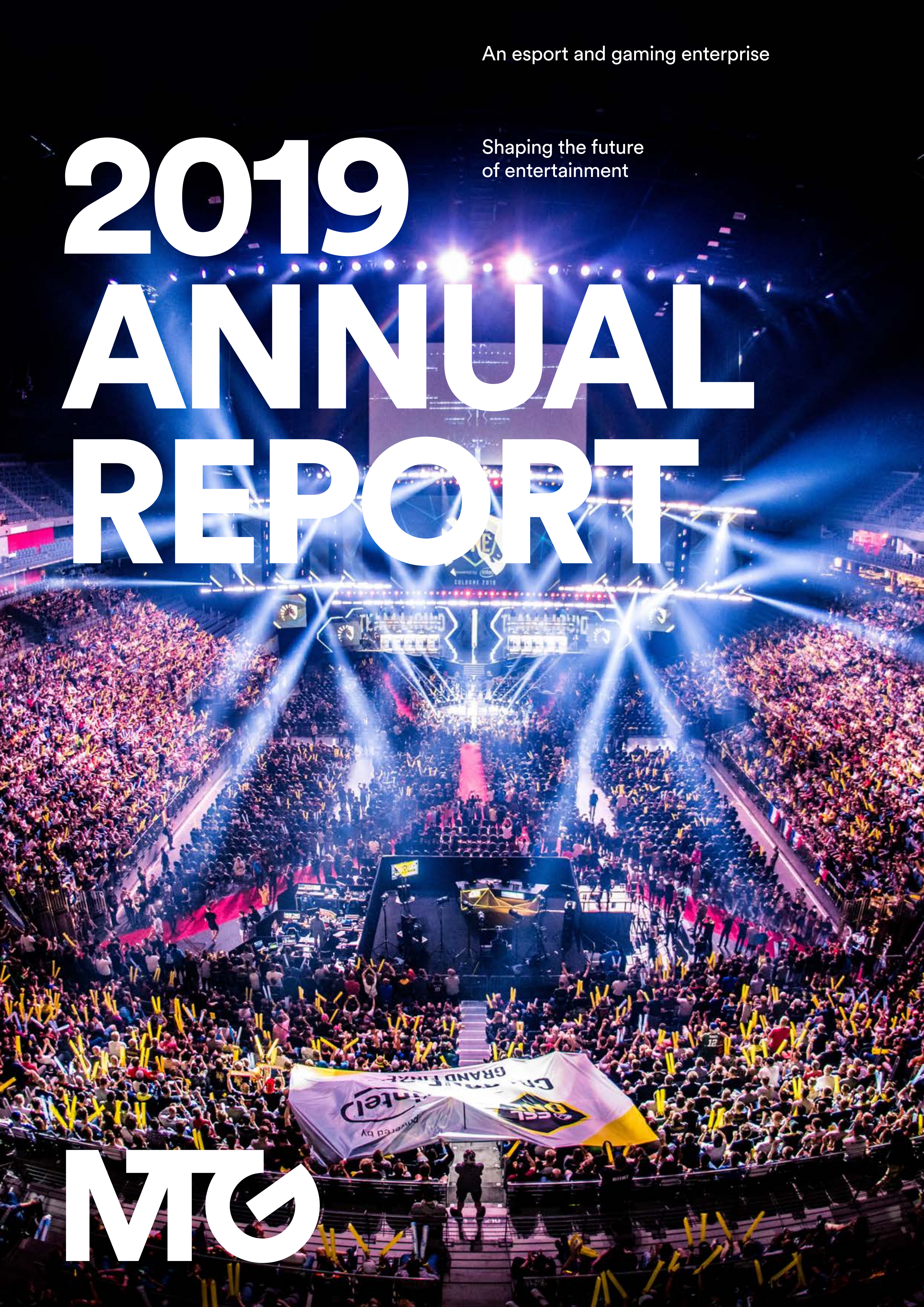
An esport and gaming enterprise

2019 ANNUAL REPORT

Shaping the future of entertainment



MTG

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Corporate responsibility and sustainability priorities are covered in MTG's Annual Corporate Responsibility Report, published on www.mtg.com

4,242

Sales, SEKm

+10%

Sales growth

+13%

Esport sales growth

1,712

Esport sales, SEKm

239

Group adjusted EBITDA, SEKm

+141%

Growth

STRONG PERFORMANCE – AND BREAKING NEW GROUND

It's impossible to reflect on 2019 without first commenting on the split of MTG into two companies in March – Nordic Entertainment and new MTG. This was the conclusion of a transformative journey that MTG began several years ago to ensure a competitive entertainment group that could accommodate two strong and relevant equity stories in a fast-changing entertainment landscape. It was also a commitment to focus on what we strongly believe will be the entertainment of tomorrow – esport and gaming.

Our first year as the new MTG has been extremely exciting and rewarding. Throughout 2019, we have continued to develop our business verticals esport and gaming with an emphasis on becoming even more commercially professional. As a result, we have seen both increased sales, through a transformation from ad hoc to more sustainable revenue streams, as well as a continued improvement of our business profit. And from a strategic perspective, several important milestones have been achieved: We have launched the ESL Pro Tour format attracting the best teams in the world, landed new publisher relationships including a multi-year agreement with Blizzard, and entered a very promising strategic alliance with Nielsen – the leading source of truth for esport sponsorship valuation and media measurement.

An important decision we took during the year was to launch a strategic review of our gaming vertical, to evaluate possible routes to create shareholder value.

Looking ahead, I believe we have more hard work ahead of us, and the promise of a very bright future.

Today, we are the world's leading esport company with our investments in ESL and DreamHack, which offer best-in-class national and international events, leagues and festivals. Esport is one of the most viewed and fastest growing sports in the world. ESL and DreamHack are already global brands and the preferred choices for viewers, players, partners and publishers.

"THE VIDEO GAMING MARKET IS TODAY WORTH WELL OVER USD 100 BILLION, WHICH IS MORE THAN THE MOVIE AND MUSIC BUSINESSES COMBINED."

We are in a very strong position with key investments in InnoGames and Kongregate. InnoGames runs a portfolio of seven successful free-to-play games that are played on PC and mobile devices, including titles such as 'Forge of Empires' and 'Elvenar'. Kongregate is firmly established as a leading publisher of casual and hyper casual mobile and PC games.

Esport – the future of entertainment

To build and develop a new sport is a journey, especially when it comes to creating a highly engaged fandom around it. Many sports will never move beyond being entertainment for the few rather than for the masses, and hence not become a commercially viable product capable of attracting a meaningful number of eyeballs.

However, esport is different. The number of gamers worldwide is expected to grow to 2.9 billion in 2022, up from 2.4 billion in 2018 – and the global esport audience is expected to grow to 645 million by 2022, up from 395 million in 2018. Games – whether played at home on a computer, on the go, or in an esport arena by an esport professional – represent a major commercial opportunity. Esport fans have unique characteristics compared with other sports. They are young, well-educated with higher than average income than other sport fans and are infamous for being difficult to reach through marketing (70% use ad-blockers). This makes them a relevant target group for any company wanting to rejuvenate its brand and expand its business beyond its traditional base by getting exposure to these interesting target groups.

This is one reason why we continue to be thrilled about the future prospects of esport as an entertainment product. And throughout 2019, we have introduced structural measures to realize the full commercial value of esport, including a new league structure named ESL Pro Tour providing certainty and longevity, a strategic partnership with Nielsen to gather trustworthy statistics from events, and expanded our publisher relationships to include even more exciting triple A games. We are also pleased with the agreement with Blizzard around their acclaimed titles StarCraft® II and Warcraft® III: Reforged™. With these measures in place, I feel we are in a good spot in the industry to become a strong alternative and competitor to traditional sports for media and brands.

Gaming – a highly exciting industry at a crossroads

InnoGames achieved good growth in 2019 with strong development of its existing games portfolio, especially Forge of Empires. Improved customer lifetime value throughout the year has provided us with an opportunity to invest in marketing for future growth. During 2019, InnoGames has been working on both newly released games such as Warlords and new games. The result is four new exciting games to be released during 2020 – all of them mobile first and built on our expertise in game development.

Kongregate had a tougher start to the year and we made the necessary changes to its operational model, focusing more on direct publisher relationships, rolling-up successful IPs that we have had a publisher relationship with and tightening up the total scope of the games portfolio. In the second half of the year, the turnaround was clear and Kongregate ended the year on a high note with a strong momentum going into 2020.

We are proud owners of two very strong and relevant companies within our gaming vertical. The majority stake in InnoGames has created significant value, and Kongregate has made impressive progress in 2019. At the same time, I believe the gaming industry is at a crossroads. Looking into 2020 and beyond, it will require much more to stay relevant and competitive. More resources are required to make the necessary investments in our existing businesses. Deeper pockets are needed to capture new opportunities to broaden our portfolio. During 2019 and since the split, we have been approached by financial and industrial investors with various alternatives to make us even more competitive going forward. We want to always act in the best interest of our shareholders, and that is why we launched our strategic review in 2019.

The strategic review – crystalizing hidden value

The purpose of the strategic review is to evaluate the best ways to create and crystalize value for shareholders. The Board of Directors and management team continue to believe that a separation of the gaming and esport verticals, which would allow them to adopt their own financial structures and independent strategic objectives, is the best way of accomplishing shareholder value.

In pole position with a bright future ahead

In the beginning of 2020 the global society and economy was significantly impacted by the new corona virus pandemic. Equally impacted was MTG's esport vertical which is built around large live events with media rights, brand partnerships and many attending fans who purchase tickets and merchandise. However, as esport is digital by design it has the potential to offset some of the negative impact as MTG and its portfolio companies continue to deliver great entertainment by moving to online competitions and thereby creating new business opportunities. In this difficult period it has been crucial that all decisions by MTG and its group companies are taken with the well-being of colleagues, fans, teams and customers in mind.

As many times before in the history of MTG, we are venturing into new commercial territories. Our belief in tomorrow's entertainment – esport and gaming – is strong. Success in creating value will only come through relevant products, creativity and innovation. We are in pole position with an opportunity to establish MTG as a global leader in the esport industry and we will accelerate value creation by further drawing on synergies from our ownership of the two strongest esport brands globally, aided by our solid financial position and commercial operational expertise.

Breaking new ground, we will rely on our heritage and approach to always focus on commercial innovation and products which resonates with our customers. This will enable us to continue to be strongly committed to bringing the best possible entertainment to all esport and gaming fans around the globe.

MTG EVOLVED – THE HOME OF ESPORT AND GAMING ENTERTAINMENT

MTG continues to establish its position as a leading operational and investment company within esport and gaming entertainment.

OUR APPROACH

- **MTG'S VISION** is to become the home of esport and gaming entertainment.
- **MTG'S MISSION** is to grow the esport and gaming ecosystem and benefit its communities through relevant storytelling with craftmanship, innovation and sustainability at its center.
- **OUR STRATEGY** is to drive profitability and organic growth in portfolio companies and invest in high-potential esport and gaming businesses that complement MTG's brands and products.

OUR STRATEGY

A strategic holding and investment company
In a rapidly evolving entertainment landscape where change is the only constant, flexibility and agility remain core principles of MTG's strategy. Combined with a Build and Buy strategy, MTG seeks to apply these principles to drive profitable and organic growth in portfolio companies and invest in high potential esport and the gaming businesses.

Build
MTG's esport and gaming portfolios span the entire gaming customer journey – watch, interact, learn and share. With original IP, competitive gaming platforms and international mega-events, MTG's owned and operated brands are leaders within their respective categories.

MTG's esport portfolio comprises the companies ESL and DreamHack. Existing as well as new IPs are developed in our esport vertical to capitalize on the rapid growth of competitive and lifestyle gaming. Primary revenue streams comprise of sponsorship deals, media rights sales, event tickets, branded merchandise, advertising and in-game purchasing.

The original content created by MTG's esport companies includes national and international leagues, tournaments and festivals in multiple languages. These leagues, tournaments and festivals are attended by hundreds of thousands of fans who travel from around the globe to events where millions of online esport fans also follow the action via various media distribution platforms.

Building on a track record of developing leading category brands such as Intel Extreme Masters (IEM), ESL One and DreamHack Masters, 2019 was the year where ESL and DreamHack announced the ESL Pro Tour, a single and unified circuit connecting all ESL and DreamHack's competitions.

MTG's gaming companies develop and publish multi-platform free-to-play games that constantly evolve through live ops and new content creation. The focus for the gaming vertical is to develop new mobile first game titles to drive further sales and EBITDA growth

Buy
Besides growing organically, MTG's strategy is to also grow through acquisitions and investments in high potential young businesses and the talented entrepreneurs behind them. There are two main parameters upon which such investments are evaluated: the complimentary nature of the content, platform or software, and the cultural fit and alignment with MTG's values.

By nurturing innovative ideas and the passionate and entrepreneurial teams behind them, MTG strengthens the esport and gaming sector from within and scales new and innovative solutions for the benefit of the entire ecosystem – including players, fans, sponsors and publishers.

Values-driven entertainment
As a values-driven company with its brand identity rooted in Corporate Responsibility, MTG is built by motivated media and entertainment professionals with diverse backgrounds, substantial operational and investment experience, a wide range of relevant competences and a shared culture.

Gamescom 2019, Cologne
© ESL | Simon Howar
(IMAGE RIGHT)

Drivers of future returns
MTG's vision, mission and strategy is molded to accommodate the nature of the consumer behavior of global gamers, and esport fans and communities. In this context, MTG's seven initiatives for driving performance in its existing assets and growth through strategic investments remain the same:

1. Organically grow esport as mainstream entertainment through increased distribution and new game genres
2. Scale the esport business through strategic partnerships
3. Establish a strong position throughout the entire esport ecosystem from grassroots amateur cups to pro leagues
4. Increase usage and longevity of products and games-as-a-service
5. Continuously cross-promote and share knowledge across the portfolio
6. Innovate by developing existing and new games, products and brands
7. Maintain an efficient and well-balanced capital allocation

Strategic review of gaming vertical
On October 29, MTG announced the initiation of a strategic review of its gaming vertical, including the VC Fund's gaming investments, in order to evaluate the best ways to create value for shareholders. Value creation in the gaming vertical has been significant since the acquisition of InnoGames. Since the split, MTG has been approached with various alternatives for the company to become even more competitive. The aim of the strategic review is to enable MTG to become a global pure play esport company.


CosmosDirekt.

KEY EVENTS 2019/2020

Split and listing of NENT Group completed successfully

Nordic Entertainment Group (NENT Group) was listed on Nasdaq Stockholm. The company comprises of MTG's previous Nordic Entertainment and MTG Studios business segments, as well as the multichannel network Splay.

Nova sale generates SEK 1.8 billion to fund acquisitions

MTG sold its 95% shareholding in Nova Broadcasting Group in Bulgaria to PPF Group. The proceeds will be used to further develop its global digital entertainment verticals esport and gaming, through organic investments and acquisitions.

Forge of Empires lifetime revenue exceeds EUR 500m

The strategy game is MTG portfolio company InnoGames' most successful title to date. More than EUR 250m of the revenue has been earned in the last two years of the game's seven-year lifetime.

ESL and DreamHack enter into comprehensive esport measurement agreement with Nielsen

The agreement with Nielsen will further advance research standards in esport and provide greater confidence to brands and companies considering making investments in the esport industry. ESL, DreamHack and Nielsen have worked closely to promote consistent and standardized esport measurement in recent years.

DreamHack hosted two Fortnite Community Tournaments

DreamHack, the premier gaming lifestyle festival, held two community tournaments – DreamHack Winter and DreamHack Anaheim that featured Fortnite and a combined prize pool of USD 500,000.

Divestment of portfolio company Zoomin

The divestment of Zoomin to Azerion, a leading Dutch-based European technology company in media and entertainment, is in line with MTG's strategy to focus on gaming and esport entertainment. As a result of the transaction, MTG reported a net loss of SEK 80m.

New DreamHack management team structure

DreamHack's current Co-CEO Peter Nørrelund was appointed to CEO of DreamHack's new focus area Sport Games, a new entity within MTG's esport vertical. Roger Lodewick was appointed new Co-CEO of DreamHack to lead the company together with current Co-CEO Marcus Lindmark.

Strategic review of MTG's gaming vertical

MTG launched a strategic review of its gaming vertical in order to evaluate how to best create value for our shareholders. The review involved investigating the range of alternatives open to us to become even more competitive – including an additional listing in the US and potential sale of the gaming vertical.

Launch of ESL Pro Tour

MTG's portfolio companies ESL and DreamHack formed ESL Pro Tour – the world's largest Counter-Strike: Global Offensive circuit ever with an aggregated prize pool of over USD 5 million. The Pro Tour will link over twenty CS:GO tournaments and leagues on five continents from 2020, and is a major milestone toward professionalizing the esport industry.

ESL and DreamHack in 3-year esport agreement with Blizzard

ESL and DreamHack will create new ESL Pro Tour formats for both StarCraft® II and Warcraft® III: Reforged™ with Blizzard Entertainment to provide a total prize pool of over USD 4.6 million. The ESL Pro Tour competitions aim to create a complete path for aspiring players, a compelling story to follow for esports fans, and high-exposure opportunities for brands and media partners.

MTG to make annual savings and write down of assets

MTG AB announced annual savings, redundancy costs and impairment charges as part of strategic review, operational efficiency programs and evaluation of gaming portfolio.

Profitable growth in 2019

2019 saw both Group sales and adjusted EBITDA improve during an eventful year. With DreamHack and ESL launching the ESL Pro Tour and entering a comprehensive esport measurement agreement with Nielsen, major progress was made toward professionalizing the esport industry. The gaming vertical saw continued profitable growth driven by a solid foundation and strong growth rates from Kongregate following the revised strategy, successful first party games launches and IP acquisitions. At Innogames, optimization of the existing portfolio with a focus on growing mobile revenues was the main driver of revenue and profitability.

"MTG's portfolio companies ESL and DreamHack formed ESL Pro Tour – the world's largest Counter-Strike: Global Offensive circuit ever with an aggregated prize pool of over USD 5 million."


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WHY ESPORT MATTERS

Esport has seen impressive growth in recent years – so much so that by 2022, analysts predict that the industry will be worth at least USD 1.8 billion[1].

But as with any rapid growth, there are also uncertainties. Can the current pace of growth continue? Will esport become mainstream? And what will widespread monetization actually look like?

While it isn't possible to answer these questions with certainty, a look at the historical development of traditional sports shows that there's still huge untapped potential in the market with a clear path toward greater commercialization.

Today, esport stands at a tipping point, and the next decade will be pivotal as competitive gaming continues to monetize at scale.

The playing field goes digital
The maturity curve we see in esport today is hardly uncharted territory. In fact, esport is following a similar trajectory to traditional sports like baseball, soccer and American football. The biggest difference is that the playing field is now digital.

Esport has already pushed well past the hobby phase and into professionalization. And if they continue to follow the same path as traditional sports, the future looks bright.

The industry's future growth will be driven by three areas that have radically changed traditional sports over the last fifty years – sponsorship, media rights and fan monetization.

Sponsorship: Bringing in the biggest global brands
Sponsorship revenue already represents the single biggest slice of the global esport market today – USD 456.7 million in 2019, according to the latest Newzoo analysis.

That's a remarkable achievement, although it's clear from traditional sports that there's still room for growth – consider Nike's USD 175 million annual sponsorship of Barcelona FC, or Real Madrid's billion-dollar deal with Adidas.

Sponsorship has been key to soccer's development into a global game with over 3 billion fans, with kit branding emerging from modest early tie-ups with local businesses into today's monumental sponsorship deals. It is set to play an equally important role in esport. In late 2019, luxury fashion house Louis Vuitton sponsored the League of Legends World Championships in a major multi-year deal – just one example of the global brands flocking to sponsor esport from a range of industries, with other examples including DHL's and Intel's sponsorship of ESL and Samsung's partnership with DreamHack.

Media rights: Changing the game and winning new audiences
In 2019, media rights represented the fastest-growing revenue stream within esport

1) Newzoo 2019

amonting to USD 162 million and with an expected compounded annual growth rate (2017-2022) of +39.6%[1].

Still, that's nothing when compared to the media deals seen in traditional sports like soccer. When Silver Lake acquired 10% of City Football Group (which owns Manchester City FC) in November 2019, the company was valued at USD 4.8 billion – largely because of the multibillion-dollar prices broadcasters and internet groups are willing to pay for Premier League media rights.

For esport, there's a clear opportunity here for continued revenue growth, together with access to an increasingly growing audience.

When Formula 1 races began to be regularly broadcast on major television channels, the sport witnessed a dramatic increase in fans. Then when lightweight cameras were added to the cars, the novelty, pace and excitement of the TV coverage attracted even more enthusiasts. With a greater fan base came the inevitable raft of new advertisers.

The same can be said for the NFL, whose unprecedented USD 1.6 billion deal with Fox in 1993 changed the way we watch sports, enhancing the entertainment value and turning a straightforward ball game into a cultural phenomenon with a reach far beyond its traditional fan base. Just think of the 110.8 million people that tuned in to watch Beyoncé perform at the Super Bowl halftime show in 2016.

While esport viewers have tended to watch matches via non-traditional channels like Twitch, increased broadcasting innovation and a gradual change in attitudes will contribute to esport tournaments becoming 'must-watch' cultural events for a wider audience.

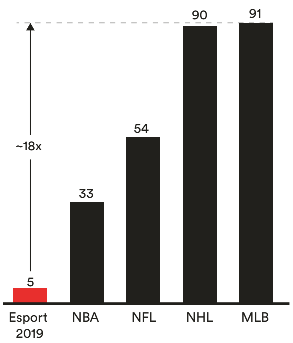
For broadcasters, esport programming represents a strategic opportunity to win new audiences and advertising revenue. ESPN, ABC and Disney XD's primetime coverage of Activision Blizzard's Overwatch League marks an important step on this path, while Intel's decision to broadcast esport tournaments ahead of the Tokyo 2020 Summer Olympics is another sign that traditional and non-traditional audiences are beginning to unite under a single sporting banner.

Fan monetization: The final frontier
Esport prize pools already surpass traditional sports, with Epic Games setting aside USD 100 million for 2019 tournament winnings. The 2019 Fortnite World Champion received USD 3,025,900, compared with the 2019 Wimbledon Champion's USD 2,983,748 prize – pretty remarkable, given that lawn tennis is one of the world's most widely watched sports.

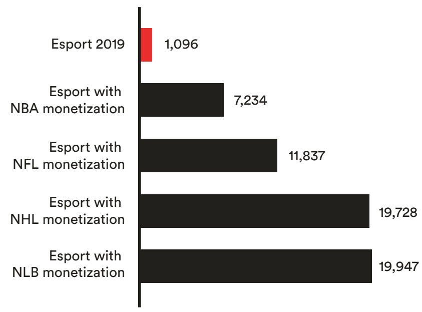
But there's one area that could seriously accelerate esport's growth – fan monetization. Analysts estimate that esport fans are today monetized at just USD 5.45[1] per head. Despite increasing compared with 2018, the figure lags far behind the average Major League Baseball or NFL fan, each currently monetized at around USD 90.

WHAT COULD THE MARKET SIZE OF ESPORT LOOK LIKE IF MONETIZATION PICKS UP ON TRADITIONAL SPORTS?

Esport fan monetization compared with traditional sports (USD per enthusiast)



Esport market size with monetization per fan[2] equal to that of different traditional sports (USD million)



Source: NewZoo, Goldman Sachs
1) Newzoo 2019
2) Esports fan is defined as sports enthusiast

ESL One, New York 2019
© ESL | Bart Oerbekke
(IMAGE LEFT)

Taking traditional sports as a benchmark, there is a real opportunity to monetize esport fan engagement through things they are willing to pay for like merchandise, paid streaming subscriptions, live events and concessions.

Esport has one of the fastest-growing global audiences in pro sports, with an average age of just 32[1)] – more than twenty years younger than the typical baseball fan. What's more, this youthful fanbase certainly has spending power. Contrary to popular belief, a recent Swedish study[2)] found that 75% of esport enthusiasts work full-time, while 60% earn an above-average salary, which is higher than traditional sport fans.

The potential is significant, and with esport already catching up with traditional sports in so many areas, fan monetization will be one of the most interesting areas to watch as the industry continues to mature.

Learning from each other

While it's useful to compare esport with the historical development of traditional sports, it's not a perfect science. In many ways, the two industries are also on a path of convergence, with many overlaps starting to emerge between these previously separate worlds.

Some of the biggest names in traditional sport are stepping into the esport arena, with Michael Jordan's involvement in a USD 26 million esport investment a perfect example. Meanwhile, elite sports schools like the IMG Academy are now running esport training programs, while traditional sports bodies like the NBA are getting involved in professional gaming leagues and franchises.

"WHAT'S CLEAR IS THAT THE ESPORT INDUSTRY STANDS READY FOR A FRESH PHASE OF GROWTH AND MATURITY – AND WITH A PREDICTED AUDIENCE OF 645 MILLION BY 2022[3)], THE POTENTIAL IS HUGE."

As for MTG being the home of esport and gaming entertainment, we'll have front row seats for the show.

1) KPMG, 2019
2) DreamHack survey data, 2019
3) Newzoo, 2019

"People tend to overestimate what can be done in one year and to underestimate what can be done in five or ten years"

BILL GATES

BUSINESS OPERATIONS

In 2019, MTG's operations included two segments/verticals – esport, gaming and central operations.

Esport
The esport vertical is made up of ESL, DreamHack and MTG VC-fund's investments in esport related companies.

Through ESL and DreamHack, MTG is the world's leading esport company and operates national and international tournaments as well as grassroots amateur cups, leagues and festivals. In this relatively new cultural phenomenon, ESL and DreamHack are established global brands and the preferred choices for viewers, players, partners and publishers.

ESL is the world's largest esport company. Founded in 2000, ESL has shaped the industry through the most popular video games over the years with numerous online and offline esport competitions. The company operates high profile, branded international leagues and tournaments under the ESL Pro Tour including ESL One, Intel® Extreme Masters, ESL Pro League, and other premier stadium-size tournaments. To more clearly define a path from "zero to hero", allowing anyone to reach the global elite, ESL also produces National Championships in multiple countries, grassroots amateur cups and online matchmaking systems to create a sport where everybody can become somebody. The combined ESL events (at Pro Tour level) attract hundreds of millions of viewers each year with a significantly younger demographic compared to established sports such as American football and ice hockey.

DreamHack is all about entertainment for the digital generation. Founded in 1994 as a BYOC LAN party, DreamHack has grown into a global phenomenon as the digital festival for today's youth, hosted throughout Europe, the Americas and Asia. DreamHack festivals feature multiple esport competitions, live music, exhibitions, creative competitions, LAN party, cosplay and much more. DreamHack helped pioneer esport and continues to be one of the largest global producers of esport content. Millions of viewers from all over the world watch DreamHack broadcasts every year. DreamHack events welcomed over 310,000 visitors in 2018.

Gaming
The gaming vertical is made up of InnoGames, Kongregate and MTG VC-fund's investment in gaming-related companies.

InnoGames is Germany's leading developer and publisher of mobile and online games. The company is based in Hamburg and is best known for Forge of Empires, Elvenar and Tribal Wars. InnoGames' complete portfolio encompasses seven live games and several mobile titles in production. InnoGames is focused on the free-to-play segment and provides players with a cross-platform experience on PC and mobile devices. In 2019, the company reached the EUR 1bn lifetime revenue mark.

Kongregate, based in San Francisco, is a leading mobile game publisher and developer, and is a recognized innovator in breakout genres like Idle games. Kongregate develops games through first-party studios Ultrabit in San Diego and Synapse in Chicago. Kongregate also publishes and scales cross-platform games, working closely with third-party developers and providing a host of services that include product recommendations, analytics, user acquisition and platform relations. Kongregate's mobile games have been downloaded hundreds of millions of times and have billions of gameplays.

SEGMENTAL PERFORMANCE

The Group's sales for continuing operations increased by 10 percent and operating profit before items affecting comparability (IAC) with 141 percent.

