# Record Q3 sales & increased profits

## Q3 2018 highlights

- Record Q3 sales of SEK 4,683m (4,280) with 3% organic growth
- Operating income before IAC of SEK 328m (257) including transaction costs related to the proposed split of MTG of SEK 7m [1]
- Total operating income of SEK 340m (257) including items affecting comparability of SEK 12m [2]
- Total net income of SEK 192m (177) including net income from discontinued operations of SEK -2m (-11) and total basic earnings per share of SEK 2.32 (2.31)
- Net debt of SEK 3,085m (3,309) equivalent to 1.6x trailing EBITDA before IAC

## Financial overview

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Continuing operations | | | | | |
| Net sales | 4,683 | 4,280 | 14,367 | 12,230 | 17,537 |
| *Organic growth* | *3.2%* | *7.0%* | *7.1%* | *6.9%* | *7.7%* |
| *Acquisitions/divestments* | *1.0%* | *10.0%* | *6.7%* | *5.7%* | *8.3%* |
| *Changes in FX rates* | *5.3%* | *0.1%* | *3.6%* | *1.7%* | *1.0%* |
| *Change in reported net sales* | *9.4%* | *17.0%* | 17.5% | 14.3% | *16.9%* |
| | | | | | |
| Operating income before IAC | 328 | 257 | 1,004 | 785 | 1,264 |
| *Operating margin before IAC* | *7.0%* | *6.0%* | *7.0%* | *6.4%* | *7.2%* |
| Items affecting comparability | 12 | - | -18 | -23 | -340 |
| Operating income | 340 | 257 | 986 | 763 | 923 |
| | | | | | |
| Net income | 194 | 189 | 693 | 547 | 612 |
| Basic earnings per share (SEK) | 2.35 | 2.49 | 8.96 | 7.61 | 8.19 |
| Cash flow from operations | 251 | 273 | 1,028 | 772 | 1,311 |
| | | | | | |
| Discontinued operations [3] | | | | | |
| Net income | -2 | -11 | -11 | 161 | 748 |
| | | | | | |
| Total operations | | | | | |
| Net income | 192 | 177 | 682 | 708 | 1,360 |
| Basic earnings per share (SEK) | 2.32 | 2.31 | 8.80 | 9.37 | 18.73 |
| Net debt | 3,085 | 3,309 | 3,085 | 3,309 | 1,812 |

[1] Comprises costs relating to the proposed split of MTG and the previously announced merger agreement to combine MTG Nordics and TDC Group, which was terminated on 19 June 2018

[2] Q3 2018 IAC primarily comprise a non-cash revaluation gain of SEK 172m relating to Turtle Entertainment and a non-cash cost of SEK 164m relating to Zoomin.TV asset write-downs. See page 25 for a comprehensive list of items affecting comparability

[3] Comprises results of businesses in Tanzania in Q3 2018, and results of businesses in the Czech Republic and the Baltics in 2017. The full year 2017 results include a SEK 593m capital gain from the divestment of the Baltic operations

Alternative performance measures used in this report are explained and reconciled on pages 23-27

For further information please contact Investor relations at + 46 (0) 73 699 2714 / investors@mtg.com or Public relations at +46 (0) 76 494 09 13/ press@mtg.com

# President & CEO's comments

## Profitable growth

This was another quarter of top and bottom line growth. Our continued organic sales growth was complemented by a 28% increase in operating profits, even when including SEK 7m of transaction costs related to the proposed split of MTG.

## Solid performance

Nordic Entertainment delivered its eighth consecutive quarter of higher sales and profits. The growth continues to be driven by our streaming services in general, and Viaplay in particular. Free-TV sales were down at constant FX but our Swedish Radio business again delivered double digit sales growth after the launch of the new radio licenses from August, and our Viafree streaming service continues to grow rapidly. Studios sales and profits were down but we have a healthy forward pipeline of contracted productions. Overall, we have continued to invest in original local dramas and premium sports, in order to drive up subscription and consumption levels further.

Nova Bulgaria continued to report double digit profitable growth, and we have now appealed the local competition authority ruling regarding the sale of Nova.

MTGx generated double digit organic sales growth, and we converted an EBIT loss last year into a profit this year following significant improvements at both InnoGames and ESL. This was the fifth consecutive quarter of EBITDA profits for MTGx. InnoGames delivered an exceptional quarter following a number of game updates and successful marketing campaigns. We are now ramping up the marketing of Warlords of Aternum, which has had a promising commercial launch.

Esports sales were up and losses were down. Healthy revenue growth in our owned and operated businesses was offset by lower work for hire volumes as we continue to strategically transform the business. We now expect esport sales to be down in Q4 before growing again in 2019, and we expect a significant improvement in the profitability of the esports operations.

## Split set for Q1 2019

Our former shareholder Kinnevik completed the distribution of all of its MTG shares in August, in order to facilitate the EU approval of the Tele2 / ComHem merger. Following this process, we have now continued our work towards the split of MTG and separate listing of NENT Group, including the appointment of three new NENT board members, securing a five year credit facility and increasing our ownership in ESL. Subject to shareholder approval, we intend to list NENT in March 2019.

Jørgen Madsen Lindemann

President & Chief Executive Officer

"This was yet another quarter of profitable growth, and we are on track with the planned split. I would like to welcome Kinnevik's shareholders as direct owners of MTG now."

# Significant events in and after the quarter

### 19 July – Decision by the Bulgarian Competition Commission

MTG noted the decision by the Bulgarian Commission for the Protection of Competition to disallow the proposed sale, announced on 19 February, of MTG's shareholding in Nova Broadcasting Group in Bulgaria to PPF Group.

### 15 August – MTG and NENT Group secure SEK 4 billion credit facility

MTG and its subsidiary Nordic Entertainment Group AB (NENT Group) jointly agreed a SEK 4 billion five year revolving credit facility with a group of six Nordic banks.

### 17 & 31 August – Changes in ownership in MTG and number of votes

MTG noted that Kinnevik AB had notified the Swedish Financial Supervision Authority that Kinnevik had completed the previously announced distribution of all of its MTG shares to its shareholders. Following the reclassification by Modern Times Group MTG AB shareholders of 4,461,691 MTG Class A shares into MTG Class B shares during August 2018, the total number of MTG Class A shares decreased from 5,007,353 to 545,662 and the total number of MTG Class B shares increased from 61,979,771 to 66,441,462. The total number of MTG Class C shares was unchanged at 660,000.

### 11 September – NENT listing planned for Q119 & appointment of Board Directors

Following the completion of Kinnevik AB's distribution of its entire shareholding in MTG to its shareholders, MTG announced that it would continue its work towards the previously announced distribution and listing of NENT Group (comprising Nordic Entertainment, MTG Studios and Splay Networks) in Q1 2019. Anders Borg, Henrik Clausen and Kristina Schauman were also appointed as new NENT Group Board Directors.

### 18 September – NENT Group Norway appoints new CEO

NENT Group appointed Vegard Klubbenes Drogseth as CEO of NENT Group Norway, with responsibility for the Norwegian broadcast TV, streaming and radio operations.

### 18 September – NENT Group secures Danish rights to UEFA Euro 2020

NENT Group acquired the exclusive Danish rights to the 2020 UEFA European Football Championship (UEFA Euro 2020). The tournament will be played in 12 cities across Europe – including four matches in Copenhagen – and all games will be shown live on NENT Group's streaming service Viaplay in Denmark.

### 28 September – Increased ownership in ESL & writes down Zoomin.TV assets

MTG increased its ownership in Turtle Entertainment GmbH (Turtle), the world's largest esports company and operator of the well-known ESL brand, by 8.44% to 82.48% for a cash consideration of EUR 14.3m (approximately SEK 149m). MTG acquired the shares from the founders and members of the management team. The remaining liability related to the option and the contingent consideration was valued at SEK 316m based on the terms in the agreement, resulting in a non-cash revaluation gain of SEK 172m. MTG also reported a non-cash cost of SEK 164m related to Zoomin.TV arising from the writing down of assets after a thorough review of the balance sheet following MTG's acquisition of the remaining shares in the company in May 2018. Both items are reported as IAC in the Q3 2018 results.

