

MTG delivers a strong quarter of 7% pro forma net sales growth and a 26% adjusted EBITDA margin in Q2

The group delivered strong second quarter results, with year-on-year pro forma growth of 7 percent, in a market we expect to have declined. MTG continued to invest in user acquisition, supported by well-received content updates for several of our most important games. The group delivered an adjusted EBITDA margin of 26 percent in the quarter, which was higher than expected due to lower than initially planned marketing investments in the period. MTG also returned approximately SEK 3 billion to shareholders through a share redemption program which was completed after the end of the quarter as well as through ongoing share buy-backs. The group has a clear strategy focused on a combination of organic growth and selective, accretive M&A and is well positioned to continue increase its overall market share going forward.

Financial highlights Q2 continuing operations

- Pro forma revenues up 7 percent year on year. Net sales growth of 70 percent year on year to SEK 1,379 (810) million, while organic revenues declined by 7 percent year on year but were up by 3 percent from the first quarter
- Pro forma user acquisition spend of SEK 500 (383) million, 36 percent of revenue, down from SEK 576 million in Q1
- Adjusted EBITDA of SEK 357 (203) million with an adjusted EBITDA margin of 26 (25) percent
- Reported EBITDA of SEK 361 (189) million and EBIT of SEK 158 (100) million, including EBITDA adjustments of SEK 15 million of non-recurring bonus structures and SEK -19 million of M&A transaction costs
- Net financial items amounted to SEK -264 (26) million mainly relating to a revaluation of the earnout liability of SEK -100 million, exchange differences of SEK -75 million and discounted interests of earnouts of SEK -59 million
- Total net income of SEK 6,248 (-11) million and total basic earnings per share of SEK 56.88 (-0.26). Net income from discontinued operations amounted to SEK 6,328 million and reflected the divestment of ESL Gaming. Net income from continuing operations to SEK -80 million
- Cash flow from operations in the quarter amounted to SEK 405 (52) million
- Cash and cash equivalents at the end of the period amounted to SEK 8,182 (1,229) million, the increase is related to the divestment of ESL Gaming
- SEK 2.7 billion was paid out as part of the share redemption program shortly after the end of the quarter. The share redemption program is reported as a current liability in the quarter

Financial overview

(SEKm)	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Continuing operations					
Net sales	1,379	810	2,736	1,578	3,931
EBIT	158	100	244	166	505
EBITDA	361	189	600	337	978
Adjusted EBITDA	357	203	699	385	1,102
Net income	-80	81	-191	66	-248
Basic earnings per share (SEK)	-0.73	0.60	-1.74	0.49	-1.94
Diluted earnings per share (SEK)	-0.73	0.60	-1.73	0.49	-1.94
Discontinued operations					
Net income	6,328	-92	6,124	-201	-207
Total operations					
Net income	6,248	-11	5,932	-135	-454
Basic earnings per share (SEK)	56.88	-0.26	53.87	-1.57	-3.94
Diluted earnings per share (SEK)	56.74	-0.26	53.74	-1.57	-3.93
Growth, continuing operations					
Sales growth	70%	9%	73%	15%	47%
Changes in FX rates	9%	-5%	8%	-7%	-4%
Sales growth at constant FX	61%	14%	66%	22%	51%
of which organic growth	-7%	-14%	-8%	-3%	-9%
<i>Pro forma growth¹</i>	7%	-	9%	-	12%

1) Please refer to page 19 for detailed pro forma growth table

A letter from our CEO



Hello and thank you for your interest in our results.

We are very happy to deliver 7 percent pro forma growth in the quarter. The results showcase the strength of our evergreen IPs and the diversity of games in our portfolio, as we continue to outperform the overall gaming market.

The main drivers of our pro forma growth this quarter were PlaySimple and Ninja Kiwi, which were both acquired in 2021. Some of our key content launches and updates in the quarter included new and well-received content for Rise of Cultures, Bloons TD 6 and F1 Clash. The growth rate is in the lower range of our top-line expectations for the quarter, but as we expect the gaming market to have declined, we continue to take market shares.

Our organic sales improved by 3 percent from the first quarter of the year but declined by 7 percent year on year. This mainly reflected the sequentially improved performance by InnoGames and Hutch, as well as the inclusion of Ninja Kiwi during the month of June, where the group returned to organic growth.

During the quarter we continued to invest in user acquisition for key evergreen titles as well as our fast-growing anagram franchise games and Rise of Cultures. The group's total marketing investment in the quarter was lower than initially planned, resulting in stronger profits during the period. The lower investments reflected tactical decisions made during the quarter to adapt to a combination of lower market visibility, the performance of our games and the ongoing effect of a return to normal after the pandemic. The group therefore invested a total of SEK 500 million in marketing during Q2, compared to SEK 576 million in the first quarter. Marketing spend represented 36 percent of revenues in the quarter, compared to 42 percent of revenues in the prior three months.

As a result, MTG reported significantly improved profitability, with an adjusted EBITDA of SEK 357 million in the quarter and a margin of 26 percent. The reported margin outperformed the expectations previously set by the group, primarily as a result of the lower UA spending levels.

The group also delivered strong cash flow from operations of SEK 678 million in the first six months of the year, which represented a cash conversion of 61 percent. This reflected the strong underlying cash generation capabilities of our gaming portfolio and the well-established player bases for our evergreen franchises and titles.

