MODERN TIMES GROUP MTG AB
1997 PRELIMINARY ACCOUNTS

Modern Times Group MTG AB (Nasdaq: MTGNY), a leading Scandinavian media company, presents its 1997 accounts today, Monday, March 16, 1998.

FINANCIAL SUMMARY (MSEK)

	1997	**1996**
Net sales	2989	2757*
Gross income	506	486
Operating income/loss before depreciation	-77	83
Operating income/loss after depreciation	-241	-76
Income/loss after financial items	-293	-229

* The decline in the sales figure was owing to the fact that Home Shopping Service SA was consolidated in
1996 through August with net sales of MSEK 281.9. For the last four months of 1996 and all of 1997, the
company was reported as an associated company.

OPERATIONS

Group structure

On May 23, 1997, the annual general meeting of Industriförvaltnings AB Kinnevik voted to distribute the shares in Modern Times Group MTG AB ("MTG") to Kinnevik´s shareholders. The shares were distributed on September 15, 1997. Since September 18, 1997, shares in MTG have been quoted on the Nasdaq Stock Market, under the trading symbol MTGNY, and on the Stockholm Börsinformation (SBI) list.

The MTG Group´s operations consist of five business areas: Broadcasting, Radio, Publishing, Electronic Retailing, and Media Services

1997 Group earnings

Net sales for 1997 totaled MSEK 2,989, compared to MSEK 3,039 for 1996. Net sales for the period January through August 1996 included net sales of MSEK 282 from the Home Shopping Service, which was subsequently treated as an associated company. Adjusting for this, net sales increased 8% for comparable Group units.

The greatest increases in net sales pertained to the Broadcasting business area, which advanced 13%, Radio, which surged 85%, and Publishing, which increased 64%. Sales in the Electronic Retailing business area declined 13%.

The operating loss before depreciation was MSEK 77, compared to the profit of MSEK 83 in 1996.

The operating loss after depreciation equaled MSEK 241, compared to the loss of MSEK 76 in 1996.

Comparative figures for the preceding year include non-recurring net income of MSEK 145, resulting from the changeover to a new satellite platform. The amount consisted of a capital gain of MSEK 275 and marketing expenses of MSEK 130, arising from the change of platform.
In addition, the comparative figures do not include results for TV1000, while 1997 figures were charged with MTG´s share of TV1000´s losses, corresponding to MSEK -96.

Scandinavian currencies weakened against currencies in which MTG has a large proportion of its expenses, which had a substantial impact on MTG´s results for the period, chiefly in the form of higher costs for program procurement for the TV channels.

Cost-cutting programs conducted during the year produced the effects desired, resulting in savings of some MSEK 200 for fiscal 1997, chiefly in the categories personnel, programs, and satellite distribution. The number of permanent employees in the Group is now 856 (900 in 1996). By winding down and restructuring certain business operations, the Group incurred non-recurring expenses of MSEK 30 in 1997.

The Group´s share of earnings in associated companies totaled MSEK 54 (3 MSEK).

Financial revenues and expenses ended at MSEK -52 (-153). The MTG Group was capitalized at August 31, 1997, when interest-bearing liabilities equaling MSEK 750 were converted to MSEK 326 in equity and MSEK 424 in a convertible debenture loan. This restructuring reduced financial expenses for the remainder of the year.

The loss after financial items ended at MSEK -293 (-229 MSEK).

MTG Broadcasting

The Broadcasting business area comprises MTG´s TV channels and SMS operations as well as MTG´s share in earnings from the TV1000 channel.

The impact on 1996 earnings of the changeover of satellite platform and the weaker Scandinavian currencies, mentioned above, were attributable to this business area.

Free TV

Free TV consists of TV3 in Sweden, Norway, Denmark, Estonia, and Lithuania; ZTV and
TV6 in Sweden; and 3+ in Denmark. TV6 was transferred to Pay TV in 1998.

