

Record quarter for the gaming vertical

- The gaming vertical delivered its best quarter ever in respect to both revenue and profits, while investing heavily into marketing to support future growth. The positive performance was driven by growing Daily Active Users (DAU) and Average Revenue Per Daily Active User (ARPDau) in the wake of the ongoing pandemic.
- Despite being impacted by the ongoing coronavirus pandemic, the esports vertical performed relatively strongly compared to the financial guidance provided for H1 2020. This was driven by higher esports services (ESS) revenue, good cost control and a more favorable revenue mix with a larger media component during the quarter.

Q2 2020 financial highlights

- Net sales level with last year at SEK 1,096 (1,095) million
- Adjusted EBITDA of SEK 167 (88) million, with adjustments for Long-term incentive (LTI) programs of SEK 60 (23) million and M&A transaction costs of SEK 3 (4) million
- EBITDA of SEK 104 (61) million
- Operating income (EBIT) of SEK 31 (-10) million
- Net income from continuing operations of SEK -19 (-38) million
- Basic earnings per share of SEK -1.00 (-1.19)
- Net cash flow from operations of SEK 121 (-69) million

Financial overview

(SEKm)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Continuing operations					
Net sales	1,096	1,095	2,020	2,035	4,242
<i>of which esports</i>	353	444	652	780	1,712
<i>of which gaming</i>	743	648	1,368	1,252	2,531
<i>of which central operations and eliminations</i>	0	3	0	3	0
Costs before depreciation and amortization	-992	-1,034	-1,985	-2,016	-4,352
Adjusted EBITDA ¹⁾	167	88	146	125	239
<i>Adjusted EBITDA margin</i>	15%	8%	7%	6%	6%
<i>Adjustments</i>	-63	-27	-111	-106	-349
EBITDA	104	61	35	19	-109
Amortization	-49	-45	-100	-89	-202
Depreciation	-23	-25	-45	-49	-96
<i>of which PPA</i>	-30	-30	-61	-60	-120
EBIT	31	-10	-110	-120	-407
<i>EBIT margin</i>	3%	-1%	-5%	-6%	-10%
Net income	-19	-38	-151	-171	-458
Basic earnings per share (SEK)	-1.00	-1.19	-3.37	-3.64	-8.19
Discontinued operations ²⁾					
Net income	-1	1,458	0	15,055	14,852
Total operations					
Net income	-19	1,420	-151	14,884	14,394
Basic earnings per share (SEK)	-1.01	20.42	-3.38	219.89	212.44
Net cash flow from operations	121	-69	82	-171	-188
CAPEX	44	67	86	105	239
Net sales growth y-o-y					
<i>Organic growth</i>	0%	10%	-3%	6%	7%
<i>Acquisitions/divestments</i>	-	-1%	-	-1%	-1%
<i>Changes in FX rates</i>	0%	4%	2%	5%	4%
<i>Change in reported net sales</i>	0%	13%	-1%	10%	10%

¹⁾ See page 24 for details of adjustments to EBITDA. Alternative performance measures used in this report are explained on page 25

²⁾ Consists of the adjusted result for NENT, Nova and Zoomin in 2019



President & CEO's comments

Pushing the strategic agenda despite challenging environment

The corona pandemic is still heavily affecting the world and our industry. As expected, it also had a clear impact on MTG in the second quarter. But despite the severity of the situation and all the challenges it brings, a crisis can also lead to progress and development. MTG has forcefully taken the opportunity to make relevant operational adjustments in both our esports and gaming verticals, invested to move the business forward, and taken a broad range of proactive measures for the long term. We can see clear positive results from our efforts, which will make us even stronger and our products even more relevant as we eventually move towards a normalized business environment.

Esports – new strategic partnerships and good cost control

Our esports vertical continues to deliver on the strategic objective to professionalize the commercial part of esports by onboarding more strategic partners to our tournaments, despite the challenging circumstances. The focus has been to move our events online, in order to ensure continued attractiveness towards all our stakeholders. The vertical performed better than anticipated compared with the financial guidance for the first half of 2020. This was driven by new agreements with media partners such as Twitch, higher esports services (ESS) revenue and stronger performance by our business to consumer (B2C) product. Equally important factors included good cost control and a more favorable revenue mix with a larger high margin media component during the quarter.

We will continue to develop and invest into our B2C experience and further online capabilities to make us even more relevant to the fans, even in the current situation when arranging large live and world-leading physical esports events is not possible. Already today, as one of the global leaders in this segment, we offer advertisement-funded and subscription-based B2C products. However, there is a clear opportunity to further leverage our two strong esports brands ESL and DreamHack, through coordinated events and new story telling.

We secured several new key commercial agreements during the quarter. These included contracts with Mastercard and Barclays Bank for our UK National League of Legends (LoL) championship tournament, where BBC Sport will be our broadcast partner. Telia Company joined as sponsor for the Nordic LoL tournament NLC and DreamHack announced a global strategic partner deal with Epic Games regarding their title Fortnite. This tournament will be performed as an open tournament for all North American and European players with a monthly prize pool of USD 250,000, and an aggregated prize pool of USD 1.75 million.

Gaming – record results

InnoGames demonstrated strong performance in the second quarter and continued to invest heavily into marketing to support future growth. The positive development was driven in part by effects of the ongoing coronavirus pandemic, which has led to increased gaming. This resulted in higher Daily Active Users (DAU) and Average Revenue Per Daily Active User (ARPDau), which grew by 10 percent and 17 percent, respectively, compared with the corresponding period last year. In June, the operational trends began to normalize as lockdowns globally were gradually rolled back. However, we expect that DAU will also remain at an elevated level also going forward.

Looking ahead, the focus for InnoGames is also to successfully launch several new mobile first titles. The tests performed to date on the new games have shown promising results with better than anticipated feedback from players.