Delivering on our commitment to create significant shareholder value

We successfully delivered on several major corporate initiatives during the quarter, which led to the creation of significant shareholder value. The most important one was the completion of the sale of ESL Gaming to Savvy Gaming Group, which generated net proceeds of SEK 8.3 billion for MTG. This enabled us to launch a SEK 2.7 billion share redemption program, distributing SEK 25 per share to our shareholders after the end of the quarter.

We concluded a SEK 117 million share buyback program on the June 7, 2022. Shortly after, we launched a second share buyback program, which aims to repurchase up to SEK 200 million worth of shares between now and October 2022.

In addition, we made significant progress towards a clear and transparent corporate structure by completing a minority share exchange for EHM Holding, the company co-owned by the founders of InnoGames. As a result, EHM became the largest single shareholder in MTG early in July.

Our vision and ambitions as a pure-play gaming group



As part of our ongoing work to explain our strategy and equity story, the group hosted a streamed capital markets update in June. The update was focused on explaining our approach to combining organic and M&A driven growth with

building a common ecosystem that our gaming companies can tap into to accelerate.

We call this ecosystem The Flow Platform. It's a long-term initiative that enables our game makers and studios to access knowledge, tools and skills that will help them accelerate in four critical business areas – user acquisition, business intelligence, ad monetization and cross promotion. The long-term ambition of our Flow Platform is to help us drive long-term growth and cost synergies and to amplify the positive effects of any future additions to our gaming village.

We're making progress in this area and have now established a global User Acquisition and Business Intelligence function, where you find a small team of experts led by our CMO Christian Pern. The team is already working with several of our portfolio companies to help them build on their existing capabilities in these areas. We have also started to build out our cross promotion capabilities through the platform developed by PlaySimple and are running early cross promotion tests with multiple games in our portfolio.

Lastly, we also used the streamed update to reiterate that while M&A remains an important avenue for our long-term growth, we will continue to approach it with the same value creation-focused mindset we always have.

Looking towards the second half of 2022

We are facing an increasingly uncertain market. Overall visibility remains low due to several factors, including high inflation levels and the ongoing return to a post-pandemic 'normal'. Yet, we continue to believe that our strategy and portfolio put us on a path to continue outperforming the industry and that the gaming industry could be somewhat more resilient than many other industries.

MTG has one of the best portfolios of well-established evergreen IPs and franchises on the market and our gaming studios will continue to engage players through ongoing live-ops initiatives and significant content updates in our key titles. We have a healthy pipeline of upcoming titles, and our aim is to continue building a balanced portfolio in terms of genres, playstyles and target audiences.

The group will also accelerate our expansion through selective and accretive M&A and we expect to find good opportunities for further industry consolidation. We have a strong balance sheet following the sale of ESL and are reviewing several potential targets.

We plan on holding the second part of our capital markets day in November, in London. This will be a day where investors, analysts and other stakeholders can get a deep dive into how our companies develop, launch and run their games.

This is only the beginning of our journey as a pure-play gaming group, and we have a talented and experienced team to help us succeed. Thank you for following our progress and I look forward to sharing more updates with you in the coming months.

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Outlook for the full year 2022

The group notes the short-term limited visibility and uncertainty on the gaming market but reiterates its current outlook.

MTG expects to continue to grow faster than the overall gaming market thanks to its high-quality, highly diversified games portfolio. The group expects its pro forma growth rate for Q1 2022 to be indicative for the full-year pro forma growth rate. In terms of profitability, we expect the group to deliver long-term EBITDA margins around 23-25 percent and free cash flow (FCF) conversion levels of around 50-60 percent.

On a long-term basis, the group is well-positioned to capture above-market growth in a very attractive and growing market. As a result, we estimate that we will deliver a 7-10 percent organic long-term revenue CAGR, plus opportunities from M&A.

Significant events

January 24 – MTG announces the sale of ESL Gaming to Savvy Gaming Group in an all-cash transaction that valued ESL Gaming at an enterprise value of USD 1,050 million.

January 25 – Worldwide release of city building game Rise of Cultures.

February 14 – Kongregate announces blockchain gaming partnership with Immutable X, Ethereum's leading Layer 2 (L2) scaling solution for non-fungible tokens (NFTs).

March 30 – InnoGames' global hit Forge of Empires celebrates 10th anniversary.

April 21 – The group successfully closed the transaction to divest ESL Gaming to Savvy Gaming Group. ESL Gaming is therefore no longer part of MTG and is reported "Discontinued operations" in MTG's financial results for Q1 2022. The operations have been deconsolidated from Q2.

April 29 – The Board of Directors decided to launch a share repurchase program, with an ambition to repurchase shares for a total amount of up to SEK 125 million. This program was completed on 7 June and a total of 1,053,868 class B shares, for a total amount of approximately SEK 117 million were repurchased during its duration.

June 8 – MTG AGM approves all proposals, including share redemption plan and exchange of EHM minority shares. The AGM also resolved on an 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.

June 17 – MTG completes the exchange of shares MTG did not previously own in MTG Gaming AB held by EHM Holding. The process resulted in a dilution effect (based on the number of shares in MTG after the share redemption program was completed) of 18,074,753 Class B shares. This corresponded to approximately 14.2 percent of the total number of shares in MTG after the issue in kind. As a result, the owners of EHM are now the largest shareholder in MTG after completion.

