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1. The Board's reasoned statement pursuant to Ch 19 Sec 22 of the Swedish Companies Act.

The Board's reasons for the proposed authorisation for the Board to repurchase own shares being in accordance with the provisions of Chapter 17, Section 3 paragraphs 1, 2 and 3 of the Swedish Companies Act are as follows:

- MTG's objectives, scope of business and risks associated thereto are set out in the Articles of Association and in the submitted 2020 Annual Report.
- The Group's and the Parent Company's financial situation as of 31 December 2020 is stated in the 2020 Annual Report. The principles applied for valuation of assets and liabilities are also stated in the 2020 Annual Report.
- The Group's equity attributable to the Parent Company's shareholders amounted to SEK 3,841 million as at 31 December 2020, and the Parent Company's unrestricted equity totalled SEK 5,299 million.
- After the latest resolution on value transfer there are SEK 5,268 million remaining of the disposable amount.
- The Group's equity/assets ratio amounts to 48%. At 31 December 2020, the Group's liquidity reserve, including short term investments totalled SEK 1,153 million. At 31 December 2021 the Group's equity/assets ratio amounted to 57% and the Group's liquidity reserve including short term investments totalled SEK 943 million. Liabilities to financial institutions amounts to SEK 1,900 million.
- The Parent Company's equity/assets ratio amounts to 66%. At 31 December 2020, the Parent Company's liquidity reserve, including short term investments totalled SEK 516 million. At 31 December 2021 the Parent Company's equity/assets ratio amounted to 84% and the Parent Company's liquidity reserve including short term investments totalled SEK 167 million. Liabilities to financial institutions amounts to SEK 1,900 million.
- The costs in relation to repurchase of own Class A/B shares depends on to which extent, if at all, the Board makes use of the Annual General Meeting's authorisation to repurchase own ordinary shares. E.g. should the Board resolve to repurchase 1% of the outstanding ordinary shares in MTG, this would amount to approximately SEK 136.4 million (using the closing price for MTG's Class B share on 21 February 2022, SEK 116.60).

The proposed authorisation to repurchase MTG's own shares do not endanger the continuation of planned investments. MTG's financial position is such that MTG can continue its business and is expected to fulfil all of its obligations on both a short and long-term basis.

With reference to the aforementioned and what has otherwise been brought to the Board's attention, it is the Board's opinion that the proposed authorisation to repurchase MTG's own Class A/B shares is justified with reference to the requirements that the nature of the operations, the scope of business and the risks associated thereto place on the Parent Company's and the Group's shareholders' equity, consolidation requirements, liquidity and position in general.

Stockholm, February 28, 2022

THE BOARD OF DIRECTORS

MODERN TIMES GROUP MTG AB (PUBL)

2. The Board's report pursuant to Ch 19 Sec 24 of the Swedish Companies Act.

The Board's report for matters of material significance for the company's position, which have occurred after the presentation of the annual report, with information regarding value transfers that have been resolved during the same period and changes in the company's restricted equity that occurred after the balance sheet date, prior to the Extraordinary General Meeting's resolution to authorise the Board to resolve on repurchase of own shares pursuant to Ch 19 Sec 24 of the Swedish Companies Act.

Matters of material significance

After the presentation of the 2020 Annual Report on 13 April 2021, no matters of material significance to MTGs position have occurred other than as set out in the interim financial reports for the periods January – March 2021, January – June 2021, January – September 2021 and January – December 2021, and the following press releases published by the company which are compiled in Appendix 1:

- Press release from 2 July 2021 wherein Modern Times Group MTG AB (publ) announced that it had acquired PlaySimple, and
- Press release from 24 January 2022 wherein Modern Times Group MTG AB (publ) announced that it had divested ESL Gaming.

Value transfers and changes in the company's restricted equity

In accordance with a resolution on the Extraordinary General Meeting held on 21 January 2021, MTG issued 627,431 Class B shares directed to certain sellers of Hutch Games during January and 28,320,697 Class B shares were issued in a rights issue during February 2021. During March 2021 the Board resolved, exercising the authorisation from the Extraordinary General Meeting held on 21 January 2021, to carry out a directed issue of 9,659,524 Class B shares and a new issue of 130,000 Class C shares to be transferred to the participants in MTG's long-term incentive programme (following reclassification into Class B shares). Further, during June 2021 the Board resolved, exercising the authorisation from the Annual General Meeting held on 18 May 2021, to carry out a new issue of 4,435,936 Class B shares to the sellers of Ninja Kiwi. In accordance with a resolution on the Extraordinary General Meeting held on 28 July 2021, 6,194,343 Class C shares were issued and repurchased during August 2021 to be transferred to the sellers of PlaySimple.

The share repurchase listed above, has reduced the disposable amount with MSEK 32. No other resolutions have been made regarding value transfers after the presentation of the 2020 Annual Report 13 April 2021. The disposable amount according to Chapter 17, Section 3, first paragraph of the Swedish Companies Act (2005:551) amounts to SEK 5,268 million.

The new issues of shares listed above have increased the restricted equity with MSEK 247. No other changes have occurred to MTGs restricted equity after 31 December 2020.

Stockholm, February 28, 2022

THE BOARD OF DIRECTORS

MODERN TIMES GROUP MTG AB (PUBL)

Investing for the future

- The gaming vertical delivered a solid quarter in terms of net sales and EBITDA driven by high user engagement and the inclusion of Hutch
- In the esports vertical, three Master properties were delivered online. Due to the pandemic, live audience events are now assumed to return at the end of the year.
- MTG continued to deliver on its organic and inorganic strategy in gaming. Two new games were soft-launched, InnoGames' "Rise of Cultures" and Hutch's "Puzzle Heist", showing early promising results across several important KPIs. MTG further announced an agreement to acquire Ninja Kiwi, a leading, New Zealand based tower defense mobile games developer and publisher
- MTG made accelerated strategic investments in its esports product portfolio and B2C platforms to strengthen its position and diversify its current offering

Financial highlights

- Net sales increased by 9 percent to SEK 1,011 (924) million or 18 percent at constant FX. Organic growth amounted to 2 percent
- Adjusted EBITDA of SEK 100 (-21) million, with adjustments in the quarter for long-term management incentive programs (LTI) SEK 19 (32) million and total M&A transaction costs of SEK 27 (13) million
- EBITDA of SEK 54 (-69) million
- EBIT of SEK -43 (-142) million
- Net income of SEK -124 (-132) million
- Basic earnings per share, before dilution of SEK -1.43 (-2.10)
- Net cash flow from operations of SEK 1 (-39) million

Financial overview

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	1,011	924	3,997
of which Gaming	767	625	2,682
of which Esports	244	299	1,315
EBIT	-43	-142	35
EBITDA	54	-69	319
Adjusted EBITDA	100	-21	535
Net income	-124	-132	-96
Earnings per share, before dilution, SEK	-1.43	-2.10	-2.99
<i>Sales growth, %</i>	<i>9%</i>	<i>-2%</i>	<i>-6%</i>
<i>Changes in FX rates, %</i>	<i>-9%</i>	<i>4%</i>	<i>-2%</i>
<i>Sales growth at constant FX, %</i>	<i>18%</i>	<i>-6%</i>	<i>-4%</i>
<i>of which organic growth, %</i>	<i>2%</i>	<i>-6%</i>	<i>-4%</i>

President & CEO's comments

The first quarter results were mixed, reflecting the continuing impact of the pandemic on our two verticals. While gaming performed well, exhibiting increased user engagement with our expanding portfolio of titles, esports continued to be impacted by the postponed return of live audience events. Short term visibility remains low, reflected in our adjusted tournament schedule. As a consequence, we are experiencing longer decision-making processes from brand partners, and in the quarter delayed signing of a small number of anticipated larger sponsorship contracts, which negatively impacted adjusted EBITDA. Most of these contracts have now been closed in Q2, 2021.

Our group net sales amounted to SEK 1,011 million, a total increase of 9 percent including an adverse impact from foreign exchange rates of 9 percent, or 18 percent at constant FX. Adjusted EBITDA increased to SEK 100 million in the quarter, yielding an adjusted EBITDA margin of 10 percent.

At the same time, Q1 2021 has also been a quarter of significant investments in both the gaming and the esports verticals to better position MTG for the future. On the gaming side we launched two new games (with an additional 10 games in the pipeline), onboarded Hutch and announced the acquisition of Ninja Kiwi. In esports, on the back of emerging trends and learnings from the pandemic, we have accelerated strategic and operational investments in our product portfolio and B2C platforms to strengthen our position and diversify our current offering.

Gaming: High activity with M&A and organic development

Our gaming vertical's first quarter for 2021 has been one of high activity, both in terms of organic development and also through M&A activities resulting in yet another strong member joining our growing family of gaming companies.

InnoGames delivered another robust operational performance in the quarter. Sales increased across the existing games portfolio driven by successful in-game events and marketing for Forge of Empires and strong performance in the portfolio of classic games. We integrated Hutch, which delivered solid growth in the quarter, driven by its Top Drives title.

Our new games pipeline continues to look very strong. During the quarter we have seen InnoGames soft launch their new city builder title "Rise of Cultures" on the US market and later in April also on the European market, showing promising results across several important KPIs. Additionally, the company have soft launched its other new title "Lost Survivors" in April. In addition, Hutch released its new title "Puzzle Heist", which innovatively mixes elements from several genres like RPG, racing and puzzle games. On the back of these successful soft launches, we will accelerate marketing investments over the year to underpin uptake of these new titles.

In the quarter, we announced an agreement to acquire Ninja Kiwi, a leading, New Zealand-based tower defense mobile games developer and publisher with the evergreen IP Bloons. The acquisition is in line with our strategy to build a more diverse gaming segment and a stronger GamingCo overall. The transaction is expected to close in Q2 2021.

Esports: Investing for the future

Although esports continued to be affected by the ongoing pandemic in the first quarter, we nevertheless maintained a strong online schedule, relevance among fans, and continued commitment from our partners.

In the quarter, ESL Gaming successfully delivered and produced three Master properties as scheduled – one CS:GO event (IEM Katowice) and 2 Dota 2 DPC events (ESL One DPC CIS and DreamLeague DPC EU) – all being produced online. Due to the pandemic and maintained low visibility, we now do not expect live events to return in significant volumes before the end of the year.

Our relationship with strategic partners, including both brand sponsors and publishers, remained very active in the quarter. For example, we strengthened our relationship with Activision Blizzard as ESL Gaming was awarded the official Hearthstone esports program for the next two years. Additionally, Valve selected ESL Gaming as their partner for their CIS and EU Dota 2 DPC leagues. Post quarter end, we also announced an extended agreement with Epic Games for the return of the “DreamHack Open Featuring Fortnite” tournament series and new “Cash Cup Extra Presented by DreamHack”.

Due to the remaining uncertainty around live events, some brand sponsors are hesitant to commit contractually and are awaiting a return to normality. Hence, a small number of anticipated larger sponsorship contracts did not materialize as expected in the quarter and were instead signed in early Q2 2021. Post quarter end, we were pleased to see ESL Gaming announce the strategic prolongation of its cooperation with Intel, starting in 2022, which is a strong signal of confidence from our largest partner. Added to that, ESL Gaming recently announced the extension of the sponsor agreement with SAP.

As we further build on our leading position within esports and in anticipation of a normalized 2022, we accelerated our investments in the quarter to better position our esports offering to capture growth opportunities.

These investments included continued expansion of ESL’s B2C and mobile esports products and digitalizing traditional sports into esports products through the recently announced partnerships with Virtual Bundesliga, the NHL and with the International Olympic Committee. Additionally, investments were made in the quarter in preparation for expansion into new geographies and markets. While these business and product investments are in line with our strategy for esports, the costs associated with them have negatively impacted adjusted EBITDA for esports in the quarter by approximately SEK 25 million.

2021 outlook: Continued challenges, but also opportunities

The year ahead continues to present challenges as we navigate the exit from the pandemic, but it also presents numerous exciting opportunities in both gaming and esports, which we are pursuing with the investments we are making.

Our gaming vertical continues to grow with new companies, genres and strong IPs, more talented people and experienced minds. This bodes well for the remainder of the year, during which we will both launch additional new games and continue to pursue relevant M&A opportunities.

For esports, we still expect the ongoing pandemic to continue to have an impact on our business with key stakeholders, such as brand sponsors and publishers. While continuing to operate our events in digital formats for as long as deemed responsible and necessary during the remainder of the pandemic, we are making investments to capitalize on the emerging trends we see within the extended esports ecosystem. These include preparing for a mixed model of live events together with

an enhanced online product proposition post-pandemic. We expect this emerging model to lead not just to faster growth and increased revenues, but also to a richer and more resilient commercial operation. At the same time, we will carry on pursuing operational efficiencies in the core esports business and seeking new commercial and sponsorship agreements.

Overall, we remain confident in our ability to handle the challenges we face and are excited about the opportunities ahead of us. We look forward to delivering on our strategy, investing in and developing our gaming and esports verticals and creating further shareholder value.

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Significant events in an after the quarter

January 22 – ESL partnered with Blizzard to operate Hearthstone® esports ecosystem

ESL entered a two-year partnership with Blizzard Entertainment to operate the Blizzard owned esports ecosystem for the Hearthstone® game title. As part of another landmark publishing deal for ESL, the partnership will impact on some of the largest Hearthstone® tournaments like the Grandmasters and the Hearthstone Masters Tours and will entail a total prize pool of 3,000,000 USD per calendar year.

February 12 – MTG announced its rights issue oversubscribed and concluded

A maximum of 28,320,697 class B shares were offered in the Rights Issue at a subscription price of SEK 90 per share. 27,913,880 class B shares (corresponding to 98.6 per cent of the Rights Issue) were subscribed for by exercise of subscription rights. The remaining 406,817 class B shares were allotted to those who have applied for subscription for shares without subscription rights. The Rights Issue provided MTG with proceeds of SEK 2,526 million. Investors' interest was high, and the Rights Issue was oversubscribed by 101.8 per cent.

February 20 – InnoGames soft-launched its new city builder title Rise of Cultures on iOS and Android

The new title "Rise of Cultures" has been soft launched in February for testing on the US market, with European markets added later by March 25 for further testing. The title – which is available on iOS and Android – has showed promising results across several measured KPI's. InnoGames are monitoring the titles progress, adding new markets and channels while investing into marketing activities for the title and adding new content to the game going forward.

February 24 – DreamHack Sports Games signed deal with NHL to create the 2021 NHL Gaming World Championship

The National Hockey League (NHL®) selected DreamHack Sports Games (DHSG) to produce online and live esports tournaments under the NHL Gaming World Championship™ umbrella. As part of the multiyear relationship, DreamHack Sports Games will be tasked with producing hockey's premier esports events with the NHL through production of compelling content, live streams from tournaments, and influencer-driven competitions.

March 24 - Acquisition of Ninja Kiwi and a directed new shares issue

On March 24, 2021, MTG entered into an agreement to acquire New Zealand-based leading tower defense mobile games developer and publisher Ninja Kiwi. The up-front consideration amounted to approximately SEK 1,217 million (NZD 203 million) and earn-out payments at an expected value of SEK 406 million (NZD 68 million) in aggregate, including cash and share components. Furthermore, MTG has procured financing of the acquisition and improved on the company's financial flexibility through a directed new share issue by means of an accelerated book building process. The proceeds from the share issue amounted to SEK 1,079 million.

March 25 – ESL Gaming announced expansion of Mobile esports product Mobile Open to Asia-Pacific

After a successful 2019 launch of the ESL Mobile Open in North America and Europe, the new ESL Mobile program expands to reach more players across new regions, exciting game titles, and an updated competitive format. In an effort to create a global infrastructure of dedicated players and fans, ESL Mobile will offer opportunities to players in over 80 eligible countries spanning three competitive regions (North America, Europe/MENA, and Asia-Pacific). ESL has partnered with top game publishers and developers Gameloft, Riot, Supercell, and Tencent to offer players and viewers alike a unique chance to compete and engage with the most popular mobile games in the world.

March 25 – Hutch launched new title Puzzle Heist

In March, Hutch launched their new free-to-play title "Puzzle Heist", available on iOS and Android devices. The game focuses on a co-operative gameplay experience and allows players to collect fast and expensive cars, build their crew, take on gigs and defeat the ultimate crime boss. The title features innovative blend of gameplay elements from RPG's, action, racing, and puzzle games.

April 20 – DreamHack announced DreamHack Beyond, a digital adaptation of live audience festivals for pandemic circumstances

DreamHack Beyond will offer a hybrid experience featuring everything gaming under one "virtual" roof, and enables DreamHack to operate despite the pandemic circumstances with limitations to international travel, gathering of crowds for live audiences etc. The concept is a digital and free to attend adaptation of DreamHack's loved and popular LAN gaming festivals.

April 22 – ESL Gaming announced a revised outlook on 2021 postponing re-introduction of live audience events

ESL Gaming announced a revised outlook on its 2021 ESL Pro Tour schedule in which the company expects to operate all digital with no live audience events until late H2.

April 23 – ESL Gaming announced partnership with SAP

ESL Gaming announced that SAP will continue their support for its Dota 2 products within ESL's offering. The partnership with SAP, which goes back to 2018, provides key data to ESL Gaming's Dota 2 broadcasts through SAP's HANA system, enabling viewers to get a deeper understanding of what's going on in the games played.

April 26 – DreamHack announced new agreement with Epic on Fortnite collaboration

DreamHack announced that the popular DreamHack Open Featuring Fortnite tournament series, which included millions of players in 2020, will continue in 2021. In addition, fans can look forward to the "best of the best" Cash Cup Extra Presented by DreamHack. Both Fortnite initiatives will total a prize pool of more than USD 900,000 in 2021. The competition will be live-broadcasted online via Twitch.

April 28 – ESL Gaming announced renewal of sponsorship agreement with Intel

ESL Gaming announced the renewal of its long-standing partnership with Intel® in what is the biggest deal in esports history to date. Commencing in 2022, the renewal will see the brands invest over USD 100 million in esports over three years up to and including IEM Katowice 2025, and marks 20 years of collaboration between ESL and Intel® - extending the longest running partnership in the esports industry.

A full list of MTG's announcements and reports can be found at www.mtg.com.

Group performance

Net sales

Consolidated group net sales increased by 9 percent in the quarter to SEK 1,011 (924) million with a negative impact of foreign exchange rates of 9 percent. Organic growth was 2 percent. The gaming vertical's net sales increased by 23 percent, or 32 percent at constant FX, driven by the inclusion of Hutch and continued strong in-game monetization and positive development in the user base. The esports vertical's net sales decreased by 18 percent, or 11 percent at constant FX, mainly due to properties being online or canceled and less publisher activations due to the pandemic.

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	1,011	924	3,997
of which Gaming	767	625	2,682
of which Esports	244	299	1,315
<i>Sales growth, %</i>	<i>9%</i>	<i>-2%</i>	<i>-6%</i>
<i>Changes in FX rates, %</i>	<i>-9%</i>	<i>4%</i>	<i>-2%</i>
<i>Sales growth at constant FX, %</i>	<i>18%</i>	<i>-6%</i>	<i>-4%</i>
<i>of which organic growth, %</i>	<i>2%</i>	<i>-6%</i>	<i>-4%</i>

Adjusted EBITDA, EBITDA and EBIT

Consolidated group's adjusted EBITDA in the quarter amounted to SEK 100 (-21) million, representing a margin of 10 (-2) percent on the back of improved margins for the gaming vertical in combination with lower cost base in the esports vertical.

EBITDA adjustments of SEK 46 (48) million comprised in the quarter of long-term incentive programs (LTI) SEK 19 (32) million and M&A transaction costs of SEK 27 (13) million.

Consolidated group EBITDA was SEK 54 (-69) million driven by the above-mentioned charges in both gaming and esports verticals.

Group central operations impacted the quarter by SEK -22 (-26) million.

(SEKm)	Q1 2021	Q1 2020	FY 2020
EBIT	-43	-142	35
Amortizations	75	50	195
Depreciations	22	22	88
EBITDA	54	-69	319
Items affecting comparability	-	3	9
Impairment own capitalized costs	-	-	20
Long-term incentive programs	19	32	132
M&A transaction costs	27	13	56
Adjusted EBITDA	100	-21	535
of which Gaming	204	132	800
of which Esports	-82	-127	-163
of which Central operations	-22	-26	-102
<i>Adjusted EBITDA margin, %</i>	<i>10%</i>	<i>-2%</i>	<i>13%</i>

Depreciation and amortization in the quarter amounted to SEK -97 (-72) million and included amortization of purchase price allocations (PPA) of SEK -54 (-31) million, an increase following the acquisition of Hutch. Excluding PPA, depreciation and amortization were on the same level as the same period previous year SEK -43 (-41) million.

Group EBIT in the quarter was SEK -43 (-142) million, corresponding to an EBIT margin of -4 (-15) percent. Operating costs before depreciation and amortization decreased by 4 percent to SEK 957 (993) million.

Net financials and net income

Net financial items amounted to SEK -49 (30) million, which mainly consists of net interest SEK -15 (-1) million, gain from revaluation of VC funds SEK 17 (0) and unrealized exchange losses of SEK -48 (13), mainly related to earnout. The Group's tax cost was -31 (-20) million resulting in a net income for the period of SEK -124 (-132) million.

Venture capital fund investments

To date, the MTG VC fund has invested a total of SEK 230 million (USD 27.1 million). In the quarter, MTG made an investment of SEK 1.7 million (USD 0.2 million) into Playventures and SEK 4.9 million (USD 0.6 million) through draw down commitments and on top invested SEK 17 million (USD 1.9 million) into Meta Games.

MTG's VC fund has to date invested in 21 portfolio companies to complement its majority stake investments in ESL Gaming, DreamHack Sports Games, Kongregate, InnoGames and Hutch, and the portfolio assets range from start-up game developers across several game genres, including narrative, competitive, social MMO and game creation platforms in the US and Europe, to pure Esports focused companies.

Segmental performance

Gaming

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	767	625	2,682
<i>Sales growth, %</i>	<i>23%</i>	<i>3%</i>	<i>6%</i>
<i>Changes in FX rates, %</i>	<i>-9%</i>	<i>4%</i>	<i>-1%</i>
<i>Sales growth at constant FX, %</i>	<i>32%</i>	<i>-1%</i>	<i>7%</i>
<i>of which organic growth, %</i>	<i>8%</i>		
EBIT	103	51	436
EBITDA	183	106	648
Adjusted EBITDA	204	132	800
<i>Adjusted EBITDA margin, %</i>	<i>27%</i>	<i>21%</i>	<i>30%</i>

In the quarter, net sales for the gaming vertical increased by 23 percent to SEK 767 (625) million with an adverse impact from foreign exchange rates of 9 percent, resulting in growth at constant FX of 32 percent. Organic growth was 8 percent.

InnoGames continued to deliver a solid operational performance in the quarter with sales increased across the existing games portfolio driven by successful in-game events for Forge of Empires and strong performance in the portfolio of classic games. Kongregate's performance in the quarter was stable despite technical issues with the newly launched title Teenage Mutant Ninja Turtles: Mutant Madness, that has now been solved. Hutch was integrated into MTG and delivered solid growth compared to corresponding quarter last year, driven by its title Top Drives. Their title F1 Manager experienced a high level of seasonality with players awaiting the launch of the actual 2021 FIA Formula One World Championship. As this took place at the end of the quarter, the title has experienced a boost in downloads and users in the beginning of Q2 2021.

InnoGames successfully soft launched their new city builder segment title "Rise of Cultures" showing promising results across several important KPIs, and Hutch launched their new cross-genre title "Puzzle Heist" late in the quarter.

The pipeline for new titles is strong and gaming vertical plans to release up to 10 games in total across the full year including acquired Ninja Kiwi. InnoGames will soft launch up to two new games in the remainder of 2021. Additionally, Kongregate plans to launch its next game, based on the character SpongeBob SquarePants, in Q3 2021 and two more idle games in 2021. Ninja Kiwi has an additional three new games planned for launch across 2021.

Adjusted EBITDA in the quarter improved to SEK 204 (132) million, representing a margin of 27 percent (21), supported by a maintained high level of player engagement. Adjusted EBITDA was to some extent impacted by the soft launch of two new games with associated marketing expenses. Going forward, the gaming vertical will be scaling marketing investments on the back of successful soft launches of new games.

EBITDA adjustments of SEK 21 (26) million comprised in the quarter of long-term management incentive programs (LTI) costs SEK 8 (21) million and M&A transaction costs of SEK 13 (5) million.

EBITDA was SEK 183 (106) million in the quarter.

Capex amounted to SEK 43 (29) million in the quarter, driven by increased investments into games development.

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
DAU, million	3.1	2.2	2.2	2.5	2.4
MAU, million	15.4	9.3	9.4	12.0	12.6
ARPDau, SEK	2.7	3.2	3.4	3.3	2.9
Revenue generated by the top 3 games, %	68%	75%	80%	77%	75%
Revenue generated by platform, %					
Mobile	58%	48%	49%	49%	51%
Browser	42%	50%	50%	51%	48%
Other	0%	2%	1%	1%	1%
Revenue generated by territory, %					
Europe	54%	51%	51%	52%	53%
North America	41%	44%	44%	44%	42%
Asia Pacific	4%	4%	4%	4%	4%
Rest of World	1%	1%	1%	1%	1%

Daily Active Users (DAU) increased by 29 percent and Monthly Active Users (MAU) increased by 22 percent in Q1 2021. This development was mainly due to the acquisition of Hutch, but also supported by successful UA spend, driven predominantly by Forge of Empires. Excluding Hutch, DAU increased by 4 percent.

The Average Revenue per Daily Active User (ARPDau) decreased by 6 percent in Q1 2021 as a result of the inclusion of Hutch. Organic ARPDau increased by 4 percent compared to the same period last year, mainly driven by better in-game monetization for the InnoGames' portfolio.

The top three titles have changed in the quarter and are now Forge of Empires, Elvenar and Top Drives – the latter being the most successful title to date of Hutch and replacing Tribal Wars from previous quarter. Net sales generated by these titles decreased to 68 percent, compared with the preceding year of 75 percent as a result of more titles in the portfolio.

With the inclusion of Hutch, the mobile share increased to 58 percent of the total revenues.

There was no significant movement in the revenue split by territory, with 95 percent of revenue generated in the North American and European markets, which are the target territories for the three gaming businesses.

Esports

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	244	299	1,315
<i>Sales growth, %</i>	<i>-18%</i>	<i>-11%</i>	<i>-23%</i>
<i>Changes in FX rates, %</i>	<i>-8%</i>	<i>4%</i>	<i>-1%</i>
<i>Sales growth at constant FX, %</i>	<i>-11%</i>	<i>-15%</i>	<i>-22%</i>
<i>of which organic growth, %</i>	<i>-11%</i>		
EBIT	-117	-165	-288
EBITDA	-101	-148	-220
Adjusted EBITDA	-82	-127	-163
<i>Adjusted EBITDA margin, %</i>	<i>-33%</i>	<i>-43%</i>	<i>-12%</i>

In the quarter, net sales for esports vertical decreased by 18 percent to SEK 244 (299) million with a negative impact of foreign exchange rate of 8 percent. Organic growth was -11 percent. The decline in net sales was mainly a result of Master, Challenger and Open/Festival properties being either moved online or cancelled and lower monetization thereof, and delayed publisher activations, due to the coronavirus pandemic.

