



**STARBREEZE**

# PRELIMINARY RECONSTRUCTION PLAN

December 21, 2018

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# PRELIMINARY RECONSTRUCTION PLAN

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**Starbreeze AB (publ)**  
**Starbreeze Studios AB**  
**Starbreeze Publishing AB**  
**Enterspace AB**  
**Starbreeze Production AB**  
**Enterspace International AB**

21 december 2018

# DEFINITIONS

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**”The Parent Company”**

Starbreeze AB (publ)

**”Studios”**

Starbreeze Studios AB

**” Production”**

Starbreeze Production AB

**”Publishing”**

Starbreeze Publishing AB

**”Enterspace”**

Enterspace AB

**”International”**

Enterspace International AB

**”The Companies”**

The Parent Company, Studios, Production, Publishing, Enterspace och International

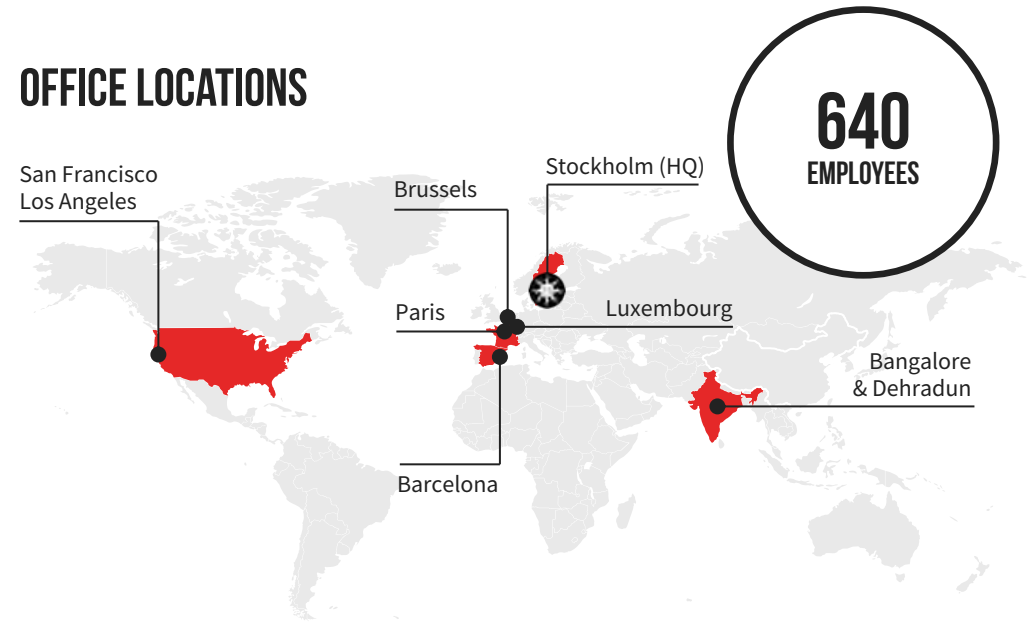
**”The Administrator”**

Advokat Lars Söderqvist,  
Wesslau Söderqvist Advokatbyrå

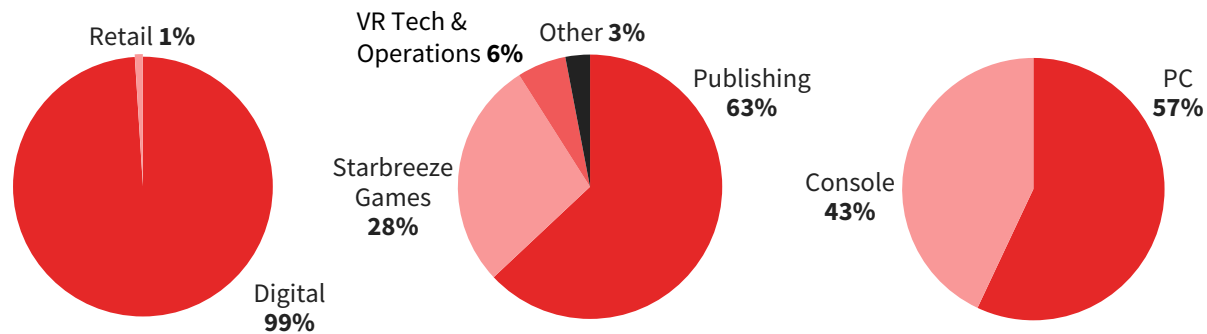
# STARBREEZE TODAY

- First listed gaming company in Northern Europe founded in 1998
- Independent developer and publisher of PC and console games and VR products
- Net sales of EUR 36m LTM
- Listed on Nasdaq Stockholm