(SEKm)	2019	2018
Net sales by segment		
Esport	1,712	1,520
Gaming	2,531	2,296
Central operations and eliminations	0	25
Total net sales	**4,242**	**3,841**
Adjusted EBITDA by segment		
Esport	-213	-171
Gaming	605	513
Central operations and eliminations	-153	-243
Adjusted EBITDA	**239**	**99**
Items affecting comparability	-152	139
Impairment own capitalized costs	-93	-13
Long-term incentive programs	-76	-13
M&A transaction costs	-28	-34
EBITDA	**-109**	**177**
Adjusted EBITDA margin per segment		
Esport	-12%	-11%
Gaming	24%	22%
Total Adjusted EBITDA margin	**6%**	**3%**


INTEL® EXTREME
TEAM LIQUID
Qudos Bank Arena
TEAM LIQUID


MASTERS SYDNEY 2019
TEAM LIQUID
Qudos Bank Arena

DIRECTORS' REPORT

BUSINESS OPERATIONS

Modern Times Group MTG AB (publ.) (MTG) is a publicly listed holding company investing in esport and gaming entertainment. Its Class A and Class B shares are listed on Nasdaq Stockholm's Large Cap list under the symbols MTGA and MTGB. MTG's registered office is located at Skeppsbron 18, P.O. Box 2094, SE-103 13 Stockholm, Sweden. MTG's registration number is 556309-9158.

MTG's vision is to become the home of esport and gaming entertainment. The company's mission is to grow the esport and gaming ecosystem and benefit its communities through relevant storytelling with craftmanship, innovation and sustainability at its center. MTG's strategy is to drive profitability and organic growth in portfolio companies and invest in high-potential esport and gaming businesses that complement MTG's brands and products.

In 2019, MTG's financial reporting structure included four segments/verticals – esport, gaming, digital video content/other and central operations. In Q4 2019 digital video content/other was defined as discontinued operations following the sale of Zoomin. The esport vertical is made up of ESL, DreamHack and MTG VC-fund's investments in esport related companies. The gaming vertical is made up of InnoGames, Kongregate and MTG VC-fund's investment in gaming-related companies.

At Modern Times Group MTG AB's Extraordinary General Meeting on February 7, 2019, the decision was taken to distribute Nordic Entertainment Group (NENT Group), consisting of Nordic Entertainment, MTG Studios and Splay Networks to the shareholders of MTG and list Nordic Entertainment Group AB on the Nasdaq Stockholm stock exchange. The distribution of the shares in NENT Group was completed on March 28, 2019.

Acquisitions and divestments

Active portfolio realignment is a natural part of MTG's transformation into the home of esport and gaming entertainment. During 2019 and after the year, a number of strategic disposals, acquisitions and strategic partnerships were completed or announced, including:

February 22, 2019 – MTG announced divestment of Nova Group

MTG signed an agreement to sell its 95% shareholding in Nova Broadcasting Group ("Nova") in Bulgaria to Advance Media Group. The transaction valued 100% of the business at an enterprise value of EUR 185 million (approximately SEK 1,917 million). The transaction was subject to local regulatory approval, and the proceeds will be used to develop MTG's two verticals, esport and gaming, through organic investment and M&A.

September 2, 2019 - MTG entered into term sheet with HUYA Inc. Regarding the forming of a joint venture for China esport expansion and HUYA investment into ESL

MTG announced the entering into a binding term sheet and the forming of a strategic joint venture as part of a transaction that allows HUYA Inc. to acquire a minority stake in MTG's portfolio company ESL.

October 28, 2019 – Divestment of portfolio company Zoomin

The divestment of Zoomin to Azerion, a leading Dutch-based European technology company in media and entertainment, is in line with MTG's strategy to focus on gaming and esport entertainment.

January 21, 2020 - MTG announced the termination by mutual agreement with HUYA of negotiations on definitive agreement for China joint venture and ESL investment

MTG announced that MTG and HUYA Inc. (Huya) have mutually terminated the negotiations related to the definitive agreement for the forming of a strategic joint venture for esport expansion into China and a minority stake investment in MTG's portfolio company ESL.

Other significant events during and after the year

January 7, 2019 – MTG secured new financing

MTG secured a SEK 1bn credit facility from Nordea, which will provide additional funding for MTG after the spin-off and listing of NENT Group.

January 17, 2019 - MTG solicited approval from holders of its bonds

The solicitation procedure was part of the process of MTG distributing all the shares in NENT Group to MTG's shareholders, as proposed by MTG's Board of Directors.

January 18, 2019 - MTG senior management appointment

MTG announced the appointment of Lars Torstensson as MTG EVP, Head of Communications & Investor Relations

January 24, 2019 – ESL and Epic Games announced that they will host their first joint international Fortnite competition

MTG's Turtle Entertainment, the operator of the world's largest esport company ESL, and Epic Games announced their first international Fortnite competition, which took place at IEM Katowice Expo 2019. 'ESL Katowice Royale – Featuring Fortnite' spanned two weekends at the legendary arena and feature prominent Fortnite players and influencers.

January 30, 2019 - DreamHack and Swedish Elite Football Association created eAllsvenskan
MTG's esport company DreamHack signed an agreement with the Swedish Elite Football Association (SEF) to create eAllsvenskan, a FIFA 19 esport tournament set to take place in spring 2019.

April 2, 2019 - Thomas Schmidt joined ESL as Chief Commercial Officer
MTG announced that Thomas Schmidt is joining ESL as Chief Commercial Officer to support the world's largest esport company achieve its ambitious growth plans.

April 10, 2019 - MTG completed the sale of Nova to Advance Media Group
MTG completed the sale of its 95 percent shareholding in Nova Broadcasting Group ("Nova") in Bulgaria to Advance Media Group. The all-cash transaction valued 100 percent of Nova at an enterprise value of EUR 185 million (approximately SEK 1,917 million). MTG will use the proceeds to further develop its two business verticals esport and gaming through organic investments and acquisitions.

May 3, 2019 - Emily Greer, Kongregate CEO and co-founder, stepped down to pursue a new gaming venture
MTG portfolio company and leading publisher of mobile, PC, console and web games, Kongregate, announced that CEO and co-founder Emily Greer is leaving the company to pursue a new gaming venture.

June 27, 2019 – MTG's portfolio company InnoGames mobile game hit Forge of Empires reached EUR 500 million lifetime revenue milestone
MTG announced that its portfolio company InnoGames most successful title Forge of Empires reached the EUR 500 million lifetime revenue mark. The highly successful title has experienced steady growth since its creation in 2012 and continues to gather momentum after more than seven years on the market. More than half of the lifetime revenue has been earned in the last two years.

July 17, 2019 - MTG announced USD 11 million in investments in gaming and esport startups in 1H 2019
Investments in 1H 2019 amount to a total of USD 11 million including capital commitments and span start-up and growth companies in the United States and Germany.

July 19, 2019 – MTG's portfolio company Kongregate acquired hit mobile and web game Bit Heroes
MTG's portfolio company Kongregate – a cross-platform game publisher and web gaming destination – announced the acquisition of Bit Heroes, a successful indie mobile and web role playing game (RPG) from American Reno-based developer Juppiomenz.

August 14, 2019 - MTG's ESL announced 90 percent viewership growth for major esport tournaments
MTG's portfolio company ESL, the world's largest esport company, announced significant growth across multiple metrics for major ESL tournaments in the first seven months of 2019.

September 3, 2019 - MTG's ESL and DreamHack launches ESL Pro Tour in 2020; The World's Largest Counter-Strike: Global Offensive Circuit
MTG announced the launch of the global CS:GO competition circuit ESL Pro Tour (ESLprotour.com). The forming of the new global esport tour is an important step to professionalize the global esport industry and therethrough increase monetization of esport such as sponsorship and media rights in line with MTG's strategy.

September 24, 2019 – MTG's VC Fund invested in Mightier, a Video Games Program Helping Children Cope with Symptoms Common to ADHD
MTG announced a VC Fund investment of USD 250,000 in Mightier Games (Mightier), a Boston-based video games program exploring how games can help children ranging in ages from 6-14 with emotional regulation issues, diagnosed and undiagnosed ranging from ADHD to anxiety, anger and more.

September 26, 2019 - MTG's ESL and DreamHack entered into Comprehensive Esport Measurement Agreement with Nielsen
MTG announced the entering into a comprehensive esport measurement agreement for esport portfolio companies ESL Gaming GmbH and DreamHack with Nielsen, the media industry's single source of truth for esport sponsorship valuation and media measurement. The agreement will further advance research standards in esport and provide greater confidence to brands and properties that are considering making investments in the esport industry.

September 27, 2019 - DreamHack to host two Fortnite Community Tournaments with combined USD 500,000 prize pool
MTG portfolio company DreamHack has announced that it will host two massive community tournaments featuring success title Fortnite with a prize pool of USD 250,000 each.

October 8, 2019 - DreamHack entered cooperation around Dutch EA SPORT FIFA 20 League eDivisie
MTG's portfolio company DreamHack entered into a contract with the Dutch football League Eredivisie on cooperation around the Dutch EA SPORTS FIFA 20 League, eDivisie. The goal is to bring Dutch esport to the next level and to create the world's leading competitive EA SPORT FIFA 20 league, defined by a full-scale league with physical events attended by fans, best in class production quality and a considerable prize pool of EUR 100,000.

October, 29 2019 - MTG announced strategic review of its gaming vertical and to explore listing in the US
MTG announced the initiation of a strategic review of its gaming vertical including the VC Fund's gaming investments, in order to evaluate the best route to crystalize value for shareholders. The outcome of the strategic review could result in a JV partnership for the gaming vertical to get access to capital and new geographies or MTG becoming a global pure play esport company. As part of the strategic review, MTG will explore an additional listing in the US which is one of the biggest esport markets in the World.

December 13, 2019 - MTG announced new DreamHack management team structure
DreamHack's current Co-CEO Peter Nørrelund is appointed to CEO of DreamHack new focus area Sportgames, a new entity within MTG's esport vertical. Roger Lodewick appointed Co-CEO of DreamHack to lead the company with current Co-CEO Marcus Lindmark.

January 7, 2020 - MTG's ESL and DreamHack entered three-year agreement with Blizzard Entertainment
MTG's portfolio company's ESL and DreamHack announced a three-year-long strategic agreement with Blizzard Entertainment. The world's largest esport company (ESL) and the premier gaming lifestyle festival organizer (DreamHack) will create new ESL Pro Tour formats for both StarCraft® II and Warcraft® III: Reforged™, with Blizzard providing a respective prize pool of over US $1.8 million and over US $200,000 for the first season.

January 21, 2020 - MTG to make annual savings and write down of assets
MTG announced annual savings, redundancy costs and impairment charges as part of strategic review, operational efficiency programs and evaluation of gaming portfolio

February 18, 2020 - ESL and DreamHack signed historic agreement with globally leading esport teams
MTG's esport portfolio companies ESL and DreamHack today announces an agreement with the world's thirteen leading esport teams for participation in their esport circuits, among these the ESL Pro League.

February 28, 2020 - Restrictions regarding on-site audience for ESL-event in Poland due to covid-19/corona virus
MTG's esport portfolio company ESL has been restricted to have on-site audience on its esport-event in Katowice, Poland. Polish authorities announced the decision on Thursday the 27th of February.

March 25, 2020 - Impact of corona virus and update on strategic review
MTG provided a preliminary assessment of how the corona virus pandemic is expected to affect its esport and gaming verticals as well as an update of the strategic review of its gaming vertical. While the esport vertical will be negatively affected on revenue and profit, the company's gaming vertical continues to perform well. MTG confirms its intention to separate its gaming vertical, either by divestment or through a listing on the Nasdaq First North Growth Market. The Group remains well funded, with a net cash position of SEK 1.8 billion as of Q4 2019.

FINANCIAL OVERVIEW

2019 HIGHLIGHTS

- Net sales growth of 10 percent to SEK 4,242 (3,841) million
- Adjusted EBITDA of SEK 239 (99) million
- EBITDA of SEK -109 (177) million, of which SEK 45 million due to the impact of IFRS 16
- Operating income (EBIT) of SEK -407 (-41) million
- Net income from continuing operations of SEK -458 (-107) million
- Basic earnings per share of -8.19 (-3.17)
- Total net income of SEK 14.394 (1,153) million
- Cash flow from operations of SEK -71 (1,610) million
- Board of Directors propose that MTG does not pay any dividend for 2019

Consolidated financial results (SEK million)	2019	2018
Continuing operations		
Net sales	4,242	3,841
of which esport	*1,712*	*1,520*
of which gaming	*2,531*	*2,296*
of which central operations and eliminations	*0*	*25*
Costs before depreciation and amortization	-4,352	-3,664
Adjusted EBITDA	*239*	*99*
Adjusted EBITDA margin	*6%*	*3%*
Adjustments	*-349*	*78*
EBITDA	-109	177
Amortization	-202	-162
Depreciation	-96	-56
of which PPA	*-120*	*-116*
EBIT	-407	-41
EBIT margin	-10%	-1%
Net income	-458	-107
Basic earnings per share (SEK)	-8.19	-3.17
Discontinued operations 1)		
Net income	14,852	1,260
Total operations		
Net income	14,394	1,153
Basic earnings per share (SEK)	212.68	15.52
Cash flow from operations	-71	1,610
CAPEX	239	194
Net sales growth y-o-y		
Organic growth	*7%*	*9%*
Acquisitions/divestments	*-1%*	*19%*
Changes in FX rates	*4%*	*6%*
Change in reported net sales	*10%*	*34%*

1) Consists of the adjusted result for NENT, Nova, Zoomin and other business in 2018 and 2019

Continuing operations

Net sales

Net sales on a reported basis rose by 10 percent year-on-year to SEK 4,242 (3,841) million. On an organic basis, sales growth was 7 percent as exchange rates changes contributed 4 percent and divestment 1 percent.

Esport net sales grew by 13 percent in 2019, of which organic growth represented 8 percent. This was complemented by a 10 percent growth in net sales for gaming, of which organic growth accounted for 6 percent.

Operating expenditure

Operating costs before depreciation and amortization increased by 19 percent to SEK 4,352 (3,664) million. This included SEK 152 (-139) million in Items affecting comparability (IAC), SEK 93 (13) million in impairment of own capitalized costs, 76 (13) million in costs related to Long-Term Incentive (LTI) programs and SEK 28 (34) million in Merger & Acquisition (M&A) transaction costs.

Adjusted EBITDA

The Group's adjusted EBITDA amounted to SEK 239 (99) million. This included SEK 45 million due to the application of IFRS 16 compared with the corresponding period last year. Excluding the impact of IFRS 16, adjusted EBITDA was SEK 194 (99) million.

Group central operations impacted adjusted EBITDA by SEK -153 (-241) million.

The adjusted EBITDA margin was 6 (3) percent, or 5 percent when excluding the impact of IFRS 16. The margin improvement was driven by the gaming vertical which reported lower marketing expenses and higher sales following successfully executed in-game events at InnoGames and new games launches from Kongregate in addition to improvements to Kongregate's overall business operation. Esport adjusted EBITDA margin declined mainly as a result of higher operational costs for events of ESL.

Adjusted EBITDA reflects the underlying performance of the business and SEK 152 million in IAC, SEK 93 million in impairment of previously capitalized costs and SEK 76 million in costs related to LTI programs as well as SEK 28 million in M&A transaction costs were excluded.

EBITDA was SEK -109 (177) million.

EBIT – continuing operations

Depreciation and amortization amounted to SEK -298 (-218) million and included amortization on purchase price allocations (PPA) of SEK -120 (-116) million. Excluding PPA, depreciation and amortization increased by SEK 76 million to SEK -178 (-102) million, partly reflecting the implementation of IFRS 16 in the amount of SEK 48 million as well as higher amortization in gaming of intangible assets and own work capitalized.

Group EBIT was SEK -407 (-41) million. The EBIT margin was -10 (-1) percent.

Net financials and net income from continuing operations

Net financial items amounted to SEK -27 (75) million, predominantly driven by exchange rate changes. The Group's tax was SEK -23 (-141) million. Current tax amounted to SEK -144 million and deferred tax to SEK 121 million, of which SEK 32 million related to untaxed reserves in the Swedish entities.

Net income and earnings per share

The Group reported a net loss from continuing operations of SEK -458 (-107) million, and basic earnings per share before dilution of SEK -8.19 (-3.17) and after dilution of SEK -8.19 (-3.15).

Discontinued operations
Discontinued operations comprise of Nordic Entertainment Group, Nova, Zoomin and other business in 2019 and 2018.

Net income and cash flows from discontinued operations have been reported on separate line items in the consolidated income statement and the consolidated statement of cash flow respectively. The consideration received for divestments is included in cash flow from continuing operations in the line 'Proceeds from sales of shares'.

Nordic Entertainment Group AB

At the Extraordinary General Meeting on February 7th, 2019, it was decided to split the Group and distribute the shares of Nordic Entertainment Group AB (NENT) to the shareholders of MTG. In March, the shareholders received one NENT share for each MTG share held. NENT was listed on Nasdaq Stockholm on March 28th, 2019. On distribution of the NENT shares, MTG recognized a capital gain of SEK 13,480 million, representing the difference between the fair value of NENT and the carrying amount of NENT's net assets at the time of distribution. As part of the distribution, all historical translation differences allocated to NENT, amounting to SEK 78 million, have been recycled to the income statement for discontinued operations.

Nova Broadcasting Group

MTG completed the sale of its 95 percent shareholding in Nova Broadcasting Group in Bulgaria to Advance Media Group on April 10, 2019. MTG recognized a capital gain of SEK 1,405 million. MTG will use the proceeds to further develop its global digital entertainment verticals through organic investments and acquisitions. Nova had been reported as an Asset held for sale since the first quarter of 2018 and, from the first quarter of 2019, was reported as a Discontinued operation. During the period preceding the divestment, Nova generated revenue of SEK 264 million and a net result of SEK 29 million.

Zoomin Group

MTG completed the sale of its 100 percent shareholding in Zoomin to Azerion on October 28th, 2019. MTG recognized a capital loss of SEK 88 million. During the period preceding the divestment, Zoomin generated revenue of SEK 79 million and a net result of SEK -68 million.

Other business
Other business operations further include a write-down of assets of SEK 69 million relating to an investment and a revaluation of value of an associate company.

Total net income and earnings per share
The Group reported total net income of SEK 14,394 (1,153) million and basic earnings per share of SEK 212.68 (15.52) and after dilution of SEK 212.68 (15.40).

Cash flow and financial position
The Group reported a SEK -117 (-568) million change in working capital. Group cash flow from operations amounted to SEK -188 (1,054) million.

Group capital expenditure on tangible and intangible assets amounted to SEK 238 (765) million, mainly consisting of capitalized development costs for games and platforms that have not yet been released. Investment in the VC fund was SEK 98 (49) million during the year. Proceeds from sales of Nova and Zoomin generated SEK 1,876 million. Total cash flow relating to investing activities amounted to SEK 1,546 (-779) million.

Cash flow from financing activities amounted to SEK 40 (-608) million. NENT Group settled the internal debt to MTG AB before the split and MTG AB repaid the external loans.

The net change in cash and cash equivalents for continuing operations amounted to SEK 1,398 (-333) million.

The Group had cash and cash equivalents of SEK 1,824 (862) million at the end of the period.

Cash flow (SEK million)	**2019**	**2018**
Cash flow from operations	-71	1,610
Changes in working capital	-117	-568
Net cash flow from operations	**-188**	**1,042**
Investment activities	1,546	-779
Financial activities	40	-608
Net change in cash, continuing operations	**1,398**	**-344**
Net change in cash, discontinuing operations	-653	4
Total net change in cash and cash equivalents	**746**	**-340**
Cash and cash equivalents	**1,824**	**862**

* Comparatives are not restated.

BUSINESS SEGMENTS

Esport

Esport (SEK million)	2019	2018
Net sales	1,712	1,520
Adjusted EBITDA	-213	-171
Adjusted EBITDA margin	*-12%*	*-11%*
Adjustments	-138	152
EBITDA	-351	-19
Amortization	-26	-24
Depreciation	-53	-41
of which PPA	*-15*	*-14*
EBIT	-430	-85
EBIT margin	*-25%*	*-6%*
CAPEX	34	29
Net sales growth y-o-y		
Organic growth	*8%*	*7%*
Acquisitions/divestments	-	-
Changes in FX rates	*5%*	*4%*
Reported growth	*13%*	*11%*

The esport vertical comprise of ESL, The world's largest esport company, and DreamHack, the premier gaming lifestyle festival organizer.

Net sales in 2019 grew by 13 percent to SEK 1,712 (1,520) million, including 5 percent growth due to the positive impact of exchange rate changes. Organic net sales growth in 2019 was 8 (7) percent with 14 (16) Master property compared to the corresponding to last year.

ESL held 12 Master properties across 2019, which contributed to a double-digit net sales growth compared to last year, to a large extent thanks to significant growth in sponsorship revenue. When comparing ESLs key performance indicators (KPIs) to the same properties last year, it is clear that the esport business has positive momentum. Most KPIs for Master events increased sharply versus the same events one year ago, demonstrating that the competitions are relevant, the audience is growing very fast and that MTG is on a positive journey of transforming esport into an established sport. The focus going forward for the vertical is clear: To commercialize the growing audience of esport and make the sport commercially competitive.

DreamHack net sales increased in 2019 as a result of several successful events, such as DreamHack Winter, DreamHack Atlanta and DreamHack Malmö. In the year, Dreamhack launched Dreamhack Sport Games. This is a new promising category within esport, which is to focus on traditional sports in a digital format, Such as eSuperligan, eAllsvenskan, eDivisie and The European Golf Tour/eTour.

The adjusted EBITDA loss of SEK -213 (-171) million in 2019 was a deterioration compared to last year, driven primarily by higher investments into ESL and DreamHack properties, and the new sport games category. The adjusted EBITDA margin declined to -12 (-11) percent.

EBITDA adjustments of SEK -138 (152) million comprised items affecting comparability (IAC) of SEK -81 million (redundancy costs SEK -35 million, impairment of capitalized project costs of SEK -12 million and write off items in the balance sheet of SEK -34 million), costs for long-term management incentive programs SEK -42 million and M&A transaction costs of SEK -15 million. EBITDA amounted to SEK -351 (-19) million.

Sales to O&O properties increased by 16 percent in 2019 to SEK 1,138 million, with two less Master property compared with last year.

ESS net sales increased by 6 percent in 2019 to SEK 574 million, representing 34 percent of total esport net sales. The focus in ESS is to establish more strategic publisher relationships and, during the year, ESL ran amongst other some significant events on behalf of the publisher Ubisoft.

Gaming

Gaming (SEK million)	2019	2018
Net sales	2,531	2,296
Adjusted EBITDA	605	513
Adjusted EBITDA margin	*24%*	*22%*
Adjustments	-120	-39
EBITDA	485	475
Amortization	-176	-137
Depreciation	-40	-15
of which PPA	*-105*	*-101*
EBIT	269	323
EBIT margin	*11%*	*14%*
CAPEX	203	151
Net sales growth y-o-y		
Organic growth	*6%*	*7%*
Acquisitions/divestments	*-*	*47%*
Changes in FX rates	*5%*	*10%*
Reported growth	*10%*	*86%*

Net sales rose by 10 percent to SEK 2,531 (2,296) million, including a 5-percent positive impact from exchange rate changes. On an organic basis, net sales in 2019 increased by 6 (7) percent. Adjusted EBITDA was SEK 605 (513) million and EBITDA was SEK 485 (475) million, representing a margin of 24 (22) percent and 19 (21) percent, respectively.

The new strategic direction implemented in 2019 for Kongregate yielded positive results and Kongregate posted double-digit improvements in net sales and adjusted EBITDA compared with last year. This was mainly attributable to Kongregates newer titles and own IPs, such as Idle Frontier and Bit Heroes, that reported robust developments supporting both net sales and game profit.

InnoGames sales and adjusted EBITDA improved significantly compared to last year. This was driven by lower costs for user acquisitions and by the performance of Forge of Empires, which continued to grow, supported by improved in-game features. InnoGames' portfolio of classic games continued to record solid performances, while Elvenar declined somewhat versus last year.

EBITDA adjustments of SEK -120 million during 2019 comprised write-downs of capitalized development costs of SEK -93 million, M&A transaction costs of SEK -13 million and reversed costs for long-term management incentive programs of SEK -15 million.

The depreciation and amortization charge in 2019 was higher compared with 2018, mainly due to depreciation of a minor game and the Bit Heroes acquisition in Kongregate.

Capex of SEK 203 (151) million was up compared with 2018, mainly driven by the investments of Bit Heroes IP and surviv.io IP at Kongregate.

Mobile sales grew by 20 percent to SEK 1,327 million, representing 52 percent of total revenue in the gaming vertical. Browser revenues had a flat development in 2019. InnoGames share of mobile sales increased across most games and more than 90 percent of Kongregate's total revenue is attributable to mobile platforms.

There was no significant movement in the revenue split by territory, with more than 90 percent of revenue in the North American and European markets, which are the target territories for both gaming businesses.

The top three titles have remained unchanged throughout the year: Forge of Empires, Elvenar and Amination Throwdown. Net sales generated by these titles represented 73 percent.

OTHER GROUP INFORMATION

Parent Company
Modern Times Group MTG AB (publ.) is the Group's parent company and is responsible for Group-wide management, administration and finance functions. MTG's treasury function provides a central cash pool or financing through internal loans to support the operating companies.

The MTG parent company reported net sales of SEK 20 (36) million in 2019. Net interest and other financial items amounted to SEK 2,302 (177) million and included a positive effect of SEK 2,300 million in finance net derived from MTG Publishing AB and is a net capital gain from dividend from its subsidiary MTG Broadcasting AB less write-down of shares in the same subsidiary. Income after tax and appropriations amounted to SEK 2,285 (471) million. The parent company had cash and cash equivalents of SEK 1,123 (24) million at the end of the period. The MTG parent company had no external loans at the end of the reporting period.

Dividend and proposed appropriations of earnings
The following funds are at the disposal of the shareholders:

Dividend and proposed appropriation of earnings

(SEK)	**2019**
Premium reserve	269,943,815
Retained Earnings	2,576,735,227
Net income for 2019	2,285,215,308
Total at disposal	**5,131,894,350**

The Board of Directors proposes that MTG does not pay any dividend for 2019 and that the retained earnings amount of SEK 5,131,894,350 be carried forward.

Outlook
Following completion of the split, MTG comprise a portfolio of high growth digital entertainment operations focused on two core verticals – esport and gaming – and MTG's own esport and gaming focused venture fund. MTG intends to further develop and expand its portfolio with a flexible "Buy and Build" strategy with an emphasis on esport. MTG will be a strategic operational and investment holding company that combines investment expertise with "hands-on" operational engagement and intends to take majority ownership in the established companies in which it invests, with founders maintaining a minority interest and being incentivized to succeed.

Due to the impact from the covid-19 (corona virus disease), the operational performance of MTG´s esport vertical will be more difficult to predict in 2020.

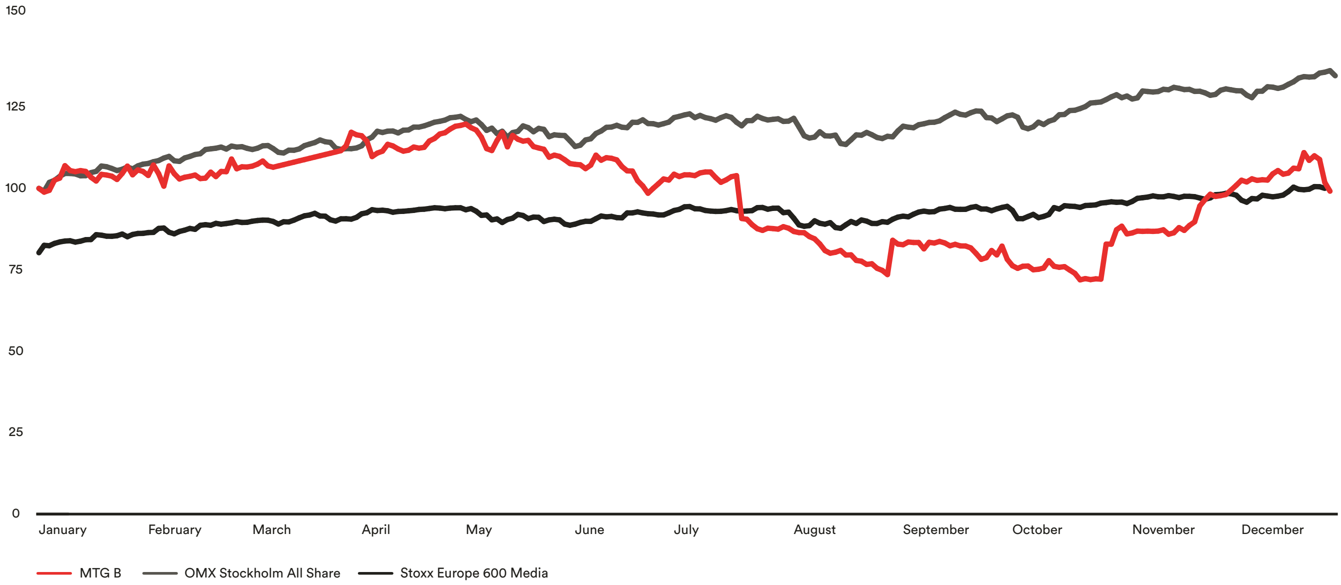
Corporate responsibility
In accordance with the Swedish Annual Accounts (ÅRL), MTG has chosen to cover the statutory sustainability report in a separate Corporate Responsibility Report which was submitted to the Company's auditors at the same time as the Annual Report. MTG's Corporate Responsibility Report and the auditor's opinion regarding the statutory sustainability report are available at www.mtg.com.

