

EMBRACER⁺ GROUP

20/21

INTERIM REPORT 3

OCTOBER–DECEMBER 2020
EMBRACER GROUP AB (PUBL)
REG NO. 556582-6558

OPERATIONAL EBIT INCREASED 100% TO SEK 603 MILLION

THIRD QUARTER, OCTOBER–DECEMBER 2020 (COMPARED TO OCTOBER–DECEMBER 2019)

- > Net sales increased by 44% to SEK 2,168.1 million (1,508.5). Net sales of the Games business area increased by 62% to SEK 1,355.6 million (835.7). THQ Nordic SEK 379.8 million (333.0), Deep Silver SEK 496.9 million (466.6), Coffee Stain SEK 99.2 million (36.1), Saber Interactive SEK 307.0 million (-) and DECA Games SEK 72.7 million (-).
- > Net sales of Partner Publishing/Film business area increased by 21% to SEK 812.5 million (672.9).
- > EBITDA increased by 70% to SEK 878.7 million (518.4), corresponding to an EBITDA margin of 41%.
- > Operational EBIT increased by 100% to SEK 603.1 million (302.1) corresponding to an Operational EBIT margin of 28% (20%).
- > Cash flow from operating activities amounted to SEK 840.4 million (239.5). Investments in intangible assets amounted to SEK -557.7 million (-419.0). Free Cash Flow amounted to SEK 309.1 million (-207.3).
- > Adjusted earnings per share was SEK 1.06 (0.68).
- > Organic growth in constant currency for the Games Business Area amounted to 21% in the quarter.
- > Total game development projects increased 56% to 150 (96). Total headcount increased 93% to 5,730 (2,970) where total game developers increased 92% to 4,325 (2,258).

Key performance indicators, Group	Oct–Dec 2020	Oct–Dec 2019	Apr–Dec 2020	Apr–Dec 2019	Apr 2019– Mar 2020
Net sales, SEK m	2,168.1	1,508.5	6,620.0	3,910.3	5,249.4
EBITDA, SEK m	878.7	518.4	2,812.9	1,326.1	1,821.3
Operational EBIT, SEK m	603.1	302.1	1,967.6	747.0	1,033.0
Cash flow from operating activities, SEK m	840.4	239.5	2,377.2	962.6	1,728.3
Free cash flow, SEK m	309.1	-207.3	824.4	-275.8	-0.1
Total investments in intangible assets, SEK m	558	419	1,540	1,189	1,653
Total game development projects	150	96	150	96	103
Total internal and external game developers	4,325	2,258	4,325	2,258	2,365
Total headcount	5,730	2,970	5,730	2,970	3,109
Sales growth, %	44	9	69	12	3
EBITDA margin, %	41	34	42	34	35
Operational EBIT margin, %	28	20	30	19	20

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

CEO COMMENTS**STRONG ORGANIC GROWTH
EXPECTED COMING YEARS****– The Company prepares for the next decades
as public company by deciding on IFRS conversion
and process to list on regulated market**

We are pleased to announce another stable quarter driven particularly by our back catalogue's strong performance. Net sales increased by 44% to SEK 2,168.1 million (1,508.5) whereof the Games business area contributed SEK 1,355.6 million (835.7) driven by 21% organic CCY growth (YTD CCY 54%). The proforma CCY growth in the quarter is estimated to 33%. Operational EBIT grew by 100% to SEK 603.1 million (302.1).

As our operative groups are growing, we have continued to strengthen the parent company and implemented structured processes and management in order to ambitiously build Embracer Group for the next decades.

I am glad to announce that the Board of Directors has decided to convert to the reporting standard IFRS and thereby start the process towards being listed on a regulated market. The Board of Directors has already decided to establish an Audit Committee and a Remuneration Committee to be effective immediately. We estimate the process to become listed on a regulated market will take 18-36 months.

To constantly invest for long-term organic growth is a key strategic pillar across our operative groups. Reinvesting our underlying cashflow into scaling up existing studios, setting up new studios and making more great games. In the past quarter, investments in ongoing game development were a record SEK 523 million corresponding to more than three times the value of completed (released) games. Despite these growth investments, our free cash flow reached SEK 309 million (-207) during the quarter and on a trailing 12 month-period it is exceeding SEK 1 billion.

Our quality first approach means that we give the developers the required time or resources to release a quality product. Over time, we believe this approach in general makes the most sense for all stakeholders – the fans and gamers, developers and employees, our business partners and the shareholders. On May 25, long-awaited Biomutant from our internal studio Experiment 101 will be released by THQ Nordic on multiple platforms. We are well aware that it has been quite a delay, but we are confident that it has been delayed for the right reasons. To give some idea of our processes, during the current year we have decided to move more than ten releases into the next financial year, mainly due to our quality first approach.

Looking ahead, we now expect the next financial year ending March 2022 to become the strongest in our history driven by numerous significant releases towards the second half of the year. In total, we expect to complete more than 70 premium game development projects with a total completion value in the range SEK 2,500-3,000 million, according to management estimates at the time of this report. This excludes any additions from the announced transactions on February 3 with Gearbox, Aspyr and EasyBrain. Consequently, we now expect Q4, the current quarter ending March, to have lower activity in terms of new releases. The value of completed (released) games in Q4 is estimated to be in the range of SEK 120 - 140 million and between SEK 840 - 860 million for the fiscal year.

During the current quarter, I am humbled to see the gamers' reception of the Early Access release on Steam of *Valheim*. The game is inspired by Viking culture, developed by our external partner Iron Gate and published by Coffee Stain. At the publication of this report, the game has already sold close to 3 million copies. The commercial impact follows Coffee Stain's typical partnership with external developers, including a minority ownership in the studio.

The M&A market is more vivid than ever and the number of entrepreneurs and creators wanting to join our group keeps growing. Across the group, we are having more dialogues than ever. Our ambition is to continue growing the number of mergers and acquisitions, as our ecosystem expands with additional operative groups where transactions are initiated and made. In my belief, a key factor to our success is that entrepreneurs who become part of Embracer maintain their creative and operative freedom while they can go faster and boost their growth by being docked into our growing eco-system and available resources.

Embracer just got started, and will over the coming decades continue the same strategy we started years ago. We are a truly independent platform for entrepreneurs and currently only represent around 1 percent of the global video games industry. Our competitors and industry peers are generally significantly larger companies.

Retaining and attracting the best talents are our most important mission to grow our group in the future. We are actively recruiting across most of our studios and grew headcount organically by 20% in 2020. A couple of weeks ago, we announced three transformative transactions when welcoming The Gearbox Entertainment Company, Easybrain and Aspyr Media to the Embracer family. After the closing of the announced deals, Embracer Group will maintain a strong balance sheet with a financial net cash position and approximately SEK 10 billion in cash and available funds to support further M&A.

I am grateful to see the willingness and engagement in maintaining our global group's business, despite the still on-going covid-19 pandemic. The working from home situation is challenging in many ways. It's a new challenge for our management to address and to find new creative solutions to handle the very best way possible to keep a work-life balance and prevent ambient stress. I want to sincerely thank each and every one for all the efforts that keep our business going, during the seemingly never-ending-pandemic. I am looking forward to when this is over, and we all can see each other again.

To conclude, I would like to send my thanks to all our colleagues, customers, business partners, and shareholders for contributing to our growing family's prosperity and success.

February 18, 2021, Karlstad, Värmland, Sweden

Lars Wingefors
Co-founder & CEO



FINANCIAL PERFORMANCE

All comments refer to the quarter unless otherwise stated.

CONSOLIDATED NET SALES

Consolidated net sales by business area, SEK m	Oct-Dec 2020	Oct-Dec 2019	Change	Apr-Dec 2020	Apr-Dec 2019	Change
Games - THQ Nordic	379.8	333.0	14%	1,434.5	847.7	69%
Games - Deep Silver	496.9	466.6	6%	1,616.4	1,281.7	26%
Games - Coffee Stain	99.2	36.1	175%	401.5	163.6	145%
Games - Saber Interactive	307.0	-		915.2	-	
Games - DECA Games	72.7	-		105.5	-	
Games Subtotal	1,355.6	835.7	62%	4,473.1	2,293.0	95%
Partner Publishing/Film	812.5	672.9	21%	2,146.9	1,617.2	33%
Consolidated Net Sales	2,168.1	1,508.5	44%	6,620.0	3,910.3	69%

Consolidated net sales in the quarter increased by 44% or SEK 659.6 million compared to last year. The performance was supported by a continued strong interest in titles released in previous quarters, and long-lasting top sellers from previous financial years.

All business areas contributed to the growth, of which the recently acquired companies Saber Interactive contributed SEK 307.0 million and DECA Games with SEK 72.7 million. THQ Nordic, Coffee Stain and Deep Silver showed growth over last year, mainly driven by solid back catalogue sales. Organic growth in constant currency for the Games Business Area amounted to 21% in the quarter. The slowdown in organic growth compared to recent quarters is explained by a lower contribution from new releases, as the value of finalized game development was only SEK 156 million in the quarter.

The growth in Partner Publishing/Film business area is mainly driven by larger releases in the quarter compared to last year.

CONSOLIDATED EXPENSES

Operating expenses, SEK m	Oct-Dec 2020	Oct-Dec 2019	Apr-Dec 2020	Apr-Dec 2019	Apr 2019-Mar 2020
Goods for resale	-861.3	-746.7	-2,655.3	-1,909.8	-2,576.0
Other external expenses	-409.2	-231.4	-1,061.1	-600.7	-784.0
Personnel expenses	-488.4	-305.0	-1,265.9	-786.4	-1,130.0
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-939.5	-427.4	-2,481.1	-1,077.3	-1,475.9
Total operating expenses	-2,698.5	-1,710.5	-7,463.5	-4,374.2	-5,965.9

Consolidated expenses has increased due to a number of additional acquisitions and general growth of underlying business. Goods for resale mainly includes cost of replication, license fees and royalties. Growth in goods for resale was relatively low compared to growth in net sales, resulting in an increased gross margin of 60% (51%). The improved gross margin is mainly due to a favorable product mix shift towards business area Games coupled with a higher gross margin within business area Games. Gross margin improvement in business area Games is mainly driven by the addition of Saber which has a high proportion of royalty income.

The year-over-year increase in other external expenses and personnel expenses is primarily explained by acquisitions made versus corresponding quarter last year and increased internal investments in the Group's gaming portfolio of SEK 151.6 million. The net increase excluding capitalized game development amounts to SEK 209.6 million and is driven by increased overhead to manage the growing games portfolio as well as increased general & administration expenses to further strengthen the Group's corporate capabilities.



