

MTG delivers organic growth with pro forma net sales up 6% and a 27% adjusted EBITDA margin in Q3 and launches a new share repurchase program of SEK 400m

MTG delivered organic growth of 4 percent year on year in the third quarter and pro forma growth of 6 percent on the back of growth in key franchises. Marketing investments levels were stable, representing 35 percent of quarter sales and the group therefore delivered SEK 374 million in adjusted EBITDA for the period, with an elevated profit margin of 27 percent. The results support the group's already strong balance sheet, further boosted by positive realized and unrealized currency effects through the strengthening of the USD in the quarter. The Board of Directors has therefore launched a new share repurchase program of SEK 400 million to run until the AGM 2023 in line with the 10 percent limit of the mandate approved by the AGM.

Financial highlights Q3, continuing operations

- Pro forma revenues up 6 percent year on year. Net sales growth of 31 percent year on year to SEK 1,412 (1,081) million, while organic revenues increased by 4 percent year on year.
- Stable levels of user acquisition spend of SEK 499 (405) million corresponding to 35 percent of revenue (SEK 500 million in Q2)
- Adjusted EBITDA of SEK 374 (339) million with an adjusted EBITDA margin of 27 (31) percent
- Reported EBITDA of SEK 325 (284) million and EBIT of SEK 193 (155) million, including EBITDA adjustments of SEK 29 million of non-recurring bonus structures and SEK 3 million of M&A transaction costs
- Net financial items amounted to SEK 304 (-117) million, mainly related to unrealized and realized exchange rate differences of SEK 255 million, revaluation of financial liability of SEK 50 million and discounted interests of earnouts of SEK -52 million
- Total net income of SEK 336 (45) million and total basic earnings per share of SEK 2.75 (0.39). Net income from continuing operations amounted to SEK 385 (2) million
- Cash flow from operations in the quarter of SEK 291 (-9) million including a realized FX gain amounting to SEK 95 million in the quarter
- Cash and cash equivalents at the end of the period amounted to SEK 4,695 (1,048) million, which is in addition to the SEK 407 million in long term bank deposits

Financial overview

| (SEKm) | Q3 2022 | Q3 2021 | 9M 2022 | 9M 2021 | FY 2021 |
|--------------------------------------|------------|------------|------------|------------|------------|
| Continuing operations | | | | | |
| Net sales | 1,412 | 1,081 | 4,149 | 2,659 | 3,931 |
| EBIT | 193 | 155 | 437 | 323 | 513 |
| EBITDA | 325 | 284 | 925 | 620 | 978 |
| Adjusted EBITDA | 374 | 339 | 1,074 | 724 | 1,102 |
| Net income | 385 | 2 | 521 | 68 | -248 |
| Basic earnings per share (SEK) | 3.14 | 0.00 | 5.11 | 0.49 | -1.86 |
| Diluted earnings per share (SEK) | 3.13 | 0.00 | 5.10 | 0.49 | -1.86 |
| Discontinued operations | | | | | |
| Net income | -48 | 43 | 6,240 | -157 | -207 |
| Total operations | | | | | |
| Net income | 336 | 45 | 6,760 | -90 | -454 |
| Basic earnings per share (SEK) | 2.75 | 0.39 | 60.04 | -1.06 | -3.85 |
| Diluted earnings per share (SEK) | 2.74 | 0.39 | 59.92 | -1.05 | -3.85 |
| Growth, continuing operations | | | | | |
| Sales growth | 31% | 59% | 56% | 30% | 47% |
| Changes in FX rates | 11% | -4% | 9% | -6% | -4% |
| Sales growth at constant FX | 20% | 63% | 47% | 36% | 51% |
| of which organic growth | 4% | -19% | -4% | -9% | -9% |
| <i>Pro forma growth ¹</i> | 6% | 8% | 8% | 12% | 12% |

¹⁾ Please refer to page 21 for detailed pro forma growth table

President & CEO's comments



Quality assets provide resilience

We're proud to report that MTG has lived up to its commitment to deliver organic growth despite a challenging macro-economic environment and limited visibility on the market. This highlights the quality of our games, the strength of our portfolio and

demonstrates the power of gaming as an industry.

Third quarter sales also benefited from significant currency exchange effects. We therefore reported a growth of 31 percent year on year and 2 percent sequentially. The strong sales were coupled with high margins in the quarter. This performance, together with a strong balance sheet further supported by our dollar deposits in the quarter, is enabling us to launch our third share buyback program of the year.

Back to organic growth in Q3

We delivered 6 percent year-on-year pro forma growth in the third quarter, with organic growth of 4 percent. Both InnoGames and Hutch returned to organic year-on-year growth in the third quarter but grew less than we expected at the start of the year. PlaySimple continued to deliver exceptional year-on-year growth in the third quarter boosted further by a non-recurring effect.

Our year-on-year growth was partially offset by a decline in Ninja Kiwi and Kongregate sales. Ninja Kiwi's year-on-year performance mainly reflected the studio's hugely popular Steam sale in the third quarter of last year, mitigated somewhat by a major and well-received content update and a price increase for Bloons TD6. Kongregate's performance reflected the sales decline in the legacy portfolio earlier in the year.

Expanding our gaming franchises

We firmly believe that our strong franchises have a great potential for further expansion and that strong live-ops are the key to long term success.

Our studios continued to introduce major updates during the quarter. Hutch celebrated Top Drives' fifth anniversary with the release of the 'World Expo' update and launched a new Battle Pass feature for F1 Clash. This is giving players more long-term incentives to engage with the game and improving the overall performance of the title.

InnoGames had a busy quarter with multiple in-game events in Forge of Empires, as well as content updates and in-game events in Rise of Cultures and Elvenar. Sunrise Village is also progressing well and moving closer to commercial launch.

