

Record sales driven by esports and gaming in Q4 2019

- Esports sales were up 15 percent, with O&O growing by 21 percent, supported by investments into sport games and one additional Master property compared with Q4 2018
- Strong sales growth for the gaming vertical, supported by a continued operational recovery in Kongregate and solid development for InnoGame's Forge of Empires. ARPDAU increased by 14 percent in constant currencies compared with corresponding period last year
- MTG VC fund invested SEK 14 million in two growth companies

Q4 2019 financial highlights

- Net sales growth of 15 percent to SEK 1,163 (1,009) million
- Adjusted EBITDA of SEK 84 (43) million, including adjustments for Items Affecting Comparability of SEK 98 (-18) million, impairment of own capitalized costs of SEK 93 (4) million, Long-term incentive (LTI) programs of SEK 11 (4) million and M&A transaction costs of SEK 5 (12) million
- EBITDA of SEK -123 (40) million, of which SEK 11 million due to the impact of IFRS 16
- Operating income (EBIT) of SEK -206 (-18) million
- Net income from continuing operations of SEK -207 (-66) million
- Basic earnings per share of -3.08 (-1.25)
- Total net income of SEK -367 (478) million
- Cash flow from operations of SEK -34 (594) million

Financial overview

(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Continuing operations				
Net sales	1,163	1,009	4,242	3,841
<i>of which esports</i>	516	449	1,712	1,520
<i>of which gaming</i>	650	556	2,531	2,296
<i>of which central operations and eliminations</i>	-3	4	0	25
Costs before depreciation and amortization	-1,286	-969	-4,352	-3,664
Adjusted EBITDA ¹⁾	84	43	239	99
<i>Adjusted EBITDA margin</i>	7%	4%	6%	3%
<i>Adjustments</i>	-207	-3	-349	78
EBITDA	-123	40	-109	177
Amortization	-60	-42	-202	-162
Depreciation	-23	-16	-96	-56
<i>of which PPA</i>	-30	-29	-120	-116
EBIT	-206	-18	-407	-41
<i>EBIT margin</i>	-18%	-2%	-10%	-1%
Net income	-207	-66	-458	-107
Basic earnings per share (SEK)	-3.08	-1.25	-8.19	-3.17
Discontinued operations ²⁾				
Net income	-160	544	14,852	1,260
Total operations				
Net income	-367	478	14,394	1,153
Basic earnings per share (SEK)	-5.33	6.82	212.68	15.52
Cash flow from operations	-34	594	-71	1,622
CAPEX	66	44	239	194
Net sales growth y-o-y				
<i>Organic growth</i>	12%	-15%	7%	9%
<i>Acquisitions/divestments</i>	0%	-6%	-1%	19%
<i>Changes in FX rates</i>	3%	4%	4%	6%
<i>Change in reported net sales</i>	15%	-17%	10%	34%

1) See page 24 for details of adjustments to EBITDA. Alternative performance measures used in this report are explained on page 27

2) Consists of the adjusted result for Zoomin and other businesses in Q4 2019 and for NENT, Nova and Zoomin in 2018



President & CEO's comments

Throughout 2019, we have continued to develop our business verticals - esports and gaming - with an emphasis on our products becoming even more commercial and product relevant. As a result, we have seen both increased sales to record high levels, and improved operational performance. From a strategic and product perspective, additional important milestones have been achieved: we have launched the ESL Pro Tour format attracting the best teams in the world, added and grown mobile esports, landed new publisher relationships including a new multi-year agreement with Blizzard around their acclaimed titles StarCraft[®] II and Warcraft[®] III: Reforged™. In addition, we have prolonged media and brand partner agreements related to the new ESL Pro Tour circuit for CS:GO.

Esport - a high level of activity

The fourth quarter for our esports vertical showed a high level of activity including execution of four Master properties. Fans showed strong engagement in all of the properties, with improved operational metrics as a result. In total, the revenue grew by 15 percent, driven by our own and operated, which grew a solid 21 percent.

In the fourth quarter, we launched DreamHack Sport Games, a new promising esports category focusing on traditional sports in a digital format, consolidating existing properties of eSuperligan and eAllsvenskan. Investments into both a new commercial organization and new tournaments such as Dutch eDivisie and The European Golf Tour/eTour, impacted our result, but the future potential of this category is clear.

Looking into 2020, we can be nothing but pleased with our world-leading esports assets. On the back of the new tournament circuit, the ESL Pro Tour and the strategic collaboration with Nielsen, we are starting to measure the commercial potential of esports. It is still early days, but with a reliable structure underpinned by solid data comes increased validation of our commercial products and their relevance for fans and partners.

While our plan to create a joint venture together with Huya Inc. did not materialize as we would have liked to see, we still believe in the logic of this transaction and its potential. We continue to believe that partnerships and joint ventures can help accelerate our presence and relevance of our products not just in China, but also elsewhere. An expansion into the important Chinese esports market continues to be a priority for MTG. Therefore, we are looking forward to seizing existing and new opportunities in the near future.

Gaming – a strong end to the year

InnoGames achieved good growth in Q4 2019, but also noted some disappointments with new game launches. The year ended with strong development of its existing games portfolio, especially Forge of Empires. Improved customer lifetime value throughout the year has provided us with an opportunity to invest in marketing for future growth, which paid off during Q4 2019. In order to secure the best possible position going into 2020, InnoGames has been working in parallel with developing new games. The result is four exciting new games to be introduced to the market during 2020 - games that will be mobile first.

Kongregate executed well on its new strategy and operating model in Q4 2019. The turnaround is clear, thanks to an increased focus on direct publisher relationships, rolling-up and developing successful IPs, and by tightening up the scope of the portfolio of games. As a result, Kongregate ended the year on a high note with a strong momentum going into 2020.

Strategic review – crystalizing hidden value within gaming

In Q4 2019, we announced a strategic review of our gaming vertical. The purpose is based on a range of interactions with different parties to evaluate the best ways to create and crystalize value for shareholders. The process could result in a joint venture partnership for our gaming vertical to enhance its competitive position, and to access capital and new geographies. It could also result in MTG becoming a global pure play esports company, dedicating more resources to capitalize on the global rise of esports from our already leading market position through our ownership of ESL and DreamHack. The review is currently ongoing.

Breaking new ground – and aiming for a bright future

As many times before in the history of MTG, we are venturing into new commercial territories. Our belief in tomorrow's entertainment – esports and gaming – is strong. Success in creating value will only come through relevant products, creativity and innovation.

To conclude and looking into 2020, we have several strong growth levers in esports and gaming.