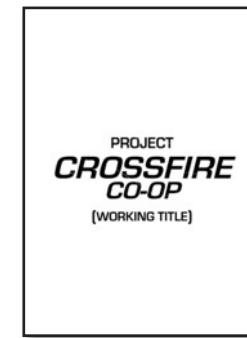
## OFFICE LOCATIONS



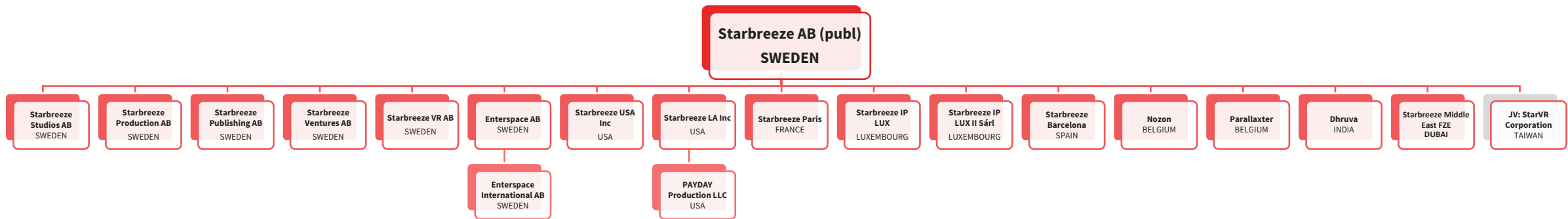
## NET SALES SPLITS LTM



## STRONG IPS



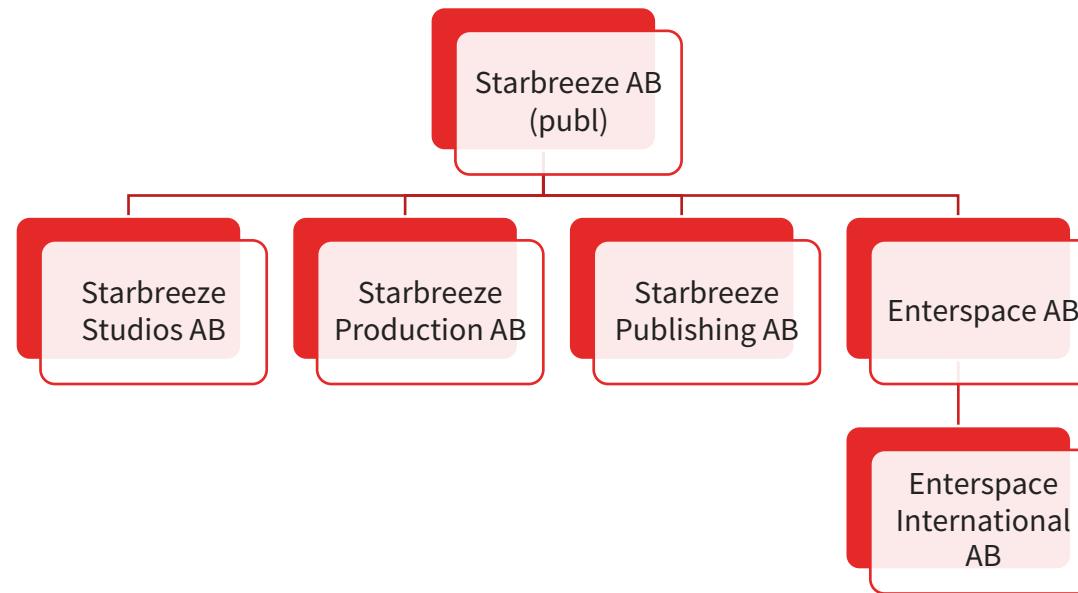
# STARBREEZE GROUP STRUCTURE



















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

# COMPANIES IN RECONSTRUCTION

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# MANAGEMENT TEAM

								
	<b>MIKAEL NERMARK</b> Acting CEO (CEO 2011–2013)	<b>CLAES WENTHSEL</b> Acting CFO	<b>STÉPHANE DECROIX</b> CDO	<b>MAEVA SPONBERGS</b> EVP of Communications	<b>PIA ROSIN</b> Interim Head of Investor Relations	<b>SAÛL GASCON BARBA</b> Global Development Director	<b>ALMIR LISTO</b> Global Brand Director & Producer	<b>JOHANNA WIKLAND</b> Global Human Resources Director
Selected work experience								
Years of relevant experience	33 years	23 years	20 years	18 years	17 years	13 years	10 years	13 years

