

EMBRACER⁺ GROUP

Press release

Karlstad, Sweden, 21 December 2021

Embracer Group enters into agreement to acquire Perfect World Entertainment

Embracer Group AB (“Embracer”) has entered into an agreement to acquire 100 percent of the shares in Perfect World North America Corporation and Perfect World Publishing B.V. (collectively “Perfect World Entertainment” or “PWE”)¹, from Perfect World Europe B.V. (“Perfect World”). PWE is a video game developer and publisher for PC and consoles, including PWE Publishing and Cryptic Studios. The acquisition adds on a total of 237 employees. The purchase price for the acquisition comprises a one-time payout of USD 125 million, divided into of USD 60 million in cash and USD 65 million in B shares of Embracer subject to consideration adjustment at closing. The purchase price net of cash amounts to USD 103 million.

Background and rationale

Upon completion of the transaction, PWE will operate within the Embracer group as a subsidiary of Gearbox Entertainment Company, with a continued focus on publishing and creating games. PWE comprises a team of 237 full time employees, including the team behind the publishing unit. Through the acquisition of PWE, Gearbox Entertainment will onboard PWE Publishing and Cryptic Studios, which will both remain independent within Gearbox Entertainment. This acquisition will strengthen Gearbox Entertainment's Publishing division.

Founded in 2000 and headquartered in Los Gatos, California, Cryptic Studios is one of the rare handful of studios with experience launching and operating multiple MMOs (Massively Multiplayer Online Games) at scale. The studio has a track record of success with three of the last four launches achieving meaningful commercial success. *Neverwinter* and *Star Trek Online* continue to be top performing MMOs with highly engaged user bases. Cryptic comprises a team of 136 employees.

Founded in 2008 and headquartered in Redwood City, California, PWE Publishing is known for publishing leading PC and console titles based on well-known global entertainment franchises such as the *Star Trek* and *Dungeons & Dragons* games by Cryptic Studios. PWE Publishing's product portfolio also includes the popular *Torchlight* series, as well as *Remnant: From the Ashes*, in partnership with Embracer owned development studio Gunfire Games. PWE Publishing comprises at team of 101 employees.

During 2021, PWE had operating losses stemming from the cancellation of Cryptic's newest MMO (*Magic: Legends*) and a gap in PWE Publishing's release schedule. Embracer is highly confident that under its leadership, both Cryptic and PWE Publishing will be strong financial contributors in addition to their strategic value with new IP and an MMO capability that has been missing from Embracer's portfolio.

Cryptic Studios currently operates three longstanding MMOs (*Neverwinter*, *Star Trek Online* and *Champions Online*) with a shared life span of 25+ years. These titles generate significant profits, and Embracer expects the live Cryptic titles will continue to be strong and steady for the upcoming years. PWE Publishing has a compelling slate of upcoming games while continuing to evaluate new opportunities. Of the existing slate, PWE's next launch is planned in 2022 with five additional releases by

¹ Acquired through Embracer and will be part of the Gearbox Entertainment operative group.

2024. In calendar year 2021 the companies are estimated to generate net sales of approximately SEK 700 million. This includes some revenues from discontinued products at Cryptic.

Embracer Group forecasts that the transaction will contribute a breakeven operational EBIT during FY 22/23 and SEK 200-300 million during FY 23/24. These forecasts exclude any notable commercial or cost synergies.

"It's an honor for us to welcome this talented group of individuals into the Gearbox Entertainment family. Gearbox will invest into the future of Cryptic as an independent, dynamic studio that is passionate about MMOs. That commitment is paired with an exciting new partnership that will emerge as the talented Perfect World publishing team and their promising line up of future games will become supported and bolstered by the capability and strength of the Gearbox Publishing team," said Randy Pitchford, founder of Gearbox Entertainment Company

"It has been an amazing journey being a part of Perfect World, and we thank them for all of their support throughout the years. PWE is delighted to become a part of the Embracer family, and join Gearbox on their mission to entertain the world. We are eager to apply our vast experience and talents to benefit both shareholders and customers around the world," commented Yoon Im, CEO of PWE.

Purchase price and lock up

Subject to closing adjustments, the USD 125 million purchase price comprises a one-time payout, divided into USD 60 million in cash and USD 65 million in B shares of Embracer. **The purchase price net of cash amounts to USD 103 million.** 50 Percent of the shares to be issued are subject to a one-year (12 months) lock-up period and 50 percent of the shares to a two-year (24 months) lock-up period.

The shares to be issued as part of the consideration are issued at a price of SEK 90.81 per share which equals the 20 day volume weighted average price of Embracer B shares on Nasdaq First North Growth Market up to and including 17 December 2021, and using the FX rate USD/SEK of 9.1358 as of 17 December 2021.

The shares to be issued represent approximately 0.60 percent and approximately 0.39 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the shares, the number of shares will increase by 6,570,386 to 1,090,861,313 and the number of votes increases by 6,570,386 to 1,692,045,779 (divided among 66,798,274 A shares and 1,024,063,039 B shares). The share capital will increase by approximately SEK 9,125.54, from approximately SEK 1,505,959.91 to approximately SEK 1,515,085.45.

Upon completion of the transaction the board of directors will resolve to issue the shares pursuant to authorization granted by a general meeting.

Completion of the transaction

The transaction was signed as of 21 December 2021 and is expected to close in February 2022. Completion of the transaction is conditional upon customary conditions including regulatory merger control clearance.

Advisors

Juno Capital Partners acted as M&A and strategic advisor to Embracer and Gearbox Entertainment. Fenwick & West acted as legal counsel. EY acted as financial and tax advisor to Embracer and Gearbox Entertainment.

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About Embracer Group

Embracer Group is the parent company of businesses developing and publishing PC, console and mobile games for the global games market. The Group has an extensive catalogue of over 250 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory, Wreckfest, Insurgency, World War Z and Borderlands, amongst many others.

With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its eight operative groups: THQ Nordic, Koch Media Publishing, Coffee Stain, Amplifier Game Invest, Saber Interactive, DECA Games, Gearbox Entertainment and Easybrain. The Group has 86 internal game development studios and is engaging more than 9,000 employees and contracted employees in more than 40 countries.

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

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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,

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