



DOCUMENTATION TO THE EXTRAORDINARY GENERAL MEETING  
TUESDAY 30 JANUARY 2024

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## **Item 7: Resolution on transfer of own class B shares**

### Background and summary

- In July 2021, MTG announced that it had entered into an agreement to acquire the leading word games developer PlaySimple Games Private Limited (“**PlaySimple**”). The up-front consideration was intended to consist of cash and shares in MTG. The cash portion of the up-front consideration was paid in July 2021 when MTG completed the acquisition of 77% of the shares in PlaySimple. It was the intention that the remaining 23% of the up-front consideration was to be paid through shares in MTG.
- For this purpose, an Extraordinary General Meeting was held 28 July 2021, at which meeting the shareholders resolved upon, inter alia, an issue of a maximum of 6,194,343 class C shares, acquisition of the new issued shares and transfer of treasury class B shares (after conversion from class C shares) to the sellers of PlaySimple as payment for the remaining 23% of the shares in PlaySimple.
- The Company does not see it as feasible to pay the remaining 23% of the up-front consideration with shares in MTG within the timeframe set at the extraordinary shareholders meeting in July 2021.
- The shareholders of MTG are therefore asked to prolong the timeframe under a new general meeting resolution under which class B shares can be transferred to the sellers of PlaySimple.
- The PlaySimple sellers, who are also operating PlaySimple, have market-leading know-how and capabilities within mobile gaming that benefit the MTG group as a whole. Hence, the Company sees a great benefit in having the PlaySimple sellers incentivized on group level.

### The new proposal

MTGx Gaming Holding AB (“**MTG Gaming**”), a subsidiary of the Company has entered into a share sale and purchase agreement (as amended) (the “**SPA**”) regarding the purchase of shares in PlaySimple together with an investment agreement (as amended) (together with the SPA, the “**Transaction Agreements**”). The transfer of MTG shares as consideration for the remaining 23% of the shares in PlaySimple was conditional upon receiving approval from the Reserve Bank of India. Such approval has not been obtained and the issued shares are still held by the Company. The Company and the sellers of PlaySimple have, as was announced through a press release 1 November 2023, nevertheless agreed and effectuated a transfer of the remaining shares in PlaySimple to MTG Gaming and the decisions in items 7 and 8 has the purpose to enable for MTG Gaming to deliver consideration to the sellers of PlaySimple in accordance with the Transaction Agreements.

The board of directors therefore proposes that a maximum of 6,194,343 class B shares (after conversion from own class C shares) shall be transferred to the sellers of PlaySimple in accordance with the following:

- The right to receive class B shares shall, with deviation from the shareholders' preferential rights, be granted to the sellers of PlaySimple (or one or more entities controlled or designated by such sellers).
- The class B shares shall be transferred not later than by 31 January 2026.
- The class B shares shall be transferred, in accordance with the terms of the Transaction Agreements, either without any consideration paid or against payment.

The reason for the proposed transfer of own class B shares and for the deviation from the shareholders' preferential rights is to enable for MTG Gaming to deliver consideration to the sellers of PlaySimple in accordance with MTG Gaming's obligations under the Transaction Agreements.

#### **Special majority requirements**

A resolution in accordance with items 7 is only valid if supported by shareholders holding not less than nine tenths (9/10) of the votes cast as well as the shares represented at the Extraordinary General Meeting.

#### **Documents**

The documents that shall be made available pursuant to Chapter 13 Section 6 of the Swedish Companies Act (including with reference from Chapter 19, Section 35 of the Swedish Companies Act) are available on the Company's website at [www.mtg.com](http://www.mtg.com).

\* \* \*

Stockholm in December 2023  
MODERN TIMES GROUP MTG AB (publ)  
THE BOARD OF DIRECTORS

**Item 8: Resolution on transfer of own class B shares on a regulated market or by way of accelerated bookbuilding procedures**

In case a transfer of B shares is not possible on the terms set out in item 7 and the Transaction Agreements, the board of directors also proposes that the Extraordinary General Meeting resolves on a transfer of own class B shares (after conversion from class C shares) on a regulated market or by way of accelerated bookbuilding procedures in accordance with the following:

Transfers on a regulated market

- A maximum of 6,194,343 class B shares may be transferred.
- Transfers of class B shares shall be made on Nasdaq Stockholm.
- Transfers of class B shares on Nasdaq Stockholm shall be made at a price within the, at each time, registered price interval.
- The class B shares may be transferred no later than by the next annual general meeting.

Transfers by way of accelerated bookbuilding procedures

- A maximum of 6,194,343 class B shares may be transferred in total by way of one or more accelerated book building procedures.
- The right to acquire B shares shall, with deviation from the shareholders' preferential rights, be granted to the investors willing to acquire shares in accelerated bookbuilding procedures on market terms.
- The class B shares may be transferred no later than by 30 April 2026.
- The price for the class B shares shall be determined through accelerated bookbuilding procedures.

The reason for the proposed transfer of own shares by way of accelerated bookbuilding procedures and for the deviation from the shareholders' preferential rights is to fund the consideration in accordance with the Transaction Agreements in the event the class B shares are not transferred on the terms contemplated by item 7.

**Special majority requirements**

A resolution in accordance with item 8 is only valid if supported by shareholders holding not less than two thirds (2/3) of the votes cast as well as the shares represented at the Extraordinary General Meeting.

**Documents**

The documents that shall be made available pursuant to Chapter 13 Section 6 of the Swedish Companies Act (including with reference from Chapter 19, Section 35 of the Swedish Companies Act) are available on the Company's website at [www.mtg.com](http://www.mtg.com).

\* \* \*

Stockholm in December 2023  
MODERN TIMES GROUP MTG AB (publ)  
THE BOARD OF DIRECTORS

Styrelsens redogörelse enligt 13 kap. 6 § tredje punkten aktiebolagslagen (inklusive med hänvisning från 19 kap. 35 § aktiebolagslagen) / *The board of directors report pursuant to Chapter 13, section 6 item 3 of the Swedish Companies Act (including with reference from Chapter 19, Section 35 of the Swedish Companies Act)*

MTGx Gaming Holding AB, 559077-0912 ("MTG Gaming"), ett dotterbolag till Modern Times Group MTG AB (publ), 556309-9158 ("MTG"), har ingått ett aktieöverlåtelseavtal och investeringsavtal (såsom ändrade) ("Transaktionsavtalen") beträffande aktierna i PlaySimple Games Private Limited ("PlaySimple"). Under Transaktionsavtalen har de kvarvarande aktierna i PlaySimple överförts till MTG Gaming. Vederlaget för dessa aktier ska betalas antingen kontant eller genom B-aktier (efter omvandling från C-aktier) i MTG.

*MTGx Gaming Holding AB, 559077-0912 ("MTG Gaming"), a subsidiary of Modern Times Group MTG AB (publ), 556309-9158 ("MTG"), has entered into a share sale and purchase agreement and investment agreement (as amended) (the "Transaction Agreements") regarding the shares in PlaySimple Games Private Limited ("PlaySimple"). Under the Transaction Agreements, the remaining shares in PlaySimple have been transferred to MTG Gaming. The consideration for these shares shall be paid either in cash or with class B shares (after conversion from class C-shares) in MTG.*

Styrelsen för MTG föreslår att en extra bolagsstämma i MTG fattar beslut om en överlåtelse av egna B-aktier i syfte att möjliggöra för MTG Gaming att leverera vederlag till säljarna av PlaySimple i enlighet med MTG Gamings skyldigheter under Transaktionsavtalen. *The board of directors of MTG proposes that an extraordinary general meeting of MTG resolves on a transfer of own class B shares for the purpose of enabling for MTG Gaming to deliver consideration to the sellers of PlaySimple in accordance with MTG Gaming's obligations under the Transaction Agreements.*

Vidare föreslår styrelsen att en extra bolagsstämma i MTG fattar beslut om överlåtelse av egna B-aktier på reglerad marknad eller genom accelererade bookbuilding-förfaranden i syfte att finansiera vederlaget enligt Transaktionsavtalen för det fall aktierna inte överläts i enlighet med ovan. *The board of directors further proposes that an extraordinary general meeting of MTG resolves on a transfer of own class B shares on a regulated market or by way of accelerated book building procedures for the purpose of funding the consideration in accordance with the Transaction Agreements in the event the shares are not transferred in accordance with the above.*

Med anledning av detta avger styrelsen följande redogörelse för händelser av väsentlig betydelse för bolagets ställning.

*Against this background, the board of directors issues the following report on events of material significance to the company's position.*

Efter att årsredovisningen för räkenskapsåret 2022 lämnades har inga händelser av väsentlig betydelse för bolagets ställning inträffat utöver vad som framgår av de finansiella delårsrapporterna för perioden 1 januari – 30 september 2023 och följande pressmeddelande som har offentliggjorts av MTG och som finns samlade i [Bilaga A](#).

- Pressmeddelande från den 1 november 2023 vari MTG offentliggjorde att MTG ökar ägandet i PlaySimple till 100%.

*Subsequent to the presentation of the annual report for the financial year 2022, no events of material significance to the company's position have occurred other than what have been disclosed in the financial interim reports for the period 1 January – 30 September 2023 and the following press release published by MTG and which are compiled in [Appendix A](#).*

- *Press release from 1 November 2023 wherein MTG announced that MTG increases ownership in PlaySimple to 100%.*

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Stockholm 20 december 2023  
Modern Times Group MTG AB (publ)  
Styrelsen / *The board of directors*

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Simon Duffy

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Christopher Carvalho

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Liia Nõu

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Simon Leung

## Q1 operational performance encouraging as we look forward

During the first quarter MTG saw strong continued underlying growth from PlaySimple and Ninja Kiwi, with stabilization and early signs of recovery from InnoGames, who despite a significant YoY decline saw encouraging improvements in the second half of the quarter. Revenues were down 4% year on year in reported rates (-11% in constant FX) due to elevated comparison numbers in Q1 2022. Total marketing spend amounted to 41% of revenues in Q1, reflecting an improving marketing landscape in the second half of Q1. The group reported adjusted EBITDA of SEK 263 million in the period, with a corresponding margin of 20%.

### Financial highlights Q1, continuing operations

- Net sales declined by 4% year on year to SEK 1,306 (1,357) million and were down by 11% year on year in constant currencies
- User acquisition spend of SEK 537 (576) million corresponding to 41% of revenues (SEK 559 million in Q4 2022)
- Adjusted EBITDA of SEK 263 (342) million with an adjusted EBITDA margin of 20 (25)%
- Reported EBITDA of SEK 245 (239) million and EBIT of SEK 121 (85) million, including EBITDA adjustments of SEK 13 million pertaining to non-recurring bonus structures and SEK 5 million pertaining to M&A transaction costs
- Net financial items amounted to SEK -61 (-122) million
- Total net income of SEK 24 (-315) million and total basic earnings per share of SEK 0.20 (-2.62)
- Cash flow from operations in the quarter of SEK 262 (79) million including a realized FX gain amounting to SEK 66 million and cash conversion of 51% in Q1 and 60% for the last 12 months (April 2022 to March 2023)
- Cash and cash equivalents at the end of the period amounted to SEK 4,019 (894) million
- Outlook of full year sales to be within the range of -3% to +2% when adjusting for currency effects, and adjusted EBITDA margin for the year to be within MTG's long-term outlook of 23-25%

### Financial overview

(SEKm)	Q1 2023	Q1 2022	FY 2022
<b>Continuing operations</b>			
Net sales	1,306	1,357	5,537
EBIT	121	85	558
EBITDA	245	239	1,229
Adjusted EBITDA	263	342	1,373
Net income	24	-111	252
Basic earnings per share (SEK)	0.20	-0.77	2.70
Diluted earnings per share (SEK)	0.20	-0.77	2.69
<b>Discontinued operations</b>			
Net income	-	-204	6,223
<b>Total operations</b>			
Net income	24	-315	6,475
Basic earnings per share (SEK)	0.20	-2.62	56.26
Diluted earnings per share (SEK)	0.20	-2.62	56.06
<b>Growth, continuing operations</b>			
Sales growth	-4%	77%	41%
Changes in FX rates	7%	6%	9%
Sales growth at constant FX <sup>1</sup>	-11%	71%	32%
of which organic growth	-11%	-9%	-4%

<sup>1)</sup> Pro forma growth in Q1 2022 was 10 % and 5% in FY 2022



## President & CEO's comments



### A quarter with two stories

We are happy to see that our studios PlaySimple and Ninja Kiwi continued their strong performance into the first quarter of 2023. InnoGames experienced a significant year on year decline in revenues, as

they are coming out of challenging post-covid comparison levels from last year and had a difficult start to the year. We did however see a gradual improvement in their performance during the quarter.

InnoGame's performance during the first half of Q1 was characterized by the same low visibility they experienced in Q4, driven by ongoing challenges from Apple's IDFA changes, the post-pandemic normalization of our markets and overall macroeconomic uncertainty. In the second half of the quarter we saw encouraging improvements in the performance of our events, as well as in the mid-core market more broadly, leading to both better monetization of existing users and a better marketing landscape.

When we look at our operations as a whole, our combined performance and market dynamics make us increasingly confident in our ability to return to growth towards the second part of the year. The outlook we are presenting today reflects this confidence.

Our revenues were down 4% in reported rates and 11% year on year in constant currencies in Q1 to SEK 1,306 million. The decline reflected tough comparison numbers in Q1 last year, driven by two major factors. Firstly, InnoGames' revenues declined year on year, due to the combined impact from continued softer sales in the first half of the quarter, and the fact that their revenues were still elevated coming out of the pandemic in Q1 last year. Secondly, PlaySimple booked the first part of its platform incentive bonus in Q1 last year as revenue, which affected the year-on-year decline in revenues by five percentage points.

Hutch' revenues were down slightly year on year in the seasonally weaker first quarter. The studio is getting ready to launch the season reset of F1 Clash and continues to work on its exciting pipeline of new games. Kongregate's sales were also down year on year, primarily due to lower revenues from their traditional portfolio.

### Improving marketing environment enables profitable scaling of UA

We delivered adjusted EBITDA of SEK 263 million in the quarter, down from SEK 342 million in the first quarter of last year. The group's reported margin was 20% in the quarter, compared to 25% in Q1 last year. Our underlying

margin would have been up slightly year on year on a like-for-like basis if we were to exclude the previously mentioned platform incentives. Our margin performance reflected higher underlying profitability in InnoGames and PlaySimple, offset by ongoing investments in Web 3.0 by Kongregate and investments in new games by Hutch.

Our studios invested a combined SEK 537 million in user acquisition during the quarter, corresponding to 41% of total revenues. Our user acquisition spending was driven by successful scaling of the new games in PlaySimple, even though overall levels were lower than in Q1 last year, when InnoGames were still seeing elevated user acquisition spend levels at the tail end of the pandemic and were scaling the new games, Sunrise Village and Rise of Cultures, more significantly than what we are doing now.

The group also delivered a cash conversion of 51% in Q1, and 60% for the last twelve-month period with the 12-month number being elevated by the previously mentioned platform incentive fees.

### Healthy underlying operations and strong pipeline of content for the coming quarters

Our studios are focused on growing their games through live-ops, content updates and a pipeline of upcoming new titles.

PlaySimple continued its strong performance in Q1 and their games have ensured that the Word Games franchise has been our largest one for five quarters in a row, reporting strong growth every quarter. The studio continued to scale key games successfully in Q1 and PlaySimple's player base grew both year on year and sequentially as a result. We also saw impressive growth and very positive performance indicators from the new titles Crossword Explorer and Word Search in the quarter.

Ninja Kiwi's flagship title Bloons TD6 continued to perform well, and the studio is ready to launch the game on Netflix later this year. The studio also had a major update and a successful Steam Sale for Bloons TD6 just after the quarter ended.

The first quarter is normally not as strong for Hutch, as they need the Formula 1 season to begin, in order to deliver the annual reset of F1 Clash. However, the kick-off of Formula 1 in March did bring a significant number of previous players back to the game. Hutch is also working on the upcoming launches of two new games later this year and early testing is showing positive performance indicators.

InnoGames continued to deliver updates and content to Forge of Empires and key in-game events in February and March showed good traction for the game. In early April the studio announced an organizational realignment to boost the company's future viability and competitiveness. This will see the company optimize its organization to accelerate the

development of new games, while refocusing the teams working on current live titles. Unfortunately, the changes also meant that the studio decided to make 75 roles redundant.

We have also started to build up a central team in PlaySimple that will drive our group-wide ad tech and cross promotion initiatives, based on some of the strong foundation PlaySimple has built over the years. This will enable MTG to improve our monetization from advertising in games and improve our marketing efficiency through cross promotion.

### **Strong balance sheet enabling M&A and continued distributions**

We continue to have a strong balance sheet thanks to the successful divestment of ESL Gaming in April 2022. M&A remains one of the key elements in our growth strategy. We continue to believe that future additions to our gaming village will enable us to increase our relevant scale and build a synergetic gaming company. Our ambition is to utilize our balance sheet for future acquisitions if we see the right opportunities and the right pricing environment.

We believe that M&A can, and will, go hand in hand with shareholder value creation, as evidenced by our ongoing share repurchase program, which runs until the 2023 AGM. MTG's Board of Directors has also proposed that the AGM authorizes the Board to resolve to repurchase additional shares in 2023 if they find it appropriate.

### **Looking forward**

We are happy with the strong underlying performance and momentum of our Word Games and Tower Defense franchises. Our Racing franchise is also set to continue growing thanks to live-ops, new content and new upcoming games. We are also happy to see the performance of our Strategy & Simulation franchise begin to improve. The game teams have a rich pipeline of content planned for our players this year. We're also excited by the strong continued performance of our new word games, which demonstrate our ability to successfully scale new IP.

The second half of the quarter provided us with encouraging signs of positive momentum, especially in Forge of Empires which executed successfully on several events. When we look at the combined trajectory of our business this year, we expect our positive momentum to continue in each of the coming quarters of this year, bringing us back to organic growth in the second half of 2023.

We have a lot of work to do, especially on our new games in the Strategy & Simulation franchise, but we feel confident that InnoGames has a clear roadmap for how to improve their new games and grow existing ones.

And last, but not least, I'm excited to continue growing the Flow Platform and to evolve the ad tech and cross promotion pillars to benefit all our portfolio companies.

