



MODERN TIMES GROUP MTG AB

FINANCIAL RESULTS FOR THE PERIOD JANUARY – JUNE 2001

Stockholm, 6 August 2001 – Modern Times Group MTG AB ('MTG') (Stockholmsbörsen: MTGA, MTGB; NASDAQ: MTGNY) today announced its preliminary results for the first six months of 2001.

- **NET SALES UP 21% TO SEK 3,135 (2,587) MILLION, DESPITE WEAKER ADVERTISING MARKETS**
- **OPERATING INCOME FROM ESTABLISHED OPERATIONS UP 133% TO SEK 277 (119) MILLION DESPITE NEGATIVE US DOLLAR IMPACT OF SEK 40 MILLION**
- **PAY TV REVENUES UP 38% TO SEK 975 (705) MILLION**
- **ALL PREMIUM PAY TV SUBSCRIBERS SWITCHED TO DIGITAL; ANALOGUE DTH TRANSMISSION OF PREMIUM PAY TV CHANNELS SWITCHED OFF AS PLANNED**
- **VIASAT 'GOLD' PREMIUM PAY TV SUBSCRIBERS UP 43% TO 420,000 YEAR ON YEAR; 91% OF NEW DIGITAL SUBSCRIBERS CHOOSE VIASAT GOLD PACKAGE DURING SECOND QUARTER**
- **SDI INCREASED ITS MARKET LEADERSHIP IN THE WORLDWIDE FEATURE DVD SUBTITLING MARKET**

SUMMARY (SEK MILLION)

	Q2 2001	Q2 2000 *	H1 2001	H1 2000 *
Established operations				
Net Sales	1,623	1,397	3,131	2,586
Earnings before depreciation and amortisation	239	176	397	243
Earnings after depreciation and amortisation	174	100	277	119
New ventures				
Net Sales	4	1	4	1
Earnings before depreciation and amortisation	- 63	- 10	- 100	- 11
Earnings after depreciation and amortisation	- 59	-10	- 96	-11
Total net sales	1,627	1,398	3,135	2,587
Earnings before depreciation and amortisation	176	166	297	232
Earnings after depreciation and amortisation	115	71	181	212
Capital gains and discontinued business	0	- 19	0	104
Income after financial items	88	43	126	183
Fully diluted earnings per share	0.56	0.34	0.90	1.74

* Adjusted for changes in Swedish GAAP and changes in organisational structure since Q2 2000

OPERATIONS AND ORGANISATION

The Group has applied the new recommendations from the Swedish Financial Accounting Standards Council since the beginning of the year and, consequently, no longer capitalises or amortises start-up costs associated with new ventures, but charges them directly to the profit and loss account. New ventures and established operations are therefore split out in this report. Businesses are considered new ventures for their first two years of existence and currently include Viasat+ in Norway, Viasat3 in Hungary, Darial TV in Russia, and the Everyday.com, Everyday.TV and Everymobile.com companies within the New Media business area.

MTG acquired 75% of the issued share capital of Darial TV, a Russian terrestrial commercial TV broadcaster in May 2001. Darial holds one of the eight national TV broadcasting licences in Russia. MTG also reached agreement with the shareholders of TV3 Latvia and Star FM Latvia in June to acquire their shares. MTG now owns 100% of these companies and the results from these wholly owned subsidiaries have been consolidated as of 1 January 2001.

The Group issued five year subordinated convertible bonds on June 15 with a nominal value of €120 million and an annual coupon and yield to maturity of 5.50%. The loan is convertible into 2,790,994 new MTG B shares.

The 2000 figures have been restated, both in line with the new accounting treatment and with the reorganisation of the Group into seven business units at the end of 2000, in order to enable accurate comparison.

CONSOLIDATED SALES AND INCOME

Total Group net sales increased by 16% to SEK 1,627 (1,398) million during the second quarter and by 21% to SEK 3,135 (2,587) million in the first half of 2001.

Group operating income before depreciation and amortisation increased by 6% to SEK 176 (166) million during the second quarter excluding last year's discontinued businesses and capital gains of SEK -19 million, and by 28% to SEK 297 (232) million during the first half of 2001, again excluding last year's discontinued businesses and capital gains of SEK 104 million.