THE MTG SHARE

Share price performance and total return
MTG's shares are listed on Nasdaq Stockholm's Large Cap list under the symbols 'MTGA' and 'MTGB'. The price of MTG's series B share decreased by 8% (-15%) in 2019 to SEK 112.00 (122.00), corresponding to a market capitalization of SEK 7.6 (8.3) billion. The parent company did not pay an ordinary dividend.

Ownership structure
The total number of shareholders according to the share register held by Euroclear Sweden AB (Swedish Securities Centre) was 61,112 (80,344) at the end of 2019. The shares held by the 10 largest shareholders corresponded to approximately 46% (51%) of the share capital and 43% (50) of the voting rights. Swedish institutions and mutual funds owned approximately 48% (49%) of the share capital, international investors owned approximately 52%.

Share price development 2019, indexed



Shareholders as of 31 December 2019

#	Owners	MTG A	MTG B	Capital	Votes	Verified
1	Swedbank Robur Funds		4,312,223	6.4%	6.0%	2019-12-31
2	Nordea Funds		3,901,811	5.8%	5.4%	2019-12-31
3	Norges Bank		3,746,484	5.5%	5.2%	2019-12-31
4	Evermore Global Advisors, LLC		3,692,214	5.5%	5.1%	2019-10-22
5	TimesSquare Capital Management		3,344,745	4.9%	4.6%	2019-06-30
6	Lannebo Funds		3,073,081	4.5%	4.2%	2019-12-31
7	Öhman Funds		2,994,159	4.4%	4,1%	2019-12-31
8	Marathon Asset Management LLP		2,730,347	4.0%	3.8%	2019-09-30
9	Vanguard		1,888,439	2.8%	2.6%	2019-12-31
10	Capital Group		1,706,519	2.5%	2.4%	2019-12-31
Total top 10			**31,390,022**	**46.4%**	**43.4%**	
Others		**545,662**	**35,711,440**	**53.6%**	**56.6%**	
Total		**545,662**	**67,101,462**	**100.0%**	**100.0%**	

Share capital and votes

The holder of an MTG Class A share is entitled to 10 voting rights, the holder of an MTG Class B and MTG Class C share one voting right. Class C shareholders are not entitled to dividend payments.

There were no class C shares held by MTG as treasury shares in 2019. Out of the totally issued shares, 304,880 (666,222) Class B shares are held as treasury shares.

Share distribution

Size class	Number of shares	Capital	Votes	Number of known owners	Part of known owners
1 – 1,000	4,593,145	6.8%	7.4%	61,277	97.1%
1,001 – 5,000	2,991,712	4.4%	4.6%	1,478	2.3%
5,001 – 10,000	1,062,131	1.6%	1.6%	146	0.2%
10,001 – 50,000	2,936,073	4.3%	5.1%	137	0.2%
50,001 – 100,000	1,191,379	1.8%	1.7%	17	0.0%
100,001 –	50,922,799	75.3%	73.9%	57	0.1%
Anonymous ownership	3,949,885	5.8%	5.7%		
Total	**67,647,124**	**100.0%**	**100.0%**	**63,112**	**100.0%**

Exercise of long-term incentive plans

In 2019, a total of 361,342 Class B shares as part of the 2016 and 2017 long term incentive plans were exercised. In 2018, 255,776 Class B shares as part of the 2015 long term incentive plan were exercised. There were no changes to the number of issued shares in 2019 or 2018. For further information, please see Note 18.

Reclassifications

There was no reclassifications of Class A shares into Class B shares in 2019. In accordance with the Articles of Association, the Board of Directors approved reclassification of 4,461,731 Class A shares to Class B shares in 2018.

Voting rights

As there was no reclassification of shares in 2019, the total number of voting rights including treasury shares remained at 72,558,082 (72,558,082) as of 31 December 2019. The total number of outstanding shares increased to 67,342,244 (66,980,902) due to the effect of the exercise of 297,983 Class B shares in 2019.

Share capital

The Group's share capital amounted to SEK 338 (338) million at the end of the year. For changes in the share capital between 2019 and 2018, please see the report entitled 'Consolidated statement of changes in equity'.

The number of issued shares is unchanged since 2014.

Share-based long-term incentive plans

Due to the decision at the Annual General Meeting in 2019, the treasury shares could not be used in a potential exercise of the 2019 performance share plan. The Annual General Meeting instead decided that MTG should enter into an agreement with a third party, who shall, in its own name, be able to acquire and transfer MTG Class B shares to the participants in the performance share plan.

If all share awards granted to senior executives and key employees and warrants issued as of 31 December 2019 were exercised and all shares awarded, the outstanding shares of the Company would change by 0 (630,883) Class B shares and be equivalent to a dilution of 0% (0.9) of the capital and 0% (0.9) of the related voting rights as at the end of 2019. Further details about the programs can be found in Note 26.

Share buy-back

The 2018 Annual General Meeting approved a mandate to authorize the Board of Directors to buy back MTG Class A or Class B shares up until the 2019 Annual General Meeting. The Group's shareholding in its own stock may not exceed 10% of the total number of issued shares. There were no Class A shares or Class B shares bought back in 2019. No new share buy-back mandate was asked for on the 2019 Annual General Meeting.

Articles of association

The Articles of Association do not include any provisions for appointing or dismissing members of the Board of Directors or for changing the articles. Outstanding shares may be freely transferred without restrictions. MTG is not aware of any agreements between shareholders that limit the right to transfer shares.

FINANCIAL POLICIES AND RISK MANAGEMENT

Risks and uncertainties

Competitive risks

Competitive risks include competition for online and mobile operators, video gaming sites, viewers and subscribers. The Company's ability to compete successfully is dependent on a number of factors, including the ability to adapt to new technologies and product innovations, to achieve widespread distribution, and to develop user communities in a sustainable manner.

MTG is also increasingly reliant on a wide variety of technological platforms and could therefore face the risk of new market entrants. This could mean significant changes for the industry and could potentially cause disruption to established contracts and negotiation structures, as well as to business practices, and ways in which advertising is traded and sold in the online environment. The online platforms could also potentially make the Group a target for cyber-attacks, intrusions, disruptions or denials of service.

Economic and political risks

As per March 2019, the MTG Group was split MTG into two companies – Modern Times Group MTG AB and Nordic Entertainment Group AB – by distribution of all the shares in Nordic Entertainment Group AB.

In April 2019, MTG finalized the sale of its 95% shareholding in Nova Broadcasting Group ("Nova"). Emerging markets have different risk profiles than more developed markets in terms of the prevailing economic and political systems, legal and tax regimes, and standards of corporate governance and business practices. Potential risks inherent in markets with evolving economic and political environments include potentially inadequate protection of foreign investments or intellectual property rights, foreign exchange controls, higher tariffs and other levies, as well as longer payment cycles.

Substantial foreign exchange rate movements can cause impacts on the Group's income statements, financial position and cash flows. MTG does not hedge their outflow in other currencies, and the Group's equity is not hedged.

Tax related risks

MTG operates through subsidiaries resident in different jurisdictions. The business is conducted in accordance with MTG's understanding or interpretation of applicable tax laws, tax treaties, other tax regulations and requirements from the tax authorities concerned. Amended laws, agreements and other regulations may affect the tax position of the Group as well as if the tax authorities disagree with the Group's interpretation of existing tax rules.

Regulatory risks

The Group's businesses are regulated in many different jurisdictions. The regimes that regulate the Group's business include both European Union and national laws and regulations related to competition (antitrust) and taxation. Changes in such laws and regulations, particularly in relation to access requirements, consumer protection, taxation or other aspects of the Group's business, or those of any of its competitors, could have a materially adverse effect on the Group's business, financial condition or operational results.

Current potential changes in EU law that may have an adverse impact on the Group's business include the following:
In May 2015 the European Commission launched its Digital Single Market strategy. One of its primary goals is increased consumer access to digital services across borders within the EU. The Regulation has not and is not expected to pose a significant risk to the Group's business.

In 2015 the European Commission initiated a sector enquiry into e-commerce in Europe, which sought to examine the possible barriers to accessing goods and services online across borders. It follows from the Commission's Final Report that the use of exclusivity in licensing technology rights is not problematic in and of itself. Any assessment of licensing practices under EU competition rules would have to take into account the characteristics of the content industry, the legal and economic context of the licensing practice and/or the characteristics of the relevant product and geographic markets. The Commission has said that it will continue to assess licensing practices on a case by case basis, therefore it remains a small risk to the Group's business.

Following the e-commerce sector inquiry the European Commission has tried several approaches to fight geo-blocking practices.
In November 2017, the European legislative bodies reached an agreement on the regulation that prohibits online suppliers of goods and electronic services from discriminating on the basis of nationality or place of residence of customers within the EU.

In order to protect the internal market and to counter restrictions on cross-border trade, EU's geo-blocking regulations entered into force at the end of 2018. The rules will prevent discrimination for consumers and companies regarding access to prices, sales or payment conditions when buying products and services in another EU country. Even if both the European Commission and NCAs have been active in investigating potential violation, this area remains a small risk to the Group's business.

In May 2016 the European Commission published a proposal to amend certain provisions of the Audiovisual Media Services Directive to reflect market, consumer and technological changes in the 10 years since the Directive was last updated. The Directive was finalized in May 2018 and will come into force in October 2020. The new Directive is not likely to pose any significant risk on the Group's business activities.

EU's new General Data Protection Regulation entered into force on 25 May 2018, replacing the EU Data Protection Directive 95/46/EC. The new Regulation has resulted in changes to how the Group deals with the personal data of EU citizens. MTG has implemented changes to its data protection policies, procedures and processes in order to become Compliant with the Regulation.

On 23 June 2016 the UK voted to leave the European Union. Subsequently, UK triggered Article 50 of the Treaty on European Union and left the EU on 31 January 2020. MTG will be monitoring the developments around the conditions of the UK's departure from the EU and any subsequent arrangements, and take such action as may be needed to safeguard MTG's interests as new information becomes available.

Financing risks
MTG may in the future be reliant on access to financing and would thereby be exposed to risks associated with disruptions in the financial markets, which could make it more difficult and/or more expensive to obtain financing in the future. Potential events affecting this may include the adoption of new regulations, implementation of recently enacted laws or new interpretations, or the enforcement of existing laws and regulations applicable to financial institutions, the financial markets or the financial services industry, which could result in a reduction in the amount of available credit or increases in the cost of credit.

Financial policy
The Group's financial risk management is centralized to the parent company to capitalize on economies of scale and synergy effects, as well as to minimize operational risks. The Group's financial policy is subject to review and approval by the Board of Directors and constitutes a framework of guidelines and rules for financial risk management and financial activities in general. The Group's financial risks are continuously evaluated and monitored to ensure compliance with the Group's financial policy. The exposures are described in Note 22.

Foreign exchange risk
Foreign exchange risk is divided into transaction exposure and translation exposure.

Transaction exposure
Transaction exposure is not hedged.

Translation exposure
Translation exposure arises from the conversion of the Group's subsidiaries and associated companies' earnings and balance sheets into the Swedish krona reporting currency from other currencies. Since many of the subsidiaries report in currencies other than Swedish krona, the Group is exposed to exchange rate fluctuations. Translation exposure is not hedged.

Interest rate risk
MTG's sources of funding are primarily shareholders' equity, and cash flows from operations. Interest-bearing debt exposes the Group to interest rate risk. The Group does not currently use derivative financial instruments to hedge its interest rate risks.

Financing risk
External borrowing is managed centrally in accordance with the Group's financial policies. Loans are primarily taken up by the parent company and transferred to its subsidiaries as internal loans or capital injections. From time to time companies with external minor loans and/or overdraft facilities may exist.

Refinancing risk
The refinancing risk, if applicable, is managed by seeking to diversify funding sources and maturities, and by typically initiating the refinancing of all loans 12 months prior to maturity.

Credit risk
The credit risk with respect to MTG's trade receivables is diversified among a large number of customers, both private individuals and companies. High credit ratings are required for all material credit sales and solvency information is obtained to reduce the risk of bad debt.

Insurable risks
The parent company ensures that the Group has sufficient insurance cover, including business interruption, director and officer liabilities, and asset losses. This cover partly comprises corporate umbrella solutions to cover most territories, as well as local insurance solutions in respective subgroup or company.

GOVERNANCE AND RESPONSIBILITIES

Corporate Governance
Corporate Governance in MTG is based on Swedish legislation, the Rulebook for Issuer's on Nasdaq Stockholm and the Swedish Code of Corporate Governance (the "Code"), see www.corporategovernanceboard.se. During 2019, MTG has been compliant with the Code and the Rule Book for Issuers on Nasdaq Stockholm and the generally accepted principles in the securities market.

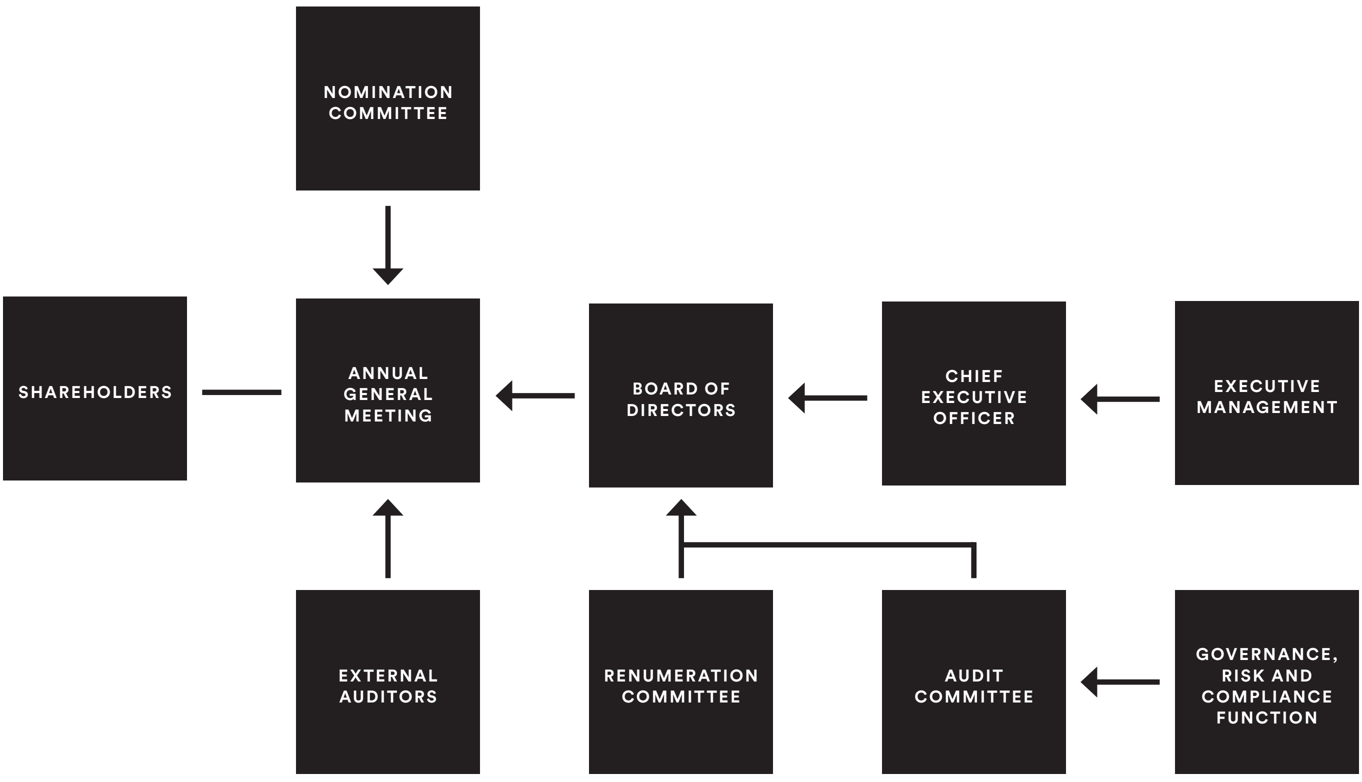
Shareholders
For information about the ownership structure, share capital and the MTG share, please refer to the Section "The MTG share" on pages 32-33.

Information regularly provided to shareholders includes interim reports and full year reports, Annual Reports and press releases on significant events occurring during the year. All reports, press releases and other information can be found at www.mtg.com under News.

Annual General Meeting
The Swedish Companies Act (2005:551) (the "Swedish Companies Act") and the Articles of Association determine how the notice to the Annual General Meeting and extraordinary general meetings shall occur, and who has the right to participate in and vote at the meeting. There are no restrictions on the number of votes each shareholder may cast at the general meeting. Class A shares entitle to ten votes, whereas Class B and Class C shares entitle to one vote.

The Nomination Committee
The Nomination Committee consists of members appointed by some of MTG's largest shareholders, and its responsibilities include:

- To evaluate the Board of Directors' work and composition
- To submit proposals to the Annual General Meeting regarding the election of the Board of Directors and the Chairman of the Board
- To prepare proposals regarding the election of Auditors in cooperation with the Audit Committee (when appropriate)
- To prepare proposals regarding the fees to be paid to the Board of Directors and to the Company's Auditors
- To prepare proposals for the Chairman of the Annual General Meeting
- To prepare proposals for procedure of appointing the Nomination Committee for next Annual General Meeting



In accordance with the resolution of the 2019 Annual General Meeting of MTG shareholders, a Nomination Committee was convened to prepare proposals for the 2020 Annual General Meeting. The Nomination Committee comprises Joachim Spetz, appointed by Swedbank Robur Funds; Erik Durhan, appointed by Nordea Funds; David Marcus, appointed by Evermore Global Advisors, LLC; and David Chance, the Chairman of the Board. The three shareholders who have appointed representatives to the Nomination Committee hold approximately 17% percent of the total voting rights in MTG. The members of the Nomination Committee appointed Joachim Spetz as Chairperson of the Nomination Committee at their first meeting. Information about how shareholders can submit proposals to the Nomination Committee has been published on www.mtg. com, where the Nomination Committee's motivated statement regarding its proposal to the Annual General Meeting and a brief presentation of its work will also be published well in advance of the Annual General Meeting 2020. In its work, the Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy. Accordingly, the Nomination Committee gives particular consideration to the importance of an increased diversity on the Board, including gender, age and nationality, as well as depth of experiences, professional backgrounds and business disciplines. Further information may be found in the Nomination Committee's motivated statement regarding the proposal for the Board which was given in connection with the 2019 Annual General Meeting.

The Board of Directors

Board members are elected at the Annual General Meeting for a period ending at the close of the next Annual General Meeting. The Articles of Association contains no restrictions pertaining to the eligibility of Board members. According to the Articles of Association, the number of Board members can be no less than three and no more than nine members elected by shareholders. The Board of Directors of Modern Times Group MTG AB comprises five Non-Executive Directors. The members of the Board of Directors are David Chance, Simon Duffy, Gerhard Florin, Donata Hopfen and Natalie Tydeman, and all of the current Board members were re-elected at the 2019 Annual General Meeting. In 2019, the Board of MTG complied with the Code's provision that the majority of members shall be independent in relation to the company and its management, and that at least two of them also shall be independent in relation to the company's major shareholders (i.e. those with a holding exceeding 10%). Biographical information on each Board member is provided on pages 42-43.

Responsibilities and Duties of the Board of Directors

MTG's Board of Directors is responsible for the overall strategy of the Group and for organizing its administration in accordance with the Swedish Companies Act. The Board's work and delegation procedures, instructions for the Chief Executive Officer, and reporting instructions are updated and approved at least annually following the Annual General Meeting. As in previous years, a Remuneration Committee and an Audit Committee have been established within the Board. These committees are preparatory bodies of the Board and do not reduce the Board's overall responsibility for the governance of the Company and decisions taken.

The work of the Board

During the year, the Board of Directors held 12 Board meetings. Prior to each ordinary Board meeting, the members receive a written agenda, based on the Board's established rules of procedure, and a complete set of documents for information and decision-making. Recurring items include the company's financial results and position, the market situation, investments and adoption of the financial statements. Reports from the Audit and Remuneration Committees, as well as reports on internal control and financing activities are also regularly addressed. The Chief Executive Officer presents matters for discussion at the meetings, and the Company's CFO and other members of management also participate and present specific matters. The Group General Counsel is the Board's secretary. The attendance of Board members at Board and committee meetings is presented in the table on page 43. Important issues addressed during the year include strategic issues, with a particular focus on structural options (such as the split of MTG into two listed companies; the MTG Group and the Nordic Entertainment Group and the preparations for a proposal concerning the distribution of Nordic Entertainment Group and the strategic review of the gaming vertical).

Ensuring Quality in Financial Reporting

The reporting instructions approved annually by the Board include detailed instructions on the type of financial reports and similar information which are to be submitted to the Board. In addition to the full-year report, interim reports and the annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities within the Group. The Board also reviews, primarily through the Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes in these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and financial reporting processes, as well as reports submitted by the Group's governance, risk and compliance (GRC) function. The Group's external auditors report to the Board as necessary. The external auditor also attends the meetings of the Audit Committee. Minutes are taken at all meetings and are made available to all Board members and to the auditor.

Evaluation of the Board of Directors and the Chief Executive Officer

The Board complies with an annual performance review process to assess how well the Board, its committees and processes are functioning and how they might be improved. Questions focus on whether the Board is adding value to the organisation and on enhancing its performance through examination of Board structure and composition, its operation and effectiveness, and its role in monitoring the execution of agreed strategies. The survey also includes an individual performance review. Answer options include both a quantitative ranking system as well as an opportunity to provide any relevant comments, particularly in relation to ideas for improvement. At the Q4 Board meeting the Chairman provides the full Board with a report of the outcome of the Board evaluation process. This summary is also presented by the Chairman and discussed with the Nomination Committee. In addition, every three years a more extensive Board evaluation is undertaken either by an independent Board member or an external consultant. Last time such an extensive board evaluation was carried out was the year 2017.

Remuneration Committee

The Remuneration Committee comprises Natalie Tydeman as Chairman, David Chance and Gerhard Florin. The Remuneration Committee's assignments are stipulated in Chapter 9.1 of the Code, and comprise issues concerning salaries, pension terms and conditions, incentive programs and other conditions of employment for the senior executives. The guidelines applied in 2019 are presented in Note 26 for the Group. Minutes are kept at the Remuneration Committee's meetings and are reported to the Board at its next meeting.

Audit Committee

The Audit Committee comprises Simon Duffy as Chairman, Donata Hopfen and Natalie Tydeman. The Audit Committee's assignments are stipulated in Chapter 8, Section 49b of the Swedish Companies Act. These tasks include monitoring MTG's financial reporting and the efficiency of MTG's internal controls, as well as maintaining frequent contacts with the external auditor and the Group's governance, risk and compliance Director. The Audit Committee's work primarily focuses on the quality and accuracy of the Group's financial accounting and the accompanying reporting, as well as the internal financial controls within MTG. Furthermore, the Audit Committee evaluates the auditors' work, qualifications and independence. The Audit Committee monitors the development of relevant accounting policies and requirements, discusses other significant issues connected with MTG's financial reporting and reports its observations to the Board. Minutes are kept at the Audit Committee's meetings and are reported to the Board at its next meeting.

Remuneration of Board Members

The remuneration to the Board members for Board work, and work in the committees of the Board, is proposed by the Nomination Committee and approved by the Annual General Meeting. The Nomination Committee proposal is based on benchmarking of peer group company compensation and company size. Information on the remuneration to Board members is provided in Note 26. Board members do not participate in the Group's incentive plans.

External Auditors

KPMG was elected as MTG's auditor for the financial year 2019 for a term-of-office ending at the end of the 2020 Annual General Meeting. KPMG has been the Group's external auditor since 1997. Joakim Thilstedt, Authorized Public Accountant, has been responsible for the audit of the Company on behalf of KPMG since December 2013. Audit assignments have involved the examination of the Annual Report and financial accounting, the administration by the Board and the CEO, other tasks related to the duties of a company auditor, and consultation or other services that may result from observations noted during such examination or the implementation of such other tasks. All other tasks are defined as other assignments. The auditor reports its findings to the shareholders by means of the auditors' report, which is presented to the Annual General Meeting. In addition, the auditors' report detailed findings at each of the ordinary meetings of the Audit Committee and to the full Board as necessary. KPMG provided certain additional services in 2019. These services comprised work in relation to the split of MTG and Nordic Entertainment Group, tax compliance work, advice on accounting issues, and advice on processes and internal controls and other assignments of a similar kind and closely related to the auditing process. For more detailed information concerning the auditors' fees, see Note 27.

Pre-approval of Policies and Procedures for Non-audit related Services

In order to ensure the auditor's independence, the Audit Committee has established pre-approval policies and procedures for non-audit related services to be performed by the external auditor. The policy was approved in November 2019 by the Audit Committee.

Executive Management

At year-end of 2019, the members of the Executive Management in MTG included Chief Executive Officer Jørgen Madsen Lindemann, Chief Financial Officer Maria Redin, Head of Communications & Investor Relations Lars Torstensson, Head of Product Development and Incubation Peter Nørrelund, Head of Esport and Gaming Arnd Benninghoff and Group General Counsel Johan Levinsson. In February 2019, Jette Nygaard-Andersen left MTG. Biographical information, including shareholding as of 31 December 2019, on each member of the Executive Management is provided on pages 44-45.

Chief Executive Officer

The CEO is responsible for the ongoing management of the Company in accordance with the instructions established by the Board. In consultation with the Chairman of the Board, the CEO prepares the information and documentation required as a basis for the work of the Board and in order to enable Board members to make well-informed decisions. The CEO is supported by the Executive Management team. The Board evaluates the performance of the CEO on a regular basis. The Board also held one meeting to evaluate the CEO's performance, without the attendance of the CEO or any other member of management. The CEO and the Executive Management, supported by the various employee functions, are responsible for the adherence to the Group's overall strategy, financial and business control, financing, capital structure, risk management and acquisitions. Among other tasks, this includes preparation of financial reports and communication with the stock market. The Company guidelines and policies issued include financial control, communication practices, brands, business ethics and personnel policies.

Executive remuneration

The existing guidelines for remuneration to senior executives approved at the 2019 Annual General Meeting, as well as information regarding the application of, and the deviations from, the existing guidelines and remuneration for the senior executives paid out during 2019, can be found in Note 26 for the Group. Senior executives covered by these guidelines include the Executive Management.

The Remuneration Committee's evaluation has resulted in the conclusion that there has been compliance with the guidelines for remuneration to the senior executives resolved by the 2018 and 2019 Annual General Meetings during 2019. This conclusion has been confirmed by the auditor.

Proposal for 2020 executive remuneration guidelines

The Board proposes the following guidelines for determining remuneration for MTG's CEO and other senior executives in the MTG Group (the "Senior Executives"), as well as members of the Board if they are remunerated outside their directorship. The Group Management currently comprises six Senior Executives (the CEO and 5 other Senior Executives).

Remuneration guidelines

Subject to the adoption by the 2020 Annual General Meeting, these Remuneration Guidelines shall be applied to employment agreements entered into after the 2020 AGM and to changes made to existing agreements thereafter. The guidelines shall be in force until new guidelines are adopted by the General Meeting, the intention is for the guidelines to remain in place for up to four years. These guidelines do not apply to any remuneration decided or approved by the General Meeting such as long-term share or share price related incentive plans and ordinary Board remuneration.

