

Building the Emerging Markets Free-TV Media House

**Anders Nilsson,
EVP of Central
European Broadcasting**



Anders Nilsson

EVP of Central European Broadcasting

Born 1967

Joined MTG in 1992

What I love: Challenges

What I hate: Disloyalty

Favourite quote: “Early to bed, early to rise, work like hell and advertise.”



Our story started long ago



**Launch of
Baltic
Free-TV
operations**



**Acquisition
of 50% of
Prima TV in
Czech
Republic**



**Acquisition
of 100% of
Nova TV in
Bulgaria**



**Catch-Up
services
launched
across CEE**



**Acquisition
of 100% of
LNT in
Latvia**

1997 2000 2001 2003 2005 2006 2007 2008 2009 2010 2011 2012

...21 channels in 6 Emerging Markets!

**Acquisition
of 95% of
Hungarian
operation**



**Acquisition
of 50% of
BMGL in
Bulgaria**



**Launch of
Prima Cool
in Czech
Republic**



**Launch of
Prima LOVE
in Czech
Republic**



**Launch of
Prima Play
in Czech
Republic**



It is a great time to be in CEE with a contrarian strategy

Invest precisely when others don't/can't
Focus on long term value creation

2001 2002... 2005 2006 2007 2008 2009 2010 2011

DTV

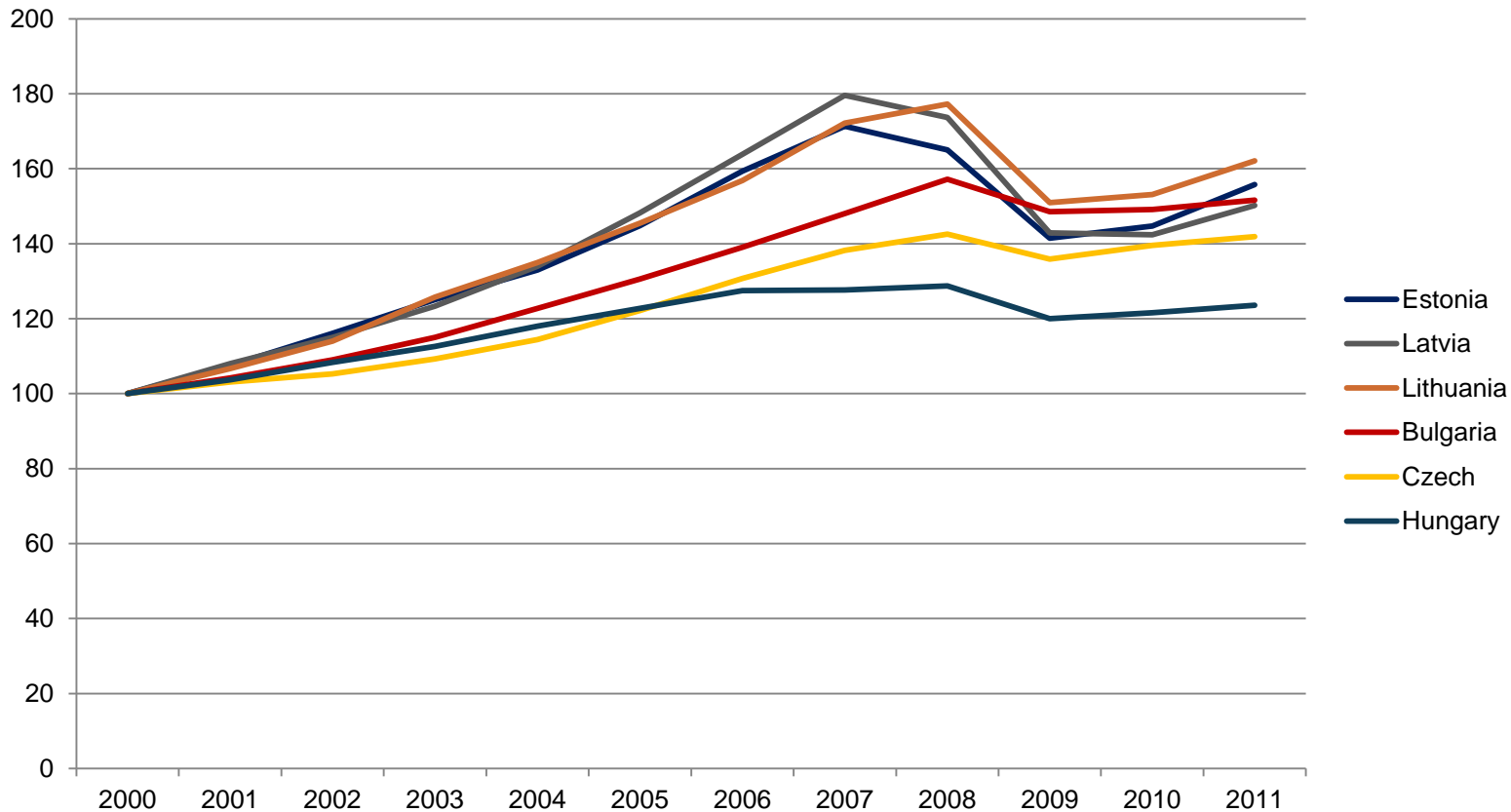
Initial investment of SEK 7 million
Accumulated losses of SEK 302.5 million
Sold for SEK 2,800 million in 2008
Return on investment of 804.68%

CTC Media

Investment in shares of SEK 672 million
Accumulated dividends of SEK 586.9 million
Current equity market value of SEK 4,618 million
Return on investment of 674.54%