ESL Gaming successfully delivered and produced three Master properties in the quarter as scheduled – one CS:GO event (IEM Katowice) and 2 Dota 2 DPC events (ESL One DPC CIS and DreamLeague DPC EU) – all being produced as online events.

ESL's B2C (ESEA, ESL Play and other products) business continued to experience sequential growth in monthly active users on the back of the ongoing pandemic and improved product features. The long-term goal is to elevate the B2C business, enabling it to become a more meaningful contributor and to improve diversification of ESL Gaming's revenue streams by exploring new emerging trends within esports.

In the quarter, the esports vertical accelerated operational investments into continued expansion of ESL Gaming's B2C and mobile esports products, digitalizing traditional sports into esports products, and potential expansion into new geographies and markets, that impacted Adjusted EBITDA by approximately SEK 25 million.

Adjusted EBITDA in the quarter amounted to SEK -82 (-127) million, representing a margin of -33 percent (-43). The positive development was driven by continued cost savings due to online events replacing offline events. Also, the Adjusted EBITDA was impacted by accelerated strategic investments and delayed signing of a few larger sponsorship contracts at the end of the quarter, that was rather closed in Q2 2021.

EBITDA adjustments of SEK 19 (21) million comprised in the quarter of (LTI) costs SEK 10 (10) million and M&A transaction costs of SEK 9 (8) million.

EBITDA was SEK -101 (-148) million in the quarter.

Capex amounted to SEK 10 (13) million in the quarter, driven by decreased investments in event and production equipment followed by increased investments into B2C platforms.

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Number of O&O properties	10	22	18	25	15
Master	3	6	2	5	2
Challenger	7	15	16	18	11
Open	-	1	-	2	2
Revenue generated by type, %					
Owned & operated	81%	75%	68%	59%	65%
Esports services	19%	25%	32%	41%	35%

Net sales in Own & Operated (O&O) increased by 1 percent to SEK 197 million in the quarter, with a negative impact of foreign exchange rate of 9 percent. Organic growth was 10 percent. The scope and format of Master properties have shifted to online and Open properties have been cancelled due to the ongoing pandemic. Publisher revenues increased in the quarter, while sponsorship revenues declined due to longer sales processes also as a result of the pandemic. The positive trend for media revenues from previous quarters continued into Q1 2021.

Net sales in Esports Services' (ESS) decreased by 54 percent to SEK 47 million in the quarter, with a negative impact of foreign exchange rate of 4 percent. Organic growth was -50 percent due to delayed activation initiatives among the publishers as a result of the ongoing pandemic. Still, the focus in ESS remain to expand and establish more strategic publisher relationships building on the positive momentum from previous quarters.

Financial review

Cash flow

Cash flow from operations before changes in working capital amounted to SEK -8 (-111) million in the quarter. Depreciation and amortization charges were SEK 97 (72) million, of which SEK 54 (31) million related to amortization of PPA.

The Group reported a SEK 9 (72) million change in working capital. Net cash flow from operations amounted to SEK 1 (-39) million.

Investing activities

Net investment in VC funds affecting cash flow was SEK 19 (5) million. Capital expenditure on tangible and intangible assets, mainly consisting of capitalized development costs for games and platforms that have not yet been released, amounted to SEK 53 (42) million in the quarter.

Total cash flow relating to investing activities amounted to SEK -74 (-46) million.

Financing activities

The fully subscribed right issue that ended in February provided MTG with proceeds of SEK 2,526 million and were used to repay the bridge loan facility of SEK 1,800 million on February 17, 2021. In March MTG paid the vendor note that arose in connection with the acquisition of an additional 17 percent of the shares in InnoGames and amounted to SEK 1,142 million. In the end of March MTG completed a directed new share issue in connection with the announcement of the signing of the acquisition of Ninja Kiwi. The proceeds from the share issue amounted to SEK 1,079 million. Other cash flow from financing activities are mainly leasing payments. Total cash flow relating to financing activities amounted to SEK 649 (-10) million.

The net change in cash and cash equivalents amounted to SEK 576 (-95) million.

The Group had cash and cash equivalents of SEK 1,750 (1,806) million at the end of the period.

Parent Company

Modern Times Group MTG AB is the Group's parent company and is responsible for Group-wide management, administration, and financing.

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	4	4	16
Net interest and other financial items	4	62	-33
Income before tax and appropriations	-26	33	-173

Net interest for the quarter amounted to SEK -3 (-2) million. Unrealized and realized exchange differences amounted to SEK 12 (64) million and other financial items to SEK -5 (0).

The parent company had cash and cash equivalents of SEK 1,081 (1,016) million at the end of the period.

The total number of shares outstanding at the end of the period was 105,949,896 (76,190,509) and excluded the 304,880 class B shares and the 130,000 class C shares held by MTG as treasury shares. During the quarter new shares were issued on 21 January 627,431 class B shares directed to certain sellers of Hutch Games, on 26 February 28,320,697 class B shares as a result of MTG's rights issue with preferential rights for existing shareholders, on 24 March 9,659,524 class B shares directed to Swedish and international institutional investors and on 29 March 130,000 class C shares to be held in treasury during the vesting period of LTIP 2021.

Other information

Accounting policies

This Interim report has been prepared according to 'IAS 34 Interim Financial Reporting' and 'The Annual Accounts Act'. The interim report for the parent company has been prepared according to the Annual Accounts Act - Chapter 9 'Interim Report'.

The Group's consolidated accounts and the parent company's accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2020 Annual Report.

Disclosures in accordance with IAS.34 16A appear in the financial statements and the accompanying notes as well as in other parts of the interim report.

Related party transactions

No transactions between MTG and related parties that have materially affected the Group's position and earnings took place during the period.

Risks & uncertainties

Significant risks and uncertainties exist for the Group and the parent company. These factors include the prevailing economic and business environments in some of the markets; commercial risks related to expansion into new territories; other political and legislative risks related to changes in rules and regulations in the various territories in which the Group operates; exposure to foreign exchange rate movements, and the US dollar and Euro linked currencies in particular; and the emergence of new technologies and competitors.

The Group's esports business is reliant on continued cooperation with game publishers. The Group's game development businesses depend on their ability to continue releasing successful titles that attract paying customers. Both of the aforementioned conditions are not under the Group's full control.

Risks and uncertainties are also described in more detail in the 2020 Annual Report, which is available at www.mtg.com.

Stockholm, April 29, 2021

Maria Redin

Group President & CEO, Modern Times Group MTG AB

This report has not been reviewed by the Group's auditor.

Condensed consolidated income statement

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	1,011	924	3,997
Cost of goods and services	-464	-501	-1,777
Gross income	548	423	2,219
Selling expenses	-296	-283	-1,062
Administrative expenses	-296	-275	-1,130
Other operating income	12	7	32
Other operating expenses	-11	-12	-16
Share of earnings in associated companies and joint ventures	0	0	1
Items affecting comparability	-	-3	-9
EBIT	-43	-142	35
Net interest	-15	-1	-8
Other financial items	-34	31	54
Income before tax	-92	-112	81
Tax	-31	-20	-177
Total net income for the period	-124	-132	-96
Total net income for the period attributable to:			
Equity holders of the parent	-124	-160	-228
Non-controlling interest	1	28	132
Total net income for the period	-124	-132	-96
Basic earnings per share, SEK	-1.43	-2.10	-2.99
Diluted earnings per share, SEK	-1.43	-2.10	-2.99
Number of shares¹⁾			
Shares outstanding at the end of the period	105,949,896	76,190,509	76,190,509
Basic average number of shares outstanding	86,826,622	76,190,509	76,190,509
Diluted average number of shares outstanding	86,869,643	76,190,509	76,190,509

1) Retrospectively adjusted due to rights issue with a bonus element

Consolidated statement of comprehensive income

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net income	-124	-132	-96
<i>Other comprehensive income</i>			
<i>Items that are or may be reclassified to profit or loss net of tax</i>			
Currency translation differences	376	322	-314
Total comprehensive income for the period	252	191	-410
 Total comprehensive income attributable to			
Equity holders of the parent	175	78	-421
Non-controlling interest	77	112	11
Total comprehensive income for the period	252	191	-410

Condensed consolidated balance sheet

(SEKm)	Mar 31 2021	Mar 31 2020	Dec 31 2020
Non-current assets			
Goodwill	6,350	4,198	6,078
Other intangible assets	2,021	1,467	1,973
Total intangible assets	8,371	5,665	8,052
Total tangible assets	111	138	104
Right of use assets	123	139	129
Shares and participations in associated and other companies	326	228	272
Other financial receivables	229	305	242
Total non-current financial assets	554	533	514
Total non-current assets	9,159	6,475	8,799
Current assets			
Inventories	12	23	11
Other receivables	776	1,278	837
Cash, cash equivalents and short-term investments	1,750	1,806	1,153
Total current assets	2,538	3,107	2,000
Total assets	11,697	9,583	10,800
Equity			
Shareholders' equity	7,621	5,251	3,840
Non-controlling interest	1,453	1,514	1,375
Total equity	9,074	6,765	5,216
Non-current liabilities			
Lease liabilities	83	104	90
Total non-current interest-bearing liabilities	83	104	90
Provisions	698	567	706
Contingent consideration	623	384	589
Total non-current non-interest-bearing liabilities	1,321	950	1,295
Total non-current liabilities	1,404	1,054	1,385
Current liabilities			
Contingent consideration	11	-	11
Liabilities to financial institutions	1	-	1,800
Lease liabilities	45	37	42
Other interest-bearing liabilities ¹⁾	-	-	1,144
Other non-interest-bearing liabilities	1,163	1,726	1,202
Total current liabilities	1,218	1,764	4,199
Total liabilities	2,623	2,818	5,584
Total shareholders' equity and liabilities	11,697	9,583	10,800

1) Current debt in the form of a vendor note in connection with the acquisition of an additional 17 percent of the shares in InnoGames in December 2020, repaid in March 2021.

Condensed consolidated statement of cash flows

(SEKm)	Q1 2021	Q1 2020	FY 2020
Cash flow from operations	-8	-111	242
Changes in working capital	9	72	28
Net cash flow to/from operations	1	-39	270
Acquisitions of subsidiaries, associates and other investments	-19	-5	-2,263
Investments in other non-current assets	-53	-42	-208
Other cash flow from/used in investing activities	-2	0	0
Cash flow from/used in investing activities	-74	-46	-2,471
Net change in borrowings	-1,800	0	1,800
Repayment vendor note	-1,142	-	-
New share issue	3,605	-	-
Dividends to minority owners	-	-	-188
Other cash flow from/used in financing activities	-14	-9	-55
Cash flow from/used in financing activities	649	-10	1,558
Total net change in cash and cash equivalents	576	-95	-644
Cash and cash equivalents at the beginning of the period	1,153	1,824	1,824
Translation differences in cash and cash equivalents	21	77	-28
Cash and cash equivalents at end of the period	1,750	1,806	1,153

Condensed consolidated statement of changes in equity

(SEKm)	Mar 31 2021	Mar 31 2020	Dec 31 2020
Opening balance	5,216	6,581	6,581
Net income for the period	-124	-132	-96
Other comprehensive income for the period	376	322	-314
Total comprehensive income for the period	252	191	-410
Effect of employee share programmes	1	-1	-1
Cancellation of non-controlling interest put option liability ESL	-	-	315
Agreement to settle acquired operations with shares	-	-	81
Acquisition of non-controlling interests InnoGames	-	-	-1,162
New share issue ¹⁾	3,605	-	-
Change in non-controlling interests	-	-5	-
Dividends to non-controlling interests	-	-	-188
Closing balance	9,074	6,766	5,216

1) New share issue is presented after deduction of transaction costs of SEK 34 million

Parent company condensed income statement

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	4	4	16
Gross income	4	4	16
Administrative expenses	-34	-33	-156
Operating income	-30	-29	-140
Net interest and other financial items	4	62	-33
Income before tax and appropriations	-26	33	-173
Appropriations	-	-4	160
Tax	0	0	-
Net income for the period	-25	29	-13

Net income for the period is in line with Total comprehensive income for the parent company.

Parent company condensed balance sheet

(SEKm)	Mar 31 2021	Mar 31 2020	Dec 31 2020
Non-current assets			
Capitalized expenditure	1	1	1
Machinery and equipment	1	2	2
Shares and participations	7,813	5,849	7,813
Total non-current assets	7,815	5,852	7,815
Current assets			
Current receivables	442	21	207
Cash, cash equivalents and short-term investments	1,081	1,016	516
Total current assets	1,524	1,037	723
Total assets	9,339	6,889	8,538
Shareholders' equity			
Restricted equity	532	338	338
Non-restricted equity	8,685	5,259	5,299
Total equity	9,217	5,598	5,637
Untaxed reserves	43	115	43
Current liabilities			
Other interest-bearing liabilities	0	1,094	2,782
Non-interest-bearing liabilities	79	82	77
Total current liabilities	79	1,176	2,858
Total shareholders' equity and liabilities	9,339	6,889	8,538

Financial instruments at fair value

The carrying amounts are considered to be reasonable approximations of fair value for all financial assets and liabilities, except shares and participations in other companies for which the valuation technique is described below.

(SEKm)	Mar 31 2021		Mar 31 2020	
	Carrying value	Level 3	Carrying value	Level 3
Financial assets measured at fair value				
Shares and participations in other companies	304	304	206	206
Financial liabilities measured at fair value				
Contingent consideration	634	634	384	384

Valuation techniques

Shares and participations in other companies - Acquisition cost is initially considered to be a representative estimate of fair value. Subsequently, values are remeasured at fair value and gains/losses recognized when there is a subsequent financing with participation by a third party investor, in which case the price per share in that financing is used, when there is a realized exit or when there are indications that cost is not representative of fair value and sufficient more recent information is available to measure fair value.

(SEKm)	Mar 31 2021	Mar 31 2020
Opening balance 1 January	252	198
Reported gains and losses in net income for the period	16	-
Acquisition	24	10
Divestment	-	-6
Translation differences	13	3
Closing balance	304	206

Contingent consideration – expected future values are discounted to present value. The discount rate is risk-adjusted. The most critical parameters are estimated future revenue growth and future operating margin.

(SEKm)	Mar 31 2021	Mar 31 2020
Opening balance 1 January	600	377
Exercised payments	-	-15
Revaluation	-4	-
Interest expense	-	2
Translation differences	38	20
Closing balance	634	384

Net sales and result by segment

	Esports		Gaming		Central ops.		Total ops.	
(SEKm)	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Net sales	244	299	767	625	0	0	1,011	924
EBIT	-117	-165	103	51	-28	-28	-43	-142
Income before tax					-92	-112	-92	-112

Alternative performance measures

The purpose of Alternative Performance Measures (APMs) is to facilitate the analysis of business performance and industry trends that cannot be directly derived from financial statements. MTG is using the following APMs:

- Adjusted EBITDA
- Change in net sales from organic growth

Reconciliation of adjusted EBITDA

Adjusted EBITDA is used to assess MTG's underlying profitability. Adjusted EBITDA is defined as EBITDA adjusted for the effects of items affecting comparability, long-term incentive programs, acquisition-related transaction costs and impairment of capitalized internal work. Items affecting comparability refers to material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis.

(SEKm)	Q1 2021	Q1 2020	FY 2020
EBIT	-43	-142	35
Amortizations	75	50	195
Depreciation	22	22	88
EBITDA	54	-69	319
Items affecting comparability	-	3	9
Impairment own capitalized costs	-	-	20
Long-term incentive programs	19	32	132
M&A transaction costs	27	13	56
Adjusted EBITDA	100	-21	535

Reconciliation of sales growth

Since the Group generates the majority of its sales in currencies other than in the reporting currency (i.e. SEK, Swedish Krona) and currency rates have proven to be rather volatile, the Group's sales trends and performance are analyzed as changes in organic sales growth. This presents the increase or decrease in the overall SEK net sales on a comparable basis, allowing separate discussions of the impact of exchange rates, acquisitions and divestments. The following table presents changes in organic sales growth as reconciled to the change in the total reported net sales.

(SEKm)	Q1 2021	Q1 2020
Gaming		
Organic growth	8%	-1%
Acquisition/divestments	24%	-
Changes in FX rates	-9%	4%
Reported growth (%)	23%	3%
Esport		
Organic growth	-11%	-15%
Acquisition/divestments		-
Changes in FX rates	-8%	4%
Reported growth (%)	-18%	-11%
Total operations		
Organic growth	2%	-6%
Acquisition/divestments	16%	-
Changes in FX rates	-9%	4%
Reported growth (%)	9%	-2%

Definitions

Adjusted EBITDA

EBITDA, adjusted for the effects of items affecting comparability, long-term incentive programs, acquisition-related transaction costs and impairment of own work capitalized, which are referred to as adjustments.

AMA

Average Minute Audience - the average number of individuals or viewing a channel, which is calculated per minute during a specified period of time over the program duration.

ARPPDAU

Average net revenue per daily active user.

CAPEX

Capital expenditures.

Challenger

Smaller scale competitions with semi-professional players.

DAU

Daily active user.

Earnings per share

Earnings per share is expressed as net income attributable to equity holders of the parent divided by the average number of shares.

EBIT/Operating income

Net income for the period from continuing operations before other financial items, net interest and tax.

EBITDA

Profit for the period from continuing operations before other financial items, net interest, tax and depreciation and amortization.

ESS

Esports Services – Work for hire contracts made on behalf of another entity.

Items Affecting Comparability (IAC)

Items Affecting Comparability refers to material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis.

Master

Large scale competitions attracting professional top tier global players.

MAU

Monthly active user.

O&O

Owned & Operated – A property that is independently managed and controlled within the Group.

Open

Competitions free for all participants.

Organic growth

The change in net sales compared with the same period last year period, excluding acquisitions, divestments and adjusted for currency effect.

Transactional currency effect

The effect that foreign exchange rate fluctuations can have on a completed transaction prior to settlement. It is the exchange rate, or currency risk associated specifically with the time delay between entering into a trade or contract and then settling it.

Translational currency effect

Converting one currency to another, often in the context of the financial results of foreign subsidiaries into the parent company's and/or the Group's functional currency.

UA

User acquisition.

Shareholder information

2021 Annual General Meeting

The 2021 Annual General Meeting will be held on Tuesday May 18, 2021 in Stockholm.

Due to the continuing coronavirus pandemic, the Board of MTG has decided that the Annual General Meeting should be conducted only through postal voting in accordance with temporary legislation. It will not be possible for shareholders to attend the Annual General Meeting in person or by way of a proxy holder.

All information relating to the Annual General Meeting, including the notice, the Nomination Committee's proposals and related materials can be found at www.mtg.com.

Financial calendar

Item	Date
Q1 2021 Interim financial results report	April 29, 2021
2021 Annual general meeting	May 18, 2021
Q2 2021 Interim financial results report	July 20, 2021
Q3 2021 Interim financial results report	October 28, 2021

Questions?

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Conference call

The company will host a conference call today at 15:00 CEST. The conference call will be held in English. To participate in the conference call, please dial:

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Std. International	+44 (0) 2071 928 338
Access pin code	717 49 49



Modern Times Group MTG AB (Publ.) – Reg no: 556309-9158 – Phone: +46 (0) 8-562 000 50

Modern Times Group MTG AB (www.mtg.com) is a strategic acquirer and operator of companies in gaming and esports entertainment. Founded in Sweden and headquartered in Stockholm, our shares (MTG A and MTG B) are listed on Nasdaq Stockholm.

This information is information that Modern Times Group MTG AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 02.00pm CET on April 29th 2021.

Well positioned to capture growth

- The gaming vertical delivered a solid quarter driven by good monetization and the inclusion of Ninja Kiwi, a leader in the tower defense genre
- The esports vertical returned to positive revenue growth, driven by robust development for both O&O and ESS. ESL Gaming hosted six digital-only Master properties and successfully produced another season of Gamers Without Borders
- MTG continued to deliver on its Buy & Build strategy in the gaming vertical and announced the acquisition of PlaySimple, a rapidly growing, highly profitable Indian gaming studio and a global leader in the mobile word games genre. On a pro forma basis, the gaming vertical had net sales of SEK 1,169 million with organic growth of 8 percent in the second quarter
- MTG maintained a high level of strategic investments in its esports product portfolio and B2C platforms to strengthen its position and diversify its current offering ahead of a return to live-audience events, which is expected to take place by the end of 2021

Financial highlights

- Net sales increased by 9 percent to SEK 1,198 (1,096) million or 15 percent at constant currencies. Organic growth amounted to -3 percent
- Adjusted EBITDA of SEK 155 (167) million. Adjustments included long-term incentive programs (LTI) of SEK 25 (60) million and total M&A transaction costs of SEK 16 (3) million
- EBITDA of SEK 114 (104) million and EBIT of SEK 12 (31) million
- Net income of SEK -11 (-19) million and basic earnings per share, before dilution, of SEK -0.25 (-0.89)
- Cash balance of SEK 1,229 (1,571) million

Financial overview

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Net sales	1,198	1,096	2,210	2,020	3,997
of which Gaming	810	743	1,578	1,368	2,682
of which Esports	388	353	632	652	1,315
EBIT	12	31	-31	-110	35
EBITDA	114	104	168	35	319
Adjusted EBITDA	155	167	255	146	535
Net income	-11	-19	-135	-151	-96
Earnings per share, before dilution, SEK	-0.25	-0.89	-1.55	-2.99	-2.99
Sales growth, %	9%	0%	9%	-1%	-6%
Changes in FX rates, %	-6%	0%	-9%	2%	-2%
Sales growth at constant FX, %	15%	0%	18%	-3%	-4%
of which organic growth, %	-3%	0%	2%	-3%	-4%

President & CEO's comments

More than a year has passed since the pandemic began to affect the way we live our lives. For MTG, the impact on our two verticals has varied. Our gaming vertical has benefited from people staying at home, gaining new users and experiencing higher user engagement. Against this elevated baseline, as expected, we are now starting to face tougher year-on-year comparisons. Our esports vertical, on the other hand, has been hit hard but is now starting to improve due to our agile shift to online events and the gradual reopening of society. Unlike gaming, esports will face easier comparisons going forward.

Our sales increased by 15 percent at constant currencies, with double-digit growth in both verticals. Adjusted EBITDA was largely flat in the quarter as higher profit in our gaming vertical was offset by previously announced strategic investments in the esports vertical.

The tough comparisons that we faced in our gaming vertical in Q2 will continue into Q3. Against this backdrop, we are continuing to make progress on our strategy and feel very confident in our long-term opportunities. The gaming vertical is more diversified, with better capabilities and a stronger new games pipeline than ever before. Our esports operations continue to be impacted by the absence of live-audience events, and we are looking forward to their return, which we expect to take place by the end of 2021. At the same time, we are continuing to make investments in anticipation of a normalized 2022.

Gaming – building a scale player

Our work to further diversify our gaming vertical through strategic M&A has continued. On June 1, we added the strong Bloons IP to our portfolio of casual games through the closing of the Ninja Kiwi transaction. On July 2, we announced the acquisition of PlaySimple, a rapidly growing, highly profitable Indian gaming studio and a global leader in the mobile word games genre. Through the acquisitions carried out over the last eight months, MTG has become a scale player in the industry and our gaming vertical generated Q2 pro forma revenues and adjusted EBITDA of approximately SEK 1,169 million and SEK 367 million respectively, corresponding to organic net sales growth of 8 percent.

Operationally, our live games have continued to perform well. Gaming revenues increased by 14 percent at constant currencies. The performance was driven by the inclusion of Hutch and Ninja Kiwi with organic sales growth being impacted by tough comparisons. We expect this trend to continue into Q3.

The changes to Apple's Identifier for Advertisers (IDFA) have now been live for over two months on Apple iOS. The financial impact has thus far been limited but we are continuing to monitor the situation and encourage group collaboration on the topic.

Our new games pipeline continued to develop well during the quarter, but with some delays due to identified areas of improvement in soft-launched titles. We look forward to seeing the pipeline further strengthened through the addition of PlaySimple.

Esports – emerging stronger than ever

Despite the continued impact of the pandemic, our esports revenues increased by 18 percent at constant currencies. We maintained a successful online schedule for esports tournaments, with a strong fan reception and continued commitment from our partners.

ESL Gaming successfully delivered and produced six Master properties scheduled as digital-only events, including DH Masters Spring 2021, IEM Summer 2021, and ESL One Summer 2021. Furthermore, our ESS operations also made a meaningful contribution, and ESL Gaming produced another season of Gamers Without Borders as well as a Rainbow Six live event in Paris. Additionally, DreamHack Sports Games started production of the Olympic Virtual Series, which will lead up to the Tokyo Olympic Games. On a general note, we continue to believe that we will see a few live-audience events return by the end of 2021.

We have continued to build on our leading position within esports in anticipation of a normalized 2022 and to make accelerated investments to better position our esports offering and leverage growth opportunities. This includes the expansion of ESL Gaming's B2C and mobile esports products, the digitalization of traditional sports into esports products and preparations for an expansion into new geographies and markets.

Looking forward – well positioned to capture growth and value opportunities

While there are still challenges ahead, we are optimistic about the opportunities for both of our verticals – and for good reason.

Through the successful expansion of our gaming vertical, we now have even stronger Group capabilities and skills when it comes to user acquisition, live-ops and business intelligence. Along with our growing player base, this is creating operational synergies that will help us remain competitive in the dynamic gaming industry. Additionally, a very strong new games pipeline is setting our gaming vertical up for continued organic growth.

Although short-term visibility remains limited for esports, we are confident in our strategy and our ability to adapt. The pandemic will impact our operations for the remainder of 2021, but we are feeling increasingly optimistic about a return to normal business in 2022. We will continue to make strategic investments to fully capitalize on the trends that have emerged during the pandemic, and we will ensure that we leverage the learnings from running digital-only events and a more platform-based operating model.

Looking ahead, we will continue to execute on our Buy & Build strategy. Both of our verticals have strong growth projections, and we expect to create shareholder value through both organic and inorganic investments in gaming as well as esports.

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Significant events in and after the quarter

April 13 – MTG published its 2020 Annual and Corporate Responsibility Report

MTG's Annual and Corporate Responsibility report for the 2020 fiscal year was published as a combined report with an integrated approach and made available in both English and Swedish. The report is available digitally on [mtg.com](https://www.mtg.com).

April 20 – DreamHack revealed DreamHack Beyond

DreamHack revealed the trailer, graphics and gameplay footage for the free hybrid festival and online multiplayer game, DreamHack Beyond, an interactive event from July 24 to July 31, featuring themed worlds, 20+ festival halls, game demos, hourly tournaments (including Hearthstone and Rocket League), cosplay, live streamed music, and screenings.

