

Record Q2 sales, 9% organic growth & increased profits

Q2 2018 highlights

- Record Q2 sales of SEK 5,010m (4,246) with 9% organic growth
- Operating income before IAC of SEK 439m (391) including transaction costs of SEK 32m ¹⁾
- Total operating income of SEK 426m (369) including SEK -13m (-23) of items affecting comparability
- Total net income of SEK 348m (413) including net income from discontinued operations of SEK -5m (138) and total basic earnings per share of SEK 4.83 (5.62)
- Net debt of SEK 2,287m (2,212) equivalent to 1.3x trailing EBITDA before IAC

Financial overview

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Continuing operations					
Net sales	5,010	4,246	9,684	7,951	17,537
<i>Organic growth</i>	<i>9.3%</i>	<i>5.0%</i>	<i>9.2%</i>	<i>6.8%</i>	<i>7.7%</i>
<i>Acquisitions/divestments</i>	<i>5.1%</i>	<i>6.4%</i>	<i>9.9%</i>	<i>3.6%</i>	<i>8.3%</i>
<i>Changes in FX rates</i>	<i>3.6%</i>	<i>2.8%</i>	<i>2.7%</i>	<i>2.6%</i>	<i>1.0%</i>
<i>Change in reported net sales</i>	<i>18.0%</i>	<i>14.2%</i>	<i>21.8%</i>	<i>12.9%</i>	<i>16.9%</i>
Operating income before IAC	439	391	675	528	1,264
<i>Operating margin before IAC</i>	<i>8.8%</i>	<i>9.2%</i>	<i>7.0%</i>	<i>6.6%</i>	<i>7.2%</i>
Items affecting comparability	-13	-23	-30	-23	-340
Operating income	426	369	645	506	923
Net income	353	275	498	359	612
Basic earnings per share (SEK)	4.90	3.90	6.59	5.12	8.19
Cash flow from operations	458	355	778	499	1,311
Discontinued operations ²⁾					
Net income	-5	138	-9	172	748
Total operations					
Net income	348	413	490	531	1,360
Basic earnings per share (SEK)	4.83	5.62	6.45	7.06	18.73
Net debt	2,287	2,212	2,287	2,212	1,812

¹⁾ Costs relating to the proposed split of MTG and the previously announced merger agreement to combine MTG Nordics and TDC Group, which was terminated on June 19 2018.

²⁾ Discontinued operations comprise MTG's businesses in Tanzania in the second 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 24-28.



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President & CEO's comments

Profitable growth

This was the eighth consecutive quarter of more than 5% organic sales growth and another quarter of profitable growth. We delivered 9% organic sales growth, with digital sales up 76% to represent 36% of total sales, and operating profits up 12% despite SEK 32m of transaction costs related to the proposed TDC merger and the ongoing split process.

Operating momentum

Nordic Entertainment delivered yet another quarter of higher sales and profits. The positive impact of our exclusive coverage of the Ice Hockey World Championship and the continued growth of our Viaplay and Viafree streaming services more than offset the coverage of the FIFA World Cup on rival channels and lower TV viewing levels. We have recently secured several key sports rights for the coming years, including English Premier League football, Formula 1® and the World Handball Championships, which have reinforced our position as the undisputed home of premium sports content in the Nordic region. And we have also continued to launch new Viaplay original productions, with over 30 now available or in production.

MTGx sales were up 63% on a reported basis and 25% on an organic basis, and we delivered our third consecutive quarter of EBITDA profits. We turned a loss a year ago into an EBITDA profit of SEK 34m this quarter, due to the contribution from InnoGames in particular. We also acquired the remaining shares in Zoomin.TV and Splay Networks and merged Splay into our Studios business to create a new branded entertainment powerhouse. ESL is more and more about owned and operated events and so we continue to restructure, streamline and focus our resources on events where we can scale our media and sponsorship deals in order to maintain our market leadership and build an sports megabrand. Esports revenue growth will be limited in H2 but losses will be reduced.

Strategic transformation

We have made further significant steps towards splitting MTG into two separate companies, with Nordic Entertainment Group operating as a separate company from 1 July with a new brand, Board and management team. We are now awaiting our largest shareholder Kinnevik's distribution of its MTG shares to its own shareholders before moving forward with the listing process. There are of course costs associated with the reorganisation ahead of the split, which are impacting both items affecting comparability and central costs. Our ongoing strategic transformation has continued during Q2 with the completion of the sale of Trace and we now await regulatory approval for the sale of Nova in Bulgaria. We have paid out our record high dividend and continue to look for M&A investment and consolidation opportunities.

Jørgen Madsen Lindemann
President & Chief Executive Officer

“Continued sales and profit growth, while making further progress towards the split of MTG, reflect a clear vision, a differentiated strategy, and an exceptional team. We remain focused on building shareholder value through our strategic transformation and unique product offerings.”



Significant events in and after the quarter

19 April, 16 & 29 May – MTG & NENT Group appointed new leadership teams

Following the announcement of the process to initiate a split of MTG into two companies, MTG and Nordic Entertainment Group (NENT Group), new leadership team members have been appointed for the new MTG and NENT Group including the appointment of Gabriel Catrina as EVP & Group Chief Financial Officer (CFO) of Nordic Entertainment Group with effect from 1 July.

15 May – MTG completed the sale of its stake in TRACE media group

MTG completed the sale of its 75% shareholding in TRACE PARTNERS S.A.S. to TPG Growth for a total cash consideration of EUR 30m (approximately SEK 313m). The transaction values 100% of the business at an equity value of EUR 40m (approximately SEK 417m).

23 May – MTG increased its ownership in Zoomin.TV

MTG increased its ownership in Zoom.in Group B.V. (Zoomin.TV) to 100% by acquiring the remaining 49% from Adversa Media Group B.V., controlled by the previous CEO and CFO of Zoomin.TV, who founded the company. MTG paid a cash consideration of EUR 6.2m for the shares and was also settled Adversa's EUR 11.3m of shareholder loans to Zoomin.TV.

