22/23

EMBRACER+ GROUP

JULY – SEPTEMBER 2022
EMBRACER GROUP AB (PUBL)
REG NO. 556582-6558

INTERIM REPORT 2

NET SALES INCREASED BY 190 % TO SEK 9,569 MILLION, 35 % ORGANIC GROWTH

SECOND QUARTER, JULY–SEPTEMBER 2022 (COMPARED TO JULY–SEPTEMBER 2021)

- Net sales increased by 190 % (35 % organic growth) to SEK 9,569 million (3,305).
  The sales split per operating segment was:
  - PC/Console Games: increased by 107 % to SEK 4,097 million (1,976).
  - Mobile Games: increased by 67 % to SEK 1,441 million (864).
  - Tabletop Games: amounted to SEK 3,247 million (-).
  - Entertainment & Services: increased by 69 % to SEK 784 million (465).
- EBIT [1] increased in the period to SEK 461 million (44), an EBIT margin of 5 % (1 %). Adjusted EBIT increased by 115 % to SEK 2,121 million (986), an Adjusted EBIT margin of 22 % (30 %).
- Cash flow from operating activities amounted to SEK 580 million (1,009). Net investments in intangible assets amounted to SEK –1,572 million (–916).
- Basic earnings per share was SEK 2.21 (2.26) and diluted earnings per share SEK 2.20 (2.24). Adjusted earnings per share was SEK 2.12 (0.95). Adjusted earnings per share after full dilution was SEK 1.95 (0.91).
- An Adjusted EBIT of SEK 8,000-10,000 million is forecasted for the financial year 2022/23. It is a downward adjustment compared to the previously communicated forecast. The forecast published previously for the financial year 2023/24 is reiterated, stating an Adjusted EBIT of SEK 10,300-13,600 million.

FIRST SIX MONTHS, APRIL–SEPTEMBER 2022 (COMPARED TO APRIL–SEPTEMBER 2021)

- Net sales increased by 148 % (10 % organic growth) to SEK 16,687 million (6,738).
  The sales split per operating segment was:
  - PC/Console Games: increased by 52 % to SEK 6,391 million (4,215).
  - Mobile Games: increased by 84 % to SEK 2,928 million (1,593).
  - Tabletop Games: amounted to SEK 5,911 million (-).
  - Entertainment & Services: increased by 56 % to SEK 1,456 million (931).
- EBIT [1] amounted to SEK 63 million (99), an EBIT margin of 0 %. Adjusted EBIT increased by 52 % to SEK 3,442 million (2,265), an Adjusted EBIT margin of 21 % (34 %).
- Cash flow from operating activities amounted to SEK 927 million (1,591). Net investments in intangible assets amounted to SEK –2,776 million (–1,745).
- Basic earnings per share was SEK 2.10 (2.33) and diluted earnings per share SEK 2.08 (2.31). Adjusted earnings per share was SEK 3.40 (1.92). Adjusted earnings per share after full dilution was SEK 3.13 (1.83).

Key performance indicators, Group	Jul-Sep 2022	Jul-Sep 2021	Apr-Sep 2022	Apr-Sep 2021	Apr 2021-Mar 2022
Net sales, SEK m	9,569	3,305	16,687	6,738	17,067
EBIT[1], SEK m	461	44	63	99	–1,126
EBIT margin	5 %	1 %	0 %	1 %	–7 %
Adjusted EBIT, SEK m	2,121	986	3,442	2,265	4,465
Adjusted EBIT margin	22 %	30 %	21 %	34 %	26 %
Cash flow from operating activities, SEK m	580	1,009	927	1,591	4,266
Total investments in intangible assets, SEK m	1,572	916	2,776	1,745	3,713
Net sales growth	190 %	39 %	148 %	51 %	90 %
Total game development projects	237	197	237	197	223
Total game developers	10,899	7,470	10,899	7,470	8,586
Total headcount	15,731	9,064	15,731	9,064	12,760

[1] *EBIT equals Operating profit in the Consolidated statement of profit or loss.*

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

CEO COMMENTS

CAPITALIZING ON OUR STRONG POSITION IN A MORE CHALLENGING ENVIRONMENT

We are pleased to announce another stable quarter for Embracer. The second quarter is the strongest quarter so far in terms of net sales and Adjusted EBIT for the Group, supported by a solid organic growth of 35 percent. As we are gearing up to meet an increasingly challenging market environment, we are working on a transformative content partnership and have separately also launched a special review of our business to further optimize our decentralized model, capture new opportunities and add strategic flexibility.

For the overall group, we now expect Adjusted EBIT of SEK 8.0-10.0 billion in FY 2022/23 while we reiterate the forecast SEK 10.3-13.6 billion for FY 2023/24. The reduced forecast for the financial year 2022/23 reflects a mixed reception to some of the key second quarter PC/ console releases, estimated to impact catalog sales in the coming quarters, shifts in the PC/console pipeline, including *Dead Island 2*, now planned for release April 28, and a more cautious view on the current macroeconomic situation, particularly related to the Mobile Games and Tabletop Games segments. The forecast includes a range of outcomes from a partnership- and licensing deal with several industry partners expected to be completed during the financial year 2022/23.

NEW INITIATIVES TO CAPITALIZE ON OUR STRONG POSITION

Over the past several years, we have invested significantly in creating one of the largest providers of PC/ Console content in the industry. We have close to 10,000 developers creating games, many based on Embracer's deep and growing catalog of IPs. Our efforts in this regard have created significant collective value which we are now starting to realize. One result of such efforts to capitalize on the value we have created is a transformative partnership and licensing deal, that we have worked on with several industry partners. This deal covers a range of large-budget upcoming games over the coming six years. We expect the whole or parts of this deal will close during this financial year, thereby, it would improve predictability, lower business risk and provide a positive impact on our cash flow and profits. It would also enable further investments into making even greater games based on both established and new IPs. The impact of the above-mentioned deal will be a factor in our forecasted Adjusted EBIT range for this and next financial year.

The increasingly challenging market environment has proven to be another factor year-to-date. In early November, Newzoo cut its forecasts for the video games market from 2 % growth to a 4 % decline in 2022. The global economy has seen a slowdown and might be moving toward a recession. Games offer good value for money for consumers. Consequently, games are historically less affected by the general fluctuations in consumer purchasing power. Regardless it is fair to assume that all industries, including the games industry, will see some impact from weaker consumer sentiment.

CONTINUOUSLY DEVELOPING OUR DECENTRALIZED OPERATING MODEL

The organic growth during the quarter of 35 % was, as expected, primarily driven by new releases within PC/ console, in particular supported by the reboot of *Saints Row,* which was released on August 23. The reception of *Saints Row* did not meet the full expectations and left the fanbase partially polarized. The game development studio, Volition, has been working hard to improve the player experience.

Financially, *Saints Row* has performed in line with management expectations in the quarter. Going forward, Volition will transition to become part of Gearbox which has all the tools, including an experienced management team in the US, to create future success at Volition. This is the first internal group transfer where we transfer a major studio between operative groups, but it is not necessarily the last.

Asmodee continues to deliver a solid performance and has outgrown the tabletop market in both EU and the US this financial year. The performance is, in particular, driven by strong demand for trading cards, which brought certain pressure on the gross margin. Asmodee is currently tying up excess levels of working capital and management actions have been taken to enable a decrease over the coming 12 months in the inventory levels to the historical average. We expect a substantial improvement post the peak-season already by end of this financial year.

The business segment Mobile Games is favorably positioned, with a primarily ad revenue-based model. The ad markets are impacted by the looming recession and likely some lingering effects from the changes to IDFA. We consider our mobile businesses within ads as leading in the industry, and they adapt quickly to new conditions, constantly balancing profit and growth for the best long-term performance.

TURBULENT TIMES CREATE NEW OPPORTUNITIES

We continue our long-term mindset in building enduring, innovative and profitable businesses in a creative industry. I have a firm belief in our decentralized operating model, which is built around experienced and successful creators and entrepreneurs. That said, the world has changed for the worse in many areas, becoming darker in recent months. We need to adapt to the challenges of geopolitical and social issues around the world and the new macroeconomic reality. The increased cost of capital will impact our business going forward. The adjustments in the cost of capital will, compared to before, require current and future investments, both organic and in-organic, to have a higher minimum hurdle with a safety margin to justify the capital allocation. We need to continue our sharp focus on the execution of our ongoing business around the world.

Therefore, the Board of Directors decided on November 16 to launch a special review of our business to navigate the new market conditions and how we both make sure all businesses have all the tools to succeed and maximize long-term shareholder value creation. The outcome of this review may, for example, lead to board recommendations to make spin-off/s (under Lex Asea) into separate publicly listed companies in the future, if that is deemed to be the best for its employees, create higher shareholder value and improve our strategic flexibility.

In the current financial environment, it is important to retain a strong balance sheet. We expect to reach our financial leverage target by the end of this financial year, and we had substantial headroom in relation to financial covenants already at the end of September. During the quarter we made a voluntary debt repayment of SEK 6.2 billion and at the end of the quarter we had access to SEK 10 billion in available cash and credit facilities. There are no material loans that will expire prior to June 2024.

Our ongoing project to change listing venue to Nasdaq Stockholm Main Market is on track to be concluded before the year-end, further strengthening transparency, governance and liquidity in our shares. I would also like to take this opportunity to welcome Cecilia Driving, elected at the annual general meeting, to the board of directors of the parent company and as chair of the Audit and Sustainability Committee. Business ethics and governance is the foundation for our sustainability strategy. During the quarter, we adopted and implemented new Group-wide policies and several important steps to enhance information security throughout the group.

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

November 17, 2022, Karlstad, Värmland, Sweden

Lars Wingefors
Co-founder & Group CEO

FINANCIAL COMMENTS

NET SALES

Net sales, SEK m	Jul-Sep 2022	Jul-Sep 2021	Change	Apr-Sep 2022	Apr-Sep 2021	Apr 2021-Mar 2022
PC/Console Games	4,097	1,976	107 %	6,391	4,215	8,498
Mobile Games	1,441	864	67 %	2,928	1,593	4,896
Tabletop Games	3,247	-	-	5,911	-	571
Entertainment & Services	784	465	69 %	1,456	931	3,102
Total	**9,569**	**3,305**	**190 %**	**16,687**	**6,738**	**17,067**

Total net sales in the second quarter amounted to SEK 9,569 million, an increase of 190 % YoY. Inorganic growth through acquisitions was a substantial contributor, most notably through Perfect World Entertainment in the PC/Console Games segment, CrazyLabs in the Mobile Games segment, Asmodee in the Tabletop Games segment, and Dark Horse in the Entertainment & Services segment. In the period April to September, total net sales amounted to SEK 16,687 million, an increase of 148 % compared to the same period last year.

The organic growth in the quarter was 35 % and the pro forma growth was 18 %, primarily driven by the PC/Console Games segment. It is mainly explained by a stronger slate of new game releases compared to the corresponding quarter last year, including the long-awaited release of Saints Row. The strong market demand trend noted in 2021/22 moderated and the sentiment turned more hesitant, especially for the Mobile Games segment. All three Games segments showed positive pro forma growth YoY while Entertainment & Services declined slightly. In the period April to September, the organic growth was 10 % and the pro forma growth was 6 %.

	Jul-Sep 2022			Apr-Sep 2022		
Net sales growth, %	Net sales growth	Organic growth	Pro forma growth	Net sales growth	Organic growth	Pro forma growth
PC/Console Games	107 %	57 %	39 %	52 %	32 %	7 %
Mobile Games	67 %	8 %	5 %	84 %	13 %	7 %
Tabletop Games	n/a	n/a	9 %	n/a	n/a	7 %
Entertainment & Services	69 %	–15 %	–2 %	56 %	–19 %	–4 %
Total	**190 %**	**35 %**	**18 %**	**148 %**	**10 %**	**6 %**


Way of the Hunter

EBIT AND ADJUSTED EBIT

EBIT amounted to SEK 461 million (44) in the quarter, or 5 % (1 %). The addition of acquired companies contributed to EBIT, but was partly offset by increased depreciation, amortization, and impairment, which increased by SEK 1,060 million.

Other external expenses and Personnel expenses increased primarily through acquisitions closed, and secondarily through increased headcount to support the growing games portfolio and further strengthen the capabilities for organic growth. Apart from somewhat weaker consumer sentiment and changed purchase levels from retail-buyers, inflation has or will have an effect on parts of our cost base. We see that operating segments with more physical exposure and lower salaries are most affected. Consultancy costs related to the project of changing listing venue to a regulated market amounted to SEK 10 million in the quarter.

Personnel costs related to acquisitions amounted to SEK 941 million (1,087) a reduction of SEK 146 million, which contributed positively to EBIT. Remeasurement of participation in associated companies amounted to SEK 0 million in the quarter compared to SEK +417 million last year, impacting EBIT for the quarter with the same amount. In the period April to September, EBIT amounted to SEK 63 million (99), or 0 % (1 %).

Adjusted EBIT increased significantly and amounted to SEK 2,121 million (986) in the quarter, yielding a 22 % margin (30 %). The gross margin declined and amounted to 66 % (76 %). The decline is primarily attributable to the acquisition of Asmodee in the Tabletop Games segment. While contributing significantly to earnings, Asmodee has a lower gross margin profile and thus dilutes the Group's margin. In the period April to September, Adjusted EBIT amounted to SEK 3,442 million (2,265), or 21 % (34 %).

EBIT, SEK m	Jul-Sep 2022	Jul–Sep 2021	Change	Apr–Sep 2022	Apr–Sep 2021	Apr 2021–Mar 2022
PC/Console Games	582	474	23 %	175	849	509
Mobile Games	–88	–436	80 %	–202	–740	–1,470
Tabletop Games	104	-	-	256	-	–124
Entertainment & Services	–96	65	–248 %	–100	105	218
Governance	–40	–58	23 %	–67	–114	–259
Total	**461**	**44**	**948 %**	**63**	**99**	**–1,126**

Adjusted EBIT, SEK m	Jul-Sep 2022	Jul–Sep 2021	Change	Apr–Sep 2022	Apr–Sep 2021	Apr 2021–Mar 2022
PC/Console Games	1,384	695	99 %	1,986	1,679	2,926
Mobile Games	315	254	24 %	593	540	1,389
Tabletop Games	451	-	-	896	-	74
Entertainment & Services	7	66	–90 %	27	107	247
Governance	–36	–29	–26 %	–60	–60	–171
Total	**2,121**	**986**	**115 %**	**3,442**	**2,265**	**4,465**

FORECAST

Adjusted EBIT

Adjusted EBIT	Current Forecast	Previous Forecast
Financial year 22/23	SEK 8,000 to SEK 10,000 million	SEK 9,200 to SEK 11,300 million
Financial year 23/24	SEK 10,300 to SEK 13,600 million	SEK 10,300 to SEK 13,600 million

The reduced forecast for the financial year 2022/23 reflects a mixed reception to some of the key second quarter PC/console releases, estimated to impact catalog sales in the coming quarters, shifts in the PC/console pipeline (including *Dead Island 2*) and a more cautious view on the current macroeconomic situation, particularly related to the Mobile Games and Table-top Games segments. The forecast for the financial years 2022/23 and 2023/24 includes all acquisitions announced as per November 17. It also includes a range of outcomes from partnership- and licensing deals with several industry partners expected to be completed during the financial year 22/23. The forecast is based on scheduled game releases, market and macro conditions, and exchange rates being unchanged from mid-November 2022 conditions.

Specific items related to historical acquisitions

The forecast is based on the average exchange rates for the period April to September 2022. The forecast includes closed acquisitions as per September 30, 2022. The forecast is based on the purchase price allocations as per November 17, 2022, which contain both preliminary and finalized purchase price allocations.

SEK m	Q3 22/23	Q4 22/23	23/24	24/25	25/26	26/27	27/28	Total
Amortization of surplus values of acquired intangible assets, SEK m	641	605	2,370	2,234	2,114	1,704	1,520	**11,187**
Personnel costs related to acquisitions	851	830	2,349	1,649	939	560	24	**7,202**
Specific items related to historical acquisitions	**1,492**	**1,435**	**4,719**	**3,883**	**3,053**	**2,264**	**1,544**	**18,389**


PLAION

OPERATING SEGMENT
PC/CONSOLE GAMES

PC and console games have been a core business for Embracer Group ever since its inception. The PC/Console Games segment develops and publishes games for PC and console including AAA, AA+, Indie, MMO, Free-to-play, Asset Care, VR, Work-for-Hire and other games development. The segment includes seven operative groups: THQ Nordic, parts of PLAION (previously Koch Media), Amplifier Game Invest, Gearbox Entertainment, Saber Interactive, Coffee Stain and Crystal Dynamics – Eidos Montréal.

Key performance indicators, PC/Console Games	Jul–Sep 2022	Jul–Sep 2021	Apr–Sep 2022	Apr–Sep 2021	Apr 2021–Mar 2022
Net sales, SEK m	4,097	1,976	6,391	4,215	8,498
of which Digital products, SEK m	*2,951*	*1,443*	*4,617*	*2,979*	*5,860*
of which Physical products, SEK m	*458*	*200*	*606*	*575*	*1,284*
of which Other [1], SEK m	*688*	*333*	*1,168*	*660*	*1,354*
Net sales growth from previous period	107 %	35 %	52 %	37 %	36 %
EBIT, SEK m	582	474	175	849	509
EBIT margin	14 %	24 %	3 %	20 %	6 %
Adjusted EBIT, SEK m	1,384	695	1,986	1,679	2,926
Adjusted EBIT margin	34 %	35 %	31 %	40 %	34 %
Type of income					
New releases sales, SEK m	*1,526*	*469*	*1,889*	*1,097*	*1,557*
Back catalog sales[2], SEK m	*1,883*	*1,173*	*3,333*	*2,458*	*5,587*
Other [1], SEK m	*688*	*333*	*1,168*	*660*	*1,354*

[1] Primarily Work-for-Hire and other games development.
[2] See Definitions, quarterly information.

SALES AND EARNINGS

Net sales of PC/Console Games amounted to SEK 4,097 million in the quarter, an increase by 107 % compared to the same period last year, or 57 % organically and 39 % pro forma. EBIT amounted to SEK 582 million (474), yielding a 14 % (24 %) EBIT margin. Adjusted EBIT amounted to SEK 1,384 million (695), yielding a 34 % (35 %) Adjusted EBIT margin.

The strong organic growth and earnings development YoY is explained by a stronger slate of new game releases compared to the corresponding quarter last year.

The main revenue driver among new releases in the quarter was the highly anticipated *Saints Row* reboot, released August 23, developed by Deep Silver Volition. As of mid-October, the game had been played by over one million players. The financial contribution from *Saints Row* in the second quarter was in line with management's expectations, and the game is expected to generate a positive ROI. The reception of *Saints Row* did not meet the full expectations and left the fanbase partially polarized. The game development studio, Volition, has been working hard to improve the player experience.

Other notable releases in the quarter were *Destroy All Humans! 2 - Reprobed* and *Way of the Hunter.* Both titles have received a solid reception from critics and users. The revenue contribution for *Destroy All Humans! 2 - Reprobed* was below management expectations. Meanwhile, the revenue contribution from *Way of the Hunter,* a new IP, was largely in line with management expectations.

SHARE OF GROUP SALES
43 % (60 %)

INTELLECTUAL PROPERTY (IP)
252 (230)

INTERNAL HEADCOUNT
9,646 (6,298)

INTERNAL STUDIOS
96 (72)

Another revenue driver in the quarter was back catalog sales (including related platform deals), with contributions from titles such as *Valheim, Tiny Tina's Wonderlands, Borderlands 3, Star Trek Online, Neverwinter Online, Deep Rock Galactic, Hot Wheels, Wreckfest, Mythforce*, and *Risk of Rain 2.*

The highly successful game *Valheim*, which has sold over 10 million units, was added to PC Game Pass in late September and had a notable contribution to back catalog sales. The game will be released on Xbox in early 2023. *Tiny Tina's Wonderlands,* released by Gearbox Software together with external publisher 2K in March 2022, continued its strong performance with sales exceeding management's expectations. Royalties were recognized for the first time in the second quarter and is expected to be generated in the quarters and years ahead.

Looking ahead, *Goat Simulator 3* - a brand new third-person sandbox adventure multiplayer game, developed by the internal studio Coffee Stain North, will be released on November 17.

Third-person shooter game *Evil West*, developed by the internal studio Flying Wild Hog (PLAION), will be released on November 22 by external publisher Focus Entertainment.

The release date has been moved for the long-awaited action and horror game, *Dead Island 2,* developed by internal studio Deep Silver Dambuster (PLAION). The release originally planned for February has been moved to April 28 by internal publisher Deep Silver (PLAION).

VR horror game *After the Fall,* developed by the internal studio Vertigo Games (PLAION) and previously released on Oculus Quest and PlayStation VR, is coming to PlayStation VR2 as part of the launch line-up on February 22, 2023.

In 2023, *SpongeBob SquarePants: The Cosmic Shake*, developed by internal studio Purple Lamp Studios and published by THQ Nordic, is planned to be released. It is a follow-up to the 2020 hit game *SpongeBob SquarePants: Battle for Bikini Bottom - Rehydrated*.

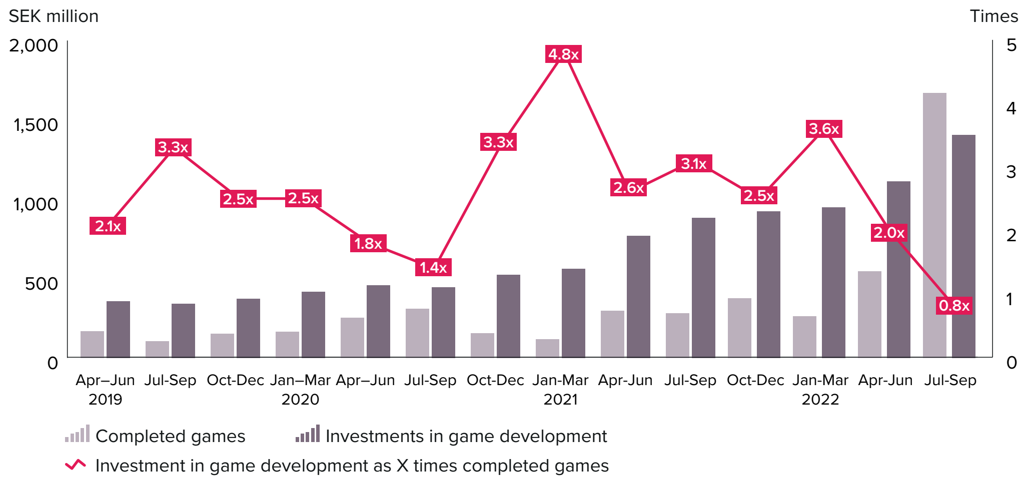
Additionally, multiple previously signed platform deals also continue to drive profitability as well as predictability for individual game releases and games that are released on new platforms.

The project pipeline consists of 234 PC/Console projects, including 25 AAA-titles to be released by the end of March 2026.

GAME DEVELOPMENT INVESTMENTS AND COMPLETED GAMES

In the quarter, a total of SEK 1,405 million was invested in game development, a new record for a single quarter.

These investments lay the foundation for future sales. The increase in game development investments is in line with the Group's long-term strategy to grow sales organically. It also reflects the added consolidation of Crystal Dynamics – Eidos Montréal from late-August. Completed games during the quarter were 1,671 SEK million, driven by *Saints Row, Destroy All Humans! 2 - Reprobed* and *Way of the Hunter.*



BUSINESS DEVELOPMENT

In the quarter, the acquisitions of Tripwire Interactive and Tuxedo Labs and were announced. Both will operate as subsidiaries under Saber Interactive and the companies will be reported in the PC/Console Games segment. The acquisition of Tuxedo Labs was closed late in the quarter, while the Tripwire transaction closed early in the third quarter.

During the quarter THQ Nordic announced the formation of a new game development studio called Campfire Cabal, in Copenhagen, Denmark. The studio was formed by industry veterans and will focus on high-quality, narrative-driven RPGs, as an independent game development studio under THQ Nordic.

The group had a strong presence at Gamescom, the world's largest gaming event with over 265,000 visitors, in late-August. At Gamescom Opening Night Live, *New Tales From the Borderlands, Goat Simulator 3, Homeworld 3, and Dead Island 2* were all among the featured games. The group won two important awards at Gamescom. *AEW: Fight Forever,* developed by Yuke and published by THQ Nordic, won the 'Best Sports Game' award, and PLAION won the award for 'Best Lineup'.

Gearbox is in the process of integrating Eidos Shanghai into its organization, forming a gateway to outsourcing in China. The move is intended to increase Gearbox' access to development personnel in Asia to support its development hubs in North America.

After the quarter, Crystal Dynamics - Eidos Montréal announced it is closing its publishing QA team and mobile studio, Onoma, to focus its production capacities on its flagship PC/console game studios Crystal Dynamics and Eidos-Montréal.

After the quarter, an internal group transfer was announced, with the game development studio Deep Silver Volition to be transferred from PLAION Group to Gearbox. The internal group transfer, which adds 195 employees to Gearbox, is the first of its kind within the Group, creating a better fit in the wider Embracer ecosystem. It also marks the beginning of a deeper collaboration between two of Embracer's operative groups.

After the quarter, Gearbox acquired the *Risk of Rain* IP along with all released games in the commercially successful video game franchise from Hopoo Games. *Risk of Rain* now joins Gearbox's portfolio of owned games that includes acclaimed franchises such as *Borderlands, Brothers in Arms, Homeworld*, and more.

After the quarter, it was announced that Neon Giant, the developer of action RPG shooter *The Ascent* and in which Amplifier Game Invest holds a minority shareholder position, is considered for acquisition by Korean gaming company KRAFTON. The deal was signed in Q2 and had a minor contribution to Adjusted EBIT in the quarter.

Risk of Rain 2

ANNOUNCED PC/CONSOLE RELEASES AS OF NOVEMBER 17, 2022

Title	Publishing Label	IP Owner	Platforms	Channels
Lightyear Frontier	Amplifier	Own	PC, XSX	Digital
Crisol: Theater of Idols	TBC	Own	TBC	Digital
Star Wars™: Knights of the Old Republic -Remake	External	License	PC, PS5	Digital & Physical
A Quiet Place	Saber Interactive	External	TBC	TBC
Warhammer 40,000: Space Marine II	External	External	PC, PS5, XSX	TBC
Core Decay	3D Realms	License	PC	Digital
Kingpin: Reloaded	3D Realms & External	License	PC	Digital
Phantom Fury	3D Realms	Own	PC, XSX, PS5, Switch	Digital
Ripout	3D Realms	External	PC, XSX, PS5	Digital
Gothic - Remake	THQ Nordic	Own	PC, PS5, XSX	Digital & Physical
Knights of Honor II: Sovereign	THQ Nordic	Own	PC	Digital & Physical
SpongeBob SquarePants: The Cosmic Shake	THQ Nordic	External	PC, PS4, Xbox One, Switch	Digital & Physical
Outcast 2 - A New Beginning	THQ Nordic	Own	PC, PS5, XSX	Digital & Physical
Jagged Alliance 3	THQ Nordic	Own	PC	Digital & Physical
Stuntfest - World Tour	THQ Nordic	Own	PC	Digital
SpellForce: Conquest of Eo!	THQ Nordic	Own	PC	Digital
All Elite Wrestling: Fight Forever	THQ Nordic	External	PC, PS4, Xbox One, PS5, XSX, Switch	Digital & Physical
Alone in the Dark	THQ Nordic	Own	PC, PS5, XSX	Digital & Physical
Wreckreation	THQ Nordic	External	PC, PS4, Xbox One, PS5, XSX	Digital & Physical
Tempest Rising	THQ Nordic	Own	PC	Digital & Physical
Space For Sale	THQ Nordic	Own	PC	Digital
Townsmen VR	HandyGames	Own	PSVR	Digital & Physical
A Rat´s Quest	HandyGames	External	PC, PS4, Xbox One, Switch	Digital & Physical
Airhead	HandyGames	External	PC, PS4, Xbox One, Switch	Digital

For latest release dates please refer to above mentioned publishers.
Please note: Limited Run Games distributed games are not included in the release list.
The release list does not include games where we only have physical distribution rights.

CONT. >>

Space for Sale

Title	Publishing Label	IP Owner	Platforms	Channels
De-Exit	HandyGames	External	PC, PS4, Xbox One, PS5, XSX, Switch	Digital
Perish	HandyGames	External	PC	Digital
Lethal Honor Essence	HandyGames	External	PC, PS4, Xbox One, PS5, XSX, Switch	Digital
Blanc	Gearbox Publishing	External	PC, Switch	Digital & Physical
Have a Nice death	Gearbox Publishing	External	Switch	Digital & Physical
Hyper Light Breaker	Gearbox Publishing	External	PC	Digital
Homeworld 3	Gearbox Publishing	Own	PC	Digital
Relic Hunters Legend	Gearbox Publishing	External	PC	Digital
ProtoCorgi	Ravenscourt	External	PC, Switch	Digital
Kona 2: Brume	Ravenscourt	External	PC, PS4, Xbox One, PS5, XSX, Switch	Digital & Physical
Dead Island 2	Deep Silver	Own	PC, PS4, PS5, XSX	Digital & Physical
Payday 3	Prime Matter	External	TBC	Digital & Physical
Gungrave G.O.R.E.	Prime Matter	External	PC, PS4, PS5, Xbox One, XSX	Digital & Physical
Scars Above	Prime Matter	Own	PC, PS4, PS5, Xbox One, XSX	Digital & Physical
Echoes of The End	Prime Matter	External	PC, PS5, XSX	Digital & Physical
Final Form	Prime Matter	Shared	PC, PS5, XSX	Digital & Physical
The New Painkiller	Prime Matter	Own	TBC	Digital & Physical
Evil West	External	External	PC, PS4, PS5, Xbox One, XSX	Digital & Physical
Mato Anomalies	Prime Matter	External	PC, PS4, Xbox One, PS5, XSX, Switch	Digital & Physical
System Shock Remastered	Prime Matter	External	PC, PS4, PS5, XSX	Digital & Physical
The Siege and the Sandfox	PLAION	External	PC, PS4, Xbox One, Switch	Digital & Physical
Warlander	PLAION	External	PC, PS4, PS5, XSX	Digital & Physical
After the fall: Complete Edition	Vertigo Games	Own	PSVR2	Digital & Physical
Hellsweeper VR	Vertigo Games	External	PC VR	Digital
MaskMaker VR	Vertigo Games	External	Oculus Quest 2	Digital

For latest release dates please refer to above mentioned publishers.
Please note: Limited Run Games distributed games are not included in the release list.
The release list does not include games where we only have physical distribution rights.

