

Q3

FY 22/23

EMBRACER GROUP INTERIM REPORT

OCTOBER–DECEMBER 2022

NET SALES INCREASED BY 128 % TO SEK 11,622 MILLION

THIRD QUARTER, OCTOBER–DECEMBER 2022 (COMPARED TO OCTOBER–DECEMBER 2021)

> Net sales increased by 128 % (–3 % organic growth) to SEK 11,622 million (5,091).

The sales split per operating segment was:

- > PC/Console Games: increased by 64 % to SEK 3,575 million (2,187).
- > Mobile Games: increased by 2 % to SEK 1,573 million (1,545).
- > Tabletop Games: amounted to SEK 4,146 million (-).
- > Entertainment & Services: increased by 71 % to SEK 2,328 million (1,360).
- > EBIT¹⁾ increased in the period to SEK 226 million (–259), an EBIT margin of 2 % (–5 %). Adjusted EBIT increased by 78 % to SEK 2,009 million (1,130), an Adjusted EBIT margin of 17 % (22 %).
- > Cash flow from operating activities amounted to SEK 2,813 million (1,048). Net investments in intangible assets amounted to SEK –1,413 million (–969).
- > Basic earnings per share was SEK 1.39 (–1.38) and diluted earnings per share SEK 1.38 (–1.38). Adjusted earnings per share was SEK 0.76 (0.96). Adjusted earnings per share after full dilution was SEK 0.70 (0.91).
- > The company reiterates its previously published forecast for adjusted EBIT of SEK 8,000 to 10,000 million in the financial year 2022/23 and SEK 10,300 to 13,600 million in the financial year 2023/24.

FIRST NINE MONTHS, APRIL–DECEMBER 2022 (COMPARED TO APRIL–DECEMBER 2021)

> Net sales increased by 139 % (3 % organic growth) to SEK 28,309 million (11,829).

The sales split per operating segment was:

- > PC/Console Games: increased by 56 % to SEK 9,966 million (6,401).
- > Mobile Games: increased by 43 % to SEK 4,502 million (3,137).
- > Tabletop Games: amounted to SEK 10,058 million (-).
- > Entertainment & Services: increased by 65 % to SEK 3,784 million (2,291).
- > EBIT¹⁾ amounted to SEK 289 million (–159), an EBIT margin of 1 % (–1 %). Adjusted EBIT increased by 61 % to SEK 5,451 million (3,396), an Adjusted EBIT margin of 19 % (29 %).
- > Cash flow from operating activities amounted to SEK 3,740 million (2,639). Net investments in intangible assets amounted to SEK –4,189 million (–2,714).
- > Basic earnings per share was SEK 3.50 (0.95) and diluted earnings per share SEK 3.47 (0.93). Adjusted earnings per share was SEK 4.16 (2.88). Adjusted earnings per share after full dilution was SEK 3.83 (2.74).

Key performance indicators, Group	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Net sales, SEK m	11,622	5,091	28,309	11,829	17,067
EBIT ¹⁾ , SEK m	226	–259	289	–159	–1,126
EBIT margin	2 %	–5 %	1 %	–1 %	–7 %
Adjusted EBIT, SEK m	2,009	1,130	5,451	3,396	4,465
Adjusted EBIT margin	17 %	22 %	19 %	29 %	26 %
Cash flow from operating activities, SEK m	2,813	1,048	3,740	2,639	4,070
Net investments in intangible assets, SEK m	1,413	969	4,189	2,714	3,712
Net sales growth	128 %	136 %	139 %	78 %	90 %
Total game development projects	224	216	224	216	223
Total game developers	11,152	7,824	11,152	7,824	8,586
Total headcount	16,243	9,524	16,243	9,524	12,760

¹⁾ EBIT equals Operating profit in the Consolidated statement of profit or loss.

In this report, all figures in brackets refer to the corresponding period of the previous year, unless otherwise stated.



CEO COMMENTS

STABLE QUARTER WITH IMPROVED FREE CASH FLOW

We are pleased to announce another stable quarter for Embracer Group delivering largely in line with management expectations. Our diversified business mix across segments drove solid Net sales of SEK 11.6 billion, Adjusted EBIT of SEK 2.0 billion and SEK 1.7 billion of free cash flow in Q3 of FY 2022/23 despite a limited number of new game releases in our PC/Console segment.

The organic growth in Q3 of –3 % reflects tough year-on-year comparisons and limited new PC/Console game releases. Adjusted EBIT came in at SEK 2 billion in the quarter despite limited contribution from content partnership deals, while free cash flow during the quarter improved to SEK 1.7 billion, exceeding management expectations.

For the overall group, we reiterate our Adjusted EBIT forecast of SEK 8.0-10.0 billion in FY 2022/23 and SEK 10.3-13.6 billion for FY 2023/24. We see a continued stable performance for live game services and for our strongest PC/console franchises, but also note a more normalized market for certain categories, partly due to softer consumer purchasing power, after a strong market both in 2020 and 2021. As previously communicated, the forecast includes a notable range of outcomes from partnership- and licensing deals with several industry partners expected to be completed during the financial year 2022/23. In the Mobile Games segment, we expect seasonally lower activity and ad prices in Q4. In the Tabletop Games segment, we expect the seasonally lowest activity and Adjusted EBIT margin of the financial year, in line with historical patterns.

DIVERSIFICATION PROVIDES STABILITY

Our business has grown increasingly diversified in recent years, adding stability to our results and cash flows. In the PC/Console Games segment, Coffee Stain successfully released *Goat Simulator 3* to strong acclaim from fans providing a platform to further grow the player base over time. Together with our Danish colleagues at Ghost Ship Games, who continue their impressive work with *Deep Rock Galactic*, there is a lot to look forward to from Coffee Stain going forward.

That said, delays announced in previous quarters have led to a limited number of large-budget game releases for the PC/Console Games segment and a lower gross profit contribution in FY 22/23, impacting operating margins. The profitability in PC/Console in Q3 is also impacted by the amortization of game development costs for titles released with a lower ROI in Q1 and Q2, including the *Saints Row* reboot. It is a fact that certain operative groups in our PC/Console Games segment

have underperformed our expectations this year, largely driven by a sub-par ROI for its new game releases. Rather than a structural shift, we believe it is mainly an effect of mixed reception for several releases, combined with a more normalized market and softer consumer purchasing power this year. Our core business is making a healthy risk-adjusted profit on games. We have therefore increased management focus and efforts to optimize investments and efficiency across the group even further. To simplify, each project has to earn its right to exist, which means we will increase our efforts to put quality first even further, and make sure we create unique positive player experiences.

I am confident that the impact of these factors will be short-term, as the group now gears up for an increasing number of notable releases within PC/Console from several studios and established IP with strong historical track records. After assessing our pipeline, we are confident in clearly improved ROI on new products compared to the last quarters. PLAION is approaching the release of the anticipated first-person action RPG *Dead Island 2* on April 21. Several other upcoming large-budget games have also recently been announced for FY 23/24, including *Warhammer 40,000: Space Marine 2*, *Remnant 2*, and *Payday 3*. In total, we have 94 projects scheduled to be released FY 23/24 of which 58 are yet to be announced. We have invested significantly in one of the most diversified pipelines in the industry, empowered by the combined force of more than 11,000 game developers across the globe. In total, we have SEK 8.2 billion invested in ongoing game development projects as of December 31, 2022. For context, we have 31 AAA games slated to be released by FY 2027/2028 including 19 games that will ship by FY 2025/2026.

Within the Tabletop segment, Asmodee delivered solid performance, driving strong sequential revenue and earnings growth, as well as stronger free cash flow, despite a challenging macro environment in the seasonally strongest quarter of the year. Asmodee is expected to deliver full-year earnings largely in line with expectations from last year, with significantly improved free cash flow in the second half of the year. In FY 2023/24, we expect a cash conversion above 100 % for Asmodee as the inventory fully normalizes.

In the Mobile Games segment, Easybrain and DECA Games have successfully optimized user acquisition investments, balancing organic and paid downloads. This has provided strong profitability and cash flow in the quarter. The quarter saw solid sequential growth, reflecting the positive seasonality effects. However, we also experienced some headwinds from tough comparisons and lower ad prices compared to last year, impacted by Apple's changes related to IDFA, lower player engagement post-covid and macroeconomic factors. Our mobile gaming companies are expected to show continued profitable growth in the years ahead.

In the current financial environment, we have built our resilience and agility by maintaining a solid balance sheet. We expect to reach our financial leverage target by the end of this financial year with no material loans to expire prior to June 2024. Going forward, we will focus on further deleveraging our balance sheet while allowing for selective continued growth investments.

TARGETING A BETTER BALANCE BETWEEN GROWTH, PROFITS AND FREE CASH FLOW

Our investments have put Embracer in a strong position for organic growth in both earnings and free cash flow per share. It has also strengthened our position vis-à-vis platform owners and other industry partners, looking to increase their exposure to future releases of high-quality games.

Capitalizing on our collective value and realizing the full potential of the Embracer ecosystem remains a priority

for the Group. The demand for content has never been greater, and Embracer is well-positioned to leverage that demand with the largest portfolio of games and IP in the industry. We have set the goal to increase the mix of PC/Console games development that is wholly or partly funded by third parties. This mainly relates to a range of large-budget upcoming games over the coming six years. While a majority of the overall pipeline will still be wholly funded within the Group, expanding third-party funding is expected to significantly improve cash flow and profit predictability. The *Tomb Raider* agreement with Amazon that we entered into during Q3 is one example of this type of partnership and one of the deals with several industry partners, previously discussed in conjunction with our Q2 report, that is jointly transformative. Additional deals are expected to close during the financial year 2022/23.

To further strengthen our partnership approach, I am happy to welcome Caren Yapp to Embracer Group. In her new role as Chief Strategic Partnerships officer, Caren will be responsible for aligning strategic Group partnership objectives with each operative group to drive Group-wide results. With her broad industry knowledge and over twenty years of technology and entertainment experience, I know she will add significant value to Embracer Group's ecosystem, shareholders and other stakeholders as we continue to leverage our collective strengths as a company.

Embracer Group has a diversified asset base with attractive market positions across multiple businesses in the gaming and entertainment industry. The board remains



dedicated to ensuring that the Group is optimized to enable long-term value creation. The special review that was announced by the Board of Directors in our Q2 report in November is still ongoing. I want to be clear that our long-term strategy to support and empower entrepreneurs and creators remains unchanged.

BUILDING ON A SOLID FOUNDATION

In late December, we successfully changed the listing venue to Nasdaq Stockholm Main Market, further strengthening transparency, governance, and liquidity in our shares. The uplisting is a testament to the strong foundation we have built over the years.

A key part of our ongoing development and progress is an increased focus on sustainability, a priority area for

me, the management, our businesses, and our people. It is encouraging to see that those efforts, and the strengthening of our corporate capabilities at the parent company, are paying off through improved ESG ratings. In the past few months, MSCI upgraded our ESG rating from BBB to A, and we are now also part of Sustainalytics' 2023 Top-Rated ESG Companies list.

To conclude, I would like to send my thanks to all our shareholders, employees, customers, industry colleagues, and business partners for contributing to the prosperity and success of Embracer Group.

February 16, 2023, Karlstad, Värmland, Sweden

Lars Wingefors
Co-founder & Group CEO



FINANCIAL COMMENTS

NET SALES

Net sales, SEK m	Oct-Dec 2022	Oct-Dec 2021	Change	Apr-Dec 2022	Apr-Dec 2021	Apr 2021-Mar 2022
PC/Console Games	3,575	2,187	64 %	9,966	6,401	8,498
Mobile Games	1,573	1,545	2 %	4,502	3,137	4,896
Tabletop Games	4,146	-	-	10,058	-	571
Entertainment & Services	2,328	1,360	71 %	3,784	2,291	3,102
Total	11,622	5,091	128 %	28,309	11,829	17,067

Total net sales in the third quarter amounted to SEK 11,622 million, an increase of 128 % YoY. Inorganic growth through acquisitions was the primary contributor, most notably through Crystal Dynamics – Eidos and Perfect World in the PC/Console Games segment, Asmodee in the Tabletop Games segment and Dark Horse and Limited Run Games in the Entertainment & Services segment. In the period April to December, total net sales amounted to SEK 28,309 million, an increase of 139 % compared to the same period last year.

Organic growth in the quarter was –3 % and the pro forma growth was –3 %. In the Mobile Games segment the combination of tough comparisons and lower ad prices affected negatively in the quarter. The development in the PC/Console Games segment is mainly explained by the few large new game releases combined with a mixed reception of releases during the year and a softer consumer purchasing power. The strong organic and pro forma growth in Entertainment & Services was primarily driven by a successful key release by an external partner in PLAION publishing division.

Net sales growth	Oct-Dec 2022			Apr-Dec 2022		
	Net sales growth	Organic growth	Pro forma growth	Net sales growth	Organic growth	Pro forma growth
PC/Console Games	64 %	–6 %	–5 %	56 %	7 %	1 %
Mobile Games	2 %	–14 %	–15 %	43 %	–1 %	–3 %
Tabletop Games	n/a	n/a	–5 %	n/a	n/a	1 %
Entertainment & Services	71 %	16 %	16 %	65 %	0 %	5 %
Total	128 %	–3 %	–3 %	139 %	3 %	1 %



SpongeBob SquarePants: The Cosmic Shake

EBIT AND ADJUSTED EBIT

EBIT amounted to SEK 226 million (–259) in the quarter, or 2 % (–5 %). The addition of acquired companies contributed to EBIT, but was partly offset by increased depreciation, amortization, and impairment, which increased by SEK 1,093 million. Other external expenses and Personnel expenses increased primarily through acquisitions closed, and secondarily through increased headcount.

Personnel costs related to acquisitions amounted to SEK 847 million (1,113) a reduction of SEK 266 million, which contributed positively to EBIT.

In the period April to December, EBIT amounted to SEK 289 million (–159), or 1 % (–1 %).

Costs affecting comparability amounted to SEK 75 million in the quarter and are excluded from Adjusted EBIT (see page 54-57). These costs are related to the project of changing listing venue to a regulated market and restructuring costs in Crystal Dynamics – Eidos related to its closing of its publishing QA team and mobile studio, Onoma.

Adjusted EBIT increased by 78 % and amounted to SEK 2,009 million (1,130) in the quarter, yielding an 17 % margin (22 %). The gross margin declined and amounted to 56 % (66 %). The lower margin is primarily attributable to the acquisition of Asmodee in the Tabletop Games segment and a strong performance for PLAION partner publishing. While contributing significantly to earnings, Asmodee has a lower gross margin profile and thus dilutes the Group's margin. In the period April to December, Adjusted EBIT amounted to SEK 5,451 million (3,396), yielding an 19 % (29 %) margin, primarily impacted by a lower margin in the PC/Console Games segment and the acquisition of Asmodee in the Tabletop Games segment.

EBIT, SEK m	Oct-Dec 2022	Oct-Dec 2021	Change	Apr-Dec 2022	Apr-Dec 2021	Apr 2021-Mar 2022
PC/Console Games	–505	35	–1,554 %	–329	884	451
Mobile Games	89	–391	123 %	–112	–1,131	–1,479
Tabletop Games	615	-	-	871	-	–124
Entertainment & Services	132	107	24 %	32	211	211
Governance	–106	–9	–1,028 %	–173	–124	–186
Total	226	–259	187 %	289	–159	–1 126

Adjusted EBIT, SEK m	Oct-Dec 2022	Oct-Dec 2021	Change	Apr-Dec 2022	Apr-Dec 2021	Apr 2021-Mar 2022
PC/Console Games	579	694	–17 %	2,565	2,373	2,926
Mobile Games	464	355	31 %	1,057	896	1,389
Tabletop Games	864	-	-	1,760	-	74
Entertainment & Services	187	111	69 %	215	217	247
Governance	–85	–30	–184 %	–144	–90	–171
Total	2,009	1,130	78 %	5,451	3,396	4,465



FORECAST

Forecast	Adjusted EBIT
Financial year 22/23	SEK 8,000 million to SEK 10,000 million
Financial year 23/24	SEK 10,300 million to SEK 13,600 million

For the overall group, we reiterate our Adjusted EBIT forecast of SEK 8.0-10.0 billion in FY 2022/23 and SEK 10.3-13.6 billion for FY 2023/24. The forecast for the financial years 2022/23 and 2023/24 includes all acquisitions announced as per February 16. It also includes a notable range of outcomes from partnership- and licensing deals with several industry partners expected to be completed during the financial year 22/23. The forecast is based on scheduled game releases, market and macro conditions, and exchange rates being unchanged from current conditions.

For the PC/Console Games segment, we see a continued stable performance for live game services and for our strongest franchises, but also note a more normalized market for certain categories, partly due to softer consumer purchasing power, after a strong market both in 2020 and 2021. There are no major game releases expected in the current quarter. However, as previously communicated, the forecast includes a notable range of outcomes from a partnership- and licensing deal with several industry partners expected to be completed during the financial year 2022/23.

In the Mobile Games segment, we expect seasonally lower activity and ad prices in Q4, and an adjusted EBIT margin below the year-to-date average. Worth noting, in the comparable period Q4 FY21/22, we had a notable income from one specific partnership deal in the Mobile Games segment.

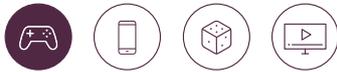
In the Tabletop Games segment, we expect the seasonally lowest activity and Adjusted EBIT margin of the financial year, in line with historical patterns.

Specific items related to historical acquisitions

The forecast is based on the average exchange rates for the period April to December 2022. The forecast includes closed acquisitions as per December 31, 2022. The forecast is based on the purchase price allocations as per February 16, 2023, which contain both preliminary and finalized purchase price allocations.

SEK m	Q4						Total
	22/23	23/24	24/25	25/26	26/27	27/28	
Amortization of surplus values of acquired intangible assets	668	2,589	2,409	2,353	2,003	1,753	11,775
Personnel costs related to acquisitions	765	2,128	1,557	941	648	34	6,073
Specific items related to historical acquisitions	1,433	4,717	3,966	3,294	2,651	1,787	17,848





OPERATING SEGMENT PC/CONSOLE GAMES

The PC/Console Games operating segment includes the following seven operative groups: THQ Nordic, PLAION, Amplifier Game Invest, Gearbox Entertainment, Saber Interactive, Coffee Stain and Crystal Dynamics - Eidos. PC and console games have been a core business for Embracer Group ever since its inception. The segment develops and publishes games for PC and console. It includes AAA, AA+, Indie, MMO, Free-to-play, Asset Care, VR, Work-for-Hire and other games development.