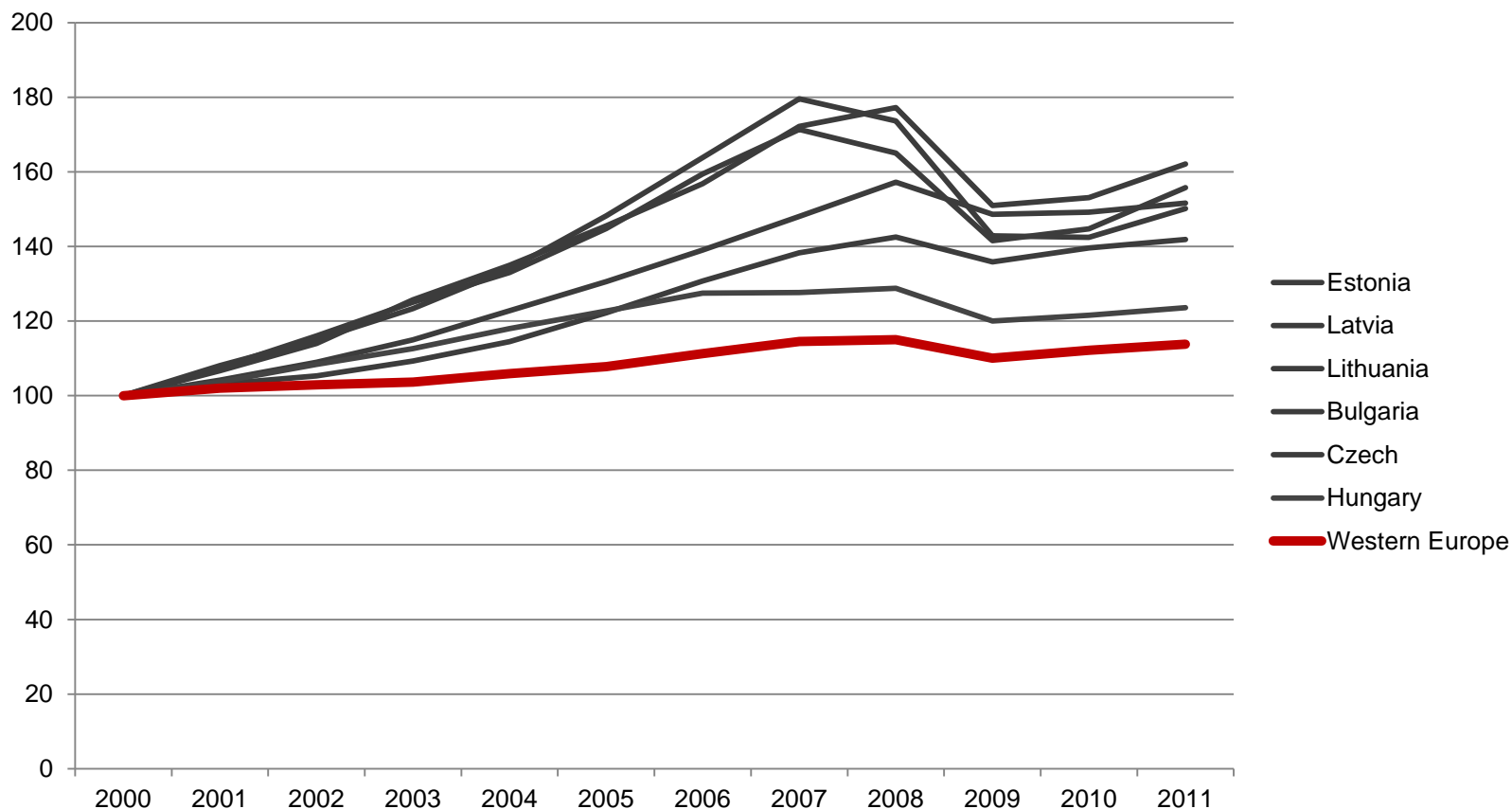
With a fantastic long-term growth story

GDP growth in MTG EM territories



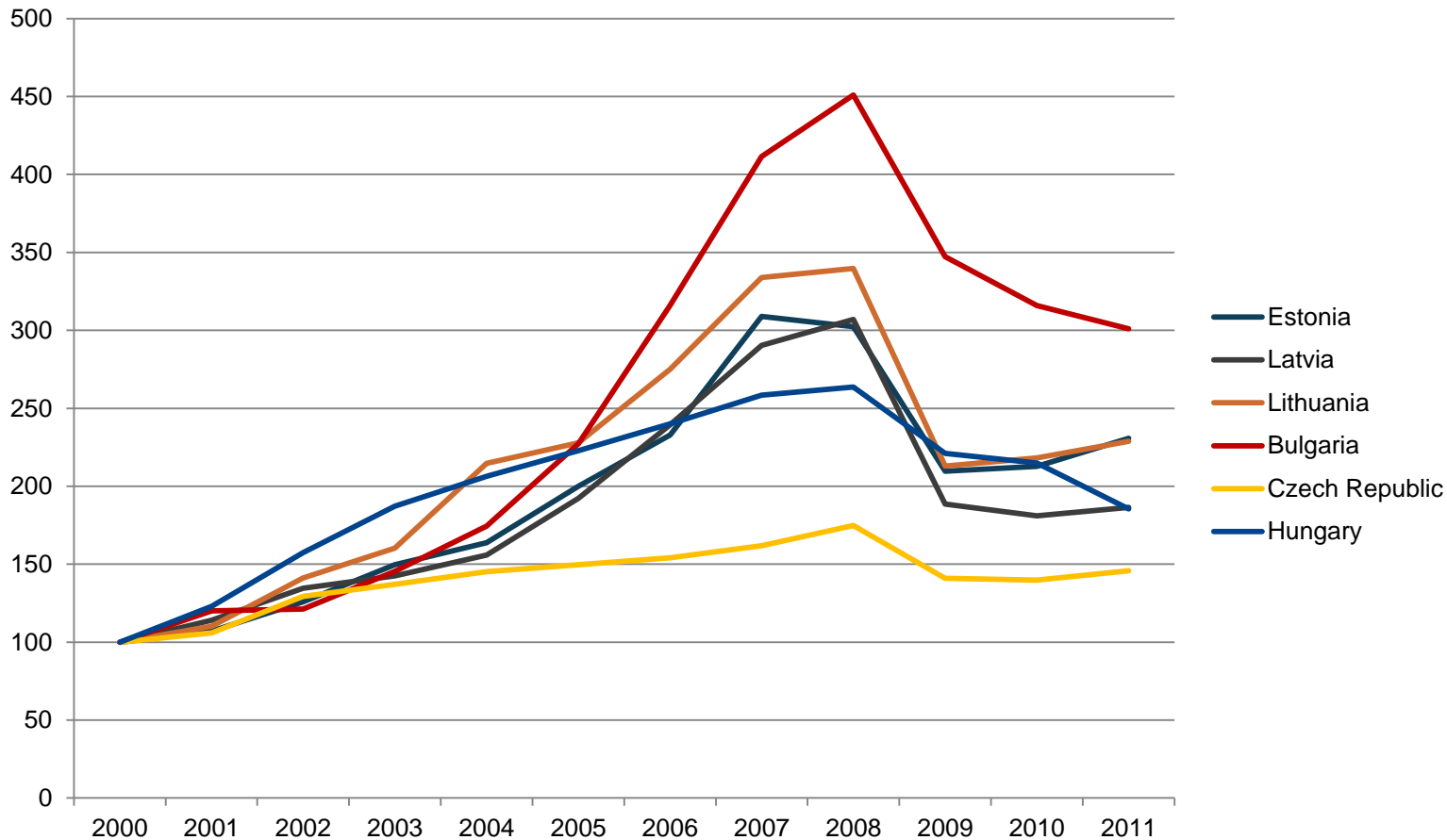
With a fantastic long-term growth story

Compared to Western Europe



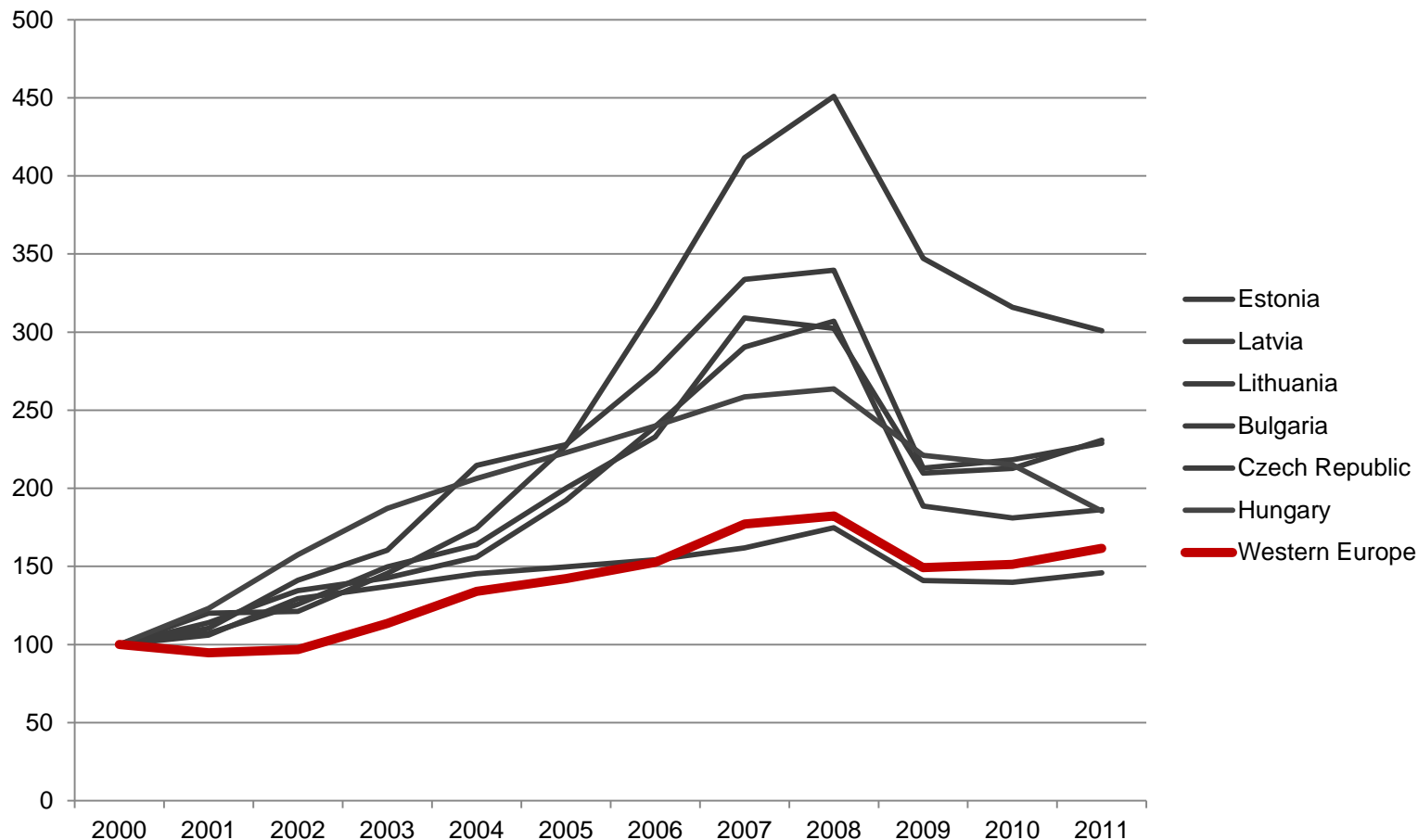
With even better trends for the TV ad market

TV ad market growth in MTG EM territories



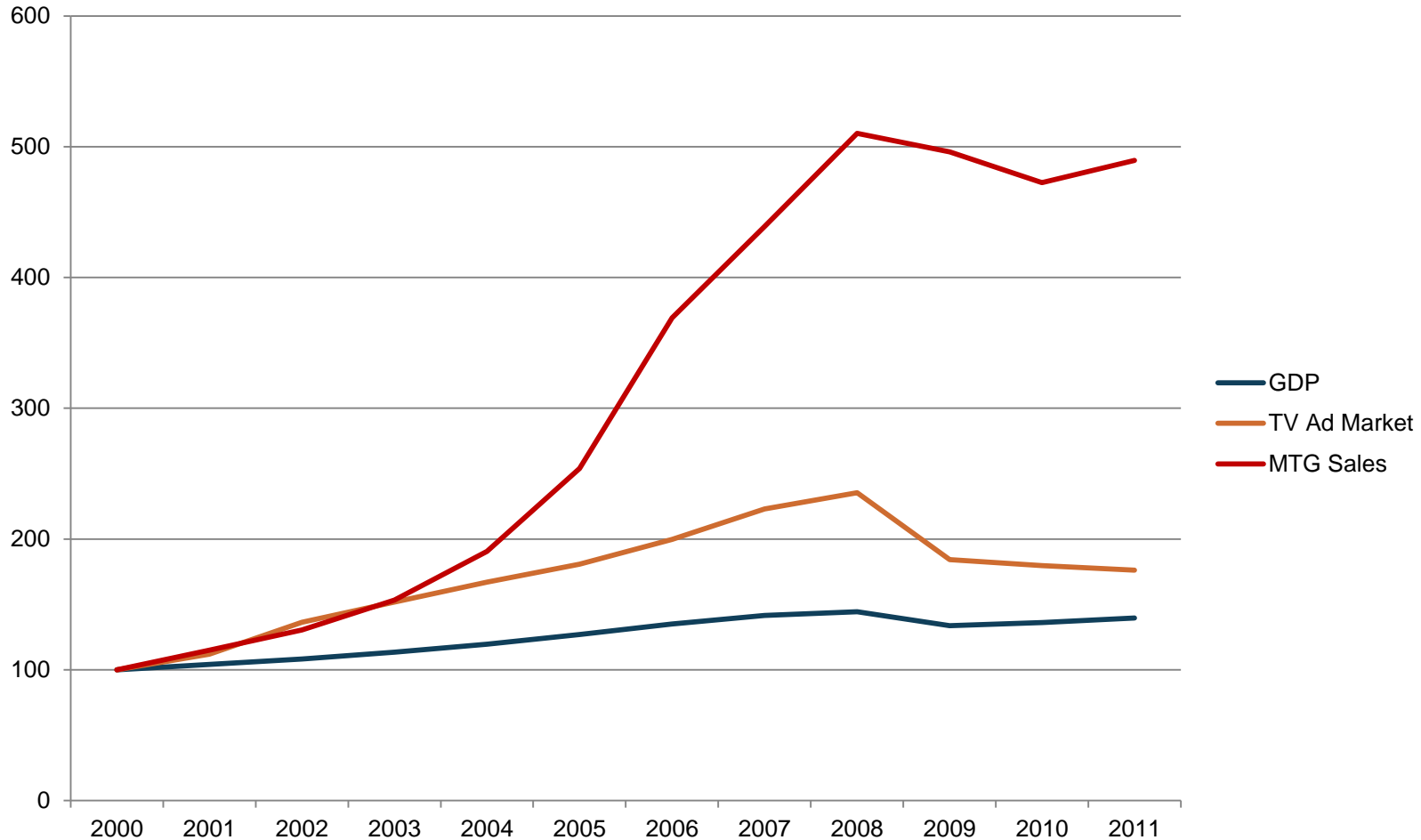
With even better trends for the TV ad market