11 June – Nordic Entertainment Group launched new brand

NENT Group started to operate as a separate organisation on 1 July, prior to its proposed listing on Nasdaq Stockholm. This was followed by the decision earlier this year to initiate a process to split MTG into two companies. NENT Group has now launched its corporate brand, which reflects its ambition to provide the best and broadest entertainment experiences in the Nordic region and beyond.

12-15 June – Nordic Entertainment Group acquired key sports rights

NENT Group acquired the exclusive Nordic media rights to the IHF World Handball Championship until 2025 and the EHF European Handball Championship until 2026. NENT Group has also extended the rights to the EHF Champions League, European Handball League and the EHF Cup until 2023.

The exclusive Formula 1® rights in Denmark, Norway and Sweden was also extended until 2021. NENT Group and Formula 1® will also offer an additional streaming service to the most dedicated Formula 1® fans.

NENT Group has been awarded the exclusive rights to show live coverage of Premier League football matches for the 2019/20 to 2021/22 seasons in Sweden, Denmark and Finland. MTG has held the rights since 2010 in Sweden and Denmark, and since 2016 in Finland.

NENT Group also acquired the exclusive Nordic media rights to Germany's Bundesliga, France's Ligue 1, The Netherlands' Eredivisie, Belgium's First Division A and the Scottish Premiership until 2021, as well as the 2019 Copa América.

18 June – NENT Group acquired the remaining shares in Splay and Splay and Nice One to become SplayOne

Nordic Entertainment Group has acquired the remaining 4% of the shares in Splay AB from a company controlled by the company's CEO and founder for a cash consideration of SEK 8.8m, and a potential deferred variable consideration based on the performance of Splay AB in the first half year of 2018. Splay and Nice One will merge to create SplayOne, a new Nordic powerhouse in branded entertainment operating as part of NENT Group's studio business; NENT Studios.

19 June – Ongoing MTG split process to follow completion of Kinnevik share distribution

Following the announcement by MTG's largest shareholder Kinnevik, that it intends to distribute its entire shareholding in MTG to its shareholders in Q3 2018, MTG will await the completion of the distribution before continuing with its work towards the previously announced distribution of Nordic Entertainment Group (NENT Group). MTG remains committed to the split and distribution of all of the shares in Nordic Entertainment Group (comprising MTG Nordic Entertainment, MTG Studios and Splay Networks) to MTG's shareholders, and the listing of these shares on Nasdaq Stockholm. The process is subject to, inter alia, the approval of an Extraordinary General Meeting of MTG's shareholders and will not now be completed during 2018.

17 July – Joakim Andersson steps down from MTG Board of Directors

Kinnevik CFO Joakim Andersson resigned from MTG's Board of Directors following Kinnevik's decision to distribute all its shares in MTG to its shareholders.

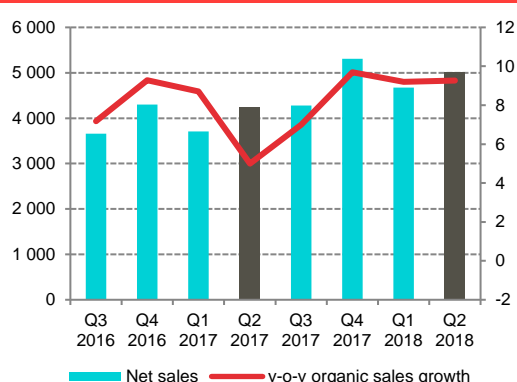
A full list of MTG announcements and reports can be found at www.mtg.com.

Group performance

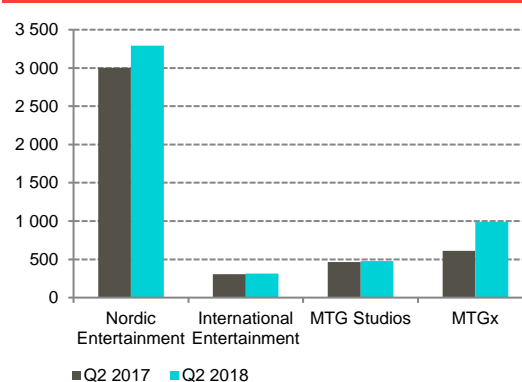
Net sales

Net sales were up 18% on a reported basis to SEK 5,010m (4,246), and up 9% on an organic basis. Acquisitions and divestments contributed 5% of the growth and primarily comprised the consolidation of InnoGames and Kongregate, while the FX impact was 4%.

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



Net sales by segment
(SEKm)



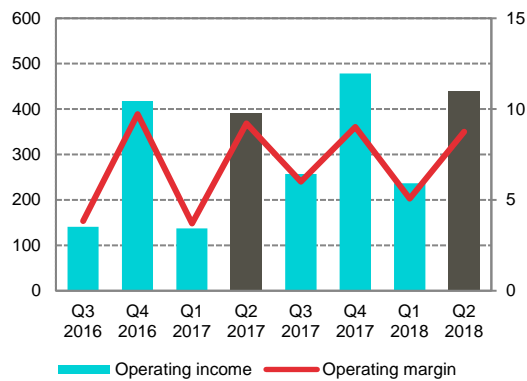
Operating expenditure

Operating expenditure was up 15% at constant FX and driven primarily by the ongoing investment in digital expansion and the consolidation of InnoGames and Kongregate. Depreciation and amortisation charges increased to SEK 110m (75), which mainly reflected amortisation charges of SEK 37m (22) relating to the purchase price allocation for acquired businesses.

