FOR IMMEDIATE RELEASE 24 October 2002

**METRO INTERNATIONAL S.A.**

FINANCIAL RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2002

Luxembourg, 24 October 2002 – Metro International S.A. ("Metro") (MTROA, MTROB), today announced its financial results for the third quarter and nine months ended 30 September 2002.

## THIRD QUARTER HIGHLIGHTS

- Net sales up 44% year on year to US$ 31.1 million (US$ 21.5 million)
- Net sales outside Sweden up 65% year on year to US$ 20.7 million (US$ 12.6 million)
- Group operating EBITA improves year on year by 33% to US$ -11.7 million (US$ -17.4 million)
- EBITA for the 19 editions launched more than 1 year ago improves by 61% to US$ -5.3 million (US$ -13.6 million)
- 10 out of 24 editions profitable in September and EBITA profit of US$ 0.5 million in September for the 19 editions launched more than 1 year ago
- 11% year on year reduction in average cost per copy
- Non-recurring increase in head quarter costs to US$ -9.1 million (US$ -5.7 million) due to discontinuation of business development and marketing programmes
- SEK 150 million of additional financing secured

## Metro International S.A.

### FINANCIAL SUMMARY

| **Consolidated income statement * (US$ 000's)** | **Q3 2002** | **Q3 2001** | **9m 2002** | **9m 2001** |
|---|---|---|---|---|
| Net Sales | 31,059 | 21,506 | 96,420 | 77,677 |
| Operating income from operations | (11,683) | (17,431) | (28,631) | (44,251) |
| Site closure costs | 62 | - | (4,404) | - |
| Headquarters | (9,142) | (5,674) | (16,981) | (17,081) |
| Goodwill amortization | (932) | (877) | (2,694) | (2,593) |
| Operating income | (21,695) | (23,982) | (52,710) | (63,925) |
| Financial items, net | (2,776) | (2,297) | (11,674) | 568 |
| Profit before tax | (24,471) | (26,279) | (64,384) | (63,357) |
| Basic earnings per share (US$) | (0.23) | (0.35) | (0.53) | (0.87) |
| Basic number of shares outstanding | 109,383,131 | 76,088,489 | 109,383,131 | 76,088,489 |

* *Metro had 24 operations at 30 September 2002 and 19 operations at 30 September 2001*

**Metro International S.A.**

## OPERATING REVIEW

Metro is the world's fastest growing and second largest newspaper outside Japan, publishing over 4 million copies of 24 daily editions in 15 countries around the world, according to the latest worldwide readership survey in May 2002. The newspaper attracts nearly 11 million daily readers and derives its revenues from advertising sales, which have grown at a compound annual rate of 50% since the launch of the first edition in 1995.

The third quarter saw continued strong development in the operations, despite being the seasonally weakest sales quarter of the year. All 19 operations launched more than one year ago reported a combined EBITA profit of US$ 0.5 million in the month of September, which marks the end of the Summer period and therefore typically accounts for approximately half of the quarter's sales. Metro utilizes EBITA as the principal reporting definition for the Group due to the low level of required investment in fixed assets and resulting depreciation charges.

Group net sales were up 44% to US$ 31.1 million (US$ 21.5 million) and international sales (outside Sweden) increased by 65% to US$ 20.7 million (US$ 12.6 million), despite the continued weakness in the newspaper advertising markets around the world. Sales for the international editions outside Sweden represented 67% of group sales, compared to 58% for the same period last year. The third quarter this year was the first time in Metro's history when sales for the third quarter have exceeded those for the first quarter of the same year, reflecting the strong momentum in the international editions.

Continued and increased cost control yielded a 11% year on year reduction in the average cost per copy in the third quarter, which is calculated on the basis of an average 24-page edition and including all Group costs except headquarter expenses and goodwill amortization charges. The total group operating cost base, measured at constant exchange rates, was flat year on year in the third quarter despite the five new launches since the end of the third quarter of last year, and the full quarter of costs from the Madrid and Copenhagen editions, which were launched during the third quarter of last year.

This combination of strong sales growth and strict operational cost control resulted in a 33% improvement in EBITA from operations to US$ -11.7 million (US$ -17.4 million) in the quarter.

