

**STARBREEZE**  
**S T U D I O S**

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## **INVITATION TO SUBSCRIBE FOR SHARES IN STARBREEZE AB (PUBL)**

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**Please note that the subscription rights are expected to have an economic value.**

In order to not lose the value of the subscription rights, holders must either:

- Exercise the subscription rights received and subscribe for new shares no later than 7 September 2020; or
- Sell the subscription rights received, but not exercised, no later than 3 September 2020.

Please note that shareholders with nominee-registered shareholdings subscribe for new shares through their custodian/nominee.

**The distribution of this prospectus and the subscription for new shares are subject to restrictions in certain jurisdictions (see “Selling and transfer restrictions”).**



## IMPORTANT INFORMATION

For certain definitions used in this prospectus, see “*Certain definitions*” on the next page.

A Swedish version of this prospectus has been approved and registered by the Swedish Financial Supervisory Authority (the “**SFSA**”) in accordance with Article 20 in Regulation (EU) 2017/1129 of the European parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”).

The prospectus and the offering hereunder are governed by Swedish law. Disputes arising in connection with this prospectus, the offering and related legal matters shall be settled exclusively by Swedish courts. The prospectus has been prepared in both Swedish and English language versions. The section “*Summary*” has been prepared in a Danish language version. In the event of any conflict between the versions, the Swedish version shall prevail.

Starbreeze has not taken, and will not take any actions to allow a public offering in any jurisdiction other than Sweden and Denmark. The offering is not being made to persons resident in the United States, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, Switzerland, South Korea, South Africa or any other jurisdiction where participation would require additional prospectuses, registration or measures besides those required by Swedish law. Consequently, the prospectus may not be distributed in or into the mentioned countries or any other country or jurisdiction in which distribution or the offering in accordance with this prospectus require such measures or otherwise would be in conflict with applicable regulations. Subscription of shares and other acquisitions of securities in violation of the restrictions described above may be void. Recipients of this prospectus are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in a violation of applicable securities regulations. For further information, see “*Selling and transfer restrictions*”.

Investing in shares is associated with risk (see “*Risk factors*”). When an investor makes an investment decision, he or she must rely on his or her own analysis of Starbreeze and the offering in accordance with this prospectus, including applicable facts and risks. Potential investors should, before making an investment decision, engage their own professional advisers and carefully evaluate and consider their investment decision. Investors may only rely on the information in this prospectus and any possible supplements to this prospectus. No person is authorised to provide any information or make any statements other than those made in this prospectus. Should such information or statement nevertheless be provided or be made, it should not be considered to have been approved by Starbreeze, and Starbreeze is not responsible for such information or statements. Neither the publication of this prospectus nor any transaction made in respect of it shall be deemed to imply that the information in this prospectus is accurate or applicable at any time other than on the date of the publication of this prospectus or that there have been no changes in Starbreeze’s business since this date. If significant changes relating to the information contained in this prospectus occur, such changes will be announced in accordance with the provisions on prospectus supplements under the Prospectus Regulation.

As a condition for subscription of shares under the offering in this prospectus, each person applying for subscription of shares shall be deemed to have made or, in some cases, be required to make, certain representations and warranties that will be relied upon by Starbreeze and its advisors (see “*Selling and transfer restrictions*”). Starbreeze reserves the right to declare null and void any subscription of shares that Starbreeze and its advisors believe may give rise to a breach or violation of any law, rule or regulation in any jurisdiction.

### Important information to investors in the United States

No subscription rights, paid subscription shares (*betalda tecknade aktier* – “**BTA**”) or new shares in Starbreeze (“**Securities**”) have been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or the securities legislation of any state or other jurisdiction of the United States and may not be offered, subscribed for, exercised, pledged, sold, resold, granted, delivered or otherwise transferred, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities legislation in any state or other jurisdiction of the United States. The Securities are being offered outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. A public offering of the Securities will not be made in the United States. Any offering of the Securities made in the United States will only be made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, to a limited number of existing shareholders that (i) are qualified institutional buyers as defined in Rule 144A under the Securities Act (“**QIBS**”); (ii) are existing shareholders in Starbreeze on the date hereof and on the date of subscription; and (iii) have executed and delivered an *investor letter* in form and substance acceptable to Starbreeze. Persons receiving the prospectus are hereby notified that Starbreeze may be relying on an exemption from the registration requirements of Section 5 of the Securities Act. For a description of these and certain further restrictions regarding the Securities and the distribution of this prospectus, see “*Selling and transfer restrictions*”.

Up until 40 days after the first date upon which the Securities were offered to the public, an offer or a transfer of Securities within the United States made by a securities broker (regardless of whether such securities broker participates in the rights issue or not) may imply a breach of the registration requirements of the Securities Act.

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission (SEC), any state regulatory authority in the United States or any other U.S. regulatory authority. Nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

### Important information to investors in the EEA

Within the European Economic Area (“**EEA**”), no public offering of Securities is made in other countries than Sweden and Denmark. In other member states of the EU, such an offering of Securities may only be made in accordance with the Prospectus Regulation. In other member states of the EEA which have implemented the Prospectus Regulation in their national legislation, any offer of Securities may only be made in accordance with an applicable exemption in the Prospectus Regulation and/or in accordance with an applicable exemption under a relevant national implementation measure. In other member states of the EEA which have not implemented the Prospectus Regulation in their national legislation, any offer of Securities may only be made in accordance with an applicable exemption under national law. Each recipients of this prospectus will be considered to have represented and guaranteed that they do not have or will not make any offer to the public in any member state of the EEA. For additional information, see “*Selling and transfer restrictions*”.

### Forward-looking statements

The prospectus contains certain forward-looking statements that reflect Starbreeze’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 statements. Forward-looking statements are inherently associated with both known and unknown risks and uncertainties as they depend on future events and circumstances. Forward-looking statements are not a guarantee of future results or development, and actual outcomes may differ materially from those set out in the forward-looking statements.

Factors that may cause Starbreeze’s future results and development to differ from the forward-looking statements include, but are not limited to, those described in “*Risk factors*”. The forward looking statements contained in this prospectus apply only as of the date of this prospectus. Starbreeze does not undertake any obligation to publicly announce any update or change in forward-looking statements as a result of new information, future events or similar circumstances other than as required by applicable laws and regulations.

### Presentation of financial information

Certain figures in this prospectus, including financial data, have been rounded to facilitate understanding of the information. Accordingly, figures shown in totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them. Unless otherwise stated, no information in this prospectus has been reviewed or audited by Starbreeze’s auditor.

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## The rights issue in brief

### Preferential rights

Each existing share of series A in Starbreeze entitles to one (1) subscription right of series A and each existing share of series B in Starbreeze entitles to one (1) subscription right of series B. One (1) subscription right entitles to subscription for one (1) new share with primary preferential rights (of which subscription rights of series A entitle to subscription of shares of series A and subscription rights of series B entitle to subscription of shares of series B). New shares not subscribed for with primary preferential rights are offered for subscription to all shareholders (subsidiary preferential rights).

### Subscription price

SEK 0.69 per share

### Record date for participation in the rights issue

20 August 2020

### Subscription period

24 August–7 September 2020

### Trading in subscription rights

24 August–3 September 2020

### Trading in BTA 1

24 August–9 September 2020

### Subscription and payment with primary preferential rights

Subscription by exercise of subscription rights (primary preferential rights) is made during the subscription period through simultaneous cash payment.

### Subscription and payment with subsidiary preferential rights and without preferential rights

Application for subscription with subsidiary preferential rights and without preferential rights shall be made to Carnegie no later than 7 September 2020 on a separate application form that can be obtained from Starbreeze's website, [www.starbreeze.com](http://www.starbreeze.com), from any Carnegie office in Sweden or from Carnegie's website for prospectuses, [www.carnegie.se](http://www.carnegie.se). Payment for allotted shares shall be made in accordance with instructions on the notice of allotment. Custody account holders shall instead apply with, and in accordance with instructions from, the custodian.

### Other information

Ticker for shares of series A:	STAR A
ISIN code shares of series A:	SE0007158928
ISIN code subscription right series A:	SE0014730941
ISIN code BTA 1 series A:	SE0014730958
ISIN code BTA 2 series A:	SE0014730966

Ticker for shares of series B:	STAR B
ISIN code shares of series B:	SE0005992831
ISIN code subscription right series B:	SE0014730974
ISIN code BTA 1 series B:	SE0014730982
ISIN code BTA 2 series B:	SE0014730990

LEI code:	213800T68IVZFR868L42
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### Financial information

Interim report January–September 2020	10 November 2020
Year-end report 2020	16 February 2021

## Certain definitions

In this prospectus, the following definitions are used:

"**Starbreeze**" or the "**Company**" refers to, depending on the context, Starbreeze AB (publ) (corporate ID No 556551-8932) or the group in which Starbreeze AB (publ) is the parent company. "**New Publishing**" refers to New Starbreeze Publishing AB (corporate ID No 559194-5471). "**Publishing**" refers to Starbreeze Publishing AB (corporate ID No 556779-9654). "**Production**" refers to Starbreeze Production AB (corporate ID No 556292-1063). "**New Studios**" refers to New Starbreeze Studios AB (corporate ID No 559194-8897). "**Reorganisation Companies**" refers to Starbreeze, Publishing, Production and Starbreeze Studios AB (corporate ID No 556558-4496). The "**Group**" refers to Starbreeze AB (publ) and its subsidiaries.

"**Carnegie**" refers to Carnegie Investment Bank AB (publ).

"**Euroclear Sweden**" refers to Euroclear Sweden AB.

"**Nasdaq Stockholm**" refers to the Swedish regulated market Nasdaq Stockholm or its operator Nasdaq Stockholm AB, as the context may require.

"**SEK**", "**EUR**" and "**USD**" refers to Swedish kronor, Euro and American dollars.

## SUMMARY

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### Introduction and warnings

This prospectus has been drawn up in relation to a rights issue of shares of series A and shares of series B, respectively, in Starbreeze AB (publ) (corporate ID No 556551-8932), P.O. Box 7731, SE-103 95 Stockholm, with preferential rights for the Company's shareholders. The ISIN code of shares of series A is SE0007158928 and the ISIN code of shares of series B is SE0005992831. Starbreeze's LEI code is 213800T68IVZFR868L42.

On 18 August 2020, the SFSA (P.O. Box 7821, SE-103 97 Stockholm, telephone number +46 (0)8 408 980 00 and website [www.fi.se](http://www.fi.se)) in its capacity as competent authority under the Prospectus Regulation approved this prospectus.

This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. An investor could lose all or part of the invested capital. Where a claim relating to the information in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability may only attach to those persons who have tabled the summary, including any translation thereof, only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus, or where it does not provide, together with other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.

### Key information on the issuer

#### Who is the issuer of the securities?

Starbreeze AB (publ) (corporate ID No 556551-8932) is the issuer of the securities under this prospectus. The Board of Directors of Starbreeze has its statutory seat (Sw. *säte*) in the municipality of Stockholm, Sweden. The Company is a public limited liability company (Sw. *publikt aktiebolag*) incorporated in Sweden on 12 January 1998 and was registered at the Swedish Companies Registration Office on 22 January 1998. The Company conducts operations in accordance with the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*). Starbreeze's LEI code is 213800T68IVZFR868L42.

#### Principal activities

Starbreeze is an independent developer and creator of PC and console games with a global market focus and studios in Stockholm, Barcelona and Paris. The Company operates on the global games market and its products are sold via platforms such as Steam, PlayStation Store and Xbox Games Store. Starbreeze's end customers, i.e. those who play the Company's games, are to be found throughout the world. Currently, most of the Company's players are located in North America, Europe and Asia. The proprietary games are aimed primarily at hardcore players, with a focus on the Company's core genre, namely the co-op first person shooter.

Following the company reorganisation that took place between December 2018 and December 2019, the Company's operations are currently focused entirely on its core business: the proprietary PAYDAY game franchise which, in total, has more than 28 million installed base games since it was released in 2013 and more than 6.6 million community members on Steam. The third title in the brand series, PAYDAY 3, is currently under game development with an anticipated release during 2022–2023. The Company is also working on developing the PAYDAY: Crime War mobile game.

The Company has offices and conducts business primarily in Sweden, with its head office in Stockholm, and also in France, the United States and Spain. As of 30 June 2020, there were 125 employees in the Group, of whom 101 were based in Stockholm. During the first six months of 2020 and the financial year 2019, the Company's net sales amounted to SEK 53.3 million and SEK 280.0 million, respectively, of which SEK 49.7 million and SEK 109.4 million, respectively was generated by the proprietary PAYDAY brand.

#### Major shareholders

As of 31 July 2020, Starbreeze had 28,375 shareholders. The largest shareholder was Digital Bros S.P.A (“**Digital Bros**”), with approximately 10.05 per cent of the shares and 24.60 per cent of the votes. The table below shows Starbreeze's shareholders who have a direct or indirect holding corresponding to five per cent or more of the number of shares or votes in the Company.

Holder/nominee/custodian bank	Shares of series A	Shares of series B	Shares, %	Votes, %
Digital Bros S.P.A	26,695,287	9,733,948	10.05	24.60
Swedbank Robur Fonder AB	10,180,153	43,327,893	14.77	12.90
Första AP-fonden	7,795,179	34,999,996	11.81	10.40
Fjärde AP-fonden	10,620,895	700,000	3.12	9.50
Försäkringsaktiebolaget, Avanza Pension	1,566,269	16,712,626	5.05	2.88
Other shareholders	27,871,301	172,101,086	55.20	39.72
<b>Total</b>	<b>84,729,084</b>	<b>277,575,549</b>	<b>100.00</b>	<b>100.00</b>

Source: Euroclear Sweden

### Group Executive Team

The table below sets out the members of Starbreeze's Group Executive Team as of the date of this prospectus.

Name	Position
Mikael Nermark	CEO
Mats Juhl	CFO
Maeva Sponbergs	Chief Commercial Officer
Per Juhlén	Head of Production
Martin Ternheim	HR Director
Charlotte Albertsson	Head of Business and Financial Control

### Auditors

Öhrlings PricewaterhouseCoopers AB (Torsgatan 21 (Bonnierhuset), SE-113 97 Stockholm) is Starbreeze's auditor, with authorised public accountant Nicklas Kullberg as auditor-in-charge.

### What is the key financial information regarding the issuer?

The financial information below regarding the financial year 2019 (including comparative figures for the financial year 2018) has (in addition to alternative performance measures) been derived from Starbreeze's annual report for the financial year 2019, which has been prepared in accordance with the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*), RFR 1 Supplementary Accounting Rules for Groups and International Financial Reporting Standards and IFRIC interpretations (as adopted by the EU) ("**IFRS**") and audited by the Company's auditor. The financial information below for the period January–June 2020 (including comparative figures for the corresponding period 2019), has, (in addition to alternative performance measures) been derived from the Group's interim report for the period January–June 2020, which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*). The interim report has not been reviewed or audited by Starbreeze's auditor.

### Condensed consolidated statement of comprehensive income

	2019	2018	Jan–June 2020	Jan–June 2019
<b>SEK thousand</b>				
Net sales	280,002	349,955	53,318	207,774
Operating profit (-loss) (EBIT) <sup>1</sup>	-504,362	-1,577,805	5,085	-204,375
Net profit (-loss) for the period	-401,099	-1,336,352	105,633	-232,472
EBIT margin, % <sup>1</sup>	-180.1	-450.9	9.5	-98.4
Profit margin, % <sup>1</sup>	-161.6	-385.0	-198.7	-109.4
Earnings per share before and after dilution, SEK	-1.22	-4.20	-0.31	-0.71

<sup>1</sup> Alternative performance measures.

### Condensed consolidated statement of financial position

	31 Dec 2019	31 Dec 2018	30 June 2020	30 June 2019
<b>SEK thousand</b>				
Total assets	591,972	1,086,494	634,266	925,250
Total equity	6,158	339,006	24,657	180,868

**Condensed consolidated statement of cash flows**

	2019	2018	Jan–June 2020	Jan–June 2019
<b>SEK thousand</b>				
Cash flow from operating activities	49,508	49,906	14,325	66,727
Cash flow from investing activities	-36,239	-559,224	-49,548	14,171
Cash flow from financing activities	–	344,334	43,083	-12,674
Cash flow from the period	13,269	-164,984	7,860	68,224

**Specific key risks for the issuer****Starbreeze has undergone a company reorganisation and is exposed to risks related to implementation of the reorganisation plan**

On 3 December 2018, the Reorganisation Companies applied for company reorganisation orders pursuant to the Company Reorganisation Act (*Sw. lagen (1996:764) om företagsrekonstruktion*) due to lack of liquidity. During 2019, the administrator, together with the Reorganisation Companies and their creditors, prepared a composition proposal, which was affirmed by the Stockholm District Court on 6 December 2019 (the “**Reorganisation Plan**”). In accordance with the Reorganisation Plan, the Reorganisation Companies intend to take a number of measures, for example divestment of particular operations. In addition, the Reorganisation Plan provides that New Publishing intends to seek external financing and enter into so-called publishing agreements, inter alia with respect to the PAYDAY 3 game in order thereby to improve New Publishing’s liquidity. The Reorganisation Companies have also undertaken to make certain composition payments in December 2020. There is a risk that the Reorganisation Companies will fail to comply with the Reorganisation Plan, which entails the risk that the composition is forfeited and that the Reorganisation Companies become insolvent. The ultimate consequence of the Reorganisation Companies failing to perform their obligations under the Reorganisation Plan is that the Reorganisation Companies risk being placed into bankruptcy and that Starbreeze’s continued operations are jeopardised.

**Risks related to entry into a publishing agreement in respect of PAYDAY 3**

In the event that Starbreeze should not succeed in entering into a publishing agreement with respect to PAYDAY 3 or ensuring that the Company obtains other financing than the forthcoming rights issue before the end of the first half of 2021, the Reorganisation Companies will be unable to achieve the financing plan on which the Reorganisation Plan is based, and will also be unable to perform their obligations under Starbreeze’s and Publishing’s loan agreement with Nordea Bank Abp, branch in Sweden (“**Nordea**”). In the event New Publishing does not succeed in entering into such publishing agreement, there is a risk that New Publishing will not have sufficient liquidity to repay financing to the Reorganisation Companies, which in turn will lead to a risk that the Reorganisation Companies will be unable to make payment to the creditors in accordance with the timetable established in the Reorganisation Plan. This also entails a risk that Starbreeze and Publishing will fail to fulfill their undertakings in the loan agreement with Nordea. In the event the undertakings in the loan agreement with Nordea are not performed, Nordea may realise the security possessed by the bank, inter alia in the form of a pledge over the shares in New Publishing, which will risk jeopardising Starbreeze’s continued operations.

**Risks related to Starbreeze’s product development**

There is a risk that complementary or alternative technical solutions might prove necessary at development of Starbreeze’s game products. Unplanned development work risks delaying the market introduction of the Company’s products, increasing the Company’s development costs and leading to lost revenues. Furthermore, extensive unplanned development work runs the risk of causing the Company’s games to not be released onto the market at all, with the consequence that the Company may not obtain any return on substantial investments, and thereby have a material adverse impact on the Company’s revenues, cash flows and operating results. In the event Starbreeze does not succeed in developing new games or improving existing games, or fails in its communication with customers, and fails to adapt its games in accordance with customer demand, this may lead to Starbreeze losing market shares and customers, and may have a significant adverse impact on the Company’s market position, net sales and operating results.

**Starbreeze is dependent on successful releases of games and other products**

Starbreeze’s core business comprises game development. In order for this business to be successful and profitable, it is of crucial importance that the release of a game that Starbreeze has developed is successful and positively received on the games market. There is a significant risk that the release of a new game or other

product that Starbreeze has developed will not be positively received by customers or the market in general, which may have material adverse consequences for the Company in the form of lost revenues. Low revenues in conjunction with the release of games or other products due to the aforementioned circumstances may also limit Starbreeze's ability to develop new products, which would have a material adverse effect on the Company's business.

***Starbreeze is exposed to risks related to competition factors***

Starbreeze operates on an extremely competitive market characterised by rapid technological development and constant improvements and the release of new games. As a consequence of Starbreeze's broad geographic market, there are a large number of companies that can be considered competitors, including both small and large companies from a number of different regions. In the event Starbreeze fails to adapt to new business models and/or new technology, or for any other reason fails to compete effectively, this may result in Starbreeze losing customers and significant market shares, which could have a significant adverse impact on the Company's profitability and operating results.

***Starbreeze is dependent on attracting and retaining employees possessing key skills***

Starbreeze is a knowledge-intensive company and is dependent on its continued ability to recruit, train and retain a number of specialists and key employees with skills within, for example, Engine and Network Programming. In the event Starbreeze fails to attract, develop, retain and incentivise skilled personnel who are needed in the business, this will make it more difficult for the Company to deliver and develop game products. There is a risk of this leading to significant loss of revenues and increased costs, which would have a material adverse impact on Starbreeze's profitability and operating results.

***Starbreeze is dependent on distributors for sales of the Company's products***

Starbreeze operates on the global games market and sales of games and products developed by Starbreeze take place globally, primarily through various distribution platforms. In the event any or several of the Company's more important distributors were to discontinue or restrict Starbreeze's access to their respective platforms, impose less favourable terms for the Company, report erroneous sales figures to Starbreeze or disadvantage Starbreeze compared with other game developers, there is a risk that Starbreeze's sales and competitiveness would be adversely affected. A certain percentage of Starbreeze's game products are also sold through traditional distributors with physical stores. There is a risk that such distributor makes an incorrect assessment of expected demand for the game in question, which may lead to the Company missing out on possible revenues.

***Starbreeze is exposed to risks related to its intellectual property rights***

Starbreeze is dependent on obtaining and maintaining satisfactory intellectual property protection for its current and future products. If Starbreeze's products are not covered by sufficient intellectual property protection, if Starbreeze's know-how or other trade secrets is disseminated or used in an unauthorised manner, or if competitors independently develop corresponding know-how, it could have a significant adverse impact on the Company's business and product development as well as impair the conditions for the Company to enter into future publishing agreements and other collaboration agreements. In turn, this would have a material adverse impact on the Company's profitability, financial position and operating results. Starbreeze also risks being subject to claims or costly legal proceedings concerning intellectual property rights. If Starbreeze fails with advantageously resolve or settle such proceedings or claims, it could have a material adverse impact on the Company's business, competitiveness and operating results.

***Starbreeze is exposed to liquidity and capital risks***

Starbreeze currently does not have sufficient working capital to guarantee continued operation during the remainder of 2020 and is expected to experience additional liquidity shortages unless funds are added in 2020. Therefore, the Company is in need of external capitalisation, such as the forthcoming rights issue. The possibility to obtain capital or financing through loans on favourable terms depends on a number of factors that are beyond the Company's control. In the event the Reorganisation Companies fail to repay their debts in accordance with the Reorganisation Plan, there is a risk that the composition will fail and that the Reorganisation Companies are placed into bankruptcy. In the event New Publishing fails to refinance the current intra-group financing on acceptable terms, this would have an adverse impact on New Publishing's liquidity and, by extension, jeopardise Starbreeze's continued business.



### ***Risks related to loan agreement with Nordea***

As of the date of this prospectus, Starbreeze's total indebtedness to Nordea amounts to SEK 110.9 million. Starbreeze's and Publishing's loan agreement with Nordea contains covenants whereby Starbreeze is required to comply with certain defined goals during the term of the agreement. In the event Starbreeze in the future is unable to perform its obligations in the loan agreement with Nordea and is not granted waivers, Nordea will be able to terminate the agreement and realise the security possessed by the bank, among other things in the form of a pledge over the shares in New Publishing, which would risk jeopardising the Company's continued operations.

## **Key information on the securities**

### **What are the main features of the securities?**

This prospectus relates to a rights issue of not more than 84,729,084 shares of series A (ISIN code SE0007158928) and not more than 277,575,549 shares of series B (ISIN code SE0005992831), with preferential rights for Starbreeze's shareholders. The shares of series A and series B in Starbreeze have been issued in accordance with Swedish law, are fully paid and denominated in SEK. The quota value is SEK 0.02 per share of series A and series B, respectively. As of the date of this prospectus, there are 362,304,633 shares, of which 84,729,084 shares of series A and 277,575,549 shares of series B, in Starbreeze.

### **Rights attached to the shares**

Each share of series A entitles the holder to ten (10) votes and each share of series B entitles the holder to one (1) vote. To be entitled to participate in a General Meeting, the shareholder must be registered in Starbreeze's share register five weekdays prior to the meeting, and notify the Company of the participation not later than on the day specified in the notice of the meeting.

Should the Company decide to issue new shares of series A and shares of series B through a cash issue or a set-off issue, owners of shares of series A and shares of series B shall have preferential rights to subscribe for new shares of the same series in proportion to the shareholder's existing shareholdings (primary preferential rights). Shares that are not subscribed for with primary preferential rights shall be offered to all shareholders for subscription (subsidiary preferential rights). Should the Company decide through a cash issue or a set-off issue to offer only shares of series A or shares of series B, all shareholders, regardless of whether their shares are shares of series A or shares of series B, shall have preferential rights to subscribe for new shares in proportion to their existing shareholdings. This shall not constitute any restriction on the possibility to decide on a cash issue or a set-off issue, with deviation from the preferential rights of the shareholders.

Upon request of the shareholder, shares of series A shall be converted to shares of series B. The request for conversion shall be made in writing to the Board of Directors and shall specify the number of shares of series A to be converted to shares of series B and, if the request does not refer to the entire holding, specify the shares of series A to which the conversion refers. The Company shall immediately notify the conversion to the Swedish Companies Registration Office for registration in the Companies Register. The conversion is executed once the registration is complete and has been entered in the CSD register.

All shares carry the same right to share in the Company's profit and any surplus in the event of liquidation. On the record date established by the General Meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden will be entitled to receive dividends. Starbreeze's shares are not subject to any restrictions on transferability.

### **Dividend policy**

The cashflow generated in New Publishing will be used to repay debts owed to the Reorganisation Companies and to finance the continued development and growth of the business. The Reorganisation Companies will use the received funds for repayment in accordance with the Reorganisation Plan. Therefore, the Board of Directors of Starbreeze do not intend to propose that any dividend be paid to the shareholders during the next few years. Historically, no dividend has been paid by Starbreeze.

### **Where will the securities be traded?**

Starbreeze's shares of series A and B, are admitted to trading on Nasdaq Stockholm, Small Cap. The ticker for the shares of series A and B is STAR A and STAR B, respectively. Shares that are issued in the forthcoming rights issue will also be admitted to trading on Nasdaq Stockholm.



## **What are the key risks that are specific to the securities?**

### ***The share price can be volatile and performance depends on a number of factors***

Since an investment in shares can diminish in value, there is a risk that an investor will not get back its invested capital. Starbreeze's shares are listed on Nasdaq Stockholm and the share price performance depends on a number of factors, some of which are company-specific while others are linked to the stock market in general. The Company's share price has previously been particularly affected by publication regarding the company reorganisation, the marketing of games at, for example, gaming conventions, the release of games, and speculation about anticipated news. There is a risk that, from time to time, there will not be an active and liquid market for trading in Starbreeze's shares, which may affect the possibility for investors to realise their invested capital. This constitutes a significant risk for individual investors.

### ***Future dividends from Starbreeze depend on a number of factors***

Historically, Starbreeze has not issued dividends and Starbreeze's Board of Directors intends to use future generated cash flows to finance continued development and growth of the business and thereby does not intend to propose dividends to the shareholders in the coming years. Any future dividends from Starbreeze will depend on a number of factors, such as future operating results, financial position, cash flows, working capital needs and other factors. Furthermore, the Reorganisation Plan means, simply put, that cash flow which is not used for payments related to the operating activities shall be used to pay creditors.

### ***Future increases in capital, loan conversions and exercise of warrants in Starbreeze may lead to dilution and adversely influence the share price***

For various reasons, Starbreeze may need to raise additional capital through rights issues or directed issues in the future. Similarly to the forthcoming rights issue, such increases in capital will lead to a dilution of the ownership for shareholders who do not participate or who are not invited to subscribe for shares. Future increases in capital or conversion of outstanding convertible loans results in dilution of ownership in Starbreeze held by existing shareholders at the time, which might have an adverse impact on the share price, earnings per share and net asset value per share and thereby constitute a significant risk for individual investors.

### ***There is a risk that trading in subscription rights and BTA 1 may be limited***

Trading in subscription rights and BTA 1 may be limited, which may cause problems for individual holders to sell their subscription rights and/or BTA 1. Limited liquidity may also reinforce the fluctuations in the market price for subscription rights and/or BTA 1. Thus, the pricing of these instruments may be incorrect or misleading.

