

MODERN TIMES GROUP MTG AB (“MTG”)

INTERIM REPORT FOR THE FIRST HALF OF 2000

Modern Times Group MTG AB (Nasdaq ticker symbol: MTGNY) presents its accounts for the first half of 2000 today, August 14, 2000.

- **SALES INCREASED 22%.**
- **OPERATING INCOME AFTER DEPRECIATION AND AMORTIZATION WAS SEK 283 MILLION, AN INCREASE OF SEK 100%.**
- **THE SPIN-OFF OF METRO TO SHAREHOLDERS WILL BE CARRIED OUT ON 15 AUGUST 2000.**

FINANCIAL SUMMARY (SEK million)

	2000 Jan - June	1999 Jan - June Pro forma
Net sales	2 587	2 122
Gross income	998	608
Operating income before depreciation & amortization	454	235
Operating income after depreciation & amortization	283	142
Income from divested operations	33	
Income after financial revenue and expense	288	113

OPERATIONS

Organization

The previous business area Metro International, including Swedish and Finnish Metro operations in business area Publishing, was spun off to shareholders in early August 2000. The figures in the interim report for the first half exclude Metro International, both for the first half of 2000 and in the comparative figures for 1999.

As of year-end 1999, the previous business area Media Services was split into two areas: SDI Media and Modern Studios. SDI Media assembles the Group's operations for subtitling and dubbing of movies and television programs, DVD, the Internet and various applications for the hearing impaired. Modern Studios assembles the companies that produce various kinds of content: Strix Television, Sonet Film, Freeport, Nordic Artist, Modern Television and Modern Entertainment.

The business area Modern Interactive (previously Electronic Retailing) includes operations for traditional home shopping, TV-Shop, logistics and fulfillment, e-commerce logistics, other interactive operations for text TV and the Internet, MTG Internet Retailing, and the web production company NoName4Us. Thus, MTG Internet, Interactive Television and Webad operations have been transferred from the previous business area Media Services to Modern Active. Finally, the business area includes MTG's share of earnings in Everyday.

The comparative figures in this report have been adjusted for the changes described above.

In order to highlight the significance of subscription revenue, cable television revenue is included in net sales instead of other operating revenue, as was the case previously. The comparative figures have been adjusted in accordance with this principle.

New operations

During the second quarter, TV-Shop, in the business area Modern Interactive, started a new television channel for e-commerce on Sky-TV's platform in the United Kingdom.

MTG also acquired the TV1000 business from Kinnevik in the second quarter. Even earlier, MTG had reported TV1000 earnings in the form of an option premium. However, as a result of the acquisition, TV1000 was consolidated in the MTG group as a wholly owned subsidiary as of January 1, 2000.

FINANCIAL EARNINGS

Group Earnings for the First Half of 2000

Net sales climbed 22% to SEK 2,587 million. The increase stemmed partly from the acquisition of TV1000 during the period.

Operating income before depreciation and amortization rose to SEK 454 million (235).

Operating income after depreciation and amortization rose to SEK 283 million (142).

The Group's share of earnings in associated companies totaled SEK 17 million (19).

Net interest and other financial items totaled SEK –28 million (–29), including exchange rate gains and losses from the translation of financial receivables and liabilities denominated in foreign currency, net SEK –10 million (–10).

Income from deconsolidated operations amounted to SEK 33 million (0).

Income after financial items increased to SEK 288 million (113).

Income after tax rose to SEK 188 million (78). **Earnings per share** amounted to SEK 2.81 (1.36).

MTG's total assets as of June 30, 2000 were SEK 5,449 million (4,008).

SUMMARY OF OPERATIONS

Viasat Broadcasting

Net sales, SEK 1,878 million (1,489)

Operating income after depreciation and amortization, SEK 330 million (155).

Operating income includes a capital gain of SEK 106 million from the divestment of holdings in TV4. MTG currently holds a 20.1% stake in TV4, exceeding the consortium agreement's voting rights limit of 20%.

Growth in the television advertising market was strong in Sweden and Norway during the period, and improved somewhat in Denmark. The recovery continued in the Baltic markets, leading to increased sales for MTG's channels. All told, **advertising sales** for MTG's channels TV3, ZTV, 3+, Viasat Plus and TV8 amounted to SEK 1,034 million (911), an increase of 20%.

