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Press release

Starbreeze resolves on a fully guaranteed rights issue of SEK 250 million to enable full focus on continued development of PAYDAY 3 and strengthening financial position

June 30, 2020 | 08:00 CEST | Regulatory

The Board of Directors of Starbreeze AB (publ) (“Starbreeze” or the “Company”) has today resolved on a rights issue of class A and class B shares of approximately SEK 250 million before transaction costs (the “Rights Issue”). The proceeds from the Rights Issue will be used to strengthen the financial position and for operational purposes, enabling the Company to fully focus on continued development of PAYDAY 3, and support the Company to fulfil its obligations to its creditors in line with the reorganization plan and the judicial composition. The Rights Issue is supported by the Company’s largest shareholders controlling approximately 40 percent of the share capital and 57 percent of the votes in the Company by way of subscription and voting undertakings as well as a declaration of intent. In addition, the Company has received external guarantee underwriting from a consortium of underwriters for the remaining issue amount. Accordingly, the Rights Issue is fully guaranteed. The Rights Issue is subject to approval by an extraordinary general meeting (the “EGM”) intended to be held on August 13, 2020.

The Rights Issue in Brief

- The Company is, as previously communicated, in dialogue with several leading publishing partners regarding a publishing agreement for PAYDAY 3 and negotiations are well progressed. However, due to amongst other things, travel restrictions along with the general decline in business activity around the world in the ongoing COVID-19 pandemic along with other factors beyond the Company’s control, the timing and time needed to complete negotiations regarding attractive publishing agreements have been impacted.
- Due to the delay in completing the publishing agreements during the first half of 2020, and in order to increase the ability for the Company to continue the development of PAYDAY 3

according to plan in order to further strengthen the ongoing discussions with the potential publishers up until an agreement, and enable the Company to fulfil its obligations to its creditors in line with the reorganization plan and the judicial composition, the Board of Directors has resolved, subject to approval by the EGM, on the Rights Issue.

- The previously court appointed administrator and now supervisor, as well as the Company's largest creditors, deem the Rights Issue to be beneficial for the creditors and an adequate way to resolve the deviations from the reorganization plan. Hence, the supervisor supports the Rights Issue.
- Of the total issue proceeds after deduction of transaction costs, approximately 70 percent will be used in Starbreeze's development operations, enabling the Company to focus on continued development of PAYDAY 3 according to plan. The remaining approximately 30 percent will be used to reduce liabilities and bank debt in accordance with the judicial composition adopted by the court. The ratio between development capital and debt reduction is balanced to handle short term maturities and to strengthen the Company's long-term financial position.
- The Company's four largest shareholders, Swedbank Robur, Första AP-fonden, Digital Brothers and Fjärde AP-fonden support the Rights Issue and have either committed to subscribe or expressed its intention to subscribe for their respective pro rata share of the Rights Issue, as well as to vote in favour of the Rights Issue at the EGM on August 13, 2020.
- In addition, the remaining portion of the Rights Issue has been underwritten by a consortium of underwriters consisting of institutional and private professional investors. The Rights Issue of approximately SEK 250 million is thus fully guaranteed.
- The Rights Issue is conditional upon approval by the EGM to be held on August 13, 2020. The convening notice for the EGM will be announced in a separate press release at the latest four weeks prior to the EGM.
- The record date for participation in the Rights Issue is expected to be on August 20, 2020, and the subscription period is expected to run from and including August 24, 2020, up and including September 7, 2020.
- Detailed terms and conditions for the Rights Issue, including the subscription price, the capital increase and the number of shares to be issued, are expected to be decided upon by the Board of Directors and announced around August 12, 2020, at the latest.

Commenting on the announcement, Mikael Nermark, CEO & President of Starbreeze said:

"We see the support from our major shareholders as a vote of confidence in our strategy – to secure attractive publishing agreements – which will benefit all shareholders. Furthermore, the improved financial position of the Company enables our teams to fully focus on the development of PAYDAY 3. Going forward, our objective remains firm – to continue to deliver phenomenal game experiences to our audience."

