



MODERN TIMES GROUP MTG AB ("MTG")

Interim Report 1998

1 January - September 30

Modern Times Group MTG AB (Nasdaq: MTGNY) presents its accounts for the first nine months of 1998, today Monday November 16, 1998.

SUMMARY

- Net sales increased by 26% to MSEK 2,613 (2,074).
- Operating income before depreciation improved by MSEK 316 to MSEK 183 (—133).
- Income after net financial items improved by MSEK 370 to MSEK 21 (-349).
- The newspaper Metro was successfully launched in Budapest.
- Through the acquisition of Media Watchers, Hong Kong, the program of expansion in the subtitling and dubbing operations continues.

FINANCIAL SUMMARY (SEK million)	1997	1997	1998
	Full year	1 Jan— 30 Sept	1 Jan— 30 Sept
Net sales	2,989	2,074	2,613
Gross income	506	314	545
Operating income/loss before depreciation	- 77	- 133	183
Operating income/loss after depreciation	- 241	- 259	45
Income/loss after financial revenue and expense	- 293	- 349	21

OPERATIONS

Group structure

Shares in MTG are traded on the Nasdaq Stock Market (MTGNY) and on the Stockholm Börsinformation (SBI) list.

The MTG Group comprises five business areas: Broadcasting, Radio, Publishing, Electronic Retailing and Media Services. MTG Broadcasting consists of Free TV and Pay TV.

The following changes were made in the operating structure during the third quarter: Metro Budapest started publication in September and is reported under the MTG Publishing business area. Metro is already established as one of the largest newspapers in Budapest.

MTG Electronic Retailing's entire shareholding in Home Shopping Service SA (HSS) was sold on September 30, 1998, resulting in a capital gain of SEK 45 million.

TV3 Latvia is reported as an associated company within MTG Broadcasting effective July 1, 1998.

The magazine Topp 40 ceased its publication operations during the period.

With the acquisition of Media Watchers, SDI establishes its operations in Hong Kong, Taiwan, Thailand and Japan thus further consolidating its world-leading position in the area. Media Watchers is consolidated as a subsidiary of SDI in MTG Media Services effective October 1, 1998, as the acquisition took place after the end of the reporting period.

Group earnings for the first nine months of 1998

In the first nine months of 1998, net sales reached SEK 2,613 million, compared to SEK 2,074 million for the same period in 1997, a jump of 26%. All business areas significantly expanded sales.

Operating income before depreciation was SEK 183 million in the first nine months compared to SEK —133 million for the same period 1997, an improvement of SEK 316 million.

Operating income after depreciation was SEK 45 million in the first nine months compared to SEK —259 million for the same period 1997, an improvement of SEK 304 million.

Operating income includes a capital gain of SEK 50 million arising from the sales of part of the Group's option in Millicom International Cellular SA (MIC) in conjunction with the purchase of FinansTidningen and a capital gain of SEK 45 million arising from the sale of the entire shareholding in HSS.

The earnings of MTG are subject to fluctuations due to a substantial part of purchases being denominated in dollars. MTG has not compensated for increases in foreign currencies by raising its prices, so cost reduction initiatives have been implemented instead.

The net interest in earnings of associated companies was SEK 31 (37) million, reported per business area. TV3 Estonia, TV3 Latvia and TV4 are included in MTG Broadcasting, HSS in MTG Electronic Retailing up to the divestiture of this company and P4 Radio Hele Norge is reported in MTG Radio.

Net financial revenues and expenses equaled SEK —24 (—90) million. Net financial items included SEK 0 (—21) million in foreign exchange gains from the translation of long-term receivables and payables denominated in foreign currencies.

Income after financial revenue and expense totaled SEK 21 (—349) million, an improvement on the same period last year of SEK 370 million.

MTG Broadcasting

The Broadcasting business area comprises MTG's TV channels and SMS operations as well as MTG's participation in earnings from the TV1000 channel. The business area is divided into two segments, based on the main source of revenue: Free TV depends chiefly on advertising sales, while Pay TV earns revenue through subscription fees.

A merger of Free TV and Pay TV is planned within MTG Broadcasting. The main justification for this is to further consolidate ViaSat as the leading supplier of satellite television on the Nordic and Baltic market. Uniting operations to one entity throws emphasis on the effort to augment both advertising and subscription revenues, irrespective of whether the channels are essentially commercial or pay channels. The merger also carries the potential for further efficiency improvements in the fields of e.g. administration, program scheduling and play-out.