## **Key information on the offer of securities to the public and the admission to trading on a regulated market**

### **Under which conditions and timetable can I invest in this security?**

On 30 June 2020, the Board of Directors of Starbreeze resolved, subject to approval by the General Meeting, to increase the Company's share capital through a rights issue with preferential rights for Starbreeze's shareholders. The Board of Directors' resolution was approved by the Extraordinary General Meeting on 13 August 2020. The rights issue resolution entails that Starbreeze's share capital will increase by a maximum of SEK 7,246,092.69, from the current SEK 7,246,092.69, to not more than SEK 14,492,185.38 through the issuance of not more than 84,729,084 new shares of series A and not more than 277,575,549 new shares of series B. After the rights issue, the number of shares in Starbreeze will amount to not more than 724,609,266 shares, of which not more than 169,458,168 shares of series A and not more than 555,151,098 shares of series B. Starbreeze's shareholders have preferential right to subscribe for new shares in relation to the number of shares previously held. The record date for participation in the rights issue is 20 August 2020.

Each existing share of series A will on the record date entitle to one (1) subscription right of series A and each existing share of series B will entitle to one (1) subscription right of series B. One (1) subscription right entitles to subscription for one (1) new share with primary preferential rights, of which subscription rights of series A entitle to subscription of shares of series A, and subscription rights of series B entitle to subscription of shares of series B. New shares not subscribed for on the basis of primary preferential right will be offered for subscription to all shareholders (subsidiary preferential right). To the extent that new shares are not subscribed for with primary or subsidiary preferential rights, they shall be allotted to shareholders and other investors who have subscribed for shares without preferential rights. Such allotment shall firstly be made to those who have also subscribed for shares by exercise of subscription rights. Subscription shall take place during the period from and

including 24 August 2020 up to and including 7 September 2020, or such later date as determined by the Board of Directors. The subscription price has been set at SEK 0.69 per share.

Following registration of the new shares at the Swedish Companies Registration Office, the new shares will be admitted to trading on Nasdaq Stockholm. Registration at the Swedish Companies Registration Office for the new shares subscribed for with subscription rights is expected to take place around 10 September 2020. Thereafter, BTA 1 will be converted to shares, which is expected to take place around 15 September 2020, without notification from Euroclear Sweden. Registration at the Swedish Companies Registration Office for the new shares subscribed for without subscription rights is expected to take place around 15 September 2020. Thereafter, BTA 2 will be converted to shares, which is expected to take place around 24 September 2020, without notification from Euroclear Sweden.

The rights issue will, if fully subscribed, result in an increase of the number of shares in Starbreeze from 362,304,633 shares (of which 84,729,084 shares of series A and 277,575,549 shares of series B) to 724,609,266 shares, of which 169,458,168 shares of series A and 555,151,098 shares of series B, representing an increase of approximately 100 per cent. Shareholders who decline to subscribe for shares in the rights issue will experience a dilution with a total of 362,304,633 new shares, representing approximately 50 per cent of the total number of shares in the Company after the rights issue. The costs for the rights issue are estimated at SEK 30 million. Starbreeze will not impose any charges or other fees on investors.

### **Why has this prospectus been drawn up?**

The Company is, as previously communicated, in dialogue with several leading publishing partners regarding a publishing agreement for PAYDAY 3. The Company believes the negotiations to be well progressed but, due among other things to travel restrictions and the general decline in business activity around the world during the ongoing COVID-19 pandemic as well as other factors beyond the Company's control, the conclusion of a publishing agreement – which according to the Reorganisation Plan should have been concluded during the first half of 2020 – has been delayed. Due to this delay and in order to increase the ability for the Company to continue the development of PAYDAY 3 in order to further promote the ongoing discussions with potential publishers, and thereby enable the Company to perform its obligations to its creditors pursuant to the Reorganisation Plan and the judicial composition that was adopted by the District Court within the scope of the company reorganisation, the Board of Directors of Starbreeze resolved, on 30 June 2020, on the forthcoming rights issue of shares of series A and B with preferential rights for existing shareholders, amounting to not more than approximately SEK 250 million before transaction costs. The Board of Directors' resolution on a rights issue was approved by an Extraordinary General Meeting on 13 August 2020.

The Board of Directors is of the opinion that, through the rights issue, the Company will have enhanced possibilities to continue the game development with primary focus on PAYDAY 3, and to conclude negotiations for a publishing agreement for PAYDAY 3, which will be positive for the Company's shareholders, employees and other stakeholders. The Board of Directors of Starbreeze is of the opinion that the forthcoming rights issue will also benefit the Company's creditors. The former administrator appointed by the District Court, who is currently supervisor pursuant to the Company Reorganisation Act (Sw. *lagen (1996:764) om företagsrekonstruktion*), as well as the Company's largest creditors, are of the opinion that the rights issue will benefit the creditors and will adequately resolve deviations from the Reorganisation Plan. Hence, the supervisor supports the rights issue. From the net proceeds of approximately SEK 220 million, approximately 70 per cent will be used in Starbreeze's development work, which it is believed will allow the Company to focus on the continued development of PAYDAY 3 until the entry into a publishing agreement. It is believed that the development capital will allow for a strengthening of the development team, achievement of further milestones in the game development process, and that the Company will be able to adhere to the development plan for the PAYDAY franchise during the period up to the end of the first half of 2021. The remaining approximately 30 per cent will be used to reduce liabilities and bank debts in accordance with the judicial composition. The relationship between development capital and debt reduction has been balanced to manage short-term due payments and to strengthen the Company's long-term financial position.

It is Starbreeze's assessment that the existing working capital is not sufficient for the present requirements during the next twelve months. However, Starbreeze makes the assessment that the conditions are favourable for covering the deficiency of working capital. This assessment is based on the fact that the forthcoming rights issue is wholly covered by subscription undertakings and underwriting commitments and a declaration of intent from existing shareholders and external underwriters, and that the negotiations with publishers regarding a publishing agreement in respect of PAYDAY 3 are deemed to be well progressed, and thus conditions for entering into such an agreement are deemed to be positive. If the rights issue is not finalised notwithstanding the provided

subscription undertakings, underwriting commitments and declaration of intent, or if it fails to generate sufficient capital injection and if, in such case, it is not possible to enter into a publishing agreement in respect of PAYDAY 3 or to secure sufficient external financing to cover the remaining working capital deficiency, it may ultimately lead to the Reorganisation Companies being placed into bankruptcy, thereby jeopardising Starbreeze's continued operations.

The shareholders Första AP-fonden, Digital Bros and Fjärde AP-fonden – who together hold approximately 24.99 per cent of the total number of shares and approximately 44.14 per cent of the total number of votes in Starbreeze – have, on customary terms and conditions, undertaken to subscribe for their respective pro rata shares in the forthcoming rights issue and to vote in favour of the rights issue at the Extraordinary General Meeting on 13 August 2020. In addition, a consortium of underwriters comprising institutional and private professional investors has undertaken to underwrite the subscription of additional shares corresponding to approximately 60.24 per cent of the rights issue. Accordingly, the above mentioned have undertaken to subscribe for, and guaranteed subscription of shares corresponding to, approximately 85.23 per cent of the rights issue. In addition, Swedbank Robur Fonder AB, which holds approximately 14.77 per cent of the shares and approximately 12.90 per cent of the votes in the Company, has declared its intention to subscribe for its pro rata share of the rights issue. Therefore, the subscription and underwriting commitments, and the declaration of intent, in total, correspond to 100 per cent of the rights issue.

***Material conflicts of interest***

Carnegie is acting as Starbreeze's financial adviser in connection with the rights issue. Carnegie (and affiliated companies) has provided, and may provide in the future, various banking, financial, investment, commercial and other services to Starbreeze, for which Carnegie has been, or may be, remunerated.

## RISK FACTORS

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*An investment in securities is associated with risk. Prior to any investment decision, it is important to carefully analyse the risk factors considered to be of importance in relation to Starbreeze and the future performance of the shares, for example risks related to Starbreeze operations and industry, legal risks, financial risks and risks related to the share and the rights issue. The risk factors deemed material for Starbreeze are described below. The risk factors' materiality has been assessed based on the probability of their occurrence and the expected magnitude of their negative outcome. The description below is based on information available as of the date of this prospectus. In each subsection, the risk factors currently deemed most material are presented first, but otherwise the risk factors are not ranked in any specific order of importance.*

### Risks related to Starbreeze

#### Risks related to the operations and the industry

##### ***Starbreeze has undergone a company reorganisation and is exposed to risks related to implementation of the reorganisation plan***

Starbreeze operates on the global games market and develops games primarily for PCs and consoles, but also for mobiles. On 3 December 2018, the Reorganisation Companies applied for company reorganisation orders pursuant to the Company Reorganisation Act (Sw. *lagen (1996:764) om företagsrekonstruktion*) due to lack of liquidity. During 2019, the administrator, together with the Reorganisation Companies and their creditors, prepared a composition proposal, which was affirmed by the Stockholm District Court on 6 December 2019 (the “**Reorganisation Plan**”). During the reorganisation period, the Company’s operations were classified as either core operations, primarily game development under the PAYDAY brand, and non-core operations. The vast majority of the operations classified as non-core operations have been divested, phased out or, in certain cases, suspended with no further operating expenses. For example, the Crossfire project (a project based on Smilegate Holdings Inc’s (“**Smilegate**”) Crossfire franchise) was discontinued; the subsidiaries Parallaxter, Dhruva Infotech Private Ltd and Nozon Sprl were divested; publishing rights regarding Double Fine’s “Psychonauts 2” were transferred to Microsoft Corporation; and the publishing rights to “10 Crowns” were sold to Mohawk Games.

The Reorganisation Plan involved Starbreeze’s creditors being divided into four groups: (i) Nordea, (ii) Smilegate, (iii) Supplier Creditors and (iv) Smaller supplier creditors. Under the Reorganisation Plan, all creditors will receive payment in full of their debts, but within different timeframes depending on the group to which the creditor belongs. In accordance with the Reorganisation Plan, the Reorganisation Companies intend to take a number of measures, for example divestment of particular operations. In addition, the Reorganisation Plan provides that New Publishing intends to seek external financing and enter into so-called publishing agreements, *inter alia* with respect to the PAYDAY 3 game (see the risk factor “*Risks related to entry into a publishing agreement in respect of PAYDAY 3*” below) in order thereby to improve New Publishing’s liquidity. The Reorganisation Companies have also undertaken to make certain composition payments in December 2020. There is a risk that Starbreeze will fail to comply with the Reorganisation Plan, for example due to the Company failing to enter into a publishing agreement in respect of PAYDAY 3 or failing to secure sufficient external financing, which entails the risk that the composition is forfeited and that the Reorganisation Companies become insolvent. The ultimate consequence of the Reorganisation Companies failing to perform their obligations under the Reorganisation Plan is that the Reorganisation Companies are placed into bankruptcy and Starbreeze’s continued operations are jeopardised.

##### ***Risks related to entry into a publishing agreement in respect of PAYDAY 3***

Starbreeze’s business is primarily focused on the development of the Company’s three main games. These comprise PAYDAY 2 (which was released on the market in 2013 and is being actively developed), its successor PAYDAY 3 (which is the Company’s next product) and the mobile game PAYDAY: Crime War (which is under development). The Company makes the assessment that the release of PAYDAY 3 is crucial for Starbreeze’s future financial stability. During the first half of 2020, revenues related to PAYDAY accounted for SEK 49.7 million, out of Starbreeze’s net sales of SEK 53.3 million, and thus accounted for the absolute majority of Starbreeze’s total net sales. Negotiations are underway with publishers regarding the entry into publishing agreements with respect to PAYDAY 3 and PAYDAY: Crime War. Publishing agreements entail, in brief, that an external publisher assumes liability for, and finances all or parts of, the game development, and also assumes responsibility for control and quality assurance of the game development, marketing and sales. The negotiations regarding publishing agreements have been protracted due to the ongoing COVID-19 pandemic and the entry into publishing agreements in respect of PAYDAY 3 and PAYDAY: Crime War has been delayed.

In the absence of external financing other than the forthcoming rights issue, a publishing agreement with respect to PAYDAY 3 constitutes a prerequisite for the continued operation of the Company and for the financing of all production costs after the first half of 2021. In the event that Starbreeze should not succeed in entering into a publishing agreement with respect to PAYDAY 3, or if the publisher in such a publishing agreement encounters financial difficulties or has inadequate marketing and distribution resources required for a successful release and further development of PAYDAY 3, this have a material adverse impact on Starbreeze's cash flow. This, in turn, would affect the Company's possibilities to develop its game products and subsequently to enter into additional publishing agreements, and thereby will have a material adverse impact on the Company's operations and financial position. There is also a risk that future publishing agreements that the Company enters into are terminated before the game covered by the agreement has been fully developed and released on the market, which would have a material adverse impact on the business. For example, in September 2019, Universal Games and Digital Platforms decided to phase out most of their publishing business with respect to mobile games. As a consequence, the collaboration regarding the publishing agreement in respect of PAYDAY: Crime War, which was executed in February 2019, was terminated, with the consequence that the Company incurred increased costs in the form of development and operating costs.

The entry into a publishing agreement in respect of PAYDAY 3 constitutes a prerequisite for the Reorganisation Companies being able to perform their obligations under the Reorganisation Plan, as well as an undertaking stipulated in Starbreeze's and Publishing's loan agreement with Nordea Bank Abp, branch in Sweden ("**Nordea**"). In the event New Publishing does not succeed in entering into such publishing agreements or fails to secure other financing, New Publishing's cash flow forecast will deteriorate significantly. This will have the consequence that the development of PAYDAY 3 will have to take place more slowly than would be the case if financing was obtained and that New Publishing will not have the liquidity to repay financing to the Reorganisation Companies, which in turn will lead to a risk that the Reorganisation Companies will be unable to make payment to the creditors in accordance with the timetable established in the Reorganisation Plan. This also entails a risk that Starbreeze and Publishing will fail to fulfill their undertakings in the loan agreement with Nordea. In the event the undertakings in the loan agreement with Nordea are not performed, Nordea may realise the security possessed by the bank, *inter alia* in the form of a pledge over the shares in New Publishing, which will risk jeopardising Starbreeze's continued operations (see also the risk factor "*Starbreeze has undergone a company reorganisation and is exposed to risks related to implementation of the reorganisation plan*" above and the risk factors "*Risks related to loan agreement with Nordea*" below).

### ***Risks related to Starbreeze's product development***

The majority of Starbreeze's employees are primarily engaged in developing the Company's game products which could have been released on the market or be in a development phase. PAYDAY 2, which is in a commercial phase, was released in August 2013 and it is planned that the game development of PAYDAY 2 will continue up to and including the release of PAYDAY 3. PAYDAY 3, which is expected to be released in 2022-2023, is currently in an early development phase.

In conjunction with the development of PAYDAY 2, PAYDAY 3, PAYDAY: Crime War and other game products, there is a risk that complementary or alternative technical solutions might prove necessary. This may involve a need to carry out additional development work in excess of that already planned. Unplanned development work risks delaying the market introduction of the Company's products, increasing the Company's development costs and leading to delayed or lost revenues. For example, the release of the game OVERKILL'S The Walking Dead in 2016 was delayed in connection with the Company's entry into a collaboration agreement with Smilegate, which related to and affected the product development of the game. The release of the game was also delayed in 2018 as a consequence of a change of technical platform. Furthermore, extensive unplanned development work runs the risk of causing the Company's projects to be discontinued and thus not released onto the market at all, with the consequence that the Company may not obtain any return on substantial investments, and thereby have a material adverse impact on the Company's revenues, cash flows and operating results.

Starbreeze's operations and financial position are dependent, among other things, on its ability to regularly develop new games and to regularly improve existing games and release add-on packs and updates. The ability to develop new games, improve existing games and release add-on packs and updates involves a large number of challenges in addition to the technical development aspect and the technical development work. The Company believes that the close dialogue that developers maintain with fans and gamers plays an important role in the development of games. Thus, commitment and feedback by Starbreeze's customers is an important factor in the work with game and product development. In the event Starbreeze does not succeed in developing new games or improving existing games – or fails in its communication with customers through, for example, the digital distribution platform Steam, and fails to adapt the development of its games in accordance with customer

demand – this may lead to Starbreeze losing market shares and customers, and may have a significant adverse impact on the Company’s market position, net sales and operating results.

***Starbreeze is dependent on successful releases of games and other products***

Starbreeze’s core business comprises game development. In order for this business to be successful and profitable, it is of crucial importance that the release of a game that Starbreeze has developed is successful and positively received on the games market. Factors that influence the way in which the Company’s game products are received include the choice of distribution channel, marketing measures, the quality of the game, game trends and competition at the time of the release (see the risk factor “*Starbreeze is exposed to risks related to competition factors*” below). Starbreeze is, among other things, dependent on its ability to attract customers to spend time on Starbreeze’s products, to predict and successfully respond to changes in the industry, and to regularly release new games and products within a communicated time and within budget, and to maintain a high level of replayability.

Game development involves significant costs in the form of investments and, if a release is not successful, there is a risk that the Company’s revenues will fail to cover such costs. In conjunction with the release of OVERKILL’S The Walking Dead, Starbreeze had expectations that the game would generate revenues and lead to a strong cash flow, and Starbreeze had planned its operations accordingly. However, the game did not generate the expected revenue growth and the lack of revenues, combined with the Company’s financial position in general, led to severe liquidity problems, which in turn had the consequence that the Board of Directors was obliged to file for a company reorganisation order in December 2018. Thus, there is a significant risk that the release of a new game or other product that Starbreeze has developed will not be positively received by customers or the market in general, which may have material adverse consequences for the Company in the form of lost revenues. Low revenues in conjunction with the release of games or other products due to the aforementioned circumstances may also limit Starbreeze’s ability to develop new products, which would have a material adverse effect on the Company’s business.

***Starbreeze is exposed to risks related to competition factors***

Starbreeze operates on an extremely competitive market characterised by rapid technological development and constant improvements and the release of new games. Starbreeze has games on several platforms with a large geographic spread. As a consequence of Starbreeze’s broad geographic market, there are a large number of companies that can be considered competitors, including both small and large companies from a number of different regions. The global games market for console and PC games is fiercely competitive, which may be of particular importance in connection with the release of Starbreeze’s products (see the risk factor “*Starbreeze is dependent on successful releases of games and other products*” above). The competition in respect of a specific product depends greatly on the time when the product is released and what the market otherwise looks like at that time. For example, many game developers usually wish to release their games before the Christmas holidays, and consequently competition is generally tougher if Starbreeze intends to release a game prior to the Christmas holidays. Another example may be that Starbreeze has wrongly assessed the demand for the type of game that Starbreeze is in the course of releasing and that, due to the games trend, another type of game is increasing in popularity. In the event Starbreeze fails to identify such a games trend in time, or overlooks it entirely, this may result in Starbreeze losing out on customers and losing significant market shares.

Furthermore, there is tough competition on the mobile games market, where Starbreeze intends to develop and release the PAYDAY: Crime War mobile game. The mobile games market requires large-scale investments for product releases through so-called User Acquisition, which involves direct marketing to potential customers. As a consequence, barriers to entry for own-published products have increased due to the lack of a publishing partner specialised in User Acquisition. The Company does not have the possibility to successfully release a mobile product without a publishing partner. Within the mobile segment, there are a number of major companies with several successful titles, such as Tencent and King Digital Entertainment. There are also a large number of smaller developers with one or a few successful titles. In the event Starbreeze fails to adapt to new business models and/or new technology, or for any other reason fails to compete effectively, this may result in Starbreeze losing customers and significant market shares.

In addition, Starbreeze competes not only with other game companies but also with other operators delivering alternative entertainment services, such as film, TV, sports and other experiences that can occupy the customers’ time in a way which means that they do not use Starbreeze’s products. In order to compete effectively, Starbreeze must regularly adapt and update its products in accordance with prevailing technological and digital conditions and trends. In the event Starbreeze loses market shares or suffers from decline in sales on one or more important areas, it may have a significant adverse impact on the Company’s profitability and operating results.

***Starbreeze is dependent on attracting and retaining employees possessing key skills***

Starbreeze is a knowledge-intensive company and is dependent on its continued ability to recruit, train and retain a number of specialists and key employees with skills within, for example, Engine and Network Programming. When recruiting such specialists and key employees it is, for example, important to consider the individual's experience, understanding of the gamers' preferences and expertise in game development and technology. On 4 June 2019, Starbreeze announced that the Company's business would shed 60 employees as part of a restructuring within the scope of the ongoing company reorganisation at the time. The fact that the Company has undergone a company reorganisation may lead to a significantly tarnished reputation and competitiveness, which increases the risk that Starbreeze will be unable to recruit and retain employees possessing necessary key skills. In the event Starbreeze fails to attract, develop, retain and incentivise skilled personnel who are needed in the business, this will make it more difficult for the Company to deliver and develop game products. There is a risk of this leading to significant loss of revenues and increased costs, which would have a material adverse impact on Starbreeze's profitability and operating results.

The gaming industry is characterised by a high rate of change and tough competition and it is, therefore, important to attract and retain employees possessing the right skills and experience. This may lead to demands and expectations from current and potential employees for increased remuneration levels, which may adversely impact Starbreeze's operating results. During the first half of 2020, the Company's costs for salaries and other remuneration (including social security contributions) to employees amounted to SEK 125.1 million. In the event Starbreeze were to offer low remuneration levels, this may lead to employees choosing to terminate their employment and difficulties in new recruitment, which would adversely impact Starbreeze's competitiveness and operations.

***Starbreeze is dependent on distributors for sales of the Company's products***

Starbreeze operates on the global games market and sales of games and products developed by Starbreeze take place globally, primarily through various distribution platforms such as Steam, PlayStation Store and Xbox Games Store. A large portion of Starbreeze's sales take place digitally through the Steam platform, which is operated by Valve Corporation. In the event any or several of the Company's more important distributors were to discontinue or restrict Starbreeze's access to their respective platforms, impose less favourable terms for the Company, report erroneous sales figures to Starbreeze or disadvantage Starbreeze compared with other game developers, there is a risk that Starbreeze's sales and competitiveness would be adversely affected.

Since Starbreeze sells its products via the above-mentioned distribution platforms, an operational outage in any of these platforms would, in the short term, result in lost revenues. Furthermore, Starbreeze is dependent on the fact that, for example, Steam continues to have a strong market share, since most of the Company's player base plays via Steam. A significantly reduced market share for Steam may lead to reduced revenues (at least in the short term) and increased costs for Starbreeze, since the Company would need to establish itself on alternative distribution channels in order to maintain sales of its products and its player base.

Although the overwhelming majority of sales take place via digital distribution channels, a certain percentage of Starbreeze's game products are still sold through traditional distributors with physical stores, such as Walmart, Amazon and Gamestop. Sales via such distributors increase in conjunction with the release of a new base game. In conjunction with distribution through physical sales, the distributor makes an assessment of expected demand for the game in question, and this assessment forms the basis for the volume that the distributor undertakes to sell. There is a risk of such an assessment being incorrect. For example, the distributor may undertake to purchase volumes that are too low relative to market demand, which may lead to the Company missing out on possible revenues.

***Starbreeze is exposed to risks related to IT systems and information management***

Starbreeze is dependent on well-functioning IT infrastructure in order to develop, produce and sell its game products. Advanced computer programs are used in the game development process, for example, for working with animation data, programming, artificial intelligence and design. In addition, the majority of Starbreeze's sales take place digitally through the Steam distribution platform. The Company is thus exposed to a large extent to risks related to outages and disruptions in its IT infrastructure and that of its collaboration partners, which may be caused by, among other things, viruses, power shortages, human or technical error, sabotage, weather and nature-related events, or problems due to deficient care and maintenance of the IT systems of the Company or its collaboration partners. IT attacks, errors or damage to IT systems or incorrect or deficient deliveries of IT services from Starbreeze's IT providers that lead to large-scale outages may affect the Company's product development and sales to a significant extent, which in turn risks having a material adverse impact on Starbreeze's market position and net sales.



Furthermore, in certain cases Starbreeze's operations include the handling of sensitive and confidential information, such as information concerning sensitive know-how or personal data (see the risk factors "Starbreeze is exposed to risks related to its intellectual property rights" and "Starbreeze is exposed to risks related to compliance, deficient regulatory compliance and changes in governing laws and regulations" below) which, if it were to fall into the wrong hands, risks damaging the operations of Starbreeze, its suppliers and collaboration partners. Such confidential information is handled, among other things, within the scope of the Company's outsourcing projects, i.e. when the Company uses external suppliers in its game development projects. Thus, Starbreeze is dependent on maintaining adequate information management systems. There is a risk that information management systems belonging to Starbreeze or other companies with which the Group has a commercial relationship will be exposed to cybercrime, unauthorised system access, acts of damage, viruses, incorrectly placed or lost data, hacking or other similar events. Widespread distribution or loss of sensitive and confidential information would have a material adverse impact on Starbreeze's reputation and risks leading to increased costs for information management, which in turn would have an adverse impact on Starbreeze's market position and operating results.

### ***Starbreeze is dependent on suppliers***

Within the scope of its business, Starbreeze uses suppliers for certain types of services, tools, software and projects. In particular, Starbreeze uses service providers for developing graphic profiles and graphic elements in its games.

In conjunction with such outsourcing, Starbreeze is dependent on its suppliers performing their contractual obligations with respect to, for example, quality, maintenance and product requirements (for example, that external production of graphics meets Starbreeze's requirement specifications) and that important suppliers do not terminate executed agreements. In the event such supplier agreements were to be terminated, this might result – at least in the short term – in the Company losing access to the graphic production that the Company needs in its game development, or in the Company not having access to graphics on sufficiently attractive terms, which, if it were to occur, would risk increasing the costs for, or delaying the Company's game and product development. There is also a risk of Starbreeze being affected if its suppliers encounter financial or operational problems, implement price increases or if they otherwise fail to deliver according to contract or in accordance with the Company's expectations. Incorrect or delayed deliveries by suppliers, or non-deliveries, risk, in turn, causing Starbreeze to encounter quality problems or delays in supplies of updates, add-on packages or game products to customers. In the event any of the above mentioned risks were to be realised, it could, in turn, have a significant adverse impact on the Company's business, competitiveness and operating results.

### ***Starbreeze is exposed to project-related risks***

A large part of Starbreeze's business, including game development, is conducted in project form. Such projects may be conducted by both internal as well as external resources. The Company works in projects with cross-functional groups that work interactively. The scale of Starbreeze's projects varies and can sometimes be complicated and long, expose Starbreeze to project-related risks and thereby impose great demands in terms of project planning and control of revenues, costs and time spent. For example, there is a risk of shortcomings in the governance of a project, that the project groups do not possess the requisite skills or are changed over time, and that the outcome of a project is less favourable than anticipated. Delays can occur in both internal projects and in projects where an external partner is in charge of the development. The completion of a project may also come to demand greater resources than originally estimated, and in such cases the cost is usually borne by Starbreeze, especially in cases involving internal projects. Projects can also be affected by extraneous factors, such as the COVID-19 pandemic. The Company makes the assessment that the COVID-19 pandemic will have a limited effect on the Company's ongoing projects in the short term, but that the long-term effects on the business and its impact on the efficiency of the project organisations may result in delayed releases of games, which may lead to increased costs and weaker cash flows for Starbreeze.

In addition, Starbreeze is dependent on putting together project groups which are able to carry out the Company's projects effectively. Starbreeze must ensure that a project group includes certain types of skills, such as producers, game developers, sound developers, animators, programmers and quality controllers, all of whom are necessary in order for a development project to be carried out successfully. Such skills can be appointed both internally and externally and the Company, as an employer and outsourcer, competes on a global market on which certain skills, such as Engine and Network Programmers, can be particularly difficult to attract. There is a risk that Starbreeze will fail to put together a project group with the requisite skills and experience for a particular project, or that Starbreeze will fail to retain a project group during the course of the project, which may lead to delay in implementation of the project, increased costs or weaker results than anticipated. Significant

delays, increased costs or weaker cash flows risk having a material adverse impact on Starbreeze's profitability, operating results and financial position.

## **Legal risks**

### ***Starbreeze is exposed to risks related to its intellectual property rights***

Starbreeze is dependent on its ability to protect its intellectual property rights. Starbreeze owns or otherwise holds a large number of intellectual property rights, primarily in the form of copyright on proprietary games and software, patents and patent applications. Intellectual property rights account for a significant portion of the Company's assets. The balance sheet item 'Other intangible assets' amounted to SEK 240.2 million on 31 December 2019, and to SEK 233.3 million on 30 June 2020. In the event the products that the Company develops in the future do not obtain sufficient intellectual property protection, or if existing intellectual property protection cannot be maintained or proves to be insufficient to protect the Company's rights and interests, it could have a significant adverse impact on the Company's business and product development as well as impair the conditions for the Company to enter into future publishing agreements and other collaboration agreements. In turn, this would have a material adverse impact on the Company's profitability, financial position and operating results.

