

## **MODERN TIMES GROUP MTG AB**

### **ANNOUNCEMENT OF 2000 EARNINGS**

Modern Times Group MTG AB (OM Stockholm Exchange: MTGA, MTGB; Nasdaq: MTGNY) announces the results of operations for fiscal 2000 today, Monday, February 19, 2001.

- **GROWTH IN SALES WAS 21% FOR FULL-YEAR 2000.**
- **OPERATING INCOME AFTER DEPRECIATION AND AMORTIZATION IMPROVED 123%, TO SEK 450 MILLION INCLUDING CAPITAL GAINS.**
- **INCOME AFTER FINANCIAL ITEMS JUMPED 128%, TO SEK 407 MILLION.**
- **THE TRANSITION TO DIGITAL DECODERS BY VIASAT GOLD SUBSCRIBERS PROGRESSED ACCORDING TO PLAN, IN TOTAL 285,000 DECODERS HAVE BEEN DELIVERED.**
- **SALES OF DIGITAL DECODERS WERE STRONG TO NEW SUBSCRIBERS, MANY OPTING FOR PREMIUM PLANS. 97,000 BOXES WERE SOLD, OF WHICH 80% WERE VIASAT GOLD.**
- **DURING YEAR 2000 METRO WAS DIVESTED TO THE SHAREHOLDERS, AN ACQUISITION OF TV1000 FROM KINNEVIK AND THE CREDITLIMIT FOR MTG HAS BEEN INCREASED WITH SEK 900 MILLION.**

## FINANCIAL SUMMARY (SEK MILLION)

|   | 2000  | 1999<br>Pro-forma |
|---|-------|-------------------|
| Net sales   | 5,431 | 4,491             |
| Gross income  | 2,088 | 1,309             |
| Operating income before depreciation and amortization | 820   | 421               |
| Operating income after depreciation and amortization  | 450   | 202               |
| Income after financial revenue and expense            | 407   | 178               |

## OPERATIONS

### Organization

The shares 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. This report excludes Metro International from the figures for full-year 2000 as well as the figures for full-year 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.com 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, from 2000 forward 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.

## FINANCIAL RESULTS

### Consolidated Earnings for 2000

**Net sales** rose 21%, to SEK 5,431 million.

**Operating income before depreciation and amortization** advanced to SEK 820 (421) million.

**Operating income after depreciation and amortization** advanced to SEK 450 (202) million.

The Group's net **share of earnings in associated companies** was SEK 57 (43) million.

**Net interest and other financial items** totaled SEK -43 (-24) million, including SEK -8.8 (-1.6) 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** equaled SEK 32 (-) million.

**Income after financial items** jumped, to SEK 407 (178) million.

**Income after tax** also jumped, to SEK 203 (65) million. **Earnings per share** ended at SEK 3,10 (1.33).

**MTG's total assets** at December 31, 2000, were SEK 6,652 (4,271) million.

## REVIEW OF OPERATIONS

### Viasat Broadcasting

**Net sales:** SEK 3,818 (3,114) million

**Operating income after depreciation and amortization:** SEK 591 (314) million

Operating income included SEK 106 million in capital gains on the divestment of shares in TV4.

The business area's sales and income for 2000 include TV1000, which was acquired during the year.

The digital-TV roll-out continued as planned. All Viasat Gold subscribers will have received a digital decoder by the end of the first quarter of 2001. Hence, Viasat has locked in substantial savings on the cost of satellite distribution. Sales of digital decoders to new subscribers began in the fourth quarter of 2000. By year-end 2000, 62,000 new subscriptions had been sold, 72% of them Viasat Gold subscriptions.

MTG's TV3, ZTV, 3+, Viasat Plus, and TV8 channels reported **advertising sales** totaling SEK 2,282 (2,058) million, up 11%. The television advertising market in Scandinavia was buoyant during the period, leading to increased sales by MTG's channels. The Swedish

market was particularly robust with a growth in sales of 18%. The Norwegian market recovered in the fourth quarter, following a third quarter negatively affected by changes in methods for measuring the TV-viewing audience.