Compared to western Europe



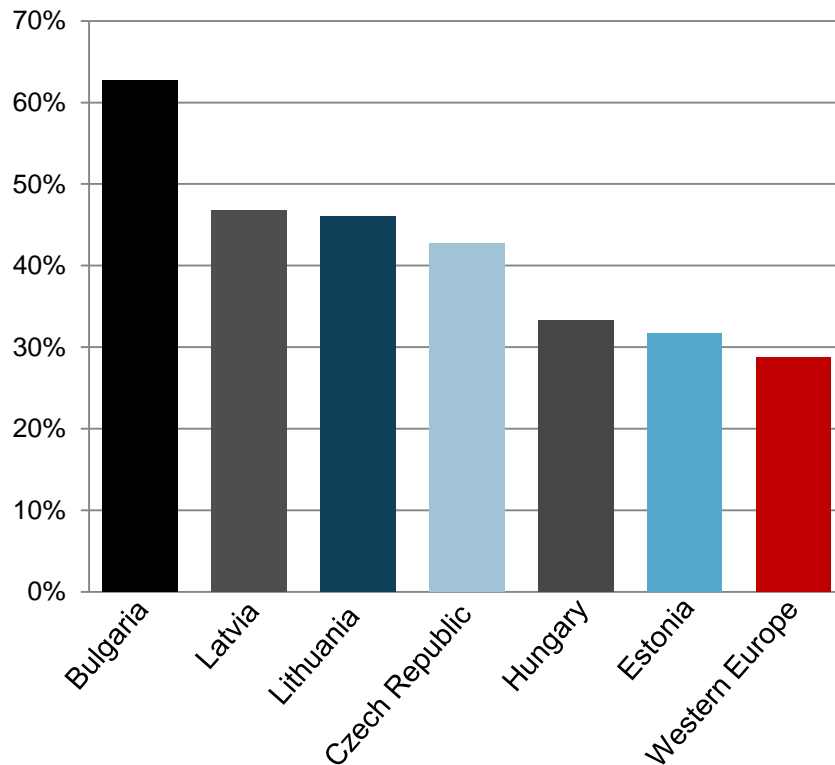
And our sales growing faster than the market

Growth in MTG EM territories

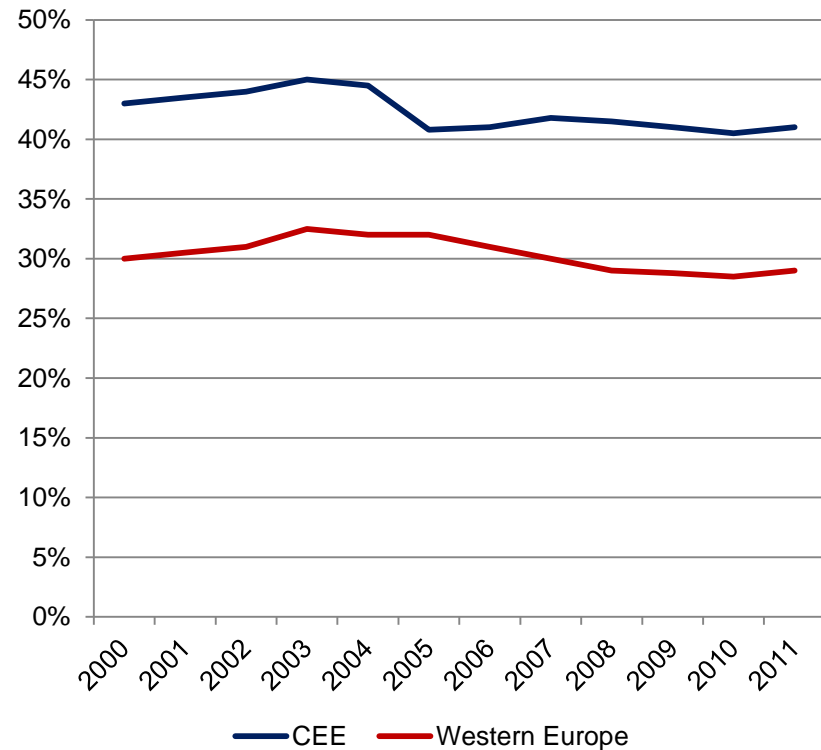


After all, TV is the reach media

TV Share of AD Market (2011)

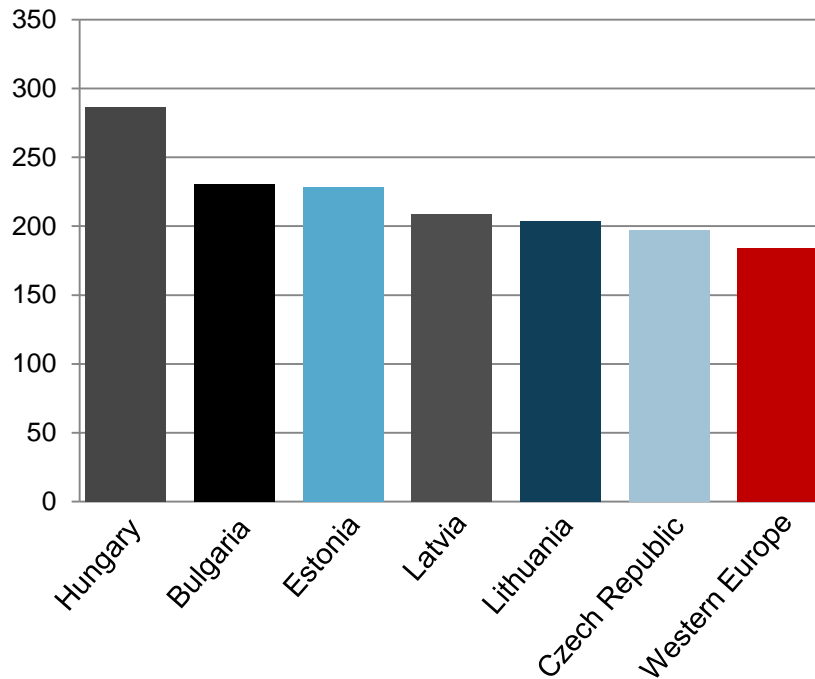


TV Share of AD Market

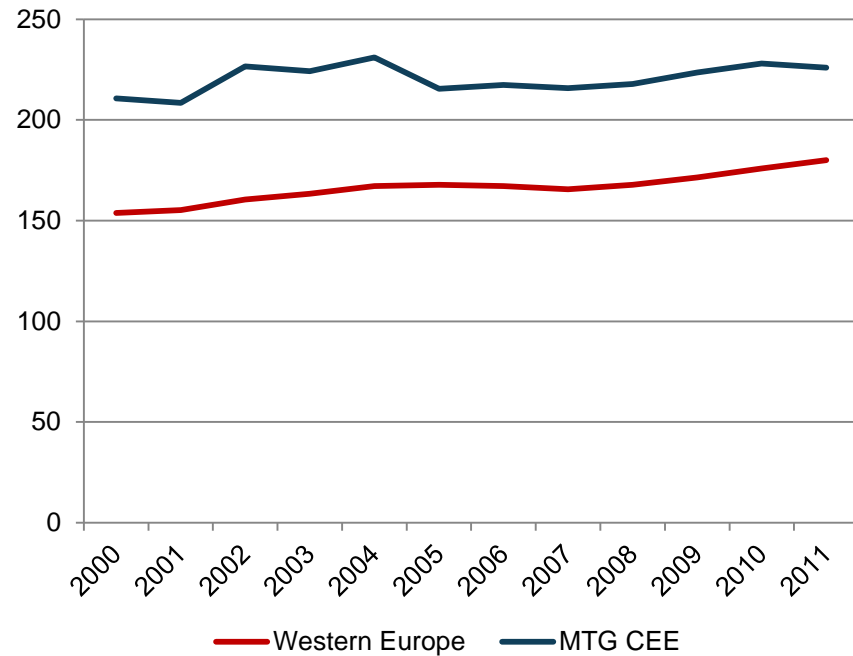


With people watching more TV

Minutes per day (2011)



Minutes per day



Supported by the fact that product pricing is equivalent

Shopping list	
	BGN
Salami	4.79
Frozen fish	10.43
Coffee	11.82
Chocolate	4.14
Vodka	23.99
Shower Gel	2.75
Detergent	8.46
Powder	15.59

Percentage
Difference:
-6.4%

Shopping list	
	EUR
Salami	3.48
Frozen fish	8.55
Coffee	5.34
Chocolate	2.24
Vodka	8.91
Shower Gel	1.39
Detergent	2.8
Powder	11.89

81.97 BGN = **41.9 EUR**

44.6 EUR



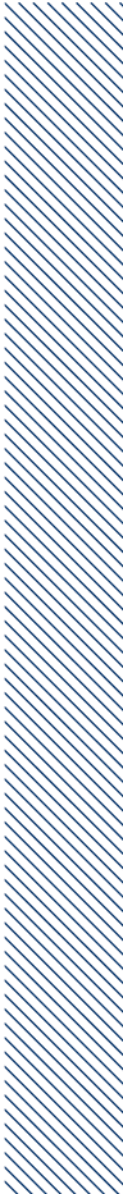
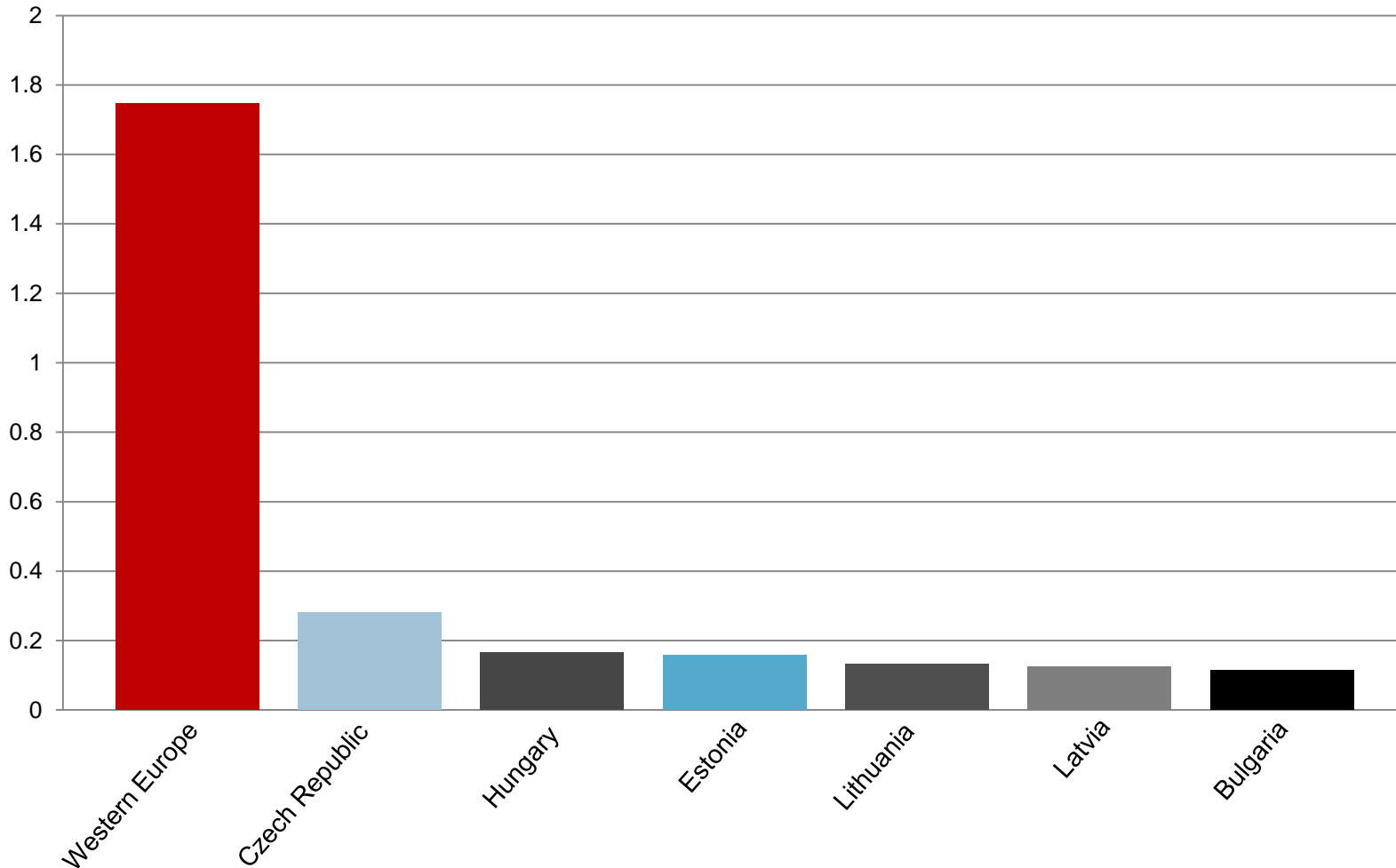
In Bulgaria