Thank you, and we look forward to sharing more updates with you going forward.

*Maria Redin*

*Group President & CEO, Modern Times Group MTG AB*

## **Outlook for 2023**

MTG expects the overall market to decline slightly for the full year 2023 but for overall market dynamics to become more favourable towards the second half and end of the year. We also currently expect the positive momentum seen at the end of the first quarter to continue into the second quarter and beyond.

Taking these market considerations into account, we expect our full year sales to be within the range of -3% to +2% when adjusted for currency effects. We also expect our adjusted EBITDA margin for the year to be within our long-term outlook of 23-25%.

## Significant events

**February 20** – Lasse Pilgaard resigned from his position as the Group's CFO to explore opportunities closer to his family and home in Copenhagen, Denmark. Lasse will continue to serve as the group's CFO during his notice period, and MTG has now started the recruitment process for his replacement.

**March 28** – MTG increased its ownership in PlaySimple to approximately 93%, with the remaining shares held by PlaySimple Founders. The group has consolidated 100% of PlaySimple since 1 August 2021 and has a contractual path to full ownership in place

**April 13** – MTG's German gaming studio, InnoGames, announced a strategic organizational realignment of its business.

**Further information about the group's significant events can be found on MTG's homepage on [www.mtg.com](http://www.mtg.com).**

## Group performance

### Net sales

Group net sales were down 4% year on year in the quarter to SEK 1,306 (1,357) million, despite a 7% positive contribution from currency effects. The decline was driven by the higher-than-normal comparison figures in Q1 2022, due to the impact from the platform incentives in PlaySimple, combined with the ongoing challenges facing the mid-core gaming market segment which mainly impacted InnoGames' revenues. The group's sales declined by 11% year on year in constant currencies when including the impact from the platform incentives and by 6% excluding this effect.

PlaySimple's underlying sales were up year on year. The studio continued to scale key games in Q1 thanks to a highly ambitious content pipeline, focused on ad revenue optimization and retention improvements in key titles like Word Trip and Crossword Jam. PlaySimple also continued to successfully scale its new games Crossword Explorer and Word Search. The new titles reported double-digit revenue growth on a sequential basis and represented 9% of Word Games Franchise revenues in March.

Ninja Kiwi's sales grew year on year, primarily as a result of the continued strength of Bloons TD6, both standalone and on Apple Arcade. The studio introduced the latest major update to Bloons TD6 in the beginning of April, offering players a new tower, maps and features. The game also had a very successful Steam Sale in April, driven by the new content and a higher base price following the price increase in Q3 last year.

Hutch experienced a slight year-on-year decline in sales, primarily driven by lower revenues from catalogue games which are no longer being actively maintained. The first quarter is normally a seasonally weaker period, as the studio is dependent on the start of the Formula 1 racing season each year for the annual reset of F1 Clash. Top Drives revenues were slightly up year-on-year, as a result of the improvements the studio put in place during 2022.

InnoGames reported a double-digit decline in revenues year on year, despite an active content pipeline that included improved onboarding tutorials and a battle pass system for Forge of Empires as well as new seasons, in-game content, and a new way to deliver video ads in Rise of Cultures. Forge of Empire also had a successful reactivation of old players and a well-performing St Patrick's day event and traction for Forge of Empires improved towards the end of the period. This marked an improvement from the beginning of the quarter and the challenging environment coming out of a tough Q4.

(SEKm)	Q1 2023	Q1 2022	FY 2022
Net sales	1,306	1,357	5,537
Sales growth	-4%	77%	41%
Changes in FX rates	7%	6%	9%
Sales growth at constant FX <sup>1)</sup>	-11%	71%	32%
of which organic growth	-11%	-9%	-4%

1) Pro forma growth was 10 % and 5% in FY 2022

### Adjusted EBITDA, EBITDA and EBIT

MTG reported an adjusted EBITDA of SEK 263 (342) million in the quarter, and the group's adjusted EBITDA margin declined to 20% (25) in the first quarter. Adjusted EBITDA was up 1% year on year excluding the impact of PlaySimple's platform incentives and applying the same definition of adjusted EBITDA for Q1 2022 as for Q1 2023. The underlying margin improvement primarily reflected the fact that lower marketing spend in InnoGames offset the company's lower sales and the healthy margin performance in PlaySimple and Ninja Kiwi, offset somewhat by investments in Web 3.0 by Kongregate and new game investments by Hutch

The group's adjustments to reported EBITDA amounted to SEK 18 (103) million in the quarter. This included an adjustment for non-recurring bonus structures of SEK 13 (71) million and an adjustment for M&A transaction costs of SEK 5 (26) million. The adjustment for impairment of own capitalized costs amounted to SEK 0 (7) million in the quarter.

The group reported EBITDA of SEK 245 (239) million and a margin of 19% (18) in the quarter, which clearly demonstrates the overall underlying health of our operations and strength of our portfolio.

\* MTG modified its definition for adjusted EBITDA in the second quarter of 2022 and now only adjusts EBITDA for non-recurring bonus structures, M&A transaction costs, items affecting comparability and the impairment of own capitalized costs. The new definition of adjusted EBITDA implemented during the second quarter of 2022 does not include the group's various operational incentive programs as adjustments. These items had an impact of SEK 30 million on the group's reported EBITDA in the first quarter of 2023.

(SEKm)	Q1 2023	Q1 2022	FY 2022
<b>EBIT</b>	<b>121</b>	<b>85</b>	<b>558</b>
Amortization	118	145	637
Depreciation	6	9	34
<b>EBITDA</b>	<b>245</b>	<b>239</b>	<b>1,229</b>
Impairment own capitalized costs	-	7	26
Non-recurring bonus structures <sup>1</sup>	13	71	99
M&A transaction costs	5	26	19
<b>Adjusted EBITDA</b>	<b>263</b>	<b>342</b>	<b>1,373</b>
<i>Adjusted EBITDA margin</i>	<i>20%</i>	<i>25%</i>	<i>25%</i>

<sup>1)</sup> Long term incentive programs are included in figures in Q1 2022

Depreciation and amortization amounted to SEK 123 (153) million and included the amortization of purchase price allocations (PPA) of SEK 88 (100) million. Excluding PPA, depreciation and amortization amounted to SEK 35 (53) million.

Consolidated EBIT was SEK 121 (85) million in the quarter, which corresponded to an EBIT margin of 9% (6). Operating costs before depreciation and amortization increased by 5% year on year to SEK 1,061 (1,119) million.

### Key performance indicators

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
DAU, million	6.4	6.5	6.4	6.7	7.0
MAU, million	29.4	31.5	31.4	33.3	35.2
ARPDau, SEK	2.3	2.3	2.3	2.1	2.1
Revenue generated by the top 3 games, %	46%	44%	40%	42%	44%
Revenue generated by platform, %					
Mobile	77%	76%	73%	73%	70%
Browser	20%	19%	18%	20%	21%
Other	3%	5%	8%	7%	9%
Revenue generated by territory, %					
Europe	32%	33%	31%	32%	34%
North America	63%	64%	61%	63%	59%
Asia Pacific	4%	3%	7%	4%	6%
Rest of World	1%	0%	1%	1%	1%
UA spend, SEKm	537	559	499	500	576

The group's total daily active users (DAU) were down 8% and monthly active users (MAU) were down by 17% year on year. The decline primarily reflected the challenge to attract and retain players in our mid-core games, offset somewhat by strong positive momentum in our casual player base thanks to the strong performance of PlaySimple's gaming portfolio. The group's total DAU decreased by 1% and MAU decreased by 7% on a sequential basis.

Average Revenue per Daily Active User (ARPDau) was up by 8% year on year and reflected the higher proportion of veteran players in our games due to the ongoing challenge to attract new players in the mid-core segment. This was partly offset by a higher proportion of casual players in the group's overall player mix. ARPDau was down 3% on a sequential basis, which reflected normal seasonal effects between the fourth and first quarters.

Forge of Empires, Word Trip, and Word Jam continued to be the group's top three performing titles. The top three games represented 46% of the group's revenues in the first quarter, compared to 44% in the fourth quarter.

The group's proportion of mobile revenues represented 77% (70) of total revenues in the first quarter and increased on a sequential basis.

## Reported sales by franchise

(SEKm)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Strategy & Simulation	372	404	425	442	439
Word Games	517	502	525	490	499
Tower Defense	127	148	114	130	118
Racing	138	178	196	168	140
Other smaller franchises	151	157	152	148	162
<b>Total sales</b>	<b>1,306</b>	<b>1,388</b>	<b>1,412</b>	<b>1,379</b>	<b>1,357</b>

The **Word Games** franchise had a strong quarter and remains the main driver of our overall growth. Several key games continued to perform well in Q1 due to key content launches and updates. Revenues for the franchise increased 6% sequentially at constant currencies but were down 7% year on year. Underlying sales were also up year on year when excluding the platform incentive bonus in 2022. The sequential growth was mainly driven by an ambitious content pipeline focused on ad revenue optimization and retention improvements in key titles like Daily Themed Crossword, Word Trip and Crossword Jam. The franchise has now been MTG's largest for five quarters in a row.

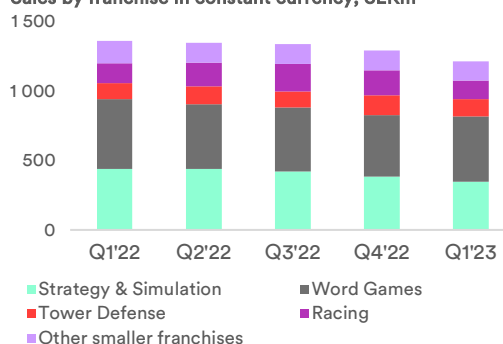
The new titles Crossword Explorer and Word Search grew by double digits sequentially, and in March 9% of the franchise's revenue came from these two games. The two new titles continue to be a priority for PlaySimple, and the studio allocated approximately 20% of total franchise user acquisition spend to these titles in March.

Revenues for the **Strategy & Simulation** franchise declined by 9% sequentially and 21% year on year at constant currencies. The year-on-year decline in franchise revenues was mainly driven by lower revenues from Forge of Empires and Elvenar, which faced a tough market environment in the beginning of the year. The games' performance improved sequentially throughout the quarter, and Forge of Empires had successful events in February and March, entering April with positive momentum. The content pipeline for Forge of Empires also included improved onboarding tutorials and a battle pass system.

Our new games Rise of Cultures and Sunrise Village both delivered low levels of growth in the quarter. The new operating model in InnoGames creates a new structure to address this and accelerate the growth of both games. For Sunrise Village we have a pipeline of new content that is expected to deliver improvements and content throughout the year. For Rise of Cultures we are working on a larger revamp of the game late this year, which is expected to take the game to the next level of scaling.

Revenues for the **Tower Defense** franchise grew by 5% year on year but were down by 14% sequentially at constant currencies. The sequential decline mainly reflected the boost in revenues from a successful Steam Sale in Q4 last year.

Sales by franchise in constant currency, SEKm



The highly anticipated update 36 for Bloons TD6 was launched on April 4. The update included a brand-new tower and map as well as a new Quest system and was immediately followed by a well-performing Steam Sale. The team continues to work on improving the features and performance the PVP title Bloons TD Battles 2 to ensure we can scale marketing going forward.

Revenues for the **Racing** franchise declined by 3% year on year at constant currencies and by 23% sequentially. The sequential performance reflected the normal seasonal pattern in F1 Clash, as it is dependent on the timing of the launch of the new Formula 1 racing season each year. Nevertheless, the game experienced a small boost to its performance when the Formula 1 season started in early March. The game also received several updates throughout the quarter, with new tracks, languages, and improvements.

Top Drives had a strong quarter and became Game of the Day on iOS in the UK. The game's first ever TV ad went live in February and its latest update was also featured by Apple. Hutch also continues to push towards the launch of two new racing titles later this year.

**Kongregate's** revenues declined by double-digits year-on-year in the quarter. The studio continued to invest in the development of Web 3.0 gaming and its games portal and published five new games from external developers on Kongregate.com. The Bitverse games reported an increase in engagement with NFTs every week in the quarter. Despite this, Kongregate's portfolio experienced a decline in revenues year on year.

## Net financials and net income

Net financial items amounted to SEK -61 (-122) million in the quarter, of which net interest amounted to SEK 43 (-12) million and other financial items to SEK -104 (-110) million. Other financial items consist of unrealized and realized exchange rate differences (SEK -17 million), gain and loss from financial assets and liabilities (SEK -19 million) and discounted interest on earnouts (SEK -69 million).

Unrealized and realized exchange rate differences amounted to net SEK -17 million, of which realized exchange rate differences amounted to SEK 66 million and unrealized exchange rate differences amounted to SEK -82 million. Gains and losses from financial assets and liabilities amounted to SEK -19 million, of which:

- SEK -102 million related to the revaluation of the earnout liability
- SEK 86 million related to the valuation of a financial liability related to the acquisition of the remaining outstanding, 7,2%, shares of PlaySimple, (since the liability follows the value of a fixed number of shares)
- SEK -3 million related to other changes.

The group's tax amounted to SEK -36 (-75) million.

Net income for the quarter therefore amounted to SEK 24 (-111) million.

## Discontinued operations

MTG divested ESL Gaming to Savvy Gaming Group in April 2022. As a result, the group's esports vertical and operations have been reclassified as discontinued operations since Q1 2022 and in this report. Further information can be found in the 2022 Annual Report, as well as in the 2022 quarterly reports.

## Venture capital fund investments

To date, the MTG VC fund has invested a total of SEK 319 (USD 34) million in a total of 24 companies. VC investments complement MTG's majority stake investment in Kongregate, InnoGames, Hutch, Ninja Kiwi and PlaySimple.

The portfolio assets range from start-up game developers across several game genres and game creation platforms in the US and Europe to pure esports-focused companies. VC investments related to esports remained in MTG after the divestment of ESL Gaming.

## Financial review

### Cash flow

Cash flow from operations before changes in working capital and taxes paid amounted to SEK 386 (273) million. This included a realized FX gain amounting to SEK 66 million in the quarter. Depreciation and amortization amounted to SEK -123 (-153) million, of which SEK -88 (-100) million pertained to amortization of PPA. Paid taxes amounted to SEK -78 (-67) million.

The group reported a SEK -46 (-127) million change in working capital in the quarter.

Net cash flow from operations therefore amounted to SEK 262 (79) million.

### Investing activities

Total cash flow relating to investing activities amounted to SEK -687 (-68) million in the quarter mainly consisted of an earnout payment of SEK -463 million and SEK -155 million related to the acquisition of PlaySimple. 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 -62 (-63) million in the quarter.

### Financing activities

Total cash flow relating to financing activities amounted to SEK -195 (31) million, of which SEK -186 million related to the group's repurchase of shares.

The net change in cash and cash equivalents amounted to SEK -619 (85) million.

The group had cash and cash equivalents of SEK 4,019 (894) million at the end of the period.

### Net debt

Net debt refers to the sum of interest-bearing liabilities less cash and cash equivalents. Interest-bearing liabilities such as additional purchase considerations or lease liabilities are not included.

Net debt as of March 31, 2023, amounted to SEK -4,019 (1,106) million. The net debt calculation includes external financing of SEK 0 (2,000) million less SEK 4,019 (894) million in cash and cash equivalents.



## 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 2023	Q1 2022	FY 2022
Net sales	15	12	40
Net interest and other financial items	-51	-8	7,705
Income before tax and appropriations	-78	-49	7,527

Net interest and other financial items for the quarter amounted to SEK -51 (-8) million. Net interest amounted to SEK -21 (-9) million. Unrealized and realized exchange differences amounted to SEK -28 (2) million and other financial items to SEK -2 (-1) million.

The parent company had cash and cash equivalents of SEK 2,816 (157) million at the end of the period. The increase is related to the divestment of ESL Gaming in the previous year.

The total number of shares outstanding at the end of the period was 121,374,752 (110,385,832), excluding the 6,336,845 Class B shares and the 6,324,343 Class C shares held by MTG as treasury shares. No new shares were issued during the quarter.

## Other information

### Accounting policies

This interim report has been prepared according to 'IAS 34 Interim Financial Reporting' and the Swedish Annual Accounts Act'. The interim report for the parent company has been prepared according to the Swedish 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 2022 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 and uncertainties

Significant risks and uncertainties exist for the group and the parent company. These factors include the prevailing economic and business environments; 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; the emergence of new technologies and competitors; and cyber-attacks.

The group's game development businesses depend on their ability to continue releasing successful titles that attract paying customers, conditions that are not under the group's full control.

Risks and uncertainties are also described in more detail in the 2022 Annual Report, which is available at [www.mtg.com](http://www.mtg.com).

Stockholm, April 26, 2023

*Maria Redin*

*Group President & CEO, Modern Times Group MTG AB*

**Condensed consolidated income statement**

(SEKm)	Q1 2023	Q1 2022	FY 2022
<b>Continuing operations</b>			
Net sales	1,306	1,357	5,537
Cost of goods and services <sup>1</sup>	-338	-631	-1,523
<b>Gross income</b>	<b>968</b>	<b>726</b>	<b>4,014</b>
Selling expenses	-564	-285	-2,215
Administrative expenses	-288	-359	-1,278
Other operating income	7	4	44
Other operating expenses	-2	-1	-7
<b>EBIT</b>	<b>121</b>	<b>85</b>	<b>558</b>
Net interest	43	-12	54
Other financial items	-104	-110	-114
<b>Income before tax</b>	<b>60</b>	<b>-36</b>	<b>498</b>
Tax	-36	-75	-246
<b>Net income for the period, continuing operations</b>	<b>24</b>	<b>-111</b>	<b>252</b>
<b>Discontinued operations</b>			
Esport	-	-204	6,223
<b>Net income for the period, discontinued operations</b>	<b>-</b>	<b>-204</b>	<b>6,223</b>
<b>Total net income for the period</b>	<b>24</b>	<b>-315</b>	<b>6,475</b>
<b>Net income for the period attributable to:</b>			
Equity holders of the parent	24	-290	6,579
Non-controlling interest	-	-26	-105
<b>Net income for the period</b>	<b>24</b>	<b>-315</b>	<b>6,475</b>
<b>Continuing operations</b>			
Basic earnings per share, SEK	0.20	-0.77	2.70
Diluted earnings per share, SEK	0.20	-0.77	2.69
<b>Total</b>			
Basic earnings per share, SEK	0.20	-2.62	56.26
Diluted earnings per share, SEK	0.20	-2.62	56.06
<b>Number of shares</b>			
Shares outstanding at the end of the period	121,374,752	110,385,832	123,731,164
Basic average number of shares outstanding	122,588,564	110,385,832	116,950,340
Diluted average number of shares outstanding	122,894,471	110,585,685	117,355,207

1) "COGS" was charged with SEK 310million in "Selling expenses" in Q1 2022. These costs were reclassified as of Q2 2022.

