

MODERN TIMES GROUP MTG AB (? MTG?)

Interim Report 1999 January 1–June 30, 1999

Modern Times Group MTG AB (?MTG?) (Nasdaq: MTGNY, Stockholm Stock Exchange: MTG) presents its accounts for the first six months of 1999 today, August 16, 1999.

SUMMARY

- Sales advanced 25%, to SEK 2,269 (1,809) million.
- Operating profit after depreciation and amortization rose SEK 166 million, to SEK 182 million, excluding capital gains of SEK 50 million and the share of profits in HSS which was divested in 1998.
- Operating profit after financial revenue and expense rose SEK 133 million, to SEK 142 million, similarly adjusted.
- Metro was awarded distribution contracts in Malmö, Helsinki, Philadelphia, and Santiago.
- The Internet portal Everyday.com was announced.

FINANCIAL SUMMARY

(SEK million)	1998 Full year	1998 January 1–June 30	1999 January 1–June 30
Net sales	3,904	1,809	2,269
Gross income	966	406	632
Income from corporate development	45	–	-3
Income from sales of securities	50	50	–
Operating profit before depreciation	410	166	291
Operating profit after depreciation	218	75	182
Income after financial revenue and expense	222	68	142
Net income for the period	142	34	106

OPERATIONS

Group structure

Shares in MTG are traded on the Nasdaq National Market (symbol: MTGNY) and, since May 3, 1999, on the Stockholm Stock Exchange (symbol: MTG).

The MTG Group consists of six business areas: Viasat Broadcasting, Radio, Publishing, Metro International, Electronic Retailing, and Media Services.

In the operational structure effective Q1 1999, the operations of *Metro* in Prague and Budapest are reported in the Metro International business area instead of in Publishing, as previously.

During the second quarter, the Publishing business area secured a contract to publish the newspaper *Metro* in Malmö, Sweden, and Helsinki, Finland. The Moderna Tider Group, was also acquired during the quarter.

During the period, Metro International began publishing *Metro* in the Netherlands and, after the end of the period, secured contracts for Santiago, Chile, and Philadelphia, USA.

The Media Services business area divested T&T Broadcasters Oy and acquired StadenStaden AB during the period. After June 30, the Internet portal company Everyday.com, in which the Group owns 50%, was announced. Netcom holds the remaining 50%.

Group Earnings for the First Half of 1999

In the first six months of 1999, net sales reached SEK 2,269 million, compared to SEK 1,809 million for the same period in 1998, representing a rise of 25%. Sales continued growing robustly primarily in the Viasat Broadcasting, Radio, and Publishing business areas.

Operating income before depreciation and amortization totaled SEK 291 million, compared to SEK 166 million for the same period in 1998. The figures for comparison include capital gains of SEK 50 million and share in the earnings of HSS, SEK 9 million, so the improvement by core operations was SEK 184 million.

Operating income after depreciation and amortization equaled SEK 182 million, compared to SEK 75 million for the same period in 1998. The figures for comparison include capital gains of SEK 50 million and share in the earnings of HSS, SEK 9 million, so the improvement by core operations here was SEK 166 million.

The share of earnings in associated companies was SEK 19 (22) million, reported in each business area. Accordingly, the Group's participation in earnings by TV3 Estonia, TV3 Latvia, and TV4 are included in Viasat Broadcasting, and participation in the earnings of Radio P4 in Radio. The 1998 comparative figures for Electronic Retailing include MTG's participation in the earnings of HSS, totaling SEK 9 million. The shareholding in HSS was divested in the autumn of 1998 and is thus not included in 1999 earnings.

Net financial revenues and expenses equaled SEK -40 (-7) million. Net financial items included guarantee premiums totaling SEK -11 million and a net loss of SEK -10 (+ 6) million resulting from gains and losses in the translation of financial receivables and liabilities denominated in foreign currencies.

Income after financial revenue and expense reached SEK 142 (68) million. The figures for comparison include capital gains and share in the earnings of HSS, so the improvement in core earnings was SEK 132 million.

Review of Business Areas

Viasat Broadcasting

The Viasat Broadcasting business area comprises MTG's TV channels and subscriber management system (SMS) operations as well as MTG's participation in earnings from TV1000.

Free TV

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

TV3

During the first six months of 1999, TV3 boosted its total revenues, including other operating revenue, in the Scandinavian countries by 19%, to SEK 1,015 (852) million.