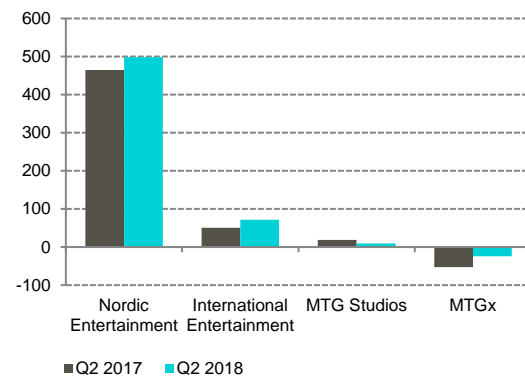
Operating income and items affecting comparability

Operating income before IAC was up 12% to SEK 439m (391) and included transaction costs of SEK 32m. The operating income increase was primarily driven by the consolidation of InnoGames, as well as healthy underlying performance in Nordic and International Entertainment. Items affecting comparability amounted to SEK -13m (-23) and included a SEK 61m capital gain from the sale of Trace, net gains of SEK 28m resulting from the acquisition of remaining shares in Zoomin.TV, Splay Networks and Paprika Group and SEK 101m of restructuring costs primarily related to organisational changes in both NENT Group and ESL. See page 26 for a comprehensive list of items affecting comparability.

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 24 for Alternative Performance Measures

Net financials and net income from continuing operations

Net interest and other financial items totalled SEK -7m (-18). Net interest amounted to SEK -1m (-6). Other financial items amounted to SEK -6m (-12) and mainly comprised the impact of exchange rate differences on financial items. Net income from continuing operations amounted to SEK 353m (275), and basic earnings per share totalled SEK 4.90 (3.90).

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 -5m (138). Total net income for the Group therefore amounted to SEK 348m (413), and total basic earnings per share amounted to SEK 4.83 (5.62).

Segmental performance

Nordic Entertainment

Sales & profits up

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Net sales	3,292	3,003	6,412	5,914	11,961
<i>of which Free-TV & Radio</i>	1,422	1,319	2,709	2,523	5,094
<i>of which Pay-TV</i>	1,870	1,684	3,703	3,391	6,867
Costs	-2,794	-2,538	-5,603	-5,150	-10,388
Operating income	498	465	809	764	1,574
<i>Operating margin</i>	15.1%	15.5%	12.6%	12.9%	13.2%
<i>Net sales growth y-o-y</i>					
<i>Organic growth</i>	6.9%	8.4%	6.5%	9.5%	6.6%
<i>Acquisitions/divestments</i>	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Changes in FX rates</i>	2.8%	2.2%	1.9%	2.2%	0.8%
<i>Reported growth</i>	9.6%	10.6%	8.4%	11.7%	7.4%

Sales were up 7% 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 as well as the Ice Hockey World Championship coverage. Operating income amounted to SEK 498m (465), with an operating margin of 15.1% (15.5).

Free-TV and Radio sales were up 8% on a reported basis and driven by the performances of Viafree and the Swedish Radio business as well as the successful Swedish coverage of the Ice Hockey World Championship, which more than offset the negative impact from the FIFA World Cup on competing channels. The Swedish TV advertising market is estimated to have grown, while the Danish and Norwegian markets are estimated to have declined. The Danish TV audience share was flat, while the Norwegian and Swedish shares were down. The Swedish radio audience share was up and the Norwegian share was down.

Pay-TV sales were up 11% on a reported basis following continued volume and value growth at Viaplay. When excluding Viaplay, the subscriber base was down slightly q-o-q driven by declines in both the satellite and the third-party base. Average revenue per satellite user was up at constant FX.

International Entertainment

Sales & profits up

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Net sales	315	308	630	571	1,189
Costs	-243	-257	-518	-500	-1,013
Operating income	72	50	112	71	176
<i>Operating margin</i>	<i>22.8%</i>	<i>16.4%</i>	<i>17.8%</i>	<i>12.4%</i>	<i>14.8%</i>
<i>Net sales growth y-o-y</i>					
<i>Organic growth</i>	<i>7.1%</i>	<i>5.1%</i>	<i>10.5%</i>	<i>4.9%</i>	<i>6.9%</i>
<i>Acquisitions/divestments</i>	<i>-11.2%</i>	<i>-1.2%</i>	<i>-6.2%</i>	<i>-0.8%</i>	<i>-1.0%</i>
<i>Changes in FX rates</i>	<i>6.4%</i>	<i>4.5%</i>	<i>6.0%</i>	<i>3.3%</i>	<i>1.9%</i>
<i>Reported growth</i>	<i>2.3%</i>	<i>8.4%</i>	<i>10.2%</i>	<i>7.5%</i>	<i>7.8%</i>

Sales were up 7% on an organic basis and driven by continued healthy growth in Bulgaria. The Bulgarian audience share was up and the TV advertising market is estimated to have grown. Operating income amounted to SEK 72m (50) with an operating margin of 22.8% (16.4).

Trace was deconsolidated from the start of May following the closure of the previously announced divestment. The transaction resulted in a capital gain amounting to SEK 61m which was reported as an item affecting comparability and hence not included in the segments results. The previously announced sale of the Bulgarian business is still subject to regulatory approval, which now is expected to come during Q4.

MTG Studios

Lower organic sales and profits down

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Net sales	476	463	796	786	1,832
Costs	-467	-445	-802	-783	-1,764
Operating income	9	19	-6	3	68
<i>Operating margin</i>	<i>1.9%</i>	<i>4.1%</i>	<i>-0.7%</i>	<i>0.4%</i>	<i>3.7%</i>
<i>Net sales growth y-o-y</i>					
<i>Organic growth</i>	<i>-13.4%</i>	<i>1.4%</i>	<i>-8.7%</i>	<i>-1.5%</i>	<i>2.7%</i>
<i>Acquisitions/divestments</i>	<i>12.4%</i>	<i>0.0%</i>	<i>7.4%</i>	<i>0.0%</i>	<i>0.3%</i>
<i>Changes in FX rates</i>	<i>3.7%</i>	<i>2.0%</i>	<i>2.6%</i>	<i>1.5%</i>	<i>0.1%</i>
<i>Reported growth</i>	<i>2.7%</i>	<i>3.4%</i>	<i>1.3%</i>	<i>0.0%</i>	<i>3.1%</i>

Sales were down 13% on an organic basis and reflected lower events sales, as well as lower scripted revenues. The reported growth of 3% included the contribution from Splay Networks (included in Acquisitions/divestments), which from Q2 2018 is reported in MTG Studios instead of in the MTGx segment. Historical numbers have not been restated.