**Subscription revenue** totaled SEK 1,536 (1,494<sup>1</sup>) million. In the fourth quarter, the transition to digital TV commenced through the replacement of decoders for current Viasat Gold subscribers and through sales to new subscribers. Sales of new subscriptions subsided as customers waited for digital TV, as anticipated, so the total number of card subscribers decreased slightly. However, more subscribers opted for Viasat Gold packages. By the end of the period, TV1000 had 405,000 (384,000) subscribers.

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

|                  | Viasat Gold |          | Cardholders |           |
|------------------|-------------|----------|-------------|-----------|
|                  | Dec 2000    | Dec 1999 | Dec 2000    | Dec 1999  |
| Total for Viasat | 321,026     | 288,723  | 1,077,094   | 1,092,675 |

By the end of week 6, 2001, a total number of 285,000 decoders have been installed in our current Viasat Gold subscribers' households. In addition to that the sale of new decoders amounted to 97,000, of which 80% were Viasat Gold subscribers. The total number of digital subscribers amounted to 382,000 in total.

Operating income for the entire business area reached SEK 591 (314) million. MTG's share of TV4's income is included in the business area in the share of earnings in associated companies along with the Group's share of earnings from TV3 channels in Estonia and Latvia.

## Radio

**Net sales:** SEK 133 (108) million

**Operating income after depreciation and amortization:** SEK 18 (16) million

The market for radio advertising grew apace during the period, although prices remained at an unsatisfactory level. P4 Radio Hele Norge achieved satisfactory earnings. In Finland, the Group's holdings in Star FM and Groove were divested in exchange for a minority holding in Radio Nova.

## Publishing

**Net sales:** SEK 214 (128) million

**Operating income after depreciation and amortization:** SEK 10 (-16) million

The business daily *Finanstidningen* boosted revenues to SEK 173 million, due to improvements in the product and to excellent growth in subscriptions and cumulative audience. *Brombergs Förlag* reported income up sharply. The magazine business remained in the red.

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<sup>1</sup> 1999 figures are adjusted for TV1000.

## **Modern Interactive**

**Net sales:** SEK 632 (582) million

**Operating income after depreciation and amortization:** SEK -94 (-27) million

During the period, TVShop's sales dropped as a result of the cancellation of unprofitable distribution agreements.

In the fourth quarter, previously announced write-offs were made on certain balance sheet items related to the restructuring of the business area. The costs totaled SEK 35 million.

The logistics company e-CommerceLogistics (eCL) kept up its brisk pace of growth in sales and generated a profit, thanks partly to work for clients outside MTG.

The Text-TV operations in Spain reported healthy profitability, while the Internet Retailing operations remained unprofitable.

## **SDI Media**

**Net sales:** SEK 330 (256) million

**Operating income after depreciation and amortization:** SEK 18 (15) million

MTG formed SDI Media to define more sharply and make more transparent its businesses in subtitling and dubbing for the cinema, 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. In 2000, sales growth was attributable to organic growth as well as acquisitions.

## **Modern Studios**

**Net sales:** SEK 551 (419) million

**Operating income after depreciation and amortization:** SEK 3 (18) million

Business activities in Strix Television and Sonet Film achieved satisfactory growth in sales and profit for the year. Together, sales totaled SEK 357 million, with operating income after depreciation and amortization ending at SEK 44 million.

In 2000, the Group began winding down Nordic Artist and finished refocusing MTG Media Properties on core business. Total losses for these businesses were SEK 31 million in 2000.

## **Income from divested operations**

### **Operating income after depreciation and amortization: SEK 32 (–) 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 in the income statement.

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. During the fourth quarter 1/16 of the debenture loan was converted into the equivalent of 1,000,000 shares.

## **FINANCIAL POSITION**

### **Equity/assets ratio**

Consolidated shareholders' equity 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 37% (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 3,262 million. Their total book value was SEK 473 million. The option to acquire shares in Millicom was transferred to Metro in connection with the spin-off.

