

EMBRACER⁺ GROUP

19/20

INTERIM REPORT 3

OCTOBER – DECEMBER 2019
EMBRACER GROUP AB (PUBL)
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OPERATIONAL EBIT INCREASED 54% TO SEK 302 MILLION

THIRD QUARTER, OCTOBER–DECEMBER 2019 (COMPARED TO OCTOBER–DECEMBER 2018)

- > Net sales were SEK 1,508.5 million (1,380.6). Net sales of the Games business area increased 51% to SEK 835.7 million (552.5), whereas the Partner Publishing/Film business area decreased 19% to SEK 672.9 million (828.1) due to the absence of larger releases in the quarter compared to the same period last year. Last year's Partner Publishing revenues included two titles that account for more than the difference to this year's revenue.
- > EBITDA increased 59% to SEK 518.4 million (326.4), corresponding to an EBITDA margin of 34%.
- > Operational EBIT rose 54% to SEK 302.1 million (196.8) corresponding to an Operational EBIT margin of 20%.
- > The increase in EBITDA and Operational EBIT is mainly attributed to the sales growth in the Games business area and an improved gross margin within Games due to an increased share of revenue from digital sales and owned titles.
- > Cash flow from operating activities before changes in working capital amounted to SEK 552.0 million (360.1).
- > Cash flow from operating activities amounted to SEK 239.5 million (455.0).
- > Earnings per share was SEK 0.11 (0.44).
- > Adjusted earnings per share was SEK 0.68 (0.55).

Key performance indicators, Group	Oct–Dec 2019	Oct–Dec 2018	Apr–Dec 2019	Apr–Dec 2018	Jan 2018–Mar 2019
Net sales, SEK m	1,508.5	1,380.6	3,910.3	3,490.7	5,754.1
EBITDA, SEK m	518.4	326.4	1,326.1	748.1	1,592.6
Operational EBIT, SEK m	302.1	196.8	747.0	369.9	897.1
EBIT, SEK m	91.0	152.1	248.8	295.4	574.6
Profit after tax, SEK m	33.6	114.2	151.1	212.7	396.8
Cash flow from operating activities before changes in working capital, SEK m	552.0	360.1	1,219.6	721.1	1,440.0
Cash flow from operating activities, SEK m	239.5	455.0	962.6	–120.6	1,356.4
Sales growth, %	9	441	12	720	1,034
EBITDA margin, %	34	24	34	21	28
Operational EBIT margin, %	20	14	19	11	16

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



CEO COMMENTS**OPERATIONAL EBIT INCREASED 54%
TO SEK 302 MILLION**

The Group had another stable quarter with growing profitability. Consolidated net sales were SEK 1,509 million (1,381). Our Games business area with Deep Silver, THQ Nordic and Coffee Stain grew revenue by 51%, generating net sales of 836 million (552) in the quarter. Key drivers behind this top line performance was the stable backcatalog sales from titles such as Metro Exodus, Wreckfest and Satisfactory, as well as the new releases Darksiders Genesis and Shenmue III. Sales in the Partner Publishing/Film business area decreased 19% to SEK 673 million (828) due to the absence of larger releases to match last year. The business still performed better than management expectations due to notable performance of the Film segment.

EBITDA grew 59% to SEK 518 million (326), corresponding to an EBITDA margin of 34% (24). Operational EBIT grew 54% to SEK 302 million, raising the Operational EBIT margin to 20% (14). The improved profitability was explained by strong Gross Margins following a favorable sales mix shift towards the Games business area, as well as a larger share of digital sales and revenue from owned titles. All three operating groups contributed to the Group's Operational EBIT in the quarter.

ACQUISITIONS AND NEW STUDIOS

In December, I was excited to welcome Tarsier Studios to the Group. I have a firm confidence in the competence and knowledge of this Malmö, Sweden-based studio with its 15 years in the games business. We are looking forward to supporting them with long-term investments into new IP-development. The acquisition was made by our wholly owned subsidiary Goodbye Kansas Game Invest, which was rebranded Amplifier Game Invest after the quarter.

Amplifier Game Invest, which we acquired in August, 2019, is becoming an increasingly important vehicle for our investments into new IP-development. Starting today, they will officially become our fourth operative group. During and after the quarter, they founded two new studios together with senior game developers. These ventures are based on a new partnership model designed to attract top talents with incentives and commercial support from the Group, while leaving them full creative integrity. The new studios are River End Games in Gothenburg, Sweden and C77 Entertainment in Seattle, USA. Based on the same blueprint, THQ Nordic established Nine Rocks Games in Bratislava, Slovakia. In addition, two more studios have been established within the Group since January 1, to be publicly announced in due course. Going forward, new studios will be communicated through our operating groups.

Amplifier Game Invest made a follow-on investment into the Stavanger, Norway-based fishing simulator developer Misc Games, bringing ownership to 55% of the studio.

Finally, this morning, Koch Media entered into an agreement to acquire Voxler, the French development studio behind the "Let's Sing" series and other titles in the music games genre. Voxler has collaborated with Koch Media as an external development studio over the last 10 years. The purchase price for 100% of the shares was approximately EUR 1.9 million.

This brings the total number of wholly or majority owned development studios in the Group to 26 at the time of writing, compared to 10 one year ago and 20 at the end of the reporting period. At the end of 2019, the Group employed 2,258 internal and external game developers, which is a 52% increase compared to the corresponding quarter a year ago.

GAME DEVELOPMENT PIPELINE KEEPS GROWING

The new studio initiatives are long term investments in building new content and IP's that may become notable drivers of our organic growth in the future. Bear in mind that the development cycle for new games runs over several years and thus the contribution from these investments lies a few years down the road.

Currently, we have a strongest pipeline ever of 96 titles in development across the Group, of which 52 are yet to be announced.

I would like once again to emphasize that our priority is to put quality first across all our development projects. For the sake of all stakeholders, we should always take the time to build the best possible games. Looking ahead in the quarter ending March, the highlights will be release of Darksiders Genesis on consoles, Satisfactory update #3 and the release of Metro Exodus on Steam and the final DLC Sam's Story across all platforms. We are also happy to see that the movie Parasite, by Korean director Boon Joon-Ho, which is exclusively marketed and distributed by Koch Film in Germany, Switzerland and Austria, received four Oscars for Best Picture, as well as best director, best original screenplay and best international film, giving further traction to that business after the acquisition of KSM Films last year. Koch Film will partly make up for another quarter without any major new releases in Partner Publishing.

The ambition is still to have at least two AAA games ready for release in the next financial year. This is our plan, but it would be prudent to reiterate the message that we can never be completely sure of development schedules and deadlines. The never ending question when Biomutant will be released is still owed to all fans out there. The reality is that the team is small, around 20 people, so the finalization takes longer than with a larger team. THQ Nordic will announce the release date when they are certain they will be able to release a product that can live up to expectations.

MAJOR POTENTIAL IN THE GROUP

The Group kept growing in terms of owned IP:s, development studios and employees. We are now over 3,000 employees with 26 owned studios. There are strong dynamic forces in a Group where so much talent comes together. We have a great potential in developing collaborations within the Group, pooling ideas and solutions to recurring problems and sharing professional practices. We have still only just tapped on the potential to leverage the true potential of such collaboration. We have made good progress in building the parent company and improving our capabilities and are now better equipped than ever to harness the energy and creativity that is found across the Group. As we keep growing, we will be opening new career paths, providing best practice benchmarks as well as strengthening our sustainability framework – "Smarter business".

To conclude, I would like to send my thanks to all of our shareholders, customers, colleagues and business partners for contributing to the prosperity and success of our growing family. Our most exciting years are still ahead of us. I hope to see you soon.

All the best from Värmland.

