

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES, AUSTRALIA, CANADA, NEW ZEALAND, HONG KONG, JAPAN, SOUTH AFRICA OR ANY OTHER JURISDICTION WHERE SUCH RELEASE, PUBLICATION OR DISTRIBUTION WOULD BE UNLAWFUL OR WOULD REQUIRE REGISTRATION OR ANY OTHER MEASURES.

Press release

Karlstad (Sweden), 19 February 2020

Embracer Group acquires Saber Interactive – initial consideration USD 150 million

Embracer Group enters into an agreement to acquire the assets of US-based Saber Interactive. Saber Interactive is a leading game developer and publisher with more than 600 employees across six offices. During 2019 Saber Interactive realised approximately USD 105 million of revenues and USD 62 million of EBIT.¹ The purchase price includes an initial consideration of USD 150 million, plus an earn-out consideration, subject to fulfilment of agreed milestones, of a maximum USD 375 million. Post closing, Saber Interactive will become Embracer Group’s fifth operating group and Saber Interactive’s co-founders and owners, Matthew Karch and Andrey Iones, will jointly become Embracer Group’s second largest shareholder.

"Saber has been on our radar for a very long time because of their deep history of consistently high-quality work. Their ambitious moves towards self-funding projects in recent years have been particularly impressive, especially with World War Z, which sold more than three million units. While Saber will remain a standalone company within Embracer Group, we look forward to collaborating with them to elevate their ability to create and market premier titles.", says Lars Wingefors, Founder and CEO of Embracer Group.

"Over the course of 19 years as an independent developer, Saber has had its share of suitors. With Embracer Group, we’ve at last found the perfect partner. We could not be more thrilled to see through the many projects we’ve dreamed of together." says Matthew Karch, Co-Founder and CEO of Saber Interactive.

Embracer Group AB (publ) ("Embracer Group" or the "Company") has entered into an agreement to acquire the assets of Saber Interactive Inc. and related entities, including studios in Russia, Sweden, Belarus, Spain, and Portugal, and including the shares of certain related companies (jointly, "Saber Interactive") (the "Transaction"). The sellers are the owners Andrey Iones and Matthew Karch as well as one corporation controlled by them (the "Sellers"). The purchase price amounts to USD 150 million on a cash and debt free basis in a combination of cash and newly issued A and B shares of Embracer Group at closing (the "Upfront payment"), and a potential earn-out payment of USD 375 million, assuming certain objectives and conditions being fulfilled, in a combination of cash and newly issued A and B shares of Embracer Group (the "Earn-out payment"). The total consideration, assuming full earn-out, thus amounts to USD 525 million.

Saber Interactive is an independent developer and publisher of top-quality video games for PC, consoles and mobile platforms, headquartered in Maplewood, New Jersey with close to 20 years in the industry and with 590 internal developers across its studios in Russia, Spain, Portugal, Belarus, and Sweden. For the period 1 January – 31 December 2019, Saber Interactive realised approximately USD 105 million of revenues and USD 62 million of EBIT.¹

The Transaction in brief

- The Upfront payment for Saber Interactive amounts to USD 150 million, divided as follows:

¹ Financials based on management accounts of actual figures for the period 1 January – 30 November 2019 and preliminary management accounts for the period 1-31 December 2019.

- USD 100 million in cash; and
- 6,209,353 B shares of Embracer Group, equivalent of USD 50 million, of which USD 30 million, corresponding to 3,725,612 B shares, are subject to a one year lock-up.
- The Earn-out payment of USD 375 million consists of:
 - USD 100 million cash paid two years post closing, which comes with an annual interest rate of approximately 1.6%; and
 - USD 275 million paid in Embracer Group shares (together with the equity part of the Upfront payment, the “Consideration shares”), of which:
 - 14,033,140 B shares of Embracer Group, equivalent of USD 113 million, issued at closing and vested 3 years after closing, conditional upon completion of certain projects
 - 189,783 A shares and 13,719,168 B shares of Embracer Group, equivalent of USD 112 million, issued at closing and vested 6 years after closing, conditional upon completion of certain projects; and
 - 6,209,354 A shares of Embracer Group, equivalent of USD 50 million issued at closing and vested 6 years after closing, conditional upon completion of certain projects, and the Sellers remaining employed by the Company 6 years post closing.
- The total consideration, assuming full earn-out, of USD 525 million is equivalent of approximately 8.4x Saber Interactive’s 2019 EBIT.²
- The Consideration shares are issued at a price of SEK 78.4510 per share which equals the 40 day volume weighted average price of Embracer B shares on Nasdaq First North Growth Market up to and including 18 February 2020, and using the FX rate USD/SEK of 9.7426 per 18 February 2020.³
- In addition, the Sellers will enter into agreements with Embracer Group which include a 20 year profit share of Saber Interactive’s business performance as part of Embracer Group. The profit share scheme incorporates 10% of Saber Interactive’s realised annual EBIT above USD 76 million, i.e. after 20 years the Sellers are entitled to receive a total amount equal to 10% of Saber Interactive’s accumulated EBIT that exceeds USD 1,520 million (20 years x USD 76 million).
- The Sellers will become the second largest shareholder block in Embracer Group after Lars Wingefors through companies⁴ and Erik Stenberg through companies⁵ with a joint holding of approximately 11% of the capital and 15% of the votes in Embracer Group, assuming full Earn-out payment and that all shares issued as part of the Earn-out payment have been vested.
- Closing of the Transaction is expected to take place during the second calendar quarter of 2020.
- To close the Transaction the board of directors of the Company has today resolved to summon an extra general meeting of the shareholders to authorize the board to issue the Consideration shares.
- Closing of the Transaction is conditional upon customary conditions including regulatory approvals such as merger control clearance.
- Following closing of the Transaction, the carved out part of the Saber Interactive business will continue to operate as a separate division within the Company. No restructuring or cost saving programmes are planned.
- Lars Wingefors and Erik Stenberg, together representing approximately 62% of the total votes in Embracer Group, have committed to vote in favour of the authorization to issue Consideration shares proposed for the extra general meeting. Lars Wingefors and Erik Stenberg have also committed to