Kongregate was impacted by the fact that two third-party games are no longer being part of the games portfolio in the quarter, as part of the company's focus on own development of IPs and profitable long-term partnerships. The company introduced three new games to the market and one additional title, Teenage Mutant Ninja Turtles, will be released during the second half of 2020.

Clear focus going forward

Moving into the second half of the year, the main priority for us remains the safety of our employees, the teams, fans and our partners. The ongoing coronavirus pandemic will continue to impact our two verticals, but in different ways. Most esports events will remain predominantly online for the remainder of the year and our expectation is that we will be able to host physical live events as of 2021. Gaming, on the other hand, will largely operate at an elevated performance level, thanks to the strong inflow of customers that occurred in the second quarter. That said, we expect a more normal growth pattern for the remainder of the year.

MTG management and the Board of Directors remain convinced that a separation of the gaming and esports businesses, which would allow them to adopt their own financial structures and independent strategic objectives, is the best way to maximize shareholder value. This separation may be implemented either through the divestment of the gaming business or through a listing. Inevitably, the coronavirus pandemic has caused some disruption to the review process and the decision on the best route to separation will be taken once markets have stabilized and the company is able to present two strong equity stories.

Going forward, we will remain focused on business continuity, operational efficiency and to seize new business opportunities. We have taken the necessary and critical short-term actions for both verticals, while in parallel proactively taken measures to also drive future growth. My firm belief is that we - with our intense efforts - have laid a solid foundation for further shareholder value creation once we're back in a more normalized operating environment.

Jørgen Madsen Lindemann

President & Chief Executive Officer

Guidance for H2 2020

Revenue in the esports vertical is expected to decline by 30-40 percent in 2H 2020, compared with the corresponding period in 2019, as a result of the ongoing coronavirus pandemic and its impact on conducting physical live events with audience, players and partners present. This decline is predominantly driven by most Own & Operated (O&O) and Esport Services (ESS) events being either moved online in H2 2020, postponed to 2021, or in a few occasions canceled. MTG expects a return to a more normal operational performance starting from when borders are fully open, and it is allowed to conduct large physical and live events under safe conditions. The negative impact is skewed toward Q3 2020, with very few events being held, due to active decisions to move the majority of ESL and DreamHack's properties into Q4 2020 and Q1 2021, to cater for lesser impact from the pandemic.

ESL and DreamHack will continue to reduce both cost of goods and services sold and fixed costs. These savings will be at least SEK 325 million for H2 2020 vs H2 2019, and are designed to deliver operational efficiency and enhance the future potential of the operations when the current crisis comes to an end. As a result, **Group** adjusted EBITDA for H2 2020 is expected to amount to between SEK 250-300 million, supported by strong performance in the gaming vertical.

Significant events in and after the quarter

April 28 - MTG's esports companies ESL and DreamHack entered streaming deal with Twitch

MTG's portfolio companies ESL and DreamHack announced that they had entered into a three-year streaming agreement with Twitch, the leading service and community for multiplayer entertainment.

May 4 – DreamHack presented an updated 2020 esports schedule for festivals and Master properties

MTG's portfolio company DreamHack announced further changes to its 2020 festival and Master properties schedule, adjusted for impacts from the ongoing coronavirus pandemic.

May 5 - ESL presented an updated 2020 esports schedule for Master properties

MTG's portfolio company ESL announced further changes to its 2020 Master properties schedule, adjusted for impacts from the ongoing coronavirus pandemic.

May 18 – MTG held its Annual General Meeting 2020

MTG held its Annual General Meeting (AGM). The AGM resolved in accordance with all the proposals of the Board and Nomination Committee.

May 18 – Marjorie Lao, Chris Carvalho and Dawn Hudson elected to the Board of MTG

MTG announced that Marjorie Lao, Chris Carvalho and Dawn Hudson were elected to the Board of MTG at the AGM in May 2020.

June 22 - DreamHack announced an agreement with Epic Games on new Fortnite tournament series

MTG's esports portfolio company DreamHack announced the launch of a new tournament series featuring Fortnite following the conclusion of a new agreement with Epic Games. The tournament – with a monthly prize pool of USD 250,000 and a total of USD 1.75 million – will be broadcast live on Twitch.

July 4 – DreamHack announced agreement for DreamHack to be the production partner for Rocket League Championship Series X

The Rocket League Championship Series (RLCS) is the premier esports league in Rocket League hosted by Psyonix, the game's developer. RLCS Season X introduces a brand new format for the league, starting in July this year and ending in the first half of 2021. As part of the partnership, DreamHack will produce all of the series.

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

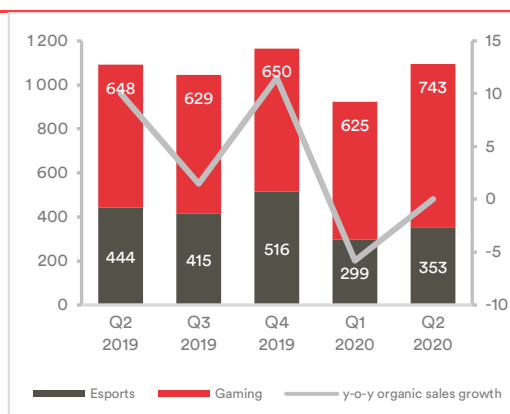
Group performance

Net sales – continuing operations

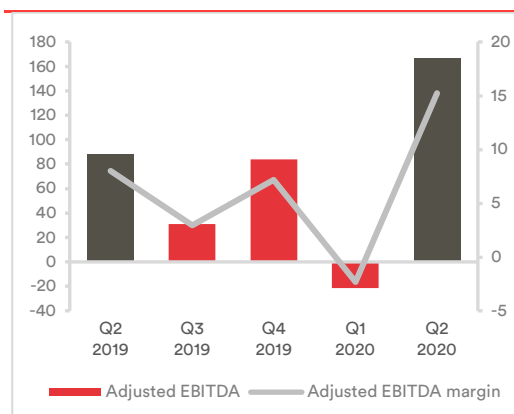
In the second quarter, net sales were level with the preceding year at SEK 1,096 (1,095) million.