The 19 editions launched before the end of the third quarter last year reported a combined 61% reduction in EBITA losses in the third quarter to US$ -5.3 million (US$ -13.6 million). The same editions reported a year on year net sales increase of 44% in the third quarter.

The Metro edition in Seoul, Korea, which was independently launched during the second quarter under a franchise license from Metro International, continues to progress well. Metro is not investing financially in the new newspaper, but receives an ongoing franchise fee and retains an option to acquire an interest in the newspaper in the future.

Metro's reporting segmentation continues to reflect the classification of all editions launched more than one year ago as 'established operations', and all editions launched within the last year as 'new ventures'.

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**Established Operations**

Despite being the seasonally weakest quarter, over half of the 19 established operations reported monthly operating profits in the month of September – Stockholm, Gothenburg, Prague, Hungary, Holland, Santiago, Toronto, Athens, Barcelona and Madrid. The 19 established operations generated a 44% year on year increase in net sales to US$ 28.4 million and a combined 62% reduction in EBITA losses to US$ -5.1 million in the third quarter.

Metro Sweden reported continued market out-performance in the third quarter. This growth has been achieved despite the weak print advertising market conditions in Sweden, particularly in the most profitable segment of recruitment advertising. Metro Sweden's net sales increased year on year in the quarter in local currency terms for the first time since the first quarter 2001 and were up 16% in US dollars, due to the strengthening Swedish Krona. This increase compared to a reported 8% decline in gross revenues for the other major daily morning newspapers in Sweden (source: SIFO RM). Metro Sweden has therefore further increased its share of the major daily morning newspaper advertising market in Sweden to 19.1% (source: SIFO RM).

Stockholm reported a decreased EBITA margin of 27% for the quarter, compared to 28% for the same period last year. The Swedish operations as a whole, however, reported a combined increase in EBITA operating margin to 18% (16%) in the quarter. This followed a 9% year on year reduction in the operating cost base for the first nine months. The editions are highly operationally leveraged and well positioned to deliver high levels of incremental profitability as the advertising markets recover.

Metro faces competition from rival free titles, as well as its traditional subscription-based peers, in 14 out of its 24 markets, including Holland, Spain and Italy, but has been able to consistently deliver higher audience and advertising market shares than these rivals.

Holland has continued to show the strong momentum towards profitability that was demonstrated in the second quarter. The Dutch operations reported a 31% year on year growth in net sales, and a 43% reduction in operating losses, in a gross advertising market reported to have stabilized in the quarter (source: BBC).

The two editions in Italy reported a combined increase in sales of 61% and a combined reduction in operating losses of 51%. Net sales for the two Spanish editions were up by 186% and operating losses were reduced by 63%. Metro delivered monthly profitability in a new Group record time in June in Spain despite competition and both the Barcelona and Madrid editions repeated this performance in September.

Metro reported its fourth consecutive quarterly operating profit in Santiago, and has therefore now reached annual profitability, ahead of the three-year target schedule for all Metro editions. The joint venture in Toronto reported its first monthly operating profit in September 2002, only two years after launch. Metro's Canadian joint ventures in Toronto and Montreal, in which the Group has a 50% economic interest, are treated as associated companies. Combined net sales for the two editions increased by 63% year on year, whilst operating losses for the two editions were reduced by 75% year on year to US$ 0.2 million (US$ 0.9 million) in the third quarter.

The two US editions, in Philadelphia and Boston, reported sales up 63% and operating losses down 68% year on year in the third quarter.

All cities in Eastern Europe announced increased revenues, with the Prague, Hungarian and Warsaw editions reporting both a combined sales increase of 47%, and a 53% reduction in operating losses in the third quarter.

As previously announced, the more recent editions launched in late 2000 and 2001 are moving towards profitability on an accelerated basis, ahead of the three year timetable. This is a result of the increasing leverage and operational synergies that arise from launching nearly thirty Metro editions around the world. The Malmo and Helsinki editions, which were launched in 1999, have now reached their third year anniversaries but are yet to report annual profitability. The Malmo edition has reduced its operating losses by 28% year on year in the quarter and is close to breakeven despite the weak Swedish newspaper advertising market. Net sales in Helsinki have increased by 43% year on year in the quarter and operating losses have decreased by 21% and 42% in the year to date.

