

Group Financial Management

**Mathias Hermansson
Chief Financial Officer**



MTG
MODERN TIMES GROUP



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Chief Financial Officer

Born 1972

Joined MTG in 1999

What I love: The feeling of WINNING

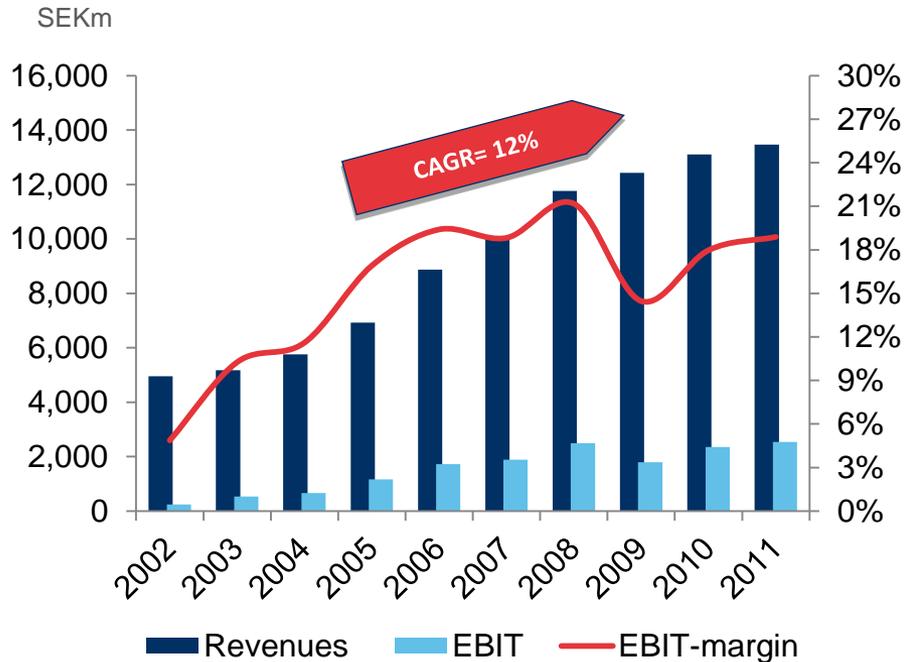
What I hate: Surprises, especially financial and negative...

Favourite quote: “Cash is Cash – Everything else is just an opinion.”