Mythforce

OPERATING SEGMENT
MOBILE GAMES

In the past two years, the Mobile Games segment has grown to account for a sizable share of Embracer Group's business. The Mobile Games segment includes free-to-play, ad centric, in-app-purchase centric and pay-to-play mobile games. The segment includes the two operative groups DECA Games and Easybrain.

Key performance indicators, Mobile Games	Jul–Sep 2022	Jul–Sep 2021	Apr–Sep 2022	Apr–Sep 2021	Apr 2021–Mar 2022
Net sales, SEK m	1,441	864	2,928	1,593	4,896
Net sales growth from previous period	67 %	2,445 %	84 %	4,589 %	2,547 %
EBIT, SEK m	–88	–436	–202	–740	–1,470
EBIT margin	–6 %	–50 %	–7 %	–46 %	–30 %
Adjusted EBIT, SEK m	315	254	593	540	1,389
Adjusted EBIT margin	22 %	29 %	20 %	34 %	28 %
User Acquisition Cost (UAC), SEK m	755	399	1,638	688	2,467
User Acquisition Cost (UAC), % of net sales	52 %	46 %	56 %	43 %	50 %
Total installs, million	363	176	750	278	1,055
Total Daily Active Users (DAU), million	36	21	36	18	27
Total Monthly Active Users (MAU), million	300	142	303	113	206

SALES AND EARNINGS

Net sales in the quarter for Mobile Games amounted to SEK 1,441 million, an increase by 67 % compared to the same period last year, or by 8 % organically and 5 % pro forma. The growth was mainly driven by the addition of CrazyLabs (from early September 2021) and growth in Easybrain.

EBIT amounted to SEK –88 million (–436), yielding a –6 % (–50 %) EBIT margin. Adjusted EBIT amounted to SEK 315 million (254), yielding a 22 % (29 %) Adjusted EBIT margin. The decrease in Adjusted EBIT margin compared to last year is mainly explained by a higher UAC % in relation to net sales and the addition of CrazyLabs which has a lower margin profile. The sequentially increased margin is explained by optimization of UAC to match identified ROAS (return on ad spend) opportunities.

Segment sales were negatively impacted by lower ad prices, likely due to a combination of a weakening economy and a lingering impact from Apple's changes related to IDFA (Identifiers for Advertisers) in certain channels. The top line performance was strong compared to the overall mobile gaming market development. However, growth moderated compared to previous quarters and was somewhat below management's expectations, while Adjusted EBIT was in line with expectations.

Looking ahead, although lower ad prices may impact near-term growth, Mobile Games typically has a seasonally somewhat stronger top line and Adjusted EBIT performance in fiscal Q3, after which demand recoils in Q4. Management expects continued above-market growth and continued profitability in 2023/24.

The strongest back catalog titles in the quarter were *Blockudoku, Sudoku.com, Art Puzzles, Jigsaw Puzzles, Number Match, Nonogram.com, Pixel Art, Super Stylist,* and *Solitaire.*

DECA Easybrain

SHARE OF GROUP SALES

15 % (26 %)

INTELLECTUAL PROPERTY (IP)

41 (32)

INTERNAL HEADCOUNT

1,135 (957)

INTERNAL STUDIOS

11 (10)

Google's policy and restrictions for ad placements in Android apps, effective from September 30, is estimated to have limited or no impact so far.

BUSINESS DEVELOPMENT

Easybrain, with its head office in Cyprus, continued to increase its headcount and passed the milestone of 300 employees. The company currently has a number of games in soft launch and plans to launch some games for a world wide audience in the coming quarters. The company is also exploring PvP (player versus player) mechanics for some of its games and continues to improve existing games through new features and live ops.

At the end of September, A Thinking Ape launched *Single City* globally, a strategy and life simulation game. It plans to soft launch two additional internally developed games in the third quarter.

CrazyLabs continues to launch hypercasual games at a high pace. The gaming company accelerator, CrazyHubs, supports external studios and contributes significantly to the high launch rate, with low royalty levels. *The President* game, developed by Mekan Games in collaboration with CrazyHubs, became the first hypercasual hit game from Africa, and was the most downloaded game on App Store and Google Play during the second quarter.

Single City: Life Metaverse

OPERATING SEGMENT
TABLETOP GAMES

The Tabletop Games segment consists of the operative group Asmodee, a leading international games publisher and distributor committed to telling amazing stories through great games, with over 43 million games sold annually in more than 50 countries. Asmodee's portfolio hosts iconic game titles such as Ticket to Ride, Catan, Splendor, 7 Wonders, Azul, Exploding Kittens, Dobble/Spot It!, Star Wars: Legion and many more. The main product categories are board games and trading card games.

Key performance indicators, Tabletop Games	Jul–Sep 2022	Jul–Sep 2021	Apr–Sep 2022	Apr–Sep 2021	Apr 2021–Mar 2022[1]
Net sales, SEK m	3,247		5,911		571
of which Digital products, SEK m	*32*	-	*91*	-	*29*
of which Physical products, SEK m	*3,182*	-	*5,765*	-	*526*
of which Other, SEK m	*32*	-	*55*	-	*17*
Net sales growth from previous period[1]	-	-	-	-	-
EBIT, SEK m	104	-	256	-	–124
EBIT margin	3 %	-	4 %	-	–22 %
Adjusted EBIT, SEK m	451	-	896	-	74
Adjusted EBIT margin	14 %	-	15 %	-	13 %

[1] *Asmodee became part of Embracer Group in March 2022.*

SALES AND EARNINGS

Net Sales for the Tabletop Games segment amounted to SEK 3,247 million, an increase by 9 % during the quarter on a pro forma basis, compared to the corresponding quarter last year. Asmodee was acquired in March 2022, and thus organic growth and reported growth are not available. Sales grew in Europe and North America, driven by the strong performance of trading card games and related accessories. Asmodee continued to gain market share in its two main product categories, albeit in a somewhat more hesitant market environment for board games.

EBIT amounted to SEK 104 million, yielding a 3 % EBIT margin. Adjusted EBIT amounted to SEK 451 million, yielding a 14 % Adjusted EBIT margin. The profit contribution is impacted by a lower gross margin stemming from a product mix more geared towards trading card games, as well as increased operating costs.

During the quarter, Asmodee released a new version of its best-selling *Ticket to Ride* range (*Ticket to Ride San Francisco*) as well as new installments for strong licensed franchises such as *Marvel Crisis Protocol, Marvel Champions* and *The Lord of the Rings – The Card Game.* Access+, Asmodee's first accessibility range, also launched in select territories.

In the upcoming quarters, on top of new iterations in major franchises such a new *Star Wars Clone Wars* game based on the best-selling *Pandemic* mechanic, Asmodee will also release a slate of original and owned-IPs boardgames that already received strong critical acclaim: the two-player version of *Splendor* (*Splendor Duel*), *Challengers from Z-man, Twilight Inscription* from Fantasy Flight Games as well as *Heat: Pedal to the Metal,* a racing game from Days of Wonder.

SHARE OF GROUP SALES

34 % (-)

INTELLECTUAL PROPERTY (IP)

370 (-)

INTERNAL HEADCOUNT

2,445 (-)

INTERNAL STUDIOS

22 -)

The inventory level at Asmodee is typically at its seasonal peak in September. However, this year it is also somewhat inflated due to a higher stock coverage policy adopted during the pandemic, somewhat slower sales for board games, long order-to-delivery lead times and the strength of the USD. The inventory level is expected to decrease significantly in the second half of the financial year, but remain somewhat above previously forecasted levels. It is expected to normalise in the end of the second quarter of the financial yea 2023/24.

BUSINESS DEVELOPMENT

Since the acquisition of Asmodee, a total of 25 video game projects have been identified whereby Asmodee´s IPs will be evaluated for collaboration and development with other business units. The company has also identified multiple areas for collaboration with Dark Horse related to novels, comics, merchandising and media development.

Mantis (by Exploding Kittens) was a finalist in the 2022 Toy of the Year Awards in the Game of the Year Category. The category was eventually won by *Pokémon Trading Card Game: Pokémon Go Elite Trainer Box,* which is distributed in parts of Europe by Asmodee.

After the quarter, Asmodee announced the acquisition of VR Group, a leading wholesale distributor of gaming products in Australia, New Zealand and the UK. The acquisition will help Asmodee expands its mass-market distribution of tabletop games, trading cards, and collectibles in these territories. VR Group was founded in 2014 and employs 46 people across its active territories.

Lord of the Rings - The Card Game

OPERATING SEGMENT
ENTERTAINMENT & SERVICES

The Entertainment & Services segment is engaged in the development, publishing and distribution of comic books. It also conducts wholesale of publishing titles of games, primarily for console but also for PC. The segment also conducts publishing and external distribution of films and TV-series, as well as the production and distribution of merchandise. The segment includes three operative groups: Dark Horse Media, parts of PLAION (previously Koch Media Publishing) and Freemode.

Key performance indicators, Entertainment & Services	Jul–Sep 2022	Jul–Sep 2021	Apr–Sep 2022	Apr–Sep 2021	Apr 2021–Mar 2022
Net sales, SEK m	784	465	1,456	931	3,102
of which Digital products, SEK m	*144*	*118*	*241*	*223*	*511*
of which Physical products, SEK m	*619*	*331*	*1,179*	*682*	*2,539*
of which Other, SEK m	*22*	*16*	*37*	*27*	*52*
Net sales growth from previous period	69 %	–48 %	56 %	–30 %	20 %
EBIT, SEK m	–96	65	–100	105	218
EBIT margin	–12 %	14 %	–7 %	11 %	7 %
Adjusted EBIT, SEK m	7	66	27	107	247
Adjusted EBIT margin	1 %	14 %	2 %	11 %	8 %

SALES AND EARNINGS

Net sales in the quarter for Entertainment & Services amounted to SEK 784 million, an increase by 69 % compared to the same period last year, primarily driven by the acquisition of Dark Horse Entertainment, closed in early 2022. The development was –15 % organically and –2 % pro forma.

EBIT amounted to SEK –96 million (65), yielding a –12 % (14 %) EBIT margin. Adjusted EBIT amounted to SEK 7 million (66), yielding a 1 % (14 %) in Adjusted EBIT margin. The organic growth development and the decrease in Adjusted EBIT compared to last year is mainly explained by fewer third-party games released by the PLAION Publishing division, as well as a changed business mix.

Dark Horse had a stronger top-line contribution compared to the preceding quarter, with some relief also with regards to product shipments and freight costs. The entertainment business was somewhat impacted by cost-saving activities by certain subscription-based video-on-demand (SVOD) services, but has a full slate of about a dozen projects, including season 4 of *Umbrella Academy* with Netflix.

PLAION Publishing division is expected to have a stronger organic revenue growth performance in the third quarter, driven by one of its partners successfully releasing a key game in the first-person shooter genre in late October. PLAION is the distributor of the game in parts of the EMEA region.

PLAION DARK HORSE MEDIA FREEMODE BY EMBRACER

SHARE OF GROUP SALES

8 % (14 %)

INTELLECTUAL PROPERTY (IP)

164 (-)

INTERNAL HEADCOUNT

941 (452)

INTERNAL STUDIOS

3 (-)

BUSINESS DEVELOPMENT

On August 18, Embracer announced the formation of Embracer Freemode ("Freemode"), an operative group comprised of certain gaming and entertainment companies owned by Embracer. Freemode is led by CEO Lee Guinchard, a gaming veteran and entrepreneur with 30 years of experience. Freemode provides a global strategic, operational, and financial support ecosystem for its collective of small to mid-sized companies to achieve operational efficiency and effectively grow their businesses to fulfill their long-term goals. Freemode is headquartered in Karlstad, Sweden, with territory offices in Livermore, California, London, UK, and Hong Kong. Freemode operates twelve companies in six countries and with a total of 580 employees.

During the quarter, Freemode announced the acquisition of Limited Run Games, Inc, Singtrix and Middle-Earth Enterprises. The acquisitions of Limited Run Games and Singtrix were closed by the end of the second quarter while the acquisition of Middle-earth Enterprises was closed early in the third quarter. All three companies will operate as subsidiaries under Embracer Freemode and will be reported as part of the Entertainment & Services segment.

Freemode has started to bolster its support and leadership team to support the companies on their growth journeys. The operative group has hired three senior employees since August and is in discussion with other experienced talents to strengthen the organization.

After the quarter, the German film publishing subsidiary of the PLAION Group, acquired 100 % of the shares of Anime Ltd. from its founders. The company is based in Glasgow, UK, and is specialized in the marketing and distribution of Japanese animation, music and merchandise in the UK and France. Together with Anime Ltd. PLAION Pictures is strengthening its position as a key player in the marketing and distribution of Japanese pop art content. Now they are a pan-European publisher with the ability to deliver a 360-degree marketing & distribution service to our Japanese partners.

Voxler, Marseille

OTHER FINANCIAL INFORMATION

NET PROFIT FOR THE PERIOD

Net profit for the period July to September amounted to SEK 2,381 million, which is an increase of SEK 391 million or 20 % over the same period last year. The increase is mainly explained by increased EBIT of SEK 417 million. In the period April to September, net profit amounted to SEK 2,200 million, which is an increase of SEK 150 million or 7 % over the same period last year.

Net financial items amounted to SEK 2,162 million in the quarter (2,052). Net interest income/ expenses and other financial income/expense amount to SEK –111 million (–16). Change in fair value of contingent consideration and put/call option on non-controlling interest and related interest expenses amount to SEK 1,268 million (2,001). Change in fair value is mainly related to the decrease in Embracer share price during the quarter. Exchange rate gain/losses amount to SEK 1,006 million (67), mainly related to the revaluation of intercompany financial receivables.

Income tax amounted to SEK –241 million in the quarter (–106). Current income tax amount to SEK –534 million (–125) and deferred income tax amount to SEK 293 million (19).

CONDENSED CASH-FLOW

SEK m	Jul–Sep 2022	Jul–Sep 2021	Apr–Sep 2022	Apr–Sep 2021	Apr 2021–Mar 2022
Operating activities					
Cash flow from operating activities before changes in working capital	2,516	1,029	4,123	2,343	5,372
Cash flow from changes in working capital	–1,936	–20	–3,196	–752	–1,106
Cash flow from operating activities	**580**	**1,009**	**927**	**1,591**	**4,266**
Cash flow from investing activities	–3,782	–3,688	–7,469	–6,771	–37,527
Cash flow from financing activities	1,666	138	9,059	757	24,869
Cash flow for the period	**–1,536**	**–2,541**	**2,516**	**–4,422**	**–8,392**
Cash and cash equivalents at the beginning of period	10,227	12,222	5,810	14,104	14,104
Exchange-rate differences in cash and cash equivalents	188	44	553	42	99
Cash and cash equivalents at the end of period	**8,879**	**9,724**	**8,879**	**9,724**	**5,810**

Cash flow from operating activities amounted to SEK 580 million (1,009). The reduced Cash flow from operating activities is mainly related to increased working capital during the quarter SEK 1,936 million (20). The increased working capital is driven by increased net operating receivables and liabilities of SEK 1,317 million and inventory of SEK 619 million.

The increase in net operating receivables and liabilities is mainly explained by increased receivables in the Tabletop segment driven by increased sales in the quarter, especially in September. Notable customer contracts were completed in the quarter with cash inflow after quarter end. Cash collection for new releases in the quarter is expected to be stronger after quarter end due to payment terms with platforms.

The increase in inventory is mainly related to inventory build-up in the Tabletop segment where inventory levels reach their high point before entering Oct to Dec season. It is further increased by deliberate actions to increase safety stock levels to counter increased lead times and mitigate supply chain risks. The product mix shift towards Trading Card Games has resulted in further increase of inventory.

Actions have been initiated to focus on working capital reduction and management expects to see tangible results during the remainder of the fiscal year with emphasis on the fourth quarter.

Cash flow from investing activities mainly relate to Acquisitions of subsidiaries SEK 3,624 (2,670) million and investments of SEK 1,572 million (916) into the portfolio of on-going game development. Cash flow from change in current investments is positive in the period SEK 1,528 million (0) and explained by the liquidation of a short-term interest-bearing placement of SEK 1,533 million (0).

Cash flow from financing activities amount to SEK 1,666 million (138) and comprise of new share issue SEK 5,451 million (0), repayment of bank loan SEK –6,703 million (–262) and increased utilization of existing credit facilities.

NET DEBT AND AVAILABLE FUNDS

SEK m	Sep 30, 2022	Sep 30, 2021	Mar 31, 2022
Cash	8,879	9,724	5,810
Current investments	-	196	0
Current liabilities to credit institutions	–1,745	–1,578	–12,800
Current account credit facilities	–129	–46	–149
Non-current liabilities to credit institutions	–18,169	–603	–7,232
Net Debt (–) / Net Cash (+)	**–11,164**	**7,693**	**–14,371**

SEK m	Sep 30, 2022	Sep 30, 2021	Mar 31, 2022
Cash	8,879	9,724	5,810
Current investments	-	196	0
Unutilized credit facilities amounts to	1,271	6,919	1,578
Available funds	**10,150**	**16,839**	**7,388**

Available funds as of mid-November amounted to SEK 5.7 billion, of which SEK 4.5 billion was cash and cash equivalents.

During the quarter, Embracer Group AB made a voluntary loan prepayment of SEK 6.2 billion. The financial leverage target of 1.0x (Net Debt to Adjusted EBIT on a 12-month forward looking basis) is expected to be reached by the end of the financial year. Embracer Group has substantial headroom to its financial covenants.

KOF XV Team Pass 2

OBLIGATIONS RELATED TO HISTORICAL BUSINESS COMBINATIONS

In connection to certain business combinations, agreements have been entered regarding contingent considerations that are not classified as part of the transferred purchase consideration since there is a requirement for continued employment for the seller or other reasons for the contingent consideration to be accounted for as a separate transaction. Therefore the item is classified as payment for future services. The contingent consideration could be paid in cash or through shares, whereby transactions are accounted for according to IFRS 2 Share-based payment for remuneration that is equity and share-based, or according to IAS 19 Benefits for employees through cash settled benefits. As the benefits are earned, the item is accounted for as a personnel expense i the group's income statement. Contingent considerations that are classified as part of transferred purchase considerations and put/call options on non-controlling interests are described in note 5.

Obligations related to historical business combinations to be settled in cash

The table below gives an overview of obligations related to historical acquisitions in SEK million to be settled in cash on September 30, 2022. The present value of contingent considerations has been calculated based on expected outcome for financial and operational targets for each individual agreement. The financial liability will vary over time depending on, among other things, the degree of fulfillment of conditions for payment, the development of certain exchange rates in relation to the Swedish krona and interest rates.

Financial year when settlement might occur	Contingent consideration classified as part of purchase price[1] ,SEK m	Obligations in relation to future personnel costs related to acquisitions, SEK m	Obligations related to historical acquisitions, SEK m
2022/2023	519	273	793
2023/2024	443	430	873
2024/2025	590	324	914
2025/2026	553	484	1,037
2026/2027	2,205	573	2,778
2027/2028	578	2,130	2,708
2028/2029	158	91	250
2029/2030	182	3	185
2030/2031	72	3	75
	5,301	**4,312**	**9,613**

[1] *Includes cash portion of put/call options on non-controlling interests.*

Dambuster

Contingent considerations classified as part of the purchase consideration and which will be settled in cash are accounted for as debt in the group's balance sheet, divided into current and non-current debt. Additional information is available in note 5. Obligations related to future personnel costs related to acquisitions which will be settled in cash are accounted for in the group's balance sheet, to the extent that it has been earned by the employee and is classified as debt. On September 30, the debt amounted to SEK 1,165 million, divided into current and non-current debt.

Obligations related to historical acquisitions to be settled in shares

The table below provides an overview of obligations related to historical acquisitions on September 30, which will be settled in shares, with information on the number of shares. Contingent considerations classified as part of the purchase consideration is accounted for as either equity or debt in the group's balance sheet. On September 30, the debt portion amounted to SEK 8,121 million and the equity portion amounted to SEK 2,121 million. Additional information is available in note 5. Obligations related to future personnel costs related to acquisitions which will be settled in shares is accounted for in the group's balance sheet, to the extent that it has been earned by the employee and is classified as equity in the group's balance sheet.

Number of shares	Contingent consideration classified as part of purchase price	Obligations in relation to future personnel costs related to acquisitions	Obligations related to historical acquisitions
Already issued	92,263,683	35,052,075	127,315,758
To be issued	77,361,353	30,015,909	107,377,262
	169,625,036	**65,067,984**	**234,693,020**

The number of shares to be paid as additional purchase price can vary but never exceed 107,377,262 according to the earnout agreements. If all shares are issued, the dilution in capital will amount to 7.97 % and 5.51 % of the voting rights as of September 30, 2022.

The 127 million shares that have so far been issued are subject to clawback restrictions (clawback shares). Clawback shares are defined as shares of the company issued to sellers at completion of acquisitions of companies or assets. Clawback shares are part of the earnout consideration to sellers of companies or assets. Clawback shares are held by sellers, either in escrow accounts or on regular accounts, with an agreed right for the company to receive the shares back, at no consideration, if specific earnout targets are not met. Clawback shares are kept by the sellers if earnout targets are met.

Evil West

FINANCIAL LEVERAGE POLICY

The Board of Directors of Embracer Group have set goals for the capital structure. The leverage target is to have Net Debt to Adjusted EBIT of 1.0x on a 12-month forward looking basis. The Group may exceed this ratio for the right inorganic growth opportunity, but with the ambition to return to below 1.0x in the medium term.

PARENT COMPANY

The Parent Company acquires and conducts operations through its subsidiaries and underlying companies.

The Parent Company's net sales for the quarter were SEK 11 million (106), and profit before tax was SEK 836 million (115). Profit after tax was SEK 698 million (101).

Cash and current investments as of September 30, 2022 were SEK 4,168 million (6,405). The Parent Company's equity at the end of the period was SEK 59,027 million (35,507).

Easybrain

SIGNIFICANT EVENTS DURING THE QUARTER

- On July 3, Embracer Group AB announced it had appointed CFO Johan Ekström to the additional role of Deputy CEO of Embracer Group. On the same date, the appointment of General Counsel Ian Gulam as Chief of Staff, Legal & Governance was announced.
- On August 3, Oscar Erixon assumed the role of Head of Investor Relations. Oscar joined from Carnegie Investment Bank, where he worked as an equity research analyst covering the Swedish gaming sector.
- On August 18, Embracer announced the formation of the operative group Embracer Freemode. Freemode provides a global strategic, operational, and financial support ecosystem for its collective of small to mid-sized gaming and entertainment companies owned by Embracer.
- On August 18, Embracer Group announced six acquisition agreements. The aggregated upfront purchase price for the transactions amounts to SEK 6.0 billion, of which SEK 4.2 billion paid in cash at closing, SEK 1.3 billion in cash paid in 12 months and SEK 0.5 billion paid with Embracer B shares. The likely total deferred consideration, linked to achievement of financial and operational targets, amounts to SEK 2.2 billion, of which SEK 1.5 billion paid in cash and SEK 0.7 billion paid with Embracer B shares. The likely total consideration for the acquired businesses amounts to SEK 8.2 billion. All acquisitions announced on August 18 have been closed before the publication of this interim report.
- On August 26, all conditions were fulfilled, including regulatory approvals, for the transaction to acquire Crystal Dynamics, Eidos-Montréal, Square Enix Montréal, and a catalog of IPs from Square Enix Holdings. The acquisition was therefore completed. For more information on acquisitions closed during the quarter, see note 6.
- During the quarter, Embracer Group AB made a voluntary loan prepayment of SEK 6.2 billion to reduce interest-bearing debt. We are confident that we will be in line with our financial leverage target of 1.0x (Net Debt to Adjusted EBIT on a 12-month forward-looking basis) in the end of this financial year. Embracer Group AB has substantial headroom to its financial covenants.

Dead Island 2

MARKET OVERVIEW

Embracer Group currently operates in four operating segments; PC/Console and Mobile Games (jointly Video games), Tabletop Games and Entertainment & Services.

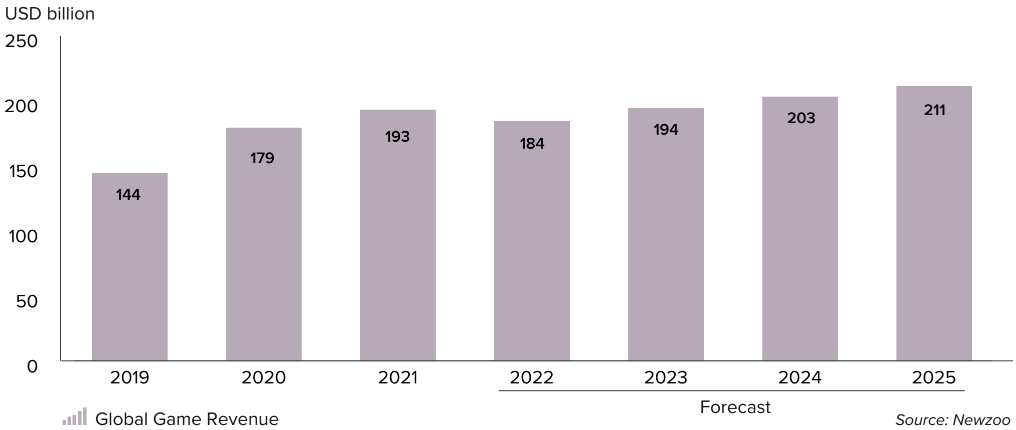
VIDEO GAMES MARKET

The underlying market conditions remain solid in most segments, and the global games market is predicted to generate USD 184 billion in 2022, a decrease of –4 % YoY[1]. These numbers represent a downward revision from previous forecasts (+2 % YoY), largely due to a lowering of estimates in the mobile games market (explained below).

Comparisons with sales in 2021 and 2020 must take into account the unique pandemic-induced sales boost during these years. Compared with the last full pre-pandemic year of 2019, global games revenue grew by +28 % from USD 144 billion to 184 billion over the three-year period.

There are several market drivers including subscription business, VR, Emerging Markets, Games as a Service and back catalog sales. Furthermore, the market is now less reliant on new releases and is generally assessed to have a higher resilience against economic pressures. This comes from its perceived value for money and the many different ways and levels of playing and paying. Gaming has increased its share against other entertainment sectors and, in 2022, it is estimated that global games market revenues will be about 10 times more than the music market and about 7 times more than the box office/cinema market[2].

The longer-term growth prospects remain strong. The number of gamers keeps growing and is expected to reach 3.2 billion globally this year, up +5 % YoY. The total games market revenues are predicted to reach USD 211 billion in 2025, a +7 % CAGR between 2019 and 2025[1].



PC/Console Games market

The PC segment, with annual revenue of USD 41 billion, accounts for 22 % of the global games market and is expected to grow by +0.5 % YoY in 2022[1]. The PC segment has benefited from the large increase in home PCs and laptops during the pandemic (used for home -working/schooling etc).

Meanwhile, the Console segment, valued at USD 52 billion, accounts for 28 % of the global games market and is expected to decline by –4 % YoY in 2022[1]. Apart from the broader headwinds from macroeconomic factors, hardware supply issues remain a short-term constraint for console gaming revenue.

[1] *Source: Newzoo*
[2] *Source: IDG*

Mobile Games market

The mobile gaming market, with annual revenue of USD 92 billion, is the largest sector, representing 50 % of the global gaming market. It is now expected to decline by –6 % YoY[1] in 2022. This sector has seen the highest downward revision of its forecast. This is due to many factors including a difficult comparable period in 2021, fewer breakout hits than 2021, ongoing pressures of privacy regulation (which is taking time for developers to adjust to) and the fact that the casual mobile gamers are seemingly more affected by economic pressures than other gaming sectors.

TABLETOP GAMES MARKET

The 2022 market is strong, up by +7 % YoY in the April-September period (EU/US combined, Strategic Trading Cards & Board Games) with the US outpacing the performance in Europe[3].

This positive market performance is being driven by the Strategic Trading Card Games segment, which was up (in the same period), by a substantial +25 % YoY. The Board Games (only) segment decreased by –6 % YoY (compared to a high comparable period in 2021) but was still significantly above pre-pandemic volumes (2019); +16 % in Europe and +34 % in the US[3].

Current consumer purchase intentions[3] indicate a potential solid fourth calendar quarter/holiday period, a vital period representing half of the annual volume. Should the trading levels be similar to the previous two record years, it would put the full CY growth at +4 %[3].

ENTERTAINMENT & SERVICES MARKET

Comics and Books

2021 CY data for the comic book market (US only), showed very strong growth of +62 % YoY (to USD 2.1 billion)[5] driven by graphical novels that make up USD 1.5 billion of the sales. Based on channel checks by Dark Horse, the fiscal year 2022/2023 will see a leveling out to a “new normal,” after the previous two years of record sales. Overall Book sales in 2022 (Jan-Sep in US) are down –5 % in units YoY, while the comics/graphic novels/manga category is +8 %. Manga growth has slowed in 2022, but overall graphic novel sales are up 28 % over the 2019 pre-pandemic benchmark.[6]

TV and Film

Content expenditure by commercial and public service broadcasters is driven by subscription video-on-demand platforms such as Netflix, HBO Max, and Amazon Prime. The global spending on content reached USD 220 billion in 2021 and is expected to exceed USD 230 billion in 2022[7].

1) *Source: Newzoo*
2) *Source: IDG*
3) *Source: Asmodee based on NPD Group data*
4) *Source: MIS Institute, September 2022*
5) *Source: ICv2-Comichron Comic Sales Report*
6) *Source: NPD BookScan*
7) *Source: Ampere Analysis*

OTHER INFORMATION

SIGNIFICANT EVENTS AFTER THE QUARTER

- The German film publishing subsidiary of the PLAION Group, has entered into an agreement to acquire 100 percent of the shares of Anime Ltd. from its founders. The company is based in Glasgow, UK, and is specialized in the marketing and distribution of Japanese animation, music and merchandise in the UK and France.
- Asmodee announced the acquisition of VR Group a leading wholesale distributor of gaming products in Australia, New Zealand and the UK. The acquisition will help Asmodee expand its mass market distribution of tabletop games, trading cards, and collectibles in these territories. VR Group was founded 2014 and employs 46 people across its active territories.
- *Risk of Rain*, a critically and commercially successful video game franchise, was purchased by Gearbox Entertainment Company from Hopoo Games. *Risk of Rain* now joins Gearbox's portfolio of owned games that includes acclaimed franchises such as *Borderlands, Brothers in Arms, Homeworld,* and more.