SHARE OF GROUP SALES

31 % (43 %)

INTELLECTUAL PROPERTY (IP)

256 (233)

INTERNAL HEADCOUNT

9,961 (6,560)

INTERNAL STUDIOS

98 (77)

Key performance indicators, PC/Console Games	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021– Mar 2022
Net sales, SEK m	3,575	2,187	9,966	6,401	8,498
of which Digital products, SEK m	2,286	1,390	6,903	4,370	5,860
of which Physical products, SEK m	281	465	887	1,040	1,284
of which Other ¹⁾ , SEK m	1,008	331	2,176	991	1,354
Net sales growth from previous period	64 %	70 %	56 %	47 %	36 %
EBIT, SEK m	–505	35	–329	884	451
EBIT margin	–14 %	2 %	–3 %	14 %	5 %
Adjusted EBIT, SEK m	579	694	2,565	2,373	2,926
Adjusted EBIT margin	16 %	32 %	26 %	37 %	34 %
Type of income					
New releases sales, SEK m	460	203	2,349	1,299	1,557
Back catalog sales ²⁾ , SEK m	2,107	1,653	5,441	4,111	5,587
Other ¹⁾ , SEK m	1,008	331	2,176	991	1,354

¹⁾ Primarily Work-for-Hire and other games development.

²⁾ See Definitions, quarterly information.

SALES AND EARNINGS

Net sales in the quarter for PC/Console Games amounted to SEK 3,575 million, an increase by 64 % compared to the same period last year, or –6 % organically and –5 % pro forma in constant currency. EBIT amounted to SEK –505 million (35), yielding a –14 % (2 %) EBIT margin. Adjusted EBIT amounted to SEK 579 million (694), yielding a 16 % (32 %) Adjusted EBIT margin.

The muted organic growth development is mainly explained by the less new significant game releases. The performance for live game services and for the strongest PC/console franchises has been stable, while the market is more normalized for certain categories, partly due to softer consumer purchasing power, after a strong market both in 2020 and 2021. Delays announced in previous quarters have led to a limited number of game releases and a lower gross profit contribution in FY 22/23, impacting operating margins. The profitability in Q3 is impacted by amortization of game development costs for titles released with low ROI in Q1 and Q2, including the *Saints Row* reboot.

Costs have increased compared to last year mainly related to an increasing number of employees in the group, driven by both organic and acquired growth. Further, a publishing deal signed in the quarter was accounted for as Work-for-Hire and it drove a notable contribution in the Other revenue type of income.





The main revenue driver among new releases in the quarter was *Goat Simulator 3*, which was exclusively released for PC on Epic Games Store, as well as on console platforms. The game, which is developed by Coffee Stain North and published by Coffee Stain, received a solid critical reception and a strong fan reception. The title performed largely in line with management expectations in Q3.

Another notable release in the quarter was *Evil West*, developed by the internal studio Flying Wild Hog (PLAION) and published by external publisher Focus Entertainment. The title had a solid reception and performed in line with management expectations, with a minor initial royalty contribution in Q3.

The top-10 back catalog revenue drivers (including platform deals) included *Deep Rock Galactic*, *Hot Wheels: Unleashed*, *Welcome to Bloxburg*, *Insurgency: Sandstorm*, *SnowRunner*, *Star Trek Online*, *Neverwinter Online*, *Metro: Exodus*, *Chivalry 2* and *Borderlands 3*. The Season 3 update for *Deep Rock Galactic* was successful, driving a meaningful contribution to a strong quarter for Coffee Stain, which had two titles in the top-10 list, including the recently acquired *Welcome to Bloxburg*.

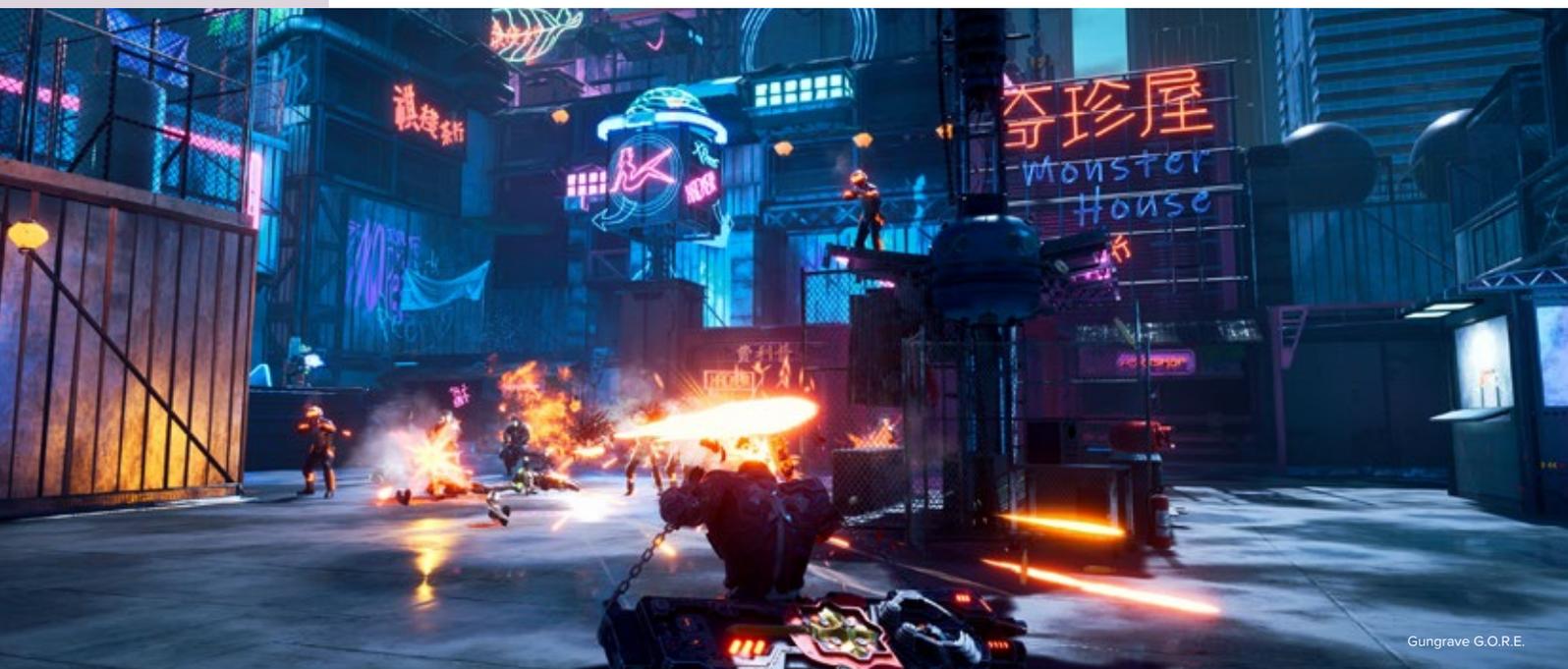
After the reporting period, *SpongeBob SquarePants: The Cosmic Shake*, developed by internal studio Purple Lamp Studios and published by THQ Nordic, was released on January 31. The initial reception was strong with more than solid review scores from press outlets and high customer reviews across all platforms. The game is a follow-up to the 2020 hit game *SpongeBob SquarePants: Battle for Bikini Bottom - Rehydrated*.

After the reporting period, *Warlander*, an online multiplayer free-to-play game developed by external studio Toylogic and published by PLAION, was released. The game has seen a positive initial player base development.

Looking ahead, *Pinball FX*, developed by Zen Studios, releases on February 16 for consoles, and PC through Epic Games Store. It is a highly ambitious digital pinball platform, featuring 86 different tables at launch and including some of the biggest brands in entertainment, as well as competitive real-time events and a customizable 3D playroom with collectible items.

Further, VR horror game *After the Fall*, developed by the internal studio Vertigo Games (PLAION) and previously released on Oculus Quest and PlayStation VR, is coming to PlayStation VR2 as part of the launch line-up on February 22, 2023.

Deceive Inc., Tripwire's first published indie title to follow up on their success with *Chivalry* will be released on March 21. The game is an online PvP game for PC and consoles. Early press reviews have been encouraging.



Gungrave G.O.R.E.



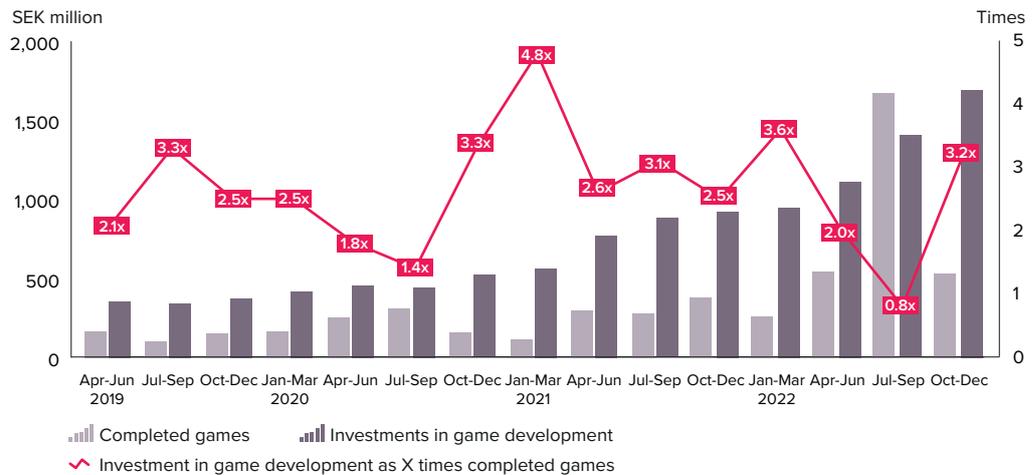
Additionally, *Valheim*, developed by Iron Gate and published by Coffee Stain, is planned for release on Xbox Game Pass in March.

The project pipeline for the PC/Console operating segment consists of, as of this report, 224 projects, including 31 AAA titles, of which 19 AAA-projects to be launched before March 2026. *Dead Island 2*, developed by the internal studio Deep Silver Dambuster (PLAION), will be released on 21 April by internal publisher Deep Silver (PLAION). *Homeworld 3*, externally developed by Blackbird Interactive and published by Gearbox, is planned for release in 2023. At The Game Awards, on December 9, the internally developed games *Warhammer 40,000: Space Marine 2* and *Remnant 2* were both announced for release in 2023, while *Payday 3* was recently also re-confirmed for a 2023 release by external developer Starbreeze Studios.

GAME DEVELOPMENT INVESTMENTS AND COMPLETED GAMES

The PC/Console Games operating segment continues to make considerable investments in game development. In total, SEK 1,693 million were invested in game development during the quarter. These investments lay the foundation for future sales. The increase in game development investments is in line with the Group's long-term strategy to grow sales organically. It also reflects a deliberate shift from co-publishing and work-for-hire projects towards internal development projects for certain operative groups, as well as the operative group Crystal Dynamics – Eidos being consolidated for its first full quarter.

The finalized value of the completed and released games during the quarter amounted to SEK 531 million, driven by small and mid-sized budget titles, including *Dakar Desert Rally*, *Goat Simulator 3*, *Knights of Honor II* and *Let's Sing 2023*. When new games are released, capitalized development costs are amortized, through a degressive amortization model over two years.

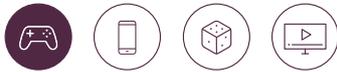


BUSINESS DEVELOPMENT

In December, Crystal Dynamics, part of the operative group Crystal Dynamics – Eidos, announced an agreement with Amazon Games regarding developing and publishing of a new multi-platform *Tomb Raider* game title.

Several operative groups have further accelerated their collaboration within Embracer Group, with several new games, ports to new platforms, as well as remasters and remakes in various stages of development.

After the quarter, Gearbox acquired Captured Dimensions, a Texas-based technology company specializing in 3D capture, scanning and reconstruction services.

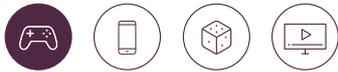


ANNOUNCED PC/CONSOLE RELEASES AS OF FEBRUARY 16, 2023

Title	Publishing Label	IP Owner	Main developer	Platforms
<i>Core Decay</i>	3D Realms	License	Internal	PC, PS5, XBX, XSX
<i>Phantom Fury</i>	3D Realms	Own	Internal	PC, PS5, XSX, Switch
<i>Ripout</i>	3D Realms	External	External	PC, XSX, PS5
<i>Kingpin: Reloaded</i>	3D Realms & External	License	Internal	PC, PS5, XBX, XSX
<i>Lightyear Frontier</i>	Amplifier	Own	Internal	PC, XSX
<i>Dead Island 2</i>	Deep Silver	Own	Internal	PC, PS4, PS5, XSX
<i>Have a Nice Death</i>	Gearbox Publishing	External	External	Switch
<i>Homeworld 3</i>	Gearbox Publishing	Own	External	PC
<i>Hyper Light Breaker</i>	Gearbox Publishing	External	External	PC
<i>Relic Hunters Legend</i>	Gearbox Publishing	External	External	PC
<i>Remnant 2</i>	Gearbox Publishing	Own	Internal	PC, PS5, XSX
<i>Risk of Rain Returns</i>	Gearbox Publishing	Own	External	PC, Switch
<i>A Rat's Quest</i>	HandyGames	External	External	PC, PS4, Xbox One, Switch
<i>Airhead</i>	HandyGames	External	External	PC, PS4, Xbox One, Switch
<i>De-Exit</i>	HandyGames	External	External	PC, PS4, Xbox One, PS5, XSX, Switch
<i>Lethal Honor Essence</i>	HandyGames	External	External	PC, PS4, Xbox One, PS5, XSX, Switch
<i>Townsmen VR</i>	HandyGames	Own	Internal	PSVR2
<i>Monster Energy Supercross 6</i>	Milestone	External	Internal	PC, PS4, PS5, Xbox One, XSX
<i>The Siege and the Sandfox</i>	PLAION	External	External	PC, PS4, Xbox One, PS5, XSX, Switch
<i>Undisputed</i>	PLAION	External	External	PS5, XSX
<i>Echoes of The End</i>	Prime Matter	External	External	PC, PS5, XSX
<i>Final Form</i>	Prime Matter	Shared	External	PC, PS5, XSX
<i>Mato Anomalies</i>	Prime Matter	External	External	PC, PS4, Xbox One, PS5, XSX, Switch
<i>New Painkiller</i>	Prime Matter	Own	Internal	TBC
<i>Payday 3</i>	Prime Matter	External	External	TBC
<i>Scars Above</i>	Prime Matter	Own	Internal	PC, PS4, PS5, Xbox One, XSX

CONT. >>





Title	Publishing Label	IP Owner	Main developer	Platforms
<i>System Shock Remake</i>	Prime Matter	External	External	PC, PS4, PS5, XSX
<i>Kona 2: Brume</i>	Ravencourt	External	External	PC, PS4, Xbox One, PS5, XSX, Switch
<i>ProtoCorgi</i>	Ravencourt	External	External	PC, Switch
<i>Road 96: Mile 0</i>	Ravencourt	Own	Internal	PC, PS4, Xbox One, PS5, XSX, Switch
<i>A Quiet Place</i>	Saber	External	External	TBC
<i>AEW: Fight Forever</i>	THQ Nordic	External	External	PC, PS4, Xbox One, PS5, XSX, Switch
<i>Alone in the Dark</i>	THQ Nordic	Own	Internal	PC, PS5, XSX
<i>Gothic - Remake</i>	THQ Nordic	Own	Internal	PC, PS5, XSX
<i>Jagged Alliance 3</i>	THQ Nordic	Own	External	PC
<i>Outcast 2 - A New Beginning</i>	THQ Nordic	Own	Internal	PC, PS5, XSX
<i>Remnant: From the Ashes</i>	THQ Nordic	Own	Internal	Switch
<i>Space For Sale</i>	THQ Nordic	Own	Internal	PC
<i>Stuntfest - World Tour</i>	THQ Nordic	Own	Internal	PC
<i>Tempest Rising</i>	THQ Nordic	Own	Internal	PC, PS5, XSX
<i>The Valiant</i>	THQ Nordic	Own	External	PS5, XSX
<i>Wreckreation</i>	THQ Nordic	External	External	PC, PS4, Xbox One, PS5, XSX, Switch
<i>Deceive Inc</i>	Tripwire Interactive	External	External	PC, PS5, XSX
<i>After the Fall: Complete Edition</i>	Vertigo Games	Own	Internal	PSVR 2
<i>Hellsweeper VR</i>	Vertigo Games	External	External	Oculus Quest 2
<i>Pathcraft</i>	Vertigo Games	External	External	Standalone VR
<i>The Wizards: Dark Times - Brotherhood</i>	Vertigo Games	External	External	TBC
<i>Toss!</i>	Vertigo Games	External	External	Standalone VR, PS VR2, PC VR
<i>Unplugged: Air Guitar</i>	Vertigo Games	External	External	HTC ViveXR Elite
<i>Star Wars™: Knights of the Old Republic -Remake</i>	External	License	Internal	PC, PS5
<i>Tomb Raider (final title TBC)</i>	External	Own	Internal	TBC
<i>Warhammer 40,000: Space Marine II</i>	External	External	Internal	PC, PS5, XSX

For latest release dates please refer to above mentioned publishers.

Please note: Limited Run Games distributed games are not included in the release list.

The release list does not include games where we only have physical distribution rights.



Mato Anomalies



OPERATING SEGMENT MOBILE GAMES

The Mobile Games operating segment encompasses the two operative groups: DECA Games and Easybrain. In the past years, the segment has grown to account for a sizable share of Embracer Group's business. The Mobile Games segment includes free-to-play, ad centric, in-app-purchase centric and pay-to-play mobile games.

SHARE OF GROUP SALES

13 % (30 %)

INTELLECTUAL PROPERTY (IP)

47 (38)

INTERNAL HEADCOUNT

1,157 (1,045)

INTERNAL STUDIOS

11 (11)

Key performance indicators, Mobile Games	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Net sales, SEK m	1,573	1,545	4,502	3,137	4,896
Net sales growth from previous period	2 %	2,514 %	43 %	3,272 %	–
EBIT, SEK m	89	–391	–112	–1,131	–1,479
EBIT margin	6 %	–25 %	–2 %	–36 %	–30 %
Adjusted EBIT, SEK m	464	355	1,057	896	1,389
Adjusted EBIT margin	29 %	23 %	23 %	29 %	28 %
User Acquisition Cost (UAC), SEK m	733	881	2,370	1,569	2,467
User Acquisition Cost (UAC), % of net sales	47 %	57 %	53 %	50 %	50 %
Total installs, million	331	392	1,081	670	1,055
Total Daily Active Users (DAU), million	34	34	35	24	27
Total Monthly Active Users (MAU), million	283	292	297	173	206

SALES AND EARNINGS

Net sales in the quarter for Mobile Games amounted to SEK 1,573 million, an increase by 2 % compared to the same period last year, or by –14 % organically and –15 % pro forma. EBIT amounted to SEK 89 million (–391), yielding a 6 % (–25 %) EBIT margin. Adjusted EBIT amounted to SEK 464 million (355), yielding a 29 % (23 %) Adjusted EBIT margin.

Easybrain and DECA Games have successfully optimized user acquisition investments, balancing organic and paid downloads in the quarter. It has provided strong profitability and cash flow in the quarter, adding to the strength and diversification of the group.