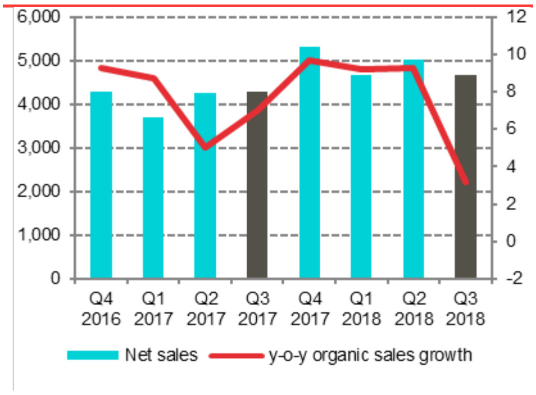
A full list of MTG announcements and reports can be found at www.mtg.com.

# Group performance

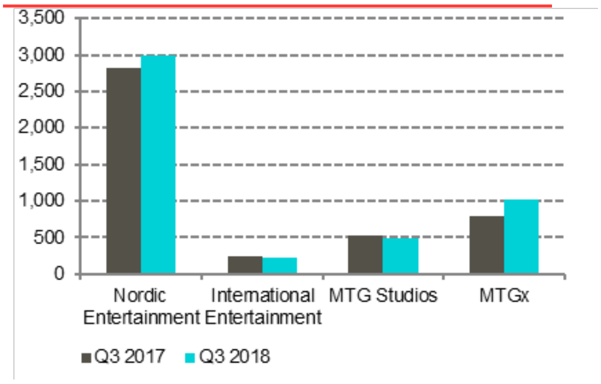
## Net sales

Net sales were up 9% on a reported basis to SEK 4,683m (4,280), and up 3% on an organic basis. Acquisitions and divestments contributed 1% of the growth and primarily comprised the consolidation of Kongregate, while the FX impact was 5%.

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




Net sales by segment
(SEKm)



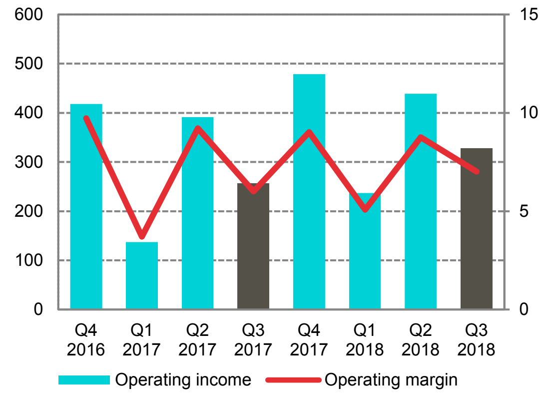

## Operating expenditure

Operating expenditure was up 4% at constant FX and driven primarily by the ongoing investment in digital expansion and the consolidation of Kongregate. Depreciation and amortisation charges increased to SEK 111m (87), including amortisation charges of surplus values of SEK 37m (30).

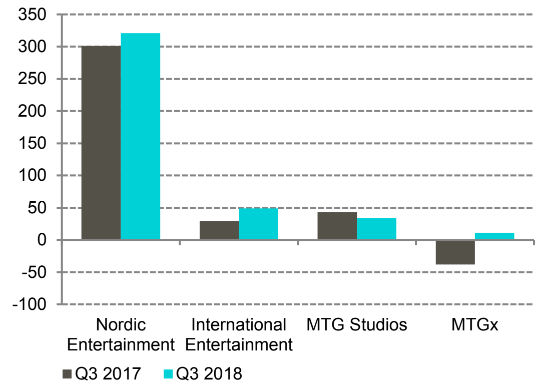
## Operating income and items affecting comparability

Operating income before IAC was up 28% to SEK 328m (257) and included SEK 7m of transaction costs related to the proposed split of MTG. All segments but MTG Studios reported higher profits compared to last year. Items affecting comparability amounted to SEK 12m (-) and primarily included a revaluation gain of SEK 172m resulting from the acquisition of shares in Turtle Entertainment and a non-cash cost of SEK 164m following the writing down of Zoomin.TV;s assets. Please see page 25 for a comprehensive list of items affecting comparability.

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




Operating income by segment
(SEKm)




[1)] Quarterly fluctuations reflect the seasonality of advertising markets. Please refer to page 23 for Alternative Performance Measures

## Net financials & net income from continuing operations

Net interest and other financial items totalled SEK -16m (-14). Net interest amounted to SEK -1m (-7). Other financial items amounted to SEK -15m (-7) and mainly comprised the impact of exchange rate differences on financial items. Net income from continuing operations amounted to SEK 194m (189), and basic earnings per share totalled SEK 2.35 (2.49).

## Discontinued operations

Discontinued operations in the quarter comprised the Tanzanian operation, the sale of which is yet to close. Net income from discontinued operations amounted to SEK -2m (-11). Total net income for the Group therefore amounted to SEK 192m (177), and total basic earnings per share amounted to SEK 2.32 (2.31).

# Segmental performance

## Nordic Entertainment

### Sales & profits up

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Net sales | 2,985 | 2,819 | 9,397 | 8,733 | 11,961 |
| *of which Free-TV & Radio* | *1,167* | *1,134* | *3,876* | *3,656* | *5,094* |
| *of which Pay-TV* | *1,818* | *1,685* | *5,521* | *5,076* | *6,867* |
| | | | | | |
| Costs | -2,664 | -2,518 | -8,267 | -7,668 | -10,388 |
| | | | | | |
| Operating income | 321 | 301 | 1,130 | 1,064 | 1,574 |
| *Operating margin* | *10.8%* | *10.7%* | *12.0%* | *12.2%* | *13.2%* |
| | | | | | |
| *Net sales growth y-o-y* | | | | | |
| *Organic growth* | *2.2%* | *3.2%* | *5.1%* | *7.4%* | *6.6%* |
| *Acquisitions/divestments* | *0.0%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| *Changes in FX rates* | *3.7%* | *-0.1%* | *2.5%* | *1.4%* | *0.8%* |
| *Reported growth* | *5.9%* | *3.1%* | *7.6%* | *8.8%* | *7.4%* |

Sales were up 2% on an organic basis and driven by the continued growth of Viaplay and the Swedish radio business. Operating costs were also up and reflected FX effects, the ongoing investments in the scaling of Viaplay and Viafree, as well as costs related to the two new national radio networks in Sweden. Operating income increased to SEK 321m (301), with an operating margin of 10.8% (10.7).

Free-TV and Radio sales were up 3% on a reported basis but down at constant FX rates. Viafree has continued its rapid growth, and the growth in the Swedish Radio business accelerated further following the launch of the new radio licenses from the beginning of August. Free-TV sales were down and reflected the lower TV viewing levels and the coverage of the FIFA World Cup on competing channels. The Swedish TV advertising market is estimated to have grown, while the Danish and Norwegian markets are estimated to have declined. The Danish, Norwegian and Swedish TV audience shares were all down, while both the Swedish and Norwegian radio audience shares were up.

Pay-TV sales were up 8% on a reported basis following continued volume and value growth at Viaplay. When excluding Viaplay, the subscriber base was up y-o-y but slightly down q-o-q. Average revenue per satellite user was up at constant FX.

