

EMBRACER⁺ GROUP

19/20

FULL YEAR REPORT

APRIL 2019 – MARCH 2020
EMBRACER GROUP AB (PUBL)
REG NO. 556582-6558



OPERATIONAL EBIT INCREASED 35% TO SEK 1,033 M FOR THE FINANCIAL YEAR

FOURTH QUARTER, JANUARY–MARCH 2020 (COMPARED TO JANUARY–MARCH 2019)

- > Net sales were SEK 1,339.1 million (1,630.5). Net sales of the Games business area decreased to SEK 903.5 million (1,034.9). Net sales of Partner Publishing/Film business area decreased to SEK 435.6 million (595.6), mainly due to the covid-19 pandemic closing of retail outlets towards the end of the quarter.
- > EBITDA amounted to SEK 495.2 million (618.6), corresponding to an EBITDA margin of 37%.
- > Operational EBIT amounted to SEK 286.0 million (395.9) corresponding to an Operational EBIT margin of 21%.
- > Cash flow from operating activities before changes in working capital amounted to SEK 384.6 million (527.1).
- > Cash flow from operating activities amounted to SEK 765.7 million (777.2).
- > Earnings per share was SEK 0.42 (0.37).
- > Adjusted earnings per share was SEK 0.97 (1.00).

FULL YEAR, APRIL 2019–MARCH 2020 (COMPARED TO APRIL 2018–MARCH 2019)

- > Net sales increased 3% to SEK 5,249.4 million (5,121.2). Net sales of the Games business area grew 31% to SEK 3,196.5 million (2,447.1), whereas the Partner Publishing/Film business area decreased to SEK 2,052.9 million (2,674.1).
- > EBITDA increased 33% to SEK 1,821.3 million (1,366.7), corresponding to an EBITDA margin of 35%.
- > Operational EBIT rose 35% to SEK 1,033.0 million (765.8), corresponding to an Operational EBIT margin of 20%.
- > Cash flow from operating activities before changes in working capital amounted to SEK 1,604.2 million (1,248.2).
- > Cash flow from operating activities amounted to SEK 1,728.3 million (656.6).
- > Earnings per share was SEK 0.91 (1.19).
- > Adjusted earnings per share was SEK 2.81 (2.12).

Key performance indicators, Group	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	Apr 2018–Mar 2019
Net sales, SEK m	1,339.1	1,630.5	5,249.4	5,121.2
EBITDA, SEK m	495.2	618.6	1,821.3	1,366.7
Operational EBIT, SEK m	286.0	395.9	1,033.0	765.8
EBIT, SEK m	96.7	172.0	345.4	467.3
Profit after tax, SEK m	132.3	103.0	283.3	315.7
Cash flow from operating activities before changes in working capital, SEK m	384.6	527.1	1,604.2	1,248.2
Cash flow from operating activities, SEK m	765.7	777.2	1,728.3	656.6
Sales growth, %	-18	158	3	484
EBITDA margin, %	37	38	35	27
Operational EBIT margin, %	21	24	20	15

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

CEO COMMENTS**OPERATIONAL EBIT EXCEEDS SEK
1 BILLION FOR THE FINANCIAL YEAR
– 118 GAMES UNDER DEVELOPMENT**

The Group had another stable quarter with profitability in line with management expectations. Consolidated net sales decreased to SEK 1,339 million (1,631). The decrease is due to the fact that the comparable period last year featured the AAA release of *Metro Exodus*. Despite the absence of large releases, our Games business area had its second-best quarter ever generating SEK 904 (1,035) million in net sales. Notable releases during the quarter were *Darksiders Genesis*, *Metro Exodus DLC Sam's story* and *Monster Energy Supercross 3*. The Games business area had a record high proportion of digital sales of 78% partly driven by the situation caused in many of our key markets by the covid-19 pandemic, which has resulted in an overall increased consumption of games. Worth noting is that the Group did not have any major or notable releases during March that most likely would have driven further sales increases. After the end of the quarter, we have seen this boost in consumer activity more clearly, driven by notable releases in the April and May period. Sales in the Partner Publishing/Film business area decreased to SEK 436 million (596), affected by the covid-19 pandemic related closing of retail outlets towards the end of the quarter.

EBITDA was down to SEK 495 million (619), corresponding to an EBITDA margin of 37% (38). Operational EBIT was SEK 286 million with an Operational EBIT margin of 21% (24). The Group had strong cashflow from operating activities of SEK 766 million (777), mainly driven by operating profit and decreased working capital. All reported business segments contributed to the Group's Operational EBIT in the quarter.

118 GAMES UNDER DEVELOPMENT

I genuinely believe that we have one of the industry's most exciting pipelines of upcoming games, engaging over 3,000 game developers across the world. We believe this will drive significant organic growth in revenue, operational EBIT and cash flow in the Games business area in the coming years.

With the acquisition of Saber Interactive, the Group currently has over 118 games under development including 69 still yet to be announced titles.

We expect substantial growth in the current financial year driven by a large number of high quality releases, for which we are excited to the reception among gamers. We expect the value of completed games will more than doubles from SEK 589 million to SEK 1,200-1,400 in the current financial year ending March 31, 2021. This growth will be underpinned by recent and upcoming new game releases such as *Biomutant*, *Chorus*, *Deep Rock Galactic*, *Destroy all Humans!*, *Iron Harvest*, *MotoGP 20*, *Ride 4*, *Snowrunner*, *Wasteland 3*, *WWE2K Battlegrounds* (in collaboration with 2K) and a host of other titles that have not yet started their marketing campaigns. On top of this, we expected a solid performance from our back catalog supported by strong demand for many of our beloved franchises, including *Darksiders*, *Dead Island*, *ELEX*, *Goat Simulator*, *Kingdom Come Deliverance*, *Metro*, *Monster Energy Supercross*, *MX vs ATV*, *Remnant: From the Ashes*, *Satisfactory*, *Saints Row*, *Wreckfest* and *World War Z*, among others.

Looking into the next financial year ending March 31 2022, we expect continued organic growth driven by further increase in the value of completed games including the first AAA games releases since *Metro Exodus*. From this year on we expect to have AAA releases every year.

To drive further organic growth in the years ahead, many talented people across all our operating units are continuously scouting for new attractive game development projects.

IMPRESSIVE COLLABORATION EFFORTS TO MEET COVID-19

The covid-19 pandemic is a challenge to all of us and Embracer is no exception. The Group is committed firmly to the safety and well-being of all employees and co-workers. Our decentralized model, where decision-making is local, has proven to work well in this challenging and difficult situation. Rapid transformations to online and social distancing workflows has in general gone smoothly and have mostly only caused minor operational interruptions. I really want to express my gratitude to all our employees who so quickly adapted to a new situation and committed to keeping our business going despite the difficult circumstances.

ACQUISITIONS AND NEW STUDIOS

During the quarter we were happy to announce the acquisition of Saber Interactive, completed on April 1. Saber Interactive is a leading game developer and publisher with more than 600 employees across six countries. Saber has been on our radar for a long time because of their deep history of consistently high-quality work. Their ambitious moves towards self-funded projects in recent years have been particularly impressive, especially *World War Z* that sold more than three million units. Saber is now also announced as our fifth operative group and will remain a standalone company within Embracer Group. In April, Saber Interactive released *Snowrunner* that has performed above management expectations. The integration process of Saber Interactive has so far run smoothly, despite the difficult circumstances due to covid-19.

WE RAISED SEK 1.6 BILLION FOR FURTHER ACQUISITIONS

After the close of the quarter, we improved our financial position further and strengthened our M&A capacity by a new share issue, raising SEK 1,646.5 million. I was pleased to see strong demand from both new and existing long-term shareholders. This enables us to continue our long track-record of acquisitions of new game publishers, development studios or new exciting franchises.

