MODERN TIMES GROUP MTG AB ("MTG")

Interim Report 1998
January 1—June 30

Modern Times Group MTG AB (Nasdaq: MTGNY) presents its accounts for the first half of 1998 today, Monday, August 17, 1998.

SUMMARY

- **Total revenue increased by 24% to 1.809 MSEK (1.456)**
- **EBITDA increased by 218 MSEK to 166 MSEK (-52)**
- **PBT increased by 261 MSEK to 68 MSEK (-193)**
- **Continued expansion within Publishing, acquisition of FinansTidningen**
- **TV3 now covers six countries through acquisition of TV-station in Latvia.**

FINANCIAL SUMMARY (SEK million)	**1997**	**1997**	**1998**
	Full year	**Jan 1—June 30**	**Jan 1—June 30**
Net sales	2989	1456	1809
Gross income	506	239	406
Operating income/loss before depreciation	– 77	– 52	166
Operating income/loss after depreciation	– 241	– 138	75
Income/loss after financial revenue and expense	– 293	– 193	68

OPERATIONS

Group structure

Shares in MTG are traded on the Nasdaq Stock Market (MTGNY) and on the Stockholm Börsinformation (SBI) list.

During the period, trading in MTG's shares was active, and the share price advanced roughly 130% from January 1 to June 30. About 18% of MTG's share capital is traded in ADR's on Nasdaq.

As before, the MTG Group comprises five business areas: Broadcasting, Radio, Publishing, Electronic Retailing, and Media Services. MTG Broadcasting is divided into Free TV and Pay TV.

Group accounts for the first half contain no operational changes beyond those described in the interim report for Q1 1998.

During Q2 1998, MTG acquired an additional 11,495,763 shares in *FinansTidningen,* raising its holding to 96.7%. *FinansTidningen's* earnings are reported in the Publishing business area effective June 1, 1998, the date of the acquisition.

Also during Q2 1998, MTG acquired 98 shares in Channel 31 in Latvia, representing 49% of all shares in the company. The remainder of the shares in Channel 31 are owned by Karl-Mikael Cakste and Parex Bank, with stakes of 2% and 49%, respectively. With this transaction, TV3 is now active in six countries in Scandinavia and the Baltic region.

Group earnings for the first half of 1998

In the first half of 1998, net sales reached SEK 1,809 million, compared to SEK 1,456 million for the same period in 1997, a jump of 24%. All business areas significantly expanded sales.

Operating income before depreciation was SEK 166 million in the first half, SEK 218 million better than the loss of SEK 52 million in H1 1997.

Operating income after depreciation was SEK 75 million, SEK 213 million better than the loss of SEK 138 million in H1 1997.

Operating income included a capital gain of SEK 50 million arising from the sale of part of the Group's option in Millicom International Cellular SA (MIC) in conjunction with the purchase of *FinansTidningen.*

Presently, the earnings of MTG are subject to fluctuations due to the major part of purchases being done in dollar and pounds. MTG has not been able to compensate the recent increases on these currencies through increased prices, why cost reduction initiatives have been implemented instead.

During H1 1998, a battery of measures was taken to reduce the Group's fixed costs. Accordingly, a few minor operations in the Media Services business area were wound up, TV6 changed its format from a free TV channel to pay TV, and ZTV moved to

London. Altogether, these actions resulted in charges of SEK 21 million to earnings for the period.

The number of permanent, full-time employees in the Group totaled 967 (929) at June 30. Since June 30, 1997, operations at Metro in Gothenburg and Prague and TV3 in Estonia and Lithuania have been added. These units employ a total of 167 persons. Consequently, the number of persons engaged in comparable operations in MTG has declined 14% since June 30, 1997, despite a significant increase in Group sales.

The net interest in earnings of associated companies was SEK 22 (26) million, reported by business area. In other words, the Group's participation in earnings by TV3 Estonia, Channel 31, and TV4 are included in MTG Broadcasting; participation in the earnings of HSS is reported in MTG Electronic Retailing; and participation in the earnings of Radio P4 is reported in MTG Radio.

