MODERN TIMES GROUP MTG AB

1998 PRELIMINARY ACCOUNTS

Modern Times Group MTG AB ("MTG") (Nasdaq: MTGNY) presents its preliminary accounts for 1998, today Wednesday, 24 February 1999.

- **Net sales increased 31% for full-year 1998**
- **Income after net financial items improved SEK 515 M to SEK 222 M**
- **TV3, now operating in six countries, reported its best results ever**
- **Radio operation established in Estonia and Latvia and already profitable on a monthly basis**
- **Metro won new contract in the Netherlands**
- **Electronic Retails signs the largest home shopping agreement in Europe ever with Eurosport. Large Internet potential.**
- **SDI further strengthen its international expansion via the acquisition of Media Watchers in Asia**

FINANCIAL SUMMARY (SEK M)

	1998	**1997**
Net sales	3,904	2,989
Gross income	966	506
Operating income before depreciation	410	-77
Operating income after depreciation	218	-241
Income after financial revenue and expenses	222	-293

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.
In December MTG acquired 49% of the shares in Easy FM, a radio network with nationwide coverage in Estonia. The company is reported as an associated company in the Radio business area.
In December Metro, in the Publishing business area, signed a distribution contract with NS Stations whereby Metro will be distributed in Amsterdam and seven other Dutch towns. It is planned to launch this venture in the summer of 1999. Project costs will be reported in the Publishing business area in 1998 but as a subsidiary of the Metro International business area in 1999.
The Publishing business area regains the newspapers Finanstidningen and Metro for the MTG core business area: the Nordic countries and the Baltic States. A new business area, Metro International, has been created with responsibility for the future international expansion of Metro. The business area includes Metro in Prague and Budapest and the contracts that Metro has won in the Netherlands. The Free TV and Pay TV operations of the Broadcasting business area have been merged and finally the operations of the Electronic Retailing business area have been divided into a marketing segment (Marketing) and a distribution segment (Fulfilment).
These organizational changes will be reported effective the interim report for the first quarter of 1999 when the comparative figures will also be adjusted.
After the close of the report period, MTG acquired 49% of the shares in Radio Riga, a radio network with nationwide coverage in Latvia. Radio Riga will be reported as an associated company in the Radio business area.
In February 1999 the Electronic Retailing business area signed an agreement with Eurosport concerning home shopping; the largest contract of its kind ever signed in Europe. The agreement also comprises extensive possibilities for trading over the Internet: E-Commerce.

1998 Group earnings
Net sales in 1998 were SEK 3,904 million, compared to SEK 2,989 million in 1997, an increase of 31%.
Operating income before depreciation amounted to SEK 410 million in 1998, compared to SEK -77 million in 1997, an improvement of SEK 487 million.
Operating income after depreciation was SEK 218 million in 1998, compared to SEK -241 million in 1997, an improvement of SEK 460 million.
Operating income includes the SEK 50 million capital gain arising from the sale of part of the Millicom International Cellular SA (MIC) option in conjunction with the acquisition of Finanstidningen and a capital gain of SEK 45 million arising when all sales in HSS were sold.
The profitability of MTG is affected by the fact that group purchases are denominated largely in dollars and pounds. MTG has been unable to raise its prices to compensate itself for the effect of the consolidation of these currencies. Instead the group has implemented cost-cutting programs. The consolidation of the dollar in relation to the

Scandinavian currencies has meant extra expenses of SEK 25 million compared to 1997.
A number of companies in the Media Services and Electronic Retailing business areas and Topp40 in the Publishing business area were phased out during 1998. Closure costs for these companies amount to SEK 15 million.
The number of group full-time employees includes the companies of interest, TV3 Estonia and Latvia amounted to 1,235 (982) at end-1998. In these numbers are 272 employees within Metro operations in Gothenburg, Prague and Budapest and TV3 operations in Estonia, Latvia and Lithuania added during the year. For comparative purposes they may be deducted from the above 1998 total of 1,101. This means the number of people employed in the operations comprised by MTG when the staff-downsizing program was introduced at 1 July 1996 has fallen by 18%, even while there was a fundamental increase in the sales of these units.
The net interest in earnings of associated companies was SEK 36 (54) million, which is reported per business area. Thus the net interest in earnings of TV3 Estonia, TV3 Latvia and TV4 is included in the Broadcasting business area, the net interest in earnings of HSS in the Electronic Retailing business area and the net interest in earnings of Radio P4 and Easy FM in Estonia in the Radio business area.
Net financial revenues and expenses were SEK 3 (-52) million. The net financial item includes SEK 37 (26) million in foreign exchange gains from the translation of receivables and payables denominated in foreign currencies.
Income after financial revenue and expenses totaled SEK 222 (-293) million, an improvement of SEK 515 million compared to 1997.