February 19, 2020, Karlstad, Sweden

Lars Wingefors,
Founder & CEO



FINANCIAL PERFORMANCE

All comments refer to the quarter unless otherwise stated. Trends in the year-to-date period have the same explanations, unless specific comments are made for the nine-month period.

CONSOLIDATED NET SALES

Consolidated net sales by business area, SEK m	Oct-Dec 2019	Oct-Dec 2018	Change	Apr-Dec 2019	Apr-Dec 2018	Change
Games - THQ Nordic	333.0	351.9	-5%	847.7	621.6	+36%
Games - Deep Silver	466.6	186.7	+150%	1,281.7	776.7	+65%
Games - Coffee Stain	36.1	13.9	+160%	163.6	13.9	+1,077%
Games Subtotal	835.7	552.5	+51%	2,293.0	1,412.2	+62%
Partner Publishing/Film	672.9	828.1	-19%	1,617.2	2,078.5	-22%
Consolidated Net Sales	1,508.5	1,380.6	+9%	3,910.3	3,490.7	+12%

Consolidated net sales in the quarter grew with 9% or SEK 127.9 million compared to last year, making it the strongest quarter of the year. The increase was driven by the Games business area (+51%), whereas net sales in Partner Publishing/Film business area decreased with 19%. The solid performance of the Games business area was fueled by new releases, solid back catalog sales and further benefited by contributions from acquired entities.

The decrease in net sales of the Partner Publishing/Film business area is mainly due to fewer large releases in the quarter. Last year's revenues included two titles that account for more than the difference to this year's revenue. The absence of larger releases in the quarter was mitigated by a strong performance in the Film segment, driven by new releases and contributions from the acquired KSM. Consolidated net sales for the first nine months grew by 12%, mainly driven by the solid year-over-year growth from THQ Nordic and Deep Silver, as well as the addition of Coffee Stain.

CONSOLIDATED EXPENSES

Operating expenses, SEK m	Oct-Dec 2019	Oct-Dec 2018	Apr-Dec 2019	Apr-Dec 2018
Goods for resale	-746.7	-838.3	-1,909.8	-2,199.5
Other external expenses	-231.4	-223.8	-600.7	-502.1
Personnel expenses	-305.0	-188.0	-786.4	-525.9
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-427.4	-174.3	-1,077.3	-452.8
Total operating expenses	-1,710.5	-1,424.4	-4,374.2	-3,680.2

Consolidated expenses increased due to acquisitions and growth within the Games business area. Goods for resale decreased, mainly due to a favorable shift in sales-mix from Partner Publishing/Film towards the Games business area. The improvement is also attributed to an increased share of both digital sales 69% (41%) and owned titles 79% (72%) within Games. Goods for resale includes cost of replication, license fees and royalties.



The year-over-year increase in other external expenses and personnel expenses is primarily explained by increased internal investments in the Group's gaming portfolio of SEK 115.0 million. The net increase excluding capitalized game development amounts to SEK 9.6 million and is mainly driven by increased overhead to manage the growing games portfolio as well as increased general & administration expenses to further strengthen the Group's corporate capabilities. Costs for sales and marketing decreased in the quarter, mainly explained by timing differences of product releases.

CONSOLIDATED DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization, SEK m	Oct–Dec 2019	Oct–Dec 2018	Apr–Dec 2019	Apr–Dec 2018
Intangible assets				
Game development	–133.0	–92.9	–439.1	–281.6
Other intangible assets (Film etc.)	–76.1	–31.2	–119.1	–82.0
Sub-total	–209.1	–124.1	–558.2	–363.6
<i>Acquisition-related depreciation</i>				
IP-rights	–122.8	–7.7	–292.5	–22.7
Surplus value Partner Publishing/Film	–10.8	–9.4	–31.0	–20.8
Goodwill	–77.5	–27.6	–174.6	–31.0
Sub-total	–211.1	–44.7	–498.2	–74.5
Total intangible assets	–420.2	–168.8	–1,056.4	–438.1
Tangible assets	–7.2	–5.5	–20.9	–14.7
Total depreciation and amortization	–427.4	–174.3	–1,077.3	–452.8

The increased depreciation and amortization of games is mainly due to new releases. The increase in depreciations of other intangible assets (Film etc.) in the quarter is mainly driven by a strong top-line for the segment combined with the inclusion of KSM.

The increase in acquisition related depreciation is driven by completed acquisitions. Acquisition related depreciations in the quarter was impacted by the finalization of the PPA for Bugbear, adding SEK 22.4 million in the quarter of which SEK 17.4 million relates to previous quarters. The increase over last year is mainly explained by the finalization of the PPA for Koch Media in January-March 2019.

Depreciation and amortization principles

Game development; Amortization of finished game development projects - degressive amortization over two years; 1/3 amortization during months 1 to 3 following release, 1/3 amortization in months 4 to 12 following release and the remaining 1/3 in months 13 to 24 following release.

Other intangible assets (Film etc); The majority of other intangible assets are related to the Group's film business and are amortized based on actual sales in relation to expected sales of the relevant title.

IP-rights; Amortization of IP rights related to Games - straight-line amortization over five years.

Surplus value Film & Partner publishing; Amortization of surplus values related to Partner Publishing/Film - straight-line amortization over five years.

Goodwill; Amortization of Goodwill - straight-line amortization over five years.

CONSOLIDATED EARNINGS

The increase of the Group's EBITDA, from SEK 326.4 million to SEK 518.4 million, and Operational EBIT, from SEK 196.8 million to SEK 302.1 million, for the quarter was driven by increased net sales and improved gross margin, mainly explained by the favorable shift in sales-mix from Partner Publishing/Film to Games; and within Games, from physical to digital sales and from publishing to owned titles. EBIT decreased, from SEK 152.1 million to SEK 91.0 million, in the quarter, mainly related to higher expenses for acquisition-related depreciation and amortization, SEK –211.1 million (–44.7).



CONSOLIDATED CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities before changes in working capital for the quarter was SEK 552.0 million (360.1). The improvement is mainly due to increased earnings from operations. Cash taxes for the first nine months amounted to SEK –121.7 million.

Change in working capital amounts to SEK –312.5 million (+94.9). There was no effect of forfeiting in the quarter since utilization was zero on September 30 and December 31. Last year the level of forfeiting was increased, with approximately SEK 43 million in the quarter. Adjusting for the effects of forfeiting, change in working capital amounts to SEK –312.5 million (+51.9).

The increase in working capital during the period is related to a lower level of trade payables at year end, whereas operating assets were reduced in the quarter. The level of trade payables is affected by timing of purchases which in turn is heavily influenced by timing of larger releases especially within the physical side of the business. Cash flow from operating activities after change of working capital for the period was SEK 239.5 million (455.0).

Cash flow from investing activities was SEK –535.0 million (–745.6), where SEK –88.2 million relates to acquired companies. The Group's investments in intangible fixed assets amounted to SEK –419.0 million (–313.8), mainly related to capitalized expenditure for ongoing game development of SEK –372.6 million and film rights SEK –46.4 million. Investments in property, plant and equipment amounted to SEK –8.8 million (–14.4). Investments in financial assets amounted to SEK –19.0 million (0) and is mainly related to minority investments in development studios. Cash flow from financing activities amounted to SEK 229.3 million (–132.7) and is mainly related to increased utilization of credit facilities at Koch Media.

Cash and cash equivalents at the end of the period were SEK 2,784.7 million compared to SEK 2,867.9 million as of September 30, 2019. The Group also had unutilized credit facilities of SEK 659.4 million compared to SEK 698.8 million as of September 30, 2019. The Group's total available cash and unutilized credit facilities were SEK 3,444.1 million at the end of the quarter compared to SEK 3,566.7 million as of September 30, 2019. As per December 31, 2019 the Net Cash of the Group amounted to SEK 838.1 million compared to SEK 1,099.5 million as per September 30, 2019.