Free TV

This segment of MTG Broadcasting consists of the TV3 group, ZTV in Sweden, and 3+ in Denmark. The TV3 group comprises the channels in Sweden, Norway, Denmark, Estonia, Latvia and Lithuania. TV3 Estonia and TV3 Latvia are reported as associated companies.

TV3

In the first nine months of 1998 TV3 expanded its total revenues, including other operating revenue, in the Scandinavian countries 10% to SEK 1,189 (1,077) million. TV3's channels in the three Scandinavian countries are estimated to have developed as follows: In Sweden, the market for advertising expanded 7% during the first nine months and TV3 achieved a market share of 23% (23%). The Norwegian market remained strong, advancing 23%, and TV3 commanded 16% (16%) of that market. Market growth in Denmark was 6%, and TV3's market share equaled 18% (21%). The TV3 channels in the Baltic states continued to develop strongly in the nine month period. For example, the Estonian market is estimated to have expanded 142% with a market share of 45% (33%) for TV3. In Lithuania the market expanded 45% and TV3's market share was 37% (28%).

Sales of the Lithuanian channel, which is consolidated in the accounts of the TV3 Group, reached SEK 48 million.

TV3 Broadcasting reported total revenue, including other operating revenue, of SEK 1,243 (1,095) million for the first nine months, with operating income of SEK 75 (10) million before depreciation and SEK 56 (—10) million after depreciation. These results were achieved thanks to outstanding sales growth in Sweden, Norway and Lithuania, as operating expenses continued to be held in check. Sales growth in Denmark has improved as ratings have gone up and overall prices have improved. Channel 31 in Latvia successfully changed its trademark to TV3.

Other channels

The sales and results performance of ZTV and 3+ continue to be satisfactory. The new ZTV program schedule has been launched and the move to London which was previously announced has been satisfactorily completed. The prerequisites have thus been created to improve the results of ZTV's operations. During the period an agreement was signed by MTG and the Danish soccer union concerning exclusive rights for such events as the Danish Super League. The soccer games, which will primarily be sent on 3+, are expected to substantially improve possibilities of increasing subscription revenues. ZTV and 3+ reported sales of SEK 61 (47) million in the first nine months, with an operating loss of SEK —80 (—89) million before depreciation and SEK —82 (—91) million after depreciation.

Associated companies

MTG Broadcasting's earnings include MTG's participation in the associated companies TV4 and TV3 in Estonia and Latvia. Participation in these companies'

earnings amounted to SEK —7 (8) million in the first nine months. Earnings in TV4 were again unsatisfactory in that relatively strong sales growth was exceeded by an even larger growth in costs.

Pay TV

Pay TV comprises the SMS company ViaSat that distributes MTG's own channels, TV1000, and a number of third-party channels.

ViaSat

On September 30, 1998, ViaSat had 182,000 subscribers for its premium product ViaSat Gold. Hence, since ViaSat relaunched its premium product in September 1997, subscriptions have increased 37%.

The number of ViaSat smartcards on issue on September 30, 1998 was 965,000 (878,000).

This marked increase is largely the result of the campaign launched in September, whereby a parabola antenna and decoder is sold for SEK 1.00 provided that the customer subscribes to ViaSat Guld for three years. Sales coming from this campaign have been very strong.

Sales were SEK 348 (180) million. SEK 58 million of the sales increase derives from the Kabelvision operation. In the first nine months of 1998, operating income was SEK 75 (37) million before depreciation and SEK 59 (26) million after depreciation.

TV6

TV6 changed format on March 1, 1998, and is now broadcast as a Pay TV channel with two programming blocks: TV6 Nature World and TV6 Action World. This change should yield considerable cost savings for the channel.

Sales for the first nine months of 1998 were SEK 15 (12) million, and the operating loss was SEK —26 (—44) million before depreciation and SEK —33 (—50) million after depreciation.

TV1000

According to a separate agreement between Kinnevik and MTG, MTG distributes the premium channel TV1000, as part of the ViaSat Gold package, and to cable-TV networks. In 1998 Kinnevik will cover SEK 60 million of the losses made by TV1000. TV1000 benefits by the strong sales of ViaSat Guld in the DTH market, while the number of cable TV subscribers remains relatively unchanged. MTG's share of the losses in TV1000 is on a par with that of the same period in 1997, despite Kinnevik this year covering SEK 40 million less of the losses.

On September 30, 1998, TV1000 had 272,000 (217,000) subscribers.

MTG Broadcasting's share of the losses in TV1000 for the nine-month period was SEK —63 (—58) million.

Sales for the entire MTG Broadcasting business area for the first nine months of 1998 were SEK 1,530 (1,287) million, and there was an operating loss of SEK —14 (—141) million before depreciation and SEK —86 (—210) million after depreciation.

