

Press release

Karlstad, Sweden, 5 August 2021

EIGHT ANNOUNCED ACQUISITIONS CONTRIBUTE AN ESTIMATED SEK 2,000-3,000 MILLION IN NET SALES AND SEK 350-550 MILLION IN OPERATIONAL EBIT DURING FY2022/23

INSIDE INFORMATION: Embracer Group AB (“Embracer”) and its subsidiaries have as previously communicated this morning entered into eight acquisition agreements (the Transactions”). The Transactions improve the group’s capabilities within mobile publishing and development, indie development, VR development as well as story driven, retro shooter and other development for PC/consoles. The acquired businesses are expected to contribute to Embracer’s net sales in the range of SEK 2,000-3,000 million and to Operational EBIT in the range of SEK 350-550 million during the next financial year, ending March 31, 2023. For the remaining quarters of the current financial year ending March 31, 2022, the run rate contribution is expected to be in the lower end of the above-mentioned ranges. Crazy Labs is the most impactful contributor, both in net sales and Operational EBIT, and is estimated to be completed in the back end of the current quarter ending September 30, 2021.

The aggregated day one purchase price for the Transactions amounts to approximately SEK 2.7 billion in total, on a cash and debt free basis. Approximately SEK 2.1 billion is paid in cash and SEK 0.6 billion is paid in newly issued Embracer B shares. To create long term alignment, a maximum additional consideration amounting to SEK 2.0 billion on an aggregated basis, which is subject to fulfilment of agreed milestones, both operational and financial, over a period of up to eight years has been agreed. The additional consideration comprises of a maximum of approximately SEK 1.0 billion to be paid in cash and approximately SEK 1.0 billion to be paid in Embracer B shares. All shares are issued at a price corresponding to the volume weighted average price per Embracer B share at Nasdaq First North Growth Market during 20 trading days preceding (but not including) the date of signing of each of the Transactions. Thus, the price per share range from SEK 223.20 to SEK 231.93. The aggregated maximum consideration amounts to SEK 4.7 billion. The estimated surplus value that will be in the preliminary PPA amounts to approx. SEK 4.5 billion. This will be amortized according to Embracer's current accounting principles straight over 5 years.

The management teams of acquired companies have ambitious plans for profitable growth in the coming years and the earn outs are constructed to incentivize this. For illustrative purposes, to achieve the maximum additional consideration the

acquired companies combined must generate an aggregated Operational EBIT exceeding SEK 6 billion plus achieving certain operational targets by the financial year ending March 2029. To achieve the maximum consideration milestone on year five, the acquired companies combined must exceed SEK 1 billion in Operational EBIT for the financial year ending March 2026 plus achieving certain operational targets.

The total number of shares that are issued as part of the aggregate consideration, excluding shares issued as part of earn-out structures, amounts to approximately 2,568,695 Embracer B shares. The part of the additional consideration consisting of Embracer B shares amounts to a maximum of approximately 4,375,488 shares provided that all earn out targets are met. In total, approximately 6,944,183 B shares are issued. All shares being part of the additional consideration are issued at closing of the Transactions and subject to claw back rights and lock-up restrictions. The share issues are made partly pursuant to the authorization granted by the extra general meeting held on 26 February 2021 and partly pursuant to the extra general meeting to be held on 23 August 2021, for which a notice will be announced separately shortly.

"I am excited to welcome more than 500 great talents across a wide range of well established businesses that further diversify and strengthen the group across the world from day one. Brick by brick we continue to improve our operating groups and consequently Embracer as a whole. We still have a strong balance sheet with a sizable net cash position to support further M&A going forward. We continue to have many ongoing discussions with entrepreneurs, creators and companies to join the family, including large or transformative companies that would create new operating groups. I'm looking forward to continue growing the Embracer Group both organically and in-organically the decades to come." says Lars Wingefors, co-founder and Group CEO of Embracer.

Strategic rationale

Embracer's operating groups are continuously scouting for companies and development teams that improve the capabilities, the quality and the outlook for each of the operating groups. The Transactions are improving the group's capabilities within mobile publishing and development, indie development, VR development, as well as story driven, retro shooter and other development for PC/consoles. The IP portfolio is strengthened with titles like Deep Rock Galactic for PC/console and Super Stylist for mobile. The iconic publishing brand 3D Realms will complement the existing publishing brands across the group.

The announced Transactions are aligned with Embracer's growth strategy and is enabled by the group's decentralized operating model. Over the past four years, Embracer has expanded from one to eight operating groups. Each of these operating groups have put in place their own M&A agenda with the purpose of adding additional organic growth opportunities and to improve long term profit and cash flow generation. For Embracer's decentralized operating model to be sustainable and scalable, it is a necessity that most

acquisitions are originated and onboarded on the operating group level. For the Embracer operating model with emphasis on decentralized decision making and independence for local management to work, it is also necessary that founders and management of acquired companies join Embracer with a long-term mindset.

Through the Transactions, Embracer grows to more than 8 000 employees and contracted employees.

Within free-to-play games, Deca Games combined with CrazyLabs and creates a fast growing, process oriented, data driven organization across the casual and hyper casual segments in mobile market. CrazyLabs brings an experienced and highly scalable publishing organization with access to talented external studios across multiple geographies, a significant size in terms of users and user acquisition spending and IP's that will complement the existing portfolio of female oriented casual titles within Deca Games and A Thinking Ape. The new Deca operating group and Easybrain will give Embracer a sizable, scalable and cash generative mobile business with a solid outlook for organic growth as well as a platform for acquisitions going forward.