Ninja Kiwi launched a major update and price increases for Bloons TD6 in the quarter. The studio has also continued to work on improving the player experience for Bloons TD Battles 2.

PlaySimple implemented new features in Word Trip as well as Word Search to improve the lifetime value of the game. The studio is currently scaling Crossword Explorer and has successfully test launched Jigsaw, a new puzzle game.

The Flow Platform is making good progress

We're also excited to report tangible development from our Flow Platform initiative. This is the common layer we're putting in place to help our gaming studios accelerate performance and ensure we can effectively allocate resources across the group.

The Flow Platform is a crucial part of MTG's strategy, and we have made good progress across several milestones. Our marketing team, which was already in place in the second quarter, has been working closely with Hutch to help the team implement new tools and processes.

The central team has also implemented a common Business Intelligence framework across the group and made cloud versions of InnoGames' marketing efficiency tools available to all our companies. The onboarding of our gaming companies is proceeding at a healthy pace.

Strong profitability and UA investments at 35% of revenue

MTG's marketing investments in the quarter totalled SEK 499 million, which represented 35 percent of revenues and remained unchanged from the second quarter. Our UA spend was lower than initially anticipated in the quarter, as companies adjusted their investment levels in response to low visibility on the market.

As a result, the group secured high profitability levels. Our total adjusted EBITDA landed at SEK 374 million with a margin of 27 percent, reflecting the lower than anticipated marketing investments. The results were further supported by a non-recurring effect in the quarter.

MTG delivered a cash conversion of 53 percent for the first nine months of the year, well within its anticipated range. This continues to reflect the strength of the group's gaming portfolio and our highly engaged player base. The group had SEK 4,695 million in cash and cash equivalents at the end of the period, plus SEK 407 million placed in long term bank deposits.

Launching a new SEK 400 million share repurchase program

We have continued to generate healthy cashflow from operations during the first nine months of 2022. We have also benefitted from positive currency effects from our USD

deposits. As a result, the group's balance sheet was in a very strong position at the end of the period.

MTG's Board has therefore decided to launch a new, SEK 400 million, share repurchase programme. Buy-backs will commence from the 27th of October and run until the 2023 AGM.

Looking ahead

We have now entered the fourth quarter, which is always the seasonally most important when it comes to UA investments and gaming revenue. Our focus on live-ops and the Flow platform are more critical than ever in the current market, and our intention is to increase UA investments in the fourth quarter.

MTG remains well-positioned to continue growing its market share, thanks to our high-quality gaming portfolio and outstanding team. We still expect mobile gaming markets to outperform the wider macro environment and show a higher degree of resilience, but we remain humble regarding the potential impact that a wider recession could have.

We will host a Game Makers Day in London on November 30, where you will have an opportunity to hear directly from the senior leaders of our gaming studios. We'd love for you to join us in person but will of course stream the day for people who cannot attend. If you'd like to register for the event, please visit our homepage.

Thank you for following our progress. We look forward to sharing more news with you in the future.

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Outlook for the full year 2022

Short term outlook

Following the release of the results for the first quarter of 2022, MTG provided an outlook indicative of 10 percent pro forma revenue growth and adjusted EBITDA margins of 23.5 percent for the full year. This outlook was based on a market that, at the time, was expected to grow 5 percent. In September, Sensor Tower revised their full year outlook for player spending downwards and currently expects the market to decline by 2 percent for the full year.

MTG still expects to outgrow the market significantly but has to take current market trends into account. The group is therefore revising its outlook for the full year 2022 to between 5-6 percent pro forma growth adjusted for currency effects.

The fourth quarter is important for the gaming industry in terms of customer acquisition and the opportunities that historically present themselves during this period. We are currently planning to seize these opportunities and therefore significantly increase UA investments compared to the previous quarters. If the market environment supports our marketing plan, we would expect our adjusted EBITDA margin for the full year to be around 23-24 percent, in line with the previously provided outlook.

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 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.

August 8 – MTG completed the share repurchase program announced on June 17. The group repurchased a total of 2,155,553 class B shares for a total amount of approximately SEK 200 million under the program. With the closing of this program, MTG fulfilled its commitment to return at least 40 percent of the net proceeds from the divestment of ESL Gaming to the group's shareholders.

October 10 – MTG announced its Game Makers Day 2022 and invites you to a full day in London on **November 30**. More information about the event can be found [on the group's homepage](#).

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 31 percent year on year to SEK 1,412 (1,081) million, which included an 11 percent boost from positive currency effects. Organic year-on-year growth amounted to 4 percent, which was a significant improvement when compared to the 7 percent decline in the second quarter. MTG reported 6 percent year-on-year pro forma growth in the quarter at constant currencies. Net sales increased by 2 percent on a sequential basis but declined by 1 percent at constant currencies.

The strong year-on-year performance came mainly from InnoGames and Hutch returning to organic growth in the quarter, as well as the inclusion of two months of the strongly performing PlaySimple into the organic growth calculation. Hutch grew all three of its main games in the quarter, on the back of successful content updates and amongst others the introduction of a Battle Pass mechanic in F1 clash. InnoGames' improvement came from strong growth from their new games and PlaySimple continued to scale its anagram franchise during the quarter. PlaySimple's mainstay game 'Daily Themed Crossword' – declined slightly but the new game 'Crossword Explorer' has been developing well since its commercial launch. PlaySimple is planning to scale this title further in the fourth quarter.

Ninja Kiwi reported lower year-on-year sales, despite a major content update for Bloons TD6. The update included a new event, new heroes, and a new team system, which were all positively received by the community. As part of the update Ninja Kiwi also announced that they were increasing the game's price, to reflect the wealth of content that has been added throughout the years. The decline in revenues in the third quarter was a result of high year-on-year comparison numbers boosted significantly by a successful Steam sale in the third quarter of 2021, which for 2022 will take place during October.