In Germany

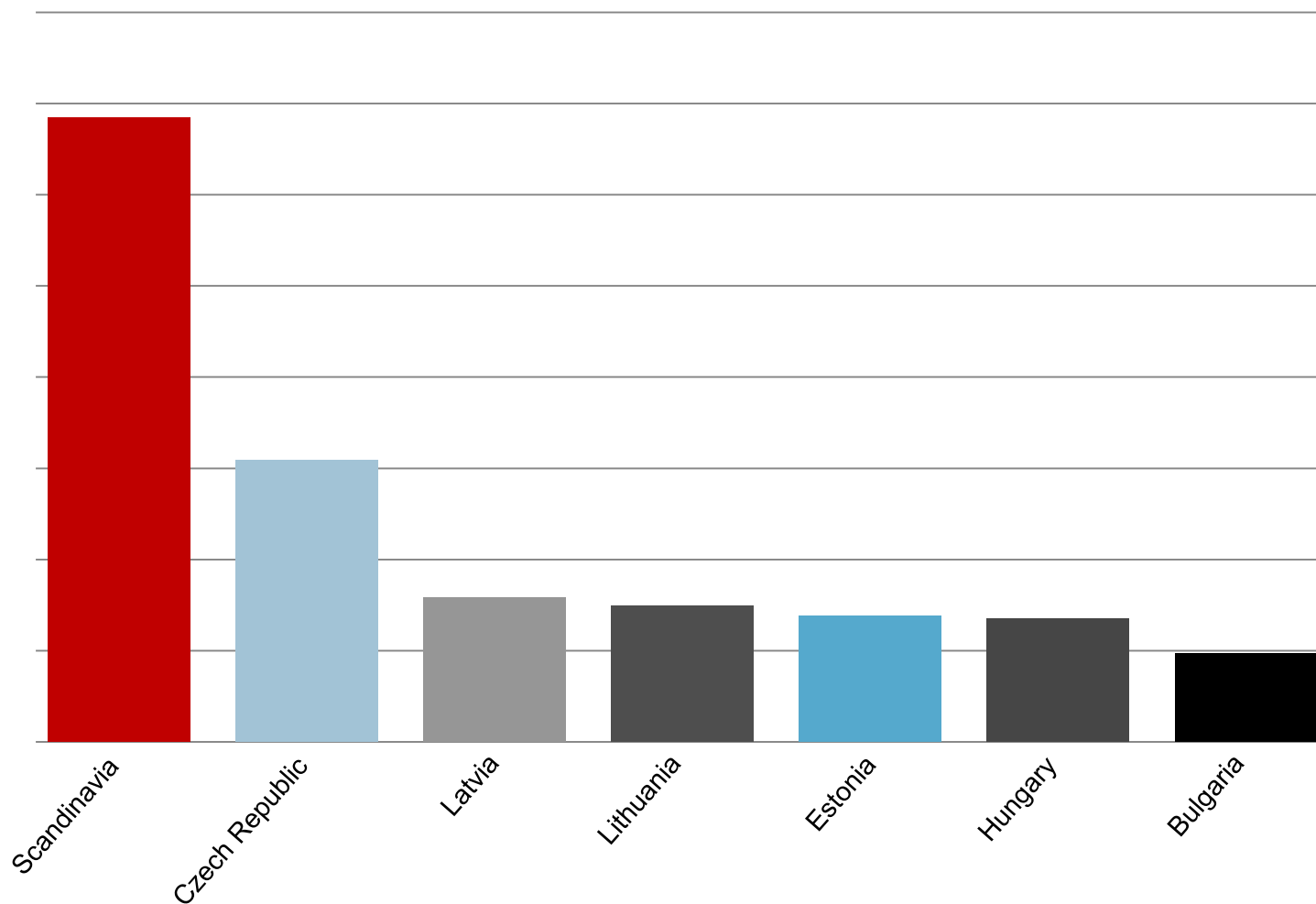
But there is still a way to go

TV Ad spend per capita (SEK'000, 2011)



But there is still a way to go

CPT dynamics (2011)



With a consistent advertiser profile

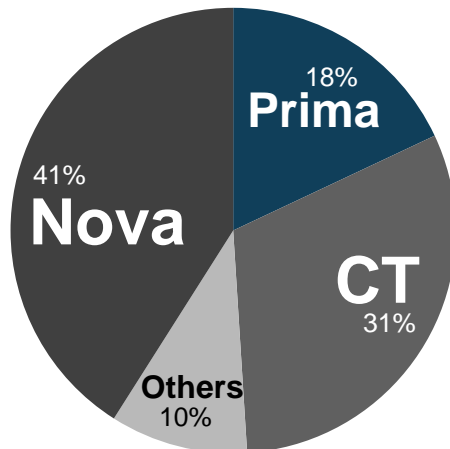


	TOP 5 Advertising Segments	International / domestic clients (%)	Agencies / direct (%)	Annual / ad hoc (%)
Scandinavia	Mobile operators Retail Food Beverages Pharmaceuticals	25/75	95/5	70/30
Baltics	Mobile operators Retail Food Beverages Financial services	70/30	90/10	75/25
Bulgaria	Mobile operators Retail Food Beverages Pharmaceuticals	50/50	92/8	85/15
Czech Republic	Mobile operators Retail FMCG Consumer goods Financial services	96/4	99/1	99/1
Hungary	Pharmaceuticals Food Cosmetics Service Telecommunication	90/10	98/2	92/8

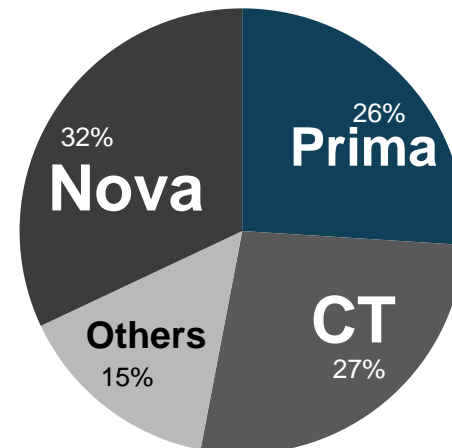
And a new digital world full of opportunity



Czech Republic
(A15+, 2007)

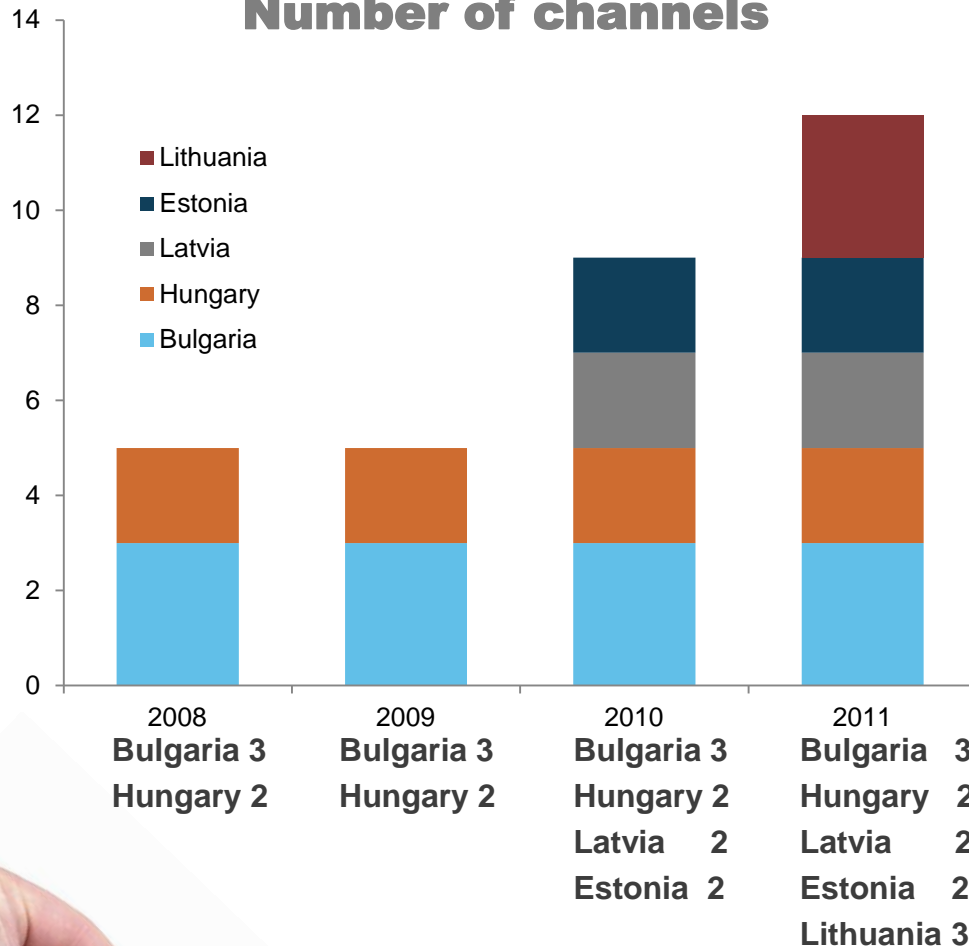


Czech Republic
(A15+, 2012)