CONSOLIDATED DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization, SEK m	Oct–Dec 2020	Oct–Dec 2019	Apr–Dec 2020	Apr–Dec 2019	Apr 2019– Mar 2020
Intangible assets					
Game development	–200.0	–133.0	–613.3	–439.1	–587.1
Other intangible assets (Film etc.)	–65.3	–76.1	–163.1	–119.1	–171.8
Sub-total	–265.3	–209.1	–776.4	–558.2	–758.9
<i>Acquisition-related depreciation</i>					
IP-rights	–117.9	–122.8	–324.3	–292.5	–359.4
Surplus value Partner Publishing/Film	–10.0	–10.8	–40.4	–31.0	–43.1
Goodwill	–536.0	–77.5	–1,312.5	–174.6	–285.1
Sub-total	–663.9	–211.1	–1,677.2	–498.2	–687.6
Total intangible assets	–929.2	–420.2	–2,453.6	–1,056.4	–1,446.5
Tangible assets	–10.3	–7.2	–27.5	–20.9	–29.4
Total depreciation and amortization	–939.5	–427.4	–2,481.1	–1,077.3	–1,475.9

The increased amortization of games is mainly explained by the higher value of finalized game development during April-December 2020 versus last year. The increase in acquisition related depreciations over last year in the quarter is primarily explained by that more acquisitions were completed during the year where the acquisition of Saber Interactive accounts for the largest portion.

Depreciation and amortization principles

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

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

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

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

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

CONSOLIDATED EARNINGS

The increase of the Group's EBITDA, from SEK 518.4 million to SEK 878.7 million, and Operational EBIT, from SEK 302.1 million to SEK 603.1 million, for the quarter is mainly explained by the increase in net sales and improved gross margin compared to the same period last year.

The increase in Operational EBIT fell through to EBIT but was offset by increased acquisition-related amortizations of SEK 663.9 million. EBIT decreased, from SEK 91.0 million to SEK –60.8 million, in the quarter.

The sale of a minority share resulted in a capital gain in the quarter of SEK 32.0 million and is reported as part of Profit from participation in associated companies within EBIT. EBIT was also affected by an operational FX loss of SEK 25.6 million relating to the revaluation of current operational assets and liabilities.

CONSOLIDATED CASH FLOW AND FINANCIAL POSITION

SEK m	Oct–Dec 2020	Oct–Dec 2019
EBITDA	878.7	518.4
Cash Taxes paid	–70.4	3.3
Other non cash flow items	38.7	30.3
Change in working capital	–6.6	–312.5
Cash Flow from operating activities	840.4	239.5
Net investment in intangible assets	–557.7	–419.0
Net investment in tangible assets	–23.6	–8.8
Net investment in financial assets	50.0	–19.0
Free Cash Flow	309.1	–207.3
Cash flow from financing activities	5,404.2	229.3
Net investment in acquired companies	–2,308.2	–88.2
Cash flow for the period	3,405.1	–66.2

Investments in intangible fixed assets is related to capitalized expenditure for ongoing game development of SEK –522.7 million, film rights SEK –24.2 million and other SEK –10.7 million. Investments in financial assets is positive SEK +50.0 million due to cash received from a sold minority share. Cash flow from financing activities is mainly related to the completed directed share issue in the quarter.

SEK m	Dec 31, 2020	Sep 30, 2020
Cash and cash equivalents	6,919.1	3,579.1
Unutilized Credit Facility	5,557.9	1,086.8
Available cash and unutilized credit facilities	12,477.0	4,665.9
Net Cash	4,901.0	1,281.3

CONDITIONAL PURCHASE PRICE OVERVIEW

As of 31 December 2020 the Group had provisions of 1,016.9 MSEK for earnouts with expected settlement according to the table below.

Provisions for conditional purchase price, SEK m	Financial year when settlement is expected				Total
	21/22	22/23	23/24	>24/25	
Provisions to be settled in cash	25.9	152.4	106.0	644.4	928.7
Provisions to be settled by shares ¹⁾	0.9	0.9	0.9	85.5	88.2
Total	26.8	153.3	106.9	729.9	1,016.9

¹⁾ The present value of the additional purchase prices has been calculated based on expected outcome. The provisions will vary over time depending on, among other things, the degree of fulfillment of the conditions for the additional purchase prices, the development of certain exchange rates versus the Swedish krona, the level of interest rate and the development of Embracer's share price. This means that the number of shares to be paid as additional purchase price can vary but never exceed 769,505 according to the earnout agreements. If all shares are issued, the dilution in capital will amount to 0.2% and 0.0% of the voting rights as of December 31, 2020.

Out of the 423.2 million shares outstanding there are approximately 54.3 million shares with clawback rights as per 31 December 2020. These shares have already been issued to cover for future earnout obligations.



INTANGIBLE ASSETS

The Group had intangible assets of SEK 14,686.2 million at the end of the quarter, compared to SEK 13,768.2 million at the end of the previous quarter, September 30, 2020, distributed as follows:

Intangible assets – Specification, SEK m	Dec 31, 2020	Dec 31, 2019	Sep 30, 2020	Mar 31, 2020
Completed games	551.8	409.7	604.8	438.6
Ongoing game development projects	2,794.6	1,748.8	2,427.7	2,117.7
Other intangible assets (film etc.)	182.9	250.2	212.2	250.1
Intangible assets	3,529.3	2,408.7	3,244.7	2,806.4
IP-rights	1,368.6	1,920.0	1,463.2	1,479.8
Surplus value Partner Publishing/Film	147.2	192.1	167.5	173.0
Goodwill	9,641.1	1,112.2	8,892.8	1,411.7
Acquisition related intangible assets	11,156.9	3,224.3	10,523.5	3,064.5
Total	14,686.2	5,633.0	13,768.2	5,870.9

PRELIMINARY PURCHASE PRICE ALLOCATION

During the quarter Embracer closed the following acquisitions; Silent Games, Coffe Stain North, Nimble Giants Studios, 34 BigThings, Purple Lamps, Flying Wild Hogs, Mad Head Games, Snapshot Games, Quantic Lab and Sandbox Strategies. The acquired companies have been included into Embracer's consolidated financial reporting from each respective closing date. A summary of the preliminary purchase price allocations is provided below:

	SEK m
On-going game development	134
Finished game development	4
IP-rights/Trademarks	0
Other intangible assets	2
Total intangible assets	140
Total financial assets	27
Total tangible assets	27
Net working capital	-44
Cash and cash equivalents	104
Provisions	-1
Other long term liabilities	-55
Total net assets acquired excluding surplus value	198
Goodwill	1,910
Surplus – value IP	0
Surplus – film	0
Minority	-1
Deferred tax liabilities	0
Total surplus value net of taxes	1,909
Total net assets acquired	2,107
Acquired cash	-104
Shares issued	-362
Earnout	-314
Transactions with minority	91
Other	0
Net cash outflow on acquisition of business	1,418
Cash outflow relating to earlier acquisitions	890
Total Net Cash outflow on acquisitions of business	2,308



The above surplus values SEK 1,910 million is the base for the Amortization related to acquisitions closed in the quarter below. The difference between SEK 1,910 million and SEK 1,822 million relates to amortizations in Q3 and currency rates.

Non-operational Depreciations and Amortizations – Forecast

SEK m	Q4 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	Total
Amortization related to acquisitions closed in the quarter	-96	-371	-371	-371	-371	-242	0	-1,822
Amortization related to acquisitions closed previous quarters	-613	-2,367	-2,306	-2,045	-1,759	-265	0	-9,356
Non-operational Depreciations and Amortizations	-708	-2,738	-2,677	-2,416	-2,130	-508	0	-11,178

Forecast Q4 20/21 is based on the average exchange rate during the quarter. Other periods forecast is based on exchange rate as per 31st December 2020. Forecast is based on the purchase price allocations as per 31st December, which contain both preliminary and finalized purchase price allocations. The forecast above excludes IUGO, ATA, Zen, Gearbox, Easybrain and Aspyr, since these were not closed by 31st December.

DEPENDENCY ON FOREIGN EXCHANGE RATES

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

The consolidated equity of the group has been reduced with SEK 1,374.5 million in translation differences from 1 April 2020 to 31 December 2020. The translation differences are mainly related to the revaluation of net assets in subsidiaries to the exchange rate per 31 December 2020.

PARENT COMPANY

The Parent Company's net sales for the quarter were SEK 185.4 million (109.7) and profit before tax was SEK -369.0 million (9.8). The negative outcome is explained by unrealized currency exchange loss on loan to a subsidiary. Profit after tax was SEK -297.9 million (7.7).

Investments in intangible assets in the quarter were SEK 106.3 million (59.5).

Cash and cash equivalents as of December 31, 2020 were SEK 5,421.8 million (1,946.1). The Parent Company's equity at the end of the period was SEK 17,731.3 million (5,570.6).

MARKET DATA

Looking at the overall games market, 2020 was a strong year. The total market had sales of 139.9B USD according to SuperData (a Nielsen company). That represents a 12% increase in comparison with 2019. Premium games grew 28% year-on-year, whilst the free-to-play sector grew 9%. 2020 was largely shaped by the covid-19 pandemic which changed consumers' demand patterns. The pandemic fuelled the games market growth and throughout the year, back-catalogue sales in particular showed a strong performance. Despite the rollout of a vaccine, the games market is not expected to shrink during 2021. Long-term habits formed during lockdown appear to remain, and new (and/or re-engaged players) are staying in the market.

The market shows no signs of slowing down and continues to grow in all segments which is beneficial for the entire Embracer Group. Consoles are in a transitional phase with the launch of the new systems, PlayStation 5 and Xbox Series X/S, which happened in November 2020. The huge demand for the consoles is currently outstripping supply. At the same time, we see continued amazing performances of existing consoles where Nintendo Switch, in particular, is closing in on an installed base of 80 million units. We also see an increased interest in the subscription model with Xbox Game Pass passing, an impressive, 18 million subscribers. Looking at PC, the platform Steam reported that 25 million users were active at the same time in the start of 2021, a new record. And the Virtual Reality (VR) sector was bolstered by the launch of Oculus Quest 2 in October 2020. This helped VR video game revenues for 2020 to increase by 25% year-on-year to 589M USD according to SuperData.

