

PRESS RELEASE

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Fragbite Group AB (publ) acquires Fall Damage Studio AB and evaluates the conditions to carry out a directed issue of units

Fragbite Group AB (publ) ("Fragbite Group" or the "Company") has today entered into an agreement with Fall Damage Holding AB to acquire 100 percent of the shares, on a fully diluted basis, in Fall Damage Studio AB ("Fall Damage" or the "Target Company") (the "Acquisition"). The initial purchase price amounts to SEK 20 million, which shall be paid with SEK 10 million in cash and with SEK 10 million through 4,291,845 newly issued shares in Fragbite Group, which are issued at a price of SEK 2.33 per share. In light of the Acquisition, the Board of Directors of the Company has decided to investigate the conditions for carrying out a directed issue of shares and warrants ("Units") of approximately SEK 20 million through an accelerated book-building procedure (the "Directed Issue"). Fragbite Group has engaged Vator Securities as Sole Bookrunner in connection with the Directed Issue. The purpose of the Directed Issue is mainly to finance the acquisition of Fall Damage and the continued operation of Fall Damage and the development of its tactical FPS game ALARA Prime until launch. In connection to the Directed Issue, Fragbite Group also intends to explore the conditions of raising a loan of approximately SEK 20 million.

Acquisition terms

- Fragbite Group is acquiring all outstanding shares in Fall Damage for an initial purchase price of SEK 20 million, out of which SEK 10 million is paid in cash to an external institutional owner and SEK 10 million with 4,291,845 newly issued shares at a subscription price of SEK 2.33 per share, which are issued to the four founding members of Fall Damage Holding AB ("**The Founders**"). The Founders will remain in Fall Damage after the Acquisition and have, for the shares issued as part of the purchase, entered into lock-up agreements during a period of 36 months from the entry date and onwards.
- Based on the results of Fall Damage during the period 2024-2027, a maximum earn-out of SEK 400 million may be paid to the Founders. At a minimum half of the additional purchase price could be paid in cash, with the Company having the option of paying the remaining half of the earn-out in newly issued shares in Fragbite Group. The Founders have entered into

lock-up agreements regarding those shares which may be received as part of the additional earnout for a period of 12 months from the date of delivery of the shares. Payment of the earnout shall be made during the second quarter of 2028.

- Investors that previously contributed to the financing of the game development in Fall Damage is entitled to a recoup on future profits in Fall Damage of up to a total of approximately USD 22.3 million, 50 percent of profits up to approximately USD 17.3 million and 30 percent of profits between approximately USD 17.3 million and USD 22.3 million.
- Fall Damage is developing the game ALARA Prime with expected release in Q3 2024.
- The Acquisition is expected to be finalised within two weeks.

"The acquisition is optimal for Fragbite Group as it enables considerable synergies, where both Fall Damage's excellence and the game ALARA Prime lay the foundation for several parallel revenue streams over time. During a period of exclusivity we already engaged with our global network, and are thus in an advanced position to negotiate a publishing deal," says Marcus Teilman, President and CEO.

"The transaction structure provides both seller and buyer with strong incentives to give Fragbite Group opportunities over time to grow significantly faster than the market and achieve substantial profitability. Fall Damage is just as passionate as we are about developing truly great games and building long-term value based on that, and I look forward to starting the integration of the new Fragbite Group," Marcus Teilman continues.

"We have an extremely dedicated and professional team that now gets the opportunity to become part of a growing group, within which we can take on all the opportunities that the gaming market offers. On the basis of shared values and view of the future for Fall Damage, we have established a transaction structure that is beneficial to all parties and enables us to move forward with a new global publisher. Today is the start of an exciting journey for us together in Fragbite Group, where the first step consists of completing ALARA Prime and taking it to market," says Anders Gyllenberg, CEO, Fall Damage.

