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INSIDE INFORMATION

Press release

Karlstad, Sweden, 3 February 2021

Embracer Group to merge with Easybrain forming eighth operating group

Embracer Group AB ("Embracer")¹, has today entered into an agreement to merge with Cyprus-based Easybrain Limited ("Easybrain") in an all equity transaction for a day one purchase price amounting to USD 640 million on a cash and debt free basis plus a maximum of USD 125 million in additional consideration. The sellers, Easybrain's senior management, Peter Skoromnyi, Matvey Timoshenko and Oleg Grushevich, will post-closing, jointly become the third largest shareholder in Embracer. Easybrain will become Embracer's eighth operative group as a wholly owned subsidiary and continue to be led by its existing management. Under IFRS based accounting principles, Easybrain estimates calendar year 2020 revenues of USD 210 million (2019: USD 111 million) and an EBIT of approximately USD 70 million (2019: USD 18 million).

Easybrain is a leading mobile game developer with a core focus on advertising-based puzzle and logic games. Easybrain's titles have more than 750 million installs to date and 12 million daily active users across 15 live games.

Transaction in brief

- The day one purchase price amounts to USD 640 million on a cash and debt free basis and is paid in newly issued Embracer B shares. Shares corresponding to USD 130 million are issued to the sellers at closing without restrictions, USD 220 million subject to six-month lock-up, USD 145 million subject to one-year lock up and USD 145 million subject to two-year lock up.
- Subject to fulfilment of agreed financial targets during a six-year period an additional consideration of a maximum of USD 125 million will be paid in newly issued Embracer B shares.

¹ Acquired through Embracer's wholly owned subsidiary Embracer Group Lager 5 AB.

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- The total maximum consideration amount to USD 765 million on a cash and debt free basis.
- To earn the maximum consideration the accumulated EBIT during a six-year period has to exceed USD 600 million.

"I am excited to welcome Peter, Matvey, Oleg and the entire Easybrain team to the Embracer family. Easybrain is a highly diversified growth business with a market leading position in timeless puzzle and logic games. They are an extremely experienced and process driven team with a superior tech platform and world class UA capabilities. Easybrain has repeatedly demonstrated the capability to develop, scale globally, and operate category leading puzzle and logic games. By joining forces with Easybrain, we have meaningfully accelerated Embracer's mobile and free-to-play business" says Lars Wingefors, Co-founder and Group CEO of Embracer Group

Background and rationale

Easybrain is a leading mobile games developer with a core focus on puzzle and logic game titles. Easybrain is to date still led by Oleg Grushevich, Peter Skoromnyi and Matvey Timoshenko, who are all active in operational management roles and a seasoned executive team. Easybrain are headquartered in Limassol, Cyprus and has an office in Minsk, Belarus, in total consisting of 230 people with a diverse set of background and skills.

Easybrain is technology driven company, with an inhouse proprietary platform with a tailored business intelligence system and includes system applications and tools enabling data driven game insight and decision making across the process driven organization.

Since inception, Easybrain has developed numerous popular puzzle and logic game titles and is currently operating 15 live game titles with a long lifetime, of which multiple games have become category leaders within its dedicated niche. The universal appeal of classic puzzle and logic games shows as Easybrain's titles have 750+ million installs to date and 12 million daily average users collectively, predominantly monetized through advertising by utilizing the high user engagement and mass audience. The game portfolio includes titles with strong long-term retention such as Sudoku.com, Nonogram.com, Blockudoku and Pixel Art. The company recently expanded the portfolio with several releases in 2020, including new titles such as Art Puzzle, Killer Sudoku and Nonogram.com Color. Easybrain

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is currently also working on several additional titles, creating an exciting product pipeline for years to come.

“We are delighted that Easybrain merges with Embracer. We are extremely proud of the team that brought our business to what it is today, and now we feel it’s time to become part of something bigger. We are positive that our future efforts will contribute greatly to the group results and are excited to be part of such a great group of entrepreneurs under Lars’ leadership” says Oleg Grushevich, CEO and Co-founder of Easybrain.