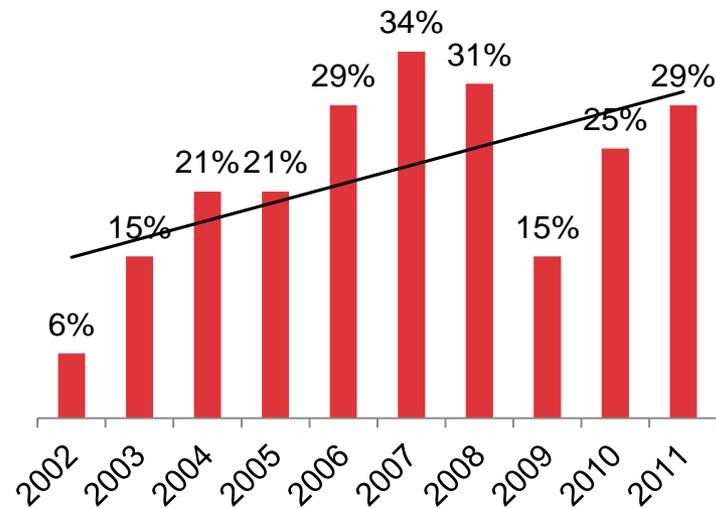


Value creation the MTG way

Revenues & EBIT



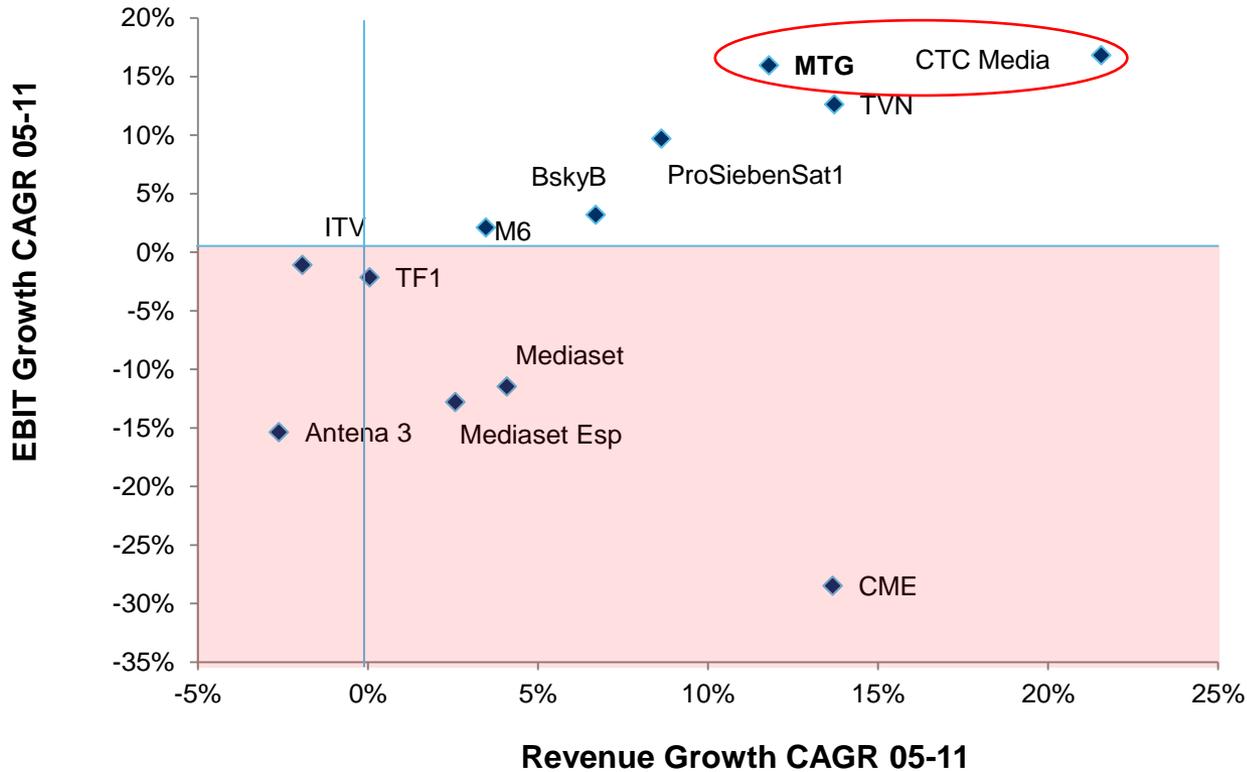
Return on capital employed



Total EBIT excluding discontinued operations and one-offs

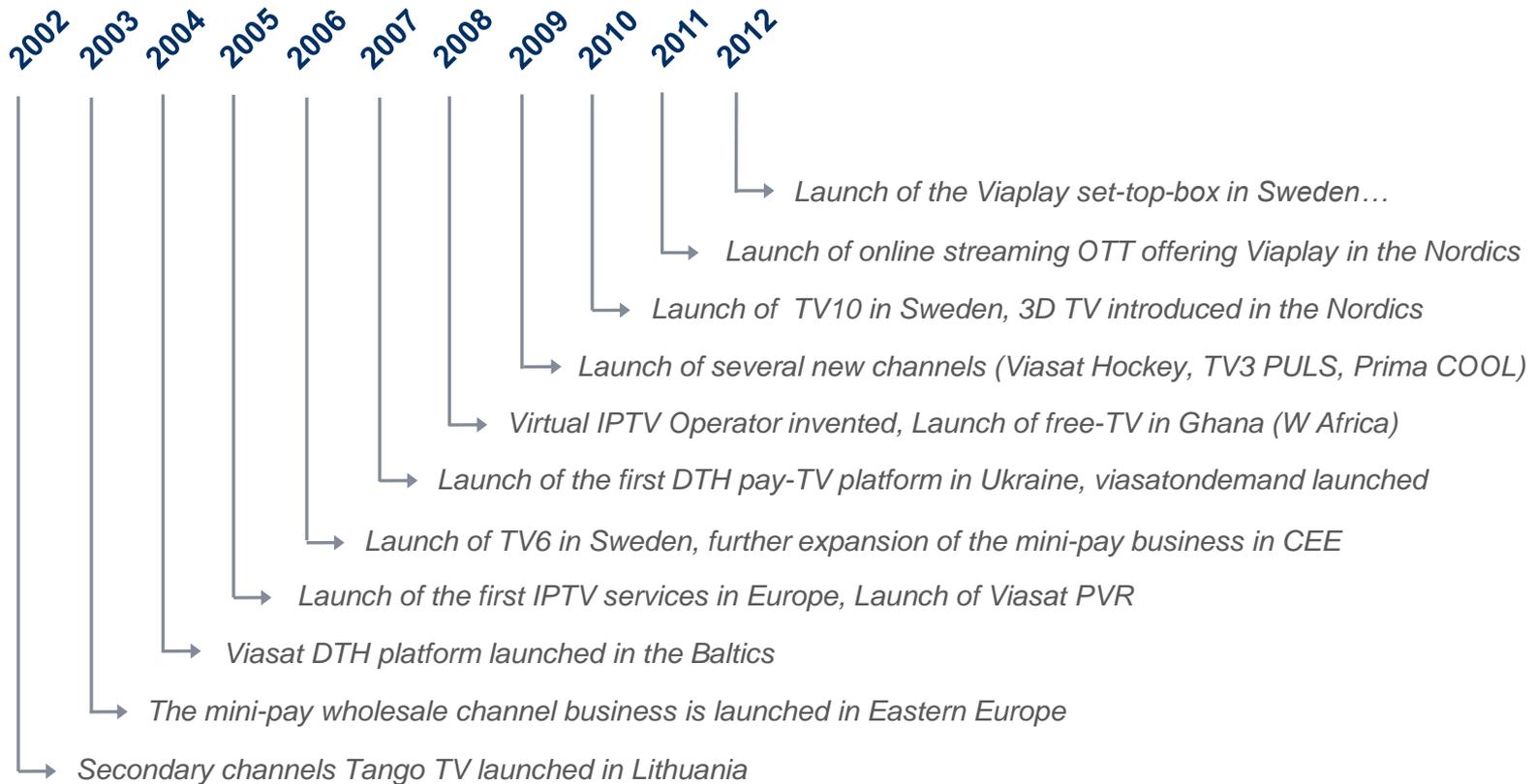