## New Ventures

Both France and Hong Kong achieved record sales during the third quarter, despite it being the seasonally weakest quarter.

The Hong Kong edition continues to perform well and build on the strong readership numbers reported in the second quarter. Following the Presidential elections in France at the beginning of the summer and the summer break, the French editions built on their similarly strong readership numbers to deliver a significantly improved performance in September, which were up by 125% compared to June.

Hong Kong and France are amongst the largest of Metro's markets, in terms of circulation and annual newspaper advertising market size, and therefore offer considerable potential.

These four new ventures accounted for 7% of Group net sales and 50% of the Group EBITA losses from operations in the third quarter (excluding headquarters). These ventures have in the year to date accounted for 4% of Group net sales and 53% of Group EBITA losses from operations (excluding headquarters and site closure costs).

## Headquarters

The Headquarters reporting item comprises revenues derived from the franchising agreement in Korea, and the general & administration expenses incurred by the headquarter operations, Metro World News and Metropoint, as well as investments relating to business development and Group marketing.

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Headquarter losses increased year on year to US$ -9.1 million (US$ -5.7 million) in the quarter. This sharp increase includes non-recurring restructuring, business development and marketing expenses. The underlying operating cost run-rate has remained in line with the Group's expectations and is expected to be in line with the year on year target of a 50% reduction in the fourth quarter. This reflects the reduction in headquarter headcount and the cessation of the international expansion programme.

The non-recurring items include costs arising from the restructuring of Metro World News ('MWN') and Metropoint. MWN has been reduced in size and moved to the head office in London in order to centrally drive the cost savings from the syndication of editorial and other content to all Metro editions around the world. Metropoint has also been reduced in size and focused purely on providing an additional and growing low-cost distribution platform. Metro has fully provided for all costs relating to these restructurings in the quarter.

Metro has also expensed all costs relating to the Group's sponsorship of the Victory Challenge syndicate's entry in the America's Cup fully in the quarter. The America's Cup generates over 2,000 hours of television coverage around the world.

Finally, headquarter costs include the Group's investment in 'Glocal Forum', whose activities included an event held in Rome in May 2002, which brought together mayors and senior political and commercial representatives from 20 of the world's leading cities.

## FINANCIAL REVIEW

Metro's reported numbers were impacted by the strengthening of the Swedish Krona (+11%) and the Euro (+2%) against the US dollar year on year in the third quarter, which resulted in a positive impact on net sales and a negative impact on operating losses.

Cash flow used by the operations improved in the year to date to US$ -50.9 million (US$ 67.1 million).

Group goodwill amortization amounted to US$ 0.9 million in the third quarter and related to the buy out of minority interests in Metro Sweden, Prague and Hungary. Goodwill is amortized on a straight line basis over a maximum of ten years. Group depreciation charges amounted to US$ 2.4 million in the year to date, reflecting the Group's ongoing low level of required investment in fixed assets.

Net interest and financial items totaled US$ -2.8 million in the quarter, compared to US$ -2.3 million in the same period last year. This included an unrealized currency translation gain for the three months ended 30 September 2002 of US$ 0.3 million on the SEK 434 million loan and capitalized interest from Industriförvaltnings AB Kinnevik and net interest charges of US$ 2.2 million in the third quarter.

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Group profit before tax improved by 7% to US$ -24.5 million (US$ -26.3 million) in the quarter. Profit after tax improved by 5% year on year to US$ -25.6 million (US$ -27.0 million) in the third quarter. Metro reported a 7% year on year improvement in net losses after minority interests to US$ -25.2 million (US$ 27.0 million) in the quarter.

Metro had liquid funds of US$ 38.8 million as at 30 September 2002, of which US$ 18.2 million was restricted. At 30 September 2002, Metro had fully drawn down the committed bank credit facility of SEK 400 million (US$ 43.1 million), which was arranged in May 2002. Long-term debt at the end of the quarter amounted to US$ 150.0 million.

The Company has contacted shareholders representing over 65% of the Company's shares in relation to the proposed offering of convertible loan notes to its shareholders, which was announced on 14 May 2002. Following these discussions, the Board of Directors has decided not to proceed with the offering and has consequently withdrawn the registration statement relating to the Offering, which was filed with the Securities and Exchange Commission on 13 September 2002. Metro's largest shareholder, Industriförvaltnings AB Kinnevik, has made a long-term loan of SEK 150 million to Metro since the end of the quarter, in order to provide the Group with additional liquidity. The loan bears interest at STIBOR +3% per annum and has no fixed term.