Operating income after depreciation and amortisation for established operations increased by 74% to SEK 174 (100) million in the quarter and by 133% to SEK 277 (119) million in the first half, excluding non-recurring items.

Operating income for new ventures decreased to SEK -59 (-10) million in the second quarter and to SEK -96 (-11) million in the first half, excluding non-recurring items.

Total Group operating income after depreciation and amortisation, excluding non-recurring items but including earnings from associated companies, therefore increased by 26% to SEK 115 (90) million in the quarter and by 68% to SEK 181 (108) million in the half year. The Group's share of earnings in associated companies increased to SEK 36 (10) million in the second quarter and to SEK 12 (7) million in the half year. Associated companies include TV4 in Sweden, TV3 Estonia, P4 in Norway, Star FM and Power Hit Radio in Estonia, Radio Nova in Finland and Everyday.com.

Net interest and other financial items totaled SEK -27 (-28) million for the second quarter and SEK -55 (-29) for the year to date. These figures included SEK -16 (-17) million in net exchange rate gains and losses in the quarter and SEK -17 (-10) million in the year to date, which arose from the translation of financial receivables and liabilities denominated in currencies other than Swedish Krona.

Income after financial items therefore increased to SEK 88 (43) million for the quarter and decreased to SEK 126 (183) million in the year to date.

Net income was SEK 36 (20) million for the quarter and SEK 60 (109) million for the first half of 2001.

Fully diluted earnings per share increased to SEK 0.56 (0.34 including non-recurring items) for the second quarter and decreased to SEK 0.90 (1.74 including non-recurring items) in the year to date. These figures take into account the 2,052,840 additional shares issued to the executive share option scheme, as well as the issue of 2,790,994 new shares that would result from the conversion of the subordinated loan.

Total assets at 30 June 2001 were SEK 7,479 million, compared to SEK 6,040 million at 31 December 2000.

OPERATING REVIEW

Viasat Broadcasting

Net Sales: SEK 1,150 (1,012) million for the second quarter and SEK 2,176 (1,864) million for the year to date

Operating income after depreciation and amortisation, excluding non-recurring items, totaled SEK 177 (145) million for the second quarter and SEK 265 (217) million for the year to date

- of which, operating income for established operations after depreciation and amortisation: SEK 211 (145) million for the second quarter and SEK 320 (217) million for the year to date

- of which, operating income for new ventures after depreciation and amortisation: SEK -34 (0) million for the second quarter and SEK -55 (0) million for the year to date

The result for the first half year was adversely impacted by SEK 40 million in increased programming costs due to the higher US dollar exchange rate.

Free TV

Net Sales in the Free TV division showed a decline of 0.5% to SEK 728 (732) million in the second quarter, but the channels have increased their market shares in both Sweden and Denmark. Advertising sales in the quarter were adversely impacted by a combination of significantly weaker advertising markets in 2001, and the exceptional second quarter advertising market in 2000 due to increased spend by the Dot com industry and in association with the stock market listing of Telia and the reform of Swedish pension funds. Combined with a first quarter 2001 sales increase of 8%, the TV3, ZTV, 3+, Viasat+, Viasat3 Hungary and Darial TV channels showed a combined year on year gain of 3% to SEK 1,342 (1,301) million in the first half of 2001. The percentage of annual forward booked advertising remains the same as in previous years at 50%.

MTG's channels continue to differentiate themselves to advertisers by attracting a high proportion of the young and professional viewer groups. TV3 achieved its highest ever commercial share of viewing amongst the 15-49 year old age group in Sweden during the first half of 2001, reporting a share of 27.7%. The share in the same period last year was 27.0%.

Pay TV

Net sales in the Pay TV division were up by 40% to SEK 494 (353) million in the second quarter and by 38% to SEK 975 (705) million in the year to date as a result of the increased sales of premium Viasat Gold packages. The proportion of premium to basic subscribers has now increased to 41%, compared to 31% at the end of the second quarter of 2000.