For mobile games there will be some uncertainty to user acquisition and ad monetization with Apple's iOS 14.5 (IDFA) update later this spring. This will have an impact on all app providers operating within the free-to-play sector on Apple's devices who rely on ads for monetization.



HQ
Vienna, Austria 
 INTERNAL HEADCOUNT
683 (460)
 STUDIOS
16 (11)

THQ NORDIC

BUSINESS AREA: GAMES – THQ NORDIC

Business Area: Games – THQ Nordic released the following new products in the quarter October-December 2020:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Aquanox Deep Descent</i>	THQ Nordic	Own	PC	Digital & Physical
<i>Spellforce 3: Fallen God Add-on</i>	THQ Nordic	Own	PC	Digital
<i>Chronos: Before the Ashes</i>	THQ Nordic	Own	PC, PS4, Xbox One, Switch, Stadia	Digital & Physical
<i>Spongebob: Battle for Bikini Bottom Rehydrated</i>	THQ Nordic	External	Stadia	Digital
<i>Destroy all Humans!</i>	THQ Nordic	Own	Stadia	Digital
<i>Monster Jam</i>	THQ Nordic	External	Stadia	Digital
<i>Neighbours back from Hell</i>	HandyGames	Own	PC, PS4, Xbox One, Switch	Digital
<i>Chicken Police - Paint it red</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital
<i>El Hijo - A Wild West Tale</i>	HandyGames	External	PC, Stadia	Digital
<i>Little Big Workshop</i>	HandyGames	Own	Stadia	Digital

Net sales of Business Area: Games - THQ Nordic increased 14% to SEK 379.8 million (333.0) compared to the same period last year.

THQ Nordic had a stable quarter, mainly driven by the back catalogue and evergreen titles like *Wreckfest*, as well as more recent releases including *SpongeBob SquarePants: Battle for Bikini Bottom – Rehydrated* and *Destroy All Humans!*. None of the new releases in the quarter had significant commercial impact.

During the quarter, several significant commercial deals were signed. On the back of the success of previous license releases, new licensing deals will be pursued.

On 18 November, THQ Nordic acquired the 38-people strong Purple Lamp Studios, an independent video game developer specialized in third party IP games based in Vienna, Austria. Purple Lamp has a longstanding partnership with THQ Nordic and has successfully delivered several titles in collaboration, including *SpongeBob SquarePants: Battle for Bikini Bottom – Rehydrated*.

THQ Nordic has continued to strengthen corporate capabilities and has after the quarter done additional recruitments in the finance, accounting and legal team.

After the quarter, the release date for the long awaited game *Biomutant* was announced. The game is developed by the internal studio Experiment 101, based in Stockholm, Sweden and will be published by THQ Nordic May 25.

For the quarter, ending March we expect THQ Nordic to have a slower commercial activity with no notable releases.

THQ NORDIC

STUDIOS


Ashborne Games
(Brno, Czech Republic)


Experiment 101
(Stockholm, Sweden)


**MIRAGE
GAME STUDIOS**
(Karlstad, Sweden)


Pow Wow Entertainment
(Vienna, Austria)


Alkimia Interactive
(Barcelona, Spain)


Grimlore Games
(Munich, Germany)


**NINE
ROCKS
GAMES**
(Bratislava, Slovakia)


Rainbow Studios
(Phoenix, USA)


Black Forest Games
(Offenburg, Germany)


**GUNFIRE
GAMES**
(Austin, USA)


Pieces Interactive
(Skövde, Sweden)


Rainbow Studios
(Montréal, Canada)


BUGBEAR
Bugbear Entertainment
(Helsinki, Finland)


HandyGames
HandyGames
(Giebelstadt, Germany)


PIRANHA
Piranha Bytes
(Essen, Germany)


**PURPLE LAMP
STUDIOS**
Purple Lamp
(Vienna, Austria)

PUBLISHERS


HandyGames
HandyGames
(Giebelstadt, Germany)

THQ NORDIC
THQ Nordic
(Vienna, Austria)

HQ
Skövde, Sweden 

INTERNAL HEADCOUNT

72 (58)

STUDIOS

4 (3)



BUSINESS AREA: GAMES – COFFEE STAIN

Net sales of Business Area: Games – Coffee Stain increased 175% to SEK 99.2 million (36.1) compared to the same period last year.

Coffee Stain had another stable quarter, without any major releases or updates in the quarter. The back catalogue kept performing well with *Satisfactory* and *Deep Rock Galactic* as the major revenue drivers. *Goat Simulator* continued to contribute during the quarter.

The remaining 40% of Coffee Stain North was acquired in November. Coffee Stain North is a game development studio founded in 2013. The studio, consists of 22 dedicated developers and is based in Stockholm, Sweden. Coffee Stain North has been a longstanding partner of Coffee Stain Studios and a subsidiary since 2018. Coffee Stain North has collaborated on the phenomena *Goat Simulator* and developed the original title *A Story About My Uncle*. The studio is working on an unannounced title since 2017.

After the end of the quarter *Valheim* - a multiplayer survival game inspired by viking culture, was released under Early Access. Developed by the minority owned studio; Iron Gate and published by Coffee Stain. The game has greatly exceeded managements expectation and has sold close to 3 million copies.

STUDIOS



Coffee Stain Studios
(Skövde, Sweden)



Coffee Stain North
(Stockholm, Sweden)



Box Dragon
(Gothenburg, Sweden)



Lavapotion
(Gothenburg, Sweden)

PUBLISHERS



Coffee Stain Publishing
(Stockholm, Sweden)

ASSOCIATED STUDIOS



Iron Gate
(Skövde Sweden)



Ghost Ship Games ApS
(Copenhagen, Denmark)

HQ
Munich, Germany 

INTERNAL HEADCOUNT

1,918* (1,346*)

STUDIOS

10 (5)

*Incl total Koch Media Group
(Deep Silver, Koch Film etc)



BUSINESS AREA: GAMES – DEEP SILVER

Business Area: Games – Deep Silver released the following new products in the quarter October-December 2020:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Let's Sing Queen</i>	Ravencourt	Own	PS4, Xbox One, Switch	Digital & Physical
<i>Let's Sing 2021</i>	Ravencourt	Own	PS4, Switch	Digital & Physical
<i>9 Monkeys of Shaolin</i>	Ravencourt	External	PC, PS4, Xbox One, Switch	Digital & Physical
<i>Maneater</i>	Deep Silver	External	PS5, XSX	Digital
<i>Ride 4</i>	Milestone	Own	PC, PS4, Xbox One, XBX	Digital & Physical
<i>MXGP 2020</i>	Milestone	Own	PC, PS4, Xbox One	Digital & Physical

Net sales of Business Area: Games – Deep Silver increased 6% to SEK 496.9 million (466.6) compared to the same period last year.

Deep Silver had a stable quarter, driven primarily by a strong back catalogue that exceeded management expectations with a solid performance of the evergreen franchises *Metro* and *Saints Row-series* as well as *Maneater*.

Milestone performed in line with management expectations, whereas the main revenue drivers in the quarter being newly released *Ride 4* and *MotoGP20* coupled with a stable back catalogue.

Vertigo Games' gross revenue was up by 40% YoY in third quarter (proforma compared to the calendar Q419) without a major product launch in the period.

During the quarter Koch Media/Deep Silver acquired Flying Wild Hog, the renowned and growing independent Polish developer of AA+ PC and console games such as the critically acclaimed *Shadow Warrior* series. The reputable team of 260+ people across three studios in Poland, adds a solid platform in an important and growing hub for game development in Europe.

STUDIOS



Deep Silver
Dambuster Studios
(Nottingham, U.K)



Milestone
(Milan, Italy)



Voxler
(Paris, France)



Warhorse Studio
(Prague, Czech Republic)



Deep Silver FishLabs
(Hamburg, Germany)



Deep Silver Volition
(Champaign, USA)



Vertigo Games
(Rotterdam, Netherlands)



Flying Wild Hog
(Warsaw, Poland)
(Krakow, Poland)
(Rzeszów, Poland)

PUBLISHERS



Deep Silver
(Munich & London)



Milestone
(Milan, Italy)



Ravencourt
(Munich, Germany)



Vertigo Games
(Rotterdam, Netherlands)

HQ
 Fort Lauderdale,
 USA 
 INTERNAL HEADCOUNT
 1,380 (-)
 STUDIOS
 13 (-)



BUSINESS AREA: GAMES – SABER INTERACTIVE

Business Area: Games – Saber Interactive released the following new products in the quarter October-December 2020:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Phoenix Point: Year One Edition</i>	Snapshot	Own	PC	Digital

Net sales of Business Area: Games – Saber Interactive were SEK 307.0 million (-) during the quarter. Saber Interactive had a solid quarter, mainly driven by back catalogues sales as the quarter did not include any major release. Both *World War Z* and *Snowrunner* continue to perform well. During the quarter Saber acquired five studios and one PR agency, all announced on November 18. All transactions except from Zen Studios were completed during the quarter.

- **Zen Studios** based in Budapest, Hungary, is a game developer and publisher of interactive entertainment for all major digital game platforms. Zen Studios is the producer behind the well-established *Pinball FX* and *Zen Pinball* franchises. Through the acquisition, Saber onboards a reputable team of 65 developers that has generated original titles alongside collaborations with some of the most well-known entertainment studios. The transaction was completed after the reporting quarter.
- **Snapshot Games**, based in USA and Bulgaria, is the independent video game developer behind premium strategy title *Phoenix Point*. Through the acquisition, Saber brings a reputable studio of 65 people and well renowned IPs into the group.
- **Nimble Giant Entertainment** is the leading Latin American PC and console game developer with a reputable team of 75 people. Nimble Giant Entertainment has produced more than 30 titles over almost 2 decades and several own IP games, with two of the most important titles being *Champions of Regnum* and *Quantum League*. Through the acquisition, Saber onboards a sizable studio with extensive experience within the gaming industry.
- **Mad Head Games**, founded in 2011, based in Belgrade and Novi Sad, Serbia, is an independent game developer led by three founders with a team of 130 people across four offices in Belgrade and Novi Sad.
- **34 Big Things** is a game developer of premium games across PC, console and mobile devices. 34BT is renowned as the studio behind *Redout* which and has won a numerous of international awards. Through the acquisition, Saber onboards an experienced AA team based in Italy.
- **Sandbox Strategies**, based in New York, USA, is a PR and influencer relations agency, specialized in content creation for gaming and entertainment. Through the acquisition, Saber onboards an “earned media” business to collaborate on future innovative gaming content creation across the organization.

