

Annual Report &  
Sustainability Report

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21

**EMBRACER<sup>+</sup>**  
**GROUP**





LAKE FRYKEN  
– ONE OF VÄRMLAND'S  
OVER 10,000 LAKES

ALLEMANSRÄTTEN  
– THE SWEDISH GENERAL PUBLIC'S  
RIGHT TO ACCESS LAND,  
LAKES, AND RIVERS FOR  
RECREATION AND EXERCISE

A SWEDISH CLASSIC  
– SWEDISH BARN PAINTED IN FALU RÖDFÄRG

ICONIC AMERICAN CLASSIC  
– REPRESENTING THE LARGEST  
SUBCULTURE IN VÄRMLAND  
(NAMED "RAGGARE").

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## FINANCIAL CALENDAR

Annual General Meeting 2020/21	16 Sep. 2021
Interim Report Q2, 2021	17 Nov. 2021
Interim Report Q3, 2021	17 Feb. 2022
Full Year Report 2021/2022	19 May 2022

*All figures in this report are as per year-end 2020/21 unless otherwise stated. The information on page 2-3 refers to the time of publication of the annual report.*

## WELCOME TO VÄRMLAND, SWEDEN

This is where Embracer Group's journey began and the region's biggest city, Karlstad, is still home to the parent company. Värmland is a beautiful province with rolling hills, deep forests and over 10,000 lakes. Värmland also has a unique storytelling tradition, a tradition which remains vivid in all contemporary arts.

# EMBRACER GROUP IN BRIEF

**EMBRACER GROUP HQ**  
Karlstad, Sweden

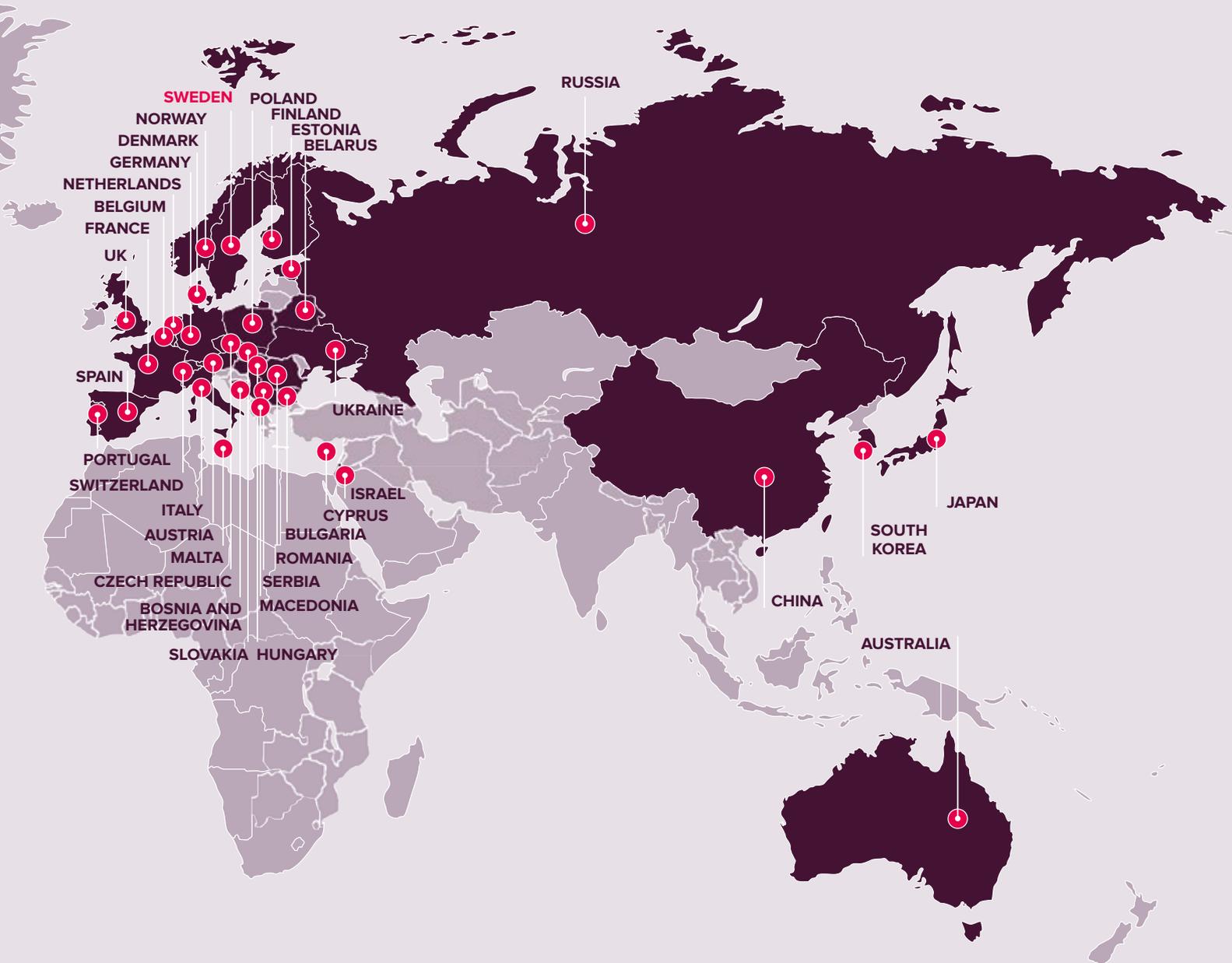
**OPERATIVE GROUPS**  
**8**

**TOTAL HEADCOUNT**  
**+8,500**

**INTERNAL STUDIOS**  
**80**



Embracer Group is the parent company of businesses developing and publishing PC, console and mobile games for the global games market. The Group has an extensive catalogue of over 240 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory, Wreckfest, Insurgency, World War Z and Borderlands, amongst many others. With its head office based in Karlstad, Sweden, Embracer Group has a global presence through



its eight operative groups: THQ Nordic, Koch Media, Coffee Stain, Amplifier Game Invest, Saber Interactive, DECA Games, Gearbox Entertainment and Easybrain. Embracer Group has 80 internal game development studios and is engaging more than 8,500 employees and contracted employees in more than 40 countries.

Embracer Group’s shares are publicly listed on Nasdaq First North Growth Market Stockholm under the ticker EMBRAC B with FNCA Sweden AB as its Certified Adviser.

## HIGHLIGHTS OF THE YEAR

# INVESTING IN ACQUISITIONS AND ORGANIC GROWTH

*Embracer Group continued its ambitious merger and acquisition agenda in the financial year 2020/21, expanding the number of operative groups from four to six. At the time of publication of this report, the number has increased further. Embracer today comprises eight operative groups. During the year, investments in game development increased to a record SEK 1,987 million, laying the foundation for future organic growth.*

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### ORGANIC GROWTH REMAINS A KEY PRIORITY

Organic growth in constant currency for the Games Business Area amounted to 70 percent for the financial year, primarily driven by numerous successful launches of high-quality games, but also due to a solid back-catalog. Notable sales performances of new releases during the year include more than 6.8 million copies of *Valheim*, close to two million copies of *SnowRunner* and more than two million copies of *Spongebob Squarepants: Battle for Bikini Bottom Re-Hydrated*. All operative groups are well positioned for continued organic growth with a wide pipeline of new projects. More than two thirds of ongoing development projects are new IPs or games based on IPs that will be revitalized. Bringing these projects to market is expected to drive continued organic growth.

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### EXPANSION THROUGH AMBITIOUS ACQUISITION AGENDA

Embracer Group continued on its long track-record of successful acquisitions of new game publishers, development studios, game IPs and other assets. Notable and completed acquisitions include Saber Interactive, an independent developer and publisher of top-quality games and DECA Games, an expert within the Free-to-Play mobile games segment. Embracer also announced the merger with Gearbox Entertainment, a highly creative AAA developer and the merger with Easybrain, a leading mobile game developer of puzzle and logic games. DECA Games and Easybrain together create a new business segment, adding mobile to the Embracer scope. After completion of the transactions, the number of operative groups increased to eight, at the time of this report. Furthermore, Embracer has completed an additional 24 bolt-on acquisitions during the financial year to strengthen its IP portfolio, development and publishing capabilities.



# “BUILDING A DIVERSE BUSINESS THAT STANDS ON MANY REVENUE STREAMS.”

## RECORD HIGH INVESTMENTS IN GAME DEVELOPMENT

The Group released games for a record high value with the majority of major launches taking place in the first half of the financial year. The value of completed game development during the year amounted to SEK 837 million (Completed Games). Investments in game development increased to SEK 1,987 million during the year, laying the foundation for growing revenues from future releases. The number of ongoing game development projects hit a record high of 160 at the end of the financial year. Looking forward, the ambition is to complete more than 90 game development projects with a total completion value of SEK 2,875-3,325 million in the financial year 2021/2022.

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**16**

## OUR FIRST STATUTORY SUSTAINABILITY REPORT

Creating a sustainable business is one of Embracer Group's key priorities. During the financial year, a lot of effort and progress was made in corporate governance and business ethics structures, such as forming an auditing committee and a remuneration committee, updated risk management and implementation of an onboarding process for acquired companies. In addition, more important work was carried out during the year. A digital system was set up to collect sustainability data from all subsidiaries and a global employee survey was carried out, providing valuable insights on the well-being of employees. Following stakeholder dialogues and a materiality assessment, we also defined our priorities regarding our sustainability efforts.

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## THREE DIRECTED ISSUES SUPPORT GROWTH

Embracer Group successfully completed three directed issues to institutional investors through the combined issuance of around 91 million new class B shares raising total proceeds of approximately SEK 15 billion. After the financial year, Embracer Group secured a revolving credit facility of SEK 6.0 billion on favorable terms with expiry in May 2022. In the end of the financial year, Embracer Group had at the time of publication approximately SEK 17 billion available in net cash and credit facilities. The Group's financial position enables it to deliver on its growth strategy by adding new game publishers, development studios or other assets to its existing operations.

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**76**

OPERATIONAL EBIT

**2,871**

SEK MILLION

GROSS MARGIN

**5,406**

SEK MILLION

## COMMENTS BY THE FOUNDER AND CEO

# OUR STRATEGY IS INCREASINGLY PAYING OFF

*Despite a challenging environment with the COVID-19 pandemic affecting individuals, businesses and society at all levels, we are humbly summing up another stable year for Embracer Group. Across the Group, our colleagues and business partners have demonstrated impressive resilience, flexibility and operational performance.*

### EXECUTING ON OUR STRATEGY

The financial year 2020/21 was our most successful year yet, as we continued to execute our strategy. It was also the year of the COVID-19 pandemic. While the impact of the pandemic on gaming engagement and spending has been positive during the year, the pandemic is continuing to disrupt global supply chains. The health and safety of our employees have been my main concern all through the year. Working from home has been a new, challenging reality for most of our employees. Our decentralized governance model has proved itself as local managements have met these new challenges. I am really grateful for the willingness and engagement in maintaining our global group's business, despite the pandemic. First and foremost, I offer my sincere sympathies with all those personally affected by the pandemic and its consequences.

Embracer has evolved into one of the most diversified gaming companies in the world, and we are still only in the beginning of our journey. Ever since we acquired Jowood's assets back in 2011, management has persistently worked on bringing more attractive content to gamers across the globe, accelerating growth further by mergers and acquisitions. This has laid the foundation for today's Embracer Group. The pace of expansion was amplified by the access to the capital markets through the IPO in late 2016, which has enabled us to greenlight more exciting game development projects as well as welcoming more talented and successful gaming entrepreneurs to the Embracer family.

Since the IPO, our adjusted earnings per share have increased by 14 times. We have grown from three to 80 internal game development studios and at the time of publication of this report we have more than 180 ongoing game development projects. The Group has grown to eight independent operating groups, two of which were added in the past financial year (Saber Interactive and DECA Games) and two more announced in the year and closed by 1 April 2021 (Gearbox and Easybrain). In addition, all operating groups have made bolt on acquisitions, making each of them better positioned than before.

### INVESTMENTS IN DEVELOPMENT GIVE STRONG ORGANIC GROWTH

Organic growth remains the main priority for all operating groups. Since the IPO, the Group has reinvested most of its underlying free cash flow into organic growth. We are pleased with the 70 percent strong organic growth

delivered in the financial year, primarily driven by numerous successful launches of high-quality games, but also thanks to a solid back-catalog. Notable sales performances of new releases during the year, other than *Valheim*, include close to 2 million copies of *SnowRunner*, more than 2 million of *Spongebob Squarepants: Battle for Bikini Bottom Re-Hydrated* and more than 1 million copies of *Destroy All Humans!*

We are increasingly excited about the potential for organic growth in the coming years. In 2020/21, the Group invested SEK 2 billion on game development, in comparison with the accumulated development value of games completed in the year, SEK 837 million. We are committed to fulfilling our ambition to complete more than 90 game development projects in the current financial year 2021/2022. The total completion value of these is estimated in the range of SEK 2,875 to 3,325 million, including projects from Gearbox and Aspyr.

### NEW, FAST-GROWING SEGMENTS ADDED

The Group continues to grow within new segments of the gaming market. Up until the past financial year, we were primarily active within premium games for PC and console, but we are increasingly thrilled about the opportunities ahead within mobile. Through mergers and acquisitions of Easybrain, DECA, A Thinking Ape and IUGO, mobile will constitute a sizable business for the Group. Mobile is the biggest segment of the gaming market at USD 77 billion in 2020, showing no signs of slowing down with an estimated growth of 13% year-over-year in 2021. We truly believe that our model will be successful within this fast-growing gaming segment. Vertigo Games, also acquired in the year, is specialized in VR and represents another new segment for Embracer. The global VR-market is expected to grow from USD 3.3 billion in 2019 to 5.7 billion in 2023 according to Superdata, thanks to improved equipment that increases convenience and player experience.

Gaming has been a growth industry for a long time, but it has seen an accelerated growth during the pandemic because of the lockdowns. Embracer widely outgrew the industry on an organic basis, with a solid 85 percent organic constant currency revenue growth in the year, driven by multiple successful new releases and a strong back catalog. I remain confident that we are well positioned for continued, solid organic growth, as our publishers and studios bring new content to gamers in the years to come.



### **OUR STRATEGY IS MORE RELEVANT THAN EVER**

Despite organically growing our headcount by approximately 20 percent in the past year, we have more IP's, licenses and ideas than we have developers to bring high quality games to market. We are consequently actively trying to attract more gaming entrepreneurs to become part of Embracer Group. Across the Group, we have been engaged in more dialogues than ever. Our ambition is to continue growing the number of mergers and acquisitions, as our ecosystem expands with additional operative groups where transactions are initiated and made.

In my belief, a key factor to our success is that entrepreneurs who become part of Embracer maintain their creative and operative freedom while they can go faster and boost their growth by being docked into our growing eco-system and available resources. We are steadily seeing more cooperation between the independent operating groups – for the simple reason that it makes sense for everyone. We hope that access to the Embracer eco system will be an even more decisive reason when gaming entrepreneurs chose to become part of the Embracer family in the future.

### **INCREASING EMPHASIS ON SUSTAINABILITY AND GOVERNANCE**

In this annual report, we incorporate our first statutory sustainability report. Developing an efficient sustainability framework that takes into account our unique, decentralized governance model has been important for several reasons. Sustainability is in the core of any long-term engagement. As we execute on our long-term strategy to build Embracer into an even larger, diverse group of

companies, we have developed our own sustainability framework called “Smarter Business” for managing our growing responsibilities. We have also taken important measures to strengthen our management and governance structure. The parent company has further increased its capabilities and we have improved our onboarding and integration process of mergers and acquisitions, handled by a team from Embracer Group and external industry-leading advisors.

Embracer is well positioned for further growth in the coming years, strategically as well as financially. In May 2021, we had more than SEK 17 billion (USD 2 billion) in cash and available credit facilities. We just got started. We will continue to grow over the coming decades, executing the same strategy as when we started years ago.

I am impressed and proud to see the dedicated work being performed on a daily basis across our global group, despite the ongoing COVID-19 pandemic. I want to sincerely thank each and every one for all the efforts that keep our business going. Let's hope that we can meet in person as soon as possible. To conclude, I would like to send my thanks to all our shareholders, customers, colleagues and business partners for contributing to the prosperity and success of our growing family. We are all looking forward to our strongest and busiest year ever!

August 2021, Karlstad, Värmland, Sweden

Lars Wingefors  
Co-founder & CEO

## GOALS AND GROWTH STRATEGY

# STRATEGIC PRIORITIES

*Embracer Group's financial goal is to achieve long-term growth in shareholder value. Since 2011, the Group has established a strong platform delivering both growth and profitability. Embracer has a proven track-record of combining organic and acquired growth. The strategy going forward, and the first priority for all operative groups, is to continue to invest in the Group's portfolio of 160 game development projects to achieve long-term organic growth. The strategy is leveraged by acquiring great companies that share the vision of Embracer Group – at fair valuations.*

### INVESTING FOR LONG-TERM GROWTH

Long-term organic growth is driven by continuous investments in developing and expanding the IP portfolio including currently dormant IPs, developing and expanding internal studios as well as establishing new studios with top talent developers. The growth strategy also includes signing development projects with external studios and consolidating the partner publishing market. By increasing investments in development over time, these will outpace finalized game development.

### LEVERAGING GROWTH BY M&A

Embracer Group provides an attractive model for developers and entrepreneurs with a long-term perspective, built on empowerment by decentralization. Being part of the Group offers advantages such as access to growth capital, distribution and marketing, know-how and development synergies. Embracer Group's M&A strategy involves extensive scouting, research and proactive engagement. This has resulted in a large and growing pipeline of suitable acquisition candidates, with

the potential of expanding each operative group as well as companies with the potential of forming a new operative group under the parent company.

### EMPOWERING PEOPLE BY DECENTRALIZATION

An explicit philosophy of decentralization is key to empowering talented developers and entrepreneurs across the Group. The model gives a certain commercial autonomy to business area CEOs, founders and studio heads to run their operations. This approach fosters creativity, speed and relevance as decisions are taken closer to local markets and niche segments.

### FINANCIAL MODEL

Embracer Group's growth is based on a strong balance sheet that limits the financial risk. The Group seeks to reinvest as much as possible of operating cash flow into organic growth. By issuing equity, attractive opportunities for acquired and organic growth can be leveraged. The portfolio and development pipeline is well diversified which limits operational risk.

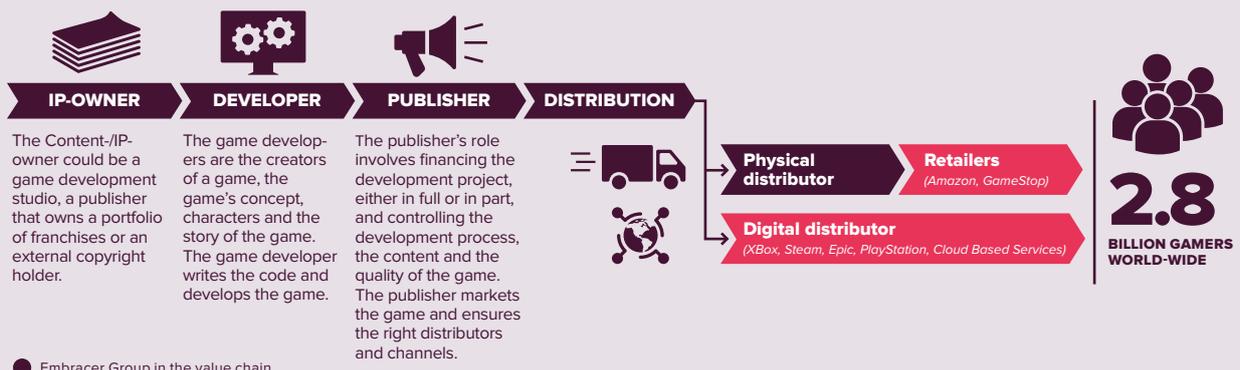
## GROWTH MODEL





## POSITION IN THE MARKET VALUE CHAIN

An IP-owner with a broad portfolio of over 240 game titles, 60 internal development studios world-wide and global publishing capacity online as well as for physical retail: Embracer Group retains a strong position in all major value creating areas of the gaming market value chain.





## GAMES MARKET OVERVIEW

# GLOBAL GAMES MARKET

*Embracer Group is the parent company of businesses developing and publishing PC, console and mobile games for the global games market. The majority of the group's end customers are located in North America and Europe. These two geographical markets represent a stable share of approximately half of the total global games market.*

### STEADY GROWTH IN THE EMBRACER SCOPE

The games market represents one of the largest digital entertainment markets globally, and the total market value amounted USD 178 billion in 2020, an increase of 23 percent compared to the previous year, the highest growth for the market since Newzoo began tracking revenues in 2012. Growth is expected to continue over the coming years and Newzoo has estimated sales to surpass USD 200 billion at the end of 2023, which would translate to a compound annual rate of 7.4% during the period 2019-2023.<sup>1)</sup>

The three segments PC, console and mobile games have been growing steadily for a long period reflecting a non-cyclical pattern. Mobile, which was added to the Embracer scope through the acquisitions of DECA Games and Easybrain, continues to see the most significant growth and accounts close to half of the total games market in 2020. The segment grew 13% year over year thanks to its low barrier to entry and widespread of smartphones across all regions. However, the high growth of mobile games has not led to a decline in growth in the PC and console markets. In 2020, PC games sales grew by 6.7% and the console market grew by 6.8% compared to the previous year, according to Newzoo Global Games Market Report 2020.

The COVID-19 pandemic shaped the games market in 2020, as audiences were forced to stay home and interact remotely. Earnings for game types popular in North America and Europe grew significantly due to the pandemic's impact on those regions. The end of 2020 also saw successful launches of the next generation of consoles,

PlayStation 5 and Xbox Series X|S. For 2021 demand continues to outpace supply of the new consoles. In 2021, some of the negative effects of COVID-19 on the

industry will be shown, as game development studios have been impacted by remote working and a disruption to global supply chains.

### CONSOLE IS SETTING NEW RECORDS

Looking at the global console market alone, where Embracer Group companies currently have the greatest presence, total sales of games and services amounted to USD 39.5 billion in 2020, according to Ampere Analysis. Market sales are expected to grow to USD 40.7 billion in 2021 and to USD 41.1 billion in 2022 before plateauing in 2023. The industry has had difficulty in meeting the high demand due to supply chain disruptions and the global shortage of semiconductors in particular.

The demand for game consoles continues to increase and manufacturers are setting new records. Nintendo had a strong year and reported Switch console shipments of almost 30 million for the fiscal year ended March 31, 2021 - bringing the total lifetime number to 85 million. This represents the highest number ever of shipments of a console in a single fiscal year by Nintendo. Both Sony and Microsoft also reported strong demand for their next generation consoles. Despite global shortages of chip-supplies, Sony shipped 7.8 million PlayStation 5 consoles (compared to 7.5 million PlayStation 4 consoles in the same respective launch period) making it the highest selling launch of a PlayStation console to date. Furthermore, according to the NPD Group, PlayStation 5 is the fastest-selling console in U.S. history, both in unit and sales.

### SHIFT TO DIGITAL DISTRIBUTION BOOSTS PUBLISHERS' MARGINS

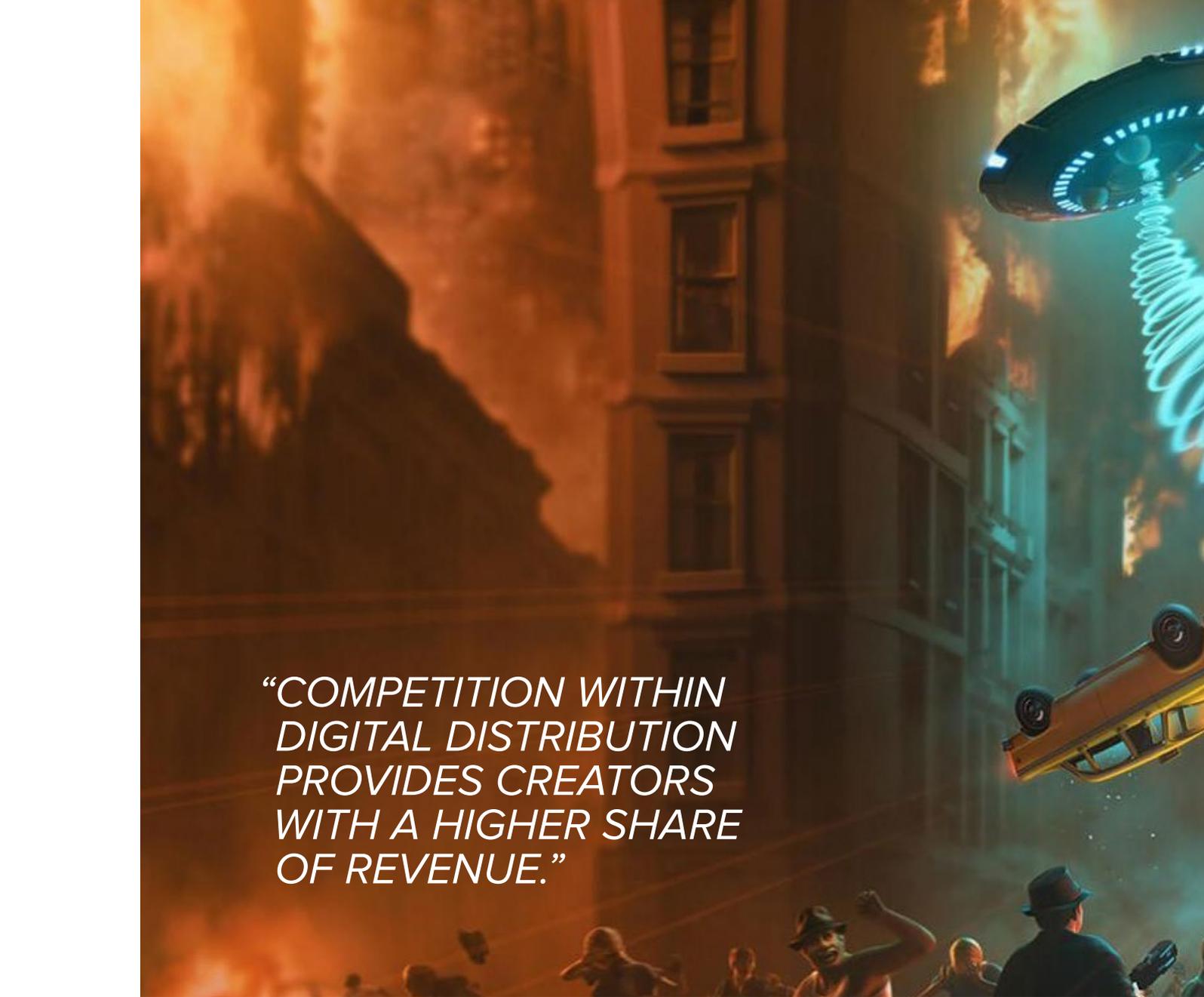
While PC games sales have been dominated by digital distribution for several years, the trend has also become evident on console with sales through digital distribution now accounting for the majority of sales. The trend is expected to continue, both for full-game sales as well as for in-game content spend. Furthermore, revenues from subscription services like Nintendo Online, PlayStation Plus, PlayStation Now and Xbox Game Pass will continue to grow and are

MARKET CAGR

7.4%

2019 – 2023

<sup>1)</sup> <https://newzoo.com/insights/articles/global-games-market-to-generate-175-8-billion-in-2021-despite-a-slight-decline-the-market-is-on-track-to-surpass-200-billion-in-2023/>



*“COMPETITION WITHIN  
DIGITAL DISTRIBUTION  
PROVIDES CREATORS  
WITH A HIGHER SHARE  
OF REVENUE.”*

estimated to represent more than 20% of console gaming spend in 2023, according to Ampere Analysis.

The trend towards digital distribution has largely been driven by the emergence of purely digital platforms such as Steam and Epic Games Store and the digital store fronts on PlayStation, Xbox and Nintendo Switch, replacing a traditionally physical distribution. The trend towards digitalization has been beneficial to publishers' margins. Steam has a dominating market share for digital distribution to PC. However, competition within digital distribution has increased with the challenger Epic Games Store which provides creators with a relatively higher share of revenue.

**GAMES AS A SERVICE (GAAS)  
REPRESENTS A GROWING OPPORTUNITY**

The concept of Games as a Service (GaaS) continues to grow in importance. GaaS represents providing games or game content on a continuing

revenue model, implying new ways of monetizing games either after their initial sale, or to support a free-to-play model. This also involves how games are played, developed, delivered and maintained. This has opened up for on-demand streaming of games, a radical shift from traditional game distribution models. It increases the availability of games to players whilst opening new opportunities for developers and publishers to interact with the game community, analyzing gaming behavior to drive community engagement and post-launch monetization through downloadable content (DLC) and other in-game purchases. The result is longer game life cycles and more sustainable gamer engagement. The revenue model of games as a service is often similar to subscription-based services. Established and emerging future services will need content which will be a continued growth opportunity for developers, publishers and IP-owners.



### **VIRTUAL REALITY GAMES IS TAKING MASSIVE STEPS**

According to Newzoo, Virtual Reality (VR) games has taken massive steps forward over the past few years and Embracer anticipates the VR games market will continue to exhibit growth in the future. Growth is expected to jointly driven by new high-quality headsets, both standalone and tethered, and increasing releases of high-quality VR games.

### **GAMERS WANT BROADER ENTERTAINMENT**

Many console games have a core of very dedicated fans. These fans are often loyal to their games but new content is required in order to keep their attention. Thus the achieved loyalty opens sales opportunities for newly developed products and content. Developing quality content is identified as key to monetize on this potential, as is the broadening of the scope of games into video or other services and products. The shift

towards global, online distribution is also expected to drive industry consolidation.

### **ROBUST GROWTH CONTINUES IN A DYNAMIC MARKET**

The global games market is going through a fast transformation. The way games are bought, distributed and consumed is rapidly changing. market trends are favorable to publishers, creators and owners of quality content. To an increasing extent, games provide consumers with a broader experience than just playing. Game companies are evolving into entertainment companies in a wider sense, as consumers' engagement time is increasing. Traditional boundaries between games, media, telecom, and sports industries are dissolving. Existing marketing and distribution channels and platforms are being challenged by new and emerging companies, technologies, platforms and business models.



*Satisfactory*

# GAMES PORTFOLIO & BUSINESS AREAS

<b>16</b>	EXCITING GAMES PORTFOLIO
<b>18</b>	SELECTED LAUNCHES 2020/21
<b>20</b>	GAMES: THQ NORDIC
<b>24</b>	GAMES: DEEP SILVER
<b>28</b>	GAMES: COFFEE STAIN
<b>32</b>	GAMES: AMPLIFIER GAME INVEST
<b>36</b>	GAMES: SABER INTERACTIVE
<b>40</b>	GAMES: DECA GAMES
<b>42</b>	NEW ACQUISITION: GEARBOX ENTERTAINMENT COMPANY
<b>44</b>	NEW ACQUISITION: EASYBRAIN GROUP LIMITED
<b>46</b>	PARTNER PUBLISHING/FILM: KOCH MEDIA / KOCH FILMS / GAME OUTLET EUROPE / QUANTIC LAB

## GAMES PORTFOLIO

# EXCITING GAMES PORTFOLIO

*Embracer Group is proud to have one of the industry's most exciting pipelines of upcoming games, engaging over 5,000 game developers across the world. With 160 games under development at the financial year-end 2020/2021, we will be seeing increased release activity going forward, whilst back catalog performance is expected to remain strong.*

In the financial year 2020-2021, the Group released games for a record high value with an accumulated development cost of SEK 837 million ("Completed Games") and this shows how significant investments in the development pipeline continues to drive growth. Also, a significant part of new product releases was owned IPs.

### WELL POSITIONED PIPELINE FOR FUTURE GROWTH

The Group continues to increase its investments in game development which amounted to SEK 1,987 million during the past financial year. More than two-thirds of ongoing development projects are new IPs or games based on IPs that are planned to be revitalized. A well invested pipeline lays the foundation for accelerating future growth. This growth will be underpinned by recent and upcoming new game releases such as *After the Fall*, *Biomutant*, *Gods Will Fall*, *Hot Wheels Unleashed*, *Monster Jam Steel Titans 2*, *MotoGP*, *Ride 4*, *Star Wars Pinball VR*, *Supercross 4* and *Valheim*.

The ambition is to complete more than 90 game development projects during the financial year 2021/2022, corresponding to a total completion value of SEK 2,875-3,325 million.

### STRONG BACK CATALOGUE

Back catalog sales have been stable, supported by strong demand for beloved franchises such as *Deep Rock Galactic*, *Destroy All Humans!*, *Kingdom Come: Deliverance*, *Kingdoms of Amalur: Re-Reckoning*, *Let's Sing*, *Metro*, *MotoGP 20*, *Outward*, *Saints Row*, *Satisfactory*, *SnowRunner*, *SpongeBob SquarePants: Battle for Bikini Bottom - Rehydrated*, *World War Z*, *Zombie Catchers* and *Wreckfest*.





## GAMES PORTFOLIO

# SELECTED LAUNCHES 2020/21

*During the year, a significant number of new products were released, primarily based on owned IPs. Notable releases include Valheim, SnowRunner, Spongebob Squarepants: Battle for Bikini Bottom Re-Hydrated and Destroy All Humans! plus a large number of Asset Care launches for new platforms etc.*

### DESPERADOS III

Publisher: THQ Nordic • Studio: Mimimi (External)



*Desperados III* is a story-driven, hardcore tactical stealth game, set in a ruthless Wild West scenario. A good plan can make the difference between survival and finding yourself at the business end of a pistol.

### KINGDOMS OF AMALUR: RE-RECKONING

Publisher: THQ Nordic • Studio: Kaiko



Uncover the secrets of Amalur, from the vibrant city of Rathir to the vast region of Dalentarth to the grim dungeons of the Brigand Hall Caverns. Remastered with stunning visuals and refined gameplay.

### DESTROY ALL HUMANS!

Publisher: THQ Nordic • Studio: Black Forest Games



The cult-classic returns! Terrorize the people of 1950's Earth in the role of the evil alien Crypto-137. Harvest their DNA and bring down the US government in the faithful remake of the legendary alien invasion action adventure.

### SPONGEBOB: Battle for Bikini Bottom – Rehydrated

Publisher: THQ Nordic • Studio: Purple Lamp Studios



Play as SpongeBob, Patrick and Sandy and show the evil Plankton that crime pays even less than Mr. Krabs. Want to save Bikini Bottom from lots of rampant robots with your mighty bubbles? Of course you do!

**DEEP ROCK GALACTIC**

Publisher: Coffee Stain • Studio: Ghost Ship Games



Work as a team to dig, explore, and fight your way through a massive cave system filled with hordes of deadly enemies and valuable resources. You will need your teammates to survive the most hostile cave systems in the galaxy!

**SATISFACTORY (STEAM)**

Publisher: Coffee Stain • Studio: Coffee Stain Studios



*Satisfactory* is a first-person open-world factory building game with a dash of exploration and combat. Pipes have entered the world of *Satisfactory* and with them comes a different challenge – transporting fluids.

**VALHEIM (EARLY ACCESS)**

Publisher: CoffeeStain • Studio: Iron Gate



As a battle-slain warrior, the Valkyries have ferried your soul to *Valheim*, the tenth Norse world. You are the newest custodian of the primordial purgatory, tasked with slaying Odin's ancient rivals and bringing order to *Valheim*.

**MOTOGP™20**

Publisher: Milestone • Studio: Milestone



Take control of your own career, switch from real teams to new teams created with sponsors from the world of MotoGP™, decide the development of the bike, and manage your technical unit to win.

**SAINTS ROW: THE THIRD REMASTERED**

Publisher: Deep Silver • Studio: Deep Silver Volition



*Saints Row: The Third Remastered* gives you control of the Saints at the height of their power. This is your City. These are your rules. Remastered with enhanced graphics, the original city of sin, has never looked so good.

**SNOWRUNNER**

Publisher: External • Studio: Saber Interactive



Get ready for the next-generation off-road experience! Drive powerful vehicles and overcome extreme open environments to complete dozens of challenging missions solo or with up to 3 friends!



## BUSINESS AREA GAMES

# THQ NORDIC

THQ Nordic, based in Vienna, Austria, with subsidiaries in Europe, Japan and North America, is a global video game publisher and developer. THQ Nordic represents a core approach of doing much more than owning a highly competitive portfolio of IPs. It cherishes them with the very best development resources to expand to the level of experience that communities and fans expect and deserve.



Klemens Kreuzer, CEO

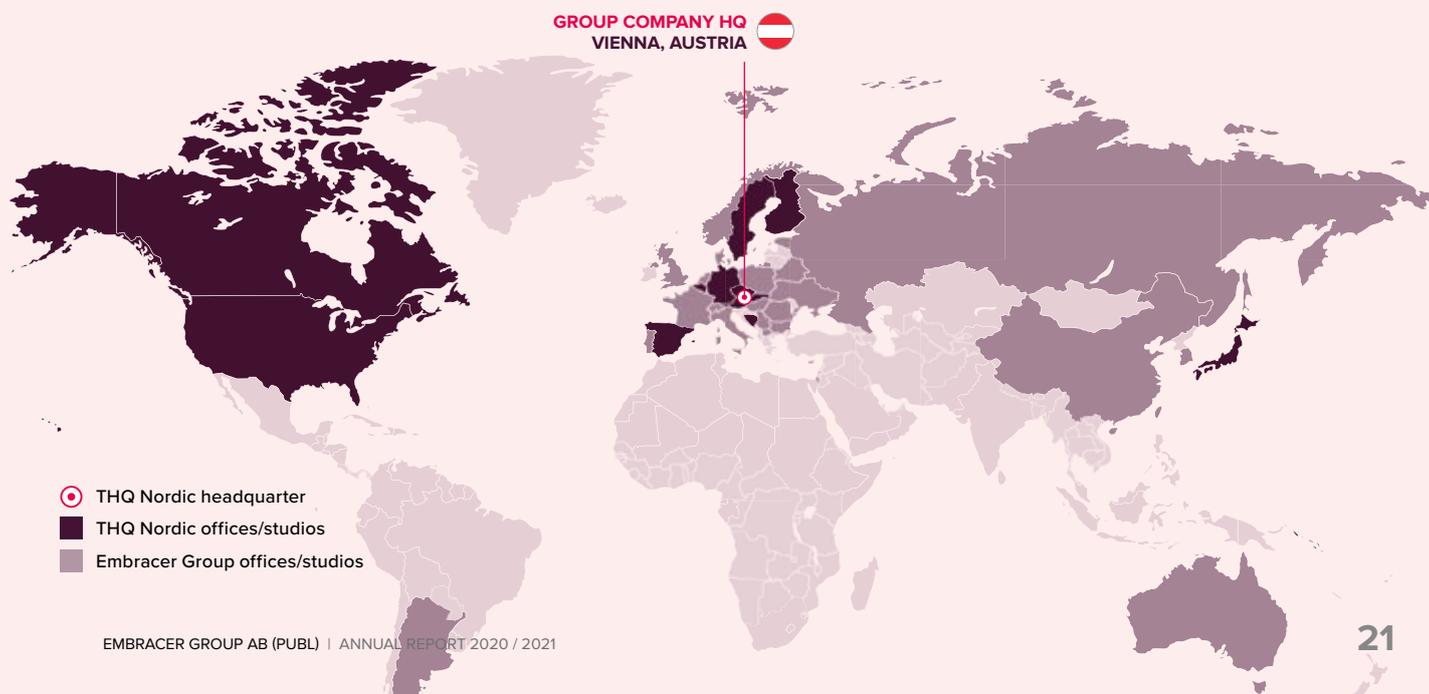
## THQ NORDIC



### THE YEAR IN BRIEF – THQ NORDIC

Business Area THQ Nordic’s net sales increased by 55% to SEK 1,789.1 million (1,154.4) compared to the corresponding period last year. The favorable sales development is mainly attributed to several significant new releases during the year, such as *SpongeBob SquarePants: Battle for Bikini Bottom - Rehydrated*, *Destroy All Humans!*, *Desperados III* and *Kingdoms of Amalur: Re-Reckoning*. But also, strong sales of THQ Nordic’s catalogue of franchises like *MX vs ATV*, *Wreckfest*, *Darksiders* and many others contributed THQ Nordic’s favorable sales development. After the financial year end, THQ Nordic also released the long-awaited *Biomutant*.

During the year, THQ Nordic established two new studios: Ashborne Games in Brno, Czech Republic which focuses on strategy and RPG games and Rainbow Studios Montréal in Montreal, Canada. THQ Nordic also acquired the Austria-based Pow Wow Entertainment GmbH, which focuses on original IPs for various platforms and the 43-people strong Purple Lamp studios, an independent video game developer specialized in third party IP games based in Vienna, Austria. After the financial year end, THQ Nordic announced three acquisitions: Belgium-based Appeal Studios S.A., the German-based KAIKO and the German-based studio Massive Miniteam. In addition, THQ Nordic incorporated Gate21 d.o.o in Sarajevo, Bosnia and Herzegovina.