Underlying market trends remained soft, but largely stable compared to Q2. The quarter saw solid sequential growth, reflecting positive effects from seasonality. On a year-over-year basis, the comparisons were tough, and the segment saw some headwind from lower ad prices, impacted by Apple's changes related to IDFA, lower player engagement post-covid and macroeconomic factors. The Mobile Games segment is expected to show continued profitable growth in the years ahead.

The strongest back catalog titles in the quarter were *BlockuDoku*, *Sudoku.com*, *Jigsaw Puzzles*, *Art Puzzle* and *Nonogram.com*.

BUSINESS DEVELOPMENT

Easybrain released its new *Backgammon* game globally in the quarter. Easybrain currently has five titles in soft launch which could be launched for a wider audience ahead, depending on the traction.





A Thinking Ape, part of the DECA Games operative group, continued its launch of *Single City*, which is performing in line with management expectations so far. The game was featured by Apple, which highlighted the game's approach to inclusivity and representation in games.

CrazyLabs successfully launched *Lunchbox Ready* and *Mystical Mixing*, and each game has above 11 million downloads. The company also has a portfolio of strongly performing hyper casual titles, which partly mitigates the impact from lower ad prices.

In December, DECA Games made two minor asset acquisitions. Firstly, DECA Games acquired the game *Walking Dead: No Man's Land*, based on a license from AMC, from Next Games/Netflix. Secondly and also in December, DECA Games finalized the acquisition of six smaller mobile games from Madfinger Games, including *Dead Trigger 1 & 2*, *Unkilled* and *Shadowgun Legends*.



Easybrain



OPERATING SEGMENT TABLETOP GAMES

The Tabletop Games operating segment includes the operative group Asmodee. The segment represents the publishing and distribution of board games, card games and strategic trading card games. Asmodee is one of the global leaders in this segment through its 22 creative studios and its 22 local, owned distribution offices across the globe. With 40+ million games sold annually in more than 50 countries, Asmodee's portfolio hosts fan & family favorite board games such as *Ticket to Ride*, *Catan*, *Splendor*, *7 Wonders*, *Azul*, *Exploding Kittens*, *Dobble/Spot It!*, *Star Wars: Legion* and many more.

SHARE OF GROUP SALES

36 % (-)

INTELLECTUAL PROPERTY (IP)

380 (-)

INTERNAL HEADCOUNT

2,642 (-)

INTERNAL STUDIOS

22 (-)

Key performance indicators, Tabletop Games	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Net sales, SEK m	4,146	-	10,058	-	571
of which Digital products, SEK m	48	-	139	-	29
of which Physical products, SEK m	4,069	-	9,834	-	526
of which Other, SEK m	29	-	84	-	17
Net sales growth from previous period ¹⁾	-	-	-	-	-
EBIT, SEK m	615	-	871	-	-124
EBIT margin	15 %	-	9 %	-	-22 %
Adjusted EBIT, SEK m	864	-	1 760	-	74
Adjusted EBIT margin	21 %	-	17 %	-	13 %

¹⁾ Asmodee became part of Embracer Group in March 2022.

SALES AND EARNINGS

Net Sales for the Tabletop Games segment amounted to SEK 4,146 million, an increase of +28 % vs Q2 in Asmodee's seasonally strongest quarter. Compared to the corresponding quarter last year, Net Sales decreased by -5 % during the quarter on a pro forma basis against a strong comparator, compared to the corresponding quarter last year. Asmodee continued to gain market share in its two main product categories; board games and trading cards, albeit in a somewhat more hesitant market environment for board games, compared to its record quarter last year.

EBIT amounted to SEK 615 million, yielding a 15 % EBIT margin. Adjusted EBIT amounted to SEK 864 million, yielding a 21 % Adjusted EBIT margin, +7 percentage point vs Q2.

The strong, sequential earnings development was driven by higher sales and a significantly higher gross margin, benefitting from seasonally higher sales of board games. On a year-over year basis, the profit contribution is impacted by a lower gross margin stemming from a product mix more geared towards trading card games, as well as increased operating costs driven by inflation. Operating costs increased compared to the corresponding period last year due to these inflationary effects but were stable compared to the previous quarter.

During the quarter, new releases included new iterations in major franchises such as *Star Wars Clone Wars* (based on the best-selling Pandemic mechanic), as well as original and owned IP board games such as the two-player version of *Splendor (Splendor Duel)*, *Challengers* from Z-man, *Twilight Inscription* from Fantasy Flight Games, *3000 Scoundrels* from Unexpected Games as well as *Heat: Pedal to the Metal*, a racing game from Days of Wonder.

asmodee



After a seasonal peak at the end of Q2, Asmodee's inventory level decreased significantly, driving a strong cash conversion for the quarter. Inventory levels are expected to further decrease in Q4 this financial year. In Q4, further cash generation is expected as the receivables from the peak season sales are collected.

BUSINESS DEVELOPMENT

In the quarter, Asmodee announced and closed the acquisition of VR Group, a leading wholesale distributor of gaming products in Australia, New Zealand and the UK. The acquisition will help Asmodee expand its mass-market distribution of tabletop games, trading cards, and collectibles in these territories. VR Group was founded in 2014 and employs 46 people across its active territories.

Ticket to Ride became available on Board Game Arena, Asmodee's leading, digital, browser-based board game platform, on September 28. The game was the most played title on the platform, with over 880,000 hours played in Q3, ahead of internal titles *Catan*, *Azul* and *Splendor*.

Asmodee has identified 25 potential video game projects in which Asmodee's IPs are the basis for collaboration with other business units in Embracer Group. Several projects are now signed and have reached a higher maturity level.

Asmodee has several ongoing bolt-on acquisition opportunities in various stages. Asmodee's acquisition targets include publishers, distributors and developers.





OPERATING SEGMENT ENTERTAINMENT & SERVICES

The Entertainment & Services segment consists of three operative groups: Dark Horse Media, Freemode and parts of PLAION. Dark Horse is a leading developer, publisher and distributor of comic books in the US. Freemode is a diverse mix of companies, including Middle-Earth Enterprises and Limited Run Games as well as companies active in different parts of the gaming and entertainment value chain. The segment also includes PLAION's partner publishing and Film businesses.

SHARE OF GROUP SALES

20 % (27 %)

INTELLECTUAL PROPERTY (IP)

193 (-)

INTERNAL HEADCOUNT

924 (537)

INTERNAL STUDIOS

3 (-)

Key performance indicators, Entertainment & Services	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Net sales, SEK m	2,328	1,360	3,784	2,291	3,102
of which Digital products, SEK m	135	144	376	367	511
of which Physical products, SEK m	2,179	1,206	3,358	1,887	2,539
of which Other, SEK m	14	10	50	37	52
Net sales growth from previous period	71 %	67 %	65 %	7 %	20 %
EBIT, SEK m	132	107	32	211	211
EBIT margin	6 %	8 %	1 %	9 %	7 %
Adjusted EBIT, SEK m	187	111	215	217	247
Adjusted EBIT margin	8 %	8 %	6 %	9 %	8 %

SALES AND EARNINGS

Net sales in the quarter for Entertainment & Services amounted to SEK 2,328 million, an increase by 71 % compared to the same period last year, or 16 % organically and 16 % pro forma in constant currency. EBIT amounted to SEK 132 million (107), yielding a 6 % (8 %) EBIT margin. Adjusted EBIT amounted to SEK 187 million (111), yielding a 8 % (8 %) Adjusted EBIT margin.

The increase in net sales was primarily driven by the acquisitions of Limited Run Games and Dark Horse Media. The organic and pro forma growth was primarily driven by PLAION Publishing division, which had strong organic growth in the third quarter, driven by one of its partners successfully releasing a key game in the first-person shooter genre in late October. PLAION is the distributor of the game in parts of the EMEA region.

The stable and relatively low margin reflects the stable performance of PLAION's physical distribution business. The acquisitions of Middle-Earth Enterprises, Limited Run Games and Dark Horse Media contributed positively to the Adjusted EBIT margin. Dark Horse saw an improved sales trend throughout the quarter and lower shipment costs in its comics business.

BUSINESS DEVELOPMENT

In the quarter, Freemode closed the previously announced acquisition Middle-Earth Enterprises. For Freemode, this acquisition has generated a lot of interest among both internal and external partners for the *Lord of the Rings* IP, across different media formats. There are currently five games in production by external partners, to be released in financial year 2023/24. There is also one film in production by an external partner. Freemode continues to make selective key recruitments in various parts of its business to strengthen the organization.





The full consolidation of Limited Run Games, the globally leading brand within premium publishing of physical games, has also led to new collaborations within the group.

Grimfrost, the e-commerce specialist and a leading player with a global brand within high-quality Viking merchandise, had a stable quarter within Freemode. During the reporting quarter Grimfrost successfully launched the Valheim community webstore. There could be further opportunities from increasingly strong IPs and franchises within the group.

Dark Horse has a healthy pipeline of projects in production in its entertainment business, with new streaming services and increasing competition creating a solid demand for content libraries despite a more challenging end market.

PLAION's partner business performed above expectations in Q3, with a key release from one partner performing well.



PLAION

OTHER FINANCIAL INFORMATION

NET PROFIT FOR THE PERIOD

Net profit for the period October to December amounted to SEK 1,493 million, an increase of SEK 2,729 million or 221 % over the same period last year. In the period April to December, net profit amounted to SEK 3,692 million, an increase of SEK 2,878 million or 354 % over the same period last year.

Net financial items amounted to SEK 1,369 million (–840) in the quarter. Net interest income/expenses and other financial income/expense amount to SEK –183 million (–14). Change in fair value of contingent consideration and put/call option on non-controlling interest and related interest expenses amount to SEK 2,165 million (–889). Change in fair value is mainly related to the decrease in Embracer share price during the quarter. Exchange rate gain/losses amount to SEK –613 million (63), mainly related to the revaluation of intercompany financial receivables.

Income tax amounted to SEK –102 million (–137) in the quarter. Current income tax amount to SEK –198 million (–135) and deferred income tax amount to SEK 96 million (–2).

CONDENSED CASH-FLOW

SEK m	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Operating activities					
Cash flow from operating activities before changes in working capital	2,142	1,444	6,265	3,787	5,176
Cash flow from changes in working capital	671	–396	–2,525	–1,148	–1,106
Cash flow from operating activities	2,813	1,048	3,740	2,639	4,070
Cash flow from investing activities	–5,694	–1,888	–13,162	–8,658	–37,331
Cash flow from financing activities	318	6,099	9,378	6,856	24,868
Cash flow for the period	–2,561	5,259	–44	837	–8,393
Cash and cash equivalents at the beginning of period	8,879	9,724	5,810	14,104	14,104
Exchange-rate differences in cash and cash equivalents	–120	48	432	90	99
Cash and cash equivalents at the end of period	6,198	15,031	6,198	15,031	5,810

Cash flow from operating activities amounted to SEK 2,813 million (1,048) in the quarter. The increase mainly relates to positive effects in operating activities compared to previous year, where significant contribution in cash flow from customer contracts in PC/Console Games segment was collected combined with strong operating performance in Tabletop Games segment.

Positive effects from change in working capital contributed SEK 671 million (–396) in the quarter. The decrease in working capital mainly relates to inventory unwinding in Tabletop Games segment, benefitting from their seasonally strongest quarter in the fiscal year. The actions initiated in the last quarter on working capital reduction progressed according to plan. Free cash flow after working capital amounted to SEK 1,722 million (22) (see page 54-57).

Cash flow from investing activities amounted to SEK –5,694 million (–1,888) in the quarter. The increase is primarily related to Acquisitions of subsidiaries that amounted to SEK –4,066 million (–818), where Middle-Earth Enterprises and Tripwire Interactive are the largest, and investments in intangible asset of SEK –1,864 million (–969) of which SEK –1,750 million (–925) into the portfolio of on-going game development which is reduced by proceeds from sales of intangible assets of SEK 451 million.

For the period April to December the investing activities from purchase price paid and other acquisitions related items from business combinations and acquired assets amounts to SEK –8,532 million. The amount consists of purchase price for acquisitions net of cash SEK –5,037, asset acquisitions net of cash SEK –3,006 million and paid contingent considerations amounted to SEK –489 million.



NET DEBT AND AVAILABLE FUNDS

SEK m	Dec 31, 2022	Dec 31, 2021	Mar 31, 2022
Cash	6,198	15,031	5,810
Current investments	0	195	0
Current liabilities to credit institutions	-2,334	-1,689	-7,014
Current account credit facilities	-18	-39	-149
Non-current liabilities to credit institutions	-18,189	-750	-13,018
Net Debt (-) / Net Cash (+)	-14,343	12,748	-14,371

As per 31 December the group had non-interest-bearing deferred considerations and obligations related to historical business combinations with expected cash settlement of SEK 11,2 billion with an estimated maturity structure according to page 21.

SEK m	Dec 31, 2022	Dec 31, 2021	Mar 31, 2022
Cash	6,198	15,031	5,810
Current investments	0	195	0
Unutilized credit facilities amounts to	978	6,901	1,578
Available funds	7,176	22,128	7,388

Available funds as of the beginning of February 2023 amounted to SEK 6.0 billion, of which SEK 5.3 billion was cash and cash equivalents.

Embracer Group AB has an agreement on covenants in its credit agreements. The terms for these are 2.5x net debt through Adjusted EBITDA trailing twelve months calculated according to agreement with lenders. As per 31 December Embracer has substantial headroom to the covenants.

Embracer Group's financial leverage target is expected to be reached by the end of this fiscal year.



Stuntfest – World Tour

OBLIGATIONS RELATED TO HISTORICAL MERGERS & ACQUISITIONS

In connection to certain business combinations, agreements have been entered regarding contingent considerations that are not classified as part of the transferred purchase consideration since there is a requirement for continued employment for the seller or other reasons for the contingent consideration to be accounted for as a separate transaction. Therefore the item is classified as payment for future services. The contingent consideration could be paid in cash or through shares, whereby transactions are accounted for according to IFRS 2 Share-based payment, or according to IAS 19 Benefits for employees through cash settled benefits. As the benefits are earned, the item is accounted for as a personnel expense in the group's income statement. Contingent considerations that are classified as part of transferred purchase considerations and put/call options on non-controlling interests are described in note 5.

Obligations related to historical business combinations to be settled in cash

The table below gives an overview of obligations related to historical acquisitions in SEK million to be settled in cash on December 31, 2022. The present value of contingent considerations has been calculated based on expected outcome for financial and operational targets for each individual agreement. The financial liability will vary over time depending on, among other things, the degree of fulfillment of conditions for payment, the development of certain exchange rates in relation to the Swedish krona and interest rates.

Financial year when settlement might occur	Contingent consideration classified as part of purchase price ¹⁾ , SEK m	Obligations in relation to future personnel costs related to acquisitions, SEK m	Total obligations related to historical acquisitions, SEK m
2022/2023	448	256	704
2023/2024	2,164	468	2,632
2024/2025	925	324	1,249
2025/2026	541	478	1,019
2026/2027	1,695	542	2,236
2027/2028	669	2,028	2,697
2028/2029	233	107	340
2029/2030	265	23	288
2030/2031	67	3	70
	7,007	4,228	11,235

¹⁾ Includes cash portion of put/call options on non-controlling interests. The amount also includes deferred considerations.



Snow Bros. Nick & Tom Special

Contingent considerations classified as part of the purchase consideration and which will be settled in cash are accounted for as debt in the group's balance sheet, divided into current and non-current debt. Additional information is available in note 5. Obligations related to future personnel costs related to acquisitions which will be settled in cash are accounted for in the group's balance sheet, to the extent that it has been earned by the employee and is classified as debt. On December 31, the debt amounted to SEK 1,437 million, divided into current and non-current debt.

Obligations related to historical acquisitions to be settled in shares

The table below provides an overview of obligations related to historical acquisitions on December 31, which will be settled in shares, with information on the number of shares. Contingent considerations classified as part of the purchase consideration is accounted for as either equity or debt in the group's balance sheet. On December 31, the debt portion amounted to SEK 7,871 million and the equity portion amounted to SEK 2,327 million. Additional information is available in note 5. Obligations related to future personnel costs related to acquisitions which will be settled in shares is accounted for in the group's balance sheet, to the extent that it has been earned by the employee and is classified as equity in the group's balance sheet.

Number of shares	Contingent consideration classified as part of purchase price	Obligations in relation to future personnel costs related to acquisitions	Total obligations related to historical acquisitions
Already issued	95,264,099	35,008,190	130,272,288
To be issued	77,711,706	30,015,900	107,727,607
	172,975,805	65,024,090	237,999,895

The number of shares to be paid as additional purchase price can vary but never exceed 107,727,607 according to the earnout agreements. If all shares are issued, the dilution in capital will amount to 7.88 % and 5.47 % of the voting rights as of December 31, 2022 and the total number of shares after full dilution will be 1,366,485,565.

The 130 million shares that have so far been issued are subject to clawback restrictions (clawback shares). Clawback shares are defined as shares of the company issued to sellers at completion of acquisitions of companies or assets. Clawback shares are part of the earnout consideration to sellers of companies or assets. Clawback shares are held by sellers, either in escrow accounts or on regular accounts, with an agreed right for the company to receive the shares back, at no consideration, if specific earnout targets are not met. Clawback shares are kept by the sellers if earnout targets are met.



Lightyear Frontier

FINANCIAL LEVERAGE POLICY

The Board of Directors of Embracer Group have set goals for the capital structure. The leverage target is to have Net Debt to Adjusted EBIT of 1.0x on a 12-month forward looking basis. The Group may exceed this ratio for the right inorganic growth opportunity, but with the ambition to return to below 1.0x in the medium term.

PARENT COMPANY

The Parent Company acquires and conducts operations through its subsidiaries and underlying companies.

The Parent Company's net sales for the quarter were SEK 15 million (109), and loss/profit before tax was SEK –852 million (15). Loss/profit after tax was SEK –648 million (1).

Cash and current investments as of December 31, 2022 were SEK 316 million (11,524). The Parent Company's equity at the end of the period was SEK 59,470 million (41,443).

SIGNIFICANT EVENTS DURING THE QUARTER

- > On December 7, Nasdaq Stockholm Main Market announced that the exchange's Listing Committee had approved Embracer's application for admission to trading of the Company's class B shares on Nasdaq Stockholm Main Market. Trading in Embracer's class B shares on Nasdaq Stockholm Main Market commenced on December 22.
- > Crystal Dynamics, part of Embracer Group's operative group Crystal Dynamics – Eidos, announced on December 15 an agreement with Amazon Games regarding developing and publishing a new multi-platform Tomb Raider game title, that will be available on several platforms. Crystal Dynamic's agreement with Amazon Games is one of the transformative transactions with several industry partners that was communicated in conjunction with Embracer's Q2 report.