² From an accounting perspective, the final purchase price will be set post closing due to the share component and the accounting treatment thereof.

³ Source: Riksbanken.

⁴ Lars Wingefors AB and Lars Wingefors 2 AB.

⁵ Xagonus AB.

vote in favour of appointing Matthew Karch to Embracer Group's board of directors following closing of the Transaction.

The Transaction is in line with Embracer Group's communicated strategy of identifying and acquiring franchises, game development studios, publishers or other objects that complement the Company's operations.

Background and reasons

Embracer Group has a clear growth strategy and a long and successful history of acquiring game franchises and development studios.

On 19 February 2020, Embracer Group signed an agreement with the Sellers to acquire substantially all of the assets of Saber Interactive and related assets, including studios in Russia, Sweden, Belarus, Spain, and Portugal.

Saber Interactive is an independent developer and publisher of top-quality video games for PC, consoles and mobile platforms, headquartered in Maplewood, New Jersey. The company was founded by Matthew Karch, currently CEO, and Andrey Iones, currently COO, in 2001. Saber Interactive has extensive experience with projects starting from conception, design, pre-production and has c. 600 internal developers across its studios in St Petersburg in Russia, Madrid in Spain, Porto in Portugal, Minsk in Belarus, and Sundsvall in Sweden plus several external developers who are committed to working with Saber Interactive. Games developed include work-for-hire projects, self-funded as well as co-published proprietary titles. The group benefits from close to 20 years of experience in game development during which they have developed relationships with all major publishers, licensors, and retailers in the gaming industry. In addition, Saber Interactive has a strong publishing knowledge from its self-funded and co-published games, including WWZ. Other key titles developed by Saber Interactive include Mudrunner and NBA Playgrounds. Saber Interactive adds 4 announced and 8 unannounced development projects to Embracer Group's portfolio.

For the current year, Saber Interactive expects a similar activity as for the period Jan-Dec 2019, driven primarily by game releases expected during the second half of the year. For the coming years, Saber Interactive sees increasing activity from current levels driven by a growing pipeline of future game development and publishing projects.

Key ratios as of today's date

	Embracer Group	Saber	Combined
Internal development studios	26	5	31
External development studios	58	3	61
Total development studios	84	8	92

Sales, marketing & publishing offices

Internal developers headcount	1,237	590	1,827
Internal non-development headcount	713	40	753
Total internal headcount	1,950	630	2,580
Total external developers headcount	1,021	150	1,171
Total headcount (internal + external)	2,970	780	3,750

Development pipeline

Announced	44	4	48
Unannounced	52	8	60
Total game development projects	96	12	108

Financials for Saber Interactive

For the period 1 January – 31 December 2019, Saber Interactive realised approximately USD 105 million of revenues and USD 62 million of EBIT.⁷ The increase in revenue from the USD 38 million generated during the same period 2018 is largely attributed to the shift to owned/licensed IPs and the success of WWZ. The increase in EBIT from USD 14 million generated during the same period 2018 is largely a result of the revenue increase. Saber Interactive does not capitalize its development cost and has a high cash conversion.

It should be explicitly noted that the abovementioned financials are prepared in accordance with management accounts and they are thus not prepared in accordance with the accounting principles applied by Embracer Group. The financials have neither been reviewed nor audited by Saber Interactive's auditors.