INTANGIBLE ASSETS

The Group had intangible assets of SEK 5,633.0 million at the end of the quarter, compared to SEK 5,521.6 million at the end of the previous quarter, September 30, 2019, distributed as follows:

Intangible assets – Specification	Dec 31, 2019	Sep 30, 2019	Dec 31, 2018
Finished completed games	409.7	392.9	258.3
Ongoing game development projects	1,748.8	1,582.4	1,667.2
Other intangible assets (film etc.)	250.2	283.0	152.2
Intangible assets	2,408.7	2,258.3	2,077.7
IP-rights	1,920.0	2,071.8	69.6
Surplus value Partner Publishing/Film	192.1	208.3	150.7
Goodwill	1,112.2	983.2	1,032.1
Acquisition related intangible assets	3,224.3	3,263.3	1,252.4
Total	5,633.0	5,521.6	3,330.1



ACQUISITIONS

Tarsier Studios

Embracer Group AB acquired Tarsier Studios on 20th December 2019. The purchase price is SEK 88 million in cash and SEK 11 million in newly issued Embracer B-shares, plus a conditional earn-out, payable over 10-years to certain sellers who will remain with Tarsier. The acquisition includes the development studio, all employees and Intellectual Property rights. Embracer Group has a firm confidence in the competence and knowledge that has been accumulated in Tarsier during its 15 years in the games business and will be supporting the studio with long-term investments into new IP development.

PRELIMINARY PURCHASE PRICE ALLOCATION (PPA)

A preliminary PPA has been made for the acquisition of Tarsier Studios. The preliminary PPA considers the total estimated consideration for the purchased shares, such as cash or shares at closing as well as any conditional purchase price in cash or shares. The total consideration is compared with the fair value of net assets in the acquired company. If the total consideration is higher than the fair value of net assets, a surplus value will be recognized. The surplus value for the acquisitions completed during the quarter amounts to SEK 133 million and has preliminarily been allocated to goodwill.

FINALIZED PURCHASE PRICE ALLOCATION

During the quarter the PPA for Coffee Stain and Bugbear were finalized. In the final PPA for Bugbear goodwill and IP-rights, net of deferred taxes, increased with SEK 95,8 million as a result of a remeasurement of the variable conditional purchase of SEK 95,8 million. This resulted in additional amortizations of goodwill and IP-rights of SEK 22,4 million in the quarter ending December 2019 where SEK 17,4 m relates to previous quarters. The finalization of the PPA for Coffee Stain did not result in any changes compared to the preliminary PPA.

OPERATIONAL OVERVIEW BY BUSINESS AREA

BUSINESS AREA: GAMES – THQ NORDIC

THQ Nordic released the following new products in the quarter ended December 2019:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Darksiders - Genesis</i>	THQ Nordic	Own	PC, Stadia	On- and Offline
<i>Monkey King - Hero is back</i>	THQ Nordic	External	PS4	On- and Offline
<i>Monster Jam - Steel Titans</i>	THQ Nordic	External	Switch	Online
<i>Little Big Workshop</i>	HandyGames	Own	PC	Online

Net sales of the Business Area: Games – THQ Nordic were SEK 333.0 million, down 5% compared to the previous year when *Darksiders 3* had a large portion of the total sales.

Major revenue drivers in the quarter were *Wreckfest* for consoles and *Darksiders - Genesis* for PC/Stadia.

Sales performance of *Remnant: From the Ashes*, developed by Gunfire Games and published by Perfect World continued exceeding management's expectations.

THQ Nordic's subsidiary HandyGames profited from a well-received release of *Little Big Workshop*, created by Mirage Studios in Karlstad, Sweden. The title exceeded management expectations.

Wreckfest, *Monster Jam - Steel Titans* and *The Hunter* all contributed to a strong catalog business. The *Darksiders*-franchise kept performing during the quarter, with *Darksiders Genesis* PC outperforming the amount of units sold compared to last year's *Darksiders 3* on PC. *Monkey King - Hero is back*, underperformed compared to management expectations.

After the end of the quarter, THQ Nordic set up a new development studio in Bratislava, Slovakia. The team will be working on a game in the shooter-simulation/survival genre. More information on the project will be released by THQ Nordic, in due time.

BUSINESS AREA: GAMES – COFFEE STAIN

Net sales for the Business Area Games – Coffee Stain were SEK 36.1 million, +160% compared with last year.

Satisfactory was the major revenue generator during the quarter, closely followed by *Deep Rock Galactic* and *Goat Simulator* that continued to perform well. The update for *Satisfactory*, scheduled for December 2019, was delayed due to technical complexity. After the period the update was released with great reception and the management is pleased with the results.





BUSINESS AREA: GAMES – DEEP SILVER

Deep Silver released the following new products in the quarter ended December 2019:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Shenmue III</i>	Deep Silver	External	PC, PS4	On- and Offline
<i>Cooking Simulator</i>	Ravenscourt	External	PC	Offline
<i>Let's Sing 2020</i>	Ravenscourt	External	PS4, Switch	On- and Offline
<i>Let's Sing Country</i>	Ravenscourt	External	PS4, Xbox One, Switch	On- and Offline

Net sales of the Business Area: Games – Deep Silver rose 150% to SEK 466.6 million.

New releases performed in line with management expectations in the quarter. The performance of back catalog sales was strong during the quarter, both digitally and physically and exceeded management expectations in the quarter.

Shenmue III was the principal Deep Silver revenue driver in the quarter, followed by another new release of *Let's Sing 2020*. Moreover, *Metro Exodus* continued to give a significant contribution to Deep Silver's revenue in the quarter, as well as other notable back catalog titles such as *Kingdom Come Deliverance* and *Outward*.

Looking ahead, the next quarter includes notable releases of the latest DLC:s for Deep Silver's key IP *Metro Exodus*; *Sam's Story*. The expansion of the *Metro* franchise will continue with the release of *Metro Redux* on Switch and the launch of *Metro Exodus* on Steam. Further releases in the coming quarter includes amongst others: *Saints Row IV* on Nintendo Switch, as well as *Blair Witch* and *Hunt: Showdown*.

Milestone had a quiet quarter without any new releases, within the current quarter they have released *Monster Energy Supercross 3*.

Looking ahead, we are looking forward to the releases of *MotoGP20* and *Ride 4* in the coming period.

BUSINESS AREA: PARTNER PUBLISHING/FILM

Net sales in the Partner Publishing/Film business area were down 19% to SEK 672.9 million in the quarter, due to the absence of larger releases in the quarter compared to last year. In comparison, last year's revenues in the period included two titles that account for more than the difference to this year's revenue.

Codemaster's *Grid* was one of the biggest revenue drivers for the Partner Publishing Business Area in the quarter. Other notable releases included *Football Manager 2020* (Sega), *Sniper Ghost Warrior Contracts* (CI Games), *Terminator Resistance* (Reef Entertainment) and *Life is Strange 2* (Square Enix).

Looking ahead, notable releases in the next quarter will include the next iterations of well-known gaming IPs, including *Doom Eternal* and *Persona 5 Royal Edition*.

The film segment had its strongest quarter ever, driven by new releases and contributions from acquired companies as well as Koch Medias distribution of the German version of Oscar-winning sensation *Parasite*.



ONGOING DEVELOPMENT AND UPCOMING RELEASES

The Company invested SEK 372.6 million in its growing development pipeline that will be driving growth and profitability in the coming years. By the end of the quarter, THQ Nordic, Deep Silver and Coffee Stain had 96 games in development, of which 52 titles are currently unannounced.