**Consolidated statement of comprehensive income**

(SEKm)	Q1 2023	Q1 2022	FY 2022
<b>Net income</b>	<b>24</b>	<b>-315</b>	<b>6,475</b>
<i>Other comprehensive income</i>			
<i>Items that are or may be reclassified to profit or loss net of tax:</i>			
Currency translation differences	36	190	842
<b>Total comprehensive income for the period</b>	<b>60</b>	<b>-125</b>	<b>7,317</b>
Total comprehensive income attributable to			
Equity holders of the parent	60	-137	7,402
Non-controlling interest	-	11	-85
<b>Total comprehensive income for the period</b>	<b>60</b>	<b>-125</b>	<b>7,317</b>

**Condensed consolidated balance sheet**

(SEKm)	Mar 31 2023	Mar 31 2022	Dec 31 2022
<b>Non-current assets</b>			
Goodwill	10,313	9,797	10,285
Other intangible assets	2,359	2,645	2,410
<b>Total intangible assets</b>	<b>12,671</b>	<b>12,442</b>	<b>12,695</b>
<b>Total tangible assets</b>	<b>55</b>	<b>58</b>	<b>58</b>
Right of use assets	60	83	65
Shares and participations in associated and other companies	440	384	409
Other financial receivables	184	130	200
<b>Total non-current financial assets</b>	<b>625</b>	<b>514</b>	<b>609</b>
<b>Total non-current assets</b>	<b>13,411</b>	<b>13,096</b>	<b>13,427</b>
<b>Current assets</b>			
Other receivables	690	648	608
Cash and cash equivalents	4,019	894	4,733
Assets held for sale	-	3,201	-
<b>Total current assets</b>	<b>4,709</b>	<b>4,743</b>	<b>5,341</b>
<b>Total assets</b>	<b>18,120</b>	<b>17,839</b>	<b>18,769</b>
<b>Equity</b>			
Shareholders' equity	13,817	7,868	13,934
Non-controlling interest	-	1,932	-
<b>Total equity</b>	<b>13,817</b>	<b>9,801</b>	<b>13,934</b>
<b>Non-current liabilities</b>			
Liabilities to financial institutions	-	1,000	-
Lease liabilities	27	52	32
<b>Total non-current interest-bearing liabilities</b>	<b>27</b>	<b>1,052</b>	<b>32</b>
Provisions	617	666	620
Contingent consideration	1,532	2,058	1,409
<b>Total non-current non-interest-bearing liabilities</b>	<b>2,150</b>	<b>2,725</b>	<b>2,030</b>
<b>Total non-current liabilities</b>	<b>2,177</b>	<b>3,777</b>	<b>2,062</b>
<b>Current liabilities</b>			
Contingent consideration	852	360	1,293
Liabilities to financial institutions	-	1,000	-
Lease liabilities	34	32	34
Other interest-bearing liabilities <sup>1</sup>	466	764	707
Other non-interest-bearing liabilities	774	763	737
Liabilities related to assets held for sale	-	1,343	-
<b>Total current liabilities</b>	<b>2,126</b>	<b>4,262</b>	<b>2,773</b>
<b>Total liabilities</b>	<b>4,303</b>	<b>8,039</b>	<b>4,835</b>
<b>Total shareholders' equity and liabilities</b>	<b>18,120</b>	<b>17,839</b>	<b>18,769</b>

1) Liability for acquisition of the remaining 7.2 % of PlaySimple SEK 466 million.

## Condensed consolidated statement of cash flows

(SEKm)	Q1 2023	Q1 2022	FY 2022
Income before tax adjusted for items not included in cash flow	386	273	1,447
Taxes paid	-78	-67	-408
Changes in working capital	-46	-127	-171
<b>Cash flow from operations</b>	<b>262</b>	<b>79</b>	<b>868</b>
Acquisition of subsidiaries, associates and other investments	-162	-5	-85
Earnout payments	-463	-	-317
Investments in other non-current assets	-62	-63	-234
<b>Cash flow from investing activities</b>	<b>-687</b>	<b>-68</b>	<b>-636</b>
Net change in borrowings	-	100	-1,900
Repayment share redemption	-	-	-2,733
Repurchase of shares	-186	-	-443
Loan to / repayment of loans from discontinued operations	-	-62	154
Other cash flow from/used in financing activities	-9	-7	-51
<b>Cash flow from financing activities</b>	<b>-195</b>	<b>31</b>	<b>-4,974</b>
<b>Net change in cash, continuing operations</b>	<b>-619</b>	<b>42</b>	<b>-4,741</b>
<b>Net change in cash, discontinued operations</b>	<b>-</b>	<b>44</b>	<b>8,459</b>
<b>Total net change in cash and cash equivalents</b>	<b>-619</b>	<b>85</b>	<b>3,717</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,733</b>	<b>943</b>	<b>943</b>
Translation differences in cash and cash equivalents	-95	-134	74
<b>Cash and cash equivalents at end of the period</b>	<b>4,019</b>	<b>894</b>	<b>4,733</b>

## Condensed consolidated statement of changes in equity

(SEKm)	Mar 31 2023	Mar 31 2022	Dec 31 2022
<b>Opening balance</b>	<b>13,934</b>	<b>9,923</b>	<b>9,923</b>
Net income for the period	24	-315	6,475
Other comprehensive income for the period	36	190	842
<b>Total comprehensive income for the period</b>	<b>60</b>	<b>-125</b>	<b>7,317</b>
Effect of employee share programs	8	3	16
Repurchase of shares	-186	-	-450
Change in non-controlling interests	-	-	-138
Redemption of shares	-	-	-2,733
<b>Closing balance</b>	<b>13,817</b>	<b>9,801</b>	<b>13,934</b>

## Parent company condensed income statement

(SEKm)	Q1 2023	Q1 2022	FY 2022
Net sales	15	12	40
<b>Gross income</b>	<b>15</b>	<b>12</b>	<b>40</b>
Administrative expenses	-43	-54	-218
<b>Operating income</b>	<b>-27</b>	<b>-42</b>	<b>-178</b>
Net interest and other financial items <sup>1</sup>	-51	-8	7,705
<b>Income before tax and appropriations</b>	<b>-78</b>	<b>-49</b>	<b>7,527</b>
Appropriations	-	-	224
Tax	-	-	-6
<b>Net income for the period</b>	<b>-78</b>	<b>-49</b>	<b>7,746</b>

1) Received dividend net of impairment during 2022 for a total of SEK 7.6 billion

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

## Parent company condensed balance sheet

(SEKm)	Mar 31 2023	Mar 31 2022	Dec 31 2022
<b>Non-current assets</b>			
Capitalized expenditure	0	1	0
Machinery and equipment	1	1	1
Shares and participations	22,463	11,372	22,463
<b>Total non-current assets</b>	<b>22,465</b>	<b>11,374</b>	<b>22,465</b>
<b>Current assets</b>			
Current receivables	24	145	622
Cash and cash equivalents	2,816	157	3,625
<b>Total current assets</b>	<b>2,840</b>	<b>302</b>	<b>4,246</b>
<b>Total assets</b>	<b>25,305</b>	<b>11,676</b>	<b>26,711</b>
<b>Shareholders' equity</b>			
Restricted equity	670	585	670
Non-restricted equity	14,833	9,044	15,089
<b>Total equity</b>	<b>15,503</b>	<b>9,630</b>	<b>15,759</b>
<b>Untaxed reserves</b>	<b>9</b>	<b>-</b>	<b>9</b>
<b>Non-current liabilities</b>			
Provisions	9	0	7
Liabilities to financial institutions	-	1,000	-
<b>Total non-current liabilities</b>	<b>9</b>	<b>1,000</b>	<b>7</b>
<b>Current liabilities</b>			
Other interest-bearing liabilities	9,754	1,000	10,502
Non-interest-bearing liabilities	30	46	434
<b>Total current liabilities</b>	<b>9,784</b>	<b>1,046</b>	<b>10,936</b>
<b>Total shareholders' equity and liabilities</b>	<b>25,305</b>	<b>11,676</b>	<b>26,711</b>

## 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 2023				Dec 31 2022			
	Carrying value	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Shares and participations in other companies	440	-	-	440	408	-	-	408
<b>Financial liabilities measured at fair value</b>								
Contingent consideration	2,384	-	-	2,384	2,703	-	-	2,703

## 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 subsequent financing through 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. Listed holdings are valued at the current share price.

(SEKm)	Mar 31 2023	Dec 31 2022
<b>Opening balance 1 January</b>	<b>408</b>	<b>346</b>
of which discontinued operations	-	-11
Reported gains and losses in net income for the period	-5	22
Acquisition	6	23
Translation differences	3	21
Loan converted to shares	27	8
<b>Closing balance</b>	<b>440</b>	<b>408</b>

**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 2023	Dec 31 2022
<b>Opening balance 1 January</b>	<b>2,703</b>	<b>2,318</b>
of which discontinued operations	-	-9
Exercised payments	-463	-317
Revaluation	102	224
Interest expense	69	220
Translation differences	-27	267
<b>Closing balance</b>	<b>2,384</b>	<b>2,703</b>

(SEKm)	2023	2024	2025	2026	2027+	Total
Cash Consideration	-	748	736	550	27	<b>2,060</b>
Share Consideration	-	104	221	-	-	<b>324</b>
<b>Total contingent consideration<sup>1</sup></b>	<b>-</b>	<b>852</b>	<b>956</b>	<b>550</b>	<b>27</b>	<b>2,384</b>

<sup>1</sup>) Exercised payments related to contingent considerations during 2023 amount to SEK 463 million



## 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 uses the following APMs:

- Adjusted EBITDA
- Change in net sales from organic growth
- Pro forma 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, non-recurring bonus structures, 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. During the second quarter of 2022 the group changed its definition of adjusted EBITDA. The new definition of adjusted EBITDA does not include the group's various operational incentive programs and only includes non-recurring bonus structures.

(SEKm)	Q1 2023	Q1 2022	FY 2022
<b>EBIT</b>	<b>121</b>	<b>85</b>	<b>558</b>
Amortization	118	145	637
Depreciation	6	9	34
<b>EBITDA</b>	<b>245</b>	<b>239</b>	<b>1,229</b>
Impairment own capitalized costs	-	7	26
Non-recurring bonus structures <sup>1</sup>	13	71	99
M&A transaction costs	5	26	19
<b>Adjusted EBITDA</b>	<b>263</b>	<b>342</b>	<b>1,373</b>

<sup>1)</sup> Long term incentive programs are included in figures in Q1 2022

## Reconciliation of sales growth

Since the group generates the majority of its sales in currencies other than 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 for 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 2023	Q1 2022	FY 2022
<b>Group</b>			
Organic growth	-11%	-9%	-4%
Acquisition/divestments	0%	80%	35%
Changes in FX rates	7%	6%	9%
Reported growth	-4%	77%	41%

## 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.

### ARPAU

Average revenue per daily active user.

### CAPEX

Capital expenditures.

### CASH CONVERSION

Operating cash flow in relation to adjusted EBITDA.

### DAU

Daily active users.

### 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.

### 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.

### MAU

Monthly active users.

### Organic growth

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

### Pro forma growth

The change in net sales compared with the same period last year as if the company had fully consolidated its acquisitions and divestments as of the previous period and adjusted for currency effects. The pro forma figures have been prepared with advice from external expertise in order to restate a GAAP financial statement to IFRS and may include timing adjustments for both income and costs.

### Pro forma revenue

Revenue presented as if the company would had fully consolidated its acquisitions and divestments. The pro forma figures have been prepared with advice from external expertise in order to restate a GAAP financial statement to IFRS and may include timing adjustments for both income and costs.

### Pro forma UA spend

User acquisitions costs presented as if the company would had fully consolidated its acquisitions and divestments as of the previous period . The pro forma UA spend figures are presented in local GAAP for the respective portfolio companies from the time periods prior to being consolidated by MTG.

### Transactional currency effect

The effect that foreign exchange rate fluctuations can have on a completed transaction prior to settlement. This refers to 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

### MTG's Annual General Meeting 2023

The Annual General Meeting will be held on May 17 2023 in Stockholm.

All information relating to the Annual General Meeting, including the notice, the Nomination Committee's proposals and related materials has been published at [www.mtg.com](http://www.mtg.com).

### Financial calendar

Item	Date
Q1 2023 Interim Financial Results report	April 26, 2023
Annual General Meeting 2023	May 17, 2023
Q2 2023 Interim Financial Results report	July 20, 2023
Q3 2023 Interim Financial Results report	October 25, 2023

### Questions?

Anton Gourman, VP Communications

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

### Conference call

MTG will host a livestream and conference call at 3.00 p.m. CEST on the same day. The call will be held in English.

#### How to join:

- To participate via livestream, please use this [link](#).
- To join via phone, please register on this [link](#). After you've registered, you'll receive the dial-in number and conference ID to access the teleconference.
- You can ask questions via phone during the teleconference or by using the livestream Q&A tool.



Modern Times Group MTG AB (publ.) – Reg no: 556309-9158 – Phone: +46 (0) 8-562 000 50

MTG (Modern Times Group MTG AB (publ.)) ([www.mtg.com](http://www.mtg.com)) is an international mobile gaming group that owns and operates gaming studios with popular global IPs across a wide range of casual and mid-core genres. The group is focused on accelerating portfolio company growth and supporting founders and entrepreneurs. MTG is an active driver of gaming industry consolidation and a strategic acquirer of gaming companies around the world. We are born in Sweden but have an international culture and global footprint. Our shares are listed on Nasdaq Stockholm (“MTGA” and “MTGB”).

**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 above, at 7:30 a.m. CEST on April 26, 2023.**

This interim report contains statements concerning, among other things, MTG’s financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent MTG’s future expectations. MTG believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such important factors include but may not be limited to MTG’s market position; growth in the gaming industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of MTG, its group companies and the gaming industry in general. Forward-looking statements apply only as of the date they were made, and, other than as required by applicable law, MTG undertakes no obligation to update any of them in the light of new information or future events.

## Strong sequential growth and healthy margins in Q2 support full year outlook

MTG reported solid operational momentum in Q2 and is on track to deliver on the full year expectations. PlaySimple and Ninja Kiwi continued their strong sequential growth, while InnoGames maintained the positive dynamics we saw towards the end of Q1. As a result, group revenues grew 9% sequentially in constant currencies. Revenues were up 6% year over year in reported currencies and down 2% in constant currencies. Total UA (user acquisition) spend amounted to 39% of revenues in the quarter, driven by continued high marketing levels in our Word Games franchise. Despite these high marketing investment levels, the group reported adjusted EBITDA of SEK 397 million in Q2, with the margin increasing to 27%.

### Financial highlights Q2, continuing operations

- Net sales increased by 6% year over year to SEK 1,458 (1,379) million and were down by -2% year over year in constant currencies
- User acquisition spend of SEK 563 (500) million corresponding to 39% of revenues (SEK 537 million and 41% in Q1 2023)
- Adjusted EBITDA of SEK 397 (357) million with an adjusted EBITDA margin of 27% (26%)
- Reported EBITDA of SEK 345 (361) million and EBIT of SEK 222 (158) million
- Net financial items amounted to SEK -86 (157) million of which net interest amounted to SEK 40 (9) million and other financial items amounted to SEK -126 (148) million including discounted interest on earnouts of SEK -51 million, gain and loss from financial assets and liabilities of SEK -52 million, and unrealized and realized exchange rate differences of SEK -23 million
- Total net income of SEK 57 (6,746) million and total basic earnings per share of SEK 0.47 (61.57)
- Cash flow from operations in the quarter of SEK 260 (268) million including a realized currency exchange gain amounting to SEK 16 million and cash conversion of 53% in Q2 and 42% for the last 12 months (July 2022 to June 2023)
- Cash and cash equivalents at the end of the period amounted to SEK 3,871 (8,182) million. In addition, the group has SEK 118 million in long term bank deposits
- Full year outlook maintained: We expect sales within the range of -3% to +2% adjusted for currency effects, and adjusted EBITDA margin for the year to be within MTG's long-term outlook of 23-25%

### Financial overview

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
<b>Continuing operations</b>					
Net sales	1,458	1,379	2,764	2,736	5,537
EBIT	222	158	344	244	558
EBITDA	345	361	590	600	1,229
Adjusted EBITDA	397	357	620	699	1,373
Net income	57	254	82	143	252
Basic earnings per share (SEK)	0.47	2.47	0.67	1.45	2.70
Diluted earnings per share (SEK)	0.47	2.46	0.66	1.45	2.69
<b>Discontinued operations</b>					
Net income	-	6,492	-	6,288	6,223
<b>Total operations</b>					
Net income	57	6,746	82	6,431	6,475
Basic earnings per share (SEK)	0.47	61.57	0.67	58.56	56.26
Diluted earnings per share (SEK)	0.47	61.42	0.66	58.41	56.06
<b>Growth, continuing operations</b>					
Sales growth	6%	70%	1%	73%	41%
Changes in FX rates	7%	9%	7%	8%	9%
Sales growth at constant FX <sup>1</sup>	-2%	61%	-6%	66%	32%
of which organic growth	-2%	-7%	-6%	-8%	-4%

<sup>1</sup>) Pro forma growth in Q2 2022 was 7% and 5% in FY 2022

## President & CEO's comments



### Positive business momentum drives strong sequential growth

I am happy to share that we performed strongly in the second quarter. Four of our five game studios grew sequentially and we are on track to deliver on

our outlook and expectations for the full year.

We reported SEK 1,458 million in revenues in Q2 delivering 9% sequential growth in the quarter. In constant currencies On a year-over-year basis, revenues were up 6% in reported currencies, and down 2% in constant currencies.