Starbreeze is also dependent on maintaining satisfactory protection for its know-how and its trade secrets which, in contrast to other intellectual property rights, cannot be protected through registration. Unpublished information about game concepts serves as an example. There is a risk of unlawful dissemination or unauthorised use of the Company's information, for example by competitors, collaboration partners or employees. In the event Starbreeze's know-how or other trade secrets is disseminated or used in an unauthorised manner, or if competitors independently develop corresponding know-how, this may adversely impact the Company's business, for example through loss of the competitive advantages that the information affords the Company against its competitors, or through the Company losing the possibility to apply, for example, for patent protection for its products or technologies, which in turn would have an adverse impact on Starbreeze's ability to commercialise its products. In addition, there is a risk that failure to protect important information and know-how will damage Starbreeze and/or the operations of its customers or collaboration partners and lead to Starbreeze incurring significant costs in order to compensate a customer or a collaboration party that considers itself to have suffered loss.

Starbreeze also risks being adversely affected by legal proceedings or claims concerning intellectual property rights, both when Starbreeze believes that a party is infringing the Group's intellectual property rights, and in the converse situation. If this occurs, the Company may become involved in, or be caused to conduct, costly legal proceedings with an uncertain outcome. There is a risk of Starbreeze failing to advantageously resolve or settle such claims or legal proceedings, which risks leading to increased costs and the Company having to move both focus and resources from the business towards such proceedings. This would, in turn, have a material adverse impact on the Company's business, competitiveness and operating results. Furthermore, there is a risk that the Company may become liable to pay significant damages in the event that the Company is deemed to have infringed a third party's intellectual property rights. This may also result in the Company running the risk of claims under executed contracts with various collaboration partners, and of Starbreeze being forced to discontinue or limit its investments in product development and commercialisation in respect of one or more of the Company's potential future products.

### ***Starbreeze is exposed to risks related to legal proceedings and disputes***

Starbreeze or any of its subsidiaries may, within the scope of its business, become involved in disputes or other legal proceedings, for example relating to the Company's rights or obligations under publishing agreements, development agreements, revenue sharing agreements and agreements concerning intellectual property rights. Since Starbreeze has games customers located in the United States, the Company is also exposed to risks related to, among other things, US consumer protection legislation. It may be difficult to foresee the risk or possible outcomes of disputes or other legal proceedings, some of which may be unfavourable for Starbreeze and have a material adverse impact on the Group's operating results and financial position. In such cases, there is a risk of Starbreeze incurring significant costs and a risk that the measures taken to protect against the impact of such costs may not be sufficient. Adverse publicity in connection with disputes or other legal proceedings also risks tarnishing Starbreeze's reputation. Disputes and legal proceedings thus risk having an adverse impact on Starbreeze's business, competitiveness and operating results.

***Starbreeze is exposed to risks related to compliance, deficient regulatory compliance and changes in governing laws and regulations***

Since Starbreeze operates in several countries throughout the world, the Company is exposed to risks related to the application of, and compliance with, different laws and regulations. For example, the Swedish Government has instructed the Swedish Consumer Agency to review so-called loot boxes (an umbrella term for quasi-lottery phenomena) in computer games, in order to assess whether they fall within the scope of the Gambling Act (Sw. *spellagen (2018:1138)*), which has affected the way in which the Company develops its games. There is a risk that other jurisdictions will prohibit loot boxes in computer games, which would require Starbreeze to adapt the games for those jurisdictions, with increased development costs as a consequence.

Incorrect application or interpretation of legislation and other regulations, as well as future changes to them, may have an adverse impact on the Company's profitability, operating results and financial position. For example, the Group's operations are affected by prevailing tax rules from time to time, such as changed possibilities for taxable write-offs or deductions, and changes to such rules can have adverse tax consequences for the Group. Changes to laws and regulations also risk adversely affecting the conditions for Starbreeze's operations. For example, changes in regulations in different jurisdictions concerning games that include weapons and other tools of war, or other restrictions in terms of content, would affect the Company's possibilities to market and sell its games, which may adversely impact the Company's profitability, operating results and financial position.

Starbreeze is also dependent on compliance by its employees, suppliers, distributors and other collaboration partners with governing laws and regulations as well as internal governance documents and policies. Violations of, or deficient compliance with, applicable laws and regulations risk adversely impacting Starbreeze's operations and reputation. Such behaviour may, for example, include deficient compliance with laws and regulations related to IT security and data protection, market abuse, corporate governance, anticorruption, competition law as well as IFRS and other rules related to accounting and financial reporting. In the event Starbreeze's employees, suppliers, distributors or other collaboration partners act in a manner which seriously violates applicable laws or internal or external policies, or in a manner which does not accord with the level of business ethics and integrity to which Starbreeze is committed, this may have a material adverse impact on Starbreeze's reputation, operations, operating results and financial position.

In addition, Starbreeze processes personal data and is thus subject to EU Regulation (2016/679) on the protection of natural persons with respect to the processing of personal data (the General Data Protection Regulation, "GDPR"), as well as national data protection legislation. The Company processes, for example, personal data by compiling certain information in order to analyse behaviour and purchasing patterns of the Company's customers, as well as employee-related information with respect to the Company's employees. In the event Starbreeze fails to satisfy the requirements of the GDPR, for example by failing to prevent unauthorised dissemination or incorrect handling of personal data, this may lead to adverse publicity, damage to Starbreeze's reputation and lost profits. It may also lead to fines that, at most, may amount to EUR 20 million or 4 per cent of the Group's annual turnover (whichever is higher), claims in damages from individuals and the imposition of injunctions by supervisory authorities. Non-compliance with the GDPR may thus adversely impact Starbreeze's business and operating results.

***Starbreeze is exposed to tax-related risks***

On 31 December 2019, Starbreeze had accumulated tax loss deficits in the Swedish part of the Group amounting to SEK 434 million. The tax loss deficits can reduce Starbreeze's future taxable profits and thereby reduce the effective corporate tax which would otherwise be payable on future profits. However, changes in ownership structure involving a change in the controlling influence over Starbreeze may result in restrictions, wholly or partially, on the possibility to utilise such loss deficits in the future. Tax loss deficits can also be forfeited under other circumstances. With respect to losses generated up to and including the end of 2016, there is a group contribution barrier between the Swedish group companies which restricts the possibility to utilise loss deficits against received group contributions up to 2023. With respect to loss deficits generated up to and including the end of 2019, there are also group contribution barriers against the two new companies in the Group, New Studios and New Publishing, and thus such loss deficits can be utilised at the earliest in 2026. The possibility to utilise loss deficits in the future may also be affected by legislative changes. In the event Starbreeze's tax loss deficits cannot be used to reduce tax on future profits, or if Starbreeze were to lose loss deficits in the future, this would result in an increase in Starbreeze's tax expense, which would have an adverse impact on Starbreeze's profit after tax.

Starbreeze conducts business through subsidiaries in the US, France and Spain. There is a risk that the Company's interpretation of applicable laws, tax treaties and provisions, or of relevant public authorities

interpretation thereof, or the Company's interpretation of administrative practice, is incorrect, or that such rules are amended, possibly with retroactive effect. Thus, Starbreeze's tax situation can change as a consequence of decisions taken by relevant authorities, which may have a material adverse impact on the Company's financial position and operating results.

In conjunction with cross-border transactions between closely associated companies, there may be difficulties in deciding what would have been agreed upon by independent parties under similar circumstances, particularly in light of the fact that it may be difficult to identify comparable transactions which can be used as guidance in the case of transfer pricing. In conjunction with the sale or grant of intellectual property rights, which constitutes part of Starbreeze's business, it is often particularly complicated to establish the correct arm's length price. In the event the tax authority in a country in which the Group operates considers that the pricing has not been at arm's length, and if it were to be successful in an action thereon, this might result in significantly increased tax expenses and thus an adverse impact on operating results.

## **Financial risks**

### ***Starbreeze is exposed to liquidity and capital risks***

Within the scope of the Company's business, revenues will often be unevenly allocated over time, which affects liquidity over time. 'Liquidity risk' means the risk of not having access to liquid funds or undrawn credit facilities in order to perform payment obligations. Starbreeze currently does not have sufficient working capital to guarantee continued operation during the remainder of 2020 and is expected to experience additional liquidity shortages unless funds are added in 2020. Therefore, the Company is in need of external capitalisation, such as the forthcoming rights issue.

There is also a risk that, in the future, the Company will require additional capital as a consequence of liquidity shortages and that Starbreeze will be unable to repay debts as they fall due under the Reorganisation Plan or otherwise, which may be due to the Company being unable to generate sufficient cash flows from its operating activities. There is a risk that the Company will be unable to raise additional capital or that such cannot be acquired on favourable terms for the Company, which would have a material adverse impact on the Company's liquidity, operating results or financial position.

The possibility to obtain capital or financing through loans on favourable terms depends on a number of factors that are beyond the Company's control, such as prevailing terms on the international credit and capital markets at the time, as well as the Company's credit rating and credit capacity. In the event the Reorganisation Companies fail to repay their debts in accordance with the Reorganisation Plan, there is a risk that the composition is forfeited and that the Reorganisation Companies are placed into bankruptcy. In the event New Publishing fails to refinance the current intra-group financing on acceptable terms, this would have an adverse impact on New Publishing's liquidity and, by extension, jeopardise Starbreeze's continued business. See also the risk factor "*Starbreeze has undergone a company reorganisation and is exposed to risks related to implementation of the reorganisation plan*" above.

### ***Risks related to loan agreement with Nordea***

As of the date of this prospectus, Starbreeze's total indebtedness to Nordea amounts to SEK 110.9 million, of which SEK 15.9 million comprises a long-term liability which, pursuant to the Reorganisation Plan, is to be repaid from available net cash flow and ultimately matures on 6 December 2024, and SEK 95 million comprising short-term debt, of which SEK 55 million matures upon receipt of proceeds from the forthcoming rights issue. As security for the loan, Nordea holds a pledge over the shares in New Publishing.

Starbreeze's and Publishing's loan agreement with Nordea contains covenants whereby Starbreeze is required to comply with certain defined goals during the term of the agreement, for example relating to cash flow, receipt of external financing and publishing agreements, and amortisation of debts. Starbreeze has not succeeded in meeting all of these covenants. As a part of the implementation of the forthcoming rights issue, Starbreeze and Nordea have entered into a supplemental agreement whereby, among other things, Nordea has agreed that previously applicable covenants will be postponed and adjusted and Starbreeze and Publishing have given commitments regarding repayment of certain minimum amounts of Nordea's claim within a specific time. Implementation of the forthcoming rights issue constitutes a prerequisite for this agreement with Nordea.

In the event Starbreeze is unable to perform its obligations in the loan agreement with Nordea and is not granted waivers, Nordea will be able to terminate the agreement and realise the security possessed by the bank, among other things in the form of a pledge over the shares in New Publishing, which would risk jeopardising the Company's continued operations.

### ***Risks related to the convertible bond issued by Starbreeze***

On 20 January 2016, Starbreeze entered into an agreement with the South Korean game company Smilegate regarding, among other things, financing and game development. Within the scope of the agreement, the Company issued a convertible bond of SEK 215 million to Smilegate, which entitles the bondholder to demand conversion to shares of series B up to 14 days prior to the maturity date (the “**Convertible Bond**”). As part of the Reorganisation Plan, an arrangement was agreed upon regarding amended bond terms, including a postponement of the Convertible Bond’s maturity date until 6 December 2024, and the conversion price was fixed at SEK 2.25 per share. The amended terms of the Convertible Bond were affirmed by an Extraordinary General Meeting of the Company held on 13 January 2020. In March 2020, Digital Bros acquired the Convertible Bond from Smilegate.

The terms of the Convertible Bond include certain specific terms relating to financial performance measures which the Company must meet throughout the bond term. These include maximum permitted dividend, total equity, operating profit relative to financial net expenses and the relationship between total equity and total equity including interest-bearing liabilities. The convertible bondholder is entitled to request immediate repayment of the Convertible Bond, including accrued unpaid interest, among other things (i) in the event of breach of the covenants regarding financial performance measures; (ii) in the event of a specifically defined change in controlling ownership in the Company; (iii) in the event the Company’s shares are delisted from Nasdaq Stockholm; (iv) in the event of a decision that the Company is to go into liquidation; or (v) in the event Starbreeze fails to repay any due debt in another financing agreement (cross-default).

There is a risk that the Company will be unable to meet its covenants and perform its obligations in accordance with the terms of the Convertible Bond and that the loan, SEK 215 million, plus accrued unpaid interest, will become due and payable. The right to payment of the Convertible Bond ranks junior to other debts in Starbreeze. The aforesaid applies also to the pledge, which is subordinated to Nordea’s pledge, but which can be realised once Nordea’s pledge terminates. For a description of risks related to realisation of the pledge over the shares in New Publishing, see also under the risk factor “*Risks related to loan agreement with Nordea*” above.

### ***Risk of impairment of goodwill and other intangible assets***

Starbreeze is exposed to valuation and accounting risks in respect of intangible assets. On 31 December 2019, the Group’s goodwill and intangible assets (including capitalised expenditures for game and technology development) amounted to a reported value of SEK 396 million, which corresponded to 62.4 per cent of the Group’s total assets. The valuation of intangible assets is based on a number of complex assumptions that include a high degree of estimation, such as assumptions regarding rate of growth, profitability and cost of capital.

Game and technology development expenses are activated first when it is possible to assess the commercial potential of the product. The valuation of capitalised game and technology development expenses thus requires the company management to make a number of estimates, including with respect to the possibility of the project to generate future economic benefits. A total of SEK 90 million was activated in 2019, and as of 31 December 2019, activated game and technology development expenses amounted to SEK 1,119 million, with a book value of SEK 86 million after accumulated amortisation.

In the event the valuation of the assets takes place based on erroneous assumptions, or if circumstances that affect the Company’s business, general financial position or the commercial potential of a project change, the Group risks having to write down its intangible assets to a significant extent. As an example, intangible assets were written down by SEK 293 million in 2019 once it proved to be the case that VR technology and individual gaming projects lacked commercial potential. In the event Starbreeze were to make substantially incorrect assumptions, this would have a material adverse impact on the Group’s operating results and financial position.

### ***Starbreeze is exposed to currency risks***

Starbreeze operates on an international market and is exposed to currency risks through various currency exposures. Currency risks arise insofar as future business transactions, reported assets and liabilities and net investments in foreign operations are carried out in a currency other than the Company’s and the Group’s reporting currency (SEK). A large part of Starbreeze’s revenues are obtained in USD, such as royalties on sold games. At the same time, the Company’s expenses are primarily in SEK, but also in USD and EUR.

Based on circumstances pertaining on 31 December 2019, a +/- 10 per cent change in the USD/SEK rate (all other variables being constant) would have affected the Company’s revenues by SEK 24.5 million, costs by SEK 0.2 million, and the estimated profit after tax by SEK 0.3 million. A corresponding change in the EUR/SEK

rate would have affected the Company's revenues by SEK 0.3 million, costs by SEK 1 million, and the estimated profit after tax by SEK 9.2 million. Furthermore, a change of +/-10 per cent in USD or EUR compared with the exchange rate applicable on 31 December 2019 would have affected the Group's profit/equity after tax by SEK 4.2 million and SEK 0.9 million respectively. Thus, changes in exchange rates can have a material adverse impact on the Company's profitability and operating results.

## **Risks related to the shares and the rights issue**

### **Risks related to the shares**

#### ***The share price can be volatile and performance depends on a number of factors***

Since an investment in shares can diminish in value, there is a risk that an investor will not get back invested capital. Starbreeze's shares of series A and series B are listed on Nasdaq Stockholm. During the period 1 January 2016–30 June 2020, the Starbreeze share of series A recorded a lowest price of SEK 0.74 and a highest price of SEK 25.54. During the same period, the Starbreeze share of series B recorded a lowest price of SEK 0.68 and a highest price of SEK 26.22. Thus, Starbreeze's share price can be extremely volatile. The performance of Starbreeze's share price depends on a number of factors, some of which are company-specific while others are linked to the stock market in general. The share price may, for example, be influenced by supply and demand, variations in actual or anticipated operating results, inability to realise analysts' expectations regarding operating results, failure to meet financial and operating targets, changes in general economic conditions, changes in regulatory conditions and other factors, including psychological ones. The Company's share price has previously been particularly affected by publication regarding the company reorganisation, the marketing of games at, for example, gaming conventions, the release of games, and speculation about anticipated news. In particular, the ongoing COVID-19 pandemic has affected markets the world over. Share prices have been extremely volatile and subject to extraordinary fluctuations. In the event the COVID-19 pandemic causes further extraordinary fluctuations on the stock market, there is a risk that the price of Starbreeze's shares will follow the general market volatility, irrespective of the Company's operating results and performance. In some cases, Starbreeze's share price is also affected by the activities of competitors and their position on the market. There is a risk that, from time to time, there will not be an active and liquid market for trading in Starbreeze's shares. The Company's shares of series A are admitted to trading on Nasdaq Stockholm's specific segment "Auction Only", a segment for trading in less liquid shares. There is a risk that the conversion clause in Starbreeze's Articles of Association entails that the liquidity in the Company's shares of series A is further reduced when holders of Starbreeze's shares of series A request conversion to shares of series B, which in turn may lead to the Company's share of series A being delisted from Nasdaq Stockholm. If an active and liquid market for trading of Starbreeze's shares does not exist, the possibility for investors to realise invested capital may be affected. This constitutes a significant risk for individual investors.

#### ***Future dividends from Starbreeze depend on a number of factors***

Historically, Starbreeze has not issued dividends and Starbreeze's Board of Directors intends to use future generated cash flows to finance continued development and growth of the business and to perform the Company's undertakings pursuant to the Reorganisation Plan, and thus does not expect to be able to propose dividends to the shareholders in the coming years. Any future dividends from Starbreeze will depend on a number of factors, such as future operating results, financial position, cash flows, working capital needs and other factors. Therefore, there is a risk that the Company will not have sufficient distributable funds to issue dividends and, as long as no dividends are issued, an investor's return depends solely on the future share price performance. This constitutes a significant risk for individual investors. Furthermore, through the terms of the Convertible Bond and the loan agreement with Nordea, the Company has provided covenants entailing restrictions on the right to issue dividends and, were the Company to decide on dividends in violation of such covenants, this might result in the Company being obliged to immediately repay the bond/loan and/or the Company incurring contractual liability.

#### ***Future increases in capital, loan conversions and exercise of warrants in Starbreeze may lead to dilution and adversely influence the share price***

For various reasons, Starbreeze may need to raise additional capital through rights issues or directed issues in the future. Similarly to the forthcoming rights issue, such increases in capital will lead to a dilution of the ownership for shareholders who do not participate or who are not invited to subscribe for shares. In April 2018, the Company carried out a rights issue of approximately SEK 152 million through the issuance of a total of 20,247,981 shares, of which 3,611,350 were shares of series A and 16,636,631 were share of series B, corresponding to a dilution of approximately 6.25 per cent of the total number of shares and votes in Starbreeze

at the time of the rights issue. In February 2020, the Company carried out a directed issue amounting in total to approximately SEK 51 million, with a total of 32,936,784 shares of series A being issued, corresponding to a dilution of approximately 9 per cent of the total number of shares and approximately 29 per cent of the total number of votes in Starbreeze at the time of the directed issue. In addition, as of the date of this prospectus, among other things the Convertible Bond is outstanding, which under certain conditions can be converted to shares of series B. If the holder of the Convertible Bond, Digital Bros, were to demand full conversion of the Convertible Bond, this will entail an increase of 95,578,666 shares and 95,578,666 votes in the Company, corresponding to a dilution of approximately 20.87 per cent of the total number of shares and approximately 8.50 per cent of the total number of votes in Starbreeze following the conversion (see also the risk factor “*Risks related to the convertible bond issued by Starbreeze*” above). In addition, as of the date of this prospectus the Company also has two outstanding series of warrants, which will result in further dilution if exercised. Future increases in capital or conversion of outstanding convertible loans (including the Convertible Bond) results in dilution of ownership in Starbreeze held by existing shareholders at the time, which might have an adverse impact on the share price, earnings per share and net asset value per share and thereby constitute a significant risk for individual investors.

### **Risks related to the rights issue**

#### ***There is a risk that trading in subscription rights and BTA 1 may be limited***

A person who is registered as a shareholder of Starbreeze on the record date will receive subscription rights *pro rata* to her/his existing shareholding. The subscription rights may have an economic value which will only accrue to the holder if the holder either exercises the rights and subscribes for new shares not later than 7 September 2020 or sells them not later than 3 September 2020. After 7 September 2020, unexercised subscription rights will be removed, without notice, from the holder’s securities account, whereupon the holder will entirely miss out on the expected economic value of the subscription rights. Both subscription rights and paid subscribed shares (Sw. *betalda tecknade aktier*, “**BTA**”) which, following payment, are recorded on securities accounts belonging to subscribers for new shares, will be the subject to trading on Nasdaq Stockholm for a limited time<sup>1</sup>. During the period in which trading in BTA 1 is expected to take place on Nasdaq Stockholm (24 August 2020 up to and including 9 September 2020), there may be limited trading in these instruments, which may cause problems for individual holders to sell their subscription rights and/or BTA 1, with the result that the holder cannot receive compensation for the economic dilution effect of the rights issue (see “*Shareholders who do not participate in the rights issue will suffer dilution*” below). Investors thus risk being unable to realise the value of their BTAs. Such circumstances may constitute a significant risk for individual investors. Limited liquidity may also reinforce the fluctuations in the market price for subscription rights and/or BTA 1. There is thus a risk that the pricing of these instruments will be incorrect or misleading.

#### ***Shareholders who do not participate in the rights issue will suffer dilution***

For shareholders who are unable or for other reason chooses not to exercise or sell their subscription rights in the forthcoming rights issue in accordance with the procedure described in this prospectus, the subscription rights will lapse and become worthless without the holder being entitled to any compensation. Consequently, such shareholders’ proportionate ownership and voting rights in Starbreeze will diminish. For shareholders who choose not to participate in the rights issue, their ownership will be diluted by up to approximately 50 per cent, through the issuance of a maximum of 84,729,084 new shares of series A and a maximum of 277,575,549 new shares of series B (corresponding to an increase of approximately 100 per cent in the number of shares of series A and an increase of approximately 100 per cent in the number of shares of series B). Furthermore, such shareholders will not be compensated for the dilution of Starbreeze’s earnings per share by up to 50 per cent, which the rights issue entails. Their relative share of Starbreeze’s equity will also diminish. If a shareholder chooses to sell unexercised subscription rights or if such subscription rights are sold on behalf of the shareholder, there is a risk that the compensation that the shareholder receives for the subscription rights on the market will not correspond to the economic dilution of the shareholder’s ownership in Starbreeze following completion of the rights issue. This constitutes a significant risk for individual shareholders.

#### ***Non-secured subscription and underwriting commitments, etc.***

The shareholders Första AP-fonden, Digital Bros and Fjärde AP-fonden – who together hold approximately 24.99 per cent of the shares and approximately 44.14 per cent of the total number of votes in Starbreeze – have, on customary terms and conditions, undertaken to subscribe for their respective *pro rata* share in the

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<sup>1</sup> Only BTA 1 will be admitted to trading on Nasdaq Stockholm.



forthcoming rights issue and to vote in favour of the rights issue at the Extraordinary General Meeting on 13 August 2020. In addition, a consortium of underwriters comprising institutional and private professional investors has undertaken to underwrite the subscription of additional shares corresponding to approximately 60.24 per cent of the rights issue. However, the subscription and underwriting commitments are not secured through, for example, bank guarantees. Consequently, there is a risk that one or more of the aforementioned parties will fail to perform its respective commitment. Swedbank Robur Fonder AB (“**Swedbank Robur**”), which holds approximately 14.77 of the shares and approximately 12.90 of the votes in the Company has, in addition, declared its intention to subscribe for its *pro rata* share of the rights issue. In the event the above-mentioned subscription and underwriting commitments and declaration of intent are not fulfilled, this will adversely affect Starbreeze’s possibilities to successfully carry out the rights issue.

## INVITATION TO SUBSCRIBE FOR SHARES IN STARBREEZE AB

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On 30 June 2020, the Board of Directors of Starbreeze resolved, subject to approval by the General Meeting, to increase the Company's share capital through a rights issue with preferential rights for Starbreeze's shareholders. The Board of Directors' resolution was approved by the Extraordinary General Meeting on 13 August 2020.

The rights issue resolution entails that Starbreeze's share capital will increase by a maximum of SEK 7,246,092.69, from the current SEK 7,246,092.69, to not more than SEK 14,492,185.38 through the issuance of not more than 84,729,084 new shares of series A and not more than 277,575,549 new shares of series B. After the rights issue, the number of shares in Starbreeze will amount to not more than 724,609,266 shares, of which not more than 169,458,168 shares of series A and not more than 555,151,098 shares of series B. Starbreeze's shareholders have preferential right to subscribe for new shares in relation to the number of shares previously held. The record date for participation in the rights issue is 20 August 2020.

Each existing share of series A will on the record date receive one (1) subscription right of series A and each existing share of series B will receive one (1) subscription right of series B. One (1) subscription right entitles to subscription for one (1) new share with primary preferential rights, of which subscription rights of series A entitle to subscription of shares of series A and subscription rights of series B entitle to subscription of shares of series B. New shares not subscribed for on the basis of primary preferential right will be offered for subscription to all shareholders (subsidiary preferential right). To the extent that new shares are not subscribed for with primary or subsidiary preferential rights, they shall be allotted to shareholders and other investors who have subscribed for shares without preferential rights in accordance with the principles set out in "*Terms and conditions*". Such allotment shall firstly be made to those who have also subscribed for shares by exercise of subscription rights. Subscription shall take place during the period from and including 24 August 2020 up to and including 7 September 2020, or such later date as determined by the Board of Directors, and otherwise in accordance with the instructions included in the section "*Terms and conditions*".

The subscription price has been set at SEK 0.69 per share. Provided that the rights issue is fully subscribed, Starbreeze will consequently raise approximately SEK 250 million before transaction costs.<sup>2</sup>

Shareholders who elect not to participate in the rights issue will have their holdings diluted by up to approximately 50 per cent, but have the possibility to compensate themselves financially for the dilution by selling their subscription rights.

### Subscription and underwriting commitments, etc.<sup>3</sup>

The shareholders Första AP-fonden, Digital Bros and Fjärde AP-fonden – who together hold approximately 24.99 per cent of the total number of shares and approximately 44.14 per cent of the total number of votes in Starbreeze – have, on customary terms and conditions, undertaken to subscribe for their respective pro rata shares in the forthcoming rights issue and to vote in favour of the rights issue at the Extraordinary General Meeting on 13 August 2020. In addition, a consortium of underwriters comprising institutional and private professional investors has undertaken to underwrite the subscription of additional shares corresponding to approximately 60.24 per cent of the rights issue. Accordingly, the above mentioned have undertaken to subscribe for, and guaranteed subscription of shares corresponding to approximately 85.23 per cent of the rights issue. In addition, Swedbank Robur, which holds approximately 14.77 per cent of the shares and approximately 12.90 per cent of the votes in the Company, has declared its intention to subscribe for its pro rata share of the rights issue. Therefore, the subscription and underwriting commitments, and the declaration of intent, in total, correspond to 100 per cent of the rights issue.<sup>4</sup>

*The shareholders of Starbreeze are hereby invited to subscribe for new shares in Starbreeze with preferential rights in accordance with the terms and conditions of this prospectus.*

Stockholm, 18 August 2020

**Starbreeze AB (publ)**

*The Board of Directors*

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<sup>2</sup> Transaction costs estimated at approximately SEK 30 million (including fees to the underwriters of approximately SEK 11 million) will be deducted from the rights issue proceeds of not more than approximately SEK 250 million. Net of transaction costs, Starbreeze is estimated to raise a maximum of approximately SEK 220 million through the rights issue.

<sup>3</sup> See "*Subscription and underwriting commitments, etc.*" in the section "*Legal considerations and supplementary information*".

<sup>4</sup> Neither the subscription and underwriting commitments nor the declaration of intent have been secured, see "*Non-secured subscription and underwriting commitments, etc.*" in the section "*Risk factors*".