In total, the Group had 2,258 game developers by the end of the quarter (1,237 internal and 1,021 external).

Announced releases in the Games business area as of February 19, 2020

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Aquanox Deep Descent</i>	THQ Nordic	Own	PC, PS4, Xbox One	On- and Offline
<i>Biomutant</i>	THQ Nordic	Own	PC, PS4, Xbox One	On- and Offline
<i>Comanche</i>	THQ Nordic	Own	PC	Online
<i>Desperados 3</i>	THQ Nordic	Own	PC, PS4, Xbox One	On- and Offline
<i>Destroy all Humans! - Remake</i>	THQ Nordic	Own	PC, PS4, Xbox One	On- and Offline
<i>The Guild 3 (1.0)</i>	THQ Nordic	Own	PC	On- and Offline
<i>Knights of Honor II: Sovereign</i>	THQ Nordic	Own	PC	On- and Offline
<i>Pillars of Eternity II - Deadfire</i>	THQ Nordic	External	Switch	Offline
<i>Scarf</i>	THQ Nordic	External	PC	Online
<i>Spongebob - Battle for Bikini Bottom Rehydrated</i>	THQ Nordic	External	PC, PS4, Xbox One, Switch	On- and Offline
<i>Aces of the Luftwaffe Squadron - Extended Edition</i>	HandyGames	Own	Mobile	Online
<i>Rebel Cops</i>	HandyGames	Own	Mobile	Online
<i>Townsmen - A Kingdom Rebuilt</i>	HandyGames	Own	PS4, Xbox One	Online
<i>Townsmen VR</i>	HandyGames	Own	PC, PS4	Online
<i>Townsmen - A Kingdom Rebuilt: The Seaside Empire</i>	HandyGames	Own	PC, PS4, Xbox One, Switch	Online
<i>A Rat's Quest</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Online
<i>Chicken Police - Paint it red!</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Online
<i>El Hijo</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Online
<i>Endling - Extinction is Forever</i>	HandyGames	External	PC, PS4, Xbox One, Switch	On- and Offline
<i>One Hand Clapping</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Online
<i>Pile Up!</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Online
<i>Spitlings</i>	HandyGames	Extern	PC, PS4, Xbox One, Switch	Online
<i>Dead Island 2</i>	Deep Silver	Own	PC, PS4, Xbox One	On- and Offline
<i>Iron Harvest</i>	Deep Silver	External	PC, PS4, Xbox One	On- and Offline
<i>Pathfinder: Kingmaker</i>	Deep Silver	External	PS4, Xbox One, Switch	On- and Offline
<i>Wasteland 3</i>	Deep Silver	External	PC, PS4, Xbox One	On- and Offline
<i>Maneater</i>	Deep Silver	External	PC, PS4, Xbox One	On- and Offline
<i>Ride 4</i>	Milestone	Own	PC, PS4, Xbox One	On- and Offline
<i>MotoGP20</i>	Milestone	License	PC, PS4, Xbox One, Switch	On- and Offline
<i>9 Monkeys of Shaolin</i>	Ravencourt	External	PC, PS4, Xbox One, Switch	On- and Offline
<i>Cooking Mama Cookstar</i>	Ravencourt	External	PS4, Switch	Offline
<i>Satisfactory (1.0)</i>	Coffee Stain	Own	PC	Online
<i>Songs of Conquest</i>	Coffee Stain	Own	PC	Online
<i>Deep Rock Galactic (1.0)</i>	Coffee Stain	External	PC, Xbox One	Online
<i>Huntdown</i>	Coffee Stain	External	PC, PS4, Xbox One, Switch, Mobile	Online
<i>Midnight Ghost Hunt</i>	Coffee Stain	External	PC	Online

For latest release dates please refer to above mentioned publishers.



OTHER INFORMATION

PARENT COMPANY

The Parent Company's net sales for the quarter were SEK 109.7 million (147.9) and profit before tax was SEK 9.8 million (82.3). Profit after tax was SEK 7.7 million (64.2). The Parent Company's net sales for the first nine months were SEK 393.9 million (284.9) and profit before tax was SEK 132.7 million (136.4). Profit after tax was SEK 103.5 million (106.4).

Investments in intangible assets in the quarter were SEK 59.5 million (140.1). Investments in intangible assets during the first nine months were SEK 380.5 million (182.4).

Cash and cash equivalents as of December 31, 2019 were SEK 1,946.1 million (633.5). The Parent Company's equity at the end of the period was SEK 5,570.6 million (3,213.9)

SUSTAINABILITY AND GOVERNANCE

Our work within ESG/Sustainability – “Smarter Business” continues with unabated strength. The ambassador program has been further developed, where regular meetings with cross-border and cross-functional participation serves as a catalyst for relaying the Smarter Business message across the group. Key initiatives are shared and discussed in the forum to build best practices, which enhance and highlight the importance of the different areas of ESG/Sustainability. We are sincere in our approach to ESG/sustainability and it is of outmost importance to secure that it becomes an integral part of our everyday life throughout our global organization.

The roll-out of our Compliance Code continues through the work with the more accessible popular version, which will facilitate and secure a deeper understanding of the Compliance Code across the organization. The popular version will be made available at our website and is scheduled for release during the spring.

Progress is being made in setting KPI's according to GRI standards that will be measured and constitute an integral part of the Sustainability Report to be included in the upcoming Annual Report.

The board of directors adopted a charter for the Internal Audit headed by KPMG during the quarter. After the quarter end, the board of directors approved the suggested Audit Plan for 2020 and the field work will be commencing in March.

The board of directors decided to launch a pre-study for an IFRS conversion project during the quarter. The pre-study was launched in December.

RELATED PARTY TRANSACTIONS

During the quarter:

- > Quantic Labs S.R.L¹⁾ has invoiced THQ Nordic GmbH for QA-services amounting to SEK 4.4 million (2.8).
- > Quantic Labs S.R.L¹⁾ has invoiced Koch Media GmbH for services amounting to SEK – million (0.3).
- > Nordic Games Group AB has invoiced Game Outlet Europe AB²⁾ for services amounting to SEK 0.1 million (–).

Embracer Group AB also has rental agreement and agreement for other services with Lars Wingefors AB. Embracer Group AB paid SEK 1.7 million (0.2).

All transactions with closely related parties have been conducted at market prices.

¹⁾ Companies owned by Nordic Games Group AB, a Group that is wholly owned by Lars Wingefors, Erik Stenberg, Mikael Broden, Pelle Lundborg, Klemens Kreuzer and Reinhard Pollice.

²⁾ Game Outlet Europe AB was owned until August 14, 2019, by Nordic Games Group AB, a Group that is wholly owned by Lars Wingefors, Erik Stenberg, Mikael Broden, Pelle Lundborg, Klemens Kreuzer and Reinhard Pollice. From August 15, the Company is a part of Embracer Group AB.



EVENTS AFTER THE END OF THE QUARTER

- > Embracer Group AB committed to invest USD 6.0 million in the venture capital fund London Venture Partners (LVP). Based in London and Berlin, LVP is specialized in early stage studios and game ventures. The investment gives Embracer access to a large network and bring insights into the latest technologies within gaming. LVP:s deal-flow may also present additional investment opportunities for Embracer. One of three co-founders and general partners of LVP is David Gardner, an industry legend who is proposed as a new member of the Embracer Group board of directors.
- > Embracer Group subsidiary Goodbye Kansas Game Invest based in Stockholm, Sweden, was renamed Amplifier Game Invest. The company seeks and invests internationally in the most talented companies in the gaming industry. Amplifier Game Invest will also be announced Embracer Group's fourth operative group as of February 19. After the period, Amplifier Game Invest completed a series of transactions:
 - > Established a new game development studio in Gothenburg, named River End Games.
 - > Increased its holding to 55% in Norwegian fishing simulator developer Misc Games based in Stavanger.
- > Coffee Stain and THQ Nordic each founded one wholly owned new studio with senior game development teams. Further information on these teams and their projects will be announced by Coffee Stain and THQ Nordic in due course.
- > Embracer Group subsidiary THQ Nordic set up a new development studio in Bratislava, Slovakia, named Nine Rocks Games.