Scripted sales were down as a result from timing differences in the production schedule where several big productions have been delayed. The underlying demand for scripted drama is still robust with bigger content budgets for many streaming services and the pipeline looks promising supported by a significant increase in the number of signed development deals. Non-scripted sales were also down in the quarter as healthy growth in the Nordic region was offset by lower international sales, especially from the Survivor productions.

Splay Networks continued to deliver double digit sales growth fuelled by strong demand on branded content and influencer campaigns. The combination of NiceOne and Splay Networks forms a Nordic powerhouse in branded entertainment, which is an area that is enjoying structural growth as more and more brands are seeking ways to cut through the noise in an effective and relevant way.

Operating income amounted to SEK 9m (19) with an operating margin of 1.9% (4.1).

MTG Studios net sales and operating income would have been SEK 418m and SEK 15m when excluding the impact from Splay Networks.

MTGx

Sales up & EBITDA profitable

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Net sales	994	610	1,946	902	2,964
<i>of which esports</i>	411	286	702	505	1,370
<i>of which online gaming</i>	544	236	1,122	236	1,234
<i>of which digital video content</i>	40	88	127	161	360
Costs before depreciation and amortisation	-959	-629	-1,867	-992	-2,949
EBITDA	34	-19	79	-91	14
EBITDA margin	3.5%	-3.2%	4.1%	-10.1%	0.5%
Depreciation	-14	-9	-27	-17	-40
Amortisation ¹⁾	-44	-24	-84	-33	-145
Costs	-1,017	-663	-1,978	-1,042	-3,134
Operating income	-24	-53	-32	-141	-170
Operating margin	-2.4%	-8.7%	-1.7%	-15.6%	-5.7%
Net sales growth y-o-y					
Organic growth	24.9%	2.8%	25.8%	12.4%	37.0%
Acquisitions/divestments	32.1%	72.4%	84.5%	46.6%	101.7%
Changes in FX rates	5.9%	7.1%	5.5%	6.1%	2.6%
Change in presentation of prize money	-	-12.7%	-	-16.7%	-17.8%
Reported growth	62.9%	69.6%	115.8%	48.3%	123.5%

¹⁾ Includes amortisation and write down of intangible assets in subsidiaries and on acquisition related surplus values.

Sales were up 25% on an organic basis and primarily reflected esports growth. The reported growth of 63% included the consolidation of InnoGames (from 1 May 2017) and Kongregate (from 21 July 2017). The reported growth did not include Splay Networks, which from Q2 2018 is reported in MTG Studios. Historical numbers have not been restated.

Segment EBITDA amounted to SEK 34m (-19). Depreciation and amortisation charges totalled SEK 58m (33) and included SEK 30m of amortisation of surplus values. Operating income for the segment amounted to SEK -24m (-53). MTGx net sales and operating income would have been SEK 1,051m and SEK -30m respectively if Splay Networks would still have been included in the numbers.

Esports sales were up 44% and driven by over 60% growth in ESL's revenues from its owned & operated events as well as in DreamHack. This was partly mitigated by lower white label revenues in ESL, which reflects the strategic focus on own branded products and events.

Online gaming sales were up approximately 10% on a pro forma basis. InnoGames sales growth was lower than the exceptional growth seen in Q1 as there have been fewer games updates and a lower return on marketing investments. Kongregate revenues were stable compared to last year.

Digital Video Content sales were down 55%, which primarily reflected the abovementioned move of Splay Networks out of the segment, but also a 12% revenue decline for Zoomin.TV due to weakness in the German and Brazilian businesses.

Financial review

Cash flow from continuing operations

Cash flow from operations

Cash flow from operations before changes in working capital amounted to SEK 458m (355). Depreciation and amortisation charges totalled SEK 110m (75). The Group reported a SEK 255m (241) change in working capital following normal seasonal changes. Net cash flow from operations totalled SEK 713m (596).

Investing activities

Proceeds from sales of business operations amounted to SEK 297m (1,106) and relates to the divestment of Trace that was completed in May. Investments in business operations amounted to SEK 77m (596) and was related to the acquisition of the remaining 49% of Zoomin.TV (SEK 67m) and the remaining minority in Splay and Paprika Group (SEK 10m). Group capital expenditure on tangible and intangible assets totalled SEK 101m (85). Total cash flow relating to investing activities amounted to SEK 55m (419).

Financing activities

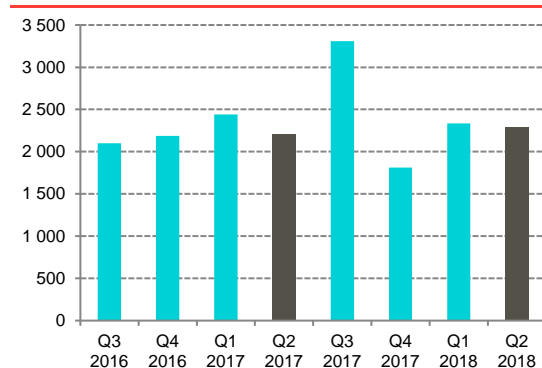
Cash flow from financing activities amounted to SEK -398m (673). Total borrowings decreased in the quarter by SEK 350m to SEK 3,500m (4,589).

The net change in cash and cash equivalents amounted to SEK 370m (1,688). The Group had cash and cash equivalents of SEK 1,026m (2,167) at the end of the period.

