



## **Starbreeze is reviewing costs and focusing on core business**

**STOCKHOLM (23 November 2018) – The positive EBITDA target stands for Q4 2018, but not for the full year 2019. The board of directors has given management a mandate to review the cost of operations, and a program to reduce costs and sharpen focus on core business has been initiated.**

A license fee of USD 10 million from 505 Games for the console version of Overkill's The Walking Dead will not be recognized as revenue until after the end of the current quarter, which will have negative impact on Starbreeze's earnings in the fourth quarter.

"We will not be able to recognize the license fee from 505 Games for Overkill's The Walking Dead as revenue until after the end of the fourth quarter, while initial sales revenues from the game are lower than expected. This will have negative impact on fourth-quarter earnings, but our target of positive EBITDA for Q4 stands," says Starbreeze CFO Sebastian Ahlskog.

Initial sales revenues from OVERKILL's The Walking Dead are lower than forecasted, primarily because the share of sales in low-price countries, such as China and Russia, is significantly higher than expected.

"This is disappointing, of course, but we have a base to work with in regards to the number of games sold. We have a pulse of concurrent players, which is essential to future performance within the framework of our Games as a Service concept. The team is working at full capacity to deliver improvements to the game and new content, and Season 2 will be starting soon," says Starbreeze Chairman Michael Hjorth.

The company has commenced a project to review operations and has initiated a program to reduce costs and sharpen focus on core business – internal and external development. The actions are expected to generate significant cost savings during the full year 2019 compared to 2018 mainly in non-core business. The long-term target of positive EBITDA for the full year 2019 no longer applies.

"We have initiated a review of our costs to ensure better alignment with our revenues. We are designing a program towards that end, naturally while keeping a careful eye on revenue development. We must focus on our core business and ensure delivery of the company's important games," says Starbreeze CFO Sebastian Ahlskog.

Ahlskog will be heading up the effort until a new acting CFO has been recruited, as Mika Reini has left his interim position.

**For more information, please contact:**

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**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 offices in Stockholm, Paris, Los Angeles, San Francisco, Barcelona, Brussels, Bangalore and Dehradun, Starbreeze develops high-quality entertainment products based on proprietary and third-party rights, both in-house and in partnership with external game developers. The Company's operations are divided into 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](http://starbreeze.com)*