June 17 – MTG announced that its Board of Directors had decided to launch a new share repurchase program. The ambition is to repurchase shares for a total amount of up to SEK 200 million, until October 20, 2022.

June 21 – The group's management held a streamed half-day update for analysts, investors, and other stakeholders. The presentations during the day were focused on the company's vision, business strategy, portfolio, and financial management. More information and all the materials from the day can be found [on the group's homepage](#).

July 7 – Kongregate expanded through the acquisition of Chilean development studio Gamaga. The acquisition valued Gamaga at between USD 5 and 7 million.

Further information about the group's significant events can be found on MTG's homepage on www.mtg.com.

Group performance

Net sales

The group's consolidated net sales increased by 70 percent year on year and benefited from positive currency effects of 9 percent. Net sales also increased by 2 percent on a sequential basis in the quarter to SEK 1,379 (810) million but declined by 1 percent in constant currencies. This year-on-year growth was largely attributable to the consolidation and strong performance of PlaySimple and Ninja Kiwi.

The group reported 7 percent year-on-year pro forma growth in the quarter, which is expected to outperform the overall gaming market in the period. This strong performance was mainly driven by the group's newly acquired businesses. PlaySimple continued to profitably scale its top games in the quarter, while Ninja Kiwi released a well-received content update for Bloons TD 6, coupled with a successful midweek sale on Steam. The group also stemmed its organic revenue decline by 2 percentage points and reported a 7 percent year-on-year decline in the second quarter, compared to a 9 percent decline in the first quarter.

During the quarter the group's gaming studios continued to invest into several of our mainstay games like Forge of Empire and Top Drives and launched in-game events which were well-received by the community. A major update for F1 Clash was launched in the quarter. The new content and features were warmly welcomed by players and resulted in significantly improved engagement, helping the game generate the highest ARPDAU ever during the quarter.

We continue to scale our key new games, with Rise of Cultures remaining the fastest growing new title in our portfolio. During June, our key new games reached an all-time high in terms of revenue contribution on an annualised and month-adjusted basis. The performance reflected ongoing investments in user acquisition and a steady flow of new content.

(SEKm)	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Net sales	1,379	810	2,736	1,578	3,931
Sales growth	70%	9%	73%	15%	47%
Changes in FX rates	9%	-5%	8%	-7%	-4%
Sales growth at constant FX	61%	14%	66%	22%	51%
of which organic growth	-7%	-14%	-8%	-3%	-9%
Pro forma growth	7%	-	9%	-	12%

Adjusted EBITDA, EBITDA and EBIT

MTG's consolidated adjusted EBITDA amounted to SEK 357 (203) million in the quarter. The strong performance reflected the success of ongoing marketing investments across the group's portfolio, although the overall marketing spend in the quarter was lower than internally expected due to the prevailing market environment. As a result, the margin improved year on year to 26 (25) percent, and the group outperformed its stated margin expectations in the quarter.

The group adjusted its definition for adjusted EBITDA during the quarter. Going forward, the group will only adjust 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 does not include the group's various operational incentive programs as adjustments. These items had an impact of SEK 21 million on the group's reported EBITDA in the second quarter.

Total reported EBITDA adjustments amounted to SEK -4 (15) million in the quarter. This included an adjustment for non-recurring bonus structures of SEK 15 (16) million, offset by an adjustment of SEK -19 (-1) million for M&A transaction costs. The latter included a SEK -24 million adjustment for transaction costs attributable to the divestment of ESL Gaming, which were reported in Q1. These costs have now been moved to discontinued operations, resulting in an overall positive effect on the group's reported EBITDA.

The group reported an EBITDA of SEK 361 (189) million in the quarter following strong contributions by Ninja Kiwi, InnoGames and PlaySimple. InnoGames and PlaySimple made tactical adjustments to their user acquisition spending in the quarter, which resulted in both studios reporting sequentially higher margins in the second quarter. Ninja Kiwi reported strong profitability in the quarter thanks to a successful sale and the large update to Bloons TD 6.

(SEKm)	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
EBIT	158	100	244	166	505
Amortization	195	82	340	156	442
Depreciation	8	8	16	15	32
EBITDA	361	189	600	337	978
Impairment own capitalized costs	-	-	7	-	-
Non-recurring bonus structures ¹	15	16	86	25	49
M&A transaction costs	-19	-1	7	24	75
Adjusted EBITDA	357	203	699	385	1,102
Adjusted EBITDA margin	26%	25%	26%	24%	28%

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

Depreciation and amortization amounted to SEK 203 (89) million in the quarter and included the amortization of purchase price allocations (PPA) of SEK 93 (51) million. The increase in PPA is related to the acquisition of Ninja Kiwi and PlaySimple. Excluding PPA, depreciation and amortization amounted to SEK 110 (39) million. The increase was primarily driven by a significant acceleration of the depreciation of Kongregate's Idle Games portfolio, which was initiated during, and reported, in MTG's financial results for the first quarter of the year. This reflects the decrease in popularity of the idle games genre, and Kongregate took the decision to stop development of these titles in the first quarter of the year. The studio has now fully switched its future focus to collectible card games and the blockchain space.

Consolidated EBIT in the quarter was SEK 158 (100) million, corresponding to an EBIT margin of 11 (12) percent. Operating costs before depreciation and amortization increased by 64 percent to SEK 1,018 (621) million.