Net financial revenues and expenses equaled SEK -7 (-55) million. Net financial items included SEK 6 (0) million in foreign exchange gains from the translation of receivables and payables denominated in foreign currencies.

Income after financial revenue and expense totaled SEK 68 (H1 1997: 193 loss) million.

MTG Broadcasting

The Broadcasting business area comprises MTG's TV channels and SMS operations as well as MTG's participation in earnings from the TV1000 channel. The business area is divided into two segments, based on the main source of revenue: Free TV depends chiefly on advertising sales, while Pay TV earns revenue through subscription fees.

Free TV

This segment of MTG Broadcasting consists of the TV3 group, ZTV in Sweden, and 3+ in Denmark. The TV3 group comprises channels in Sweden, Norway, Denmark, Lithuania, Estonia, and, after the acquisition of Channel 31 in Q2 1998, also Latvia. TV3 Estonia and Channel 31 are reported as associated companies.

TV3

During H1 1998, TV3 expanded its sales in the Scandinavian countries 3%, to SEK 734 (716) million.

TV3's channels in the three Scandinavian countries developed as follows. In Sweden, the market for advertising expanded about 10% in H1 1998, and TV3 achieved a market share of 25% (22%). The Norwegian market remained strong, advancing 19%, and TV3 commanded 16% (16%) of the market. Market growth in Denmark was 8%, and TV3's market share equaled 19% (22%). The trend from Q4 1997 endured, with healthy growth in Sweden and Norway but poorer development in Denmark.

The TV3 channels in the Baltic states continued to develop strongly in the first half. In Estonia, the market mushroomed 95%, and TV3's market share reached 49%

(34%). In Lithuania, the market surged 64%, and TV3's market share was 36% (21%).

Sales for the Lithuanian channel, which is consolidated in the accounts of the TV3 group, ended at SEK 36 million.

TV3 Broadcasting reported sales of SEK 775 (735) million for the first half, with operating income of SEK 102 (10) million before depreciation and SEK 89 (-4) million after depreciation. These results were achieved thanks to outstanding sales growth in Sweden, Norway, and Lithuania, as operating expenses were kept in check. However, sales growth in Denmark was not satisfactory.

Other channels

ZTV moved to London, where the channel is broadcast from the same site as TV3 and 3+, during the first half as planned. However, the substantial cost savings expected from the move will not begin to appear in ZTV's earnings until Q3 1998.

ZTV and 3+ reported sales of SEK 43 (28) million for the first half, with operating losses of SEK 49 (-59) million before depreciation and SEK 50 (61) million after depreciation.

Associated companies

Earnings for the business area include MTG's participation in the associated companies TV4 and TV3 Estonia. Earnings in TV4 came out below expectations in spite of the fact that both severance payments to the former CEO and foot-ball rights were posted as extra-ordinary items. Participation in those companies' earnings totaled SEK 2 (6) million in the first half. Starting in Q3 1998, Channel 31 in Latvia will be reported as an associated company in MTG Broadcasting.

Pay TV

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

ViaSat

At June 30, 1998, ViaSat had 164,000 subscribers for its premium product ViaSat Gold. Hence, since ViaSat relaunched its premium product in September 1997, subscriptions have increased 35%.

The number of ViaSat smartcards on issue at June 30 was 940,000 (869,000).

Sales for H1 1998 were SEK 205 (120) million, operating income before depreciation was SEK 48 (22) million, and operating income after depreciation SEK 37 (15) million.

TV6

TV6 changed format at March 1, 1998, and is now broadcast as a pay-TV channel with two programming blocks: TV6 Nature World and TV6 Action World. This change should yield considerable cost savings for the channel.

Sales for H1 1998 were SEK 9 (7) million, and the operating loss was SEK 18 (31) million before depreciation and SEK 23 (35) million after depreciation. The effects of cost savings began appearing in March 1998.

TV1000

According to a separate agreement between Kinnevik and MTG, MTG distributes the premium channel TV1000 as part of the ViaSat Gold package and to cable-TV networks. In 1998, Kinnevik will cover up to SEK 60 million of the losses made by TV1000.

At the end of June, TV1000 had 253,000 (209,000) subscribers.