Excluding non-recurring items

Consistent outperformance



Source: Broker research, Factset

Innovation driving growth



Strict cost control

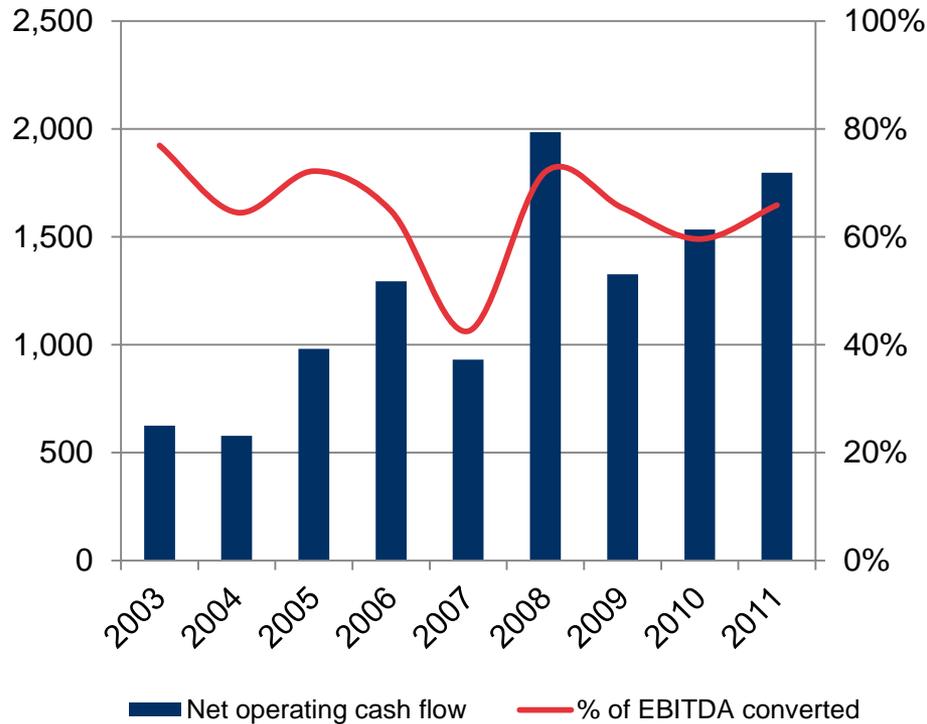
Underlying strict cost control, while balancing organic investments to drive growth



