ENAD GLOBAL 7 AB (PUBL)

# INTERIM REPORT

JANUARY-SEPTEMBER 2021

# INTERIM REPORT - JAN-SEP 2021

## SUMMARY COMMENTS

*Q3 2021 was a period of transition for EG7. After a period of extraordinary M&A driven growth, the company took necessary steps to reorganize and prepare for a transition to a sustainable organic growth strategy. With the world class portfolio of live games and the iconic IPs we have successfully acquired, the company is very well-positioned to utilize these assets for sustainable organic growth plans while we continue to aggressively seek a more tailored M&A strategy for our next phase of growth.*

*For Q3 2021, EG7 performed according to plan, successfully navigating the challenges posed by the reorganization and transition. Net revenue for the period was SEK 409 million, increasing by 409 % over the same period last year, primarily driven by the key acquisitions over the last 12 months. Adjusted EBITDA came in at SEK 89 million, representing a 22% margin. Both figures were in-line with the provided guidance range for the period. For Q4 2021, the company is on track, and we are reiterating our guidance.*

Ji Ham, Acting CEO, EG7

## FINANCIAL HIGHLIGHTS

- Net revenue of SEK 409.4 (80.5) million in Q3 2021, representing 409% growth over Q3 2020. For the period comprising January to September 2021, net revenue amounted to SEK 1,097.4 (374.0) million.
- Adjusted EBITDA of SEK 88.8 (-2.0) million, growth by SEK 90.8 million for Q3 2021, and SEK 278.6 (33.7) million for the first nine months of 2021.
- EBITDA of SEK 78.3 (25.0) million, an increase of 213% y-o-y in Q3 2021, and SEK 262.1 (60.7) million for the first nine months of 2021.
- EBITA of SEK 64.5 (21.6) million in Q3 2021, and SEK 228.5 (50.4) million for the first nine months of 2021.
- EBIT of SEK 12.0 (21.2) million in Q3 2021, and SEK 95.6 (49.3) million for the first nine months of 2021.
- Net profit of SEK -28.2 (-13.7) million in Q3 2021, and SEK -13.7 (13.3) year to date.
- Net debt of SEK -35.3 (320.2) million, comprised of SEK 442.2 million of cash position and SEK 406.9 million of total debt.
- Adjustment of non-recurring cost items affecting comparability of SEK 10.5 million comprised of (i) SEK 5.5 million of restructure related severance and expenses and (ii) SEK 2.3 million M&A and financing related expenses and (iii) SEK 2.7 million prior period's capitalized development costs.
- Cash-flow from operations SEK 85.6 (2.4) million.

### Indicative Guidance for Q4 2021

- Net revenue: SEK 450-500 million.
- EBITDA: SEK 95-110 million.

## KEY METRICS

| | QUARTER | | ACCUMULATED | | LTM | FULL YEAR |
|---|---|---|---|---|---|---|
| *SEKm* | JUL-SEP 2021<br>*3 months* | JUL-SEP 2020<br>*3 months* | JAN-SEP 2021<br>*9 months* | JAN-SEP 2020<br>*9 months* | OCT 2020-SEP 2021<br>*12 months* | JAN-DEC 2020<br>*12 months* |
| Net revenue | 409.4 | 80.5 | 1,097.4 | 374.0 | 1,293.2 | 569.8 |
| Net revenue growth | 409% | 1,014% | 193% | 1,032% | 199% | 276% |
| EBITDA | 78.3 | 25.0 | 262.1 | 60.7 | 214.0 | 12.6 |
| Adjusted EBITDA | 88.8 | -2.0 | 278.6 | 33.7 | 290.0 | 45.1 |
| EBITDA margin, % | 21.7% | neg | 25.4% | 9.0% | 22.4% | 7.9% |
| EBIT | 12.0 | 21.2 | 95.6 | 49.3 | 38.4 | -7.8 |
| Adjusted EBIT | 22.5 | -5.8 | 112.1 | 22.3 | 114.4 | 24.7 |
| EBIT margin, % | 5.5% | neg | 10.2% | 6.0% | 8.8% | 4.3% |
| Profit before tax | -20.6 | 14.7 | 17.1 | 29.3 | -107.4 | -95.3 |
| Net profit | -28.2 | 11.0 | -13.7 | 13.3 | -125.0 | -98.0 |
| Earnings per share (SEK) | -0.32 | 0.32 | -0.16 | 0.30 | -1.44 | -1.28 |

# COMMENTS FROM THE CEO

*Ji Ham, Acting CEO, Enad Global 7 AB (PUBL)*

### A solid quarter in-line with the guidance

For Q3 2021, EG7 produced SEK 409 million of net revenue, a growth of 409% from the same period last year. Adjusted EBITDA for the period came in at SEK 89 million, representing a 22% margin. Despite the reorganization process contributing to a short-term friction, the company achieved its net revenue and EBITDA targets for the period. Our business units, including Daybreak, Innova and Big Blue Bubble, delivered strong performance for the period. Partially offsetting the overall strength of the Game Segment was Piranha with lower sales for MechWarrior 5 on PlayStation. The business for Petrol and Sold Out in our Service Segment are getting back to form with solid project deliveries for the period and a strong outlook for Q4 2021.

### Recalibration and getting back on track

During the quarter, the company reorganized its management team at the holding company. Robin Flodin, the founder and CEO, transitioned out together with other senior managers, including the Chief Commercial Officer and the Chief Operating Officer. This reorganization reflected the Board's decision to change the operational approach. After a careful consideration, the Board determined that the more optimal path for long-term shareholder value creation was through decentralized operations versus a centralized model. These changes went into effect at the end of August and since then the company has transitioned well, working closely with each business unit leadership to successfully effectuate these changes. Going forward, the parent company organization will be comprised of the group level leadership, to secure long-term shareholder values and roles necessary for a listed company, including CEO, CFO, investor relations, corporate development and support roles; while the operational leadership will reside with each business unit.

The overall group management approach will be one of partnership with each business unit, finding a balance between the top-down group vision and the bottoms-up strategy specific for each business unit. All the business unit leadership and key stakeholders have fully welcomed this approach. While EG7 has been very successful in acquiring key businesses and assets, there are sufficient differences amongst the portfolio companies where "one size does not fit all" for a uniform strategy or operational structure to be as effective. By adopting decentralization and empowering each business unit leadership vs. "forcing" collaborations, we expect to drive more value creation for each unit and also for the overall group going forward.

### Transitioning to growth strategy beyond just M&A

Since 2018, EG7 has demonstrated extraordinary growth, acquiring 6 businesses successfully and growing net revenue to SEK 1.3 billion for the LTM Sep-21 period from SEK 73 million in 2018. However, we believe it is important to rebalance our growth plans beyond 100% M&A. The market dynamics have been shifting over the last two years. In 2020 with the significant boost from the pandemic, the gaming industry experienced extraordinary growth to USD 178 billion, representing 23% growth year-over-year. 2021 has been another strong year with the overall industry holding steady at the elevated level reached in 2020. With such sustained growth, the industry enjoyed overall valuation expansion. Additionally, the pace of consolidation picked up during the same time, resulting in less availability of attractive assets today. Based on these changes, we believe it is important that the company invests in a sustainable long-term organic growth plan to better balance our growth in parallel with our continuing focus and efforts around M&A.

### Well-positioned for sustained long-term growth through investing in our future

EG7 is very well positioned for long-term growth with its portfolio of assets. Our diversified and long-life cycle live games portfolio from Daybreak, Big Blue Bubble and Innova provide a sustainable foundation of predictable and stable revenues and cash flows. Along with strong continuing industry growth, our service businesses are poised to track or exceed market growth going forward. We have access to pools of top-notch development talent across North America and Europe with studios from Daybreak, Piranha, Toadman and Antimatter providing resources necessary for various exciting new projects across the group. Furthermore, arguably our most important competitive strength and differentiation is our world class IP portfolio. We have access to some of the best known original and third-party IP brands in the world, including EverQuest, H1Z1, Planetside, DC Comics, Lord of the Rings, Dungeons & Dragons, My Singing Monsters and Marvel. By leveraging these pools of assets and talent, we are highly confident and excited to bring new and exciting products to market.

# EG7 BUSINESS OVERVIEW

## A leading global MMO developer and publisher

Daybreak represents one of the most prolific MMO developers in the world having developed 13 MMOs throughout its 24-year history, including EverQuest, the very first fully 3D MMORPG that pioneered the genre. Daybreak currently operates a portfolio of 7 live service titles, which provide a strong foundation of consistent revenues and profitability for the group. Additionally, with the addition of Innova in Q2 2021, the overall live service portfolio expanded by 12 more titles currently on the 4game platform. MMOs published by Innova, include some of the biggest MMOs in the world, including Lineage 2, Black Desert Online and Blade & Soul. Combining Daybreak, Innova's titles, My Singing Monsters and MechWarrior Online, EG7 currently operates 21 live service titles, making EG7 one of the biggest live service game publishers and operators in the world.

## Iconic, world class brands

EG7 is home to some of the most iconic IPs – both first-party and third-party brands.

- Key first party brands include:
  - EverQuest, considered to be one of the three most iconic fantasy MMO brands in the world together with World of Warcraft and Ultima Online.
  - H1Z1, the very first battle royale game that was credited as one of the inspirations for Fortnite, with over 40 million life-to-date (LTD) registrations.
  - Big Blue Bubble's My Singing Monsters, which has over 82 million LTD registrations on mobile and now expanding to PC and console.
- Top tier global third party brands:
  - DC Comics from Warner Brothers with continuing pipeline of content from blockbuster feature films and TV shows.
  - The Lord of the Rings, arguably the most iconic classic fantasy IP, primed for resurgence with the new Amazon series on its way.
  - The Dungeons & Dragons from Wizards of the Coast, with a world-wide passionate fan base and a new feature film on its way.
  - 4game's third party brands, including Lineage, Black Desert Online, Blade and Soul and more.

These iconic brands for our games differentiate our products competitively and also provide great opportunities to leverage them further for continuing content development and new future products.

## Scalable proprietary digital platform

Innova's 4game platform is one of the leading free-to-play (F2P) PC online platforms in Russia and CIS. The 4game platform's features and capabilities are highly scalable with opportunities to expand beyond Innova's region out to other key markets such as EU and Latin America. In addition to the regional expansion opportunities, 4game can scale with additional products, including select Daybreak titles and new MMOs coming to market. Daybreak is working closely with Innova to bring some of its key titles to 4game in the coming quarters.

## Robust game development capabilities and live operations expertise

We have 8 game development and live operations studios across North America and Europe in the group: Antimatter Games, Piranha, Toadman Studios, Big Blue Bubble, Dimensional Ink, Standing Stone, Rogue Planet and Darkpaw. Passionate and talented game makers at these studios are core of what drives our success. In addition to the 21 live games, we currently have a pipeline of 10 new and reinvestment projects underway to be showcased in the near future.

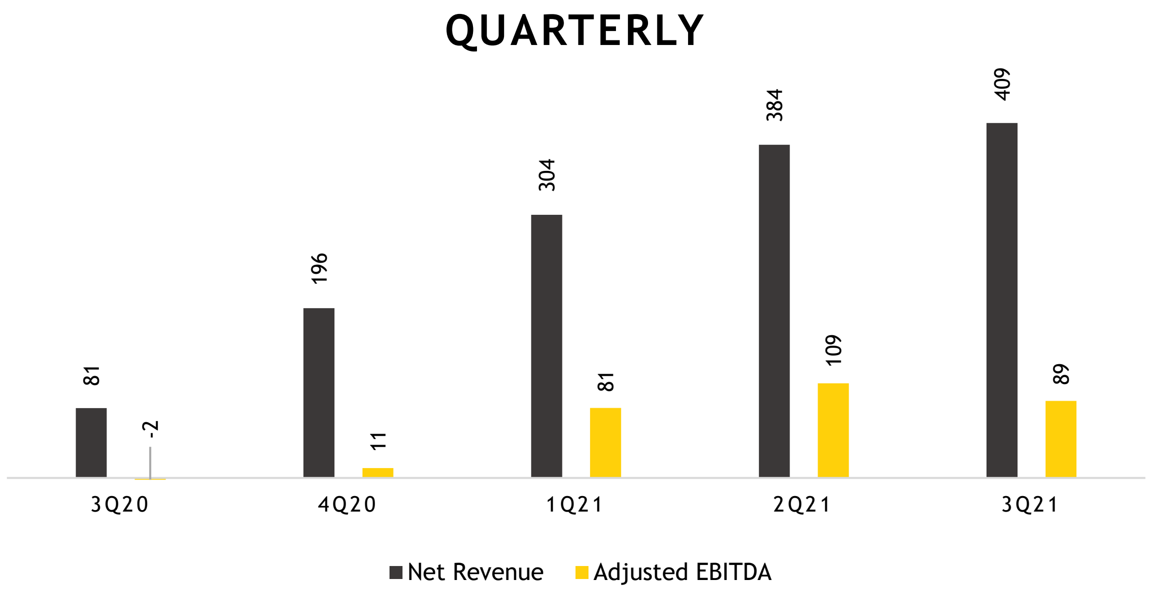
## Creative, marketing and distribution expertise and capabilities

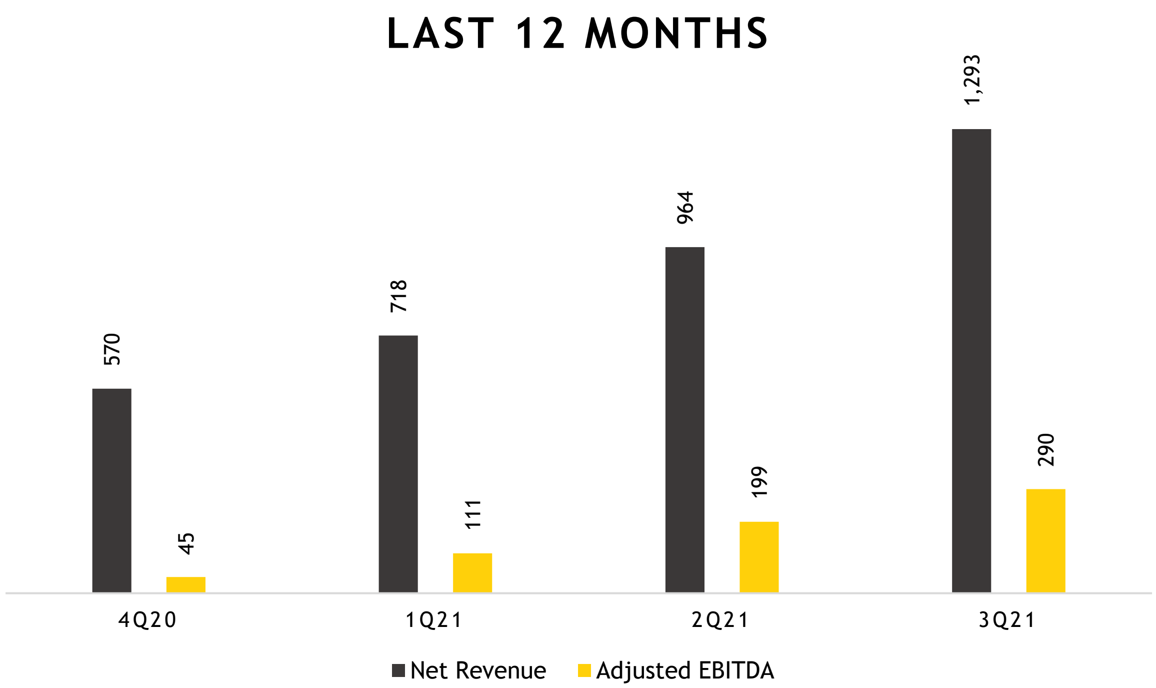
Petrol has been responsible for some of the most iconic imageries in gaming with the Call of Duty key art each year and many other AAA product creative work over its history. With a lengthy client list that is "who's who" in gaming and beyond, Petrol continues to stamp their mark across the industry, creating visual masterpieces that produce lasting impressions.