MARKET OVERVIEW

Embracer Group currently operates in four operating segments; PC/Console Games and Mobile Games (jointly video games), Tabletop Games and Entertainment & Services

VIDEO GAMES MARKET

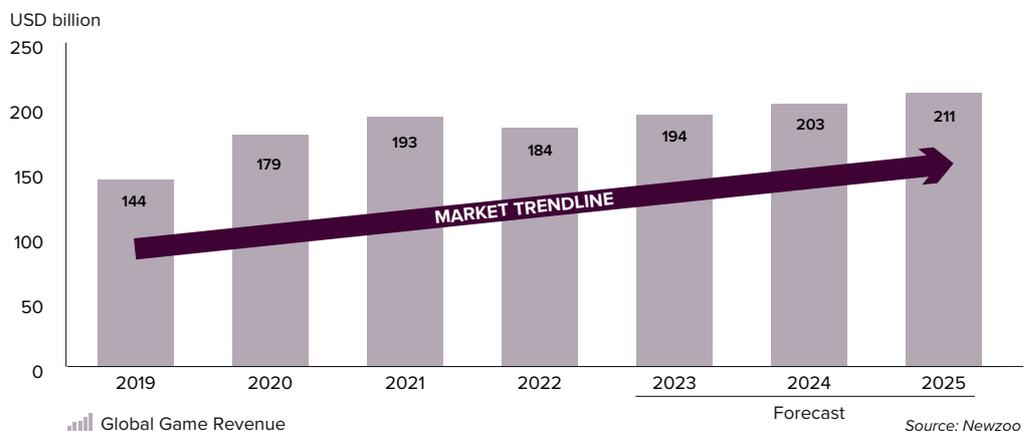
The underlying market conditions have weakened somewhat during the past quarters due to tougher economic conditions, mainly affecting the mobile games market. In addition, comparable figures from previous years are inflated by the covid pandemic, resulting in a difficult comparison for 2022. The global games market was predicted to generate USD 184 billion in revenues in 2022, a decrease of -4% YoY¹⁾. The trend is expected to reverse in 2023 and the global games revenues are expected to grow by $+5\%$ YoY to USD 194 billion¹⁾.

2022 was a 'corrective year' following two years of covid pandemic-induced growth, which affects comparability with 2020 and 2021. When comparing market sales in 2022 to 2019, the year before the outbreak of covid pandemic, the games market has grown by $+28\%$ ¹⁾.

Looking forward, the games market in 2023 is expected to be driven by much better console supply, a strong new release line-up (several titles previously delayed by the covid pandemic), digital sales, subscription business, VR and Games as a Service (in game revenue).

Furthermore, the market is deemed more resilient than other parts of the economy and better suited to tackle macro economic pressures. This conclusion is based on consumers perceiving gaming as good value for money. Furthermore, people are expected to spend more time at home during a spending squeeze.

The longer-term growth prospects also remain strong and the total games market value is predicted to reach USD 211 billion in 2025, implying a $+7\%$ CAGR between 2019 and 2025¹⁾.



PC/Console Games Market

The sector for PC games has been especially resilient. Revenues from PC games are estimated to grow slightly by $+0.5\%$ to USD 40 billion in 2022, accounting for 22% of the global games market. The sector is expected to grow by $+1.0\%$ in 2023¹⁾. The sector has benefitted from a large increase in home PCs and laptops during the covid pandemic. Steam is still the dominant retailer and, noticeably, their global player base reached 250 million players last year, its highest ever. Steam has grown its player base by an average of $+9\%$ during 2020-2022¹⁾.

Meanwhile, the console games sector was assessed to decline by -4% in 2022 with total revenues amounting to USD 52 billion, thereby accounting for 28% of the global games market. The decline is largely due to console shortages. However, the sector is expected to grow strongly in 2023, up by $+9\%$ YoY mainly due to an acceleration in the installations of Gen-9 consoles, growing subscription revenues and a stronger new release line-up.

¹⁾ Source: Newzoo.



Going forward, both the PC and Console markets are expected to be supported by good growth in the 'in-game revenue' sector.¹⁾

Mobile Games Market

The mobile games market, with revenues estimated at USD 92 billion in 2022, is the largest game sector and represents 50 % of the global gaming market. Sector revenues were assessed to have declined by –6 % YoY in 2022 but are expected to grow by +5 % YoY in 2023¹⁾. The market for mobile games had a difficult 2022 due to fewer breakout hits, ongoing pressures of privacy regulation which is taking time for developers to adjust to, China's slow license approval process and the fact that the more casual mobile users are seemingly more affected by economic pressures than other gamers.

TABLETOP GAMES MARKET

The tabletop games market, which includes strategic trading cards and board games, has been stable during April-December 2022 YoY in both Europe and US. The US has slightly outpaced the performance in Europe, +1 % YoY compared to –2 % YoY.²⁾

Market sales have been supported by sales of strategic trading cards, with sales up by a substantial +21 % in April-December 2022 YoY²⁾.

Board games sales declined by –7 % YoY in the US and by –6 % YoY in Europe in April-December 2022. However, when comparing to pre-pandemic levels in 2019, sales are up by +12 % globally⁴⁾.

The total tabletop games market finished 2022 strongly with an all-time record month in December, with sales growth of +2 % YoY in 2022 in both US and Europe³⁾. Furthermore, a study by MIS shows that over 31 % of consumers older than 18 purchased a board game for someone during Christmas 2022, showing the resilience of board games demand during the holiday period⁴⁾.

¹⁾ Source: Newzoo.

²⁾ Source: NPD. European data from UK, Germ, Fr, Spain, It, Benlx. Asmodee estimate for US market.

³⁾ Source: MIS Institute, January 2023 (survey of US and top European countries) commissioned by Asmodee.

⁴⁾ Source: NPD US & Europe, 3 main board game categories; Family Board/Action Games, Family Strategy Games, Card Games.



Shadow of the Tomb Raider

ENTERTAINMENT & SERVICES MARKET

Comics and Books

Overall book sales in 2022 reached USD 13 billion¹⁾ in the US. In unit terms, 2022 sales were down –6 % YoY, compared to the record 2021 year, but up +11 % vs. 2019, the pre-pandemic benchmark. The genre including comics, graphic novels and manga (where Embracer's Dark Horse Media predominantly operates) was one of the best performing, and up by +3 % YoY¹⁾.

TV and Film

Content expenditure is expected to reach USD 243 billion in 2023, an increase of +2 % compared to 2022²⁾. Subscription video-on-demand platforms are expected to receive more expenditure than commercial and public broadcasters. There is also an ongoing shift of audiences to streaming platforms.

Global cinema box office revenue increased +27 % YoY to USD 26 billion in 2022³⁾. This is still 35 % below the 2017-19 pre-pandemic average. But 2023 revenues, however, are expected to grow again; +12 % YoY, to USD 29 billion. In the US, 2022 box office revenues were up significantly by +65 % YoY but, similar to the global figures, also well below the 2017-19 average.

Video games IPs continue to fair well within transmedia. Highlights includes the films *Sonic the Hedgehog 2* and *Uncharted* that generated USD 403 million respectively USD 402 million in global box office revenues in 2022⁴⁾. On SVOD, the Netflix anime series *Cyberpunk: Edgerunners* drew big interest to the franchise, and the new TV series *The Last of Us*, with 4.7 million viewers, became HBO's second-highest watched debut series since 2010⁵⁾.

¹⁾ Source: NPD BookScan

²⁾ Source: Ampere Analysis

³⁾ Source: Gower Street Analytics

⁴⁾ Source: Box Office Mojo

⁵⁾ Source: Warner Media



OTHER INFORMATION

SIGNIFICANT EVENTS AFTER THE QUARTER

- > Embracer Group appointed Careen Yapp to the newly created position of Chief Strategic Partnerships Officer. Careen will be responsible for aligning strategic Group partnership objectives with each operative group to drive Group-wide results. Careen will also serve as part of the Group Executive Management Team, thus consisting of Lars Wingefors, CEO, Johan Ekström, CFO and Deputy CEO, Ian Gulam, Chief of Staff, Legal & Governance and Careen Yapp.
- > The members of the Nomination Committee for Embracer Group Annual General Meeting 2023 was announced and appointed on January 9. The following five members have been appointed, based on the ownership structure as of November 30 2022:
 - > Per Fredriksson, appointed by Lars Wingefors AB, is the Chair of the committee
 - > Michael Levy, appointed by S3D Media Inc.
 - > Ola Åhman, appointed by Savvy Gaming Group
 - > Lennart Francke, appointed by Swedbank Robur Fonder
 - > Henrik Olsson, appointed by Canada Pension Plan Investment Board

M&A ACTIVITY STATUS AS OF DECEMBER 31

Company	Country	Operating Segment	Operative Group	Type	Status
Q3 22/23 • Oct-Dec 2022					
Middle-Earth Enterprises	USA	Entertainment & Services	Freemode	Studio	Closed
Tripwire	USA	PC/Console Games	Saber Interactive	Studio	Closed
Anime Ltd	UK	Entertainment & Services	PLAION	Studio	Closed
VR Group	UK/Australia	Tabletop games	Asmodee	Distribution	Closed
Risk of Rain	USA	PC/Console Games	Gearbox	IP	Closed
The Walking Dead NML	Finland	Mobile Games	DECA Games	IP	Closed
Six games from Madfinger Games	Czech republic	Mobile Games	DECA Games	IP	Closed

The following M&A activities were announced after the reporting quarter:

Company	Country	Operating Segment	Operative Group	Type	Status
Q4 22/23 • Jan-Mar 2023					
Captured Dimensions	USA	PC/Console Games	Gearbox	Studio	Closed

SUSTAINABILITY AND GOVERNANCE

Following the completion of changing listing venue to Nasdaq Stockholm Main Market, the requirements toughened in terms of reporting both sustainability and corporate governance. Embracer Group has previously developed necessary routines and processes in order to implement and follow up on the sustainability work and has also produced sustainability reports since a couple of years back. However, the change of listing venue has required Embracer Group to strengthen reporting and corporate governance further since Embracer Group now must follow Nasdaq Stockholm's rulebook for the Main Market and the Swedish Code of Corporate Governance.

During the quarter, MSCI, a leading stock market index provider, upgraded Embracer Group's ESG Rating from BBB to A. This is yet again a proof-point that Embracer work with sustainability in structured and goal-oriented way. In addition, Embracer are now also part of Sustainalytics's 2023 list of Top-Ranked ESG-Companies, which also shows the work and commitment to run Embracer Groups business and company in a responsible and sustainable way. Both these ESG ratings are used by investors to understand companies' ESG risks and make it easier for investors to consider sustainability in both their investment decisions and their ongoing portfolio management.



During the quarter, the parent company focused on supporting individual group companies to increase participation and satisfaction among employees. This can be done by creating forums for dialogue on leadership, and clearer responsibilities and expectations among employees and leaders. The employee survey is an important tool to measure employees' satisfaction and then determine what actions should be prioritized to support a continued positive development in the Group.

During the quarter, the new role Head of Commercial, Consumer & IP Legal was created to strengthen the company's legal work in these areas. The new role is responsible for advising and supporting businesses on legal issues relating to commercial, consumer and IP. The role will also contribute to the sustainability framework by advising on responsible gaming and similar matters.

After the reporting quarter we initiated the annual training in Embracer Group's Code of Conduct for all the 16,000+ employees. The Code of Conduct is built around three sections: conduct in business, conduct towards employees and colleagues, and conduct in society.

EMBRACER GAMES ARCHIVE

The Embracer Games Archive preserves and tribute the games culture with an archive of physical games. The Archive aims to be a resource for the gaming industry and the community around it. Games should be shared with future and current generations as a way to help and show the history of gaming.

During the quarter, the effort has continued to be put into getting the framework for the database ready. It's an important stepping stone for getting the Archive's daily business to function and to start the cataloging of the now over 60 000 objects. Therefore, the archive has started the process of hiring archive assistants to start the extensive and important work of cataloging all the objects.

Embracer Games Archive has actively collaborated with other organizations that share the game archive's ambition to endorse exploration and demonstrate games as a cultural movement and thereby put games in a larger historical context. To preserve video game history, it is necessary to work together.

The Archive is steadily acquiring new collections and objects.



ANALYSTS FOLLOWING EMBRACER GROUP

AS OF FEBRUARY 16, 2023

Company	Name	Phone	Mail
ABG Sundal Collier	Simon Jönsson	+46 8 566 286 89	simon.jonsson@abgsc.se
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Berenberg	Benjamin May	+44 20 346 52 667	benjamin.may@berenberg.com
Bernstein	Matti Littunen	+44 207 170 50 09	matti.littunen@bernstein.com
BofA Securities	Adrien de Saint Hilaire	-	adrien.de_saint_hilaire@bofa.com
Carnegie	Dennis Berggren	-	dennis.berggren@carnegie.se
Citi	Thomas A Singlehurst	+44 20 7986 4051	thomas.singlehurst@citi.com
Danske Bank	Jacob Edler	+46 8 568 805 23	jedl@danskebank.se
Deutsche Bank	George-Samuel Brown	-	geroge-samuel.brown@db.com
DNB Bank ASA	Martin Arnell	-	martin.arnell@dnb.se
Exane BNP Paribas	Nicholas Langlet	-	nicholas.langlet@exanebp.com
Goldman Sachs International	Alexander Duval	+44 20 7552 2995	alexander.duval@gs.com
HSBC Bank plc	Ali Naqvi	-	ali.naqvi@hsbc.com
Kepler Cheuvreux	Mathias Lundberg	+46 73 053 26 51	mlundberg@keplercheuvreux.com
Nordea	Marlon Värnik	-	marlon.varnik@nordea.com
Pareto Securities	Joakim Walldof	-	joakim.walldof@paretosec.com
Raiffeisen Bank	Jakub Krawczyk	-	jakub.krawczyk@rbinternational.com
Redeye	Viktor Lindström	-	viktor.lindstrom@redeye.se
SEB	Erik Larsson	-	erik.larsson@seb.se
SHB	Rasmus Engberg	-	rasmus.engberg@handelsbanken.se

Note: The commissioned research analyst, Redeye does not have any buy, hold, or sell recommendation. The estimates are collected by Infront and based on predictions made by analysts who cover Embracer Group. At www.embracer.com consensus estimates are provided as an IR-service.

THE SHARE

TOP 10 OWNERS AS OF DECEMBER 31, 2022

Change from
Sept 30

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Class A and B shares
Lars Wingefors AB	52,260,204	210,238,330	20.85 %	39.40 %	0
Savvy Gaming Group		99,884,024	7.94 %	5.37 %	0
S3D Media Inc	12,798,274	70,772,440	6.64 %	10.69 %	0
Founders/Management - Easybrain		64 406 137	5.12 %	3.46 %	-631,831
Swedbank Robur Fonder		56,079,437	4.46 %	3.02 %	-11,369,601
Canada Pension Plan Investment Board (CPP)		43,595,333	3.46 %	2.34 %	0
PAI Partners		39,044,571	3.10 %	2.10 %	0
Alecta Pensionsförsäkring		39,214,000	3.12 %	2.11 %	4,829,000
Didner & Gerge Fonder		32,586,822	2.59 %	1.75 %	4,225,335
Handelsbanken Fonder		27,264,801	2.17 %	1.47 %	1,746,453
TOP 10	65,058,478	683,085,895	59.44 %	71.70 %	
OTHERS	1,739,796	508,873,789	40.56 %	28.30 %	
TOTAL	66,798,274	1,191,959,684	100.00 %	100.00 %	

Source: Monitor by Modular Finance.

INTERNATIONAL OWNERSHIP

TOP 50 INSTITUTIONAL

AS OF DECEMBER 31, 2022
BY CAPITAL



INSTITUTIONAL OWNERSHIP VS MANAGEMENT

AS OF DECEMBER 31, 2022
BY CAPITAL



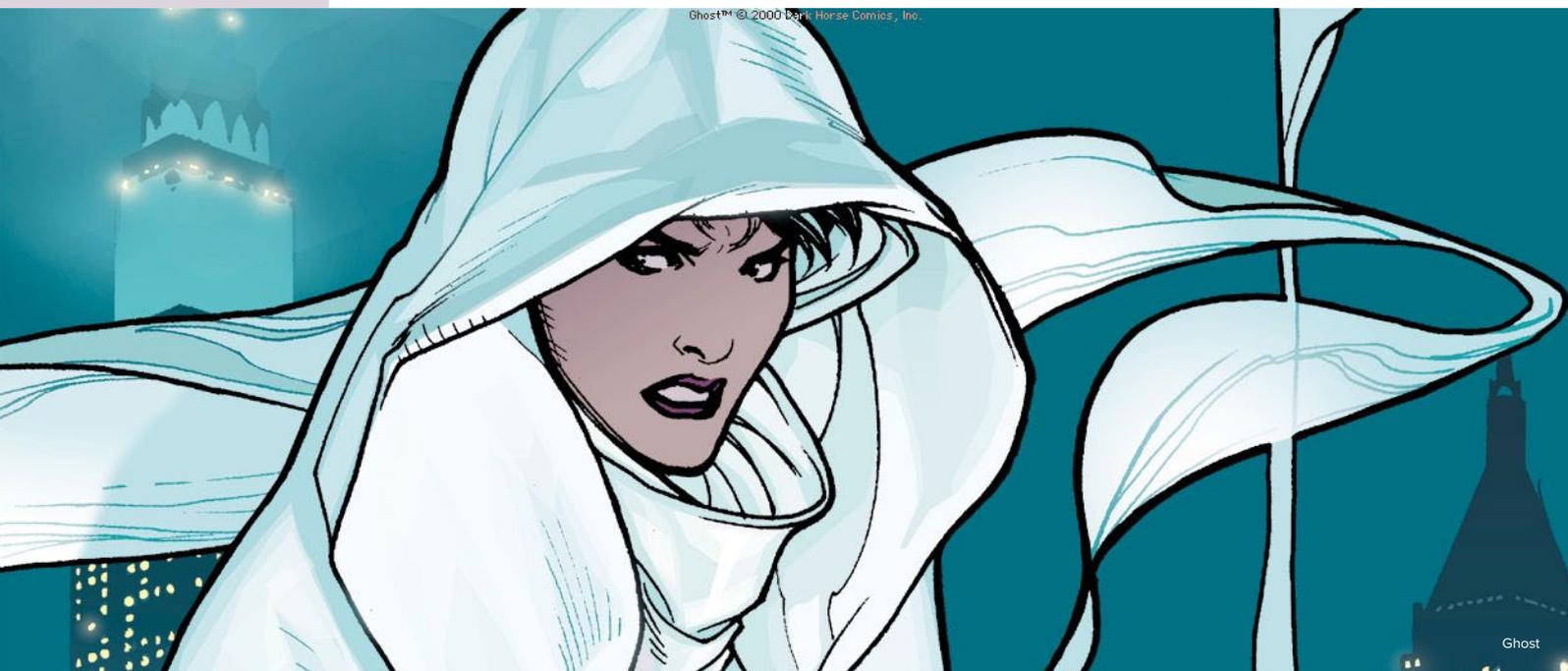
TOP 20 MANAGEMENT & CO-FOUNDER OWNERS AS OF DECEMBER 31, 2022

Owner	Co-Founder	Class A shares	Class B shares	Share of capital, %	Share of votes, %
Lars Wingefors AB	Embracer Group	52,260,204	210,238,330	20.85 %	39.40 %
Matthew Karch and Andrey Iones	Saber Interactive	12,798,274	70,772,440	6.64 %	10.69 %
Founders/Management	Easybrain	0	64,406,137	5.12 %	3.46 %
Ken Go	DECA Games	0	11,803,182	0.94 %	0.63 %
Randy Pitchford	Gearbox	0	9,563,028	0.76 %	0.51 %
Erik Stenberg ¹⁾	Embracer Group	0	4,500,000	0.36 %	0.24 %
Founders/Management	4A Games	0	4,892,140	0.39 %	0.26 %
Luisa Bixio	Milestone	0	4,124,342	0.33 %	0.22 %
Management	Crazy Labs	0	4,402,714	0.35 %	0.24 %
Founders ²⁾	Ghostship Games	0	4,197,304	0.33 %	0.23 %
Founders/Management	Aspyr	0	3,549,742	0.28 %	0.19 %
Richard Stitselaar and Kimara Rouwit	Vertigo Games	0	3,516,420	0.28 %	0.19 %
John Gibson	Tripwire	0	3,121,746	0.25 %	0.17 %
Pelle Lundborg	Embracer Group	1,739,796	1,009,120	0.22 %	0.99 %
Anton Westbergh	Coffee Stain	0	2,412,666	0.19 %	0.13 %
Klemens Kundratitz	PLAION	0	2,255,856	0.18 %	0.12 %
William Munk II	Tripwire	0	1,501,907	0.12 %	0.08 %
David Hensley	Tripwire	0	1,501,907	0.12 %	0.08 %
Alan Wilson	Tripwire	0	1,482,887	0.12 %	0.08 %
Dennis Gustafsson	Tuxedo Labs	0	1,408,031	0.11 %	0.08 %
TOP 20		66,798,274	410,659,899	37.93 %	57.99 %
ALL OTHER SHAREHOLDERS		0	781,299,785	62.07 %	42.01 %
TOTAL		66,798,274	1,191,959,684	100.00 %	100.00 %

Holdings by management above are in general owned through various wholly owned companies. Holdings include clawback shares that are issued but subject to restrictions and in some cases are these shares not part of the transferred consideration in the PPA but is classified as remuneration for future services according to IFRS2.