ACQUISITION AFTER THE END OF THE QUARTER

Embracer Group's wholly owned subsidiary Koch Media GmbH entered into an agreement to acquire Voxler, the French development studio behind the "Let's Sing" series and other titles in the music games genre. The Let's Sing game series has a growing yearly profitable performance. The transaction will enable Embracer Group to make long-term investments into the next generation of music games products. Voxler, founded in 2005, based in Paris and Marseille, works with all major global music publishers. The studio was founded by CEO Nicolas Delorme that together with his team remain long term committed. The studio will continue to operate as an internal studio within Koch Media.

The acquisition includes all trademarks and IPs. Prior to the acquisition, Voxler has collaborated with Koch Media as an external development studio over the last 10 years. The purchase price for 100% of the shares were approx. EUR 1.9 million.

RELEASES AFTER THE END OF THE QUARTER

During the period January 1, 2020 until February 19, 2020, the following titles were released:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Darksiders - Genesis</i>	THQ Nordic	Own	PS4, Xbox One, Switch	On- and Offline
<i>Monster Jam -Steel Titans</i>	THQ Nordic	External	Switch	Offline
<i>Pillars of Eternity II - Deadfire</i>	THQ Nordic	External	PS4, Xbox One	Offline
<i>DCL - The Game</i>	THQ Nordic	External	PC, PS4, Xbox One	On- and Offline
<i>Through the Darkest of Times</i>	HandyGames	External	PC, MAC	Offline
<i>Phoenix Point</i>	Deep Silver	External	PC	Offline
<i>Blair Witch</i>	Deep Silver	External	PC, PS4, Xbox One	Offline
<i>Metro Exodus – Sam's Story (DLC)</i>	Deep Silver	Exclusive license	PC, PS4, Xbox One	On- and Offline
<i>Metro Redux</i>	Deep Silver	Exclusive license	Switch	On- and Offline
<i>Hunt: Showdown</i>	Deep Silver	Exclusive license	PC, PS4, Xbox One	On- and Offline
<i>Ash of Gods: Redemption</i>	Ravencourt	External	PC, PS4, Xbox One, Switch	On- and Offline



THE SHARE

OWNERS AS OF DECEMBER 31, 2019

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Change from
					Sept. 30, 2019
					Class B shares ¹⁰⁾
Lars Wingefors through companies ¹⁾	19,504,401	88,571,196	34.65	51.11	
Swedbank Robur Funds		26,510,390	8.50	4.78	-1,438,414
Erik Stenberg through company ²⁾	4,223,172	19,177,800	7.50	11.07	
Handelsbanken Funds		20,800,843	6.67	3.75	3,040,012
AP1 Första AP-fonden		14,820,960	4.75	2.67	5,398,158
Didner & Gerge Funds		11,526,089	3.70	2.08	1,401,869
Mikael Brodén through company ³⁾	1,450,134	6,585,189	2.58	3.80	
Life Insurance Skandia		4,417,000	1.42	0.80	-364,637
ODIN Funds		4,000,000	1.28	0.72	1,000,003
Avanza Pension		3,815,743	1.22	0.69	378,880
Danica Pension		3,815,195	1.22	0.69	3,054,932
Olsson Family and Foundation		3,803,994	1.22	0.69	-1,476,006
Luisa Bixio ⁴⁾		3,801,969	1.22	0.68	
Klemens Kreuzer through company ⁵⁾	605,352	2,748,963	1.07	1.59	
AP2 Andra AP-fonden		3,166,569	1.02	0.57	409,569
Martin Larsson		2,689,097	0.86	0.48	-10,000
Reinhard Pollice through company ⁶⁾	347,043	1,966,572	0.74	0.98	
BlackRock		2,037,555	0.65	0.37	150,435
Pelle Lundborg with family through company ⁷⁾	869,898	1,087,259	0.63	1.76	-463,021
Rolf Lundström		1,825,000	0.59	0.33	25,000
Skandia Funds		1,813,195	0.58	0.33	-133,775
TIN Funds		1,790,000	0.57	0.32	560,000
Länsförsäkringar Funds		1,630,545	0.52	0.29	829,809
RAM Rational Asset Management		1,608,723	0.52	0.29	
Anton Westbergh ⁸⁾		1,600,311	0.51	0.29	
Danske Invest Funds		1,523,685	0.49	0.27	225,000
Aktia Asset Management		1,148,132	0.37	0.21	117,542
Koch Media Holding GmbH ⁹⁾		1,127,928	0.36	0.20	
Sensor Fonder		1,081,353	0.35	0.19	
American Century Investment Management		1,062,002	0.34	0.19	1,062,002
Janus Henderson Investors		1,028,339	0.33	0.19	29,336
Nordnet Pensionsförsäkring		979,991	0.31	0.18	32,789
Fondita Fonder		920,000	0.29	0.17	50,000
Knutsson Holdings AB		900,000	0.29	0.16	
Michael Knutsson		900,000	0.29	0.16	
Svenska Handelsbanken AB for PB		878,861	0.28	0.16	-6,361
Allianz Global Investors		747,000	0.24	0.13	
Handelsbanken Liv Försäkring AB		734,744	0.24	0.13	341,876
Delaware Investments		713,873	0.23	0.13	-11,725
Vedtraven Finans AB		648,093	0.21	0.12	-231,462
TOTAL TOP 40	27,000,000	250,004,158	88.81	93.71	
OTHER	0	35,063,040	11.19	6.29	
TOTAL	27,000,000	285,067,198	100.00	100.00	

¹⁾ Lars Wingefors AB and Lars Wingefors 2 AB, controlled to 100% by CEO Lars Wingefors.

²⁾ Xagonus AB, controlled to 100% by deputy Group CEO Erik Stenberg.

³⁾ CMB Holding AB, controlled to 100% by Mikael Brodén, co-founder of Embracer Group.

⁴⁾ ALB S.r.l. s controlled to 100% by Luisa Bixio, founder and CEO, Milestone.

⁵⁾ Gerado AB, controlled to 100% by Klemens Kreuzer, MD THQ Nordic GmbH.

⁶⁾ Gigalomaniac Holding AB, controlled to 100% by Reinhard Pollice, Director of Business Development and Production, THQ Nordic GmbH.

⁷⁾ Lumarisimo AB, controlled by Pelle Lundborg with family, co-founder of Embracer Group.

⁸⁾ Inwestbergh AB's controlled to 100% by Anton Westbergh, founder and CEO, Coffee Stain.

⁹⁾ Koch Media Holding GmbH (previously the Parent Company of the Koch Media Group), owned partly by Klemens Kundratitz, CEO and Co-Founder of the Koch Media Group.

¹⁰⁾ Recalculated with respect to the 3:1 split carried out on October 8, 2019 as resolved at the annual general meeting on September 17, 2019. Number of shares for previous periods have been adjusted.

Source: Monitor by Modular Finance. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish FSA.



INFORMATION ABOUT NASDAQ FIRST NORTH GROWTH MARKET

Nasdaq First North Growth Market ("First North") is an alternative marketplace operated by the constituent exchanges of Nasdaq Stockholm. It does not have the same legal status as a regulated marketplace. Companies quoted on First North are subject to First North's rules, rather than the legal requirements set for trading on a regulated marketplace. An investment in a company trading on First North implies higher risk than one in a company listed on a regulated market. Companies must apply to the exchange and gain approval before trading on First North can commence. A Certified Adviser guides the company through the listing process and also ensures that the company continuously satisfies First North's standards.