Saber has a large number of games under development and new ones being added with the large number of acquisitions.

Saber made another acquisition after the reporting quarter – by welcoming Aspyr Media to their vertical. Aspyr is an independent developer and publisher with more than 24 years experience in finding beloved IPs and connecting them with new audiences on all platforms. Through the acquisition, Saber onboards a team of 140 developers lead by the founders.

Saber Interactive keeps up the recruitment speed. Industry veteran Josh Austin joined during the quarter and is responsible to handle IP licensing/merchandising for Koch Media and Saber Interactive, but also to provide group level assistance where needed.



Snowrunner



STUDIOS



Saber Interactive
(Vila Nova de Gaia, Portugal.
Saint Petersburg, Russia. Alcobendas, Spain.
Sundsvall, Sweden. Minsk, Belarus)



4A Games
(Kiev, Ukraine)
(Silema, Malta)



New World Interactive
(Calgary, Canada)
(Denver, USA)



Nimble Giant Entertainment
(Buenos Aires, Argentina)



Snapshot Games
(Sofia, Bulgaria)



34 Big Things
(Turin, Italy)



Madhead Games
(Novi Sad, Serbia)



Zen Studios
(Budapest, Hungary)
Completed after the quarter.

PUBLISHERS



Saber Interactive
(Vila Nova de Gaia, Portugal.
Saint Petersburg, Russia. Alcobendas, Spain.
Sundsvall, Sweden. Minsk, Belarus.)

HQ
Stockholm, Sweden 

INTERNAL HEADCOUNT

180 (72)

STUDIOS

10 (1)



BUSINESS AREA: GAMES – AMPLIFIER GAME INVEST

Business Area: Games – Amplifier Games Invest released the following new products in the quarter October-December 2020:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Fishing North Atlantic</i>	Misc	Own	PC	Digital

Net sales for Amplifier amounted to SEK 12.6 million in the quarter and is reported within net sales of Business Area: Games – THQ Nordic.

Amplifier Game Invest screens and invests in internationally talented companies in the games industry. The strategy is to give top talented game developers full creative integrity, while offering financial and commercial support. The deal-flow has been good during the quarter. As of today Amplifier upholds 10 internal studios with an ambitious pipeline of game development projects.

Amplifier Game Invest’s majority owned studio Misc Games released their *Fishing North Atlantic*. The launch underperformed compared to management expectations.

After the quarter Tarsier studios game *Little Nightmares 2* was published external publisher and was well received by its audience. Tarsier studios will, from now on, focus on creating new IPs.

During the quarter Amplifier acquired the UK-based studio Silent Games. Founded in 2018, Silent Games is a game development studio based in Newcastle, one of northern England’s foremost hubs for games and creative industries. With strong ties to game education at Teesside University, and a deep connection to the British Game Development community, the founders intend to grow Silent Games from the current team of four persons into a 30-person strong studio over the coming years.

In the quarter Amplifier invested into a new start up studio, Plucky Bytes with its base in Karlstad, run by 3 industry veterans.

Amplifier Game Invest has continued to strengthen the company’s capacity through additional recruitments during and after the quarter.

STUDIOS



Vermila Studios
(Madrid, Spain)



Palindrome Interactive
(Skövde, Sweden)



Tarsier Studios
(Malmö, Sweden)



Destiny Bit
(Ravenna, Italy)



Rare Earth Games
(Vienna, Austria)



Misc Games
(Sandnes, Norway)



C77
(Belleveue, USA)



River End Games
(Gothenburg, Sweden)



Silent Games
(Newcastle, UK)



Plucky Bytes
(Karlstad, Sweden)

HQ
 Berlin, Germany 
 INTERNAL HEADCOUNT
 151 (-)
 STUDIOS
 3 (-)



BUSINESS AREA: GAMES – DECA GAMES

Net sales of Business Area: DECA Games were SEK 72.7 million (-) during the quarter.

DECA Games had a stable first quarter within the Group after joining as the sixth operative group on August 13, 2020. DECA is a growing ecosystem of free-to-play development studios and publishers with a focus on an asset care strategy to mobile and PC free-to-play with live ops games.

During the quarter DECA Games grew through the addition of two quality mobile studios: A Thinking Ape and IUGO Entertainment, both based in Vancouver, Canada. These transactions were by 31 dec 2020 not closed, but are expected to be closed in the fourth quarter. Each of the new studios have one new original IP game in development that is expected to be released during the calendar year 2021. In addition, DECA plans to expand the portfolio by acquiring at least one new IP in the near term and IUGO continues its work for hire business.

Overall, the performance in the third quarter was stable, primarily driven by the acquisition of new products, *DragonVale*, *Almost a Hero*, and *Gods and Glory*. The three new products added to the overall results but performed slightly lower than management expectation.

Realm of the Mad God continued to performed well, while *DragonVale* underperformed in relation to management expectation as new content updates were delayed.

STUDIOS & PUBLISHERS



Deca Games Bulgaria
 (Veliko Tarnovo, Bulgaria)



Deca Games Berlin
 (Berlin, Germany)



Deca Games
 (remote)



IUGO
 (Vancouver, Canada)
 Announced 18 Nov. 2020.
 Not completed transaction.



A THINKING APE
 (Vancouver, Canada)
 Announced 18 Nov. 2020.
 Not completed transaction.



koch films

HQ

Munich, Germany



INTERNAL HEADCOUNT

1,918 (1,359) Film+Koch Media incl.

BUSINESS AREA: PARTNER PUBLISHING/FILM

Net sales in the Partner Publishing/Film business area increased 21% to SEK 812.5 million (672.9) compared to the same period last year and sales were above management expectations.

The Partner Publishing business had multiple revenue drivers in the third quarter such as *Dirt5*, *Yakuza 7*, *Mortal Kombat 11 Ultimate*. Other releases in the quarter included *Puyo Puyo Tetris 2*, *Kingdom Hearts Melody of Memory* and *Chronos: Before the Ashes*.

A strong performance in the end of quarter were assessed to be driven by consumers' demand patterns affected by the covid-19 pandemic. While the lockdown had already significantly impacted the retail landscape in the previous quarter, the current quarter was dominated by recovery and increasing numbers of offline customers in the Partner Publishing business segment.

Looking ahead, current quarter ending March will not include any notable releases with a significant commercial impact. We expect a period with a lower commercial activity. Releases for Q4 FY 20/21 includes *Hitman 3*, *Persona 5 Strikers*, *Balan Wonderworld* and *Surviving the Aftermath*.

The film business overall had a strong quarter above management expectation. Digital sales were at high levels, whereas physical sales suffered from the covid-19 lockdowns. Highlights in the quarter include the successful theatrical event release of *Pantaní*, a new exclusive distribution contract with Paramount, for the territory of Italy, including all new releases, theatrical and catalogue titles and notable TV-agreements with the Italian broadcasters Sky and RAI.

Koch Film's B2C subscription channel, "Aniverse" on Amazon Prime video channels, is continuing to exceed management expectations and the YouTube channel for movie streaming "Moviedome" has after the successful launch reached more than 80 thousands subscribers in the first two months.

Sola Media performed in line with management expectations. Both Dreambuilders and Elf-ins continued to perform well. The pandemic causes slowdown in sales but two new titles have been licensed to North America and the pipeline of new European projects is strong.



HQ

Karlstad, Sweden



INTERNAL HEADCOUNT

13 (13)

Game Outlet, the niche distributor of retro-products and deep back catalogue games, had another stable quarter, mainly driven by strong back catalogue sales. The strong demand for gaming software and peripherals has contributed to this quarter's sales, boosted by the covid-19 pandemic, especially the e-commerce. The physical video game publishers are showing an increasing demand for back catalogue business, and understand its importance more than ever. During the quarter, Game Outlet added additional titles to its already extensive back catalogue.



QUANTIC LAB™ Quality Assurance.

HQ

Cluj-Napoca, Romania



INTERNAL HEADCOUNT

351 (-)

Embracer Group acquired 95 percent of the shares in Quantic Lab SRL during the quarter. Quantic Lab, based in Cluj-Napoca, Romania, is a software outsourcing company specialized in Quality Assurance ("QA"), localization and User Experience for gaming and applications. Quantic Lab was founded in 2006 by Stefan Seicarescu, current CEO, and has since grown, from being a start-up with a small team of 12 persons, into a leading QA company with more than 60 active clients and more than 350 employees in 3 office locations in Romania and 1 office in UK. The first weeks has been focused on the integration and onboarding.

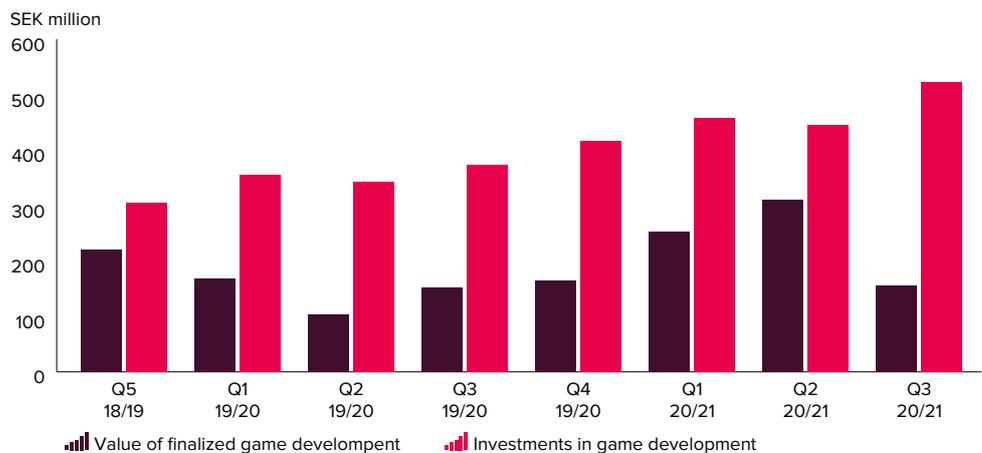
ONGOING DEVELOPMENT AND UPCOMING RELEASES

The Company invested SEK 523 million in its growing ongoing game development pipeline that will be driving growth and profitability in the coming years.

The finalized value of the completed and released games during the quarter were SEK 156 million driven by the releases of *Aquanox Deep Descent*, *Spellforce 3: Fallen God Add-On*, *Comanche*, *MXGP2020* and *Lets Sing 2021*.

