

9% organic growth & profits up 73% - MTG to spin-off Nordic Entertainment Group

Q1 2018 highlights

- Record Q1 sales of SEK 4,674m (3,704) with 9% organic growth
- Operating income before IAC of SEK 237m (137) including transaction costs of SEK 12m (6)
- Total operating income of SEK 220m (137) including SEK -17m (0) of items affecting comparability
- Total net income of SEK 142m (118) including net income from discontinued operations of SEK -4m (35) and total basic earnings per share of SEK 1.62 (1.44)
- Net debt of SEK 2,334m (2,439) equivalent to 1.4x trailing EBITDA before IAC

Financial overview

(SEKm)	Q1 2018	Q1 2017	Full year 2017
Continuing operations			
Net sales	4,674	3,704	17,537
<i>Organic growth</i>	9.2%	8.7%	7.7%
<i>Acquisitions/divestments</i>	15.3%	0.4%	8.3%
<i>Changes in FX rates</i>	1.7%	2.2%	1.0%
<i>Change in reported net sales</i>	26.2%	11.4%	16.9%
Operating income before IAC	237	137	1,264
<i>Operating margin before IAC</i>	5.1%	3.7%	7.2%
Items affecting comparability	-17	-	-340
Operating income	220	137	923
Net income	146	84	612
Basic earnings per share (SEK)	1.68	1.23	8.19
Cash flow from operations	320	144	1,311
Discontinued operations ¹⁾			
Net income	-4	35	748
Total operations			
Net income	142	118	1,360
Basic earnings per share (SEK)	1.62	1.44	18.73
Net debt	2,334	2,439	1,812

¹⁾ Discontinued operations comprise MTG's businesses in Tanzania in the first quarter of 2018 and also MTG's businesses in the Czech Republic and the Baltics in 2017. The full year 2017 results include a capital gain of SEK 593m from the divestment of the Baltic operations.

Alternative performance measures used in this report are explained and reconciled on pages 21-25.



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President & CEO's comments

Another quarter of profitable growth

Q1 has been a busy and exciting quarter at MTG. We have delivered both top and bottom line growth while also preparing to take the final step in our transformation by splitting MTG into two separate listed companies.

Q1 was the seventh consecutive quarter of more than 5% organic sales growth. This growth is a result of the investments that we have made in our content portfolio and digital products. Our digital sales were up 88% in Q1 and accounted for 35% of total sales. Furthermore, we have translated this growth into higher profits with EBIT up 73%.

Nordic Entertainment delivered another quarter of higher sales and profits, even though we had tough comps from last year and the Winter Olympics on rival channels and services. Viaplay continues to be the main driver of the growth but almost all of our markets and products grew their sales.

MTGx sales were up 226% on a reported basis and 27% on an organic basis. We turned the reported EBITDA loss a year ago into a profit of SEK 45m with the help of the contribution from InnoGames. All three digital verticals all grew with ESL generating particularly high growth from owned and operated events.

One becomes two

We are today the number one integrated entertainment provider in the Nordics, with the best and broadest content offering, and world-class streaming services in Viaplay and Viafree. We have also firmly established MTGx as one of the most exciting players in the digital entertainment space. We are the world's leading esports company and we have proven concepts in the online gaming space - two industries that are global by nature.

The Nordic Entertainment and MTGx businesses and teams are ready to stand and succeed separately, which is why we are now taking the next step by preparing to split MTG into two separate listed companies. Please read all about it at www.mtg.com/mtg-nordic-entertainment-split/. We are big believers that this will accelerate the development of both companies and create additional shareholder value through a sharpened strategic focus, more flexibility, and faster decision making. It will also provide investors with two distinct and attractive but inherently different investment cases. We intend to propose the distribution and listing of the Nordic Entertainment Group at an Extraordinary General Meeting in the second half of this year and provide regular updates throughout the process.

Jørgen Madsen Lindemann
President & Chief Executive Officer

“9% organic growth and 73% profit growth clearly show the potential of this Group. Now we are preparing to split MTG in two in order to accelerate the speed of development and drive shareholder value. We have created two unique businesses that are leaders in their fields and very well positioned for the future.”



Significant events in and after the quarter

19 January – Divestment of Trace

MTG announced that it had signed an agreement to sell its 75% shareholding in TRACE PARTNERS S.A.S. to TPG Growth. The transaction values 100% of the business at an enterprise value of EUR 40m (approximately SEK 392m). Closing is subject to regulatory approvals and expected to take place in Q2 2018.

1 February & 2 March – Proposed combination of MTG Nordics & TDC Group

On 1 February, MTG announced that it had entered into an agreement with TDC A/S to combine its Nordic Entertainment and MTG Studios businesses with TDC Group, in order to create Europe's first fully convergent media and communications provider. On 2 March, TDC Group announced that its Board of Directors had withdrawn its recommendation of the combination and that it will not propose the combination to its shareholders. This follows the public takeover offer for all of TDC Group's shares by a financial consortium. The merger agreement governing the combination has not yet been terminated.

19 February – Divestment of Nova Group

MTG announced that it had signed an agreement to sell its 95% shareholding in Nova Broadcasting Group Jsc. in Bulgaria to PPF Group. The transaction values 100% of the business at an enterprise value of EUR 185m (approximately SEK 1,830m). Closing is subject to regulatory approvals and expected to take place during Q2 2018.

23 March – MTG to split and distribute shares in Nordic Entertainment Group

MTG announced that its Board of Directors had decided to initiate a process to split MTG into two companies – Modern Times Group MTG AB and Nordic Entertainment Group – by distributing the shares in Nordic Entertainment Group (comprising the Group's Nordic Entertainment, MTG Studios and Splay Networks operations) to MTG's shareholders, and listing these shares on Nasdaq Stockholm. The Board intends to propose the distribution and listing of the shares at an Extraordinary General Meeting of its shareholders during the second half of 2018. The Board's final proposal will be subject to the previously announced combination of MTG's Nordic Entertainment and MTG Studios businesses with TDC Group not being completed.