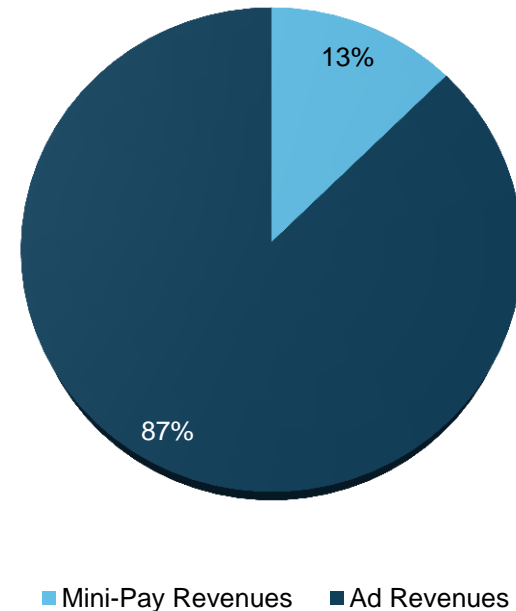


And a growing mini-pay opportunity

Number of channels



Mini-Pay Revenues (2011)



With new incremental revenue streams

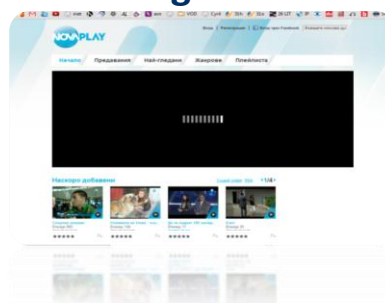
Lithuania



Czech Republic



Bulgaria



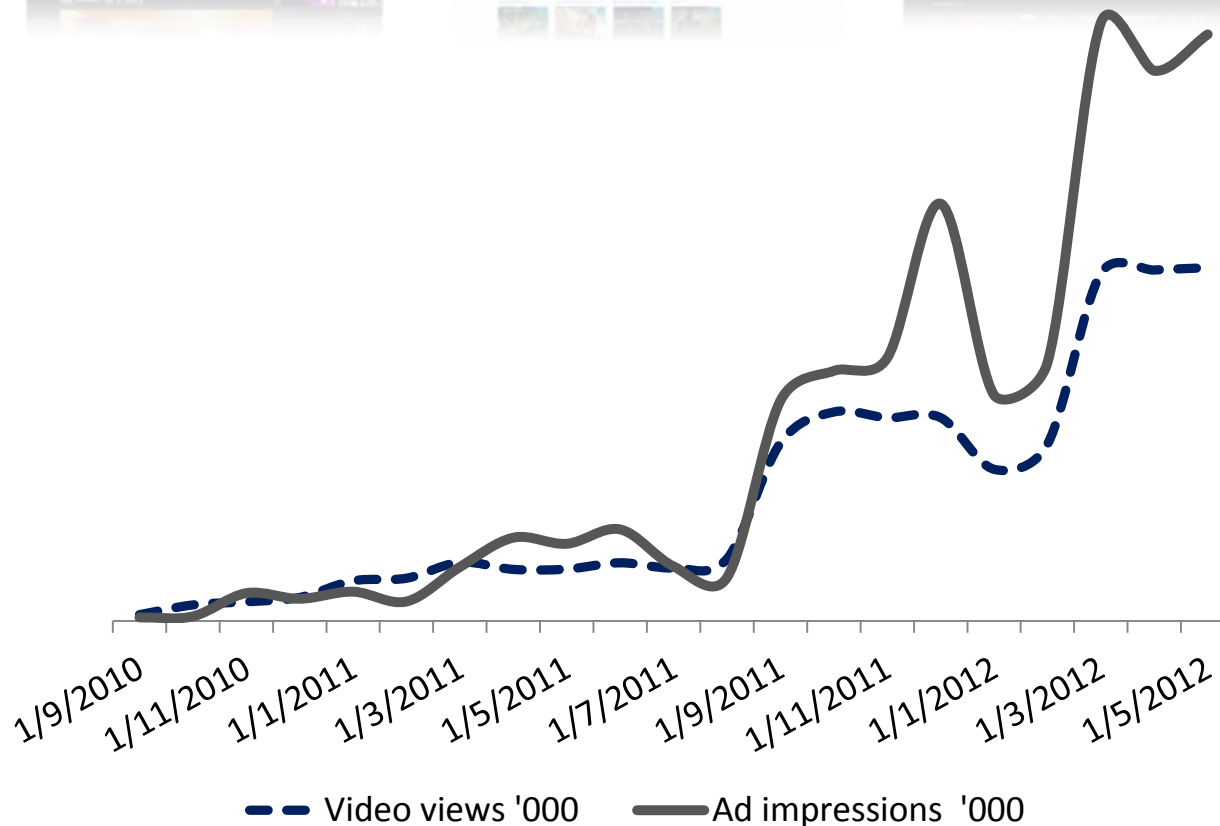
Hungary



Latvia



Estonia



Sources: TNS/MTG estimates

All driven by strong local schedules

Lithuania:
Women lie better



Latvia:
No Tabu



Estonia:
Revenge office



Bulgaria:
X-Factor



Czech Republic:
Les Yeux Sans Frontiers

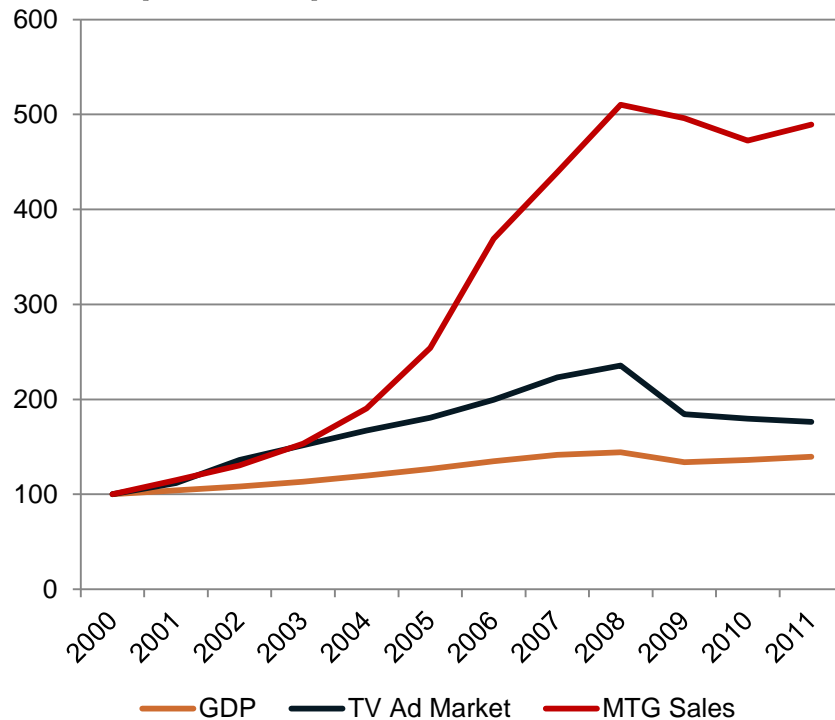


Hungary:
Paradise Hotel

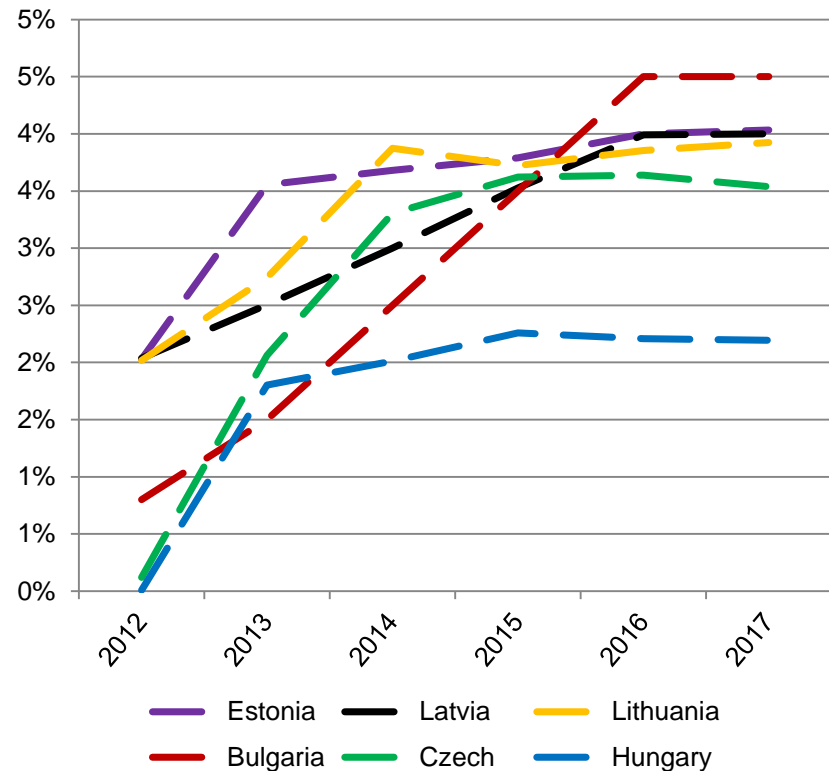


And the opportunity is clear

GDP growth in MTG EM territories (indexed)



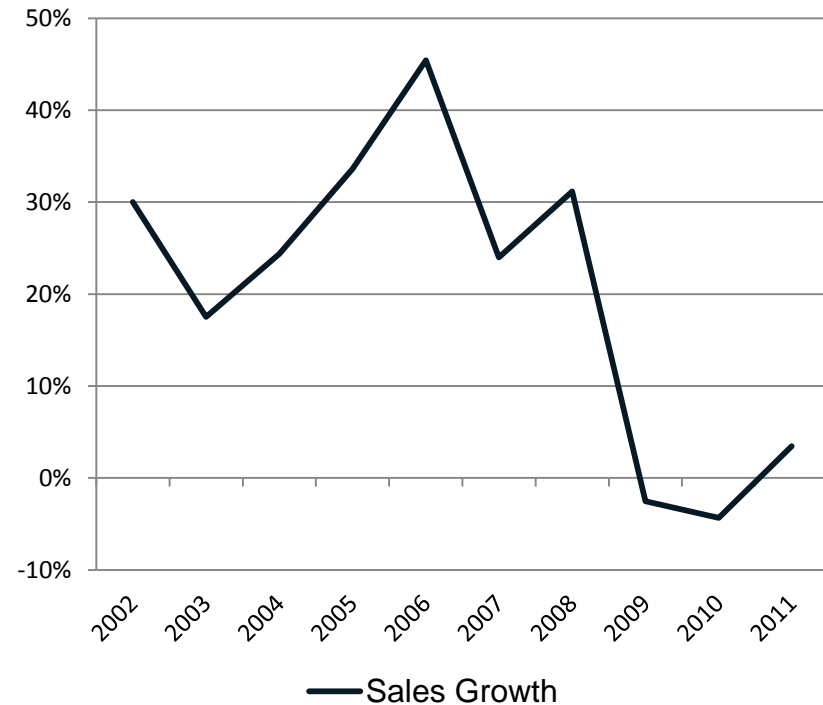
Forecast GDP growth in MTG CEE territories



