Welcome to
Annual General Meeting
FY 19/20

16 SEPTEMBER 2020
Today's agenda

15.00 Welcome by Matilda Karlsson, Pareto Securities
15.01 AGM Agenda by Kicki Wallje-Lund
15.05 Presentation including deep dive and acquisition of Vertigo Games including Q&A
16.30 AGM continues
17.00 AGM ends
AGM Agenda (Part 1)

1. Opening of the meeting
2. Election of Chairman of the meeting
3. Preparation and approval of voting list
4. Election of one or two persons to certify the minutes
5. Question whether the general meeting has been duly convened
6. Approval of the agenda
7. Presentation of the business activities in the Embracer group
Annual General meeting 2020
16 September 2020
Operational overview FY 19/20
## Financial and operational metrics FY 19/20

<table>
<thead>
<tr>
<th>Metric</th>
<th>Amount</th>
<th>YoY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>SEK 5,249m</td>
<td>+3%</td>
</tr>
<tr>
<td>Net sales – Games</td>
<td>SEK 3,197m</td>
<td>+31%</td>
</tr>
<tr>
<td>Operational EBIT</td>
<td>SEK 1,033m</td>
<td>+35%</td>
</tr>
<tr>
<td>Games – business area</td>
<td>Organic</td>
<td>+9%</td>
</tr>
</tbody>
</table>

## Selected releases FY 19/20

- Darkest Dunes
- Wreckfest
- Shenmue III
- Satisfactory
- Monster Jam
- Supacross

## Project pipeline
- 118 projects under development
- (Saber Interactive included)

## Total number of headcounts
- 3109 (2208)

## Internal Studios
- 26 (17)

## ESG
- First Sustainability Report published

During FY, we estimate our market share for Business Area Games (including proforma from acquired companies) had:
- Approx 0.50% of the overall total global gaming market
- Approx 1.20-1.40% of the premium console & PC software market.
The following joined Embracer Group:

- Piranha Bytes
- Gunfire Games
- Milestone
- Misc Games
- Goodbye Kansas
- KSM
- Gaya
- GoE
- Voxler
- Tarsier Studios
- Saber Interactive
- Destiny bit
Operational overview FY 19/20

2019–2020 Continued momentum & growth

• Continued growth, driven by business area games.
• Higher share of revenue towards business area games drives profitability (15% to 20%).
• Slower performance in Partner Publishing mainly due to fewer large releases.
• Performance in Games even more impressive as we have Metro Exodus in the corresponding period last year.
• Solid performance in Q1 improving TTM June.

NET SALES AND INVESTMENTS IN GAME DEVELOPMENT

SEK million

OPERATIONAL EBIT & MARGIN

SEK million

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
<th>Operational EBIT</th>
<th>Operational EBIT %</th>
</tr>
</thead>
<tbody>
<tr>
<td>15/16</td>
<td>219</td>
<td>72</td>
<td>33%</td>
</tr>
<tr>
<td>16/17</td>
<td>341</td>
<td>116</td>
<td>34%</td>
</tr>
<tr>
<td>17/18</td>
<td>1,059</td>
<td>299</td>
<td>28%</td>
</tr>
<tr>
<td>18/19</td>
<td>5,123</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19/20</td>
<td>5,249</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TTM Jun 2020</td>
<td>6,177</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Operational EBIT, SEK m

Excluding items reported as Other intangible assets.
Balance sheet

**OPERATIONAL BALANCE SHEET ITEMS**

- Completed Games: SEK 257, Equity: SEK 185, On-going Games: SEK 439
- Completed Games: SEK 270, Equity: SEK 2153, On-going Games: SEK 2764

**FINANCIAL BALANCE SHEET ITEMS**

- Net Cash: SEK 4044, Acquisition related intangible assets: SEK 1021
- Equity: SEK 4044, Provisions: SEK 412

SEK 2.6bn invested in our game's portfolio per year-end, where SEK 0.4bn relates to completed games and SEK 2.2bn relates to On-going development. SEK 3.0bn of assets are related to acquisitions (Goodwill and IP-rights). Net cash amounts to SEK 1.0bn. Vast majority is financed thru Equity (net of other assets and liabilities SEK 0.3bn and provisions for conditional purchase price amounts to SEK 0.4bn).
Operational overview FY 19/20

During last year we generated SEK 1.7bn in operating cash flow and invested SEK 1.5bn in our games portfolio, SEK 0.2bn in Other intangibles (mainly Film) and SEK 42m in tangible assets, resulting in a operational FCF of SEK +46m.

Positive cash flow from financing activities at SEK 0.5 bn, net cash flow effect from acquisitions amount to SEK -1.0bn.
Our ESG/sustainability journey so far...