PlaySimple delivered another outstanding quarter with both year over year and sequential growth, thanks to the successful scaling of its new games and the strength of its overall portfolio. The newly launched game Word Search continued to be our standout performer, supported by healthy growth from Crossword Explorer and a successful increase in ad monetization from several of our well-established casual titles. The new games now represent approximately just over 10% of Word Franchise revenues.

Ninja Kiwi also delivered a strong Q2 with sequential growth, driven by a well-received major update to Bloons TD6 in April, immediately followed by a Steam sale. The studio also successfully launched Bloons TD6 on Netflix in June and is working towards a launch of the game on consoles in the near future.

Our year-over-year revenue decline in constant currencies in Q2 was mainly driven by lower sales for InnoGames. This reflected tough comparative figures in Q2 2022, as studio revenues were still elevated by the post-Covid market environment. We are therefore happy to report that InnoGames grew sequentially from Q1 to Q2, with June revenues being slightly up year over year as the studio continues to transform its business and reinforce its focus on key titles. This growth was attributable to initiatives in the studio driving higher monetization from existing players, especially Forge of Empires, which successfully compensated for the continued structural headwinds from a difficult marketing environment for Midcore games, which makes it harder to find new players in this segment.

Hutch launched the new F1 Clash season and the annual reset to the game's economy in May. The immediate revenue uplift was not as high as last season, but we are still optimistic when it comes to the longer-term positive effects on retention, based on the adjustments to the game's economy implemented by the team post launch. The longer-term effects of the update are still to be evaluated. Hutch also continued to work towards the launch of its two new games and announced in June that they are

collaborating on a new mobile game together with Turn 10, the Microsoft-owned studio behind the Forza franchise.

Kongregate continued to invest both in new upcoming Web2 titles and in the development of our NFT gaming portfolio, with an active calendar of in-game events for their current NFT games. The studio also added 26 new third party games to the Kongregate.com portal during the quarter.

### Delivering increased margins while maintaining high investment levels in user acquisition for our Word Games

Our studios invested a total of SEK 563 million in user acquisition in the quarter, corresponding to 39% of our total revenues. Our UA spend in the period was driven by PlaySimple, which continued to successfully scale its fast-growing new games and invested in marketing in the US to capitalize on the strong momentum for our Word Games, while InnoGames invested less in UA year over year. It's worth noting that the market environment in Q2 last year enabled higher levels of UA spend for our new Strategy and Simulation games. We continue to have strict return-on-investment criteria for our UA spend to ensure the continued long-term health of the group and our overall player base.

We reported adjusted EBITDA of SEK 397 million in the quarter, up significantly from SEK 357 million in Q2 last year. The group therefore reported a margin of 27% in the quarter, up slightly from 26% in Q2 2022. The margin improved by approximately 7 percentage points from Q1, driven primary by three effects: proportionally lower UA spend, the one-off reversal of an incentive program in one of our studios and a reduction in operating costs driven mainly by the lower cost base in InnoGames after the restructuring announced in April and the fact that PlaySimple's sales are increasing due to successful scaling of their games.

We delivered a cash conversion of 53% in Q2 and 42% for the last 12-month period. The cash conversion in the quarter reflected the continued strength of our games portfolio and relatively low CAPEX levels in this quarter, offset by SEK 40 million of restructuring costs in InnoGames. The cash conversion levels for the last 12-month period reflected the fact that the cash for the platform incentive payment was received by PlaySimple in Q2 last year as well as negative net working capital effects in Q3 22 following positive effects in Q2 last year.

### A strong balance sheet and healthy cash flows support strategy and shareholder value creation

MTG has a strong balance sheet and healthy operating cash flows, and we continue to see future M&A as an

important avenue of growth and value creation. We believe that such future M&A will help us increase our relevant scale, which will enable us to drive shareholder value by exploring synergetic strategies through our Flow Platform.

At the same time, we recognize that we also have the opportunity to use our balance sheet to continue delivering shareholder returns. MTG intends to continue to repurchase own shares in line with the authorization granted by the AGM in May. The launch of a new share buyback program requires us to cancel 6,520,000 of the B shares we hold in treasury. We expect to receive the authorization to do so from the Swedish authorities in the mid August.

### Looking forward

The second quarter clearly demonstrated the momentum we have within the group. Our Word Games franchise once again delivered outstanding results, and our Tower Defense games continue to showcase the strength of a community-driven global IP. I am also proud of the progress and momentum in Forge of Empires. We have more work to do with the current games in our Racing franchise, but I am excited by the new games in the pipeline and the recent partnership between Hutch and Turn 10 studios, which again shows our ability to work with major global IP holders.

The market performed slightly better than expected in Q2, and we are happy to note that both our own performance and the market environment continue to show positive dynamics.

Thank you,

Maria Redin

Group President & CEO, Modern Times Group MTG AB

## Outlook for 2023

MTG reiterates its outlook for the full year 2023.

We expect our full year sales to be within the range of -3% to +2% when adjusted for currency effects. We also expect our adjusted EBITDA margin for the year to be within our long-term outlook of 23-25%.

## Significant events

**March 28** – MTG increased its ownership in PlaySimple to approximately 93%, with the remaining shares held by PlaySimple Founders. The group has consolidated 100% of PlaySimple since 1 August 2021 and has a contractual path to full ownership in place.

**April 13** – MTG's German gaming studio, InnoGames, announced a strategic organizational realignment of its business.

**June 12** – MTG announced the appointment of Nils Mösko as its new CFO. Nils has extensive experience in strategy and financial management and has most recently served as the Chief Strategy Officer and Head of Business Development at the electrical vehicle company Polestar. Before this he served as the Global Deputy CFO of Polestar since 2018. He has also held a number of senior financial leadership roles within Volvo Car Group, including most recently Vice President of Investor Relations. Nils will start after the summer of 2023 and is taking over from Lasse Pilgaard, who resigned as CFO in February and is leaving the group in August to explore opportunities closer to his family and home in Copenhagen, Denmark.

**Further information about the group's significant events can be found on MTG's homepage on [www.mtg.com](http://www.mtg.com).**



## Group performance

### Net sales

Group net sales grew 6% year over year in the quarter to SEK 1,458 (1,379) million, supported by a 7% positive contribution from currency effects. MTG therefore reported a 2% year over year decline in sales in constant currencies in Q2, a significant improvement compared to 11% year over year organic decline in Q1 this year. The group reported 9% sequential revenue growth in constant currencies in the quarter.

PlaySimple was the main driver of the group's organic revenue performance and sequential improvement. The studio grew its revenues on the back of successful investments in user acquisition, supported by improvements in ad monetization. These increased marketing investments drove growth in our well-established word games and supported the rapid scale up of the studio's new games in commercial launch. Word Search, in particular, had a strong quarter, during which PlaySimple was able to more than double user acquisition investments, as well as the user base and revenue of the game on a sequential basis. The studio's improved ad-monetization comes on the back of continued investments into ad-tech and successful live-ops combined with a stronger advertising market. As a result, we were able to successfully increase the average revenue per DAU (daily active user) across all games.

Ninja Kiwi had a strong quarter driven by the growth of Bloons TD6 driven by a successful major update and subsequent Steam sale. The studio successfully released Bloons TD6 on Netflix in June. First indications are positive, with the user base exceeding our initial expectations.

InnoGames revenues were down year over year due to tough comparative figures in Q2 2022. Studio revenues were up sequentially for the first time in five quarters and June revenues were up year over year as mentioned above. The performance was driven by Forge of Empires, which had several well-performing events in the quarter. The game team is focused on initiatives to improve long-term monetization from existing players, in order to compensate for the challenges in attracting new players in this segment.

Hutch's revenues declined year over year in Q2. This reflected the fact that F1 Clash did not see an immediate uplift in revenues after the season reset in May, combined with weaker live-ops for Top Drives in the quarter. As mentioned above, the F1 Clash team is evaluating the longer-term effects of the update and its impact on the game's revenues.

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Net sales	1,458	1,379	2,764	2,736	5,537
Sales growth	6%	70%	1%	73%	41%
Changes in FX rates	7%	9%	7%	8%	9%
Sales growth at constant FX <sup>1</sup>	-2%	61%	-6%	66%	32%
of which organic growth	-2%	-7%	-6%	-8%	-4%

1) Pro forma growth was 7% in Q2 2022 and 5% in FY 2022

### Adjusted EBITDA, EBITDA and EBIT

MTG reported adjusted EBITDA of SEK 397 (357) million in the quarter, and the group's adjusted EBITDA margin increased to 27% (26) in the period. The margin improvement on a year over year basis came from lower platform fees driven by a change in revenue mix, a one-off reversal of accrued LTIP (long-term incentive program) costs in one of our studios and lower operational expenditure levels driven by InnoGames. These improvements were somewhat offset by relatively higher user acquisition investment levels in the quarter increasing to 39% of revenue vs. 36% same period last year.

The group's adjustments to reported EBITDA amounted to SEK 52 (-4) million in the quarter. This included an adjustment for non-recurring bonus structures of SEK 8 (15) million, an adjustment for M&A transaction costs of SEK 4 (-19) million and adjustments for items affecting comparability of SEK 40 million relating to the restructuring program in InnoGames.

The group reported EBITDA of SEK 345 (361) million and a margin of 24% (26) in the quarter showcasing the group's strong operating momentum offset somewhat by the one-time costs related to the restructuring program in InnoGames.

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
<b>EBIT</b>	<b>222</b>	<b>158</b>	<b>344</b>	<b>244</b>	<b>558</b>
Amortization	123	195	240	340	637
Depreciation	0	8	6	16	34
<b>EBITDA</b>	<b>345</b>	<b>361</b>	<b>590</b>	<b>600</b>	<b>1,229</b>
Items affecting comparability	40	-	-	-	-
Impairment own capitalized costs	-	0	-	7	26
Non-recurring bonus structures <sup>1</sup>	8	15	21	86	99
M&A transaction costs	4	-19	9	7	19
<b>Adjusted EBITDA</b>	<b>397</b>	<b>357</b>	<b>620</b>	<b>699</b>	<b>1,373</b>
<i>Adjusted EBITDA margin</i>	<i>27%</i>	<i>26%</i>	<i>22%</i>	<i>26%</i>	<i>25%</i>

<sup>1)</sup> Long term incentive programs are included in figures prior to Q2 2022

Depreciation and amortization amounted to SEK 123 (203) million and included amortization of purchase price allocations (PPA) of SEK 91 (93) million. Excluding PPA, depreciation and amortization amounted to SEK 32 (110) million.

Consolidated EBIT was SEK 222 (158) million in the quarter, which corresponded to an EBIT margin of 15% (11). Operating costs before depreciation and amortization increased by 9% year over year to SEK 1,113 (1,018) million.

## Key performance indicators

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
DAU, million	6.6	6.4	6.5	6.4	6.7
MAU, million	30.7	29.4	31.5	31.4	33.3
ARPDau, SEK	2.4	2.3	2.3	2.3	2.1
Revenue generated by the top 3 games, %	47%	46%	44%	40%	42%
Revenue generated by platform, %					
Mobile	77%	77%	76%	73%	73%
Browser	20%	20%	19%	18%	20%
Other	3%	3%	5%	8%	7%
Revenue generated by territory, %					
Europe	32%	32%	33%	31%	32%
North America	63%	63%	64%	61%	63%
Asia Pacific	4%	4%	3%	7%	4%
Rest of World	1%	1%	0%	1%	1%
UA spend, SEKm	563	537	559	499	500

The group's total DAU (daily active users) increased by 2% and MAU (monthly active users) increased by 5% on a sequential basis driven by the successful launch of Bloons TD6 on Netflix, the F1 Clash season reset and strong momentum in the word games portfolio. Year over year the group's total DAU were down 2% and MAU were down by 8%. Just like in the first quarter, the decline primarily reflected the group's challenges in attracting and retaining players in our mid-core games, offset by the continued strong positive momentum in our casual player base.

Average Revenue per Daily Active User (ARPDau) was up by 14% year over year and 8% on a sequential basis reflecting favorable exchange rates, successful event performance in midcore and improved ad-monetization in our casual games. Similar to the first quarter, improved monetization was partly offset by a higher proportion of casual players in the group's overall player mix.

Forge of Empires, Word Trip, and Word Jam continued to be the group's top three performing titles. The top three games represented 47% of the group's revenues in the second quarter, compared to 46% in the first quarter.

The group's proportion of mobile revenues represented 77% (73%) of total revenues in the second quarter. This reflected the fact the proportion of the group's total revenues generated by PlaySimple is increasing, and the browser-based revenue, especially in InnoGames, is therefore making up a smaller portion of the total. In addition, the platform incentives received by PlaySimple last year were not part of mobile revenues, which further affects comparability.

## Reported sales by franchise

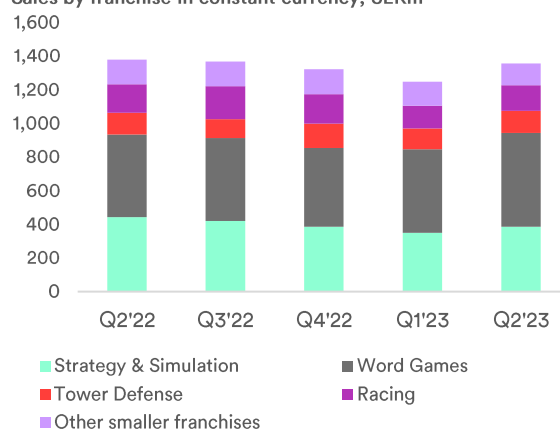
(SEKm)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Strategy & Simulation	424	372	404	425	442
Word Games	596	517	502	525	490
Tower Defense	134	127	148	114	130
Racing	164	138	178	196	168
Other smaller franchises	140	151	157	152	148
<b>Total sales</b>	<b>1,458</b>	<b>1,306</b>	<b>1,388</b>	<b>1,412</b>	<b>1,379</b>

**Word Games** franchise revenues increased by 14% year over year and 12% from Q1 in constant currencies. The Word Games franchise has now been MTG’s largest for six quarters in a row. The franchise reported another very strong quarter with both year-over-year and sequential revenue growth. Both new games, Word Search and Crossword Explorer, continued to grow in Q2, with the former being the strongest performer in the period. Growth was also driven by established franchise games. Key franchise developments in the quarter included optimized in-game events to drive stickiness and retention in Word Search, scaled marketing for key games and additional content to drive engagement and optimization of the ad monetization strategy in Crossword Explorer. Franchise performance was further boosted by strong ad monetization from established games like Word Trip and Crossword Jam, which both received several updates in the period. The Daily Themed Crossword team has also began exploring how to use generative AI tools to support content creation.

Revenues for the **Strategy & Simulation** franchise declined by 13% year over year but were up by 10% from the first quarter in constant currencies driven by Forge of Empires. Forge of Empires continued to show positive momentum in the quarter driven by live-ops, with all three in-game events during the quarter were performing well. The team is focused on driving monetization from existing long-term players, as well as on early player retention, with several new features showing positive early indicators. InnoGames is also working on improving the performance of the new games in the franchise, Sunrise Village and Rise of Cultures, neither of which are significant revenue drivers at the moment. The Sunrise Village team continued to focus on retention initiatives to drive the game’s momentum and InnoGames has an active roadmap of features planned to bring the game back to growth. Rise of Cultures had several well performing events in the quarter and the team is working on driving growth in the game. The year over year decline in franchise sales also continued to reflect elevated post-Covid levels in the Strategy & Simulation segment in the beginning of Q2 2022, as well as the ongoing effects of Apple’s IDFA changes which negatively affect our ability to effectively attract new players through marketing.

**Tower Defense** franchise revenues were up by 1% year over year and were up by 6% sequentially in constant currencies. Bloons TD6 continued to deliver strong performance in the quarter, thanks to a major well-received update in April, followed by a Steam Sale. This

Sales by franchise in constant currency, SEKm



was further boosted by the game’s continued strong performance on Apple Arcade. The team continued to expand Bloons TD6 with the launch of another update in June, which included a new late game tower, map and hero skin. Bloons was also successfully launched on Netflix in the quarter, with positive initial metrics. The team continued the ongoing work to improve Bloons TD Battles 2, with a new original hero, new map and a several features to improve player retention and onboarding.

**Racing** franchise revenues declined by 10% year over year but were up by 13% on a sequential basis in constant currencies. The year over year performance reflected a slower start to the F1 Clash season after the reset compared to last year, while the sequential growth was mainly driven by the fact that the first quarter is typically seasonally weak for our racing games. The team is still in the process of evaluating the longer-term performance of the update to F1 Clash, which has been designed to improve player retention and stickiness. Top Drives did not deliver growth in the quarter, as the game’s live-ops did not perform according to our expectations in May. We did however see performance improve somewhat in June. Hutch is working on a new roadmap to drive the game’s performance going forward and has also recruited a new Creative Director, who will join the company in the third quarter. Hutch is making good progress on the new games for the Racing franchise, and recently announced a partnership with Turn 10, the Microsoft-owned game studio that owns the Forza racing franchise. The two studios are working together on a new racing-themed mobile title centered around car customization.

**Kongregate's** revenues declined both year over year in the quarter and sequentially as the studio continues to explore in the development of Web 3.0 gaming. The Kongregate.com portal published four new Kongregate Squad games on their platform in Q2 and added 26 new third-party games to the Kongregate.com platform in the period. The studio has also continued to add features to the card battler Animation Throwdown, including minigames and a guild chat, and were able to invest in marketing on the backside of these updates.

## Net financials and net income

Net financial items amounted to SEK -86 (157) million in the quarter, of which net interest amounted to SEK 40 (9) million and other financial items to SEK -126 (148) million. Other financial items consist of unrealized and realized exchange rate differences (SEK -23 million), gain and loss from financial assets and liabilities (SEK -52 million) and discounted interest on earnouts (SEK -51 million).

Unrealized and realized exchange rate differences amounted to net SEK -23 million, of which realized exchange rate differences amounted to SEK -16 million and unrealized exchange rate differences amounted to SEK -7 million. Gains and losses from financial assets and liabilities amounted to SEK -52 million, of which:

- SEK -101 million related to the revaluation of the earnout liability
- SEK 40 million related to the valuation of a financial liability related to the acquisition of the remaining outstanding 7.2% shares of PlaySimple, (since the liability follows the value of a fixed number of shares)
- SEK 9 million related to other changes.