The gaming vertical's net sales grew by 15 percent year on year driven by strong underlying in-game monetization and boosted by high user engagement as several core markets saw various degrees of lockdown due to the coronavirus. This was offset by esports net sales that declined by 21 percent in Q2 2020, due to Master and Challenger properties being moved online, postponed or cancelled due to the coronavirus pandemic.

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 decreased by 4 percent to SEK 992 (1,034) million. This included long-term incentive (LTI) programs of SEK 60 (23) million and M&A transaction costs of SEK 3 (4) million.

The Group's adjusted EBITDA in the quarter amounted to SEK 167 (88) million.

Group central operations impacted the quarter by SEK -28 (-43) million.

The adjusted EBITDA margin in the quarter was 15 (8) percent. The margin increase was due to the cost savings made within the esports vertical by operating online instead of offline formats, as well as the benefits from a more favorable revenue mix. Within the gaming vertical, the margin was seasonally high and flat compared with last year's margin, which was an all-time high as many games were able to capitalize on the opportunities to extend the user base and simultaneously increased efforts for user acquisition.

Adjusted EBITDA reflects the underlying performance of the business and LTI programs of SEK 60 (23) million and M&A transaction costs of SEK 3 (4) million were excluded.

EBITDA was SEK 104 (61) million.

EBIT – continuing operations

Depreciation and amortization in the second quarter amounted to SEK -73 (-70) million and included amortization of purchase price allocations (PPA) of SEK -30 (-30) million. Excluding PPA, depreciation and amortization increased by SEK 3 million to SEK -43 (-40) million, reflecting higher depreciations within the gaming segment.

Group EBIT in the quarter was SEK 31 (-10) million. The EBIT margin was 3 (-1) percent in the quarter.

Net financials and net income from continuing operations

Net financial items amounted to SEK -29 (-7) million, predominantly driven by exchange rate changes. The Group's tax was SEK -21 (-22) million. The net loss for the period from continuing operations thus amounted to SEK -19 (-38) million.

Venture Capital Fund investments

To date, the MTG VC fund has to date invested a total of SEK 221 million (USD 23 million), including future capital commitments into Bitkraft and Playventures. No new investments were made during Q2 2020.

Thus far, MTG's VC fund has invested in 19 portfolio companies to complement its majority stake investments in ESL, DreamHack, Kongregate and InnoGames, and the portfolio assets range from start-up game developers across several game genres, including narrative, competitive, social MMO and game creation platforms in the US and Europe, to pure esports focused companies.

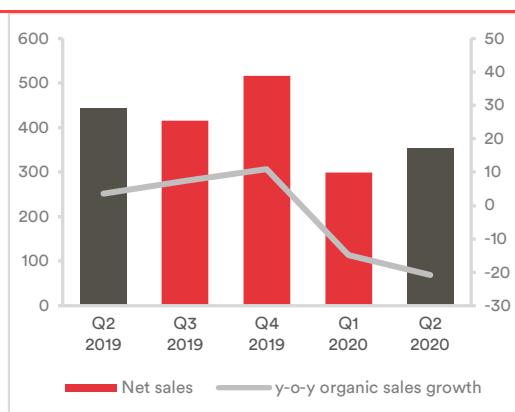
Segmental performance

Esport

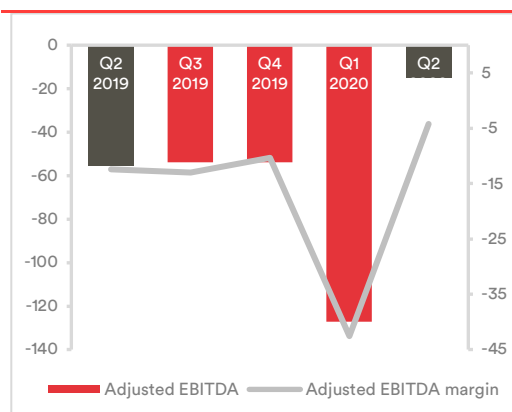
(SEKm)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Net sales	353	444	652	780	1,712
Adjusted EBITDA	-15	-55	-142	-105	-213
Adjusted EBITDA margin	-4%	-12%	-22%	-13%	-12%
Adjustments	-11	-16	-32	-30	-138
EBITDA	-26	-71	-175	-135	-351
Amortization	-6	-6	-11	-13	-26
Depreciation of which PPA	-12 -4	-13 -4	-23 -7	-27 -7	-53 -15
EBIT	-44	-90	-209	-174	-430
EBIT margin	-12%	-20%	-32%	-22%	-25%
CAPEX	10	8	23	14	34
Net sales growth y-o-y					
Organic growth	-21%	4%	-18%	6%	8%
Acquisitions/divestments	-	-	-	-	-
Changes in FX rates	0%	4%	2%	5%	5%
Reported growth	-21%	8%	-16%	11%	13%

In the second quarter, net sales declined by 21 percent to SEK 353 (444) million, mainly due to Master, challenger and festival properties being moved online, postponed or cancelled due to the coronavirus pandemic.

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



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



Despite the impact from the pandemic, ESL was able to deliver on its Master properties schedule by moving from live to online events in Q2 2020. Additionally, several Master properties rescheduled

from Q1 2020, such as ESL's Dota 2 Major in Los Angeles and the CS:GO Master property in Denver, were held in Q2 2020.

ESL's B2C (ESEA, ESL Play and other products) business experienced strong sequential growth in monthly active users and achieved all-time highs in engagement due largely to the global lockdowns. The long-term goal is to elevate the B2C business, enabling it to become a much more meaningful contributor and to improve diversification of ESL and DreamHack's revenue streams.

