

Well positioned to capture growth

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

Financial highlights

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

Financial overview

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

President & CEO's comments

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

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

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

Gaming – building a scale player

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

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

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

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

Esports – emerging stronger than ever

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

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

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

Looking forward – well positioned to capture growth and value opportunities

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

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

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

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

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Significant events in and after the quarter

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

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

April 20 – DreamHack revealed DreamHack Beyond

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

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

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

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

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

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

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

May 14 – DHL extended successful partnership with ESL Gaming

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

May 18 – MTG held its Annual General Meeting

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

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

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

June 15 – Ninja Kiwi launched new title Bloons Pop!

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

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

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

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

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

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

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

Group performance

Net sales

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

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

Adjusted EBITDA, EBITDA and EBIT

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

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

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

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

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

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

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

Net financials and net income

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

Venture capital fund investments

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

Segmental performance

Gaming

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Esports

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

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

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

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

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

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

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

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

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

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

Financial review

Cash flow

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

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

Investing activities

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

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

Financing activities

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

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

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

Parent Company

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

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

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

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

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

Other information

Accounting policies

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

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

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

Related party transactions

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

Risks & uncertainties

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

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

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

Stockholm, July 20, 2021

Maria Redin

Group President & CEO, Modern Times Group MTG AB

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

Condensed consolidated income statement

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

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

Consolidated statement of comprehensive income

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

Condensed consolidated balance sheet

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

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

Condensed consolidated statement of cash flows

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

Condensed consolidated statement of changes in equity

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

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

Parent company condensed income statement

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

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

Parent company condensed balance sheet

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

Financial instruments at fair value

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

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

Valuation techniques

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

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

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

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

Net sales and result by segment

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

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

Acquisitions

Acquired operations 2021

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

Cash consideration

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

Ninja Kiwi

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

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

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

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

Contributions during 2021 from the acquisition date

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

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

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

(SEKm)	Ninja Kiwi
Net sales	237
EBIT ¹	87

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

Alternative performance measures

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

- Adjusted EBITDA
- Change in net sales from organic growth

Reconciliation of adjusted EBITDA

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

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

Reconciliation of sales growth

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

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

Definitions

Adjusted EBITDA

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

AMA

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

ARPAU

Average net revenue per daily active user.

CAPEX

Capital expenditures.

Challenger

Smaller scale competitions with semi-professional players.

DAU

Daily active users.

Earnings per share

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

EBIT/Operating income

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

EBITDA

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

ESS

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

Items affecting comparability (IAC)

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

Master

Large scale competitions attracting professional top-tier global players.

MAU

Monthly active users.

O&O

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

Open

Competitions free for all participants.

Organic growth

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

Transactional currency effect

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

Translational currency effect

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

UA

User acquisition.

Shareholder information

Extraordinary General Meeting July 2021

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

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

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

Financial calendar

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

Questions?

Lars Torstensson, Chief Financial Officer and EVP Communications & IR

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

Oliver Carrà, Director of Public Relations & Public Affairs

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

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

Conference call

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

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

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

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



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

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

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

Signatures

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

Stockholm, July 20, 2021

Simon Duffy
Chairman of the Board

Chris Carvalho
Non-Executive Director

Dawn Hudson
Non-Executive Director

Gerhard Florin
Non-Executive Director

Marjorie Lao
Non-Executive Director

Natalie Tydeman
Non-Executive Director

Simon Leung
Non-Executive Director

Maria Redin
President & CEO