



## METRO INTERNATIONAL S.A.

### FINANCIAL RESULTS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2006

Luxembourg, 25<sup>th</sup> July 2006 – Metro International S.A. (“Metro”) (MTROA, MTROB), today announced its financial results for the second quarter and six months ended 30<sup>th</sup> June 2006. The Group’s consolidated accounts have been prepared according to International Financial Reporting Standards (IFRS).

#### HIGHLIGHTS FOR Q2 2006

- **16% net sales growth from Q2 ‘05 to Q2 ‘06 at constant exchange rates**
- **12% increase in net sales to US\$ 112.1 million for Q2 ‘06 (2005: US\$ 100.3 million)**
- **Second quarter operating profit for subsidiary and associate newspaper operations of US\$ 12.3 million (2005: US\$ 2.7 million)**
- **Total operating profit of US\$ 6.5 million (2005: loss of US\$ 5.3 million)**
- **11 out of 18 subsidiary or associated country operations report profits**
- **Net profit of US\$ 4.6 million (2005: loss of US\$ 6.5 million)**
- **Net profit attributable to equity holders of the parent company: US\$ 3.7 million (2005: loss of US\$ 6.2 million)**
- **Weighted average basic earnings per share of US\$ 0.01 (2005: loss of US\$ 0.01)**

#### FIRST HALF RESULTS

- **16% net sales growth from H1 ‘05 to H1 ‘06 at constant exchange rates**
- **11% year-on-year increase in net sales to US\$ 205.3 million (2005: US\$ 184.4 million)**
- **Total operating profit of US\$ 2.6 million (2005: loss of US\$ 13.7 million\*)**
- **Profit before tax of US\$ 0.4 million (2005: loss of US\$ 14.6 million\*)**
- **Net loss of US\$ 1.1 million (2005: loss of US\$ 0.7 million including the Metro Boston transaction profit)**
- **Net loss attributable to equity holders of the parent company: US \$1.7 million (2005: loss of US\$ 0.1 million)**
- **Cash generated in H1 resulting in decrease in total net debt of US\$ 0.9 million**
- **Cost per copy reduced by 2.5%**

Pelle Törnberg, President and CEO of Metro International, commented: “We are pleased with the progress that we have made in the first half of the year. We have delivered a first half year EBIT profit of US\$ 2.6 million against a loss of US\$ 13.7 million\* in the first half of 2005. It is satisfying to be reporting new quarterly sales and profits records in the second quarter. We have also reached another milestone with Metro generating cash over the first six months of the year, thereby reducing net debt by US\$ 0.9 million over the period.”

“Our Q2 results show that the newspaper editions that have been operating for more than three years have, over the 12 month period ended 30 June, 2006, achieved an aggregate operating profit margin of

\* Excluding US\$ 15.9 million net profit of sale of 49% of Metro Boston

13% on revenues of US \$305 million. There is no better way to demonstrate the underlying earnings potential of the Group. Of Metro's 18 subsidiary and associate country operations, 11 recorded a positive EBIT in the quarter and Holland, Denmark and Sweden reported profit margins of some 20%. Due to our continued emphasis on controlling costs, I am also pleased to report that year to date the operating cost per copy of Metro has been reduced by 2.5%.

"Metro will continue to start new Metro editions when the right opportunities arise. We have launched new Metro editions in both Mexico and Croatia during the quarter, in partnership with third parties, following on from the starting of new editions in the Czech Republic and Spain in Q1. We will continue to make new investments, but in a balanced manner with a focus on profitability.

"Reported year on year sales growth for the quarter was negatively impacted by the Easter holidays, which fell into the first quarter last year. The World Cup also had an adverse effect on June and July's sales for the group, with some of Metro's advertisers holding back their advertising spend."

### FINANCIAL SUMMARY

US\$ 000s	Jan - June 2006	Apr - June 2006	Jan- June 2005	Apr - June 2005	Jan-Dec 2005
Net sales	205,277	112,095	184,402	100,299	359,650
Operating profit (loss) for subsidiary newspaper editions	12,799	11,299	(363)	3,062	8,666
Operating profit (loss) for associated companies	835	982	(509)	(363)	(1,437)
Operating profit (loss) for other businesses	(1,216)	(646)	(2,035)	(1,590)	(3,426)
Operating profit (loss) for Headquarters	(9,838)	(5,167)	(10,764)	(6,408)	(22,194)
Sale of minority interest in subsidiary	-	-	15,884	-	15,884
Total operating profit (loss)	2,580	6,468	2,213	(5,299)	(2,507)
Net interest & other financial items	(2,150)	(1,160)	(914)	(278)	(2,659)
Profit (loss) after financial items and before income tax	430	5,308	1,299	(5,577)	(5,166)
Net profit (loss)	(1,123)	4,598	(747)	(6,525)	(6,971)
Net profit (loss) attributable to equity holders of the parent	(1,672)	3,669	(71)	(6,240)	(8,040)
Weighted average basic number of shares outstanding	526,151,287	526,151,287	525,926,512	525,942,834	526,003,109
Weighted average basic earnings (loss) per share (US\$)	(0.00)	0.01	(0.00)	(0.01)	(0.01)

## **GROUP OVERVIEW**

The Group reported for the quarter year on year sales growth of 16% at constant exchange rates and 12% at actual rates. Total net sales for the quarter were US\$ 112.1M, a new quarterly sales record.

The operating profit for the quarter of US\$ 6.5M, a year on year improvement of US\$ 11.8M, was a record quarterly operating profit (excluding prior period transaction profits arising on the disposal of minority interests in subsidiary operations).

For the first half year Metro reported an operating profit of US\$ 2.6M on sales of US\$ 205.3M. This H1 2006 operating profit is the Group's first ever half year operating profit and corresponds to a year on year improvement of US\$ 16.3M (excluding the Q1 2005 transaction profit arising on the disposal of a minority interest in Metro Boston).

The Group's Q2 results were modestly flattered by a US\$ 585K reserve release at Metro Toronto (Metro's share), following a very favourable outcome to an almost one year long VAT dispute with the Ontario tax authorities.

