



## **MODERN TIMES GROUP MTG AB**

### **FINANCIAL RESULTS FOR THE PERIOD JANUARY – SEPTEMBER 2002**

Stockholm, October 23, 2002 - Modern Times Group MTG AB ("MTG") (Stockholmsbörsen: MTGA, MTGB; Nasdaq: MTGNY) today announced its preliminary financial results for the first nine months and the third quarter of 2002, ending September 30, 2002.

- **NET SALES AMOUNTED TO SEK 1,371 (1,415) MILLION FOR THE THIRD QUARTER, DUE TO WEAK ECONOMIC CLIMATE.**
- **OPERATING INCOME IMPROVED TO SEK -23 (-31) MILLION FOR THE QUARTER.**
- **PAY-TV OPERATING INCOME ALMOST QUADRUPLED DURING THE QUARTER TO SEK 87 (23) MILLION.**
- **THE NUMBER OF DIGITAL DTH SUBSCRIBERS INCREASED DURING THE QUARTER TO 589,000, AND THE NUMBER OF VIASAT GOLD SUBSCRIBERS WAS STABLE AT 426,000.**
- **HEAD-COUNT IS REDUCED BY 10% YEAR-ON-YEAR, AND TOTAL COSTS ARE DOWN BY 5% OR SEK 200 MILLION YEAR-TO-DATE.**

## **FINANCIAL SUMMARY**

	<b>2002 Jul-Sept</b>	<b>2001 Jul-Sept</b>	<b>2002 Jan-Sept</b>	<b>2001 Jan-Sept</b>	<b>2001 FY</b>
<i>In SEK million</i>					
Net sales	1,371	1,415	4,293	4,550	6,402
Earnings before depreciation and amortisation	37	25	382	323	596
Operating income	-23	-31	201	150	360
- of which, non-recurring items	-	-	163	-	-15
Net interest and other financial items*	-41	-82	-151	-139	-110
Pre tax profit	-64	-113	50	11	250
Net income	-20	-53	27	8	121
Earnings per share (SEK)	-0.30	-0.80	0.41	0.12	1.82
Number of shares outstanding	66,375,156	66,375,156	66,375,156	66,375,156	66,375,156
Total assets	6,740	6,895	6,740	6,895	6,941

\* Net interest and other financial items includes net interest costs and unrealised exchange rate costs, including the translation of receivables on Metro from USD to SEK and the translation of the convertible bonds from EUR to SEK.

## **THE GROUP**

MTG is an international media company with principal operations in eight countries in the Scandinavian and the Baltic regions. Certain subsidiaries operate globally and consequently MTG totally operates in more than 30 countries. The Group has seven business areas. TV-operations are included in Viasat Broadcasting; content production and sales in Modern Studios; traditional home-shopping and e-commerce in TV-Shop; subtitling and dubbing in SDI Media; printed products and financial news in MTG Publishing, commercial radio stations in MTG Radio; and businesses such as digital-TV applications and teletext services in New Media.

MTG is the largest Free-TV operator in the Nordic and Baltic regions, as well as the third largest DTH Pay-TV operator in Europe, with the largest number of DTH subscribers in the Nordic region. MTG is the global market leader when it comes to subtitling and dubbing, and the largest commercial radio operator in northern Europe. Through Strix Television, MTG is one of the leading Reality-TV producers on the international market.

It was with great sadness that MTG announced that its Founder and Chairman of the Board, Mr. Jan Hugo Stenbeck, passed away on August 19, 2002. Mr. Stenbeck was also the Founder and Chairman of Invik & Co. AB, Tele2 AB, Metro International S.A., Millicom International S.A., Transcom WorldWide S.A. and was the Chairman of Industriförvaltnings AB Kinnevik.

On August 22, 2002 the Board appointed Pelle Törnberg, former CEO of MTG AB, as new Chairman of the Board.

