

# EMBRACER<sup>+</sup> GROUP

21/22

## INTERIM REPORT 2

JULY – SEPTEMBER 2021  
EMBRACER GROUP AB (PUBL)  
REG NO. 556582-6558

### OPERATIONAL EBIT INCREASED 49% TO SEK 973 MILLION

#### SECOND QUARTER, JULY–SEPTEMBER 2021 (COMPARED TO JULY–SEPTEMBER 2020)

- > Net sales increased by 38% to SEK 3,296.4 million (2,383.2).
- > Net sales of the Games business area increased by 89% to SEK 2,831.1 million (1,495.4). THQ Nordic SEK 374.0 million (566.9), Koch Media Publishing SEK 584.7 million (506.8), Coffee Stain SEK 120.4 million (129.9), Saber Interactive SEK 462.9 million (259.1), DECA Games SEK 248.8 million (32.7), Gearbox Entertainment SEK 433.6 million (-) and Easybrain SEK 606.7 million (-).
- > Net sales of Partner Publishing/Film business area amounted to SEK 465.3 million (887.8).
- > EBITDA increased by 69% to SEK 1,640.0 million (969.0), corresponding to an EBITDA margin of 50% (41%). Remeasurement of participation in associated company Ghost Ship Games amounted to SEK 416.8 million in the quarter (and is included in reported EBITDA, but excluded from Operational EBIT).
- > Operational EBIT increased by 49% to SEK 973.4 million (652.5) corresponding to an Operational EBIT margin of 30% (27%).
- > Cash flow from operating activities amounted to SEK 1,024.0 million (804.7). Investments in intangible assets amounted to SEK 916.5 million (484.1). Free Cash Flow before change in working capital amounted to SEK 171 million (358.9).
- > Adjusted earnings per share was SEK 0.65 (0.90). Adjusted EPS after exclusion of unrealized and realized fx gains/losses and discount interest effect on provisions was 0.81 (0.80).
- > Organic growth in constant currency for the Games Business Area amounted to -9% in the quarter. Proforma growth in constant currency for the Games Business Area amounted to 11% in the quarter.
- > Total game development projects increased 46% to 197 (135).
- > Total headcount increased by 104% to 9,064 (4,445) and the total number of game developers increased by 108% to 7,470 (3,593). Organic growth for internal headcount in the Group was 25%.

Key performance indicators, Group	Jul–Sep 2021	Jul–Sep 2020	Apr–Sep 2021	Apr–Sep 2020	Apr 2020– Mar 2021
Net sales, SEK m	3,296.4	2,383.2	6,723.0	4,451.9	9,024.2
EBITDA, SEK m	1,640.0	969.0	3,172.3	1,934.0	3,985.3
Operational EBIT, SEK m	973.4	652.5	2,244.7	1,364.3	2,870.8
Cash flow from operating activities, SEK m	1,024.0	804.7	1,641.3	1,537.0	3,899.0
Free cash flow before change in working capital, SEK m	17.1	358.9	483.2	700.5	1,552.0
Total investments in intangible assets, SEK m	916.5	484.1	1,745.2	978.5	2,135.2
Total game development projects	197	135	197	135	160
Total internal and external game developers	7,470	3,593	7,470	3,593	5,115
Total headcount	9,064	4,445	9,064	4,445	6,325
Sales growth, %	38	89	51	85	72
EBITDA margin, %	50	41	47	43	44
Operational EBIT margin, %	30	27	33	31	32

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

**CEO COMMENTS****ANOTHER STABLE QUARTER  
WITH OPERATIONAL EBIT UP 49%  
TO SEK 973 MILLION**

*The Group reports another stable quarter. Both net sales and operational EBIT grew in line with management expectations. We are 8 operating groups, 17 publishers, 82 studios, and are engaging over 9,000 people. Our pipeline includes 25 AAA releases until March 2026, and as we always put quality first, two of these are postponed from FY 21/22 to FY 22/23. We forecast Operational EBIT: FY 21/22 SEK 4,300-4,700 million, FY 22/23 SEK 7,000-8,500 million, FY 23/24 SEK 7,500-10,000 million. IFRS-reporting is scheduled to begin as of Q1 FY 22/23 and listing to Nasdaq Stockholm's regulated main market to follow no later than June 2023.*

Group net sales increased by 38% to SEK 3,296 million (2,383), whereof the Games business area contributed SEK 2,831 million (1,495), an 89% increase. Operational EBIT grew by 49% to SEK 973 million (652) with an increasing Operational EBIT margin of 30% (27%). Cash flow from operating activities amounted to SEK 1,024 million (805) and investments in game development amounted to a record SEK 881 million (445) to drive future organic growth.

**25 AAA releases planned until March 2026 including two postponed releases from FY 21/22**

Embracer Group is in better shape than ever before. We have eight scalable operating groups and within these, 17 publishers and more than 80 studios with amazing talents working on close to 200 ongoing game development projects. We are now more than 9,000 people engaged on a daily basis across the group – of which close to 7,500 games developers. Our organic growth strategy pays off and we have been able to grow the number of employees organically with 25% year over year. We have consistently invested in our project pipeline over the past five years and are well positioned to grow faster than the overall gaming market in the long term. We have one of the largest and most diversified portfolios of game franchises in the industry. This gives us a position of strength and enables our operative groups always to make the right longterm decisions. In order to put the product quality first and optimize the outcome for all parties - gamers, employees, shareholders – we have decided to postpone a number of releases from FY 21/22 to FY 22/23. This includes Saints Row and another unannounced but earlier expected AAA title in the fourth quarter.

Looking ahead in the current financial year, we are now expecting to complete games in the third quarter in the range of SEK 350-400 million followed by SEK 400-600 million in the fourth quarter. Our business has the past year changed notably with more revenues from Live Ops, mobile games and development/work for hire. This means that the forecasted completion value is a less relevant KPI to measure the business going forward. Hence, we have decided to cease to give a forecasted range of completed games from this quarterly and move over to Operational EBIT forecast going forward.

In the coming years, we are now expecting to release 25 AAA titles across the group until the end of the financial year ending March 2026. All these are all large premium game projects with development teams of between 100 and 250 at peak, and are all expected to be multi-million sellers backed with notable or significant marketing budgets. 11 of them are in full production, 6 under pre production and 8 in concept phase. 23 games are developed at internal studios.

**Management forecasts higher profitability and significant growth the coming years**

The management expects stronger profitability over the coming years than earlier, mainly driven by a greater pipeline of new products (including the delayed titles from FY 21/22), a continued strong back catalogue and live ops business within premium PC/console/VR segment as well as a healthy growth within the free-to-play mobile segment.

Operational EBIT forecast for the coming years:

FY 21/22	SEK 4,300-4,700 million
FY 22/23	SEK 7,000-8,500 million
FY 23/24	SEK 7,500-10,000 million

The forecast does not include any new M&A.

**Stable performance from our mobile businesses growing 26%.**

Our combined mobile business, with DECA Games, A Thinking Ape, IUGO, Easybrain and CrazyLabs (acquired in the quarter) had an impressive proforma sales growth of 26% during the quarter, despite the changes in Apple IDFA. Our mobile businesses combined had 32 million daily active users, 271 million monthly active users and 350 million total installs on a proforma basis. Easybrain announced that their titles reached the milestone of 1 billion total installs from App Store and Google Play with an all-time-high revenue of SEK 607 million in the quarter.

Despite growing the Games business with 89% in the quarter, we had an underlying negative organic CCY growth of -9% due to tough comps from THQ Nordic record quarter last year. Our acquired businesses the past year grow close to 30% resulting in proforma growth at +11%. Our premium PC/console/VR businesses primarily relied on back catalog sales in the quarter and only a few new releases contributed to sales. The most important new releases, *Hot Wheels Unleashed*, *Insurgency Sandstorm* (console) and *World War Z Aftermath* were successfully released during the last days of the quarter. Saber Interactive had a record performance in the quarter with net sales of SEK 463 million and strong Operating EBIT margin. Saber is intensively working on realizing synergies both within Saber group as well as across the wider group eco-system.

**IFRS Conversion and listing on Nasdaq Stockholm**

Our process to convert to the reporting standard IFRS is underway. We believe that this will facilitate investors' understanding of our financial development as well as improve comparisons to peers while streamlining reporting procedures throughout the group. This is the most comprehensive step needed in the process to have the shares up-listed on a regulated market eventually. Significant progress has been made and the conversion date has now been set to 1 April 2022, which means the first quarterly report in August 2022 for FY 22/23 will be made under IFRS. The listing change will take place after the publication of our first quarterly report under IFRS, but no later than June 2023.

**Review of long-term financial leverage**

As a consequence of an expected improvement in absolute profits and free cash flow from our core business area Games in the coming years, the board of directors has initiated a review of the Group's long-term financial leverage target, including likely cash payments for deferred M&A considerations. The outcome will be announced as soon as the review is concluded, but at the latest in connection with our Q3 report in February 2022.

**Continued good pace on M&A**

Acquisitive growth has been a strategic pillar for Embracer Group in the past and will remain so in the future. Currently, we have SEK 7.1 billion in net cash and SEK 16.2 billion in available cash, including credit facilities. Most of our contemplated transactions relate to talent and IP acquisitions with the purpose of strengthening our existing operating groups. We see increasing benefits from adding new studios to our growing ecosystem. We can create more content with a higher quality in a shorter time frame by cooperating across the Embracer network of studios and between operating groups.

We continue to have a number of active dialogues with entrepreneurs, management teams and owners across gaming and entertainment about larger, more transformative transactions, which would create new operating groups. We see benefits from adding additional scale and diversification across premium and free-to-play Gaming, but also adding capabilities to develop true transmedia IP's. We are also intrigued by the prospect of strengthening our geographical reach and improving our technology capabilities. That said, our principles remains unchanged. We will never force a deal for the sake of making a deal, but rather let it take adequate time. It is no different from the quality comes first approach in making games. In the past 12 months, we have made 37 acquisitions and expect to do a similar amount of transactions over the coming 12 months. We currently have a large range of active processes and dialogues, including a good number of signed exclusive term sheets.

#### **ESG-focus on people**

Our current financial year focuses on social sustainability through our framework "Smarter Business" pillar Great People. Based on the materiality analysis, with external and internal stakeholders, our prioritized areas are Diversity & Inclusion, Worklife Balance, and Creativity & Independence. During this quarter, we have initiated different projects within that area.

To further strengthen the parent company capabilities within the sustainability area we are happy to welcome Emma Ihre as the Head of sustainability, starting early next year. Emma brings in senior experience in the area and has a relevant background to accelerate our efforts within ESG.

The still ongoing pandemic has to some extent had an adverse effect on productivity in studios due to a long-lasting period of work from home. Throughout the group, we try the best way forward in the "new normal" with home-office and hybrid solutions as societies slowly open up again.

We are humbled about that remote work has enabled new ways of talent recruitment, but also increased competition for talent globally. Talent scouting and recruitment within the industry are increasingly taking place online across countries and markets.

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

November 17, 2021, Karlstad, Värmland, Sweden

Lars Wingefors  
*Co-founder & Group CEO*



# FINANCIAL PERFORMANCE

All comments refer to the quarter unless otherwise stated.

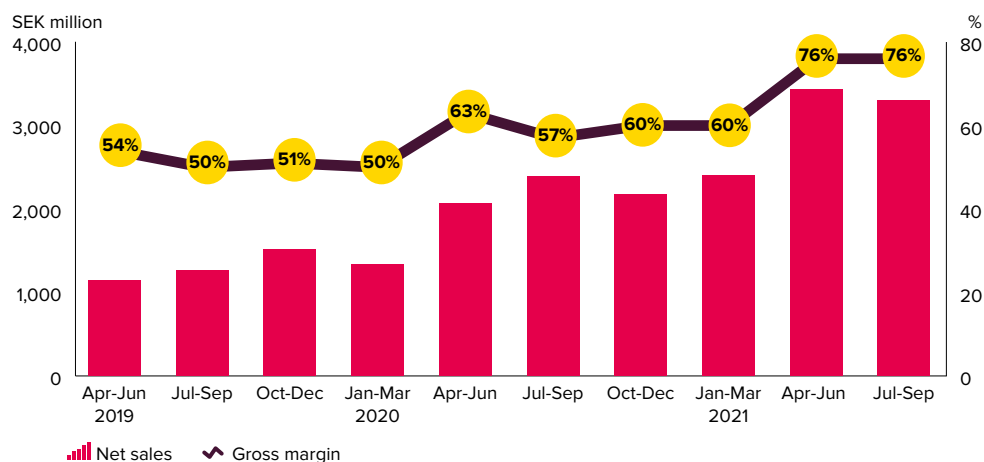
## CONSOLIDATED NET SALES

Consolidated net sales by business area. SEK m	Jul-Sep 2021	Jul-Sep 2020	Change	Apr-Sep 2021	Apr-Sep 2020	Apr 2020-Mar 2021
Games - THQ Nordic	374.0	566.9	-34%	1,042.7	1,054.7	1,789.1
Games - Koch Media Publishing	584.7	506.8	15%	1,222.3	1,119.5	2,081.2
Games - Coffee Stain	120.4	129.9	-7%	311.1	302.4	1,182.5
Games - Saber Interactive	462.9	259.1	79%	767.9	608.2	1,185.9
Games - DECA Games	248.8	32.7	661%	394.3	32.7	209.7
Games - Gearbox Entertainment	433.6	-	-	870.6	-	-
Games - Easybrain	606.7	-	-	1,183.2	-	-
<b>Games Subtotal</b>	<b>2,831.1</b>	<b>1,495.4</b>	<b>89%</b>	<b>5,792.0</b>	<b>3,117.5</b>	<b>6,448.3</b>
Partner Publishing/Film	465.3	887.8	-48%	931.0	1,334.4	2,575.9
<b>Consolidated Net Sales</b>	<b>3,296.4</b>	<b>2,383.2</b>	<b>38%</b>	<b>6,723.0</b>	<b>4,451.9</b>	<b>9,024.2</b>

Consolidated net sales in the quarter increased by 38% or SEK 913.2 million compared to last year. The growth was driven by the addition of Easybrain, Gearbox Entertainment and DECA Games as well as new releases, a continued strong interest in titles released in previous quarters and long-lasting top sellers from previous financial years. The solid growth in Saber Interactive was driven by two releases in the quarter and by the addition of Aspyr. The decrease in net sales for THQ Nordic mainly relates to no new significant releases in the quarter compared to last year, which included notable releases. Organic growth in constant currency for the Games Business Area amounted to -9% in the quarter.

The decrease in net sales of the Partner Publishing/Film business area is mainly due to the absence of larger releases in the quarter compared to last year which included larger releases *F1 2020* and *Marvel Avengers*.

