

W S A
L A W

To the creditors of
Starbreeze AB (publ.)
Starbreeze Studios AB
Starbreeze Production AB
Starbreeze Publishing AB
Enterspace AB
Enterspace International AB

Stockholm 10 December, 2018

Re: company reorganisation with respect to Starbreeze AB (publ), Org.Reg.No 556551-8932, Starbreeze Studios AB, Org.Reg.No 556558-4496, Starbreeze Production AB, Org.Reg.No 556292-1063, Starbreeze Publishing AB, Org.Reg.No 556779-9654, Enterspace AB, Org.Reg.No 556042-4064, and Enterspace International AB, Org.Reg.No 556118-9443

On 3 December 2018 the Stockholm District Court issued an order to commence a company reorganisation procedure with respect to Starbreeze AB (publ) (in the matter Ä16572-18), Starbreeze Studios AB (Ä16576-18), Starbreeze Production AB (Ä16575-18), Starbreeze Publishing AB (Ä16573-18), Enterspace AB (Ä16574-18) and Enterspace International AB (Ä16573-18), hereinafter referred to as the Companies. The District Court has appointed me as administrator in the company reorganisations.

1 Meeting of creditors

A meeting of creditors will be held at Stockholm District Court starting from 1 pm on Friday 21 December 2018. The Stockholm District Court is situated at Scheelegatan 7, Stockholm. The scheduled time for the respective companies are as follows.

Starbreeze AB (publ)	1 pm
Starbreeze Studios AB	1.30 pm
Starbreeze Publishing AB	2 pm
Enterspace AB	2.30 pm
Starbreeze Production AB	3 pm
Enterspace International AB	3.30 pm

At the creditors' meeting, I will inform you on how the reorganisations have proceeded, the conditions for the reorganisations, as well as a description of how a reorganisation plan might be structured. Additionally, creditors will have the opportunity to express their opinion on how the reorganisation should proceed.

2 Description of the Companies and their financial situation

Starbreeze AB (publ), hereinafter referred to as the Parent Company, is the parent company in a group of companies consisting of, among others, the subsidiaries Starbreeze Studios AB, Starbreeze Production AB, Starbreeze Publishing AB, and Enterspace AB with its subsidiary Enterspace International AB, see the group structure outlined in [Appendix 1](#). In addition to these companies, the Company has subsidiaries in which a company reorganisation has not been initiated; two Swedish companies, three companies in the United States, two in Luxemburg as well as Belgium, and one company in France, Spain, India and Dubai. Furthermore, the Company has an associate company in Taiwan.

The Parent Company's A share and B share are listed on NASDAQ Nordic in Stockholm (segment Mid Cap) under the ticker symbols STAR A and STAR B and with ISIN SE007158928 (A share) and SE0005992831 (B share). The Parent Company's A share is accompanied by ten voting rights and its B share by one right to vote. All shares have equal rights to dividends.

The group engage in the developing, issuing and distribution of games and other forms of entertainment products based on proprietary design and licensed content. Starbreeze Studios AB provide human resources as well as other resources to the companies within the group. Starbreeze Production AB develops the group's proprietary products, such as the Payday series. Starbreeze Publishing AB conducts business in the form of publishing. Enterspace AB and its subsidiary Enterspace International AB have facilities for Location Based Entertainment in Stockholm and Dubai.

The income of the business of the group primarily emanates from its subsidiary Starbreeze Publishing AB, which also holds the majority of the group's intellectual property rights. All other companies in the group has worked for and delivered services to Starbreeze Publishing AB, using internal invoicing. To a certain extent, the business has also been funded through internal loans between the group companies.

The group is funded by external loans in the form of two convertible loans and two loans from Nordea, which are described further below.

2.1 Convertible loan with a nominal value of 215 MSEK from Smilegate Holdings Inc.

The loan was issued by the Parent Company in January 2016 and the total principal amount remains outstanding. The loan is due during the year 2021. The loan carries 2 % fixed interest and 2 % additional interest that is conditional upon non-conversion. The loan is not secured.

2.2 Convertible subordinated loan of 75 MSEK from ACER Inc.

The loan was issued by the Parent Company in September 2016 and a principal amount of 71 MSEK remains outstanding after a separately agreed amortisation has been accomplished. The loan is due in August 2019 and carries an interest of 1 %. The loan is not secured. The right of payment is sub-ordinated vis-à-vis the Parent Company's other creditors.

2.3 Loan from Nordea Bank AB (publ) to Starbreeze Publishing AB of 150 MSEK

The loan was taken out in August 2017 by the subsidiary Starbreeze Publishing AB and the total principal amount remains outstanding. However, the bank has received a complementary security through an additional agreement from February 2018 in the form of a deposit of the amount of 75 MSEK, which is pledged as security for the loan. The loan will fall due in August 2020. The loan carries interest at a rate equal to 3M STIBOR from time to time plus 3,5 percentage points.

The security for the loan consists of a share pledge over the shares of the subsidiaries Starbreeze Publishing AB and Starbreeze Production AB, as well as guarantees from the Parent Company and Starbreeze Production AB.

2.4 Loan from Nordea Bank AB (publ) of 40 MSEK

The loan was taken out in August 2017 by Enterspace International AB and a principal amount of approximately 30 MSEK presently remains unpaid. The loan is amortised quarterly and will be fully repaid in August 2020. The loan carries interest at a rate equal to 3M STIBOR from time to time plus 4 percentage points.

The security for this loan consists of a share pledge over the shares of the subsidiaries Enterspace AB and Enterspace International AB, as well as guarantees from the Parent Company and from Enterspace AB.

3 **Extension of time for payment etc.**

The group of companies has been in a build-up phase with a high rate of investment. The Companies' payment difficulties are primarily attributable to previous investment decisions in new development projects, outside of the group's core business. These have brought high costs, and lower or delayed income compared to what was projected. The group has also been affected by delays and cost over-runs as a result of a lack of resources, primarily relating to human resources.

The liquidity situation has become critical due to the sales performance following a very significant launch of the game Overkill's The Walking Dead in November. The sales were below what had been estimated and this resulted in revenue shortfalls.

Consequently, the Companies applied for company reorganisation on 3 December 2018.

The current financial status of the respective companies is presented in the attached balance sheet and schedule of assets and liabilities, Appendices 2-3.

4 Reorganisation of the Companies' business

Before and in connection with the closing of the books for the financial year 2018, an analysis of the group's assets and the cash flow generated by them will be performed with the purpose of establishing to what extent there is a need for impairment, and to what value.

The group's different projects are estimated to have good potential to generate positive cash flow in the future. However this will require additional external funding, and according to the unanimous assessment of the group's management and myself, both operational and organisational changes of the group will be necessary in order to obtain additional external funding.

Within the framework of the reorganisation, the first priority will be to ensure the funding of the operations in the short term. The short-term funding aims to keep the business running during the time required to take adequate measures in order to secure long-term financing, and to manage the time and manner of payment of the Companies' non-prioritised debt attributable to the time prior to day of the reorganisation order.

Within the framework of the reorganisation, the prospects of focusing the business conducted by the group to its core business will further be reviewed.

More information regarding the reorganisation will be presented at the creditors' meeting on 21 December 2018 and in the reorganisation plan, which will be laid out.

In addition, information and updates regarding the reorganisation will be continuously provided on the group's website, <http://www.starbreeze.com>.

Stockholm as above,

Lars Söderqvist

