



MODERN TIMES GROUP'S INTERIM REPORT FOR THE FIRST HALF YEAR OF 1997

OPERATIONS

MTG Group's results

Net revenue for the first six months of 1997 amounted to MSEK 1,456, compared with MSEK 1,314 for the previous year, for comparable units, an increase of 11 per cent. The largest increases in turnover were noted by the Broadcasting and Publishing business areas. The turnover of the Electronic Retailing business area did not develop as well as expected.

The operating result was a loss of MSEK 164 compared with income of MSEK 43 for the corresponding period of last year.

The comparative figures for the previous year include a positive result of net MSEK 145 which occurred in connection with the change to a new satellite platform. The substantial impairment of the Scandinavian currencies in relation to those currencies where MTG has a large portion of its costs has had a considerable impact on MTG's results during the period.

A radical cost reduction programme was begun during 1996, the result of which will show through successively. For example, the number of employees has been reduced by more than 200, compared with the corresponding period of last year, to the current level of 929. As previously announced, further cost-reduction measures are being introduced. Closing down and restructuring of certain activities have resulted in non-recurring costs of MSEK 18 during the period.

The net interest in the earnings of associated companies amounted to MSEK 26 (5).

The net effect of financial revenue and expense was a cost of MSEK 55 (expense 122).

The result after financial revenue and expense was a loss of MSEK 193 (loss 74).

MTG Group structure

Modern Times Group MTG AB is a wholly-owned subsidiary of Industriförvaltnings AB Kinnevik. The Annual General Meeting of Kinnevik held on May 23, 1997 resolved in favour of distributing the shares in Modern Times Group MTG AB to Kinnevik's own shareholders who are on the register on September 15. The intention is for MTG to be floated on the stock market.

The Modern Times Group consists in operational terms of five business areas, namely: Broadcasting, Radio, Publishing, Electronic Retailing, and Media Services.

MTG Broadcasting

This business area consists of MTG's TV channels.

Net revenue for the period amounted to MSEK 909 (801). The operating result was a loss of MSEK 119, compared with income of MSEK 119 for the corresponding period of last year.

The comparative figures for 1996 include a positive result of net MSEK 145 which occurred in connection with the change to a new satellite platform.

TV 3

TV3 raised its turnover by 19 per cent during the first half of the year, compared with 1996.

Successes were achieved in Norway and Denmark, whilst in Sweden its market share declined.

The growth of the TV advertising market, and TV3's share of the market in each country are estimated by MTG at the following levels. In Sweden the market expanded by 8 per cent during the first half-year, with TV3 having a market share of 24 per cent (26). In Norway, the TV advertising market expanded strongly during the first half-year, with market growth of 12-15 per cent. TV3 Norway raised its market share to 16 per cent (14). In Denmark, the TV advertising market did not develop as well as expected, with growth of some 5 per cent. However, TV3 Denmark raised its market share to 23 per cent (19).

TV3 Broadcasting's turnover during the first half of the year amounted to MSEK 716 (635). The operating result was a loss of MSEK 1 (income 2).

Other Channels

Other Channels comprises ZTV and TV6 in Sweden, and 3+ in Denmark. ZTV maintained its share of the TV audience more or less unchanged during the first half of the year, whilst 3+ and TV6 increased their share of the viewing audience, albeit from low levels. During the period, ZTV, TV6 and 3+ were added to the ViaSat+ pay-TV package. This has broadened the revenue base, which now includes subscription income in addition to advertising revenue. However, overall these channels did not reach their critical volume, and they consequently incurred losses.

The turnover of these channels during the period amounted to MSEK 36 (28), and the operating result was a loss of MSEK 96 (loss 74).

ViaSat

The total number of subscribers now amounts to 869,000 (728,000). During the period the subscriber base grew particularly strongly in Norway. The ViaSat+ pay-TV package was launched at the beginning of the year for satellite dish subscribers. This package includes MTG's channels, ZTV, TV6 and 3+, as well as the foreign channels, Nickelodeon, VH-1 and Sci-Fi. The package has been selling well and the subscriber base has now reached 66,000.

During the period a number of Pay-per-View events were arranged for the Swedish football team's qualifying matches.

Revenue for the period amounted to MSEK 123 (73). Operating income amounted to MSEK 15 (9).