MTG Radio

The radio market is calculated to have continued to expand briskly during the period at a rate of 29% and MTG Radio boosted sales 63%, thus winning market share. It is worth noting that Radio Rix reported monthly profits during both August and September. Sales by Power Hit Radio performed poorly, although the channel is now larger in terms of listening to commercial radio than its main competitor NRJ.

Radio P4 Hele Norway continues to post good results. Its contribution to results for the first nine months amounted to SEK 18 (16) million.

Sales for MTG Radio as a whole were SEK 64 (39) million, operating income before depreciation SEK 0 (—9) million and operating loss after depreciation SEK —5 (—14) million.

MTG Publishing

The newspaper Metro is now published in four cities. The newspaper was successfully launched in Budapest on September 7, 1998 and is now the city's largest newspaper. In Stockholm a total of 260,000 newspapers are printed, which are read by 571,000 people; in Gothenburg 80,000 newspapers are printed, which are read by 135,000 people; in Prague 200,000 newspapers are printed, which are read by 244,000 people and in Budapest 180,000 newspapers are printed, which are read by 500,000 people. Metro is thus established as the largest circulation daily newspaper in Prague and Budapest and the second largest in Stockholm and Gothenburg.

The Stockholm operation is performing very well and both Gothenburg and Budapest are operating to plan. Sales performance in Prague is below expectations and a review of management functions and the sales organization is currently underway.

Sales of Metro in Stockholm and Gothenburg were SEK 214 (125) million and in Prague SEK 18 (4) million. Metro in Budapest was launched towards the close of this report period.

The FinansTidningen newspaper shows a favorable sales trend.

Sales for MTG Publishing as a whole amounted to SEK 256 (135) million in the first nine months, with operating income of SEK 46 (14) million before depreciation and SEK 35 (9) million after depreciation.

MTG Electronic Retailing

The strong sales growth of this business area continued through the report period, thanks to access to strong products incremental to the music products sales that make up approximately 35% of the operation. To further improve operating margins, a program has been initiated to promote the fulfillment component of the operations and to offer these services to external providers. Electronic Retailing is unique in that product flows can be handled in some twenty European countries, supplying everything from customer service and product delivery to payment in local languages and currencies.

Sales for MTG Electronic Retailing totaled SEK 450 (333) million in the first nine months of 1998, with an operating income of SEK 73 (—12) million before depreciation and SEK 61 (—23) million after depreciation. The operating result includes the capital gain of SEK 45 million from sales of all shares in HSS.

MTG Media Services

This business area expanded sales 18% compared to the same period one year previous. All companies performed well and have substantial projects ongoing.

Besides the productions created for the MTG Group's own channels, Strix has during the year produced the major weekend entertainment programs for Sweden's TV4 and SVT, På rymmen and Robinson. The latter production is furthermore being shown on TV3 Denmark and is enjoying good viewing rates. Following a weak spring when the Swedish market for cinema film was dominated by Titanic, Sonet releases several films during the second half of 1998, with successful productions such as Ögat and Fucking Åmål.

SDI's order situation continues to be strong in both subtitling and dubbing. During the autumn for instance SDI will start dubbing full feature movies, an operation in which it has not previously engaged. After the close of the report period, SDI acquired 60% of the shares in Media Watchers Ltd, Hong Kong. SDI intends to broaden the geographic scope of its operations in order to consolidate its position further. With the acquisition of Media Watchers, the largest subtitling company in the Asian region, SDI has achieved a predominating position also in that region.

Nordic Artist has substantially increased both sales and earnings by a number of successful productions. InTV is currently producing teletext for two Spanish TV channels, and the TeleAuction and Bazar products are under development. The other MTG Media Services companies are also performing well.

Sales for the entire MTG Media Services business area reached SEK 442 (376) million in the first nine months, with operating income of SEK 73 (54) million before depreciation and SEK 42 (27) million after depreciation.

Number of employees

The number of permanent, full-time employees in the Group at September 30, 1998 totaled 972 (979). Since September 30, 1997, operations at Metro in Gothenburg and Budapest, FinansTidningen and TV3 in Lithuania have been added. These units employ a total of 140 persons. Consequently, the number of persons engaged in comparable operations in MTG has declined 20 % since the staff downsizing program was introduced on June 30, 1996, despite a significant increase in the sales of those units.

FINANCIAL POSITION

Equity/assets ratio

The Group's equity/assets ratio (consolidated shareholders' equity and minority interest including the convertible debenture loan, divided by total assets) on September 30, 1998 equaled 40% (44%).