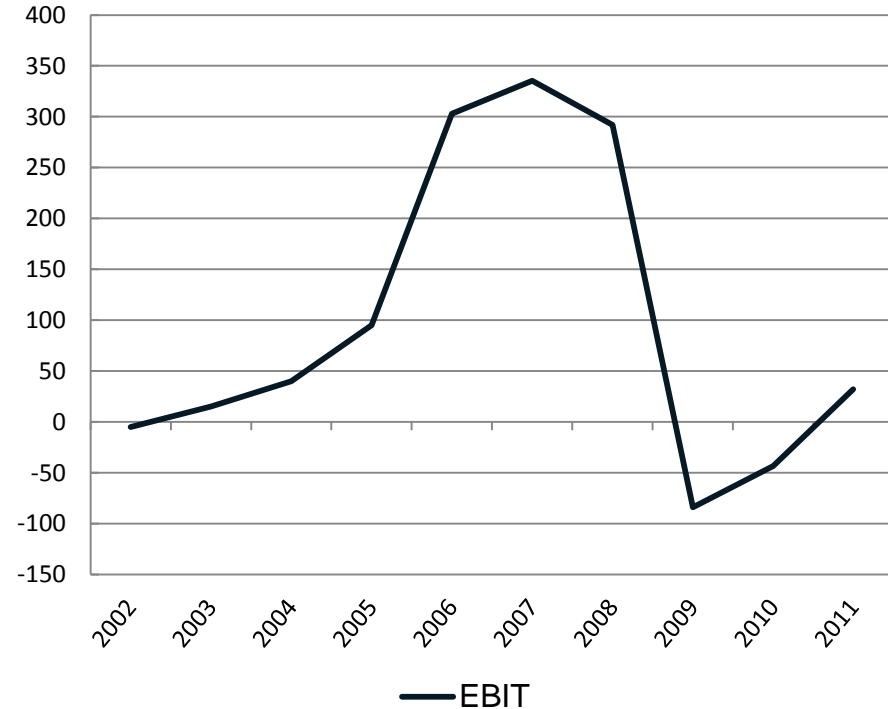
TV Ad market has outperformed Nominal GDP development by a factor of 1.28

And we are well placed to benefit

MTG Free-TV EM Sales Growth



MTG Free-TV EM EBIT



Conclusion



TV is the reach media

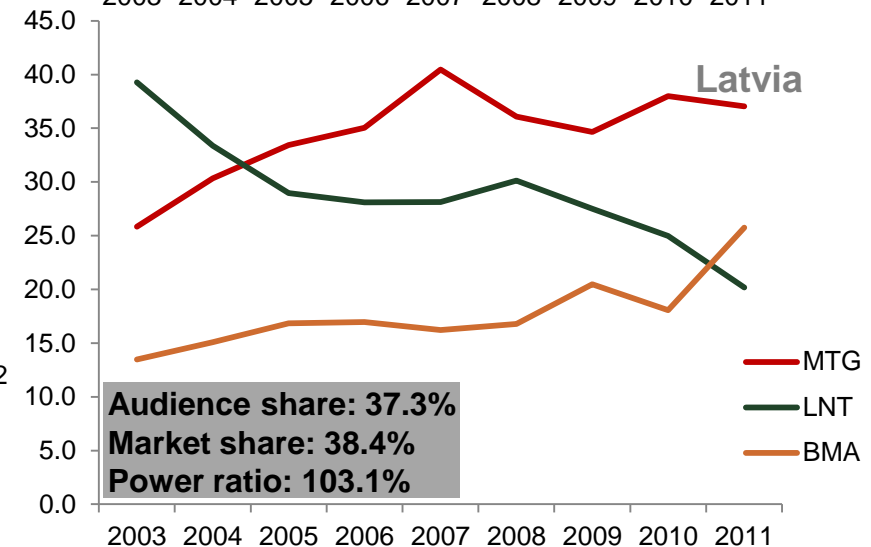
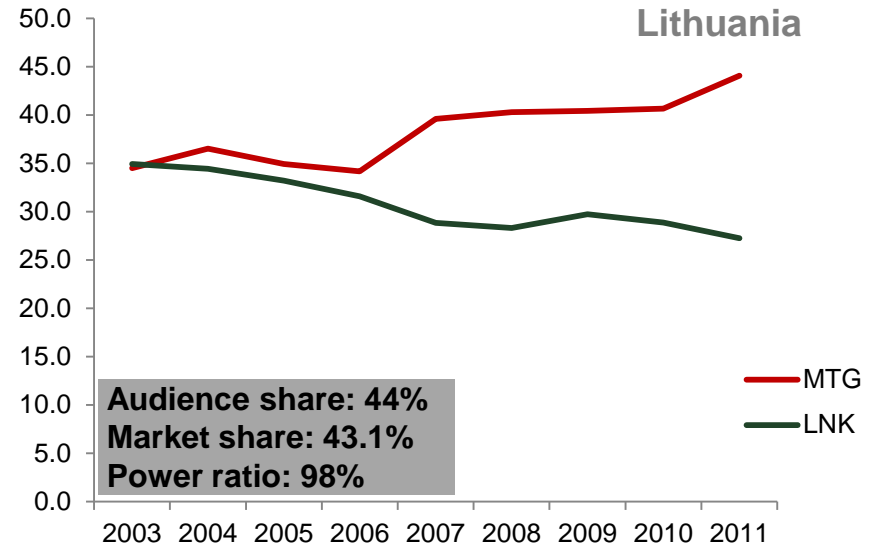
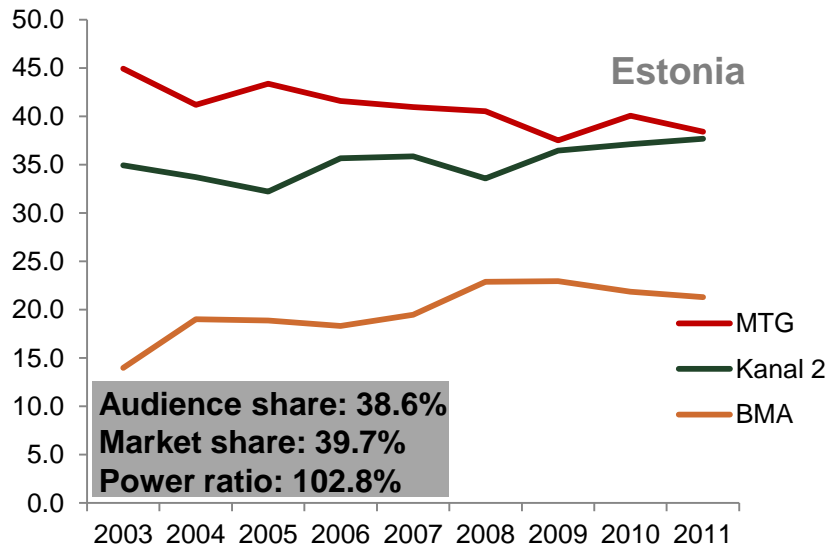
Advertisers spend less per capita in Eastern Europe than Western Europe

The FMCG product price & margin is almost the same between Western & Eastern Europe but the contact cost is not

CEE will play catch up & TV will take a large share of the returning market





















Well-positioned in the Baltics

Audience share development

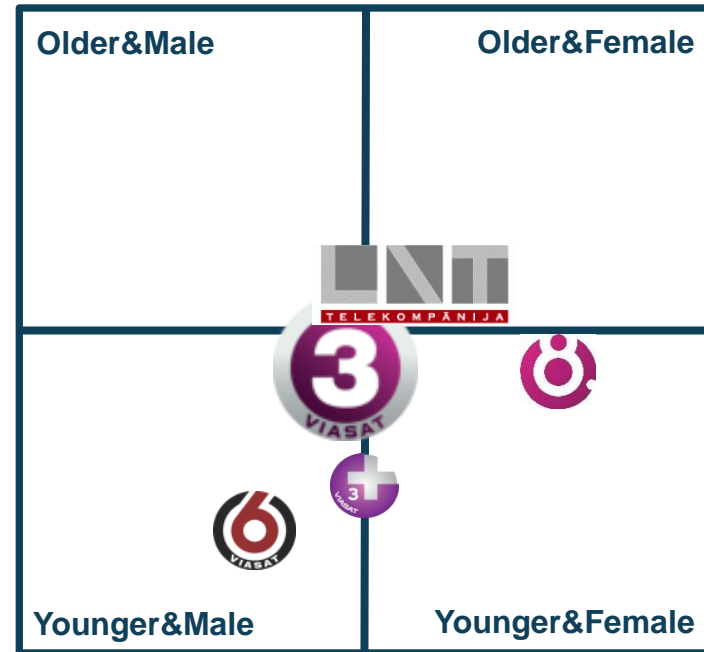


With a full media house offering

Competitive landscape

			
	  	   	   
	 		
Local owner	BMA	BMA	
Publicly owned			

Audience profile



Key actions

CSOV •Continue to invest in programming to build market positions

Sales •Stimulate ever increasing demand & grow pan-Baltic sales

Costs •Re-build operations with lower cost bases

And clear channel strategies

Core Profiles

Broad, mainstream family entertainment channel

Pure entertainment channel for young adult audience with slight male bias

Broad, Russian focused family entertainment channel

Programming

Schedule: a mix of entertainment and infotainment plus locally produced shows and acquired TOP US and Russian movies and series

Schedule: based on US TV series mixed with adult animation (e.g. The Simpson's, Top Gear), acquired realities (e.g. American Idol, Wipeout), sports (e.g. UEFA, hockey, Red Bull), movies & daily 10' OwP – Hot Weather as LPT Movie Lead in.

Schedule: based on best available Russian series including sitcoms, telenovelas, dramas and hit movies (both Hollywood and Russian) in later Prime Time.