Background and reasons

Starbreeze is an independent developer and creator of PC and console targeting the global market, with studios in Stockholm, Barcelona and Paris. Following the corporate restructuring during

December 2018 to December 2019, the Company's operations is today fully focused on its core business, centred around the proprietary game franchise PAYDAY. Currently the Company operates and continuously develops for PAYDAY 2, which has over 28 million downloads in total since launch in 2013 and over 6.6 million active community members on Steam. The third consecutive title of the franchise series, PAYDAY 3, is currently being developed with an expected launch in 2022-2023.

As previously communicated, the Company is in dialogue with several leading publishing partners regarding a publishing agreement for PAYDAY 3 and negotiations are well progressed. However, due to, amongst other things, travel restrictions along with the general decline in business activity around the world in the ongoing COVID-19 pandemic along with other factors beyond the Company's control, the timing and time needed to complete the negotiations regarding attractive publishing agreements have been impacted.

Hence, there will be a delay in completing the publishing agreements during the first half of 2020 entailing a deviation from the reorganization plan and the composition. In order to increase the ability for the Company to continue the development of PAYDAY 3 according to plan in order to further strengthen the ongoing discussions with the potential publishers up until an attractive agreement, and to be compliant with the reorganization plan, the Board of Directors has resolved, subject to approval by the EGM, on the Rights Issue.

Of the total issue proceeds after deduction of transaction costs, approximately 70 percent will be used in Starbreeze's ongoing operations, enabling the Company to focus on the continued development of PAYDAY 3, and the remaining approximately 30 percent will be used to reduce debt and strengthen the Company's financial position.

The Board of Directors is of the opinion that the Rights Issue also will benefit creditors in Starbreeze (and its related subsidiaries) as well as the larger creditors. The previously court appointed administrator and now supervisor, as well as the Company's largest creditors, deem the Rights Issue to be beneficial for the creditors and an adequate way to resolve deviations from the reorganization plan. Hence, the supervisor supports the Rights Issue.

In addition, the Board of Directors is of the opinion that through the Rights Issue the Company is enabled to leverage on its continued successful game development ability with primary focus on PAYDAY 3, as well as to gain sufficient support to finalize negotiations for an attractive publishing agreement for PAYDAY 3, which will be positive for shareholders, employees and other stakeholders of the Company.

Terms and conditions of the Rights Issue

Today, the Board of Directors of Starbreeze has resolved, subject to approval by the EGM, on the Rights Issue of approximately SEK 250 million before deduction of transaction costs. Pursuant to the terms of the Rights Issue, those who are registered shareholders in the share register held by Euroclear Sweden AB on the record day, August 20, 2020, will have a preferential right to subscribe for new shares in proportion to the number of shares that the holder already owns of the same class (primary preferential right). Shares not subscribed for on the basis of primary preferential right will be offered for subscription to all shareholders (subsidiary preferential right). In connection with transfer of a subscription right (primary preferential right), the subsidiary preferential right is also transferred to the new holder of the subscription right. In addition, investors may submit their interest in subscribing for new shares without primary or subsidiary preferential right. Shares not

subscribed for in accordance with the above will be allotted to the underwriters in proportion to their underwriting commitments.

Detailed terms and conditions for the Rights Issue, including the subscription price, the capital increase and the number of shares to be issued, are expected to be resolved upon by the Board of Directors and announced around August 12, 2020, at the latest. The subscription period is expected to run from and including August 24, 2020, up and including September 7, 2020, or such later date as resolved by the Board of Directors. Trading in subscription rights will take place on Nasdaq Stockholm during the period from and including August 24, 2020, up and including September 3, 2020.

The Rights Issue is subject to approval by the EGM to be held on August 13, 2020. The convening notice for the EGM will be announced in a separate press release at the latest four weeks prior to the EGM.

Prospectus

Comprehensive information regarding the Rights Issue will be included in the prospectus which is expected to be published on or around August 18, 2020.

