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Starbreeze intends to carry out a directed share issue for continued expansion and high-power release of OVERKILL's The Walking Dead

STOCKHOLM (24 January 2018) Starbreeze AB (publ) ("Starbreeze" or the "Company") has mandated Carnegie Investment Bank to evaluate the conditions for a directed share issue of approximately 20.7 million new Class B shares to institutional investors, through an accelerated book-building procedure. In addition, the Board of Directors intends to offer existing shareholders the opportunity to participate in a rights issue of approximately SEK 150 million during the first half of 2018.

A number of investors, including the Company's existing shareholders Swedbank Robur Fonder and Första AP-fonden, have expressed interest in subscribing for all shares in the directed share issue.

Background and rationale

In conjunction with the listing on Nasdaq Stockholm in October 2017, the Board of Directors of Starbreeze adopted new financial targets linked to the Company's business plan. Starbreeze is in an expansion phase that entails major initiatives in all three business areas, Starbreeze Games, Publishing and VR Tech & Operations, which in the short term will have impact on the Company's profitability and cash flow. The initiatives in progress are expected to create substantial value for the Company's shareholders. The Company's target is to achieve sales of at least SEK 2 billion in 2020 and generate positive EBITDA for the fourth quarter of 2018 and then on an annual basis for each subsequent financial year.

At the time of the listing, the Board of Directors estimated that the capital requirement for the business plan would cover the operating activities during the next twelve months through cash flows, existing cash reserves and bank financing. The Board of Directors' estimate was based on factors including certain assumptions pertaining to existing games, timing and the reception of future game releases, as well as the rate of investment in the three business areas.

In the fall of 2017, Starbreeze, Lion Game Lion and 505 Games jointly released the publishing title RAID: World War II for PC and console. The reception and sales of the game following the release have been significantly below the Company's expectations, despite several measures taken. This has, combined with the previously communicated delay of the release window for the game OVERKILL's The Walking Dead ("OTWD"), has had a negative impact on the Company's cash flows. Starbreeze therefore needs to secure financing of the existing business plan by around SEK 75 million until the

release of OVERKILL's The Walking Dead, scheduled for the fall of 2018. The development of OTWD is proceeding according to plan.

In order to accelerate growth and broaden the revenue base within the core business, Starbreeze identified several business opportunities during the second half of 2017 in addition to the existing business plan that the Company believes could create significant shareholder value. Advance interest in the Company's upcoming game OTWD is intense, as reflected in media coverage of the initial marketing of the game. In order to create good conditions for a successful release and high game sales volumes, Starbreeze aims to expand marketing ahead of, and in conjunction with, the release of the game.

In order to expand the game portfolio and reduce operational and financial risk, the Company intends to use the remaining net proceeds from the planned directed share issue and the planned rights issue for the following:

- New publishing titles not included in the aforementioned business plan,
- Expansion of the existing game portfolio to new platforms and geographies, as well as extension of the development plan for PAYDAY 2 to 2019, and
- Accelerated production plan for PAYDAY 3.

The share issues

The directed share issue is intended to be conducted through an accelerated book-building procedure, based on the authorization given by the 2017 annual general meeting. The background to the Board of Directors' decision to waive shareholders' preferential rights is to ensure the Company's capacity to secure the Company's capital requirement for the business in a timely and cost-effective manner.

In addition, the Board of Directors intends to offer existing shareholders the opportunity to participate in a rights issue. The Board of Directors intends to resolve on the rights issue in the first half of 2018, which will be subject to the subsequent approval by a general meeting of shareholders.

Carnegie Investment Bank AB is acting as financial adviser to Starbreeze and Advokatfirman Lindahl is Starbreeze legal adviser.

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This information is information that Starbreeze 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 person set out above, at 17:31 CET on 24 January 2018.

About Starbreeze

Starbreeze is a global game company whose vision is to be a leading provider in the entertainment industry by creating world-class experiences. Starbreeze was founded in 1998 and has since evolved into a well-established developer and publisher of PC and console games and VR products aimed at the global market. With studios in Stockholm, Paris, Los Angeles, Barcelona, Brussels and India, Starbreeze develops high-quality entertainment products based on proprietary and third-party rights, both in-house and in partnership with external game developers. Operations are organized in three business areas: Starbreeze Games, Publishing and VR Tech & Operations. Starbreeze shares are listed on Nasdaq Stockholm under the tickers STAR A and STAR B with the ISIN-codes SE0007158928 (A share) and SE0005992831 (B share). For more information, please visit starbreeze.com

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