# FINANCIAL SITUATION

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

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



# FINANCIAL SITUATION, CONT.

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

## **Convertible loan with a nominal value of 215 MSEK from Smilegate Holdings Inc**

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

## **Convertible subordinated loan of 75 MSEK from ACER Inc.**

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

# FINANCIAL SITUATION, CONT.

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

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

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

## **Loan from Nordea Bank AB (publ) of 40 MSEK**

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

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

# THE CAUSES OF THE PAYMENT DIFFICULTIES

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

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

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

# THE RECONSTRUCTION

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The main features of a reconstruction can be summarized as follows:

- ensure that the cessation of payments is effective and payment management is correct,
- maintain required liquidity for the business to prevent value loss, and
- find out how the companies can be reorganised and how the creditors' losses can be repaid.

# MEASURES TAKEN

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- Instructions for the management of payments have been established and implemented in the organisation.
- Information regarding applicable rules and laws and the meaning of the reorganisation for creditors, customers and staff has been provided internally within the organization and to external stakeholders.
- Information has been gathered by the Administrator in order to obtain knowledge regarding the organisation's operational activities and financial position.
- The administrator has made a decision on salary guarantee for the companies' 263 employees. The salary guarantee has a positive, but limited, impact on the companies' cash flow.
- The work with the reconstruction plan has started.

# MEASURES TAKEN, CONT.

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- The Administrator has been in contact with the group's major creditors and business partners in order to exchange information about the financial situation, on ongoing joint projects and the various options offered.
- Contacts have also been taken with various external stakeholders regarding opportunities for strategic collaborations and transactions relating to different parts of the group's business.
- The administrator has in collaboration with the Company identified and defined the core business, and other non-core business as the basis of the preliminary reconstruction plan.
- The Company's group functions has been analysed to optimized the processes and management structure, and to prepare for external project financing.

# CONTINUED BUSINESS



# FUTURE STARBREEZE

PROCESS MANAGEMENT, PROJECT FINANCING

INTERNALLY  
DEVELOPED GAMES

PUBLISHING TITLES WITH BEST IN CLASS  
EXTERNAL PARTNERS

STRATEGIC PARTNERSHIPS  
IN THE GLOBAL NETWORK



# FUTURE STARBREEZE

## CORE BUSINESS

The Company's operational and financial resources will be focused to the core business and be the platform for the Group's future operations. These include:

- **Internal Development:**

PAYDAY 2, PAYDAY 3, PAYDAY: Crime War, OVERKILL's The Walking Dead, Crossfire, Geminose

- **Publishing:**

Psychonauts 2, System Shock 3, 10 Crowns

## NON-CORE BUSINESS

The Company has further identified non-core assets and the company has initiated a process to find collaborations with external parties to secure that these operations develop in a positive way. These assets include, but are not limited to:

- **Enterspace**

- **Other VR LBE initiatives**

- **StarVR**

- **Nozon**

- **PresenZ**

- **Dhruva**

- **ePawn**

# RECON- STRUCTION TIMELINE

3 DECEMBER



## COMPANY FILES FOR RECONSTRUCTION

Starbreeze AB (publ) and 5 subsidiaries enter into reconstruction.

21 DECEMBER



## CREDITORS' MEETING

20 FEBRUARY



## YEAR END REPORT, Q4

The company reports the year end report and Q4

3 MARS



## ORDINARY RECONSTRUCTION PERIOD ENDS

Deadline for any application for extension

# COMPANY IN RECONSTRUCTION - STARBREEZE AB (PUBL)

## COMPANY STRUCTURE

- **Company:** Starbreeze AB (publ)
- **Org.Reg.No:** 556551-8932
- **Description:** Starbreeze AB (publ) is the Parent Company of the corporate group. The A shares and B shares are listed on NASDAQ Nordic in Stockholm (segment Mid Cap) under the ticker symbols STAR A and STAR B. The Parent Company's A share is accompanied by ten voting rights and its B share by one right to vote. All shares have equal rights to dividends.

## COMPANY OFFICERS

### Board of Directors<sup>1)</sup>

- Michael Hjorth, ordförande
- Matias Myllyrinne
- Harold Kim

### Acting CEO

- Mikael Nermark

### Auditor

- Öhrlings Pricewaterhouse Coopers AB
- with Nicklas Kullberg as chief auditor.

