Q3 FY19/20
Interim Report
February 19, 2020
Metro Exodus full game launched on Steam now!

Final Metro Exodus DLC launched now!
1. Operational and financial performance
**Operational and Financial Highlights**

**Net Sales**
- **SEK 1,509m**
- YoY growth: **9%**

**Net Sales – Games**
- **SEK 836m**
- YoY growth: **51%**

**Q3 FY19/20**
- Increased profitability driven by:
  - Release of Darksiders Genesis on PC/Stadia
  - Strong back catalog including Metro franchise, Wreckfest and Satisfactory
  - Increased share of digital sales
  - Increased share of sales from own-IP titles

**Operational EBIT**
- **SEK 302m**
- YoY growth: **54%**

**Investments in game development in the quarter:**
- **SEK 373m (+37%)**
  - (37% higher than same quarter last year)

**96 pipeline projects**

**Continued organic and acquisitive expansion**

**Releases after Q3 FY19/20:**
- Darksiders
- Metro Exodus
- Tarsier Studios
- Riverend Games
- Voxler Games
- C77 Entertainment
- Nine Rocks Games
- Misc Games

+ Setting up two unannounced studios
## KEY P&L METRICS

<table>
<thead>
<tr>
<th></th>
<th>SEK million</th>
<th>Quarter</th>
<th>Trailing twelve months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3 FY19/20</td>
<td>Q4 2018</td>
<td>Oct–Dec 2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Oct–Dec 2018</td>
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<td>Jan 2018–Dec 2019</td>
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<td>Jan 2017–Dec 2018</td>
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<td>YoY Change</td>
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<td></td>
<td></td>
<td></td>
<td>YoY Change</td>
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<tr>
<td><strong>Net sales</strong></td>
<td>1,509</td>
<td>1,381</td>
<td>9%</td>
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<td>5,541</td>
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<td>4,124</td>
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<td></td>
<td></td>
<td></td>
<td>34%</td>
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<tr>
<td><strong>EBITDA</strong></td>
<td>518</td>
<td>326</td>
<td>59%</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>1,945</td>
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<td></td>
<td></td>
<td></td>
<td>974</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td><strong>Operational EBIT</strong></td>
<td>302</td>
<td>197</td>
<td>54%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,143</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>501</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>128%</td>
</tr>
<tr>
<td><strong>Operational EBIT margin</strong></td>
<td>20%</td>
<td>14%</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Adj. EPS (SEK)</strong></td>
<td>0.68</td>
<td>0.55</td>
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</tr>
</tbody>
</table>
DEPRECIATION AND AMORTIZATION

Q3 FY19/20
SEK million

- Operational D&A (-216)
- Acquisition-related D&A (-211)

EBITDA: 518
- Game development
- Other intangible assets (Film etc.)
- Other (mainly PPE)
- Operational EBIT: 302
- IP rights
- Surplus value Partn. P/Film
- Goodwill
- Reported EBIT: 91
# KEY CASH FLOW METRICS

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities before changes in working capital</td>
<td>552.0</td>
<td>360.1</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-312.5</td>
<td>94.9</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td><strong>239.5</strong></td>
<td><strong>455.0</strong></td>
</tr>
<tr>
<td>Cashflow from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in acquired companies</td>
<td>-88.2</td>
<td>-417.4</td>
</tr>
<tr>
<td>Investment in intangible assets</td>
<td>-419.0</td>
<td>-313.8</td>
</tr>
<tr>
<td>Investment in tangible assets</td>
<td>-8.8</td>
<td>-14.4</td>
</tr>
<tr>
<td>Investment in financial assets</td>
<td>-19.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>229.3</td>
<td>-132.7</td>
</tr>
<tr>
<td><strong>Cash flow for the period</strong></td>
<td><strong>-66.2</strong></td>
<td><strong>-423.3</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>2,867.9</td>
<td>1,345.6</td>
</tr>
<tr>
<td>Translation difference in cash and cash equivalents</td>
<td>-17.0</td>
<td>-0.6</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td><strong>2,784.7</strong></td>
<td><strong>921.7</strong></td>
</tr>
</tbody>
</table>