# International Entertainment

## Organic sales & profits up

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Net sales | 232 | 246 | 861 | 817 | 1,189 |
| Costs | -183 | -216 | -700 | -717 | -1,013 |
| Operating income | 49 | 29 | 161 | 100 | 176 |
| *Operating margin* | *21.1%* | *11.9%* | *18.7%* | *12.3%* | *14.8%* |
| *Net sales growth y-o-y* | | | | | |
| *Organic growth* | *10.1%* | *12.0%* | *10.4%* | *7.3%* | *6.9%* |
| *Acquisitions/divestments* | *-22.6%* | *-1.0%* | *-11.2%* | *-1.1%* | *-1.0%* |
| *Changes in FX rates* | *6.8%* | *0.3%* | *6.2%* | *2.4%* | *1.9%* |
| *Reported growth* | *-5.7%* | *11.2%* | *5.4%* | *8.6%* | *7.8%* |

Sales were up 10% on an organic basis following continued healthy growth in the Bulgarian TV and online businesses. The Bulgarian audience share was slightly down while the TV advertising market is estimated to have grown. Operating income increased to SEK 49m (29) with an operating margin of 21.1% (11.9).

Trace was deconsolidated from the start of May following the closure of the previously announced divestment. The Bulgarian Commission for Protection of Competition announced in July that it would not allow the previously announced sale of MTG's shareholding in Nova Broadcasting Group in Bulgaria to PPF Group. Nova appealed the decision with the Bulgarian Supreme Administrative Court on 30 July 2018 and the first hearing of the appeal is scheduled for 12 March 2019. Nova filed a request to the Chairman of the Supreme Administrative Court in September to reschedule the hearing for an earlier date.

# MTG Studios

## Sales & profits down

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Net sales | 480 | 529 | 1,277 | 1,315 | 1,832 |
| Costs | -446 | -486 | -1,249 | -1,270 | -1,764 |
| Operating income | 34 | 43 | 28 | 45 | 68 |
| *Operating margin* | *7.1%* | *8.1%* | *2.2%* | *3.5%* | *3.7%* |
| *Net sales growth y-o-y* | | | | | |
| *Organic growth* | *-22.7%* | *14.8%* | *-14.4%* | *4.5%* | *2.7%* |
| *Acquisitions/divestments* | *8.8%* | *0.7%* | *7.9%* | *0.3%* | *0.3%* |
| *Changes in FX rates* | *4.7%* | *0.0%* | *3.5%* | *1.0%* | *0.1%* |
| *Reported growth* | *-9.2%* | *15.5%* | *-2.9%* | *5.7%* | *3.1%* |

Sales were down 23% on an organic basis and reflected lower sales of both scripted and non-scripted productions. The reported decline of 9% included the contribution from Splay Networks, which was moved to MTG Studios from the MTGx segment in Q2 2018. Historical numbers have not been restated.

Scripted sales were down as a result of timing differences in the production schedule with two large scale productions delayed until Q4. The demand for scripted drama remains high and the promising forward pipeline includes a number of signed development deals. Non-scripted sales were also down in the quarter. Splay Networks delivered another quarter of double digit sales growth as interest in branded content and influencer campaigns continued to rise.

Operating income amounted to SEK 34m (43) with an operating margin of 7.1% (8.1).

MTG Studios net sales and operating income would have been SEK 432m and SEK 34m, respectively, if Splay Networks' results had not been included in the quarter.

# MTGx

## Sales up & EBIT profitable

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Net sales | 1,024 | 798 | 2,970 | 1,699 | 2,964 |
| *of which esports* | *370* | *349* | *1,071* | *855* | *1,370* |
| *of which online gaming* | *618* | *364* | *1,740* | *600* | *1,234* |
| *of which digital video content* | *36* | *84* | *159* | *245* | *360* |
| | | | | | |
| Costs before depreciation and amortisation | -946 | -792 | -2,814 | -1,784 | -2,949 |
| | | | | | |
| EBITDA | 78 | 6 | 157 | -85 | 14 |
| *EBITDA margin* | *7.6%* | *0.7%* | *5.3%* | *-5.0%* | *0.5%* |
| | | | | | |
| *Depreciation* | *-14* | *-11* | *-41* | *-28* | *-40* |
| *Amortisation [1)]* | *-53* | *-33* | *-137* | *-66* | *-145* |
| | | | | | |
| Costs | -1,014 | -836 | -2,992 | -1,878 | -3,134 |
| | | | | | |
| Operating income | 11 | -38 | -21 | -179 | -170 |
| *Operating margin* | *1.1%* | *-4.8%* | *-0.7%* | *-10.5%* | *-5.7%* |
| | | | | | |
| *Net sales growth y-o-y* | | | | | |
| *Organic growth* | *12.1%* | *39.3%* | *19.3%* | *22.1%* | *37.0%* |
| *Acquisitions/divestments* | *6.4%* | *117.5%* | *47.8%* | *72.2%* | *101.7%* |
| *Changes in FX rates* | *10.0%* | *1.0%* | *7.6%* | *4.2%* | *2.6%* |
| *Change in presentation of prize money* | *-* | *-9.2%* | *-* | *-15.6%* | *-17.8%* |
| *Reported growth* | *28.4%* | *148.5%* | *74.8%* | *82.9%* | *123.5%* |

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

Sales were up 12% on an organic basis and primarily reflected the exceptional performance of InnoGames. The reported growth of 28% included the consolidation of Kongregate (the entire period from 21 July to 31 December 2017 was reported in MTG's Q4 results statement). The reported growth did not include Splay Networks, which has been reported in MTG Studios from Q2 2018 and historical numbers have not been restated.

Segment EBITDA amounted to SEK 78m (6). Depreciation and amortisation charges totalled SEK 67m (44) and included SEK 31m of surplus value amortisation charges. Operating income for the segment amounted to SEK 11m (-38). MTGx net sales and operating income would have been SEK 1,073m and SEK 11m, respectively, if Splay Networks' had still been included in the quarter.

Esports sales were up 6% and driven by 16% growth in ESL's revenues from owned & operated events, as well as positive currently effects. This was offset by lower work-for-hire revenues, as well as lower DreamHack revenues following changes in the event schedule between Q3 and Q4.

Online gaming sales were up approximately 29% on a pro forma basis. The InnoGames sales growth was driven by the exceptional performance of Forge of Empires, which was boosted by marketing campaigns around content updates. Kongregate's pro forma revenues were down, which partly reflected delays in new game launches.

Digital Video Content sales were down 57% and primarily reflected the above-mentioned move of Splay Networks out of the segment, as well as a 16% revenue decline for Zoomin.TV, which is being gradually transformed into a branded entertainment company.

# Financial review

## Cash flow from continuing operations

### Cash flow from operations

Cash flow from operations before changes in working capital amounted to SEK 251m (273). Depreciation and amortisation charges totalled SEK 111m (87). The Group reported a SEK -194m (-776) change in working capital. The reduction compared to last year is largely driven by lower sports payments. Net cash flow from operations totalled SEK 57m (-503).

### Investing activities

Investments in business operations amounted to SEK 154m (518) and was related to the acquisition of the remaining 8,44% of ESL (SEK 149m), 51% of Epic Film ApS (SEK 4 m) and the remaining minority in Digital Rights Group (SEK 1m). Group capital expenditure on tangible and intangible assets totalled SEK 445m (115) including payments for the new radio licences in Sweden. Total cash flow relating to investing activities amounted to SEK -546m (-679).

### Financing activities

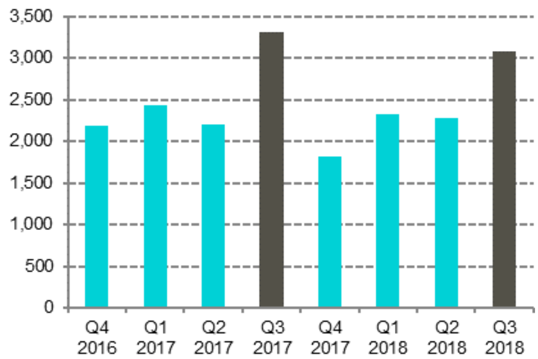
Cash flow from financing activities amounted to SEK 261m (-582). Total borrowings decreased in the quarter by SEK 342m to SEK 3,849m (3,992).