April 26 – DreamHack in new deal with Epic Games on return of popular Fortnite esports tournament format

DreamHack announced an agreement with publisher Epic Games on the return of the tournament series DreamHack Open Featuring Fortnite from 2020. Each season of Fortnite's competitive calendar – spring, summer, and fall – will feature a DreamHack Open with a prize pool of USD 200,000 each and will be broadcasted live on Twitch. In addition, there will be a total of 18 events in 2021 under the name Cash Cup Extra Presented by DreamHack, a collection of Duo tournaments where the best players battle for a combined prize pool of USD 17,000 for each competition.

April 28 – ESL Gaming and Intel® announced extension of brand partnership, celebrating 20 years of esports collaboration

ESL Gaming announced the renewal of its long-standing partnership with Intel® in what is the biggest brand partnership deal in esports history to date. The extension will see continued delivery of technology solutions that will power all of ESL Gaming's pro-level tournaments and events. It will also break new ground for Intel and ESL Gaming, with the partnership now expanding to include DreamHack Open and DreamHack festivals for the first time.

May 12 – Hutch rebranded its F1 manager title to F1 Clash and launched 2021 update

Hutch announced the rebranding of its popular F1 branded title while also releasing a 2021 update to the game with new official drivers, teams, and liveries alongside 48 new car components to collect, while also including improved 3D graphics as well as gameplay improvements to ensure an even more exciting gameplay experience.

May 14 – DHL extended successful partnership with ESL Gaming

DHL – which has been the Official Logistics Partner to ESL since 2018 – and ESL Gaming announced a multiyear extension of their successful partnership. Through the extension, DHL continues its extensive involvement in esports. Building on an established footprint and successful activation campaigns around the ESL One tournament series in previous years, the new agreement will expand to include the full ESL CS:GO Pro Tour, all of ESL's global Dota 2 properties, and ESL Mobile, an all-new mobile esports ecosystem.

May 18 – MTG held its Annual General Meeting

The AGM resolved in accordance with all proposals by the Board and the Nomination Committee, re-electing Chris Carvalho, Simon Duffy, Gerhard Florin, Dawn Hudson, Marjorie Lao and Natalie Tydeman as members of the Board, and electing Simon Leung as new member of the Board. The AGM also elected Simon Duffy as the new Chairman of the Board.

June 1 – MTG completed the acquisition of Ninja Kiwi, the leading tower defense gaming studio, and publisher and maker of Bloons

MTG completed the acquisition of 100 percent of the shares in leading tower defense gaming studio and publisher Ninja Kiwi Limited which was announced through a press release on March 24, 2021. For additional information see acquisition note on page 20.

June 15 – Ninja Kiwi launched new title Bloons Pop!

June saw Ninja Kiwi soft-launch Bloons Pop! to a strong fan reception from its loyal player base. The game has feature support on both Apple iOS and Google Android.

July 2 – MTG announced the acquisition of leading word games developer PlaySimple and disclosed pro forma figures for its gaming vertical

MTG announced the acquisition of 100 percent of PlaySimple, a rapidly growing, highly profitable business and one of the global leaders in the attractive mobile word games genre based in Bangalore, India, for an up-front consideration amounting to approximately SEK 3,090 million (on a cash and debt-free basis) and performance-based earn-out payments amounting to an expected value of SEK 1,287 million in aggregate. As part of the announcement, MTG disclosed pro forma figures for its gaming vertical. MTG expects to close the transaction on or around July 29, 2021.

July 2 – MTG will hold an Extraordinary General Meeting on July 28, 2021

MTG's Board of Directors have called for an Extraordinary General Meeting to be held on July 28, 2021, in order to resolve upon, inter alia, a directed issue of class C shares as well as a subsequent transfer of class B shares.

Due to the continuing coronavirus pandemic, the Board of MTG has decided that the Extraordinary General Meeting will be conducted only through postal voting in accordance with temporary legislation. It will not be possible for shareholders to attend the Extraordinary General Meeting in person or by way of a proxy holder. All information relating to the Extraordinary General Meeting, including the notice, can be found at www.mtg.com.

A full list of MTG's announcements and reports can be found at www.mtg.com.

Group performance

Net sales

Consolidated Group net sales increased by 9 percent in the quarter to SEK 1,198 (1,096) million or 15 percent at constant currencies. Organic growth amounted to -3 percent. The gaming vertical's net sales increased by 9 percent, or 14 percent at constant currencies, driven by the acquisition of Hutch and Ninja Kiwi, which joined the Group in the end of December 2020 and June 2021, respectively. Organic net sales declined by 14 percent, largely because of tough comparisons from Q2 2020 that include the initial impact of the coronavirus lockdowns. The esports vertical's net sales increased by 10 percent, or 18 percent at constant currencies, mainly due to larger ESS productions.

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Net sales	1,198	1,096	2,210	2,020	3,997
of which Gaming	810	743	1,578	1,368	2,682
of which Esports	388	353	632	652	1,315
Sales growth, %	9%	0%	9%	-1%	-6%
Changes in FX rates, %	-6%	0%	-9%	2%	-2%
Sales growth at constant FX, %	15%	0%	18%	-3%	-4%
of which organic growth, %	-3%	0%	2%	-3%	-4%

Adjusted EBITDA, EBITDA and EBIT

Consolidated Group adjusted EBITDA amounted to SEK 155 (167) million, representing a margin of 13 (15) percent as higher profits in the gaming vertical was more than offset by increased losses in the esports vertical on the back of strategic investments.

The EBITDA adjustments of SEK 41 (63) million were comprised of LTI costs of SEK 25 (60) million and M&A transaction costs of SEK 16 (3) million.

Consolidated Group EBITDA amounted to SEK 114 (104) million, driven by higher results in Gaming following more normalized LTI costs, partly offset by increased losses in esports.

Group central operations impacted the quarter by SEK -25 (-30) million.

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
EBIT	12	31	-31	-110	35
Amortizations	81	49	156	100	195
Depreciations	22	23	43	45	88
EBITDA	114	104	168	35	319
Items affecting comparability	-	0	-	3	9
Impairment own capitalized costs	-	-	-	-	20
Long-term incentive programs	25	60	44	92	132
M&A transaction costs	16	3	43	16	56
Adjusted EBITDA	155	167	255	146	535
of which Gaming	228	211	432	343	800
of which Esports	-48	-15	-130	-142	-163
of which Central operations	-25	-30	-47	-56	-102
Adjusted EBITDA margin, %	13%	15%	12%	7%	13%

Depreciation and amortization amounted to SEK 102 (73) million and included amortization of purchase price allocations (PPA) of SEK 54 (30) million. Excluding PPA, depreciation and amortization were slightly higher at SEK 48 (43) million.

Group EBIT amounted to SEK 12 (31) million, corresponding to an EBIT margin of 1 (3) percent. Operating costs before depreciation and amortization increased by 9 percent to SEK 1,084 (992) million.

Net financials and net income

Net financial items amounted to SEK 26 (-29) million, predominantly driven by exchange rate changes. Interest expenses amounted to SEK 1 (3) million. The Group's tax cost amounted to SEK 49 (21) million, resulting in net income for the period of SEK -11 (-19) million.

Venture capital fund investments

To date, the MTG VC fund has invested a total of SEK 256 million (USD 30 million). In the quarter, MTG made an additional investment of SEK 26 million (USD 3 million) in Joyride, an up-and-coming casual competitive gaming platform for mobile players. MTG's VC fund has invested in 21 portfolio companies to date to complement its majority stake investments in ESL Gaming, DreamHack Sports Games, Kongregate, InnoGames, Hutch and Ninja Kiwi, and the portfolio assets range from start-up game developers across several game genres, including narrative, competitive, social MMO and game creation platforms in the US and Europe, to pure esports-focused companies.

Segmental performance

Gaming

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Net sales	810	743	1,578	1,368	2,682
Sales growth, %	9%	15%	15%	9%	6%
Changes in FX rates, %	-5%	0%	-7%	2%	-1%
Sales growth at constant FX, %	14%	15%	22%	7%	7%
of which organic growth, %	-14%	15%	-3%	7%	7%
EBIT	122	105	224	156	436
EBITDA	209	160	392	265	648
Adjusted EBITDA	228	211	432	343	800
Adjusted EBITDA margin, %	28%	28%	27%	25%	30%

Net sales for the gaming vertical increased by 9 percent to SEK 810 (743) million including an adverse impact from foreign exchange rates of 5 percent, resulting in growth at constant currencies of 14 percent. Organic growth was -14 percent.

Adjusted EBITDA increased by 8 percent to SEK 228 (211) million, representing a margin of 28 (28) percent, mainly supported by the additions from recent acquisitions as well as underlying adjusted EBITDA growth.

InnoGames' core titles and portfolio of classic games delivered a solid performance. Hutch's popular F1 Clash title saw strong customer intake and revenue development, supported by increased marketing on the back of the FIA Formula One World Championship 2021 season start. Ninja Kiwi's Bloons TD6 maintained high engagement with its player base and lower seasonality than normal.

MTG's new games pipeline continued to develop well, but with some delays due to identified areas of improvement in soft-launched titles. InnoGames currently has two games, Rise of Cultures and Lost Survivors, in soft launch. Ninja Kiwi soft-launched one game, Bloons Pop!, at the end of the quarter with promising early results, while Hutch's previously soft launched title, Puzzle Heist, has not performed as anticipated so far. The respective companies continue to monitor their progress closely while honing features and adding markets and content on an ongoing basis. In total, there are four games currently in soft launch.

The EBITDA adjustments of SEK 19 (52) million comprised of LTI costs related to ongoing plans of SEK 13 (51) million and M&A transaction costs of SEK 6 (0) million. EBITDA amounted to SEK 209 (160) million.

Capex amounted to SEK 47 (34) million, driven by more games in development and more gaming companies being part of the gaming vertical.

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
DAU, million ¹	4.3	4.2	2.2	2.2	2.5
MAU, million ¹	24.6	26.0	9.3	9.4	12.0
ARPDau, SEK ¹	2.7	2.2	3.2	3.4	3.3
Revenue generated by the top 3 games, %	66%	68%	75%	80%	77%
Revenue generated by platform, %					
Mobile	61%	58%	48%	49%	49%
Browser	39%	42%	50%	50%	51%
Other	0%	0%	2%	1%	1%
Revenue generated by territory, %					
Europe	51%	54%	51%	51%	52%
North America	42%	41%	44%	44%	44%
Asia Pacific	5%	4%	4%	4%	4%
Rest of World	1%	1%	1%	1%	1%

1) Q1 DAU, MAU and ARPDau was corrected in Q2

Daily active users (DAU) increased by 69 percent and monthly active users (MAU) increased by 104 percent. This development was largely due to the inclusion of Hutch and Ninja Kiwi, and by adding these companies MTG has established a significantly broader user base to monetize. The underlying DAU and MAU declined slightly, mainly due to the spike in users during the first wave of lockdowns in 2020.

The average revenue per daily active user (ARPDau) decreased by 17 percent as a result of tough comparisons and the addition of Hutch and Ninja Kiwi in the portfolio. Organic ARPDau decreased by 10 percent, mainly driven by last years elevated activity level.

The top three titles changed in the quarter and are now Forge of Empires, Elvenar and F1 Clash, the latter replacing Top Drives. Net sales generated by these titles, as a percentage of total gaming vertical net sales, decreased to 66 (77) percent, as a result of significantly improved diversification in the gaming vertical, with a broader portfolio of games and companies.

With the inclusion of Hutch and Ninja Kiwi, the mobile share increased to 61 (49) percent of total revenues.

During the quarter, sales per geography was stable. North America and Europe are, and remain the target geographies for MTG's gaming vertical.

Esports

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Net sales	388	353	632	652	1,315
Sales growth, %	10%	-21%	-3%	-16%	-23%
Changes in FX rates, %	-8%	0%	-8%	2%	-1%
Sales growth at constant FX, %	18%	-21%	5%	-18%	-22%
of which organic growth, %	18%	-21%	5%	-18%	-22%
EBIT	-83	-44	-201	-209	-288
EBITDA	-69	-26	-170	-175	-220
Adjusted EBITDA	-48	-15	-130	-142	-163
Adjusted EBITDA margin, %	-12%	-4%	-21%	-22%	-12%

Net sales for the esports vertical increased by 10 percent to SEK 388 (353) million, with a negative impact of foreign exchange rates of 8 percent. Organic growth was 18 percent. The positive net sales development was largely due to the strong performance of ESL Gaming's ESS business as well as less challenging comparisons against 2020.

ESL Gaming successfully delivered and produced six Master properties in the quarter as scheduled, and all O&O events were produced online. Significant ESS events were Gamers Without Borders and Six Invitational 2021. ESL continues to expand its investments in mobile competitive gaming and saw in the quarter high engagement metrics providing encouragement for further development.

DreamHack Sport Games successfully delivered several online series as part of the ongoing engagement in e-football and e-golf leagues as well as the ESS production, the Olympic Virtual Series, on behalf of the International Olympic Committee.

Adjusted EBITDA amounted to SEK -48 (-15) million, representing a margin of -12 (-4) percent. Profitability was adversely impacted, mainly by accelerated strategic investments in B2C and mobile esports products, the digitalization of traditional sports into esports products and preparations for an expansion into new geographies and markets.

The EBITDA adjustments of SEK 21 (11) million comprised of LTI costs of SEK 10 (9) million and M&A transaction costs of SEK 11 (2) million. EBITDA amounted to SEK -69 (-26) million.

Capex amounted to SEK 13 (10) million, mainly driven by continued investments in ESL Gaming's studio productions.

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Number of O&O properties	26	10	22	18	25
Master	6	3	6	2	5
Challenger	20	7	15	16	18
Open	-	-	1	-	2
Revenue generated by type, %					
Owned & operated	52%	81%	75%	68%	59%
Esports services	48%	19%	25%	32%	41%

Net sales in Own & Operated (O&O) decreased by 2 percent to SEK 202 million, with an adverse impact of foreign exchange rates of 8 percent. Organic growth amounted to 6 percent on the back of renewed sponsorship agreements with major sponsors such as Intel, DHL and Monster.

Net sales in Esports Services (ESS) increased by 27 percent to SEK 186 million, with an adverse impact of foreign exchange rates of 9 percent. Organic growth amounted to 36 percent on the back of larger ESS productions.

Financial review

Cash flow

Cash flow from operations before changes in working capital amounted to SEK -3 (164) million. A management incentive program (MIP) amounting to SEK 85 million was paid out by the gaming vertical during the quarter. The cost of the four-year program has been provisioned on a quarterly basis, and the first part of the program was paid out in the quarter. Depreciation and amortization amounted to SEK 102 (73) million, of which SEK 54 (30) million related to the amortization of purchase price allocations (PPA). The increase is related to the acquisition of Hutch and Ninja Kiwi.

The Group reported a change in working capital of SEK -9 (-43) million. Net cash flow from operations amounted to SEK -12 (121) million.

Investing activities

Cash flow used in investing activities includes a net cash payment of SEK 507 million for the acquisition of Ninja Kiwi and the final payment of SEK 30 million related to the acquisition of Hutch. Net investments in VC funds affecting cash flow amounted to SEK 28 (0) million, of which SEK 26 million was a convertible loan. Capital expenditure on tangible and intangible assets, mainly consisting of capitalized development costs for games and platforms that have not yet been released, amounted to SEK 59 (44) million.

Total cash flow relating to investing activities amounted to SEK -624 (-81) million.

Financing activities

Cash flow relating to financing activities amounted to SEK 128 (-202) million, mainly from minority owner capital injection of SEK 154 million in the gaming vertical, following the co-investments in recent acquisitions.

The net change in cash and cash equivalents amounted to SEK -508 (-162) million.

The Group had cash and cash equivalents of SEK 1,229 (1,571) million at the end of the period.

Parent Company

Modern Times Group MTG AB is the Group's parent company and is responsible for Group-wide management, administration, and financing.

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Net sales	4	4	7	8	16
Net interest and other financial items	-1	-52	3	10	-33
Income before tax and appropriations	-26	-81	-51	-47	-173

Net interest and other financial items for the quarter amounted to SEK -1 (-52) million, of which interest income amounted to SEK 4 (-1) million and exchange rate effects amounted to SEK -5 (-51) million.

The parent company had cash and cash equivalents of SEK 632 (864) million at the end of the period.

The total number of shares outstanding at the end of the period was 110,385,832 (76,190,509) and excluded the 304,880 class B shares and the 130,000 class C shares held by MTG as treasury shares. On June 4, a total of 4,435,936 new class B shares were issued to the sellers of Ninja Kiwi.

Other information

Accounting policies

This interim report has been prepared according to 'IAS 34 Interim Financial Reporting' and the Swedish Annual Accounts Act'. The interim report for the parent company has been prepared according to the Swedish Annual Accounts Act – Chapter 9 'Interim Report'.

The Group's consolidated accounts and the parent company's accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2020 Annual Report.

Disclosures in accordance with IAS.34 16A appear in the financial statements and the accompanying notes as well as in other parts of the interim report.

Related party transactions

No transactions between MTG and related parties that have materially affected the Group's position and earnings took place during the period.

Risks & uncertainties

Significant risks and uncertainties exist for the Group and the parent company. These factors include the prevailing economic and business environments in certain of the markets; commercial risks related to expansion into new territories; other political and legislative risks related to changes in rules and regulations in the various territories in which the Group operates; exposure to foreign exchange rate movements, and the US dollar and euro-linked currencies in particular; the emergence of new technologies and competitors; as well as cyber-attacks.

The Group's esports business is reliant on continued cooperation with game publishers. The Group's game development businesses depend on their ability to continue releasing successful titles that attract paying customers. Both of the aforementioned conditions are not under the Group's full control.

Risks and uncertainties are also described in more detail in the 2020 Annual Report, which is available at www.mtg.com.

Stockholm, July 20, 2021

Maria Redin

Group President & CEO, Modern Times Group MTG AB

This report has not been reviewed by the Group's auditor.

Condensed consolidated income statement

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Net sales	1,198	1,096	2,210	2,020	3,997
Cost of goods and services	-595	-506	-1,059	-1,007	-1,777
Gross income	603	590	1,151	1,013	2,219
Selling expenses	-293	-308	-589	-591	-1,062
Administrative expenses	-274	-267	-570	-542	-1,130
Other operating income	4	7	16	14	32
Other operating expenses	-28	11	-39	-1	-16
Share of earnings in associated companies and joint ventures	0	0	-1	0	1
Items affecting comparability	-	0	-	-3	-9
EBIT	12	31	-31	-110	35
Net interest	-1	-3	-16	-5	-8
Other financial items	27	-26	-7	5	54
Income before tax	38	3	-55	-110	81
Tax	-49	-21	-80	-41	-177
Total net income for the period	-11	-19	-135	-151	-96
Total net income for the period attributable to:					
Equity holders of the parent	-26	-68	-151	-227	-228
Non-controlling interest	15	49	16	76	132
Total net income for the period	-11	-19	-135	-151	-96
Basic earnings per share, SEK	-0.25	-0.89	-1.55	-2.99	-2.99
Diluted earnings per share, SEK	-0.25	-0.89	-1.55	-2.99	-2.99
Number of shares¹					
Shares outstanding at the end of the period	110,385,832	76,190,509	110,385,832	76,190,509	76,190,509
Basic average number of shares outstanding	107,217,306	76,190,509	97,078,292	76,190,509	76,190,509
Diluted average number of shares outstanding	107,341,988	76,190,509	97,167,658	76,190,509	76,190,509

1) Retrospectively adjusted due to rights issue with a bonus element

Consolidated statement of comprehensive income

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Net income	-11	-19	-135	-151	-96
Other comprehensive income					
Items that are or may be reclassified to profit or loss net of tax					
Currency translation differences	-150	-311	226	11	-314
Total comprehensive income for the period	-161	-330	91	-139	-410
Total comprehensive income attributable to:					
Equity holders of the parent	-147	-303	28	-224	-421
Non-controlling interest	-14	-28	63	85	11
Total comprehensive income for the period	-161	-330	91	-140	-410

Condensed consolidated balance sheet

(SEKm)	Jun 30 2021	Jun 30 2020	Dec 31 2020
Non-current assets			
Goodwill	7,460	3,976	6,078
Other intangible assets	2,394	1,377	1,973
Total intangible assets	9,854	5,354	8,052
Total tangible assets	120	125	104
Right of use assets	130	132	129
Shares and participations in associated and other companies	322	220	272
Other financial receivables	255	293	242
Total non-current financial assets	577	513	514
Total non-current assets	10,680	6,124	8,799
Current assets			
Inventories	12	32	11
Other receivables	920	1,215	837
Cash, cash equivalents and short-term investments	1,229	1,571	1,153
Total current assets	2,161	2,818	2,000
Total assets	12,842	8,941	10,800
Equity			
Shareholders' equity	7,925	4,948	3,840
Non-controlling interest	1,679	1,299	1,375
Total equity	9,604	6,247	5,216
Non-current liabilities			
Lease liabilities	89	98	90
Total non-current interest-bearing liabilities	89	98	90
Provisions	718	579	706
Contingent consideration	719	345	589
Other non-interest-bearing liabilities	-	2	-
Total non-current non-interest-bearing liabilities	1,436	926	1,295
Total non-current liabilities	1,526	1,024	1,385
Current liabilities			
Contingent consideration	271	-	11
Liabilities to financial institutions	1	-	1,800
Lease liabilities	45	36	42
Other interest-bearing liabilities	97	-	1,144 ¹
Other non-interest-bearing liabilities	1,299	1,635	1,202
Total current liabilities	1,713	1,670	4,199
Total liabilities	3,238	2,694	5,584
Total shareholders' equity and liabilities	12,842	8,941	10,800

1) Current debt in the form of a vendor note in connection with the acquisition of an additional 17 percent of the shares in InnoGames in December 2020, repaid in March 2021

Condensed consolidated statement of cash flows

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Cash flow from operations	-3	164	-12	53	242
Changes in working capital	-9	-43	0	29	28
Net cash flow to/from operations	-12	121	-11	82	270
Acquisitions of subsidiaries, associates and other investments	-539	-38	-558	-42	-2,263
Investments in other non-current assets	-59	-44	-112	-86	-208
Other cash flow from/used in investing activities	-26	1	-28	1	0
Cash flow from/used in investing activities	-624	-81	-698	-127	-2,471
Net change in borrowings	0	0	-1,800	0	1,800
Repayment vendor note	-	-	-1,142	-	-
New share issue	-	-	3,605	-	-
Capital injection from non-controlling interest	154	-	154	-	-
Dividends to minority owners	-	-188	-	-188	-188
Other cash flow from/used in financing activities	-26	-14	-40	-23	-55
Cash flow from/used in financing activities	128	-202	777	-211	1,558
Total net change in cash and cash equivalents	-508	-162	68	-257	-644
Cash and cash equivalents at the beginning of the period	1,750	1,806	1,153	1,824	1,824
Translation differences in cash and cash equivalents	-12	-73	9	3	-28
Cash and cash equivalents at end of the period	1,229	1,571	1,229	1,571	1,153

Condensed consolidated statement of changes in equity

(SEKm)	Jun 30 2021	Jun 30 2020	Dec 31 2020
Opening balance	5,216	6,581	6,581
Net income for the period	-135	-151	-96
Other comprehensive income for the period	226	11	-314
Total comprehensive income for the period	91	-140	-410
Effect of employee share programmes	3	-1	-1
Cancellation of non-controlling interest put option liability ESL	-	-	315
Agreement to settle acquired operations with shares	-	-	81
Acquisition of non-controlling interests InnoGames	-	-	-1,162
New share issue ¹	4,140	-	-
Capital injection from non-controlling interest	154	-	-
Change in non-controlling interests	-	-5	-
Dividends to non-controlling interests	-	-188	-188
Closing balance	9,604	6,247	5,216

1) New share issue is presented after deduction of transaction costs of SEK 40 million

Parent company condensed income statement

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
Net sales	4	4	7	8	16
Gross income	4	4	7	8	16
Administrative expenses	-28	-32	-62	-65	-156
Operating income	-25	-28	-55	-57	-140
Net interest and other financial items	-1	-52	3	10	-33
Income before tax and appropriations	-26	-81	-51	-47	-173
Appropriations	-	-	-	-4	160
Tax	-	-	-	-	-
Net income for the period	-26	-81	-51	-51	-13

Net income for the period is in line with total comprehensive income for the parent company.

Parent company condensed balance sheet

(SEKm)	Jun 30 2021	Jun 30 2020	Dec 31 2020
Non-current assets			
Capitalized expenditure	1	1	1
Machinery and equipment	1	2	2
Shares and participations	9,363	5,849	7,813
Total non-current assets	9,365	5,852	7,815
Current assets			
Current receivables	25	28	207
Cash, cash equivalents and short-term investments	632	864	516
Total current assets	657	892	723
Total assets	10,022	6,744	8,538
Shareholders' equity			
Restricted equity	532	338	338
Non-restricted equity	9,195	5,179	5,299
Total equity	9,727	5,517	5,637
Untaxed reserves	43	115	43
Current liabilities			
Other interest-bearing liabilities	185	1,052	2,782
Non-interest-bearing liabilities	68	60	77
Total current liabilities	252	1,112	2,858
Total shareholders' equity and liabilities	10,022	6,744	8,538

Financial instruments at fair value

The carrying amounts are considered to be reasonable approximations of fair value for all financial assets and liabilities, except shares and participations in other companies for which the valuation technique is described below.

(SEKm)	Jun 30 2021		Jun 30 2020	
	Carrying value	Level 3	Carrying value	Level 3
Financial assets measured at fair value				
Shares and participations in other companies	301	301	200	200
Financial liabilities measured at fair value				
Contingent consideration	990	990	345	345

Valuation techniques

Shares and participations in other companies – acquisition cost is initially considered to be a representative estimate of fair value. Subsequently, values are remeasured at fair value and gains/losses recognized when there is a subsequent financing with participation by a third-party investor, in which case the price per share in that financing is used, when there is a realized exit or when there are indications that cost is not representative of fair value and sufficient, more recent information is available to measure fair value.

(SEKm)	Jun 30 2021	Jun 30 2020
Opening balance 1 January	252	198
Reported gains and losses in net income for the period	16	-3
Acquisition	26	10
Divestment	-	-6
Translation differences	7	0
Closing balance	301	200

Contingent consideration – expected future values are discounted to present value. The discount rate is risk-adjusted. The most critical parameters are estimated future revenue growth and future operating margin.

