1. Operational and financial performance
**OPERATIONAL AND FINANCIAL HIGHLIGHTS**

### Increased profitability mainly driven by strong digital back catalog of own-IP games

<table>
<thead>
<tr>
<th>Q2 FY19/20</th>
<th>Net sales</th>
<th>YoY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEK 1,260m</td>
<td>-1%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net sales – Games</th>
<th>YoY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEK 816m</td>
<td>117%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operational EBIT</th>
<th>YoY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEK 241m</td>
<td>133%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flow from operating activities</th>
<th>(after change in working capital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEK 285m</td>
<td></td>
</tr>
</tbody>
</table>

Increased profitability driven by:
- Release of Wreckfest on console
- Strong back catalog lead by Metro franchise
- Increased share of digital sales
- Increased share of sales from own-IP titles

### Continue to strengthening our pipeline

Investments in game development in the quarter:

**SEK 343m (+47%)**
(47% higher than same quarter last year)

- **86 pipeline projects**
  - At least **two AAA projects** expected to be released in FY20/21
  - Additional deals signed for upcoming games on digital subscription and streaming services on various platforms

### Two significant acquisitions

- Leading two-wheel racing developer Milestone acquired – released MXGP2019 in August
- World-class studio Gunfire Games acquired – released Remnant (publisher perfect World) in August
# KEY P&L METRICS

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Quarter</th>
<th>Trailing twelve months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2 FY19/20</td>
<td>Q3 2018</td>
</tr>
<tr>
<td>Net sales</td>
<td>1,260</td>
<td>1,273</td>
</tr>
<tr>
<td>EBITDA</td>
<td>418</td>
<td>215</td>
</tr>
<tr>
<td>Operational EBIT</td>
<td>241</td>
<td>103</td>
</tr>
<tr>
<td>Operational EBIT margin</td>
<td>19%</td>
<td>8%</td>
</tr>
<tr>
<td>Adj. EPS (SEK)</td>
<td>0.65</td>
<td>0.28</td>
</tr>
</tbody>
</table>
DEPRECIATION AND AMORTIZATION

Q2 FY19/20
SEK million

EBITDA
- 418
  - Game development
  - Other intangible assets (Film etc.)
  - Other (mainly PPE)
  - Operational EBIT
  - IP rights
  - Surplus value Partn. P/Film
  - Goodwill
  - Reported EBIT

Operational D&A
-144
-27
-7
241
-101
-12
-52
76

Acquisition-related D&A

Earnings before interest, taxes, depreciation, and amortization (EBITDA) for Q2 FY19/20.
### KEY CASH FLOW METRICS

<table>
<thead>
<tr>
<th></th>
<th>Jul–Sep 2019</th>
<th>Jul–Sep 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating</td>
<td>364.7</td>
<td>224.3</td>
</tr>
<tr>
<td>activities before changes</td>
<td>–79.9</td>
<td>–964.4</td>
</tr>
<tr>
<td>in working capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in working capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating</td>
<td>284.8</td>
<td>–740.1</td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in acquired</td>
<td>–802.7</td>
<td>–7.3</td>
</tr>
<tr>
<td>companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in intangible</td>
<td>–391.9</td>
<td>–273.3</td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in tangible</td>
<td>–8.6</td>
<td>–3.4</td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in financial</td>
<td>–0.1</td>
<td>–</td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from investing</td>
<td>–1,203.3</td>
<td>–284.0</td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from financing</td>
<td>619.6</td>
<td>856.7</td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow for the period</td>
<td>–298.9</td>
<td>–167.3</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3,159.0</td>
<td>1,513.7</td>
</tr>
<tr>
<td>at beginning of period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translation difference in</td>
<td>7.8</td>
<td>–0.7</td>
</tr>
<tr>
<td>cash and cash equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,867.9</td>
<td>1,345.6</td>
</tr>
<tr>
<td>at end of period</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

+63% YoY growth in the quarter  
No forfaiting in Q2 FY19/20, SEK 189m reduction in forfaiting in the same quarter last year*  
Growth investments (M&A growth)  
A significant portion is (organic) growth investments (see slides 18–19)  
Increased utilization of credit facility in Koch Media  
*Cost of forfaiting amount to approx. EUR 93k during the period of utilization (~0,4% p.a.). The expense is reported within financial net.  
Cash taxes in the quarter was SEK 53m and SEK 125m in the first two quarters of FY19/20
INVESTMENTS