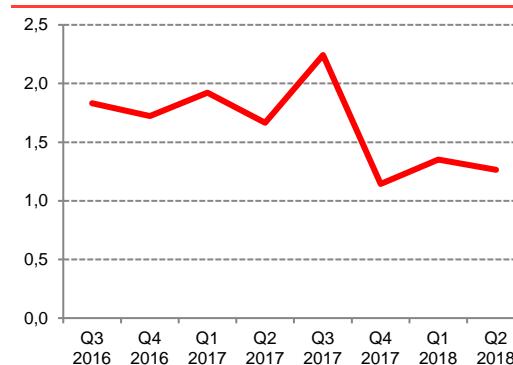
Net debt

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 2,287m (2,212) 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)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Net sales	12	10	25	20	49
Net interest and other financial items	48	96	92	148	263
Income before tax and appropriations	-34	38	-63	39	-49

The lower income before tax and appropriations in the quarter mainly relates to transaction costs. Net interest and other financial items last year comprised dividends received of SEK 42m. The parent company had cash and cash equivalents of SEK 451m (1,731) at the end of the period. Total available credit facilities amounted to SEK 4,325m whereof SEK 4,320m (5,820) was unutilised at the end of the period.

The total number of shares outstanding at the end of the period was 66,725,249 (66,724,939) and excluded the 660,000 Class C shares and 261,875 Class B shares held by MTG as treasury shares. The total number of issued shares did not change during the period.

Other information

Corporate responsibility

Educational entertainment, gender diversity and creating positive social impacts are all key CR priorities, which is why MTG is proud to report that The Great Escape – Viaplays award-winning kids format that combines entertainment and education – will return for a second season in December 2018 across Scandinavia. In esports, ESL and Vodafone have agreed a global partnership that includes support for initiatives promoting diversity and female participation in esports. During Almedalen 2018, NENT Group launched a new campaign to support research into and awareness of diabetes, a condition which today affects 415 million adults worldwide.

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 23.

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 sale in the consolidated balance sheet in the relevant periods.

MTG has entered into an agreement to sell its shares in the Nova Broadcasting Group within the segment International Entertainment. Hereby, the assets and liabilities of the company have been reported as Assets held for sale and Liabilities related to assets held for sale since the first quarter of 2018. The previously announced sale of the shares in TRACE PARTNERS S.A.S. was completed in May. Trace assets and liabilities was reported as Assets held for sale and Liabilities related to assets held for sale 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.

The Board of Directors and the Chief Executive Officer certify that this interim report provides a true and fair overview of the Group and parent company's operations, performance and financial positions for the period, and describes the material risks and uncertainties facing the Group companies and parent company.

Stockholm, 18 July 2018

David Chance
Chairman of the Board

Simon Duffy
Non-Executive Director

Natalie Tydeman
Non-Executive Director

Donata Hopfen
Non-Executive Director

John Lagerling
Non-Executive Director

Gerhard Florin
Non-Executive Director

Jørgen Madsen Lindemann
President & CEO

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

Consolidated income statement

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Continuing operations					
Net sales	5,010	4,246	9,684	7,951	17,537
Cost of goods and services	-3,058	-2,648	-6,014	-5,128	-10,971
Gross income	1,952	1,598	3,670	2,822	6,566
Selling expenses	-482	-376	-987	-667	-1,639
Administrative expenses	-1,040	-822	-2,034	-1,628	-3,706
Other operating income	21	14	140	33	117
Other operating expenses	-11	-27	-112	-46	-83
Share of earnings in associated companies and joint ventures	-1	4	-1	14	8
Items affecting comparability	-13	-23	-30	-23	-340
Operating income	426	369	645	506	923
Net interest	-1	-6	-4	-12	-24
Other financial items	-6	-12	-17	-22	-40
Income before tax	419	351	624	472	859
Tax	-66	-76	-126	-113	-247
Net income for the period, continuing operations	353	275	498	359	612
Discontinued operations					
Prima, Baltics and Africa	-5	138	-9	172	748
Net income for the period, discontinued operations	-5	138	-9	172	748
Total net income for the period	348	413	490	531	1,360
Net income for the period, continuing operations attributable to:					
Equity holders of the parent	327	260	440	342	546
Non-controlling interest	26	15	59	17	66
Net income for the period	353	275	498	359	612
Total net income for the period attributable to:					
Equity holders of the parent	322	375	431	471	1,250
Non-controlling interest	26	38	59	60	110
Total net income for the period	348	413	490	531	1,360
Continuing operations					
Basic earnings per share (SEK)	4.90	3.90	6.59	5.12	8.19
Diluted earnings per share (SEK)	4.86	3.87	6.53	5.09	8.13
Total					
Basic earnings per share (SEK)	4.83	5.62	6.45	7.06	18.73
Diluted earnings per share (SEK)	4.79	5.59	6.40	7.02	18.61
Number of shares					
Shares outstanding at the end of the period	66,725,249	66,724,939	66,725,249	66,724,939	66,725,249
Basic average number of shares outstanding	66,725,249	66,690,683	66,725,249	66,677,324	66,706,398
Diluted average number of shares outstanding	67,315,057	67,070,589	67,310,580	67,059,668	67,142,319

