

EMBRACER⁺ GROUP

20/21

INTERIM REPORT 1

APRIL – JUNE 2020
EMBRACER GROUP AB (PUBL)
REG NO. 556582-6558

OPERATIONAL EBIT INCREASED 249% TO SEK 712 MILLION

FIRST QUARTER, APRIL–JUNE 2020 (COMPARED TO APRIL–JUNE 2019)

- > Net sales increased by 81% to SEK 2,068.7 million (1,142.0). Net sales of the Games business area increased by 153% to SEK 1,622.1 million (641.3). Net sales of Partner Publishing/Film business area decreased to SEK 446.5 million (500.7).
- > EBITDA increased by 148% to SEK 965.2 million (389.5), corresponding to an EBITDA margin of 47%.
- > Operational EBIT increased by 249% to SEK 711.8 million (204.0) corresponding to an Operational EBIT margin of 34% (18%).
- > Cash flow from operating activities before changes in working capital amounted to SEK 869.8 million (306.0).
- > Cash flow from operating activities amounted to SEK 732.3 million (441.3).
- > Earnings per share was SEK 0.26 (0.17).
- > Adjusted earnings per share was SEK 1.51 (0.51).

Key performance indicators, Group	Apr-Jun 2020	Apr-Jun 2019	Apr 2019–Mar 2020
Net sales, SEK m	2,068.7	1,142.0	5,249.4
EBITDA, SEK m	965.2	389.5	1,821.3
Operational EBIT, SEK m	711.8	204.0	1,033.0
EBIT, SEK m	219.2	81.2	345.4
Profit after tax, SEK m	90.6	52.8	283.3
Cash flow from operating activities before changes in working capital, SEK m	869.8	306.0	1,604.2
Cash flow from operating activities, SEK m	732.3	441.3	1,728.3
Sales growth, %	81	36	3
EBITDA margin, %	47	34	35
Operational EBIT margin, %	34	18	20

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



CEO COMMENTS**OPERATIONAL EBIT INCREASED 249%
TO SEK 712 MILLION – 125 GAMES UNDER
DEVELOPMENT**

The Group had another stable quarter with growing sales and profitability exceeding management expectations. The growth has been driven by strong demand during the global covid-19 pandemic and well received releases.

Consolidated net sales increased 81% to SEK 2,069 million (1,142). The Games business area had its best quarter ever generating SEK 1,622 million (641) in net sales, driven by organic growth as well as acquisitions. Sales in the Partner Publishing/Film business area decreased to SEK 446 million (501), due to absence of larger releases. EBITDA increased to SEK 965 million (389), corresponding to an EBITDA margin of 47% (34). Operational EBIT was SEK 712 million (204) with an Operational EBIT margin of 34% (18). Cashflow from operating activities amounted to SEK 732 million (441), mainly driven by operating profit. All reporting business segments contributed to the Group's Operational EBIT in the quarter.

**QUALITY FIRST PAYS OFF
– GROSS PROFIT INCREASED TO 4.6x AMORTIZATION**

The Group has continuously increased investments in new game development over the past years with the ambition to drive long term organic growth. I am happy to see that this growth strategy bears fruit, with multiple successful launches in the quarter. During the period, Deep Silver released *Saints Row: The Third – Remastered*. Milestone released *MotoGP 20*. THQ Nordic released *Spongebob The Battle for Bikini Bottom Re-hydrated* and *Desperados 3*. Coffee Stain released the full version of *Deep Rock Galactic*, *Hunt-down*, and extended early access availability of *Satisfactory* to Steam. Saber Interactive released *SnowRunner* and *World War Z Game of the Year Edition*. It is encouraging to see that our effort in putting quality first seems to pay off, as our recent releases have been received well. The strategy is also supported financially by the increase in our “gross profit”-to-amortization ratio to 4.6 (3.5), indicating improved profitability within the Games business area. Looking ahead it is worth noting that we fully amortize games over two years, hence a higher degree of back catalog sales older than two years will have a positive effect on the ratio. Further, larger projects generally have a lower relative profitability than smaller projects, hence we expect a downwards pressure on the ratio as larger projects are released.

Overall, the commercial performance of these releases exceeded management expectations in the quarter. This, together with a solid performance of our back catalog, drove an organic year-over-year growth across our Games business area of 71% in the quarter (9% in FY19/20 and 23% in FY18/19). The Games business area had a strong performance in the quarter, mainly driven by digital sales. However, physical games still reached all-time high sales of SEK 419 million.

Starting in this quarter we introduce organic growth as a KPI, which excludes businesses that have been acquired in the past year and is adjusted for differences in currency exchange rate.

I am happy to see that our Games business area has continued to perform well after the quarter end, supported by the release of *Destroy All Humans!* where initial sales exceeded management expectations, as well as a sustained interest driven by our recent releases.

The performance in the first quarter has laid a solid foundation to make the fiscal year 2020/21 another stable growth year for Embracer Group, although the growth rate in the coming quarters will depend on the reception of upcoming releases. In the second quarter, we are besides *Destroy All Humans!* looking forward to the releases of *Wasteland 3*, *Iron Harvest*, *Windbound*, *Kingdoms of Amalur: Re-Reckoning* and *WWE 2K Battlegrounds*, the latter in cooperation with 2K Games.

SOLID INITIAL PERIOD WITH SABER INTERACTIVE

The initial period with Saber Interactive within the Group has exceeded my expectations. The number of touchpoints and cooperations between Saber and the other operative groups are numerous, a perfect example of the win-win synergies we are targeting as Embracer Group welcomes new gaming entrepreneurs to our growing family. We see Saber as an important platform for both organic and in-organic growth and reiterate the target to grow Saber's internal developer count to 1,500 from just over 600 at the beginning of this year.

LOOKING AHEAD

We continue to invest for long-term organic growth. Investments into new game development was SEK 457 million in the quarter and the number of ongoing development projects was 125, both all time high figures, 73 of these projects are yet to be announced. We expect to benefit from these growing investments in the years to come and we re-iterate the expected value of completed games in fiscal year 2020/21 to SEK 1,200-1,400 million.

We continue to patiently execute on our M&A strategy, with the ambition of welcoming more entrepreneurs to the Group. Currently we have more discussions than ever with potential joiners, including a handful of sizable companies that could form new operative groups. Our decentralized strategy, where founders and creators keep their own identity whilst getting access to our growing eco-system, has proven to be increasingly successful. I am a firm believer in empowering great people to make their own decisions.

Covid-19 is still a challenge to all of us. The Group's priority is to maintain the safety and wellbeing of all employees and coworkers. As recent events have shown, covid-19 is one of many challenges we must fight.

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

All the best from Värmland.

August 13, 2020, Karlstad, Sweden

Lars Wingefors,
Co-founder & CEO



FINANCIAL PERFORMANCE

All comments refer to the quarter unless otherwise stated.

CONSOLIDATED NET SALES

Consolidated net sales by business area, SEK m	Apr–Jun 2020	Apr–Jun 2019	Change	Apr 2019–Mar 2020
Games - THQ Nordic	487.8	185.1	164%	1,154.4
Games - Deep Silver	612.7	373.4	64%	1,796.3
Games - Coffee Stain	172.5	82.8	108%	245.8
Games - Saber Interactive	349.2	-	-	-
Games Subtotal	1,622.1	641.3	153%	3,196.5
Partner Publishing/Film	446.5	500.7	-11%	2,052.9
Consolidated Net Sales	2,068.7	1,142.0	81%	5,249.4

Consolidated net sales in the quarter increased by 81% or SEK 926.7 million compared to last year. All business areas within Games contributed to the growth, whereas the addition of Saber Interactive contributed SEK 349.2 million. Business area Games - THQ Nordic, Coffee Stain and Deep Silver showed growth over last year, mainly driven by new releases and solid back catalog sales, furthermore the addition of Milestone contributed to growth in business area Deep Silver.