MTG Broadcasting
The Broadcasting business area comprises MTG's TV channels and SMS operation as well as MTG's interest in earnings from the TV1000 channel. The business area is divided into two units, based on whether the main source of revenue is advertising sales (Free TV) or revenue from subscriptions (Pay TV).
Broadcasting implemented a merger of the former Free TV and Pay TV units to a joint platform, ViaSat, in January 1999. The purpose of the merger is to throw emphasis on the effort to augment both advertising and subscription revenues and also to introduce efficiency improvements, particularly into program scheduling, play-out and administration.

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 1998 TV3 expanded its total revenues in the Scandinavia countries 12% to SEK 1,799 (1,610) million.
TV3's channels in the three Scandinavian countries are estimated to have developed as follows. In Sweden, the market for advertising expanded 11% in 1998 and TV3 achieved a market share of 25% (24%). The Norwegian market remained strong, advancing 18% and TV3 commanded 17% (17%) of the market. Market growth in Denmark was 5% and TV3's market share equaled 19% (20%).

The TV3 channels in the Baltic States continued to develop strongly in 1998. For example, the Estonian market is estimated to have expanded 124% with a market share of 46% (33%) for TV3. The Latvian market is estimated to have expanded 30% and TV3's market share was 3% (0%). In Lithuania, the market is estimated to have expanded 78% with a market share of 27% (20%) for TV3.

Sales of the Lithuanian channel, which is consolidated in the accounts of the TV3 Group, reached SEK 63 million. In Estonia, 1998 sales amounted to SEK 52 million and in Latvia to SEK 8 million.

Operating income amounted to SEK 256 (117) million before depreciation and to SEK 230 (92) million after depreciation. These results were achieved thanks to outstanding sales growth in Sweden, Norway and Lithuania and ongoing stringent control of operating expenses. Ratings and sales growth also improved for TV3 Denmark during the fourth quarter.

Other channels

The sales and results performance of both ZTV and 3+ were unsatisfactory in 1998. Essential cost savings were implemented in ZTV during the year, in conjunction with the channel being relocated from Stockholm to London. Whether or not ZTV can exploit its positive ratings trend and translate it into higher sales will decide the future profitability of the channel. 3+ has started its transmissions under the terms of the agreement with the Danish soccer union. During 1999 the Danish cable TV networks will hold a vote that will be decisive to the chances of 3+ receiving revenues from the cable networks and thereby attaining profitability. ZTV and 3+ reported sales in 1998 of SEK 88 (73) million, with an operating loss of SEK -92 (-115) before depreciation and SEK -94 (-118) million after depreciation.

Associated companies

MTG Broadcasting's earnings include MTG's interest in earnings of the associated companies TV4 and TV3 in Estonia and Latvia. Interest in these companies' earnings in 1998 amounted to SEK 7 (22) million.

Pay TV

Pay TV comprises the SMS company ViaSat that distributes MTG's own channels, TV1000, TV6 and a number of third-party channels.

ViaSat

On 31 December 1998, ViaSat had 227 000 subscribers for its premium product ViaSat Guld. Since ViaSat relaunched its premium product in September 1997 subscriptions have thus surged 71%.

The number of ViaSat smartcards on issue on 31 December 1998 was 1,022,000 (912,000).

Sales continued buoyant during the fourth quarter, largely the result of the campaign whereby a satellite dish and a decoder are offered for SEK 1.00 provided that the subscriber subscribes to ViaSat Guld for three years.

Sales were SEK 519 (261) million. SEK 88 million of the sales increase derives from the Kabelvision operation. In 1998 operating income was SEK 110 (51) million before depreciation and SEK 88 (37) million after depreciation.

TV6

TV6 changed format effective 1 March 1998 and is now broadcast as a Pay TV channel with two program theme blocks: TV6 Nature World and TV6 Action World.

Sales in 1998 were SEK 22 (16) million, with an operating loss of SEK -32 (-62) before depreciation and SEK -40 (-71) million after depreciation.

TV1000

According to a separate agreement between Kinnevik and MTG, MTG distributes the premium channel TV1000 as part of the ViaSat Guld package and to cable-TV networks. TV1000 benefits by the strong sales of ViaSat Guld in the DTH market, while the number of cable TV subscriptions remains relatively unchanged.
TV1000 had 326,000 (229,000) subscribers at 31 December 1998.
MTG Broadcasting's participation in the losses in TV1000 in 1998 was SEK -91 (-96) million, after Kinnevik had covered SEK 60 (100) million of the losses.
Sales for the entire MTG Broadcasting business area in 1998 were SEK 2,311 (1,871) million, with an operating income of SEK 174 (-91) before depreciation and SEK 78 (-178) million after depreciation.