28 March – Publication of 2017 Annual and Corporate Responsibility Reports

MTG published its [Annual Report](#) and [Corporate Responsibility Report](#) for 2017.

19 April – Nordic Entertainment Group leadership team appointed

MTG announced the Nordic Entertainment Group leadership team, effective 1 July 2018. All team members will report in to Anders Jensen, the future President and CEO of Nordic Entertainment Group.

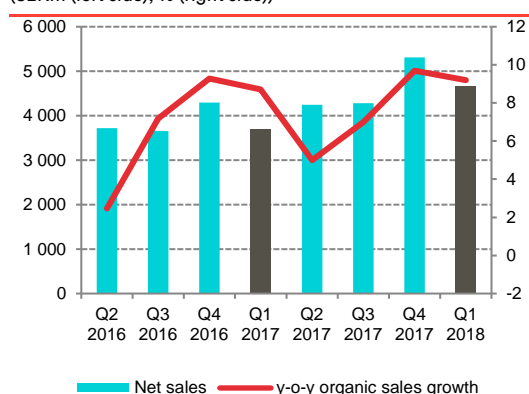
A full list of MTG announcements and reports can be found at www.mtg.com.

Group performance

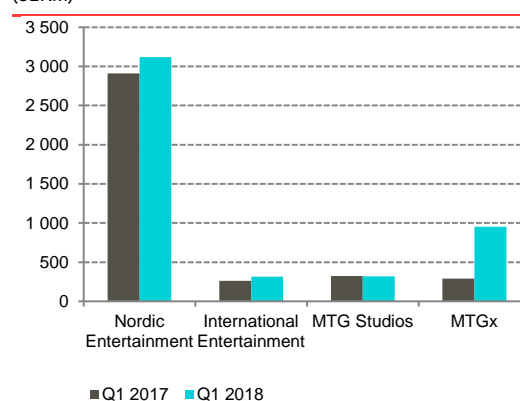
Net sales

Net sales were up 26% on a reported basis to SEK 4,674m (3,704), and up 9% on an organic basis. Acquisitions and divestments contributed 15% of the growth and primarily comprised the consolidation of InnoGames and Kongregate, while the FX impact was 2%.

Net sales & y-o-y organic growth
(SEKm (left side); % (right side))



Net sales by segment
(SEKm)



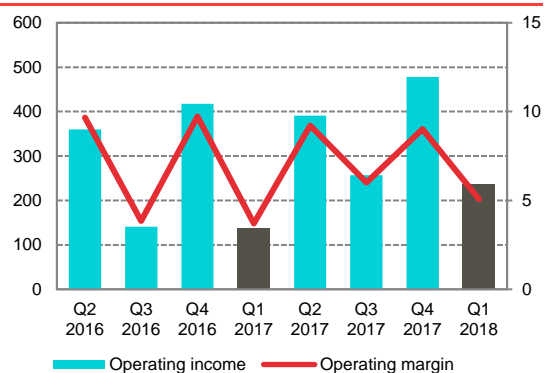
Operating expenditure

Operating expenditure was up 23% at constant FX and driven primarily by the ongoing investment in MTG's digital expansion and the consolidation of InnoGames and Kongregate. Depreciation and amortisation charges increased to SEK 99m (55), which mainly reflected amortisation charges of SEK 35m relating to the purchase price allocation for acquired businesses.

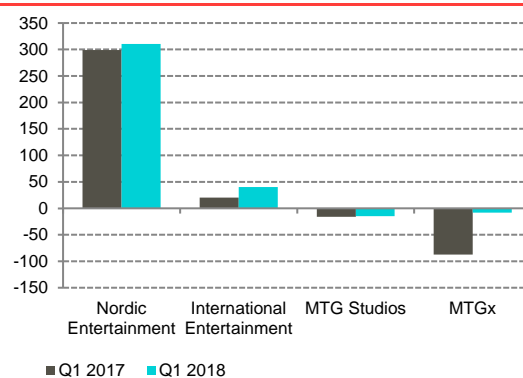
Operating income and items affecting comparability

Operating income before IAC was up 73% to SEK 237m (137) and included transaction costs of SEK 12m (6). The operating income increase was primarily driven by the consolidation of InnoGames and Kongregate, as well as healthy underlying performance in Nordic and International Entertainment. Items affecting comparability amounted to SEK -17m (0) related to revaluation of option liabilities for NetInfo (Bulgaria).

Operating income & operating margin before IAC ¹⁾
(SEKm (left side); % (right side))



Operating income by segment
(SEKm)



¹⁾ Quarterly fluctuations reflect the seasonality of advertising markets. Please refer to page 21 for Alternative Performance Measures

Net financials and net income from continuing operations

Net interest and other financial items totalled SEK -14m (-17). Net interest amounted to SEK -3m (-6). Other financial items amounted to SEK -11m (-11) and mainly comprised the impact of exchange rate differences on financial items, as well as the non-cash discounting of option and earn-out liabilities at fair value. Net income from continuing operations amounted to SEK 146m (84), and basic earnings per share totalled SEK 1.68 (1.23).

Discontinued operations

Discontinued operations in the quarter comprised the Tanzanian operation, the sale of which is yet to close. Net income from discontinued operations amounted to SEK -4m (35). Total net income for the Group therefore amounted to SEK 142m (118), and total basic earnings per share amounted to SEK 1.62 (1.44).