Investments in intangible assets the quarter

Q2 FY19/20
SEKm

- IP-rights: 6
- Other intangible assets (Film etc.): 43
- Internal capitalized development: 177
- External game development and advances: 166
- Total: 392

Finalized and completed game development: SEK101m

Investments in game development by quarter

- Internal capitalized development
- External game development and advances

2016
- Q3: 234
- Q4: 356

2017
- Q1: 343
- Q2: 177
- Q3: 166

2018
- Q3: +47%
### BALANCE SHEET

<table>
<thead>
<tr>
<th>SEK million</th>
<th>30 Sep 2019</th>
<th>30 Jun 2019</th>
<th>30 Sep 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>5,522</td>
<td>3,819</td>
<td>2,172</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>170</td>
<td>160</td>
<td>142</td>
</tr>
<tr>
<td>Financial assets</td>
<td>218</td>
<td>178</td>
<td>200</td>
</tr>
<tr>
<td>Inventories</td>
<td>385</td>
<td>385</td>
<td>212</td>
</tr>
<tr>
<td>Current receivables</td>
<td>1,579</td>
<td>1,373</td>
<td>1,402</td>
</tr>
<tr>
<td>Cash and bank balance</td>
<td>2,868</td>
<td>3,159</td>
<td>1,346</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>10,742</strong></td>
<td><strong>9,074</strong></td>
<td><strong>5,474</strong></td>
</tr>
<tr>
<td>Share capital</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other capital reserves</td>
<td>5,289</td>
<td>4,976</td>
<td>2,357</td>
</tr>
<tr>
<td>Recognized profit incl. profit for the period</td>
<td>895</td>
<td>801</td>
<td>473</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,214</td>
<td>589</td>
<td>331</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>215</td>
<td>211</td>
<td>207</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>3,128</td>
<td>2,497</td>
<td>2,105</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>10,742</strong></td>
<td><strong>9,074</strong></td>
<td><strong>5,474</strong></td>
</tr>
<tr>
<td>Interest-bearing receivables amount to</td>
<td>2,868</td>
<td>3,159</td>
<td>1,346</td>
</tr>
<tr>
<td>Interest-bearing liabilities amount to</td>
<td>1,768</td>
<td>1,110</td>
<td>1,321</td>
</tr>
<tr>
<td>Net cash</td>
<td>1,100</td>
<td>2,049</td>
<td>25</td>
</tr>
</tbody>
</table>

- Intangible assets of SEK 5,522m at 30 Sep 2019 comprising:
  - Finished, completed games of SEK 393m
  - Ongoing game development projects of SEK 1,582m
  - Other intangible assets (film etc.) of SEK 283m
  - IP-rights of SEK 2,072m
  - Surplus value Film and Partner publishing of SEK 208m
  - Goodwill of SEK 983m

- As of 30 Sep 2019, cash and cash equivalents were SEK 2,868m. Available liquidity including credit facilities was SEK 3,567m.
2. Business areas
Games business area

GAMES – NET SALES BREAKDOWNS

Net sales

SEKm

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net</td>
<td>376</td>
<td>553</td>
<td>1,035</td>
<td>641</td>
<td>816</td>
</tr>
<tr>
<td></td>
<td>1,506</td>
<td>1,803</td>
<td>2,447</td>
<td>2,605</td>
<td>3,045</td>
</tr>
</tbody>
</table>

- 117% YoY growth in the quarter (quarterly)

Owned titles (rest is publishing titles)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Own</td>
<td>50%</td>
<td>72%</td>
<td>84%</td>
<td>80%</td>
<td>78%</td>
</tr>
<tr>
<td></td>
<td>48%</td>
<td>50%</td>
<td>67%</td>
<td>75%</td>
<td>79%</td>
</tr>
</tbody>
</table>

Digital (rest is physical)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital</td>
<td>46%</td>
<td>45%</td>
<td>53%</td>
<td>58%</td>
<td>63%</td>
</tr>
<tr>
<td></td>
<td>52%</td>
<td>41%</td>
<td>61%</td>
<td>71%</td>
<td>74%</td>
</tr>
</tbody>
</table>