STATUS OF DISCLOSED M&A AS OF SEPTEMBER 30

Company	Country	Operating Segment	Operative Group	Type	Status
Q2 22/23 • Jul–Sep 2022					
Tuxedo Labs	Sweden	PC/Console Games	Saber Interactive	Studio	Closed
Middle-earth Enterprises	USA	Entertainment & Services	Freemode	Studio	Closed after the quarter
Limited Run Games	USA	Entertainment & Services	Freemode	Studio	Closed
Tripwire	USA	PC/Console Games	Saber Interactive	Studio	Closed after the quarter
Singtrix	USA	Entertainment & Services	Freemode	Studio	Closed
Beamdog	Canada	PC/Console Games	Saber Interactive	Studio	Closed
Crystal Dynamics – Eidos Montréal	USA/Canada	PC/Console Games	Crystal Dynamics – Eidos Montréal	Studio	Closed

The following M&A activities were announced after the reporting quarter:

Company	Country	Operating Segment	Operative Group	Type	Status
Q3 22/23 • Oct–Dec 2022					
Anime Ltd	UK	Entertainment & Services	PLAION	Studio	Closed
VR Group	UK/Australia	Tabletop games	Asmodee	Distribution	Closed
Risk of Rain	USA	PC/Console Games	Gearbox	IP	Closed

SUSTAINABILITY AND GOVERNANCE

Several important steps were taken during the quarter within the framework of ESG and corporate governance to further develop Embracer Group's work with sustainability and governance.

At the annual general meeting held on 21 September 2022, principles for appointment of a nomination committee and guidelines for remuneration to senior executives were adopted. Cecilia Driving was appointed as a new member of the Board of Directors at the annual general meeting and she was also appointed as chair of the Audit and Sustainability Committee.

A group policy for Human Resources was adopted and implemented during the quarter.

A group privacy program was launched during the quarter, including a new group internal privacy policy and a group privacy forum. Group privacy trainings and third-party privacy audits were conducted.

Several important steps to enhance information security throughout the group were taken in the quarter:

- A governance structure for cyber security management was established, including the appointment of a Chief Information Security Officer (CISO).
- Routines for cyber security audits, tests and assessments were implemented and conducted by a third party.
- A group IT policy was adopted and implemented.
- A group Information Security policy was adopted and implemented.
- Business continuity planning for key financial processes and operations was adopted, implemented, and tested.

GAMES ARCHIVE

The Embracer Games Archive preserves and tribute the games culture. It serves as a campfire and becomes an interesting, captivating place for Embracer visitors and business purposes. The Archive has started to be a well-visited place for studios, institutions as well as school classes serving the purpose of entertaining and educating about video game history.

> *“Our ambition from the beginning has been to have an archive that invites to exploration and to showcase games as a cultural movement, putting games in a larger historical context. Thus, we settled on the practice “preservation through use”. We want to promote games as a form of cultural expression and as a part of history. We believe that it is of great importance to give not only future generations access to the vast repository of games, gaming systems and accessories but also people today. That way we are not only making history in the future but creating history today,”* says Chief Archivist Natalia Kovalainen.

The games archive continues to grow, the latest noteworthy additions are a complete collection of a Japanese Game Gear collection and a Spectravideo SVI-728. Further, the archive team sets the framework on how to build up its database where all games will be cataloged, starting from the next calendar year.

The Embracer Games Archive

ANALYSTS FOLLOWING EMBRACER GROUP

AS OF NOVEMBER 17, 2022

Company	Name	Phone	Mail
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Bernstein	Matti Littunen	+44 207 170 50 09	matti.littunen@bernstein.com
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DNB Bank ASA	Martin Arnell	-	martin.arnell@dnb.se
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SHB	Rasmus Engberg	-	rasmus.engberg@handelsbanken.se

Note: *The commissioned research analyst, Redeye do not have any buy, hold, or sell recommendation.*
The estimates are collected by Infront and based on predictions made by analysts who cover Embracer Group.
At www.embracer.com consensus estimates are provided as an IR-service.

THE SHARE

TOP 10 OWNERS AS OF SEPTEMBER 30, 2022

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Change from June 30 Class A and B shares
Lars Wingefors AB	52,260,204	210,238,330	21.16 %	39.79 %	0
Savvy Gaming Group [1]		99,884,024	8.05 %	5.42 %	52,768,919
S3D Media Inc	12,798,274	70,772,440	6.74 %	10.79 %	0
Swedbank Robur Fonder		67,449,038	5.44 %	3.66 %	–300,000
Founders/Management - Easybrain		65,037,968	5.24 %	3.53 %	
Canada Pension Plan Investment Board (CPP)		43,595,333	3.51 %	2.37 %	–11,158,613
PAI Partners		39,044,571	3.15 %	2.12 %	0
Alecta Pensionsförsäkring		34,385,000	2.77 %	1.87 %	4,000,000
Didner & Gerge Fonder		28,361,487	2.29 %	1.54 %	–480,999
Handelsbanken Fonder		25,518,348	2.06 %	1.39 %	2,236,108
TOP 10	**65,058,478**	**684,286,539**	**60.40 %**	**72.47 %**	
OTHERS	**1,739,796**	**490,274,398**	**39.60 %**	**27.53 %**	
TOTAL	**66,798,274**	**1,173,855,657**	**100.00 %**	**100.00 %**	

[1] *52,768,919 additional B-shares have been issued to Savvy Gaming Group during the reporting period.*

Source: *Monitor by Modular Finance.*

INTERNATIONAL OWNERSHIP TOP 50 INSTITUTIONAL

BY CAPITAL

INSTITUTIONAL OWNERSHIP VS MANAGEMENT

BY CAPITAL

TOP 20 MANAGEMENT & CO-FOUNDER OWNERS AS OF SEPTEMBER 30, 2022

Owner	Co-Founder	Class A shares	Class B shares	Share of capital, %	Share of votes, %
Lars Wingefors AB	Embracer Group	52,260,204	210,238,330	21.16 %	39.79 %
Matthew Karch and Andrey Iones	Saber Interactive	12,798,274	70,772,440	6.74 %	10.79 %
Founders/Management	Easybrain	0	65,037,968	5.24 %	3.53 %
Ken Go	Deca Games	0	11,803,182	0.95 %	0.64 %
Randy Pitchford	Gearbox	0	9,563,028	0.77 %	0.52 %
Erik Stenberg [1]	Embracer Group	0	9,000,000	0.73 %	0.49 %
Founders/Management	4A Games	0	4,892,140	0.39 %	0.27 %
Luisa Bixio	Milestone	0	4,757,149	0.38 %	0.26 %
Management	Crazy Labs	0	4,402,714	0.35 %	0.24 %
Founders	Ghostship Games	0	4,271,304	0.34 %	0.23 %
Founders/Management	Aspyr	0	3,549,742	0.29 %	0.19 %
Richard Stitselaar and Kimara Rouwit	Vertigo Games	0	3,516,420	0.28 %	0.19 %
Pelle Lundborg	Embracer Group	1,739,796	1,009,120	0.22 %	1.00 %
Anton Westbergh	Coffee Stain	0	2,412,666	0.19 %	0.13 %
Klemens Kundratitz	PLAION	0	2,255,856	0.18 %	0.12 %
Dennis Gustafsson [2]	Tuxedo Labs	0	1,408,031	0.11 %	0.08 %
Vincent Van Brummen	Vertigo Games	0	1,346,702	0.11 %	0.07 %
Klemens Kreuzer	THQ Nordic	0	1,118,104	0.09 %	0.06 %
Matthew Karch	Saber Interactive	0	1,070,000	0.09 %	0.06 %
Founders [3]	Zen Studios	0	984,078	0.08 %	0.05 %
TOP 20		**66,798,274**	**413,408,974**	**38.71 %**	**58.71 %**
ALL OTHER SHAREHOLDERS		**0**	**760,446,683**	**61.29 %**	**41.29 %**
TOTAL		**66,798,274**	**1,173,855,657**	**100.00 %**	**100.00 %**

Holdings by management above are in general owned trough various wholly owned companies. Holdings include clawback shares that are issued but subject to restrictions and in some cases are these shares not part of the transferred consideration in the PPA but is classified as remuneration for future services according to IFRS2.

[1] Erik Stenberg has sold 4,500,000 B-shares after quarter end.
[2] 1,408,031 B-shares were issued to the founder of Tuxedo Labs, Dennis Gustafsson, during the period.
[3] Zen Studios founders sold 70,000 B-shares during the quarter

Dambusters

TOP 50 INSTITUTIONAL OWNERS AS OF SEPTEMBER 30, 2022

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Change from June 30 Class B shares
Savvy Gaming Group		99,884,024	8.05 %	5.42 %	52,768,919
Swedbank Robur Fonder		67,449,038	5.44 %	3.66 %	–300,000
Canada Pension Plan Investment Board (CPP)		43,595,333	3.51 %	2.37 %	–11,158,613
PAI Partners		39,044,571	3.15 %	2.12 %	
Alecta Pensionsförsäkring		34,385,000	2.77 %	1.87 %	4,000,000
Didner & Gerge Fonder		28,361,487	2.29 %	1.54 %	–480,999
Handelsbanken Fonder		25,518,348	2.06 %	1.39 %	2,236,108
BlackRock		18,803,222	1.52 %	1.02 %	624,899
AMF Pension & Fonder		17,500,000	1.41 %	0.95 %	
ODIN Fonder		17,000,000	1.37 %	0.92 %	
SEB Fonder		13,855,610	1.12 %	0.75 %	476,490
Första AP-fonden		13,546,185	1.09 %	0.74 %	694,198
DNB Fonder		12,907,783	1.04 %	0.70 %	5,615,144
Andra AP-fonden		12,707,400	1.02 %	0.69 %	1,037,352
TIN Fonder		12,034,706	0.97 %	0.65 %	
Skandia Fonder		10,252,288	0.83 %	0.56 %	1,804,337
Livförsäkringsbolaget Skandia		9,672,992	0.78 %	0.53 %	–93,234
AFA Försäkring		6,713,118	0.54 %	0.36 %	36,350
Futur Pension		6,277,827	0.51 %	0.34 %	–206,990
Länsförsäkringar Fonder		5,138,895	0.41 %	0.28 %	930,133
Avanza Pension		4,937,060	0.40 %	0.27 %	–3,356,508
Enter Fonder		4,758,768	0.38 %	0.26 %	–1,167,172
Martin Larsson (Chalex AB)		4,713,369	0.38 %	0.26 %	
DNB Asset Management SA		3,572,882	0.29 %	0.19 %	1,623,925
Government of Japan Pension Investment Fund		3,429,338	0.28 %	0.19 %	
VanEck		3,407,720	0.27 %	0.19 %	259,092
Aktia Asset Management		3,389,496	0.27 %	0.18 %	–235,000
Cliens Fonder		3,375,000	0.27 %	0.18 %	–475,000
Baillie Gifford & Co		3,284,699	0.26 %	0.18 %	–365,430
Northern Trust		3,207,793	0.26 %	0.17 %	–21,607
State Street Global Advisors		3,109,334	0.25 %	0.17 %	200,050
Fidelity Investments (FMR)		2,993,701	0.24 %	0.16 %	–54,497
Deka Investments		2,386,499	0.19 %	0.13 %	1,850
Naventi Fonder		2,360,097	0.19 %	0.13 %	
Handelsbanken Liv Försäkring AB		2,192,184	0.18 %	0.12 %	
Öhman Fonder		2,167,052	0.17 %	0.12 %	250,000
Säästöpankki Fonder		2,010,000	0.16 %	0.11 %	200,000
Danske Invest		2,006,781	0.16 %	0.11 %	104,145
Svenska Handelsbanken AB for PB		2,001,257	0.16 %	0.11 %	1,545,545
Swedbank Försäkring		1,958,290	0.16 %	0.11 %	–36,000
Consensus Asset Management		1,876,790	0.15 %	0.10 %	–81,500
Ålandsbanken Fonder		1,835,328	0.15 %	0.10 %	–34,672
Nordea Liv & Pension		1,787,690	0.14 %	0.10 %	78,952
M&G Investment Management		1,731,962	0.14 %	0.09 %	
Lancelot Asset Management AB		1,700,000	0.14 %	0.09 %	
Vanguard		1,559,558	0.13 %	0.08 %	8,808
1832 Asset Management		1,466,000	0.12 %	0.08 %	
Prioritet Finans		1,422,000	0.11 %	0.08 %	
TIAA - Teachers Advisors		1,410,026	0.11 %	0.08 %	3,691
Fondita Fonder		1,340,000	0.11 %	0.07 %	
TOP 50	**0**	**572,038,501**	**46.11 %**	**31.06 %**	
ALL OTHER SHAREHOLDERS	**66,798,274**	**602,522,436**	**53.89 %**	**68.94 %**	
TOTAL	**66,798,274**	**1,173,855,657**	**100.00 %**	**100.00 %**	

Source: *Monitor by Modular Finance.*

OTHER INFORMATION

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.

AUDITOR'S REVIEW

This Interim Report has been subject to limited review by the Company's auditor, see page 33 for the auditors review report.

FORTHCOMING REPORTS

Interim Report Q3, October-December 2022	February 16, 2023
Full Year Report 2022/2023	May 17, 2023
Annual Report 2022/2023	Week 30, 2023
Interim Report Q1, April-June 2023	August 17, 2023

FOR MORE INFORMATION

Find more information about the Company at its website: embracer.com
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SIGNATURES AND ASSURANCE

The Board of Directors and Chief Executive Officer offer their assurance that this interim report for the second quarter 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 the Parent Company.

Karlstad, Sweden, November 17, 2022

Kicki Wallje-Lund
Chairman of the Board

David Gardner
Board member

Cecilia Driving
Board member

Jacob Jonmyren
Board member

Matthew Karch
Board member

Erik Stenberg
Board member

Lars Wingefors
Chief Executive Officer

This 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, 2022.

This report contains forward-looking statements that reflect the Board of Directors' and management's current views with respect to certain future events and potential financial performance. Forward-looking statements are subject to risks and uncertainties. Results could differ materially from forward-looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, (ii) success of business initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.

This report is based solely on the circumstances at the date of publication and except to the extent required under applicable law or applicable market place regulations, Embracer Group AB is under no obligation to update the information, opinions or forward-looking statements in this report.

REVIEW REPORT (THIS IS A TRANSLATION FROM THE SWEDISH REPORT)

Embracer Group AB (publ), corporate identity number 556582-6558

INTRODUCTION

We have reviewed the condensed interim report for Embracer Group AB (publ) as of September 30, 2022 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *"Review of Interim Financial Statements Performed by the Independent Auditor of the Entity".* A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Karlstad, November 17, 2022
Ernst & Young AB

Johan Eklund
Authorized Public Accountant

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in SEK m	Note	Jul–Sep 2022	Jul–Sep 2021	Jul–Sep 2020	Apr–Sep 2022	Apr–Sep 2021	Apr–Sep 2020	Apr 2021–Mar 2022	Apr 2020–Mar 2021
Net sales	4	9,569	3,305	2,384	16,687	6,738	4,453	17,067	9,000
Other operating income		129	68	64	229	157	129	333	288
Total operating income		**9,698**	**3,373**	**2,448**	**16,915**	**6,895**	**4,582**	**17,400**	**9,287**
Work performed by the Company for its own use and capitalized		1,097	559	273	1,963	1,028	521	2,293	1,292
Goods for resale		–3,300	–786	–1,034	–5,806	–1,599	–1,794	–4,697	–3,618
Other external expenses	7	–2,364	–935	–337	–4,170	–1,688	–587	–4,745	–1,230
Personnel expenses	10	–3,228	–2,008	–461	–6,168	–3,849	–864	–8,602	–2,021
Depreciation, amortization and impairment		–1,565	–505	–414	–2,665	–984	–802	–2,793	–1,668
Other operating expenses	11	–28	–82	–16	–162	–154	–111	–447	–197
Share of profit of an associate		150	428	43	155	450	59	465	214
Operating profit (EBIT)		**461**	**44**	**502**	**63**	**99**	**1,004**	**–1,126**	**2,058**
Net financial items	12	2,162	2,052	–932	2,700	2,253	–1,929	2,785	–4,102
Profit before tax		**2,622**	**2,096**	**–430**	**2,763**	**2,352**	**–925**	**1,659**	**–2,045**
Income tax		–241	–106	–36	–563	–303	–128	–692	–471
Net profit for the period		**2,381**	**1,990**	**–466**	**2,200**	**2,050**	**–1,053**	**967**	**–2,515**
Net profit for the period attributable to:									
Equity holders of the parent		2,369	1,989	–465	2,202	2,049	–1,050	976	–2,513
Non-controlling interests		12	1	–1	–2	1	–3	–9	–2
Earnings per share									
Basic earnings per share (SEK)		2.21	2.26	–0.68	2.10	2.33	–1.56	1.08	–3.49
Diluted earnings per share (SEK)		2.20	2.24	–0.68	2.08	2.31	–1.56	1.06	–3.49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Note	Jul–Sep 2022	Jul–Sep 2021	Jul–Sep 2020	Apr–Sep 2022	Apr–Sep 2021	Apr–Sep 2020	Apr 2021–Mar 2022	Apr 2020–Mar 2021
Net profit for the period		**2,381**	**1,990**	**–466**	**2,200**	**2,050**	**–1,053**	**967**	**–2,515**
Other comprehensive income									
Items that may be reclassified to profit or loss (net of tax):									
Exchange differences on translation of foreign operations		2,623	274	–208	5,392	54	–698	825	–842
Items that will not be reclassified to profit or loss (net of tax):									
Remeasurement of defined benefit plans for employees		-	-	-	-	-	-	-	-
Total other comprehensive income for the period, net of tax		**2,623**	**274**	**–208**	**5,392**	**54**	**–698**	**825**	**–842**
Total comprehensive income for the period, net of tax		**5,004**	**2,264**	**–674**	**7,592**	**2,104**	**–1,751**	**1,792**	**–3,357**
Total comprehensive income attributable to:									
Equity holders of the parent		4,964	2,263	–673	7,564	2,103	–1,748	1,801	–3,355
Non-controlling interests		40	1	–1	28	1	–3	–9	–2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK m	Note	Sep 30, 2022	Sep 30, 2021	Sep 30, 2020	Mar 31, 2022	Mar 31, 2021	Apr 1, 2020
ASSETS							
Non-current assets							
Goodwill		49,887	24,622	8,648	42,624	11,381	1,412
Intangible assets		37,785	8,821	4,875	31,371	5,586	4,459
Property, plant and equipment		1,084	432	203	720	238	185
Right-of-use assets		1,359	465	279	1,062	329	240
Investments in associates		198	168	73	134	175	55
Non-current financial assets		416	104	77	302	132	30
Deferred tax assets		1,821	437	269	1,280	265	166
Total non-current assets		**92,551**	**35,049**	**14,424**	**77,493**	**18,106**	**6,547**
Current assets							
Inventories		5,185	531	381	3,162	243	353
Trade receivables		5,567	2,145	1,502	4,406	1,239	959
Contract assets		468	65	-	177	-	-
Current tax assets		-	-	-	-	-	36
Other receivables		1,568	650	395	994	417	363
Prepaid expenses		1,090	186	86	377	377	110
Current investments	5, 6	6	196	204	0	195	193
Cash and cash equivalents		8,879	9,724	3,375	5,810	14,104	2,318
Total current assets		**22,763**	**13,496**	**5,943**	**14,926**	**16,576**	**4,331**
TOTAL ASSETS		**115,314**	**48,545**	**20,366**	**92,420**	**34,682**	**10,878**

CONT. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK m	Note	Sep 30, 2022	Sep 30, 2021	Sep 30, 2020	Mar 31, 2022	Mar 31, 2021	Apr 1, 2020
EQUITY AND LIABILITIES							
Equity							
Share capital		2	1	1	2	1	1
Other contributed capital		54,545	31,403	9,097	42,433	22,543	5,301
Reserves		5,486	−645	−555	124	−701	142
Retained earnings, including net profit		1,590	460	–125	–612	–1,588	925
Total equity attributable to equity holders of the parent		**61,623**	**31,219**	**8,417**	**41,947**	**20,254**	**6,369**
Non-controlling interests		255	45	24	228	13	25
Total equity		**61,878**	**31,264**	**8,441**	**42,175**	**20,267**	**6,394**
Non-current liabilities							
Liabilities to credit institutions		18,169	603	267	7,232	244	222
Other non-current liabilities		65	79	908	112	1	–
Lease liabilities		1,005	344	206	800	237	176
Other provisions		180	88	129	155	162	104
Contingent considerations	5, 6	6,322	9,374	5,719	8,486	9,116	412
Non-current put/call options on non-controlling interests	5, 6	3,962	-	-	4,259	-	-
Non-current employee benefits		20	17	23	20	17	25
Non-current liabilities to employees related to historical acquisitions	6	1,028	335	1	593	28	-
Deferred tax liabilities		7,274	1,035	393	6,170	560	415
Total non-current liabilities		**38,026**	**11,875**	**7,646**	**27,827**	**10,366**	**1,353**
Current liabilities							
Liabilities to credit institutions		1,745	1,578	1,849	12,800	1,203	1,098
Current account credit facilities		129	46	183	149	27	145
Advances from customers		135	54	34	69	35	37
Trade payables		4,140	859	784	3,602	774	845
Lease liabilities		387	136	77	297	98	67
Contract liabilities		2,007	1,254	698	1,821	793	599
Contingent considerations	5, 6	2,919	9	-	1,105	-	-
Current put/call options on non-controlling interests	5, 6	220	-	-	-	-	-
Tax liabilities		1,022	221	161	555	193	85
Current liabilities to employees related to historical acquisitions	6	137	-	-	-	-	-
Other current liabilities		348	139	224	608	184	135
Accrued expenses		2,222	1,110	269	1,413	740	121
Total current liabilities		**15,410**	**5,406**	**4,279**	**22,418**	**4,049**	**3,131**
TOTAL EQUITY AND LIABILITIES		**115,314**	**48,545**	**20,366**	**92,420**	**34,682**	**10,878**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK m	Share capital	Other contributed capital	Reserves[1]	Retained earnings including profit for the period	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	Equity attributable to equity holders of the parent						
Opening balance 2020-04-01	**1**	**5,301**	**142**	**925**	**6,369**	**25**	**6,394**
Net profit	-	-	-	−1,050	**−1,050**	−1	**−1,051**
Other comprehensive income	-	-	−697	-	**−697**	-	**−697**
Total comprehensive income for the period	**-**	**-**	**−697**	**−1,050**	**−1,747**	**−1**	**−1,748**
Transactions with the owners							
New share issue	-	3,763	-	-	**3,763**	-	**3,763**
Issuance costs	-	−44	-	-	**−44**	-	**−44**
Tax effect issuance costs	-	9	-	-	**9**	-	**9**
Share-related remuneration according to IFRS2	-	68	-	-	**68**	-	**68**
Total	**-**	**3,796**	**-**	**-**	**3,796**	**-**	**3,796**
Closing balance 2020-09-30	**1**	**9,097**	**−555**	**−125**	**8,417**	**24**	**8,441**
Opening balance 2021-04-01	**1**	**22,543**	**−701**	**−1,588**	**20,254**	**13**	**20,267**
Net profit	-	-	-	2,049	**2,049**	1	**2,050**
Other comprehensive income	-	-	56	-	**56**	-	**56**
Total comprehensive income for the period	**-**	**-**	**56**	**2,049**	**2,105**	**1**	**2,106**
Transactions with the owners							
New share issue	-	7,203	-	-	**7,203**	30	**7,233**
Issuance costs	-	−1	-	-	**−1**	-	**−1**
Share-related remuneration according to IFRS2	-	1,657	-	-	**1,657**	0	**1,657**
Total	**-**	**8,859**	**-**	**-**	**8,859**	**30**	**8,889**
Closing balance 2021-09-30	**1**	**31,403**	**−645**	**460**	**31,219**	**45**	**31,264**
Opening balance 2022-04-01	**2**	**42,433**	**124**	**−612**	**41,947**	**228**	**42,175**
Net profit	-	-	-	2,202	**2,202**	−2	**2,200**
Other comprehensive income	-	-	5,362	-	**5,362**	30	**5,392**
Total comprehensive income for the period	**-**	**-**	**5,362**	**2,202**	**7,564**	**28**	**7,592**
Transactions with the owners							
New share issue	0	10,988	-	-	**10,988**	-	**10,988**
Issuance costs	-	−9	-	-	**−9**	-	**−9**
Tax effect issuance costs	-	-	-	-	**-**	-	**-**
Share-related remuneration according to IFRS 2	-	1,132	-	-	**1,132**	-	**1,132**
Total	**0**	**12,111**	**-**	**-**	**12,111**	**-**	**12,111**
Closing balance 2022-09-30	**2**	**54,545**	**5,486**	**1,590**	**61,623**	**255**	**61,878**

[1] *Includes currency translation difference and cash-flow hedge reserve.*

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK m	Jul–Sep 2022	Jul–Sep 2021	Jul–Sep 2020	Apr–Sep 2022	Apr–Sep 2021	Apr–Sep 2020	Apr 2021–Mar 2022	Apr 2020–Mar 2021
Operating activities								
Profit before tax	2,622	2,096	–430	2,763	2,352	–925	1,659	–2,045
Adjustments for non-cash items, etc.	97	–854	1,306	1,743	314	2,658	4,255	5,973
Income tax paid	–203	–213	–29	–383	–323	–73	–542	–259
Cash flow from operating activities before changes in working capital	**2,516**	**1,029**	**847**	**4,123**	**2,343**	**1,660**	**5,372**	**3,668**
Cash flow from changes in working capital								
Change in inventories	–619	–142	49	–1,449	–217	–46	–150	83
Change in operating receivables	–1,175	–179	–7	–1,325	–135	–269	–934	–195
Change in operating liabilities	–142	301	–91	–422	–400	129	–22	269
Cash flow operating activities	**580**	**1,009**	**798**	**927**	**1,591**	**1,474**	**4,266**	**3,825**
Investing activities								
Acquisition of property, plant and equipment	–125	–98	–13	–204	–150	–29	–344	–71
Disposal of property, plant and equipment	1	-	-	4	-	-	4	2
Acquisition of intangible assets	–1,572	–916	–484	–2,776	–1,745	–982	–3,717	–2,139
Disposal of intangible assets	-	-	1	-	-	4	4	4
Acquisition of subsidiaries, net of cash acquired	–3,624	–2,670	–760	–4,466	–4,876	–1,792	–33,403	–4,441
Change in current investments	1,528	-	-	–5	-	-	-	-
Acquisition of financial assets	4	–3	4	–31	0	–16	–15	–65
Disposal of financial assets	6	-	-	9	-	2	–56	56
Cash flow from investing activities	**–3,782**	**–3,688**	**–1,252**	**–7,469**	**–6,771**	**–2,813**	**–37,527**	**–6,655**
Financing activities								
New share issue	5,451	-	-	10,326	–1	1,647	6,310	14,695
Issuance costs	–9	-	-	–9	-	–35	–130	-
Proceeds from borrowings	3,009	438	514	5,748	1,099	851	18,861	851
Received dividend	-	-	-	-	-	-	-	-
Repayment of loans	–6,703	–262	-	–6,838	–272	–8	–17	–821
Payment of lease liabilities	–82	–38	–19	–168	–70	–35	–156	–81
Cash flow from financing activities	**1,666**	**138**	**495**	**9,059**	**757**	**2,419**	**24,869**	**14,645**
Cash flow for the period	**–1,536**	**–2,541**	**41**	**2,516**	**–4,422**	**1,080**	**–8,392**	**11,815**
Cash and cash equivalents at the beginning of period	10,227	12,222	3,331	5,810	14,104	2,318	14,104	2,318
Exchange-rate differences in cash and cash equivalents	188	44	3	553	42	–23	99	–30
Cash and cash equivalents at the end of period	**8,879**	**9,724**	**3,375**	**8,879**	**9,724**	**3,375**	**5,810**	**14,104**

Cash flow for the period Apr 2021-Mar 2022 deviates from the previous report. Previous amount for cash flow in the period was SEK –8,589 million.

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

RISKS RELATED TO EMBRACERS OPERATIONS AND INDUSTRY

Development of new games and improvement of existing games

Embracer Group's continued growth depends, among other things, on Embracer Group's ability to regularly develop new games and improve existing games in a way that enhances the gaming experience and to enter into agreements regarding new game development projects. There is a risk that Embracer Group invests significant financial and personnel resources in modifying its offering to technology that does not become as successful as Embracer Group had expected. If the development model of the game in question ceases to be effective, current development costs may increase and operating profit may thus be adversely affected. There is a risk that none or only a minor number of future games are successful or generate significant revenue.

Delays and discontinuation of major game titles

Embracer Group develops games both internally and in collaboration with external game developers. Delays to the launch of game titles can arise both for internally and externally developed projects. If a game is delayed, this would entail a potential loss of income during this period and could have a negative effect on the Company's reputation among players and potential purchasers of the game, particularly if the delay is not considered as an isolated event. Furthermore, delays can mean Embracer Group is compelled to launch a game at a time that is not optimal, such as if the launch coincides with a competitor's launch or if the launch must take place in a competition with another major event in the games market.

M & A

In the past, Embracer Group has mainly grown its operations through acquisitions and the Company intends to conduct additional acquisitions in the future as part of the Company's growth strategy. There is a risk that the Company, when performing due diligence, does not detect deficiencies in the target companies that would have affected the purchase consideration, for example hidden liabilities, tax risks, ongoing disputes, inadequate regulatory compliance, unfavorable supplier agreements or other negative circumstances. The Company's assumptions and forecasts relating to the acquisition target, including the acquisition target's own business plan, may prove to be incorrect or incomplete, which could mean the acquisition, in both the short and long term, does not result in the operating and financial benefits assumed by Embracer Group.

Changes in the games market and preferences among game reviewers and customers

Developments in the games industry are largely driven by preferences in the games market, which in turn are driven by customers who play the games. When new game titles or updates of existing games are launched, there is a risk that these are not positively received by the market, for example, due to an expectation gap regarding quality, changing consumer preferences or technological modifications. This means Embracer Group must constantly offer new, well-developed products with the aim of attracting and retaining a broad spectrum of customers. Dissatisfied players, a low rating or poor reviews from the gamer scene or from game reviewers may affect Embracer Group's ability to retain and attract new players to existing and future games and result in damage to its reputation among players and other game developers.

Disruptions in the manufacturing and supply chain as well as rising inflation in the Tabletop Games operating segment

On 8 March 2022, Embracer Group completed the acquisition of Asmodee Group, which is a sub-group in the Tabletop Games operating segment that manufactures physical board games and trading cards. There is a risk that Asmodee Group, partially or entirely, will be unable to pass on the price increases related to inflation and the price for raw materials to its customers due to agreements that regulate the pricing of Asmodee Group's products or that Asmodee Group, for some other reason, cannot raise its prices in time such that it can absorb rising prices for raw materials.