Total average daily newspaper copies printed of Metro's 15 fully consolidated country operations increased by 7% year on year in the second quarter (excluding the weekly Swedish real estate editions). This reflected the addition of 4 new fully consolidated daily Metro editions since the beginning of the third quarter of 2005, as well as circulation increases at a number of existing Metro editions. The daily circulation of associated company and franchise operations increased to 2.1 million copies. The total daily circulation of titles in which Metro has an interest (subsidiaries, associates, franchise editions and share investment operation Metro Dublin) increased to 8.6 million copies in the second quarter, making Metro the second largest daily newspaper in the world. Metro is now distributed on a national basis in 14 out of its 21 country markets. Metro is now the most read or highest circulation newspaper in 8 of these markets.

According to the latest TNS Pan-European Survey conducted in May-2006, Metro reaches 13.9 million daily readers in Europe, up 15% year-on-year. This confirms Metro as the most read newspaper across Europe.

EMS (European Media Marketing Survey), the well-respected survey of reference for Pan-European advertising covering the top 13% of richest individuals aged 21+ in Europe, reveals that Metro now reaches three times more influential and affluent Europeans than the Financial Times: 1.6m people on a daily basis for Metro vs. 0.55m for the FT. Although Metro's primary target is young, active Metropolitans, this also demonstrates the ability for advertisers to use Metro to reach the business audience. This excludes readers in Greece, Czech Republic, Hungary and Russia which were not covered by the survey.

The Group's centralized multinational advertising sales featured major new campaigns for clients including Canon, Puma and Nokia as well as Swatch in its first ever newspaper advertising campaign.

The Group's total operating cost base increased year on year in the quarter by 4% at constant exchange rates. The Group's total operating cost base for its fully consolidated newspaper operations increased in the quarter by 7% year on year at constant exchange rates, which primarily reflected the increased circulation, newly, launched editions, increased pagination and rising paper costs. The average cost per daily Metro, standard size copy, at constant exchange rates was, despite the rise in unit paper costs, reduced by 0.8% year on year in the quarter. Year to date the cost per copy has been reduced by 2.5%.

Net interest and other financial items amounted to US\$ 1.2 million (US\$ 0.3 million) in the second quarter and the Group reported a pre-tax profit of US\$ 5.3 million (pre-tax loss of US\$ 5.6 million) for the period. Current and deferred tax charges totaled US\$ 0.7 million (US\$ 0.9 million) in the quarter

and the Group therefore reported a net profit of US\$ 4.6 million (net loss of US\$ 6.5 million) for the period and a weighted average basic profit per share of US\$ 0.01 (loss per share of US\$ 0.01).

### **SEGMENTAL OPERATING REVIEW**

In line with Metro's objective to achieve annual breakeven for operations within three years of launch, Metro continues to provide trailing twelve month operating results for its subsidiary and associated operations that are more than three years old, as well as those that are less than three years old.

<b>Sales &amp; operating profit of newspaper operations by age</b>	<b>Net Sales</b>	<b>Net Sales</b>	<b>Operating profit (EBIT)</b>	<b>Operating profit (EBIT)</b>
	<b>12 months ended 30 June 2006</b>	12 months ended 30 June 2005	<b>12 months ended 30 June 2006</b>	12 months ended 30 June 2005
US\$ '000s				
Newspaper editions more than 3 years old as at 1 <sup>st</sup> April 2006	<b>305,298</b>	287,381	<b>38,225</b>	26,822
Newspaper editions less than 3 years old as at 1 <sup>st</sup> April 2006	<b>71,710</b>	52,051	<b>(16,362)</b>	(21,597)
<b>TOTAL</b>	<b>377,008</b>	339,432	<b>21,863</b>	5,225

The combined group of Metro newspaper operations that were launched more than three years before the beginning of the second quarter of 2006, reported combined year on year sales growth of 9% at constant exchange rates for the second quarter of 2006. This combined group of editions also reported a 49% year on year improvement in operating profitability at constant exchange rates. The operating profit margin of these editions increased to 13% (2005: 9%).

The combined group of Metro operations that were launched less than three years before 1 April 2006 reported combined year on year net sales growth of 43% for the quarter at constant exchange rates, partly reflecting the addition of 6 new editions since the beginning of the second quarter of 2005. The combined group reported for the quarter a 24% year on year reduction in operating losses at constant exchange rates, despite the new editions.

#### **Sweden**

US\$ '000s	Q2 2006	Q2 2005	H1 2006	H1 2005
Net Sales	<b>28,303</b>	27,219	<b>52,616</b>	53,058
Operating profit (EBIT)	<b>5,563</b>	4,000	<b>9,000</b>	6,470
Number of editions	<b>6</b>	6		

Metro Sweden comprises the editions in Stockholm, Gothenburg, and Skåne (Malmö), as well as the national edition. Metro Sweden also publishes the 'Metro Bostad' (Metro Property) weekly real estate newspapers, which are distributed in Stockholm and Malmö.

Following the 14% year on year increase in daily circulation in the quarter, Metro confirmed its position as the most read newspaper in Sweden (and in the whole of the Nordic region) with 1.6 million

daily readers according to Orvesto. The National edition increased its daily readership by 84% year on year to 342,000 daily readers, partly as a result of the extension of the distribution of the edition into the north of Sweden in the first quarter. The Stockholm edition increased its readership year on year by 3% to 715,000 daily readers.

Metro Sweden reported 6% year on year local currency sales growth for the second quarter and the first half, with sales for the daily editions up 16% and 12% for Q2 and H1 respectively. The Stockholm edition of Metro recorded positive sales growth in the quarter, despite intense competition in the local newsprint advertising market.

‘Metro Bostad’, in agreement with its advertisers, took the decision to reduce its circulation in 2006. The resulting cost savings have more than compensated for some customer losses and price reductions. Metro Bostad, therefore achieved an encouraging improvement in profitability.

