

Press Release
Karlstad, Sweden, 5 July 2023

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Embracer Group announces intention to carry out a directed share issue of approximately SEK 2 billion through new B shares and updates net debt target to SEK 8 billion

INSIDE INFORMATION: Embracer Group AB (the "Company" or "Embracer Group") hereby announces its intention to carry out a directed share issue of approximately SEK 2 billion through new B shares, which is intended to be resolved upon by the Board of Directors based on the authorization granted by the annual general meeting on September 21, 2022 (the "Share Issue"). The Share Issue will be directed to Swedish and international institutional investors. Embracer Group has engaged Goldman Sachs Bank Europe SE, Nordea Bank Abp, filial i Sverige, Skandinaviska Enskilda Banken AB and Swedbank AB (publ) (jointly referred to as "Managers"), to investigate the conditions to carry out the Share Issue through an accelerated bookbuilding procedure.

The Company announced initiatives and a comprehensive restructuring program on June 13, 2023, where a net debt target of SEK 10 billion at the end of FY 2023/24 was communicated. The Company intends to use the net proceeds received from the Share Issue to further strengthen the Company's financial position, improving financing costs and operational flexibility on top of the announced initiatives. Following the completion of the Share Issue, the Company will revise the net debt target to SEK 8 billion at the end of FY 2023/24, in line with the mid-point of its adjusted EBIT guidance of SEK 7-9 billion, hence also meeting the net debt target of 1.0x adjusted EBIT on a 12-month forward-looking basis.

"The operational and financial performance of the business remains on track according to the management expectations driven by a strong performance of the Dead Island 2 during the first quarter of 2023. The execution of the restructuring program communicated on June 13, 2023 goes according to plan. The company hereby reiterates its full year Adjusted EBIT forecast of SEK 7-9 billion."

Lars Wingefors, Group CEO

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The subscription price in the Share Issue will be determined through an accelerated bookbuilding procedure, which will commence immediately after publication of this announcement and end before the commencement of trading on Nasdaq Stockholm on July 06, 2023. The bookbuilding procedure may, at the discretion of the Company, be shortened or extended and may be cancelled at any time. The Company will communicate the result of the Share Issue in a press release following the completion of the bookbuilding procedure.

The Board of Directors has carefully considered the possibility to raise capital through a rights issue and makes the assessment that there are currently several reasons why it is more beneficial for the shareholders to raise capital through a directed share issue. A rights issue in the current market would entail a risk that the Company cannot provide for its capital needs while maintaining its desired optimal capital structure. This is particularly key in light of the restructuring program. A rights issue would also expose the Company's shareholders to a risk of a significant depressed share price, especially in this market with very high discounts in rights issues and expensive guarantee compensation being paid to guarantors. To that end, since the Share Issue (i) may provide the Company with new institutional owners, (ii) will provide a buffer in addition to the already announced initiatives as part of the Company's comprehensive restructuring program while giving additional flexibility in carrying out, and thereby improving the outcome of, the restructuring program, and (iii) will be conducted in a more time efficient way and at a lower cost and with less complexity than a rights issue, the Board of Directors' overall assessment is that the reasons for carrying out the Share Issue with deviation from the shareholders' preferential right in a clear way and with sufficient strength outweigh the reasons that motivate the main rule that share issues are to be made with preferential rights for the shareholders. Therefore, the Board of Directors considers that a share issue with deviation from the shareholders' preferential rights is in the best interest of the Company and all shareholders and thereby the most suitable alternative. Since the subscription price in the Share Issue will be determined through a bookbuilding procedure the Board of Directors assesses that the subscription price will reflect market conditions and demand.

In connection with the Share Issue, the Company has agreed, with certain exceptions and under condition that the Share Issue is carried out, not to issue additional shares for a period of 90 calendar days after the settlement date. In addition, Lars Wingefors AB has agreed, with certain exceptions and under condition that the Share Issue is carried out, not to sell any shares in Embracer Group for a period of 180 calendar days after the settlement date of the Share Issue.

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The Company has 66,798,274 A shares and 1,192,443,893 B shares outstanding.

Advisers

Goldman Sachs Bank Europe SE, Nordea Bank Abp, filial i Sverige and Skandinaviska Enskilda Banken AB are acting as Global Coordinators and Joint Bookrunners and Swedbank AB (publ) (jointly referred to as “**Managers**”) is acting as Joint Bookrunner. Baker & McKenzie Advokatbyrå KB acts as legal counsel to the Company. Gernandt & Danielsson Advokatbyrå KB acts as legal counsel to the Managers in connection with the Share Issue.