The decrease in net sales of the Partner Publishing/Film business area is mainly due to the absence of larger releases. The lack of larger Partner Publishing-releases in the quarter was mitigated by a solid performance in the Film segment, driven by back catalog sales and contributions from the acquired KSM.

CONSOLIDATED EXPENSES

Operating expenses, SEK m	Apr–Jun 2020	Apr–Jun 2019	Apr 2019–Mar 2020
Goods for resale	-759.9	-528.0	-2,576.0
Other external expenses	-292.2	-177.5	-784.0
Personnel expenses	-378.7	-223.1	-1,130.0
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-746.0	-308.3	-1,475.9
Total operating expenses	-2,176.8	-1,236.9	-5,965.9

Consolidated expenses increased due to acquisitions and growth within the Games business area. Growth in goods for resale was relatively low compared to growth in net sales, resulting in an increased gross margin 63% (54%). The improved gross margin is mainly due to a favorable shift in sales-mix from Partner Publishing/Film towards the Games business area. Lastly, the addition of Saber had a positive effect on gross margin due to a high degree of royalty income and an important Work For Hire business. 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 acquisitions made versus corresponding quarter last year and increased internal investments in the Group's gaming portfolio of SEK 116.8 million. The net increase excluding capitalized game development amounts to SEK 153.5 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 increased in the quarter, mainly explained by timing of releases.



CONSOLIDATED DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization, SEK m	Apr–jun 2020	Apr–jun 2019	Apr 2019– mar 2020
Intangible assets			
Game development	191.1	162.4	587.1
Other intangible assets (Film etc.)	54.4	16.5	171.8
Sub-total	245.5	178.9	758.9
<i>Acquisition-related depreciation</i>			
IP-rights	102.2	69.1	359.4
Surplus value Partner Publishing/Film	15.1	8.2	43.1
Goodwill	375.3	45.5	285.1
Sub-total	492.6	122.8	687.6
Total intangible assets	738.1	301.7	1,446.5
Tangible assets	7.9	6.6	29.4
Total depreciation and amortization	746.0	308.3	1,475.9

The increased amortization of games is mainly explained by higher value of finalized game development in the quarter versus last year. The increase in depreciations of other intangible assets (Film etc.) in the quarter is mainly driven by the inclusion of KSM. The increase in acquisition related depreciations over last year in the quarter is primarily explained by acquisitions made during the year where the acquisition of Saber Interactive accounts for the largest portion.

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 389.5 million to SEK 965.2 million, and Operational EBIT, from SEK 204.0 million to SEK 711.8 million, for the quarter is mainly explained by the increase in net sales compared to the same period last year and improved gross margin. The increase in Operational EBIT fell through to EBIT but was significantly lowered by increased acquisition-related depreciations, of SEK 369.8 million. EBIT increased, from SEK 81.2 million to SEK 219.2 million, in the quarter.

CONSOLIDATED CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities before changes in working capital for the quarter was SEK 869.8 million (306.0). The increase is mainly due to increased earnings from operations. Cash taxes for the quarter amounted to SEK –44.0 million (–65.0). Change in working capital amounts to SEK –137.5 million (135.3).

The physical part of our business naturally drives working capital. However, digital sales also require working capital, mainly due to the timing difference between when products are sold by digital distributors to when cash is collected from digital distributors. The timing differs between digital distributors but is on average approximately 60 days from actual transaction date.



There was no effect of forfeiting in the quarter since utilization was zero on March 31 and June 30. Last year the level of forfeiting was decreased in the quarter with approximately SEK 51.4 million. Adjusting for the effects of forfeiting, change in working capital amounts to SEK –137.5 million (186.3).

Cash flow from operating activities after change of working capital for the period was SEK 732.3 million (441.3). Cash flow from investing activities was SEK –1,632.1 million (–394.2), where SEK –1,103.9 million (–0.2) relates to acquired companies.

The Group's investments in intangible fixed assets amounted to SEK –497.9 million (–380.9), mainly related to capitalized expenditure for ongoing game development of SEK 456.7 million and film rights SEK 41.2 million. Investments in buildings, property, plant and equipment amounted to SEK –16.2 million (–10.8). Investments in financial assets amounted to SEK –17.5 million (–2.3).

Cash flow from financing activities amounted to SEK 1,940.3 million (183.2) and is mainly related to the new share issue.

Cash and cash equivalents at the end of the period were SEK 3,525.1 million compared to SEK 2,510.3 million as of March 31, 2020. The Group also had unutilized credit facilities of SEK 1,623.9 million compared to SEK 1,769.0 million as of March 31, 2020. The Group's total available cash and unutilized credit facilities were SEK 5,149.0 million at the end of the quarter compared to SEK 4,279.3 million as of March 31, 2020. As per June 30, 2020 the Net Cash of the Group amounted to SEK 813.7 million compared to SEK 1,019.4 million as per March 31, 2020.

As of 30 June, 2020 the Group has provisions of 385.3 MSEK for earnouts with expected settlement dates according to below. All provisions are to be settled in cash.

SEK m	Financial year when settlement is expected					Total
	20/21	21/22	22/23	23/24	>23/24	
Provisions for conditional purchase price	5.2	16.0	127.9	4.4	231.8	385.3

In addition, out of the 372.4 million shares outstanding there are approximately 49.5 million shares with clawback rights as per 30 June 2020. These shares have already been issued to cover for future earn-out obligations, hence there is no additional dilution if earn-out targets are met in the future.

INTANGIBLE ASSETS

The Group had intangible assets of SEK 10,971.1 million at the end of the quarter, compared to SEK 5,870.9 million at the end of the previous quarter, March 31, 2020, distributed as follows:

Intangible assets – Specification, SEK m	June 30, 2020	June 30, 2019	Mar 31, 2020
Completed games	511.5	427.0	438.6
Ongoing game development projects	2,274.4	1,280.4	2,117.7
Other intangible assets (film etc.)	192.6	163.1	250.1
Intangible assets	2,978.5	1,870.5	2,806.4
IP-rights	1,337.6	1,000.2	1,479.8
Surplus value Partner Publishing/Film	152.1	161.4	173.0
Goodwill	6,502.9	786.5	1,411.7
Acquisition related intangible assets	7,992.6	1,948.1	3,064.5
Total	10,971.1	3,818.6	5,870.9



PRELIMINARY PURCHASE PRICE ALLOCATION

In April, Embracer acquired Saber Interactive. Saber Interactive was consolidated into Embracer's consolidated financial reporting from 1 April 2020. A preliminary purchase price allocation of Saber Interactive is provided below:

PPA Saber Interactive	SEK m
On-going/completed game development	78
Other intangible assets	13
Other non-current assets	13
Current receivables excluding cash and bank	193
Cash and bank	5
Current liabilities	-77
Total net assets acquired excluding goodwill	226
Goodwill	5,853
Total net assets acquired	6,080
Less	
Cash and bank	-5
Ordinary shares issued	-3,930
Loan payable to sellers	-1,046
Net cash outflow on acquisition of business	1,098

The SEK 5,853.5 million surplus value identified in the preliminary purchase price allocation for Saber will result in non-operational amortizations of approximately SEK 292.6 million on a quarterly basis for the coming five years starting from 1 April 2020.