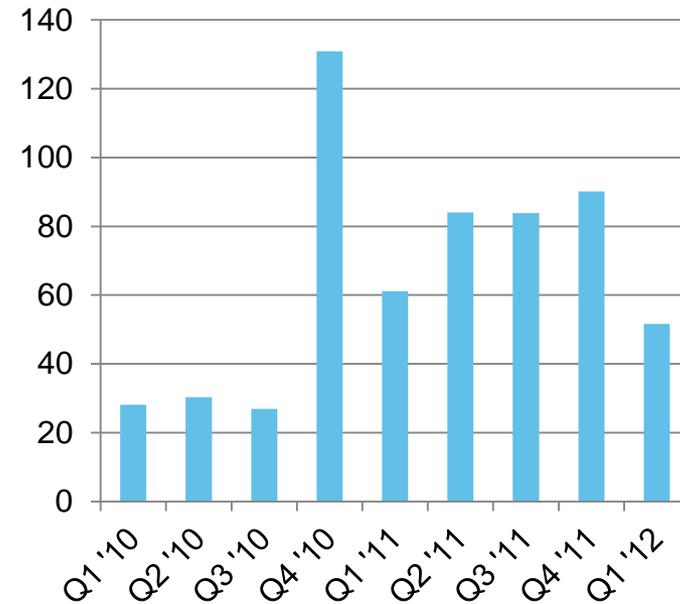
- **<0.5% annual cost increase last three years when excluding content costs & variable costs**

Cash is king

Net operating cash flow (SEKm)

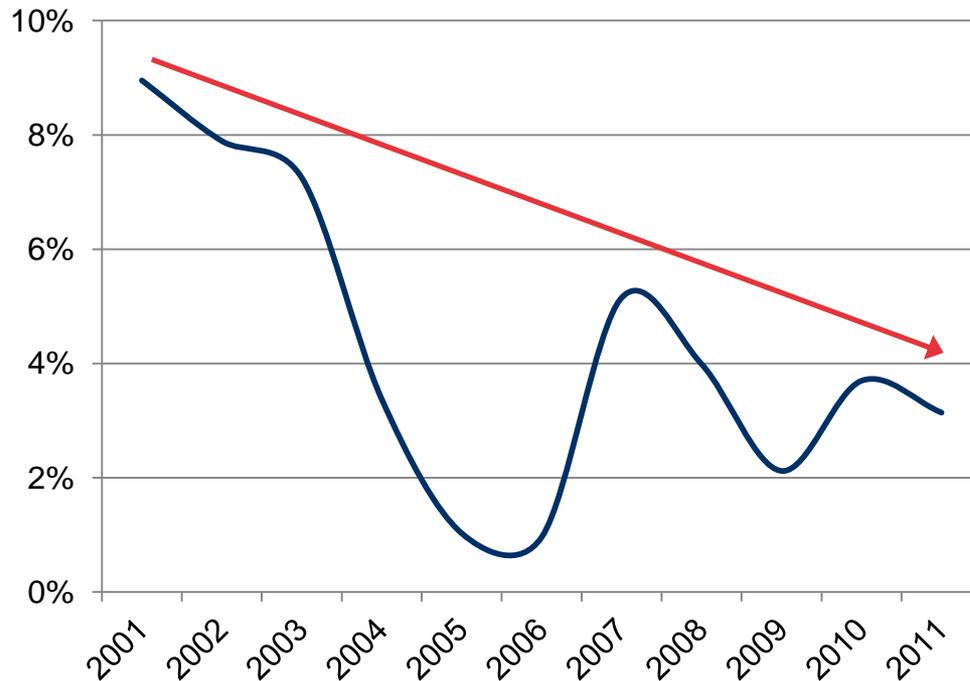


Dividends received from CTCM (SEKm)