Sold Out brings a wealth of experience and knowledge in publishing and distribution for premium titles. Sold Out extends the groups publishing and distribution capabilities beyond digital and live service. The group has already leveraged Sold Out's capabilities for Piranha's MechWarrior 5 and will continue to benefit from Sold Out's capabilities for our future premium titles going forward.

## Net Revenue and Adjusted EBITDA Growth

*SEKm*



# SUMMARY BY SEGMENT

## *Game Segment*

Comprised of our live service business, premium games and game studios. In Q3 2021, the Games Segment contributed net revenues of SEK 250.3 million, representing 61% of total for the group. Adjusted EBITDA for the period was SEK 65.7 million, representing 74% of the group total.

### DAYBREAK

Daybreak currently operates 7 live titles. For Q3 2021, Daybreak contributed net revenues and adjusted EBITDA of SEK 169.7 million and SEK 62.4 million, respectively. Daybreak provided the largest contribution amongst the group companies with a net revenue contribution of 41% and adjusted EBITDA contribution of 70% for the period. The summer months are typically the lowest period seasonally for Daybreak's live service titles due to the vacation time and limited content updates. Other than the typical seasonal trends, Daybreak's titles continue to demonstrate their stable and strong profitability.

### BIG BLUE BUBBLE

In September 2021, Big Blue Bubble's My Singing Monsters generated the highest monthly revenue over the last 5 years along with its 9th anniversary celebration. Additionally, the Big Blue Bubble team has been developing several new products, including My Singing Monsters Playground, launching on Steam, PlayStation, Xbox and Nintendo Switch in early November 2021, and Power Chord, releasing in December 2021 on Steam as an early access title. For Q3 2021, Big Blue Bubble contributed net revenue and adjusted EBITDA of SEK 31.6 million and SEK 18.3 million, respectively. These represented 8% of net revenue and 21% of adjusted EBITDA for the group.

### PIRANHA

Piranha celebrated the return of MechWarrior 5 on PlayStation for the first time in over 20 years. Net revenue and adjusted EBITDA for the quarter came in at SEK 47.6 million and SEK -8.4 million, respectively. Although the community reception was very positive, the overall sales on PlayStation had low impact, resulting in an operating loss for the quarter. Piranha has largely finished its development on MechWarrior 5 with limited residual effort for future maintenance. In Q4 2021, as the team further ramps down on MechWarrior 5, the plan is to fully utilize Piranha's talented team to staff various key projects for the group such as the Lord of the Rings Online update.

### TOADMAN STUDIOS AND ANTIMATTER GAMES

Both studios are mainly focused on new product development. Key titles in the pipeline include Block N Load 2, Evil v Evil, Minimal Effect, IGI and '83. The team is continuing to make progress and are working towards the release of Block N Load 2 and Evil v Evil in the short-term future. The remaining titles are currently estimated for release in the 2023 to 2024 timeframe based on their current status. For the quarter, the studios contributed net revenue and adjusted EBITDA of SEK 1.3 million and SEK -6.7 million, respectively.

## *Service Segment*

Comprised of Innova, Petrol and Sold Out. For Q3 2021, the Service segment contributed net revenues and adjusted EBITDA of SEK 159.1 million and SEK 30.9 million, representing 39% and 35% of the group total, respectively.

### INNOVA

Innova currently publishes 12 titles on the 4game platform. Net revenues and adjusted EBITDA contribution for the quarter were SEK 55.2 million and SEK 17.6 million, representing 13% and 20% of group total, respectively. Similar to Daybreak's live games, the summer months are also a seasonal trough for Innova's portfolio. Compared to Daybreak, the seasonality impact is more pronounced for Innova due to its regional concentration in Russia and CIS, which tends to have slower business activity during the summer vacation season. Other than the normal seasonal slowdown, Innova portfolio continues to perform well.

### PETROL

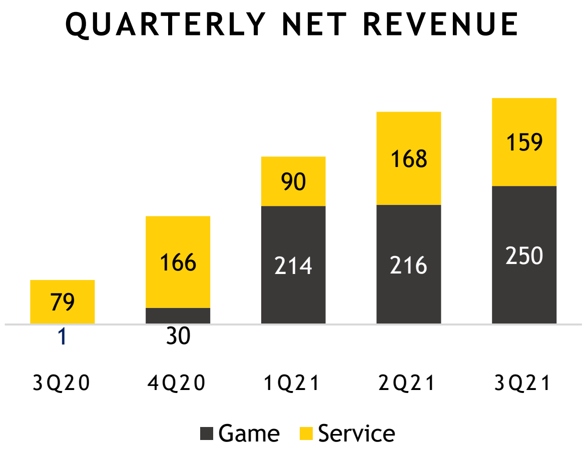
Petrol had a strong Q3 2021 with project deliveries for 26 games during the quarter. Some of the project highlights included creative and marketing consultancy for Aliens: Fireteam Elite, Tales of

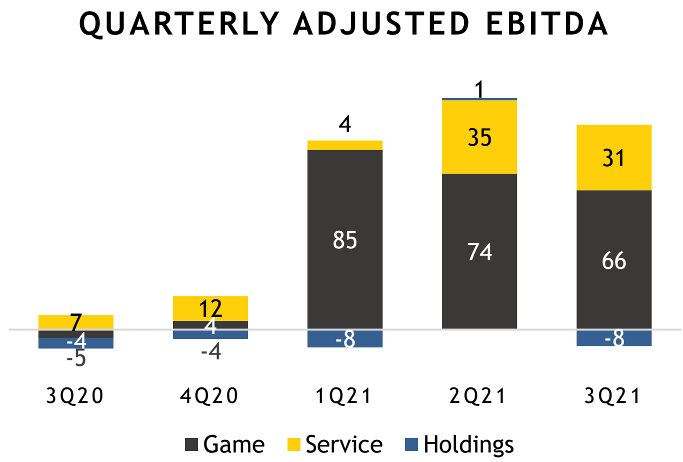
Arise and Cookie Run: Kingdom titles. For Q3 2021, net revenue and EBITDA for Petrol came in at SEK 35.0 million and SEK 2.8 million, respectively. Petrol's robust pipeline going into Q4 2021 includes on-going projects with over 30 clients.

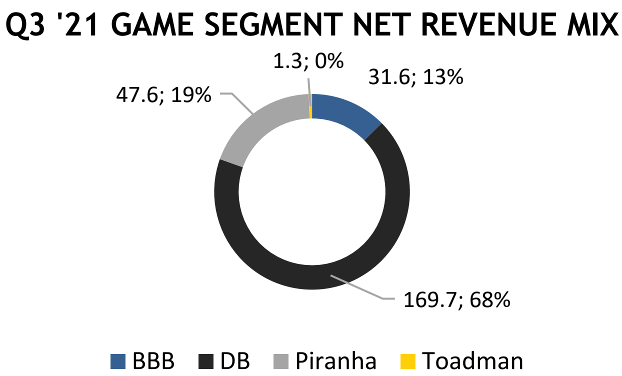
### SOLD OUT

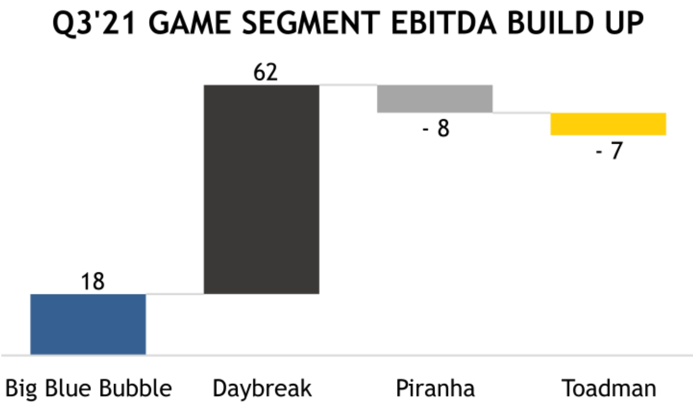
Sold Out's business was the most heavily impacted by the pandemic. Given its primary business is in physical unit distribution, the retail store closures/restrictions and delays in game development/releases resulted in Sold Out's product release timeline being pushed back. As a result, the first half of the year for Sold Out was challenging. However, as expected, Sold Out began to see an uptick in activity in Q3 2021 with 8 titles successfully shipped, generating SEK 68.9 million of net revenue and SEK 10.5 million EBITDA for the quarter. Sold Out should benefit further from the physical distribution rebound and new products on track for releases in Q4 2021.

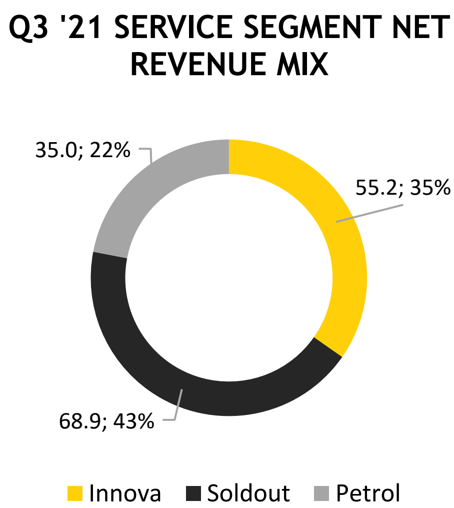
*SEKm*

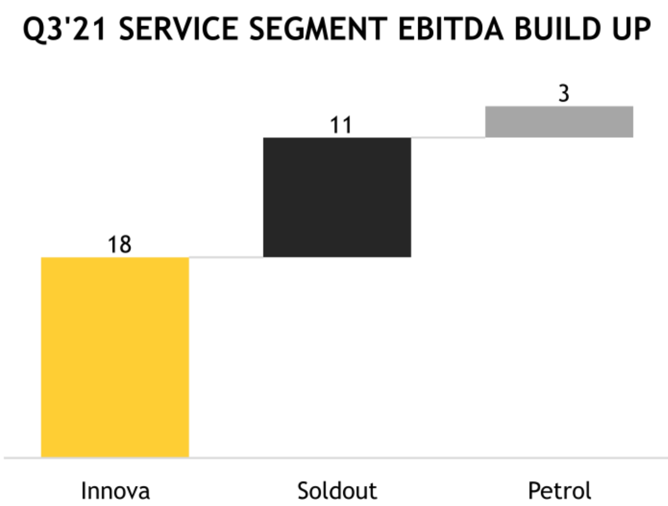


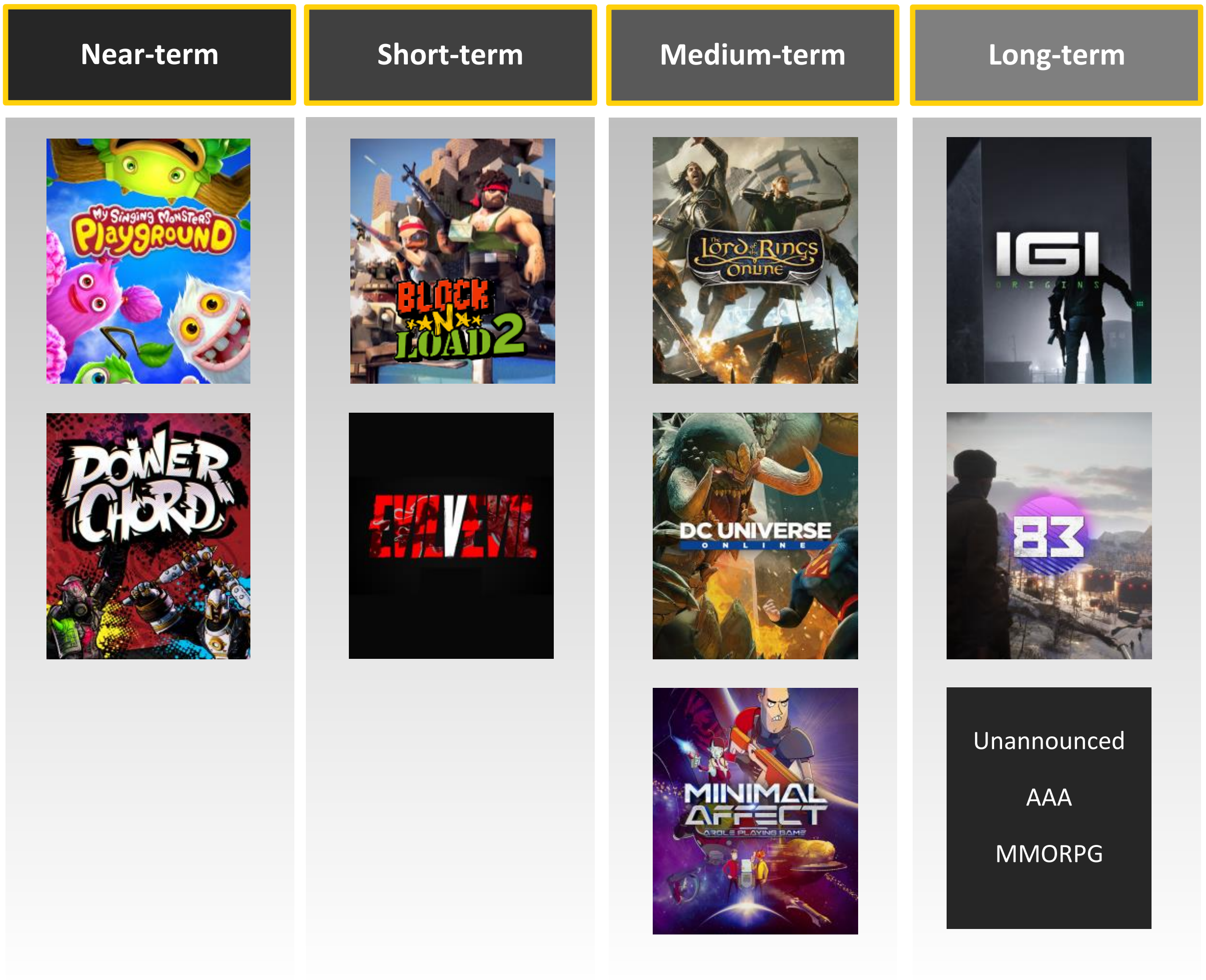



# NEW GAME PIPELINE

The group currently has multiple products under development in various stages of completion. In addition to our diversified and stable portfolio of 21 long lifecycle, live service titles, we are well-positioned with a strong pipeline of products lined up for release from the immediate future in Q4 2021 to long-term. The following chart illustrates the current pipeline of projects by business unit and the estimated timing for release.