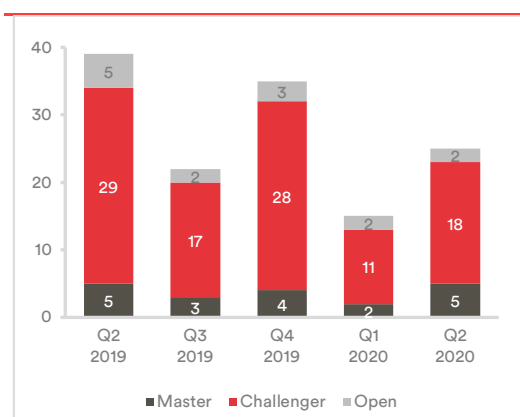
When comparing ESL's operational key performance indicators (KPIs) to the same properties last year, it is clear that the esports business had an enhanced momentum from the effects of the coronavirus pandemic with record high viewership once again achieved in the quarter. This demonstrates that the competitions are relevant and can be adapted to an all-digital format if needed. The focus going forward for the vertical is clear: to commercialize the growing audience of esports and make the sport commercially competitive.

DreamHack was able to execute its Master event, DreamHack Summer, online but without any festival component. However, several other DreamHack events were postponed, which had a significant impact on revenues in the quarter. DreamHack Sport Games was only able to execute a limited amount of its football and golf tournaments, leading to a negative impact on operations.

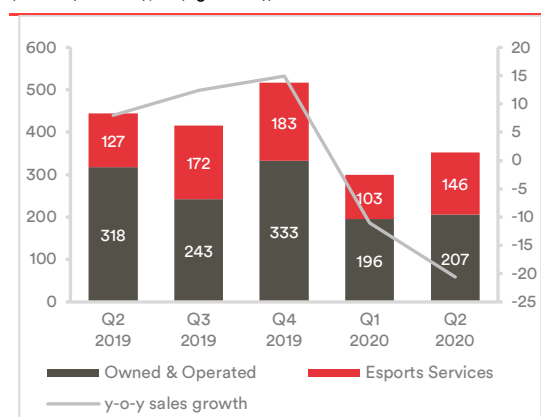
Adjusted EBITDA loss amounted to SEK -15 (-55) million in the second quarter, where the improvement was driven by a more favorable revenue mix as the share of media revenue increased. Moreover, re-adjusted variable costs for running online events and a review of the fixed cost base provided additional support. During the quarter, adjusted EBITDA included a positive effect from government subsidies of SEK 10 million. The adjusted EBITDA margin improved to -4 (-12) percent.

EBITDA adjustments of SEK -11 (-16) million comprised of costs for long-term management incentive programs of SEK -9 million and M&A transaction costs of SEK -2 million. EBITDA amounted to SEK -26 (-71) million.

No of O&O properties



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



Sales of Own & Operated (O&O) properties decreased by 35 percent in the quarter to SEK 207 million, with the same amount of Master properties compared with the corresponding period last year. The scope and format of the Master changed drastically as a result of the coronavirus, with the majority of games being played online. Despite significant growth in the media product and yet another all-time high for viewership, sponsorship sales in particular were notably lower.

Esport Services' (ESS) net sales increased by 15 percent in the quarter to SEK 146 million, representing 41 percent of total esport net sales. The focus in ESS is to establish more strategic publisher relationships and, during the quarter, ESL and DreamHack ran, for example, some significant events on behalf of publishers Epic Games and Tencent. Additionally, ESL was the supplier to the esport charity event "Gamers without borders".

During the quarter, a new O&O publisher deal was announced with Epic Games and its title Fortnite. Furthermore, a new ESS agreement was signed with Psyonix and its title Rocket League.

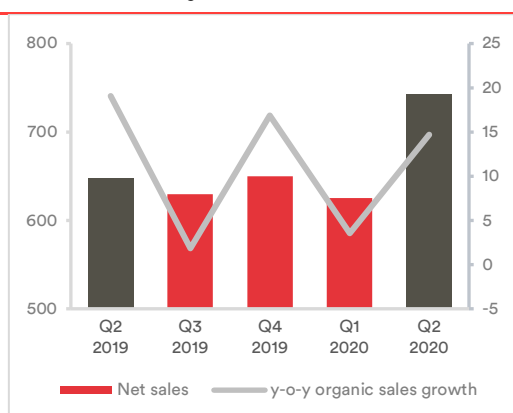
Gaming

(SEKm)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Net sales	743	648	1,368	1,252	2,531
Adjusted EBITDA	211	186	343	313	605
Adjusted EBITDA margin	28%	29%	25%	25%	24%
Adjustments	-52	-9	-78	-15	-120
EBITDA	160	177	265	299	485
Amortization	-43	-39	-88	-77	-176
Depreciation	-11	-11	-20	-20	-40
of which PPA	-26	-26	-53	-52	-105
EBIT	105	127	156	201	269
EBIT margin	14%	20%	11%	16%	11%
CAPEX	34	58	62	86	203
Net sales growth y-o-y					
Organic growth	15%	14%	7%	6%	6%
Acquisitions/divestments	-	-	-	-	-
Changes in FX rates	0%	5%	2%	5%	5%
Reported growth	15%	19%	9%	11%	10%

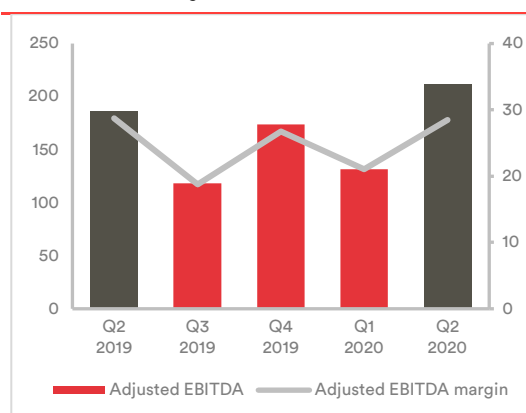
Reported net sales rose by 15 percent to SEK 743 (648) million. As foreign exchange rates had a marginal impact, organic net sales also increased by 15 (14) percent.