MTG continued to scale its key new games during the third quarter. Rise of Cultures had another record month in August, reaching new all-time high revenues due to the successful Mali Empire event. Sunrise Village also had a strong quarter and grew by double digits sequentially, approaching commercial launch. PlaySimple continue to scale Crossword Explorer, while Ninja Kiwi's primary focus is to improve the core player experience for Bloons TD Battles 2.

| (SEKm) | Q3 2022 | Q3 2021 | 9M 2022 | 9M 2021 | FY 2021 |
|-----------------------------|------------|------------|------------|------------|------------|
| Net sales | 1,412 | 1,081 | 4,149 | 2,659 | 3,931 |
| Sales growth | 31% | 59% | 56% | 30% | 47% |
| Changes in FX rates | 11% | -4% | 9% | -6% | -4% |
| Sales growth at constant FX | 20% | 63% | 47% | 36% | 51% |
| of which organic growth | 4% | -19% | -4% | -9% | -9% |
| Pro forma growth | 6% | 8% | 8% | 12% | 12% |

Adjusted EBITDA, EBITDA and EBIT

MTG's consolidated adjusted EBITDA amounted to SEK 374 (339) million in the quarter. The performance reflected the stable levels of UA spend in the quarter, as our studios continued to adjust marketing investment levels due to the low visibility on the markets.

The group's profitability also benefited from an ad platform migration payment received by PlaySimple in the second quarter, which the group has accrued over the first nine months of the year. The studio completed the migration earlier in the quarter and are now up fully operational on the new ad platform. The group's adjusted EBITDA margin thus increased sequentially to 27 (31) percent, compared to 26 percent in the second quarter.

MTG modified its definition for adjusted EBITDA in the second quarter 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 does not include the group's various operational incentive programs as adjustments. These items had an impact of SEK 23 million on the group's reported EBITDA in the second quarter.

Total reported EBITDA adjustments amounted to SEK 49 (55) million in the quarter. This included an adjustment for non-recurring bonus structures of SEK 29 (19) million, an adjustment for M&A transaction costs of SEK 3 (37) million and an adjustment for impairment of own capitalized costs amounting to SEK 17 (0) million. The impairment was related to a title from InnoGames, where development was stopped during the quarter due to unsatisfactory retention KPIs during testing.

The group reported an EBITDA of SEK 325 (284) million and a margin of 23 (26) percent. The biggest EBITDA contributors were PlaySimple, InnoGames and Ninja Kiwi.

| (SEKm) | Q3 2022 | Q3 2021 | 9M 2022 | 9M 2021 | FY 2021 |
|---|------------|------------|--------------|------------|--------------|
| EBIT | 193 | 155 | 437 | 323 | 513 |
| Amortization | 124 | 120 | 463 | 274 | 433 |
| Depreciation | 8 | 8 | 25 | 23 | 32 |
| EBITDA | 325 | 284 | 925 | 620 | 978 |
| Impairment own capitalized costs | 17 | - | 24 | - | - |
| Non-recurring bonus structures ¹ | 29 | 19 | 114 | 43 | 49 |
| M&A transaction costs | 3 | 37 | 10 | 61 | 75 |
| Adjusted EBITDA | 374 | 339 | 1,074 | 724 | 1,102 |
| <i>Adjusted EBITDA margin</i> | <i>27%</i> | <i>31%</i> | <i>26%</i> | <i>27%</i> | <i>28%</i> |

Depreciation and amortization amounted to SEK 132 (128) million in the quarter and included the amortization of purchase price allocations (PPA) of SEK 90 (90) million. Excluding PPA, depreciation and amortization amounted to SEK 42 (38) million.

Consolidated EBIT in the quarter was SEK 193 (155) million, corresponding to an EBIT margin of 14 (14) percent. Operating costs before depreciation and amortization increased by 36 percent to SEK 1,087 (798) million.

Key Performance Indicators

| | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 |
|---|------------|------------|------------|------------|------------|
| DAU, million | 6.4 | 6.7 | 7.0 | 6.5 | 6.2 |
| MAU, million | 31.4 | 33.3 | 35.2 | 33.8 | 32.4 |
| ARPDau, SEK | 2.3 | 2.1 | 2.1 | 2.1 | 1.9 |
| Revenue generated by the top 3 games, % | 40% | 42% | 44% | 45% | 46% |
| Revenue generated by platform, % | | | | | |
| Mobile ¹ | 73% | 73% | 70% | 68% | 70% |
| Browser ¹ | 18% | 20% | 21% | 23% | 24% |
| Other ¹ | 8% | 7% | 9% | 9% | 7% |
| Revenue generated by territory, % | | | | | |
| Europe ¹ | 31% | 32% | 34% | 35% | 40% |
| North America ¹ | 61% | 63% | 59% | 59% | 53% |
| Asia Pacific ¹ | 7% | 4% | 6% | 4% | 6% |
| Rest of World ¹ | 1% | 1% | 1% | 2% | 1% |
| Pro forma UA spend, SEKm | 499 | 500 | 576 | 497 | 405 |

¹) Q3 2021 Revenue generated by platform and territory was corrected in Q4 2021

The total number of Daily Active Users (DAU) increased by 4 percent, while Monthly Active Users (MAU) declined by 3 percent year on year. DAU declined by 4 percent and MAU by 6 percent on a sequential basis, reflecting normal seasonality in user engagement. The Average Revenue per Daily Active User (ARPDau) increased sequentially by 2 percent in constant currencies. This primarily reflected improved monetization for Hutch and, to a lesser degree, InnoGames.