Viasat successfully swapped all of its premium customers over to the digital platform in the quarter and was therefore able to switch off the analogue transmission of its Pay TV channels in May 2001, as planned. Having waited for consumer demand for digital services to grow and technology costs to fall, Viasat was the last of the major European Pay TV broadcasters to roll out digital services. However, Viasat now reaches 486,000 digital subscribers, is the largest digital TV operator in the Nordic region, and was the first operator to switch off the

analogue transmission of its Pay TV channels. The switch off of the analogue transponders will yield annualised savings of approximately SEK 200 million.

Viasat sold 74,000 new digital subscriptions in the second quarter, of which 91% were to the highest value Viasat Gold package.

The Group continues to benefit from the lower churn rates amongst digital subscribers, which stood at 1.3% per month for the first six months of 2001. This is approximately half the churn rate for premium subscribers in the same period last year.

The total number of subscribers has developed during the second quarter as follows:

	Cardholders	Viasat DTH Gold subscribers	Other Viasat DTH premium package subscribers
Balance as at 31 March 2001	1,096	367	39
New sales during Q2 2001	74	67	2
Churn during Q2 2001	- 55	- 14	- 1
Balance as at 30 June 2001	1,115	420	40
<i>Balance as at 30 June 2000</i>	<i>1,081</i>	<i>294</i>	<i>42</i>

The number of subscribers to the Viasat Gold package increased by 43% since the end of the second quarter last year, whilst TV1000 increased its subscriber numbers by 28% from 381,000 at the end of the first half of 2000 to 489,000 at the end of the same period this year. The total number of digital DTH customers at the end of the half year was 486,000.

New Media

Net Sales: SEK 22 (17) million for the second quarter and SEK 43 (34) million for the year to date

Operating income after depreciation and amortisation totaled SEK -32 (-8) million for the second quarter and SEK -47 (-7) million for the year to date

- of which, operating income for established operations after depreciation and amortisation: SEK -7 (2) million for the second quarter and SEK -6 (4) million for the year to date

- of which, operating income for new ventures after depreciation and amortisation: SEK -25 (-10) million for the second quarter and SEK -41 (-11) million for the year to date

Net sales increased due largely to the contribution from MTG Spain's teletext operations, which showed a profit for the quarter and have extended their existing and new contracts with leading Spanish TV broadcasters.

The interactive applications and services being developed for the digital TV platform will in time drive the increase in average revenues per digital TV subscriber but are still at a relatively early stage, having only been launched this year. Everyday.TV has already signed agreements with companies including Coca-Cola to advertise on the digital platform.

The Group continues to invest in the new ventures including Everyday.TV, Everytext and Everymobile.

The Group's losses from associated companies, comprising its 50% share in the Internet portal Everyday.com, increased.

Radio

Net Sales: SEK 38 (41) million for the second quarter and SEK 68 (67) million for the year to date

Operating income after depreciation and amortisation: SEK 6 (24) million for the second quarter and SEK 8 (14) million for the year to date

The Radio operations were negatively impacted by the weaker advertising market, which was down by 7% in Sweden in the year to the end of May 2001 according to Institutet för reklam och mediestatistik. The operations in Sweden only showed a decline of 2% in the first six months of 2001 and therefore continued to increase market share.

Star FM in Latvia is at breakeven and has been profitable on a monthly basis since May this year.

Earnings from participations in associated companies, comprising the Group's interests in P4 Norway, Star FM and Power Hit Radio in Estonia, and Radio Nova in Finland also declined due to the weaker advertising market conditions.

Publishing

Net Sales: SEK 51 (65) million for the second quarter and SEK 104 (113) million for the year to date

Operating income after depreciation and amortisation: SEK -18 (-12) million for the second quarter and SEK -31 (-24) million for the year to date

The Publishing division was impacted by the weaker advertising market as well as by investment in marketing to increase subscriber numbers and market shares. This increased investment has maintained Finanstidningen's position as the fastest growing daily business newspaper in Sweden.

The recently announced advertising sales cooperation between Finanstidningen and Svenska Dagbladet has been received well by the media buying community and is expected to begin to contribute to sales in the second half of the year.

TV8 was similarly impacted by the weaker market, but was able to reduce losses due to increased subscriber numbers and revenues.