Key Performance Indicators

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
DAU, million	6.7	7.0	6.5	6.2	4.3
MAU, million	33.3	35.2	33.8	32.4	24.6
ARPDau, SEK	2.1	2.1	2.1	1.9	2.7
Revenue generated by the top 3 games, %	42%	44%	45%	46%	66%
Revenue generated by platform, %					
Mobile ¹	73%	70%	68%	70%	60%
Browser ¹	20%	21%	23%	24%	39%
Other ¹	7%	9%	9%	7%	2%
Revenue generated by territory, %					
Europe ¹	32%	34%	35%	40%	46%
North America ¹	63%	59%	59%	53%	47%
Asia Pacific ¹	4%	6%	4%	6%	6%
Rest of World ¹	1%	1%	2%	1%	1%
Pro forma UA spend, SEKm	500	576	497	405	383

¹) Q2 & Q3 2021 Revenue generated by platform and territory were corrected in Q4 2021

The total number of Daily Active Users (DAU) increased by 58 percent and Monthly Active Users (MAU) increased by 36 percent year on year due to the addition of acquired companies. The DAU declined by 4 percent and MAU by 5 percent on a sequential basis, which reflected a mix of reduced player engagement during the summer, lower UA investments compared to the first quarter of the year, the prevailing market climate and the ongoing adjustment of the post-covid environment. The Average Revenue per Daily Active User (ARPDau) increased sequentially by 1 percent in constant currencies to SEK 2.1. This was primarily due to improved monetization for Hutch and Ninja Kiwi, offset by a slight decline in in-app advertising (IAA) revenues for PlaySimple.

Forge of Empires, Word Trip and Word Jam continue to be the group's top three performing titles. The top three games' share of group's revenues in the quarter amounted to 42 percent, compared to 44 percent in Q1.

In line with our strategy, the group's overall revenue mix continues to improve. The proportion of revenues from mobile increased to 73 (61) percent in the quarter. The group also reported a slight change in the revenue split by territory, with a total of 95 percent of revenues generated in the North American and European markets, which are the primary target territories for the group's gaming companies.

Pro forma Sales by Franchise

(SEKm)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Strategy & Simulation	442	439	431	393	451
Word Games	490	499	387	331	287
Tower Defense	130	118	135	114	86
Racing	168	140	156	177	176
Other smaller franchises	148	162	164	173	172
Total pro forma sales ¹	1,379	1,357	1,272	1,190	1,171

¹) Bridge from reported to pro forma numbers are presented on page 19 where reported sales by franchise is also presented.

The group's focus as mobile-first gaming company is to engage and attract players to our well-established global franchises with proven long-term revenue generation capabilities. The group combines a focus on engaging players in its popular established games, with an ongoing drive to launch and scale new games, which extends and increases the lifetime of the franchises.

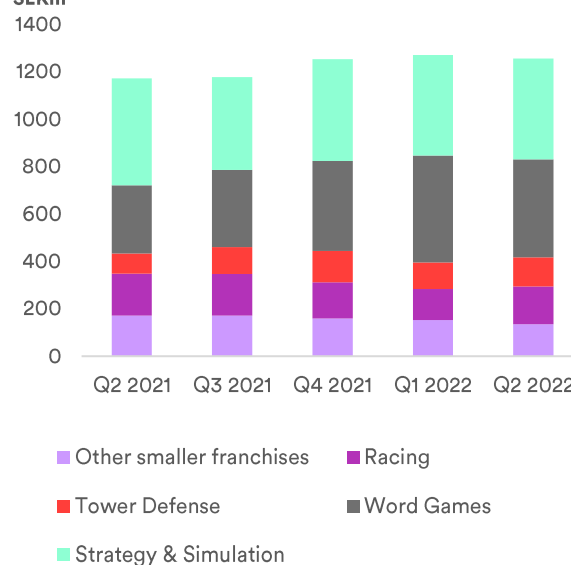
Revenues for the Strategy & Simulation franchise remained stable on a sequential basis but declined 5 percent year on year at constant currencies. Our mainstay civilization strategy game, Forge of Empires, received a significant update in April with more than 100 quests as well as new avatars, expansions, and technologies for players to explore. Rise of Cultures received a big update with the roll-out of advertisement for all customers which contributed to strong revenue growth during the quarter, even offsetting the revenue decline from Forge of Empires.

Revenues for the Word Games franchise declined with 8 percent at constant currencies in the second quarter from the elevated levels in the first quarter. Year on year, the franchise grew 44 percent at constant currencies. The strong continued traction was achieved on the back of successful UA investments and continuous content updates as we continued to iterate and improve on the games in this category.

Tower Defense revenues grew by 10 percent sequentially, at constant currencies, as a major content update for Bloons TD 6 was launched in April. Year on year the franchise increased by 44 percent, at constant currencies, reflecting the strong traction we have seen over the last year. Bloons TD 6 also celebrated its 6th anniversary and Ninja Kiwi has already announced another significant content update that is expected to be rolled out early in the third quarter, including a price increase for the game, which is expected to continue to fuel growth in the quarters to come. Ninja Kiwi also continued to invest in, and expand, the content and features of the PVP-focused franchise extension Bloons TD Battles 2.