FNCA Sweden AB is Embracer Group's certified adviser who may be contacted at: info@fnca.se or +46-8-528 00 399.

RISKS AND UNCERTAINTY FACTORS

Embracer Group is exposed to risks, particularly the dependence on key persons, dependence of 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 is found in the company's most recent Annual Report.

ACCOUNTING AND VALUATION POLICIES

This Interim Report has been prepared in accordance with the Swedish Annual Accounts Act. The accounting and valuation policies applied are consistent with the Swedish Accounting Standards Board's Category 3 (BFN K3) regulation and are unchanged since the latest published Annual Accounts, and the Swedish Accounting Standards Board's BFNAR 2012:1.

The Company's accounting policies are stated in its most recent Annual Accounts 2018/19.

Amounts are reported in Swedish kronor, rounded to the nearest million unless otherwise stated. Rounding to the nearest million may mean that amounts are not consistent when added. Amounts and figures stated in brackets are comparatives for the corresponding period of the previous year.

AUDITOR'S REVIEW

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

FORTHCOMING REPORTS AND AGM

Full Year Report 2019/2020	May 20, 2020
Interim Report, April-June 2020	August 13, 2020
Annual General Meeting 2019/2020	September 16, 2020
Interim Report, April-September 2020	November 18, 2020
Interim Report, April-December 2020	February 18, 2021

FOR MORE INFORMATION

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

For any questions on this report, please contact:

Lars Wingefors, Founder & CEO, lars.wingefors@embracer.com



SIGNATURES AND ASSURANCE

The Board of Directors and the Chief Executive Officer offer their assurance that this Interim Report 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 Parent Company.

Karlstad, Sweden, February 19, 2020

Kicki Wallje-Lund
Chairman of the Board

Ulf Hjalmarsson

Jacob Jonmyren

Erik Stenberg

Lars Wingefors
Chief Executive Officer

This Interim Report is information that is mandatory for Embracer Group AB 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 19, 2020.

CONSOLIDATED INCOME STATEMENT

SEK m	Oct–Dec 2019	Oct–Dec 2018	Apr–Dec 2019	Apr–Dec 2018	Jan 2018– Mar 2019
Net sales	1,508.5	1,380.6	3,910.3	3,490.7	5,754.1
Work performed by the Company for its own use and capitalized	220.9	105.9	528.7	301.4	475.2
Other operating income	72.0	90.0	183.9	183.5	333.3
Total operating income	1,801.4	1,576.4	4,622.9	3,975.5	6,562.6
Operating expenses					
Goods for resale	–746.7	–838.3	–1,909.8	–2,199.5	–3,260.7
Other external expenses	–231.4	–223.8	–600.7	–502.1	–868.0
Personnel expenses	–305.0	–188.0	–786.4	–525.9	–841.2
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	–427.4	–174.3	–1,077.3	–452.8	–1,018.0
Total operating expenses	–1,710.5	–1,424.4	–4,374.2	–3,680.2	–5,988.0
Operating profit	91.0	152.0	248.8	295.3	574.6
<i>Profit from financial items</i>					
Other interest income, etc.	–15.2	2.4	2.8	3.0	3.4
Other interest expenses, etc.	0.6	–6.0	–12.1	–13.7	–32.6
Total financial items	–14.7	–3.6	–9.4	–10.7	–29.2
Profit after financial items	76.3	148.4	239.4	284.6	545.4
Profit before tax	76.3	148.4	239.4	284.6	545.4
Tax	–42.7	–34.2	–88.3	–71.9	–148.6
Net profit for the period	33.6	114.2	151.1	212.7	396.8
<i>Attributable to:</i>					
Equity holders of the parent	34.1	114.3	151.7	212.7	397.4
Non-controlling interests	–0.4	0.0	–0.6	0.0	–0.6
Earnings per share, SEK	0.11	0.44	0.49	0.82	1.56
Average number of outstanding shares, million	312	259	310	258	255

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Dec 31, 2019	Dec 31, 2018	Mar 31, 2019
Intangible assets	5,633.0	3,330.1	3,707.0
Property, plant equipment	169.0	151.8	155.6
Financial assets	200.8	210.8	196.2
Inventories	387.1	240.7	322.9
Current receivables	1,570.1	1,549.3	1,297.3
Cash and bank balance	2,784.7	921.7	2,929.1
Total assets	10,744.7	6,404.4	8,608.2
Share capital	0.9	0.8	0.9
Other capital reserves	5,300.0	2,954.3	4,976.2
Recognized profit including profit for the period	876.3	548.5	735.7
Provisions	1,306.1	438.4	666.5
Non-current liabilities	208.7	207.7	211.3
Current liabilities	3,052.7	2,254.7	2,017.7
Total liabilities and equity	10,744.7	6,404.4	8,608.2
Interest-bearing receivables amount to	2,784.7	921.7	2,929.1
Interest-bearing liabilities amount to	1,946.6	1,185.7	918.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Other paid-up capital	Other equity including net profit	Minority interest	Consolidated equity
Amount as of April 1, 2019	0.9	4,976.2	719.3	16.4	5,712.9
Translation difference			-10.5		-10.5
New share issue	0,0	325.3			325.3
Issue costs ¹⁾		-1.5			-1.5
Net profit			151.7	-0.6	151.1
Amount as of December 31, 2019	0.9	5,300.0	860.5	15.8	6,177.3

¹⁾ Issue costs constitutes of cost of rights issue SEK 1.8 million and tax effects of the cost SEK 0.3 million.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK m	Oct–Dec 2019	Oct–Dec 2018	Apr–Dec 2019	Apr–Dec 2018	Jan 2018–Mar 2019
Cash flow from operating activities before changes in working capital	552.0	360.1	1,219.6	721.1	1,440.0
Change in working capital	-312.5	94.9	-257.0	-841.7	-83.6
Cash flow from operating activities	239.5	455.0	962.6	-120.6	1,356.4
Cashflow from investing activities					
Investment in acquired companies	-88.2	-417.4	-891.1	-419.4	-1,070.6
Investment in intangible assets	-419.0	-313.8	-1,189.0	-825.6	-1,335.7
Investment in tangible assets	-8.8	-14.4	-28.0	-131.2	-140.3
Investment in financial assets	-19.0	0.0	-21.4	0.0	0.0
Cash flow from financing activities	229.3	-132.7	1,032.1	2,320.5	3,488.3
Cash flow for the period	-66.2	-423.3	-134.8	823.7	2,298.1
Cash and cash equivalents at beginning of period	2,867.9	1,345.6	2,929.1	98.7	626.5
Translation difference in cash and cash equivalents	-17.0	-0.6	-9.6	-0.7	4.5
Cash and cash equivalents at end of period	2,784.7	921.7	2,784.7	921.7	2,929.1