Segmental performance

Nordic Entertainment

Sales & profits up

(SEKm)	Q1 2018	Q1 2017	Full year 2017
Net sales	3,120	2,911	11,961
<i>of which Free-TV & Radio</i>	<i>1,287</i>	<i>1,204</i>	<i>5,094</i>
<i>of which Pay-TV</i>	<i>1,833</i>	<i>1,706</i>	<i>6,867</i>
Costs	-2,810	-2,612	-10,388
Operating income	310	299	1,574
<i>Operating margin</i>	<i>9.9%</i>	<i>10.3%</i>	<i>13.2%</i>
<i>Net sales growth y-o-y</i>			
<i>Organic growth</i>	<i>6.2%</i>	<i>10.7%</i>	<i>6.6%</i>
<i>Acquisitions/divestments</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Changes in FX rates</i>	<i>1.0%</i>	<i>2.3%</i>	<i>0.8%</i>
<i>Reported growth</i>	<i>7.2%</i>	<i>12.9%</i>	<i>7.4%</i>

Sales were up 6% on an organic basis and driven by the continued growth of Viaplay, Viafree and the Swedish radio business. Operating costs were also up and reflected the ongoing investments in the scaling of Viaplay and Viafree. Operating income amounted to SEK 310m (299), with an operating margin of 9.9% (10.3).

Free-TV and radio sales were up 7% on a reported basis and driven by the performances of Viafree and the Swedish Radio business in particular. The Swedish and Norwegian TV advertising markets are estimated to have grown, while the Danish market is estimated to have been stable. The Swedish and Danish TV audience shares were down, while the Norwegian share was up. The Swedish and Norwegian radio audience shares were slightly down.

Pay-TV sales were up 7% on a reported basis following continued Viaplay subscriber intake and the previously introduced price rises. When excluding Viaplay, the subscriber base was up q-o-q as erosion in the satellite base was more than offset by strong growth in the third-party base. Average revenue per satellite user was up slightly at constant FX.

International Entertainment

Sales & profits up

(SEKm)	Q1 2018	Q1 2017	Full year 2017
Net sales	315	264	1,189
Costs	-275	-243	-1,013
Operating income	40	21	176
<i>Operating margin</i>	<i>12.8%</i>	<i>7.8%</i>	<i>14.8%</i>
<i>Net sales growth y-o-y</i>			
<i>Organic growth</i>	<i>14.1%</i>	<i>4.8%</i>	<i>6.9%</i>
<i>Acquisitions/divestments</i>	<i>0.0%</i>	<i>-0.2%</i>	<i>-1.0%</i>
<i>Changes in FX rates</i>	<i>5.4%</i>	<i>2.0%</i>	<i>1.9%</i>
<i>Reported growth</i>	<i>19.5%</i>	<i>6.5%</i>	<i>7.8%</i>

Sales were up 14% on an organic basis and driven by double digit percentage growth in Bulgaria and for Trace. The Bulgarian audience share was slightly down, while the TV advertising market is estimated to have grown. Operating income amounted to SEK 40m (21) with an operating margin of 12.8% (7.8). The previously announced sales of the Trace and Nova businesses are subject to regulatory approvals, which are expected in Q2.

MTG Studios

Stable sales and EBIT

(SEKm)	Q1 2018	Q1 2017	Full year 2017
Net sales	321	323	1,832
Costs	-336	-339	-1,764
Operating income	-15	-16	68
<i>Operating margin</i>	<i>-4.7%</i>	<i>-5.0%</i>	<i>3.7%</i>
<i>Net sales growth y-o-y</i>			
<i>Organic growth</i>	<i>-2.1%</i>	<i>-5.4%</i>	<i>2.7%</i>
<i>Acquisitions/divestments</i>	<i>0.2%</i>	<i>0.0%</i>	<i>0.3%</i>
<i>Changes in FX rates</i>	<i>1.2%</i>	<i>0.9%</i>	<i>0.1%</i>
<i>Reported growth</i>	<i>-0.7%</i>	<i>-4.5%</i>	<i>3.1%</i>

Sales were down 2% on an organic basis and reflected lower events sales, as well as timing differences in the production schedules for scripted drama. Non-scripted sales were up due to the success of established formats such as Farmen. Underlying demand for scripted drama remains high with bigger content budgets for many streaming services and the pipeline looks promising. Q1 is a seasonally weak quarter but the operating loss decreased slightly to SEK -15m (-16), with an operating margin of -4.7% (-5.0).

MTGx

Sales up & EBITDA profitable

(SEKm)	Q1 2018	Q1 2017	Full year 2017
Net sales	952	292	2,964
<i>of which esports</i>	290	219	1,370
<i>of which online gaming</i>	577	-	1,234
<i>of which digital video content</i>	87	73	360
Costs before depreciation and amortisation	-908	-363	-2,949
EBITDA	45	-71	14
EBITDA margin	4.7%	-24.5%	0.5%
Depreciation	-12	-8	-40
Amortisation [†]	-41	-9	-145
Costs	-961	-379	-3,134
Operating income	-8	-88	-170
Operating margin	-0.9%	-30.0%	-5.7%
Net sales growth y-o-y			
<i>Organic growth</i>	27.4%	27.4%	37.0%
<i>Acquisitions/divestments</i>	194.2%	5.9%	101.7%
<i>Changes in FX rates</i>	4.7%	4.4%	2.6%
<i>Change in presentation of prize money</i>	-	-20.2%	-17.8%
<i>Reported growth</i>	226.3%	17.5%	123.5%

[†] Includes amortisation and write down of intangible assets in subsidiaries and on acquisition related surplus values.

Sales were up 27% on an organic basis and primarily reflected esports growth. The reported growth of 226% included the consolidation of InnoGames (1 May 2017) and Kongregate (21 July 2017). Segment EBITDA amounted to SEK 45m (-71). Depreciation and amortisation charges amounted to SEK 53m (17) and included the amortisation of surplus values of SEK 30m. Operating income for the segment amounted to SEK -8m (-88).

Esports sales were up 32% and driven by over 70% growth in ESL's revenues from own and operated events. This was partly mitigated by lower white label revenues, which reflects the strategic focus on branded products and events but also the loss of a major white label event that ESL hosted in Q1 17. Q1 is a seasonally small sales quarter for DreamHack and especially so this year as DreamHack Masters was moved from March to April but sales were still up.