Adjusted EBITDA was SEK 211 (186) million and EBITDA was SEK 160 (177) million, representing a margin of 28 (29) percent and 22 (27) percent, respectively.

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



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



Due to an accommodating marketing environment, InnoGames increased its investments in marketing campaigns during the quarter, leading to a positive effect on user acquisitions and an accelerating DAU development. These effects started to unwind towards the end of the quarter, in line with a normal seasonality pattern and the easing of general public restrictions. Sales increased

across the existing games portfolio, which was partly offset by declining revenues from discontinued games. Adjusted EBITDA increased compared with last year, driven by high user inflow and monetization, partly offset by increased marketing investments. The performance of Forge of Empires improved sequentially to a new record high quarter, supported by improved in-game features and improving DAU. InnoGames' portfolio of classic games also continued to report solid performances.

Kongregate's underlying business continue to yield results but did not record growth in net sales or EBITDA. This was mainly attributable to the discontinuation of two of its key third-party publishing titles late last year, which was partly offset by its first party games, Idle Frontier and BitHeroes, which continue to demonstrate positive results. In addition, its most recent acquisition, Surviv.io, developed according to plan. However, Kongregate, in contrast to InnoGames, experienced a negative impact during the quarter from the coronavirus pandemic on its in-game advertisement sales.

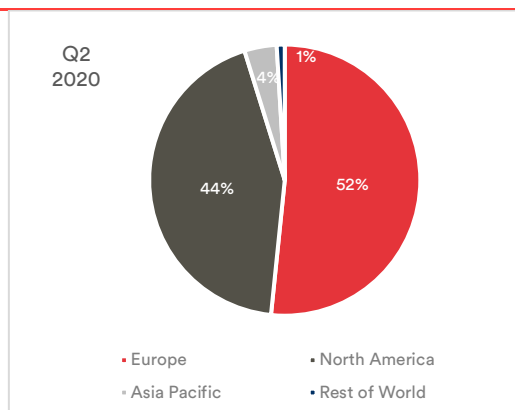
The game development pipeline is progressing well. Kongregate plans to launch one more new game within the year and InnoGames has four new games to be tested in the market across 2020 - games that will be mobile first and build on the company's expertise in game development.

EBITDA adjustments of SEK -52 million during the quarter comprised of costs for long-term management incentive programs.

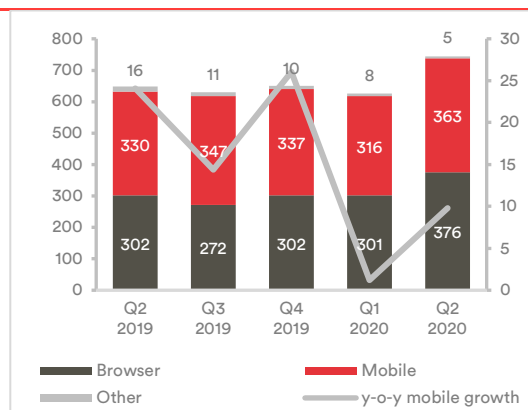
Depreciation and amortization charges for the quarter were slightly higher compared with the corresponding period last year, mainly due to depreciation of the Bit Heroes and Surviv.io acquisitions in Kongregate.

Capex of SEK 34 (58) million was down compared with the corresponding period last year, mainly related to a smaller acquisition in Q2 2019.

Net sales per territory
(% split)



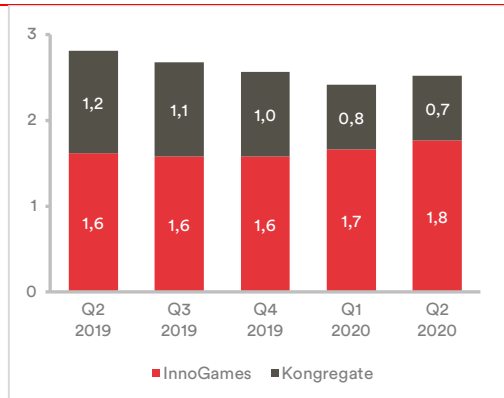
Net sales per platform & y-o-y mobile sales growth
(SEKm (left side); % (right side))



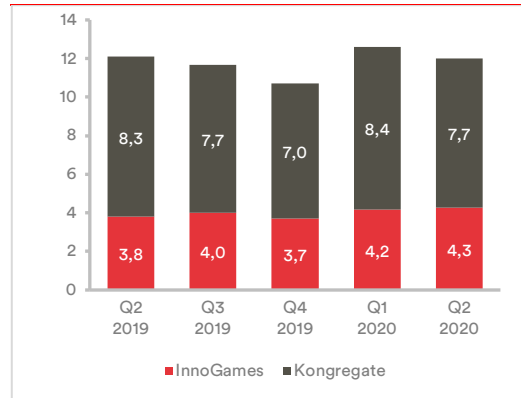
Mobile sales grew by 10 percent to SEK 363 million, representing 49 percent of total revenue in the gaming vertical. Browser revenues also grew by 24 percent, which demonstrated the strength in older games and was positively impacted by the measures taken to control the coronavirus. InnoGames share of mobile sales was largely flat across most games compared with last year, and more than 90 percent of Kongregate's total revenue was attributable to mobile platforms.