The combination of the entities

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

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

The going-concern of Saber Interactive as part of the Embracer Group is supported by the commitment of the Sellers to remain employed within the Company for at least 6 years. In addition, the Sellers' commitment to the combined entity is strengthened by them, combined, becoming the second largest shareholder block of the Company and their 20 year profit share scheme.

Illustrative combined financials for the period 1 January – 31 December 2019

The Company has prepared a statement of the combined group's financial position as of 31 December 2019 which is presented below with the purpose of describing the new group's financial position after the Transaction. The preliminary combined statement of financial position is prepared for illustrative purposes only and is solely intended to describe the hypothetical situation of the new group as if the Transaction had been completed as of 31 December 2019 based on Embracer Group's and Saber Interactive's respective financial positions as of 31 December 2019. Saber Interactive has thus far had USD as its reporting currency and the USD figures have been translated to SEK using the FX rate as of 31 December 2019, with USD/SEK at 9.3650⁸. The below financial statement has neither been reviewed nor audited by the Company's auditors.

Dec19, SEKm	Embracer Group	Saber	Transaction Adjustments	Combined
Intangible assets	5,633	-	4,714	10,347
Property, plant and equipment	169	-	-	169
Financial assets	201	-	-	201
Inventories	387	-	-	387

⁶ Excluding 5 licensed IPs of which 2 through partner.

⁷ Unaudited financials based on management account actual figures for the period 1 January – 30 November 2019 and preliminary management accounts for the period 1-31 December 2019.

⁸ Source: Bloomberg.

Current receivables	1,570	204	-	1,774
Cash and bank balance	2,785	483	-2,356	912
Total assets	10,745	687	2,359	13,790
Equity	6,177	685	2,359	9,221
Provisions	1,306	-	-	1,306
Non-current liabilities	209	-	-	209
Current liabilities	3,053	2	-	3,055
Total equity and liabilities	10,745	687	2,359	13,790

The Company has also prepared a combined income statement of the new group for the period 1 January – 31 December 2019, with the purpose of describing a hypothetical income statement as if the Transaction had been completed as of 1 January 2019. No synergies have been considered in the combined income statement. It is important to note that the preliminary combined income statement is prepared for illustrative purposes only and should not be considered an estimate or forecast for the coming twelve months. Saber Interactive has thus far had USD as its reporting currency. The USD figures have been translated to SEK using the average FX rate for the period 1 January – 31 December 2019, with USD/SEK at 9.4582⁹. The below income statement has neither been reviewed nor audited by the Company's auditors.

January – December 2019, SEKm	Embracer Group	Saber	Transaction Adjustments	Combined
Revenue	5,541	981	-	6,522
Total operating income	6,485	991	-	7,476
Total operating expenses	-6,065	-400	-943	-7,407
EBIT	421	591	-943	69
Amortization of intangible assets	722	-	943	1,665
Operational EBIT	1,143	591	-	1,734
Depreciation of PP&E	802	-	-	802
EBITDA	1,945	591	-	2,536
Impairment of intangible assets	-	-	-	-
<i>EBIT margin</i>	7.6%	60.2%	<i>n.a.</i>	1.1%
<i>Operational EBIT margin</i>	20.6%	60.2%	<i>n.a.</i>	26.6%
<i>EBITDA margin</i>	35.1%	60.2%	<i>n.a.</i>	38.9%

Embracer Group has not completed the detailed valuation analyses necessary to arrive at the final estimates of the fair market value of the assets to be acquired and the liabilities to be assumed in connection with the acquisition of Saber Interactive. The preliminary allocation of the purchase price of the acquisition (the "Preliminary PPA") used in these illustrative combined financial statements is based upon Embracer Group's preliminary estimates at the date of preparation of these financial figures. As a result of the finalisation of this allocation after the acquisition's final completion (the "Final PPA"), Embracer Group expects to make adjustments to the Preliminary PPA, some of which could be material. Differences between the Preliminary PPA and the Final PPA could have a material impact on Embracer Group's pro forma financial performance.

Purchase price

The Upfront payment for Saber Interactive amounts to USD 150 million, of which USD 100 million is being paid in cash and 6,209,353 B shares of Embracer Group equivalent to USD 50 million in, of which USD 30 million

⁹ Source: Bloomberg.

corresponding to 3,725,612 B shares are subject to a one year lock-up. The Earn-out payment of USD 375 million consists of USD 100 million paid in cash two years post closing, and which is subject to an annual interest rate of approximately 1.6%, and USD 275 million paid in newly issued Embracer Group shares. Of the USD 275 million, 14,033,140 B shares of Embracer Group, equivalent of USD 113 million, are issued at closing and vested 3 years after closing subject to 2 games being released during the first 3 years post closing, 189,783 A shares and 13,719,168 B shares of Embracer Group, equivalent of USD 112 million, are issued at closing and vested 6 years after closing subject to 1 additional game being released during the first 6 years post closing; and 6,209,354 A shares of Embracer Group, equivalent of USD 50 million issued at closing and vested 6 years after closing subject to 1 additional game being released during the first 6 years post-closing, and the Sellers remaining employed by the Company 6 years post closing. In total the Consideration shares amount to 40,360,798 shares of Embracer Group, whereof 6,399,137 are A shares and 33,961,661 are B shares.

