

Investing for the future

- The gaming vertical delivered a solid quarter in terms of net sales and EBITDA driven by high user engagement and the inclusion of Hutch
- In the esports vertical, three Master properties were delivered online. Due to the pandemic, live audience events are now assumed to return at the end of the year.
- MTG continued to deliver on its organic and inorganic strategy in gaming. Two new games were soft-launched, InnoGames' "Rise of Cultures" and Hutch's "Puzzle Heist", showing early promising results across several important KPIs. MTG further announced an agreement to acquire Ninja Kiwi, a leading, New Zealand based tower defense mobile games developer and publisher
- MTG made accelerated strategic investments in its esports product portfolio and B2C platforms to strengthen its position and diversify its current offering

Financial highlights

- Net sales increased by 9 percent to SEK 1,011 (924) million or 18 percent at constant FX. Organic growth amounted to 2 percent
- Adjusted EBITDA of SEK 100 (-21) million, with adjustments in the quarter for long-term management incentive programs (LTI) SEK 19 (32) million and total M&A transaction costs of SEK 27 (13) million
- EBITDA of SEK 54 (-69) million
- EBIT of SEK -43 (-142) million
- Net income of SEK -124 (-132) million
- Basic earnings per share, before dilution of SEK -1.43 (-2.10)
- Net cash flow from operations of SEK 1 (-39) million

Financial overview

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	1,011	924	3,997
of which Gaming	767	625	2,682
of which Esports	244	299	1,315
EBIT	-43	-142	35
EBITDA	54	-69	319
Adjusted EBITDA	100	-21	535
Net income	-124	-132	-96
Earnings per share, before dilution, SEK	-1.43	-2.10	-2.99
<i>Sales growth, %</i>	<i>9%</i>	<i>-2%</i>	<i>-6%</i>
<i>Changes in FX rates, %</i>	<i>-9%</i>	<i>4%</i>	<i>-2%</i>
<i>Sales growth at constant FX, %</i>	<i>18%</i>	<i>-6%</i>	<i>-4%</i>
<i>of which organic growth, %</i>	<i>2%</i>	<i>-6%</i>	<i>-4%</i>

President & CEO's comments

The first quarter results were mixed, reflecting the continuing impact of the pandemic on our two verticals. While gaming performed well, exhibiting increased user engagement with our expanding portfolio of titles, esports continued to be impacted by the postponed return of live audience events. Short term visibility remains low, reflected in our adjusted tournament schedule. As a consequence, we are experiencing longer decision-making processes from brand partners, and in the quarter delayed signing of a small number of anticipated larger sponsorship contracts, which negatively impacted adjusted EBITDA. Most of these contracts have now been closed in Q2, 2021.

Our group net sales amounted to SEK 1,011 million, a total increase of 9 percent including an adverse impact from foreign exchange rates of 9 percent, or 18 percent at constant FX. Adjusted EBITDA increased to SEK 100 million in the quarter, yielding an adjusted EBITDA margin of 10 percent.

At the same time, Q1 2021 has also been a quarter of significant investments in both the gaming and the esports verticals to better position MTG for the future. On the gaming side we launched two new games (with an additional 10 games in the pipeline), onboarded Hutch and announced the acquisition of Ninja Kiwi. In esports, on the back of emerging trends and learnings from the pandemic, we have accelerated strategic and operational investments in our product portfolio and B2C platforms to strengthen our position and diversify our current offering.

Gaming: High activity with M&A and organic development

Our gaming vertical's first quarter for 2021 has been one of high activity, both in terms of organic development and also through M&A activities resulting in yet another strong member joining our growing family of gaming companies.

InnoGames delivered another robust operational performance in the quarter. Sales increased across the existing games portfolio driven by successful in-game events and marketing for Forge of Empires and strong performance in the portfolio of classic games. We integrated Hutch, which delivered solid growth in the quarter, driven by its Top Drives title.

Our new games pipeline continues to look very strong. During the quarter we have seen InnoGames soft launch their new city builder title "Rise of Cultures" on the US market and later in April also on the European market, showing promising results across several important KPIs. Additionally, the company have soft launched its other new title "Lost Survivors" in April. In addition, Hutch released its new title "Puzzle Heist", which innovatively mixes elements from several genres like RPG, racing and puzzle games. On the back of these successful soft launches, we will accelerate marketing investments over the year to underpin uptake of these new titles.

In the quarter, we announced an agreement to acquire Ninja Kiwi, a leading, New Zealand-based tower defense mobile games developer and publisher with the evergreen IP Bloons. The acquisition is in line with our strategy to build a more diverse gaming segment and a stronger GamingCo overall. The transaction is expected to close in Q2 2021.

Esports: Investing for the future

Although esports continued to be affected by the ongoing pandemic in the first quarter, we nevertheless maintained a strong online schedule, relevance among fans, and continued commitment from our partners.