TV1000

Under the terms of an agreement with Kinnevik MTG has exclusive rights to distribute the premium channel TV1000, for which it also has operative responsibility. Future profits from TV1000 will be shared on an equal basis between Kinnevik and MTG. Kinnevik covers TV1000's losses if any up to MSEK 100, MSEK 60 and MSEK 30 in 1997, 1998 and 1999 respectively, after which MTG assumes liability. MTG has an option to acquire TV1000 from Kinnevik at market value.

MTG's interest in the loss for the first half of the current year amounts to MSEK 27.

The corresponding interest in the result is not included in the comparative figures for 1996.

By the end of June, TV1000 had 209,000 subscribers. 25,000 new subscribers have been acquired in July following TV1000's summer campaign.

MTG Radio

The first half-year saw a substantial increase in Radio Rix's advertising revenue, compared with the corresponding period of last year. With turnover almost doubled, the deficit incurred by this business declined. A new music format has been well received, with higher audience ratings.

The net sales of the radio operations in Sweden amounted to MSEK 27 (14) for the first half-year. The operating result was a loss of MSEK 21 (loss 32).

The nation-wide channel in Norway, P4, in which MTG is the largest shareholder, made further good progress, and income after financial net improved to MNOK 31 (17).

MTG Publishing

This business area comprises MTG's newspaper publishing activities.

Metro progressed well during the period. Turnover rose by 62 per cent, compared with 1996. A Saturday edition of Metro was also introduced during the period. Metro developed new means of distribution during the period, and its circulation now amounts to 575,000, compared with 493,000 for the corresponding period of last year. Metro was launched in Prague in March, where it was well received.

The business area's net turnover, which also includes Topp 40, amounted to MSEK 94 (58) for the period. Operating income amounted to MSEK 9 (loss 2).

MTG Electronic Retailing

This business area is responsible for MTG's home shopping businesses, including TV Shop in Sweden and almost 20 other countries.

During the first half-year the business area experienced a weak trend, largely due to stiffer competition on the European market, mainly from American companies, which has pushed up the price of TV time. The supply of licensed products has also declined. These problems are being overcome by the development of proprietary products, which will be launched during the second half of the year.

Net turnover for the period amounted to MSEK 227 (238). The operating result was a loss of MSEK 23 (loss 5).

MTG Media Services

This business area includes Strix, a production company, SDI, a subtitling and dubbing company, the InTV text TV company, MTG-Media Properties, a TV rights company, and the Sonet/Spice production company.

During the first half of the year, Strix strengthened its position on the Nordic TV production market. The rationalisation and restructuring carried out in 1996 have produced a significant recovery in the result. SDI, Subtitling and Dubbing International (formerly: Svensk Text group) has been repositioned and has maintained its healthy profitability. Decisions were made during the period to start new ventures in Estonia - to provide services for TV3 and others - and Beirut, where it will supply Arabic channels, broadcast from London, where SDI already has a unit.

MTG-Media Properties, which acquires and sells film rights, had a very strong first half-year with turnover up by 40 per cent.

The business area's net turnover for the period amounted to MSEK 295 (296). Operating income amounted to MSEK 20 (7).

FINANCIAL POSITION

MTG has so far been financed by means of loans from Industriförvaltnings AB Kinnevik. The MTG companies' claims on and liabilities to other companies in the Kinnevik group are stated net in MTG's balance sheet in order to reflect the preparations for the capitalisation of MTG.

The MTG Group's liquid assets, including undrawn credit facilities, but excluding claims on Kinnevik, amounted to MSEK 193 (158) at June 30.

The Group's fixed capital expenditure during the period amounted to MSEK 57 (94).

MTG's revenue is largely received in Swedish, Norwegian and Danish currencies. The result for the period was affected by the weakening of these currencies against other currencies in which MTG incurs much of its costs. The net effect of the Group's currency in- and outflows amounts, on an annual basis, to a net outflow of some MSEK 450 in foreign currencies.

Capitalisation

MTG's equity ratio at the end of June 1997 was 23 per cent. The Board meeting of Industriförvaltnings AB Kinnevik held on 7 August resolved in favour of a capitalisation of MTG. This will involve the conversion of MSEK 750 of Kinnevik's net claim on the Group, which amounted to MSEK 759 at June 30, 1997, into equity of MSEK 326 and a convertible loan of MSEK 424. The nominal value of the convertible loan will be MSEK 424. The conversion rate amounts to SEK 85 per share. The loan will mature on December 30, 2000, and pay interest of 3 per cent. Kinnevik will also contribute by granting MTG an option to acquire 1,550,000 shares in Millicom International Cellular SA (MIC) for a total exercise price of MSEK 100 which corresponds to a surplus value today of approximately MSEK 600. The intention is, within the frame of MTG's current operations, to realise this surplus value, from time to time, during a period of at the least three years and at the most five years. Following this capitalisation process, MTG's pro forma equity ratio at June 30, 1997, including the convertible loan, but excluding the value of the MIC option, will be 51 per cent.