Forge of Empires, Word Trip and Word Jam continue to be the group's top three performing titles. The top three games' proportion of the group's total revenues in the quarter amounted to 40 percent, compared to 42 percent in the second quarter, reflecting the ongoing diversification of the revenue mix and the growth of new titles.

The group's proportion of revenues from mobile was up slightly to 73 (70) percent and was stable on a sequential basis. The group also reported a slight change in the revenue split by territory, with a total of 92 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) | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 |
|--|--------------|--------------|--------------|--------------|--------------|
| Strategy & Simulation | 425 | 442 | 439 | 431 | 393 |
| Word Games | 525 | 490 | 499 | 387 | 331 |
| Tower Defense | 114 | 130 | 118 | 135 | 114 |
| Racing | 196 | 168 | 140 | 156 | 177 |
| Other smaller franchises | 152 | 148 | 162 | 164 | 173 |
| Total pro forma sales¹ | 1,412 | 1,379 | 1,357 | 1,272 | 1,190 |

¹) Bridge from reported to pro forma numbers are presented on page 21 where reported sales by franchise is also presented.

MTG's goal as a mobile-first gaming company is to attract players to our well-established global franchises with proven long-term revenue generation capabilities. The group's studios are engaging players in its popular established games and simultaneously pursue the launch and scaling of new game titles. This mix of activities supports the overall lifetime of our franchises.

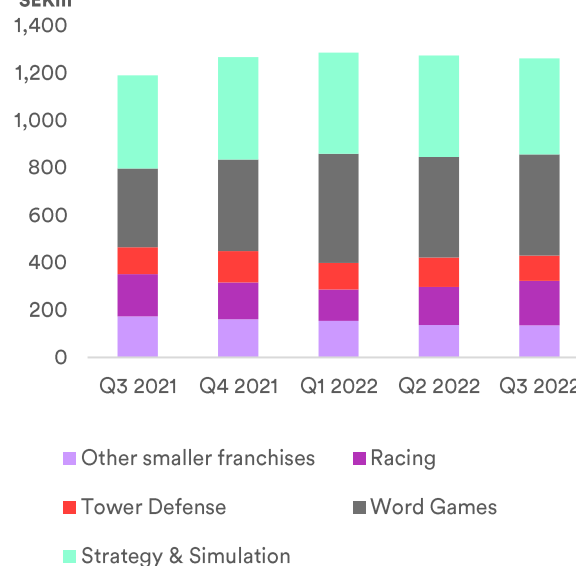
Revenues for the Strategy & Simulation franchise were up 3 percent year-on-year at constant currencies, driven by the new games portfolio, but declined on a sequential basis. The new games portfolio continued to grow, while the well-established games Forge of Empires and Elvenar both declined, primarily due to the structurally declining browser market which still represents the platform of choice for many long-term players.

Revenues for the Word Games franchise remained stable on a sequential basis at constant currencies but increased by 29 percent year on year. The growth comes from continuous content updates across the titles combined with successful UA investments. During the quarter Word Trip implemented Expert Puzzles, while Word Search implemented Daily Puzzle features. The updates resulted in strong single digit LTV uplifts for each respective game.

Tower Defense revenues declined by 14 percent sequentially at constant currencies, mainly due to weaker performance in Bloons TD6, during the quarter. This decline can be attributed to lower-than-expected downloads for the game after the price increase, which is expected to be a short-term effect. Tower Defense franchise revenues were down 7 percent year on year mainly due to tough comparison numbers as stated earlier in the report.

Revenues for the Racing franchise grew sequentially by 16 percent, which reflected Top Drive's fifth anniversary World Expo update, F1 Clash's new Battle Pass feature and Rebel Racing's Americana Series. These significant updates were all warmly received by the games' player bases. Racing franchise revenues increased by 6 percent at constant currencies year-on-year, which mainly reflected the work done by the game team to even out the revenue curve from the yearly economic rebalance of the game.

Pro forma sales by franchise in constant currency, SEKm



Other initiatives

During the quarter Kongregate launched its Bitverse presale allowing gamers to buy their Bitverse hero NFT. Each unique hero gives its owner the opportunity to travel across different games in the Bitverse. Kongregate's vision is to explore new ways of introducing NFTs into the gaming experience, and to become one of the go-to hubs for NFT game developers. As part of this initiative Kongregate is also developing blockchain based games, three of which are slated for the fourth quarter of this year.

Net financials and net income from continuing operations

Net financial items amounted to SEK 304 (-117) million in the quarter, of which unrealized and realized exchange rate differences amounted to net SEK 255 million consisting of unrealized exchange rate differences SEK 163 million (where SEK 269 million related to exchange rate differences on bank deposits, SEK -138 million related to exchange rate differences on earn out liabilities, SEK 32 million other). Gain and loss from financial assets and liabilities amounted to SEK 80 million of which SEK 50 million related to valuation of financial liability related to the acquisition of the remaining 23 percent of PlaySimple and SEK 30 million fair value valuation on VC fund. Discounted interest of earnouts amounted to SEK -52 million and net interest amounted to SEK 21 (0) million. The group's tax amounted to SEK -112 (-36) 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 385 (2) 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 (SEK 8,281) million for the group. MTG has delivered on its commitment to return at least 40 percent of the proceeds to its shareholders through the combination of a share redemption program in the second quarter and two completed share repurchase programs. Detailed information about the share redemption program and the two share buyback programs can be found in the Notice to the 2022 AGM as well as in the news section of MTG's webpage on <https://www.mtg.com/pressroom/>. The remaining 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 339 (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 to 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 540 (209) million in the quarter reflecting underlying cash flows from the gaming studios, and included SEK 95 million of realized positive currency effects related to bank deposits. Depreciation and amortization changes were SEK 132 (128) million, of which SEK 90 (90) million pertained to amortization of PPA.