(SEKm)	Jun 30 2021	Jun 30 2020
Opening balance 1 January	600	377
New acquisitions	389	-
Exercised payments	-11	-38
Revaluation	-6	-
Interest expense	0	4
Translation differences	17	2
Closing balance	990	345

Net sales and result by segment

	Esports		Gaming		Central ops.		Total ops.	
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
(SEKm)	2021	2020	2021	2020	2021	2020	2021	2020
Net sales	388	353	810	743	0	0	1,198	1,096
EBIT	-83	-44	122	105	-27	-30	12	31
Income before tax					38	3	38	3

	Esports		Gaming		Central ops.		Total ops.	
	H1	H1	H1	H1	H1	H1	H1	H1
(SEKm)	2021	2020	2021	2020	2021	2020	2021	2020
Net sales	632	652	1,578	1,368	0	0	2,210	2,020
EBIT	-201	-209	224	156	-55	-57	-31	-110
Income before tax					-55	-110	-55	-110

Acquisitions

Acquired operations 2021

(SEKm)	Ninja Kiwi
Cash paid	583
Payment with MTG shares	541
Additional purchase price and other settlements, non-paid	487
Total consideration	1,611
Recognised amounts of identifiable assets and liabilities	
Net assets	60
Cash and cash equivalents	76
Deferred tax receivables/liabilities net	-97
Intangible assets	400
Net identifiable assets and liabilities	439
Goodwill	1,172
Total value	1,611

Cash consideration

(SEKm)	Ninja Kiwi
Cash paid	583
Cash and cash equivalents in the acquired companies	-76
Cash consideration	507

Ninja Kiwi

The Group completed the acquisition of 100 percent of the shares in Ninja Kiwi Ltd. on June 1. Ninja Kiwi is a New Zealand-based leading tower defense mobile games developer and publisher. Ninja Kiwi has a diversified games portfolio consisting of over 25 premium and free-to-play games which the company developed by building and improving games around the evergreen Bloons IP. Ninja Kiwi has broadened MTG's gaming vertical to also include the tower defense games genre. The acquisition of Ninja Kiwi marks an important next step in the build-up of a more diversified gaming segment with high-quality gaming companies and is in line with MTG's strategy to drive value creation through organic growth and strategic mergers and acquisitions.

The purchase price for the acquisition of Ninja Kiwi (on a cash and debt-free basis) consisted of an initial purchase price of SEK 1,223 million (NZD 204 million). Of the upfront purchase consideration, SEK 541 million (NZD 90 million) was paid through a directed share issue to the sellers of Ninja Kiwi comprising 4,435,936 new class B shares in MTG, which were paid by way of set-off. The subscription price per share amounts to the equivalent of SEK 121.9, corresponding to the volume-weighted average price of the class B shares on Nasdaq Stockholm during February 24-March 23, 2021. Of the remaining part of the upfront purchase consideration, equivalent to SEK 682 million (NZD 114.5 million), SEK 583 million (NZD 98 million) was paid in cash and the remaining SEK 98 million (NZD 16.5 million) will be paid in cash at the end of 2021. Ninja Kiwi's estimated net debt and working capital are subject to a potential adjustment when Ninja Kiwi's fiscal year ending March 31, 2021, has been audited. In addition, MTG may be required to pay an earn-out where the discounted value is estimated to amount to SEK 389 million (NZD 64.5 million), but deviations may occur depending on the outcome over the next year and half. Calculated goodwill for Ninja Kiwi is based on several factors. Among these are Ninja Kiwi's strong portfolio of live games and games in development, its established genre mastery, and the potential for additional Group-wide synergies across MTG's gaming vertical, which will enable further increased user acquisition rates and lifetime

values (LTV) for existing and new titles as well as operational improvements by implementing a new best practice across the gaming vertical.

Transactions costs of SEK 7 million are reported as administrative expenses in the income statement and as M&A transaction costs in Adjusted EBITDA.

Contributions during 2021 from the acquisition date

(SEKm)	Ninja Kiwi
Net sales	24
EBIT ¹	-2

1) EBIT includes amortization costs of purchase price allocation of SEK 3 million

Contributions from acquisitions if the acquisition had occurred January 1, 2021

(SEKm)	Ninja Kiwi
Net sales	237
EBIT ¹	87

1) EBIT includes amortization costs of purchase price allocation of SEK 20 million

Alternative performance measures

The purpose of alternative performance measures (APMs) is to facilitate the analysis of business performance and industry trends that cannot be directly derived from financial statements. MTG uses the following APMs:

- Adjusted EBITDA
- Change in net sales from organic growth

Reconciliation of adjusted EBITDA

Adjusted EBITDA is used to assess MTG's underlying profitability. Adjusted EBITDA is defined as EBITDA adjusted for the effects of items affecting comparability, long-term incentive programs, acquisition-related transaction costs and impairment of capitalized internal work. Items affecting comparability refers to material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis.

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
EBIT	12	31	-31	-110	35
Amortizations	81	49	156	100	195
Depreciation	22	23	43	45	88
EBITDA	114	104	168	35	319
Items affecting comparability	-	0	-	3	9
Impairment own capitalized costs	-	-	-	-	20
Long-term incentive programs	25	60	44	92	132
M&A transaction costs	16	3	43	16	56
Adjusted EBITDA	155	167	255	146	535

Reconciliation of sales growth

Since the Group generates the majority of its sales in currencies other than in the reporting currency (i.e. SEK, Swedish krona) and currency rates have proven to be rather volatile, the Group's sales trends and performance are analyzed as changes in organic sales growth. This presents the increase or decrease in the overall SEK net sales on a comparable basis, allowing for separate discussions of the impact of exchange rates, acquisitions, and divestments. The following table presents changes in organic sales growth as reconciled to the change in the total reported net sales.

(SEKm)	Q2 2021	Q2 2020	H1 2021	H1 2020
Gaming				
Organic growth	-14%	15%	-3%	7%
Acquisition/divestments	27%	-	25%	-
Changes in FX rates	-5%	0%	-7%	2%
Reported growth (%)	9%	15%	15%	9%
Esports				
Organic growth	18%	-21%	5%	-18%
Acquisition/divestments	-	-	-	-
Changes in FX rates	-8%	0%	-8%	2%
Reported growth (%)	10%	-21%	-3%	-16%
Total operations				
Organic growth	-3%	0%	2%	-3%
Acquisition/divestments	19%	-	16%	-
Changes in FX rates	-6%	0%	-9%	2%
Reported growth (%)	9%	0%	9%	-1%

Definitions

Adjusted EBITDA

EBITDA, adjusted for the effects of items affecting comparability, long-term incentive programs, acquisition-related transaction costs and impairment of own work capitalized, which are referred to as adjustments.

AMA

Average minute audience – the average number of individuals or viewing a channel, which is calculated per minute during a specified period of time over the program duration.

ARPAU

Average net revenue per daily active user.

CAPEX

Capital expenditures.

Challenger

Smaller scale competitions with semi-professional players.

DAU

Daily active users.

Earnings per share

Earnings per share is expressed as net income attributable to equity holders of the parent divided by the average number of shares.

EBIT/Operating income

Net income for the period from continuing operations before other financial items, net interest and tax.

EBITDA

Profit for the period from continuing operations before other financial items, net interest, tax and depreciation and amortization.

ESS

Esports Services – work for hire contracts made on behalf of another entity.

Items affecting comparability (IAC)

Items affecting comparability refers to material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis.

Master

Large scale competitions attracting professional top-tier global players.

MAU

Monthly active users.

O&O

Owned & Operated – a property that is independently managed and controlled within the Group.

Open

Competitions free for all participants.

Organic growth

The change in net sales compared with the same period last year, excluding acquisitions and divestments and adjusted for currency effects.

Transactional currency effect

The effect that foreign exchange rate fluctuations can have on a completed transaction prior to settlement. This refers to the exchange rate, or currency risk associated specifically with the time delay between entering into a trade or contract and then settling it.

Translational currency effect

Converting one currency to another, often in the context of the financial results of foreign subsidiaries into the parent company's and/or the Group's functional currency.

UA

User acquisition.

Shareholder information

Extraordinary General Meeting July 2021

The Extraordinary General Meeting will be held on Wednesday July 28, 2021, in Stockholm.

Due to the continuing coronavirus pandemic, the Board of MTG has decided that the Extraordinary General Meeting should be conducted only through postal voting in accordance with temporary legislation. It will not be possible for shareholders to attend the Extraordinary General Meeting in person or by way of a proxy holder.

All information relating to the Extraordinary General Meeting, including the notice, can be found at www.mtg.com.

Financial calendar

Item	Date
Extraordinary General Meeting July 2021	July 28, 2021
Q3 2021 Interim financial results report	October 28, 2021
2021 Capital Markets Day	December 7, 2021

Questions?

Lars Torstensson, Chief Financial Officer and EVP Communications & IR

Direct: +46 (0) 70-273 48 79, lars.torstensson@mtg.com

Oliver Carrà, Director of Public Relations & Public Affairs

Direct: +46 (0) 70-464 44 44, oliver.carra@mtg.com

Follow us: mtg.com / [Twitter](https://twitter.com/mtg) / [LinkedIn](https://www.linkedin.com/company/mtg)

Conference call

The company will host a conference call Tuesday July 20 at 15:00 CEST. The conference call will be held in English. To participate in the conference call, please dial:

Sweden	+46 (0) 856 618 467
UK	+44 (0) 844 481 9752
US	+1 646 741 3167
Std. International	+44 (0) 2071 928 338
Access pin code	404 31 77

Please note that only dial-in participants can ask questions during the conference call. The conference call is also streamed through the following link:

<https://edge.media-server.com/mmc/p/se68gwcwz>



Modern Times Group MTG AB (Publ.) – Reg no: 556309-9158 – Phone: +46 (0) 8-562 000 50

Modern Times Group MTG AB (www.mtg.com) is a strategic acquirer and operator of companies in gaming and esports entertainment. Founded in Sweden and headquartered in Stockholm, our shares (MTG A and MTG B) are listed on Nasdaq Stockholm.

This information is information that Modern Times Group MTG AB (publ.) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 02.00pm CEST on July 20, 2021.

Signatures

The Board of Directors and the President certify that this report gives a fair view of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm, July 20, 2021

Simon Duffy
Chairman of the Board

Chris Carvalho
Non-Executive Director

Dawn Hudson
Non-Executive Director

Gerhard Florin
Non-Executive Director

Marjorie Lao
Non-Executive Director

Natalie Tydeman
Non-Executive Director

Simon Leung
Non-Executive Director

Maria Redin
President & CEO

Record results driven by strong strategy execution leading to 16 percent pro forma net sales growth for the Group

- The gaming vertical delivered a record quarter, driven by the inclusion of the newly acquired companies Hutch, Ninja Kiwi, and PlaySimple. Net sales amounted to SEK 1,081 million resulting in a year-over-year growth of 59 percent, which is equivalent to 8 percent pro forma net sales growth for the vertical
- Following the diversification of the gaming vertical, MTG has created a central gaming organization to drive further synergies between its operating companies. As a result, Kongregate's CEO Markus Lipp and InnoGames' CMO Christian Pern will transition to new roles within the gaming vertical, taking up positions as gaming vertical CFO and CMO respectively
- The esports vertical reported a second consecutive quarter of net sales growth, on the back of a robust event schedule. ESL Gaming hosted five digital-only Master properties, of which one was a studio event. Net sales amounted to SEK 357 million, resulting in a year-over-year growth of 53 percent
- MTG's esports vertical continued to enhance its offerings and improve its strategic position with an elevated level of investment, ahead of a return to a full live-audience event schedule, which is expected during Q1 2022

Financial highlights

- Net sales increased by 58 percent to SEK 1,438 (912) million or 61 percent at constant currencies. Reflecting the headwinds faced by InnoGames and, to a lesser extent, Kongregate, organic growth was flat. Pro forma net sales growth amounted to 16 percent
- Adjusted EBITDA of SEK 306 (196) million. Adjustments included long-term incentive programs (LTI) of SEK 28 (50) million and total M&A transaction costs of SEK 41 (1) million
- EBITDA of SEK 237 (124) million and EBIT of SEK 95 (54) million
- Net income of SEK 45 (-11) million and basic earnings per share, before dilution of SEK 0.39 (-0.88) and after dilution of SEK 0.39 (-0.88)
- Cash balance of SEK 1,048 (1,589) million

Financial overview

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	FY 2020
Net sales	1,438	912	3,647	2,932	3,997
of which Gaming	1,081	679	2,659	2,047	2,682
of which Esports	357	234	988	885	1,315
EBIT	95	54	63	-56	35
EBITDA	237	124	405	159	319
Adjusted EBITDA	306	196	561	342	535
Net income	45	-11	-90	-162	-96
Basic earnings per share, SEK	0.39	-0.88	-1.06	-3.86	-2.99
Diluted earnings per share, SEK	0.39	-0.88	-1.05	-3.86	-2.99
Sales growth, %	58%	-13%	24%	-5%	-6%
Changes in FX rates, %	-3%	-4%	-6%	0%	-2%
Sales growth at constant FX, %	61%	-9%	30%	-5%	-4%
of which organic growth, %	0%	-9%	-1%	-5%	-4%

President & CEO's comments

At the time of writing, we're well into the fourth quarter of the 2021 business year, and we're pleased to see that the anticipated normalization and opening up of societies is indeed materializing.

Our net sales increased by 61 percent at constant currencies, with double-digit growth in both verticals. Equally impressive, our pro forma net sales growth amounted to 16 percent - an important metric showing the strength of the group going forward. Adjusted EBITDA increased in the quarter, supported by higher profits in our gaming vertical and decreased losses in our esports vertical despite continued investments into strategic initiatives. Adjusted EBITDA was SEK 306 million in the quarter, with both esports and gaming recording sequential margin improvements.

On a personal note, the third quarter marked just over a year for me as CEO, and it has been an intense one. As part of our strategy, we've successfully executed a series of ambitious M&A transactions, building the foundation for a truly competitive gaming vertical defined by category mastery, diversity of genres, high quality IPs, and amazing talent. We also countered the negative impact of the pandemic in our esports vertical, adjusting our operating model in ways that will benefit us going forward. I'm as proud of what we've accomplished during the past year as I am excited about what we will accomplish as a team in the quarters to come.

Gaming – the benefits of a diverse gaming group

The gaming vertical's result demonstrated the success of our strategy to create a more diversified portfolio. Whilst the performance across the group was mixed, we are pleased to see that on a proforma basis we grew 8 percent, which is the result of having games that are in different parts of their growth cycle, come from different genres and have different revenue drivers. We will continue to build on the back of this diversified portfolio and to leverage the capabilities that sit within each company. Total revenue amounted to SEK 1,081 million with an adjusted EBITDA of SEK 364 million.

Our newly acquired companies performed well, with Ninja Kiwi and PlaySimple both showcasing strong growth on the back of their existing games portfolios. Ninja Kiwi's Bloons TD6 displayed the strength of an evergreen franchise and how it can drive strong organic traffic growth and user engagement. Additionally, PlaySimple's Anagram games in general, and WordTrip in particular, delivered excellent performance across multiple platforms.

InnoGames and Kongregate faced challenging year-over-year comparisons, headwinds related to marketing efficiency, and weaker performance from in-game events. As a group we have taken steps to adapt to the new marketing landscape and increased the ambitions for our in-game events. We can see early but promising signs of the headwinds easing going into Q4.

New game launches are key to driving long term sustainable growth and we are happy to see that our pipeline continues to perform well, with 10 new titles underway across the portfolio. In September Kongregate launched the anticipated title SpongeBob's Idle Adventures on mobile platforms and, in the coming months, InnoGames and PlaySimple are expected to fully launch several new titles. Additionally, Ninja Kiwi is expected to launch its Bloons Battles 2 late in the fourth quarter of 2021. In light of lower than expected performance Hutch decided to cease development of their title PuzzleHeist and instead to increase its focus on existing successful games such as F1 Clash and on other upcoming titles.

Esports – light at the end of the tunnel with live-audience events lined up

Despite Q4 2021 still being impacted by the pandemic, we are confident we will see a return to normality for esports during 2022.

While uncertainty remains and we need to be ready to adapt in case of setbacks, we're very pleased that ESL Gaming has announced its intention to host DreamHack Winter in Sweden at the end of November, with a full LAN-experience for grassroots fans in attendance. Additionally, in February 2022, DreamHack Anaheim will return to US soil, and IEM Katowice will host on-site pro esports competitions in front of crowds once again.

The third quarter benefitted from comparisons with the 2020 business year, which only included two smaller Masters events, resulting in organic net sales growth of 55 percent and reduced losses, with adjusted EBITDA amounting to SEK -33 million.

As gaming convergence continues, we are excited about what's to come for mobile competitive gaming. Hence, it is good to see that ESL Mobile Open continued to develop in a positive direction and kicked off the second season of ESL Mobile Challenge, including games such as PUBG Mobile and League of Legends: Wild Rift.

Looking forward – beginning to scratch the surface of synergies

In under a year, we've transformed MTG and executed on our strategy of becoming a more diversified gaming and esports company. Through the successful expansion of our gaming vertical, we have grown our span of genres and games. Our dependency on a single game is behind us and we have significantly broadened our revenue mix. Most importantly, we now have stronger Group capabilities and skills which we will leverage across the gaming vertical going forward.

I'm very proud of the quality and speed of our execution. While we have only begun to scratch the surface of potential Group-wide synergies, we're excited to see such a high level of engagement among all companies when it comes to learning from each other and collaborating to excel, a momentum we would like to maintain and build upon.

This foundation and drive to collaborate also influences how we organize our gaming vertical. We're pleased that Kongregate's CEO Markus Lipp and InnoGames' CMO, Christian Pern, will take up the positions of CFO and CMO respectively for the gaming vertical. These changes reflect the growth of the vertical as a whole and are positive examples of how we are starting to work on Group-wide initiatives, and also of how we can promote talents within the Group.

As for esports, we see a clear possibility of being able to return to a normal operating environment during 2022. We continue to make investments in strategic initiatives, such as competitive mobile gaming, B2C platforms and geographic expansion, to diversify our esports vertical. Additionally, we are exploring new strategic partnerships, to help us reinforce our leading position in the esports industry.

We continue to drive and execute on our Buy & Build strategy as both verticals operate in rapidly growing markets. With a more diversified business and the improved economics that come with greater scale, we expect to create shareholder value through both organic and inorganic growth in gaming and esports.

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Significant events in and after the quarter

July 6 – ESL Gaming partnered with cryptocurrency platform Coinbase

ESL Gaming announced that global cryptocurrency platform Coinbase will become the Official Crypto Exchange Partner for key ESL events in 2021 and 2022, commencing at IEM Cologne 2021. Coinbase will also support the ESL Pro Tours for CS:GO, StarCraft® II and Warcraft® III.

July 6 – InnoGames relaunched its Partnership Programs

InnoGames relaunched its Partnership Program to attract even more partners with browser and mobile marketing capabilities. Through the program, Innogames' offers advertisers tailored solutions and a mutual exchange as well as a wide range of options such as revenue share, cost per engagement and cost per installation in addition to more opportunities for content creators and influencer marketing.

July 28 – MTG held an Extraordinary General Meeting

MTG held an Extraordinary General Meeting which resolved on, among other things, a directed issue of class C shares, transfer of class B shares to the sellers of Playsimple Games Private Limited as well as transfer of class B shares through an accelerated bookbuilding procedure.

July 29 – Kongregate unveiled Kongregate.io

Kongregate unveiled Kongregate.io, a new gaming portal that will launch in open beta later this year. The new site will be the next generation of Kongregate.com, a gaming portal designed for today's gamers. It will incorporate non-fungible tokens (NFTs) powered by Forte's blockchain payment system and create an ecosystem that allows players to collect and trade NFTs on the site itself, but also to add value within the games on the platform.

July 30 – MTG completed the first step in the acquisition of PlaySimple

MTG completed the first step in the acquisition of the shares in word games developer PlaySimple, which was announced through a press release on 2 July 2021, and on July 30 acquired 77 % of the shares in the company. Due to Indian foreign exchange regulations, the acquisition is carried out in two steps. The intention is to pay the remaining 23 % of the shares in PlaySimple against MTG class B shares. The second step will be completed following regulatory approval.

August 24 – MTG announced changes to its Executive Leadership Team

MTG announced changes to its executive management with CFO Lars Torstensson deciding to step down from his position as CFO at his own request due to personal and family reasons but remaining with the company as EVP Communications & IR and continuing to serve on the Executive Management Team.

August 29 – PlaySimple surpassed an all-time high annual recurring revenue of USD 160 million driven by strong growth in the Anagram franchise

PlaySimple crossed an all-time high ARR of USD 160 million driven by the strong growth of its Anagram franchise, and supported by the consistent performance of its Crossword & PvP franchises. Feature development and high impact monetization and growth optimizations across franchises contributed to continued value creation.

August 3 – ESL Mobile Open Fall 2021 season launched

ESL Gaming's ESL Mobile Open returned to the excitement of fans featuring 7 titles across 3 regions including Asphalt 9: Legends, PUBG Mobile, Clash of Clans and more.

September 9 – Kongregate launched SpongeBob's Idle Adventures

Kongregate launched the new mobile game SpongeBob's Idle Adventures, in which players on Apple iOS and Google Android get to follow SpongeBob and Patrick Star. The game features changing weekly events where players can visit different dimensions and collect themed fan-favorite characters from the hit Nickelodeon show.

September 6-10 – Ninja Kiwi's Bloons TD 6 featured on Steam Store front page

Ninja Kiwi's Bloons TD 6 shared the front page position on Steam's popular PC gaming store during the US Labor Day week. The feature included a discount on the game and, coupled with the recent Boss Events update, attracted another 260,000 paying players to the game and contributed to September being the second highest revenue month in Bloons TD 6's over three-year history.

September 16 – Hutch breaks daily revenue record

Hutch's 4-year-old hit game Top Drives went from strength to strength in September 2021 with its best ever month in daily revenue. This performance spike coincided with the release of the Japanese Pro Tour and the Summer Games collection series events in consecutive weeks.

September 15 – ESL announced the full tournament calendar for CS:GO on the ESL Pro Tour 2022 with plans to welcome fans back to physical live-audience events

ESL Gaming announced the full tournament calendar for its Counter-Strike: Global Offensive competitions. ESL Pro Tour CS:GO 2022 will feature over 25 competitions and the most anticipated ESL Pro Tour to date as ESL's CS:GO competitions come back to the biggest stages across the world and fans are expected to return to events including the flagship tournaments Intel® Extreme Masters Katowice and Intel® Extreme Masters Cologne.

October 1 – MTG announced the re-scheduling of its Capital Markets Day 2021

MTG announced that it had re-scheduled its previously announced Capital Markets Day and intends to hold it as early as possible in Q1 2022.

A full list of MTG's announcements and reports can be found at www.mtg.com.

Group performance

Net sales

Consolidated Group net sales increased by 58 percent in the quarter to SEK 1,438 (912) million, or 61 percent at constant currencies. Organic growth amounted to 0 percent and pro forma net sales growth amounted to 16 percent. The gaming vertical's net sales increased by 59 percent, or 63 percent at constant currencies, driven by the acquisitions of Hutch, Ninja Kiwi and PlaySimple. The esports vertical's net sales increased by 53 percent, or 55 percent at constant currencies, mainly due to an increased number of master events, where ESL Gaming is starting to see a gradual improvement in the sentiment from brand partnerships.

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	FY 2020
Net sales	1,438	912	3,647	2,932	3,997
of which Gaming	1,081	679	2,659	2,047	2,682
of which Esports	357	234	988	885	1,315
Sales growth, %	58%	-13%	24%	-5%	-6%
Changes in FX rates, %	-3%	-4%	-6%	0%	-2%
Sales growth at constant FX, %	61%	-9%	30%	-5%	-4%
of which organic growth, %	0%	-9%	-1%	-5%	-4%

Adjusted EBITDA, EBITDA and EBIT

Consolidated Group adjusted EBITDA in the quarter amounted to SEK 306 (196) million, representing a stable margin of 21 (22) percent.

EBITDA adjustments of SEK 70 (72) million in the quarter comprised LTI costs of SEK 28 (50) million and M&A transaction costs of SEK 41 (1) million.

Consolidated Group EBITDA was SEK 237 (124) million driven by the recently acquired gaming companies.

Group central operations impacted the quarter by SEK -25 (-22) million.

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	FY 2020
EBIT	95	54	63	-56	35
Amortization	120	47	276	147	195
Depreciation	22	23	65	68	88
EBITDA	237	124	405	159	319
Items affecting comparability	-	13	-	16	9
Impairment own capitalized costs	-	9	-	9	20
Long-term incentive programs	28	50	73	142	132
M&A transaction costs	41	1	84	16	56
Adjusted EBITDA	306	196	561	342	535
of which Gaming	364	255	796	599	800
of which Esports	-33	-36	-163	-178	-163
of which Central operations	-24	-23	-72	-79	-102
Adjusted EBITDA margin, %	21%	22%	15%	12%	13%

Depreciation and amortization in the quarter amounted to SEK 142 (70) million and included amortization of purchase price allocations (PPA) of SEK 87 (27) million. Excluding PPA, depreciation and amortization were SEK 55 (43) million. The increase is related to the acquisition of Hutch, Ninja Kiwi and PlaySimple.

Group EBIT in the quarter was SEK 95 (54) million, corresponding to an EBIT margin of 7 (6) percent. Operating costs before depreciation and amortization increased by 52 percent to SEK 1,201 (788) million.

Net financials and net income

Net financial items amounted to SEK -22 (-5) million. The gain from financial assets amounted to SEK 112 (0) million, mainly due to the revaluation of shares in Nazara Technologies Ltd of SEK 96 million. Discounting interest for earnout debt amounted to SEK -77 million (-2) and exchange differences amounted to SEK -52 (-2) million. Net interest amounted to SEK -1 (-1) million and other financial items amounted to SEK -4 (0) million. The Group's tax amounted to SEK -27 (-59) million, resulting in net income for the period of SEK 45 (-11) million.

Venture capital fund investments

To date, the MTG VC fund has invested a total of SEK 282 million (USD 33 million). In the quarter, MTG made an additional investment into Bitkraft's new token fund (Token Fund I). The fund is focused on investments at the intersection of cryptocurrency, blockchain, NFTs, and gaming. MTG's VC fund has invested in 23 companies to date to complement its majority stake investments in ESL Gaming, DreamHack Sports Games, Kongregate, InnoGames, Hutch, Ninja Kiwi and PlaySimple, and the portfolio assets range from start-up game developers across several game genres, including narrative, competitive, social MMO and game creation platforms in the US and Europe, to pure esports-focused companies.

Segmental performance

Gaming

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	FY 2020
Net sales	1,081	679	2,659	2,047	2,682
Sales growth, %	59%	8%	30%	9%	6%
Changes in FX rates, %	-4%	-4%	-6%	0%	-1%
Sales growth at constant FX, %	63%	12%	36%	9%	7%
of which organic growth, %	-19%	12%	-9%	9%	7%
EBIT	188	156	413	312	436
EBITDA	316	207	708	472	648
Adjusted EBITDA	364	255	796	599	800
Adjusted EBITDA margin, %	34%	38%	30%	29%	30%

The third quarter of 2021 was the first time that all three of MTG's recently announced acquisitions have been consolidated. As a result, net sales for the gaming vertical increased by 59 percent to SEK 1,081 (679) million including an adverse impact from foreign exchange rates of 4 percent resulting in growth at constant currencies of 63 percent.