# FINANCIAL OVERVIEW

## Net revenue and operating profit

| SEKm | JUL-SEP 2021 | JUL-SEP 2020 | JUL-SEP % CHG | JAN-SEP 2021 | JAN-SEP 2020 | JAN-SEP % CHG | JAN-DEC 2020 |
|---|---|---|---|---|---|---|---|
| Net revenue | 409.4 | 80.5 | 408.7% | 1,097.4 | 374.0 | 193.4% | 569.8 |
| Adjusted EBITDA | 88.8 | -2.0 | n.a. | 278.6 | 33.7 | 726.4% | 45.1 |
| EBITDA | 78.3 | 25.0 | 213.4% | 262.1 | 60.7 | 331.7% | 12.6 |
| Adjusted EBIT | 22.5 | -5.8 | n.a. | 112.1 | 22.3 | 401.7% | 24.7 |
| EBIT | 12.0 | 21.2 | neg | 95.6 | 49.3 | 93.8% | -7.8 |
| *% Margins* | | | | | | | |
| Adjusted EBITDA margin | 21.7% | neg | | 25.4% | 9.0% | | 7.9% |
| EBIT margin | 19.1% | 31.0% | | 23.9% | 16.2% | | 2.2% |
| Adjusted EBIT margin | 5.5% | neg | | 10.2% | 6.0% | | 4.3% |
| EBIT margin | 2.9% | 26.4% | | 8.7% | 13.2% | | neg |

Net revenue in Q3 2021 came in at SEK 409.4 million, representing a 409% growth year-over-year. Year-to-date net revenue was SEK 1,097.4 million, up 193% from the year before. The growth was primarily driven by contributions from the four new acquisitions made over the last year.

Adjusted EBITDA and adjusted EBIT were SEK 88.8 million and SEK 22.5 million for the quarter, representing 22% and 6% margins on net revenue, respectively. Adjustments for non-recurring items were added to normalized operating profits for comparison purposes. The total adjustment amount amounted to SEK 10.5 million, comprised of SEK 5.5 million of severance and reorganization costs SEK 2.3 million M&A and financing related expenses and, SEK 2.7 million prior period's capitalized development costs.

## Capitalized development costs

| SEKm | JUL-SEP 2021 | JUL-SEP 2020 | JAN-SEP 2021 | JAN-SEP 2020 | JAN-DEC 2020 |
|---|---|---|---|---|---|
| Beginning balance | 284.8 | 118.8 | 184.4 | 105.2 | 105.2 |
| Acquired capitalized development costs | 0.0 | 0.0 | 31.2 | 0.0 | 36.3 |
| Capitalized development cost | 26.9 | 10.1 | 90.5 | 23.7 | 42.9 |
| Amortization of product development | -7.9 | 0.0 | -15.0 | 0.0 | 0.0 |
| FX | -3.6 | 0.0 | 9.0 | 0.0 | 0.0 |
| Ending balance | 300.1 | 128.9 | 300.1 | 128.9 | 184.4 |

For Q3 2021, the total development costs capitalized were SEK 26.9 million. This represented an increase in capitalized development cost of SEK 16.8 million or 167% from the same period last year. The increase is due to both increasing investment in existing products under development and new in-progress projects that came together with the acquisitions made since last year.

The amortization of product development cost was SEK -7.9 million for the period. This amortization was largely due to the MechWarrior 5 release. Along with its full commercial release, the development expenses capitalized for the project has been amortizing.

The net ending balance of capitalized development cost as of the end of the quarter was SEK 300.1 million.

## Financial net

| | JUL-SEP | | JAN-SEP | | JAN-DEC |
|---|---|---|---|---|---|
| *SEKm* | 2021 | 2020 | 2021 | 2020 | 2020 |
| Net interest expense | -6.2 | -6.7 | -19.0 | -20.4 | -28.4 |
| Discount interest expense earn-out | -43.5 | - | -43.5 | - | - |
| Financing fees | -0.2 | -1.1 | -19.5 | -5.8 | -30.0 |
| FX effects | 17.2 | 1.2 | 3.6 | 6.1 | -29.1 |
| Financial net | -32.7 | -6.6 | -78.5 | -20.1 | -87.5 |

The financial net amount for Q3 2021 was SEK -32.7 million compared to SEK -6.6 million for the same period last year. The change in financial net was primarily due to the discounted interest rate for the earn-out and FX effects. The financial net amount comprised of SEK -6.2 million of net interest expense on bank debt and SEK 17.2 million FX effects.

## Financing

| | SEPTEMBER | |
|---|---|---|
| *SEKm* | 2021 | 2020 |
| Total debt | 406.9 | 220.6 |
| Cash and cash equivalents | -442.2 | -540.8 |
| Net debt | -35.3 | -320.2 |

EG7 ended the quarter with a strong liquidity and credit position. The company had total debt of SEK 406.9 million at the end of Q3 2021. Net of SEK 442.2 million of cash and cash equivalents, the net debt balance was SEK -35.3 million.

## Cash flow

| | JUL-SEP | | JAN-SEP | | JAN-DEC |
|---|---|---|---|---|---|
| *SEKm* | 2021 | 2020 | 2021 | 2020 | 2020 |
| Operating profit (EBIT) | 12.0 | 21.2 | 95.6 | 49.3 | -7.8 |
| Adjustment for non-cash flow items | 183.7 | -22.8 | 167.5 | -19.1 | -11.8 |
| Financial, net | -32.6 | -9.1 | -78.5 | -19.7 | -72.5 |
| Taxes paid | -8.0 | 0.0 | -15.9 | -9.4 | -40.3 |
| Operating cash flows before balance sheet cash flow impact | 155.2 | -10.6 | 168.7 | 1.2 | -132.5 |
| Change in net working capital | -69.5 | 12.9 | -109.8 | -61.1 | -32.6 |
| Cash flow from operations | 85.6 | 2.4 | 58.9 | -59.9 | -165.1 |
| Cash flow from investment activities | -53.5 | -14.2 | -592.3 | -30.3 | -1,304.5 |
| Cash flow from financing activities | -141.1 | 409.3 | -127.1 | 530.2 | 2,468.0 |
| Cash flow for the period | -108.9 | 397.4 | -660.4 | 440.1 | 998.4 |
| Cash and cash equivalents, end of period | 439.6 | 538.2 | 439.6 | 538.2 | 1,084.9 |

For Q3 2021, EG7 had a net cash outflow of SEK -108.9 million. The cash flow from operations was SEK 155.2 million compared to SEK -10.6 million for the same period last year. The positive cash flow from operations was offset by SEK -53.5 million of investing activities and SEK -141.1 million of financing activities. The largest component of investments was the capitalized development expenses. For financing activities, SEK 141.1 million of outflow was due to a repayment of SEK 100 million of bank debt during the quarter. Overall, the company maintained a strong liquidity position with SEK 439.6 million of cash and cash equivalents available as of the end of Q3 2021.

# FINANCIAL REPORTS

## Income Statement - Group

| | QUARTER | | ACCUMULATED | | FULL YEAR |
|---|---|---|---|---|---|
| | **JUL-SEP 2021** | **JUL-SEP 2020** | **JAN-SEP 2021** | **JAN-SEP 2020** | **JAN-DEC 2020** |
| ***SEKm*** | *3 months* | *3 months* | *9 months* | *9 months* | *12 months* |
| Net revenue | 409.4 | 80.5 | 1,097.4 | 374.0 | 569.8 |
| Own work capitalized | 26.9 | 10.3 | 90.5 | 27.5 | 42.9 |
| Other revenue | 7.7 | 29.7 | 25.1 | 45.3 | 44.5 |
| **Total revenue** | **444.0** | **120.5** | **1,213.0** | **446.9** | **657.2** |
| *Operating expenses* | | | | | |
| Cost of goods sold | -166.8 | -36.5 | -389.6 | -227.5 | -380.9 |
| Other external expenses | -45.8 | -23.4 | -129.7 | -49.5 | -108.9 |
| Personnel expenses | -154.6 | -35.6 | -431.6 | -109.2 | -153.8 |
| Other expenses | 1.6 | 0.0 | 0.0 | 0.0 | -1.0 |
| **Operating profit before depreciation and amortization (EBITDA)** | **78.3** | **25.0** | **262.1** | **60.7** | **12.6** |
| Depreciation of tangible assets and right-of-use assets | -13.8 | -3.4 | -33.6 | -10.3 | -15.2 |
| **Operating profit before amortization of intangible assets (EBITA)** | **64.5** | **21.6** | **228.5** | **50.4** | **-2.6** |
| Amortization of acquisition-related intangible assets | -41.7 | -0.1 | -110.6 | -0.4 | -4.3 |
| Amortization of other intangible assets | -10.8 | -0.2 | -22.3 | -0.7 | -0.9 |
| **Operating profit (EBIT)** | **12.0** | **21.2** | **95.6** | **49.3** | **-7.8** |
| Financial net | -32.7 | -6.6 | -78.5 | -20.1 | -87.5 |
| **Profit before tax** | **-20.6** | **14.7** | **17.1** | **29.3** | **-95.3** |
| Tax expense for the period | -7.6 | -3.6 | -30.9 | -16.0 | -2.7 |
| **NET PROFIT** | **-28.2** | **11.0** | **-13.7** | **13.3** | **-98.0** |

| EARNINGS PER SHARE | | | | | |
|---|---|---|---|---|---|
| Earnings per share before and after dilution (SEK) | -0.32 | 0.29 | -0.16 | 0.39 | -2.47 |
| Average number of shares before and after dilution | 87,118,089 | 38,126,570 | 84,787,482 | 34,354,822 | 39,670,424 |

The net profit for the period is attributable in its entirety to the parent company's shareholders.

| | 2021 | 2020 | 2021 | 2020 | 2020 |
|---|---|---|---|---|---|
| ***SEKm*** | **JUL-SEP** | **JUL-SEP** | **JAN-SEP** | **JAN-SEP** | **JAN-DEC** |
| Net profit for the period | -28.2 | 11.0 | -13.7 | 13.3 | -98.0 |
| *Items that will be reclassified to profit or loss* | | | | | |
| Translation difference | 64.5 | -7.8 | 186.9 | -22.2 | -66.6 |
| Deferred tax | -8.6 | 2.6 | -18.7 | 2.6 | 2.6 |
| **Other comprehensive income for the period** | **55.9** | **-5.2** | **168.2** | **-19.6** | **-64.0** |
| **Comprehensive income for the period** | **27.7** | **5.8** | **154.5** | **-6.3** | **-162.0** |

The comprehensive income for the period is attributable in its entirety to the parent company's shareholders.

# Balance Sheet - Group

| *SEKm* | *Note* | 2021-09-30 | 2020-09-30 | 2020-12-31 | 2020-01-01 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Goodwill | | 3,680.1 | 303.1 | 2,292.8 | 318.3 |
| Other Intangible non-current assets | | 1,215.4 | 132.7 | 843.4 | 105.2 |
| Tangible non-current assets | | 43.9 | 7.9 | 24.8 | 9.0 |
| Deferred tax assets | | 545.6 | 2.1 | 26.2 | 2.2 |
| Right-of-use assets | | 57.0 | 26.3 | 63.6 | 29.0 |
| Financial non-currents assets | 5 | 50.0 | 0.1 | 46.8 | 0.3 |
| **Total non-current assets** | | **5,592.0** | **472.2** | **3,297.6** | **463.9** |
| **Current assets** | | | | | |
| Inventory | | 12.7 | 22.8 | 6.9 | 12.1 |
| Current receivables | 5 | 223.7 | 73.0 | 210.4 | 71.4 |
| Cash and cash equivalents | 5 | 442.2 | 540.8 | 1,087.5 | 105.7 |
| **Total current assets** | | **678.6** | **636.6** | **1,304.8** | **189.2** |
| **TOTAL ASSETS** | | **6,270.6** | **1,108.8** | **4,602.4** | **653.2** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Equity attributable to the parent company's shareholders | | 4,435.7 | 685.2 | 3,108.2 | 163.2 |
| **Total equity** | | **4,435.7** | **685.2** | **3,108.2** | **163.2** |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | | 255.2 | 0.4 | 9.1 | 0.0 |
| Liabilities to credit institutions | | 403.3 | 208.9 | 9.1 | 204.2 |
| Other liabilities | | 230.0 | 36.7 | 114.8 | 40.6 |
| Provisions for earnout | | 453.6 | 80.0 | 0.0 | 110.4 |
| **Total non-current liabilities** | 5 | **1,342.1** | **326.0** | **133.1** | **355.2** |
| **Current liabilities** | | | | | |
| Liabilities to credit institutions | | 3.6 | 1.4 | 526.4 | 0.0 |
| Other liabilities | | 489.1 | 96.1 | 350.3 | 134.7 |
| Provisions for earnout | | 0.0 | 0.0 | 484.4 | 0.0 |
| **Total current liabilities** | 5 | **492.8** | **97.5** | **1,361.1** | **134.7** |
| **TOTAL EQUITY AND LIABILITIES** | | **6,270.6** | **1,108.8** | **4,602.4** | **653.2** |