Background and reasons for the Acquisition

Fall Damage is a game developing studio founded in 2016 by Anders Gyllenberg, Mikael Kalms, Markus Nyström and Dan Vaderlind, all four with a background from DICE. The management team has experience from key leadership positions in the gaming industry and from working on games like Battlefield 3, Battlefield 4, and Star Wars Battlefront, with more than 35 million units sold combined. Fall Damage currently has 50+ employees with experience from numerous national and international AAA studios.

Since 2019, Fall Damage has been developing ALARA Prime, a tactical First Person Shooter game. The enduringly popular FPS gaming genre includes some of the most historically successful titles on the gaming market globally. Tactical FPS games, in addition to standard mechanics, have an additional depth in the game design which requires more tactical thinking, cooperation and skills. Dominant tactical FPS games such as Counter-Strike and Valorant have two competing teams, whereas what makes ALARA Prime distinctive is that it has a third team, which radically changes the game dynamic and opens up for a multi-dimensional tactical approach. The combination of gameplay with three teams, a deep utility arsenal of weapons and tools, as well as an innovative game design inspired by the world of sports, creates unique game situations that cannot currently be found in any other tactical FPS game on the market.

2025 estimate for Fall Damage Studio AB

An estimate for the financial outcome of Fall Damage for the fiscal year 2025 has been generated. The target is for 2025 net sales to amount to between SEK 480 million and SEK 680 million, with an EBITDA of between SEK 55 million and SEK 86 million.

ALARA Prime in short

- Over 4 years of development and over SEK 180 million have been invested in the project so far.
- Global release on PC (excluding China) planned for Q3 2024.
- Game design and underlying functionality make ALARA Prime optimal for esports, both in terms of professional tournaments and as a channel for marketing brands towards the gaming and esports audience. The game offers a lot of opportunity for established brands to be incorporated into the framework of the game's narrative.
- ALARA Prime has been extensively tested against key target groups in both closed and public play tests since the start of 2020. Closed tests in Sweden and Asia have generated consistently high ratings on all metrics with an aggregated average rating of over 8 out of 10. In July 2022, a public play test was conducted on a European level with 6,000 players over 3 days. More than 3,500 of these players are still active members in the Discord channel where small tests are offered at intervals fuel to build the game's community. In the survey conducted after the test, 98.5 percent of respondents stated that they are interested in participating in future tests. In conclusion, the outcome of more than three years of play testing is a strong indication of ALARA Prime's significant potential.
- ALARA Prime is constructed from the ground up with marketing, social media and commercial partnerships in mind. Work is underway with the development of built-in tools for the players to be able to view previous game sessions and, by later extension, to export them, which enables both players and developers to create content.

The rationale for the Acquisition is that ALARA Prime has significant revenue potential for Fragbite Group, with multiple synergies created within the group's ecosystem with the gaming, esport and web3 business areas. Acquiring a studio with AAA capacity at a very competitive price, SEK 20 million, in relation to what has been invested in the development of ALARA Prime so far, is a unique opportunity in line with Fragbite Group's strategy. As part of the acquisition, Fragbite Group will assist with the last step in the development of ALARA Prime before the 2024 planned release. The Company will release ALARA Prime by hiring a publisher, contributing with a go-to-market strategy and ensuring broad revenue streams by utilising expertise and resources within the Group.

Issue of Consideration Shares

The board of directors of Fragbite will resolve to issue the Consideration Shares upon completion of the transaction pursuant to the authorization from the Company's annual general meeting held on 12 May 2023. The Consideration Shares will be issued at a price of SEK 2.33 per share. Through the issue of the Consideration Shares, the number of shares in the Company will increase by 4,291,845 and the Company's share capital will increase by SEK 71,529.514487, corresponding to a dilution effect of approximately 4.4 percent of the shares and votes in the Company.

The Directed Issue

In light of the Acquisition, the Company's board of directors has decided to investigate the conditions for carrying out a directed issue of Units of approximately SEK [20] million through an accelerated book-building procedure. The purpose of the Directed Issue is mainly to finance the acquisition of Fall Damage and the continued operation of Fall Damage and the development of its tactical FPS game ALARA Prime until launch.