Firstly, we expect to see our gaming portfolio companies introduce no less than nine new exciting games to the market, covering a total of four genres.

Secondly, we have started our strategic relationship with Nielsen, which will help us to improve and validate the commercial relevance of the product and start to increase monetization on media and sponsorship rights from esports.

Last – but not least – we expect continued increasing interest for the new ESL Pro Tour circuits from fans and commercial partners, the latest being the partnership with Blizzard.

Through these growth levers we have the opportunity to further establish and build on MTG as a global esports leader and to capitalize on the exciting journey for the gaming industry - providing the future of entertainment products.

Jørgen Madsen Lindemann

President & CEO

Significant events in and after the quarter

MTG announced strategic review of its gaming vertical and to explore listing in the US

In October, MTG announced the initiation of a strategic review of its gaming vertical including the VC Fund's gaming investments, in order to evaluate the best route to crystalize value for shareholders. The outcome of the strategic review could result in a JV partnership for the gaming vertical to get access to capital and new geographies or MTG becoming a global pure play esports company.

DreamHack entered cooperation around Dutch EA SPORT FIFA 20 League eDivisie

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

MTG divests portfolio company Zoomin to Azerion

In October, MTG announced the sale of its portfolio company Zoomin to Azerion, a leading Dutch-based European technology company in media and entertainment. 100 percent of MTG's ownership in Zoomin was divested as part of the transaction.

MTG announced new DreamHack management team structure

In December, MTG announced changes to portfolio company Dreamhack's management team structure and the forming of a new entity, DreamHack Sports Games. Peter Nørrelund, who has served as EVP, Head of Product Development and Incubation and Co-CEO of DreamHack since May 2018, has been appointed CEO of the new entity. Roger Lodewick has been appointed as new Co-CEO to manage DreamHack alongside Co-CEO Marcus Lindmark.

MTG's ESL and DreamHack entered three-year agreement with Blizzard Entertainment

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

MTG announced termination by mutual agreement with HUYA of negotiations on definitive agreement for China Joint Venture and ESL investment

In January, MTG announced that MTG and HUYA Inc. have mutually terminated the negotiations related to the definitive agreement for the forming of a strategic Joint Venture for esports expansion into China and a minority stake investment in MTG's portfolio company ESL.

MTG announced annual savings and write down of assets

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

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

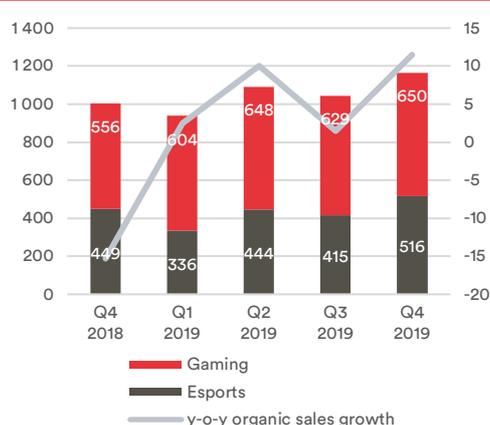
Group performance

Net sales – continuing operations

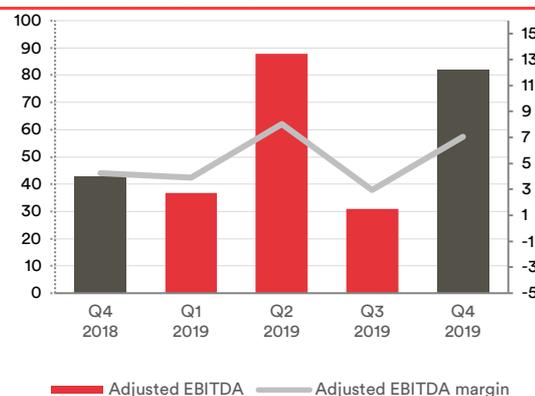
In the fourth quarter, net sales on a reported basis rose by 15 percent year-on-year to SEK 1,163 (1,009) million. On an organic basis, sales growth was 12 percent as exchange rates changes contributed 3 percent, reflecting SEK weakness against both the USD and EUR compared with the fourth quarter of 2018.

Esport net sales grew by 15 percent in Q4 2019, of which organic growth represented 11 percent, with one additional Master property compared to the corresponding period last year. This was complemented by a 17 percent growth in net sales for Gaming, of which organic growth accounted for 13 percent.

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



Adjusted EBITDA and margin
(SEKm (left side); % (right side))



Operating expenditure – continuing operations

Operating costs before depreciation and amortization increased by 33 percent to SEK 1,286 (969) million. This included SEK 98 (-18) million in Items affecting comparability (IAC)¹⁾, SEK 93 (4) million in impairment of own capitalized costs, 11 (4) million in costs related to Long-Term Incentive (LTI) programs and SEK 5 (12) million in Merger & Acquisition (M&A) transaction costs.

Adjusted EBITDA – continuing operations

The Group's adjusted EBITDA in the quarter amounted to SEK 84 (43) million. This included SEK 11 million due to the application of IFRS 16 compared with the corresponding period last year. Excluding the impact of IFRS 16, adjusted EBITDA was SEK 73 (43) million.

Group central operations impacted the quarter by SEK -39 (-37) million.

The adjusted EBITDA margin in the quarter was 7 (4) percent, or 6 percent when excluding the impact of IFRS 16. The margin improvement was driven by the gaming vertical which reported lower marketing expenses and higher sales following successfully executed in-game events at InnoGames and new games launches from Kongregate in addition to improvements to Kongregate's overall business operation. Esport adjusted EBITDA margin declined mainly as a result of higher investment costs for events of ESL.

¹⁾ See page 24 for details

Adjusted EBITDA reflects the underlying performance of the business and SEK 98 million in IAC, SEK 93 million in impairment of previously capitalized costs and SEK 11 million in costs related to LTI programs. SEK 5 million in M&A transaction costs were excluded.

EBITDA was SEK -123 (40) million.

EBIT – continuing operations

Depreciation and amortization in the fourth quarter amounted to SEK -83 (-58) million and included amortization on purchase price allocations (PPA) of SEK -30 (-29) million. Excluding PPA, depreciation and amortization increased by SEK 24 million to SEK -53 (-29) million, partly reflecting the implementation of IFRS 16 in the amount of SEK 11 million as well as higher amortization in gaming of intangible assets and own work capitalized.

Group EBIT in the quarter was SEK -206 (-18) million. The EBIT margin was -18 (-2) percent in the quarter.

Net financials and net income from continuing operations

Net financial items amounted to SEK -23 (39) million, predominantly driven by exchange rate changes. The Group's tax was SEK 22 (-87) million. Current tax amounted to SEK -38 million and deferred tax to SEK 60 million, of which SEK 32 million related to untaxed reserves in the Swedish entities. The net loss for the period from continuing operations thus amounted to SEK -207 (-66) million.