## STUDIOS



**Alkimia Interactive**  
Internal headcount: 36  
Barcelona, Spain



**Ashborne Games**  
Internal headcount: 38  
Brno, Czech Republic



**Black Forest Games**  
Internal headcount: 83  
Offenburg, Germany



**Bugbear Entertainment**  
Internal headcount: 28  
Helsinki, Finland



**Experiment 101**  
Internal headcount: 15  
Stockholm, Sweden



**Grimlore Games**  
Internal headcount: 40  
Munich, Germany



**Gunfire Games**  
Internal headcount: 82  
Austin, USA



**HandyGames**  
Internal headcount: 75  
Giebelstadt, Germany



**Mirage Game Studios**  
Internal headcount: 9  
Karlstad, Sweden



**Nine Rocks Games**  
Internal headcount: 49  
Bratislava, Slovakia



**Pieces Interactive**  
Internal headcount: 31  
Skövde, Sweden



**Piranha Bytes**  
Internal headcount: 33  
Essen, Germany



**Pow Wow Entertainment**  
Internal headcount: 25  
Vienna, Austria



**Purple Lamp Studios**  
Internal headcount: 43  
Vienna, Austria



**Rainbow Studios**  
Internal headcount: 52  
Phoenix, USA



**Rainbow Studios Montréal**  
Internal headcount: 9  
Montréal, Canada



**Appeal Studios S.A.**  
Charleroi, Belgium  
Acquired after year-end



**Gate 21**  
Sarajevo, Bosnia Herzegovina  
Acquired after year-end



**Kaiko GmbH**  
Frankfurt, Germany  
Acquired after year-end



**Massive Miniteam GmbH**  
Cologne, Germany  
Acquired after year-end

## PUBLISHERS



**HandyGames**  
Internal headcount: 75  
Giebelstadt, Germany



**THQ Nordic**  
Vienna, Austria

THQ Nordic headquarter, Vienna, Austria



### THQ NORDIC RELEASED GAMES 2020/21

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Desperados III</i>	THQ Nordic	Own	PC, PS4, Xbox One	Digital & physical
<i>MX vs ATV - All Out "2020 AMA Pro Motocross Championship" (expansion)</i>	THQ Nordic	Own	PC, PS4, Xbox One	Digital
<i>SpongeBob SquarePants: Battle for Bikini Bottom - Rehydrated</i>	THQ Nordic	License	PC, PS4, Xbox One, Switch, Stadia, Mobile	Digital & physical
<i>Titan Quest: Atlantis (expansion)</i>	THQ Nordic	Own	Switch	Digital
<i>Titan Quest: Ragnarök (expansion)</i>	THQ Nordic	Own	Switch	Digital
<i>Destroy All Humans!</i>	THQ Nordic	Own	PC, PS4, Xbox One, Stadia	Digital & physical
<i>Kingdoms of Amalur Re-Reckoning</i>	THQ Nordic	Own	PC, PS4, Xbox One, Switch	Digital & physical
<i>MX vs ATV All Out</i>	THQ Nordic	Own	Switch	Digital & physical
<i>Aquanox Deep Descent</i>	THQ Nordic	Own	PC	Digital & physical
<i>SpellForce 3: Fallen God (expansion)</i>	THQ Nordic	Own	PC	Digital
<i>Chronos: Before the Ashes</i>	THQ Nordic	Own	PC, PS4, Xbox One, Switch, Stadia	Digital & physical
<i>Monster Jam</i>	THQ Nordic	External	Stadia	Digital
<i>Monster Jam: Steel Titans 2</i>	THQ Nordic	External	PC, PS4, Xbox One, Switch, Stadia	Digital & physical
<i>Titan Quest: Legendary Edition</i>	HandyGames	Own	Mobile	Digital
<i>Rebel Cops</i>	Handy Games	Own	iOS, Android	Digital
<i>Through the Darkest of Times</i>	Handy Games	External	iOS, Android, PS4, Xbox One, Switch	Digital
<i>Little Big Workshop</i>	HandyGames	Own	PS4, Xbox One, Switch, Stadia	Digital
<i>One Hand Clapping (early access)</i>	HandyGames	External	Stadia	Digital
<i>Spitlings</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital
<i>Neighbours back From Hell</i>	HandyGames	Own	PC, PS4, Xbox One, Switch	Digital
<i>Chicken Police - Paint it RED!</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital
<i>El Hijo - A Wild West Tale</i>	HandyGames	External	PS4, Xbox One, Switch, PC, Stadia	Digital
<i>Pile Up!</i>	HandyGames	External	PC	Digital

### THQ NORDIC GAMES RELEASED AFTER 31 MARCH 2021 UNTIL TIME OF PUBLICATION

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Biomutant</i>	THQ Nordic	Own	PC, PS4, Xbox One	Digital & physical
<i>Destroy All Humans!</i>	THQ Nordic	Own	Switch	Digital & physical
<i>We Are Football</i>	THQ Nordic	Own	PC	Digital & physical
<i>Wreckfest</i>	THQ Nordic	Own	PS5, XSX	Digital & physical
<i>Through The Darkest of Times</i>	HandyGames	External	PC	Physical
<i>Chicken Police: Paint it RED!</i>	HandyGames	External	Mobil	Digital
<i>One Hand Clapping (early access)</i>	HandyGames	External	PC	Digital
<i>Skydrift Infinity</i>	HandyGames	Own	PC, PS4, Xbox One, Switch	Digital
<i>Neighbours back from Hell</i>	HandyGames	Own	Mobil	Digital
<i>Pile Up!</i>	HandyGames	External	PS4, Xbox One, Switch	Digital

### THQ NORDIC ANNOUNCED RELEASES AS OF 18 AUGUST 2021

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Comanche</i>	THQ Nordic	Own	PC	Digital
<i>Darksiders 3</i>	THQ Nordic	Own	Switch	Digital & physical
<i>ELEX II</i>	THQ Nordic	Own	PC, PS4, Xbox One, PS5, XSX	Digital & physical
<i>Expeditions Rome</i>	THQ Nordic	Own	PC	Digital & physical
<i>Gothic Remake</i>	THQ Nordic	Own	PC, PS5, XSX	Digital & physical
<i>Kingdoms of Amalur: Re-Reckoning - Fatesworn (expansion)</i>	THQ Nordic	Own	PS4, Xbox One, PC	Digital
<i>Knights of Honor II: Sovereign</i>	THQ Nordic	Own	PC	Digital & physical
<i>Scarf</i>	THQ Nordic	External	PC	Digital
<i>The Guild 3</i>	THQ Nordic	Own	PC	Digital & physical
<i>A Rat's Quest</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital
<i>Airhead</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital
<i>Endling - Extinction is Forever</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital & physical
<i>One Hand Clapping</i>	HandyGames	External	PC, PS4, Xbox One, Switch, Mobile	Digital
<i>Townsmen VR</i>	HandyGames	Own	PC, PS4	Digital

For latest release dates please refer to above mentioned publishers.



# BUSINESS AREA GAMES

## DEEP SILVER

The business area Deep Silver comprises of Embracer Group's subsidiary Koch Media's video game division which owns eight internal development studios. Additionally, Koch Media collaborates with numerous independent development studios around the world. The core strategy is to publish IPs ranging from quality indie-hits to AAA blockbusters across all labels.



Klemens Kundratitz, CEO



\* Incl total Koch Media Group (all internal studios, publishing units, Koch films etc.)

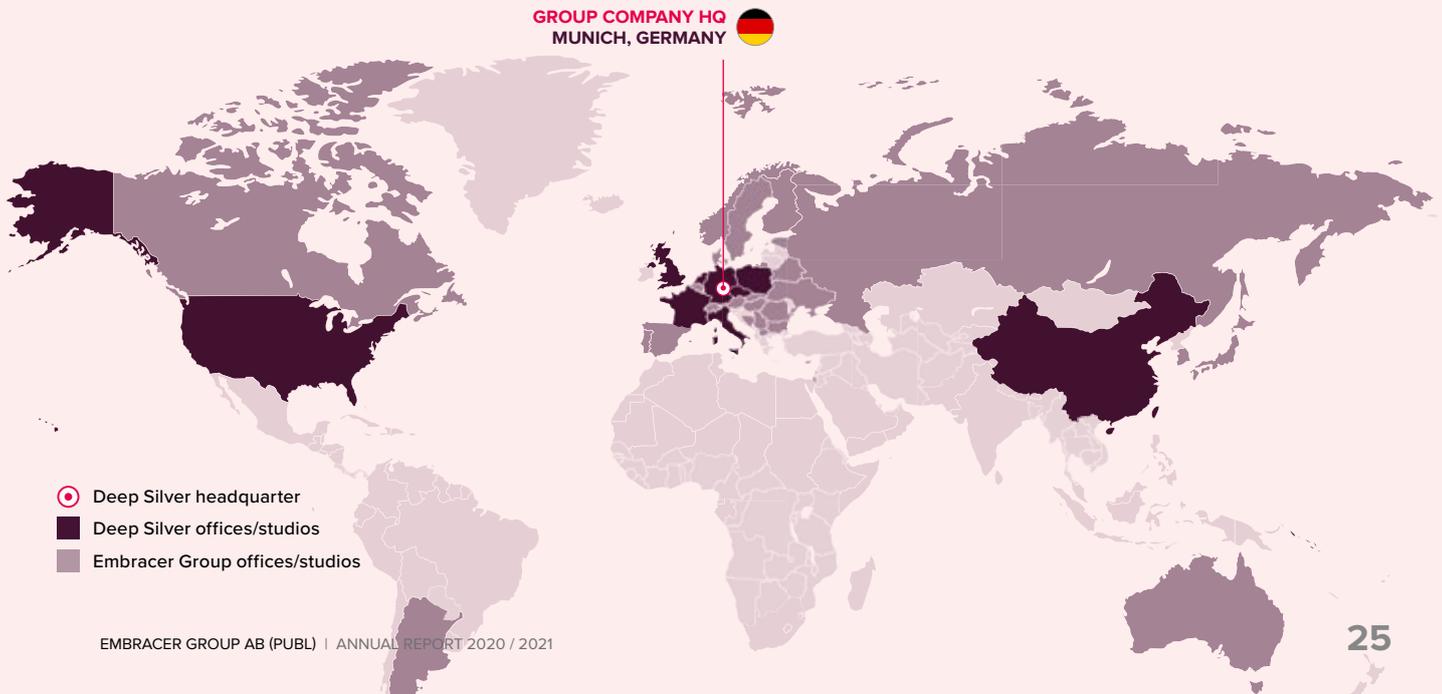
### THE YEAR IN BRIEF – DEEP SILVER

Koch Media runs a multi-label strategy with fully owned content providers including the labels Deep Silver, Milestone, Ravenscourt, Vertigo Games and the (after the financial year-end) newly introduced Prime Matter which publish games for console, PC and VR across all physical and digital channels.

During the year, Business Area Deep Silver's net sales increased by 15% to SEK 2,081.2 million (1,796.3) compared to last year. Growth was mainly driven by the evergreen franchises *Metro*, *Kingdom Come: Deliverance*, *Outward*, *Saints Row* and *Let's Sing*. Significant releases during the

year include *Saints Row: The Third Remastered*, *Maneater*, *Ride 4*, *MotoGP 20* and *Supercross 4*. Koch Media has acquired two new studios during the past year: the Polish developer Flying Wild Hog and the Dutch-based Vertigo Games. In May 2021, the business area announced the reformation of the British studio Free Radical Design with key original members. After the establishment, the studio will bring the much-loved IP *TimeSplitters* back to life.

After the financial year end, Koch Media announced the acquisition of Netherlands-based Force Field and France-based DigixArt.



## STUDIOS



**Deep Silver**  
**Dambuster Studios**  
 Internal headcount: 172  
 Nottingham, U.K



**Milestone**  
 Internal headcount: 243  
 Milan, Italy



**Voxler**  
 Internal headcount: 17  
 Paris, France



**Warhorse Studio**  
 Internal headcount: 172  
 Prague, Czech Republic



**Deep Silver FishLabs**  
 Internal headcount: 81  
 Hamburg, Germany



**Deep Silver Volition**  
 Internal headcount: 236  
 Champaign, USA



**Vertigo Games**  
 Internal headcount: 46  
 Rotterdam, Netherlands



**Flying Wild Hog**  
 Internal headcount 284  
 Warsaw, Poland  
 Krakow, Poland  
 Rzeszów, Poland



**DigixArt**  
 Montpellier, France  
 Acquired after year-end



**Forcefield**  
 Amsterdam, Netherlands  
 Acquired after year-end



**Free Radical Design**  
 Nottingham, U.K  
 Acquired after year-end

## PUBLISHERS



**Deep Silver**  
 Munich & London



**Milestone**  
 Milan, Italy



**Ravenscourt**  
 Munich, Germany



**Vertigo Games**  
 Rotterdam, Netherlands



**Prime Matter**  
 Munich, Germany  
 Established after year-end

## DEEP SILVER RELEASED GAMES 2020/21

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Gods Will Fall</i>	Deep Silver	External	PC, PS4, Xbox One, Switch	Digital
<i>Iron Harvest</i>	Deep Silver	External	PC	Digital & physical
<i>Maneater</i>	Deep Silver	External	PC, PS4, Xbox One, PS5, XSX	Physical
<i>Pathfinder Kingmaker: Definitive Edition</i>	Deep Silver	External	PS4, Xbox One	Digital & physical
<i>Saints Row: The Third Remastered</i>	Deep Silver	Own	PC, PS4, Xbox One, Stadia	Digital & physical
<i>Wasteland 3</i>	Deep Silver	External	PC, PS4, Xbox One	Digital & physical
<i>Windbound</i>	Deep Silver	External	PC, PS4, Xbox One	Digital
<i>MotoGP20</i>	Milestone	License	PC, PS4, Xbox One, Switch, Stadia	Digital & physical
<i>Ride 4</i>	Milestone	Own	PC, PS4, PS5, Xbox One, XSX	Digital & physical
<i>MXGP 2020</i>	Milestone	Own	PC, PS4, Xbox One, PS5, XSX	Digital & physical
<i>Monster Energy Supercross 4</i>	Milestone	Own	PC, PS4, PS5, Xbox One, XSX	Digital & physical
<i>Relicta</i>	Ravenscourt	External	PC, PS4, Xbox One	Digital
<i>Let's Sing Queen</i>	Ravenscourt	External	PS4, Xbox One	Digital & physical
<i>Let's Sing 2021</i>	Ravenscourt	Own	PS4, Switch	Digital & physical
<i>9 Monkeys of Shaolin</i>	Ravenscourt	External	PC, PS4, Xbox One, Switch	Digital & physical
<i>Cooking Mama Cookstar</i>	Ravenscourt	External	PS4	Digital & physical

**DEEP SILVER GAMES RELEASED AFTER 31 MARCH 2021 UNTIL TIME OF PUBLICATION**

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Chivalry II</i>	Deep Silver	External	PC, PS4, Xbox One	Physical
<i>Maneater</i>	Deep Silver	External	Switch	Physical
<i>Metro Exodus Complete Edition</i>	Deep Silver	External	PS5, XSX	Digital & physical
<i>Outward: The Three Brothers</i>	Deep Silver	External	PS4, Xbox One	Digital
<i>Rust</i>	Deep Silver	External	PS4, Xbox One	Physical
<i>Saints Row The Third Remastered</i>	Deep Silver	External	PS5, XSX	Digital & physical
<i>Wasteland 3: The Battle of Steeltown (expansion)</i>	Deep Silver	External	PC, PS4, Xbox One	Digital
<i>Road 96</i>	DigixArt	Own	PC, Switch	Digital
<i>MotoGP21</i>	Milestone	License	PC, PS4, PS5, Xbox One, XSX, Switch	Digital & physical
<i>Iron Harvest: Operation Eagle (expansion)</i>	Prime Matter	External	PC	Digital
<i>Let's Sing Queen</i>	Ravencourt	External	Switch	Digital & physical
<i>Siege Survival: Gloria Victis</i>	Ravencourt	External	PC	Digital
<i>Traffic Jams VR</i>	Vertigo Games	Own	PC, PS4, Oculus Quest	Digital

**DEEP SILVER ANNOUNCED RELEASES AS OF 18 AUGUST 2021**

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Chorus</i>	Deep Silver	Own	PC, PS4, PS5, XSX	Digital & physical
<i>Dead Island 2</i>	Deep Silver	Own	PC, PS4, PS5, XSX	Digital & physical
<i>Crossfire Legion</i>	Prime Matter	External	PC	Digital
<i>Dolmen</i>	Prime Matter	External	PC, PS4, PS5, XSX	Digital & physical
<i>Echoes of The End</i>	Prime Matter	External	PC, PS5, XSX	Digital & physical
<i>Encased</i>	Prime Matter	External	PC	Digital
<i>Final Form</i>	Prime Matter	External	PC, PS5, XSX	Digital & physical
<i>Gungrave G.O.R.E.</i>	Prime Matter	External	PC, PS4	Digital & physical
<i>Iron Harvest</i>	Prime Matter	External	PS4, Xbox One	Digital & physical
<i>King's Bounty II</i>	Prime Matter	External	PC, PS4, Switch, Xbox One	Digital & physical
<i>Mount &amp; Blade II Bannerlord (full release)</i>	Prime Matter	External	PC, console (TBC)	Digital & physical
<i>Payday 3</i>	Prime Matter	External	TBC	Digital & physical
<i>Phoenix Point: Behemoth Edition</i>	Prime Matter	External	PS4, Xbox One	Physical
<i>Scars Above</i>	Prime Matter	External	PC	Digital & physical
<i>The Chant</i>	Prime Matter	External	PC, PS4, PS5, Xbox One, XSX	Digital & physical
<i>The New Painkiller</i>	Prime Matter	External	TBC	Digital & physical
<i>Dice Legacy</i>	Ravencourt	Own	PC, Switch	Digital
<i>Proto Corgi</i>	Ravencourt	External	PC, Switch	Digital
<i>Hot Wheels Unleashed</i>	Milestone	License	PC, PS4, PS5, Switch, XSX	Digital & physical
<i>After the Fall</i>	Vertigo Games	Own	PC, PS4, Oculus Quest	Digital & physical
<i>Shadow Warrior 3</i>	External	External	PC, PS4, Xbox One	TBC
<i>Trek to Yomi</i>	External	External	PC, PS5, XSX	TBC
<i>Space Punks</i>	External	External	PC	TBC
<i>Evil West</i>	External	External	PC, PS4, PS5, Xbox One, XSX	TBC

For latest release dates please refer to above mentioned publishers. Please note that games released and announced releases after financial year end exclude games from Force Field and DigixArt.

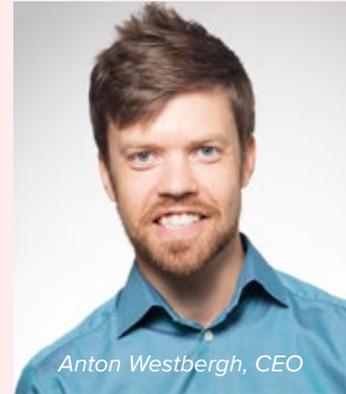


*Biomutant*

## BUSINESS AREA GAMES

# COFFEE STAIN

Coffee Stain is a world leading indie game developer and publisher, and its highly competent team create and publish great games. Particular strengths in creating new products include its focus on digital sales, retention, cross platform and multiplayer. The Coffee Stain Group has been under the Embracer umbrella since November 2018, and holds four fully owned internal studios.



Anton Westbergh, CEO



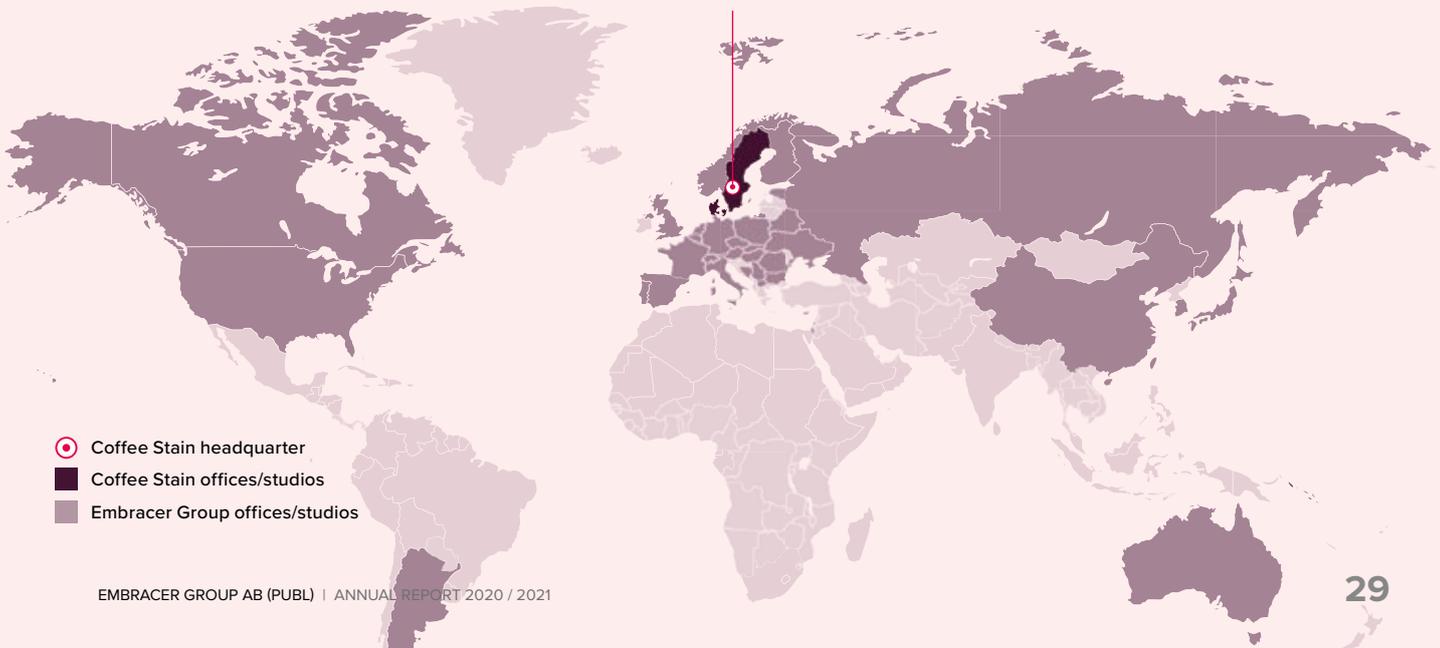
### THE YEAR IN BRIEF – COFFEE STAIN

During the year, Coffee Stain's net sales increased by 381% to SEK 1,182.5 million (245.8) compared to last year. The growth was mainly driven by the massive success of the multiplayer survival game inspired by viking culture - *Valheim*. The title was developed by a small team at the minority owned studio Iron Gate and published by Coffee Stain, and since its release in February 2021 it sold more than 6.8 million copies during the financial year. Iron Gate has created a truly amazing game and thanks to the massive support by gamers worldwide *Valheim* has become one of the most successful releases on Steam ever. Besides *Valheim*, Coffee Stain released the action filled title *HuntDown*.

Coffee Stain has undergone several organizational changes during the year. Stefan Hanna, one of the original founders of Coffee Stain, was appointed new CEO of Coffee Stain Studios. He replaced Johannes Aspeby who moved to work for Coffee Stain Publishing. Albert Säfström, one of the publishing founders, was appointed new CEO of Coffee Stain Publishing, replacing Tim Badylak, who moved on to new ventures. Anton Westbergh remained Group-CEO of Coffee Stain. In November 2020, Coffee Stain acquired the remaining 40% stake in Coffee Stain North.

After the financial year end, Coffee Stain announced two new acquisitions: Sweden-based Easy Trigger and Denmark-based Ghost Ship Games.

GROUP COMPANY HQ  
SKÖVDE, SWEDEN



- Coffee Stain headquarter
- Coffee Stain offices/studios
- Embracer Group offices/studios

## STUDIOS



**Coffee Stain Studios**  
Internal headcount: 33  
Skövde, Sweden



**Coffee Stain North**  
Internal headcount: 22  
Stockholm, Sweden



**Box Dragon**  
Internal headcount: 1  
Gothenburg, Sweden



**LAVAPOTION**  
Internal headcount: 8  
Gothenburg, Sweden



**GHOST SHIP**  
GAMES  
**Ghost Ship Games ApS**  
Copenhagen, Denmark  
Acquired after year-end



**EASY TRIGGER GAMES**  
**Easy Trigger**  
Trollhättan, Sweden  
Acquired after year-end

## PUBLISHERS



**Coffee Stain Publishing**  
Stockholm, Sweden

## ASSOCIATED STUDIOS



**IRON GATE**  
**Iron Gate**  
Skövde, Sweden

*Coffee Stain Studios, Skövde, Sweden*



**COFFEE STAIN RELEASED GAMES 2020/21**

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

**COFFEE STAIN GAMES RELEASED AFTER 31 MARCH 2021 UNTIL TIME OF PUBLICATION**

Title	Publishing Label	IP Owner	Platforms	Channels
<i>HuntDown</i>	Coffee Stain Publishing	External	PC (Steam), Switch (Japan), Mobil	Digital
<i>Satisfactory Update 4 (update)</i>	Coffee Stain Publishing	Own	PC	Digital

**COFFEE STAIN ANNOUNCED RELEASES AS OF 18 AUGUST 2021**

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Midnight Ghost Hunt</i>	Coffee Stain Publishing	Shared	PC	Digital
<i>Songs of Conquest</i>	Coffee Stain Publishing	Own	PC	Digital

For latest release dates please refer to above mentioned publishers. Please note that games released and announced releases after financial year end exclude games from Easy Trigger.





BUSINESS AREA GAMES

# AMPLIFIER GAME INVEST



Per-Arne Lundberg, CEO

*Amplifier Game Invest, acquired in August 2019, is becoming an important vehicle for our investments in new IP-development and teams. The business model is based on a partnership model designed to attract top talents through incentives and commercial support from the Group, while leaving them full creative integrity.*

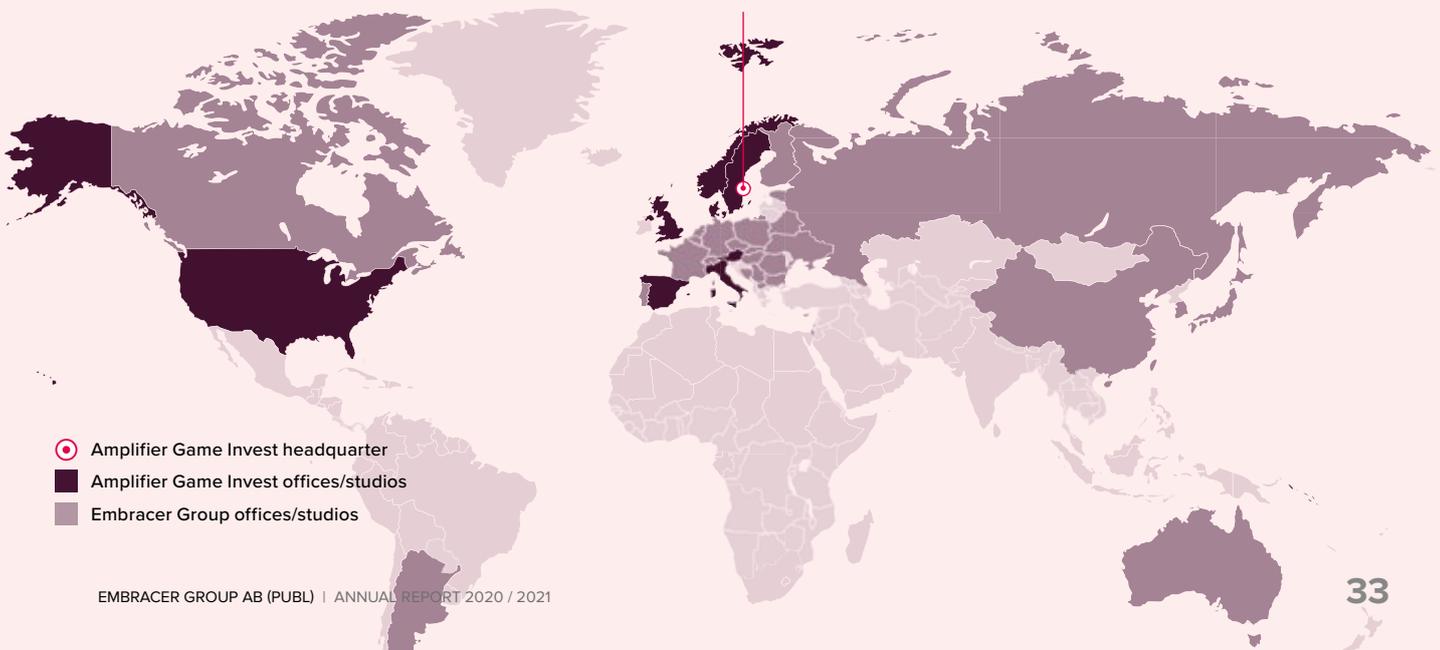


**THE YEAR IN BRIEF – AMPLIFIER GAME INVEST**

Amplifier Game Invest has during the year grown from four to eleven internal development studios through acquisitions of the studio Silent Games, Rare Earth Games, Vermila Studios as well as the remaining 50% of the outstanding shares in Palindrome Interactive. Amplifier also invested in a new start-up studio, Plucky Bytes, and increased its holding in Kavalri Games from 20% to 41%. After the financial year-end, Amplifier announced the acquisition of the studio FRAME BREAK.

During the year, Amplifier has focused on strengthening the company’s capacity through additional recruitments of key people. The organization is entering the financial year 2021/2022 equipped with a new offering, improved services to existing studios and more robust processes for financial reporting, compliance and the onboarding of new studios. The publishing service team has also been strengthened to increase the service capabilities and to potentially also open up for new ways of acquiring studios. Amplifier net sales are reported within Business Area: Games THQ Nordic.

GROUP COMPANY HQ  
STOCKHOLM, SWEDEN



- Amplifier Game Invest headquarter
- Amplifier Game Invest offices/studios
- Embracer Group offices/studios

## STUDIOS



**C77**  
Internal headcount: 26  
Belleveue, USA



**Destiny Bit**  
Internal headcount: 8  
Ravenna, Italy



**Frame Break**  
Internal headcount: 6  
Skövde, Sweden



**Misc Games**  
Internal headcount: 19  
Sandnes, Norway



**Palindrome Interactive**  
Internal headcount: 20  
Skövde, Sweden



**Plucky Bytes**  
Internal headcount: 3  
Karlstad, Sweden



**Rare Earth Games**  
Internal headcount: 17  
Vienna, Austria



**River End Games**  
Internal headcount: 13  
Gothenburg, Sweden



**Silent Games**  
Internal headcount: 14  
Newcastle, UK



**Tarsier Studios**  
Internal headcount: 55  
Malmö, Sweden



**Vermila Studios**  
Internal headcount: 20  
Madrid, Spain

## ASSOCIATED STUDIOS



**Framebunker**  
Copenhagen, Denmark



**Kavalri Games**  
Stockholm, Sweden



**Neon Giant**  
Uppsala, Sweden

## AMPLIFIER GAME INVEST RELEASED GAMES 2020/21

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Fishing: North Atlantic</i>	External	Own	PC	Digital
<i>Little Nightmares II</i>	External	External	PC, PS4, Xbox One, Switch, Stadia	Digital

## AMPLIFIER GAME INVEST GAMES RELEASED AFTER 31 MARCH 2021 UNTIL TIME OF PUBLICATION

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Fishing: North Atlantic</i>	External	External	PS4, Xbox One	Digital
<i>Fishing: North Atlantic Scallop - DLC</i>	External	External	PC, PS4, Xbox One	Digital

## AMPLIFIER GAME INVEST ANNOUNCED RELEASES AS OF 18 AUGUST 2021

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Lightyear frontier</i>	Amplifier	Own	PC, XSX	Digital

*In October 2021, Amplifier will move operations into one of Stockholm's cityscapes most characteristic buildings, Münchenbryggeriet.*





BUSINESS AREA GAMES

# SABER INTERACTIVE



Matthew Karch, CEO

Saber Interactive, founded in 2001, is an independent developer and publisher of high-quality video games for PC, consoles and mobile platforms. Saber is renowned for its strong technology knowledge and cost-efficient development. Saber also offers a unique platform for expansion in Russia and Eastern Europe. Embracer Group completed the acquisition of Saber Interactive on April 1, 2020.

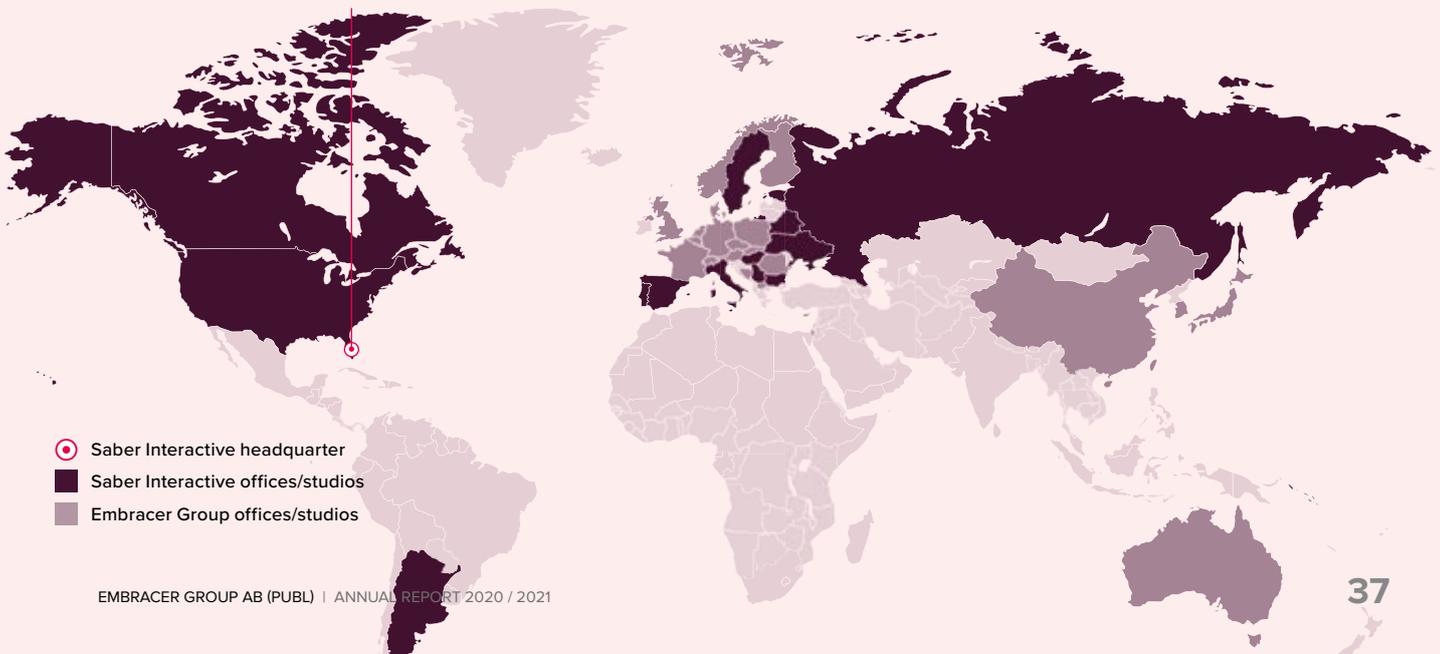


**THE YEAR IN BRIEF – SABER INTERACTIVE**

During the year, Saber Interactive’s net sales amounted to SEK 1,185.9 million and this mainly driven by *World War Z* and the notable release of *SnowRunner* which sold close to two million copies during the year. Notable contributions also came from Work-for-Hire projects. In the financial year 2020/21, Saber announced no less than eight acquisitions of new development studios: 4A Games, New World Interactive, Zen Studios, Snapshot Games, Nimble Giant Entertainment, Mad Head Games,

34 Big Things, Aspyr Media as well as the PR agency Sandbox Strategies. In total, Saber has onboarded more than 700 top talents working on a large number of ongoing development projects that will contribute to Saber’s growth going forward. After the financial year end, Saber Interactive announced five new acquisitions: 3D Realms and Slippgate Ironworks, and in August Smartphone Labs, Fractured Byte and Demiurge Studios. During the year, Saber continued to strengthen the company’s capacity bringing on more senior roles.

GROUP COMPANY HQ  
FORT LAUDERDALE, USA



- Saber Interactive headquarter
- Saber Interactive offices/studios
- Embracer Group offices/studios

## STUDIOS



**34 Big Things**  
Internal headcount: 37  
Turin, Italy



**4A Games**  
Internal headcount: 146  
Kiev, Ukraine  
Silema, Malta



**Madhead Games**  
Internal headcount: 133  
Novi Sad, Serbia



**New World Interactive**  
Internal headcount: 58  
Calgary, Canada  
Denver, USA



**Nimble Giant Entertainment**  
Internal headcount: 86  
Buenos Aires, Argentina



**Snapshot Games**  
Internal headcount: 64  
Sofia, Bulgaria



**Zen Studios**  
Internal headcount: 71  
Budapest, Hungary



**Slippgate**  
Aalborg, Denmark  
Acquired after year-end



**Demiurge Studios**  
Cambridge, USA  
Acquired after year-end



**SmartPhone Labs**  
Veliky Novogorod, Russia  
Acquired after year-end



**Fractured Byte**  
Tallinn, Estonia  
Acquired after year-end

## PUBLISHERS & STUDIOS



**Saber Interactive**  
Internal headcount: 925  
Vila Nova de Gaia, Portugal  
Saint Petersburg, Russia  
Alcobendas, Spain  
Sundsvall, Sweden  
Minsk, Belarus



**Aspyr Media Inc.**  
Austin, USA  
Acquired after year-end



**3D**  
Copenhagen, Denmark  
Acquired after year-end

### SABER INTERACTIVE RELEASED GAMES 2020/21

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Redout: Space Assault</i>	34BigThings	Own	PC, Xbox One, PS4, Switch	Digital
<i>Phoenix Point: Year One Edition</i>	Snapshot	Own	PC	Digital
<i>World War Z Dronemaster (update)</i>	External	Exclusive license	PC, PS4, Xbox One	Digital
<i>SnowRunner</i>	External	Own	PC, PS4, Xbox One	Digital
<i>SnowRunner Season 1: Search &amp; Recover (expansion)</i>	External	Own	PC, PS4, Xbox One	Digital
<i>World War Z GOTY Edition</i>	External	Exclusive license	PC, PS4, Xbox One	Digital & physical

### SABER INTERACTIVE GAMES RELEASED AFTER 31 MARCH 2021 UNTIL TIME OF PUBLICATION

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Pinball: Star Wars VR</i>	Zen Studios	External	PC VR, PSVR, Oculus Quest	Digital
<i>SnowRunner</i>	External	Own	PC (Steam), Switch	Digital & physical
<i>Star Wars Republic Commando</i>	Aspyr	License	PC (Steam)	Digital & physical
<i>Quantum League (full release)</i>	Nimble Giant Entertainment	Own	PC (Steam)	Digital
<i>RWBY: Grimm Eclipse - Definitive Edition</i>	Aspyr	External	Switch	Digital & physical

### SABER INTERACTIVE ANNOUNCED RELEASES AS OF 18 AUGUST 2021

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Insurgency: Sandstorm</i>	External	Own	PS4, Xbox One	Digital & physical
<i>WWZ Aftermath</i>	Saber Interactive	License	PC, PS4, Xbox One	Digital & physical
<i>Zen Pinball Party</i>	Zen Studios	Own	Apple Arcade	Digital
<i>Evil Dead: The Game</i>	Saber	License	PC, PS4, PS5, Xbox One, XSX, Switch	Digital & physical

For latest release dates please refer to above mentioned publishers. Please note that games released and announced releases after financial year end exclude games from 3D Realms and Slippgate Ironworks.



Collage from Saber's offices and studios around the world

BUSINESS AREA GAMES / SABER INTERACTIVE



# BUSINESS AREA GAMES

## DECA GAMES

DECA Games is an ecosystem of mobile publishers and developers with an expertise in live operations of Free-to-Play games. DECA started as an asset care business acquiring other developers games and IP and has evolved to add development studios and publishers since joining Embracer. It's business has highly complementary operations to Embracer Group's existing and fast-growing business within PC/console game development and publishing. DECA Games was announced as the sixth operative group within Embracer Group on acquisition, August 13, 2020.



### THE YEAR IN BRIEF – DECA GAMES

During the year, DECA Games grew through the addition of two Canada-based and high-quality Free-to-Play mobile studios: A Thinking Ape and IUGO Entertainment. With the acquisitions, DECA onboards two sizable teams of total 168 developers with proven ability of producing award-winning mobile games, strengthening the development and publishing capabilities of the DECA operating unit. Both new studios each have one new original IP game in

development which is expected to be released during the calendar year 2021. DECA has also acquired three new franchises: *Almost a Hero*, *Gods and Glory*, and *Robbery Bob*. Net sales in financial year 2020/21 amounted to SEK 209.7 million, mainly driven by the back catalogue. After the financial year end, Embracer Group AB announced the acquisition of Israel-based CrazyLabs. CrazyLabs will operate as an independent group under DECA Games.

### STUDIOS & PUBLISHERS



**DECA Games**  
Internal headcount: 177  
Veliko Tarnovo, Bulgaria  
Berlin, Germany  
DECA remote



**A THINKING APE**  
A Thinking Ape  
Internal headcount: 87  
Vancouver, Canada

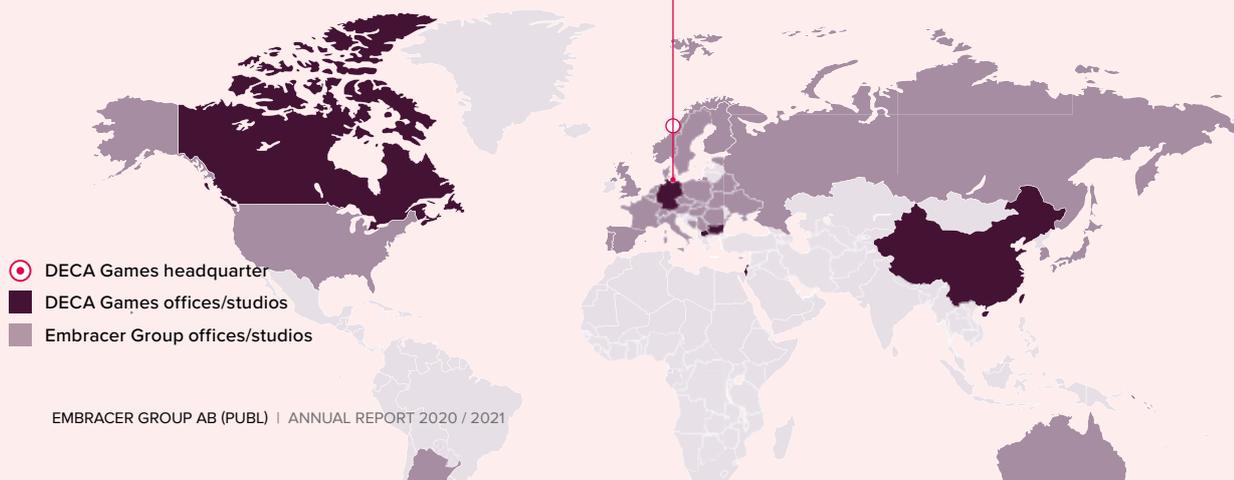


**CrazyLabs**  
CrazyLabs  
Tel Aviv, Israel  
Acquired after year-end



**IUGO**  
IUGO  
Internal headcount: 85  
Vancouver, Canada

GROUP COMPANY HQ  
BERLIN, GERMANY



BUSINESS AREA GAMES

# GEARBOX ENTERTAINMENT COMPANY



Randy Pitchford, CEO



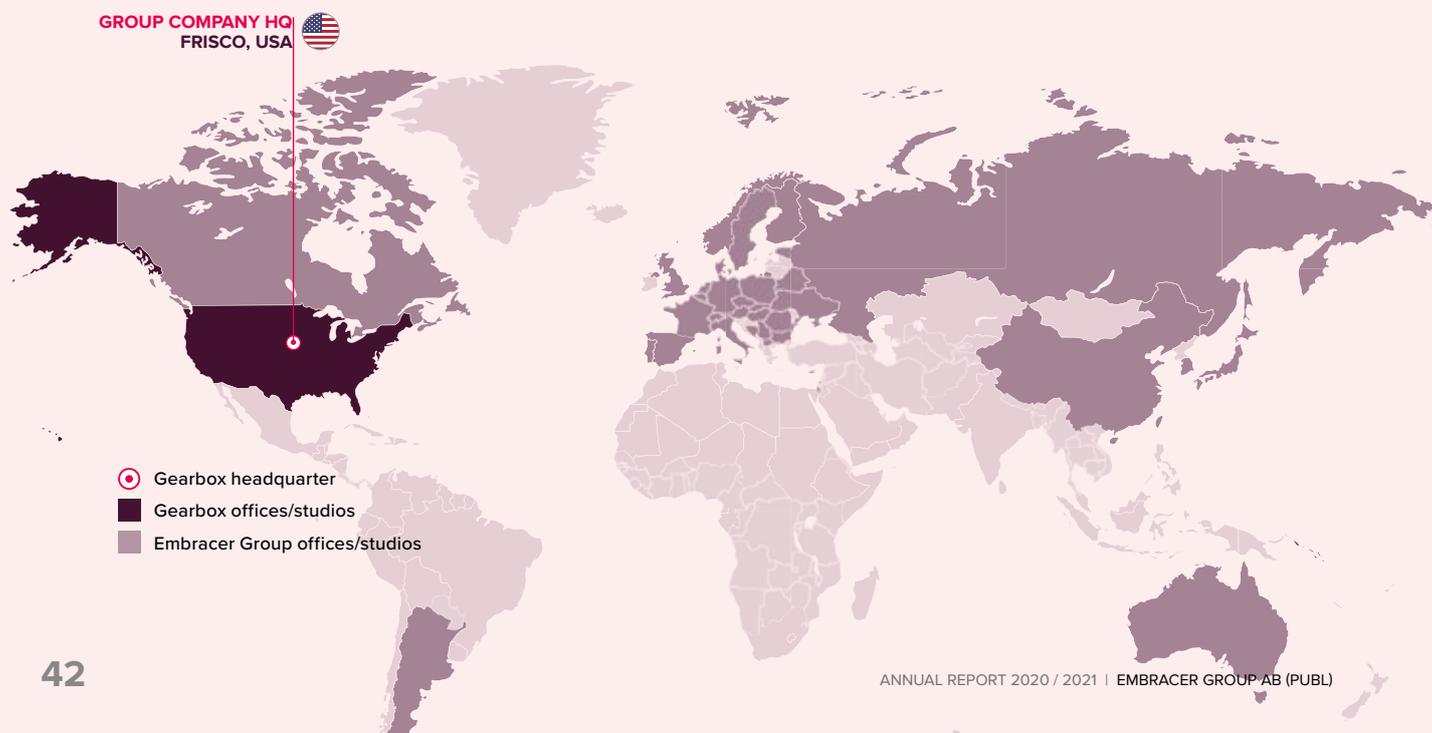
On February 3, 2021, Embracer Group AB entered into a merger agreement with US-based Gearbox Entertainment Company. With its mission to entertain the world, Gearbox brings highly creative AAA development studios, North American publishing capabilities, and a robust IP portfolio, including critically acclaimed and commercially successful franchises like *Borderlands*, *Brothers in Arms* and *Homeworld*. Since the transaction was closed in April 2021, Gearbox has formed Embracer's seventh operative group and operates as an independent studio focusing on premium interactive gaming experiences.