In the quarter, ESL Gaming successfully delivered and produced three Master properties as scheduled – one CS:GO event (IEM Katowice) and 2 Dota 2 DPC events (ESL One DPC CIS and DreamLeague DPC EU) – all being produced online. Due to the pandemic and maintained low visibility, we now do not expect live events to return in significant volumes before the end of the year.

Our relationship with strategic partners, including both brand sponsors and publishers, remained very active in the quarter. For example, we strengthened our relationship with Activision Blizzard as ESL Gaming was awarded the official Hearthstone esports program for the next two years. Additionally, Valve selected ESL Gaming as their partner for their CIS and EU Dota 2 DPC leagues. Post quarter end, we also announced an extended agreement with Epic Games for the return of the “DreamHack Open Featuring Fortnite” tournament series and new “Cash Cup Extra Presented by DreamHack”.

Due to the remaining uncertainty around live events, some brand sponsors are hesitant to commit contractually and are awaiting a return to normality. Hence, a small number of anticipated larger sponsorship contracts did not materialize as expected in the quarter and were instead signed in early Q2 2021. Post quarter end, we were pleased to see ESL Gaming announce the strategic prolongation of its cooperation with Intel, starting in 2022, which is a strong signal of confidence from our largest partner. Added to that, ESL Gaming recently announced the extension of the sponsor agreement with SAP.

As we further build on our leading position within esports and in anticipation of a normalized 2022, we accelerated our investments in the quarter to better position our esports offering to capture growth opportunities.

These investments included continued expansion of ESL’s B2C and mobile esports products and digitalizing traditional sports into esports products through the recently announced partnerships with Virtual Bundesliga, the NHL and with the International Olympic Committee. Additionally, investments were made in the quarter in preparation for expansion into new geographies and markets. While these business and product investments are in line with our strategy for esports, the costs associated with them have negatively impacted adjusted EBITDA for esports in the quarter by approximately SEK 25 million.

2021 outlook: Continued challenges, but also opportunities

The year ahead continues to present challenges as we navigate the exit from the pandemic, but it also presents numerous exciting opportunities in both gaming and esports, which we are pursuing with the investments we are making.

Our gaming vertical continues to grow with new companies, genres and strong IPs, more talented people and experienced minds. This bodes well for the remainder of the year, during which we will both launch additional new games and continue to pursue relevant M&A opportunities.

For esports, we still expect the ongoing pandemic to continue to have an impact on our business with key stakeholders, such as brand sponsors and publishers. While continuing to operate our events in digital formats for as long as deemed responsible and necessary during the remainder of the pandemic, we are making investments to capitalize on the emerging trends we see within the extended esports ecosystem. These include preparing for a mixed model of live events together with

an enhanced online product proposition post-pandemic. We expect this emerging model to lead not just to faster growth and increased revenues, but also to a richer and more resilient commercial operation. At the same time, we will carry on pursuing operational efficiencies in the core esports business and seeking new commercial and sponsorship agreements.

Overall, we remain confident in our ability to handle the challenges we face and are excited about the opportunities ahead of us. We look forward to delivering on our strategy, investing in and developing our gaming and esports verticals and creating further shareholder value.

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Significant events in an after the quarter

January 22 – ESL partnered with Blizzard to operate Hearthstone® esports ecosystem

ESL entered a two-year partnership with Blizzard Entertainment to operate the Blizzard owned esports ecosystem for the Hearthstone® game title. As part of another landmark publishing deal for ESL, the partnership will impact on some of the largest Hearthstone® tournaments like the Grandmasters and the Hearthstone Masters Tours and will entail a total prize pool of 3,000,000 USD per calendar year.

February 12 – MTG announced its rights issue oversubscribed and concluded

A maximum of 28,320,697 class B shares were offered in the Rights Issue at a subscription price of SEK 90 per share. 27,913,880 class B shares (corresponding to 98.6 per cent of the Rights Issue) were subscribed for by exercise of subscription rights. The remaining 406,817 class B shares were allotted to those who have applied for subscription for shares without subscription rights. The Rights Issue provided MTG with proceeds of SEK 2,526 million. Investors' interest was high, and the Rights Issue was oversubscribed by 101.8 per cent.

February 20 – InnoGames soft-launched its new city builder title Rise of Cultures on iOS and Android

The new title "Rise of Cultures" has been soft launched in February for testing on the US market, with European markets added later by March 25 for further testing. The title – which is available on iOS and Android – has showed promising results across several measured KPI's. InnoGames are monitoring the titles progress, adding new markets and channels while investing into marketing activities for the title and adding new content to the game going forward.