Paid taxes amounted to SEK -119 (-47) million. The increase primarily reflected the consolidation of the newly acquired companies.

The group reported a SEK -129 (-171) million change in working capital. The negative effect is mainly an adverse effect to the positive effect reported in the second quarter of this year with non-recurring effect in PlaySimple being the biggest driver.

Net cash flow from operations therefore amounted to SEK 291 (-9) million.

Investing activities

Cash flow used in investing activities included a long-term bank deposit of SEK 407 million in PlaySimple, SEK 50 million related to the acquisition of Gamaga and an earnout payment to Hutch of SEK 101 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 -63 (-73) million in the quarter. Total cash flow relating to investing activities amounted to SEK -625 (-2,242) million.

Financing activities

Total cash flow relating to financing activities amounted to SEK -2,898 (2,056) million, of which SEK -2,733 million related to a payment of share redemption and SEK -172 million repurchase of shares.

The net change in cash and cash equivalents in continuing operations amounted to SEK -3,232 (-196) million.

The net change in cash and cash equivalents in discontinued operations amounted to SEK -538 (-) million mainly related to the payment to the minorities in ESL Gaming. The Group had cash and cash equivalents of SEK 4,695 (1,048) 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, 2022, amounted to SEK -4,695 (950) million. The net debt calculation includes external financing of SEK 0 (1,998) million less SEK 4,695 (1,048) 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 2022 | Q3 2021 | 9M 2022 | 9M 2021 | FY 2021 |
|--|------------|------------|------------|------------|------------|
| Net sales | 9 | 4 | 31 | 11 | 15 |
| Net interest and other financial items | 373 | -7 | 7,885 | -4 | -10 |
| Income before tax and appropriations | 346 | -30 | 7,782 | -81 | -117 |

Net interest and other financial items for the quarter amounted to SEK 373 (-7) million. Net interest expenses amounted to SEK 16 (-4) million. Unrealized and realized exchange differences amounted to SEK 360 (1) million and other financial items to SEK -3 (-4) million.

The parent company's shares and participations have increased by SEK 11,091 million compared to the prior year, due to received dividend net of impairment.

The parent company had cash and cash equivalents of SEK 4,085 (288) 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 total number of shares outstanding at the end of the period was 125,251,164 (110,385,832) and excluded the 2,460,433 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.

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, October 26, 2022

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Auditors' Review Report

Introduction

We have reviewed the summary interim financial information (interim report) of Modern Times Group MTG AB (publ.) as of 30 September 2022 and the nine-month period then ended. The Board of Directors and the President & CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

Conclusion

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

Stockholm, 26 October, 2022

KPMG AB

Helena Nilsson

Authorized Public Accountant

Condensed consolidated income statement

| (SEKm) | Q3 2022 | Q3 2021 | 9M 2022 | 9M 2021 | FY 2021 |
|---|--------------|-------------|--------------|--------------|--------------|
| Continuing operations | | | | | |
| Net sales | 1,412 | 1,081 | 4,149 | 2,659 | 3,931 |
| Cost of goods and services ¹ | -373 | -421 | -1,059 | -921 | -1,567 |
| Gross income | 1,039 | 660 | 3,090 | 1,738 | 2,364 |
| Selling expenses | -530 | -244 | -1,638 | -770 | -1,014 |
| Administrative expenses ² | -331 | -288 | -1,043 | -644 | -845 |
| Other operating income | 14 | 6 | 31 | 5 | 11 |
| Other operating expenses | 0 | 21 | -3 | -4 | -3 |
| Share of earnings in associated companies | 0 | 0 | 0 | -1 | -1 |
| EBIT | 193 | 155 | 437 | 323 | 513 |
| Net interest | 21 | 0 | 18 | -16 | -24 |
| Other financial items ³ | 283 | -117 | 313 | -124 | -533 |
| Income before tax | 496 | 38 | 768 | 183 | -43 |
| Tax | -112 | -36 | -247 | -115 | -204 |
| Net income for the period, continuing operations | 385 | 2 | 521 | 68 | -248 |
| Discontinued operations ² | | | | | |
| Esport | -48 | 43 | 6,240 | -157 | -207 |
| Net income for the period, discontinued operations | -48 | 43 | 6,240 | -157 | -207 |
| Total net income for the period | 336 | 45 | 6,760 | -90 | -454 |
| Net income for the period attributable to: | | | | | |
| Equity holders of the parent | 336 | 44 | 6,865 | -107 | -400 |
| Non-controlling interest | 0 | 2 | -104 | 18 | -54 |
| Net income for the period | 336 | 45 | 6,760 | -90 | -454 |
| Continuing operations | | | | | |
| Basic earnings per share, SEK | 3.14 | 0.00 | 5.11 | 0.49 | -1.86 |
| Diluted earnings per share, SEK | 3.13 | 0.00 | 5.10 | 0.49 | -1.86 |
| Total | | | | | |
| Basic earnings per share, SEK | 2.75 | 0.39 | 60.04 | -1.06 | -3.85 |
| Diluted earnings per share, SEK | 2.74 | 0.39 | 59.92 | -1.05 | -3.85 |
| Number of shares | | | | | |
| Shares outstanding at the end of the period ⁴ | 125,251,164 | 110,385,832 | 125,251,164 | 110,385,832 | 110,385,832 |
| Basic average number of shares outstanding | 122,519,386 | 110,385,832 | 114,324,384 | 101,562,884 | 103,786,751 |
| Diluted average number of shares outstanding | 122,728,111 | 110,554,289 | 114,561,429 | 101,700,616 | 103,942,052 |

1) Reclassification of SEK 310m from "Cost of goods and services" to "Selling expenses". This concerns Q2 2022 and affects the income statement of 9M 2022