## BACKGROUND AND REASONS

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Starbreeze is an independent developer and creator of PC and console games with a global market focus and studios in Stockholm, Barcelona and Paris. Following the company reorganisation that took place between December 2018 and December 2019, the Company's operations are currently focused entirely on its core business, centred around the proprietary PAYDAY game franchise. Currently, the Company is operating and continuously developing PAYDAY 2. The third title in the brand series, PAYDAY 3, is currently under game development with an anticipated release during 2022–2023. The Company is also working on developing the PAYDAY: Crime War mobile game.

The Company is, as previously communicated, in dialogue with several leading publishing partners regarding a publishing agreement for PAYDAY 3. The Company believes the negotiations to be well progressed but, due among other things to travel restrictions and the general decline in business activity around the world during the ongoing COVID-19 pandemic as well as other factors beyond the Company's control, the conclusion of a publishing agreement – which according to the Reorganisation Plan should have been concluded during the first half of 2020 – has been delayed. Due to this delay and in order to increase the ability for the Company to continue the development of PAYDAY 3 in order to further promote the ongoing discussions with potential publishers, and thereby enable the Company to perform its obligations to its creditors pursuant to the Reorganisation Plan and the judicial composition that was adopted by the District Court within the scope of the company reorganisation, the Board of Directors of Starbreeze resolved, on 30 June 2020, on the forthcoming rights issue of shares of series A and B with preferential rights for existing shareholders, amounting to not more than approximately SEK 250 million before transaction costs. The Board of Directors' resolution on a rights issue was approved by an Extraordinary General Meeting on 13 August 2020.

The Board of Directors is of the opinion that, through the rights issue, the Company will have enhanced possibilities to continue the game development with primary focus on PAYDAY 3, and to conclude negotiations for a publishing agreement for PAYDAY 3, which will be positive for the Company's shareholders, employees and other stakeholders. The Board of Directors of Starbreeze is of the opinion that the forthcoming rights issue will also benefit the Company's creditors. The former administrator appointed by the District Court, who is currently supervisor pursuant to the Company Reorganisation Act (*Sw. lagen (1996:764) om företagsrekonstruktion*), as well as the Company's largest creditors, are of the opinion that the rights issue will benefit the creditors and will adequately resolve deviations from the Reorganisation Plan. Hence, the supervisor supports the rights issue.

### Use of proceeds

The rights issue will raise not more than approximately SEK 250 million for Starbreeze before deduction of transaction costs, which are estimated at approximately SEK 30 million. From the net proceeds of approximately SEK 220 million, approximately 70 per cent will be used in Starbreeze's development work, which it is believed will allow the Company to focus on the continued development of PAYDAY 3 until the entry into a publishing agreement. It is believed that the development capital will allow for a strengthening of the development team, achievement of further milestones in the game development process, and that the Company will be able to adhere to the development plan for the PAYDAY franchise during the period up to the end of the first half of 2021. The remaining approximately 30 per cent will be used to reduce liabilities and bank debts in accordance with the judicial composition. The relationship between development capital and debt reduction has been balanced to manage short-term due payments and to strengthen the Company's long-term financial position.

It is Starbreeze's assessment that the existing working capital is not sufficient for the present requirements during the next twelve months. However, Starbreeze makes the assessment that the conditions are favourable for covering the deficiency of working capital. This assessment is based on the fact that the forthcoming rights issue is wholly covered by subscription undertakings and underwriting commitments and a declaration of intent from existing shareholders and external underwriters, and that the negotiations with publishers regarding a publishing agreement in respect of PAYDAY 3 are deemed to be well progressed, and thus conditions for entering into such an agreement are deemed to be positive.<sup>5</sup> If the rights issue is not finalised notwithstanding the provided subscription undertakings, underwriting commitments and declaration of intent, or if it fails to generate sufficient capital injection and if, in such case, it is not possible to enter into a publishing agreement in respect of PAYDAY 3 or to secure sufficient external financing to cover the remaining working capital deficiency, it may

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<sup>5</sup> However, subscription undertakings, declaration of intent and underwriting commitments are not secured. See "Non-secured subscription and underwriting commitments, etc." in the section "Risk factors".

ultimately lead to the Reorganisation Companies being placed into bankruptcy, thereby jeopardising Starbreeze's continued operations. For further information, see "*Working capital statement*" in the section "*Capitalisation, indebtedness and other financial information*".

*The Board of Directors of Starbreeze is responsible for the content of this prospectus. To the best knowledge of the Board of Directors, the information provided in the prospectus is in accordance with the facts and nothing has been omitted that is likely to affect its import.*

Stockholm, 18 August 2020

**Starbreeze AB (publ)**

*The Board of Directors*

## TERMS AND CONDITIONS

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### Preferential rights and subscription rights

The offer includes not more than 362,304,633 new shares, of which not more than 84,729,084 shares of series A and not more than 277,575,549 shares of series B. Those who on the record date, 20 August 2020, are registered as shareholders in the share register maintained by Euroclear Sweden on behalf of Starbreeze have preferential rights to subscribe for new shares in relation to the number of shares held on the record date.

One (1) share of series A and one (1) share of series B entitles the holder to one (1) subscription right of series A and series B, respectively, on the record date. One (1) subscription right of series A and series B, respectively, entitle to subscription for one (1) new share of series A and series B, respectively.

Shareholders who choose not to participate in the rights issue will be diluted by not more than 362,304,633 new shares, corresponding to 50.0 per cent, but have the opportunity to be compensated for the economic dilution effect through the sale of their subscription rights.<sup>6</sup>

### Subscription price

The new shares will be issued at a subscription price of SEK 0.69 per share. No commission will be charged.

### Record date

The record date at Euroclear Sweden for determining who are entitled to receive subscription rights in the rights issue is 20 August 2020. The Company's shares will trade together with subscription rights until 18 August 2020. The Company's shares will be traded ex-subscription rights in the rights issue as from 19 August 2020.

### Subscription period

Subscription for new shares by exercise of subscription rights is carried out through payment during the period 24 August 2020 until 10 September 2020 or, as regards those who have guaranteed the rights issue, until 10 September 2020. During this period, it is also possible to apply for subscription for shares without subscription rights. The Board of Directors of the Company reserves the right to extend the subscription period, which if it becomes relevant will be announced by the Company in a press release not later than 7 September 2020.

### Issue statement

#### Directly registered shareholders

A pre-printed issue statement with an attached payment form will be sent to shareholders, or representatives of shareholders, in the Company who, on the record date, 20 August 2020, are registered as shareholders in the share register maintained by Euroclear Sweden on behalf of the Company, except for such shareholders who are resident in certain unauthorised jurisdictions. The pre-printed issue statement sets forth, among other things, the number of subscription rights received and the full number of shares that may be subscribed for. No separate notification will be sent regarding the registration of subscription rights on the shareholder's securities accounts. Those parties included in the separate list of pledge holders and trustees maintained in connection with the share register will not receive any issue statement and will be informed separately.

#### Nominee registered holdings

Shareholders whose holdings of shares in the Company are nominee-registered at a bank or other nominee will not receive any issue statement. Instead, application for subscription and payment should be carried out in accordance with the instructions from the respective nominee.

#### Shareholders resident in certain unauthorised jurisdictions

The allotment of subscription rights and the issue of new shares to shareholders who are resident outside of Sweden may be affected by securities legislation in such countries; please refer to the section "*Important information*". Consequently, subject to certain exceptions, shareholders whose existing shares are directly registered in a securities account and whose registered address is in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, South Africa, Switzerland, USA or any other jurisdiction where participation would require additional prospectus, registration or action other than those arising from Swedish law, will not receive any subscription rights to their respective securities accounts or be allowed to subscribe for new shares. Subscription

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<sup>6</sup> Calculated on the basis of the maximum number of shares that could come in to existence through the rights issue in relation to the maximum number of outstanding shares in the Company after the rights issue.

rights that would have been registered to such shareholders will be sold and the sales proceeds, less deduction for costs, will be paid to such shareholders. However, amounts less than SEK 100 will not be paid out.

### Trading in subscription rights

Subscription rights of series A and series B will be traded on Nasdaq Stockholm during the period 24 August 2020 until 3 September 2020, with the ticker “STAR TR A” and “STAR TR B”, respectively. Carnegie and other securities institutions with the requisite licenses will provide brokerage services in connection with the purchase and sale of subscription rights. The ISIN code for the subscription rights of series A is SE0014730941. The ISIN code for the subscription rights of series B is SE0014730974. When a subscription right is sold, both the primary and subsidiary preferential right are transferred to the new holder of the subscription right.

### Subscription for new shares with subscription rights

Subscription for new shares by exercise of subscription rights (primary preferential rights) is carried out through payment during the period 24 August 2020 until 7 September 2020. Upon expiry of the subscription period, unexercised subscription rights will lapse and become worthless. After 7 September 2020, unexercised subscription rights will be deleted from the holders’ securities accounts, without notice from Euroclear Sweden.

To ensure that the value of the subscription rights is not lost, the holder must either:

- exercise the subscription rights to subscribe for new shares no later than 7 September 2020, according to instructions received from the respective nominee; or
- sell the subscription rights that have not been exercised no later than 3 September 2020.

### Directly registered shareholders resident in Sweden

Subscription for new shares by exercise of subscription rights is carried out through cash payment, either by use of the pre-printed payment form or a separate application form, with concurrent payment in accordance with one of the following options:

- the payment form is to be used if all subscription rights in the issue statement from Euroclear Sweden are to be exercised. No additions or changes may be made to the payment form; and
- the application form named “*Subscription of shares with subscription rights*” is to be used if subscription rights have been purchased, sold or transferred from another securities account, or if, for some other reason, the number of subscription rights to be exercised for subscription for new shares differs from the number on the pre-printed issue statement. Payment for the subscribed shares must be made concurrent to submitting the completed application form, which can be carried out in the same way as for other bank giro payments, for example through an internet bank, by giro transfer or at a bank branch office. The number of the securities account that holds the subscription rights must be stated together with the payment.

Application forms in accordance with the above may be ordered from Carnegie during office hours by telephone: +46 (0)8-58 86 85 10 or downloaded from Carnegie’s website [www.carnegie.se](http://www.carnegie.se). Application forms and payments must be received by Carnegie no later than 7 September 2020.

### Directly registered shareholders not resident in Sweden

Directly registered shareholders who are eligible to subscribe for new shares by exercise of subscription rights and who are not resident in Sweden (i.e. who are not subject to the restrictions described above under “*Shareholders resident in certain unauthorised jurisdictions*”) and who cannot use the pre-printed payment form, can pay in SEK through a foreign bank in accordance with the instructions below:

Carnegie Investment Bank AB (publ)  
Transaction Support  
SE-103 38 Stockholm, Sverige  
SWIFT address: ESSESESS  
IBAN: SE385000000052211000363  
Bank account number: 5221 10 003 63

Upon payment, the subscriber’s name, address, securities account number and the reference number on the issue statement must be stated. The final day for payment to be received is 7 September 2020.

If the subscription pertains to another number of shares than stated in the issue statement, the form “*Application form for subscription of shares with subscription rights*” should be used instead, which can be ordered from Carnegie during office hours by telephone: +46 (0)8-58 86 85 10 or downloaded from Carnegie’s website

www.carnegie.se. Payment is to be made in accordance with the instructions above with the number of the securities account that holds the subscription rights as reference. Application forms (in accordance with the above address) and payments must be received by Carnegie no later than 7 September 2020.

### **Nominee-registered shareholders**

Nominee-registered shareholders who wish to subscribe for new shares by exercise of subscription rights must apply to subscribe for shares in accordance with the instructions from their respective nominee or nominees.

### **Paid subscribed shares (BTAs)**

After subscription and payment, Euroclear Sweden will distribute a securities notification confirming the registration of the BTAs in the subscriber's securities account.

New shares will be registered as BTA in the securities account until the rights issue has been registered with the Swedish Companies Registration Office and the BTAs have been re-classified as regular shares. Registration of new shares subscribed for by exercise subscription rights is expected to take place at the Swedish Companies Registration Office around 10 September 2020. Thereafter, BTA 1 will be converted to shares, which is expected to take place around 15 September 2020, without notification from Euroclear Sweden. Registration of new shares subscribed for without subscription rights is expected to take place at the Swedish Companies Registration Office around 15 September 2020. Thereafter, BTA 2 will be converted to shares, which is expected to take place around 24 September 2020, without notification from Euroclear Sweden.

Holders of nominee-registered depository accounts will receive BTAs and information in accordance with the procedures of the respective nominee. BTA 1 of series A and series B will be admitted to trading on Nasdaq Stockholm during the period 24 August 2020 until 9 September 2020. BTA 2 will not be admitted to trading on Nasdaq Stockholm. Carnegie and other securities institutions with the requisite licenses will provide brokerage services in connection with the purchase and sale of BTA 1. The ISIN code for BTA 1 of series A is SE0014730958. The ISIN code for BTA 1 of series B is SE0014730982. The ISIN code for BTA 2 of series A is SE0014730966. The ISIN code for BTA 2 of series B is SE0014730990.

### **Subscription for new shares without subscription rights**

The new shares may also be subscribed for without subscription rights.

### **Directly registered shareholders and others**

Application for subscription for new shares without subscription rights must be made on the special application form "*Subscription without subscription rights*". More than one application may be submitted; however, only the most recently dated application will be considered.

If the application concerns another person than the undersigned, a special form "*Guardians and authorized agents*" must also be filled in and sent together with the application form "*Subscription without subscription rights*".

Application forms and other forms may be obtained from any of Carnegie's offices in Sweden or downloaded from Carnegie's website [www.carnegie.se](http://www.carnegie.se) as well as from Starbreeze website [www.starbreeze.com](http://www.starbreeze.com). The application form may either be sent by post to Carnegie Investment Bank AB, Transaction Support, SE-103 38 Stockholm or be handed in at one of Carnegie's branch offices in Sweden. The application form must be received by Carnegie, Transaction Support, no later than 7 September 2020 or, as regards those who have guaranteed the rights issue, 10 September 2020.

### **Requirement regarding NID number for natural persons**

A National ID or National Client Identifier ("**NID number**") is a global identification code for private individuals. MiFID II prescribes that, commencing 3 January 2018, all natural persons must have a NID number and that this number must be stated in order to carry out a securities transaction. If such number is not stated, Carnegie may be prohibited from carrying out the transaction on behalf of the natural person in question. If you have only Swedish citizenship, your NID number comprises the designation "SE" followed by your personal ID number. If you have several citizenships or a citizenship other than Swedish, your NID number may comprise another type of number. For more information about how NID numbers are obtained, contact your bank branch.



### **Legal Entity Identifier (LEI code)**

As of 3 January 2018, all legal persons need a global identification code, a so called Legal Entity Identifier (LEI), to conduct a securities transaction. In order to be entitled to participate in the rights issue and to be allocated new shares subscribed for without subscription rights, a legal person must have and state a LEI code.

### **Nominee-registered shareholders**

Holders of depository accounts that wish to subscribe for new shares without subscription rights must apply to subscribe in accordance with the instructions from their nominee or nominees, who will also process allotment notifications and other questions.

### **Allotment of new shares subscribed for without subscription rights**

If all new shares are not subscribed for by exercise of subscription rights (primary preferential rights), the Board of Directors will, up to the maximum amount of the rights issue, resolve on allotment of new shares (except for such shareholders who are resident in certain unauthorised jurisdictions).

Shares that have not been subscribed for with primary preferential rights will be offered to all existing shareholders in proportion to the number of shares previously owned (i.e. as of the record date 20 August 2020), irrespective of share class (secondary preferential rights) and, to the extent that this is not possible, by drawing of lots. In the event that all shares are not subscribed for with primary or secondary preferential rights, the Board of Director shall, up to the maximum amount of the rights issue, resolve to allot the remaining shares firstly to others who have applied for subscription of shares without preferential rights (the general public in Sweden and “qualified investors”), pro rata in relation to submitted applications, and secondly to those who have entered into underwriting undertakings with the Company, pro rata in relation to their respective underwriting amounts. To the extent allotment in accordance with the above cannot be made pro rata, allotment shall be made by drawing of lots.

Around 9 September 2020, a settlement note will be sent to the subscriber as confirmation of the allotment of new shares subscribed for without subscription rights. Shareholders whose holdings are nominee-registered will receive confirmation of the allotment in accordance with the procedure of the respective nominee. No notice will be sent to those who have not been allotted new shares. Payment for subscribed for and allotted new shares is to be made in cash in accordance with the instructions on the settlement note sent to the subscriber.

After payment has been made, Euroclear Sweden will send a notice as confirmation that BTA subscribed for without subscription rights has been registered in the directly registered shareholder’s or the nominee’s securities account. The subscribed and paid shares will be registered as BTA 2 on the securities account until the new shares have been registered with the Swedish Companies Registration Office. Such new shares are expected to be registered with the Swedish Companies Registration Office around 15 September 2020. The registration of new shares on securities accounts is expected to take place around 24 September 2020. No separate notification will be sent out in connection with this registration. BTA 2 will not be admitted to trading on Nasdaq Stockholm.

### **Trading in new shares**

The Company’s shares of series A and series B are admitted to trading on Nasdaq Stockholm. After the Swedish Companies Registration Office has registered the new shares, these will be admitted to trading on Nasdaq Stockholm. First day of trading in new shares subscribed for by exercise of subscription rights is expected to take place around 15 September 2020. First day of trading in new shares subscribed for without subscription rights is expected to take place around 24 September 2020.

### **Right to dividend**

Dividends are paid following a resolution by the Annual General Meeting of shareholders. Payment of dividends will be administered by Euroclear Sweden or, for nominee-registered shareholdings, in accordance with the procedures of the respective nominee. Entitlement to receive a dividend is limited to shareholders registered in the share register maintained by Euroclear Sweden on behalf of the Company on the record date. The new shares carry the right to participate in the distribution of dividends for the first time on the dividend record date that occurs immediately following the registration of the new shares with the Swedish Companies Registration Office.

### **Irrevocable subscription**

The Company is not entitled to revoke the rights issue. Subscription for new shares, with or without subscription rights, is irrevocable, and the subscriber may not withdraw or change a subscription for new shares, unless otherwise stated in this prospectus or applicable law.

## Announcement of the outcome of the rights issue

The outcome of the rights issue is expected to be announced around 9 September 2020 through a press release from the Company.

## Information about the processing of personal data

Parties who subscribe for, or apply to subscribe for, new shares will submit personal data to Carnegie. Personal data that is submitted to Carnegie, for example contact information and personal identification number, or which is otherwise registered in connection with the preparation or administration of the offer, is processed by Carnegie, as controller of the personal data, for the administration and execution of the offer. Processing of personal data also takes place to enable Carnegie to comply with its statutory duties.

Personal data may for a defined purpose, in observance of bank secrecy rules, occasionally be disclosed to other companies within the Carnegie group or to undertakings who co-operate with Carnegie, within and outside the EU/EEA in accordance with EU's approved and appropriate protective measures. In certain cases, Carnegie is also under a statutory duty to provide information, e.g. to the Swedish Financial Supervisory Authority and Swedish Tax Agency.

Similarly to the Swedish Securities Market Act, the Swedish Banking and Financing Business Act contains confidentiality provisions according to which all of Carnegie's employees are bound by a duty of confidentiality with regard to clients of Carnegie and other parties to whom services are provided. The duty of confidentiality also applies between and within the various companies in the Carnegie group.

Information regarding what personal data is processed by Carnegie, deletion of personal data, limitation on the processing of personal data, data portability or the rectification of personal data can be requested from Carnegie's Data Protection Officer. It is also possible to contact the data protection officer to obtain further information about how Carnegie processes personal data. If the investor wishes to make a complaint regarding Carnegie's processing of personal data, the investor is entitled to turn to the Swedish Data Protection Authority in its capacity as supervisory authority.

Personal data shall be deleted if it is no longer needed for the purposes for which it was originally collected or otherwise processed, provided that Carnegie has no legal obligation to preserve the personal data. The normal storage time for personal data is 10 years.

Address to Carnegie's data protection officer: [dpo@carnegie.se](mailto:dpo@carnegie.se)

## Other information

Carnegie is the issuing institution in connection with the rights issue. The fact that Carnegie is the issuing institution does not imply that Carnegie views any party that applies to subscribe under the rights issue as a customer of Carnegie. In the event that a larger amount than necessary has been paid by a subscriber for new shares, Carnegie will arrange for the excess amount to be refunded. No interest will be paid on excess amounts. Incomplete or incorrectly completed application forms may be disregarded. If the subscription payment is made late, is insufficient or is paid incorrectly, the subscription application may be disregarded entirely or subscription may be for a lower amount, in which case, any excess amount will be refunded. No interest will be paid on any such excess amount. Amounts less than SEK 100 will not be refunded.

## Timetable

The below timetable sets forth and summarises certain key dates in the rights issue.

Record date for participation in the rights issue	20 August 2020
Subscription period and trading in subscription rights and BTA 1 commences	24 August 2020
Last day for trading in subscription rights	3 September 2020
Last day for subscription for shares by exercise of subscription rights	7 September 2020
Last day for trading in BTA 1	9 September 2020
Announcement of final outcome of the rights issue	Around 9 September 2020
Last day for subscription for shares for those who have guaranteed the rights issue	10 September 2020
Delivery of new shares subscribed for with subscription rights	Around 15 September 2020
Delivery of new shares subscribed for without subscription rights	Around 24 September 2020

### **Important information on taxation**

**The tax legislation in the investor's home country and in Sweden may affect any income received from shares in Starbreeze.**

The taxation of any dividend, as well as capital gains taxation and rules concerning capital losses in connection with disposal of securities, depends on the shareholder's particular circumstances. Special tax rules apply to certain categories of tax payers and certain types of investment forms. Each holder of shares and subscription rights should therefore consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign tax rules and tax treaties.

## HOW TO PROCEED

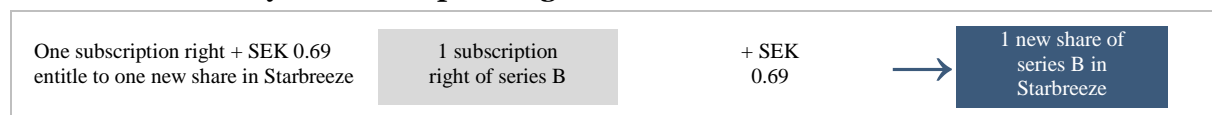
<b>Terms</b>	For each existing share in Starbreeze you will receive one (1) subscription right. For shares of series A you will receive subscription rights of series A and for shares of series B you will receive subscription rights of series B. One (1) subscription right entitles to subscription for one (1) new share in Starbreeze with primary preferential rights (of which subscription rights of series A entitle to subscription of shares of series A and subscription rights of series B entitle to subscription of shares of series B). Subscription can also be done with subsidiary preferential rights and without preferential rights.
<b>Subscription price</b>	SEK 0.69 per share
<b>Record date for participation in the rights issue</b>	20 August 2020
<b>Subscription period</b>	24 August–7 September 2020
<b>Trading in subscription rights</b>	24 August–3 September 2020

### Subscription for shares with preferential rights (primary preferential rights)

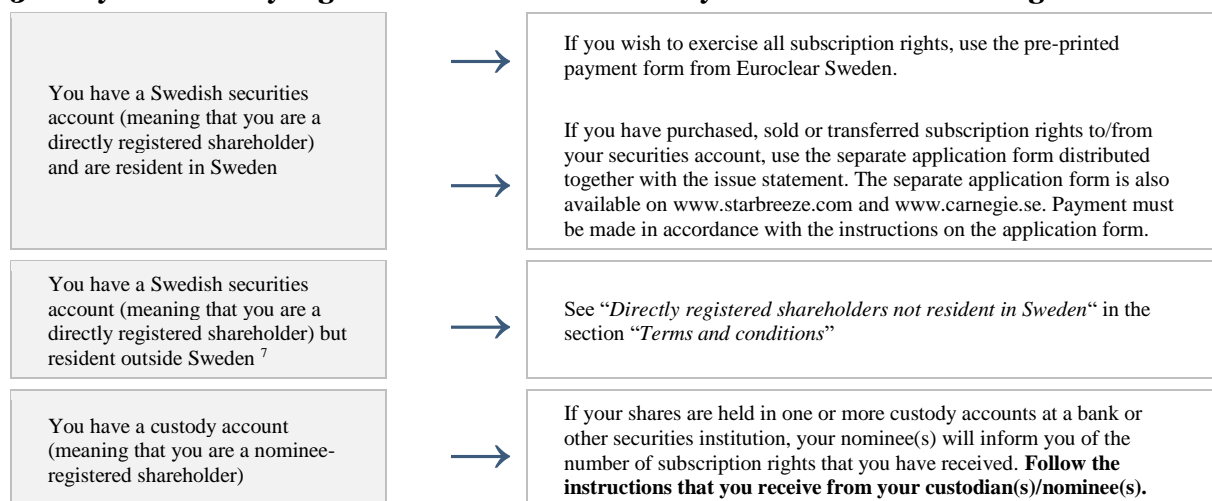
#### 1. You are allotted subscription rights (the example refers to shares of series B)



#### 2. How to exercise your subscription rights



#### 3. Are you a directly registered shareholder or are your shares nominee-registered?



### Subscription for shares with subsidiary preferential rights and without preferential rights<sup>8</sup>



<sup>7</sup> Restrictions apply to U.S. and certain other non-Swedish shareholders. See “Shareholders resident in certain unauthorised jurisdictions” in the section “Terms and conditions” and the section “Selling and transfer restrictions”.

<sup>8</sup> Any allotment will be made pursuant to the principles described under “Allotment of new shares subscribed for without subscription rights” in the section “Terms and conditions”. Restrictions apply to U.S. and certain other non-Swedish shareholders. See “Shareholders resident in certain unauthorised jurisdictions” in the section “Terms and conditions” and the section “Selling and transfer restrictions”.

You have a custody account  
(meaning that you are a nominee-  
registered shareholder)



Subscription and payment should be made through the respective  
nominee. **Follow the instructions that you receive from your  
custodian(s)/nominee(s).**

**Please note that certain custodians/nominees may apply a shorter subscription period. Please check the instructions that you receive from your custodian(s)/nominee(s).**

## BUSINESS DESCRIPTION

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### Overview

Starbreeze is an independent developer and creator of PC and console games with a global market focus and studios in Stockholm, Barcelona and Paris. The Company operates on the global games market and its products are sold via platforms such as Steam<sup>9</sup>, PlayStation Store and Xbox Games Store. Starbreeze's end customers, i.e. those who play the Company's games, are to be found throughout the world. Currently, most of the Company's players are located in North America, Europe and Asia. The proprietary games are aimed primarily at hardcore players, with a focus on the Company's core genre, namely the co-op<sup>10</sup> first person shooter.

Following the company reorganisation that took place between December 2018 and December 2019 (see "*Company reorganisation*" below), the Company's operations are currently focused entirely on its core business: the proprietary PAYDAY game franchise, which, in total, has more than 28 million installed base games since it was released in 2013 and more than 6.6 million community members on Steam.<sup>11</sup> The third title in the brand series, PAYDAY 3, is currently under development with an anticipated release during 2022–2023. The Company is also developing the PAYDAY: Crime War mobile game. For more information about PAYDAY, see "*The PAYDAY brand*" below.

The Company has offices and conducts business primarily in Sweden, with its head office in Stockholm, and also in France, the United States and Spain. As of 30 June 2020, there were 125 employees in the Group, of whom 101 were based in Stockholm. During the first six months of 2020 and the financial year 2019, the Company's net sales amounted to SEK 53.3 million and SEK 280.0 million, respectively, of which SEK 49.7 million and SEK 109.4 million, respectively was generated by the proprietary PAYDAY brand.

### Company reorganisation

On 3 December 2018, the Stockholm District Court resolved on a reorganisation of the Reorganisation Companies pursuant to the Company Reorganisation Act (Sw. *lagen (1996:764) om företagsrekonstruktion*). Prior to the reorganisation, the Company had for a long time been in a development phase with a high rate of investment and, in November 2018, the management group at the time decided to commence a review of the Company's expenses, in order to streamline the business. At the same time, on 6 November 2018, the Company released the game OVERKILL'S The Walking Dead, which failed to meet the Company's expectations in terms of sales, with non-realised revenues as a consequence. This factor, combined with a high cost base, resulted in the Company ending up in an acute liquidity shortage. The Reconstruction Companies' liquidity shortage was deemed first and foremost to be the result of earlier decisions to invest in new development projects outside the Company's core business, which subsequently proved to lead to higher costs and lower, or delayed, revenues compared with what had been assumed. The Company also suffered delays and higher costs as a consequence of a shortage of resources, particularly personnel resources. See also "*The company reorganisation and the Reorganisation Plan*" in the section entitled "*Legal considerations and supplementary information*".