Market shares in the three Scandinavian countries are believed to have changed as follows. In Sweden, the market for television advertising expanded about 6% in H1 1999, and TV3 expanded its market share to 30% (27%). The Norwegian market grew 4%, and TV3's market share was 18% (15%). The Danish market grew 2%, and TV3's market share was 28% (18%).

The TV3 channels in the Baltic states won market share in H1 1999. In Estonia, the market contracted by -37%, and TV3's market share equaled 58% (45%). The Latvian market declined -12%, and TV3's market share was 5% (4%). Finally, the Lithuanian market dropped -25%, and TV3's market share there was 36% (34%).

The Lithuanian channel, consolidated in the operations of the TV3 group, reported sales of SEK 26 (36) million.

TV3 Broadcasting reported sales, including other operating revenues, of SEK 1,042 (892) million for the first half year, with operating income of SEK 181 (102) million before depreciation and amortization and SEK 170 (89) million after. Sales in TV3's Scandinavian markets were extremely strong across the board, as the channels won market share. In the Baltic markets conditions deteriorated, though, mainly because of the impact of the Russian crisis on the Lithuanian economy.

Other channels

ZTV and 3+ reported sales of SEK 66 (43) million for the first half, with an operating loss of SEK -32 (-49) million before depreciation and amortization and SEK -32 (-50) million after. During the autumn of 1999, there will be a vote among the Danish cable networks to determine whether 3+ may charge subscription fees.

Associated companies

Earnings for the business area include MTG's participation in the associated companies TV4 and TV3 in Estonia and Latvia. These participations totaled SEK 3 (2) million in the first half.

Pay TV

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

Viasat

At June 30, 1999, Viasat had 244,704 (164,191) subscribers to its premium product Viasat Gold. The total number of Viasat basic subscribers at the end of the period was 1,048,688 (946,640).

Viasat had sales of SEK 526 (355) million. For the first six months of 1999, operating income was SEK 94 (48) million before depreciation and amortization and SEK 64 (37) million after.

TV6

The channel, included in all Viasat pay-TV packages, has been increasing revenue as the number of subscribers to the packages has grown. Costs have been kept to an extremely low level.

Sales for the first six months of 1999 were SEK 16 (9) million, with an operating loss of SEK -8 (-18) million before depreciation and amortization and SEK -12 (-23) million after.

TV1000

According to a special agreement between Kinnevik and MTG, MTG distributes the premium channel TV1000 as part of the Viasat Gold package and to cable-TV networks. In 1999, Kinnevik will cover SEK 30 million of all losses made by TV1000. TV1000 continued to benefit from brisk sales of Viasat Gold in the direct-to-home (DTH) market, while the number of subscribers through cable TV was relatively unchanged.

At mid-year, TV1000 had 336,100 (251,745) subscribers.

The business area's share of losses in TV1000 for the first half was SEK -37 (-60) million.

For the first half of 1999, the entire Broadcasting business area reported sales of SEK 1,402 (1,061) million, with operating income of SEK 211 (31) million before depreciation and amortization and SEK 155 (-17) million after.

MTG Radio

The radio market grew apace during the period, at an estimated rate of 17% (24%), and MTG Radio lifted sales 38%, thus winning market shares. In listener surveys published in April by the radio ratings company RUAB, Rix FM bolstered its position as Sweden's biggest commercial radio network, and for the first time Power Hit Radio was the biggest station in Stockholm and Gothenburg. Since then, the stations have made further gains, according to RUAB's August 1999 surveys.

The radio networks in Estonia and Latvia now operate under the Easy FM brand. Sales and profit met budget.

MTG's share of earnings in the associated company P4 Radio Hele Norge reached SEK 18 (11) million for the first six months.

Sales for the entire Radio business area totaled SEK 58 (42) million for the period, with operating income of SEK 20 (- 2) million before depreciation and amortization and SEK 18 (- 5) after.

MTG Publishing

This business area includes the newspaper *Metro* in Stockholm and Gothenburg and the business paper *FinansTidningen*.

On March 18, a contract was signed allowing the distribution of *Metro* in Helsinki. Publication is expected to start in September 1999. On May 5, a contract was signed allowing the distribution of *Metro* in Malmö and the rest of the Skåne region, that is, southernmost Sweden.

The international expansion of *Metro* outside the Nordic countries and Baltic states is reported in the Metro International business area.

In Stockholm, *Metro* had 640,000 readers, in Gothenburg 175,000. The newspaper thus retained its position as the second biggest newspaper in both cities. During the period, sales of classified advertising grew vigorously, for employment ads in particular.

