

Press release

Karlstad, Sweden, 18 August 2022

Financial impact from acquisitions is estimated to contribute SEK 550-750 million in pro forma adjusted EBIT during FY 22/23, SEK 750-950 million during FY 23/24 and SEK 1.0-1.5 billion during FY 24/25

INSIDE INFORMATION: Embracer Group AB (“Embracer”) and its subsidiaries have as previously communicated on 18 August 2022 entered into five acquisition agreements alongside one unannounced acquisition (the “Transactions”). The Transactions further strengthen and diversify Embracer’s portfolio with profitable IPs & franchises and increase Embracer’s high margin licensing from external partners. The Transactions also add to publishing capabilities in North America, solidifies Embracer’s leading position within the AA/A/Indie segment of the PC/Console market and its efforts in asset care and retro gaming as well as creates new opportunities for music and audio gaming products. The aggregated upfront purchase price amounts to SEK 6.0 billion, of which SEK 4.2 billion is paid in cash at closing, SEK 1.3 billion in cash is paid in 12 months and SEK 0.5 billion is paid with Embracer B shares. The likely total deferred consideration, linked to achievement of financial and operational targets over up to 7 years, amounts to SEK 2.2 billion, of which SEK 1.5 billion will be paid in cash and SEK 0.7 billion will be paid with Embracer B shares. The likely total consideration for the acquired businesses amounts to SEK 8.2 billion.

“Today Embracer becomes an even better group. I am pleased to welcome an amazing group of entrepreneur-led companies to the Embracer family and to extend our portfolio with some truly remarkable IPs and franchises, including The Lord of the Rings. It is encouraging that our group has become a natural and preferred buyer of creative, growing and profitable companies within Gaming and Entertainment. Several discussions with entrepreneurs now joining have been ongoing for more than three years before the stars aligned today, which underlines the importance of a long-term perspective in building our group,” says Lars Wingefors, co-founder and Group CEO of Embracer Group.

Transaction Details

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On a combined pro forma basis (1 April 2022 until 31 March 2023) the Transactions are expected to generate SEK 1.8 to 2.1 billion in net sales and SEK 550 to 750 million in adjusted EBIT during the financial year ending March 2023*; SEK 2.1 to 2.4 billion in net sales and SEK 750 to 950 million in adjusted EBIT during the financial year ending March 2024; 3.0 to 3.5 billion in net sales and SEK 1.0 to 1.5 billion in adjusted EBIT during the financial year ending March 2025. These figures excludes any notable commercial synergies or further M&A. The largest transactions are subject to regulatory approvals and are expected to close during the end of Q2 or early Q3 in financial year 2022/23. Conversion from adjusted EBIT to free cash flow for the acquired businesses, before funding costs, is expected to be in the range of 70 to 80% next year and to be in the range of 85 to 95% in future years.

On an aggregated basis the Transactions will have a material impact on Embracer and fulfill financial and strategic objectives. From a financial perspective, the Transactions, on a combined basis, will be accretive to organic growth, to adjusted EBIT margin, to cash conversion, as well as to earnings per share and to free cash flow per share. Strategically the Transactions further strengthen and diversify Embracer's portfolio with profitable IPs & franchises. In particular The Lord of the Rings, one of the most iconic IPs on the globe, and the entire Middle-earth universe offers significant growth opportunity within PC/console, Mobile and Tabletop games. Middle-earth Enterprises also increases Embracer's high margin licensing revenues from external partners and creates a platform to accelerate growth in this source of revenue from the group's vast IP catalog. Tripwire Interactive and Tuxedo Labs, with high quality studios, strong franchises, such as Killing Floor and Teardown, and additional publishing capabilities in North America, solidifies Embracer's leading position within the AA/A/Indie segment of the PC/Console market. Further, the group consolidates its efforts in asset care and retro gaming with the leading direct-to-consumer publishing brand Limited Run Games, with considerable potential for improved monetization of the group's back catalog and IPs over time. The acquisition of Singtrix presents new opportunities for music and audio gaming products and Singtrix plans to expand its vocal technology platform into a broad range of new music games, streaming, and mobile franchises. In addition to the five communicated acquisitions today,

Embracer has entered into agreement to acquire another company within PC/Console gaming that, for commercial reasons, is not disclosed today. The purchase price for this un-disclosed acquisition is in the range of being among either third or fourth largest of the Transactions. The consideration and financial impact from this un-disclosed acquisition is included in the disclosed numbers in this press release.

All shares that are issued as part of the upfront payment 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 ranges from SEK 77.88 to SEK 86.65. Shares issued as part of the deferred and/or conditional consideration are either issued at closing at the same price range set out above or issued upon fulfillment of the agreed targets at the same price range set out above or at a price set with a 20 trading days volume weighted average price in connection with fulfillment of the agreed targets.

The total number of shares that will be issued as part of the upfront consideration, excluding shares issued as part of earn-out structures, amounts to approximately 6.5 million Embracer B shares. The part of the deferred and/or conditional consideration consisting of Embracer B shares that is issued at closing amounts to a maximum of approximately 2.5 million Embracer B shares provided that all earn out targets are met. Additional shares based on a future share price can also be issue provided that earn-out targets are met. All shares issued as part of the upfront purchase price will be subject to lock-up restrictions. All shares being part of the deferred consideration that are issued at closing will either be subject to claw back rights and/or lock-up restrictions.

*The partial contribution to Embracer's reported numbers in the financial year ending March 2023 depends on timing of closing of the announced transactions.

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'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:

Oscar Erixon, Head of Investor Relations Embracer Group AB (publ)

Tel: + 46 730 24 91 42

Email: oscar.erixon@embracer.com

Beatrice Forsgren, Head of Brand and Communication Embracer Group AB (publ)

Tel: +46 704 52 57 63

E-mail: beatrice.forsgren@embracer.com

About Embracer Group

Embracer Group is a parent company of businesses led by entrepreneurs in PC, console, mobile and board games and other related media. The Group has an extensive catalog of over 850 owned or controlled franchises.

With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its eleven operative groups: THQ Nordic, Plaion, Coffee Stain, Amplifier Game Invest, Saber Interactive, DECA Games, Gearbox Entertainment, Easybrain, Asmodee, Dark Horse and Embracer Freemod. The Group has 120 internal game development studios and is engaging more than 12,750 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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