February 24 – DreamHack Sports Games signed deal with NHL to create the 2021 NHL Gaming World Championship

The National Hockey League (NHL®) selected DreamHack Sports Games (DHSG) to produce online and live esports tournaments under the NHL Gaming World Championship™ umbrella. As part of the multiyear relationship, DreamHack Sports Games will be tasked with producing hockey's premier esports events with the NHL through production of compelling content, live streams from tournaments, and influencer-driven competitions.

March 24 - Acquisition of Ninja Kiwi and a directed new shares issue

On March 24, 2021, MTG entered into an agreement to acquire New Zealand-based leading tower defense mobile games developer and publisher Ninja Kiwi. The up-front consideration amounted to approximately SEK 1,217 million (NZD 203 million) and earn-out payments at an expected value of SEK 406 million (NZD 68 million) in aggregate, including cash and share components. Furthermore, MTG has procured financing of the acquisition and improved on the company's financial flexibility through a directed new share issue by means of an accelerated book building process. The proceeds from the share issue amounted to SEK 1,079 million.

March 25 – ESL Gaming announced expansion of Mobile esports product Mobile Open to Asia-Pacific

After a successful 2019 launch of the ESL Mobile Open in North America and Europe, the new ESL Mobile program expands to reach more players across new regions, exciting game titles, and an updated competitive format. In an effort to create a global infrastructure of dedicated players and fans, ESL Mobile will offer opportunities to players in over 80 eligible countries spanning three competitive regions (North America, Europe/MENA, and Asia-Pacific). ESL has partnered with top game publishers and developers Gameloft, Riot, Supercell, and Tencent to offer players and viewers alike a unique chance to compete and engage with the most popular mobile games in the world.

March 25 – Hutch launched new title Puzzle Heist

In March, Hutch launched their new free-to-play title "Puzzle Heist", available on iOS and Android devices. The game focuses on a co-operative gameplay experience and allows players to collect fast and expensive cars, build their crew, take on gigs and defeat the ultimate crime boss. The title features innovative blend of gameplay elements from RPG's, action, racing, and puzzle games.

April 20 – DreamHack announced DreamHack Beyond, a digital adaptation of live audience festivals for pandemic circumstances

DreamHack Beyond will offer a hybrid experience featuring everything gaming under one "virtual" roof, and enables DreamHack to operate despite the pandemic circumstances with limitations to international travel, gathering of crowds for live audiences etc. The concept is a digital and free to attend adaptation of DreamHack's loved and popular LAN gaming festivals.

April 22 – ESL Gaming announced a revised outlook on 2021 postponing re-introduction of live audience events

ESL Gaming announced a revised outlook on its 2021 ESL Pro Tour schedule in which the company expects to operate all digital with no live audience events until late H2.

April 23 – ESL Gaming announced partnership with SAP

ESL Gaming announced that SAP will continue their support for its Dota 2 products within ESL's offering. The partnership with SAP, which goes back to 2018, provides key data to ESL Gaming's Dota 2 broadcasts through SAP's HANA system, enabling viewers to get a deeper understanding of what's going on in the games played.

April 26 – DreamHack announced new agreement with Epic on Fortnite collaboration

DreamHack announced that the popular DreamHack Open Featuring Fortnite tournament series, which included millions of players in 2020, will continue in 2021. In addition, fans can look forward to the "best of the best" Cash Cup Extra Presented by DreamHack. Both Fortnite initiatives will total a prize pool of more than USD 900,000 in 2021. The competition will be live-broadcasted online via Twitch.

April 28 – ESL Gaming announced renewal of sponsorship agreement with Intel

ESL Gaming announced the renewal of its long-standing partnership with Intel® in what is the biggest deal in esports history to date. Commencing in 2022, the renewal will see the brands invest over USD 100 million in esports over three years up to and including IEM Katowice 2025, and marks 20 years of collaboration between ESL and Intel® - extending the longest running partnership in the esports industry.

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

Group performance

Net sales

Consolidated group net sales increased by 9 percent in the quarter to SEK 1,011 (924) million with a negative impact of foreign exchange rates of 9 percent. Organic growth was 2 percent. The gaming vertical's net sales increased by 23 percent, or 32 percent at constant FX, driven by the inclusion of Hutch and continued strong in-game monetization and positive development in the user base. The esports vertical's net sales decreased by 18 percent, or 11 percent at constant FX, mainly due to properties being online or canceled and less publisher activations due to the pandemic.

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	1,011	924	3,997
of which Gaming	767	625	2,682
of which Esports	244	299	1,315
<i>Sales growth, %</i>	<i>9%</i>	<i>-2%</i>	<i>-6%</i>
<i>Changes in FX rates, %</i>	<i>-9%</i>	<i>4%</i>	<i>-2%</i>
<i>Sales growth at constant FX, %</i>	<i>18%</i>	<i>-6%</i>	<i>-4%</i>
<i>of which organic growth, %</i>	<i>2%</i>	<i>-6%</i>	<i>-4%</i>

Adjusted EBITDA, EBITDA and EBIT

Consolidated group's adjusted EBITDA in the quarter amounted to SEK 100 (-21) million, representing a margin of 10 (-2) percent on the back of improved margins for the gaming vertical in combination with lower cost base in the esports vertical.

