Q2 2018 Interim Report
Aug 15, 2018

Today’s presenter:
- Lars Wingefors
- Co-Founder & Group CEO
Q2 2018 highlights

10 releases in business area Games

- Net sales: SEK 837m, YoY growth 878%
- EBITDA: SEK 207m, YoY growth 421%
- EBIT: SEK 53m, YoY growth 73%

Financing activities

- SEK 1,448m new share issue before transaction costs (June 2018)*
- €85m new credit facilities (July 2018)
1. Q2 2018 financials update
Net sales in the Games business area was SEK484m in Q2 2018, of which SEK146m from THQ Nordic and SEK 338m from Deep Silver.

Net sales in the Partner Publishing/Film business area was SEK354m in Q2 2018.

Koch Media’s stand-alone net sales was SEK 692m in Q2 2018.

<table>
<thead>
<tr>
<th>SEKm</th>
<th>2018 Q2</th>
<th>2017 Q2</th>
<th>Delta</th>
<th>2018 Q1</th>
<th>2017 Jan-Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>837</td>
<td>86</td>
<td>+878%</td>
<td>633</td>
<td>508</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>44%</td>
<td>72%</td>
<td>50%</td>
<td>71%</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>207</td>
<td>40</td>
<td>+421%</td>
<td>226</td>
<td>273</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>25%</td>
<td>46%</td>
<td>36%</td>
<td>54%</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>53</td>
<td>30</td>
<td>73%</td>
<td>107</td>
<td>188</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>6%</td>
<td>35%</td>
<td>17%</td>
<td>37%</td>
<td></td>
</tr>
</tbody>
</table>
# Cash flow

<table>
<thead>
<tr>
<th>SEKm</th>
<th>2018 Q2</th>
<th>2017 Q2</th>
<th>2017 Jan-Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities before changes in working capital</td>
<td>137</td>
<td>36</td>
<td>249</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>28</td>
<td>-14</td>
<td>-70</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>165</td>
<td>22</td>
<td>179</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-347</td>
<td>-59</td>
<td>-375</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>1,597</td>
<td>31</td>
<td>655</td>
</tr>
<tr>
<td>Cash flow for the period</td>
<td>1,414</td>
<td>-6</td>
<td>458</td>
</tr>
</tbody>
</table>
Business area Games | Net sales breakdowns

Net sales (SEKm)

- Q1 2018: 391
- Q2: 484
- Q3: 255
- Q4: 85
- Q2 2017: 86

Owned titles % of net sales (remainder is publishing titles)

- Q2 2017: 76%
- Q3: 74%
- Q4: 82%

- Q2 2018: 34%
- Q3: 39%

Digital % of net sales (remainder is physical)

- Q2 2017: 69%
- Q3: 56%
- Q4: 40%
- Q1 2018: 38%
- Q2: 50%

New releases in quarter as % of net sales (remainder back cat)

- Q2 2017: 16%
- Q3: 39%
- Q4: 74%
- Q1 2018: 63%
- Q2: 20%
## Balance sheet

<table>
<thead>
<tr>
<th>SEKm</th>
<th>2018 30 June</th>
<th>2018 31 Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>2,028</td>
<td>1,899</td>
</tr>
<tr>
<td>Property, plant equipment</td>
<td>145</td>
<td>33</td>
</tr>
<tr>
<td>Financial assets</td>
<td>206</td>
<td>195</td>
</tr>
<tr>
<td>Inventories</td>
<td>179</td>
<td>146</td>
</tr>
<tr>
<td>Inventories</td>
<td>179</td>
<td>146</td>
</tr>
<tr>
<td>Current receivables</td>
<td>610</td>
<td>591</td>
</tr>
<tr>
<td>Cash and bank balance</td>
<td>1,514</td>
<td>99</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>4,683</strong></td>
<td><strong>2,963</strong></td>
</tr>
<tr>
<td>Share capital</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other capital reserves</td>
<td>2,357</td>
<td>811</td>
</tr>
<tr>
<td>Recognized profit including profit for the period</td>
<td>422</td>
<td>375</td>
</tr>
<tr>
<td>Provisions</td>
<td>319</td>
<td>339</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,584</td>
<td>1,438</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td><strong>4,683</strong></td>
<td><strong>2,963</strong></td>
</tr>
<tr>
<td>Interest-bearing receivables amount to</td>
<td>1,514</td>
<td>99</td>
</tr>
<tr>
<td>Interest-bearing liabilities amount to</td>
<td>450</td>
<td>253</td>
</tr>
</tbody>
</table>

- Intangible assets of SEK 2,028m at 30 June 2018 comprising:
  - Finished, completed games of SEK 206m
  - Ongoing game development projects of SEK 1,412m
  - IP:s, films, partner publishing, goodwill and other intangible assets of SEK 410m
Defpreciation and investments

