

MODERN TIMES GROUP MTG AB

INTERIM REPORT FOR THE FIRST QUARTER OF 2000

Modern Times Group MTG AB (Nasdaq: MTGNY) announces the results of operations for the first quarter of 2000 today, Monday May 8, 2000.

- **OPERATING INCOME AFTER DEPRECIATION AND AMORTIZATION IMPROVED 284%, TO SEK 183 MILLION INCLUDING CAPITAL GAINS. RECURRING OPERATING INCOME ROSE 63%, TO SEK 77 MILLION.**
- **THE ROLL-OUT OF DIGITAL TELEVISION BEGINS.**
- **A NEW BRITISH TV CHANNEL FOR E-COMMERCE WAS LAUNCHED.**
- **THE BOARD OF DIRECTORS HAS PROPOSED THAT THE ANNUAL MEETING OF SHAREHOLDERS APPROVE THE DISTRIBUTION OF METRO.**
- **SDI MEDIA AND MODERN STUDIOS BECAME NEW BUSINESS AREAS.**
- **MODERN INTERACTIVE SHARPENED THE FOCUS ON INTERACTIVE SERVICES.**

FINANCIAL SUMMARY (SEK million)

	2000	1999
	Jan-March	Jan -March
Net sales	1,251	1,129
Gross income	449	320
Operating income before depreciation and amortization	257*	103
Operating income after depreciation and amortization	183	48
Income after financial revenue and expense	179	19

*Including SEK 105 million in capital gains

OPERATIONS

Organization

Pending a decision by the annual meeting of shareholders on the distribution of the Metro business, editions of *Metro* are reported as previously: Nordic editions in the Publishing business area and those in other countries in the Metro International business area.

At year-end 1999, two new business areas were formed: SDI Media and Modern Studios. SDI Media brings together the Group's operations in subtitling and dubbing for movies and television programs, DVDs, the Internet, and various applications for the hearing impaired. Modern Studios hosts companies that produce various forms of content: Strix Television, Sonet Film, Freeport (TV production), Nordic Artist, Moderna Tider Television, and Modern Entertainment (previously MTG Media Properties).

Operations in traditional home shopping (TV-Shop), logistics and fulfillment (eCommerce Logistics), and other interactive services using text TV and the Internet (MTG Internet Retailing) are reported in the Modern Interactive business area, previously Electronic Retailing. Consequently, the businesses in MTG Internet and Interactive Television have been transferred from the former Media Services business area to MTG Modern Interactive. Finally, MTG's share of earnings in Everyday is included in Modern Interactive.

The figures provided for comparison in this report have been restated to reflect these changes.

To clarify subscription revenue impact, cable-TV revenue will be accounted for in net sales instead of in other operating income, as earlier. Key figures have been adjusted according to this principle.

New businesses

In March, the Viasat Broadcasting business area started a new television channel in Norway: Viasat Plus.

During the period, new editions of the *Metro* newspaper were launched in Santiago de Chile, Philadelphia, Newcastle, and Zurich. In addition, the Metro International business area signed a distribution agreement in Rome.

After the reporting period ended, TV-Shop in the Modern Interactive business area started a digital TV channel for eCommerce on Sky TV's platform in England.

FINANCIAL RESULTS

Group Earnings for the First Quarter of 2000

Net sales climbed 11%, to SEK 1,251 million. The advance was strongest in Publishing and Metro International, while sales in Modern Interactive declined.

Operating income before depreciation and amortization jumped, to SEK 257 (103) million. Income included SEK 105 million in capital gains on the divestment of shares in TV4. Recurring operating income rose 48%, to SEK 152 million.

Operating income after depreciation and amortization advanced, to SEK 183 (48) million. Recurring income rose 63%, to SEK 77 million.

The Group's net **share of earnings in associated companies** was SEK -1 (0) million.

Net interest income, expense and other financial items ended at SEK -4 (-29) million.

Income after financial items expanded, to SEK 179 (19) million.

Profit after tax improved, to SEK 124 million (-3). **Earnings per share** 1.98 SEK (0.02).

MTG's total assets at March 31, 2000, were SEK 4,648 (3,617) million.

REVIEW OF OPERATIONS

Viasat Broadcasting

Net sales: SEK 745 (707) million

Operating income after depreciation and amortization: SEK 180 (36) million

Operating income included SEK 105 million in capital gains on the divestment of shares in TV4. MTG retains 20.1% of TV4, which exceeds the limit for voting rights of 20% set in the consortium agreement.

During the period, the market for television advertising grew robustly in Sweden and Norway but slowed in Denmark because of severe price-cutting by the state-owned biggest commercial station, TV2. The advertising markets in the Baltic states showed signs of recovery, and MTG's channels once again began expanding sales. **Advertising sales** for MTG's channels—TV3, ZTV, 3+, Viasat Plus, and TV8—together totaled SEK 466 (430) million, representing an increase of 9%.

Advertising sales were distributed as follows (sales for Estonia and Latvia are not consolidated in the business area), in millions of Swedish kronor.