Through the merger, Embracer onboards one of the leading independent companies within the games industry with proven experience of creating long-lasting franchises and delivering strong original content. With all its owned franchises, the Gearbox team enjoys driving and managing a deep portfolio of licensed and internally produced ancillary products including action figures, apparel, art prints, fictional novels, non-fiction reference books, and, more recently, feature films and television series.

The day one purchase price amounted to USD 363 million in total, on a cash and debt free basis, of which USD 175

million was paid in newly issued Embracer B shares and the residual in cash. Subject to fulfilment of agreed financial and operational targets in the next six years, an additional consideration of maximum USD 1,015 million may be paid, of which a maximum of USD 360 million in issued Embracer B shares and the residual in cash.

Gearbox was founded in 1999 by Randy Pitchford and operates across two development studios located in Texas, USA and Quebec City, Canada, with a team of more than 550 talents with diversified backgrounds, skills, and expertise.





**7**  
IPs

**550**  
internal headcount

**STUDIOS**



**gearbox**  
software  
Gearbox Software  
Frisco, USA



**gearbox**  
studio québec  
Gearbox Studio Quebec  
Quebec, Canada

**PUBLISHER**



**gearbox**  
publishing  
Gearbox Publishing  
Frisco, USA

**GEARBOX ENTERTAINMENT COMPANY RELEASES 2020/21**

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Borderlands 3: Bounty of Blood DLC</i>	External	Eget	PC, PS4, Xbox One, PS5, XSX, Switch	Digital
<i>Godfall</i>	Gearbox publishing	External	PC, PS5	Digital & physical

**GEARBOX ENTERTAINMENT COMPANY GAMES RELEASED AFTER 31 MARCH 2021 UNTIL TIME OF PUBLICATION**

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Borderlands 3 Director's Cut DLC</i>	External	Own	PC, Stadia, PS4, Xbox One	Digital
<i>Godfall</i>	Gearbox Publishing	External	PS4	Digital
<i>Godfall - Fire &amp; Darkness DLC</i>	Gearbox Publishing	External	PS4, PS5, PC (Epic)	Digital & physical
<i>Homeworld Mobile</i>	Gearbox Publishing	Own	Mobile	Digital
<i>Tribes of Midgard</i>	Gearbox publishing	External	PC (Steam), PS5, PS4	Digital & physical

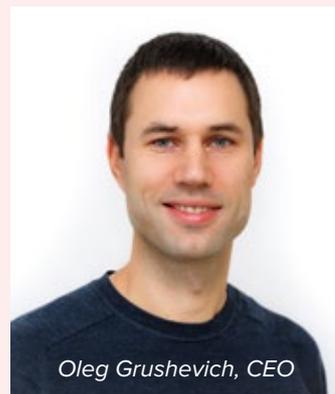
**GEARBOX ENTERTAINMENT COMPANY ANNOUNCED RELEASES AS OF 18 AUGUST 2021**

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Homeworld 3</i>	Gearbox Publishing	Own	PC	Digital & physical
<i>Tiny Tina's Wonderlands</i>	External	Own	PC, PS4, PS5, Xbox One, XBX, XSX	Digital & physical

For latest release dates please refer to above mentioned publishers.

BUSINESS AREA GAMES

# EASYBRAIN GROUP LIMITED



Oleg Grushevich, CEO

## Easybrain

On February 3, 2021, Embracer Group entered into an agreement to merge with Cyprus-based Easybrain Group Limited - a leading mobile games developer with a core focus on puzzle and logic game titles. By unlocking the potential of every team member, Easybrain strives to develop the best products on the market. Its' titles have more than 900 million installs to date and up to 12 million daily active users across 15 live games. Easybrain is announced Embracer's eighth operative group.

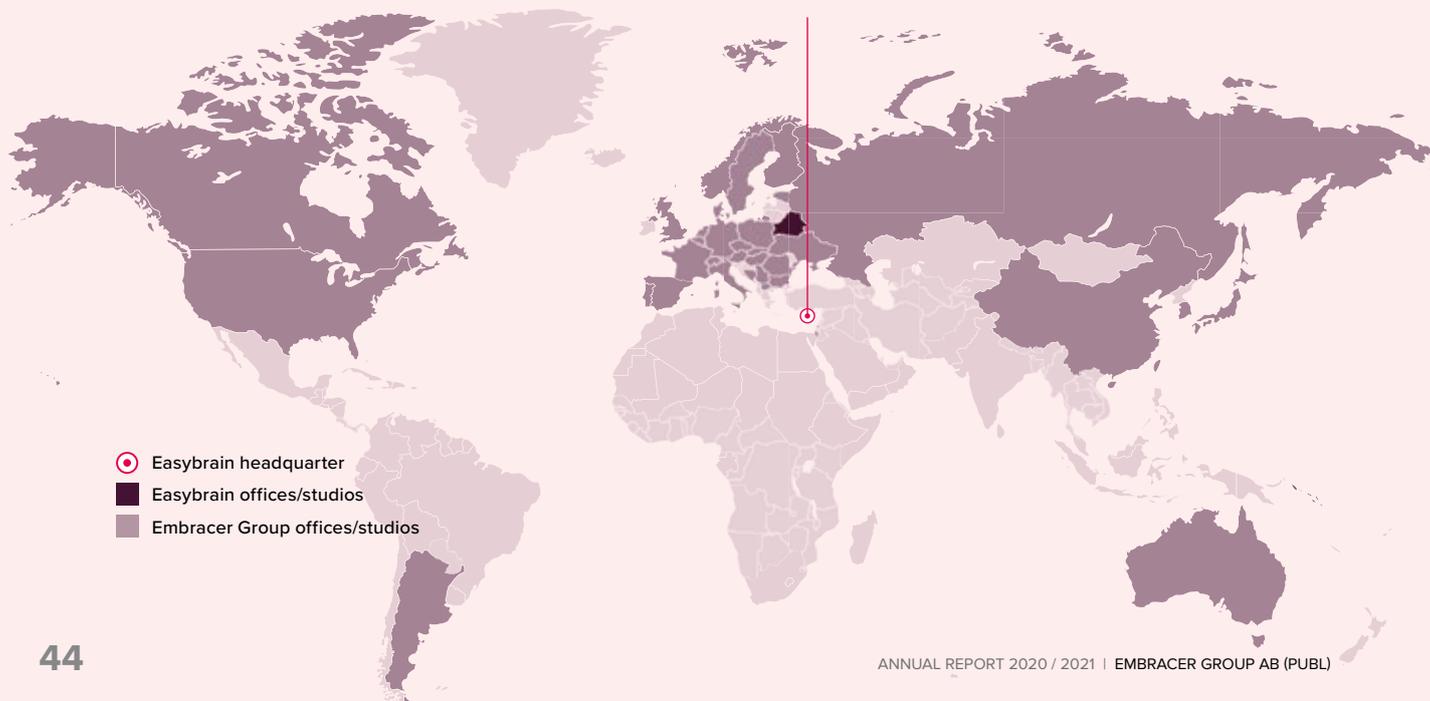
Through the merger, Embracer adds a leading mobile game developer with proven ability to launch, scale up and operate multiple global category leaders within the logic and puzzle game genre. Embracer sees a great opportunity in supporting Easybrain to continue developing strong mobile game titles and be able to leverage the expertise of Easybrain across the Embracer organization.

Easybrain will continue to operate as an independent

developer and publisher focused on mobile games with continued leadership by its existing management team. Easybrains focus will be to drive long term organic growth rather than to grow through bolt on acquisitions.

The acquisition was made in an all-equity transaction for a day one purchase price amounting to USD 640 million on a cash and debt free basis plus a maximum of USD 125 million in additional consideration, also in equity.

GROUP COMPANY HQ  
LIMASSOL, CYPRUS



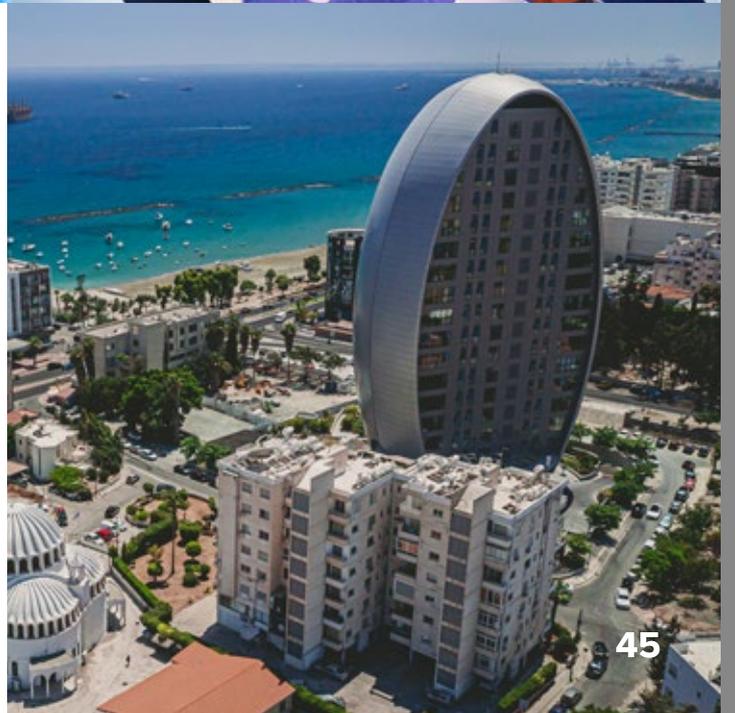
- Easybrain headquarter
- Easybrain offices/studios
- Embracer Group offices/studios



**900**  
million installs  
to date

**250**  
internal  
headcount

*Easybrain are headquartered in Limassol, Cyprus and has an office in Minsk, Belarus, in total consisting of 250 people with a diverse set of background and skills. Easybrain is to date still led by Oleg Grushevich, Peter Skoromnyi and Matvey Timoshenko, who are all active in operational management roles and a seasoned executive team.*



## BUSINESS AREA

# PARTNER PUBLISHING/FILM



*Embracer Group's fully owned subsidiary Koch Media is one of the leading third-party publishers and distributors of video games worldwide. The partner publishing business primarily generates revenues through the digital and physical publishing and distributing of games, merchandise and films. Koch Media publishes games in Europe, Australia and North America for a number of major past and present partners including Sega, Square Enix, Warner Bros. Games, Activision Blizzard and Codemasters. The business area also includes Game Outlet Europe and the recently acquired Quantic Lab.*

During the year, Partner Publishing/Film's net sales increased by 25% to SEK 2,575.9 million (2,052.9), mainly driven by larger game releases as well as increased film revenues.

In the Partner Publishing segment growth is attributed to the releases *F1 2020* from Codemasters and Square Enix's *Marvel's Avengers* on various platforms together with strong back catalogue performance. The share of digital sales has increased a result of lockdowns and restrictions in connection with the COVID-19 pandemic. In the end of the year, Koch Media expanded deeper into Asia with the opening of two new offices in Hong Kong and Tokyo and announced that it will expand the capacity of its shared service and European logistic center in Austria.

The film business overall had a strong year with digital sales at high levels, whereas physical sales suffered from the COVID-19 lockdowns. Koch Film has successfully launched a B2C subscription channel, "Aniverse" on Amazon Prime and their own YouTube channel for movie streaming called "Moviedome". Other highlights include new notable license sales deals with TV broadcasters, successful theatrical event launches of special interest titles despite Corona restrictions in Germany and Italy and an exclusive home entertainment distribution agreement for physical product with Paramount for Italy. Koch FILMS acquired Sola Media, a Germany based world sales agent for quality family and animation movies and TV series.

Embracer Group has also acquired 95% of the shares in Quanticlab, an outsourcing company specialized in quality assurance ("QA"). After the financial year end, Embracer Group AB announced the acquisition of 70% of Grimfrost. Grimfrost will operate as a subsidiary to Embracer and report under the business area Partner Publishing and Film.

Game Outlet Europe AB, the niche distributor of retro-products and deep back catalogue games continued to have a positive development. During the year Game Outlet announced its own publishing label for niche titles, Clear River Games.



### KOCH MEDIA

The parent company is based in Höfen, Austria with operational publishing headquarters in Munich, Germany. Koch Media owns studios and offices in 15 countries around

the world. It runs three distribution centers serving the European market, in the UK, Austria and Spain, and an external manufacturing and logistics partnership in Tennessee. Physical publishing in the US is mainly via partners such as Amazon, Walmart and GameStop.

The strong market position of Koch Media as Partner Publisher is largely due to its expertise and experience to support the marketing of third-party publishing clients, managing the manufacturing and distribution of physical goods, inventory levels and offering reach into retail outlets. Although digital distribution has an ever-increasing portion of the global console and PC market's sales, physical distribution still represents an important part of the total revenue.

## koch films

### KOCH FILMS

Embedded in the Koch Media group, Koch Films is a leading independent film publisher and distributor in German-speaking Europe and Italy operating in all film sales channels. The catalogue consists of thousands of films/TV series in all genres, it is particularly strong in anime, cult classics and world cinema movies.



### GAME OUTLET EUROPE AB

Game Outlet Europe AB is an independent niche distributor of reprinted physical videogames, gaming hardware and retro gaming hardware located in Karlstad, Sweden. The company was founded in 1994 by the Embracer Group's CEO Lars Wingefors.

## QUANTIC LAB™

Quality Assurance.

### QUANTIC LAB

Quantic Lab, based in Cluj-Napoca, Romania, is a software outsourcing company specialized in Quality Assurance ("QA"), localization and User Experience for gaming and applications. Quantic Lab was founded in 2006 by Stefan Seicarescu, current CEO, and has since grown, from being a start-up with a small team of 12 persons, into a leading QA company with more than 60 active clients and more than 350 employees in three office locations in Romania and one office in UK.





*Biomutant*

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STEP BY STEP TOWARDS SMARTER BUSINESS

## LETTER FROM CHAIRMAN OF THE BOARD

# OUR JOURNEY CONTINUES

*Things keep moving quickly here at Embracer Group. This year we continued to grow, from 26 to 60 studios, and we were almost 6,500 people in the family at year-end. And our journey continues. This year we have taken even more steps on our sustainability journey by strengthening the foundation that keeps our company on track.*

### **LAST YEAR WE PROMISED TO GET MOVING – AND WE DID**

I believe that starting small, prioritizing what matters most and taking it step by step is the way to build a solid foundation for progress. This year, we really got moving with our sustainability work. Despite the on-going COVID-19 pandemic and the toll that living with the virus has taken on everyone, we have successfully integrated our sustainability framework Smarter Business company-wide. I am proud of what we have achieved and want to take this opportunity to thank all our employees for their great work and continued creativity in these tough times.

Working with all aspects of the Smarter Business Framework we have focused on delivering the promise we made last year: to make sure that our sustainability work contributes to building an even stronger foundation for a rapid growth and enables long term shareholder value.

The Board has focused on strengthening governance and business ethics structures to continue to developing a high level of trust and credibility. Two central accomplishments came out of this effort, an audit committee and a remuneration committee. We have updated our risk management, continued improvements on financial reporting and corporate governance, implemented a corporate performance management software solution company-wide, launched a digital sustainability system and performed a thorough cyber maturity assessment. A well-grounded onboarding program for newly acquired companies was also implemented. We tested our framework for sustainability by conducting a stakeholder dialogue and a materiality analysis. Based on those learnings, we feel confident that our framework is still relevant with its pillars and focus areas. By now, 3,472 employees have participated in our interactive compliance code training. Considering that 2,500 new colleagues joined us this financial year, we are on track to reach our goal of everyone taking the training. Like I said, things move quickly around here.

### **WORKING TOGETHER IN A TRULY DECENTRALIZED COMPANY**

Being on forty markets across the world, means that we are a global connector of people, both through our games and as a company group. Having diverse backgrounds is what fuels the creativity and can-do spirit that is in our DNA. I firmly believe that this diverse range of perspectives, within the Embracer Group is the key component to our strength as an innovative company. Our approach to sustainable growth has enabled operative groups to set their own ambitions, supported by the foundation that the parent company provides. One size does not fit all and that is a good thing!

Indeed, after this year of exceptional growth, and a challenging pandemic, one thing is clear: Our decentralized business model works. We strive for the balance between an internal group control environment that is supportive and fostering the entrepreneurial spirit that is at the core of Embracer Group. Similarly, we encourage every company to launch their own sustainability initiatives. There are many examples that are role models within the group – CO<sub>2</sub> net neutrality projects, collaborations with educational institutions to get more women programmers and a wide variety of community involvement projects.

Looking back at the start of the pandemic, I remember when all our studios closed, and everyone expected to return to the office within a few weeks. Things did not turn out that way, and I am impressed how our employees tackled the challenges that came with a work life at home. As societies are slowly re-opening, I want to express my deepest sympathy to each and every one affected by the virus. You are in our thoughts. Even though all of us are looking forward to working together again, we know now that game development can happen outside the studios, too. Together, we have made it work, which can be seen in our first Global Employee survey in April, answered by 74% of our employees. The average score for "I enjoy my job" was 84/100!

### **CONTINUING THE JOURNEY**

This past year has showed us how important gaming is for people everywhere. Games are places where people meet and are entertained even in tough times. The value the gaming industry creates has been central for many people, communities, and societies across the world. Looking ahead, I am curious to see what role our industry will play in the new "normal", which surely will be more digital than ever before. I believe that online meeting formats of the future will increasingly resemble real face-to-face meetings. Game developers handle these things all the time. Just as the gaming industry has created life-like, interactive multiplayer experiences, this expertise may in the future be used to develop equally fantastic, social online meeting formats. I for one am convinced that we, in the gaming industry, can contribute even more so to society with our technical skills and creative minds. In the coming year, we will continue our sustainability journey where the Embracer Group family will strive to make the world just a little bit better.

Kicki Wallje-Lund  
Chairman of the Board

"I AM PROUD OF WHAT WE HAVE ACHIEVED AND WANT TO TAKE THIS OPPORTUNITY TO THANK ALL OUR EMPLOYEES FOR THEIR GREAT WORK AND CONTINUED CREATIVITY IN THESE TOUGH TIMES"

Kicki Wallje-Lund  
Chairman of the Board



## SUSTAINABILITY REPORT

# ABOUT EMBRACER

*Embracer Group conducts management and development of intellectual property rights, publishing, development of computer, video and mobile games, third-party publishing and distribution of games, and publishes and distributes films. After a number of acquisitions during the financial year, Embracer Group has six operative groups: Deep Silver/Koch Media, THQ Nordic, Coffee Stain, Amplifier Game Invest, Saber Interactive and DECA Games. At the end of the financial year, the Group's portfolio of games included over 240 owned franchises.*

Embracer Group's growth is driven both by organic growth and acquisitions. Long-term organic growth is driven by continuous investments in developing and expanding the IP portfolio, including currently dormant IPs, developing and expanding internal studios as well as establishing new studios with top talent developers. The growth strategy also includes signing development projects with external studios and consolidating the

partner publishing market. Embracer Group has a proven track-record of acquiring and developing IPs, studios and publishers. The Group provides an attractive model for developers and entrepreneurs with a long-term perspective, a model which is built on empowerment by decentralization.

For more information on Embracer Group and its business model, see page 8.

## SUSTAINABILITY REPORT

# SUSTAINABILITY REPORTING AT EMBRACER GROUP

*This is the very first statutory sustainability report published by Embracer Group. But already in 2019/20 we described our initial approach to sustainability: starting small and focusing on what matters most. The starting point was to identify the areas of focus where we believed that we would make the greatest impact. We initiated the work to develop a solid sustainability framework in order to create a foundation for setting goals and KPIs for this statutory sustainability report.*

Sustainability is an integral part of the work carried out at Embracer Group. Smarter Business is our group wide sustainability framework and is based on four pillars that are relevant to the business and helps guide sustainability efforts: Business Sense, Solid Work, Great People and Greener Planet. On a group level, the Smarter Business model clarifies and explains the most important parts of our sustainability work. We provide the framework as a guide to our operative groups who implement initiatives that contribute to delivering on our overall goals.

This report explains our framework and highlights the initiated activities within our focus areas across the Group. Decisive for Embracer Group's sustainability strategy has been this year's systematic collection of relevant data and all the Group's companies reported data through

a digital sustainability system. This data provides important insights on which issues our sustainability framework should address and allows us to monitor progress. We have developed key performance indicators (KPI) to measure and reliably monitor our progress, and these KPIs are influenced by international reporting standards, such as Sustainability Accounting Standard Board (SASB) and the Global Reporting Initiative (GRI), which we look to align with when applicable and relevant for us.

Our updated material assessment will continue to be reviewed in the coming years of reporting. The ongoing dialogues regarding sustainability will continue with identified stakeholders including, employees, managers, board of directors, shareholders, investors, industry associations and society.



**100%**  
OF THE GROUP'S  
COMPANIES REPORTED  
THROUGH THE DIGITAL  
SUSTAINABILITY  
SYSTEM

## SUSTAINABILITY REPORT

# SUSTAINABILITY GOVERNANCE

*As the sustainability framework has been developed based on input from our people, the framework will improve the connection between employees and sustainability. It will also allow the operative groups to leverage their entrepreneurial spirit to help us tackle sustainability issues together. Embracer Group conducts sustainability due diligence as a standard protocol during each acquisition in order to identify key sustainability risks and opportunities as well as to make sure everyone in the process is aware of the Group's expectations on sustainability.*

Embracer Group conducts sustainability due diligence as a standard protocol during each acquisition in order to identify key sustainability risks and opportunities as well as to make sure everyone in the process is aware of the Group's expectations on sustainability.

While we encourage all our people to actively participate in this work, our ambition is to inspire and support their initiatives.

The purpose is to integrate sustainability into each represented company culture and working methods without making it feel forced. We have started our joint sustainability journey and are in it for the long term, together.

The parent company Embracer Group AB (publ) is responsible for the sustainability framework on a group level, but the daily work and initiatives will be conducted in the operative groups. Each company will set targets and identify initiatives using the framework as inspiration and structure. The companies, of which 60 are internal studios, face different challenges and opportunities, and the role of the parent company is to empower them to reach our shared ambitions and achieve their own goals. All our people have a shared responsibility for sustainable business practices in their daily work.

The Board of Directors oversee the Embracer Group's sustainability and corporate responsibility strategy, and risks and performance are reported annually to the Board, or more often as needed. Corporate Governance is described on pages 81-89.

**61%**

**OF EMBRACER  
SUBSIDIARIES HAVE  
SUSTAINABILITY ON  
TOP MANAGEMENT  
MEETINGS**

SUSTAINABILITY REPORT

# SUSTAINABILITY STRATEGY

We work with several different components to ensure that our sustainability work is as efficient and impactful as possible. We begin by identifying all the sustainability risks in Embracer’s value chain, we then determine the impact that the risks would have if they occurred, we gather input from stakeholders and finally determine how Embracer Group should achieve improvements in its sustainability areas.

**MATERIALITY ASSESSMENT**

In order to ensure that we consider different stakeholder perspectives and that Embracer’s Smarter Business framework is focused on the most material sustainability topics, we have reviewed and updated our materiality assessment. The basis for the dual materiality assessment is the results from stakeholder dialogues combined with results from a thorough risk and impact assessment. The risk assessment identifies all the risks in Embracer’s value chain and the impact assessment determines the impact that identified risks would have on Embracer, environment and socially. The purpose of the materiality assessment is then to determine which sustainability topics that Embracer should work on and guide Embracer on which areas to prioritize and how to direct resources for implementation of actions.

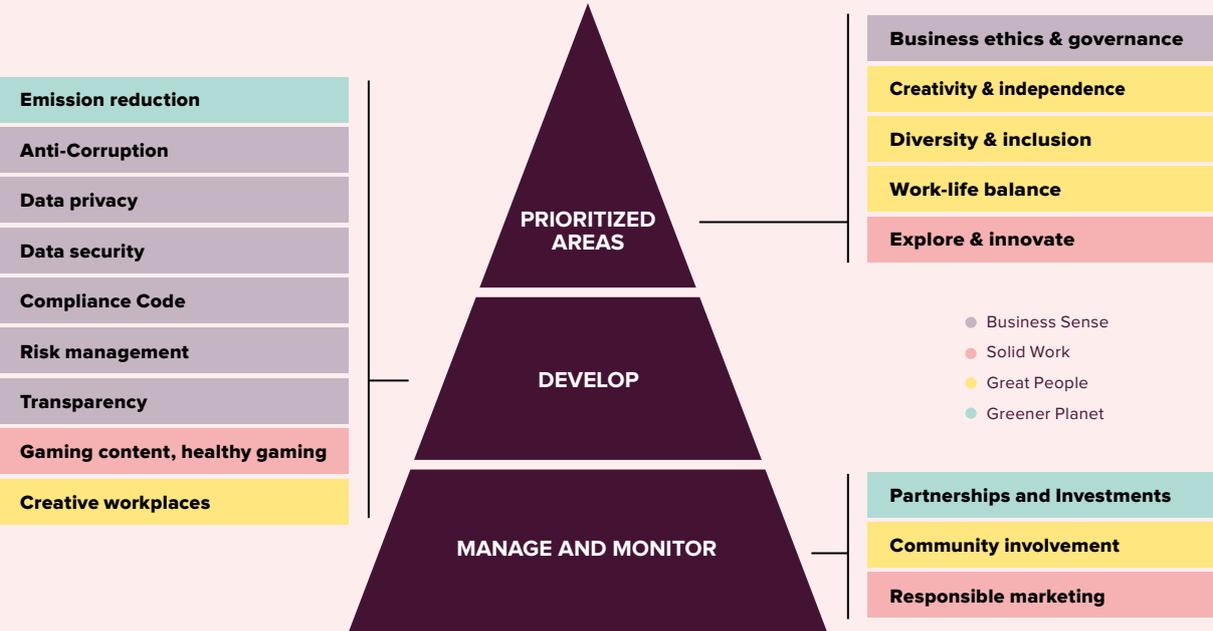
After having reviewed insights from stakeholder dialogues and the risk- and impact assessment, in

the final quarter of the financial year, Embracer Group’s management carried out a materiality workshop and identified the sustainability areas that Embracer will work on going forward. A materiality pyramid was developed and divided the sustainability areas into 3 different degrees of priority, see below.

All sustainability areas are important to us but require different levels of attention. *Prioritized areas* will receive the greatest resources for implementation of measures. Sustainability areas under *Develop* already have implemented measures but additional improvements need to be made. Sustainability areas under *Manage and Monitor* have adequate processes in place so it is more important to monitor development.

Five sustainability areas have been identified to be of the highest priority in the upcoming years. These five areas relate to three of our four Smarter Business pillars (Read more on page 60-71):

## SUSTAINABILITY AREAS – 3 DEGREES OF PRIORITY



- > High level of business ethics and governance (Business Sense)
- > Creativity and independence (Great People)
- > Diversity and inclusion (Great People)
- > Work-life balance (Great People)
- > Explore and innovate (Solid Work)

During the year, we collected valuable data to be able to produce and implement a climate plan for the Group. According to our clearly decentralized way, the plan will be developed together with external sustainability experts and our operational group managements. The climate plan will be presented in our forthcoming annual report.

All sustainability areas will form a guide to help shape the sustainability work throughout the organization. We will identify activities that fit under each area and each operative group will start working on the initiatives which they believe create the most value. It is key to keep the entrepreneurial spirit within our companies and we want to acknowledge and celebrate their individual ideas and achievements. The initiatives that achieve the greatest results will then be scale up within the whole organization. Going forward, all initiatives will be followed up by Embracer Group to ensure they are properly

implemented and monitored. The prioritized areas will regularly be re-assessed to capture any changes in their relevance to Embracer.

### STAKEHOLDER ENGAGEMENT

Our approach to stakeholder engagement requires us to listen, be challenged and to openly share experiences, and is an essential part of our continuous sustainability work. It enables us to learn more about stakeholder's expectations, requirements and concerns. During the year we have regularly engaged with the Group's internal stakeholders, such as all our employees, the operative group's management and the board of directors as well as external stakeholders including shareholders and investors, industry associations and universities. Embracer engages with its stakeholders on sustainability related topics in a variety of forms, such as dialogues, group meetings and workshops, surveys and interviews on an ongoing basis. This provides valuable insights into risks as well as to opportunities.



Stakeholder Group	Methods of engagement	Topics raised
<b>Employees</b>	<ul style="list-style-type: none"> <li>&gt; Ambassador meetings/workshops</li> <li>&gt; Employee satisfaction survey</li> <li>&gt; Volunteering activities</li> <li>&gt; Company matching donations</li> <li>&gt; Storytelling</li> <li>&gt; Company visits</li> <li>&gt; Whistle-blowing system</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Health, safety and work-life balance</li> <li>&gt; Business Ethics and governance</li> <li>&gt; Diversity and inclusion</li> <li>&gt; Healthy and inclusive Gaming</li> <li>&gt; Climate action</li> <li>&gt; COVID-19 related issues</li> </ul>
<b>Operative Group Management</b>	<ul style="list-style-type: none"> <li>&gt; Regular communication and meetings</li> <li>&gt; Interviews</li> <li>&gt; Surveys</li> <li>&gt; Data collection platform</li> <li>&gt; Workshops</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Business Ethics and Governance</li> <li>&gt; Human Resources</li> <li>&gt; ESG processes</li> <li>&gt; COVID-19 related issues</li> <li>&gt; Climate and resource efficiency</li> </ul>
<b>Shareholders – existing and potential &amp; analysts</b>	<ul style="list-style-type: none"> <li>&gt; Annual Report and Interim reports</li> <li>&gt; Webcast investor presentations</li> <li>&gt; Investor and analyst presentations, meetings and roadshows</li> <li>&gt; Annual General Meetings</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Business ethics and governance</li> <li>&gt; Financial results</li> <li>&gt; ESG reporting</li> <li>&gt; Diversity</li> <li>&gt; Transparency and reporting</li> <li>&gt; Environment and Climate action</li> </ul>
<b>Industry Associations</b>	<ul style="list-style-type: none"> <li>&gt; Meetings</li> <li>&gt; Workshops</li> <li>&gt; Webinars</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Healthy gaming</li> <li>&gt; Climate initiatives</li> <li>&gt; Recruiting</li> <li>&gt; Diversity and inclusion</li> </ul>
<b>Society Universities/ primary school/ municipalities and regions/ Non-profit organizations/ NGO's/suppliers/ESG experts</b>	<ul style="list-style-type: none"> <li>&gt; Annual Reports</li> <li>&gt; Meetings and webinars</li> <li>&gt; Joint research</li> <li>&gt; Thesis collaborations</li> <li>&gt; Assignments</li> <li>&gt; Research funding</li> <li>&gt; Community engagement</li> <li>&gt; Memberships/partnerships</li> <li>&gt; Supplier assessments</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Business ethics and governance</li> <li>&gt; Compliance with laws and regulations</li> <li>&gt; Recruiting and skills supply</li> <li>&gt; Diversity and inclusion</li> <li>&gt; Environment and Climate</li> <li>&gt; Healthy gaming</li> <li>&gt; Trade compliance</li> <li>&gt; Human rights</li> <li>&gt; Whistleblowing</li> </ul>
<b>Embracer Group Board of Directors</b>	<ul style="list-style-type: none"> <li>&gt; Regular Board meetings</li> <li>&gt; Interviews and surveys</li> <li>&gt; Audit Committee meetings</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Sustainability framework &amp; governance updates</li> <li>&gt; Business ethics and Governance</li> <li>&gt; Sustainability risk and materiality assessment</li> </ul>

## SUSTAINABILITY RISK ASSESSMENT

With the aim of understanding the sustainability risk landscape that Embracer faces, a sustainability risk assessment has been conducted. Taking into account the Group's significant risks and uncertainties, World Economic Forum's Global Risk Report, the Carbon Disclosure Project and a risk registry defined by an expert sustainability consultancy, a total of 42 relevant sustainability risks were assessed. 15 of those were identified as risks especially material to Embracer's business. These were grouped into six risk clusters, as displayed in the table below. We see that most

risks are interconnected and believe that the risk clusters will support us in our understanding of the risks, as well as their management. The remaining 27 risks identified in the risk assessment will also be monitored and managed, yet the focus will be on the risk clusters.

In the upcoming year we will address how to efficiently integrate the identified sustainability risks into our overarching risk management framework, described in the Board of Directors Report on page 96. We will also initiate a dedicated climate risk assessment, looking at physical risks and transition risks in a short to long-term perspective.

Cluster	Risk explanation	Mitigation
<b>Transparency and regulatory ESG risks</b>	Due to Embracer's size the company directly falls under a number of of ESG regulations. Non-compliance with such regulations and lack of clear disclosures and transparency on sustainability issues can lead to lack of trust among investors and other stakeholders.	Close monitoring of new regulations and standards as well as allocating resources to collect qualitative and quantitative data from Embracer entities. New Sustainability data collection platform launched in 2021. Regular GAP analyzes performed.
<b>Supply chain risks (including Climate risk)</b>	Supply-chain involves both social and environmental risks. Social risks include violations of human rights, child labor, forced labor, poor or harmful working conditions, violation of the rights of freedom of association and collective bargaining. Environmental risks include greenhouse gas emissions, in particular from data centers, which may pose a reputational climate risk.	Social and Environmental risks are identified and will be continuously monitored going forward. Preventive measures identified and will be implemented in the internal control procedures during 2021/22. A Global Supplier Code of Conduct project initiated, evaluated and completion/implementation is ongoing in 2021/22. Trade Compliance Policy adopted by the Board in 2020. Risks are reviewed as part of the DD process in M&A transactions.
<b>Diversity risks</b>	The gaming industry has issues regarding diversity relating to age, competence, cultural background and gender etc. A homogeneous group of employees will lack perspectives which may increase the risk of creating products that only attracts certain groups of players.	Embracer Group has highly ambitions when it comes to diversity which aims to lead the change towards a more diversified workforce (across all dimensions), taking into account the challenges with our many businesses with different prerequisites. The outcome depends on how successful the company is in its work to raise the issue of diversity across the Group and the challenges in the gaming industry as facing shortages in terms of competence supply.
<b>Product risks</b>	Gaming, such as online and mobile gaming, may be exposed to safety risks to gamers such as cyber-bullying, privacy violations, online predators and grooming. Lack of representation or otherwise inappropriate game content as well as gaming addiction may cause adverse consumer reactions and loss of customers.	A structure is in place to mitigate the risks and to have a safe environment for our players, with routines from early stages to adhere to gaming content at studio level. Embracer Group closely monitors guidelines from external sources (eg the Swedish Media Council, the computer games industry, ISFE, WHO) regarding addictive gaming.
<b>Corruption risks</b>	The risk of corruption is essential as Embracer has a decentralized business model and acquires companies at a rapid pace. Embracer is required to apply proactive Anti-Corruption management in all countries of its supply chain due to its own commitments as well as under the UK Bribery Act. Breaches may lead to financial, legal and reputational damage.	The board has adopted an Anti-Corruption Policy. Anti-Corruption and bribery are part of the DD process in M&A transactions (pre-closing). All employees must comply with the Embracer Group Anti-Corruption Policy and the section regarding the subject in the Compliance Code and conduct training. Breaches are measured yearly. External Whistleblowing system in place since 2020.
<b>Cyber Security and Data protection</b>	Cyber Security breaches could cause severe disruptions for our businesses including leakage of confidential company data to competitors, integrity issues (related to applicable data protection rules) and hacking and exploitation of products. An increase in the number of online transactions and the growing size of transactions involve security issues regarding information and data transmission. Breaches may lead to damage to customers and large fines, particularly as a large portion of gamers are minors.	Resources and competence in the Cyber securities area have been increased during the year and work is ongoing to make sure the proper governance, risk and compliance work are introduced and implemented. A Cyber Maturity Assessment was carried out on selected part of the group as will be followed up through the Internal Audit Tracker system during this financial year. Implementation of local IT- and Information Security policy as well as local Privacy Policies are followed up through Internal Control audits. Pentesting of Embracer Group AB was conducted during the year. Group-wide applicable GDPR compliance carried out. Dedicated Data Protection resources will be allocated to the organisation



### AMBASSADOR GROUP

In our decentralized approach, we have developed the Ambassador group as a way of engaging the whole organization with the Smarter Business framework. By having sustainability ambassadors in each operative group who share insights and valuable knowledge, we ensure awareness and understanding of the framework across the whole organization. Embracer hosts regular meetings with the ambassadors, and this gives us an opportunity to anchor initiatives and ideas with people who work across the whole group.

Currently 44% of the group companies are part of the ambassador program via employees of different professions and levels, a total of 28 individuals. The ambassador team works throughout the year to share and develop initiatives that deliver on the four pillars set out in Smarter Business. The group actively invites new members from those companies that do not yet have a representative in the ambassador program.

The commitment so far has been encouraging and the ambassadors have identified a number of important sustainability initiatives. Some examples of initiatives have been climate action at studio

level, offering training to employees through digital platforms, simplifying employees' situation during periods of work from home and supporting COVID-19 help in society. A challenge that the ambassadors have faced as a consequence of the lockdown has been to anchor their work in the operative groups and at the company level.

A Mental Health, Wellbeing and Personal Effectiveness online training has been conducted by an external specialist. It was initiated by the Ambassador group due to concerns regarding employees' wellbeing and thanks to our partnership with Safe in our World, a mental health charity focusing on mental health for gamers and the games industry. The concerns related to employees facing a Christmas holiday in solitude and in some cases having lost a relative or friend. The training was interactive online and provided insight and effective techniques for participants to better support colleagues, maximize their leadership skills and increase emotional intelligence and resilience. Participants representing eleven companies and five operative groups have so far undertaken the training. Since the initiative has been well received, the ambition is to roll out the training broader across the group.

## SUSTAINABILITY REPORT

# SMARTER BUSINESS IS OUR SUSTAINABILITY APPROACH

*Embracer Group is not like everyone else, our creativity, business sense and always keeping it real is what makes us stand out. For us, smarter business is all about operating in a sustainable way making sure we run a sound business that helps create value to all our stakeholders while staying true to our way of doing things. Meaning that we are true to ourselves and our values, but more importantly, stand for respectable values shared by the many. Our Smarter Business framework sets a clear ground for the group and will help guide all to work in a sustainable way that will deliver long-term value.*

FIND ELEVEN INSPIRING AND SUCCESSFUL EXAMPLES OF HOW SUSTAINABILITY MATTERS THROUGHOUT EMBRACER GROUP. WELCOME TO VISIT EMBRACER.COM AND "THE YEAR IN BRIEF"

The Smarter Business framework is based on four pillars that are relevant to the business and helps guide sustainability efforts: Great People, Solid Work, Business Sense and Greener Planet. Together these pillars cover the three sustainability topics often referred to as: environment, social and governance (ESG). The four pillars give a structure with focus areas that initiatives and programs can fit under and each subsidiary is responsible for developing its own sustainability program. Smarter Business will allow Embracer

Group to do better in the world by creating great entertainment, be a great place to work, and reduce the environmental impact while delivering shareholder value. This is the core of Embracer Group's approach to sustainability. Since Smarter Business launched in 2019, we have worked to put sustainability high on the agenda across the group. Our survey shows that 87% of Embracer entities' have informed internally about Smarter Business. 100% will be reached when new companies have reached phase 3 in the onboarding process (see page 60). Additionally, the implementation of a data collection procedure across the whole group has given us qualitative and quantitative data which enables us to monitor progress on various KPIs.

## BUSINESS SENSE

**With honesty and trust we make acquisitions and build brand value for the long term**

### Focus areas:

- Explore new business models and go beyond innovating products
- Increase transparency
- Anti-Corruption
- Risk management
- Compliance Code
- Privacy and Data security

## GOVERNANCE

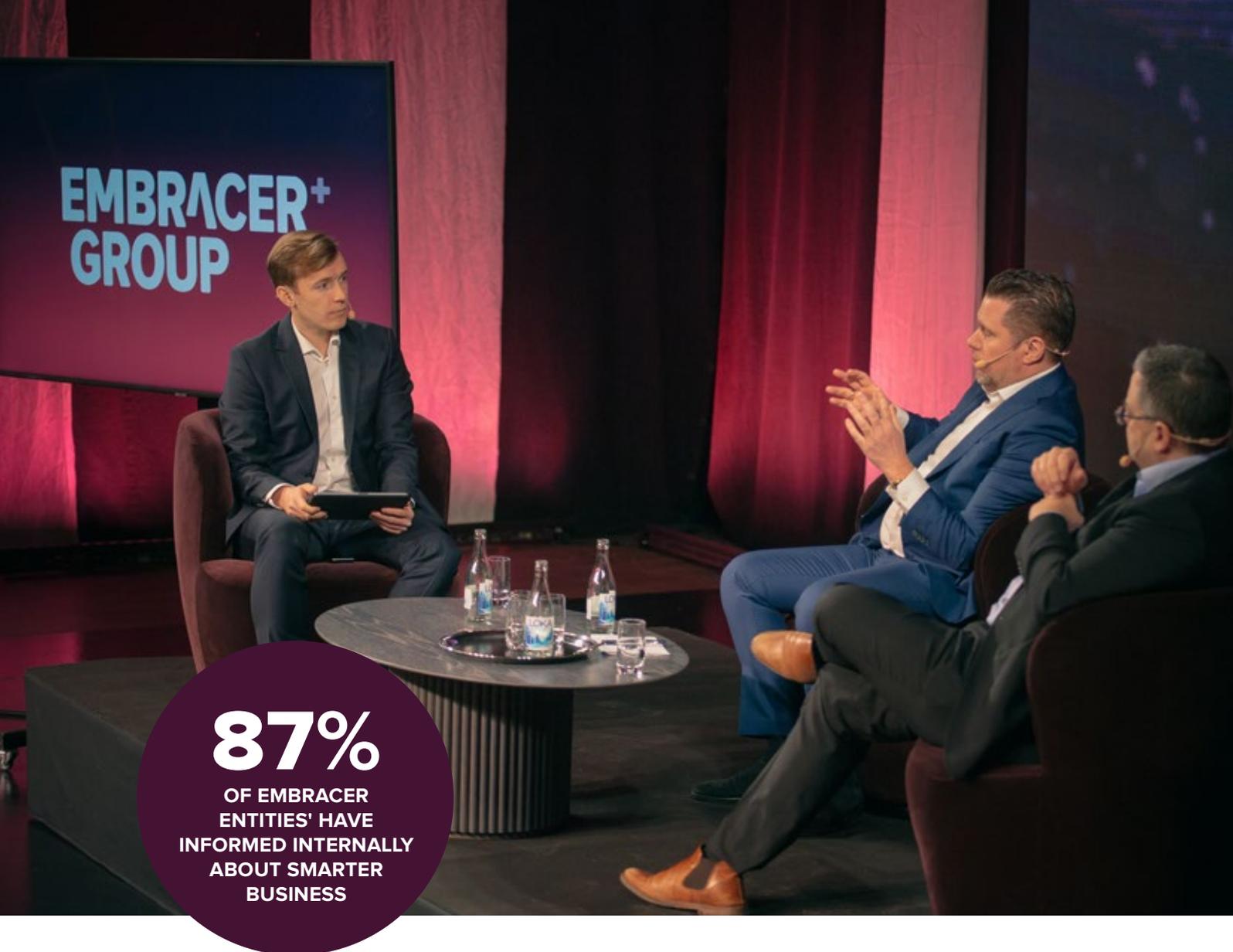
## SOLID WORK

**Our products entertain and create feelings, based on creative expression and common sense**

### Focus areas:

- Continue to innovate and explore new creative fields
- Responsible gaming content
- Diversity and inclusion in games
- Responsible marketing
- Healthy gaming
- Increase accessibility within our games and make them for all

## SOCIAL /GOVERNANCE



**EMBRACER+**  
**GROUP**

**87%**

**OF EMBRACER  
ENTITIES' HAVE  
INFORMED INTERNALLY  
ABOUT SMARTER  
BUSINESS**

## GREAT PEOPLE

**Our people are creative,  
dedicated and our most  
important asset**

**Focus areas:**

- Increase diversity, inclusion, different perspectives, and skillsets
- Nurture creative independence and talent development
- Work-life balance
- Offer the most creative workplaces
- Community involvement and volunteering

**SOCIAL**

## GREENER PLANET

**We want to make our planet  
greener through innovation and  
technological advancements**

**Focus areas:**

- Invest and engage in partnerships that focus on preventing and mitigating the climatic impact
- Minimize environmental footprint from our operations
- Engage in initiatives that impact the local surroundings

**ENVIRONMENT**

## SUSTAINABILITY REPORT

# BUSINESS SENSE

*Our way of doing business is based on honesty and trust. That's how we make acquisitions and build brand value for the long term. Embracer Group strives to be the first choice for companies on the market that are looking for new growth opportunities through acquisitions. With new acquisitions, the approach is to empower companies to continue to be independent and work in a way that suits them. By exploring new robust business models and going beyond innovating products, we will continue to inspire companies to join our family and build brand value for the long term.*

We believe that transparency breeds trust and respect. We will increase transparency continuously by reporting on our performance, highlighting our leadership and visualizing how Embracer Group delivers long term value to stakeholders. We act fairly and honestly by following ethical, marketing and pricing standards, and that's why Embracer Group has taken a strong stance with its zero-tolerance on corruption and chooses to prioritize risk management.