Our M&A strategy retains a strong pipeline of possibilities. The appetite among gaming entrepreneurs for joining forces is solid and growing. Currently we are involved in several ongoing discussions which could lead to future acquisitions, including a handful groups of sizable companies that could form new operative groups.

I would like to take this opportunity to welcome both the industry veteran David Gardner, and Saber Interactive co-founder Matthew Karch, to the board of directors of the parent company.

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

Stay safe. I hope to see you soon.
All the best from Värmland.

May 20, 2020, Karlstad, Sweden

Lars Wingefors,
Founder & CEO



FINANCIAL PERFORMANCE

All comments refer to the quarter unless otherwise stated. Trends in the year-to-date period have the same explanations, unless specific comments are made for the twelve-month period.

CONSOLIDATED NET SALES

Consolidated net sales by business area, SEK m	Jan–Mar 2020	Jan–Mar 2019	Change	Apr 2019–Mar 2020	Apr 2018–Mar 2019	Change
Games - THQ Nordic	306.7	142.8	115%	1,154.4	764.4	51%
Games - Deep Silver	514.7	794.4	–35%	1,796.3	1,571.1	14%
Games - Coffee Stain	82.1	97.7	–16%	245.8	111.6	120%
Games Subtotal	903.5	1,034.9	–13%	3,196.5	2,447.1	31%
Partner Publishing/Film	435.6	595.6	–27%	2,052.9	2,674.1	–23%
Consolidated Net Sales	1,339.1	1,630.5	–18%	5,249.4	5,121.2	3%

Consolidated net sales in the quarter decreased by 18% or SEK 291.4 million compared to last year.

Business area Games – THQ Nordic showed strong growth over last year, mainly driven by new releases and healthy back catalog sales. Games - Deep Silver had a solid quarter, but decreased sales over last year, which included the release of key title *Metro Exodus*. Games – Coffee Stain had notable back catalog sales in the quarter that helped mitigate the negative gap versus last year, which included the release of *Satisfactory*.

The decrease in net sales of the Partner Publishing/Film business area is mainly due to impacts of the covid-19 pandemic. Last year's revenues included one title that account for more than the difference to this year's revenue. The absence of larger releases in the quarter was mitigated by a strong performance in the Film segment, driven by back catalog sales and contributions from the acquired KSM.

Consolidated net sales for the financial year increased by 3%, driven by the solid year-over-year growth in Business area Games.

CONSOLIDATED EXPENSES

Operating expenses, SEK m	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	Apr 2018–Mar 2019
Goods for resale	–666.2	–741.3	–2,576.0	–2,940.8
Other external expenses	–183.3	–291.4	–784.0	–793.5
Personnel expenses	–343.6	–211.1	–1,130.0	–737.0
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	–398.6	–446.6	–1,475.9	–899.4
Total operating expenses	–1,591.7	–1,690.4	–5,965.9	–5,370.6

Consolidated expenses for the year increased due to acquisitions and growth within the Games business area.

Goods for resale includes cost of replication, license fees and royalties. Goods for resale decreased as a result of lower net sales in the period. Goods for resale in relation to net sales increased in the quarter mainly due to higher costs for royalty and price protection in relation to net sales. This is the main reason for the decrease in gross margin from 55% to 50% in the quarter versus last year.

The year-over-year increase in personnel expenses is primarily explained by increased internal investments in the Group's gaming portfolio where capitalized own work



increased with SEK 108.0 million from SEK 116.1 million to SEK 224.1 million. The year-over-year decrease in other external expenses is primarily explained by reduced costs for sales and marketing due to timing of product releases.

CONSOLIDATED DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization, SEK m	Jan–Mar 2020	Jan–Mar 2019	Apr 2019– Mar 2020	Apr 2018– Mar 2019
Intangible assets				
Game development	148.1	192.2	587.1	473.8
Other intangible assets (Film etc.)	52.7	24.7	171.8	106.7
Sub-total	200.8	216.9	758.9	580.5
<i>Acquisition-related depreciation</i>				
IP-rights	66.9	165.6	359.4	188.3
Surplus value Partner Publishing/Film	12.0	15.4	43.1	36.2
Goodwill	110.4	42.9	285.1	73.9
Sub-total	189.3	223.9	687.6	298.4
Total intangible assets	390.1	440.8	1,446.5	878.9
Tangible assets	8.4	5.8	29.4	20.5
Total depreciation and amortization	398.5	446.6	1,475.9	899.4

The decreased depreciation and amortization of games is mainly explained by lower value of finalized game development in the quarter versus last year. The increase in depreciations of other intangible assets (Film etc.) in the quarter is mainly driven by the inclusion of KSM.

The reduction in acquisition related depreciations over last year in the quarter is explained by last year's finalization of the PPA for Koch Media which resulted in retroactive depreciations in January-March 2019.

The increase in acquisition related depreciations for the year is driven by completed acquisitions.

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 decrease of the Group's EBITDA, from SEK 618.6 million to SEK 495.2 million, and Operational EBIT, from SEK 395.9 million to SEK 286.0 million, for the quarter is mainly explained by the reduction in net sales compared with the same period last year and reduced gross margin, mainly explained by higher costs for royalty and price protection in relation to net sales. The reduction in Operational EBIT fell through to EBIT, but was mitigated by lower acquisition related depreciations. EBIT decreased, from SEK 172.0 million to SEK 96.7 million, in the quarter.



CONSOLIDATED CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities before changes in working capital for the quarter was SEK 384.6 million (527.1). The reduction is mainly due to decreased earnings from operations. Cash taxes for the quarter amounted to SEK 30.2 million. Change in working capital amounts to SEK 381.1 million (250.1). There was no effect of forfeiting in the quarter since utilization was zero on December 31 and March 31.

Last year the level of forfeiting was decreased, with approximately SEK 56 million in the quarter. Adjusting for the effects of forfeiting, change in working capital amounts to SEK 381.1 million (+306.1).

The decrease in working capital during the period is related to a lower level of inventory and operating receivables coupled with a higher level of operating liabilities.

Cash flow from operating activities after change of working capital for the period was SEK 765.7 million (777.2). Cash flow from investing activities was SEK –25.8 million (–288.3), where SEK –14.6 million relates to acquired companies. The Group's investments in intangible fixed assets amounted to SEK –464.4 million (–326.0), mainly related to capitalized expenditure for ongoing game development of SEK 416.9 million and film rights SEK 39.3 million. Investments in property, plant and equipment amounted to SEK –14.4 million (–6.6). Investments in financial assets amounted to SEK –11.2 million (0) and is mainly related to minority investments in development studios. Cash flow from financing activities amounted to SEK –558.6 million (1,849.2) and is mainly related to reduced utilization of credit facilities at Koch Media.

Cash and cash equivalents at the end of the period were SEK 2,510.3 million compared to SEK 2,784.7 million as of December 31, 2019. The Group also had unutilized credit facilities of SEK 1,769.0 million compared to SEK 659.4 million as of December 31, 2019. The Group's total available cash and unutilized credit facilities were SEK 4,279.3 million at the end of the quarter compared to SEK 3,444.1 million as of December 31, 2019. As per March 31, 2020 the Net Cash of the Group amounted to SEK 1,019.4 million compared to SEK 838.1 million as per December 31, 2019.