The Board has established a Remuneration Committee. In order to avoid any conflict of interest, the Remuneration Committee consist only of members that are independent of the company and its management. The remuneration is managed through well-defined processes ensuring that no individual is involved in the decision-making process related to their own remuneration. The Remuneration Committee's tasks include preparing the Board's decision to propose guidelines for executive remuneration. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration to the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company.

Information regarding the existing remuneration arrangements for the Senior Executives can be found in Note 26 of the 2019 Annual Report, this includes fixed and variable compensation, long-term incentive plans and other benefits.

MTG is a strategic operational and investment company that combines investment expertise with hands-on operational engagement. MTG's Vision is to become the home of esport and gaming entertainment. MTG's Mission is to grow the gaming ecosystem and benefit its communities through relevant storytelling with craftmanship, innovation and sustainability at its centre. MTG's Strategy is to drive profitability and organic growth in portfolio companies and invest in high-potential esport and gaming businesses.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. The remuneration structures shall encourage employees to do their utmost to safeguard shareholders' interests and thereby the company's sustainability and long-term value creation.

More information on MTG's strategy can be found on the MTG's website and in the most recent annual report, www.mtg.com.

Remuneration principles

The Remuneration Guidelines provides a structure that aligns remuneration with the successful delivery of our long-term strategy: to drive profitability and organic growth in our portfolio companies and invest in high-potential esport and gaming business. The guidelines sets guiding principles for selection of LTIP performance measures and LTIP performance period to ensure the link to the shareholder value and as such the guidelines contributes to the long-term success and value creation of the company. The guidelines provides for the ability to set relevant financial and non-financial STI measures including governance, social and environmental further contributing to alignment between the guidelines and sustainability as well as the company values, which are Bold, Smart, Engaging and Fun. The performance measures for the STI are determined by the Remuneration Committee based on the business priorities for the year. Each year stretch objectives are set in the light of the Company's annual business plan and the operating environment. The guidelines provides incentives for the CEO and the Senior Executives to drive innovative and performance based culture which contributes to achieving our company mission.

The remuneration of the CEO and the Senior Executives consist of base salary, short-term and long-term incentives, pension and other benefits.

Base salary

Attracts and retains the CEO and the Senior Executives taking into account of their individual responsibilities, their personal contribution, the size of role and business complexity. The base salary for the CEO and the Senior Executives shall be competitive. The base salary is reviewed annually, typically with effect from 1 January. The Remuneration Committee looks at pay practices in selected comparison groups, the benchmarks are conducted through independent advisors. Decisions on salary also take into account the performance and experience of the individual, changes in the size and scope of the role, and the level of salary awards across the business.

Short term incentive (STI)

Drives and rewards achievement of our stretching annual financial, strategic, operational and sustainability targets aligned with our business strategy. The STI is capped at 125% of the individual's base salary. Performance measures and weightings are reviewed at the start of each year to take account of current business plans and to ensure they continue to support the short-term business strategy. These measures can vary from year to year to reflect business priorities and typically the measures includes a balance of the Company's financial performance measures (for example profitability, revenue and cash flow measures) and non-financial measures (for example key operational, strategic, environmental, social, governance or other sustainability related measures) provided that in any given year majority of weighting will be on financial performance measures. Through the combination of the financial measures with the non-financial measures the STI will contribute to the long-term interests and sustainability of the company. Details of actual performance measures applied for each year and how they support the business strategy will be disclosed in the annual Remuneration Report. Performance against targets is monitored and determined based on assessment of performance level versus each target level. The Board reviews the performance and determines the extent to which each of the targets have been achieved, to determine the final pay-out level. As regards to the financial criteria, the evaluation shall be based on the latest financial information made public by MTG. The Board has discretion to adjust the formulaic STI outcome in changed circumstances to improve the alignment of pay with value creation for shareholders, and to ensure the outcome is a fair reflection of the company´s performance, and will take into account any relevant environmental, social, and governance (ESG) matters when determining outcomes. To further strengthen the connection to the shareholders' interest and the company's long-term value creation, payment of part of the STI may be deferred and delivered in MTG shares and such shares to be retained for an agreed period of time. Awards are subject to claw-back in cases where the final payment is made based on performance that is proven to be manifestly misstated. The Board may decide to reclaim whole or a part of the final payment. In its decision to reclaim any amount the Board may, in its sole discretion, reduce the amount to be reclaimed based on the employee's lack of direct involvement in the performance and reporting of performance which has been manifestly misstated.

Extraordinary arrangements

By way of exception, additional one-off arrangements can be made on a case by case basis when deemed necessary, under the condition that such extraordinary arrangement is made for recruitment or retention purposes, subject to Board approval. Each such arrangement shall be capped at, and never exceed, 200% of the individual's annual base salary.

Long Term Incentive Programme (LTIP)

The Board may offer LTIPs in order to attract and retain key individuals, as well as to share the success of the company's growth. The LTIPs that can be offered are 3-4 year plans which are share or share price related programmes (such as performance share plans and/or warrant plans), which will be put forward to the General Meeting to resolve on – irrespective of these guidelines. Share and share price related LTIPs shall be structured to ensure a long-term commitment to the development of MTG and with the intention that the Senior Executives shall have a significant long-term shareholding in MTG. The outcome shall be linked to certain pre-determined performance criteria, based on MTG's share price and value growth. The Board have also – irrespective of these guidelines – in 2018 agreed to offer one employee, today a Senior Executive, participation in the local Management Incentive Programs, i.e. a cash based LTIP linked to pre-determined levels for the value creation of a specific vertical or subsidiary within MTG. The maximum outcome has a predetermined cap.

More information regarding the ongoing LTIPs, including the criteria which the outcome depend on, can be found on MTG's website and in the most recent annual report, www.mtg.com.

Pension

Provides competitive and appropriate retirement arrangement in context of the market practice in the applicable country of the executives employment or residence and total remuneration. The pension arrangements shall be provided in the form of a defined contribution or as a cash allowance and shall amount to no more than 20% of the individual's annual base salary.

Other benefits

Provides competitive level of benefits and supports recruitment and retention. Other benefits may include car allowance, company car and housing. The combined value of these benefits shall normally constitute a limited value in relation to the total remuneration package and shall correspond to market practice.

Additional benefits may be received by Senior Executives in certain circumstances such as relocation or international assignment, taking into account the overall purpose of these guidelines.

Termination of employment and severance pay

In general, executive contracts have indefinite duration. The notice period can be up to one year for either party and non-compete restrictions can go up to one year. The Company may require the individual to continue to fulfil current duties during the notice period or may assign garden leave.

In case of termination of a Senior Executive's employment agreement, the STI is evaluated and paid pro-rata for the period up to the termination date where applicable. It should be noted that these cases are handled according to the discretionary right of the Board.

Salary and employment conditions for employees

In the preparation of the Board's proposal for these guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employee's total income, the components of the remuneration and increase and growth rate over time, in the Board's basis of decision when evaluating whether the guidelines and the limitations se out herein are reasonable.

Deviations from the guidelines

The Board may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. The Remuneration Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

INTERNAL CONTROL REPORT

The processes for internal control, risk assessment, control activities, information and communication, and monitoring regarding the financial reporting are designed to ensure reliable overall financial reporting and external financial statements in accordance with International Financial Reporting Standards, applicable laws and regulations and other requirements for listed companies on Nasdaq Stockholm. This process involves the Board, Executive Management and other personnel.

Control environment

The Board has specified a set of instructions and working processes regarding the roles and responsibilities of the Chief Executive Officer and the Board committees. The Board also has a number of established basic guidelines, which are important for its work on internal control activities. This includes monitoring performance against plans and prior years. The Audit Committee assists the Board in overseeing various issues such as monitoring internal audit and establishing accounting policies applied by the Group.

The responsibility for maintaining an effective control environment and internal control over financial reporting is delegated to the Chief Executive Officer. Other Executive Managers at various levels have respective responsibilities. The Executive Management regularly reports to the Board according to established routines and in addition to the Audit Committee's reports. Defined responsibilities, instructions, guidelines, manuals and policies together with laws and regulations form the control environment. All employees are accountable for compliance with these guidelines.

Risk assessment and control activities

The Company has assessed risks in all Group companies, segments and business units following a structured methodology. Where risk exposure has been deemed unacceptable by the management, risk mitigation measures have been formulated and implemented. A summary of the key risks is presented annually to the Board of Directors and the Audit Committee. Overall coordination of the risk management process is provided centrally by the Group's governance, risk and compliance function. The most important risks for esport are around continued access to relevant game titles, competitive landscape, and dependency on a limited number of content distribution platforms. The main risks for gaming companies are around successful launches of new titles and return on investment in newly developed games. Operational managers are responsible for risk management in the Group's companies, segments and business units. The responsibility encompasses the day-to-day work focused on operational and other relevant risks, and on leading risk management activities in their own areas of responsibility. The managers are supported in their risk management efforts by central Group functions, as needed.

Information and communication

Guidelines used in the Company's financial reporting are updated and communicated to the employees concerned on an ongoing basis. There are formal as well as informal information channels to the Executive Management and to the Board of Directors for information from the employees identified as significant. Guidelines for external communication ensure that the Company applies the highest standards for providing accurate information to the capital markets.

Review

The Board of Directors regularly evaluates the information provided by the Executive Management and the Audit Committee. The Board receives regular updates of the Group's development between the meetings. The Group's financial position, strategies and investments are discussed at every Board meeting. The Audit Committee reviews the quarterly reports prior to publication. The Audit Committee is also responsible for following up on internal control activities. This work includes ensuring that measures are taken to deal with any inaccuracy and following up suggestions for actions emerging from the external audits.

The Company has a governance, risk and compliance (GRC) function responsible for the evaluation of risk management and internal control activities. This work includes scrutinising the application of established routines and guidelines and, where needed, assisting with the design and implementation of additional control procedures. The GRC function plans its work in cooperaiton with the audit committee and resports the result of its efforts to the audit committee.

The external auditors report to the Audit Committee at each ordinary Committee meeting.

Internal Audit

Given the risk assessment described above and how the control activities are designed, including self-assessment and in-depth analysis of the internal control, the Board of Directors has chosen not to maintain a specific internal audit funtion.

BOARD OF DIRECTORS

David Chance
Chairman of the Board,
American and British, born 1957
Elected 1998

David is Chairman of the Board of Directors since May 2003. David was Deputy Managing Director of the BSkyB Group between 1993 and 1998. He has also served as a Non-Executive Director of ITV plc and O2 plc. David is also Chairman of Top Up TV and is a Non-Executive Director of PCCW Limited (Hong Kong), Chairman of its NOW TV media group and Chairman of Nordic Entertainment Group. David graduated with a BA in Psychology, BSc in Industrial Relations and MBA from the University of North Carolina.

Member of the Remuneration Committee. Independent of the Company and management and independent of major shareholders.

Direct or related person ownership: 3,565 MTG class B per 31 December 2019.

Donata Hopfen
Non-Executive Director,
German, born 1976
Elected 2016

Donata is a Digital Transformation Driver and is Managing Director and Partner with BCG Digital Ventures. Prior to BCG Donata has been the CEO / Managing Director of Verimi. Previously Donata was the Publishing Director and Head of the Management Board of BILD Group, Europe's largest newspaper and Germany's largest digital news portal. Before that Donata was the Managing Director of BILD's digital and mobile activities. Donata has held various positions including responsibility for business development and product management at BILD.T-Online, and head of business development in Axel Springer's electronic media department. Donata was a member of the Digital Expert Board of Deutsche Postbank AG. Donata holds diplomas in European business administration from the Universities of Madrid and Reutlingen.

Member of the Audit Committee. Independent of the Company and management and independent of the major shareholders.

Direct or related person ownership: 0 shares per 31 December 2019.

Gerhard Florin
Non-Executive Director
German, born 1959
Elected 2018

Gerhard has spent over 20 years in the entertainment and gaming industry, and currently serves on the Boards of MTG's subsidiary InnoGames and Codemasters PLC, a UK based games publishing company. Gerhard has previously served on the Boards of Funcom, Kobojo and King Digital Entertainment, and was Chairman of the latter between 2014 and 2016. Between 2006 and 2010, Gerhard served as an Executive Vice President and General Manager of Publishing at Electronic Arts, being responsible for the company's worldwide publishing business, prior to which he held various positions in Electronic Arts' German and British operations. Before joining Electronic Arts, Gerhard worked at Bertelsmann Music Group and McKinsey. Gerhard holds Master's and PhD degrees in Economics from the University of Augsburg in Germany.

Member of the Remuneration Committee. Independent of the Company and management, and independent of major shareholders.

Direct or related person ownership: 0 shares per 31 December 2019.

Natalie Tydeman
Non-Executive Director
British, born 1971
Elected 2017

Natalie is Managing Partner of VT Partners LLP. Between 2007 and 2016, Natalie was at GMT Communications Partners, one of Europe's leading private equity specialists in the media and communications sectors, where she became Partner in 2010 and later promoted to Senior Partner in 2014. Natalie helped launch Excite in Europe, built Discovery Communications' European internet operations, was Managing Director of Fox Kids Europe's Online & Interactive division, and led Fremantle Media's business diversification and corporate venturing activities as Senior Vice President. Natalie is also a Trustee of Nesta, a charitable foundation focused on increasing the innovation capacity of the United Kingdom, where she chairs the Venture Investment Committee and Nesta Investment Management. Natalie is also a board member of Nordic Entertainment Group AB. Natalie has also been a Trustee of the Central British Fund, a director of Seagull AS and a director of Bigpoint GmbH. Natalie holds a BA in Mathematics from the University of Oxford and an MBA from Harvard Business School.

Chairman of the Remuneration Committee and member of the Audit Committee.

Independent of the Company and management and independent of the major shareholders.

Direct or related person ownership: 0 shares per 31 December 2019.

Simon Duffy
Non-Executive Director
British, born 1949
Elected 2008

Simon was Executive Chairman of Tradus plc until the company's sale in March 2008. Simon was also Executive Vice-Chairman of ntl:Telewest until 2007, having joined ntl in 2003 as CEO. Simon has also served as CFO of Orange SA, CEO of wireless data specialist End2End AS, CEO and Deputy Chairman of WorldOnline International BV, and held senior positions at EMI Group plc and Guinness plc. Simon is also a Non-Executive Chairman of YouView TV Ltd., as well as a Non-Executive Director of Oger Telecom Limited, Wizz Air Holdings Plc, Nordic Entertainment Group AB and Telit Communications Plc. Simon has also served as chairman of the board of Bwin.party digital entertainment plc and Mblox Inc. as well as board member of Millicom International Cellular and Avito AB. Simon is a Master's graduate of the University of Oxford and holds an MBA from Harvard Business School.

Chairman of the Audit Committee.

Independent of the Company and management and independent of the major shareholders.

Direct or related person ownership: 1,750 MTG class B shares per 31 December 2019.

Board of Directors and attendance at Board and Committee meetings 2019

Board of Directors	Board meeting attendance[1), 2)]	Audit Committee attendance	Remuneration Committee attendance[1)]	Independent of major shareholders	Independent of company and its management
David Chance	12/12	–	3/3	Yes	Yes
John Lagerling	2/12	–	1/3	Yes	Yes
Donata Hopfen	10/12	6/6	–	Yes	Yes
Gerhard Florin	10/12	–	3/3	Yes	Yes
Natalie Tydeman	11/12	5/6	3/3	Yes	Yes
Simon Duffy	12/12	6/6	–	Yes	Yes

1) In connection with the Annual General Meeting held on 21 May 2019, John Lagerling resigned from his position as Director.
2) The total number of meetings during 2019 were twelve, of which six were held prior to the Annual General Meeting held on 21 May 2019 and six were held following the 2019 Annual General Meeting.

GROUP MANAGEMENT

Jørgen Madsen Lindemann
President & CEO

Jørgen was appointed as President and CEO of MTG in September 2012, prior to which he served as Executive Vice President of the Group's Nordic Broadcasting (free-TV, pay-TV and radio) operations from October 2011. He was also responsible for the Group's Czech operations between 2008 and 2011, and the Hungarian operations between 2010 and 2011, and served as CEO of MTG Denmark from 2002, prior to which he was responsible for MTG's New Media department between 2000 and 2002. Jørgen has worked in the Group since1994 when he joined as Head of Interactive Services. He became Head of Sponsorship for TV3 in 1997, then Head of Viasat Sport in Denmark and, subsequently, Head of Viasat Sport for the Group in 1998. He is also a member of the Boards of Zalando and Turtle Entertainment.

Direct or related person ownership: 103,338 MTG class B shares and 250,253 warrants of series 2019/2022 as per 31 December 2019.

Maria Redin
CFO

Maria was appointed as Chief Financial Officer of MTG in December 2015. She previously served as Acting Chief Financial Officer from June to November 2015. She has also held a number of senior positions at MTG, including Head of Group Finance and Group Controller. Her roles in the Group have included the positions of CFO, and later CEO, of MTG's former gaming entertainment company Bet24, as well as a number of financial positions, and she started her career at MTG as a management trainee in 2004. Maria has been a Member of the Board of Directors at NetEnt since 2012. She holds a Master's degree in International Business from the University of Gothenburg

Direct or related person ownership: 10,036 MTG class B shares and 58,284 warrants of series 2019/2022 as per 31 December 2019.

Arnd Benninghoff, EVP
Esport & Gaming

Arnd joined MTG in November 2014 and leads MTG's strategic investments in esport (ESL and DreamHack) and gaming (InnoGames and Kongregate). Prior to joining MTG, Arnd worked as Chief Digital Officer for Digital & Adjacent at ProSiebenSat.1 Media AG, and as Managing Director of SevenVentures, the group's venture arm. Arnd has also been CEO of Holtzbrinck eLAB, the incubator of the Holtzbrinck Publishing Group, founded and built fifteen companies, and held various management roles at Tomorrow Focus AG. He started his career as a journalist, working for Deutsche Presse Agentur and TV networks.

Direct or related person ownership: 3,321 class B shares as per 31 December 2019.

Peter Nørrelund
CEO DreamHack Sport Games
and EVP MTG

Peter was appointed CEO of DreamHack Sport Games in December 2019 in addition to his position as EVP of MTG. He previously served as Co-CEO of DreamHack from May 2018, EVP and CEO of MTG Sport from March 2016 and as COO of Turtle Entertainment from February 2017. Peter joined MTG in 2003 and headed up the Danish sports operations from 2004. He has been responsible for all sports rights acquisitions across the Group since 2006 and was appointed MTG Head of Sport in 2013. Peter has a degree in journalism from the Danish School of Media & Journalism, and prior to joining MTG he worked as a reporter, commentator, host and Editor in Chief at Danish public service broadcaster DR.

Direct or related person ownership: 19,455 (8,093) class B shares and 38,324 warrants of series 2019/2022 as per 31 December 2019.

Lars Torstensson
EVP Communications
& Investor Relations

Lars was appointed as EVP, Head of Communications & Investor Relations in June 2019. Prior to joining MTG, Lars Torstensson served as Chief Communications Officer at Swedish listed consulting company Sweco AB and has held communications, investor relations, strategy and business development positions at Gelato AS and Tele2 Group. He previously worked at Swedbank Robur and Handelsbanken Asset Management. Lars holds a Master of Science in Business Administration from Jönköping International Business School.

Direct or related person ownership: 7,700 class B shares and 25,904 warrants of series 2019/2022 as per 31 December 2019.

Johan Levinsson
Group General Counsel

Johan was appointed MTG Group General Counsel in May 2018. He joined MTG in February 2017 as Head of Legal – M&A and Corporate Legal Affairs of the MTG Group, prior to which he worked for 11 years in private practice at law firms Roschier, Ashurst (including a 7 months secondment to Ashurst's London office) and Hamilton. He holds a Master of Laws (LL.M) from Uppsala University.

Direct or related person ownership: 410 class B shares and 14,247 warrants of series 2019/2022 as per 31 December 2019.

FINANCIAL REPORTS

CONSOLIDATED INCOME STATEMENT

(SEK million)	Note	2019	2018
Continuing operations			
Net sales	3, 4	4,242	3,841
Cost of goods and services		-2,293	-1,843
Gross income		**1,949**	**1,999**
Selling expenses		-1,068	-1,002
Administrative expenses		-1,146	-1,193
Other operating income	6	36	51
Other operating expenses	6	-26	-33
Share of earnings in associated companies and joint ventures	7	0	-1
Items affecting comparability	10	-152	139
Operating income	3, 4, 5, 11, 12, 24, 26, 27, 29	**-407**	**-41**
Net interest	8	1	50
Other financial items	8	-28	25
Income before tax		**-435**	**35**
Tax expenses	9	-23	-141
Net income for the year, continuing operations		**-458**	**-107**
Discontinued operations	30		
International Entertainment		1,433	207
Nordic Entertainment Group		13,646	1,292
Other business		-227	-239
Net income for the year, discontinued operations		**14,852**	**1,260**
Total net income for the year		**14,394**	**1,153**
Net income for the year, continuing operations, attributable to:			
Equity holders of the parent company		-551	-212
Non-controlling interest		93	105
Total net income for the year, continuing operations		**-458**	**-107**
Total net income for the year, attributable to:			
Equity holders of the parent company		14,293	1,037
Non-controlling interest		101	116
Total net income for the year		**14,394**	**1,153**
Continuing operations			
Basic earnings per share (SEK)	17	-8.19	-3.17
Diluted earnings per share (SEK)	17	-8.19	-3.15
Total operations			
Total basic earnings per share (SEK)	17	212.68	15.52
Total diluted earnings per share (SEK)	17	212.68	15.40
Number of shares			
Shares outstanding at the end of the period		67,342,244	66,980,902
Basic average number of shares outstanding	17	67,278,885	66,854,133
Diluted average number of shares outstanding	17	67,278,885	67,362,405

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK million)	Note	2019	2018
Net income for the year, continuing operations		-458	-107
Other comprehensive income			
Items that are or may be reclassified to profit or loss net of tax:			
Change in currency translation differences	18	128	215
Other comprehensive income, continuing operations		**128**	**215**
Total comprehensive income, continuing operations		**-330**	**109**
Net income for the year, discontinued operations	30	14,852	1,260
Other comprehensive income			
Items that are or may be reclassified to profit or loss net of tax:			
Change in currency translation differences	18	-49	42
Cash flow hedge		-	68
Total comprehensive income, discontinued operations		**14,803**	**1,370**
Total comprehensive income for the year		**14,473**	**1,479**
Attributable to:			
Equity holders of the parent company		14,349	1,302
Non-controlling interest		124	177
Total comprehensive income for the year		**14,473**	**1,479**

CONSOLIDATED BALANCE SHEET

(SEK million)	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	11		
Capitalized expenditure		316	519
Trademarks		734	1,350
Customer relations		360	877
Goodwill		3,961	6,159
Total intangible assets		5,371	8,904
Tangible assets	12		
Machinery		14	55
Equipment, tools and installations		112	215
Total tangible assets		**126**	**270**
Right of use assets	24	139	-
Long-term financial assets	7		
Shares and participations in associated companies and joint ventures		21	46
Receivables from associated companies		0	9
Shares and participations in other companies		198	88
Other long-term receivables		30	141
Total long-term financial assets		**250**	**284**
Deferred tax assets	9	247	232
Total non-current assets		**6,133**	**9,690**
Current assets			
Inventories			
Finished goods and merchandise		13	73
Program rights		-	2,352
Advances to suppliers		8	18
Total inventories		**21**	**2,443**
Current receivables			
Accounts receivable	15	433	1,683
Accounts receivable, associated companies		-	2
Tax receivables		8	44
Other receivables, non interest-bearing		221	478
Prepaid programming expense		-	2,875
Prepaid expense and accrued income		322	1,316
Assets held for sale[1]		-	931
Total current receivables		**985**	**7,330**
Cash and cash equivalents		1,824	862
Total current assets		**2,831**	**10,634**
Total assets		**8,964**	**20,324**

1) Relates to Nova Group in 2018.

(SEK million)	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	18		
Share capital		338	338
Other paid-in capital		286	203
Reserves		267	-95
Retained earnings including net income for the year		4,288	5,231
Total equity attributable to equity holders of the parent company		**5,179**	**5,678**
Non-controlling interest			
Non-controlling interest		1,402	1,320
Total equity		**6,581**	**6,997**
Non-current liabilities	22		
Interest-bearing			
Bond loan		-	500
Lease liabilities	24	103	-
Total non-current interest-bearing liabilities		**103**	**500**
Non-interest bearing			
Non-interest bearing liabilities		0	6
Deferred tax liabilities	9	416	828
Provisions	19	109	229
Liabilities at fair value	22	377	405
Total non-current non-interest-bearing liabilities		**903**	**1,469**
Total non-current liabilities		**1,006**	**1,969**
Current liabilities	22		
Interest-bearing			
Liabilities to financial institutions		0	3,179
Lease liabilities	24	37	-
Total current interest-bearing liabilities		37	3,179
Non-interest-bearing			
Advances from customers		73	596
Accounts payable	22	251	1,947
Tax liabilities		16	307
Provisions	19	9	169
Liabilities at fair value	22	-	37
Other liabilities		189	466
Accrued programming expense		-	2,364
Accrued expense and deferred income		800	1,912
Liabilities related to assets held for sale[1]		-	380
Total current non-interest-bearing liabilities		**1,339**	**8,178**
Total current liabilities		**1,376**	**11,357**
Total liabilities		**2,382**	**13,326**
Total equity and liabilities		**8,963**	**20,324**

1) Relates to Nova Group in 2018.
For information about pledged assets and contingent liabilities, see note 21.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the equity holders of the parent company								
(SEK million)	Share capital	Paid-in capital	Trans-lation reserve	Hedging reserve	Revalu-ation reserve	Retained earnings incl. net income for the year	Total	Non-con-trolling interest	Total equity
Balance as of 1 January 2018	**338**	**1,797**	**-320**	**-11**	**-12**	**3,387**	**5,179**	**1,393**	**6,572**
Net income for the year						1,037	**1,037**	116	**1,153**
Other comprehensive income			197	68			**265**	61	**326**
Total comprehensive income for the year 2018			**197**	**68**	**-**	**1,037**	**1,302**	**177**	**1,479**
Effect of share-based programmes						30	**30**		**30**
Change in non-controlling interests							**-**	7	**7**
Dividends to shareholders						-834	**-834**		**-834**
Dividends to non-controlling interests							**0**	-257	**-257**
Balance as of 31 December 2018	**338**	**1,797**	**-123**	**57**	**-12**	**3,621**	**5,678**	**1,319**	**6,997**
Net income for the year						14,293	**14,293**	101	**14,394**
Other comprehensive income			56				**56**	23	**79**
Total comprehensive income for the year 2019			**56**	**-**	**-**	**14,293**	**14,349**	**124**	**14,473**
Effect of share-based programmes						17	**17**		**17**
Change in non-controlling interest							**-**	-41	**-41**
Dividend Nordic Entertainment Group				-57		-14,807	**-14,864**		**-14,864**
Dividends to shareholders							**-**		**-**
Dividends to non-controlling interests							**-**		**-**
Balance as of 31 December 2019	**338**	**1,797**	**-67**	**0**	**-12**	**3,123**	**5,179**	**1,402**	**6,581**

For information about changes in equity for the Group, see note 18.