Pro forma organic net sales growth amounted to 8 percent, driven by a strong performance among MTG's recently acquired titles. Especially Ninja Kiwi's Bloons TD6 that has achieved significant success by porting the game to both Steam and browser. Evergreen IPs such as Bloons TD6, has the potential to develop into a larger franchise over time. Moreover, PlaySimple's Anagram franchise, especially WordTrip, developed particularly well managing multiple complementary platforms to maximize operational performance despite a more challenging marketing environment.

InnoGames and Kongregate faced challenging year-over-year comparisons, headwinds related to marketing efficiency, and weaker performance from in-game events. The companies have taken steps to adapt to the new marketing landscape and increased their ambitions for their in-game events expecting the negative impact easing going into Q4.

Adjusted EBITDA in the quarter increased to SEK 364 (255) million, representing a margin of 34 percent (38), and was 4 percent lower than the all-time high level recorded in Q3 2020. The strong margin was supported by the profitable growth in MTG's newer games portfolio and a sustained solid margin in the classic games' portfolio.

EBITDA adjustments of SEK 48 (48) million in the quarter comprised LTI costs of SEK 15 (39) million and M&A transaction costs of SEK 33 (0) million.

EBITDA was SEK 316 (207) million in the quarter.

Capex amounted to SEK 56 (78) million in the quarter, down from last year that included the acquisition of Disney IPs, partly offset by a higher proportion of own games capitalized. There are currently 10 titles under development being capitalized.

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
DAU, million ¹	6.2	4.3	3.5	2.2	2.2
MAU, million ¹	32.4	24.6	18.9	9.3	9.4
ARPDau, SEK ¹	1.9	2.7	2.5	3.2	3.4
Revenue generated by the top 3 games, %	46%	66%	68%	75%	80%
Revenue generated by platform, %					
Mobile	73%	61%	58%	48%	49%
Browser	24%	39%	42%	50%	50%
Other	3%	0%	0%	2%	1%
Revenue generated by territory, %					
Europe	28%	51%	54%	51%	51%
North America	65%	42%	41%	44%	44%
Asia Pacific	6%	5%	4%	4%	4%
Rest of World	1%	1%	1%	1%	1%

1) Q1 DAU, MAU and ARPDau have been corrected

As a Group, MTG have strengthened its relevance by successfully executing on three acquisitions in the last year. These acquired companies all contribute to higher diversification of both revenue streams and genres, as well as lower dependency on a single game and hit titles. During the quarter, Daily Active Users (DAU) increased by 183 percent and Monthly Active Users (MAU) grew by 245 percent, impacted by the consolidation of the recently acquired gaming companies.

The Average Revenue per Daily Active User (ARPDau) declined by 45 percent in Q3 2021 as a result of the inclusion of the acquired companies Hutch, Ninja Kiwi and PlaySimple which operate in games segments with lower ARPDau.

With the inclusion of PlaySimple from the month of August, the top three titles changed in the quarter. The proportionate share of net sales generated by these titles declined to 46 percent, compared with the 80 percent in the preceding year, as a result of the diversification and growth within the Group companies.

Additionally, with the partial inclusion of PlaySimple, the mobile share increased to 73 percent (49) of total revenues.

93 percent of revenues was generated in the North American and European markets, where the North American share have increased. These markets are the target territories for most of the games within the Group companies.

Esports

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	FY 2020
Net sales	357	234	988	885	1,315
Sales growth, %	53%	-44%	12%	-26%	-23%
Changes in FX rates, %	-2%	-4%	-6%	0%	-1%
Sales growth at constant FX, %	55%	-40%	18%	-26%	-22%
of which organic growth, %	55%	-40%	18%	-26%	-22%
EBIT	-64	-66	-264	-275	-288
EBITDA	-50	-49	-220	-223	-220
Adjusted EBITDA	-33	-36	-163	-178	-163
Adjusted EBITDA margin, %	-9%	-15%	-16%	-20%	-12%

Net sales for the esports vertical grew by 53 percent to SEK 357 (234) million with a negative impact of foreign exchange rates of 2 percent. Organic growth was 55 percent, aided by easier comparisons to the same period last year.

ESL Gaming successfully delivered and produced five Master properties as scheduled – four being produced as online, and one as studio event. DreamHack Sportsgames produced the NHL's annual gaming tournament remotely, and the European eTour concluded during the quarter. ESL Mobile continued to develop in a positive direction and kicked off the second season of ESL Mobile Challenge including games such as PUBG Mobile as well as operating the regional League of Legends: Wild Rift-tournaments for South-East Asia.

Adjusted EBITDA in the quarter amounted to SEK -33 (-36) million, representing a margin of -9 percent (-15). The improved margin was mainly driven by higher sales, partly offset by the investments in competitive mobile gaming, B2C platforms, and geographic expansion.

EBITDA adjustments of SEK 17 (13) million in the quarter comprised LTI costs of SEK 10 (11) million and M&A transaction costs of SEK 7 (0) million.

EBITDA was SEK -50 (-49) million in the quarter.

Capex amounted to SEK 10 (3) million in the quarter, driven by continuing investments in studio set-ups.

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Number of O&O properties	18	26	10	22	18
Master	5	6	3	6	2
Challenger	12	20	7	15	16
Open	1	-	-	1	-
Revenue generated by type, %					
Owned & operated	64%	52%	81%	75%	68%
Esports services	36%	48%	19%	25%	32%

Net sales in Own & Operated (O&O) grew by 44 percent to SEK 229 million in the quarter, reflecting a gradual movement back to a proportionally higher share of O&O sales as brand partner and media sentiment improves, albeit from a low base.

Net sales in Esports Services' (ESS) grew by 70 percent to SEK 128 million, driven events organized on behalf of PUBG Mobile, Wild Rift, Gamers without Borders and Hearthstone.

Financial review

Cash flow

Cash flow from operations before changes in working capital amounted to SEK 164 (135) million. A management incentive program (MIP) amounting to SEK 57 million was paid out by the gaming vertical during the quarter. The cost of the four-year program has been provisioned on a quarterly basis, and this was the second payment this year. Depreciation and amortization charges were SEK 142 (70) million, of which SEK 87 (27) million related to amortization of PPA. The increased depreciation and amortization is related to the acquisition of Hutch, Ninja Kiwi and PlaySimple.

The Group reported a SEK -173 (-42) million change in working capital. The majority of working capital changes relate to the Gaming vertical with the inclusion of the recently acquired companies, where PlaySimple have had payouts of SEK 70 million mainly coming from cancelled Employee Share Ownership Program (ESOP), taxes and accounts payable relating to costs before the acquisition date. Net cash flow from operations amounted to SEK -9 (93) million.

Investing activities

Cash flow used in investing activities included a net cash payment of SEK -2,161 million for the acquisition of 77 percent of the shares in PlaySimple. Net investment in VC funds affecting cash flow was SEK -7 (-3) million. Capital expenditure on tangible and intangible assets, mainly consisting of capitalized development costs for games and platforms that have not yet been released, amounted to SEK 73 (80) million in the quarter.

Total cash flow relating to investing activities amounted to SEK -2,242 (-83) million.

Financing activities

MTG financed the initial cash purchase price for PlaySimple with existing cash and through a combination of a bridge loan facility of SEK 1,000 million and a revolving credit facility (RCF) of SEK 1,000 million of which 900 million were utilized from DNB Bank ASA, Sweden branch and Swedbank AB (publ). The bridge loan facility has an initial term of six months, where MTG has the possibility to extend the term by six months. The revolving credit facility (RCF) has an initial term of 24 months and is extendable up to 36 months. The RFC has a SEK 100 million unutilized commitment. Capital injection from minority owners amounted to SEK 160 million in the gaming vertical, following the co-investments in recent acquisitions.

Total cash flow relating to financing activities amounted to SEK 2,056 (-7) million.

The net change in cash and cash equivalents amounted to SEK -196 (3) million.

The Group had cash and cash equivalents of SEK 1,048 (1,590) million at the end of the period.

Net debt

Net debt refers to the sum of interest-bearing liabilities less cash and cash equivalents. Interest-bearing liabilities such as additional purchase considerations or lease liabilities are not included. At the same period last year there was no external financing.

Net debt as of September 30, 2021, amounted to SEK 950 million. The net debt calculation includes external financing of SEK 1,900 million and SEK 98 million in deferred payment to Ninja Kiwi's previous owner that will be paid during the fourth quarter, less SEK 1,048 in cash and cash equivalents.

Parent Company

Modern Times Group MTG AB is the Group's parent company and is responsible for Group-wide management, administration, and financing.

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	FY 2020
Net sales	4	4	11	12	16
Net interest and other financial items	-7	1	-4	11	-33
Income before tax and appropriations	-30	-34	-81	-81	-173

Net interest for the quarter amounted to SEK -4 (-1) million. Unrealized and realized exchange differences amounted to SEK 1 (2) million and other financial items to SEK -4 (0).

The parent company had cash and cash equivalents of SEK 288 (764) million at the end of the period.

The total number of shares outstanding at the end of the period was 110,385,832 (76,190,509) and excluded the 304,880 class B shares and the 6,324,343 class C shares held by MTG as treasury shares. The total number of shares in the company is 117,015,055. In accordance with the decision at the extraordinary general meeting on July 28, MTG has repurchased 6,194,343 class C shares. The class C shares, which were issued in accordance with the decision at the extraordinary general meeting on July 28, 2021, were subscribed and paid for, and immediately repurchased from, Nordea Bank Abp.

Other information

Accounting policies

This interim report has been prepared according to 'IAS 34 Interim Financial Reporting' and the Swedish Annual Accounts Act'. The interim report for the parent company has been prepared according to the Swedish Annual Accounts Act – Chapter 9 'Interim Report'.

The Group's consolidated accounts and the parent company's accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2020 Annual Report.

Disclosures in accordance with IAS.34 16A appear in the financial statements and the accompanying notes as well as in other parts of the interim report.

Related party transactions

No transactions between MTG and related parties that have materially affected the Group's position and earnings took place during the period.

Risks and uncertainties

Significant risks and uncertainties exist for the Group and the parent company. These factors include the prevailing economic and business environments in certain markets; commercial risks related to expansion into new territories; other political and legislative risks related to changes in rules and regulations in the various territories in which the Group operates; exposure to foreign exchange rate movements, and the US dollar and euro-linked currencies in particular; the emergence of new technologies and competitors; and cyber-attacks.

The Group's esports business is reliant on continued cooperation with game publishers. The Group's game development businesses depend on their ability to continue releasing successful titles that attract paying customers. Both of the aforementioned conditions are not under the Group's full control.

Risks and uncertainties are also described in more detail in the 2020 Annual Report, which is available at www.mtg.com.

Stockholm, October 28, 2021

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Auditors' Review Report

Introduction

We have reviewed the summary interim financial information (interim report) of Modern Times Group MTG AB (publ.) as of 30 September 2021 and the nine month period then ended. The Board of Directors and the President & CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 28 October, 2021

KPMG AB

Helena Nilsson

Authorized Public Accountant

Condensed consolidated income statement

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	FY 2020
Net sales	1,438	912	3,647	2,932	3,997
Cost of goods and services	-706	-333	-1,765	-1,339	-1,777
Gross income	732	580	1,883	1,593	2,219
Selling expenses	-272	-219	-860	-811	-1,062
Administrative expenses	-390	-312	-960	-854	-1,130
Other operating income	8	12	24	26	32
Other operating expenses	17	6	-22	6	-16
Share of earnings in associated companies and joint ventures	0	-1	-1	-1	1
Items affecting comparability	-	-13	-	-16	-9
EBIT	95	54	63	-56	35
Net interest	-1	-1	-17	-6	-8
Other financial items	-21	-4	-28	1	54
Income before tax	73	49	18	-61	81
Tax	-27	-59	-108	-100	-177
Total net income for the period	45	-11	-90	-162	-96
Total net income for the period attributable to:					
Equity holders of the parent	44	-67	-107	-294	-228
Non-controlling interest	2	56	18	133	132
Total net income for the period	45	-11	-90	-162	-96
Basic earnings per share, SEK	0.39	-0.88	-1.06	-3.86	-2.99
Diluted earnings per share, SEK	0.39	-0.88	-1.05	-3.86	-2.99
Number of shares¹					
Shares outstanding at the end of the period	110,385,832	76,190,509	110,385,832	76,190,509	76,190,509
Basic average number of shares outstanding	110,385,832	76,190,509	101,562,884	76,190,509	76,190,509
Diluted average number of shares outstanding	110,554,289	76,190,509	101,700,616	76,190,509	76,190,509

1) Retrospectively adjusted due to rights issue with a bonus element

Consolidated statement of comprehensive income

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	FY 2020
Net income	45	-11	-90	-162	-96
Other comprehensive income					
Items that are or may be reclassified to profit or loss net of tax					
Currency translation differences	171	-9	398	2	-314
Total comprehensive income for the period	216	-20	308	-159	-410
Total comprehensive income attributable to:					
Equity holders of the parent	181	-81	209	-305	-421
Non-controlling interest	35	61	99	146	11
Total comprehensive income for the period	216	-20	308	-159	-410

Condensed consolidated balance sheet

(SEKm)	Sep 30 2021	Sep 30 2020	Dec 31 2020
Non-current assets			
Goodwill	10,652	3,969	6,078
Other intangible assets	3,317	1,389	1,973
Total intangible assets	13,969	5,358	8,052
Total tangible assets	121	116	104
Right of use assets	130	133	129
Shares and participations in associated and other companies	444	221	272
Other financial receivables	308	284	242
Total non-current financial assets	752	505	514
Total non-current assets	14,972	6,113	8,799
Current assets			
Inventories	12	35	11
Other receivables	1,103	1,035	837
Cash, cash equivalents and short-term investments	1,048	1,589	1,153
Total current assets	2,163	2,659	2,000
Total assets	17,134	8,772	10,800
Equity			
Shareholders' equity	8,052	4,868	3,840
Non-controlling interest	1,929	1,361	1,375
Total equity	9,981	6,230	5,216
Non-current liabilities			
Liabilities to financial institutions	900	-	-
Lease liabilities	88	99	90
Other non-current interest-bearing liabilities	0	-	-
Total non-current interest-bearing liabilities	988	99	90
Provisions	930	630	706
Contingent consideration	1,625	338	589
Other non-interest-bearing liabilities	11	3	-
Total non-current non-interest-bearing liabilities	2,566	971	1,295
Total non-current liabilities	3,554	1,070	1,385
Current liabilities			
Contingent consideration	384	11	11
Liabilities to financial institutions	1,000	-	1,800
Lease liabilities	43	36	42
Other interest-bearing liabilities	820 ²	-	1,144 ¹
Other non-interest-bearing liabilities	1,352	1,426	1,202
Total current liabilities	3,599	1,472	4,199
Total liabilities	7,153	2,542	5,584
Total shareholders' equity and liabilities	17,134	8,772	10,800

1) Current debt in the form of a vendor note in connection with the acquisition of an additional 17 percent of the shares in InnoGames in December 2020, repaid in March 2021.

2) Remaining purchase consideration for Ninja Kiwi SEK 98 million and liability for acquisition of the remaining 23% of PlaySimple SEK 722 million.

Condensed consolidated statement of cash flows

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	FY 2020
Cash flow from operations	164	135	153	188	242
Changes in working capital	-173	-42	-173	-12	28
Net cash flow to/from operations	-9	93	-21	175	270
Acquisitions of subsidiaries, associates and other investments	-2,168	-3	-2,726	-45	-2,263
Investments in other non-current assets	-73	-80	-185	-166	-208
Other cash flow from/used in investing activities	-2	-1	-30	0	0
Cash flow from/used in investing activities	-2,242	-83	-2,940	-211	-2,471
Net change in borrowings	1,900	0	100	0	1,800
Repayment vendor note	-	-	-1,142	-	-
New share issue	-	-	3,605	-	-
Capital injection from non-controlling interest	160	-	314	-	-
Dividends to minority owners	-	-	-	-188	-188
Other cash flow from/used in financing activities	-4	-7	-44	-31	-55
Cash flow from/used in financing activities	2,056	-7	2,833	-218	1,558
Total net change in cash and cash equivalents	-196	3	-128	-254	-644
Cash and cash equivalents at the beginning of the period	1,229	1,571	1,153	1,824	1,824
Translation differences in cash and cash equivalents	14	16	23	19	-28
Cash and cash equivalents at end of the period	1,048	1,590	1,048	1,589	1,153

Condensed consolidated statement of changes in equity

(SEKm)	Sep 30 2021	Sep 30 2020	Dec 31 2020
Opening balance	5,216	6,581	6,581
Net income for the period	-90	-162	-96
Other comprehensive income for the period	398	2	-314
Total comprehensive income for the period	308	-159	-410
Effect of employee share programmes	5	-1	-1
Cancellation of non-controlling interest put option liability ESL	-	-	315
Agreement to settle acquired operations with shares	-	-	81
Acquisition of non-controlling interests InnoGames	-	-	-1,162
New share issue ¹	4,169	-	-
Repurchase of shares	-31	-	-
Capital injection from non-controlling interest	314	-	-
Change in non-controlling interests	-	-5	-
Dividends to non-controlling interests	-	-186	-188
Closing balance	9,981	6,230	5,216

1) New share issue is presented after deduction of transaction costs of SEK 42 million

Parent company condensed income statement

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	FY 2020
Net sales	4	4	11	12	16
Gross income	4	4	11	12	16
Administrative expenses	-26	-39	-88	-104	-156
Operating income	-23	-35	-77	-93	-140
Net interest and other financial items	-7	1	-4	11	-33
Income before tax and appropriations	-30	-34	-81	-81	-173
Appropriations	-	-	-	-4	164
Tax	-	-	-	-	-
Net income for the period	-30	-34	-81	-85	-9

Net income for the period is in line with total comprehensive income for the parent company.

Parent company condensed balance sheet

(SEKm)	Sep 30 2021	Sep 30 2020	Dec 31 2020
Non-current assets			
Capitalized expenditure	1	1	1
Machinery and equipment	1	2	2
Shares and participations	11,372	5,849	7,813
Total non-current assets	11,374	5,851	7,815
Current assets			
Current receivables	31	33	216
Cash, cash equivalents and short-term investments	288	764	516
Total current assets	319	798	733
Total assets	11,693	6,649	8,548
Shareholders' equity			
Restricted equity	585	338	338
Non-restricted equity	9,126	5,145	5,299
Total equity	9,711	5,483	5,637
Untaxed reserves	43	115	43
Non-current liabilities			
Liabilities to financial institutions	900	-	-
Total non-current liabilities	900	0	0
Current liabilities			
Other interest-bearing liabilities	1,005	988	2,794
Non-interest-bearing liabilities	34	63	74
Total current liabilities	1,039	1,051	2,868
Total shareholders' equity and liabilities	11,693	6,649	8,548

Financial instruments at fair value

The carrying amounts are considered to be reasonable approximations of fair value for all financial assets and liabilities, except shares and participations in other companies for which the valuation technique is described below.

(SEKm)	Sep 30 2021				Sep 30 2020			
	Carrying value	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Shares and participations in other companies	423	133	-	290	202	-	-	202
Financial liabilities measured at fair value								
Contingent consideration	2,008	-	-	2,008	348	-	-	348

Valuation techniques

Shares and participations in other companies – acquisition cost is initially considered to be a representative estimate of fair value. Subsequently, values are remeasured at fair value and gains/losses recognized when there is subsequent financing through participation by a third-party investor, in which case the price per share in that financing is used, when there is a realized exit or when there are indications that cost is not representative of fair value and sufficient, more recent information is available to measure fair value. Listed holdings are valued at the current share price.

The Group owns shares in Nazara Technologies Ltd. which is reported at fair value in the income statement with a value of SEK 133 million as of September 30, 2021 (SEK 36 million as of September 30, 2020). The fair value was previously categorized in level 3 when the shares were not listed. In 2021, Nazara Technologies Ltd. listed its shares and there are thus quoted prices on an active market, which prompted a transfer from level 3 to level 1.

Level 3

(SEKm)	Sep 30 2021	Sep 30 2020
Opening balance 1 January	252	198
Reported gains and losses in net income for the period	31	-4
Acquisition	33	13
Divestment	0	-6
Transfer to level 1	-36	-
Translation differences	10	0
Closing balance	290	202

Contingent consideration – expected future values are discounted to present value. The discount rate is risk-adjusted. The most critical parameters are estimated future revenue growth and future operating margin.

(SEKm)	Sep 30 2021	Sep 30 2020
Opening balance 1 January	600	377
New acquisitions	1,280	-
Exercised payments	-11	-38
Revaluation	-11	-
Reclassification	6	-
Interest expense	77	6
Translation differences	66	3
Closing balance	2,008	348

Net sales and result by segment

	Esports		Gaming		Central ops.		Total ops.	
(SEKm)	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
Net sales	357	234	1,081	679	0	0	1,438	912
EBIT	-64	-66	188	156	-30	-35	95	54
Income before tax					73	49	73	49

	Esports		Gaming		Central ops.		Total ops.	
(SEKm)	Nine months 2021	Nine months 2020	Nine months 2021	Nine months 2020	Nine months 2021	Nine months 2020	Nine months 2021	Nine months 2020
Net sales	988	885	2,659	2,047	0	0	3,647	2,932
EBIT	-264	-275	413	312	-85	-93	63	-56
Income before tax					18	-61	18	-61

Acquisitions

Acquired operations 2021

(SEKm)	Ninja Kiwi	PlaySimple
Cash paid	583	2,388
Payment with MTG shares	541	-
Additional purchase price and other settlements, non-paid	487	1,597
Total consideration	1,611	3,985
Recognised amounts of identifiable assets and liabilities		
Net assets	65	-16
Cash and cash equivalents	76	227
Deferred tax receivables/liabilities net	-97	-232
Intangible assets	400	921
Net identifiable assets and liabilities	444	900
Goodwill	1,167	3,085
Total value	1,611	3,985

Cash consideration

(SEKm)	Ninja Kiwi	PlaySimple
Cash paid	583	2,388
Cash and cash equivalents in the acquired companies	-76	-227
Cash consideration	507	2,161

Ninja Kiwi

The Group completed the acquisition of 100 percent of the shares in Ninja Kiwi Ltd. on June 1. Ninja Kiwi is a New Zealand-based leading tower defense mobile games developer and publisher. Ninja Kiwi has a diversified games portfolio consisting of over 25 premium and free-to-play games which the company developed by building and improving games around the evergreen Bloons IP. Ninja Kiwi has broadened MTG's gaming vertical to also include the tower defense games genre. The acquisition of Ninja Kiwi marks an important next step in the build-up of a more diversified gaming segment with high-quality gaming companies and is in line with MTG's strategy to drive value creation through organic growth and strategic mergers and acquisitions.

The purchase price for the acquisition of Ninja Kiwi (on a cash and debt-free basis) consisted of an initial purchase price of SEK 1,223 million (NZD 204 million). Of the upfront purchase consideration, SEK 541 million (NZD 90 million) was paid through a directed share issue to the sellers of Ninja Kiwi comprising 4,435,936 new class B shares in MTG, which were paid by way of set-off. The subscription price per share amounts to the equivalent of SEK 121.9, corresponding to the volume-weighted average price of the class B shares on Nasdaq Stockholm during February 24-March 23, 2021. Of the remaining part of the upfront purchase consideration, equivalent to SEK 682 million (NZD 114.5 million), SEK 583 million (NZD 98 million) was paid in cash and the remaining SEK 98 million (NZD 16.5 million) will be paid in cash at the end of 2021. Ninja Kiwi's estimated net debt and working capital are subject to a potential adjustment when Ninja Kiwi's fiscal year ending March 31, 2021, has been audited. In addition, MTG may be required to pay an earn-out where the discounted value is estimated to amount to SEK 389 million (NZD 64.5 million). The amount of the earnout payments, which are made annually, depend on the financial performance of Ninja Kiwi during 2021-2022. Calculated goodwill for Ninja Kiwi is based on several factors. Among these are Ninja Kiwi's strong portfolio of live games and games in development, its established genre mastery, and the potential for additional Group-wide synergies across MTG's gaming vertical, which will enable

further increased user acquisition rates and lifetime values (LTV) for existing and new titles as well as operational improvements by implementing a new best practice across the gaming vertical.

Transactions costs of SEK 12 million are reported as administrative expenses in the income statement and as M&A transaction costs in adjusted EBITDA.

PlaySimple

The Group completed the acquisition of 77% of the shares in PlaySimple on July 30, 2021. The second step of acquiring the remaining 23% of the shares in PlaySimple will be completed following regulatory approval. In the financial statement, a liability is recognized for the future acquisition of the remaining 23% and PlaySimple is treated as fully acquired (100%). No non-controlling interest is recognized. PlaySimple is a fast-growing developer and publisher of high-quality free-to-play mobile word games. With more than 200 full-time employees, a vision to create simple and impactful casual game experiences on a massive scale and best-in-class tech and analytics infrastructure, PlaySimple has become one of India's most exciting and fastest-growing mobile gaming companies. The company has built a worldwide network of chart-topping games with over 75 million installs to date across the hit titles Daily Themed Crossword, Word Trip, Word Jam, Word Wars and Word Trek.

The purchase price for the acquisition of PlaySimple (on a cash and debt-free basis) consisted of an upfront consideration of SEK 3,090 million (USD 360 million). Of the upfront consideration, 77%, equivalent to SEK 2,388 million, was paid in cash on July 30, 2021, and 23% will be paid in MTG class B shares following regulatory approval for the founders to receive the consideration in shares. Upon approval, the founders will receive 6,194,343 MTG class B shares for the remaining 23% of the shares in PlaySimple (equivalent to a value per MTG class B share of SEK 115.16, which corresponds to the 20-day volume-weighted average price of MTG class B shares on Nasdaq Stockholm up to and including July 1, 2021, using the USD/SEK FX-rate of 8.582). If the founders do not obtain approval to receive the consideration in shares by October 31, 2023, MTG will acquire the remaining shares in PlaySimple against a cash consideration equivalent to the value of the consideration in shares at such time. In addition to the upfront consideration, MTG will pay performance-based earn-out payments where the discounted value is estimated to amount to SEK 891 million in aggregate. The amount of the earnout payments, which are made annually, depend on the financial performance of PlaySimple during 2021-2025. PlaySimple's estimated net debt and working capital are subject to potential adjustments when PlaySimple's fiscal year ending March 31, 2021, has been audited. Calculated goodwill for PlaySimple is based on several factors. Among these are PlaySimple's best-in-class advertising infrastructure, its strong portfolio of lives games in the word games genre, its track record of developing multiple highly successful free-to-play games, and the potential for Group-wide synergies within ads monetization, user acquisition and cross-promotion throughout MTG's gaming vertical.