INTANGIBLE ASSETS

The Group had intangible assets of SEK 5,870.9 million at the end of the quarter, compared to SEK 5,633.0 million at the end of the previous quarter, December 31, 2019, distributed as follows:

Intangible assets – Specification	Mar 31, 2020	Dec 31, 2019	Mar 31, 2019
Completed games	438.6	409.7	394.9
Ongoing game development projects	2,117.7	1,748.8	1,114.7
Other intangible assets (film etc.)	250.1	250.2	150.1
Intangible assets	2,806.4	2,408.7	1,659.7
IP-rights	1,479.8	1,920.0	1,055.9
Surplus value Partner Publishing/Film	173.0	192.1	161.2
Goodwill	1,411.7	1,112.2	830.2
Acquisition related intangible assets	3,064.5	3,224.3	2,047.3
Total	5,870.9	5,633.0	3,707.0

The finalization of PPA for Milestone resulted in a shift of surplus values from IP-rights to Goodwill and explain the shift versus 31 December 2019.

FINALIZED PURCHASE PRICE ALLOCATION

During the quarter the PPA:s for Warhorse, Gunfire and Milestone were finalized. The finalization of the PPA for Warhorse and Gunfire did not result in any material changes compared to the preliminary PPA.



In the final PPA for Milestone there was a re-allocation of surplus values from IP-rights of SEK 450,1 million to Goodwill of SEK 312,9 million, which resulted in an increase in amortizations of Goodwill with SEK –36,5 million in the quarter and a reduction in amortizations of IP-rights of SEK 56,3 million of which SEK –21.9 million and SEK 33.8 million relate to previous quarters.

PARENT COMPANY

The Parent Company's net sales for the quarter were SEK 102.0 million (62.1) and profit before tax was SEK 5.2 million (–130.3). Profit after tax was SEK 4.7 million (–117.6). The Parent Company's net sales for the financial year were SEK 495.9 million (347,0) and profit before tax was SEK 137.8 million (6.1). Profit after tax was SEK 108.1 million (–11.2).

Investments in intangible assets in the quarter were SEK 113.5 million (6.9). Investments in intangible assets during the financial year were SEK 383.7 million (214.9).

Cash and cash equivalents as of March 31, 2020 were SEK 1,954,5 million (2,666.2). The Parent Company's equity at the end of the period was SEK 5,575.1 million (5,143.3).

UPDATE ON CREDIT FACILITIES AND AVAILABLE LIQUIDITY

After the end of the quarter the Group's unutilized credit facilities were extended with EUR 27 million.

The Group's credit facilities are mainly long-term with an interest rate between 0.5% and 1.0% at utilization. The average interest expenses for utilized credit facilities during the fourth quarter was 0.8%. The credit facilities are mainly without pledged collateral.

At the reporting date, the Group's credit facilities amount to SEK 3.5 billion, split between ten banks in different countries, predominantly denominated in EUR. As part of the Group's finance strategy, risks are diversified between countries, currencies and counterparts, which is in line with each operative group having a strong local autonomy in its operations.

At the reporting date the Group's total cash and unutilized available credit facilities amounted to approximately SEK 5 billion.

UPDATE ON FINANCIAL STRATEGY

The Group has prudently, but intentionally, decided not to leverage operations by adding debt and financial risk. The Group has over the past five years embarked on a path of high organic growth, reinvesting all operational cash flow into new game development, leaving limited free cash flow. As the pipeline of games under development is released over the coming years, a notable improvement of free cash flow is anticipated.

The first priority for allocation of operational cash flow from released games is still to reinvest as much as possible into value enhancing organic growth opportunities, e.g. new game projects. The second priority is to use free cash flow to finance smaller, bolt-on acquisitions in the underlying businesses.

This means that in general terms, game development costs will be self-funded from operating cash flow. The Group's leverage capacity will mainly be allocated to larger acquisitions to handle big swings in net working capital. Available credit facilities at favorable terms provide substantial financing for M&A purposes going forward.

The ambition is still to keep a net cash position in Group to maintain maximum strategic flexibility. However, for the right inorganic growth opportunity financial leverage could temporarily exceed 1,0x operational EBIT to Net debt, where operational EBIT is measured as management expectations for the coming twelve months. In such circumstances, leverage should at least return to <1,0x net debt to operational EBIT over the medium-term, either by retaining cash from operations or by raising equity.

OPERATIONAL OVERVIEW BY BUSINESS AREA

BUSINESS AREA: GAMES – THQ NORDIC

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

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Pillars of Eternity II - Deadfire</i>	THQ Nordic	External	PS4, Xbox One	Offline
<i>Monster Jam - Steel Titans</i>	THQ Nordic	External	Switch	Offline
<i>Darksiders - Genesis</i>	THQ Nordic	Own	PS4, Xbox One, Switch	On- and Offline
<i>DCL - The Game</i>	THQ Nordic	External	PC, PS4, Xbox One, Mac	On- and Offline
<i>Comanche - Early Access</i>	THQ Nordic	Own	PC	Online
<i>Remnant: From the Ashes</i>	THQ Nordic	Own	PC, PS4, Xbox One	Offline
<i>Titan Quest: Ragnarök (Addon)</i>	THQ Nordic	Own	PS4, Xbox One	Online
<i>Titan Quest: Atlantis (Addon)</i>	THQ Nordic	Own	PS4, Xbox One	Online
<i>Townsmen: A Kingdom Rebuilt - The Seaside Empire</i>	Handy Games	Own	PC, Switch	Online
<i>Townsmen: A Kingdom Rebuilt</i>	Handy Games	Own	PS4, Xbox One	Online
<i>Spitlings</i>	Handy Games	External	Stadia	Online
<i>Aces of the Luftwaffe - Squadron</i>	Handy Games	Own	iOS, Android	Online
<i>Through the Darkest of Times</i>	Handy Games	External	PC, Mac	Online

Net sales of the business area games – THQ Nordic increased 115% to SEK 307 million in the quarter, compared to the same period last year.

In the new release segment, the majority of our revenues were generated with the console-release of *Darksiders Genesis* that performed according to management expectations.

On the back catalogue *Wreckfest* continued to perform well on all platforms; the title had a substantial contribution to our revenues in the past FY.

The Gunfire original IP, *Remnant*, continued to perform and generated a high margin royalty income for the quarter.

Looking ahead into the first quarter, ending June 30, both *Desperados 3* and *Spongebob Battle for Bikini Bottom Rehydrated* are expected to become notable revenue contributors.

During the quarter THQ Nordic set up two new development studios – Nine Rock Games in Bratislava as well as a *Gothic*-remake studio in Barcelona. The studio in Bratislava has, during a short period, being able to build an experienced team of more than 37 people that works on an unannounced new IP.

BUSINESS AREA: GAMES – COFFEE STAIN

Net sales for the business area games – Coffee Stain decreased 16% to SEK 82.1 million. The decrease is due to that the comparable period last year included the release of *Satisfactory*.

Coffee Stain is showing one of their strongest quarter ever, where the major revenue generators being the core titles; *Satisfactory*, *Goat Simulator* and *Deep Rock Galactic*. All three titles exceeded the management expectations during the period.

The awaited update #3 of *Satisfactory* was released on February 11 and was well received by its audience and Influencers alike, strengthening the brand and contributing to the increase in sales.

Deep Rock Galactic showed a solid performance as a result of new content, continuous community work and successful promotions on Steam.



Looking ahead in the first quarter ending June 30, we expect both the full release of *Deep Rock Galactic* and the continued performance of *Satisfactory* to be the major revenue contributors. At the time of publishing of this report, both *Deep Rock Galactic* and *Hunt: Showdown* have been released to great pleasure to many fans – both receiving excellent reviews from critics.

Coffee Stain founded a small new studio with two senior game developers in Sweden during the quarter. It will be announced in due course.