VALUE AND INVESTMENTS, GAME DEVELOPMENT

The value of completed (released) games consists of the investments that generated the quarter's revenue from games released during the quarter. The amount decreased in Q3 due to few major launches of owned games in the quarter. At the same time, SEK 523 million was invested in game development, the highest amount ever in a single quarter. These investments lay the foundation for growing revenues from future launches.





RELEASES AFTER THE END OF THE QUARTER

During the period January 1, 2021 until February 18, 2021, the following titles were released:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Spongebob: Battle for Bikini Bottom Rehydrated</i>	HandyGames	License	Mobile	Digital
<i>Titan Quest - Legendary Edition</i>	HandyGames	Own	Mobile	Digital
<i>Gods Will Fall</i>	Deep Silver	External	PC, PS4, Xbox One, Switch	Digital
<i>Redout: Space Assault</i>	34BigThings	Own	PC, PS4, Xbox One, Switch	Digital
<i>Valheim – Early Access</i>	Coffee Stain	External	PC	Digital
<i>Snowrunner Season 3 DLC</i>	External	Own	PS4, Xbox One	Digital
<i>Ride 4</i>	Milestone	Own	PS5	Digital & Physical
<i>MXGP 2020</i>	Milestone	Own	PS5	Digital & Physical

ANNOUNCED RELEASES AS OF FEBRUARY 18, 2021

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Biomutant</i>	THQ Nordic	Own	PC, PS4, Xbox One	Digital & Physical
<i>Monster Jam – Steel Titans 2</i>	THQ Nordic	License	PC, PS4, Xbox One, Switch, Stadia	Digital & Physical
<i>Kingdoms of Amalur – Re-reckoning</i>	THQ Nordic	Own	Switch	Digital & Physical
<i>Kingdoms of Amalur Expansion: Fatesworn</i>	THQ Nordic	Own	PS4, Xbox One, PC	Digital
<i>Gothic - Remake</i>	THQ Nordic	Own	PC, PS5, XBX	Digital & Physical
<i>Knights of Honor II: Sovereign</i>	THQ Nordic	Own	PC	Digital & Physical
<i>Scarf</i>	THQ Nordic	External	PC	Digital
<i>Townsmen VR</i>	HandyGames	Own	PC, PS4	Digital
<i>El Hijo - A Wild West Tale</i>	HandyGames	External	PS4, Xbox One, Switch	Digital
<i>A Rat's Quest</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital
<i>One Hand Clapping</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital
<i>Endling - Extinction is Forever</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital & Physical
<i>Airhead</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital
<i>Pile Up!</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Digital
<i>Midnight Ghost Hunt</i>	Coffee Stain	Shared	PC	Digital
<i>Songs of Conquest</i>	Coffee Stain	Own	PC	Digital
<i>Satisfactory Update 4</i>	Coffee Stain	Own	PC	Digital
<i>DICE Legacy</i>	Deep Silver	Own	PC	Digital
<i>Dead Island 2</i>	Deep Silver	Own	TBC	Digital & Physical
<i>Iron Harvest</i>	Deep Silver	Own	PS4, Xbox One, PS5, XBX	Digital & Physical
<i>Phoenix Point</i>	Deep Silver	Own	PS4, Xbox One	Digital & Physical
<i>Proto Corgi</i>	Ravenscourt	External	PC, Switch	Digital
<i>Chorus</i>	Deep Silver	Own	PC, PS4, PS5, Xbox One, XBX	Digital
<i>Monster Energy Supercross 4</i>	Milestone	Own	PC, PS4, PS5, Xbox One, XBX, Stadia	Digital & Physical
<i>MotoGP21</i>	Milestone	Own	PC, PS4, PS5, Xbox One, XBX, XBS, Switch	Digital & Physical
<i>Evil dead the Game</i>	Saber	License	PS4, PS5, Xbox One, XBX	Digital & Physical
<i>Sandstorm</i>	External	Own	PS4, Xbox One	Digital & Physical

For latest release dates please refer to above mentioned publishers.

SIGNIFICANT EVENTS AFTER THE QUARTER

- > On February 3, Embracer Group announced the following:
 - A merger agreement with US based *The Gearbox Entertainment Company*. Gearbox, based in Frisco, Texas and founded in 1999, has been self-funded by the employees from inception. Founder and CEO Randy Pitchford will continue to lead Gearbox, and will together with the employees of Gearbox become a significant shareholder in Embracer. Gearbox brings highly creative AAA development studios, North American publishing capabilities and a robust IP portfolio, including critically acclaimed and iconic franchises like *Borderlands*, *Brothers in Arms* and *Homeworld*. The day one purchase price amounts to USD 363 million in total, on a cash and debt free basis, of which USD 175 million is paid in newly issued Embracer B shares and the residual in cash. Subject to fulfilment of agreed financial and operational targets in the next six years, an additional consideration of maximum USD 1,015 million may be paid, of which a maximum of USD 360 million in issued Embracer B shares and the residual in cash. To earn the maximum consideration, USD 1,378 million the accumulated Adjusted EBITDA, including expensed development costs, must exceed USD 1,300 million over six years. Post-closing, Gearbox will become a seventh operating group as a wholly own subsidiary of Embracer.
 - The merge with Cyprus-based *Easybrain Limited* in an all-equity transaction for a day one purchase price of USD 640 million on a cash and debt free basis plus a maximum of USD 125 million in additional consideration. Easybrain is a leading mobile game developer with a core focus on advertising-based puzzle and logic games. Easybrain's titles have more than 750 million installs to date and 12 million daily active users across 15 live games. Easybrain's senior management, Peter Skoromnyi, Matvey Timoshenko and Oleg Grushevich, will post-closing, jointly become the third largest shareholder in Embracer. Easybrain will become Embracer's eighth operative group as a wholly owned subsidiary and continue to be led by its existing management.
 - The acquisition of American *Aspyr Media Inc*, through its wholly owned subsidiary Saber Interactive. The sellers are the founders Michael Rogers and Ted Staloch. The day one purchase price amounts to USD 100 million on a cash and debt free basis, where USD 60 million is paid in cash and USD 40 million is paid in newly issued Embracer B shares. An additional consideration of a maximum of USD 350 million may be paid under the agreement subject to certain conditions. Aspyr is an independent developer and publisher with more than 24 years experience in finding beloved IPs and connecting them with new audiences on all platforms. Aspyr with its 140-person strong team will be a stand-alone entity under Saber Interactive.
- > Koch Media, a wholly owned subsidiary of Embracer Group AB, entered the 20th of January into an agreement of conciliation with the European Commission concerning the geo-blocking case, stated in the press release published by THQ Nordic AB (today Embracer Group AB) 2019-04-05. Koch Media's settlement costs are fully covered within the original provision.

IFRS CONVERSION AND REGULATED MARKET

The Board of directors decided on the Board Meeting 17th of February to convert to the reporting standard IFRS and thereby start the process to become listed on a regulated market.

The work will be done through execution of a project, which is centered around three workstreams; Financial Reporting & Principles, Internal Control Process and Corporate Governance structure, with a clear ambition to achieve industry leading efficiency and transparency for each workstream throughout the Embracer Group while maintaining a well-balanced approach to Embracer's decentralized strategy. The workstreams are split in phases with clear milestones. The overall timeline for the process is estimated to between 18 and 36 months where timing is dependent on the pace of training, recruiting, and onboarding of key employees and the need for business support and financial integration of future mergers and acquisitions.

The first set of milestones within the Corporate Governance structure workstream was implemented 17th February with the decision to establish an Audit Committee and a Remuneration Committee, to become effective immediately.

SUSTAINABILITY AND GOVERNANCE

During the quarter, the sustainability focus has been on encouraging more employees to participate and complete the compliance code training, which was first initiated in autumn 2020. By the end of 2020, more than half of our total headcount had completed the training.

The training enables us to ensure awareness across the global group of our shared principles of integrity, quality, and social responsibility and it is essential for us when operating internally and externally with suppliers, customers, and other stakeholders. The annual compliance code training includes all areas of the code, divided into three sections. The first one; conduct in business, covering the following: compliance with law, anti-corruption and bribes, preventing money laundering, respect of trade embargos, integrity in reporting and inside trading, conflicts of interests, utilization and protection of assets and resources, confidential information and representing Embracer Group. Section two reflects the *conduct toward employees and colleagues*. This is essential and stated through sections addressing equal treatment and non-discrimination, human and labor rights, and occupational health and safety. The last part focuses on interaction in society; environment and climate, behavior in public and communications, guidelines for social media, security and data privacy/protection. The training also assures us that our employees understand that if there is a breach of the Code and the concerns are of a sensitive nature or a serious deviation, we encourage them to report through our external whistleblowing service (WhistleB) anonymously.

Profound discussions with HR departments in our operative groups were conducted to clarify needs and opportunities existing within Embracer. The discussions have also touched talent development, employee surveys and how to create even healthier workplaces. The ambassador program was extended with new members who contribute to the ongoing sustainability agenda to improve our identified focus areas. Monthly meetings are held to address all areas of ESG, and initiatives are being shared and started. Our framework, "Smarter business" is underpinning four pillars; Business Sense, Solid Work, Great People and Greener Planet - that help us focus our efforts and work. During the quarter, the ambassadors collaborated in groups divided by the various pillars' focus areas. This commitment has arisen in initiatives and projects, such as recruitment, accessibility, inclusion, data protection, and green offices. The ambassador program consists of representatives from all operative groups with diverse background skills and roles.

A global trade compliance policy was adopted in December and implemented at the beginning of 2021, including training and sessions for management teams in all operative groups as part of the implementation plan.

Our Anti-corruption policy and our compliance code are available at our website embracer.com. The policies apply to all companies and employees in the Embracer Group. The statements also apply to any individual or entity when acting for or on behalf of the Embracer Group, including but not limited to all representatives, agents, subcontractors and third parties.

Onboarding new companies is a continual progression, handled by a team from Embracer Group and external industry-leading advisors. A clear structure of the implementation of global policies and our sustainability framework Smarter Business plays an important role in the process. During the quarter, we initiated the onboarding with the announced acquisitions from November, while previously acquired companies went through their respective new phases in the onboarding. Embracer Group has recruited Martin Hogen as responsible for the onboarding and integration process together with industry-leading advisors.