**+53% YoY growth in the quarter**
- Related to reduced trade payables, which is heavily influenced by release schedules of larger titles especially in the physical side of our business.
- No forfaiting in Q3 FY19/20, SEK 43m increase in forfaiting in the same quarter last year*

**Growth investments (M&A growth)**
- A significant portion is (organic) growth investments.

**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 +4m and SEK 122m in the first three quarters of FY19/20.**
INVESTMENTS

Investments in intangible assets the quarter

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Total</th>
<th>Internal capitalized development</th>
<th>External game development and advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 FY19/20</td>
<td>SEKm</td>
<td>221</td>
<td>152</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</td>
<td>419</td>
</tr>
</tbody>
</table>

Finalized and completed game development: SEK146m

Investments in game development by quarter

- **Internal capitalized development**
- **External game development and advances**

Total investments over the years:
- **2016**: SEKm 8
- **2017**: SEKm 373
- **2018**: SEKm 273
- **2019**: SEKm 343

+37% growth

**Total**
- **2016**: SEKm 8
- **2017**: SEKm 373
- **2018**: SEKm 273
- **2019**: SEKm 343

**Finalized and completed game development:**
- **Q3 FY19/20**: SEKm 146

**Total for the year:**
- **Q3 FY19/20**: SEKm 146

**Growth:**
- **+37%**
### BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2019</th>
<th>30 Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>5,633</td>
<td>5,522</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>169</td>
<td>170</td>
</tr>
<tr>
<td>Financial assets</td>
<td>201</td>
<td>218</td>
</tr>
<tr>
<td>Inventories</td>
<td>387</td>
<td>385</td>
</tr>
<tr>
<td>Current receivables</td>
<td>1,570</td>
<td>1,579</td>
</tr>
<tr>
<td>Cash and bank balance</td>
<td>2,785</td>
<td>2,868</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>10,745</strong></td>
<td><strong>10,742</strong></td>
</tr>
<tr>
<td>Share capital</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other capital reserves</td>
<td>5,300</td>
<td>5,289</td>
</tr>
<tr>
<td>Recognized profit incl. the period</td>
<td>876</td>
<td>895</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,306</td>
<td>1,214</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>209</td>
<td>215</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>3,053</td>
<td>3,128</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>10,745</strong></td>
<td><strong>10,742</strong></td>
</tr>
</tbody>
</table>

- **As of 31 Dec 2019, cash and cash equivalents were SEK 2,785m. Available liquidity including credit facilities was SEK 3,444m**

#### Breakdown of intangible assets 31 Dec 2019

- Finished completed games: 410 (7%)
- Ongoing game development projects: 1,749 (31%)
- Other intangible assets (film etc.): 250 (4%)
- **Operational intangible assets**: 2,409 (43%)
- IP-rights: 1,920 (34%)
- Surplus value Partner Publishing/Film: 192 (3%)
- Goodwill: 1,112 (20%)
- Acquisition related intangible assets: 3,224 (57%)
- **TOTAL**: 5,633 (100%)
2. Business areas
Games business area

GAMES – NET SALES BREAKDOWNS

Net sales

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>SEKm Owned titles</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New releases</td>
<td>553</td>
<td>1,035</td>
<td>641</td>
<td>816</td>
<td>836</td>
</tr>
<tr>
<td>Digital net sales</td>
<td>1,803</td>
<td>2,447</td>
<td>2,605</td>
<td>3,045</td>
<td>3,328</td>
</tr>
</tbody>
</table>

- 51% YoY growth in the quarter (quarterly)

Owned titles (rest is publishing titles)

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<thead>
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<tbody>
<tr>
<td>SEKm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trailing twelve months</td>
<td>72%</td>
<td>84%</td>
<td>80%</td>
<td>78%</td>
<td>79%</td>
</tr>
<tr>
<td>Quarterly</td>
<td>50%</td>
<td>67%</td>
<td>75%</td>
<td>79%</td>
<td>80%</td>
</tr>
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</table>