Key employees

Embracer Group has a decentralized operating model with entrepreneurial sub-groups. The sub-groups are often led by individuals who founded each sub-group. These key employees have considerable expertise and experience of the operations in each sub-group and their respective markets. The Company is dependent on retaining the expertise and experience of these key employees possess to successfully grow and develop the Group in line with the business strategy, or alternatively to replace such people with new employees with at least the equivalent expertise and experience.

The Company also has a small, central team of key employees who manage Group-specific matters and who have been involved in building up the Company. One important element in Embracer Group's development therefore concerns the Company's ability to retain its senior executives and other key employees with their extensive expertise and experience of the business as a whole and in central areas such as financial control and reporting, corporate governance and legal matters. In addition, it is essential for the Company's growth to continuously attract competent and qualified employees. There is a risk that recruitment will not take place in a satisfactory manner as a result of competing employers or difficulties in finding the right skills while the Company is in a continuous growth phase.

IT system risks

Embracer Group's sub-groups are exposed to risks pertaining to hacking, computer viruses and other forms of cybercrime or harmful conduct. Embracer Group is dependent on the effective and uninterrupted operation of internal and external IT systems to conduct its day-to-day business, including game development, sales, stock-keeping and distribution. Furthermore, Embracer Group processes personal data pertaining to its customers that is protected in accordance with local data protection laws and regulations. If such information is obtained by unauthorised parties or if Embracer Group does not report the intrusion to the respective supervisory authority within the stipulated time limit, the Group may be subject to claims from customers and supervisory authorities.

Geopolitical conditions

Embracer Group operates globally and is therefore affected by geopolitical changes in the markets where either the sub-groups operate or where sales take place. Geopolitical unrest or regional or national events resulting from, for example, diplomatic crises, wars, regional and/or cross-border crises, natural disasters, epidemics, pandemics, or strikes that particularly affect one or more of these regions may therefore have an impact on Embracer Group's operations.

Embracer Group conducts operations in Ukraine, Russia and Belarus and is therefore affected by ongoing war. The main impact of the war has been related to taking care of and relocating Ukrainian, Russian and Belarusian employees, but that the war has otherwise not significantly affected Embracer Group's operations. The magnitude of any negative consequences for Embracer Group are difficult to assess as the war could develop in different directions within a short space of time. Another impact on Embracer Group is related to delays in ongoing game development projects, given that game development is the primary activity conducted in the region.

LEGAL RISKS

Regulatory risks

Embracer Group operates globally and has activities, suppliers and collaborations in different jurisdictions and receives revenue from different international markets. The global nature of the Group's operations therefore means the Group is obligated to comply with a number of different laws and regulations at national and international level. Violations committed by, or claims of such violations against Embracer Group, suppliers or other external parties with whom Embracer Group has a commercial relationship, risk resulting in negative publicity that could damage Embracer Group's reputation, even if Embracer Group is not involved in such incidents.

FINANCIAL RISKS

Currency fluctuations

Embracer Group conducts operations in a number of countries with a cost base in the local currency and is thus exposed to currency risk. Embracer Group's revenue is primarily denominated in EUR and USD, while the reporting currency is SEK. Even though Embracer Group has expenses in both EUR and USD that partly offset this exposure, the Group is affected by long-term exchange-rate fluctuations. The sensitivity analysis is based on the assumption of all other factors remaining unchanged. As the exchange rate for foreign currencies fluctuates in relation to SEK, there is a risk that future changes in exchange rates could have a negative impact on Embracer Group's financial position, cash flow and earnings. A change of EUR and USD of +/–10 % would affect net sales with 801 MSEK or –801 MSEK for the second quarter 2022/2023.

Financing

Embracer Group finances the development of existing and new games through cash flow generated by sales revenue from the games. Embracer Group is dependent on external financing in order to carry out acquisitions. To finance its acquisitions, Embracer Group has, for some acquisitions, issued shares and paid for part or all of the purchase consideration by issuing new shares in the Company, and some acquisitions were wholly or partly financed by loans.

The Company's ability to successfully obtain additional financing, and renegotiating and refinancing existing loans, depends on several factors including the general situation in the financial markets, Embracer Group's creditworthiness and its ability to increase its indebtedness. Furthermore, Embracer Group could, due to higher interest rates, be forced to accept financing on less advantageous terms. In addition, market disruptions or uncertainty may limit accessibility to the capital required to carry out acquisitions in accordance with Embracer Group's acquisition strategy both in the long and the short term.

NOTES

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

This interim report comprise of the Swedish parent company Embracer Group AB ("Embracer"), with corporate registration number 556582-6558, and its subsidiaries. The Group conducts management and development of intellectual property rights, publishing, development of computer, video and mobile games, and publishes and distributes films. The Parent Company is a limited liability company with its registered office in Karlstad, Sweden. The address of the head office is Tullhusgatan 1 B, 652 09 Karlstad.

Embracer applies International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and interpretations that have been issued by IFRS Interpretations Committee (IFRS IC), as they have been adopted by the European Union (EU). The Group's interim report is prepared in accordance with IAS 34 Interim Financial Reporting as well as applicable parts of the Swedish Annual Accounts Act (1995:1554). These financial statements are Embracer's second financial statements prepared in accordance with IFRS with transition date on April 1, 2020. The Group has previously applied BFNAR 2012:1 (K3). The transition to IFRS is made in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards and is described in more detail in Note 8 First time adoption of IFRS.

The Parent Company has previously applied the Swedish Annual Accounts Act and BFNAR 2012:1 (K3) in the preparation of financial statements. As of the previous financial report, as a result of the Group's transition to IFRS, the Parent Company applies the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities.

Disclosures in accordance with IAS 34.16A appear in addition to the financial statements and its related notes in the interim information on page 42-83 that form an integral part of this financial report. The Group's complete accounting policies are described in Note 9 Group accounting polices.

All amounts are presented in million Swedish kronor ("SEK m"), unless otherwise indicated. Rounding differences may occur.

NOTE 2 KEY ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, management and the Board of Directors must make certain assessments and assumptions that impact the carrying amount of asset and liability items and revenue and expense items, as well as other provided information. These assessments are based on experience and the assumptions that management and the Board of Directors consider to be reasonable under the prevailing circumstances. Actual outcome may differ from the estimates if the estimates or circumstances change. The estimates and assumptions are continuously evaluated and are deemed not to involve any significant risk for material adjustments in the carrying amounts of assets and liabilities during the coming financial year. Changes in estimates are recognized in the period when the change is made if the change affects that period only, or in the period when the change is made and in future periods if the change affects the period in question as well as future periods. The assessments that were the most material when preparing the Group's financial statements are described below.

Capitalization of development expenditure

The Group capitalizes certain development expenditures as intangible assets in the statement of financial position, primarily relating to game development. Capitalization of development expenditure is based, among other things, on the assessment that future economic benefits will be generated by the asset and that it is technically possible to complete the asset. The Group must make significant assessments regarding the timing of capitalization. The Group's expenditures related to game development is capitalized when games are technologically sufficient to enable evaluation of their commercial potential. The judgement of commercial ability and returns is based on experience from previous games. Development not yet completed and where amortization therefore has not started (since the game is not ready for use), are subject to annual impairment tests. The most important underlying assumption of these estimates may alter, and accordingly, have an impact on the Group's results and financial position.

At the end of the reporting period, the assessment is that the carrying amount of these assets does not exceed their fair value.

Purchase price allocations

When subsidiaries are acquired, a purchase price allocation (PPA) is performed, in which the fair value at the acquisition date of acquired identifiable assets, liabilities and contingent liabilities are recognized. The valuation of identifiable assets and liabilities in acquired businesses includes items in the acquired entity's statement of financial position, and various types of items that have not been recognized in the acquired entity's statement of financial position, such as intangible assets. Initially, intangible assets that may have value need to be identified, such as ongoing game development, game back catalog, technical knowhow, trademarks, etc. Usually, there are no quoted prices for such assets and liabilities, and accordingly, different valuation methods must be applied. These methods are based on different assumptions such as future cash flows, growth rates of revenues, EBIT margins as well as tax rates and discount factors in different countries. Valuations of this kind involve a high degree of estimation, which all need thorough examination, measurement and analysis. Preliminary values linked to acquisitions can have adjusted fair values up to one year after the completion of the acquisition if new information about the facts and circumstances that existed at the time of acquisition is obtained.

Goodwill

Every year, and when indicated, Embracer evaluates goodwill for impairment needs. Evaluations are conducted simultaneously with impairment tests, and are based on estimates and assumptions. The critical assumptions underlying these judgements are the growth rate, free cash flow and discount rates. Other estimates than those made by management may result in different results and a different financial position.

To determine whether the value of goodwill has decreased, the cash-generating units to which goodwill is attributed are valued, which is done by discounting the cash-generating unit's cash flows. In applying this approach, Embracer relies on historical statistics and other assumptions, including results achieved, business plans, economic forecasts, and market data. Changes in the conditions underlying these assumptions and estimates could have a material effect on the value of goodwill.

Contingent considerations

For certain business combinations, Embracer has agreed to pay contingent considerations. Contingent considerations are recognized at fair value at the acquisition date. If a contingent consideration is classified as a financial liability, it is remeasured each reporting period and changes in fair value are recognized in profit or loss under financial net. If a contingent consideration is classified as equity, it shall not be remeasured and its subsequent settlement shall be accounted for within equity. The assumptions underlying the fair value measurement are stated in Note 5 Financial instruments. Estimates other than those made by management may result in different results and financial position. According to management, applied assessments give a fair view of the Group's financial situation for the actual periods.

Deferred taxes

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

Tax assets that derive from tax loss carry forwards have been generated in loss making subsidiaries. The tax losses have been assessed to be able to be utilized against future taxable income. New assessments are done on a regular basis to assess the future ability to utilize the deferred tax assets. Assessments regarding future utilization of tax loss carry forwards can change over time which may impact the tax expense recognized in profit or loss. Management regularly participates in the judgements of transactions and estimates of probable outcomes.

Inventories

Inventories are measured at the lower of cost and net realisable value. Calculation of net realisable value is based on factors such as assessments of future sales prices, which also consider expected price reductions. The actual outcome of future sales prices may differ from the assessments made. On September 30, 2022 it is management's view that the book value of the inventories do not exceed its fair value.

Contract liabilities for price reductions and discounts

Embracer reports liabilities for expected discounts and product returns. The liabilities are recognised based on expected sales and number of returns of each title. The calculation of the liability is made on basis of assumptions and empirical values about price development and return rates. Estimates that deviate from management's assessments can impact the Group's financial result and financial position. On September 30, 2022 it is management's view that the book value of the contract liability for price reductions and discounts are sufficiently large.

NOTE 3 OPERATING SEGMENTS

For accounting and monitoring, the Group has divided its operations into four operating segments based on how the chief operating decision maker reviews the operations for allocation of resources and assessment of performance. Embracer's CEO is identified as the Group's chief operating decision maker (CODM). The division of operating segments is based on differences in the goods and services that Embracer offers.

PC/Console Games - This part of the business conducts development and publishing of premium games for PC and console.

Mobile Games - This part of the business conducts development and publishing of mobile games.

Tabletop Games - This part of the business conducts development, publishing and distribution of tabletop games.

Entertainment & Services - This part of the business is engaged in development, publishing and distribution of comic books, conducts wholesale of publishing titles of games for console and PC as well as films, conducts publishing and external distribution of films and TV-series and produce and distribute merchandise.

The CODM primarily uses the performance measure Adjusted EBIT to assess the operating segments' performance. The CODM does not follow up on the assets and liabilities of the segments for allocation of resources or assessment of performance.

Jul-Sep 2022	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	4,097	1,441	3,247	784	9,569	-	-	9,569
Revenue from transactions with other operating segment	11	-	-	2	13	–13	-	-
Total revenue	**4,108**	**1,441**	**3,247**	**786**	**9,582**	**–13**	**0**	**9,569**
Adjusted EBIT	**1,384**	**315**	**451**	**7**	**2,157**	**-**	**–36**	**2,121**
Amortization of surplus values of acquired intangible assets	–326	–130	–169	-	–626	-	–4	–629
Transaction costs	–78	-	–1	–3	–81	-	-	–81
Personnel costs related to acquisitions	–399	–274	–169	–100	–941	-	-	–941
Remeasurement of contingent consideration >1 year	1	-	–9	-	–8	-	-	–8
EBIT	**582**	**–88**	**104**	**–96**	**501**	**-**	**–40**	**461**
Net financial items								2,162
Profit before tax								**2,622**

Jul-Sep 2021	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	1,976	864	-	465	3,305	-	-	3,305
Revenue from transactions with other operating segment	6	-	-	-	6	–6	-	-
Total revenue	**1,982**	**864**	**-**	**465**	**3,311**	**–6**	**-**	**3,305**
Adjusted EBIT	**695**	**254**	**-**	**66**	**1,015**	**-**	**–29**	**986**
Amortization of surplus values of acquired intangible assets	–146	–20	-	-	–166	-	–25	–191
Transaction costs	–30	–17	-	–1	–48	-	–4	–52
Personnel costs related to acquisitions	–434	–653	-	-	–1,087	-	-	–1,087
Remeasurement of participation in associated companies	417	-	-	-	417	-	-	417
Remeasurement of contingent consideration >1 year	–27	-	-	-	–27	-	-	–27
EBIT	**474**	**–436**	**-**	**65**	**103**	**-**	**–58**	**44**
Net financial items								2,052
Profit before tax								**2,096**

Jul-Sep 2020	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	1,463	34	-	888	2,384	-	-	2,384
Revenue from transactions with other operating segment	5	-	-	-	5	–5	-	-
Total revenue	**1,468**	**34**	**-**	**888**	**2,389**	**–5**	**-**	**2,384**
Adjusted EBIT	**517**	**16**	**-**	**132**	**665**	**-**	**–8**	**657**
Amortization of surplus values of acquired intangible assets	–92	–4	-	-	–96	-	–24	–120
Transaction costs	–9	-	-	-	–9	-	-6	–14
Personnel costs related to acquisitions	–62	-	-	-	–62	-	-	–62
Remeasurement of participation in associated companies	41	-	-	-	41	-	-	41
Remeasurement of contingent consideration >1 year	-	-	-	-	0	-	-	-
EBIT	**395**	**12**	**-**	**132**	**540**	**-**	**–37**	**502**
Net financial items								–932
Profit before tax								**–430**

Apr-Sep 2022	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	6,391	2,928	5,911	1,456	16,687	-	-	16,687
Revenue from transactions with other operating segment	22	-	-	13	35	–35	-	-
Total revenue	**6,413**	**2,928**	**5,911**	**1,469**	**16,722**	**–35**	**-**	**16,687**
Adjusted EBIT	**1,986**	**593**	**896**	**27**	**3,502**	**-**	**–60**	**3,442**
Amortization of surplus values of acquired intangible assets	–578	–251	–347	–1	–1,177	-	–7	–1,184
Transaction costs	–94	–1	–30	–26	–152	-	-	–152
Personnel costs related to acquisitions	–1,152	–542	–254	–100	–2,048	-	-	–2,048
Remeasurement of contingent consideration >1 year	13	-	–9	-	4	-	-	4
EBIT	**175**	**–202**	**256**	**–100**	**130**	**-**	**–67**	**63**
Net financial items								2,700
Profit before tax								**2,763**

Apr-Sep 2021	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	4,215	1,593	-	931	6,738	-	-	6,738
Revenue from transactions with other operating segment	17	-	-	6	23	–23	-	-
Total revenue	**4,232**	**1,593**	**-**	**937**	**6,761**	**–23**	**-**	**6,738**
Adjusted EBIT	**1,679**	**540**	**-**	**107**	**2,325**	**-**	**–60**	**2,265**
Amortization of surplus values of acquired intangible assets	–289	–37	-	-	–326	-	–51	–377
Transaction costs	–87	–27	-	–1	–115	-	–4	–119
Personnel costs related to acquisitions	–843	–1,216	-	-	–2,059	-	-	–2,059
Remeasurement of participation in associated companies	417	-	-	-	417	-	-	417
Remeasurement of contingent consideration >1 year	–28	-	-	-	–28	-	-	–28
EBIT	**849**	**–740**	**-**	**105**	**214**	**-**	**–114**	**99**
Net financial items								2,253
Profit before tax								**2,352**

Apr-Sep 2020	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	3,085	34	-	1,334	4,453	-	-	4,453
Revenue from transactions with other operating segment	5	-	-	-	5	–5	-	-
Total revenue	**3,090**	**34**	**-**	**1,334**	**4,458**	**–5**	**-**	**4,453**
Adjusted EBIT	**1,268**	**16**	**-**	**125**	**1,409**	**-**	**–38**	**1,371**
Amortization of surplus values of acquired intangible assets	–187	–4	-	-	–191	-	–46	–237
Transaction costs	–9	-	-	-	–9	-	–77	–85
Personnel costs related to acquisitions	–86	-	-	-	–86	-	-	–86
Remeasurement of participation in associated companies	41	-	-	-	41	-	-	41
Remeasurement of contingent consideration >1 year	-	-	-	-	-	-	-	-
EBIT	**1,027**	**12**	**-**	**125**	**1,165**	**-**	**–161**	**1,004**
Net financial items								–1,929
Profit before tax								**–925**

Apr 2021-Mar 2022	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Total segments	Eliminations	Group functions	Group total
Revenue from external customers	8,498	4,896	571	3,102	17,067	-	-	17,067
Revenue from transactions with other operating segment	30	-	-	33	63	–63	-	-
Total revenue	**8,528**	**4,896**	**571**	**3,135**	**17,130**	**–63**	**-**	**17,067**
Adjusted EBIT	**2,926**	**1,389**	**74**	**247**	**4,636**	**-**	**–171**	**4,465**
Amortization of surplus values of acquired intangible assets	–845	–332	–56	–1	–1,234	-	–82	–1,316
Transaction costs	–145	–49	–142	–27	–363	-	–4	–367
Personnel costs related to acquisitions	–1,743	–2,534	-	-	–4,277	-	-	–4,277
Remeasurement of participation in associated companies	416	-	-	-	416	-	-	416
Remeasurement of contingent consideration >1 year	–100	55	-	-	–45	-	–1	–46
EBIT	**509**	**–1,470**	**–124**	**218**	**–867**	**-**	**–259**	**–1,126**
Net financial items								2,785
Profit before tax								**1,659**

NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS

Jul-Sep 2022	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Group total
Type of products					
Digital products	2,951	1,420	32	144	**4,548**
Physical products	458	0	3,182	619	**4,258**
Other [1]	688	20	32	22	**763**
Revenue from contracts with customers	**4,097**	**1,441**	**3,247**	**784**	**9,569**

Jul-Sep 2021	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Group total
Type of products					
Digital products	1,443	858	n/a	118	**2,418**
Physical products	200	0	n/a	331	**531**
Other [1]	333	7	n/a	16	**356**
Revenue from contracts with customers	**1,976**	**864**	**n/a**	**465**	**3,305**

Jul-Sep 2020	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Group total
Type of products					
Digital products	982	34	n/a	107	**1,123**
Physical products	352	0	n/a	781	**1,133**
Other [1]	128	0	n/a	0	**128**
Revenue from contracts with customers	**1,463**	**34**	**n/a**	**888**	**2,384**

Apr-Sep 2022	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Group total
Type of products					
Digital products	4,617	2,874	91	241	**7,822**
Physical products	606	0	5,765	1,179	**7,550**
Other [1]	1,168	55	55	37	**1,315**
Revenue from contracts with customers	**6,391**	**2,928**	**5,911**	**1,456**	**16,687**

Apr-Sep 2021	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Group total
Type of products					
Digital products	2,979	1,579	n/a	223	**4,782**
Physical products	575	0	n/a	682	**1,257**
Other [1]	660	13	n/a	27	**699**
Revenue from contracts with customers	**4,215**	**1,593**	**n/a**	**931**	**6,738**

Apr-Sep 2020	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Group total
Type of products					
Digital products	2,068	34	n/a	183	**2,285**
Physical products	771	0	n/a	1,151	**1,923**
Other [1]	245	0	n/a	0	**245**
Revenue from contracts with customers	**3,085**	**34**	**n/a**	**1,334**	**4,453**

Apr 2021-Mar 2022	PC/Console Games	Mobile Games	Tabletop Games	Entertainment & Services	Group total
Type of products					
Digital products	5,860	4,871	29	511	**11,271**
Physical products	1,284	0	526	2,539	**4,348**
Other [1]	1,354	25	17	52	**1,448**
Revenue from contracts with customers	**8,498**	**4,896**	**571**	**3,102**	**17,067**

[1] *See Operating segment, page 7-17*

In addition to the breakdown by revenue from contracts with customers for PC/Console Games, Mobile Games and Tabletop Games and Entertainment and Services, we also monitor PC/Console in categories below:

	IP-rights		
PC/Console Games	**Owned titles**	**Publishing titles**	**Total**
Jul-Sep 2022	2,696	1,401	**4,097**
Jul-Sep 2021	1,113	863	**1,976**
Jul-Sep 2020	961	501	**1,463**

PC/Console Games	**New releases**	**Back-catalog**	**Other**	**Total**
Jul-Sep 2022	1,526	1,883	688	**4,097**
Jul-Sep 2021	469	1,173	333	**1,976**
Jul-Sep 2020	488	847	128	**1,463**

	IP-rights		
PC/Console Games	**Owned titles**	**Publishing titles**	**Total**
Apr-Sep 2022	4,108	2,283	**6,391**
Apr-Sep 2021	2,758	1,456	**4,215**
Apr-Sep 2020	2,156	929	**3,085**
Apr 2021-Mar 2022	5,532	2,966	**8,498**

PC/Console Games	**New releases**	**Back-catalog**	**Other**	**Total**
Apr-Sep 2022	1,889	3,333	1,168	**6,391**
Apr-Sep 2021	1,097	2,458	660	**4,215**
Apr-Sep 2020	1,221	1,618	245	**3,085**
Apr 2021-Mar 2022	1,557	5,587	1,354	**8,498**

NOTE 5 FINANCIAL INSTRUMENTS

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The table below presents financial instruments measured at fair value based on the classification in the fair value hierarchy. The different levels are defined as follows:

Level 1 - Quoted (unadjusted) market prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices in level 1 that are observable for the asset or liability, either directly (i.e. price quotations) or indirectly (i.e. derived from price quotations).

Level 3 - Input data for the asset or liability which is not based on observable market data (i.e. unobservable input data).

Financial assets measured at fair value

Financial assets measured at fair value as of Sep 30, 2022	Level 1	Level 2	Level 3	Total
Ownership interests in other entities	-	6	-	**6**
Current investments	0	-	-	**0**
Derivatives	-	6	-	**6**

Financial assets measured at fair value as of Sep 30, 2021	Level 1	Level 2	Level 3	Total
Ownership interests in other entities	-	6	-	**6**
Current investments	196	-	-	**196**

Financial assets measured at fair value as of Sep 30, 2020	Level 1	Level 2	Level 3	Total
Ownership interests in other entities	-	6	-	**6**
Current investments	204	-	-	**204**

Financial assets measured at fair value as of Mar 31, 2022	Level 1	Level 2	Level 3	Total
Ownership interests in other entities	-	6	-	**6**
Current investments	0	-	-	**0**
Derivatives	-	51	-	**51**

Financial assets measured at fair value as of Mar 31, 2021	Level 1	Level 2	Level 3	Total
Ownership interests in other entities	-	6	-	**6**
Current investments	195	-	-	**195**

Financial liabilities measured at fair value

Financial liabilities measured at fair value as of Sep 30, 2022	Level 1	Level 2	Level 3	Total
Contingent consideration	-	-	9,241	**9,241**
Put/call options on non-controlling interests	-	-	4,182	**4,182**

Financial liabilities measured at fair value as of Sep 30, 2021	Level 1	Level 2	Level 3	Total
Contingent consideration	-	-	9,383	**9,383**

Financial liabilities measured at fair value as of Sep 30, 2020	Level 1	Level 2	Level 3	Total
Contingent consideration	-	-	5,719	**5,719**

Financial liabilities measured at fair value as of Mar 31, 2022	Level 1	Level 2	Level 3	Total
Contingent consideration	-	-	9,591	**9,591**
Put/call options on non-controlling interests	-	-	4,259	**4,259**
Derivatives	-	3	-	**3**

Financial liabilities measured at fair value as of Mar 31, 2021	Level 1	Level 2	Level 3	Total
Contingent consideration	-	-	9,116	**9,116**
Derivatives	-	3	-	**3**

Current receivables and current liabilities

For current receivables and liabilities, such as trade receivables and trade payables and for liabilities to credit institutions with variable interest rate, the carrying amount is considered to be a good approximation of the fair value.

Derivatives

Derivative instruments are measured at fair value in accordance with Level 2 in the fair value hierarchy. Interest rate derivatives and foreign exchange forward are measured in accordance with the market valuation determined by the issuing party.

Contingent consideration

The fair value of contingent considerations have been calculated based on expected outcome of financial and operational targets for each individual agreement. The estimated expected settlement will vary over time depending on, among other things, the degree of fulfillment of the conditions for the contingent considerations, the development of certain exchange rates against the Swedish krona and the interest rate environment. Contingent considerations to be settled with shares are also dependent on the development of Embracer's share price.

Contingent considerations classified as financial liabilities are measured at fair value by discounting expected cash flows at a risk-adjusted discount rate of 1.8 % - 10.2 %. Measurement is therefore in accordance with Level 3 in the fair value hierarchy. Significant unobservable input data consists of forecasted turnover and a risk-adjusted discount rate as well operational targets.

Contingent considerations	Apr-Sep 2022	Apr-Sep 2021	Apr-Sep 2020	Apr 2021–Mar 2022	Apr 2020–Mar 2021
Opening balance	**11,514**	**10,426**	**1,055**	**10,426**	**1,055**
Business combinations	821	3,923	5,048	4,773	6,109
Payment - clawback shares	–307	–1	-	–421	-
Payment - cash	–233	-	–27	–19	–874
FX effects	770	–603	–108	–532	–213
Change in fair value recognized in profit or loss	–1,203	–2,270	1,976	–2,498	4,349
Closing balance	**11,362**	**11,475**	**7,945**	**11,514**	**10,426**

During the period, unrealized gains or losses for contingent considerations recognized at the end of the reporting period amounted to SEK 1,207 million. This amount is included as part of net financial items in the consolidated statement of profit or loss.

Given the contingent considerations recognized at the end of the reporting period, a change in discount factor of 1.5 percentage points will have an impact on the fair value of the contingent considerations of SEK 600 million and SEK –550 million respectively.

As at 30 September, the Group's contingent considerations will be settled in cash or with shares according to the distribution below:

	Contingent consideration classified as financial liability		Total contingent consideration classified as financial liability	Contingent consideration classified as equity	
Expected settlement	Cash settlement	New share issue		New share issue	Total contingent consideration
Total	**3,604**	**5,636**	**9,240**	**2,121**	**11,362**

As of Sep 30, 2022	Classified as financial liability	Of which already issued	Classified as equity	Of which already issued
Maximum number of shares related to contingent considerations	100,165,361	68,841,092	28,619,312	23,422,591

Put/call option on non-controlling interests

Put/call options on non-controlling interest refers to put/call option on non-controlling interests in business combination where the selling shareholders keep some ownership and there is a contractual obligation where Embracer will purchase the remaining interest if the holder of the option determines to exercise. The valuation and settlement is similar as for contingent consideration (level 3 fair value measurement).

The fair value of put/call options on non-controlling interests have been calculated based on expected outcome of financial and operational targets for each individual agreement. The estimated expected settlement will vary over time depending on, among other things, the degree of fulfillment of the conditions for the put/call option on non-controlling interests, the development of certain exchange rates against the Swedish krona and the interest rate environment. Put/call option on non-controlling interests to be settled with shares are also dependent on the development of Embracer's share price.

Put/call option on non-controlling interests	Apr-Sep 2022	Apr-Sep 2021	Apr-Sep 2020	Apr 2021–Mar 2022	Apr 2020–Mar 2021
Opening balance	**4,259**	**-**	**-**	**-**	**-**
Business combinations	-	-	-	3,813	-
FX effects	–77	-	-	446	-
Closing balance	**4,182**	**-**	**-**	**4,259**	**-**

As at 30 September, the Group's put/call option on non-controlling interests will be settled in cash or with shares according to the distribution below:

	Put/call options on non-controlling interest		
Expected settlement	**Cash settlement**	**New share issue**	**Total, classified as financial liability**
Total	**1,697**	**2,485**	**4,182**

As of Sep 30, 2022	Classified as put/call options on non-controlling interest	Of which already issued
Maximum number of shares related to contingent considerations	40,840,363	0

NOTE 6 BUSINESS COMBINATIONS

THE GROUP'S ACQUISITIONS DURING APR-SEP 2022

Acquired entity	Operation	Operating segment	Purpose of acquisition	Acquisition date	Capital and voting rights
DIGIC	Studio	PC/Console Games	Onboarding a talented team to Saber Interactive, with a strong track record within commercial trailers and cinematics within best selling game- titles.	2022-04-01	100 %
Lost Boys	Studio	PC/Console Games	Trusted game development studio with a track record working on AAA games that can satisfy a significant need for headcount to fulfil and potentially expand Gearbox's games pipeline.	2022-06-01	100 %
Tuxedo Labs	Studio	PC/Console Games	Addition of talented team focused on physics-based game technology and design.	2022-07-01	100 %
CSGBG	Studio	PC/Console Games	Addition of talented studio to the Coffee Stain Vertical.	2022-08-19	100 %
Crystal Dynamics - Eidos Montréal	Studio	PC/Console Games	The collection of studios represents a world-class creative team of ~1,100 employees across three studios and eight global locations, including two of the most reputable AAA studios across the industry in Crystal Dynamics and Eidos Montréal. The acquisition builds on Embracer's mission of creating a leading independent global gaming and entertainment ecosystem.	2022-08-26	100 %
Singtrix	Studio	Entertainment and Services	Strengthen Freemode's position within music and audio gaming products.	2022-09-01	100 %
Limited Run Games	Publisher	Entertainment and Services	Global leading brand within premium publishing of physical games.	2022-09-06	100 %
Beamdog	Studio	PC/Console Games	A founder-led game development studio with long experience and ~ 80 highly skilled developers in business-friendly Canada.	2022-09-13	100 %

Purchase price allocations ("PPA") for acquisitions during Apr-Sep 2022

The business combinations are presented on an aggregated level, as the relative amounts for the individual business combinations are not deemed to be material.