The net change in cash and cash equivalents amounted to SEK -229m (-1,764). The Group had cash and cash equivalents of SEK 733m (395) at the end of the period.

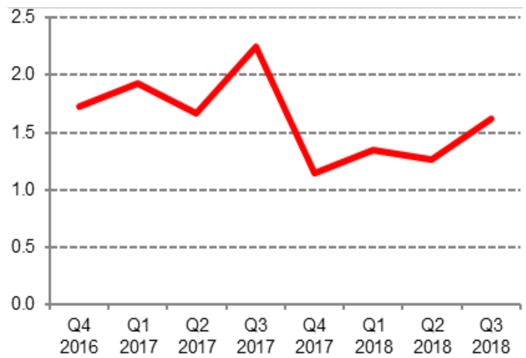
## Net debt

The Group's net debt position, which is defined as the sum of short and long-term interest-bearing liabilities less total cash and interest-bearing assets, amounted to SEK 3,085m (3,309) at the end of the period.

Net debt
(SEKm)




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




## Related party transactions

There are no related party relationships other than with subsidiaries, associated companies and joint ventures since Kinnevik distributed all its shares held in MTG in August 2018.

# Parent company

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

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Net sales | 6 | 10 | 30 | 30 | 49 |
| Net interest and other financial items | 41 | 50 | 133 | 198 | 263 |
| Income before tax and appropriations | 14 | 1 | -48 | 39 | -49 |

The increase in income before tax and appropriations in the quarter mainly relates to lower operating costs as part of the cost base was transferred to the NENT Group parent. Net interest and other financial items are affected by transaction costs related to new facilities with the banks. The parent company had cash and cash equivalents of SEK 22m (33) at the end of the period. Total available credit facilities amounted to SEK 4,325m whereof SEK 3,968m (5,820) was unutilised at the end of the period.

The total number of shares outstanding at the end of the period was 67,660,866 (66,725,249) and excluded the 660,000 Class C shares and 6,099 Class B shares held by MTG as treasury shares. The total number of issued shares did not change during the period.

# Other information

## Corporate responsibility

Educational entertainment, equality and diversity, and creating positive social impacts are all key sustainability priorities, which is why award-winning Viaplay kids format 'The Great Escape' will return for a second season in December 2018 across Scandinavia. ESL and Vodafone have also agreed a global partnership that includes support for initiatives promoting diversity and female participation in esports. NENT Group launched a new campaign to support research and raise awareness about diabetes, which today affects 415 million adults worldwide, and will host the second annual Diabetes Gala fundraiser on 14 November in Stockholm.

## Accounting policies

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

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

IFRS 9 Financial instruments: This standard addresses the classification, measurement, recognition, impairment and derecognition of financial instruments. IFRS9 also addresses general hedge accounting. The standard has no material impact on the Group's financial position or result.

IFRS 15 Revenue from Contracts with Customers: The standard replaces IAS 11 Construction Contracts and IAS 18 Revenue and establishes a new framework for determining when and how much revenue to recognise. The standard introduces a five-step model to be applied to all contracts with customers in order to establish the revenue recognition. IFRS 15 has had no significant effects on the timing and the amount of revenue recognised in the Group's consolidated accounts. For further disclosures please see Disaggregation of revenues on page 22.

IFRS 16 Leases (effective from financial year 2019): For the lessee the classification according to IAS 17 in operating and finance lease is replaced by a single lease accounting model. All leases should be recognized on-balance sheet as a right-of-use asset and lease liability. Leases of low-value assets and items as well as leases of 12 months or less are exempt from the requirements. Depreciation of lease assets must be separately recognised from interest on lease liabilities in the income statement. The Group is yet to assess IFRS 16's full impact, however, there is a number of operating leases for e.g. offices which will result in an increase of the balance sheet and a certain shift from operating expenses to interest expenses in the Group's income statement.

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

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

## Risks & uncertainties

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

---

Stockholm, 23 October 2018

Jørgen Madsen Lindemann
President & CEO

# Auditors' Review Report

## Introduction

We have reviewed the summary interim financial information (interim report) of Modern Times Group MTG AB (publ.) as of 30 September 2018 and the nine month period then ended. The Board of Directors and the President & CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 23 October 2018

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

## Consolidated income statement

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Continuing operations | | | | | |
| Net sales | 4,683 | 4,280 | 14,367 | 12,230 | 17,537 |
| Cost of goods and services | -2,985 | -2,790 | -8,999 | -7,918 | -10,971 |
| Gross income | 1,698 | 1,490 | 5,368 | 4,312 | 6,566 |
| | | | | | |
| Selling expenses | -505 | -419 | -1,493 | -1,085 | -1,639 |
| Administrative expenses | -874 | -808 | -2,908 | -2,436 | -3,706 |
| Other operating income | 35 | 20 | 175 | 53 | 117 |
| Other operating expenses | -23 | -22 | -135 | -68 | -83 |
| Share of earnings in associated companies and joint ventures | -1 | -4 | -3 | 10 | 8 |
| Items affecting comparability | 12 | - | -18 | -23 | -340 |
| Operating income | 340 | 257 | 986 | 763 | 923 |
| | | | | | |
| Net interest | -1 | -7 | -5 | -19 | -24 |
| Other financial items | -15 | -7 | -32 | -29 | -40 |
| Income before tax | 324 | 243 | 949 | 715 | 859 |
| | | | | | |
| Tax | -130 | -55 | -256 | -168 | -247 |
| Net income for the period, continuing operations | 194 | 189 | 693 | 547 | 612 |
| | | | | | |
| Discontinued operations | | | | | |
| Prima, Baltics and Africa | -2 | -11 | -11 | 161 | 748 |
| Net income for the period, discontinued operations | -2 | -11 | -11 | 161 | 748 |
| | | | | | |
| Total net income for the period | 192 | 177 | 682 | 708 | 1,360 |
| | | | | | |
| Net income for the period, continuing operations attributable to: | | | | | |
| Equity holders of the parent | 159 | 166 | 599 | 508 | 546 |
| Non-controlling interest | 35 | 22 | 94 | 39 | 66 |
| Net income for the period | 194 | 189 | 693 | 547 | 612 |
| | | | | | |
| Total net income for the period attributable to: | | | | | |
| Equity holders of the parent | 157 | 154 | 588 | 625 | 1,250 |
| Non-controlling interest | 35 | 23 | 94 | 83 | 110 |
| Total net income for the period | 192 | 177 | 682 | 708 | 1,360 |
| | | | | | |
| Continuing operations | | | | | |
| Basic earnings per share (SEK) | 2.35 | 2.49 | 8.96 | 7.61 | 8.19 |
| Diluted earnings per share (SEK) | 2.33 | 2.47 | 8.89 | 7.56 | 8.13 |
| | | | | | |
| Total | | | | | |
| Basic earnings per share (SEK) | 2.32 | 2.31 | 8.80 | 9.37 | 18.73 |
| Diluted earnings per share (SEK) | 2.31 | 2.30 | 8.73 | 9.31 | 18.61 |
| | | | | | |
| Number of shares | | | | | |
| Shares outstanding at the end of the period | 67,660,866 | 66,725,249 | 67,660,866 | 66,725,249 | 66,725,249 |
| Basic average number of shares outstanding | 67,660,866 | 66,725,040 | 66,792,706 | 66,693,404 | 66,706,398 |
| Diluted average number of shares outstanding | 68,143,921 | 67,128,138 | 67,360,333 | 67,125,274 | 67,142,319 |