Digital (rest is physical)

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<tbody>
<tr>
<td>100%</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>41%</td>
<td>45%</td>
<td>53%</td>
<td>58%</td>
<td>63%</td>
<td>68%</td>
</tr>
<tr>
<td>61%</td>
<td>61%</td>
<td>71%</td>
<td>74%</td>
<td>69%</td>
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</tbody>
</table>

New releases (rest is back catalog)

<table>
<thead>
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<tbody>
<tr>
<td>100%</td>
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</tr>
<tr>
<td>58%</td>
<td>58%</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>18%</td>
<td>32%</td>
<td>35%</td>
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</tbody>
</table>
150% YoY growth in the quarter, mainly driven by strong back catalog

Back catalogue sales exceeded management expectations in the quarter, both digitally and physically

After the quarter: Acquisition of music games studio Voxler (Let’s Sing franchise) – see separate slide

Notable releases in the quarter

Selected upcoming releases

<table>
<thead>
<tr>
<th>SEK million</th>
<th>FY18/19</th>
<th>FY19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4</td>
<td>Q5</td>
</tr>
<tr>
<td>Net sales</td>
<td>187</td>
<td>794</td>
</tr>
</tbody>
</table>

- **SEK million**
- **FY18/19**
- **FY19/20**
- **Q4**
- **Q5**
- **Q1**
- **Q2**
- **Q3**

- **Switch**
  - IP: Licensed
- **DLC**
  - IP: Licensed
- **Steam**
  - IP: Licensed
- **PC PS4 XB1**
  - IP: Own
- **PC PS4 XB1**
  - IP: Own
- **PC Console**
  - IP: Licensed

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

= Released after Q3 FY19/20

4 releases in total
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>Q4</td>
<td>Q5</td>
</tr>
<tr>
<td>Net sales</td>
<td>352</td>
<td>143</td>
</tr>
</tbody>
</table>

- Negative 5% YoY growth in the quarter, mainly explained by a tough comparable in Darksiders III in Q4 2018.
- Major revenue drivers in the quarter were Wreckfest for console and Darksiders Genesis for PC/Stadia.
- Sales of Remnant: From the Ashes, developed by Gunfire Games and published by Perfect World, continued to exceed management’s expectations.
- New release Little Big Workshop, by Mirage Studios in Karlstad, was well received and exceeded management expectations.
- New studio Nine Rock Games set up in Bratislava, Slovakia, after the quarter.

Key releases in the quarter

- Darksiders Genesis
  - PC Stadia
  - IP: Own
- Little Big Workshop
  - PC
  - IP: Own
- Monster Jam Steel Titans
  - Switch
  - IP: Licensed

Selected upcoming releases

- Biomutant
  - PC PS4 XB1
  - IP: Own
- Darksiders Genesis
  - PS4 XB1 Switch
  - IP: Own
- Desperados III
  - PC PS4 XB1
  - IP: Own
- Destroy All Humans!
  - PC PS4 XB1
  - IP: Licensed
- Comanche
  - PC
  - IP: Own
COFFEE STAIN

Games business area

<table>
<thead>
<tr>
<th>SEK million</th>
<th>FY18/19</th>
<th>FY19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4</td>
<td>Q5</td>
</tr>
<tr>
<td>Net sales</td>
<td>14</td>
<td>98</td>
</tr>
</tbody>
</table>

Selected upcoming releases

- **Top Secret**: PC
  - IP: Own

- **Songs of Conquest**: PC
  - IP: 3rd party

- **Midnight Ghost Hunt**: PC

- **Vaulted Sky**: PC
  - IP: 3rd party

- **Deep Rock Galactic**: PC
  - IP: 3rd party

- **Goat Simulator**: PC
  - IP: Own

- **Coffee Stain North**: PC
  - IP: Own

- **Satisfactory**: PC
  - IP: Own

**Note:**
- Satisfactory was the major revenue generator during the quarter, closely followed by Deep Rock Galactic and Goat Simulator that continued to perform well.
- Satisfactory Update III, scheduled for December 2019, was delayed due to technical complexity, but has been released after Q3 FY19/20.
- Looking ahead Coffee Stain expects to release a notable amount of new releases during the next financial year, ending March 2021.
Rebranding and strong recent business activity

Quizzy

Acquiring Tarsier Studios – see separate slides below. Full presentation here.