CONSOLIDATED STATEMENT OF CASH FLOW

(SEK million)	Note	2019	2018
Cash flow from operations			
Net income for the year		-458	1,153
Adjustments to reconcile net income/loss to net cash provided by operations	23	388	457
Cash flow from operations, continuing operations		**-71**	**1,610**
Changes in working capital			
Increase (-)/decrease (+) net programme inventories		-8	-454
Increase (-)/decrease (+) other current receivables		-284	-448
Increase (+)/decrease (-) accounts payable		42	224
Increase (+)/decrease (-) other current liabilities		134	109
Total change in working capital		**-117**	**-568**
Net cash flow from operations, continuing operations		**-188**	**1,042**
Investing activities			
Investment in other non-current assets		-238	-765
Acquisitions of subsidiaries, associates	29	-96	-235
Divestments of subsidiaries and associates and other companies	30	1,876	297
Other cash flow from investing activities		4	-76
Cash flow from investing activities, continuing operations		**1,546**	**-779**
Financing activities			
Change in short-term borrowings	23	-3,179	452
Change in long-term borrowings	23	-500	-
Repayment borrowings and other capital restructuring items NENT		3,854	-
Decrease of other long-term receivables		-87	32
Lease payments		-48	-
Dividends to shareholders		-	-834
Dividends to shareholders with non-controlling interest		-	-257
Cash flow from financing activities, continuing operations		**40**	**-608**
Total cash flow, continuing operations		**1,398**	**-344**
Cash flow, discontinued operations		**-653**	**4**
Cash flow from the year		**746**	**-340**
Cash and cash equivalents at beginning of year		**862**	**1,394**
Translation differences in cash and cash equivalents		4	30
Change in cash and cash equivalents reclassified to assets held for sale		213	-221
Cash and cash equivalents at end of year		**1,824**	**862**

PARENT COMPANY INCOME STATEMENT

(SEK million)	Note	2019	2018
Net sales		20	36
Gross income		**20**	**36**
Administrative expenses		-256	-256
Operating loss	26, 27	**-236**	**-220**
Interest income and other financial income	8	15	214
Interest expense and other financial costs	8	-13	-37
Results from shares in subsidiaries	8	2,300	0
Income before tax and appropriations		**2,066**	**-43**
Group contribution		78	687
Untaxed reserves, tax allocation reserve		141	-149
Income before tax		**2,285**	**495**
Tax expenses	9	0	-24
Net income for the year		**2,285**	**471**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(SEK million)	Note	2019	2018
Net income for the year		2,285	471
Other comprehensive income		-	-
Total comprehensive income for the year		**2,285**	**471**

PARENT COMPANY BALANCE SHEET

(SEK million)	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	11		
Capitalized expenditure		0	0
Total intangible assets		**0**	**0**
Tangible assets	12		
Equipment, tools and installations		3	2
Total tangible assets		**3**	**2**
Long-term financial assets			
Shares and participations in group companies	13	5,849	8,024
Receivables from group companies	14	-	12,067
Shares and participations in other companies		0	1
Other long-term receivables		-	10
Total long-term financial assets		**5,849**	**20,102**
Total non-current assets		**5,852**	**20,104**
Current assets			
Current receivables			
Receivables from group companies		81	4,603
Tax receivables		2	-
Other receivables		21	55
Prepaid expense and accrued income	16	-	15
Total current receivables		**104**	**4,673**
Cash and cash equivalents		1,123	24
Total current assets		**1,227**	**4,697**
Total assets		**7,079**	**24,801**

(SEK million)	Note	31 Dec 2019	31 Dec 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	18		
Restricted equity			
Share capital		338	338
Other restricted reserve		94	0
Total restricted equity		**433**	**338**
Non-restricted equity			
Premium reserve		270	267
Retained earnings		2,577	4,265
Net income for the year		2,285	471
Total non-restricted equity		**5,132**	**5,003**
Total shareholders' equity		**5,565**	**5,341**
Untaxed reserves, tax allocation reserve		115	239
Non-current liabilities			
Interest-bearing	22		
Bond loan		-	500
Total non-current interest-bearing liabilities		**-**	**500**
Non-interest bearing			
Liabilities to group companies		-	10
Provisions	19	-	5
Total non-current non-interest-bearing liabilities		**-**	**14**
Total non-current liabilities		**-**	**514**
Current liabilities			
Interest-bearing			
Liabilities to group companies		1,308	15,231
Liabilities to financial institutions	22	-	3,179
Total current interest-bearing liabilities		**1,308**	**18,410**
Non-interest-bearing			
Accounts payable		4	17
Liabilities to group companies		2	141
Tax payables		-	35
Other liabilities		8	58
Accrued expense and deferred income	20	77	46
Total current non-interest-bearing liabilities		**90**	**296**
Total current liabilities		**1,399**	**18,706**
Total liabilities		**1,514**	**19,460**
Total shareholders' equity and liabilities		**7,079**	**24,801**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(SEK million)	Share capital	Other restricted reserve	Premium reserve	Retained earnings incl. net income for the year	Total
Balance as of 1 January 2018	**338**	**0**	**267**	**5,093**	**5,699**
Net income for the year				471	471
Other comprehensive income					-
Total comprehensive income for the year 2018				**471**	**471**
Dividends to shareholders				-834	-834
Effect of share-based programmes (LTIP)				6	6
Balance as of 31 December 2018	**338**	**0**	**267**	**4,735**	**5,341**
Net income for the year				2,285	2,285
Other comprehensive income					-
Total comprehensive income for the year 2019	**-**	**-**	**-**	**2,285**	**2,285**
Distribution of Nordic Entertainment Group AB				-2,001	-2,001
Dividends to shareholders				-	-
Effect of share-based programmes				6	6
Effect of merger		94		-161	-67
Other adjustments			3	-3	0
Balance as of 31 December 2019	**338**	**94**	**270**	**4,862**	**5,565**

For information about changes in equity for the Parent company, see note 18.

PARENT COMPANY CASH FLOW STATEMENT

(SEK million)	Note	2019	2018
Cash flow from operations	23		
Net income for the year		2,285	471
Adjustments to reconcile net income/loss to net cash provided by operations:			
Depreciation and write-downs	11, 12	1	0
Depreciation leases		2	-
Appropriations, group contribution and untaxed reserves		-219	-538
Unrealized change in LTIP schemes value		6	6
Change in provisions		26	-8
Merger result		-2,300	-
Unrealized exchange difference	8	12	3
Total adjustments to reconcile net income/loss to net cash provided by operations		**-2,473**	**-537**
Cash flow from operations		**-187**	**-66**
Changes in working capital			
Increase (-)/decrease (+) short-term receivables		770	857
Increase (+)/decrease (-) accounts payable		-12	2
Increase (+)/decrease (-) other liabilities		-172	-153
Total changes in working capital		**586**	**705**
Net cash flow from operations		398	639
Investing activities			
Investment in non-current assets		-2	-2
Proceed from liquidation of subsidiary		2	-
Cash flow from investing activities		**0**	**-2**
Financing activities			
Receivables/liabilities from group companies		589	-1,177
Dividends to shareholders		-	-834
Change in funding to/from NENT		3,854	-
Change in borrowings		-3,740	554
Lease payments		-2	-
Cash flow from financing activities		**701**	**-1,457**
Cash flow from the year		**1,099**	**-819**
Cash and cash equivalents at beginning of year		**24**	**844**
Cash and cash equivalents at end of year		**1 123**	**24**

NOTES

1 Accounting and valuation principles

Modern Times Group MTG AB (MTG) is a company domiciled in Sweden. The Company's registered office is located at Skeppsbron 18, P.O. Box 2094, SE-103 13 Stockholm, Sweden. The consolidated financial statements of the Company for the year ended 31 December 2019 comprise the Company and its subsidiaries and their share of participation in joint ventures and associated companies.

The financial statements were authorized for issue by the Board of Directors on 17 April 2020. The consolidated income statement and statement of financial position, and the income statement and the balance sheet of the parent company will be presented for adoption by the Annual General Meeting on 18 May 2020.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and its interpretations provided by the IFRS Interpretations Committee as endorsed by the European Commission. Recommendation RFR 1 on Supplementary Accounting Rules for Groups as issued by the Swedish Financial Reporting Board has also been applied in the preparation of the Annual report.

The consolidated accounts have been prepared based on the acquisition values except that the following assets and liabilities are stated at their fair value: derivative financial instruments, contingent considerations and financial instruments classified as available-for-sale.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated below. For information on accounting for certain line items, see each note.

Change in accounting principles and new accounting standards
The Group's consolidated accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2018 Annual Report except for the implementation of IFRS 16 Leases.

IFRS 16 Leases
New accounting standard for leases. For the lessee the classification according to IAS 17 in operating and finance lease is replaced by a single lease accounting model. All leases should be recognized on the balance sheet as a right-of-use asset and a lease liability. Leases of low-value assets and items as well as leases of 12 months or less are exempt from the requirements. Depreciation of lease assets is separately recognized from interest on lease liabilities in the income statement. The standard has not had any material impact on the Group's financial position or result. For further information and disclosures related to leases see Note 24. The standard was effective for annual periods beginning on or after 1 January 2019.

New and amended Accounting standards and interpretations
IAS 19 Employee benefits
The change refers to defined benefit plans and the accounting of actuarial assessments. The new rules have not had any impact as the Group have defined contribution plans.

IAS 28 Investments in Associates and Joint Ventures is changed
The change clarifies that a company should apply IFRS 9 Financial instruments for long-term receivable representing an extended investment in an associate or a joint venture. The new rules have not had any impact on the Group's financial statements or result.

IFRIC 23 Uncertainty over Income Tax Treatments
The interpretation relates how the uncertainty regarding income tax amounts should be recognized. This applies to, for example, current tax receivables when the amount is appealed against and the company have a discussion with the tax authorities. The new rules have not had any impact on the Group's financial statements or result.

Consolidated accounts
The consolidated accounts include the Parent company, all subsidiaries and the share of participation in joint ventures and associated companies.

Subsidiaries
Subsidiaries are companies in which the Group exercises control, meaning that the Group has power over the subsidiary and has exposure or rights to its variable returns. The Group must also have the ability to use the power to affect the return from the subsidiary. For all companies in which the Group holds more than 50% of the votes the criteria's of control are fulfilled and the companies are consolidated as subsidiaries.

All business combinations are accounted for in accordance with the purchase method. At the date of acquisition, the acquired assets and assumed liabilities (net identifiable assets) are measured at fair value. The difference between the acquisition value of shares in a subsidiary and identifiable assets and liabilities measured at fair values at the date of acquisition is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of identifiable net assets acquired is recognized in the profit and loss in the period of acquisition. Acquisition related costs are expensed as incurred. Results for companies acquired during the year are included in the consolidated statement of comprehensive income from the date of acquisition.

Non-controlling interest

In subsidiaries not wholly owned, the share of equity owned by external shareholders is recorded as non-controlling interest. There are two alternatives for the recognition of non-controlling interests. One alternative is to recognize the non-controlling interest at its share of fair value of the acquired company; another alternative is to recognize the non-controlling interests at its share of the fair value of the acquired net assets. The former method (the full goodwill method) leads to a higher value of non-controlling interest and goodwill than the later method (the partial goodwill method). The choice of method is made for each acquisition separately.

Associated companies

Associated companies are reported based on the equity method. An associated company is a company in which the Group exercises significant influence. Normally, this means companies in which the Group holds voting rights of at least 20 percent and no more than 50 percent.

Joint ventures

Joint ventures are arrangements in which two or more parties have joint control and have rights to the net assets of the arrangement. Joint ventures are recognized according to the equity method (see Associated companies).

Discontinued operations/Assets held for sale

Discontinued operations refer to companies that have been disposed or have been classified as held for sale and the companies represent a separate major line of business or geographical area of operations. The group usually classifies a company as an Asset held for sale when there is signed agreement to divest the company. Result and cash flow from discontinued operations are presented separate from result and cash flow from continued operations.

The Group recognizes distribution of non-cash assets in accordance with IFRIC 17 Distribution of Non-cash Assets to Owners. Liabilities for dividends are recognized at fair value at the date of decision with the corresponding decrease in retained earnings. At the date of settlement, the Group recognizes the difference between the fair value of the distributed asset and the Group book value of the net assets in net income.

Functional currency and reporting currency

The functional currency of the parent company is the Swedish krona (SEK). This is also the reporting currency for the Group and the parent company.

Financial statements of foreign operations

The balance sheets of the Group's foreign subsidiaries are translated into Swedish krona (SEK). The translation is based on the exchange rates ruling at the balance sheet date, while the income statements are translated using an average rate for the period. The resulting translation differences are charged in other comprehensive income and accumulated in the translation reserve in equity. The accumulated translation differences are reclassified to the income statement when the foreign operation is divested.

Parent company

The Parent company has prepared the Annual Report according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. RFR 2 involves application of all IFRSs and interpretations endorsed by the European Commission, except where the possibility to apply IFRS is restricted by the Swedish Company Act and due to tax rules. Holdings in subsidiaries are recognized in the Parent Company according to the purchase method which means that the transaction costs are included in the recognized value of shares in subsidiaries. The Group recognizes these costs in the income statement immediately when occurred.

Group contributions

Group contributions received and paid are recognized as appropriations in the income statement.

Untaxed reserves

Untaxed reserves in the parent company comprise a tax allocation reserve. The reserve makes it possible to defer tax, and hence even out the tax cost between years.

Shareholders' contribution

Shareholders' contribution paid is recognized as an increase in shares in subsidiaries. When the contribution is given to cover losses made, an impairment test is made. Impairment is recognized in the income statement.

2 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the Board of Directors and the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates are reviewed by the Audit Committee.

Key sources of estimation uncertainty
Note 11 Intangible assets and 29 Acquired operations contain information of the assumptions and the risk factors relating to goodwill impairment. Litigations and provisions made are reported in note 19.

Goodwill and other intangible assets
Intangible assets, except goodwill and intangible assets with indefinite useful lives, are amortized and depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue.

Goodwill and intangible assets with indefinite useful lives are subject to impairment tests yearly or when triggered by events. The impairment review requires management to determine the fair value of the cash generating units on the basis of cash flow projections and internal forecasts and business plans. For further information, see note 11 Intangible assets.

Valuation of liabilities at fair value
The calculation of fair values of options to acquire non-controlling interests of acquired subsidiaries, and contingent considerations are based on terms defined in agreements set up in connection with the acquisitions. The valuations are usually based on projections and forecasts of future revenues and operating margin. The outcome of revenues and operating margin could deviate from projections and forecast, and, as a result of this, affect the valuation and the eventual consideration for non-controlling interests. This deviation would impact the income for the period and the financial position.

Provisions and contingent liabilities
A provision is recognized when a present obligation exist as a result of a past event, it is probable that economic resources will be transferred, and reliable estimates can be made of the amount of the obligation. In such a case, a provision is calculated and recognized in the balance sheet. A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group's control, or when it is not possible to calculate the amount. Realisation of any contingent liability which is not disclosed or for which no amount is not currently recognized could have a material impact on the Group's financial position.

The Group regularly reviews significant outstanding litigations in order to assess the need for provisions. Among the factors considered, are the nature of the litigation, claims, legal processes and potential level of damages, the opinions and views of the legal counselors, and the management's intentions to respond to the litigations or claims. To the extent the estimates and judgments do not reflect the actual outcome; this could materially affect the income for the period and the financial position. For further information, see note 19 Provisions.

3 Revenue accounting

Revenue recognition
Revenue from external customers is mainly derived from sale of online gaming and esport events, including advertising, subscription fees, sale of tickets and merchandise. The accounting principles for the main revenue streams are described in further detail below.

Online gaming revenue
In the Online gaming business the Group offers both own and third party games. The customer uses games that are free to play and purchases goods to be used virtually in the game. Revenue is recognized at a point in time or over time depending on if the virtual good is a consumable or durable.

Event revenue
In the esport business the Group provides event driven goods and services from producing online and physical events in our own leages or on behalf of third parties. Revenue from producing events are recognized at a point in time. Revenue from goods related to specific events (products and tickets etc) are recognized at a point in time.

Other
Other revenue consists mainly of advertising revenue.

Significant judgement in revenue recognition

Agent or principal

The Group assesses whether it is acting as a principal or agent in all transactions where another party is involved in providing products or services to the customer. In transactions where the Group is acting as an agent, revenue is recognized net in the income statement. In transactions where the Group is acting as a principal, revenue is recognized gross in the income statement.

Disaggregation of revenue

Revenue from external customers is mainly derived from sale of online gaming and esport.

2019

(SEK million)	Esport	Gaming	Central Operations	Eliminations	Total
External revenue	1,712	2,531	-	-	**4,242**
Internal revenue	0	-	18	-18	**-**
Total revenue for the segment	**1,712**	**2,531**	**18**	**-18**	**4,242**
Revenue streams					
External revenue	1,712	2,531	-	-	**4,242**
Revenue from external customers	**1,712**	**2,531**	**-**	**-**	**4,242**
Timing of revenue recognition					
At a point in time	131	-	-	-	**131**
Over time	1,581	2,531	-	-	**4,112**
Revenue from external customers	**1,712**	**2,531**	**-**	**-**	**4,242**

2018

(SEK million)	Esport	Gaming	Central Operations	Eliminations	Total
External revenue	1,515	2,296	30	-	3,841
Internal revenue	5	-	3	-8	0
Total revenue for the segment	**1,520**	**2,296**	**33**	**-8**	**3,841**
Revenue streams					
Total revenue	1,515	2,296	30	-	3,841
Revenue from external customers	**1,515**	**2,296**	**30**	**-**	**3,841**
Timing of revenue recognition					
At a point in time	67	-	-	-	67
Over time	1,448	2,296	30	-	3,774
Revenue from external customers	**1,515**	**2,296**	**30**	**-**	**3,841**

Cost to obtain a contract

Costs to obtain a contract relate to NENT and costs within other parts of MTG are not material. Part of the subscriber acquisition costs within the pay-TV has been defined as cost to obtain a contract. These costs consist of external fees paid to third parties for the provision of new subscriptions and are incremental costs to obtaining contracts the Group would not have incurred if the contracts had not been obtained. Cost to obtain a contract are recognized as an asset and amortized over the subscription period. The Group recognizes a contract cost asset even if the expected amortisation period is one year or less. Cost to obtain a contract are included in prepaid expenses.

Group (SEK million)	2019	2018
Opening balance 1 January	271	202
Changes in Group structure	-271	-
Increase of contract assets due to new contracts during the year	-	310
Amortisation expense of costs to obtain contracts	-	-242
Closing balance 31 December	**-**	**271**

Contract asset

Contract assets consists of accrued revenue, when the Group is entitled to compensation for completed work, but the invoice has not been sent on the closing date. The change during the year represents the net reclassification between accrued revenue and invoiced sales.

Group (SEK million)	2019	2018
Opening balance 1 January	718	730
Changes in Group structure	-575	-
Net change in accrued income	95	-12
Closing balance 31 December	**238**	**718**

Contract liability

Contract liabilities consist of the following prepaid income:

- Prepaid advertising revenues within free-TV and radio occurs when the customer is compensated for under deliveries,
- Prepaid subscription revenues as customers within pay-TV pay one month in advance,
- Prepaid revenue related to content production as the revenue is recogized over time in a pattern that depict the transfer of control and,
- Prepaid revenue related to online gaming as the customer buys virtual goods that are recognized as income over time depending on whether it is consumable or durable.

Group (SEK million)	2019	2018
Opening balance 1 January	362	275
Net change in contract liability during the year	-40	115
Reclassifcation to asset held for sale	-	-28
Changes in Group structure	-132	-
Closing balance 31 December	**190**	**362**

Contract liabilities reported at the beginning of 2019 and 2018 has been recognized as revenue during each year.

Revenue from performance obligations satisfied in previous periods

Within free-TV third party distribution fees occurs related to third party agreements for end customers usage of TV channels. This fee is estimated based on historical data for previous period. When the actual usage is received from the customer an adjustement is booked for revenue recognized up to date.

Unsatisfied performance obligations

The Group does not disclose any information regarding unsatisfied performance obligations as at December 31 since the performance obligations refer to contracts where the contract term is 12 months or less.

4 Business segments

MTG's financial reporting structure is divided into the following segments:

Esport

The esport segment is made up of ESL, Dreamhack and MTG VC-fund's investments in esport related companies. Through ESL and Dreamhack, MTG is the world's leading esport company and operates national and international tournaments as well as grassroots amatuer cups, leagues and festivals. In this relatively new cultural phenomenon, ESL and Dreamhack are established global brands and the preferred choice for viewers, players, partners and publishers.

Gaming

The gaming vertical is made up of InnoGames, Kongregate and MTG VC-fund's investment in gaming-related companies. InnoGames is Germany's leading developer and publisher of mobile and on-line games. The company is based in Hamburg and is best known for Forge of Empires, Elvenar and Tribal Wars. InnoGames' complete portfolio encompasses seven live games and several mobile titles in production. InnoGames is focused on the free-to-play segment and provides players with a cross-platform experience on PC and mobile devices. Kongregate, based in San Fransisco, is a leading mobile game publisher and developer, and is a recognized innovator in breakout genres like idle games.

	Net Sales	
(SEK million)	**2019**	**2018**
Esports	1,712	1,520
Gaming	2,531	2,296
Central Operations	18	33
Eliminations	-18	-8
Total	**4,242**	**3,841**

The business segments are responsible for the management of the 0perational assets and the performance is monitored at the business segment level. Financing is managed centrally in the Group. Consequently, liquid funds, interest-bearing receivables and liabilities are not allocated to the business segments.

	External sales		Internal sales	
(SEK million)	**2019**	**2018**	**2019**	**2018**
Esports	1,712	1,515	0	5
Gaming	2,531	2,296	-	-
Central Operations	-	30	18	3
Eliminations	-	-	-18	-8
Total Group	**4,242**	**3,841**	**-**	**0**

	EBIT		EBITDA		Adjusted EBITDA	
(SEK million)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Esports	-430	-85	-351	-19	-213	-171
Gaming	269	323	485	475	605	513
Central Operations	-246	-279	-243	-279	-153	-243
Total Group	**-407**	**-41**	**-109**	**177**	**239**	**99**

In order to assess the operating performance of the business, MTG management focus on Adjusted EBITDA. This performance measure doesn't include the impact of items affecting comparability, long-term incentive programs, acquisition-related transaction expenses and impairment of own work capitalized, which are referred to as adjustments. 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.

Adjustments are made for Items affecting comparability of SEK 152 (-139) million, Impairment of own capitalized costs of SEK 93 (13) million, Long-term incentive programs of SEK 76 (13) million and acquisition-related transaction expenses of 28 (34) million.

EBITDA are earnings before interest, tax, depreciation and amortization.

	Assets		Liabilities and equity		Capital employed	
(SEK million)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Esports	2,984	2,620	976	601	1,632	2,019
Gaming	3,705	3,647	429	395	3,276	3,252
Other	21	274	-	126	21	148
Central Operations	500	566	909	1,198	-32	-631
Total	**7,210**	**7,108**	**2,313**	**2,320**	**4,897**	**4,788**
Total cash and interest-bearing assets	1,824	449	-	-		
Total borrowings	-	-	140	3,679		
Equity incl. non-controlling interest	-	-	6,581	6,997		
Eliminations	-71	-346	-71	-346		
Total continuing operations	**8,963**	**7,211**	**8,963**	**12,650**	**4,897**	**4,788**
Assets and liabilities held for sale	-	931	-	380		
Total discontinued operations	-	12,182	-	7,295		
Total	**8,963**	**20,324**	**8,963**	**20,324**	**4,897**	**4,788**

(SEK million)	Capital expenditure excluding investments in subsidiaries 2019	2018	Depreciation and amortisation 2019	2018
Esports	34	29	79	65
Gaming	203	151	216	152
Central Operations	2	3	3	1
Total	**239**	**184**	**298**	**218**

The Group's business segments operate mainly in Europe and USA. Net sales and non-current assets are shown below by geographical area. Non-current assets constitute of intangible and tangible assets. Sales are shown per country from which the revenues are derived.

(SEK million)	Net sales 2019	2018	Non-current assets 2019	2018
Sweden	232	247	253	2,222
Denmark	50	-5	3	153
Bulgaria	-	-	-	10
Norway	-	-	-	852
Germany	2,678	2,515	4,325	4,415
Netherlands	-	0	-	125
Finland	-	-	-	298
Rest of Europe	126	162	46	310
USA	1,072	870	839	759
Other regions	84	52	31	31
Total	**4,242**	**3,841**	**5,497**	**9,174**

5 Cost accounting

Nature of expenses

A function based income statement is presented as part of the financial statements of the Group. The table below presents how the operational costs are classified based on the nature of expense.

Group (SEK million)	2019	2018
Net sales	4,242	3,841
Other operating income	36	51
Cost of programmes and goods	-962	-1,052
Distribution costs	-1,260	-1,172
Salaries, remuneration, and social security expenses	-966	-941
Depreciation and amortisation	-252	-218
Depreciation leasing	-46	-
Impairment charges	-104	-60
Other expenses	-944	-628
Share of earnings in associated companies and joint ventures	0	-1
Items affecting comparability	-152	139
Operating Income	**-407**	**-41**

6 Other operating income and expenses

Group (SEK million)	2019	2018
Other operating income		
Gain from exchange rate differences	6	20
Revaluation option liabilities	-	13
Government grants/tax incentives	2	-
Rental income	5	-
Other	23	18
Total	**36**	**51**
Other operating expenses		
Loss from exchange rate differences	-3	-20
Acquisition costs	-	-2
Accrual legal dispute	-10	-
Revaluation option liabilities	-8	-8
Other	-5	-4
Total	**-26**	**-33**

7 Shares in associated companies and joint ventures

Group (SEK million)	2019	2018
Share of earning	0	-1
Net income, continuing operation	**0**	**-1**
Discontinuing operation	-2	-
Total net income	**-2**	**-1**

Associated companies and joint ventures are reported based on the equity method. The share of earnings is equal to the Group's share of net income in each associated company or joint venture after conversion into Swedish krona. The calculation of share in net income is based on the latest available accounts.

Summarized financial information for associated companies and joint ventures

Group (SEK million)	2019	2018
Net sales	-	59
Net income	-10	-4
Other comprehensive income	-	-
Non-current assets	-	10
Current assets	51	42
Total assets	**51**	**51**
Non-current liabilities	29	0
Curent liabilities	20	41
Total liabilities	**50**	**41**

Shares and participations in associated companies and joint ventures

Group (SEK million)	2019	2018
Carrying amount	21	46
Total	**21**	**46**

8 Financial items

Group (SEK million)	2019	2018
Interest income	11	66
Interest expenses on borrowings	-10	-16
Net interest	**1**	**50**
Net exchange rate differences	-17	5
Borrowing costs	-5	-26
Interest expenses from discounting	-3	-19
Other	-3	64
Other financial items	**-28**	**25**
Net financial items	**-28**	**75**

Parent company (SEK million)	2019	2018
Interest income from external parties	0	1
Interest income from subsidiaries	3	209
Net exchange rate differences	11	3
Total interest income and other financial income	**15**	**214**
Interest expense to external parties	-8	-5
Interest expense to subsidiaries	0	-6
Borrowing costs	-4	-26
Total interest expense and other financial costs	**-13**	**-37**
Dividends from subsidiaries	-	-
Gain from merger	2,300	0
Results from shares in subsidiaries	**2,300**	**0**
Net financial items	**2,302**	**177**

The interest income and expenses on borrowings relate to financial assets and liabilities valued at amortized cost.

9 Taxes

Accounting for corporate income tax

Tax expenses reported includes current Swedish and foreign corporate income taxes and deferred tax arising from temporary differences. Temporary differences arises when there are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. A deferred tax asset is reported corresponding to the tax value of loss carry forwards if it is judged likely that the loss carry forward will be used to taxable income in the foreseeable future. Net income for the year is charged with tax on taxable earnings for the year and with tax estimated for the change in temporary differences for the year as current tax and deferred tax expenses respectively in each Group company.