PARENT COMPANY INCOME STATEMENT

SEK m	Oct–Dec 2019	Oct–Dec 2018	Apr–Dec 2019	Apr–Dec 2018	Jan 2018– Mar 2019
Net sales	109.7	147.9	393.9	284.9	416.4
Other operating income	–1.8	–1.1	0.9	–0.9	13.2
Total operating income	107.9	146.8	394.9	284.0	429.6
Operating expenses					
Other external expenses	–7.4	–4.1	–18.1	–11.6	–19.9
Personnel expenses	–4.1	–1.5	–8.1	–3.9	–6.3
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	–76.9	–60.3	–248.1	–140.1	–240.3
Total operating expenses	–88.5	–66.0	–274.2	–155.5	–266.6
Operating profit	19.4	80.9	120.6	128.5	162.9
Result from participations in Group companies	0.0	0.0	0.0	0.0	–71.0
Result from financial assets	–0.2	–0.3	4.4	–0.3	8.5
Interest income, etc.	–13.3	5.8	14.1	14.6	23.7
Interest expenses, etc.	3.9	–4.1	–6.5	–6.4	–28.5
Total financial income/expenses	–9.6	1.4	12.0	8.0	–67.3
Profit after financial items	9.8	82.3	132.7	136.4	95.7
Appropriations	0.0	0.0	0.0	0.0	–66.5
Profit before tax	9.8	82.3	132.7	136.4	29.2
Tax	–2.2	–18.1	–29.2	–30.0	–22.4
Net profit for the period	7.7	64.2	103.5	106.4	6.8

CONDENSED PARENT COMPANY BALANCE SHEET

SEK m	Dec 31, 2019	Dec 31, 2018	Mar 31, 2019
Intangible assets	365.4	285.6	234.6
Tangible assets	1.1	-	-
Financial assets	2,774.8	2,259.6	2,171.0
Current receivables	843.3	560.4	406.3
Cash and bank balance	1,946.1	633.5	2,666.2
Total assets	5,930.7	3,739.1	5,478.1
Equity	5,570.6	3,213.9	5,143.3
Untaxed reserves	95.6	91.7	95.6
Provisions	3.6	17.9	3.6
Long-term liabilities	208.7	205.5	208.4
Current liabilities	52.2	210.1	27.1
Total liabilities and equity	5,930.7	3,739.1	5,478.1

SELECTED KEY PERFORMANCE INDICATORS – GROUP

Financial metrics defined or specified pursuant to Swedish Accounting Standards Board standards (BFNAR)	Oct–Dec 2019	Oct–Dec 2018	Apr–Dec 2019	Apr–Dec 2018	Jan 2018–Mar 2019
Net sales, SEK m	1,508.5	1,380.6	3,910.3	3,490.7	5,754.1
Operating profit, SEK m	91.0	152.0	248.8	295.3	574.6
Profit before tax, SEK m	76.3	148.4	239.4	284.6	545.4
Profit after tax, SEK m	33.6	114.2	151.1	212.7	396.8
Number of shares at end of period, thousands ¹⁾	312,067	274,053	312,067	274,053	307,704
Average number of outstanding shares, thousands ¹⁾	311,914	258,618	309,800	258,264	254,493
Average number of full-time employees in the period	1,555	1,052	1,494	1,007	1,042
Number of employees at the end of the period	1,679	1,142	1,679	1,142	1,353
Alternative key performance indicators not defined or specified pursuant to BFNAR	Oct–Dec 2019	Oct–Dec 2018	Apr–Dec 2019	Apr–Dec 2018	Jan 2018–Mar 2019
Net sales growth, %	9	441	12	720	1,034
EBITDA, SEK m	518.4	326.4	1,326.1	748.1	1,592.6
EBITDA margin, %	34	24	34	21	28
Operational EBIT, SEK m	302.1	196.8	747.0	369.9	897.1
EBIT, SEK m	91.0	152.1	248.8	295.4	574.6
EBIT margin, %	6	11	6	8	10
Equity/assets ratio, %	57	55	57	55	66
Adjusted earnings per share, SEK ¹⁾	0.68	0.55	1.85	1.04	2.59
Earnings per share, SEK ¹⁾	0.11	0.44	0.49	0.82	1.56
Dividend per share, SEK	0	0	0	0	0
<i>Derivation of the alternative KPIs, operational EBIT and EBITDA</i>					
EBIT, SEK m	91.0	152.1	248.8	295.4	574.6
Amortization expenses added back to Operational EBIT					
- Goodwill, SEK m	77.5	27.6	174.7	31.0	75.1
- Intellectual property (IP) rights, SEK m	122.8	7.7	292.5	22.7	198.9
- Surplus value of Partner Publishing/Film, SEK m	10.8	9.4	31.0	20.8	48.5
Operational EBIT, SEK m	302.1	196.8	747.0	369.9	897.1
- Other depreciation and amortization expenses, SEK m	216.3	129.6	579.1	378.3	695.5
EBITDA, SEK m	518.4	326.4	1,326.1	748.1	1,592.6

¹⁾ Recalculated with respect to the 3:1 split carried out on October 8, 2019 as resolved at the annual general meeting on September 17, 2019. Number of shares for previous periods have been adjusted.

DEFINITIONS OF ALTERNATIVE KPI'S

Embracer Group's definitions of a number of alternative KPI's used in this Interim Report are stated below. Net sales growth is reported by the Company because it regards this KPI as contributing to investor understanding of the Company's historical progress. 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. The company has chosen to disclose operational EBIT in order to provide a fair picture of the underlying operational performance. This alternative key performance metric excludes amortization of acquisition-related goodwill, surplus values of specific business areas (currently Partner Publishing/Film) and IP values (trademarks, patents, copyrights etc.). The equity/assets ratio is stated because the Company regards this as a metric commonly used by certain investors, financial analysts and other stakeholders to measure the Company's financial position.

DEFINITIONS OF KPI'S, GROUP

Adjusted Earnings per share	Profit after tax excluding non-operational depreciations and amortizations net of tax divided by the average number of shares in the period. Tax related to non-operational depreciations and amortizations calculated using the effective tax rate (no tax effect on goodwill amortizations).
Earnings per share	Profit after tax less non-controlling interest divided by the average number of shares in the period.
EBIT margin	EBIT as a percentage of net sales.
EBITDA	Earnings before interest taxes, depreciation and amortization.
EBITDA margin	EBITDA as a percentage of net sales.
Equity/assets ratio	Equity as a percentage of total assets.
Net sales growth	Net sales for the current period divided by net sales for the corresponding period of the previous year.
Non-operational Depreciation and Amortizations	Amortization of acquisition-related goodwill, surplus values of specific business areas and IP Values (trademarks, patents, copyrights etc).
Operational EBIT	EBIT excluding non-operational depreciations and amortizations.
Operational EBIT margin	Operational EBIT as a percentage of net sales.

DEFINITIONS, QUARTERLY INFORMATION

Depreciation	
Game development	Depreciation of finished game development projects - degressive depreciation over two years. 1/3 depreciation during month 1 to 3 following release, 1/3 depreciation in month 4 to 12 following release and the remaining 1/3 in month 13 to 24 following release.
Other intangible assets (Film etc)	The majority of other intangible assets (Film etc) relates to the Group's film business and is depreciated based on actual sales in relation to expected sales of the relevant title.
IP-rights	Depreciation of IP rights related to Games - straight-line depreciation over five years.
Surplus value Partner Publishing/Film	Depreciation of surplus values related to Partner Publishing/Film - straight-line depreciation over five years.
Goodwill	Depreciation of Goodwill - straight-line depreciation over five years.
Finalized and completed development	Total book value of finished game development projects (released games) during the quarter. Upon completion the released games are reclassified from On-going Game Development Projects to Finished Games and depreciation starts.
Internal game developers	Number of game developers (both employees and contractors) engaged in game development projects by studios that are owned by the group (internal studios).
External game developers	Number of game developers engaged in game development projects by studios that are not owned by the group (external studios).
Internal employees, non-development	Number of employees not directly engaged in game development (both employees and contractors).
External Studios	Number of external development studios engaged in game development projects.
Internal Studios	Number of internal development studios.
Number of IP:s	Number of IP:s owned by the group.
Net sales split – Games business area	
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 sales by each quarter	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.
Physical sales	All net sales shipped physically.
Digital sales	All net sales not shipped physically.
Game development projects	Number of on-going game development projects financed by the group.