Each Unit consists of one (1) share and one (1) warrant of series TO 1 issued free of charge. One (1) warrant of series TO 1 is intended to entitle the holder to subscribe for one (1) new share in the Company at a subscription price corresponding to 90 percent of the volume-weighted average price of the Company's share on Nasdaq First North Growth Market during the period from 21 February 2024 to 4 April 2024, however, not less than the quota value of the share and not more than SEK 2.30. Application for subscription of shares with the support of warrants of series TO 1 is intended to take place during the period from and including 8 April 2024 to and including 15 April 2024.

The Directed Issue is intended to be carried out with deviation from the shareholders' preferential rights and with the support of the authorization from the Company's annual general meeting held on 12 May 2023. The subscription price and the number of newly issued Units in the Directed Issue will be determined through an accelerated book-building procedure which will commence immediately after the publication of this press release and be carried out by Vator Securities. The completion of the accelerated book-building procedure, pricing and allotment of new shares is expected to take place prior to the commencement of trading on Nasdaq First North Growth Market at 09.00 CEST on 12 October 2023. The timing of the final expressions of interest, pricing and allotment in the book-building procedure will be determined by the Company and the Company may at any time shorten, extend or cancel and refrain from carrying out the Directed Issue in whole or in part. The Company will announce the outcome of the Directed Issue through a press release after the book-building procedure has been completed.

Prior to the Directed Issue, the Board of Directors has carefully considered the possibility of raising capital through a rights issue and makes the assessment that there are currently several reasons why it is more advantageous for the shareholders to raise capital through a directed issue. A rights issue in the current market would entail a risk that the Company would not be able to meet its capital needs. A rights issue would also expose the Company's shareholders to a risk of a severely depressed share price, especially in this market with very high discounts in rights issues and high guarantee payments to guarantors. Against this background, since the Directed Issue (i) can provide the Company with long-term and well-capitalized owners, (ii) satisfies the capital need to complete the acquisition of the game studio Fall Damage and finance the operation of Fall Damage and the development of its tactical FPS game ALARA Prime until launch (iii) can be carried out in a more time-efficient manner and at a lower cost and with less complexity than a rights issue, it is the board of directors' overall assessment that the reasons that clearly and with sufficient strength justify that the issue is carried out with deviation from the shareholders' preferential rights outweigh the reasons that justify the main rule that the issue shall be carried out with preferential rights for the shareholders. The board of directors therefore considers that a share issue with deviation from the shareholders' preferential rights is in the interest of the Company and all shareholders and thus the most appropriate alternative. Since the subscription price in the Directed Issue will be determined through an accelerated book-building procedure, it is the board of directors' assessment that the subscription price will reflect market terms.

In order to facilitate the Company to achieve the required subscription in the Directed Issue under the book-building procedure, a number of existing shareholders, who together hold approximately 23.5 percent of the shares and 23.5 percent of the votes in the Company, have declared their intention to support the new share issue.

Loan facility

In connection to the Directed Issue, Fragbite Group also intends to explore the conditions of raising a loan of approximately SEK 20 million for the purpose financing the continued operation of Fall Damage and the development of its tactical FPS game ALARA Prime until launch.

Postponement of the interim report for the third quarter 2023

Due to the Acquisition, the Board of Directors of the Company has resolved to postpone the publication of the interim report for the third quarter 2023 to 23 November 2023, instead of 15 November 2023 as previously communicated.

Advisors

Hansen Advokatbyrå is the legal advisor in connection with the Acquisition. Kanter Advokatbyrå is acting as legal advisor in connection with the Directed Share Issue. Vator Securities is acting as Sole Bookrunner and issuing agent in the Directed Issue.

For questions on the Directed Issue, please contact Vator Securities:

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For other questions, please contact:

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Redeye AB is the Company's Certified Adviser.