## OTHER INFORMATION

It was with great sadness that Metro International announced that its Founder and Chairman of the Board of Directors, Mr. Jan Hugo Stenbeck, passed away on 19 August 2002. Mr Stenbeck was the Founder and Chairman of Invik & Co. AB, Tele2 AB, Modern Times Group MTG AB, Millicom International Cellular S.A., Transcom WorldWide S.A., and was the Chairman of Industriförvaltnings Kinnevik AB. The Board appointed Uriel Savir as acting Chairman on 30 August 2002 and has simultaneously initiated a search for a Non-Executive candidate to assume the Chairmanship on a long-term basis. Mr Savir has been a Board Director of Metro International since 1999.

Metro's financial results for the fourth quarter and full year ended 31 December 2002 will be released in February 2003.

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

Luxembourg, 24 October 2002.
The Board of Directors of Metro International S.A.

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*Metro is the world's largest free newspaper, publishing and distributing 25 editions in 16 countries in 14 languages: Stockholm, Prague, Gothenburg, Hungary, the Netherlands, Helsinki, Malmö, Santiago, Philadelphia, Toronto, Rome, Milan, Warsaw, Athens, Montreal, Barcelona, Boston, Madrid, Copenhagen, Aarhus, Paris, Marseille, Lyon, Hong Kong and Seoul. Metro International S.A. 'A' and 'B' shares are listed on NASDAQ and the Stockholmsbörsen under the symbols MTROA and MTROB.*

**Metro International S.A.**

| CONSOLIDATED INCOME STATEMENTS (US$ '000s) | Note | Period ended 30 September 2001 | Period ended 30 September 2002 |
|---|---|---|---|
| **Sales** | | 77,677 | 96,420 |
| Cost of sales | | (88,190) | (82,500) |
| **Gross income (loss)** | | (10,513) | 13,920 |
| Selling expenses | | (19,456) | (25,638) |
| Administrative and development expenses | | (30,418) | (33,213) |
| Share of earnings associated companies | | (945) | (681) |
| Site closure costs | | - | (4,404) |
| Goodwill amortization | | (2,593) | (2,694) |
| **Operating loss** | (3) | (63,925) | (52,710) |
| Financial items, net | | 568 | (11,674) |
| **Loss after financial items and before income tax** | | (63,357) | (64,384) |
| Current tax | | (2,111) | (2,918) |
| Deferred tax | | - | 7,733 |
| **Loss after income tax** | | (65,468) | (59,569) |
| Minority interests in losses | | - | 1,138 |
| **Net loss** | | (65,468) | (58,431) |
| Basic and diluted loss per share | | (0.87) | (0.53) |
| Basic and diluted outstanding number of shares | | 76,088,489 | 109,383,131 |

**Metro International S.A.**

| CONSOLIDATED INCOME STATEMENTS (US$ '000s) | Note | July – Sept 2001 | July - Sept 2002 |
|---|---|---|---|
| **Sales** | | 21,506 | 31,059 |
| Cost of sales | | (26,209) | (27,823) |
| **Gross income (loss)** | | (4,703) | 3,236 |
| Selling expenses | | (7,814) | (8,663) |
| Administrative and development expenses | | (10,086) | (15,176) |
| Share of earnings associated companies | | (502) | (222) |
| Site closure costs | | - | 62 |
| Goodwill amortization | | (877) | (932) |
| **Operating loss** | (3) | (23,982) | (21,695) |
| Financial items, net | | (2,297) | (2,776) |
| **Loss after financial items and before income tax** | | (26,279) | (24,471) |
| Current tax | | (718) | (1,132) |
| Deferred tax | | - | - |
| **Loss after income tax** | | (26,997) | (25,603) |
| Minority interests in losses | | - | 442 |
| **Net loss** | | (26,997) | (25,161) |
| Basic and diluted loss per share | | (0.35) | (0.23) |
| Basic and diluted outstanding number of shares | | 76,088,489 | 109,383,131 |

| CONSOLIDATED STATEMENTS OF RECOGNISED GAINS AND LOSSES (US$ '000s) | Note | Jan – Sept 2001 | Jan – Sept 2002 |
|---|---|---|---|
| Foreign exchange translation differences | | (2,540) | 1,490 |
| Net gain not recognized in the income statement | | (2,540) | 1,490 |
| Net loss for the period | | (65,468) | (58,431) |
| Total recognized losses | | (68,008) | (56,941) |