SABER INTERACTIVE

As part of Embracer's consolidated financial reporting Saber has implemented K3. The main difference between K3 and previous GAAP applied by Saber is related to revenue recognition and project accounting. The adoption of K3 in the quarter had no material effect (SEK 5.5 million) at the operational EBIT level compared to previous GAAP.

During the quarter Saber has contributed with net sales of SEK 349.2 million of which SEK 99.8 million relates to Work For Hire projects and SEK 249.3 million relates to direct sales and royalties for released products. Saber has further added SEK 17.7 million in operational amortizations. Net sales for Work For Hire has been reported as publishing titles, digital/non-physical-, back-catalog-sales within business area Games – Saber Interactive. If Work For Hire agreements contain royalties to be received post release, such royalty revenue is recognized post release in-line with the sales of the underlying game and reported as publishing titles, digital/non-physical-, new release- or back catalog- sales within business area Games – Saber Interactive.

DEPENDENCY ON FOREIGN EXCHANGE RATES

Embracer operates on a global market and reports financial performance in SEK and thus has a dependency towards foreign currencies, mainly USD and EUR. The SEK has strengthened after quarter end versus USD and EUR. Everything else being equal, this would have a negative impact on net sales in SEK. However, organic growth in net sales in local currency would not be affected.



PARENT COMPANY

The Parent Company's net sales for the quarter were SEK 189.8 million (101.2) and profit before tax was SEK 46.9 million (27.7). Profit after tax was SEK 36.8 million (21.6).

Investments in intangible assets in the quarter were SEK 108.0 million (131.2).

Cash and cash equivalents as of June 30, 2020 were SEK 2,401.2 million (2,460.2).

The Parent Company's equity at the end of the period was SEK 10,470.4 million (5,164.5).

Embracer Group successfully completed a directed share issue of SEK 1,646.5 million, April 8, 2020. The new share issue further improves the Group's financial position and enables it to continue its long track record of successful acquisitions and adding new game publishers, development studios or new exciting franchises.

Matthew Karch was elected as a new board member as of 20 May 2020, at an extra general meeting. Matthew has a solid industry background, and for the past 19 years, Matthew has served as CEO of Saber and has grown the company from a two-person studio to one of the larger independent developers in the industry.

OPERATIONAL OVERVIEW BY BUSINESS AREA

BUSINESS AREA: GAMES – THQ NORDIC

THQ Nordic released the following new products in the quarter ended June 2020:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Desperados 3</i>	THQ Nordic	Own	PC, PS4, Xbox One	On- and Offline
<i>MX vs ATV - All Out "2020 AMA Pro Motocross Championship" DLC</i>	THQ Nordic	Own	PC, PS4, Xbox One	Online
<i>Spongebob - Battle for Bikini Bottom Rehydrated</i>	THQ Nordic	License	PC, PS4, Xbox One, Switch	On- and Offline
<i>Titan Quest: Atlantis (Addon)</i>	THQ Nordic	Own	Switch	Online
<i>Titan Quest: Ragnarök (Addon)</i>	THQ Nordic	Own	Switch	Online
<i>Rebel Cops</i>	Handy Games	Own	iOS, Android	Online
<i>Through the Darkest of Times</i>	Handy Games	External	iOS, Android	Online

Net sales of Business area: Games THQ increased 164% to SEK 488 million compared to the same period last year.

THQ Nordic had its best quarter in history, mainly driven by the new release of *Spongebob: Battle for Bikini Bottom Rehydrated* exceeding management expectations. *Desperados 3* was also released during the end of the quarter and got exciting reviews from both critics and consumers alike. However, we expect the commercial performance visible longterm rather than short term due to the game more narrow genre.

Destroy All Humans! was released after the quarter end and has so far exceeded management expectations – both in terms of sellthrough and community feedback.

In general the management are encouraged to see great commercial performance of remakes of old iconic games. This gives the management further confidence in their established business model of acquiring and servicing well-known IPs and aligning them with great development resources to expand upon them with the level of experience that communities and established fan bases expect and deserve.

The back catalogue had a great performance primarily driven by *Wreckfest*, as well as a solid performance of *Darksiders Genesis*, *Monster Jam* and *MX vs ATV*.

BUSINESS AREA: GAMES – COFFEE STAIN

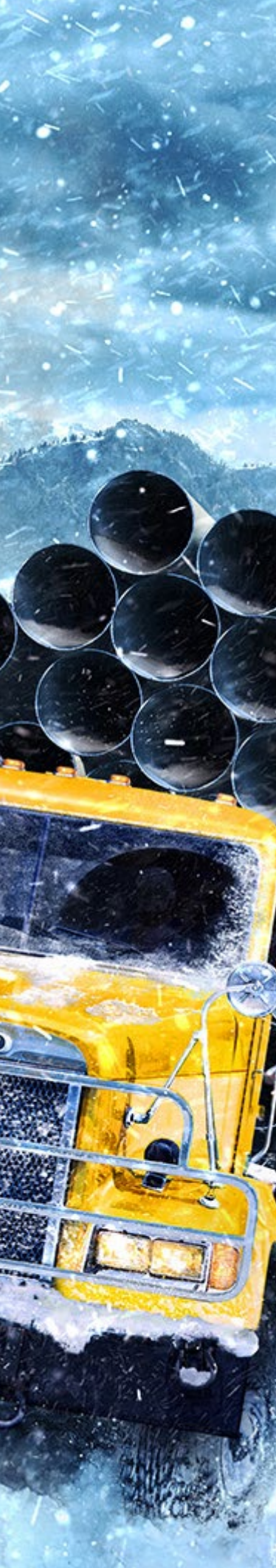
Coffee Stain released the following new products in the quarter ended June 2020:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Deep Rock Galactic 1.0 (full version)</i>	Coffee Stain	External	PC, Xbox One	Online
<i>HuntDown</i>	Coffee Stain	External	PC, PS4, Xbox One, Switch	Online
<i>Satisfactory (early access)</i>	Coffee Stain	Own	PC (Steam)	Online

Net sales for the Business Area Games – Coffee Stain increased 108% to SEK 173 million compared with last year.

Coffee Stain performed its best quarter ever, driven by successful launches of the full version of *Deep Rock Galactic* and early access version of *Satisfactory* on Steam. Both titles exceeded management expectations, and *Satisfactory* has continued to be among the top sellers on Steam after the quarter end.

HuntDown, developed by Easy Trigger in Trollhättan, was another release that got favorable reviews from both consumers and critics alike. The commercial performance has been more limited, but we are confident the game will be a long term seller. Whether we are making



a good profit or not, we are proud to support the retro-genre with such a fantastic game developed in the local area in Sweden.

Goat Simulator is a solid contributor to the back catalogue and continued to perform well on all its seven published platforms.

During the quarter, Coffee Stain North announced a new 740 m² office at Fridhemsplan in central Stockholm, which will be used together with Coffee Stain Publishing.

Finally, Coffee Stain Studios Skövde signed and moved into the 2,500 m² office at the old Skaraborgsbanken from the late 19th century. The space will be able to host its growth ambition as well as potentially other developers within the group, external studios or freelancers.

