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Karlstad (Sweden), August 13 2020

Embracer Group acquires 4A Games

Embracer Group AB ("Embracer"), through its wholly-owned subsidiary Saber Interactive¹, has today entered into an agreement to acquire 100 percent of Malta-based 4A Games Limited ("4A Games"). 4A Games is a top-tier independent AAA PC and Console developer behind the successful Metro franchise and a long-term development partner to the Embracer owned publisher Deep Silver. Through the acquisition, Saber Interactive onboards a reputable team of 150+ people across two studios in Malta and Ukraine as well as best-in-class internally developed and owned First-Person-Shooter ("FPS") technology to the Group. The upfront purchase price amounts to approximately MUSD 36 on a cash and debt free basis and is paid in cash and in newly issued B shares, plus an earn-out consideration, subject to fulfilment of agreed milestones, of a maximum USD 35 million. 4A Games expects net sales of approximately MEUR 20 for the period Jan-Dec 2020, with an operational EBIT of approximately MEUR 12.

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“With the acquisition of 4A Games, Saber Interactive is locking-up one of the best indie studios in the industry with the potential and capacity to take on another AAA project and are also internalizing the value of existing and future IPs into the Group. Saber solidifies its position as a leader in the CIS and Ukrainian game developer market. Combining our technology and capabilities with 4A Games presents tremendous opportunity for growth and expansion” says Matt Karch, CEO Saber Interactive Inc., Director of the Embracer Board.

The transaction in brief

- Embracer has today acquired 100 percent of the shares in 4A Games.
- The upfront purchase price amounts to approximately MUSD 36 on a cash and debt free basis equivalent to an equity value of MUSD 45.
- The upfront purchase price is paid with MUSD 25 in cash through Embracer’s existing cash funds and the equivalent of MUSD 20 in newly issued B shares in Embracer (“**Closing Consideration Shares**”) of which 50 percent will be subject to a one-year lock-up and 50 percent will be subject to a two-year lock-up.
- A total earn-out consideration of a maximum of MUSD 35 within five years may be payable by Embracer upon fulfilment of agreed targets whereof MUSD 15 is payable in cash and MUSD 20 in newly issued B shares in Embracer (“**Earn-Out Consideration Shares**”). The Earn-Out Consideration Shares are issued at completion of the acquisition and are subject to claw back rights if targets are not met and lock-up commitments over a period of one month when vested after the respective target has been met.
- The Closing Consideration Shares and Earn-Out Consideration Shares are issued at a price of SEK 142.03 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 12 August 2020, and using the FX rate USD/SEK of 8.7564 per 12 August 2020.²

¹ Acquired through Embracer's wholly owned subsidiary Embracer Group Lager 2 AB and will be part of the Saber Interactive group.

² Source: Riksbanken.

- The total maximum consideration for 100 percent of the share capital in 4A Games amounts to MUS\$ 80 on an equity basis. 4A Games expects net sales of MEUR 20 for the period Jan-Dec 2020, with an operational EBIT of MEUR 12.

“Embracer Group and Saber Interactive are the perfect partners for 4A Games and for our next phase of growth. Together we will continue to build on the Metro franchise and will focus on bringing a multiplayer experience to our fanbase. We look forward to building a new and even more ambitious AAA IP in the near future” says Dean Sharpe, CEO 4A Games

Background and rationale

4A Games is a top-tier AAA games development studio behind the Metro series, first released in 2010. The company was founded by three alumni developers of GSC Game World in Kyiv, Ukraine in 2005. In 2014, the studio expanded by opening a new studio and relocated headquarters with approximately 50 staff to Sliema, Malta. The team today consists more than 150 people with a unique and diverse set of backgrounds who together have developed a worldwide success with the Metro series. 4A Games have also developed and released ARKTIKA.1 in 2017, a highly immersive VR shooter for Oculus Touch.

Conceived in 2005 when the studio was first established, the 4A Games’ development engine has powered all 4A Games’ titles to date and is constantly improved in-house to stay at the forefront of innovation in the industry. Natively multi-platform and scalable with robust functionality and integrations, 4A Games’ proprietary engine offers leading technology for single player FPS development and complements Saber Interactive’s development and live operations technology.