Distribution of tax expense

Group (SEK million)	2019	2018
Current tax		
Current tax expense	-150	-245
Adjustment for prior years	6	101
Total	**-145**	**-144**
Deferred tax		
Tax attributable to temporary differences	121	3
Total	**121**	**3**
Total tax expense in the income statement	**-23**	**-141**

Reconciliation of tax expense

Group (SEK million)	2019	%	2018	%
Tax/Tax rate in Sweden	93	21.4	-8	22.0
Non-taxable income	30	7.0	81	-234.2
Foreign tax rate differential	-26	-6.1	-167	484.7
Effect of losses carry-forward not previously recognised	3	0.7	5	-15.4
Non-deductible expenses	-42	-9.7	-84	244.6
Impairment of goodwill and option liabilities	-	-	-	-
Losses where no deferred tax was recognized	-96	-22.0	-56	161.9
Other permanent effects	8	1.8	-14	40.5
Under/over provided in prior years	7	1.5	102	-294.9
Effective tax/tax rate	**-23**	**-5.4**	**-141**	**409.1**

Deferred Tax

Group (SEK million)	31 Dec 2019	31 Dec 2018
Deferred tax asset attributable to:		
Tangible assets	4	11
Intangible assets	20	3
Provisions	5	10
Current receivables	2	11
Current liabilities	32	12
Financial assets	12	9
Tax value of tax losses carry forward recognized	172	177
Total	**247**	**232**

Group (SEK million)	31 Dec 2019	31 Dec 2018
Deferred tax liabilities attributable to:		
Intangible assets	381	613
Goodwill	9	147
Tangible assets	1	-
Provisions	-	42
Current liabilities	26	3
Financial assets	0	22
Total	**416**	**828**
Deferred tax net	**-169**	**-596**

Group (SEK million)	Opening balance 1 January	Deferred tax recognized in the P&L	Divestment of subsidiaries	Deferred tax recognized in OCI	Translation differences	Closing balance 31 December
	2019					
Tax losses carry forward	177	-25	16	-	6	172
Temporary differences in:						
Goodwill	-147	-11	149	-	0	-9
Tangible assets	11	3	-11	-	0	3
Intangible assets	-611	57	194	-	-2	-361
Provisions	-32	0	37	-	0	5
Current receivables	11	2	-11	-	0	2
Current liabilities	9	3	-6	-	0	6
Financial assets	-13	5	21	-	0	13
Total	**-596**	**34**	**389**	**-**	**3**	**-169**

Group (SEK million)	Opening balance 1 January	Deferred tax recognized in the P&L	Reclass to assets held for sale	Deferred tax recognized in OCI	Translation differences	Closing balance 31 December
	2018					
Tax losses carry forward	215	-27	-	-	-12	177
Temporary differences in:						
Goodwill	-147	-	-	-	-	-147
Tangible assets	7	-2	7	-	-	11
Intangible assets	-631	-12	-	-	32	-611
Provisions	-7	-31	6	-	-	-33
Current receivables	11	20	-20	-	-	11
Current liabilities	1	9	-1	-	-	9
Financial assets	9	25	-17	-30	1	-13
Total	**-543**	**-18**	**-26**	**-30**	**21**	**-596**

Total tax losses carry forward without expiration date, for which deferred tax assets have been recognized, amounts to SEK 548 (344) million for the Group at 31 December 2019. The recognized deferred tax asset for these tax losses are SEK 172 (177) million. The accounts for 2019 and 2018 include deferred tax assets as a tax value of the tax losses carry forward in all countries where it is judged likely that the Group will be able to use its tax losses carry forward to a taxable surplus in a foreseeable future. As a consequence, deferred tax assets related to losses carried forward are not recognized in some countries.

Unrecognized tax losses carry-forward by expiry date

Group (SEK million)	2019	2018
2019	-	17
2020	-	22
2021	-	47
2022	0	30
2023 and thereafter	87	196
No expiry date	614	397
Total	**701**	**709**

Parent company

There were no tax losses carry forward in 2019 or 2018 in the parent company.

Distribution of tax expenses

Parent company (SEK million)	2019	2018
Current tax	0	-107
Adjustment for prior years	-	83
Total tax expenses	**0**	**-24**

Reconciliation of tax expense

Parent company (SEK million)	2019	%	2018	%
Tax/Tax rate in Sweden	458	21.4	-109	22.0
Non-deductible expenses	33	1.5	-1	0.2
Non-taxable income	-491	-22.9	3	-0.6
Prior year tax adjustments	-	-	83	-16.8
Effective tax/tax rate	**0**	**0.0**	**-24**	**4.8**

10 Items affecting comparability

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

Group (SEK million)	2019	2018
Demerger NENT Group	-54	-
Redundancy costs headquarter	-17	-
Redundancy costs ESL	-35	-
Project close down costs ESL	-12	-
Write-off items in balance sheet ESL	-34	-
Restructuring ESL	-	-49
Net capital gain related to options to acquire shares	-	188
Total	**-152**	**139**

In 2019 the IAC included costs in MTG AB associated wiht the demerger of NENT gorup and redundancy costs associated with an operational efficiency program at the headquarter. For ESL the IAC included redundancy costs as a result of the reduction on the overall workforce. The reduction is a part of the implementation of a new operating model to make ESL even more fit for purpose for the next phase of growth. Another part of the implementation has been to stop projects related to the former operating model, resulting in one-off costs. As part of an internal review of ESL's balance sheet, write-off items have been concluded related to accounts receivable and legacy items.

In 2018 IAC included restructuring costs related to organisational changes in Turtle (ESL), gain on the settlement of options and contingent considerations resulting from the acquisition of 8% of the remaining shares in Turtle Entertainment. In addition IAC included a revaluation of provision in Dreamhack.

Items affecting comparability classified by function

Group (SEK million)	2019	2018
Cost of goods sold	-36	-16
Administrative expenses	-116	-34
Other operating income	-	189
Other operating expenses	-	-
Net income	**-152**	**139**

11 Intangible assets

Accounting for intangible assets

Intangible assets are reported net after deductions for accumulated amortisation according to plan and impairment losses. Amortisation according to plan are normally calculated on a straight-line schedule based on the acquisition value of the asset and its estimated useful life. The intangible assets are classified in the following categories:

Asset	Amortisation period
Capitalized development expenditure	3–10 years
Trademarks	Trademarks being part of a purchase price allocation are normally judged to have indefinite lives and are tested for impairment tests annually or if triggered by events
Customer relations	10–15 years
Beneficial rights/ broadcasting licenses	Estimated amortisation period based on the terms of the license
Goodwill	Indefinite lives with impairment tests annually or if triggered by events

Capitalized development expenditure

Expenditure on development activities, aiming at new or substantially improved products and processes, are capitalized if the process is technically and commercially feasible and the Group has sufficient resources to complete the development. The development expenditure capitalized includes the direct costs and, when appropriate, cost of direct labour and an appropriate proportion of overheads. Other expenditures is expensed in the income statement as incurred. Capitalized development expenditures are stated at cost less accumulated amortisation and impairment losses. The capitalized expenditure relates mainly to software and software platforms.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of an acquired business. Goodwill is recognized as an asset and tested for impairment losses at least annually. Any impairment is recognized immediately in the income statement and cannot be reversed. Goodwill arising from acquisitions of associated companies is included in the reported value of shares in associated companies. Impairment tests are made on the total cash generating unit.

Other intangible assets

Other intangible assets, such as acquired customer relations, beneficial rights, broadcasting licenses and trademarks, are stated at cost less accumulated amortisation and impairment losses.

(SEK million)	Group: Capitalized development expenditure	Trademarks	Customer relations and other1)	Goodwill	Total	Parent Company: Capitalized expenditure
Acquisition values						
Opening balance 1 January 2018	907	1,941	1,026	12,948	**16,823**	55
Investments during the year	89	26	13	2	**130**	-
Sales and disposals during the year	-5	-80	-	-299	**-384**	-
Change in Group structure, reclassifications etc	-	19	-13	-	**6**	-
Reclassification to assets held for sale	-	-573	-110	-5,773	**-6,456**	-
Discontinued operations	95	17	338	-810	**-360**	-
Translation differences	24	62	32	469	**586**	**-**
Closing balance 31 December 2018	**1,111**	**1,412**	**1,285**	**6,537**	**10,345**	**55**
Opening balance 1 January 2019	1,111	1,412	1,285	6,537	**10,345**	55
Investments during the year	91	-	91	-9	**174**	-
Sales and disposals during the year	-	-	-	-119	**-119**	-
Change in Group structure, reclassifications etc	-591	-603	-749	-4,887	**-6,829**	-
Reclassification to assets held for sale	-	-	-	-	**-**	-
Discontinued operations	-	-	-	-	**-**	-
Translation differences	10	16	10	89	**125**	-
Closing balance 31 December 2019	**621**	**825**	**638**	**1,612**	**3,695**	**55**
Accumulated amortisation and impairment losses						
Opening balance 1 January 2018	-407	-556	-391	-6,585	**-7,939**	-54
Sales and disposals during the year	-2	0	0	-	**2**	-
Amortisation during the year	-50	-29	-83	-	**-162**	-1
Impairment losses during the year	-13	-	-1	-46	**-60**	-
Change in Group structure, reclassifications etc	0	-1	1	-	**0**	-
Reclassification to assets held for sale	-	553	100	5,682	**6,335**	-
Discontinued operations	-118	-4	-27	884	**695**	-
Translation differences	-7	-24	-8	-273	**-312**	-
Closing balance 31 December 2018	**-593**	**-62**	**-408**	**-378**	**-1,441**	**-55**
Opening balance 1 January 2019	-593	-62	-408	-378	**-1,441**	-55
Sales and disposals during the year	0	0	-	119	**119**	-
Amortisation during the year	-51	-33	-119	-	**-202**	0
Impairment losses during the year	-78	-14	-	-	**-93**	-
Change in Group structure, reclassifications etc	418	18	252	2,613	**3,301**	-
Reclassification to assets held for sale	-	-	-	-	**-**	-
Discontinued operations	-	-	-	-	**-**	-
Translation differences	-1	0	-2	-4	**-8**	-
Closing balance 31 December 2019	**-305**	**-91**	**-277**	**2,349**	**1,676**	**-55**
Carrying amount						
As per 1 January 2018	500	1,385	636	6,363	**8,884**	1
As per 31 December 2018	518	1,350	877	6,159	**8,904**	0
As per 1 January 2019	518	1,350	877	6,159	**8,904**	0
As per 31 December 2019	316	734	360	3,961	**5,371**	0

1) Other refers to licenses and beneficial rights.

Amortisation by function

Group (SEK million)	2019	2018
Cost of goods and services	149	146
Administrative expenses	53	8
Selling expenses	-	7
Other operating expenses	-	-
Total	**202**	**162**

Impairment losses by function

Group (SEK million)	2019	2018
Cost of goods and services	93	13
Administrative expenses	-	1
Other operating expenses	-	-
Selling expenses	-	-
Items affecting comparability	-	46
Total	**93**	**60**

Impairment tests for cash-generating units

Cash generating units with significant carrying amounts of goodwill:

Group (SEK million)	2019	2018
ESL	1,245	1,227
InnoGames	2,120	2,080
Kongregate	441	422
Dreamhack	156	156
Discontinued operations	-	2,274
Total	**3,961**	**6,159**

Cash generating units with significant carrying amounts of trademarks with indefinite lives:

Group (SEK million)	2019	2018
ESL	382	376
InnoGames	216	256
Kongregate	72	69
Dreamhack	64	64
Discontinued operations	-	585
Total	**733**	**1,350**

These trademarks have a strong position on their respective markets and will be actively used in the businesses, and are thereby judged to have indefinite lives. The trademarks are improved and developed continuously, and the net cash flows generated through these are not considered to cease within a foreseeable future.

Impairment testing

Impairment testing, of goodwill and other intangible assets with indefinite lives, for cash-generating units in the business segment are based on calculations of the recoverable amount (value in use), using a discounted cash flow model. The cash flow is discounted at a pre-tax interest of 12% (12) considering the cost of capital and risk. Specific individual discount rates might be used in some cases, related to circumstances such as the territory or the economic environment. If the headroom turn out to be low in relation to the carrying amount, specifically calculated WACC for the business in question is used. The model involves key assumptions such as market size, share and growth rates, sales prices and cost growth together with working capital requirements. These cash flow projections, calculated over a minimum of a five year period, are based on actual operating results, forecasts and financial projections, using historical trends, general market conditions, industry trends and other available information. After the five-year period, a growth rate of 2.5% (2.5) is normally applied.

The cash flow projections are based on a sustainable growth rate which is individually estimated based on each unit's outlook. Individual assumptions are also made on cost and capital turnover development.

Impairment test

The impariment tests are carried out on a regular bais, annually or when triggered by events. The impairment tests 2019 did not trigger an impairment for the Group.

Sensitivity analysis

The units, which do not indicate an impairment requirement, have such a margin that reasonably possible adverse changes in individual parameters would not cause the value in use to fall below the book value. However, cash flow projections are to its nature more uncertain and may also be influenced by factors not in control by the company. Such factors could be political risks and general market conditions, which might quickly deteriorate due to a financial crisis such as crisis due to instability in the financial sector.

The following table shows carrying amount and the recoverable amount of Dreamhack The current calculation, using an individual WACC of 8.3%, do not indicate impairment, but a change in the recoverable amount, depending on changes in the market conditions or other parameters, could result in an impairment. A change in the growth rate would give the following results:

(SEK million)	Dreamhack
Recoverable amount	301
Carrying amount	293

The recoverable amount in relation to the carrying amount in case of a decrease in the growth rate:

- 0.5 percentage point	277
- 1.0 percentage point	257

12 Tangible assets

Accounting for tangible assets

Tangible assets are reported at cost less accumulated depreciation and any impairment losses. Where parts of an item of machinery and equipment have different useful lives, they are accounted for as separate items of machinery and equipment. Depreciation are normally calculated using the straight-line method over the assets estimated useful life. Machinery and equipment are depreciated over a period of 3 to 5 years.

	Group			Parent Company
(SEK million)	**Machinery**	**Equipment, tools and installations**	**Total**	**Equipment**
Acquisition value				
Opening balance 1 January 2018	156	776	**932**	7
Investments during the year	5	49	**54**	2
Acquisitions through business combinations	-	-	**-**	-
Sales and scrapping during the year	-14	-36	**-50**	-
Change in Group structure, reclassifications etc	2	-8	**-6**	-
Nova reclassified to assets held for sale	-5	-156	**-161**	-
Discontinued operations	11	61	**72**	-
Translation differences	4	16	**20**	-
Closing balance 31 December 2018	**157**	**701**	**859**	**8**
Opening balance 1 January 2019	157	701	**859**	8
Investments during the year	4	61	**65**	2
Acquisitions through business combinations	-	-	**-**	-
Sales and scrapping during the year	-	-1	**-1**	-
Change in Group structure, reclassifications etc	-150	-567	**-717**	-
Discontinued operations	-	-	**-**	-
Translation differences	2	5	**6**	-
Closing balance 31 December 2019	**13**	**200**	**212**	**10**
Accumulated depreciation and impariment losses				
Opening balance 1 January 2018	-88	-572	**-660**	-7
Sales and scrapping during the year	11	22	**32**	-
Depreciation during the year	-9	-47	**-56**	0
Impairment losses during the year	-	0	**0**	-
Change in Group structure, reclassifications etc	-	0	**0**	-
Nova reclassified to assets held for sale	3	143	**146**	-
Discontinued operations	-18	-22	**-40**	-
Translation differences	-2	-10	**-12**	-
Closing balance 31 December 2018	**-103**	**-486**	**-589**	**-7**
Opening balance 1 January 2019	-103	-486	**-589**	-7
Sales and disposals during the year	-	-1	**-1**	-
Depreciation during the year	-9	-41	**-49**	-1
Impairment losses during the year	-	-11	**-11**	-
Change in Group structure, reclassifications etc	113	454	**567**	-
Discontinued operations	-	-	**-**	-
Translation differences	-1	-2	**-3**	-
Closing balance 31 December 2019	**1**	**-88**	**-87**	**-8**
Carrying amount				
As per 1 January 2018	68	204	**272**	2
As per 31 December 2018	55	215	**270**	2
As per 1 January 2019	55	215	**270**	2
As per 31 December 2019	14	112	**126**	3

Depreciation by function

Group (SEK million)	2019	2018
Cost of goods and services	22	27
Selling expenses	2	4
Administrative expenses	24	24
Other operating expenses	1	-
Total	**49**	**56**

Impairment losses by function

Group (SEK million)	2019	2018
Cost of goods and services	11	-
Administrative expenses	-	-
Other operating expenses	-	0
Items affecting comparability	-	-
Total	**11**	**0**

13 Long-term financial assets

Group companies

The following table lists the major companies included in the MTG Group. A detailed specification of Group companies has been submitted to the Swedish Companies Registration Office and is available upon request from Modern Times Group MTG AB Investor Relations.

Shares and participations in Group companies

Parent company (SEK million)	Co. Reg.no.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value 31 Dec 2018	Book value 31 Dec 2019
MTG Publishing AB	556457-2229	Stockholm	1,000	-	-	6,023	-
MTG Broadcasting AB	556353-2687	Stockholm	1,000	100	100	-	5,849
Nordic Entertainment Group AB	559124-6847	Stockholm	500,000	-	-	2,000	-
MTG Nordics A/S		Denmark	5,000,000	-	-	1	-
Total						**8,024**	**5,849**

Share capital (%) and Voting rights (%) represent 31 Dec 2019.

Ownership in Group companies	Co. Reg.no.	Registered office	Share capital (%)	Voting rights (%)
MTG Broadcasting AB	556353-2687	Sweden	100	100
Dreamhack AB	556845-8763	Sweden	100	100
Modern Times Group MTG A/S		Denmark	100	100
Turtle Entertainment GmbH		Germany	82	82
Innogames GmbH		Germany	51	51
Kongregate Inc.		USA	100	100

Shares and participations in Group companies

Parent company (SEK million)	2019	2018
Opening balance 1 January	8,024	6,339
Acquisition	-	1
Dividend Nordic Entertainment Group	-2,000	-
Shareholder contributions	-	2,000
Sales, internally	**-176**	**-316**
Closing balance 31 December	**5,848**	**8,024**

Non-controlling interests

MTG holds a number of subsidiaries with non-controlling interest, of which one is considered to be significant. The Group holds 51% of the shares and voting rights in InnoGames GmbH, Germany. The holding in InnoGames GmbH is therefore consolidated as a subsidiary and the non-controlling interest amounts to 49% of the shares and voting rights. Net assets stated in the table below are excluding group surplus values. InnoGames became a subsidiary in 2017.

InnoGames (SEK million)	2019	2018
Net sales	2,004	1,881
Net income	102	114
Other comprehensive income	24	62
Total comprehensive income for the year	**126**	**176**
of which attributable to non-controlling interest	62	86
Non-current assets	154	209
Current assets	589	303
Total assets	**742**	**512**
Non-current liabilities	75	75
Current liabilities	237	269
Total liabilities	**312**	**344**
Net assets	**430**	**167**
of which attributable to non-controlling interest	211	82

14 Long-term receivables

Long-term receivables from Group companies

Parent company (SEK million)	2019	2018
Opening balance 1 January	12,067	9,941
New lending	-	5,825
Repayments	-12,067	-3,699
Total liabilities	**-**	**12,067**

15 Accounts receivables

Group (SEK million)	2019	2018
Accounts receivables		
Gross accounts receivables	462	1,745
Less allowances for doubtful accounts	-28	-62
Total	**433**	**1,683**
Allowance for doubtful accounts		
Opening balance 1 January	62	174
Provision for potential losses	4	54
Actual losses	-17	-6
Reversed write-offs	-99	-27
Divestment of subsidiary	77	-47
Reclassification to Assets held for sale	-	-56
Discontinued operations	-	-36
Translation differences	1	6
Closing balance 31 December	**28**	**62**
Analysis of account receivables		
Not due	234	1,165
< 30 days	99	255
30-90 days	36	88
> 90 days	64	176
Total	**433**	**1,683**

16 Prepaid expense and accrued income

Parent company (SEK million)	2019	2018
Prepaid financing costs	-	13
Other	-	1
Total	**-**	**15**

17 Earnings per share

Group (SEK million)	2019	2018
Earnings per share before dilution		
Net income for the year attributable to equity holders of the parent company	14,293	1,038
Shares outstanding on 1 January	66,980,902	66,725,249
Effect from share awards exercised	297,983	128,884
Weighted average number of shares, basic	**67,278,885**	**66,854,133**
Basic earnings per share, SEK	212.68	15.52
Diluted earnings per share		
Diluted net income for the year attributable to the equity holders of the parent company	14,293	1,038
Weighted average number of shares, basic	67,278,885	66,854,133
Effect from share awards	-	508,272
Weighted average number of shares, diluted	**67,278,885**	**67,362,405**
Diluted earnings per share, SEK	212.68	15.40
Earnings per share before dilution, continued operations		
Net income for the year attributable to equity holders of the parent company, continued operations	-551	-212
Basic earnings per share, SEK, continued operations	-8.19	-3.17
Diluted earnings per share, SEK, continued operations	-8.19	-3.15

Potentially dilutive instruments

Modern Times Group MTG AB has outstanding long-term incentive plans. The potential dilution is calculated in order to determine the number of shares that can be acquired at fair value based on the value of the share awards. Retention and performance share awards are included in the potentially dilutive shares from the start of the program, and in accordance with the performance targets achieved. The Company has outstanding programmes from 2019, where the performance was not achieved, and thus have no diluting effect. As per 31 December 2019 the warrants issued amounted to 426,420 (630,883).

18 Shareholders' equity

	2019		2018	
Parent company	**Number of shares paid**	**Quota value (SEK million)**	**Number of shares paid**	**Quota value (SEK million)**
MTG Class A	545,662	3	545,662	3
MTG Class B	67,101,462	335	66,441,462	332
MTG Class C	-	-	660,000	3
Total number of shares issued/total quota value as per 31 December	**67,647,124**	**338**	**67,647,124**	**338**

The holder of an MTG Class A share is entitled to 10 voting rights, the holder of an MTG Class B and MTG Class C share one voting right. In 2019, the Class C shares were converted to Class B shares. Class C shareholders were not entitled to dividend payments. The quota value is SEK 5 (5) per share.

Out of the totally issued shares, 304,880 (666,222) Class B shares are held as treasury shares.

The Board of Directors proposed to the Annual General Meeting 2019 that no dividend were to be paid to MTG shareholders for the financial year 2019. The Board of Directors was given a mandate to buy back shares at the Annual General Meeting in 2018. The mandate was not utilized.

Paid-in capital/Premium reserve

The paid-in capital arises when shares are issued at a premium, i.e. shares were paid at a higher price than the quota value. The premium reserve in the parent company relates to employee options exercised during 2010, 2009 and 2008 only.

Translation reserve in equity

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations to Swedish krona in the consolidated accounts.

Group (SEK million)	2019	2018
Opening balance 1 January	-123	-320
This year's translation differences, net of tax, continuing operations	105	200
This year's translation differences, net of tax, discontinued operations	-49	-3
Total accumulated translation differences 31 December	**-67**	**-123**

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Hedging positions are taken to protect the Group against the effects of transaction exposures in the contracted outflow for the main part of programme acquisitions in foreign currency.

Group (SEK million)	2019	2018
Opening balance 1 January	57	-11
Distribution NENT Group	-57	-
Recognized in other comprehensive income	-	-52
Transferred to the acquisition value of item hedged (inventory programme rights)	-	120
Closing balance 31 December	**0**	**57**

Revaluation reserve

The revaluation reserve includes revaluation of trademarks in relation to successive share purchase.

Group (SEK million)	2019	2018
Opening balance 1 January	-12	-12
Closing balance 31 December	**-12**	**-12**

Retained earnings

Retained earnings comprise of previously earned income.

Non-controlling interest

In subsidiaries not wholly owned, the share of equity owned by external shareholders is recorded as non-controlling interest. In cases where option clauses exist, the companies have been 100% consolidated.

19 Provisions

Accounting for Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the anticipated liability.

Accounting for Pensions

There are mainly defined contribution pension plans within the Group. The Group's payments to defined contribution plans are reported as costs in the period when the employee performed the services to which the fee relates. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Group (SEK million)	Restructuring provisions	Royalties and other provisions	Pension provisions	Total
Opening balance 1 January 2018	38	471	9	518
Provisions during the year	11	43	-	54
Utilized during the year	6	-24	-	-19
Reversed during the year	-2	-39	-	-41
Nova reclassified to Assets Held for sale	-	-12	-2	-15
Discontinued operations	-5	-98	-	-102
Translation differences	-	4	-	4
Closing balance 31 December 2018	**47**	**344**	**7**	**398**
Opening balance 1 January 2019	47	344	7	398
Provisions during the year	-1	212	-	211
Utilized during the year	-	-21	-	-21
Reversed during the year	-	-158	-	-158
Discontinued operations	-35	-273	-7	-314
Translation differences	0	2	-	2
Closing balance 31 December 2019	**12**	**106**	**-**	**118**

The Group has no longer defined benefit pension plans. The plans related to a few employees in NENT Group and the amount was immaterial. In Sweden there is a multi-employer defined benefit plan. The Group reports these pension costs in the same way as defined contribution plans.

During 2019 restructuring programs started in ESL and at the headquarter in Stockholm. These costs are defined as accrued expenses.

During 2018 restructuring programs were initiated in NENT Group and ESL.

20 Accrued expense and deferred income

Parent company (SEK million)	31 Dec 2019	31 Dec 2018
Accrued personnel costs	68	30
Accrued professional fees	9	12
Other	-	3
Total	**77**	**46**

21 Pledged assets and contingent liabilities

There are no pledged assets in the Group in 2019 and 2018.

Various MTG companies are involved in disputes, with collecting societies, over payment of royalties for the past use of copyrights and similar rights. Further, MTG companies are parties in litigations. The Company does not belive that the outcome of these litigations are likely to have a material adverse effect on the financial position of the Group. These litigations are therefore not included in the contingent liabilities. There are no contingent liabilities in the Group in 2019 and 2018.

Contingent liabilities

Parent company (SEK million)	31 Dec 2019	31 Dec 2018
Guarantees subsidiaries	7	431
Total	**7**	**431**

The parent company issues guarantees to the benefit of the subsidiaries. These include mainly rental agreement.

22 Financial instruments and financial risk management

Capital management

The primary objective of the Group's capital management is to ensure financial stability, manage financial risks and secure the Group's short-term and long-term need of capital. The Group defines its capital as equity including non-controlling interest as stated in the balance sheet.

The Group manages its capital structure and makes adjustments when necessary due to economic conditions in its environment. To maintain or adjust the capital structure, the Group may change the dividend payment to shareholders, buy-back shares or issue new shares.

The Group monitors capital efficiency using different ratios, such as net debt, return on capital employed and equity to assets ratio.

Financial risk management

In addition to business operational risks, the Group is exposed to various financial risks in its operations. The most important financial risks are refinancing-, credit-, interest rate- and currency risk, which all are regulated by the financial policy adopted by MTG's Board of Directors.

The Group's financial policy constitutes a framework of guidelines and rules for financial risk management and financial activities in general. The policy is subject to a yearly review. The Group's financial risks are continuously compiled and followed up at corporate level by the Group's treasury function to ensure compliance with the financial policy. The parent company treasury function is responsible for managing the financial risks. The aim is to limit the Group's financial risks, and ensure that the Group has appropriate and secure financing for its current needs.

Liquidity in the Group is concentrated with the central financing function and, in Sweden, in local cash pools. Surplus liquidity may be invested during a period of maximum six months. The financial policy includes a special counterparty regulation by which a maximum credit exposure for various counterparties to minimize the risk is stipulated.

Financing and refinancing risk

Financing risk is the risk of not being able to meet the need for future funding requirements. The Group's sources of funding are primarily shareholders' equity, cash flows from operations and borrowing. In order to reduce the refinancing risk the Group strives to diversify the funding sources and maturity tenors and normally initiate refinancing of all loans 12 months prior to maturity. The Group shall at all times strive for relevant key ratios equal to investment grade rating.

External borrowing is managed centrally in accordance with the Group's financial policy. Loans are primarily taken up by the parent company, and transferred to subsidiaries as internal loans or capital injections. There are also companies who have external loans and/or overdraft facilities connected directly to these companies.

As per 31 December 2018, the Group had a SEK 500 million corporate bond maturing October 2020 with a floating rate 3-month Stibor plus a 1.40% coupon. In the short term capital market the Group had an uncommitted SEK 3,000 million frame commercial paper programme, of which SEK 2,979 million was issued as per 31 December 2018. The bond and the commercial loans were transferred to Nordic Entertainment Group AB through repayment of internal loans and liabilities in March 2019.

As per 31 December 2018 the Group also had a five year committed SEK 4,000 million syndicated multi-currency bank facility arranged in August 2018, of which SEK 200 million was utilized. The revolving credit facility was unsecured with no required amortisations and could be paid out in optional currencies. The interest varied with IBOR (not lower than 0%) depending on the currency utilized. Covenants for the facility were based on the ratios total consolidated net debt in relation to consolidated EBITDA and consolidated EBITDA to net financial expenses. There were no regulatory external capital requirements to be met by the parent company or any of the subsidiaries other than the covenants. The covenants were fulfilled. The facilities was transferred to Nordic Entertainment Group in March 2019 together with the utilized part by means of repayment of internal loans. In January 2019 Group secured a SEK 1,000 million facility, which fell due in the second quarter of 2019. As per the balance sheet date, there are no facilities obtained by the Group.