## Cash Flow Statement - Group

| SEKm | QUARTER JUL-SEP 2021 3 months | JUL-SEP 2020 3 months | ACCUMULATED JAN-SEP 2021 9 months | JAN-SEP 2021 9 months | FULL YEAR JAN-DEC 2020 12 months |
|---|---|---|---|---|---|
| OPERATING ACTIVITIES | | | | | |
| **Operating profit (EBIT)** | **12.0** | **21.2** | **95.6** | **49.3** | **-7.8** |
| Financial net | -32.6 | -9.1 | -78.5 | -19.7 | -72.5 |
| Adjustments for non-cash flow items | 183.7 | -22.8 | 167.5 | -19.1 | -11.8 |
| Tax paid | -8.0 | 0.0 | -15.9 | -9.4 | -40.3 |
| **Cash flow from operating activities before changes in working capital** | **155.2** | **-10.6** | **168.7** | **1.2** | **-132.5** |
| **Changes in working capital** | | | | | |
| Change in inventories | -2.3 | -15.1 | -4.8 | -11.8 | 4.4 |
| Change in operating receivables | -10.6 | 57.3 | 1.4 | -7.5 | -85.2 |
| Change in operating liabilities | -56.7 | -29.3 | -106.4 | -41.8 | 48.2 |
| Cash from flow changes in working capital | -69.5 | 12.9 | -109.8 | -61.1 | -32.6 |
| **Cash flow from operating activities** | **85.6** | **2.4** | **58.9** | **-59.9** | **-165.1** |
| INVESTMENT ACTIVITIES | | | | | |
| **Cash flow from investment activities** | **-53.5** | **-14.2** | **-592.3** | **-30.3** | **-1,304.5** |
| FINANCING ACTIVITIES | | | | | |
| **Cash flow from financing activities** | **-141.1** | **409.3** | **-127.1** | **530.2** | **2,468.0** |
| **CASH FLOW FOR THE PERIOD** | **-108.9** | **397.4** | **-660.4** | **440.1** | **998.4** |
| **Cash and cash equivalents at start of period** | **546.1** | **144.7** | **1,087.5** | **105.7** | **105.7** |
| Cash flow for the period | -108.9 | 397.4 | -660.4 | 440.1 | 998.4 |
| Exchange rate differences | 5.0 | -1.4 | 15.1 | -5.0 | -16.7 |
| **Cash and cash equivalents at end of period** | **442.2** | **540.8** | **442.2** | **540.8** | **1,087.5** |
| **Specification of cash and cash equivalents** | | | | | |
| Total cash balance | 442.2 | 540.8 | 442.2 | 540.8 | 1,087.5 |
| *of which are blocked* | -2.6 | -2.6 | -2.6 | -2.6 | -2.6 |
| **Cash at the end of the period** | **439.6** | **538.2** | **439.6** | **538.2** | **1,084.9** |

# Change in Equity - Group

| EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY | | |
|---|---|---|
| SEKm | 2021<br>JAN-SEP | 2020<br>JAN-SEP |
| **Opening balance** | 3,108.2 | 163.2 |
| **Changes in equity during the period** | | |
| The net profit of the period | -13.7 | 13.3 |
| Other comprehensive income for the period | 168.2 | -19.6 |
| Rights issue | 1,172.5 | 528.4 |
| First consolidation of OOO Artplant | 0.5 | 0.0 |
| **Closing balance** | **4,435.7** | **685.2** |

# Income Statement – Parent Company

| | QUARTER | | ACCUMULATED | | FULL YEAR |
|---|---|---|---|---|---|
| | **JUL-SEP 2021** | **JUL-SEP 2020** | **JAN-SEP 2021** | **JAN-SEP 2020** | **JAN-DEC 2020** |
| ***SEKm*** | *3 months* | *3 months* | *9 months* | *9 months* | *12 months* |
| Net revenue | 1.0 | 1.8 | 6.0 | 8.7 | 11.1 |
| Own work capitalized | 10.4 | 10.3 | 38.6 | 27.5 | 40.7 |
| Other revenue | 0.0 | 1.0 | 0.0 | 2.5 | 27.1 |
| **Total revenue** | **11.5** | **13.0** | **44.6** | **38.7** | **78.9** |
| *Operating expenses* | | | | | |
| Cost of goods sold | -23.3 | -15.1 | -63.3 | -39.4 | -54.9 |
| Other external expenses | -2.4 | -4.5 | -26.9 | -19.1 | -36.0 |
| Personnel expenses | -8.5 | -2.4 | -16.9 | -12.7 | -14.2 |
| Other expenses | 0.0 | 0.0 | 0.0 | 0.0 | -0.6 |
| **Operating profit before depreciation and amortization (EBITDA)** | **-22.7** | **-9.0** | **-62.4** | **-32.5** | **-26.8** |
| Depreciation and amortization | -0.1 | -0.1 | -0.2 | -0.1 | -0.1 |
| **Operating profit (EBIT)** | **-22.8** | **-9.1** | **-62.7** | **-32.6** | **-26.9** |
| Financial net | 77.1 | -6.7 | 106.3 | -20.0 | -99.0 |
| **Profit before tax** | **54.3** | **-15.8** | **43.7** | **-52.6** | **-125.9** |
| Appropriations | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 |
| Tax expense for the period | -8.9 | -3.1 | -8.9 | -3.1 | 12.6 |
| **NET PROFIT** | **45.4** | **-18.8** | **34.8** | **-55.6** | **-112.7** |

# Balance Sheet – Parent Company

| *SEKm* | 2021-09-30 | 2020-09-30 | 2020-12-31 | 2020-01-01 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible non-current assets | 186.4 | 123.9 | 145.1 | 96.3 |
| Tangible non-current assets | 0.1 | 0.1 | 0.1 | 0.5 |
| Financial non-currents assets | 2,715.6 | 497.3 | 1,495.6 | 522.9 |
| **Total non-current assets** | **2,902.1** | **621.3** | **1,640.8** | **619.7** |
| **Current assets** | | | | |
| Current receivables | 1,914.9 | 17.2 | 1,340.7 | 26.9 |
| Cash and cash equivalents | 131.5 | 447.5 | 905.2 | 25.9 |
| **Total current assets** | **2,046.5** | **464.6** | **2,245.9** | **52.8** |
| **TOTAL ASSETS** | **4,948.5** | **1,085.9** | **3,886.7** | **672.5** |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| Equity | 4,471.9 | 747.0 | 3,264.6 | 274.2 |
| Non-current liabilities | 433.4 | 220.6 | 19.1 | 342.5 |
| Current liabilities | 43.2 | 118.3 | 602.9 | 55.8 |
| **EQUITY AND LIABILITIES** | **4,948.5** | **1,085.9** | **3,886.7** | **672.5** |

# NOTES TO THE INTERIM REPORT

## Note 1 Accounting Principles

This interim report regards the Swedish parent company Enad Global 7 AB, corporate identity number 556923-2837, and its subsidiaries. EG7 is a group in the gaming industry that develops, markets, publishes and distributes PC, console and mobile games to the global gaming market. The parent company is a corporation with its registered office in Stockholm, Sweden. The address of the head office is Ringvägen 100, 118 60 Stockholm.

EG7 applies International Financial Reporting Standards (IFRS) as adopted by the EU. The group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable parts of the Annual Accounts Act (1995: 1554). This is the group's third financial report in accordance with IFRS with a transition date of 1 January 2020. The group has previously applied BFNAR 2012: 1 Annual Report and Consolidated Financial Statements (K3). The transition to IFRS has taken place in accordance with IFRS 1 “The first time IFRS is applied” and is described in more detail in Note 8 “Transition to IFRS”.

The parent company has previously applied the Annual Accounts Act and BFNAR 2012: 1 Annual Report and Consolidated Accounts (K3) in the preparation of financial reports. As of the first financial report of 2021, the parent company applies, as a result of the Group's transition to IFRS, the Annual Accounts Act and RFR 2 Accounting for Legal Entities.

Disclosures in accordance with IAS 34.16A appear in addition to the financial statements and their related notes in the interim information on pages 19-46 which form an integral part of this financial report. The group's complete accounting principles are described in Note 9 Complete accounting principles.

All amounts in this report are stated in millions of Swedish kronor (SEK millions) unless otherwise stated.

Rounding differences may occur.

## Note 2 Estimates and Assessments

When preparing the financial statements, the company management and the board must make certain assessments and assumptions that affect the reported value of asset and liability items and income and expense items, respectively, as well as other information provided. The assessments are based on experiences and assumptions that the management and the board deem to be reasonable in the prevailing circumstances. Actual outcome may then differ from these assessments if other conditions arise. The estimates and assumptions are evaluated on an ongoing basis and are not considered to entail any significant risk of significant adjustments in the reported values of assets and liabilities during the coming periods. Changes in estimates are reported in the period in which the change is made if the change has only affected this period, or in the period in which the change is made and future periods if the change affects both the current period and future periods. The assessments that are most important in the preparation of the financial statements are described below.

Other liabilities include contingent considerations for acquisitions. Fair value has been calculated based on the expected outcome of the targets in the purchase agreements. The contingent consideration has been discounted with a discount rate relevant for each acquisition.

Provision for credit risk. The company has assessed the risk of expected losses among accounts receivable and other receivables. Write-down in accordance with IFRS 9 is forward-looking and a loss provision is made when there is an exposure to credit risk. The simplified model is used for assets such as accounts receivable, leasing receivables, contract assets and certain other financial assets. The main parts of this provision are special provisions for write-down losses that relate to individually significant exposures and a component for the historical credit loss level. In addition to this, forward-looking factors are evaluated.

## Note 3 Operational Segments

| Jan-Sep 2021 | Service segment | Game segment | **Total segments** | Intra-group items and eliminations | **Total group** |
|---|---|---|---|---|---|
| Revenue from external customers | 416.7 | 680.7 | 1,097.4 | 0.0 | **1,097.4** |
| Revenues from other segments | | | 0.0 | 0.0 | **0.0** |
| **Net revenue** | **416.7** | **680.7** | **1,097.4** | **0.0** | **1,097.4** |
| **Operating profit before depreciation and amortization (EBITDA)** | 69.9 | 223.8 | 293.7 | -31.6 | **262.1** |
| Depreciation and amortization | | | | | **-166.5** |
| Financial net | | | | | **-78.5** |
| **Profit before tax** | | | | | **17.1** |
| Tax expense | | | | | **-30.9** |
| **Net profit for the period** | | | | | **-13.7** |

| Jan-Sep 2020 | Service segment | Game segment | **Total segments** | Intra-group items and eliminations | **Total group** |
|---|---|---|---|---|---|
| Revenue from external customers | 371.1 | 10.3 | 381.4 | -7.4 | **374.0** |
| Revenues from other segments | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** |
| **Net revenue** | **371.1** | **10.3** | **381.4** | **-7.4** | 374.0 |
| **Operating profit before depreciation and amortization (EBITDA)** | 59.9 | 1.0 | 60.9 | -0.2 | **60.7** |
| Depreciation and amortization | | | | | **-11.4** |
| Financial net | | | | | **-20.1** |
| **Profit before tax** | | | | | **29.3** |
| Tax expense | | | | | **-16.0** |
| **Net profit for the period** | | | | | **13.3** |

## Note 4 Revenue from Customer Contracts

| Jan-Sep 2021 | Service segment | Game segment | **Group eliminations** | **Total group** |
|---|---|---|---|---|
| ***Geographical region*** | | | | |
| Europe | 232.7 | 113.4 | 0.0 | **346.1** |
| North America | 153.1 | 542.3 | 0.0 | **695.4** |
| Other markets | 30.8 | 25.0 | 0.0 | **55.9** |
| **Revenue from customer contracts** | **416.7** | **680.7** | **0.0** | **1,097.4** |

| Jan-Sep 2020 | Service segment | Game segment | **Group eliminations** | **Total group** |
|---|---|---|---|---|
| ***Geographical region*** | | | | |
| Europe | 140.7 | 10.3 | -7.3 | **143.7** |
| North America | 194.3 | 0.0 | 0.0 | **194.3** |
| Other markets | 36.1 | 0.0 | 0.0 | **36.1** |
| **Revenue from customer contracts** | **371.1** | **10.3** | **-7.3** | **374.0** |

## NOTE 5 FINANCIAL INSTRUMENTS

*Valuation of financial assets and liabilities per Sep 30, 2021*

| **Financial assets** | Financial assets valued at fair value through profit or loss | Financial assets valued at amortized cost | Total reported values |
|---|---|---|---|
| Accounts receivable | 0.0 | 118.3 | 118.3 |
| Cash and cash equivalents | 0.0 | 442.2 | 442.2 |
| **Total** | **0.0** | **560.5** | **560.5** |

| **Financial liabilities** | Financial liabilities valued at fair value through profit or loss | Financial liabilities valued at amortized cost | Total reported values |
|---|---|---|---|
| Contingent consideration | 453.6 | 0.0 | 453.6 |
| Liabilities to credit institutions | 0.0 | 406.9 | 406.9 |
| Accounts payable | 0.0 | 33.3 | 33.3 |
| Other financial liabilities | 0.0 | 536.4 | 536.4 |
| **Total** | **453.6** | **976.6** | **1,430.3** |

*Valuation of financial assets and liabilities per Dec 31, 2020*

| **Financial assets** | Financial assets valued at fair value through profit or loss | Financial assets valued at amortized cost | Total reported values |
|---|---|---|---|
| Accounts receivable | 0.0 | 122.8 | 122.8 |
| Cash and cash equivalents | 0.0 | 1,087.5 | 1,087.5 |
| **Total** | **0.0** | **1,210.3** | **1,210.3** |

| **Financial liabilities** | Financial liabilities valued at fair value through profit or loss | Financial liabilities valued at amortized cost | Total reported values |
|---|---|---|---|
| Contingent consideration | 484.4 | 0.0 | 484.4 |
| Liabilities to credit institutions | 0.0 | 519.5 | 519.5 |
| Accounts payable | 0.0 | 42.5 | 42.5 |
| Other financial liabilities | 0.0 | 380.6 | 380.6 |
| **Total** | **484.4** | **942.6** | **1,427.0** |

## VALUATION HIERARCHY

The levels in the valuation hierarchy are defined as follows:

- Level 1 - Listed prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 - Observable input data for the asset or liability other than quoted prices included in level 1, either directly (i.e. price quotations) or indirectly (i.e. derived from price quotations).
- Level 3 - Input data for the asset or liability that is not based on observable market data (i.e. non-observable input data).

### *Contingent consideration*

The contingent consideration is reported at fair value according to level 3 in the valuation hierarchy. The fair value is calculated using a valuation model that discounts the present value of expected payments of cash flows with a risk-adjusted discount rate. Expected cash flows are determined based on probable scenarios based on expected financial outcomes and future financial forecasts. The most significant input factors used in the valuation at fair value is a risk-adjusted discount factor of 16.3%.

| Contingent consideration | Jan-Sep 2021 | Jan-Sep 2020 | Jan-Dec 2020 |
|---|---|---|---|
| At beginning of period | 484.4 | 110.4 | 110.4 |
| Acquisitions during the period | 328.7 | 0.0 | 432.8 |
| Payments | -387.7 | 0.0 | -58.8 |
| Interest | 43.5 | 0.0 | 0.0 |
| Reclassification through profit or loss | -15.3 | -30.4 | 0.0 |
| **At end of period** | **453.6** | **80.0** | **484.4** |

During the period, realized gains for contingent consideration held as of the balance sheet date amounted to SEK 15.3 million. This amount is included as part of other operating income in the group's income statement.