BUSINESS AREA: GAMES – DEEP SILVER

Deep Silver released the following new products in the quarter ended June 2020:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Maneater</i>	Deep Silver	External	PC, PS4, Xbox One	Offline
<i>Saints Row: The Third Remastered</i>	Deep Silver	Own	PC, PS4, Xbox One	On- and Offline
<i>MotoGP 20</i>	Milestone	License	PC, PS4, Xbox One, Switch, Stadia	On- and Offline

Net sales of the Business Area: Games – Deep Silver increased 64% to SEK 613 million.

Notable releases in the quarter were *Saints Row: The Third Remastered* and *Maneater* which both performed in line with the management expectations. *Saints Row* accounted for the largest contribution to revenues in the quarter.

The back catalogue showed a solid quarter that exceeded the management expectations, mainly driven by digital sales lead by the robust performance of the *Metro* IP.

Looking ahead, notable releases in the quarter ending September will include *Wasteland 3*, *Iron Harvest* on PC, *Windbound* and *Pathfinder: Kingmaker* for console.

Milestone released *MotoGP 20* in the quarter, that exceeded management expectations, especially in digital sales. The back catalogue also performed better than expected, mostly driven by the digital performance.

BUSINESS AREA: GAMES – SABER INTERACTIVE

Saber Interactive released the following new products in the quarter ended June 2020:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>SnowRunner</i>	External	Own	PC, PS4, Xbox One	On- and Offline
<i>World War Z GOTY Edition</i>	External	Exclusive license	PC, PS4, Xbox One	On- and Offline

Net sales for Business area Games: Saber Interactive were SEK 349 million.

Saber Interactive had a solid first quarter within the Group. Net Sales exceeded management's original forecasts due to a strong performance of the new release *SnowRunner* selling over 1 million copies, and a continued performance of *World War Z*.

Looking ahead, the notable *WWE 2K Battlegrounds*, published by 2K, will be released in the quarter ending September.

The integration of Saber Interactive has gone smoothly, in spite of the challenging circumstances with the ongoing pandemic. Remote operations have been efficient.

The initial period with Saber Interactive within the Group has exceeded our expectations. The number of touchpoints and cooperations between Saber and the other operative groups are numerous, a perfect example of the win-win synergies we are targeting as Embracer Group welcomes new gaming entrepreneurs to our growing family.



BUSINESS AREA: GAMES – AMPLIFIER GAME INVEST

Amplifier Game Invest screens and invests internationally in talented companies in the gaming industry and has attracted a lot of interest.

The recently launched offer Startup Subsidiary, which gives seasoned top talented game developers full creative integrity plus financial incentives and commercial support, has been well received among developers.

During the quarter Amplifier Game Invest completed the acquisition of the Italian based studio, DESTINYbit. Amplifier Game Invest expanded its team with more key people to broaden their expertise and support to partner studios.

Despite the challenging covid-19 pandemic the Amplifier team has found new creative ways to connect, update, and share ideas within the group. Discussions with companies and people wanting to join Amplifier Game Invest continues, even during challenging times. Deal flow pipeline was solid entering the quarter, paving the way for new acquisitions after the period.

After the quarter end, Amplifier Game Invest increased their stake in the studio Kavalri, located in Stockholm Sweden, from 20% to 41% ownership.

BUSINESS AREA: PARTNER PUBLISHING/FILM

Net sales in the Partner Publishing/Film business area decreased 11% to SEK 447 million in the quarter, mainly due to the absence of any larger releases.

The main revenue driver in the back catalogue was *Final Fantasy VII*, in the quarter. Covid-19 pandemic shifted the downturn of revenues from physical retailers partly to e-tailers during the quarter.

After the quarter end the Partner Publishing business segment has successfully launched the physical version of *F1 2020*, from Codemasters. Another major release in the quarter ending September 30 will be Square Enix's long-awaited action-game *Marvel's Avengers* on PC, PS4 and Xbox One.

The film business had a solid quarter meeting management expectations. Revenue more than doubled in comparison to the same period last year, mainly driven by a strong digital performance, and contributions from the acquired KSM. The award-winning movie, *Parasite*, continues to be a major revenue contributor. Releases for next quarter includes *The witch next door*, among others. Looking ahead, we are looking forward to the release of the Greta Thunberg movie "*Greta*", where we have the rights for Italy, scheduled for release this autumn.

Koch Media is continually evaluating new markets to expand its publishing operations further. As recently announced, the US office (formerly Deep Silver Inc.) was re-branded and is now operating as a full Koch Media publishing office. Furthermore, later this year Koch Media will be entering the Asian markets with dedicated offices as well. More information will be announced by Koch Media in due time.

ONGOING DEVELOPMENT AND UPCOMING RELEASES

The Company invested SEK 457 million in its growing development pipeline that will be driving growth and profitability in the coming years.

The finalized value of the completed game releases during the quarter were SEK 253 million driven by the releases of *Saints Row: The Third Remastered*, *Desperados 3*, *SnowRunner*, *Spongebob - Battle for Bikini Bottom Rehydrated* and *Maneater*.

Announced releases in the Games business area as of August 13, 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>Gothic - Remake</i>	THQ Nordic	Own	PC, next gen consoles	On- and Offline
<i>Kingdoms of Amalur Expansion: Fatesworn</i>	THQ Nordic	Own	PS4, Xbox One, PC	Online
<i>Kingdoms of Amalur: Re-Reckoning</i>	THQ Nordic	Own	PS4, Xbox One, PC	On- and Offline
<i>Knights of Honor II: Sovereign</i>	THQ Nordic	Own	PC	On- and Offline
<i>MX vs. ATV All Out</i>	THQ Nordic	Own	Switch	On- and Offline
<i>Scarf</i>	THQ Nordic	External	PC	Online
<i>SpellForce 3 Addon 2: Fallen God</i>	THQ Nordic	Own	PC	Online
<i>The Guild 3 (full version)</i>	THQ Nordic	Own	PC	On- and Offline
<i>A Rat's Quest</i>	Handy Games	External	PS4, Xbox One, PC, Switch	Online
<i>Aces of the Luftwaffe Squadron - Extended Edition</i>	Handy Games	Own	Mobile	Online
<i>Airhead</i>	Handy Games	External	PS4, Xbox One, PC, Switch	Online
<i>Chicken Police - Paint it red!</i>	Handy Games	External	PS4, Xbox One, PC, Switch	Online
<i>El Hijo</i>	Handy Games	External	PC, PS4, Xbox One, Switch	Online
<i>Endling - Extinction is Forever</i>	Handy Games	External	PC, PS4, Xbox One, Switch	On- and Offline
<i>Little Big Workshop</i>	Handy Games	Own	Xbox One	Online
<i>One Hand Clapping</i>	Handy Games	External	PS4, Xbox One, PC, Switch	Online
<i>Pile Up!</i>	Handy Games	External	PS4, Xbox One, PC, Switch	Online
<i>Townsmen VR</i>	Handy Games	Own	PC, PS4	Online
<i>Chorus</i>	Deep Silver	Own	PC, PS4, Xbox One	On- and Offline
<i>Chivalry 2</i>	Deep Silver	External	PC, PS4, Xbox One	Offline
<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>Windbound</i>	Deep Silver	Own	PC, PS4, Xbox One, Switch	Online
<i>Ride 4</i>	Milestone	License	PC, PS4, Xbox One	On- and Offline
<i>9 Monkeys of Shaolin</i>	Ravencourt	External	PC, PS4, Xbox One, Switch	On- and Offline
<i>Relicta</i>	Ravencourt	External	PC, PS4, Xbox One	Online
<i>Satisfactory (full version)</i>	Coffee Stain	Own	PC	Online
<i>Songs of Conquest</i>	Coffee Stain	Own	PC	Online
<i>Midnight Ghost Hunt</i>	Coffee Stain	External	PC	Online
<i>Valheim</i>	Coffee Stain	External	PC	Online
<i>Era Combat</i>	Saber Interactive	Own	Mobile	Online
<i>I, Viking</i>	Saber Interactive	Own	Mobile	Online
<i>Plazmic</i>	Saber Interactive	Own	Mobile	Online
<i>Slototerra</i>	Saber Interactive	Own	Mobile	Online
<i>NBA 2K Playgrounds 2</i>	External	License	Mobile	Online
<i>WWE 2K Battlegrounds</i>	External	External	PC, PS4, Xbox One, Switch	On- and Offline
<i>Fishing: North Atlantic</i>	Misc. Games	Own	PC	Online