## Metro International S.A.

| CONSOLIDATED BALANCE SHEETS (US$ '000s) | Note | 31 Dec 2001 | 30 Sept 2002 |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| *Intangible assets* | | | |
| Licenses, net | | 149 | 112 |
| Goodwill, net | | 13,406 | 11,880 |
| | | 13,555 | 11,992 |
| *Property, plant and equipment* | | | |
| Machinery and equipment, net | | 4,928 | 4,797 |
| *Financial assets* | | | |
| Deferred tax assets | | 4 | 7,733 |
| Shares in associated companies | | 1 | 89 |
| Receivables from affiliated companies | | 2,917 | 2,875 |
| Long-term receivables | | 2,077 | 2,247 |
| | | 4,999 | 12,944 |
| **Total non-current assets** | | 23,482 | 29,733 |
| **Current assets** | | | |
| Accounts receivable, net | | 21,721 | 29,180 |
| Share purchase option | | 10 | - |
| Other current receivables | | 8,850 | 6,119 |
| Prepaid expenses | | 2,944 | 3,424 |
| Cash and cash equivalents | | 35,888 | 38,837 |
| **Total current assets** | | 69,413 | 77,560 |
| **TOTAL ASSETS** | | 92,895 | 107,293 |

## Metro International S.A.

| CONSOLIDATED BALANCE SHEETS (US$ '000s) | Note | 31 Dec 2001 | 30 Sept 2002 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | |
| **Shareholders' equity** | (4) | (43,202) | (99,601) |
| | | | |
| **Minority interest** | | (666) | (1,963) |
| *Long term liabilities* | | | |
| Convertible debenture loans | | 22,080 | 41,593 |
| Liabilities to related companies | | 64,258 | 70,214 |
| Liability to minority partner | | 1,781 | 2,317 |
| Other loans | | - | 35,910 |
| **Total long term liabilities** | | 88,119 | 150,034 |
| | | | |
| *Current liabilities* | | | |
| Short term bank loan | | 6,755 | 14,589 |
| Accounts payables | | 16,576 | 21,181 |
| Other liabilities | | 9,192 | 7,721 |
| Accrued expenses | | 16,121 | 15,332 |
| **Total current liabilities** | | 48,644 | 58,823 |
| **Total liabilities** | | 136,763 | 208,857 |
| | | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | 92,895 | 107,293 |
| | | | |
| **Contingent liabilities** | | - | - |

## Metro International S.A.

| CONSOLIDATED STATEMENTS OF CASH FLOWS (US$ 000's) | Note | Period ended 30 Sept 2001 | Period ended 30 Sept 2002 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before income tax | | (63,357) | (64,384) |
| **Adjustments for:** | | | |
| Depreciation and amortization | | 3,802 | 5,056 |
| Financial items, net | | (568) | 11,674 |
| Share of earnings associated companies | | 945 | 681 |
| **Changes in working capital:** | | | |
| Change in current receivables | | (5,186) | (5,689) |
| Change in current liabilities | | (2,693) | 1,784 |
| **Cash flow used by operations** | | (67,057) | (50,878) |
| Interest received | | 1,193 | 8 |
| Interest paid | | (3,346) | (3,952) |
| Income tax paid | | (1,280) | (3,052) |
| **Net cash used in operations** | | (70,490) | (57,874) |
| **Investment activities** | | | |
| Investment in shares | | (503) | - |
| Investment in property, plant and equipment | | (1,823) | (1,812) |
| Increase in long term receivables | | (2,324) | (1,011) |
| **Net cash flow used in investing activities** | | (4,650) | (2,823) |
| **Financing activities** | | | |
| Kinnevik loan | | 20,000 | - |
| Convertible debenture loan | | - | 20,000 |
| Loan from minority owner | | - | 331 |
| Bank loan | | - | 42,925 |
| Repayment of bank loans | | (779) | - |
| **Net cash flow provided by financing activities** | | 19,221 | 63,256 |