New releases (rest is back catalog)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>31%</td>
<td>58%</td>
<td>75%</td>
<td>18%</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- = Quarterly
- = Trailing twelve months
DEEP SILVER

Games business area

Notable releases in the quarter

**MXGP 2019**

5 releases in total

Table:

<table>
<thead>
<tr>
<th>SEK million</th>
<th>FY18/19</th>
<th>FY19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td></td>
<td>252</td>
<td>187</td>
</tr>
</tbody>
</table>

- 75% YoY growth in the quarter, mainly driven by strong back catalog where Metro franchise contributed the most
- Milestone, acquired on 14 Aug 2019, contributed with SEK 42m, mainly relating to the release of MXGP2019 at the end of August.

Selected upcoming releases

- **DEAD ISLAND III**
  - PC PS4 XB1
  - IP: Own

- **Shenmue III**
  - PC PS4
  - IP: 3rd party

- **IRON HARVEST**
  - PC PS4 XB1
  - IP: 3rd party

Leading two-wheel racing developer Milestone acquired
Games business area

THQ NORDIC

<table>
<thead>
<tr>
<th>SEK million</th>
<th>FY18/19</th>
<th>FY19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>Net sales</td>
<td>124</td>
<td>352</td>
</tr>
</tbody>
</table>

- 165% YoY growth in the quarter

Key releases in the quarter

- Remnant: From the Ashes was released in August and exceeded our expectations at acquisition date and contributed to the Group’s performance in the quarter through royalties (publisher Perfect World)

12 releases in total

Selected upcoming releases

- **BIOMUTANT**: PC PS4 XB1
  - IP: Own

- **DEADFIRE**: PS4 XB1 Switch
  - IP: 3rd party

- **DESPERADOS III**: PC PS4 XB1
  - IP: Own

- **DESTROY ALL HUMANS!**: PC PS4 XB1
  - IP: Own

- **DARKSIDERS GENESIS**: PC PS4 XB1
  - IP: Own

- **BATTLE FOR BIKINI BOTTOM (Rehydrated)**: PC PS4 XB1
  - Switch
  - IP: 3rd party

World-class studio Gunfire Games acquired, i.e. makers of Darksiders III and Remnant

Remnant: From the Ashes was released in August and exceeded our expectations at acquisition date and contributed to the Group’s performance in the quarter through royalties (publisher Perfect World)
Games business area

COFFEE STAIN

<table>
<thead>
<tr>
<th>SEK million</th>
<th>FY18/19</th>
<th>FY19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>Net sales</td>
<td>n/a</td>
<td>14</td>
</tr>
</tbody>
</table>

Selected upcoming releases

- Top Secret
  - PC
  - IP: Own
- Songs of Conquest
  - PC
  - IP: 3rd party
- Midnight Ghost Hunt
  - PC

Back catalog mainly driven by

- Satisfactory
  - PC
  - IP: 3rd party
- Goat Simulator
  - PC
  - IP: Own
- Deep Rock Galactic
  - PC
  - IP: Own

- No releases in the quarter. Satisfactory, Goat Simulator and Deep Rock Galactic remained the main revenue drivers during the quarter.
- Satisfactory had no major promotions on Epic Game Store during the quarter, but going forward sales are expected to get new support by future content updates as well as new promotions.
- Looking ahead Coffee Stain expects to release a notable amount of new releases during the next financial year, ending March 2021.
- After the quarter end Coffee Stain made a small minority investment in a UK-based studio.
Games business area

GOODBYE KANSAS GAME INVEST

Two investments in the quarter

Founded a wholly-owned new studio with a senior development team departing from a large AAA developer

Details of the team and their projects will be announced in due course.

Acquired 45% stake in Norwegian fishing-simulator developer Misc Games
PARTNER PUBLISHING/FILM

<table>
<thead>
<tr>
<th>SEK million</th>
<th>FY18/19</th>
<th>FY19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>Net sales</td>
<td>897</td>
<td>828</td>
</tr>
</tbody>
</table>

- Negative 51% YoY growth in the quarter due to the absence of larger releases to match those in the same period last year. Codemaster’s F1 2019 continued to be a major revenue driver in the quarter.