## GROSS MARGIN DEVELOPMENT

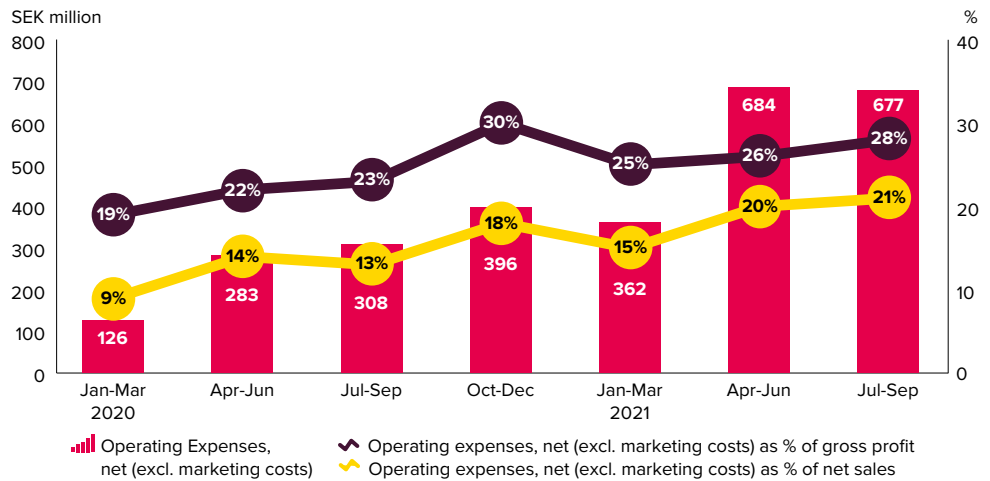


The improved gross margin is due to a favorable product mix shift towards business area Games and coupled with a margin expansion in business area Games as a result of the addition of Gearbox Entertainment and Easybrain.





## DEVELOPMENT OF OPERATING EXPENSES EXCLUDING MARKETING COSTS

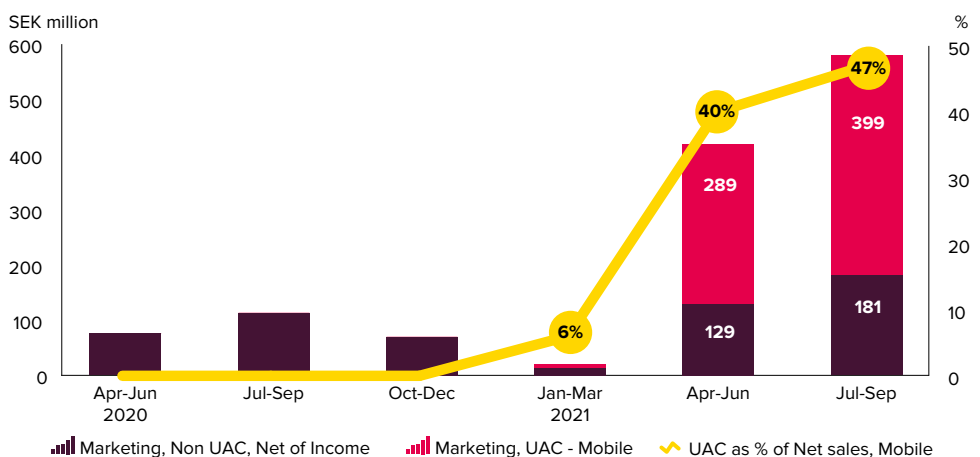


The development of net operating expenses is stable compared to the previous quarter. The increase in net operating expenses compared to last year is mainly explained by the addition of Gearbox Entertainment and Easybrain in April 2021.

The business model of Gearbox Entertainment includes larger co-publishing projects that are accounted for under the percentage of completion method. The percentage of completion method means that revenues are recognized as a percentage of total project income as work is performed and expenses incurred, where timing differences are recorded in working capital as opposed to intangible assets. Based on the current business model of Easybrain it has been concluded that development expenses should be expensed as occurred, hence there are no capitalization of development expenses related to Easybrain.

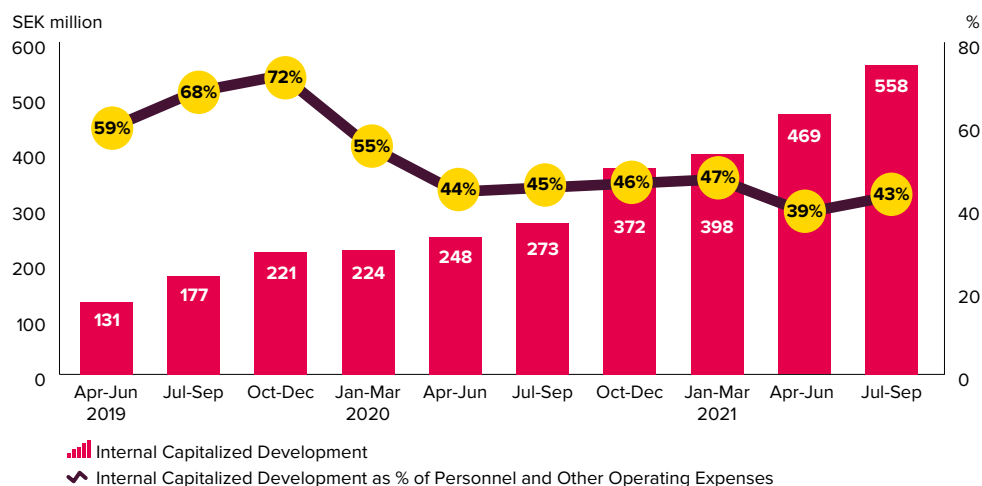
Other operating expenses includes remeasurements of contingent consideration. The remeasurement is mainly related to Milestone and amounts to SEK 271 million. The remeasurement is due to an increased contingent consideration due to better performance than expected in the finalized PPA. The amount is excluded from Operational EBIT.

## DEVELOPMENT OF MARKETING COSTS



The increased user acquisition costs (UAC) in the quarter are explained by the addition of CrazyLabs and continued investments by the existing mobile companies to drive further organic growth. The UAC in CrazyLabs amounted to SEK 60 million for one month. Non-UAC marketing costs in the period includes marketing costs related to up-coming AAA-titles. Marketing costs are expensed as occurred and never capitalized, although benefits are expected to be realized over time.

## INTERNAL INVESTMENTS - CAPITALIZATION RATE



The internal capitalized development amounts to SEK 558 million for the quarter or 43% of the total of personnel and other operating expenses.

## OPERATIONAL DEPRECIATION AND AMORTIZATION EXPENSES

Operational depreciation and amortization, SEK m	Jul-Sep 2021	Jul-Sep 2020	Apr-Sep 2021	Apr-Sep 2020	Apr 2020–Mar 2021
<b>Intangible assets</b>					
Finalized game development	220.8	222.2	435.7	413.3	814.9
Other intangible assets (Film etc.)	32.0	43.4	60.6	97.8	217.0
<b>Sub-total</b>	<b>252.8</b>	<b>265.7</b>	<b>496.3</b>	<b>511.2</b>	<b>1,031.9</b>
<b>Tangible assets</b>	<b>24.2</b>	<b>9.3</b>	<b>41.7</b>	<b>17.2</b>	<b>41.2</b>
<b>Total operational depreciation and amortization</b>	<b>277.1</b>	<b>275.0</b>	<b>538.0</b>	<b>528.3</b>	<b>1,073.2</b>

Operational amortizations for finalized game development is driven by the value of completed games and the timing of completion as the amortizations are calculated on a monthly basis.

Operational amortization of games amounted to SEK 220.8 million in the quarter, and the value of finalized game development in the quarter amounted to SEK 281 million. At the end of the quarter the book value of finalized games amounted to SEK 793.6 million.

## ACQUISITION-RELATED AMORTIZATION EXPENSES

Acquisition-related depreciation, SEK m	Jul-Sep 2021	Jul-Sep 2020	Apr-Sep 2021	Apr-Sep 2020	Apr 2020–Mar 2021
IP-rights	223.3	104.2	441.1	206.4	456.4
Surplus value Partner Publishing/Film	14.4	15.3	28.1	30.4	54.1
Goodwill	1,584.7	401.1	3,148.7	776.4	1,924.9
<b>Total acquisition-related depreciations</b>	<b>1,822.4</b>	<b>520.6</b>	<b>3,617.9</b>	<b>1,013.2</b>	<b>2,435.4</b>

Forecasted acquisition-related amortizations for the quarter amounted to SEK 1,900 million, which is SEK 77.6 million higher than actual. The difference is mainly explained by the difference in Embracer's share price at completion date, the VWAP share price as set forth in the relevant share purchase agreement and the resulting revaluation of goodwill due to changes of conditional purchase price within 12 months as mentioned below under "Conditional Purchase Price Overview". After 12 months any changes in conditional purchase price will affect the P/L.

The increase in acquisition related depreciations in the quarter, compared to same period last year, is explained by that more acquisitions were completed during the year where Gearbox Entertainment, Easybrain, Aspyr, CrazyLabs and Ghost Ship Games account for the largest portion.

## PROFIT FROM ASSOCIATED COMPANIES

Profit from associated companies in the quarter amount to SEK 427.7 million and is mainly related to the SEK 416.7 million remeasurement of participation in associated companies from acquiring 100% of the shares in Ghost Ship Games previously owned by 30%. The remeasurement gain has been excluded from the calculation of operational EBIT. The profit share from Iron Gate amounts to SEK 7.3 million in the quarter of a total profit share amounting to SEK 10.9 million, which should be viewed together with the gross margin generated.

## FINANCIAL NET

MSEK	Jul-Sep 2021	Jul-Sep 2020	Apr-Sep 2021	Apr-Sep 2020	Apr 2020– Mar 2021
Interest income and similar items	0.7	13.5	0.7	15.3	59.2
Interest expenses and similar items	-50.8	-13.4	-111.3	-21.5	-78.8
Exchange gains/losses net	-163.9	90.1	-2.0	60.7	222.8
<b>Financial net sum, SEK m</b>	<b>-214.0</b>	<b>90.2</b>	<b>-112.6</b>	<b>54.6</b>	<b>203.2</b>

Interest income and similar items also include other financial income. Interest expenses and similar items also include other financial expenses. Exchange gains/losses net include both realized and unrealized gains or losses. The increase in interest expenses relate mainly to the discount effect on provisions for conditional purchase prices.

## CONSOLIDATED EARNINGS

The increase of the Group's EBITDA, from SEK 969.0 million to SEK 1,640.0 million, and Operational EBIT, from SEK 652.5 million to SEK 973.4 million, for the quarter is mainly explained by the increase in net sales and improved gross margin compared to the same period last year.

The increase in Operational EBIT fell through to EBIT but was offset by increased acquisition-related amortizations of SEK 1,301.8 million. EBIT decreased, from SEK 173.4 million to SEK -459.5 million, in the quarter.

## CONSOLIDATED CASH FLOW AND FINANCIAL POSITION

MSEK	Jul-Sep 2021	Jul-Sep 2020	Apr-Sep 2021	Apr-Sep 2020	Apr 2020– Mar 2021
<b>EBITDA, adjusted<sup>1)</sup></b>	<b>1,250.4</b>	<b>927.6</b>	<b>2,782.7</b>	<b>1,892.6</b>	<b>3,943.9</b>
Cash taxes paid	-213.0	-28.9	-323.2	-73.0	-259.4
Other non cash flow items	-2.0	-46.5	-81.2	-97.6	81.5
<b>Operating Cash Flow</b>	<b>1,035.4</b>	<b>852.2</b>	<b>2,378.3</b>	<b>1,722.0</b>	<b>3,766.0</b>
Net investment in intangible assets	-916.5	-484.1	-1,745.2	-978.5	-2,135.1
Net investment in tangible assets	-98.5	-12.8	-149.7	-29.0	-69.6
Net investment in financial assets	-3.2	3.6	-0.3	-14.0	-9.3
<b>Net investment</b>	<b>-1,018.2</b>	<b>-493.3</b>	<b>-1,895.2</b>	<b>-1,021.5</b>	<b>-2,214.0</b>
<b>Free Cash Flow before working capital</b>	<b>17.1</b>	<b>358.9</b>	<b>483.2</b>	<b>700.5</b>	<b>1,552.0</b>
Change in working capital	-11.4	-47.5	-737.0	-185.0	133.0
<b>Free Cash Flow after working capital</b>	<b>5.8</b>	<b>311.4</b>	<b>-253.7</b>	<b>515.5</b>	<b>1,685.0</b>
Cash flow from financing activities	175.6	513.7	826.9	2,454.0	14,725.3
Net investment in acquired companies	-2,722.6	-773.9	-4,995.2	-1,877.7	-4,590.8
<b>Cash flow for the period</b>	<b>-2,541.2</b>	<b>51.3</b>	<b>-4,422.2</b>	<b>1,091.8</b>	<b>11,819.5</b>

<sup>1)</sup> EBITDA, adjusted - EBITDA adjusted for remeasurement of participation in associated companies and contingent consideration.

Investments in intangible fixed assets mainly consist of investments into ongoing game development SEK -881.6 million and film rights SEK -27.2 million. The increased investments into game development in the quarter over prior quarters is mainly related to the addition of Aspyr and Gearbox Entertainment coupled with increased organic investments into new game development, where the latter is impacted by a shift from co-publishing projects towards internal development projects in Saber Interactive. Net investment in tangible assets is mainly related to investment in buildings by Koch Media Group amounting to SEK -73.4 million.





SEK m	Sep 30 2021	Sep 30 2020	Jun 30 2021	Mar 31 2021
Cash and cash equivalents	9,919.4	3,579.1	12,417.2	14,299.9
Unutilized Credit Facility	6,918.9	1,086.9	7,376.0	6,212.7
<b>Available cash and unutilized credit facilities</b>	<b>16,838.3</b>	<b>4,665.9</b>	<b>19,793.2</b>	<b>20,512.6</b>
<b>Net Cash</b>	<b>7,698.6</b>	<b>1,281.3</b>	<b>10,295.2</b>	<b>12,805.6</b>

Available funds as per the date of this report amounts to approximately SEK 16.2 billion and Net Cash to approximately SEK 7.1 billion.

### CONDITIONAL PURCHASE PRICE OVERVIEW

As of 30 September 2021 the Group had provisions of SEK 9,610.1 million for earnouts with expected settlement according to the table below.

#### Provisions for conditional purchase price

Financial year when settlement is expected, SEK m	Provision to be settled		
	in cash	by shares	Total
2021/2022	19.1	51.1	70.2
2022/2023	611.6	-	611.6
2023/2024	393.5	-	393.5
2024/2025	680.3	888.5	1,568.8
2025/2026	1,086.8	1,673.8	2,760.6
2026/2027	858.9	333.7	1,192.6
2027/2028	1,938.6	526.9	2,465.4
2028/2029	233.8	89.6	323.5
2029/2030	138.6	-	138.6
2030/2031	40.7	26.4	67.1
2031/2032	-	18.3	18.3
<b>Total</b>	<b>6,001.8</b>	<b>3,608.3</b>	<b>9,610.1</b>

The present value of the additional purchase prices has been calculated based on expected outcome based on financial and operational targets for each individual agreement. 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 and interest rate. Provisions to be settled by shares are further dependent on 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 52,686,630 according to the earnout agreements. If all shares are issued, the dilution in capital will amount to 4.9% and 3.2% of the voting rights as of September 30, 2021. The provision settled in shares was approximately SEK 1,170 million lower 30 September 2021 compared to 30 June 2021 primarily driven by the decrease in the Embracer share price (84.30 SEK as of 30 September 2021 compared to 115.75 SEK as of 30 June 2021 adjusted for split 2:1)

Shares under clawback, nr of million shares	Nr claw back shares released							Total
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	
Release of clawback shares	6.8	32.9	16.0	2.6	51.0	6.4	6.3	<b>122.0</b>

In addition to provisions for conditional purchase price the Group has issued shares with clawback rights. Out of the 1,014.9 million shares outstanding there are approximately 122.0 million shares with clawback rights as per 30 September 2021. These shares have already been issued to cover for future earnout obligations



## INTANGIBLE ASSETS

The Group had intangible assets of SEK 38,922.4 million at the end of the quarter, compared to SEK 13,768.2 million at the end of the previous quarter, distributed as follows:

Intangible assets – Specification SEK m	Sep 30 2021	Sep 30 2020	Mar 31 2021
Completed games	793.6	604.8	512.6
Ongoing game development projects	4,473.6	2,427.7	3,182.2
Other intangible assets (film etc.)	226.9	212.2	180.2
<b>Intangible assets</b>	<b>5,494.1</b>	<b>3,244.7</b>	<b>3,875.0</b>
IP-rights	3,127.5	1,463.2	1,575.2
Partner Publishing/Film	106.8	167.5	135.5
Goodwill	30,194.0	8,892.8	10,804.2
<b>Acquisition related intangible assets</b>	<b>33,428.3</b>	<b>10,523.5</b>	<b>12,515.0</b>
<b>Total</b>	<b>38,922.4</b>	<b>13,768.2</b>	<b>16,390.0</b>

Due to changes of provisions for conditional purchase price to be settled by issuance of shares in the future has decreased the goodwill value with approximately SEK 1.500 million. See description under “Conditional Purchase Price Overview” related to Embracers share price above.