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***(cont.)***

| **CONSOLIDATED STATEMENTS OF CASH FLOWS (US$ '000s)** | **Note** | **Period ended 30 Sept 2001** | **Period ended 30 Sept 2002** |
|---|---|---|---|
| Net increase/(decrease) in cash and cash equivalents | | (55,919) | 2,559 |
| Cash and cash equivalents at beginning of year | | 73,792 | 35,888 |
| Currency effects on cash | | (118) | 390 |
| **Cash and cash equivalents at end of period** | | 17,755 | 38,837 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1

### Basis of preparation and scope of consolidated financial statements

Metro International S.A. was formed in December 1999 and was a wholly owned subsidiary of Modern Times Group MTG AB ("MTG"). MTG divested Metro International S.A. to its shareholders through a dividend on 18 August 2000.

Metro International S.A. and its subsidiaries (the "Company"), together with its South Korean franchise partner, publish free-of-charge newspapers, Monday through Friday. As at March 31, 2001 Metro newspapers were distributed in Stockholm, Gothenburg, Malmö, Warsaw, Prague, Budapest and 14 other Hungarian cities, the Netherlands, Helsinki, Santiago, Philadelphia, Rome, Milan, Toronto, Athens, Madrid, Barcelona, Boston, Denmark, Montreal, Paris, Marseilles, Lyon, Hong Kong and Seoul. Metro derives its revenues from advertising sales.

The Company includes all of MTG's former interests in publishing Metro newspapers. The Company is domiciled in Luxembourg.

The combination of these MTG businesses in May 2000 to form the Company has been accounted for as a merger of entities under common control since MTG controlled each of the businesses for all periods presented herein. Accordingly, the assets and liabilities as presented in the accompanying balance sheets have been combined at their historical cost and the statements of operations and cash flows include the activities of each business for all periods presented.

These consolidated financial statements include all income and costs that the MTG group had for the Metro operations and include goodwill amortization in respect of goodwill on external acquisitions.

### Note 2

### Accounting and valuation policies

The accounting policies and methods of computation used are the same as in the consolidated financial statements for the three years period ended 31 December 2001. Some minor adjustments have been made in the classification of sales and costs for the period ended 30 September.

## Note 3

### Segment reporting

The segment reporting is based on geographic areas.

The European area represents the newspapers in Stockholm, Prague, Gothenburg, Hungary, the Netherlands, Helsinki, Malmö, Rome, Milan, Warsaw, Athens, Barcelona, Madrid, Denmark, Paris, Marseilles and Lyon.

The "Rest of world" represents Santiago, Philadelphia, Toronto, Montreal, Boston and Hong Kong.

Metro owns 25% of the publishing entities in Toronto and Montreal and therefore accounts for 25% of the results in these entities.

| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (US$ '000s) | July – Sept 2001 | July – Sept 2002 | Jan – Sept 2001 | Jan – Sept 2002 |
|---|---|---|---|---|
| **Segment reporting** | | | | |
| *Net sales (external)* | | | | |
| **Europe** | | | | |
| Sweden | 8,954 | 10,382 | 37,452 | 33,974 |
| Rest of Europe | 8,954 | 14,078 | 30,666 | 45,289 |
| Total Europe | 17,908 | 24,460 | 68,118 | 79,263 |
| **Rest of World** | 3,598 | 6,556 | 9,559 | 17,074 |
| **Headquarters** | - | 43 | - | 83 |
| | 21,506 | 31,059 | 77,677 | 96,420 |

There are no inter-segment sales.