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About Embracer Group

Embracer Group is a global group of creative and entrepreneurial businesses 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 twelve operative groups: THQ Nordic, PLAION, Coffee Stain, Amplifier Game Invest, Saber Interactive, DECA Games, Gearbox Entertainment, Easybrain, Asmodee, Dark Horse, Freemode and Crystal Dynamics - Eidos. The Group has 138 internal game development studios and is engaging more than 16,600 employees in more than 40 countries.

Embracer Group's shares are publicly listed on Nasdaq Main Market Stockholm under the ticker EMBRAC B.

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[1] Lars Wingefors AB is owned by Lars Wingefors, founder and CEO of Embracer, Erik Stenberg, Mikael Brodén, Klemens Kreuzer and Reinhard Pollice, co-founders of Embracer.

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This announcement does not identify or suggest, or purport to identify or suggest, the risks (direct or indirect) that may be associated with an investment in the new shares. Any investment decision in connection with the Share Issue must be made on the basis of all publicly available information relating to the Company and the Company's shares. Such information has not been independently verified by the Managers. The information contained in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy or completeness. The Managers are acting for the Company in connection with the transaction and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the transaction or any other matter referred to herein.

This announcement does not constitute a recommendation concerning any investor's option with respect to the Share Issue. Each investor or prospective investor should conduct his, her or its own investigation, analysis and evaluation of the business and data described in this announcement and publicly available information. The price and value of securities can go down as well as up. Past performance is not a guide to future performance.

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This press release does not constitute or form part of an offer or solicitation to purchase or subscribe for securities in the United States. The securities referred to herein may not be sold in the United States absent registration or an exemption from registration under the US Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There is no intention to register any securities referred to herein in the United States or to make a public offering of the securities in the United States. The information in this press release may not be announced, published, copied, reproduced or distributed, directly or indirectly, in whole or in part, within or into Australia, Hong Kong, Japan, Canada, New Zealand, Singapore, South Africa, the United States or in any other jurisdiction where such announcement, publication or distribution of the information would not comply with applicable laws and regulations or where such actions are subject to legal restrictions or would require additional registration or other measures than what is required under Swedish law. Actions taken in violation of this instruction may constitute a crime against applicable securities laws and regulations.

This press release is not a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the “**Prospectus Regulation**”) and has not been approved by any regulatory authority in any jurisdiction. Embracer Group has not authorized any offer to the public of shares or rights in any member state of the EEA and no prospectus has been or will be prepared in connection with the Share Issue. In any EEA Member State, this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Regulation.

In the United Kingdom, this document and any other materials in relation to the securities described herein is only being distributed to, and is only directed at, and any investment or investment activity to which this document relates is available only to, and will be engaged in only with, “qualified investors” (within the meaning of the United Kingdom version of the EU Prospectus Regulation (2017/1129/ EU) which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018) who are (i) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, any investment or investment activity to which this communication relates is available only to, and will be engaged in only with, relevant persons. Persons who are not relevant persons should not take any action on the basis of this press release and should not act or rely on it.

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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 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, unless it is not required by law or Nasdaq Nordic Main Market Rulebook for Issuers of Shares.

Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the B shares in Embracer Group have been subject to a product approval process, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and

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(ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “EU Target Market Assessment”). Solely for the purposes of each manufacturer’s product approval process in the United Kingdom, the target market assessment in respect of the shares in the Company has led to the conclusion that: (i) the target market for such shares is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of such shares to eligible counterparties and professional clients are appropriate (the “**UK Target Market Assessment**” and, together with the EU Target Market Assessment, the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the B shares in Embracer Group may decline and investors could lose all or part of their investment; the B shares in Embracer Group offer no guaranteed income and no capital protection; and an investment in the B shares in Embracer Group is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Share Issue. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II or UK MiFIR; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the B shares in Embracer Group.

Each distributor is responsible for undertaking its own target market assessment in respect of the B shares in Embracer Group and determining appropriate distribution channels.

This information is information that Embracer Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation 596/2014. The information was submitted for publication, through the agency of the contact persons set out above, at 2023-07-05 17:31 CEST. The persons above may also be contacted for further information.

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Attachments

Embracer Group announces intention to carry out a directed share issue of approximately SEK 2 billion through new B shares and updates net debt target to SEK 8 billion