Consolidated statement of comprehensive income

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Net income, continuing operations	353	275	498	359	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	96	-17	421	-37	36
Cash flow hedge	52	-84	87	-131	-121
Other comprehensive income, continuing operations	148	-102	508	-168	-85
Total comprehensive income, continuing operations	501	173	1,006	190	527
Net income, discontinued operations ¹⁾	-5	138	-9	172	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	-6	-64	-6	-63	-54
Total comprehensive income, discontinued operations	-11	74	-15	109	693
Total comprehensive income for the period	490	248	991	299	1,221
Total comprehensive income attributable to:					
Equity holders of the parent	445	219	844	249	1,098
Non-controlling interest	45	28	147	50	123
Total comprehensive income for the period	490	248	991	299	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)	30 Jun 2018	30 Jun 2017	31 Dec 2017
Non-current assets			
Goodwill	6,267	6,503	6,363
Other intangible assets	2,522	2,408	2,521
Total intangible assets	8,789	8,910	8,884
Total tangible assets	298	281	272
Shares and participations in associated companies	113	83	85
Interest-bearing financial receivables	9	12	10
Other financial receivables	431	334	413
Total non-current financial assets	553	429	507
Total non-current assets	9,640	9,620	9,664
Current assets			
Inventory	2,292	2,273	2,183
Interest-bearing current receivables	0	1	2
Other current receivables	6,376	5,622	6,027
Cash, cash equivalents and short-term investments	1,026	2,167	1,394
Assets held for sale ¹⁾	801	774	16
Total current assets	10,494	10,837	9,622
Total assets	20,135	20,457	19,285
Equity			
Shareholders' equity	5,208	4,294	5,179
Non-controlling interest	1,535	1,316	1,393
Total equity	6,744	5,610	6,572
Non-current liabilities			
Long-term borrowings	500	500	500
Other non-current interest-bearing liabilities	0	79	95
Total non-current interest-bearing liabilities	500	579	595
Provisions	1,291	1,099	1,175
Non-current liabilities at fair value	709	1,199	829
Other non-interest-bearing liabilities	13	66	48
Total non-current non-interest-bearing liabilities	2,013	2,363	2,052
Total non-current liabilities	2,513	2,942	2,648
Current liabilities			
Current liabilities at fair value	85	151	176
Short-term loans	3,000	3,999	2,625
Other current interest-bearing liabilities	0	12	3
Other current non-interest-bearing liabilities	7,431	7,526	7,244
Liabilities related to assets held for sale ¹⁾	361	218	18
Total current liabilities	10,878	11,905	10,066
Total liabilities	13,391	14,846	12,713
Total shareholders' equity and liabilities	20,135	20,457	19,285

¹⁾ Relates to Nova Group in Q2 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)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Cash flow from operations	458	355	778	499	1,311
Changes in working capital	255	241	-467	-199	-725
Net cash flow to/from operations	713	596	311	299	586
Proceeds from sales of shares	297	1,106	297	1,108	2,013
Acquisitions of subsidiaries and associates	-77	-596	-81	-596	-1,250
Investments in other non-current assets	-101	-85	-224	-143	-330
Other cash flow from/used in investing activities	-64	-6	-77	6	32
Cash flow from/used in investing activities	55	419	-85	374	465
Net change in loans	350	1,463	281	1,595	227
Dividends to shareholders	-834	-800	-834	-800	-800
Other cash flow from/used in financing activities	86	9	84	21	224
Cash flow from/used in financing activities	-398	673	-469	816	-349
Net change in cash, continuing operations	370	1,688	-244	1,490	703
Net change in cash, discontinued operations	5	3	4	29	42
Total net change in cash and cash equivalents	374	1,691	-240	1,519	745
Cash and cash equivalents at the beginning of the period	673	481	1,394	666	666
Translation differences in cash and cash equivalents	13	1	37	1	2
Cash and cash equivalents in assets held for sale	-35	-7	-165	-19	-19
Cash and cash equivalents at end of the period	1,026	2,167	1,026	2,167	1,394

Condensed consolidated statement of changes in equity

(SEKm)	30 Jun 2018	30 Jun 2017	31 Dec 2017
Opening balance	6,572	5,016	5,016
Net loss/income for the period	490	531	1,360
Other comprehensive income for the period	501	-232	-139
Total comprehensive income for the period	991	299	1,221
Effect of employee share programmes	19	37	73
Change in non-controlling interests	1	1,063	1,067
Dividends to shareholders	-834	-800	-800
Dividends to non-controlling interests	-5	-4	-4
Closing balance	6,744	5,610	6,572

Parent company condensed income statement

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Net sales	12	10	25	20	49
Gross income	12	10	25	20	49
Administrative expenses	-94	-68	-179	-129	-361
Operating income	-82	-58	-154	-109	-312
Net interest and other financial items	48	96	92	148	263
Income before tax and appropriations	-34	38	-63	39	-49
Appropriations	-	-	-	-	317
Tax	16	2	21	1	-59
Net income for the period	-19	40	-42	40	209

Parent company condensed statement of comprehensive income

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Net income for the period	-19	40	-42	40	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	-19	40	-42	40	209

Parent company condensed balance sheet

(SEKm)	30 Jun 2018	30 Jun 2017	31 Dec 2017
Non-current assets			
Capitalised expenditure	0	0	0
Machinery and equipment	0	0	0
Shares and participations	6,025	6,340	6,340
Other financial receivables	9,676	10,038	9,976
Total non-current assets	15,702	16,379	16,316
Current assets			
Current receivables	287	212	877
Cash, cash equivalents and short-term investments	451	1,731	844
Total current assets	737	1,944	1,721
Total assets	16,439	18,322	18,037
Shareholders' equity			
Restricted equity	338	338	338
Non-restricted equity	4,485	5,154	5,361
Total equity	4,823	5,492	5,699
Untaxed reserves	90	-	90
Non-current liabilities			
Interest-bearing liabilities	500	500	500
Provisions	20	2	13
Non-interest-bearing liabilities	41	44	35
Total non-current liabilities	561	546	548
Current liabilities			
Other interest-bearing liabilities	10,722	12,186	11,227
Non-interest-bearing liabilities	244	99	473
Total current liabilities	10,966	12,285	11,700
Total shareholders' equity and liabilities	16,439	18,322	18,037