Metro Sweden reported a 44% year on year increase in local currency operating profits for the quarter.

### Northern Europe

US\$ ‘000s	Q2 2006	Q2 2005	H1 2006	H1 2005
Net Sales	<b>28,310</b>	26,251	<b>52,665</b>	48,172
Operating profit (EBIT)	<b>3,553</b>	2,788	<b>5,046</b>	3,629
Number of editions	14	11		

The Northern European segment comprises the Group’s operations in Holland, Finland, Denmark, Poland, the Czech Republic and Hungary. Net sales for the combined operations for the quarter increased year on year by 13% and by 14% for the half year, at constant exchange rates, following increases in daily circulation and the launch of 3 new editions since the beginning of 2005.

The three Dutch editions reported a combined 12% year on year sales growth for the quarter at constant exchange rates, which reflected a continuation in the firming of advertising page rates as well as the growth in local advertising sales, made possible through the launch of local editions in Amsterdam and Rotterdam, respectively in April 2005 and October 2004. Metro Holland’s operating profits for the quarter increased year on year by more than 50%. Preliminary readership figures from NOM (May 2005 to April 2006) show a 13% increase in daily readers to 1.7m; confirming Metro as the third most read national newspaper in Netherlands, a position it holds jointly with ADN Dagbladen.

Denmark recorded 6% year on year local currency net sales growth for the quarter and a 46% increase in operating profits. For the fifth consecutive quarter, MetroXpress confirmed its position as the most read newspaper in Denmark with 690,000 daily readers, up 4% year-on-year (Index Denmark/Gallup), while the readership of all Danish national paid-for newspaper decreased year on year.

Net sales for Hungary in local currency were flat in a soft advertising market. The operation achieved a double digit profit margin in both the quarter and the first six months. Metro Hungary is the largest circulation and second most read newspaper in Hungary with 708,000 daily readers.

Year on year net sales growth in the quarter for the Czech Republic accelerated to 41%, in local currency, as a result of growing sales at Metro Prague as well as the growing advertiser acceptance of the new Moravia and Bohemia editions. These two new editions, which have increased Metro’s circulation in the country by approximately 70%, have enabled Metro to compete in the national

advertising market. Operating losses for Metro Czech Republic increased year on year in the quarter only modestly despite the investments in the two new editions.

The Finnish operations reported an increase in net sales of 3% year on year in local currency in the quarter. Operating losses were slightly up year on year. Metro Finland's national readership increased to 346,000, up 20% from the second quarter of last year, according to the latest TNS Atlas survey.

Quarterly sales for Metro Poland were slightly lower year on year and EBIT losses increased. This unsatisfactory result is a reflection of the intense over capacity in the newspaper sector. These poor market fundamentals are negatively affecting all players in the market. Actions to address the losses have been implemented. Metropol, despite the proliferation of newspapers in recent years in Poland, succeeded in increasing its daily readership by 49% year on year to 750,000 daily readers according to the latest official PBC readership survey. This places Metropol as the fifth most read daily newspaper nationwide in Poland.

The Northern European segment as a whole reported a 36% increase in operating profits at constant exchange rates for the quarter and a 51% increase for the first half.

### Southern Europe

US\$ '000s	Q2 2006	Q2 2005	H1 2006	H1 2005
Net Sales	<b>35,299</b>	29,416	<b>62,649</b>	52,176
Operating profit (EBIT)	<b>1,878</b>	(2,347)	<b>(319)</b>	(5,731)
Number of editions	<b>33</b>	27		

The Southern European segment comprises the Group's operations in France, Greece, Italy, Spain and Portugal. Net sales for the combined operations increased by 26% year on year in the quarter at constant exchange rates and the operating loss for the second quarter of 2005 was turned into an operating profit for the second quarter of 2006.

Metro France reported 25% year on year local currency sales growth and sales of US\$ 12.9 million (2005: US\$ 10.5 million) in the second quarter. The quarter's revenues include a contribution from Metro Sport, a sports daily launched in early June in cooperation with Eurosport to coincide with the FIFA World Cup, which was profitable in June. Metro France recorded an operating profit in the second quarter up 129% on the second quarter of 2005. The nine daily newspaper editions, together with Metro Sport and a special edition published for the Cannes film festival, reported a combined operating profit of US\$ 1.3 million (2005: US\$ 0.7 million). Metro France's H1 2006 operating profit was the operation's first ever first half year operating profit.

Metro Spain delivered a 20% year on year increase in net sales in the second quarter in local currency. After returning to operating profitability in Q1 2006, Metro Spain reported a strong Q2 operating profit result. These 2006 profitability improvements have been achieved despite steady expansion of the business, including the launch of a Basque edition in the quarter, and a further increase in competition. Metro is the most widely distributed free daily newspaper in Spain and covers approximately 90% of the total urban population of the country, making it the fourth largest general interest newspaper in Spain, according to a recent readership survey by EGM.

Net sales for Italy were up 13% year on year in the second quarter in local currency and operating losses for the period were cut year on year by 38%. The operation reported a significant pick-up in local sales during the second quarter although national sales were not entirely satisfactory. Earlier this year

Metro finally won inclusion in the official national readership survey, Audipress. The operation reported an operating profit in June.

Metro Greece reported a 9% year on year sales growth in the quarter, in local currency and a 4% increase in operating profits. A double digit profit margin was recorded in the quarter. Metro's daily audience increased by 46% year on year to 232,000 daily readers according to Bari FOCUS, positioning Metro as the second most read newspaper in Greece.

Metro Portugal continues to develop according to plan and reported the highest year on year sales growth of all operations with sales for the quarter almost doubling year on year. Operating losses in the quarter fell year on year by 86%. Moreover, Metro Portugal was profitable for the month of June 2006, just one and a half years since its launch in January 2005. Latest official figures from Marktest show that Metro is the third most read newspaper nationwide in Portugal with 404,000 daily readers.

