

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

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

Financial highlights Q2, continuing operations

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

Financial overview

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

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

President & CEO's comments



Positive business momentum drives strong sequential growth

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

our outlook and expectations for the full year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Looking forward

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

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

Thank you,

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Outlook for 2023

MTG reiterates its outlook for the full year 2023.

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

Significant events

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

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

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

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

Group performance

Net sales

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

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

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

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

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

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

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

Adjusted EBITDA, EBITDA and EBIT

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

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

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

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

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

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

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

Key performance indicators

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

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

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

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

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

Reported sales by franchise

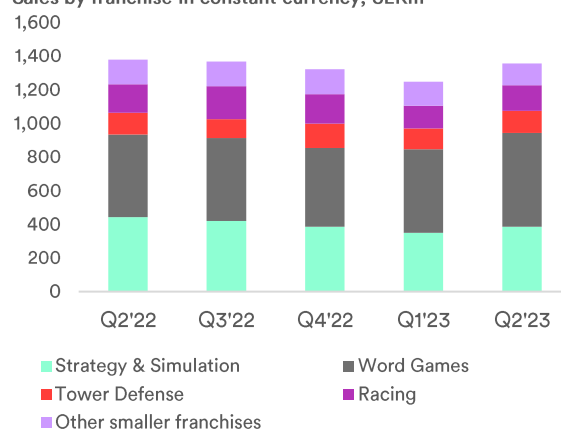
(SEKm)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Strategy & Simulation	424	372	404	425	442
Word Games	596	517	502	525	490
Tower Defense	134	127	148	114	130
Racing	164	138	178	196	168
Other smaller franchises	140	151	157	152	148
Total sales	1,458	1,306	1,388	1,412	1,379

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

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

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

Sales by franchise in constant currency, SEKm



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

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

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

Net financials and net income

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

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

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

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

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

Discontinued operations

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

Venture capital fund investments

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

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

Financial review

Cash flow

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

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

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

Investing activities

Total cash flow relating to investing activities amounted to SEK -528 (-297) million in the quarter and mainly consisted of an earnout payment of SEK -365 million to NinjaKiwi and SEK -118 million related to a deposit in PlaySimple. Capital expenditure on tangible and intangible assets, mainly consisting of capitalized development costs for games and platforms that have not yet been released, amounted to SEK -65 (-48) million in the quarter.

Financing activities

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

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

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

Net debt

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

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

Parent Company

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

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

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

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

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

Other information

Accounting policies

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

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

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

Related party transactions

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

Risks and uncertainties

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

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

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

Stockholm, July 20, 2023

Maria Redin

Group President & CEO, Modern Times Group MTG AB

Condensed consolidated income statement

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

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

Consolidated statement of comprehensive income

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Net income	57	6,746	82	6,431	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	754	520	790	710	842
Total comprehensive income for the period	811	7,267	872	7,141	7,317
Total comprehensive income attributable to					
Equity holders of the parent	811	7,363	872	7,226	7,402
Non-controlling interest	-	-96	0	-84	-85
Total comprehensive income for the period	811	7,267	872	7,141	7,317

Condensed consolidated balance sheet

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

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

Condensed consolidated statement of cash flows

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Income before tax adjusted for items not included in cash flow ¹	363	214	749	487	1,447
Taxes paid	-103	-117	-181	-184	-408
Changes in working capital	0	171	-46	44	-171
Cash flow from operations	260	268	522	268	868
Investments/divestments in deposits	-118	-	-118	-	-
Acquisition of subsidiaries, associates and other investments	20	-33	-142	-38	-85
Earnout payments	-365	-217	-828	-217	-317
Investments in other non-current assets	-65	-48	-127	-111	-234
Cash flow from investing activities	-528	-297	-1,215	-365	-636
Net change in borrowings	-	-2,000	-	-1,900	-1,900
Repayment share redemption	-	-	-	-	-2,733
Repurchase of shares	-60	-146	-246	-146	-443
Loan to / repayment of loans from discontinued operations	-	216	-	154	154
Other cash flow from/used in financing activities	3	-38	-6	-45	-51
Cash flow from financing activities	-57	-1,968	-252	-1,937	-4,974
Net change in cash, continuing operations¹	-324	-1,997	-945	-1,956	-4,742
Net change in cash, discontinued operations¹	-	9,086	-	9,130	8,459
Total net change in cash and cash equivalents	-324	7,089	-945	7,174	3,717
Cash and cash equivalents at the beginning of the period	4,019	894	4,733	943	943
Translation differences in cash and cash equivalents	178	56	83	65	74
Change in cash and cash equivalents in assets held for sale	-	144	-	-	-
Cash and cash equivalents at end of the period	3,871	8,182	3,871	8,182	4,733

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

Condensed consolidated statement of changes in equity

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

Parent company condensed income statement

(SEKm)	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Net sales	15	10	30	22	40
Gross income	15	10	30	22	40
Administrative expenses	-54	-45	-97	-98	-218
Operating income	-39	-35	-66	-77	-178
Net interest and other financial items ¹	84	7,520	33	7,512	7,705
Income before tax and appropriations	45	7,485	-34	7,435	7,527
Appropriations	-	-	-	-	224
Tax	0	-	0	-	-6
Net income for the period	45	7,485	-34	7,435	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)	Jun 30 2023	Jun 30 2022	Dec 31 2022
Non-current assets			
Capitalized expenditure	0	1	0
Machinery and equipment	1	1	1
Shares and participations	22,463	20,513	22,463
Total non-current assets	22,465	20,515	22,465
Current assets			
Current receivables	47	21	622
Cash and cash equivalents	2,686	7,063	3,625
Total current assets	2,733	7,084	4,246
Total assets	25,197	27,599	26,711
Shareholders' equity			
Restricted equity	691	585	670
Non-restricted equity	15,151	14,989	15,089
Total equity	15,842	15,574	15,759
Untaxed reserves	9	-	9
Non-current liabilities			
Provisions	10	0	7
Total non-current liabilities	10	0	7
Current liabilities			
Other interest-bearing liabilities	9,294	9,097	10,502
Non-interest-bearing liabilities	43	2,927	434
Total current liabilities	9,336	12,025	10,936
Total shareholders' equity and liabilities	25,197	27,599	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 and contingent considerations for which the valuation technique is described below.

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

Valuation techniques

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

(SEKm)	Jun 30 2023	Dec 31 2022
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	2	21
Loan converted to shares	27	8
Closing balance	439	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)	Jun 30 2023	Dec 31 2022
Opening balance 1 January	2,703	2,319
of which discontinued operations	-	-10
Exercised payments	-828	-317
Revaluation	203	224
Reclassification	-348	-
Interest expense	120	220
Translation differences	61	267
Closing balance	1,911	2,703

(SEKm)	2023	2024	2025	2026+	Total
Cash Consideration	365	687	783	76	1,911
Share Consideration	-	-	-	-	0
Total contingent consideration¹	365	687	783	76	1,911

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

Alternative performance measures

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

- Adjusted EBITDA
- Change in net sales from organic growth

Reconciliation of adjusted EBITDA

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

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

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

Reconciliation of sales growth

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

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

Financial calendar

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

Questions?

Anton Gourman, VP Communications

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

Follow us: [mtg.com](https://www.mtg.com) / [Twitter](https://twitter.com/mtg) / [LinkedIn](https://www.linkedin.com/company/mtg)

Conference call

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

How to join:

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



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 July 20, 2023.

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