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Press release

Karlstad (Sweden), November 14, 2018

THQ Nordic acquires Coffee Stain

THQ Nordic AB today has entered into agreement to acquire Coffee Stain Holding AB including 100 percent of its subsidiary Coffee Stain Publishing AB. Coffee Stain is a leading game developer and publisher with a growing footprint in the Nordics. The acquisition includes Intellectual property rights to Satisfactory, Goat Simulator, Sanctum and publishing rights to Deep Rock Galactic. The initial cash consideration is equivalent to SEK 317 million on a cash and debt free basis, plus additional earn-out considerations subject to fulfilment of agreed milestones. THQ Nordic estimates Coffee Stain will have net sales in the range of SEK 200-250 million and EBT in the range of SEK 100-150 million in the next financial year.

"We are creating a complementary digital native pillar to THQ Nordic. Coffee Stain is a passionate and highly competent team creating and publishing great games. After some years without major releases the pipeline of new game releases such as Satisfactory and Deep Rock Galactic look strong. I look forward to work together with Anton Westbergh and his team in the future" says Lars Wingefors, CEO THQ Nordic.

The transaction in brief

- THQ Nordic AB ("**THQ Nordic**" or the "**Company**") acquires 100 percent of the shares in both Coffee Stain Holding AB ("**CSH**") and Coffee Stain Publishing AB ("**CSP**") (CSH and CSP jointly referred to as "**Coffee Stain**"). Coffee Stain is a leading game developer and publisher with a growing footprint in the Nordics. The business consists of two business areas; i) Games development in Coffee Stain Studios AB (100 percent), Coffee Stain North AB (60 percent) and Lavapotion AB (60 percent) and ii) Coffee Stain Publishing AB (100 percent) and minority investment in Ghost Ship Games (35 percent) and Other Tales Interactive (20 percent).
- Intellectual property rights includes Satisfactory, Goat Simulator, Sanctum and publishing rights to Deep Rock Galactic.
- Initial cash consideration is SEK 392 million equivalent to SEK 317 million on a cash and debt free basis. The first instalment is financed through the Company's current cash balance.
- An additional "Milestone I" earn-out consideration of a maximum of SEK 405 million is attributable to the sellers conditional upon completion of certain projects within 36 months. Milestone I is paid in THQ Nordic B shares (with clawback rights and lock up) upon closing based on a volume weighted average price of SEK 170.55 per share.
- A final "Milestone II" earn-out consideration of a maximum of SEK 130 million is attributable to the sellers conditional upon Coffee Stain reaching an accumulated EBT not less than SEK 520 million no later than 31 December 2023. Milestone II is paid in THQ Nordic B shares (with clawback rights and lock up) upon closing based on a volume weighted average price of SEK 170.55 per share.
- THQ Nordic estimates Coffee Stain will have a growth in sales, profitability and cash flow the coming years. For next financial year (April 2019 until March 2020) THQ Nordic estimates Coffee Stain will have net sales in the range of SEK 200-250 million and EBT in the range of SEK 100-150 million.

- Coffee Stain generated net sales of approximately SEK 86 million and Adjusted EBT¹ of approximately SEK 53 million for the 9 months period January 2018 – September 2018.

"I strongly believe that THQ Nordic is a great home for Coffee Stain. In addition to having long experience within games development and publishing, THQ Nordic has the skills, willingness and capital to support our new releases and growth in the future", says Anton Westbergh, CEO Coffee Stain.

Background and reasons

On November 14, 2018, THQ Nordic signed an agreement with the sellers to acquire 100 percent of the shares in CSH and 30 percent of the shares in CSP. Coffee Stain is an innovative independent game developer and publisher with a footprint in the Nordics. Coffee Stain's business consists of two business areas; i) Games development in Coffee Stain Studios AB (100 percent), Coffee Stain North AB (60 percent) and Lavapotion AB (60 percent) and ii) Games publishing in the fully owned subsidiary Coffee Stain Publishing AB and minority investment in Ghost Ship Games (35 percent) and Other Tales Interactive (20 percent).

Coffee Stain owns intellectual property rights such as Satisfactory, Goat Simulator and Sanctum, and have publishing rights to for example Deep Rock Galactic. Coffee Stain has aggregated net sales of more than SEK 500 million and sold more than 16 million game units since its inception in 2010.