This ratio does not take into account MTG's holdings in TV4 and P4, reported as fixed assets, which had a combined market value of SEK 924 million on September 30. The underlying value of the shares in Millicom International Cellular SA (MIC) corresponding to the option to acquire shares in MIC, which is reported as a current asset, had a market value of SEK 264 million at the end of the period. The aggregate book value and exercise price for these holdings was SEK 312 million.

Liquidity

The Group's liquidity, including unutilized credit facilities and the MIC option, equaled SEK 432 (730) million at the end of the period.

Net borrowings

Consolidated net borrowings (interest-bearing liabilities, excluding the convertible debenture loan, less interest-bearing assets) totaled SEK 285 (293) million at the end of the period.

Investing activities

During the period, the Group invested SEK 143 (65) million, of which SEK 50 million was to acquire FinansTidningen.

Depreciation and amortization

Group depreciation totaled SEK 139 (127) million.

Earnings/loss per share

Earnings/loss per share after full tax, and taking into account full conversion of the outstanding convertible debenture loan were SEK —0.27 (—5.60).

OTHER INFORMATION

Year-end results 1998

MTG's year-end report for the full 1998 year is tentatively scheduled to be released on February 24, 1999.

Annual report

MTG's annual report is available at the Company's office: MTG, Skeppsbron 18, Box 2094,

SE-103 13 Stockholm, Sweden.

Stockholm, November 16, 1998

Pelle Törnberg

President and CEO

This interim report has not been subject to a specific review by the company's auditors.

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CONSOLIDATED INCOME STATEMENT (MSEK)	1997	1997	1998
	Full year	Jan 1- Sept 30	Jan 1-Sept 30
Net sales	2989	2074	2613
Cost of goods and services	-2483	-1760	-2068
Gross income	506	314	545
Selling, administrative, research and deveopment expenses	-616	-554	-502
Income/loss from corporate development	4	6	45
Income/loss from sales of securities	-	-	50
Expensed option premium for TV1000	-96	-58	-63
Other operating revenues	30	34	41
Other operating expenses	-123	-38	-102
Interest in earnings of associated companies	54	37	31
Operating income/loss	-241	-259	45
Financial items, net	-52	-90	-24
Income/loss after financial revenue and expense	-293	-349	21
Interest on convertible debentures	-9	-2	-20
Income/loss before tax	-302	-351	1
Taxes	-41	-15	-31
Minority interests	-1	-2	-2
Net income/loss for the period	-344	-368	-32

REVIEW OF THE GROUP (MSEK)

	1997	1998
	Jan 1-Sept 30	Jan 1-Sept 30
Breakdown of net sales by business area		
MTG Broadcasting	1287	1530
MTG Radio	39	64
MTG Publishing	135	256
MTG Electronic Retailing	333	450
MTG Media Services	376	442
Parent company and other companies	16	27
Eliminations	-112	-156
Total	2074	2613
Breakdown of operating income/loss by business area		
MTG Broadcasting	-210	-86
MTG Radio	-14	-5
MTG Publishing	9	35
MTG Electronic Retailing	-23	61
MTG Media Services	27	42
Parent company and other companies	-41	5
Eliminations	-7	-7
Total	-259	45
Breakdown of income/loss after financial items by business area		
MTG Broadcasting	-314	-148
MTG Radio	-23	-9
MTG Publishing	6	34
MTG Electronic Retailing	-40	48
MTG Media Services	21	37
Parent company and other companies	8	66
Eliminations	-7	-7
Total	-349	21

CONSOLIDATED BALANCE SHEET (MSEK)	Dec 31, 1997	Sept 30, 1997	Sept 30, 1998
Fixed assets			
Capitalized development expenses	180	159	184
Immaterial rights	128	86	116
Goodwill	281	285	303
Machinery, equipment, property etc	200	195	177
Stocks and participations	319	292	257
Long-term receivables	13	25	15
	1121	1042	1052
Current assets			
Inventories including advances to suppliers	638	244	706
Short-term receivables	776	1257	1129
Cash, bank and short-term investments	326	210	171
	1740	1711	2006
Total assets	2861	2753	3058
Equity			
Restricted equity	375	368	350
Unrestricted equity	473	461	471
	848	829	821
Minority interest in equity	8	11	11
Provisions	82	76	87
Long-term liabilities			
Convertible debenture loan 1997/2000	377	373	387
Non-interest bearing liabilities	0	13	2
Interest bearing liabilities	449	464	410
	826	850	799
Short-term liabilities			
Non-interest bearing liabilities	1010	909	1267
Interest bearing liabilities	87	78	73
	1097	987	1340
Total stockholders' equity and liabilities	2861	2753	3058