## PRELIMINARY PURCHASE PRICE ALLOCATION (PPA)

During the quarter Embracer closed the following acquisitions; CrazyLabs, Ghost Ship Games, Easy Trigger, Force Field, Digixart, Slipgate Ironworks, 3D Realms, Demiurge, Smart Phone Labs, Bytex, Firescore and Grimfrost. The acquired companies have been included into Embracer's consolidated financial reporting from each respective closing date, see page 32. A summary of the preliminary purchase price allocations is provided below:

SEK m	Jul-Sep 2021	Adjustements prel PPA	Total Jul-Sep
On-going game development	14	1	15
Finished game development	13	0	13
IP-rights/Trademarks	3	-86	-82
Other intangible assets	0	4	4
<b>Total intangible assets</b>	<b>30</b>	<b>-81</b>	<b>-51</b>
<b>Total financial assets</b>	<b>67</b>	<b>5</b>	<b>71</b>
<b>Total tangible assets</b>	<b>12</b>	<b>0</b>	<b>12</b>
Net working capital	-56	-26	-82
Cash and cash equivalents	210	0	210
Provisions	-23	-2	-24
Other long term liabilities	-18	0	-18
<b>Total net assets acquired excluding surplus value</b>	<b>223</b>	<b>-104</b>	<b>119</b>
<i>Surplus value allocated to:</i>			
Goodwill	4,934	126	5,060
IP-rights, Trademarks and Other	119	112	231
Deferred tax liabilities	-10	-24	-34
<b>Total surplus value net of taxes</b>	<b>5,043</b>	<b>214</b>	<b>5,257</b>
<b>Total net assets acquired</b>	<b>5,266</b>	<b>110</b>	<b>5,376</b>
Acquired cash	-210	0	-210
Upfront consideration paid by shares issued	-536	0	-536
Shares issued under clawback (Earnout)	-947	0	-947
Provisions for conditional purchase price (Earnout)	-988	62	-926
Transactions with minority	-30	0	-30
Other	9	-14	-5
<b>Net cash outflow on acquisition of business</b>	<b>2,565</b>	<b>158</b>	<b>2,723</b>
Cash outflow relating to earlier acquisitions	0	0	0
<b>Total Net cash outflow on acquisition of business</b>	<b>2,565</b>	<b>158</b>	<b>2,723</b>



## FORECAST – ACQUISITION RELATED AMORTIZATIONS

Includes closed transactions as per 30 September 2021. The forecast is based on the average exchange rates for the period April to Sept 2021. The forecast is based on the purchase price allocations as per 17 November 2021, which contain both preliminary and finalized purchase price allocations.

SEK m	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	Total
Amortization related to acquisitions closed 2021-09-30	7,636	7,970	7,720	7,389	5,694	430	36,839
<b>Non-operational Depreciations and Amortizations</b>	<b>7,636</b>	<b>7,970</b>	<b>7,720</b>	<b>7,389</b>	<b>5,694</b>	<b>430</b>	<b>36,839</b>

The forecast for October to December 21/22 amounts to SEK 2,000 million

## DEPENDENCY ON FOREIGN EXCHANGE RATES

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

The consolidated equity of the group increased with SEK 24.6 million in translation differences from 1 April 2021 to 30 September 2021. The translation differences are mainly related to the revaluation of net assets in subsidiaries to the exchange rate per 30 September 2021.

## PARENT COMPANY

The Parent Company's net sales for the quarter were SEK 106.1 million (252.9) and profit before tax was SEK 117.8 million (–241.2). The positive outcome is explained by unrealized exchange rate gains on intercompany loans. Profit after tax was SEK 104.0 million (–189.3).

Investments in intangible assets in the quarter were SEK 0.4 million (150.1).

Cash and cash equivalents as of 30 September, 2021 were SEK 6,404.5 million (2,083.3). The Parent Company's equity at the end of the period was SEK 35,524.2 million (11,965.9).





## SIGNIFICANT EVENTS DURING THE QUARTER

> On August 5, Embracer Group entered into eight acquisition agreements which closed during the period, some through its subsidiaries, adding more than 550 new colleagues to the group:

- DECA Games acquired CrazyLabs, an Israel-based publisher and developer of hit mobile game *Super Stylist* and long-lasting casual and lifestyle role playing games.
- Coffee Stain acquired Ghost Ship Games, a Denmark-based indie game developer.
- Coffee Stain acquired Easy Trigger, a Sweden-based studio behind the critically acclaimed title *HuntDown*.
- Koch Media through its subsidiary Vertigo Games acquired Force Field, a Dutch-based leading VR development studio with a portfolio of multiple award-winning VR titles.
- Koch Media acquired DigixArt, a France-based a development studio and the creator of multiple narrative games.
- Saber acquired Slippgate Ironworks, a Denmark-based game development studio with long experience in collaborating with leading publishers and IP-owners.
- Saber acquired 3D Realms, a Denmark-based game publisher with 30+ years of heritage in the industry and the creators of cult game series *Duke Nukem*.
- Embracer Group acquired 70% in Grimfrost, a Sweden-based e-commerce specialist and a leading player with a global brand within high-quality Viking merchandise.

These acquisitions improve the group's capabilities within mobile publishing and development, indie development, VR development as well as story driven and retro shooter development for PC/consoles. Combined these eight acquisitions are expected to contribute an estimated SEK 2-3 billion in net sales and SEK 350-550 million in operational EBIT during FY 2022/23.

> On August 18, Embracer Group, through its wholly owned subsidiary Saber Interactive, entered into agreements to make three acquisitions which have now closed.

- Demiurge Studios, an independent game development studio with a team of 68 employees, based in Cambridge, Massachusetts, US. Its experienced team of developers strengthens Sabers footprint in the US.
- Fractured Byte, a well-regarded, creative and cost-effective game studio with headquarters in Estonia. The team of 50 developers is based across Ukraine and primarily working with independent game development and porting projects.
- Russian-based SmartPhone Labs, an independent software testing and games development company for mobile, PC, consoles and VR.

> On September 22, Embracer Group, through its wholly owned subsidiary Saber Interactive, entered into an agreement to acquire Bytex Limited Liability Company, a reputable Quality Assurance and Work for hire-developer studio based in Saransk, Russia. The acquisition onboards a skilled team of more than 240 employees.

All of the announced acquisitions were closed in the quarter, except Fractured Byte that was closed on October 10, after the quarter

> On September 30, Embracer carried out a share split 2:1, as resolved by the annual general meeting.

## THE GAMES MARKET

The underlying market conditions remain buoyant. Gaming is highly popular, and a recent study showed that young Americans (10-35 years) spend more time playing video games than any other single home leisure activity (including watching TV and using social media) (Newzoo).

### Overall trends

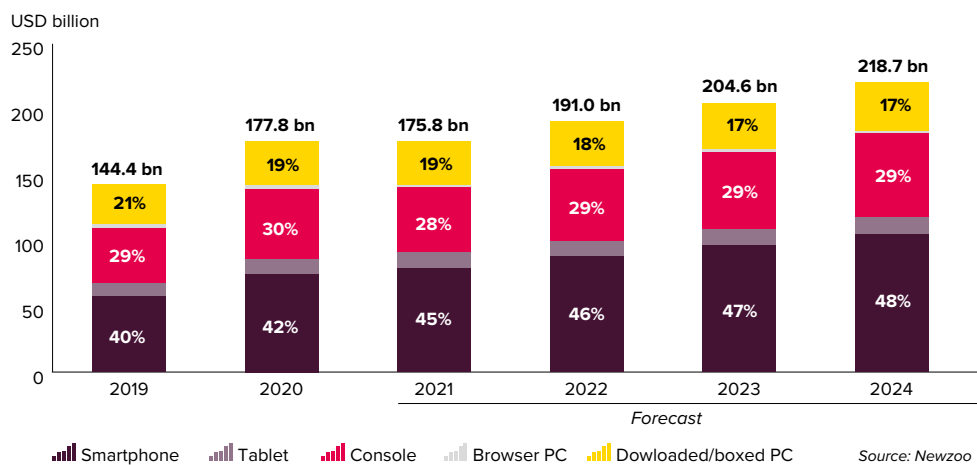
The 2021 games market will likely exhibit a slight slowdown, but only because the previous year, during the height of the pandemic, was so unprecedentedly strong. The global market (all sectors including console, mobile, PC and free-to-play but not hardware) will generate USD 176 billion in 2021, representing a slight -1% YoY decline (Newzoo).

Looking forward at the global games market, Newzoo predict that it will swiftly recover from its slight 2021 dip and will grow with a CAGR (2019 to 2024) of +9% to reach USD 219 billion in 2024, passing the coveted USD 200-billion threshold in 2023.

The global semiconductor shortages and shipping blockages are continuing to affect supply of consoles and PC hardware (which remain in high demand). This is expected to continue in the near term although Sony recently reported sales of 3.3 million PS5 consoles in (their) Q2 (1 million more than the 2.3 million achieved in their Q1). The total PS5 installed base is now at approximately 13½ million as of the end of September.

The share of total games that are digital increased significantly in 2020 but NPD/GSD data (Jan-Sept 2021) suggests that growth has now stabilised from the Covid highs of last year, now up only fractionally in 2021; +1% in Europe and +2% in the US.

## SEGMENT BREAKDOWN OF GLOBAL GAMES REVENUE



### The global PC/Console market

The Console Market is forecasted to decline by -9% to USD 49 billion in 2021 (Newzoo), significantly impacted by Covid-19, subsequent home working and its influence on AAA game development. This impact will also be felt on PC, albeit to a lesser extent. Many titles initially slated for release in 2021 will now launch later in 2022.

The PC Market will generate USD 36 billion in 2021, a decline of -3% from the previous year (Newzoo). The vast majority of this number (USD 33 billion) will come from boxed/digital PC games, with browser games accounting for the remaining USD 3 billion. As browser players continue to shift to mobile, revenues from PC browser games will continue to dwindle toward 2024.



### **The Global Mobile market**

The Mobile Market will generate USD 91 billion in 2021, up +4% year on year, and now accounts for more than half of the global games market. The pandemic has had significantly fewer negative impacts on mobile which relies more heavily on in-app purchases, and whose development process has been less affected by home working. Furthermore a growth CAGR of +11% is expected between 2019 and 2024 (*Newzoo*). It will be driven by growth regions, continued innovations in mobile monetization, and large console and PC publishers bringing their IPs to mobile devices.

Apple's removal of IDFA, is likely to negatively impact some stakeholders within the mobile games market, though not enough to stop consumers' strong mobile spending.

### **The Swedish Games market**


With Embracer Group's headquarter being located in Karlstad, the company is part of the dynamic and fast-growing Swedish games industry scene. Sweden has a long history and tradition in games development, stretching far back, but the commercial success has happened over the last ten years. According to the annual report Game Developer Index 2010, the Swedish industry had in 2010 a combined revenue of EUR 130 million (SEK 1.2 billion) and employed 1,203 persons. In 2020 these numbers had increased substantially to EUR 3.3 billion EUR (SEK 34.7 billion) and 6,596 employees. Embracer Group is the largest company when ranked by revenue with EUR 861 million (SEK 9 billion) which represents 26% of the combined Swedish industry.

From 2010 to 2020, Sweden has also become a catalysator investing in the global games industry. In 2020, Swedish companies employs 7,177 persons abroad which is more than the combined local workforce.

### **Post-pandemic trends in the US market**

A study by NPD (in the US) noticed that there were slightly fewer players in 2021 compared to 2020 when the 'Covid-spike' saw the number of Americans playing games jump from 73% (2019) to 79% (2020). This year that figure slid back to 76%. But players are playing for longer and game time has continued to increase hitting 17 hours (ave. p. week in 2021) up from 15 hours in 2020 and 13 hours in 2019 (*NPD*).



HQ  
**Vienna, Austria**   
 INTERNAL HEADCOUNT  
**914** (599)  
 STUDIOS  
**20** (15)

## THQ NORDIC

### BUSINESS AREA: GAMES – THQ NORDIC

Business Area: Games – THQ Nordic released the following new products in the quarter July-September 2021:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Comanche (full release)</i>	THQ Nordic	Own	PC	Digital
<i>Darksiders II - Deathinitive Edition</i>	THQ Nordic	Own	Stadia	Digital
<i>Darksiders III</i>	THQ Nordic	Own	Stadia	Digital
<i>Darksiders III</i>	THQ Nordic	Own	Switch	Digital & physical
<i>Neighbours Back from Hell</i>	HandyGames	Own	Mobile - Android, IOS	Digital
<i>Pile Up! Box by Box</i>	HandyGames	External	PS4, Xbox One, Switch	Digital
<i>Skydrift Infinity</i>	HandyGames	Own	PC, PS4, Xbox One, Switch	Digital

Net sales of Business Area: Games - THQ Nordic amounted to SEK 374.0 million (566.9) including Net sales for Amplifier.

There were no notable releases in the quarter and the comparison is challenging as it's made against a quarter with significant releases.

*Spongebob*, *Biomutant* and *Kingdom of Amalur Reckoning*, were the most notable back catalogue titles that contributed during the quarter.

Releases during the quarter included *Darksiders II* on Stadia, *Darksiders III* on Stadia and Switch, *Comanche* on PC, *Skydrift Infinity* on several consoles, *Pile Up! Box by Box* on several consoles and *Neighbours Back from Hell* on Android and iOS. None of the released titles made a notable revenue contribution in the quarter.