In May MTG reduced its shareholding in TV4 by one million shares, resulting in a capital gain of SEK 163 million. MTG's interest in TV4 is thereby decreased to 3,020,013 shares or 15,1%. As a result, MTG's participation in the earnings of TV4 has only been consolidated until the Mid May 2002. At the same time MTG subscribed to an issue of convertible notes of USD 20 million by its former subsidiary, international publishing group Metro International S.A. The bonds have a five-year yield to maturity, and the notes are convertible into Metro International S.A. B shares at a price of USD 2,01 per share and have an annual coupon of 6,25%.

During the first quarter 2002 MTG acquired 36.3% of the shares in the privately owned US company, StoryFirst Communications, Inc., which owns a majority stake in the second largest commercial TV network in Russia. MTG also acquired the remaining shares in its Estonian television and radio operations, the Lugna Favoriter radio station in Stockholm, as well as the financial newspaper Vision, which was merged with Finanstidningen into the new daily business paper Finans Vision.

## **OPERATING REVIEW BY BUSINESS AREA**

During the second quarter TV8 was moved from Publishing to Viasat Broadcasting and the historical figures have been re-stated accordingly.

### **Viasat Broadcasting**

Viasat Broadcasting produces and broadcasts 21 TV-channels in nine countries. The channels include the well-known brands TV3 and TV1000. From being a successful Scandinavian and Baltic broadcaster, the formats have recently been exported to new growth territories such as Viasat3 in Hungary and Daria TV and CTC in Russia.

Revenues for Viasat's total free-TV businesses showed growth in the third quarter for the first time this year, and increased to SEK 526 (507) million for the period. TV3 has invested in new successful programme formats from Strix such as Fame Factory, which is showing strong growth in weekly share of viewing since launch, and is outperforming the international format Popstars on the competing channel. Another successful new format from Strix is Insider on TV3 Sweden, which has recorded all time high ratings for an own produced documentary on TV3 Sweden with 635,000 viewers, or 40% commercial share of viewing. The Survivor format has continued to achieve exceptional ratings on TV3 Denmark and TV3 Norway. The Baltic, Hungarian and Russian TV-advertising markets have continued to show strong growth, which in combination with

Viasat's increased commercial share of viewing in each of these territories has enabled the Group to more than double its sales in the areas.

Net sales for the pay-TV operations amounted to SEK 523 (558) million for the period, and premium ARPU increased by 21% quarter-on-quarter. Operating income for the pay-TV operations almost quadrupled during the quarter to 87 (23) MSEK, reflecting increased margins. Viasat's digital subscriber base grew in the seasonally weaker third quarter with the net addition of 12,000 new digital subscribers. The number of Viasat Gold subscribers stayed at the same level during the third quarter, which is usually negatively impacted by summer churn. Viasat is increasing its package prices during the fall and is further strengthening its competitive offer by adding the Disney Channel exclusively to its premium package offerings.

(Thousand subscribers)	<u>Sept 2002</u>	<u>June 2002</u>
Cardholders	1,017	1,045
- of which, digital subscribers	589	577
Viasat Gold package premium subscribers	426	426
Other premium package subscribers	27	30
TV1000	484	488

Net sales: SEK 956 (981) million for the third quarter and SEK 3,101 (3,161) million year to date

Operating income: SEK 9 (17) million for the third quarter and SEK 335 (277) million year to date

### **Modern Studios**

Modern Studios includes MTG's content production companies, with the leading production house of Reality TV formats - Strix Television, the market leader of Swedish cinema distribution - Sonet, the international movie rights company - Modern Entertainment, and the boxing promotion company Modern Sports and Events.

Strix's operating margin was 18% in the third quarter, and it is currently producing or co-producing ten formats in 20 countries, and has now sold 78 options or licenses for its formats in 37 countries around the world. One of its most successful formats, 'Harem', reached 29% share of viewing in France on the final show on the leading French TV channel M6, doubling M6's average viewing numbers during prime time.

Sonet's fall line-up has been highly successful, with box office successes such as 'Grabben i graven bredvid', 'Lilja 4-ever', and the 'Best European Film' award winner in the Hollywood Film Festival in October 'Everyone Loves Alice'.