Current receivables and liabilities

For current receivables and liabilities, such as accounts receivable and accounts payable, the reported value is considered to be a good approximation of the fair value.

## Note 6 Business Acquisitions

On March 1, Enad Global 7 AB acquired 100% of the shares and votes in Piranha Games Inc. The company develops games and is headquartered in Vancouver, Canada. The company has expertise in the development of both premium and free-to-play AAA titles, which is why EG7 will benefit from the team's experience in the Group's future development projects.

The transferred compensation (purchase price) consists of a cash purchase price of SEK 138.2 million, issue of own shares SEK 34.5 million.

In connection with the acquisition, an agreement was entered into on contingent considerations, which means that part of the purchase price depends on future results in the acquired companies. At the time of acquisition, the reported value for contingent considerations amounted to SEK 328.7 million. The purchase price also includes a future share issue of SEK 34.5 million.

On March 31, Enad Global 7 AB acquired 100% of the shares and votes in Innova Intellectual Properties S.a.r.l. Innova is a game publisher based in Luxembourg and Russia. Innova will work as an independent publisher and contribute to future group-wide projects with its expertise as publisher of free-to-play MMORPG titles with EG7's knowledge in development and marketing. Innova will also contribute to EG7's position in Asia and emerging markets.

The transferred consideration (the purchase price) consists of the issue of own shares, the fair value of which on the date of acquisition amounted to SEK 1,104.5 million.

| *Acquired net assets at the time of acquisition based on preliminary acquisition analysis* | **Piranha Games Inc Fair value** | **Innova Fair value** |
|---|---|---|
| Intangible assets | 204.8 | 138.4 |
| Tangible non-current assets | 0.7 | 6.5 |
| Right-of-use assets | 1.6 | 19.0 |
| Deferred tax assets | 0.0 | 46.0 |
| Inventory | 0.0 | 0.6 |
| Accounts receivable and other receivables | 4.4 | 6.9 |
| Cash and cash equivalents | 14.9 | 60.2 |
| Interest-bearing liabilities | 0.0 | -1.5 |
| Deferred tax liability | -46.3 | -22.3 |
| Accounts payable and other operating liabilities | -6.3 | -114.2 |
| **Identified net assets** | **173.8** | **139.6** |
| | | |
| Goodwill | 362.2 | 965.0 |
| **Total Purchase Price** | **536.0** | **1,104.6** |

In connection with the acquisition of Piranha, a preliminary goodwill of SEK 362.2 million arose in the form of a difference between the transferred consideration and the fair value of the acquired net assets. Goodwill mainly refers to synergies and expertise in the acquired company. Goodwill is not expected to be tax deductible.

In connection with the acquisition of Innova, a preliminary goodwill of SEK 965.0 million arose in the form of a difference between the transferred consideration and the fair value of the acquired net assets. Goodwill mainly refers to synergies and expertise in the acquired company. Goodwill is not expected to be tax deductible.

| *The acquisition's preliminary impact on the group's cash flow* | **Piranha Games Inc** | **Innova** |
|---|---|---|
| Cash consideration | 138.2 | 0 |
| Deducted: | | |
| Cash and cash equivalents (acquired) | 14.9 | 59.5 |
| **Net cash outflow** | **123.3** | **-59.5** |

## Note 7 Significant Events After the Balance Date

No significant events after the balance date.

## Note 8 Transition to IFRS

As of January 1, 2021, Enad Global 7 AB prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretative statements from the IFRS Interpretations Committee as adopted by the European Union (EU). The date for the group's transition to IFRS is 1 January 2020. Until the financial year 2020, the group has prepared consolidated accounts in accordance with the Annual Accounts Act and BFNAR 2012:1 (K3). The transition to IFRS is reported in accordance with IFRS 1 “First time IFRS is applied”.

The effect of the transition to IFRS is reported directly against opening equity. Previously published financial information for the period 2020-01-01 - 2020-12-31, prepared in accordance with the Annual Accounts Act and BFNAR 2012:1 (K3), has been recalculated to IFRS. The main rule is that all applicable IFRS and IAS standards, which have entered into force and been approved by the EU, must be applied with retroactive effect. The group has applied the following exceptions to the main rule in accordance with IFRS 1:

*The group has chosen not to recalculate business acquisitions before the time of transition to IFRS, i.e. before 1 January 2020.*

*The group has chosen to apply the exemption in IFRS 1 regarding leasing agreements and thus values leasing liabilities and right-of-use assets at the time of transition to IFRS.*

*The group has chosen not to recalculate terminated agreements with customers (IFRS 15), i.e. agreements for which EG7 before the transition to IFRS had transferred all goods or services identified in accordance with previous accounting principles.*

The following summary shows the effects of the above applications on the group's report on the results for the periods 2020-01-01 - 2020-12-31 and 2020-01-01 - 2020-09-30, the group's report on financial position as of 1 January 2020, 30 September 2020 and 31 December 2020 and the group's report on cash flows for the periods 2020-01-01 - 2020-12-31 and 2020-01-01 - 2020-09-30.

The parent company's first application of RFR 2 Accounting for Legal Entities has, apart from certain reclassifications, not had any effect on financial position, earnings or cash flow.

**The group's report on net profit for Jan-Dec 2020**

| | Note | According to earlier accounting principles | IFRS adjustments | According to IFRS |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net revenue | | 569.8 | 0.0 | 569.8 |
| Own work capitalized | | 42.9 | 0.0 | 42.9 |
| Other revenue | | 44.5 | 0.0 | 44.5 |
| **Total revenue** | | **657.2** | **0.0** | **657.2** |
| **Operating expenses** | | | | |
| Cost of goods sold | | -380.9 | 0.0 | -380.9 |
| Other external expenses | | -72.6 | -36.3 | -108.9 |
| Personnel expenses | | -153.8 | 0.0 | -153.8 |
| Other expenses | | -1.0 | 0.0 | -1.0 |
| **Operating profit before depreciation and amortization (EBITDA)** | | **48.9** | **-36.3** | **12.6** |
| Depreciation and amortization | | -108.0 | 87.6 | -20.4 |
| **Operating profit (EBIT)** | | **-59.1** | **51.3** | **-7.8** |
| **Financial net** | | **-86.6** | **-0.9** | **-87.5** |
| **Profit before tax** | | **-145.7** | **50.4** | **-95.3** |
| Tax expense for the period | | -2.7 | 0.0 | -2.7 |
| **Net profit** | | **-148.5** | **50.4** | **-98.0** |

**The group's report on comprehensive income for Jan-Dec 2020**

| | Note | According to earlier accounting principles | IFRS adjustments | According to IFRS |
|---|---|---|---|---|
| **Net profit for the period** | | **-148.5** | **50.4** | **-98.0** |
| *Items that will be reclassified to profit or loss* | | | | |
| Translation difference | | -70.0 | 3.4 | -66.6 |
| Deferred tax | | 2.6 | 0.0 | 2.6 |
| **Other comprehensive income for the period** | | **-67.4** | **3.4** | **-64.0** |
| **Comprehensive income for the period** | | **-215.9** | **53.8** | **-162.0** |

**The group's report on net profit for Jan-Sep 2020**

| | Note | According to earlier accounting principles | IFRS adjustments | According to IFRS |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net revenue | | 374.0 | 0.0 | 374.0 |
| Own work capitalized | | 7.2 | 0.0 | 27.5 |
| Other revenue | | 45.3 | 0.0 | 45.3 |
| **Total revenue** | | **446.9** | **0.0** | **446.9** |
| **Operating expenses** | | | | |
| Cost of goods sold | | -227.5 | 0.0 | -227.5 |
| Other external expenses | | -56.7 | 7.2 | -49.5 |
| Personnel expenses | | -109.2 | 0.0 | -109.2 |
| Other expenses | | 0.0 | 0.0 | 0.0 |
| **Operating profit before depreciation and amortization (EBITDA)** | | **53.5** | **7.2** | **60.7** |
| Depreciation and amortization | | -67.8 | 56.4 | -11.4 |
| **Operating profit (EBIT)** | | **-14.3** | **63.7** | **49.3** |
| **Financial net** | | -19.6 | -0.5 | -20.1 |
| **Profit before tax** | | **-33.9** | **63.2** | **29.3** |
| Tax expense for the period | | -16.0 | 0.0 | -16.0 |
| **Net profit** | | **-49.9** | **63.2** | **13.3** |

**The group's report on comprehensive income for Jan-Sep 2020**

| | Note | According to earlier accounting principles | IFRS adjustments | According to IFRS |
|---|---|---|---|---|
| **Net profit for the period** | | **-49.9** | **63.2** | **13.3** |
| *Items that will be reclassified to profit or loss* | | | | |
| Translation difference | | -23.0 | 0.8 | -22.2 |
| **Other comprehensive income for the period** | | **-23.0** | **0.8** | **-22.2** |
| **Comprehensive income for the period** | | **-72.9** | **64.0** | **-8.9** |

**The group's report on financial position as of 1 Jan 2020**

| | Note | According to earlier accounting principles | IFRS adjustments | According to IFRS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | | 405.0 | -86.8 | 318.3 |
| Intangible assets | | 105.2 | 0.0 | 105.2 |
| Tangible non-current assets | | 9.0 | 0.0 | 9.0 |
| Right-of-use assets | | 0.0 | 29.0 | 29.0 |
| Deferred tax assets | | 2.2 | 0.0 | 2.2 |
| Other non-current receivables | | 0.3 | 0.0 | 0.3 |
| **Total non-current assets** | | **521.7** | **-57.8** | **463.9** |
| **Current assets** | | | | |
| Inventory | | 12.1 | 0.0 | 12.1 |
| Accounts receivable | | 49.7 | 0.0 | 49.7 |
| Current tax claim | | 2.1 | 0.0 | 2.1 |
| Other receivables | | 3.3 | 0.0 | 3.3 |
| Earned but not invoiced income | | 2.7 | 0.0 | 2.7 |
| Prepayments and accrued income | | 13.6 | 0.0 | 13.6 |
| Cash and cash equivalents | | 105.7 | 0.0 | 105.7 |
| **Total current assets** | | **189.3** | **0.0** | **189.3** |
| **TOTAL ASSETS** | | **711.0** | **-57.8** | **653.2** |

**EQUITY AND LIABILITIES**

| | | | |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 1.2 | 0.0 | 1.2 |
| Other contributed capital | 272.1 | 0.0 | 272.1 |
| Retained earnings including profit for the period | -23.2 | -86.8 | -110.0 |
| **Total equity attributable to the parent company's shareholders** | **250.1** | **-86.8** | **163.2** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Bond loans | 204.2 | 0.0 | 204.2 |
| Leasing liabilities | 0.0 | 27.7 | 27.7 |
| Deferred tax liability | 0.8 | 0.0 | 0.8 |
| Contingent considerations | 110.4 | 0.0 | 110.4 |
| Other liabilities | 12.1 | 0.0 | 12.1 |
| **Total non-current liabilities** | **327.5** | **27.7** | **355.2** |
| **Current liabilities** | | | |
| Liabilities to credit institutions | 1.1 | 0.0 | 1.1 |
| Advance client payments | 12.3 | 0.0 | 12.3 |
| Leasing liabilities | 0.0 | 0.0 | 0.0 |
| Accounts payable | 16.7 | 0.0 | 16.7 |
| Current tax liability | 3.0 | 0.0 | 3.0 |
| Other liabilities | 63.6 | 0.0 | 63.6 |
| Accrued expenses and prepaid income | 36.7 | 1.2 | 37.9 |
| **Total current liabilities** | **133.4** | **1.2** | **134.7** |
| **TOTAL EQUITY AND LIABILITIES** | **711.0** | **-57.8** | **653.2** |

**The group's report on financial position as of 31 Dec 2020**

| | Note | According to earlier accounting principles | IFRS adjustments | According to IFRS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | | 2,320.5 | -27.7 | 2,292.8 |
| Intangible assets | | 843.4 | 0.0 | 843.4 |
| Tangible non-current assets | | 24.8 | 0.0 | 24.8 |
| Right-of-use assets | | 0.0 | 63.6 | 63.6 |
| Deferred tax assets | | 26.8 | 0.0 | 26.8 |
| Other non-current receivables | | 46.2 | 0.0 | 46.2 |
| **Total non-current assets** | | **3,261.7** | **35.8** | **3,297.5** |
| **Current assets** | | | | |
| Inventory | | 6.9 | 0.0 | 6.9 |
| Accounts receivable | | 122.8 | 0.0 | 122.8 |
| Current tax claim | | 28.8 | 0.0 | 28.8 |
| Other receivables | | 6.4 | 0.0 | 6.4 |
| Earned but not invoiced income | | 3.6 | 0.0 | 3.6 |
| Prepayments and accrued income | | 50.0 | -1.2 | 48.8 |
| Cash and cash equivalents | | 1,087.5 | 0.0 | 1,087.5 |
| **Total current assets** | | **1,306.1** | **-1.2** | **1,304.9** |
| **TOTAL ASSETS** | | **4,567.8** | **34.6** | **4,602.4** |

| EQUITY AND LIABILITIES | | | |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 3.1 | 0.0 | 3.1 |
| Other contributed capital | 3,373.4 | 0.0 | 3,373.4 |
| Retained earnings including profit for the period | -239.1 | -29.2 | -268.3 |
| **Total equity attributable to the parent company's shareholders** | **3,137.4** | **-29.2** | **3,108.2** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Leasing liabilities | 0.0 | 63.8 | 63.8 |
| Deferred tax liability | 9.7 | 0.0 | 9.7 |
| Contingent considerations | 56.6 | 0.0 | 56.6 |
| Other liabilities | 3.0 | 0.0 | 3.0 |
| **Total non-current liabilities** | **69.3** | **63.8** | **133.1** |
| **Current liabilities** | | | |
| Liabilities to credit institutions | 516.4 | 0.0 | 516.4 |
| Advance client payments | 18.5 | 0.0 | 18.5 |
| Leasing liabilities | 0.0 | 0.0 | 0.0 |
| Accounts payable | 42.5 | 0.0 | 42.5 |
| Current tax liability | 25.4 | 0.0 | 25.4 |
| Other liabilities | 477.2 | 0.0 | 477.2 |
| Accrued expenses and prepaid income | 281.1 | 0.0 | 281.1 |
| **Total current liabilities** | **1,361.1** | **0.0** | **1,361.1** |
| **TOTAL EQUITY AND LIABILITIES** | **4,567.8** | **34.6** | **4,602.4** |