EBITDA adjustments of SEK 46 (48) million comprised in the quarter of long-term incentive programs (LTI) SEK 19 (32) million and M&A transaction costs of SEK 27 (13) million.

Consolidated group EBITDA was SEK 54 (-69) million driven by the above-mentioned charges in both gaming and esports verticals.

Group central operations impacted the quarter by SEK -22 (-26) million.

(SEKm)	Q1 2021	Q1 2020	FY 2020
EBIT	-43	-142	35
Amortizations	75	50	195
Depreciations	22	22	88
EBITDA	54	-69	319
Items affecting comparability	-	3	9
Impairment own capitalized costs	-	-	20
Long-term incentive programs	19	32	132
M&A transaction costs	27	13	56
Adjusted EBITDA	100	-21	535
of which Gaming	204	132	800
of which Esports	-82	-127	-163
of which Central operations	-22	-26	-102
<i>Adjusted EBITDA margin, %</i>	<i>10%</i>	<i>-2%</i>	<i>13%</i>

Depreciation and amortization in the quarter amounted to SEK -97 (-72) million and included amortization of purchase price allocations (PPA) of SEK -54 (-31) million, an increase following the acquisition of Hutch. Excluding PPA, depreciation and amortization were on the same level as the same period previous year SEK -43 (-41) million.

Group EBIT in the quarter was SEK -43 (-142) million, corresponding to an EBIT margin of -4 (-15) percent. Operating costs before depreciation and amortization decreased by 4 percent to SEK 957 (993) million.

Net financials and net income

Net financial items amounted to SEK -49 (30) million, which mainly consists of net interest SEK -15 (-1) million, gain from revaluation of VC funds SEK 17 (0) and unrealized exchange losses of SEK -48 (13), mainly related to earnout. The Group's tax cost was -31 (-20) million resulting in a net income for the period of SEK -124 (-132) million.

Venture capital fund investments

To date, the MTG VC fund has invested a total of SEK 230 million (USD 27.1 million). In the quarter, MTG made an investment of SEK 1.7 million (USD 0.2 million) into Playventures and SEK 4.9 million (USD 0.6 million) through draw down commitments and on top invested SEK 17 million (USD 1.9 million) into Meta Games.

MTG's VC fund has to date invested in 21 portfolio companies to complement its majority stake investments in ESL Gaming, DreamHack Sports Games, Kongregate, InnoGames and Hutch, and the portfolio assets range from start-up game developers across several game genres, including narrative, competitive, social MMO and game creation platforms in the US and Europe, to pure Esports focused companies.

Segmental performance

Gaming

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	767	625	2,682
<i>Sales growth, %</i>	<i>23%</i>	<i>3%</i>	<i>6%</i>
<i>Changes in FX rates, %</i>	<i>-9%</i>	<i>4%</i>	<i>-1%</i>
<i>Sales growth at constant FX, %</i>	<i>32%</i>	<i>-1%</i>	<i>7%</i>
<i>of which organic growth, %</i>	<i>8%</i>		
EBIT	103	51	436
EBITDA	183	106	648
Adjusted EBITDA	204	132	800
<i>Adjusted EBITDA margin, %</i>	<i>27%</i>	<i>21%</i>	<i>30%</i>

In the quarter, net sales for the gaming vertical increased by 23 percent to SEK 767 (625) million with an adverse impact from foreign exchange rates of 9 percent, resulting in growth at constant FX of 32 percent. Organic growth was 8 percent.

InnoGames continued to deliver a solid operational performance in the quarter with sales increased across the existing games portfolio driven by successful in-game events for Forge of Empires and strong performance in the portfolio of classic games. Kongregate's performance in the quarter was stable despite technical issues with the newly launched title Teenage Mutant Ninja Turtles: Mutant Madness, that has now been solved. Hutch was integrated into MTG and delivered solid growth compared to corresponding quarter last year, driven by its title Top Drives. Their title F1 Manager experienced a high level of seasonality with players awaiting the launch of the actual 2021 FIA Formula One World Championship. As this took place at the end of the quarter, the title has experienced a boost in downloads and users in the beginning of Q2 2021.

InnoGames successfully soft launched their new city builder segment title "Rise of Cultures" showing promising results across several important KPIs, and Hutch launched their new cross-genre title "Puzzle Heist" late in the quarter.