Discontinued operations

Other businesses

MTG completed the sale of its 100-percent shareholding in Zoomin to Azerion on October 28th, 2019 and subsequently reclassified the segment Other Businesses as discontinued operations. MTG recognized following the transaction a capital loss of SEK 88 million. During the period preceding the divestment, Zoomin generated revenue of SEK 79 million and a net result of SEK -68 million.

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

Venture Capital Fund investments

In Q4 2019, the MTG VC Fund closed investments of approximately SEK 14.3 million (USD 1.5 million) in two companies. SEK 9.5 million (USD 1 million) was invested in White Water Games, a cross platform mid-core esports studio focused on multiplayer games. The company was spun out by two founders of Super Evil Megacorp (SEMC), one of the world's leaders in mobile esports. An additional SEK 4.8 million (USD 0.5 million) was invested in a follow-on round in the existing portfolio company Nomadic, a location-based VR platform and location network, combining the most advanced elements of VR with gripping storytelling and clever tactile elements.

Overall, the companies in the MTG VC portfolio continue to show strong traction. Mightier increased its subscriber base by more than 10 times in 2019, Volley is consistently growing its MAUs across the company's nine titles and PhoenixLabs recently reached the 15 million unique players mark. TonkTonk, DazzleRock and Dorian are showing solid soft-launch KPIs for each studios' respective core title.

Total investments in 2019 amounted to a total of approximately SEK 98 million (USD 10.3 million), including capital commitments, and span start-up game developers across several game genres, including narrative, competitive, social MMO and game creation platforms in the US and Europe. MTG has invested and committed approximately SEK 221.5 million (USD 23.3 million) in 19 companies thus far from its VC fund to complement its majority stake investments in ESL, DreamHack, Kongregate and InnoGames.

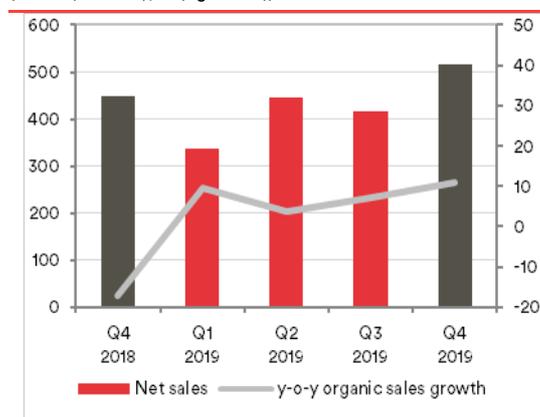
Segmental performance

Esports

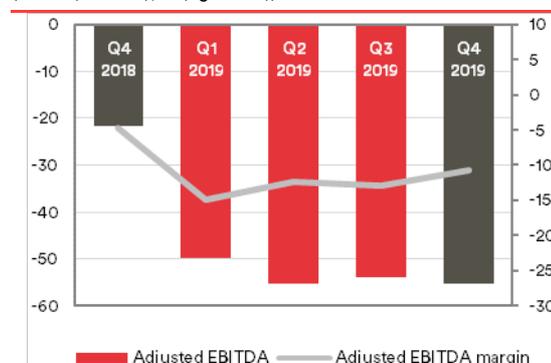
(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	516	449	1,712	1,520
Adjusted EBITDA	-54	-22	-213	-171
<i>Adjusted EBITDA margin</i>	<i>-10%</i>	<i>-5%</i>	<i>-12%</i>	<i>-11%</i>
<i>Adjustments</i>	<i>-96</i>	<i>12</i>	<i>-138</i>	<i>152</i>
EBITDA	-150	-10	-351	-19
Amortization	-7	-6	-26	-24
Depreciation	-14	-12	-53	-41
<i>of which PPA</i>	<i>-4</i>	<i>-4</i>	<i>-15</i>	<i>-14</i>
EBIT	-171	-28	-430	-85
<i>EBIT margin</i>	<i>-33%</i>	<i>-6%</i>	<i>-25%</i>	<i>-6%</i>
CAPEX	6	4	34	29
Net sales growth y-o-y				
<i>Organic growth</i>	<i>11%</i>	<i>-17%</i>	<i>8%</i>	<i>7%</i>
<i>Acquisitions/divestments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Changes in FX rates</i>	<i>4%</i>	<i>4%</i>	<i>5%</i>	<i>4%</i>
<i>Reported growth</i>	<i>15%</i>	<i>-13%</i>	<i>13%</i>	<i>11%</i>

Reported net sales in the fourth quarter grew by 15 percent to SEK 516 (449) million, including 4 percent growth due to the positive impact of exchange rate changes. Organic net sales growth in the quarter was 11 (-17) percent with one more Master property compared to the corresponding period last year.

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



Adjusted EBITDA and margin
(SEKm (left side); % (right side))



ESL held Master properties in Beijing, Hamburg and Odense during the quarter, which contributed to a double-digit net sales growth compared to last year, mainly thanks to significant growth in sponsorship revenue. When comparing ESLs key performance indicators (KPIs) to the same

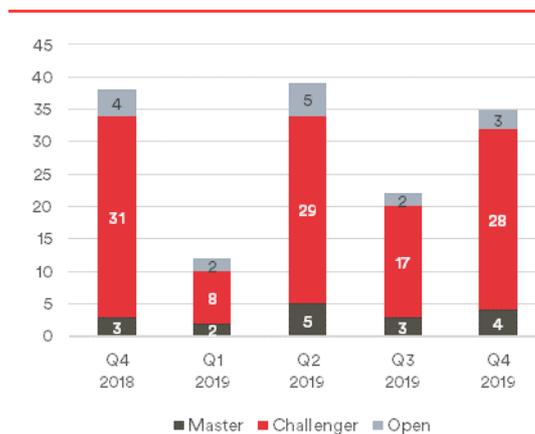
properties last year, it is clear that the esports business has positive momentum. Most KPIs for Master events increased sharply versus the same event one year ago, demonstrating that the competitions are relevant, the audience is growing very fast and that MTG is on a positive journey of transforming esports into an established sport. The focus going forward for the vertical is clear: To commercialize the growing audience of esports and make the sport commercial competitive.

DreamHack net sales increased during the fourth quarter as a result of DreamHack Masters in Malmö and DreamHack Winter in Jönköping, which took place during the quarter. DreamHack also had a significant Open event in Atlanta as well as organizing another season of its DreamLeague. In the quarter, Dreamhack also launched Dreamhack Sport Games. This is a new promising category within esports, which is to focus on traditional sports in a digital format, consolidating existing properties of eSuperligan and eAllsvenskan. During the period, investments have been made into both a new commercial organization and new tournaments such as Dutch eDivisie and The European Golf Tour/eTour.