QUARTERLY INFORMATION BY CALENDAR YEAR

	2017					2018					2019				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year
Consolidated Group															
Net sales, SEK m	82	86	85	255	508	633	838	1,273	1,381	4,124	1,631	1,142	1,260	1,509	5,541
EBITDA, SEK m	42	40	35	156	273	226	207	215	326	974	619	390	418	518	1,945
Operational EBIT, SEK m	35	34	28	106	202	131	70	103	197	501	396	204	241	302	1,143
EBIT, SEK m	32	30	24	102	188	107	53	91	152	403	172	81	76	91	421
Profit after tax, SEK m	24	23	19	73	139	81	33	65	114	294	103	53	65	34	254
Earnings per share, SEK ¹⁾	0.11	0.11	0.09	0.31	0.63	0.34	0.14	0.25	0.44	1.17	0.37	0.17	0.21	0.11	0.84
Cash flow from operating activities (before change in working capital), SEK m	35	36	33	146	250	192	137	224	360	913	527	306	365	552	1,750
Cash flow from operating activities, SEK m	30	22	29	99	179	700	165	-740	455	579	777	441	283	239	1,740
Adjusted Earnings per share, SEK ¹⁾	-	-	-	-	-	0.42	0.19	0.28	0.55	1.50	1.00	0.51	0.65	0.68	2.82
Number of shares (A&B), adjusted, million ¹⁾	216	216	217	238	222	238	241	265	283	252	283	308	310	312	302.9
Sales growth, %	90%	62%	9%	99%	68%	673%	878%	1,403%	441%	713%	158%	36%	-1%	9%	34%
EBITDA, margin, %	51%	46%	41%	61%	54%	36%	25%	17%	24%	24%	38%	34%	33%	34%	35%
Operational EBIT, margin, %	43%	39%	32%	41%	40%	20%	8%	8%	14%	12%	25%	18%	19%	20%	21%
EBIT, margin, %	39%	35%	28%	40%	37%	17%	6%	7%	11%	10%	11%	7%	6%	6%	8%
Gross Margin (Net sales-COGS), SEK m	57	61	55	186	360	313	372	378	542	1,604	889	614	625	762	2,889
Gross Margin, %	70%	72%	65%	73%	71%	50%	44%	30%	39%	39%	55%	54%	50%	51%	52%
Net sales per business area															
Games - THQ Nordic, SEK m	82	86	85	255	508	135	146	124	352	756	143	185	330	333	991
Games - Deep Silver, SEK m	-	-	-	-	-	257	338	252	187	1,033	794	373	442	467	2,076
Games - Coffee Stain, SEK m	-	-	-	-	-	-	-	-	14	14	98	83	45	36	261
Games, total	82	86	85	255	508	391	484	376	553	1,803	1,035	641	816	836	3,328
Partner Publishing/Film, SEK m	-	-	-	-	-	242	354	897	828	2,320	596	501	444	673	2,213
Net sales split – Games business area															
Owned titles, %	67%	76%	74%	82%	77%	34%	39%	50%	72%	50%	84%	80%	78%	79%	80%
Publishing titles, %	33%	24%	26%	18%	23%	66%	61%	50%	28%	50%	16%	20%	22%	21%	20%
Owned titles, SEK m	55	66	63	208	391	134	189	188	396	907	871	510	637	657	2,675
Publishing titles, SEK m	27	20	22	47	116	257	295	188	157	897	164	131	179	178	653
New releases sales by each quarter, %	36%	16%	39%	74%	-	63%	20%	31%	58%	-	75%	18%	32%	35%	-
Back catalog, %	64%	84%	61%	26%	-	37%	80%	69%	42%	-	25%	82%	68%	65%	-
New releases sales by each quarter, SEK m	30	14	34	190	-	246	98	117	321	-	781	118	261	291	-
Back catalog, SEK m	52	72	51	65	-	145	386	259	232	-	254	524	555	545	-
Physical sales, %	49%	31%	44%	60%	50%	62%	50%	48%	59%	55%	39%	29%	26%	31%	32%
Digital sales, %	51%	69%	56%	40%	50%	38%	50%	52%	41%	45%	61%	71%	74%	69%	68%
Physical sales, SEK m	40	27	36	150	253	243	242	179	324	988	407	189	215	259	1,070
Digital sales, SEK m	42	59	49	102	251	148	242	197	229	815	628	452	601	577	2,258
Depreciation and amortization															
Game development	-6	-6	-7	-43	-62	-59	-109	-80	-93	-341	-192	-162	-144	-133	-631
Other intangible assets (Film etc.)	-	-	-	-	-	-33	-24	-27	-31	-115	-25	-16	-26	-76	-144
Sub-total	-6	-6	-7	-43	-62	-92	-133	-107	-124	-455	-217	-179	-170	-209	-775
<i>Acquisition-related depreciation</i>															
IP-rights	-3	-3	-4	-4	-14	-11	-7	-9	-8	-33	-166	-69	-101	-123	-458
Surplus value Partner Publishing/Film	-	-	-	-	-	-12	-10	-2	-9	-33	-15	-8	-12	-11	-46
Goodwill	-	-	-	-	-	-1	-1	-2	-28	-32	-43	-45	-52	-77	-218
Sub-total	-3	-3	-4	-4	-14	-24	-17	-13	-45	-99	-224	-123	-164	-211	-722
Total intangible assets	-10	-9	-10	-47	-76	-116	-150	-120	-169	-554	-441	-302	-334	-420	-1,497
Investments in intangible assets															
External game development and advances, SEK m	54	44	59	54	212	115	114	132	167	528	189	225	166	152	732
Internal capitalized development, SEK m	13	14	19	33	80	58	94	102	106	359	116	131	177	221	645
Other intangible assets	-	-	-	11	11	12	31	18	31	91	20	22	43	46	131
IP-rights	-	-	4	-	4	-	0	22	11	32	0	0	6	0	7
Total	67	59	82	98	306	185	239	273	314	1,010	326	378	392	419	1,515
Finalized and completed development															
Finalized and completed development, SEK m	1	2	40	134	176	123	47	50	162	383	220	154	101	146	621
Other KPIs															
Total Game Dev projects	32	30	29	36		54	51	55	77		80	81	86	96	
Announced Game Dev projects	14	13	13	12		19	17	20	29		32	34	37	44	
Unannounced Game Dev projects	18	17	16	24		35	34	35	48		48	47	49	52	
Total internal game developers	78	82	163	178		536	565	608	613		860	882	1,162	1,237	
Total external game developers	282	306	261	229		714	692	740	871		807	946	1,110	1,021	
Total internal employees, non-development	44	44	45	55		470	486	554	529		541	590	709	713	
Total number headcounts	404	432	469	462		1,720	1,743	1,902	2,013		2,208	2,418	2,981	2,970	
Number of studios															
Total number External Studios						18	29	26	26		42	48	55	58	
Total number Internal Studios						7	10	10	10		17	18	18	20	
Total number Studios						25	39	36	36		59	66	73	78	
Total number of IP						91	106	107	119		136	138	148	154	

¹⁾ Recalculated with respect to the 3:1 split carried out on October 8, 2019 as resolved at the annual general meeting on September 17, 2019. Number of shares for previous periods have been adjusted.

EMBRACER⁺ GROUP

Embracer Group is the parent company of businesses developing and publishing PC and console games for the global games market. The group has an extensive catalog of over 150 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory and Wreckfest amongst many others.

With its head office in Karlstad, Sweden, Embracer Group has a global presence through its four operative groups: Koch Media GmbH/Deep Silver, THQ Nordic GmbH, Coffee Stain AB and Amplifier Game Invest AB. The group has 26 internal game development studios engaging more than 3,000 employees and contracted employers in more than 40 countries.