**The group's report on financial position as of 30 Sep 2020**

| | Note | According to earlier accounting principles | IFRS adjustments | According to IFRS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | | 456.2 | -20.4 | 435.8 |
| Tangible non-current assets | | 7.9 | 0.0 | 7.9 |
| Right-of-use assets | | 0.0 | 26.3 | 26.3 |
| Financial non-current assets | | 2.2 | 0.0 | 2.2 |
| Deferred tax assets | | 0.0 | 0.0 | 0.0 |
| Other non-current receivables | | 0.0 | 0.0 | 0.0 |
| **Total non-current assets** | | **466.3** | **5.9** | **472.2** |
| **Current assets** | | | | |
| Inventory | | 22.8 | 0.0 | 22.8 |
| Accounts receivable | | 74.2 | -1.2 | 73.0 |
| Cash and cash equivalents | | 540.8 | 0.0 | 540.8 |
| **Total current assets** | | **637.8** | **-1.2** | **636.6** |
| **TOTAL ASSETS** | | **1,104.1** | **4.6** | **1,108.8** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | **705.7** | **-20.5** | **685.2** |
| **Non-current liabilities** | | **300.9** | **25.1** | **326.0** |
| **Current liabilities** | | **97.5** | **0.0** | **97.5** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,104.1** | **4.6** | **1,108.8** |

| The group's cash flow in summary for the period Jan-Dec 2020 | Note | According to earlier accounting principles | IFRS adjustments | According to IFRS |
|---|---|---|---|---|
| Operating profit (EBIT) | | -59.2 | 51.3 | -7.8 |
| Adjustment for non-cash flow items | | 78.6 | -90.4 | -11.8 |
| Financial items and tax | | -111.9 | -0.9 | -112.8 |
| | | **-92.5** | **-40.0** | **-132.5** |
| Cash flow from changes in working capital | | -32.6 | 0.0 | -32.6 |
| **Cash flow from operating activities** | | **-125.1** | **-40.0** | **-165.1** |
| **Investment activities** | | | | |
| Business acquisitions | | -1,298.0 | 46.5 | -1,251.5 |
| Acquisition of intangible assets | | -49.2 | 0.0 | -49.2 |
| Acquisition of tangible non-current assets | | -3.8 | 0.0 | -3.8 |
| **Cash flow from investment activities** | | **-1,351.0** | **46.5** | **-1,304.5** |
| Financing activities | | 2,474.5 | -6.5 | 2,468.0 |
| **Cash flow from financing activities** | | **2,474.5** | **-6.5** | **2,468.0** |
| **Cash flow for the period** | | **998.4** | **0.0** | **998.4** |
| **Cash and cash equivalents at start of period** | | **105.7** | **0.0** | **105.7** |
| Cash flow for the period | | 998.4 | 0.0 | 998.4 |
| Exchange rate differences | | -16.7 | 0.0 | -16.7 |
| **Cash and cash equivalents at end of period** | | **1,087.5** | **0.0** | **1,087.5** |

| The group's cash flow in summary for the period Jan-Sep 2020 | Note | According to earlier accounting principles | IFRS adjustments | According to IFRS |
|---|---|---|---|---|
| Operating profit (EBIT) | | -14.3 | 63.7 | 49.3 |
| Adjustment for non-cash flow items | | 41.5 | -60.6 | -19.1 |
| Financial items and tax | | -28.6 | -0.5 | -29.1 |
| | | **-1.4** | **2.6** | **1.2** |
| Cash flow from changes in working capital | | -61.1 | 0.0 | -61.1 |
| **Cash flow from operating activities** | | **-62.5** | **2.6** | **-59.9** |
| Investment activities | | -30.3 | 0.0 | -30.3 |
| **Cash flow from investment activities** | | **-30.3** | **0.0** | **-30.3** |
| Financing activities | | 532.8 | -2.6 | 530.2 |
| **Cash flow from financing activities** | | **532.8** | **-2.6** | **530.2** |
| **Cash flow for the period** | | **440.0** | **0.0** | **440.0** |
| **Cash and cash equivalents at start of period** | | **105.7** | **0.0** | **105.7** |
| Cash flow for the period | | 440.0 | 0.0 | 440.0 |
| Exchange rate differences | | -5.0 | 0.0 | -5.0 |
| **Cash and cash equivalents at end of period** | | **540.8** | **0.0** | **540.7** |

*ADDITIONAL NOTES*

## A. Goodwill

According to previous accounting principles, goodwill has been depreciated over the estimated useful life. According to IFRS, goodwill is not depreciated but instead annual impairment tests are performed. In connection with the transition to IFRS, depreciation of goodwill amounting to SEK 98.0 million was reversed during the period January to December 2020, of which SEK 63.2 million was reversed during the period January to September 2020. The item Goodwill in the statement of financial position after reversals amounted to SEK 303.1 million as of 30 September 2020 and SEK 2,292.8 million as of 31 December 2020. At the time of the transition, the value of goodwill for impairment was tested and a total amount of SEK 85.1 million was impaired. No deferred tax has been reported for goodwill.

## B. Acquisition analyses

Transaction costs for acquisitions made during 2020, which under previous principles were reported as part of the acquisition value, are expensed in the statement of profit for 2020 amounting to SEK 46.5 million and the corresponding adjustment of goodwill is reported in the statement of financial position as of 31 December 2020.

## C. Leasing

According to previously applied accounting principles, the group has reported all its leasing agreements as operational leasing agreements. According to IFRS 16, the group's leasing agreements (with the exception of short-term leasing agreements and leasing agreements where the underlying asset is of low value) are reported in the balance sheet as right-of-use assets and leasing liabilities. This also means that the costs for previous operating leases are reclassified from operating expenses to depreciation of right-of-use assets and interest expenses on lease liabilities.

The change in accounting principle means that right-of-use assets are reported at SEK 29.0 million as of 1 January 2020, SEK 26.2 million as of September 30, 2020 and SEK 63.6 million as of December 31, 2020. On the liability side, a long-term leasing liability of SEK 27.7 million is reported as of 1 January 2020, SEK 25.1 million as of September 30, 2020 and SEK 63.8 million as of December 31, 2020.

Other external costs, where costs for the operational leasing agreements have been reported under K3, decrease by SEK 10.2 million during the period January to December 2020, of which SEK 7.2 million is attributable to the period January to September 2020. Depreciation of right-of-use assets is instead reported in the income statement as part of the item "Depreciation and amortization". Depreciation for right-of-use assets amounted to SEK 10.4 million for the period January to December 2020 and to SEK 6.9 million for the period January to September 2020. In addition, 16 interest expenses attributable to the lease liability are reported in the income statement in accordance with IFRS, which increases the financial expenses by SEK 0.9 million during the period January to December 2020 and SEK 0.5 million for the period January to September 2020.

Finally, the application of IFRS 16 also affects the presentation of the group's cash flows. Under previous accounting principles, cash flow attributable to the operating leases has been reported as part of operating activities. Under IFRS 16, payments are divided between payment of lease liabilities and payment of interest. While the part relating to the payment of interest is included in cash flow from operating activities (as before), the part relating to payment of lease liabilities is reclassified to cash flow from financing activities. Thus, cash flow from operating activities decreases by SEK 6.5 million during the period January to December 2020, of which SEK 2.6 million is attributable to the period January to September 2020. Cash flow from financing activities, on the other hand, increases through the inclusion of payment of lease liabilities by SEK 6.5 million during the period January to December 2020 and by SEK 2.6 million during the period January to September 2020.

### D. Financial instruments
In accordance with previously applied accounting principles, EG7 has applied a write-down model for credit losses based on an event that has occurred. In accordance with IFRS 9, companies that apply IFRS must apply a model for expected credit losses.

The application of the model for expected credit losses means that EG7 reports insignificant changes regarding credit provisions attributable to accounts receivable. Expected credit losses attributable to cash and cash equivalents amount to insignificant amounts.

### E. Reclassifications
In connection with the transition to IFRS, EG7 has made certain reclassifications in the statement of financial position. Earn-outs that have arisen in connection with the group's acquisitions and which have previously been presented as other provisions are now classified as a financial liability called contingent considerations.

## Note 9 Complete Accounting Principles

### BASIS FOR GROUP ACCOUNTING
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). Furthermore, the group applies the Annual Accounts Act (1995:1554) and RFR 1 "Supplementary accounting rules for groups" issued by the Swedish Financial Reporting Board.

The consolidated financial statements have been prepared on the basis of the assumption of going concern. Assets and liabilities are valued on the basis of acquisition value with the exception of certain financial instruments that are valued at fair value. The consolidated financial statements have been prepared in accordance with the acquisition method and all subsidiaries in which controlling influence is exercised are consolidated as of the date this influence was acquired.

Preparing reports in accordance with IFRS requires that several estimates be made by management for accounting purposes. The areas that include a high degree of assessment, which are complex or such areas where assumptions and estimates are of significant importance for the consolidated accounts, are stated in Note 2 Estimates and assessments. These assessments and assumptions are based on historical experience as well as other factors that are deemed reasonable under the prevailing circumstances. Actual outcome may differ from assessments made if assumptions are changed or other conditions exist.

The parent company applies the same accounting principles as the group, except in the cases specified in the section "Parent company's accounting principles". The parent company applies the Annual Accounts Act (1995:1554) and RFR 2 Accounting for legal entities. The deviations that occur are caused by limitations in the possibilities of applying IFRS in the parent company as a result of the Annual Accounts Act and current tax rules.

The accounting principles set out below have, unless otherwise stated, been applied consistently to all periods presented in the group's financial reports.

### CONSOLIDATION

#### Subsidiaries
Subsidiaries are all companies over which EG7 has a controlling influence. The group controls a company when it is exposed to or entitled to variable returns from its holdings in the company and has the opportunity to influence the returns through its influence in the company. Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence is transferred to the group and are excluded from the consolidated financial statements from the date on which the controlling influence ceases.

Subsidiaries are reported according to the acquisition method. The method means that the acquisition of a subsidiary is regarded as a transaction whereby the group indirectly acquires the subsidiary's assets and takes over its liabilities. The acquisition analysis determines the fair value on the acquisition date of acquired identifiable assets and assumed liabilities as well as any non-controlling interests. Transaction expenses, with the exception of transaction expenses that are attributable to the issue of equity instruments or debt instruments, that arise are reported directly in the profit for the year. In business acquisitions where transferred remuneration exceeds the fair value of acquired assets and assumed liabilities that are reported separately, the difference is reported as goodwill. When the difference is negative, so-called acquisitions at a low price, this is reported directly in the profit for the year.

In the case of acquisitions that take place in stages, goodwill is determined on the day when a controlling influence arises. Previous holdings are valued at fair value and the change in value is reported in profit or loss. Previous holdings are valued at fair value and the change in value is reported in profit or loss. If additional shares are acquired, i.e. after a controlling influence has been obtained, this is reported as a transaction between owners within equity.

### Transactions eliminated during consolidation

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

## CURRENCY

### Functional currency and reporting currency

The functional currency for the parent company is Swedish kronor (SEK), which is the reporting currency for the parent company and the group. All amounts are stated in millions of kronor unless otherwise stated.

### Transactions in foreign currency

Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate prevailing on the balance date. Non-monetary items, which are valued at historical acquisition value in a foreign currency, are not translated. Exchange rate differences that arise in the conversions are reported in the profit for the year. Exchange rate gains and losses on operating receivables and operating liabilities are reported in operating profit, while exchange rate gains and losses on financial receivables and liabilities are reported as financial items.

### Translation of foreign subsidiaries

Assets and liabilities in foreign operations are translated from the functional currency of the foreign operations to the group's reporting currency at the exchange rate prevailing on the balance date. Income and expenses in a foreign operation are translated into Swedish kronor at an average exchange rate that is an approximation of the exchange rates that existed at the time of each transaction. Translation differences that arise from currency translation of foreign operations are reported in other comprehensive income and accumulated in the translation reserve in equity. When the controlling influence ceases for a foreign operation, the associated translation differences from the translation reserve in equity are reclassified to profit or loss.

## CLASSIFICATION

Fixed assets and long-term liabilities essentially consist of amounts that are expected to be recovered or paid after more than 12 months from the balance date. Current assets essentially consist of amounts that are expected to be realized during the group's normal business cycle, which is 12 months after the reporting period. Current liabilities essentially consist of amounts that are expected to be settled during the group's normal business cycle, which is 12 months after the reporting period.

## SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Highest Executive Decision Maker. The Highest Executive Decision Maker is the function responsible for allocating resources and assessing the operating segments' results. In the group, this function has been identified as the company management. An operating segment is a part of the group that conducts operations from which it can generate revenue and incur costs and for which independent financial information is available. The group's division into segments is based on the internal structure of the group's business operations, which means that the group's operations have been divided into two reportable segments; Games and Services.

The same accounting principles are used in the segments as for the group.

## REVENUE FROM CUSTOMER CONTRACTS

The group reports revenue when the group fulfills a performance obligation, which is when a promised product or service is delivered to the customer and the customer takes over control of the product or service. Control of a performance obligation can be transferred over time or at a time. Revenue consists of the amount that the company expects to receive as compensation for transferred goods or services. In order for the group to be able to report revenues from agreements with customers, each customer agreement is analyzed in accordance with the five-step model found in the standard:

- **Step 1:** Identify an agreement between at least two parties where there is a right and a commitment.
- **Step 2:** Identify the various promises (performance obligations) contained in the agreement.
- **Step 3:** Determine the transaction price, i.e. the amount of compensation that the company is expected to receive in exchange for the promising goods or services. The transaction price must be adjusted for variable parts, for example any discounts.
- **Step 4:** Distribute the transaction price on the various performance obligations.
- **Step 5:** Report revenue when the performance obligations are met, i.e. control is passed to the customer. This is done at one time or over time if any of the criteria set out in the standard are met.

The group's significant income derives from the development, marketing and publication of PC, console and mobile games.

### Work-for-hire

The group performs development assignments for other publishers. The customers consist of corporate customers. An agreement arises when the development assignment is signed between EG7 and the publisher.

EG7 considers that the obligation to develop games for a customer is a single performance obligation. The transaction price is mainly fixed, but some agreements include variable remuneration in the form of performance bonuses. EG7 estimates the variable amount of compensation using the expected value and includes variable compensation only to the extent that it is highly probable that a material reversal of accumulated income will not occur when the uncertainty associated with the variable compensation subsequently ceases.

The group reports revenue as the performance obligation is met, which is when the customer gains control of the asset. EG7 believes that control is transferred over time, as the group's performance creates or improves an intangible asset that the customer controls when the asset is created.

### Free-to play games

EG7 offers so-called free-to-play games, where revenue arises when a player makes purchases in the game to gain access to virtual goods, i.e. to various types of additional content, features or benefits in the game. These virtual goods can be used either immediately or indefinitely during the playing time and revenue from the goods is reported based on their nature. Revenue from consumables is reported at a time, while revenue from goods that can be used indefinitely during the playing time is accrued and reported during the player's estimated life.

