CEO's review

2015 was a year of major change for MTG, as we accelerated the pace of our strategic transformation from a traditional broadcaster into a digital entertainment company. We have a clear ambition to be not only the number one digital video entertainer in each of our markets, but also a global player in key digital verticals. The moves that we are making right now are leading the way in the industry, as we adjust our core business to new consumption models, and add complementary online businesses that will shape the future of entertainment. This transformation is possible because of the strength of our core broadcasting operations that provide the consumer insight, the programming content and talent, the customer relationships and the technical know-how to think big and move fast.

As a result of the actions that we have taken, we ended the year stronger and more relevant, with better products, more customers and record sales. Profits were stable for the year and would have been up sharply were it not for the significant currency exchange rate headwinds that we faced. We have low borrowing levels and have proposed a higher annual dividend, while also continuing to invest in the development of our products and businesses.

Our Nordic broadcasting operations generate more than 60% of our revenues and the majority of our profits. They are performing well with increased audience and market shares. Viewers are watching more video than ever before in the Nordic countries. With amongst the highest broadband connectivity and speeds in the world, younger audiences in particular are consuming more video content on multiple screens, online, on mobile and on demand. We have been investing for years now precisely in order to be able to capitalise on this trend shift in consumer behavior.

So not only have we made more and more content available on our scheduled free-TV and Viasat pay-TV channels, but also on our catch-up free-TV and Viaplay on-demand pay-TV services. These streamed online services are growing fast and constantly setting record new viewing levels, and we are able to offer unique entertainment experiences to consumers on almost all platforms and devices. This is of course also diversifying our revenue streams in a positive way, and opening up many more social meeting points with communities and users.

We are also even more efficient now. We adjusted our management and operating structure during 2015 from a regional product set-up to a country-based organisation. This brings our decision making even closer to the consumer and the integrated local product offerings. We have changed the way we work, transformed the business and identified SEK 600 million of savings, the majority of which will flow through in 2016 to fund our ongoing investments in content and technology, and to help offset the ongoing currency headwinds.

Moving into 2016, we are making even more live sports, new movie titles, TV series, kids' content and now original programming available. We have the best ever line-ups in each of these categories in 2016, which provides a great opportunity for consumers to spend even more time with us and the content they love. The agreements that we are making with content owners are also becoming more flexible, so that we can decide on which channels, platforms and services we air the content and when. This again means greater choice and more revenue potential.

Outside of the Nordics, we have seen the investments that we have made to build our market positions in the Baltics, the Czech Republic and Bulgaria pay off in higher sales and profits. We have launched new TV channels, grown our online presence and added complementary new digital businesses. Although these markets and economies are still yet to return to pre-recession levels, we are benefitting from returning growth and the shift to digital consumption. In addition, Trace TV's urban music and lifestyle TV channels are available in more than 140 countries on 3rd party networks, and we are about to launch our own subscription video-on-demand service – TRACE Play.

Our 28 content production businesses in 15 countries that comprise the Nice Entertainment group are providing high quality and relatively low cost programming for both MTG and external customers. As I write, filming is finishing on our first ever original series for Viaplay – a Los Angeles-based comedy starring Peter Stormare and Keanu Reeves, which is being produced by one of the Nice companies. This is the first of many planned original productions that we will also partner and distribute internationally.

The portfolio realignment that we started in 2014 is a core part of our strategy and gathered momentum in 2015. The objective is to allocate our capital to those businesses that offer the greatest potential and returns. Some of the realignment has been forced on us by the change in the Russian mass media foreign ownership laws, which has led to us selling our wholly-owned TV channels business and exiting our 38% ownership in CTC Media. However, the fivefold or SEK 4.4 billion cash return on our Russian investments since 2001 tells its own story. The ongoing geo-political instability in the region has also caused us to sell our Ukrainian satellite TV platform, and we have also sold our sub-scale operations in a highly competitive Hungarian market, as well as a couple of TV distribution companies in Sweden.

These moves reflect a shift in our strategic focus away from the geographical expansion of our broadcasting operations towards establishing category leadership in complementary digital entertainment verticals that have global potential. And it is here that we have made a major leap forward in 2015 and into 2016. Our relevance as an entertainer requires us to not just follow the behavior of our existing consumers but also to identify new products to attract new audiences.

Millennial video viewing is primarily moving to social media entertainment platforms or multi-channel networks (typically on YouTube). This is why we invested in Splay, Sweden's largest MCN, back in 2014 and then last year bought 51% of Zoomin.TV, Europe's largest MCN that attracts more than 2.2 billion monthly views. This is a global and primarily advertising funded video business that features some of the world's leading web stars, as well as a network of thousands of video journalists creating content for publishers around the world.

Sport has always been a key driver of our traditional TV business and OTT platform, and gaming is one of the largest online video categories. This is why we launched our own Viagame streaming platform in Sweden several years back and then last year bought 74% of Turtle Entertainment, the largest esports company in the world, and 100% of Dream-Hack, the largest Scandinavian esports operator. Esports is competitive video gaming and we now run the leading esports leagues and events in the world. With more than 250 million online viewers, it is now the 17th most watched sport in the world!

These new digital businesses have already grown much faster than expected when we bought them, and doubled their sales to almost SEK 1 billion in 2015 on a pro forma basis.

So, we have substantially reshaped the business in 2015, in order to ensure that we have high quality entertainment products that are relevant for the family of the future. It is the strength of the MTG culture that has enabled us to move so quickly, and the ambition is to accelerate our sales growth and increase our profits in 2016 and the years ahead. Our strategy is all about creating sustainable value for all of our stakeholders and fulfilling our corporate responsibility. This is why we have also conducted a fresh materiality analysis to establish the priority focus areas for the group moving forward. Our inclusion in the Dow Jones Sustainability World and Europe indices, as well as our above average Carbon Disclosure Project scores, indicate the progress that we have made, while our "Game Changer" social enterpreneurship initiatives are changing the lives of thousands of children around the world. Please do not miss to read our 2015 Corporate Responsibility Report!

We have achieved a lot together and there is so much more to do. Thank you for your time today, your interest in our story, and your support on our journey!

Jørgen Madsen Lindemann
President & Chief Executive Officer