The pipeline for new titles is strong and gaming vertical plans to release up to 10 games in total across the full year including acquired Ninja Kiwi. InnoGames will soft launch up to two new games in the remainder of 2021. Additionally, Kongregate plans to launch its next game, based on the character SpongeBob SquarePants, in Q3 2021 and two more idle games in 2021. Ninja Kiwi has an additional three new games planned for launch across 2021.

Adjusted EBITDA in the quarter improved to SEK 204 (132) million, representing a margin of 27 percent (21), supported by a maintained high level of player engagement. Adjusted EBITDA was to some extent impacted by the soft launch of two new games with associated marketing expenses. Going forward, the gaming vertical will be scaling marketing investments on the back of successful soft launches of new games.

EBITDA adjustments of SEK 21 (26) million comprised in the quarter of long-term management incentive programs (LTI) costs SEK 8 (21) million and M&A transaction costs of SEK 13 (5) million.

EBITDA was SEK 183 (106) million in the quarter.

Capex amounted to SEK 43 (29) million in the quarter, driven by increased investments into games development.

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
DAU, million	3.1	2.2	2.2	2.5	2.4
MAU, million	15.4	9.3	9.4	12.0	12.6
ARPDau, SEK	2.7	3.2	3.4	3.3	2.9
Revenue generated by the top 3 games, %	68%	75%	80%	77%	75%
Revenue generated by platform, %					
Mobile	58%	48%	49%	49%	51%
Browser	42%	50%	50%	51%	48%
Other	0%	2%	1%	1%	1%
Revenue generated by territory, %					
Europe	54%	51%	51%	52%	53%
North America	41%	44%	44%	44%	42%
Asia Pacific	4%	4%	4%	4%	4%
Rest of World	1%	1%	1%	1%	1%

Daily Active Users (DAU) increased by 29 percent and Monthly Active Users (MAU) increased by 22 percent in Q1 2021. This development was mainly due to the acquisition of Hutch, but also supported by successful UA spend, driven predominantly by Forge of Empires. Excluding Hutch, DAU increased by 4 percent.

The Average Revenue per Daily Active User (ARPDau) decreased by 6 percent in Q1 2021 as a result of the inclusion of Hutch. Organic ARPDau increased by 4 percent compared to the same period last year, mainly driven by better in-game monetization for the InnoGames' portfolio.

The top three titles have changed in the quarter and are now Forge of Empires, Elvenar and Top Drives – the latter being the most successful title to date of Hutch and replacing Tribal Wars from previous quarter. Net sales generated by these titles decreased to 68 percent, compared with the preceding year of 75 percent as a result of more titles in the portfolio.

With the inclusion of Hutch, the mobile share increased to 58 percent of the total revenues.

There was no significant movement in the revenue split by territory, with 95 percent of revenue generated in the North American and European markets, which are the target territories for the three gaming businesses.

Esports

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	244	299	1,315
<i>Sales growth, %</i>	<i>-18%</i>	<i>-11%</i>	<i>-23%</i>
<i>Changes in FX rates, %</i>	<i>-8%</i>	<i>4%</i>	<i>-1%</i>
<i>Sales growth at constant FX, %</i>	<i>-11%</i>	<i>-15%</i>	<i>-22%</i>
<i>of which organic growth, %</i>	<i>-11%</i>		
EBIT	-117	-165	-288
EBITDA	-101	-148	-220
Adjusted EBITDA	-82	-127	-163
<i>Adjusted EBITDA margin, %</i>	<i>-33%</i>	<i>-43%</i>	<i>-12%</i>

In the quarter, net sales for esports vertical decreased by 18 percent to SEK 244 (299) million with a negative impact of foreign exchange rate of 8 percent. Organic growth was -11 percent. The decline in net sales was mainly a result of Master, Challenger and Open/Festival properties being either moved online or cancelled and lower monetization thereof, and delayed publisher activations, due to the coronavirus pandemic.

ESL Gaming successfully delivered and produced three Master properties in the quarter as scheduled – one CS:GO event (IEM Katowice) and 2 Dota 2 DPC events (ESL One DPC CIS and DreamLeague DPC EU) – all being produced as online events.

ESL's B2C (ESEA, ESL Play and other products) business continued to experience sequential growth in monthly active users on the back of the ongoing pandemic and improved product features. The long-term goal is to elevate the B2C business, enabling it to become a more meaningful contributor and to improve diversification of ESL Gaming's revenue streams by exploring new emerging trends within esports.

In the quarter, the esports vertical accelerated operational investments into continued expansion of ESL Gaming's B2C and mobile esports products, digitalizing traditional sports into esports products, and potential expansion into new geographies and markets, that impacted Adjusted EBITDA by approximately SEK 25 million.

Adjusted EBITDA in the quarter amounted to SEK -82 (-127) million, representing a margin of -33 percent (-43). The positive development was driven by continued cost savings due to online events replacing offline events. Also, the Adjusted EBITDA was impacted by accelerated strategic investments and delayed signing of a few larger sponsorship contracts at the end of the quarter, that was rather closed in Q2 2021.