### Focus on the core business – the PAYDAY brand

Within the scope of the reorganisation, the Company underwent an extensive restructuring involving the closure or divestment of operations that were not part of Starbreeze's core business, or in certain cases operations were suspended without further operating costs. Nowadays, the Company is totally focused on its core business, which is to create games focused on the PAYDAY brand. During the reorganisation, the Company placed great focus on developing and strengthening the organisation and worked on creating a more efficient organisation and a slimmer cost structure which is adapted to the Company's core business. The Company's operating costs were substantially reduced during the reorganisation through cost savings and rationalisation among personnel and purchasing. As part of the extensive cost savings and rationalisation programme, the Company achieved a reduction in its operating cost base (direct costs, administrative costs and sales and marketing costs). The reorganisation was successfully concluded on 6 December 2019 and the Stockholm District Court affirmed the composition arrangement.

The Company released new material to PAYDAY 2 in October 2019 and intends, during 2020 up to the release of PAYDAY 3 (which is expected to take place during 2022–2023), to release several updates and add-on packages to PAYDAY 2. As from 3 January 2020, sales are being further boosted since Starbreeze's share of the

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<sup>9</sup> Steam is a digital distribution platform operated by Valve Corporation.

<sup>10</sup> Cooperative gameplay (co-op) is a function in games which allows players to collaborate as team members.

<sup>11</sup> Source: Starbreeze and Steam.

revenues (after tax and returns) from Steam has increased from 70 to 75 per cent due to the fact that PAYDAY 2 with related add-on purchases and downloadable content (“DLC”) reached the first sales criterion in Valve Corporation’s scale for increased revenue sharing. During the restructuring, the Company has also succeeded in retaining key personnel linked to the PAYDAY brand.

The next step for the Company is to enter into a publishing agreement with an external publisher in respect of the PAYDAY 3 game. The Company is in dialogue with a number of leading publishers regarding a publishing agreement with respect to PAYDAY 3. The Company believes the negotiations to be well progressed but, due to among other things, travel restrictions and the general decline in business activity around the world during the ongoing COVID-19 pandemic as well as other factors beyond the Company’s control, the conclusion of a publishing agreement – which according to the Reorganisation Plan should have been concluded during the first half of 2020 – has been delayed. Starbreeze considers PAYDAY to be the Company’s most important brand and its ambition is to find a partner who is able to provide financial stability and which possesses the marketing and distribution resources required for the best possible launch and further development of the brand. The Company believes that a publishing agreement in respect of PAYDAY 3 can be entered into before the end of the first half of 2021.

For complete information regarding the different games and games under development within the PAYDAY brand, see “*Game portfolio and games under development*” below.

### Overview of the global games market<sup>12</sup>

It is estimated that the global games market generated sales of approximately USD 152 billion in 2019. The global games market is expected to demonstrate an average annual growth rate of approximately 9 per cent during the period 2018–2022, and to achieve sales of approximately USD 196 billion in 2022. Growth is expected to be driven by, among other things, increased playing within certain target groups and in certain regions, new genres that attract new players, as well as new consumption patterns in which social platforms such as YouTube and Twitch are expected to play a central role.

Asia (excluding the Middle East) and the Pacific region represents the largest geographic market segment for games globally, with a market share of 47 per cent of the global games market in terms of sales. North America accounted in total for 26 per cent of the global games market in 2019, while EMEA (Europe, the Middle East and Africa) accounted for 23 per cent of the global games market in 2019.

The games market can be divided into consoles, PCs and mobiles (which includes both mobile phones and tablets).

Console games are games played on a desktop or handheld console, i.e. a device specifically designed to play games. Examples of consoles include PlayStation 4, Xbox One and Nintendo Switch. A new generation of console games is expected to be on the market by the end of 2020, including PlayStation 5 and Xbox Series X. Games developed into consoles typically have larger production budgets and longer production time compared with mobile games and are, to a greater degree than mobile games, designed for longer-term gameplay. The segment accounted for 32 per cent of the total gaming market in 2019 with revenues of approximately USD 48 billion.

PC games include all games played on a PC. Digital sales are growing steadily in this segment, with platforms such as Steam and Epic Games Stores, while new forms of distribution based on streaming technology, e.g. Google Stadia, may grow in the future. The segment accounted for 23 per cent of the global gaming market in 2019, with revenues of approximately USD 36 billion.

Mobile games are games that are played on a mobile device such as a mobile phone or tablet. These games often have shorter playing time and less extensive gameplay than PC and console games. Lower development budgets and shorter production times are generally required for mobile games than for games developed for PC and console, and the games are often designed to suit those players who want to play shorter moments. The mobile gaming market is based exclusively on digital distribution via platforms such as App Store and Google Play. The segment accounted for 45 per cent of the global gaming market in 2019, with revenues of approximately USD 69 billion.

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<sup>12</sup> Source for this section: Newzoo – 2019 Global Games Market Report: Trends, insights, and projections toward 2022.



## History

Starbreeze was founded in 1998 and was, at the time, one of the first game development studios in Europe. Presented below are important milestones in Starbreeze's history.

- 1998: Formation of Starbreeze Studios
- 2000: Merger with O3 Games and listing on AktieTorget (currently Spotlight)
- 2003–2004: Personnel downsizing due to bankruptcy of a major customer
- 2007: Game release: The Darkness
- 2008–2010: Cancelled projects in the wake of the financial crisis
- 2011: Release of PAYDAY: The Heist
- 2012: Acquisition of OVERKILL Software
- 2013–2014: Important game releases (*PAYDAY 2* and *Brothers: A Tale of 2 Sons*), acquisition of Gemiose Inc. and listing on First North (currently Nasdaq First North Growth Market)
- 2015: Initiation of Project StarVR and commencement of publishing business
- 2016–2018: Increased pace of investment with acquisition of Enterspace and Dhruva
- 2017: Listing on Nasdaq Stockholm
- 2018:
  - Release of OVERKILL'S The Walking Dead
  - Company reorganisation due to liquidity shortage
  - Directed share issue to Swedish and international investors
  - Rights issue with preferential rights for existing shareholders
- 2019–2020: Restructuring with a focus on core business: PAYDAY brand
- 2020: Directed share issue to certain institutional investors (including Swedbank Robur, Första AP-fonden and Fjärde AP-fonden)

## The PAYDAY brand

The PAYDAY brand was first launched in 2011 with the game PAYDAY: The Heist. After a number of updates and over 1 million downloaded copies, the development of PAYDAY 2 began. In August 2013, PAYDAY 2 was released and development costs were recovered in less than one month. The brand has now been active for nine years, with more than 28 million downloaded base games and more than 190 million add-ons on the market.<sup>13</sup> During the first half of 2020, on average approximately 113,401 active unique users played PAYDAY 2.<sup>14</sup>

### The PAYDAY game series

The basic idea behind PAYDAY is simple. The game is a co-op game within the first-person shooter genre which is based on a classic cinematic experience where the player impersonates a bank robber with three other people online. The players get different missions and challenges where they take on different tasks and bank robberies in a Hollywood heist spirit. PAYDAY 2 was released on a smaller scale in 2013 but since then has had more than 190 updates, where the content has been released both free and against payment. The Company believes that the key to success is the frequent updates that have increased the incentive for players to continue to engage with the product. The in-game missions also have a high degree of replayability, with certain elements constantly changing, which the Company believes also contributes to the long life of the content being released.

The PAYDAY brand has been a success for both the Company and its various external publishers and, since the release of PAYDAY: The Heist 2011, the franchise has generated more than USD 300 million in gross revenues.<sup>15</sup> Although the final base game within the PAYDAY brand, PAYDAY 2, was released in 2013, the brand continues to generate an important and stable revenue stream for the Company.

The graph below shows Starbreeze's total net revenues attributable to the PAYDAY brand (PAYDAY 1 and 2) since 2011.<sup>16</sup>

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<sup>13</sup> Source: Starbreeze.

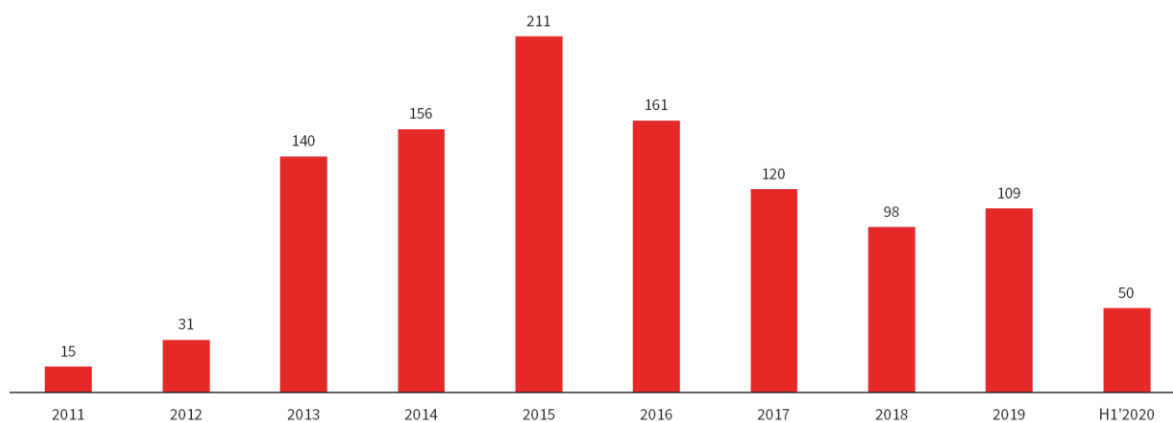
<sup>14</sup> Source: Steam.

<sup>15</sup> Source: Starbreeze.

<sup>16</sup> The split financial years 2011/2012, 2012/2013, 2013/2014 and 2014/2015 as well as the shortened financial year 2015/2016 (July-December 2015) have, for comparative reasons, been recalculated to comprise calendar years.

### PAYDAY 1 & 2. TOTAL NET REVENUE

SEKmillion



Source: Starbreeze's internal accounting system.

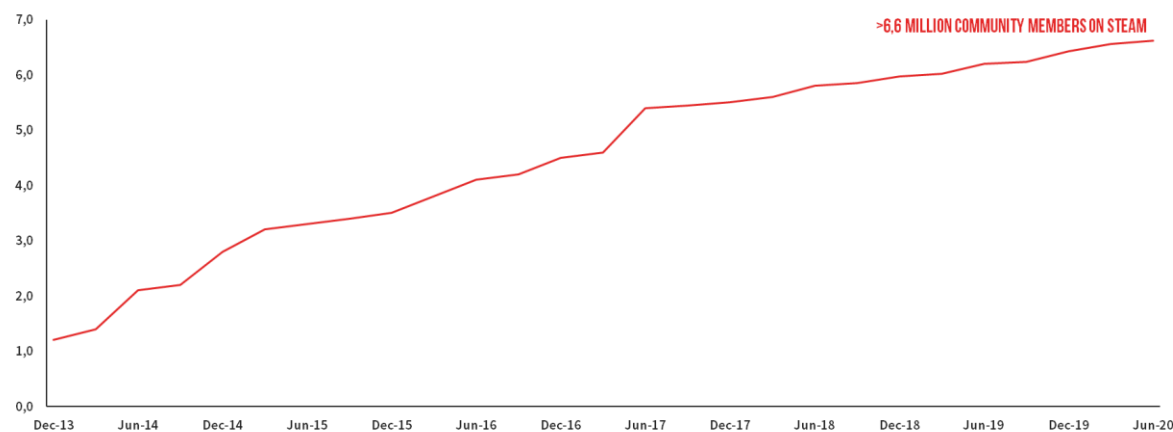
### An active community

The Company believes that an important component of PAYDAY's success is the close dialogue that developers conduct with fans and players. On the digital distribution platform Steam, PAYDAY 2's forum has the largest number of members. Players can immediately provide feedback to the developers and great emphasis is placed on fans feeling involved and influencing the further development of the product. As of the date of this prospectus, the PAYDAY brand's community on Steam has more than 6.6 million members, which means that the brand has one of the largest communities among players on Steam.<sup>17</sup>

The graph below shows the growth in the number of community members on Steam for PAYDAY 2 since 2013.

### PAYDAY 2. COMMUNITY MEMBERS ON STEAM (2013–2020)

Community members on Steam, number of million



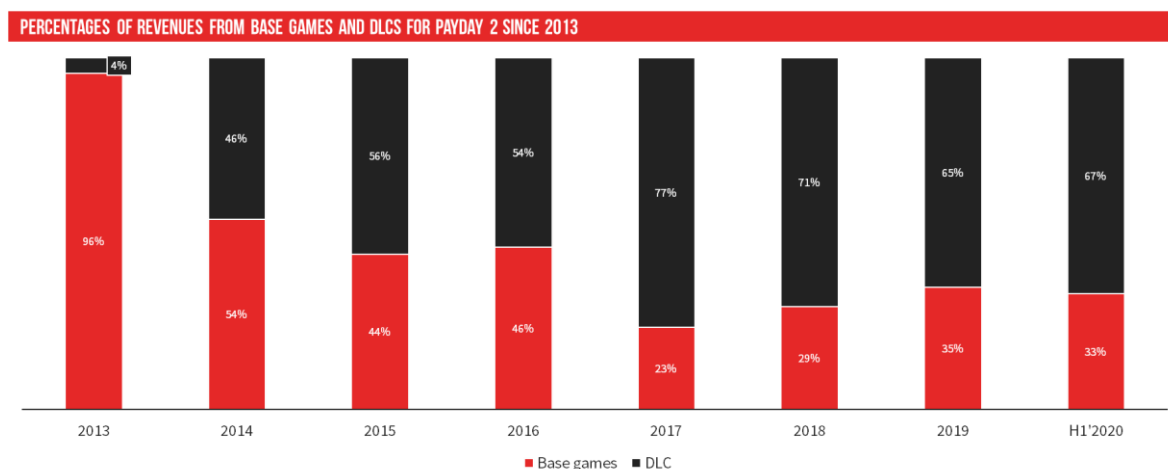
Source: Steam.

### Fresh start

In 2018, Starbreeze discontinued the active development of PAYDAY 2, but decided in 2019 to resume development. In November 2019, the first update for the year was released, giving the game a fresh start and once again an increased interest. Starbreeze intends to continue to develop add-on packages for PAYDAY 2 up until and including PAYDAY 3 is released. The Company believes that this is important since a majority of the Company's revenues linked to the game seven years after release are generated through various types of DLCs. The Company is also working on developing the sequel PAYDAY 3 and the PAYDAY: Crime War mobile game.

<sup>17</sup> Source: Steam.

The graph below shows percentages of revenues from base games and DLCs for PAYDAY 2 since 2013.<sup>18</sup>



Source: Starbreeze internal accounting system.

### Business model: Starbreeze Games

Starbreeze's development of games takes place through the subsidiaries New Publishing and New Studios. Various business models can be applied in conjunction with the development and release of games, depending on the holder of the intellectual property rights to the game and how the development has been financed. If the intellectual property rights are owned by Starbreeze, which is the case with the PAYDAY brand, and the game has been self-funded, Starbreeze will receive all revenue after deduction of taxes and the distribution platform fee. If, on the other hand, the game has been funded by a third party (wholly or partially), such parties receive a share of the revenues in the form of royalty. If the game is based on an intellectual property right that Starbreeze does not own, the rights holder also receives a share of the revenues. Starbreeze incurs distribution and marketing costs in respect of self-funded games. Where there is a co-financier, these costs are normally shared equally. The Company is normally entitled to recoup these costs in full prior to revenue sharing with any rights holder.

When the Company released PAYDAY 2 for PC in August 2013, a financing solution was applied whereby 505 Games (a subsidiary of Digital Bros, the Company's largest shareholder) partially financed the game as a third party and was responsible for distribution and marketing. In 2013, PAYDAY 2 was launched with 505 Games as publisher for PlayStation 3 and Xbox 360, and for the next generation of consoles at the time, PlayStation 4 and Xbox One, in June 2015. Since 2017, the Company has self-funded all DLCs and been independently responsible for the digital marketing and distribution.

The third title in the PAYDAY series, PAYDAY 3, is currently under game production. The Company commenced development of PAYDAY 3 in October 2019 and has, as of the date of this prospectus, self-funded all development costs associated with the game. The Company intends to sign a publishing agreement with a third party that is able to finance the remaining development costs associated with PAYDAY 3, as well as distribution and marketing costs. See also "*Rights regarding PAYDAY*" in the section "*Legal considerations and supplementary information*".

### The game development process

Starbreeze's strategy is to build a flexible, production-oriented and agile organisation to enable continuous optimisation. The ambition is to create processes that make it possible for creative ideas to grow and develop into proprietary intellectual property. The Company's vision is to create, develop and publish exciting, gameplay-focused and community-centred games.

In the case of current development of wholly or partially self-funded games, the Company receives a larger share of the revenues generated by the games. Proprietary games are published and distributed by Starbreeze through digital platforms, and agreements are executed with external publishers with respect to games sold through physical distribution. Starbreeze primarily develops games for PCs and consoles, but also for mobiles. Starbreeze primarily works with proprietary intellectual property such as the PAYDAY brand. In order to best

<sup>18</sup> The split financial years 2013/2014 and 2014/2015 as well as the shortened financial year 2015/2016 (July-December 2015) have, for comparative reasons, been recalculated to comprise calendar years.

develop games with interesting content and ever-growing experiences, the Company's development team comprises a mix of experienced developers and developers of the same age as the majority of active players. In most game development projects, Starbreeze outsources specific parts, but always has its own development teams that control and ensure that established product requirements are met. Fully developed games are normally sold within the SEK 299–699 price range through digital distribution channels or physical stores as so-called full-price games. After a game has been released, Starbreeze's strategy is to be committed to the game for a long time, according to the Games as a Service (GaaS) business model. This is mainly done by continuing to develop the game and creating content in which the community can influence future direction. Starbreeze therefore focuses on developing games with high replayability and the ability to generate a large player base. Further development of games leads to both free updates as well as updates and DLCs that are sold at a lower cost than the main game.

### **Production method**

The Starbreeze production method is based on a combination of agile development and traditional planning. Different phases of the agile production cycle require different project methodologies since the objectives vary widely between the concept, production and delivery stages. In its production, Starbreeze has chosen to take inspiration from the scrum project method. In brief, scrum is based on working in projects with cross-functional teams that work interactively. The goal is to create a fun but focused work environment in which the teams have a sense of ownership and responsibility, which in turn leads to successful projects.

### **Project organisation**

The Executive Producer and Producer are ultimately responsible for the project. The Executive Producer has lead responsibility for the game vision and for ensuring that it is communicated to all parties. The Producer has the overall responsibility for ensuring that the game project is delivered on time and on budget. The Executive Producer may be assisted by an Art Director who drives the visual vision, Level Designers and QA who design the game mechanics, and Writers. The Producer may be supported by Associate Producers and other co-producers. Other roles in production include Level Designers, Environment Artists, Animators, Audio Designers, Audio Composers, Concept Artists, Gameplay Programmers and Quality Assurers.

### **Content creation and implementation**

- **Level Designer:** *Develop gameplay, which involves things like deciding which enemies the player will encounter and what the gamer will do and experience in the game. Build the paths/environments used in the game.*
- **Animator:** *Produce animation data for the game and develop the storytelling parts of the game.*
- **Character and 3D Artist:** *Model the characters and artifacts used in the game based on the concepts created by the Art Director.*
- **Texture Artist:** *Build the textures used in the game's environment.*
- **Effect Artist:** *Develop the effects seen in the game.*
- **Concept Artist:** *An artist who creates the original for the models and environments to be included in the game.*
- **Media Artist:** *Produce the videos in the game.*
- **Audio:** *Create and arrange the music and sound used in the game.*

### **Programming**

- **Game Programmer:** *Develop the systems that are specific to a particular game project. This includes things like weapons, artificial intelligence and effects systems.*

### **Technology**

- **Engine Programmer:** *Develop and modify the basic technology in the game engine.*
- **Tools Programmer:** *Tasks similar to those of engine programmers, but focus is on the tools used to develop the game.*
- **Quality Assurer:** *QAs finds problems in the game and report them so they can be fixed. They are gatekeepers who ensure that the game maintains superb quality of playability and design: nothing leaves production without QA approval.*

### **Non-core business**

Starbreeze's core business comprises developing games, primarily the PAYDAY brand. As from 2020, the Company's business is reported as a business segment, which accounts for the absolute majority of sales and

results. Any revenues and costs that are not related to the core business are classified as other revenues and costs. Such revenues relate primarily to operations that have been discontinued, divested or suspended in connection with the company reorganisation, but also those which continue to generate smaller revenues through various publishing agreements or similar.

In 2019, Starbreeze reported the Starbreeze Games, Publishing and VR Tech & Operations segments. The Starbreeze Games segment comprised proprietary games where the revenue largely comprised sales revenues and royalties for the rights to PAYDAY. The Publishing segment comprised Starbreeze's publishing business, where Starbreeze acted as publisher for games developed by external game developers. The VR Tech & Operation segment comprised Starbreeze's technology and software development within virtual reality (VR), which among other things included the development of the StarVR VR headset and the PresenZ VR film format, which was sold with the sale of the subsidiary Parallaxter in February 2020.

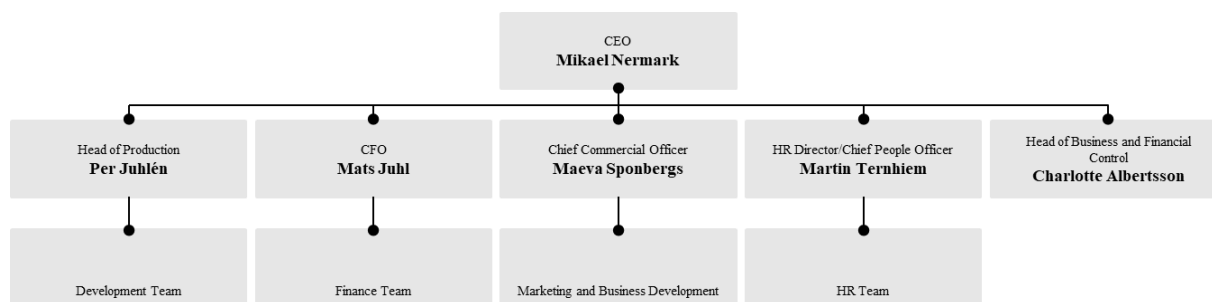
## Employees and organisation

Starbreeze is a knowledge-based company that depends on creativity, knowledge and commitment of the employees. The Company offers stimulating work, with high demands, to driven and committed employees in a multinational and multicultural workplace

The Company's head office is based in Stockholm, where the majority of the company's employees are employed. The Company has offices/operations mainly in Sweden, but also in France, the US and Spain. During 2019, in connection with the company reorganisation the organisation was adapted to the core business: games development, focused on PAYDAY. The business is mainly centred around the development of the Company's three main games. PAYDAY 2 is under active development and update in Stockholm. PAYDAY 3 is also being developed in Stockholm. The PAYDAY: Crime War mobile game is being created mainly by the development team in Barcelona. In Paris, there is a core group of engine programmers and engineers who support all of the Company's projects.

Group management comprises six individuals. In 2019, Starbreeze reduced its management group in connection with the streamlining of the business. Large parts of the management group were replaced after the Company commenced its reorganisation. All members of the management group are stationed in Stockholm.

The illustration below shows the Company's group management and their areas of responsibility. For further information, see "Group Executive Team" in the section "Board of Directors, Group Executive Team and Auditor".



## Game portfolio and games under development

Following the company reorganisation, the Company's game portfolio comprises game titles linked to the PAYDAY brand.

### Starbreeze's game portfolio

#### ***PAYDAY: The Heist***

*PAYDAY: The Heist* was released in 2011 and is a downloadable co-op game designed to deliver a unique spin on the first-person shooter genre. The game involves playing with friends and assuming the role of one of the hardened career criminals Dallas, Chains, Hoxton and Wolf, who are always aiming to pull off the next big heist. The players have to cooperate in order to commit the perfect crime. In *PAYDAY: The Heist*, the player is a robber who has an array of guns at its disposal to complete objectives, usually in an effort to steal cash or valuables. The Company considers *PAYDAY: The Heist* to have a high level of replayability due to a system that creates variation through random events. For example, someone you have to find in order to progress might be in a different place every time you pull off the heist, which means that the player always experiences something new.

## **PAYDAY 2**

*PAYDAY 2 was released in August 2013 for PC and is a fast-paced co-op first person shooter for four players, where the players once again take on the roles of bank robbers in the PAYDAY gang, Dallas, Hoxton, Wolf and Chains, in a new crimewave across the city of Washington DC. In this sequel to PAYDAY: the Heist, the PAYDAY gang is once again contacted by their crony Bain, who this time invites them to come to Washington DC, where Bain has launched his latest project, called Crime.net, to make it possible to pull off the biggest heist of all time. Crime.net provides all criminals and their networks with a digital meeting place to coordinate robberies and take their exploits to an entirely new level. Crime.net offers a wide array of dynamic heists and players are free to choose anything from small jobs where they rob convenience stores to major heists where they empty bank vaults that can result in a major payday. The more people play, the bigger, the better and the more lucrative the jobs and paydays they get.*

### **PAYDAY 2: Crimewave Edition**

*PAYDAY 2: Crimewave Edition was released in June 2015 in retail outlets and in the digital market by Starbreeze's partner 505 Games for the PlayStation 4 and Xbox One consoles. The update, PAYDAY 2: Crimewave Edition – The Big Score, was released in the third quarter of 2016 and gives gamers the option to buy updates to the game either via digital distribution on consoles or in stores.*

### **PAYDAY 2 – DLC bundles**

*Since the release of PAYDAY 2, more than 70 DLC bundles have been released, for which gamers must pay to access. In addition, many free DLC bundles have been released; in total, more than 190 updates have been released since the game was released in August 2013. These contain new heists, new functionality and additional playable bank robbers, more weapons, masks and new challenges. PAYDAY 2: Ultimate Edition, which bundles all previously released content, was released in the summer of 2017.*

### **PAYDAY 2 for Switch**

*PAYDAY 2 for Nintendo's Switch platform was released in February 2018.*

## **Starbreeze's current game development**

### **PAYDAY 2**

*The Company considers PAYDAY to be Starbreeze's most important asset. PAYDAY 2 was released in August 2013 and Starbreeze currently produces DLCs in the form of free updates and revenue-generating game updates on a large scale. There will be numerous updates to the PAYDAY series and game development is planned to proceed up until and including the release of PAYDAY 3. The Company believes that it is important to continue to develop PAYDAY 2 in order to retain and strengthen the game's active community and since it results in synergies when developing PAYDAY 3, where for example the Company is able to test new functionalities and technology which strengthen the potential and the quality of the ongoing game development of PAYDAY 3.*

### **PAYDAY Crime War**

*PAYDAY Crime War is an ongoing development project of a mobile game in the PAYDAY series. It is Starbreeze's first mobile game project.*

### **PAYDAY 3**

*In October 2019, Starbreeze commenced the development of PAYDAY 3, which is the third game title in the PAYDAY brand series and a sequel to PAYDAY 2. The game is a development of PAYDAY 2 with new functionalities, teams, new heists, new playable bank robbers, more weapons, masks and new challenges. At the same time, PAYDAY 3 is being developed on a new game engine, Unreal, which is owned by Epic Games, the creators of Fortnite. The Company's aim with PAYDAY 3 is to continue the successful history of the PAYDAY brand in order to retain existing players, while at the same time taking the initiative to expand the player base by attracting a younger audience. The game is expected to be released in 2022–2023 and will be available on PCs and consoles.*

## **Intellectual property rights**

The Company's operations are dependent on the intellectual property rights that the Company holds, primarily in the form of copyright to proprietary games and software, publisher licences to games where rights are owned by a third party, patent and patent applications, trademarks, domain names and top level domains as well as internal

specific knowledge and know-how which is protected by the Trade Secrets Act (*Sw. lagen (1990:409) om skydd för företagshemligheter*).

The Company holds certain patents and pending patent applications relating to the business that has been classified as non-core business, for example patents concerning StarVR as well as technologies regarding graphics analysis and location-based games. In addition, the Company has a number of established brands and pending trademark applications on relevant markets. The trademarks and trademark applications cover the Company's most important distinguishing marks, including Starbreeze and PAYDAY, as well as various names and characters in the PAYDAY game series. Starbreeze also holds a number of domain names and top level domains including starbreeze.com.

See also "*Starbreeze is exposed to risks related to its intellectual property rights*" in the section "*Risk factors*".



## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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This prospectus contains certain financial information for the financial year 2019 (including comparative figures for the financial year 2018) and for the period January–June 2020 (including comparative figures for the period January–June 2019). The financial information for the financial year 2019 (including comparative figures for the financial year 2018) has been derived from Starbreeze’s annual report and consolidated financial statements for the financial year 2019, which have been prepared in accordance with the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*), RFR 1 Supplementary Accounting Rules for Groups, IFRS and IFRIC interpretations and audited by the Company’s auditor. The financial information for the period January–June 2020 (including comparative figures for the period January–June 2019) has been derived from the Group’s interim report for the period January–June 2020, which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*). The interim report has not been reviewed or audited by the Company’s auditor. Starbreeze’s financial reports for the financial year 2019 and for the period January–June 2020, respectively, are incorporated by reference into this prospectus (see “*Incorporation by reference, etc.*” in the section “*Legal considerations and supplementary information*”). Other than as stated above, no information in this prospectus has been reviewed or audited by the Company’s auditor.

### Information of specific importance in the annual report

In the auditor’s report in the 2019 annual report, the Company’s auditors have disclosed the following information.

#### **“Significant uncertainty factor regarding the assumption of going concern**

*Without prejudice to our statements above, I would like to draw attention to the management story and the "Financing Needs and Capital" section and note 3 "Financial risk management" in the annual report and consolidated financial statements, which state that Starbreeze AB (publ) does not currently have sufficient secured funds to ensure continued operation for the next 12 months unless additional funds are provided. As stated in Note 3 D, as a result, the company has chosen to focus on its core business based on the Payday brand and to find partnerships to create financial stability. These circumstances indicate that there is a material uncertainty factor which could lead to significant doubts about the company's ability to continue operating. In a situation where the company's continued operation can no longer be assumed, there is a significant risk of impairment of the Group's assets and the parent company's book values of receivables on group companies and shares in group companies.”*

### Performance measures

The prospectus includes certain measures that are not defined under IFRS (alternative performance measures). These financial measures have not been reviewed or audited by the Company’s auditor. Starbreeze believes these measures are commonly used by investors, securities analysts and other interested parties as supplementary measures of performance and financial position. Starbreeze’s alternative performance measures may not be comparable to other similarly titled measures presented by other companies and have certain limitations as analysis tools. Consequently, they should not be considered in isolation of, or as an alternative to, Starbreeze’s financial information prepared in accordance with IFRS. All alternative performance measures have been derived from Starbreeze’s annual report and consolidated financial statements for the financial year 2019 and interim report for the period January–June 2020, respectively.



Performance measures	Jan–June 2020	Jan–June 2019	2019	2018
Net sales, SEK thousand	53,318	207,774	280,002	349,955
EBITDA, SEK thousand <sup>1</sup>	25,982	-132,432	-116,457	-10,342
EBIT, SEK thousand <sup>1</sup>	5,085	-204,375	-504,362	-1,577,805
Profit (-loss) before tax, SEK thousand	-105,923	-227,335	-452,424	-1,347,249
Profit (-loss) after tax, SEK thousand	-105,633	-232,472	-401,099	-1,336,352
EBITDA margin, % <sup>1</sup>	48.7	-63.7	-41.6	-3.0
EBIT margin, % <sup>1</sup>	9.5	-98.4	-180.1	-450.9
Profit margin, % <sup>1</sup>	-198.7	-109.4	-161.6	-385.0
Equity to assets ratio, % <sup>1</sup>	3.9	19.5	1.0	31.5
Percentage, administrative expenses, % <sup>1</sup>	-73	-31.5	-39.1	-33.1
Percentage, direct costs, % <sup>1</sup>	-29.6	-154.4	-236.3	-495.5
Percentage, selling and marketing costs, % <sup>1</sup>	-8.2	-3.8	-4.3	-26.1
Percentage, other operating expenses, % <sup>1</sup>	–	-14.7	-7.3	–
Closing price of A share for the period, SEK	1.47	1.29	1.85	1.23
Closing price of B share for the period, SEK	1.45	1.33	1.86	0.82
Basic earnings per share, SEK	-0.31	-0.71	-1.22	-4.2
Diluted earnings per share, SEK	-0.31	-0.71	-1.22	-4.2
Number of shares at end of period before dilution	362,304,633	329,367,849	329,367,849	325,295,554
Number of shares at end of period after dilution	362,304,633	329,367,849	329,367,849	345,895,038
Average number of shares before dilution	344,569,441	327,331,702	328,349,775	317,956,811
Average number of shares after dilution	344,569,441	327,331,702	328,349,775	317,956,811
Average number of employees	126	417	331	634
Number of employees at end of period	125	221	127	304

<sup>1</sup> Alternative performance measures.

## Definitions and explanations of alternative performance measures

Performance measure	Definition	Explanation
Percentage, administrative expenses	Administrative expenses as a percentage of net sales.	The performance measure shows Starbreeze's administrative expenses as a percentage of net sales and is used to measure the development of such expenses over time.
Percentage, direct costs	Direct costs as a percentage of net sales.	The performance measure shows Starbreeze's direct costs as a percentage of net sales and is used to measure the development of such costs over time.
Percentage, selling and marketing cost	Selling and marketing costs as a percentage of net sales.	The performance measure shows Starbreeze's selling and marketing costs as a percentage of net sales and is used to measure the development of such costs over time.
Percentage, other operating expenses	Other operating expenses as a percentage of net sales.	The performance measure shows Starbreeze's other operating expenses as a percentage of net sales and is used to measure the development of such expenses over time.
EBIT	Operating profit or loss after depreciation and amortisation (Earnings Before Interest and Taxes).	The performance measure shows operating profit or loss after depreciation/amortisation and Starbreeze's profitability independent of capital structure or tax situation.
EBITDA	Operating profit or loss before depreciation, amortisation and impairments (Earnings Before Interest, Taxes, Depreciation and Amortisation).	The performance measure shows the business's underlying earnings excluding the effect of depreciation/amortisation, and thus provides a more comparable measure of earnings over time.
EBITDA margin	Operating profit or loss before depreciation, amortisation and impairments (Earnings Before Interest, Taxes, Depreciation and Amortisation) as a percentage of net sales.	The performance measure shows Starbreeze's operational profitability before depreciation/amortisation and write-downs.
EBIT margin	Operating profit or loss as a percentage of net sales.	The performance measure shows Starbreeze's operational profitability.
Profit margin	Profit before tax as a percentage of net sales.	The performance measure shows Starbreeze's profitability.

Performance measure	Definition	Explanation
Equity to assets ratio	Equity as a percentage of total assets	The performance measure shows Starbreeze's capital structure and provides an impression of the Company's financial stability and long-term payment capability.

### Reconciliation of alternative performance measures

	Jan–June 2020	Jan–June 2019	2019	2018
<b>SEK 'thousand (unless otherwise stated)</b>				
<i>EBITDA</i>				
Operating profit (-loss)	5,085	-204,375	-504,362	-1,577,805
Less: Amortisation of intangible assets	9,414	21,745	326,860	1,438,469
Less: Depreciation of property, plant and equipment	11,483	50,198	61,045	128,994
<b>EBITDA</b>	<b>25,982</b>	<b>-132,432</b>	<b>-116,457</b>	<b>-10,342</b>
<i>EBITDA margin, %</i>				
EBITDA	25,982	-13,432	-116,457	-10,342
Net sales	53,318	207,774	280,002	349,955
<b>EBITDA margin, %</b>	<b>48.7</b>	<b>-63.7</b>	<b>-41.6</b>	<b>-3.0</b>
<i>EBIT margin, %</i>				
Operating profit (-loss)	5,085	-204,375	-504,362	-1,577,805
Net sales	53,318	207,774	280,002	349,955
<b>EBIT margin, %</b>	<b>9.5</b>	<b>-98.4</b>	<b>-180.1</b>	<b>-450.9</b>
<i>Profit margin, %</i>				
Profit (-loss) before tax	-105,923	-227,335	-452,424	-1,347,249
Net sales	53,318	207,774	280,002	349,955
<b>Profit margin, %</b>	<b>-198.7</b>	<b>-109.4</b>	<b>-161.6</b>	<b>-385.0</b>
<i>Equity to assets ratio, %</i>				
Total equity	24,657	180,868	6,158	339,006
Total equity and liabilities	634,266	925,250	591,972	1,081,630
<b>Equity to assets ratio, %</b>	<b>3.9</b>	<b>19.5</b>	<b>1.0</b>	<b>31.5</b>
<i>Percentage, administrative expenses, %</i>				
Administrative expenses	-38,948	-65,504	-109,609	-115,722
Net sales	53,318	207,774	280,002	349,955
<b>Percentage, administrative expenses, %</b>	<b>-73</b>	<b>-31.5</b>	<b>-39.1</b>	<b>-33.1</b>
<i>Percentage, direct costs, %</i>				
Direct costs	-15,789	-320,880	-661,520	-1,733,903
Net sales	53,318	207,774	280,002	349,955
<b>Percentage, direct costs, %</b>	<b>-29.6</b>	<b>-154.4</b>	<b>-236.3</b>	<b>-495.5</b>
<i>Percentage, selling and marketing costs, %</i>				
Selling and marketing costs	-4,353	-7,843	-12,048	-91,397
Net sales	53,318	207,774	280,002	349,955
<b>Percentage, selling and marketing costs, %</b>	<b>-8.2</b>	<b>-3.8</b>	<b>-4.3</b>	<b>-26.1</b>
<i>Percentage, other operating expenses, %</i>				
Other operating expenses	–	-30,599	-20,408	–
Net sales	–	207,774	280,002	349,955
<b>Percentage, other operating expenses, %</b>	<b>–</b>	<b>-14.7</b>	<b>-7.3</b>	<b>–</b>

### Market and industry information

This prospectus contains certain market and industry information sourced from third parties. This information has been accurately reproduced and as far as Starbreeze is aware and is able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information

inaccurate or misleading. However, Starbreeze has not independently verified the information and therefore, the accuracy and completeness cannot be guaranteed,

The market information included in “*Business description*” is based on the following sources.

- Steam

Steam is a digital distribution platform operated by Valve Corporation.

- Newzoo (2019 Global Games Market Report: Trends, insights, and projections toward 2022).

Newzoo provides analysis and market reports for the gaming and e-sports industry.

## CAPITALISATION, INDEBTEDNESS AND OTHER FINANCIAL INFORMATION

### Capitalisation and indebtedness

#### Capitalisation

Set forth below is Starbreeze's capitalisation as of 30 June 2020.

SEK thousand	30 June 2020
<b>Total current debt</b>	<b>277,050</b>
Guaranteed	–
Secured	–
Unguaranteed/unsecured	277,050
<b>Total non-current debt</b>	<b>332,559</b>
Guaranteed	–
Secured	585
Unguaranteed/unsecured	331,974
<b>Shareholders' equity</b>	<b>24,657</b>
Share capital	7,246
Legal reserves	–
Other reserves	17,411 <sup>1)</sup>
<b>Total</b>	<b>634,266</b>

<sup>1)</sup> Translation differences, including retained earnings.

#### Financial indebtedness

Set forth below is Starbreeze's financial indebtedness as of 30 June 2020.

SEK thousand	30 June 2020
(A) Cash	90,891
(B) Other cash equivalents	–
(C) Marketable securities	–
<b>(D) Total liquidity (A)+(B)+(C)</b>	<b>90,891</b>
<b>(E) Current financial receivables</b>	<b>–</b>
(F) Short-term bank debt	95,000
(G) Current portion of non-current liabilities	–
(H) Other current financial liabilities	62,500
<b>(I) Total current financial liabilities (F)+(G)+(H)</b>	<b>157,500</b>
<b>(J) Net current financial indebtedness (I)-(E)-(D)</b>	<b>66,609</b>
(K) Long-term bank loan	15,900
(L) Issued bonds	–
(M) Other non-current loan debt	255,300
<b>(N) Non-current financial indebtedness (K)+(L)+(M)</b>	<b>271,200</b>
<b>(O) Financial net indebtedness: (J)+(N)</b>	<b>337,809</b>

#### Contingent liabilities

As of 30 June 2020, the Company had no contingent liabilities.

### Credit facilities and loans

#### The Convertible Bond

On 20 January 2016, Starbreeze entered into an agreement with Smilegate regarding, among other things, financing and game development. Within the scope of the agreement, the Company received a loan and issued the Convertible Bond of approximately SEK 215 million to Smilegate at an annual rate of interest of 2 per cent and carrying a right for the bondholder to demand conversion to shares of series B up to 14 days prior to the maturity date. As part of the Reorganisation Plan, an arrangement was agreed upon regarding amended bond terms and conditions, through which among other things the maturity date for the Convertible Bond was extended until 6 December 2024 and the conversion price was set at SEK 2.25 per share. In addition, payment obligation under the Convertible Bond is conditioned and linked to available net cash flow from time to time pursuant to the Reorganisation Plan. The amended terms for the Convertible Bond were adopted by the Extraordinary General Meeting of the Company held on 13 January 2020. Starbreeze's refinancing charge in

respect of these amended terms amounted to SEK 165 million. The refinancing charge carries no interest and becomes due and payable on 6 December 2024.

As security for the Convertible Bond, the bondholder holds a pledge over the shares in New Publishing. Both the Convertible Bond and the refinancing charge of SEK 165 million ranks junior to all of the Company's other creditors in the composition proposal that was adopted within the context of the Reorganisation Plan, and the pledge is conditional in such a way that realisation of the pledge is possible only on condition that all of the Company's other creditors in the composition proposal have received full payment. Furthermore, the pledge is subordinate to Nordea's pledge over the shares.

The terms for the Convertible Bond include certain specific covenants regarding financial performance measures which the Company must meet during the term of the loan. The Company has undertaken not to issue dividends in excess of SEK 0.15 per share per year; to maintain at least SEK 360,000,000 in total equity; to ensure that the Company's operating profit relative to financial net expenditures<sup>19</sup> for certain periods does not fall below a ratio of 1.0; and to maintain a relationship of 0.5 between total equity and total equity including interest-bearing liabilities, in accordance with the most recently issued annual report. Thus, the Company's possibilities to raise additional loans and possibilities to issue dividends are limited. The bondholder is entitled to request immediate repayment of the Convertible Bond, including accrued unpaid interest, among other things (i) in the event of breach of the covenants regarding financial performance measures; (ii) in the event of a specifically defined change in controlling ownership in the Company; (iii) in the event the Company's shares are delisted from Nasdaq Stockholm; (iv) in the event of a decision that the Company is to go into liquidation; or (v) in the event Starbreeze fails to repay any due debt in another financing agreement (cross-default).

In March 2020, Digital Bros acquired the Convertible Bond and the refinancing charge of SEK 165 million from Smilegate. See also "*Risks related to a convertible bond issued by Starbreeze*" in the section "*Risk factors*".

### ***Loan agreement with Nordea***

In 2017, Publishing entered into a financing agreement with Nordea, which included a credit volume of SEK 150 million in the form of an overdraft facility. Security in respect of this credit security was pledged in the form of guarantees from Starbreeze and Production as well as a pledge over the shares in Publishing and Production. Subsequently, Nordea also received supplementary security in the form of pledge over a claim on a deposit account up to an amount of SEK 75 million. During the same year, Enterspace International AB took a loan from Nordea originally amounting to SEK 40 million. In respect of that credit, security was pledged in the form of guarantees from Starbreeze and Enterspace AB and a pledge over the shares in Enterspace AB and Enterspace International AB.

During the course of the company reorganisation, Nordea also claimed the above-mentioned supplementary security of SEK 75 million. Furthermore, in its capacity as pledgee, Nordea agreed to a transfer of assets and rights from Publishing and Production to New Publishing, in exchange for the bank receiving a pledge over the shares in New Publishing. In connection with the conclusion of the company reorganisation through adoption of the Reorganisation Plan in December 2019, the terms of Nordea's claim were renegotiated, entailing that the interest rate is the same as previously (STIBOR + 3.5 per cent), that payment liability is linked to available net cash flow from time to time, and that 6 December 2024 was set as a new final maturity date, all of the aforesaid in accordance with the provisions of the Reorganisation Plan.

A separate company reorganisation plan has been prepared with respect to Enterspace AB and Enterspace International AB. Nordea has a claim against Starbreeze based on the guarantee issued by Starbreeze, which has been addressed in accordance with the Reorganisation Plan.

As of the date of this prospectus, Starbreeze's total liabilities to Nordea amount to SEK 110.9 million, of which SEK 15.9 million comprises long-term debt which is to be repaid from available net cash flow pursuant to the Reorganisation Plan and ultimately becomes due and payable on 6 December 2024, and SEK 95 million comprising short-term debt, of which SEK 55 million becomes due and payable upon receipt of proceeds from the forthcoming rights issue. The loan agreement with Nordea contains covenants whereby Starbreeze must comply with certain defined targets during the term of the agreement, for example in relation to cash flow, obtaining of external financing and entry into publishing agreements, and amortisation of liabilities. As an element in implementation of the forthcoming rights issue, Starbreeze and Nordea have entered into a amendment agreement entailing, *inter alia*, that Nordea accepts that previously applicable covenants are deferred

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<sup>19</sup> The financial expenditures for the period after deduction of interest paid during the relevant period to companies in the Group (by other Group companies) with respect to cash or investments corresponding to cash.

and adjusted and that Starbreeze and Publishing have covenanted regarding repayment of certain minimum amounts of Nordea's claim within a specific period of time. Implementation of the forthcoming rights issue constitutes a prerequisite for this arrangement with Nordea. See also "*Risks related to loan agreement with Nordea*" in the section "*Risk factors*".

### **Working capital statement**

It is Starbreeze's assessment that the existing working capital is not sufficient for the present requirements during the next twelve months.

Here, 'working capital' means the Group's possibility to access liquid funds for performance of its payment obligations as they fall due. Starbreeze's working capital requirement is primarily linked to the possibility to continue the development of PAYDAY 3 according to plan in order to further strengthen the ongoing discussions with potential publishers until an agreement has been entered into, and the Company's possibilities to perform its obligations to Nordea and its other creditors in accordance with the Reorganisation Plan and the judicial composition. In the event the forthcoming rights issue is not implemented by the end of September 2020 at the latest, Starbreeze will be unable to perform its obligations under the amendment agreement with Nordea, whereupon Nordea will have the possibility to terminate the loan agreement, with the consequence of the Company then suffering from a working capital deficiency. If the rights issue is not implemented, the debt owed to Nordea and to the supplier creditors under the Reorganisation Plan becomes due and payable and, if a publishing agreement is not entered into with respect to PAYDAY 3, it is Starbreeze's assessment that the total working capital deficiency for the next twelve months will amount to approximately SEK 250 million.

After having analysed possible financing alternatives, the Board of Directors has resolved, subject to the approval by the General Meeting, to implement the forthcoming rights issue of not more than approximately SEK 250 million before transaction costs, which are estimated at approximately SEK 30 million. Approximately 70 per cent of the net issue proceeds of not more than approximately SEK 220 million will be used in Starbreeze's development work, which it is believed to enable the Company to focus on the continued development of PAYDAY 3 according to plan, while the remaining approximately 30 per cent will be used to reduce debts in accordance with the Reorganisation Plan.

In light of the entire rights issue being covered by subscription undertakings and underwriting commitments as well as a declaration of intent from existing shareholders and external underwriters, Starbreeze believes that the conditions are favourable for full subscription in the rights issue. However, received subscription undertakings, underwriting commitments and declaration of intent are unsecured.<sup>20</sup> The Company also believes that negotiations with publishers regarding a publishing agreement with respect to PAYDAY 3 are well progressed. Therefore, the Company believes there are favourable conditions for entering into such an agreement, through which the Company will be able to cover the remaining working capital deficiency of SEK 30 million during the next twelve-month-period.

If the rights issue is not finalised notwithstanding the provided subscription undertakings, underwriting commitments and declaration of intent, or if it fails to generate sufficient capital injection and if, in such case, it is not possible to enter into a publishing agreement in respect of PAYDAY 3 or to secure sufficient external financing to cover the remaining working capital deficiency, it may be necessary to take measures such as postponement or total suspension of ongoing development work, divestment of assets and renegotiation of existing loans. Should this not succeed, there is a risk that it will be necessary to significantly restrict operating activities, that Nordea will exercise its right to repayment under the above-mentioned loan agreement, and that the assets pledged to Nordea will be realised by the pledgee or that obligations under the Reorganisation Plan cannot be fulfilled, which by extension may lead to the Reorganisation Companies being placed into bankruptcy, thereby jeopardising Starbreeze's continued operations.

### **Capital expenditures**

Starbreeze is continuously investing in game and technology development. The investments are equally distributed over time and the business.

Starbreeze has not made any material capital expenditures since 31 December 2019. Starbreeze has neither made any firm commitments as regards material capital expenditures since then.

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<sup>20</sup> See "*Non-secured subscription and underwriting commitments, etc.*" in the section "*Risk factors*".

## Divestments

### Divestment of Parallaxter

In February 2020, Starbreeze divested its wholly-owned Belgian subsidiary Parallaxter. The transaction resulted in a capital gain in the Group totalling SEK 5.5 million.

### Divestment of Dhruva Infotech Private Ltd

On 12 May 2019, Starbreeze signed an agreement to sell its shares in the Indian subsidiary Dhruva Infotech Private Ltd to Rockstar Games. Prior to the divestment, Starbreeze owned 91.82 per cent of the shares in Dhruva Infotech Private Ltd. The sales price was SEK 74.3 million, of which 15 per cent has been placed in escrow for 36 months, 50 per cent of which will be released after 18 months. The transaction resulted in a capital loss in the Group totalling SEK 9.3 million.

### Divestment of Nozon sprl

On 28 June 2019, Starbreeze divested its wholly-owned Belgian subsidiary Nozon sprl. The sales price was SEK 0,5 million and the transaction resulted in a capital loss in the Group totalling SEK 21.3 million.

## Risk management

### Financial risk management

Through its business activities, Starbreeze is exposed to various types of financial risks, such as market risks (primarily currency risks and a non-material interest rate risks), credit risks, liquidity risks and capital risk. Starbreeze's general risk management policy is focused on the unpredictability of the financial markets and aims to minimise potentially deleterious effects on Starbreeze's operating results. Risk management is performed by the accounting department and the CEO in accordance with decisions by the Board of Directors.

The frameworks that apply to exposure, management and monitoring of financial risks were approved by the Board of Directors in a risk management policy adopted at the board meeting held 19 August 2019. The risk management policy was also adopted by the Board of Directors of all subsidiaries of Starbreeze. In the risk management policy, the Board of Directors has delegated certain responsibilities for daily risk management to the Company's CEO and the accounting department.

A description of how the Group manages various financial risks follows.

### Market risks

#### *Currency risk*

The Group is exposed to currency risk by reason of its international operations. Currency risk refers to the risk that fair value or future cash flows will fluctuate due to movements in exchange rates. Exposure to currency risk originates primarily from payment flows in foreign currency, i.e., transaction exposure. A large share of Starbreeze's revenues are paid in USD. The Company also has costs in EUR and SEK. Fluctuations in the currency market can therefore have negative impact on the Company's profitability and operating results.

The Group's objective is to manage its currency risk in order to achieve long-term stability and mitigate the negative effects of changes in exchange rates. The Company manages currency risks in connection with every contract entered into that generates a commitment in foreign currency by requiring the CEO or CFO of the Company to discuss matters related to currency hedges with the Board of Directors. The Group's basic premise is that currency hedging should not be used, but purchase or sale contracts may be currency hedged against the date that the cash flow is expected. Accordingly, currency hedging during the hedge horizon may be used and, in such case, be connected to work in progress, purchase or sale contracts and trade receivables or trade payables.

The Company does not generally conduct currency hedging. Each change to such decision must be approved by the Board of Directors. To the greatest possible extent, the Company must attempt to balance incoming and outgoing cash flows in foreign currencies, i.e., create natural hedges. Furthermore, the Company must monitor, measure and follow-up transaction exposures in the Group.

#### *Interest rate risk regarding cash flow and fair values*

At present, the Company has interest-bearing debt in the form of the Convertible Bond, which has a fixed interest rate, as well as interest-bearing debt to Nordea. Currently, the interest rate risk is low due to the loans either bearing a low fixed interest rate or an interest rate linked to STIBOR, which is currently low.

In order to manage the Group's interest rate risks, the risk management policy establishes that the average remaining fixed interest period for interest-bearing investments must not exceed 18 months.

### ***Credit risks***

Credit risk arises through cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures towards customers, including outstanding receivables and agreed transactions.

The Group manages credit risks by various means, including ongoing assessments of the counterparty's credit rating, e.g., when new business relationships are entered into or existing relationships extended.

The Group also manages credit risks by accepting only banks and financial institutions that have been given an "A" credit rating or better by an independent appraiser, and the approved financial institutions are named in Starbreeze's financial policy. If another institution is to be used, Board decisions are required.

### ***Liquidity risks***

Liquidity risk refers to the risk of being unable to meet payment obligations at each due date. Access to long-term financing is critical to the capacity to manage liquidity risk in an acceptable manner.

In order to manage liquidity risk, the Company prepares cash flow projections for the Group as a whole and the finance department prepares and continuously evaluates projections off the Group's liquidity reserves. The CFO is responsible for these being produced and reported to the CEO and the Board of Directors in accordance with the Group's financial policy.

The Group's policy is that if investments are made, they must be safe, low risk and of short duration, which reduces the risk of liquidity shortfalls.

### ***Capital risk***

The CFO continuously monitors the Group's liquidity and capital needs for the next twelve months. If capital is lacking for the period, the Board of Directors is notified immediately. During and after the reconstruction, this has been a priority and particularly closely monitored area.

## **Significant trends**

Starbreeze has continued to place great focus on developing and strengthening the organisation, and the work of creating a more efficient organisation and an adapted cost structure has been successful. The Company's ongoing costs have been reduced substantially since the company reorganisation began. This had been achieved through cost savings and efficiency improvements in terms of personnel and purchasing.

The positive sales trend as a result of COVID-19, which began in the first quarter of 2020 has also continued throughout the second quarter of 2020, and Starbreeze is seeing a continuous high demand for PAYDAY 2. Furthermore, the Company released new content for PAYDAY 2 on 30 June 2020, which has been well-received by Starbreeze's community on Steam and contributed positively to the sales.

Due to the streamlined operations that have been implemented by the Company since the start of the reorganisation as well as the positive effects of the increased demand for PAYDAY 2, the Company's underlying earnings, apart from costs relating to the reorganisation, are showing a positive development.

Dialogues with several leading publishing partners regarding a publishing agreement for PAYDAY 3 are ongoing, and the negotiations are deemed to be well progressed. Due to, among other things, travel restrictions and the general decline in business activity around the world during the ongoing COVID-19 pandemic, the date and time needed to conclude such negotiations regarding publishing agreements have been affected.

## **Significant changes since 30 June 2020**

On 30 June 2020, the Board of Directors of Starbreeze resolved, subject to approval by an Extraordinary General Meeting, to increase the Company's share capital through a rights issue with preferential rights for the Company's shareholders. The Board of Directors' resolution was approved by the Extraordinary General Meeting on 13 August 2020.

Otherwise, no significant changes in the financial position or financial performance of Starbreeze have occurred since 30 June 2020.



## BOARD OF DIRECTORS, GROUP EXECUTIVE TEAM AND AUDITOR

### Board of Directors

According to Starbreeze's Articles of Association, the Board of Directors shall comprise three to eight members elected by the shareholders at the General Meeting. In addition and by law, employee organisations are entitled to appoint employee representatives. The Board of Directors currently comprises five members elected by the General Meeting (elected by the 2020 Annual General Meeting for a term of office extending until the close of the 2021 Annual General Meeting).

Name	Assignment	Elected	Independent in relation to the Company and Group Executive Team	Independent in relation to the Company's major shareholders	Audit Committee	Remuneration Committee	Shareholding <sup>1)</sup>
Torgny Hellström	Chairman	2019	Yes	Yes	Member	Chairman	250,000
Jan Benjaminson	Member	2019	Yes	Yes	Member		–
Kerstin Sundberg	Member	2019	Yes	Yes	Chairman		–
Tobias Sjögren	Member	2019	Yes	Yes		Member	–
Anna Lagerborg	Member	2020	Yes	Yes			–

1) Own holdings and holdings of related persons and affiliated companies as of 31 July 2020 (and known changes thereafter).

### Torgny Hellström

*Born 1958. Chairman of the Board of Directors since 2019. Chairman of the Remuneration Committee and member of the Audit Committee*

**Principal education and professional experience:** LLM, Stockholm University. Executive education Thunderbird, University of Phoenix. Has previously held senior positions within Anoto Group, most recently as CEO and before that as COO and Chief Legal Officer. Torgny Hellström's previous work includes position as Vice President Litigation within the Ericsson Group and positions within IBM Europe and IBM Nordic.