Racing franchise revenues grew 21 percent sequentially, at constant currencies, as F1 Clash players were treated to the successful roll-out of the 2022 season as well as a major update. The season roll-out resulted in the highest ARPDAU levels in the game's history, with significant boosts in player engagement. On a year-on-year basis, racing franchise revenues were down 9 percent at constant currencies, reflecting the headwind we have seen from IDFA and delays in content updates.

Pro forma sales by franchise in constant currency, SEKm



Other initiatives

Kongregate announced several initiatives which continue to support their strategy to become a leading NFT gaming developer and community. In April, the studio revealed Bitverse and Blood Echoes, two new blockchain gaming initiatives. Kongregate also signed an extended agreement with Immutable X in May, and the two companies will launch an IMX token pool fund worth 40 million dollars to support blockchain game developers.

The studio also announced that it is relaunching Kongregate.com as an NFT gaming portal and community.

Net financials and net income from continuing operations

Net financial items amounted to SEK -264 (26) million in the quarter, of which discounted interest of earnouts amounted to SEK -59 million, exchange differences amounted to SEK -75 million, net interest amounted to SEK 9 (-1) million and loss from financial assets and liabilities to SEK -137 million whereof the revaluation of the earnout liability for Ninja Kiwi, PlaySimple and Hutch, amounted to SEK -100 million. The group's tax amounted to SEK 25 (-46) million, the change is related to losses carried forward not recognized, non-taxable income and non-deductible expenses in the group. The net income for the quarter amounted to SEK -80 (81) million.

Discontinued operations

MTG completed the divestment of ESL Gaming to Savvy Gaming Group on April 21, 2022. As a result, the group's esports vertical and operations have been reclassified as discontinued operations in this report. The divestment generated net proceeds of USD 880 (8,281) million for the group. MTG has committed to returning at least 40 percent of the proceeds to its shareholders through a combination of a share redemption and share buyback programs. The details of the programs can be found in the notice to the 2022 AGM. The rest of the proceeds will be used to strengthen MTG's position in the global gaming market and to successfully continue to execute on the group's M&A strategy.

Venture capital fund investments

To date, the MTG VC fund has invested a total of SEK 329 (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, and the portfolio assets range from start-up game developers across several game genres, including narrative, competitive, social MMO and game creation platforms in the US and Europe, to pure esports-focused companies. VC investments related to esports remained in MTG after the divestment of ESL Gaming.

Financial review

Comparative numbers for balance sheet and cash flow items in this report have not been restated for the divestment of the esports business

Cash flow from continuing operations

Cash flow from operations before changes in working capital and taxes paid amounted to SEK 405 (52) million in the quarter reflecting underlying cash flows from the gaming studios. Depreciation and amortization changes were SEK 203 (89) million, of which SEK 93 (53) million pertained to amortization of PPA.

Paid taxes amounted to SEK -117 (-42) million. The increase primarily reflected the consolidation of the newly acquired companies.

The group reported a SEK 171 (-22) million change in working capital. The positive effect in the quarter is mainly attributable to the timing of a one-off payment to PlaySimple.

Net cash flow from operations therefore amounted to SEK 459 (-12) million.

Investing activities

Cash flow used in investing activities included a final payment of SEK 25 million related to closing adjustments of the acquisition of Ninja Kiwi and an earnout payment to Ninja Kiwi of SEK 217 million. Net investment in VC funds affecting cash flow amounted to SEK -8 (28) million. Capital expenditure on tangible and intangible assets, mainly consisting of capitalized development costs for games and platforms that have not yet been released, amounted to SEK -48 (-59) million in the quarter. Total cash flow relating to investing activities amounted to SEK -297 (-624) million.

Financing activities

Total cash flow relating to financing activities amounted to SEK -1,968 (128) million, of which SEK -2,000 million related to a decrease in long-term loan (RFC), repayment of loan from discontinued operations (ESL Gaming) SEK 216 million and SEK -6 million in leasing payments.

The net change in cash and cash equivalents in continuing operations amounted to SEK -1,806 (-508) million.

The net change in cash and cash equivalents in discontinued operations amounted to SEK 8,895 (-) million mainly related to the net proceeds from the ESL Gaming divestment. The Group had cash and cash equivalents of SEK 8,182 (1,229) 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, 2022, amounted to SEK -8,182 (-1,229) million. The net debt calculation includes external financing of SEK - (-) million less SEK 8,182 (1,229) 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 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Net sales	10	4	22	7	15
Net interest and other financial items	7,520	-1	7,512	3	-10
Income before tax and appropriations	7,485	-26	7,435	-51	-117

Net interest and other financial items for the quarter amounted to SEK 7,520 (-1) million mainly related to received dividend net of impairment amounting to SEK 7,647 million. Net interest expenses amounted to SEK 7 (4) million, unrealized and realized exchange differences amounted to SEK -133 (-5) million and other financial items to SEK -1 (-1).

The parent company's shares and participations has increased with SEK 11,150 million compared to prior year due to received dividend net of impairment.

The parent company had cash and cash equivalents of SEK 7,063 (632) million at the end of the period. The increase is related to the divestment of ESL Gaming. This also affects other interest-bearing liabilities as the net proceeds were reported on a cashpool account within the group.

The parent company's non-interest-bearing liabilities has increased with SEK 2 859 mainly due to the share redemption plan decided by the Annual General Meeting of MTG on June 8, 2022. This plan affects non-interest-bearing liabilities with SEK 2,888 million, and at the same time decreases non-restricted equity with the same amount. The total number of shares outstanding at the end of the period was 108,878,082 (110,385,832) and excluded the 1,812,630 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 2021 Annual Report.

