

COMING OUT STRONGER

As we close the books on FY 22/23, we can conclude that it has been a challenging year, characterized by a weaker consumer market but also, for Embracer specifically, game delays and a high-profile deal that did not materialize. It has, however, also been a year in which we have advanced our leading market position, adding some of the world's most beloved IPs to our portfolio and reaching several notable milestones, including the listing change to the Main Market at Nasdaq Stockholm. Looking ahead, we remain focused on executing on our games pipeline, partnership approach, and efficiency improvement initiatives. I am confident that Embracer will come out stronger.

During the year, we have continued to build for the future, by acquiring some incredible IPs and companies, by investing into our games pipeline, and by completing the list change to the Main Market at Nasdaq Stockholm. That said, we need to make some tough decisions ahead to adapt to the new macroeconomic reality and the higher cost of capital. Going forward, we will increase focus on optimizing the use of our resources and realizing untapped potential across the Group. I am confident in our ability to execute and deliver, and despite the past year's gloomy macro environment, I also maintain a strong positive outlook on the industry as a whole, showing solid growth potential across segments and geographies.

FOCUS ON DELIVERING THE HIGHEST QUALITY

The financial and operational development was solid in absolute terms during the year. Net sales grew by 121% YoY to SEK 37.7 billion, with organic growth of 2%. Adjusted EBIT grew by 43% YoY to SEK 6.4 billion, corresponding to a margin of approximately 17%. The strong earnings development was primarily driven by the addition of our Tabletop Games operating segment Asmodee, which has managed a challenging consumer backdrop well. The Mobile Games operating segment saw stable earnings development despite top line growth headwinds, driven by optimized user acquisition investment.

At the same time, the results are not nearly as strong as we expected heading into the year. This is largely due to the PC/Console Games operating segment, which saw

solid organic growth but notably lower margins YoY due to pipeline shifts, a lacklustre reception for certain releases, and weaker consumer purchasing power.

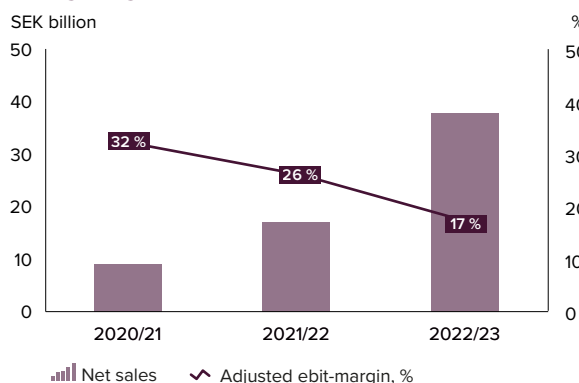
While some factors are partly out of our control, we must ensure that we deliver games of the highest quality. Although it can be frustrating to delay games with notable potential, experience shows that in some cases it is the right course of action, and it will in many situations improve ROI. It is clear that the decision to give the studio more time to polish the much-anticipated Dead Island 2 has paid off, with well over 2 million units in the first month after release after the end of the fiscal year. This is why we are now implementing a stronger, centralized framework for progress review of games in development to ensure continued focus on quality. Ultimately, this will enable us to deliver on the potential of our games pipeline.

Looking ahead, we expect to deliver consecutively higher net sales, Adjusted EBIT and free cash flow, driven by a strong pipeline of highly anticipated games based on our iconic own and licensed IP. We are confident that we are nearing a notable inflection point in our business, and that we can utilize our scale and our significant collective value to the best effect.

OUR EMPLOYEES MAKE UP THE FABRIC OF EMBRACER


For Embracer Group, our strong commitment to diversity, equality, and inclusion constitutes a key component of our shared code of conduct. During the year, we completed

NET SALES



INVESTMENTS AND COMPLETED GAMES





“ WE HAVE GREAT ASSETS AND IP AND WE AIM TO DEMONSTRATE THE EARNINGS POWER OF THOSE ASSETS OVER TIME

the Group's third annual employee survey, an important tool to address and take action to improve the work life and well-being of our employees. Over 10,000 people in 200 of our entities across the globe participated in the survey and the result showed that enjoyment of work, work engagement and workplace conditions such as respect and leadership are among our top strengths in the view of our employees. With an 85 % (80 %) response rate, we managed to keep the average satisfaction rate on a high level, 80 compared to 81 last year.

At the same time, we understand that the current macro environment coupled with ongoing efficiency and restructuring initiatives across the Group is a source for concern for our people. It is painful when talented and highly valued team members are affected. We will continue to act with a people-first mindset, sharing information, being as transparent as possible, and supporting managers so that they can lead with compassion, respect, and integrity.

A SIGNIFICANT LEAP FOR OUR IP PORTFOLIO AND TRANSMEDIA STRATEGY

During the year, we further strengthened our portfolio, adding some of the world's most beloved IPs. In August 2022, we completed the acquisition of Crystal Dynamics – Eidos Montreal, which also included iconic IPs such as Tomb Raider, Deus Ex, Thief and Legacy of Kain. We acquired Middle-earth Enterprises, giving Embracer Group ownership of the IPs for Lord of the Rings and Hobbit. The acquisition has rendered great excitement within the Group and enabled notable partnership opportunities. In the coming one to two years, new products based on the Tolkien universe will mainly be developed and released by external partners, but over a period of 5, 10, 20 years, we expect to have delivered several world class products from the largest fantasy IP, across different genres and from our internal studios and publishers.

Adaptations of IP across media is another integral part of Embracer's business strategy and an evolution of our IP-centric approach. Our transmedia strategy enables us to expand the audience for our core IPs across PC/Console and tabletop games, comic books and graphic novels, and TV/film, thus enhancing the value of the IP portfolio. We currently have multiple exciting transmedia projects in our pipeline and are eager to bring these new stories and experiences to fans worldwide.

NEAR-TERM PRIORITIES

In the past year, we entered into multiple partnerships and licensing agreements with industry partners, involving both AAA games and movies based on some of our iconic IPs. Unfortunately, one ground-breaking strategic partnership agreement that would have set a new benchmark for the gaming industry did unexpectedly not materialize. Nevertheless, capitalizing on our collective value through our partnership approach remains a key priority for the Group. Increasing the share of externally funded game development can improve our profit and cash flow predictability.

Following our Q4 report, on 13 June, we presented a comprehensive restructuring program, including operational and financial measures to increase cash conversion, improve efficiency and reduce capex. The program will transform Embracer to a highly cash-flow generative business and reduce financial net debt below SEK 10 billion by the end of FY 2023/24. As difficult as some of the decisions that we will take will be, we are confident that we will emerge a stronger, more efficient company setting out on a stable future to build even greater value across our many studios and uniquely diversified portfolio of IPs.

STRONG FOUNDATION FOR THE FUTURE

The long-term ambition for Embracer is to continue to build something significant and long-lasting, and to do it together with successful entrepreneurs and creators. We have a solid foundation with predictable, profitable, and cash-generative businesses, including a roster of renowned PC/Console franchises that gradually grows longer. The demand for content has never been greater, and we are well-positioned to leverage that demand. We have great assets and IPs, and we aim to demonstrate the earnings power of those assets over time.

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

June 21, 2023, Karlstad, Värmland, Sweden

Lars Wingefors
Co-founder & Group CEO