### SUSTAINABILITY DUE DILIGENCE IN M&A TRANSACTIONS

Prior to investing in a new company, a due diligence is undertaken during every material acquisition process to help understand and identify key sustainability risks and opportunities, as well as consider if any mitigating measures are required to reduce the harm resulting from any possible faults. A systematic approach towards sustainability related areas has been developed to support the due diligence process of the Group's M&A transactions. In the due diligence phase, we gain a lot of insights into the maturity of our new companies in the various sustainability areas. This sets a valuable foundation by simplifying the implementation process both for Embracer Group and for new verticals and companies onboarding.

### Onboarding and integration process

Onboarding new companies requires continuous work and is handled by a team from Embracer Group and external industry-leading advisors. The implementation of global policies and our

sustainability framework Smarter Business plays an important role in the onboarding process.

To provide guidance for the business, Embracer has developed an Internal Control Framework ("ICF") with the purpose of establishing common and consistent control measures throughout the Group. The measures relate to finance, regulatory and compliance and is a valuable tool in the onboarding process.

### HUMAN RIGHTS

Embracer Group recognizes and respects UN's Declaration of Human Rights and we have zero tolerance for any violation of human rights. Respecting human rights is therefore part of our Compliance Code and the Trade Compliance Policy. Embracer Group consists of companies in 40 markets and the universality of human rights means that human rights must be the same everywhere and for everyone. As a baseline, Embracer Group wants to contribute to building a sustainable future where freedom, dignity and equality are at the core of diverse and inclusive societies.

During the year, no violations of human rights have been identified in the group's business operations. Since Embracer Group has companies that operate across the whole world, the local context is analyzed and monitored by the local subsidiaries. Any suspected violations of human rights can be reported through our global whistleblower system (see section below). With regards to the supply chain, we have identified human rights risks in our sustainability risk analysis.

## ONBOARDING TIMELINE – THE FIRST YEAR WITH EMBRACER GROUP

The onboarding process is divided into four phases. A dedicated onboarding representative from Embracer Group will manage the process and guide the acquired company through the process.

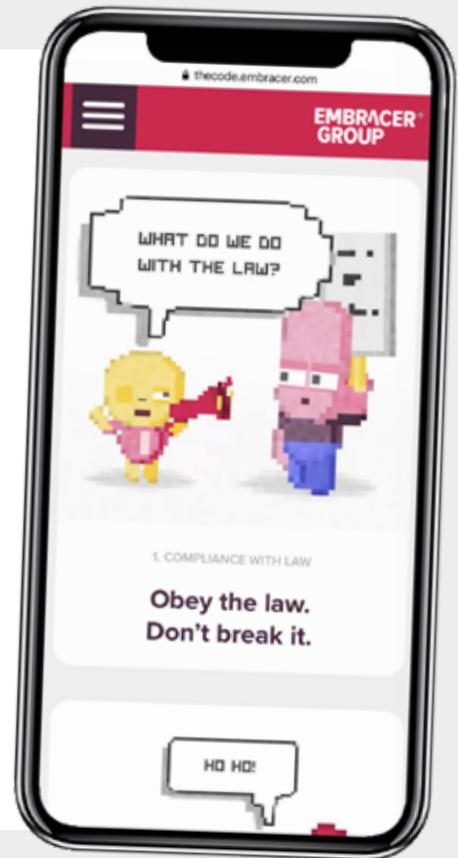


## EMBRACER GROUP COMPLIANCE CODE

The Compliance Code is based on our values and outlines an ethical manner that helps protect the business. The Compliance Code sets our standard of behavior and provides a guide for the day-to-day decision-making that is expected of employees, suppliers, partners and customers. During the financial year, we initiated a plan to increase awareness and understanding of the Compliance Code throughout the group. As part of this effort we launched a more accessible version of the Compliance Code.

In order to improve understanding of the Compliance Code, we implemented a training component as part of the digital Compliance Code. The training was launched in the autumn of 2020 and during the first six months after the launch, 50% of employees completed the training. The compliance code training will be annually recurring with the goal of a 100% attendance. It covers all areas of the code, divided into conduct in business, conduct towards colleagues and conduct in society. The training encourages employees to report any serious breach of the Compliance Code anonymously through our external whistleblowing service (WhistleB). The code is available on our website, [embracer.com](http://embracer.com), both in full version and as a series of playful stories inspired by retro gaming ([thecode.embracer.com](http://thecode.embracer.com)).

**99%**  
OF EMBRACER'S  
COMPANIES HAVE  
IMPLEMENTED THE  
COMPLIANCE  
CODE



### COMPLIANCE CODE TRAINING INCLUDES ALL AREAS OF THE CODE, DIVIDED INTO THREE SECTIONS

**CONDUCT IN BUSINESS**

**Conduct in business**, covering compliance with law, Anti-Corruption and bribes, preventing money laundering, respect of trade embargos, integrity in reporting and inside trading, conflicts of interest, utilization and protection of assets and resources, confidential information and representing Embracer Group.

**CONDUCT TOWARD EMPLOYEES & COLLEAGUES**

**Conduct toward employees and colleagues.** This is essential and stated through sections addressing equal treatment and non-discrimination, human and labor rights, and occupational health and safety.

**CONDUCT IN SOCIETY**

**Conduct in Society** focuses on interaction in society; environment and climate, behavior in public and communications, guidelines for social media, security and data privacy/protection.



### ANTI-CORRUPTION

Anti-Corruption and ethical conduct are essential to run a sustainable business. As we operate in 40 different countries, we adhere to the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Conventions. We will continue to ensure ethical conduct and that our Anti-Corruption requirements are met at all stages of our business. 94% of our companies have implemented the Global Anti-Corruption Policy, (available at [embracer.com](http://embracer.com)), which was adopted in September 2019. Anti-Corruption is also a section included in our global Compliance Code. During the year, we did not have any confirmed incidents regarding corruption.

The compliance training which is mandatory ensures that all employees are educated on the Anti-Corruption policy. So far, since the launch of the training in the autumn of 2020 50% of the employees had completed the training after 6 months. In connection to acquisitions, the target company's management adhere to the Embracer Group Anti-Corruption policy pre-closing. Digital training has been held on Anti-Corruption and Bribery for the parent company, explaining risks and the global policy. A recorded version has been made available to the operative groups.

### TRADE COMPLIANCE POLICY

A global trade compliance policy was adopted in December 2020, and implemented at the beginning of 2021. The implementation included training sessions facilitated by external legal expertise for management teams in all operative groups. The policy requires that all third parties operating

in high-risk countries must be screened via an external system, and that trade compliance clauses must be included in both agreements and EULAs. At this moment, 97% of CEOs in the Group have confirmed reading and understanding the trade compliance policy. The policy also requires all operative groups to have an appointed Compliance Officer function to set routines and processes for screening. Embracer Group offers all operative groups licenses for the Dow Jones Screening system to secure access to updated sanctions lists.

### PRIVACY & DATA SECURITY

Embracer Group's decentralized business model with independent operative groups and subsidiaries means that only a limited number of companies share a common IT platform and infrastructure. During the pandemic, processes and systems were adapted to facilitate increased work from home while balancing the need of cyber security. The global online annual training, covering all employees, in our Compliance Code also emphasizes privacy- and data security awareness and knowledge.

We monitor and manage data breaches. During the year, we had no substantiated case of data breach. Most of the processing of personal data in our group relates to our employees. Three companies (constituting 2% of Embracer Group's total turnover) have confirmed that they handle end-user data and that they have designated Data Protection Officers who monitor and provide support to limit risks of incorrect data handling.

We recognize that data privacy and data protection is an ongoing project that demands continuous improvement. During the year we have

continued to implement processes and systems to support operative groups within the data privacy and data protection area. For new companies joining Embracer it is important to evaluate and address maturity levels as early as possible. This work starts with the due diligence process, followed by relevant support during the onboarding process. Data privacy and data protection are further highlighted in our internal control process and an important part of the annual risk assessment. All new companies joining Embracer Group are obliged to adopt a data privacy policy.

Key activities during the year includes tailored trainings for relevant people in management who handle personal data, completion of a global cross-border initiative evaluating and sharing best-practice solutions, conclusion of important internal audit engagements (cyber maturity assessments and applicable GDPR compliance) led by external specialists and penetration-tests at key locations. Findings and actions are documented and tracked in the Internal Audit Tracker with regular status reports to the Audit Committee.

#### GLOBAL POLICIES AND INSIDER Q&A

We have four global policies in use: Compliance Code, Anti-Corruption Policy, Trade Compliance Policy and Information Policy. To make them accessible for all nationalities on all markets, we have translated these core documents to English, Bulgarian, French, German, Italian, Russian and Spanish. According to our survey, over 90% of Embracer Group employees have at least basic professional knowledge of English and can master the

language in both speaking and reading. We have completed an Insider Q&A that provides answers to frequently asked questions related to our global policies and this will be made available to the whole group.

#### WHISTLEBLOWING SYSTEM

The whistleblowing system is the result of the Group's ambitions regarding high transparency, Anti-Corruption and high business ethics. All violations of Embracer Group's Compliance Code are of interest and should be reported in the whistleblowing system. Four whistleblowing messages were received during the fiscal year, three of which were escalated. The external company WhistleB is the provider of the whistleblowing system and the system ensures security, anonymity and legal protection for the user. This ensures compliance with relevant national legislation built into the tool. The system helps us detect and act upon malpractice and thereby protect the reputation of our business.

Embracer Group applies a zero-tolerance towards violation of the Compliance Code. The complaints were investigated and appropriate measures were taken at the relevant companies. None of the cases required contact with legal authorities. It is pleasing to see that our employees trust the system to safely report potential irregularities in our group.

80% of Embracer's subsidiaries have confirmed that all employees have knowledge of how to report unethical behavior through the whistleblowing service.

THOROUGH  
**CYBER  
MATURITY**  
ASSESSMENTS  
DURING THE  
YEAR

# SUSTAINABILITY REPORT

## SOLID WORK

*Embracer Group is proud of the excellent work produced by our great people. They are here to entertain and create feelings. We want our games to be based on creative expression and rely on common sense as well as joint reflection and understanding of our content. In order for studios to remain creative and give our audiences great experiences, the Solid Work pillar focuses on supporting the innovative ideas coming out of studios and explore new creative fields.*

Solid Work includes many aspects, covering responsible marketing and taking actions for healthy gaming to build awareness around gaming addiction. Accessibility and usability are other areas where Embracer Group continues its efforts to make gaming for all. There are great opportunities for our studios to find interesting and more collaborative ways to approach these areas using the same creative mindset they do in their day to day work.

### QUALITY FIRST CREATES HIGHER RETURN ON INVESTMENT AND LONG TERM VALUE

We develop games for 2,8 billion gamers worldwide (Source: Newzoo) and we need to continuously understand our audience. The studios understand gaming trends, they have the hands-on content expertise and a deep understanding of gamers. It is also important to understand that game development takes time and that is why our quality-first approach is important, it gives the developers the required time and resources to release a quality product. Developing quality games is always the main priority since this enables us to build outstanding experiences for our fans, create a higher return on investment and long term value for all stakeholders.

Openness, tolerance, respect, and freedom of expression in games are crucial to Embracer Group, so is being committed to creating a welcoming and inclusive community on our platforms.

This is why we always strive to make our games more inclusive and keep our players safe from abuse and reducing toxicity in our games and communities.

### GAME DEVELOPMENT COLLABORATION

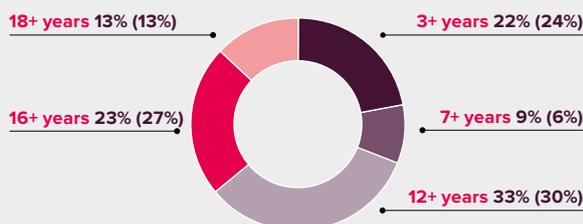
Knowledge sharing and networking is done regularly through digital studio presentations from Embracer's studios around the world, as well as through the newly launched concept for tech lead development. From a parent company perspective, we try to find ways to facilitate knowledge sharing regarding game development, ways that are voluntary, easy to access and relevant to the respective audience. Possible metrics to attempt to track the extent of cross-border engagement and collaboration across subsidiaries and operative groups are under evaluation.

### GAMING CONTENT & HEALTHY GAMING

Inclusive and healthy gaming are important topics in the Group's studios and play a vital role in game development. How we communicate and treat players defines how our players behave and act as a community. Zero tolerance for racism, sexism and other bad behavior is key to building an inclusive culture.

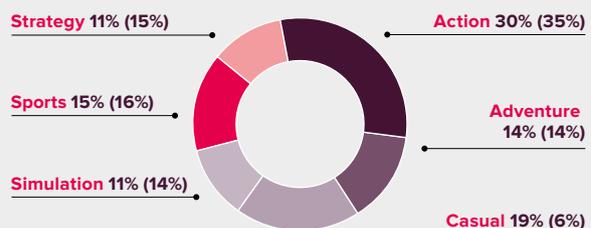
Over half of our studios have implemented routines for responsible gaming content and another 15% are in the process of doing so. Of all internal studios, 40% stated that they have routines for addressing diversity and inclusion in

### GAMES PORTFOLIO BY AGE CATEGORY (PEGI AGE RATING)



The Pan European Game Information ("PEGI") is a European video game content rating system that provides age recommendations and content descriptors.

### GAMES PORTFOLIO BY GENRE





*"WE WANT TO EMBRACE OUR HERITAGE BY BUILDING AN ARCHIVE THAT STORES THE HISTORY OF GAMES"*

content and almost one fifth are in the process of establishing such routines.

With our portfolio of diverse game genres and games for varying ages we reach a wide audience of gamers. To us, gaming is responsible entertainment based on common sense. We honour openness, tolerance, respect and freedom of expression in games. Our aim is to create a fun and healthy environment where passionate gamers enjoy themselves. It is important that those who play our games have a safe experience. We acknowledge that we have a responsibility for setting an example, using respectful and inviting expressions within the games, with zero tolerance of racism, sexism and other bad behavior.

Monitoring chat and forum to counteract toxic behavior is done in various ways and layers. Guidelines for social media or applicable third-party guidelines are used as a first layer used by community managers to monitor and filter the forum. In addition, fans and gamers help out with protecting communications. Here are the Group's statistics of these layers:

- > 85% of our studios do not use communications and/or in-game chat forums for the majority of their games.
- > Almost half of our internal studios are active on communities hosted by third parties like Steam or Discord.
- > 53% of internal studios have a community manager, responsible for ensuring that chats and dialogues follow their guidelines.

Accessibility and usability are other areas where Embracer Group continues its efforts to make gaming for all. There are great opportunities for

our studios to find interesting and more collaborative ways to approach these areas using the same creative mindset they do in their day to day work.

#### **RESPONSIBLE MARKETING**

Our studios produce games for all age groups. It is therefore a priority for us to ensure that our marketing practices are responsible and reflect our mindset of creating a safe and fun environment for our customers. We are therefore pleased that we had zero reported incidents of non-compliance with regulations concerning marketing communications including advertising, promotion and sponsorship, during the year.

#### **GAME ARCHIVE TO PRESERVE OUR HISTORY**

Video games is one of the fastest growing forms of entertainment. As the market grows and games become an increasingly important part of our culture it also becomes important for us to preserve our history. Video games have been played since the 1970s but it's not until more recent years that we've started to see initiatives to preserve the history of video games. Embracer Group CEO Lars Wingefors has a personal interest in collecting video games and the games archive started as his private collection. Parts of it now belongs to Embracer Group and has laid the foundation for Embracer Group to build on, starting from spring 2021. Games and digital creation is culture to Embracer Group and we want to embrace our cultural heritage by building an archive that safely stores the history of games. Our goal is to display as much of the video game industry as possible and show this archive to the world. (More information about the archive can be found at [embracer.com/about/gamesarchive](https://embracer.com/about/gamesarchive)).

# SUSTAINABILITY REPORT

## GREAT PEOPLE

*At Embracer Group we believe in our people. People truly are our greatest asset, the creative, dedicated and very talented people that work on all levels make all the difference and embody what Embracer is all about. For ongoing success it is essential to make sure employees' voices are being heard and that we all work together for a company culture that makes people enjoy coming to work. We also want to make sure we attract new talented people to help us grow.*

We strive to create a work environment where our employees can be their very best and true selves. We know that embracing creative independence, talent development, offering the most creative workplaces and strive for a good work-life balance, will pay off in engagement and wellbeing for everyone. A section of occupational safety and health protection is included in our Compliance Code.

### DIVERSITY AND INCLUSION

One area that has always been and will continue to be a focus is diversity. At Embracer Group it does not matter who you are, where you come from, what you look like or what games you love. The group has zero-tolerance against all forms of harassment and discrimination, and a strong belief in diversity, equality and inclusiveness.

These are vital parts of our culture and we address the matter on a global Group level, but we also trust each company within the organization to listen, discuss and act using their own voice.

The gaming industry, is facing big challenges in terms of competence supply. The most important thing for us is to recruit talented employees, regardless of gender and ethnicity. We advocate diversity because we know that diversity will ensure a greater multitude of different perspectives and skillsets. This creates a better work environment for everyone, but also contributes to ensuring the future of our business.

### Gender Distribution

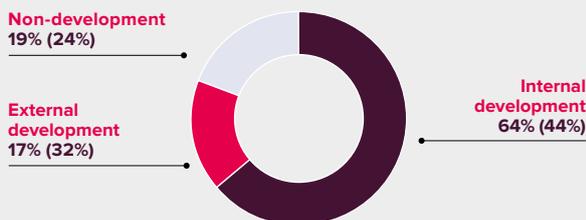
To us, gender equality and equal conditions are of the highest priority. We are carefully monitoring our data within this area and have it as an ongoing high priority topic in dialogues with all operative groups and subsidiaries. We want to increase the share of women in Embracer Group, regardless of role and title. Our companies, markets and societies have different prerequisites, but by having this topic on our radar and as a topic for management, we know that with contribution from us all - together, we can make a difference. It will be a challenge for some markets and companies and easy for others. As the parent company, we will ensure markets and companies with less diversity will get our attention, help and support to raise the issue of gender equality.

One of the main challenges is that the gaming industry is facing shortages in terms of competence supply. We are therefore working with parents, children and youth as well as high-schools and universities on initiatives to attract more diversity to the game development industry. The challenges with respect to diversity differ among the subsidiaries and can relate to culture, recruiting processes and other aspects. Since the challenges can differ it is important to support subsidiaries with relevant data and ongoing dialogue to identify initiatives that improves the gender distribution.

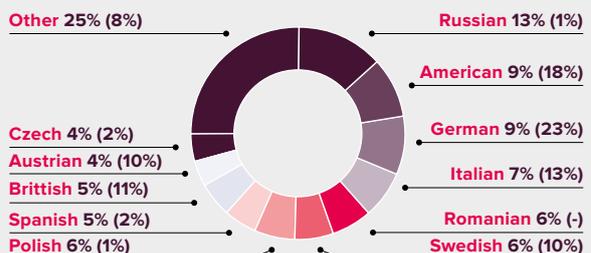
In order to monitor our progress in relation to diversity we are looking at different levels of the organization. This year's 20% female representation is slightly lower than for 2019/20. The main explanation is that the companies that have joined Embracer group during the year have a lower percentage of women in the workforce.



### ROLES IN THE EMBRACER GROUP



### SHARE OF NATIONALITIES





"THE AIM IS TO TELL STORIES WITH ALTERNATIVE PERSPECTIVES"

**EMBRACER STORIES**

During the year we introduced Embracer Stories, a new way of telling some of the stories about the people, companies and ideas that make the Embracer Group up. A way to give everyone a glimpse of the people in other parts of the company and the world.

Our storytelling is headed by award-winning journalist Thomas Arnroth. All stories could be find at our official You Tube channel, and we regularly post new ones.

*"The aim is to tell stories with alternative perspectives which highlights representation and inclusion. We don't shy away from subjects like mental health or racism. Hopefully, the result is engaging stories that normally aren't told in this way by a big video game company."*

THOMAS ARNROTH  
Storyteller Embracer Group

EMBRACER GROUP
**stories**
☰

## The ups and downs of a bipolar streamer

Content warning: This video contains discussions about mental health and suicide. Jace Varlet is a popular community manager at Coffee Stain Studios, reaching thousands each week in his streams. But once the camera is off, another reality awaits. Jace suffers from bipolar II disorder, a chronic mental illness, characterized by periods of severe depression and hypomania.

Coffee Stain Studios, Sweden - 8 July 2021

**WE EMBRACE GREAT PEOPLE, GREAT IDEAS AND GREAT COMPANIES. THESE ARE THEIR STORIES.**



**VIDEO**

**The fabulous times as community manager for Valheim**

"It's a mixture of excitement and horror", says Lisa Kolfjord. Late last year she was hired as a 3D artist and community manager by a small indie studio, developing their first game. The game was called Valheim. When it was released in February, Valheim became a huge hit, with millions of players. As the person in charge of such a big player community, Lisa Kolfjord's working life has changed. A lot.

• 18 March 2021



**VIDEO**

**Taps the musketeer**

Anthony Moss is not a man who allows circumstances to dictate his life. That's why, at 57, he's restarting his career in selling games, as well as tap-dancing while fencing.

Studio, City • 16 September 2020



**VIDEO**

**Gamechangers**

Nathalie, Hannah and Anna grew up as nerdy girls, not really finding their place in the world. Not until they realized that making games was actually a job. And that they were good at it.

with the G

• Matt

• 16 November 2020



**VIDEO**

**Kick-Ass Kicki**

Kikki Walje Lund left home when she was fifteen. Her parents told her she would never make it on her own. That was, ED, until now, and Kick-Ass Kicki is still



**ARTICLE**

**A studio of one's own, without the hassle of owning it**

What do you do when you are a brilliant game



**VIDEO**

**The Austrian games pioneer and the annoying Swede**

He sold his first video games from his parents'

### Nationalities

We are very proud that people of more than 69 different nationalities work within Embracer Group. This is an increase of 29 nationalities compared to the financial year 2019/20. Diversity drives innovation and with such a diverse group of nationalities, the games will better represent Embracer Group's different stakeholders. Embracer does not register the nationality of individual employees, it takes place on an aggregated level without being linked to other personal data.

In the financial year 2020/21, Embracer Group employed 5,246 people in 29 different countries (excluding external developers). The top five countries host 48% of the talent in our group and these countries are Germany, Russia, the USA, Sweden and Romania.

### NEW HIRES AND EMPLOYEE TURNOVER

Total employee turnover for 2020/21 is the same as for the financial year 2019/20. New hires as a share of total employees amounted to 20% in 2020/21 compared to 32% in 2019/20 and is probably an effect of the pandemic.

All Embracer Group entities reported data on Employee Turnover and New Hires.

### HUMAN TALENT DEVELOPMENT

72% of Embracer companies conduct regular performance and development employee reviews. We will continue working toward the goal of 100% of Embracer companies conducting performance reviews for employees.

The majority of our companies offered their employees training during 2020/21. However, we also know that the pandemic have made training difficult during the year. Even if digital courses and training have been carried out to substitute "normal activities", the results have not been at the same level. Training is an area the Group puts a lot of focus on. The parent company will monitor and follow up on how training hours evolve for all employees in our global group.

It is essential for the wellbeing of employees and their personal growth to develop their skills. Embracer should be a group where all employees have the chance to develop through reviews and trainings suited to their personal goals, as well as the company's needs.

### EMPLOYEE NET PROMOTER SCORE

We have used the Employee Net Promoter Score, or eNPS, a globally accepted system, to measure employee satisfaction and loyalty within Embracer Group and our companies. An eNPS score can range anywhere from -100 to 100. Any score above zero is seen as acceptable. Generally, a score within the range of 10-30 is considered good and a score of 50 is excellent. Our result of +29 is positive and is scored as "good" results, meaning that the majority of our employees are loyal. Our goal is to follow up on this data point and increase the employee Net promoter score, a specific plan and goal will be featured in the forthcoming annual report.

### GLOBAL EMPLOYEE SURVEY

We want to offer a work environment where innovative and passionate people can achieve their goals. We know that embracing creative independence, talent development, offering creative workplaces and strive for a good work-life balance will lead to stronger engagement and increased wellbeing among employees. In order to measure our progress we carried out an employee survey addressed to all employees across the group. The survey was conducted in Q4 2020/21 and we are now analysing important insights into the well-being of our employees and this will give us an understanding of where additional measures are required.

The findings from the global employee survey showed a high level of satisfaction throughout the whole group. 99% of all Embracer entities participated in the survey and the response rate was 74%. The global employee survey was performed using a six scale method where answers could be given from "Completely disagree" to "Completely agree" and alternatives in between. The index value was recalculated in to points where 100 points represent "complete agreement" and 0 points represents "complete disagreement." The index value is always the average of the collected data aspects. All question were clustered into four areas, each with an aggregated result on the positive side of the scale.

The results stated an index of 79/100 as an average satisfaction rate when all answers from all aspects were aggregated. The split aggregated results were:

### EMPLOYEE TURNOVER

	2020/21	2019/20
Total turnover	10%	10%
<i>Turnover</i>		
Women turnover	12%	11%
Men turnover	9%	10%
<i>Distribution</i>		
Women	24%	23%
Men	76%	77%

### EMPLOYEE NEW HIRES

	2020/21	2019/20
Total new hires	20%	32%
<i>New hires</i>		
Share of total women	25%	33%
Share of total men	18%	31%
<i>Distribution</i>		
Women, new hires	26%	23%
Men, new hires	74%	77%



**99%**  
OF ALL EMBRACER  
ENTITIES  
PARTICIPATED IN  
THE SURVEY

- > Work Environment 79/100,
- > Collaboration 80/100,
- > Local Management Culture 75/100 and
- > Engagement 82/100.

The aggregated data on Group level will be divided into operative group level as well as Company level. Enjoyment of work and Work-life balance was rated the two most important aspects in the survey.

As a result of the survey and the high response rate, valuable insights have come to our attention. These insights will now be the basis for actions going forward in order to achieve desirable effects. The Global Employee survey will be conducted annually, allowing us to track progress as well as any presence of negative development over time.

## HEALTH Sick Leave

During the extraordinary year of the pandemic it has been a challenge to collect validated data on sick days. Employees in the groups have been working from home and away from the usual premises. Several of our companies have therefore been unable to document absences in the usual routines. The extraordinary circumstances have challenged our routines, but we have also wanted to make sure that we fight the spread of the virus.

## Impact of COVID-19

The COVID-19 pandemic has continued to challenge our societies and us as a company throughout the year. Our top priorities have been safeguarding

## AGE DISTRIBUTION

	2020/21	2019/20
<30 years	29%	28%
of which women	25%	-
30-50 years	66%	63%
of which women	18%	-
>50 years	5%	9%
of which women	30%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>

our employees and ensuring that we contribute to the prevention of the spread of the virus.

As employees transitioned to work from home, the main challenge for the operative groups has been to organize the work in a sustainable manner. This posed challenges to the onboarding and integration of new employees, to essential social interactions like teambuilding and to the possibility to host creative brainstorming sessions. Since numerous schools closed many employees also struggled due to the lack of childcare.

Despite the pandemic our release rate of new games during the year has been solid. In the start of the pandemic, our industry received more attention from gamers as our games played an important role in socializing and meeting friends and family when physical meetings were not an option. On the other hand, a prolonged lockdown has resulted in new challenges for management to address. Across societies, mental health has been a central challenge. Therefore, the Embracer Group parent company has launched cross-border initiatives and offered participation in courses from the organization "Safe in our world". The video games mental health charity, Safe in our World was funded 2019, with its mission to foster positive mental health wellbeing & deliver support for gamers and the games industry.

## COMMUNITY INVOLVEMENT

Community involvement and volunteering is a matter of course for us. Contributing to the local communities where we work is important so that we work towards a more equitable and sustainable society. During the year, we urged our companies to continue with their commitments and identify initiatives to provide community support during the pandemic. About 22% of our Embracer Group companies disclosed that they were engaging in community involvement during the fiscal year. The reported approximated number of hours dedicated to community involvement by these companies was over 1,200 hours.

Embracer Group has prepared a donation programme whereby the parent company allocates funds to local initiatives. Employees across the group can identify local community support efforts that they feel passionate about and apply for funds as long as the initiative fulfils the ambitions of the Smarter Business framework.

# SUSTAINABILITY REPORT

## GREENER PLANET

*As part of the growing industry, Embracer Group bears the responsibility to see and understand the environmental impact we contribute to. We want to keep our planet green and be a nice place to live and work. The Greener Planet pillar focuses on innovation and technological advancements as well as on activities that have a positive impact on the environment. That's why Embracer Group is engaged with and working collaboratively with other actors in the industry. It is a way to provoke new thinking and to make the issues visible as well as have industry relevant efforts with the ambition to have a real impact on the climate crisis.*

As a fast-growing company in an expansive phase, we are aware that we are still in the beginning of our sustainability journey. This year, we are compensating for the emissions that we have data on but we are yet to establish a group-wide process for data-collection that covers all three scopes. For the next year, we are committing to address emissions in scope 1, secure data in scope 2 from more entities and are calculating our scope 3 emissions.

For Embracer Group, the majority of our environmental impact is indirect. It takes place upstream in our supply chain and downstream in our value chain. We put our focus where we can have direct impact such as promoting the transition to a low-carbon economy within our studios.

Our industry is currently not subject to regulations in the EU taxonomy. We are monitoring legislative developments and assessing if and how we in the gaming industry can sustainably transition. A primary concern is the indirect impact caused by data centers.

We share the ambition of working for a net-zero future, and that is the baseline for our climate agenda. In our Compliance Code we stress the importance for all employees and management to minimize environmental impact when possible.

### SUSTAINABLE IT AND E-WASTE

As a company in the gaming industry, we prioritize sustainable IT and e-waste. This year, we have gathered data and learned that 70% of Embracer companies have, or have partly, implemented routines for recycling and reduction measures regarding e-waste. 66% have requirements for energy efficiency, energy-saving, possibility for recycling, or other measures, in place for purchasing hardware.

### MEASURING EMISSIONS

A starting point for measuring tCO<sub>2</sub>e (tonnes of carbon dioxide equivalent) emissions and necessary systems were implemented during the year. Our ambition is to improve the data by implementing a data collection strategy, allowing us to disclose reliable data for scope 1, scope 2 and

scope 3, following the GHG Protocol. We have yet to define a reduction target in line with the global goal of a climate-neutrality by 2050.

### ENERGY USE MWh

2020/2021

Energy consumption (electricity, district heating, district cooling) reported: 3,426 employees	4,671.3
Total energy consumption* (extrapolated): 5,246 employees	6,801.4

\* Heating was reported for 20 entities (of 92) and cooling for 7. This was deemed too low a share(s) to extrapolate for. Embracer will aim to collect this data from a higher share of entities for next year's footprint. Electricity consumption was reported for 62 entities (of 92), representing 65% of employees. Based on the number of employees, this was extrapolated up to cover the full consumption.

This year's measurements includes scopes 2 and 3. Scope 2 includes indirect emissions, i.e. consumption of purchased electricity, district heating and district cooling. An average CO<sub>2</sub>e/kWh was used to calculate the emissions for the extrapolated consumption. 38 entities fully or partly use renewable electricity sources.

At present, we gather data on business travel, Well-to-Tank (WTT) and transmission and distribution losses (T&D) for our scope 3 emissions. Data on business travel was collected from each entity, but few flights were reported for 2020 given the COVID-19 pandemic. We are still in the implementation process for data collection in the scopes group-wide. The data below does not cover all entities.

#### Scope 1: (Direct GHG Emissions)

We have identified emissions in scope 1 from company-owned cars, which constitute a minor share and is not included. The data will be addressed next year.

**Scope 2:** (Energy indirect GHG emissions: purchased electricity, district heating, district cooling) 2,278 tCO<sub>2</sub>e

**Scope 3:** (Other indirect GHG emissions: Business travel, WTT and T&D) 1,041 tCO<sub>2</sub>e



### EMISSION REDUCTION EFFORTS AND OFFSET

To meet the Paris Agreement and ensure developments in line with the IPCC's 1.5-degree report, all businesses including us need to significantly reduce their carbon emissions. Embracer is dedicated to mitigating our own negative contribution to climate change and to reduce our CO<sub>2</sub> emissions. Next year, we will develop a climate strategy tailored to the needs of our decentralized model and our industry.

With regards to scope 1, 2 and 3, we will enhance our efforts in data collection.

A top priority is tackling the challenge of understanding how our rapid growth will affect future emissions and how to reduce them. Our decentralized model grants operative groups independent responsibility for developing their own strategy and initiatives to reduce environmental impact. We will allocate resources to the operative groups to ensure they have means to implement changes on the local level. Koch Media, our largest operative group, has already started a project to commit to a CO<sub>2</sub> neutrality strategy.

We have compensated our measured emissions by 1.5 times. With a 1,5 factor, we compensated for 3,319 tCO<sub>2</sub>e. Promoting clean energy is our way to address our climate footprint.

In addition, this year, we have chosen a total compensation of 30,000 tCO<sub>2</sub>e. It is our ambition for the coming year to strengthen our data collection.

### CLEAN ENERGY INVESTMENTS FOR CARBON OFFSET

This year, we have chosen the two projects, Prony wind power and Solvatten, that support clean energy while supporting diversity and health to compensate for our CO<sub>2</sub> emissions.

#### Solvatten

Solvatten is a Swedish invention that purifies and heats the water. The product contributes to preventing the spread of waterborne diseases, saving lives in the long run. By combining several well-documented methods for water purification, Solvatten can provide between 11-33 liters of portable water per day. At the same time, Solvatten provides climate benefits by reducing the need for wood, charcoal, and other fuels.

#### Prony wind power

A project to generate sustainable energy from wind in the island nation of New Caledonia. The project both contributes to lowering dependency on fossil fuel, as well as strengthening local economy by creating local jobs on the island. At present Prony Wind Power have six wind power parks that deliver electricity to the local power net. The project is validated and certified in accordance with the Gold Standard certification.



**GOLD  
STANDARD  
CERTIFICATION**

### PLAYCREATEGREEN – Initiative for change

Founded in 2019, PlayCreateGreen is the result of a joint commitment signed by Embracer Group to the UN's Playing for the Planet. PlayCreateGreen invites all gaming companies to become architects of a game industry-driven movement claiming ownership and improvement of our carbon footprint. PlayCreateGreen has developed a green handbook by game companies, for game companies, with practical guides, examples, and inspiration for reducing carbon footprint and celebrating climate action. Embracer's Sustainability Coordinator is a Steering Committee member

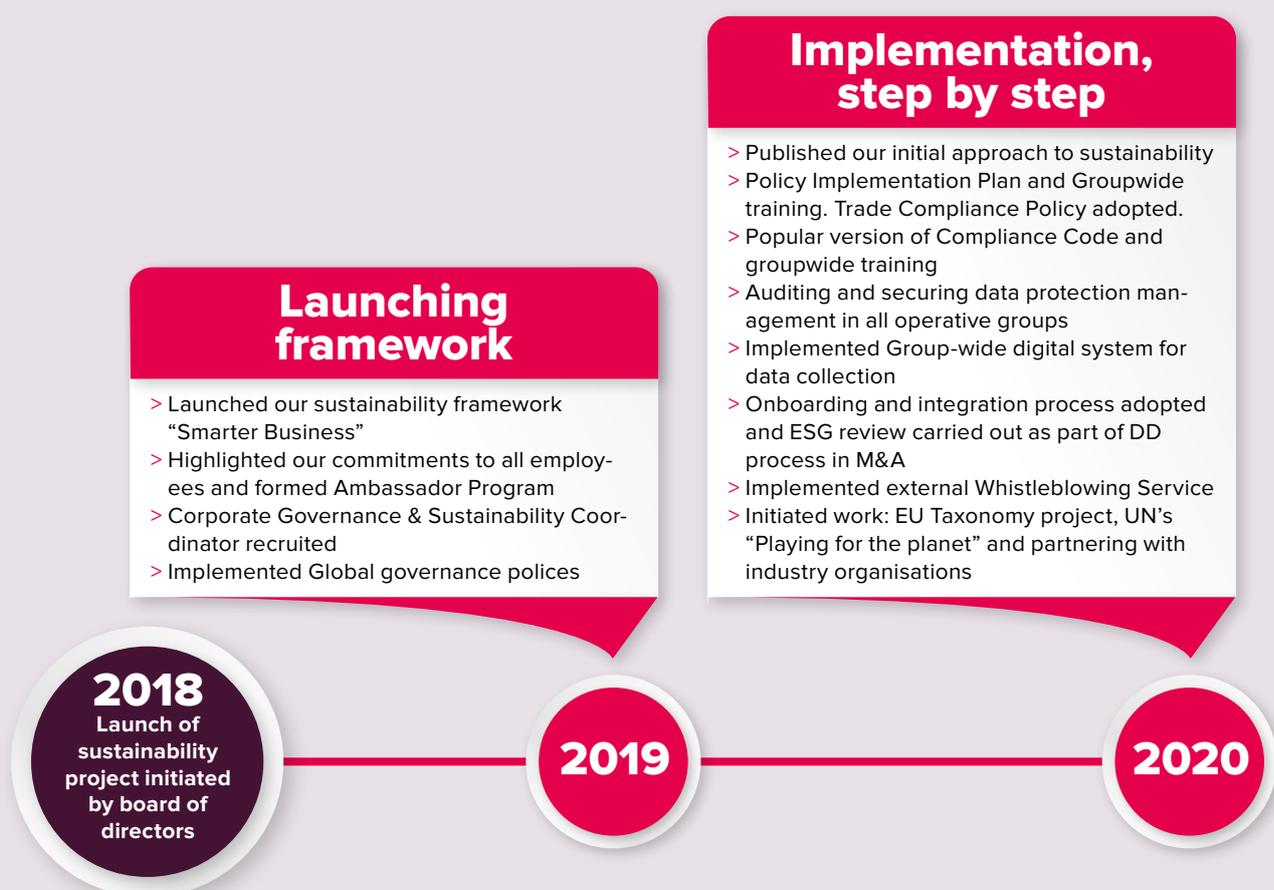
and contributes in weekly meetings to the continued work to promote and raise awareness about our industry's climate impact. During the year, Embracer has been part of articles sharing insights on the website and also via PlayCreateGreen offering Black Forest Games, part of THQ Nordic a Life Cycle Analysis. An important step is sharing the LCA data within the initiative to provide insights from studio level, that can be related to the aggregated data of our industry. There is a lack of reports on industrial emissions, which could guide areas of improvement.



**PLAYING  
FOR THE  
PLANET**

## SUSTAINABILITY REPORT

# STEP BY STEP TOWARDS SMARTER BUSINESS



### UN SUSTAINABLE DEVELOPMENT GOALS

Embracer Group has identified seven of the UN’s Sustainable Development Goals to focus on and prioritize in the sustainability effort going forward. The goals are selected since they are aligned with our Smarter Business Framework.



### STAKEHOLDER DIALOGUE FOR MATERIALITY ASSESSMENT

The dual materiality assessment was conducted with specific stakeholder groups dialogues structured as below:

	Form of engagement	Number of respondents	Response rate
Board of Directors	Online survey	5	83%
Subsidiaries – management	ESG data collection system	86	95%
Investor indices	Desktop analysis	3	n/a
Industry initiatives	Desktop analysis	8	n/a
Gamer initiatives and associations	Desktop analysis	6	n/a

The results of the stakeholder dialogues were combined with the results of the impact analysis.

## ABOUT THIS REPORT

This is Embracer Group's, org. no. 556582-6558, annual sustainability report for the financial year 2020/21, (Embracer Group's financial year is 1 April to 31 March), in compliance with the Swedish Annual Accounts Act (Årsredovisningslagen). It includes data for 92 entities, entities with no employees excluded.

Environmental data has been collected by each subsidiary and reported on the Group's common platform. On the platform, calculations of greenhouse gas emissions

have been made using the following emission factors: South Pole Database, DEFRA greenhouse gas reporting conversion factors 2020 and BEIS 2020. Our method for calculating and categorizing emissions in Scope 1, 2, and 3 are based on the Greenhouse Gas Protocol and are supplemented by need for additional data and assumptions using external expertise. HR data has been collected through a common platform, and all numbers are given as HC (headcount) including full-time employees, part-time employees, contractors and trainees.

### Publishing first Sustainability Report

- > First statutory Sustainability Report published
- > Cyber Security Assessment done
- > Expanded training programs (Compliance Code, Trade Compliance Policy and Mental Health Awareness)
- > KPI's set for the group
- > Global Employee Survey conducted, analysis ongoing in 2021
- > Implementation of local initiatives by the ambassador group continued
- > Communications platform and Smarter business film shared across the group
- > External and internal stakeholder dialogues continued

### Our journey continues

- > Three-year ESG plan underway based upon findings and conclusions from already established initiatives
- > Follow-through actions based upon completed gap analysis and risk assessment
- > We are on a journey to do better in the world by creating great entertainment, be a great place to work, and do better for the environment while delivering shareholder value

2021

today

Smarter business

## AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders of Embracer Group AB (publ), corporate identity number 556582-6558

### Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the financial year 1 April 2020 – 31 March 2021 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International

Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A statutory sustainability report has been prepared.

Karlstad, Sweden. 25 August 2021  
Ernst & Young AB

Johan Eklund  
Authorized Public Accountant



MXGP20

# THE SHARE & CORPORATE GOVERNANCE

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CHIEF EXECUTIVE OFFICERS

# LISTED ON NASDAQ FIRST NORTH STOCKHOLM

# THE SHARE AND OWNERS

The Embracer Group Class B shares are listed on Nasdaq First North Growth Market Stockholm since November 22, 2016 with the short name EMBRAC B. The subscription price at the IPO was SEK 6.66 (adjusted for split 1:3).

## SHARE PRICE AND TURNOVER

At the beginning of the financial year April 1, 2020, the share price was SEK 97.98 and at the end of the financial year on March 31, 2021 it was SEK 240.2 an increase by 145 percent. The share price varied during the year between a low of SEK 89,2 on May 4, 2020 and high of SEK 265.1 on February 15, 2021.

Embracer Group's market capitalization at the end of the financial year was SEK 111 billion. The free float was SEK 56 billion, that is the value of the Class B shares available for trading (defined as all holdings not exceeding 5 percent).

## NUMBER OF SHARES AND SHARE CAPITAL

The number of shares in Embracer Group (publ) as of 31 March 2021 was 33,399,137 Class A shares and 427,426,311 Class B shares, a total of 460,825,448 shares. Class B shares have one vote each and Class A shares have ten votes. All shares represent an equal share of the company's assets and earnings.

## SHARE ISSUES AND AUTHORIZATION

In April 2020, Embracer Group completed a directed share issue of 18.5 million class B shares, raising proceeds of roughly SEK 1,645 million. The subscription price in the share issue was SEK 89 per share and subscribers included more than one hundred Swedish and international institutional investors.