¹⁾ Erik Stenberg has sold 4,500,000 B-shares during the quarter.

²⁾ Ghostship Games founders sold 74,000 B-shares during quarter.



TOP 50 INSTITUTIONAL OWNERS AS OF DECEMBER 31, 2022
**Change from
Sept 30**

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Class B shares
Savvy Gaming Group		99,884,024	7.94 %	5.37 %	-
Swedbank Robur Fonder		56,079,437	4.46 %	3.02 %	-11,369,601
Canada Pension Plan Investment Board (CPP)		43,595,333	3.46 %	2.34 %	-
PAI Partners		39,044,571	3.10 %	2.10 %	-
Alecta Tjänstepension		39,214,000	3.12 %	2.11 %	4,829,000
Didner & Gerge Fonder		32,586,822	2.59 %	1.75 %	3,725,335
Handelsbanken Fonder		27,264,801	2.17 %	1.47 %	1,746,453
BlackRock		18,411,572	1.46 %	0.99 %	-532,247
SEB Fonder		18,391,934	1.46 %	0.99 %	4,664,909
AMF Pension & Fonder		17,500,000	1.39 %	0.94 %	-
ODIN Fonder		15,000,000	1.19 %	0.81 %	-2,000,000
DNB Asset Management AS		14,587,604	1.16 %	0.78 %	797,096
Första AP-fonden		12,712,801	1.01 %	0.68 %	-833,384
Andra AP-fonden		12,207,400	0.97 %	0.66 %	-500,000
TIN Fonder		12,034,706	0.96 %	0.65 %	-
Skandia Fonder		10,606,026	0.84 %	0.57 %	353,738
Länsförsäkringar Fonder		8,009,524	0.64 %	0.43 %	2,870,629
Livförsäkringsbolaget Skandia		6,922,519	0.55 %	0.37 %	-2,225,842
Futura Pension		6,410,777	0.51 %	0.34 %	132,950
Avanza Pension		6,224,593	0.49 %	0.33 %	1,287,533
Baillie Gifford & Co		5,841,401	0.46 %	0.31 %	-757,817
Enter Fonder		5,833,768	0.46 %	0.31 %	1,075,000
Martin Larsson (Chalex AB)		4,523,369	0.36 %	0.24 %	-190,000
DNB Asset Management SA		4,191,277	0.33 %	0.23 %	87,708
AFA Försäkring		3,931,218	0.31 %	0.21 %	-2,781,900
Öhman Fonder		3,445,848	0.27 %	0.19 %	1,368,835
Northern Trust		3,437,333	0.27 %	0.18 %	8,707
Government of Japan Pension Investment Fund		3,429,338	0.27 %	0.18 %	-
State Street Global Advisors		3,409,330	0.27 %	0.18 %	126,267
Aktia Asset Management		3,389,496	0.27 %	0.18 %	-
Fidelity Investments (FMR)		3,133,471	0.25 %	0.17 %	-23,968
VanEck		2,964,181	0.24 %	0.16 %	-443,539
Handelsbanken Liv Försäkring AB		2,715,677	0.22 %	0.15 %	644,175
Naventi Fonder		2,710,843	0.22 %	0.15 %	350,746
Nordea Liv & Pension		2,704,806	0.21 %	0.15 %	917,116
Swedbank Försäkring		2,570,800	0.20 %	0.14 %	551,865
Nordnet Pensionsförsäkring		2,396,806	0.19 %	0.13 %	1,589,416
Deka Investments		2,341,436	0.19 %	0.13 %	-1,157
Svenska Handelsbanken AB for PB		2,029,599	0.16 %	0.11 %	740
Sp-Fund Management		2,010,000	0.16 %	0.11 %	-
Lancelot Asset Management AB		1,750,000	0.14 %	0.09 %	-
M&G Investment Management		1,731,962	0.14 %	0.09 %	-
Prioritet Finans		1,632,000	0.13 %	0.09 %	-
TIAA - Teachers Advisors		1,597,147	0.13 %	0.09 %	-6,312
1832 Asset Management		1,508,620	0.12 %	0.08 %	-
Fondita Fund Management		1,340,000	0.11 %	0.07 %	-
RAM Rational Asset Management		1,339,090	0.11 %	0.07 %	863,882
Norron Fonder		1,294,860	0.10 %	0.07 %	-
Global X Management Company LLC		1,243,055	0.10 %	0.07 %	-65,991
California State Teachers' Retirement System (CALSTRS)		1,178,675	0.09 %	0.06 %	-
TOP 50	0	578,313,850	45.94 %	31.09 %	
ALL OTHER SHAREHOLDERS	66,798,274	613,645,834	54.06 %	68.91 %	
TOTAL	66,798,274	1,191,959,684	100.00 %	100.00 %	

Source: Monitor by Modular Finance.



RISKS AND UNCERTAINTY FACTORS

Embracer Group is exposed to risks, particularly the dependence on key persons for the success of game development, the sales performance of launched games, dependence on a few distributors and the success and performance of acquisitions. The complete risk analysis, accounting policies and methods of computation have been applied as in the most recent complete set of financial statements, with one exception described in note 1. Embracer's most recent complete set of financial statements is the Prospectus, appendix Restated Historical Financial Information published on December 19, 2022, in connection with the listing change to Nasdaq Stockholm Main Market.

AUDITOR'S REVIEW

This Interim Report has not been subject to review by the Company's auditor.

FORTHCOMING REPORTS

Full Year Report 2022/2023	May 24, 2023
Annual Report 2022/2023	June 21, 2023
Interim Report Q1, April-June 2023	August 17, 2023
Annual General Meeting 2023	September 21, 2023
Interim Report Q2, July-September 2023	November 16, 2023
Interim Report Q3, October-December 2023	February 15, 2024

FOR MORE INFORMATION

Find more information about the Company at its website: embracer.com

For any questions on this report, please contact:

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Beatrice Flink Forsgren, *Head of Brand & Communication*

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SIGNATURES AND ASSURANCE

The Board of Directors and Chief Executive Officer offer their assurance that this interim report for the third quarter gives a true and fair view of the Group's and Parent Company's operations, financial position and results of operations and describes the significant risks and uncertainties facing the Group and the Parent Company.

Karlstad, Sweden, February 16, 2023

Kicki Wallje-Lund
Chairman of the Board

David Gardner
Board member

Cecilia Driving
Board member

Jacob Jonmyren
Board member

Matthew Karch
Board member

Erik Stenberg
Board member

Lars Wingefors
Chief Executive Officer

This report is information that is mandatory for Embracer Group to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 06:00 CET on February 16, 2023.

This report contains forward-looking statements that reflect the Board of Directors' and management's current views with respect to certain future events and potential financial performance. Forward-looking statements are subject to risks and uncertainties. Results could differ materially from forward-looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, (ii) success of business initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.

This report is based solely on the circumstances at the date of publication and except to the extent required under applicable law or applicable market place regulations, Embracer Group AB is under no obligation to update the information, opinions or forward-looking statements in this report.



Valheim

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in SEK m	Note	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Net sales	4	11,622	5,091	28,309	11,829	17,067
Other operating income		63	75	291	232	333
Total operating income		11,685	5,166	28,600	12,061	17,400
Work performed by the Company for its own use and capitalized		1,351	596	3,314	1,623	2,293
Goods for resale		-5,057	-1,709	-10,863	-3,308	-4,697
Other external expenses	7	-2,261	-1,408	-6,431	-3,096	-4,745
Personnel expenses	8	-3,553	-2,215	-9,721	-6,064	-8,602
Depreciation, amortization and impairment		-1,737	-644	-4,401	-1,628	-2,793
Other operating expenses	9	-209	-53	-371	-206	-447
Share of profit of an associate		6	8	161	458	465
Operating profit (EBIT)		226	-259	289	-159	-1,126
Net financial items	10	1,369	-840	4,069	1,413	2,785
Profit before tax		1,595	-1,099	4,357	1,254	1,659
Income tax		-102	-137	-665	-440	-692
Net profit for the period		1,493	-1,236	3,692	814	967
<i>Net profit for the period attributable to:</i>						
Equity holders of the parent		1,515	-1,235	3,717	814	976
Non-controlling interests		-22	-1	-25	0	-9
Earnings per share						
Basic earnings per share (SEK)		1.39	-1.38	3.50	0.95	1.08
Diluted earnings per share (SEK)		1.38	-1.38	3.47	0.93	1.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Note	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Net profit for the period		1,493	-1,236	3,692	814	967
Other comprehensive income						
<i>Items that may be reclassified to profit or loss (net of tax):</i>						
Exchange differences on translation of foreign operations		-970	311	4,421	367	825
		-10	-	-10	-	-
Income tax attributable to the above items		-	-	-	-	-
<i>Items that will not be reclassified to profit or loss (net of tax):</i>						
Remeasurement of defined benefit plans for employees		3	-	3	-	-
Total other comprehensive income for the period, net of tax		-977	311	4,414	367	825
Total comprehensive income for the period, net of tax		516	-925	8,106	1,181	1,792
<i>Total comprehensive income attributable to:</i>						
Equity holders of the parent		562	-924	8,125	1,181	1,801
Non-controlling interests		-46	-1	-19	0	-9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK m	Note	Dec 31, 2022	Dec 31, 2021	Mar 31, 2022
ASSETS				
Non-current assets				
Goodwill		50,490	25,458	42,624
Intangible assets		42,700	9,906	31,371
Property, plant and equipment		1,091	506	720
Right-of-use assets		1,312	522	1,062
Investments in associates		201	176	134
Non-current financial assets		424	157	302
Deferred tax assets		1,767	460	1,280
Total non-current assets		97,985	37,184	77,493
Current assets				
Inventories		4,236	389	2,775
Trade receivables		6,900	3,018	4,406
Contract assets		420	54	177
Other receivables		2,015	785	1,381
Prepaid expenses		1,009	221	377
Current investments	5	0	195	0
Cash and cash equivalents		6,198	15,031	5,810
Total current assets		20,778	19,694	14,927
TOTAL ASSETS		118,763	56,878	92,420

CONT. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK m	Note	Dec 31, 2022	Dec 31, 2021	Mar 31, 2022
EQUITY AND LIABILITIES				
Equity				
Share capital		2	2	2
Other contributed capital		56,134	38,220	42,433
Reserves		4,532	-334	124
Retained earnings, including net profit		3,105	-774	-612
Total equity attributable to equity holders of the parent		63,773	37,114	41,947
Non-controlling interests		209	43	228
Total equity		63,982	37,157	42,175
Non-current liabilities				
Liabilities to credit institutions		18,189	750	13,018
Other non-current liabilities		60	137	112
Lease liabilities		968	388	800
Other provisions		213	86	155
Contingent considerations	5, 6	5,428	10,653	8,486
Non-current put/call options on non-controlling interests	5, 6	2,969	-	4,259
Deferred considerations	5	310	-	-
Non-current employee benefits		21	17	20
Non-current liabilities to employees related to historical acquisitions	5	858	443	593
Deferred tax liabilities		7,201	1,059	6,170
Total non-current liabilities		36,220	13,533	33,613
Current liabilities				
Liabilities to credit institutions		2,334	1,689	7,014
Current account credit facilities		18	39	149
Advances from customers		96	44	69
Trade payables		5,454	1,080	3,602
Lease liabilities		385	151	297
Contract liabilities		2,193	1,589	1,821
Contingent considerations	5, 6	2,443	9	1,105
Deferred considerations	5	1,721	-	-
Tax liabilities		911	222	555
Current liabilities to employees related to historical acquisitions	5	579	-	-
Other current liabilities		374	177	608
Accrued expenses		2,052	1,188	1,413
Total current liabilities		18,561	6,188	16,632
TOTAL EQUITY AND LIABILITIES		118,763	56,878	92,420

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK m	Equity attributable to equity holders of the parent						Non-controlling interests	Total equity
	Share capital	Other contributed capital	Reserves ¹⁾	Retained earnings including profit for the period	Total equity attributable to equity holders of the parent			
Opening balance 2021-04-01	1	22,543	-701	-1,588	20,254	13	20,267	
Net profit	-	-	-	814	814	-	814	
Other comprehensive income	-	-	367	-	367	-	367	
Total comprehensive income for the period	-	-	367	814	1,181	-	1,181	
<i>Transactions with the owners</i>								
New share issue	1	13,250	-	-	13,251	30	13,281	
Issuance costs	-	-129	-	-	-129	-	-129	
Tax effect issuance costs	-	27	-	-	27	-	27	
Share-related remuneration according to IFRS2	-	2,529	-	-	2,529	-	2,529	
Total	1	15,677	-	-	15,678	30	15,708	
Closing balance 2021-12-31	2	38,220	-334	-774	37,114	43	37,157	
Opening balance 2022-04-01	2	42,433	124	-612	41,947	228	42,175	
Net profit	-	-	-	3,717	3,717	-25	3,692	
Other comprehensive income	-	-	4,408	-	4,408	6	4,414	
Total comprehensive income for the period	-	-	4,408	3,717	8,125	-19	8,106	
<i>Transactions with the owners</i>								
New share issue	-	12,064	-	-	12,064	-	12,064	
Issuance costs	-	-9	-	-	-9	-	-9	
Tax effect issuance costs	-	2	-	-	2	-	2	
Share-related remuneration according to IFRS2	-	1,644	-	-	1,644	-	1,644	
Total	-	13,701	-	-	13,701	-	13,701	
Closing balance 2022-12-31	2	56,134	4,532	3,105	63,773	209	63,982	

¹⁾ Includes currency translation difference and cash-flow hedge reserve.

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK m	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Operating activities					
Profit before tax	1,595	-1,099	4,357	1,254	1,659
Adjustments for non-cash items, etc.	909	2,675	2,652	2,990	4,059
Income tax paid	-361	-133	-744	-456	-542
Cash flow from operating activities before changes in working capital	2,142	1,444	6,265	3,787	5,176
Cash flow from changes in working capital					
Change in inventories	652	55	-797	-162	-150
Change in operating receivables	-819	-981	-2,144	-1,116	-934
Change in operating liabilities	838	530	416	130	-22
Cash flow operating activities	2,813	1,048	3,740	2,639	4,070
Investing activities					
Acquisition of property, plant and equipment	-118	-91	-322	-240	-344
Proceeds from sales of property, plant and equipment	-1	-	3	0	4
Acquisition of intangible assets	-1,864	-969	-4,640	-2,714	-3,717
Proceeds from sales of intangible assets	451	-	451	0	4
Acquisition of subsidiaries, net of cash acquired	-4,066	-818	-8,532	-5,694	-33,403
Change in current investments	-	-	-5	0	196
Acquisition of financial assets	-109	-10	-140	-10	-71
Proceeds from sales of financial assets	13	-	22	0	-
Cash flow from investing activities	-5,694	-1,888	-13,162	-8,658	-37,331
Financing activities					
New share issue	-	5,875	10,326	5,874	6,310
Issuance costs	-	-	-9	0	-130
Proceeds from borrowings	531	326	6,279	1,425	18,861
Repayment of loans	-44	-61	-6,881	-332	-17
Payment of lease liabilities	-169	-41	-337	-111	-156
Cash flow from financing activities	318	6,099	9,378	6,856	24,868
Cash flow for the period	-2,561	5,259	-44	837	-8,393
Cash and cash equivalents at the beginning of period	8,879	9,724	5,810	14,104	14,104
Exchange-rate differences in cash and cash equivalents	-120	48	432	90	99
Cash and cash equivalents at the end of period	6,198	15,031	6,198	15,031	5,810

NOTES

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

This interim report comprises of the Swedish parent company Embracer Group AB (“Embracer”), with corporate registration number 556582-6558, and its subsidiaries. The Group conducts management and development of intellectual property rights, publishing, development of computer, video and mobile games, and publishes and distributes films. The Parent Company is a limited liability company with its registered office in Karlstad, Sweden. The address of the head office is Tullhusgatan 1 B, 652 09 Karlstad.

The Group’s interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and applicable parts of the Swedish Annual Accounts Act (1995:1554). For the Parent Company, the interim report has been prepared in compliance with the Swedish Annual Accounts Act and Recommendation RFR 2 Accounting for Legal Entities.

For the Group, the same accounting policies and methods of computation have been applied as in the most recent complete set of financial statements, with one exception described below. Embracer’s most recent complete set of financial statements is the Prospectus, appendix Restated Historical Financial Information published on December 19, 2022, in connection with the listing change to Nasdaq Stockholm Main Market. A complete description of the Group’s applied accounting policies can be found in the Prospectus, appendix Restated Historical Financial Information. For new accounting principles, please see Accounting policy – Asset acquisition below. For the Parent Company’s applied accounting policies, see note P2.

Disclosures in accordance with IAS 34.16A appear in addition to the financial statements and its related notes in the interim information on page 40-49 that form an integral part of this financial report.

All amounts are presented in million Swedish kronor (“SEKm”), unless otherwise indicated. Rounding differences may occur.