And some potential game changers

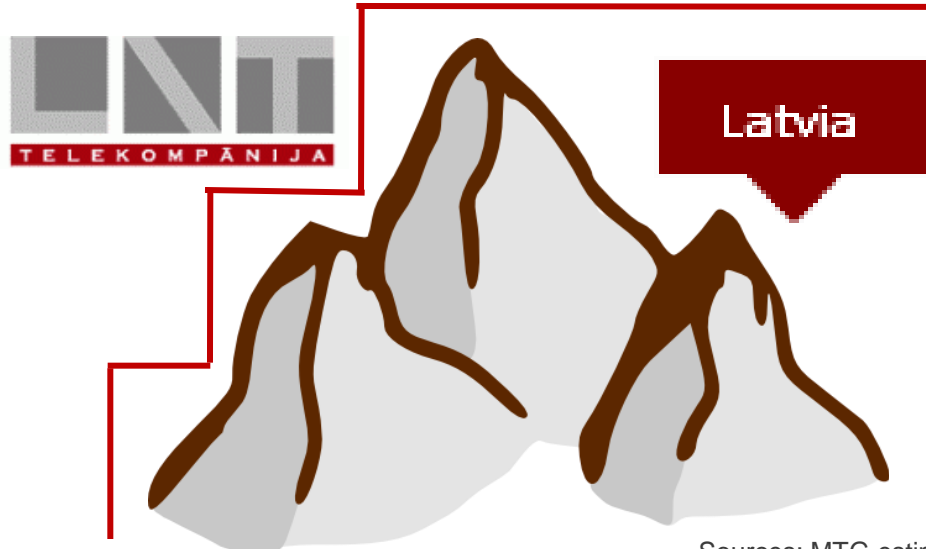
Future situation

- MTG ad market share: **72%**
- MTG audience share: **63%**
- Significantly enhanced profitability following substantial cost synergies



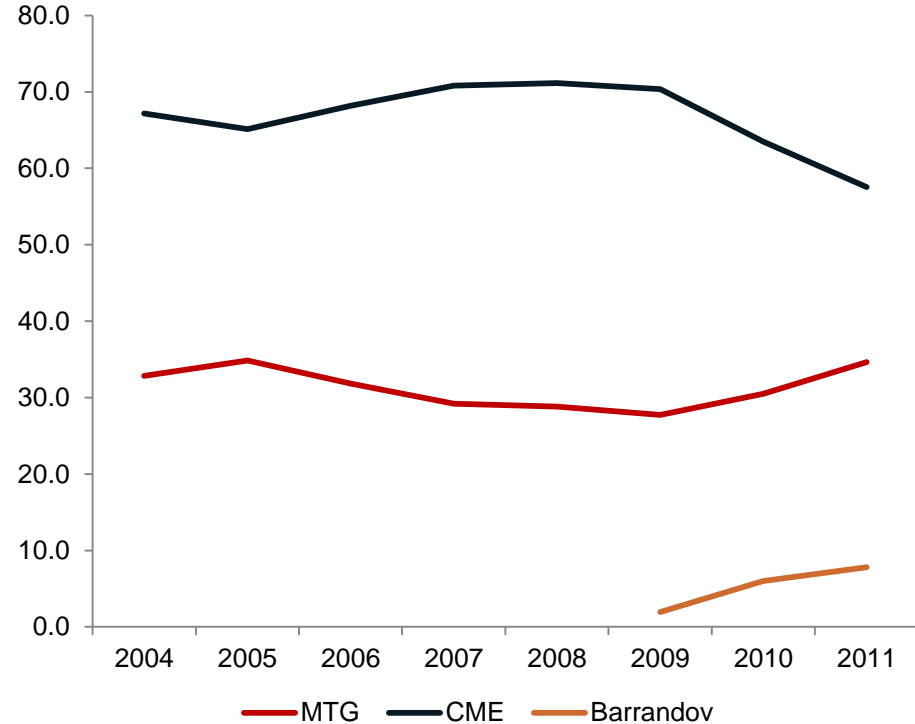
Previous situation

- MTG ad market share: **38%**
- MTG audience share: **37%**
- MTG Operating at a loss



We are re-writing the Czech book

Audience share development






Audience share: 34.7%
Market share: 30.6%
Power ratio: 88.2%

By building the media house

Competitive landscape

Audience profile

Older&Male	Older&Female
	
	
Younger&Male	Younger&Female
	

Key actions

CSOV

•Media house implementation boosting total CSOV

Sales

•Proactive approach, new channel launches, own production

Costs

•Swift cost reduction efforts to preserve healthy EBIT margins

And clear channel strategies

Core Profiles

One of four Czech „traditional“ channels with more than 15 years history

Focused on popular acquisition series, sitcoms movies and entertainment highly approved by younger audience.

Primarily for women but also men will certainly find their favorite program.

Programming

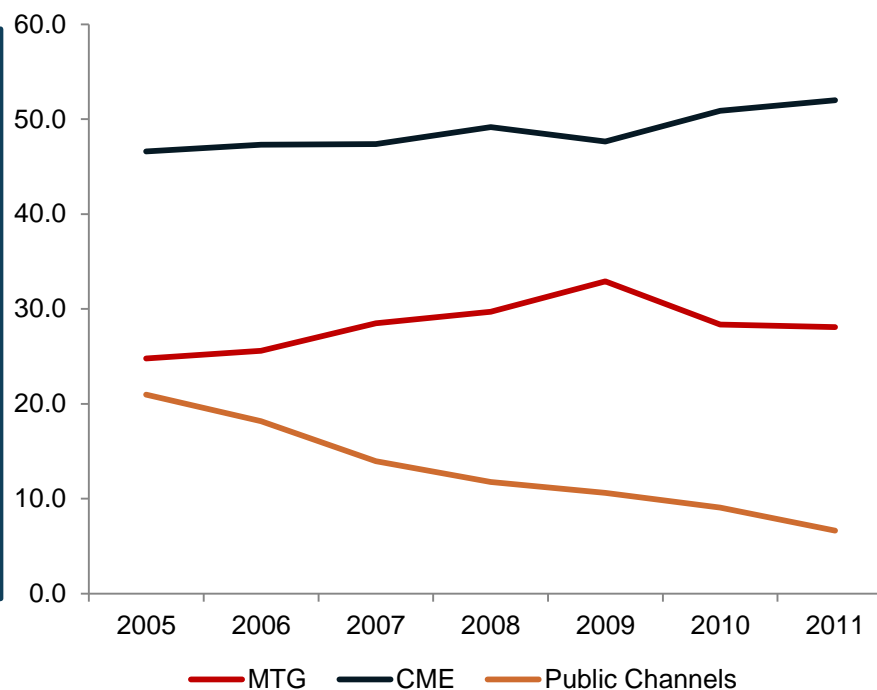
Broadcasts a broad line-up of entertainment with a slight focus on female viewers. Own produced drama as well as other own produced programme genres create the backbone of Prima Family

The programming schedule of the male-skewed channel includes blockbuster movies, as well as a number of new shows and hit series never broadcast in the Czech Republic before

Attracts a 15-44 year old female audience with a fun, informative and romantic formats, broadcasting international series, blockbuster romantic and comedy movies as well as infotainment shows.

And now for the same in Bulgaria

Audience share development



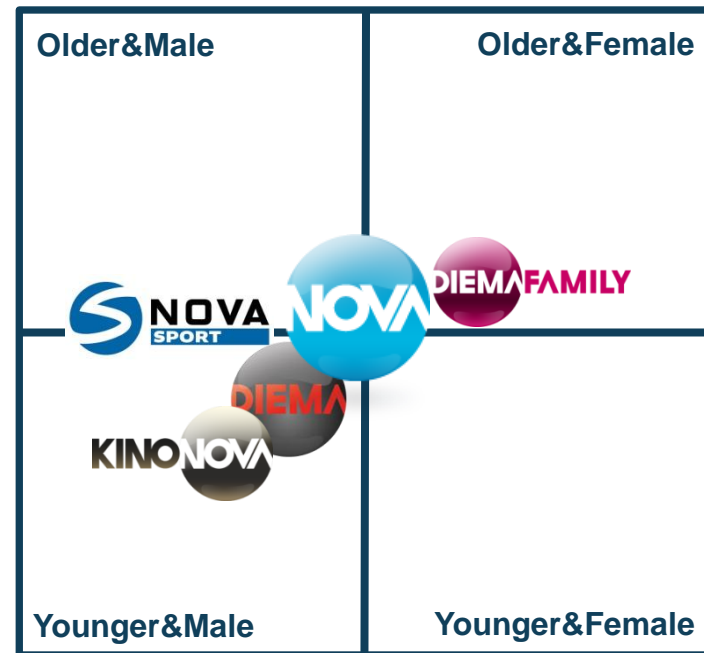
Audience share: 28.1%
Market share: 31.5%
Power ratio: 112%

By building the media house

Competitive landscape



Audience profile



Key actions

CSOV

• Programming investment to ensure long-term growth in CSOV and Mini-pay revenues

Sales

• Proactive and efficient inventory utilization to counter pricing pressure from CME

Costs

• Streamlined operations and efficiency increases to optimize the cost base

And clear channel strategies

Core Profiles

Urban-focused, young, predominantly female audience profile. Broadcasts a broad mix of local content and successful international TV formats

Focuses on a male target group with a mix of acquired programmes, own productions and sports

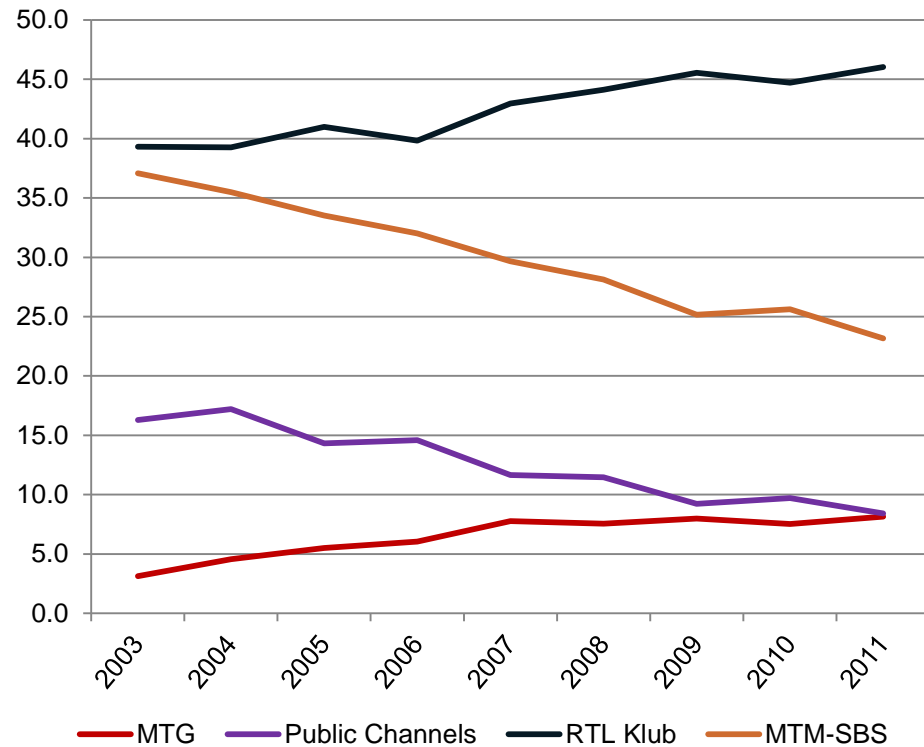
Core target group is young male viewers. Content cornerstones are comedies and movies