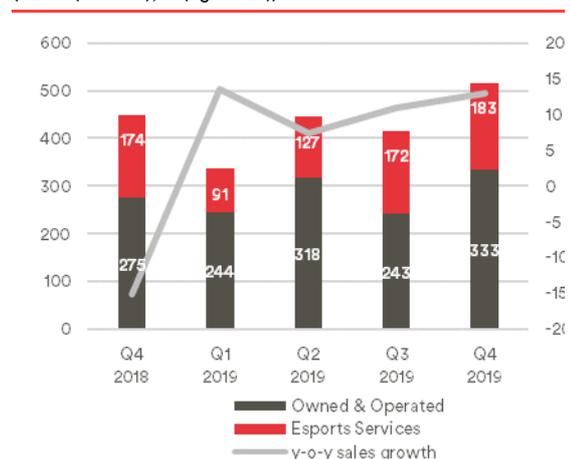
The adjusted EBITDA loss of SEK -54 (-22) million in the fourth quarter was a deterioration compared to last year, driven primarily by higher investments into our properties and the new sport games category. The adjusted EBITDA margin declined to -10 (-5) percent.

EBITDA adjustments of SEK -96 (12) million comprised items affecting comparability (IAC) of SEK -81 million (redundancy costs SEK -35 million, impairment of capitalized project costs of SEK -12 million and write off items in the balance sheet of SEK -34 million), costs for long-term management incentive programs SEK -11 million and M&A transaction costs of SEK -4 million. EBITDA amounted to SEK -150 (-10) million.

Number of O&O properties



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



Sales to O&O properties finished the year on a high note increasing by 21 percent in the quarter to SEK 333 million, with one more Master property compared with the corresponding period last year. Masters properties in the quarter were held in Malmö, Beijing, Hamburg and Odense, as well as additional Challenger properties.

ESS net sales increased by 5 percent in the quarter to SEK 183 million, representing 35 percent of total esports net sales. The focus in ESS is to establish more strategic publisher relationships and, during the quarter, ESL ran amongst other some significant events on behalf of the publisher Ubisoft.

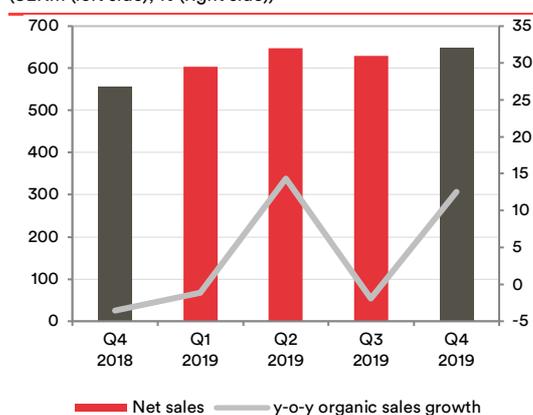
Gaming

(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	650	556	2,531	2,296
Adjusted EBITDA	174	106	605	513
<i>Adjusted EBITDA margin</i>	<i>27%</i>	<i>19%</i>	<i>24%</i>	<i>22%</i>
<i>Adjustments</i>	<i>-90</i>	<i>-3</i>	<i>-120</i>	<i>-39</i>
EBITDA	84	103	485	475
Amortization	-52	-36	-176	-137
Depreciation	-10	-4	-40	-15
<i>of which PPA</i>	<i>-27</i>	<i>-26</i>	<i>-105</i>	<i>-101</i>
EBIT	22	63	269	323
<i>EBIT margin</i>	<i>3%</i>	<i>11%</i>	<i>11%</i>	<i>14%</i>
CAPEX	62	36	203	151
Net sales growth y-o-y				
<i>Organic growth</i>	<i>13%</i>	<i>-4%</i>	<i>6%</i>	<i>7%</i>
<i>Acquisitions/divestments</i>	<i>-</i>	<i>-14%</i>	<i>-</i>	<i>47%</i>
<i>Changes in FX rates</i>	<i>4%</i>	<i>5%</i>	<i>5%</i>	<i>10%</i>
<i>Reported growth</i>	<i>17%</i>	<i>-12%</i>	<i>10%</i>	<i>86%</i>

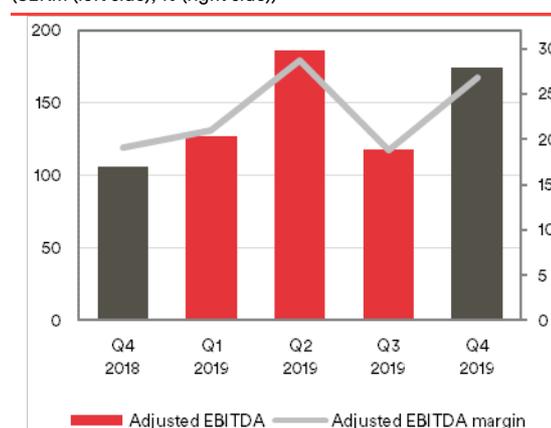
Reported net sales rose by 17 percent to SEK 650 (556) million, including a 4-percent positive impact from exchange rate changes. On an organic basis, net sales in the quarter increased by 13 (-4) percent.

Adjusted EBITDA was SEK 174 (106) million and EBITDA was SEK 84 (103) million, representing a margin of 27 (19) percent and 13 (19) percent, respectively.

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



Adjusted EBITDA and margin
(SEKm (left side); % (right side))



The new strategic direction implemented earlier in 2019 for Kongregate continue to yield positive results and Kongregate once again posted double-digit improvements in net sales and adjusted EBITDA improvements compared with last year. This was mainly attributable to Kongregates newer title, Idle Frontier, which continues to demonstrate positive results. In addition, Bit Heroes IP continued to report robust developments and both net sales and game profit grew.

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

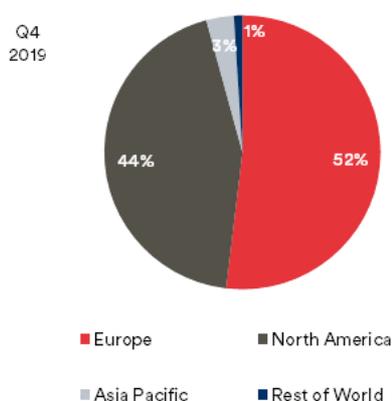
In order to secure the best possible position going into 2020, InnoGames has been working in parallel with developing new games as well as making an assessment of games in soft launch. The result is four new games planned to be released across 2020 - games that will be mobile first and build on our expertise in game development. Another result is to operate the game Warlords differently going forward, and to phase out the game GodKings.