BUSINESS AREA: GAMES – DEEP SILVER

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

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Hunt: Showdown</i>	Deep Silver	External	PC, PS4, Xbox One	On- and Offline
<i>Blair Witch</i>	Deep Silver	External	PC, PS4, Xbox One	Offline
<i>Metro Redux</i>	Deep Silver	Own	Switch	On- and Offline
<i>Saints Row IV Re-Elected</i>	Deep Silver	Own	Switch	On- and Offline
<i>Ash of Gods: Redemption</i>	Ravenscourt	External	PC, PS4, Xbox One, Switch	On- and Offline
<i>Phoenix Point</i>	Deep Silver	External	PC	Offline
<i>Metro Exodus – Sam's Story (DLC)</i>	Deep Silver	Exclusive license	PC, PS4, Xbox One	On- and Offline
<i>Monster Energy Supercross 3</i>	Milestone	External	PC, PS4, Xbox One, Switch, Stadia	On- and Offline

Net sales of the business area games – Deep Silver decreased 35% to SEK 515 million in the quarter, compared to the same period the previous year. The decrease is due to the release of *Metro Exodus* in the corresponding period last year.

The expansion of the *Metro* franchise had a significant impact on the revenue in the quarter and was the key revenue driver. The result derived from a combination of the new DLC; *Sam's story*, a Switch version for *Metro Redux* and continued strong back catalogue sales in both physical and digital channels.

In general, the back catalogue contributed strongly in the quarter, driven by key franchises as *Kingdom Come: Deliverance*, *Pathfinder: Kingmaker* and *Outward*. Milestone released one game in the quarter, *Monster Energy Supercross – The Official Videogame 3* which performed in line with management expectations. Overall, Milestone saw increased digital sales whilst physical sales decreased due to the covid-19 lockdown.

A new release from Deep Silver during the quarter was *Hunt: Showdown*, which contributed to the revenues. *Saints Row* also contributed notably to the quarter's revenue, based on the re-releases of *Saints Row the third* and *Saints Row IV re-elected* on Nintendo Switch.

Looking ahead at the first quarter, ending June 30, expected main contributors from the new releases are *Saints Row the Third Remastered* and *MotoGP 20* from Milestone.

During the quarter, Koch Media GmbH acquired Voxler, the French development studio behind the *Let's Sing* franchise and other titles in the music gaming genre.



BUSINESS AREA: GAMES – AMPLIFIER GAME INVEST

Amplifier Game Invest was announced as Embracer Group's fourth operative group as of February 19, 2020. The company screens and invests internationally in the most talented companies in the gaming industry and has attracted a lot of interest. During the quarter Amplifier Game Invest established a new development studio; River End Games, in Gothenburg. Moreover Amplifier Game Invest increased its holding to 55% in Norwegian fishing simulator developer Misc Games based in Stavanger. Meetings have been conducted online, and there are ongoing discussions with companies and people wanting to join Amplifier Game Invest. Despite the pandemic the business operations are overall showing good progress and the team has been creative finding new ways to connect, updating and sharing ideas.

After the period, Amplifier Game Invest signed and completed the acquisition of the Italian based studio, DESTINYbit. The innovative studio, has a team of four developers. Their upcoming game, *Dice Legacy*, will introduce players to a dice-based survival city-builder, set on a ring-world soaring through space.

This acquisition also represents an expansion to southern Europe for Amplifier Game Invest. DESTINYbit becomes a fully owned subsidiary of Amplifier Game Invest AB, joining the ranks of nine other game development companies already part of the Amplifier family.

BUSINESS AREA: PARTNER PUBLISHING/FILM

Net sales in the Partner Publishing/Film business area were down 27% to SEK 436 million in the quarter, mainly due to impacts from the covid-19 pandemic.

Final Fantasy VII from Square Enix did ship partly within the quarter and was the main revenue driver for the business segment in the quarter. Other notable releases in the quarter included *Persona 5 Royal* (Atlus), *Doom Eternal* (Bethesda), *Yakuza Remastered* (Atlus) and *Two Point Hospital* (SEGA).

The downturn of revenues from physical retailers was partly shifted to e-tailers during the quarter. All the Group's logistics hubs across Europe remained operational during the quarter.

The film business had a solid quarter according to management expectations, driven by continued performance of Academy award-winning *Parasite* at cinemas and physical retail. The general market shift continued, showing a significant physical decline affected by the covid-19 lockdown, but gained positive digital sales instead.

The business segment – both games and film – does not expect any major key titles to ship during the first quarter ending June 30.



ONGOING DEVELOPMENT AND UPCOMING RELEASES

The Company invested SEK 417.0 million in its growing development pipeline that will be driving growth and profitability in the coming years.

The finalized value of the completed game releases during the quarter were SEK 165.0 million driven by the releases of *Darksider Genesis*, *Metro Exodus DLC Sam's Story* and *Monster Energy Supercross 3*.

Announced releases in the Games business area as of May 20, 2020

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Aquanox Deep Descent</i>	THQ Nordic	Own	PC, PS4, Xbox One	On- and Offline
<i>Biomutant</i>	THQ Nordic	Own	PC, PS4, Xbox One	On- and Offline
<i>Desperados 3</i>	THQ Nordic	Own	PC, PS4, Xbox One	On- and Offline
<i>Destroy all Humans! - Remake</i>	THQ Nordic	Own	PC, PS4, Xbox One	On- and Offline
<i>Scarf</i>	THQ Nordic	External	PC	Online
<i>Spongebob - Battle for Bikini Bottom Rehydrated</i>	THQ Nordic	External	PC, PS4, Xbox One, Switch	On- and Offline
<i>The Guild 3</i>	THQ Nordic	Own	PC	On- and Offline
<i>Knights of Honor II: Sovereign</i>	THQ Nordic	Own	PC	On- and Offline
<i>Gothic - Remake</i>	THQ Nordic	Own	PC, next gen consoles	On- and Offline
<i>A Rat's Quest</i>	HandyGames	External	PS4, Xbox One, PC, Switch	Online
<i>El Hijo</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Online
<i>One Hand Clapping</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Online
<i>Spitlings</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Online
<i>Aces of the Luftwaffe Squadron - Extended Edition</i>	HandyGames	Own	Mobile	Online
<i>Townsmen VR</i>	HandyGames	Own	PC, PS4	Online
<i>Endling - Extinction is Forever</i>	HandyGames	External	PC, PS4, Xbox One, Switch	On- and Offline
<i>Chicken Police - Paint it red!</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Online
<i>Pile Up!</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Online
<i>Airhead</i>	HandyGames	External	PC, PS4, Xbox One, Switch	Online
<i>Dead Island 2</i>	Deep Silver	Own	PC, PS4, Xbox One	On- and Offline
<i>Iron Harvest</i>	Deep Silver	External	PC, PS4, Xbox One	On- and Offline
<i>Pathfinder: Kingmaker</i>	Deep Silver	External	PS4, Xbox One, Switch	On- and Offline
<i>Wasteland 3</i>	Deep Silver	External	PC, PS4, Xbox One	On- and Offline
<i>Maneater</i>	Deep Silver	External	PC, PS4, Xbox One	On- and Offline
<i>Windbound</i>	Deep Silver	External	PC, PS4, Xbox One, Switch	Online
<i>Saints Row the Third Remastered</i>	Deep Silver	Own	PC, PS4, Xbox One	On- and Offline
<i>9 Monkeys of Shaolin</i>	Ravenscourt	External	PC, PS4, Xbox One, Switch	On- and Offline
<i>Cooking Mama Cookstar</i>	Ravenscourt	External	PS4, Switch	Offline
<i>Deep Rock Galactic</i>	Coffee Stain	External	PC, Xbox One	Online
<i>Huntdown</i>	Coffee Stain	External	PC, PS4, Xbox One, Switch, Mobile	Online
<i>Satisfactory</i>	Coffee Stain	Own	PC	Online
<i>Songs of Conquest</i>	Coffee Stain	Own	PC	Online
<i>Midnight Ghost Hunt</i>	Coffee Stain	External	PC	Online
<i>Ride 4</i>	Milestone	Own	PC, PS4, Xbox One	On- and Offline
<i>Era Combat</i>	Saber Interactive	Own	Mobile	Online
<i>I, Viking</i>	Saber Interactive	Own	Mobile	Online
<i>Plazmic</i>	Saber Interactive	Own	Mobile	Online
<i>Slototerra</i>	Saber Interactive	Own	Mobile	Online
<i>NBA 2K Playground</i>	External	License	Mobile	Online
<i>WWE 2K Battleground</i>	External	External	TBC	On- and Offline

For latest release dates please refer to above mentioned publishers.