## Consolidated statement of comprehensive income

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Net income, continuing operations | 194 | 189 | 693 | 547 | 612 |
| *Other comprehensive income* | | | | | |
| *Items that are or may be reclassified to profit or loss net of tax:* | | | | | |
| Currency translation differences | -92 | -3 | 329 | -39 | 36 |
| Cash flow hedge | -10 | -35 | 77 | -166 | -121 |
| Other comprehensive income, continuing operations | -102 | -37 | 406 | -205 | -85 |
| | | | | | |
| Total comprehensive income, continuing operations | 93 | 151 | 1,099 | 342 | 527 |
| | | | | | |
| Net income, discontinued operations [1] | -2 | -11 | -11 | 161 | 748 |
| *Other comprehensive income* | | | | | |
| *Items that are or may be reclassified to profit or loss net of tax:* | | | | | |
| Currency translation differences | 0 | 5 | -6 | -59 | -54 |
| Total comprehensive income, discontinued operations | -2 | -7 | -17 | 102 | 693 |
| | | | | | |
| Total comprehensive income for the period | 91 | 145 | 1,082 | 444 | 1,221 |
| | | | | | |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the parent | 75 | 120 | 919 | 369 | 1,098 |
| Non-controlling interest | 16 | 25 | 163 | 75 | 123 |
| Total comprehensive income for the period | 91 | 145 | 1,082 | 444 | 1,221 |

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

## Condensed consolidated balance sheet

| (SEKm) | 30 Sep 2018 | 30 Sep 2017 | 31 Dec 2017 |
|---|---|---|---|
| Non-current assets | | | |
| Goodwill | 6,212 | 6,964 | 6,363 |
| Other intangible assets | 2,783 | 2,446 | 2,521 |
| Total intangible assets | 8,995 | 9,410 | 8,884 |
| | | | |
| Total tangible assets | 273 | 264 | 272 |
| | | | |
| Shares and participations in associated companies | 121 | 80 | 85 |
| Interest-bearing financial receivables | 16 | 13 | 10 |
| Other financial receivables | 375 | 382 | 413 |
| Total non-current financial assets | 512 | 474 | 507 |
| Total non-current assets | 9,780 | 10,148 | 9,664 |
| | | | |
| Current assets | | | |
| Inventory | 2,400 | 2,263 | 2,183 |
| Interest-bearing current receivables | 0 | 69 | 2 |
| Other current receivables | 6,083 | 5,606 | 6,027 |
| Cash, cash equivalents and short-term investments | 733 | 395 | 1,394 |
| Assets held for sale [1] | 840 | 774 | 16 |
| Total current assets | 10,057 | 9,106 | 9,622 |
| Total assets | 19,837 | 19,254 | 19,285 |
| | | | |
| Equity | | | |
| Shareholders' equity | 5,291 | 4,433 | 5,179 |
| Non-controlling interest | 1,552 | 1,339 | 1,393 |
| Total equity | 6,843 | 5,772 | 6,572 |
| | | | |
| Non-current liabilities | | | |
| Long-term borrowings | 500 | 499 | 500 |
| Other non-current interest-bearing liabilities | 0 | 83 | 95 |
| Total non-current interest-bearing liabilities | 500 | 582 | 595 |
| | | | |
| Provisions | 1,188 | 1,099 | 1,175 |
| Non-current liabilities at fair value | 417 | 1,209 | 829 |
| Other non-interest-bearing liabilities | 32 | 59 | 48 |
| Total non-current non-interest-bearing liabilities | 1,637 | 2,368 | 2,052 |
| Total non-current liabilities | 2,137 | 2,950 | 2,648 |
| | | | |
| Current liabilities | | | |
| Current liabilities at fair value | 42 | 154 | 176 |
| Short-term loans | 3,349 | 3,408 | 2,625 |
| Other current interest-bearing liabilities | 0 | 1 | 3 |
| Other current non-interest-bearing liabilities | 7,110 | 6,741 | 7,244 |
| Liabilities related to assets held for sale [1] | 355 | 228 | 18 |
| Total current liabilities | 10,857 | 10,533 | 10,066 |
| Total liabilities | 12,993 | 13,482 | 12,713 |
| Total shareholders' equity and liabilities | 19,837 | 19,254 | 19,285 |

[1] Relates to Nova Group in Q3 2018 and to the Baltic and African companies (excluding Trace) in 2017.

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

## Condensed consolidated statement of cash flows

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Cash flow from operations | 251 | 273 | 1,028 | 772 | 1,311 |
| Changes in working capital | -194 | -776 | -661 | -976 | -725 |
| Net cash flow to/from operations | 57 | -503 | 368 | -204 | 586 |
| | | | | | |
| Proceeds from sales of shares | 0 | - | 297 | 1,108 | 2,013 |
| Acquisitions of subsidiaries and associates | -154 | -518 | -235 | -1,114 | -1,250 |
| Investments in other non-current assets | -445 | -115 | -668 | -258 | -330 |
| Other cash flow from/used in investing activities | 52 | -47 | -25 | -41 | 32 |
| Cash flow from/used in investing activities | -546 | -679 | -631 | -305 | 465 |
| | | | | | |
| Net change in loans | 342 | -597 | 623 | 998 | 227 |
| Dividends to shareholders | 0 | - | -834 | -800 | -800 |
| Other cash flow from/used in financing activities | -81 | 15 | 3 | 36 | 224 |
| Cash flow from/used in financing activities | 261 | -582 | -208 | 234 | -349 |
| | | | | | |
| Net change in cash, continuing operations | -229 | -1,764 | -472 | -274 | 703 |
| | | | | | |
| Net change in cash, discontinued operations | -1 | -1 | 3 | 28 | 42 |
| | | | | | |
| Total net change in cash and cash equivalents | -230 | -1,765 | -469 | -246 | 745 |
| | | | | | |
| Cash and cash equivalents at the beginning of the period | 1,026 | 2,167 | 1,394 | 666 | 666 |
| Translation differences in cash and cash equivalents | 5 | -1 | 42 | -1 | 2 |
| Cash and cash equivalents in assets held for sale | -69 | -4 | -234 | -24 | -19 |
| Cash and cash equivalents at end of the period | 733 | 395 | 733 | 395 | 1,394 |

## Condensed consolidated statement of changes in equity

| (SEKm) | 30 Sep 2018 | 30 Sep 2017 | 31 Dec 2017 |
|---|---|---|---|
| Opening balance | 6,572 | 5,016 | 5,016 |
| Net loss/income for the period | 682 | 708 | 1,360 |
| Other comprehensive income for the period | 400 | -264 | -139 |
| Total comprehensive income for the period | 1,082 | 444 | 1,221 |
| | | | |
| Effect of employee share programmes | 27 | 55 | 73 |
| Change in non-controlling interests | 1 | 1,061 | 1,067 |
| Dividends to shareholders | -834 | -800 | -800 |
| Dividends to non-controlling interests | -5 | -4 | -4 |
| Closing balance | 6,843 | 5,772 | 6,572 |

## Parent company condensed income statement

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Net sales | 6 | 10 | 30 | 30 | 49 |
| Gross income | 6 | 10 | 30 | 30 | 49 |
| Administrative expenses | -32 | -59 | -211 | -188 | -361 |
| Operating income | -26 | -49 | -181 | -158 | -312 |
| Net interest and other financial items | 41 | 50 | 133 | 198 | 263 |
| Income before tax and appropriations | 14 | 1 | -48 | 39 | -49 |
| Appropriations | - | - | - | - | 317 |
| Tax | -3 | -1 | 18 | 1 | -59 |
| Net income for the period | 11 | 0 | -31 | 40 | 209 |

## Parent company condensed statement of comprehensive income

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Net income for the period | 11 | 0 | -31 | 40 | 209 |
| Other comprehensive income for the period | - | - | - | - | - |
| Total comprehensive income for the period | 11 | 0 | -31 | 40 | 209 |