Modern Studios

Net Sales: SEK 152 (121) million for the second quarter and SEK 324 (236) million for the year to date

Operating income after depreciation and amortisation: SEK 17 (2) million for the second quarter and SEK 37 (6) million for the year to date

Net sales for the division were up 37% in the year to date, while operating income increased by over six times.

The improvement was due to strong organic sales growth in the second quarter in Strix Television (up 39%), Modern Entertainment (up 173%) and Sonet Film (up 56%). The continuing success of Strix's existing reality TV shows, the sale of these formats to new territories where they have shown considerable success, together with the development and sale of new formats in the Nordic region, all contributed to the increase. The license fees from the sale of formats to third parties flow straight to the bottom line and therefore enabled Strix to increase its operating margin to 25% and nearly triple its profit.

Modern Entertainment, which was turned around in 2000, continued to show a healthy profit in the quarter. Due to the usual seasonality in Sonet's results, the operation reported a loss for the second quarter. Sonet has continued to demonstrate its ability to achieve box office success and distributed the biggest grossing film, "Jalla! Jalla!", in Sweden during the Spring.

Modern Interactive

Net Sales: SEK 188 (137) million for the second quarter and SEK 400 (251) million for the year to date

Operating income after depreciation and amortisation: SEK -10 (-24) million for the second quarter and SEK -1 (-42) million for the year to date

Net sales were significantly higher in each company when compared to last year, which resulted in significantly reduced losses for the business area. TV Shop's losses increased due to ongoing issues with unprofitable media contracts, but TV Shop's PIN24 channel on the BSkyB platform is safely in profit. E Commerce Logistics' growth rate was lower in the second than the first quarter due to a weaker sales environment for its clients, while Internet retailing benefited from its enhanced market share in the Scandinavian markets.

SDI Media

Net Sales: SEK 96 (75) million for the second quarter and SEK 179 (154) million for the year to date

Operating income after depreciation and amortisation: SEK 8 (1) million for the second quarter and SEK 14 (5) million for the year to date

Net sales for the division grew strongly by 28% in the second quarter with significantly increased translation, dubbing, and subtitling revenues in the US, Asia, the UK and the rest of the world segments. Revenues in the UK doubled in the quarter, have already exceeded the result for 2000, and operating margins continued to increase.

SDI's share of the worldwide feature DVD subtitling market has increased to over 60% and the Company provides DVD subtitling services to all the major US studios.

FINANCIAL REVIEW

Equity to assets ratio

The Group's equity to assets ratio was 40% (42%) as at 30 June 2001. The ratio is defined as the sum of consolidated shareholders' equity and minority interests in associated companies, including the €120 million subordinated convertible bond issue, divided by total assets. The reduction in the ratio is principally due to the significant investments in the digitalisation of the Pay TV platform during the second half of last year, which were charged directly to free equity in accordance with the new accounting principles. Previously reported intangible assets of SEK 850 million were charged directly to non-restricted equity after a correction of SEK 238 million due to the tax effect of this write-off.

The Group also holds minority interests in TV4 and P4 Norway, as well as shares and a convertible debenture loan to Metro International. These items are all reported as long term financial assets. The aggregate market value of these securities was SEK 2,223 (1,581) million as at 30 June 2001, representing a surplus of SEK 1,749 (1,393) million to the book value of SEK 474 (188) million on the balance sheet. Adjusted for this surplus and deferred tax, the equity to assets ratio at the close of the quarter was 49% (51%).

Liquidity

The Group's liquid funds, including unutilised credit facilities, stood at SEK 1,207 (256) million at the end of the quarter. This number increased significantly due to the proceeds from the €120 million convertible bond offering.

Net borrowings

The Group's net borrowings totaled SEK 698 (393) million at the end of the reporting period. Group net borrowings are defined as interest bearing liabilities, including the convertible loan, less interest bearing assets. Excluding the convertible loan, net borrowings would have been SEK -403 (393) million.

Investment

The Group invested a total of SEK 41 (96) million during the first half year.

Depreciation and amortisation

Group depreciation and amortisation totaled SEK 116 (124) million.