### United States

US\$ '000s	Q2 2006	Q2 2005	H1 2006	H1 2005
Net Sales	<b>8,639</b>	7,432	<b>16,108</b>	12,996
Operating profit (EBIT)	<b>(1,078)</b>	(3,510)	<b>(3,473)</b>	(8,357)
Number of editions	<b>3</b>	3		

Metro's US operations comprise its editions in New York, Boston and Philadelphia. The Boston and Philadelphia operations were both profitable in the second quarter, Philadelphia reporting its first ever second quarter operating profit. The New York operation's operating losses halved during the period.

The US operations reported a combined 16% year on year growth in net sales for the second quarter and 24% for the first half. Operating losses for the editions were reduced by 69% year on year for the quarter and by 58% for the half year, with all three papers reporting significantly improved operating profit results. Increased realisation of synergies between the three cities has enabled the US operations to reduce costs and grow sales through increased customer take-up of Metro US's multi-edition sales offerings.

In New York, sales for the second quarter increased year on year by 49% and record monthly sales were recorded in June. Operating losses correspondingly were reduced by 49% from the second quarter of 2005. Metro's focused distribution means that Metro New York has the youngest audience amongst all New York newspapers with 75% of readers aged 18-49 and 47% aged 18-34. Furthermore, despite this young profile, the average household income of Metro New York's readers exceeds \$87,000.

During the quarter, Metro New York signed a classified sales agreement with The New York Times Company. Under the agreement The New York Times will offer its advertisers classified advertising space in the New York edition of Metro from Q4 2006.

### Rest of World

US\$ '000s	Q2 2006	Q2 2005	H1 2006	H1 2005
Net Sales	<b>8,839</b>	8,396	<b>16,288</b>	15,116
Operating profit (EBIT)	<b>1,383</b>	2,131	<b>2,545</b>	3,626
Number of editions	<b>2</b>	2		

The Rest of World segment comprises the Group's operations in Chile and Hong Kong.

During the quarter Metro Chile extended its reach to 4 additional cities so that 120,000 copies of Metro Chile are now distributed in 10 cities six days per week. The operation generated 14% year on year local currency sales growth in the quarter and a 44% increase in operating profits. For the half year growth in sales and profit was 14% and 47% respectively. According to the latest KMR survey, Publmetro is the 4th most read newspaper in Chile with 281,000 daily readers, up 7% year on year.

Metro Hong Kong's year on year sales growth was 4% in local currency in the quarter. The reduced sales growth at Metro Hong Kong is partly attributable to advertising price cuts by a number of leading subscription newspapers. Metro Hong Kong's daily circulation increased to nearly 350,000 by the end of the quarter. The launch of the weekly 'Metropop' high quality, lifestyle and fashion magazine has put pressure on margins in the short term. The start-up losses of 'Metropop' together with increased unit paper and print costs, editorial investments and adverse macro-economic conditions, dampened profit margins in the first half year. According to the latest TNS survey, Metro's daily readership in Hong Kong is up 32% year on year to 934,000.

### Equity Participations

US\$ '000s	Q2 2006	Q2 2005	H1 2006	H1 2005
Net Sales	<b>1,406</b>	916	<b>2,539</b>	1,813
Operating profit (EBIT)	<b>982</b>	(363)	<b>835</b>	(509)
Number of editions	<b>7</b>	5		

Metro owns minority equity positions in the joint venture operations in Seoul (South Korea) and Mexico. The Group also holds 25% equity stakes in the entities that publish Metro Toronto, Vancouver, Ottawa and Montreal. Metro has an overall approximate financial interest of 50% in the Toronto and Montreal joint ventures and a 33% financial interest in the Vancouver and Ottawa joint venture.

The Toronto and Montreal operations showed healthy year on year sales growth in the quarter. Montreal reported year on year sales growth of 18% and reported its first ever first half year operating profit. Toronto's second quarter sales were up year on year by 24%. The Vancouver and Ottawa editions achieved quarterly year on year sales growth of 83% and 168% respectively. The operating losses of Vancouver and Ottawa were reduced year on year by 46% and 34% respectively. Following a 35% increase in the daily audience to 896,000 daily readers, Metro is now the most read national newspaper in Canada according to the latest NADBank survey. The Q2 results of the Metro Toronto joint venture were flattered by a US\$ 585K credit associated with a one-off VAT credit of which Metro's share was US\$ 585K. Metro Toronto's life to date net profit earnings turned positive during the quarter, which has had the effect of triggering the inception of an ongoing royalty fee income for the Group.

Metro's joint venture in Seoul has been accounted for as an equity participation since the increase in Metro's ownership in the operation in October 2005. The operation reported a 49% year on year sales growth for the quarter and a more than fivefold corresponding increase in pre-tax profits. The Metro Pusan franchise operation reported its first ever monthly profit in the quarter. According to HRC Media Index, Metro is the fourth most read general interest newspaper in South Korea, with an estimated daily reach of over 1,000,000 people, and it remains the leader in audience amongst free daily newspapers despite printing fewer copies than its closest competitors.

The Mexican joint venture was launched on May 18, 2006. Publmetro is the one of the largest newspapers in Mexico City, the world's second largest metropolis with a population of over 19 million.

The Group reported a US\$ 1.0 million (loss of US\$ 0.4 million) total share in the pre-tax earnings of these associated companies.

### Other Businesses

US\$ '000s	Q2 2006	Q2 2005	H1 2006	H1 2005
Net Sales	<b>226</b>	96	<b>398</b>	96
Operating profit (EBIT)	<b>(646)</b>	(1,590)	<b>(1,216)</b>	(2,035)

Metro's other businesses comprise the Group's online businesses, which operate under the 'Metro Modern Media' brand in Sweden and Denmark and include the online classified advertising site 'Metro Market', Metro's online travel agency, and the www.metro.se news portal. Metro Modern Media has successfully developed a customized web publishing software system, which is expected over time to increase the page making productivity of the group's editorial departments.

The sales of other online services remained at a relatively low level during the quarter, reflecting their early stage of development. The www.metro.se site, which was launched at the end of the first quarter, is still being improved prior to a full launch later in the year and is not being actively promoted.