EBITDA adjustments of SEK 19 (21) million comprised in the quarter of (LTI) costs SEK 10 (10) million and M&A transaction costs of SEK 9 (8) million.

EBITDA was SEK -101 (-148) million in the quarter.

Capex amounted to SEK 10 (13) million in the quarter, driven by decreased investments in event and production equipment followed by increased investments into B2C platforms.

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Number of O&O properties	10	22	18	25	15
Master	3	6	2	5	2
Challenger	7	15	16	18	11
Open	-	1	-	2	2
Revenue generated by type, %					
Owned & operated	81%	75%	68%	59%	65%
Esports services	19%	25%	32%	41%	35%

Net sales in Own & Operated (O&O) increased by 1 percent to SEK 197 million in the quarter, with a negative impact of foreign exchange rate of 9 percent. Organic growth was 10 percent. The scope and format of Master properties have shifted to online and Open properties have been cancelled due to the ongoing pandemic. Publisher revenues increased in the quarter, while sponsorship revenues declined due to longer sales processes also as a result of the pandemic. The positive trend for media revenues from previous quarters continued into Q1 2021.

Net sales in Esports Services' (ESS) decreased by 54 percent to SEK 47 million in the quarter, with a negative impact of foreign exchange rate of 4 percent. Organic growth was -50 percent due to delayed activation initiatives among the publishers as a result of the ongoing pandemic. Still, the focus in ESS remain to expand and establish more strategic publisher relationships building on the positive momentum from previous quarters.

Financial review

Cash flow

Cash flow from operations before changes in working capital amounted to SEK -8 (-111) million in the quarter. Depreciation and amortization charges were SEK 97 (72) million, of which SEK 54 (31) million related to amortization of PPA.

The Group reported a SEK 9 (72) million change in working capital. Net cash flow from operations amounted to SEK 1 (-39) million.

Investing activities

Net investment in VC funds affecting cash flow was SEK 19 (5) million. Capital expenditure on tangible and intangible assets, mainly consisting of capitalized development costs for games and platforms that have not yet been released, amounted to SEK 53 (42) million in the quarter.

Total cash flow relating to investing activities amounted to SEK -74 (-46) million.

Financing activities

The fully subscribed right issue that ended in February provided MTG with proceeds of SEK 2,526 million and were used to repay the bridge loan facility of SEK 1,800 million on February 17, 2021. In March MTG paid the vendor note that arose in connection with the acquisition of an additional 17 percent of the shares in InnoGames and amounted to SEK 1,142 million. In the end of March MTG completed a directed new share issue in connection with the announcement of the signing of the acquisition of Ninja Kiwi. The proceeds from the share issue amounted to SEK 1,079 million. Other cash flow from financing activities are mainly leasing payments. Total cash flow relating to financing activities amounted to SEK 649 (-10) million.

The net change in cash and cash equivalents amounted to SEK 576 (-95) million.

The Group had cash and cash equivalents of SEK 1,750 (1,806) 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)	Q1 2021	Q1 2020	FY 2020
Net sales	4	4	16
Net interest and other financial items	4	62	-33
Income before tax and appropriations	-26	33	-173

Net interest for the quarter amounted to SEK -3 (-2) million. Unrealized and realized exchange differences amounted to SEK 12 (64) million and other financial items to SEK -5 (0).

The parent company had cash and cash equivalents of SEK 1,081 (1,016) million at the end of the period.

The total number of shares outstanding at the end of the period was 105,949,896 (76,190,509) and excluded the 304,880 class B shares and the 130,000 class C shares held by MTG as treasury shares. During the quarter new shares were issued on 21 January 627,431 class B shares directed to certain sellers of Hutch Games, on 26 February 28,320,697 class B shares as a result of MTG's rights issue with preferential rights for existing shareholders, on 24 March 9,659,524 class B shares directed to Swedish and international institutional investors and on 29 March 130,000 class C shares to be held in treasury during the vesting period of LTIP 2021.

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 2020 Annual Report.

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

Related party transactions

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

Risks & uncertainties

Significant risks and uncertainties exist for the Group and the parent company. These factors include the prevailing economic and business environments in 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 esports business is reliant on continued cooperation with game publishers. The Group's game development businesses depend on their ability to continue releasing successful titles that attract paying customers. Both of the aforementioned conditions are not under the Group's full control.