In accordance with the change in accounting treatment outlined above, all accrued retailer commissions related to Viasat Gold customers signing up for extended subscriptions have been reclassified from amortization to other operating expenses. The comparative figures for 2000 have been restated accordingly.

Earnings per share

On a fully diluted basis, taking into account the 2,052,840 additional shares issued to the executive share option scheme as well as the convertible subordinated loan, earnings per share were SEK 0.56 (0.34) for the second quarter and SEK 0.90 (1.74) for the first half of 2001.

OTHER INFORMATION

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

MTG's results for the third quarter of 2001 will be released on 24 October 2001.

Hans-Holger Albrecht
President and Chief Executive Officer
Stockholm, 6 August 2001

Modern Times Group MTG AB has seven business areas: Viasat Broadcasting (free-to-air and pay TV channels in nine countries), Radio (seven networks in five countries), New Media (the Everyday interactive TV portal, Internet portal, Mobile portal, and teletext services), Publishing (financial news and information services), Modern Interactive (home shopping, e-commerce, and logistics), SDI Media (subtitling and dubbing services), and Modern Studios (content production and library).

Modern Times Group MTG AB's class A and B shares are listed on the Stockholmsbörsen O-list (symbols: MTGA and MTGB) and on the Nasdaq National Market in New York (symbol: MTGNY).

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CONSOLIDATED INCOME STATEMENT (MSEK)	2001 Q2	2000 Q2	2001 H1	2000 H1	2000 Full year
Net sales	1 627	1 398	3 135	2 587	5 431
Cost of goods and services	-1 065	-815	-2 049	-1 657	-3 508
Gross income	562	583	1 086	930	1 923
Selling, administrative, research and development expenses	-434	-432	-817	-720	-1 540
Other operating revenues	2	4	7	9	18
Other operating expenses	-51	-75	-107	-118	-235
Income from corporate development	-	2	-	2	8
Income from sales of securities	-	1	-	106	106
Result in discontinued businesses	-	16	-	34	32
Viasat digital project	-	-38	-	-38	-555
Share of earnings in associated companies	36	10	12	7	16
Operating income (EBIT)	115	71	181	212	-227
Net financial revenue and expense	-27	-28	-55	-29	-44
Income after financial revenue and expense excluding interest on convertible debentures	88	43	126	183	-271
Interest on convertible debentures	-3	4	-3	-3	-3
Income before tax	85	47	123	180	-274
Taxes	-49	-26	-64	-71	-24
Minority interests	0	-1	1	0	1
Net income for the period	36	20	60	109	-297
Shares outstanding at quarter-end, incl convertible and option	71 218 990	66 375 156	71 218 990	66 375 156	66 375 156
Shares outstanding at quarter-end, excl convertible and option	66 375 156	66 375 156	66 375 156	66 375 156	66 375 156
Denominator for diluted earnings per share	68 893 162	66 375 156	68 660 579	65 530 561	65 952 859
Denominator for basic earnings per share	66 375 156	63 329 974	66 375 156	61 513 853	63 944 505
Diluted earnings per share	0,56	0,34	0,90	1,74	-4,46
Basic earnings per share	0,55	0,33	0,91	1,78	-4,63

REVIEW OF THE GROUP (MSEK)	2001 Q2	2000 Q2	2001 H1	2000 H1	2000 Full year
Net sales by business area					
Viasat Broadcasting	1 150	1 012	2 176	1 864	3 789
New Media	22	17	43	34	61
Radio	38	41	68	67	133
Publishing	51	65	104	113	234
Modern Interactive	188	137	400	251	580
SDI Media	96	75	179	154	330
Modern Studios	152	121	324	236	551
Parent company and other companies	28	16	53	38	106
Eliminations	-98	-86	-212	-170	-353
	1 627	1 398	3 135	2 587	5 431
Operating income/loss by business area					
Viasat Broadcasting	177	145	265	217	500
Sale of shares in TV4	-	1	-	106	106
Viasat digital project	-	-38	-	-38	-555
New Media	-32	-8	-47	-7	-39
Radio	6	24	8	14	18
Publishing	-18	-12	-31	-24	-53
Modern Interactive	-10	-24	-1	-42	-127
SDI Media	8	1	14	5	18
Modern Studios	17	2	37	6	3
Parent company and other companies	-30	-33	-57	-52	-117
Result in discontinued businesses	-	16	-	34	32
Eliminations	-3	-3	-7	-7	-13
	115	71	181	212	-227