### Headquarters

US\$ '000s	Q2 2006	Q2 2005	H1 2006	H1 2005
Net Sales	<b>1,073</b>	573	<b>2,014</b>	975
Operating profit (EBIT)	<b>(5,167)</b>	(6,408)	<b>(9,838)</b>	(10,764)
Number of editions	<b>6</b>	1		

Headquarter revenues include the franchise fees receivable from the group's franchisees in Seoul and Pusan (South Korea), St Petersburg (Russia), Canary Islands (Spain) and Croatia, as well as the global sales department's share of multinational advertising sales. The Croatian operation was launched in May 2006 and therefore contributed to the quarterly result for the first time. Franchise fees are charged to the Seoul operation at a reduced rate, with effect from the beginning of October 2005 after Metro increased its equity interest in the operation to 29.99%. Headquarter net sales for the quarter increased by 87%. In terms of circulation, the Croatian edition is already the largest newspaper nationwide. It has secured an estimated readership of 383,000, only two months after launch. Metro St Petersburg is by far the largest and most read newspaper in St Petersburg, with 2.6 times more readers than its nearest competitor Komsomolskaya Pravda, according to the latest official TNS Gallup Media Russia. The operation is growing its sales rapidly in a fast developing media market.

Headquarter costs comprise group senior management and centralized administration functions; the global advertising research, sales and marketing teams; the Metro World News editorial desk; global business development and contract negotiation; and the costs associated with the Group's three long-term incentive plans (LTIPs). The plans gave rise to a non-cash charge in the second quarter and the first half year of US\$ 0.5 million (US\$ 0.4 million) and US\$ 1.5 million (US\$ 0.8 million) respectively. Headquarter net operating costs were reduced year on year by 19% in the quarter and by 9% for the half year.

## **FINANCIAL REVIEW**

Average debtor sales days outstanding (DSO) at the end of the second quarter was 52 days, a slight increase from the first quarter end record low level. Bad debt charges in the second quarter were at a record low level and were equivalent to 0.9% of net sales for the period. The change in working capital over the first half year was a reduction of US\$ 4.0 million, compared to an increase of US\$ 5.3 million for the corresponding period of 2005. Cash flow generated by operations was US\$ 9.1M (used US\$ 4.9 million). Group capital expenditure on tangible fixed assets amounted to US\$ 1.1 million (US\$ 1.3 million) in the quarter and was equivalent to less than 1% of group sales, whilst depreciation charges totaled US\$ 0.8 million (US\$ 1.0 million) for the period. The Group also invested US\$ 0.5 million to acquire 30% of the shares in the Mexican joint venture. Long-term loans totaling US\$ 0.2 million were extended to Metro Ireland (10% minority shareholding) during the quarter, increasing the total loan to this operation to US\$ 0.6 million. Metro International subscribed to US\$ 0.5 million of new shares in Metro Mexico during the first quarter. US\$ 0.1 million was received during the first quarter by the Portuguese subsidiary from its minority shareholder.

Net interest costs of US\$ 0.8 million (US\$ 0.4 million) in the quarter comprised US\$ 0.2 million (US\$ 0.1 million) of interest income on the Group's cash balances and loans outstanding with associated companies, and US\$ 1.0 million (US\$ 0.7 million) of interest payable on the Group's US\$ 43.3 million bank loan and US\$ 11.1 million of other borrowings. Other financial costs totaled US\$ 0.4 million (US\$ 0.4 million) and primarily comprised foreign exchange differences and credit facility commitment fees.

The Group reported a net tax charge of US\$ 0.7 million in the quarter (US\$ 0.9 million), which partly reflected the utilization of deferred tax assets. Deferred tax charges amounted to US\$ 0.4 million (US\$ 1.3 million) in the quarter. The Group's total tax loss carry forwards for its newspaper publishing entities was approximately US\$ 160 million at the end of the reporting period and the Group reported deferred tax assets of US\$ 15.2 million (US\$ 13.8 million).

US\$ 0.9 million (US\$ -0.3 million) of the net result for the period was attributable to minority shareholders in the Group's subsidiaries in France, Denmark, Boston and Portugal, as well as the online travel business.

The total number of issued and outstanding shares has not changed since the year-end at 526,151,287, but did increase by 241,098 new shares since the beginning of 2005 following the exercising of employee options that had been granted and vested under the terms of the Group's LTIPs.

Group net debt amounted to US\$ 22.1 million at the end of the quarter, compared to US\$ 23.0 million as at 31 December 2005, and comprised cash and cash equivalents of US\$ 32.3 million, the US\$ 43.3 million long-term bank loan, US\$ 4.9 million of loans payable to minority shareholders and other short-term bank loans totaling US\$ 6.2 million. A further US\$ 11.3 million is available to be drawn down on the Group's five-year US\$ 75.0 million multi-currency revolving credit facility and no amortizations are required on this facility prior to the end of 2007.

## **OTHER INFORMATION**

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

### ***Conference call***

The company will host a conference call today at 15.00 (CET). The call will also be webcast on Metro's website at [www.metro.lu](http://www.metro.lu). To participate in the conference call, please dial in on the following numbers:

UK: +44 (0)20 7138 0814  
Sweden: +46 (0) 8 5876 9446  
US: +1 718 354 1157

A replay facility will be available shortly after the conclusion of the call. To access the replay, please dial the following numbers:

UK: +44 (0)20 7806 1970  
Sweden: +46 (0) 8 5876 9441  
US: +1 718 354 1112

The replay passcode is 2226438#

### ***Date of next report***

Metro's financial results for the third quarter and nine months ended 30 September 2006 will be published on 24 October 2006.

---

Luxembourg, 25 July 2006.