MTG Radio

The radio market is calculated to have continued to expand briskly during the period at a rate of 23% (30%) and MTG Radio boosted sales 48% thus winning market share. In the fourth quarter Radio Rix further consolidated its position as the largest commercial radio network in Sweden. Sales by Power Hit Radio continue to perform poorly despite growing listener figures.
Radio P4 Hele Norge continues to post good results although write-offs have been made in conjunction with revaluations, particularly of international ventures. Interest from earnings of associated companies in 1998 was SEK11 (20) million.
In December 1998 MTG Radio acquired 49% of the shares in Easy FM, a national radio network in Estonia. This holding is reported as a participation in an associated company in the business area. After the close of the reporting period, MTG Radio acquired 40% of the shares in Radio Rigai. With these two acquisitions MTG has further consolidated its position as a significant media company in the Baltic States.
Sales for MTG Radio as a whole were SEK 87 (59) million, with an operating loss of SEK -7 (-7) million before depreciation and SEK -13 (-23) million after depreciation.

MTG Publishing

The newspaper Metro is published in four cities. In Stockholm 241,000 newspapers are printed and they are read by 537,000 people; in Gothenburg 77,000 newspapers are printed and are read by 160 000 people; in Prague 200,000 newspapers are printed and are read by 260,000 people; and in Budapest 200,000 newspapers are printed and are read by 480,000 people. Metro is thus established as the largest circulation daily newspaper in Prague and Budapest and the second largest in Stockholm and Gothenburg.
Sales in Prague continued to be poor during the fourth quarter. Sales are on schedule in the other cities.
In December Metro signed a distribution agreement with NS Stations that enables publication to start up in eight Dutch towns during the summer of 1999.
Sales for Metro in Stockholm and Gothenburg amounted to SEK 315 (194) million and in Prague and Budapest to SEK 35 (14) million. Metro Budapest was launched at the close of the third quarter.
Circulation trends for Finanstidningen have continued to be strong. Since the acquisition, circulation has increased to 15,700 newspapers.

Sales for the MTG Publishing business area as a whole in 1998 amounted to SEK 389 (217) million, with operating income of SEK 75 (46) million before depreciation and SEK 62 (40) million after depreciation.

MTG Electronic Retailing

The sales of this business area increased strongly during 1998 thanks to a good supply of both media time and products. Essential cost savings have furthermore been implemented during the year resulting in the business area again returning to profitability. The division of the operation into a marketing segment and a fulfilment segment has been implemented as planned.

After the close of the report period, an agreement concerning home shopping and trading via the Internet was signed with Eurosport. Besides the contracted TV time, this agreement creates significant volumes of Internet trading that will benefit the fulfilment unit of our operations. This unit will handle the flow of goods in 33 countries in all essentials from customer service to goods delivery and payment.

Sales for the MTG Electronic Retailing business area in 1998 totaled SEK 609 (451), with operating income of SEK 82 (-27) million before depreciation and SEK 66 (-41) million after depreciation. The operating income included the capital gain of SEK 45 million from sales of all shares in HSS.

MTG Media Services

The operations of the companies of the MTG Media Services business area performed well in 1998. Sales, project portfolios and results all featured in the good performance. Some operations were phased out during the year.

The goal of the business area is to create profitable companies for the production of low financial risk, quality products. At the same time, various Internet projects in the business area are being conducted in support of this cautious MTG program.

Subtitling and Dubbing International, SDI is however being permitted to pursue a program of vigorous, geographical expansion, as exemplified by the acquisition of Media Watchers.

Sales for the entire MTG Media Services business area reached SEK 670 (518) million, with operating income of SEK 101 (65) before depreciation and SEK 53 (27) million after depreciation.

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) at 31 December 1998 equaled 41% (43%).

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 717 million at 31 December 1998. 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 384 million at 31 December 1998. The aggregate book value and exercise price for these holdings was SEK 315 million.

Liquidity

The Group's liquidity, including unutilized credit facilities and the Millicom option, equaled SEK 787 (765) million at 31 December 1998.

Net borrowings

Consolidated net borrowings (interest-bearing liabilities, excluding the convertible debenture loan, less interest-bearing assets) totaled SEK 92 (189) million at 31 December 1998.