Managing working capital down

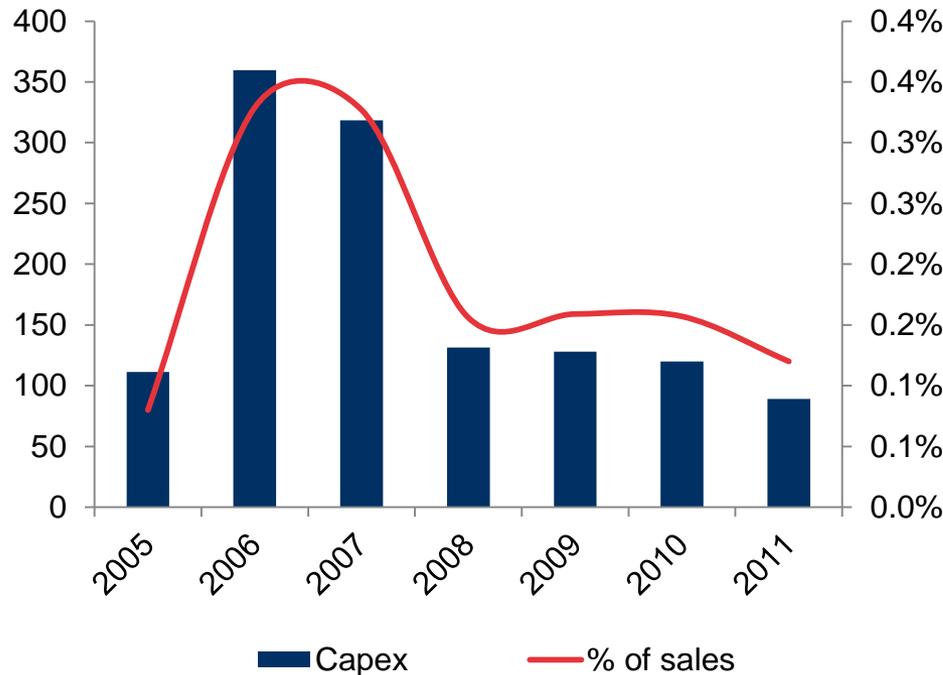
Working capital development
(% of revenues)



- Significant improvements in inventory management
- Tighter management of supplier payments terms and collection routines
- Seasonal fluctuations within calendar year

Asset light business model

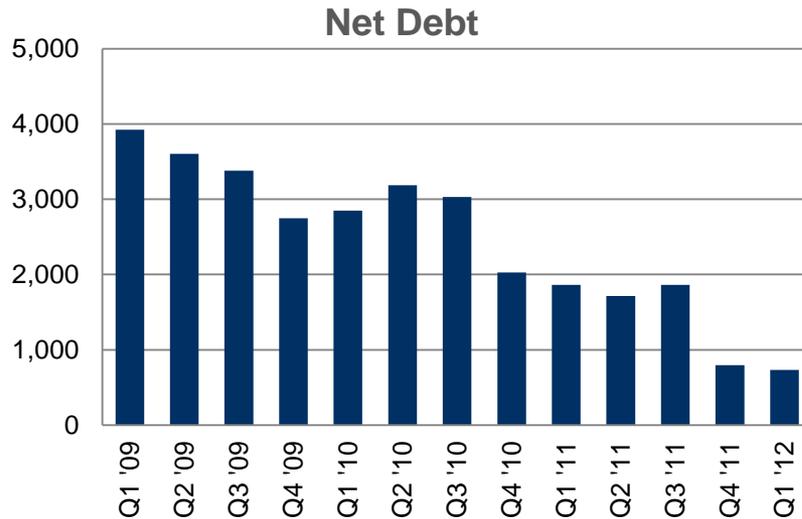
Capex development (SEKm)



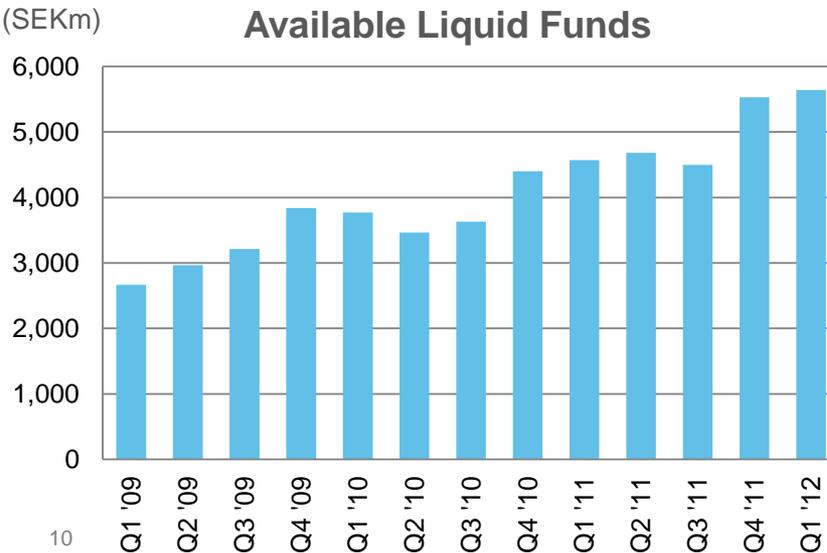
- Capex has historically represented a low percentage of revenues and this is expected to continue

Deleveraging at the same time

(SEKm)



(SEKm)