For latest release dates please refer to above mentioned publishers.

EVENTS AFTER THE QUARTER

SIGNIFICANT EVENTS AFTER THE QUARTER

> Amplifier Game Invest increased its holding in Kavalri, a development studio based in Stockholm, Sweden, from 20% to 41%.

RELEASES AFTER THE END OF THE QUARTER

During the period July 1, 2020 until August 13, 2020, the following titles were released:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Destroy All Humans!</i>	THQ Nordic	Own	PC, PS4, Xbox One	On- and Offline
<i>One Hand Clapping - Early Access</i>	Handy Games	External	Stadia	Online
<i>Spitlings</i>	Handy Games	External	PC, PS4, Xbox One, Switch	Online
<i>Outward DLC "The Soroboreans"</i>	Deep Silver	External	PC, PS4, Xbox One	On- and Offline





OTHER INFORMATION

SUSTAINABILITY AND GOVERNANCE

To clarify our values and principles we turned our Compliance Code into a series of playful stories inspired by retro gaming. During the quarter, we launched the site where all these stories are found, both internally and externally. The next step will be a digital training where a gamified version of the Code will be available for all employees and coworkers to complete. More information about the Code is available on Embracer's website.

Moreover, the work with "Smarter Business" – the Group's framework for sustainability, continues to put sustainability on the agenda throughout the Group, mainly driven by the ambassador program and teams devoted to sustainability. Data has been collected from all the group's subsidiaries to get a better understanding of the situation in the group for our upcoming goals within the framework.

The Due Diligence process has been updated to involve ESG, data security and communication matters more in-depth in an early stage.

The sustainability report is in a final state and will be included and published in the upcoming Annual report.

FINANCE REPORTING IMPROVEMENTS AND IFRS PRE STUDY

In November 2019, the board decided to launch a pre-study evaluating an IFRS conversion to be reported within a year. As part of the project we continue to scale capabilities within Finance and Administration to support our strategy with organic and in-organic growth. The increased capabilities are both global and in each operative group, mainly through process improvement, system support and resource allocation. Through continuous improvement we strive to increase transparency, by gradually increasing disclosures in our external communication with the introduction of organic growth in this report as an example.

RELATED PARTY TRANSACTIONS

During the quarter:

- > Quantic Labs S.R.L.¹⁾ has invoiced THQ Nordic GmbH for QA-services amounting to SEK 4.5 million (4.4).
- > Quantic Labs S.R.L.¹⁾ has invoiced Koch Media GmbH for services amounting to SEK 0.2 million (0.1).

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

¹⁾ Company 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.

ANALYSTS FOLLOWING EMBRACER GROUP

Company	Name	Phone	Mail
Carnegie	Oscar Erixon	+46 8 58 86 89 73	oscar.erixon@carnegie.se
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SEB	Mathias Lundberg	+46 8 522 297 94	mathias.lundberg@seb.se
Bernstein	Matti Littunen	+44 207 170 50 09	matti.littunen@bernstein.com
Nordea Markets	Erik Lindholm-Röjestål	+46 101 570 310	erik.lindholm-rojestal@nordea.com
Pareto Securities	Lars-Ola Hellstrom	+46 8 402 5277	lars-ola.hellstrom@paretosec.com
Handelsbanken	Fredrik Olsson	+46 722 357 025	frol16@handelsbanken.se
Redeye	Tomas Otterbeck	-	tomas.otterbeck@redeye.se
ABG Sundal Collier	Jesper Birch-Jensen	+46 8 566 286 13	Jesper.Birch-Jensen@abgsc.se

Note: Redeye and ABG Sundal Collier are commissioned by Embracer Group.

THE SHARE

TOP 10 OWNERS, AS OF JUNE 30, 2020

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Change from
					Mar. 31, 2020
					Class B shares
Lars Wingefors	19,504,401	88,571,196	29.03	42.15	
Matthew Karch and Andrey Iones	6,399,137	33,961,661	10.84	14.56	33,961,661
Swedbank Robur Funds	0	26,099,738	7.01	3.88	2,226,114
Erik Stenberg	4,223,172	19,177,800	6.28	9.13	
Handelsbanken Funds	0	19,653,245	5.28	2.92	-1,081,622
Didner & Gerge Funds	0	11,610,769	3.12	1.73	665,557
AP1 Första AP-fonden	0	8,369,760	2.25	1.24	-4,381,200
Mikael Brodén	1,450,134	6,585,189	2.16	3.13	
AP2 Andra AP-fonden	0	4,778,738	1.28	0.71	-155,000
ODIN Funds	0	4,586,000	1.23	0.68	936,000
TOTAL TOP 10	31,576,844	223,394,096	68.48	80.12	
ALL OTHER SHAREHOLDERS	1,822,293	115,559,322	31.52	19.88	
TOTAL	33,399,137	338,953,418	100.00	100.00	

Source: Holdings by Modular Finance.

TOP 15 MANAGEMENT & CO-FOUNDER OWNERS, AS OF JUNE 30, 2020

Owner	Co-Founder	Class A shares	Class B shares	Share of capital, %	Share of votes, %
Lars Wingefors	Embracer Group	19,504,401	88,571,196	29.03	42.15
Matthew Karch and Andrey Iones	Saber Interactive	6,399,137	35,386,220	11.22	14.77
Erik Stenberg	Embracer Group	4,223,172	19,177,800	6.28	9.13
Mikael Broden	Embracer Group	1,450,134	6,585,189	2.16	3.13
Luisa Bixio	Milestone	0	3,801,969	1.02	0.56
Klemens Kreuzer	THQ Nordic	605,352	2,748,963	0.90	1.31
Reinhard Pollice	THQ Nordic	347,043	1,966,572	0.62	0.81
Pelle Lundborg	Embracer Group	869,898	1,099,649	0.53	1.46
Anton Westbergh	Coffee Stain	0	1,206,333	0.32	0.18
Klemens Kundratitz	Koch Media	0	1,127,928	0.30	0.17
Stefan Ljungqvist	Experiment 101	0	405,405	0.11	0.06
David L Adams	Gunfire Games	0	217,719	0.06	0.03
Martin Klima	Warhorse Studios	0	185,730	0.05	0.03
Janne Alanenpää	Bugbear Studios	0	181,074	0.05	0.03
Daniel Vavra	Warhorse Studios	0	121,440	0.03	0.02
TOP 15		33,399,137	162,783,187	52.69	73.82
ALL OTHER SHAREHOLDERS		0	176,170,231	47.31	26.18
TOTAL		33,399,137	338,953,418	100.00	100.00

Holdings by management above are in general owned through various wholly owned companies.