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 of 9M 2022

3) Other financial items published in Q2 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. These adjustments relate to H1 2022 and affect the income statement of 9M 2022

4) Excluding redemption shares

Consolidated statement of comprehensive income

| (SEKm) | Q3 2022 | Q3 2021 | 9M 2022 | 9M 2021 | FY 2021 |
|--|------------|------------|--------------|------------|-------------|
| Net income | 336 | 45 | 6,760 | -90 | -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 | 383 | 171 | 1,093 | 398 | 704 |
| Total comprehensive income for the period | 719 | 216 | 7,853 | 308 | 250 |
| Total comprehensive income attributable to | | | | | |
| Equity holders of the parent | 719 | 181 | 7,938 | 209 | 160 |
| Non-controlling interest | 0 | 35 | -85 | 99 | 90 |
| Total comprehensive income for the period | 719 | 216 | 7,853 | 308 | 250 |

Condensed consolidated balance sheet

| (SEKm) | Sep 30 2022 | Sep 30 2021 | Dec 31 2021 |
|---|----------------|----------------|----------------|
| Non-current assets | | | |
| Goodwill | 10,465 | 10,652 | 11,032 |
| Other intangible assets | 2,573 | 3,317 | 3,294 |
| Total intangible assets | 13,037 | 13,969 | 14,326 |
| Total tangible assets | 61 | 121 | 119 |
| Right of use assets | 74 | 130 | 123 |
| Shares and participations in associated and other companies | 424 | 444 | 502 |
| Other financial receivables | 614 | 308 | 311 |
| Total non-current financial assets | 1,038 | 752 | 814 |
| Total non-current assets | 14,210 | 14,972 | 15,381 |
| Current assets | | | |
| Inventories | - | 12 | 10 |
| Other receivables | 638 | 1,103 | 1,102 |
| Cash and cash equivalents | 4,695 | 1,048 | 943 |
| Total current assets | 5,333 | 2,163 | 2,054 |
| Total assets | 19,543 | 17,134 | 17,436 |
| Equity | | | |
| Shareholders' equity | 14,593 | 8,052 | 8,002 |
| Non-controlling interest | - | 1,929 | 1,921 |
| Total equity | 14,593 | 9,981 | 9,923 |
| Non-current liabilities | | | |
| Liabilities to financial institutions | - | 900 | 900 |
| Lease liabilities | 40 | 88 | 83 |
| Total non-current interest-bearing liabilities | 40 | 988 | 983 |
| Provisions | 715 | 930 | 955 |
| Contingent consideration | 1,863 | 1,625 | 1,994 |
| Other non-interest-bearing liabilities | 0 | 11 | - |
| Total non-current non-interest-bearing liabilities | 2,578 | 2,566 | 2,949 |
| Total non-current liabilities | 2,618 | 3,554 | 3,932 |
| Current liabilities | | | |
| Contingent consideration | 721 | 384 | 325 |
| Liabilities to financial institutions | - | 1,000 | 1,000 |
| Lease liabilities | 35 | 43 | 42 |
| Other interest-bearing liabilities ¹ | 613 | 820 | 743 |
| Other non-interest-bearing liabilities | 963 | 1,352 | 1,471 |
| Total current liabilities | 2,332 | 3,599 | 3,581 |
| Total liabilities | 4,950 | 7,153 | 7,513 |
| Total shareholders' equity and liabilities | 19,543 | 17,134 | 17,436 |

¹) Liability for acquisition of the remaining 23% of PlaySimple SEK 613 million.

Condensed consolidated statement of cash flows

| (SEKm) | Q3 2022 | Q3 2021 | 9M 2022 | 9M 2021 | FY 2021 |
|---|---------------|---------------|---------------|---------------|---------------|
| Income before tax adjusted for items not included in cash flow | 540 | 209 | 1,026 | 301 | 618 |
| Taxes paid | -119 | -47 | -303 | -150 | -286 |
| Changes in working capital | -129 | -171 | -85 | -172 | -27 |
| Cash flow from operations | 291 | -9 | 638 | -21 | 306 |
| Investments in deposits | -407 | - | -407 | 0 | 0 |
| Acquisitions of subsidiaries, associates and other investments | -54 | -2,168 | -92 | -2,726 | -3,088 |
| Earnout payments | -101 | - | -317 | - | - |
| Investments in other non-current assets | -63 | -73 | -174 | -185 | -252 |
| Other cash flow from/used in investing activities | 0 | -2 | 0 | -30 | -32 |
| Cash flow from investing activities | -625 | -2,242 | -990 | -2,940 | -3,372 |
| Net change in borrowings | 0 | - | -1,900 | 100 | 100 |
| Repayment vendor note | - | - | - | -1,142 | -1,142 |
| Repayment share redemption | -2,733 | - | -2,733 | - | - |
| New share issue | - | - | - | 3,605 | 3,605 |
| Repurchase of shares | -172 | - | -318 | - | - |
| Capital injection from non-controlling interest | - | 160 | - | 314 | 314 |
| Repayment of loans from discontinued operations | 0 | - | 154 | - | - |
| Other cash flow from/used in financing activities | 7 | -4 | -38 | -44 | -62 |
| Cash flow from financing activities | -2,898 | 2,056 | -4,835 | 2,833 | 2,816 |
| Net change in cash, continuing operations | -3,232 | -196 | -5,187 | -128 | -251 |
| Net change in cash, discontinued operations ¹ | -538 | - | 8,592 | - | - |
| Total net change in cash and cash equivalents | -3,770 | -196 | 3,405 | -128 | -251 |
| Cash and cash equivalents at the beginning of the period | 8,183 | 1,229 | 943 | 1,153 | 1,153 |
| Translation differences in cash and cash equivalents | 282 | 14 | 347 | 23 | 41 |
| Change in cash and cash equivalents in assets held for sale | 0 | - | 0 | - | - |
| Cash and cash equivalents at end of the period | 4,695 | 1,048 | 4,695 | 1,048 | 943 |