The Board of Directors  
Metro International S.A.  
11 Boulevard royal  
L-2449, Luxembourg  
Registration no: B73790

**For further information, please visit [www.metro.lu](http://www.metro.lu), email [info@metro.lu](mailto:info@metro.lu) or contact:**

Pelle Törnberg, President & CEO tel: +44 (0) 20 7016 1300  
Andrew Best, Corporate Communications tel: +44 (0) 20 7321 5022

*Metro is the largest and fastest growing international newspaper in the world. 69 Metro editions are published in 93 major cities in 21 countries in 19 languages across Europe, North & South America and Asia. Metro has a unique global reach - attracting a young, active, well-educated Metropolitan audience of 18.5 million daily readers and more than 37 million weekly readers. Metro has an equal number of male and female readers, of which 70% are under the age of 45. Metro's advertising sales have grown at a compound annual rate of 44% since the launch of the first edition in 1995.*

*Metro International S.A. 'A' and 'B' shares are listed on the Stockholmsbörsen 'O-List' under the symbols MTROA and MTROB.*

<b>CONSOLIDATED INCOME STATEMENTS</b> <b>(US\$ '000s)</b>	<b>Note</b>	<b>Period ended 30</b> <b>June 2006</b>	<b>Period ended 30</b> <b>June 2005</b>
<b>Sales</b>		205,277	184,402
Cost of sales		(125,640)	(120,052)
<b>Gross income</b>		79,637	64,350
Selling expenses		(43,734)	(42,631)
Administrative and development expenses		(33,939)	(34,731)
Share of earnings in associated companies		616	(659)
Other operating expenses		-	15,884
<b>Operating profit</b>	(3)	2,580	2,213
Financial items, net		(2,150)	(914)
<b>Profit after financial items and before income tax</b>		430	1,299
Current tax		(611)	(788)
Deferred tax		(942)	(1,258)
<b>Net result</b>		(1,123)	(747)
<b>Attributable to:</b>			
Equity holders of the parent		(1,672)	(71)
Minority interest		549	(676)
<b>Net result</b>		(1,123)	(747)
Weighted average basic earnings per share		(0.00)	(0.00)
Weighted average basic number of shares outstanding		526,151,287	525,926,512

<b>CONSOLIDATED INCOME STATEMENTS</b> (US\$ '000s)	Note	Apr-Jun 2006	Apr-Jun 2005
<b>Sales</b>		112,095	100,299
Cost of sales		(66,170)	(63,740)
<b>Gross income</b>		45,925	36,559
Selling expenses		(22,973)	(22,559)
Administrative and development expenses		(17,247)	(18,782)
Share of earnings in associated companies		763	(517)
<b>Operating profit/(loss)</b>	(3)	6,468	(5,299)
Financial items, net		(1,160)	(278)
<b>Profit/(loss) after financial items and before income tax</b>		5,308	(5,577)
Current tax		(342)	310
Deferred tax		(368)	(1,258)
<b>Net result</b>		4,598	(6,525)
<b>Attributable to:</b>			
Equity holders of the parent		3,669	(6,240)
Minority interest		929	(285)
<b>Net result</b>		4,598	(6,525)
Weighted average basic earnings per share		0.01	(0.01)
Weighted average basic number of shares outstanding		526,151,287	525,942,834

<b>CONSOLIDATED STATEMENTS OF RECOGNISED GAINS AND LOSSES (US\$ '000s)</b>	<b>Note</b>	<b>Jan–Jun 2006</b>	<b>Jan–Jun 2005</b>
Foreign exchange translation differences		2,352	(4,921)
Net gain/(loss) not recognized in the income statement		2,352	(4,921)
Net result for the period		(1,123)	(747)
Total recognized gains/(losses)		1,229	(5,668)
<b>Attributable to:</b>			
Equity holders of the parent		1,059	(5,737)
Minority interest		170	69
<b>Net result</b>		1,229	(5,668)

CONSOLIDATED BALANCE SHEETS (US\$ '000s)	Note	30 June 2006	31 December 2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Licenses, net		1,517	1,513
Goodwill, net		15,239	14,644
		16,756	16,157
<i>Property, plant and equipment</i>			
Machinery and equipment, net		8,326	7,409
<i>Financial assets</i>			
Deferred tax assets		15,199	14,969
Shares in associated companies		6,671	3,871
Other investments		238	238
Receivables from associated companies		4,784	5,326
Long-term receivables		2,228	1,507
		29,120	25,911
<b>Total non-current assets</b>		<b>54,202</b>	<b>49,477</b>
<b>Current assets</b>			
Accounts receivable, net		78,883	66,266
Other current receivables		9,483	8,824
Prepaid expenses		4,584	3,159
Cash and cash equivalents		32,301	29,209
<b>Total current assets</b>		<b>125,251</b>	<b>107,458</b>
<b>TOTAL ASSETS</b>		<b>179,453</b>	<b>156,935</b>

CONSOLIDATED BALANCE SHEETS (US\$ '000s)	Note	30 June 2006	31 December 2005
<b>SHAREHOLDERS' EQUITY</b>			
Shareholders' equity	(4)	28,240	25,427
<i>Long-term liabilities</i>			
Liability to minority partners		4,902	4,470
Long-term bank loans		43,335	43,079
<b>Total long-term liabilities</b>		<b>48,237</b>	<b>47,549</b>
<i>Current liabilities</i>			
Short-term bank loans		6,180	4,626
Accounts payable		46,567	37,244
Other liabilities		12,932	11,507
Accrued expenses		37,297	30,582
<b>Total current liabilities</b>		<b>102,976</b>	<b>83,959</b>
<b>Total liabilities</b>		<b>151,213</b>	<b>131,508</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>179,453</b>	<b>156,935</b>