EBITDA adjustments of SEK -90 million during the quarter comprised write-downs of capitalized development costs of SEK -92 million, M&A transaction costs of SEK -1 million and reversed costs for long-term management incentive programs of SEK 4 million.

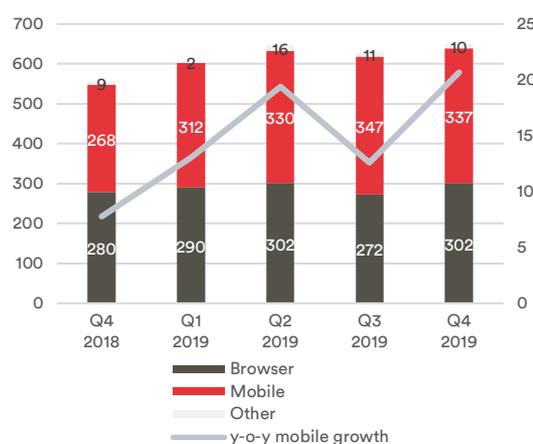
The depreciation and amortization charge in the quarter was higher compared with the corresponding period last year, mainly due to depreciation of a minor game and the Bit Heroes acquisition in Kongregate.

Capex of SEK 62 (36) million was up compared with the corresponding period last year, mainly driven by a third down payment for Bit Heroes IP at Kongregate and the acquisition of the surviv.io IP.

Net sales per Territory
(% split)



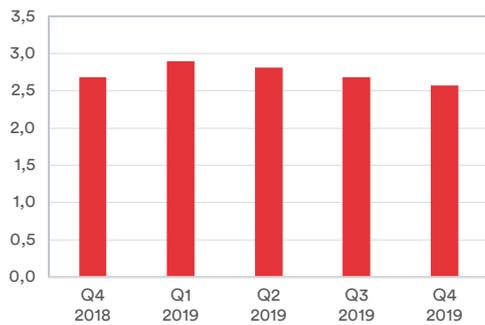
Net sales per Platform & y-o-y sales growth
(SEKm (left side); % (right side))



Mobile sales grew by 26 percent to SEK 337 million, representing 52 percent of total revenue in the gaming vertical. Browser revenues also grew by 8 percent to recover some of the lost ground from prior quarters. InnoGames share of mobile sales increased across most games and more than 90 percent of Kongregate's total revenue is attributable to mobile platforms.

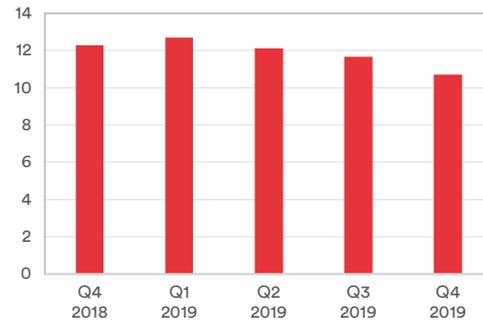
There was no significant movement in the revenue split by territory, with more than 90 percent of revenue in the North American and European markets, which are the target territories for both gaming businesses.

Daily Active Users
(Millions)



■ Daily Active Users

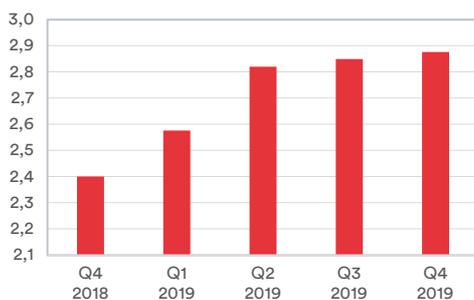
Monthly Active Users
(Millions)



■ Monthly Active Users

Daily Active Users (DAU) decreased by 4 percent to 2.6 million and Monthly Active Users (MAU) decreased by 8 percent, compared with the preceding quarter. This was mainly driven by the impact from the removal of two third party games in Kongregate, which was partly offset by the launch of first party titles. Compared with the corresponding quarter last year, DAU declined by 4 percent and MAU declined by 13 percent. Again, this was mainly due to Kongregate discontinuing publication of a number of third-party games.

Average Revenue per Daily Active User (ARPDau)
(SEK)



■ ARPDau

Proportions of Revenue generated by the top 3 games
(%)



— Net sales per Top 3 Games

The average revenue per daily active user (ARPDau) increased to SEK 2.9, up 20 percent from SEK 2.4 in Q4 2018 while remaining flat with Q3 2019 of SEK 2.9, supported by positive exchange rates changes. ARPDau at constant currencies increased by 14 percent year-on-year, mainly driven by better in-game monetization in both companies and lower DAU in Kongregate.

The top three titles have remained unchanged throughout the year: Forge of Empires, Elvenar and Amination Throwdown. Net sales generated by these titles was lower in the quarter at 73 percent, compared with both the preceding quarter and the preceding year.

Financial review

Cash flow from continuing operations*

Cash flow from operations before changes in working capital amounted to SEK -34 (594) million. Depreciation and amortization charges were SEK 83 (58) million, of which SEK 11 (-) million related to lease depreciation according to IFRS 16 and SEK 30 (29) million to amortization of PPA.

The Group reported a SEK -36 (93) million change in working capital. Group cash flow from operations amounted to SEK -61 (687) million. The Group had within Gaming vertical materially higher tax payments, negatively impacting both cash flow from operations and working capital.

Investing activities

Group capital expenditure on tangible and intangible assets amounted to SEK 66 (97) million, mainly consisting of capitalized development costs for games and platforms that have not yet been released. Investment in the VC fund was SEK 14 (-) million during the quarter.

Total cash flow relating to investing activities amounted to SEK -71 (-147) million.

Financing activities

Cash flow from financing activities amounted to SEK -30 (-399) million.

The net change in cash and cash equivalents for continuing operations amounted to SEK -171 (140) million.

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

** Comparatives are not restated.*

Parent company

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

(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	4	6	20	36
Net interest and other financial items	-31	44	2,302	177
Income before tax and appropriations	-91	6	2,066	-43

Net interest for the quarter amounted to SEK -1 (46) million. Other financial items are mainly exchange rate effects of SEK -30 (0) million. The parent company had cash and cash equivalents of SEK 1,123 (24) million at the end of the period.

The total number of shares outstanding at the end of the period was 67,342,244 (67,980,902) and excluded the 304,880 class B shares held by MTG as treasury shares. There are no class C shares held by MTG as treasury shares. The total number of issued shares did not change during the period.