Continued significant pipeline investments

<table>
<thead>
<tr>
<th>SEKm</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DEPRECIATION:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IPs</td>
<td>–3.4</td>
<td>–3.5</td>
<td>–3.8</td>
<td>–4.1</td>
<td>–3.0</td>
</tr>
<tr>
<td>Game development</td>
<td>–5.6</td>
<td>–6.5</td>
<td>–43.4</td>
<td>–65.5</td>
<td>–112.8</td>
</tr>
<tr>
<td>Partner Publishing and Film</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–44.4</td>
<td>–30.9</td>
</tr>
<tr>
<td><strong>INVESTMENTS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External game development &amp; advances</td>
<td>44.2</td>
<td>58.9</td>
<td>54.2</td>
<td>115.3</td>
<td>114.0</td>
</tr>
<tr>
<td>Internal capitalized development</td>
<td>14.4</td>
<td>19.2</td>
<td>33.0</td>
<td>57.6</td>
<td>93.5</td>
</tr>
<tr>
<td>IP Acquisitions</td>
<td>–</td>
<td>3.8</td>
<td>–</td>
<td>–</td>
<td>0.2</td>
</tr>
<tr>
<td>Investments in films</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6.4</td>
<td>32.4</td>
</tr>
<tr>
<td>Other investments in intangible assets</td>
<td>–</td>
<td>–</td>
<td>10.6</td>
<td>5.2</td>
<td>–1.6</td>
</tr>
<tr>
<td>Finalized and completed development</td>
<td>1.9</td>
<td>39.8</td>
<td>133.9</td>
<td>122.9</td>
<td>47.4</td>
</tr>
</tbody>
</table>
2. Release activity
Releases in Q2 | Games

**Pillars of Eternity II: Deadfire**
- PC
- IP: 3rd party

**Battle Chasers: Nightwar**
- Switch
- IP: 3rd party

**Conan Exiles**
- PC PS4 XB1
- IP: 3rd party

**Legend of Kay Anniversary**
- Switch
- IP: Own

**de Blob**
- Switch
- IP: Own

**Kingdom Come: Deliverance**
- PC PS4 XB1 - DLC
- IP: 3rd party

**Manticore**
- Switch
- IP: Own

**Wreckfest**
- PC
- IP: 3rd party

**Illusion: A Tale of the Mind**
- PC PS4 XB1
- IP: 3rd party

**Pocket Cowboys**
- Android
- Open Beta Google Play
- IP: Own

**Mobile games update**
- Snipers vs Thieves
- Muscles Hustle
Releases after Q2 | Games

5 releases in business area Games after Q2 2018

- **Red Faction: Guerrilla Remastered**
  - PC PS4 XB1
  - IP: Own

- **Aces of the Luftwaffe: Squadron**
  - PC PS4 XB1
  - IP: Own

- **This is the Police II**
  - PC
  - IP: Own

- **Kingdom Come: Deliverance - From the Ashes**
  - PC PS4 XB1 - DLC
  - IP: 3rd party

- **Titan Quest**
  - Switch
  - IP: Own
Selected releases in Q2 | Partner Publishing/Film

by Codemasters

by Focus Home Interactive

by Sega/Atlus

by Milestone

Selected upcoming releases

F1 2018 by Codemasters

Yakuza Kiwami 2 by Sega of America

Call of Cthulhu by Focus Home Interactive

Shenmue I & II, Sonic Mania Plus, Total War: Warhammer 2 by Sega of Europe

Dragon Quest IX, Shadow of the Tomb Raider, Just Cause 4 by Square Enix

by Sega of Europe

by Rising Star
3. Financing activities and acquisitions
Financing activities: Directed new share issue in June 2018

- Raised SEK 1,448m before transaction costs at SEK 188 per share
- For financing acquisitions of franchises, game development, studios or other objects which complement the operations
- Dilution: ~8.7% of shares and ~4.6% of votes
- Strong interest from a wide range of Swedish and international institutional investors
Financing activities: New credit facilities in July 2018

• New credit facilities of €85m in placed with a leading Nordic bank, comprising:
  • €25m overdraft facility
  • €30m term loan
  • €30m revolving credit facility

• New credit facilities were initially used towards:
  • Refinancing of existing SEK 250m overdraft facility
  • Payment of the €16m deferred cash component of the Koch Media acquisition consideration
HandyGames acquired in July 2018

Game developer and publisher

Headquartered in Giebelstadt, Germany

Founded 2000

50 employees

100% of the shares acquired for €1m cash, with, additionally, a potential performance-based earnout of up to €1.5m

Released 150+ games on multiple different platforms

Released Aces of Luftwaffe Squadron in July 2018
TimeSplitters IP acquired in Aug 2018

TimeSplitters originally created by Free Radical Design who later became Deep Silver Dambuster Studios

Considered one of the most influential console franchises of the early 2000’s
Strongest pipeline to date

**PC PS4 XB1**
IP: Exclusive license

**PC PS4 XB1**
IP: Own

**PC PS4 XB1**
IP: 3rd party

**PC PS4 XB1**
IP: 3rd party

**PC PS4 XB1**
IP: 3rd party

**PC PS4 XB1**
IP: Own

**PC PS4 XB1**
IP: 3rd party

In total 51 projects
(17 announced and 34 unannounced)
Q&A