TV3

In 1997, in the Scandinavian countries TV3 boosted sales 11% from 1996. Profitability remains at an unsatisfactory level, because the costs of programs have risen owing to the appreciation of the U.S. dollar. However, the cost of programs in dollars was less in 1997 than in 1996.

TV3¹s channels in the three Scandinavian countries developed at different rates. In Sweden, the market for advertising grew 16%, and TV3´s market share equaled 25% (26%). The Norwegian market remained strong, with growth of 18%, and TV3 commanded 17% (14%) of the market. In Denmark, market growth stagnated at 10%, TV3´s market share being 20% (23%).

The TV3 channels in the Baltic states reported strong growth in 1997. The Estonian market increased 68% (51%), and the Lithuania market 48% (100%). The market shares were 32% (27%) in Estonia and 23% (17%) in Lithuania.

For 1997, TV3 reported net sales of MSEK 1434 (1288 MSEK), giving operating income before depreciation of MSEK 103 (35 MSEK), and operating income after depreciation of MSEK 83 (14 MSEK).

Other channels

The channels TV6, 3+, and ZTV continued to make losses, although the losses in 1997 were less than in 1996. Consequently, MTG decided to change the format of TV6 into a pay-TV channel, which will significantly reduce operating expenses and hence losses. That change came into effect on March 1, 1998.

These other channels had net sales of MSEK 89 (67) in 1997. The operating income before depreciation was MSEK -178 (-189), with operating income after depreciation ending at MSEK -189 (-206).

Pay TV

Pay TV consists of the SMS company ViaSat, which distributes MTG´s own channels, TV1000, and a number of third-party channels.

ViaSat ViaSat launched a new product concept in the third quarter embracing ViaSat+, ViaSat Silver, and ViaSat Gold. The effects of the initiative have been positive so far, with the most notable growth accruing to ViaSat Gold, which now includes TV1000.

ViaSat also became the first distributor, together with the telecom operator Tele2, to launch Internet access via satellite. This new service enables households with a satellite dish and a computer to surf at a transfer rate of 200300 kbps on the downlink, that is, roughly twice as fast as ISDN.

The number of subscribers reached 912,000 (835,000) at year-end, of whom 139,000 were ViaSat Gold subscribers.

Following the end of the fiscal year, agreement was reached with Kabelvision whereby ViaSat will provide subscriber management services for the cable-TV operator´s 420,000 subscribers. Kabelvision is a subsidiary of NetCom. ViaSat also provides administrative services for 350,000 subscribers in the SMA TV networks.

1997 sales totaled MSEK 261 (169), resulting in operating income before depreciation of MSEK 51 (45), and operating income after depreciation of MSEK 37 (32).

Based on a special agreement MTG distributes the Kinnevik owned premium channel TV1000 as part of ViaSat´s Gold package. As a result, The business area´s 1997 earnings were charged with MSEK 96 for losses made by TV1000.

At year-end, TV1000 had 230,000 subscribers (234,000).

Sales for the entire Broadcasting business area equaled MSEK 1,851 (1,636), resulting in an operating loss before depreciation of MSEK 105 (1996 income: 123), and an operating loss after depreciation of MSEK 187 (1996 income: 48).

MTG Radio

In 1997. Radio Rix established itself as Sweden´s largest commercial radio network, in terms of the number of households reached by the network and in terms of share of listeners. The radio market evidenced strong growth in Sweden, growing 30%, and Radio Rix expanded its market share.

Expenses are largely fixed, so that the lion´s share of additional sales contributed to cutting losses.

During the year, the Power format was introduced in Gothenburg and Oslo, in addition to Stockholm.

1997 sales for the entire Radio business area totaled MSEK 60 (33), with operating income before depreciation of MSEK -18 (-42) and operating income after depreciation of MSEK -26 (-50).

The Norwegian radio station P4, in which MTG is the largest shareholder, continued to advance, reporting income after net financial items of MNOK 60 (40) for 1997. MTG´s share of this income is reported in the share of earnings in associated companies.