Subscription revenue totaled SEK 679 million (600). Preparations for the launch of digital TV continued during the period, including the signing of agreements with suppliers of satellite capacity and decoders. The slowdown in new sales in anticipation of the launch of digital TV was less dramatic than expected. The total number of TV1000 subscribers at the end of the period was 379,000 (336,000).

The following figures show the trend for the number of subscribers in the DTH market:

	Viasat Guld		Cardholders	
	June 1999	June 2000	June 1999	June 2000
Viasat				
Total	244,704	293,931	1,048,128	1,080,721

Operating income for the entire business area was SEK 330 million. MTG's share of TV4's operating income is included—along with the channels in Estonia and Latvia—in the business area as the share of earnings in associated companies.

Radio

Net sales, SEK 68 million (55)

Operating income after depreciation and amortization, SEK 13 million (18)

Growth in the market for radio advertising remained strong during the period. However, the project aiming at increasing the price level for radio advertising has a negative impact on sales during the first half.

Publishing

Net sales, SEK 105 million (44)

Operating income after depreciation and amortization, SEK 1 million (–6)

Once again, Finanstidningen increased its sales during the quarter, to a total of SEK 85 million for the first half, thanks to product improvements, along with solid growth in subscriptions and cumulative audience.

Income growth was good during the period.

Modern Interactive

Net sales, SEK 278 million (321)

Operating income after depreciation and amortization, SEK –14 million (12)

Owing to a greater focus on profitable distribution agreements, TV-Shop sales declined during the period to SEK 221 million for the entire first half. The Eurosport agreement, the biggest that TV-Shop has concluded, was successfully renegotiated.

The Product Information Network (PIN), which was launched in April, is a digital television channel for e-commerce that reaches more than three million households in the United Kingdom. The channel is part of Sky TV's platform.

Revenue from interactive operations over text TV and the Internet totaled SEK 36 million.

SDI Media

Net sales, SEK 154 million (103)

Operating income after depreciation and amortization, SEK 5 million (4)

MTG started SDI Media to provide greater focus and transparency to its operations for the subtitling and dubbing of animated images for movies, television and DVD, as well as translation for the Internet and applications for hearing-impaired television viewers. The business area, currently world leader in its segment, has completed its launch phase and is now focusing on growth and profitability.

Modern Studios

Net sales, SEK 236 million (180)

Operating income after depreciation and amortization, SEK 6 million (5)

By starting Modern Studios, MTG increased its effort in the area of content, in both production and sales. Thus, the companies in this area are being integrated to further strengthen the rights libraries and sales operations. With this new structure, the business area can manage the entire chain from production to the sale of rights.

An agreement was reached in the second quarter for the acquisition of the minority holdings in Modern Entertainment, formerly MTG Media Properties, for USD 10.7 million. The acquisition gives rise to goodwill of approximately SEK 100 million, which is reported as beneficial rights, in the consolidated accounts.

Income from divested operations

Operating income after depreciation and amortization, SEK 33 million (–)

Metro's Swedish sales company was also a holding company—such as for the Group's shares in Finanstidningen—and, partly for tax reasons, could not be included in the spin-off to

shareholders. The sales operations of this company were transferred instead to a new company in the Metro Group as of June 1, 2000. The earnings for this business during the first five months of the year are consolidated in the MTG Group, but are not included in the pro forma comparative figures for 1999, and are therefore reported as a separate item.

Parent Company

Net sales, SEK 20 million (0)

Operating income after depreciation and amortization, SEK –43 million (0)

The parent company's income after financial revenue and expense, excluding interest on the convertible debenture loan, totaled SEK 95 million (99). Investments in fixed assets were SEK 0 million (6).

FINANCIAL POSITION

Equity/assets ratio

Group shareholders' equity increased during the first half due to the holders of the convertible debenture loan having converted the entire loan to shares, as well as the issue of new shares to a company in the Kinnevik Group in connection with the acquisition of TV1000.

The Group's equity/assets ratio (defined as consolidated shareholders' equity and minority interests including the convertible debenture loan, divided by total assets) was 44% (35%) at the end of the period.

This does not include the Group's holdings in TV4 and P4, which are reported as fixed assets. Their total market value at the end of the period was SEK 1,581 million. Their total book value was SEK 188 million. The option to acquire shares in Millicom was transferred to Metro in connection with the spin-off.

Taking into account the goodwill and deferred tax in publicly traded shares, the equity/assets ratio is 55% (41%).

Liquidity

The Group's liquidity, including unutilized credit facilities, was SEK 256 million (542) 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 236 million (99) at the end of the period.