Investing activities

During 1998, the Group invested SEK 441 (166) million, of which SEK 50 million to acquire Finanstidningen and SEK 187 million to acquire the minority shares in Tidnings AB Metro, Metro International and TV Shop Europe.

Depreciation and amortization

Group depreciation totaled SEK 192 (164) million.

Earnings per share

Earnings per share after full tax and taking into account full conversion of the outstanding convertible debenture loan were SEK 2.49 (-5.22).

THE PARENT COMPANY

The parent company does not conduct any business operations. Income after net financial items was SEK 2,081 (133) million. No investments were made in 1998. The parent company has no liquid funds of its own.

OTHER INFORMATION

Interim report for January- March 1999

MTG's interim report for the period January-March 1999 is tentatively scheduled to be released on 17 May 1999.

Annual report

MTG's annual report is tentatively scheduled to be released in mid-April. It will be available at the Company's office: MTG, Skeppsbron 18, Box 2094, SE-103 13 Stockholm, Sweden.

Further financial information, including breakdown per quarter, is reported on the MTG web page www.mtg.se.

Company annual general meeting

The 1999 annual general meeting for shareholders in MTG will he held on Thursday, 20 May 1998, at 09:30 a.m. at Gamla Stans Bryggeri, Tullhus 2, Skeppsbrokajen, Stockholm, Sweden.

Distribution of profits

The board of directors has ruled to propose to the annual general meeting that no distribution of profits be made for 1998.

Stockholm, 24 February 1998

The Board of Directors of Modern Times Group MTG AB

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Chief Financial Director, Modern Times Group MTG AB

CONSOLIDATED INCOME STATEMENT (MSEK)	1998	1997
Net sales	3 904	2 989
Cost of goods and services	-2 938	-2 483
Gross income	966	506
Selling, administrative, research and development expenses	-703	-616
Income from corporate development	45	4
Income from sales of securities	50	-
Expensed option premium for TV1000	-91	-96
Other operating revenues	53	30
Other operating expenses	-138	-123
Interest in earnings of associated companies	36	54
Operating income/loss	218	-241
Financial items, net	4	-52
Income/loss after financial revenue and expense	222	-293
Interest on convertible debentures	-27	-9
Income/loss before tax	195	-302
Taxes	-50	-41
Minority share in earnings	-3	-1
Net income/loss for the year	142	-344

REVIEW OF THE GROUP (MSEK)	1998	1997
Breakdown of net sales by business area		
MTG Broadcasting	2 311	1 870
MTG Radio	87	59
MTG Publishing	389	217
MTG Electronic Retailing	608	451
MTG Media Services	670	518
Parent company and other companies	37	26
Eliminations	-198	-152
Total	3 904	2 989
Breakdown of operating income/loss by business area		
MTG Broadcasting	78	-178
MTG Radio	-13	-23
MTG Publishing	62	40
MTG Electronic Retailing	66	-41
MTG Media Services	53	27
Parent company and other companies	-18	-56
Eliminations	-10	-10
Total	218	-241
Breakdown of income/loss after financial items by business area		
MTG Broadcasting	1	-301
MTG Radio	-19	-32
MTG Publishing	60	37
MTG Electronic Retailing	50	-65
MTG Media Services	45	15
Parent company and other companies	95	63
Eliminations	-10	-10
Total	222	-293

CONSOLIDATED CASH FLOW STATEMENT (MSEK)	1998	1997
Cashflow before change in working capital and net capital expenditures	247	-175
Changes in working capital	112	187
Cashflow from operations	359	12
Net cashflow to investing activities	-277	-153
Net cashflow to/from financing activities	-71	297
Net increase in cash and cash equivalents	11	156

CONSOLIDATED BALANCE SHEET (MSEK)	Dec 31, 1998	Dec 31, 1997
Fixed assets		
Capitalized development expenses	230	180
Immaterial rights	106	128
Goodwill	496	281
Machinery and equipment	178	199
Stocks and participations	270	319
Long-term receivables	23	13
	1 303	1 120
Current assets		
Inventories	532	638
Short-term receivables	1 233	777
Cash, bank and short-term investments	337	326
	2 102	1 741
Total assets	3 405	2 861
Equity		
Restricted equity	327	375
Unrestricted equity	644	473
	971	848
Minority interest in equity	20	8
Provisions	87	82
Long-term liabilities		
Convertible debenture loan 1997/2000	390	377
Non-interest bearing liabilities	4	0
Interest bearing liabilities	377	449
	771	826
Short-term liabilities		
Non-interest bearing liabilities	1 473	1 010
Interest bearing liabilities	83	87
	1 556	1 097