CONTINUED >>

### STUDIOS



**Alkimia Interactive**  
Barcelona, Spain



**Appeal Studios**  
Charleroi, Belgium



**Ashborne Games**  
Brno, Czech Republic



**Black Forest Games**  
Offenburg, Germany



**Bugbear Entertainment**  
Helsinki, Finland



**Experiment 101**  
Stockholm, Sweden



**Gate 21**  
Sarajevo, Bosnia Herzegovina



**Grimlore Games**  
Munich, Germany



**Gunfire Games**  
Austin, USA



**HandyGames**  
Giebelstadt, Germany



**KAIKO**  
Frankfurt, Germany



**Massive Miniteam GmbH**  
Cologne, Germany



**Mirage Game Studios**  
Karlstad, Sweden



**Nine Rocks Games**  
Bratislava, Slovakia



**Pieces Interactive**  
Skövde, Sweden



**Piranha Bytes**  
Essen, Germany



**Pow Wow Entertainment**  
Vienna, Austria



**Purple Lamp**  
Vienna, Austria



**Rainbow Studios**  
Phoenix, USA



**Rainbow Studios Montréal**  
Montréal, Canada

### PUBLISHERS



**THQ Nordic**  
Vienna, Austria



**HandyGames**  
Giebelstadt, Germany





In the quarter, THQ Nordic celebrated its 10th anniversary in September by hosting its first ever digital games showcase. At the event, THQ Nordic made several new game announcements:

- *Destroy All Humans! 2 - Reprobed* (Black Forest Games)
- *Outcast 2 - A New Beginning* (Appeal Studios)
- *Expeditions: Rome* (Logic Artists)
- *MX vs. ATV: Legends* (Rainbow Studios)
- *Superpower 3* (GolemLabs)
- *ELEX II* (Piranha Bytes)
- *Jagged Alliance 3* (Haemimont Games)
- *SpongeBob SquarePants: The Cosmic Shake* (Purple Lamp Studios)

THQ Nordic also announced that it currently has 42 games in development, of which 28 are yet to be announced. The number of internal developers within THQ Nordic increased by 57% since last year to 811.

Looking ahead, the upcoming quarter will include releases such as *This is the President* and *Kingdoms of Amalur: Re-Reckoning Fatesworn*.

HQ  
Munich, Germany 

INTERNAL HEADCOUNT

2,142\* (1,527\*)

STUDIOS

13 (7)

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

# KOCH MEDIA

## BUSINESS AREA: GAMES – KOCH MEDIA PUBLISHING

Business Area: Games – Koch Media Publishing released the following new products in the quarter July-September 2021:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Big Rumble Boxing: Creed Champions</i>	Koch Media	External	PC, PS4, Xbox One, Switch	Physical
<i>Beyond Contact - (early access)</i>	Deep Silver	External	PC	Digital
<i>Road 96</i>	Digixart	Own	PC, Switch	Digital
<i>Hot Wheels Unleashed</i>	Milestone	License	PC, PS4, PS5, Xbox One, XSX, Switch	Digital & physical
<i>King's Bounty 2</i>	Prime Matter	External	PC, PS4, Xbox One, Switch	Digital & physical
<i>Encased</i>	Prime Matter	External	PC	Digital
<i>Space Punks - (early access)</i>	External	External	PC	Digital

Net sales of Business Area: Games – Koch Media Publishing increased by 15% to SEK 584.7 million (506.8) compared to the corresponding period last year.

Sales exceeded management's expectations during the quarter. The main new release, *Hot Wheels Unleashed* published by Milestone, was a major revenue driver in the quarter. The release of *Hot Wheels Unleashed* was also well received by the media globally. The release is a notable achievement by the 25th year celebrating-Milestone that has become the largest premium game developer in Italy over the years, today comprising over 250 employees.

The Koch Media Group continues to grow its workforce with over 100 new employees that have joined during the quarter, where the majority came from new acquisitions in the

CONTINUED >>

## STUDIOS



## PUBLISHERS





quarter of development studio DigixArt Entertainment within the growing sector of narrative games, as well as Dutch-based Vertigo Studios Amsterdam (formerly known as Force Field VR), a leading VR development studio, operating under Koch Media's Vertigo Games Group, a leading VR development and publishing company.

The VR developer and publisher Vertigo Games has been in the spotlight during and after the quarter. The company was selected Best Studio 2021 at the Dutch Game Awards, highlighting its combination of studios, arcades and publishing business and growth. After the quarter and in connection to the annual Facebook Connect event, Vertigo announced a partnership deal to bring five titles to VR over the coming years, including Deep Silver Games and others.





## BUSINESS AREA: GAMES – COFFEE STAIN / GHOST SHIP GAMES

Business Area: Games – Coffee Stain / Ghost Ship Games released the following new products in the quarter July-September 2021:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Valheim Hearth &amp; Home DLC</i>	Coffee Stain Publishing	External	PC	Digital

Net sales of Business Area: Games - Coffee Stain / Ghost Ship Games amounted to SEK 120.4 million (129.9) during the quarter. Sales were slightly lower than management's expectations. Delayed game updates for *Deep Rock Galactic* and *Satisfactory* contributed to lower sales than expected. Still the same titles were the major revenue contributors for the quarter, accomplished with *Valheim*, however on a slower phase than earlier quarters.

The long awaited and major update of *Valheim*, titled *Hearth & Home*, was launched in September. The update was well received from players. *Valheim* once again reached more than 100,000 concurrent players. Following the update, sales of *Valheim* now performs on a more stable level.

Coffee Stain acquired the Swedish game development studio Easy Trigger during the quarter. Easy Trigger was founded in 2016 and has developed the critically acclaimed title *HuntDown*. The onboarding of Easy Trigger has proceeded according to plan and the team is now focused on pre-production of their next title.

Coffee Stain has a strong pipeline of development project and is progressing according to plan. Looking ahead, the current quarter includes the long-awaited *Satisfactory* update.

In September, *Deep Rock Galactic* got a major update with full modding support for the Steam version of the game. This has been a request from the community for a long time and the final result came from a collaboration with both the modding community and with Mod.io. Mod.io is a relatively new modding platform started by veterans from the modding scene. The modding support in *Deep Rock Galactic* is seen as a long-term investment that will pay off over time and potentially keep the game alive for many, many years. Ghost Ship Games is also dedicated to the future support and growth of *Deep Rock Galactic* and has planned a new invigoration of the game with the launch of Season 01 in November 2021, and several more Seasons to come in 2022 and beyond.

During the quarter, Ghost Ship Games invested into a minority stake in the Danish start-up Ugly Duckling Games, an Aarhus-based game developer.

### STUDIOS



Coffee Stain Studios  
Skövde, Sweden



Coffee Stain North  
Stockholm, Sweden



Box Dragon  
Gothenburg, Sweden



Easy Trigger  
Trollhättan, Sweden



Ghost Ship Games ApS  
Copenhagen, Denmark



Lavapotion  
Gothenburg, Sweden

### PUBLISHERS



Coffee Stain Publishing  
Stockholm, Sweden

### ASSOCIATED STUDIOS



Iron Gate  
Skövde, Sweden





## BUSINESS AREA: GAMES – AMPLIFIER GAME INVEST

Business Area: Games – Amplifier Game Invest released the following new products in the quarter July-September 2021:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Dice Legacy</i>	Ravencourt	Own	PC, Switch	Digital
<i>Fishing: North Atlantic Scallops - DLC</i>	External	External	PC, PS4, Xbox One	Digital

Net sales for Business Area: Games - Amplifier Game Invest amounted to SEK 30.1 million (8.9). Amplifier's net sales are reported within Business Area: Games THQ Nordic.

Amplifier released DICE Legacy developed by Destiny Bit and published by Ravenscourt during the Quarter. The absolute majority revenue contributors for the quarter were royalties from *Little Nightmares 1 & 2*.

After the reporting period, Amplifier announced the foundation of two new studios: Zapper Games in Durham, US, and Goose Byte Studio in Montréal, Canada. The new studios are based on a pioneering investment model, where Amplifier establish and fund the company, provide a wide range of development support, while the top tier talent, backed by solid financial incentives, drives the creative vision of the studio.

Zapper Games will be led by Josh Mills, Abey Miranda and Mike Tata, seasoned developers with a combined experience of over 40 years in the games industry. Zapper Games will focus on action-adventure games for PC and Consoles.

Goose Byte sets up in Montréal led by Theodor Diea and Nathan Ross Powell, who will form the organizational and technical core of the studio. Goose Byte will design and build games based on their own IPs, for PC and Consoles, in the open world survival crafting genre, with a strong focus on good UX and solid social features. The studio aims to expand existing genres to wider audiences by putting a strong focus on innovations in UX, networking and social elements.

## STUDIOS



**C77**  
 Bellevue, USA



**Destiny Bit**  
 Ravenna, Italy



**Frame Break**  
 Skövde, Sweden



**Misc Games**  
 Sandnes, Norway



**Palindrome Interactive**  
 Skövde, Sweden



**Plucky Bytes**  
 Karlstad, Sweden



**Rare Earth Games**  
 Vienna, Austria



**River End Games**  
 Gothenburg, Sweden



**Silent Games**  
 Newcastle, UK



**Tarsier Studios**  
 Malmö, Sweden



**Vermila Studios**  
 Madrid, Spain



**Zapper Games**  
 Durham, USA



**Goose Byte Studio**  
 Montréal, Canada  
 (Founded after the quarter)

## ASSOCIATED STUDIOS



**Framebunker**  
 Copenhagen, Denmark



**Kavalri Games**  
 Stockholm, Sweden



**Neon Giant**  
 Uppsala, Sweden

HQ  
 Fort Lauderdale,  
 USA   
 INTERNAL HEADCOUNT  
**2,331** (966)  
 STUDIOS  
**19** (9)



## BUSINESS AREA: GAMES – SABER INTERACTIVE

Business Area: Games – Saber Interactive released the following new products in the quarter July-September 2021:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Insurgency: Sandstorm</i>	External	Own	PS4, Xbox One	Digital & physical
<i>World War Z: Aftermath</i>	Saber Interactive	License	PC, PS4, Xbox One	Digital & physical
<i>Zen Pinball Party</i>	Zen Studios	Own	Apple Arcade	Digital
<i>Sid Meier's Civilization VI: New Frontier Pass</i>	Aspyr	External	Mobile - IOS	Digital

Net sales of Business Area: Games – Saber Interactive were SEK 462.9 million (259.1) during the quarter, with the highest operational EBIT-margin in the global Embracer Group.

Saber Interactive had its best quarter since joining the Embracer Group. Major contribution in the quarter by the two new releases *World War Z: Aftermath* and *Insurgency Sandstorm*, accomplished by the back catalogue titles *Snowrunner*, the original *World War Z* and Aspyr catalogue titles. The Work-for-hire business is an ongoing contributor to the revenues.

After the quarter Saber released *Crysis Remastered Trilogy* (in collaboration with Crytek), *Phoenix Point* (console) and *Darksiders III* (Switch). All three titles were physical and distributed by other group companies (Koch Media and THQ Nordic).

Saber continuing its extensive growth, both organically and through acquisitions, their talent base of Internal headcount has increased with 563 persons where of 139 persons from organic growth, compared to last quarter. During the quarter Saber completed the acquisitions of Slippgate, 3D Realms, Fractured Byte, SPL (Smartphone Labs), Bytex, and Demiurge and the onboarding is running smoothly.

CONTINUED >>

## STUDIOS



## PUBLISHERS & STUDIOS






During the quarter the announcement of *Star Wars: Knights of the Old Republic Remake* by Aspyr garnered significant attention as one of the biggest announcements of the year.

After the quarter, Saber Interactive Publishing announced *A Quiet Place* game based on the film, to be released during 2022 developed by external studio iLOGIKA. The game has generated considerable early buzz.

Saber Interactive has a record high 33 games under development as of the date of the publication of this report.



HQ  
 Berlin, Germany   
 INTERNAL HEADCOUNT  
 696 (68)  
 STUDIOS  
 9 (3)



## BUSINESS AREA: GAMES – DECA GAMES / CRAZYLABS

Revenues in Business Area: Games – DECA Games / CrazyLabs amounted to SEK 248.8 million (32.7).

Sales growth was driven by the addition of CrazyLabs and healthy back catalogue sales. The greatest sales contributors were *Party in my Dorm*, *Realm of the Mad God* and *Kingdom of Heckfire* and *Super Stylist*.

DECA Games has made several sizeable acquisitions during the period.

The acquisition of the Israel-based publisher and developer CrazyLabs, closed in September and earlier than expected, contributed to SEK 104 million in the quarter. CrazyLabs is an Israel-based publisher and developer of hit mobile game *Super Stylist* and long-lasting casual and lifestyle role playing games. Additionally, CrazyLabs is one of the top hyper-casual publishers. CrazyLabs brings an internal team of over 300 FTEs, a large global network of developer relationships, proven publishing and UA expertise across multiple genres and a robust publishing infrastructure. CrazyLabs improves Embracer’s publishing capabilities within mobile, adding scale and creating additional M&A opportunities.

During the quarter, DECA Games also acquired China-based Jufeng Studio from Gaea and two mobile titles, *Hero Hunters* and *Killshot Bravo*, from Canada-based Hothead Games. The acquisition of Jufeng Studio comprising a team of 50 persons gives DECA Games access to a talent base in China and a platform for growth in the Asia Pacific Region. Gaea’s co-founder and President, An An, will join as the Managing Director of DECA Games’ new China office, and lead M&A efforts within the Asia Pacific Region for DECA Games. Jufeng studio will initially focus on the live operations of its six existing IP’s but over time, additional IP’s will be added to its portfolio, both through acquisitions and development in-house. Jufeng Studios will be consolidated into Embracer’s accounting as of October 2021.

## STUDIOS & PUBLISHERS

 <b>DECA Games</b> Veliko Tarnovo, Bulgaria Berlin, Germany DECA remote DECA Games Kina (formerly known as Jufeng Studios)	 <b>A THINKING APE</b> <b>A Thinking Ape</b> Vancouver, Canada	 <b>CrazyLabs</b> <b>CrazyLabs</b> Tel Aviv, Israel Luoyang, China New York, USA	 <b>Firescore</b> <b>Firescore</b> Mumbai, India	 <b>IUGO</b> <b>IUGO</b> Vancouver, Canada
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HQ  
Limassol, Cyprus 

INTERNAL HEADCOUNT

261 (-)

STUDIOS

1 (-)

# Easybrain

## BUSINESS AREA: GAMES – EASYBRAIN GROUP LIMITED

Net sales for Business Area: Games – Easybrain amounted to SEK 606.7 million during the quarter. Sales and UA (user acquisition) exceeded management’s expectations.

During the quarter, the IDFA changes negative impact was lower than management initially expected, and the overall performance of Easybrain business was significantly higher. Easybrain was able to constantly scale its business finding new ways to significantly grow UA, improving performance and monetization of existing games, and successfully launching the new game *Number Match*.

After the reporting quarter and close to the publication of this report, games by Easybrain had more than 1 billion cumulative downloads and reached historically high levels of daily revenue, projected profits, and UA spend; further, DAU (daily active users) approached 14 million. Easybrain had three of the top five revenue titles of the global Embracer Group in the quarter, and four of the top five performers in the first half year.

## STUDIOS & PUBLISHERS


### Easybrain

Easybrain  
Minsk, Belarus  
Limassol, Cyprus

1,550



Number Match

HQ  
 Frisco, USA   
 INTERNAL HEADCOUNT  
 627 (-)  
 STUDIOS  
 2 (-)



## BUSINESS AREA: GAMES – GEARBOX ENTERTAINMENT COMPANY

Business Area: Games – Gearbox Entertainment Company released the following new products in the quarter July-September 2021:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Godfall</i>	Gearbox Publishing	External	PS4	Digital
<i>Godfall - Fire &amp; Darkness DLC</i>	Gearbox Publishing	External	PS4, PS5, PC (Epic)	Digital
<i>Tribes of Midgard</i>	Gearbox Publishing	External	PC (Steam), PS5, PS4	Digital & physical

Net sales of Business Area: Games – Gearbox Entertainment Company amounted to SEK 433.6 million. The major revenue contributors of the quarter were the new release of *Tribes of Midgard* and back catalogue sales of *Borderlands 3*.