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

Daily active users
(Millions)

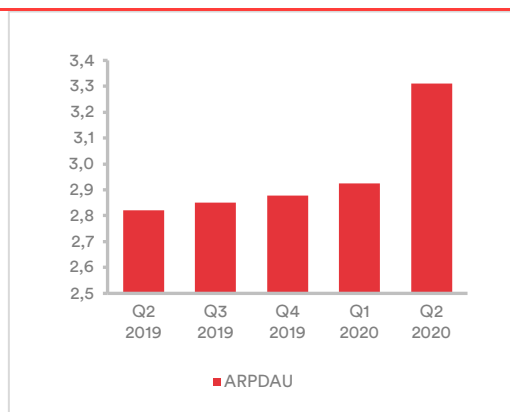


Monthly active users
(Millions)

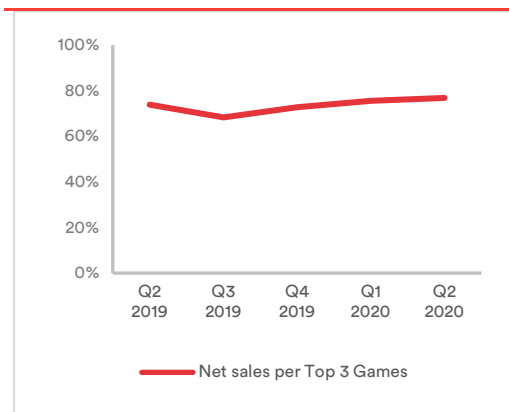


DAU increased by 4 percent to 2.5 million while Monthly Active Users (MAU) decreased by 5 percent, compared with the preceding quarter. InnoGames increased both DAU and MAU compared with the preceding quarter as well as Q2 2019, supported by strong positive momentum going into the quarter. Growth subsequently decelerated during the quarter and started to normalize toward the end of the quarter. Kongregate was adversely impacted by the removal of two third-party games, partly offset by the launch of first-party titles and compared with the preceding quarter, DAU declined by 1 percent and MAU by 8 percent.

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



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



The average revenue per daily active user (ARPDau) increased to SEK 3.3, up 17 percent from SEK 2.8 in Q2 2019, while it increased by 13 percent versus Q1 2020. ARPDau at constant currencies increased by 17 percent year-on-year, mainly driven by better in-game monetization in InnoGames and lower DAU in Kongregate.

The top three titles have changed in the quarter and are now Forge of Empires, Elvenar and Tribal Wars, the latter of which replaces Animation Throwdown. Net sales generated by these titles

increased marginally to 77 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 164 (-40) million. Depreciation and amortization charges were SEK 73 (70) million, of which SEK 30 (30) million to amortization of PPA.

The Group reported a SEK -43 (-29) million change in working capital. Net cash flow from operations amounted to SEK 121 (-69) million.

Investing activities

Cash flow used in investing activities contain earn-outs within our esport vertical, totaling SEK 38 million. Capital expenditure on tangible and intangible assets, mainly consisting of capitalized development costs for games and platforms that have not yet been released were SEK 44 million in the quarter. There were no investments in the VC funds during the quarter.

Total cash flow relating to investing activities amounted to SEK -81 (1,773) million, where last year contain the sales of shares in Nova.

Financing activities

Cash flow from financing activities amounted to SEK -202 (119) million, mainly dividend paid to minority owners.

The net change in cash and cash equivalents for continuing operations amounted to SEK -162 (1,348) million.

The Group had cash and cash equivalents of SEK 1,571 (2,085) million at the end of the period.

Parent company

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

(SEKm)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Net sales	4	5	8	11	20
Net interest and other financial items	-52	51	10	92	2,302
Income before tax and appropriations	-81	11	-47	-48	2,066

Net interest for the quarter amounted to SEK -1 (34) million. Other financial items are mainly exchange rate effects of SEK -51 (17) million. The parent company had cash and cash equivalents of SEK 864 (1,657) million at the end of the period.

The total number of shares outstanding at the end of the period was 67,342,244 (67,342,244) 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 2019 Annual Report.

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

Related party transactions

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

Risks & uncertainties

Significant risks and uncertainties exist for the Group and the parent company. These factors include the prevailing economic and business environments in 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 aforementioned conditions are not under the Group's full control.

The ongoing coronavirus pandemic will continue to impact our two verticals, but in different ways. Esport events will remain predominantly online for the remainder of the year and our expectation is that we will be able to host live events as of 2021. Gaming, on the other hand, will to a large extent operate on an elevated performance level, thanks to the strong inflow of customers that occurred in the second quarter. With that said, we expect a more normal seasonal pattern for the remainder of the year.

Risks and uncertainties are also described in more detail in the 2019 Annual Report, which is available at www.mtg.com.