<b>CONSOLIDATED STATEMENTS OF CASH FLOWS (US\$ 000's)</b>	<b>Note</b>	<b>Period ended 30 June 2006</b>	<b>Period ended 30 June 2005</b>
<b>Operating activities</b>			
Loss before income tax		430	1,299
<b>Adjustments for:</b>			
Depreciation and amortization		1,538	1,815
Other non-cash items		1,549	(14,866)
Financial items, net		2,150	914
Share of earnings in associated companies		(616)	659
<b>Changes in working capital:</b>			
Change in current receivables		(10,640)	(10,380)
Change in current liabilities		14,686	15,673
<b>Cash flow used by operations</b>		<b>9,097</b>	<b>(4,886)</b>
Interest paid		(1,522)	(965)
Income tax paid		(1,007)	(659)
<b>Net cash used in operations</b>		<b>6,568</b>	<b>(6,510)</b>
<b>Investment activities</b>			
Investment in shares		(520)	-
Increase/decrease in long-term receivables		(1,843)	(217)
Investment in intangible assets		-	(1,115)
Investment in property, plant and equipment		(2,035)	(2,619)
<b>Net cash flow used in investing activities</b>		<b>(4,398)</b>	<b>(3,951)</b>
<b>Financing activities</b>			
Loan from minority partner		101	466
Issue of shares / LTIP plan		-	24
Bank loans		1,228	-
Sale of ownership interest in subsidiary (net)		-	16,152
<b>Net cash flow provided by financing activities</b>		<b>1,329</b>	<b>16,642</b>

(cont.)

<b>CONSOLIDATED STATEMENTS OF CASH FLOWS (US\$ '000s)</b>	<b>Note</b>	<b>Period ended 30 June 2006</b>	<b>Period ended 30 June 2005</b>
Net increase/(decrease) in cash and cash equivalents		3,499	6,181
Cash and cash equivalents at beginning of year		29,209	40,173
Currency effects on cash		(407)	(2,150)
<b>Cash and cash equivalents at end of period</b>		<b>32,301</b>	<b>44,204</b>

### 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, Russian, Spanish and Croatian franchise partners, publish free-of-charge newspapers, Monday through Friday and in some cases also on Saturday. As at 30 June 2006, Metro newspapers were distributed in Stockholm, Gothenburg, Skåne and in 44 other Swedish cities, Warsaw and nine other Polish cities, Prague and 10 other Czech cities, Budapest and 23 other Hungarian cities, the Netherlands, Helsinki and three other Finnish cities, Santiago and nine other Chilean cities, Philadelphia, Boston, New York, Rome, Lombardy, Genoa, Bologna, Veneto, Turin, Florence, Toronto, Montreal, Vancouver, Ottawa, Athens, Thessaloniki, Patra, Volos, Madrid, Catalonia, Aragon, Andalusia, Galicia, Alicante, Valencia, Elche, the Basque country, Castilla La Mancha, Castellon, the Canary Islands, Malaga and various other Spanish cities, Lisbon, Porto, Denmark, Paris, Marseilles, Lyon, Toulouse, Lille, Aix-en-Provence, Toulon, Aubagne, Bordeaux, Nice, Nantes, Rennes, Strasbourg, Hong Kong, Seoul, Pusan, Mexico City, Zagreb and three other Croatian regions and St Petersburg. Metro derives its revenues from advertising sales.

The Company is domiciled in Luxembourg.

### Note 2

#### **Accounting and valuation policies**

Metro's accounting and valuation policies are in accordance with IFRS (International Financial Reporting Standards) and are the same as in the consolidated financial statements for the period ended 31 December 2005.

### Note 3

#### **Segment reporting**

The segment reporting is based on geographic areas for subsidiary newspaper operations – 'Sweden', 'Northern Europe', 'Southern Europe', 'United States', 'Rest of World'. The other reporting segments are 'Equity Participations', 'Other Businesses' and 'Headquarters'.

The 'Northern Europe' area comprises the newspapers in the Czech Republic, Hungary, the Netherlands, Finland, Poland and Denmark.

The 'Southern Europe' area comprises the newspapers in France, Spain, Portugal, Italy and Greece.

The 'Rest of World' area comprises the newspapers in Chile and Hong Kong.

'Equity Participations' comprise the associate operation in South Korea, Mexico and Canada.

'Other Businesses' comprises various online services businesses.

'Headquarters' includes the income from the franchise operations in St Petersburg, Croatia, Russia, the Canary Islands and South Korea.

Metro does not own the operations in Alicante, Valencia, Elche and Castilla La Mancha but reports a share of the editions' national advertising sales.

Metro owns the majority of the sales companies in Toronto and Montreal and 25% of the publishing entities. Metro therefore accounts for the former as subsidiaries and the latter as associated companies. Metro also owns 25% of the equity of the Vancouver and Ottawa joint venture entity and therefore accounts for these operations as associates. Metro, through royalty agreements, holds a 50% financial interest in the Toronto and Montreal joint ventures and a 33% financial interest in the joint venture publishing the editions in Vancouver and Ottawa.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS  
(US\$ '000s)**

	<b>Apr-Jun 2006</b>	<b>Apr-Jun 2005</b>	<b>Jan-Jun 2006</b>	<b>Jan-Jun 2005</b>
<hr/>				
<b>Segment reporting</b>				
<i>Net sales (external)</i>				
<b>Sweden</b>	28,303	27,219	52,616	53,058
<b>Northern Europe</b>	28,310	26,251	52,665	48,172
<b>Southern Europe</b>	35,299	29,416	62,649	52,176
<b>USA</b>	8,639	7,432	16,108	12,996
<b>Rest of World</b>	8,839	8,396	16,288	15,116
<b>Equity Participations</b>	1,406	916	2,539	1,813
<b>Other Businesses</b>	226	96	398	96
<b>Headquarters</b>	1,073	573	2,014	975
	<b>112,095</b>	<b>100,299</b>	<b>205,277</b>	<b>184,402</b>

There are no inter-segment sales.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**  
(US\$ '000s)

	<b>Jan-Mar 2005</b>	<b>Apr-Jun 2005</b>	<b>Jul-Sep 2005</b>	<b>Oct-Dec 2005</b>	<b>Jan-Dec 2005</b>
<b>Segment reporting</b>					
<i>Net sales (external)</i>					
<b>Sweden</b>	25,839	27,219	19,677	25,746	98,481
<b>Northern Europe</b>	21,921	26,251	19,945	27,176	95,293
<b>Southern Europe</b>	22,760	29,416	16,716	30,076	98,968
<b>USA</b>	5,564	7,432	7,650	7,912	28,558
<b>Rest of World</b>	6,720	8,396	8,652	8,604	32,372
<b>Equity Participations</b>	897	916	845	1,144	3,802
<b>Other Businesses</b>	-	96	131	137	364
<b>Headquarters</b>	402	573	368	469	1,812
	<b>84,103</b>	<b>100,299</b>	<b>73,984</b>	<b>101,264</b>	<b>359,650</b>

There are no inter-segment sales.