Through the acquisition, Embracer adds a leading mobile game developer with proven ability to launch, scale up and operate multiple global category leaders within the logic and puzzle game genre. Embracer sees a great opportunity in supporting Easybrain to continue developing strong mobile game titles and be able to leverage the expertise of Easybrain across the Embracer organization.

Within the Embracer Group, Easybrain will post-transaction become the eighth operating group. Easybrain will continue to operate as an independent developer and publisher focused on mobile games with continued leadership by its existing management team. Easybrain’s focus will be to drive long term organic growth rather than to grow through bolt on acquisitions.

Purchase Price, Additional Consideration and Lock-Up Period

The day one purchase price amounts to USD 640 million on a cash and debt free basis and is paid with newly issued Embracer B shares issued at closing (the “**Consideration Shares**”). The Consideration Shares are issued to the sellers at closing. USD 130 million of the Consideration Shares are issued to the sellers at closing without restrictions. USD 220 million of the Consideration Shares is subject to a six-month lock-up, USD 145 million of the Consideration Shares is subject to a one-year lock-up and USD 145 million of the Consideration Shares is subject to a two-year lock-up. The release of part of the Consideration Shares is contingent on that the three sellers will remain employed within Easybrain following completion of the transaction.

The additional consideration that may be payable by Embracer amounts to a maximum of USD 125 million, to be paid in newly issued Embracer B shares issued at closing (the “**Additional Consideration Shares**”). The additional consideration is conditioned on the fulfilment of financial targets specified below.

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Additional Consideration						
Accumulated EBIT in USD million	Accumulated EBIT Threshold			Additional consideration if target is reached		
	1 Mar'21 – 31 Mar'24	1 Apr'24 – 31 Mar'27	1 Mar'21 – 31 Mar'27	Payment	Payment	Total Additional Consideration
Target 1	189	219	408	21.3	21.3	42.5
Target 2	199	264	463	42.5	42.5	85.0
Maximum Additional Consideration	250	350	600	62.5	62.5	125.0

The Additional Consideration Shares are issued at closing will be held in escrow by a third party. The Additional Consideration Shares will be released upon achievement of financial targets as described above.

Issue of Consideration Shares and Additional Consideration Shares

The Consideration Shares represent 6.0 percent and 3.6 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the Consideration Shares, the number of shares and votes increase by 27,205,425. The share capital increases by approximately SEK 75,571.

The Additional Consideration Shares assuming full payment represent 1.2 percent and 0.7 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the Additional Consideration Shares the number of shares and votes increase by 5,313,559. The share capital increases by approximately SEK 14,760.

In total, the Consideration Shares and maximum Additional Consideration Shares together represent 7.1 percent and 4.3 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the Consideration Shares and Additional Consideration Shares the number of shares increases by 31,518,984 to

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456,318,661 and the number of votes increases by 31,518,984 to 756,910,894 (divided among 33,399,137 A shares and 422,919,524 B shares). The share capital increases by approximately SEK 90,331, from approximately SEK 1,177,221 to approximately SEK 1,267,552.

The Consideration Shares and Additional Consideration Shares are issued at a price of SEK 197.57 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 2 February 2021, and using the FX rate USD/SEK of 8.3984 per 2 February 2021.

Upon completion of the transaction the board of directors will resolve to issue the Consideration Shares and the Additional Consideration Shares pursuant to an authorization granted by the extra general meeting.

Completion of the transaction

The transaction is subject to certain conditions, including approval for merger control, and is expected to be completed in approximately two months.

Advisers

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

Aream & Co. is acting as financial advisors and Latham & Watkins is acting as legal counsel to Easybrain Group Limited.

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.

For additional information, please contact:

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Oleg Grushevich, CEO and Co-founder Easybrain Limited
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Webcast presentation for investors, analysts and media

Representatives from Embracer Group and Easybrain 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.

About Embracer Group

Embracer Group is the parent company of businesses developing and publishing PC, console and mobile games for the global games market. Embracer Group has an extensive catalogue of over 200 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory, Wreckfest, Insurgency and World War Z, amongst many others.

With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its six operative groups: THQ Nordic GmbH, Koch Media GmbH/Deep Silver, Coffee Stain AB, Amplifier Game Invest, Saber Interactive and DECA Games. Embracer Group has 57 internal game development studios and is engaging more than 5,500 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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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

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