#### Other current appointments/positions:

Chairman of the Board of Directors of Precise Biometrics AB and SWIPP AB as well as CEO and board member of Ruddex International AB.

**Previous assignments/positions (past five years):** Chairman of the Board of Directors of MagComp AB and DDM Holding AG, as well as board member of True Heading AB (publ) and Seapilot AB.

**Holding:** 250,000 shares of series B

*Independent in relation to the Company, the Group Executive Team and major shareholders*

### Jan Benjaminson

*Born 1958. Board member since 2019. Member of the Audit Committee.*

**Principal education and professional experience:** MBA, Lund University. Jan Benjaminson has, among other things, previously served as CFO and CEO of TargetEveryOne and is also one of the founders of the mobile game developer Level Eight. He was also Chairman of the Board of Directors of the game development company Massive Entertainment during 2000–2002.

**Other current appointments/positions:** CFO of the e-sport platform developer G-Loot Global Esports AB. Chairman of the Board of Directors of Level Eight AB. Board member of Change Alliances Generated by Excess and Novel Talent Sweden AB, SOZAP AB (publ), Strandstrosaren 45 AB and Oxcia AB as well as deputy board member of Gloom AB and Imodules AB.

**Previous assignments/positions (past five years):** CEO of Spectrumone AB (publ) and board member of VMSPlay Sweden AB, Targeteveryone Sweden AB and Investmentaktiebolaget QV.

**Holding:** –

*Independent in relation to the Company, the Group Executive Team and major shareholders*

### **Kerstin Sundberg**

*Born 1954. Board member since 2019. Chairman of the Audit Committee.*

**Principal education and professional experience:** MBA, Stockholm University. Has a background as an authorised public accountant and financial adviser, of which the past 17 years as a partner at Deloitte. Kerstin Sundberg also possesses extensive experience of M&A and Transaction services.

**Other current appointments/positions:** Board member of WWF Sweden and RingoRun AB, and deputy board member of Galerie Konstruktiv Tendens Man Aktiebolag.

**Previous assignments/positions (past five years):** Board member of Fortnox Aktiebolag.

**Holding:** –

*Independent in relation to the Company, the Group Executive Team and major shareholders*

### **Tobias Sjögren**

*Born 1975. Board member since 2019. Member of the Remuneration Committee.*

**Principal education and professional experience:** EMBA M-Gruppen. Has worked within the videogame industry since 1996, within production, business development, sales and management. Previously worked at, e.g. Paradox Interactive, Stardoll and the international agent company DDM Agents and was head of DICE Stockholm's studio at the time of launch of the Battlefield game. During the past 15 years he has also served as Chairman of the Board of Directors Imagination Studios AB and the industry association Swedish Games Industry (Spelplan ASGD AB) and has held board memberships in June AB and Ztorm AB.

**Other current appointments/positions:** CEO and board member of Fox in a Box Holding AB, Chairman of the Board of Directors of Fox in a Box Stockholm Cafe AB and board member of Video Games Consulting AB.

**Previous assignments/positions (past five years):** CEO of White Wolf Entertainment AB.

**Holding:** –

*Independent in relation to the Company, the Group Executive Team and major shareholders*

### **Anna Lagerborg**

*Born 1966. Board member since 2020.*

**Principal education and professional experience:** BA in systems science (ADB), Stockholm University. Anna Lagerborg has long experience of managing tech organisations, including from NetEnt where she was development manager and was included in the group management, and also from Hemnet, where among other things she served as CTO. Anna Lagerborg also engages in executive search and business development at Safemind, a recruitment agency specialised within tech and digitalisation.

**Other current appointments/positions:** Board member of Welcome Change AB and deputy board member of Anna Crampton AB.

**Previous assignments/positions (past five years):** Acting CEO and Deputy CEO of Hemnet AB, as well as deputy board member of Hemnet Holding AB. Chief Development Officer at Netent.

**Holding:** –

*Independent in relation to the Company, the Group Executive Team and major shareholders*

## Group Executive Team

Name	Position	Current position since	Shareholding <sup>1)</sup>
Mikael Nermark	CEO	2018	623,443
Mats Juhl	CFO	2020	100,000
Maeva Sponbergs	Chief Commercial Officer	2019	71,137
Per Juhlén	Head of Production	2019	–
Martin Ternheim	HR Director	2019	200,000
Charlotte Albertsson	Head of Business and Financial Control	2018	–

1) Own holdings and holdings of related persons and affiliated companies as of 31 July 2020 (and known changes thereafter).

### Mikael Nermark

*Born 1970. CEO since 2018.*

**Principal education and professional experience:** Business, Stockholm University. Managerial positions and expert within the gaming industry for 20 years, including GRIN, PAN Vision and Vision Park. Deputy CEO of Starbreeze between 2009 and 2011, CEO between 2011 and 2013 and Deputy CEO between 2014 and 2018.

**Other current appointments/positions:** –

**Previous assignments/positions (past five years):** –

**Holding:** 623,443 shares of series B.

### Mats Juhl

*Born 1973. CFO since May 2020.*

**Principal education and professional experience:** MA in financing, Lund University. CFO Sweden Arena Management KB (Friends Arena), Finance Director Ticnet AB and CFO Enea AB (publ).

**Other current appointments/positions:** CEO, board member and owner of Juhl Management AB.

**Previous assignments/positions (past five years):** Board member of Lund & Valentin arkitekter och design AB, Wikerstål Arkitekter AB and Gröna rummet landskapsarkitekter i Kalmar AB. Chairman of the Board of Directors of WERKET arkitekter AB and deputy board member of White Tengbom Team Aktiebolag. CFO Mips AB (publ) as well as CFO of Tengbomgruppen AB.

**Holding:** 100,000 shares of series B.

### Maeva Sponbergs

*Born 1980. Chief Commercial Officer since 2019.*

**Principal education and professional experience:** IT Project Management, IHM Business School. 19 year's industry experience and many years' experience within communication and investor relations. Formally EVP of Communications in Starbreeze since 2017 and, before that, EVP of Communications and Head of Investor Relations since 2015. Head of Operations since 2014.

**Other current appointments/positions:** Deputy board member of Board Nexus Sweden AB.

**Previous assignments/positions (past five years):** –

**Holding:** 71,137 shares of series B.

**Per Juhlén**

*Born 1976. Head of Production since 2019.*

**Principal education and professional experience:** More than 16 years' experience of managing production teams in the gaming industry, the past 7 years as Senior Development Director at DICE, Starbreeze (2011–2012) and Hansoft.

**Other current appointments/positions:** –

**Previous assignments/positions (past five years):** Senior Development Director, Digital Illusions CE.

**Holding:** –

**Martin Ternheim**

*Born 1977. HR Director since 2019.*

**Principal education and professional experience:** MA in International Human Resources Management, University of Greenwich and B.Sc. in Human Resources Management, Unitec. Has worked within HR for more than 15 years, most recently as HR Manager at Telenor.

**Other current appointments/positions:** –

**Previous assignments/positions (past five years):** –

**Holding:** 200,000 shares of series B.

**Charlotte Albertsson**

*Born 1987. Head of Business and Financial Control since 2018.*

**Principal education and professional experience:** International MBA, Linköping University. Worked as consultant for eight years, including at Qliro and Deloitte.

**Other current appointments/positions:** –

**Previous assignments/positions (past five years):** –

**Holding:** –

## Other information concerning the Board of Directors and Group Executive Team

All members of the Board of Directors and Group Executive Team can be reached through Starbreeze's address P.O. Box 7731, SE-103 95 Stockholm.

There are no family relationships between any of the members of the Board of Directors and/or Group Executive Team. No member of the Board of Directors or senior executive has been convicted in any case involving fraudulence during the past five years. None of them have been involved in any bankruptcy, receiverships or liquidation during the past five years in the capacity of a member of administrative, management or supervisory bodies or a senior executive. No official public incrimination and/or sanctions have been issued by statutory or regulatory authorities (including designated professional bodies) during the past five years against any of the members of the Board of Directors or Group Executive Team. Nor, during the past five years, has any member of the Board of Directors or Group Executive Team been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any issuer.

No member of the Board of Directors or Group Executive Team has any private interests or other duties which might conflict with their duties carried out on behalf of Starbreeze. However, as stated above, a number of the members of the Board of Directors and Group Executive Team has a financial interest in Starbreeze through shareholdings.

## Auditor

Öhrlings PricewaterhouseCoopers AB is Starbreeze's auditor since 2000. Öhrlings PricewaterhouseCoopers AB was re-elected at the Annual General Meeting 2020 for the period up to and including the Annual General Meeting 2021. Nicklas Kullberg, authorised public accountant and a member of FAR (the professional institute for authorised public accountants in Sweden), is auditor-in-charge since 2015.

## SHARES AND SHARE CAPITAL

### Share information

According to Starbreeze's Articles of Association, the share capital shall be not less than SEK 7,000,000 and not more than SEK 28,000,000, divided into not less than 350,000,000 shares and not more than 1,400,000,000 shares. Starbreeze has issued shares in two series; shares of series A and shares of series B. Shares of each series may be issued up to a number corresponding to 100 per cent of the share capital. Each share of series A entitles the holder to ten (10) votes and each share of series B entitles the holder to one (1) vote.

As of 31 December 2019, Starbreeze's registered share capital was SEK 6,587,357.01, represented by 329,367,849 shares (of which 53,001,992 shares of series A and 276,365,857 shares of series B), each with a quota value of SEK 0.02 per share. Since 31 December 2019, the share capital and number of shares in Starbreeze have increased by SEK 658,735.68 and 32,936,784 shares respectively, through the directed issue of shares of series A carried out in February 2020. In addition, 1,209,692 shares of series A have been converted into shares of series B. As of the date of this prospectus, the Company's share capital amounts to SEK 7,246,092.69, represented by 362,304,633 shares (of which 84,729,084 shares of series A and 277,575,549 shares of series B).

The shares in Starbreeze have been issued in accordance with Swedish law, are fully paid and denominated in SEK. The shares are not subject to any restrictions on transferability. The rights of the shareholders may only be changed pursuant to the procedures set out in the Swedish Companies Act (*Sw. aktiebolagslagen (2005:551)*).

### Forthcoming rights issue

The forthcoming rights issue will, if fully subscribed, result in an increase of the number of shares in Starbreeze from 362,304,633 shares (of which 84,729,084 shares of series A and 277,575,549 shares of series B) to 724,609,266 shares, of which 169,458,168 shares of series A and 555,151,098 shares of series B), representing an increase of approximately 100 per cent.

### Dilution

For shareholders who decline to subscribe for shares in the rights issue, the shareholding will be diluted with a total of 362,304,633 new shares, representing approximately 50 per cent of the total number of shares in Starbreeze after the rights issue.

The table below sets forth the net asset value per share before and after the forthcoming rights issue, respectively, based on equity as of 30 June 2020 and the maximum number of shares that may be issued in the forthcoming rights issue. The subscription price in the rights issue is SEK 0.69.

	Before the rights issue (as of 30 June 2020)	After the rights issue
Equity, SEK thousand	24,657	274,657 <sup>1)</sup>
Number of shares	362,304,633	724,609,266
<b>Net asset value per share, SEK</b>	<b>0.07</b>	<b>0.38</b>

<sup>1)</sup> Consolidated equity as of 30 June 2020 increased by the proceeds from the forthcoming rights issue, before deduction of transaction costs.

### Information about public takeover bids

The shares in Starbreeze are not subject to any public takeover bid. No public takeover bids have been made in respect of the shares in Starbreeze during the current financial or previous financial year.

Under the Swedish Stock Market (Takeover Bids) Act (*Sw. lagen (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*), any person who does not hold any shares, or hold shares representing less than 30 per cent of the voting rights in a Swedish limited liability company whose shares are admitted to trading on a regulated market, and who through the acquisition of shares in such a company, alone or together with a closely related party, holds shares representing 30 per cent or more of the voting rights, is obliged to immediately disclose the size of its holding in the company and, within four weeks thereafter, make an offer to acquire the remaining shares in the company (mandatory bid requirement).

A shareholder who directly, or through a subsidiary, holds more than 90 per cent of the shares in a Swedish limited liability company is entitled to redeem the remaining shares in the company. Holders of the remaining shares are, correspondingly, entitled to have their shares redeemed by the majority shareholder. The procedure for such redemption of minority shares is regulated in the Swedish Companies Act (*Sw. aktiebolagslagen (2005:551)*).

## Certain rights attached to the shares

### General meetings

Notice of General Meetings shall be published in the Swedish Official Gazette (*Sw. Post- och Inrikes Tidningar*) and on the Company's website. Simultaneously, an announcement with information that the notice has been issued shall be published in *Dagens Industri*. To be entitled to participate in a General Meeting, the shareholder must be registered in Starbreeze's share register five weekdays prior to the meeting, and notify the Company of the participation not later than on the day specified in the notice of the meeting.

### Voting rights

Each share of series A entitles the holder to ten (10) votes and each share of series B entitles the holder to one (1) vote. Each shareholder is entitled to vote for the total number of shares held without limitation of the voting powers.

### Preferential rights to new shares, etc.

Should the Company decide to issue new shares of series A and shares of series B through a cash issue or a set-off issue, owners of shares of series A and shares of series B shall have preferential rights to subscribe for new shares of the same series in proportion to the shareholder's existing shareholdings (primary preferential rights). Shares that are not subscribed for with primary preferential rights shall be offered to all shareholders for subscription (subsidiary preferential rights). Should the number of shares offered not be enough for subscription through subsidiary preferential rights, the said shares shall be apportioned among the subscribers in proportion to their existing shareholdings and, to the extent that this cannot be done, by lottery.

Should the Company decide through a cash issue or a set-off issue to offer only shares of series A or shares of series B, all shareholders, regardless of whether their shares are shares of series A or shares of series B, shall have preferential rights to subscribe for new shares in proportion to their existing shareholdings.

Should the Company decide through a cash issue or a set-off issue to issue warrants or convertibles, shareholders shall have preferential rights to subscribe for warrants as if the issue applied to the shares that may be newly subscribed on the basis of the warrant right, or preferential rights to subscribe for convertibles as though the new issue applied to the shares that the convertibles could be exchanged for.

The above shall not constitute any restriction on the possibility to decide on a cash issue or a set-off issue, with deviation from the preferential rights of the shareholders.

If the share capital is increased through a bonus issue, new shares in each series shall be issued in proportion to the existing number of shares in each series. Old shares in a specific series shall thus carry entitlement to new shares in the same series. The aforesaid shall not constitute any restriction on the possibility to issue new shares of a new series through a bonus issue, following the requisite amendment to the Articles of Association.

### Right to dividends and surplus in the event of liquidation

All shares carry the same right to share in the Company's profit and any surplus in the event of liquidation.

Dividends are resolved upon by the General Meeting and the payment is administered by Euroclear Sweden. Dividends may only be paid if Starbreeze, after such dividends, still has full coverage of its restricted equity and further to the extent that such dividends are justified taking into consideration (i) the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations, and; (ii) Starbreeze's and the group's consolidation needs, liquidity and financial position in general (the so-called prudence rule). As a general rule, the shareholders may not decide upon larger dividends than those proposed or approved by the Board of Directors. Dividends are normally paid to shareholders in cash on a per share basis, but may also be paid in kind.

On the record date established by the General Meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden will be entitled to receive dividends. If a shareholder cannot be paid through Euroclear Sweden, such shareholder still retains its claim to the dividend amount, and the claim remains against Starbreeze subject to a statutory limitation of 10 years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to Starbreeze. Neither the Swedish Companies Act (*Sw. aktiebolagslagen (2005:551)*) nor the Company's Articles of Association contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden.

The tax legislation in Sweden and in the investor's home country may affect the income received from any dividend. Please refer to "Important information on taxation" in the section "Terms and conditions".

### **Dividend policy**

The cashflow generated in New Publishing will be used to repay debts owed to the Reorganisation Companies and to finance the continued development and growth of the business. The Reorganisation Companies will use the received funds for repayment in accordance with the Reorganisation Plan. Therefore, the Board of Directors of Starbreeze do not intend to propose that any dividend be paid to the shareholders during the next few years. Furthermore, the Company has, within the scope of the Convertible Bond, undertaken to not pay dividend exceeding SEK 0.15 per share per year during the term of the Convertible Bond. Historically, no dividend has been paid by Starbreeze.

### **Conversion clause**

Upon request of the shareholder, shares of series A shall be converted to shares of series B. The request for conversion shall be made in writing to the Board of Directors and shall specify the number of shares of series A to be converted to shares of series B and, if the request does not refer to the entire holding, specify the shares of series A to which the conversion refers. The Company shall immediately notify the conversion to the Swedish Companies Registration Office for registration in the Companies Register. The conversion is executed once the registration is complete and has been entered in the CSD register.

## **Ownership structure**

### **Major shareholders as of 31 July 2020**

On 31 July 2020, Starbreeze had 28,375 shareholders. The largest shareholder was Digital Bros, with approximately 10.05 per cent of the equity and approximately 24.60 per cent of the voting rights. Shown below are Starbreeze's largest shareholders as of 31 July 2020 with subsequently known changes.

Holder/nominee/custodian bank	Shares of series A	Shares of series B	Shares, %	Votes, %
Digital Bros	26,695,287	9,733,948	10.05	24.60
Swedbank Robur	10,180,153	43,327,893	14.77	12.90
Första AP-fonden	7,795,179	34,999,996	11.81	10.40
Fjärde AP-fonden	10,620,895	700,000	3.12	9.50
Swedfact Holding AB	4,173,890	–	1.15	3.71
Försäkringsaktiebolaget, Avanza Pension	1,566,269	16,712,626	5.05	2.88
Michael Hjort <sup>21</sup>	1,429,105	–	0.39	1.27
Nordnet Pensionsförsäkring Ab	529,665	4,275,641	1.33	0.85
Banque Internationale A Lux	–	6,560,892	1.81	0.58
Stefan Johansson	650,000	–	0.19	0.58
<b>Total, ten largest shareholders</b>	<b>63,640,443</b>	<b>116,346,856</b>	<b>49.67</b>	<b>66.91</b>
Other shareholders	21,088,641	161,228,693	50.33	33.09
<b>Total</b>	<b>84,729,084</b>	<b>277,575,549</b>	<b>100.00</b>	<b>100.00</b>

Source: Euroclear Sweden

In Sweden, the minimum level for reportable shareholdings (so-called flagging) is 5 per cent of all shares or voting rights for all shares.

## **Authorisations**

### **Authorisation for the Board of Directors to resolve on a new share issue**

At the Annual General Meeting, held on 13 May 2020, the Board of Directors was authorised to, on one or more occasions, during the period until the next Annual General Meeting, with or without deviation from the preferential rights for the shareholders, resolve upon a new share issue of shares of series B, or of convertibles or warrants entitling the holder to shares of series B, representing (in the case of such convertibles or warrants being used) a maximum of 10 per cent of the outstanding amount of shares, for a cash payment or through kind or set-off. The purpose of the authorisation and reason to the deviation from the preferential rights for the shareholders, is that the Company should be able to issue shares or other instruments when acquiring companies

<sup>21</sup> Through Indian Nation AB.



or other operations, and be able to carry out directed share issues to raise additional capital for the Company. For example, in connection to financing the production of a game. The issue price should be set on market terms. Additional conditions shall be resolved by the Board of Directors on market terms.

As of the date of this prospectus, the authorisation has not been utilised.

## Outstanding subscription warrants

### Warrants programme 2018/2021

The Annual General Meeting held in May 2018 resolved on a share-related incentive programme for senior executives and certain other key Starbreeze employees, with the aim of addressing new recruitments and promotions. The programme covers in total 3,000,000 warrants, carrying an entitlement to subscribe for 3,000,000 shares of series B. The exercise price is set at SEK 22.73 per share and the warrants may be exercised during the period 3 May–30 June 2021. As of 30 June 2020, 625,275 warrants in Warrant Programme 2018/2021 had been allotted. As of the date of this prospectus, none of the warrants have been exercised.

### Warrants 2016/2021

In connection with changes carried out in August 2016 to the conversion price for the Convertible Bond held by Smilegate, the Company issued 215,052 warrants to Smilegate as compensation for the less favourable terms that the change entailed. The warrants carry an entitlement to, not later than 15 business days after demand for conversion of all or parts of the Convertible Bond, however not later than 12 February 2021, and at a exercise price corresponding to the quota value of the share from time to time, subscribe for the number of shares of series B constituting the difference between the shares of series B to which the relevant conversion would have granted an entitlement pursuant to the original terms, and the number of shares of series B to which the conversion in question grants an entitlement pursuant to the new terms. When the terms for the Convertible Bond were amended at the Extraordinary General Meeting held on 13 January 2020, the terms for the 2016/2021 warrants were not simultaneously amended, and thus it is currently unclear which number of shares of series B the warrants grant the holder a right to subscribe for. At the Swedish Companies Registration Office, the maximum dilution which the 2016/2021 warrants will entail, amounts to an increase in the share capital of SEK 242,937.42, corresponding to 12,146,871 shares of series B. Starbreeze has not been notified whether, and it is thus unclear whether, the 2016/2021 warrants have been taken over by Digital Bros in connection with Digital Bros taking over the Convertible Bond from Smilegate in March 2020. None of the warrants have been exercised as of the date of this prospectus.

## Central securities depository

Starbreeze's shares are book-entry registered in a securities register in accordance with the Swedish Central Securities Depository and Financial Instruments Accounts Act (*Sw. lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*). The register is operated by Euroclear Sweden (Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden). The shares are registered on person. No share certificates have been issued for the shares or will be issued for the new shares. The ISIN code for shares of series A is SE0007158928 and the ISIN code for the shares of series B is SE0005992831.

## Shareholders' agreements, etc.

To the Board of Directors' knowledge, there are no shareholders' agreement or other agreements between shareholders in Starbreeze intended to exercise joint control of the Company. Nor is the Board of Directors aware of any agreements which may result in a change to the control of the Starbreeze.



## LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

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### General corporate and group information

The legal name of the Company (and its commercial name) is Starbreeze AB (publ). Starbreeze's corporate ID No. is 556551-8932 and the registered office of the Board of Directors is situated in Stockholm, Sweden. The Company was incorporated in Sweden on 12 January 1998 and registered with the Swedish Companies Registration Office on 22 January 1998. The Company has been conducting operations since then. The Company is a Swedish public limited liability company governed by the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*). Starbreeze's LEI code is 213800T68IVZFR868L42. Starbreeze's shares of series A and series B are both listed on Nasdaq Stockholm since 9 October 2017, and were before then listed on First North (currently Nasdaq First North Growth Market) since 2014 and on AktieTorget (currently Spotlight) since 2000. The shares of series A and shares of series B are traded on the Nasdaq Stockholm Small-Cap list under the tickers STAR A and STAR B.

The address to Starbreeze's website is [www.starbreeze.com](http://www.starbreeze.com). The information on Starbreeze's website, and other websites referred to in this prospectus, has not been scrutinised or approved by the SFSA, and is not a part of this prospectus, unless that information is incorporated by reference into the prospectus.

### Information about this prospectus

This prospectus has been approved by the SFSA, as competent authority under the Prospectus Regulation (EU) 2017/1129. The SFSA only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation (EU) 2017/1129. Such approval shall not be considered as an endorsement of the issuer, nor should it be considered as an endorsement of the quality of the securities that are the subject of this prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of the Prospectus Regulation (EU) 2017/1129.

This prospectus is valid for twelve months after the date of the prospectus. The obligation to supplement this prospectus in event of significant new factors, material mistakes or material inaccuracies does not apply once the shares issued through the rights issue have been admitted to trading on Nasdaq Stockholm.

### The company reorganisation and the Reorganisation Plan

On 3 December 2018, the Stockholm District Court issued a company reorganisation order in respect of the Reorganisation Companies pursuant to the Company Reorganisation Act (Sw. *lagen (1996:764) om företagsrekonstruktion*) as a consequence of liquidity shortages in the Reorganisation Companies. During the reorganisation, a restructuring of the Group took place whereby all assets and rights which constituted the core business were transferred to a company acquired for the purpose, New Publishing. Employees and other game development resources were transferred in a corresponding manner to a new company, New Studios, which develops games on behalf of New Publishing on a work for hire basis. Transferred assets and rights were valued by EY and the purchase price was determined based on the valuation. Payment was made through the issuance of a seller promissory note which was also valued, and, with respect to property acquired from Production, through the issuance of shares in a non-cash issue.

Within the context of a composition arrangement, the terms for the Reorganisation Companies' debts were renegotiated in such a manner that payment is to take place from available net cash flow during a five-year period. The arrangement was formalised through bilateral agreements with the creditors who accepted payment over a period of more than one year and a coordinated payment plan for all Reorganisation Companies. The smaller creditors were given a right to choose between receipt of payment of the principal amount within one year from the date of adoption of the composition, or payment with interest from available net cash flows. For the two largest creditors, Nordea and Smilegate (whose claim was subsequently transferred to Digital Bros), the bilateral agreements also involve pledges over the shares in New Publishing: Nordea holds a primary right, followed by Smilegate. However, realisation of the pledge may not take place unless all other creditors, with exception of Nordea and Smilegate, have received payment in full of their claims. The above composition proposal was accepted by a large majority of the creditors and thus the District Court was able to affirm the composition on 6 December 2019, whereupon the reorganisation was successfully concluded. In connection therewith, Lars Söderqvist of Wesslau Söderqvist Advokatbyrå, who had been the administrator, was appointed as supervisor pursuant to the Company Reorganisation Act (Sw. *lagen (1996:764) om företagsrekonstruktion*), to supervise performance of the obligations pursuant to the Reorganisation Plan and the composition.

Payment to the smaller creditors who chose the alternative of payment within one year must take place not later than 5 December 2020. Payment to the Reorganisation Companies' other creditors must, pursuant to bilateral agreements, take place as the Reorganisation Companies receive payments from New Publishing with respect to liabilities (the above-mentioned seller promissory note and other intra-group liabilities) and, with respect to Production, dividends or group contributions. In a corresponding manner to the payment obligations of the Reorganisation Companies to the creditors, this payment obligation is conditional on there being a positive net cash flow in the respective Reorganisation Company liable to make payment.

As a consequence of the structure of the Reorganisation Plan and intra-group debt structures, the proceeds from the rights issue will be paid into an account held by Starbreeze, but which is pledged for the benefit of New Publishing as security for Starbreeze's obligation to make payment under an intra-group loan agreement between the parent company Starbreeze and New Publishing, pursuant to which Starbreeze may not dispose of the received issue proceeds other than as required to cover issue costs, which may take place following approval by New Publishing, which will thereupon release a corresponding amount from its pledge.

## **Material agreements**

Presented below is a summary of material agreements entered into by Starbreeze during the past two years as well as other agreements entered into by Starbreeze, which contains any obligation or entitlement that is material to Starbreeze (in both cases excluding agreements entered into in the ordinary course of business).

### **Divestments**

See "*Divestments*" in the section "*Capitalisation, indebtedness and other financial information*".

### **Credit agreements**

See "*Credit facilities and loans*" in the section "*Capitalisation, indebtedness and other financial information*".

### **Rights regarding PAYDAY**

Starbreeze developed and owns all rights to the PAYDAY game series. Starbreeze has granted exclusive publishing rights to the first game in the series, PAYDAY: The Heist, to a third party for the console platforms PlayStation 3, PlayStation Network and PlayStation Now. Starbreeze has a right to royalties on the publisher's net sales on such platforms and retains publishing rights to the other platforms (e.g., PC).

Development of the second game in the series, PAYDAY 2, was partially financed by 505 Games which initially was granted exclusive publishing rights to the game and future PAYDAY games. The parties have since agreed that the publishing rights to the PC and mobile platforms for PAYDAY 2 and all publishing rights to future games in the PAYDAY series will revert to Starbreeze. However, 505 Games retains the publishing rights to PAYDAY 2 on the console platforms Playstation 3, PlayStation 4, Xbox 360 and Xbox One. Starbreeze has a right to royalties on 505 Games' net sales on such platforms.

Starbreeze has entered into several licensing agreements with third parties regarding the in-licensing of the right to use the intellectual property rights of such third parties for development and commercialisation of DLC to the PAYDAY 2 game. The licensing agreements contain revenue sharing models that give the licensor a right to royalties on net sales of the DLC in question.

In connection with reversion of the publishing rights to PAYDAY 2, Starbreeze and 505 Games agreed that 505 Games will have a right to an initial share of future revenues attributable to the commercialisation of the next title in the game series, PAYDAY 3, which Starbreeze is developing. The revenue sharing will expire when 505 Games has received a maximum of USD 40 million, provided that Starbreeze does not release a fourth PAYDAY game in the series within three years of the release of PAYDAY 3.