Over the last few years, Coffee Stain has invested into establishing the current pipeline of games which are due to be released over the coming years. Examples of announced upcoming releases are Satisfactory, Deep Rock Galactic (1.0 version), HuntDown and Goat Simulator (for Nintendo Switch). In addition, one major unannounced project based on existing IPs is to be released in the future.

THQ Nordic estimates Coffee Stain will have a growth in sales, profitability and cash flow the coming years. For the next financial year (April 2019 until March 2020) THQ Nordic estimates Coffee Stain will have net sales in the range of SEK 200-250 million and an EBT in the range of SEK 100-150 million.

Coffee Stain will continue to operate as an independent group under the parent company, a highly complementary third leg in THQ Nordic. Coffee Stain has a footprint in the Nordics and a highly competent team creating and publishing great games. Particular strengths are in creating new products focused to digital sales, retention, cross platform and multiplayer focus. Focus going forward will be on executing on the business plan, i.e. current business portfolio and new games pipeline. The plan is also to strengthen the publishing position in the Nordic market with A/AA developers and continue to evaluate minority investments in conjunction with publishing opportunities. In addition to this, THQ Nordic sees potential for synergies within distribution, marketing, know-how and IP development.

Anton Westbergh will remain as CEO of Coffee Stain and will report to Group CEO Lars Wingefors.

Coffee Stain financials as of and for the nine month period ended September 30, 2018

An unaudited pro forma condensed income statement of Coffee Stain for the nine month period ended September 30, 2018 is shown below. Note that Coffee Stain has not historically capitalised its game development costs, and the financial results below have therefore been aligned to THQ Nordic's accounting principles in this regard.

MSEK	Coffee Stain (as adjusted) Jan-Sep 2018
Net sales	86
Other operating income	38
Total operating income	124

¹ Coffee Stain unaudited management accounts adjusted to THQ Nordic GAAP.

Other operating expenses, excl. depreciation and amortization	-69
Adjusted EBITDA	55
Depreciation and amortization	-3
Adjusted EBIT	52
Financial items	1
Earnings before tax EBT	53

The above period was characterised and driven by a growth in publishing revenues, driven by the successful launch of Deep Rock Galactic in the period. Coffee Stain owns publishing rights for this game, which has been developed by the associated company Ghost Ship Games. In addition, existing versions of Goat Simulator continued to generate sales in the period. There have been no own new game releases in the period, and Coffee Stain has primarily been focusing on the development of its upcoming launches. Estimated development costs that could be capitalised based on THQ Nordic's accounting principles amount to SEK 23 million (adjusted for above and included in Other operating income).

Revenues for Battlerite, developed by Stunlock Studios, for the latest period were SEK 3.5 million (shown in Other operating income above, but recorded as a financial income in the Statutory Accounts due to the nature of the contract).

An unaudited pro forma condensed balance of Coffee Stain as at September 30, 2018 is shown below, as reported in its period end consolidation (i.e. no alignment to THQ Nordic's accounting policies or other adjustments have been made to the numbers below).

MSEK	Coffee Stain (as reported) 30 Sep 2018
Intangible assets	24
Property, plant and equipment	1
Shares held in associate companies	15
Long term investments held	29
Current receivables	22
Cash and bank balance	53
Total assets	144
Equity	118
Minority interest	26
Deferred tax liabilities	9
Tax liabilities	-27
Current liabilities	19
Total liabilities and equity	144

Intangible assets above relate mainly to goodwill from historical acquisitions (SEK 19 million); the remainder relates mainly to licences.

Financial assets include long-term receivables (investments in various funds) of SEK 29 million, which will be realised as soon as practicable post closing and are considered to be cash for the purposes of the transaction's equity value; the remainder represents shares in associated companies.

Note that Coffee Stain has historically not reserved for current year tax liabilities in its books during the year, which leads to a net receivable as shown above.

Impacts on THQ Nordic's consolidation

The acquisition will be consolidated into THQ Nordic's financial reports from today's date. A customary purchase price allocation exercise will be performed, with Coffee Stain intangible assets identified likely to relate to IP-rights, publishing rights, shares held in associate companies; the remainder will be booked as goodwill in the consolidation. Further communications on this and other impacts will be made in the next quarterly report.