In October 2020, Embracer Group completed a directed share issue of 35.7 million class B shares, raising proceeds of SEK 5,782 million. The subscription price in the share issue was SEK 162 per share and was determined through an accelerated book-building procedure. In connection to the private placement, the founders of Embracer Group also consolidated their ownership

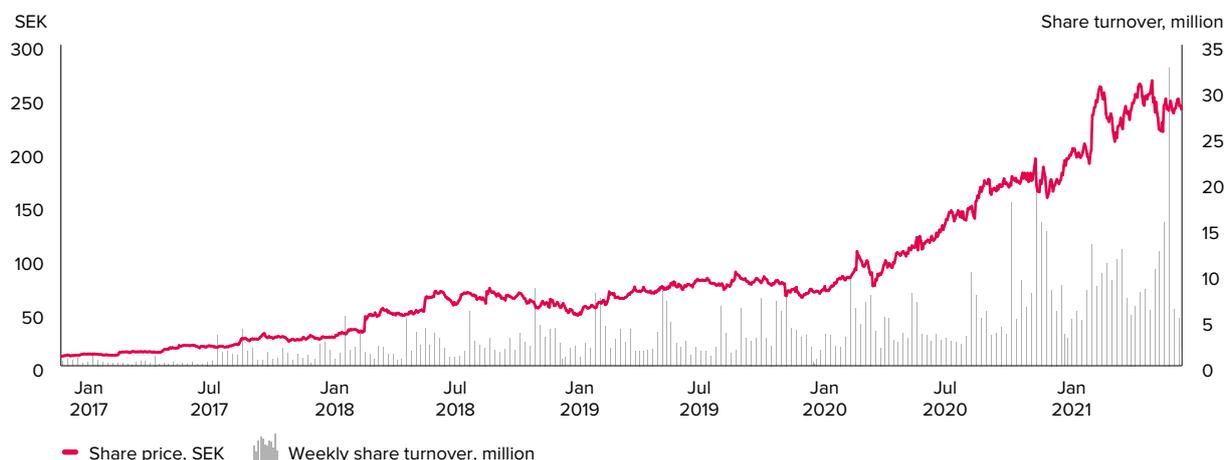
whereby the co-founders became owners in Lars Winge-fors AB rather than own shares directly through their own holding companies.

In March 2021, Embracer Group completed a directed issue of 36 million class B shares to institutional investors, raising proceeds of roughly SEK 7.6 billion. The subscription price in the share issue was SEK 210 per share and was determined through an accelerated book-building procedure.

The Annual General Meeting on September 16, 2020 resolved, in accordance with the board of directors' proposal, to authorize the board of directors during the period up until the next annual general meeting to, on one or more occasions, resolve to issue Class B shares, convertibles and/or warrants with right to convert into and subscribe for Class B shares respectively, with or without preferential rights for the shareholders, in the amount not exceeding ten (10) percent of the total number of shares in the Company as of the date of the annual general meeting, to be paid in cash, in kind and/or by way of set-off. The purpose for the board to resolve on issuances with deviation from the shareholders preferential rights is primarily for the purpose to raise new capital to increase flexibility of the Company or in connection with acquisitions.

An extra general meeting on November 16, 2020 resolved, in accordance with the board of directors' proposal, to authorize the board of directors during the period up until the next annual general meeting to, on one or more occasions, resolve to issue B shares, convertibles and/or warrants with right to convert into and subscribe for B shares respectively, with or without preferential rights for the shareholders, in the amount not exceeding ten (10) percent of the total number of shares in the Company at the time when the authorization is

## SHARE PRICE DEVELOPMENT AND SHARE TURNOVER





used the first time, to be paid in cash, in kind and/or by way of set-off. In connection with issuances, the board of directors shall, when determining the number of shares, warrants or convertibles that may be issued pursuant to the authorization, consider and deduct the number of shares the Company holds itself at every given time after any possible reclaim of shares that have been issued in connection with acquisitions. This authorization replaced the authorization resolved upon by the annual general meeting 2020.

An extra general meeting on February 26, 2021 resolved, in accordance with the board of directors' proposal, to authorize the board of directors during the period up until the next annual general meeting, on one or more occasions, to resolve to issue B shares, without preferential rights for the shareholders to be paid in cash, in kind and/or by way of set-off. The board of directors may only resolve on a share issue in accordance with the above in connection with the completion of the acquisition announced through press releases on 3 February 2021, and the number of shares issued may amount to a maximum of 41,658,306. The extra general meeting also resolved, in accordance with the board of directors' proposal, to authorize the board of directors during the period up until the next annual general meeting to, on one or more occasions, resolve to issue B shares, convertibles and/or warrants with right to convert into and subscribe for B shares respectively,

with or without preferential rights for the shareholders, in the amount not exceeding ten (10) percent of the total number of shares in the Company at the time when the authorization is used the first time, to be paid in cash, in kind and/or by way of set-off. This authorization replaced the authorization resolved upon by the extra general meeting held on 16 November 2020.

#### INFORMATION ABOUT NASDAQ FIRST NORTH

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 Growth Market 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 Growth Market implies higher risk than one in a listed company. Companies must apply to the exchange and gain approval before trading on First North Growth Market 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.

FNCA Sweden AB  
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Tel: +46 8 528 00 399

## ANALYSTS FOLLOWING EMBRACER GROUP

### AS OF MARCH 31, 2021

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Bernstein	Matti Littunen	+44 207 170 50 09	<a href="mailto:matti.littunen@bernstein.com">matti.littunen@bernstein.com</a>
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Handelsbanken	Fredrik Olsson	-	<a href="mailto:frol16@handelsbanken.se">frol16@handelsbanken.se</a>
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Goldman Sachs International	Alexander Duval	+44 20 7552 2995	<a href="mailto:alexander.duval@gs.com">alexander.duval@gs.com</a>
HSBC Bank plc	Ali Naqvi	-	<a href="mailto:ali.naqvi@hsbc.com">ali.naqvi@hsbc.com</a>

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

At Embracer.com we provide an IR service providing consensus estimates. The estimates are collected by Infront and based on predictions made by analysts who cover Embracer Group.

## SHARE CAPITAL DEVELOPMENT

Registration date	Event	Class A shares	Class B shares	Total number shares	Share capital, change	Share capital, total
30/12/1999	Establishment		1,000	1,000	100,000.00	100,000.00
30/09/2016	Bonus issue		499,000	500,000	400,000.00	500,000.00
14/10/2016	Share split 1:120	9,000,000	51,000,000	60,000,000		500,000.00
07/11/2016	New share issue		32,500	60,032,500	270.83	500,270.83
28/11/2016	New share issue		10,000,000	70,032,500	83,333.33	583,604.17
02/12/2016	New share issue		2,000,000	72,032,500	16,666.67	600,270.83
26/09/2017	New share issue		7,203,250	79,235,750	60,027.10	660,297.92
04/06/2018	New share issue		135,135	79,370,885	1,126.13	661,424.04
07/06/2018	New share issue		1,082,601	80,453,486	9,021.68	670,445.72
12/07/2018	New share issue		7,700,000	88,153,486	64,166.68	734,612.38
16/11/2018	New share issue		3,136,903	91,290,389	26,140.86	760,753.24
16/11/2018	New share issue		60,358	91,350,747	502.98	761,256.22
15/02/2019	New share issue		142,870	91,493,617	1,190.58	762,446.81
27/02/2019	New share issue		4,732,661	96,226,278	39,438.85	801,885.66
06/03/2019	New share issue		74,357	96,300,635	619.64	802,505.30
14/03/2019	New share issue		6,267,339	102,567,974	52,227.84	854,733.12
14/03/2019	New share issue		11,000,000	102,567,974	91,666.69	854,733.13
14/08/2019	New share issue		133,048	102,701,022	1,108.74	855,841.86
14/08/2019	New share issue		1,267,323	103,968,345	10,561.02	866,402.88
02/10/2019	Split 1:3	18,000,000	189,936,690	311,905,035		
27/12/2019	New share issue		162,163	312,067,198	450.46	866,853.34
01/04/2020	New share issue	6,399,137	35,386,220	353,852,555	116,070.44	982,923.78
08/04/2020	New share issue		18,500,000	372,352,555	51,388.89	1,034,312.67
08/13/2020	New share issue		2,466,070	374,818,625	6,850.20	1,041,162.87
08/13/2020	New share issue		6,338,901	381,157,526	17,608.06	1,058,770.93
08/13/2020	New share issue		186,225	381,343,751	517.3	1,059,288.23
08/13/2020	New share issue		6,504	381,350,255	18.07	1,059,306.30
08/13/2020	New share issue		26,090	381,376,345	72.48	1,059,378.78
08/13/2020	New share issue		32,596	381,408,941	90.55	1,059,469.33
09/10/2020	New share issue		924,771	382,333,712	2,568.81	1,062,038.14
09/16/2020	New share issue		623,209	382,956,921	1,731.14	1,063,769.28
09/18/2020	New share issue		2,492,837	385,449,758	6,924.55	1,070,693.83
10/08/2020	New share issue		35,689,907	421,139,665	99,138.64	1,169,832.47
18/11/2020	New share issue		8,800	421,148,465	24.45	1,169,856.92
18/11/2020	New share issue		61,280	421,209,745	170.23	1,170,027.15
18/11/2020	New share issue		247,419	421,457,164	687.28	1,170,714.43
18/11/2020	New share issue		84,665	421,541,829	235.19	1,170,949.62
18/11/2020	New share issue		109,707	421,651,536	304.75	1,171,254.37
18/11/2020	New share issue		117,036	421,768,572	325.11	1,171,579.48
19/11/2020	New share issue		352,640	422,121,212	979.56	1,172,559.04
25/11/2020	New share issue		233,416	422,354,628	648.38	1,173,207.42
09/12/2020	New share issue		840,899	423,195,527	2,335.84	1,175,543.26
11/12/2020	New share issue		37,111	423,232,638	103.09	1,175,646.35
01/02/2021	New share issue		567,039	423,799,677	1,575.11	1,177,221.46
25/02/2021	New share issue		1,025,771	424,825,448	2,849.37	1,180,070.83
18/03/2021	New share issue		36,000,000	460,825,448	100,000.02	1,280,070.85
01/04/2021	New share issue		5,365,709	466,191,157	14,904.75	1,294,975.60
01/04/2021	New share issue		1,774,871	467,966,028	4,930.20	1,299,905.80
01/04/2021	New share issue		32,518,984	500,485,012	90,330.53	1,390,236.33
02/06/2021	New share issue		2,533	500,487,545	7.04	1,390,243.37

## THE SHARE

### TOP 10 OWNERS, AS OF MARCH 31, 2021

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %
Lars Wingefors AB	26,130,102	104,705,965	28.39%	48.07%
S3D Media Inc	6,399,137	35,386,220	9.07%	13.05%
Swedbank Robur Fonder		27,392,741	5.94%	3.60%
Canada Pension Plan Investment Board (CPP)		27,376,973	5.94%	3.60%
Handelsbanken Fonder		14,552,200	3.16%	1.91%
Didner & Gerge Fonder		11,363,477	2.47%	1.49%
ODIN Fonder		8,290,000	1.80%	1.09%
AMF Pension & Fonder		7,650,000	1.66%	1.00%
Ken Go		6,301,591	1.37%	0.83%
Avanza Pension		6,077,974	1.32%	0.80%
<b>TOTAL TOP 10</b>	<b>32,529,239</b>	<b>249,097,141</b>	<b>61.11%</b>	<b>75.44%</b>
<b>ALL OTHER SHAREHOLDERS</b>	<b>869,898</b>	<b>178,329,170</b>	<b>38.89%</b>	<b>24.56%</b>
<b>TOTAL</b>	<b>33,399,137</b>	<b>427,426,311</b>	<b>100%</b>	<b>100%</b>

Source: Holdings by Modular Finance.

### TOP 20 MANAGEMENT & CO-FOUNDER OWNERS, AS OF MARCH 31, 2021

Owner	Co-Founder	Class A shares	Class B shares	Share of capital, %	Share of votes, %
Lars Wingefors AB <sup>1)</sup>	Embracer Group	26,130,102	104,705,965	28.39%	48.07%
Matthew Karch and Andrey Iones	Saber Interactive	6,399,137	35,386,220	9.07%	13.05%
Ken Go	DECA Games	0	6,301,591	1.37%	0.83%
Erik Stenberg	Embracer Group	0	4,500,000	0.98%	0.59%
Luisa Bixio	Milestone	0	3,002,969	0.65%	0.39%
Founders of 4A Games	4A Games	0	2,446,070	0.53%	0.32%
Richard Stitselaar and Kimara Rouwit	Vertigo Games	0	1,928,210	0.42%	0.25%
Pelle Lundborg	Embracer Group	869,898	794,560	0.36%	1.25%
Anton Westbergh	Coffee Stain	0	1,206,333	0.26%	0.16%
Klemens Kundratitz	Koch Media	0	1,127,928	0.24%	0.15%
Vincent Van Brummen	Vertigo Games	0	747,851	0.16%	0.10%
Founders of Zen Studios	Zen Studios	0	567,039	0.12%	0.07%
Klemens Kreuzer	THQ Nordic	0	559,052	0.12%	0.07%
Jeremy Blum	NWI	0	535,645	0.12%	0.07%
Founders of A Thinking Ape	A Thinking Ape	0	524,088	0.11%	0.07%
Markus Rännare	Coffee Stain	0	416,631	0.09%	0.05%
John Coleman	Vertigo Games	0	406,955	0.09%	0.05%
Julian Gollop	Snapshot Games	0	322,317	0.07%	0.04%
Stefan Ljungqvist	Experiment 101	0	270,270	0.06%	0.04%
David L Adams	Gunfire Games	0	217,719	0.05%	0.03%
<b>TOP 20</b>		<b>33,399,137</b>	<b>165,967,413</b>	<b>43.26%</b>	<b>65.66%</b>
<b>ALL OTHER SHAREHOLDERS</b>		<b>0</b>	<b>261,458,898</b>	<b>56.74%</b>	<b>34.34%</b>
<b>TOTAL</b>		<b>33,399,137</b>	<b>427,426,311</b>	<b>100%</b>	<b>100%</b>

<sup>1)</sup>Lars Wingefors et al. For more information, please see: [embracer.com/release/embracer-groups-co-founders-complete-consolidation-of-shareholdings/](https://embracer.com/release/embracer-groups-co-founders-complete-consolidation-of-shareholdings/)  
Holdings by management above are in general owned through various wholly owned companies.

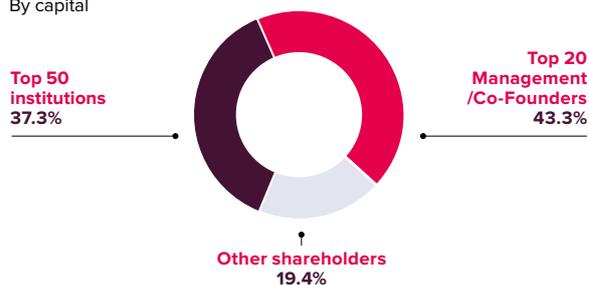
### INTERNATIONAL OWNERSHIP TOP 50 INSTITUTIONAL

By capital



### INSTITUTIONAL OWNERSHIP VS MANAGEMENT

By capital



**TOP 50 INSTITUTIONAL OWNERS, AS OF MARCH 31, 2021**

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %
Swedbank Robur Funds		27,392,741	5.94%	3.60%
Canada Pension Plan Investment Board (CPP)		27,376,973	5.94%	3.60%
Handelsbanken Funds		14,552,200	3.16%	1.91%
Didner & Gerge Funds		11,363,477	2.47%	1.49%
ODIN Funds		8,290,000	1.80%	1.09%
AMF Pension & Funds		7,650,000	1.66%	1.00%
Avanza Pension		6,077,974	1.32%	0.80%
TIN Funds		5,956,869	1.29%	0.78%
AP1 Första AP-fonden		5,381,888	1.17%	0.71%
Livförsäkringsbolaget Skandia		3,344,601	0.73%	0.44%
AFA Försäkring		3,341,909	0.73%	0.44%
AP2 Andra AP-fonden		3,323,714	0.72%	0.44%
Janus Henderson Investors		3,247,857	0.70%	0.43%
Skandia Funds		3,140,914	0.68%	0.41%
BlackRock		2,953,202	0.64%	0.39%
Futur Pension		2,925,836	0.63%	0.38%
Martin Larsson (Chalex AB)		2,583,947	0.56%	0.34%
Alecta Pensionsförsäkring		2,380,000	0.52%	0.31%
Nordnet Pensionsförsäkring		2,287,991	0.50%	0.30%
Danske Invest (Lux)		2,015,000	0.44%	0.26%
Länsförsäkringar Funds		1,708,110	0.37%	0.22%
DNB Funds		1,676,396	0.36%	0.22%
Naventi Funds		1,620,026	0.35%	0.21%
Oberweis Asset Management Inc		1,331,900	0.29%	0.17%
Global X Management Company LLC		1,201,856	0.26%	0.16%
Aktia Asset Management		1,150,000	0.25%	0.15%
Consensus Asset Management		1,148,895	0.25%	0.15%
Sensor Funds		1,096,092	0.24%	0.14%
Svenska Handelsbanken AB for PB		996,101	0.22%	0.13%
Cliens Funds		980,000	0.21%	0.13%
Evli Funds		916,000	0.20%	0.12%
Allianz Global Investors		888,266	0.19%	0.12%
Schroders		806,793	0.18%	0.11%
Varma Mutual Pension Insurance Company		800,000	0.17%	0.11%
Vanguard		760,029	0.16%	0.10%
First Trust		749,170	0.16%	0.10%
RAM Rational Asset Management		734,697	0.16%	0.10%
Van Eck		732,197	0.16%	0.10%
Handelsbanken Liv Försäkring AB		666,232	0.14%	0.09%
Enter Funds		665,000	0.14%	0.09%
Lancelot Asset Management AB		657,002	0.14%	0.09%
Knutsson Holdings AB		650,000	0.14%	0.09%
State Street Global Advisors		644,101	0.14%	0.08%
Fondita Funds		635,000	0.14%	0.08%
Amundi		583,596	0.13%	0.08%
Norron Funds		539,419	0.12%	0.07%
PGGM Pensioenfonds		514,377	0.11%	0.07%
UBS Global Asset Management		498,135	0.11%	0.07%
Northern Trust		497,542	0.11%	0.07%
Swedbank Försäkring		477,483	0.10%	0.06%
<b>TOTAL TOP 50 INSTITUTIONAL OWNERS</b>	<b>0</b>	<b>171,911,508</b>	<b>37.31%</b>	<b>22.58%</b>
<b>ALL OTHER SHAREHOLDERS</b>	<b>33,399,137</b>	<b>255,514,803</b>	<b>62.69%</b>	<b>77.42%</b>
<b>TOTAL</b>	<b>33,399,137</b>	<b>427,426,311</b>	<b>100.00%</b>	<b>100%</b>

Source: Holdings by Modular Finance.

# BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITOR

## CORPORATE GOVERNANCE

*Embracer Group is a Swedish public limited liability company. Embracer Group's corporate governance is based on Swedish law, internal rules and instructions, Nasdaq First North Growth Market Rulebook for Issuers and other applicable regulations. Since Embracer Group is listed on Nasdaq First North Growth Market, Embracer Group does not currently apply the Swedish Code of Corporate Governance.*

This year we have taken important steps to strengthen our governance structure to continue deliver on our long-term strategy. In a year when we have continued our strong growth and expanded our business, we have also made great progress in our corporate governance. As Embracer Group has grown, we have increased our efforts to grow in a sustainable manner to secure long-term organic and acquired growth. We do more in corporate governance than required by regulations. The foundation we lay now will contribute to an even stronger growth in the future. This year alone, we have set up an audit committee, a remuneration committee and found ways to selectively apply the Swedish Code of Corporate Governance where relevant. These are crucial steps in our readiness process for a future uplisting to a regulated stock market. The structure we have built is tailored to our needs and DNA as a fast-growing company which will contribute to accomplishing our long-term strategy.

Kicki Wallje-Lund  
Chairman of the Board

### CORPORATE GOVERNANCE AT EMBRACER GROUP

Corporate governance is the system of rules, practices, and processes by which Embracer Group is directed and controlled. It provides the framework for attaining the company's objectives and to create value in the Group. Well-functioning corporate governance principles assure shareholders and other stakeholders that the activities of the Embracer Group are characterized by reliability, effective management and control, openness, clarity and good business ethics.

### Annual General Meeting

Pursuant to the Swedish Companies Act, the shareholder meeting is the company's highest decision-making body.

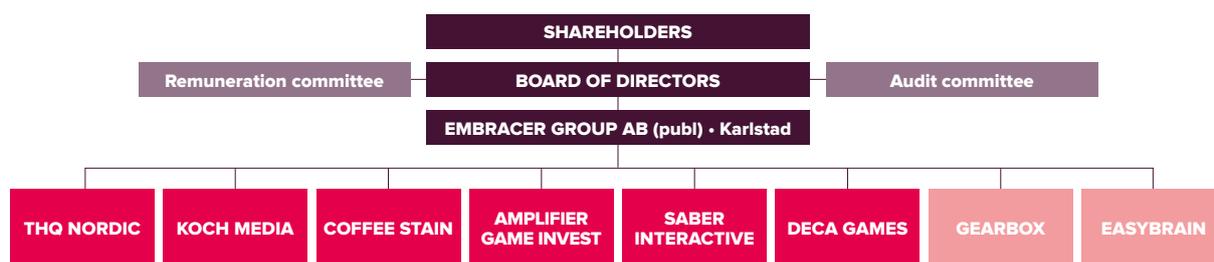
At the shareholders' meeting, the shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, appropriation of the Company's profit, discharge from liability of Board members and the CEO, election of the Board and auditors. In addition to the annual general meeting (AGM), extraordinary general meetings may be convened. In accordance with Embracer Group's articles of association, convening notices for the annual general meeting and extraordinary general meetings are made by announcement in the Post- och Inrikes Tidningar (the Swedish Official Gazette) and by making the concerning notice available on the Embracer Group website. An announcement that notice has been given is published in Svenska Dagbladet. The document from the AGMs and the minutes recorded at the AGMs are published on the website. The 2021 AGM will take place on September 16, 2021.

### Right to attend shareholders' meetings

All shareholders who are directly registered in the share register maintained by Euroclear Sweden AB five weekdays before the shareholder meeting and have notified the Company of their intention to participate (with potential assistants) in the shareholders' meeting not later than the date stated in the notice convening the shareholders' meeting have the right to attend the shareholders' meeting and vote for the number of shares they hold. Shareholders may attend the shareholder meeting in person or by proxy and may also be accompanied by a maximum of two assistants. Shareholders can normally register for the shareholders meeting in several different ways stated in the convening notice for the meeting.

### Auditor

Ernst & Young Aktiebolag was re-elected as the company auditor at the AGM. Ernst & Young Aktiebolag announced the certified accountant Johan Eklund as new auditor in charge. EY has been the company's auditor since 2006.



## Board of Directors

The Board of Directors is the highest decision-making body after the shareholder meeting and ultimately responsible for Embracer Group's organization and administration as well as the Group's long-term development and strategy. In accordance with the Swedish Companies Act this means that the Board is responsible for establishing targets and strategies, ensuring that procedures and systems are in place for the evaluation of set targets, continuously evaluating Embracer Group's financial position and performance, and evaluating the executive management. The Board is also responsible for ensuring that the annual accounts, consolidated accounts and interim reports are prepared on time.

The Board members are elected every year at the AGM for the period until the next AGM, and an EGM can elect new board members. Two new board members assumed their roles during the financial year following resolutions at EGMs in February and May 2020. According to the Company's articles of association, the Board, must consist of at least three members and at most ten members with no deputy members.

The chairman of the Board is elected by the AGM and has special responsibility for the management of the Board's work and ensuring that the Board's work is well organized and effectively implemented.

The Board follows written rules of procedure, which are revised annually and adopted by the inaugural Board meeting every year, or another board meeting if necessary. The work procedures outline how the Board's duties should be distributed including the specific role and duties of the Chairman, instructions for the division of duties between the Board and the CEO and for the reporting of financial information to the Board. The Board has also adopted specific instructions for the Board's committees, which are linked to the work procedures.

The Board meets according to an annual schedule that is established in advance. Besides these meetings, additional meetings can be arranged to handle questions that cannot be submitted to an ordinary meeting. Besides the Board meetings, the chairman of the Board and the CEO continuously discuss the management of the Company.

The Board represents a mix of both important qualifications and valuable experiences within areas of strategic importance to Embracer Group. The board also has a variety of geographical and cultural backgrounds, share the same mindset, has a firm commitment and a strong engagement.

At the time of publication, the Company's Board consists of seven members who are presented in more detail in the section "Board of Directors". The composition of the Board meets the requirements concerning the independence of Directors prescribed in the Nasdaq First North Rulebook.

## The Board's work in 2020/21

In 2020/21, the Board held 61 recorded meetings (of which 51 per capsulam), of which one was the statutory meeting. The Board members' attendance is shown in the table below. The secretary of the Board meetings was Embracer Group's CFO Johan Ekström.

The Board's regular work is performed within the framework of formal Board meetings, all included in the initial meeting plan. Since February 2021, when new committees were formed, the Board work is also performed through meetings in respective committee of the Board. In addition, the Board has met on a frequent basis during the financial year, resulting in a total of six extraordinary Board meetings, mainly devoted for decisions made for a number of major acquisitions as well as for three completed directed share issues, raising total proceeds of approximately SEK 15 billion. The major part of the per capsulam meetings relates to acquisitions made (like issue shares, issue of promissory notes, allotment of shares) and in addition to those, meetings in connection to Annual and Extra General meetings as well as to new shares issues made. In addition, the Chairman of the Board met with Board members separately between meetings to discuss imminent matters. In light of the effects of the COVID-19 pandemic, most of the Board meetings have been held as video conferences.

An important part of the Board's focus during 2020 has been to follow-up and secure continued long-term organic and acquired growth. The Board has paid particular attention to the M&A strategy, the significant number of acquisitions made, follow-ups on prior acquisitions as well as the growing pipeline of new suitable acquisition candidates. Furthermore the Board focused on the high investments made in game development including financial evaluations on ongoing major development projects, including impairment tests.

Another important part of the work has been to follow up on the progression of the onboarding and the integration process for newly acquired companies. The Board has also devoted notable time to ensure that the company has a solid governance and business ethic's

## OVERVIEW BOARD OF DIRECTORS AND INDEPENDENCE

Name	Position	Member since	Attendance Board meetings <sup>1)</sup>	Independent in relation to:	
				The Company and the Company management	Major shareholders
Kicki Wallje Lund	Board member (Chairman)	2016	10/10	Yes	Yes
Lars Wingefors	Member of the Board	2011	10/10	No	No
Erik Stenberg	Member of the Board	2011	10/10	No	No
Jacob Jonmyren	Member of the Board	2018	10/10	Yes	Yes
Ulf Hjalmarsson	Member of the Board	2018	9/10	Yes	Yes
David Gardner <sup>2)</sup>	Member of the Board	2020	7/10	Yes	Yes
Matthew Karch <sup>3)</sup>	Member of the Board	2020	7/10	No	No

<sup>1)</sup> Per capsulam not included

<sup>2)</sup> David Gardner joined the Board April 2020 and has since attended all ordinary and extraordinary meetings during 2020/2021.

<sup>3)</sup> Matthew Karch joined the Board May 2020 and has since attended all ordinary and extraordinary meetings during 2020/2021.

structure and appropriate systems for following up and controlling the company's business and overall risk management. The Board has approved new policies and updates of Group policies. In addition a thorough cyber maturity assessment for particularly protected assets was initiated.

At regular Board meetings reports are delivered of the Group's business performance, financial reports are presented including those prior to the interim reports and the year-end report. Embracer Group's auditor also attended two Board meetings as well as one Audit Committee meeting (after the FY), during which Board members had the opportunity to pose questions to the auditor on audit reports and the efficiency of the internal control in the financial reporting process. Non-financial reports from the operative groups have been presented on a quarterly basis. The Board is also continuously updated and involved in the development of the Group's Sustainability framework and initiated projects.

During 2020, the Board decided to convert to the reporting standards IFRS and thereby start the process toward being listed on a regular market. In February, the board decided to establish an Audit Committee and a Remuneration Committee to be effective immediately. The Board also decided on a long-term Financing plan.

The Board discussed and got regular updates during the year on the effects of COVID-19 on the business – with the safety of employees being the highest priority.

#### **Remuneration Committee & Audit Committee**

On February 17, 2020, the Board of Directors decided to establish an Audit Committee and a Remuneration Committee to be effective immediately and members were elected by the Board up until the next AGM. Going forward the members of each Committee will be appointed by the Board annually at the inaugural board meeting in connection to the annual general meeting. Remuneration to the members of the Committees will be decided by the next AGM in conjunction with the proposal for remuneration to the members of the Board. The AGM will get the proposal to reimburse the committees retroactively from February 2021 and to the upcoming AGM. The Committees' duties and decision-making authorities are regulated in the annually approved committee instructions. The main task of the Committees is to prepare matters for resolution by the Board and provide preparatory and administrative support to the Board.

The Remuneration Committee is appointed by the Board and members of the Remuneration Committee must possess the required knowledge and experience of remuneration matters relating to senior executives. The Remuneration Committee submits proposals to the Board regarding the principles for remuneration and other employment terms and conditions for senior executive management in the parent company. It also prepares matters regarding general terms of long-term strategic variable compensation programs and incentive schemes. The Committee also sees to the outcome of these remuneration programs and submits reports and proposals to the Board for resolution.

Members of the Audit Committee are elected from Board members who are not employees of the company. At least one of the members must be competent in accounting or auditing matters. The main task of the Audit Committee is to support the Board in its work to ensure

the quality of financial reporting. The Audit Committee oversees, follow up and track the company's internal control and risk management regarding financial reporting. Each year, the Audit Committee adopts an internal audit plan which is based on risks that have been identified by the Board in the review of commercial risks and risks of errors in financial reporting. The audit plan is discussed with the external auditors in order to enhance the efficiency and quality of regular audit work.

### **MEMBERS OF THE COMMITTEES AS OF MARCH 31, 2021**

#### **Remuneration Committee**

David Gardner (Chairman)

Ulf Hjalmarsson

Kicki Wallje-Lund

#### **Audit Committee**

Ulf Hjalmarsson (Chairman)

Jacob Jonmyren

Kicki Wallje-Lund

#### **Evaluation of the Board's work**

In 2021, the Chairman of the Board initiated an annual evaluation of the performance of the Board during the previous year. The purpose of the evaluation is to further develop the Board's efficiency and working procedures and to determine the main focus of the Board's coming work. Areas that were covered also included issues related to strategy, sustainability, potential risks and succession planning. This gives valuable insights into the Board members' opinions about the performance of the Board. In addition, the evaluation serves as a tool for determining the competence required by the Board and for analyzing the competence that already exists in the current Board and where additional expertise might be needed going forward. The results of the evaluations of the Board as a collective and of the Chairman, were discussed by the Board.

### **CEO AND GROUP MANAGEMENT**

The CEO is appointed by the Board and has the foremost responsibility for the continuous management of the Company and day-to-day operations. The CEO has extended the management with senior executives supporting the management of Embracer Group's overall business as well as Chief Executive officers representing and responsible for the company's Operative Groups.

The division of work between the Board and the CEO is set forth in the rules of procedure for the Board and the instructions for the CEO. The CEO is also responsible for the preparation of the reports and compiling information from executive management for the Board meetings and for presenting such materials at the Board meetings.

According to the instructions for financial reporting, the CEO is responsible for financial reporting in the Company and, accordingly, must ensure that the Board receives adequate information in order for the Board to continuously be able to evaluate Embracer Group's financial position.

The CEO must continuously keep the Board informed of the development of Embracer Group's operations, the Company's financial position and performance, the liquidity

and credit situation, important business events and other circumstances that are of importance to the Company's shareholders (such as material disputes, cancellation of agreements that are important to Embracer Group and significant circumstances concerning Embracer Group's facilities).

The CEO and other senior executives are presented in more detail in the section "Board of Directors" and "Senior executives".

### Internal Control

The Board is responsible to secure good internal control. Internal control includes control over Embracer Group's organization, procedures and actions. The aim is to ensure that reliable and accurate financial reporting occurs, that the Company's and the Group's financial reporting is prepared in accordance with law and applicable accounting standards and that other requirements are met as well as correctly consolidated by the operative groups. Accounting and reporting rules are documented in the Embracer Group Accounting Manual. A Corporate performance management software solution (for budgeting, planning, consolidation and financial reporting) for use by all finance teams – has been implemented throughout the group.

The System for internal control also aims to monitor compliance with Embracer Group's policies, instructions and detailed processes descriptions. The Board has adopted a number of fundamental guidelines and policies, designed to create the conditions for a solid control environment. These include, among other things, Embracer Group's Compliance Code, Anti-Corruption Policy, Trade Compliance Policy and Information Policy. In addition to this, monitoring takes place in order to protect the Company's assets and so that the Company's resources are utilized cost-effectively and appropriately. Moreover, internal control takes place through follow-up of implemented business systems and through the analysis of risks.

To provide guidance for the business, Embracer has developed an Internal Control Framework ("ICF") with the purpose of establishing common and consistent control measures throughout the Group. The measures relate to finance, regulatory and compliance and is a valuable tool in the onboarding process of new acquired companies. In-depth descriptions of key activities and milestones have been specified and presented to the Board after closing of all acquisitions to ensure a thorough onboarding process.

The ICF is to be implemented as part of the onboarding process for acquisitions, as described on page 60.

### Risk assessment

Risk management is part of the Board's and management's governance and follow-up of the business. This means identification of the most significant business risks associated with the performance of the company's strategy and overall goals, as well as risks in association with the annual accounts. During 2020, the structure process for assessing risks has been reviewed and updated. The Embracer Group Risk Universe has been identified and described by representatives from Group Management. The risks identified are in the categories; Strategic, Market/Industry, Operational, Compliance and Reporting. The risks (gross risks) have been ranked by representatives

from Group Management and the Board of Directors. The outcome is a documented risk matrix for Embracer Group which identifies the key gross risks for the business. Subject to regular updates, the risk assessment will be used as an input to continuously monitor and report on risks. An updated version of the risk universe was compiled by representatives from Group Management and the Board of Directors in February 2021, facilitated by members of Internal Audit. Documentation of the mitigating processes and controls related to the material gross risks are now work in progress.

The primary scope and focus for the Company's risk assessment process is to manage operational and compliance risks in the respective business operations. Financial risks are managed by the CFO function. Strategic risks are managed directly by senior management on relevant levels as an integrated part of running the business operations.

The Board follows up frequently on risk exposure to ensure the ability to deliver on business strategies and goals. The CEO is responsible for continuous management of all risks within the business and to ensure action plans are implemented when needed to minimize the probability and impact of identified risks.

### Internal Audit

Internal Audit at Embracer Group aims to contribute to constant improvement of the business and to enhance risk management, governance and internal controls. In 2019, Embracer Group established a Group Internal Audit function which performs risk-based reviews of the corporate governance and internal control procedures within the Group as well as provide value adding recommendations to the business in a systematic, disciplined approach. Internal Audit is an independent and objective assurance and consulting activity that aims to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. The Internal Audit function formally reports to the Board; findings are also reported to Group Executive Management and business area management. The outputs of the reviews include action plans for improvement.

The Internal Audit Plan 2020 has been developed based on the risk analysis of key risks for the business as of December 2019, involving representatives from the Board and senior executive management, and considers the risks identified by the organization in its risk register and other documents. The Internal Audit Plan is also based on the internal auditor's experience of identifying other risk areas which may warrant attention. An updated risk matrix based on input from the Board, was done in February 2021.

An Internal Audit Tracker process has been implemented and is governed by the Audit Committee who reports back to the Board. The Audit committee receive quarterly updates with regards to open items in the internal audit tracker.

The internal audit plan may also address some ad hoc areas that do not feature as a high risk, these are nevertheless areas where management or the Board believes the organization would benefit from an internal audit review.

# BOARD OF DIRECTORS



**KICKI WALLJE-LUND** Born: 1953

*Chairman of the board, elected 2016*

*Education/background:* Kicki Wallje-Lund has experience in business development from a variety of international companies, especially in the IT sector. She has held leading global positions in companies like NCR, Digital Equipment, AT & T, Philips, ICL and Unisys as well as board assignments for listed companies on Nasdaq Stockholm, Large and Small Cap.

*Current assignments:* Board member of C-Rad AB (publ).

*Holdings in the Company:* As of 31 March 2021, Kicki Wallje-Lund held 45,600 Class B shares in Embracer Group AB (publ).



**ERIK STENBERG** Born: 1963

*Deputy CEO*

*Board Member, elected 2011*

*Education/background:* Erik Stenberg has a Degree of Master of Science in Business and Economics from Högskolan Karlstad (today Karlstad University) and a long and solid experience in business management.

*Current relevant assignments:* Erik Stenberg is a Board member of Xagonus Zagonus AB and Stonemountain Invest AB.

*Holdings in the Company:* As of 31 March 2021, Erik Stenberg held 4,500,000 Class B shares in Embracer Group AB (publ).



**LARS WINGEFORS** Born: 1977

*Founder and CEO of Embracer Group*

*Board member, elected 2011*

*Education/background:* Lars Wingefors is founder and CEO of Embracer Group. Lars Wingefors started his first video games company at the age of sixteen. He has a broad and long experience in entrepreneurship and business management.

*Current relevant assignments:* Lars Wingefors is a board member and CEO of Lars Wingefors AB.

*Holdings in the Company:* As of 31 March 2021, Lars Wingefors held through companies, 26,130,102 Class A shares and 104,705,965 Class B shares in Embracer Group AB (publ).



**JACOB JONMYREN** Born: 1980

*Board member, elected 2018*

*Education/background:* Jacob Jonmyren holds a M.Sc in Accounting and Financial Management from Stockholm School of Economics and has studied Finance at University of Wisconsin – Madison and Media & Communication Studies (Master level) at Stockholm University, where he was president of the Student Association at the Department of Journalism, Media & Communication. Jacob Jonmyren has long experience from the financial markets. He has been invested in the stock market since the age of nine and has for the last thirteen years been employed at RAM Rational Asset Management, a Swedish, independent asset management company with focus on absolute return.

*Current assignments:* Jacob Jonmyren is Partner, Portfolio Manager and Head of Research at RAM ONE AB and member of the Board at Jacob Jonmyren Kapital AB and World Market Coverage i Stockholm AB.

*Holdings in the company:* As of 31 March 2021, Jacob Jonmyren held 10,500 Class B shares in Embracer Group AB (publ).



**ULF HJALMARSSON Born: 1956**

*Board member, elected 2018*

*Education/background:* Ulf holds a M.Sc in Accounting and Financial Management from Lund’s University and has served as an officer in the Swedish armed forces. Ulf has long experience from the financial markets and, has amongst other things, been the head of corporate finance Sweden at Aros Securities AB, financial analyst and portfolio manager and head of corporate finance at AB Investor/Förvaltnings AB Providentia.

*Current assignments:* Chairman of the Board in Hjalmarsson & Partners Corporate Finance AB, director of the Board in Connecting Capital Holding AB and Stiftelsen Kungafonden.

*Holdings in the Company:* –



**MATTHEW KARCH Born: 1971**

*CEO and Co-founder of Saber Interactive*

*Board member, elected 2020*

*Education/Background:* Matthew has a Bachelor of Arts from Washington University and a Juris Doctor from University of Pennsylvania. He has extensive experience in game design and development, business and legal affairs and is fluent in Russian.

*Current assignments:* Matthew Karch has no other current assignments.

*Holdings in Embracer Group:* As of 31 March 2021, Matthew Karch owned 57,5% of S3D Media, which in turn held 6,399,137 class A shares and 35,386,220 class B shares in Embracer Group AB (publ).



**DAVID GARDNER Born: 1965**

*Board member, elected 2020*

*Education/background:* David Gardner has a solid industry background and experience. He met Electronic Arts founder Trip Hawkins in 1982, and in 1983 David became part of the founding team behind EA. He went on to establish EA’s European Business Unit in 1986 and lead it as it grew to USD 1 billion in gross revenue and 1,200 employees. David became part of EA’s global management team based in California from 2004 to 2007 when he then returned to Europe to live there with his family. David became CEO of Atari S.A. where the turnaround goal was marked by the successful sale of Atari’s distribution companies, the privatization of the US unit and the acquisition of Cryptic Studios.

*Current assignments:* David is co-founder and general partner of London Venture Partners LLP, a VC-company founded in 2010. Based in London and Berlin, London Venture Partners focus on companies in the gaming industry at an early stage.

*Holdings in the Company:* –



**AUDITOR**

The auditor of Embracer Group is Ernst & Young AB, with Johan Eklund (born in 1975) as auditor-in-charge since the 2020 annual general meeting. Johan Eklund is an authorized public accountant and member of FAR.

## PARENT COMPANY

# SENIOR EXECUTIVES



**LARS WINGEFORS** Born: 1977

*Founder and CEO of Embracer Group*

*Board member, elected 2011*

*Education/background:* Lars Wingefors is founder and CEO of Embracer Group. Lars Wingefors started his first video games company at the age of sixteen. He has a broad and long experience in entrepreneurship and business management.

*Current relevant assignments:* Lars Wingefors is a board member and CEO of Lars Wingefors AB.

*Holdings in the Company:* As of 31 March 2021, Lars Wingefors held through companies, 26,130,102 Class A shares and 104,705,965 Class B shares in Embracer Group AB (publ).



**ERIK STENBERG** Born: 1963

*Deputy CEO*

*Board Member, elected 2011*

*Education/background:* Erik Stenberg has a Degree of Master of Science in Business and Economics from Högskolan Karlstad (today Karlstad University) and a long and solid experience in business management.

*Current relevant assignments:* Erik Stenberg is a Board member of Xagonus Zagonus AB and Stonemountain Invest AB.

*Holdings in the Company:* As of 31 March 2021, Erik Stenberg held 4,500,000 Class B shares in Embracer Group AB (publ).



**JOHAN EKSTRÖM** Born: 1977

*CFO, appointed 14 August 2019*

*Education/background:* Johan Ekström holds a M.Sc in business administration from Stockholm School of Economics. He has an extensive background in accounting, reporting and financial control from previous positions at Crem International, Permobil and PwC.

*Current assignments:* Johan Ekström has no other current assignments.

*Holdings in the Company:* As of 31 March 2021, Johan Ekström held 4,638 Class B shares in Embracer Group AB (publ).

## OPERATIVE GROUPS

# CHIEF EXECUTIVE OFFICERS



**KLEMENS KREUZER** Born: 1976

CEO, THQ Nordic GmbH, employed 2011

*Education/background:* Klemens Kreuzer has a Masters degree in Business Administration from the Vienna University of Economics and Business. He also has experience from business management.

*Current assignments:* Klemens Kreuzer has no other current assignments.

*Holdings in the Company:* As of 31 March 2021, Klemens Kreuzer held, through companies, 559,052 class B shares in Embracer Group AB (publ).



**ANTON WESTBERGH** Born: 1985

CEO, Coffee Stain, employed 2013

*Education/background:* Anton Westbergh studied computer science at the University of Skövde, and have extensive experience in game and business development.

*Current assignments:* Anton Westbergh has no other current assignments.

*Holdings in the Company:* As of 31 March 2021, Anton Westbergh held, through companies 1,206,333 class B shares in Embracer Group AB (publ).



**KLEMENS KUNDRATITZ** Born: 1962

CEO, Koch Media, employed 1994

*Education/background:* Klemens Kundratitz holds a Doctor of Law degree from Leopold-Franzen-University in Innsbruck and has a strong track record within the gaming and entertainment industry. He is among other things co-founder of Koch Media and has developed the company and as its Managing Director and CEO. Klemens Kundratitz is also the founder of Deep Silver, the games publishing label of Koch Media.

*Current assignments:* Klemens Kundratitz has no other current assignments.

*Holdings in the Company:* As of 31 March 2021, Koch Media Holding GmbH held 1,127,928 class B shares in Embracer Group (publ). Koch Media Holding GmbH (previously Parent Company in the Koch Media Group) is partly owned by Klemens Kundratitz, co-founder and CEO of the Koch Media Group.



**MATTHEW KARCH** Born: 1971

CEO and Co-founder of Saber Interactive

Board member, elected 2020

*Education/Background:* Matthew has a Bachelor of Arts from Washington University and a Juris Doctor from University of Pennsylvania. He has extensive experience in game design and development, business and legal affairs and is fluent in Russian.