Smarter Business underpinned by four pillars

**2018**
- Onboarded Corporate Governance & Sustainability Coordinator
- Launched our sustainability framework “Smarter Business”
- Implemented Global governance policies; Compliance Code, Global ABC, Global Information Policy
- Data Protection review
- Ambassador Program launched

**2019**
- Published Sustainability report
- Popular version of Compliance Code
- Partnering with organizations, which helps us push our focus areas in the right direction
- Launched Whistleblowing Service
- On-going data protection management

**2020**
- Increase understanding of impact, risks and identification of actions through extensive and systematic KPI data collection
- Evaluate SASB standards to highlight financial impacts of sustainability
- Compliance Code training
- Compliance training schedule
- Extension of the Ambassador program
- Clear goals
- Updated risk analysis

**Ongoing**
- Business Sense
  - With honesty and trust we make acquisitions and build brand value for the long term.
- Solid Work
  - Our products entertain and create feelings, based on creative expression and common sense.
- Great People
  - Our people are creative, dedicated and our most important asset.
- Greener Planet
  - We want to make our planet greener through innovation and technological advancements
ESG HIGHLIGHTS

73% of our revenue in 2019/2020 came from sales of digitally distributed games – compared to 51% in 2018/2019.

22% women
Gender distribution is a topic that we will continue to address as we work to become more diverse.

20 ambassadors
20 ambassadors representing all operative groups spread over 13 different companies of Embracer Group.

47 represented nationalities
German 23%, American 18%, Italian 13%, Brittish 11%, Swedish 10%, Czech 2%, French 3%, Austrian 10%, Spanish 2%, Other 8%.
Business Areas
Governance and group structure
Business Areas overview

Games

Development, publishing and marketing of games

Six autonomous business units

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>THQ NORDIC</td>
<td>Vienna</td>
</tr>
<tr>
<td>DEEP SILVER</td>
<td>Munich</td>
</tr>
<tr>
<td>COFFEE STAIN</td>
<td>Skövde</td>
</tr>
<tr>
<td>SABER INTERACTIVE</td>
<td>New York</td>
</tr>
<tr>
<td>Amplifier</td>
<td>Stockholm</td>
</tr>
<tr>
<td>DECA</td>
<td>Berlin</td>
</tr>
</tbody>
</table>

190+ IPs

~3,400 developers

133 pipeline projects

43 internal and 55 external dev. studios

* Saber Interactive only included Apr-Jun 2020, excluding acquisitions announced on Aug 13, 2020. Other figures are including acquisitions announced on Aug 13, 2020.
Deep dive THQ Nordic

Info

- HQ in Vienna, Austria
- Strategy of acquiring established, esteemed IPs and enhancing their value through Asset Care and sequels
- Development size: Small to large
- SEK 1.5 billion net sales (LTM June 2020)
- 56% annual net sales growth 2016 – June 2020 (CAGR)

Selected releases FY 19/20 and as of today

- Desperados III
  - PC PS4 XB1
  - IP: Own
- Destroy All Humans!
  - PC PS4 XB1
  - IP: Own
- Kingdoms of Amalur: Re-Reckoning
  - PC PS4 XB1
  - IP: Own
- Bikini Bottom Rehydrated
  - PC PS4 XB1 Switch
  - IP: 3rd

13 internal development studios

- THQ Nordic GmbH
  - Vienna, Austria
  - 66
- THQ Nordic Inc.
  - Bohemia, NY
  - 1
- Handygames
  - Giebelstadt, Germany
  - 61
- THQ Nordic Japan KK
  - Tokyo, Japan
  - 32
- THQ Nordic Holdings USA Inc.
  - -

Klemens Kreuzer, CEO

Publishing & Administration
Publishing, Marketing and Distribution of Games

- Acquired or founded FY 19/20
- Acquired after FY 19/20
- Plus announcing today: 2 more
At a glance: Selected KPI’s

116 IP’s as of today

Acquisitions related to THQ Nordic (asset- or share deals):

41 since 2011

Family Size (FTEs)

- 898 friends & colleagues in TOTAL
- thereof Publishing/Administration: 99
- thereof internal Developers: 449
- thereof external Developers: 350

(as of June 30, 2020)
• Total consideration for IP & studio acquisitions, including full earnouts, since 2011 amount to c. 0,9 Bn SEK. (=spending for current studio footprint & IP catalog)

• Capitalized development amount to SEK 1.5 Bn since November 2016. Value of released games amount to SEK 0.9 Bn during same time period. (=significant growth investments).