CONSOLIDATED BALANCE SHEET (MSEK)**2001-06-30 2000-06-30 2000-12-31****Fixed assets**

Capitalized development expenses	68	71	111
Beneficial rights	318	252	297
Goodwill	1 082	1 164	1 046
Machinery and equipment	255	291	252
Shares and participations	299	238	303
Long-term receivables	933	391	896
	2 955	2 407	2 905

Current assets

Inventories	1 423	1 099	1 201
Current receivables	1 950	1 556	1 642
Cash, cash equivalents and short-term investments	1 151	204	292
	4 524	2 859	3 135
Total assets	7 479	5 266	6 040

Shareholders' equity

Restricted equity	1 673	1 673	1 724
Non-restricted equity	205	535	66
	1 878	2 208	1 790

Minority interests in equity

2	13	7
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Provisions

149	136	124
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Long-term liabilities

Convertible debenture loan 2001/2006	1 102	-	-
Other interest-bearing liabilities	1 056	889	1 277
Non-interest-bearing liabilities	37	1	44
	2 195	890	1 321

Current liabilities

Interest-bearing liabilities	325	16	125
Non-interest-bearing liabilities	2 930	2 003	2 673
	3 255	2 019	2 798
Total shareholders' equity and liabilities	7 479	5 266	6 040

CONSOLIDATED STATEMENT OF CASH FLOWS (MSEK)	2001 Q2	2000 Q2	2001 H1	2000 H1	2000 Full year
Net income for the period	36	20	60	109	-297
Adjustments to reconcile net income to net cash provided by operations	57	47	154	39	-3
Changes in working capital	47	73	-273	-256	194
Net cash flow from operations	140	140	-59	-108	-106
Acquisition of TV1000	-	-900	-	-900	-900
Issue of shares to finance TV1000 acquisition	-	900	-	900	900
Other investments in shares	-76	-110	-76	-110	-164
Investments in other fixed assets	-15	-69	-41	-96	-193
Other cash flow from investing activities	48	35	48	160	163
Cash flow to investing activities	-43	-144	-69	-46	-194
Cash flow from/to financing activities	885	-49	987	34	234
Net change in cash and cash equivalents for the period	982	-53	859	-120	-66

RECONCILIATION OF SHAREHOLDERS EQUITY (MSEK)	Share capital	Restricted reserves	Non-restricted reserves	Total
Closing balance December 31, 2000	332	1 392	730	2 454
Change of accounting principle			-664	-664
Opening balance January 1, 2001 with new accounting principle	332	1 392	66	1 790
Net result January-June 2001			60	60
Currency translation differences			28	28
Transfer between restricted and non-restricted reserves		-51	51	0
Closing balance June 30, 2001	332	1 341	205	1 878

OPERATING INCOME, EBIT (MSEK)	2001 Q2	2000 Q2	2001 H1	2000 H1	2000 Full year
Established operations					
Viasat Broadcasting	211	145	320	217	510
New Media	-7	2	-6	4	9
Radio	6	24	8	14	14
Publishing	-18	-12	-31	-24	-53
Modern Interactive	-10	-24	-1	-42	-127
SDI Media	8	1	14	5	18
Modern Studios	17	2	37	6	3
Parent company and other companies	-30	-35	-57	-54	-121
Eliminations	-3	-3	-7	-7	-13
	174	100	277	119	240
New ventures					
Viasat+ Norway	-9	0	-18	0	0
Viasat3 Hungary	-23	0	-35	0	-10
Darial TV	-2	-	-2	-	-
New Media	-25	-10	-41	-11	-48
	-59	-10	-96	-11	-58
Non-recurring items					
Income from corporate development	-	2	-	2	8
Income from sales of securities	-	1	-	106	106
Result in discontinued businesses	-	16	-	34	32
Viasat digital project	-	-38	-	-38	-555
	0	-19	0	104	-409
Total Operating income, EBIT	115	71	181	212	-227