Online gaming sales amounted to SEK 577m (0) and were up approximately 25% on a pro forma basis. InnoGames' Forge of Empires and Elvenar games continued to perform well and Warlords of Aeternum has received great user ratings ahead of the commercial launch in Q2. Kongregate has continued to expand its games developer and publishing businesses rapidly. Digital Video Content sales were up 19% with double digit growth for both Splay Networks and Zoomin.TV.

Financial review

Cash flow from continuing operations

Cash flow from operations

Cash flow from operations before changes in working capital amounted to SEK 320m (144). Depreciation and amortisation charges totalled SEK 99m (55). The Group reported a SEK -722m (-440) change in working capital following normal prepayment patterns but with some timing differences in receivables between quarters. Net cash flow from operations totalled SEK -402m (-297).

Investing activities

Investments in shares amounted to SEK 4m (0) and was related to the acquisition of Energy Norway AS. Group capital expenditure on tangible and intangible assets totalled SEK 122m (58). Total cash flow relating to investing activities amounted to SEK -140m (-45).

Financing activities

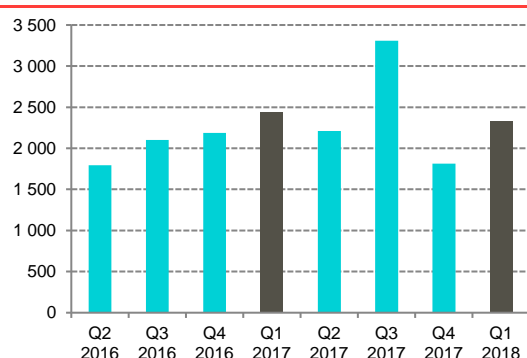
Cash flow from financing activities amounted to SEK -71m (144). Total borrowings decreased in the quarter by SEK 69m (increase of 132) to SEK 3,158m (3,125).

The net change in cash and cash equivalents amounted to SEK -613m (-198). The Group had cash and cash equivalents of SEK 673m (481) at the end of the period.

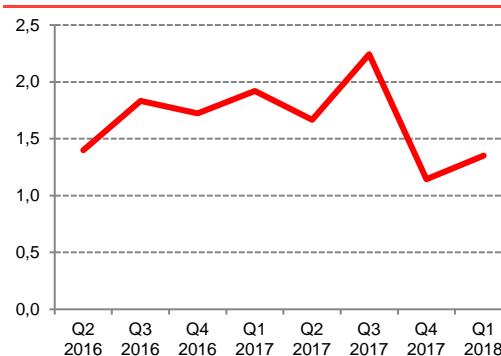
Net debt

The Group's net debt position, which is defined as the sum of short and long-term interest-bearing liabilities less total cash and interest-bearing assets, amounted to SEK 2,334m (2,439) at the end of the period.

Net debt
(SEKm)



Net debt/EBITDA ratio, based on 12 months EBITDA before IAC, continuing operations



Related party transactions

Related party transactions are of the same character and in line with the transactions described in the 2017 Annual Report.

Parent company

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

(SEKm)	Q1 2018	Q1 2017	Full year 2017
Net sales	13	10	49
Net interest and other financial items	44	52	263
Income before tax and appropriations	-28	0	-49

The lower income before tax and appropriations in the quarter mainly relates to transaction costs. Net interest and other financial items in the quarter decreased due to FX differences. The parent company had cash and cash equivalents of SEK 151m (385) at the end of the period. Total available credit facilities amounted to SEK 4,324m whereof SEK 4,309m (5,868) was unutilised at the end of the period.

The total number of shares outstanding at the end of the period was 66,725,249 (66,663,816) and excluded the 660,000 Class C shares and 261,875 Class B shares held by MTG as treasury shares. The change in the number of Class B shares in treasury is due to meet the exercise of the 2015 long-term incentive program. The total number of issued shares did not change during the period.

Other information

Corporate responsibility

MTG launched its eighth annual [Corporate Responsibility Report](#), which presents its performance as a responsible and sustainable business within its four strategic focus areas - media responsibility, social impact, business ethics and environmental care. The report brings together a wide range of interesting facts, personal stories, important goals and major initiatives to provide a clear overview of how MTG's daily CR work contributes to the lives of colleagues, consumers and owners.

Accounting policies

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

The Group's consolidated accounts and the parent company accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2017 Annual Report except for the new standards IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customer that have been applied in 2018.

'IFRS 9 Financial instruments': This standard addresses the classification, measurement, recognition, impairment and derecognition of financial instruments. It also addresses general hedge accounting. The standard has no material impact on the Group's financial position or result.

'IFRS 15 Revenue from Contracts with Customers': The standard replaces IAS 11 Construction Contracts and IAS 18 Revenue and establishes a new framework for determining when and how much revenue to recognise. The standard introduces a five-step model to be applied to all contracts with customers in order to establish the revenue recognition. IFRS 15 has had no significant effects

on the timing and the amount of revenue recognised in the Group's consolidated accounts. For further disclosures please see Revenue recognition on page 20.

'IFRS 16 Leases' (effective from financial year 2019): 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-balance sheet as a right-of-use asset and 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 must be separately recognised from interest on lease liabilities in the income statement. The Group is yet to assess IFRS 16's full impact, however, there is a number of operating leases for e.g. offices which will result in an increase of the balance sheet and a certain shift from operating expenses to interest expenses in the Group's income statement.

Discontinued operations/Assets held for sale: Discontinued operations comprise MTG's business in Tanzania. In 2017 the Czech, Baltic and African (excluding Trace) operations were reported as discontinued operations as a consequence of the completion of the divestments of the Czech (Prima) and Baltic operations and the agreement to sell the African operation (pending regulatory approval). Net income and net change in cash from discontinued operations have been reported on separate line items in the consolidated income statement and the consolidated statement of cash flow respectively. The considerations received for the divestment of Prima and the Baltic operations in 2017 are included in cash flow from continuing operations in the line Proceeds from sales of shares. Assets and liabilities related to the named operations are reported on the line items Assets held for sale and Liabilities related to assets held for sales in the consolidated balance sheet in the relevant periods.