Notable releases in the quarter

![Monster Hunter World Iceborne](image) by Capcom

![Catherine Full Body](image) by Atlus

![Ghostbusters: The Video Game Remastered](image) by Saber Interactive /Solutions 2 GO

![GreedFall](image) by Focus

Selected upcoming releases in Q3 FY19/20

- SEGA Mega Drive Mini from Sega/Atlus
- GRID from Codemasters
- Terminator: Resistance from Reef Entertainment
- Football Manager 2020 from SEGA
- Life is Strange 2 from Square Enix
- Sniper Ghost Warriors Contracts from CI Games
- Super Monkey Ball Banana Blitz HD from Atlus
- Cities: Skylines - Parklife Edition from Paradox

- No notable AAA releases in the December quarter
- We expect a few significant AAA releases in calendar H1 2020

Physical market update

We have made a thorough analysis of the physical market for the coming 3-4 years. While the market share for physical is declining due to the growth of digital, we anticipate the dollar value of physical sales to remain fairly stable for at least the coming 3-4 years, fuelled by the launch of the next generation of consoles.
3. Embracer strategy
**GROWTH STRATEGY**

**Financial model**
- Diversified portfolio/pipeline – reduces operational risk
- Strong balance sheet – reduces financial risk
- Strong EBITDA cash conversion
- Reinvests as much as possible of operating cash flow and willingness to issue equity – to capture attractive organic and acquisitive growth opportunities (ROI > WACC)

**Empowering people**
- Philosophy of decentralization to empower our great people across the group
- Commercial autonomy to business area CEOs, founders, and studio heads to run their operations
- Fosters creativity, speed and relevance as decisions are taken closer to local markets and niche markets

**Invest for long-term organic growth**
*Investments in development should outpace finalised game development*
- Develop and expand IP portfolio – including currently dormant IPs
- Develop and expand internal studios
- Establish new studios with top talent developers
- Development projects with external studios
- Continue to consolidate partner publishing market

**Buy to build**
*Continue acquiring great companies that share our vision at fair valuations*
- Acquire and develop IPs, and studios and publishers
- Increase investments in acquired companies to unleash unlocked potential and capacity
- Synergies with distribution, marketing, knowledge-sharing, IPs, tech, development etc.
- In general to complement, not compete, with business partners in the game industry.

**M&A**
- Diversified portfolio/pipeline – reduces operational risk
- Strong balance sheet – reduces financial risk
- Strong EBITDA cash conversion
- Reinvests as much as possible of operating cash flow and willingness to issue equity – to capture attractive organic and acquisitive growth opportunities (ROI > WACC)
INVESTING FOR GROWTH...

Most of our operational cash flow have been invested into game development, of which a significant part has been growth investments.

- Investments in game development have been around 2x the amount amortized on released games, indicating that a significant share of our investments are to drive further growth in our business.

Since IPO, we have invested most of our EBITDA into game development...

Jan 2017 – Sep 2019 (11 quarters), SEKm

<table>
<thead>
<tr>
<th>Q4 2018</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.7x</td>
<td>3.5x</td>
<td>2.5x</td>
<td>2.4x</td>
</tr>
<tr>
<td>2.6x</td>
<td>2.2x</td>
<td>2.2x</td>
<td>2.2x</td>
</tr>
</tbody>
</table>

- Investments in game development have been around 2x the amount amortized on released games, indicating that a significant share of our investments are to drive further growth in our business.

Group EBITDA
2673

Investments in game development
2182

Relating to game dev.
• Only “released games” are currently generating sales and profits, “ongoing game development” will in the future
• Ongoing game development is 4 times larger than released games
• Ongoing game development, including minor M&A effects, has grown by 42% in the last six months

• Number of development projects continue to grow
• Record number of 86 projects as at 30 September 2019
• These are yet-to-be-released games and other content

• Strongest pipeline to date
• At least two AAA releases in FY20/21, as well as several exiting AA titles and other amazing content
M&A OUTLOOK

- M&A prospects continue to look favorable
- Ongoing scouting and research activity at HQ in Sweden, THQ Nordic Vienna, Koch Media Deep Silver and Coffee Stain
- Substantial watchlist of IPs, development studios and publishers
- Currently a number of ongoing discussions with companies to join our Group, including a few sizable businesses that could form a new operating group, however, we do not depend on acquisitions to grow our business
- Strategy of giving autonomy to our local management teams is empowering them to continue succeeding and is attracting more studios and publishers to join our family
4. Deep dive
“GROSS PROFIT RETURN” ON INVESTMENT

Average of 3.5x for the last six quarters

The yellow line shows gross profit in the games business area as a ratio over amortization of released games, on a trailing twelve months basis.