Purchase price allocations summary, PPA
Amounts in SEK m, fair value

Acquired net assets at the acquisition date	Q1-Q2 acquisitions	Adj. Prel PPAs Q2	Total
Intangible assets	2,973	43	3,016
Property, plant and equipment	241	-	241
Right-of-use assets	164	-	164
Financial assets	2	-	2
Deferred tax assets	233	–5	229
Inventories	296	-	296
Trade receivables and other receivables	688	-	688
Cash and cash equivalents	1,010	-	1,010
Interest-bearing liabilities	–79	-	–79
Lease liabilities	–164	-	–164
Deferred tax liabilities	–526	–6	–531
Trade payables and other operating liabilities	–1,100	-	–1,100
Identified net assets	**3,738**	**33**	**3,771**
Goodwill	2,773	–33	2,740
Non-controlling interests	-	-	-
Total purchase consideration	**6,511**	**-**	**6,511**
Purchase consideration comprises:			
Cash	5,243	-	5,243
Contingent consideration	815	-	815
Equity instruments	453	-	453
Total purchase consideration	**6,511**	**-**	**6,511**

The fair value of issued equity instruments included in the transferred purchase consideration is based on the price of Embracer's Class B share at each acquisition date. The number of shares issued with no restrictions/clawback is stated in the table below:

	Q1-Q2 acquisitions	Adj. Prel PPAs	Total
Number of Class A shares	-	-	**-**
Number of Class B shares	6,114,965	-	**6,114,965**
Total	**6,114,965**	**-**	**6,114,965**

Contingent consideration, goodwill and transaction related costs have been recognized in connection with the Group's business combinations during Apr-Sep 2022. Below is information about the acquisition-related items:

Contingent considerations	Q1-Q2 acquisitions	Adj. Prel PPAs	Total
Recognized amount	815	-	**815**
Payments are likely to fall within the range			
Low	573	-	**573**
High	1,051	-	**1,051**
Maximum amount for payment is unlimited	No	-	**No**

The basis for receiving the contingent consideration is based on both operational targets, such as releasing a certain number of games from a game portfolio during a certain period, and financial targets based on achieving a certain performance measure over a given period.

Other transactions entered into in connection with the business combinations

In connection with certain business combinations during the period, an agreement has been entered into relating to contingent consideration that is not classified as part of the transferred purchase consideration as there is a requirement for continued employment to receive the amount. Thus, the amount is classified as remuneration for future services. The amount may be settled with shares or cash, whereby the transactions are recognized either in accordance with IFRS 2 Share-based payment for equity-settled share-based payments or in accordance with IAS 19 Employee benefits for cash-settled remuneration. As the remuneration is earned, it is recognized as personnel expense in the consolidated statement of profit or loss.

Goodwill

Goodwill mainly refers to the value of the organisations existing skills and capabilities to develop and produce future succcesful assets as well as synergies of collaboration within the Embracer ecosystem.

Transaction costs	Q1-Q2 acquisitions	Adj. Prel PPAs Q2	Total
Transaction costs recognized in profit or loss in other operating expenses	79	15	**94**
Issuance costs recognized in equity	-	-	**-**
Total	**79**	**15**	**94**

The acquisitions impact on the Group's cash flow	Q1-Q2 acquisitions	Adj. Prel PPAs	Total
Cash consideration	5,243	-	**5,243**
Less:			
Acquired cash	1,010	-	**1,010**
Net cash outflow	**4,233**	**-**	**4,233**

The acquisitions impact on the consolidated statement of profit or loss and statement of comprehensive income

Revenues and net profit for the acquired companies since the acquisition date have been included in the Group's statement of comprehensive income for the period and is not presented separately. The revenues and EBIT that the companies would have contributed if the acquisition had taken place in the beginning of the period have not been calculated due to the fact that this would be disproportionately burdensome and they are not deemed to be material on an overall Group level.

THE GROUP'S ACQUISITIONS DURING APR 2021-MAR 2022

Acquired entity	Operation	Operating segment	Acquisition date	Capital and voting rights
Easybrain Ltd	Mobile developer	Mobile Games	01/04/2021	100 %
Gearbox Entertainment Inc.	Publisher/Studio	PC/Console Games	01/04/2021	100 %
Aspyr Media Inc.	Publisher/Studio	PC/Console Games	01/04/2021	100 %
Massive Miniteam GmbH	Studio	PC/Console Games	01/04/2021	100 %
Appeal Studios SA	Studio	PC/Console Games	11/05/2021	100 %
KAIKO GmbH	Studio	PC/Console Games	11/05/2021	100 %
Bitwave AB	Studio	PC/Console Games	03/06/2021	100 %
Forcefield	Studio	PC/Console Games	01/07/2021	100 %
3D Realms Entertainment ApS	Publisher	PC/Console Games	02/07/2021	100 %
Slipgate Ironworks ApS	Studio	PC/Console Games	02/07/2021	100 %
Varyag Group AB	Merchandise	Entertainment and Services	07/07/2021	70 %
DigiXart	Studio	PC/Console Games	30/07/2021	100 %
GhostShipGames ApS	Studio	PC/Console Games	01/08/2021	100 %
Easy Trigger AB	Studio	PC/Console Games	05/08/2021	100 %
SPL Limited	Studio	PC/Console Games	11/08/2021	100 %
Demiurge Studios Inc	Studio	PC/Console Games	23/08/2021	100 %
CrazyLabs Ltd	Mobile developer	Mobile Games	03/09/2021	100 %
Firescore Interactive Private Limited	Mobile developer	Mobile Games	06/09/2021	95 %
Stuntworks GS LLC	Quality assurance	PC/Console Games	13/09/2021	100 %
OÜ Fractured Byte	Studio	PC/Console Games	01/10/2021	100 %
Splatter Connect	Studio	Entertainment and Services	01/10/2021	100 %
Aionic Labs Inc	Platform	Entertainment and Services	26/10/2021	100 %
Green Tile Digital AB	Studio	PC/Console Games	01/12/2021	100 %
TATSUJIN Co., Ltd	Studio	PC/Console Games	16/12/2021	100 %
Shiver Entertainment Inc.	Studio	PC/Console Games	16/12/2021	100 %
Spotfilm GmbH	Studio	Entertainment and Services	21/12/2021	100 %
A Creative Endeavor AB	Studio	PC/Console Games	01/02/2022	100 %
Perfect World Entertainment Inc.	Publisher	PC/Console Games	01/02/2022	100 %
GoodBetterBest Ltd	Merchandise	Entertainment and Services	01/02/2022	100 %
Metricminds GmbH	Studio	PC/Console Games	16/02/2022	100 %
DPI	Merchandise	Entertainment and Services	28/02/2022	100 %
Dark Horse Comics LLC	Comics	Entertainment and Services	01/03/2022	100 %
Asmodee	Tabletop	Tabletop Games	08/03/2022	96 %
Invisible Walls ApS	Studio	PC/Console Games	16/03/2022	100 %

The PPAs for Easybrain, Gearbox, Aspyr, Massive Miniteam, Appeal, Kaiko, Bitwave, Forcefield, 3D Realms, Slipgate, Varyag, DigiXart, Ghostship Games, Easytrigger, SPL, Demiurge, Firescore, CrazyLabs and Stuntworks are considered final. The remaining PPAs for the acquisitions during April 2021 - March 2022 are still preliminary. (From acquisition OÜ Fractured Byte until Invisible Walls ApS).

Purchase price allocations for acquisitions during Apr 2021-Mar 2022

The business combinations are presented on an aggregated level, as the relative amounts for the individual business combinations are not deemed to be material, except in the acquisition of Gearbox, Easybrain and Asmodee.

Purchase price allocations summary
Amounts in SEK m, fair value

Acquired net assets at the acquisition date	Gearbox	Easybrain	Asmodee	Other	Adj. Prel PPAs	Total
Intangible assets	3,186	1,230	17,570	1,437	939	24,362
Property, plant and equipment	55	2	116	83	–7	249
Right-of-use assets	76	9	383	240	-	707
Financial assets	60	-	47	74	53	235
Deferred tax assets	95	-	580	301	–7	969
Inventories	58	-	2,736	236	–56	2,973
Trade receivables and other receivables	226	291	2,579	779	42	3,918
Cash and cash equivalents	612	252	1,109	625	–1	2,597
Interest-bearing liabilities	–57	-	–2,662	–173	2	–2,889
Lease liabilities	–76	–9	–383	–240	-	–707
Deferred tax liabilities	–683	–86	–4,373	–332	–260	–5,734
Trade payables and other operating liabilities	–796	–154	–3,719	–1,334	9	–5,994
Identified net assets	**2,758**	**1,534**	**13,983**	**1,696**	**714**	**20,684**
Goodwill	1,380	2,972	18,282	8,613	–705	30,542
Non-controlling interests	-	-	-	–30	-	–30
Total purchase consideration	**4,138**	**4,506**	**32,265**	**10,279**	**9**	**51,196**
Purchase consideration comprises:						
Cash	2,274	216	26,933	5,559	33	35,015
Contingent consideration	503	633	-	3,079	–24	4,190
Equity instruments	1,361	3,657	2,842	1,650	-	9,510
Put/call options on non-controlling interest	-	-	2,490	-	-	2,490
Other	-	-	-	–9	-	–9
Total purchase consideration	**4,138**	**4,506**	**32,265**	**10,279**	**9**	**51,196**

The fair value of issued equity instruments included in the transferred purchase consideration is based on the price of Embracer's Class B share at each acquisition date. The number of shares issued with no restrictions/clawback is stated in the table below:

Adjustments to the preliminary PPAs mainly refer to the additional identified intangible assets in Asmodee as well as for Perfect World.

	Gearbox	Easybrain	Asmodee	Other	Adj. Prel PPAs	Total
Number of Class A shares	-	-	-	-	-	**-**
Number of Class B shares	10,737,214	29,755,934	40,060,091	16,123,085	-	**96,676,324**
Total	**10,737,214**	**29,755,934**	**40,060,091**	**16,123,085**	**-**	**96,676,324**

Contingent consideration, goodwill and transaction related costs have been recognized in connection with the Group's business combinations during Apr 2021-Mar 2022. Below is information about the acquisition-related items.

Contingent considerations	Gearbox	Easybrain	Asmodee	Other	Adj. Prel PPAs	Total
Recognized amount	503	633	-	3,079	–24	**4,191**
Payments are likely to fall within the range:						
Low	377	475	-	2,109	–24	**2,937**
High	629	633	-	3,636	–24	**4,874**
Maximum amount for payment is unlimited	No	No	n.a.	No	No	**No**

The basis for receiving the contingent consideration is based on both operational targets, such as releasing a certain number of games from a game portfolio during a certain period, and financial targets based on achieving a certain performance measure over a given period.

The basis for exercising the put/call option on non-controlling interests is related to the Asmodee acquisition and is based on operational and financial targets where The Group assumes that 100 % of the targets will be achieved.

Other transactions entered into in connection with the business combinations

In connection with certain business combinations during the period, an agreement has been entered into relating to contingent consideration that is not classified as part of the transferred purchase consideration as there is a requirement for continued employment to receive the amount. Thus, the amount is classified as remuneration for future services. The amount may be settled with shares or cash, whereby the transactions are recognized either in accordance with IFRS 2 Share-based payment for equity-settled share-based payments or in accordance with IAS 19 Employee benefits for cash-settled remuneration. As the remuneration is earned, it is recognized as personnel expense in the consolidated statement of profit or loss.

Goodwill

Goodwill mainly refers to the value of the organisations existing skills and capabilities to develop and produce future successful assets as well as synergies of collaboration within the Embracer ecosystem, IP catalog and access to global distribution network.

Transaction costs	Gearbox	Easybrain	Asmodee	Other	Adj. Prel PPAs	Total
Transaction costs recognized in profit or loss in other operating expenses	58	16	142	132	56	**404**
Total	**58**	**16**	**142**	**132**	**54**	**404**

The acquisitions impact on the Group's cash flow	Gearbox	Easybrain	Asmodee	Other	Adj. Prel PPAs	Total
Cash consideration	2,274	216	26,933	5,559	33	**35,015**
Less:						
Acquired cash	612	252	1,109	625	–1	**2,597**
Net cash outflow	**1,662**	**–36**	**25,824**	**4,934**	**34**	**32,418**

The acquisitions impact on the consolidated statement of profit or loss and statement of comprehensive income

Revenues and net profit for the acquired companies since the acquisition date have been included in the Group's statement of comprehensive income for the period and is not presented separately.

The revenues and EBIT that Asmodee would have contributed if the acquisitions had taken place at the beginning of the period was SEK 11 billion and SEK 0.5 billion respectively. Gearbox and Easybrain were consolidated in the beginning of the period as of 1 April 2021. No individual acquisition of the aggregated business combinations is deemed to have had an estimated material contribution overall Group revenues and EBIT if the acquisitions had taken place at the beginning of the period.

THE GROUP'S ACQUISITIONS DURING APR 2020-MAR 2021

Acquired entity	Operation	Operating segment	Acquisition date	Capital and voting rights
Saber Interactive Inc	Studio and publisher	PC/Console games	01/04/2020	100 %
Pow Wow Entertainment	Studio	PC/Console Games	11/08/2020	100 %
Vermila Studios	Studio	PC/Console Games	12/08/2020	100 %
Sola Media	Film	Entertainment and Services	13/08/2020	100 %
Rare Earth Games	Studio	PC/Console Games	13/08/2020	100 %
DECA Live Operations GmbH	Mobile developer	Mobile Games	13/08/2020	100 %
4A Games Limited	Studio	PC/Console Games	13/08/2020	100 %
Palindrome Interactive AB	Studio	PC/Console Games	13/08/2020	100 %
DESTINYbit	Studio	PC/Console Games	01/09/2020	100 %
New World Interactive Ltd	Studio	PC/Console Games	01/09/2020	100 %
Vertigo Games Holding B.V	Studio	PC/Console Games	16/09/2020	100 %
Silent Games Ltd	Studio	PC/Console Games	18/11/2020	100 %
Quantic Lab SRL	Quality assurance	Entertainment and Services	18/11/2020	95 %
NGD Studios S.A.	Studio	PC/Console Games	18/11/2020	100 %
34 BigThings S.r.l.	Studio	PC/Console Games	18/11/2020	100 %
Coffee Stain North	Studio	PC/Console Games	18/11/2020	100 %
Purple Lamp Studios GmbH	Studio	PC/Console Games	18/11/2020	100 %
Mad Head Games d.o.o. Novi Sad	Studio	PC/Console Games	26/11/2020	100 %
Snapshot Games Inc	Studio	PC/Console Games	07/12/2020	100 %
Sandbox Strategies LLC	Game relations agencies	PC/Console Games	01/02/2021	100 %
Zen Studios	Studio	PC/Console Games	24/02/2021	100 %
IUGO Mobile Entertainment Inc.	Studio	Mobile Games	24/02/2021	100 %
A Thinking Ape Entertainment Ltd.	Studio	Mobile Games	25/02/2021	100 %
Flying Wild Hogs	Studio	PC/Console Games	01/03/2021	100 %
Frame Break AB	Studio	PC/Console Games	25/03/2021	100 %

All PPAs for the Apr 2020-Mar 2021 acquisitions are final.

Purchase price allocations for acquisitions during Apr 2020-Mar 2021

The business combinations are presented on an aggregated level, as the relative amounts for the individual business combinations are not deemed to be material, except in the acquisition of Saber Interactive.

Purchase price allocations summary
Amounts in SEK m, fair value

Acquired net assets at the acquisition date	Saber Interactive	Other	Total
Intangible assets	91	639	729
Property, plant and equipment	0	34	34
Right-of-use assets	15	46	61
Financial assets	13	35	48
Deferred tax assets	0	74	74
Inventories	0	0	0
Trade receivables and other receivables	193	380	573
Cash and cash equivalents	5	392	397
Interest-bearing liabilities	0	–136	–136
Lease liabilities	–15	–46	–61
Deferred tax liabilities	0	–129	–129
Trade payables and other operating liabilities	–77	–447	–524
Identified net assets	**225**	**842**	**1,067**
Goodwill	5,002	5,552	10,554
Non-controlling interests	0	91	91
Total purchase consideration	**5,227**	**6,484**	**11,712**
Purchase consideration comprises:			
Cash	1,031	2,764	3,795
Contingent consideration	3,478	2,668	6,146
Equity instruments	718	1,044	1,762
Other	0	10	10
Total purchase consideration	**5,227**	**6,485**	**11,712**

The fair value of issued equity instruments included in the transferred purchase consideration is based on the price of Embracers Class B share at each acquisition date. The number of shares issued with no restrictions/clawback is stated in the table below:

	Saber Interactive	Other	Total
Number of Class A shares	-	-	**-**
Number of Class B shares	7,816,600	12,959,320	**20,775,920**
Total	**7,816,600**	**12,959,320**	**20,775,920**

Contingent consideration, goodwill and transaction related costs have been recognized in connection with the Group's business combinations during Apr 2020-Mar 2021. Below is information about the acquisition-related items:

Contingent considerations	Saber Interactive	Other	Total
Recognized amount	3,478	2,668	**6,146**
Payments are likely to fall within the range:			
Low	2,609	1,544	**4,153**
High	4,348	2,797	**7,145**
Maximum amount for payment is unlimited	No	No	**No**

The basis for receiving the contingent consideration is based on both operational targets, such as releasing a certain number of games from a game portfolio during a certain period, and financial targets based on achieving a certain performance measure over a given period.

Other transactions entered into in connection with the business combinations

In connection with certain business combinations during the period, an agreement has been entered into relating to contingent consideration that is not classified as part of the transferred purchase consideration as there is a requirement for continued employment to receive the amount. Thus, the amount is classified as remuneration for future services. The amount may be settled with shares or cash, whereby the transactions are recognized either in accordance with IFRS 2 Share-based payment for equity-settled share-based payments or in accordance with IAS 19 Employee benefits for cash-settled remuneration. As the remuneration is earned, it is recognized as personnel expense in the consolidated statement of profit or loss.

Goodwill

Goodwill mainly refers to the value of the organisations existing skills and capabilities to develop and produce future succcesful assets as well as synergies of collaboration within the Embracer ecosystem and IP catalog.

Transaction costs	Saber Interactive	Other	Total
Transaction costs recognized in profit or loss in other operating expenses	74	96	**170**
Total	**74**	**96**	**170**

The acquisitions impact on the Group's cash flow	Saber Interactive	Other	Total
Cash consideration	1,031	2,764	**3,795**
Less:			
Acquired cash	5	392	**397**
Net cash outflow	**1,026**	**2,372**	**3,398**

The acquisitions impact on the consolidated statement of profit or loss and statement of comprehensive income

Revenues and net profit for the acquired companies since the acquisition date have been included in the Group's statement of comprehensive income for the period and is not presented separately.

The revenues and EBIT that the companies would have contributed if the acquisition had taken place in the beginning of the period have not been calculated due to the fact that this would be disproportionately burdensome and they are not deemed to be material on an overall Group level. Saber Interactive was consolidated in the beginning of the period as of 1 April 2020.

PURCHASE PRICE ALLOCATIONS FOR ACQUISITIONS AFTER THE REPORTING PERIOD

After the end of the reporting period Embracer has acquired 100 % of the shares in Middle-earth Enterprises, Tripwire Interactive, VR Group, Anime Ltd for an undisclosed purchase price.

The acquisitions are not deemed to be material on an overall Group level.

Upfront consideration is paid in cash and Embracer B-shares. Earnout consideration is paid in cash and Embracer B-shares and is based on both financial and operational targets over 5-7 year period.

The business combinations are presented on an aggregated level, as the relative amounts for the individual business combinations are not deemed to be material on an overall Group level.

Acquired entity	Operation	Operating segment	Acquisition date	Capital and voting rights
Animee Ltd.	Studio	Entertainment and Services	05/10/2022	100 %
Tripwire Interactive LLC.	Studio and publisher	PC/Console Games	06/10/2022	100 %
VR Distribution	Distribution	Tabletop	12/10/2022	100 %

The purchase price allocations for the above mentioned acquisitions are preliminary.

PRELIMINARY PURCHASE PRICE ALLOCATIONS SUMMARY

Acquired net assets at the acquisition date SEK m, fair value	Total
Acquired net assets at the acquisition date	551
Goodwill	1,987
Total purchase consideration	**2,538**
Purchase consideration comprises:	
Cash	871
Contingent consideration	303
Deferred consideration	1,098
Equity instruments	266
Total purchase consideration	**2,538**

The fair value of issued equity instruments included in the transferred purchase consideration is based on the price of Embracer's Class B share at each acquisition date. The number of shares issued with no restrictions/clawback is stated in the table below:

Number of Class A shares	
Number of Class B shares	3,872,500
Total	**3,872 500**

The acquisitions impact on the Group's cash flow	
Cash portion of Purchase consideration	871
Less:	
Acquired cash	76
Net cash outflow	**795**

NOTE 7 RELATED PARTY TRANSACTIONS

Related party transaction	Related party	Jul-Sep 2022	Jul-Sep 2021	Apr-Sep 2022	Apr-Sep 2021	Apr 2021-Mar 2022	Apr 2020-Mar 2021
Consulting services	Logvreten AB [1] (supplier)	0	0	0	0	–1	–1
Transportation services/Rent	Mad Dog Games LLC, Mek Production [2] (supplier)	–4	–3	–6	–7	–12	–2
Transportation services	Sola Service i Karlstad AB [3] (supplier)	0	0	–1	0	0	–6
Transportation services	Empterwik Special Services Ltd [3] (supplier)	–	–	–	–21	–21	–
Sale of goods/services	Bröderna Wingefors AB [3] (supplier)	–	0	–1	0	0	0
Acquisition of game collection	Lars Wingefors AB [4] (supplier)	–	–	–	–	–14	–
Total		**–5**	**–4**	**–8**	**–28**	**–49**	**–9**

1) *Kicki Wallje-Lund has controlling influence over the company*
2) *Matthew Karch has controlling influence over the companies*
3) *The company is part of Lars Wingefors AB*
4) *Lars Wingefors AB is owned by Lars Wingefors, Erik Stenberg, Mikael Brodén, Klemens Kreuzer and Reinhard Pollice.*

NOTE 8 FIRST TIME ADOPTION OF IFRS

As of April 1, 2022, Embracer Group AB prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the IFRS Interpretations Committee as adopted by the European Union (EU). The Group's transition date to IFRS is April 1, 2020, which means that the Group presents two comparative years. Up to and including the financial year 2021/22, the Group has prepared its consolidated financial statements in accordance with the Swedish Annual Accounts Act and Swedish GAAP BFNAR 2012:1 (K3). The transition to IFRS is recognized in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards.

The effect of the transition to IFRS is recognized directly against opening equity. The previously published financial information for the period 2020-04-01 - 2021-03-31 and 2021-04-01 - 2022-03-31, prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 (K3), is restated to IFRS. The general principle is that all applicable IFRSs and IASs that have entered into force and have been endorsed by the EU shall be applied retrospectively. The Group has applied the following exceptions to the general principle in accordance with IFRS 1:

- The Group has chosen not to restate business combinations that occurred before the date of transition to IFRS, e.g. before April 1, 2020.
- The Group has chosen not to restate contracts with customers that were completed prior to transition to IFRS (IFRS 15), i.e. contracts for which Embracer had transferred all goods or services identified under previous accounting policies.
- The Group has chosen to apply the exemption in IFRS 1 regarding leases (IFRS 16), and thus measures lease liabilities and right-of-use assets at the date of transition to IFRS.

The tables below presents the effects of the above applications on the consolidated statement of profit or loss, the consolidated statement of financial position and the consolidated cash flow statement. The effects are presented for the historical periods that have been restated to IFRS. The transition from previous accounting policies has also resulted in a different structure and classification of the statements compared to previously applied policies.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD JULY - SEPTEMBER 2021

Amounts in SEK m	According to previous policies	A. Business combina-tions	B. Revenue	C. Leases	D. Financial instruments	E. Associates	F. Translation of foreign operations and adjustments	Sum IFRS-adjustments	According to IFRS
Net sales	3,296	-	9	-	-	-	-	9	3,305
Other operating income	69	-	-	-	-	-	–1	–1	68
Total operating income	**3,365**	**-**	**9**	**-**	**-**	**-**	**–1**	**8**	**3,374**
Work performed by company for its own use and capitalized	558	-	-	-	-	-	-	-	558
Goods for resale	–786	-	-	-	-	-	-	-	–786
Other external expenses	–976	-	-	41	-	-	-	41	–935
Personnel expenses	–926	–1,082	-	-	-	-	-	–1,082	–2,008
Depreciation, amortization and impairment	–2,099	1,585	-	–36	-	-	46	1,595	–505
Other operating expenses	–23	–58	-	-	-	-	–1	–58	–82
Share of profit of an associate	428	0	-	-	-	1	-	1	428
Operating profit	**–459**	**445**	**9**	**4**	**-**	**1**	**45**	**504**	**44**
Net financial items	–214	–1	-	–3	2,080	-	188	2,264	2,050
Profit before tax	**–673**	**444**	**9**	**1**	**2,080**	**1**	**233**	**2,768**	**2,094**
Income tax	–48	-	-	-	-	-	–57	–57	–106
Net profit for the period	**–722**	**444**	**9**	**2**	**2,080**	**1**	**176**	**2,710**	**1,989**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JULY - SEPTEMBER 2021

Amounts in SEK m	According to previous policies	A. Business combina-tions	B. Revenue	C. Leases	D. Financial instruments	E. Associates	F. Translation of foreign operations and adjustments	Sum IFRS-adjustments	According to IFRS
Net profit for the period	**–722**	**444**	**9**	**2**	**2,080**	**1**	**176**	**2,710**	**1,989**
Other comprehensive income									
Items that may be reclassified to profit or loss (net of tax):									
Exchange differences	241	-	-	-	-	-	33	33	274
Total other comprehensive income for the period, net of tax	**241**	**-**	**-**	**-**	**-**	**-**	**33**	**33**	**274**
Total comprehensive income for the period, net of tax	**–481**	**444**	**9**	**2**	**2,080**	**1**	**209**	**2,743**	**2,263**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD JULY - SEPTEMBER 2020

Amounts in SEK m	According to previous policies	A. Business combina-tions	B. Revenue	C. Leases	D. Financial instruments	E. Associates	F. Translation of foreign operations and adjustments	Sum IFRS-adjustments	According to IFRS
Net sales	2,383	-	1	-	-	-	-	1	2,384
Other operating income	64	-	-	-	-	-	-	-	64
Total operating income	**2,448**	**-**	**1**	**-**	**-**	**-**	**-**	**1**	**2,449**
Work performed by company for its own use and capitalized	273	-	-	-	-	-	-	-	273
Goods for resale	–1,034	-	-	-	-	-	-	-	–1,034
Other external expenses	–360	-	-	21	-	-	2	22	–337
Personnel expenses	–399	–62	-	-	-	-	-	–62	–461
Depreciation, amortization and impairment	–796	401	-	–19	-	-	-	382	–414
Other operating expenses	-	–14	-	-	-	-	–2	–16	–16
Share of profit of an associate	41	-	-	-	-	2	-	2	42
Operating profit	**173**	**325**	**1**	**1**	**-**	**2**	**-**	**329**	**502**
Net financial items	90	-	-	–2	–1,019	-	-	–1,021	–931
Profit before tax	**263**	**325**	**1**	**–1**	**–1,019**	**2**	**-**	**–692**	**–429**
Income tax	–36	-	-	0	0	-	-	0	–36
Net profit for the period	**228**	**325**	**1**	**0**	**–1,019**	**2**	**-**	**–692**	**–465**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JULY - SEPTEMBER 2020

Amounts in SEK m	According to previous policies	A. Business combina-tions	B. Revenue	C. Leases	D. Financial instruments	E. Associates	F. Translation of foreign operations and adjustments	Sum IFRS-adjustments	According to IFRS
Net profit for the period	**228**	**325**	**1**	**0**	**–1,019**	**2**	**-**	**–692**	**–465**
Other comprehensive income									
Items that may be reclassified to profit or loss (net of tax):									
Exchange differences	–183	-	-	-	-	-	–24	–24	–208
Total other comprehensive income for the period, net of tax	**–183**	**-**	**-**	**-**	**-**	**-**	**–24**	**–24**	**–208**
Total comprehensive income for the period, net of tax	**44**	**325**	**1**	**-**	**–1,019**	**2**	**–24**	**–716**	**–673**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD APRIL - SEPTEMBER 2021

Amounts in SEK m	According to previous policies	A. Business combina-tions	B. Revenue	C. Leases	D. Financial instruments	E. Associates	F. Translation of foreign operations and adjustments	Sum IFRS-adjustments	According to IFRS
Net sales	6,723	-	15	-	-	-	-	15	6,738
Other operating income	157	-	-	-	-	-	-	-	157
Total operating income	**6,880**	**-**	**15**	**-**	**-**	**-**	**-**	**15**	**6,895**
Work performed by company for its own use and capitalized	1,028	-	-	-	-	-	-	-	1,028
Goods for resale	–1,599	-	-	-	-	-	-	-	–1,599
Other external expenses	–1,764	-	-	75	-	-	-	75	–1,689
Personnel expenses	–1,793	–2,055	-	-	-	-	-	–2,055	–3,849
Depreciation, amortization and impairment	–4,156	3,149	-	–69	-	-	92	3,172	–984
Other operating expenses	–28	–124	-	-	-	-	–2	–126	–154
Share of profit of an associate	448	-	-	-	-	2	-	2	450
Operating profit	**–984**	**969**	**15**	**6**	**-**	**2**	**91**	**1,083**	**99**
Net financial items	–113	–1	-	–6	2,371	-	-	2,364	2,252
Profit before tax	**–1,096**	**968**	**15**	**1**	**2,371**	**2**	**91**	**3,447**	**2,351**
Income tax	–231	-	–1	-	-	-	–70	–71	–303
Net profit for the period	**–1,328**	**968**	**14**	**1**	**2,371**	**2**	**20**	**3,376**	**2,049**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD APRIL - SEPTEMBER 2021

Amounts in SEK m	According to previous policies	A. Business combina-tions	B. Revenue	C. Leases	D. Financial instruments	E. Associates	F. Translation of foreign operations and adjustments	Sum IFRS-adjustments	According to IFRS
Net profit for the period	**–1,328**	**968**	**14**	**1**	**2,371**	**2**	**20**	**3,376**	**2,049**
Other comprehensive income									
Items that may be reclassified to profit or loss (net of tax):									
Exchange differences	291	-	-	-	-	-	–237	–237	54
Total other comprehensive income for the period, net of tax	**291**	**-**	**-**	**-**	**-**	**-**	**–237**	**–237**	**54**
Total comprehensive income for the period, net of tax	**–1,036**	**968**	**14**	**1**	**2,371**	**2**	**–217**	**3,139**	**2,103**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD APRIL - SEPTEMBER 2020