MTG Publishing

Metro Stockholm was joined in 1997 by a Metro newspaper in Prague. MTG Publishing also obtained licenses for Gothenburg, Sweden, where publication commenced in March 1998, and in Budapest, which will begin publishing before mid-year 1998. Metro International was further strengthened to create new bridgeheads for Metro.

At year-end, *Metro Stockholm* had a circulation of 604,000 (499,000) readers and advertising sales of MSEK 195 (120) for the full year.

The establishment of *Metro Praha* progressed as planned, and the newspaper has a circulation of 420,000 readers. Advertising sales reached MSEK 14.

1997 sales for the entire Publishing business area ended at MSEK 217 (132), resulting in operating income before depreciation of MSEK 46 (-8) and operating income after depreciation of MSEK 40 (-13).

MTG Electronic Retailing

The Electronic Retailing business area developed unfavorably in 1997 because of heightened competition and a lack of good products. The situation at mid-year was determined to be temporary but proved more enduring. For that reason, overhead expenses were not cut rapidly enough, so that the drop in sales that affected the area resulted in an operating loss. Actions have been taken to improve the situation.

Sales for the Electronic Retailing business area totaled MSEK 451 (517) in 1997, resulting in operating income before depreciation of MSEK -27 (63), and operating income after depreciation of MSEK -41 (46).

MTG Media Services

The business area delivered sales on a par with the preceding year. Weaker sales were reported by Subtitling and Dubbing International (SDI) owing to the transition to cheaper means of translation. However, SDI maintained its healthy profitability. SDI´s setback was offset by robust sales growth for MTG Media Properties, whose business in film rights enjoyed success in 1997. Other companies in the area also had a successful year.

Despite unchanged sales for the business area as a whole, profit surged. The main reason for this was outstanding income growth for Strix, MTG Media Properties, and Oslo Kinoreklame. Other companies delivered earnings on a par with 1996 results.

Sales for the entire Media Services business area totaled MSEK 603 (610) in 1997, resulting in operating income before depreciation of MSEK 80 (46), and operating income after depreciation of MSEK 38 (5).

FINANCIAL POSITION

Solidity

The Group´s equity/assets ratio (consolidated shareholders equity including the convertible debenture loan divided by total assets) ended the year at 43%, compared to 23% at June 30, 1997, prior to capitalization. The equity/assets ratio does not include the market value of the MIC option or the Group´s shareholdings in TV4 or P4, which were worth MSEK 1,486 at December 31, 1997. The aggregate book value and strike price for these holdings was MSEK 344.

Liquidity

The Group´s liquidity, including unutilized credit facilities, equaled MSEK 406 (227) at year-end.

Net borrowings

Consolidated net borrowings (interest-bearing liabilities, excluding the convertible debenture loan, less interest-bearing assets) totaled MSEK 189 at year-end. Financial expenses reported for 1997 include interest expenses for Kinnevik´s net claim of MSEK 750 on MTG. The claim was converted to equity and the convertible debenture loan in conjunction with the distribution of shares in MTG.

Capital expenditures

During the period, the Group invested MSEK 166, including MSEK 44 in machinery and equipment, MSEK 49 in film rights acquired by MTG Media Properties and Sonet, and MSEK 9 in smartcards for ViaSat. In fiscal 1996, capital expenditures totaled MSEK 117.

Depreciation

In 1997, Group depreciation was MSEK 164 (159).

Earnings/loss per share

The loss per share after full tax based on full conversion of the outstanding convertible debenture loan ended at SEK 5.22.

OTHER INFORMATION

January-March 1998 Interim Report

MTG´s interim report for the period January through March 1998 is scheduled for release on May 11, 1998.

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.

Annual General Meeting

The 1998 annual general meeting of shareholders in MTG will be held on Thursday, May 14, 1998, at 9:30 PM, at Gamla Stans Bryggeri, Tullhus 2, on Skeppsbrokajen in Stockholm.