Accounting policy – Asset acquisition

In an acquisition Embracer determines whether the transaction is a business combination or an asset acquisition. The term “asset acquisition” represents an acquisition of an asset, or a group of assets, that does not meet the definition of a business. A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. To assess if the acquired set of activities and assets is a business or not Embracer may apply the concentration test or directly do the analysis based on the definition of a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is not met, the set of activities and assets is determined to be a business. If the concentration test is not used Embracer evaluates the acquisition based on the definition of a business.

If an acquisition is an asset acquisition it means, in comparison to a business combination, that transaction cost will be capitalized, no goodwill will occur because the transaction price will be allocated to the asset or group of assets and no deferred taxes will be accounted for at acquisition date.

NOTE 2 KEY ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, management and the Board of Directors must make certain assessments and assumptions that impact the carrying amount of asset and liability items and revenue and expense items, as well as other provided information. Actual outcome may differ from the estimates

if the estimates or circumstances change. The key estimates and assumptions made when preparing the interim report correspond to the ones described in the Prospectus, appendix Restated Historical Financial Information published on December 19, 2022.

NOTE 3 OPERATING SEGMENTS

For accounting and monitoring, the Group has divided its operations into four operating segments based on how the chief operating decision maker reviews the operations for allocation of resources and assessment of performance. Embracer's CEO is identified as the Group's chief operating decision maker (CODM). The division of operating segments is based on differences in the goods and services that Embracer offers.

PC/Console Games - This part of the business conducts development and publishing of premium games for PC and console.

Mobile Games - This part of the business conducts development and publishing of mobile games.

Tabletop Games - This part of the business conducts development, publishing and distribution of tabletop games.

Entertainment & Services - This part of the business is engaged in development, publishing and distribution of comic books, conducts wholesale of publishing titles of games for console and PC as well as films, conducts publishing and external distribution of films and TV-series and produce and distribute merchandise.

The CODM primarily uses the performance measure Adjusted EBIT to assess the operating segments' performance. The CODM does not follow up on the assets and liabilities of the segments for allocation of resources or assessment of performance.

Oct-Dec 2022	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	3,575	1,573	4,146	2,328	11,622	-	-	11 622
Revenue from transactions with other operating segment	11	-	-	7	18	-18	-	0
Total revenue	3,586	1,573	4,146	2,335	11,640	-18	-	11 622
Adjusted EBIT	579	464	864	187	2,094	-	-85	2 009
Amortization of surplus values of acquired intangible assets	-389	-118	-193	-40	-740	-	-	-740
Transaction costs	-102	5	-10	-11	-117	-	-	-117
Personnel costs related to acquisitions	-526	-262	-55	-4	-847	-	-	-847
Remeasurement of participation in associated companies	-	-	-	-	-	-	-	-
Remeasurement of contingent consideration	-13	0	9	0	-4	-	-	-4
Items affecting comparability	-54	-	-	-	-54	-	-21	-75
EBIT	-505	89	615	132	332	-	-106	226
Net financial items	-	-	-	-	-	-	-	1,369
Profit before tax	-	-	-	-	-	-	-	1,595
Oct-Dec 2021	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	2,187	1,545	-	1,360	5,091	-	-	5,091
Revenue from transactions with other operating segment	6	-	-	-	6	-6	-	0
Total revenue	2,193	1,545	-	1,360	5,097	-6	-	5,091
Adjusted EBIT	694	355	-	111	1,160	-	-30	1,130
Amortization of surplus values of acquired intangible assets	-167	-65	-	0	-232	-	-	-232
Transaction costs	-15	-27	-	-1	-43	-	-	-43
Personnel costs related to acquisitions	-383	-730	-	-	-1,113	-	-	-1,113
Remeasurement of participation in associated companies	-	-	-	-	-	-	-	-
Remeasurement of contingent consideration	-1	-	-	-	-1	-	-	-1
EBIT	128	-467	-	110	-229	0	-30	-259
Net financial items	-	-	-	-	-	-	-	-840
Profit before tax	-	-	-	-	-	-	-	-1,099

Apr-Dec 2022	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	9,966	4,502	10,058	3,784	28,309	-	-	28,309
Revenue from transactions with other operating segment	33	-	-	20	53	-53	-	0
Total revenue	9,999	4,502	10,058	3,804	28,362	-53	-	28,309
Adjusted EBIT	2,565	1,057	1,760	215	5,596	-	-144	5,451
Amortization of surplus values of acquired intangible assets	-967	-377	-540	-41	-1,924	-	-	-1,924
Transaction costs	-196	4	-40	-37	-269	-	0	-269
Personnel costs related to acquisitions	-1,678	-804	-309	-105	-2,895	-	-	-2,895
Remeasurement of participation in associated companies	-	-	-	-	-	-	-	-
Remeasurement of contingent consideration	1	-	-	-	1	-	-	1
Items affecting comparability	-54	-	-	-	-54	-	-21	-75
EBIT	-329	-120	871	32	454	-	-166	289
Net financial items								4,069
Profit before tax								4,357
Apr-Dec 2021	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	6,401	3,137	-	2,291	11,829	-	-	11,829
Revenue from transactions with other operating segment	-	-	-	27	27	-27	-	0
Total revenue	6,401	3,137	-	2,318	11,856	-27	-	11,829
Adjusted EBIT	2,373	896	0	217	3,486	-	-90	3,396
Amortization of surplus values of acquired intangible assets	-501	-109	-	0	-610	-	-	-610
Transaction costs	-133	-29	-	-1	-163	-	-	-163
Personnel costs related to acquisitions	-1,293	-1,880	-	-	-3,174	-	-	-3,174
Remeasurement of participation in associated companies	417	-	-	-	417	-	-	417
Remeasurement of contingent consideration	-27	-	-	-	-27	-	-	-27
EBIT	836	-1,123	-	216	-72	-	-90	-159
Net financial items								1,413
Profit before tax								1,254
Apr 2021-Mar 2022	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	8,498	4,896	571	3,102	17,067	-	-	17,067
Revenue from transactions with other operating segment	30	-	-	33	63	-63	-	0
Total revenue	8,528	4,896	571	3,135	17,130	-63	-	17,067
Adjusted EBIT	2,926	1,389	74	247	4,636	-	-171	4,465
Amortization of surplus values of acquired intangible assets	-845	-332	-56	-1	-1,234	-	-82	-1,316
Transaction costs	-145	-49	-142	-27	-363	-	-4	-367
Personnel costs related to acquisitions	-1,743	-2,534	-	-	-4,277	-	-	-4,277
Remeasurement of participation in associated companies	416	-	-	-	416	-	-	416
Remeasurement of contingent consideration	-100	55	-	-	-45	-	-1	-46
EBIT	509	-1,470	-124	218	-867	-	-259	-1,126
Net financial items								2,785
Profit before tax								1,659

NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS

	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Group total
Oct-Dec 2022					
<i>Type of products</i>					
Digital products	2,286	1,568	48	135	4,037
Physical products	281	-	4,069	2,179	6,529
Other ¹⁾	1,008	6	29	14	1,056
Revenue from contracts with customers	3,575	1,573	4,146	2,328	11,622
Oct-Dec 2021					
<i>Type of products</i>					
Digital products	1,390	1,540	n/a	144	3,074
Physical products	465	-	n/a	1,206	1,671
Other ¹⁾	331	5	n/a	10	346
Revenue from contracts with customers	2,187	1,545	n/a	1,360	5,091
Apr-Dec 2022					
<i>Type of products</i>					
Digital products	6,903	4,441	139	376	11,859
Physical products	887	-	9,834	3,358	14,079
Other ¹⁾	2,176	60	84	50	2,370
Revenue from contracts with customers	9,966	4,502	10,058	3,784	28,309
Apr-Dec 2021					
<i>Type of products</i>					
Digital products	4,370	3,119	n/a	367	7,856
Physical products	1,040	-	n/a	1,887	2,928
Other ¹⁾	991	18	n/a	37	1,046
Revenue from contracts with customers	6,401	3,137	n/a	2,291	11,829
Apr 2021-Mar 2022					
<i>Type of products</i>					
Digital products	5,860	4,871	29	511	11,271
Physical products	1,284	-	526	2,539	4,348
Other ¹⁾	1,354	25	17	52	1,448
Revenue from contracts with customers	8,498	4,896	571	3,102	17,067

¹⁾ See Operating segment, page 8-18

In addition to the breakdown by revenue from contracts with customers for PC/Console Games, Mobile Games and Tabletop Games and Entertainment and Services, Embracer also monitor PC/Console in categories below:

PC/Console Games	IP-rights		Total
	Owned titles	Publishing titles	
Oct-Dec 2022	2,433	1,142	3,575
Oct-Dec 2021	1,547	640	2,187

PC/Console Games	New releases	Back-catalog	Other	Total
Oct-Dec 2022	460	2,107	1,008	3,575
Oct-Dec 2021	203	1,653	331	2,187

PC/Console Games	IP-rights		Total
	Owned titles	Publishing titles	
Apr-Dec 2022	6,541	3,425	9,966
Apr-Dec 2021	4,305	2,096	6,401
Apr 2021-Mar 2022	5,532	2,966	8,498

PC/Console Games	New releases	Back-catalog	Other	Total
Apr-Dec 2022	2,349	5,441	2,176	9,966
Apr-Dec 2021	1,299	4,111	991	6,401
Apr 2021-Mar 2022	1,557	5,587	1,354	8,498

NOTE 5 FINANCIAL INSTRUMENTS

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The table below presents financial instruments measured at fair value based on the classification in the fair value hierarchy. The different levels are defined as follows:

Level 1 - Quoted (unadjusted) market prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices in level 1 that are observable for the asset or liability, either directly (i.e. price quotations) or indirectly (i.e. derived from price quotations).

Level 3 - Input data for the asset or liability which is not based on observable market data (i.e. unobservable input data).

Financial assets measured at fair value

Financial assets measured at fair value as of Dec 31, 2022	Level 1	Level 2	Level 3	Total
Ownership interests in other entities	-	6	-	6
Current investments	-	-	0	0

Financial assets measured at fair value as of Dec 31, 2021	Level 1	Level 2	Level 3	Total
Ownership interests in other entities	-	6	-	6
Current investments	-	-	195	195

Financial assets measured at fair value as of Mar 31, 2022	Level 1	Level 2	Level 3	Total
Ownership interests in other entities	-	6	-	6
Current investments	-	-	0	0
Derivatives	-	51	-	51

Financial liabilities measured at fair value

Financial liabilities measured at fair value as of Dec 31, 2022	Level 1	Level 2	Level 3	Total
Contingent consideration	-	-	7,871	7,871
Put/call options on non-controlling interests	-	-	2,969	2,969
Liabilities to employees related to acquisitions	-	-	1,437	1,437
Derivatives	-	15	-	15

Financial liabilities measured at fair value as of Dec 31, 2021	Level 1	Level 2	Level 3	Total
Contingent consideration	-	-	10,662	10,662
Liabilities to employees related to acquisitions	-	-	443	443

Financial liabilities measured at fair value as of Mar 31, 2022	Level 1	Level 2	Level 3	Total
Contingent consideration	-	-	9,591	9,591
Put/call options on non-controlling interests	-	-	4,259	4,259
Liabilities to employees related to acquisitions	-	-	593	593
Derivatives	-	3	-	3

Current receivables and current liabilities

For current receivables and liabilities, such as trade receivables and trade payables and for liabilities to credit institutions with variable interest rate, the carrying amount is considered to be a good approximation of the fair value.

Derivatives

Derivative instruments are measured at fair value in accordance with Level 2 in the fair value hierarchy. Interest rate derivatives and foreign exchange forward are measured in accordance with the market valuation determined by the issuing party.

Contingent consideration

The fair value of contingent considerations have been calculated based on expected outcome of financial and operational targets for each individual agreement. The estimated expected settlement will vary over time depending on, among other things, the degree of fulfillment of the conditions for the contingent considerations, the development of certain exchange rates against the Swedish krona and the interest rate environment. Contingent considerations to be settled with shares are also dependent on the development of Embracer's share price.

Contingent considerations classified as financial liabilities are measured at fair value by discounting expected cash flows at a risk-adjusted discount rate of 1.8 %-10.2 %. Measurement is therefore in accordance with Level 3 in the fair value hierarchy. Significant unobservable input data consists of forecasted turnover and a risk-adjusted discount rate as well operational targets.

Contingent considerations	Apr-Dec 2022	Apr-Dec 2021	Apr 2021–Mar 2022
Opening balance	11 572	10 466	10 466
Acquisitions	1 343	3 778	4 165
Payment - shares to be issued	-1	-	-
Payment - clawback shares	-316	-421	-421
Payment - cash	-489	-17	-19
FX effects	109	488	-119
Change in fair value recognized in profit or loss	-2 020	-1 380	-2 498
Closing balance	10 198	12 914	11 572

During the period, unrealized gains or losses for contingent considerations recognized at the end of the reporting period amounted to a gain of SEK 2,020 million. This amount is included as part of net financial items in the consolidated statement of profit or loss.

Given the contingent considerations recognized at the end of the reporting period, a change in discount factor of 1.5 percentage points will have an impact on the fair value of the contingent considerations of SEK 502 million and SEK -520 million respectively. Due to reclassification on certain balance sheet items there is a slight deviation in comparison to the information presented in the Prospectus, appendix Restated Historical Financial Information published December 19, 2022 for the period April 21 to Mar 22.

As at 31 December, the Group's contingent considerations will be settled in cash or with shares according to the distribution below.

Contingent consideration	Contingent consideration classified as financial liability		Total contingent consideration classified as financial liability	Contingent consideration classified as equity		Total contingent consideration
	Cash settlement	Newly issued shares		Issued shares	Newly issued shares	
Total	3,786	4,086	7,871		2,327	10,198

As of Dec 31, 2022	Classified as financial liability	Of which already issued	Classified as equity	Of which already issued
Maximum number of shares related to contingent considerations	100,515,715	68,841,093	31,619,727	26,423,005

Put/call option on non-controlling interests

Put/call options on non-controlling interest refers to put/call option on non-controlling interests in business combination where the selling shareholders keep some ownership and there is a contractual obligation where Embracer will purchase the remaining interest if the holder of the option determines to exercise. The valuation and settlement is similar as for contingent consideration (level 3 fair value measurement).

The fair value of put/call options on non-controlling interests have been calculated based on expected outcome of financial and operational targets for each individual agreement. The estimated expected settlement will vary over time depending on, among other things, the degree of fulfillment of the conditions for the put/call option on non-controlling interests, the development of certain exchange rates against the Swedish krona and the interest rate environment. Put/call option on non-controlling interests to be settled with shares are also dependent on the development of Embracer's share price.

During the period, unrealized gains or losses for put/call options on non-controlling interest recognized at the end of the reporting period amounted to a gain of SEK 1,348 million.

This amount is included as part of net financial items in the consolidated statement of profit or loss.

Put/call option on non-controlling interests	Apr-Dec 2022	Apr-Dec 2021	Apr 2021–Mar 2022
Opening balance	4,259	-	-
Acquisitions	-	-	3,813
FX-effects	58	-	446
Change in fair value recognized in profit or loss	-1,348	-	-
Closing balance	2,969	-	4,259

As at December 31, the Group's put/call option on non-controlling interests will be settled in cash or with shares according to the distribution below:

Put/call options on non-controlling interest	Put/call options on non-controlling interest		Total, classified as financial liability
	Cash settlement	Newly issued shares	
Total	1,190	1,779	2,969

As of Dec 31, 2022	Classified as put/call options on non-controlling interest	Of which already issued
Maximum number of shares related to put/call options on non-controlling interest	40,840,363	-

Deferred Consideration

Deferred consideration refers to future payments from business combinations and asset deals where the payment is not contingent to future financial or operational targets.

Deferred considerations	Apr-Dec 2022	Apr-Dec 2021	Apr 2021–Mar 2022
Opening balance	-	-	-
Acquisitions	2,052	-	-
Payment - cash	-	-	-
FX-effects	-7	-	-
Change in fair value recognized in profit or loss	-15	-	-
Closing balance	2,031	-	-

As at 31 December, the Group's deferred consideration will be settled in cash or with shares according to the distribution below:

Deferred Consideration	Deferred Consideration		Total, classified as financial liability
	Cash settlement	Newly issued shares	
Total	2,031	-	2,031

As of Dec 31, 2022	Classified as deferred consideration	Of which already issued
Maximum number of shares related to deferred considerations	-	-

NOTE 6 BUSINESS COMBINATIONS

THE GROUP'S ACQUISITIONS DURING APR-DEC 2022

Acquired entity	Operation	Operating segment	Purpose of acquisition	Acquisition date	Capital and voting rights
DIGIC	Studio	PC/Console Games	Onboarding a talented team to Saber Interactive, with a strong track record within commercial trailers and cinematics within best selling game- titles.	2022-04-01	100 %
Lost Boys	Studio	PC/Console Games	Trusted game development studio with a track record working on AAA games that can satisfy a significant need for headcount to fulfil and potentially expand Gearbox's games pipeline.	2022-06-01	100 %
Tuxedo Labs	Studio	PC/Console Games	Addition of talented team focused on physics-based game technology and design.	2022-07-01	100 %
CSGBG	Studio	PC/Console Games	Addition of talented studio to the Coffee Stain Vertical.	2022-08-19	100 %
Crystal Dynamics – Eidos	Studio	PC/Console Games	The collection of studios represents a world-class creative team of ~1,100 employees across three studios and eight global locations, including two of the most reputable AAA studios across the industry in Crystal Dynamics – Eidos. The acquisition builds on Embracer's mission of creating a leading independent global gaming and entertainment ecosystem.	2022-08-26	100 %
Singtrix	Studio	Entertainment and Services	Strengthen Freemod's position within music and audio gaming products.	2022-09-01	100 %
Limited Run Games	Publisher	Entertainment and Services	Global leading brand within premium publishing of physical games.	2022-09-06	100 %
Beamdog	Studio	PC/Console Games	A founder-led game development studio with long experience and ~ 80 highly skilled developers in business-friendly Canada.	2022-09-13	100 %
Animee Ltd.	Studio	Entertainment & Service	Acquirement to strengthen marketing and distribution on the Japanese pop art market.	2022-10-05	100 %
Tripwire Interactive LLC	Publisher/ Studio	PC/Console Games	Addition of talented development team and strong brands.	2022-10-06	100 %
VR Group	Distribution	Tabletop	Acquire a strong distributor of tabletop games in Australia, New Zealand and UK.	2022-10-14	100 %

Purchase price allocations (“PPA”) for acquisitions during Apr-Dec 2022

The business combinations are presented on an aggregated level, as the relative amounts for the individual business combinations are not deemed to be material. All of the purchase price allocations for acquisitions during the period are preliminary.