MTG has entered into agreements to sell its shares in TRACE PARTNERS S.A.S. and in the Nova Broadcasting Group within the segment International Entertainment. Hereby, the assets and liabilities of these companies have been reclassified as Assets held for sale and Liabilities related to assets held for sales in the first quarter of 2018.

Risks & uncertainties

Significant risks and uncertainties exist for the Group and the parent company. These factors include the prevailing economic and business environments in some of the markets; commercial risks related to expansion into new territories; other political and legislative risks related to changes in rules and regulations in the various territories in which the Group operates; exposure to foreign exchange rate movements, and the US dollar and Euro linked currencies in particular; and the emergence of new technologies and competitors. The increasing shift towards online viewing and platforms could also potentially make the Group a target for cyber-attacks, intrusions, disruptions or denials of service. Risks and uncertainties are also described in more detail in the 2017 Annual Report, which is available at www.mtg.com.

Stockholm, 23 April 2018

Jørgen Madsen Lindemann
President & CEO

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

Consolidated income statement

(SEKm)	Q1 2018	Q1 2017	Full year 2017
Continuing operations			
Net sales	4,674	3,704	17,537
Cost of goods and services	-2,956	-2,480	-10,971
Gross income	1,718	1,224	6,566
Selling expenses	-505	-290	-1,639
Administrative expenses	-994	-806	-3,706
Other operating income	119	19	117
Other operating expenses	-101	-20	-83
Share of earnings in associated companies and joint ventures	0	10	8
Items affecting comparability	-17	-	-340
Operating income	220	137	923
Net interest	-3	-6	-24
Other financial items	-11	-11	-40
Income before tax	206	121	859
Tax	-60	-37	-247
Net income for the period, continuing operations	146	84	612
Discontinued operations			
Prima, Baltics and Africa	-4	35	748
Net income for the period, discontinued operations	-4	35	748
Total net income for the period	142	118	1,360
Net income for the period, continuing operations attributable to:			
Equity holders of the parent	112	82	546
Non-controlling interest	33	2	66
Net income for the period	146	84	612
Total net income for the period attributable to:			
Equity holders of the parent	108	96	1,250
Non-controlling interest	33	22	110
Total net income for the period	142	118	1,360
Continuing operations			
Basic earnings per share (SEK)	1.68	1.23	8.19
Diluted earnings per share (SEK)	1.67	1.22	8.13
Total			
Basic earnings per share (SEK)	1.62	1.44	18.73
Diluted earnings per share (SEK)	1.61	1.43	18.61
Number of shares			
Shares outstanding at the end of the period	66,725,249	66,663,816	66,725,249
Basic average number of shares outstanding	66,725,249	66,663,816	66,706,398
Diluted average number of shares outstanding	67,276,722	67,013,102	67,142,319

Consolidated statement of comprehensive income

(SEKm)	Q1 2018	Q1 2017	Full year 2017
Net income, continuing operations	146	84	612
<i>Other comprehensive income</i>			
<i>Items that are or may be reclassified to profit or loss net of tax:</i>			
Currency translation differences	325	-20	36
Cash flow hedge	34	-47	-121
Other comprehensive income, continuing operations	360	-66	-85
Total comprehensive income, continuing operations	505	17	527
Net income, discontinued operations ¹⁾	-4	35	748
<i>Other comprehensive income</i>			
<i>Items that are or may be reclassified to profit or loss net of tax:</i>			
Currency translation differences	0	0	-54
Total comprehensive income, discontinued operations	-4	34	693
Total comprehensive income for the period	501	52	1,221
Total comprehensive income attributable to:			
Equity holders of the parent	399	30	1,098
Non-controlling interest	101	22	123
Total comprehensive income for the period	501	52	1,221

¹⁾ The full year 2017 results include a capital gain of SEK 593m from the divestment of the Baltic operations.

Condensed consolidated balance sheet

(SEKm)	31 Mar 2018	31 Mar 2017	31 Dec 2017
Non-current assets			
Goodwill	6,161	4,560	6,363
Other intangible assets	2,509	1,668	2,521
Total intangible assets	8,670	6,228	8,884
Total tangible assets	275	244	272
Shares and participations in associated companies	121	630	85
Interest-bearing financial receivables	8	13	10
Other financial receivables	389	306	413
Total non-current financial assets	518	949	507
Total non-current assets	9,463	7,421	9,664
Current assets			
Inventory	2,529	2,140	2,183
Interest-bearing current receivables	0	1	2
Other current receivables	5,882	4,907	6,027
Cash, cash equivalents and short-term investments	673	481	1,394
Assets held for sale ¹⁾	1,341	2,492	16
Total current assets	10,426	10,022	9,622
Total assets	19,889	17,444	19,285
Equity			
Shareholders' equity	5,590	4,860	5,179
Non-controlling interest	1,495	229	1,393
Total equity	7,084	5,089	6,572
Non-current liabilities			
Long-term borrowings	500	500	500
Other non-current interest-bearing liabilities	124	73	95
Total non-current interest-bearing liabilities	624	573	595
Provisions	1,188	911	1,175
Non-current liabilities at fair value	716	1,179	829
Other non-interest-bearing liabilities	20	22	48
Total non-current non-interest-bearing liabilities	1,924	2,112	2,052
Total non-current liabilities	2,548	2,684	2,648
Current liabilities			
Current liabilities at fair value	175	158	176
Short-term loans	2,525	2,551	2,625
Other current interest-bearing liabilities	9	1	3
Other current non-interest-bearing liabilities	6,938	6,297	7,244
Liabilities related to assets held for sale ¹⁾	611	663	18
Total current liabilities	10,257	9,671	10,066
Total liabilities	12,805	12,355	12,713
Total shareholders' equity and liabilities	19,889	17,444	19,285

¹⁾ Relates to Nova Group and Trace in Q1 2018 and to the Czech Republic, Baltic and African companies (excluding Trace) in 2017.