The group's tax amounted to SEK -79 (-62) million.

Net income for the quarter therefore amounted to SEK 57 (254) million.

## Discontinued operations

MTG divested ESL Gaming to Savvy Gaming Group in April 2022. As a result, the group's esports vertical and operations have been reclassified as discontinued operations since Q1 2022 (including in this report). Further information can be found in the 2022 Annual Report, as well as in the 2022 quarterly reports.

## Venture capital fund investments

To date, the MTG VC fund has invested a total of SEK 359 (USD 34) million in a total of 24 companies. VC investments complement MTG's majority stake investment in Kongregate, InnoGames, Hutch, Ninja Kiwi and PlaySimple.

The portfolio assets range from start-up game developers across several game genres and game creation platforms in the US and Europe to pure esports-focused companies. VC investments related to esports remained in MTG after the divestment of ESL Gaming.

## Financial review

### Cash flow

Cash flow from operations before changes in working capital and taxes paid amounted to SEK 363 (214) million. This included a realized currency exchange gain amounting to SEK 16 million in the quarter. Depreciation and amortization amounted to SEK -123 (-203) million, of which SEK -91 (-93) million pertained to amortization of PPA. Paid taxes amounted to SEK -103 (-117) million.

The group reported a SEK 0 (171) million change in working capital in the quarter.

Net cash flow from operations therefore amounted to SEK 260 (268) million.

### Investing activities

Total cash flow relating to investing activities amounted to SEK -528 (-297) million in the quarter and mainly consisted of an earnout payment of SEK -365 million to NinjaKiwi and SEK -118 million related to a deposit in PlaySimple. 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 -65 (-48) million in the quarter.

### Financing activities

Total cash flow relating to financing activities amounted to SEK -57 (-1,968) million, of which SEK -60 million related to the group's repurchase of shares.

The net change in cash and cash equivalents amounted to SEK -324 (7,089) million.

The group had cash and cash equivalents of SEK 3,871 (8,182) million at the end of the period.

### Net debt

Net debt refers to the sum of interest-bearing liabilities less cash and cash equivalents. Interest-bearing liabilities such as additional purchase considerations or lease liabilities are not included.

Net debt as of June 30, 2023, amounted to SEK -3,871 (-8,182) million. The net debt calculation includes external financing of SEK 0 (0) million less SEK 3,871 (8,182) million in cash and cash equivalents.

## Parent Company

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

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Net sales	15	10	30	22	40
Net interest and other financial items	84	7,520	33	7,512	7,705
Income before tax and appropriations	45	7,485	-34	7,435	7,527

Net interest and other financial items for the quarter amounted to SEK 84 (7,520) million. Net interest amounted to SEK -31 (7) million. Unrealized and realized exchange rate differences amounted to SEK 116 (-133) million and other financial items to SEK -2 (-1) million.

The parent company had cash and cash equivalents of SEK 2,686 (7,063) million at the end of the period. The increased comparative figures is attributable to the divestment of ESL Gaming in the previous year.

The total number of shares outstanding at the end of the period was 124,785,133 (108,878,082), excluding the 7,079,251 Class B shares and the 6,324,343 Class C shares held by MTG as treasury shares. MTG issued 4,152,787 B-shares to the sellers of Ninja Kiwi during the quarter in order to settle the group's earn-out obligations, as per the approval of the AGM on 17 May.

## Other information

### Accounting policies

This interim report has been prepared according to 'IAS 34 Interim Financial Reporting' and the Swedish Annual Accounts Act'. The interim report for the parent company has been prepared according to the Swedish 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 2022 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 and uncertainties

Significant risks and uncertainties exist for the group and the parent company. These factors include the prevailing economic and business environments; 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; the emergence of new technologies and competitors; and cyber-attacks.

The group's game development businesses depend on their ability to continue releasing successful titles that attract paying customers, conditions that are not under the group's full control.

Risks and uncertainties are also described in more detail in the 2022 Annual Report, which is available at [www.mtg.com](http://www.mtg.com).

Stockholm, July 20, 2023

Maria Redin

Group President & CEO, Modern Times Group MTG AB

## Condensed consolidated income statement

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
<b>Continuing operations</b>					
Net sales	1,458	1,379	2,764	2,736	5,537
Cost of goods and services	-366	-54	-704	-685	-1,523
<b>Gross income</b>	<b>1,092</b>	<b>1,325</b>	<b>2,060</b>	<b>2,051</b>	<b>4,014</b>
Selling expenses	-588	-824	-1,151	-1,109	-2,215
Administrative expenses	-273	-353	-561	-712	-1,278
Other operating income	35	13	42	17	44
Other operating expenses	-5	-2	-7	-3	-7
Items affecting comparability	-40	-	-40	-	-
<b>EBIT</b>	<b>222</b>	<b>158</b>	<b>344</b>	<b>244</b>	<b>558</b>
Net interest	40	9	83	-3	54
Other financial items <sup>1</sup>	-126	148	-230	38	-114
<b>Income before tax</b>	<b>136</b>	<b>316</b>	<b>196</b>	<b>280</b>	<b>498</b>
Tax	-79	-62	-114	-137	-246
<b>Net income for the period, continuing operations</b>	<b>57</b>	<b>254</b>	<b>82</b>	<b>143</b>	<b>252</b>
<b>Discontinued operations</b>					
Esport	-	6,492	-	6,288	6,223
<b>Net income for the period, discontinued operations</b>	<b>-</b>	<b>6,492</b>	<b>-</b>	<b>6,288</b>	<b>6,223</b>
<b>Total net income for the period</b>	<b>57</b>	<b>6,746</b>	<b>82</b>	<b>6,431</b>	<b>6,475</b>
<b>Net income for the period attributable to:</b>					
Equity holders of the parent	57	6,763	82	6,448	6,579
Non-controlling interest	-	-17	-	-17	-105
<b>Net income for the period</b>	<b>57</b>	<b>6,746</b>	<b>82</b>	<b>6,431</b>	<b>6,475</b>
<b>Continuing operations</b>					
Basic earnings per share, SEK	0.47	2.47	0.67	1.45	2.70
Diluted earnings per share, SEK	0.47	2.46	0.66	1.45	2.69
<b>Total</b>					
Basic earnings per share, SEK	0.47	61.57	0.67	58.56	56.26
Diluted earnings per share, SEK	0.47	61.42	0.66	58.41	56.06
<b>Number of shares</b>					
Shares outstanding at the end of the period	124,785,133	108,878,082	124,785,133	108,878,082	123,731,164
Basic average number of shares outstanding	122,194,949	109,844,544	122,390,669	110,113,693	116,950,340
Diluted average number of shares outstanding	122,563,917	110,107,380	122,768,884	110,382,799	117,355,207

1) Other financial items published in Q2 2022 have been adjusted by SEK 242 million affecting the net income of discontinued operations with a net effect of SEK 164 million and currency translation differences in Other comprehensive income with a net effect of SEK 357 million after taxes of SEK 92 million. In addition, a reversal of SEK 100 million in exchange rate losses and a revaluation of Other interest-bearing liabilities of SEK 79 million have been made.



**Consolidated statement of comprehensive income**

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
<b>Net income</b>	<b>57</b>	<b>6,746</b>	<b>82</b>	<b>6,431</b>	<b>6,475</b>
<i>Other comprehensive income</i>					
<i>Items that are or may be reclassified to profit or loss net of tax:</i>					
Currency translation differences	754	520	790	710	842
<b>Total comprehensive income for the period</b>	<b>811</b>	<b>7,267</b>	<b>872</b>	<b>7,141</b>	<b>7,317</b>
Total comprehensive income attributable to					
Equity holders of the parent	811	7,363	872	7,226	7,402
Non-controlling interest	-	-96	0	-84	-85
<b>Total comprehensive income for the period</b>	<b>811</b>	<b>7,267</b>	<b>872</b>	<b>7,141</b>	<b>7,317</b>

**Condensed consolidated balance sheet**

(SEKm)	Jun 30 2023	Jun 30 2022	Dec 31 2022
<b>Non-current assets</b>			
Goodwill	10,855	10,144	10,285
Other intangible assets	2,424	2,587	2,410
<b>Total intangible assets</b>	<b>13,278</b>	<b>12,731</b>	<b>12,695</b>
<b>Total tangible assets</b>	<b>52</b>	<b>60</b>	<b>58</b>
Right of use assets	63	75	65
Shares and participations in associated and other companies	440	385	409
Other financial receivables	323	195	200
<b>Total non-current financial assets</b>	<b>763</b>	<b>581</b>	<b>609</b>
<b>Total non-current assets</b>	<b>14,156</b>	<b>13,446</b>	<b>13,427</b>
<b>Current assets</b>			
Other receivables	788	616	608
Cash and cash equivalents	3,871	8,182	4,733
<b>Total current assets</b>	<b>4,660</b>	<b>8,798</b>	<b>5,341</b>
<b>Total assets</b>	<b>18,816</b>	<b>22,244</b>	<b>18,769</b>
<b>Equity</b>			
Shareholders' equity	14,922	13,893	13,934
<b>Total equity</b>	<b>14,922</b>	<b>13,893</b>	<b>13,934</b>
<b>Non-current liabilities</b>			
Lease liabilities	29	43	32
<b>Total non-current interest-bearing liabilities</b>	<b>29</b>	<b>43</b>	<b>32</b>
Provisions	608	690	620
Contingent consideration	1,546	1,792	1,409
<b>Total non-current non-interest-bearing liabilities</b>	<b>2,155</b>	<b>2,482</b>	<b>2,030</b>
<b>Total non-current liabilities</b>	<b>2,183</b>	<b>2,525</b>	<b>2,062</b>
<b>Current liabilities</b>			
Contingent consideration	365	706	1,293
Lease liabilities	36	33	34
Other interest-bearing liabilities <sup>1</sup>	426	700	707
Other non-interest-bearing liabilities	885	4,386	737
<b>Total current liabilities</b>	<b>1,711</b>	<b>5,825</b>	<b>2,773</b>
<b>Total liabilities</b>	<b>3,894</b>	<b>8,351</b>	<b>4,835</b>
<b>Total shareholders' equity and liabilities</b>	<b>18,816</b>	<b>22,244</b>	<b>18,769</b>

1) Liability for acquisition of the remaining 7.2 % of PlaySimple SEK 426 million.

## Condensed consolidated statement of cash flows

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Income before tax adjusted for items not included in cash flow <sup>1</sup>	363	214	749	487	1,447
Taxes paid	-103	-117	-181	-184	-408
Changes in working capital	0	171	-46	44	-171
<b>Cash flow from operations</b>	<b>260</b>	<b>268</b>	<b>522</b>	<b>268</b>	<b>868</b>
Investments/divestments in deposits	-118	-	-118	-	-
Acquisition of subsidiaries, associates and other investments	20	-33	-142	-38	-85
Earnout payments	-365	-217	-828	-217	-317
Investments in other non-current assets	-65	-48	-127	-111	-234
<b>Cash flow from investing activities</b>	<b>-528</b>	<b>-297</b>	<b>-1,215</b>	<b>-365</b>	<b>-636</b>
Net change in borrowings	-	-2,000	-	-1,900	-1,900
Repayment share redemption	-	-	-	-	-2,733
Repurchase of shares	-60	-146	-246	-146	-443
Loan to / repayment of loans from discontinued operations	-	216	-	154	154
Other cash flow from/used in financing activities	3	-38	-6	-45	-51
<b>Cash flow from financing activities</b>	<b>-57</b>	<b>-1,968</b>	<b>-252</b>	<b>-1,937</b>	<b>-4,974</b>
<b>Net change in cash, continuing operations<sup>1</sup></b>	<b>-324</b>	<b>-1,997</b>	<b>-945</b>	<b>-1,956</b>	<b>-4,742</b>
<b>Net change in cash, discontinued operations<sup>1</sup></b>	<b>-</b>	<b>9,086</b>	<b>-</b>	<b>9,130</b>	<b>8,459</b>
<b>Total net change in cash and cash equivalents</b>	<b>-324</b>	<b>7,089</b>	<b>-945</b>	<b>7,174</b>	<b>3,717</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,019</b>	<b>894</b>	<b>4,733</b>	<b>943</b>	<b>943</b>
Translation differences in cash and cash equivalents	178	56	83	65	74
Change in cash and cash equivalents in assets held for sale	-	144	-	-	-
<b>Cash and cash equivalents at end of the period</b>	<b>3,871</b>	<b>8,182</b>	<b>3,871</b>	<b>8,182</b>	<b>4,733</b>

<sup>1</sup>) Reclassification in 2022 between continuing and discontinued operations regarding hedge of SEK 191 million.

## Condensed consolidated statement of changes in equity

(SEKm)	Jun 30 2023	Jun 30 2022	Dec 31 2022
<b>Opening balance</b>	<b>13,934</b>	<b>9,923</b>	<b>9,923</b>
Net income for the period	82	6,431	6,475
Other comprehensive income for the period	790	710	842
<b>Total comprehensive income for the period</b>	<b>872</b>	<b>7,141</b>	<b>7,317</b>
Effect of employee share programs	15	2	16
New share issue	347	-	-
Repurchase of shares	-246	-146	-450
Change in non-controlling interests	-	-139	-138
Redemption of shares	-	-2,888	-2,733
<b>Closing balance</b>	<b>14,922</b>	<b>13,893</b>	<b>13,934</b>

## Parent company condensed income statement

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Net sales	15	10	30	22	40
<b>Gross income</b>	<b>15</b>	<b>10</b>	<b>30</b>	<b>22</b>	<b>40</b>
Administrative expenses	-54	-45	-97	-98	-218
<b>Operating income</b>	<b>-39</b>	<b>-35</b>	<b>-66</b>	<b>-77</b>	<b>-178</b>
Net interest and other financial items <sup>1</sup>	84	7,520	33	7,512	7,705
<b>Income before tax and appropriations</b>	<b>45</b>	<b>7,485</b>	<b>-34</b>	<b>7,435</b>	<b>7,527</b>
Appropriations	-	-	-	-	224
Tax	0	-	0	-	-6
<b>Net income for the period</b>	<b>45</b>	<b>7,485</b>	<b>-34</b>	<b>7,435</b>	<b>7,746</b>

1) Received dividend net of impairment during 2022 for a total of SEK 7.6 billion

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

## Parent company condensed balance sheet

(SEKm)	Jun 30 2023	Jun 30 2022	Dec 31 2022
<b>Non-current assets</b>			
Capitalized expenditure	0	1	0
Machinery and equipment	1	1	1
Shares and participations	22,463	20,513	22,463
<b>Total non-current assets</b>	<b>22,465</b>	<b>20,515</b>	<b>22,465</b>
<b>Current assets</b>			
Current receivables	47	21	622
Cash and cash equivalents	2,686	7,063	3,625
<b>Total current assets</b>	<b>2,733</b>	<b>7,084</b>	<b>4,246</b>
<b>Total assets</b>	<b>25,197</b>	<b>27,599</b>	<b>26,711</b>
<b>Shareholders' equity</b>			
Restricted equity	691	585	670
Non-restricted equity	15,151	14,989	15,089
<b>Total equity</b>	<b>15,842</b>	<b>15,574</b>	<b>15,759</b>
<b>Untaxed reserves</b>	<b>9</b>	<b>-</b>	<b>9</b>
<b>Non-current liabilities</b>			
Provisions	10	0	7
<b>Total non-current liabilities</b>	<b>10</b>	<b>0</b>	<b>7</b>
<b>Current liabilities</b>			
Other interest-bearing liabilities	9,294	9,097	10,502
Non-interest-bearing liabilities	43	2,927	434
<b>Total current liabilities</b>	<b>9,336</b>	<b>12,025</b>	<b>10,936</b>
<b>Total shareholders' equity and liabilities</b>	<b>25,197</b>	<b>27,599</b>	<b>26,711</b>

## 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 and contingent considerations for which the valuation technique is described below.

(SEKm)	Jun 30 2023				Dec 31 2022			
	Carrying value	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Shares and participations in other companies	439	-	-	439	408	-	-	408
<b>Financial liabilities measured at fair value</b>								
Contingent consideration	1,911	-	-	1,911	2,703	-	-	2,703

## 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 subsequent financing through 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. Listed holdings are valued at the current share price.

(SEKm)	Jun 30 2023	Dec 31 2022
<b>Opening balance 1 January</b>	<b>408</b>	<b>346</b>
of which discontinued operations	-	-11
Reported gains and losses in net income for the period	-5	22
Acquisition	6	23
Translation differences	2	21
Loan converted to shares	27	8
<b>Closing balance</b>	<b>439</b>	<b>408</b>

**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)	Jun 30 2023	Dec 31 2022
<b>Opening balance 1 January</b>	<b>2,703</b>	<b>2,319</b>
of which discontinued operations	-	-10
Exercised payments	-828	-317
Revaluation	203	224
Reclassification	-348	-
Interest expense	120	220
Translation differences	61	267
<b>Closing balance</b>	<b>1,911</b>	<b>2,703</b>

(SEKm)	2023	2024	2025	2026+	Total
Cash Consideration	365	687	783	76	1,911
Share Consideration	-	-	-	-	0
<b>Total contingent consideration<sup>1)</sup></b>	<b>365</b>	<b>687</b>	<b>783</b>	<b>76</b>	<b>1,911</b>

1) Exercised payments related to contingent considerations during 2023 amount to SEK 828 million

## 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 uses 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, non-recurring bonus structures, acquisition-related transaction costs and impairment of capitalized internal work. Items affecting comparability refer 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. During the second quarter of 2022 the group changed its definition of adjusted EBITDA. The new definition of adjusted EBITDA does not include the group's various operational incentive programs and only includes non-recurring bonus structures.

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
<b>EBIT</b>	<b>222</b>	<b>158</b>	<b>344</b>	<b>244</b>	<b>558</b>
Amortization	123	195	240	340	637
Depreciation	0	8	6	16	34
<b>EBITDA</b>	<b>345</b>	<b>361</b>	<b>590</b>	<b>600</b>	<b>1,229</b>
Items affecting comparability	40	-	-	-	-
Impairment own capitalized costs	-	-	-	7	26
Non-recurring bonus structures <sup>1</sup>	8	15	21	86	99
M&A transaction costs	4	-19	9	7	19
<b>Adjusted EBITDA</b>	<b>397</b>	<b>357</b>	<b>620</b>	<b>699</b>	<b>1,373</b>

1) Q1 figures in FY 2022 include long term incentive programs

## Reconciliation of sales growth

Since the group generates the majority of its sales in currencies other than 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 for 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 total reported net sales.