## Parent company condensed balance sheet

| (SEKm) | 30 Sep 2018 | 30 Sep 2017 | 31 Dec 2017 |
|---|---|---|---|
| Non-current assets | | | |
| Capitalised expenditure | 1 | 0 | 0 |
| Machinery and equipment | 0 | 0 | 0 |
| Shares and participations | 6,025 | 6,340 | 6,340 |
| Other financial receivables | 9,636 | 10,043 | 9,976 |
| Total non-current assets | 15,662 | 16,384 | 16,316 |
| | | | |
| Current assets | | | |
| Current receivables | 299 | 263 | 877 |
| Cash, cash equivalents and short-term investments | 22 | 33 | 844 |
| Total current assets | 321 | 296 | 1,721 |
| Total assets | 15,983 | 16,680 | 18,037 |
| | | | |
| Shareholders' equity | | | |
| Restricted equity | 338 | 338 | 338 |
| Non-restricted equity | 4,496 | 5,154 | 5,361 |
| Total equity | 4,834 | 5,492 | 5,699 |
| | | | |
| Untaxed reserves | 90 | - | 90 |
| | | | |
| Non-current liabilities | | | |
| Interest-bearing liabilities | 500 | 500 | 500 |
| Provisions | 18 | 2 | 13 |
| Non-interest-bearing liabilities | 19 | 39 | 35 |
| Total non-current liabilities | 537 | 540 | 548 |
| | | | |
| Current liabilities | | | |
| Other interest-bearing liabilities | 10,314 | 10,459 | 11,227 |
| Non-interest-bearing liabilities | 208 | 188 | 473 |
| Total current liabilities | 10,522 | 10,647 | 11,700 |
| Total shareholders' equity and liabilities | 15,983 | 16,680 | 18,037 |

## Net Sales by business segments

| (SEKm) | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Full year 2017 | Q1 2018 | Q2 2018 | Q3 2018 |
|---|---|---|---|---|---|---|---|---|
| Nordic Entertainment | 2,911 | 3,003 | 2,819 | 3,229 | 11,961 | 3,120 | 3,292 | 2,985 |
| *of which Free-TV & Radio* | *1,204* | *1,319* | *1,134* | *1,438* | *5,094* | *1,287* | *1,422* | *1,167* |
| *of which Pay-TV* | *1,706* | *1,684* | *1,685* | *1,791* | *6,867* | *1,833* | *1,870* | *1,818* |
| International Entertainment | 264 | 308 | 246 | 372 | 1,189 | 315 | 315 | 232 |
| MTG Studios | 323 | 463 | 529 | 517 | 1,832 | 321 | 476 | 480 |
| MTGx | 292 | 610 | 798 | 1,264 | 2,964 | 952 | 994 | 1,024 |
| *of which esports* | *219* | *286* | *349* | *515* | *1,370* | *290* | *411* | *370* |
| *of which online gaming* | *-* | *236* | *364* | *634* | *1,234* | *577* | *544* | *618* |
| *of which digital video content* | *73* | *88* | *84* | *115* | *360* | *85* | *38* | *36* |
| Central operations | 46 | 47 | 45 | 53 | 190 | 36 | 30 | 16 |
| Eliminations | -130 | -184 | -156 | -127 | -599 | -70 | -96 | -54 |
| Total net sales | 3,704 | 4,246 | 4,280 | 5,307 | 17,537 | 4,674 | 5,010 | 4,683 |

Splay Networks is from Q2 2018 reported in MTG Studios instead of MTGx. Historical numbers have not been restated. Net sales for Q3 2018 in MTG Studios and MTGx would have been SEK 432m and SEK 1,073m when excluding this impact.

## Net sales – External & Internal

| (SEKm) | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Full year 2017 | Q1 2018 | Q2 2018 | Q3 2018 |
|---|---|---|---|---|---|---|---|---|
| Sales external customers | | | | | | | | |
| Nordic Entertainment | 2,875 | 2,967 | 2,778 | 3,225 | 11,845 | 3,109 | 3,279 | 2,973 |
| International Entertainment | 264 | 304 | 246 | 372 | 1,185 | 315 | 315 | 232 |
| MTG Studios | 276 | 369 | 461 | 453 | 1,559 | 300 | 423 | 455 |
| MTGx | 290 | 605 | 795 | 1,258 | 2,948 | 950 | 993 | 1,023 |
| Central operations | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Total | 3,704 | 4,246 | 4,280 | 5,307 | 17,537 | 4,674 | 5,010 | 4,683 |
| | | | | | | | | |
| Sales between segments | | | | | | | | |
| Nordic Entertainment | 36 | 36 | 41 | 4 | 116 | 11 | 13 | 12 |
| International Entertainment | - | 4 | 0 | 0 | 4 | 0 | 0 | 0 |
| MTG Studios | 47 | 94 | 68 | 64 | 273 | 20 | 53 | 25 |
| MTGx | 2 | 4 | 3 | 7 | 16 | 3 | 0 | 2 |
| Central operations | 45 | 47 | 44 | 53 | 189 | 36 | 30 | 16 |
| Total | 130 | 184 | 156 | 127 | 599 | 70 | 96 | 54 |

## Operating income by business segments

| (SEKm) | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Full year 2017 | Q1 2018 | Q2 2018 | Q3 2018 |
|---|---|---|---|---|---|---|---|---|
| Nordic Entertainment | 299 | 465 | 301 | 509 | 1,574 | 310 | 498 | 321 |
| International Entertainment | 21 | 50 | 29 | 76 | 176 | 40 | 72 | 49 |
| MTG Studios | -16 | 19 | 43 | 23 | 68 | -15 | 9 | 34 |
| MTGx | -88 | -53 | -38 | 8 | -170 | -8 | -24 | 11 |
| Central operations & eliminations | -78 | -90 | -78 | -138 | -384 | -90 | -117 | -87 |
| Total operating income before IAC | 137 | 391 | 257 | 478 | 1,264 | 237 | 439 | 328 |
| Items affecting comparability | - | -23 | - | -318 | -340 | -17 | -13 | 12 |
| Total operating income | 137 | 369 | 257 | 161 | 923 | 220 | 426 | 340 |

Operating income for Q3 2018 in MTG Studios and MTGx would have been SEK 34m and SEK 11m when excluding the impact of moving Splay from MTGx to MTG Studios.

## Group & segment performance data

| | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Full year 2017 | Q1 2018 | Q2 2018 | Q3 2018 |
|---|---|---|---|---|---|---|---|---|
| GROUP | | | | | | | | |
| Organic sales growth (%) | 8.7 | 5.0 | 7.0 | 9.7 | 7.7 | 9.2 | 9.3 | 3.2 |
| Operating margin (%) [1] | 3.7 | 9.2 | 6.0 | 9.0 | 7.2 | 5.1 | 8.8 | 7.0 |
| ROCE, continuing operations (%) [1] | 20 | 19 | 18 | 18 | | 17 | 17 | 17 |
| Net debt (SEKm) | 2,439 | 2,212 | 3,309 | 1,812 | | 2,334 | 2,287 | 3,085 |
| Net debt/EBITDA | 1.9 | 1.7 | 2.2 | 1.1 | | 1.4 | 1.3 | 1.6 |
| NORDIC ENTERTAINMENT | | | | | | | | |
| Organic sales growth (%) | 10.7 | 8.4 | 3.2 | 4.5 | 6.6 | 6.2 | 6.9 | 2.2 |
| Operating margin (%) | 10.3 | 15.5 | 10.7 | 15.8 | 13.2 | 9.9 | 15.1 | 10.8 |
| CSOV Sweden (15-49) | 25.4 | 24.1 | 24.6 | 22.2 | 24.1 | 23.1 | 23.9 | 23.1 |
| CSOV Norway (15-49) | 14.1 | 17.6 | 15.3 | 15.4 | 15.5 | 15.1 | 15.9 | 13.5 |
| CSOV Denmark (15-49) | 22.8 | 24.6 | 23.1 | 23.6 | 23.6 | 21.4 | 24.6 | 21.6 |
| Subscriber base excl Viaplay ('000s) | 981 | 956 | 939 | 938 | | 970 | 953 | 946 |
| - of which satellite | 442 | 432 | 422 | 409 | | 398 | 389 | 382 |
| - of which 3rd party networks | 539 | 525 | 517 | 529 | | 572 | 564 | 564 |
| Satellite ARPU (SEK) | 5,429 | 5,532 | 5,503 | 5,500 | | 5,542 | 5,764 | 5,727 |
| INTERNATIONAL ENTERTAINMENT | | | | | | | | |
| Organic sales growth (%) | 4.8 | 5.1 | 12.0 | 6.1 | 6.9 | 14.1 | 7.1 | 10.1 |
| Operating margin (%) | 7.8 | 16.4 | 11.9 | 20.4 | 14.8 | 12.8 | 22.8 | 21.1 |
| CSOV Bulgaria (18-49) | 42.6 | 42.4 | 41.9 | 42.0 | 42.2 | 42.2 | 43.0 | 41.8 |
| MTG STUDIOS | | | | | | | | |
| Organic sales growth (%) | -5.4 | 1.4 | 14.8 | -1.5 | 2.7 | -2.1 | -13.4 | -22.7 |
| Operating margin (%) [1] | -5.0 | 4.1 | 8.1 | 4.4 | 3.7 | -4.7 | 1.9 | 7.1 |
| MTGx | | | | | | | | |
| Organic sales growth (%) | 27.4 | 2.8 | 39.3 | 71.4 | 37.0 | 27.4 | 24.9 | 12.1 |
| Operating margin (%) [1] | -30.0 | -8.7 | -4.8 | 0.7 | -5.7 | -0.9 | -2.4 | 1.1 |