During the second quarter, MTG AB has changed the presentation of transaction costs, amounting to approximately SEK 24 million attributable to the divestment of ESL Gaming from administrative expenses to discontinued operations. This concerns Q1 2022 and affects the income statement for H1 2022.

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; as well as 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 2021 Annual Report, which is available at www.mtg.com.

Stockholm, July 20, 2022

Maria Redin

Group President & CEO, Modern Times Group MTG AB

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

Condensed consolidated income statement

(SEKm)	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Continuing operations					
Net sales	1,379	810	2,736	1,578	3,931
Cost of goods and services ¹	-364	-264	-685	-500	-1,567
Gross income	1,015	546	2,051	1,078	2,364
Selling expenses	-514	-259	-1,109	-526	-1,014
Administrative expenses ²	-353	-159	-712	-356	-845
Other operating income	13	-4	17	-1	11
Other operating expenses	-2	-22	-3	-25	-3
Share of earnings in associated companies	-	-1	-	-1	-1
EBIT	158	100	244	166	505
Net interest	9	-1	-3	-16	-24
Other financial items	-273	27	-382	-7	-533
Income before tax	-105	127	-142	145	-43
Tax	25	-46	-50	-79	-204
Net income for the period, continuing operations	-80	81	-191	66	-248
Discontinued operations ²					
Esport	6,328	-92	6,124	-201	-207
Net income for the period, discontinued operations	6,328	-92	6,124	-201	-207
Total net income for the period	6,248	-11	5,932	-135	-454
Net income for the period attributable to:					
Equity holders of the parent	6,265	-26	5,973	-151	-400
Non-controlling interest	-17	15	-40	16	-54
Net income for the period	6,248	-11	5,932	-135	-454
Continuing operations					
Basic earnings per share, SEK	-0.73	0.60	-1.74	0.49	-1.94
Diluted earnings per share, SEK	-0.73	0.60	-1.73	0.49	-1.94
Total					
Basic earnings per share, SEK	56.88	-0.26	53.87	-1.57	-3.94
Diluted earnings per share, SEK	56.74	-0.26	53.74	-1.57	-3.93
Number of shares					
Shares outstanding at the end of the period ³	108,878,082	110,385,832	108,878,082	110,385,832	110,385,832
Basic average number of shares outstanding	109,844,544	107,217,306	110,113,693	97,078,292	103,786,751
Diluted average number of shares outstanding	110,107,380	107,341,988	110,382,799	97,167,658	103,942,052

1) Reclassification of SEK 310m from "Cost of goods and services" to "Selling expenses"

2) Transaction costs of SEK 24 million attributable to the divestment of ESL Gaming have been reclassified from Administrative expenses to Discontinued operations.

This concerns Q1 2022 and affects the income statement for H1 2022

3) Excluding redemption shares

Consolidated statement of comprehensive income

(SEKm)	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Net income	6,248	-11	5,932	-135	-454
<i>Other comprehensive income</i>					
<i>Items that are or may be reclassified to profit or loss net of tax:</i>					
Currency translation differences	877	-150	1,067	226	704
Total comprehensive income for the period	7,125	-161	6,999	91	250
Total comprehensive income attributable to:					
Equity holders of the parent	7,221	-147	7,084	28	160
Non-controlling interest	-96	-14	-84	63	90
Total comprehensive income for the period	7,125	-161	6,999	91	250

Condensed consolidated balance sheet

(SEKm)	Jun 30 2022	Jun 30 2021	Dec 31 2021
Non-current assets			
Goodwill	10,144	7,460	11,032
Other intangible assets	2,587	2,394	3,294
Total intangible assets	12,731	9,854	14,326
Total tangible assets	60	120	119
Right of use assets	75	130	123
Shares and participations in associated and other companies	385	322	502
Other financial receivables	195	255	311
Total non-current financial assets	581	577	814
Total non-current assets	13,446	10,680	15,381
Current assets			
Inventories	-	12	10
Other receivables	616	920	1,102
Cash and cash equivalents	8,182	1,229	943
Total current assets	8,798	2,161	2,054
Total assets	22,244	12,842	17,436
Equity			
Shareholders' equity	13,751	7,925	8,002
Non-controlling interest	-	1,679	1,921
Total equity	13,751	9,604	9,923
Non-current liabilities			
Liabilities to financial institutions	-	-	900
Lease liabilities	43	89	83
Total non-current interest-bearing liabilities	43	89	983
Provisions	690	718	955
Contingent consideration	1,792	719	1,994
Total non-current non-interest-bearing liabilities	2,482	1,436	2,949
Total non-current liabilities	2,525	1,526	3,932
Current liabilities			
Contingent consideration	706	271	325
Liabilities to financial institutions	-	1	1,000
Lease liabilities	33	45	42
Other interest-bearing liabilities ¹	842	97	743
Other non-interest-bearing liabilities ²	4,386	1,299	1,471
Total current liabilities	5,967	1,713	3,581
Total liabilities	8,493	3,238	7,513
Total shareholders' equity and liabilities	22,244	12,842	17,436

1) Liability for acquisition of the remaining 23% of PlaySimple SEK 842 million.

