

## **MODERN TIMES GROUP MTG AB**

### **INTERIM REPORT FOR THE THIRD QUARTER OF 2000**

Modern Times Group MTG AB (OM Stockholmsbörsen: MTGA, MTGB; Nasdaq: MTGNY) today announced its interim results for the first nine months ended 30 September 2000 which are compared to the same period in 1999.

- **SALES UP 23%, TO SEK 3.8 BILLION, INCLUDING THE ACQUISITION OF TV1000.**
- **OPERATING INCOME AFTER DEPRECIATION AND AMORTIZATION UP 358%, TO SEK 238 MILLION INCLUDING CAPITAL GAINS.**
- **INCOME AFTER FINANCIAL ITEMS UP 505 % TO SEK 236 MILLION.**
- **CONVERSION TO DIGITAL TELEVISION PROCEEDING AS PLANNED.**
- **ALL SHARES IN METRO INTERNATIONAL DISTRIBUTED TO MTG'S SHAREHOLDERS.**
- **'BAREN' INTERACTIVE WEB/TV PROGRAM FORMAT SOLD TO RTL AND PEARSON; ACQUISTION OF LIBRARY OF FILM RIGHTS.**

## **FINANCIAL SUMMARY (SEK MILLION)**

	<b>Jan–Sept 2000</b>	<b>Jan–Sept 1999</b>
Net sales	3,775	3,077
Gross income	1,469	810
Operating income before depreciation and amortization	507	196
Operating income after depreciation and amortization	238	52
Income from operations no longer consolidated	33	–
Income after financial revenue and expense	236	39

## **OPERATIONS**

### **Organization**

The operations in the Metro International business area and the Swedish and Finnish Metro operations in the Publishing business area were spun off in a separate company distributed to shareholders on August 15, 2000. The figures in this report exclude Metro International, in figures for the nine months January–September 2000 and in comparative figures for 1999.

At year-end 1999, the former business area Media Services was divided into two areas: 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 consists of the companies that produce various kinds of content: Strix Television, Sonet Film, Freeport, Nordic Artist, Modern Television, and Modern Entertainment.

The Modern Interactive business area (formerly Electronic Retailing) consists of operations in traditional home shopping (TV-Shop), logistics and fulfillment (eCommerce Logistics), other interactive businesses in text TV and the Internet (MTG Internet Retailing), and the web production company NoName4Us. As a result, the MTG Internet, Interactive Television, and Webad businesses have been transferred from the former Media Services business area to Modern Interactive. Finally, MTG's share of earnings in Everyday are reported in this business area.

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

To highlight the significance of subscription revenue, starting this year revenue from cable television is reported in net sales instead of in other operating revenues, as previously. The comparative figures have been restated in accordance with this principle.

## **New businesses**

After the close of the period, the TV3 concept was launched in Hungary as Viasat3.

## **FINANCIAL RESULTS**

### **Consolidated Earnings for the First Nine Months of 2000**

The third quarter is a seasonally weak period for several of MTG's businesses, chiefly as a result of slow advertising sales in the summer.

**Net sales** rose 23%, to SEK 3,775 million.

**Operating income before depreciation and amortization** surged, to SEK 507 (196) million.

**Operating income after depreciation and amortization** increased, to SEK 238 (52) million.

The Group's net **share of earnings in associated companies** was SEK 26 (7) million.

**Net interest and other financial items** ended at SEK –35 (–13) million, including SEK –19 (–2) million in net exchange rate gains and losses on the translation of financial receivables and liabilities denominated in foreign currencies.

**Income from operations no longer consolidated** amounted to SEK 33 (–) million.

**Income after financial items** increased, to SEK 236 (39) million.

**Income after tax** improved, to SEK 131 (–30) million. **Earnings per share** amounted to SEK 2.00 (–0.19).

**MTG's total assets** at September 30, 2000, were SEK 5,560 (3,663) million.

## **REVIEW OF OPERATIONS**

### **Viasat Broadcasting**

**Net sales:** SEK 2,681 (2,145) million

**Operating income after depreciation and amortization:** SEK 343 (119) million

Operating income included SEK 106 million in capital gains on the divestment of shares in TV4. MTG retains 20.1% of TV4, which exceeds the 20% limit on voting rights stipulated in the consortium agreement.

The business area's sales and result for the first nine months of 2000 include TV1000, which was acquired during the year.

The deployment of digital television began during the period. Until the end of the first quarter of 2001, all customers subscribing to Viasat's Gold package will receive a free digital decoder. This investment makes possible ample savings on satellite distribution costs.

The television advertising market in Scandinavia experienced healthy growth during the period, and markets in the Baltic states continued to recover, leading to increased sales by MTG's channels. The Swedish market was particularly robust. In Norway, sales slowed following the introduction of a new system for measuring viewing audiences in the Norwegian market. All in all, MTG's channels TV3, ZTV, 3+, Viasat Plus, and TV8 reported **advertising sales** totaling SEK 1,402 (1,263) million, up 11%.