Other information

Accounting policies

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

The Group's consolidated accounts and the parent company's accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2018 Annual Report except for the new standard IFRS 16 Leases applied as of January 1, 2019. The parent company does not apply IFRS 16 in accordance with the exception in RFR 2. A description of IFRS 16 and the effects of the transition to this standard are stated in the summary below.

The Group reports a Right of use asset and a Lease liability on the date of the lease agreement. The Right of use asset initially accrues at acquisition value, which consists of the original value of the lease liability plus any lease payments paid at or before the start date and any initial direct expenses. The Right of use asset is subsequently written off on a straight-line basis from the start date to the earlier of the end date of the asset's useful life and the end of the lease term.

The Lease liability is initially measured at the present value of future lease payments that have not been paid at the start date. The lease fees are discounted by the implicit interest on the lease. If this interest rate cannot be easily determined, funding base rates (applicable local IBOR rate) with a risk premium depending on the length of the lease contract are used.

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

The effects of the transition to IFRS 16 are described in more detail on page 21.

Related party transactions

There are no related party relationships other than with subsidiaries, associated companies, and joint ventures.

Risks & uncertainties

Significant risks and uncertainties exist for the Group and the parent company. These factors include the prevailing economic and business environments in some of the markets; commercial risks related to expansion into new territories; other political and legislative risks related to changes in rules and regulations in the various territories in which the Group operates; exposure to foreign exchange rate movements, and the US dollar and Euro linked currencies in particular; and the emergence of new technologies and competitors. The Group's e-sports business is reliant on continued cooperation with game publishers. The Group's game development businesses depend on their ability to continue releasing successful titles that attract paying customers. Both of the afore mentioned conditions are not under the Group's full control.

Risks and uncertainties are also described in more detail in the 2018 Annual Report, which is available at www.mtg.com.

Stockholm, February 6, 2020

Jørgen Madsen Lindemann
President & CEO

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

Condensed consolidated income statement

(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Continuing operations				
Net sales	1,163	1,009	4,242	3,841
Cost of goods and services	-667	-440	-2,293	-1,843
Gross income	496	569	1,949	1,999
Selling expenses	-290	-298	-1,068	-1,002
Administrative expenses	-313	-296	-1,146	-1,175
Other operating income	15	17	36	51
Other operating expenses	-18	-10	-26	-33
Share of earnings in associated companies and joint ventures	2	-1	0	-1
Items affecting comparability	-98	0	-152	121
EBIT	-206	-18	-407	-41
Net interest	-4	10	1	50
Other financial items	-19	29	-28	25
Income before tax	-229	21	-435	35
Tax	22	-87	-23	-141
Net income for the period, continuing operations	-207	-66	-458	-107
Discontinued operations				
International Entertainment	0	70	1,433	207
Nordic Entertainment Group	0	478	13,646	1,292
Other business	-160	-4	-227	-239
Net income for the period, discontinued operations	-160	544	14,852	1,260
Total net income for the period	-367	478	14,394	1,153
Net income for the period, continuing operations attributable to:				
Equity holders of the parent	-207	-84	-551	-212
Non-controlling interest	0	18	93	105
Net income for the period	-207	-66	-458	-107
Total net income for the period attributable to:				
Equity holders of the parent	-359	457	14,309	1,037
Non-controlling interest	-8	21	85	116
Total net income for the period	-367	478	14,394	1,153
Continuing operations				
Basic earnings per share (SEK)	-3.08	-1.25	-8.19	-3.17
Diluted earnings per share (SEK)	-3.08	-1.25	-8.19	-3.15
Total				
Basic earnings per share (SEK)	-5.33	6.82	212.68	15.52
Diluted earnings per share (SEK)	-5.33	6.78	212.68	15.40
Number of shares				
Shares outstanding at the end of the period	67,342,244	66,980,902	67,342,244	66,980,902
Basic average number of shares outstanding	67,342,244	66,980,902	67,278,885	66,854,133
Diluted average number of shares outstanding	67,342,244	67,317,949	67,278,885	67,362,405

Consolidated statement of comprehensive income

(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net income, continuing operations	-207	-66	-458	-107
<i>Other comprehensive income</i>				
<i>Items that are or may be reclassified to profit or loss net of tax:</i>				
Currency translation differences	-144	-22	128	215
Total comprehensive income, continuing operations	-351	-88	-330	109
Net income, discontinued operations	-160	544	14,852	1,260
<i>Other comprehensive income</i>				
<i>Items that are or may be reclassified to profit or loss net of tax:</i>				
Currency translation differences	7	-52	-49	111
Total comprehensive income, discontinued operations	-153	492	14,803	1,370
Total comprehensive income for the period	-504	404	14,473	1,479
Total comprehensive income attributable to:				
Equity holders of the parent	-477	383	14,349	1,296
Non-controlling interest	-27	20	124	183
Total comprehensive income for the period	-504	404	14,473	1,479

Condensed consolidated balance sheet

(SEKm)	Dec 31 2019	Dec 31 2018
Non-current assets		
Goodwill	3,961	6,159
Other intangible assets	1,410	2,746
Total intangible assets	5,371	8,904
Total tangible assets	126	270
Right of use assets	139	-
Shares and participations in associated and other companies	220	134
Interest-bearing financial receivables	-	6
Other financial receivables	277	376
Total non-current financial assets	497	516
Total non-current assets	6,133	9,690
Current assets		
Inventories	21	2,443
Other receivables	985	6,398
Cash, cash equivalents and short-term investments	1,824	862
Assets held for sale ¹⁾	-	931
Total current assets	2,831	10,634
Total assets	8,963	20,324
Equity		
Shareholders' equity	5,179	5,678
Non-controlling interest	1,402	1,320
Total equity	6,581	6,997
Non-current liabilities		
Borrowings	-	500
Lease liabilities	103	-
Other non-current interest-bearing liabilities	-	-
Total non-current interest-bearing liabilities	103	500
Provisions	525	1,058
Liabilities at fair value	377	405
Other non-interest-bearing liabilities	0	6
Total non-current non-interest-bearing liabilities	903	1,469
Total non-current liabilities	1,006	1,969
Current liabilities		
Liabilities at fair value	-	37
Borrowings	0	3,179
Lease liabilities	37	-
Other interest-bearing liabilities	-	0
Other non-interest-bearing liabilities	1,339	7,761
Liabilities related to assets held for sale ¹⁾	-	380
Total current liabilities	1,376	11,357
Total liabilities	2,382	13,326
Total shareholders' equity and liabilities	8,963	20,324

¹⁾ Relates to Nova Group and Trace in 2018.