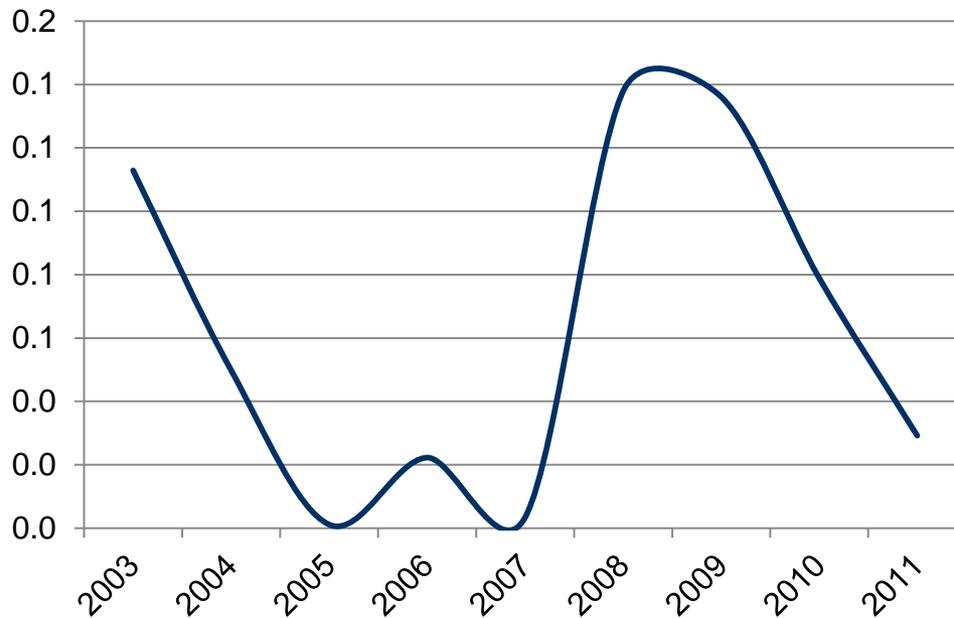


- Net debt below SEK 750 million as at 31 March 2012
- SEK 6.5 billion revolving credit facility matures in 2015
- More than SEK 5.5 billion of liquid funds available within less than a week



While creating greater flexibility

Net debt / EBITDA



Net debt / EBITDA
(2011)

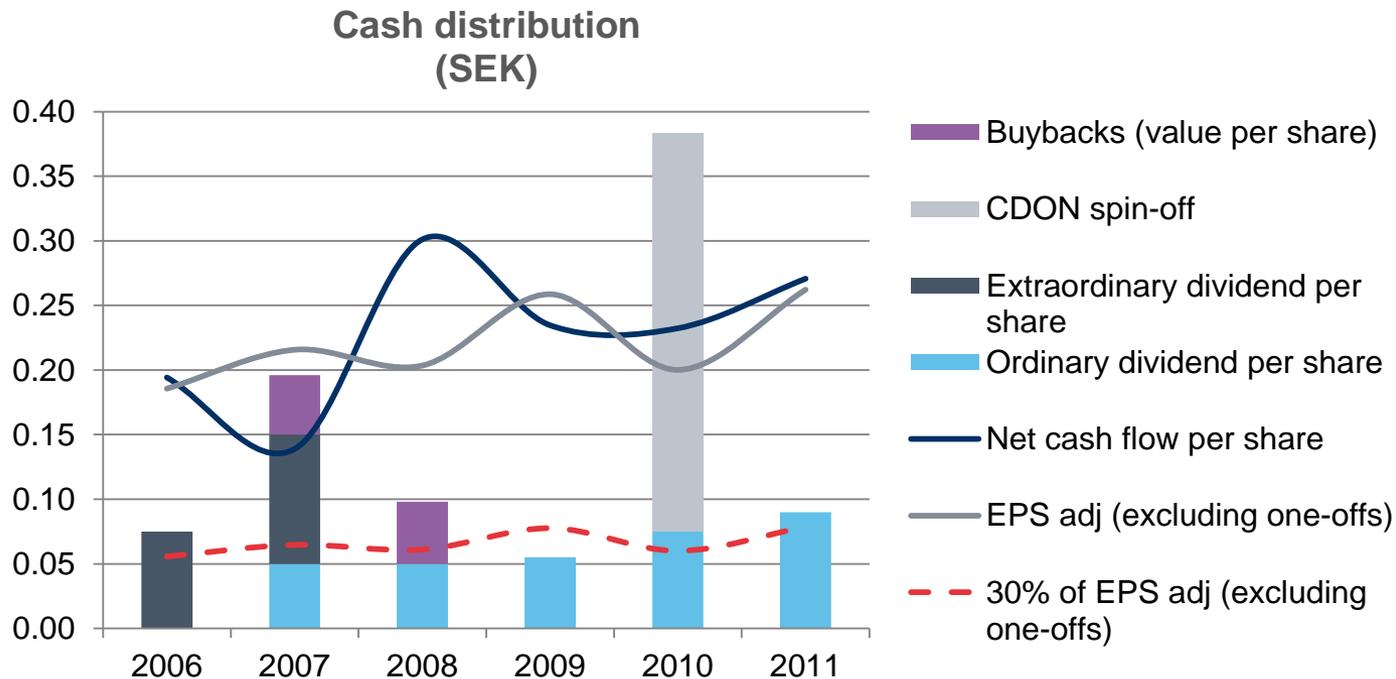
M6	-1,0
CTC Media	-0,5
Mediaset Esp.	-0,1
ITV	-0,1
TF1	0,1
MTG	0,3
Antena 3	0,6
BskyB	0,7
ProSiebenSat. 1	2,1
Mediaset	2,4
TVN	4,0
CME	6,8
Average	1,3