Transactions costs of SEK 35 million for the acquisition are reported as administrative expenses in the income statement and as M&A transaction costs in adjusted EBITDA.

Contributions from acquisitions in 2021 to date

(SEKm)	Ninja Kiwi	PlaySimple
Net sales	160	223
EBIT ¹	74	41

1) EBIT includes amortization costs of purchase price allocations of SEK 14 million for Ninja Kiwi and SEK 22 million for PlaySimple.

Contributions from acquisitions if the acquisition had occurred on January 1, 2021

(SEKm)	Ninja Kiwi	PlaySimple
Net sales	373	865
EBIT ¹	169	15

1) EBIT includes amortization costs of purchase price allocations of SEK 31 million for Ninja Kiwi and SEK 101 million for PlaySimple. The result for PlaySimple also include SEK 31 million in accelerated vesting of Employee Share Ownership Program (ESOP).

Alternative performance measures

The purpose of alternative performance measures (APMs) is to facilitate the analysis of business performance and industry trends that cannot be directly derived from financial statements. MTG uses the following APMs:

- Adjusted EBITDA
- Change in net sales from organic growth

Reconciliation of adjusted EBITDA

Adjusted EBITDA is used to assess MTG's underlying profitability. Adjusted EBITDA is defined as EBITDA adjusted for the effects of items affecting comparability, long-term incentive programs, acquisition-related transaction costs and impairment of capitalized internal work. Items affecting comparability refers to material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis.

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	FY 2020
EBIT	95	54	63	-56	35
Amortization	120	47	276	147	195
Depreciation	22	23	65	68	88
EBITDA	237	124	405	159	319
Items affecting comparability	-	13	-	16	9
Impairment own capitalized costs	-	9	-	9	20
Long-term incentive programs	28	50	73	142	132
M&A transaction costs	41	1	84	16	56
Adjusted EBITDA	306	196	561	342	535

Reconciliation of sales growth

Since the Group generates the majority of its sales in currencies other than in the reporting currency (i.e. SEK, Swedish krona) and currency rates have proven to be rather volatile, the Group's sales trends and performance are analyzed as changes in organic sales growth. This presents the increase or decrease in the overall SEK net sales on a comparable basis, allowing for separate discussions of the impact of exchange rates, acquisitions, and divestments. The following table presents changes in organic sales growth as reconciled to the change in the total reported net sales.

(SEKm)	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020
Gaming				
Organic growth	-19%	12%	-9%	9%
Acquisition/divestments	82%	-	45%	-
Changes in FX rates	-4%	-4%	-6%	0%
Reported growth (%)	59%	8%	30%	9%
Esports				
Organic growth	55%	-40%	18%	-26%
Acquisition/divestments	-	-	-	-
Changes in FX rates	-2%	-4%	-6%	0%
Reported growth (%)	53%	-44%	12%	-26%
Total operations				
Organic growth	0%	-9%	-1%	-5%
Acquisition/divestments	61%	-	31%	-
Changes in FX rates	-3%	-4%	-6%	0%
Reported growth (%)	58%	-13%	24%	-5%

Organic pro forma growth

Since the Group from time to time make transactions in the market, it is relevant to more accurately describe a current trend. Organic pro forma growth as a measure refer to an underlying development, including the acquisitions of Hutch, Ninja Kiwi and PlaySimple as if they were always part of MTG Group. The pro forma figures have been prepared with advise from external expertise in order to restate a GAAP financial statement to IFRS and may include timing adjustments for both income and costs.

(SEKm)	Gaming	Esports	Group
Reported Sales Q3 2020	679	234	912
Adjustment for acquisitions	441	-	441
Pro forma Reported Sales	1 119	234	1 353
Reported Sales Q3 2021	1 081	357	1 438
Adjustment for acquisitions	105	-	105
Pro forma Sales Q3 2021	1 186	357	1 543
Foreign currency fluctuation	21	6	27
Pro forma Organic Sales	1 207	363	1 570
Pro forma Organic Growth	8%	55%	16%

Definitions

Adjusted EBITDA

EBITDA, adjusted for the effects of items affecting comparability, long-term incentive programs, acquisition-related transaction costs and impairment of own work capitalized, which are referred to as adjustments.

AMA

Average minute audience – the average number of individuals viewing a channel, which is calculated per minute during a specified period of time over the program duration.

ARPDau

Average net revenue per daily active user.

CAPEX

Capital expenditures.

Challenger

Smaller-scale competitions with semi-professional players.

DAU

Daily active users.

Earnings per share

Earnings per share is expressed as net income attributable to equity holders of the parent divided by the average number of shares.

EBIT/Operating income

Net income for the period from continuing operations before other financial items, net interest and tax.

EBITDA

Profit for the period from continuing operations before other financial items, net interest, tax and depreciation and amortization.

ESS

Esports Services – work for hire contracts made on behalf of another entity.

Items affecting comparability (IAC)

Items affecting comparability refers to material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis.

Master

Large-scale competitions attracting professional top-tier global players.

MAU

Monthly active users.

O&O

Owned & Operated – a property that is independently managed and controlled within the Group.

Open

Competitions free for all participants.

Organic growth

The change in net sales compared with the same period last year, excluding acquisitions and divestments and adjusted for currency effects.

Organic Proforma growth

The change in net sales compared with the same period last year as if the company would have been fully consolidating its acquisitions and divestments as of the previous period and adjusted for currency effects.

Transactional currency effect

The effect that foreign exchange rate fluctuations can have on a completed transaction prior to settlement. This refers to the exchange rate, or currency risk associated specifically with the time delay between entering into a trade or contract and then settling it.

Translational currency effect

Converting one currency to another, often in the context of the financial results of foreign subsidiaries into the parent company's and/or the Group's functional currency.

UA

User acquisition.

Shareholder information

MTG's Annual General Meeting 2022

The Annual General Meeting will be held on 24 May 2022 in Stockholm. Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing either by post to the "Company Secretary", Modern Times Group MTG AB, Annual General Meeting, P.O. Box 2094, SE- 103 13 Stockholm, Sweden or by email to agm@mtg.com at least seven weeks before the Annual General Meeting in order for the proposal to be included in the notice to the meeting. Further details on how and when to register will be published in advance of the meeting.

Nomination Committee ahead of 2022 Annual General Meeting

In accordance with the resolution by the Annual General Meeting of MTG shareholders regarding the procedure for the Nomination Committee, a Nomination Committee has been convened to prepare proposals for the 2022 Annual General Meeting. The Nomination Committee comprises Klaus Roehrig, appointed by Active Ownership Corporation; Joachim Spetz, appointed by Swedbank Robur Fonder; Eric Sibbern, appointed by Kabouter Management, LLC and Simon Duffy, the Chairman of the Board. In line with past practice, the members of the Committee have appointed Klaus Roehrig, representing the largest shareholder on the last business day of August 2021, as the Committee Chairman.

Please see the following section on MTG.com for information about the work of the Nomination Committee: <https://www.mtg.com/governance/nomination-committee/>.

Shareholders wishing to propose candidates for election to the MTG Board of Directors should submit their proposals in writing to agm@mtg.com or to the "Company Secretary", Modern Times Group MTG AB, P.O. Box 2094, SE-103 13 Stockholm, Sweden.

Financial calendar

Item	Date
Q4 2021 Interim Financial Results report	February 7, 2022
Q1 2022 Interim Financial Results report	April 27, 2022
Annual General Meeting 2022	May 24, 2022
Q2 2022 Interim Financial Results report	July 20, 2022
Q3 2022 Interim Financial Results report	October 26, 2022

Questions?

Lars Torstensson, Chief Financial Officer and EVP Communications & IR

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Follow us: [mtg.com](https://www.mtg.com) / [Twitter](https://twitter.com/mtg) / [LinkedIn](https://www.linkedin.com/company/mtg)

Conference call

The company will host a conference call on Thursday, October 28, at 15:00 CEST. The conference call will be held in English. To participate in the conference call, please dial:

Sweden	+46 (0) 856 618 467
UK	+44 (0) 844 481 9752
US	+1 646 741 3167
Std. International	+44 (0) 2071 928 338
Access pin code	612 52 39

Please note that only dial-in participants can ask questions during the conference call. The conference call will also be streamed via the following link:

<https://edge.media-server.com/mmc/p/isfg8s3w>



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Modern Times Group MTG AB (www.mtg.com) is a strategic acquirer and operator of companies in gaming and esports entertainment. Founded in Sweden and headquartered in Stockholm, our shares (MTG A and MTG B) are listed on Nasdaq Stockholm.

This information is information that Modern Times Group MTG AB (publ.) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 02:00pm CEST on October 28, 2021.

Record operational result, with the gaming vertical delivering 13 percent pro forma net sales growth

- The gaming vertical delivered record growth on the back of a more diversified gaming portfolio. Net sales amounted to SEK 1,272 million, resulting in year-over-year growth of 100 percent, and a pro forma growth of 13 percent
- The esports vertical hosted five Master properties, all produced as studio or online events. ESL Gaming continued to enhance its offerings and improve its strategic position by investing into areas such as mobile gaming
- On January 24, MTG divested ESL Gaming to Savvy Gaming Group for USD 1,050 million (equivalent to SEK 9,723 million) to combine with FACEIT and create a global leader in competitive gaming. The transaction is expected to close during the second quarter 2022

Financial highlights

- Net sales increased by 56 percent to SEK 1,658 (1,064) million. Pro forma growth amounted to 7 percent
- Adjusted EBITDA of SEK 346 (193) million. Adjustments included long-term incentive programs (LTI) of SEK 15 (-10) million and total M&A transaction costs of SEK 28 (40) million
- EBITDA of SEK 303 (160) million and EBIT of SEK 121 (91) million
- Net financial items amounted to SEK -403 (51) million, mainly driven by revaluation of the earnout liability as a result of a significant overperformance by Ninja Kiwi
- Tax cost amounted to SEK -83 (-77) million
- Net income of SEK -365 (66) million and basic earnings per share, before dilution, of SEK -2.65 (0.87)
- Cash balance of SEK 943 (1,153) million

Financial overview

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
Net sales	1,658	1,064	5,306	3,997
of which Gaming	1,272	635	3,931	2,682
of which Esports	386	429	1,375	1,315
EBIT	121	91	184	35
EBITDA	303	160	708	319
Adjusted EBITDA	346	193	908	535
Net income	-365	66	-454	-96
Basic earnings per share, SEK	-2.65	0.87	-3.85	-2.99
Diluted earnings per share, SEK	-2.65	0.87	-3.85	-2.99
Sales growth, %	56%	-9%	33%	-6%
Changes in FX rates, %	0%	-6%	-4%	-2%
Sales growth at constant FX, %	56%	-3%	37%	-4%
of which organic growth, %	-9%	-3%	-3%	-4%
Pro forma growth ¹	7%		11%	

1) Please refer to page 24 for detailed pro forma growth table

President & CEO's comments

As I look back on 2021, I see more than a just a year of fundamental transformation. During the last 12 months we have accomplished important parts of our vision, executed on our strategy, and expanded our team to be a key long-term player, builder and value creator in our industry.

We continued to grow in the fourth quarter of 2021 and delivered a strong operational performance. Our net sales increased by 56 percent to SEK 1,658 million in constant currencies, driven by the newly acquired gaming companies joining the Group. At the same time, we reported 7 percent pro forma net sales growth, and 13 percent for the gaming vertical, which clearly demonstrates the strength and potential of our gaming portfolio. Our adjusted EBITDA amounted to SEK 346 million, reflecting sequentially lower losses in esports and robust margins in gaming.

The past year has also seen us make company history time and time again. There are many areas to highlight, but two things make me particularly proud. The first one is our ability to scout, execute on M&A and onboard new companies. So far, three great new gaming studios have joined our “family”, enabling us to significantly diversify our gaming vertical. The second is the in-depth strategic work and preparation building up to the announcement of us divesting our esports vertical and transforming MTG into a pure-play gaming company. It showcases our ability to turn our deep understanding of the industry into significant shareholder value.

Strengthening our gaming vertical

The results of the gaming vertical reflected our continued efforts to create a more diversified portfolio that does not depend on a single studio or game. We saw accelerated growth of 13 percent on a pro forma basis, which clearly demonstrates the value of a diverse portfolio of games across a wide range of genres and in different stages of their life cycle. And despite accelerating our growth, we continued to maintain our margins, which highlights the robustness of the business.

Our new companies continued to show healthy growth, spearheaded by PlaySimple and Ninja Kiwi. The latter, in particular, went from strength to strength, thanks to the evergreen Bloons TD6. Battles 2 was launched 30th of November and showed early success. PlaySimple continued to be one of the uncrowned kings of anagram games, with WordTrip remaining a star performer. During the fourth quarter of 2021, PlaySimple accelerated its marketing activities on the back of product lifetime value improvements as it further scaled titles in their growth phase. Hutch focused on its core titles – F1 Clash and TopDrives – and with a strategy focused on improved LiveOps.

The classic companies in the portfolio reported negative organic growth in the quarter but showed a strong sequential recovery. The initiatives implemented on the back of the third quarter of 2021 to strengthen the operational performance at InnoGames have yielded positive results, with improved marketing campaigns, better balanced in-game events, and stronger teams.

The ongoing evolution of our gaming vertical gathered momentum in the quarter, and we started several joint projects to enhance the way we work in areas such as marketing and business intelligence. To support these efforts, we have started to build a central gaming organization to lead the work of creating best practices and synergies.

We have several important game launches coming up in 2022. InnoGames is set for the commercial launch of Rise of Cultures and Sunrise Village in the first quarter of 2022, followed by Lost Survivors in the second quarter of 2022. PlaySimple is also expected to launch several new titles during the year.

Becoming the architect of transformation in esports

On the 24th of January, we announced the sale of our esports vertical. A significant and pivotal transaction for MTG, and the creation of the first esports unicorn.

We have been the proud owners of ESL and DreamHack, now known as ESL Gaming, for seven years. We invested in them back in 2015, way before the hype around esports began, and were early in identifying the relevance and importance of esports as a means of entertainment and engagement. This provided us with access to the leading assets at that time, and we have since worked with and supported management to build the company into the leading global independent esports company.

We have for quite some time been outspoken about our belief in B2C and its relevance and importance in building an end-to-end competitive gaming platform. MTG has explored organic and inorganic opportunities to solve this challenge as part of its esports strategy. Hence, we were extremely excited and proud when MTG enabled the merger between ESL Gaming and FACEIT into the ESL FACEIT Group, and subsequent sale to Savvy Gaming Group. A transformative transaction for the industry.

For the esports community, the transaction will unlock new opportunities as ESL FACEIT Group becomes the leading end-to-end competitive gaming platform, backed by a strong owner that is a firm believer in the new group's strategy and in the industry as a whole.

For MTG's shareholders, the divestment of the esports vertical provides a transaction with high deal certainty, crystalizing its hidden value and providing a 2.5x return on the total investment.

Looking forward into 2022

As a result of the divestment of ESL Gaming, we find ourselves at a transformative moment in time. Our Board of Directors will propose to return at least 40 percent of the net proceeds from the transaction to our shareholders, whom we remain grateful to for their support throughout our journey. The remaining proceeds will be used to accelerate our Buy & Build strategy in gaming.

We enter 2022 as a pure-play gaming company. We have a proven growth strategy in place and will use our strengthened balance sheet to both accelerate our organic growth and look for new and exciting M&A opportunities around the world. The divestment of ESL Gaming has clearly shown that our vision is to "buy and build". We want to support our entrepreneurs and the companies we own to grow and evolve. And while they do, we want to use the scale of the Group to generate operational efficiencies wherever we can, establish centers of excellence that all our companies can draw on, and identify and nurture key talent across the world. We will also continue to live and breathe our "Swedish Family" model, which will help MTG become the preferred destination for entrepreneurs around the world.

I want to say thank you to all the people who contributed to our success in 2021. We have one of the best teams in the mobile gaming space and we have ambitious goals for 2022 and beyond. MTG stands better positioned than ever to deliver an exciting story to the world and to connect to even more consumers through the power of play. I also want to extend a big thank you to the whole team at ESL Gaming for their focus and commitment as they are about to take the next step on their exciting journey under new ownership.

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Significant events in and after the quarter

November 30 – Ninja Kiwi releases highly anticipated Bloons TD Battles 2

Ninja Kiwi released their highly anticipated sequel to Bloons TD Battles, Bloons TD Battles 2 with great success. Battles 2 is a brand new installment in the Bloons universe, building on the classic top-rated head-to-head tower defense game Bloons TD Battles. Choose a Hero and team of powerful Monkey Towers, and prepare to battle one on one against other players and relentless waves of Bloons!

December 2 – InnoGames Welcomes Winter with Seasonal Events in Forge of Empires and Elvenar

InnoGames announced the arrival of winter with holiday events in Forge of Empires and Elvenar. The winter event ran from December 2 through January 2nd in Forge of Empires. Elvenar began its “Winter Magic” event on December 6th and ran it till January 5th. Players of both games experienced seasonal festivities with plenty of new prizes and rewards.

December 7 – Psyonix Selects ESL Gaming as Rocket League Championship series esports partner

ESL Gaming announced that they will become esports partners of the Rocket League Championship Series in a multi-year agreement with Rocket League developer, Psyonix. The new partnership builds on last year's initial Rocket League Championship Series X collaboration between DreamHack and Psyonix.

January 24 – MTG Divests ESL Gaming to Savvy Gaming Group for USD 1,050 million to combine with FACEIT and create global leader in competitive gaming

MTG announced the sale of ESL Gaming, the world's largest independent esports company, to Savvy Gaming Group in an all-cash transaction valuing ESL Gaming at an enterprise value of USD 1,050 million. MTG owns 91.46% of ESL Gaming, which corresponds to USD 960 million of the total enterprise value and represents a total return on investment of 2.5 times. Savvy Gaming Group is simultaneously acquiring FACEIT and will merge the two companies to create the leading global platform for competitive gaming – ESL FACEIT Group.

January 25 – Rise of Cultures: new city building game from InnoGames now available worldwide

Various playable cultures and epic cities: with Rise of Cultures, InnoGames has released a new city builder game for iOS and Android. Taking key learnings from Forge of Empires, InnoGames has created a unique and fresh mobile-first game where players establish an empire and build several cities with the most famous cultures of mankind. Progress is dependent on their leadership abilities and skills in PvE battles with real-time combat mechanics. Once they master these, players are able to watch their civilization thrive.

A full list of MTG's announcements and reports can be found at www.mtg.com.

Group performance

Net sales

Consolidated net sales increased by 56 percent in the quarter to SEK 1,658 (1,064) million. Pro forma growth amounted to 7 percent. The gaming vertical's net sales increased by 100 percent, driven by PlaySimple, Ninja Kiwi and Hutch, and 13 percent on a pro forma basis. The esports vertical's net sales decreased by 10 percent, or 11 percent at constant currencies, mainly due to the fourth quarter 2020 event schedule being highly concentrated because of the pandemic. Esports net sales grew by 12 percent in the second half of 2021 compared to the same period last year.

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
Net sales	1,658	1,064	5,306	3,997
of which Gaming	1,272	635	3,931	2,682
of which Esports	386	429	1,375	1,315
Sales growth, %	56%	-9%	33%	-6%
Changes in FX rates, %	0%	-6%	-4%	-2%
Sales growth at constant FX, %	56%	-3%	37%	-4%
of which organic growth, %	-9%	-3%	-3%	-4%
Pro forma growth	7%		11%	

Adjusted EBITDA, EBITDA and EBIT

Consolidated adjusted EBITDA in the quarter amounted to SEK 346 (193) million, representing a margin of 21 (18) percent driven by higher sales and stronger margins in the gaming vertical.

EBITDA adjustments of SEK 43 (33) million in the quarter comprised long-term incentive programs (LTI) of SEK 15 (-10) million and M&A transaction costs of SEK 28 (40) million.

Consolidated EBITDA was SEK 303 (160) million as a result of higher profit in the Gaming vertical, primarily due to strong performance by Ninja Kiwi and PlaySimple, and partly offset by esports.

Group central operations impacted the quarter by SEK -29 (-23) million.

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
EBIT	121	91	184	35
Amortization	157	48	433	195
Depreciation	26	20	91	88
EBITDA	303	160	708	319
Items affecting comparability	-	-7	-	9
Impairment own capitalized costs	-	10	-	20
Long-term incentive programs	15	-10	88	132
M&A transaction costs	28	40	112	56
Adjusted EBITDA	346	193	908	535
of which Gaming	407	202	1,203	800
of which Esports	-32	15	-195	-163
of which Central operations	-29	-23	-100	-102
Adjusted EBITDA margin, %	21%	18%	17%	13%

Depreciation and amortization in the quarter amounted to SEK 183 (68) million and included amortization of purchase price allocations (PPA) of SEK 98 (24) million. Excluding PPA, depreciation and amortization amounted to SEK 85 (44) million.

Consolidated EBIT in the quarter was SEK 121 (91) million, corresponding to an EBIT margin of 7 (9) percent. Operating costs before depreciation and amortization increased by 50 percent to SEK 1,355 (904) million.

Net financials and net income

Net financial items amounted to SEK -403 (51) million, driven by revaluation of the earnout liability, mainly as a result of the significant overperformance by Ninja Kiwi and to a smaller degree PlaySimple. In total, change in fair value of earnout liability resulted in SEK -320 million recognized as a financial item in the income statement. Further, discounted interest of earnouts amounted to SEK -55 million, unrealized exchange differences to SEK -72 million (where the majority of which pertain to the conversion of earnout liabilities in USD) and revaluation of VC funds to SEK 42 million. Net interest amounted to SEK -7 (-2) million. The Group's tax cost amounted to SEK -83 (-77) million, resulting in net income for the quarter of SEK -365 (66) million.

Venture capital fund investments

To date, the MTG VC fund has invested a total of SEK 282 (USD 33) million. MTG's VC fund has invested in 23 portfolio companies to date. VC investments complement MTG's majority stake investments in ESL Gaming, DreamHack Sports Games, Kongregate, InnoGames, Hutch, Ninja Kiwi and PlaySimple, and the portfolio assets range from start-up game developers across several game genres, including narrative, competitive, social MMO and game creation platforms in the US and Europe, to pure esports-focused companies. VC investments related to esports will remain in MTG after the divestment of ESL Gaming.

Segmental performance

Gaming

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
Net sales	1,272	635	3,931	2,682
Sales growth, %	100%	-2%	47%	6%
Changes in FX rates, %	0%	-6%	-4%	-1%
Sales growth at constant FX, %	100%	4%	51%	7%
of which organic growth, %	-8%	4%	-9%	7%
Pro forma growth	13%		12%	
EBIT	227	123	640	436
EBITDA	394	175	1,102	648
Adjusted EBITDA	407	202	1,203	800
Adjusted EBITDA margin, %	32%	32%	31%	30%

In the quarter, net sales for the gaming vertical grew by 100 percent to SEK 1,272 (635) million with no impact from foreign exchange rates. Organic growth improved sequentially and amounted to -8 percent.

Pro forma growth accelerated to 13 percent, primarily driven by continued strong performance of Ninja Kiwi and PlaySimple. Ninja Kiwi's evergreen IP Bloons maintained a very solid development, driven mainly by BTDD6, but also by the newly launched Battles 2, showing early promising results. PlaySimple's franchises in general, and the Anagram genre in particular, continued to scale at a high pace, driven by Word Trip and Word Jam, supported by increased marketing on the back of product lifetime value improvements.

The classic companies in the portfolio, InnoGames and Kongregate, experienced negative organic growth in the quarter but showed a strong sequential recovery. The initiatives taken on the back of the third quarter of 2021 to strengthen the operational performance at InnoGames have yielded good results, with improved marketing campaigns, better balanced in-game events, and stronger teams.

Several important game launches are being planned in 2022. InnoGames is set for the commercial launch of Rise of Cultures and Sunrise Village in the first quarter of 2022, followed by Lost Survivors in the second quarter of 2022. PlaySimple is also expected to launch several new titles across the year.

Adjusted EBITDA increased to SEK 407 (202) million, representing a margin of 32 percent (32), supported by InnoGames and Ninja Kiwi.

EBITDA adjustments of SEK 13 (26) million comprised of long-term management incentive programs (LTI) costs of SEK 2 (-20) million and M&A transaction costs of SEK 11 (32) million.

EBITDA was SEK 394 (175) million.

Capex amounted to SEK 57 (38) million, mainly driven by new studios joining the group, and capitalization of games under development. There are currently 10 titles under development being capitalized, not yet commercially launched.

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
DAU, million ¹	6.5	6.2	4.3	3.5	2.2
MAU, million ¹	33.8	32.4	24.6	18.9	9.3
ARPDau, SEK ¹	2.1	1.9	2.7	2.5	3.2
Revenue generated by the top 3 games, %	45%	46%	66%	68%	75%
Revenue generated by platform, %					
Mobile ²	68%	70%	60%	58%	48%
Browser ²	23%	24%	39%	42%	50%
Other ²	9%	7%	2%	0%	2%
Revenue generated by territory, %					
Europe ²	35%	40%	46%	54%	51%
North America ²	59%	53%	47%	41%	44%
Asia Pacific ²	4%	6%	5%	4%	4%
Rest of World ²	2%	1%	1%	1%	1%

1) Q1 DAU, MAU and ARPDau was corrected in Q2

2) Q2 & Q3 Revenue generated by platform and territory have been corrected

The diversification of MTG's portfolio have had a significant positive impact on the business in terms of balance and scope which is demonstrated in the reported KPIs. Daily Active Users (DAU) increased by 190 percent from the addition of acquired companies while organic DAU increased by 2 percent. Monthly Active Users (MAU) increased by 264 percent in the fourth quarter of 2021, again driven by acquired companies while organic MAU increased by 8 percent. On a sequential basis, DAU grew by 5 percent and MAU grew by 4 percent primarily driven by continued success for PlaySimple's Anagram franchise and the recently launched Bloons title Battles 2 by Ninja Kiwi.

The Average Revenue per Daily Active User (ARPDau) decreased by 33 percent in fourth quarter of 2021 as a result of the inclusion of acquired companies. Organic ARPDau decreased by 10 percent compared to the same period last year, mainly driven by lower sales within InnoGames' classics portfolio and higher DAU for Kongregate. On a sequential basis, ARPDau grew by 13 percent driven by stronger ARPDau performance in Hutch and PlaySimple.

The top three titles have changed in the quarter as a result of full quarter consolidation of PlaySimple. Net sales generated by the titles Forge of Empires, Word Trip and Word Jam decreased to 45 (75) percent as a result of a more diversified games portfolio.

With the inclusion of a full quarter of PlaySimple, the mobile share increased to 68 percent of total revenues. Ninja Kiwi's Steam sales are categorized as Other.

There was a marginal movement in the revenue split by territory, with a total of 94 percent of revenue generated in the North American and European markets, which are the target territories for the gaming businesses.