Amounts in SEK m	According to previous policies	A. Business combina-tions	B. Revenue	C. Leases	D. Financial instruments	E. Associates	F. Translation of foreign operations and adjustments	Sum IFRS-adjustments	According to IFRS
Net sales	4,452	-	1	-	-	-	-	1	4,453
Other operating income	129	-	-	-	-	-	-	-	129
Total operating income	**4,581**	**-**	**1**	**-**	**-**	**-**	**-**	**1**	**4,582**
Work performed by company for its own use and capitalized	521	-	-	-	-	-	-	-	521
Goods for resale	–1,794	-	-	-	-	-	-	-	–1,794
Other external expenses	–652	-	-	39	-	-	26	65	–587
Personnel expenses	–777	–86	-	-	-	-	-	–86	–864
Depreciation, amortization and impairment	–1,542	776	-	–37	-	-	-	739	–802
Other operating expenses	0	–85	-	-	-	-	–26	–111	–111
Share of profit of an associate	56	-	-	-	-	4	-	4	59
Operating profit	**392**	**605**	**1**	**2**	**-**	**4**	**-**	**612**	**1,004**
Net financial items	55	-	-	–4	–1,977	-	-	–1,980	–1,926
Profit before tax	**447**	**605**	**1**	**–2**	**–1,977**	**4**	**-**	**–1,368**	**–921**
Income tax	–129	-	-	-	-	-	-	-	–129
Net profit for the period	**318**	**605**	**1**	**–1**	**–1,977**	**4**	**-**	**–1,368**	**–1,050**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD APRIL - SEPTEMBER 2020

Amounts in SEK m	According to previous policies	A. Business combina-tions	B. Revenue	C. Leases	D. Financial instruments	E. Associates	F. Translation of foreign operations and adjustments	Sum IFRS-adjustments	According to IFRS
Net profit for the period	**318**	**605**	**1**	**–1**	**–1,977**	**4**	**-**	**–1,368**	**–1,050**
Other comprehensive income									
Items that may be reclassified to profit or loss (net of tax):									
Exchange differences on transla-tion of foreign operations	–758	-	-	-	-	-	61	61	–698
Total other comprehensive income for the period, net of tax	**–758**	**-**	**-**	**-**	**-**	**-**	**61**	**61**	**–698**
Total comprehensive income for the period, net of tax	**–440**	**605**	**1**	**–1**	**–1,977**	**4**	**61**	**–1,307**	**–1,748**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2021

Amounts in SEK m	According to previous policies	A. Business combina-tions	B. Revenue	C. Leases	D. Financial instruments	E. Associates	F. Translation of foreign operations and adjustments	Sum IFRS-adjustments	According to IFRS
ASSETS									
Non-current assets									
Goodwill	30,194	–6,507	3	-	–364	-	1,297	–5,572	24,622
Intangible assets	8,728	-	-	-	-	-	92	92	8,821
Property, plant and equipment	435	-	-	-	-	-	–1	–1	433
Right-of-use assets	-	-	-	463	-	-	1	465	465
Investments in associates	164	-	-	-	-	1	3	4	168
Non-current financial assets	104	-	-	-	-	-	-	-	104
Deferred tax assets	477	-	26	1	-	-	–67	–40	437
Total non-current assets	**40,101**	**–6,507**	**29**	**465**	**–364**	**1**	**1,325**	**–5,052**	**35,049**
Current assets									
Inventories	531	-	-	-	-	-	-	-	531
Trade receivables	1,548	-	597	-	-	-	-	597	2,145
Other receivables	632	18	-	-	-	-	-	18	650
Prepaid expenses	848	-	–597	-	-	-	-	–597	251
Current investments	0	-	-	-	-	-	196	196	196
Cash and cash equivalents	9,919	-	-	-	-	-	–196	–196	9,724
Total current assets	**13,478**	**18**	**-**	**-**	**-**	**-**	**-**	**18**	**13,496**
TOTAL ASSETS	**53,579**	**–6,490**	**29**	**465**	**–364**	**1**	**1,325**	**–5,034**	**48,545**
EQUITY AND LIABILITIES									
Equity									
Share capital	1	-	-	-	-	-	-	-	1
Other contributed capital	29,981	–6,111	-	-	–196	-	7,729	1,422	31,403
Reserves	-	-	-	–2	-	-	–642	–645	–645
Retained earnings, incl net profit	7,106	2,092	–173	–2	–2,067	1	–6,497	–6,646	460
Equity attributable to equity holders of the parent	**37,088**	**–4,019**	**–173**	**–5**	**–2,263**	**1**	**590**	**–5,869**	**31,219**
Non-controlling interests	43	-	-	-	-	-	1	1	45
Total equity	**37,131**	**–4,019**	**–173**	**–5**	**–2,263**	**1**	**591**	**–5,868**	**31,264**
Non-current liabilities									
Liabilities to credit institutions							603	603	603
Other non-current liabilities							79	79	79
Lease liabilities	-	-	-	383	-	-	–39	344	344
Other provisions	9,995	-	-	-	-	-	–9,907	–9,907	88
Contingent consideration	-	–2,814	-	-	1,899	-	10,289	9,374	9,374
Non-current liabilities to employees related to historical acquisitions	-	335	-	-	-	-	-	335	335
Non-current employee benefits	17	-	-	-	-	-	-	-	17
Deferred tax liabilities	974	-	-	-	-	-	62	62	1,035
Total non-current liabilities	**10,985**	**–2,479**	**0**	**383**	**1,899**	**0**	**1,088**	**890**	**11,876**
Current liabilities									
Liabilities to credit institutions	688	-	-	-	-	-	890	890	1,578
Current account credit facilities	-	-	-	-	-	-	46	46	46
Advances from customer	-	-	-	-	-	-	54	54	54
Trade payables	859	-	-	-	-	-	-	-	859
Lease liabilities	-	-	-	86	-	-	50	136	136
Contract debt	-	-	203	-	-	-	1,050	1,253	1,253
Tax liabilities	221	-	-	-	-	-	-	-	221
Other current liabilities	1,831	-	-	-	-	-	–1,692	–1,692	138
Accrued costs	1,863	-	-	-	-	-	–753	–753	1,110
Contingent consideration	-	9	-	-	-	-	-	9	9
Total current liabilities	**5,462**	**9**	**203**	**86**	**-**	**-**	**–355**	**–57**	**5,406**
TOTAL EQUITY AND LIABILITIES	**53,579**	**–6,490**	**29**	**465**	**–364**	**1**	**1,325**	**–5,034**	**48,545**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2020

Amounts in SEK m	According to previous policies	A. Business combina-tions	B. Revenue	C. Leases	D. Financial instruments	E. Associates	F. Translation of foreign operations and adjustments	Sum IFRS-adjustments	According to IFRS
ASSETS									
Non-current assets									
Goodwill	8,893	–19	77	-	–267	-	–36	–245	8,648
Intangible assets	4,875	-	-	-	-	-	-	-	4,875
Property, plant and equipment	203	-	-	-	-	-	-	-	203
Right-of-use assets	0	-	-	279	-	-	-	279	279
Investments in associates	69	-	-	-	-	2	2	4	73
Non-current financial assets	77	-	-	-	-	-	-	-	77
Deferred tax assets	249	-	19	1	-	-	-	20	269
Total non-current assets	**14,366**	**–19**	**96**	**279**	**–267**	**2**	**–35**	**57**	**14,423**
Current assets									
Inventories	381	-	-	-	-	-	-	-	381
Trade receivables	1,298	-	204	-	-	-	-	204	1,502
Contract liabilities	-	-	-	-	-	-	-	-	-
Current tax assets	-	-	-	-	-	-	-	-	-
Other receivables	383	-	12	-	-	-	-	12	395
Prepaid expenses	302	-	–215	-	-	-	-	–215	86
Current investments	-	-	-	-	-	-	204	204	204
Cash and cash equivalents	3,579	-	-	-	-	-	–204	–204	3,375
Total current assets	**5,943**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,943**
TOTAL ASSETS	**20,309**	**–19**	**96**	**279**	**–267**	**2**	**–35**	**57**	**20,366**
EQUITY AND LIABILITIES									
Equity									
Share capital	1	-	-	-	-	-	-	-	1
Other contributed capital	-	–3,711	-	-	–196	-	13,004	9,097	9,097
Reserves	–536	-	-	-	-	-	–19	–19	–555
Retained earnings, incl net profit	14,250	602	20	–3	–1,977	2	–13,019	–14,375	–125
Equity attributable to equity holders of the parent	**13,715**	**–3,109**	**20**	**–3**	**–2,173**	**2**	**–35**	**–5,297**	**8,418**
Non-controlling interests	24	-	-	-	-	-	-	-	24
Total equity	**13,739**	**–3,109**	**20**	**–3**	**–2,173**	**2**	**–35**	**–5,297**	**8,441**
Non-current liabilities									
Liabilities to credit institutions	267	-	-	-	-	-	-	-	267
Other non-current liabilities	908	-	-	-	-	-	-	-	908
Lease liabilities	-	-	-	206	-	-	-	206	206
Other provisions	1,155	-	-	-	-	-	–1,026	–1,026	129
Contingent consideration	-	3,089	-	-	1,906	-	725	5,719	5,719
Non-current liabilities to employees related to historical acquisitions	-	1	-	-	-	-	-	1	1
Non-current employee benefits	-	-	-	-	-	-	23	23	23
Deferred tax liabilities	393	-	-	-	-	-	-	-	393
Total non-current liabilities	**2,722**	**3,090**	**-**	**206**	**1,906**	**-**	**–278**	**4,924**	**7,646**
Current liabilities									
Liabilities to credit institutions	183	-	-	-	-	-	1,665	1,665	1,848
Current account credit facilities	-	-	-	-	-	-	183	183	183
Advances from customers	-	-	-	-	-	-	34	34	34
Trade payables	784	-	-	-	-	-	-	-	784
Lease liabilities	-	-	-	77	-	-	-	77	77
Contract liabilities	-	-	76	-	-	-	622	698	698
Tax liabilities	161	-	-	-	-	-	-	-	161
Other current liabilities	2,107	-	-	-	-	-	–1,882	–1,882	225
Accrued expenses	613	-	-	-	-	-	–344	–344	269
Contingent consideration	-	-	-	-	-	-	-	-	-
Total current liabilities	**3,848**	**-**	**76**	**77**	**-**	**-**	**278**	**431**	**4,279**
TOTAL EQUITY AND LIABILITIES	**20,309**	**–19**	**96**	**279**	**–267**	**2**	**–35**	**57**	**20,366**

NOTES

A. Business combinations

In connection with the transition to IFRS, previously prepared purchase price allocations for business combinations that occurred after April 1, 2020 have been restated in accordance with the requirements in IFRS, resulting in certain consideration previously classified as part of the purchase consideration being reclassified to remuneration for future services.

- Contingent consideration dependent on continued employment of the previous owners of the acquired company is considered to be remuneration for future services in IFRS. Such consideration is not recognized as part of the purchase consideration, but is instead recognized as personnel expense as the services are rendered.
- In cases where the acquired business has had employee share-option programs prior to the business combination that were replaced as part of the acquisition, part of the consideration previously recognized as purchase consideration is reclassified as personnel expense. Already vested shares are recognized as part of the purchase consideration while consideration related to unvested shares (or vested with new service conditions) are recognized as personnel expenses during the vesting period.
- In some business combinations, it has been agreed that part of the consideration for the acquired business accrues to the employees of the company instead of the selling shareholders (the seller forgives part of the consideration in favor of the employees). This part of the consideration was accounted for under previous accounting policies as part of the purchase consideration but shall, according to IFRS, be recognized as personnel expense.

The effect of these adjustments is recognized against goodwill calculated according to previous accounting policies, wherefore the carrying amount of goodwill is decreased.

In accordance with previously applied accounting policies, contingent consideration has been included in the purchase consideration when it is probable that an outflow of resources will be required. In accordance with IFRS, contingent considerations are measured at fair value. The measurement of the contingent consideration in the purchase consideration at fair value reduces the carrying amount of goodwill. The subsequent measurement of the contingent consideration depends on whether the contingent consideration is classified as equity or financial liability. When classified as equity, there is no subsequent remeasurement. If the contingent consideration instead is classified as a financial liability, it is recognized in accordance with IFRS 9 Financial instruments (see item D below).

Values of previously identified intangible assets have been remeasured in connection with the restatement of purchase price allocations, which has resulted in the carrying amounts of assets being adjusted, which affects amortizations. The deferred tax liability attributable to the assets has been affected by the remeasurement. The effect of these adjustments is recognized against the value of goodwill calculated according to previous accounting policies, wherefore the carrying amount of goodwill is decreased.

According to previous accounting policies, goodwill is amortized over the estimated useful life. Under IFRS, goodwill is not amortized; instead an impairment test is prepared annually, and when indication is implied. In connection with the transition to IFRS, amortizations of goodwill recognized during financial year 2021/22 and 2020/21 were reversed. A corresponding increase in the amount of goodwill is recognized in the statement of financial position. Goodwill was tested for impairment in connection with the transition, and no impairment requirement existed. No deferred tax was recognized.

In accordance with previously applied accounting policies, acquisition-related costs were included in the cost of acquisition. Under IFRS, acquisition-related costs shall be expensed in the period in which they arise, which means that other operating expenses increase in the statement of profit or loss. A corresponding decrease in the amount of goodwill is recognized in the statement of financial position.

The transition to IFRS has also impacted the initial recognition of contingent considerations:

- Certain contingent considerations previously classified as financial liabilities are, according to IFRS, classified as equity if they are settled in equity instruments and meet the conditions in IAS 32 to be classified as equity.
- Under previous accounting policies, certain contingent considerations were considered to be settled, e.g. when paid in advance to an escrow account. These contingent considerations are not considered to be settled under IFRS, resulting in the contingent consideration being recognized as a liability measured at fair value in the statement of financial position and the recognition of a receivable on the escrow account.

B. Revenue

In connection with the transition to IFRS, the Group's contracts with customers have been analyzed in accordance with the model presented in IFRS 15. This analysis has resulted in a change in the accrual of the Group's revenue attributable to mobile games. In some of the Group's mobile games, the player can purchase goods that can be used in the game for a longer period of time. Under previous accounting policies, revenue for these goods was recognized at the time of purchase, but Embracer has under IFRS 15 made the assessment that the revenue should be accrued over time. This has resulted in certain revenue attributable to mobile games being reversed and recognized as current liabilities in the statement of financial position. The revenue is accrued over the customer's expected use of the virtual good.

C. Leases

Lessee

In accordance with previous accounting policies, the Group classified leases as either operating or finance leases. Under IFRS 16, the Group's leases (except for short-term leases and leases in which the underlying asset is of low value) will be recognized in the statement of financial position. The obligation to make lease payments is discounted and recognized as lease liabilities, split between a current and non-current portion in the statement of financial position. Right-of-use assets for leases are included as a separate line item. Prepaid or accrued lease payments that were previously included in the statement of financial position are eliminated since these are included in the initial measurement of the right-of-use asset. A deferred tax asset is recognized attributable to the temporary difference that arises. The operating lease expense recognized under other external expenses is eliminated in the statement of profit or loss. Expenses related to depreciation of right-of-use assets and interest expense on lease liabilities are added.

Finally, the reclassification also affects the presentation of the Group's cash flows. Under previous accounting policies, cash flow attributable to operating leases was recognized as part of operating activities. Under IFRS 16, payments are divided between repayment of the principal portion of the lease liability (financing activities) and payment of interest (operating activities). In Embracer group about 98 % of the agreements under IFRS 16 relate to rental agreements for premises.

D. Financial instruments

In accordance with previously applied accounting policies, Embracer has recognized all financial instruments at cost. In connection with the transition to IFRS, the measurement basis for a number of financial instruments have changed. Under previous accounting policies, the Group measured its non-current ownership interests in other entities and current investments at cost. In accordance with IFRS 9, the Group's non-current ownership interests in other entities and current investments are recognized at fair value through profit or loss. In accordance with IFRS, contingent considerations classified as financial liabilities are also recognized at fair value. The change in fair value of contingent consideration are recognized in the consolidated statement of profit or loss in net financial items. Prepaid contingent considerations, with clawback clauses, might result in the recognition of an asset for the right to receive back some of the consideration transferred.

Under previous accounting policies, Embracer has applied hedge accounting for derivatives used to hedge cash flows from loans with variable interest rates and foreign currency transactions. Under previous accounting policies, the Group recognized derivatives identified as hedging instruments at cost. In accordance with IFRS 9, the Group's derivatives are recognized at fair value. The Group applies hedge accounting under IFRS 9 in the form of cash flow hedges. The effective portion of the fair value change of a derivative instrument, recognized in a cash flow hedge and that meets the hedge accounting requirements, is recognized in other comprehensive income and accumulated in the hedge reserve in equity. The ineffective portion is immediately recognized in the consolidated statement of profit or loss as financial income or financial expense. The accumulated amount in the hedge reserve is reclassified to the statement of profit or loss in the same periods during which the hedged item affect profit or loss.

Under previously applied accounting policies, Embracer applied an impairment model for credit losses based on an incurred event. Under IFRS 9, entities shall apply an expected credit loss model entailing that a credit loss is recognized when the company becomes a party to the financial instrument. The application of the expected credit loss model has not had any material impact on Embracer's credit risk provisions.

E. Associates

Under previous accounting policies, goodwill has been amortized over its estimated useful life. Under IFRS, goodwill is not amortized; instead an impairment test is prepared annually. In connection with the transition to IFRS, amortizations of goodwill relating to associates made during financial year 2021/22 and 2020/21 was reversed. The reversal of goodwill is recognized in the statement of profit or loss under the line item share of profit of an associate. In the statement of financial position, the value of investments in associates and equity increases.

F. Translation of foreign operations

In accordance with previously applied accounting policies, exchange differences on translation of foreign subsidiaries are recognized directly against equity. In accordance with IFRS, the exchange difference is recognized in other comprehensive income. The translation differences are thus presented on a separate row in other comprehensive income.

Additional items and reclassifications

According to previous accounting policies, the consolidated statement of profit or loss and the consolidated statement of financial position were presented in a different format. Certain assets, liabilities, revenues and expenses recognized in accordance with previous accounting policies have been reclassified to conform to the IFRS presentation format. These reclassifications do not affect profit or loss nor equity.

NOTE 9 GROUP ACCOUNTING POLICIES

Basis for preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and interpretations issued by IFRS Interpretations Committee (IFRS IC), as they have been adopted by the European Union (EU). Furthermore, the Group applies the Swedish Annual Accounts Act (1995:1554) and RFR 1 "Supplementary Accounting Rules for Groups" issued by the Swedish Financial Reporting Board.

The consolidated financial statements have been prepared based on the assumption of going concern. Assets and liabilities are measured at cost, with the exception of certain financial instruments that are measured at fair value.

The preparation of financial statements in accordance with IFRS requires management to make estimates for accounting purposes. The areas that involve a high degree of judgement, which are complex or such areas where the assumptions and estimates are material for the consolidated financial statements are described in Note 2 Key estimates and assumptions. These estimates and assumptions are based on historical experience and other factors that are considered to be reasonable under current circumstances. Actual outcome may differ from the estimates if the estimates or circumstances change.

Unless otherwise indicated, the accounting policies stated below have been applied consistently to all periods presented in the consolidated financial statements.

These financial statements are Embracer's second financial statement prepared in accordance with IFRS. The transition to IFRS is recognized in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards. The transition to IFRS is described in more detail in Note 8 First-time adoption of IFRS.

New or amended statements after March 31, 2022
A number of new and amended accounting standards have not yet entered into force and have not been early adopted in the preparation of the Group's and Parent Company's financial statements. The Group intends to comply with these new and amended standards once they enter into force. These standards and amendments of standards as published by IASB are not expected to have any material impact on the Group's or Parent Company's financial statements

Consolidation
Subsidiaries
Subsidiaries are all entities over which Embracer has a controlling interest. The Group controls an entity when it is exposed to or has the right to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date on which controlling influence is obtained by the Group, and are excluded from the consolidated financial statements from the date on which the controlling interest ceases.

Subsidiaries are recognized in accordance with the acquisition method. The method implies that the acquisition of a subsidiary is considered a transaction through which the Group indirectly acquires the assets of the subsidiary and assumes its liabilities. The consideration transferred in a business combination is measured at fair value, which is measured as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. The consideration transferred only includes consideration paid to obtain control of the acquired company. This implies that consideration that settles pre-existing relationships between the parties or relate to separate transactions, such as transactions that remunerates employees or former owners of the acquiree for future services, are accounted for separately from the business combination. Any acquisition-related costs that arise, except for acquisition-related costs attributable to the issuance of equity instruments or debt instruments, are recognized directly in the statement of profit or loss.

The acquisition analysis determines the fair value of the identifiable assets, assumed liabilities and any non-controlling interests on the acquisition date. In a business combination where the consideration transferred, any non-controlling interests and fair value of any previously held interests exceeds the fair value of acquired assets and assumed liabilities that are separately recognized, the difference is recognized as goodwill.

Contingent consideration is classified either as equity or as financial liability. Contingent consideration is recognized at fair value on the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Other contingent considerations are remeasured each reporting period and the changes in fair value are recognized in the statement of profit or loss. In connection with certain business combinations, Embracer has prepaid contingent consideration classified as a financial liability, with a clawback clause if the conditions for obtaining the contingent consideration are not met. Embracer evaluates the facts and circumstances in connection with such prepayments to determine whether the commitment is considered settled, whereby the liability is derecognized, or whether the commitment remains, whereby the liability continues to be recognized at fair value in the statement of financial position. Any right to recover a prepaid contingent consideration is reported as an asset at fair value in the statement of financial position.

In connection with some of the Group's business combinations, the Group does not acquire all shares at the acquisition date. However, for certain business combinations, the Group enters into put and call options at the acquisition date for the remaining shares that can be exercised at a future date. There is no explicit guidance in IFRS regarding accounting for put and call options for the remaining shares in connection with a business combination, whereby the Group has, in accordance with IAS 8, developed and applied a uniform accounting policy for similar transactions. The obligation to acquire additional shares in the future from non-controlling interests constitutes a financial liability that is recognized at fair value through profit or loss. Since the Group's obligation to acquire non-controlling interests in the future, as a result of the put option, is recognized as a financial liability at fair value through profit or loss, no non-controlling interest is recognized. Thus, the transaction is recognized as if the shares subject to the options have already been acquired by the Group.

For step acquisitions, goodwill is determined on the date on which controlling interest is obtained. Previous holdings are measured at fair value and the difference between the carrying amount of the holding immediately before the transaction and the fair value is recognized in the statement of profit or loss. If additional interests are acquired after controlling influence has been obtained, these are recognized in equity as a transaction between owners.

Associates
Investments in associates, in which the Group's investments total at least 20 % and at most 50 % of the votes or the Group otherwise has a significant influence, are recognized in accordance

with the equity method. The equity method entails that the carrying amount of the associates corresponds to the Group's share in the associate's equity and consolidated surplus and deficit values that arose from the acquisition of the shares. The equity method is applied until the date on which the significant influence ceases.

Transactions eliminated during consolidation
Intra-group receivables and liabilities, revenue or expenses, and unrealized gains or losses arising from intra-group transactions between group companies are eliminated in their entirety when preparing the consolidated financial statements.

Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's holdings in the associates.

Currency
Functional currency and reporting currency
Items included in the financial statements for each company in the Group are measured in the currency used in the primary economic environment in which the company primarily operates (functional currency). The functional currency of the Parent Company is Swedish kronor (SEK), which comprises the reporting currency for the Parent Company and the Group. All amounts are presented in millions Swedish kronor ("SEK m"), unless otherwise indicated. Rounding differences may occur.

Transactions in foreign currency
Transactions in foreign currency are translated into the functional currency at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the closing exchange rate at the end of the reporting period . Non-monetary items, measured at historical cost in a foreign currency, are not remeasured. Exchange differences that arise during translation are recognized in the statement of profit or loss. Exchange gains and losses relating to operating receivables and liabilities are recognized in operating profit while exchange gains and losses relating to financial assets and liabilities are recognized as financial items.

Translation of foreign subsidiaries
Assets and liabilities in foreign operations are translated from the functional currency of the foreign operation into the Group's reporting currency, Swedish kronor, at the exchange rate prevailing at the balance-sheet date. Revenue and expenses in a foreign operation are converted into Swedish kronor at an average rate that is an approximation of the exchange rates that existed at the respective transaction dates. Translation differences arising from foreign exchange translation of foreign operations are recognized in other comprehensive income and accumulated in the translation reserve in equity. When control ceases for a foreign operation, the associated translation differences are reclassified from the translation reserve in equity to the statement of profit or loss.

Classification
Non-current assets and non-current liabilities primarily comprise of amounts that are expected to be recovered or paid more than twelve months from the balance-sheet date. Current assets primarily comprise of amounts that are expected to be realized during the Group's normal operating cycle, which is twelve months after the reporting period. Current liabilities primarily comprise of amounts that are expected to be settled during the Group's normal operating cycle, which is twelve months after the reporting period.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). CODM is the function that is responsible for the allocation of resources and the assessment of the operating segments results. Embracer's CEO has been identified as the CODM. An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, and for which discrete financial information is available. The division of the Group into segments is based on differences in goods and services that Embracer offers, which means that the Group's operations have been divided into four operating segments: PC/Console Games, Mobile Games, Tabletop Games and Entertainment & Services.

The same accounting policies are used for the segments as for the Group.

Revenue from contracts with customers
The Group generates revenue mainly through the sale of interactive entertainment content and services, primarily for console, PC and mobile platforms, as well as through licensing of Embracer's intellectual property and media content. The Group also generates revenue from the sale of tabletop games, comic books, and merchandise. The Group recognize revenue when the Group satisfies a performance obligation, which is when a promised good or service is transferred to the customer and the customer obtains control of the good or service. Control over a performance obligation can transfer over time or at a point in time. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The most material revenue streams per operating segment are the following:

> Segment PC/Console Games: sales of interactive entertainment content and services for console and PC platforms.

> Segment Mobile Games: sales of interactive entertainment content and services for mobile platforms.

> Segment Tabletop Games: sales of tabletop games.

> Segment Entertainment and Services: sales of comic books and related goods and services, sales of film and merchandise and wholesales of publishing titles of interactive entertainment content and film.

In the following sections, the most material revenue streams per segment is described in more detail, as well as the assessments regarding revenue recognition that Embracer has made per material revenue stream.

Revenue from sales of interactive entertainment content and services for console and PC platforms
The Group sells digital games for console and PC platforms that typically provides access to the main game content. The Group also sells downloadable content that provide the players with additional in-game content in purchased games. Digital sales of interactive entertainment content are sold through third-party digital storefronts, such as Microsoft's Xbox Games Store, Sony's PSN, Epic and Steam. Embracer considers the digital storefront to be Embracer's customer and Embracer's performance obligation is therefore to provide a license to the digital storefront to sell the game or the downloadable content to end-users. The transaction price typically comprises of variable consideration in the form of sales-based royalty, that is recognized when the subsequent sale to end-user occurs in accordance with the guidelines for sales-based royalties in IFRS 15. The transaction price sometimes also consists of fixed consideration in the form of minimum sales guarantees. The license is deemed to constitute a right for the customer to use the intangible asset in current condition at the time of assignment, since the digital store then can resell the game to end consumers. There are no additional commitments in the agreement with the customer that significantly affect the intangible asset to which the customer is entitled. The revenue is therefore recognized in connection with the assignment to the customer.

The Group also has some free-to-play games for PC and console where players have the opportunity to purchase virtual goods in the game. When selling virtual goods, each virtual good usually constitutes a separate performance obligation. The transaction price for virtual goods comprises of a fixed consideration. Control transfers to the customer over time or at a point in time (when the good is made available to the customer) depending on the nature of the good, which is either consumed at the time of purchase or is permanent. Revenue attributable to goods not consumed at the time of purchase is recognized over the contract period, which is estimated to be the average playing period for the game's paying users.

When Embracer uses an external publisher for its developed games, the publisher is the Group's customer, and the performance obligation is to grant a license to the publisher. The transaction price typically comprises of both sales-based royalty (which is recognized as described above) and fixed consideration in the form of minimum sales guarantees or development funding from the publisher. Both minimum sales guarantees and development funding are recognized as revenue at the point in them when the license is granted to the publisher, which corresponds to when control is transferred.

The Group also derive revenue from sale of physical copies of owned and licensed games for console and PC platforms to physical retail stores such as GameStop and Media Markt, which is considered to be Embracer's customers. A physical copy of a game is a combination of a license and a physical good, where Embracer considers the license to be the primary/dominant component. The transaction price comprises of a fixed price per game, but also includes variable consideration in the form of right of return and price protection. The variable consideration is estimated by use of the expected value method. To make such an assessment, Embracer utilizes historical statistics and forecasts. Revenue is recognized when control is transferred to the customer, which is at the point in time when the license is transferred to the customer. Fixed consideration is therefore recognized when the license has been transferred to the retail store and variable consideration is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not subsequently occur. The remaining part of the variable consideration is recognized as the uncertainty associated with the consideration is subsequently resolved.

Revenue from when Embracer performs game development services ("work-for-hire") is also included in the segment PC/Console Games. Embracer assesses that the promise to develop a game for a customer constitute a single performance obligation. The transaction price typically comprises of a fixed consideration as well as variable consideration in the form of a revenue share for the game. The Group recognize fixed consideration from work-for-hire project as revenue over time as the performance obligation is satisfied. Control is transferred over time as the customer controls the game as the development service is being performed. The Group measure the progress towards complete satisfaction of the performance obligation using an input method based on cost incurred in relation to total estimated cost to fulfil the game development. Due to the uncertainty regarding the variable consideration, revenue from variable consideration is only recognized once the subsequent sale has occurred.

Revenue from sales of interactive entertainment content and services for mobile platforms

The Group develop games for mobile platforms. The Group's mobile games are essentially so called "Free-to-play games", in which the players are provided access to the main game content without paying a fee. Revenue is generated from sales of additional game content in the form of virtual goods and subscriptions. Regarding the sale of virtual goods, each separate virtual good is usually considered a distinct performance obligation which is satisfied when control is transferred to the customer. Some virtual goods are consumed at the time of purchase while other goods are durable and can be used by the player without time limit. The transaction price for virtual goods comprises of a fixed consideration. Control is transferred to the customer over time or at a point in time (when the good has been made available to the customer) depending on the nature of the good. Revenue from virtual goods not consumed at the time of purchase is recognized over the contract period, which is considered to be the average playing period for the game's paying users. Regarding the sale of subscriptions, Embracer's obligation is considered to be to stand ready to provide the benefits of the subscription service to the customer. The obligation is therefore considered to comprise of a series of distinct services that are substantially the same, wherefore each subscription is considered to constitute a single performance obligation. Control is transferred to the customer over time and revenue is recognized linearly over the subscription period.