ANALYSTS FOLLOWING EMBRACER GROUP

AS OF DECEMBER 31, 2020

Company	Name	Phone	Mail
Carnegie	Oscar Erixon	+46 8 58 86 89 73	oscar.erixon@carnegie.se
Berenberg	Benjamin May	+44 20 346 52 667	benjamin.may@berenberg.com
SEB	Mathias Lundberg	+46 8 522 297 94	mathias.lundberg@seb.se
Bernstein	Matti Littunen	+44 207 170 50 09	matti.littunen@bernstein.com
Nordea Markets	Erik Lindholm-Röjestål	+46 101 570 310	erik.lindholm-rojestal@nordea.com
Pareto Securities	Marlon Värnik	-	marlon.varnik@paretosec.com
Handelsbanken	Fredrik Olsson	-	frol16@handelsbanken.se
Redeye	Tomas Otterbeck	-	tomas.otterbeck@redeye.se
ABG Sundal Collier	Jesper Birch-Jensen	+46 8 566 286 13	Jesper.Birch-Jensen@abgsc.se
Citi	Thomas A Singlehurst	+44 20 7986 4051	thomas.singlehurst@citi.com
Kepler Cheuvreux	Hjalmar Ahlberg	+46 708 62 50 79	ahlberg@keplercheuvreux.com
Goldman Sachs	Alexander Duval	-	alexander.duval@gs.com

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

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

THE SHARE

TOP 10 OWNERS, AS OF DECEMBER 31, 2020

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Change from
					Sept. 30, 2020
					Class A and B shares
Lars Wingefors AB	26,130,102	104,705,965	30.94%	50.59%	22,760,470
Matthew Karch and Andrey Iones	6,399,137	35,386,220	9.88%	13.74%	
Swedbank Robur Funds		27,336,119	6.46%	3.78%	1,684,251
Handelsbanken Funds		17,461,672	4.13%	2.41%	-1,127,126
Canada Pension Plan Investment Board (CPP)		12,933,153	3.06%	1.79%	12,933,153
ODIN Funds		11,011,244	2.60%	1.52%	-222,604
AMF Pension & Funds		8,300,000	1.96%	1.15%	3,000,000
Ken Go		7,000,000	1.66%	0.97%	7,000,000
Avanza Pension		5,983,006	1.41%	0.83%	1,710,137
TOTAL TOP 10	32,529,239	236,418,970	63.55%	77.60%	
ALL OTHER SHAREHOLDERS	869,898	153,414,531	36.45%	22.40%	
TOTAL	33,399,137	389,833,501	100.00%	100.00%	

Source: Holdings by Modular Finance.

TOP 20 MANAGEMENT & CO-FOUNDER OWNERS, AS OF DECEMBER 31, 2020

Owner	Co-Founder	Class A shares	Class B shares	Share of capital, %	Share of votes, %
Lars Wingefors AB ¹	Embracer Group	26,130,102	104,705,965	30.91%	50.57%
Matthew Karch and Andrey Iones	Saber Interactive	6,399,137	35,386,220	9.87%	13.73%
Ken Go	Deca Games	0	6,301,591	1.49%	0.87%
Erik Stenberg	Embracer Group	0	4,500,000	1.06%	0.62%
Luisa Bixio	Milestone	0	3,151,969	0.74%	0.44%
Founders	4A Games	0	2,466,070	0.58%	0.34%
Richard Stitselaar and Kimara Rouwit	Vertigo Games	0	1,928,210	0.46%	0.27%
Pelle Lundborg	Embracer Group	869,898	769,649	0.39%	1.31%
Anton Westbergh	Coffee Stain	0	1,206,333	0.29%	0.17%
Klemens Kundratitz	Koch Media	0	1,127,928	0.27%	0.16%
Vincent Van Brummen	Vertigo Games	0	747,851	0.18%	0.10%
Klemens Kreuzer	THQ Nordic	0	559,052	0.13%	0.08%
John Coleman	Vertigo Games	0	406,956	0.10%	0.06%
Stefan Ljungqvist	Experiment 101	0	270,270	0.06%	0.04%
Julian Gollop	Snapshot Games	0	322,317	0.08%	0.04%
David L Adams	Gunfire Games	0	217,719	0.05%	0.03%
David Kaye	Snapshot Games	0	201,227	0.05%	0.03%
Reinhard Pollice	THQ Nordic	0	200,000	0.05%	0.03%
Martin Klima	Warhorse Studios	0	185,730	0.04%	0.03%
Janne Alanenpää	Bugbear Studios	0	181,074	0.04%	0.03%
TOP 20		33,399,137	164,836,131	46.84%	68.92%
ALL OTHER SHAREHOLDERS		0	224,997,370	53.16%	31.08%
TOTAL		33,399,137	389,833,501	100.00%	100.00%

¹ Lars Wingefors et al. For more information, please see: embracer.com/release/embracer-groups-co-founders-complete-consolidation-of-shareholdings/

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



**TOP 50 INSTITUTIONAL OWNERS,
AS OF DECEMBER 31, 2020**

**Change from
Sept. 30, 2020**

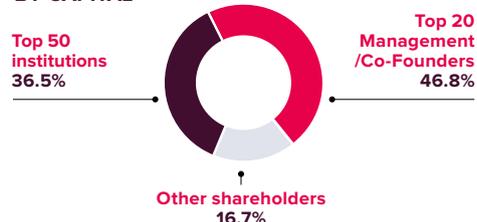
Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Class B shares
Swedbank Robur Funds	27,336,119		6.46%	3.78%	1,684,251
Handelsbanken Funds	17,461,672		4.13%	2.41%	-1,127,126
Canada Pension Plan Investment Board (CPP)	12,933,153		3.06%	1.79%	12,933,153
Didner & Gerge Funds	11,011,244		2.60%	1.52%	-222,604
ODIN Funds	8,300,000		1.96%	1.15%	3,000,000
AMF Pension & Funds	7,000,000		1.66%	0.97%	7,000,000
Avanza Pension	5,983,006		1.41%	0.83%	1,710,137
TIN Funds	5,606,869		1.33%	0.77%	1,550,000
AP1 Första AP-fonden	4,920,256		1.16%	0.68%	-
AP2 Andra AP-fonden	3,679,982		0.87%	0.51%	263,771
Livförsäkringsbolaget Skandia	3,382,339		0.80%	0.47%	168,258
Futur Pension	3,124,257		0.74%	0.43%	367,373
Skandia Funds	2,927,696		0.69%	0.40%	957,846
Janus Henderson Investors	2,918,038		0.69%	0.40%	-8,941
AFA Försäkring	2,890,709		0.68%	0.40%	878,720
BlackRock	2,801,241		0.66%	0.39%	630,405
Martin Larsson (Chalex AB)	2,537,899		0.60%	0.35%	5,000
Danske Invest (Lux)	2,188,000		0.52%	0.30%	-94,000
Nordnet Pensionsförsäkring	1,896,962		0.45%	0.26%	438,416
Länsförsäkringar Funds	1,853,560		0.44%	0.26%	-20,954
DNB Funds	1,649,341		0.39%	0.23%	-206,273
Sensor Funds	1,346,092		0.32%	0.19%	245,000
Naventi Funds	1,228,591		0.29%	0.17%	104,224
Aktia Asset Management	1,160,000		0.27%	0.16%	150,458
Vanguard	1,084,470		0.26%	0.15%	48,962
Global X Management Company LLC	1,078,199		0.25%	0.15%	323,850
Allianz Global Investors	1,059,664		0.25%	0.15%	-93,929
Svenska Handelsbanken AB for PB	975,479		0.23%	0.13%	-6,084
Highclere International Investors LLP	928,088		0.22%	0.13%	-129,169
RAM Rational Asset Management	789,317		0.19%	0.11%	-
Consensus Asset Management	860,000		0.20%	0.12%	150,000
Evli Funds	856,000		0.20%	0.12%	91,000
Fondita Funds	810,000		0.19%	0.11%	-110,000
Schroders	794,172		0.19%	0.11%	-33,828
Amundi	662,001		0.16%	0.09%	-181,013
Knutsson Holdings AB	650,000		0.15%	0.09%	-
Handelsbanken Liv Försäkring AB	629,827		0.15%	0.09%	140,028
Dan Sten Olsson Family and Foundation	600,000		0.14%	0.08%	-3,445,004
Lancelot Asset Management AB	657,002		0.16%	0.09%	57,002
Varma Mutual Pension Insurance Company	600,000		0.14%	0.08%	-75,000
Kuwait Investment Authority	585,000		0.14%	0.08%	-165,000
Carnegie Funds	566,942		0.13%	0.08%	51,942
State Street Global Advisors	564,401		0.13%	0.08%	169,593
UBS Global Asset Management	570,053		0.13%	0.08%	24,579
Van Eck	549,468		0.13%	0.08%	104,876
Nordea Funds (Lux)	479,654		0.11%	0.07%	-48,320
Clients Funds	480,000		0.11%	0.07%	480,000
Northern Trust	508,114		0.12%	0.07%	146,884
Deka Investments	462,638		0.11%	0.06%	24,883
First Trust	462,413		0.11%	0.06%	212,254
TOTAL TOP 50 INSTITUTIONAL OWNERS	0	154,399,928	36.48%	21.33%	
ALL OTHER SHAREHOLDERS	33,399,137	235,433,573	63.52%	78.67%	
TOTAL	33,399,137	389,833,501	100.00%	100.00%	

Source: Holdings by Modular Finance.