Purchase price allocations summary, PPA

Amounts in SEK m, fair value

Acquired net assets at the acquisition date	Q1-Q3 acquisitions	Adj. Prel PPAs Q3	Total
Intangible assets	3,563	-32	3,531
Property, plant and equipment	250	-2	248
Right-of-use assets	206	5	211
Financial assets	2	-	2
Deferred tax assets	254	9	263
Inventories	417	-	417
Trade receivables and other receivables	836	-1	835
Cash and cash equivalents	1,088	-	1,088
Interest-bearing liabilities	-100	0	-100
Lease liabilities	-206	-5	-211
Deferred tax liabilities	-646	-6	-652
Trade payables and other operating liabilities	-1,373	-14	-1,387
Identified net assets	4,290	-45	4,245
Goodwill	4,689	49	4,738
Non-controlling interests	-	-	-
Total purchase consideration	8,979	4	8,983
Purchase consideration comprises:			
Cash	6,121	4	6,125
Contingent consideration	1,108	-	1,108
Deferred consideration	1,059	-	1,059
Equity instruments	691	-	691
Other	-	-	-
Total purchase consideration	8,979	4	8,983

The fair value of issued equity instruments included in the transferred purchase consideration is based on the price of Embracer’s

Class B share at each acquisition date. The number of shares issued with no restrictions/clawback is stated in the table below:

	Q1-Q3 acquisitions	Adj. Prel PPAs	Total
Number of Class A shares	-	-	-
Number of Class B shares	9,987,465	-	9,987,465
Total	9,987,465	-	9,987,465

Contingent consideration, goodwill and transaction related costs have been recognized in connection with the Group’s business

combinations during Apr-Dec 2022. Below is information about the acquisition-related items:

Contingent considerations	Q1-Q3 acquisitions	Adj. Prel PPAs	Total
Recognized amount	1,108	-	1,108
<i>Payments are likely to fall within the range</i>			
Low	797	-	797
High	1,408	-	1,408
Maximum amount for payment is unlimited	No	-	No

The basis for receiving the contingent consideration is based on both operational targets, such as releasing a certain number of games from a game portfolio during a certain period, and financial targets based on achieving a certain performance measure over a given period.

Other transactions entered into in connection with the business combinations

In connection with certain business combinations during the period, an agreement has been entered into relating to contingent consideration that is not classified as part of the transferred purchase consideration as there is a requirement for continued employment to receive the amount. Thus, the amount is classified

as remuneration for future services. The amount may be settled with shares or cash, whereby the transactions are recognized either in accordance with IFRS 2 Share-based payment or in accordance with IAS 19 Employee benefits for cash-settled remuneration. As the remuneration is earned, it is recognized as personnel expense in the consolidated statement of profit or loss.

Goodwill

Goodwill mainly refers to the value of the organizations existing skills and capabilities to develop and produce future successful assets as well as synergies of collaboration within the Embracer ecosystem.

Transaction costs	Q1-Q3 acquisitions	Other transaction costs ¹⁾	Total
Transaction costs recognized in profit or loss in other operating expenses	129	140	269
Issuance costs recognized in equity	-	-	-
Total	129	140	269

¹⁾ Other transaction costs relate to costs for historical acquisitions that has impacted the consolidated statement of profit or loss for the period.

The acquisitions impact on the Group's cash flow	Q1-Q3 acquisitions	Adj. Prel PPAs	Total
Purchase consideration	6,121	4	6,125
Less:			
Acquired cash	1,088	-	1,088
Net cash outflow	5,033	4	5,037

The acquisitions impact on the consolidated statement of profit or loss and statement of comprehensive income

Revenues and net profit for the acquired companies since the acquisition date have been included in the Group's statement of comprehensive income for the period and is not presented

separately. The revenues and EBIT that the companies would have contributed if the acquisition had taken place in the beginning of the period have not been calculated due to the fact that this would be disproportionately burdensome and they are not deemed to be material on an overall Group level.

PURCHASE PRICE ALLOCATIONS FOR HISTORICAL ACQUISITIONS

The purchase price allocations for acquisitions made in the latest 12 months are considered to be preliminary while the purchase price allocations for acquisitions made outside the 12 months-period are final.

Purchase price allocations for acquisitions in the financial years April 2020-March 2021 and April 2021-March 2022 has been presented in the Prospectus, appendix Restated Historical Financial Information available at Embracer Group's website.

PURCHASE PRICE ALLOCATIONS FOR ACQUISITIONS AFTER THE REPORTING PERIOD

After the end of the reporting period Embracer has acquired 100 % of the shares in Captured Dimensions for an undisclosed purchase price. The acquisition is not deemed to be material on an overall Group level. Upfront consideration is paid in cash and Embracer B-shares. Earnout consideration is paid in cash and

Embracer B-shares and is based on both financial and operational targets over a 3-5 year period. The first version of the preliminary Purchase Price Allocation will be included at aggregated level in Embracers Q4 report

ASSET DEALS

Acquisitions can be classified as either a business combination or an asset acquisition. This is an assessment that must be made in the case for each individual acquisition. For acquisitions where the fair value of the acquired assets in essence consists of one asset or a group of similar assets, is recognized as an asset acquisition. When acquisitions of subsidiaries involve the acquisition of net assets without any significant processes, the acquisition cost of each identifiable asset and liability is divided up based on its fair value at the time of acquisition. In the case of assets acquisitions, no deferred tax is recognized at the time of the acquisition and transaction costs are added to the purchase price of the acquired net assets.

During the quarter Embracer Group completed several acquisitions that has been classified as asset acquisitions. The total consideration of these asset acquisitions sums up to SEK 5,130 million, where SEK 3,006 million has impacted the cash flow during the quarter. The most significant acquisition of these acquisitions is the acquisition of the Middle-Earth Enterprises which owns a vast intellectual property catalog and worldwide rights to motion pictures, video games, board games, merchandising, theme parks and stage productions relating to the iconic fantasy literary works The Lord of the Rings trilogy and The Hobbit by J.R.R. Tolkien, as well as matching rights in other Middle-Earth-related literary works authorized by the Tolkien Estate and HarperCollins, which have yet to be explored. The consideration for the Middle-Earth Enterprises acquisition sums up to SEK 4,265 million, where SEK 2,901 million has impacted the cash flow during the quarter.

NOTE 7 RELATED PARTY TRANSACTIONS

Related party transaction	Related party	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Consulting services	Logvreten AB ¹⁾ (supplier)	-1	0	-1	0	-1
Transportation services/Rent	Mad Dog Games LLC, Mek Production ²⁾ (supplier)	-1	-2	-7	-9	-12
Transportation services	Sola Service i Karlstad AB ³⁾ (supplier)	-4	-	-5	0	0
Transportation services	Empterwik Special Services Ltd ³⁾ (supplier)	-11	-	-11	-21	-21
Sale of goods/services	Bröderna Wingefors AB ³⁾ (supplier)	-	0	-1	0	0
Acquisition of game collection	Lars Wingefors AB ⁴⁾ (supplier)	0	0	0	1	-14
Total		-17	-2	-25	-30	-48

¹⁾ Kicki Wallje-Lund has controlling influence over the company

²⁾ Matthew Karch has controlling influence over the companies

³⁾ The company is part of Lars Wingefors AB

⁴⁾ Lars Wingefors AB is owned by Lars Wingefors, Erik Stenberg, Mikael Brodén, Klemens Kreuzer and Reinhard Pollice.

NOTE 8 PERSONNEL EXPENSES

SEK m	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Personnel expenses	-2,755	-1,113	-6,887	-2,907	-4,356
Personnel costs related to acquisitions - Excluding FX gain/loss	-798	-1,102	-2,834	-3,157	-4,247
Total	-3,553	-2,215	-9,721	-6,064	-8,602

NOTE 9 OTHER OPERATING EXPENSES

SEK m	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Other operating expenses	-43	2	-41	-28	-20
Transaction costs related to acquisitions	-117	-44	-269	-163	-367
FX gain/loss related to Personnel costs related to acquisitions	-49	-11	-61	-16	-60
Total	-209	-53	-371	-206	-447

NOTE 10 NET FINANCIAL ITEMS

SEK m	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Interest income and other financial income	14	2	27	2	4
Interest expense and other financial expense	-198	-16	-389	-48	-99
Sum	-183	-14	-362	-46	-95
Change in fair value contingent consideration and put/call options on non-controlling interests	2,165	-889	3,368	1,380	2,498
Exchange rate gains/losses	-613	63	1,063	79	382
Total financial net	1,369	-840	4,069	1,413	2,785

Exchange gains/losses net include both realized and unrealized gains or losses. Change in fair value of contingent consideration and put/call options on non-controlling interests consists of interest expense and fair value change related to fluctuations in Embracer

share price. Change in fair value contingent consideration and put/call options on non-controlling interests is mainly related to the decrease in Embracer share price during the quarter.

PARENT COMPANY'S INCOME STATEMENT

Amounts in SEK m	Oct-Dec 2022	Oct-Dec 2021	Oct-Dec 2020	Apr-Dec 2022	Apr-Dec 2021	Apr-Dec 2020	Apr 2021- Mar 2022	Apr 2020- Mar 2021
Net sales	15	109	185	44	422	628	527	796
Other operating income	-4	-	-	15	-	-	-	-
Total operating income	11	109	185	59	422	628	527	796
Operating expenses								
Other external expenses	-83	-17	-13	-139	-47	-28	-92	-36
Personnel expenses	-32	-13	-5	-68	-31	-15	-49	-22
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-1	-58	-105	-2	-214	-323	-264	-417
Other operating expenses	-	-	-13	-5	-9	-23	-9	-21
Operating profit	-105	21	49	-155	121	239	113	300
Net financial items	43	262	-417	1,514	310	-807	571	-349
Profit after financial items	-62	283	-368	1,359	431	-568	684	-49
Appropriations	-790	-268	-	-885	-368	-	-307	230
Profit before tax	-852	15	-368	474	63	-568	377	181
Income tax	204	-14	-	-38	-16	-27	-48	-40
Net profit for the period	-648	1	-368	436	47	-595	329	141

PARENT COMPANY BALANCE SHEET

Amounts in SEK m	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Mar 31, 2022	Mar 31, 2021	April 1, 2020
ASSETS						
Fixed assets						
Intangible assets	4	200	436	153	409	394
Tangible assets	7	4	8	5	4	2
Shares in Group companies	41,366	7,987	5,372	29,426	5,446	2,547
Receivables from Group companies	30,886	20,779	4,907	32,098	5,458	267
Other financial assets	71	59	50	66	52	-
Deferred tax assets	2	34	-	1	22	-
Total financial assets	72,325	28,859	10,329	61,591	10,978	2,814
Total fixed assets	72,336	29,063	10,773	61,749	11,391	3,210
Current assets						
Receivables from Group companies	6,062	1,577	1,866	1,899	2,723	896
Other receivables	77	82	44	37	109	28
Current tax assets	14	45	20	54	22	3
Total current receivables	6,153	1,704	1,930	1,990	2,854	927
Current investments	-	195	195	-	195	193
Cash and bank balances	316	11,329	5,227	1,483	12,198	1,762
Total current assets	6,469	13,228	7,352	3,473	15,247	2,882
TOTAL ASSETS	78,805	42,291	18,125	65,222	26,638	6,092
EQUITY AND LIABILITIES						
Restricted equity	74	294	242	74	242	242
Unrestricted equity	59,396	41,149	17,343	46,835	25,804	5,333
Total equity	59,470	41,443	17,585	46,909	26,046	5,575
Untaxed reserves	104	117	141	104	117	141
Provisions	256	227	79	231	221	4
Non-current liabilities	17,804	0	208	5,962	205	222
Overdraft facilities	-	24	44	11,812	23	138
Trade payables	48	30	42	95	12	5
Liabilities to Group companies	993	417	19	67	5	1
Other current liabilities	130	33	7	42	9	6
Total current liabilities	1,171	504	112	12,016	49	150
TOTAL EQUITY AND LIABILITIES	78,805	42,291	18,125	65,222	26,638	6,092

NOTE P1 PARENT COMPANY'S TRANSITION TO RFR 2

The Parent Company has previously applied the Swedish Annual Accounts Act and BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3) in the preparation of financial statements. As of this financial report, as a result of the Group's transition to IFRS, the Parent Company applies the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. The date of the parent company's transition to RFR 2 is April 1, 2020.

The accounting policies included in note P2 have been applied when the interim report is prepared as of December 31, 2022 and for the historical periods presented for the comparative periods.

The effect of the transition to RFR 2 is reported directly against the opening equity. Previously published financial information for the periods 2020-04-01 - 2021-03-31 and 2021-04-01 - 2022-03-31, prepared in accordance with the Swedish Annual Accounts

Act and BFNAR 2012:1 (K3), has been converted to RFR 2. The effect of the parent company's transition to RFR 2 on the parent company's income statement and on the parent company's balance sheet are mainly related to the effects of IFRS 9 Financial Instruments and expected credit losses. The effect on income statement and the balance sheet is for year 2021/2022 is SEK –17 million and for the year 2020/2021 SEK –6 million. The income statement item affected is Profit/loss from financial items and in the balance sheet the items affected are Receivables from Group companies and Unrestricted Equity. The transition to RFR 2 has had no effect on the parent company's cash flow.

For the third quarter 2021/2022 the income statement impact is SEK 4 million (0). The accumulated income statement April-December 2021 is SEK –7 million (–5).

NOTE P2 PARENT COMPANY'S ACCOUNTING POLICIES

The parent company prepares its financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and the recommendation issued by the Financial Reporting Board RFR 2 "Accounting for legal entities". The parent company applies the same accounting policies as the Group with the exceptions and additions specified in RFR 2. This means that IFRS is applied with the exceptions listed below. Unless otherwise indicated, the accounting policies stated below for the parent company have been applied consistently to all periods presented in the parent company's financial statements.

Leases

The guidance on accounting for lease agreements in accordance with IFRS 16 are not applied in the parent company. This means that lease payments are expensed linearly over the lease term and right-of-use assets and lease liabilities are not included in the parent company's balance sheet. However, identification of a lease agreement is made in accordance with IFRS 16, i.e. than an agreement is, or contains a lease if the agreement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Revenue from investments in subsidiaries

Dividends are recognized when the right to receive payment is considered certain. Revenue from divestment of subsidiaries is recognized when control of the subsidiary has been transferred to the acquirer.

Taxes

In the parent company, deferred tax liabilities attributable to untaxed reserves are recognized gross in the balance sheet. The appropriations are recognized gross in the income statement.

Shares in subsidiaries

Shares in subsidiaries are recognized in the parent company in accordance with the cost method. This means that transaction costs are included in the carrying amount of the investment. In cases where the carrying amount exceeds the subsidiaries' consolidated value, an impairment is made that is recognized in the income statement. An impairment assessment is performed at the end of each reporting period. If a previous impairment loss is no longer justified, it is reversed.

Assumptions are made about future conditions to calculate future cash flows that determine the recoverable amount. The recoverable amount is compared to the carrying amount for these assets and forms the basis for any impairments or reversals. The assumptions that affect the recoverable amount the most are future earnings development, discount rate and useful life. If future external factors and conditions change, assumptions may be affected so that the carrying amounts of the parent company's assets change.

Group contributions and shareholder contributions

The parent company recognize both received and paid group contributions as appropriations in accordance with the alternative method in RFR 2. Shareholder contributions paid by the parent company are recognized as an increase of shares and participations in the parent company. Shareholder contributions received are recognized as an increase of non-restricted equity.

Financial instruments

The parent company applies the exemption to not apply IFRS 9 Financial Instruments in the legal entity. Instead, the parent company applies, in accordance with the Swedish Annual Accounts Act, the cost method. In the parent company, non-current financial assets are thus measured at cost and current financial assets are measured at the lower of cost or net realizable value. The parent company does, however, apply the expected credit loss method (ECL) in accordance with IFRS 9 for financial assets that are debt instruments. Contingent considerations are measured at the amount that the parent company deems would need to be paid if it was settled at the end of the reporting period.

The parent company applies the exemption to not measure financial guarantee contracts for the benefit of subsidiaries, associates and joint ventures in accordance with IFRS 9. Instead, the parent company applies the policies for measurement in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Impairment of financial assets

Financial assets, including intra-group receivables, are subject to impairment for expected credit losses. For receivables from Group companies and other items subject of expected credit losses, an impairment method with three stages is applied in accordance with IFRS 9. The parent company applies a rating-based method for assessment of expected credit losses based on the probability of default, expected loss given default and exposure at default. The parent company assesses that the subsidiaries currently have similar risk profiles and assessment is made on a collective basis. The assessment has been based on the Embracer Group's credit risk, which has been adjusted to reflect the subsidiaries' assessed credit risk. The company has assessed that there is no significant increase of credit risk as of the end of the reporting period for any receivable.

Expected credit losses for cash and cash equivalents have not been recognized, as the amount has been deemed insignificant.

Development fund

Expenditures for game development is capitalized as intangible assets in the parent company in line with the Group's accounting policies. In the parent company, an amount corresponding to the development expenditures capitalized is transferred from non-restricted equity to a reserve for development expenditures within restricted equity.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES (APMs)

In accordance with the guidelines from ESMA (European Securities and Markets Authority), regarding the disclosure of alternative performance measures, the definition and reconciliation of Embracer's alternative performance measures are presented below. The guidelines entail increased disclosures regarding the financial measures that are not defined by IFRS. The performance measures presented below are reported in the interim report. They are used for internal control and follow-up. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies. One important part of Embracer's strategy is to pursue inorganic growth opportunities through acquisitions. Thereby expanding the ecosystem to include more entrepreneurs within the gaming and entertainment markets. An acquisitive strategy is associated with certain complexity in terms of accounting for business combinations. The board and management of Embracer believes that it is important to separate the operational performance of the business from the acquisition part. Certain APM's are used to accomplish and give internal and external stakeholders the best picture of the underlying operational performance of the business, by the measurement of performance excluding specific items related to historical acquisitions and items affecting comparability. The individual APMs, definitions, purpose are described more in detail below.

Name	Definition	Reason for Use
Adjusted Earnings per share	Net profit for the period excluding specific items related to historical acquisitions and items affecting comparability net of tax, change in fair value contingent consideration and put/call options on non-controlling interests net of tax and Interest expense contingent consideration net of tax divided by the average number of shares in the period. Net taxes are calculated using the effective tax rate.	Shows earnings per share after adjustments to specific items attributable to historical acquisitions, and items affecting comparability.
Adjusted Earnings per share after full dilution	Net profit for the period excluding specific items related to historical acquisitions and items affecting comparability net of tax, change in fair value contingent consideration net of tax and Interest expense contingent consideration and put/call options on non-controlling interests net of tax divided by the average number of shares after full dilution in the period. Net taxes are calculated using the effective tax rate.	Shows earnings per share after adjustments to specific items attributable to historical acquisitions and items affecting comparability with regard for full dilution.
Adjusted EBIT	EBIT excluding specific items related to historical acquisitions and items affecting comparability.	Adjusted EBIT in order to provide a true and fair picture of the underlying operational performance, by excluding Specific items related to historical acquisitions and items affecting comparability.
Adjusted EBIT margin	Adjusted EBIT as a percentage of net sales.	
Adjusted EBITDA	EBITDA excluding specific items related to historical acquisitions and items affecting comparability.	Provides the best picture of the underlying entity's performance by measuring performance excluding specific items related to historical acquisitions and items affecting comparability.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales.	
Average number of shares	Weighted average number of shares that are outstanding during the period. Number of shares have been recalculated with respect to split of shares.	
Average number of shares after full dilution	Weighted average number of ordinary shares and potential ordinary shares. Number of shares have been recalculated with respect to split of shares.	
EBIT margin	EBIT as a percentage of net sales.	