## **Subscription and underwriting commitments, etc.**

### **Subscription undertakings**

Första AP-fonden, Digital Bros and Fjärde AP-fonden, together holding shares representing approximately 24.99 per cent of the total number of shares and approximately 44.14 per cent of the voting capital in the Company, have undertaken to exercise their preferential rights in the rights issue and thereby subscribe for new shares corresponding to their respective holding in the Company, i.e. totalling approximately 24.99 per cent of the rights issue (see breakdown in the table below). No compensation is paid for these subscription undertakings.

The above mentioned shareholders have also undertaken to, until the date when the rights issue is ultimately registered with the Swedish Companies Registration Office, not reduce their holding in the Company without

consent from the Company. However, the undertakings do not prevent the above mentioned shareholders to convert their shares of series A to shares of series B.

### Underwriting commitments

In addition to the subscription undertakings, a number of institutional and private professional investors have undertaken to underwrite subscription for additional shares at an aggregate amount of approximately SEK 150.6 million, corresponding to approximately 60.24 per cent of the rights issue (see breakdown in the table below). For these underwriting commitments, Starbreeze will pay a fee of 7.5 per cent of the underwritten amount, in total approximately SEK 11.3 million. Any shares subscribed for by reason of the underwriting commitments will be allocated in accordance with the principles set out under “*Allotment of new shares subscribed for without subscription rights*” in the section “*Terms and conditions*”.

The underwriting commitments are conditional upon the Board of Directors and General Meeting adopting the resolutions that are necessary to carry out the rights issue. These conditions have been met through the Board of Directors’ rights issue resolution on 30 June 2020 and the approval thereof by the Extraordinary General Meeting on 13 August 2020.

### Non-secured commitments

The above-mentioned subscription and underwriting commitments are not secured. Consequently, there is a risk that one or more of the above-mentioned parties are not able to fulfil their undertakings in whole or in part. See also “*Non-secured subscription and underwriting commitments, etc.*” in the section “*Risk factors*”.

### Declaration of intent

Swedbank Robur, holding shares representing approximately 14.77 per cent of the shares and approximately 12.90 per cent of the voting capital in the Company, has declared its intention to subscribe for new shares corresponding to its holding in the rights issue.

### Total commitments and declaration of intent

Altogether, the subscription and underwriting commitments total approximately 85.23 per cent of the rights issue as detailed in the below table. The commitments and Swedbank Robur’s declaration of intent total 100 per cent of the rights issue. All commitments were entered into in connection with the announcement of the forthcoming rights issue on 30 June 2020.

Shareholder/investor	Current shareholding, (series A and B shares)	Subscription undertaking (preferential rights)/ declaration of intent, share of the rights issue, %	Underwriting commitment, SEK millions	Underwriting commitment, share of rights issue, %	Total commitments, share of rights issue, %
<b>Subscription and underwriting commitments</b>					
Första AP-fonden	42,795,175	11.81	–	–	11.81
Digital Bros	36,429,235	10.05	–	–	10.05
Fjärde AP-fonden	11,320,895	3.12	–	–	3.12
Modelio Equity AB <sup>1)</sup>	–	–	58.0	23.20	23.20
John Fällström <sup>2)</sup>	–	–	35.0	14.00	14.00
Wilhelm Risberg <sup>3)</sup>	–	–	20.0	8.00	8.00
Fredrik Lundgren <sup>4)</sup>	–	–	20.0	8.00	8.00
John Bäck <sup>5)</sup>	–	–	10.0	4.00	4.00
Ingo Invest AB <sup>6)</sup>	–	–	7.6	3.04	3.04
<b>Total subscription and underwriting commitments</b>	<b>90,545,305</b>	<b>24.99</b>	<b>150.6</b>	<b>60.24</b>	<b>85.23</b>
<b>Declaration of intent</b>					
Swedbank Robur	53,508,046	14.77	–	–	14.77
<b>Total</b>	<b>144,053,351</b>	<b>39.76</b>	<b>150.6</b>	<b>60.24</b>	<b>100.00</b>

<sup>1)</sup> Eriksbergsgatan 1B, 114 30 Stockholm.

<sup>2)</sup> Grev Magnigatan 4, 114 55 Stockholm.

<sup>3)</sup> Narvavägen 33, 114 60 Stockholm.

<sup>4)</sup> Hårdvallsgatan 14, 115 46 Stockholm.

<sup>5)</sup> Sturegatan 48, 114 36 Stockholm.

<sup>6)</sup> Box 3104, 103 62 Stockholm.

## Legal and arbitration proceedings

Starbreeze is present in several countries and from time to time, the group is subject to disputes, claims and administrative proceedings in the ordinary course of business. However, during the past 12 months, Starbreeze has not been part to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware) which are deemed may have, or have had in the recent past, significant effects on Starbreeze's financial position or profitability.

Please also refer to "*Starbreeze is exposed to risks related to legal proceedings and disputes*" in the section "*Risk factors*".

## Related-party transactions

No related-party transactions which, as a single transaction or in their entirety, are material to Starbreeze have occurred after 31 December 2019.

Please also refer to "*Note 39 – Related Parties*" on p. 82 in the Group's annual report for the financial year 2019.

## Summary of information announced in accordance with MAR

The information that Starbreeze during the past 12 months has announced in accordance with the Market Abuse Regulation (596/2014) ("**MAR**") and that is relevant as of the date of this prospectus is set forth below.

### Financial reports

- On 20 August 2019, Starbreeze published its interim report for the second quarter of 2019.
- On 5 November 2019, Starbreeze published its interim report for the third quarter of 2019.
- On 11 February 2020, Starbreeze published its year-end report for 2019.
- On 27 March 2020, Starbreeze announced the decision to postpone publication of the 2019 annual report until 14 April 2020.
- On 12 May 2020, Starbreeze published its interim report for the first quarter of 2020.
- On 18 August 2020, Starbreeze published its interim report for the second quarter of 2020.

### Forthcoming rights issue

- On 30 June 2020, Starbreeze announced that the Board of Directors had resolved on the forthcoming rights issue of shares of series A and B with preferential rights for existing shareholders, of approximately SEK 250 million before transaction costs. The Board of Directors' resolution was approved by the Extraordinary General Meeting on 13 August 2020.
- On 12 August 2020, Starbreeze announced the terms and conditions for the forthcoming rights issue, including subscription price, increase in capital and the number of shares to be issued.

### Company reorganisation

- On 30 August 2019, it was announced that Starbreeze has submitted a request to the Stockholm District Court for an extended company reorganisation period.
- On 10 September 2019, Starbreeze announced that the Stockholm District Court had ordered that Starbreeze's company reorganisation would be allowed to continue up to and including 3 December 2019.
- On 11 October 2019, Starbreeze announced an assessment of the operations' future cash flows from the business as a consequence of the ongoing reorganisation work. The Company assessed that its cash flows would be positive, based on anticipated new publishing agreements during 2020 and the anticipated release of PAYDAY 3 during 2022-2023.
- On 11 November 2019, Starbreeze announced that a reorganisation plan and a request for a composition hearing had been submitted to the Stockholm District Court. In the plan, the administrator described, among other things, proposals for arrangements that had been presented to Starbreeze's creditors for settlement of Starbreeze's debts.
- On 13 November 2019, Starbreeze announced that a meeting of creditors during the composition hearing would be held at the Stockholm District Court on 6 December 2019.
- On 6 December 2019, Starbreeze announced that the Stockholm District Court had affirmed the composition proposal in Starbreeze's company reorganisation and that the Reorganisation Plan was thus adopted.

- On 6 December 2019, Starbreeze announced that, as part of Starbreeze's reorganisation work, an agreement had been reached with Smilegate regarding amended terms for the Convertible Bond, conditional on approval by an Extraordinary General Meeting, as well as other activities concerning the Crossfire-related game project. According to the agreement, the maturity date of the Convertible Bond would be deferred from February 2020 to December 2024 and be subordinated to other liabilities. The charge payable by Starbreeze in respect of these changes was estimated at SEK 165 million, a debt which ranks junior to other liabilities and extends for a period of five years without interest.
- On 6 December 2019, Starbreeze announced that Starbreeze and Smilegate had reached an agreement to discontinue the cooperation with the Crossfire-related project. For Starbreeze, this entailed an impairment loss of SEK 111 million in the fourth quarter of 2019, attributable to capitalised development costs.
- On 18 December 2019, Starbreeze announced that the Board of Directors had convened an Extraordinary General Meeting to be held on 13 January 2022 to consider a proposal for amended terms and conditions for the Convertible Bond. The Extraordinary General Meeting resolved in accordance with the Board of Directors' proposal for amended terms and conditions for the Convertible Bond.

### **Publishing rights**

- On 19 September 2019, Starbreeze announced that Universal Games and Digital Platforms had decided to phase out most of its publishing business with respect to mobile games. As a consequence, the parties' collaboration regarding the publishing contract for PAYDAY: Crime War, which was signed in February 2019, was discontinued.

### **Changes in Group Management**

On 27 March 2020, it was announced that Starbreeze had appointed Mats Juhl as Chief Financial Officer (CFO). He succeeded acting CFO Claes Wentzel and took up the position before the end of the first half of 2020.

### **Directed share issue**

On 19 February 2020, it was announced that Starbreeze had carried out a directed issue of new shares of series A amounting to SEK 51.3 million, to a number of well-reputed Swedish institutional investors such as Swedbank Robur, Första AP-fonden and Fjärde AP-fonden. The directed share issue was resolved by the Board of Directors pursuant to the authorisation granted by Starbreeze's Annual General Meeting held on 4 June 2019.

### **Advisors, etc.**

Starbreeze's financial advisor in relation to the rights issue is Carnegie (Regeringsgatan 56, SE-111 56 Stockholm). Carnegie is Sole Global Coordinator and Bookrunner in connection with the offering under this prospectus. Carnegie (and to Carnegie's affiliates) has provided, and may in the future provide, various banking, financial, investment, commercial and other services to Starbreeze for which Carnegie has received, and may receive, compensation.

Mannheimer Swartling Advokatbyrå is Starbreeze's legal advisor in the rights issue. Wesslau Söderqvist Advokatbyrå is legal advisor in regards to the Company's compliance with the Reorganisation Plan and composition in the rights issue.

### **Incorporation by reference, etc.**

Starbreeze's consolidated financial statements for the financial year 2019 and for the period January–June 2020, are incorporated into this prospectus by reference and consequently form part of this prospectus and are to be read as a part hereof. The said financial statements are included in Starbreeze's annual report and consolidated financial statements for the financial year 2019 and Starbreeze's interim report for the period January–June 2020. Reference to incorporated documents takes place as follows:

- Annual report 2019.<sup>22</sup> Board of Directors' report (pp. 41–45); consolidated statement of comprehensive income (p. 46); consolidated statement of financial position (p. 47); consolidated statement of changes in equity (p. 48); consolidated statement of cash flows (p. 49); and notes (pp. 54–85) as well as auditor's report (pp. 87–89).

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<sup>22</sup> [https://www.starbreeze.com/sbz-media/2020/04/Starbreeze-Annual-Report-2019\\_web.pdf](https://www.starbreeze.com/sbz-media/2020/04/Starbreeze-Annual-Report-2019_web.pdf)

- Interim report January–June 2020:<sup>23</sup> consolidated statement of comprehensive income (p. 12); consolidated statement of financial position (p. 13); consolidated statement of cash flows (p. 15), consolidated statement of changes in equity (p. 14); and notes (p. 20–23).

Non-incorporated parts of the above reports contain information presented elsewhere in this prospectus or which is deemed not relevant to investors in the forthcoming rights issue. The Group's annual report for the financial year 2019 has been audited by the Company's auditor. The Group's interim report for the period January–June 2020 has not been audited or reviewed by the auditor.

### **Documents on display**

The Reorganisation Plan, including appendices, letter to the creditors of Starbreeze containing a composition proposal (dated 11 October 2019) as well as Starbreeze's Articles of Association and certificate of registration, are available during the validity period of this prospectus in electronic form on Starbreeze's website ([www.starbreeze.com](http://www.starbreeze.com)).

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<sup>23</sup> <https://www.starbreeze.com/sbz-media/2020/08/Starbreeze-Interim-Half-Year-Q2-2020.pdf>



## SELLING AND TRANSFER RESTRICTIONS

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*The distribution of subscription rights and the offer to subscribe for new shares in Starbreeze by exercise of subscription rights as well as without subscription rights (the “Rights Issue”) to persons resident in, or who are citizens of, countries other than Sweden and Denmark may be affected by the laws of the relevant jurisdiction. Investors should consult their professional advisers as to whether their relevant jurisdiction requires any governmental or other consent or if there is a need to observe any other formalities in order to enable them to exercise subscription rights or to subscribe for new shares without subscription rights.*

### General

Starbreeze has not taken and will not take any action to permit a public offering of the new shares being issued in the Rights Issue (through the exercise of the subscription rights or otherwise) in any jurisdiction other than Sweden and Denmark. Receipt of this prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus is for information only and must not be copied or redistributed.

Except as otherwise disclosed in this prospectus, if an investor receives a copy of this prospectus in any jurisdiction other than Sweden and Denmark, the investor may not treat the prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the Securities, unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Securities could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements.

Accordingly, if an investor receives a copy of this prospectus, the investor should not distribute or send the same, or transfer the Securities to any person, in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If any investor forwards this prospectus into any such jurisdictions (whether under a contractual or legal obligation or otherwise), such investor should draw the recipient’s attention to the contents of this section. Except as otherwise expressly noted in this prospectus, the following applies:

- the Securities may not be offered, subscribed for, sold or transferred, directly or indirectly, to or in the United States, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, Switzerland, South Korea, South Africa or any other jurisdiction in which it would not be permissible to offer the Securities or where such action would require additional prospectuses, registration or measures other than those pursuant to Swedish law (an “**Ineligible Jurisdiction**”, together the “**Ineligible Jurisdictions**”);
- the prospectus may not be sent to any person in any Ineligible Jurisdiction; and
- the transfer of subscription rights to an account of a shareholder or other person in an Ineligible Jurisdiction or of a citizen of an Ineligible Jurisdiction (referred to as “**Ineligible Persons**”) does not constitute an offer to such persons of new shares and Ineligible Persons may not exercise subscription rights.

If an investor subscribes for, receives, transfers, trades or otherwise deals in the Securities, that investor will be deemed to have made, or, in some cases, be required to make, among other things, the following representations and warranties to Starbreeze and any person acting on its behalf (unless such requirement is waived by Starbreeze):

- the investor is not located in an Ineligible Jurisdiction;
- the investor is not an Ineligible Person;
- the investor is not acting, and has not acted, for the account or benefit of an Ineligible Person;
- unless the investor is a holder of Shares and a QIB, the investor is located outside the United States, and any person for whose account or benefit it is acting on a non-discretionary basis is located outside the United States and, upon acquiring Offer Shares, the investor and any such person will be located outside the United States;
- the investor understands that the Securities have not been or will not be registered under the Securities Act and may not be offered, subscribed for, exercised, pledged, sold, resold, allotted, delivered or otherwise transferred within the United States, or for the account or benefit of persons in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act; and



- the investor may lawfully be offered, exercise, subscribe for and receive Securities in the jurisdiction in which it resides or is currently located.

Starbreeze and any person acting on its behalf will rely upon the investor's representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may subject the investor to liability.

If a person is acting on behalf of a holder of subscription rights (including, without limitation, as a nominee, custodian or trustee), that person will be required to provide the foregoing representations and warranties to Starbreeze with respect to the exercise of subscription rights on behalf of the holder. If such person does not or is unable to provide the aforementioned representations and warranties, Starbreeze will not be bound to authorise the allocation of any Securities to that person or the person on whose behalf the other is acting.

Subject to the specific restrictions described below, if an investor (including, without limitation, its nominees, custodians and trustees) who is located outside of Sweden wishes to exercise, deal in or subscribe for Securities, the investor must satisfy itself as to full observance of the applicable laws of any relevant jurisdiction including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any taxes due in such territories.

**The information set out in this section is intended as a general guide only. If the investor is in any doubt as to whether it is eligible to exercise subscription rights or otherwise subscribe for Securities, that investor should consult professional advisers without delay.**

For shareholders who on the record date 20 August 2020 hold shares in Starbreeze through financial intermediaries, all subscription rights will initially be credited to such financial intermediaries for such shareholders' accounts. A financial intermediary may not exercise any subscription rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and may be required in connection with any exercise of subscription rights to certify the same.

Subject to certain exceptions, financial intermediaries are not permitted to send this prospectus or any other information about the Rights Issue into any Ineligible Jurisdiction or to any Ineligible Person. The crediting of subscription rights to the account of persons in Ineligible Jurisdictions or to Ineligible Persons does not constitute an offer of Securities to such persons. Nominees, which include banks, brokers, custodians and other financial intermediaries, holding for Ineligible Persons may consider selling any or all subscription rights held for the benefit of such persons to the extent permitted under their arrangements with such persons and applicable law and to remit the net proceeds to the accounts of such persons.

Subject to certain exceptions, exercise instructions or certifications regarding subscription sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid and the Securities will not be delivered to an addressee in any Ineligible Jurisdiction. Starbreeze reserves the right to reject any exercise or revoke any accepted exercise made in the name of any person who provides an address in an Ineligible Jurisdiction for exercise or delivery of Securities, who does not or is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is not acting on a discretionary basis for such persons, or who appears to Starbreeze or its agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, Starbreeze reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of subscription rights which appears to it to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction.

Notwithstanding any other provision of this prospectus, Starbreeze reserves the right to permit a holder to exercise its subscription rights if Starbreeze in its absolute discretion is satisfied that the transaction in question is exempt from or not subject to the laws or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described below. In any such case, Starbreeze does not accept any liability for any actions that a holder takes or for any consequences that such holder may suffer by Starbreeze's acceptance of the holder's exercise of subscription rights.

None of Starbreeze, Carnegie or any of their respective representatives is making any representation to any offeree, subscriber or purchaser of the Securities regarding the legality of an investment in the Securities by such offeree, subscriber or purchaser under applicable laws. Each investor should consult with its own advisors and make its independent assessment of the legal, tax, business, financial and other consequences of a subscription or purchase of the Securities.

**Investing in the Securities involves risks. See “Risk factors” for a discussion of risks that prospective investors should consider before investing in the Securities.**

### **United States**

The Securities have not been and will not be registered under the Securities Act or under the securities legislation of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities legislation in any state or other jurisdiction of the United States. The Securities are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. Any offering of the Securities to be made in the United States will be made by the issuer and only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, to a limited number of investors who (i) are existing holders of shares in Starbreeze and qualified institutional buyers as defined in Rule 144A under the Securities Act (“QIBs”) and (ii) have executed and delivered an *investor letter*, in form and substance acceptable to Starbreeze.

Accordingly, subject to certain limited exceptions, this document will not be sent to, and no subscription rights will be credited to, any shareholder with a registered address in the United States. In addition, Starbreeze and Carnegie reserve the right to reject any instruction in respect of the Securities sent by or on behalf of any securities account holder with a registered address in the United States.

Up until 40 days after the closing date of the Rights Issue, an offer, sale or transfer of the Securities within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act. The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission (“SEC”), any state regulatory authority in the United States or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the Rights Issue or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Each person to which Securities are distributed, offered or sold within the United States will, by accepting delivery of this prospectus or by its subscription for Securities, be deemed to have represented, acknowledged and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for Securities, as the case may be, that, among other things:

1. it, and any account for which it is exercising any rights, is at the time of receipt of the prospectus, and at the time of any exercise by it of subscription rights, an existing shareholder of the Company and a QIB.
2. it understands and acknowledges that the Rights Issue is made in reliance on an exemption from registration under the Securities Act and that none of the Securities have been or will be registered under the Securities Act, and that they may not be offered, sold or exercised, directly or indirectly, in the United States, other than in accordance with paragraph 4 below.
3. it understands that the subscription rights may only be transferred, assigned, sold or resold outside the United States in reliance on Regulation S under the Securities Act, and not in any case inside or into the United States.
4. as a purchaser in a private placement of securities that have not been registered under the Securities Act, it may only acquire subscription rights, paid subscribed shares/Interim shares and new shares upon the exercise of such subscription rights, for its own account, or for the account of one or more other QIBs for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account, in each case for investment and not with a view to any resale or distribution of any such subscription rights or of any paid subscribed shares/Interim shares or new shares issuable upon exercise of the subscription rights.
5. it understands and agrees that, although offers and sales in the United States of the subscription rights are being made only to QIBs, and that the subscription rights may be exercised only by QIBs in the United States, neither such offers and sales nor such exercises are being made under Rule 144A, and that if in the future it or any such other QIB for which it is acting, as described in paragraph 4 above, or any other fiduciary or agent representing such investor decides to offer, sell, deliver, pledge, hypothecate or otherwise transfer any subscription rights, or any paid subscribed shares/Interim

shares or new shares issued upon the exercise of subscription rights, it and such other persons will do so only (i) pursuant to an effective registration statement under the Securities Act; (ii) with respect to paid subscribed shares/Interim shares or new shares, to a QIB in a transaction meeting the requirements of Rule 144A; (iii) outside the United States pursuant to Rule 904 under Regulation S under the Securities Act in an “offshore transaction” (and not in a pre-arranged transaction resulting in the resale of such subscription rights, paid subscribed shares/Interim shares or new shares into the United States); or (iv) in the case of new shares issued upon the exercise of subscription rights, in accordance with Rule 144 under the Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. It understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of new shares.

6. it understands that for so long as new shares issued upon the exercise of subscription rights are “restricted securities” within the meaning of U.S. federal securities laws, no such new shares may be deposited into any U.S. depository receipt facility established or maintained by a depository bank, other than a restricted depository receipt facility, and that such new shares will not settle or trade through the facilities of the Depository Trust Company or any other U.S. exchange or clearing system.
7. it has received a copy of this prospectus and has had access to such financial and other information concerning Starbreeze as it has deemed necessary in connection with making its own investment decision to exercise subscription rights and has consulted with its own independent advisers or otherwise satisfied itself concerning the legal, tax and other economic considerations related to exercising its subscription rights. It acknowledges and agrees that neither Starbreeze or Carnegie nor any person representing Starbreeze or Carnegie has made any representation to it with respect to Starbreeze or the offer in the Rights Issue other than as set forth in the prospectus. It will hold any offering materials, including the prospectus, it receives directly or indirectly from Starbreeze or Carnegie in confidence, and it understands that any such information received by it is solely for it and may not be redistributed or duplicated by it. It acknowledges and agrees that the Securities have not been offered to it by Starbreeze or Carnegie in any form of general solicitation or general advertising (in the meaning set forth in Regulation D under the Securities Act).
8. it, and each other QIB, if any, for whose account it may acquire subscription rights, paid subscribed shares/Interim shares or new shares, in the normal course of business, invests in or purchases securities similar to the Securities, has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of acquiring subscription rights and new shares and is aware that it must bear the financial risk of an investment in each subscription right and any paid subscription share and new share for an indefinite period of time and is able to bear such risk for an indefinite period.
9. it understands that these representations and undertakings are required under United States securities laws and irrevocably authorises Starbreeze and Carnegie to produce these undertakings and the investor letter to any interested parties in any administrative or legal proceedings or official enquiry with respect to the matters covered herein.
10. it represents that if, in the future, it offers, resells, pledges or otherwise transfers the Securities, it shall notify such subsequent transferee of the transfer restrictions set out herein.
11. it is not an affiliate (as defined in Rule 501(b) under the Securities Act) of Starbreeze, and is not acting on behalf of an affiliate of Starbreeze.
12. it understands and acknowledges that Starbreeze, Carnegie and each of their respective affiliates and agents, and others, will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.

In addition, each person exercising subscription rights or otherwise subscribing for new shares will be deemed to have acknowledged and agreed that no person is authorised to give any information or make any representations other than those contained in the prospectus and, if given or made, such information or representations will not be relied upon as having been authorised by Starbreeze or Carnegie, nor will Starbreeze or Carnegie have any liability or responsibility therefore.

Each person to which Securities are distributed, offered or sold outside the United States will, by its subscription for, or purchase of, Securities, be deemed to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for Securities, as the case may be, that:

- it is acquiring the Securities from Starbreeze in an “*offshore transaction*” as defined in Regulation S under the Securities Act; and
- the Securities have not been offered to it by Starbreeze by means of any “*directed selling efforts*” within the United States as defined in Regulation S under the Securities Act.

### **Agreement of confidentiality**

Any recipient of this document in the United States is hereby notified that this document is being furnished to it on a confidential basis and must not be reproduced, resent or otherwise redistributed, in whole or in part, under any circumstances. Furthermore, recipients are authorised to use this document solely for the purpose of considering a subscription for Securities and may not disclose any of the contents of this document or use any information herein for any other purpose. This document is personal to each recipient and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Securities. Any recipient of this document agrees to the foregoing by accepting delivery of this document.

### **Enforcement of liabilities and service of process**

Starbreeze is a Swedish limited liability company (Sw. *Aktiebolag*). The majority members of the Board of Directors and the steering group are resident outside the United States. A substantial portion of the assets of Starbreeze and such persons are located outside the United States. As a result, it may not be possible for investors to serve writ of summons upon Starbreeze or such persons or to enforce against them in U.S. courts judgments obtained in such courts. Original actions, or actions for the enforcement of judgments of a U.S. court, relating to the civil liability provisions of the federal or state securities laws of the United States are not directly enforceable in Sweden. The United States and Sweden do not have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Accordingly, a final judgment for the payment of money rendered by a U.S. court based on civil liability will not be directly enforceable in Sweden. However, if the party in whose favour such final judgment is rendered brings a new lawsuit in a competent court in Sweden, that party may submit to the Swedish court the final judgment that has been rendered in the United States. Although a judgment by a federal or state court in the United States against the Company or the Group will neither be recognised nor enforced by a Swedish court, it may serve as evidence in a similar action in a Swedish court.

### **Passive Foreign Investment Company**

Starbreeze does not believe it was a “passive foreign investment company” (“**PFIC**”), as defined in the U.S. Internal Revenue Code, for U.S. federal income tax purposes for its most recent taxable year and does not expect to be a PFIC for the current taxable year or in the foreseeable future. However, the determination of whether the Company is a PFIC is complex and it is possible that Starbreeze could be classified as a PFIC, especially if there are changes in the composition of its assets or income, as well as changes in the company’s market capitalisation.

In general, a non-U.S. corporation will be classified as a PFIC for any taxable year if at least (i) 75 per cent of its gross income is classified as “passive income”; or (ii) 50 per cent of the average quarterly value of its assets produce or are held for the production of passive income. For this purpose, passive income generally includes, among other items, dividends, interest, gains from certain commodities transactions, certain rents, royalties and gains from the disposition of passive assets. In making this determination, the non-U.S. corporation is treated as earning its proportionate share of any assets of any corporation in which it holds a 25.0 per cent or greater interest.

Under the PFIC rules, if Starbreeze were considered a PFIC at any time that a U.S. shareholder holds Securities, Starbreeze would continue to be treated as a PFIC with respect to such shareholder’s investment unless (i) the company ceases to be a PFIC; and (ii) the U.S. shareholder has made a “deemed sale” election under the PFIC rules.

U.S. investors should consult their own tax advisors about the potential application of the PFIC rules to Starbreeze and an investment in the Securities.

**EEA**

Within the European Economic Area (“**EEA**”), no public offering of Securities is made in other countries than Sweden and Denmark. In other member states of the EU, such an offering of Securities may only be made in accordance with the Prospectus Regulation. In other member states of the EEA which have implemented the Prospectus Regulation in their national legislation, any offer of Securities may only be made in accordance with an applicable exemption in the Prospectus Regulation and/or in accordance with an applicable exemption under a relevant national implementation measure. In other member states of the EEA which have not implemented the Prospectus Regulation in their national legislation, any offer of Securities may only be made in accordance with an applicable exemption under national law. Each recipients of this prospectus will be considered to have represented and guaranteed that they do not have or will not make any offer to the public in any member state of the EEA.

**Other jurisdictions**

The Securities have not been and will not be registered in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, Switzerland, South Korea, South Africa or any other jurisdiction outside Sweden and may not be offered, subscribed for, exercised, pledged, sold, resold, delivered or otherwise transferred, directly or indirectly, in or to any such jurisdiction other than in such exceptional cases when a prospectus would not be required under applicable laws and regulations of such jurisdiction.

## ADDRESSES

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#### **Postal address**

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### **Auditor**

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