*Current assignments:* Matthew Karch has no other current assignments.

*Holdings in Embracer Group:* As of 31 March 2021, Matthew Karch owned 57,5% of S3D Media, which in turn held 6,399,137 class A shares and 35,386,220 class B shares in Embracer Group AB (publ).



**PER-ARNE LUNDBERG** Born: 1970

*CEO Amplifier Game Invest AB, employed since 2018*

*Education/Background:* Per-Arne has 16 years of experience in the Games Industry. As head of The Game Incubator, he participated in and developed over 80 game companies, amongst others Coffee Stain Studios, Pieces Interactive, ACE and Flamebait Games. He has a broad experience in business development, financing, and goto-market strategies for startups and scaleups, in both Sweden and Silicon Valley, where he held a one-year Fellowship from VINNOVA at Nordic Innovation House during 2017.

*Current assignments:* Member of the Board, Forsway Scandinavia.

*Holdings in Embracer Group:* As of 31 March 2021, Per-Arne Lundberg held 1,477 Class B shares in Embracer Group AB (publ).



**KEN GO** Born: 1980

*CEO and founder of DECA Games*

*Education/Background:* Ken has a bachelors degree from The George Washington University. Ken Go is the CEO and founder of DECA games. He has spent over 14 years in the gaming industry focused on games as a service of free to play games including positions as the executive producer of the game Kingdoms of Camelot and the European general manager of Kabam.

*Current assignments:* Ken Go has no other current assignments

*Holdings in Embracer Group:* As of 31 March 2021, Ken Go held 6,301,591 class B shares in Embracer Group AB (publ)



**RANDY PITCHFORD** Born: 1971

*CEO and founder of the Gearbox Entertainment Company*

*Background:* Randy Pitchford is a video game industry veteran of more than 30 years and founder of the Gearbox Entertainment Company, which develops and publishes award-winning and best-selling video games through its subsidiaries, Gearbox Software and Gearbox Publishing, and produces groundbreaking film and television content.

*Current assignments:* Randy Pitchford has no other current assignments.

*Holdings in Embracer Group:* As of 1 April 2021, Randy Pitchford held 4 731 514 class B shares in Embracer Group AB (publ)



**OLEG GRUSHEVICH** Born: 1984

*CEO Easybrain, employed 2016*

*Education/background:* Oleg Grushevich studied accounting in foreign activities at Belarusian State Economic University and holds FCCA as a member of the Association of Chartered Certified Accountants. Before joining the gaming industry Oleg worked in different roles and locations at EY.

*Current assignments:* Oleg Grushevich has no other current assignments.

*Holdings in Embracer Group:* As of 1 April 2021, Oleg Grushevich held, through company, 5 033 279 class B shares in Embracer Group AB (publ).



Borderlands 3

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*The English version of the Annual Report is a translation of the original Swedish version. In case of any discrepancy between the versions, the Swedish version shall take precedence.*

# BOARD OF DIRECTORS' REPORT

*The Board and CEO of Embracer Group AB (publ), reg no. 556582-6558, hereby submit the report for 2020/21. Embracer Group conducts operations as a limited liability company (publ) and is based in Karlstad, Sweden. The financial statements are presented in SEK, Swedish kronor, which is the functional currency of the Parent Company.*

## OPERATIONS – GENERAL INFORMATION

The Group conducts management and development of intellectual property rights, publishing, development of computer, video and mobile games, third-party publishing and distribution of games, and publishes and distributes films.

The Parent Company acquires and owns rights and conducts other operations through its subsidiaries. Since 2011, Embracer Group has established a strong platform for sustainable growth and profitability. Organic growth is driven by games releases and a robust back catalogue. The Group has proven its ability to develop, refine, publish and distribute quality content to the growing games market. Embracer Group also sees growth opportunities through acquisitions, partly by adding companies to existing operative groups, and also sizable companies that form new operative groups.

At the end of the financial year, the Company owned a broad portfolio of games with over 240 owned franchises, including Saints Row, Goat Simulator, Dead Island, Dark-siders, Metro (licensed), MX vs ATV, Kingdom Come: Deliverance, Time Splitters, Satisfactory, Wreckfest, Insurgency, World War Z, Borderlands and Valheim, amongst many others. The games are sold digitally and physically. Digital sales channels include Steam (PC), GOG (PC), PSN (Sony PlayStation®), Microsoft® Xbox Live (Microsoft® Xbox), Epic Games Store and about 50 other smaller digital channels. Physical revenue is created by Embracer Group selling or distributing through vendors such as GameStop, Walmart, Amazon, GAME, MediaMarkt and other retailers around the world.

The Group's head office is located in Karlstad, Sweden, and after a significant number of acquisitions during the financial year, the Group had six operative groups as per 2021-03-31: THQ Nordic, Deep Silver, Coffee Stain, Amplifier Game Invest, Saber Interactive and DECA Games. After the financial year end, the number of operative groups increased to eight, after completion of the mergers with Gearbox Entertainment Company and Easybrain. At the end of the financial year, the Group had 66 internal development studios, with more than 6,325 employees and contracted developers in more than 40 countries. In total, the Group owns the rights to sell several hundred different products and these are mainly distributed through the Company's own franchises.

## GROWTH MODEL

Embracer Group's growth is driven both by organic growth and acquisitions. Long-term organic growth is driven by continuous investments in developing and expanding the IP portfolio, including currently dormant IPs, developing and expanding internal studios as well as establishing new studios with top talent developers. The growth strategy

also includes signing development projects with external studios and consolidating the partner publishing market.

Embracer Group has a proven track-record of acquiring and developing IPs, studios and publishers. The Group provides an attractive model for developers and entrepreneurs with a long-term perspective, a model which is built on empowerment by decentralization. Being part of the Group offers advantages such as access to growth capital, distribution and marketing, know-how and development synergies. Embracer Group's M&A strategy involves extensive scouting, research and proactive engagement. This has led to a growing number of suitable acquisition candidates, both with the potential of joining existing operative groups as well as the potential of forming new operative groups under the parent company.

The stated strategy of decentralization, which empowers talented entrepreneurs and developers, has been proven to be a key factor of success. The model gives a certain commercial autonomy to business area CEOs, founders and studio heads to run their operations. It fosters creativity, speed and relevance with decision making close to the market and its daily operations.

Embracer Group's growth is based on a strong balance sheet that limits the financial risk. The Group seeks to reinvest as much as possible of operating cash flow into organic growth. By issuing equity, attractive opportunities for acquired and organic growth can be leveraged. The portfolio and development pipeline is well diversified which limits the operational risk.

## NET SALES & EARNINGS

The Group's net sales for 2020/21 amounted to SEK 9,024.2 (5,249.4) million. Growth was mainly driven by the Games Business Area through a combination of organic growth and the acquisition of Saber Interactive and DECA Games, with both new releases and previously released titles contributing to growth.

Work performed by the Company for its own use and capitalised increased to SEK 1,291.6 (752.8) million during the financial year, driven by more development projects in the Group.

Expenses related to Goods for resale amounted to SEK -3,618.4 (-2,576.0), an increase driven by organic and acquired growth.

Other external expenses amounted to SEK -1,318.5 (-784.0) million and include costs for Sales and Marketing. The increase relates to a larger amount of titles being released during the year.

Personnel expenses amounted to SEK -1,841.5 (-1,130.0) million. The increase is partly due to the acquisition of companies and partly related to managing the

## DEVELOPMENT OF THE COMPANY'S OPERATIONS, EARNINGS AND POSITION – GROUP

SEK m	2020/21	2019/20	2018/19 <sup>1)</sup>	2017	2016
Net sales	9,024.2	5,249.4	5,754.1	507.5	301.9
Operational EBIT	2,870.8	1,033.0	897.1	202.3	107.9
Operational EBIT margin, %	32	20	16	40	36
Total assets	33,752.2	10,637.2	8,608.2	1,328.8	464.9
Equity/assets ratio, %	80	60	66	81	74
Average number of employees	3,174	1,856	1,026	143	68

<sup>1)</sup> The financial year 2018/19 refers to 15 months, the comparison years refer to 12 months. Definitions, see note 49.

growing games portfolio and to further strengthening the Group's corporate capabilities.

EBITDA amounted to SEK 3,985.3 (1,821.3) million.

Amortisation of intangible assets for the financial year amounted to SEK –3,467.3 (–1,446.5) million mainly due to an increase in acquisition related depreciations as a result of a greater number of acquisitions.

Depreciation of property, plant and equipment amounted to SEK –41.2 (–29.4) million.

The Group's operating profit amounted to SEK 476.8 (345.4) million. The improvement is mainly explained by the increase in net sales and a higher gross margin.

The Group's profit before tax amounted to SEK 680.0 (408.8) million and the profit after tax amounted to SEK 287.3 (283.3) million.

Earnings per share amounted to SEK 0.72 (0.91).

### FINANCIAL POSITION

The value of owned and licensed games amounted to SEK 512.6 (438.6) million and amortisation related to game development for the year amounted to SEK –814.9 (–553.8) million. The value of IP rights amounted to SEK 1,575.2 (1,479.8) million and the depreciation of IP rights related to games amounted to SEK –456.7 (–359.4) million. Projects in progress which is equivalent to the value of capitalised expenditure on development of new games amounted to SEK 3,220.6 (2,152.9) million at the end of the financial year. The value of other intangible assets amounted to SEK 32.1 (12.0) million, with amortisation for the year SEK –12.4 (–4.9) million. Goodwill amounted to SEK 10,804.2 (1,411.7) million, with amortisation for the year SEK –1,924.9 (–285.1) million. Intangible assets attributable to Partner Publishing/Film amounted to SEK 245.3 (375.9) million, with amortisation for the year SEK –258.3 (–210.0) million. Assets are recognised at the exchange rate on the reporting date and are mainly acquired in EUR. The total number of game development projects at the end of the financial year amounted to 160 (103) projects.

Property, plant and equipment mainly consists of a property, and IT and office equipment in each company. The value of property, plant and equipment amounted to SEK 237.8 (184.5) million and depreciation for the year totalled SEK –41.8 (–30.1) million.

Deferred tax assets amounted to SEK 269.1 (165.5) million and refer mainly to unutilised loss carryforwards in the Koch Media group.

The value of inventories, which mainly consist of physical games, merchandise products and films, amount to SEK 242.9 (352.8) million.

Trade receivables amount to SEK 1,075.6 (959.4) million.

Prepayments and accrued income amounted to SEK 533.8 (109.7) million, with accrued income accounting for the majority of the receivable.

At the end of the financial year, cash & bank equivalents, including short-term investments, amounted to SEK 14,299.9 (2,510.3) million.

The value of the Group's total cash & bank equivalents, short-term investments and unutilised credit facilities amounted to SEK 20,512.6 million on 31 March 2021, compared with SEK 4,279.3 million on 31 March 2020.

The Group's equity amounted to SEK 27,165.4 (6,395.3) million on 31 March 2021 and the equity/assets ratio increased to 80 (60) percent.

Equity per share was SEK 58.92 (20.49).

Provisions for pensions amounted to SEK 171 (24.8) million.

Deferred tax liabilities attributable to untaxed reserves and surplus values arising from acquisitions amounted to SEK 532.4 (414.8) million.

Other provisions amounted to SEK 2,267.0 (801.4) million and cover expected additional purchase consideration and returns, mainly warranties and discounts.

The Group had non-current liabilities of SEK 246.0 (221.8) million and current liabilities to credit institutions of SEK 1,203.3 (1,097.6) million.

Utilized credit facilities are SEK 1,474.2 (1,769.5) million. In addition the Group had unutilised credit of SEK 6,258.9 (1,461.0) million at the reporting date.

Advances from customers and trade payables amounted to SEK 809.1 (881.7) million.

Current tax liabilities amounted to SEK 201.4 (85.4) million.

Other liabilities, accruals and deferred income amounted to SEK 1,282.6 (569.8) million.

## CASH FLOW

Cash flow from operating activities amounted to SEK 3,899.0 (1,728.4) million.

Net investments in non-current assets totalled SEK –2,204.7 (–1,695.8) million.

Acquisitions of subsidiaries had a net cash effect of SEK –4,590.8 (–905.6) million.

Acquisitions of other financial assets amounted to SEK –9.3 (–32.6) million.

Cash flow from financing activities amounted to SEK 14,725.3 (473.4) million, with new share issues contributing SEK 14,988.3 (-) million to the figure and net change in credit contributing SEK 29.9 (470.7) million.

Cash flow for the year was SEK 11,819.5 (–432.3) million.

## INVESTMENTS, DEPRECIATION AND AMORTISATION

The Group's investments in intangible assets during the financial year amounted to SEK 2,139.2 (1,653.4) million, most of which concerned investments in game development. Investments in property, plant and equipment amounted to SEK –70.9 (42.4) million, the majority of which was related to investments in inventories and in IT. Amortisation of intangible assets amounted to SEK –3,467.3 (–1,446.5), and was primarily related to IP rights, internally developed games and goodwill. Depreciation of property, plant and equipment amounted to SEK –41.2 (–29.4) million.

## TAX

Tax for the year amounted to SEK –392.7 (–125.5) million, with the tax expense being mainly attributable to the Swedish operations and Koch Media's and Saber International Inc US tax costs. The Group also has loss carryforwards, notably in Austria and US, which can be utilised in the future.

## SUSTAINABILITY REPORT

The Sustainability Report is issued by the Board. This year's Sustainability Report is available on page 49-73.

## PARENT COMPANY

The Parent Company's net sales for the year amounted to SEK 796.0 (495.9) million and profit before tax amounted to SEK 186.7 (137.8) million. Profit after tax amounted to SEK 147.0 (108.1) million.

The Parent Company received Group contributions of SEK 206.4 (–15.0) million, which had a positive impact on earnings for the financial year.

Cash and bank equivalents on 31 March 2021 were SEK 12,393.6 (1,954.5) million.

Investments in intangible assets for the year were SEK –431.1 (–383.7) million and amortisation of intangible assets amounted to SEK –416.4 (–333.2) million.

Investments in property, plant and equipment for the year were SEK –2.8 (–1.7) million and depreciation of property, plant and equipment amounted to SEK –0.4 (–0.1) million.

The Parent Company's equity at the end of the financial year was SEK 26,053.0 (5,575.1) million.

## SIGNIFICANT EVENTS IN THE FINANCIAL YEAR

In April, Embracer Group completed a directed share issue of SEK 1,645 million. Subscribers in the directed new share issue were more than one hundred Swedish and international institutional investors including reputable investors such as Swedbank Robur and Odin Fonder.

In August, Embracer Group acquired the Germany-based DECA Games. DECA Games is a mobile asset care and live operations ("LiveOps") expert within the Free-to-Play ("FTP") games segment. The upfront purchase price amounted to approximately MEUR 25 and is paid in newly issued B shares, plus an earn-out consideration, subject to fulfilment of agreed earnings targets, of a maximum of approximately MEUR 60. DECA Games became Embracer Group's sixth operative group. In addition, Embracer Group also acquired Sola Media, Pow Wow Entertainment, Palindrome Interactive, Rare Earth Games, Vermila Studios, New World Interactive and 4A Games in August.

The Annual General Meeting on September 16, 2020 resolved, in accordance with the board of directors' proposal, to authorize the board of directors during the period up until the next annual general meeting to, on one or more occasions, resolve to issue Class B shares, convertibles and/or warrants with right to convert into and subscribe for Class B shares respectively, with or without preferential rights for the shareholders, in the amount not exceeding ten (10) percent of the total number of shares in the Company as of the date of the annual general meeting, to be paid in cash, in kind and/or by way of set-off. The purpose for the board to resolve on issuances with deviation from the shareholders preferential rights is primarily for the

## PARENT COMPANY

SEK m	2020/21	2019/20	2018/19 <sup>1)</sup>	2017	2016
Net sales	796.0	495.9	416.4	244.9	121.0
Operating margin, %	38	19	39	68	74
Total assets	26,645.0	6,090.1	5,482.8	1,209.2	377.9
Equity/assets ratio, %	98	93	95	86	86

<sup>1)</sup> The financial year 2018/19 refers to 15 months, the comparison years refer to 12 months. Definitions, see note 49.

purpose to raise new capital to increase flexibility of the Company or in connection with acquisitions.

In September, Embracer Group, through its wholly-owned subsidiary Koch Media GmbH, announced the acquisition of Dutch-based Vertigo Games. Vertigo Games is a company that develops, publishes and distributes games exclusively for VR. The purchase price amounted to EUR 50 million on a cash and debt free basis, plus additional earn-out considerations subject to fulfilment of agreed future profitability target.

In October, Embracer Group completed a directed share issue of SEK 5,782 million. The share issue further strengthens the Company's financial position and enables the company to continue its long track-record of successful acquisitions of game publishers, development studios or other gaming related-assets. There was significant demand in the private placement from both Swedish and international institutional investors, including Canada Pension Plan Investment Board which acquired new class B shares for a total of SEK 2.1 billion. In connection to the private placement, the founders of Embracer Group also consolidated their ownership whereby the co-founders became owners in Lars Wingefors AB rather than own shares directly through their own holding companies.

In November, Embracer Group announced a total of 13 acquisitions through its parent company and subsidiaries. The acquired companies were Flying Wild Hog, Silent Games, Quantic Lab SRL, IUGO Mobile Entertainment, Purple Lamp Studios, Sandbox Strategies LLC, Mad Head Games, 34BigThings, Nimble Giant Entertainment, Snapshot Games, Zen Studios, A Thinking Ape Entertainment and Embracer Group acquired the remaining outstanding holding in Coffee Stain North.

In February, Embracer Group acquired American Aspyr Media Inc, through its wholly owned subsidiary Saber Interactive. The day one purchase price amounted to USD 100 million on a cash and debt free basis, plus additional earn-out considerations subject to fulfilment of agreed future profitability target. Aspyr with its 140-person strong team will be a stand-alone entity under Saber Interactive.

An extra general meeting on February 26, 2021 resolved, in accordance with the board of directors' proposal, to authorize the board of directors during the period up until the next annual general meeting, on one or more occasions, to resolve to issue B shares, without preferential rights for the shareholders to be paid in cash, in kind and/or by way of set-off. The board of directors may only resolve on a share issue in accordance with the above in connection with the completion of the acquisition announced through press releases on 3 February 2021, and the number of shares issued may amount to a maximum of 41,658,306. The extra general meeting also resolved, in accordance with the board of directors' proposal, to authorize the board of directors during the period up until the next annual general meeting to, on one or more occasions, resolve to issue B shares, convertibles and/or warrants with right to convert into and

subscribe for B shares respectively, with or without preferential rights for the shareholders, in the amount not exceeding ten (10) percent of the total number of shares in the Company at the time when the authorization is used the first time, to be paid in cash, in kind and/or by way of set-off. This authorization replaced the authorization resolved upon by the extra general meeting held on 16 November 2020.

In February, Embracer Group announced a merger with Cyprus-based Easybrain Limited in an all-equity transaction for a day one purchase price of USD 640 million on a cash and debt free basis plus a maximum of USD 125 million in additional consideration. Easybrain is a leading mobile game developer with a core focus on advertising-based puzzle and logic games. After the closing of the transaction, Easybrain became Embracer's eighth operative group as a wholly owned subsidiary and continues to be led by its existing management.

In February, Embracer Group announced a merger agreement with US based The Gearbox Entertainment Company. Gearbox, based in Frisco, Texas brings a robust IP portfolio, including critically acclaimed and iconic franchises like Borderlands, Brothers in Arms and Homeworld. The day one purchase price amounted to USD 363 million in total, on a cash and debt free basis, plus additional earn-out considerations subject to fulfilment of agreed future profitability target. After the closing of the transaction, Gearbox became the seventh operating group as a wholly owned subsidiary of Embracer.

In March, Embracer Group successfully completed a directed issue to institutional investors of 36,000,000 new class B shares, raising proceeds of roughly SEK 7.6 billion (approximately USD 890 million). The subscription price in the share issue was SEK 210 per share and was determined through an accelerated book-building procedure.

### **IMPORTANT CONSIDERATIONS**

Embracer Group's revenue is derived from the sale of games with relatively short sales cycles, with a large proportion of the revenue for each game being generated on and soon after the launch. The Company's revenue may therefore vary considerably from year to year, depending on the number of game launches and how they develop.

### **EXPECTED FUTURE DEVELOPMENT**

Embracer Group will be launching a number of new products on the market in 2021/22. For more detailed product news, for both owned titles and publishing titles, please check our subsidiaries' communication channels, which are constantly updated. On 31 March 2021, the Group had 160 projects under development and more than two-thirds of these projects are new IPs or games based on IPs that the Group plans to revitalize.

In the financial year 2021/22, the ambition is to complete more than 90 game development projects with a total completion value in the range of SEK 2,875 to 3,325 million. The level of completion is expected to be back-end

## CLASSES OF SHARES

SEK m	Class A shares	Class B shares	Total
Number of shares	33,399,137	427,426,311	460,825,448
Number of votes	333,991,370	427,426,311	761,417,681

The shares are issued in two series, Series A and Series B. The number of shares of each type may correspond to a maximum of the entire number and shares in the

company. Class A shares carry ten (10) votes and Class B shares carry one (1) vote.

## OWNERS WITH MORE THAN 10 PERCENT OF THE VOTES

31 March 2021	Class A shares	Class B shares	Capital, %	Votes, %
Lars Wingefors through company <sup>1)</sup>	26,130,102	104,705,965	28,4	48,1
S3D Media Inc <sup>2)</sup>	6,399,137	35,386,220	9,1	13,1

<sup>1)</sup> Lars Wingefors AB, controlled to 100% by CEO Lars Wingefors, Deputy CEO Erik Stenberg, Klemens Kreuzer and Reinhard Police.

<sup>2)</sup> S3D Media Inc controlled to 100% by Matthew Karch and Andrey Iones

loaded, with significantly higher completion value in the fourth quarter compared to the other quarters.

Embracer Group, including its operative groups, continue to monitor the development of COVID-19 and acts in accordance with directives. The Group works hard to adapt the business to the current situation and authorities' guidelines and legislation. As the degree of vaccinations increases we expect a lower risk of disruptions to the business.

### SIGNIFICANT RISKS AND UNCERTAINTIES

Risks related to Embracer Group's operations are described below.

#### Embracer Group is dependent on the ability to retain and recruit key employees

Embracer Group is highly dependent on the experience and skills of its employees. A prerequisite for Embracer Group's ability to continue to perform and act competitively in the market is finding, engaging and retaining competent personnel. Loss of such individuals and difficulties in attracting new employees may affect the Group's operations in the form of project delays, lost contacts, thereby affecting the Group's financial position and earnings.

#### COVID-19's impact on Embracer Group

A prolonged situation, e.g. COVID-19, might affect Embracer Group's possibilities to create new games and thereby also to be able to sell new games. Also, consumers may find it difficult to finance the purchase of new games. All this together could negatively affect the Group's financial position and results.

#### Intellectual property rights

Intellectual property rights represent a significant proportion of Embracer Group's assets. It is therefore vital that the Group's intellectual property rights are adequately protected. There is also a risk of outsiders infringing the Company's intellectual property rights.

#### Delays to game projects

Embracer Group develops games both internally and in collaboration with external game developers. Delays to planned and ongoing game projects may have a negative effect on cash flows, revenues, and operating margins. Delays can arise for both internally and externally developed projects.

Completion of a game project may also require more resources than originally estimated and in this case Embracer Group normally has to bear the costs, particularly if this is an internal project.

#### New game title launches may generate lower revenue than expected

When new game titles are launched, there is a risk that they will not be positively received by the market due to reasons like an expectation gap regarding quality, changed consumer preferences or technological shifts. This can lead to loss of revenue, lower margins and reduced cash flows. This applies to both self-financed projects and games where the Company acts as publisher and is responsible for a significant proportion of the financing. There is also a risk that capitalised development expenses may need to be written down.

### **Development of new games and improvement of existing games**

Embracer Group's continued growth depends, among other things, on the ability to regularly develop new games and improve existing games in a way that improves the gaming experience and to initiate new game development projects.

### **Embracer group is dependent on a few significant distributors for its game titles**

The Company's sales of digital and physical game titles are largely conducted through a few significant distributors, whose ability to keep on providing the digital and physical distribution channels is a prerequisite for Embracer Group to continue generating revenue from them.

### **M&A risk**

Embracer Group has made, and may make, acquisitions that did not achieve the expected financial benefits at the time of acquisition. An unsuccessful acquisition may strain the Group's resources.

### **Exchange rate changes**

The Group's revenues are mainly in EUR and USD, while the reporting currency is SEK. Although the Group has costs in both EUR and USD which partly offsets the exposure, the Group is affected by long-term exchange rate changes.

### **SHAREHOLDER AGREEMENTS AND AUTHORIZATION**

To the best of Embracer Group's knowledge, there are no shareholder agreements or other agreements between the Company's shareholders aimed at jointly influencing the Company. Neither does the Board know of any agreements or similar that could lead to a change in control of the Company.

### **NON-FINANCIAL DISCLOSURES**

Remuneration of the CEO and other senior executives consists of a market-based basic salary, with customary employee benefits and a pension.

Pay during the period of notice and termination benefits shall not exceed six months' salary for each senior executive. The Board shall have the right to depart from this policy if there are special reasons to do so in individual cases.

### **OPERATIONS SUBJECT TO PERMIT AND NOTIFICATION REQUIREMENTS UNDER THE SWEDISH ENVIRONMENTAL CODE**

#### **The Group and Parent Company**

The Group and Parent Company do not conduct any operations subject to permit or notification requirements under the Swedish environmental code.

### **PROPOSED ALLOCATION OF THE COMPANY'S UNRESTRICTED EQUITY**

The Board proposes that the unrestricted equity of SEK 25,759,170 thousand be allocated as follows:

Carried forward (SEK thousand)	25,759,170
<b>Total</b>	<b>25,759,170</b>

More detailed disclosures about the Group's and the Parent Company's financial results and position can be found in the income statements, balance sheets and accompanying notes.

## CONSOLIDATED INCOME STATEMENT

SEK m	Note	Apr 2020– Mar 2021	Apr 2019– Mar 2020
Net sales	3	9,024.2	5,249.4
Work performed by the Company for its own use and capitalized		1,291.6	752.8
Other operating income	4	287.7	305.9
<b>Total operating income</b>		<b>10,603.5</b>	<b>6,308.1</b>
<b>Operating expenses</b>			
Goods for resale		–3,618.4	–2,576.0
Other external expenses	5, 7	–1,318.5	–784.0
Personnel expenses	6	–1,841.5	–1,130.0
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	13-21	–3,508.5	–1,475.9
Other operating expenses		–46.3	0.0
<b>Total operating expenses</b>		<b>–10,333.2</b>	<b>–5,965.9</b>
Profit from participation in associated companies		206.5	3.2
<b>Operating profit</b>		<b>476.8</b>	<b>345.4</b>
<i>Profit/loss from financial assets</i>			
Other interest income, etc.	9	291.5	94.3
Other interest expenses, etc.	10	–88.3	–30.9
<b>Total financial items</b>		<b>203.2</b>	<b>63.4</b>
<b>Profit after financial items</b>		<b>680.0</b>	<b>408.8</b>
<b>Profit before tax</b>		<b>680.0</b>	<b>408.8</b>
Tax on profit for the year	12	–392.7	–125.5
<b>Profit for the year</b>		<b>287.3</b>	<b>283.3</b>
<i>Attributable to:</i>			
Equity holders of the parent		287.0	284.9
Non-controlling interests		0.3	–1.6

# CONSOLIDATED BALANCE SHEET

SEK m	Note	Mar 31, 2021	Mar 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Completed development projects	13	512.6	438.6
IP-rights	14	1,575.2	1,479.8
Publishing and distribution relationships	15	82.0	130.9
Film rights	16	163.3	245.0
Goodwill	17	10,804.2	1,411.7
Projects in progress and advances for intangible assets	18	3,220.6	2,152.9
Other intangible assets	19	32.1	12.0
		<b>16,390.0</b>	<b>5,870.9</b>
<b>Property, plant and equipment</b>			
Land and buildings	20	121.2	120.7
Equipment, tools, fixtures and fittings	21	110.8	63.8
Ongoing investments and prepayment	22	5.8	0.0
		<b>237.8</b>	<b>184.5</b>
<b>Financial assets</b>			
Investments in associates and jointly controlled entities	25	172.7	55.4
Non-current receivables in jointly controlled entities	26	5.6	9.0
Ownership interests in other entities	27	84.0	9.9
Deferred tax assets	28	269.1	165.5
Other non-current receivables	29	40.2	11.3
		<b>571.6</b>	<b>251.1</b>
<b>Total non-current assets</b>		<b>17,199.4</b>	<b>6,306.5</b>
<b>Current assets</b>			
<b>Inventories etc.</b>			
Raw materials and supplies		1.2	1.1
Finished goods and goods for resale		216.7	351.7
Advances to suppliers		25.0	0.0
		<b>242.9</b>	<b>352.8</b>
<b>Current receivables</b>			
Advances to suppliers		15.0	11.6
Trade receivables		1,075.6	959.4
Current tax assets		0.0	36.3
Other receivables		385.6	350.6
Prepayments and accrued income	30	533.8	109.7
		<b>2,010.0</b>	<b>1,467.6</b>
<b>Short-term investments</b>			
		<b>195.5</b>	<b>192.7</b>
<b>Cash and bank balances</b>			
Cash and bank balances		14,104.4	2,317.6
		<b>14,104.4</b>	<b>2,317.6</b>
<b>Total current assets</b>		<b>16,552.8</b>	<b>4,330.7</b>
<b>TOTAL ASSETS</b>		<b>33,752.2</b>	<b>10,637.2</b>

## CONSOLIDATED BALANCE SHEET CONTINUED

SEK m	Note	Mar 31, 2021	Mar 31, 2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	33		
Share capital	31	1.3	0.9
Other paid-up capital		26,764.5	5,300.5
Retained earnings, incl. net profit		386.8	1,068.8
<b>Equity attributable to equity holders of the parent</b>		<b>27,152.6</b>	<b>6,370.2</b>
Non-controlling interests		12.8	25.1
<b>Total equity</b>		<b>27,165.4</b>	<b>6,395.3</b>
<b>Provisions</b>			
Provisions for pensions	36	17.1	24.8
Deferred tax liability	28	532.4	414.8
Other provisions	37	2,267.0	801.4
<b>Total provisions</b>		<b>2,816.5</b>	<b>1,241.0</b>
<b>Non-current liabilities</b>			
Loans from credit institutions	38, 39, 41	246.0	221.8
<b>Total non-current liabilities</b>		<b>246.0</b>	<b>221.8</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	38, 39, 41	1,203.3	1,097.6
Non-current liabilities in jointly controlled entities		0.5	0.0
Current account credit facilities	39, 41	27.4	144.9
Advances from customers		0.0	36.7
Trade payables		809.1	844.7
Current tax liabilities		201.4	85.4
Other liabilities		169.9	135.5
Accruals and deferred income	40	1,112.7	434.3
<b>Total current liabilities</b>		<b>3,524.3</b>	<b>2,779.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33,752.2</b>	<b>10,637.2</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Other paid-up capital	Other equity including net profit	Minority interest	Consolidated equity
<b>Opening balance, 2019-04-01</b>	<b>0.9</b>	<b>4,976.2</b>	<b>719.3</b>	<b>16.4</b>	<b>5,712.8</b>
Net profit	-	-	284.9	-1.6	283.3
<b>Changes recognised directly in equity</b>					
Translation differences	-	-	70.2	-	70.2
Change in actuarial reserve	-	-	-2.9	-	-2.9
Change in hedge reserve	-	-	-2.7	-	-2.7
Other	-	-	10.3	-	10.3
<b>Total</b>	<b>-</b>	<b>-</b>	<b>74.9</b>	<b>-</b>	<b>74.9</b>
<b>Owner transactions</b>					
New share issue	0.0	324.8	-	-	324.8
Issue expenses	-	-0.6	-	-	-0.6
Tax effect, issue expenses	-	0.1	-	-	0.1
Offset to minority in connection with issue and minority share in issue	-	-	-10.3	10.3	0.0
<b>Total</b>	<b>0.0</b>	<b>324.3</b>	<b>-10.3</b>	<b>10.3</b>	<b>324.3</b>
<b>Closing balance, 2020-03-31</b>	<b>0.9</b>	<b>5,300.5</b>	<b>1,068.8</b>	<b>25.1</b>	<b>6,395.3</b>
<b>Opening balance, 2020-04-01</b>	<b>0.9</b>	<b>5,300.5</b>	<b>1,068.8</b>	<b>25.1</b>	<b>6,395.3</b>
Net profit	-	-	287.0	0.3	287.3
<b>Changes recognised directly in equity</b>					
Translation differences	-	-	-266.7	-	-266.7
Change in actuarial reserve	-	-	7.9	-	7.9
Change in hedge reserve	-	-	-602.1	-	-602.1
Other	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-860.9</b>	<b>-</b>	<b>-860.9</b>
<b>Owner transactions</b>					
New share issue	0.4	21,694.4	-	-	21,694.8
Issue expenses	-	-292.2	-	-	-292.2
Tax effect, issue expenses	-	61.8	-	-	61.8
Offset to minority in connection with issue and minority share in issue	-	-	-108.1	-12.6	-120.7
<b>Total</b>	<b>0.4</b>	<b>21,464.0</b>	<b>-108.1</b>	<b>12.8</b>	<b>21,369.1</b>
<b>Closing balance, 2021-03-31</b>	<b>1.3</b>	<b>26,764.5</b>	<b>386.8</b>	<b>12.8</b>	<b>27,165.4</b>

## CONSOLIDATED CASH FLOW STATEMENT

SEK m	Note	Apr 2020– Mar 2021	Apr 2019– Mar 2020
<b>Operating activities</b>			
Profit after financial items		680.8	408.8
Adjustment for non-cash items	44	3,346.5	1,347.3
		<b>4,027.3</b>	<b>1,756.1</b>
Income tax paid		–259.4	–151.9
Changes to unpaid interest are subject to change		–1.9	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>3,766.0</b>	<b>1,604.2</b>
<b>Cash flow from changes in working capital</b>			
Increase(-)/Decrease(+) in inventories		83.1	6.8
Increase(-)/Decrease(+) in operating receivables		–195.0	137.5
Increase(+)/Decrease(-) in operating liabilities		244.9	–20.1
<b>Cash flow from operating activities</b>		<b>3,899.0</b>	<b>1,728.4</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		–70.9	–42.4
Disposal of property, plant and equipment		1.3	-
Acquisition of intangible assets		–2,139.2	–1,653.4
Disposal of intangible fixed assets		4.1	-
Acquisition of subsidiaries/operations, net cash effect		–4,590.8	–905.6
Acquisition of other securities		–22.3	–28.5
Sales of other securities		13.0	1.3
Change in long-term loans		-	–5.5
<b>Cash flow from investing activities</b>		<b>–6,804.8</b>	<b>–2,634.1</b>
<b>Financing activities</b>			
New share issue		14,988.3	-
Issue expenses		–292.9	–1.2
Proceeds from borrowings		184.8	470.7
Received dividend		-	5.2
Repayment of loans and overdrafts		–154.9	-
Pensions paid		-	–1.3
<b>Cash flow from financing activities</b>		<b>14,725.3</b>	<b>473.4</b>
<b>Cash flow for year</b>			
Cash & bank equivalents and short-term investments at beginning of the year		2,510.3	2,929.1
Exchange differences		–29.9	13.6
Cash & bank equivalents and short-term investments at end of year	45	14,299.9	2,510.4

## PARENT COMPANY INCOME STATEMENT

SEK m	Note	Apr 2020– Mar 2021	Apr 2019– Mar 2020
Net sales	3	796.0	495.9
Other operating income	4	0.0	11.1
<b>Total operating income</b>		<b>796.0</b>	<b>507.0</b>
<b>Operating expenses</b>			
Other external expenses	5, 7	–35.8	–64.3
Personnel expenses	6	–22.0	–12.8
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	13, 14, 18, 19, 21	–416.8	–333.3
Other operating expenses		–21.4	-
<b>Total operating expenses</b>		<b>–496.0</b>	<b>–410.4</b>
<b>Operating profit</b>		<b>300.0</b>	<b>96.6</b>
<b>Profit/loss from financial assets</b>			
Profit/loss from financial assets	8	–556.3	39.7
Other interest income, etc.	9	261.8	83.0
Other interest expenses, etc.	10	–48.4	–21.5
<b>Total financial income/expenses</b>		<b>–342.9</b>	<b>101.2</b>
<b>Profit after financial items</b>		<b>–42.9</b>	<b>197.8</b>
<b>Appropriations</b>			
Appropriations	11	229.6	–60.0
<b>Profit before tax</b>		<b>186.7</b>	<b>137.8</b>
Tax on profit for the year	12	–39.7	–29.7
<b>Net profit for the year</b>		<b>147.0</b>	<b>108.1</b>

# PARENT COMPANY BALANCE SHEET

SEK m	Note	Mar 31, 2021	Mar 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Completed development projects	13	282.3	230.9
IP rights	14	112.6	152.8
Projects in progress and advances for intangible assets	18	10.1	10.1
Other intangible assets	19	4.0	0.0
		<b>409.0</b>	<b>393.8</b>
<b>Property, plant and equipment</b>			
Equipment, tools, fixtures and fittings	21	3.7	1.6
		<b>3.7</b>	<b>1.6</b>
<b>Financial assets</b>			
Investments in Group companies	23	5,445.8	2,477.0
Receivables from Group companies	24	5,435.9	266.6
investments in associates	25	0.0	70.0
Ownership interests in other entities	27	17.6	0.0
Other non-current receivables	29	34.9	0.0
Deferred tax assets	28	22.0	0.0
		<b>10,956.2</b>	<b>2,813.6</b>
<b>Total non-current assets</b>		<b>11,368.9</b>	<b>3,209.0</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Trade receivables		0.0	10.1
Receivables from Group companies		2,744.2	895.3
Current tax assets		22.1	3.5
Other receivables		20.3	6.8
Prepayments and accrued income	30	95.8	10.9
		<b>2,882.4</b>	<b>926.6</b>
<b>Short-term investments</b>			
Short-term investments		195.5	192.7
		<b>195.5</b>	<b>192.7</b>
<b>Cash and bank balances</b>			
Cash and bank balances		12,198.1	1,761.8
		<b>12,198.1</b>	<b>1,761.8</b>
<b>Total current assets</b>		<b>15,276.1</b>	<b>2,881.1</b>
<b>TOTAL ASSETS</b>		<b>26,645.0</b>	<b>6,090.1</b>

## PARENT COMPANY BALANCE SHEET CONTINUED

SEK m	Note	Mar 31, 2021	Mar 31, 2020
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Restricted equity			
Share capital	31	1.3	0.9
Development expenditure fund		292.5	241.1
		<b>293.8</b>	<b>242.0</b>
<i>Unrestricted equity</i>			
Share premium reserve	32	20,330.5	5,396.9
Retained earnings		5,281.7	-171.9
Net profit for the year		147.0	108.1
		<b>25,759.2</b>	<b>5,333.1</b>
<b>Total equity</b>		<b>26,053.0</b>	<b>5,575.1</b>
<i>Untaxed reserves</i>			
Accumulated accelerated amortisation	34	0.0	9.3
Tax allocation reserves	35	117.4	131.3
		<b>117.4</b>	<b>140.6</b>
<i>Provisions</i>			
Other provisions	37	220.9	3.6
		<b>220.9</b>	<b>3.6</b>
<i>Non-current liabilities</i>			
Long-term loans from credit institutions	38, 39, 41	204.8	221.7
<b>Total non-current liabilities</b>		<b>204.8</b>	<b>221.7</b>
<i>Current liabilities</i>			
Current account credit facilities	38, 39, 41	23.4	137.8
Trade payables		11.5	4.6
Liabilities to Group companies		4.9	0.0
Other liabilities		1.0	1.1
Accruals and deferred income	40	8.1	5.6
<b>Total current liabilities</b>		<b>48.9</b>	<b>149.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,645.0</b>	<b>6,090.1</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK m	Restricted equity		Unrestricted equity		Total equity
	Share capital	Development expenditure fund	Share premium reserve	Retained earnings, incl. net profit	
<b>Opening balance, 2019-04-01</b>	<b>0.9</b>	<b>193.5</b>	<b>4,976.1</b>	<b>-27.2</b>	<b>5,143.3</b>
Net profit	-	-	-	108.1	108.1
<b>Owner transactions</b>					
New share issue	0.0	-	324.8	-	324.8
Issue expenses	-	-	-1.2	-	-1.2
Tax effect	-	-	0.1	-	0.1
<b>Total</b>	<b>0.0</b>	<b>-</b>	<b>323.7</b>	<b>-</b>	<b>323.7</b>
<b>Transfers between items in equity</b>					
Development expenditure fund	-	47.6	-	-47.6	-
Share premium reserve	-	-	97.1	-97.1	-
<b>Total</b>	<b>-</b>	<b>47.6</b>	<b>97.1</b>	<b>-144.7</b>	<b>-</b>
<b>Closing balance, 2020-03-31</b>	<b>0.9</b>	<b>241.1</b>	<b>5,396.9</b>	<b>-63.8</b>	<b>5,575.1</b>
<b>Opening balance, 2020-04-01</b>					
	<b>0.9</b>	<b>241.1</b>	<b>5,396.9</b>	<b>-63.8</b>	<b>5,575.1</b>
Net profit				147.0	147.0
<b>Owner transactions</b>					
New share issue	0.4		20,560.9		20,561.3
Issue expenses			-292.2		-292.2
Tax effect			61.8		61.8
<b>Total</b>	<b>0.4</b>		<b>20,330.5</b>		<b>20,330.9</b>
<b>Transfers between items in equity</b>					
Development expenditure fund		51.4		-51.4	0
Share premium reserve			-5,396.9	5,396.9	0
<b>Total</b>	<b>-</b>	<b>51.4</b>	<b>-5,396.9</b>	<b>5,345.5</b>	<b>0</b>
<b>Closing balance, 2021-03-31</b>	<b>1.3</b>	<b>292.5</b>	<b>20,330.5</b>	<b>5,428.7</b>	<b>26,053.0</b>

## PARENT COMPANY CASH FLOW STATEMENT

SEK m	Note	Apr 2020– Mar 2021	Apr 2019– Mar 2020
<b>Operating activities</b>			
Profit after financial items		–42.9	197.8
Adjustment for non-cash items	44	1,220.3	342.7
		<b>1,177.4</b>	<b>540.5</b>
Income tax paid		–80.7	–26.3
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,096.7</b>	<b>514.2</b>
<b>Cash flow from changes in working capital</b>			
Increase(-)/Decrease(+) in operating receivables		–981.8	–525.2
Increase(+)/Decrease(-) in operating liabilities		13.5	1.1
<b>Cash flow from operating activities</b>		<b>128.4</b>	<b>–9.9</b>
<b>Investing activities</b>			
Acquisition of shares in subsidiaries		–2,970.1	–316.3
Acquisition of intangible assets		–431.1	–383.7
Acquisition of tangible assets		–2.9	–1.7
Acquisition of financial assets		–57.5	-
Repaid loans from group companies		0.3	-
Provided loans to group companies		–863.1	-
Divestment of subsidiaries / operations		71.0	-
<b>Cash flow from investing activities</b>		<b>–4,253.4</b>	<b>–701.7</b>
<b>Financing activities</b>			
New share issue		14,988.3	-
Issue expenses		–292.9	–1.2
Bank overdraft facilities		–114.4	-
Proceeds from borrowings		-	127.8
Repayment of loans		–16.9	-
Loans granted to group company		-	–111.7
Provided group contribution		-	–15.0
<b>Cash flow from financing activities</b>		<b>14,564.1</b>	<b>–0.1</b>
<b>Cash flow for year</b>		<b>10,439.1</b>	<b>–711.7</b>
Cash & bank equivalents and short-term investments at beginning of the year		1,954.5	2,666.2
<b>Cash &amp; bank equivalents and short-term investments at end of year</b>	45	<b>12,393.6</b>	<b>1,954.5</b>

## NOTES (AMOUNTS IN SEK MILLIONS UNLESS OTHERWISE INDICATED)

### NOTE 1 ACCOUNTING POLICIES

The Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's General Recommendation BFNAR 2012:1 Annual Report and Consolidated Statements (K3).