• Capitalized development and released games at June 30 amounted to c. 1,0 Bn SEK. (=Investments in future growth, including many “dormant IP's”)

• Depreciation & Amortization on released games over the past 12 months amount 0,3 Bn SEK.
Investing for long term organic growth
Investing for long term organic growth

|------|------|------|------|------|------|------|------|
Finance overview
Since September 2016 we have generated SEK 4.0bn in operating cash flow and invested SEK 3.5bn in our games portfolio, SEK 0.3bn in Other intangibles (mainly Film) and SEK 0.1bn in tangible assets, resulting in an operational FCF of SEK +0.2bn. Positive cash flow from financing activities at SEK 6.7bn, net cash flow effect from acquisitions amount to SEK -3.3bn with a related investment in real estate of SEK -0.1bn.
Finance overview – Deep dive

Based on reported numbers until 30 June 2020

Sample includes projects with sales above SEK 40 mn or investment above SEK 40 mn (26 projects)

ROI = Contribution / Investment

Contribution = Gross Profit less marketing expenses from release to 30 June 2020.

Investment = Capitalized Development Expenses including follow-on investment.
Market update
# Embracer in Value Chain/ Gaming Industry

<table>
<thead>
<tr>
<th>IP-OWNER*</th>
<th>DEVELOPER*</th>
<th>PUBLISHER*</th>
<th>PHYSICAL DISTRIBUTOR*</th>
<th>RETAILERS (Amazon, GameStop)</th>
<th>DIGITAL DISTRIBUTOR (Xbox Live, Steam, Epic, Playstation, Cloud Based Services)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Content/IPowner could be a game development studio, a publisher that owns a portfolio of franchises or an external copyright holder.</td>
<td>The game developers are the creators of a game, the game’s concept, characters and the story of the game. The game developer writes the code and develops the game.</td>
<td>The publisher’s role involves financing the development project, either in full or in part, and controlling the development process, the content and the quality of the game. The publisher markets the game and ensures the right distributors and channels.</td>
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</tbody>
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### GAMERS

**2.5 BILLION GAMERS WORLD-WIDE**

### PLATFORM PROVIDERS

(PC, Console, Mobile, Pads, Smart TV, Media boxes)
Market update post covid-19 lock down

MARKET GROWTH AS %

<table>
<thead>
<tr>
<th>JAN-MAR</th>
<th>APR-JUN</th>
<th>JUL-AUG</th>
<th>TOTAL 2020 JAN-AUG (8M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6%</td>
<td>-4%</td>
<td>13%</td>
<td>51%</td>
</tr>
<tr>
<td>-11%</td>
<td>-</td>
<td>16%</td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td>56%</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>113%</td>
<td>41%</td>
<td></td>
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<td></td>
<td>56%</td>
<td>27%</td>
<td></td>
</tr>
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**Console Software Market data post Covid-19 lockdown**

The market data provided are management estimates for Business Area Games core market of console software sales in western territories (Western Europe and North America).

The digital sales are only estimated full game download not including any in-game, DLC or similar sales. Neither does it include any subscription or streaming revenues.

Please note this is NOT a forecast of the Embracer Group performance. Worth noting our financial performance depends on criterias such as new releases and promotions during the periods.
Market update post covid-19 lock down

DIGITAL AND BOXED SALES AS %

Boxed Digital

55% 58% 53% 51%
45% 42% 47% 49%

JAN-MAR APR-JUN JUL-AUG TOTAL 2020 JAN-AUG (8M)

Console Software Market data post Covid-19 lockdown

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Please note this is NOT a forecast of the Embracer Group performance. Worth noting our financial performance depends on criterias such as new releases and promotions during the periods.
Digital Platform Landscape

**Platform** | **User Count** |
--- | --- |
PlayStation Network | 103 million (Jan 2020) |
PlayStation Plus | 41.5 million (March 2020) |
PlayStation Now | 2.2 million (May 2020) |
Xbox Live | 90 million (April 2020) |
 | 10 million (April 2020) |
 | 15 million (January 2020) |

**Growth Opportunities**
- Increased engagement driving post-sale monetization
- Community driven features, Crossplatform multiplayer
- Content-hungry services
- New platforms entering the market
Operating model
Acquisition journey | Decades of embracing entrepreneurs
Note: Circles denote the year in which respective company was founded. Dotted lines denote the year in which the respective company was acquired by Embracer Group.
Empowerment through decentralization
A different type of gaming company – founded by entrepreneurs, run by entrepreneurs

Each group and studio has its own unique culture, DNA and strategy

THQNORDIC
Strategy of acquiring established, beloved IPs and enhancing their value through Asset Care and sequels

Deep Silver
Multiple world-class AA-AAA IPs and studios. World-class marketing and distribution power

Coffee Stain
World-leading indie Highly Creative Lean production

Saber Interactive
Multi-million sellers Top quality while highly cost effective World-leading tech

Mamplier
Amplifying the best creative talent in the industry

DECA
Acquires profitable FTP IPs and applies LiveOps expertise to amplify the game