Net sales: SEK 145 (142) million for the third quarter and SEK 419 (466) million year to date

Operating income: SEK 24 (18) million for the third quarter and SEK 37 (55) million year to date

## **TV-Shop**

The TV-Shop division includes TV-Shop – Europe's largest TV home shopping business for both analogue and digital TV-networks, CDON – Scandinavia's second largest internet retailer of CDs, DVDs and electronic games, and ECL – a pan-European logistics company.

TV-Shop reaches more than 100 million people in Europe, including its 24-hour shopping channel PIN24 in the UK, Germany, Austria, Switzerland and Scandinavia. The company improved its operating income by SEK 20 million during the quarter due to a significantly lower cost structure.

CDON increased its revenues by 47% year to date and the company has been profitable since fifteen months, reflecting the strong brand and high level of repeat ordering.

Net sales: SEK 158 (164) million for the third quarter and SEK 481 (564) million year to date  
Operating income: SEK -2 (-29) million for the third quarter and SEK 10 (-30) million year to date

## **SDI Media**

SDI Media operates in 19 countries and is the global market leader in the field of translating, subtitling and dubbing for TV, Video, Film and DVD, with more than 60% of the world market share in DVD feature subtitling. SDI Media has contracts with all of the major Hollywood Studios as well as international TV-channels such as The Discovery Channel.

SDI's operating margin increased to 18% (12%) in the third quarter, as DVD subtitling reached 51% (46%) of sales. SDI also pioneered the next generation of subtitling by providing integrated digital subtitling for the 'D' (digital) Cinema preview of the latest motion picture in the Star Wars series.

Net sales: SEK 94 (109) million for the third quarter and SEK 286 (288) million year to date  
Operating income: SEK 16 (13) million for the third quarter and SEK 39 (27) million year to date

## **Publishing**

The Publishing division comprises news and information providers in the financial market segment, such as Finans Vision, the largest daily pink business paper in Stockholm, and Brombergs - the successful publishing house.

Finans Vision is progressing according to plan, and was re-launched as a free hand distribution model and is now the largest pink business paper in Stockholm with more than 100,000 distributed copies per day, which is more than double that of its closest competitor. Sales were impacted in the third quarter due to a summer break, and operating costs were reduced by 20% quarter-on-quarter. The response amongst advertisers and readers to the new format and editorial style has been positive.

Net sales: SEK 26 (33) million for the third quarter and SEK 96 (128) million year to date

Operating income: SEK -21 (-19) million for the third quarter and SEK -71 (-45) million year to date

### **Radio**

MTG Radio is the largest commercial radio operator in northern Europe, and owns or holds stakes in the leading commercial radio networks in Sweden (Rix FM), Norway (P4 Radio Hele Norge), and Finland (Radio Nova). In addition to this the Group owns the Star FM radio stations in Estonia and Latvia, and Power Hit Radio in Tallinn. MTG Radio acquired Lugna Favoriter during the first quarter and is thereby the owner of the two highest rated commercial radio stations in Stockholm, Lugna Favoriter and Power Hit Radio.

The division's sales increased year-on-year on the back of the acquisition of Lugna Favoriter. The Nordic advertising markets remained weak through the third quarter, resulting in decreased operating income. However, MTG Radio continued to gain market shares in the weak advertising market, and increased the share of listening. According to the most recent quarterly survey by the independent Swedish research company RUAB, RIX FM reaches 755,000 daily listeners. Lugna Favoriter, which was launched in Gothenburg at the beginning of 2002, is already the largest commercial radio station in the territory. Lugna Favoriter and Power Hit Radio have maintained their positions as the two largest stations in Stockholm, with a combined total of 265,000 daily listeners.

Net sales: SEK 36 (26) million for the third quarter and SEK 112 (94) million year to date

Operating income: SEK -7 (5) million for the third quarter and SEK -36 (13) million year to date

### **New Media**

New Media includes MTG's teletext operations in Scandinavia and in Spain, the new services on the digital-TV platform and mobile Internet services. The division also includes MTG's 50% share of the Nordic operations of Everyday.com.