Support from larger shareholders and external underwriting commitments

The Company's four largest shareholders, Swedbank Robur (holding 10,180,153 class A shares and 43,327,893 class B shares), Första AP-fonden (holding 7,795,179 class A shares and 34,999,996 class B shares), Digital Brothers (holding 26,695,287 class A shares and 9,733,948 class B shares), and Fjärde AP-fonden (holding 11,320,895 class A shares) (representing in aggregate of approximately 40 per cent of the total number of shares and approximately 57 percent of the total number of votes in the Company), have, subject to customary conditions, committed to subscribe or expressed their intention to subscribe for their pro rata share of the Rights Issue and to vote in favour of the Rights Issue at the EGM.¹

In addition, the remaining portion of the Rights Issue has been underwritten by a consortium of underwriters consisting of institutional and private professional investors. The Rights Issue of approximately SEK 250 million is thus fully guaranteed.

Rights Issue timetable

This timetable is preliminary and may be subject to change.

- August 12, 2020 – Planned announcement date of the detailed terms and conditions, including subscription price and number of shares to be issued
- August 13, 2020 – EGM to approve the Board of Directors resolution on the Rights Issue
- August 18, 2020 – Publication of the interim report for the period 1 January 2020 to 30 June 2020
- August 18, 2020 – Last day of trading in Starbreeze shares, including the right to receive subscription rights
- August 18, 2020 – Planned announcement date of the prospectus

¹ Under the commitments, the shareholders are free to convert class A shares into class B shares so long as the total number of shares they hold remain unchanged until they have satisfied their commitments.

- August 20, 2020 – Record date for participation in the Rights Issue, i.e. holders of shares who are registered in the share register on this day will receive subscription rights for participation in the Rights Issue
- August 24, 2020 – September 3, 2020 Trading in subscription rights
- August 24, 2020 – September 7, 2020 Subscription period
- August 24, 2020 – September 11, 2020 Trading in BTAs (Sw. “Betald Tecknad Aktie”)
- Around September 9, 2020 – Announcement of the outcome of the Rights Issue

Advisers

Carnegie Investment Bank AB (publ) is acting as financial advisor and Mannheimer Swartling Advokatbyrå as legal advisor to Starbreeze in connection with the Rights Issue. Wesslau Söderqvist Advokatbyrå is acting as legal advisor to Starbreeze in connection with the Rights Issue and the Company’s compliance with the reorganization plan and composition.

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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 persons set out above, at 08:00 CEST on June 30, 2020.

About Starbreeze

Starbreeze is an independent developer & creator of PC and console targeting the global market, with studios in Stockholm, Barcelona and Paris. Housing the smash hit IP PAYDAY, Starbreeze develops games based on proprietary and third-party rights, both in-house and in partnership with external game developers. 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

Important information

The information in this press release does not contain or constitute an offer to acquire, subscribe or otherwise trade in shares, subscription rights or other securities in the Company in any jurisdiction. Any invitation to the persons concerned to subscribe for shares in Starbreeze will only be made through the prospectus that Starbreeze estimates to publish on or around August 18, 2020.

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where such action would require additional prospectuses, registrations or other actions in addition to what follows from Swedish law. Nor may the information in this press release be forwarded, reproduced or disclosed in a manner that contravenes such restrictions or would entail such requirements. Failure to comply with this instruction may result in a violation of applicable securities laws.

The securities referred to in this press release have not been and will not be registered under the United States Securities Act of 1933, as amended (“Securities Act”), or under the securities laws of any state or other jurisdiction in the United States and may not be offered, subscribed, used, pledged, sold, resold, allotted, delivered or transferred, directly or indirectly, in or into the United States absent exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with securities laws of the relevant state or other jurisdiction in the United States. All offers and sales of securities in connection with any rights offer by the Company will be made, subject to certain limited exceptions, outside of the United States and in reliance on, and in compliance with, Regulation S under the Securities Act. There will be no public offering in the United States.

Within the European Economic Area (“EEA”), no public offering of securities is made in other countries than Sweden. In other member states of the EU, such an offering of securities may only be made in accordance with an applicable exemption in the Prospectus Regulation (EU) 2017/1129.

This press release contains certain forward-looking information that reflects the Company’s present view of future events as well as financial and operational development. Words such as “intend”, “assess”, “expect”, “may”, “plan”, “believe”, “estimate” and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking information.