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

Stockholm, April 29, 2021

Maria Redin

Group President & CEO, Modern Times Group MTG AB

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

Condensed consolidated income statement

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	1,011	924	3,997
Cost of goods and services	-464	-501	-1,777
Gross income	548	423	2,219
Selling expenses	-296	-283	-1,062
Administrative expenses	-296	-275	-1,130
Other operating income	12	7	32
Other operating expenses	-11	-12	-16
Share of earnings in associated companies and joint ventures	0	0	1
Items affecting comparability	-	-3	-9
EBIT	-43	-142	35
Net interest	-15	-1	-8
Other financial items	-34	31	54
Income before tax	-92	-112	81
Tax	-31	-20	-177
Total net income for the period	-124	-132	-96
Total net income for the period attributable to:			
Equity holders of the parent	-124	-160	-228
Non-controlling interest	1	28	132
Total net income for the period	-124	-132	-96
Basic earnings per share, SEK	-1.43	-2.10	-2.99
Diluted earnings per share, SEK	-1.43	-2.10	-2.99
Number of shares¹⁾			
Shares outstanding at the end of the period	105,949,896	76,190,509	76,190,509
Basic average number of shares outstanding	86,826,622	76,190,509	76,190,509
Diluted average number of shares outstanding	86,869,643	76,190,509	76,190,509

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

Consolidated statement of comprehensive income

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net income	-124	-132	-96
<i>Other comprehensive income</i>			
<i>Items that are or may be reclassified to profit or loss net of tax</i>			
Currency translation differences	376	322	-314
Total comprehensive income for the period	252	191	-410
 Total comprehensive income attributable to			
Equity holders of the parent	175	78	-421
Non-controlling interest	77	112	11
Total comprehensive income for the period	252	191	-410

Condensed consolidated balance sheet

(SEKm)	Mar 31 2021	Mar 31 2020	Dec 31 2020
Non-current assets			
Goodwill	6,350	4,198	6,078
Other intangible assets	2,021	1,467	1,973
Total intangible assets	8,371	5,665	8,052
Total tangible assets	111	138	104
Right of use assets	123	139	129
Shares and participations in associated and other companies	326	228	272
Other financial receivables	229	305	242
Total non-current financial assets	554	533	514
Total non-current assets	9,159	6,475	8,799
Current assets			
Inventories	12	23	11
Other receivables	776	1,278	837
Cash, cash equivalents and short-term investments	1,750	1,806	1,153
Total current assets	2,538	3,107	2,000
Total assets	11,697	9,583	10,800
Equity			
Shareholders' equity	7,621	5,251	3,840
Non-controlling interest	1,453	1,514	1,375
Total equity	9,074	6,765	5,216
Non-current liabilities			
Lease liabilities	83	104	90
Total non-current interest-bearing liabilities	83	104	90
Provisions	698	567	706
Contingent consideration	623	384	589
Total non-current non-interest-bearing liabilities	1,321	950	1,295
Total non-current liabilities	1,404	1,054	1,385
Current liabilities			
Contingent consideration	11	-	11
Liabilities to financial institutions	1	-	1,800
Lease liabilities	45	37	42
Other interest-bearing liabilities ¹⁾	-	-	1,144
Other non-interest-bearing liabilities	1,163	1,726	1,202
Total current liabilities	1,218	1,764	4,199
Total liabilities	2,623	2,818	5,584
Total shareholders' equity and liabilities	11,697	9,583	10,800

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

Condensed consolidated statement of cash flows

(SEKm)	Q1 2021	Q1 2020	FY 2020
Cash flow from operations	-8	-111	242
Changes in working capital	9	72	28
Net cash flow to/from operations	1	-39	270
Acquisitions of subsidiaries, associates and other investments	-19	-5	-2,263
Investments in other non-current assets	-53	-42	-208
Other cash flow from/used in investing activities	-2	0	0
Cash flow from/used in investing activities	-74	-46	-2,471
Net change in borrowings	-1,800	0	1,800
Repayment vendor note	-1,142	-	-
New share issue	3,605	-	-
Dividends to minority owners	-	-	-188
Other cash flow from/used in financing activities	-14	-9	-55
Cash flow from/used in financing activities	649	-10	1,558
Total net change in cash and cash equivalents	576	-95	-644
Cash and cash equivalents at the beginning of the period	1,153	1,824	1,824
Translation differences in cash and cash equivalents	21	77	-28
Cash and cash equivalents at end of the period	1,750	1,806	1,153

Condensed consolidated statement of changes in equity

(SEKm)	Mar 31 2021	Mar 31 2020	Dec 31 2020
Opening balance	5,216	6,581	6,581
Net income for the period	-124	-132	-96
Other comprehensive income for the period	376	322	-314
Total comprehensive income for the period	252	191	-410
Effect of employee share programmes	1	-1	-1
Cancellation of non-controlling interest put option liability ESL	-	-	315
Agreement to settle acquired operations with shares	-	-	81
Acquisition of non-controlling interests InnoGames	-	-	-1,162
New share issue ¹⁾	3,605	-	-
Change in non-controlling interests	-	-5	-
Dividends to non-controlling interests	-	-	-188
Closing balance	9,074	6,766	5,216