[1] Adjusted for Items affecting comparability.

## Disaggregation of revenues

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Advertising revenue | | | | | |
| Nordic Entertainment | 684 | 650 | 2,392 | 2,192 | 3,090 |
| International Entertainment | 135 | 158 | 560 | 557 | 832 |
| MTG Studios | 34 | 0 | 75 | 0 | 0 |
| MTGx | 58 | 25 | 161 | 101 | 293 |
| Total | 911 | 834 | 3,190 | 2,849 | 4,215 |
| | | | | | |
| Subscription revenue | | | | | |
| Nordic Entertainment | 2,223 | 2,066 | 6,718 | 6,243 | 8,438 |
| International Entertainment | 66 | 53 | 189 | 156 | 213 |
| MTG Studios | 0 | 0 | 0 | 0 | 0 |
| MTGx | 16 | 20 | 50 | 63 | 80 |
| Total | 2,306 | 2,139 | 6,957 | 6,462 | 8,732 |
| | | | | | |
| Other | | | | | |
| Nordic Entertainment | 66 | 61 | 251 | 185 | 316 |
| International Entertainment | 31 | 34 | 112 | 100 | 139 |
| MTG Studios | 421 | 461 | 1,103 | 1,107 | 1,559 |
| MTGx | 948 | 749 | 2,755 | 1,527 | 2,575 |
| Central operations | 0 | 0 | 0 | 0 | 1 |
| Total | 1,466 | 1,306 | 4,221 | 2,919 | 4,590 |
| | | | | | |
| Total net sales | 4,683 | 4,280 | 14,367 | 12,230 | 17,537 |

# Alternative performance measures

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

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

# Reconciliation of sales growth

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

## Sales growth

| (SEKm) | Q3 2018 | % | Q3 2017 | % | Nine months 2018 | % | Nine months 2017 | % | Full year 2017 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Nordic Entertainment | | | | | | | | | | |
| Organic growth | 61 | 2.2% | 87 | 3.2% | 446 | 5.1% | 591 | 7.4% | 733 | 6.6% |
| Acquisitions/divestments | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Changes in FX rates | 105 | 3.7% | -2 | -0.1% | 218 | 2.5% | 115 | 1.4% | 90 | 0.8% |
| Reported growth | 166 | 5.9% | 85 | 3.1% | 664 | 7.6% | 707 | 8.8% | 822 | 7.4% |
| International Entertainment | | | | | | | | | | |
| Organic growth | 20 | 10.1% | 26 | 12.0% | 76 | 10.4% | 54 | 7.3% | 75 | 6.9% |
| Acquisitions/divestments | -50 | -22.6% | -2 | -1.0% | -83 | -11.2% | -8 | -1.1% | -10 | -1.0% |
| Changes in FX rates | 17 | 6.8% | 1 | 0.3% | 51 | 6.2% | 18 | 2.4% | 21 | 1.9% |
| Reported growth | -14 | -5.7% | 25 | 11.2% | 44 | 5.4% | 65 | 8.6% | 86 | 7.8% |
| MTG Studios | | | | | | | | | | |
| Organic growth | -120 | -22.7% | 68 | 14.8% | -189 | -14.4% | 56 | 4.5% | 48 | 2.7% |
| Acquisitions/divestments | 46 | 8.8% | 3 | 0.7% | 104 | 7.9% | 3 | 0.3% | 6 | 0.3% |
| Changes in FX rates | 25 | 4.7% | 0 | 0.0% | 46 | 3.5% | 12 | 1.0% | 2 | 0.1% |
| Reported growth | -49 | -9.2% | 71 | 15.5% | -39 | -2.9% | 71 | 5.7% | 56 | 3.1% |
| MTGx | | | | | | | | | | |
| Organic growth | 92 | 12.1% | 122 | 39.3% | 312 | 19.3% | 189 | 22.1% | 455 | 37.0% |
| Acquisitions/divestments | 56 | 6.4% | 364 | 117.5% | 829 | 47.8% | 618 | 72.2% | 1,249 | 101.7% |
| Changes in FX rates | 80 | 10.0% | 3 | 1.0% | 130 | 7.6% | 36 | 4.2% | 32 | 2.6% |
| Change in presentation of prize money | - | - | -11 | -9.2% | - | - | -73 | -15.6% | -98 | -17.8% |
| Reported growth | 227 | 28.4% | 477 | 148.5% | 1,271 | 74.8% | 771 | 82.9% | 1,638 | 123.5% |
| Total operations | | | | | | | | | | |
| Organic growth | 135 | 3.2% | 256 | 7.0% | 867 | 7.1% | 734 | 6.9% | 1,151 | 7.7% |
| Acquisitions/divestments | 44 | 1.0% | 365 | 10.0% | 830 | 6.7% | 614 | 5.7% | 1,244 | 8.3% |
| Changes in FX rates | 224 | 5.3% | 2 | 0.1% | 439 | 3.6% | 180 | 1.7% | 143 | 1.0% |
| Reported growth | 403 | 9.4% | 623 | 17.0% | 2,136 | 17.5% | 1,529 | 14.3% | 2,538 | 16.9% |

# Reconciliation of operating income before IAC

Operating income before items affecting comparability refers to operating income after the reversal of material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis. This measure is used by management to follow and analyse the underlying profits and to offer more comparable figures between periods.