The acquisition marks an important milestone in the longstanding relationship between 4A Games and Deep Silver/Koch Media, who will continue to explore the Metro franchise together with Dmitry Glukhovskiy going forward. Embracer will see development and royalty cost savings from released Metro titles and future games as well as development margin savings between Deep Silver and 4A Games. Other synergies between 4A Games and Embracer group companies include among other things technology, development resources, IP catalog and business development.

Within the Embracer Group, 4A Games will operate as an independent studio under Saber Interactive. 4A Games will significantly strengthen Saber’s development capabilities in Ukraine and are currently collaborating on an entirely new project that combines the AAA production values of 4A Games, combined engine and technology know-how and Saber’s experience on multiplayer and live operations. 4A Games has also initiated development on a brand new AAA IP that leverages its decade of experience on developing the Metro series.

Purchase Price, Earn-Out Consideration, Lock-Up Period and Clawback Right

The upfront purchase price of MUS\$ 45 equivalent to MUS\$ 36 on a cash and debt free basis is paid with MUS\$ 25 cash and MUS\$ 20 is paid with 1,233,035 newly issued B shares issued at closing. The Closing Consideration Shares will be subject to lock-up where 50 percent of the Closing Consideration Shares will be subject to a one-year lock-up and 50 percent will be subject to a two-year lock-up period.

The agreed earn-out consideration that may be payable by Embracer, a maximum of MUS\$ 35, is paid with up to MUS\$ 15 in cash and up to MUS\$ 20 is paid with 1,233,035 newly issued B shares issued at closing. The Earn-Out Consideration Shares will be subject to lock-up over a period of one month after they have vested and vest within five years upon fulfillment of agreed operational targets and continued employment for key employees. The Earn-Out Consideration Shares are issued at closing but subject claw back rights if targets are not met.

Issue of Closing Consideration Shares and Earn-Out Consideration Shares

The board of directors of Embracer has today resolved to issue the Closing Consideration Shares and the Earn-Out Consideration Shares pursuant to the authorization granted by the annual general meeting on September 17, 2019.

The Closing Consideration Shares represent 0.33 percent and 0.18 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the Closing Consideration Shares, the number of shares and votes increase by 1,233,035. The share capital increases by approximately SEK 3,425.

The Earn-Out Consideration Shares represent 0.33 percent and 0.18 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the Earn-Out Consideration Shares the number of shares and votes increase by 1,233,035. The share capital increases by approximately SEK 3,425.

In total, the Closing Consideration Shares and maximum Earn-Out Consideration Shares together represent 0.66 percent and 0.37 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the Closing Consideration Shares and Earn-Out Consideration Shares the number of shares increases by 2,466,070 to 374,818,625 and the number of votes increases by 2,466,070 to 675,410,858 (divided among 33,399,137 A shares and 341,419 488 B shares). The share capital increases by approximately SEK 6,850 from approximately SEK 1,034,313 to approximately SEK 1,041,163.

The Closing Consideration Shares and Earn-Out Consideration Shares are issued at a price of SEK142.03 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 12 August 2020, and using the FX rate USD/SEK of 8.7564 per 12 August 2020.³

Completion of the transaction

The transaction is not subject to any further condition and is completed as of August 13, 2020.

Advisers

Ernst & Young AB is providing transaction support and Baker McKenzie is acting as legal counsel to Embracer in the transaction.

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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 catalogue of over 170 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdom Come: Deliverance, TimeSplitters, Satisfactory, Wreckfest, Destroy All Humans!, World War Z and SnowRunner, amongst many others. With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its five operative groups: THQ Nordic, Koch Media/Deep Silver, Coffee Stain, Amplifier Game Invest and Saber Interactive. The Group has 33 internal game

³ Source: Riksbanken.

development studios and is engaging more than 4,000 employees and contracted employers 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.

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

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 and the group'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 Embracer 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. Embracer 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 Embracer nor anyone else undertakes 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.