

MODERN TIMES GROUP MTG AB

1999 EARNINGS ANNOUNCEMENT

Modern Times Group MTG AB (Nasdaq: MTGNY) announces preliminary earnings for 1999 today, Monday February 21, 2000.

- **SALES WERE UP 23% FOR THE FULL YEAR.**
- **OPERATING INCOME AFTER DEPRECIATION AND AMORTIZATION IMPROVED 74%, TO SEK 285 MILLION, EXCLUDING CAPITAL GAINS IN 1998.**
- **THE BROADCASTING AND PUBLISHING BUSINESS AREAS REPORTED THEIR BEST PERFORMANCE TO DATE.**
- **THE NEWSPAPER *METRO* OBTAINED CONTRACTS IN TWO COUNTRIES IN 1999 AND SECURED DISTRIBUTION AGREEMENTS IN FOUR OTHERS.**
- **ELECTRONIC RETAILING REPORTED A LOSS AS A RESULT OF LESS ACCESS TO BROADCAST TIME AND INFERIOR DISTRIBUTION.**
- **THE INTERNET PORTAL EVERYDAY.COM WAS LAUNCHED IN COLLABORATION WITH NETCOM AND SEC. NOW ROLLED-OUT IN SWEDEN AND IN FOUR OTHER COUNTRIES.**

FINANCIAL SUMMARY (SEK million)

	1999	1998
Net sales	4,789	3,904
Gross income	1,393	966
Operating income before depreciation and amortization	545	410*
Operating income after depreciation and amortization	285	218*
Income after financial revenue and expense	231	222*

* Including SEK 114 million in non-recurring items

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 consisted of six business areas during the period under review: Broadcasting, Radio, Publishing, Metro International, Electronic Retailing, and Media Services.

In the fourth quarter of 1999, MTG acquired 75% of the shares in Gelula & Co Inc, a company in SDI Media. No other material changes occurred in Group structure during the fourth quarter.

After the end of the period, the newspaper *Metro* commenced publication in Santiago, Philadelphia, Newcastle, and Zurich.

1999 Consolidated Earnings

Net sales for 1999 totaled SEK 4,789 million, compared to SEK 3,904 million for 1998, representing an increase of 23%.

Operating income before depreciation and amortization reached SEK 545 (410) million, up SEK 249 million when adjusted for capital gains of SEK 95 million and the share of profits in HSS of SEK 19 million included in the comparative figures for 1998.

Operating income after depreciation and amortization was SEK 285 (218) million, SEK 181 million better than adjusted figures for 1998.

The net share of earnings in associated companies was SEK 43 (36) million, reported in each business area. Thus, the Group's share of earnings in TV3 Estonia, TV3 Latvia, MMS, SPA, and

TV4 are included in Broadcasting; the share of earnings in P4 Radio 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 comparison 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 and thus did not contribute to 1999 earnings.

Net financial revenue and expense equaled SEK -54 (4) million. Net financial items included guarantee premiums of SEK -5 million and a net foreign exchange effect of SEK -19 (37) million from the translation of financial receivables and liabilities in foreign currencies.

Income after financial revenue and expense ended at SEK 231 (222) million, SEK 113 million better than the 1998 adjusted figures, as described above.

Viasat Broadcasting

The Broadcasting business area comprises MTG's TV channels, the premium channel TV1000, and Viasat's direct-to-home (DTH) platform.

Free TV

This segment of Broadcasting consists of the TV3 group, ZTV and TV8 in Sweden, and 3+ in Denmark. The TV3 group includes channels in Sweden, Norway, Denmark, Estonia, Latvia, and Lithuania. TV3 Estonia and TV3 Latvia are reported as associated companies.

TV3

In 1999, TV3 increased its total revenues, including other operating revenue, in the Scandinavian countries by 13%, to SEK 2,034 (1,799) million.

TV3's channels in the three Scandinavian countries developed at different rates. In Sweden, the market for advertising grew 6% in 1999, and TV3's market share equaled 27% (25%). The Norwegian market grew 3%, and TV3 held 19% (17%) of the market. Market growth in Denmark was 3%, and TV3's market share 24% (21%).