Investment

During the period, the Group invested a total of SEK 192 million (48).

Depreciation and amortization

Group depreciation and amortization totaled SEK 180 million (93).

Earnings per share

Earnings per share after full tax was SEK 2.83 (1.36).

OTHER INFORMATION

Interim Report for January–September 2000

Metro's announcement of earnings for the first three quarters of 2000 will preliminarily be released on November 6, 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 is published on the Internet at www.mtg.se.

Stockholm, August 14, 2000

Pelle Törnberg
President and CEO

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

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CONSOLIDATED INCOME STATEMENT (SEK million)	1999	1999	2000
	Full year Pro forma	Jan 1–June 30 Pro forma	Jan 1–June 30
Net sales	4 491	2 122	2 587
Cost of goods and services	-3 182	-1 514	-1 576
Gross income	1 309	608	1 011
Selling, administrative, research and development expenses	-932	-372	-722
Income from corporate development	-3	-3	-
Income from sales of securities	-	-	108
Expensed option premium for TV1000	-68	-37	-
Other operating revenues	17	6	9
Other operating expenses	-164	-79	-107
Share of earnings in associated companies	43	19	17
Operating income	202	142	316
Net financial revenue and expense	-24	-29	-28
Income after financial revenue and expense excluding interest on convertible debentures	178	113	288
Interest on convertible debenture	-30	-14	-3
Income before tax	148	99	285
Taxes	-84	-23	-98
Minority interests	1	2	1
Net income for the period	65	78	188

REVIEW OF THE GROUP (SEK million)	1999	1999	2000
	Full-year	Jan 1–June 30	Jan 1–June 30
	Pro forma	Pro forma	
Net sales by business area			
Viasat Broadcasting	3 114	1 489	1 878
Radio	110	55	68
Publishing	128	44	105
Modern Interactive	582	321	278
Modern Studios	419	180	236
SDI Media	256	103	154
Parent company and other companies	91	34	38
Eliminations	-209	-104	-170
	4 491	2 122	2 587
Operating income/loss by business area			
Viasat Broadcasting	314	155	330
Radio	16	18	13
Publishing	-16	-6	1
Modern Interactive	-27	12	-14
Modern Studios	18	5	6
SDI Media	15	4	5
Parent company and other companies	-105	-39	-51
Metro Sweden's sales company, Jan-May 2000	-	-	33
Eliminations	-13	-7	-7
	202	142	316

CONSOLIDATED BALANCE SHEET (SEK million)	12-31-1999	6-30-1999	6-30-2000
	Pro forma	Pro forma	
Fixed assets			
Capitalized development expenses	347	189	344
Beneficial rights	112	107	252
Goodwill	286	307	1 164
Machinery and equipment	247	185	291
Shares and participations	272	251	238
Long-term receivables	501	284	305
	1 765	1 323	2 594
Current assets			
Inventories	746	1 080	1 099
Current receivables	1 436	1 304	1 552
Cash, cash equivalents, and short-term investments	324	301	204
	2 506	2 685	2 855
Total assets	4 271	4 008	5 449
Shareholders' equity			
Restricted equity	397	309	1 674
Non-restricted equity	721	688	771
	1 118	997	2 445
Minority interests in equity	23	16	13
Provisions	125	100	136
Long-term liabilities			
Convertible debenture loan 1997/2000	-	398	-
Other interest-bearing liabilities	687	681	889
Non-interest-bearing liabilities	0	4	1
	687	1 083	890
Current liabilities			
Convertible debenture loan 1997/2000	407	-	-
Other interest-bearing liabilities	109	10	16
Non-interest-bearing liabilities	1 802	1 802	1 949
	2 318	1 812	1 965
Total shareholders' equity and liabilities	4 271	4 008	5 449

CONSOLIDATED STATEMENT OF CASH FLOWS (SEK million)	1999	1999	2000
	Full year Pro forma	Jan 1–June 30 Pro forma	Jan 1–June 30
Net profit/loss for the period	65	78	188
Adjustments to reconcile net income/loss to net cash provided by operations	228	102	122
Changes in operating capital	152	22	-322
Net cash flow from/to operations	445	202	-12
Investment in shares	-56	-19	-110
Investment in other fixed assets	-407	-48	-192
Other cash flow from investing activities	45	43	160
Cash flow to investing activities	-418	-24	-142
Net cash flow to/from financing activities	-39	-173	34
Net change in cash and cash equivalents for the period	-12	5	-120