New releases during the quarter included *Godfall – Fire & Darkness DLC* and *Tribes of Midgard*, both on PC, PS4 and PS5. Both games were well received by gamers and initial sales exceeded management’s expectations.

In August, Gearbox Entertainment announced a new studio in Montréal, Canada. The studio has an ambition to over time employ 250 individuals. The new development team in Gearbox Studio Montréal will work on internal franchises and create new IP’s. Following the opening of a new studio, Gearbox Entertainment has significant recruitment needs. Gearbox Entertainment will therefor focus on recruiting and onboarding talent during the coming months.

Gearbox Entertainment offers its employees hybrid office solutions and the majority choose to work part of the time at the office.

After the reporting period, Gearbox Entertainment’s founder and CEO Randy Pitchford announced that veteran chief technology officer Steve Jones will take on his role as president of Gearbox Software. Randy Pitchford, who, in addition to remaining a key driver of creative strategy and development across titles and franchises, will continue to serve as CEO and President of The Gearbox Entertainment Company and oversee Gearbox’s transmedia work in film and television.

## STUDIOS



## PUBLISHER





# koch films

HQ

Munich, Germany



INTERNAL HEADCOUNT

**2,142** (1,527)

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

## BUSINESS AREA: PARTNER PUBLISHING/FILM

Net sales in the Partner Publishing/Film business area amounted to SEK 465.3 million (887.8).

There were no notable releases with significant commercial impact during the quarter whereas sales were boosted by the releases of *F1 2020* and *Marvel Avengers* in the comparable period last year. Given the lack of notable releases, sales were in line with management expectations.

Koch Media is expanding the capacity of its Shared Service- and European Logistic Center in Höfen, Austria. Phase one is now achieved and set for being ready to warehouse and ship major partner publishing releases starting from the start of this month. Phase two will be to install a fully automated picking system which can handle all our product SKUs (standard boxed videogames and film Blu Rays, collector editions, game merchandise including apparel, etc.).

After the quarter, Koch Media UK announced the acquisition of the British marketing and live events company Splatter Connect. Splatter Connect provides a multitude of field marketing services, spanning retail store attendance, experiential marketing and live event staffing and management. The company comprise four fulltime employees, and provides staffing to clients/projects via a digital platform they created, drawing from a pool of up to 200 people on a flexible freelance basis.

### FILM

The film segment had a solid quarter with performance above management expectations.

Strong catalogue sales were mainly driven by collectors' boxes. In Italy, the rollout continues of relevant catalogue titles from Paramount and additional TV series will be made available over the coming quarters. It is worth noting that Q2 last year is a challenging comparison since it included a number of significant releases.

The digital market performed in line with budget, supported by growth of the Horror Channel on Amazon Italy. The theatrical market remains weak even though it has recovered compared to the same period last year.





HQ

**Karlstad, Sweden**



**INTERNAL HEADCOUNT**

**15** (13)

Game Outlet Europe, the niche distributor of retro products and deep back catalogue games, had a solid quarter. Sales were mainly driven by distribution of THQ Nordic's new releases and back catalogue games together with long awaited deliveries by manufacturers Retro-Bit and 8BitDo.

**QUANTIC LAB™**  
Quality Assurance.

HQ

**Cluj-Napoca, Romania**



**INTERNAL HEADCOUNT**

**356** (-)

Quantic Lab, the software outsourcing company specialized in quality assurance ("QA"), localization and user experience for gaming and applications, had a solid quarter above management expectations. An increased demand for the services provided is a contributing factor. Furthermore a functional complex in-office, multiple shifts together with WFH system, has been implemented, to deliver ongoing support.

The onboarding and integration into Embracer group is progressing well. During the quarter Quantic Lab celebrated its 15 years anniversary.

**GRIMFROST**

HQ

**Karlstad, Sweden**



**INTERNAL HEADCOUNT**

**12** (-)

Grimfrost, which was acquired by Embracer Group during the quarter, is a global leader within high-quality Viking merchandise. Its headquarters are located in Karlstad, Sweden with 12 employees. The primary business model is B2C, but Grimfrost also supplies costumes and assets to TV and movie productions (e.g. Game of Thrones, Vikings), and to reproductions for museums. The biggest market is currently the US which represents approximately 60% of sales. Since the acquisition, Grimfrost has continued to invest in its growth. Investment have been made in product development to grow the range of custom Grimfrost products. The revenue of Grimfrost was consolidated in the group as of August.



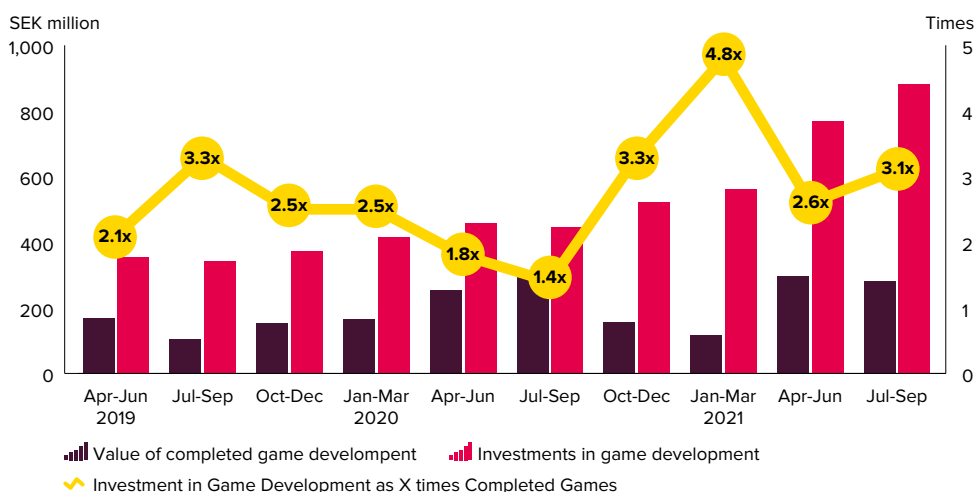


### ONGOING DEVELOPMENT AND COMPLETED GAMES

Total SEK 881.6 million was invested in ongoing game development, the highest amount ever in a single quarter. These investments lay the foundation for growing revenues from future launches.

The increased investments into game development in the quarter over prior quarters is mainly related to increased organic investments into new game development, where the latter is impacted by a shift from co-publishing projects towards internal development projects in Saber Interactive.

The finalized value of the completed and released games during the quarter were SEK 281 million driven by the releases of *Kings Bounty 2*, *Tribes of Midgard*, *Hot Wheels*, *Insurgency Sandstorm* and *World War Z Aftermath*.



### FORECAST – VALUE OF FINALIZED GAME DEVELOPMENT

In the current financial year ending March 2022, the ambition is to complete more than 90 game development projects with a total completion value in the range of SEK 1,330-1,580 million.

Value of finalized game development SEK m	Jul-Sep 2021	Oct-Dec 2021	Jan-Mar 2022	FY 21/22
Current forecast (Nov 17, 2021)	-	350-400	400-600	1,330-1,580
Previous forecast (Aug 18, 2021)	225-275	350-450	2,000-2,300	2,875-3,325





## RELEASES AFTER THE END OF THE QUARTER

During the period October 1, 2021 until November 17, 2021, the following titles were released:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Iron Harvest: Complete Edition</i>	Prime Matter	External	PS5, XSX	Digital & Physical
<i>Star Wars™: Knights of the Old Republic</i>	Aspyr	License	Switch	Digital
<i>World War Z</i>	Saber	License	Switch	Digital & Physical
<i>Phoenix Point: Behemoth Edition</i>	Prime Matter	Own	PS4, Xbox One	Digital & Physical
<i>Unplugged VR</i>	Vertigo Games	Own	PC VR, Oculus Quest	Digital
<i>Deep Rock Galactic Season 01: Rival Incursion</i>	Coffee Stain Publishing	Own	PC, Xbox One	Digital

## ANNOUNCED RELEASES AS OF NOVEMBER 17, 2021

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Destroy All Humans! 2 – Reprobed</i>	THQ Nordic	Own	PC, PS5, XSX	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>Jagged Alliance 3</i>	THQ Nordic	Own	PC	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>MX vs. ATV: Legends</i>	THQ Nordic	Own	PC, PS4, Xbox One, PS5, XSX	Digital & Physical
<i>Outcast 2 - A New Beginning</i>	THQ Nordic	Own	PC, PS5, XSX	Digital & Physical
<i>SpellForce III Reforced</i>	THQ Nordic	Own	PS4, Xbox One, PS5, XSX	Digital & Physical
<i>SpongeBob SquarePants: The Cosmic Shake</i>	THQ Nordic	External	PC, PS4, Xbox One, Switch	Digital & Physical
<i>Superpower 3</i>	THQ Nordic	External	PC	Digital & Physical
<i>The Guild 3</i>	THQ Nordic	Own	PC	Digital & Physical
<i>This is the President</i>	THQ Nordic	Own	PC	Digital
<i>Wreckfest</i>	THQ Nordic	Own	Switch	Digital & Physical
<i>A Rat's Quest</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital & Physical
<i>Airhead</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital
<i>De-Exit</i>	HandyGames	External	PC, PS4, Xbox One, PS5, XSX, 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>Perish</i>	HandyGames	External	PC	Digital
<i>Scarf</i>	HandyGames	External	PC	Digital
<i>Townsmen VR</i>	HandyGames	Own	PC, PS4	Digital
<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>Saints Row</i>	Deep Silver	Own	PC, PS4, PS5, XSX	Digital & Physical
<i>MXGP 2021</i>	Milestone	License	PC, PS4, PS5, Xbox One, XSX	Digital

For latest release dates please refer to above mentioned publishers.

**CONTINUED >>**





## CONT. ANNOUNCED RELEASES AS OF NOVEMBER 17, 2021

Title	Publishing Label	IP Owner	Platforms	Channels
<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>Final Form</i>	Prime Matter	Shared	PC, PS5, XSX	Digital & Physical
<i>Gungrave G.O.R.E.</i>	Prime Matter	External	PC, PS4	Digital & Physical
<i>Mount &amp; Blade II Bannerlord (full release)</i>	Prime Matter	External	PC	Digital & Physical
<i>Pathfinder: Wrath of the Righteous</i>	Prime Matter	External	PS4, PS5, XSX	Digital & Physical
<i>Payday 3</i>	Prime Matter	External	TBC	Digital & Physical
<i>Scars Above</i>	Prime Matter	Own	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	Own	TBC	Digital & Physical
<i>Let's Sing 2022</i>	Ravencourt	Own	PS4, PS5, Xbox One, Switch	Digital & Physical
<i>ProtoCorgi</i>	Ravencourt	External	PC, Switch	Digital
<i>Yum Yum Cookstar</i>	Ravencourt	External	PC, PS4, Xbox One, Switch	Digital & Physical
<i>After the Fall</i>	Vertigo Games	Own	PC, PS4, Oculus Quest	Digital & Physical
<i>Evil West</i>	External	External	PC, PS4, PS5, Xbox One, XSX	Digital
<i>Fishing: North Atlantic Scallops - DLC</i>	External	External	PS5, XSX	Digital
<i>Shadow Warrior 3</i>	External	External	PC, PS4, Xbox One	Digital
<i>Trek to Yomi</i>	External	External	PC, PS5, XSX	Digital
<i>Midnight Ghost Hunt</i>	Coffee Stain Publishing	Shared	PC	Digital
<i>Satisfactory Update 5</i>	Coffee Stain Publishing	Own	PC	Digital
<i>Songs of Conquest</i>	Coffee Stain Publishing	Own	PC	Digital
<i>Lightyear Frontier</i>	Amplifier	Own	PC, XSX	Digital
<i>Crisol: Theater of Idols</i>	TBC	Own	TBC	TBC
<i>A Quiet Place</i>	Saber	External	TBC	TBC
<i>Evil dead: The Game</i>	Saber	License	PC, PS4, PS5, Xbox One, XSX, Switch	Digital & Physical
<i>Star Wars™: Knights of the Old Republic -Remake</i>	External	License	PC, PS5	Digital & Physical
<i>Homeworld 3</i>	Gearbox Publishing	Own	PC	Digital & Physical
<i>Homeworld Mobile</i>	Gearbox Publishing	Own	Mobile - Android, IOS	Digital
<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.

### SIGNIFICANT EVENTS AFTER THE QUARTER

> On October 14, Embracer Group announced the acquisition of mobile game developer Jufeng Studio and eight mobile titles:

- Embracer Group, through its wholly owned subsidiary DECA Games, has acquired Gaea's mobile studio Jufeng and its six titles. Through the acquisition DECA Games gains access to a talent base in China, providing a foundation for further growth in the Asia Pacific Region.
- DECA Games has also acquired two mobile titles, *Hero Hunters* and *Killshot Bravo*, from Hothead Games Inc. DECA Games' internal studios in Europe will continue the live operations and development of these two titles.

In the quarter July to September 2021, the eight acquired titles in total had approximately 150,000 DAU and 800,000 MAU. Total gross revenues for the period were approximately SEK 50 million. Revenues will be included in Embracer Group's accounting starting October 2021.

### IFRS CONVERSION AND CHANGE OF LISTING VENUE TO REGULATED MARKET

The Board of directors decided in February 2021 that the company is to convert to the reporting standard IFRS. Thereby, an important step was taken in the process to change listing venue to a regulated market. The time-plan stipulated ranged from September 2022 to March 2024. Significant progress has been made and the conversion date has now been set to 1 April 2022, which means that the first quarterly report for the fiscal year 2022/2023 will be made under IFRS and will be released 18 August 2022.

The project for change of listing venue to a regulated market has progressed well during the quarter. At the end of September, the Board of directors decided that Embracer Group AB should proceed with a change of listing venue to Nasdaq Stockholm. The listing change will take place after the publication of our first quarterly report under IFRS, but no later than June 2023.

### M&A ACTIVITY UPDATE

The following M&A activities were announced and closed during the reporting quarter and during the period up to November 17.

Company	Country	Operative Group	Type	Closing Month
<b>Q2 - July-September</b>				
3d Realms	Denmark	Saber	Studio/Publisher	July
Slipgate Ironworks	Denmark	Saber	Studio	July
Grimfrost	Sweden	Embracer	E-commerce	July
Ghost Ship Games	Denmark	CoffeeStain	Studio	July
Force Field	Netherlands	Koch	Studio	July
DigiXart	France	Koch	Studio	July
CrazyLabs	Israel	DECA	Studio/Publisher	September
Firescore	India	DECA	Studio/Publisher	September
Easytrigger	Sweden	CoffeeStain	Studio	August
Demiurge Studios	USA	Saber	Studio	August
Smart Phone Labs	Russia	Saber	Studio	August
Bytex	Russia	Saber	Studio	September
<b>Q3 - October-December</b>				
Jufeng	China	DECA	Studio/IP	October
Hothead	Canada	DECA	IP	October
Fractured Byte	Estonia	Saber	Studio	October
Splatter Connect	UK	Koch	Services	October
Aionic Labs	USA	Embracer	Tech	October



## SUSTAINABILITY

### Developments for Smarter Business Framework

Being smart about our business to create great entertainment, be a great place to work and do better for the communities in which we operate is the foundation within our approach to ESG. The Smarter Business Framework and its four pillars – Business Sense, Great People, Solid Work, and Greener Planet – is our approach to sustainability. We are constantly evolving our ESG agenda to support our rapid growth. Our focus for the financial year 2021/2022 is Great People.