2) SEK 2.9 billion relates to the share redemption program whereof SEK 2.7 billion to MTG's shareholders and SEK 0.2 billion to sellers of PlaySimple

Condensed consolidated statement of cash flows

(SEKm)	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Cash flow from operations	405	52	678	92	618
Taxes paid	-117	-42	-184	-103	-286
Changes in working capital	171	-22	44	-1	-27
Net cash flow from operations	459	-12	538	-11	306
Acquisitions of subsidiaries, associates and other investments	-33	-539	-38	-558	-3,088
Earnout payments	-217	-	-217	-	-
Investments in other non-current assets	-48	-59	-111	-112	-252
Other cash flow from/used in investing activities	0	-26	0	-28	-32
Cash flow from investing activities	-297	-624	-365	-698	-3,372
Net change in borrowings	-2,000	-	-1,900	-1,800	100
Repayment vendor note	-	-	-	-1,142	-1,142
New share issue	-	-	-	3,605	3,605
Repurchase of shares	-146	-	-146	-	-
Capital injection from non-controlling interest	-	154	-	154	314
Repayment of loans from discontinued operations	216	-	154	-	-
Other cash flow from/used in financing activities	-38	-26	-45	-40	-62
Cash flow from financing activities	-1,968	128	-1,937	777	2,816
Net change in cash, continuing operations	-1,806	-508	-1,765	777	-251
Net change in cash, discontinued operations ¹	8,895	-	8,939	-	-
Total net change in cash and cash equivalents	7,089	-508	7,174	68	-251
Cash and cash equivalents at the beginning of the period	894	1,750	943	1,153	1,153
Translation differences in cash and cash equivalents	56	-12	65	9	41
Change in cash and cash equivalents in assets held for sale	144	-	0	-	-
Cash and cash equivalents at end of the period	8,182	1,229	8,182	1,229	943

¹) Please refer to page 17 for detailed net change in cash for discontinued operations

Condensed consolidated statement of changes in equity

(SEKm)	Jun 30 2022	Jun 30 2021	Dec 31 2021
Opening balance	9,923	5,216	5,216
Net income for the period	5,932	-135	-454
Other comprehensive income for the period	1,067	226	704
Total comprehensive income for the period	6,999	91	250
Effect of employee share programs	2	3	8
New share issue	-	4,140	4,168
Repurchase of shares	-146	-	-32
Capital injection from non-controlling interest	-	154	314
Change in non-controlling interests	-139	-	-
Redemption of shares	-2,888	-	-
Closing balance	13,751	9,604	9,923

Parent company condensed income statement

(SEKm)	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Net sales	10	4	22	7	15
Gross income	10	4	22	7	15
Administrative expenses	-45	-28	-98	-62	-121
Operating income	-35	-25	-77	-55	-106
Net interest and other financial items ¹	7,520	-1	7,512	3	-10
Income before tax and appropriations	7,485	-26	7,435	-51	-117
Appropriations	-	-	-	-	22
Tax	-	-	-	-	-
Net income for the period	7,485	-26	7,435	-51	-94

¹) Received dividend net of impairment 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 2022	Jun 30 2021	Dec 31 2021
Non-current assets			
Capitalized expenditure	1	1	1
Machinery and equipment	1	1	1
Shares and participations	20,513	9,363	11,372
Total non-current assets	20,515	9,365	11,374
Current assets			
Current receivables	21	25	27
Cash and cash equivalents	7,063	632	167
Total current assets	7,084	657	194
Total assets	27,599	10,022	11,568
Shareholders' equity			
Restricted equity	585	532	585
Non-restricted equity	14,989	9,195	9,094
Total equity	15,574	9,727	9,679
Untaxed reserves	0	43	-
Non-current liabilities			
Liabilities to financial institutions	-	-	900
Total non-current liabilities	0	0	900
Current liabilities			
Other interest-bearing liabilities	9,097	185	915
Non-interest-bearing liabilities	2,927	68	74
Total current liabilities	12,025	252	989
Total shareholders' equity and liabilities	27,599	10,022	11,568

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)	Jun 30 2022				Dec 31 2021			
	Carrying value	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Shares and participations in other companies	385	-	-	385	481	135	-	346
Currency Derivative	59	-	59	-	-	-	-	-
Financial liabilities measured at fair value								
Contingent consideration	2,498	-	-	2,498	2,319	-	-	2,319

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 2022	Dec 31 2021
Opening balance 1 January	346	252
of which discontinued operations	-10	
Reported gains and losses in net income for the period	-12	77
Acquisition	13	34
Divestment	-	-1
Transfer to level 1	-	-36
Translation differences	41	20
Loan converted to shares	8	-
Closing balance	385	346

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 2022	Dec 31 2021
Opening balance 1 January	2,319	600
of which discontinued operations	-10	
New acquisitions	0	1,400
Exercised payments	-216	-271
Revaluation	100	322
Reclassification	0	7
Interest expense	109	130
Translation differences	196	131
Closing balance	2,498	2,319

(SEKm)	2022	2023	2024	2025	2026+	Total
Cash Consideration	237	966	496	479	-	2,178
Share Consideration	-	103	217	-	-	320
Total contingent consideration ¹	237	1,069	713	479	-	2,498

¹) Total contingent consideration plus exercised payment 2022 amounting to SEK 556 million

Discontinued operations

ESL Gaming AB

On January 24, 2022, MTG announced the sale of ESL Gaming to Savvy Gaming Group ("SGG") in an all-cash transaction valuing ESL Gaming at an enterprise value of USD 1,050 million (equating SEK 9,723 million). At the time, MTG owned 91.46 percent of ESL Gaming, which corresponded to USD 960 million of the total enterprise value and represented a total return on investment of 2.5x. SGG simultaneously acquired FACEIT and with the intention to merge the two companies and create the leading global platform for competitive gaming – ESL FACEIT Group.