Esports

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
Net sales	386	429	1,375	1,315
Sales growth, %	-10%	-17%	5%	-23%
Changes in FX rates, %	1%	-4%	-4%	-1%
Sales growth at constant FX, %	-11%	-13%	9%	-22%
of which organic growth, %	-11%	-13%	9%	-22%
EBIT	-74	-12	-338	-288
EBITDA	-59	3	-279	-220
Adjusted EBITDA	-32	15	-195	-163
Adjusted EBITDA margin, %	-8%	3%	-14%	-12%

In the quarter, net sales for the esports vertical decreased by 10 percent to SEK 386 (429) million with a positive impact of foreign exchange rate of 1 percent. Organic growth was -11 percent mainly due the fourth quarter 2020 event schedule being highly concentrated as a result of the pandemic. Organic growth for the second half of 2021 was 12 percent.

As scheduled, ESL Gaming successfully delivered and produced 5 (6) Master properties in the quarter as studio or online events. ESL Mobile continued to develop at high pace and concluded three regional seasons with games such as Clash of Clans and PUBG mobile. During the fourth quarter, DreamHack Open was reintroduced as a LAN-event and was successfully organized in Sweden. DreamHack SportsGames organized three challenger properties within golf and football.

In the quarter, ESL Gaming announced multi-year extensions with Monster and Maincast. Additionally, it secured a publisher deal with Psyonix for the Rocket League Championship.

Adjusted EBITDA amounted to SEK -32 (15) million, representing a margin of -8 percent (3). The adverse development was driven by lower revenues and higher costs to produce events and investments into mobile gaming.

EBITDA adjustments of SEK 27 (11) million comprised of (LTI) costs SEK 10 (10) million and M&A transaction costs of SEK 17 (5) million.

EBITDA was SEK -59 (3) million.

Capex amounted to SEK 9 (7) million, driven by studio hardware and development costs in B2C platforms.

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Number of O&O properties	21	18	26	10	22
Master	5	5	6	3	6
Challenger	16	12	20	7	15
Open	-	1	-	-	1
Revenue generated by type, %					
Owned & operated	60%	64%	52%	81%	75%
Esports services	40%	36%	48%	19%	25%

Net sales in Own & Operated (O&O) decreased by 28 percent to SEK 233 million, mainly driven by one fewer Master tournament and lower Sponsorship sales compared to last year.

Net sales in Esports Services' (ESS) increased by 45 percent to SEK 153 million, mainly due to the ongoing tournaments on behalf of Psyonix (Rocket League) as well as Ubisoft (Rainbow Six).

Financial review

Cash flow

Cash flow from operations before taxes paid and changes in working capital amounted to SEK 317 (117) million in the quarter, including a distribution of SEK 11 million from the VC fund. Depreciation and amortization charges were SEK 183 (68) million, of which SEK 98 (24) million pertained to amortization of PPA. The increase was due to the newly acquired companies.

Paid taxes amounted to SEK -91 (-67) million, an increase attributable to the newly acquired companies.

The Group reported a SEK 101 (45) million change in working capital. The positive effect in the quarter is mainly coming from early payments from customers in ESL Gaming, Hutch and PlaySimple due in January but paid in December.

Net cash flow from operations amounted to SEK 326 (95) million.

Investing activities

During the quarter, the deferred purchase price liability of SEK -101 million as well as the first part of the earnout of SEK -260 million was paid to Ninja Kiwi's former owners. Net investment in VC funds affecting cash flow amounted to SEK -1 (17) million. Capital expenditure on tangible and intangible assets, mainly consisting of capitalized development costs for games and platforms that have not yet been released, amounted to SEK 66 (42) million in the quarter.

Total cash flow relating to investing activities amounted to SEK -431 (-2,260) million.

Financing activities

Total cash flow relating to financing activities amounted to SEK -17 (1,776) million, related to leasing.

The net change in cash and cash equivalents amounted to SEK -123 (-390) million.

The Group had cash and cash equivalents of SEK 943 (1,153) million at the end of the period.

Net debt

Net debt refers to the sum of interest-bearing liabilities less cash and cash equivalents. Interest-bearing liabilities such as additional purchase considerations or lease liabilities are not included.

Net debt as of December 31, 2021, amounted to SEK 957 (647) million. The net debt calculation includes external financing of SEK 1,900 (1,800) million less SEK 943 (1,153) million in cash and cash equivalents.

Parent Company

Modern Times Group MTG AB is the Group's parent company and is responsible for Group-wide management, administration, and financing.

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
Net sales	4	4	15	16
Net interest and other financial items	-6	-44	-10	-33
Income before tax and appropriations	-35	-92	-117	-173

Net interest for the quarter amounted to SEK -6 (-1) million. Unrealized and realized exchange differences amounted to SEK 2 (-41) million and other financial items to SEK -2 (-2).

The parent company had cash and cash equivalents of SEK 167 (516) million at the end of the period.

The total number of shares outstanding at the end of the period was 110,385,832 (76,190,509) and excluded the 304,880 class B shares and the 6,324,343 class C shares held by MTG as treasury shares. No new shares were issued during the quarter.

Other information

Accounting policies

This interim report has been prepared according to 'IAS 34 Interim Financial Reporting' and the Swedish Annual Accounts Act'. The interim report for the parent company has been prepared according to the Swedish Annual Accounts Act – Chapter 9 'Interim Report'.

The Group's consolidated accounts and the parent company's accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2020 Annual Report. Revaluation of earnouts is recognized in net financial items in the income statement.

Disclosures in accordance with IAS.34 16A appear in the financial statements and the accompanying notes as well as in other parts of the interim report.

Related party transactions

No transactions between MTG and related parties that have materially affected the Group's position and earnings took place during the period.

Risks & uncertainties

Significant risks and uncertainties exist for the Group and the parent company. These factors include the prevailing economic and business environments in certain of the markets; commercial risks related to expansion into new territories; other political and legislative risks related to changes in rules and regulations in the various territories in which the Group operates; exposure to foreign exchange rate movements, and the US dollar and euro-linked currencies in particular; the emergence of new technologies and competitors; as well as cyber-attacks.

The Group's esports business is reliant on continued cooperation with game publishers. The Group's game development businesses depend on their ability to continue releasing successful titles that attract paying customers. Both of the aforementioned conditions are not under the Group's full control.

Risks and uncertainties are also described in more detail in the 2020 Annual Report, which is available at www.mtg.com.

Stockholm, February 7, 2022

Maria Redin

Group President & CEO, Modern Times Group MTG AB

This report has not been reviewed by the Group's auditor.

Condensed consolidated income statement

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
Net sales	1,658	1,064	5,306	3,997
Cost of goods and services	-958	-438	-2,723	-1,777
Gross income	701	626	2,583	2,219
Selling expenses	-271	-251	-1,132	-1,062
Administrative expenses	-320	-277	-1,280	-1,130
Other operating income	13	6	37	32
Other operating expenses	-2	-21	-24	-16
Share of earnings in associated companies and joint ventures	0	2	-1	1
Items affecting comparability	-	7	-	-9
EBIT	121	91	184	35
Net interest	-7	-2	-25	-8
Other financial items	-395	53	-423	54
Income before tax	-282	142	-264	81
Tax	-83	-77	-191	-177
Total net income for the period	-365	66	-454	-96
Total net income for the period attributable to:				
Equity holders of the parent	-293	66	-400	-228
Non-controlling interest	-72	-1	-54	132
Total net income for the period	-365	66	-454	-96
Basic earnings per share, SEK	-2.65	0.87	-3.85	-2.99
Diluted earnings per share, SEK	-2.65	0.87	-3.85	-2.99
Number of shares¹				
Shares outstanding at the end of the period	110,385,832	76,190,509	110,385,832	76,190,509
Basic average number of shares outstanding	110,385,832	76,190,509	103,786,751	76,190,509
Diluted average number of shares outstanding	110,536,524	76,190,509	103,942,052	76,190,509

1) Retrospectively adjusted due to right issue with bonus element

Consolidated statement of comprehensive income

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
Net income	-365	66	-454	-96
Other comprehensive income				
Items that are or may be reclassified to profit or loss net of tax				
Currency translation differences	306	-316	704	-314
Total comprehensive income for the period	-59	-250	250	-410
Total comprehensive income attributable to				
Equity holders of the parent	-50	-116	160	-421
Non-controlling interest	-9	-135	90	11
Total comprehensive income for the period	-59	-251	250	-410

Condensed consolidated balance sheet

(SEKm)	Dec 31 2021	Dec 31 2020
Non-current assets		
Goodwill	11,032	6,078
Other intangible assets	3,294	1,973
Total intangible assets	14,326	8,052
Total tangible assets	119	104
Right of use assets	123	129
Shares and participations in associated and other companies	502	272
Other financial receivables	311	242
Total non-current financial assets	814	514
Total non-current assets	15,381	8,799
Current assets		
Inventories	10	11
Other receivables	1,102	837
Cash, cash equivalents and short-term investments	943	1,153
Total current assets	2,054	2,000
Total assets	17,436	10,800
Equity		
Shareholders' equity	8,002	3,840
Non-controlling interest	1,921	1,375
Total equity	9,923	5,216
Non-current liabilities		
Liabilities to financial institutions	900	-
Lease liabilities	83	90
Total non-current interest-bearing liabilities	983	90
Provisions	955	706
Contingent consideration	1,994	589
Total non-current non-interest-bearing liabilities	2,949	1,295
Total non-current liabilities	3,932	1,385
Current liabilities		
Contingent consideration	325	11
Liabilities to financial institutions	1,000	1,800
Lease liabilities	42	42
Other interest-bearing liabilities	743 ²	1,144 ¹
Other non-interest-bearing liabilities	1,471	1,202
Total current liabilities	3,581	4,199
Total liabilities	7,513	5,584
Total shareholders' equity and liabilities	17,436	10,800

1) Current debt in the form of a vendor note in connection with the acquisition of an additional 17 percent of the shares in InnoGames in December 2020, repaid in March 2021

2) Liability for acquisition of the remaining 23% of PlaySimple SEK 743 million

Condensed consolidated statement of cash flows

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
Cash flow from operations	317	117	618	439
Taxes paid	-91	-67	-286	-199
Changes in working capital	101	45	-27	30
Net cash flow to/from operations	326	95	306	270
Acquisitions of subsidiaries, associates and other investments	-362	-2,218	-3,088	-2,263
Investments in other non-current assets	-67	-42	-252	-208
Other cash flow from/used in investing activities	-2	0	-32	0
Cash flow from/used in investing activities	-431	-2,260	-3,372	-2,471
Net change in borrowings	-	1,800	100	1,800
Repayment vendor note	-	-	-1,142	-
New share issue	-	-	3,605	-
Capital injection from non-controlling interest	-	-	314	-
Dividends to minority owners	-	-	-	-188
Other cash flow from/used in financing activities	-17	-24	-62	-55
Cash flow from/used in financing activities	-17	1,776	2,816	1,558
Total net change in cash and cash equivalents	-123	-390	-251	-644
Cash and cash equivalents at the beginning of the period	1,048	1,589	1,153	1,824
Translation differences in cash and cash equivalents	18	-47	41	-28
Cash and cash equivalents at end of the period	943	1,153	943	1,153

Condensed consolidated statement of changes in equity

(SEKm)	Dec 31 2021	Dec 31 2020
Opening balance	5,216	6,581
Net income for the period	-454	-96
Other comprehensive income for the period	704	-314
Total comprehensive income for the period	250	-410
Effect of employee share programmes	8	-1
Cancellation of non-controlling interest put option liability ESL	-	315
Agreement to settle acquired operations with shares	-	81
Acquisition of non-controlling interests InnoGames	-	-1,162
New share issue ¹	4,168	-
Repurchase of shares	-32	-
Capital injection from non-controlling interest	314	-
Dividends to non-controlling interests	-	-188
Closing balance	9,923	5,216

1) New share issue is presented after deduction of transaction costs of SEK 42 million

Parent company condensed income statement

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
Net sales	4	4	15	16
Gross income	4	4	15	16
Administrative expenses	-33	-51	-121	-156
Operating income	-29	-48	-106	-140
Net interest and other financial items	-6	-44	-10	-33
Income before tax and appropriations	-35	-92	-117	-173
Appropriations	22	164	22	164
Net income for the period	-13	72	-94	-9

Net income for the period is in line with total comprehensive income for the parent company.

Parent company condensed balance sheet

(SEKm)	Dec 31 2021	Dec 31 2020
Non-current assets		
Capitalized expenditure	1	1
Machinery and equipment	1	2
Shares and participations	11,372	7,813
Total non-current assets	11,374	7,815
Current assets		
Current receivables	27	216
Cash, cash equivalents and short-term investments	167	516
Total current assets	194	733
Total assets	11,568	8,548
Shareholders' equity		
Restricted equity	585	338
Non-restricted equity	9,094	5,299
Total equity	9,679	5,637
Untaxed reserves	0	43
Non-current liabilities		
Liabilities to financial institutions	900	-
Total non-current liabilities	900	0
Current liabilities		
Other interest-bearing liabilities	915	2,794
Non-interest-bearing liabilities	74	74
Total current liabilities	989	2,868
Total shareholders' equity and liabilities	11,568	8,548

Financial instruments at fair value

The carrying amounts are considered to be reasonable approximations of fair value for all financial assets and liabilities, except shares and participations in other companies for which the valuation technique is described below.

(SEKm)	Dec 31 2021				Dec 31 2020			
	Carrying value	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Shares and participations in other companies	481	135	–	346	252	–	–	252
Financial liabilities measured at fair value								
Contingent consideration	2,319	–	–	2,319	600	–	–	600

Valuation techniques

Shares and participations in other companies – acquisition cost is initially considered to be a representative estimate of fair value. Subsequently, values are remeasured at fair value and gains/losses recognized when there is subsequent financing through participation by a third-party investor, in which case the price per share in that financing is used, when there is a realized exit or when there are indications that cost is not representative of fair value and sufficient, more recent information is available to measure fair value. Listed holdings are valued at the current share price.

The Group owns shares in Nazara Technologies Ltd. which is reported at fair value in the balance sheet with a value of SEK 135 million as of December 31, 2021 (SEK 36 million as of December 31, 2020). The fair value was previously categorized as level 3 when the shares were not listed. In 2021, Nazara Technologies Ltd. listed its shares and there are thus quoted prices on an active market, which prompted a transfer from level 3 to level 1.

(SEKm)	Dec 31 2021	Dec 31 2020
Opening balance 1 January	252	198
Reported gains and losses in net income for the period	77	30
Acquisition	34	31
Divestment	-1	-6
Transfer to level 1	-36	–
Translation differences	20	-1
Closing balance	346	252

Contingent consideration – expected future values are discounted to present value. The discount rate is risk-adjusted. The most critical parameters are estimated future revenue growth and future operating margin.

(SEKm)	Dec 31 2021	Dec 31 2020
Opening balance 1 January	600	377
New acquisitions	1,400	600
Exercised payments	-271	-38
Revaluation	322	2
Reclassification	7	-320
Interest expense	130	6
Translation differences	131	-27
Closing balance	2,319	600

Net sales and result by segment

	Esports		Gaming		Central ops.		Total ops.	
	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4
(SEKm)	2021	2020	2021	2020	2021	2020	2021	2020
Net sales	386	429	1,272	635	0	0	1,658	1,064
EBIT	-74	-12	227	123	-33	-20	121	91
Income before tax					-282	142	-282	142

	Esports		Gaming		Central ops.		Total ops.	
	FY	FY	FY	FY	FY	FY	FY	FY
(SEKm)	2021	2020	2021	2020	2021	2020	2021	2020
Net sales	1,375	1,315	3,931	2,682	0	0	5,306	3,997
EBIT	-338	-288	640	436	-118	-112	184	35
Income before tax					-264	81	-264	81

Acquisitions

Acquired operations 2021

(SEKm)	Ninja Kiwi	PlaySimple
Cash paid	583	2,388
Payment with MTG shares	541	-
Additional purchase price and other settlements, non-paid	607	1,597
Total consideration	1,731	3,985
Recognised amounts of identifiable assets and liabilities		
Net assets	60	-26
Cash and cash equivalents	76	227
Deferred tax receivables/liabilities net	-97	-234
Intangible assets	400	930
Net identifiable assets and liabilities	439	897
Goodwill	1,292	3,088
Total value	1,731	3,985

Ninja Kiwi

The Group completed the acquisition of 100 percent of the shares in Ninja Kiwi Ltd. on June 1. Ninja Kiwi is a New Zealand-based leading tower defense mobile games developer and publisher. Ninja Kiwi has a diversified games portfolio consisting of over 25 premium and free-to-play games which the company developed by building and improving games around the evergreen Bloons IP. Ninja Kiwi has broadened MTG's gaming vertical to also include the tower defense games genre. The acquisition of Ninja Kiwi marks an important next step in the build-up of a more diversified gaming segment with high-quality gaming companies and is in line with MTG's strategy to drive value creation through organic growth and strategic mergers and acquisitions.

The purchase price for the acquisition of Ninja Kiwi (on a cash and debt-free basis) consisted of an initial purchase price of SEK 1,223 million (NZD 204 million). Of the upfront purchase consideration, SEK 541 million (NZD 90 million) was paid through a directed share issue to the sellers of Ninja Kiwi comprising 4,435,936 new class B shares in MTG, which were paid by way of set-off. The subscription price per share amounts to the equivalent of SEK 121.9, corresponding to the volume-weighted average price of the class B shares on Nasdaq Stockholm during February 24-March 23, 2021. Of the remaining part of the upfront purchase consideration, equivalent to SEK 682 million (NZD 114.5 million), SEK 583 million (NZD 98 million) was paid in cash on June 1 and the remaining SEK 101 million (NZD 16.5 million) was paid in cash in December. In addition to the upfront consideration, MTG will pay performance-based earn-out payments where the discounted value was estimated to amount to SEK 389 million (NZD 64.5 million) at the time of the acquisition, subsequently adjusted to SEK 509 million (NZD 85 million). The amount of the earnout payments depend on the financial performance of Ninja Kiwi during 2021-2022. The first part of the earnout related to the financial year ending 31 March 2021, amounting to SEK 260 million, was paid in December. Since this relates to a period prior to MTG's acquisition the difference between the initial and final amount has been adjusted to goodwill, an adjustment of SEK 120 million. As a result of the significant overperformance by Ninja Kiwi during 2021 the remaining discounted earnout liability has been remeasured at the end of 2021 to amount to SEK 608 million. Total remeasured estimated earnout for the acquisition of Ninja Kiwi is SEK 868 million (including a currency conversion effect of SEK 18 million). Revaluation of earnouts as a result of overperformance is recognized in net financial items in the income statement and amounts to SEK 335 million. Calculated goodwill for Ninja Kiwi is based on several factors. Among these are Ninja Kiwi's strong portfolio of live games and games in development, its established genre mastery, and the potential for additional Group-wide synergies across MTG's gaming vertical, which will enable further increased user acquisition rates and lifetime

values (LTV) for existing and new titles as well as operational improvements by implementing a new best practice across the gaming vertical.

Transactions costs of SEK 13 million are reported as administrative expenses in the income statement and as M&A transaction costs in adjusted EBITDA.

PlaySimple

The Group completed the acquisition of 77% of the shares in PlaySimple on July 30, 2021. The second step of acquiring the remaining 23% of the shares in PlaySimple will be completed following regulatory approval. In the financial statement, a liability is recognized for the future acquisition of the remaining 23% and PlaySimple is treated as fully acquired (100%). No non-controlling interest is recognized. PlaySimple is a fast-growing developer and publisher of high-quality free-to-play mobile word games. With more than 200 full-time employees, a vision to create simple and impactful casual game experiences on a massive scale and best-in-class tech and analytics infrastructure, PlaySimple has become one of India's most exciting and fastest-growing mobile gaming companies. The company has built a worldwide network of chart-topping games with over 75 million installs to date across the hit titles Daily Themed Crossword, Word Trip, Word Jam, Word Wars and Word Trek.

The purchase price for the acquisition of PlaySimple (on a cash and debt-free basis) consisted of an upfront consideration of SEK 3,090 million (USD 360 million). Of the upfront consideration, 77%, equivalent to SEK 2,388 million, was paid in cash on July 30, 2021, and 23% will be paid in MTG class B shares following regulatory approval for the founders to receive the consideration in shares. Upon approval, the founders will receive 6,194,343 MTG class B shares for the remaining 23% of the shares in PlaySimple (equivalent to a value per MTG class B share of SEK 115.16, which corresponds to the 20-day volume-weighted average price of MTG class B shares on Nasdaq Stockholm up to and including July 1, 2021, using the USD/SEK FX-rate of 8.582). If the founders do not obtain approval to receive the consideration in shares by October 31, 2023, MTG will acquire the remaining shares in PlaySimple against a cash consideration equivalent to the value of the consideration in shares at such time. In addition to the upfront consideration, MTG will pay performance-based earnout payments where the discounted value was estimated to amount to SEK 891 million at the time of the acquisition. The amount of the earnout payments, which are made annually, depend on the financial performance of PlaySimple during 2021-2025. To meet the overperformance of PlaySimple during 2021 and the forecasts, the earnout liability has been remeasured and discounted value at the end of 2021 amount to SEK 1,144 million (including a currency conversion effect of SEK 57 million). Revaluation of earnouts is recognized in net financial items in the income statement. Calculated goodwill for PlaySimple is based on several factors. Among these are PlaySimple's best-in-class advertising infrastructure, its strong portfolio of lives games in the word games genre, its track record of developing multiple highly successful free-to-play games, and the potential for Group-wide synergies within ads monetization, user acquisition and cross-promotion throughout MTG's gaming vertical.

Transactions costs of SEK 39 million for the acquisition are reported as administrative expenses in the income statement and as M&A transaction costs in adjusted EBITDA.

Contributions during 2021 from the acquisition date

(SEKm)	Ninja Kiwi	PlaySimple
Net sales	301	609
EBIT ¹⁾	174	63

¹⁾ EBIT includes amortization costs of purchase price allocations of SEK 24 million for Ninja Kiwi and SEK 57 million for PlaySimple

Contributions from acquisitions if the acquisition had occurred January 1, 2021

(SEKm)	Ninja Kiwi	PlaySimple
Net sales	515	1,258
EBIT ¹	257	80

1) EBIT includes amortization costs of purchase price allocations of SEK 41 million for Ninja Kiwi and SEK 136 million for PlaySimple. The result for PlaySimple also includes SEK 31 million in accelerated vesting of Employee Share Ownership Program (ESOP).

Events after the reporting period

On January 24, 2022, MTG announced the sale of ESL Gaming to Savvy Gaming Group in an all-cash transaction valuing ESL Gaming at an enterprise value of USD 1,050 million (equaling SEK 9,723 million). MTG owns 91.46% of ESL Gaming, which corresponds to USD 960 million (equaling SEK 8,890 million) of the total enterprise value, representing a total return on investment of 2.5 times.

The transaction is expected to close in the second quarter of 2022. Net proceeds are expected to be approximately USD 875 million (SEK 8,103 million), including transaction related costs and fees. MTG intends to return at least 40 percent of the net proceeds to its shareholders, while the rest of the proceeds will be used to strengthen MTG's position in the global gaming market and continued execution of its Buy & Build strategy.

Based on the envisaged transaction timetable, MTG's Board of Directors expects to propose the return of funds to its shareholders in connection with the Annual General Meeting on May 24th, 2022. After the return of funds to shareholders, MTG will have a net cash position, after taking account of committed earnouts due to be paid in cash, providing the Group with a strong financial position to significantly accelerate its growth strategy as a pure-play gaming company.

Alternative performance measures

The purpose of alternative performance measures (APMs) is to facilitate the analysis of business performance and industry trends that cannot be directly derived from financial statements. MTG uses the following APMs:

- Adjusted EBITDA
- Change in net sales from organic growth
- Pro forma growth

Reconciliation of adjusted EBITDA

Adjusted EBITDA is used to assess MTG's underlying profitability. Adjusted EBITDA is defined as EBITDA adjusted for the effects of items affecting comparability, long-term incentive programs, acquisition-related transaction costs and impairment of capitalized internal work. Items affecting comparability refers to material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis.

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
EBIT	121	91	184	35
Amortization	157	48	433	195
Depreciation	26	20	91	88
EBITDA	303	160	708	319
Items affecting comparability	-	-7	-	9
Impairment own capitalized costs	-	10	-	20
Long-term incentive programs	15	-10	88	132
M&A transaction costs	28	40	112	56
Adjusted EBITDA	346	193	908	535

Reconciliation of sales growth

Since the Group generates the majority of its sales in currencies other than in the reporting currency (i.e. SEK, Swedish krona) and currency rates have proven to be rather volatile, the Group's sales trends and performance are analyzed as changes in organic sales growth. This presents the increase or decrease in the overall SEK net sales on a comparable basis, allowing for separate discussions of the impact of exchange rates, acquisitions, and divestments. The following table presents changes in organic sales growth as reconciled to the change in the total reported net sales.

(SEKm)	Q4 2021	Q4 2020	FY 2021	FY 2020
Gaming				
Organic growth	-8%	4%	-9%	7%
Acquisition/divestments	109%	-	60%	-
Changes in FX rates	0%	-6%	-4%	-1%
Reported growth (%)	100%	-2%	47%	6%
Esports				
Organic growth	-11%	-13%	9%	-22%
Acquisition/divestments	-	-	-	-
Changes in FX rates	1%	-4%	-4%	-1%
Reported growth (%)	-10%	-17%	5%	-23%
Total operations				
Organic growth	-9%	-3%	-3%	-4%
Acquisition/divestments	65%	-	40%	-
Changes in FX rates	0%	-6%	-4%	-2%
Reported growth (%)	56%	-9%	33%	-6%

Pro forma growth

Since the Group from time to time makes transactions in the market, it is relevant to describe the current trend more accurately. Pro forma growth as a measure refers to an underlying development, excluding currency effects, including the acquisitions of Hutch, Ninja Kiwi and PlaySimple as if they were always part of MTG Group. The pro forma figures have been prepared with advice from external expertise in order to restate a GAAP financial statement to IFRS and may include timing adjustments for both income and costs.

(SEKm)	Gaming	Esports	Group
Reported Sales Q4 2020	635	429	1,064
Adjustment for acquisitions	486	-	486
Pro forma Reported Sales	1,121	429	1,550
Reported Sales Q4 2021	1,272	386	1,658
Adjustment for acquisitions	-	-	-
Pro forma Sales Q4 2021	1,272	386	1,658
Foreign currency fluctuation	0	-4	-4
Pro forma Sales	1,272	382	1,654
Pro forma growth	13%	-11%	7%

(SEKm)	Gaming	Esports	Group
Reported Sales FY 2020	2,682	1,315	3,997
Adjustment for acquisitions	1,740	-	1,740
Pro forma Reported Sales	4,422	1,315	5,736
Reported Sales FY 2021	3,931	1,375	5,306
Adjustment for acquisitions	861	-	861
Pro forma Sales FY 2021	4,792	1,375	6,167
Foreign currency fluctuation	161	53	214
Pro forma Sales FY 2021	4,953	1,428	6,381
Pro forma growth FY 2021	12%	9%	11%

Definitions

Adjusted EBITDA

EBITDA, adjusted for the effects of items affecting comparability, long-term incentive programs, acquisition-related transaction costs and impairment of own work capitalized, which are referred to as adjustments.