EBITDA excluding CDON Group, DTV, TV Shop and non-recurring items, including associated income

Source: Broker research, Factset

For investing in growth & returning cash to shareholders

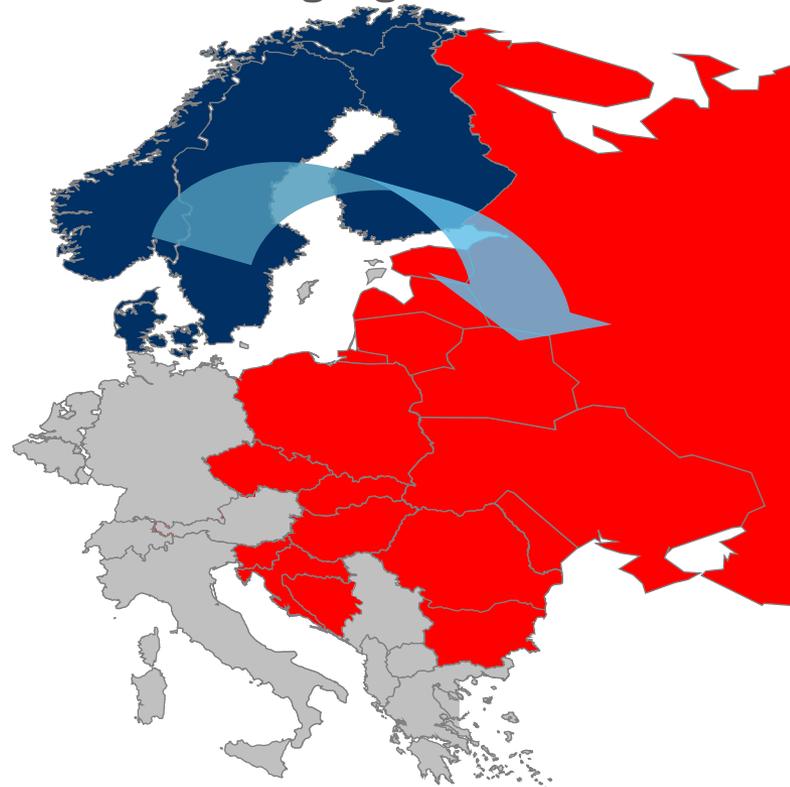
- Primary focus is on growth and reinvesting cash flow into operations + M&A
- Balanced with TSR commitment – reflected in newly adopted policy to distribute at least 30% of recurring net profit as annual ordinary dividend



Allocating capital to structurally growing regions

Cash flows from Scandinavia invested into Emerging Markets

- 2000: Acquisition of 95% of Hungarian operation
- 2001: Acquisition of 75% of DTV in Russia
- 2002: Acquisition of 36% of CTC Media in Russia
- 2005: Acquisition of 50% of Prima TV in Czech Republic
- 2006: Acquisition of 100% of Slovenian operation
- 2007: Acquisition of 50% of Diema channels in Bulgaria
- 2008: Acquisition of 50% of pay-TV platform in Ukraine
- 2008: Acquisition of 100% of Nova TV in Bulgaria
- 2010: Acquisition of 50% of pay-TV platform in Russia
- 2010: Acquisition of additional 35% of Viasat Ukraine
- 2012: Acquisition of 100% of LNT free-TV group in Latvia



And the show must go on

M&A team of 4 professionals hired from Nordic & international investment banks

- Focus on market consolidation opportunities across all existing markets, acquisitions in additional CEE & African territories and content production businesses.