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Name	Definition	Reason for Use
EBITDA	Earnings before interest, taxes, depreciation and amortization.	EBITDA and EBITDA margin are reported because these are metrics commonly used by investors, financial analysts and other stakeholders to measure the Company's financial results.
EBITDA margin	EBITDA as a percentage of net sales.	EBITDA and EBITDA margin are reported because these are metrics commonly used by certain investors, financial analysts and other stakeholders to measure the Company's financial results.
Free cash flow after working capital	Cash flow for the period, excluding cash flow from financing activities and acquisitions of subsidiaries including transaction costs and cash impact from personnel costs related to acquisitions.	Provide a true and fair picture of the underlying operational performance, by excluding cash flow from Specific items related to historical acquisitions.
Gross margin	Net sales less goods for resale divided by net sales.	Measuring the profitability from the net sales of products and services.
Items affecting comparability	Transactions that are not related to recurring business operations, but affecting the financial outcome in a material way, and where the probability of reoccurrence over the coming year is limited.	Items affecting comparability includes events and transactions with significant effects, which are relevant for understanding the financial performance when comparing income for the current period with previous periods.
Net Debt (-) / Net Cash (+)	The company's cash and short-term investments decreased with the company's short- and long-term interest-bearing liabilities excluding leasing liabilities according to IFRS16, pension provisions, contingent consideration and put/call on non-controlling interest.	The metric is commonly used by investors, financial analysts and other stakeholders to measure the debt compared to its liquid assets. This metric is also used in calculating the Company's financial leverage.
Net investment in acquired companies	Acquisition of subsidiaries, net of cash acquired plus cash impact from specific items related to historical acquisitions, plus acquisition of IP:s through asset deal structures.	A measure of cash flow allocated to inorganic growth opportunities in the reporting period.
Net sales growth	Net sales growth for the current period compared to the same period previous year.	Net sales growth is reported by the Company because it regards this KPI as contributing to investor understanding of the Company's historical progress.
Organic growth	Growth between periods where net sales from companies acquired in the last five quarters have been excluded. The comparison period is adjusted for differences in exchange rates.	Growth measure for companies that has been part of Embracer Group for more than one year excluding effects of differences in exchange rates.
Pro forma growth	Growth between periods where net sales from companies acquired in the last five quarters have been added historically. The comparison period is adjusted for differences in exchange rates.	Growth measure for all companies that are a part of Embracer Group as per reporting date regardless of when the company became a part of Embracer Group excluding effects of differences in exchange rates.
Specific items related to historical acquisitions	Specific income/expenses related to historical acquisitions consist of personnel cost related to acquisitions (In connection with certain business combinations an agreement has been entered into relating to contingent consideration that is not classified as part of the transferred purchase consideration as there is a requirement for continued employment to receive the amount), amortization of surplus values of acquired intangible assets (e.g. IP-rights, publishing rights, brand name), transaction costs (Costs for legal- financial- tax- and commercial due diligence for completed transactions.), remeasurement of participation in associated companies and remeasurement of contingent consideration.	Input used to calculate Adjusted EBITDA and Adjusted EBIT.

ALTERNATIVE PERFORMANCE MEASURES

ADJUSTED EBIT AND ADJUSTED EBITDA - DERIVATION

Amounts in SEK m	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
EBIT	226	-259	289	-159	-1,126
Depreciation, amortization and impairment	1,737	644	4,401	1,628	2,793
EBITDA	1,962	386	4,690	1,469	1,667
Personnel costs related to acquisitions	847	1,113	2,895	3,172	4,277
Remeasurement of participation in associated companies	-	-	-	-417	-416
Remeasurement of contingent consideration	4	-	-	27	46
Transaction costs	117	43	268	163	367
Items affecting comparability	75	-	75	-	-
Adjusted EBITDA	3,005	1,542	7,928	4,414	5,942
Depreciation, amortization and impairment	-1,737	-644	-4,401	-1,628	-2,793
Amortization of surplus values of acquired intangible assets	740	233	1,924	610	1,316
Adjusted EBIT	2,009	1,130	5,451	3,396	4,465

ADJUSTED EARNINGS PER SHARE - DERIVATION

Amounts in SEK m	Oct-Dec 2022	Oct-Dec 2021	Apr-Dec 2022	Apr-Dec 2021	Apr 2021- Mar 2022
Net profit for the period attributable to equity holders of the parent	1,515	-1,235	3,717	814	976
Adjustments					
Personnel costs related to acquisitions	847	1,113	2,895	3,173	4,277
Remeasurement of participation in associated companies	-	-	-	-417	-416
Remeasurement of contingent consideration	4	-	-	28	46
Transaction costs	117	43	268	163	367
Amortization of surplus values of acquired intangible assets	740	233	1,924	610	1,316
Change in fair value contingent consideration and put/call options on non-controlling interests	-2,204	864	-3,526	-1,432	-2,565
Interest expense contingent consideration	39	24	159	53	66
Items affecting comparability	75	-	75	-	-
Adjustments before tax	-382	2,277	1,795	2,178	3,092
Tax effects on adjustments	-180	-60	-470	-87	-276
Adjustments after tax	-562	2,217	1,325	2,091	2,816
Total	953	982	5,042	2,905	3,792
Average number of shares, million	1,256	1,026	1,211	1,008	1,031
Adjusted Earnings per share, SEK	0.76	0.96	4.16	2.88	3.69
Average number of shares after full dilution, million	1 364	1 079	1 319	1,061	1,086
Adjusted Earnings per share after full dilution, SEK	0.70	0.91	3.83	2.74	3.50

ORGANIC GROWTH - DERIVATION			
Amounts in SEK m	Oct-Dec 2022	Oct-Dec 2021	Change
Reported net sales	11,622	5,091	128 %
Net sales from acquired companies ¹⁾	-6,006	-6	
Difference in exchange rate	-	701	
Organic growth output	5,616	5,786	-3 %

PRO FORMA GROWTH - DERIVATION			
Amounts in SEK m	Oct-Dec 2022	Oct-Dec 2021	Change
Reported net sales	11,622	5,091	128 %
Net sales from acquired companies ²⁾	12	5,709	
Difference in exchange rate	-	1,219	
Pro forma growth output	11,634	12,019	-3 %

¹⁾ Net sales from companies acquired in the last five quarters have been excluded.

²⁾ Net sales from acquired companies in the last five quarters have been added.

FREE CASH FLOW AFTER WORKING CAPITAL		
Amounts in SEK m	Oct-Dec 2022	Oct-Dec 2021
Cash flow for the period	-2,561	5,259
Cash flow from financing activities	-318	-6,098
Acquisition of subsidiaries, net of cash acquired	4,066	818
Transaction costs	117	43
Payment personnel cost related to acquisitions	419	-
Free cash flow after working capital	1,722	22

DEFINITIONS, QUARTERLY INFORMATION

Accumulated number of additional operative groups	Number of closed acquisitions of new operative groups.
Accumulated number of additional acquisitions added	Number of closed acquisitions which are not new operative groups including asset deals.
Clawback shares	Shares of the company issued to sellers at completion of acquisitions of companies or assets. Clawback shares are part of the earnout consideration to sellers of companies or assets. Clawback shares are held by sellers, either in escrow accounts or on regular accounts, with an agreed right for the company to receive the shares back, at no consideration, if specific earnout targets are not met. Clawback shares are kept by the sellers if earnout targets are met.
Completed games	Total book value of finished game development projects (released games) upon submission of completion. Upon completion the released games are reclassified from On-going Game Development Projects to Finished Games and amortization starts.
DAU	Average daily active users in the period.
Digital product	Product sold/transferred through digital/electronic channels.
Digital sales	Sales and transfer of products, physical and digital, through digital/electronic channels.
External game developers	Game developers engaged in game development projects by studios that are not owned by the group (external studios).
External Studios	Studios not owned by the group engaged in game development project financed by the Group.
Game development projects	On-going game development projects financed by the group and number of on-going game development projects financed by third party with notable expected royalty income.
Internal employees, non-development	Employees not directly engaged in game development (both employees and contractors).
Internal game developers	Game developers (both employees and contractors) engaged in game development projects by studios that are owned by the group (internal studios).
Internal Studios	Studios owned by the group.
MAU	Average monthly active users in the period.
Net sales split – PC/Console segment	
Owned titles	Net sales of game titles that are owned IP:s or titles that are controlled by the group.
Publishing titles	Net sales of game titles of IP:s the group does not own or control.
New releases	Net sales of game titles that are released in the current quarter.
Back catalog	Net sales of game titles that are not released in the current quarter.
Max cash consideration	The maximum potential consideration to be paid in cash including upfront consideration and earnout consideration. The earnout consideration is based on the maximum potential consideration and is calculated based on the terms and FX-rates stated in each individual agreement.
Max share consideration	The maximum potential consideration to be paid in Embracer B-shares including upfront consideration and earnout consideration. The earnout consideration is based on the maximum potential consideration and is calculated based on the terms, FX-rates and Embracer VWAP20 Share Price stated in each individual agreement.
Max total consideration	The sum of the max cash and share consideration. Note that the total max consideration might deviate from the total consideration used in the Purchase Price Analysis following movements in FX-rates and Embracer Share price between the signing and closing date as well as if the expected achievement of the individual earnout targets deviate from the maximum scenario. The Max total consideration includes contingent consideration in cash and shares that is classified as remuneration for future services and not part of the transferred consideration in the PPA according to IFRS 2 and IAS 19. Also note that for a limited amount of acquisitions, for which there is a material difference between the expected consideration and the maximum potential consideration, the expected cash and shares consideration have been used as measure.
Number of IP:s	Number of IP:s owned by the group.
Physical product	Product sold/transferred through physical channels.
Physical sales	Sales and transfer of products, physical and digital, through physical channels.
Total installs	Total accumulated installs in the period.
UAC (User Acquisition Cost)	Marketing costs in the operating segment Mobile Games.

INFORMATION BY FINANCIAL YEAR AND QUARTER

	2016	2017	2018	2019	2020 ¹⁾	2020/21					2021/22					2022/23		
	Full year	Full year	Full year	Full year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Full year	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Full year	Apr-Jun	Jul-Sep	Oct-Dec
Net sales, SEK m	302	508	4,124	5,541	1,339	2,069	2,384	2,154	2,392	9,000	3,433	3,305	5,091	5,238	17,067	7,118	9,569	11,622
Sales growth, Group, YoY %	42 %	68 %	713 %	34 %	-18 %	81 %	89 %	43 %	79 %	71 %	66 %	39 %	136 %	119 %	90 %	107 %	190 %	128 %
EBIT, SEK m	95	188	403	421	97	502	502	395	658	2,058	55	44	-259	-967	-1,126	-398	461	226
EBIT, margin, %	31 %	37 %	10 %	8 %	7 %	24 %	21 %	18 %	28 %	23 %	2 %	1 %	-5 %	-18 %	-7 %	-6 %	5 %	2 %
Adjusted EBIT, SEK m	108	202	501	1,143	286	715	657	592	896	2,858	1,279	986	1,130	1,069	4,465	1,322	2,121	2,009
Adjusted EBIT, margin, %	38 %	40 %	12 %	21 %	21 %	35 %	28 %	27 %	37 %	32 %	37 %	30 %	22 %	20 %	26 %	19 %	22 %	17 %
Adjusted EBITDA, SEK m	-	-	-	-	-	986	951	889	1,190	4,016	1,573	1,299	1,542	1,527	5,942	1,867	3,056	3,005
Adjusted EBITDA, margin, %	-	-	-	-	-	48 %	40 %	41 %	50 %	45 %	46 %	39 %	30 %	29 %	35 %	26 %	32 %	26 %
Basic shares weighted average, million ²⁾	-	-	-	-	-	673	681	753	771	719	877	880	894	968	905	1,026	1,071	1,088
Diluted shares weighted average ²⁾	-	-	-	-	-	673	681	753	771	719	883	888	906	984	921	1,032	1,078	1,096
Average number of shares, million ²⁾	367	444	504	606	624	737	756	838	855	796	990	1,008	1,026	1,099	1,031	1,157	1,231	1,256
Average number of shares after full dilution, million ²⁾	367	444	504	606	624	737	756	840	859	798	1,042	1,060	1,079	1,162	1,086	1,256	1,338	1,364
Basic earnings per share, SEK	0.20	0.31	0.58	0.43	0.21	-0.87	-0.68	-0.90	-1.02	-3.49	0.07	2.26	-1.38	0.17	1.08	-0.16	2.21	1.39
Diluted earnings per share, SEK	-	-	-	-	0.21	-0.87	-0.68	-0.90	-1.02	-3.49	0.07	2.24	-1.38	0.16	1.06	-0.16	2.20	1.38
Adjusted Earnings per share, SEK ²⁾	0.23	0.34	0.75	1.41	0.49	0.74	0.91	0.52	0.98	3.15	0.97	0.95	0.96	0.81	3.69	1.28	2.12	0.76
Adjusted Earnings per share after full dilution, SEK	0.23	0.34	0.75	1.41	0.49	0.74	0.91	0.51	0.97	3.14	0.92	0.91	0.91	0.76	3.50	1.18	1.95	0.70
Cash flow from operating activities, SEK m	99	179	579	174	766	676	798	827	1,525	3,825	582	1,009	1,048	1,628	4,266	347	580	2,813
Organic growth, YoY, %	-	-	-	-	-	34 %	83 %	26 %	61 %	-	11 %	-24 %	34 %	-18 %	-	-12 %	35 %	-3 %
Gross Margin, %	61 %	71 %	39 %	52 %	50 %	63 %	57 %	60 %	60 %	60 %	76 %	76 %	66 %	73 %	72 %	65 %	66 %	56 %
Specific items related to historical acquisitions																		
Amortization of surplus values of acquired intangible assets	-13	-14	-99	-722	-189	-117	-120	-128	-146	-510	-185	-191	-233	-706	-1,316	-555	-629	-740
Transaction costs, SEK m	-	-	-	-	-	-71	-14	-34	-31	-150	-67	-52	-43	-205	-367	-70	-81	-117
Personnel costs related to acquisitions	-	-	-	-	-	-24	-62	-34	-61	-181	-972	-1,087	-1,113	-1,105	-4,277	-1,107	-941	-847
Remeasurement of participation in associated companies, SEK m	-	-	-	-	-	-	41	-	-	41	-	417	-	-1	416	-	-	-
Remeasurement of contingent consideration, SEK m	-	-	-	-	-	-	-	-	-	-	-	-27	-	-19	-46	12	-8	-4
Total	-13	-14	-99	-722	-189	-212	-154	-196	-237	-801	-1,224	-942	-1,389	-2,036	-5,591	-1,720	-1,660	-1,708
Investments																		
External game development and advances, SEK m	98	212	528	732	193	209	172	150	166	697	301	323	329	280	1,233	248	408	399
Internal capitalized development, SEK m	36	80	359	645	224	248	273	372	398	1,291	469	558	596	670	2,293	866	1,097	1,351
Sub-total - Investment in Game development, all segments	134	292	887	1,377	417	457	445	522	564	1,988	770	881	925	950	3,526	1,114	1,505	1,750
Other intangible assets/IP-rights, SEK m	23	15	123	138	48	41	39	35	36	151	58	35	44	53	190	90	67	114
Total	157	306	1,010	1,515	465	498	484	557	600	2,139	828	916	969	1,003	3,717	1,204	1,572	1,864
Completed games																		
Completed games, PC/Console, SEK m	-	176	383	644	165	253	311	156	117	837	298	281	377	262	1,218	545	1,671	531
Other KPIs																		
Game development projects, PC/Console																		
Announced Game Dev projects	-	-	-	-	43	52	53	61	53	-	56	67	67	64	-	55	61	62
Unannounced Game Dev projects	-	-	-	-	60	73	82	89	107	-	124	130	149	159	-	167	173	162
Total	-	-	-	-	103	125	135	150	160	-	180	197	216	223	-	222	234	224
Headcount																		
Total internal game developers	-	-	-	-	1,359	2,076	2,551	3,673	4,036	-	5,107	6,141	6,473	7,240	-	8,025	9,380	9,639
Total external game developers	-	-	-	-	1,006	1,109	1,042	963	1,079	-	1,280	1,329	1,351	1,346	-	1,411	1,519	1,513
Total internal employees, non-development	-	-	-	-	744	790	851	1,094	1,210	-	1,499	1,594	1,700	4,174	-	4,441	4,832	5,091
Total	-	-	-	-	3,109	3,975	4,445	5,730	6,325	-	7,886	9,064	9,524	12,760	-	13,877	15,731	16,243
Number of studios																		
Total number External Studios	-	-	-	-	58	55	56	57	66	-	67	69	66	63	-	63	60	59
Total number Internal Studios	-	-	-	-	26	33	46	56	60	-	69	82	88	118	-	120	132	134
Total	-	-	-	-	84	88	102	113	126	-	136	151	154	181	-	183	192	193
IP-rights																		
IP-rights	-	-	-	-	160	174	195	208	225	-	247	262	271	815	-	816	827	876
M&A KPIs																		
Acc. Additional operative groups	-	-	2	3	3	4	5	5	5	-	7	7	7	9	-	9	10	10
Acc. Additional acquisitions added	1	4	6	16	17	18	26	36	40	-	45	58	66	72	-	74	79	86
Acc. Total	1	4	8	19	20	22	31	41	45	-	52	65	73	81	-	83	89	96
Acc. Max cash consideration, SEK m	-	82	1,598	3,433	3,454	5,487	6,736	8,496	9,477	-	18,619	23,036	24,385	51,038	-	51,901	57,039	64,544
Acc. Max share consideration, SEK m	-	10	649	1,010	1,010	4,248	6,215	6,648	7,484	-	20,595	22,142	22,206	30,103	-	30,754	31,936	33,195
Acc. Max total consideration, SEK m	-	92	2,247	4,443	4,464	9,735	12,951	15,144	16,961	-	39,214	45,178	46,591	81,141	-	82,655	88,975	97,739

¹⁾ Periods prior to April-June 2020/2021 are presented according to previous accounting standards and are not recalculated according to IFRS

²⁾ Number of shares for previous periods have been adjusted and recalculated with respect to the 3:1 split carried out on October 8, 2019, and the 2:1 split carried out on September 30, 2021.

Embracer Group is a global Group of creative and entrepreneurial businesses in PC, console, mobile and board games and other related media. The Group has an extensive catalog of over 850 owned or controlled franchises. With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its twelve operative groups: THQ Nordic, PLAION, Coffee Stain, Amplifier Game Invest, Saber Interactive, DECA Games, Gearbox Entertainment, Easybrain, Asmodee, Dark Horse, Freemove and Crystal Dynamics – Eidos. The Group has 134 internal game development studios and is engaging more than 16,200 employees in more than 40 countries.