

COMMENTS FROM THE CO-FOUNDER AND CEO

A TRANSFORMATIVE YEAR

As we close the books, we can look back at another stable and eventful year for Embracer Group. The strategy to build a diverse and decentralized group that stands on many revenue streams took several important steps. Sales and profits grew significantly, and we welcomed many new companies to the Embracer family through strategic, transformative acquisitions of Easybrain, Gearbox, Asmodee and Dark Horse forming four new, operative groups within Embracer Group. I am also humbled and grateful to see how the Group has come together in a world strained by the war in Europe and the effects of the pandemic.

In the shadow of severe global challenges facing people, communities, and businesses, we managed to further accelerate our business development during the year. We invested heavily in our games pipeline to drive future organic growth. We made transformative acquisitions bringing scale, new revenue streams, new strategic opportunities and redefining the direction of our gaming ecosystem. We also continued on our sustainability journey to build lasting value for our various stakeholders and we further developed the Group's governance structures.

CONTINUING PROFITABLE GROWTH

The financial and operational development was strong. Net sales grew by 89% reaching a record-high of SEK 17,037 million. The operational EBIT increased by 54% to SEK 4,416 million corresponding to a margin of 26%. Our mobile business, established as late as in 2020, grew substantially by the acquisition and continued development of Easybrain. The combined mobile business was the leading organic growth driver for the Group in the year, outperforming our expectations. The Group's sales growth was also driven by a strong back catalog and multiple successful launches of high-quality games.

Looking ahead, we expect to achieve substantial organic growth in the financial year 2022/23 primarily driven by our premium games segment through multiple releases of games from our well-invested project pipeline. To put in perspective, we expect to release new content with at least three times higher accumulated investment value in the financial year 2022/23 compared to 2021/22. We plan for a continued solid growth from our mobile segment and expect our recently acquired the leading tabletop gaming company Asmodee to grow operational EBIT organically by at least 10%. Based on these conditions, we forecast operational EBIT of SEK 9.2-11.3 billion for the financial year 2022/23 and SEK 10.3-13.6 billion for 2023/24.

UPDATED STRATEGY AND TRANSFORMATIVE ACQUISITIONS

During the year, we made strategic acquisitions that grew the number of operative groups from six to ten: Gearbox, Easybrain, Asmodee and Dark Horse. With these additions, we now have one of the most diversified portfolios of intellectual property (IP) across the games industry,

with a pro forma net sales of SEK 31 billion by the end of the year. This has also brought successful businesses within transmedia opportunities to the Group.

The Board of Directors further developed the Group's strategy during the year, widening the scope of our operations to also include IP-driven transmedia, technologies and services complementing our well-established PC/console and mobile gaming business. This enables us to build an even stronger ecosystem with multiple business models and revenue streams. The means to achieve this can be either partnerships, joint ventures, investments or full acquisitions.

The strategic acquisitions of Asmodee and Dark Horse stand out in that they transform Embracer by diversifying the portfolio significantly and open up for new synergies and business opportunities. Asmodee is a global leader in development, publishing and distribution of tabletop games bringing scale, diversification and strategic opportunities to the Group. Dark Horse, with a strong and growing core business in North American comics publishing, adds attractive capabilities for future transmedia development. This includes established relationships with large film and TV producers in Hollywood as well as a vast library of comics IP's, some of which may potentially be developed into interactive experiences.

BUILDING BRICK BY BRICK

The decentralized Embracer model places the entrepreneur and creator in the centre and is all about empowering entrepreneurs and great people. I'm a firm believer in giving great people trust to make their own decisions. Becoming part of Embracer means taking the next step in a long entrepreneurial journey. The founders, managers and creators that we join forces with have bold ambitions for the future, and it is Embracer's role to unleash the full potential of each team and support them with the resources needed to succeed. We are setting stretched targets together with the entrepreneurs. The emphasis varies between organic growth and growth by acquisitions, based on the opportunities ahead and the scalability of the organization.

SOLID FINANCIAL POSITION

Acquiring successful companies in an attractive industry such as the games industry is an ambitious task in financial terms. E have the required financial muscles to support further M&A. At the end of the financial year, we had



approximately SEK 7.5 billion in available cash and credit facilities, and after the financial year-end we resolved to carry out a directed share issue of B-shares raising proceeds of an additional SEK 10.3 billion, welcoming Savvy Gaming Group as a major shareholder. In addition, several of the businesses acquired over the past year have a low capital intensity. With strong organic growth ahead, we also anticipate gradually growing free cash flow.

Our diversification is increasing, and revenues become more predictable. Our belief is that a strong balance sheet is a tool for long-term value creation, as we always act from a position of strength. Activity on the M&A market in gaming and entertainment has been very busy with activities ranging from smaller transactions to major deals from well-known and respected industry players. This is a testimony that gaming is a very attractive form of entertainment.

At Embracer, we noted a growing number of inbound calls to us from a variety of players. However, we were selective and so we remain. The companies we welcome to our family need to have a good strategic fit, long-term mindset, bold ambitions, and share our values. As evidence of this, I take great pride in noting that 106 of a total of 108 entrepreneurs joining us since the IPO back in 2016 are still part of the family.

PULLING TOGETHER IN GLOBAL CHALLENGES

The global pandemic withheld its grip during much of the year, still impacting individuals, societies and business realities such as supply-chains. Towards the end of the financial year, the war in Ukraine broke out, effectively

forcing us to deal with a new kind of crisis. When it started, we were engaging approximately 250 people in Ukraine, 1,000 in Russia, and 250 in Belarus. We worked to support the relocation and safety of our employees and family members who chose to leave. I am proud of the unprecedented actions taken across our Group to aid those affected by the crisis. All our employees are important to us and part of our family. The business impact of the crisis has been insignificant and we have largely remained operational in the region without material operational interruptions.

For Embracer Group, our common foundation is our code of conduct, which aims to support inclusion, diversity, and gender equality among other things. Furthermore, we trust that each company in our Group listens, discusses and acts in line with the code of conduct. The concept of sustainability and ESG was never more important than it is today. In good times and in bad, I take comfort in knowing that we are united in our commitment to each other, and our stakeholders. I am humbled by the support expressed by our employees, gamers, customers, long-term shareholders, industry peers and business partners, and for contributing to the prosperity and success of our growing ecosystem.

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Lars Wingefors
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