About Fragbite Group AB (publ)

Fragbite Group (publ) is a Swedish corporate group with a portfolio of established subsidiaries that develop, adapt and publish games and esports content within GAMING, ESPORTS and WEB3. Our products are developed for both traditional platforms – PC, mobile and console – and modern web3 platforms built on blockchain technology. The Group is headquartered in Stockholm and has over 80 employees in Sweden, France, the Netherlands, Gibraltar and Egypt. Fragbite Group is listed on Nasdaq First North Growth Market.

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Regulation (EU) 2017/1129 (the "Prospectus Regulation") and no prospectus has been or will be prepared in connection with the Directed Issue. In any EEA Member State, this communication is only addressed to "qualified investors" in that member state as defined in the Prospectus Regulation.

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This press release does not constitute an invitation to underwrite, subscribe or otherwise acquire or transfer securities in any jurisdiction. This press release does not constitute a recommendation for any investor's decision regarding the Directed Issue. Each investor or potential investor should conduct its own investigation, analysis and evaluation of the business and information described in this press release and all publicly available information. The price and value of the securities may go down as well as up and past performance is no guide to future results. Neither the contents of the Company's website nor any other website accessible through hyperlinks on the Company's website are incorporated into or form part of this press release.

Information to distributors

In order to comply with the product governance requirements contained in: (a) Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as consolidated, ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593, which supplements MiFID II; and (c) national implementing measures (together, the "MiFID II Product Governance Requirements") and in order to disclaim any non-contractual, contractual or other liability to which any "manufacturer" (within the meaning of the MiFID II Product Governance Requirements) may otherwise be subject, the offered shares of Fragbite Group have been subject to a product approval process, which has determined that those shares are: (i) suitable for a target market consisting of retail investors and investors meeting the criteria of professional clients and eligible counterparties, as defined in MiFID II; and (ii) suitable for distribution through all distribution channels permitted under MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, distributors should note that: the price of Fragbite Group's shares may fall and investors may lose all or part of their investment; that the Company's shares are not subject to any

guarantee of return or capital protection; and that an investment in the Company's shares is only suitable for investors who are not in need of a guaranteed return or capital protection and who (alone or with the assistance of an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to bear the losses that may result from such an investment. The target market assessment is without prejudice to any other requirements relating to contractual, legal or regulatory restrictions on sales in connection with the Directed Issue. It is further noted that, notwithstanding the Target Market Assessment, the Sole Bookrunner will only seek 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 (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 shares of Fragbite Group.

Each distributor is responsible for undertaking its own Target Market Assessment in respect to the shares of Fragbite Group and for determining appropriate distribution channels.

Forward-looking statements

This press release contains forward-looking statements that reflect the Company's intentions, assessments, or expectations regarding 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 do not relate to historical facts and can be identified by the fact that they contain expressions such as "believes", "expects", "anticipates", "intends", "estimates", "will", "may", "assumes", "should", "could" and, in each case, negatives thereof, or similar expressions. The forward-looking statements in this press release are based on various assumptions, many of which are based on additional assumptions. Although the Company believes that the assumptions reflected in these forward-looking statements are reasonable, there can be no assurance that they will materialize or that they will be accurate. Because these assumptions are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcomes may differ materially from those in the forward-looking statements for a variety of reasons. Such risks, uncertainties, contingencies, and other important factors could cause actual events to differ materially from the expectations expressed or implied by the forward-looking statements in this press release. The Company does not guarantee that the assumptions underlying the forward-looking statements in this press release are correct and any reader of the press release should not place undue reliance on the forward-looking statements in this press release. The information, opinions and forward-looking statements expressed or implied herein speak only as of the date of this press release and are subject to change. Neither the Company nor anyone else undertakes to review, update, confirm or publicly announce any revision to any forward-looking statement to reflect events that occur or circumstances that arise in relation to the contents of this press release.

For questions, please contact:

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Redeye AB is the Company's Certified Adviser.

About us

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This information is information that Fragbite Group AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 2023-10-11 17:31 CEST.

Attachments

[Fragbite Group AB \(publ\) acquires Fall Damage Studio AB and evaluates the conditions to carry out a directed issue of units](#)