

MODERN TIMES GROUP MTG AB (“MTG”)

Interim Report 1999

January 1–September 30, 1999

Modern Times Group MTG AB (“MTG”) (Nasdaq: MTGNY, Stockholm Stock Exchange: MTG) presents its accounts for the first nine months of 1999 today, November 22, 1999.

SUMMARY

- Sales advanced 25%, to SEK 3,270 (2,613) million.
- Operating income after depreciation and amortization rose SEK 171 million, to SEK 102 million, adjusted for exceptional items in 1998 comprising capital gains of SEK 95 million and MTG’s share of earnings in Home Shopping Service (HSS) equaling SEK 19 million.
- Income after financial items increased SEK 168, to SEK 75 million, after similar adjustments for exceptional items.
- Distribution agreements for the free newspaper *Metro* were secured in Philadelphia and Santiago during the period and in Newcastle and Zurich after the period closed.
- The subtitling and translation company SDI acquired subsidiaries in Israel, France, and Singapore during the period and a subsidiary in the United States after the period closed.
- MTG’s TV channels will benefit from the results of a vote by Danish cable-TV networks.

FINANCIAL SUMMARY

(SEK million)	1998 Full year	1998 Jan 1–Sept 30	1999 Jan 1–Sept 30
Net sales	3,904	2,613	3,270
Gross income	966	545	819
Income from corporate development	45	45	–3
Income from sales of securities	50	50	–
Operating income before depreciation and amortization	410	183	273
Operating income after depreciation and amortization	218	45	102
Income after financial revenue and expense	222	21	75
Net income for the period	142	–32	13

OPERATIONS

Group structure

Shares in MTG are traded on the Nasdaq National Market (symbol: MTGNY) and 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.

During the period, TV8 was acquired by the Viasat Broadcasting business area.

In the Group structure in effect since the first quarter of 1999, the operations of *Metro* in Prague, Budapest, and the Netherlands are reported in the Metro International business area instead of in Publishing, as previously.

During the third quarter, Publishing began distributing *Metro* in Malmö and Helsinki and publishing the business magazine *Dolly* and the lifestyle magazine *Silikon*.

Metro International obtained contracts during the period to distribute *Metro* in Philadelphia and Santiago and, after the period, in Newcastle and Zurich.

In the Media Services business area, the subtitling and translation company SDI acquired subsidiaries in Israel, France, and Singapore during the period and the subsidiary Gelula in the United States after the period.

Consolidated Earnings for the First Nine Months of 1999

For the first nine months of 1999, net sales totaled SEK 3,270 million, compared to SEK 2,613 million for the same period in 1998, a jump of 25%. Sales continued growing robustly primarily in the Viasat Broadcasting, Radio, and Publishing business areas.

Adjusted for capital gains of SEK 95 million and MTG's share of earnings in HSS of SEK 19 million, both of which were included in the figures for 1998, operating income before depreciation and amortization improved SEK 204 million year-on-year, to SEK 273 (183) million.

Adjusted for capital gains of SEK 95 million and MTG's share of earnings in HSS of SEK 19 million, included in the figures for 1998, operating income after depreciation and amortization improved SEK 171 million year-on-year, to SEK 102 (45) million.

The net share of earnings in associated companies ended at SEK 7 (31) million, reported in each business area. In other words, the Group's share of earnings in TV3 Estonia, TV3 Latvia, MMS, SPA, and TV4 are included in Broadcasting, the share of earnings in Radio P4 Hele Norge and Easy FM in the Baltic states in Radio, and the share of earnings in Electric Farm and everyday.com in Media Services. The 1998 figures for Electronic Retailing include MTG's participation in the earnings of HSS, totaling SEK 19 million. The shareholding in HSS was divested in the autumn of 1998, so the company did not contribute to 1999 earnings.

Net financial revenues and expenses equaled SEK -27 (-24) million. Net financial items included guarantee premiums booked at SEK -5 million and a net gain of SEK 2 (0) million on the translation of financial receivables and liabilities denominated in foreign currencies.

Adjusted for capital gains and the share of earnings in HSS, income after financial revenue and expense jumped SEK 168 million, to SEK 75 (21) 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 portion of Broadcasting consists of the TV3 group, ZTV in Sweden, and 3+ in Denmark. The TV3 group itself 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 nine months of 1999, TV3 increased its total revenues, including other operating revenue, in the Scandinavian countries by 18%, to SEK 1,404 (1,189) 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% January–September 1999, and TV3's market share reached 29% (28%). The Norwegian market grew 4%, and TV3's market share reached 19% (16%). The Danish market grew 3%, and TV3's market share expanded to 28% (18%).