The segment Mobile Games also generates revenue by displaying ads within Embracer's mobile apps. Embracer's customers are represented by the ad networks to which Embracer provide advertisement space. The ad networks in turn place ads from third parties in Embracer's mobile apps. Embracer assesses that the obligation to provide advertisement space to the ad network comprise of a series of distinct services that are substantially the same, wherefore each contract is considered to constitute a single performance obligation. The transaction price solely comprises of variable consideration and is dependent on the number of valid clicks or impressions that a specific ad generates whilst it is being displayed within the app. The variable consideration is allocated to each respective distinct service within the time period. The ad network simultaneously receives and consumes the benefits provided by Embracer's performance, wherefore, advertising revenue is recognized over time.

Revenue from sales of tabletop games

The Group generates revenue from sales of tabletop games directly to end consumers or to physical retail stores which then resell the games to end consumers. Revenue is also generated from sales of digital versions of tabletop games that are sold via third-party digital storefronts, such as Microsoft Xbox Game Store, Sony's PSN and Apple App Store. Each game is usually considered a distinct performance obligation. The transaction price comprises of a fixed consideration per game and sometimes also variable consideration in the form of discounts and right of return. Revenue is recognized when control is transferred to the customer which is when the game has been transferred to the customer.

Revenue from sales of comic books and related goods and services, sales of film and merchandise and wholesale of publishing titles of interactive entertainment content and film

Regarding sales of comic books and related goods, each good is usually considered a distinct performance obligation. Comic books are sold in both physical printed editions and digital editions. The transaction price typically comprises of a fixed consideration but sometimes also includes variable consideration in the form of discounts and right of return.

The variable consideration is estimated by use of the expected value method. To make such an assessment, Embracer utilizes historical statistics and forecasts. Revenue is recognized when control is transferred to the customer. When selling digital editions of comic books, control is transferred to the customer when the comic book is made available for the customer. For physical sales, control is transferred when the product has been delivered to the customer.

Regarding sales of film and merchandise, each good is usually considered a distinct performance obligation which is satisfied when control is transferred to the customer. Sales of film and merchandise take place both physically and digitally. The transaction price for physical sales generally comprises of a fixed consideration per good, but with variable components such as right of return and price protection. The transaction price for digital sales comprises of either fixed or sales-based royalties. When selling physical copies of film and merchandise, control is transferred when the good has been delivered to the customer. When selling digital copies of film, control is transferred to the customer when the license is granted to the customer.

The Group also generates revenue from wholesale of physical copies of games and films. Sales are made to physical retail stores which are Embracer's customers. The transaction price comprises of a fixed consideration per copy of the game or film but also includes variable consideration in the form of right of return and price protection. The variable consideration is estimated by use of the expected value method. Revenue is recognized when control is transferred to the customer, which is at the point in time when the product is transferred to the customer. Fixed consideration is therefore recognized when the product has been transferred to the retail store and variable consideration is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not subsequently occur.

Principal- agent considerations
In some sales of the Group's goods and services, a third party is involved in providing the good or service. For example, when digital games are sold via third-party digital storefronts. When another party is involved in providing goods or services to a customer, Embracer evaluates which party that represents the Group's customer. This depends on whether the third party is the principal or agent in providing the product or service to the end consumer, which determines whether revenue from the sale is recognized gross or net (adjusted for commission received by third parties). Important indicators that the Group evaluates when deciding which party that represents the Group's customer include but are not limited to:

1. Which party that is primarily responsible for fulfilling the promise to provide the specified good or service.
2. Which party that establish the price for the specified good or service.
3. If the third party combines or integrates the good or service with other goods or services that Embracer does not deliver before delivery to the end consumer.

In cases where the end consumer is considered to be the Group's customer, the consideration received from the customer is recognized in the gross amount within net sales and the amount attributable to the third party is recognized as expense in the consolidated statement of profit or loss. In cases when the third party is considered to be the Group's customer, revenue is recognized that corresponds to the amount of consideration that Embracer is entitled to.

Contract assets and contract liabilities
A contract asset arises when a company performs by transferring goods or services and when the right to consideration is conditioned on something other than the passage of time. The item excludes amounts that are reported as trade receivables.

A contract liability arises if a customer pays before the Group has performed, or if the company has the right to compensation that is unconditional before the good/service has been transferred to the customer. The liability is recognized either when the payment occurs or when the payment is due (whichever occurs first). A contract liability represents the obligation to transfer goods or services to a customer in those cases where the consideration has been received (or the amount is due for payment).

Employee benefits

Short-term employee benefits
Short-term employee benefits such as salaries, social security contributions and holiday pay are expensed in the period when the employees perform the services.

Defined contribution pension plans
A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay additional contributions if the separate legal entity does not have sufficient assets to pay all benefits to employees that relate to the employees' service during the current or prior periods. The Group therefore has no additional risk. The Group's obligations pertaining to fees for defined contribution pension plans are recognized as an expense in the statement of profit or loss at the rate they are earned as the employees perform services for the Group during the period.

Defined benefit pension plans
A defined benefit pension plan is a pension plan under which the Group has an obligation to pay contractual remuneration to the employees. The Group thereby bears both the actuarial and the investment risk.

The expense of the defined benefit pension plan, as well as the scope of the pension obligation, is calculated yearly by independent actuaries using the Projected Unit Credit Method, which involves distributing the expense over the employee's term of service. The calculation uses actuarial assumptions such as personnel turnover, future salary increases, life expectancy and retirement age. Actuarial gains and losses on remeasurements due to experience-based adjustments and changes in actuarial assumptions are recognized in the statement of other comprehensive income for the period in which they arise. Other expenses are recognized in the statement of profit or loss, service expenses as part of personnel expenses and interest expenses in net financial items.

Other long-term employee benefits
Embracer has contractual obligations for employees regarding long-term bonuses and anniversary benefits. Long-term bonuses primarily relate to contingent consideration agreed in relation to certain business combinations that are classified as remuneration for future services as there are requirements for the seller to remain in employment to receive the contingent consideration. The long-term benefit is calculated with the Projected Unit Credit Method. The net of expenses relating to employee service, net interest on the net defined benefit liability, and remeasurements of the net defined benefit liability are recognized in the consolidated statement of profit or loss.

Termination benefits
An expense for benefits in connection with the termination of employment is recognized only if the entity is objectively obligated, without any realistic possibility of withdrawal, by virtue of a formal detailed plan to terminate an employment contract.

Share-based payments
In some of Embracer's business combinations, a contingent consideration has been agreed which requires future employment for certain key personnel in the acquired company. When the contingent consideration is settled with newly issued shares, the agreement is classified as a share-based payment. If the employees in question continue their employment during the specified period and the other conditions for the contingent consideration are met, the purchase price will be settled with newly issued shares. The expense for these transactions, which are settled with equity, consists of the fair value at the time the agreement is entered into. The valuation is further described in Note 5.

The expense for share-based payments is recognized in the statement of profit or loss as personnel expenses with a corresponding increase in equity. The assessment regarding how many shares that are expected to be earned is updated at the end of each reporting period and any deviations is recognized in the statement of profit or loss with a corresponding adjustment in equity. In cases where the shares are forfeited due to the employee not fulfilling the vesting conditions, the amount previously recognized for these instruments will not be reversed.

Finance income and expenses

Finance income

Finance income consists of interest income, any capital gains on financial assets and gain from fair value changes of financial instruments measured at fair value. Interest income is recognized in accordance with the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments and receipts during the financial instrument's expected term to the recognized net value of the financial asset or liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Dividend income is recognized when the right to receive dividend is established. The result from divestment of a financial instrument is recognized when the risks and rewards that are associated with the ownership of the instrument are transferred to the buyer and the Group no longer has control of the instrument. Finance income is recognized in the period to which it is attributable.

Finance expense

Finance expense consists primarily of interest expenses on liabilities, which are calculated based on application of the effective interest method, interest expenses on lease liabilities, loss from fair value changes of financial instruments measured at fair value. Finance expenses are recognized in the period to which they are attributable.

Foreign exchange gains and losses are recognized gross.

Income taxes

Income tax consists of current tax and deferred tax. Income taxes are recognized in the statement of profit or loss, except when the underlying transaction is recognized in other comprehensive income or in equity, in which case the associated tax effect is also recognized in other comprehensive income or in equity.

Current tax is tax to be paid or refunded relating to the current year, with the application of the tax rates enacted, or substantively enacted, by the end of the reporting period. Current tax also includes adjustments of current tax attributable to prior periods.

Deferred income tax is recognized in its entirety, according to the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Temporary differences are not considered in the recognition of goodwill or in the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit. Nor are temporary differences attributable to shares in subsidiaries that are not expected to be reversed in the foreseeable future considered. The measurement of deferred tax is based on how, and in which jurisdiction, the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and tax laws that have been enacted or announced by the reporting date and which are expected to apply in that jurisdiction when the deferred tax asset is realized or when the deferred tax liability is settled.

Deferred tax assets on deductible temporary differences and loss carry-forwards are only recognized to the extent that it is probable than they can be utilized. The value of the deferred tax assets is reduced when it is no longer considered probable that they can be utilized. Deferred tax assets and deferred tax liabilities are set off if there is a legal right to set off current tax receivables against current tax liabilities and the deferred tax is attributable to the same company in the Group and the same tax authority.

Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to the equity holders of the parent company by a weighted average of the number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit or loss for the period attributable to the equity holders of the parent company, adjusted where applicable, by the sum of the weighted average number of ordinary shares and potential ordinary shares that may result in dilution. Dilution from potential ordinary shares is only recognized if a conversion to ordinary shares would result in a decrease in earnings per share or an increase in loss per share after dilution.

Goodwill

Goodwill is initially measured according to the principles described under consolidation in this note. Goodwill is recognized at cost less any accumulated impairments. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination. The factors that comprise recognized goodwill are primarily related to synergies, personnel, know-how and customer relationships of strategic importance. Goodwill is considered to have an indefinite useful life and is thereby tested for impairment, when indicated or at an annual basis.

The group is divided into 12 cash-generating units that is consistent with the twelve operative groups THQ Nordic, PLAION, Coffee Stain, Amplifier Game Invest, Saber Interactive, DECA Games, Gearbox Entertainment, Easybrain, Asmodee, Dark Horse, Freemode and Crystal Dynamics – Eidos Montréal.

Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits attributable to the asset will flow to the entity and if the cost can be reliably measured.

Internally generated intangible assets

The Group's development projects are divided into two phases in accordance with IAS 38: the research phase and the development phase. Costs arising in the research phase are expensed as it is incurred and never subsequently capitalized. Cost arising in the development phase are capitalized as intangible assets when, in the opinion of the management, it is probable that they will result in future economic benefits for the Group, the criteria for capitalization have been met and the costs can be reliably measured.

In Embracer, internally generated intangible assets pertain primarily to game development and film rights. The costs that are capitalized in game development projects include costs for direct salaries, consultant fees and other to the project directly attributable costs. The costs that are capitalized for film rights include costs for direct salaries, consultant fees and other to the project directly attributable costs. All other costs that do not meet the criteria for capitalization are expensed in profit or loss as incurred. Completed development projects and internally generated film rights are recognized at cost less accumulated amortization and any accumulated impairments. The cost for completed development projects comprises of all directly attributable costs. Indirect manufacturing costs that constitute a significant part of the total manufacturing cost and amounts to more than an insignificant amount are included in the cost.

Impairment testing is performed annually on internally generated intangible assets under development and if there are indications that the recoverable amount of an internally generated intangible asset under development is lower than the carrying amount. If the carrying amount exceeds the asset's recoverable amount, an impairment is recognized so that the asset's carrying amount matches the recoverable amount.

IP-rights
IP-rights have been acquired in a business combination and refers to rights attributable to the Group's game products, such as a game's software or title. IP-rights are measured at fair value on the acquisition date and subsequently carried at cost less accumulated amortization and any accumulated impairment losses.

Publishing and distribution relationships
Publishing and distribution relationships have been acquired in a business combination and refers to the Group's board game products. Publishing and distribution relationships are measured at fair value on the acquisition date and subsequently carried at cost less accumulated amortization and any accumulated impairment losses.

Film rights
Acquired film rights are measured at fair value on the acquisition date and subsequently carried at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets
Other intangible assets mainly refer to assets that are not classified as above. Other intangible assets are recognized at cost less accumulated amortization and any accumulated impairment losses.

Amortization methods
Completed development projects and film rights are amortized using the declining balance method, i.e. a decreasing expense over the useful life. IP-rights, publishing and distribution relationships and other intangible assets are amortized on a straight-line basis over its estimated useful life. The useful life is reassessed at the end of each reporting period and adjusted as needed. When determining the amortizable amount of the asset, the residual value of the asset is considered where applicable. Intangible assets with a finite useful life are amortized from the date they are available for use.

The estimated useful lives of material intangible assets are as follows:

> Completed game development projects 2 years

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.

> IP-rights 5-10 years
> Publishing and distribution relationships 5-25 years
> Film rights 0-5 years
> Other intangible assets 5 years

Property, plant and equipment
Property, plant and equipment are recognized as an asset in the statement of financial position if it is probable that future economic benefits will flow to the entity and the cost of the asset can be reliably measured. Property, plant and equipment are recognized in the Group at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

The carrying amount of an asset is derecognized from the statement of financial position when it is disposed or divested or when no future economic benefits are expected from the use or disposal of the asset. Gains or losses from the sale or disposal of an asset consist of the difference between the sales price and the asset's carrying amount less direct selling expenses. Gains and losses are recognized as other operating income/expense.

Additional expenditures are added to the cost of the asset only to the extent that it is probable that the future economic benefits associated with the asset will flow to the Group and the cost can be reliably measured. All other additional expenditures are recognized as an expense in the period in which they arise.

Depreciation methods
Items of property, plant and equipment that consists of parts with different useful lives have been divided into components and the components are depreciated separately over the useful life of each component. For the Group, this mainly applies to buildings where a division is made on, for example, foundation, facade, roof and so on. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset or component.

The estimated useful lives of material items of property, plant and equipment are as follows:

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

The applied depreciation methods, residual values and useful lives are reassessed at the end of each reporting period.

Leases
At contract inception, the Group determined whether the contract is or contains a lease based on the substance of the agreement. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets
The Group recognizes right-of-use assets in the statement of financial position at the commencement date of the lease (i.e., the date on which the underlying asset is made available for use). Right-of-use assets are measured at cost less accumulated depreciation and any impairment losses and adjusted for remeasurements of the lease liability. The cost of right-of use assets includes the initial amount recognized for the attributable lease liability, initial direct costs, and any prepaid payments on or before the commencement date of the lease less any incentives received. Provided that Embracer is not reasonably certain that the ownership of the underlying asset will be assumed upon expiration of the lease, the right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful life.

Lease liabilities
At the commencement date of a lease, the Group recognizes a lease liability corresponding to the present value of the lease payments to be made over the lease term. The lease term is defined as the non-cancellable period together with periods covered by an option to extend or terminate the lease if the Group is reasonably certain to exercise such options. The lease payments include fixed payments (less any incentives receivable), variable lease payments that depend on an index or a rate (e.g. a reference interest rate) and amounts that are expected to be paid under residual value guarantees. Additionally, the lease payments include the exercise price of an option to purchase the underlying asset, or termination penalties, if it is reasonably certain that such options will be exercised by the Group. Variable lease payments that do not depend on an index or a rate are recognized as an expense in the period they are incurred.

To calculate the present value of lease payments, the Group uses the implicit interest rate in the contract if it can be readily determined. If the implicit interest rate cannot be readily determined, the incremental borrowing rate as of the commencement date of the lease is used. After the commencement date of a lease, the lease liability is increased to reflect the interest on the lease liability and decreased with lease payments. Additionally, the value of the lease liability is remeasured as a result of modifications, changes to the lease term, changes in lease payments or changes in an assessment of whether to purchase the underlying asset.

Application of practical expedients
The Group applies the practical expedient for short-term leases and leases in which the underlying asset is of low value. Short-term leases are defined as leases that, at the commencement date, have a lease term of 12 months or less after consideration of any options to extend the lease. In the Group, leases in which the underlying asset is of low value comprises of office equipment. Lease payments for short-term leases and leases in which the underlying asset is of low value are expensed on a straight-line basis over the lease term.

Impairment of non-financial assets
The Group conducts an impairment test in the event there are indications that there has been a decrease in the value of tangible or intangible assets, i.e. whenever events or changes in circumstances indicate that the carrying amount is not recoverable. This also applies to right-of-use assets attributable to leases. Moreover, assets with an indefinite useful life, meaning the Group's goodwill as well as intangible assets not yet ready for use are tested for impairment annually by calculating the recoverable amount of the asset regardless of whether there are indications of a decrease in value or not.

Impairment is recognized at the amount by which the carrying amount of the asset exceeds its recoverable amount. A recoverable amount comprises of the higher of fair value less costs of disposal and a value in use, which constitutes an internally generated value based on future cash flows. When determining impairment requirements, assets are grouped at the lowest level where cash inflows that are largely independent exist (cash-generating units). When impairment is identified for a cash-generating unit or group of units, the impairment amount is primarily allocated to goodwill. Other assets in the unit, or group of units, are subsequently proportionally impaired. When calculating value in use, future cash flows are discounted at a discount rate that considers risk-free interest and risk related to the specific asset. An impairment is recognized in the statement of profit or loss.

Previously recognized impairment is reversed if the recoverable amount is deemed to exceed the carrying amount. However, there is no reversal of an amount greater than what the carrying amount would have been if impairment had not been recognized in previous periods. Any reversal of impairment is recognized in the statement of profit or loss. Impairment of goodwill is, however, never reversed.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or an equity instrument in another entity. Measurement of the financial instruments depends on how they have been classified.

Recognition and derecognition
Financial assets and liabilities are recognized when the Group becomes a party under the contractual terms of the instrument. Transactions with financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Group. Trade receivables are recognized in the statement of financial position when the Group's right to consideration is unconditional. Liabilities are recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Trade payables are recognized once the invoice has been received.

A financial asset is derecognized from the statement of financial position (fully or partially) when the rights in the contract have been realized or matured, or when the Group no longer has control over it. A financial liability is derecognized from the statement of financial position (fully or partially) when the obligation of the agreement is discharged or otherwise expires. Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to either settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Gains and losses from derecognition from the statement of financial position, as well as from modifications, are recognized in profit or loss. At each reporting date, the entity evaluates the need for impairment relating to expected credit losses for a financial asset or group of financial assets, as well as any other existing credit exposure.

Classification and measurement
Financial assets
Debt instruments: classification of financial instruments that are debt instruments is based on the Group's business model for managing financial assets and the asset's contractual cash flow characteristics. The instruments are classified at:

> Amortized cost,
> Fair value through other comprehensive income, or
> Fair value through profit or loss.

Financial assets are classified at amortized cost if they are held under a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal amount. At initial recognition, financial assets at amortized cost are measured at fair value including transaction costs. After initial recognition, the assets are measured at amortized cost using the effective interest rate method. The assets are subject to impairment for expected credit losses.

Equity instruments are classified at fair value through profit or loss unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to classify them at FVOCI with no subsequent reclassification to profit or loss. The Group holds ownership interests in other entities and current investments that are recognized at fair value through profit or loss.

Financial liabilities
The Group's financial liabilities are classified at amortized cost or at fair value through profit or loss. Financial liabilities recognized at amortized cost are initially measured at fair value including transaction costs. Following initial recognition, they are measured at amortised cost using the effective interest method.

Financial liabilities measured at fair value through profit or loss include the Group's contingent considerations and derivative instruments with negative value. Contingent consideration is remeasured at each reporting date. Changes in the fair value are recognized in the consolidated statement of profit or loss in profit or loss from financial items. Contingent considerations are recognized as current liabilities if they are to be settled within 12 months of the closing date. The Group's contingent considerations are settled through payment of cash or newly issued shares in Embracer Group AB.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the balance-sheet date. Borrowing costs are recognised in the statement of profit or loss in the period to which they are attributable. Accrued interest is recognized as part of current borrowing from credit institutions, in the event that settlement of the interest is expected within 12 months from the end of the reporting period.

Fair value is determined as described in Note 5 Financial instruments.

Derivates and hedge accounting

Derivates are measured at fair value. The Group applies hedge accounting in the form of cash flow hedges. The effective portion of changes in the fair value of a derivative instrument that has been identified as a cash flow hedge and that fulfils the qualifying criteria for hedge accounting is recognized in other comprehensive income and accumulated in the cash flow hedge reserve in equity. Gains or losses relating to the ineffective part of hedges are recognized immediately in the consolidated statement of profit or loss as financial income or financial expenses. The accumulated amount recognized in equity is reclassified to the consolidated statement of profit or loss in the same periods during which the hedged item affects profit or loss. The Group uses interest rate swaps to hedge loans with floating interest rates and foreign exchange forward contracts to hedge parts of future cash flows from forecasted transactions in foreign currencies. When a hedging instrument expires or is sold or when the hedge no longer no longer fulfils the qualifying criteria for hedge accounting, accumulated gains or losses remain in equity. These are immediately recognized in the statement of profit or loss at the same time as the hedged transaction is eventually recognized in the consolidated statement of profit or loss. If a hedged transaction is no longer expected to occur, the accumulated gain or loss in equity is immediately reclassified to profit or loss.

Information on the fair value of derivative instruments can be found in Note 5 Financial instruments.

Impairment of financial assets

Financial assets, except for assets classified at fair value through profit or loss, or equity instruments that are measured at fair value through other comprehensive income, are subject to impairment for expected credit losses. The method for impairment for expected credit losses also applies to contract assets deriving from IFRS 15. Impairment for credit losses in accordance with IFRS 9 is forward-looking, and a loss allowance is recognized when there is an exposure to credit risk, normally at the initial recognition of an asset or receivable. Expected credit losses reflect the present value of all deficits in the cash flow related to default events, either for the following 12 months or for the expected remaining term of the financial instrument, depending on the type of asset and on its credit risk deterioration since initial recognition.

The simplified approach is applied for trade receivables and contract assets. In the simplified approach, a loss allowance is recognized for the expected remaining term of the receivable or asset.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is calculated using the weighted average cost formula and includes all costs of purchase for the inventories and transport of the inventories to their present location and condition. The net realizable value is defined as the sales price less selling expenses.

Cash and cash equivalents

Cash and cash equivalents consist of cash, immediately available balances with banks and equivalent institutions and current investments. Current investments are classified as cash and cash equivalents when they have a maturity date within three months from the date of acquisition, can easily be converted into cash at a known amount and are exposed to an insignificant risk of changes in value. Cash and cash equivalents are subject to the loss provision requirements for expected credit losses.

Equity

All the company's shares are ordinary shares. The share capital consists of shares in Class A and shares in Class B. Each class A share entitles the holder to ten votes and each Class B shares entitles the holder to one vote at general meetings. The share capital is recognized at its quota value, and the excess portion is recognized as other contributed capital. Transaction costs that can be directly attributed to the issuance of new shares are recognized, net of tax, in equity as a deduction from the proceeds of the issue.

Provisions

A provision can be distinguished from other liabilities as there is an uncertainty about the timing or amount required to settle the provision. A provision is recognized in the statement of financial position when the entity has an existing legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of when a payment is made is material, provisions are calculated by discounting the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the liability. Provisions are reassessed at the end of each reporting period.

Contingent liabilities

A contingent liability is recognized when there is a possible commitment arising from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity, or when there is a present obligation that is not recognized as a liability because it is not probable that an outflow of resources will be required or because the amount of the obligation cannot be reliably estimated.

Government grants

Government grants are recognized at fair value when there is reasonable assurance that the grant will be received, and that the Group will comply with the related conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, which means that the grant is accrued over the asset's useful life in the form of lower deprecation. Grants related to profit or loss are systematically allocated to profit or loss in the same way and over the same periods as the costs the grant is intended to compensate for. Grants attributable to profit or loss are recognized as an other operating income.

Cash flow

The statement of cash flow has been prepared using the indirect method. This means that profit or loss are adjusted for non-cash transactions as well as revenue or expenses attributable to investing or financing activities.

NOTE 10 PERSONNEL EXPENSES

SEK m	Jul-Sep 2022	Jul-Sep 2021	Jul-Sep 2020	Apr-Sep 2022	Apr-Sep 2021	Apr-Sep 2020	Apr 2021-Mar 2022	Apr 2020-Mar 2021
Personnel expenses	–2,264	–926	–399	–4,132	–1,794	–778	–4,356	–1,842
Personnel costs related to acquisitions - Excluding FX gain/loss	–964	–1,082	–62	–2,035	–2,055	–86	–4,247	–180
Total	**–3,228**	**–2,008**	**–461**	**–6,168**	**–3,849**	**–864**	**–8,602**	**–2,021**

NOTE 11 OTHER OPERATING EXPENSES

SEK m	Jul-Sep 2022	Jul-Sep 2021	Jul-Sep 2020	Apr-Sep 2022	Apr-Sep 2021	Apr-Sep 2020	Apr 2021-Mar 2022	Apr 2020-Mar 2021
Other operating expenses	30	–24	–2	2	–29	–26	–20	–46
Transaction costs related to acquisitions	–81	–52	–14	–152	–119	–85	–367	–150
FX gain/loss related to Personnel costs related to acquisitions	23	–5	-	–12	–5	-	–60	–1
Total	**–28**	**–82**	**–16**	**–162**	**–154**	**–111**	**–447**	**–197**

NOTE 12 NET FINANCIAL ITEMS

SEK m	Jul-Sep 2022	Jul-Sep 2021	Jul-Sep 2020	Apr-Sep 2022	Apr-Sep 2021	Apr-Sep 2020	Apr 2021-Mar 2022	Apr 2020-Mar 2021
Interest income and other financial income	8	1	10	13	1	11	4	57
Interest expense and other financial expense	–119	–17	–14	–191	–33	–25	–99	–42
Sum	**–111**	**–16**	**–4**	**–178**	**–32**	**–14**	**–95**	**15**
Change in fair value contingent consideration and put/call options on non-controlling interests	1,268	2,001	–1,019	1,203	2,270	–1,976	2,498	–4,349
Exchange rate gains/losses	1,006	67	90	1,676	16	61	382	232
Total financial net	**2,162**	**2,052**	**–932**	**2,700**	**2,253**	**–1,929**	**2,785**	**–4,102**

Exchange gains/losses net include both realized and unrealized gains or losses. Change in fair value of contingent consideration and put/call options on non-controlling interests consists of interest expense and fair value change related to fluctuations in Embracer share price. Change in fair value contingent consideration and put/call options on non-controlling interests is mainly related to the decrease in Embracer share price during the quarter.

NOTE 13 SIGNIFICANT EVENTS AFTER THE QUARTER

- The German film publishing subsidiary of the PLAION Group, has entered into an agreement to acquire 100 percent of the shares of Anime Ltd. from its founders. The company is based in Glasgow, UK, and is specialized in the marketing and distribution of Japanese animation, music and merchandise in the UK and France.
- Asmodee announced the acquisition of VR Group a leading wholesale distributor of gaming products in Australia, New Zealand and the UK. The acquisition will help Asmodee expand its mass market distribution of tabletop games, trading cards, and collectibles in these territories. VR Group was founded 2014 and employs 46 people across its active territories.
- *Risk of Rain,* a critically and commercially successful video game franchise, was purchased by Gearbox Entertainment Company from Hopoo Games. *Risk of Rain* now joins Gearbox's portfolio of owned games that includes acclaimed franchises such as *Borderlands, Brothers in Arms, Homeworld,* and more.

PARENT COMPANY'S INCOME STATEMENT

Amounts in SEK m	Jul–Sep 2022	Jul–Sep 2021	Jul–Sep 2020	Apr–Sep 2022	Apr–Sep 2021	Apr–Sep 2020	Apr 2021–Mar 2022	Apr 2020–Mar 2021
Net sales	11	106	253	29	313	443	527	796
Other operating income	13	-	-	19	-	-	-	-
Total operating income	**24**	**106**	**253**	**48**	**313**	**443**	**527**	**796**
Operating expenses								
Other external expenses	–27	–13	–7	–56	–30	–16	–92	–36
Personnel expenses	–19	–10	–5	–36	–18	–10	–49	–22
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-	–69	–134	–1	–156	–218	–264	–417
Other operating expenses	–5	–4	4	–5	–9	–10	–9	–21
Operating profit	**–27**	**10**	**111**	**–50**	**100**	**189**	**113**	**300**
Net financial items	859	205	–362	1,471	48	–396	571	–349
Profit after financial items	**832**	**215**	**–251**	**1,421**	**148**	**–207**	**684**	**–49**
Appropriations	4	–100	-	–95	–100	-	–307	230
Profit before tax	**836**	**115**	**–251**	**1,326**	**48**	**–207**	**377**	**181**
Income tax	–138	–14	52	–242	–2	42	–48	–40
Net profit for the period	**698**	**101**	**–199**	**1,084**	**46**	**–165**	**329**	**141**

PARENT COMPANY BALANCE SHEET

Amounts in SEK m	Sep 30, 2022	Sep 30, 2021	Sep 30, 2020	Mar 31, 2022	Mar 31, 2021	April 1, 2020
ASSETS						
Fixed assets						
Intangible assets	**4**	**258**	**435**	**153**	**409**	**394**
Tangible assets	**6**	**4**	**6**	**5**	**4**	**2**
Shares in Group companies	38,799	5,565	3,771	29,426	5,446	2,547
Receivables from Group companies	28,591	5,641	5,286	32,098	5,458	267
Other financial assets	74	58	52	66	52	-
Deferred tax assets	-	22	-	1	22	-
Total financial assets	**67,464**	**11,286**	**9,109**	**61,591**	**10,978**	**2,814**
Total fixed assets	**67,474**	**11,548**	**9,550**	**61,749**	**11,391**	**3,210**
Current assets						
Receivables from Group companies	5,681	17,878	1,775	1,899	2,723	896
Other receivables	82	50	28	37	109	28
Current tax assets	-	37	-	54	22	3
Total current receivables	**5,763**	**17,965**	**1,803**	**1,990**	**2,854**	**927**
Current investments	-	196	195	-	195	193
Cash and bank balances	4,168	6,209	1,818	1,483	12,198	1,762
Total current assets	**9,931**	**24,370**	**3,816**	**3,473**	**15,247**	**2,882**
TOTAL ASSETS	**77,405**	**35,918**	**13,366**	**65,222**	**26,638**	**6,092**
EQUITY AND LIABILITIES						
Restricted equity	2	294	242	74	242	242
Unrestricted equity	59,025	35,213	11,649	46,835	25,804	5,333
Total equity	**59,027**	**35,507**	**11,891**	**46,909**	**26,046**	**5,575**
Untaxed reserves	**104**	**117**	**141**	**104**	**117**	**141**
Provisions	**259**	**223**	**4**	**231**	**221**	**4**
Non-current liabilities	**17,028**	**-**	**1,118**	**5,962**	**205**	**222**
Overdraft facilities	-	30	175	11,812	23	138
Trade payables	13	18	9	95	12	5
Other current liabilities	974	23	28	109	14	7
Total current liabilities	**987**	**71**	**212**	**12,016**	**49**	**150**
TOTAL EQUITY AND LIABILITIES	**77,405**	**35,918**	**13,366**	**65,222**	**26,638**	**6,092**

NOTE P1 PARENT COMPANY'S TRANSITION TO RFR 2

The Parent Company has previously applied the Swedish Annual Accounts Act and BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3) in the preparation of financial statements. As of this financial report, as a result of the Group's transition to IFRS, the Parent Company applies the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. The date of the parent company's transition to RFR 2 is April 1, 2020.

