

LETTER FROM THE CHAIR OF THE BOARD

OUR FOUNDATION REMAINS STRONG

It's been a year of extraordinary events and unexpected turns – on global issues broadly, but also for Embracer. We advanced our position in many respects, but also had to navigate the most challenging period in the history of the company, affecting both our financial result for the year that ended March 31, 2023, and our forecast for 2023/2024. We fully understand the concerns raised following events in recent months, and are more committed than ever to make sure that we truly maximize the potential across our large ecosystem of entrepreneurially driven businesses.

There are many reasons for me and the Board to be confident in our ability to rebuild trust, as we execute on our strategy and focus ardently on delivering value to our shareholders, over time.

What we have built in the past few years is quite exceptional. This foundation has not changed. Embracer has one of the industry's most recognized and diverse portfolios of IPs. We have deep in-house capabilities in game development and publishing, spanning segments, genres, and formats. The combined collective value of these assets has not yet fully materialized; we are only beginning to identify substantial opportunities for cross-fertilization within the Group. Moreover, this past year, we formed the new operative groups Freemode and Crystal Dynamics-Eidos Montréal, and acquired many exciting new IPs, including Lord of the Rings, Tomb Raider, and Deus Ex, further bolstering both scale and quality of our ecosystem. Additionally, we raised proceeds of about SEK 10.3 billion as we welcomed Savvy Games Group as a new shareholder, underpinning the strength and attractiveness of our capabilities and portfolio.

With our people-first mindset, we know that our success ultimately comes down to the hard work and creativity of the thousands of people in our studios and businesses. This is another reason to remain confident about the future. We maintain our position as a home for the industry's most talented entrepreneurs and creators. In this year of turbulence, it has been inspiring to see the level of leadership throughout the organization, and the sense of shared commitment to the joint progress across the Group. The strong entrepreneurial drive that characterizes our group of businesses will be an important factor as we act swiftly to increase operative efficiency, predictability, cost control, and optimization.

DELIVERING ON GOVERNANCE TO SUPPORT GROWTH

When I addressed you a year ago, in my most recent annual letter, the Board was fully engaged in reviewing and refining our governance and reporting, to adequately prepare for Embracer's uplisting to Nasdaq Stockholm. On December 22, 2022, we successfully completed this major transition, as Embracer's B-shares began trading

on Nasdaq Stockholm. This was a pivotal moment in the history of our company and the result of a thorough process to establish a robust framework that will benefit the company for the foreseeable future. Thousands of controls were conducted, several extensive external reviews and checks completed, and perhaps most notably, it was one of the largest conversions to IFRS in Swedish corporate history. We have since then continued this path, by constantly striving to refine and improve in governance and sustainability to meet the high standards of a large multinational company. Our upgraded ESG rating by MSCI is testament to those efforts. The Board and I are encouraged to see the progress made and the solid foundation we have built in these past twelve months. As a company with operations spanning across more than 40 countries, and with more than 16,000 employees, our governance and sustainability framework is a key enabler of our success.

EXPLORING OPTIONS TO MAXIMIZE VALUE

Our decentralized operating model, built around operative groups and studios, led by entrepreneurs with successful track records, remains at the core of how we operate. What we have seen this past year, and this is a key focus for the Board, is that the maturity of Embracer Group is increasingly sparking intra-Group collaborations. These are happening organically in a more dynamic way, as attractive business prospects present themselves across the Embracer family. In parallel, the Board and management have taken measures to actively identify areas and opportunities where we can bring together the vast resources and deep IP catalog across several operative groups.

This is decentralization at its best; each group and studio delivering outstanding games, independently, but with the potential to draw on resources and assets from other parts of the Group, entirely on a commercially driven basis. Clearly, our ability to leverage this combined force will be a determining factor for our success, and one that can increase both our competitiveness and attractiveness as a partner.

During the year, the Board initiated a special review to secure long-term value creation for all businesses



within Embracer Group. The Board has during this period explored various options, with a focus on increased efficiency and synergies across the Group. As a result of this process, significant untapped potential has been identified across the Group's ecosystem that will now be realized. The Board will continue to closely monitor market conditions to ensure swift responses to any changes in the environment.

THE CONTINUED STRENGTH OF EMBRACER'S MODEL

In light of the past year's results, and events in recent months, the Board's focus and responsibility is to ensure that the Group can perform in all parts. As announced after the end of the fiscal year, on June 13, we are now implementing a comprehensive restructuring program that will enable us to generate growth in profitability with less business risk and with higher margins in the PC/ Console segment over the coming years.

We need to better leverage our scale, the quality of our portfolio and our capabilities to become a stronger, more efficient company.

In parallel, we will advance our focus on strategically important areas, such as transmedia, which allows us to draw on our vast IP portfolio for game adaptations into and from other media. This is a natural evolution of our business model and will truly enhance the unique value of our diverse portfolio and assets. The Board and I have strong confidence in our ability to ultimately deliver lasting value to shareholders, creators, entrepreneurs, and gamers worldwide.

Kicki Wallje-Lund
Chair of the Board