TV3 channels in the Baltic states are estimated to have expanded their share in what was a contracting market during January–September 1999. In Estonia, the change was -29%, while TV3's share rose to 54% (46%). The Latvian market declined 21%, yet TV3's market share reached 8% (4%). Finally, the Lithuanian market dropped 31%, while TV3 achieved a market share of 44% (37%).

The Lithuanian channel, consolidated in the operations of the TV3 group, reported sales of SEK 37 (48) million.

TV3 Broadcasting reported sales, including other operating revenues, of SEK 1,442 (1,243) million for the first nine months, with operating income of SEK 164 (75) million before depreciation and amortization and SEK 145 (56) million after. Sales in TV3's Scandinavian markets were extremely strong across the board, as the channels won market share. However, the Baltic markets declined, mainly because of the impact of the Russian crisis on the Lithuanian economy.

Other channels

ZTV and 3+ reported sales of SEK 96 (61) million for the first nine months, with an operating loss of SEK 40 (80) million before depreciation and amortization and a loss of SEK 40 (82) million after. As a result of the vote taken among Danish cable-TV networks, 3+ began charging subscription fees from September.

Associated companies

Earnings for the business area include MTG's participation in the associated companies TV4, SPA, and MMS as well as TV3 in Estonia and Latvia. Participation in these companies' earnings totaled SEK -8 (-7) million for the January–September 1999.

Pay TV

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

Viasat

Viasat reported sales of SEK 777 (574) million. Operating income for the first nine months of 1999 climbed to SEK 143 (75) million before depreciation and amortization and SEK 96 (59) 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 remain extremely low. Like 3+, TV6 has charged Danish cable networks household fees since September.

Sales for the first nine months of 1999 reached SEK 25 (15) million, with an operating loss of SEK 10 (26) million before depreciation and amortization and a loss of SEK 16 (33) million after.

TV8

This channel, included in Viasat's Silver and Gold packages, specializes in financial information, news, and documentaries. The channel was acquired from the investment company Förvaltnings AB Ratos at the end of

August and has been consolidated in MTG's accounts since September.

Sales for the month of September were SEK 2 million, giving an operating loss of SEK 5 million before and after depreciation and amortization.

In conjunction with the acquisition of TV8, the Group set aside a reserve of SEK 19 million for restructuring costs. SEK 5 million of that total was applied in September. The charge is reported among eliminations in the business area.

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. In 1998, Kinnevik covered SEK 60 million, which is included in the figures for comparison. TV1000 continued to enjoy robust sales of Viasat Gold in the direct-to-home (DTH) market, while the number of subscribers through cable TV was more or less steady.

At September 30, TV1000 had 344,000 (267,000) subscribers.

The business area's share of losses in TV1000 for the first nine months equaled SEK 58 (63) million. Adjusted for the change in Kinnevik's contribution, income improved SEK 28 million from the preceding year.

For the first nine months of 1999, the entire Broadcasting business area achieved sales of SEK 1,996 (1,530) million, with operating income of SEK 205 (Jan–Sept 1998: loss of 14) million before depreciation and amortization and SEK 119 (Jan–Sept 1998: loss of 86) million after.

MTG Radio

The radio market in Sweden is estimated to have expanded 3.5% (30%) during the period. MTG Radio boosted sales 29%, thus winning market shares. In listener surveys published by RUAB in October, Rix FM further fortified its position as Sweden's biggest commercial radio network, with more than 10% of the population tuning in.

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

MTG's share of earnings in the associated company P4 Radio Hele Norge reached SEK 21 (18) million for the first nine months.

Sales for the entire Radio business area totaled SEK 83 (64) million for the period, with operating income of SEK 14 (0) million before depreciation and amortization and SEK 12 (Jan–Sept 1998: loss of 5) million after. Selling expenses for the period were SEK 10 million higher than in the same period the preceding year.

MTG Publishing

This business area has the newspaper *Metro* in Stockholm, Gothenburg, Malmö, and Helsinki. The daily *FinansTidningen* and the business magazines *Kapital* and *Dolly* are also in Publishing. The Moderna Tider publishing group joined the business area July 1. Also, MTG Publishing recently launched the magazine *Silikon*, a spin-off of a popular television program on TV3.

The 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 194,000, and in Helsinki 230,000. Relevant surveys have yet to be performed in Malmö. Sales of classified advertising expanded strongly during the period, for employment ads in particular.