The transaction closed on April 21, 2022 and the divestment generated net proceeds of USD 880 million (SEK 8,281 million) for the group. MTG recognizes a capital gain of SEK 6,851 million. ESL Gaming has been presented as discontinued operations since Q1. In the first six months of the year up until the divestment, ESL Gaming generated revenue of SEK 525 million and a net result of SEK -450 million.

When the transaction was announced, the group also stated its intention to return at least 40 percent of the money from the proceeds to its shareholders. This has been done through a combination of a share redemption and share buyback programs. The final structure of the programs can be found in the notice to the 2022 AGM. The rest of the proceeds will be used to strengthen MTG's position in the global gaming market and to successfully continue to execute on the group's M&A strategy.

Income Statement discontinued operations

(SEKm)	Q2 2022	H1 2022
Net sales	179	525
Cost of goods and services	-342	-705
Gross income	-163	-180
Selling expenses	-97	-141
Administrative expenses	-43	-160
Other operating income and expenses	9	15
EBIT	-295	-465
Financial net	-4	-40
Income before tax	-299	-504
Tax	54	55
Net income for the year	-245	-450
Capital gain	6,851	6,851
FX hedge	-277	-277
Net income for the period, discontinued operations	6,328	6,124

Cash Flows discontinued operations

(SEKm)	Q2 2022	H1 2022
Cash flows from:		
Operating activities	506	509
Investing activities	-3	-20
Investing activities net proceeds from sale	8,766	8,766
Financing activities	-97	-39
Financing activities FX hedge	-277	-277
Net cash flow for the period	8,895	8,939

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 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 2022	Q2 2021	H1 2022	H1 2021	FY 2021
EBIT	158	100	244	166	505
Amortization	195	82	340	156	442
Depreciation	8	8	16	15	32
EBITDA	361	189	600	337	978
Impairment own capitalized costs	-	-	7	-	-
Non-recurring bonus structures ¹	15	16	86	25	49
M&A transaction costs	-19	-1	7	24	75
Adjusted EBITDA	357	203	699	385	1,102

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

	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Group					
Organic growth	-7%	-14%	-8%	-3%	-9%
Acquisition/divestments	69%	27%	74%	25%	60%
Changes in FX rates	9%	-5%	8%	-7%	-4%
Reported growth	70%	9%	73%	15%	47%

Reconciliation of pro forma sales numbers

Since the group makes transactions in the market from time to time, it is relevant to describe the current trend more accurately. Pro forma as a measure refers to underlying development, including the acquisitions of Ninja Kiwi and PlaySimple as if they were always part of MTG. 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.

Reconciliation of pro forma sales

(SEKm)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Reported Sales	1,379	1,357	1,272	1081 ¹	810 ²
Adjustments for acquisitions	-	-	-	109	361
Pro forma sales	1,379	1,357	1,272	1,190	1,171

1) Of which Strategy & Simulation 393 SEKm, Word Games 223 SEKm Tower Defense 114 SEKm, Racing 177 SEKm and Other smaller franchises 173 SEKm

2) Of which Strategy & Simulation 451 SEKm, Tower Defense 21 SEKm, Racing 176 SEKm, Other smaller franchises 163 SEKm

Reconciliation of pro forma sales growth

(SEKm)	Group
Reported sales Q2 2021	810
Adjustment for acquisitions	361
Pro forma sales	1,171
Reported sales Q2 2022	1,379
Adjustment for acquisitions	-
Pro forma sales Q2 2022	1,379
Foreign currency fluctuation	-123
Pro forma sales Q2 2022	1,256
Pro forma growth	7%
(SEKm)	Group
Reported sales H1 2021	1,578
Adjustment for acquisitions	752
Pro forma sales	2,330
Reported sales H1 2022	2,736
Adjustment for acquisitions	-
Pro forma sales H1 2022	2,736
Foreign currency fluctuation	-208
Pro forma sales H1 2022	2,528
Pro forma growth H1 2022	9%

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 net revenue per daily active user.

CAPEX

Capital expenditures.

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 would have been fully consolidating 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 have been fully consolidating 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 have been fully consolidating its acquisitions and divestments from January 1, 2021. 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. Hutch was consolidated January 2021, Ninja Kiwi was consolidated June 2021 and PlaySimple was consolidated August 2021.

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.

Financial calendar

The group will report its financial results for the third quarter of the year on the October 26, 2022.

Questions?

Anton Gourman, VP Communications

Direct: +46 73 661 8488, anton.gourman@mtg.com

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

Conference call

The company will host a conference call later today, Wednesday July 20, at 15:00 p.m. CET. The conference call will be held in English. To participate in the conference call, please follow the link below to register:

<https://register.vevent.com/register/Blb414f21bb4304a218fe3504e719b0bd7>

Please note that only participants registered via the link above can ask questions during the conference call. The conference call is also streamed through the following link:

<https://edge.media-server.com/mmc/p/qny2y367>



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) 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. CET on July 20, 2022.

[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.]