**INTERNATIONAL OWNERSHIP
TOP 50 INSTITUTIONAL
BY CAPITAL**



**INSTITUTIONAL OWNERSHIP
VS MANAGEMENT
BY CAPITAL**





INFORMATION ABOUT NASDAQ FIRST NORTH GROWTH MARKET

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

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

RISKS AND UNCERTAINTY FACTORS

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

ACCOUNTING AND VALUATION POLICIES

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

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

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

AUDITOR'S REVIEW

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

FORTHCOMING REPORTS

Full Year Report 2020/2021	20 May, 2021
Interim Report Q1, April-June 2021	18 August, 2021
Annual General Meeting 2020/2021	16 September 2021
Interim Report Q2, July-September 2021	17 November 2021
Interim Report Q3, April-December 2022	17 February 2022

FOR MORE INFORMATION

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

For any questions on this report, please contact:

Lars Wingefors, Co-founder & CEO, lars.wingefors@embracer.com



SIGNATURES AND ASSURANCE

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

Karlstad, Sweden, February 18, 2021

Kicki Wallje-Lund
Chairman of the Board

David Gardner

Ulf Hjalmarsson

Jacob Jonmyren

Matthew Karch

Erik Stenberg

Lars Wingefors
Chief Executive Officer

This Interim Report is information that is mandatory for Embracer Group to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 06:00 CET on February 18, 2021

CONSOLIDATED INCOME STATEMENT

SEK m	Oct–Dec 2020	Oct–Dec 2019	Apr–Dec 2020	Apr–Dec 2019	Apr 2019– Mar 2020
Net sales	2,168.1	1,508.5	6,620.0	3,910.3	5,249.4
Work performed by the Company for its own use and capitalized	372.5	220.9	893.8	528.7	752.8
Other operating income	59.3	72.0	187.9	183.9	305.9
Profit from revaluation of associated companies			41.4		
Total operating income	2,599.9	1,801.4	7,743.1	4,622.9	6,308.1
Operating expenses					
Goods for resale	–861.3	–746.7	–2,655.3	–1,909.8	–2,576.0
Other external expenses	–409.2	–231.4	–1,061.1	–600.7	–784.0
Personnel expenses	–488.4	–305.0	–1,265.9	–786.4	–1,130.0
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	–939.5	–427.4	–2,481.1	–1,077.3	–1,475.9
Total operating expenses	–2,698.5	–1,710.5	–7,463.5	–4,374.2	–5,965.9
Profit from participation in associated companies	37.9		52.2		3.2
Operating profit	–60.8	91.0	331.7	248.8	345.4
<i>Profit from financial items</i>					
Other interest income, etc.	46.0	–15.2	160.4	2.8	94.3
Other interest expenses, etc.	–37.1	0.6	–96.9	–12.1	–30.9
Total financial items	8.9	–14.7	63.5	–9.4	63.4
Profit after financial items	–51.8	76.3	395.3	239.4	408.8
Profit before tax	–51.8	76.3	395.3	239.4	408.8
Current income tax	–59.3	–49.9	–221.9	–109.1	–140.7
Deferred tax	–78.4	7.2	–44.6	20.8	15.2
Net profit for the period	–189.5	33.6	128.8	151.1	283.3
<i>Attributable to:</i>					
Equity holders of the parent	–190.7	34.1	128.4	151.7	284.9
Non-controlling interests	1.2	–0.4	0.4	–0.6	–1.6
Earnings per share, SEK	–0.45	0.11	0.33	0.49	0.91
Average number of outstanding shares, million	419	312	389	310	311

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Dec 31, 2020	Dec 31, 2019	Mar 31, 2020
Intangible assets	14,686.2	5,633.0	5,870.9
Property, plant & equipment	230.0	169.0	184.5
Financial assets	366.5	200.8	251.1
Inventories	279.3	387.1	352.8
Current receivables	1,878.0	1,570.1	1,467.6
Cash and bank balance	6,919.1	2,784.7	2,510.3
Total assets	24,359.1	10,744.7	10,637.2
Share capital	1.2	0.9	0.9
Other capital reserves	19,067.8	5,300.0	5,300.5
Recognized profit including profit for the period	-344.0	876.3	1,093.9
Provisions	1,931.3	1,306.1	1,241.0
Non-current liabilities	267.3	208.7	221.8
Current liabilities	3,435.5	3,052.7	2,779.1
Total liabilities and equity	24,359.1	10,744.7	10,637.2
Interest-bearing receivables amount to	6,919.1	2,784.7	2,510.3
Interest-bearing liabilities amount to	2,041.4	1,946.6	1,490.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Other paid-up capital	Other equity including net profit	Minority interest	Consolidated equity
Amount as of April 1, 2020	0.9	5,300.5	1,068.8	25.1	6,395.3
Translation difference			-1,374.5		-1,374.5
New share issue	0.3	13,785.1			13,785.4
Issue costs ¹⁾		-151.6			-151.6
Tax effect		32.6			32.6
Transaction between owners			-78.5	-12.5	-91.0
Net profit			128.4	0.4	128.8
Amount as of December 31, 2020	1.2	18,966.6	-255.8	13.0	18,725.0

¹⁾ Issue costs constitutes of cost of rights issue SEK -151.6 million and tax effects of the cost SEK 32.6 million.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK m	Oct–Dec 2020	Oct–Dec 2019	Apr–Dec 2020	Apr–Dec 2019	Apr 2019–Mar 2020
Cash flow from operating activities before changes in working capital	847.0	552.0	2,568.8	1,219.6	1,604.2
Change in working capital	-6.6	-312.5	-191.6	-257.0	124.1
Cash flow from operating activities	840.4	239.5	2,377.2	962.6	1,728.3
Cash flow from investing activities					
Net investment in acquired companies	-2,308.2	-88.2	-4,185.9	-891.1	-905.7
Net investment in intangible assets	-557.7	-419.0	-1,536.2	-1,189.0	-1,653.4
Net investment in tangible assets	-23.6	-8.8	-52.6	-28.0	-42.4
Net investment in financial assets	50.0	-19.0	36.0	-21.4	-32.6
Cash flow from financing activities	5,404.2	229.3	7,858.2	1,032.1	473.5
Cash flow for the period	3,405.1	-66.2	4,496.7	-134.8	-432.3
Cash and cash equivalents at beginning of period	3,579.1	2,867.9	2,510.3	2,929.1	2,929.1
Translation difference in cash and cash equivalents	-65.1	-17.0	-87.9	-9.6	13.5
Cash and cash equivalents at end of period	6,919.1	2,784.7	6,919.1	2,784.7	2,510.3

PARENT COMPANY INCOME STATEMENT

SEK m	Oct–Dec 2020	Oct–Dec 2019	Apr–Dec 2020	Apr–Dec 2019	Apr 2019– Mar 2020
Net sales	185.4	109.7	628.1	393.9	495.9
Other operating income	0.0	–1.8	0.0	0.9	11.1
Total operating income	185.4	107.9	628.1	394.9	507.0
Operating expenses					
Other external expenses	–23.5	–7.4	–49.6	–18.1	–64.3
Personnel expenses	–5.3	–4.1	–15.3	–8.1	–12.8
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	–105.4	–76.9	–323.0	–248.1	–333.3
Total operating expenses	–134.2	–88.5	–387.9	–274.2	–410.4
Operating profit	51.2	19.4	240.3	120.6	96.6
Result from financial assets	0.1	–0.2	2.7	4.4	39.7
Interest income, etc.	49.1	–13.3	60.1	14.1	83.0
Interest expenses, etc.	–469.3	3.9	–864.9	–6.5	–21.5
Total financial income/expenses	–420.1	–9.6	–802.1	12.0	101.2
Profit after financial items	–369.0	9.8	–561.9	132.7	197.8
Appropriations	0.0	0.0	0.0	0.0	–60.0
Profit before tax	–369.0	9.8	–561.9	132.7	137.8
Current income tax	0.0	–2.2	0.0	–29.2	–29.7
Deferred tax	71.1	0.0	112.9	0.0	0.0
Net profit for the period	–297.9	7.7	–449.0	103.5	108.1

CONDENSED PARENT COMPANY BALANCE SHEET

SEK m	Dec 31, 2020	Dec 31, 2019	Mar 31, 2020
Intangible assets	436.0	365.4	393.8
Tangible assets	7.5	1.1	1.6
Financial assets	10,442.5	2,774.8	2,813.6
Current receivables	1,936.5	843.3	927.7
Cash and bank balance	5,421.8	1,946.1	1,954.5
Total assets	18,244.3	5,930.7	6,091.2
Equity	17,731.3	5,570.6	5,575.1
Untaxed reserves	140.6	95.6	140.6
Provisions	79.4	3.6	3.6
Long-term liabilities	208.0	208.7	221.7
Current liabilities	84.9	52.2	150.2
Total liabilities and equity	18,244.3	5,930.7	6,091.2

SELECTED KEY PERFORMANCE INDICATORS – GROUP

Financial metrics defined or specified pursuant to Swedish Accounting Standards Board standards (BFNAR)	Oct–Dec 2020	Oct–Dec 2019	Apr–Dec 2020	Apr–Dec 2019	Apr 2019–Mar 2020
Net sales, SEK m	2,168.1	1,508.5	6,620.0	3,910.3	5,249.4
Operating profit, SEK m	–60.8	91.0	331.7	248.8	345.4
Profit before tax, SEK m	–51.8	76.3	395.3	239.4	408.8
Profit after tax, SEK m	–189.5	33.6	128.8	151.5	283.3
Number of shares at end of period, thousands ¹⁾	423,233	312,067	423,233	312,067	312,067
Average number of outstanding shares, thousands ¹⁾	419,150	311,914	388,529	309,800	311,411
Average number of full-time employees in the period	3,587	1,555	2,908	1,494	1,663
Number of employees at the end of the period	4,150	1,679	4,150	1,679	1,873
Alternative key performance indicators not defined or specified pursuant to BFNAR	Oct–Dec 2020	Oct–Dec 2019	Apr–Dec 2020	Apr–Dec 2019	Apr 2019–Mar 2020
Net sales growth, %	44	9	69	12	3
EBITDA, SEK m	878.7	518.4	2,812.9	1,326.1	1,821.3
EBITDA margin, %	41	34	42	34	35
Operational EBIT, SEK m	603.1	302.1	1,967.6	747.0	1,033.0
EBIT, SEK m	–60.8	91.0	331.7	248.8	345.4
EBIT margin, %	–3	6	5	6	7
Equity/assets ratio, %	77	57	77	57	60
Adjusted earnings per share, SEK ¹⁾	1.06	0.68	4.33	1.85	2.81
Earnings per share, SEK ¹⁾	–0.45	0.11	0.33	0.49	0.91
Dividend per share, SEK	0.0	0.0	0.0	0.0	0.0
<i>Derivation of the alternative KPIs, operational EBIT and EBITDA</i>					
EBIT, SEK m	–60.8	91.0	331.7	248.8	345.4
Amortization expenses added back to Operational EBIT					
- Goodwill, SEK m	536.0	77.5	1,312.5	174.7	285.1
- Intellectual property (IP) rights, SEK m	117.9	122.8	324.3	292.5	359.4
- Surplus value of Partner Publishing/Film, SEK m	10.0	10.8	40.4	31.0	43.1
Revaluation of shares in associated companies	0.0	0.0	–41.4	0.0	0.0
Operational EBIT, SEK m	603.1	302.1	1,967.6	747.0	1,033.0
- Other depreciation and amortization expenses, SEK m	275.6	216.3	803.9	579.1	788.3
Revaluation of shares in associated companies	0.0	0.0	41.4	0.0	0.0
EBITDA, SEK m	878.7	518.4	2,812.9	1,326.1	1,821.3