The TV3 channels in the Baltic states reported declines in 1999. In Estonia, the market shrank 29%, and TV3's market share ended at 33% (51%). The Latvian market declined 27%, yet TV3's market share was 12% (6%). Finally, the Lithuanian market slid 30%, and TV3's market share ended at 38% (33%).

The Lithuanian channel, consolidated in the operations of the TV3 group, reported sales of SEK 59 (63) million. In Estonia, 1999 sales equaled SEK 42 million, in Latvia SEK 7 million.

TV3 Broadcasting reported sales including other operating revenues of SEK 2,094 (1,863) million for 1999, with operating income of SEK 335 (256) million before depreciation and amortization and SEK 294 (230) million after. These results were achieved thanks to outstanding sales growth in Scandinavia in tandem with ongoing strict control of operating expenses.

Other channels

ZTV and 3+ significantly boosted sales in 1999 while keeping expenses in check. The new 3+ contract with the Danish cable-TV networks, effective from September, substantially increased subscription revenue, which should be viewed in light of the costs of broadcast rights for Danish soccer. The TV8 channel, acquired in 1999, was integrated in Viasat Broadcasting's organization and is now broadcast via play-back from London, which has resulted in significant cost-savings.

ZTV, 3+, and TV8 (four months) reported sales of SEK 138 (88) million for 1999, and an operating loss of SEK 59 (92) million before depreciation and amortization and SEK 60 (94) million after.

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. In 1999, shares in earnings from these companies equaled SEK 20 (7) million.

Pay TV

Pay TV consists of the DTH platform Viasat, which distributes the premium channels TV1000, TV6, and Viasat Sport as well as MTG's free-TV channels and other third-party channels in its basic service. The premium channels are also distributed to cable-TV networks.

Viasat

The number of subscribers to premium channels reached 334,000 (265,000) and to the basic service 1,093,000 (1,022,000).

Viasat, including Viasat Sport, reported sales of SEK 1,085 (820) million. SEK 40 million was attributable to the Kabelvision business. 1999 operating income was SEK 199 (110) million before depreciation and amortization and SEK 132 (88) after. The net effect of the contract with Kabelvision was negative, so MTG gave notice and is renegotiating it.

TV6

TV6's sales benefited from a sharp rise in the number of subscribers to premium channels. The channel operates with extremely low fixed costs, chiefly using TV3's program catalog.

Sales for 1999 were SEK 40 (22) million, and the operating loss was SEK 11 (32) million before depreciation and amortization and SEK 20 (40) million after.

TV1000

According to a special agreement between Kinnevik and MTG, MTG distributes the premium channel TV1000. TV1000 benefited from healthy sales of Viasat Gold in the DTH market, while the

number of subscribers through cable TV was relatively unchanged.

At year-end, TV1000 had 384,000 (326,000) subscribers.

The business area's share of losses in TV1000 was SEK -68 (-91) million in 1999, after Kinnevik's contribution to cover SEK 30 (60) million of the losses. From year 2000 on, Kinnevik will not contribute any funds to cover losses.

Sales for the entire Broadcasting business area reached SEK 2,886 (2,311) million, resulting in operating income of SEK 451 (174) million before depreciation and amortization and SEK 314 (78) million after.

MTG Radio

The market for radio advertising plateaued in 1999, growing only 4% (23%). All the same, MTG Radio boosted sales 32%, thus winning market shares. In the fourth quarter, Rix FM further bolstered its position as the biggest commercial radio network in Sweden. Power Hit Radio strengthened its position as the biggest station in Stockholm.

The associated company P4 Radio Hele Norge continued to improve income in 1999. MTG's share of earnings for 1999 totaled SEK 29 (12) million.

The operations in the Baltic radio networks for Easy FM developed as anticipated. During the year, radio operations began in Finland, where MTG owns a minority stake but has management responsibility.

Sales for the entire Radio business area totaled SEK 115 (87) million for the period, with operating income of SEK 19 (1998: loss of 7) million before depreciation and amortization and SEK 16 (1998: loss of 13) million after.

MTG Publishing

This business area includes the newspaper *Metro* in Stockholm, Gothenburg, Malmö, and Helsinki. The last two were launched in fiscal 1999. The area also includes the business daily *FinansTidningen*, the magazines *Moderna Tider*, *Kapital/Dolly*, and *Silikon*, and the publishing house Brombergs Förlag.