**Subscription revenue** totaled SEK 1,058 (922) million. Preparations for the launch of digital TV continued during the period, with successful trials. As expected, sales of new subscriptions leveled off as customers waited for digital TV. The total number of card subscribers increased only slightly, but more subscribers have Viasat Gold packages now. TV1000 had 377,000 (344,000) subscribers at the end of the period.

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

	Viasat Gold		Cardholders	
	September 1999	September 2000	September 1999	September 2000
Total for Viasat	255,000	297,000	1,065,000	1,067,000

Operating income for the entire business area was SEK 343 million. MTG's share of TV4's operating income is included in the business area in the share of earnings in associated companies along with the Group's share of earnings from channels in Estonia and Latvia.

## Radio

**Net sales:** SEK 97 (79) million

**Operating income after depreciation and amortization:** SEK 2 (11) million

The market for radio advertising grew apace during the period, although prices remained at an unsatisfactory level. However, P4 Radio Hele Norge achieved satisfactory earnings.

## Publishing

**Net sales:** SEK 144 (72) million

**Operating income after depreciation and amortization:** SEK -4 (-11) million

In the first nine months of 2000, *Finanstidningen* boosted revenues to SEK 113 million, thanks to improvements in the product paired with excellent growth in subscriptions and cumulative audience. Other products in the business area continued to perform weakly.

## Modern Interactive

**Net sales:** SEK 457 (456) million

**Operating income after depreciation and amortization:** SEK –22 (–18) million

Sales for TV-Shop declined during the period, to SEK 344 million for the first nine months, as a result of termination of unprofitable distribution agreements.

MTG plans to write off in the fourth quarter some balance sheet items related to restructuring of the business area. The expense is estimated at SEK 20 million.

The logistics company e-CommerceLogistics (eCL) reported healthy growth in sales for the period, thanks partly to work for clients outside MTG.

Interactive business via text TV and the Internet generated revenues totaling SEK 56 million.

## **SDI Media**

**Net sales:** SEK 235 (163) million

**Operating income after depreciation and amortization:** SEK 10 (9) million

MTG formed SDI Media to define more sharply and make more transparent its businesses in subtitling and dubbing for cinemas, television, and DVDs as well as translations for the Internet and applications for TV viewers who are hearing-impaired. The business area, currently the world leader in its field, has completed its launch phase and is focusing on growth and profitability. The sales growth so far this year derives both from organic growth and acquired businesses.

## **Modern Studios**

**Net sales:** SEK 340 (258) million

**Operating income after depreciation and amortization:** SEK –2 (4) million

Strix reported stronger growth for the period, and several program formats, such as *Baren*, were sold to new markets. Business activity in Nordic Artist will be cut back owing to the poor performance of the company. During the period, the acquisition of Modern Entertainment was completed.

## **Income from divested operations**

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

For several reasons including adverse tax effects, MTG did not include in the spin-off of Metro its Swedish sales company, which is also a holding company for assets such as the Group's shares in *Finanstidningen*. Instead, the sales activities in this company were transferred to a new company in the Metro group, effective June 1, 2000. Earnings from this business for the first five months of 2000 have been consolidated in MTG's accounts but are not included in the pro forma comparative figures for 1999, and are therefore reported on a separate line.

MTG's remaining interest in Metro consists of a convertible debenture loan totaling USD 23.5 million and a commercial loan of USD 23.5 million.

## **FINANCIAL POSITION**

### **Equity/assets ratio**

Consolidated shareholders' equity has increased in 2000 as a result of holders of a convertible debenture loan converting the entire loan into shares and new shares being issued 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 including minority interests and the convertible debenture loan, divided by total assets) was 43% (36%) at the end of the period.

This calculation does not take into account the shareholdings or convertible debenture loan in TV4, P4, or Metro, all of which are reported as long-term financial assets. Their total market value at the end of the period was SEK 3,760 million. Their total book value was SEK 441 million. The option to acquire shares in Millicom was transferred to Metro in connection with the spin-off.

Taking into account the surplus values in publicly quoted shares held, adjusted for tax, the equity/assets ratio would be 60% (44%).

### **Liquidity**

The Group's liquidity, including unutilized credit facilities, was SEK 167 (367) 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 240 (169) million at the end of the period.

### **Investment**

During the period, the Group invested a total of SEK 377 (142) million.

### **Depreciation and amortization**

Group depreciation and amortization equaled SEK 272 (144) million.

## **Earnings per share**

Earnings per share after full tax were SEK 2.00 (–0.19).

## **OTHER INFORMATION**

### **Earnings announcement for 2000**

MTG will announce its earnings for the full year 2000 in February 2001.

Additional financial information is published on the Internet at [www.mtg.se](http://www.mtg.se).