The balance sheet total increased to SEK 6,672 million. The increase was caused by the acquisition of TV1000 and the investments in digital decoders.

Taking into account the surplus values in publicly quoted shares held, adjusted for tax, the equity/assets ratio would be 52% (46%).

### **Liquidity**

The Group's liquidity, including unutilized credit facilities, was SEK 514 (401) 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 520 (14) million at year-end.

During the period, the Group's credit facilities were expanded SEK 900 million, to SEK 1,600 million, to finance investments required by the digitalization of TV operations.

### **Investment**

During the period, the Group invested a total of SEK 1,027 (407) million, of which SEK 555 million in the digital swap project and SEK 246 million in other capitalized development expenses.

### **Depreciation and amortization**

Group depreciation and amortization equaled SEK 370 (219) million.

### **Earnings per share**

Earnings per share after dilution totaled SEK 3,10 (1.33).

## **OTHER INFORMATION**

### **Report for the first quarter of 2001**

MTG will report the results of the first quarter of 2001 on April 25, 2001.

### **Annual report**

MTG plans to publish its annual report in the beginning of March. It will be available at the Company's office: MTG, Skeppsbron 18, Box 2094, SE-103 13 Stockholm, Sweden.

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

### **Annual general meeting**

The annual general meeting of shareholders in MTG will be held at 9:30 A.M. on Thursday May 17, 2001, at Gamla Stans Bryggeri, Tullhus 2, on Skeppsbrogajen in Stockholm.

### **Dividend**

The Board voted to propose to the annual general meeting that no dividend be paid for 2000.

Stockholm, February 19, 2001

The Board of Directors of Modern Times Group MTG AB

This annual statement has not been subject to a review by the Company's auditors.

### **For additional information, please contact:**

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| <b>CONSOLIDATED INCOME STATEMENT (MSEK)</b>  | <b>2000</b>      | <b>1999</b>                     | <b>1999</b>      | <b>2000</b>    | <b>1999</b>                   |
|--|------------------|---------------------------------|------------------|----------------|-------------------------------|
|  | <b>Full year</b> | <b>Full year<br/>pro forma*</b> | <b>Full year</b> | <b>Oct-Dec</b> | <b>Oct-Dec<br/>pro forma*</b> |
| Net sales  | 5 431            | 4 491                           | 4 789            | 1 656          | 1 414                         |
| Cost of goods and services   | -3 343           | -3 182                          | -3 396           | -972           | -910                          |
| <b>Gross income</b>  | <b>2 088</b>     | <b>1 309</b>                    | <b>1 393</b>     | <b>684</b>     | <b>504</b>                    |
| Selling, administrative, research and development expenses   | -1 616           | -932                            | -1 077           | -451           | -345                          |
| Income from corporate development  | 8                | -3                              | -3               | 6              | 0                             |
| Income from sales of securities  | 106              | -                               | -                | -              | 0                             |
| Expensed option premium for TV1000   | -                | -68                             | -68              | -              | -10                           |
| Result in Metro Sweden sales company Jan-May 2000  | 32               | -                               | -                | -1             | -                             |
| Other operating revenues   | 18               | 17                              | 238              | -12            | 7                             |
| Other operating expenses   | -243             | -164                            | -241             | -78            | -42                           |
| Share of earnings in associated companies  | 57               | 43                              | 43               | 31             | 36                            |
| <b>Operating income (EBIT)</b>   | <b>450</b>       | <b>202</b>                      | <b>285</b>       | <b>179</b>     | <b>150</b>                    |
| Net financial revenue and expense  | -43              | -24                             | -54              | -8             | -11                           |
| <b>Income after financial revenue and expense<br/>excluding interest on convertible debentures</b> | <b>407</b>       | <b>178</b>                      | <b>231</b>       | <b>171</b>     | <b>139</b>                    |
| Interest on convertible debentures   | -3               | -30                             | -30              | 0              | -5                            |
| <b>Income before tax</b>   | <b>404</b>       | <b>148</b>                      | <b>201</b>       | <b>171</b>     | <b>134</b>                    |
| Taxes  | -202             | -84                             | -84              | -101           | -37                           |
| Minority interests   | 1                | 1                               | 13               | 2              | -2                            |
| <b>Net income for the period</b>   | <b>203</b>       | <b>65</b>                       | <b>130</b>       | <b>72</b>      | <b>95</b>                     |
| Number of shares outstanding at year-end   | 66 375 156       | 59 697 732                      | 59 697 732       | 66 375 156     | 59 697 732                    |
| Denominator for basic earnings per share   | 63 944 505       | 59 697 732                      | 59 697 732       | 66 375 156     | 59 697 732                    |
| Denominator for diluted earnings per share   | 65 952 859       | 64 685 967                      | 64 685 967       | 66 375 156     | 64 685 967                    |
| Basic earnings per share   | 3,17             | 1,08                            | 2,18             | 1,08           | 1,59                          |
| Diluted earnings per share   | 3,10             | 1,33                            | 2,35             | 1,08           | 1,53                          |