The accounting policies included in note P2 have been applied when the interim report is prepared as of September 30, 2022 and for the historical periods presented for the comparative periods.

The effect of the transition to RFR 2 is reported directly against the opening equity. Previously published financial information for the periods 2020-04-01 - 2021-03-31 and 2021-04-01 - 2022-03-31, prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 (K3), has been converted to RFR 2. The following condensed summaries presents the effect of the parent company's transition to RFR 2 on the parent company's income statement and on the parent company's balance sheet. The transition to RFR 2 has had no effect on the parent company's cash flow.

CONDENSED INCOME STATEMENT OF THE PARENT COMPANY FOR THE PERIOD JULY 1, 2021 - SEPTEMBER 30, 2021

Amounts in SEK m	According to previous policies	A. Expected credit losses	According to RFR 2
Total operating income	**106**	**-**	**106**
Other expenses	–92	-	–92
Other operating expenses	–4	-	–4
Total operating expenses	**–96**	**-**	**–96**
Operating profit	**10**		**10**
Financial net	208	–3	205
Profit after financial items	**218**	**–3**	**215**
Appropriations	–100		–100
Profit before tax	**118**	**–3**	**115**
Income tax	–14		–14
Net profit for the period	**104**	**–3**	**101**

CONDENSED INCOME STATEMENT OF THE PARENT COMPANY FOR THE PERIOD JULY 1, 2020 - SEPTEMBER 30, 2020

Amounts in SEK m	According to previous policies	A. Expected credit losses	According to RFR 2
Total operating income	**253**	**-**	**253**
Other expenses	–135	-	–135
Other operating expenses	–7	-	–7
Total operating expenses	**–142**	**-**	**–142**
Operating profit	**111**	**-**	**111**
Financial net	–362	-	–362
Profit after financial items	**–251**	**-**	**–251**
Appropriations	-	-	-
Profit before tax	**–251**	**-**	**–251**
Income tax	52	-	52
Net profit for the period	**–199**	**-**	**–199**

CONDENSED INCOME STATEMENT OF THE PARENT COMPANY FOR THE PERIOD APRIL 1, 2021 - SEPTEMBER 30, 2021

Amounts in SEK m	According to previous policies	A. Expected credit losses	According to RFR 2
Total operating income	**313**	**-**	**313**
Other expenses	–203	-	–203
Other operating expenses	–10	-	–10
Total operating expenses	**–213**	**-**	**–213**
Operating profit	**100**	**-**	**100**
Financial net	59	–11	48
Profit after financial items	**159**	**–11**	**148**
Appropriations	–100		–100
Profit before tax	**59**	**–11**	**48**
Income tax	–2		–2
Net profit for the period	**57**	**–11**	**46**

CONDENSED INCOME STATEMENT OF THE PARENT COMPANY FOR THE PERIOD APRIL 1, 2020 - SEPTEMBER 30, 2020

Amounts in SEK m	According to previous policies	A. Expected credit losses	According to RFR 2
Total operating income	**443**	**-**	**443**
Other expenses	–244	-	–244
Other operating expenses	–10	-	–10
Total operating expenses	**–254**	**-**	**–254**
Operating profit	**189**	**-**	**189**
Financial net	–391	–5	–396
Profit after financial items	**–202**	**–5**	**–207**
Appropriations	-	-	-
Profit before tax	**–202**	**–5**	**–207**
Income tax	42		42
Net profit for the period	**–160**	**–5**	**–165**

CONDENSED BALANCE SHEET OF THE PARENT COMPANY AS OF SEPTEMBER 30, 2021

Amounts in SEK m	According to previous policies	A. Expected credit losses	According to RFR 2
Intangible assets	258	-	258
Property, plant and equipment	4	-	4
Receivables from Group companies	5,641	-	5,641
Other financial assets	5,645	-	5,645
Total non-current assets	**11,548**	**-**	**11,548**
Receivables from Group companies	17,895	–17	17,878
Other current assets	6,492	-	6,492
Total current assets	**24,387**	**–17**	**24,370**
Total assets	**35,935**	**–17**	**35,918**
Equity			
Restricted equity	294	-	294
Unrestricted equity	35,230	–17	35,213
Total equity	**35,524**	**–17**	**35,507**
Provisions	223	-	223
Current liabilities	188	-	188
Total equity and liabilities	**35,935**	**–17**	**35,918**

CONDENSED BALANCE SHEET OF THE PARENT COMPANY AS OF SEPTEMBER 30, 2020

Amounts in SEK m	According to previous policies	A. Expected credit losses	According to RFR 2
Intangible assets	435	-	435
Property, plant and equipment	6	-	6
Receivables from Group companies	5,291	–5	5,286
Other financial assets	3,823	-	3,823
Total non-current assets	**9,555**	**–5**	**9,550**
Receivables from Group companies	1,775	-	1,775
Other current assets	2,041	-	2,041
Total current assets	**3,816**	**-**	**3,816**
Total assets	**13,371**	**–5**	**13,366**
Equity			
Restricted equity	242	-	242
Unrestricted equity	11,654	–5	11,649
Total equity	**11,896**	**–5**	**11,891**
Provisions	4	-	4
Non-current liabilities	1,117	-	1,117
Current liabilities	354	-	354
Total equity and liabilities	**13,371**	**–5**	**13,366**

A. Expected credit losses

In accordance with previously applied accounting policies, Embracer has applied an impairment model for credit losses based on an occurred loss event. In accordance with RFR 2, an entity shall apply a model for expected credit losses that involves recognizing a credit loss when the entity becomes a party to the financial instrument. The application of the expected credit loss model has resulted in increased provisions for credit losses on receivables from group companies. In the income statement, the provision for expected credit losses has resulted in an increase of other operating expenses.

NOTE P2 PARENT COMPANY'S ACCOUNTING POLICIES

The parent company prepares its financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and the recommendation issued by the Financial Reporting Board RFR 2 "Accounting for legal entities". The parent company applies the same accounting policies as the Group with the exceptions and additions specified in RFR 2. This means that IFRS is applied with the exceptions listed below. Unless otherwise indicated, the accounting policies stated below for the parent company have been applied consistently to all periods presented in the parent company's financial statements.

Leases

The guidance on accounting for lease agreements in accordance with IFRS 16 are not applied in the parent company. This means that lease payments are expensed linearly over the lease term and right-of-use assets and lease liabilities are not included in the parent company's balance sheet. However, identification of a lease agreement is made in accordance with IFRS 16, i.e. than an agreement is, or contains a lease if the agreement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Revenue from investments in subsidiaries

Dividends are recognized when the right to receive payment is considered certain. Revenue from divestment of subsidiaries is recognized when control of the subsidiary has been transferred to the acquirer.

Taxes

In the parent company, deferred tax liabilities attributable to untaxed reserves are recognized gross in the balance sheet. The appropriations are recognized gross in the income statement.

Shares in subsidiaries

Shares in subsidiaries are recognized in the parent company in accordance with the cost method. This means that transaction costs are included in the carrying amount of the investment. In cases where the carrying amount exceeds the subsidiaries' consolidated value, an impairment is made that is recognized in the income statement. An impairment assessment is performed at the end of each reporting period. If a previous impairment loss is no longer justified, it is reversed.

Assumptions are made about future conditions to calculate future cash flows that determine the recoverable amount. The recoverable amount is compared to the carrying amount for these assets and forms the basis for any impairments or reversals. The assumptions that affect the recoverable amount the most are future earnings development, discount rate and useful life. If future external factors and conditions change, assumptions may be affected so that the carrying amounts of the parent company's assets change.

Group contributions and shareholder contributions

The parent company recognize both received and paid group contributions as appropriations in accordance with the alternative method in RFR 2. Shareholder contributions paid by the parent company are recognized as an increase of shares and participations in the parent company. Shareholder contributions received are recognized as an increase of non-restricted equity.

Financial instruments

The parent company applies the exemption to not apply IFRS 9 Financial Instruments in the legal entity. Instead, the parent company applies, in accordance with the Swedish Annual Accounts Act, the cost method. In the parent company, non-current financial assets are thus measured at cost and current financial assets are measured at the lower of cost or net realizable value. The parent company does, however, apply the expected credit loss method (ECL) in accordance with IFRS 9 for financial assets that are debt instruments. Contingent considerations are measured at the amount that the parent company deems would need to be paid if it was settled at the end of the reporting period.

The parent company applies the exemption to not measure financial guarantee contracts for the benefit of subsidiaries, associates and joint ventures in accordance with IFRS 9. Instead, the parent company applies the policies for measurement in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Impairment of financial assets

Financial assets, including intra-group receivables, are subject to impairment for expected credit losses. For receivables from Group companies and other items subject of expected credit losses, an impairment method with three stages is applied in accordance with IFRS 9. The parent company applies a rating-based method for assessment of expected credit losses based on the probability of default, expected loss given default and exposure at default. The parent company assesses that the subsidiaries currently have similar risk profiles and assessment is made on a collective basis. The assessment has been based on the Embracer Group's credit risk, which has been adjusted to reflect the subsidiaries' assessed credit risk. The company has assessed that there is no significant increase of credit risk as of the end of the reporting period for any receivable.

Expected credit losses for cash and cash equivalents have not been recognized, as the amount has been deemed insignificant.

Development fund

Expenditures for game development is capitalized as intangible assets in the parent company in line with the Group's accounting policies. In the parent company, an amount corresponding to the development expenditures capitalized is transferred from non-restricted equity to a reserve for development expenditures within restricted equity.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES (APMs)

In accordance with the guidelines from ESMA (European Securities and Markets Authority), regarding the disclosure of alternative performance measures, the definition and reconciliation of Embracer's alternative performance measures are presented below. The guidelines entail increased disclosures regarding the financial measures that are not defined by IFRS. The performance measures presented below are reported in the interim report. They are used for internal control and follow-up. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies. One important part of Embracer´s strategy is to pursue inorganic growth opportunities through acquisitions. Thereby expanding the ecosystem to include more entrepreneurs within the gaming and entertainment markets. An acquisitive strategy is associated with certain complexity in terms of accounting for business combinations. The board and management of Embracer believes that it is important to separate the operational performance of the business from the acquisition part. Certain APM´s are used to accomplish and give internal and external stakeholders the best picture of the underlying operational performance of the business, by the measurement of performance excluding specific items related to historical acquisitions. The individual APMs, definitions, purpose are described more in detail below.

Name	Definition	Reason for Use
Adjusted Earnings per share	Net profit for the period excluding specific items related to historical acquisitions net of tax, change in fair value contingent consideration and put/call options on non-controlling interests net of tax and Interest expense contingent consideration net of tax divided by the average number of shares in the period. Net taxes are calculated using the effective tax rate.	Shows earnings per share after adjustments to specific items attributable to historical acquisitions.
Adjusted Earnings per share after full dilution	Net profit for the period excluding specific items related to historical acquisitions net of tax, change in fair value contingent consideration net of tax and Interest expense contingent consideration and put/call options on non-controlling interests net of tax divided by the average number of shares after full dilution in the period. Net taxes are calculated using the effective tax rate.	Shows earnings per share after adjustments to specific items attributable to historical acquisitions with regard for full dilution.
Adjusted EBIT	EBIT excluding specific items related to historical acquisitions.	Adjusted EBIT in order to provide a true and fair picture of the underlying operational performance, by excluding Specific items related to historical acquisitions.
Adjusted EBIT margin	Adjusted EBIT as a percentage of net sales.	
Adjusted EBITDA	EBITDA excluding specific items related to historical acquisitions.	Provides the best picture of the underlying entity's performance by measuring performance excluding specific items related to historical acquisitions.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales.	
Average number of shares	Weighted average number of shares that are outstanding during the period. Number of shares have been recalculated with respect to split of shares.	
Average number of shares after full dilution	Weighted average number of ordinary shares and potential ordinary shares. Number of shares have been recalculated with respect to split of shares.	
EBIT margin	EBIT as a percentage of net sales.	
EBITDA	Earnings before interest, taxes, depreciation and amortization.	EBITDA and EBITDA margin are reported because these are metrics commonly used by investors, financial analysts and other stakeholders to measure the Company's financial results.

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Name	Definition	Reason for Use
EBITDA margin	EBITDA as a percentage of net sales.	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.
Gross margin	Net sales less goods for resale divided by net sales.	Measuring the profitability from the net sales of products and services.
Net Debt (–) / Net Cash (+)	The company's cash and short-term investments decreased with the company's short- and long-term interest-bearing liabilities excluding leasing liabilities according to IFRS16, pension provisions, contingent consideration and put/call on non-controlling interest.	The metric is commonly used by investors, financial analysts and other stakeholders to measure the debt compared to its liquid assets. This metric is also used in calculating the Company's financial leverage.
Net investment in acquired companies	Acquisition of subsidiaries, net of cash acquired plus cash impact from specific items related to historical acquisitions, plus acquisition of IP:s through asset deal structures.	A measure of cash flow allocated to inorganic growth opportunities in the reporting period.
Net sales growth	Net sales growth for the current period compared to the same period previous year.	Net sales growth is reported by the Company because it regards this KPI as contributing to investor understanding of the Company's historical progress.
Organic growth	Growth 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.	Growth measure for companies that has been part of Embracer Group for more than one year excluding effects of differences in exchange rates.
Pro forma growth	Growth between periods where net sales from companies acquired in the last five quarters have been added historically. The comparison period is adjusted for differences in exchange rates.	Growth measure for all companies that are a part of Embracer Group as per reporting date regardless of when the company became a part of Embracer Group excluding effects of differences in exchange rates.
Specific items related to historical acquisitions	Specific income/expenses related to historical acquisitions consist of personnel cost related to acquisitions (In connection with certain business combinations an agreement has been entered into relating to contingent consideration that is not classified as part of the transferred purchase consideration as there is a requirement for continued employment to receive the amount), amortization of surplus values of acquired intangible assets (e.g. IP-rights, publishing rights, brand name), transaction costs (Costs for legal-, financial-, tax- and commercial due diligence for completed transactions.), remeasurement of participation in associated companies and remeasurement of contingent consideration.	Input used to calculate Adjusted EBITDA and Adjusted EBIT.

ALTERNATIVE PERFORMANCE MEASURES

ADJUSTED EBIT AND ADJUSTED EBITDA - DERIVATION Amounts in SEK m	Jul–Sep 2022	Jul–Sep 2021	Apr–Sep 2022	Apr–Sep 2021	Apr 2021–Mar 2022
EBIT	**461**	**44**	**63**	**99**	**–1,126**
Depreciation, amortization and impairment	1,565	505	2,665	984	2,793
EBITDA	**2,026**	**549**	**2,728**	**1,083**	**1,667**
Personnel costs related to acquisitions	941	1,087	2,048	2,059	4,277
Remeasurement of participation in associated companies	0	–417	0	–417	–416
Remeasurement of contingent consideration >1 year	8	27	–4	27	46
Transaction costs	81	52	152	119	367
Adjusted EBITDA	**3,056**	**1,299**	**4,923**	**2,872**	**5,942**
Depreciation, amortization and impairment	–1,565	–505	–2,665	–984	–2,793
Amortization of surplus values of acquired intangible assets	629	191	1,184	377	1,316
Adjusted EBIT	**2,121**	**986**	**3,442**	**2,265**	**4,465**

ADJUSTED EARNINGS PER SHARE - DERIVATION Amounts in SEK m	Jul–Sep 2022	Jul–Sep 2021	Apr–Sep 2022	Apr–Sep 2021	Apr 2021–Mar 2022
Net profit for the period attributable to equity holders of the parent	**2,369**	**1,989**	**2,202**	**2,049**	**976**
Adjustments					
Personnel costs related to acquisitions	941	1,088	2,048	2,059	4,277
Remeasurement of participation in associated companies	0	–417	0	–417	–416
Remeasurement of contingent consideration >1 year	8	28	–4	28	46
Transaction costs	81	52	152	119	367
Amortization of surplus values of acquired intangible assets	629	191	1,184	377	1,316
Change in fair value contingent consideration and put/call options on non-controlling interests	–1,327	–2,008	–1,322	–2,296	–2,565
Interest expense contingent consideration	59	9	120	29	66
Tax effects on adjustments	–155	27	–290	–27	–276
Total	**2,606**	**960**	**4,089**	**1,922**	**3,792**
Average number of shares, million	1,231	1,008	1,187	999	1,031
Adjusted Earnings per share, SEK	**2.12**	**0.95**	**3.45**	**1.92**	**3.69**
Average number of shares after full dilution, million	1,338	1,060	1,294	1,051	1,086
Adjusted Earnings per share after full dilution, SEK	**1.95**	**0.91**	**3.16**	**1.83**	**3.50**

ORGANIC GROWTH - DERIVATION Amounts in SEK m	Jul–Sep 2022	Jul–Sep 2021	Change
Reported net sales	**9,569**	**3,305**	**190 %**
Net sales from acquired companies [1]	–4,702	–161	
Difference in exchange rate		449	
Organic growth output	**4,867**	**3,593**	**35 %**

PROFORMA GROWTH - DERIVATION Amounts in SEK m	Jul–Sep 2022	Jul–Sep 2021	Change
Reported net sales	**9,569**	**3,305**	**190 %**
Net sales from acquired companies [2]	636	4,412	
Difference in exchange rate		910	
Proforma growth output	**10,205**	**8,627**	**18 %**

[1] *Net sales from companies acquired in the last five quarters have been excluded.*
[2] *Net sales from acquired companies in the last five quarters have been added.*

DEFINITIONS, QUARTERLY INFORMATION

Accumulated number of additional operative groups	Number of closed acquisitions of new operative groups.
Accumulated number of additional companies added	Number of closed acquisitions which are not new operative groups.
Clawback shares	Shares of the company issued to sellers at completion of acquisitions of companies or assets. Clawback shares are part of the earnout consideration to sellers of companies or assets. Clawback shares are held by sellers, either in escrow accounts or on regular accounts, with an agreed right for the company to receive the shares back, at no consideration, if specific earnout targets are not met. Clawback shares are kept by the sellers if earnout targets are met.
Completed games	Total book value of finished game development projects (released games) upon submission of completion. Upon completion the released games are reclassified from On-going Game Development Projects to Finished Games and amortization starts.
DAU	Average daily active users in the period.
Digital product	Product sold/transferred through digital/electronic channels.
Digital sales	Sales and transfer of products, physical and digital, through digital/electronic channels.
External game developers	Game developers engaged in game development projects by studios that are not owned by the group (external studios).
External Studios	Studios not owned by the group engaged in game development project financed by the Group.
Game development projects	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.
Internal employees, non-development	Employees not directly engaged in game development (both employees and contractors).
Internal game developers	Game developers (both employees and contractors) engaged in game development projects by studios that are owned by the group (internal studios).
Internal Studios	Studios owned by the group.
MAU	Average monthly active users in the period.
Net sales split – PC/Console segment	
Owned titles	Net sales of game titles that are owned IP:s or titles that are controlled by the group.
Publishing titles	Net sales of game titles of IP:s the group does not own or control.
New releases	Net sales of game titles that are released in the current quarter.
Back catalog	Net sales of game titles that are not released in the current quarter.
Max cash consideration	The maximum potential consideration to be paid in cash including upfront consideration and earnout consideration. The earnout consideration is based on the maximum potential consideration and is calculated based on the terms and FX-rates stated in each individual agreement.
Max share consideration	The maximum potential consideration to be paid in Embracer B-shares including upfront consideration and earnout consideration. The earnout consideration is based on the maximum potential consideration and is calculated based on the terms, FX-rates and Embracer VWAP20 Share Price stated in each individual agreement.
Max total consideration	The sum of the max cash and share consideration. Note that the total max consideration might deviate from the total consideration used in the Purchase Price Analysis following movements in FX-rates and Embracer Share price between the signing and closing date as well as if the expected achievement of the individual earnout targets deviate from the maximum scenario. The Max total consideration includes contingent consideration in cash and shares that is classified as remuneration for future services and not part of the transferred consideration in the PPA according to IFRS 2 and IAS 19.
Number of IP:s	Number of IP:s owned by the group.
Physical product	Product sold/transferred through physical channels.
Physical sales	Sales and transfer of products, physical and digital, through physical channels.
Total installs	Total accumulated installs in the period.
UAC (User Acquisition Cost)	Marketing costs in the operating segment Mobile Games.

INFORMATION BY FINANCIAL YEAR AND QUARTER

	2016	2017	2018	2019	2020[1]	2020/21					2021/22					2022/23	
	Full year	Full year	Full year	Full year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Full year	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Full year	Apr-Jun	Jul-Sep
Net sales, SEK m	**302**	**508**	**4,124**	**5,541**	1,339	2,069	2,384	2,154	2,392	**9,000**	3,433	3,305	5,091	5,238	**17,067**	7,118	9,569
Sales growth, Group, YoY %	**42 %**	**68 %**	**713 %**	**34 %**	–18 %	81 %	89 %	43 %	79 %	**71 %**	66 %	39 %	136 %	119 %	**90 %**	107 %	190 %
EBIT, SEK m	**95**	**188**	**403**	**421**	97	502	502	395	658	**2,058**	55	44	–259	–967	**–1,126**	–398	461
EBIT, margin, %	**31 %**	**37 %**	**10 %**	**8 %**	7 %	24 %	21 %	18 %	28 %	**23 %**	2 %	1 %	–5 %	–18 %	**–7 %**	–6 %	5 %
Adjusted EBIT, SEK m	**108**	**202**	**501**	**1,143**	286	715	657	592	896	**2,858**	1,279	986	1,130	1,069	**4,465**	1,322	2,121
Adjusted EBIT, margin, %	**38 %**	**40 %**	**12 %**	**21 %**	21 %	35 %	28 %	27 %	37 %	**32 %**	37 %	30 %	22 %	20 %	**26 %**	19 %	22 %
Adjusted EBITDA, SEK m	-	-	-	-	-	986	951	889	1,190	**4,016**	1,573	1,299	1,542	1,527	**5,942**	1,867	3,056
Adjusted EBITDA, margin, %	-	-	-	-	-	48 %	40 %	41 %	50 %	**45 %**	46 %	39 %	30 %	29 %	**35 %**	26 %	32 %
Basic shares weighted average, million[2]	-	-	-	-	-	673	681	753	771	**719**	877	880	894	968	**905**	1,026	1,071
Diluted shares weighted average[2]	-	-	-	-	-	673	681	753	771	**719**	883	888	906	984	**921**	1,032	1,078
Average number of shares, million[2]	**367**	**444**	**504**	**606**	624	737	756	838	855	**796**	990	1,008	1,026	1,099	**1,031**	1,157	1,231
Average number of shares after full dilution, million[2]	**367**	**444**	**504**	**606**	624	737	756	840	859	**798**	1,042	1,060	1,079	1,162	**1,086**	1,256	1,338
Basic earnings per share, SEK	**0.20**	**0.31**	**0.58**	**0.43**	0.21	–0.87	–0.68	–0.90	–1.02	**–3.49**	0.07	2.26	–1.38	0.17	**1.08**	–0.16	2.21
Diluted earnings per share, SEK	**–**	**–**	**–**	**–**	0.21	–0.87	–0.68	–0.90	–1.02	**–3.49**	0.07	2.24	–1.38	0.16	**1.06**	–0.16	2.20
Adjusted Earnings per share, SEK[2]	**0.23**	**0.34**	**0.75**	**1.41**	0.49	0.74	0.91	0.52	0.98	**3.15**	0.97	0.95	0.96	0.81	**3.69**	1.28	2.12
Adjusted Earnings per share after full dilution, SEK	**0.23**	**0.34**	**0.75**	**1.41**	0.49	0.74	0.91	0.51	0.97	**3.14**	0.92	0.91	0.91	0.76	**3.50**	1.18	1.95
Cash flow from operating activities, SEK m	**99**	**179**	**579**	**174**	766	676	798	827	1,525	**3,825**	582	1,009	1,048	1,628	**4,266**	347	580
Organic growth, YoY, %	-	-	-	-	-	34 %	83 %	26 %	61 %	-	11 %	–24 %	34 %	–18 %	-	–12 %	35 %
Gross Margin, %	**61 %**	**71 %**	**39 %**	**52 %**	50 %	63 %	57 %	60 %	60 %	**60 %**	76 %	76 %	66 %	73 %	**72 %**	65 %	66 %
Specific items related to historical acquisitions																	
Amortization of surplus values of acquired intangible assets	**–13**	**–14**	**–99**	**–722**	–189	–117	–120	–128	–146	**–510**	–185	–191	–233	–706	**–1,316**	–555	–629
Transaction costs, SEK m	-	-	-	-	-	–71	–14	–34	–31	**–150**	–67	–52	–43	–205	**–367**	–70	–81
Personnel costs related to acquisitions	-	-	-	-	-	–24	–62	–34	–61	**–181**	–972	–1,087	–1,113	–1,105	**–4,277**	–1,107	–941
Remeasurement of participation in associated companies, SEK m	-	-	-	-	-	0	41	0	0	**41**	0	417	0	–1	**416**	0	0
Remeasurement of contingent consideration >1 year, SEK m	-	-	-	-	-	0	0	0	0	**0**	0	–27	0	–19	**–46**	12	–8
Total	**–13**	**–14**	**–99**	**–722**	**–189**	**–212**	**–154**	**–196**	**–237**	**–801**	**–1,224**	**–942**	**–1,389**	**–2,036**	**–5,591**	**–1,720**	**–1,660**
Investments																	
External game development and advances, SEK m	**98**	**212**	**528**	**732**	193	209	172	150	166	**697**	301	323	329	280	**1,233**	248	408
Internal capitalized development, SEK m	**36**	**80**	**359**	**645**	224	248	273	372	398	**1,291**	469	558	596	670	**2,293**	866	1,097
Sub-total - Investment in Game development , all segments	**134**	**292**	**887**	**1,377**	**417**	**457**	**445**	**522**	**564**	**1,988**	**770**	**881**	**925**	**950**	**3,526**	**1,114**	**1,505**
Other intangible assets/IP-rights, SEK m	**23**	**15**	**123**	**138**	48	41	39	35	36	**151**	58	35	44	53	**190**	90	67
Total	**157**	**306**	**1,010**	**1,515**	**465**	**498**	**484**	**557**	**600**	**2,139**	**828**	**916**	**969**	**1,003**	**3,716**	**1,204**	**1,572**
Completed games																	
Completed games, all segments, SEK m	-	**176**	**383**	**644**	165	253	311	156	117	**837**	298	281	377	262	**1,218**	545	1,916
Other KPIs																	
Game development projects, all segments																	
Announced Game Dev projects	-	-	-	-	43	52	53	61	53	-	56	67	67	64	-	55	61
Unannounced Game Dev projects	-	-	-	-	60	73	82	89	107	-	124	130	149	159	-	167	176
Total	-	-	-	-	**103**	**125**	**135**	**150**	**160**	-	**180**	**197**	**216**	**223**	-	**222**	**237**
Headcount																	
Total internal game developers	-	-	-	-	1,359	2,076	2,551	3,673	4,036	-	5,107	6,141	6,473	7,240	-	8,025	9,380
Total external game developers	-	-	-	-	1,006	1,109	1,042	963	1,079	-	1,280	1,329	1,351	1,346	-	1,411	1,519
Total internal employees, non-development	-	-	-	-	744	790	851	1,094	1,210	-	1,499	1,594	1,700	4,174	-	4,441	4,832
Total	-	-	-	-	**3,109**	**3,975**	**4,445**	**5,730**	**6,325**	-	**7,886**	**9,064**	**9,524**	**12,760**	-	**13,877**	**15,731**
Number of studios																	
Total number External Studios	-	-	-	-	58	55	56	57	66	-	67	69	66	63	-	63	60
Total number Internal Studios	-	-	-	-	26	33	46	56	60	-	69	82	88	118	-	120	132
Total	-	-	-	-	**84**	**88**	**102**	**113**	**126**	-	**136**	**151**	**154**	**181**	-	**183**	**192**
IP-rights	-	-	-	-	**160**	**174**	**195**	**208**	**225**	-	**247**	**262**	**271**	**815**	-	**816**	**827**
Business combinations KPIs																	
Acc. Additional operative groups	**0**	**0**	**2**	**3**	3	4	5	5	5	-	7	7	7	9	-	9	10
Acc. Additional companies added	**1**	**4**	**6**	**15**	15	18	26	39	40	-	45	57	64	70	-	72	77
Acc. Total	**1**	**4**	**8**	**18**	18	22	31	44	45	-	52	64	71	79	-	81	87
Acc. Max cash consideration, SEK m	**0**	**82**	**1,598**	**3,422**	3,422	5,487	6,736	9,476	9,477	-	18,619	22,952	23,706	50,359	-	51,222	56,360
Acc. Max share consideration, SEK m	**0**	**10**	**649**	**1,010**	1,010	4,248	6,215	7,471	7,484	-	20,595	22,142	22,206	30,103	-	30,754	31,936
Acc. Max total consideration, SEK m	**0**	**92**	**2,247**	**4,432**	4,432	9,735	12,950	16,948	16,962	-	39,214	45,095	45,911	80,462	-	81,976	88,296

[1] *Periods prior to April-June 2020/2021 are presented according to previous accounting standards and are not recalculated according to IFRS*

[2] *Number of shares for previous periods have been adjusted and recalculated with respect to the 3:1 split carried out on October 8, 2019, and the 2:1 split carried out on September 30, 2021.*

Embracer Group is a global Group of creative and entrepreneurial businesses in PC, console, mobile and board games and other related media. The Group has an extensive catalog of over 850 owned or controlled franchises. With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its twelve operative groups: THQ Nordic, PLAION, Coffee Stain, Amplifier Game Invest, Saber Interactive, DECA Games, Gearbox Entertainment, Easybrain, Asmodee, Dark Horse, Freemode and Crystal Dynamics – Eidos Montréal. The Group has 132 internal game development studios and is engaging more than 15,700 employees in more than 40 countries.

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