The business area's share of losses in TV1000 for H1 1998 reached SEK 60 (21) million.

Sales for the entire Broadcasting business area equaled SEK 1,061 (943) million, resulting in operating income before depreciation of SEK 31 (H1 1996: 65 loss) million, and an operating loss after depreciation of SEK 17 (110) million.

MTG Radio

The radio market was seen to continue to expand briskly during the first half, at a rate of 20% (30%), and MTG Radio boosted sales 56%, thus winning market shares. Operating result includes MTGs share of P4's income, which continues to grow rapidly.

Sales for MTG Radio as a whole were SEK 42 (27) million in the first half, with operating losses totaling SEK 2 (7) million before depreciation and SEK 5 (10) million after depreciation.

MTG Publishing

The newspaper *Metro* is published in three cities. In Stockholm, a total of 220,000 copies are printed which are read by roughly 604,000 persons; in Gothenburg, 70,000 copies are read by 130,000 persons and; in Prague 200,000 copies are read by 420,000 persons. Metro has thus achieved the biggest circulation of any daily in Prague and the second biggest in Stockholm and Gothenburg.

Preparations to start *Metro* in Budapest are proceeding as planned, and the first issue is slated for September 7, 1998.

Sales in Stockholm and Gothenburg equaled SEK 154 (90) million and in Prague SEK 14 (0) million.

During the period, Metro's contract with the Greater Stockholm Public Transport Company was extended five years, to the end of the year 2005.

In May, the Group expanded its stake in *FinansTidningen,* a Swedish financial newspaper. Following the transaction, MTG owns 96.7% of *FinansTidningen*. *FinansTidningen* is consolidated as a subsidiary in MTG Publishing effective June 1, 1998, the date of the acquisition.

Sales for MTG Publishing as a whole reached SEK 179 (94) million in the first half, with operating income of SEK 36 (13) million before depreciation and SEK 30 (9) million after depreciation.

MTG Electronic Retailing

The growth achieved by TV Shop's operations in Q1 1998 continued in Q2, and sales for the first half were 35% higher in 1998 than in the preceding year. Media time regained continued to fuel sales growth, which combined with lower expenses to substantially boost earnings.

Sales for MTG Electronic Retailing totaled SEK 306 (227) million in the first half, operating income before depreciation SEK 21 (H1 1997: 6 loss) million, and operating income after depreciation SEK 14 (H1 1997: 13 loss) million.

MTG Media Services

This business area expanded sales 14% compared to the same period one year previous. Sales growth was chiefly attributable to the four companies that represent 80% of the business area's sales: Sonet, SDI, Strix, and MTG Media Properties.

The companies reported a steady stream of orders, with Sonet planning extensive releases this autumn, SDI having signed several contracts with programs such as *Fox Kids* and *Animal Planet,* and Strix wrapping up *Robinson,* the leading production for the Swedish and Danish markets.

Other companies in the business area also developed according to plan during the first half.

Sales for the entire Media Services business area reached SEK 300 (263) million in the first half, with operating income before depreciation at SEK 55 (34) million and after depreciation at SEK 34 (17) million.

FINANCIAL POSITION

Equity/assets ratio

The Group's equity/assets ratio (consolidated shareholders' equity including the convertible debenture loan, divided by total assets) equaled 42% at June 30, 1998.

This ratio does not take into account MTG's holdings in TV4 and P4, reported as fixed assets, which had a combined market value of SEK 1,047 million at June 30. The underlying value of the shares in Millicom International Cellular SA (MIC), corresponding to the option to acquire shares in MIC which is reported as a current asset, had a market value of SEK 477 million at the end of the period. The aggregate book value and exercise price for these holdings was SEK 308 million. As mentioned earlier, an option for 186,520 shares was sold to raise funds for the acquisition of *FinansTidningen,* after which the number of shares represented by the MIC option equaled 1,363,480.

Liquidity

The Group's liquidity, including unutilized credit facilities and the MIC option, equaled SEK 635 million at the end of the period.

Net borrowings

Consolidated net borrowings (interest-bearing liabilities, excluding the convertible debenture loan, less interest-bearing assets) totaled SEK 271 million at the end of the period.