Sales by *Metro* in Stockholm and Gothenburg totaled SEK 197 (155) million.

Since the Group took over *FinansTidningen* in May 1998, the number of subscribers as well as advertising revenues have risen substantially. The number of subscribers was 15,200 (11,600), and sales for the first six months were SEK 44 (6) million.

Sales for the entire Publishing business area reached SEK 242 (161) million in the first half, with operating income of SEK 62 (45) million before depreciation and amortization and SEK 47 (41) million after.

Metro International

Business in this area consists partly of the editions of *Metro* published outside MTG's core geographic market, that is, the Nordic countries and Baltic states. The business area is also responsible for new international ventures for *Metro*.

June 21 was the first day of publication for *Metro* in eight cities in the Netherlands. The newspaper was well received by readers and advertisers.

On July 23, after the end of the reporting period, agreements were reached to distribute *Metro* in Philadelphia, USA, and in Santiago, Chile.

Metro is the biggest newspaper in Prague and in Budapest. In Prague, the newspaper has 230,000 readers and in Budapest 480,000 readers.

Sales for the business area reached SEK 24 (14) million. The operating loss was SEK -7 (-8) million before depreciation and amortization and SEK -10 (-11) after.

MTG Electronic Retailing

The business area reported sales for the first half of 1999 less than in the first half of 1998. The principal cause was a slowdown in the German market, which accounted for about one-third of all sales in 1998. The slowdown in turn was primarily owing to less air time.

The contract signed with Eurosport, for broadcasting during six of every 24 hours, took effect in March and thus could not fully offset the loss of sales through traditional media channels.

Also, the business area no longer includes any earnings from the French company Home Shopping Service, because MTG's shareholding in that company was divested in the autumn of 1998. MTG's share of earnings from HSS for the first half of 1998 were SEK 9 million.

Sales for the entire Electronic Retailing business area totaled SEK 299 (306) million in the first half, with operating income of SEK 14 (21) million before depreciation and amortization and an operating income of SEK 5 (14) million after depreciation and amortization.

MTG Media Services

Sales for this business area were higher than in the same period of 1998, but earnings were considerably weaker.

Operational problems have visited MTG Media Properties. The management, who was also minority shareholders, left the company, resulting in significantly lower revenues. The company retains the rights it held previously, and new management has intensified sales efforts.

The unfavorable development of Nordic Artist and Rally TV continued in the second quarter of 1999.

Sales for the entire Media Services business area reached SEK 330 (300) million in the first half, with operating income of SEK 30 (58) million before depreciation and amortization and SEK 13 (38) million after.

Number of employees

The number of full-time employees in the Group totaled 1,263 (1,028) at June 30. Since June 30, 1998, the Group has added the operations of *Metro* in the Netherlands, Webad, Norsk Teleauksjon, and SDI in Asia and the Baltic states. These units employ a total of 146 persons.

FINANCIAL POSITION

Equity/assets ratio

The Group's equity/assets ratio (defined as consolidated shareholders' equity and minority interests including the convertible debenture loan, divided by total assets) was 35% (42%) at the end of the period.

This does not include the Group's holdings in TV4 and P4, which are reported as long-term financial assets. Their total market value at the end of the period was SEK 811 million. The underlying value of MTG's shares in Millicom International Cellular SA, corresponding to the option to acquire shares in Millicom, had a market value of SEK 363 million at the end of the period. That option is reported as a short-term investment. The combined book value and exercise price for these holdings were SEK 300 million. Consequently, they represent a surplus value of SEK 874 million, before taxes.

Liquidity

The Group's liquidity, including unutilized credit facilities and the Millicom option, equaled SEK 817 (635) million at the end of the period.

Net borrowings

The Group's net borrowings (defined as interest-bearing liabilities, excluding the convertible debenture loan, less interest-bearing assets) totaled SEK 326 (271) million at the end of the period.

Investing activities

During the period, the Group invested a total of SEK 131 (95) million.

Depreciation and amortization

Group depreciation and amortization was SEK 109 (91) million.

Earnings per share

Earnings per share after full tax, and after taking into account pro forma the full conversion of the outstanding convertible debenture loan, equaled SEK 1.80 (0.67).

PARENT COMPANY

Operating profit after financial revenue and expense, excluding interest on convertible debentures, was SEK 99 (199) million. Investments in fixed assets was SEK 6 (-) million. The company does not have any liquid assets.

OTHER INFORMATION**Interim Report for January–September 1999**

MTG's publication of results for the third quarter of 1999 is tentatively scheduled for November 22, 1999.