Overdraft facilities within the Group's cash-pool banks related to Nordic Entertainment Group as per 31 December 2018 comprised two overdraft facilities of SEK 125 million each, one of DKK 50 million, one of NOK 55 million and one of SEK 15 million. In total SEK 390 million of which nil was drawn at the balance sheet date. The facilities were transferred to Nordic Entertainment Group in March 2019. Facilities in MTG subsidiaries amounted to a total of SEK 3 million of which nil was drawn as per 31 December 2019 and 2018.

As per 31 December 2018, total short- and long-term borrowings amounted to SEK 3,679 million including SEK 3,479 million borrowed from the capital market. The total borrowings were transferred to Nordic Entertainment Group through repayment of internal liabilities and loans. As per 31 December 2019 there were no borrowings.

Liabilities to aquire shares from non-controlling interests and contingent consideration

Liabilities to acquire shares from non-controlling interests and/or contingent considerations at fair value are based on terms defined in agreements set up in connection with the acquisitions. The valuations are usually based on projections and forecasts of future revenues and operating margin.

Finance lease liabilities

Information about lease liabilities are found in note 24 Leases.

Net debt

Group (SEK million)	31 Dec 2019	31 Dec 2018
Short-term loans	-	3,179
Short-term borrowings	**-**	**3,179**
Leasing liabilities	37	
Total short-term borrowings	**37**	**3,179**
Long-term borrowings	-	500
Leasing liabilities	103	-
Total long-term borrowings	**103**	**500**
Total borrowings	**140**	**3,679**
Cash and cash equivalents	1,824	862
Long- and short-term interest-bearing assets	-	6
Total cash and interest-bearing assets	**1,824**	**867**
Net debt excluding assets held for sales	**-1,685**	**2,812**
Net debt related to assets held for sale	-	-231
Total net debt	**-1,685**	**2,581**
Total credit facilites	-	4,390
Where of unutilized	-	4,190

Maturity of long-term loans

Parent company (SEK million)	31 Dec 2019	31 Dec 2018
Amount due for settlement within 12 months	-	-
Amount due for settlement within 13 to 59 months	-	500
Amount due for settlement after 60 months	-	-
Total	**-**	**500**

Terms and payback period, gross values

	2019						
Group (SEK million)	**Interest rate**	**Fixed interest rate**	**Effective interest rate**	**Total**	**Maturity 2020**	**Maturity 2021**	**Maturity 2022 or later**
Bond loan		3 months		-	-	-	-
Bank loan (RCF)		1 month		-	-	-	-
Commercial papers		5 months		-	-	-	-
Leasing liabilities				140	37	30	73
Accounts payable				251	251	-	-
				391	**288**	**30**	**73**

	2018						
Group (SEK million)	**Interest rate**	**Fixed interest rate**	**Effective interest rate**	**Total**	**Maturity 2019**	**Maturity 2020**	**Maturity 2021 or later**
Bond loan	0.94	3 months	0.96	506	5	501	-
Bank loan (RCF)	0.75	1 month	2.29	200	200	-	-
Commercial papers	0	5 months	0	2,979	2,979	-	-
Accounts payable				1,947	1,947	-	-
				5,632	**5,131**	**501**	**-**

The interest have been calculated using the current interest rates on 31 December. The liabilities have been included in the period when repayment may be required at the earliest.

Market risks

Interest rate risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect cash flow, financial assets and liabilities. The Group is exposed to interest rate risk through loans, derivatives, other financial assets and utilized interest-bearing credit facilities. The Group's financial policy aim to gain financial flexibility through a balanced mix between variable and fixed interest rates and spreading maturities to match funding needs. During 2018-2019, the interest rate period was less than 1 year.

Short-term investments and cash and cash equivalents amounted to SEK 1,824 (862) million as per 31 December and the average interest rate period on these assets was approximately 0 month. Assuming the same debt structure, a 1% increase in interest rates would have an impact on the Group's interest expense of approximately SEK - (32) million. A 1% decrease would reduce the interest expense by approximately SEK - (5) million. The difference is due to the terms of the loans and current negative interest rates, assuming it would be more difficult to benefit fully from a decrease using committed facilities and potential new commercial papers. The Group does not currently hedge its interest rate risks.

Credit risk

Credit risk is defined as the risk that the counterparty in a transaction will not fulfill its contractual obligations and any collateral will not cover the claim of the Group. The credit risk in the Group consists of financial credit risk and customer credit risk.

Financial credit risk is the risk arising for the Group in its relations with financial counterparties. The management of the financial credit risk is regulated in the Group's financial policy.

Financial counterparties must have a rating of the equivalent of S&P's single A rating or higher for larger deposits of cash or surplus funds. Standardised ISDA agreements are signed with all counterparties involved in foreign exchange transactions. Transactions are made within fixed limits and exposures are continuously monitored.

The credit risk with respect to the Group's accounts receivables is diversified among a large number of customers, both private individuals and companies. The Group's assessment based on historical data is that there are no write-down requirements for accounts receivables not due. The majority of the current outstanding accounts receivables comprise previously known customers, who are judged to have good credit worthiness. See also note 15 Accounts receivables.
The Group's exposure to credit risk amounts to SEK 2,469 (2,642) million as per 31 December. The exposure is based on the carrying amount for the financial assets, the major part comprising cash and cash equivalents and accounts receivables.

Insurable risks

The parent company ensures that the Group has sufficient insurance coverage, including business interruption, director and officer liabilities and asset losses. This is done via corporate umbrella solutions to cover most territories.

Currency risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect the income statement, financial position and/or cash flows. The risk can be divided into transaction exposure and translation exposure. Please also refer to the Directors' report under "Risks and uncertainties".

Derivative instruments
The Group used forward contracts to hedge its exposure to foreign exchange arising from operational activities. The major part of contracted programme acquisition outflows in US dollars for the Nordic Entertainment Group was hedged. Derivatives that do not qualify for hedge accounting due to the rules in IFRS 9 are accounted for as financial instruments valued at fair value through profit and loss.

Derivative financial instruments which are used as hedging instruments are recognized initially at cost and remeasured to fair value thereafter. The effective part of the gain or loss in the cash flow hedge is recognized in other comprehensive income with the aggregated changes in value in the hedge reserve in equity. When the forecasted transaction results in the recognition of programme inventory, the cumulative gain or loss is removed from equity and included in the initial cost of inventory. When a hedging instrument expires, the cumulative gain or loss is recognized in the income statement.

Transaction exposure
Transaction exposure arise when inflow and outflow in foreign currencies in the financial statements of the separate entities within the Group are not matched. The corporate treasury department strives to match inflows and outflows in the same currency and also to take advantage of natural hedges.

The transaction exposures in the Group occurs when the subsidiaries have external and internal transactions in currencies other than the subsidiary's functional currency. There were no hedges or forecasted transaction exposures as per the balance sheet date. The Group has deposited EUR 50 million in a Swedish bank for a fixed period to obtain flexibility in investments.

Currency (SEK million)	USD	EUR	DKK	NOK	GBP
Transaction flows	172	116	14	6	13
Net transaction flows	**172**	**116**	**14**	**6**	**13**
Effect if SEK falls 5%	9	6	1	0	1

The nominal value of the major hedge contracts amounted to:

Currency (million)	2019	2018
EUR	-	-5
USD	-	361

The effect of a change in the rate by 5% on all of the outstanding positions as per 31 December would have been approximately SEK 0 (164) million, the impact on equity would be after deduction of tax.

Translation exposure
Translation exposure is the risk that arises when translating equity in a foreign subsidiary, associated company or joint venture. There are no hedging positions for translation exposure.

Foreign net assets including goodwill and other intangible assets arising from acquisitions are distributed as follows:

	2019		2018	
Currency	**SEK million**	**%**	**SEK million**	**%**
USD	722	15	1,110	13
NOK	-	-	1,486	17
EUR	3,914	84	5,022	57
DKK	-	-	522	6
Other currencies	44	1	647	7
Total equivalent SEK value	**4,680**	**100**	**8,787**	**100**

A 5% change in EUR/SEK would affect equity by approximately SEK 196 (251) million.

Accounting for financial instruments
Financial assets and liabilities include cash and cash equivalents, securities, derivative instruments, other financial receivables, accounts receivables, accounts payable, contingent considerations and loan liabilities.

Financial instruments – categories

Categories	Financial instruments
Financial assets at fair value through profit and loss	Shares, derivatives such as forward contracts
Financial assets valued at amortized costs	Loans and receivables and cash and cash equivalents
Financial liabilities at fair value through profit and loss	Derivatives such as forward contracts and contingent considerations and options to acquire remaining shares in subsidiaries
Financial liabilities valued at amortized costs	Trade payables, short and long-term interest-bearing liabilities

Financial assets at fair value through profit and loss
Shares
The Group's holdings in shares are measured at acquisition costs, less impairment costs.

Derivatives
Derivatives are recognized as a financial asset at fair value and realized changes in the value are recognized in profit and loss and unrealized value changes are recognized in equity as a result of hedge accounting.

Financial assets at amortized costs
Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as current assets, with exception for receivables with maturities later than 12 months after the balance-sheet date. These receivables are classified as non-current assets. Loan receivables and accounts receivables comprise accounts receivables and other receivables and cash and cash equivalents. Receivables are stated at amortized cost less impairment losses. The receivables are reviewed monthly to deter-

mine whether there is an indication of impairment. Such indications include receivables due for a longer period than 90 days. Doubtful accounts receivables are reported with the amount at which, they are deemed likely to be paid.

Financial liabilities at fair value through profit or loss

Derivatives

Derivatives at fair value are recognized as financial liabilities and the realized changes in the value are recognized in profit and loss and unrealized value changes are recognized in equity as a result of hedge accounting.

Contingent considerations and options to acquire remaining shares in subsidiaries

When a subsidiary is acquired and previous owners remain as non-controlling interest, the agreement often includes an option for the minority owners to sell their share of the acquired company to the Group at a later stage. In such cases no non-controlling interest is reported but instead a financial liability is recognized. The liability is reported at the discounted present value of the redemption amount of the shares. The contingent considerations as well as option liabilities to acquire remaining shares in subsidiaries are valued at fair value through profit and loss, as these are to an extent based on future performances.

Financial liabilities valued at amortized costs

Financial liabilities are reported as trade payables, short and long-term interest-bearing liabilities.

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including the levels in the fair value hierarchy.

The carrying amount of cash and cash equivalents, other receivables, accounts receivables and accounts receivables from associated companies and interest-bearing liabilities, accounts payables and other liabilities represent a reasonable approximation of fair value.

	31 December 2019							
Group (SEK million)	**Fair value hedging instruments**	**Fair value through profit and loss**	**Financial assets/ liabilities at amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Forward exchange contracts used for hedging		-	-	**-**	-	-	-	-
Shares and participations in other companies	-	198	-	**198**	-	-	198	198
Total	**-**	**198**	**-**	**198**	**-**	**-**	**198**	**198**
Financial assets measured at amortized cost								
Trade and other receivables	-	-	442	**442**	-	-	-	-
Cash and cash eqvivalents	-	-	1,824	**1,824**	-	-	-	-
Total	**-**	**-**	**2,267**	**2,267**	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value								
Contingent consideration	-	377	-	**377**	-	-	377	377
Total	**-**	**377**	**-**	**377**	**-**	**-**	**377**	**377**
Financial liabilities measured at amortized cost								
Trade and other payables	-	-	251	**251**	-	-	-	-
Total	**-**	**-**	**251**	**251**	**-**	**-**	**-**	**-**

			31 December 2018					
Group (SEK million)	**Fair value hedging instruments**	**Fair value through profit and loss**	**Financial assets/ liabilities at amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Forward exchange contracts used for hedging	134	-	-	**134**	-	134	-	134
Shares and participations in other companies	-	88	-	**88**	-	-	88	88
Total	**134**	**88**	**-**	**221**	-	**134**	**88**	**221**
Financial assets measured at amortized cost								
Trade and other receivables	-	-	1,711	**1,711**	-	-	-	-
Cash and cash eqvivalents	-	-	862	**862**	-	-	-	-
Total	**-**	**-**	**2,573**	**2,573**	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value								
Contingent consideration	-	442	-	**442**	-	-	442	442
Total	**-**	**442**	**-**	**442**	**-**	**-**	**442**	**442**
Financial liabilities measured at amortized cost								
Trade and other payables	-	-	5,626	**5,626**	-	-	-	-
Total	**-**	**-**	**5,626**	**5,626**	**-**	**-**	**-**	**-**

			31 December 2019					
Parent Company (SEK million)	**Fair value hedging instruments**	**Fair value through profit and loss**	**Financial assets/ liabilities at amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Forward exchange contracts used for hedging		-	-	**-**	-	-	-	-
Shares and participations in other companies	-	0	-	**0**	0	-	-	0
Total	**-**	**0**	**-**	**0**	**0**	**-**	**-**	**0**
Financial assets measured at amortized cost								
Trade and other receivables	-	-	81	**81**	-	-	-	-
Cash and cash eqvivalents	-	-	1,123	**1,123**	-	-	-	-
Total	**-**	**-**	**1,204**	**1,204**	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging		-	-	**-**	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost								
Trade and other payables	**-**	**-**	1,314	**1,314**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**1,314**	**1,314**	**-**	**-**	**-**	**-**

Parent Company (SEK million)	Fair value hedging instruments	Fair value through profit and loss	Financial assets/ liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
	31 December 2018							
Financial assets measured at fair value								
Forward exchange contracts used for hedging	61	-	-	**61**	-	61	-	61
Shares and participations in other companies	-	1	-	**1**	1	-	-	1
Total	**61**	**1**	**-**	**62**	**1**	**61**	**-**	**62**
Financial assets measured at amortized cost								
Trade and other receivables	-	-	15,818	**15,818**	-	-	-	-
Cash and cash eqvivalents	-	-	24	**24**	-	-	-	-
Total	**-**	**-**	**15,842**	**15,842**	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	61	-	-	**61**	-	61	-	61
Total	**61**	**-**	**-**	**61**	**-**	**61**	**-**	**61**
Financial liabilities measured at amortized cost								
Trade and other payables	-	-	16,927	**16,927**	-	-	-	-
Total	**-**	**-**	**16,927**	**16,927**	**-**	**-**	**-**	**-**

Valuation techniques level 1, 2 and 3

Shares and participations in other companies – valued at amortized costs less impairment costs.

Contingent consideration – discounted cash flows at the present value of expected future payments. The discount rate is risk-adjusted. The most critical parameters are estimated future revenue growth and future operating margin.

Forward exchange contracts – the fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yieled curves in the respective currencies.

Financial liabilities, level 3

Group (SEK million)	2019	2018
Opening balance 1 January	442	1,005
New acquisitions	-	35
Sale of subsidiaries	-	-107
Distribution of NENT	-20	-
Exercise	-19	-244
Changes in fair value	-23	-248
Interest expenses from discounting fair value of options	-2	17
Reclassification Nova assets held for sale	-	-56
Translation differences	-1	40
Closing balance 31 December	**377**	**442**

23 Supplementary information to the statement of cash flows

Adjustments to reconcile net income/loss to net cash provided by operations

Group (SEK million)	2019	2018
Depreciation and amortisation	252	228
Depreciation leases	46	-
Impairments	104	96
Write-down of assets Zoom.in	-	136
Provisions	131	-1
Participation in associated companies and joint ventures	0	1
Revaluation of liabilities related to options to acquire shares	-54	-173
Unrealized exchange differences	11	40
Deferred tax	-123	-
Other items	19	10
Discontinued operations	-	120
Total	**388**	**457**

Cash paid for interest and corporate tax

Group (SEK million)	2019	2018
Interest paid	-9	-9
Interest received	0	1
Corporate income tax	-232	-129
Discontinuing operations	-	-105
Total	**-241**	**-242**

Parent company (SEK million)	2019	2018
Interest paid	-8	-9
Interest received	0	1
Corporate income tax	-36	-23
Cash received for group dividends	0	0
Total	**-44**	**-31**

Reconciliation of debts arising from financing activities

Group (SEK million)	Opening balance 2019	Cash flows	Reclassi-fication	Exchange rate difference	Closing balance 2019
Short-term loans	3,179	-3,179	-	-	0
Long-term borrowings	500	-500	-	-	0
Current part of long-term loans	-		-	-	-
Other long-term interest bearing liabilities	-		-	-	-
Total	**3,679**	**-3,679**	**-**	**-**	**0**

Group (SEK million)	Opening balance 2018	Cash flows	Reclassi-fication	Exchange rate difference	Closing balance 2018
Short-term loans	1,625	1,554	-	-	3,179
Long-term borrowings	500	-	-	-	500
Current part of long-term loans	1,000	-1,000	-	-	-
Other long-term interest bearing liabilities	95	-95	-	-	-
Total	**3,220**	**459**	**-**	**-**	**3,679**

The parent company has interest-bearing receivables from and liabilities to other Group companies. The liabilities to Group companies at year-end amounted to SEK 1,308 (13,231) million. Receivables from Group companies at year-end amounted to SEK 0 (12,067) million, the change during the year is mainly explained by the split with NENT Group, where internal receivables and liabilities were settled before the split.

24 Leases

A new standard, IFRS 16 Leases, have been introduced with effect from 1 January 2019. The new standard replaces IAS 17 Leases. Thereby all leases are recognized in the balance sheet as a Right-to-use asset and a lease liability. Further, the expenses are recognized in the income statement as a depreciation of the asset and as an interest expense on the lease liability. This results in an increase of the operating income and the financial interest expenses compared to the previous accounting principle.

At the transition to IFRS 16, the Group has chosen to apply the modified retrospective approach. A restatement of 2018 figures has therefore not been made. In accordance with IFRS 16, the Group recognizes Right-of-use assets and Leasing liabilities for most leases, and the leasing agreements are thereby included in the balance sheet, the exceptions being stated below.

The Group previously only had leasing agreements classified as operational leases in accordance with IAS 17. At the transition, the lease liabilities were valued at the present value of the remaining leasing fees, discounted by funding base rates (applicable local IBOR rate) with a risk premium depending on the term of the lease on the first application date (January 1, 2019). The right-of-use was valued at an amount corresponding to the lease liability.

The Group has chosen not to account for Right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or underlying assets of low value. Leasing fees for these leases are reported as a cost on a straight-line basis over the lease term.

The reported Right-of-use assets is mainly attributable to properties that represent 99% of the total Right-of-use assets. Other is mainly car leases.

Some property leases contain extension options exercisable up to one year before the end of the non-cancellable contract period.The extension options are exercisable by the Group and not by the lessor. At lease commencement, the Group assesses whether it is reasonably certain to exercise the options. A reassessment is done if there is a significant event or other circumstances.The Group has estimated that the potential lease payments would result in an increase of the leasing liabilities of SEK 20 million, should the Group decide to exercise the options.

Impact on transition from IAS 17 to IFRS 16

Group (SEK million)	1 Jan 2019
Operational leasing commitments as of December 31, 2018 as disclosed in the annual report	1,251
Less discontinued operations	-1,031
Operational leasing commitments as of December 31, 2018 – continued operations	**220**
Discounted with funding base rates including risk premium	198
Added – reasonably safe extension periods	-
Lease liability per January 1 2019 – Continued operations	**198**

Right-of-use Asset

Group (SEK million)	Property	Other	Total
Balance at 1 January 2019	191	6	198
New/finished lease contracts	-8	-4	-13
Depreciation charge for the year	-45	-1	-46
Balance at 31 December 2019	**138**	**1**	**139**

Maturity analysis – Contractual undiscounted cash flows

Group (SEK million)	31 Dec 2019
Less than one year	37
One to five years	97
More than five years	6
Total undiscounted lease liabilities at at 31 December	**140**
Lease liabilities included in the statement of financial position at 31 December	**140**
Current	37
Non-current	103

Group (SEK million)	2019
Amounts recognized in profit or loss	
Interest on lease liabilities	-3
Variable lease payments not included in the measurement of lease liabilities	-
Income from sub-leasing right-of-use assets	-
Expenses related to short-term leases	-4
Expenses related to leases of low-value assets, excluding short term leases of low-value assets	-1
Total	**-8**
Amounts recognized in the statement of cash flows	
Total cash outflow for leases	-48

Group (SEK million)	31 Dec 2019
Age analysis Lease liability	
Less than 6 months	16
6 - 12 months	21
1 -2 years	30
2 - 5 years	67
Over 5 years	6
Total leasing liabilities	**140**

25 Average number of employees - continuing operations

Group	2019 Men	2019 Women	2018 Men	2018 Women
Sweden	63	24	60	16
Germany	480	114	417	91
United Kingdom	10	-	37	5
Denmark	10	3	-	-
France	11	3	15	5
United States	121	47	157	55
Other	91	23	77	20
Total	**786**	**214**	**763**	**192**
Total average number of employees		**1,000**		**955**

Parent company	2019	2018
Men	15	25
Women	14	20
Total	**29**	**45**

Gender distribution senior executives

Group	2019 Men %	2019 Women %	2018 Men %	2018 Women %
Board of Directors	57	43	60	40
Senior executives	92	8	82	18
Total	**82**	**18**	**79**	**21**

Parent company	2019 Men %	2019 Women %	2018 Men %	2018 Women %
Board of Directors	60	40	67	33
CEO	100	-	100	-
Other senior executives	80	20	78	22
Total	**73**	**27**	**75**	**25**

26 Salaries, other remuneration and social security expenses - Continuing operations

Group (SEK million)	2019	2018
Wages and salaries	834	806
Social security expenses	111	114
Pension costs	5	15
Share-based payments	10	10
Social security expenses on share-based payments	6	-4
Total	**966**	**941**

Group (SEK million)	2019	2018
Board of Directors, CEO and other senior executives[1]	60	182
of which variable salary	*25*	*46*

1) Includes SEK 4.2 (4.8) million Board fees approved by the Annual General Meeting.

Parent company (SEK million)	2019	2018
Board of Directors, CEO and other senior executives	37	34
of which variable salary	*13*	*13*
Other employees	29	63
Total salaries and other remuneration	**67**	**97**
Social security expenses	33	42
of which pension costs	*5*	*8*
of which pension costs CEO	*1*	*1*

Total salaries in the parent company include remuneration to other members of Group Management 4 (4) persons of SEK 14 (16) million, of which variable salary is SEK 6 (6) million. One person was included in the parent company from June 2019.

Remuneration to the Board of Directors and Senior Executives 2019
A fee is paid to the Board of Directors in accordance with the decision of the Annual General Meeting. The remuneration to senior executives is paid in accordance with the guidelines approved by the Annual General Meeting 2019.

MTG's Remuneration Guidelines is designed to drive and reward company and individual performance, be market competitive to attract and retain key talent, and to incentivize creation of long-term shareholder value.

Total remuneration may consist of fixed salary, variable components in the form of short-term and long-term incentive plans, pension and other benefits/allowances.

Fixed salary
The fixed salary for the members of the Senior Executive team shall be competitive and based on the individual responsibilities and performance.

Variable remuneration (STI)
The STI shall be based on fulfillment of established targets for the MTG Group and in the area of responsibility for each of the Senior Executives, respectively. The result shall be linked to pre-determined, measurable targets (qualitative, quantitative, general, individual). The targets within each area of responsibility are defined to promote the Group's development in the short and long-term. The maximum payment under the STI shall generally not exceed 100 percent of the Senior Executives' fixed salary.

Variable remuneration (LTI)
The LTI shall be linked to pre-determined performance criteria, and may be both share and share price related as well as cash based.

Pension and other benefits
All benefits/allowances including pensions follow the competitive market practice in the applicable country of the Senior Executive's employment or residence.

Notice of termination and severance pay
Notice period can be upp to 12 months depending on the local country market practice, but in any event compensation paid during the notice period plus any additional severance pay payable will not in total exceed an amount equivalent to the individual's 24 months fixed salary.

Deviations from the guidelines
The Board may deviate from the above guidelines on a case by case basis. For example, additional variable remuneration or cash payments may be paid in the case of exceptional performance or in special circumstances such as recruitment or retention. In such cases the Board will explain the reason for the deviation at the following Annual General Meeting.

Senior Executives
Senior Executives include the Chief Executive Officer, the Chief Financial Officer, Executive Vice Presidents and Group General Counsel. The Senior Executives are found on pages 32-33. The following changes to the Group Management were made in 2019; Arnd Benninghoff, EVP Esports & Gaming, joined the Group management, Lars Torstensson, EVP Head of Communications & Investor Relations joined the Group in June 2019. Jette Nygaard-Andersen, EVP MTG International Entertainment, left the company in January 2019.

Remuneration and other benefits 2019

(SEK thousand)	Board fee	Base salary	Variable remuneration	Other benefits	Pension costs	Total
David Chance, Chairman of the Board	1,503					**1,503**
Simon Duffy	735					**735**
Gerard Florin	553					**553**
Donata Hopfen	630					**630**
Natalie Tydeman	770					**770**
Jørgen Madsen Lindemann, CEO		12,481	6,961	318	1,225	**20,985**
Senior Executives (5 persons)		15,592	12,589	275	1,152	**29,608**
Total	**4,190**	**28,073**	**19,550**	**593**	**2,377**	**54,783**

The 2019 amounts disclosed for the major part of the Senior Executives relate to the full year, but part of the year for some of the executives. The numbers include variable salary remuneration incurred to be paid after the year end for the Chief Executive Officer of SEK 6 (8) million. In addition, non-cash share-based incentive programme costs calculated in accordance with IFRS 2 amounted to SEK 0.3 (4) million for the CEO and SEK 0.4 (13) million for other members of Group Management. Out of the remuneration to other members of the Group Management SEK 14 (16) million was expensed in the parent company, SEK 14 (14) million was expensed in the subsidiaries.

Remuneration and other benefits 2018

(SEK thousand)	Board fee	Base salary	Variable remuneration	Other benefits	Pension costs	Total
David Chance, Chairman of the Board	1,503					**1,503**
Joakim Andersson	115					**115**
Simon Duffy	735					**735**
Gerard Florin	553					**553**
Donata Hopfen	630					**630**
John Lagerling	553					**553**
Natalie Tydeman	719					**719**
Jørgen Madsen Lindemann, CEO		12,069	9,310	513	1,207	**23,098**
Senior Executives (5 persons)		15,436	14,169	177	1,167	**30,949**
Total	**4,806**	**27,505**	**23,479**	**690**	**2,373**	**58,852**

Decision process
The remuneration to the Chief Executive Officer was decided by the Board of Directors. Remuneration to executive management is monitored and reviewed by the Board.

Share based payments
The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments including social security costs is based on the Group's estimate of shares that will eventually vest and is expensed on a straight-line basis over the vesting period. The fair value expense excluding social fees is reported in the income statement as personnel costs with the corresponding increase in equity. For the recurring calculation of social security costs the fair value is re-valued quarterly. MTG's share-based plans all have three-year vesting periods and payment is depending on fulfillment of certain stipulated goals.

The Annual General Meetings, with the beginning in 2005, have established incentive programmes for senior executives and key personnel. In 2018, however, no incentive program was issued due to the proposed split of MTG into two companies. The 2017 long-term incentive programme was terminated in the first quarter of 2019 for the same reason.

Long-term incentive programme (LTIP) 2019
The 2019 long-term incentive programme comprise both a performance share plan and warrants. The performance share programme is directed towards 25 senior executives and other key employees. The CEO and the senior executives are required to have a certain shareholding in MTG shares (Target Holding) in order for the share awards to vest. The Target Holding to be achieved is for the CEO a shareholding equivalent to the value of 1 year's net base salary at time of grant and, for the senior executives, equivalent to a value of 50% year's net base salary. Based on the participant's base salary and the share price at grant, the CEO is granted share awards equivalent of 56% of the base salary, senior executives are granted share awards equivalent of 50-65% of the base salary and, for the key employees, 57-75% of the base salary, depending on the fulfillment of certain stipulated performance conditions. The performance conditions relate to MTG's organic revenue growth and organic EBITDA margin. The target level for the performance conditions are set by the Board for 2019, with the relative weight of each of the two conditions is 70% and 30% respectively, and each condition measured separately. The share rights were granted by the company at the end of May 2019, free of charge, and may be exercised the day following the release of the interim report for Q1 2022. Dividends paid on underlying shares during the vesting period will increase the number of shares in order to treat the shareholders and the participants equally. The programme comprise 213,833 shares.