EVENTS AFTER THE QUARTER

- > Embracer Group successfully completed a directed share issue of SEK 1,646.5 million, April 8, 2020. The new share issue will further improve the Group's financial position and enable it to continue its long track record of successful acquisitions and adding new game publishers, development studios or new exciting franchises.
- > David Gardner was elected as a new board member as of 1 April 2020, at an extra general meeting. David Gardner has a solid industry background and his professional experience includes entrepreneurial and senior management positions in both Electronic Arts and Atari S.A.
- > Matthew Karch, CEO and founder of Saber Interactive, is proposed as new member of the board of directors at the extra general meeting on May 20, 2020.
- > Amplifier Game Invest signed and completed the acquisition of the Italian based studio, DESTINYbit with four innovative and talented developers. The studio is currently working on an up-coming title called Dice Legacy. The acquisition represents an expansion to southern Europe for Amplifier Game Invest.
- > Embracer Group established an office, under the lead of Anton Skog, in Seoul, Korea for business development focus in the Korean market.

ACQUISITION AFTER THE END OF THE QUARTER

Embracer Group completed the acquisition of Saber Interactive Inc. April 1, 2020. Saber Interactive is an independent developer and publisher of top-quality video games for PC, consoles and mobile platforms, headquartered in Maplewood, New Jersey. The company was founded by Matthew Karch, currently CEO, and Andrey Iones, currently COO, in 2001. Saber Interactive has extensive experience with projects starting from conception, design, pre-production. The company has approximately 600 internal developers and studios in St Petersburg in Russia, Madrid in Spain, Porto in Portugal, Minsk in Belarus, and Sundsvall in Sweden plus several external developers who are committed to working with Saber Interactive. Games developed include work-for-hire projects, self-funded as well as co-published proprietary titles.

Saber Interactive benefits from close to 20 years of experience in game development, during which they have developed relationships with all major publishers, licensors, and retailers in the gaming industry. In addition, Saber Interactive has a strong publishing knowledge from its self-funded and co-published games, including *World War Z*. Other key titles developed by Saber Interactive include *Mudrunner* and *NBA Playgrounds*. Saber Interactive is announced as Embracer Group's fifth operating group.

Background and Rationale: The Transaction is in line with Embracer Group's long term strategy of identifying and acquiring franchises, game development studios, publishers or other objects that complement the Company's operations. The key highlights for the Transaction include:

- > Senior management with highly experienced and efficient development teams;
- > Strong profitability with high cash conversion;
- > Additional stable and recurring revenue stream from Work-for-hire / royalty based projects;
- > Portfolio of recurring titles and a solid and growing pipeline from 2020 and onwards;
- > Long term synergy opportunities within publishing, development and IP utilisation; and
- > Platform for further organic growth and acquisitions.

Purchase price: The initial purchase price of USD 150 million, on a cash and debt free basis, and a potential earn-out payment of USD 375 million. The total consideration, assuming full earn-out, thus amounts to USD 525 million.

Preliminary surplus value and related amortizations: Work is in progress with respect to the preliminary purchase price analysis related to the acquisition of Saber which will be presented in the quarterly report on 13 August 2020.



Initial estimates indicate a surplus value between SEK 6,000 million and SEK 6,250 million, which will result in quarterly amortizations of surplus values between SEK 300 million and SEK 313 million starting from 1 April 2020.

The difference between total consideration at signing and surplus values are mainly related to a higher SEK/USD currency at closing, a higher share price at closing and preliminary estimated differences between local GAAP and K3.

RELEASES AFTER THE END OF THE QUARTER

During the period April 1, 2020 until May 20, 2020, the following titles were released:

Title	Publishing Label	IP Owner	Platforms	Channels
<i>Titan Quest: Ragnarök (Addon)</i>	THQ Nordic	Own	Switch	Online
<i>Titan Quest: Atlantis (Addon)</i>	THQ Nordic	Own	Switch	Online
<i>Rebel Cops</i>	Handy Games	Own	iOS, Android	Online
<i>Through the Darkest of Times</i>	Handy Games	External	iOS, Android	Online
<i>Remnant: From the Ashes – Swamps of Corsus (DLC)</i>	External	Own	PC	Online
<i>MotoGP 20</i>	Milestone	External	PC, PS4, Xbox One, Switch, Stadia	On- and Offline
<i>Snowrunner</i>	External	Own	PC, PS4, Xbox One	On- and Offline
<i>World War Z GOTY Edition</i>	External	Exclusive license	PC, PS4, Xbox One	On- and Offline

OTHER INFORMATION

DIVIDEND

The Board of Directors propose that no dividend is paid to the shareholders for the financial year April 2019 - March 2020.

SUSTAINABILITY AND GOVERNANCE

The board of Embracer Group is genuinely committed to sustainability. Through “Smarter Business”, the Group’s framework for sustainability, the work continues to get sustainability on everyone’s agenda throughout the group. The key method for this work is an ongoing ambassador program with members from the whole group.

During the quarter, the ambassador program has progressed according to plan and the four predefined pillars of the framework have all been covered. Workshops and group sessions are being planned to further penetrate the focus areas, accumulating a more comprehensive and profound understanding of the specific characteristics of Group’s various markets, companies, and industry topics, as well as sharing practices.

Progress is being made in the development of the Group Sustainability Report, that will be included in the upcoming Annual Report.

The integration of Saber Interactive has been progressing well, where the Group’s sustainability framework and governance principles have been addressed.

Covid-19 has challenged people and communities all around the world. Mental health issues have increased as a consequence of measures taken against the spread of the virus. In the current quarter, Embracer became a partner to the organization Safe in our world, who provide tools for dealing with mental health issues among employees and gamers.

The roll-out of the accessible version of the group-wide compliance code, will be launched later this summer. In order to sanction violations of the Code, the Group has set up an external whistleblowing service.

RELATED PARTY TRANSACTIONS

During the quarter:

- > Quantic Labs S.R.L.¹⁾ has invoiced THQ Nordic GmbH for QA-services amounting to SEK 4.7 million (3.5).
- > Quantic Labs S.R.L.¹⁾ has invoiced Koch Media GmbH for services amounting to SEK 0.3 million (0.1).

Embracer Group AB also has rental agreement and agreement for other services with Lars Wingefors AB. Embracer Group AB paid SEK 0.0 million (0.0).

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

¹⁾ Companies owned by Nordic Games Group AB, a Group that is wholly owned by Lars Wingefors, Erik Stenberg, Mikael Broden, Pelle Lundborg, Klemens Kreuzer and Reinhard Pollice.