The operating margin on the wholly owned businesses amounted to 43%, with an operating profit of SEK 10 (4) million for the third quarter. The Spanish teletext operation has expanded during the year, and is now supplying its teletext services to 14 TV-stations in Spain. Everyday.com has been downscaled during the year, which improved the results to SEK -12 (-45) million during the first nine months of 2002.

Net sales: SEK 25 (28) million for the third quarter and SEK 80 (71) million year to date

Operating income: SEK 9 (-5) million for the third quarter and SEK 13 (-52) million year to date

## **FINANCIAL REVIEW**

Group Net Sales amounted to SEK 4,293 million in the first nine months of 2002 and to SEK 1,371 million for the third quarter. EBITDA increased by 18% to SEK 382 million for the first nine months and by 48% to SEK 37 million during the third quarter. The Group's EBIT increased by 34% to SEK 201 million for the first nine months, and improved the result during the third quarter to SEK -23 (-31) million.

Pre-tax profit improved year-on-year to SEK 50 (11) million for the first nine months, and to SEK -64 (-113) million in the third quarter.

### **Equity/assets ratio**

The Group's equity to assets ratio was 45% (44%) at 30 September 2002. The ratio is defined as the sum of consolidated equity and minority interests, including the €120 million of subordinated convertible debentures, as a percentage of total assets.

The Group holds minority interests in marketable shares in TV4 AB and P4 Radio Hele Norge ASA, as well as shares in, and convertible loans to, Metro International S.A. These holdings are treated as fixed assets. The aggregate market value of these securities amounted to SEK 958 (1,825) million at 30 September 2002. The combined book value of these securities amounts to SEK 649 (576) million. After adjusting for differences between the market values and book values, the equity to assets ratio at 30 September 2002 was 47% (51%).

### **Liquid funds**

The Group's liquid funds, including available credit facilities, amounted to SEK 441 (828) million at September 30 2002.

### **Net debt**

The Group's net debt amounted to SEK 1,084 (889) million at the close of the reporting period. The Group's net debt is defined as interest-bearing liabilities, including the convertible debentures, less interest-bearing assets. Excluding the convertible debentures, MTG's net debt amounted to SEK -11 (-242) million.

### **Capital expenditure**

The Group's capital expenditure during the first nine months of the year amounted to SEK 69 (76) million. In addition to this the group invested 281 (76) million in shares and 204 million in convertible bonds in Metro International S.A.

### **Depreciation**

The Group's depreciation and amortisation for the nine months of 2002 amounted to SEK 182 (172) million.

### **Earnings per share**

Earnings per share for the third quarter improved to SEK -0.30 (-0.80) and amounted to SEK 0.41 (0.12) for the first nine months of 2002.

## **OTHER INFORMATION**

MTG's financial results for the forth quarter and full year of 2002 will be released in February 2003.

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

Stockholm, October 23, 2002

Hans-Holger Albrecht

President & CEO

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Modern Times Group MTG AB has seven business areas: Viasat Broadcasting (free-to-air and pay TV channels in nine countries), New Media (text-TV, interactive digital-TV, and mobile Internet), Radio (seven networks in five countries), Publishing (financial news and information services), TV Shop (home shopping, e-commerce, and logistics), SDI Media (subtitling and dubbing services), and Modern Studios (content production and rights library).

Modern Times Group MTG AB's class A and B shares are listed on the Stockholmsbörsen O-list (symbols: MTGA and MTGB) and ADRs are listed on the Nasdaq National Market in New York (symbol: MTGNY).