The Parent Company applies the same accounting policies as the Group, apart from the cases described below in the section entitled "Accounting Policies – Parent Company".

The accounting policies are unchanged from the previous year.

Assets, provisions and liabilities have been measured at cost unless otherwise stated below.

#### Intangible assets

##### Completed development projects

Recognised at cost less accumulated amortisation and impairment. Cost consists of all directly attributable expenses. Indirect production costs that represent a considerable part of the total cost of production and are significant in size are included in the cost. Amortisation is applied using the declining balance method over the useful life of the asset. Amortisation is recognised as a cost in the income statement.

##### IP rights

IP rights acquired are recognised at cost less accumulated amortisation. Amortisation is applied on a straight-line basis over the expected useful life of the asset and is recognised as an expense in the income statement.

##### Publishing and distribution relationships

Publishing and distribution relationships acquired are recognised at cost less accumulated amortisation. Amortisation is applied on a straight-line basis over the expected useful life of the asset and is recognised as an expense in the income statement.

##### Film rights

Film rights acquired are recognised at cost less accumulated amortisation. Amortisation is applied using the declining balance method over the useful life of the asset.

##### Goodwill

Goodwill is recognised at cost less accumulated amortisation and impairment. Amortisation is applied on a straight-line basis over the expected useful life of the asset and is recognised as an expense in the income statement.

##### Ongoing development of game projects (capitalisation of intangible assets generated)

Capitalisation model: All expenditure arising during the development phase is capitalised when the following criteria are fulfilled: it is the Company's intention to complete the intangible asset and to use or sell it; the conditions are in place for using or selling the intangible asset; it is technically feasible for the Company to complete the intangible asset so that it can be used or sold; adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; it is probable that the intangible asset will generate future economic benefits; and the Company is able to measure reliably the expenditure attributable to the asset during its development.

##### Other intangible assets

Other intangible assets are recognised at cost less accumulated amortisation and impairment. Amortisation is applied on a straight-line basis over the expected useful life of the asset and is recognised as an expense in the income statement.

##### Intangible assets generated

	Useful life
Completed development projects games	2 years
Film rights	0-4 years

##### Intangible assets acquired

Other intangible assets	5 years
IP rights	5 years
Publishing and distribution relationships	5 years
Goodwill	5 years

##### Ongoing development of game projects

Impairment tests are made annually on ongoing game development projects and if there are indications that the booked value is lower than the carrying amount. If the carrying amount is lower than the projects value an impairment of the value will be performed so the assets value match the carrying amount.

#### Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and impairment. In addition to the purchase price, cost comprises expenditure directly attributable to the acquisition.

##### Subsequent costs

Subsequent costs are included in the carrying amount of the asset if they meet the criteria for recognition in the asset's carrying amount. Expenses for ongoing maintenance and repairs are recognised as they arise.

Depreciation is applied on a straight-line basis over the expected useful life of the asset, as this reflects the expected consumption of the asset's future economic benefits. Depreciation is recognised as an expense in the income statement.

	Useful life
Buildings	33-40 years
Equipment, tools, fixtures and fittings	3-14 years

#### Impairment – property, plant and equipment, intangible assets and investments in Group companies

At each reporting date, an assessment is made to identify whether there is any indication that an asset's value is lower than its carrying amount. If there is such an indication, the asset's recoverable amount is measured.

The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is calculated by reference to the present value of the future cash flows the asset is expected to generate during its use and on disposal or retirement. A pre-tax discount rate used that reflects market assessments of the time value of money and the risks specific to the asset. A previous impairment loss is reversed only if the basis of the calculation of the recoverable amount at the time of the previous impairment has changed.

## Leases

### Lessee

All leases have been classified as finance leases or operating leases. A finance lease is a lease that transfers from lessor to lessee substantially all the financial risks and rewards incidental to ownership of an asset. Leases that are not finance leases are classified as operating leases.

#### – Finance leases

Rights and obligations under finance leases are reported as an asset and liability in the balance sheet. On initial recognition, the asset and liability are measured at the lower of the asset's fair value and the present value of the minimum lease payments. Expenditure directly attributable to setting up and arranging the lease is added to the amount reported as an asset.

After initial recognition, the minimum lease payments are apportioned between the interest charge and the reduction of the liability using the effective interest method. Variable lease payments are recognised as an expense in the financial year in which they are incurred.

The leased asset is depreciated over its useful life.

#### – Operating leases

Operating lease payments, including any upfront lease payment but excluding expenses for services such as insurance and maintenance, are recognised as an expense on a straight-line basis over the lease term.

## Foreign currency items

Foreign currency monetary items are translated at the closing rate. Non-monetary items are not translated but are reported at the acquisition-date rate.

Foreign currency non-monetary items measured at fair value are translated at the rate on the date when the fair value was determined. Other non-monetary items are not translated but are reported at the acquisition-date rate.

Exchange differences arising from the settlement or translation of monetary items are recognised in the income statement in the financial year in which they arise.

### Net investments in foreign operations

An exchange difference relating to a monetary item that is part of a net investment in a foreign operation and which is measured based on cost is recognised in the consolidated financial statements directly as a separate component of equity.

### Translation of foreign operations

Assets and liabilities, including goodwill and other surplus and deficit values on consolidation, are translated at the closing rate for the reporting currency. Income and expenses are translated at a rate that represents an approximation of the actual rate – an average rate. Exchange differences arising on translation are recognised directly in equity.

## Inventories

Inventories are recognised at the lower of cost and net realisable value at the reporting date. Net realisable value is the estimated selling price of the goods less costs of disposal. The risk of obsolescence has been taken into account.

## Financial assets and liabilities

Financial assets and liabilities are reported in accordance with Chapter 11 (Financial instruments measured based on cost of acquisition) in BFNAR 2012:1.

### Recognition and derecognition in the balance sheet

A financial asset or liability is recognised in the balance sheet when the Company becomes a party to the instrument's contractual terms. A financial asset is derecognised in the balance

sheet when the contractual rights to receive the cash flows from the asset have ceased or been settled. The same applies when the risks and rewards incident to ownership have essentially been transferred to another party and the Company no longer has control over the financial asset. A financial liability is derecognised in the balance sheet when the contractual obligation has been discharged or extinguished.

### Measurement of financial assets

On initial recognition, financial assets are measured at cost, including any transaction expenses directly attributable to the acquisition of the asset.

Financial current assets are subsequently measured at the lower of cost and net realisable value on the reporting date.

Trade and other receivables that are current assets are measured individually at the amount expected to be received.

Financial assets are subsequently measured at cost less any impairment and plus any appreciation in value.

Interest-bearing financial assets are measured at amortised cost using the effective interest method.

After initial recognition, derivative instruments that are financial assets and for which hedge accounting has not been applied (see below) are measured at the lower of cost and net realisable value on the reporting date.

### Measurement of financial liabilities

Financial liabilities are measured at amortised cost. Expenditure directly attributable to borrowing corrects the cost of the loan and is amortised using the effective interest method.

Derivative instruments with a negative value and for which hedge accounting has not been applied (see below) are reported as financial liabilities and are measured at the amount most favourable to the Company if the obligation is settled or transferred on the reporting date.

### Hedge accounting

Hedge accounting is only applied when there is an economic relationship between the hedging instrument and the hedged item that corresponds to the Company's risk management objective. In addition, to qualify for hedge accounting, the hedging relationship must be expected to be highly effective during the period for which hedging has been identified, and the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge must be documented at the inception of the hedge.

#### (i) Hedging of foreign currency receivables and liabilities

For hedging of foreign currency receivables and liabilities with forward exchange contracts, the underlying receivable or liability is measured at the forward rate. However, if the forward premium (the difference between the spot rate on the contract date and the forward rate) is significant, the underlying receivable or liability is measured at the spot rate on the contract date. The forward premium is then accrued over the term of the contract as interest expense or interest income.

#### (ii) Hedging of firm commitments and forecast transactions in foreign currency

The result of hedging of firm commitments and highly probable forecast transactions in foreign currency is reported at the same time as the hedged transaction affects profit or loss.

## Employee benefits

### Post-employment benefits

#### – Classification

Post-employment benefits plans are classified as either defined-contribution or defined-benefit plans.

Under defined-contribution plans, fixed contributions are

paid to another entity, normally an insurance company, and the Company no longer has any obligation to the employee when the contribution is paid. The size of the employee's post-employment benefits depends on the contributions paid and the investment returns arising from the contributions.

Under defined-benefit plans, the Company has an obligation to pay the agreed benefits to present and former employees. The Company essentially bears the risk of the benefits being higher than expected (actuarial risk) and the risk of the return on assets deviating from expectations (investment risk). Investment risk arises even if the assets are transferred to another entity.

The Group has both defined-benefit and defined-contribution pension plans.

#### – Defined-contribution plans

Contributions for defined-contribution plans are recognised as an expense. Unpaid contributions are recognised as a liability.

#### – Defined-benefit plans

The Company has chosen to apply the simplification rules contained in BFNAR 2012:1. Pension obligations in the Group's foreign subsidiaries follow the foreign subsidiary's reporting.

#### *Termination benefits*

Termination benefits, to the extent that the compensation does not give rise to any future economic benefits, are only recognised as a liability and an expense when the Company has a legal or constructive obligation to either

- a) terminate the employment of an employee or group of employees before the normal retirement date, or
- b) provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits are only recognised when the Company has a detailed plan for the termination, without realistic possibility of withdrawal.

#### **Tax**

Tax on profit for the year in the income statement consists of current tax and deferred tax. Current tax is income tax for the current financial year relating to taxable profit for the year and the portion of the previous financial year's income tax not yet reported. Deferred tax is income tax for taxable profit for future financial years as a result of past transactions or events.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences and for tax loss carryforwards available for future use. The measurement is based on how the carrying amount of the corresponding asset or liability is expected to be recovered or settled. The amounts are based on the tax rates and regulations that have been enacted by the reporting date and have not been discounted to the present value.

Deferred tax liabilities or assets relating to temporary differences attributable to investments in subsidiaries, branches, associates or jointly controlled entities are not recognised if the Company is able to control the date of the reversal of the temporary differences and it is not probable that any such reversal will occur in the foreseeable future.

Deferred tax assets have been measured at a maximum of the amount likely to be recovered based on current and future taxable profit. The measurement is reviewed at each reporting date.

In the consolidated balance sheet, untaxed reserves are divided into deferred tax and equity.

#### **Contingent liabilities**

A contingent liability is:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events outside the Company's control, or
- an existing obligation arising from past events which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

'Contingent liabilities' is a collective term for any guarantees, financial obligations and liabilities that are not recognised in the balance sheet.

#### **Revenue**

Revenue generates primarily through the sale of our interactive entertainment content and services, principally for the console, PC, and mobile platforms, as well as through the licensing of our intellectual property and media content. In summary, our revenue streams are as follows:

*Product sales* – Full games or film (Digital and Physical). This typically provides access to main game content, primarily for the console or PC platform. Downloadable content (Digital), which provides players with additional in-game content to purchase following the purchase of a full game.

*License revenue* (license revenue related to our intellectual property and media content) - Third party right to use, e.g. GAAS and game pass; - Sales of IP to a third party - Other royalty income (e.g. variable fees as part of development services remuneration)

*Development services* e.g. work for hire.

*Other revenue* relating to the main source of operations.

#### **Revenue recognition criteria**

In assessing whether an income should be reported according to the K3 principles, the group follows a 5-step process:

1. the entity has transferred to the customer the significant risks and rewards of ownership of the goods sold
2. the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
3. the cost incurred or to be incurred in respect of the transaction can be measured reliably.
4. it is probable that the economic benefits associated with the transaction will flow to the entity
5. the amount of revenue can be measured reliably.

#### **Product Sales**

##### *Full games and downloadable content (DLC)*

For physical full games Embracer recognize revenue when the goods have been delivered to our customers.

For digital full-game downloads sold to customers, Embracer recognize revenue when the game or DLC is available for download or is activated for gameplay i.e. when the revenue recognition criteria above have been fulfilled.

#### **Principal Agent Considerations**

Embracer evaluate sales of our products and content via third-party digital storefronts, such as Microsoft's Xbox Games Store, Sony's PSN, the Apple App Store, Epic and Steam, to determine whether our revenues should be reported gross, or net of fees retained by the storefront. Key indicators that

Embracer evaluate in determining whether Embracer are the principal in the sale (gross reporting) or an agent (net reporting) include, but are not limited to:

1. which party is primarily responsible for fulfilling the promise to provide the specified good or service;
2. which party has discretion in establishing the price for the specified good or service.

#### **Sales incentives**

Sales incentives and other consideration given by us to our customers, such as rebates and product placement fees, are considered adjustments of the transaction price of our products and are reflected as reductions to revenues.

#### **Sales of film, merchandise, hardware, and other similar products**

For sales of film, merchandise, hardware, and other similar products, please see the revenue recognition criteria listed above.

#### **License and royalty revenue**

License and Royalty revenue is income received from

1. a third party's use of our assets (IP),
2. the sale of an IP to a third party, or
3. other variable fees relating to development services remunerations.

The overall general principle is that license / royalty income received is recognized as revenue on an accrual basis in accordance with the economic substance of the relevant agreement, if it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably.

#### **License of intellectual property**

Revenues from the licensing of intellectual property (e.g. GamePass) primarily include the licensing of our media content. Fixed fee payments from customers for the license of our media content are generally recognized when control has transferred to the customer, which may be upfront or over time depending on the individual agreement.

Royalty payments in excess of the minimum guarantee are generally recognized when the licensed product is sold by the licensee.

#### **Minimum guarantee**

Certain agreements with customers might include minimum guarantees. The revenue recognition related to these agreements are dependent on the individual agreement. Revenue related to minimum guarantees is recognized when the overall principles for revenue recognition are met.

#### **Allowances for Returns and Price Protection**

Allowances for product returns and price protection need to be considered when applying the revenue recognition criteria. Significant management judgments and estimates with respect to potential future product returns and price protection related to current period product revenues are made and used when establishing the allowance for returns and price protection in any accounting period. Allowances for Returns and Price Protection reduce the revenue.

#### **Development Services**

##### *Work-For-Hire projects*

For work-for-hire projects, revenue is recognized according to the Percentage of completion criteria.

Additional royalties relating to the projects are recognized as revenue when the conditions for the royalty are fulfilled.

#### *Interest, royalties and dividends*

Revenue is recognised when the economic benefits associated with the transaction are likely to flow to the Company and when the amount of the revenue can be measured reliably. Interest is recognised as revenue using the effective interest method. Royalties are recognised on an accrual basis in accordance with the economic substance of the agreement. Dividend revenue is recognised when the right to receive payment is established.

#### **Basis of consolidation**

##### *Subsidiaries*

Subsidiaries are companies in which the Parent Company, directly or indirectly, holds more than 50 percent of the votes or otherwise exercises control. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits. Accounting for business acquisitions is based on the accounting entity method. This means that the purchase price allocation is prepared when the acquirer obtains control. From this point onwards, the acquirer and the acquired entity are regarded as one accounting entity. Application of the accounting entity method also means that all assets (including goodwill), liabilities, income and expenses are included in their entirety even for partly-owned subsidiaries.

For subsidiaries, cost is measured as the sum of the acquisition-date fair values of assets given, plus liabilities incurred or assumed, equity instruments issued, expenses directly attributable to the acquisition and any additional consideration. Additional purchase price consideration to sellers that are employed in the company are seen as a part of the total cost. The purchase price allocation determines, with a few exceptions, the acquisition-date fair values of the identifiable assets acquired and liabilities assumed and non-controlling interest. Non-controlling interests are measured at the acquisition-date fair value. The acquired company's income and expenses, identifiable assets and liabilities and any goodwill or negative goodwill that has arisen are included in the consolidated financial statements from the date of acquisition.

##### *Associates*

Shareholdings in associates, in which the Group holds a minimum of 20% and a maximum of 50% of the votes or otherwise has significant influence over financial and operating policies, are reported according to the equity method. The equity method means that the carrying amount of shares in associates corresponds to the Group's share of the associates' equity, any residual values of surplus or deficit values, including goodwill and negative goodwill, minus any internal gains. The Group's share of associates' profit after tax adjusted for any amortisation or recognition of acquired surplus or deficit values, including amortisation of goodwill/recognition of negative goodwill, is reported under Profit/loss from investments in associates in the consolidated income statement. Dividends received from associates reduce the carrying amount. Any shares of profit earned after the acquisition of an associate that have not yet been realised through a dividend are allocated to the equity method reserve.

##### *Elimination of transactions between Group companies, associates and jointly controlled entities*

Intra-group receivables and liabilities, income and expense, and unrealised gains or losses arising from intra-group transactions are eliminated in full.

##### *Provisions*

Provisions are defined as obligations that are attributable to the financial year or previous financial years and that are certain or likely to arise as per the balance sheet date, but for

which the amount or the date on which the obligations are to be realised are uncertain. Provisions for estimated contingent consideration for acquisitions of businesses are recognised on the balance sheet.

#### **Accounting policies – Parent Company**

The Parent Company's accounting policies are consistent with those set out above in the consolidated financial statements, apart from the following cases.

##### *Financial assets and liabilities*

– Shares in subsidiaries, associates and jointly controlled entities  
Shares in subsidiaries, associates and jointly controlled entities are recognised at cost less accumulated impairment losses. Additional purchase price consideration to sellers that are employed in the company are seen as a part of the total cost. In addition to the purchase price, cost comprises expenditure directly attributable to the acquisition.

##### – Untaxed reserve

The gross sum of untaxed reserves is recognized in the balance sheet, including the deferred tax liabilities attributable to the reserve. Changes of untaxed reserves are recognized as appropriations in the income statement.

##### – Anticipated dividend

As the Parent Company holds more than half of the votes for all shares in the subsidiary, dividends are recognised when the right to receive a dividend is considered established and the amount can be measured reliably.

##### – Group contributions and shareholder contributions

Group contributions received/provided are recognised as an appropriation in the income statement. The Group contribution received/provided has affected the Company's current tax.

Shareholder contributions provided without any issued shares or other equity instruments being received in exchange are recognised in the balance sheet as an increase in the carrying amount of the share.

## **NOTE 2 ACCOUNTING ESTIMATES AND ASSESSMENTS**

Preparation of final accounts and application of accounting policies are often based on management's assessments, accounting estimates and assumptions that are considered reasonable in the current circumstances. Estimates and assumptions are based on historical experience and a number of other factors which are considered reasonable under the prevailing conditions. Results of these estimates and assumptions are used to determine the carrying amounts of assets and liabilities that are not otherwise evident from other sources. The actual outcome may differ from these estimates. The accounting estimates and assumptions are reviewed regularly. According to Company management, significant assessments in the accounting policies applied and sources of estimation uncertainty within the Group and Parent Company are as follow.

#### **COVID-19**

COVID-19 and its effects on real economies is creating uncertainty and risks that will last for a while. Embracer Group acted quickly and resolutely to protect the employees, the company and the balance sheet in 2020 and 2021. Despite the different waves of the pandemic the groups operations have remained stable. Embracer Group does not believe that COVID-19 will affect the Group's ability to operate in the future.

#### **Revenue recognition**

Sale of games to the end user are sometimes done through platform holders such as Steam, Epic, Sony and Microsoft, assessments are made of the revenue amount since the final reporting from the platform holders can take up to 60 days after the end of the period. These assessments are based on historical statistics and preliminary reports. Estimates other than those management conducted may result in different results of operations and a different financial position.

#### **Development expenditure**

The timing of capitalization of development; the Group's expenditure for game development is capitalized when games are sufficiently technologically specified to enable evaluation of their commercial potential. The judgement of commercial ability and returns is based on experience of previous games. Incomplete development because the Group's capitalized expenditure for development has not yet commenced amortization (as yet unready for use), it is subject to yearly impairment tests. The most important underlying assumption of these estimates may alter, and accordingly, have a material impact on the Group's results of operations and financial position. At 31 March 2021, the assessment is that the carrying amount of these items does not exceed their fair value. The carrying amount of capitalized development expenditure is stated in Note 13 and 18.

#### **Acquisition of operations (business combinations)**

The measurement of identifiable assets and liabilities in acquisitions of operations includes items in the acquired entity's Balance Sheet, and various types of item that have not been recognized in the acquired entity's Balance Sheet, such as intangible assets. Firstly, intangible assets that may have value need to be identified, such as ongoing game development, game back catalogue, technical knowhow, trademarks, for example. Normally, there are no quoted prices for the assets and liabilities to be measured, and accordingly, different measurement techniques must be applied. These

techniques are based on differing assumptions such as future cash flows, growth rates for revenues, EBIT margins as well as tax rates and discount factors in different countries. Measurements of this kind involve a high degree of estimation, which all need thorough examination, measurement and analysis. This also means that preliminary measurement may need to be conducted, and subsequently restated. All acquisition measurements are subject to final fair value adjustments by no later than one year after the acquisition date.

#### Goodwill IP-rights and acquisition-related assets

Embracer investigates each year whether goodwill and other acquisition-related assets are valued pursuant to the accounting policies stated in Note 1. Measurement is conducted in tandem with impairment tests based on estimates and assumptions. The critical assumptions underlying these judgements are the growth rate, free cash flow and discount rate. Estimates other than those management conducted may result in completely different results of operations and a different financial position.

#### Deferred taxes

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carry forwards. Embracer's deferred tax assets is attributable to tax loss carry forwards, deferred income and other temporary differences. The deferred tax liabilities are attributable to capitalized development costs, surplus values and other temporary differences. The valuation of temporary differences and tax loss carry forwards is based on management's estimates of future taxable profits in different tax jurisdictions and are primarily based on business plans.

Tax assets that derive from tax loss carry forwards have been generated in loss making subsidiaries.

The tax losses have been assessed to be able to be utilized against future taxable income. New assessments are done on a regular basis based on the current estimated future ability to utilize the deferred tax assets. Assessment regarding future utilization of tax loss carry forwards can change over time which can impact recorded tax expense in profit or loss. Carrying amounts at each reporting date are stated in Note 28.

The Management regularly participates in the judgements of transactions and estimates of probable outcomes in fiscal matters.

#### Receivables

Receivables are recognised net of the provision for doubtful receivables. The provision for doubtful receivables is based on individual assessment. The net value corresponds to the value expected to be obtained. It is management's assessment that the current provision is sufficient.

#### Inventories

Inventories are measured at the lower of cost and net realisable value. Calculation of net realisable value is based on factors such as assessments of future sales prices, which also consider expected price reductions. The actual outcome of future sales prices may differ from the assessments made.

#### Provisions for price reductions and discounts

Embracer reports provisions for expected discounts and product returns. The provisions are recognised based on expected sales and number of returns of each title. The calculation of the provisions is made on basis of assumptions and empirical values about price development and return rates. Estimates that deviate from management's assessments can impact the the Group's financial result and financial position.

#### Provisions for additional considerations

For certain business combinations, Embracer has agreed on contingent considerations. These are continuously measured at fair value, and measurement is based on a number of judgements and assumptions.

The assumptions underlying these judgements are stated in Note 37. Estimates other than those made by Management may result in different results of operations and financial position.

According to Company management, applied assessments give an fair view of the Company's financial situation for the actual periods.

### NOTE 3 NET SALES PER GEOGRAPHICAL MARKET

Net sales per geographical market	GROUP	
	2020/21	2019/20
Europe	4,252.8	3,211.0
US	3,739.3	1,345.3
Sweden	112.7	113.1
Other	919.4	580.0
	<b>9,024.2</b>	<b>5,249.4</b>

Net sales per geographical market	PARENT COMPANY	
	2020/21	2019/20
Europe and Other	794.6	495.4
Sweden	1.4	0.5
	<b>796.0</b>	<b>495.9</b>

## NOTE 4 OTHER OPERATING INCOME

	GROUP	
	2020/21	2019/20
Marketing contributions	113.8	140.9
Exchange gains on operating receivables/liabilities	-	35.8
Reversal of reserves	27.9	19.7
Indemnities	8.4	16.3
Insurance compensation	1.0	6.4
Benefits for development projects	85.3	51.8
Gain on non current assets	1.9	-
Other	49.4	35.0
	<b>287.7</b>	<b>305.9</b>

	PARENT COMPANY	
	2020/21	2019/20
Exchange gains on operating receivables/liabilities	-	11.1
Other	0.0	-
	<b>0.0</b>	<b>11.1</b>

Marketing contributions have been received from third party as a part of the total cost for marketing costs. Benefits related to project development have been received during the year. Project development expenses are capitalized according to the company's accounting principles. The benefits received are reported on a separate row in the Consolidated Income Statement and reduce Work performed by the Company for its own use and capitalized. Operating profit is not affected during development.

## NOTE 5 AUDITORS' FEES AND REMUNERATION

	GROUP	
	2020/21	2019/20
<i>EY</i>		
Audit services	4.2	4.9
Tax advisory services	0.3	0.4
Other services	5.9	7.0
<i>Other auditors</i>		
Audit services	0.5	2.5
Tax advisory services	7.8	1.1
Other services	7.7	2.4
	<b>26.4</b>	<b>18.3</b>

	PARENT COMPANY	
	2020/21	2019/20
<i>EY</i>		
Audit services	1.2	1.8
Other services	5.2	2.2
	<b>6.4</b>	<b>4.0</b>

The item 'audit services' comprises examination of the annual financial statements, accounting records and administration of the business by the CEO and Board. Other services relate to other procedures required to be carried out by the Company's auditors and advice or other assistance relating to observations made during the performance of such other procedures. The item 'other services' does not include assistance in acquisitions of companies since costs associated with such services are activated as shares in subsidiaries.

## NOTE 6 EMPLOYEES, PERSONNEL EXPENSES AND BOARD FEES

Average number of employees	Men,		Men,	
	2020/21	%	2019/20	%
<b>PARENT COMPANY</b>				
Sweden	13	62%	10	70%
<b>Total, Parent Company</b>	<b>13</b>	<b>62%</b>	<b>10</b>	<b>70%</b>
<b>SUBSIDIARIES</b>				
Germany	521	75%	412	72%
Russia	440	84%	-	-
US	360	85%	309	85%
Austria	241	57%	189	47%
Italy	239	84%	175	83%
Sweden	231	86%	266	76%
UK	194	81%	217	81%
Czech Republic	175	84%	141	86%
Spain	171	73%	-	-
Romania	135	84%	-	-
Portugal	48	96%	-	-
Ukraine	41	90%	-	-
Other	364	85%	137	81%
<b>Total, subsidiaries</b>	<b>3,161</b>	<b>80%</b>	<b>1,846</b>	<b>77%</b>
<b>Group, total</b>	<b>3,174</b>	<b>80%</b>	<b>1,856</b>	<b>77%</b>

Gender distribution – senior executives	Female, %	
	31/03/2021	31/03/2020
<b>PARENT COMPANY</b>		
Board	14%	20%
Other senior executives	0%	0%
<b>Group, total</b>		
Board	0%	5%
Other senior executives	0%	14%

## NOTE 6 CONTINUED

Salaries, other benefits and social security contributions, including pension costs	2020/21		2019/20	
	Salaries and benefits	Social security contributions	Salaries and benefits	Social security contributions
<b>PARENT COMPANY</b>	13.6	6.3	8.9	3.9
(of which pension costs)	-	(2.1) <sup>1)</sup>	-	(1.1) <sup>1)</sup>
<b>SUBSIDIARIES</b>	1,438.8	322.0	903.7	211.6
(of which pension costs)	-	(76.9)	-	(65.6)
<b>Group, total</b> <sup>3)</sup>	<b>1,449.4</b>	<b>328.3</b>	<b>912.6</b>	<b>215.5</b>
(of which pension costs)	-	(79.0) <sup>2)</sup>	-	(66.7)

<sup>1)</sup> SEK 0.4 (0.4) million of the Parent Company's pension costs relates to the Company's CEO and Board. The Company's outstanding pension obligations to these individuals are - (-).

<sup>2)</sup> SEK 5.8 (4.7) million of the Group's pension costs relate to CEOs and Boards in the Group. The Group's outstanding pension obligations to these individuals are - (-).

<sup>3)</sup> Some companies have classified remuneration of self-employed individuals as a payroll expense in the income statement. In total, the remuneration amounts to SEK 28.6 (-) million. The amount is not included in the total SEK 1,449.4 (-) million in the table above.

Salaries and employee benefits (Board and CEO, Other employees)	2020/21		2019/20	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent Company	2.8	11.8	1.7	7.2
(of which bonus etc.)	(-)	(-)	(-)	(-)
Subsidiaries	139.6	1,295.2	86.2	817.5
(of which bonus etc.)	(18.4)	(-)	(12.7)	(-)
<b>Group, total</b>	<b>142.4</b>	<b>1,307.0</b>	<b>87.9</b>	<b>824.7</b>
(of which bonus etc.)	(18.4)	(-)	(12.7)	(-)

Remuneration of Senior executives	2020/21						
	Basic salary, Board fees	Variable remuneration	Other benefits	Pension costs	Financial instruments etc.	Total	Pension obligation
Kicki Wallje Lund	0.8	1.0	-	-	-	<b>1.8</b>	-
Lars Wingefors (Board member and CEO)	1.0	-	0.3	0.2	-	<b>1.5</b>	-
Erik Stenberg	0.7	-	0.7	0.2	-	<b>1.6</b>	-
Jacob Jonmyren	0.3	-	-	-	-	<b>0.3</b>	-
Ulf Hjalmarsson	0.3	-	-	-	-	<b>0.3</b>	-
Matthew Karch	4.5	-	-	-	-	<b>4.5</b>	-
David Gardner	-	0.2	-	-	-	<b>0.2</b>	-
Other senior executives (one) <sup>1)</sup>	2.0	-	0.4	0.3	-	<b>2.7</b>	-
<b>Total</b>	<b>9.6</b>	<b>1.2</b>	<b>1.4</b>	<b>0.7</b>	<b>-</b>	<b>12.9</b>	<b>-</b>

<sup>1)</sup> Compared to last year when it was five persons as senior executives it's only one person this year.

Remuneration of Senior executives	2019/20						
	Basic salary, Board fees	Variable remuneration	Other benefits	Pension costs	Financial instruments etc.	Total	Pension obligation
Kicki Wallje Lund	0.6	1.0	-	-	-	<b>1.6</b>	-
Lars Wingefors (Board member and CEO)	1.0	-	-	0.2	-	<b>1.2</b>	-
Erik Stenberg	0.7	-	-	0.2	-	<b>0.9</b>	-
Jacob Jonmyren	0.2	0.3	-	-	-	<b>0.5</b>	-
Ulf Hjalmarsson	0.2	-	-	-	-	<b>0.2</b>	-
Other senior executives (five) <sup>2)</sup>	11.6	0.1	0.3	1.8	-	<b>13.8</b>	-
<b>Total</b>	<b>14.3</b>	<b>1.4</b>	<b>0.3</b>	<b>2.2</b>	<b>-</b>	<b>18.2</b>	<b>-</b>

<sup>2)</sup> Remuneration of other senior executives has been paid from the company in which they are employed. For other employees, remuneration is paid from the Parent Company

### Termination benefits

Embracer Group and its CEO and CFO must observe a notice period of three months. In addition to the notice period, both the CEO and CFO are entitled to termination benefits corresponding to three months' salary, provided Embracer Group terminated the employment contract and the CEO or CFO has not been dismissed.

Other CEOs have a notice period in the Group varying from 3 to a maximum of 6 months, with remuneration paid until employment is terminated. The other senior executives are entitled to a notice period with remuneration up to 6 months. The executives must observe the same notice period.

## NOTE 7 OPERATING LEASES

Leases where the Company is lessee	GROUP	
	31/03/2021	31/03/2020
<i>Future minimum lease payments under non-cancellable operating leases</i>		
Within one year	121.3	72.3
Between one and five years	331.5	184.7
After five years	8.1	12.2
	<b>460.9</b>	<b>269.2</b>
	<b>2020/21</b>	<b>2019/20</b>
Lease payments recognised in financial year	119.1	65.2

Lease costs mainly refer to external premises rent.

Leases where the Company is lessee	PARENT COMPANY	
	31/03/2020	31/03/2020
<i>Future minimum lease payments under non-cancellable operating leases</i>		
Within one year	1.9	2.1
Between one and five years	-	3.6
	<b>1.9</b>	<b>5.7</b>
	<b>2020/21</b>	<b>2019/20</b>
Lease payments recognised in financial year	2.2	1.3

The Parent Company has rented premises from a related company in 2020/21. The agreement continues indefinitely.

## NOTE 8 RESULT FROM FINANCIAL ASSETS

	PARENT COMPANY	
	2020/21	2019/20
Exchange gains on long-term loans to subsidiaries	-625.8	40.4
Interest from subsidiaries	26.8	-
Other	42.7	-0.7
	<b>-556.3</b>	<b>39.7</b>

## NOTE 9 INTEREST AND SIMILAR INCOME

	GROUP	
	2020/21	2019/20
Interest income	3.2	2.6
Exchange gains	232.2	91.7
Other	56.1	-
	<b>291.5</b>	<b>94.3</b>
	<b>2020/21</b>	<b>2019/20</b>
Interest income, Group companies	18.7	30.6
Interest income	2.0	0.1
Exchange gains	238.4	52.3
Other	2.7	-
	<b>261.8</b>	<b>83.0</b>

## NOTE 10 INTEREST AND SIMILAR EXPENSES

	GROUP	
	2020/21	2019/20
Exchange losses	-0.9	-13.5
Other interest expenses	-23.4	-17.4
Other finance costs	-11.1	-
Interest expenses acquisition	-52.9	-
	<b>-88.3</b>	<b>-30.9</b>
	<b>2020/21</b>	<b>2019/20</b>
Exchange losses, Group companies	-21.3	-
Exchange losses	-	-13.2
Interest expenses	-6.9	-8.3
Interest expenses acquisition	-10.4	-
Exchange differences acquisition	-4.7	-
Other	-5.1	-
	<b>-48.4</b>	<b>-21.5</b>

## NOTE 11 APPROPRIATIONS, OTHER

	PARENT COMPANY	
	2020/21	2019/20
Tax allocation reserve, transfers	23.2	-45.0
Group contribution received	206.4	-
Group contribution paid	-	-15.0
	<b>229.6</b>	<b>-60.0</b>

## NOTE 12 TAX ON PROFIT FOR THE YEAR

Tax on profit for the year	GROUP	
	2020/21	2019/20
Current tax	-363.2	-140.8
Deferred tax	-36.0	15.2
Change in current tax reported previous year	-1.1	0.1
Change in deferred tax reported previous year	7.6	-
<b>Total tax</b>	<b>-392.7</b>	<b>-125.5</b>

Reconciliation of effective tax	2020/21		2019/20	
	Percent	Amount	Percent	Amount
<b>GROUP</b>				
Profit before tax		680.0		408.8
Tax according to Parent's applicable tax rate	-21.4%	-145.5	-21.4%	-87.5
Effect of different tax rates for foreign subsidiaries	3.0%	20.5	-2.5%	-12.6
Amortisation of goodwill on consolidation	-62.8%	-426.9	-3.0%	-61.0
Other non-deductible expenses	-3.4%	-23.4	-2.7%	-11.7
Non-taxable income	25.5%	173.3	1.9%	31.3
Increase in tax losses for which no corresponding deferred tax was recognised	-1.8%	-12.0	-0.0%	-11.8
Utilisation of previously uncapitalised tax losses	0.7%	4.7	0.9%	24.3
Tax attributable to prior years	1.0%	6.5	-0.1%	0.1
Standard interest on tax allocation reserve	-0.0%	-0.1	-0.0%	-0.1
Other	1.5%	10.2	0.2%	3.5
<b>Recognised effective tax</b>	<b>-57.7%</b>	<b>-392.7</b>	<b>-30.7%</b>	<b>-125.5</b>

PARENT COMPANY	2020/21		2019/20	
	Percent	Amount	Percent	Amount
Profit before tax		186.7		137.8
Tax according to Parent's applicable tax rate	-21.4%	-40.0	-21.4%	-29.5
Non-deductible expenses	-0.1%	-0.2	-0.2%	-0.2
Non-taxable income	0.3%	0.6	-	-
Standard interest on tax allocation reserve	-0.1%	-0.1	-0.1%	-0.1
Dividend from subsidiaries	-	-	0.1%	0.1
<b>Recognised effective tax</b>	<b>-21.3%</b>	<b>-39.7</b>	<b>-21.6%</b>	<b>-29.7</b>

## NOTE 13 COMPLETED DEVELOPMENT PROJECTS

Accumulated cost	GROUP	
	31/03/2021	31/03/2020
At beginning of year	1,548.8	1,014.4
Investments for the year	49.9	40.5
Business acquisitions	87.3	5.6
Transferred from projects in progress	786.9	548.1
Discard	-16.2	-81.8
Translation differences for the year	-33.8	22.0
<b>At end of year</b>	<b>2,422.9</b>	<b>1,548.8</b>
<b>Accumulated amortisation</b>		
At beginning of year	-1,110.2	-619.5
Business acquisitions	-50.1	-
Amortisation for the year	-786.0	-553.8
Discard	16.2	81.8
Translation differences for the year	19.8	-18.7
<b>At end of year</b>	<b>-1,910.3</b>	<b>-1,110.2</b>
<b>Carrying amount at end of year</b>	<b>512.6</b>	<b>438.6</b>

Accumulated cost	PARENT COMPANY	
	31/03/2021	31/03/2020
At beginning of year	881.9	504.3
Acquired from group companies	426.9	360.1
Reclassifications	-	17.5
<b>At end of year</b>	<b>1,308.8</b>	<b>881.9</b>
<b>Accumulated amortisation</b>		
At beginning of year	-651.0	-349.4
Amortisation for the year	-375.5	-301.6
<b>At end of year</b>	<b>-1,026.5</b>	<b>-651.0</b>
<b>Carrying amount at end of year</b>	<b>282.3</b>	<b>230.9</b>

## NOTE 14 IP RIGHTS

Accumulated cost	GROUP	
	31/03/2021	31/03/2020
At beginning of year	2,125.4	1,322.0
Business acquisitions	645.4	720.3
Investments for the year	0.6	14.3
Divestments	-2.0	-3.7
Reclassifications	16.5	-
Translation differences for the year	-73.8	72.5
<b>At end of year</b>	<b>2,712.1</b>	<b>2,125.4</b>
<b>Accumulated amortisation</b>		
At beginning of year	-645.6	-266.1
Amortisation for the year	-456.7	-359.4
Business acquisitions	-73.7	0.0
Divestments	-	2.1
Reclassifications	-16.5	-
Translation differences for the year	55.6	-22.2
<b>At end of year</b>	<b>-1,136.9</b>	<b>-645.6</b>
<b>Carrying amount at end of year</b>	<b>1,575.2</b>	<b>1,479.8</b>

Accumulated cost	PARENT COMPANY	
	31/03/2021	31/03/2020
At beginning of year	264.3	134.0
Investments for the year	-	134.0
Divestments	-	-3.7
<b>At end of year</b>	<b>264.3</b>	<b>264.3</b>
<b>Accumulated amortisation</b>		
At beginning of year	-111.5	-82.0
Amortisation for the year	-40.2	-31.6
Divestments	-	2.1
<b>At end of year</b>	<b>-151.7</b>	<b>-111.5</b>
<b>Carrying amount at end of year</b>	<b>112.6</b>	<b>152.8</b>

## NOTE 15 PUBLISHING AND DISTRIBUTION RELATIONSHIPS

Accumulated cost	GROUP	
	31/03/2021	31/03/2020
At beginning of year	219.3	208.4
Translation differences for the year	-14.6	10.9
<b>At end of year</b>	<b>204.7</b>	<b>219.3</b>
<b>Accumulated amortisation</b>		
At beginning of year	-88.4	-47.3
Amortisation for the year	-41.4	-36.6
Translation differences for the year	7.1	-4.5
<b>At end of year</b>	<b>-122.7</b>	<b>-88.4</b>
<b>Carrying amount at end of year</b>	<b>82.0</b>	<b>130.9</b>

## NOTE 16 FILM RIGHTS

Accumulated cost	GROUP	
	31/03/2021	31/03/2020
At beginning of year	571.9	276.3
Business acquisitions	27.4	124.3
Investments for the year	125.8	142.6
Translation differences for the year	-45.4	28.7
<b>At end of year</b>	<b>679.7</b>	<b>571.9</b>
<b>Accumulated amortisation</b>		
At beginning of year	-326.9	-137.6
Amortisation for the year	-216.9	-173.4
Translation differences for the year	27.4	-15.9
<b>At end of year</b>	<b>-516.4</b>	<b>-326.9</b>
<b>Carrying amount at end of year</b>	<b>163.3</b>	<b>245.0</b>

## NOTE 17 GOODWILL

Accumulated cost	GROUP	
	31/03/2021	31/03/2020
At beginning of year	1,780.3	906.0
Business acquisitions	11,988.4	829.9
Sold/scrapped	-7.8	-
Translation differences for the year	-707.9	44.4
<b>At end of year</b>	<b>13,053.0</b>	<b>1,780.3</b>
<b>Accumulated amortisation</b>		
At beginning of year	-368.6	-75.8
Amortisation for the year	-1,924.9	-285.1
Sold/scrapped	7.8	-
Translation differences for the year	36.9	-7.7
<b>At end of year</b>	<b>-2,248.8</b>	<b>-368.6</b>
<b>Carrying amount at end of year</b>	<b>10,804.2</b>	<b>1,411.7</b>

## NOTE 18 PROJECTS IN PROGRESS

Accumulated cost	GROUP	
	31/03/2021	31/03/2020
At beginning of year	2,297.1	1,203.4
Business acquisitions	119.5	48.3
Transferred to Completed development projects	-786.9	-558.0
Investments for the year	1,937.6	1,447.9
Advances deducted during year	-	-0.6
Scrapped	-15.1	-
Reclassifications	-	17.4
Translation differences for the year	-166.5	138.7
<b>At end of year</b>	<b>3,385.7</b>	<b>2,297.1</b>

## NOTE 18 CONTINUED

## Accumulated amortisation

At beginning of year	-144.2	-88.7
Depreciation for the year	-28.8	-33.4
Translation differences for the year	-7.2	-4.7
Scrapped	15.1	-
Reclassifications	-	-17.4
<b>At end of year</b>	<b>-165.1</b>	<b>-144.2</b>
<b>Carrying amount at end of year</b>	<b>3,220.6</b>	<b>2,152.9</b>

	PARENT COMPANY	
<b>Accumulated cost</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
At beginning of year	10.1	27.7
Reclassifications	-	-17.6
Investments for the year	-	-
<b>Carrying amount at end of year</b>	<b>10.1</b>	<b>10.1</b>

## NOTE 19 OTHER INTANGIBLE ASSETS

	GROUP	
<b>Accumulated cost</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
At beginning of year	22.2	17.0
Business acquisitions	7.6	2.5
Investments for the year	25.3	8.0
Divestments	-1.3	-1.5
Reclassifications	5.6	-5.8
Translation differences for the year	-1.6	2.0
<b>At end of year</b>	<b>57.8</b>	<b>22.2</b>
<b>Accumulated impairment</b>		
At beginning of year	-10.2	-5.6
Business acquisitions	-4.0	0.0
Amortisation for the year	-12.4	-4.9
Divestments	0.5	0.5
Reclassifications	-3.5	-0.9
Translation differences for the year	3.9	0.7
<b>At end of year</b>	<b>-25.7</b>	<b>-10.2</b>
<b>Carrying amount at end of year</b>	<b>32.1</b>	<b>12.0</b>

	PARENT COMPANY	
<b>Accumulated cost</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
At beginning of year	-	-
Investments for the year	4.2	-
Reclassifications	0.3	-
<b>Carrying amount at end of year</b>	<b>4.5</b>	<b>-</b>

<b>Accumulated impairment</b>		
At beginning of year	-	-
Amortisation for the year	-0.5	-
Translation differences for the year	-	-
<b>At end of year</b>	<b>-0.5</b>	<b>-</b>
<b>Carrying amount at end of year</b>	<b>4.0</b>	<b>-</b>

## NOTE 20 LAND &amp; BUILDINGS

	GROUP	
<b>Accumulated cost</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
At beginning of year	128.3	117.6
Investments for the year	5.6	3.5
Business acquisitions	10.0	-
Divestments and discards	-0.9	-0.5
Translation differences for the year	-9.9	7.7
<b>At end of year</b>	<b>133.1</b>	<b>128.3</b>

<b>Accumulated impairment</b>		
At beginning of year	-7.6	-3.6
Business acquisitions	-1.4	-
Depreciation for the year	-3.8	-3.7
Translation differences for the year	0.9	-0.3
<b>At end of year</b>	<b>-11.9</b>	<b>-7.6</b>
<b>Carrying amount at end of year</b>	<b>121.2</b>	<b>120.7</b>

## NOTE 21 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

	GROUP	
<b>Accumulated cost</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
At beginning of year	121.6	65.7
Business acquisitions	65.0	39.0
Investments for the year	60.4	10.5
Divestments and discards	-2.0	-0.2
Translation differences for the year	-13.7	6.6
<b>At end of year</b>	<b>231.3</b>	<b>121.6</b>

<b>Accumulated impairment</b>		
At beginning of year	-57.8	-24.1
Business combinations	-31.5	-2.2
Depreciation for the year	-37.6	-26.4
Divestments and discards	0.3	0.2
Translation differences for the year	6.1	-5.3
<b>At end of year</b>	<b>-120.5</b>	<b>-57.8</b>
<b>Carrying amount at end of year</b>	<b>110.8</b>	<b>63.8</b>

	PARENT COMPANY	
<b>Accumulated cost</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
At beginning of year	1.7	0.3
Investments for the year	2.8	1.6
Reclassification	-0.3	-
Divestments and discards	-	-0.2
<b>At end of year</b>	<b>4.2</b>	<b>1.7</b>

<b>Accumulated impairment</b>		
At beginning of year	-0.1	-0.3
Depreciation for the year	-0.4	-0.1
Divestments and discards	-	0.2
<b>At end of year</b>	<b>-0.5</b>	<b>-0.1</b>
<b>Carrying amount at end of year</b>	<b>3.7</b>	<b>1.6</b>

## NOTE 22 ONGOING INVESTMENTS AND PREPAYMENT

Accumulated cost	GROUP	
	31/03/2021	31/03/2020
At beginning of year	-	-
Investments for the year	0.7	-
Business acquisitions	5.2	-
Divestments and discards	-	-
Translation differences for the year	-0,1	-
<b>At end of year</b>	<b>5.8</b>	-

## NOTE 23 INVESTMENTS IN GROUP COMPANIES

Accumulated cost	PARENT COMPANY	
	31/03/2021	31/03/2020
At beginning of year	2,550.3	2,019.6
Investments for the year	2,969.8	530.7
Divestments	-1.0	-
<b>At end of year</b>	<b>5,519.1</b>	<b>2,550.3</b>
<b>Accumulated impairment</b>		
At beginning of year	-73.3	-73.3
Impairment for the year	-	-
<b>At end of year</b>	<b>-73.3</b>	<b>-73.3</b>
<b>Carrying amount at end of year</b>	<b>5,445.8</b>	<b>2,477.0</b>

Company, head office and country	Number of shares	Holding, %	31/03/2021	31/03/2020
			Carrying amount	Carrying amount
THQ Nordic GmbH, FN366280y, Vienna, Austria		100	217.8	217.8
We Sing Company Holding AB, 556997-4255, Karlstad, Sweden	500	100	0.1	0.1
House in the Woods AB, 556997-4271, Färentuna, Sweden	500	100	7.8	7.8
Mirage Game Studios AB, 559043-8437, Karlstad, Sweden	500	100	0,0	0,0
Pieces Interactive AB, 556744-4384, Skövde, Sweden	585,904	100	5.9	5.9
Experiment 101 AB, 559019-9609, Stockholm, Sweden	500	100	8.0	8.0
Coffee Stain Holding AB, 556995-0180, Skövde, Sweden	9,015	100	864.0	864.0
Koch Media Holding GmbH, 482610x, Höfen, Austria <sup>1)</sup>	3,500	100	2,968.1	1,211.2
Bugbear Entertainment Oy, 1586716-8, Helsinki, Finland	900	90	264.9	133.2
Saber Interactive SGS LCC, 120 780 004 0315, Saint Petersburg, Russia		100	27.7	27.7
DECA Live Operations GmbH, HRB 191999B, Berlin, Germany	25	100	623.8	-
Embracer Group Lager 2, 559237-4010, Karlstad, Sweden	250	100	10.0	-
QL Holding AB, 556884,8369, Karlstad,Sweden	500	100	49.9	-
Saber Interactive Inc US, 32-0624055		100	75.0	-
Saber Interactive Spain SLU, B-87576872		100	7.8	-
Snapshot Games Inc. US	9,724,990	100	314.7	-
Other subsidiaries, dormant or of minor importance		100	0.3	1.3
			<b>5,445.8</b>	<b>2,477.0</b>

<sup>1)</sup> During the year Koch Media Holding GmbH have received shareholder contribution from Embracer with SEK 1,745.5 million (EUR 171.0 million)

### Business acquisitions during the financial year

During the year, Saber Interactive Inc, DECA Live Operations GmbH, QL holding AB and Snapshot Games Inc, have been acquired by the Parent Company. In addition to the above mentioned companies, a number of smaller acquisitions have also taken place. See also note nr 46.