43 INTERNAL AND 55 EXTERNAL STUDIOS*

*Figures are Embracer figures per 30 June 2020 plus our eight acquisitions announced on 13 Aug 2020 per announcement date
Growth track record since IPO

Organic and acquisitive (42% dilution*) growth since IPO until 30 June 2020 has yielded:

- **# of game developers**:
  - Sep 2016 (IPO): 339
  - Jun 2020: 3,185
  - Increase: +9x

- **# of internal studios**:
  - Sep 2016 (IPO): 4
  - Jun 2020: 33
  - Increase: +8x

- **Net sales, SEKm**:
  - TTM Sep 2016 (IPO): 272
  - TTM Jun 2020: 6,176
  - Increase: +23x

- **Op. EBIT, SEKm**:
  - TTM Sep 2016 (IPO): 90
  - TTM Jun 2020: 1,541
  - Increase: +17x

Note: Excluding eight acquisitions announced on Aug 13, 2020
M&A Update
Investment priorities

Priorities with underlying operating free cash flow

1. **Invest in Organic Growth** – "Quality comes first"
2. **Bolt on acquisitions / Start up-model** with incremental organic growth opportunities
3. **New operating units**, ideally with incremental organic and inorganic growth opportunities.

The Embracer Group Eco system

- We share positive synergies as assets and resources, distribution and marketing power, but the companies are independently led, often by founders who stay committed to the company.
Business strategy

Financial model
- Diversified portfolio/pipeline – reduces operational risk
- Strong balance sheet – reduces financial risk
- 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 finalized game development*
- Develop and expand IP portfolio – including currently dormant IPs
- Develop and expand internal studios
- Establish new studios with top talent developers
- Sign 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.
Recap on Acquisitions

Total consideration (incl max earnout and both shares and cash)

SEK mn

- CY 2017: 0.1
- CY 2018: 2.2
- CY 2019: 2.2
- CY 2020: 8.0

SEK 12.5 Bn allocated to acquisition part of growth strategy since IPO.
Intensity of M&A strategy is increasing with SEK 8.0 Bn allocated in 2020 until mid August.
## Recap on Acquisitions, cont.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publishers/Studios</td>
<td>78%</td>
<td>6</td>
</tr>
<tr>
<td>Studios</td>
<td>21%</td>
<td>18</td>
</tr>
<tr>
<td>PP/Film</td>
<td>1%</td>
<td>5</td>
</tr>
</tbody>
</table>

### In addition to studio rationale:
- Normally has an existing business generating profits and cash flow from Day 1.
- Commercial and product management capabilities.
- Studio network

### Generally limited profit and cash flow from Day 1.
- Acquire IP
- Personnel and their know-how
- Gain additional control over development work
- Invest in future game release and potential sequels
- Backwards integration – realize synergies on royalties and development cost

### Six studios part of Embracer for more than one year.
- Thirteen studios too early to evaluate.
- Payback dependent on release of product.

### Three Publishers/Studios part of Embracer for more than one year.
- Three too early to evaluate.

### For transactions that are possible to evaluate (based on time within Embracer and type of company)
- Overall performance has either met or exceeded management expectations at time of acquisition.
M&A outlook

• M&A prospects continue to look favorable

• Currently we have more discussions than ever with potential joiners, including a handful of sizable companies that could form new operative groups

• Ongoing scouting and research activity at HQ in Sweden, Saber Interactive, THQ Nordic Vienna, Koch Media Deep Silver, Coffee Stain, Amplifier, and DECA

• Substantial watchlist of IPs, development studios and publishers

• Strategy of giving autonomy to our local management teams is empowering them to continue succeeding. We are firm believers in empowering great people to make their own decisions. This is attracting more studios and publishers to join our family
The group is growing fast, with thousands of creative people in the companies around the world. We now premiere Embracer Stories, a new way of telling some of the stories about the people, companies and ideas that make up the Embracer Group.

Our storytelling is headed by award-winning journalist Thomas Arnroth.
He's a very beautiful man and I love him.
Vertigo Games
Q&A
8. Presentation of the annual report and the auditors’ report and the group annual report and the group auditor’s report

9. Resolutions regarding:
   1.1. adoption of income statement and balance sheet and the group income statement
   1.2. and the group balance sheet,
   1.3. decision regarding the profit or loss of the company in accordance with the adopted balance sheet, and discharge from liability of the board of directors and the managing director.

10. Determination of the number of directors and auditors

11. Determination of fees to the board of directors and to the auditors

12. Election of the board of directors and auditors

13. Resolution regarding amendments of the articles of association

14. Resolution regarding authorization for the board to issue shares, convertibles and/or warrants

15. Closing of the meeting
Thank you!