<b>CONSOLIDATED STATEMENT OF PROFIT &amp; LOSS (MSEK)</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2001</b>
	<b>Jul-Sept</b>	<b>Jul-Sep</b>	<b>Jan-Sept</b>	<b>Jan-Sept</b>	<b>FY</b>
Net sales	1 371	1 415	4 293	4 550	6 402
Cost of goods and services	-878	-974	-2 862	-3 023	-4 104
<b>Gross income</b>	<b>493</b>	<b>441</b>	<b>1 431</b>	<b>1 527</b>	<b>2 298</b>
Selling, administrative, research and development expenses	-456	-422	-1 229	-1 239	-1 745
Other operating revenues	3	6	12	13	21
Other operating expenses	-60	-65	-143	-172	-224
Share of earnings in TV4	-	9	-18	47	59
Share in earnings of other associated companies	-3	0	-15	-26	-34
<i>Non-recurring items</i>					
Viasat digital project	-	-	-	-	-15
Income from sale of shares in TV4	-	-	163	-	-
<b>Operating income (EBIT)</b>	<b>-23</b>	<b>-31</b>	<b>201</b>	<b>150</b>	<b>360</b>
Net financial revenue and expense	-21	0	-142	-54	-43
<b>Income after financial revenue and expense excluding interest on convertible debentures</b>	<b>-44</b>	<b>-31</b>	<b>59</b>	<b>96</b>	<b>317</b>
Unrealised exchange rate gains/losses relating to convertible debentures	-5	-67	35	-67	-34
Interest on convertible debentures	-15	-15	-44	-18	-33
<b>Income before tax</b>	<b>-64</b>	<b>-113</b>	<b>50</b>	<b>11</b>	<b>250</b>
Taxes	45	58	-27	-6	-132
Minority interests	-1	2	4	3	3
<b>Net income for the period</b>	<b>-20</b>	<b>-53</b>	<b>27</b>	<b>8</b>	<b>121</b>
Shares outstanding at quarter-end excl. convertible debentures and options	66.375.156	66.375.156	66.375.156	66.375.156	66.375.156
Shares outstanding at quarter-end incl. convertible debentures and options*	66.375.156	66.375.156	66.375.156	66.375.156	66.375.156
Basic average number of shares outstanding	66.375.156	66.375.156	66.375.156	66.375.156	66.375.156
Fully diluted number of shares outstanding*	66.375.156	66.375.156	66.375.156	66.375.156	66.375.156
Basic earnings per share (SEK)	-0.30	-0.80	0.41	0.12	1.82
Fully diluted earnings per share (SEK)*	-0.30	-0.80	0.41	0.12	1.82

\* The Group has issued convertible debenture loans that may be converted into 2.790.994 new class B-shares, and a share option programme that may be converted into 2.052.840 new class B-shares. These have not been included in the dilution as the conversion price is significantly higher than the market price at the September 30, 2002.

<b>REVIEW BY BUSINESS AREA (MSEK)</b>	<b>2002 Jul- Sept</b>	<b>2001 Jul-Sep</b>	<b>2002 Jan-Sept</b>	<b>2001 Jan-Sept</b>	<b>2001 FY</b>
<b>Net sales by business area</b>					
Viasat Broadcasting	956	981	3 101	3 161	4 553
New Media	25	28	80	71	107
Radio	36	26	112	94	124
Publishing	26	33	96	128	177
TV Shop	158	164	481	564	755
SDI Media	94	109	286	288	397
Modern Studios	145	142	419	466	627
Parent company and other companies	54	26	98	79	110
Eliminations	-123	-94	-380	-301	-448
	<b>1 371</b>	<b>1 415</b>	<b>4 293</b>	<b>4 550</b>	<b>6 402</b>
<b>Operating income by business area</b>					
Viasat Broadcasting	9	8	190	230	478
Sales of shares in TV4	-	-	163	-	-
Shares of earnings in TV4	0	9	-18	47	59
Viasat digital project	-	-	-	-	-15
New Media	9	-5	13	-52	-70
Radio	-7	5	-36	13	13
Publishing	-21	-19	-71	-45	-69
TV Shop	-2	-29	10	-30	-33
SDI Media	16	13	39	27	42
Modern Studios	24	18	37	55	79
Parent company and other companies	-49	-28	-119	-85	-112
Eliminations	-2	-3	-7	-10	-12
	<b>-23</b>	<b>-31</b>	<b>201</b>	<b>150</b>	<b>360</b>