	2000	1999
Sweden	248	208
Norway	86	79
Denmark	110	124
Baltic states	22	19

Growth in **subscription revenues** slowed during the period owing to uncertainty among consumers as to the future of digital television. Revenues totaled SEK 287 (251) million. In this situation, and in line with the business model previously announced, Viasat Broadcasting decided to launch digital TV during the year. The costs of decoders as well as satellite capacity have dropped sharply, so the service can be rolled out for substantially less than it would have previously cost. During the period, agreement was reached to acquire the premium channel TV1000. TV1000 will be consolidated starting in the second quarter of this year, contingent on the approval of the annual meeting. Hence, TV1000's results are reported as a share of earnings for the first quarter only. The number of TV1000 subscribers at the end of the period was 375,167 (343,277).

The number of subscribers in the direct-to-home (DTH) market has changed as follows.

Viasat	Viasat Gold		Viasat Cards	
	March 2000	March 1999	March 2000	March 1999
Sweden	113,433	91 748	423,069	423,573
Norway	116,382	99,616	310,147	288,570
Denmark	53,460	51,429	350,542	322,751
Finland	3,310	2,748	5,392	4,159
Total	286,585	245,541	1,089,150	1,039,053

Operating income excluding capital gains equaled SEK 75 million, or 109% better year-on-year. MTG's share of TV4's operating income is included in the business area, with the channels in Estonia and Latvia, as a share in earnings from associated companies.

Radio

Net sales: SEK 26 (26) million

Operating income after depreciation and amortization: SEK -10 (4) million

During the period, RIX FM reinforced its position as Sweden's leading commercial network. However, sales in the first quarter were adversely affected by efforts to raise the level of prices on radio advertising. The aim is to establish a higher level of prices while sustaining the high level of sales.

The operations of stations in the Baltic states progressed, while the Finnish networks are still in a start-up phase. P4 Radio Hele Norge once again reported strong performance for the quarter, included in income as a share of earnings from an associated company.

Publishing

Net sales: SEK 175 (112) million

Operating income after depreciation and amortization: SEK 42 (17) million

Sales growth for the newspaper *Metro* was extremely strong during the period, 35% to SEK 127 million, not least thanks to success in classified advertising. The new edition in Helsinki won an excellent share of readership but reported weak sales for the first quarter.

Finanstidningen almost doubled its revenues during the quarter, to SEK 33 million, thanks to improvements in the product paired with outstanding growth in subscriptions and readership.

Profit growth was healthy during the period, although *Finanstidningen* reported losses owing to continued marketing efforts.

Metro International

Net sales: SEK 45 (9) million

Operating income after depreciation and amortization: SEK -8 (-8) million

If the annual meeting approves the distribution of the Metro business on May 25, 2000, the *Metro* editions in this business area will be included with the Nordic editions in the spin-off.

During the period, publication commenced in Santiago de Chile, Philadelphia, Newcastle, and Zurich. These editions joined the newspapers already established in Prague, Budapest, and the Netherlands. After the end of the quarter, an agreement was signed for distribution in Rome.

The total readership of *Metro*, in the Nordic countries and elsewhere, equaled 3,818,000 (1,524,000) at March 31.

Sales growth was 400%, primarily attributable to the Netherlands.

Modern Interactive

Net sales: SEK 127 (172) million

Operating income after depreciation and amortization: SEK -5 (9) million

This business area was created to capitalize on MTG's distribution through television and the Internet, which reaches 150 million households in Europe.

Sales for TV-Shop declined during the period, to SEK 106 million, as a result of a heightened emphasis on profitable distribution agreements. Towards the end of the period, sales began recovering. The agreement with Eurosport, which is the biggest in TV-Shop's operations, was renegotiated to the benefit of the business.

After the period ended, the business area launched Product Information Network (PIN), a digital TV channel for eCommerce that reaches over three million households in England. The channel is part of Sky Television's platform.

Total revenues from the interactive operations over text TV and the Internet grew 50%, to SEK 21 million.

SDI Media

Net sales: SEK 79 (52) million

Operating income after depreciation and amortization: SEK 3 (6) million

SDI Media was formed to focus more sharply and define more clearly businesses related to subtitling and dubbing of moving pictures for cinemas, television, and DVDs as well as translations for the Internet and applications for the deaf. The business area, currently the world leader in its field, has completed its initial start-up phase and is focusing on growth and profitability.

Modern Studios

Net sales: SEK 115 (75) million

Operating income after depreciation and amortization: SEK 3 (6) million

The formation of Modern Studios bolstered the Group's ventures in the area of content, both in production and sales. Hence, the companies in this area are being merged with the aim of further strengthening sales activities and the portfolio of intellectual property rights (media properties). With this new structure, the business area can handle the entire chain from production to sale of rights.

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% (38%) at the end of the period.

This did not include the Group's holdings in TV4 and P4, reported as long-term financial assets. Their total market value at March 31 was SEK 1,472 million. The underlying value of the shares in Millicom International Cellular SA, corresponding to the option to acquire shares in Millicom which is reported as a current asset, had a market value of SEK 675 million at March 31. The book value of these assets including the cost of exercising options was SEK 301 million.

