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Embracer Group acquires critically acclaimed Tarsier Studios

Embracer Group today acquired Tarsier Studios. The purchase price is SEK 88 million in cash and SEK 11 million in newly issued Embracer B-shares, plus a conditional earn-out, payable over 10-years to certain sellers who will remain with Tarsier. The acquisition includes the development studio, all employees and Intellectual Property rights.

Tarsier was founded 2005 in Karlshamn, has 15 years of experience from games development and is one of the largest independent studios in Sweden. Today the studio is based in Malmö, has 65 employees and is led by an experienced team with award-winning creative and artistic world class skills.

Tarsier focuses on developing AA(A)/III (Tripple-i) adventure games and platform puzzles to primarily PC and consol. Over the years, the company has worked primarily as a work-for-hire studio together with global publishing powerhouses such as Nintendo, Sony Interactive and Bandai Namco. The studio has also been successful in developing new original IPs such as Little Nightmares, Statik and Stretchers from concept, through the development phase and to commercial release. The Little Nightmares IP is owned by Bandai Namco, the Statik IP is owned by Tarsier and the Stretchers IP is owned by Nintendo.

Tarsier is most famous for the critically acclaimed million-selling franchise Little Nightmares (2017), where Tarsier developed the IP from scratch and released it together with Bandai Namco on PlayStation, XBOX ONE, PC and Nintendo Switch. At Gamescom in August 2019, they announced the sequel Little Nightmares 2, planned to be released during 2020 together with Bandai Namco.

Embracer has a firm confidence in the competence and knowledge that has been accumulated in Tarsier during its 15 years in the games business and is looking forward to supporting the Studio with long-term investments into new IP development. The Studio will remain autonomous within Embracer's wholly owned sub-group Goodbye Kansas Game Invest. Embracer and Goodbye Kansas Game Invest will act as owner, financier and publisher of the new IPs to be developed. Tarsier and Embracer is committed to completing ongoing development projects financed by external parties such as Little Nightmares 2, published by Bandai Namco.

"We at Embracer are impressed with the position and the team that Tarsier has built up during 15 years, which is evident looking at the fantastic reviews that several of the studio's famous productions have received, and with the future ambitions of the Studio. Together with Tarsier, we want to invest in developing new projects, in the same manner they have done successfully in the past. We look forward to, together with management and all of Tarsier's employees, embrace the quality and creativity the Studio has, and take the Studio to the next level", says Lars Wingefors, co-founder and group CEO, Embracer Group AB.

"It feels exciting to, after a 15-year long journey with Tarsier, partner up with Embracer to continue develop the potential that our Studio has. We look forward to the opportunity to continue making exceptionally great games together with Embracer Group", says Andreas Johnsson, Studio Head, Tarsier Studios.

Background and rationale

Embracer Group has a clear growth strategy and a long and successful history of acquiring games and development studios. Through the acquisition of Tarsier Studios, Embracer builds on its strong presence in the Swedish market and establishes a platform in Malmö, a hub that promotes game development with various initiatives annually and with over 50 active gaming studios. Embracer will support Tarsier's future growth and is convinced that the studio has an excellent ability to build on the portfolio and knowledge it has created during its 15 years in the industry, and can benefit from Embracer's network and expertise in development and placement.

Financing of the transaction

The purchase price will be financed by Embracer's existing cash and by issuing new B-shares in Embracer Group AB, in accordance with authorization from the AGM. The newly issued class B shares are issued to five of the sellers of Tarsier Studios. The price per share is based on the volume-weighted average price of Embracer Group's shares on Nasdaq First North Growth Market during the twenty (20) trade days preceding 20 December 2019 (i.e. 19 December 2019), i.e. SEK 67.91. Following the issue of shares, the number of shares increase in total by 162,163 to 312,067,198 and the number of votes increase with 162,163 to 554,905,035 (divided between 27,000,000 A shares and 285,067,198 B shares). The share capital increases with in total approximately SEK 450 from approximately SEK 866,403 to approximately SEK 866,853. The newly issued shares will represent 0.05 percent and 0.03 percent of the total number of shares and votes in the Company, respectively, on a fully diluted basis.

In addition to the purchase price, certain sellers are entitled to a 10 year earn-out payment, subject to fulfilment of specific financial metrics, with a cap of SEK 44 million. The transaction is not subject to any further resolution or approval and the record date is December 20, 2019.

Advisers

Baker McKenzie acts as Embracer Group's legal adviser in the transaction.

For more information, please contact:

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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 130 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 based in Karlstad, Sweden, Embracer Group has a global presence through its three operative groups: Koch Media GmbH, THQ Nordic GmbH, and Coffee Stain AB. The group has eighteen internal game development studios and are engaging more than 2,900 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.