### Premium games
EG7 also offers so-called premium games. Revenue differs if the game is a product that the end user buys, it can be both a physical and digital product, the revenue is taken when the asset is transferred to the end customer.

### Marketing
EG7 offers marketing services to other gaming companies. The group's customers consist of corporate customers and EG7 has both framework agreements and agreements for specific assignments with these customers. For framework agreements, there is an agreement in accordance with IFRS 15 only when a specific call-off, usually in the form of an assignment description ("SOW"), exists. The contract period is generally relatively short, usually less than 12 months.

The group assesses that an agreement with a customer generally contains a number of performance obligations because the various promises in the agreement constitute distinct services. The transaction price is mainly fixed. The group allocates the transaction price to each performance obligation based on the independent sales prices, which are based on an observable price for the service when the group sells the service separately under similar circumstances and to similar customers.

Revenues from marketing are reported when control has been transferred to the customer and the performance obligation is thus fulfilled, which is considered to be when the customer has the significant risks and benefits associated with the delivery.

### Publishing
The group is also active in physical and digital publishing and distribution of games. EG7 believes that the group's customer is the private individual who buys the game. An agreement exists for digital products when the customer places an order for the game via the platform and for physical products when the game is sold in store.

In these agreements with customers, other parties are often involved in the provision of the game to the end customer, which means that different shares of the gross income from the end customer are obtained. For each performance obligation in the customer agreements, the group determines whether it is the principal or agent. To determine whether the group is the principal or agent in the revenue transactions when several parties are involved in delivering a game to the end customer, it is assessed whether the group has control over the asset that the customer buys before it is transferred.

The transaction price is mainly fixed, but there may be certain variable parts, which may include discounts. EG7 estimates the variable amount of compensation but includes variable compensation only to the extent that it is highly probable that a material reversal of accumulated income will not occur when the uncertainty associated with the variable compensation ceases thereafter.

Revenues from publishing are reported when sales to end customers have taken place. EG7 assesses that when selling to the end customer, it can be considered that control has passed to the customer and that the performance obligation has been fulfilled. If the group is deemed to be the principal for a revenue stream the remuneration received in net sales is reported gross and the shares that are passed on to other parties are reported as costs in the income statement. In cases where the group acts as an agent revenue is reported that corresponds to the fee or commission to which EG7 is entitled.

## REMUNERATION TO EMPLOYEES

### Short-term remuneration
Short-term remuneration to employees such as salary, social security contributions and holiday pay are expensed in the period when the employees perform the services.

### Defined contribution pension plans
EG7's pension commitments are only covered by defined contribution plans.

A defined contribution pension plan is a pension plan according to which the group pays fixed contributions to a separate legal entity. The group has no legal or informal obligations to pay additional fees if this legal entity does not have sufficient assets to pay all employee benefits related to the employees' service during the current or previous periods. The group thus has no additional risk. The group's obligations regarding fees for defined contribution plans are reported as an expense in the income statement at the rate they are earned by the employees performing services for the group during the period.

### Compensation in the event of termination

A cost for compensation in connection with redundancies is only reported if the company is demonstrably obliged, without a realistic possibility of withdrawal, by a formal detailed plan to terminate an employment before the normal time.

## FINANCIAL INCOME AND EXPENSES

### Financial income

Financial income consists of interest income and any capital gains on financial assets. Interest income is reported in accordance with the effective interest method. The effective interest rate is the interest rate that discounts the estimated future inflows and outflows during a financial instrument's expected maturity to the reported net asset or liability's net value. The calculation includes all fees paid or received by the parties to the agreement that are part of the effective interest rate, transaction costs and all other premiums and discounts. Financial income is reported in the period to which it relates.

### Financial expenses

Financial expenses mainly consist of interest expenses on liabilities which are calculated using the effective interest method and of interest expenses on leasing liabilities. Financial expenses are reported in the period to which they relate.

Exchange rate gains and exchange rate losses are reported net.

### Income taxes

Income taxes consist of current tax and deferred tax. Income taxes are reported in net profit for the period, except when the underlying transaction is reported in other comprehensive income or in equity, whereby the associated tax effect is reported in other comprehensive income or in equity.

Current tax is tax that is to be paid or received for the current year, with application of the tax rates that have been decided or in practice decided on the balance date. Current tax also includes an adjustment of current tax attributable to previous periods.

Deferred tax is reported in its entirety, according to the balance sheet method, on all temporary differences that arise between the tax value of assets and liabilities and its reported values. Temporary differences are not taken into account when reporting goodwill or for the initial reporting of an asset acquisition because the acquisition does not affect either reported or taxable profit. Furthermore, temporary differences attributable to shareholdings in subsidiaries that are not expected to be reversed in the foreseeable future are also not taken into account. The valuation of deferred tax is based on how and in which jurisdiction the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated using the tax rates and tax rules that have been decided or announced on the balance sheet date and that are expected to apply in the jurisdiction when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are reported only to the extent that it is probable that these will be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized. Deferred tax assets and deferred tax liabilities are offset if there is a legal right to offset short-term tax assets against short-term tax liabilities and the deferred tax is attributable to the same unit in the group and the same tax authority.

## Earnings per share

Earnings per share before dilution are calculated by dividing the net profit attributable to the parent company's shareholders by the weighted average number of shares outstanding during the year.

Earnings per share after dilution are calculated by dividing the net result attributable to the parent company's shareholders, adjusted where applicable, by the sum of the weighted average number of ordinary shares and potential ordinary shares that may give rise to a dilution effect. The dilution effect of potential ordinary shares is only reported if a conversion to ordinary shares would lead to a reduction in earnings per share after dilution.

## Intangible assets

An intangible asset is reported if it is probable that the future economic benefits that can be attributed to the asset will accrue to the company and that the acquisition value can be calculated in a reliable manner. An intangible asset is valued at acquisition value when it is recognized for the first time in the financial report. Intangible assets with a limited useful life are reported at acquisition value less depreciation and any impairment. Intangible assets with an indefinite useful life are tested annually for impairment and in cases where there are indications that an impairment loss may be required. Even for the intangible assets with an indefinite useful life, the useful life is reassessed at each balance sheet date.

## Goodwill

Goodwill represents the difference between the acquisition value of a business combination and the fair value of acquired net assets. Goodwill is valued at acquisition value less any accumulated write-downs. Goodwill is allocated to cash-generating units that are expected to benefit from the synergy effects of the business combination. The factors that constitute reported goodwill are mainly synergies, personnel, know-how and customer contacts of strategic importance as well as access to new markets. Goodwill is considered to have an indefinite useful life and is thus tested at least annually for impairment.

## Internally generated intangible assets

The group's internally generated assets are divided into two phases in accordance with IAS 38; the research phase and the development phase. Costs that arise during the research phase are expensed on an ongoing basis as they arise and are never capitalized afterwards. Costs that arise during the development phase are capitalized as intangible assets when, in the management's assessment, it is probable that they will result in future financial benefits for the group, the criteria for capitalization are met and the costs can be measured reliably.

For EG7, internally generated intangible assets mainly pertain to game development for PC, console and mobile. The expenses that are capitalized include expenses for direct salary, consulting costs and other expenses directly attributable to the project. All other costs that do not meet the criteria for capitalization affect the net profit when they arise. Internally generated assets under development are tested at least annually for impairment.

## IP rights

IP rights have arisen in connection with business acquisitions and refer to rights attributable to the group's gaming products, such as a gaming software or title. IP rights are valued at fair value on the acquisition date. Thereafter, IP rights are reported at acquisition value less accumulated amortization and any accumulated impairment.

## Market and client-related assets

Market and customer-related assets are attributable to the relationship with paying players that have been taken over by the group in connection with a business acquisition. The assets are valued at fair value on the acquisition date and are then reported at acquisition value less accumulated depreciation and any accumulated impairment.

### Depreciation and amortization

Intangible fixed assets are amortized systematically over the asset's estimated useful life. The useful life is reconsidered at each balance date and adjusted if necessary. When the amortizable amount of the assets is determined, the residual value of the asset is taken into account where applicable. Intangible assets with a definable useful life are amortized from the date they are available for use. Estimated useful lives for significant intangible fixed assets are as follows:

| | |
|---|---|
| Internally generated intangible assets | 3-10 years |
| IP rights | 3-10 years |
| Market and client-related assets | 3-10 years |
| Goodwill | Undefinable |

## TANGIBLE NON-CURRENT ASSETS

Tangible non-current assets are reported as an asset in the balance sheet if it is probable that future economic benefits will benefit the company and the acquisition value of the asset can be calculated in a reliable manner. Tangible non-current assets are reported in the group at acquisition value after deductions for accumulated depreciation and any write-downs. The acquisition value includes the purchase price and expenses directly attributable to the asset to bring it into place and in condition for use in accordance with the purpose of the acquisition.

The reported value of an asset is removed from the balance sheet upon disposal or divestment or when no future economic benefits are expected from the use or disposal / divestment of the asset. Gains or losses arising from the sale or disposal of an asset consist of the difference between the selling price and the asset's reported value less direct selling expenses. Profit and loss are reported as other operating income / expenses.

### Additional expenses

Additional expenses are added to the acquisition value only if it is probable that the future economic benefits associated with the asset will benefit the group and the acquisition value can be calculated in a reliable manner. All other additional expenses are reported as an expense in the period in which they arise.

### Depreciation and amortization

Depreciation takes place on a straight-line basis over the asset's estimated useful life. The estimated useful lives are:

| | |
|---|---|
| - Equipment, tools and installations | 3-5 years |

Applied depreciation methods, residual values and useful lives are reassessed at the end of each year.

## LEASING AGREEMENTS

At the conclusion of an agreement, the group determines whether the agreement is, or contains, a leasing agreement based on the substance of the agreement. An agreement is, or contains, a leasing agreement if the agreement leaves the right to decide for a certain period on the use of an identified asset in exchange for compensation.

### Leasing liabilities
On the commencement date of a leasing agreement, the group reports a leasing liability corresponding to the present value of the leasing payments to be paid during the leasing period. The leasing period is determined as the non-cancellable period together with periods to extend or terminate the agreement if the group is reasonably certain of exercising those options. Leasing payments include fixed payments (after deduction of any benefits in connection with the signing of the leasing agreement to be received), variable leasing fees that depend on an index or a price (e.g. a reference interest rate) and amounts that are expected to be paid according to residual value guarantees. Lease payments also include the exercise price of an option to purchase the underlying asset or penalties payable on termination in accordance with a termination option, if such options are reasonably certain to be exercised by EG7. Variable leasing fees that are not due to an index or a price are reported as an expense in the period to which they are attributable.

For the calculation of the present value of the leasing payments, the group uses the implicit interest rate in the agreement if it can be easily determined and in other cases the marginal borrowing rate as of the commencement date of the leasing agreement is used. After the commencement date of a lease agreement, the lease liability increases to reflect the interest on the lease liability and decreases with the lease payments paid. In addition, the value of the lease liability is revalued as a result of modifications, changes in the lease term, changes in lease payments or changes in an assessment to purchase the underlying asset.

### Right-of-use assets
The group recognizes right-of-use assets in the statement of financial position at the start date of the leasing agreement (i.e. the date when the underlying asset becomes available for use). Right-of-use assets are valued at acquisition value after deductions for accumulated depreciation and any write-downs and adjusted for revaluations of the lease liability. The acquisition value of right-of-use assets includes the initial value reported for the attributable lease liability, initial direct expenses, and any advance payments made on or before the commencement date of the lease after deduction of any incentives received. Provided that EG7 is not reasonably certain that the ownership of the underlying asset will be taken over at the end of the leasing agreement, the right-of-use asset is depreciated on a straight-line basis over the shorter of the leasing period and the useful life.

### Application of practical exceptions
EG7 applies the practical exceptions regarding short-term leases and leases where the underlying asset is of low value. Short-term leasing agreements are defined as leasing agreements with an initial leasing period of a maximum of 12 months after consideration of any options to extend the leasing agreement. Leasing agreements where the underlying asset is of low value in the group consist of e.g. of office equipment. Leasing payments for short-term leasing agreements and leasing agreements where the underlying asset is of low value are expensed on a straight-line basis over the leasing period. The group also applies the exemption not to separate non-leasing components from leasing components in leasing agreements. Thus, leasing components and associated non-leasing components are reported as a single leasing component.

## AMORTIZATION OF NON-FINANCIAL ASSETS
The group conducts an impairment test in the event that there are indications that a decline in value has occurred in the tangible or intangible assets, i.e. whenever events or changes in circumstances indicate that the reported value is not recoverable. This also applies to right-of-use assets attributable to leasing agreements. Furthermore, assets with an indefinite useful life, i.e. the group's goodwill, are tested annually for impairment by calculating the asset's recoverable amount, regardless of whether there are indications of a decline in value or not.

An impairment loss is recognized in the amount by which the asset's reported value exceeds its recoverable amount. A recoverable amount consists of the higher of a net sales value and a value in use that constitutes an internally generated value based on future cash flows. When assessing impairment, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash-generating units). When impairment needs have been identified for a cash-generating unit (group of units), the impairment amount is primarily allocated to goodwill. Thereafter, a proportional impairment is made of other assets included in the unit (group of units). When calculating the value in use, future cash flows are discounted with a discount factor that takes into account risk-free interest and the risk associated with the specific asset. An impairment loss is charged to the net profit.

Previously reported impairments are reversed if the recoverable amount is judged to exceed the reported value. However, reversals do not take place with an amount that is greater than the reported value amounts to what it would have been if impairments had not been reported in previous periods. Any reversal is reported in the income statement. Impairment of goodwill is never reversed, however.

## FINANCIAL INSTRUMENTS

Financial instruments are any form of agreement that gives rise to a financial asset in one company and a financial liability or an equity instrument in another company. Financial instruments reported in the balance sheet include on the asset side; accounts receivable and cash and cash equivalents. Liabilities include; liabilities to credit institutions, accounts payable, additional purchase payments and other liabilities. The report depends on how the financial instruments have been classified.

### Accounting and removal

Financial assets and liabilities are reported when the group becomes a party in accordance with the instrument's contractual terms. Transactions with financial assets are reported on the business day, which is the day on which the group commits to acquire or divest the assets. Accounts receivable are recognized in the balance sheet when an invoice has been sent and the group's right to compensation is unconditional. Liabilities are reported when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are taken up when the invoice has been received.

A financial asset is removed from the balance sheet (in whole or in part) when the rights in the contract have been realized or expired, or when the group no longer has control over them. A financial liability is removed from the balance sheet (in whole or in part) when the obligation in the agreement is fulfilled or otherwise extinguished. A financial asset and a financial liability are reported net in the balance sheet when there is a legal right to offset the reported amounts and the intention is to either settle the net or to realize the asset at the same time as the liability is settled. Gains and losses from removal from the balance sheet and modification are reported in the income statement. At each reporting date, the company evaluates the need for write-downs regarding expected credit losses for a financial asset or group of financial assets, as well as any other credit exposure.