The carrying amounts are considered to be reasonable approximations of fair value for all financial assets and financial liabilities.

Condensed consolidated statement of cash flows

(SEKm)	Q1 2018	Q1 2017	Full year 2017
Cash flow from operations	320	144	1,311
Changes in working capital	-722	-440	-725
Net cash flow to/from operations	-402	-297	586
Proceeds from sales of shares	-	2	2,013
Acquisitions of subsidiaries and associates	-4	0	-1,250
Investments in other non-current assets	-122	-58	-330
Other cash flow from/used in investing activities	-13	11	32
Cash flow from/used in investing activities	-140	-45	465
Net change in loans	-69	132	227
Dividends to shareholders	-	-	-800
Other cash flow from/used in financing activities	-2	12	224
Cash flow from/used in financing activities	-71	144	-349
Net change in cash, continuing operations	-613	-198	703
Net change in cash, discontinued operations	-1	26	42
Total net change in cash and cash equivalents	-614	-172	745
Cash and cash equivalents at the beginning of the period	1,394	666	666
Translation differences in cash and cash equivalents	24	-1	2
Cash and cash equivalents in assets held for sale	-130	-12	-19
Cash and cash equivalents at end of the period	673	481	1,394

Condensed consolidated statement of changes in equity

(SEKm)	31 Mar 2018	31 Mar 2017	31 Dec 2017
Opening balance	6,572	5,016	5,016
Net loss/income for the period	142	118	1,360
Other comprehensive income for the period	359	-66	-139
Total comprehensive income for the period	501	52	1,221
Effect of employee share programmes	11	22	73
Change in non-controlling interests	1	0	1,067
Dividends to shareholders	-	-	-800
Dividends to non-controlling interests	-	-	-4
Closing balance	7,084	5,089	6,572

Parent company condensed income statement

(SEKm)	Q1 2018	Q1 2017	Full year 2017
Net sales	13	10	49
Gross income	13	10	49
Administrative expenses	-85	-62	-361
Operating income	-72	-52	-312
Net interest and other financial items	44	52	263
Income before tax and appropriations	-28	0	-49
Appropriations	-	-	317
Tax	5	-1	-59
Net income for the period	-24	0	209

Parent company condensed statement of comprehensive income

(SEKm)	Q1 2018	Q1 2017	Full year 2017
Net income for the period	-24	0	209
<i>Other comprehensive income</i>			
<i>Items that are or may be reclassified to profit or loss net of tax:</i>			
Revaluation of shares at market value	-	-	-
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-24	0	209

Parent company condensed balance sheet

(SEKm)	31 Mar 2018	31 Mar 2017	31 Dec 2017
Non-current assets			
Capitalised expenditure	0	1	0
Machinery and equipment	0	0	0
Shares and participations	6,341	6,340	6,340
Other financial receivables	9,961	10,032	9,976
Total non-current assets	16,302	16,373	16,316
Current assets			
Current receivables	154	257	877
Cash, cash equivalents and short-term investments	151	385	844
Total current assets	305	642	1,721
Total assets	16,607	17,015	18,037
Shareholders' equity			
Restricted equity	338	338	338
Non-restricted equity	5,407	5,914	5,361
Total equity	5,746	6,252	5,699
Untaxed reserves	-	-	90
Non-current liabilities			
Interest-bearing liabilities	500	500	500
Provisions	33	2	13
Non-interest-bearing liabilities	0	25	35
Total non-current liabilities	533	527	548
Current liabilities			
Other interest-bearing liabilities	10,286	10,073	11,227
Non-interest-bearing liabilities	43	164	473
Total current liabilities	10,329	10,237	11,700
Total shareholders' equity and liabilities	16,607	17,015	18,037

Net Sales by business segments

(SEKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017	Q1 2018
Nordic Entertainment	2,911	3,003	2,819	3,229	11,961	3,120
<i>of which Free-TV & Radio</i>	1,204	1,319	1,134	1,438	5,094	1,287
<i>of which Pay-TV</i>	1,706	1,684	1,685	1,791	6,867	1,833
International Entertainment	264	308	246	372	1,189	315
MTG Studios	323	463	529	517	1,832	321
MTGx	292	610	798	1,264	2,964	952
<i>of which esports</i>	219	286	349	515	1,370	290
<i>of which online gaming</i>	-	236	364	634	1,234	577
<i>of which digital video content</i>	73	88	84	115	360	87
Central operations	46	47	45	53	190	36
Eliminations	-130	-184	-156	-127	-599	-70
Total net sales	3,704	4,246	4,280	5,307	17,537	4,674

Net sales – External & Internal

(SEKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017	Q1 2018
Sales external customers						
Nordic Entertainment	2,875	2,967	2,778	3,225	11,845	3,109
International Entertainment	264	304	246	372	1,185	315
MTG Studios	276	369	461	453	1,559	300
MTGx	290	605	795	1,258	2,948	950
Central operations	0	0	0	0	1	0
Total	3,704	4,246	4,280	5,307	17,537	4,674
Sales between segments						
Nordic Entertainment	36	36	41	4	116	11
International Entertainment	-	4	0	0	4	0
MTG Studios	47	94	68	64	273	20
MTGx	2	4	3	7	16	3
Central operations	45	47	44	53	189	36
Total	130	184	156	127	599	70

Operating income by business segments

(SEKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017	Q1 2018
Nordic Entertainment	299	465	301	509	1,574	310
International Entertainment	21	50	29	76	176	40
MTG Studios	-16	19	43	23	68	-15
MTGx	-88	-53	-38	8	-170	-8
Central operations & eliminations	-78	-90	-78	-138	-384	-90
Total operating income before IAC	137	391	257	478	1,264	237
Items affecting comparability	-	-23	-	-318	-340	-17
Total operating income	137	369	257	161	923	220