Metro's readership in its four Nordic cities reached 1,029,000 (697,000). Sales growth was outstanding in 1999, in particular for classified advertising.

FinansTidningen boosted its circulation 47% (TS Nov 98/99) from the preceding year, to 20,300 (13,800) copies. The number of readers was 173,000 (Orvesto 99:3).

Sales for the Publishing business area as a whole reached SEK 551 (351) million, giving operating income of SEK 134 (84) million before depreciation and amortization and SEK 99 (74) million after.

Metro International

In addition to the Prague and Budapest editions, the newspaper *Metro* commenced publication in the Netherlands, where it is distributed in eight cities. Distribution contracts were also obtained in Santiago, Philadelphia, Newcastle, and Zurich, all of which were established and commenced publication after the end of the reporting period.

The total number of readers is now 1,297,000 (740,000). Losses in new ventures are funded until the operations achieve profit on a monthly basis, but no longer than 12 months. After that, the investments are amortized during a period of five years.

Sales for the business area reached SEK 83 (35) million. The operating loss was SEK 14 (8) million before depreciation and amortization and SEK 25 (10) after.

MTG Electronic Retailing

Sales in the business area declined in 1999 as a result of less access to media time and a deterioration in distribution. The agreement with Eurosport did not yield the results expected, so it is now under renegotiation.

To sharpen the focus of operations, the business area was divided into three segments, each with its own management. TV Shop manages the traditional home shopping operations, chiefly via TV. ECL is in charge of logistics in 20 European countries. MTG Internet Retailing is where new shopping sites for CDs, DVDs, games, and the like are developed. This division is intended to help reverse the area's recent decline.

Sales for the Electronic Retailing business area as a whole ended at SEK 534 (609) million for 1999, with an operating loss of SEK 16 (1998: income of 82) million before depreciation and amortization and SEK 37 (1998: income of 66) million after. The business area contains neither earnings nor capital gains on the HSS holding that was divested in 1998.

MTG Media Services

During the year, SDI Media acquired 75% of the shares in Gelula & Co Inc, which established a geographic presence in the United States for MTG while achieving significant volume in business translating DVDs. Performance improved in all markets except the Asian region, where repercussion of the economic crisis continued to hurt volumes.

Strix and Freeport reported their strongest years yet thanks to the production of an array of strong TV formats. Sonet Film and Nordic Artist reported weaker performance.

New management was appointed in MTG Media Properties, picking up the pace of business. The arbitration process with the previous owners is not yet complete.

Activities in Oslo Kinoreklame and Rally TV were wound up during the year.

Sales for the entire Media Services business area reached SEK 770 (669) million, with operating income of SEK 79 (107) million before depreciation and amortization and SEK 40 (63) million after.

Number of employees

At year-end, the number of full-time employees in the Group was 1,960 (1,426). Of the total increase, 305 were attributable to businesses added in 1999, specifically TV8, Viasat Sport, XL Format, Easy FM, *Metro* Malmö, *Metro* Helsinki, *Silikon*, *Moderna Tider*, Brombergs Bokförlag, *Metro* Holland, *Metro* Santiago, *Metro* Philadelphia, *Metro* Newcastle, *Metro* Zurich, StadenStaden, Norsk Teleauksjon, MTG Sales and Management, and SDI Media in Denmark, the Baltic states, Israel, Finland and the United States.

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 34% (41%) 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 1,321 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 725 million at December 31, 1999. That option is reported as a short-term investment. The combined book value and exercise price for these holdings were SEK 322 million. Consequently, they represent a surplus value before taxes of SEK 1,724 million.

Liquidity

The Group's liquidity, including unutilized credit facilities and the Millicom option, reached SEK 1,008 (787) million at year-end.

Net borrowings

The Group's net borrowings (defined as interest-bearing liabilities, excluding the convertible debenture loan, less interest-bearing assets) totaled SEK 428 (92) million at year-end.

Investment

In 1999, the Group invested SEK 630 (180) million, of which SEK 419 (102) million was for capitalized development expenses.

Depreciation and amortization

Group depreciation and amortization equaled SEK 259 (192) million.

Earnings per share

Earnings per share after full tax and full dilution, resulting from conversion of the debenture loan, was SEK 2.35 (2.49).

