

Q1 operational performance encouraging as we look forward

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

Financial highlights Q1, continuing operations

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

Financial overview

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

¹⁾ Pro forma growth in Q1 2022 was 10 % and 5% in FY 2022

President & CEO's comments



A quarter with two stories

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

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

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

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

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

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

Improving marketing environment enables profitable scaling of UA

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

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

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

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

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

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

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

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

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

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

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

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

Strong balance sheet enabling M&A and continued distributions

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

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

Looking forward

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

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

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

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

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

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Outlook for 2023

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

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

Significant events

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

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

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

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

Group performance

Net sales

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

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

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

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

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

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

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

Adjusted EBITDA, EBITDA and EBIT

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

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

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

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

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

¹⁾ Long term incentive programs are included in figures in Q1 2022

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

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

Key performance indicators

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

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

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

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

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

Reported sales by franchise

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

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

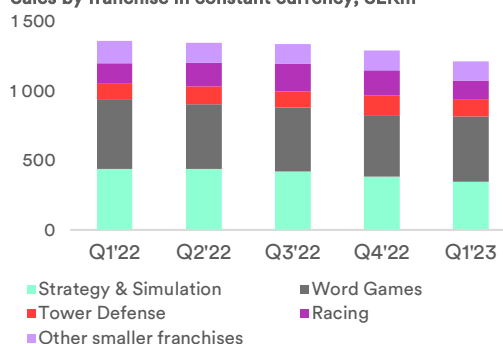
The new titles Crossword Explorer and Word Search grew by double digits sequentially, and in March 9% of the franchise's revenue came from these two games. The two new titles continue to be a priority for PlaySimple, and the studio allocated approximately 20% of total franchise user acquisition spend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

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

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

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

Sales by franchise in constant currency, SEKm



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

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

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

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

Net financials and net income

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

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

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

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

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

Discontinued operations

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

Venture capital fund investments

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

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

Financial review

Cash flow

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

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

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

Investing activities

Total cash flow relating to investing activities amounted to SEK -687 (-68) million in the quarter mainly consisted of an earnout payment of SEK -463 million and SEK -155 million related to the acquisition of PlaySimple. Capital expenditure on tangible and intangible assets, mainly consisting of capitalized development costs for games and platforms that have not yet been released, amounted to SEK -62 (-63) million in the quarter.

Financing activities

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

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

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

Net debt

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

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

Parent Company

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

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

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

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

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

Other information

Accounting policies

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

The group's consolidated accounts and the parent company's accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2022 Annual Report.

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

Related party transactions

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

Risks and uncertainties

Significant risks and uncertainties exist for the group and the parent company. These factors include the prevailing economic and business environments; commercial risks related to expansion into new territories; other political and legislative risks related to changes in rules and regulations in the various territories in which the group operates; exposure to foreign exchange rate movements, and the US dollar and euro-linked currencies in particular; the emergence of new technologies and competitors; and cyber-attacks.

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

Risks and uncertainties are also described in more detail in the 2022 Annual Report, which is available at www.mtg.com.

Stockholm, April 26, 2023

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Condensed consolidated income statement

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

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

Consolidated statement of comprehensive income

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

Condensed consolidated balance sheet

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

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

Condensed consolidated statement of cash flows

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

Condensed consolidated statement of changes in equity

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

Parent company condensed income statement

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

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

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

Parent company condensed balance sheet

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

Financial instruments at fair value

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

(SEKm)	Mar 31 2023				Dec 31 2022			
	Carrying value	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Shares and participations in other companies	440	-	-	440	408	-	-	408
Financial liabilities measured at fair value								
Contingent consideration	2,384	-	-	2,384	2,703	-	-	2,703

Valuation techniques

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

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

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

(SEKm)	Mar 31 2023	Dec 31 2022
Opening balance 1 January	2,703	2,318
of which discontinued operations	-	-9
Exercised payments	-463	-317
Revaluation	102	224
Interest expense	69	220
Translation differences	-27	267
Closing balance	2,384	2,703

(SEKm)	2023	2024	2025	2026	2027+	Total
Cash Consideration	-	748	736	550	27	2,060
Share Consideration	-	104	221	-	-	324
Total contingent consideration¹	-	852	956	550	27	2,384

¹) Exercised payments related to contingent considerations during 2023 amount to SEK 463 million

Alternative performance measures

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

- Adjusted EBITDA
- Change in net sales from organic growth
- Pro forma growth

Reconciliation of adjusted EBITDA

Adjusted EBITDA is used to assess MTG's underlying profitability. Adjusted EBITDA is defined as EBITDA adjusted for the effects of items affecting comparability, non-recurring bonus structures, acquisition-related transaction costs and impairment of capitalized internal work. Items affecting comparability refers to material items and events related to changes in the group's structure or lines of business, which are relevant for understanding the group's development on a like-for-like basis. During the second quarter of 2022 the group changed its definition of adjusted EBITDA. The new definition of adjusted EBITDA does not include the group's various operational incentive programs and only includes non-recurring bonus structures.

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

¹⁾ Long term incentive programs are included in figures in Q1 2022

Reconciliation of sales growth

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

(SEKm)	Q1 2023	Q1 2022	FY 2022
Group			
Organic growth	-11%	-9%	-4%
Acquisition/divestments	0%	80%	35%
Changes in FX rates	7%	6%	9%
Reported growth	-4%	77%	41%

Definitions

Adjusted EBITDA

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

ARPAU

Average revenue per daily active user.

CAPEX

Capital expenditures.

CASH CONVERSION

Operating cash flow in relation to adjusted EBITDA.

DAU

Daily active users.

Earnings per share

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

EBIT/Operating income

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

EBITDA

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

Items affecting comparability (IAC)

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

MAU

Monthly active users.

Organic growth

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

Pro forma growth

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

Pro forma revenue

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

Pro forma UA spend

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

Transactional currency effect

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

Translational currency effect

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

UA

User acquisition.

Shareholder information

MTG's Annual General Meeting 2023

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

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

Financial calendar

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

Questions?

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Conference call

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

How to join:

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



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

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

This information is information that Modern Times Group MTG AB (publ.) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 7:30 a.m. CEST on April 26, 2023.

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