Issue of the Consideration Shares

The Consideration shares are issued at a price of SEK 78.4510 per share which equals the 40 day volume weighted average price of Embracer B shares on Nasdaq First North Growth Market up to and including 18 February 2020.

The Consideration shares will be a combination of A and B shares and represent approximately 11% of the capital in the Company and approximately 15% of the votes in the Company on a fully diluted basis assuming full Earn-out payment and that all shares issued as part of the Earn-out payment have been vested.

By issuing the Consideration shares, the number of shares increases by 40,360,798 to 352,427,996 and the number of votes increases by 97,953,031 to 653,020,229 (divided among 33,399,137 A shares and 319,028,859 B shares). The share capital will increase by approximately SEK 112,113 to approximately SEK 978,966.

Lars Wingefors will have a right of first refusal applying to any A shares that may be sold or requested for conversion into B shares by the Sellers.

Resolution to issue the Consideration shares will be made by the board of directors of the Company in connection with completion of the Transaction with the support of the authorization proposed for the extra general meeting to be held on 11 March 2020.

Conditions for the completion of the Transaction

Closing of the Transaction is expected to take place during the second calendar quarter of 2020 after which Saber Interactive will be fully consolidated into Embracer Group.

Closing of the Transaction is conditional upon customary conditions including regulatory approvals such as merger control clearance.

Sellers' employment package post closing

The Sellers will enter into employment and profit sharing contracts with Embracer Group which provides them with a fixed salary and a 20 year profit share scheme. The profit share scheme incorporates 10% of Saber Interactive's realised annual EBIT above USD 76 million, i.e. after 20 years the Sellers are entitled to receive a total amount equal to 10% of Saber Interactive's accumulated EBIT that exceeds USD 1,520 million (20 years x USD 76 million).

Extra general meeting and voting commitments

An extra general meeting is planned to be held on 11 March 2020 to resolve to authorize the board of directors to issue the Consideration Shares. For further information, please refer to the notice announced through a separate press release which will be published today, and be held available on Embracer Group's website, www.embracer.com.

Lars Wingefors and Erik Stenberg, together representing approximately 62% of the votes in Embracer Group, have committed to vote in favour of the authorization to issue Consideration shares proposed for the extra general meeting.

Following closing of the Transaction, Lars Wingefors and Erik Stenberg have also committed to vote in favour of appointing Matthew Karch to Embracer Group's Board of Directors.

Advisers

Carnegie Investment Bank AB (publ) and EY are acting as financial advisers and Baker McKenzie is acting as legal counsel to Embracer Group in the Transaction.

Alantra is acting as financial adviser, and ELRO Law and Comiter, Singer, Baseman & Braun are acting as legal advisors to the shareholders of Saber Interactive in the Transaction.

Responsible parties

This information is such information Embracer Group AB is obliged to make public in accordance with the (EU) Market Abuse Regulation. The information in this press release has been made public through the agency of the responsible person set out below for publication at the time stated by Embracer Group's news distributor Cision at the publication of this press release. The responsible person below may be contacted for further information

For additional information, please contact:

Lars Wingefors, Group CEO

Tel: +46 708 47 19 78

E-mail: lars.wingefors@embracer.com

About Embracer Group

Embracer Group is the parent company of businesses developing and publishing PC and console games for the global games market. The group has an extensive catalog of over 150 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory and Wreckfest amongst many others.

With its head office in Karlstad, Sweden, Embracer Group has a global presence through its four operative groups: Koch Media GmbH/Deep Silver, THQ Nordic GmbH, Coffee Stain AB and Amplifier Game Invest AB. The group has 26 internal game development studios engaging more than 3,000 employees and contracted employers in more than 40 countries.

Embracer Group's shares are publicly listed on Nasdaq First North Stockholm under the ticker EMBRAC B with FNCA Sweden AB as its Certified Adviser; info@fnca.se +46-8-528 00 399.

For more information, please visit: <http://www.embracer.com>

Forward-looking statements

This press release contains forward-looking statements that reflect the Company's intentions, beliefs, or current expectations about and targets for the Company's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Company operates. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in

turn, upon further assumptions. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The Company does not guarantee that the assumptions underlying the forward-looking statements in this press release are free from errors and readers of this press release should not place undue reliance on the forward-looking statements in this press release. The information, opinions and forward-looking statements that are expressly or implicitly contained herein speak only as of its date and are subject to change without notice. Neither the Company nor anyone else undertake to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this press release.