Stockholm, July 23, 2020

Jørgen Madsen Lindemann
President & CEO

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

Condensed consolidated income statement

(SEKm)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Continuing operations					
Net sales	1,096	1,095	2,020	2,035	4,242
Cost of goods and services	-506	-594	-1,007	-1,071	-2,293
Gross income	590	501	1,013	964	1,949
Selling expenses	-308	-215	-591	-490	-1,068
Administrative expenses	-267	-292	-542	-530	-1,146
Other operating income	7	1	14	10	36
Other operating expenses	11	-4	-1	-17	-26
Share of earnings in associated companies and joint ventures	0	-1	0	-3	0
Items affecting comparability	0	0	-3	-54	-152
EBIT	31	-10	-110	-120	-407
Net interest	-3	3	-5	6	1
Other financial items	-26	-10	5	-21	-28
Income before tax	3	-16	-110	-134	-435
Tax	-21	-22	-41	-37	-23
Net income for the period, continuing operations	-19	-38	-151	-171	-458
Discontinued operations					
International Entertainment	-	1,431	-	1,459	1,433
Nordic Entertainment Group	-	60	-	13,646	13,646
Other business	-1	-33	0	-50	-227
Net income for the period, discontinued operations	-1	1,458	0	15,055	14,852
Total net income for the period	-19	1,420	-151	14,884	14,394
Net income for the period, continuing operations attributable to:					
Equity holders of the parent	-67	-80	-227	-245	-551
Non-controlling interest	49	42	76	74	93
Net income for the period	-19	-38	-151	-171	-458
Total net income for the period attributable to:					
Equity holders of the parent	-68	1,375	-227	14,808	14,293
Non-controlling interest	49	45	76	76	101
Total net income for the period	-19	1,420	-151	14,884	14,394
Continuing operations					
Basic earnings per share (SEK)	-1.00	-1.19	-3.37	-3.64	-8.19
Diluted earnings per share (SEK)	-1.00	-1.19	-3.37	-3.64	-8.19
Total					
Basic earnings per share (SEK)	-1.01	20.42	-3.38	219.89	212.44
Diluted earnings per share (SEK)	-1.01	20.42	-3.38	219.89	212.44
Number of shares					
Shares outstanding at the end of the period	67,342,244	67,342,244	67,342,244	67,342,244	67,342,244
Basic average number of shares outstanding	67,342,244	67,342,244	67,342,244	67,214,477	67,278,885
Diluted average number of shares outstanding	67,342,244	67,342,244	67,342,244	67,214,477	67,278,885

Condensed consolidated income statement

(SEKm)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Net income, continuing operations	-19	-38	-151	-171	-458
<i>Other comprehensive income</i>					
<i>Items that are or may be reclassified to profit or loss net of tax:</i>					
Currency translation differences	-311	91	11	157	128
Total comprehensive income, continuing operations	-330	53	-139	-14	-330
Net income, discontinued operations	-1	1,458	0	15,055	14,852
<i>Other comprehensive income</i>					
<i>Items that are or may be reclassified to profit or loss net of tax:</i>					
Currency translation differences	0	75	0	-58	-49
Total comprehensive income, discontinued operations	-1	1,533	0	14,998	14,803
Total comprehensive income for the period	-330	1,586	-140	14,983	14,473
Total comprehensive income attributable to:					
Equity holders of the parent	-303	1,524	-224	14,872	14,349
Non-controlling interest	-28	62	85	111	124
Total comprehensive income for the period	-330	1,586	-140	14,983	14,473

Condensed consolidated balance sheet

(SEKm)	Jun 30 2020	Jun 30 2019	Dec 31 2019
Non-current assets			
Goodwill	3,976	3,992	3,961
Other intangible assets	1,377	1,645	1,410
Total intangible assets	5,354	5,637	5,371
Total tangible assets	125	118	126
Right of use assets	132	192	139
Shares and participations in associated and other companies	220	180	220
Other financial receivables	293	277	277
Total non-current financial assets	513	457	497
Total non-current assets	6,124	6,404	6,133
Current assets			
Inventories	32	19	21
Other receivables	1,215	1,231	985
Cash, cash equivalents and short-term investments	1,571	2,085	1,824
Total current assets	2,818	3,335	2,831
Total assets	8,941	9,739	8,963
Equity			
Shareholders' equity	4,948	5,700	5,179
Non-controlling interest	1,299	1,391	1,402
Total equity	6,247	7,091	6,581
Non-current liabilities			
Lease liabilities	98	141	103
Other non-current interest-bearing liabilities	-	3	-
Total non-current interest-bearing liabilities	98	144	103
Provisions	579	598	525
Liabilities at fair value	345	385	377
Other non-interest-bearing liabilities	2	1	0
Total non-current non-interest-bearing liabilities	926	984	903
Total non-current liabilities	1,024	1,129	1,006
Current liabilities			
Liabilities at fair value	-	26	-
Borrowings	-	1	0
Lease liabilities	36	51	37
Other non-interest-bearing liabilities	1,635	1,441	1,339
Total current liabilities	1,670	1,519	1,376
Total liabilities	2,694	2,648	2,382
Total shareholders' equity and liabilities	8,941	9,739	8,963

Condensed consolidated statement of cash flows

(SEKm)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Cash flow from operations	164	-40	53	-56	-71
Changes in working capital	-43	-29	29	-116	-117
Net cash flow to/from operations	121	-69	82	-171	-188
Proceeds from sales of shares	-	1,868	-	1,868	1,876
Acquisitions of subsidiaries, associates and other investments	-38	-22	-42	-74	-96
Investments in other non-current assets	-44	-67	-86	-105	-238
Other cash flow from/used in investing activities	1	-5	1	-5	4
Cash flow from/used in investing activities	-81	1,773	-127	1,685	1,546
Net change in borrowings	0	-130	0	-3,740	-3,679
Repayment borrowings and other capital restructuring items NENT	-	-	-	3,854	3,854
Dividends to shareholders	-	-	-	-	-
Dividends to minority owners	-188	-	-188	-	-
Other cash flow from/used in financing activities	-14	11	-23	-5	-135
Cash flow from/used in financing activities	-202	-119	-211	109	40
Net change in cash, continuing operations	-162	1,585	-257	1,623	1,398
Net change in cash, discontinued operations	-	-237	-	-626	-653
Total net change in cash and cash equivalents	-162	1,348	-257	997	746
Cash and cash equivalents at the beginning of the period	1,806	479	1,824	862	862
Translation differences in cash and cash equivalents	-73	21	3	13	4
Change in cash and cash equivalents in assets held for sale	-	237	-	213	213
Cash and cash equivalents at end of the period	1,571	2,085	1,571	2,085	1,824

Condensed consolidated statement of changes in equity

(SEKm)	Jun 30 2020	Jun 30 2019	Dec 31 2019
Opening balance	6,581	6,997	6,997
Net income for the period	-151	14,884	14,394
Other comprehensive income for the period	11	100	80
Total comprehensive income for the period	-140	14,984	14,474
Effect of employee share programmes	-1	14	17
Change in non-controlling interests	-5	-40	-42
Dividend Nordic Entertainment Group	-	-14,866	-14,866
Dividends to shareholders	-	-	-
Dividends to non-controlling interests	-188	-	-
Closing balance	6,247	7,091	6,581

Financial instruments at fair value

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

(SEKm)	Jun 30 2020		Jun 30 2019	
	Carrying value	Level 3	Carrying value	Level 3
Financial assets measured at fair value				
Shares and participations in other companies	200	200	160	160
Financial liabilities measured at fair value				
Contingent consideration	345	345	411	411

Valuation techniques

Shares and participations in other companies – acquisition value is considered to be a representative estimate of fair value.