THE SHARE

OWNERS AS OF MARCH 31, 2020

Name	Class A shares	Class B shares	Share of capital, %	Share of votes, %	Change from
					Dec. 31, 2019
					Class B shares
Lars Wingefors through companies ¹⁾	19,504,401	88,571,196	34.63	51.10	
Swedbank Robur Funds		23,873,624	7.65	4.30	-2,636,766
Erik Stenberg through company ²⁾	4,223,172	19,177,800	7.50	11.06	
Handelsbanken Funds		20,734,867	6.65	3.74	-65,976
AP1 Första AP-fonden		12,750,960	4.09	2.30	-2,070,000
Didner & Gerge Funds		10,945,212	3.51	1.97	-580,877
Mikael Brodén through company ³⁾	1,450,134	6,585,189	2.57	3.80	
AP2 Andra AP-fonden		4,933,738	1.58	0.89	1,767,169
Life Insurance Skandia		4,416,340	1.42	0.80	-660
Olsson Family and Foundation		3,820,004	1.23	0.69	16,010
Luisa Bixio ⁴⁾		3,801,969	1.22	0.69	
ODIN Funds		3,650,000	1.17	0.66	-350,000
Klemens Kreuzer through company ⁵⁾	605,352	2,748,963	1.08	1.59	
Avanza Pension		3,223,471	1.03	0.58	-592,272
Futur Pension		2,719,181	0.87	0.49	-1,096,014
Martin Larsson (Chalex AB)		2,618,097	0.84	0.47	-71,000
TIN Funds		2,495,666	0.80	0.45	705,666
Reinhard Pollice through company ⁶⁾	347,043	1,966,572	0.74	0.98	
Danske Invest Funds		2,185,000	0.70	0.39	526,000
BlackRock		2,087,350	0.67	0.38	49,795
Pelle Lundborg with family through company ⁷⁾	869,898	1,087,259	0.63	1.76	
Länsförsäkringar Funds		1,875,807	0.60	0.34	245,262
Skandia Funds		1,813,195	0.58	0.33	
RAM Rational Asset Management		1,608,723	0.52	0.29	
American Century Investment Management		1,289,920	0.41	0.23	227,918
Anton Westbergh ⁸⁾		1,206,333	0.39	0.22	-393,978
Aktia Asset Management		1,148,132	0.37	0.21	
Koch Media Holding GmbH ⁹⁾		1,127,928	0.36	0.20	
Sensor Funds		1,101,092	0.35	0.20	19,739
Naventi Fonder		1,079,834	0.35	0.19	539,550
Svenska Handelsbanken AB for PB		1,007,053	0.32	0.18	128,192
Nordnet Pensionsförsäkring		903,730	0.29	0.16	-76,261
Fondita Funds		870,000	0.28	0.16	-50,000
Janus Henderson Investors		842,443	0.27	0.15	-185,896
Michael Knutsson		800,000	0.26	0.14	-100,000
JP Morgan Asset Management		756,397	0.24	0.14	756,397
Allianz Global Investors		747,000	0.24	0.13	
Vedtraven Finans AB		648,093	0.21	0.12	
Metzler		630,800	0.20	0.11	65,800
Nordea Funds (Lux)		522,956	0.17	0.09	-4,770
TOTAL TOP 40	27,000,000	244,371,894	86.98	92.68	
OTHER	0	40,695,304	13.02	7.32	
TOTAL	27,000,000	285,067,198	100.00	100.00	

¹⁾ Lars Wingefors AB and Lars Wingefors 2 AB, controlled to 100% by CEO Lars Wingefors.

²⁾ Xagonus AB, controlled to 100% by deputy Group CEO Erik Stenberg.

³⁾ CMB Holding AB, controlled to 100% by Mikael Brodén, co-founder of Embracer Group.

⁴⁾ ALB S.r.l. s controlled to 100% by Luisa Bixio, founder and CEO, Milestone.

⁵⁾ Gerado AB, controlled to 100% by Klemens Kreuzer, MD THQ Nordic GmbH.

⁶⁾ Gigalomaniac Holding AB, controlled to 100% by Reinhard Pollice, Director of Business Development and Production, THQ Nordic GmbH.

⁷⁾ Lumarisimo AB, controlled by Pelle Lundborg with family, co-founder of Embracer Group.

⁸⁾ Inwestbergh AB's controlled to 100% by Anton Westbergh, founder and CEO, Coffee Stain.

⁹⁾ Koch Media Holding GmbH (previously the Parent Company of the Koch Media Group), owned partly by Klemens Kundratitz, CEO and Co-Founder of the Koch Media Group.

Source: Holdings by Modular Finance.



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 Full Year 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 Accounts 2018/19.

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 Full Year Report has not been subject to review by the Company's auditor.

FORTHCOMING REPORTS AND AGM

Interim Report, April-June 2020	August 13, 2020
Annual General Meeting 2019/2020	September 16, 2020
Interim Report, April-September 2020	November 18, 2020
Interim Report, April-December 2020	February 18, 2021

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

FOR MORE INFORMATION

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

For any questions on this report, please contact:

Lars Wingefors, Founder & CEO, lars.wingefors@embracer.com



SIGNATURES AND ASSURANCE

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

Karlstad, Sweden, May 20, 2020

Kicki Wallje-Lund
Chairman of the Board

David Gardner

Ulf Hjalmarsson

Jacob Jonmyren

Erik Stenberg

Lars Wingefors
Chief Executive Officer

This Full Year Report is information that is mandatory for Embracer Group AB 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 May 20, 2020.

CONSOLIDATED INCOME STATEMENT

SEK m	Jan–Mar 2020	Jan–Mar 2019	Apr 2019– Mar 2020	Apr 2018– Mar 2019	Jan 2018– Mar 2019
Net sales	1,339.1	1,630.5	5,249.4	5,121.2	5,754.1
Work performed by the Company for its own use and capitalized	224.1	116.1	752.8	417.5	475.2
Other operating income	122.0	115.8	305.9	299.3	333.3
Total operating income	1,685.2	1,862.4	6,308.1	5,837.9	6,562.6
Operating expenses					
Goods for resale	–666.2	–741.3	–2,576.0	–2,940.8	–3,260.7
Other external expenses	–183.3	–291.4	–784.0	–793.5	–868.0
Personnel expenses	–343.6	–211.1	–1,130.0	–737.0	–841.2
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	–398.6	–446.6	–1,475.9	–899.4	–1,018.0
Total operating expenses	–1,591.7	–1,690.4	–5,965.9	–5,370.6	–5,987.9
Profit from participation in associated companies	3.2	0.0	3.2	0.0	0.0
Operating profit	96.7	172.0	345.4	467.3	574.6
<i>Profit from financial items</i>					
Other interest income, etc.	91.5	0.4	94.3	3.4	3.4
Other interest expenses, etc.	–18.8	–9.7	–30.9	–23.4	–32.6
Total financial items	72.8	–9.2	63.4	–19.9	–29.2
Profit after financial items	169.5	162.7	408.8	447.3	545.4
Profit before tax	169.5	162.7	408.8	447.3	545.4
Tax on profit for the period	–37.2	–59.7	–125.5	–131.6	–148.6
Net profit for the period	132.3	103.0	283.3	315.7	396.8
<i>Attributable to:</i>					
Equity holders of the parent	132.6	103.5	284.9	315.8	397.4
Non-controlling interests	–0.3	–0.5	–1.6	–0.1	–0.6
Earnings per share, SEK	0.42	0.37	0.91	1.19	1.56
Average number of outstanding shares, million	312	283	311	264	254

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Mar 31, 2020	Mar 31, 2019
Intangible assets	5,870.9	3,707.0
Property, plant & equipment	184.5	155.6
Financial assets	251.1	196.2
Inventories	352.8	322.9
Current receivables	1,467.6	1,297.3
Cash and bank balance	2,510.3	2,929.1
Total assets	10,637.2	8,608.2
Share capital	0.9	0.9
Other capital reserves	5,300.5	4,976.2
Recognized profit including profit for the period	1,093.9	735.7
Provisions	1,241.0	666.5
Non-current liabilities	221.8	211.3
Current liabilities	2,779.1	2,017.7
Total liabilities and equity	10,637.2	8,608.2
Interest-bearing receivables amount to	2,510.3	2,929.1
Interest-bearing liabilities amount to	1,490.9	918.1