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
<b>Group</b>					
Organic growth	-2%	-7%	-6%	-8%	-4%
Acquisition/divestments	0%	69%	0%	74%	35%
Changes in FX rates	7%	9%	7%	8%	9%
<b>Reported growth</b>	<b>6%</b>	<b>70%</b>	<b>1%</b>	<b>73%</b>	<b>41%</b>

## 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.

### ARPAU

Average revenue per daily active user.

### CAPEX

Capital expenditures.

### CASH CONVERSION

Operating cash flow in relation to adjusted EBITDA.

### DAU

Daily active users.

### 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.

### 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.

### MAU

Monthly active users.

### Organic growth

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

### Pro forma growth

The change in net sales compared with the same period last year as if the company had fully consolidated its acquisitions and divestments as of the previous period and adjusted for currency effects. The pro forma figures have been prepared with advice from external expertise in order to restate a GAAP financial statement to IFRS and may include timing adjustments for both income and costs.

### Pro forma revenue

Revenue presented as if the company would had fully consolidated its acquisitions and divestments. The pro forma figures have been prepared with advice from external expertise in order to restate a GAAP financial statement to IFRS and may include timing adjustments for both income and costs.

### Pro forma UA spend

User acquisitions costs presented as if the company would had fully consolidated its acquisitions and divestments as of the previous period. The pro forma UA spend figures are presented in local GAAP for the respective portfolio companies from the time periods prior to being consolidated by MTG.

### Transactional currency effect

The effect that foreign exchange rate fluctuations can have on a completed transaction prior to settlement. This refers to 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

### Financial calendar

The group will report its financial results for the third quarter of the year on October 25, 2023.

### Questions?

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### Conference call

MTG will host a livestream and conference call at 3.00 p.m. CEST today, on 20 July 2023. The call will be held in English.

#### How to join:

- To participate via livestream, please use [this link](#).
- To join via phone, please register on [this link](#). After you've registered, you'll receive the dial-in number and conference ID to access the teleconference.
- You can ask questions via phone during the teleconference or by using the livestream Q&A tool.





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MTG (Modern Times Group MTG AB (publ.)) ([www.mtg.com](http://www.mtg.com)) is an international mobile gaming group that owns and operates gaming studios with popular global IPs across a wide range of casual and mid-core genres. The group is focused on accelerating portfolio company growth and supporting founders and entrepreneurs. MTG is an active driver of gaming industry consolidation and a strategic acquirer of gaming companies around the world. We are born in Sweden but have an international culture and global footprint. Our shares are listed on Nasdaq Stockholm (“MTGA” and “MTGB”).

**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 above, at 7:30 a.m. CEST on July 20, 2023.**

This interim report contains statements concerning, among other things, MTG’s financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent MTG’s future expectations. MTG believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such important factors include but may not be limited to MTG’s market position; growth in the gaming industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of MTG, its group companies and the gaming industry in general. Forward-looking statements apply only as of the date they were made, and, other than as required by applicable law, MTG undertakes no obligation to update any of them in the light of new information or future events.

## MTG returns to organic growth, delivers record profitability and increases margin outlook for 2023

We are well on track to deliver on our full-year revenue outlook. Q3 revenues were up 6% year over year to SEK 1,494 million. Sales were up 1% year over year and up 2% from Q2 in constant currencies. Total user acquisition (UA) spend amounted to 37% of revenues in Q3. The group delivered record-breaking quarterly adjusted EBITDA of SEK 449 million in Q3, with a strong margin of 30%. We are increasing the outlook for our full-year adjusted EBITDA margin on the back of this strong performance and now expect the margin to be between 25% and 27% for the year. We are also very excited about our acquisition of a majority stake in Snowprint Studios after the end of the quarter.

### Financial highlights Q3, continuing operations

- Net sales increased by 6% year over year to SEK 1,494 (1,412) million. Sales were up by 1% year over year in constant currencies, and up 2% quarter over quarter
- UA spend of SEK 554 (499) million corresponding to 37% (35%) of revenues
- Adjusted EBITDA of SEK 449 (374) million with an adjusted EBITDA margin of 30% (27%)
- Reported EBITDA of SEK 429 (325) million and EBIT of SEK 283 (193) million
- Net financial items amounted to SEK 10 (304) million of which net interest amounted to SEK 44 (21) million and other financial items amounted to SEK -33 (283) million including discounted interest on earnouts of SEK -52 million, gain and loss from financial assets and liabilities of SEK -24 million, unrealized and realized exchange rate differences of SEK 45 million and other items totaling SEK -2 million
- Total net income of SEK 194 (336) million and total basic earnings per share of SEK 1.55 (2.75)
- Cash flow from operations in the quarter of SEK 444 (291) million including a realized currency exchange gain amounting to SEK 91 million and cash conversion of 69% in Q3 and 52% for the last 12 months (October 2022 to September 2023)
- Cash and cash equivalents at the end of the period amounted to SEK 3,989 (4,695) million. In addition, the group has SEK 123 million in long-term bank deposits
- Maintained full year revenue outlook. We continue to expect sales within the range of -3% to +2%, adjusted for currency effects. We upgrade our adjusted EBITDA margin target for the year to a range of 25% to 27% (2023 outlook excludes contribution from Snowprint Studios)
- Acquired 70% majority stake in Snowprint Studios after the end of the quarter

### Financial overview

(SEKm)	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
<b>Continuing operations</b>					
Net sales	1,494	1,412	4,258	4,149	5,537
EBIT	283	193	626	437	558
EBITDA	429	325	1,019	925	1,229
Adjusted EBITDA	449	374	1,109	1,074	1,373
Net income	194	385	275	521	252
Basic earnings per share (SEK)	1.55	3.14	2.23	5.11	2.70
Diluted earnings per share (SEK)	1.55	3.13	2.23	5.10	2.69
<b>Discontinued operations</b>					
Net income	-	-48	-	6,240	6,223
<b>Total operations</b>					
Net income	194	336	275	6,760	6,475
Basic earnings per share (SEK)	1.55	2.75	2.23	60.04	56.26
Diluted earnings per share (SEK)	1.55	2.74	2.23	59.92	56.06
<b>Growth, continuing operations</b>					
Sales growth	6%	31%	3%	56%	41%
Changes in FX rates	5%	11%	6%	9%	9%
Sales growth at constant FX <sup>1</sup>	1%	20%	-4%	47%	32%
of which organic growth	1%	4%	-4%	-4%	-4%

1) Pro forma growth in Q3 2022 was 6% and 5% in FY 2022

## President & CEO's comments



### We delivered a strong quarter and returned to organic growth

We are very happy to report a strong Q3. Our sales and profitability were driven by a mix of the positive operational momentum we have been building throughout the year, combined with strong

operational execution. I am also proud that we have grown sequentially in each of the quarters of the year, despite the normally seasonally weaker Q3.

I am also excited to have closed our first major deal since 2021 – the acquisition of Snowprint Studios after the end of the quarter. This enables us to add the fast-scaling mid-core hit Warhammer 40,000: Tacticus to our portfolio and lets us welcome a great team of game industry veterans to our Gaming Village.

Our continuously improving performance and strong operational dynamics mean that we are well on track to delivering on our full year revenue goals, while also enabling us to upgrade our full year margin outlook. This upgrade is driven by the strength and ongoing scaling of our casual portfolio, another quarter of highly successful monetization of established users in Forge of Empires and strong growth from Bloons TD6.

We reported record revenues of SEK 1,494 in Q3, which represented 6% year-over-year growth, supported by positive currency effects. We returned to organic growth in the quarter, with revenues up 1% year-over-year and 2% sequentially in constant currencies. The year-over-year growth was driven by PlaySimple and Ninja Kiwi, while nearly all our studios grew their sales on a sequential basis. It's also worth keeping in mind that PlaySimple received the last of its platform incentive payments in Q3 last year, which means that our underlying growth is even more encouraging.

PlaySimple is the largest studio in our portfolio and is now beginning to benefit from the scale they have been building over the last two years. The strong year-over-year growth reflected the much larger user base for our word games, as well as the strong performance of Word Search and Crossword Jam in the quarter. PlaySimple's revenues were up slightly on a sequential basis, despite the seasonally weaker third quarter. The studio continued to work actively on optimization and live-ops in the quarter and is making good progress on several new games.

InnoGames continued to stabilize its performance in the quarter. Revenues from our largest title, Forge of Empires, were up both year on year and quarter on quarter, thanks to another period of strong execution on live-ops and key events, as well as growing browser revenues. The performance in the period further cements Forge of Empires as one of our most important evergreen titles and we continued to see high engagement and healthy

spending levels from our established players in the quarter. This once again highlights how InnoGames has managed to energize and refocus its team following the reorganization in April. The studio's revenues were down year over year, mainly due to lower marketing investments in some titles while the team continues to work on the long-term performance of their new games.

Ninja Kiwi's revenues were up significantly year over year and up slightly on a sequential basis in constant currencies. The growth was driven by Bloons TD 6, which continues to showcase the strength of Ninja Kiwi's content combined with highly successful platform and distribution deals. The game also benefited from strong initial sales on Xbox. After the end of the quarter Ninja Kiwi launched a milestone update for Bloons TD 6, which included the brand-new Map Editor feature. Early data has shown very strong engagement for the Map Editor from both new and established players. The update has generated significant buzz in the Bloons community and was a strong driver of engagement out of the gate, prompting players to spend money in the app for the first time. At the end of September, Ninja Kiwi also revealed that their next game will be called Bloons Card Storm, a digital collectable card game set in the Bloons universe which will be launched in 2024.

Hutch's revenues were down year over year and compared to the second quarter, with both F1 Clash and Top Drives performing below our expectations. The game teams are committed to return these titles to growth and are exploring a range of options going forward. Hutch successfully test-launched its new title Forza Customs in four markets, with encouraging KPIs across the board. The game is now available globally and Hutch is now preparing for a full commercial launch of the game. Hutch also announced that they have partnered with NASCAR to develop a new standalone mobile game in 2024.

Kongregate's sales were down year over year, but up slightly sequentially. The studio continued to focus on Web 3.0 gaming, with multiple updates for Bit Heroes Quest launched in the quarter. Kongregate also launched Bit Heroes Runner on Android and IOS during the quarter and added 29 new games to the Kongregate.com platform.

### Strong margin performance across the board in a seasonally weaker quarter

We invested a total of SEK 554 million in user acquisition in Q3, which was equivalent to 37% of our total revenues in the period. Our total UA spend was up year over year in constant currencies. This increase primarily reflected the strong growth and increased marketing spend in our casual segment, while it has continued to be challenging to bring in new players to our mid-core games.

We reported adjusted EBITDA of SEK 449 million in the quarter, corresponding to a margin of 30%. This was a significant increase compared to SEK 374 million and a margin of 27% in Q3 last year, when our results were boosted by the platform incentive payments in PlaySimple.

Our current profitability levels reflect our underlying revenue growth in our Word Games and Tower Defense franchises and higher monetization levels from established players in Forge of Empires.

We delivered a cash conversion of 69% in Q3 and 52% for the 12-month period ending 30 September 2023. This performance reflected the strong cash generation levels in our high margin studios, somewhat lower CAPEX and slightly positive working capital in the quarter.

### **We are executing on our M&A strategy while maintaining a strong balance sheet**

On 5 October we announced that MTG had acquired a 70% majority stake in the fast-growing Swedish mobile games' developer Snowprint Studios, the team behind the new and rapidly growing hit Warhammer 40,000: Tacticus. The game was launched in August 2022 and is in the very early stages of its growth journey.

We are convinced that we can help Snowprint accelerate their growth by providing them with access to the business intelligence and user acquisition toolkit available through the Flow Platform, which will help unlock new potential, and sharing our expertise in expanding games to new platforms. Snowprint has a small and highly experienced team in Stockholm and Berlin. The studio is led by three industry veterans, each with over 15 years of experience in mobile gaming.

The acquisition is closely aligned with our overall business strategy and Snowprint proved to be a strong match with our highly selective M&A framework. The acquisition enables us to increase our relevant scale in the crucially important mid-core segment. It is also closely aligned with our belief in successful games based on powerhouse global IP's. I am excited about the additional strength in our portfolio and the opportunities for growth and cross-promotion we see from this in the future.

At the same time, we are continuing to buy back shares, on the back of the SEK 300 million repurchase program we launched on 1 September. This program runs until the end of the year, and our Board of Directors will evaluate our next steps when the time comes.

### **Looking forward**

We expect the North American and European in-app purchase market to have been up by mid-single digits in Q3, which suggests that our markets continue to recover at a healthy rate. Given these positive dynamics, we now expect our overall market to be slightly up year over year in 2023, driven by the casual segment, while the mid-core market remains challenging.

I'm excited be heading into the rest of Q4 in a great position to deliver on our maintained revenue outlook and increased margin expectations. The acquisition of Snowprint adds another great studio to our Gaming Village and improves our potential to drive long-term synergies within the group.

We have a clear growth strategy, with transparent long-term growth and profitability targets. Our growth will come from our strong portfolio of established games and a very exciting pipeline of new titles that will be launched in next

12 to 24 months. This will be supported by the Flow Platform, and we continue to elevate the tools, experience, and experts we have in our studios.

I am excited about our future and look forward to sharing more news with you when the time comes.

Thank you,

*Maria Redin*

*Group President & CEO, Modern Times Group MTG AB*

## Outlook for 2023

MTG reiterates its revenue outlook for the full year 2023 but raises its margin expectations.

We continue to expect our full-year sales to be within the range of -3% to +2% after adjusting for currency effects. We now expect our adjusted EBITDA margin for the year to be 25% to 27%, slightly above our long-term outlook of 23% to 25%.

The outlook for 2023 excludes the contribution from Snowprint Studios, which was acquired on 5 October 2023.

## Significant events

**March 28** – MTG increased its ownership in PlaySimple to approximately 93%, with the remaining shares held by PlaySimple founders. The group has consolidated 100% of PlaySimple since 1 August 2021 and has a contractual path to full ownership in place.

**April 13** – MTG's German gaming studio, InnoGames, announced a strategic organizational realignment of its business.

**June 12** – MTG announced the appointment of Nils Mösko as its new CFO. Nils has extensive experience in strategy and financial management and most recently served as Chief Strategy Officer and Head of Business Development at the electric vehicle company Polestar.

**June 15** – MTG's racing-focused studio, Hutch, teamed up with Turn 10 Studios, a well-known first-party video game developer and the creators of the Forza franchise, to release an exciting new mobile game targeting a broad audience.

**September 1** – MTG launched a SEK 300 million share repurchase program, starting on 4 September and running until 31 December 2023. The Board of Directors' view is that the program will increase the value created for MTG shareholders.

**September 15** – MTG's wholly owned studio, Ninja Kiwi, successfully launched the tower defense hit Bloons TD6 on Xbox. Ninja Kiwi will continue evolving the game over time with additional features and content.

**September 21** – Hutch announced a new partnership with the recognized motorsport organization, NASCAR. The partnership will see Hutch developing a standalone title for mobile.

**September 22** – Ninja Kiwi announced Bloons Card Storm, a competitive digital collectible card game set within the Bloons universe. The game will be launched on mobile and PC during 2024.

**October 5** – MTG acquired a 70% majority stake in Snowprint Studios, the studio behind Warhammer 40,000: Tacticus. Snowprint Studios specializes in turn-based tactics games, with Warhammer 40,000: Tacticus having won several industry awards. The goal is to accelerate Snowprint's growth through the Flow Platform by offering market-leading business intelligence and user acquisition capabilities.

**Further information about the group's significant events can be found on MTG's homepage on [www.mtg.com](http://www.mtg.com)**

## Group performance

### Net sales

Group net sales were up 6% to SEK 1,494 million in Q3, supported by a 5% positive contribution from currency effects. Sales were up 1% year over year and 2% quarter on quarter in constant currencies in Q3, demonstrating the continued positive momentum for the business as a whole. PlaySimple and Ninja Kiwi were the drivers of the group's year-over-year growth in Q3, while all the group's studios besides Hutch increased their revenues quarter on quarter.

PlaySimple's strong growth reflected the scaling of the user base in the last 12 months following investments in user acquisition and ad tech. Year-over-year growth was also affected by Q3 2022 comparison figures, which included the final platform incentive payment received by the studio.

Ninja Kiwi reported another quarter of strong year-on-year growth and grew sequentially thanks to the continued strong performance of Bloons TD 6. InnoGames' sales were down year over year, but the positive momentum the studio has built throughout the year continued in Q3 and the studio's sales were up sequentially. The strong performance came from its key title Forge of Empires, with revenues up both year over year and sequentially. The growth was driven by strong live-ops and events driving the successful reactivation of established players, leading to improved monetization levels. Hutch reported lower sales both year over year and quarter on quarter as key games continued to underperform. Kongregate's sales were down year over year but up slightly from the second quarter of this year.

(SEKm)	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Net sales	1,494	1,412	4,258	4,149	5,537
Sales growth	6%	31%	3%	56%	41%
Changes in FX rates	5%	11%	6%	9%	9%
Sales growth at constant FX <sup>1</sup>	1%	20%	-4%	47%	32%
of which organic growth	1%	4%	-4%	-4%	-4%

1) Pro forma growth in Q3 2022 was 6% and 5% in FY 2022

### Adjusted EBITDA, EBITDA and EBIT

MTG reported a 20% year-over-year increase in adjusted EBITDA to SEK 449 (374) million. The adjusted EBITDA margin increased to 30% from 27% in Q3 last year. The improved profitability reflected the higher proportion of revenues from PlaySimple and Ninja Kiwi, with margins also benefiting from the higher proportion of browser revenues and reactivation and better monetization of established players in Forge of Empires. The group's margin was also slightly positively affected by smaller non-recurring effects in the quarter.

This was somewhat offset by higher user acquisition costs from our casual games as this part of the portfolio continues to scale. Total acquisition costs in the quarter represented 37% of total revenues, compared to 35% last year. Total acquisition costs were down from 39% in the second quarter in the seasonally weaker Q3. It is worth noting that the margin in Q3 2022 was also positively affected by the platform incentive bonus received by PlaySimple.