1) Please refer to page 19 for detailed net change in cash for discontinued operations

Condensed consolidated statement of changes in equity

| (SEKm) | Sep 30 2022 | Sep 30 2021 | Dec 31 2021 |
|--|----------------|----------------|----------------|
| Opening balance | 9,923 | 5,216 | 5,216 |
| Net income for the period | 6,760 | -90 | -454 |
| Other comprehensive income for the period | 1,093 | 398 | 704 |
| Total comprehensive income for the period | 7,854 | 308 | 250 |
| Effect of employee share programs | 7 | 5 | 8 |
| New share issue | - | 4,169 | 4,168 |
| Repurchase of shares | -318 | -31 | -32 |
| Capital injection from non-controlling interest | - | 314 | 314 |
| Change in non-controlling interests | -138 | - | - |
| Redemption of shares | -2,733 | - | - |
| Closing balance | 14,593 | 9,981 | 9,923 |

Parent company condensed income statement

| (SEKm) | Q3 2022 | Q3 2021 | 9M 2022 | 9M 2021 | FY 2021 |
|---|------------|------------|--------------|------------|-------------|
| Net sales | 9 | 4 | 31 | 11 | 15 |
| Gross income | 9 | 4 | 31 | 11 | 15 |
| Administrative expenses | -36 | -26 | -134 | -88 | -121 |
| Operating income | -27 | -23 | -103 | -77 | -106 |
| Net interest and other financial items ¹ | 373 | -7 | 7,885 | -4 | -10 |
| Income before tax and appropriations | 346 | -30 | 7,782 | -81 | -117 |
| Appropriations | - | - | - | - | 22 |
| Tax | 0 | - | 0 | - | - |
| Net income for the period | 346 | -30 | 7,782 | -81 | -94 |

1) Received dividend net of impairment for a total of SEK 7.6 million

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

Parent company condensed balance sheet

| (SEKm) | Sep 30 2022 | Sep 30 2021 | Dec 31 2021 |
|---|----------------|----------------|----------------|
| Non-current assets | | | |
| Capitalized expenditure | 0 | 1 | 1 |
| Machinery and equipment | 1 | 1 | 1 |
| Shares and participations | 22,463 | 11,372 | 11,372 |
| Total non-current assets | 22,465 | 11,374 | 11,374 |
| Current assets | | | |
| Current receivables | 36 | 31 | 27 |
| Cash and cash equivalents | 4,085 | 288 | 167 |
| Total current assets | 4,121 | 319 | 194 |
| Total assets | 26,586 | 11,693 | 11,568 |
| Shareholders' equity | | | |
| Restricted equity | 585 | 585 | 585 |
| Non-restricted equity | 15,318 | 9,126 | 9,094 |
| Total equity | 15,903 | 9,711 | 9,679 |
| Untaxed reserves | 0 | 43 | - |
| Non-current liabilities | | | |
| Liabilities to financial institutions | - | 900 | 900 |
| Total non-current liabilities | 0 | 900 | 900 |
| Current liabilities | | | |
| Other interest-bearing liabilities | 10,635 | 1,005 | 915 |
| Non-interest-bearing liabilities | 48 | 34 | 74 |
| Total current liabilities | 10,682 | 1,039 | 989 |
| Total shareholders' equity and liabilities | 26,586 | 11,693 | 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) | Sep 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 | 423 | - | - | 423 | 481 | 135 | - | 346 |
| Currency Derivative | 32 | - | 32 | - | - | - | - | - |
| Financial liabilities measured at fair value | | | | | | | | |
| Contingent consideration | 2,584 | - | - | 2,584 | 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) | Sep 30 2022 | Dec 31 2021 |
|--|----------------|----------------|
| Opening balance 1 January | 346 | 252 |
| of which discontinued operations | -11 | |
| Reported gains and losses in net income for the period | 13 | 77 |
| Acquisition | 17 | 34 |
| Divestment | - | -1 |
| Transfer to level 1 | - | -36 |
| Translation differences | 51 | 20 |
| Loan converted to shares | 8 | - |
| Closing balance | 423 | 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) | Sep 30 2022 | Dec 31 2021 |
|----------------------------------|----------------|----------------|
| Opening balance 1 January | 2,319 | 600 |
| of which discontinued operations | -10 | |
| New acquisitions | 0 | 1,400 |
| Exercised payments | -317 | -271 |
| Revaluation | 97 | 322 |
| Reclassification | 0 | 7 |
| Interest expense | 161 | 130 |
| Translation differences | 334 | 131 |
| Closing balance | 2,584 | 2,319 |

| (SEKm) | 2022 | 2023 | 2024 | 2025 | 2026+ | Total |
|---|------------|--------------|------------|------------|----------|--------------|
| Cash Consideration | 161 | 1,037 | 544 | 524 | - | 2,267 |
| Share Consideration | - | 102 | 216 | - | - | 318 |
| Total contingent consideration¹ | 161 | 1,139 | 760 | 524 | - | 2,584 |

¹)Contingent considerations expected to be exercised in 2022, plus exercised payments in 2022, amount to SEK 479 million

Discontinued operations

ESL Gaming

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 (equaling 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 nine months of the year, ESL Gaming generated revenue of SEK 525 million and a net result of SEK -504 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) | Q3 2022 | 9M 2022 |
|---|------------|--------------|
| Net sales | - | 525 |
| Cost of goods and services | - | -705 |
| Gross income | - | -180 |
| Selling expenses | - | -141 |
| Administrative expenses | - | -160 |
| Other operating income and expenses | - | 15 |
| EBIT | - | -465 |
| Financial net | - | -40 |
| Income before tax | - | -504 |
| Tax | - | -3 |
| Net income for the year | - | -507 |
| Capital gain | - | 6,851 |
| FX hedge and exchange rate effect | -60 | -130 |
| Tax on FX hedge and exchange rate effect | 12 | 27 |
| Net income for the period, discontinued operations | -48 | 6,240 |