## Metro International S.A.

| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (US$ '000s) | July-Sept 2001 | July – Sept 2002 | Jan – Sept 2001 | Jan-Sept 2002 |
|---|---|---|---|---|
| **Segment reporting** | | | | |
| *Net income (loss)* | | | | |
| **Europe** | | | | |
| Sweden | 1,416 | 1,819 | 6,641 | 8,764 |
| Rest of Europe | (12,129) | (10,412) | (29,620) | (28,085) |
| Total Europe | (10,713) | (8,593) | (22,979) | (19,321) |
| **Rest of World** | (6,718) | (3,090) | (21,272) | (9,310) |
| **Site closure costs** | - | 62 | - | (4,404) |
| **Goodwill** | (877) | (932) | (2,593) | (2,694) |
| **Headquarters** | (5,674) | (9,142) | (17,081) | (16,981) |
| **Operating loss** | (23,982) | (21,695) | (63,925) | (52,710) |
| **Items to reconcile to statement of operations:** | | | | |
| Financial items, net | (2,297) | (2,776) | 568 | (11,674) |
| Current tax | (718) | (1,132) | (2,111) | (2,918) |
| Deferred tax | - | - | - | 7,733 |
| Minority interest in losses | - | 442 | - | 1,138 |
| **Net loss** | (26,997) | (25,161) | (65,468) | (58,431) |

## Note 4

### Shareholders' equity

Metro International S.A. was formed on December 29, 1999.

The authorized share capital of the Company is $450 million divided into 1,000,000,000 Metro A Shares (voting shares) and 500,000,000 Metro B Shares (non-voting) with no par value.

The issued and outstanding share capital of the Company is $32,814,939 divided into 55,823,671 Metro A Shares and 53,559,460 Metro B Shares with no par value. Metro A Shares carry one vote for every share while Metro B Shares carry no votes. Dividends may be paid in U.S dollars or in shares of the Company or otherwise as the company Board may determine in accordance with the provisions of the Luxembourg Companies Act. The Metro B Shares are entitled to a preferred dividend of 2% on any dividend distributions. Any balance of dividends must be paid equally on each Metro A and Metro B Share.

| *Total shareholders equity (US$ '000s)* | *31 Dec 2001* | *30 Sept 2002* |
|---|---|---|
| Balance beginning of year | (19,982) | (43,202) |
| Currency translation adjustment | (2,353) | 1,490 |
| Equity part of debenture loan | - | 542 |
| New shares issued | 65,076 | - |
| Net loss for the period | (85,943) | (58,431) |
| Balance as of end of Dec/Sept | (43,202) | (99,601) |

## Note 5

### US GAAP Information

The accompanying consolidated interim financial statements of the Company have been prepared in accordance with IAS. These accounting principles differ in certain respects from US GAAP.

Following is a summary of US GAAP that affects the Company's consolidated net loss for the periods ended 31 December 2001 and 30 September 2002, and consolidated shareholders' equity as of 31 December, 2001 and 30 September, 2002, together with a discussion of the principal differences between IAS and US GAAP that are significant to the Company's unaudited consolidated interim financial statements.

| **(US$ '000s)** | **31 Dec 2001** | **30 Sept 2002** |
|---|---|---|
| **Reconciliation of net income** | | |
| Net loss as reported under IAS | (85,943) | (58,431) |
| **Adjustments to reconcile to corresponding amounts under US GAAP:** | | |
| Income tax | - | (989) |
| Net loss under US GAAP | (85,943) | (59,420) |
| *Weighted average basic earnings per share (US$)* | (1.02) | (0.54) |
| *Weighted average basic number of shares outstanding* | 84,206,909 | 109,383,131 |

| **(US$ '000s)** | **31 Dec 2001** | **30 Sept 2002** |
|---|---|---|
| **Reconciliation of shareholders' equity** | | |
| Shareholders equity under IAS | (43,202) | (99,601) |
| Adjustments to reconcile to corresponding amounts under US GAAP: | | |
| Deferred tax assets | 989 | - |
| Shareholders equity under US GAAP | (42,213) | (99,601) |

Those differences, which have a significant effect on the consolidated net income (loss) and shareholders equity, are described as follows:

*a) Income taxes*

IAS requires that unrealized profits resulting from intragroup transactions be eliminated from the carrying amount of assets, such as inventory or property, plant, or equipment. The tax effect of such transactions is calculated by reference to the position of the buying entity. Under US GAAP, income taxes paid by the seller on intercompany profits on assets that remain within the consolidated group, including the tax effect of any reversing temporary differences in the seller's tax jurisdiction, are deferred.

*b) Stock-based employee compensation*

For US GAAP purposes, the Company's employee stock option plan is accounted for in accordance with the intrinsic value method established by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. No compensation expense is recognized for stock options granted when the exercise price of these options granted is equal or greater than the fair market value of the Company's stock at the date of grant.