Setting up new, wholly owned, development studio in Seattle. To be led creatively by Mattias Kylén and Kenny Magnusson, two Swedes with a long history in the AAA-industry, having worked on several award-winning titles.

Organically setting up new, wholly owned, development studio in Gothenburg, comprising a hand-picked team of highly experienced game developers to be lead by Anders Hejdenberg and Karl Broström.

Increasing stake in Misc Games from 45% to 55%.
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>Q4</td>
<td>Q5</td>
</tr>
<tr>
<td>Net sales</td>
<td>828</td>
<td>596</td>
</tr>
</tbody>
</table>

- Negative 19% YoY growth in the quarter due to the absence of larger releases to match those in the same period last year.

Notable releases in the quarter

- **GRID**
  by Codemasters

- **Football Manager 2020**
  by Sega

- **SNIPER CONTRACTS**
  CI Games

- **TERMINATOR RESISTANCE**
  By Reef

Selected upcoming releases in Q4 FY19/20

- **DOOM ETERNAL**
  by Bethesda

- **PERSONA 5 ROYAL**
  by Atlus

- **PARASITE**
  A Film by Bong Joon Ho
3. M&A
ACQUISITION OF TARSIER STUDIOS
Leading indie developer in the Nordics with strong track record of developing original IPs

TARSIER AT A GLANCE

Leading, award-winning indie studio founded in 2005 and situated in Malmö – a talent-hub for game development.

Highly experienced and creative team of 60+ employees with renowned artistic skills

Strong track record of creating successful original IPs incl. critically acclaimed million-selling, fan-favourite Little Nightmares

THE DEAL

100% of the shares in Tarsier acquired on 20 Dec 2019 for:

1. SEK 88m in cash and SEK 11m in Embracer B shares (SEK 99m in total)

2. A ten-year earnout for five sellers who will remain as key staff within Tarsier post transaction, with a joint earnout cap of SEK 44m

THE FUTURE

Remain autonomous within Embracer’s wholly owned sub-group Goodbye Kansas Game Invest

Levelling up on development of original IPs

Transitioning to Embracer’s IP ownership, financing and publishing
ACQUISITION OF Voxler

French music games studio behind million-selling Let’s Sing game series

Voxler and Let’s Sing in brief

- Founded in 2005 to focus on music games development
- Dedicated team of 14 people based in Paris and Marseille
- Creator of million-selling Let’s Sing game series (for console)
- Voxler has collaborated with Koch Media as an external development studio for 10 years

The deal and future

- Acquisition price: €1.9m for 100% incl. all IPs
- Acquisition date after quarter, on 19 Feb 2019
- Remain creatively autonomous within Koch Media
- Founder Nicolas Delorme committed to continue as a studio lead
INVESTMENT IN LVP FUND III

In Q3 FY19/20, we committed to invest $6m in London Venture Partners (LVP) Fund III, with a 10-year maturity

About LVP:
• London Venture Partners (LVP) is a venture capital seed fund, exclusively investing in the gaming space
• Lead by a team of industry veterans, functional experts and ex operators from the games industry
• Multiple successful exits historically, including Finnish Supercell

Strategic rationale:
• Investor returns
• Access to M&A dealflow
• Access to LVP proprietary market intel and industry network
• LVP CEO and co-founder, industry veteran David Gardner, new Board Member to Embracer
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, Coffee Stain and Amplifier

• 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. Sustainability quarterly update
ESG Update:

- Focusing on raising awareness in the Group
- Ambassador program further developed - An important link between our subsidiaries and the parent company
- Goals and measurements within the Group on identified GRI standards
- Compliance Code – popular version in the making
- Our work on ESG/sustainability and the approach we now launch within the group will be reported in the Annual Report this year
- Addressing the importance of data security in the group
EMBRACER+ GROUP