Dividend

The Board of Directors decided to propose to the annual general meeting that no dividend be distributed for 1997.

For additional information, please contact:

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Stockholm, March 16, 1998

The Board of Directors of Modern Times Group MTG AB

CONSOLIDATED INCOME STATEMENT (MSEK)	1997	1996
Net sales	2989	3039*
Cost of goods and services	-2483	-2553
Gross income/loss	506	486**
Selling, administrative, research and development expenses	-616	-641
Income/loss from corporate development	4	31
Expensed option premiums for TV1000	-96	-
Net gain/loss from the change of satellite platform	-	145
Other operating revenues	30	69
Other operating expenses	-123	-169
Interest in earnings of associated companies	54	3
Operating income/loss	-241	-76
Financial items, net	-52	-153
Income/loss after financial items	-293	-229
Interest on convertible debenture loan	-9	
Income /loss before tax	-302	-229
Group/shareholders contributions from Kinnevik	-	1206
Taxes	-41	117
Minority interests	-1	-11
Net income/loss for the year	-344	1083

* The decline in the sales figure was owing to the fact that Home Shopping Service SA was consolidated in 1996 through August with net sales of MSEK 281.9. For the last four months of 1996 and all of 1997, the company was reported as an associated company.
** Comparative figures for the preceding year include non-recurring net income of MSEK 145, resulting from the changeover to a new satellite platform. The amount consisted of a capital gain of MSEK 275 and marketing expenses of MSEK 130, arising from the change of platform.

REVIEW OF THE GROUP (MSEK)	1997	1996
Sales by business area		
MTG Broadcasting	1851	1636
MTG Radio	60	33
MTG Publishing	217	132
MTG Electronic Retailing	451	517
MTG Media Services	603	610
Parent company and other companies	26	10
Eliminations	-219	-181
Total, comparable units	2989	3039
Home Shopping Service SA	-	282
Total	2989	3039
Operating income/loss by business area		
MTG Broadcasting**	-187	48
MTG Radio	-26	-50
MTG Publishing	40	-13
MTG Electronic Retailing	-41	46
MTG Media Services	38	5
Moderbolag och övriga bolag	-55	-102
Eliminations	-10	-10
Total	-241	-76
Income/loss after financial items by business area		
MTG Broadcasting**	-308	-113
MTG Radio	-35	-62
MTG Publishing	37	-16
MTG Electronic Retailing	-65	25
MTG Media Services	25	-15
Parent company and other companies	63	-38
Elimineringar	-10	-10
Total	-293	-229

CONSOLIDATED BALANCE SHEET (MSEK)	Dec. 31, 1997	Dec. 31, 1996
Fixed assets		
Capitalized development expenditure	180	225
Intellectual property rights	128	70
Goodwill	281	316
Machinery, equipment, real estate, etc.	200	230
Shares and participations in other companies	319	292
Long-term receivables	13	15
	1121	1148
Current assets		
Inventories	638	721
Short-term receivables	776	787
Cash, cash equivalents and short-term investments	326	170
	1740	1678
Total assets	2861	2826
Shareholders equity		
Restricted equity	375	17
Unrestricted equity	473	808
	848	825
Minority interests in equity	8	6
Provisions	82	68
Long-term liabilities		
Convertible debenture loan 1997/2000	377	-
Non-interest-bearing liabilities	-	169
Interest-bearing liabilities	449	417
	826	586
Short-term liabilities		
Net liability to Kinnevik	-	308
Non-interest-bearing liabilities	1010	915
Interest-bearing liabilities	87	118
	1097	1341
Total shareholders[1] equity and liabilities	2861	2826

CONSOLIDATED CASH FLOW STATEMENT (MSEK)	1997	1996
Net income/loss for the year	-344	1083
Adjustment of income/expense items that do not generate cash flow from operations	114	-1494
Changes in operating capital	249	271
Cash flow from/to operations	19	-140
Net investing activities	-94	383
Financing activities	231	-341
Increase/decrease cash and cash equivalents	156	-98