### Recruitment of Head of Sustainability for Embracer Group

To further strengthen the parent company's capacities within ESG and sustainability, Emma Ihre is recruited as our new Head of Sustainability for Embracer Group, starting in January 2022. Emma has an extensive and senior background in the field and currently holds the title Head of Sustainability at a leading Swedish law firm. Karin Edner will remain as the Corporate Governance & Sustainability Coordinator for Embracer Group.

### ESG initiatives and projects

A key aspect of Smarter Business is taking it step by step, which means we are continuously developing new initiatives and refining existing ones. A key focus is governance, and during the quarter, we have continued the preparations and activities for entering a regulated market.

A network for empowerment in the workplace was initiated as a pilot project. Its a key initiative of this year's focus on "Great People" - one of the four pillars of Embracer's ESG framework. The initiative aims at diversity and inclusion in the workforce. It will start small-scale at studio level and is to be evaluated before potentially scaling up as a group-wide initiative. The pilot program will consist of a lecture series and a mentorship program.

During this quarter, we have also initiated the development of a climate strategy. The climate strategy will lay the groundwork for Embracer Group's emission reduction and climate offset compensations. Additionally, the Compliance Code training programme has been updated during the quarter. We have planned for a series of sustainability webinars that is available to everyone in the Embracer Group. For management level in Operative Groups we are also planning to launch ESG Sessions shortly.

Through the Smarter Business Framework we encourage our operative groups and studios to launch their own initiatives on the ESG spectrum. One example among many is Koch Media's work to become climate neutral, a pledge they made during the last financial year. Their work is focused on reduction and minimizing the carbon foot print, and have made carbon offset investments totaling 6,285 tCO<sub>2</sub>e. They have now been certified as a climate neutral company, with on-going projects to minimize carbon footprint.

## PARENT COMPANY

We continue to build scalable corporate capabilities at the parent company, bringing on more talents and expertise to the offices in Karlstad, Stockholm, and remote. We are building capacities throughout our organization and have increased overhead positions within legal, M&A, communication, ESG and finance. During the quarter, we are pleased to have recruited key positions in legal, M&A and finance. We welcomed Ian Gulam as the Legal Counsel, Anna Orlander as Head of M&A legal, Caroline Andersson as Vice President of M&A, Anna Bokström as Head of Tax and Emma Ihre is recruited as our new Head of Sustainability. Since the IPO in November 2016 we have grown from 3 to 31 FTE's as of today.

Further, there are parent company investments that could potentially create new operative groups or be incorporated into existing ones. After the quarter, the parent company acquired 100 percent of the shares in Aionic Labs from its founders. Aionic Labs Inc is a technology and business development company based in Livermore (California), USA. The company was founded in 2020 by Lee Guinchard (CEO), Winston Chen and Alexander Caveny. Lee Guinchard, who continues to lead the company as its CEO, is a serial gaming entrepreneur and has more than 30 years of experience building and developing game related businesses through his deep industry global network.





For the past year, the parent company has been working on the ambition to create an independent operative group in retrogaming with passion-driven entrepreneurs and creators. During the start-up of this, the parent company has made two, not previously communicated, minor acquisitions in Sweden and Japan, but without any financial significance as of today. For commercial and communicative reasons, we will not provide more information at this time, but we look forward to communicating more as soon as we have all the starting blocks for the business ready.

Going forward, some smaller acquisitions will be communicated directly from operating groups or noted in future quarterly reports.

## THE GAMES ARCHIVE



### WE ARE BUILDING AN ARCHIVE TO EMBRACE THE HISTORY OF GAMES

For us, games are more than just games. It is culture. It is something created by great people with creative ideas. Preserving games and their history is important as it's a part of our heritage. By building a large archive of all physical games made, we want to preserve and tribute the games culture for a long period of time.

Embracer Group will build the games archive with the long-term ambition to preserve and document the video games heritage for both internal and external stakeholders.

The foundation of the Archive has during the year been donated by our CEO Lars Wingefors. Currently, the Archive holds approx. 50,000 pieces of games, consoles, peripherals, and arcades including many of them extremely rare and almost unique items.

The Archive is located close to our HQ in Värmland. The goal is to build an archive to preserve games and a complete reference library for the benefit of the group and all its stakeholders. The Archive can be exhibited to entertain and educate about the video games history, and it is a launchpad for a long-term plan to support and collaborate with institutional and grassroots efforts to preserve and document the video games heritage

The Games Archive's are in a startup face, and its recently hired CEO, David Boström, has focused on recruitment and building the team during the quarter. Natalia Kovalainen was recruited as the first archivist; she has deep knowledge about retro gaming in combination with extensive expertise in archiving. The Archive itself keeps growing, and in the quarter, a range of new games had been added, including a complete set of Japanese versions of the amazing Neo Geo CD games and hardware.

## ANALYSTS FOLLOWING EMBRACER GROUP

AS OF NOVEMBER 17, 2021

Company	Name	Phone	Mail
Carnegie	Oscar Erixon	-	oscar.erixon@carnegie.se
Berenberg	Benjamin May	+44 20 346 52 667	benjamin.may@berenberg.com
Bernstein	Matti Littunen	+44 207 170 50 09	matti.littunen@bernstein.com
Pareto Securities	Marlon Värnik	-	Marlon.Varnik@paretosec.com
SHB	Rasmus Engberg	-	rasmus.engberg@handelsbanken.se
Redeye	Tomas Otterbeck	-	tomas.otterbeck@redeye.se
ABG Sundal Collier	Jesper Birch-Jensen	+46 8 566 286 13	Jesper.Birch-Jensen@abgsc.se
Citi	Thomas A Singlehurst	+44 20 7986 4051	thomas.singlehurst@citi.com
Kepler Cheuvreux	Hjalmar Ahlberg	+46 708 62 50 79	ahlberg@keplercheuvreux.com
Goldman Sachs International	Alexander Duval	+44 20 7552 2995	alexander.duval@gs.com
HSBC Bank plc	Ali Naqvi	-	ali.naqvi@hsbc.com
DNB Bank ASA	Martin Arnell	-	martin.arnell@dnb.se
Barclays	Nick Dempsey	-	Nick.Dempsey@barclays.com
Exane BNP Paribas	Nicholas Langlet	-	nicholas.langlet@exanebnpparibas.com
BofA Securities	Chirag Vadhia	+44 (0) 20 7996 1050	chirag.vadhia@bofa.com

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.

## THE SHARE

TOP 10 OWNERS, AS OF SEPTEMBER 30, 2021

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Change from
					June 30, 2021
					Class A and B shares
Lars Wingefors AB	52,260,204	209,711,930	25.81%	45.31%	300,000
Matthew Karch <sup>2)</sup> and Andrey Iones	12,798,274	70,772,440	8.23%	12.30%	-
Founders/Management Easybrain		65,037,968	6.41%	4.02%	-
Canada Pension Plan Investment Board (CPP)		54,753,946	5.39%	3.39%	-
Swedbank Robur Funds		54,217,834	5.34%	3.35%	1,630,944
Handelsbanken Funds		30,284,588	2.98%	1.87%	4,602,222
Didner & Gerge Funds		25,829,614	2.54%	1.60%	3,981,598
ODIN Funds		21,380,000	2.11%	1.32%	3,400,000
AMF Pension & Funds		16,000,000	1.58%	0.99%	1,250,000
BlackRock		13,273,792	1.31%	0.82%	71,174
<b>TOTAL TOP 10</b>	<b>65,058,478</b>	<b>561,262,112</b>	<b>61.71%</b>	<b>74.98%</b>	
<b>ALL OTHER SHAREHOLDERS</b>	<b>1,739,796</b>	<b>386,889,444</b>	<b>38.29%</b>	<b>25.02%</b>	
<b>TOTAL</b>	<b>66,798,274</b>	<b>948,151,556</b>	<b>100%</b>	<b>100%</b>	

Source: Monitor by Modular Finance.

TOP 20 MANAGEMENT & CO-FOUNDER OWNERS, AS OF SEPTEMBER 30, 2021

Owner	Co-Founder	Class A shares	Class B shares	Share of capital, %	Share of votes, %
Lars Wingefors AB <sup>1)</sup>	Embracer Group	52,260,204	209,711,930	25.81%	45.31%
Matthew Karch <sup>2)</sup> and Andrey Iones	Saber Interactive	12,798,274	70,772,440	8.23%	12.30%
Founders/Management	Easybrain	0	65,037,968	6.41%	4.02%
Ken Go	DECA Games	0	12,603,182	1.24%	0.78%
Randy Pitchford	Gearbox Entertainment	0	9,563,028	0.94%	0.59%
Erik Stenberg	Embracer Group	0	9,000,000	0.89%	0.56%
Luisa Bixio	Milestone	0	5,760,874	0.57%	0.36%
Founders/Management	4a	0	4,892,140	0.48%	0.30%
Management	CrazyLabs	0	4,402,714	0.43%	0.27%
Founders	Ghostship Games	0	4,271,304	0.42%	0.26%
Richard Stitselaar and Kimara Rouwit	Vertigo Games	0	3,856,420	0.38%	0.24%
Founders/Management	Aspyr	0	3,549,742	0.35%	0.22%
Pelle Lundborg	Embracer Group	1,739,796	1,589,120	0.33%	1.17%
Anton Westbergh	Coffee Stain	0	2,412,666	0.24%	0.15%
Klemens Kundratitz	Koch Media	0	2,255,856	0.22%	0.14%
Vincent Van Brummen	Vertigo Games	0	1,495,702	0.15%	0.09%
Founders	Zen Studios	0	1,134,078	0.11%	0.07%
Klemens Kreuzer	THQ Nordic	0	1,118,104	0.11%	0.07%
Founders	A thinking Ape	0	1,048,176	0.10%	0.06%
Markus Rännare	Coffee Stain	0	833,262	0.08%	0.05%
<b>TOP 20</b>		<b>66,798,274</b>	<b>415,308,706</b>	<b>47.50%</b>	<b>67.03%</b>
<b>ALL OTHER SHAREHOLDERS</b>		<b>0</b>	<b>532,842,850</b>	<b>52.50%</b>	<b>32.97%</b>
<b>TOTAL</b>		<b>66,798,274</b>	<b>948,151,556</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/)

<sup>2)</sup> Matthew Karch has purchased 70,000 B-shares during the quarter.

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





## TOP 50 INSTITUTIONAL OWNERS, AS OF SEPTEMBER 30, 2021

Change from  
June 30, 2021

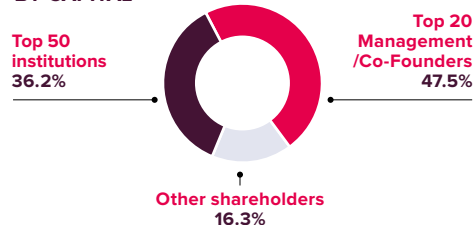
Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Class B shares
Canada Pension Plan Investment Board (CPP)	54,753,946		5.39%	3.39%	-
Swedbank Robur Fonder	54,217,834		5.34%	3.35%	1,630,944
Handelsbanken Fonder	30,284,588		2.98%	1.87%	4,602,222
Didner & Gerge Fonder	25,829,614		2.54%	1.60%	3,981,598
ODIN Fonder	21,380,000		2.11%	1.32%	3,400,000
AMF Pension & Fonder	16,000,000		1.58%	0.99%	1,250,000
BlackRock	13,273,792		1.31%	0.82%	71,174
Avanza Pension	12,275,784		1.21%	0.76%	-416,480
TIN Fonder	11,750,600		1.16%	0.73%	-
Alecta Pensionsförsäkring	10,160,000		1.00%	0.63%	3,400,000
Första AP-fonden	10,012,360		0.99%	0.62%	-586,640
Livförsäkringsbolaget Skandia	6,746,552		0.66%	0.42%	1,700
Andra AP-fonden	6,022,428		0.59%	0.37%	-244,000
AFA Försäkring	6,009,868		0.59%	0.37%	-598,550
Futur Pension	5,949,230		0.59%	0.37%	198,192
Skandia Fonder	5,763,980		0.57%	0.36%	-16,940
Nordnet Pensionsförsäkring	4,925,470		0.49%	0.30%	639,612
Naventi Fonder	4,915,542		0.48%	0.30%	1,675,490
Martin Larsson (Chalex AB)	4,865,894		0.48%	0.30%	-
Enter Fonder	4,272,940		0.42%	0.26%	390,000
VanEck	3,249,857		0.32%	0.20%	83,103
Oberweis Asset Management Inc	3,190,400		0.31%	0.20%	-
Janus Henderson Investors	2,989,308		0.29%	0.18%	-1,157,220
Northern Trust	2,453,871		0.24%	0.15%	-294,651
Cliens Fonder	2,444,000		0.24%	0.15%	244,000
Länsförsäkringar Fonder	2,364,656		0.23%	0.15%	-159,914
Aktia Asset Management	2,320,000		0.23%	0.14%	120,000
Danske Invest (Lux)	2,273,410		0.22%	0.14%	-1,620,000
State Street Global Advisors	2,234,748		0.22%	0.14%	324,310
Sensor Fonder	2,192,184		0.22%	0.14%	-
Fidelity Investments (FMR)	2,133,828		0.21%	0.13%	47,052
Global X Management Company LLC	2,122,796		0.21%	0.13%	-322,192
Svenska Handelsbanken AB for PB	2,101,034		0.21%	0.13%	93,764
Consensus Asset Management	1,911,790		0.19%	0.12%	-20,000
Swedbank Försäkring	1,909,744		0.19%	0.12%	421,984
Thrift Savings Plan	1,796,748		0.18%	0.11%	1,796,748
Vanguard	1,739,972		0.17%	0.11%	-162,756
TIAA - Teachers Advisors	1,729,940		0.17%	0.11%	412,012
Handelsbanken Liv Försäkring AB	1,635,114		0.16%	0.10%	361,030
DNB Fonder	1,532,888		0.15%	0.09%	-1,723,772
Fondita Fonder	1,510,000		0.15%	0.09%	40,000
Nordea Liv & Pension	1,470,316		0.14%	0.09%	463,654
JP Morgan Asset Management	1,417,008		0.14%	0.09%	-41,050
Lancelot Asset Management AB	1,400,000		0.14%	0.09%	-50,000
Öhman Fonder	1,340,316		0.13%	0.08%	621,950
Schroders	1,321,312		0.13%	0.08%	-75,044
Evli Fonder	1,300,000		0.13%	0.08%	-270,000
Knutsson Holdings AB	1,300,000		0.13%	0.08%	-
Handelsinvest Fonder	1,143,922		0.11%	0.07%	294,880
Amundi	1,128,828		0.11%	0.07%	71,258
<b>TOTAL TOP 50 INSTITUTIONAL OWNERS</b>	<b>0</b>	<b>367,068,412</b>	<b>36.17%</b>	<b>22.71%</b>	
<b>ALL OTHER SHAREHOLDERS</b>	<b>66,798,274</b>	<b>581,083,144</b>	<b>63.83%</b>	<b>77.29%</b>	
<b>TOTAL</b>	<b>66,798,274</b>	<b>948,151,556</b>	<b>100%</b>	<b>100%</b>	

Source: Monitor by Modular Finance.