Sales by *Metro* in Stockholm, Gothenburg, and Malmö totaled SEK 280 (214) million.

FinansTidningen's circulation surged 52% year-on-year, to 18,500, which was the fastest growth of any Swedish daily newspaper during the period. During the same period, the number of subscribers increased 53%. Sales for January–September 1999 were SEK 64 (45) million.

Sales for the entire Publishing business area reached SEK 352 (234) million in the first nine months, with operating income of SEK 83 (58) million before depreciation and amortization and SEK 59 (51) million after. Adjusted for the increase in amortization of goodwill, operating income after depreciation and amortization improved SEK 23 million from one year previous.

Metro International

Business in this area features ventures already established for the newspaper *Metro* outside MTG's core geographic market. The business area is also responsible for new international ventures for *Metro*.

On July 23, agreements were signed to distribute *Metro* in Philadelphia, Pennsylvania, and in Santiago, Chile. In addition, Metro Holland was extended to include Rotterdam's public transportation system. After the end of the period, distribution agreements for *Metro* in Zurich, Switzerland, and Newcastle, U.K., were announced.

Metro has become the biggest newspaper in Prague and in Budapest. In Prague, the newspaper has 335,000 readers and in Budapest 480,000 readers. The number of readers in the Netherlands is 592,000.

Sales for the business area reached SEK 42 (18) million. The operating loss was SEK 10 (11) million before depreciation and amortization, the loss after depreciation and amortization SEK 18 (15) million.

MTG Electronic Retailing

The business area reported sales for January–September 1999 below those of the same period in 1998. The principal cause was a slowdown in the German market, which accounted for about one-third of all sales in 1998. The slowdown itself was chiefly caused by less air time.

The contract signed with Eurosport, for broadcasting during six of every 24 hours, took effect in March but has not fully offset the loss of sales through traditional media channels. One reason for this is that Eurosport's share of the viewing audience, because of impaired distribution in Europe, has been less than anticipated. Discussions about this are being held.

In addition, MTG no longer reports any earnings in the French company Home Shopping Service (HSS), having sold the Group's minority stake in the autumn of 1998. Income for the first nine months of 1998 included earnings of SEK 19 million from the company itself and a capital gain of SEK 45 million from the disposal of the holding.

Sales for the entire Electronic Retailing business area totaled SEK 423 (450) million in the first nine months of 1999, with an operating loss before depreciation and amortization of SEK 9 (Jan–Sept 1998: income of 73) million and a loss after depreciation and amortization of SEK 23 (Jan–Sept 1998: income of 61) million.

MTG Media Services

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

MTG Media Properties has suffered operational problems since top management, who are also minority shareholders, left the company, significantly reducing revenues. Arbitration proceedings are under way to determine the consideration to be paid for the minority shares. The company retains the rights it held previously, and new management have intensified sales efforts.

Strix and Sonet sustained their outstanding performance. Work consolidating SDI progressed according to plan with new company management.

This business area includes MTG's stake in the Internet portal everyday.com. Work on winning over NetCom's customers proceeded apace.

During the period, Rally TV was disposed of.

Sales for the entire Media Services business area ended at SEK 492 (441) million for the first nine months, with operating income of SEK 42 (78) million before depreciation and amortization and SEK 16 (48) million after.

Number of employees

At September 30, the number of full-time employees in the Group was 1,374 (1,026).

In addition, the accounts for January–September 1998 did not include the operations of TV8, Viasat Sport, XL Format, Easy FM, Metro Malmö, Metro Helsinki, Silikon, Moderna Tider, Brombergs Förlag, Metro Holland, Metro Santiago, Metro Philadelphia, StadenStaden, Webad, Norsk Teleauksjon, MTG Sales and Management, or SDI in Denmark, Asia, the Baltic states, Israel, and France. These units employed a total of 319 persons.

Finally, the operations of T&T Broadcasters Oy, employing 12 persons, were sold.

The number of male employees was 756, female 618.

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 36% (40%) 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 958 million. The underlying value of MTG's shares in Millicom International Cellular SA (Millicom), corresponding to the option to acquire shares in Millicom, had a market value of SEK 323 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 293 million. Consequently, they represent a surplus value of SEK 988 million, before taxes.

Liquidity

The Group's liquidity, including unutilized credit facilities and the Millicom option, equaled SEK 616 (432) 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 453 (285) million at the end of the period.