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

DEFINITIONS OF ALTERNATIVE KPI's

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

DEFINITIONS OF KPI'S, GROUP

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

DEFINITIONS, QUARTERLY INFORMATION

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

QUARTERLY INFORMATION BY CALENDAR YEAR

	2017					2018					2019					2020				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year
Consolidated Group																				
Net sales, SEK m	82	86	85	255	508	633	838	1,273	1,381	4,124	1,631	1,142	1,260	1,509	5,541	1,339	2,069	2,383	2,168	7,959
EBITDA, SEK m	42	40	35	156	273	226	207	215	326	974	619	390	418	518	1,945	495	965	969	879	3,308
Operational EBIT, SEK m	35	34	28	106	202	131	70	103	197	501	396	204	241	302	1,143	286	712	653	603	2,254
EBIT, SEK m	32	30	24	102	188	107	53	91	152	403	172	81	76	91	421	97	219	173	-61	428
Profit after tax, SEK m	24	23	19	73	139	81	33	65	114	294	103	53	65	34	254	132	91	228	-190	261
Number of shares (A&B), adjusted, million ¹⁾	216	216	217	238	222	238	241	265	283	252	283	308	310	312	303	312	368	385	423	372
Earnings per share, SEK ¹⁾	0.11	0.11	0.09	0.31	0.63	0.34	0.14	0.25	0.44	1.17	0.37	0.17	0.21	0.11	0.84	0.42	0.26	0.60	-0.45	0.83
Adjusted Earnings per share, SEK ¹⁾	0.12	0.12	0.10	0.33	0.68	0.42	0.19	0.28	0.55	1.50	1.00	0.51	0.65	0.68	2.82	0.97	1.51	1.80	1.06	5.34
Cash flow from operating activities, SEK m	30	22	29	99	179	700	165	-740	455	579	777	441	283	239	1,740	766	732	805	840	3,143
Free cash flow, SEK m	-	-	-	-	-	-	-	-	-	-	47	-116	-207	-	-	276	204	311	309	1,100
Sales growth, Group, YoY, %	90%	62%	9%	99%	68%	673%	878%	1,403%	441%	713%	158%	36%	-1%	9%	34%	-18%	81%	89%	44%	44%
Organic growth, Games, YoY, %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74%	51%	11%	-
Organic growth, CCY, Games, YoY, %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	71%	61%	21%	-
EBITDA, margin, %	51%	46%	41%	61%	54%	36%	25%	17%	24%	24%	38%	34%	33%	34%	35%	37%	47%	41%	41%	42%
Operational EBIT, margin, %	43%	39%	32%	41%	40%	20%	8%	8%	14%	12%	25%	18%	19%	20%	21%	21%	34%	27%	28%	28%
EBIT, margin, %	39%	35%	28%	40%	37%	17%	6%	7%	11%	10%	11%	7%	6%	6%	8%	7%	11%	7%	-3%	5%
Gross Margin (Net sales-COGS), SEK m	57	61	55	186	360	313	372	378	542	1,604	889	614	625	762	2,889	673	1,309	1,349	1,307	4,638
Gross Margin, %	70%	72%	65%	73%	71%	50%	44%	30%	39%	39%	55%	54%	50%	51%	52%	50%	63%	57%	60%	58%
Net sales per business area																				
Games - THQ Nordic, SEK m	82	86	85	255	508	135	146	124	352	756	143	185	330	333	991	307	488	567	380	1,742
Games - Deep Silver, SEK m	-	-	-	-	-	257	338	252	187	1,033	794	373	442	467	2,076	515	613	507	497	2,132
Games - Coffee Stain, SEK m	-	-	-	-	-	-	-	-	14	14	98	83	45	36	261	82	172	130	99	483
Games - Saber, SEK m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	349	259	307	915
Games - DECA Games, SEK m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33	72	105
Games, total	82	86	85	255	508	391	484	376	553	1,803	1,035	641	816	836	3,328	904	1,622	1,495	1,355	5,376
Partner Publishing/Film, SEK m	-	-	-	-	-	242	354	897	828	2,320	596	501	444	673	2,213	436	447	888	813	2,584
Net sales split – Games business area																				
Owned titles, %	67%	76%	74%	82%	77%	34%	39%	50%	72%	50%	84%	80%	78%	79%	80%	70%	74%	66%	65%	69%
Publishing titles, %	33%	24%	26%	18%	23%	66%	61%	50%	28%	50%	16%	20%	22%	21%	20%	30%	26%	34%	35%	31%
Owned titles, SEK m	55	66	63	208	391	134	189	188	396	907	871	510	637	657	2,675	633	1,194	994	875	3,696
Publishing titles, SEK m	27	20	22	47	116	257	295	188	157	897	164	131	179	178	653	270	428	501	480	1,680
New releases sales by each quarter, %	36%	16%	39%	74%	-	63%	20%	31%	58%	-	75%	18%	32%	35%	-	38%	45%	33%	20%	-
Back catalog, %	64%	84%	61%	26%	-	37%	80%	69%	42%	-	25%	82%	68%	65%	-	62%	55%	67%	80%	-
New releases sales by each quarter, SEK m	30	14	34	190	-	246	98	117	321	-	781	118	261	291	-	345	733	488	272	-
Back catalog, SEK m	52	72	51	65	-	145	386	259	232	-	254	524	555	545	-	559	889	1,007	1,083	-
Physical sales, %	49%	31%	44%	60%	50%	62%	50%	48%	59%	55%	39%	29%	26%	31%	32%	22%	26%	24%	21%	23%
Digital sales, %	51%	69%	56%	40%	50%	38%	50%	52%	41%	45%	61%	71%	74%	69%	68%	78%	74%	76%	79%	77%
Physical sales, SEK m	40	27	36	150	253	243	242	179	324	988	407	189	215	259	1,070	195	419	352	289	1,255
Digital sales, SEK m	42	59	49	102	251	148	242	197	229	815	628	452	601	577	2,258	709	1,203	1,143	1,066	4,121
Depreciation and amortization																				
Game development	-6	-6	-7	-43	-62	-59	-109	-80	-93	-341	-192	-162	-144	-133	-631	-148	-191	-222	-200	-761
Other intangible assets (Film etc.)	-	-	-	-	-	-33	-24	-27	-31	-115	-25	-16	-26	-76	-144	-53	-55	-43	-65	-216
Sub-total	-6	-6	-7	-43	-62	-92	-133	-107	-124	-455	-217	-179	-170	-209	-775	-201	-246	-265	-265	-977
<i>Acquisition-related depreciation</i>																				
IP-rights	-3	-3	-4	-4	-14	-11	-7	-9	-8	-33	-166	-69	-101	-123	-458	-67	-102	-104	-118	-391
Surplus value Partner Publishing/Film	-	-	-	-	-	-12	-10	-2	-9	-33	-15	-8	-12	-11	-46	-12	-15	-15	-10	-52
Goodwill	-	-	-	-	-	-1	-1	-2	-28	-32	-43	-45	-52	-77	-218	-110	-375	-401	-536	-1,423
Sub-total	-3	-3	-4	-4	-14	-24	-17	-13	-45	-99	-224	-123	-164	-211	-722	-189	-492	-521	-664	-1,867
Total intangible assets	-10	-9	-10	-47	-76	-116	-150	-120	-169	-554	-441	-302	-334	-420	-1,497	-390	-738	-786	-929	-2,844
Investments in intangible assets																				
External game developm. and advances, SEK m	54	44	59	54	212	115	114	132	167	528	189	225	166	152	732	193	209	172	153	726
Internal capitalized development, SEK m	13	14	19	33	80	58	94	102	106	359	116	131	177	221	645	224	248	273	370	1,115
Other intangible assets	-	-	-	11	11	12	31	18	31	91	20	22	43	46	131	40	41	39	35	155
IP-rights	-	-	4	-	4	-	0	22	11	32	0	0	6	0	7	8	0	0	0	8
Total	67	59	82	98	306	185	239	273	314	1,010	326	378	392	419	1,515	465	498	484	558	2,004
Completed games																				
Completed games, SEK m	1	2	40	134	176	123	47	50	162	383	220	168	104	152	644	165	253	311	156	885
Other KPIs																				
Total Game Dev projects	32	30	29	36	-	54	51	55	77	-	80	81	86	96	-	103	125	135	150	-
Announced Game Dev projects	14	13	13	12	-	19	17	20	29	-	32	34	37	44	-	43	52	53	61	-
Unannounced Game Dev projects	18	17	16	24	-	35	34	35	48	-	48	47	49	52	-	60	73	82	89	-
Total internal game developers	78	82	163	178	-	536	565	608	613	-	860	882	1,162	1,237	-	1,359	2,076	2,551	3,362	-
Total external game developers	282	306	261	229	-	714	692	740	871	-	807	946	1,110	1,021	-	1,006	1,109	1,042	963	-
Total internal employees, non-development	44	44	45	55	-	470	486	554	529	-	541	590	709	713	-	744	790	851	1,405	-
Total number headcount	404	432	469	462	-	1,720	1,743	1,902	2,013	-	2,208	2,418	2,981	2,970	-	3,109	3,975	4,445	5,730	-
Number of studios																				
Total number External Studios	-	-	-	-	-	18	29	26	26	-	42	48	55	58	-	58	55	56	57	-
Total number Internal Studios	-	-	-	-	-	10	10	10	10	-	17	18	18	20	-	26	33	46	56	-
Total number Studios	-	-	-	-	-	28	39	36	36	-	59	66	73	78	-	84	88	102	113	-
Total number of IP	-	-	-	-	-	91	106	107	119	-	136	138	148	154	-	160	174	195	208	-

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

Embracer Group is the parent company of businesses developing and publishing PC, console and mobile games for the global games market. Embracer Group has an extensive catalogue of over 200 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory, Wreckfest, Insurgency and World War Z, amongst many others.

With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its six operative groups: THQ Nordic GmbH, Koch Media GmbH/Deep Silver, Coffee Stain AB, Amplifier Game Invest, Saber Interactive and DECA Games. Embracer Group has 57 internal game development studios and is engaging more than 5,500 employees and contracted employees in more than 40 countries.