**TOP 50 INSTITUTIONAL OWNERS,
AS OF JUNE 30, 2020**

**Change from
Mar. 31, 2020**

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Class B shares
Swedbank Robur Funds	-	26,099,738	7.01	3.88	+2,226,114
Handelsbanken Funds	-	19,653,245	5.28	2.92	-1,081,622
Didner & Gerge Funds	-	1,161,769	3.12	1.73	+665,557
AP1 Första AP-fonden	-	8,369,760	2.25	1.24	-4,381,200
AP2 Andra AP-fonden	-	4,778,738	1.28	0.71	-155,000
ODIN Funds	-	4,586,000	1.23	0.68	+936,000
Olsson Family and Foundation	-	3,820,004	1.23	0.69	
Avanza Pension	-	3,787,074	1.02	0.56	+563,603
TIN Funds	-	3,653,487	0.98	0.54	+1,157,821
Livförsäkringsbolaget Skandia	-	3,305,050	0.89	0.49	-1,111,290
Janus Henderson Investors	-	2,772,891	0.74	0.41	+1,855,485
Futur Pension	-	2,765,962	0.74	0.41	+46,781
Martin Larsson (Chalex AB)	-	2,561,097	0.69	0.38	-57,000
Danske Invest (Lux)	-	2,273,000	0.61	0.34	+88,000
Highclere International Investors LLP	-	2,202,089	0.59	0.33	+2,202,089
Länsförsäkringar Funds	-	2,071,064	0.56	0.31	+195,257
BlackRock	-	1,996,962	0.54	0.30	-90,388
Skandia Funds	-	1,921,850	0.52	0.29	+108,655
Allianz Global Investors	-	1,346,000	0.36	0.20	+354,000
Nordnet Pensionsförsäkring	-	1,343,394	0.36	0.20	+439,664
Naventi Funds	-	1,251,394	0.34	0.19	+171,560
JP Morgan Asset Management	-	1,119,009	0.30	0.17	+393,586
Sensor Funds	-	1,101,092	0.30	0.16	
AFA Försäkring	-	1,096,744	0.29	0.16	+1,096,744
Aktia Asset Management	-	1,048,132	0.28	0.16	-100,000
Svenska Handelsbanken AB for PB	-	1,015,403	0.27	0.15	+8,350
Fondita Funds	-	920,000	0.25	0.14	+50,000
RAM Rational Asset Management	-	827,906	0.23	0.13	
Amundi	-	843,014	0.23	0.13	+178,345
DNB Funds	-	785,132	0.21	0.12	+785,132
Michael Knutsson	-	700,000	0.19	0.10	-100,000
Varma Mutual Pension Insurance Company	-	675,000	0.18	0.10	+675,000
Kuwait Investment Authority	-	673,868	0.18	0.10	+151,535
Evli Funds	-	662,500	0.18	0.10	+337,500
Lancelot Asset Management AB	-	600,000	0.17	0.09	
DJE Kapital AG	-	628,700	0.17	0.09	-5,700
CamGestion	-	620,770	0.17	0.09	+211,263
Knutsson Holdings AB	-	550,000	0.15	0.08	+150,000
Delaware Investments	-	533,231	0.14	0.08	+1,519
Nordea Funds (Lux)	-	527,974	0.14	0.08	-16,659
Carnegie Funds	-	515,000	0.14	0.08	
GW&K Investment Management	-	507,909	0.14	0.08	+6,300
BNP Paribas Asset Management	-	503,324	0.14	0.07	+7,516
Metzler	-	475,000	0.13	0.07	-90,000
Consensus Asset Management AB	-	469,335	0.13	0.07	+43,325
American Century Investment Management	-	438,738	0.12	0.07	-851,182
Handelsbanken Liv Försäkring AB	-	417,795	0.11	0.06	-73,821
TKP Investments	-	381,944	0.10	0.06	+381,944
Northern Trust	-	336,674	0.09	0.05	+528
Deka Investments	-	318,992	0.09	0.05	
TOTAL TOP 50 INSTITUTIONAL OWNERS	0	131,462,754	35.53	19.66	
ALL OTHER SHAREHOLDERS	33,399,137	207,490,664	64.47	80.34	
TOTAL	33,399,137	338,953,418	100.00	100.00	

Source: Holdings by Modular Finance.

**INTERNATIONAL OWNERSHIP
TOP 50 INSTITUTIONAL
BY CAPITAL**

International institutions
21.5%



Swedish institutions
78.5%

**INSTITUTIONAL OWNERSHIP
VS MANAGEMENT
BY CAPITAL**

Top 50 institutions
35.5%



Top 15 Management /Co-Founders
52.7%

Other shareholders
11.8%



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 Report.

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

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

The Annual General Meeting 2020 will be held on 16 September 2020. The Annual Report will be published at the latest August 26, 2020, on the company's webpage and at the same time made available in the Company's headquarter in Karlstad.

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, Co-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, August 13, 2020

Kicki Wallje-Lund
Chairman of the Board

David Gardner

Ulf Hjalmarsson

Jacob Jonmyren

Matthew Karch

Erik Stenberg

Lars Wingefors
Chief Executive Officer

This Interim 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 August 13, 2020

CONSOLIDATED INCOME STATEMENT

SEK m	Apr–Jun 2020	Apr–Jun 2019	Apr 2019– Mar 2020
Net sales	2,068.7	1,142.0	5,249.4
Work performed by the Company for its own use and capitalized	247.9	131.1	752.8
Other operating income	64.5	44.9	305.9
Total operating income	2,381.2	1,318.1	6,308.1
Operating expenses			
Goods for resale	–759.9	–528.0	–2,576.0
Other external expenses	–292.2	–177.5	–784.0
Personnel expenses	–378.7	–223.1	–1,130.0
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	–746.0	–308.3	–1,475.9
Total operating expenses	–2,176.8	–1,236.9	–5,965.9
Profit from participation in associated companies	14.8	0.0	3.2
Operating profit	219.2	81.2	345.4
<i>Profit from financial items</i>			
Other interest income, etc.	2.4	8.6	94.3
Other interest expenses, etc.	–38.0	–6.6	–30.9
Total financial items	–35.6	2.1	63.4
Profit after financial items	183.6	83.3	408.8
Profit before tax	183.6	83.3	408.8
Tax on profit for the period	–93.0	–30.5	–125.5
Net profit for the period	90.6	52.8	283.3
<i>Attributable to:</i>			
Equity holders of the parent	91.1	53.2	284.9
Non-controlling interests	–0.5	–0.4	–1.6
Earnings per share, SEK	0.26	0.17	0.91
Average number of outstanding shares, million	368	308	311