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, 2019	0.9	4,976.2	719.3	16.4	5,712.9
Translation difference			70.3		71.0
New share issue	0.0	324.8			324.8
Issue costs ¹⁾		-0.5			-1.2
Other			-5.7	10.3	4.6
Net profit			284.9	-1.6	283.3
Amount as of March 31, 2020	0.9	5,300.5	1,068.8	25.1	6,395.4

¹⁾ Issue costs constitutes of cost of rights issue SEK 0.6 million and tax effects of the cost SEK 0.1 million.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK m	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	Apr 2018–Mar 2019	Jan 2018–Mar 2019
Cash flow from operating activities before changes in working capital	384.6	527.1	1,604.2	1,248.2	1,440.0
Change in working capital	381.1	250.1	124.1	-591.6	-83.6
Cash flow from operating activities	765.7	777.2	1,728.3	656.6	1,356.4
Cashflow from investing activities					
Investment in acquired companies	-14.6	-288.3	-905.7	-707.7	-1,070.6
Investment in intangible assets	-464.4	-326.0	-1,653.4	-1,151.6	-1,335.7
Investment in tangible assets	-14.4	-6.6	-42.4	-137.8	-140.3
Investment in financial assets	-11.2	0.0	-32.6	0.0	0.0
Cash flow from financing activities	-558.6	1,849.2	473.5	4,169.7	3,488.3
Cash flow for the period	-297.5	2,005.5	-432.3	2,829.2	2,298.1
Cash and cash equivalents at beginning of period	2,784.7	921.7	2,929.1	98.7	626.5
Translation difference in cash and cash equivalents	23.1	1.9	13.5	1.2	4.5
Cash and cash equivalents at end of period	2,510.3	2,929.1	2,510.3	2,929.1	2,929.1

PARENT COMPANY INCOME STATEMENT

SEK m	Jan–Mar 2020	Jan–Mar 2019	Apr 2019– Mar 2020	Apr 2018– Mar 2019	Jan 2018– Mar 2019
Net sales	102.0	62.1	495.9	347.0	416.4
Other operating income	10.2	8.7	11.1	7.8	13.2
Total operating income	112.2	70.8	507.0	354.8	429.6
Operating expenses					
Other external expenses	–46.3	–5.9	–64.3	–17.5	–19.9
Personnel expenses	–4.7	–1.2	–12.8	–5.1	–6.3
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	–85.2	–57.9	–333.3	–198.0	–240.3
Total operating expenses	–136.2	–65.1	–410.4	–220.5	–266.6
Operating profit	–24.0	5.7	96.6	134.3	162.9
Result from participations in Group companies	0.0	–71.0	0.0	–71	–71.0
Result from financial assets	55.8	2.2	60.2	1.9	8.5
Interest income, etc.	48.4	5.4	62.5	20	23.7
Interest expenses, etc.	–15.0	–6.2	–21.5	–12.6	–28.5
Total financial income/expenses	89.2	–69.5	101.2	–61.6	–67.3
Profit after financial items	65.2	–63.8	197.8	72.6	95.7
Appropriations	–60.0	–66.5	–60.0	–66.5	–66.5
Profit before tax	5.2	–130.3	137.8	6.1	29.2
Tax on profit for the period	–0.5	12.7	–29.7	–17.3	–22.4
Net profit for the period	4.7	–117.6	108.1	–11.2	6.8

CONDENSED PARENT COMPANY BALANCE SHEET

SEK m	Mar 31, 2020	Mar 31, 2019
Intangible assets	393.8	234.6
Tangible assets	1.6	-
Financial assets	2,813.6	2,171.0
Current receivables	927.7	406.3
Cash and bank balance	1,954.5	2,666.2
Total assets	6,091.2	5,478.1
Equity	5,575.1	5,143.3
Untaxed reserves	140.6	95.6
Provisions	3.6	3.6
Long-term liabilities	221.7	208.4
Current liabilities	150.2	271
Total liabilities and equity	6,091.2	5,478.1

SELECTED KEY PERFORMANCE INDICATORS – GROUP

Financial metrics defined or specified pursuant to Swedish Accounting Standards Board standards (BFNAR)	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	Apr 2018–Mar 2019	Jan 2018–Mar 2019
Net sales, SEK m	1,339.1	1,630.5	5,249.4	5,121.2	5,754.1
Operating profit, SEK m	96.7	172.0	345.4	467.3	574.6
Profit before tax, SEK m	169.5	162.7	408.8	447.3	545.4
Profit after tax, SEK m	132.3	103.0	283.3	315.7	396.8
Number of shares at end of period, thousands ¹⁾	312,067	307,704	312,067	307,704	307,704
Average number of outstanding shares, thousands ¹⁾	312,067	283,038	311,411	264,334	254,493
Average number of full-time employees in the period	1,721	1,218	1,663	1,071	1,042
Number of employees at the end of the period	1,873	1,353	1,873	1,353	1,353
Alternative key performance indicators not defined or specified pursuant to BFNAR	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	Apr 2018–Mar 2019	Jan 2018–Mar 2019
Net sales growth, %	-18	158	3	484	1,034
EBITDA, SEK m	495.2	618.6	1,821.3	1,366.7	1,592.6
EBITDA margin, %	37	38	35	27	28
Operational EBIT, SEK m	286.0	395.9	1,033.0	765.8	897.1
EBIT, SEK m	96.7	172.0	345.4	467.4	574.6
EBIT margin, %	7	11	7	9	10
Equity/assets ratio, %	60	66	60	66	66
Adjusted earnings per share, SEK ¹⁾	0.97	1.00	2.81	2.12	2.59
Earnings per share, SEK ¹⁾	0.42	0.37	0.91	1.19	1.56
Dividend per share, SEK	-	-	-	-	-
<i>Derivation of the alternative KPIs, operational EBIT and EBITDA</i>					
EBIT, SEK m	96.7	172.0	345.4	467.4	574.6
Amortization expenses added back to Operational EBIT					
- Goodwill, SEK m	110.4	42.9	285.1	73.9	75.1
- Intellectual property (IP) rights, SEK m	66.9	165.6	359.4	188.3	198.9
- Surplus value of Partner Publishing/Film, SEK m	12.0	15.4	43.1	36.2	48.5
Operational EBIT, SEK m	286.0	395.9	1,033.0	765.8	897.1
- Other depreciation and amortization expenses, SEK m	209.2	222.7	788.3	599.4	695.5
EBITDA, SEK m	495.2	618.6	1,821.3	1,366.7	1,592.6

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

DEFINITIONS OF KPI'S, GROUP

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

DEFINITIONS, QUARTERLY INFORMATION

Depreciation	
Game development	Depreciation of finished game development projects - degressive depreciation over two years. 1/3 depreciation during month 1 to 3 following release, 1/3 depreciation in month 4 to 12 following release and the remaining 1/3 in month 13 to 24 following release.
Other intangible assets (Film etc)	The majority of other intangible assets (Film etc) relates to the Group's film business and is depreciated based on actual sales in relation to expected sales of the relevant title.
IP-rights	Depreciation of IP rights related to Games - straight-line depreciation over five years.
Surplus value Partner Publishing/Film	Depreciation of surplus values related to Partner Publishing/Film - straight-line depreciation over five years.
Goodwill	Depreciation of Goodwill - straight-line depreciation over five years.
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.
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).
External game developers	Number of game developers engaged in game development projects by studios that are not owned by the group (external studios).
Internal employees, non-development	Number of employees not directly engaged in game development (both employees and contractors).
External Studios	Number of external development studios engaged in game development projects.
Internal Studios	Number of internal development studios.
Number of IP:s	Number of IP:s owned by the group.
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.
Physical sales	All net sales shipped physically.
Digital sales	All net sales not shipped physically.
Game development projects	Number of on-going game development projects financed by the group.