Stockholm, November 6, 2000

Hans Holger Albrecht  
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)**

	<b>1999</b>	<b>1999</b>	<b>2000</b>
	<b>Full year Pro forma</b>	<b>1 Jan-30 Sept pro forma</b>	<b>1 Jan-30 Sept</b>
Net sales	4 491	3 077	3 775
Cost of goods and services	-3 182	-2 272	-2 306
<b>Gross income</b>	<b>1 309</b>	<b>805</b>	<b>1 469</b>
Selling, administrative, resarch and development expenses	-932	-587	-1 197
Income from corporate development	-3	-3	-
Income from sales of securities	-	-	108
Expensed option premium for TV1000	-68	-58	-
Other operating revenues	17	10	30
Other operating expenses	-164	-122	-165
Share of earnings in associated companies	43	7	26
<b>Operating income (EBIT)</b>	<b>202</b>	<b>52</b>	<b>271</b>
Net financial revenue and expense	-24	-13	-35
<b>Income after financial revenue and expense excluding interest on convertible debentures</b>	<b>178</b>	<b>39</b>	<b>236</b>
Interest on convertible debentures	-30	-25	-3
<b>Income before tax</b>	<b>148</b>	<b>14</b>	<b>233</b>
Taxes	-84	-47	-101
Minority interests	1	3	-1
<b>Net income for the period</b>	<b>65</b>	<b>-30</b>	<b>131</b>



**REVIEW OF THE GROUP (SEK million)**

	<b>1999</b>	<b>1999</b>	<b>2000</b>
	<b>Full year</b>	<b>1 Jan-30 Sept</b>	<b>1 Jan-30 Sept</b>
	<b>Pro forma</b>	<b>pro forma</b>	
<b>Net sales by business area</b>			
Viasat Broadcasting	3 114	2 145	2 681
Radio	110	79	97
Publishing	128	72	144
Modern Interactive	582	456	457
Modern Studios	419	258	340
SDI Media	256	163	235
Parent company and other companies	91	56	76
Eliminations	-209	-152	-255
	<b>4 491</b>	<b>3 077</b>	<b>3 775</b>
<b>Operating income/loss by business area</b>			
Viasat Broadcasting	314	119	343
Radio	16	11	2
Publishing	-16	-11	-4
Modern Interactive	-27	-18	-22
Modern Studios	18	4	-2
SDI Media	15	9	10
Parent company and other companies	-105	-52	-79
Metro Sweden sales company January-May 2000	-	-	33
Eliminations	-13	-10	-10
	<b>202</b>	<b>52</b>	<b>271</b>

<b>CONSOLIDATED BALANCE SHEET (SEK million)</b>	<b>1999-12-31</b>	<b>1999-09-30</b>	<b>2000-09-30</b>
	<b>Pro forma</b>	<b>pro forma</b>	
<b>Fixed assets</b>			
Capitalized development expenses	347	228	409
Beneficial rights	112	102	288
Goodwill	286	294	1 165
Machinery and equipment	247	199	302
Shares and participations	272	236	241
Long-term receivables	501	328	528
	1 765	1 387	2 933
<b>Current assets</b>			
Inventories	746	605	1 155
Current receivables	1 436	1 464	1 322
Cash, cash equivalents and short-term investments	324	207	150
	2 506	2 276	2 627
<b>Total assets</b>	<b>4 271</b>	<b>3 663</b>	<b>5 560</b>
<b>Shareholders' equity</b>			
Restricted equity	397	308	1 672
Non-restricted equity	721	601	681
	1 118	909	2 353
<b>Minority interests in equity</b>	23	18	15
<b>Provisions</b>	125	115	122
<b>Long-term liabilities</b>			
Convertible debenture loan 1997/2000	-	401	-
Other interest-bearing liabilities	687	698	825
Non-interest-bearing liabilities	0	4	22
	687	1 103	847
<b>Current liabilities</b>			
Convertible debenture loan 1997/2000	407	-	-
Other interest-bearing liabilities	109	11	100
Non-interest-bearing liabilities	1 802	1 507	2 123
	2 318	1 518	2 223
<b>Total shareholders' equity and liabilities</b>	<b>4 271</b>	<b>3 663</b>	<b>5 560</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(SEK million)

	<b>1999</b>	<b>1999</b>	<b>2000</b>
	<b>Full year</b>	<b>1 Jan-30 Sept</b>	<b>1 Jan-30 Sept</b>
	<b>Pro forma</b>	<b>pro forma</b>	
Net income for the period	65	-30	131
Adjustments to reconcile net income/loss to net cash provided by operations	228	182	188
Changes in working capital	152	-84	26
<b>Net cash flow from operations</b>	<b>445</b>	<b>68</b>	<b>345</b>
Acquisition of TV1000	-	-	-900
Issue of shares to finance TV1000 acquisitions	-	-	900
Other investment in shares	-56	-32	-128
Investment in other fixed assets	-407	-142	-377
Other cash flow from investing activities	45	43	160
<b>Cash flow to investing activities</b>	<b>-418</b>	<b>-131</b>	<b>-345</b>
Financing of Metro International SA	-347	-221	-174
Other cash flow from/to financing activities	308	158	0
<b>Cash flow to financing activities</b>	<b>-39</b>	<b>-63</b>	<b>-174</b>
<b>Net change in cash and cash equivalents for the period</b>	<b>-12</b>	<b>-126</b>	<b>-174</b>