### Classification and valuation

#### *Financial assets*

Debt instruments: the classification of financial assets that are debt instruments is based on the group's business model for managing the asset and the nature of the asset's contractual cash flows. The instruments are classified as:

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

Financial assets classified at amortized cost are held in accordance with the business model to collect contractual cash flows that are only payments of principal and interest on the outstanding principal. Financial assets that are classified at amortized cost are initially valued at fair value with the addition of transaction costs. After the first reporting opportunity, the assets are valued according to the effective interest method. The assets are covered by a loss provision for expected credit losses. The group's financial assets, which are debt instruments classified at amortized cost, are shown in Note 5 Financial instruments.

The group does not hold any financial assets classified at fair value through other comprehensive income. The group also does not hold any financial assets that constitute debt instruments classified at fair value through profit or loss.

### *Financial liabilities*

Financial liabilities, with the exception of contingent considerations, are classified at amortized cost. Financial liabilities reported at amortized cost are initially valued at fair value including transaction costs. After the first reporting occasion, they are valued at amortized cost according to the effective interest method. The group's contingent considerations are classified and reported as a financial liability valued at fair value through profit or loss.

Borrowing is classified as current liabilities unless the group has an unconditional right to defer payment of the debt for at least 12 months after the balance sheet date. Borrowing costs are reported in the income statement in the period to which they relate. Accrued interest is reported as part of current liabilities to credit institutions, in which case the interest is expected to be settled within 12 months from the balance date.

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

## WRITE-DOWNS OF FINANCIAL ASSETS

Financial assets, in addition to those classified at fair value through profit or loss or equity instruments valued at fair value through other comprehensive income, are subject to write-downs for expected credit losses. In addition, the write-down also includes contract assets that are not valued at fair value through profit or loss. Write-down losses on credit losses in accordance with IFRS 9 are forward-looking and a loss provision is made when there is an exposure to credit risk, usually at the first reporting date for an asset or receivable. Expected credit losses reflect the present value of all cash flow deficits attributable to default either for the next 12 months or for the expected remaining maturity of the financial instrument, depending on the asset class and on credit deterioration since the first reporting date.

The simplified model is applied to accounts receivable and contract assets. A loss reserve is reported, in the simplified model, for the expected remaining term of the receivable or asset.

For other items that are covered by expected credit losses, a write-down model with three stages is applied. Initially, and as of each balance sheet date, a loss reserve is reported for the next 12 months, alternatively for a shorter period of time depending on the remaining term (stage 1). If there has been a significant increase in credit risk since the first reporting occasion, resulting in a rating below the investment grade, a loss reserve is reported for the asset's remaining maturity (stage 2). For assets that are deemed to be credit impaired, provisions are still reserved for expected credit losses for the remaining term (stage 3). For credit-impaired assets and receivables, the calculation of interest income is based on the asset's carrying amount, net of loss provision, as opposed to the gross amount as in previous stages. The group's assets have been assessed to be in stage 1, i.e. there has been no significant increase in credit risk.

The valuation of expected credit losses is based on different methods, for credit-impaired assets and receivables an individual assessment is made where historical, current and forward-looking information is taken into account. The valuation of expected credit losses takes into account any collateral and other credit enhancements in the form of guarantees.

The financial assets are reported in the balance sheet at amortized cost, i.e. net of gross value and loss reserve. Changes in the loss reserve are reported in the income statement.

### INVENTORY
Inventories are valued at the lower of cost and net realizable value. Acquisition value is calculated according to the so-called first-in-first-out principle and includes expenses incurred in acquiring the inventory assets and transporting them to their current location and condition. Net sales value is defined as sales price reduced for sales costs.

### CASH AND CASH EQUIVALENTS
Cash and cash equivalents consist of cash and immediately available balances with banks and corresponding institutions. Cash and cash equivalents are covered by the requirements for loss provision for expected credit losses.

### EQUITY
All the company's shares are ordinary shares. The share capital is reported at the quota value of the ordinary shares and the excess part is reported as other contributed capital. Transaction costs that can be directly attributed to the issue of new shares are reported, net after tax, in equity as a deduction from the issue proceeds.

### PROVISIONS
A provision is reported in the balance sheet when the company has an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the effect of timely payment is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the liability. Provisions are reconsidered at each balance date.

### CONTINGENT LIABILITIES
A contingent liability is recognized when there is a possible liability arising from events that have occurred and the occurrence of which is confirmed only by one or more uncertain future events or when there is a liability that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required.

### GOVERNMENT GRANTS
Government grants are only reported when there is reasonable assurance that the grant will be received and that the group will meet the conditions associated with the grant. Government grants attributable to assets are reported in the statement of financial position by the grant reducing the asset's reported value, which means that the grant is accrued during the asset's useful life in the form of lower amortization. Grants attributable to income are reported as part of the result by reducing corresponding costs. Grants are systematically accrued in the profit for the year in the same way and over the same periods as the costs the grants are intended to compensate for.

### CASH FLOW
The cash flow statement is prepared according to the indirect method. This means that the result is adjusted with transactions that did not result in inflows or outflows and for income and expenses attributable to the investment and / or financing activities.

## Note 10 Parent Company’s Accounting Principles
The parent company prepares its financial reports in accordance with the Annual Accounts Act (1995:1554) and the recommendation RFR 2 "Accounting for legal entities" issued by the Swedish Financial Reporting Board. The parent company applies the same accounting principles as the group with the exceptions and additions specified in RFR 2. This means that IFRS is applied with the deviations specified below. The accounting principles for the parent company set out below have been applied consistently to all periods presented in the parent company's financial reports, unless otherwise stated.

## Arrangement
The income statement and balance sheet are prepared for the parent company in accordance with the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and the statement of cash flow are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows.

## Leasing

The rules on accounting for leasing agreements in accordance with IFRS 16 are not applied in the parent company. This means that leasing fees are reported as an expense on a straight-line basis over the leasing period, and that right-of-use assets and leasing liabilities are not included in the parent company's balance sheet. However, identification of a leasing agreement is made in accordance with IFRS 16, i.e. that an agreement is, or contains, a leasing agreement if the agreement leaves the right to decide for a certain period on the use of an identified asset in exchange for compensation.

## Income from shares in subsidiaries

Dividends are reported when the right to receive payment is deemed secure. Revenues from the sale of subsidiaries are reported when control of the subsidiary has been transferred to the buyer.

## Taxes

In the parent company, deferred tax liabilities attributable to the untaxed reserves are reported with gross amounts in the balance sheet. The year-end appropriations are reported with the gross amount in the income statement.

## Shares in subsidiaries

Shares in subsidiaries are reported in the parent company in accordance with the acquisition value method. This means that transaction costs are included in the reported value of the holding. In cases where the book value exceeds the companies' consolidated value, a write-down is made which is charged to the income statement. An analysis of write-downs needs is carried out at the end of each reporting period. In cases where a previous write-down is no longer justified, this is reversed.

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

## Group contributions and shareholder contributions

The parent company reports both received and paid group contributions and appropriations in accordance with the alternative rule. Shareholder contributions provided by the parent company are entered directly against equity at the recipient and are reported as shares and participations with the parent company. Shareholders' contributions received are reported as an increase in unrestricted equity.

## Financial instruments

Due to the connection between accounting and taxation, the rules on financial instruments according to IFRS 9 are not applied in the parent company as a legal entity, but the parent company applies the acquisition value method in accordance with the ÅRL. In the parent company, financial fixed assets are thus valued at acquisition value and financial current assets according to the lowest value principle, with the application of write-downs for expected credit losses according to IFRS 9 regarding assets that are debt instruments. Contingent considerations are valued at the amount that the parent company deems would need to be paid if it was settled at the balance date.

The parent company applies the exemption not to value financial guarantee agreements for the benefit of subsidiaries and associated companies and joint ventures in accordance with the rules in IFRS 9, but instead applies the principles for valuation in accordance with IAS 37 Provisions, contingent liabilities and contingent assets.

## Write-downs of financial assets

Financial assets, including intra-group receivables, are impaired for expected credit losses. For a method regarding write-downs for expected credit losses, see the group's accounting principles. Expected credit losses for intra-group receivables are estimated through the general model in which the group companies' creditworthiness is estimated.

Expected credit losses for cash and cash equivalents have not been reported, as the amount has been judged to be insignificant.

## Fund for research and development

Expenses for game development are recognized in the parent company as intangible assets in accordance with the group's principles. In the parent company, amounts corresponding to development expenses are transferred from unrestricted equity to a fund for research and development expenses within restricted equity.

# THE SHARE AND SHAREHOLDERS

| OWNER (2021-09-30) | NO. OF SHARES | CAPITAL % |
|---|---|---|
| Settecento Ltd (Georgy Chumburidze) | 9,043,282 | 10.38% |
| Dan Sten Olsson with family and trust | 6,912,000 | 7.93% |
| Jason Epstein | 6,910,000 | 7.93% |
| Swedbank Robur Fonder | 4,650,000 | 5.34% |
| SPSW Capital / Lloyd Fonds AG | 3,885,000 | 4.46% |
| Avanza Pension | 3,288,960 | 3.78% |
| Robin Flodin | 2,905,255 | 3.33% |
| Rasmus Davidsson | 2,872,743 | 3.30% |
| TIN Fonder | 2,840,000 | 3.26% |
| Handelsbanken Fonder | 2,240,000 | 2.57% |
| Other shareholders | 41,570,849 | 47.72% |
| **Total** | **87,118,089** | **100%** |

EG7's share is listed on Nasdaq First North Growth Market with the ticker symbol 'EG7'. The total number of shares outstanding was 87,118,089. The closing share price as of September 30, 2021 was SEK 34.50 per share.

# RELATED PARTY TRANSACTIONS

The company did not make any material transactions with related parties during the period.

# RISKS

Risks with the company's share are described in EG7's company description, which was published on January 30, 2019. It can be downloaded from the company's website www.enadglobal7.com.

# AUDITOR

Ernst & Young Aktiebolag was re-elected as the company's auditor at the annual general meeting and is represented by Beata Lihammar.

# DEFINITIONS

**Net revenue:** Revenue from sales less discounts and after elimination of any related party transactions.

**Net revenue growth:** Increase in net revenue from the same period the previous year as a percentage.

**Adjusted EBITDA:** EBITDA adjusted for items considered to be non-recurring and one-time in nature for comparability between periods.

**EBITDA:** Earnings before interest, tax, depreciation and amortization of tangible and intangible non-current assets.

**EBITDA margin (%):** EBITDA as a percentage of total revenue.

**EBITA:** Operating profit before depreciation of intangible assets.

**EBITA margin (%):** EBITA as a percentage of total revenue.

**Adjusted EBIT:** EBIT adjusted for items considered to be non-recurring and one-time in nature for comparability between periods

**Operating profit (EBIT):** Earnings before financial items and tax.

**EBIT margin (%):** Operating profit as a percentage of total revenue.

**Net profit:** Profit after tax for the period.

**Net debt:** Interest-bearing liabilities less interest-bearing assets and cash and cash equivalents.

**Equity ratio:** Equity as a percentage of total assets.

**Average number of employees:** The average number of employees during the period.

**Number of shares:** Total number of shares outstanding.

**Earnings per share:** Net profit for the period divided by the total number of shares outstanding.

**FOR MORE INFORMATION, PLEASE CONTACT:**

Ji Ham, Acting CEO
Mail: ji@enadglobal7.com
Phone: +46 70-065 07 53

**EG7 IN SHORT**
EG7 is a group within the gaming industry that develops, markets, publishes and distributes PC, console and mobile games to the global gaming market.

The company has 440 game developers and develops its own original IPs and is a consultant to other companies worldwide through its game development divisions Daybreak Games, Piranha Games, Toadman Studios, Big Blue Bubble and Antimatter Games.

In addition, the group's marketing department Petrol has contributed to the release of 1,500+ titles, many of which are world-famous brands such as Call of Duty, Destiny, Dark Souls and Rage.

The group's publishing and distribution departments Innova and Sold Out hold expertise in both physical and digital publishing. The group is headquartered in Stockholm with approximately 880 employees in 16 offices worldwide.

Nasdaq First North Growth Market Ticker Symbol: EG7

**CERTIFIED ADVISOR**
As a company listed on Nasdaq First North Growth Market Stockholm, the company has an obligation to use a Certified advisor. EG7 has appointed:

Eminova Fondkommission AB
Mail: info@eminova.se
Phone: +46 8 684 211 00

**SIGNIFICANT EVENTS DURING THE QUARTER**
Ji Ham appointed Acting CEO of EG7.

Fredrik Rüdén appointed new Deputy CEO and CFO of EG7 and is expected to take office on December 1, 2021.

EG7 updates the strategic focus on management level to facilitate growth. The change entails having a more decentralized approach towards its subsidiaries.

MechWarrior 5, developed by Piranha Games, is released on PlayStation.

Two new titles developed by Big Blue Bubble are announced: Power Chord and My Singing Monsters Playground.

Repaid Swedbank loan of SEK 500 million with a 3-year term loan of SEK 400 million with approximately 3% interest.

**SIGNIFICANT EVENTS AFTER THE QUARTER**
Two new expansions to the EverQuest franchise are announced.

My Singing Monsters Playground is released.

**ACCOUNTING PRINCIPLES**
EG7 applies International Financial Reporting Standards (IFRS) as adopted by the EU. The group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable parts of the Annual Accounts Act (1995:1554). This is the group's first financial report in accordance with IFRS with a transition date of 1 January 2020. The group has previously applied BFNAR 2012:1 Annual Report and Consolidated Financial Statements (K3). The transition to IFRS has taken place in accordance with IFRS 1 “The first time IFRS is applied” and is described in more detail in Note 8 “Transition to IFRS” in this interim report.

**AUDITING**
This report has not been audited by the company’s auditor.

**NEXT REPORT**
The next financial report will be published:

Interim Report Q4 2021: February 24, 2022

**IMPORTANT INFORMATION**
This information is information that Enad Global 7 AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 6:00am CET on November 25, 2021.

# THE BOARD'S DECLARATION

The Board of Directors and CEO ensure that this interim report gives a true and fair view of the company's operations and financial position.

Stockholm, November 25, 2021

| Ji Ham | Alexander Albedj | Marie-Louise Gefwert | Erik Nielsen | Jason Epstein | Georgy Chumburidze | Gunnar Lind |
|---|---|---|---|---|---|---|
| *Acting Chief Executive Officer* | *Chairman of the board* | *Member of the board* | *Member of the board* | *Member of the board* | *Member of the board* | *Member of the board* |