This is a rough indication of our recent “gross profit return” on investments in the Games business area.

We fully amortize our capitalized development costs within two years of the release of our games, accordingly catalog games which have been released more than two years ago will contribute to gross profit, but the development costs will have been fully amortized by that point.

Note: Gross profit does not e.g. include marketing or opex.
NET SALES PER BUSINESS UNIT
Trailing twelve months net sales, SEK million

- 48% average growth (CAGR) Q4 2017 – Q3 2019
- Q1 2017 – Q1 2018 figures are proforma
- We acquired Deep Silver on 14 Feb 2018

- 63% average growth (CAGR) Q4 2017 – Q3 2019
- Q1 2017 – Q1 2018 figures are proforma
- We acquired Deep Silver on 14 Feb 2018

- 91% average growth (CAGR) Q4 2017 – Q3 2019
- We acquired Coffee Stain on 14 Nov 2018

- 1% average growth (CAGR) Q4 2017 – Q3 2019
- Q1 2017 – Q1 2018 figures are proforma
- We acquired Koch Media on 14 Feb 2018
PURCHASE PRICE ALLOCATION

• The preliminary PPA considers the total estimated consideration for the purchased shares, such as cash or shares at closing as well as any conditional purchase price in cash or shares.

• The total consideration is compared with the fair value of net assets in the acquired company. If the total consideration is higher than the fair value of net assets, a surplus value will be recognized.

• The surplus value is then allocated between Goodwill, IP-rights and possibly business area surplus value and depreciated over 5 years.

• The book value of ongoing game development is taken over from the target company and when the games are released amortization start.

• As the target become part of the Embracer group, we implement Embracer Accounting Principles in target where development is capitalized and amortized over two years.
PRE-STUDY IFRS CONVERSION

• The board has decided to conduct a pre-study for IFRS conversion and we will commence the project now.

• The requirement on documentation are more detailed and thorough.

• The requirement on disclosures for interim reports and annual reports are more detailed.

• Current amortization model for released games need to be revisited. Risk of a more individual model based on actual sales vs budget sales for each project.

• Lease contracts are recalculated

• No amortization of goodwill (yearly impairment tests)
Net working capital, excl Forfaiting

- Net working capital increased in the period from SEK 141m to SEK 369 m. The majority of the increase is related to acquired companies, and excluding the effects of acquired companies the change in NWC amount to approx. 80m. The change is mainly related to increased trade receivables as we had a large share of quarterly sales in September.
- Net working capital in relation to TTM proforma sales is fairly low and amounts to 6%.
- Credit risk in trade receivables is limited thru insurances with insurance companies such as COFACE (the vast majority of nominal amounts are covered)
CASH FLOW

Cash Conversion Quarterly (MSEK)

EBITDA
Cash conversion pre NWC (EBITDA)
Cash conversion post NWC (EBITDA)
Embracer Group Actions since Q1

- Adding a resource to the team working fulltime with coordinating the sustainability framework in the group – Karin Edner
- Rolling out Smarter Business – our approach to Sustainability
- Ambassador Program - to reach and involve the whole group
- Identified actions for sustainability reporting based on GRI Standards
- Compliance Code adopted
- Gathering initiatives within the group
Ongoing initiatives in our group:

• Support Start-ups and sponsor initiatives focusing on gender equality
• Collaborations with universities
• Initiatives to enhance work-life balance
• Workshops focusing on; Sensitive Content, Inclusive Play, People, Culture, and Brand
• Decreasing and minimizing crunch
• Initiatives are taken to decrease emissions from transport and making commute travel easier
OUT NOW

LITTLE BIG WORKSHOP

Q&A