**CONSOLIDATED BALANCE SHEET  
(MSEK)**

**2002-09-30    2001-09-30    2001-12-31**

**Non-current Assets**

Capitalised development expenses	44	65	62
Beneficial rights	297	315	310
Goodwill	1 017	1 057	1 033
Machinery and equipment	226	254	253
Shares and participations	608	313	406
Long term receivables	1 031	1 082	1 045
	<u>3 223</u>	<u>3 086</u>	<u>3 109</u>

**Current assets**

Inventory	1 537	1 542	1 725
Current receivables	1 673	2 083	1 852
Cash, cash equivalents and short term investments	307	184	255
	<u>3 517</u>	<u>3 809</u>	<u>3 832</u>

<b>Total assets</b>	<b>6 740</b>	<b>6 895</b>	<b>6 941</b>
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**Shareholders' equity**

Restricted equity	1 808	1 673	1 733
Non-restricted equity	159	173	215
	<u>1 967</u>	<u>1 846</u>	<u>1 948</u>

<b>Minority equity interests</b>	<b>7</b>	<b>2</b>	<b>5</b>
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<b>Provisions</b>	<b>140</b>	<b>136</b>	<b>132</b>
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**Long term liabilities**

Convertible debenture loans 2001/2006	1 095	1 169	1 130
Other interest bearing liabilities	600	663	361
Non-interest bearing liabilities	22	31	27
	<u>1 717</u>	<u>1 863</u>	<u>1 518</u>

**Current liabilities**

Other interest bearing liabilities	377	0	350
Non-interest bearing liabilities	2 532	3 048	2 988
	<u>2 909</u>	<u>3 048</u>	<u>3 338</u>

<b>Total shareholders' equity and liabilities</b>	<b>6 740</b>	<b>6 895</b>	<b>6 941</b>
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<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>2002 Jul-Sept</b>	<b>2001 Jul-Sep</b>	<b>2002 Jan-Sept</b>	<b>2001 Jan-Sept</b>	<b>2001 FY</b>
Net income for the period	-20	-53	27	8	121
Adjustments to reconcile net income to net cash provided by operations	-32	34	186	187	221
Changes in working capital	164	-133	-89	-406	-420
<b>Net cash flow from operations</b>	<b>112</b>	<b>-152</b>	<b>124</b>	<b>-211</b>	<b>-78</b>
Investments in shares in subsidiaries and associates	0	-	-281	-	-106
Proceeds from sales of shares in associates	0	-	204	-	-
Other investments in shares and securities	0	-	-204	-76	-
Investments in other non-current assets	-25	-35	-69	-76	-161
Other cash flow from investing activities	0	-	33	48	49
<b>Cash flow to investing activities</b>	<b>-25</b>	<b>-35</b>	<b>-317</b>	<b>-104</b>	<b>-218</b>
<b>Cash flow from/to financing activities</b>	<b>-87</b>	<b>-780</b>	<b>245</b>	<b>207</b>	<b>259</b>
<b>Net change in cash and cash equivalents for the period</b>	<b>0</b>	<b>-967</b>	<b>52</b>	<b>-108</b>	<b>-37</b>

<b>RECONCILIATION OF SHAREHOLDERS' EQUITY (MSEK)</b>	<b>Share capital</b>	<b>Restricted reserves</b>	<b>Non- restricted Reserves</b>	<b>Total</b>
Closing balance at December 31, 2001	332	1 401	215	1 948
Net result for January-September 2002	-	-	27	27
Currency translation differences	-	-	-8	-8
Transfer between restricted and non-restricted reserves	-	75	-75	0
<b>Closing balance at September 30, 2002</b>	<b>332</b>	<b>1 476</b>	<b>159</b>	<b>1 967</b>