Net Sales by business segments

(SEKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017	Q1 2018	Q2 2018
Nordic Entertainment	2,911	3,003	2,819	3,229	11,961	3,120	3,292
<i>of which Free-TV & Radio</i>	1,204	1,319	1,134	1,438	5,094	1,287	1,422
<i>of which Pay-TV</i>	1,706	1,684	1,685	1,791	6,867	1,833	1,870
International Entertainment	264	308	246	372	1,189	315	315
MTG Studios	323	463	529	517	1,832	321	476
MTGx	292	610	798	1,264	2,964	952	994
<i>of which esports</i>	219	286	349	515	1,370	290	411
<i>of which online gaming</i>	-	236	364	634	1,234	577	544
<i>of which digital video content</i>	73	88	84	115	360	87	40
Central operations	46	47	45	53	190	36	30
Eliminations	-130	-184	-156	-127	-599	-70	-96
Total net sales	3,704	4,246	4,280	5,307	17,537	4,674	5,010

Splay Networks is from Q2 2018 reported in MTG Studios instead of MTGx. Historical numbers have not been restated. Net sales for Q2 2018 in MTG Studios and MTGx would have been SEK 418m and SEK 1,051m when excluding this impact.

Net sales – External & Internal

(SEKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017	Q1 2018	Q2 2018
Sales external customers							
Nordic Entertainment	2,875	2,967	2,778	3,225	11,845	3,109	3,279
International Entertainment	264	304	246	372	1,185	315	315
MTG Studios	276	369	461	453	1,559	300	423
MTGx	290	605	795	1,258	2,948	950	993
Central operations	0	0	0	0	1	0	0
Total	3,704	4,246	4,280	5,307	17,537	4,674	5,010
Sales between segments							
Nordic Entertainment	36	36	41	4	116	11	13
International Entertainment	-	4	0	0	4	0	0
MTG Studios	47	94	68	64	273	20	53
MTGx	2	4	3	7	16	3	0
Central operations	45	47	44	53	189	36	30
Total	130	184	156	127	599	70	96

Operating income by business segments

(SEKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017	Q1 2018	Q2 2018
Nordic Entertainment	299	465	301	509	1,574	310	498
International Entertainment	21	50	29	76	176	40	72
MTG Studios	-16	19	43	23	68	-15	9
MTGx	-88	-53	-38	8	-170	-8	-24
Central operations & eliminations	-78	-90	-78	-138	-384	-90	-117
Total operating income before IAC	137	391	257	478	1,264	237	439
Items affecting comparability	-	-23	-	-318	-340	-17	-13
Total operating income	137	369	257	161	923	220	426

Operating income for Q2 2018 in MTG Studios and MTGx would have been SEK 15m and SEK -30m when excluding the impact of moving Splay from MTGx to MTG Studios.

Group & segment performance data

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017	Q1 2018	Q2 2018
GROUP							
Organic sales growth (%)	8.7	5.0	7.0	9.7	7.7	9.2	9.3
Operating margin (%) ¹⁾	3.7	9.2	6.0	9.0	7.2	5.1	8.8
ROCE, continuing operations (%) ¹⁾	20	19	18	18		17	17
Net debt (SEKm)	2,439	2,212	3,309	1,812		2,334	2,287
Net debt/EBITDA	1.9	1.7	2.2	1.1		1.4	1.3
NORDIC ENTERTAINMENT							
Organic sales growth (%)	10.7	8.4	3.2	4.5	6.6	6.2	6.9
Operating margin (%)	10.3	15.5	10.7	15.8	13.2	9.9	15.1
CSOV Sweden (15-49)	25.4	24.1	24.6	22.2	24.1	23.1	23.9
CSOV Norway (15-49)	14.1	17.6	15.3	15.4	15.5	15.1	15.9
CSOV Denmark (15-49)	22.8	24.6	23.1	23.6	23.6	21.4	24.6
Subscriber base excl Viaplay ('000s)	981	956	939	938		970	953
- of which satellite	442	432	422	409		398	389
- of which 3rd party networks	539	525	517	529		572	564
Satellite ARPU (SEK)	5,429	5,532	5,503	5,500		5,542	5,764
INTERNATIONAL ENTERTAINMENT							
Organic sales growth (%)	4.8	5.1	12.0	6.1	6.9	14.1	7.1
Operating margin (%)	7.8	16.4	11.9	20.4	14.8	12.8	22.8
CSOV Bulgaria (18-49)	42.6	42.4	41.9	42.0	42.2	42.2	43.0
MTG STUDIOS							
Organic sales growth (%)	-5.4	1.4	14.8	-1.5	2.7	-2.1	-13.4
Operating margin (%) ¹⁾	-5.0	4.1	8.1	4.4	3.7	-4.7	1.9
MTGx							
Organic sales growth (%)	27.4	2.8	39.3	71.4	37.0	27.4	24.9
Operating margin (%) ¹⁾	-30.0	-8.7	-4.8	0.7	-5.7	-0.9	-2.4

¹⁾Adjusted for Items affecting comparability.

Revenue recognition

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Advertising revenue					
Nordic Entertainment	909	816	1,708	1,541	3,090
International Entertainment	254	219	423	399	832
MTG Studios	41	0	41	0	0
MTGx	30	28	103	75	293
Total	1,234	1,064	2,276	2,015	4,215
Subscription revenue					
Nordic Entertainment	2,270	2,093	4,495	4,177	8,438
International Entertainment	29	53	122	103	213
MTG Studios	0	0	0	0	0
MTGx	13	22	33	42	80
Total	2,312	2,167	4,651	4,323	8,732
Other					
Nordic Entertainment	100	58	185	124	316
International Entertainment	32	32	84	66	139
MTG Studios	382	369	682	645	1,559
MTGx	950	555	1,807	777	2,575
Central operations	0	0	0	0	1
Total	1,464	1,015	2,758	1,612	4,590