Investing activities

During the period, the Group invested SEK 95 million, of which SEK 50 million was to acquire *FinansTidningen.*

Depreciation and amortization

Group depreciation totaled SEK 91 (86) million.

Earnings/loss per share

Earnings per share after full tax, and taking into account full conversion of the outstanding convertible debenture loan, ended at SEK 0.67 (H1 1997: 3.20 loss).

PARENT COMPANY

The parent company conducts no operations of its own. Income after net financial items totaled SEK 185 (32) million. No investments were made during the period. The company has no liquid funds of its own.

OTHER INFORMATION

Interim report for January—September 1998

MTG's interim report for the period from January through September 1998 is tentatively scheduled to be released on November 16, 1998.

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, including quarterly breakdowns, is published on the Internet at www.mtg.se.

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

Stockholm, August 17, 1998

Modern Times Group MTG AB
The Board of Directors

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

CONSOLIDATED INCOME STATEMENT (MSEK)

	Jan-Dec 1997	Jan-June 1997	Jan-June 1998
Net sales	2989	1456	1809
Cost of goods and services	-2483	-1217	-1403
Gross income/loss	506	239	406
Selling, administrative, research and development expenses	-616	-312	-275
Income / loss from corporate development	4	-	-
Income / loss from sales of securities	-	-	50
Expensed option premium for TV1000	-96	-27	-60
Other operating revenues	30	30	25
Other operating expenses	-123	-94	-93
Interest in earnings of associated companies	54	26	22
Operating income/loss	-241	-138	75
Financial items, net	-52	-55	-7
Income/loss after financial revenue and expense	-293	-193	68
Interest on convertible debentures	-9	-	-13
Income/loss before tax	-302	-193	55
Taxes	-41	-11	-18
Minority interests	-1	-3	-3
Net income/loss for the period	-344	-207	34

REVIEW OF THE GROUP (MSEK)	Jan-June 1997	Jan-June 1998
Breakdown of net sales by business area		
MTG Broadcasting	943	1061
MTG Radio	27	42
MTG Publishing	94	179
MTG Electronic Retailing	227	306
MTG Media Services	263	300
Parent company and other companies	11	19
Eliminations	-109	-98
Total	1456	1809
Breakdown of operating income/loss by business area		
MTG Broadcasting	-110	-17
MTG Radio	-10	-5
MTG Publishing	9	30
MTG Electronic Retailing	-13	14
MTG Media Services	17	34
Parent company and other companies	-26	24
Eliminations	-5	-5
Total	-138	75
Breakdown of income/loss after financial items by business area		
MTG Broadcasting	-180	-57
MTG Radio	-15	-8
MTG Publishing	7	29
MTG Electronic Retailing	-23	4
MTG Media Services	11	30
Parent company and other companies	12	75
Eliminations	-5	-5
Total	-193	68

CONSOLIDATED BALANCE SHEET (MSEK)	Dec 31, 1997	June 30, 1997	June 30, 1998
Fixed assets			
Capitalized development expenses	180	188	174
Immaterial rights	128	76	119
Goodwill	281	295	314
Machinery, equipment, property etc	200	218	184
Stocks and participations	319	286	296
Long-term receivables	13	15	13
	1121	1078	1100
Current assets			
Inventories including advances to suppliers	638	195	679
Short-term receivables	776	1263	995
Cash, bank and short-term investments	326	181	246
	1740	1639	1920
Total assets	2861	2717	3020
Equity			
Restricted equity	375	19	357
Unrestricted equity	473	595	519
	848	614	876
Minority interests in equity	8	11	11
Provisions	82	70	83
Long-term receivables			
Convertible debenture loan 1997/2000	377	-	383
Non-interest bearing liabilities	0	38	3
Interest bearing liabilities	449	432	454
	826	470	840
Short term liabilities			
Net debt to Kinnevik	-	759	-
Non-interest bearing liabilities	1010	696	1132
Interest bearing liabilities	87	97	78
	1097	1552	1210
Total stockholder's equity and liabilities	2861	2717	3020