The warrant plan is directed towards the CEO and senior executives. The warrants issued entitle to a maximum of 434,667 Class B shares. Each warrant entitles the holder to, during a period from 15 June 2022 to 15 June 2023, subscribe to one new Class B share at 115% of the average volume-weighted share price during the period 9 May 2019 and 22 May 2019. MTG subsidizes the participants' purchase of warrants by granting the participants a cash compensation corresponding to between 25-75 per cent (depending on the participant's category), net after taxes, of the warrants purchased by the participant. Such subsidy will be paid out at the time of purchase of the warrants. If the participant leaves MTG during the three year vesting period for the subsidy, MTG may under certain circumstances reclaim the subsidy, in whole or in part in proportion to the term of the vesting period. The participants' maximum profit are capped at 4.0 times the share price of SEK 117.24, the average volume-weighted share price during the five last trading days in March 2019.

Long-term incentive programmes (LTIP) 2017
The long-term incentive programmes are performance based and directed towards approximately 85 senior executives and other key employees. The CEO and the senior executives are required to have a certain shareholding in MTG shares (Target Holding) in order for the share awards to vest. The Target Holding to be achieved is for the CEO a shareholding equivalent to the value of 1 year's net base salary at time of grant and, for the senior executives, equivalent to a value of 50% year's net base salary. Based on the participant's annual gross salary and the share price at grant, the CEO is granted share awards equivalent of 125% of the annual gross salary, senior executives are granted share awards equivalent of 100% of the annual gross salary and, for the key employees, 75% of the annual gross salary, depending on the fulfillment of certain stipulated performance conditions. The performance conditions relate to absolute shareholder return (TSR), MTG EBIT level, and MTGx value creation. The target level for the MTG normalized EBIT are set by the Board

for each of the calendar years, with the relative weight of each of the three one year periods being one third. The MTGx value creation target includes organic sales growth and normalized EBIT margin which is set annually by the Board. The share rights were granted by the company at the end of May 2017, free of charge, and may be exercised the day following the release of the interim report for Q1 2020. Dividends paid on underlying shares during the vesting period will increase the number of shares in order to treat the shareholders and the participants equally. The programme was calculated to comprise a maximum of 500,000 shares. The programme was exercised in March 2019, before the Q1 report was released, through accelerated vesting due to the split of the company. For performance fulfillment, please see the below tables.

Long-term incentive programmes (LTIP) 2016

The long-term incentive programmes are performance based and directed towards 85 senior executives and other key employees. The CEO and the senior executives are required to have a certain shareholding in MTG shares (Target Holding) in order for the share awards to vest. The Target Holding to be achieved is for the CEO a shareholding equivalent to the value of 1 year's net base salary at time of grant and, for the senior executives, equivalent to a value of 50% year's net base salary. Based on the participant's annual gross salary and the share price at grant, the CEO and senior executives are granted share awards equivalent to 75% of the annual gross salary and, for the key employees, 50% of the annual gross salary, depending on the fulfillment of certain stipulated performance conditions. The performance conditions relate to total shareholder return (TSR) compared to a peer group, normalized operating income (excluding associated company income) and absolute TSR. The target levels for normalized operating income (excluding associated company income) are set by the Board for each of the calendar years, with the relative weight of each of the three one year periods being one third. The share rights were granted by the company at the beginning of June, free of charge, exercised the day following the release of the interim report for Q1 2019 respectively. Dividends paid on underlying shares during the vesting period increased the number of shares in order to treat the shareholders and the participants equally. The programme is calculated to comprise a maximum of 450,000. The programme was exercised in March 2019, before the Q1 report was released, due to the split. For performance fulfillment, please see the below tables.

2019 program	2019 entry target	2019 actual	Outcome (% category awards vesting)
Sales growth (average weighting 70%)	8.40%	5.80%	Not met
Adjusted EBITDA margin (average weighting 30%)	6.00%	3.40%	Not met
FULFILMENT OF PERFORMANCE CONDITIONS			**0%**

The figures include Zoomin Group up until Q3 2019 and 2018 respectively.

2017 program	3 year target	2 year actual as per 31 Dec 2018	2 year outcome (% category awards vesting)	2018 target	2018 actual	Outcome (% category award vesting)	2017 target	2017 actual	Outcome (% category award vesting)
Absolute TSR (average weighting 40%)	10%	17%	44%						
MTG normalized operating income 2018 2)/2017 (average 40%)				1,643	1,561	44%	1,264	1,318	83%
MTGx organic sales growth (average weighting 20%)				58%	34%	Not met	38%	37%	52%
MTGx EBIT margin (average weighting 20%)				4%	0%	Not met	-10%	-18%	Not met
Esports organic sales growth (average weighting 4%)				29%	11%	Not met	49%	53%	95%
Esports EBIT margin (average weighting 4%)				0%	-14%	Not met	-6%	-16%	Not met
Digital Video organic sales growth (average weighting 4%)				0%	-14%	Not met	38%	11%	Not met
Digital Video EBIT margin (average weighting 4%)				-9%	-29%	Not met	-3%	-10%	Not met
OVERALL 44% FULFILMENT OF PERFORMANCE CONDITIONS (AVERAGE WEIGHTED)			**17%**			**9%**			**18%**

Please note that the performance conditions have different relative weight in the calculation of outcome, depending on participant´s category. As the vesting period is two out of three years, 29% of the programme vested.

2016 program	3 year target	3 year actual as per 31 Dec 2018	3 year outcome (% category awards vesting)	2018 target	2018 actual	2018 outcome (% category awards vesting)	2017 target	2017 actual	2017 outcome (% category awards vesting)	2016 target	2016 actual	2016 outcome (% category awards vesting)
Relative TSR (weighting 33.33%)	0%	60%	100%									
Absolute TSR (weighting 33.33%)	10%	45%	100%									
MTG normalized operating income 2018 2) / 2017 1) 2) / 2016 2) (weighting 33.33%)				1,643	1,561	0%	1,264	1,318	100%	1,391	1,402	100%
OVERALL 89% FULFILMENT OF PERFORMANCE CONDITIONS			**67%**			**0%**			**11%**			**11%**

1) The original target level of SEK 1,505m has been recalculated for discontinued operations.
2) Refers to normalized operating income (EBIT), excluding associated company income. In accordance with the Plan rules, the Board of Directors has adjusted the calculation of actual level for large transactions and negative exchange rate movements outside of budget.

Cost effects of the incentive programmes

The programmes are equity-settled programmes. The initial fair value at grant date of the stock option programmes, is expensed during the vesting period. The cost for the programmes is recognized in equity and as an operating expense. The cost is based on the fair value of the MTG Class B share at grant date and the number of shares expected to vest. The cost recognized for the programmes in 2019 amounts to SEK 10 (30) million excluding social charges. Total provision for the social fees in the balance sheet amounted to SEK 0.3 (-12) million.

There were no share rights exercisable at the end of 2019.

Dilution

If all share rights and warrants granted to senior executives and key employees as at 31 December 2019 were exercised, the outstanding shares of the Company would increase by 611,125 (630,883) Class B shares, and be equivalent to a dilution of 0.91% (0.9) of the issued capital and 0.85% (0.9) of the related voting rights at the end of 2019. In March 2019, 361,342 performance shares from the 2016 and 2017 programmes were exercised.

Distribution of issued share awards and warrants

No of warrants outstanding	CEO	Senior executives	Key personnel	Total
LTIP 2019	250,253	136,759	39,408	**426,420**
Total outstanding as per 31 December 2019	**250,253**	**136,759**	**39,408**	**426,420**

	2019		2018	
	No of share awards and warrants	Weighted exercise price	No of share awards	Weighted exercise price
Share awards outstanding at 1 January	630,883	-	943,828	-
Recalculated due to dividends	15,787	-	21,385	-
Share awards issued during the year	213,833	-	-	-
Warrants issued during the year	434,667	134.80		
Share awards exercised during the year	-361,342	-	-255,776	-
Warrants repurchased	-8,247	-	-	-
Share awards forfeited during the year	-499,161	-	-78,554	-
Total outstanding as per 31 December	**426,420**	**134.80**	**630,883**	**-**

The share awards exercised in 2018 and 2019 were free of charge. The average weighted remaining contractual life for the outstanding share awards is 2.31 (0.25) year. The awards may be exercised after the first quarter of 2022. The remaining average contractual life for the outstanding warrants is 3.0 years and may be exercised between 15 June 2022 and 15 June 2023.

Warrant, assumptions used when calculating value at grant
Expected volatility 28.5%, expected life 3.5 years, and risk free interest rate 0%.

LTIP programmes/ Financial year	No. Of allocated share awards and warrants	No. of people	Exercise price warrants	Theoretical value at allocation	Exercise period	Out-standing share awards and warrants as per 1 January	Recalculation due to dividend	Forfeited during the year	Exercised during the year	Out-standing share awards and warrants as per 31 December
Grant 2016										
2019						270,057	13,194	-30,018	-253,233	**0**
2018	358,956	85		210.42	2019	299,327		-29,270		**270,057**
Grant 2017										
2019						360,826	2,593	-255,310	-108,109	**0**
2018	419,190	85		257.81	2020	400,145		-39,319		**360,826**
Grant 2019										
2019	648,500	25	134.80	115.63	2022			-222,080		**426,420**
2018										**-**
Total grant										
2019	648,500					630,883	15,787	-507,408	-361,342	**426,420**
2018	778,146					699,472	0	-68,589	0	**630,883**

27 Audit fees

	Group		Parent	
(SEK million)	**2019**	**2018**	**2019**	**2018**
KPMG, audit fees	6	6	2	2
KPMG, audit related fees	0	-	-	-
KPMG, tax related fees	-	0	-	-
KPMG, other services	11	7	-	0
EY, audit fees	-	0	-	-
Other, audit fees	0	2	-	-
Total	**18**	**14**	**2**	**2**

28 Related party transactions

Related Parties
The Group has related party relationships with its subsidiaries, associated companies and joint ventures (see note 7 and 13).

Until 17 August 2018, Kinnevik held 48.0 % of the votes in Modern Times Group (MTG) AB, whereafter Kinnevik distributed its shares in Modern Times Group (MTG) AB to its shareholders. Due to the distribution of shares, Kinnevik is since 17 August 2018 no longer considered as a related party. None of Kinneviks owners are considered as a related party.

All related party transactions are based on market terms and negotiated on arm's-length basis.

In 2019 there are no transactions with associated companies or joint ventures.

Business agreements with related parties
Transactions with associated companies and joint ventures consistsed in 2018 mainly of advertising sales and program rights acquisitions.

29 Acquired operations

No new operations have been acquired during 2019.

Acquired operations 2018

(SEK million)	Energy Holding Norway AS	Epic Film ApS	Other Subsidiaries	Total
Cash paid	3	4	222	**230**
Additional purchase price and other settlements, non-paid	-	6	-	**6**
Total consideration	**3**	**10**	**222**	**236**
Recognized amounts of identifiable assets and liabilities				
Accounts receivables and other receivables	15	-	-	**15**
Cash and cash equivalents	0	-	-	**0**
Deferred tax receivables/liabilities net	0	-	-	**0**
Accounts payable and other liabilities	-12	-	-	**-12**
Net identifiable assets and liabilities	**3**	**-**	**-**	**3**
Goodwill	-	10	-	**10**
Total value	**3**	**10**	**-**	**13**

Cash consideration

(SEK million)	Energy Holding Norway AS	Epic Film ApS	Other Subsidiaries	Total
Cash paid	3	4	222	**230**
Cash and cash equivalents in the acquired companies	0	-	-	**0**
Cash consideration	**3**	**4**	**222**	**230**
Transaction costs rendered	-	0	5	5
Total cash consideration	**3**	**4**	**227**	**235**

Acquisitions 2018
The Group acquired 100% of the shares in Energy Holding Norway AS on January 18, 2018 for a cash consideration of SEK 3.5 million. The company merged with its parent company P4 Radio Hele Norge AS in April 2018. On September 15, the Group acquired 51% of the shares in Epic Film ApS for a consideration of SEK 4.2 million and a contingent consideration of SEK 5.5 million, transaction costs amounted to SEK 0.3 million.

Acquistion by utilization of option to acquire shares (Other subsidiaries)
In May the Group increased its ownership in Zoom.in Group B.V. (Zoomin.TV) to 100% by acquiring the remaining 49% from Adversa Media Group B.V. The Group paid a cash consideration of SEK 63.3 million (EUR 6.2m) for the shares and transaction cost amounted to SEK 4.3 million.

In June the Group acquired the remaining 4% of the shares in Paprika Holding AB for cash consideration of SEK 1.4 million as well as the remaining 4% of the shares in Splay AB from a company controlled by the company's CEO and founder for a cash consideration of SEK 8.8 million, and a potential deferred variable consideration based on the performance of Splay AB in the first half of 2018.
In September the Group acquired the remaining 4,96% of the shares in Digital Rights Group Ltd for a cash consideration of SEK 1.3 million and increased its ownership in Turtle Entertainment GmbH by 8.44% to 82.48% for a cash consideration of SEK 148.2 million (EUR 14.3 million) and transaction cost of SEK 0.8 million.

Contributions during 2018 from the acquisition date

(SEK million)	Energy Holding Norway AS	Epic Film ApS	Total
Net sales	31	1	**32**
Net income	12	0	**12**

Contributions from acquisitions if the acquisition had occurred 1 January 2018

(SEK million)	Energy Holding Norway AS	Epic Film ApS	Total
Net sales	31	1	**32**
Net income	12	0	**12**

Since the acquisiton of Energy Holding Norway AS occurred on the 1 of January total sales and net income has been included for the full year 2018.

30 Divested operations, assets held for sale and discontinued operations

Discontinued operations
Discontinued operations refer to companies that have been disposed. Result and cash flow from discontinued operations are presented separate from result and cash flow from continued operations.

2019
Distribution of Nordic Entertainment Group AB (NENT)
At the Extraordinary General Meeting on February 7th, 2019, it was decided to split the Group and distribute the shares of Nordic Entertainment Group AB (NENT) to the shareholders of MTG. In March, the shareholders received one NENT share for each MTG share held. NENT was listed on Nasdaq Stockholm on March 28th, 2019. On distribution of the NENT shares, MTG recognized a capital gain of SEK 13,480 million, representing the difference between the fair value of NENT and the carrying amount of NENT's net assets at the time of distribution.

Other discontinued operations
MTG completed the sale of its 95 percent shareholding in Nova Broadcasting Group in Bulgaria to Advance Media Group on April 10, 2019. MTG recognized a capital gain of SEK 1,405 million. MTG will use the proceeds to further develop its global digital entertainment verticals, with an emphasisi on esprot, through organic investments and acquisitions.
Nova had been reported as an Asset held for sale since the first quarter of 2018 and, from the first quarter of 2019, was reported as a Discontinued operation.

MTG completed the sale of its 100 percent shareholding in Zoomin to Azerion on October 28th, 2019. MTG recognized a capital loss of SEK 88 million. During the period preceding the divestment, Zoomin generated revenue of SEK 79 million and a net result of SEK -68 million.

Other business operations further include a write-down of assets of SEK 69 million relating to an investment and a revaluation of value of an associated company.

2018
On January 19 the Group completed the sale of its 75% shareholding in Trace Partners S:A:S to TPG Growth for a total cash consideration of EUR 30 million (SEK 297 million). The transaction values 100% of the business at an equity value of EUR 40 million (apporoximately SEK 396 million).

Net income - Discontinued operations

(SEK million)	**2019**	**2018**
International entertainment	27	207
Nordic Entertainment Group	167	1,292
Zoomin	-68	-239
Other business	-72	-
Capital Gain / Loss	14,798	-
Net income - Discontinued operations	**14,852**	**1,260**

The table below presents distributed operation of Nordic Entertainment Group in 2019 with comparables for 2018.

Group (SEK million)	**2019 NENT**	**2018 NENT**
Net sales	3,727	14,568
Operating expenses	-3,535	-13,088
Other income and expenses	27	24
Financial expenses	2	-52
Net income before tax	**221**	**1,452**
Tax	-54	-160
Net income	**167**	**1,292**
Net gain on distribution of operations	13,480	-
Total net income from distributed operations	**13,647**	**1,292**

Group (SEK million)	**2019 NENT**	**2018 NENT**
Non-current assets	-	3,704
Current assets	-	8,498
Total assets	**-**	**12,202**
Equity	-	597
Non-current liabilities	-	495
Current liabilities	-	11,110
Total liabilities	**-**	**12,202**

Group (SEK million)	**2019 NENT**	**2018 NENT**
Cash flow from:		
Operating activities	-157	1,116
Investing activities	-33	-567
Financing activities	466	-209
Net cash flow for the period	**276**	**339**

The table below presents divested operations related to Nova and Zoomin in 2019 with comparables for 2018 for the same entities.

Group (SEK million)	**2019 Nova, Zoomin**	**2018 Nova, Zoomin**
Net sales	336	1,410
Operating expenses	-368	-1,364
Other income and expenses	6	6
Financial expenses	-11	-19
Net income before tax	**-37**	**33**
Tax	-4	-65
Net income	**-40**	**-32**
Net gain on divestment of operations	1,317	
Total net income from divested operations	**1,277**	**-32**

Group (SEK million)	2019 Nova, Zoomin	2018 Nova, Zoomin
Non-current assets	336	292
Current assets	454	514
Cash and cash equivalents	242	238
Total assets	**1,032**	**1,043**
Non-current liabilities	76	47
Current liabilities	442	838
Liabilities related to MTG	130	154
Total liabilities	**648**	**1,040**
Divested assets and liabilities, net	**384**	**3**
Consideration received	1,876	
Cash and cash equivalents in the divested operations	-242	
Cash effect	**1,635**	

The table below presents divested operations related to Trace in 2018.

Group (SEK million)	2019 Trace	2018 Trace
Net sales	-	73
Operating expenses	-	-70
Other income	-	-1
Financial expenses	-	2
Net income before tax	**-**	**-2**
Tax	-	-
Net income	**-**	**-**
Net gain on divestment of operations	-	-

Group (SEK million)	2019 Trace	2018 Trace
Non-current assets	-	33
Current assets	-	293
Cash and cash equivalents	-	17
Total assets	**-**	**343**
Non-current liabilities	-	145
Current liabilities	-	145
Total liabilities	**-**	**290**
Divested assets and liabilities, net	**-**	**53**
Consideration received	-	314
Cash and cash equivalents in the divested operations	-	-17
Cash effect	**-**	**297**

31 Events after the reporting period

Due to the impact from the covid-19 (Corona virus disease), the operational performance of MTG´s esport vertical will be negatively affected on revenue and profit in 2020. However, the company's gaming vertical continues to perform well despite the ongoing pandemic.
MTG has confirmed its intention to separate its gaming vertical, either by divestment or through a listing on the Nasdaq First North Growth Market.

32 Proposed appropriations of earnings

The following funds are at the disposal of the shareholders as at 31 December 2019 (SEK):

Parent company (SEK million)	
Premium reserve	269,943,815
Retained earnings	2,576,735,292
Net income 2019	2,285,215,308
Total as per 31 December 2019	**5,131,894,350**

The Board of Directors propose that no dividend be paid to MTG shareholders for the financial year 2019, and that the retained earnings be carried forward.

SIGNATURES

The Board of Directors and the Chief Executive Officer confirm that the annual accounts have been prepared in accordance with accepted accounting standards in Sweden, and that the consolidated accounts have been prepared in accordance with the international accounting standards in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards. The annual accounts and the consolidated accounts give a true and fair view of the Group's and Parent Company's financial position and results of operations.

The Board of Directors' Report for the Group and the Parent Company gives a true and fair view of the Group's and the Parent Company's operations, position and results, and describes significant risks and uncertainty factors that the Parent Company and Group companies face.

The annual accounts and the consolidated statements were approved by the Board of Directors and the Chief Executive Officer on 17 April 2020. The consolidated income statement and statement of financial position, and the income statement and balance sheet of the Parent Company, will be presented for adoption by the Annual General Meeting on 18 May 2020.

Stockholm, 17 April 2020

Gerhard Florin
Non-Executive Director

David Chance
Chairman of the Board

Simon Duffy
Non-Executive Director

Donata Hopfen
Non-Executive Director

Natalie Tydeman
Non-Executive Director

Jørgen Madsen Lindemann
President and Chief Executive Officer

Our Audit report was submitted
17 April 2020
KPMG AB

Joakim Thilstedt
Authorized Public Accountant

AUDIT REPORT

To the general meeting of the shareholders of Modern Times Group MTG AB (publ.), corp. id 556309-9158.

Report on the annual accounts and consolidated accounts
Opinions
We have audited the annual accounts and consolidated accounts of Modern Times Group MTG AB for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 22-93 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and balance sheet for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Recoverability of goodwill and intangible assets
See disclosure 2 and 11in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of goodwill and other intangible assets such as trademarks and customer relations as at 31 December 2019 amount to SEK 5 billion, which is approximately 56 % of total assets.

Goodwill and intangible assets with indefinite lives are required to be tested annually for impairment. Other intangible assets are tested where there is an impairment trigger.

The impairment tests are complex and include significant judgements. The recoverable value of these assets is based on forecasting and discounting future cash flows using assumptions, such as discount rates, revenue forecasts and long-term growth, which are inherently judgmental and which could be influenced by management bias.

Response in the audit

We obtained and considered the groups impairment tests to assure compliance with the methodology prescribed by IFRS.

We have further evaluated the future cash flow forecasts and their underlying assumptions including long-time growth rates as well as the discount rates used. We have also evaluated historical accuracy of forecasts.

We have had reviews with management among others including specific focus on the assumptions used in the impairment test for the ESL and Dreamhack, where a reasonable change in assumptions could result in an impairment.

We considered management's sensitivity analysis showing the impact of a reasonable change in assumptions to determine whether impairment charged was required.

We have further evaluated the financial statement disclosures in relation to the requirements in the accounting standards.

Valuation of put and call liabilities and contingent considerations

See disclosure 2 and 22 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

In connection with certain business combinations options have been issued where the seller of the company has the right to sell further shares to the group and the group has the right to purchase further shares. The acquired company is fully consolidated without non-controlling interest. Instead a liability is recorded measured at present value of the exercise price of the options which is dependent on the future performance of the acquired business.

Certain other business combinations include contingent considerations, which are measured at fair value. At 31 December 2019 the carrying value of these put liabilities and contingent considerations are SEK 377 million in the balance sheet.

The value is calculated based on the terms in agreements including estimates of future revenue growth and operating margin discounted to present value. The calculation of the value therefore include significant judgements which could be influenced by management bias.

Response in the audit

We obtained and considered the group's valuation of the put and call liabilities and contingent considerations and evaluated the forecasts for revenue growth and operating margin as well as the discount rates used.

Major changes in estimated fair value following divestments or exercise for acquisitions are recorded related to ESL.

We have further ensured that the financial statement disclosures fulfill requirements in the accounting standards.

Accounting for the split and distribution of Nordic Entertainment Group

See disclosure 1 and 30 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

At the Extraordinary General Meeting on February 27, 2019, the decision to split the Group into two listed companies, Modern Times Group MTG and Nordic Entertainment Group, was approved. The split was completed on March 28, 2019 through a distribution of shares, where Modern Times Group AB's shareholders received shares in Nordic Entertainment Group AB in proportion to their existing shareholding.

On distribution of the Nordic Entertainment Group shares, Modern Times Group MTG recognized a capital gain in discontinued operations of SEK 13,480 million, representing the difference between the fair value of Nordic Entertainment Group and the carrying value of Nordic Entertainment Group's net assets at the time of distribution.

The decision to split the Group has further led to Nordic Entertainment Group being presented as discontinued operations in the consolidated income statement separately from continuing operations with comparative numbers represented accordingly. Accounting for discontinued operations requires identifying and separating the financial effects from continuing and discontinued operations as well as ensuring that the criteria in IFRS are fulfilled to account for discontinued operations.

Response in the audit

We assessed that Modern Times Group MTG's policies and procedures for accounting for discontinues operations are in compliance with IFRS.

We have further assessed the financial effects from the discontinued operations and that they have been appropriately separated from continuing operations.

We have evaluated the presentation of the gain from the distribution of Nordic Entertainment Group and its compliance with IFRS.

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Other Information than the annual accounts nd consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-21 and 99-101. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- IObtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Modern Times Group MTG AB for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Modern Times Group MTG AB by the general meeting of the shareholders on the 21 May 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1997.

Stockholm 17 April 2020
KPMG AB

Joakim Thilstedt
Authorized Public Accountant

THREE YEAR SUMMARY

Group (SEK million)	2019	2018	2017
Continuing operations			
Net sales	4,242	3,841	2,851
Change in reported net sales %	*10*	*34*	-
Organic growth %	*7*	*9*	-
Acquisitions/divestments %	*-1*	*19*	-
Changes in FX rates %	*4*	*6*	-
Operating income before items affecting comparability	-255	-180	-417
Operating margin before items affecting comparability %	*-6*	*-5*	*-15*
Items affecting comparability	-152	139	-424
Total operating income	-407	-41	-841
Total operating margin %	*-10*	*-1*	*-30*
Net income	-458	-107	-857
Discontinued operations			
Net income	14,852	1,260	2,217
Total operations			
Total net income	14,394	1,153	1,360
Cash flow, continuing operations			
Cash flow from operations	-71	1,610	1,311
Change in working capital	-117	-568	-725
Net cash flow from operations	-188	1,042	586
Investments in non-current intangible and tangible assets	-238	-765	-330
Net investments of business combinations and divestments	1,780	62	763
Per share data			
Shares outstanding	67,342,244	66,980,902	66,725,249
Weighted average number of shares before dilution	67,278,885	66,854,133	66,706,398
Weighted average number of shares after dilution	67,278,885	67,362,405	67,142,319
Total basic earnings per share for continuing operations (SEK)	-8.19	-3.17	-13.55
Total basic earnings per share (SEK)	212.68	15.52	18.84
Proposed ordinary dividend/Cash dividend per share (SEK)	-	-	12.50
Market price of Class B shares at close of last trading day	112.00	293.00	344.80

DEFINITIONS

Adjusted EBITDA
In order to assess the operating performance of the business, MTG management will focus on Adjusted EBITDA, and Adjusted EBITDA Margin. These do not include the impact of items affecting comparability, long-term incentive programs, acquisition-related transaction expenses and impairment of own work capitalized, which are referred to as adjustments

ARPDAU
Average revenue per daily active user

CAPEX
Capital expenditures

Cash flow from operations
Cash flow from operations comprises operating cash flow before financial items, taking into account other financial cash flow

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
EBIT (operating income) comprise earnings before interest and tax

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation

ESS
Esport 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 and Operated - A property that is independently managed and controlled within the Group

Open
Competitions free for all participants

Organic growth
Change in net sales compared with the corresponding period of the previous year, excluding acquisitions and divestments and adjusted for currency effect

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, Aquisition/Divestment, and changes in FX rates

Adjusted EBITDA

(SEKm)	Full year 2019	Full year 2018
EBIT	**-407**	**-41**
Amortizations	202	162
Depreciation	96	56
EBITDA	**-109**	**177**
Items affecting comparability	152	-139
Impairment own capitalized costs	93	13
Long-term incentive programs	76	13
M&A transaction costs	28	34
Adjusted EBITDA	**239**	**99**

Items affecting comparability (IAC) contain costs for the split from Nordic Entertainment Group of SEK -54 million, redundancy costs of SEK -52 million (ESL SEK -35 million and MTG AB of SEK -17 million), project close down costs in ESL of SEK -12 million and write-off items in the balance sheet in ESL of SEK -34 million.

Sales growth by segment

(SEKm)	Full year 2019	Full year 2018
Esport		
Organic growth	*8%*	*7%*
Acquisition/divestments	*-*	*-*
Changes in FX rates	*5%*	*4%*
Reported growth (%)	*13%*	*11%*
Gaming		
Organic growth	6%	7%
Acquisition/divestments	-	47%
Changes in FX rates	5%	10%
Reported growth (%)	10%	86%
Total operations		
Organic growth	7%	9%
Acquisition/divestments	-1%	19%
Changes in FX rates	4%	6%
Reported growth (%)	10%	34%

FINANCIAL CALENDAR

Q1 Results Announcement
Tuesday, 28 April 2020

Annual General Meeting 2020
Monday, 18 May 2020

Q2 Results Announcement
Thursday, 23 July 2020

Capital Markets Day 2020
Friday, 9 October 2020

Q3 Results Announcement
Wednesday, 4 November 2020

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