## NOTE 24 NON-CURRENT RECEIVABLES FROM GROUP COMPANIES

Accumulated cost	PARENT COMPANY	
	31/03/2021	31/03/2020
At beginning of year	266.6	154.7
Additional receivables	5,780.6	102.1
Translation differences for the year	-611.3	9.8
<b>At end of year</b>	<b>5,435.9</b>	<b>266.6</b>

## NOTE 25 INVESTMENTS IN ASSOCIATES

Accumulated cost	GROUP	
	31/03/2021	31/03/2020
At beginning of year	55.4	14.3
Business acquisitions	-	36.8
This years investments	8.7	7.3
Reclassifications	-2.2	-0.4
Dividend received	-4.2	-5.2
Divestments for the year	-91.6	-1.1
Profit/loss from investments in associates and jointly controlled entities	206.4	3.6
Translation difference	0.2	0.1
<b>Carrying amount at end of year</b>	<b>172.7</b>	<b>55.4</b>

GROUP	Share of equity	Share of votes	Number of shares	Carrying amount
Ghost Ship Games ApS	30%	30%	24	31.9
Iron Gate AB	30%	30%	30	111.3
Neon Giant AB	28%	28%	25,530	10.3
Kavalri Games AB	49%	49%	5,081,901	12.3
Framebunker ApS	37%	37%	124 926	6.9
				<b>172.7</b>

	GROUP		Reg'd office
	Reg. no.		
Ghost Ship Games ApS	37 98 98 19	Copenhagen, Denmark	
Iron Gate AB	559203-4820	Skövde, Sweden	
Neon Giant AB	559119-4070	Uppsala, Sweden	
Kavalri Games AB	559164-5089	Lidingö, Sweden	
Framebunker ApS	35 23 72 75	Copenhagen, Denmark	

Accumulated cost	PARENT COMPANY	
	31/03/2021	31/03/2020
At beginning of year	70.0	70.0
Divestments for the year	-70.0	-
<b>Carrying amount at end of year</b>	<b>0.0</b>	<b>70.0</b>

## NOTE 26 NON-CURRENT RECEIVABLES FROM JOINTLY CONTROLLED ENTITIES

Accumulated acquisition values	GROUP	
	31/03/2021	31/03/2020
At beginning of year	9.0	-
Business acquisitions	0.0	9.0
Reclassification	-7.0	-
Loan	5.6	-
Repayment	-1.9	-
Translation difference	-0.1	0.0
<b>Carrying amount at end of year</b>	<b>5.6</b>	<b>9.0</b>

## NOTE 27 OWNERSHIP INTERESTS IN OTHER ENTITIES

Accumulated acquisition values	GROUP	
	31/03/2021	31/03/2020
At beginning of year	9.9	-
Investments in the year	81.8	9.3
Reclassification	-7.0	0.4
Translation difference	-0.7	0.2
<b>Carrying amount at end of year</b>	<b>84.0</b>	<b>9.9</b>

Accumulated acquisition values	PARENT COMPANY	
	31/03/2021	31/03/2020
At beginning of year	0.0	-
Investments in the year	17.6	-
<b>Carrying amount at end of year</b>	<b>17.6</b>	<b>0.0</b>

## NOTE 28 DEFERRED TAX

Significant temporary differences	GROUP Deferred tax assets		Deferred tax liabilities, non-current	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
At beginning of year	165.5	181.7	414.8	217.8
Business acquisitions	77.3	23.3	152.7	181.1
Recognized in income statement	15.6	-51.0	-14.0	-66.2
Recognized direct through equity	21.2	-	-	-
Change in tax rates	-	-	-	-0.4
Translation differences for the year	-10.5	12.0	-21.5	25.3
Other	-	-0.5	0.4	57.2
<b>At end of year</b>	<b>269.1</b>	<b>165.5</b>	<b>532.4</b>	<b>414.8</b>

Significant temporary differences	GROUP 31/03/2021			
	Deferred tax assets	Deferred tax liabilities, current	Deferred tax liabilities, non-current	Net
Untaxed reserves	-	-	51.3	-51.3
Intangible assets	112.6	-	352.6	-240.0
Property, plant and equipment	-0.8	-	0.9	-1.7
Other temporary differences	49.4	-	126.6	-77.2
Tax loss carryforwards	100.2	-	-	100.2
Other unused tax credits	7.7	-	1.0	6.7
Deferred tax assets/liabilities	269.1	-	532.4	-263.3
Offsetting	-	-	-	-
<b>Deferred tax assets/liabilities (net)</b>	<b>269.1</b>	<b>-</b>	<b>532.4</b>	<b>-263.3</b>

Significant temporary differences	31/03/2020			
	Deferred tax assets	Deferred tax liabilities, current	Deferred tax liabilities, non-current	Net
Untaxed reserves	-	-	37.0	-37.0
Intangible assets	34.3	-	369.0	-334.7
Property, plant and equipment	9.3	-	2.5	6.8
Other temporary differences	30.2	-	6.3	23.9
Tax loss carryforwards	84.2	-	-	84.2
Other unused tax credits	7.5	-	-	7.5
Deferred tax assets/liabilities	165.5	-	414.8	-249.3
Offsetting	-	-	-	-
<b>Deferred tax assets/liabilities (net)</b>	<b>165.5</b>	<b>-</b>	<b>414.8</b>	<b>-249.3</b>

Significant temporary differences	PARENT COMPANY 31/03/2021		
	Deferred tax assets	Deferred tax liabilities, non-current	Net
Tax loss carryforwards	22.0	-	22.0
	<b>22.0</b>	<b>-</b>	<b>22.0</b>

## NOTE 29 OTHER NON-CURRENT RECEIVABLES

	GROUP	
	31/03/2021	31/03/2020
At beginning of year	11.3	0.2
Business acquisitions	40.6	10.8
Investments in the year	3.0	-
Reclassification	-10.1	-
Translation differences	-4.6	0.3
<b>Carrying amount at end of year</b>	<b>40.2</b>	<b>11.3</b>

	PARENT COMPANY	
	31/03/2021	31/03/2020
At beginning of year	-	-
Additional receivables	39.9	-
Translation differences for the year	-5.0	-
<b>At end of year</b>	<b>34.9</b>	<b>0.0</b>

## NOTE 30 PREPAYMENTS AND ACCRUED INCOME

	GROUP	
	31/03/2021	31/03/2020
Accrued income	385.8	56.2
Prepaid rents	3.2	10.3
Prepaid expenses	143.6	26.6
Other items	1.2	16.6
	<b>533.8</b>	<b>109.7</b>

	PARENT COMPANY	
	31/03/2021	31/03/2020
Prepaid rent	0.6	0.6
Prepaid insurance premiums	0.3	0.1
Prepaid financing expenses	7.0	1.7
Prepaid interest expenses	1.9	1.3
Prepaid expenses	84.2	2.7
Other items	1.8	3.9
	<b>95.8</b>	<b>10.9</b>

## NOTE 31 SHARE CAPITAL

The Company's share capital consists of 33,399,137 Class A shares and 427,426,311 Class B shares. The shares are denominated in SEK and the par value of each share is SEK 0.0027778. Each Class A share entitles the holder to 10 votes and each Class B share entitles the holder to one vote at general meetings.

## NOTE 32 PROPOSED ALLOCATION OF THE COMPANY'S UNRESTRICTED EQUITY

The Board proposes that the unrestricted equity of SEK 25,759,170 thousand be allocated as follows:

Carried forward	25,759,170
<b>Total</b>	<b>25,759,170</b>

## NOTE 33 EARNINGS PER SHARE

	GROUP	
	31/03/2021	31/03/2020
Earnings per share, SEK	0.72	0.91
Profit for the year, SEK m	287.0	284.9
Weighted average number of shares outstanding, thousands	398,146	311,411

In addition to the total number of outstanding shares (460,825,448) as of March 31, 2021 there are 3,883,736 shares that can be issued as part of additional purchase prices given that certain criterias are fulfilled, which corresponds to a dilution effect of 0.84 percent and 0.51 percent of the total number of shares and votes, respectively. In addition to these, there are no outstanding conversion loans, warrants or similar in Embracer Group that could cause a potential dilution for shareholders.

In accordance with the Board's proposal, the Annual General Meeting in September 2020 passed a resolution authorising the Board on one or more occasions before the next AGM to decide on the issue of Class B shares, convertibles and/or warrants with the right to convert to or subscribe for a number for Class B shares, with or without derogation from shareholders' preferential rights, corresponding to a maximum of ten (10) percent of the total number of shares in the Company, to be settled in cash, by payment in kind and/or by way of set-off.

The Extra General Meeting on November 16, 2020 resolved to authorize the board of directors during the period up until the next annual general meeting, on one or more occasions, to resolve to issue A shares and B shares, without preferential rights for the shareholders to be paid in cash, in kind and/or by way of set-off.

The Extra General Meeting on February 26, 2021 resolved to authorize the board of directors during the period up until the next annual general meeting, on one or more occasions, to resolve to issue B shares, without preferential rights for the shareholders to be paid in cash, in kind and/or by way of set-off. The board of directors may only resolve on a share issue in accordance with the above in connection with the completion of the acquisition announced through press releases on 3 February 2021, and the number of shares issued may amount to a maximum of 41,658,306. At the same general meeting the board of directors were authorized during the period up until the next annual general meeting to, on one or more occasions, resolve to issue B shares, convertibles and/or warrants with right to convert into and subscribe for B shares respectively, with or without preferential rights for the shareholders, in the amount not exceeding ten (10) percent of the total number of shares in the Company at the time when the authorization is used the first time, to be paid in cash, in kind and/or by way of set-off.

The purpose for the board to resolve on issuances with deviation from the shareholders preferential rights in accordance with the above is primarily for the purpose to raise new capital to increase flexibility of the Company or in connection with acquisitions. In connection with issuances in accordance with the above, the board of directors shall, when determining the number of shares, warrants or convertibles that may be issued pursuant to the authorization, consider and deduct the number of shares the Company holds itself at every given time after any possible reclaim of shares that have been issued in connection with acquisitions. This authorization replaced the authorization resolved upon by the extra general meeting held on 16 November 2020, under which there still are 38,428,183 B shares left to issue from that authorization.

## NOTE 34 ACCUMULATED ACCELERATED AMORTISATION

	PARENT COMPANY	
	31/03/2021	31/03/2020
At beginning of year	9.3	9.3
Release during the year	-9.3	-
	<b>0.0</b>	<b>9.3</b>

## NOTE 35 TAX ALLOCATION RESERVES

	PARENT COMPANY	
	31/03/2021	31/03/2020
Allocated for financial year 2014	0.0	13.9
Allocated for financial year 2015	13.4	13.4
Allocated for financial year 2016	17.2	17.2
Allocated for financial year 2017	37.9	37.9
Allocated for financial year 2018/19	3.9	3.9
Allocated for financial year 2019/20	45.0	45.0
	<b>117.4</b>	<b>131.3</b>

The parent company does not separate deferred tax attributable to untaxed reserves. If separated, deferred tax liability would amount to SEK 25.8 (30.1) million each year.

## NOTE 36 PROVISIONS FOR PENSIONS

	GROUP	
	31/03/2021	31/03/2020
<b>Pension obligations</b>		
At beginning of year	46.6	37.7
Business acquisitions	0.1	-
Currency translation adjustment	-3.1	-
Pension provisions for the year	2.8	2.4
Translation differences for the year	-0.5	3.0
Net changes in previous provisions	-5.3	3.5
<b>At end of year</b>	<b>40.6</b>	<b>46.6</b>

	GROUP	
	31/03/2021	31/03/2020
<b>Pension obligation secured through payments</b>		
At beginning of year	-21.8	-18.4
Currency translation adjustment	1.2	-1.3
Translation differences for the year	0.4	-
Paid-in funds	-1.6	-2.0
Net changes in previously paid-in funds	-1.7	-
<b>At end of year</b>	<b>-23.5</b>	<b>-21.8</b>
<b>Carrying amount at end of year</b>	<b>17.1</b>	<b>24.8</b>

## NOTE 37 OTHER PROVISIONS

	GROUP	
	31/03/2021	31/03/2020
Provision for returns, price adjustments, customer bonuses and complaints	231.3	284.9
Calculated additional consideration	1,887.5	411.8
Provision for disputes	18.4	40.3
Provision for personnel expenses	123.3	57.4
Other	6.5	7.0
	<b>2,267.0</b>	<b>801.4</b>
Of which expected to be settled within 12 months	127.2	389.6
Of which expected to be settled after 12 months	2,139.8	411.8

GROUP 31/03/2021	Opening balance	Business combinations	Amounts utilised	Reversal of reserve	Provision during year	Translation differences	Closing balance
Provision for additional consideration	411.9	1,484.5	-28.8	-11.5	30.8	0.7	1,887.5
Provision for personnel expenses	57.4	62.8	-16.6	-	24.5	-4.9	123.3
Provision for price reductions, returns, customer bonuses and complaints	284.8	0.0	-248.6	-3.6	218.9	-20.3	231.3
Provision for disputes and legal fees	40.4	-	-4.1	-24.1	9.0	-2.7	18.4
Other	6.9	0.9	-2.4	-0.1	1.8	-0.5	6.5
	<b>801.4</b>	<b>1,548.2</b>	<b>-300.5</b>	<b>-39.4</b>	<b>285.0</b>	<b>-27.6</b>	<b>2,267.0</b>

GROUP 31/03/2020	Opening balance	Business combinations	Amounts utilised	Reversal of reserve	Provision during year	Translation differences	Closing balance
Provision for additional consideration	47.2	-	-2.4	-	350.9	16.2	411.9
Provision for personnel expenses	26.4	22.3	-11.5	-	17.7	2.5	57.4
Provision for price reductions, returns, customer bonuses and complaints	312.8	52.0	-322.8	-12.3	239.7	15.4	284.8
Provision for disputes and legal fees	33.8	0.5	-4.1	-4.2	12.3	2.1	40.4
Other	9.2	5.7	-9.4	-	0.9	0.5	6.9
	<b>429.4</b>	<b>80.5</b>	<b>-350.2</b>	<b>-16.5</b>	<b>621.5</b>	<b>36.7</b>	<b>801.4</b>

## NOTE 37 CONTINUED

	PARENT COMPANY	
	31/03/2021	31/03/2020
Opening balance	3.6	-
Provision for additional consideration	217.3	3.6
	<b>220.9</b>	<b>3.6</b>
Of which expected to be settled within 12 months	-	-
Of which expected to be settled after 12 months	220.9	3.6

PARENT COMPANY 31/03/2021	Opening balance	Business combinations	Amounts utilised	Reversal of reserve	Provision during year	Translation differences	Interest expenses	Closing balance
Provision for additional consideration	3.6	78.6	0.0	0.0	132.9	-4.6	10.4	220.9
	<b>3.6</b>	<b>78.6</b>	<b>0.0</b>	<b>0.0</b>	<b>132.9</b>	<b>-4.6</b>	<b>10.4</b>	<b>220.9</b>

PARENT COMPANY  
31/03/2020

Provision for additional consideration	3.6	-	-	-	-	-	-	3.6
	<b>3.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.6</b>

**Provision for returns, price adjustments, customer bonuses and complaints**

The amounts for the period's provisions and amounts utilised during the period refer primarily to the cost of sold games and volume bonuses to customers.

**Additional consideration**

Contingent consideration of SEK 1,887.5 million has been

calculated in connection with 23 acquisitions. The final contingent consideration which corresponds to the provisions at 31 March 2021 is largely dependent on the revenue development for completed games over a certain period from the launch date.

The Group's provisions for earnouts, as of 31 March 2021, are expected to be paid out as shown in table below.

Provisions for conditional purchase price, SEK m	Financial year when settlement is expected				Total
	21/22	22/23	23/24	>24/25	
Provisions to be settled in cash	48.7	187.6	117.6	812.9	1,166.9
Provisions to be settled by shares <sup>1)</sup>	72.0	0.0	337.5	311.2	720.6
<b>Total</b>	<b>120.7</b>	<b>187.6</b>	<b>455.1</b>	<b>1,124.1</b>	<b>1,887.5</b>

<sup>1)</sup> The present value of the additional purchase prices has been calculated based on expected outcome. The provisions will vary over time depending on, among other things, the degree of fulfillment of the conditions for the additional purchase prices, the development of certain exchange rates versus the Swedish krona, the level of interest rate and the development of Embracer's share price. This means that the number of shares to be paid as additional purchase price can vary but never exceed 3,883,736 according to the earnout agreements. If all shares are issued, the dilution in capital will amount to 0.84% and 0.51% of the voting rights as of March 31, 2021.

Out of the 460.8 million shares outstanding there are approximately 55.1 million shares with clawback rights as per 31 March 2021. These shares have already been issued to cover for future earnout obligations

**Disputes and fees**

The provision for costs associated with disputes and fees is based on the expected outcome of active legal proceedings. The provision is based on the Group's assessment of the outcome after obtaining a legal opinion from independent legal experts. The change in the provision for disputes and fees is based on current risk assessments in the ongoing proceedings.

**Provision for personnel expenses**

Refers to expected payments over a future period of 40 years regarding contractual obligations for personnel (anniversary benefits, bonuses and other personnel provisions regarding post-employment benefits that are not pensions/termination benefits. These provisions relate to obligations in Austria, Italy, France and Spain).

## NOTE 38 NON-CURRENT LIABILITIES

The Group does not have any liabilities due for payment after five years.

## NOTE 39 CURRENT ACCOUNT CREDIT FACILITIES

	GROUP	
	31/03/2021	31/03/2020
Credit limit granted	7,697.1	3,230.5
Unutilised portion	-6,258.9	-1,461.0
<b>Utilised credit amount</b>	<b>1,474.2</b>	<b>1,769.5</b>
where of non current liabilities	246.0	221.8

	PARENT COMPANY	
	31/03/2021	31/03/2020
Credit limit granted	4,619.7	817.2
Unutilised portion	-4,391.3	-457.9
<b>Utilised credit amount</b>	<b>228.4</b>	<b>359.3</b>
where of non current liabilities	204.8	221.7

The Group's total cash & bank equivalents, short-term investments and unutilised credit facilities were SEK 20,512.6 million on 31 March 2021, compared with SEK 12,477.0 million on 31 December 2020.

## NOTE 40 ACCRUALS AND DEFERRED INCOME

	GROUP	
	31/03/2021	31/03/2020
Deferred income	372.9	313.6
Accrued personnel-related expenses	104.1	44.2
Accrued royalties/commission	566.2	53.2
Audit and consulting expenses	5.5	2.2
Accrued expenses for merchandise	0.4	0.6
Accrued interest payable, other	1.0	-
Provision for returns etc	4.2	-
Acquisition cost	26.2	-
Other items	32.2	20.4
	<b>1,112.7</b>	<b>434.3</b>

	PARENT COMPANY	
	31/03/2021	31/03/2020
Accrued personnel-related expenses	2.5	1.5
Audit and consulting expenses	2.0	1.6
Accrued Board fees	0.7	0.3
Accrued interest expenses	1.0	1.7
Other items	1.9	0.5
	<b>8.1</b>	<b>5.6</b>

## NOTE 41 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	GROUP	
	31/03/2021	31/03/2020
Pledged assets		
<i>Floating charges</i>	300.9	306.0
<i>IP-rights</i>	141.7	-
<i>Property mortgages</i>	61.4	67.5
<i>Shares in subsidiaries</i>	1,982.3	672.6
<b>Total pledged assets</b>	<b>2,486.3</b>	<b>1,263.3</b>
Contingent liabilities	27.7	27.8

### Contingent liabilities

The amount for both 2020/2021 and 2019/20 refers to guarantees for subsidiaries commitments within the Koch Media Group

	PARENT COMPANY	
	31/03/2021	31/03/2020
Pledged assets		
<i>Floating charges</i>	250.9	250.0
<i>Shares in subsidiaries</i>	3,185.9	1,429.0
<i>Receivables from Group companies</i>	198.3	266.5
<b>Total pledged assets</b>	<b>3,635.1</b>	<b>1,945.5</b>
Contingent liabilities		
Guarantees for subsidiaries	204.6	1.0

## NOTE 42 RELATED PARTY TRANSACTIONS

- > THQ Nordic GmbH has invoiced Game Outlet Europe AB<sup>3)</sup> for sold games and services amounting to SEK - (0.5) million.
- > Quantic Labs S.R.L.<sup>1)</sup> has invoiced THQ Nordic GmbH for QA-services amounting to SEK 8.4 (18.2) million.
- > Gaya Entertainment GmbH<sup>2)</sup> has invoiced Koch Media GmbH for merchandise sold amounting to SEK - (0.5) million.
- > Gaya Entertainment GmbH<sup>2)</sup> has invoiced THQ Nordic GmbH for merchandise sold amounting to SEK - (3.0) million.
- > Quantic Labs S.R.L.<sup>1)</sup> has invoiced Koch Media GmbH for services amounting to 0.3 MSEK (0.7).
- > Game Outlet Europe AB has invoiced Koch Media GmbH for services amounting to SEK - (0.1) million.
- > Nordic Games Group AB has invoiced Game Outlet Europe AB<sup>3)</sup> for services amounting to SEK 0.1 million (0.1).
- > Embracer Group AB also has a rental agreement with Lars Wingefors AB. Embracer Group AB paid SEK 0.1 (0.3) million in rent and an additional SEK - (1.7) million for equipment other services by companies in the Lars Wingefors AB-group.
- > Embracer Group signed a leasing agreement with Lars Wingefors AB regarding use of aircraft for business travel starting as of the financial year 2021/22.

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

<sup>1)</sup> 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. The Company was owned, until 18 November 2020, by Nordic Games Group AB, from that date it's a fully owned company by Embracer Group AB.

<sup>2)</sup> The Company was owned, until 5 June 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 5 June the Company is a part of Embracer Group.

<sup>3)</sup> The Company was owned, until 15 August 2019, by Nordic Games Group AB. From 15 August the Company is a part of Embracer Group.

#### NOTE 43 INTEREST PAID AND DIVIDEND RECEIVED

	GROUP	
	31/03/2021	31/03/2020
Interest received and exchange gains	280.2	64.6
Interest paid and realized	-33.3	-30.9
Income from associated companies	4.2	-

	PARENT COMPANY	
	31/03/2021	31/03/2020
Interest received on exchange gains	275.7	83.0
Interest paid and realized exchange losses	-46.6	-21.5

#### NOTE 44 OTHER CASH FLOW DISCLOSURES

Adjustments for non-cash items	GROUP	
	2020/21	2019/20
Depreciation/amortisation	3,508.4	1,475.9
Gains/losses on sale of non-current assets	-	-2.3
Profit shares in associated companies	-206.5	-
Other provisions	-7.4	-
Other non-cash movements	44.6	-126.3
	<b>3,346.5</b>	<b>1,347.3</b>

	PARENT COMPANY	
	2020/21	2019/20
Depreciation/amortisation	416.8	333.3
Exchange losses	830.8	-
Other	-27.3	9.4
	<b>1,220.3</b>	<b>342.7</b>

#### NOTE 45 CASH & BANK EQUIVALENTS

Components of cash & bank equivalents	GROUP	
	31/03/2021	31/03/2020
Bank deposits	14,104.4	2,317.6
Current investments	195.5	192.8
	<b>14,299.9</b>	<b>2,510.4</b>

Components of cash & bank equivalents	PARENT COMPANY	
	31/03/2021	31/03/2020
Bank deposits	12,198.1	1,761.8
Current investments	195.5	192.7
	<b>12,393.6</b>	<b>1,954.5</b>

## NOTE 46 ACQUISITIONS OF SUBSIDIARIES

Acquisitions in 2020/21			GROUP
Company	Operations	Acquisition date	Capital and votes
Saber Interactive Inc (US)	Game developer and publisher	01/04/2020	100%
Saber Interactive Spain SLU (ES)	Studio	01/04/2020	100%
SM2 Games Factory SLU (ES)	Studio	01/04/2020	100%
Binary Motion AB	Studio	01/04/2020	100%
Saber BGS LLC (BY)	Studio	01/04/2020	100%
Saber Porto (PT)	Studio	01/05/2020	100%
ALKIMIA INTERACTIVE SL	Studio	01/07/2020	100%
Pow Wow Entertainment	Studio	11/08/2020	100%
Vermila Studios	Studio	12/08/2020	100%
Rare Earth Games	Studio	13/08/2020	100%
DECA Live Operations GmbH	Mobile developer	13/08/2020	100%
DECA Games EOOD	Studio	13/08/2020	100%
4A Games Limited (Malta)	Studio	13/08/2020	100%
LLC AAAA Group (Ukraine)	Studio	13/08/2020	100%
Palindrome Interactive AB	Studio	13/08/2020	100%
4A Games Bratislava s.r.o.	Studio	31/08/2020	100%
THQ Nordic Holding Inc (US)	Holding company	31/08/2020	100%
Rainbow Studios Inc	Studio	01/09/2020	100%
DESTINYbit	Studio	01/09/2020	100%
New World Interactive Ltd (US)	Studio	01/09/2020	100%
Vertigo Games Holding B.V (NE)	Studio	16/09/2020	100%
New World North Ltd (CA)	Studio	31/10/2020	100%
Ashborne games s.r.o.	Studio	31/10/2020	100%
Rainbow Studios Montréal	Studio	18/11/2020	100%
Silent Games Ltd	Studio	18/11/2020	100%
QL Holding AB	Holding company	18/11/2020	100%
Quantic Lab SRL	Quality assurance	18/11/2020	95%
NGD Studios AB	Studio	18/11/2020	100%
NGD Studios S.A.	Studio	18/11/2020	100%
34 BigThings S.r.l.	Studio	18/11/2020	100%
More Space GmbH	Studio	18/11/2020	100%
Purple Lamp Studios GmbH	Studio	18/11/2020	100%
Purple Lamp Game Development GmbH	Studio	25/11/2020	100%
Mad Head Games d.o.o. Novi Sad	Studio	26/11/2020	100%
Quantic Lab UK Limited	Quality assurance	07/12/2020	100%
Snapshot Games Inc	Studio	07/12/2020	100%
Snapshot Games Sofia EOOD	Studio	11/12/2020	100%
Sandbox Strategies LLC	Game relations agencies	01/02/2021	100%
Zen Studios	Studio	24/02/2021	100%
IUGO Mobile Entertainment Inc.	Studio	24/02/2021	100%
Embracer CallCo IU Inc	Holding company	24/02/2021	100%
Embracer ExchangeCo IU Inc	Holding company	25/02/2021	100%
A Thinking Ape Entertainment Ltd.	Studio	25/02/2021	100%
Embracer Canada ATA Holdings Inc	Holding company	25/02/2021	100%
Flying Wild Hog (PL)	Studio	01/03/2021	100%
Embracer ExchangeCo ATA Inc	Holding company	24/03/2021	100%
Frame Break AB	Studio	25/03/2021	100%

Net sales of SEK 1,500.9 million refer to the acquired companies' contribution to the Group's 2020/21 sales from the time of acquisition. In addition to the above companies, a number of smaller studios and holding companies were started during the financial year 2020/21.

## NOTE 47 GROUP INFORMATION

Of the Parent Company's total purchases and sales measured in SEK. 2.0 (52.4) percent of purchases and 100.0 (84.0) percent of sales are related to other companies within the group of companies to which the company belongs.

## NOTE 48 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

> On February 3, 2021 Embracer Group AB and its subsidiaries entered into agreements regarding the acquisition of Aspyr Media, Easybrain and Gearbox Entertainment. All conditions for the transactions have been fulfilled and the transactions were completed on April 6, 2021. The acquired companies will be consolidated into Embracer Group's consolidated financial statements as of April 1, 2021. The aggregated day one purchase price for the transactions amounts to approximately SEK 9.3 billion in total, on a cash and debt free basis. Approximately SEK 2.5 billion is paid in cash and approximately SEK 6.8 billion is paid in newly issued B shares of the company. A maximum additional consideration amounting to SEK 12.5 billion on an aggregated basis can be paid, subject to fulfilment of agreed financial and operational milestones, during a period of up to 7 years. The additional consideration comprises a maximum of approximately SEK 7.0 billion to be paid in cash and approximately SEK 5.5 billion to be paid in B shares of the company.

> On May 5, 2021 Embracer Group AB through its subsidiaries THQ Nordic GmbH has entered into three acquisition agreements to acquire 100% each of Appeal Studios S.A., KAIKO GmbH and Massive Miniteam GmbH. The aggregated day one purchase price for all three acquisitions amounts to approximately SEK 70 million on a cash and debt free basis.

> THQ Nordic GmbH has founded and incorporated Gate21 d.o.o in Sarajevo, Bosnia and Herzegovina. The team will enable THQ Nordic GmbH to have world-class 3D characters using the most advanced character and facial rigs in development projects.

> On June 28, 2021 Embracer Group AB secured an unsecured multicurrency revolving credit facility of SEK 6.0 billion arranged by the leading Nordic banks Nordea, SEB and Swedbank. The facility has a tenor of three years which may be extended by up to two years and it refinances in total SEK 4.4 billion in facilities with Nordea maturing in July 2021 and May 2022.

The terms and conditions for the new facility have been improved, including a lower credit margin for utilized debt. The existing relationships with about a dozen international banks on operating group level will be maintained in addition to the facility. The average borrowing rate across Embracer Group is expected to be well below 1.0 percent going forward.

The facility will be part of Embracer's liquidity reserves and improves the Group's strategic flexibility. Total cash at hand and available credit facilities amounted to approximately SEK 19 billion at the end of June 2021.

> On August 5, 2021 Embracer Group announced eight acquisitions that will contribute an estimated SEK 2,000-3,000 million in net sales and SEK 350-550 million in operational EBIT during FY 2022/23. The transactions improve the group's capabilities within mobile publishing and development, indie development, VR development as well as story driven, retro shooter and other development for PC/consoles. For the remaining quarters of the current financial year ending March 31, 2022, the run rate contribution is expected to be in the lower end of the above-mentioned ranges. Crazy Labs is the most impactful contributor, both in net sales and operational EBIT, and the acquisition is expected to be completed in the back end of the current quarter ending September 30, 2021.

The aggregated day one purchase price for the transactions amounted to approximately SEK 2.7 billion in total, on a cash and debt free basis. Approximately SEK 2.1 billion is paid in cash and SEK 0.6 billion is paid in newly issued Embracer B shares. To create long term alignment, a maximum additional consideration amounting to SEK 2.0 billion on an aggregated basis has been agreed which is subject to fulfilment of agreed milestones, both operational and financial, over a period of up to eight years. The additional consideration comprises of a maximum of approximately SEK 1.0 billion to be paid in cash and approximately SEK 1.0 billion to be paid in Embracer B shares. The aggregated maximum consideration amounts to SEK 4.7 billion. The estimated surplus value that will be in the preliminary PPA amounts to approx. SEK 4.5 billion. This will be amortized according to Embracer's current accounting principles straight over 5 years.

The management teams of acquired companies have ambitious plans for profitable growth in the coming years and the earn outs are constructed to incentivize this.

>> On August 18, 2021 Embracer published the interim report for the first quarter 2021/22.

- Net sales increased by 66% to SEK 3,426.6 million (2,068.7).
- EBITDA increased by 59% to SEK 1,532.2 million (965.2), corresponding to an EBITDA margin of 45% (47%).
- Operational EBIT increased by 79% to SEK 1,271.3 million (711.8) corresponding to an Operational EBIT margin of 37% (34%).
- Cash flow from operating activities amounted to SEK 617.3 million (732.3). Investments in intangible assets amounted to SEK 828.7 million (494.5). Free Cash Flow amounted to SEK -259.7 million (204.1).
- Adjusted earnings per share was SEK 2.30 (1.51).
- Organic growth in constant currency for the Games Business Area amounted to 10% in the quarter.
- Total game development projects increased 44% to 180 (125).
- Total headcount increased 98% to 7,886 (3,975) where total game developers increased 101% to 6,387 (3,185).

> On August 18, 2021 Embracer Group, through its subsidiary Saber Interactive, announced three acquisitions. Smart Phone Labs (Russia), Fractured Byte (Estonia) and Demiurge Studios (US), which will add more than 200 new employees to the group. The purchase price was not disclosed for these acquisitions.

An extra general meeting was held on Monday 23 August 2021. In accordance with Embracer's strategy to enable payment with shares in connection to acquisitions or otherwise raise capital to Embracer it was decided in accordance with the Board's proposal to approve a new authorization of 10 percent. The authorization corresponds to the authorization resolved on by the extra general meeting held on 26 February 2021. The authorization replaces the same, whereby the remaining shares under the authorization from the extra general meeting on 26 February 2021 will not be utilized.

## NOTE 49 KPI DEFINITIONS

*Average number of employees:* Number of employees in average during the period.

*EBITDA:* Earnings before interest, taxes, depreciation and amortisation

*EBIT margin:* EBIT as a percentage of net sales

*Equity/assets ratio:* Equity as a percentage of total assets.

*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.

*Operating margin:* Operating profit divided by net sales.

Karlstad, 25 August 2021

Kicki Wallje-Lund  
*Chairman*

David Gardner

Ulf Hjalmarsson

Jacob Jonmyren

Matthew Karch

Erik Stenberg

Lars Wingefors  
*CEO*

Our audit report was submitted on 25 August 2021

*Ernst & Young AB*

Johan Eklund  
*Authorised Public Accountant*

# AUDITOR'S REPORT

To the general meeting of the shareholders of Embracer Group AB (publ), corporate identity number 556582-6558

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Embracer Group AB (publ) for the financial year 2020-04-01 – 2021-03-31. The annual accounts and consolidated accounts of the company are included on pages 91-130 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 March 2021 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-90. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- > Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- > Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Embracer Group AB (publ) for the financial year 2020-04-01 – 2021-03-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that

the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### **Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### **Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- > has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- > in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree

of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the

operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Karlstad, 25 August 2021  
Ernst & Young AB

Johan Eklund  
*Authorized Public Accountant*

# SHAREHOLDER INFORMATION

## ANNUAL GENERAL MEETING 16 SEPTEMBER

The shareholders of Embracer Group AB, reg. no. 556582-6558, (the "Company") are hereby invited to the annual general meeting on Thursday 16 September 2021 at 15.00 CET at Karlstad CCC Tage Erlandergratan 8 in Karlstad.

## INFORMATION WITH RESPECT TO THE CORONAVIRUS

Due to the development of the coronavirus the goal is that the annual general meeting shall be swift and effective to minimize spread of disease. Shareholders should carefully consider the possibility to vote in advance, please see below, as well as the possibility of participating by way of proxy. Shareholders who display symptoms of infection (dry cough, fever, respiratory distress, sore throat, headache, muscle and joint ache), have been in contact with people displaying symptoms, have visited a risk area, or belong to a risk group, are in particular encouraged to utilize such possibility. The board of directors of the Company has resolved on the following measures to minimize the risk of the spread of the coronavirus at the general meeting:

- > Possibility to vote in advance and participate via video conference
- > Registration for the general meeting will commence at 14.30.
- > Only a few external guests will be invited, a maximum of 50 persons.

The Company follows the development and the recommendations of the authorities and will, if necessary, update the information about the annual general meeting on the Company's website, [www.embracer.com](http://www.embracer.com).

## RIGHT TO ATTEND AND NOTIFICATION

Shareholders who wish to attend the annual general meeting must:

- i. on the record date, which is Wednesday 8 September 2021, be registered in the share register maintained by Euroclear Sweden AB; and
- ii. notify the company of their participation and any assistants (no more than two) in the annual general meeting no later than Friday 10 September 2021. The notification shall be in writing to Embracer Group AB, Attn: Ian Gulam, Älvgatan 1, 652 25 Karlstad, Sweden (kindly mark the envelope "Embracer annual general meeting 2021"), or via e-mail: [ian.gulam@embracer.com](mailto:ian.gulam@embracer.com). The notification should state the name, personal/corporate identity number, shareholding, share classes address and telephone number and, when applicable, information about representatives, counsels and assistants. When applicable, complete authorization documents, such as registration certificates and powers of attorney for representatives and assistants, should be appended the notification.

## NOMINEE SHARES

Shareholders, whose shares are registered in the name of a bank or other nominee, must temporarily register their shares in their own name with Euroclear Sweden AB in order to be entitled to participate in the general meeting. Such registration, which normally is processed in a few days, must be completed no later than Wednesday 8 September 2021 and should therefore be requested from the nominee well before this date. Voting registration requested by a shareholder in such time that the registration has been made by the relevant nominee no later than on Friday 10 September 2021 will be considered in preparations of the share register.

## PROXY ETC.

Shareholders represented by proxy shall issue dated and signed power of attorney for the proxy. If the proxy is issued by a legal entity, attested copies of the certificate of registration or equivalent authorization documents, evidencing the authority to issue the proxy, shall be enclosed. The proxy must not be more than one year old, however, the proxy may be older if it is stated that it is valid for a longer term, maximum five years. A copy of the proxy in original and, where applicable, the registration certificate, should in order to facilitate the entrance to the general meeting, be submitted to the Company by mail at the address set forth above and at the Company's disposal no later than on 10 September 2021. The proxy in original and, when applicable, the certificate of registration must be presented at the general meeting. Certificate of proxies are also accepted. A proxy form will be available on the Company's website, [www.embracer.com](http://www.embracer.com), and will also be sent to shareholders who so request and inform the Company of their postal address.

## ADVANCE VOTING

The shareholders may exercise their voting rights at the general meeting by voting in advance, so called postal voting in accordance with section 3 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. The Company encourages the shareholders to use this opportunity in order to minimize the number of participants attending the general meeting in person and thus reduce the spread of the infection.

A special form shall be used for advance voting. The form is available on [www.embracer.com](http://www.embracer.com). A shareholder who is exercising its voting right through advance voting do not need to notify the Company of its attendance to the general meeting. The advance voting form is considered as the notification of attendance to the general meeting.

The completed voting form must be at the Company's disposal no later than on Friday 10 September 2021. The completed and signed form shall be sent to the address stated under "Right to attend and notification" above. A completed form may also be submitted electronically and

is to be sent to [ian.gulam@embracer.com](mailto:ian.gulam@embracer.com). If the shareholder is a legal entity, a certificate of incorporation or a corresponding document shall be enclosed to the form. The same apply for shareholders voting in advance by proxy. The shareholder may not provide special instructions or conditions in the voting form. If so, the vote is invalid.

Further instructions and conditions is included in the form for advance voting.

#### **ATTEND REMOTELY**

The shareholders might attend the general meeting either physically, in person or by proxy, or remotely (via video conference) and vote in advance. Those who are willing to attend remotely and would like to utilize their voting rights *cannot* do so by video conference and must instead participate via proxy or vote in advance to utilize their voting rights. The Company will prior to the annual general meeting announce information about attendance at the general meeting remotely.

For online participants, the following rules apply (which the participant accepts by choosing to participate online). There will be no opportunity to vote, speak, present proposals or objections or request voting. As it is not possible to verify if any external persons are attending the meeting online, the opportunity to participate online requires that the meeting resolves that also persons who are not shareholders shall have the right to attend the meeting.

#### **IR CONTACT**

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*Founder & CEO*

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You are also welcome to ask a question or make an enquiry by email: [ir@embracer.com](mailto:ir@embracer.com)

# CONTACTS

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# MEMBRACER GROUP ANNUAL REPORT 2020/2021