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

Contingent considerations

	Jun 30 2020	Jun 30 2019
Opening balance 1 January	377	442
Distribution of NENT	-	-20
Exercised payments	-38	-19
Interest expense	4	-2
Translation differences	2	10
Closing balance	345	411

Parent company condensed income statement

(SEKm)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Net sales	4	5	8	11	20
Gross income	4	5	8	11	20
Administrative expenses	-32	-45	-65	-150	-256
Operating income	-28	-40	-57	-139	-236
Net interest and other financial items	-52	51	10	92	2,302
Income before tax and appropriations	-81	11	-47	-48	2,066
Appropriations	-	-	-4	-	223
Tax	-	-	-	-	-
Net income for the period	-81	11	-51	-48	2,289

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

Parent company condensed balance sheet

(SEKm)	Jun 30 2020	Jun 30 2019	Dec 31 2019
Non-current assets			
Capitalized expenditure	1	0	0
Machinery and equipment	2	3	3
Shares and participations	5,849	6,025	5,849
Other financial receivables	-	8,772	-
Total non-current assets	5,852	14,800	5,852
Current assets			
Current receivables	28	65	101
Cash, cash equivalents and short-term investments	864	1,657	1,123
Total current assets	892	1,722	1,224
Total assets	6,744	16,522	7,076
Shareholders' equity			
Restricted equity	338	338	338
Non-restricted equity	5,179	2,971	5,230
Total equity	5,517	3,309	5,568
Untaxed reserves	115	239	109
Non-current liabilities			
Provisions	0	0	0
Non-interest-bearing liabilities	0	0	0
Total non-current liabilities			
Current liabilities	1,052	12,882	1,308
Other interest-bearing liabilities	60	91	91
Non-interest-bearing liabilities	1,112	12,973	1,399
Total current liabilities	6,744	16,522	7,076

Net sales and result by segment

	Esport		Gaming		Central operations and eliminations		Total operations	
(SEKm)	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Net sales	353	444	743	648	0	3	1,096	1,095
EBIT	-44	-90	105	127	-30	-46	31	-10
Income before tax	-47	-79	105	125	-56	-62	3	-16

	Esport		Gaming		Central operations and eliminations		Total operations	
(SEKm)	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Net sales	652	780	1,368	1,252	0	3	2,020	2,035
EBIT	-209	-174	156	201	-57	-147	-110	-120
Income before tax	-215	-169	156	197	-51	-163	-110	-134

Discontinued operations

Net income - Discontinued operations

(SEKm)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
International entertainment	-	-	-	29	27
Nordic Entertainment Group	-	-	-	165	167
Zoomin	-	-	-	-	-68
Other business	-1	-	0	-	-72
Capital Gain / Loss	-	1,490	-	14,911	14,798
Net income - Discontinued operations	-1	1,490	0	15,105	14,852

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)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
EBIT	31	-10	-110	-120	-407
Amortizations	49	45	100	89	202
Depreciation	23	25	45	49	96
EBITDA	104	61	35	19	-109
Items affecting comparability	0	0	3	54	152
Impairment own capitalized costs	-	-	-	-	93
Long-term incentive programs	60	23	92	48	76
M&A transaction costs	3	4	16	4	28
Adjusted EBITDA	167	88	146	125	239

Sales growth by segment

(SEKm)	Q2 2020	Q2 2019	H1 2020	H1 2019
Esport				
Organic growth	-21%	4%	-18%	6%
Acquisition/divestments	-	-	-	-
Changes in FX rates	0%	4%	2%	5%
Reported growth (%)	-21%	8%	-16%	11%
Gaming				
Organic growth	15%	14%	7%	6%
Acquisition/divestments	-	-	-	-
Changes in FX rates	0%	5%	2%	5%
Reported growth (%)	15%	19%	9%	11%
Total operations				
Organic growth	0%	10%	-3%	6%
Acquisition/divestments	-	-1%	-	-1%
Changes in FX rates	0%	4%	2%	5%
Reported growth (%)	0%	13%	-1%	10%

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.

AMA

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

ARPAU

Average 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

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

Items Affecting Comparability (IAC)

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

Master

Large scale competitions attracting professional top tier global players

MAU

Monthly active user.

O&O

Owned & 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

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

David Chance

Chairman of the Board

Simon Duffy

Non-Executive Director

Natalie Tydeman

Non-Executive Director

Gerhard Florin

Non-Executive Director

Dawn Hudson

Non-Executive Director

Marjorie Lao

Non-Executive Director

Chris Carvalho

Non-Executive Director

Jørgen Madsen Lindemann

President & Chief Executive Officer

Shareholders information

Financial calendar

Capital Markets Day 2020

October 9, 2020

Q3 2020 results announcement

November 4, 2020

Questions?

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

Download high-resolution photos: [Flickr](#)

Follow us: [mtg.com](#) / [Twitter](#) / [LinkedIn](#)

Conference call

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

Sweden: +46 (0) 856 618 467
UK: +44 (0) 800 279 6619
US: +1 646 741 3167

The access pin code for the call is 3974438

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



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

MTG (Modern Times Group MTG AB (publ.)) is a strategic operational and investment holding company in esport 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 pm CEST on July 23, 2020.