Annual Report

MTG's annual report is available from the Company's office: MTG, Skeppsbron 18, Box 2094, SE-103 13 Stockholm, Sweden.

Additional financial information, including quarterly breakdowns, is published on the Company's web site at www.mtg.se/eng.

Stockholm, August 16, 1999

Modern Times Group MTG AB

The Board of Directors

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

For additional information, please contact:

Pelle Törnberg, telephone +46-8-5620 0050
President and CEO

Johan Lindgren, telephone +46-8-5620 0050
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT
(SEK million)

	1997	1998	1999
	Full year	Jan 1–Jun 30	Jan 1–Jun 30
Net sales	3,904	1,809	2,269
Cost of goods and services	-2,938	-1,403	-1,637
Gross income	966	406	632
Selling, administrative, research and development expenses	-703	-275	-431
Income from corporate development	45	-	-3
Income from sales of securities	50	50	-
Expensed option premium for TV1000	-91	-60	-37
Other operating revenues	53	25	89
Other operating expenses	-138	-93	-87
Share of earnings in associated companies	36	22	19
Operating income	218	75	182
Net financial revenue and expense	4	-7	-40
Income after financial revenue and expense excluding interest on convertible debentures	222	68	142
Interest on convertible debentures	-26	-13	-14
Income before tax	196	55	128
Taxes	-51	-18	-23
Minority interests	-3	-3	1
Net income for the period	142	34	106

REVIEW OF THE GROUP (SEK million)

	1998	1999
	Jan 1–Jun 30	Jan 1–Jun 30

Sales by business area

Viasat Broadcasting	1 061	1 402
MTG Radio	42	58
MTG Publishing	161	242
Metro International	14	24
MTG Electronic Retailing	306	299
MTG Media Services	300	330
Parent company and other companies	24	18
Eliminations	-99	-104
Total	1,809	2,269

Operating income/loss by business area

Viasat Broadcasting	-17	155
MTG Radio	-5	18
MTG Publishing	41	47
Metro International	-11	-10
MTG Electronic Retailing	14	5
MTG Media Services	38	13
Parent company and other companies	20	-41
Eliminations	-5	-5
Total	75	182

Income/loss after financial revenue and expense by business area

Viasat Broadcasting	-57	136
MTG Radio	-8	16
MTG Publishing	41	41
Metro International	-12	-16
MTG Electronic Retailing	4	-9
MTG Media Services	34	9
Parent company and other companies	71	-30
Eliminations	-5	-5
Total	68	142

CONSOLIDATED BALANCE SHEET (SEK million)	Dec 31, 1998	Jun 30, 1998	Jun 30, 1999
Fixed assets			
Capitalized development expenses	230	174	315
Beneficial rights	106	119	107
Goodwill	496	314	476
Machinery, equipment, etc.	178	184	198
Shares and participations	270	296	251
Long-term receivables	23	13	31
	1,303	1,100	1,378
Current assets			
Inventories	532	679	1,080
Current receivables	1,233	995	1,348
Cash, cash equivalents, and short-term investments	337	246	342
	2,102	1,920	2,770
Total assets	3,405	3,020	4,148
Shareholders' equity			
Restricted equity	327	357	312
Non-restricted equity	644	519	720
	971	876	1,032
Minority interests in equity	20	11	16
Provisions	87	83	20
Long-term liabilities			
Convertible debenture loan 1997/2000	390	383	398
Other interest-bearing liabilities	377	454	681
Non-interest-bearing liabilities	4	3	4
	771	840	1,083
Current liabilities			
Interest-bearing liabilities	83	78	10
Non-interest-bearing liabilities	1,473	1,132	1,987
	1,556	1,210	1,997
Total shareholders' equity and liabilities	3,405	3,020	4,148

CONSOLIDATED STATEMENT OF CASH FLOWS
(SEK million)

	1997	1998	1999
	Full year	January 1– June 30	January 1– June 30
Net income for the period	142	34	106
Adjustments to reconcile net income/loss to net cash provided by operations	105	28	106
Changes in operating capital	112	-138	-148
Net cash flow to/from operations	359	-76	64
Investment in shares	-226	-55	-19
Investment in other fixed assets	-180	-95	-131
Other cash flow from investing activities	129	84	43
Cash flow to investing activities	-277	-66	-107
Cash flow to/from financing activities	-71	62	48
Net increase/decrease in cash and cash equivalents for the period	11	-80	5