



**ENAD
GLOBAL**

Trading Update on the Basis of COVID-19 and Changed Market Conditions

EG7 is following the global development of COVID-19 and its potential effect on the gaming industry and EG7's business. EG7 has taken several measures to follow regulations and guidelines from authorities in the countries where the group operates, with main focus being to protect the well-being and safety of our employees and other parties.

In this trading update, EG7 presents a trading update for January and February 2020 and management's view of the COVID-19 effect on its three business units for the coming quarters.

Trading update for the period 1 January – 29 February 2020⁽¹⁾

- Revenues amounted to SEK 135.3m
- EBITDA amounted to SEK 12.1m with a margin of 8.9%
- The publishing division generated revenues of SEK 85.7m and EBITDA of SEK 6.1m
- The marketing division generated revenues of SEK 39.9m and EBITDA of SEK 11.2m
- The game development and the holding company generated revenue of SEK 9.7m and EBITDA of SEK -5.2m

COVID-19 and impact on the industry, and operational and financial performance of EG7

- In general, the gaming industry has seen an upward trend in number of concurrent players on gaming platforms such as Steam. As COVID-19 has made governments impose recommendations and restrictions concerning people remaining at their homes in the territories where EG7 operates, the demand for gaming products has experienced a positive upswing. The employees of EG7 are used to collaborate digitally with employees and partners around the globe, and close to all employees are now working from home.
- For the publishing division of EG7, the operational impact relates mainly to the physical distribution of games. Stores that are selling games are closed and the distribution of games to such stores has become more difficult. However, physical games are also sold both in convenience stores and online through platforms such as Amazon. In addition, in Q2 2020 and Q3 2020 the publishing division is primarily dependent on the success of its digital titles, which in the current climate benefits from more people staying at home and playing video games. For Sold Out, which is EG7's publishing division, the previous guidance to the market of an EBIT of £3.5m for FY2020 still holds, based on management's current view, due to the increased reliance on digital products.
- For the marketing division of EG7, the operational impact has been an initial reallocation of marketing efforts from its clients, with the effect that some marketing campaigns that were supposed to take place in Q2 2020 have been moved to Q3 2020 and hence management expects USD c. 1-2 million of revenue to occur in Q3 2020 instead of in Q2 2020. The gaps will be filled either with new projects or internal work on EG7's own titles. While the period 1 January – 29 February generated historic record revenue for the marketing division, Q2 2020 is projected to generate revenues in line with historical levels.
- For the game development division of EG7, there has been no negative operational effect. The game development teams are used to working remotely and are continuously working on EG7's own titles and work-for-hire without any disruption.
- In conclusion, we believe the COVID-19 outbreak will not have any long-term negative effects on the business and the postponed events could instead contribute with a positive effect in the future when they are instead taking place.

Comment from Robin Flodin, CEO of EG7:

"The COVID-19 outbreak is very challenging and has put extreme pressure on our society. As people are being asked to stay at home by their respective governments, home entertainment activities have seen an upswing. For EG7 and the gaming industry as a whole, the fundamentals have not changed to the worse, as people around the world are consuming more video games than ever. We expect this to have a small downturn in our physical sales, but our digital products are expected to have an upswing, resulting in a net positive effect for EG7 in the long-term perspective. We also see an increased opportunity to accelerate investments into digital products for EG7's long-term success."

All figures above are unaudited and are based on management accounts. The next financial report is the interim quarterly report, which is scheduled for 27 May 2020.

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ABOUT EG7

EG7 is a group of companies within the gaming industry that develops, markets, publishes and distributes PC, console and mobile games to the global gaming market. The company employs 100+ game developers and develops its own original IP:s, as well as act as consultants to other publishers around the world through its game development divisions Toadman Studios and Antimatter Games. In addition, the group's marketing department Petrol has contributed to the release of 1,500+ titles, of which many are world famous brands such as Call of Duty, Destiny, Dark Souls and Rage. The group's publishing and distribution department Sold Out holds expertise in both physical and digital publishing and has previously worked with Team 17, Rebellion and Frontier Developments. The Group is headquartered in Stockholm with 200 employees in 8 offices worldwide.

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IMPORTANT INFORMATION

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1: Unaudited management accounts