Within premium games, the addition of Ghost Ship as a sister company to Coffee Stain in Denmark and Easy Trigger as a new internal studio in Sweden, will not only bring onboard successful IPs and teams that Coffee Stain has had a long-term partnership with, but it also marks that Coffee Stain is now an indie operating group with emphasis on continued organic growth as well as M&A. The new Coffee Stain operating group will be home to some of the most talented indie developers on the planet. Hopefully more indie teams will join forces with the Coffee Stain and Ghost Ship over the coming years and create a unique and even stronger indie eco system.

Koch Media owned Vertigo Games is strengthening its development capabilities within VR by acquiring the experienced team at Forcefield. Consequently, Vertigo is more than doubling its internal development capacity to support its ambitious growth agenda within the VR space.

Koch Media is also adding a very experienced indie development team in France, DigiXart, with an strong vision for the future.

Saber is acquiring Denmark based Slipgate Ironworks, a long term partner to Embracer that is currently working with both Saber and THQ Nordic on different projects. Slipgate brings a strong team with expertise in development, co-development and porting. By deeper collaboration with the Saber network of studios, Slipgate and its associated publishing brand 3D Realms will be primed for profitable growth.

Embracer is also adding capabilities to address adjacent growth opportunities with the acquisition of B2C e-commerce and merchandise company Grimfrost with focus on viking merchandise on a global scale.

Strong alignment with founders and management

The Embracer operating model with emphasis on decentralized decision making and independence for local management to work on a day-to-day basis has been crucial to attracting some of the best gaming entrepreneurs into the Embracer family with a long-term mindset. Becoming part of Embracer is not an exit, but rather considered as the next step on the journey for companies led by founders and strong management teams.

Embracer is highly encouraged by the appetite among founders and key management to become shareholders in Embracer, while operating their businesses under various earnout schemes and create a strong long-term alignment of interests. For most of the Transactions, earnout periods range between five and eight years.

Growth centric capital allocation strategy remains unchanged

The capital allocation priorities for Embracer are unchanged. The first priority for allocation of operational cash flow from released games to reinvest as much as possible into value enhancing organic growth opportunities, e.g. new game projects. The second priority is to use free cash flow to finance, bolt-on acquisitions in the operating groups.

The Transactions will contribute additional free cash flow to Embracer, while extending the range of opportunities for organic growth investments.

Embracer reiterates the ambition to maintain a strong balance sheet and strives to maintain a net cash position to maintain maximum strategic flexibility. For the right inorganic growth opportunity, financial leverage could temporarily exceed 1,0x operational EBIT to net debt, where operational EBIT is measured as management expectations for the coming twelve months. In such circumstances, leverage should at least return to below 1,0x net debt to operational EBIT over the medium term, either by retaining cash from operations or by raising primary capital in the equity market.

Issue of shares and dilution

Through the Transactions, Embracer in aggregate issues, including earn-out consideration shares, a total of approximately 6,944,183 B shares, meaning that the number of B shares in Embracer increase from 469,989,164 to approximately 476,933,347 B shares, and that the number of votes increase from 803,980,534 to approximately 810,924,717.

The part of the additional consideration for the Transactions consisting of Embracer B shares amounts to a maximum of approximately 4,375,488 B shares provided that all earn out targets are met. All B shares being part of the additional consideration are issued at closing of the Transactions and subject to claw back rights and lock-up restrictions.

The price per share for the shares issued range from SEK 223.20 to SEK 231.93, corresponding to the volume weighted average price per Embracer B share at Nasdaq First North Growth Market during 20 trading days preceding (but not including) the date of signing of each of the Transactions.

The Transactions will, including all earn-out consideration shares eventually earned, lead to a dilution of approximately 1.36 percent of the share capital and approximately 0.86 percent of the votes in Embracer based on the number of shares and votes in Embracer following completion of the Transactions and issuance of all shares (in total 510,332,484 shares, divided between 33,399,137 A shares and 476,933,347 B shares). The share capital will increase by SEK 19,289.40 from approximately SEK 1,398,301.06 to approximately SEK 1,399,445.49.

The shares issued as part of the consideration for the Transactions are issued partly pursuant to the authorization granted by the extra general meeting held on 26 February 2021 and partly pursuant to the extra general meeting to be held on 23 August 2021, for which a notice will be announced separately shortly.

Responsible party

This information constitutes inside information that Embracer Group AB is obliged to make public in accordance with the (EU) Market Abuse Regulation 596/2014. 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.

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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 240 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 GmbH, Koch Media GmbH/Deep Silver, Coffee Stain AB, Amplifier Game Invest, Saber Interactive, DECA Games, Gearbox Entertainment and Easybrain. The Group has 77 internal game development studios and is engaging more than 8,000 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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Webcast presentation for investors, analysts and media

Representatives from Embracer Group and the companies will participate in a webcast presentation today at 09.00 CET. Invitation and details for participation will be sent out by a separate press release

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Forward-looking statements

This press release contains forward-looking statements that reflect Embracer's intentions, beliefs, or current expectations about and targets for Embracer'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",

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