## Operating income before and after IAC

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Operating income | 340 | 257 | 986 | 763 | 923 |
| Items affecting comparability | -12 | - | 18 | 23 | 340 |
| Operating income before items affecting comparability | 328 | 257 | 1,004 | 785 | 1,264 |

## Items affecting comparability

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Restructuring NENT Group | 0 | - | -53 | - | - |
| Restructuring ESL | 0 | - | -49 | - | - |
| Capital gain divestment of Trace | 0 | - | 61 | - | - |
| Net capital gain related to options to acquire shares | 182 | - | 193 | - | 333 |
| Impairment of goodwill related to closed company | -6 | - | -6 | - | - |
| Write down of assets, Zoomin.TV | -164 | - | -164 | - | - |
| Impairment related to goodwill, Zoomin.TV | - | - | - | - | -593 |
| Impairment related to capitalized development costs, Zoomin.TV | - | - | - | - | -58 |
| Reclassification of transaction cost related to InnoGames | - | - | - | -23 | -23 |
| Total | 12 | - | -18 | -23 | -340 |

## Items affecting comparability classified by function

| (SEKm) | Q3 2018 | Q3 2017 | Nine months 2018 | Nine months 2017 | Full year 2017 |
|---|---|---|---|---|---|
| Cost of goods and services | 0 | - | -15 | - | -58 |
| Administrative expenses | 0 | - | -86 | - | - |
| Other operating income | 182 | - | 274 | - | 333 |
| Other operating expenses | -170 | - | -190 | -23 | -616 |
| Total | 12 | - | -18 | -23 | -340 |

# Reconciliation of net debt and net debt/EBITDA ratio

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

## Net debt

| (SEKm) | 31 Mar 2017 | 30 Jun 2017 | 30 Sep 2017 | 31 Dec 2017 | 31 Mar 2018 | 30 Jun 2018 | 30 Sep 2018 |
|---|---|---|---|---|---|---|---|
| Short-term loans | 1,551 | 2,999 | 2,408 | 1,625 | 2,525 | 3,000 | 3,349 |
| Current part of long-term borrowings | 1,000 | 1,000 | 1,000 | 1,000 | 0 | 0 | 0 |
| Short-term borrowings | 2,551 | 3,999 | 3,408 | 2,625 | 2,525 | 3,000 | 3,349 |
| Other short-term interest-bearing liabilities | 1 | 12 | 1 | 3 | 9 | 0 | 0 |
| Total short-term borrowings | 2,553 | 4,011 | 3,410 | 2,628 | 2,534 | 3,000 | 3,349 |
| Long-term borrowings | 500 | 500 | 499 | 500 | 500 | 500 | 500 |
| Other long-term interest-bearing liabilities | 73 | 79 | 83 | 95 | 124 | 0 | 0 |
| Total long-term borrowings | 573 | 579 | 582 | 595 | 624 | 500 | 500 |
| Total borrowings | 3,125 | 4,589 | 3,992 | 3,223 | 3,158 | 3,500 | 3,849 |
| Cash and cash equivalents | 481 | 2,167 | 395 | 1,394 | 673 | 1,026 | 733 |
| Long- and short-term interest bearing assets | 14 | 14 | 81 | 11 | 8 | 9 | 16 |
| Total cash and interest bearing assets | 495 | 2,180 | 477 | 1,405 | 681 | 1,035 | 749 |
| Net debt excluding assets held for sale | 2,630 | 2,409 | 3,515 | 1,818 | 2,477 | 2,465 | 3,100 |
| Net debt related to assets held for sale | -191 | -197 | -206 | -6 | -143 | -178 | -15 |
| Total net debt | 2,439 | 2,212 | 3,309 | 1,812 | 2,334 | 2,287 | 3,085 |

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

| (SEKm) | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 |
|---|---|---|---|---|---|---|---|
| Operating income before IAC | 1,055 | 1,087 | 1,203 | 1,264 | 1,363 | 1,411 | 1,482 |
| Depreciation and amortisation | 215 | 240 | 272 | 321 | 365 | 400 | 423 |
| EBITDA last 12 months [1] | 1,270 | 1,327 | 1,476 | 1,584 | 1,728 | 1,810 | 1,905 |
| Total net debt/EBITDA ratio 12 months trailing | 1.9 | 1.7 | 2.2 | 1.1 | 1.4 | 1.3 | 1.6 |

[1] EBITDA relates to continuing operations.

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

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

| (SEKm) | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 |
|---|---|---|---|---|---|---|---|
| Operating income before IAC 12 months trailing | 1,055 | 1,087 | 1,203 | 1,264 | 1,363 | 1,411 | 1,482 |
| | | | | | | | |
| Inventory | 2,140 | 2,273 | 2,263 | 2,183 | 2,529 | 2,292 | 2,400 |
| Other current receivables | 4,907 | 5,622 | 5,606 | 6,027 | 5,882 | 6,376 | 6,083 |
| Intangibles assets | 6,228 | 8,910 | 9,410 | 8,884 | 8,670 | 8,789 | 8,995 |
| Tangible assets | 244 | 281 | 264 | 272 | 275 | 298 | 273 |
| Shares and participations | 630 | 83 | 80 | 85 | 121 | 113 | 121 |
| Other financial assets | 306 | 334 | 382 | 413 | 389 | 431 | 375 |
| Total non-current non-interest-bearing liabilities | -2,112 | -2,363 | -2,368 | -2,052 | -1,924 | -2,013 | -1,637 |
| Total current non-interest-bearing liabilities | -6,297 | -7,526 | -6,741 | -7,244 | -6,938 | -7,431 | -7,110 |
| Current liabilities at fair value | -158 | -151 | -154 | -176 | -175 | -85 | -42 |
| Capital Employed | 5,890 | 7,463 | 8,741 | 8,392 | 8,830 | 8,769 | 9,458 |
| Average Capital Employed (5 quarters) | 5,184 | 5,717 | 6,546 | 7,200 | 7,863 | 8,439 | 8,838 |
| | | | | | | | |
| ROCE % | 20% | 19% | 18% | 18% | 17% | 17% | 17% |

# Definitions

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

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

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

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

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

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

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

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

### Return on capital employed (ROCE) %
Return on capital employed is calculated as operating income as a percentage of average capital employed.

# Shareholder information

## 2019 Annual General Meeting

The 2019 Annual General Meeting will be held on Tuesday 21 May 2019 in Stockholm. Shareholders wishing to have matters considered at the meeting should submit their proposals in writing to agm@mtg.com or to the Company Secretary, Modern Times Group MTG AB, Box 2094, SE-103 13 Stockholm, Sweden, at least seven weeks before the meeting in order for that such proposals may be included in the notices to the meeting. Further details of when and how to register will be published in advance of the meeting.

In accordance with the resolution of the 2018 Annual General Meeting, the then largest shareholder in MTG, Kinnevik AB, convened a Nomination Committee to prepare proposals for the 2019 Annual General Meeting. Due to the distribution by Kinnevik AB of its shareholding in MTG to its shareholders and the resignation by its representative from the Nomination Committee, the Nomination Committee currently consists of Joachim Spetz, appointed by Swedbank Robur Funds; John Hernander, appointed by Nordea Funds; and Jimmy Bengtsson, appointed by Skandia Liv. The three shareholders which have appointed representatives to the Nomination Committee hold approximately 21 percent of the total voting rights in MTG. The members of the Nomination Committee appointed Joachim Spetz as Committee Chairman at their first meeting.

Please see www.mtg.com/governance/#nomination-committee for information about the work of the Nomination Committee.

## Financial calendar

| | |
|---|---|
| Q4 and full year 2018 report | 5 February 2019 |

## Questions?

press@mtg.com (or Tobias Gyhlénius, Head of Public Relations; +46 73 699 27 09)
investors@mtg.com (or Stefan Lycke, Head of Investor Relations; +46 73 699 27 14)

Download high-resolution photos: Flickr

Follow us: mtg.com / Facebook / Twitter / LinkedIn / Instagram / YouTube

## Conference call

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

| | |
|---|---|
| Sweden: | +46 (0)8 5033 6574 |
| UK: | +44 (0)330 336 9105 |
| US: | +1 323-794-2093 |

The access pin code for the call is 4428237. To listen to the conference call online and for further information, please visit www.mtg.com.

Modern Times Group MTG AB (Publ.) - Reg no: 556309-9158 – Phone +46 8 562 000 50 – mtg.com

*MTG (Modern Times Group MTG AB (publ.)) is a leading international digital entertainment group and we are shaping the future of entertainment by connecting consumers with the content that they love in as many ways as possible. Our brands span TV, radio and next generation entertainment experiences in esports, digital video content and online gaming. 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 07:30 CET on 23 October, 2018.*