### INTERNATIONAL OWNERSHIP TOP 50 INSTITUTIONAL BY CAPITAL



### INSTITUTIONAL OWNERSHIP VS MANAGEMENT BY CAPITAL







### INFORMATION ABOUT NASDAQ FIRST NORTH GROWTH MARKET

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

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

### RISKS AND UNCERTAINTY FACTORS

Embracer Group is exposed to risks, particularly the dependence on key persons for the success of game development, the sales performance of launched games, dependence on a few distributors and the success and performance of acquisitions. The complete risk analysis is found in the company's most recent Annual Report.

### ACCOUNTING AND VALUATION POLICIES

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

The Company's accounting policies are stated in its most recent Annual Report.

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

### AUDITOR'S REVIEW

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

### FORTHCOMING REPORTS

Interim Report Q3, October-December 2021	17 February 2022
Full Year Report 2021/2022	19 May 2022
Interim Report Q1, April-June 2022	18 August 2022

### FOR MORE INFORMATION

Find more information about the Company at its website: [embracer.com](http://embracer.com)

For any questions on this report, please contact:

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## SIGNATURES AND ASSURANCE

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

Karlstad, Sweden, November 17, 2021

Kicki Wallje-Lund  
*Chairman of the Board*

David Gardner

Ulf Hjalmarsson

Jacob Jonmyren

Matthew Karch

Erik Stenberg

Lars Wingefors  
*Chief Executive Officer*

*This Interim Report is information that is mandatory for Embracer Group to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 06:00 CET on November 17, 2021.*

# CONSOLIDATED INCOME STATEMENT

SEK m	Jul-Sep 2021	Jul-Sep 2020	Apr-Sep 2021	Apr-Sep 2020	Apr 2020– Mar 2021
Net sales	3,296.4	2,383.2	6,723.0	4,451.9	9,024.2
Work performed by the Company for its own use and capitalized	558.4	273.4	1,027.6	521.3	1,291.6
Other operating income	68.5	64.1	156.9	128.6	287.7
<b>Total operating income</b>	<b>3,923.4</b>	<b>2,720.7</b>	<b>7,907.5</b>	<b>5,101.8</b>	<b>10,603.5</b>
<b>Operating expenses</b>					
Goods for resale	–800.0	–1,034.1	–1,612.7	–1,794.0	–3,618.4
Other external expenses	–962.0	–359.7	–1,749.8	–651.9	–1,318.5
Personnel expenses	–925.6	–398.8	–1,793.2	–777.5	–1,841.5
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	–2,099.4	–795.6	–4,155.9	–1,541.6	–3,508.5
Other operating expenses	–23.5	-	–27.8	-	–46.3
<b>Total operating expenses</b>	<b>–4,810.5</b>	<b>–2,588.2</b>	<b>–9,339.4</b>	<b>–4,765.0</b>	<b>–10,333.2</b>
Profit from participation in associated companies	427.7	40.9	448.3	55.7	206.5
<b>Operating profit</b>	<b>–459.5</b>	<b>173.4</b>	<b>–983.6</b>	<b>392.5</b>	<b>476.8</b>
<b>Financial items</b>					
Result from financial assets	0.1	-	0.1	-	-
Other interest income, etc.	0.7	112.0	162.6	114.4	291.5
Other interest expenses, etc.	–214.8	–21.8	–275.3	–59.9	–88.3
<b>Total financial items</b>	<b>–214.0</b>	<b>90.2</b>	<b>–112.6</b>	<b>54.6</b>	<b>203.2</b>
<b>Profit after financial items</b>	<b>–673.5</b>	<b>263.6</b>	<b>–1,096.2</b>	<b>447.1</b>	<b>680.0</b>
<b>Profit before tax</b>	<b>–673.5</b>	<b>263.6</b>	<b>–1,096.2</b>	<b>447.1</b>	<b>680.0</b>
Current income tax	–102.2	–79.2	–281.9	–162.6	–364.3
Deferred tax	53.8	43.4	50.4	33.8	–28.4
<b>Net profit for the period</b>	<b>–721.8</b>	<b>227.8</b>	<b>–1,327.6</b>	<b>318.3</b>	<b>287.3</b>
<i>Attributable to:</i>					
Equity holders of the parent	–721.9	228.1	–1,327.7	319.1	287.0
Non-controlling interests	0.1	–0.3	0.0	–0.8	0.3
Earnings per share, SEK <sup>1)</sup>	–0.72	0.30	–1.33	0.43	0.36
Average number of outstanding shares, million <sup>1)</sup>	1,008	756	999	746	796
Earnings per share after full dilution, SEK <sup>1)</sup>	–0.68	0.30	–1.26	0.43	0.36
Average number of outstanding shares after full dilution, million <sup>1)</sup>	1,060	756	1,052	746	798

<sup>1)</sup> Recalculated with respect to the 2:1 split carried out on September 30, 2021 as resolved at the annual general meeting on September 16, 2021. Number of shares for previous periods have been adjusted.



## CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Sep 30, 2021	Sep 30, 2020	Mar 31, 2021
Intangible assets	38,922.4	13,768.2	16,390.0
Property, plant & equipment	434.7	203.0	237.8
Financial assets	743.9	395.0	571.6
Inventories	530.7	380.5	242.9
Current receivables	3,028.0	1,983.2	2,010.0
Cash and bank balance	9,919.4	3,579.1	14,299.9
<b>Total assets</b>	<b>53,579.1</b>	<b>20,309.0</b>	<b>33,752.2</b>
Equity	37,131.5	13,738.8	27,165.4
Provisions for conditional purchase prices	9,610.1	724.6	1,887.5
Other provisions	1,375.3	822.6	929.0
Non-current liabilities	688.3	1,174.9	246.0
Current liabilities	4,773.9	3,848.1	3,524.3
<b>Total liabilities and equity</b>	<b>53,579.1</b>	<b>20,309.0</b>	<b>33,752.2</b>
Interest-bearing receivables amount to	9,938.4	3,579.1	14,299.9
Interest-bearing liabilities amount to	2,255.7	3,229.4	1,494.3

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Other paid-up capital	Other equity including net profit	Minority interest	Consolidated equity
<b>Amount as of April 1, 2021</b>	<b>1.3</b>	<b>26,762.3</b>	<b>389.0</b>	<b>12.9</b>	<b>27,165.4</b>
Translation difference			24.6		24.6
New share issue	0.1	11,239.5			11,239.6
Issue costs <sup>1)</sup>		-0.8			-0.8
Transaction between owners				30.2	30.2
Net profit			-1,327.6		-1,327.6
<b>Amount as of September 30, 2021</b>	<b>1.4</b>	<b>38,001.0</b>	<b>-914.0</b>	<b>43.1</b>	<b>37,131.5</b>

<sup>1)</sup> Issue costs constitutes of cost of rights issue SEK -0.8 million.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK m	Jul-Sep 2021	Jul-Sep 2020	Apr-Sep 2021	Apr-Sep 2020	Apr 2020–Mar 2021
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,035.4</b>	<b>852.1</b>	<b>2,378.3</b>	<b>1,722.0</b>	<b>3,766.0</b>
Change in working capital	-11.4	-47.5	-737.0	-185.0	132.9
<b>Cash flow from operating activities</b>	<b>1,024.0</b>	<b>804.7</b>	<b>1,641.3</b>	<b>1,537.0</b>	<b>3,899.0</b>
Cash flow from investing activities					
Net investment in acquired companies	-2,722.6	-773.9	-4,995.2	-1,877.7	-4,590.8
Net investment in intangible assets	-916.5	-484.1	-1,745.2	-978.5	-2,135.2
Net investment in tangible assets	-98.5	-12.8	-149.7	-29.0	-69.6
Net investment in financial assets	-3.2	3.6	-0.3	-14.0	-9.4
Cash flow from financing activities	175.6	513.7	826.9	2,454.0	14,725.3
<b>Cash flow for the period</b>	<b>-2,541.2</b>	<b>51.3</b>	<b>-4,422.2</b>	<b>1,091.8</b>	<b>11,819.3</b>
Cash and cash equivalents at beginning of period	12,417.2	3,525.1	14,299.9	2,510.3	2,510.3
Translation difference in cash and cash equivalents	43.4	2.7	41.7	-23.0	-29.7
<b>Cash and cash equivalents at end of period</b>	<b>9,919.4</b>	<b>3,579.1</b>	<b>9,919.4</b>	<b>3,579.1</b>	<b>14,299.9</b>

## PARENT COMPANY INCOME STATEMENT

SEK m	Jul-Sep 2021	Jul-Sep 2020	Apr-Sep 2021	Apr-Sep 2020	Apr 2020– Mar 2021
Net sales	106.1	252.9	312.8	442.7	796.0
Other operating income	0.0	0.0	0.0	0.0	0.0
<b>Total operating income</b>	<b>106.1</b>	<b>252.9</b>	<b>312.8</b>	<b>442.7</b>	<b>796.0</b>
<b>Operating expenses</b>					
Other external expenses	-12.8	-2.6	-29.6	-26.1	-35.8
Personnel expenses	-9.9	-5.3	-17.7	-10.0	-22.0
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-69.3	-133.9	-156.2	-217.5	-416.8
Other operating expenses	-4.1	-	-9.7	-	-21.4
<b>Total operating expenses</b>	<b>-96.0</b>	<b>-141.8</b>	<b>-213.1</b>	<b>-253.6</b>	<b>-496.0</b>
<b>Operating profit</b>	<b>10.1</b>	<b>111.1</b>	<b>99.7</b>	<b>189.1</b>	<b>300.0</b>
<b>Financial items</b>					
Result from financial assets	0.1	1.3	0.1	2.6	-556.3
Other interest income, etc.	220.0	10.7	230.9	11.0	261.8
Other interest expenses, etc.	-12.5	-364.4	-172.0	-397.0	-48.4
<b>Total financial items</b>	<b>207.6</b>	<b>-352.4</b>	<b>59.0</b>	<b>-383.4</b>	<b>-342.9</b>
<b>Profit after financial items</b>	<b>217.7</b>	<b>-241.2</b>	<b>158.7</b>	<b>-194.4</b>	<b>-42.9</b>
<b>Appropriations</b>	<b>-99.9</b>	<b>0.0</b>	<b>-99.9</b>	<b>0.0</b>	<b>229.6</b>
<b>Profit before tax</b>	<b>117.8</b>	<b>-241.2</b>	<b>58.8</b>	<b>-194.4</b>	<b>186.7</b>
Current income tax	-1.5	10.1	-1.5	0.0	-39.7
Deferred tax	-12.3	41.8	0.0	41.9	0.0
<b>Net profit for the period</b>	<b>104.0</b>	<b>-189.3</b>	<b>57.3</b>	<b>-152.5</b>	<b>147.0</b>

## CONDENSED PARENT COMPANY BALANCE SHEET

SEK m	Sep 30, 2021	Sep 30, 2020	Mar 31, 2021
Intangible assets	257.9	434.8	409.0
Tangible assets	3.7	5.5	3.7
Financial assets	11,286.1	9,156.9	10,956.2
Current receivables	17,982.7	1,733.1	2,882.5
Cash and bank balance	6,404.5	2,083.3	12,393.6
<b>Total assets</b>	<b>35,934.9</b>	<b>13,413.5</b>	<b>26,645.0</b>
Equity	35,524.2	11,965.9	26,053.0
Untaxed reserves	117.4	140.6	117.4
Provisions	222.9	3.6	220.9
Long-term liabilities	0.0	1,117.3	204.8
Current liabilities	70.4	186.1	48.9
<b>Total liabilities and equity</b>	<b>35,934.9</b>	<b>13,413.5</b>	<b>26,645.0</b>



## SELECTED KEY PERFORMANCE INDICATORS – GROUP

Financial metrics defined or specified pursuant to Swedish Accounting Standards Board standards (BFNAR)	Jul–Sep 2021	Jul–Sep 2020	Apr–Sep 2021	Apr–Sep 2020	Apr 2020–Mar 2021
Net sales, SEK m	3,296.4	2,383.2	6,723.0	4,451.9	9,024.2
Operating profit, SEK m	–459.5	173.4	–983.6	392.5	476.8
Profit before tax, SEK m	–673.5	263.6	–1,096.2	447.1	680.0
Profit after tax, SEK m	–721.8	227.8	–1,327.6	318.3	287.3
Number of shares at end of period, thousands <sup>1)</sup>	1,014,950	770,900	1,014,950	770,900	921,651
Average number of outstanding shares, thousands <sup>1)</sup>	1,007,754	755,668	999,180	746,270	796,291
Average number of outstanding shares after full dilution, thousands <sup>1)</sup>	1,060,453	-	1,051,879	-	797,636
Average number of full-time employees in the period	6,299	2,807	5,854	2,494	3,174
Number of employees at the end of the period	6,462	3,024	6,462	3,024	4,236
Alternative key performance indicators not defined or specified pursuant to BFNAR	Jul–Sep 2021	Jul–Sep 2020	Apr–Sep 2021	Apr–Sep 2020	Apr 2020–Mar 2021
Net sales growth, %	38	89	51	85	72
EBITDA, SEK m	1,640.0	969.0	3,172.3	1,934.0	3,985.3
EBITDA margin, %	50	41	47	43	44
Operational EBIT, SEK m	973.4	652.5	2,244.7	1,364.3	2,870.8
Operational EBIT margin, %	30	27	33	31	32
EBIT, SEK m	–459.5	173.4	–983.6	392.5	476.8
EBIT margin, %	–14	7	–15	9	5
Equity/assets ratio, %	69	68	69	68	80
Adjusted earnings per share, SEK <sup>1)</sup>	0.65	0.90	1.79	1.66	3.22
Adjusted earnings per share after full dilution, SEK <sup>1)</sup>	0.62	-	1.70	-	3.22
Earnings per share, SEK <sup>1)</sup>	–0.72	0.30	–1.33	0.43	0.36
Earnings per share after full dilution, SEK <sup>1)</sup>	–0.68	-	–1.26	-	0.36
Dividend per share, SEK	-	-	-	-	-
<i>Derivation of the alternative KPIs, operational EBIT and EBITDA</i>					
<b>EBIT, SEK m</b>	<b>–459.5</b>	<b>173.4</b>	<b>–983.6</b>	<b>392.5</b>	<b>476.8</b>
Amortization expenses added back to Operational EBIT					
- Goodwill, SEK m	1,584.7	401.1	3,148.7	776.4	1,924.9
- Intellectual property (IP) rights, SEK m	223.3	104.2	441.1	206.4	456.4
- Surplus value of Partner Publishing/Film, SEK m	14.4	15.3	28.1	30.3	54.1
Remeasurement of participation in associated companies	–416.7	–41.4	–416.7	–41.4	–41.4
Remeasurement of contingent consideration	27.1	-	27.1	-	-
<b>Operational EBIT, SEK m</b>	<b>973.4</b>	<b>652.5</b>	<b>2,244.7</b>	<b>1,364.3</b>	<b>2,870.8</b>
- Other depreciation and amortization expenses, SEK m	277.1	275.0	538.0	528.3	1,073.2
Remeasurement of participation in associated companies, SEK m	416.7	41.4	416.7	41.4	41.4
Remeasurement of contingent consideration, SEK m	–27.1	-	–27.1	-	-
<b>EBITDA, SEK m</b>	<b>1,640.0</b>	<b>969.0</b>	<b>3,172.3</b>	<b>1,934.0</b>	<b>3,985.3</b>

<sup>1)</sup> Recalculated with respect to the 2:1 split carried out on September 30, 2021 as resolved at the annual general meeting on September 16, 2021. Number of shares for previous periods have been adjusted.