\* excluding Metro International SA

**REVIEW OF THE GROUP (MSEK)**

|   | <b>2000</b>      | <b>1999</b>                     | <b>2000</b>    | <b>1999</b>                   |
|---|------------------|---------------------------------|----------------|-------------------------------|
|   | <b>Full year</b> | <b>Full year<br/>pro forma*</b> | <b>Oct-Dec</b> | <b>Oct-Dec<br/>pro forma*</b> |
| <b>Net sales by business area</b>             |                  |                                 |                |                               |
| Viasat Broadcasting                           | 3 818            | 3 114                           | 1 137          | 969                           |
| MTG Radio                                     | 133              | 107                             | 36             | 30                            |
| MTG Publishing                                | 214              | 128                             | 70             | 56                            |
| MTG Modern Interactive                        | 632              | 582                             | 175            | 126                           |
| MTG Modern Studios                            | 551              | 419                             | 211            | 161                           |
| SDI Media                                     | 330              | 256                             | 96             | 93                            |
| Parent company and other companies            | 105              | 94                              | 29             | 37                            |
| Eliminations                                  | -352             | -209                            | -98            | -58                           |
|   | <b>5 431</b>     | <b>4 491</b>                    | <b>1 656</b>   | <b>1 414</b>                  |
| <b>Operating income/loss by business area</b> |                  |                                 |                |                               |
| Viasat Broadcasting                           | 591              | 314                             | 248            | 196                           |
| MTG Radio                                     | 18               | 16                              | 15             | 4                             |
| MTG Publishing                                | 10               | -16                             | 15             | -5                            |
| MTG Modern Interactive                        | -94              | -27                             | -72            | -9                            |
| MTG Modern Studios                            | 3                | 18                              | 5              | 14                            |
| SDI Media                                     | 18               | 15                              | 8              | 6                             |
| Parent company and other companies            | -115             | -105                            | -36            | -53                           |
| Metro Sweden sales company January-May 2000   | 32               | -                               | -1             | -                             |
| Eliminations                                  | -13              | -13                             | -3             | -3                            |
|   | <b>450</b>       | <b>202</b>                      | <b>179</b>     | <b>150</b>                    |