Group & segment performance data

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017	Q1 2018
GROUP						
Organic sales growth (%)	8.7	5.0	7.0	9.7	7.7	9.2
Operating margin (%) ¹⁾	3.7	9.2	6.0	9.0	7.2	5.1
ROCE, continuing operations (%) ¹⁾	20	19	18	18		17
Net debt (SEKm)	2,439	2,212	3,309	1,812		2,334
Net debt/EBITDA	1.9	1.7	2.2	1.1		1.4
NORDIC ENTERTAINMENT						
Organic sales growth (%)	10.7	8.4	3.2	4.5	6.6	6.2
Operating margin (%)	10.3	15.5	10.7	15.8	13.2	9.9
CSOV Sweden (15-49)	25.4	24.1	24.6	22.2	24.1	23.1
CSOV Norway (15-49)	14.1	17.6	15.3	15.4	15.5	15.1
CSOV Denmark (15-49)	22.8	24.6	23.1	23.6	23.6	21.4
Nordic subscriber base excl Viaplay ('000s)	981	956	939	938		970
- of which, satellite	442	432	422	409		398
- of which, 3rd party networks	539	525	517	529		572
Satellite ARPU (SEK)	5,429	5,532	5,503	5,500		5,542
INTERNATIONAL ENTERTAINMENT						
Organic sales growth (%)	4.8	5.1	12.0	6.1	6.9	14.1
Operating margin (%)	7.8	16.4	11.9	20.4	14.8	12.8
CSOV Bulgaria (18-49)	42.6	42.4	41.9	42.0	42.2	42.2
MTG STUDIOS						
Organic sales growth (%)	-5.4	1.4	14.8	-1.5	2.7	-2.1
Operating margin (%) ¹⁾	-5.0	4.1	8.1	4.4	3.7	-4.7
MTGx						
Organic sales growth (%)	27.4	2.8	39.3	71.4	37.0	27.4
Operating margin (%) ¹⁾	-30.0	-8.7	-4.8	0.7	-5.7	-0.9

¹⁾Adjusted for Items affecting comparability.

Revenue recognition

Q1 2018 (SEKm)	Nordic Entertainment	International Entertainment	Studios	MTGx	Total
Advertising revenue	799	169	0	98	1,067
Subscription revenue	2,225	94	0	20	2,339
Other	85	52	300	831	1,268
Total	3,109	315	300	950	4,674

Q1 2017 (SEKm)	Nordic Entertainment	International Entertainment	Studios	MTGx	Total
Advertising revenue	725	179	0	73	977
Subscription revenue	2,085	50	0	21	2,156
Other	65	34	276	196	571
Total	2,875	264	276	290	3,704

Full year 2017 (SEKm)	Nordic Entertainment	International Entertainment	Studios	MTGx	Total
Advertising revenue	3,090	832	0	396	4,318
Subscription revenue	8,438	213	0	80	8,732
Other	316	140	1,559	2,472	4,487
Total	11,845	1,185	1,559	2,948	17,537

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:

- Operating income & margin before IAC
- Change in net sales from Organic growth, Acquisitions/divestments and Changes in FX rates
- Net debt and Net debt/EBITDA
- Capital employed and Return on Capital Employed (ROCE)

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, and due to the fact that the Group has historically made several acquisitions and divestments, the Company's sales trends and performance are analysed as changes in organic sales growth. This presents the increase or decrease in the overall SEK net sales on a comparable basis, allowing separate discussions of the impact of acquisitions/divestments and exchange rates. The following tables present changes in organic sales growth as reconciled to the change in the total reported net sales.

Sales growth

Group (SEKm)	Q1 2018	%	Q1 2017	%	Full year 2017	%
Nordic Entertainment						
Organic growth	179	6.2%	275	10.7%	733	6.6%
Acquisitions/divestments	0	0.0%	0	0.0%	0	0.0%
Changes in FX rates	30	1.0%	58	2.3%	90	0.8%
Reported growth	209	7.2%	333	12.9%	822	7.4%
International Entertainment						
Organic growth	37	14.1%	14	4.8%	75	6.9%
Acquisitions/divestments	0	0.0%	-2	-0.2%	-10	-1.0%
Changes in FX rates	14	5.4%	5	2.0%	21	1.9%
Reported growth	51	19.5%	16	6.5%	86	7.8%
MTG Studios						
Organic growth	-7	-2.1%	-18	-5.4%	48	2.7%
Acquisitions/divestments	1	0.2%	0	0.0%	6	0.3%
Changes in FX rates	4	1.2%	3	0.9%	2	0.1%
Reported growth	-2	-0.7%	-15	-4.5%	56	3.1%
MTGx						
Organic growth	80	27.4%	58	27.4%	455	37.0%
Acquisitions/divestments	567	194.2%	13	5.9%	1,249	101.7%
Changes in FX rates	14	4.7%	9	4.4%	32	2.6%
Change in presentation of prize money	0	0.0%	-37	-20.2%	-98	-17.8%
Reported growth	660	226.3%	43	17.5%	1,638	123.5%
Total operations						
Organic growth	341	9.2%	293	8.7%	1,151	7.7%
Acquisitions/divestments	567	15.3%	10	0.4%	1,244	8.3%
Changes in FX rates	61	1.7%	75	2.2%	143	1.0%
Reported growth	970	26.2%	378	11.4%	2,538	16.9%

Reconciliation of operating income before IAC

Operating income before items affecting comparability refers to operating income after the reversal of 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. This measure is used by management to follow and analyse the underlying profits and to offer more comparable figures between periods.

