitate new sales – targeting younger audience
Promote loyalty to Viasat Premium packages and decrease churn

Source: MTG data



**THE MATRIOSHKA EFFECT...
SO, WHAT WAS INSIDE?**





CTC Media

Building further value from the largest advertising market in Europe – **5,9 USD billion** by 2014
With much higher than industry margins and strong cash flow generation



Channel Business

Benefiting from further **15 million** Pay TV HH uptake in the next 5 years
Russia is the main driver of growth via penetration growth and advertising
Premium market in Russia to increase threefold and be a source of relevance
and different proposition to drive digitalization



Satellite

Taking advantage of the market penetration growth
target market to grow by **5 million** DTH households in the next 5 years
Continuing to develop content and functionality proposition to capture the market



Online

Building value for Premium Content (Viaplay Multiscreen) and Content extensions services (AVOD for CTCM)
Preparing for the next step push for Viaplay (OTT, SVOD etc.)



THANK YOU