Purchase price, earn-out consideration, lock-up and Claw Back Right

SEK 392 million in upfront equity value, equivalent to SEK 317 million on a cash and debt free basis will be paid in a first instalment at closing of the transaction through a cash payment to the sellers, where SEK 382 million is attributed to the acquisition of 100 percent of the shares of CSH (including net cash of SEK 78² million) and SEK 10 million is attributed to the acquisition of 30 percent of the shares in CSP. The first instalment is financed through the THQ Nordic's current cash balance.

An earn-out consideration may be payable by THQ Nordic in aggregate of SEK 535 million, where SEK 475 million is attributed to the acquisition of CSH and SEK 60 million is attributed to the acquisition of CSP. The earn-out will be paid in B shares in THQ Nordic issued at closing of the transaction ("**Consideration Shares**") at a price per share which is based on the volume weighted average price of the Company's shares on Nasdaq First North during the twenty (20) trade days preceding the signing date (i.e. the date of this announcement), i.e. SEK 170.55. Thus, the Consideration Shares will comprise 3,136,903 B shares.

The first instalment and earn-out amounts to a maximum of SEK 852 million, including full payment of the earn-out consideration, on a cash and debt free basis, equivalent to an equity value of SEK 927 million.

Consideration Shares will be subject to lock-up which will be gradually released in connection with fulfilment of agreed milestones and subject to additional customary transfer restrictions if certain milestones are not met, THQ Nordic has, the right to redeem or require the sellers to transfer to THQ Nordic, at no consideration, the Consideration Shares ("**Claw Back Right**").

The sellers will be entitled to keep the Consideration Shares and the Company has the right to exercise the Claw Back Right if certain milestones are met.

If Milestone I has not been achieved within 36 months after 14 November 2018, the Company has the right to exercise the Claw Back Right for a maximum of 2,374,667 Consideration Shares, corresponding to an earn-out consideration of SEK 405 million. If Milestone I has not been fulfilled *in full* THQ Nordic has the right to exercise the Claw Back Right in full with respect to the Consideration Shares issued for Milestone I. Should only part of Milestone I be fulfilled and subject to certain criteria, 2/3 or 1/3 of the Consideration Shares will be subject to the Claw Back Right.

If CSH has not reached Milestone II the Company has the right to exercise the Claw Back Right with respect to 762,236 Consideration Shares, corresponding to an earn-out consideration of SEK 130 million.

The total earn-out consideration for Milestone I and Milestone II amounts to a maximum of SEK 535 million, based on a value of the Consideration Shares at a price per share which is based on the volume weighted average price of the Company's shares on Nasdaq First North during the twenty (20) trade days preceding the signing date (i.e. the date of this announcement), i.e. SEK 170.55.

² Estimated net cash as of 13 November 2018.



Issue of the Consideration Shares

The Consideration Shares will represent 3.44 percent and 1.82 percent of the total number of outstanding shares and votes in THQ Nordic, respectively, on a fully diluted basis. Resolution to issue the Consideration Shares will be made by the board of directors of THQ Nordic pursuant to the authorization granted by the annual general meeting held on 16 May 2018.

Advisers

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

For additional information, please contact:

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About THQ Nordic

THQ Nordic acquires, develops and publishes PC and console games for the global games market. The company has an extensive catalogue of over 100 owned franchises, such as Saints Row, Dead Island, Darksiders, Metro (exclusive license), Titan Quest, MX vs ATV, Kingdoms of Amalur, Time Splitters, Delta Force, Destroy All Humans, Jagged Alliance, Alone in the Dark, SpellForce amongst others. THQ Nordic has a global publishing reach within marketing, sales and distribution, both online and offline. The company has a global presence, with its group head office located in Karlstad, Sweden and with operational offices in Vienna, Austria and Munich, Germany. The group has eleven internal game development studios based in Germany, UK, USA and Sweden and engages about 1,900 people.

THQ Nordic's shares are publicly listed on Nasdaq First North Stockholm under the ticker THQN B with FNCA Sweden AB as its Certified Adviser. For more information, please visit: <http://www.thqnordic-investors.com>.

This information is information that THQ Nordic is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 06.30 CET on November 14, 2018.

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.