Taking into account the surplus values in listed shares net of taxes, the equity/assets ratio was 49% (45%).

Liquidity

The Group's liquidity, including unutilized credit facilities and the Millicom option, amounted to SEK 902 (512) 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 658 (198) million at the end of the period.

Investment

During the period, the Group invested a total of SEK 169 (46) million.

Depreciation and amortization

Group depreciation and amortization totaled SEK 75 (55) million.

Earnings per share

Earnings per share after full tax, and taking into account full conversion of the outstanding convertible debenture loan, equaled SEK 1.98 (0.02).

OTHER INFORMATION

Interim Report for January-June 2000

The release of MTG's results for the first six months of 2000 is tentatively scheduled for August 14, 2000.

Annual Report

MTG's annual report is 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.

Stockholm, May 8, 2000

Pelle Törnberg
President and CEO

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

For additional information, please contact:

Pelle Törnberg, telephone +46-8-5620 0050
President and CEO, Modern Times Group MTG AB

Johan Lindgren, telephone +46-8-5620 0050
Chief Financial Officer, Modern Times Group MTG AB

CONSOLIDATED INCOME STATEMENT (SEK million)	1999	1999	2000
	Full year	Jan 1-March 31	Jan 1-March 31
Net sales	5 010	1 129	1 251
Cost of goods and services	-3 396	-809	-802
Gross income	1 614	320	449
 Selling, administrative, research and development expenses	 -1 076	 -195	 -287

Income from corporate development	-3	-	-
Income from sales of securities	-	-	105
Expensed option premium for TV1000	-68	-27	-24
Other operating revenues	17	0	5
Other operating expenses	-242	-50	-64
Share of earnings in associated companies	43	0	-1
Operating income (EBIT)	285	48	183
Net financial revenue and expense	-54	-29	-4
Income after financial revenue and expense excluding interest on convertible debentures	231	19	179
Interest on convertible debentures	-30	-7	-7
Income before tax	201	12	172
Taxes	-84	-17	-52
Minority interests	13	2	4
Net income for the period	130	-3	124

REVIEW OF THE GROUP (SEK million)

	1999 Full year	1999 Jan 1-March 31	2000 Jan 1-March 31
Net sales by business area			
Viasat Broadcasting	3 114	707	745
MTG Radio	110	26	26
MTG Publishing	551	112	175
Metro International	83	9	45
MTG Modern Interactive	582	172	127
MTG Modern Studios	419	75	115

SDI Media	256	52	79
Parent company and other companies	104	20	23
Eliminations	-209	-44	-84
	5 010	1 129	1 251

Operating income/loss by business area

Viasat Broadcasting	314	36	180
MTG Radio	16	4	-10
MTG Publishing	99	17	42
Metro International	-25	-8	-8
MTG Modern Interactive	-27	9	-5
MTG Modern Studios	18	6	3
SDI Media	15	6	3
Parent company and other companies	-112	-19	-19
Eliminations	-13	-3	-3
	285	48	183

CONSOLIDATED BALANCE SHEET (SEK million)

1999-12-31 1999-03-31 2000-03-31

Fixed assets

Capitalized development expenses	586	235	701
Beneficial rights	114	116	116
Goodwill	466	483	447
Machinery and equipment	270	169	274
Shares and participations	272	267	253
Long-term receivables	77	21	93
	1 785	1 291	1 884

Current assets

Inventories	747	603	874
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Current receivables	1 543	1 500	1 575
Cash, cash equivalents and short-term investments	342	223	315
	2 632	2 326	2 764
Total assets	4 417	3 617	4 648
Shareholders' equity			
Restricted equity	397	323	393
Non-restricted equity	691	628	851
	1 088	951	1 244
Minority interests in equity	9	15	5
Provisions	127	88	134
Long-term liabilities			
Convertible debenture loan 1997/2000	-	393	-
Other interest-bearing liabilities	697	355	623
Non-interest-bearing liabilities	1	4	1
	698	752	624
Current liabilities			
Convertible debenture loan 1997/2000	407	-	377
Other interest-bearing liabilities	109	80	486
Non-interest-bearing liabilities	1 979	1 731	1 778
	2 495	1 811	2 641
Total shareholders' equity and liabilities	4 417	3 617	4 648

CONSOLIDATED STATEMENT OF CASH FLOWS

(SEK million)

	1999	1999	2000
	Full year	Jan 1-March 31	Jan 1-March 31
Net income for the period	130	-3	123
Adjustments to reconcile net income/loss to net cash provided by operations	256	63	22
Changes in working capital	-18	-80	-360
Net cash flow to operations	368	-20	-215
Investments in shares	-79	-2	0
Investments in other fixed assets	-630	-44	-169
Other cash flow from investing activities	45	0	125
Cash flow to investing activities	-664	-46	-44

Cash flow to/from financing activities	301	-48	232
Net change in cash and cash equivalents for the period	5	-114	-27