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)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Cash flow from operations	-34	594	-71	1,622
Changes in working capital	-36	93	-117	-568
Net cash flow to/from operations	-70	687	-188	1,054
Proceeds from sales of shares	9	-	1,876	297
Acquisitions of subsidiaries and associates and other investments	-14	-	-96	-235
Investments in other non-current assets	-66	-97	-238	-765
Other cash flow from/used in investing activities	1	-51	4	-76
Cash flow from/used in investing activities	-71	-147	1,546	-779
Net change in borrowings	-2	-171	-3,679	452
Repayment borrowings and other capital restructuring items NENT	-	-	3,854	-
Dividends to shareholders	-	-	-	-834
Dividends to minority owners	-	-257	-	-257
Other cash flow from/used in financing activities	-28	29	-135	32
Cash flow from/used in financing activities	-30	-399	40	-608
Net change in cash, continuing operations	-171	140	1,398	-333
Net change in cash, discontinued operations	-4	-11	-653	-8
Total net change in cash and cash equivalents	-175	129	746	-341
Cash and cash equivalents at the beginning of the period	2,019	733	862	1,394
Translation differences in cash and cash equivalents	-20	-12	4	30
Change in cash and cash equivalents in assets held for sale	-	12	213	-221
Cash and cash equivalents at end of the period	1,824	862	1,824	862

Condensed consolidated statement of changes in equity

(SEKm)	Dec 31 2019	Dec 31 2018
Opening balance	6,997	6,572
Net income for the period	14,394	1,153
Other comprehensive income for the period	80	326
Total comprehensive income for the period	14,474	1,479
Effect of employee share programmes	17	30
Change in non-controlling interests	-42	8
Dividend Nordic Entertainment Group	-14,866	-
Dividends to shareholders	-	-834
Dividends to non-controlling interests	-	-257
Closing balance	6,581	6,997

Parent company condensed income statement

(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	4	6	20	36
Gross income	4	6	20	36
Administrative expenses	-64	-45	-256	-256
Operating income	-60	-39	-236	-220
Net interest and other financial items	-31	44	2,302	177
Income before tax and appropriations	-91	6	2,066	-43
Appropriations	223	538	223	538
Tax	0	-42	0	-24
Net income for the period	132	502	2,289	471

Parent company condensed statement of comprehensive income

(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net income for the period	132	502	2,289	471
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	132	502	2,289	471

Parent company condensed balance sheet

(SEKm)	Dec 31 2019	Dec 31 2018
Non-current assets		
Capitalized expenditure	0	0
Machinery and equipment	3	2
Shares and participations	5,849	8,025
Other financial receivables	0	12,077
Total non-current assets	5,852	20,104
Current assets		
Current receivables	101	4,673
Cash, cash equivalents and short-term investments	1,123	24
Total current assets	1,224	4,697
Total assets	7,076	24,801
Shareholders' equity		
Restricted equity	338	338
Non-restricted equity	5,230	5,003
Total equity	5,568	5,341
Untaxed reserves	109	239
Non-current liabilities		
Interest-bearing liabilities	-	500
Provisions	-	5
Non-interest-bearing liabilities	-	10
Total non-current liabilities	-	514
Current liabilities		
Other interest-bearing liabilities	1,308	18,410
Non-interest-bearing liabilities	91	296
Total current liabilities	1,399	18,706
Total shareholders' equity and liabilities	7,076	24,801

Net sales and EBIT by segment

(SEKm)	Esport		Gaming		Central operations and eliminations		Total operations	
	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018
Net sales	516	449	650	556	-3	4	1,163	1,009
EBIT	-171	-28	22	63	-57	-53	-206	-18

(SEKm)	Esport		Gaming		Central operations and eliminations		Total operations	
	Full year 2019	Full year 2018	Full year 2019	Full year 2018	Full year 2019	Full year 2018	Full year 2019	Full year 2018
Net sales	1,712	1,520	2,531	2,296	0	25	4,242	3,841
EBIT	-430	-85	269	323	-246	-279	-407	-41

Leases

Upon the transition to IFRS 16, the Group has chosen to apply the modified retrospective approach. According to IFRS 16, the Group recognizes Right-of-use assets and Leasing liabilities for most leases, meaning that the lease agreements are included in the balance sheet, the exceptions to this being stated below.

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

The Group has chosen not to account for Right of use assets and lease liabilities for leases that have a lease term of 12 months or less or underlying assets of low value. Lease fees for these leases are reported as a cost on a straight-line basis over the lease term. The Group has made judgments when determining the lease term as to whether the agreement contains opportunities to extend or terminate the lease agreement.

The reported Right of use assets are mainly attributable to properties that represent 99 % of the total Right of use assets. Other is mainly lease cars.

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

Comparative figures as if IAS 17 had been applied in 2019

Excerpt from report on the income statement

(SEKm)	IFRS 16 Q4 2019	IAS 17 Q4 2019	IAS 17 Q4 2018	IFRS 16 Full year 2019	IAS 17 Full year 2019	IAS 17 Full year 2018
EBITDA	-123	-124	40	-109	-147	177
EBIT	-206	-206	-18	-407	-409	-41
Financial net	-23	-22	39	-28	-25	75
Income before tax	-229	-229	21	-435	-434	35
Total net income for the period	-367	-367	478	14,394	14,395	1,153

Excerpt from report on the balance sheet

(SEKm)	IFRS 16 Full year 2019	IAS 17 Full year 2019	IAS 17 Full year 2018
Right of use assets	139	-	-
Other non-current assets	5,994	5,994	9,690
Current assets	2,831	2,831	10,634
Total assets	8,963	8,824	20,324
Total equity	6,581	7,083	6,997
Non-current lease liabilities	103	-	500
Other non-current liabilities	903	903	1,469
Total non-current liabilities	1,006	903	1,969
Current lease liabilities	37	-	-
Other current liabilities	1,339	1,339	11,357
Total current liabilities	1,376	1,339	11,357
Total equity and liabilities	8,963	9,326	20,324

Excerpt from report on the statement of cash flows

(SEKm)	IFRS 16 Q4 2019	IAS 17 Q4 2019	IAS 17 Q4 2018	IFRS 16 Full year 2019	IAS 17 Full year 2019	IAS 17 Full year 2018
Cash flow from operations	-34	-45	594	-71	-116	1,622
Changes in working capital	-36	-36	93	-117	-117	-568
Net cash flow from operations	-70	-81	687	-188	-233	1,054
Cash flow used in investing activities	-71	-71	-147	1,546	1,546	-779
Cash flow used in financing activities	-30	-19	-399	40	85	-608
Net cash flow from continuing operations	-171	-171	140	1,398	1,398	-333