## DEFINITIONS OF ALTERNATIVE KPI's

Embracer Group's definitions of a number of alternative KPI's used in this Interim Report are stated below. Net sales growth is reported by the Company because it regards this KPI as contributing to investor understanding of the Company's historical progress. EBITDA and EBITDA margin are reported because these are metrics commonly used by certain investors, financial analysts and other stakeholders to measure the Company's financial results. The company has chosen to disclose operational EBIT in order to provide a fair picture of the underlying operational performance. The equity/assets ratio is stated because the Company regards this as a metric commonly used by certain investors, financial analysts and other stakeholders to measure the Company's financial position.

### DEFINITIONS OF KPI'S, GROUP

<b>Adjusted Earnings per share</b>	Profit after tax excluding non-operational depreciations, amortizations net of tax and profit of remeasurement of shares in associated companies and remeasurement of contingent consideration divided by the average number of shares in the period. Tax related to non-operational depreciation and amortizations calculated using the effective tax rate (no tax effect on goodwill amortizations).
<b>Average number of shares</b>	Average number of shares in the period. Number of shares have been recalculated with respect to split of shares.
<b>Earnings per share</b>	Profit after tax less non-controlling interest divided by the average number of shares in the period.
<b>Earnings per share after full dilution</b>	Profit after tax less non-controlling interest divided by the average number of shares after full dilution in the period.
<b>EBIT margin</b>	EBIT as a percentage of net sales.
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortization.
<b>EBITDA margin</b>	EBITDA as a percentage of net sales.
<b>Equity/assets ratio</b>	Equity as a percentage of total assets.
<b>Free Cash Flow</b>	Cash Flow from operating activities for the period excluding net investment in acquired companies and cash flow from Financing activities.
<b>Net sales growth</b>	Net sales for the current period divided by net sales for the corresponding period of the previous year.
<b>Non-operational Depreciation and Amortizations</b>	Amortization of acquisition-related goodwill, surplus values of specific business areas and IP Values (trademarks, patents, copyrights etc).
<b>Operational EBIT</b>	EBIT excluding non-operational depreciations, remeasurement of participation in associated companies and remeasurement of contingent consideration.
<b>Operational EBIT margin</b>	Operational EBIT as a percentage of net sales.

### DEFINITIONS, QUARTERLY INFORMATION

<b>Completed games</b>	Total book value of finished game development projects (released games) during the quarter. Upon completion the released games are reclassified from On-going Game Development Projects to Finished Games and depreciation starts.
<b>Depreciation and amortization</b>	
<b>Game development</b>	Depreciation of finished game development projects - degressive depreciation over two years. 1/3 depreciation during month 1 to 3 following release, 1/3 depreciation in month 4 to 12 following release and the remaining 1/3 in month 13 to 24 following release.
<b>Other intangible assets (Film etc)</b>	The majority of other intangible assets (Film etc) relates to the Group's film business and is depreciated based on actual sales in relation to expected sales of the relevant title.
<b>IP-rights</b>	Depreciation of Intellectual Property rights related to Games - straight-line depreciation over five years.
<b>Surplus value Partner Publishing/Film</b>	Depreciation of surplus values related to Partner Publishing/Film - straight-line depreciation over five years.
<b>Goodwill</b>	Depreciation of Goodwill - straight-line depreciation over five years.
<b>Digital sales</b>	All net sales not shipped physically.
<b>External game developers</b>	Number of game developers engaged in game development projects by studios that are not owned by the group (external studios).
<b>External Studios</b>	Number of external development studios engaged in game development projects.
<b>Game development projects</b>	Number of on-going game development projects financed by the group and number of on-going game development projects financed by third party with notable expected royalty income.
<b>Internal employees, non-development</b>	Number of employees not directly engaged in game development (both employees and contractors).
<b>Internal game developers</b>	Number of game developers (both employees and contractors) engaged in game development projects by studios that are owned by the group (internal studios).
<b>Internal Studios</b>	Number of internal development studios.
<b>Net sales split – Games business area</b>	
<b>Owned titles</b>	Net sales of game titles that are owned IP:s or titles that are controlled by the group.
<b>Publishing titles</b>	Net sales of game titles of IP:s the group does not own or control.
<b>New releases sales by each quarter</b>	Net sales of game titles that are released in the current quarter.
<b>Back-catalog</b>	Net sales of game titles that are not released in the current quarter.
<b>Number of IP:s</b>	Number of IP:s owned by the group.
<b>Organic growth</b>	Growth in Business Area – Games between periods where net sales from companies acquired in the last five quarters have been excluded.
<b>Organic growth, CCY</b>	Growth in Business Area – Games between periods where net sales from companies acquired in the last five quarters have been excluded. The comparison period is adjusted for differences in exchange rates.
<b>Physical sales</b>	All net sales shipped physically.

# QUARTERLY INFORMATION BY CALENDAR YEAR

	2016		2017				2018				2019				2020				2021		
	Full year	Full year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year	Jan-Mar	Apr-Jun	Jul-Sep	
Net sales, SEK m	302	508	633	838	1,273	1,381	4,124	1,631	1,142	1,260	1,509	5,541	1,339	2,069	2,383	2,168	7,959	2,404	3,427	3,296	
EBITDA, SEK m	132	273	226	207	215	326	974	619	390	418	518	1,945	495	965	969	879	3,308	1,172	1,532	1,640	
Operational EBIT, SEK m	108	202	131	70	103	197	501	396	204	241	302	1,143	286	712	653	603	2,254	903	1,271	973	
EBIT, SEK m	95	188	107	53	91	152	403	172	81	76	91	421	97	219	173	-61	428	145	-524	-459	
Profit after tax, SEK m	72	139	81	33	65	114	294	103	53	65	34	254	132	91	228	-190	261	159	-606	-722	
Number of shares (A&B), adjusted, million <sup>1)</sup>	367	444	475	482	529	518	504	566	615	620	624	606	624	737	756	838	744	855	990	1,008	
Number of shares (A&B) after full dilution, adjusted, million <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	756	840	744	859	1,042	1,060	
Earnings per share, SEK <sup>1)</sup>	0.20	0.31	0.17	0.07	0.12	0.22	0.58	0.18	0.09	0.11	0.05	0.43	0.21	0.13	0.30	-0.23	0.42	0.19	-0.61	-0.72	
Earnings per share after full dilution, SEK <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.30	-0.23	0.42	0.18	-0.58	-0.68	
Adjusted Earnings per share, SEK <sup>1)</sup>	0.23	0.34	0.21	0.10	0.14	0.30	0.75	0.50	0.26	0.33	0.34	1.41	0.49	0.76	0.90	0.53	2.67	1.03	1.15	0.65	
Adjusted Earnings per share after full dilution, SEK <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.90	0.53	2.67	1.03	1.09	0.62	
Cash flow from operating activities, SEK m	99	179	700	165	-740	455	579	777	441	283	239	1,740	766	732	805	840	3,143	1,522	617	1,024	
Free cash flow, SEK m	-	-	-	-	-	-	-	-	47	-116	-207	-	276	204	311	309	1,100	861	-260	6	
Sales growth, Group, YoY, %	42%	68%	673%	878%	1403%	441%	713%	158%	36%	-1%	9%	34%	-18%	81%	89%	44%	44%	80%	66%	38%	
Organic growth, Games, YoY, %	-	-	-	-	-	-	-	-	-	-	-	-	-	74%	51%	11%	-	70%	-2%	-11%	
Organic growth, CCY, Games, YoY, %	-	-	-	-	-	-	-	-	-	-	-	-	-	71%	61%	21%	-	85%	10%	-9%	
EBITDA, margin, %	44%	54%	36%	25%	17%	24%	24%	38%	34%	33%	34%	35%	37%	47%	41%	41%	42%	49%	45%	50%	
Operational EBIT, margin, %	38%	40%	20%	8%	8%	14%	12%	25%	18%	19%	20%	21%	21%	34%	27%	28%	28%	38%	37%	30%	
EBIT, margin, %	31%	37%	17%	6%	7%	11%	10%	11%	7%	6%	6%	8%	7%	11%	7%	-3%	5%	6%	-15%	-10%	
Gross Margin (Net sales-COGS), SEK m	183	360	313	372	378	542	1,604	889	614	625	762	2,889	673	1,309	1,349	1,307	4,638	1,441	2,614	2,496	
Gross Margin, %	61%	71%	50%	44%	30%	39%	39%	55%	54%	50%	51%	52%	50%	63%	57%	60%	58%	60%	76%	76%	
<b>Net sales per business area</b>																					
Games - THQ Nordic, SEK m	302	508	135	146	124	352	756	143	185	330	333	991	307	488	567	380	1,742	355	669	374	
Games - Koch Media Publishing, SEK m	-	-	257	338	252	187	1,033	794	373	442	467	2,076	515	613	507	497	2,132	465	638	585	
Games - Coffee Stain, SEK m	-	-	-	-	-	14	14	98	83	45	36	261	82	172	130	99	483	781	191	120	
Games - Saber, SEK m	-	-	-	-	-	-	-	-	-	-	-	-	-	349	259	307	915	271	305	463	
Games - DECA Games, SEK m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33	72	105	104	146	249	
Games - Gearbox Entertainment, SEK m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	437	434	
Games - Easybrain, SEK m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	576	607	
<b>Games, total</b>	302	508	391	484	376	553	1,803	1,035	641	816	836	3,328	904	1,622	1,495	1,355	5,376	1,975	2,961	2,831	
Partner Publishing/Film, SEK m	-	-	242	354	897	828	2,320	596	501	444	673	2,213	436	447	888	813	2,584	429	466	465	
<b>Net sales total</b>	302	508	633	838	1,273	1,381	4,124	1,631	1,142	1,260	1,509	5,541	1,339	2,069	2,383	2,168	7,959	2,404	3,427	3,296	
<b>Net sales split - Games business area</b>																					
Owned titles, %	71%	77%	34%	39%	50%	72%	50%	84%	80%	78%	79%	80%	70%	74%	66%	65%	69%	47%	79%	69%	
Publishing titles, %	29%	23%	66%	61%	50%	28%	50%	16%	20%	22%	21%	20%	30%	26%	34%	35%	31%	53%	21%	31%	
Owned titles, SEK m	213	391	134	189	188	396	907	871	510	637	657	2,675	633	1,194	994	875	3,696	927	2,352	1,953	
Publishing titles, SEK m	89	116	257	295	188	157	897	164	131	179	178	653	270	428	501	480	1,680	1,048	609	878	
New releases sales by each quarter, %	-	-	63%	20%	31%	58%	-	75%	18%	32%	35%	-	38%	45%	33%	20%	-	42%	21%	17%	
Back-catalog, %	-	-	37%	80%	69%	42%	-	25%	82%	68%	65%	-	62%	55%	67%	80%	-	58%	79%	83%	
New releases sales by each quarter, SEK m	-	-	246	98	117	321	-	781	118	261	291	-	345	733	488	272	-	838	627	475	
Back-catalog, SEK m	-	-	145	386	259	232	-	254	524	555	545	-	559	889	1,007	1,083	-	1,137	2,333	2,356	
Physical sales, %	51%	50%	62%	50%	48%	59%	55%	39%	29%	26%	31%	32%	22%	26%	24%	21%	23%	11%	13%	7%	
Digital sales, %	49%	50%	38%	50%	52%	41%	45%	61%	71%	74%	69%	68%	78%	74%	76%	79%	77%	89%	87%	93%	
Physical sales, SEK m	154	253	243	242	179	324	988	407	189	215	259	1,070	195	419	352	289	1,255	225	375	200	
Digital sales, SEK m	148	251	148	242	197	229	815	628	452	601	577	2,258	709	1,203	1,143	1,066	4,121	1,750	2,585	2,631	
<b>Depreciation and amortization</b>																					
Game development	-24	-62	-59	-109	-80	-93	-341	-192	-162	-144	-133	-631	-148	-191	-222	-200	-761	-202	-215	-221	
Other intangible assets (Film etc.)	-	-	-33	-24	-27	-31	-115	-25	-16	-26	-76	-144	-53	-55	-43	-65	-216	-54	-29	-32	
<b>Sub-total</b>	-24	-62	-92	-133	-107	-124	-455	-217	-179	-170	-209	-775	-201	-246	-265	-265	-977	-256	-244	-253	
<i>Acquisition-related depreciation</i>																					
IP-rights	-13	-14	-11	-7	-9	-8	-33	-166	-69	-101	-123	-458	-67	-102	-104	-118	-391	-132	-218	-223	
Surplus value Partner Publishing/Film	-	-	-12	-10	-2	-9	-33	-15	-8	-12	-11	-46	-12	-15	-15	-10	-52	-14	-14	-14	
Goodwill	-	-	-1	-1	-2	-28	-32	-43	-45	-52	-77	-218	-110	-375	-401	-536	-1,423	-612	-1,564	-1,585	
<b>Sub-total</b>	-13	-14	-24	-17	-13	-45	-99	-224	-123	-164	-211	-722	-189	-492	-521	-664	-1,867	-758	-1,796	-1,822	
<b>Total intangible assets</b>	-37	-76	-116	-150	-120	-169	-554	-441	-302	-334	-420	-1,497	-390	-738	-786	-929	-2,844	-1,014	-2,039	-2,084	
<b>Investments in intangible assets</b>																					
External game developm. and advances, SEK m	98	212	115	114	132	167	528	189	225	166	152	732	193	209	172	150	724	166	301	323	
Internal capitalized development, SEK m	36	80	58	94	102	106	359	116	131	177	221	645	224	248	273	372	1,117	398	469	558	
<b>Sub-total - Investments in game dev.</b>	134	292	173	208	234	273	887	305	356	343	373	1,377	417	457	445	522	725	564	770	881	
Other intangible assets	-	11	12	31	18	31	91	20	22	43	46	131	40	41	39	35	155	36	43	35	
IP-rights	23	4	-	0	22	11	32	0	0	6	0	7	8	0	0	0	8	0	15	0	
<b>Total</b>	157	306	185	239	273	314	1,010	326	378	392	419	1,515	465	498	484	558	2,005	599	829	917	
<b>Completed games</b>																					
Completed games, SEK m	-	176	123	47	50	162	383	220	168	104	152	644	165	253	311	156	885	117	298	281	
<b>Other KPIs</b>																					
Total Game Dev projects	-	-	54	51	55	77	-	80	81	86	96	-	103	125	135	150	-	160	180	197	
Announced Game Dev projects	-	-	19	17	2																



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 250 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 86 internal game development studios and is engaging more than 9,000 employees and contracted employees in more than 40 countries.