Cash Flows discontinued operations

| (SEKm) | Q3 2022 | 9M 2022 |
|---|-------------|--------------|
| Cash flows from: | | |
| Operating activities | - | -37 |
| Investing activities | - | -20 |
| Investing activities net proceeds from sale | -546 | 8,220 |
| Financing activities | 8 | 706 |
| Financing activities FX hedge | - | -277 |
| Net cash flow for the period | -538 | 8,592 |

Acquisitions

Kongregate expanded through the acquisition of 100 percent of the shares in the Chilean development studio Gamaga on July 18. The purchase price for the acquisition of Gamaga amounted to SEK 59 million (USD 5,7 million). In addition to the upfront consideration, MTG will pay performance-based earn-out payments where the discounted value was estimated to amount to USD 869 thousand. Gamaga's net assets at closing amounted to USD 48 thousand. Calculated goodwill for Gamaga amounted to SEK 58 million (USD 5,6 million).

PlaySimples PPA has been adjusted during the third quarter, affecting goodwill by SEK 10 million. The PPA is now final.

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) | Q3 2022 | Q3 2021 | 9M 2022 | 9M 2021 | FY 2021 |
|---|------------|------------|--------------|------------|--------------|
| EBIT | 193 | 155 | 437 | 323 | 513 |
| Amortization | 124 | 120 | 463 | 274 | 433 |
| Depreciation | 8 | 8 | 25 | 23 | 32 |
| EBITDA | 325 | 284 | 925 | 620 | 978 |
| Impairment own capitalized costs | 17 | - | 24 | - | - |
| Non-recurring bonus structures ¹ | 29 | 19 | 114 | 43 | 49 |
| M&A transaction costs | 3 | 37 | 10 | 61 | 75 |
| Adjusted EBITDA | 374 | 339 | 1,074 | 724 | 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.

| (SEKm) | Q3 2022 | Q3 2021 | 9M 2022 | 9M 2021 | FY 2021 |
|-------------------------|------------|------------|------------|------------|------------|
| Group | | | | | |
| Organic growth | 4% | -19% | -4% | -9% | -9% |
| Acquisition/divestments | 16% | 82% | 51% | 45% | 60% |
| Changes in FX rates | 11% | -4% | 9% | -6% | -4% |
| Reported growth | 31% | 59% | 56% | 30% | 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) | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 |
|------------------------------|--------------|--------------|--------------|--------------|--------------------|
| Reported Sales | 1,412 | 1,379 | 1,357 | 1,272 | 1,081 ¹ |
| Adjustments for acquisitions | | - | - | - | 109 |
| Pro Forma sales | 1,412 | 1,379 | 1,357 | 1,272 | 1,190 |

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

Reconciliation of pro forma sales growth

| (SEKm) | Group |
|---|--------------|
| Reported sales Q3 2021 | 1,081 |
| Adjustment for acquisitions | 109 |
| Pro forma sales | 1,190 |
| Reported sales Q3 2022 | 1,412 |
| Adjustment for acquisitions | - |
| Pro forma sales Q3 2022 | 1,412 |
| Foreign currency fluctuation | -149 |
| Pro forma sales Q3 2022 | 1,263 |
| Pro forma growth | 6% |
| Reported sales Nine months 2021 | 2,659 |
| Adjustment for acquisitions | 861 |
| Pro forma sales | 3,520 |
| Reported sales Nine months 2022 | 4,149 |
| Adjustment for acquisitions | - |
| Pro forma sales Nine months 2022 | 4,149 |
| Foreign currency fluctuation | -357 |
| Pro forma sales Nine months 2022 | 3,792 |
| Pro forma growth Nine months 2022 | 8% |

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.

Shareholder information

MTG's Annual General Meeting 2023

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

Nomination Committee ahead of Annual General Meeting 2023

In accordance with the resolution by the Annual General Meeting of MTG shareholders regarding the procedure for the Nomination Committee, a Nomination Committee has been convened to prepare proposals for the 2023 Annual General Meeting.

The Nomination Committee comprises:

- Christian Rauda, appointed by EHM Holding GmbH;
- Klaus Roehrig, appointed by Active Ownership Corporation;
- Joachim Spetz, appointed by Swedbank Robur Fonder; and
- Simon Duffy, the Chairman of the Board

In line with past practice, the members of the Committee have appointed Christian Rauda, representing the largest shareholder on the last business day of August 2022, as the Committee Chairman.

Please see the following section on MTG.com for information about the work of the Nomination Committee: <https://www.mtg.com/governance/nomination-committee/>.

Shareholders wishing to propose candidates for election to the MTG Board of Directors should submit their proposals in writing to agm@mtg.com or to the "Company Secretary", Modern Times Group MTG AB, Box 2094, SE-103 13 Stockholm, Sweden.

Financial calendar

| Item | Date |
|--|------------------|
| Q4 2022 Interim Results report | February 9, 2023 |
| 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?

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Conference call

The company will host a conference call later today, Wednesday October 26, at 15:00 p.m. CET. The conference call will be held in English. More details on the event can be found when following the link below:

<https://financialhearings.com/event/44542>

To participate in the call, please dial:

| | |
|--------|----------------------|
| Sweden | +46 (0) 850 558 365 |
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The conference call is also streamed, giving the opportunity to submit written questions, through the following link:

<https://ir.financialhearings.com/mtg-q3-2022>



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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 October 26, 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.]