Alternative performance measures

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

- Adjusted EBITDA
- Change in net sales from Organic growth, Acquisition/Divestments, and changes in FX rates

Adjusted EBITDA

(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
EBIT	-206	-18	-407	-41
Amortizations	60	42	202	162
Depreciation	23	16	96	56
EBITDA	-123	40	-109	177
Items affecting comparability	98	-18	152	-139
Impairment own capitalized costs	93	4	93	13
Long-term incentive programs	11	4	76	13
M&A transaction costs	5	12	28	34
Adjusted EBITDA	84	43	239	99

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

Sales growth by segment

	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Esport				
Organic growth	11%	-17%	8%	7%
Acquisition/divestments	-	-	-	-
Changes in FX rates	4%	4%	5%	4%
Reported growth (%)	15%	-13%	13%	11%
Gaming				
Organic growth	13%	-4%	6%	7%
Acquisition/divestments	-	-14%	-	47%
Changes in FX rates	4%	5%	5%	10%
Reported growth (%)	17%	-12%	10%	86%
Total operations				
Organic growth	12%	-15%	7%	9%
Acquisition/divestments	0%	-6%	-1%	19%
Changes in FX rates	3%	4%	4%	6%
Reported growth (%)	15%	-17%	10%	34%

Discontinued operations

Net income - Discontinued operations

(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
International entertainment	-	70	27	207
Nordic Entertainment Group	-	478	167	1,292
Zoomin	-	-4	-68	-239
Other business	-72	-	-72	-
Capital Gain / Loss	-88	-	14,798	-
Net income - Discontinued operations	-160	544	14,852	1,260

Nordic Entertainment Group AB

At the Extraordinary General Meeting on February 7th, 2019, it was decided to split the Group and distribute the shares of Nordic Entertainment Group AB (NENT) to the shareholders of MTG. In March, the shareholders received one NENT share for each MTG share held. NENT was listed on Nasdaq Stockholm on March 28th, 2019.

On distribution of the NENT shares, MTG recognized a capital gain of SEK 13,480 million, representing the difference between the fair value of NENT and the carrying amount of NENT's net assets at the time of distribution.

As part of the distribution, all historical translation differences allocated to NENT, amounting to SEK 78 million, have been recycled to the income statement for discontinued operations.

Balance sheet

(SEKm)	Dec 31 2019	Dec 31 2018
Non-current assets	-	3,704
Current assets	-	8,498
Total assets	-	12,202
Equity	-	597
Non-current liabilities	-	495
Current liabilities	-	11,110
Total liabilities	-	12,202

Income Statement

(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	-	3,959	3,727	14,568
Cost of goods and services	-	-2,634	-2,489	-9,805
Gross income	-	1,325	1,239	4,763
Selling and administrative expenses	-	-822	-992	-3,244
Other operating income and expenses	-	9	27	24
Items affecting comparability	-	5	-56	-40
EBIT	-	516	218	1,504
Net interest	-	-5	-5	-37
Other financial items	-	-42	7	-15
Income before tax	-	469	221	1,452
Tax	-	8	-54	-160
Net income for the year	-	477	167	1,292

Cash Flows

(SEKm)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Cash flows from:				
Operating activities	-	730	-157	1,116
Investing activities	-	-27	-33	-567
Financing activities	-	-422	466	-209
Net cash flow for the period	-	281	276	339

Nova Broadcasting Group

MTG completed the sale of its 95 percent shareholding in Nova Broadcasting Group in Bulgaria to Advance Media Group on April 10, 2019. MTG recognized a capital gain of SEK 1,405 million. MTG will use the proceeds to further develop its global digital entertainment verticals through organic investments and acquisitions.

Nova had been reported as an Asset held for sale since the first quarter of 2018 and, from the first quarter of 2019, was reported as a Discontinued operation.

During the period preceding the divestment, Nova generated revenue of SEK 264 million and a net result of SEK 29 million.

Zoomin Group

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

Other business

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

Definitions

Adjusted EBITDA

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

ARPDau

Average revenue per daily active user.

CAPEX

Capital expenditures

Cash flow from operations

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

Challenger

Smaller scale competitions with semi-professional players

DAU

Daily active user

Earnings per share

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

EBIT

EBIT (operating income) comprise earnings before interest and tax.

EBITDA

Earnings Before Interest, Tax, Depreciation, and Amortization.

ESS

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

Items affecting comparability (IAC)

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

Master

Large scale competitions attracting professional top tier global players

MAU

Monthly active user.

O&O

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

Open

Competitions free for all participants

Organic growth

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

Shareholders information

2020 Annual General Meeting

The 2020 Annual General Meeting will be held on Monday May 18, 2020 in Stockholm, Sweden. Shareholders wishing to have matters considered at the meeting should submit their proposals in writing to agm@mtg.com or to the Company Secretary, Modern Times Group MTG AB, Box 2094, SE-103 13 Stockholm, Sweden, at least seven weeks before the meeting in order for such proposals to be included in the notices of the meeting. Further details of when and how to register will be published in advance of the meeting.

In accordance with the resolution of the 2019 Annual General Meeting of MTG shareholders, a Nomination Committee has been convened to prepare proposals for the 2020 Annual General Meeting. The Nomination Committee comprises Joachim Spetz, appointed by Swedbank Robur Fonder, Erik Durhan, appointed by Nordea Fonder; David Marcus, appointed by Evermore Global Advisors, LLC and David Chance, the Chairman of the Board. The members of the Nomination Committee appointed Joachim Spetz as the Committee Chairman at their first meeting.

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

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

Financial calendar

Q1 2020 results announcement	April 28, 2020
Annual General Meeting 2020	May 18, 2020
Q2 2020 results announcement	July 23, 2020
Q3 2020 results announcement	November 4, 2020

Questions?

communications@mtg.com (or Lars Torstensson, EVP Communications & IR; +46 702 73 48 79)

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Conference call

The company will host a conference call today at 3:00 p.m. CET. To participate in the conference call, please dial:

Sweden:	+46 850 692 180
UK:	+44 844 571 8892
US:	+1 631 510 7495

The access pin code for the call is 863 81 58.

The conference call will be held in English and also be available live in “listen-only” mode at www.mtg.com.



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MTG (Modern Times Group MTG AB (publ.)) is a strategic operational and investment holding company in esports and gaming entertainment. Born in Sweden, our shares are listed on Nasdaq Stockholm ('MTGA' and 'MTGB'). This information is information that MTG (Modern Times Group MTG AB (publ.)) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 2:00 CET on February 6, 2020.