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Jun 30, 2020	Jun 30 2019	Mar 31, 2020
Intangible assets	10,971.1	3,818.6	5,870.9
Property, plant & equipment	185.3	160.4	184.5
Financial assets	228.9	177.9	251.1
Inventories	428.8	385.1	352.8
Current receivables	1,885.2	1,373.3	1,467.6
Cash and bank balance	3,525.1	3,159.0	2,510.3
Total assets	17,224.4	9,074.3	10,637.2
Share capital	1.0	0.9	0.9
Other capital reserves	10,842.4	4,975.7	5,300.5
Recognized profit including profit for the period	679.5	800.5	1,093.9
Provisions	1,176.3	589.4	1,241.0
Non-current liabilities	1,179.9	211.2	221.8
Current liabilities	3,345.3	2,496.6	2,779.1
Total liabilities and equity	17,224.4	9,074.3	10,637.2
Interest-bearing receivables amount to	3,525.1	3,159.0	2,510.3
Interest-bearing liabilities amount to	2,711.4	1,110.1	1,490.9

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, 2020	0.9	5,300.5	1,068.8	25.1	6,395.4
Translation difference			-504.8		-504.8
New share issue	0.1	5,576.6			5,576.7
Issue costs ¹⁾		-34.7			-34.7
Other				-0.2	-0.2
Net profit			91.1	-0.5	90.6
Amount as of June 30, 2020	1.0	10,842.4	655.1	24.4	11,522.9

¹⁾ Issue costs constitutes of cost of rights issue SEK 43.7 million and tax effects of the cost SEK 9.0 million.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK m	Apr–Jun 2020	Apr–Jun 2019	Apr 2019–Mar 2020
Cash flow from operating activities before changes in working capital	869.8	306.0	1,604.2
Change in working capital	-137.5	135.3	124.1
Cash flow from operating activities	732.3	441.3	1,728.3
Cashflow from investing activities			
Net investment in acquired companies	-1,103.9	-0.2	-905.7
Net investment in intangible assets	-494.5	-380.9	-1,653.4
Net investment in tangible assets	-16.2	-10.8	-42.4
Net investment in financial assets	-17.5	-2.3	-32.6
Cash flow from financing activities	1,940.3	183.2	473.5
Cash flow for the period	1,040.5	230.3	-432.3
Cash and cash equivalents at beginning of period	2,510.3	2,929.1	2,929.1
Translation difference in cash and cash equivalents	-25.7	-0.4	13.5
Cash and cash equivalents at end of period	3,525.1	3,159.0	2,510.3

PARENT COMPANY INCOME STATEMENT

SEK m	Apr–Jun 2020	Apr–Jun 2019	Apr 2019– Mar 2020
Net sales	189.8	101.2	495.9
Other operating income	0.0	-	11.1
Total operating income	189.8	101.2	507.0
Operating expenses			
Other external expenses	-23.5	-4.5	-64.3
Personnel expenses	-4.7	-1.8	-12.8
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-83.7	-75.7	-333.3
Total operating expenses	-111.9	-82.0	-410.4
Operating profit	77.9	19.3	96.6
Result from participations in Group companies	0.0	-	0.0
Result from financial assets	1.3	2.0	39.7
Interest income, etc.	0.3	11.4	83.0
Interest expenses, etc.	-32.6	-5.0	-21.5
Total financial income/expenses	-31.0	8.4	101.2
Profit after financial items	46.9	27.7	197.8
Appropriations	0.0	-	-60.0
Profit before tax	46.9	27.7	137.8
Tax on profit for the period	-10.1	-6.1	-29.7
Net profit for the period	36.8	21.6	108.1

CONDENSED PARENT COMPANY BALANCE SHEET

SEK m	Jun 30, 2020	Jun 30, 2019	Mar 31, 2020
Intangible assets	418.4	288.4	393.8
Tangible assets	5.3	-	1.6
Financial assets	8,295.8	2,173.6	2,813.6
Current receivables	1,134.8	723.7	927.7
Cash and bank balance	2,401.2	2,460.2	1,954.5
Total assets	12,255.5	5,645.8	6,091.2
Equity	10,470.4	5,164.5	5,575.1
Untaxed reserves	140.6	95.6	140.6
Provisions	31.8	3.6	3.6
Long-term liabilities	1,168.6	211.2	221.7
Current liabilities	444.1	171.0	150.2
Total liabilities and equity	12,255.5	5,645.8	6,091.2

SELECTED KEY PERFORMANCE INDICATORS – GROUP

Financial metrics defined or specified pursuant to Swedish Accounting Standards Board standards (BFNAR)	Apr–Jun 2020	Apr–Jun 2019	Apr 2019–Mar 2020
Net sales, SEK m	2,068.7	1,142.0	5,249.4
Operating profit, SEK m	219.2	81.2	345.4
Profit before tax, SEK m	183.6	83.3	408.8
Profit after tax, SEK m	90.6	52.8	283.3
Number of shares at end of period, thousands ¹⁾	372,353	102,568	312,067
Average number of outstanding shares, thousands ¹⁾	368,385	102,568	311,411
Average number of full-time employees in the period	2,573	1,388	1,663
Number of employees at the end of the period	2,585	1,422	1,873
Alternative key performance indicators not defined or specified pursuant to BFNAR	Apr–Jun 2020	Apr–Jun 2019	Apr 2019–Mar 2020
Net sales growth, %	81	36	3
EBITDA, SEK m	965.2	389.5	1,821.3
EBITDA margin, %	47	34	35
Operational EBIT, SEK m	711.8	204.0	1,033.0
EBIT, SEK m	219.2	81.2	345.4
EBIT margin, %	11	7	7
Equity/assets ratio, %	67	64	60
Adjusted earnings per share, SEK ¹⁾	1.51	0.51	2.81
Earnings per share, SEK ¹⁾	0.26	0.17	0.91
Dividend per share, SEK	-	-	-
<i>Derivation of the alternative KPIs, operational EBIT and EBITDA</i>			
EBIT, SEK m	219.2	81.2	345.4
Amortization expenses added back to Operational EBIT			
- Goodwill, SEK m	375.3	45.5	285.1
- Intellectual property (IP) rights, SEK m	102.2	69.1	359.4
- Surplus value of Partner Publishing/Film, SEK m	15.1	8.2	43.1
Operational EBIT, SEK m	711.8	204.0	1,033.0
- Other depreciation and amortization expenses, SEK m	253.4	185.5	788.3
EBITDA, SEK m	965.2	389.5	1,821.3

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

Completed games	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.
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.
Digital sales	All net sales not shipped physically.
External game developers	Number of game developers engaged in game development projects by studios that are not owned by the group (external studios).
External Studios	Number of external development studios engaged in game development projects.
Game development projects	Number of on-going game development projects financed by the group.
Internal employees, non-development	Number of employees not directly engaged in game development (both employees and contractors).
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).
Internal Studios	Number of internal development studios.
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.
Number of IP:s	Number of IP:s owned by the group.
Organic growth	Growth in Business Area – Games between periods where net sales from companies acquired in the last five quarters have been excluded.
Organic growth, CCY	Growth in Business Area – Games 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.
Physical sales	All net sales shipped physically.