1) New share issue is presented after deduction of transaction costs of SEK 34 million

Parent company condensed income statement

(SEKm)	Q1 2021	Q1 2020	FY 2020
Net sales	4	4	16
Gross income	4	4	16
Administrative expenses	-34	-33	-156
Operating income	-30	-29	-140
Net interest and other financial items	4	62	-33
Income before tax and appropriations	-26	33	-173
Appropriations	-	-4	160
Tax	0	0	-
Net income for the period	-25	29	-13

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

Parent company condensed balance sheet

(SEKm)	Mar 31 2021	Mar 31 2020	Dec 31 2020
Non-current assets			
Capitalized expenditure	1	1	1
Machinery and equipment	1	2	2
Shares and participations	7,813	5,849	7,813
Total non-current assets	7,815	5,852	7,815
Current assets			
Current receivables	442	21	207
Cash, cash equivalents and short-term investments	1,081	1,016	516
Total current assets	1,524	1,037	723
Total assets	9,339	6,889	8,538
Shareholders' equity			
Restricted equity	532	338	338
Non-restricted equity	8,685	5,259	5,299
Total equity	9,217	5,598	5,637
Untaxed reserves	43	115	43
Current liabilities			
Other interest-bearing liabilities	0	1,094	2,782
Non-interest-bearing liabilities	79	82	77
Total current liabilities	79	1,176	2,858
Total shareholders' equity and liabilities	9,339	6,889	8,538

Financial instruments at fair value

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

(SEKm)	Mar 31 2021		Mar 31 2020	
	Carrying value	Level 3	Carrying value	Level 3
Financial assets measured at fair value				
Shares and participations in other companies	304	304	206	206
Financial liabilities measured at fair value				
Contingent consideration	634	634	384	384

Valuation techniques

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

(SEKm)	Mar 31 2021	Mar 31 2020
Opening balance 1 January	252	198
Reported gains and losses in net income for the period	16	-
Acquisition	24	10
Divestment	-	-6
Translation differences	13	3
Closing balance	304	206

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

(SEKm)	Mar 31 2021	Mar 31 2020
Opening balance 1 January	600	377
Exercised payments	-	-15
Revaluation	-4	-
Interest expense	-	2
Translation differences	38	20
Closing balance	634	384

Net sales and result by segment

	Esports		Gaming		Central ops.		Total ops.	
(SEKm)	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Net sales	244	299	767	625	0	0	1,011	924
EBIT	-117	-165	103	51	-28	-28	-43	-142
Income before tax					-92	-112	-92	-112

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

Reconciliation of adjusted EBITDA

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

(SEKm)	Q1 2021	Q1 2020	FY 2020
EBIT	-43	-142	35
Amortizations	75	50	195
Depreciation	22	22	88
EBITDA	54	-69	319
Items affecting comparability	-	3	9
Impairment own capitalized costs	-	-	20
Long-term incentive programs	19	32	132
M&A transaction costs	27	13	56
Adjusted EBITDA	100	-21	535

Reconciliation of sales growth

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

(SEKm)	Q1 2021	Q1 2020
Gaming		
Organic growth	8%	-1%
Acquisition/divestments	24%	-
Changes in FX rates	-9%	4%
Reported growth (%)	23%	3%
Esport		
Organic growth	-11%	-15%
Acquisition/divestments		-
Changes in FX rates	-8%	4%
Reported growth (%)	-18%	-11%
Total operations		
Organic growth	2%	-6%
Acquisition/divestments	16%	-
Changes in FX rates	-9%	4%
Reported growth (%)	9%	-2%

Definitions

Adjusted EBITDA

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

AMA

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

ARPPDAU

Average net revenue per daily active user.

CAPEX

Capital expenditures.

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/Operating income

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

EBITDA

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

ESS

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

Items Affecting Comparability (IAC)

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

Master

Large scale competitions attracting professional top tier global players.

MAU

Monthly active user.

O&O

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

Open

Competitions free for all participants.

Organic growth

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

Transactional currency effect

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

Translational currency effect

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

UA

User acquisition.

Shareholder information

2021 Annual General Meeting

The 2021 Annual General Meeting will be held on Tuesday May 18, 2021 in Stockholm.

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

All information relating to the Annual General Meeting, including the notice, the Nomination Committee's proposals and related materials can be found at www.mtg.com.

Financial calendar

Item	Date
Q1 2021 Interim financial results report	April 29, 2021
2021 Annual general meeting	May 18, 2021
Q2 2021 Interim financial results report	July 20, 2021
Q3 2021 Interim financial results report	October 28, 2021

Questions?

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Conference call

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

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This information is information that 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 persons set out below, at 02.00pm CET on April 29th 2021.