<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (US\$ '000s)</b>	<b>Apr-Jun 2006</b>	<b>Apr-Jun 2005</b>	<b>Jan-Jun 2006</b>	<b>Jan-Jun 2005</b>
<b>Segment reporting</b>				
<i>Net income (loss)</i>				
<b>Sweden</b>	5,563	4,000	9,000	6,470
<b>Northern Europe</b>	3,553	2,788	5,046	3,629
<b>Southern Europe</b>	1,878	(2,347)	(319)	(5,731)
<b>USA</b>	(1,078)	(3,510)	(3,473)	(8,357)
<b>Rest of World</b>	1,383	2,131	2,545	3,626
<b>Equity Participations</b>	982	(363)	835	(509)
<b>Other Businesses</b>	(646)	(1,590)	(1,216)	(2,035)
<b>Operating profit (loss) from operations</b>	<b>11,635</b>	<b>1,109</b>	<b>12,418</b>	<b>(2,907)</b>
<b>Sale of ownership interest in subsidiary</b>	-	-	-	15,884
<b>Headquarters</b>	(5,167)	(6,408)	(9,838)	(10,764)
<b>Operating profit (loss)</b>	<b>6,468</b>	<b>(5,299)</b>	<b>2,580</b>	<b>2,213</b>
<b>Items to reconcile to statement of operations</b>				
Financial items, net	(1,160)	(278)	(2,150)	(914)
Current tax	(342)	310	(611)	(788)
Deferred tax	(368)	(1,258)	(942)	(1,258)
<b>Net result</b>	<b>4,598</b>	<b>(6,525)</b>	<b>(1,123)</b>	<b>(747)</b>

<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (US\$ '000s)</b>	<b>Jan-Mar 2005</b>	<b>Apr-Jun 2005</b>	<b>Jul-Sep 2005</b>	<b>Oct-Dec 2005</b>	<b>Jan-Dec 2005</b>
<b>Segment reporting</b>					
<i>Net income (loss)</i>					
<b>Sweden</b>	2,470	4,000	1,074	5,159	12,703
<b>Northern Europe</b>	841	2,788	309	5,237	9,175
<b>Southern Europe</b>	(3,384)	(2,347)	(4,895)	2,339	(8,287)
<b>USA</b>	(4,847)	(3,510)	(2,590)	(2,188)	(13,135)
<b>Rest of World</b>	1,495	2,131	2,443	2,139	8,208
<b>Equity Participations</b>	(146)	(363)	(559)	(368)	(1,436)
<b>Other Businesses</b>	(445)	(1,590)	(618)	(772)	(3,425)
<b>Operating profit (loss) from operations</b>	<b>(4,016)</b>	<b>1,109</b>	<b>(4,836)</b>	<b>11,546</b>	<b>3,803</b>
<b>Sale of ownership interest in subsidiary</b>	15,884	-	-	-	15,884
<b>Headquarters</b>	(4,356)	(6,408)	(5,386)	(6,044)	(22,194)
<b>Operating profit (loss)</b>	<b>7,512</b>	<b>(5,299)</b>	<b>(10,222)</b>	<b>5,502</b>	<b>(2,507)</b>
<b>Items to reconcile to statement of operations</b>					
Financial items, net	(636)	(278)	(742)	(1,003)	(2,659)
Current tax	(1,098)	310	(355)	(748)	(1,891)
Deferred tax	-	(1,258)	(836)	2,180	86
<b>Net result</b>	<b>5,778</b>	<b>(6,525)</b>	<b>(12,155)</b>	<b>5,931</b>	<b>(6,971)</b>

## Note 4

### Shareholders' equity

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

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

The issued and outstanding share capital of the Company is US\$ 131,537,821 divided into 263,554,560 Metro class A Shares and 262,596,727 Metro class B Shares with no par value. Metro class A Shares carry one vote for every share while Metro class B Shares carry no votes. Dividends may be paid in US\$ or in shares of the Company or otherwise as the Company's Board may determine in accordance with the provisions of the Luxembourg Companies Act. The holders of Metro class B Shares are entitled to the greater of a) a cumulative preferred dividend corresponding to 0.5% of the accounting par value of the Metro class B shares in the Company or b) 2% of the overall dividend distributions made in a given year. Any balance of dividends must be paid equally on each Metro class A and Metro class B Share.

<i>Total shareholders equity (US\$ '000s)</i>	<i>Equity holders of the parent</i>	<i>Minority interest</i>	<i>Total equity</i>
<b>Balance at January 1<sup>st</sup> 2005</b>	<b>38,150</b>	<b>(3,534)</b>	<b>34,616</b>
Total recognized gains and losses	(13,486)	1,721	(11,765)
Restricted share program of LTIP scheme	1,888	-	1,888
Share option program of LTIP scheme	420	-	420
Sale of 49% ownership interest in Metro Boston	-	268	268
<b>Balance at 31<sup>st</sup> December 2005</b>	<b>26,972</b>	<b>(1,545)</b>	<b>25,427</b>
<b>Balance at January 1<sup>st</sup> 2006</b>	<b>26,972</b>	<b>(1,545)</b>	<b>25,427</b>
Total recognized gains and losses	1,094	170	1,264
Restricted share program of LTIP scheme	1,339	-	1,339
Share option program of LTIP scheme	210	-	210
<b>Balance at 30<sup>th</sup> June 2006</b>	<b>29,615</b>	<b>(1,375)</b>	<b>28,240</b>