AMA

Average minute audience – the average number of individuals viewing a channel, which is calculated per minute during a specified period of time over the program duration.

ARPAU

Average net revenue per daily active user.

CAPEX

Capital expenditures.

Challenger

Smaller-scale competitions with semi-professional players.

DAU

Daily active users.

Earnings per share

Earnings per share is expressed as net income attributable to equity holders of the parent divided by the average number of shares.

EBIT/Operating income

Net income for the period from continuing operations before other financial items, net interest and tax.

EBITDA

Profit for the period from continuing operations before other financial items, net interest, tax and depreciation and amortization.

ESS

Esports Services – work for hire contracts made on behalf of another entity.

Items affecting comparability (IAC)

Items affecting comparability refers to material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis.

Master

Large-scale competitions attracting professional top-tier global players.

MAU

Monthly active users.

O&O

Owned & Operated – a property that is independently managed and controlled within the Group.

Open

Competitions free for all participants.

Organic growth

The change in net sales compared with the same period last year, excluding acquisitions and divestments and adjusted for currency effects.

Pro forma growth

The change in net sales compared with the same period last year as if the company would have been fully consolidating its acquisitions and divestments as of the previous period and adjusted for currency effects.

Transactional currency effect

The effect that foreign exchange rate fluctuations can have on a completed transaction prior to settlement. This refers to the exchange rate, or currency risk associated specifically with the time delay between entering into a trade or contract and then settling it.

Translational currency effect

Converting one currency to another, often in the context of the financial results of foreign subsidiaries into the parent company's and/or the Group's functional currency.

UA

User acquisition.

Shareholder information

MTG's Annual General Meeting 2022

The Annual General Meeting will be held on 24 May 2022 in Stockholm. Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing either by post to the Company Secretary, Modern Times Group MTG AB, Annual General Meeting, P.O. Box 2094, SE-103 13 Stockholm, Sweden or by email to agm@mtg.com at least seven weeks before the Annual General Meeting in order for the proposal to be included in the notice to the meeting. Further details on how and when to register will be published in advance of the meeting.

Nomination Committee ahead of Annual General Meeting 2022

In accordance with the resolution by the Annual General Meeting regarding the procedure for the Nomination Committee, a Nomination Committee has been convened to prepare proposals for the Annual General Meeting 2022. The Nomination Committee comprises Klaus Roehrig, appointed by Active Ownership Corporation; Joachim Spetz, appointed by Swedbank Robur Fonder; Eric Sibbern, appointed by Kabouter Management, LLC and Simon Duffy, the Chairman of the Board. In line with past practice, the members of the Committee have appointed Klaus Roehrig, representing the largest shareholder on the last business day of August 2021, as the Committee Chairman.

Information about the work of the Nomination Committee can be found on

<https://www.mtg.com/governance/nomination-committee/>.

Shareholders wishing to submit proposals to the Nomination Committee may do so in writing either by post to the Company Secretary, Modern Times Group MTG AB, P.O. Box 2094, SE-103 13 Stockholm, Sweden or by email to agm@mtg.com.

Financial calendar

Item	Date
Q1 2022 Interim Financial Results Report	April 27, 2022
Annual General Meeting 2022	May 24, 2022
Q2 2022 Interim Financial Results Report	July 20, 2022
Q3 2022 Interim Financial Results Report	October 26, 2022

Questions?

Lars Torstensson, Chief Financial Officer and EVP Communications & IR

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Anton Gourman, VP Communications

Direct: +46 73 661 8488, anton.gourman@mtg.com

Follow us: [mtg.com](https://www.mtg.com) / [Twitter](#) / [LinkedIn](#)

Conference call

The company will host a conference call later today, Monday February 7, at 3:00 p.m. CET. The conference call will be held in English. To participate in the conference call, please dial:

Sweden	+46 (0) 856 618 467
UK	+44 (0) 844 481 9752
US	+1 646 741 3167
Std. International	+44 (0) 2071 928 338
Access pin code	718 735 2

Please note that only dial-in participants can ask questions during the conference call. The conference call is also streamed through the following link:

<https://edge.media-server.com/mmc/p/tfm5zavb>



Modern Times Group MTG AB (Publ.) – Reg no: 556309-9158 – Phone: +46 (0) 8-562 000 50

Modern Times Group MTG AB (www.mtg.com) is a strategic acquirer and operator of companies in gaming and esports entertainment. Founded in Sweden and headquartered in Stockholm, our shares (MTG A and MTG B) are listed on Nasdaq Stockholm.

This information is information that Modern Times Group MTG AB (publ.) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 2.00 p.m. CET on February 7, 2022.



MTG acquires leading word games developer PlaySimple and discloses pro forma figures for its gaming vertical

STOCKHOLM, July 2, 2021 – Modern Times Group MTG AB (publ) (“MTG”) today announces the acquisition of 100 % of PlaySimple, a leading word games developer from India. PlaySimple is a rapidly growing, highly profitable business and one of the global leaders in the attractive mobile word games genre. The up-front consideration amounts to approximately SEK 3,090 million (on a cash and debt free basis) and performance based earn-out payments amount to an expected value of SEK 1,287 million in aggregate. Since December 2020, MTG has with the acquisitions of Hutch, Ninja Kiwi and now PlaySimple accelerated the buildup of a highly attractive gaming vertical which on a pro forma basis generated revenues of approximately SEK 4,421 million in 2020 and SEK 1,158 million in Q1 2021 with monthly (MAU) and daily active users (DAU) of approximately 30 and 6 million respectively.

Highlights:

- MTG will through its subsidiary MTG Gaming AB - referred to as ‘GamingCo’ in previous MTG announcements - acquire 100 % of the shares in PlaySimple for a total consideration of approximately SEK 3,090 million (USD 360 million) excluding performance based earn-outs, on a cash and debt free basis
- The intention is to pay the upfront consideration 77 % in cash and 23 % in MTG class B shares. MTG will call for an Extraordinary General Meeting to resolve on the consideration shares
- PlaySimple is one of India’s leading game developer and publisher, and is one of the global leaders in the fast-growing mobile word games genre
- PlaySimple grew its revenues by 144 % in the 2020 calendar year to SEK 706 million (USD 83 million) with an adjusted EBITDA of SEK 154 million (USD 18 million). The strong momentum has continued into 2021 with estimated H1 revenues of SEK 510-540 million (USD 60-64 million), up approximately 82 %, and an estimated adjusted EBITDA increase of 140 % to SEK 145-155 million (USD 17-18 million), compared to the corresponding period last year
- PlaySimple has a live portfolio of nine games, including successful titles such as “Daily Themed Crossword”, “Word Trip”, “Word Jam”, and “Word Wars” with over 75 million installs and 7 million MAU. The company also has four additional new games in the pipeline to be launched in 2021, and is expanding into the card games genre
- The company has been especially successful in reaching and become popular with the growing audience of female gamers, which today makes up close to 80 % of its total player base
- MTG has through recent acquisitions of Hutch, Ninja Kiwi and PlaySimple materially increased its size to become a well-diversified scale player in the gaming space with pro forma revenues for MTG’s gaming vertical of approximately SEK 4,421 million for 2020 and SEK 1,158 million for Q1 2021

MTG's Group President and CEO Maria Redin commented:

"We're very happy to welcome PlaySimple to our family of gaming companies. PlaySimple is a rapidly growing and highly profitable games studio that quickly has established itself as one of the leading global developers of free-to-play word games, an exciting new genre for MTG. An experienced management team and focused, data driven operating model has allowed PlaySimple to develop multiple game hits especially popular with the growing global audience of female gamers. What's more, the company has a pipeline of several exciting new games, some of which are card games, a new genre for PlaySimple.

PlaySimple's ad-tech and cross promotion competences which have played a pivotal role in their own journey can in time allow us to accelerate the growth of our whole gaming vertical. Expanding our geographical footprint into the Indian subcontinent will also provide access to one of the best talent pools in the world.

Acquisitions are a strategic part of our value creation story. Through the acquisitions of Hutch, Ninja Kiwi and now PlaySimple, MTG has built a highly attractive games portfolio that is significantly more diversified in terms of genres, audiences, and revenues, which provides improved visibility, stability and opportunities."

PlaySimple's co-founder and CEO Siddharth Jain commented:

"We're delighted to join the MTG family - MTG's approach to investments offers us creative freedom, and the opportunities created by the GamingCo really resonate with our team. We're excited to have found a new home for our company, one where our team can learn and grow alongside our fellow companies."

Co-founders and management team members Siddhanth Jain, Suraj Nalin and Preeti Reddy jointly commented:

"We're very proud of the games we've developed over the years, and of the infrastructure and scale that we've achieved with our team. As we join the MTG family, we look forward to leveraging our proprietary technology across MTG's gaming portfolio, expanding into the European market, investing in cutting-edge technology and building exciting new games."

Background and rationale for acquisition

The acquisition of PlaySimple marks an important next step in the build-up of a diversified gaming vertical with high-quality gaming companies and is in line with MTG's strategy to drive value creation through organic growth and strategic M&A. Scaling and diversifying the GamingCo helps to accelerate the operational performance while at the same time creating a more stable business.

The acquisition of PlaySimple is a perfect fit for MTG as it will significantly strengthen the company's position in the casual games' genre and enable access to the fast-growing word games genre. PlaySimple will strengthen MTG's position amongst the female gaming audience while also enabling access to the strategically important talent pool in India.

PlaySimple is one of India's most exciting and fastest growing mobile gaming companies. The company has a highly experienced and data driven management with a proven track-record of developing multiple highly successful free-to-play games with over 75 million installs and 1.9 million DAU across its titles. PlaySimple has developed best in class advertising infrastructure, providing opportunities for improved monetization, more efficient user acquisition and cross-promotion throughout MTG's gaming vertical.

Following the acquisition of PlaySimple, MTG's gaming vertical has become a truly diversified global gaming group with companies across Europe, North America, and Australasia. The gaming vertical now holds strong positions in the city building and strategy genres through InnoGames, mobile racing through Hutch, idle games through Kongregate, tower defense through Ninja Kiwi, and word games - with card games soon to follow - through PlaySimple.

About PlaySimple

PlaySimple (www.playsimple.in) is a developer and publisher of high quality free-to-play mobile word games and has its head office in Bangalore, India. The company was founded in 2014 by brothers Siddharth Jain and Siddhanth Jain - with fellow co-founders Preeti Reddy, and Suraj Nalin. The management team has extensive experience from the gaming industry with experience notably from Zynga.

Today, PlaySimple has approximately 215 full-time employees and is one of India's most exciting and fastest-growing mobile gaming companies with a vision to create simple, impactful casual game experiences at massive scale, powered by a best-in-class tech and analytics infrastructure. Since inception, PlaySimple has built a worldwide network of chart-topping games with over 75 million installs across its titles to-date, which consists of evergreen hits like Daily Themed Crossword, Word Trip, Word Jam, Word Wars, Word Trek. Additionally, the company has four new games in pipeline to be launched during 2021, of which two are card games, a new genre for PlaySimple.

PlaySimple's most successful title to date, Daily Themed Crossword is currently the top grossing game at PlaySimple. Launched 3 years ago, it has a large archive of fun, themed crossword puzzles that entertain and challenge the company's players daily. This casual take on classic crosswords appeals to all age groups and has entertained over 11 million players worldwide. Over the years, exciting new game modes and puzzle formats have been added to keep things engaging for the players. Early backers of the company were venture capital funds Elevation Capital and Chiratae Ventures who are all selling their stakes in the company as part of the transaction.

PlaySimple unaudited financials

Net revenues for calendar year 2020 amounted to approximately SEK 706 million (USD 83 million), corresponding to a growth rate of 144 % over 2019. PlaySimple generated an adjusted EBITDA of SEK 154 million (USD 18 million), corresponding to a margin of 22 % and 2020 EBIT of SEK 148 million (USD 17 million). The strong trend seen during 2019 and 2020 has continued into 2021 with estimated H1 revenues of SEK 510-540 million (USD 60-64 million), up approximately 82 %, and an estimated adjusted EBITDA

increase of 140 % to SEK 145-155 million (USD 17-18 million), compared to the corresponding period last year. Please note that PlaySimple financial statements are unaudited and may not be comparable with MTG's accounting standards.

MTG GamingCo unaudited pro forma financials

Unaudited 2020 and Q1 2021 pro forma figures for MTG's gaming vertical are shown below. The purpose is to provide an understanding of selected financials as if the acquisitions had been completed per 1 January 2020. MTG has carried out a preliminary IFRS conversion of PlaySimple's financials for the purpose of the pro forma statements. All numbers are preliminary and unaudited.

CY 2020 (SEKm)	MTG Gaming as reported	Hutch	Ninja Kiwi	PlaySimple	MTG Gaming pro forma
Net sales	2,682	639	337	763	4,421
Adj. EBITDA	800	159	168	166	1,293
Adj. EBITDA margin %	30%	25%	50%	22%	29%

Q1 2021 (SEKm)	MTG Gaming as reported	Hutch	Ninja Kiwi	PlaySimple	MTG Gaming pro forma
Net sales	767	<i>included</i>	141	250	1,158
Adj. EBITDA	204	<i>included</i>	75	65	344
Adj. EBITDA margin %	27%	<i>included</i>	53%	26%	30%

Consideration and financing

MTG will through its subsidiary MTG Gaming AB acquire 100 % of the shares in PlaySimple for a total consideration of approximately SEK 3,090 million (USD 360 million) excluding earn-out, on a cash and debt free basis. The intention is to pay the upfront consideration of 77 % in cash and 23 % in MTG class B shares.

Due to Indian foreign exchange regulations, the acquisition will be completed in two steps. Under the first step, which is expected to be completed on or around July 29, MTG will acquire 77 % of the shares in PlaySimple. The second step will be completed following regulatory approval for the founders to receive the share consideration whereby the founders will receive 6,194,343 MTG class B shares (the "Consideration Shares") in exchange for the remaining shares in PlaySimple (equivalent to a value per MTG class B share of SEK 115.16, which equals the 20 day volume weighted average price of MTG class B shares on Nasdaq Stockholm up to and including 1 July 2021, and using the FX rate USD/SEK of 8.582 as of 1 July 2021). The Consideration Shares will be subject to lock-up undertakings for up to 24 months. If founders do not obtain approval to receive the Consideration Shares by October 31, 2023, MTG will acquire the remaining shares in PlaySimple against cash consideration equivalent to the value of the Consideration Shares at such time. MTG will call for an Extraordinary General Meeting to issue MTG class C shares that will be held in treasury until regulatory approval is obtained at which point MTG class B shares (converted from class C shares)

will either be transferred to the PlaySimple founders in exchange for the remaining shares or, if approval to receive the Consideration Shares is not obtained, sold to cover the cash payment. Any issued class C shares will be considered deducted from the authorization for the MTG Board of Directors to resolve on new issues of class B shares which was resolved by the Annual General Meeting held on 18 May 2021.

The transaction is structured to align MTG and PlaySimple's long-term economic incentives and includes an earn-out component ("Earnout") which is based on PlaySimple's future financial performance in 2021-2025 payable over the same period. The total earnout is estimated at SEK 1,287 million (USD 150 million) and will be paid in cash.

The Consideration Shares represent 5.3 percent of the shares and 5.1 percent of the votes in MTG, on a fully diluted basis. By issuing the Consideration Shares to the selling shareholders, the number of shares and votes would increase by 6,194,343 and 6,194,343 respectively.

The up-front cash consideration paid for PlaySimple will be financed through existing cash held by MTG, a secured revolving credit facility of SEK 1,000 million with a 24-month tenor, extendable up to 36 months (any extension is subject to lenders' approval) and a bridge loan facility of SEK 1,000 million with a tenor of 12 months (the "Bridge Loan Facility"). Both credit facilities are provided by DNB Bank ASA, Sweden Branch and Swedbank AB (publ). MTG has appointed advisors and will evaluate the most attractive refinancing alternatives for the Bridge Loan Facility, including but not limited to bond financing.

Conditions and time plan for the acquisition

Completion of the first step of the acquisition of PlaySimple, where MTG will acquire 77 % of the shares in PlaySimple is expected on or around July 29, 2021. The second step will be completed following regulatory approval.

Invitation to conference call

An audio cast conference with the opportunity for dial in participants to ask questions will be held today, Friday July 2, at 10.00 am CEST with MTG's Group President and CEO Maria Redin, CFO Lars Torstensson and EVP Gaming and Esports Arnd Benninghoff presenting.

Sweden, Stockholm	+46 (0) 856 618 467
United Kingdom	+44 (0) 844 481 9752
United States, New York	+1 646 741 3167
Std International Dial-In	+44 (0) 2071 928338

Confirmation Code: 6327926 - the presentation is also audiocasted "listen only" on link: <https://edge.media-server.com/mmc/p/e8pvjhiq>

Advisors

MTG has appointed Ernst & Young as financial advisor and Norton Rose Fulbright (UK), J. Sagar Associates (India) and Gernandt & Danielsson Advokatbyrå (Sweden) as legal advisors in connection with the Transaction.

PlaySimple have in connection with the Transaction appointed Aream & Co as financial advisor, Cyril Amarchand Mangaldas and Khaitan & Co as legal advisors and PWC as tax advisors.

This information is information that MTG is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 09.15 am CEST on July 2, 2021

For more information:

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About MTG

MTG (Modern Times Group MTG AB (publ.)) (www.mtg.com) is a strategic acquirer and operator of gaming and esports entertainment companies. Born in Sweden, the shares are listed on Nasdaq Stockholm ('MTGA' and 'MTGB').

MTG divests ESL Gaming to Savvy Gaming Group for USD 1,050 million to combine with FACEIT and create global leader in competitive gaming

- Savvy Gaming Group acquires and merges ESL Gaming and FACEIT to create a new global leader in competitive gaming - the ESL FACEIT Group
- MTG owns 91.46% of ESL Gaming, which corresponds to USD 960 million of the total enterprise value, representing a total return on investment of 2.5 times invested capital. Net proceeds are expected to be approximately USD 875 million, including transaction related costs and fees. The sale of the shares will be exempt from tax
- Following the transaction, MTG will focus fully on accelerating growth in its pure-play gaming business. MTG intends to return at least 40 percent of the net proceeds to its shareholders, while the rest of the proceeds will be used to strengthen MTG's position in the global gaming market and continued execution of its buy and build strategy
- Under MTG's ownership ESL Gaming has achieved significant scale and increased revenue to become the largest independent esports company globally
- The transaction is expected to close in Q2 2022

Stockholm, Sweden, [24 January 2022 10:15 PM CET] Today, Modern Times Group MTG AB ("MTG") announces the sale of ESL Gaming, the world's largest independent esports company, to Savvy Gaming Group ("SGG") in an all-cash transaction valuing ESL Gaming at an enterprise value of USD 1,050 million (equaling SEK 9,723 million¹). MTG owns 91.46% of ESL Gaming, which corresponds to USD 960 million (equaling SEK 8,890 million¹) of the total enterprise value and represents a total return on investment of 2.5 times. SGG is simultaneously acquiring FACEIT and will merge the two companies to create the leading global platform for competitive gaming – ESL FACEIT Group. The transaction is subject to regulatory approvals which will include anti-trust and foreign investment screening.

The merger with FACEIT and the transaction with SGG reflects MTG's realization of its long-term strategy for the esports vertical: to expand ESL Gaming's presence throughout the whole value chain, including

¹ SEK/USD 9.2603

B2C services and to drive long term growth. As part of this ambition, MTG initiated discussions with FACEIT to arrange and structure the merger. The transaction ideally positions the new company to pursue accelerated growth on the back of an integrated B2B and B2C product, while remaining closely aligned with the global gaming community and its values.

The transaction is expected to close in Q2 2022. Net² proceeds to MTG are expected to be approximately USD 875 million (equaling SEK 8,103 million³) and the sale of the shares will be exempt from tax. MTG intends to return at least 40 percent of the proceeds to shareholders. The remaining proceeds will be used to strengthen MTG's position in the global gaming market and continued execution of its buy and build strategy.

A milestone for MTG and ESL Gaming

Maria Redin, CEO of MTG, says:

“MTG has a long history of identifying successful companies and leveraging talented teams to create shareholder value, including backing them with additional capital. We were in advanced discussions with FACEIT to merge the two businesses and received approaches from parties who shared our vision and who were interested in acquiring or investing in both companies. In response, we embarked on a process to review our options and the transaction announced today is the culmination of that process and represents an exceptional crystallization of value for MTG's shareholders. The merger with FACEIT will also enable the new company to bring gamers a wide range of new services and products. We are convinced that Savvy is the right owner who will continue to invest in the development of ESL FACEIT Group to nurture and entertain players and fans globally.”

Return to shareholders, and acceleration of pure play gaming from a strong position

Based on the envisaged transaction timetable, MTG's Board of Directors expects to propose the return of funds to its shareholders in connection with the Annual General Meeting on 24th May 2022. After the return of funds to shareholders, MTG will have a net cash position, after taking account of committed earnouts due to be paid in cash, providing the Group with a strong financial position to significantly accelerate its growth strategy as a pure play gaming company.

MTG has a well-established position in gaming, with some of the industry's most popular games and brands. Across the last 12 months, MTG has successfully acquired and integrated the dynamic and fast-growing gaming companies Hutch Games Ltd, Ninja Kiwi and PlaySimple. The gaming vertical generated pro forma YTD revenues of SEK 3,520 million and adjusted EBITDA of SEK 1,098 million in Q3 2021, with an organic net sales growth of 12 percent. MTG sees significant growth and future potential in gaming going forward and will share an update on its vision, strategy, and future in this area in connection with a Capital Markets Day which is expected to take place in Q2 2022, following the close of the announced transaction.

² The difference between gross and net proceeds is primarily explained by betterment payments, and secondarily by transaction costs and fees

³ SEK/USD 9.2603

Maria Redin comments:

“For MTG, the transaction represents an opportunity to crystallize the value created in the esports vertical, share proceeds with shareholders who have supported us on our journey and to emerge perfectly positioned for further growth. Our gaming vertical has already been immensely successful and will now become the core of our business. Our ‘Swedish family’ model attracts gaming entrepreneurs from around the globe, and helps founders share knowledge and learn from each other in MTG’s ecosystem. We will continue to support, nurture and grow our communities and be the best port of call for entrepreneurs who want to accelerate their growth.”

Significant value creation with MTG as an active owner

MTG’s experience as an active and engaged owner with a deeply established culture of entrepreneurship provides founders with the right environment to grow their businesses over time. MTG acquired ESL and DreamHack in 2015, and later merged the companies under the name ESL Gaming. Under MTG’s ownership the company has achieved significant scale and increased its revenue base. MTG has supported the internationalization of ESL Gaming’s global operational network in over 100 countries, the establishment of strategic partnerships such as the Louvre agreement and Nielsen Sports, and the introduction of ESL ProTour and Mobile Open, making the esports community’s exciting content even more broadly available. MTG will continue to apply the same active ownership formula when it now turns its attention to creating shareholder value as the preferred home for gaming entrepreneurs.

Next step for ESL Gaming, FACEIT and SGG

The anticipated combination of ESL and FACEIT into the ESL FACEIT Group will establish the leading global platform for competitive gaming. The combined business will offer an end-to-end solution that enables games to build competitive gaming communities and ecosystems with a leading digital platform for players to play and connect. It will also be a key destination for partners looking to reach new audiences.

Brian Ward, CEO of SGG, says:

“Both ESL and FACEIT have consistently delivered outstanding performance over a number of years. ESL has built a very strong track record around developing, broadcasting, and commercializing premium esports ecosystems. FACEIT has similarly developed a world-class reputation for providing digital platforms for competitive gamers.

Savvy has committed to invest heavily in the games and esports industry and to materially strengthen the global games community. And as new owners, we remain fully supportive of ESL’s and FACEIT’s respective strategies and leadership, and to driving their businesses forward to support the continued success of competitive gaming. Our investment will continue to put fans, teams, players, developers, and publishers needs first, whilst realizing our exciting, combined vision.”

Conference call

The company will host a conference call on Tuesday, January 25, at 8:00am CET. The conference call will be held in English. To participate in the conference call, please dial:

Sweden	+46 (0) 856 618 467
UK	+44 (0) 844 481 9752
US	+1 646 741 3167
Std. International	+44 (0) 2071 928338
Access pin code	616 293 8

Please note that only dial-in participants can ask questions during the conference call. The conference call will also be streamed via the following link:

<https://edge.media-server.com/mmc/p/38mzhk3a>

For more information

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This information is information that Modern Times Group MTG AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 10:15pm CET on January 24, 2022.

Advisors

J.P. Morgan Securities PLC served as lead financial advisor, Ernst & Young AB has assisted in financial and accounting matters, and Norton Rose Fulbright LLP and Gernandt & Danielsson Advokatbyrå served as legal advisors to MTG. Morgan Stanley & Co. International plc has acted as independent advisor to MTG's Board of Directors. Aream & Co. served as financial advisor and Latham & Watkins (London) LLP served as legal advisor to FACEIT Ltd.

About MTG

MTG (Modern Times Group MTG AB (publ.)) (www.mtg.com) is a strategic acquiror and operator of esports and gaming entertainment companies. Born in Sweden, the shares are listed on Nasdaq Stockholm ('MTGA' and 'MTGB').

About ESL Gaming

ESL Gaming is the world's leading esports company. For more than two decades, we have been shaping the industry and leading esports and gaming innovation globally across the most popular video games, creating a comprehensive ecosystem with opportunities for players to go from zero to hero, and for fans to witness the best stories esports has to offer

About FACEIT

FACEIT is the leading tech platform for competitive multiplayer games, with more than 22 million users. FACEIT allows players and organizers to easily play and manage smooth, fair and rewarding competitive experiences for multiple game titles. For developers, FACEIT's advanced software development kit (SDK) allows game creators to easily integrate user-friendly competitive gaming directly into their titles.

About Savvy Gaming Group

Savvy Gaming Group (SGG) is a games and esports company founded to drive the long-term growth and development of esports and the wider games industry worldwide. SGG was set up and is fully owned by PIF. As a global champion of this buoyant sector, SGG aims to become a global leader in games and esports through deploying significant capital over long-term horizons.

Its investments will create opportunities for participation and progression in the sector, across gender, geography, means and ability. SGG's investments are intended to drive growth of the sector globally, making it a more supportive, exciting, and rewarding place for fans, players, developers, and technology innovators, and facilitate broader, more equitable access to this fast-growing, dynamic sector. SGG's CEO is Brian Ward, former head of worldwide studios at Activision Blizzard.