Operating income before and after IAC

Group (SEKm)	Q1 2018	Q1 2017	Full year 2017
Operating income	220	137	923
Items affecting comparability	17	-	340
Operating income before items affecting comparability	237	137	1,264

Items affecting comparability

Group (SEKm)	Q1 2018	Q1 2017	Full year 2017
Impairment related to goodwill, Zoomin.TV	-	-	-593
Impairment related to capitalized development costs, Zoomin.TV	-	-	-58
Revaluation of liabilities related to options to acquire shares	-17	-	333
Reclassification of transaction cost related to InnoGames	-	-	-23
Total	-17	-	-340

Items affecting comparability classified by function

Group (SEKm)	Q1 2018	Q1 2017	Full year 2017
Cost of goods and services	-	-	-58
Other operating income	-17	-	-616
Other operating expenses	-	-	333
Total	-17	-	-340

Reconciliation of net debt and net debt/EBITDA ratio

Net debt refers to the net of interest-bearing liabilities less total cash and interest-bearing assets. Net debt is used by management to track the debt involvement of the Group and to analyse the leverage and refinancing need of the Group. The net debt to EBITDA ratio provides a KPI for net debt in relation to cash profits generated by the business, i.e. an indication of a business' ability to pay off all its debts. This measure is commonly used by financial institutions to rate credit worthiness.

Net debt

Group (SEKm)	31 Mar 2017	30 Jun 2017	30 Sep 2017	31 Dec 2017	31 Mar 2018
Short-term loans	1,551	2,999	2,408	1,625	2,525
Current part of long-term borrowings	1,000	1,000	1,000	1,000	0
Short-term borrowings	2,551	3,999	3,408	2,625	2,525
Other short-term interest-bearing liabilities	1	12	1	3	9
Total short-term borrowings	2,553	4,011	3,410	2,628	2,534
Long-term borrowings	500	500	499	500	500
Other long-term interest-bearing liabilities	73	79	83	95	124
Total long-term borrowings	573	579	582	595	624
Total borrowings	3,125	4,589	3,992	3,223	3,158
Cash and cash equivalents	481	2,167	395	1,394	673
Long- and short-term interest bearing assets	14	14	81	11	8
Total cash and interest bearing assets	495	2,180	477	1,405	681
Net debt excluding assets held for sale	2,630	2,409	3,515	1,818	2,477
Net debt related to assets held for sale	-191	-197	-206	-6	-143
Total net debt	2,439	2,212	3,309	1,812	2,334

Net debt/EBITDA (before IAC) ratio 12 months trailing

Group (SEKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Operating income before IAC	1,055	1,087	1,203	1,264	1,363
Depreciation and amortisation	215	240	272	321	365
EBITDA last 12 months ¹⁾	1,270	1,327	1,476	1,584	1,728
Total net debt/EBITDA ratio 12 months trailing	1.9	1.7	2.2	1.1	1.4

¹⁾ EBITDA relates to continuing operations.

Reconciliation of Return On Capital Employed (ROCE), continuing operations

Return on capital employed is a performance measure whereby operating income before items affecting comparability is put in relation to the capital employed within the operations. Operating income before items affecting comparability is the main profit level that operations are responsible for and comprise results before interest and tax. Capital employed is the sum of current and non-current assets less current and non-current liabilities, provisions and liabilities at fair value. All items are non-interest-bearing. Capital employed thus equals the sum of equity and net debt.

Group (SEKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Operating income before IAC 12 months trailing	1,055	1,087	1,203	1,264	1,363
Inventory	2,140	2,273	2,263	2,183	2,529
Other current receivables	4,907	5,622	5,606	6,027	5,882
Intangibles assets	6,228	8,910	9,410	8,884	8,670
Tangible assets	244	281	264	272	275
Shares and participations	630	83	80	85	121
Other financial assets	306	334	382	413	389
Total non-current non-interest-bearing liabilities	-2,112	-2,363	-2,368	-2,052	-1,924
Total current non-interest-bearing liabilities	-6,297	-7,526	-6,741	-7,244	-6,938
Current liabilities at fair value	-158	-151	-154	-176	-175
Capital Employed	5,890	7,463	8,741	8,392	8,830
Average Capital Employed (5 quarters)	5,184	5,717	6,546	7,200	7,863
ROCE %	20%	19%	18%	18%	17%

Definitions

Capital employed

Capital employed is the sum of current and non-current assets less current and non-current liabilities, provisions and liabilities at fair value. All items are non-interest-bearing.

Cash flow from operations

Cash flow from operations comprises operating cash flow before financial items and tax payments, taking into account other financial cash flow.

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.

EBITDA

EBITDA is read Earnings Before Interest, Tax, Depreciation and Amortisation.

Items Affecting Comparability

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.

Net debt

Net debt is the sum of short- and long-term interest-bearing liabilities less total cash and interest-bearing assets.

Operating income

Operating income comprise results before interest and tax. A synonym for operating income is EBIT (Earnings Before Interest and Tax).

Organic growth

Change in net sales compared to the same period of the previous year excluding acquisitions and divestments and adjusted for currency effects.

Return on capital employed (ROCE) %

Return on capital employed is calculated as operating income as a percentage of average capital employed.

Shareholders information

2018 Annual General Meeting

The 2018 Annual General Meeting will be held on 22 May 2018 in Stockholm. The Board of Directors will propose the payment of an annual ordinary cash dividend of SEK 12.50 (12.00) per share to the Annual General Meeting. The total proposed dividend payment would therefore amount to approximately SEK 837m (801), based on the maximum potential number of outstanding ordinary shares. The Board of Directors will propose that the remainder of the Group's retained earnings for the year ended 31 December 2017 be carried forward into the accounts for 2018. The proposal is in line with the dividend policy to distribute a minimum of 30 per cent of each year's recurring net profit to shareholders in the form of an annual ordinary cash dividend.

The notices to the Meeting and related materials can be found at www.mtg.com.

Financial calendar

Annual General Meeting 2018	22 May
Q2 results announcement	18 July
Q3 results announcement	23 October

Questions?

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Conference call

The company will host a conference call today at 09.00 Stockholm local time, 08.00 London local time and 03.00 New York local time. To participate in the conference call, please dial:

Sweden: +46 (0)8 5065 3942

UK: +44 (0)330 336 9411

US: +1 323 794 2551

The access pin code for the call is 3219383. To listen to the conference call online and for further information, please visit www.mtg.com.



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