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
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
EBITDA, SEK m	42	40	35	156	273	226	207	215	326	974	619	390	418	518	1,945	495
Operational EBIT, SEK m	35	34	28	106	202	131	70	103	197	501	396	204	241	302	1,143	286
EBIT, SEK m	32	30	24	102	188	107	53	91	152	403	172	81	76	91	421	97
Profit after tax, SEK m	24	23	19	73	139	81	33	65	114	294	103	53	65	34	254	132
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
Cash flow from operating activities (before change in working capital), SEK m	35	36	33	146	250	192	137	224	360	913	527	306	365	552	1,750	385
Cash flow from operating activities, SEK m	30	22	29	99	179	700	165	-740	455	579	777	441	283	239	1,740	766
Adjusted Earnings per share, SEK ¹⁾	-	-	-	-	-	0.42	0.19	0.28	0.55	1.50	1.00	0.51	0.65	0.68	2.82	0.97
Number of shares (A&B), adjusted, million ¹⁾	216	216	217	238	222	238	241	265	283	252	283	308	310	312	303	312
Sales growth, %	90%	62%	9%	99%	68%	673%	878%	1,403%	441%	713%	158%	36%	-1%	9%	34%	-18%
EBITDA, margin, %	51%	46%	41%	61%	54%	36%	25%	17%	24%	24%	38%	34%	33%	34%	35%	37%
Operational EBIT, margin, %	43%	39%	32%	41%	40%	20%	8%	8%	14%	12%	25%	18%	19%	20%	21%	21%
EBIT, margin, %	39%	35%	28%	40%	37%	17%	6%	7%	11%	10%	11%	7%	6%	6%	8%	7%
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
Gross Margin, %	70%	72%	65%	73%	71%	50%	44%	30%	39%	39%	55%	54%	50%	51%	52%	50%
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
Games - Deep Silver, SEK m	-	-	-	-	-	257	338	252	187	1,033	794	373	442	467	2,076	515
Games - Coffee Stain, SEK m	-	-	-	-	-	-	-	-	14	14	98	83	45	36	261	82
Games, total	82	86	85	255	508	391	484	376	553	1,803	1,035	641	816	836	3,328	904
Partner Publishing/Film, SEK m	-	-	-	-	-	242	354	897	828	2,320	596	501	444	673	2,213	436
Net sales split – Games business area																
Owned titles, %	67%	76%	74%	82%	77%	34%	39%	50%	72%	50%	84%	80%	78%	79%	80%	70%
Publishing titles, %	33%	24%	26%	18%	23%	66%	61%	50%	28%	50%	16%	20%	22%	21%	20%	30%
Owned titles, SEK m	55	66	63	208	391	134	189	188	396	907	871	510	637	657	2,675	633
Publishing titles, SEK m	27	20	22	47	116	257	295	188	157	897	164	131	179	178	653	270
New releases sales by each quarter, %	36%	16%	39%	74%	-	63%	20%	31%	58%	-	75%	18%	32%	35%	-	38%
Back catalog, %	64%	84%	61%	26%	-	37%	80%	69%	42%	-	25%	82%	68%	65%	-	62%
New releases sales by each quarter, SEK m	30	14	34	190	-	246	98	117	321	-	781	118	261	291	-	345
Back catalog, SEK m	52	72	51	65	-	145	386	259	232	-	254	524	555	545	-	559
Physical sales, %	49%	31%	44%	60%	50%	62%	50%	48%	59%	55%	39%	29%	26%	31%	32%	22%
Digital sales, %	51%	69%	56%	40%	50%	38%	50%	52%	41%	45%	61%	71%	74%	69%	68%	78%
Physical sales, SEK m	40	27	36	150	253	243	242	179	324	988	407	189	215	259	1,070	195
Digital sales, SEK m	42	59	49	102	251	148	242	197	229	815	628	452	601	577	2,258	709
Depreciation and amortization																
Game development	-6	-6	-7	-43	-62	-59	-109	-80	-93	-341	-192	-162	-144	-133	-631	-148
Other intangible assets (Film etc.)	-	-	-	-	-	-33	-24	-27	-31	-115	-25	-16	-26	-76	-144	-53
Sub-total	-6	-6	-7	-43	-62	-92	-133	-107	-124	-455	-217	-179	-170	-209	-775	-201
<i>Acquisition-related depreciation</i>																
IP-rights	-3	-3	-4	-4	-14	-11	-7	-9	-8	-33	-166	-69	-101	-123	-458	-67
Surplus value Partner Publishing/Film	-	-	-	-	-	-12	-10	-2	-9	-33	-15	-8	-12	-11	-46	-12
Goodwill	-	-	-	-	-	-1	-1	-2	-28	-32	-43	-45	-52	-77	-218	-110
Sub-total	-3	-3	-4	-4	-14	-24	-17	-13	-45	-99	-224	-123	-164	-211	-722	-189
Total intangible assets	-10	-9	-10	-47	-76	-116	-150	-120	-169	-554	-441	-302	-334	-420	-1,497	-390
Investments in intangible assets																
External game development and advances, SEK m	54	44	59	54	212	115	114	132	167	528	189	225	166	152	732	193
Internal capitalized development, SEK m	13	14	19	33	80	58	94	102	106	359	116	131	177	221	645	224
Other intangible assets	-	-	-	11	11	12	31	18	31	91	20	22	43	46	131	40
IP-rights	-	-	4	-	4	-	0	22	11	32	0	0	6	0	7	8
Total	67	59	82	98	306	185	239	273	314	1,010	326	378	392	419	1,515	465
Completed games																
Completed games, SEK m	1	2	40	134	176	123	47	50	162	383	220	168	104	152	644	165
Other KPIs																
Total Game Dev projects	32	30	29	36		54	51	55	77		80	81	86	96		103
Announced Game Dev projects	14	13	13	12		19	17	20	29		32	34	37	44		43
Unannounced Game Dev projects	18	17	16	24		35	34	35	48		48	47	49	52		60
Total internal game developers	78	82	163	178		536	565	608	613		860	882	1,162	1,237		1,359
Total external game developers	282	306	261	229		714	692	740	871		807	946	1,110	1,021		1,006
Total internal employees, non-development	44	44	45	55		470	486	554	529		541	590	709	713		744
Total number headcounts	404	432	469	462		1,720	1,743	1,902	2,013		2,208	2,418	2,981	2,970		3,109
Number of studios																
Total number External Studios						18	29	26	26		42	48	55	58		58
Total number Internal Studios						7	10	10	10		17	18	18	20		26
Total number Studios						25	39	36	36		59	66	73	78		84
Total number of IP						91	106	107	119		136	138	148	154		160

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

EMBRACER⁺ GROUP

Embracer Group is the parent company of businesses developing and publishing PC and console games for the global games market. The group has an extensive catalog of over 160 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory, Wreckfest and World War Z, amongst many others.

With its head office in Karlstad, Sweden, Embracer Group has a global presence through its five operative groups: THQ Nordic GmbH, Koch Media GmbH/Deep Silver, Coffee Stain AB, Amplifier Game Invest and Saber Interactive. The group has 31 internal game development studios engaging more than 3,500 employees and contracted employers in more than 40 countries.