Investing activities

During the period, the Group invested SEK 241 (143) million, including SEK 207 million in capitalized development expenses and SEK 34 million in other fixed assets. Of total capitalized development expenses, start-up costs for Metro International accounted for SEK 106 million and costs in the pay-TV business for SEK 55 million.

Depreciation and amortization

Group depreciation and amortization equaled SEK 171 (139) 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, ended at SEK 0.43 (-0.27).

OTHER INFORMATION

1999 Earnings Announcement

MTG's announcement of earnings for full-year 1999 is tentatively scheduled for February 21, 2000.

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.com.

Stockholm, November 22, 1999

Modern Times Group MTG AB

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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Chief Financial Officer

CONSOLIDATED INCOME STATEMENT
(SEK million)

	1997	1998	1999
	Full year	Jan 1–Sept 30	Jan 1–Sept 30
Net sales	3,904	2,613	3,270
Cost of goods and services	–2,938	–2,068	–2,451
Gross income	966	545	819
Selling, administrative, research and development expenses	–703	–502	–682
Income from corporate development	45	45	–3
Income from sales of securities	50	50	–
Expensed option premium for TV1000	–91	–63	–58
Other operating revenues	53	41	155
Other operating expenses	–138	–102	–136
Share of earnings in associated companies	36	31	7
Operating income	218	45	102
Net financial revenue and expense	4	–24	–27
Income after financial revenue and expense excluding interest on convertible debentures	222	21	75
Interest on convertible debentures	–26	–20	–25
Income before tax	196	1	50
Taxes	–51	–31	–47
Minority interests	–3	–2	10
Net income for the period	142	–32	13

REVIEW OF THE GROUP (SEK million)**1998**
Jan 1–Sept 30**1999****Jan 1–Sept 30****Net sales by business area**

Viasat Broadcasting	1,530	1,996
MTG Radio	64	83
MTG Publishing	234	352
Metro International	18	42
MTG Electronic Retailing	450	423
MTG Media Services	441	492
Parent company and other companies	32	34
Eliminations	–156	–152
	2,613	3,270

Operating income/loss by business area

Viasat Broadcasting	–86	119
MTG Radio	–5	12
MTG Publishing	51	59
Metro International	–15	–18
MTG Electronic Retailing	61	–23
MTG Media Services	48	16
Parent company and other companies	–2	–56
Eliminations	–7	–7
	45	102

Income/loss after financial revenue and expense by business area

Viasat Broadcasting	–148	92
MTG Radio	–9	8
MTG Publishing	51	51
Metro International	–16	–24
MTG Electronic Retailing	48	–44
MTG Media Services	43	9
Parent company and other companies	59	–10
Eliminations	–7	–7
	21	75

CONSOLIDATED BALANCE SHEET (SEK million)	981231	980930	990930
Fixed assets			
Capitalized development expenses	230	184	391
Beneficial rights	106	116	104
Goodwill	496	303	476
Machinery, equipment, etc.	178	177	213
Shares and participations	270	257	236
Long-term receivables	23	15	32
	1,303	1,052	1,452
Current assets			
Inventories	532	706	606
Current receivables	1,233	1,129	1,543
Cash, cash equivalents, and short-term investments	337	171	221
	2,102	2,006	2,370
Total assets	3,405	3,058	3,822
Shareholders' equity			
Restricted equity	327	350	309
Non-restricted equity	644	471	659
	971	821	968
Minority interests in equity	20	11	11
Provisions	87	87	115
Long-term liabilities			
Convertible debenture loan 1997/2000	390	387	401
Other interest-bearing liabilities	377	410	698
Non-interest-bearing liabilities	4	2	4
	771	799	1,103
Current liabilities			
Interest-bearing liabilities	83	73	11
Non-interest-bearing liabilities	1,473	1,267	1,614
	1,556	1,340	1,625
Total shareholders' equity and liabilities	3,405	3,058	3,822

CONSOLIDATED STATEMENT OF CASH FLOWS
(SEK million)

	1998	1998	1999
	Full year	Jan 1–Sept 30	Jan 1–Sept 30
Net income for the period	142	–32	13
Adjustments to reconcile net income/loss to net cash provided by operations	105	27	174
Changes in operating capital	112	–164	–242
Net cash flow to operations	359	–169	–55
Investment in shares	–226	–59	–35
Investment in other fixed assets	–180	–143	–241
Other cash flow from investing activities	129	179	43
Cash flow to investing activities	–277	–23	–233
Cash flow from financing activities	–71	37	172
Net change in cash and cash equivalents for the period	11	–155	–116