The group's adjustments to reported EBITDA amounted to SEK 20 (49) million in the quarter. This included an adjustment for non-recurring bonus structures of SEK 6 (29) million and an adjustment for M&A transaction costs of SEK 14 (3) million. The group therefore reported EBITDA of SEK 429 (325) million and a margin of 29% (23) in the quarter. The adjustments for the year to date included SEK 40 million relating to the restructuring program in InnoGames in Q2 2023.

(SEKm)	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
EBIT	283	193	626	437	558
Amortization	125	124	366	463	637
Depreciation	21	8	27	25	34
EBITDA	429	325	1,019	925	1,229
Items affecting comparability <sup>2</sup>	0	-	40	-	-
Impairment own capitalized costs	-	17	-	24	26
Non-recurring bonus structures <sup>1</sup>	6	29	27	114	99
M&A transaction costs	14	3	23	10	19
Adjusted EBITDA	449	374	1,109	1,074	1,373
Adjusted EBITDA margin	30%	27%	26%	26%	25%

1) Long term incentive programs are included in figures prior to Q2 2022

2) Restructuring costs in InnoGames

Depreciation and amortization amounted to SEK 146 (132) million and included amortization of purchase price allocations (PPA) of SEK 92 (90) million. Excluding PPA, depreciation and amortization amounted to SEK 54 (42) million.

Consolidated EBIT was SEK 283 (193) million in the quarter, which corresponded to an EBIT margin of 19% (14). Operating costs before depreciation and amortization decreased by 2% year over year to SEK 1,065 (1,087) million.

### Key performance indicators

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
DAU, million	6.4	6.6	6.4	6.5	6.4
MAU, million	31.0	30.7	29.4	31.5	31.4
ARPDau, SEK	2.5	2.4	2.3	2.3	2.3
Revenue generated by the top 3 games, %	46%	47%	46%	44%	40%
Revenue generated by platform, %					
Mobile	75%	77%	77%	76%	73%
Browser	20%	20%	20%	19%	18%
Other	4%	3%	3%	5%	8%
Revenue generated by territory, %					
Europe	33%	32%	32%	33%	31%
North America	62%	63%	63%	64%	61%
Asia Pacific	4%	4%	4%	3%	7%
Rest of World	1%	1%	1%	0%	1%
UA spend, SEKm	554	563	537	559	499

The group's total DAU (daily active users) declined by 2% while MAU (monthly active users) were up 1% on a sequential basis. This performance reflected the fact that Q3 is normally a seasonally weaker quarter, combined with the ongoing challenges to onboard new players to our mid-core games. DAU levels were flat and MAU levels were down slightly year over year, which reflected the previously mentioned challenges in mid-core user acquisition offset somewhat by higher year over year MAU and DAU levels in our Word Games and Tower Defense franchises.

Average Revenue per Daily Active User (ARPDau) was up by 12% year over year and up 3% on a sequential basis, reflecting the healthy levels of revenue generation from our established users in Forge of Empires in particular. Similar to the first two quarters of the year, improved monetization was somewhat offset by a higher proportion of casual players in the group's overall player mix.

Forge of Empires, Word Trip, and Word Jam continued to be the group's top three performing titles. The top three games represented 46% of the group's revenues in the third quarter, compared to 47% in the second quarter.

Mobile represented 75% (73%) of total revenues in the third quarter. The year over year increase in browser revenues primarily reflected the strong browser performance in Forge of Empires.

### Reported sales by franchise

(SEKm)	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Word Games	610	596	517	502	525
Strategy & Simulation	440	424	372	404	425
Racing	166	164	138	178	196
Tower Defense	143	134	127	148	114
Other smaller franchises	134	140	151	157	152
<b>Total sales</b>	<b>1,494</b>	<b>1,458</b>	<b>1,306</b>	<b>1,388</b>	<b>1,412</b>

**Word Games** franchise revenues were up 15% year over year and up 1% sequentially in constant currencies. The two new games in the franchise continued to perform strongly in the quarter, with Word Search growing nearly 50% on a sequential basis.

Key franchise developments in the quarter included the launch of Club Championship for Word Trip, a key foundational feature which is expected to significantly contribute to the game's success going forward. PlaySimple also launched new features to drive engagement for Crossword Jam as well as improved content for non-US geographies. PlaySimple continued to optimize Crossword Explorer for early cohorts and launched a weekly quest event for the game.

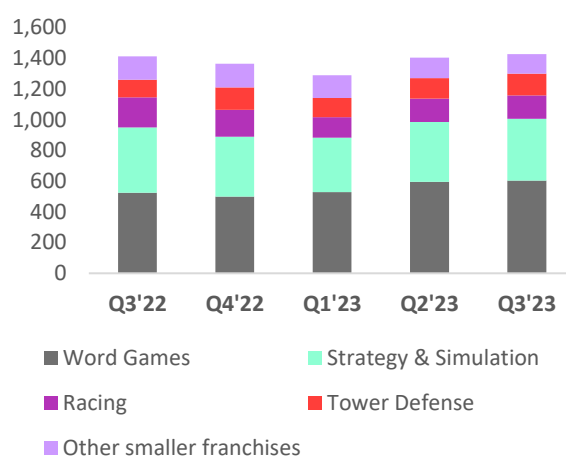
**Strategy & Simulation** franchise revenues were down by 5% year over year in constant currencies but up 3% from Q2. The sequential growth was once again driven by the strong execution of live-ops and events in Forge of Empires. This drove engagement from older players, leading to higher monetization and an increase in browser revenues in the game, which grew both year over year and sequentially. Key events for Forge of Empires included the Fellowship event that began in June, as well as the Soccer event and the Fall event which began in September.

The team continued to work on accelerating the performance of Sunrise Village and tested several features to drive onboarding and early retention in the quarter. InnoGames also soft-launched the browser version of Sunrise Village in August, with encouraging early performance indicators. The Strategy & Simulation franchise continued to face challenges with new user acquisition in the quarter, with lower UA spending as a result.

As previously mentioned, MTG signed an agreement in October to acquire a majority stake in Snowprint Studios, the team behind Warhammer 40,000: Tacticus. The game's results, as well as Snowprint's two other titles Legend of Solgard and Rivengard will be reported as part of the Strategy & Simulation franchise from the fourth quarter of 2023.

**Tower Defense** franchise revenues were up 24% year over year and up 6% from Q2 this year, thanks to the continued strong performance of the franchise hero title Bloons TD 6. The strong performance in the quarter reflected growing distribution revenues, including from Apple Arcade and Netflix, as well as the first Bloons TD 6 sales on Xbox. Revenues in the quarter were also positively impacted by a payment from a third party, who

Sales by franchise in constant currency, SEKm



is exploring the possibility of developing a future version of Bloons TD 6 for the Chinese market.

Ninja Kiwi has continued to deliver regular updates to the Bloons TD 6. This included one content update in July, followed by another, major, update in October. The October update included the long-awaited Map Editor feature, which has been received very positively by the community. Early data indicates that the Map Editor is driving high levels of player engagement, which is driving in-game spending from players who have not paid for in-app purchases before.

Ninja Kiwi continues to work on Battles 2 and introduced a major update to the game with a range of important new gameplay features. In September Ninja Kiwi announced that their next game, due in 2024, is called Bloons Card Storm, a digital collectable card game set in the Bloons universe.

**Racing** franchise revenues were down 22% year over year and were flat quarter on quarter as a result of weak performance from both F1 Clash and Top Drives in the quarter. The game teams have continued to work actively on improving the performance of both games. F1 Clash received a several updates during the quarter. Hutch also partnered with Nexus, a platform for live services games that helps game content creators connect with their audiences and earn money from their content, based on a revenue share model. Top Drives received several updates during the quarter, and Hutch also launched the web store for the game.



Hutch has made significant progress on their new games in the quarter. Forza Customs, which Hutch developed in partnership with Turn 10 was successfully test-launched in four international markets. Following a successful test launch, Hutch is now preparing for a full commercial launch of the game. In September Hutch also announced that the studio has partnered up with NASCAR to develop a new standalone mobile game.

**Kongregate's** revenues were down year over year but up slightly on a sequential basis in Q3. The studio continued to invest in its growing Web 3.0 portfolio and also added 29 new games to the Kongregate.com platform in the quarter. Bit Heroes Runner was launched on Android in July and iOS in August, while Bit Heroes Quest received 5 events during the quarter.

## Net financials and net income

Net financial items amounted to SEK 10 (304) million in the quarter, of which net interest amounted to SEK 44 (21) million and other financial items to SEK -33 (283) million. Other financial items consist of unrealized and realized exchange rate differences (SEK 45 million), gain and losses from financial assets and liabilities (SEK -24 million), discounted interest on earnouts (SEK -52 million) and other items (SEK -2 million).

Unrealized and realized exchange rate differences amounted to SEK 45 million, net, of which realized exchange rate differences amounted to SEK 91 million and unrealized exchange rate differences amounted to SEK -46 million. Gains and losses from financial assets and liabilities amounted to SEK -24 million, of which:

- SEK -58 million related to the revaluation of the earnout liability
- SEK 32 million related to the valuation of a financial liability pertaining to the acquisition of the remaining outstanding 7.2% shares of PlaySimple, (since the liability follows the value of a fixed number of shares)
- SEK 2 million related to other changes.

The group's tax amounted to SEK -99 (-112) million.

Net income for the quarter therefore amounted to SEK 194 (385) million.

## Discontinued operations

MTG divested ESL Gaming to Savvy Gaming Group in April 2022. As a result, the group's esports vertical and operations have been reclassified as discontinued operations since Q1 2022 (including in this report). Further information can be found in the 2022 Annual Report, as well as in the 2022 quarterly reports.

## Venture capital fund investments

To date, the MTG VC fund has invested a total of SEK 411 (USD 38.7) million in a total of 25 companies. VC investments complement MTG's majority stake investment in Kongregate, InnoGames, Hutch, Ninja Kiwi, PlaySimple and Snowprint.

The portfolio assets range from start-up game developers across several game genres and game creation platforms in the US and Europe to pure esports-focused companies. VC investments related to esports remained in MTG after the divestment of ESL Gaming.

## Financial review

### Cash flow

Cash flow from operations before changes in working capital and taxes paid amounted to SEK 535 (540) million. This included a realized currency exchange gain amounting to SEK 91 million in the quarter. Depreciation and amortization amounted to SEK -146 (-132) million, of which SEK -92 (-90) million pertained to amortization of PPA. Paid taxes amounted to SEK -130 (-119) million.

The group reported a SEK 39 (-129) million change in working capital in the quarter.

Net cash flow from operations therefore amounted to SEK 444 (291) million.

### Investing activities

Total cash flow relating to investing activities amounted to SEK -160 (-625) million in the quarter and mainly consisted of an earnout payment of SEK -112 million to Hutch and Ninja Kiwi. 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 -43 (-63) million in the quarter.

### Financing activities

Total cash flow relating to financing activities amounted to SEK -75 (-2,898) million, of which SEK -54 million related to the group's repurchase of shares. The cash flow in Q2 2022 included the extraordinary cash value transfer to MTG's shareholders through a share redemption plan, which entitled holders to a redemption of SEK 25.00 per share and which was approved by the 2022 AGM.

The net change in cash and cash equivalents amounted to SEK 210 (-3,232) million.

The group had cash and cash equivalents of SEK 3,989 (4,695) million at the end of the period.

### Net debt

Net debt refers to the sum of interest-bearing liabilities less cash and cash equivalents. Interest-bearing liabilities such as additional purchase considerations or lease liabilities are not included.

Net debt as of September 30, 2023, amounted to SEK 3,989 (4,695) million. The net debt calculation includes external financing of SEK 0 (0) million less SEK 3,989 (4,695) million in cash and cash equivalents.

## 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 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Net sales	15	9	46	31	40
Net interest and other financial items	-100	373	-67	7,885	7,705
Income before tax and appropriations	-129	346	-163	7,782	7,527

Net interest and other financial items for the quarter amounted to SEK -100 (373) million. Net interest amounted to SEK -8 (16) million. Unrealized and realized exchange rate differences amounted to SEK 2 (360) million and other financial items to SEK -94 (-3) million.

The parent company had cash and cash equivalents of SEK 2,753 (4,085) million at the end of the period.

The total number of shares outstanding at the end of the period was 124,055,202 (125,251,164), excluding the 1,289,182 Class B shares and the 6,324,343 Class C shares held by MTG as treasury shares. In August, MTG cancelled 6,520,000 B-shares previously repurchased by MTG under its share repurchase programs.

## Other information

### Accounting policies

This interim report has been prepared according to 'IAS 34 Interim Financial Reporting' and the Swedish Annual Accounts Act'. The interim report for the parent company has been prepared according to the Swedish 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 2022 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 and uncertainties

Significant risks and uncertainties exist for the group and the parent company. These factors include the prevailing economic and business environments; 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; the emergence of new technologies and competitors; and cyber-attacks.

The group's game development businesses depend on their ability to continue releasing successful titles that attract paying customers, conditions that are not under the group's full control.

Risks and uncertainties are also described in more detail in the 2022 Annual Report, which is available at [www.mtg.com](http://www.mtg.com).

Stockholm, October 25, 2023

*Maria Redin*

*Group President & CEO, Modern Times Group MTG AB*

## Auditors' Review Report

### Introduction

We have reviewed the condensed interim financial information (interim report) of Modern Times Group MTG AB (publ) as of 30 September 2023 and the nine-month period then ended. The Board of Directors and the Managing Director 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 us 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 25 October 2023

KPMG AB

*Helena Nilsson*

*Authorized Public Accountant*

## Condensed consolidated income statement

(SEKm)	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
<b>Continuing operations</b>					
Net sales	1,494	1,412	4,258	4,149	5,537
Cost of goods and services	-387	-373	-1,091	-1,059	-1,523
<b>Gross income</b>	<b>1,107</b>	<b>1,039</b>	<b>3,167</b>	<b>3,090</b>	<b>4,014</b>
Selling expenses	-572	-530	-1,724	-1,638	-2,215
Administrative expenses	-275	-331	-836	-1,043	-1,278
Other operating income	28	14	70	31	44
Other operating expenses	-4	0	-11	-3	-7
Items affecting comparability	0	-	-40	-	-
<b>EBIT</b>	<b>283</b>	<b>193</b>	<b>626</b>	<b>437</b>	<b>558</b>
Net interest	44	21	126	18	54
Other financial items	-33	283	-264	313	-114
<b>Income before tax</b>	<b>293</b>	<b>496</b>	<b>489</b>	<b>768</b>	<b>498</b>
Tax	-99	-112	-214	-247	-246
<b>Net income for the period, continuing operations</b>	<b>194</b>	<b>385</b>	<b>275</b>	<b>521</b>	<b>252</b>
<b>Discontinued operations</b>					
Esport	-	-48	-	6,240	6,223
<b>Net income for the period, discontinued operations</b>	<b>-</b>	<b>-48</b>	<b>-</b>	<b>6,240</b>	<b>6,223</b>
<b>Total net income for the period</b>	<b>194</b>	<b>336</b>	<b>275</b>	<b>6,760</b>	<b>6,475</b>
<b>Net income for the period attributable to:</b>					
Equity holders of the parent	194	336	275	6,865	6,579
Non-controlling interest	-	-	-	-104	-105
<b>Net income for the period</b>	<b>194</b>	<b>336</b>	<b>275</b>	<b>6,760</b>	<b>6,475</b>
<b>Continuing operations</b>					
Basic earnings per share, SEK	1.55	3.14	2.23	5.11	2.70
Diluted earnings per share, SEK	1.55	3.13	2.23	5.10	2.69
<b>Total</b>					
Basic earnings per share, SEK	1.55	2.75	2.23	60.04	56.26
Diluted earnings per share, SEK	1.55	2.74	2.23	59.92	56.06
<b>Number of shares</b>					
Shares outstanding at the end of the period	124,055,202	125,251,164	124,055,202	125,251,164	123,731,164
Basic average number of shares outstanding	124,683,455	122,519,386	123,166,946	114,324,384	116,950,340
Diluted average number of shares outstanding	125,113,205	122,728,111	123,609,101	114,561,429	117,355,207

## Consolidated statement of comprehensive income

(SEKm)	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
<b>Net income</b>	<b>194</b>	<b>336</b>	<b>275</b>	<b>6,760</b>	<b>6,475</b>
<i>Other comprehensive income</i>					
<i>Items that are or may be reclassified to profit or loss net of tax:</i>					
Currency translation differences	-256	383	534	1,093	842
<b>Total comprehensive income for the period</b>	<b>-62</b>	<b>719</b>	<b>809</b>	<b>7,853</b>	<b>7,317</b>
Total comprehensive income attributable to					
Equity holders of the parent	-62	719	809	7,938	7,402
Non-controlling interest	-	-	-	-85	-85
<b>Total comprehensive income for the period</b>	<b>-62</b>	<b>719</b>	<b>809</b>	<b>7,853</b>	<b>7,317</b>

**Condensed consolidated balance sheet**

(SEKm)	Sep 30 2023	Sep 30 2022	Dec 31 2022
<b>Non-current assets</b>			
Goodwill	10,663	10,465	10,285
Other intangible assets	2,311	2,573	2,410
<b>Total intangible assets</b>	<b>12,974</b>	<b>13,037</b>	<b>12,695</b>
<b>Total tangible assets</b>	<b>46</b>	<b>61</b>	<b>58</b>
Right of use assets	44	74	65
Shares and participations in associated and other companies	431	424	409
Other financial receivables	335	614	200
<b>Total non-current financial assets</b>	<b>766</b>	<b>1,038</b>	<b>609</b>
<b>Total non-current assets</b>	<b>13,830</b>	<b>14,210</b>	<b>13,427</b>
<b>Current assets</b>			
Other receivables	754	638	608
Cash and cash equivalents	3,989	4,695	4,733
<b>Total current assets</b>	<b>4,743</b>	<b>5,333</b>	<b>5,342</b>
<b>Total assets</b>	<b>18,573</b>	<b>19,543</b>	<b>18,769</b>
<b>Equity</b>			
Shareholders' equity	14,811	14,593	13,934
<b>Total equity</b>	<b>14,811</b>	<b>14,593</b>	<b>13,934</b>
<b>Non-current liabilities</b>			
Lease liabilities	12	40	32
<b>Total non-current interest-bearing liabilities</b>	<b>12</b>	<b>40</b>	<b>32</b>
Provisions	578	715	620
Contingent consideration	914	1,863	1,409
<b>Total non-current non-interest-bearing liabilities</b>	<b>1,492</b>	<b>2,578</b>	<b>2,030</b>
<b>Total non-current liabilities</b>	<b>1,504</b>	<b>2,618</b>	<b>2,062</b>
<b>Current liabilities</b>			
Contingent consideration	904	721	1,293
Lease liabilities	33	35	34
Other interest-bearing liabilities <sup>1</sup>	458	613	707
Other non-interest-bearing liabilities	864	963	737
<b>Total current liabilities</b>	<b>2,259</b>	<b>2,332</b>	<b>2,772</b>
<b>Total liabilities</b>	<b>3,763</b>	<b>4,950</b>	<b>4,834</b>
<b>Total shareholders' equity and liabilities</b>	<b>18,573</b>	<b>19,543</b>	<b>18,769</b>

1) Liability for acquisition of the remaining 7.2 % of PlaySimple SEK 458 million.