PARENT COMPANY

A new parent company has been formed for the MTG group prior to the distribution. At present, this company has no operative business. Income after financial net for the period amounted to MSEK 32 (0). There was no capital expenditure during the period. The company has no liquid assets.

Stockholm, August 7, 1997

Board of Directors

This interim report has been subject to review by the company's auditors.

CONSOLIDATED INCOME	1996	1996	1997
Net sales	3.035	1.314	1.456
Cost of sales	- 2.403	- 909	- 1.217
Gross result	632 **	405 **	239
Expenses for selling administration	- 624	- 303	- 312
Income from corporate development	31	-	-
Other operating income	69	38	30
Other operating expenses	- 180	- 97	- 121
Operating income	- 72	43	- 164
Participations in affiliated companies	3	5	26
Net financial items	- 151	- 122	- 55
Income after financial items	- 220	- 74	- 193
Minority share in earnings	- 11	- 2	2

REVIEW OF THE GROUP	1996	1997
Breakdown of turnover by business area		
MTG Broadcasting	801	909
MTG Radio	14	27
MTG Publishing	58	94
MTG Electronic Retailing	238	227
MTG Media Services	296	295
Parent company and other companies	8	11
Eliminations	- 101	- 107
Total	1.314	1.456

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Breakdown of operating income/loss by business area		
MTG Broadcasting	119 **	- 119
MTG Radio	- 32	- 21
MTG Publishing	- 2	9
MTG Electronic Retailing	- 5	- 23
MTG Media Services	7	20
Parent company and other companies	- 44	- 25
Eliminations	0	- 5
Total	43	- 164
Breakdown of income/loss after net financial items by business area		
MTG Broadcasting	28	- 181
MTG Radio	- 36	- 17
MTG Publishing	- 3	7
MTG Electronic Retailing	- 2	- 23
MTG Media Services	0	13
Parent company and other companies	- 61	13
Eliminations	0	- 5
Total	- 74	- 193

* Modern Times Group MTG AB presented according to the present group structure.

** The comparative figures for the previous year include a positive result of net MSEK 145 which occurred in connection with the change to a new satellite platform.

CONSOLIDATED BALANCE SHEET (MSEK)	December 31, 1996 pro forma *	June 30, 1997 pro forma *	June 30, 1997
Fixed assets			
Capitalised development and establishment costs	225	117	188
Immaterial rights	70	51	76
Goodwill	316	255	295
Machinery, equipment, property etc.	230	212	218
Stocks and participations	292	266	286
Long-term receivables	15	12	15
	1.148	913	1.078
Current assets			
Inventories including advances to suppliers	182	120	195
Short-term receivables	1.376	1.479	1.263
Cash, bank and short-term investments	174	153	181
	1.732	1.752	1.639
Total assets	2.880	2.665	2.717
Equity			
Restricted equity	17	47	19
Unrestricted equity	822	- 214	595
	839	- 167	614
Minority interests in equity	6	7	11
Provisions	4	2	5
Long-term liabilities			
Non-interest bearing liabilities	169	12	38
Interest bearing liabilities	417	400	432
	586	412	470
Short-term liabilities			
Net debt to Kinnevik	308	1.509	759
Non-interest bearing liabilities	1.019	809	761

Interest bearing liabilities	118	93	97
	1.445	2.411	1.617
Total Stockholder's equity and liabilities	2.880	2.665	2.717

* Modern Times Group MTG AB presented according to the present group structure and with the present accounting principles.

In accordance with American practice the TV channels have altered the principles for their accounting treatment of programme rights with effect from 1997.

Previously programme rights were stated as an asset at the time the contract was signed even though the period during which the rights were used could last for several years. As a result the liability corresponding to this was stated at the same time. The TV channels will now state as an asset only that portion of the stock of programme rights which is available for broadcasting and which has been scheduled. The liability corresponding to this will be stated in accordance with the same principle.