Programming

- Be alternative to bTV whenever possible
- Broadening and investing in prime access
- Improve the flow from main newscast to prime time
- Create the best possible flow
- Create sustainable schedule which delivers strong results leading into prime access
- Focus on more non-standard, creative and product placement solutions
- Continuing and improving our agency and client relationships

And could do the same in Hungary

Audience share development



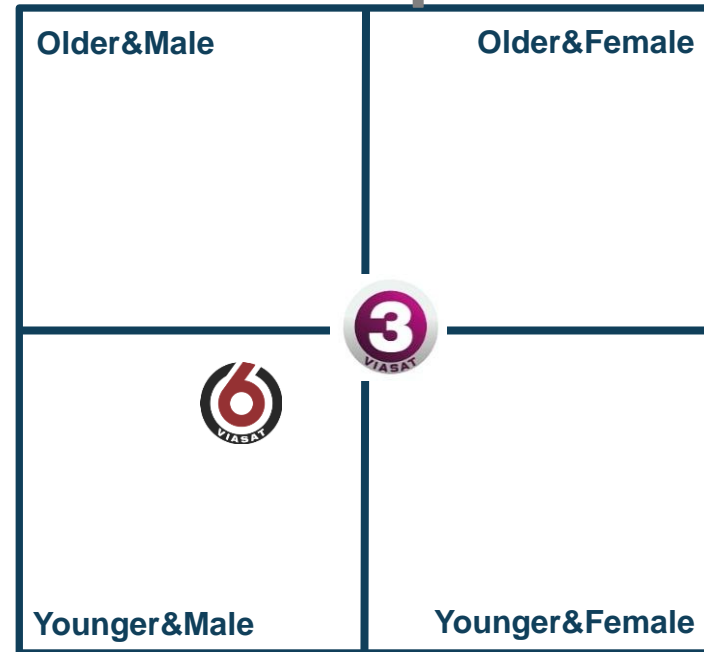
Audience share: 8%
Market share: 6.5%
Power ratio: 81%

By establishing the media house

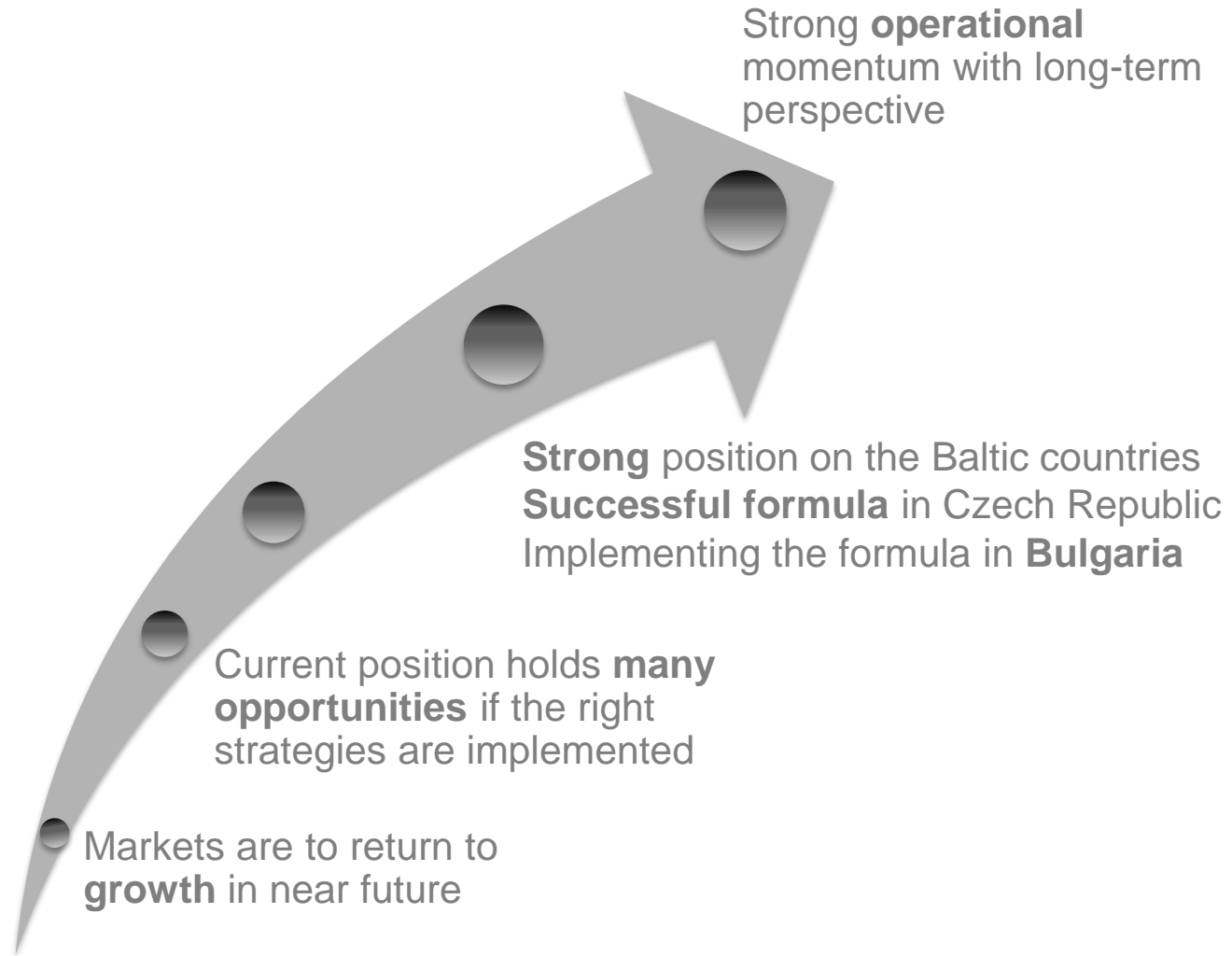
Competitive landscape

Audience profile

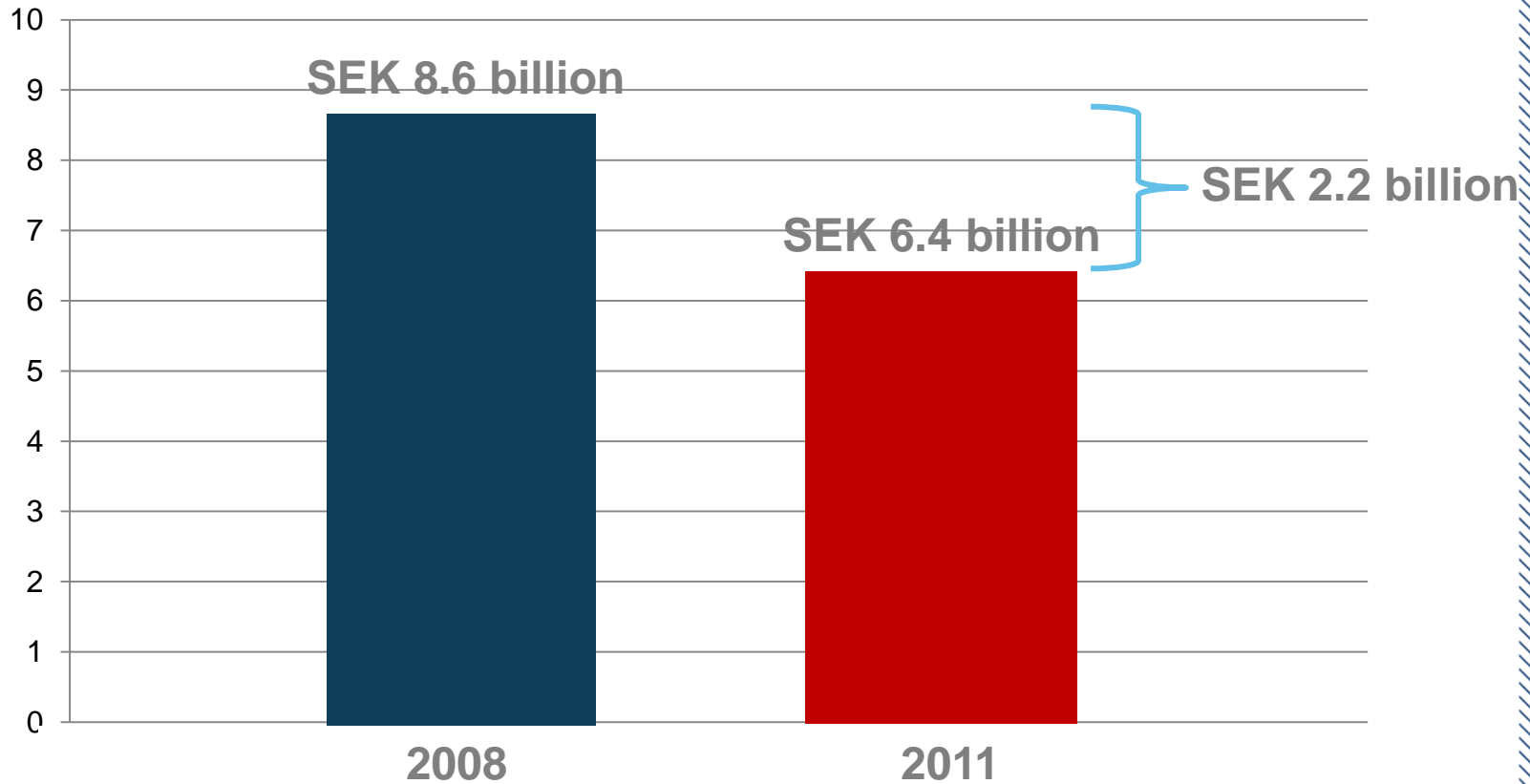


So, in summary



Returning market opportunity

CEE TV ad markets where MTG is present



Building the Emerging Markets Free-TV Media House