PARENT COMPANY

Parent company income after net financial items amounted to SEK 142 (1,955) million. Investments in fixed assets totaled SEK 22 (–) million in 1999, including SEK 6 million through acquisitions between Group companies.

OTHER INFORMATION

January–March 2000 Interim Report

MTG's interim report for the period January through March 2000 is scheduled for release on May 8, 2000.

Annual Report

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

Additional financial information is published on the Internet at www.mtg.se.

Annual General Meeting

The 1999 annual general meeting of shareholders in MTG will be held on May 25, 2000, at 9:30 AM, at Gamla Stans Bryggeri, Tullhus 2, Skeppsbokajen in Stockholm.

Dividend

The Board voted to propose to the annual general meeting that no dividend be paid for 1999.

Stockholm, February 21, 1999

The Board of Directors of Modern Times Group MTG AB

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CONSOLIDATED INCOME STATEMENT

(SEK million)	1999	1998
Net sales	4,789	3,904
Cost of goods and services	-3,396	-2,938
Gross income	1,393	966
Selling, administrative, research and development expenses	-1,076	-703
Income from corporate development	-3	45
Income from sales of securities	–	50
Expensed option premium for TV1000	-68	-91
Other operating revenues	238	53
Other operating expenses	-242	-138
Share of earnings in associated companies	43	36
Operating income	285	218
Net financial revenue and expense	-54	4
Income after financial revenue and expense excluding interest on convertible debentures	231	222
Interest on convertible debentures	-30	-26
Income before tax	201	196
Taxes	-84	-51
Minority interests	13	-3
Net income/loss for the year	130	142

GROUP REVIEW

(SEK million)	1999	1998
Net sales by business area		
Viasat Broadcasting	2,885	2,311
MTG Radio	115	87
MTG Publishing	551	351
Metro International	83	35
MTG Electronic Retailing	534	608
MTG Media Services	770	669
Parent company and other companies	59	42
Eliminations	-208	-199
	4,789	3,904
Operating income/loss by business area		
Viasat Broadcasting	314	78
MTG Radio	16	-13
MTG Publishing	99	74
Metro International	-25	-10
MTG Electronic Retailing	-37	66
MTG Media Services	40	63
Parent company and other companies	-112	-30
Eliminations	-10	-10
	285	218
Income/loss after financial revenue and expense by business area		
Viasat Broadcasting	282	1
MTG Radio	11	-19
MTG Publishing	88	75
Metro International	-46	-14
MTG Electronic Retailing	-64	50
MTG Media Services	23	56
Parent company and other companies	-53	83
Eliminations	-10	-10
	231	222

CONSOLIDATED BALANCE SHEETS

(SEK million)	31 DEC 99	31 DEC 98
Fixed assets		
Capitalized development expenses	586	230
Beneficial rights	114	106
Goodwill	466	496
Machinery, equipment, etc.	270	178
Shares and participations	272	270
Long-term receivables	77	23
	1,785	1,303
Current assets		
Inventories	747	532
Current receivables	1,543	1,233
Cash, cash equivalents, and short-term investments	342	337
	2,632	2,102
Total assets	4,417	3,405
Shareholders' equity		
Restricted equity	397	327
Non-restricted equity	691	644
	1,088	971
Minority interests in equity	9	20
Provisions	127	87
Long-term liabilities		
Convertible debenture loan 1997/2000	—	390
Other interest-bearing liabilities	697	377
Non-interest-bearing liabilities	1	4
	698	771
Current liabilities		
Convertible debenture loan 1997/2000	407	—
Other interest-bearing liabilities	109	83
Non-interest-bearing liabilities	1,979	1,473
	2,495	1,556
Total shareholders' equity and liabilities	4,417	3,405

CONSOLIDATED STATEMENT OF CASH FLOWS

(SEK million)	1999	1998
Net income/loss for the year	130	142
Adjustments to reconcile net income/loss to net cash provided by operations	216	105
Changes in operating capital	-17	112
Cash flow from operating activities	329	359
Investment in shares	-78	-226
Investment in other fixed assets	-630	-180
Other cash flow from investing activities	44	129
Cash flow to investing activities	-664	-277
Cash flow from/to financing activities	340	-71
Change in cash and cash equivalents for the year	5	11