\* excluding Metro International SA

| <b>CONSOLIDATED BALANCE SHEET (MSEK)</b>          | <b>2000-12-31</b> | <b>1999-12-31<br/>pro forma*</b> | <b>1999-12-31</b> |
|---|-------------------|----------------------------------|-------------------|
| <b>Fixed assets</b>                               |                   |                                  |                   |
| Capitalized development expenses                  | 985               | 347                              | 586               |
| Beneficial rights                                 | 298               | 112                              | 114               |
| Goodwill  | 1 045             | 286                              | 466               |
| Machinery and equipment                           | 313               | 247                              | 270               |
| Shares and participations                         | 303               | 272                              | 272               |
| Long-term receivables                             | 659               | 501                              | 77                |
|   | 3 603             | 1 765                            | 1 785             |
| <b>Current assets</b>                             |                   |                                  |                   |
| Inventories                                       | 1 201             | 746                              | 747               |
| Current receivables                               | 1 556             | 1 436                            | 1 543             |
| Cash, cash equivalents and short-term investments | 292               | 324                              | 342               |
|   | 3 049             | 2 506                            | 2 632             |
| <b>Total assets</b>                               | <b>6 652</b>      | <b>4 271</b>                     | <b>4 417</b>      |
| <b>Shareholders' equity</b>                       |                   |                                  |                   |
| Restricted equity                                 | 1 724             | 397                              | 397               |
| Non-restricted equity                             | 730               | 721                              | 691               |
|   | 2 454             | 1 118                            | 1 088             |
| <b>Minority interests in equity</b>               | 7                 | 23                               | 9                 |
| <b>Provisions</b>                                 | 124               | 125                              | 127               |
| <b>Long-term liabilities</b>                      |                   |                                  |                   |
| Other interest-bearing liabilities                | 1 277             | 687                              | 697               |
| Non-interest-bearing liabilities                  | 44                | 0                                | 1                 |
|   | 1 321             | 687                              | 698               |
| <b>Current liabilities</b>                        |                   |                                  |                   |
| Convertible debenture loan 1997/2000              | -                 | 407                              | 407               |
| Other interest-bearing liabilities                | 125               | 109                              | 109               |
| Non-interest-bearing liabilities                  | 2 621             | 1 802                            | 1 979             |
|   | 2 746             | 2 318                            | 2 495             |
| <b>Total shareholders' equity and liabilities</b> | <b>6 652</b>      | <b>4 271</b>                     | <b>4 417</b>      |

\* excluding Metro International SA

| <b>CONSOLIDATED STATEMENT OF CASH FLOWS<br/>(MSEK)</b>                    | <b>2000<br/>Full year</b> | <b>1999<br/>Full year<br/>pro forma*</b> | <b>1999<br/>Full year</b> | <b>2000<br/>Oct-Dec</b> | <b>1999<br/>Oct-Dec<br/>pro forma*</b> |
|---|---------------------------|--|---------------------------|-------------------------|--|
| Net income for the period   | 203                       | 65                                       | 130                       | 72                      | 95                                     |
| Adjustments to reconcile net income to<br>net cash provided by operations | 303                       | 228                                      | 256                       | 115                     | 46                                     |
| Changes in working capital  | 228                       | 152                                      | -18                       | 202                     | 236                                    |
| <b>Net cash flow from operations</b>                                      | <b>734</b>                | <b>445</b>                               | <b>368</b>                | <b>389</b>              | <b>377</b>                             |
| Acquisition of TV1000   | -900                      | -  | -                         | 0                       | -                                      |
| Issue of shares to finance TV1000 acquisition                             | 900                       | -  | -                         | 0                       | -                                      |
| Other investments in shares   | -164                      | -56                                      | -79                       | -36                     | -24                                    |
| Investments in other fixed assets   | -1 027                    | -407                                     | -630                      | -650                    | -265                                   |
| Other cash flow from investing activities                                 | 164                       | 45                                       | 45                        | 4                       | 2                                      |
| <b>Cash flow to investing activities</b>                                  | <b>-1 027</b>             | <b>-418</b>                              | <b>-664</b>               | <b>-682</b>             | <b>-287</b>                            |
| <b>Cash flow from/to financing activities</b>                             | <b>227</b>                | <b>-39</b>                               | <b>301</b>                | <b>401</b>              | <b>24</b>                              |
| <b>Net change in cash and cash equivalents for the period</b>             | <b>-66</b>                | <b>-12</b>                               | <b>5</b>                  | <b>108</b>              | <b>114</b>                             |

\* excluding Metro International SA