## Condensed consolidated statement of cash flows

(SEKm)	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Income before tax adjusted for items not included in cash flow <sup>1</sup>	535	540	1,284	1,026	1,447
Taxes paid	-130	-119	-311	-303	-408
Changes in working capital	39	-129	-7	-85	-171
<b>Cash flow from operations</b>	<b>444</b>	<b>291</b>	<b>966</b>	<b>638</b>	<b>868</b>
Investments/divestments in deposits	-	-407	-118	-407	-
Acquisition of subsidiaries, associates and other investments	-5	-54	-147	-92	-85
Earnout payments	-112	-101	-940	-317	-317
Investments in other non-current assets	-43	-63	-170	-174	-234
<b>Cash flow from investing activities</b>	<b>-160</b>	<b>-625</b>	<b>-1,375</b>	<b>-990</b>	<b>-636</b>
Net change in borrowings	-	-	-	-1,900	-1,900
Repayment share redemption	-	-2,733	-	-2,733	-2,733
Repurchase of shares	-54	-172	-300	-318	-443
Loan to / repayment of loans from discontinued operations	-	-	-	154	154
Other cash flow from/used in financing activities	-21	7	-27	-38	-51
<b>Cash flow from financing activities</b>	<b>-75</b>	<b>-2,898</b>	<b>-327</b>	<b>-4,835</b>	<b>-4,974</b>
<b>Net change in cash, continuing operations<sup>1</sup></b>	<b>210</b>	<b>-3,232</b>	<b>-734</b>	<b>-5,187</b>	<b>-4,742</b>
<b>Net change in cash, discontinued operations<sup>1</sup></b>	<b>-</b>	<b>-538</b>	<b>-</b>	<b>8,592</b>	<b>8,459</b>
<b>Total net change in cash and cash equivalents</b>	<b>210</b>	<b>-3,770</b>	<b>-734</b>	<b>3,405</b>	<b>3,717</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,871</b>	<b>8,183</b>	<b>4,733</b>	<b>943</b>	<b>943</b>
Translation differences in cash and cash equivalents	-92	282	-9	347	74
<b>Cash and cash equivalents at end of the period</b>	<b>3,989</b>	<b>4,695</b>	<b>3,989</b>	<b>4,695</b>	<b>4,733</b>

1) Reclassification in 2022 between continuing and discontinued operations regarding hedge of SEK 191 million.

## Condensed consolidated statement of changes in equity

(SEKm)	Sep 30 2023	Sep 30 2022	Dec 31 2022
<b>Opening balance</b>	<b>13,934</b>	<b>9,923</b>	<b>9,923</b>
Net income for the period	275	6,760	6,475
Other comprehensive income for the period	534	1,093	842
<b>Total comprehensive income for the period</b>	<b>809</b>	<b>7,854</b>	<b>7,317</b>
Effect of employee share programs	20	7	16
New share issue	347	-	-
Repurchase of shares	-300	-318	-450
Change in non-controlling interests	-	-138	-138
Redemption of shares	-	-2,733	-2,733
<b>Closing balance</b>	<b>14,811</b>	<b>14,593</b>	<b>13,934</b>



## Parent company condensed income statement

(SEKm)	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Net sales	15	9	46	31	40
<b>Gross income</b>	<b>15</b>	<b>9</b>	<b>46</b>	<b>31</b>	<b>40</b>
Administrative expenses	-45	-36	-142	-134	-218
<b>Operating income</b>	<b>-30</b>	<b>-27</b>	<b>-96</b>	<b>-103</b>	<b>-178</b>
Net interest and other financial items <sup>1</sup>	-100	373	-67	7,885	7,705
<b>Income before tax and appropriations</b>	<b>-129</b>	<b>346</b>	<b>-163</b>	<b>7,782</b>	<b>7,527</b>
Appropriations	-	-	-	-	224
Tax	0	0	0	0	-6
<b>Net income for the period</b>	<b>-129</b>	<b>346</b>	<b>-163</b>	<b>7,782</b>	<b>7,746</b>

1) Received dividend net of impairment during 2022 for a total of SEK 7.6 billion

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

## Parent company condensed balance sheet

(SEKm)	Sep 30 2023	Sep 30 2022	Dec 31 2022
<b>Non-current assets</b>			
Capitalized expenditure	0	0	0
Machinery and equipment	1	1	1
Shares and participations	13,821	22,463	22,463
<b>Total non-current assets</b>	<b>13,823</b>	<b>22,465</b>	<b>22,465</b>
<b>Current assets</b>			
Current receivables	33	36	622
Cash and cash equivalents	2,752	4,085	3,625
<b>Total current assets</b>	<b>2,785</b>	<b>4,121</b>	<b>4,246</b>
<b>Total assets</b>	<b>16,608</b>	<b>26,586</b>	<b>26,711</b>
<b>Shareholders' equity</b>			
Restricted equity	658	585	670
Non-restricted equity	15,005	15,318	15,089
<b>Total equity</b>	<b>15,663</b>	<b>15,903</b>	<b>15,759</b>
<b>Untaxed reserves</b>	<b>9</b>	<b>-</b>	<b>9</b>
<b>Non-current liabilities</b>			
Provisions	11	0	7
<b>Total non-current liabilities</b>	<b>11</b>	<b>0</b>	<b>7</b>
<b>Current liabilities</b>			
Other interest-bearing liabilities	856	10,635	10,502
Non-interest-bearing liabilities	68	48	434
<b>Total current liabilities</b>	<b>924</b>	<b>10,682</b>	<b>10,936</b>
<b>Total shareholders' equity and liabilities</b>	<b>16,608</b>	<b>26,586</b>	<b>26,711</b>

## 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 and contingent considerations for which the valuation technique is described below.

(SEKm)	Sep 30 2023				Dec 31 2022			
	Carrying value	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Shares and participations in other companies	429	-	-	429	408	-	-	408
<b>Financial liabilities measured at fair value</b>								
Contingent consideration	1,818	-	-	1,818	2,703	-	-	2,703

## 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 subsequent financing through 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. Listed holdings are valued at the current share price.

(SEKm)	Sep 30 2023	Dec 31 2022
<b>Opening balance 1 January</b>	<b>408</b>	<b>346</b>
of which discontinued operations	-	-11
Reported gains and losses in net income for the period	-21	22
Acquisition	13	23
Translation differences	1	21
Loan converted to shares	27	8
<b>Closing balance</b>	<b>429</b>	<b>408</b>

**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)	Sep 30 2023	Dec 31 2022
<b>Opening balance 1 January</b>	<b>2,703</b>	<b>2,319</b>
of which discontinued operations	-	-10
Exercised payments, cash based	-940	-317
Revaluation	175	224
Exercised payments, sharebased	-348	-
Interest expense	172	220
Translation differences	57	267
<b>Closing balance</b>	<b>1,818</b>	<b>2,703</b>

(SEKm)	2023	2024	2025	2026+	Total
Cash Consideration	296	609	696	217	1,818
Share Consideration	-	-	-	-	0
<b>Total contingent consideration<sup>1</sup></b>	<b>296</b>	<b>609</b>	<b>696</b>	<b>217</b>	<b>1,818</b>

1) Exercised payments related to contingent considerations during 2023 amount to SEK 940 million

## 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 uses 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, non-recurring bonus structures, acquisition-related transaction costs and impairment of capitalized internal work. Items affecting comparability refer 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. During the second quarter of 2022 the group changed its definition of adjusted EBITDA. The new definition of adjusted EBITDA does not include the group's various operational incentive programs and only includes non-recurring bonus structures.

(SEKm)	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
<b>EBIT</b>	<b>283</b>	<b>193</b>	<b>626</b>	<b>437</b>	<b>558</b>
Amortization	125	124	366	463	637
Depreciation	21	8	27	25	34
<b>EBITDA</b>	<b>429</b>	<b>325</b>	<b>1,019</b>	<b>925</b>	<b>1,229</b>
Items affecting comparability <sup>2</sup>	0	-	40	-	-
Impairment own capitalized costs	-	17	-	24	26
Non-recurring bonus structures <sup>1</sup>	6	29	27	114	99
M&A transaction costs	14	3	23	10	19
<b>Adjusted EBITDA</b>	<b>449</b>	<b>374</b>	<b>1,109</b>	<b>1,074</b>	<b>1,373</b>

1) Long term incentive programs are included in figures prior to Q2 2022

2) Restructuring costs in InnoGames

## Reconciliation of sales growth

Since the group generates the majority of its sales in currencies other than 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 for 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 total reported net sales.

(SEKm)	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
<b>Group</b>					
Organic growth	1%	4%	-4%	-9%	-4%
Acquisition/divestments	0%	16%	0%	45%	35%
Changes in FX rates	5%	11%	6%	-6%	9%
Reported growth	6%	31%	3%	30%	41%

## Events after the end of the period

After the end of the period, MTG has acquired a 70% majority stake in Swedish mobile game development studio Snowprint Studios, the purchase price is estimated to be USD 45 million. Snowprint is the studio behind the success of Warhammer 40,000: Tacticus and the deal is made on a cash and debt free basis, for a cash consideration which will reflect a 1.8x multiple of 2023 revenues for Warhammer 40,000: Tacticus. The acquisition of Snowprint is closely aligned with the M&A-driven element of MTG's growth strategy and enables MTG to add a critically acclaimed game with high affinity to our existing titles in our portfolio. The transaction is closed and MTG will consolidate Snowprint Studios from October.

There were no other events after the end of the reporting period.

## 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.

### ARPDau

Average revenue per daily active user.

### CAPEX

Capital expenditures.

### CASH CONVERSION

Operating cash flow in relation to adjusted EBITDA.

### DAU

Daily active users.

### 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.

### 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.

### MAU

Monthly active users.

### Organic growth

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

### Pro forma growth

The change in net sales compared with the same period last year as if the company had fully consolidated its acquisitions and divestments as of the previous period and adjusted for currency effects. The pro forma figures have been prepared with advice from external expertise in order to restate a GAAP financial statement to IFRS and may include timing adjustments for both income and costs.

### Pro forma revenue

Revenue presented as if the company had fully consolidated its acquisitions and divestments. The pro forma figures have been prepared with advice from external expertise in order to restate a GAAP financial statement to IFRS and may include timing adjustments for both income and costs.

### Pro forma UA spend

User acquisitions costs presented as if the company had fully consolidated its acquisitions and divestments as of the previous period. The pro forma UA spend figures are presented in local GAAP for the respective portfolio companies from the time periods prior to being consolidated by MTG.

### Transactional currency effect

The effect that foreign exchange rate fluctuations can have on a completed transaction prior to settlement. This refers to 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

### MTG's Annual General Meeting 2024

The Annual General Meeting will be held on 16 May 2024 in Stockholm. Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing either by post to the "Company Secretary", Modern Times Group MTG AB (publ), Annual General Meeting, P.O. Box 2094, SE-103 13 Stockholm, Sweden or by email to [agm@mtg.com](mailto:agm@mtg.com) at least seven weeks before the Annual General Meeting in order for the proposal to be included in the notice to the meeting. Further details on how and when to register will be published in advance of the meeting.

### Financial calendar

Item	Date
Q4 2023 Interim Financial Results report	8 February 2024
Q1 2024 Interim Financial Results report	24 April 2024
Annual General Meeting 2023	16 May 2024
Q2 2024 Interim Financial Results report	18 July 2024
Q3 2024 Interim Financial Results report	24 October 2024

### Questions?

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

### Conference call

MTG will host a livestream and conference call at 3.00 p.m. CEST today, on 25 October 2023. The call will be held in English.

#### How to join:

- To participate via livestream, please use [this link](#).
- To join via phone, please register on [this link](#). After you've registered, you'll receive the dial-in number and conference ID to access the teleconference.
- You can ask questions via phone during the teleconference or by using the livestream Q&A tool.



Modern Times Group MTG AB (publ.) – Reg no: 556309-9158 – Phone: +46 (0) 8-562 000 50

MTG (Modern Times Group MTG AB (publ.)) ([www.mtg.com](http://www.mtg.com)) is an international mobile gaming group that owns and operates gaming studios with popular global IPs across a wide range of casual and mid-core genres. The group is focused on accelerating portfolio company growth and supporting founders and entrepreneurs. MTG is an active driver of gaming industry consolidation and a strategic acquirer of gaming companies around the world. We are born in Sweden but have an international culture and global footprint. Our shares are listed on Nasdaq Stockholm (“MTGA” and “MTGB”).

**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 above, at 7:30 a.m. CEST on October 25, 2023.**

This interim report contains statements concerning, among other things, MTG’s financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent MTG’s future expectations. MTG believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such important factors include but may not be limited to MTG’s market position; growth in the gaming industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of MTG, its group companies and the gaming industry in general. Forward-looking statements apply only as of the date they were made, and, other than as required by applicable law, MTG undertakes no obligation to update any of them in the light of new information or future events.



# MTG increases ownership in PlaySimple to 100%

Modern Times Group MTG AB (publ) (“MTG”) today announced that it now owns 100% of its Indian casual gaming studios PlaySimple, in line with the timeline to full ownership announced at the time of the acquisition in 2021.

At this stage MTG has not been able to transfer Class B shares (currently held by MTG as Class C shares ) to the founders of PlaySimple as per the original purchase agreement. MTG continues to strongly believe in the long-term benefits of having PlaySimple’s founders hold shares in the group, and intends to continue exploring options to achieve this.

In order to explore additional options for the delivery of shares as mentioned above, MTG intends to ask its shareholders for a new mandate for the delivery of shares. MTG intends to send out a notice to convene an extraordinary general meeting to approve this before the end of the year, with the EGM to be held in early 2024.

## For more information:

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## About MTG

MTG (Modern Times Group MTG AB (publ.)) ([www.mtg.com](http://www.mtg.com)) is an international mobile gaming group that owns and operates gaming studios with popular global IPs across a wide range of casual and mid-core genres. The group is focused on accelerating portfolio company growth and supporting founders and entrepreneurs. MTG is an active driver of gaming industry consolidation and a strategic acquirer of gaming companies around the world. We are born in Sweden but have an international culture and global footprint. Our shares are listed on Nasdaq Stockholm ('MTGA' and 'MTGB').



## Revisorns yttrande enligt 13 kap. 6 § aktiebolagslagen (2005:551) över styrelsens redogörelse för väsentliga händelser för perioden 2023-04-12 – 2023-12-20 (inklusive med hänvisning från 19 kap. 35 § aktiebolagslagen)

Till bolagsstämman i Modern Times Group MTG AB (publ), org. nr 556309-9158

Vi har granskat styrelsens redogörelse daterad 2023-12-20.

### Styrelsens ansvar för redogörelsen

Det är styrelsen som har ansvaret för att ta fram redogörelsen enligt aktiebolagslagen och för att det finns en sådan intern kontroll som styrelsen bedömer nödvändig för att kunna ta fram redogörelsen utan väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

### Revisorns ansvar

Vår uppgift är att uttala oss om styrelsens redogörelse på grundval av vår granskning. Vi har utfört granskningen enligt FARs rekommendation RevR 9 *Revisorns övriga yttranden enligt aktiebolagslagen och aktiebolagsförordningen*. Denna rekommendation kräver att vi planerar och utför granskningen för att uppnå begränsad säkerhet att styrelsens redogörelse inte innehåller väsentliga felaktigheter. Revisionsföretaget tillämpar International Standard on Quality Management 1, som kräver att företaget utformar, implementerar och hanterar ett system för kvalitetsstyrning inklusive riktlinjer eller rutiner avseende efterlevnad av yrkesetiska krav, standarder för yrkesutövningen och tillämpliga krav i lagar och andra författningar.

Vi är oberoende i förhållande till Modern Times Group MTG AB (publ) enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Granskningen innefattar att genom olika åtgärder inhämta bevis om finansiell och annan information i styrelsens redogörelse. Revisorn väljer vilka åtgärder som ska utföras, bland annat genom att bedöma riskerna för väsentliga felaktigheter i redogörelsen, vare sig dessa beror på oegentligheter eller misstag. Vid denna riskbedömning beaktar revisorn de delar av den interna kontrollen som är relevanta för hur styrelsen upprättar redogörelsen i syfte att utforma granskningsåtgärder som är ändamålsenliga med hänsyn till omständigheterna, men inte i syfte att göra ett uttalande om effektiviteten i den interna kontrollen. Granskningen har begränsats till översiktlig analys av redogörelsen och underlag till denna samt förfrågningar hos bolagets personal. Vårt bestyrkande grundar sig därmed på en begränsad säkerhet jämfört med en revision. Vi anser att de bevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för vårt uttalande.

### Uttalande

Grundat på vår granskning har det inte kommit fram några omständigheter som ger oss anledning att anse att styrelsens redogörelse inte avspeglar väsentliga händelser för bolaget på ett rättvisande sätt under perioden 2023-04-12 – 2023-12-20.

### Övriga upplysningar

Detta yttrande har endast till syfte att fullgöra det krav som uppställs i 13 kap. 6 § aktiebolagslagen och 19 kap 35 § aktiebolagslagen och får inte användas för något annat ändamål.

Stockholm den 20 december 2023

KPMG AB

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Auktoriserad revisor