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

(SEKm)	Q2 2018	%	Q2 2017	%	H1 2018	%	H1 2017	%	Full year 2017	%
Nordic Entertainment										
Organic growth	206	6.9%	229	8.4%	385	6.5%	504	9.5%	733	6.6%
Acquisitions/divestments	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Changes in FX rates	83	2.8%	59	2.2%	113	1.9%	117	2.2%	90	0.8%
Reported growth	289	9.6%	288	10.6%	498	8.4%	621	11.7%	822	7.4%
International Entertainment										
Organic growth	19	7.1%	14	5.1%	57	10.5%	28	4.9%	75	6.9%
Acquisitions/divestments	-32	-11.2%	-3	-1.2%	-32	-6.2%	-6	-0.8%	-10	-1.0%
Changes in FX rates	20	6.4%	13	4.5%	34	6.0%	18	3.3%	21	1.9%
Reported growth	7	2.3%	24	8.4%	58	10.2%	40	7.5%	86	7.8%
MTG Studios										
Organic growth	-62	-13.4%	6	1.4%	-69	-8.7%	-12	-1.5%	48	2.7%
Acquisitions/divestments	57	12.4%	0	0.0%	58	7.4%	0	0.0%	6	0.3%
Changes in FX rates	17	3.7%	9	2.0%	21	2.6%	12	1.5%	2	0.1%
Reported growth	12	2.7%	15	3.4%	10	1.3%	0	0.0%	56	3.1%
MTGx										
Organic growth	141	24.9%	9	2.8%	221	25.8%	68	12.4%	455	37.0%
Acquisitions/divestments	207	32.1%	242	72.4%	773	84.5%	255	46.6%	1,249	101.7%
Changes in FX rates	36	5.9%	24	7.1%	50	5.5%	33	6.1%	32	2.6%
Change in presentation of prize money	-	-	-25	-12.7%	-	-	-62	-16.7%	-98	-17.8%
Reported growth	384	62.9%	250	69.6%	1,044	115.8%	294	48.3%	1,638	123.5%
Total operations										
Organic growth	391	9.3%	186	5.0%	732	9.2%	479	6.8%	1,151	7.7%
Acquisitions/divestments	219	5.1%	239	6.4%	787	9.9%	249	3.6%	1,244	8.3%
Changes in FX rates	154	3.6%	104	2.8%	215	2.7%	178	2.6%	143	1.0%
Reported growth	764	18.0%	528	14.2%	1,733	21.8%	906	12.9%	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

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Operating income	426	369	645	506	923
Items affecting comparability	13	23	30	23	340
Operating income before items affecting comparability	439	391	675	528	1,264

Items affecting comparability

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Restructuring NENT Group	-53	-	-53	-	-
Restructuring ESL	-49	-	-49	-	-
Capital gain divestment of Trace	61	-	61	-	-
Net capital gain related to options to acquire shares	28	-	11	-	333
Impairment related to goodwill, Zoomin.TV	-	-	-	-	-593
Impairment related to capitalized development costs, Zoomin.TV	-	-	-	-	-58
Reclassification of transaction cost related to InnoGames	-	-23	-	-23	-23
Total	-13	-23	-30	-23	-340

Items affecting comparability classified by function

(SEKm)	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Cost of goods and services	-15	-	-15	-	-58
Administrative expenses	-86	-	-86	-	-
Other operating income	91	-	91	-	333
Other operating expenses	-3	-23	-20	-23	-616
Total	-13	-23	-30	-23	-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

(SEKm)	31 Mar 2017	30 Jun 2017	30 Sep 2017	31 Dec 2017	31 Mar 2018	30 Jun 2018
Short-term loans	1,551	2,999	2,408	1,625	2,525	3,000
Current part of long-term borrowings	1,000	1,000	1,000	1,000	0	0
Short-term borrowings	2,551	3,999	3,408	2,625	2,525	3,000
Other short-term interest-bearing liabilities	1	12	1	3	9	0
Total short-term borrowings	2,553	4,011	3,410	2,628	2,534	3,000
Long-term borrowings	500	500	499	500	500	500
Other long-term interest-bearing liabilities	73	79	83	95	124	0
Total long-term borrowings	573	579	582	595	624	500
Total borrowings	3,125	4,589	3,992	3,223	3,158	3,500
Cash and cash equivalents	481	2,167	395	1,394	673	1,026
Long- and short-term interest bearing assets	14	14	81	11	8	9
Total cash and interest bearing assets	495	2,180	477	1,405	681	1,035
Net debt excluding assets held for sale	2,630	2,409	3,515	1,818	2,477	2,465
Net debt related to assets held for sale	-191	-197	-206	-6	-143	-178
Total net debt	2,439	2,212	3,309	1,812	2,334	2,287

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

(SEKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Operating income before IAC	1,055	1,087	1,203	1,264	1,363	1,411
Depreciation and amortisation	215	240	272	321	365	400
EBITDA last 12 months ¹⁾	1,270	1,327	1,476	1,584	1,728	1,810
Total net debt/EBITDA ratio 12 months trailing	1.9	1.7	2.2	1.1	1.4	1.3

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.

(SEKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Operating income before IAC 12 months trailing	1,055	1,087	1,203	1,264	1,363	1,411
Inventory	2,140	2,273	2,263	2,183	2,529	2,292
Other current receivables	4,907	5,622	5,606	6,027	5,882	6,376
Intangibles assets	6,228	8,910	9,410	8,884	8,670	8,789
Tangible assets	244	281	264	272	275	298
Shares and participations	630	83	80	85	121	113
Other financial assets	306	334	382	413	389	431
Total non-current non-interest-bearing liabilities	-2,112	-2,363	-2,368	-2,052	-1,924	-2,013
Total current non-interest-bearing liabilities	-6,297	-7,526	-6,741	-7,244	-6,938	-7,431
Current liabilities at fair value	-158	-151	-154	-176	-175	-85
Capital Employed	5,890	7,463	8,741	8,392	8,830	8,769
Average Capital Employed (5 quarters)	5,184	5,717	6,546	7,200	7,863	8,439
ROCE %	20%	19%	18%	18%	17%	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.



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