Key investment criteria

- Broadcasting or broadcasting related assets
- Markets / companies with structural growth opportunities
- Synergies with existing operations
- Strong incremental profitability model
- Ability to grow with the flow
- ROI hurdle rates
- Contrarian & Opportunistic strategy – now is the time
- Learn from previous successes & mistakes

So, what does the future hold?

Key focus is long term growth and value creation ...the MTG way

Strong cash generation to continue

- Continued low working capital and capex as percentage of sales
- Expected total CTC Media cash dividends of USD 80m during 2012

Commitment to continue to invest in future growth

- Re-investment in current businesses + new start-ups to 'grow with the flow'
- Explore consolidation, new market and content production M&A opportunities

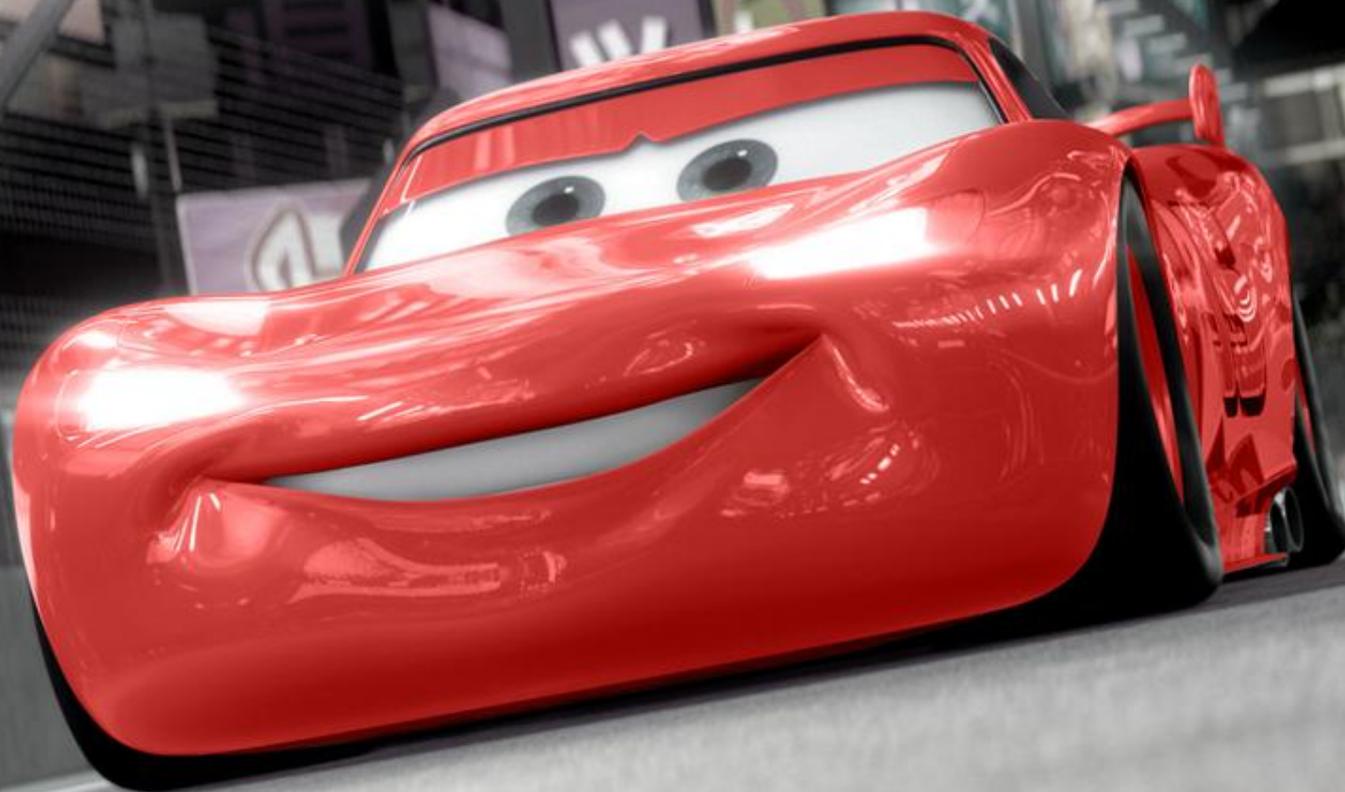
Commitment to deliver shareholder returns

- Dividend policy to distribute at least 30% of recurring net profit to shareholders
- Buy-back mandate in place for up to 10% of shares

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CHAPTER NAME