QUARTERLY INFORMATION BY CALENDAR YEAR

	2017					2018					2019					2020	
	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	Jan-Mar	Apr-Jun
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	1,339	2,069
EBITDA, SEK m	42	40	35	156	273	226	207	215	326	974	619	390	418	518	1,945	495	965
Operational EBIT, SEK m	35	34	28	106	202	131	70	103	197	501	396	204	241	302	1,143	286	712
EBIT, SEK m	32	30	24	102	188	107	53	91	152	403	172	81	76	91	421	97	219
Profit after tax, SEK m	24	23	19	73	139	81	33	65	114	294	103	53	65	34	254	132	91
Number of shares (A&B), adjusted, million ¹⁾	216	216	217	238	222	238	241	265	283	252	283	308	310	312	303	312	368
Earnings per share, SEK ¹⁾	0.16	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	0.42	0.26
Adjusted Earnings per share, SEK ¹⁾	0.12	0.12	0.10	0.33	0.68	0.42	0.19	0.28	0.55	1.50	1.00	0.51	0.65	0.68	2.82	0.97	1.51
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	385	870
Cash flow from operating activities, SEK m	30	22	29	99	179	700	165	-740	455	579	777	441	283	239	1,740	766	732
Sales growth, %	90%	62%	9%	99%	68%	673%	878%	1,403%	441%	713%	158%	36%	-1%	9%	34%	-18%	81%
Organic growth, %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74%
Organic growth, CCY, %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	71%
EBITDA, margin, %	51%	46%	41%	61%	54%	36%	25%	17%	24%	24%	38%	34%	33%	34%	35%	37%	47%
Operational EBIT, margin, %	43%	39%	32%	41%	40%	20%	8%	8%	14%	12%	25%	18%	19%	20%	21%	21%	34%
EBIT, margin, %	39%	35%	28%	40%	37%	17%	6%	7%	11%	10%	11%	7%	6%	6%	8%	7%	11%
Gross Margin (Net sales-COGS), SEK m	57	61	55	186	360	313	372	378	542	1,604	889	614	625	762	2,889	673	1,309
Gross Margin, %	70%	72%	65%	73%	71%	50%	44%	30%	39%	39%	55%	54%	50%	51%	52%	50%	63%
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	307	488
Games - Deep Silver, SEK m	-	-	-	-	-	257	338	252	187	1,033	794	373	442	467	2,076	515	613
Games - Coffee Stain, SEK m	-	-	-	-	-	-	-	-	14	14	98	83	45	36	261	82	172
Games - Saber, SEK m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	349
Games, total	82	86	85	255	508	391	484	376	553	1,803	1,035	641	816	836	3,328	904	1,622
Partner Publishing/Film, SEK m	-	-	-	-	-	242	354	897	828	2,320	596	501	444	673	2,213	436	447
Net sales split – Games business area																	
Owned titles, %	67%	76%	74%	82%	77%	34%	39%	50%	72%	50%	84%	80%	78%	79%	80%	70%	74%
Publishing titles, %	33%	24%	26%	18%	23%	66%	61%	50%	28%	50%	16%	20%	22%	21%	20%	30%	26%
Owned titles, SEK m	55	66	63	208	391	134	189	188	396	907	871	510	637	657	2,675	633	1,194
Publishing titles, SEK m	27	20	22	47	116	257	295	188	157	897	164	131	179	178	653	270	428
New releases sales by each quarter, %	36%	16%	39%	74%	-	63%	20%	31%	58%	-	75%	18%	32%	35%	-	38%	45%
Back catalog, %	64%	84%	61%	26%	-	37%	80%	69%	42%	-	25%	82%	68%	65%	-	62%	55%
New releases sales by each quarter, SEK m	30	14	34	190	-	246	98	117	321	-	781	118	261	291	-	345	733
Back catalog, SEK m	52	72	51	65	-	145	386	259	232	-	254	524	555	545	-	559	889
Physical sales, %	49%	31%	44%	60%	50%	62%	50%	48%	59%	55%	39%	29%	26%	31%	32%	22%	26%
Digital sales, %	51%	69%	56%	40%	50%	38%	50%	52%	41%	45%	61%	71%	74%	69%	68%	78%	74%
Physical sales, SEK m	40	27	36	150	253	243	242	179	324	988	407	189	215	259	1,070	195	419
Digital sales, SEK m	42	59	49	102	251	148	242	197	229	815	628	452	601	577	2,258	709	1,203
Depreciation and amortization																	
Game development	-6	-6	-7	-43	-62	-59	-109	-80	-93	-341	-192	-162	-144	-133	-631	-148	-191
Other intangible assets (Film etc.)	-	-	-	-	-	-33	-24	-27	-31	-115	-25	-16	-26	-76	-144	-53	-55
Sub-total	-6	-6	-7	-43	-62	-92	-133	-107	-124	-455	-217	-179	-170	-209	-775	-201	-246
<i>Acquisition-related depreciation</i>																	
IP-rights	-3	-3	-4	-4	-14	-11	-7	-9	-8	-33	-166	-69	-101	-123	-458	-67	-102
Surplus value Partner Publishing/Film	-	-	-	-	-	-12	-10	-2	-9	-33	-15	-8	-12	-11	-46	-12	-15
Goodwill	-	-	-	-	-	-1	-1	-2	-28	-32	-43	-45	-52	-77	-218	-110	-375
Sub-total	-3	-3	-4	-4	-14	-24	-17	-13	-45	-99	-224	-123	-164	-211	-722	-189	-492
Total intangible assets	-10	-9	-10	-47	-76	-116	-150	-120	-169	-554	-441	-302	-334	-420	-1,497	-390	-738
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	193	209
Internal capitalized development, SEK m	13	14	19	33	80	58	94	102	106	359	116	131	177	221	645	224	248
Other intangible assets	-	-	-	11	11	12	31	18	31	91	20	22	43	46	131	40	41
IP-rights	-	-	4	-	4	-	0	22	11	32	0	0	6	0	7	8	0
Total	67	59	82	98	306	185	239	273	314	1,010	326	378	392	419	1,515	465	498
Completed games																	
Completed games, SEK m	1	2	40	134	176	123	47	50	162	383	220	168	104	152	644	165	253
Other KPIs																	
Total Game Dev projects	32	30	29	36	-	54	51	55	77	-	80	81	86	96	-	103	125
Announced Game Dev projects	14	13	13	12	-	19	17	20	29	-	32	34	37	44	-	43	52
Unannounced Game Dev projects	18	17	16	24	-	35	34	35	48	-	48	47	49	52	-	60	73
Total internal game developers	78	82	163	178	-	536	565	608	613	-	860	882	1,162	1,237	-	1,359	2,076
Total external game developers	282	306	261	229	-	714	692	740	871	-	807	946	1,110	1,021	-	1,006	1,109
Total internal employees, non-development	44	44	45	55	-	470	486	554	529	-	541	590	709	713	-	744	790
Total number headcounts	404	432	469	462	-	1,720	1,743	1,902	2,013	-	2,208	2,418	2,981	2,970	-	3,109	3,975
Number of studios																	
Total number External Studios	-	-	-	-	-	18	29	26	26	-	42	48	55	58	-	58	55
Total number Internal Studios	-	-	-	-	-	10	10	10	10	-	17	18	18	20	-	26	33
Total number Studios	-	-	-	-	-	28	39	36	36	-	59	66	73	78	-	84	88
Total number of IP	-	-	-	-	-	91	106	107	119	-	136	138	148	154	-	160	174

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 170 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdom Come: Deliverance, TimeSplitters, Satisfactory, Wreckfest, Destroy All Humans!, World War Z and SnowRunner, amongst many others.

With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its five operative groups: THQ Nordic, Koch Media/Deep Silver, Coffee Stain, Amplifier Game Invest and Saber Interactive. The group has 33 internal game development studios and is engaging more than 4,000 employees and contracted employers in more than 40 countries.