1) The board is not complete. According to the company's Articles of Association, the board must consist of at least four board members. An extraordinary General Meeting will therefore take place in February.

# BOARD OF DIRECTORS STARBREEZE AB (PUBL)

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## **MICHAEL HJORT**

Chairman of the board  
(since 2013, director since  
2007)

CEO of the wholly owned  
investment firm Indian Nation  
AB and an Executive Producer  
in Film and TV.

Chairman of the board of  
Mäklarappen AB, director of  
Frack AB and MAG  
Interactive AB, director and  
CEO of Indian Nation AB.



## **HAROLD KIM**

Director (since 2016)

Vice President of Business  
Development for Smilegate  
Holdings Inc. and Vice CEO of  
SG Interactive Inc.

Vice CEO of SG Interactive  
Inc. and Vice President of  
Business Development for  
Smilegate Holdings Inc.



## **MATIAS MYLLYRINNE**

Director (since 2013)

Seasoned game executive with  
industry experience since 1999

Former Head of Development  
at Wargaming and former  
CEO of Remedy  
Entertainment Ltd., currently  
startup founder and seed  
investor

# BALANCE SHEET STARBREEZE AB (PUBL)

## BALANCE SHEET, Starbreeze AB (publ)

SEkk	2018-11-30	2018-11-30
<b>ASSETS</b>		<b>EQUITY AND LIABILITIES</b>
<i>Financial assets</i>		Share capital ..... 6 506
Investments in group companies ..... 1 501 605		Other contributed capital ..... 1 577 401
Deferred tax assets ..... 35 145		Retained earnings including net profit or loss for the period ..... -9 471
Investments in associates ..... 45 958		<b>Total equity</b> ..... <b>1 574 436</b>
Other financial assets ..... 585		<i>Untaxed reserves</i>
<i>Property, plant and equipment</i>		Accumulated excess depreciation ..... 16
VR facilities, IT equipment and other equipment ..... 613		<b>Total untaxed reserves</b> ..... <b>16</b>
<b>Total non-current assets</b> ..... <b>1 583 906</b>		<i>Non-current liabilities</i>
<i>Current assets</i>		Non-current liabilities, earnouts ..... 313 640
Trades and other receivables ..... 6 318		Other non-current liabilities ..... 281 915
Receivables from group companies ..... 876 334		<b>Total non-current liabilities</b> ..... <b>595 555</b>
Prepaid expenses and accrued income ..... 821		<i>Current liabilities</i>
Cash and cash equivalents ..... 15 689		Trade and other payables ..... 4 998
<b>Total current assets</b> ..... <b>899 162</b>		Liabilities to group companies ..... 297 184
<b>TOTAL ASSETS</b> ..... <b>2 483 068</b>		Accrued expenses and deferred income ..... 10 878
		<b>Total current liabilities</b> ..... <b>313 060</b>

The above figures partly deviates from the earlier published Circular Notice with its attachments published on December 10, due to on-going review.

# COMPANY IN RECONSTRUCTION - STARBREEZE STUDIOS AB

## COMPANY STRUCTURE

- **Company:** Starbreeze Studios AB
- **Org.Reg.No:** 556558-4496
- **Description:** Starbreeze Studios AB is the corporate group's subsidiary which holds most of the production resources, such as personnel, inventory, lease agreements etc. Its business consists of carrying out work for the other group companies regarding game development etc.

## COMPANY OFFICERS

### Board of Directors

- Michael Hjorth, ordförande
- Mikael Nermark

### CEO

- Mikael Nermark

### Auditor

- Öhrlings Pricewaterhouse Coopers AB
- with Nicklas Kullberg as chief auditor

1) Bo Andersson Klint has resigned and an application for change of board members has been submitted,

# BALANCE SHEET STARBREEZE STUDIOS AB

## BALANCE SHEET, Starbreeze Studios AB

SEkk	2018-11-30	2018-11-30
<b>ASSETS</b>		<b>EQUITY AND LIABILITIES</b>
<i>Financial assets</i>		Share capital ..... 100
Investments in group companies ..... 12		Reserves ..... 16
Deferred tax assets ..... 19 659		Other contributed capital ..... 38 431
Other financial assets ..... 4 600		Retained earnings including net profit or loss for the period ..... -3 450
<i>Property, plant and equipment</i>		<b>Total equity</b> ..... <b>35 097</b>
VR facilities, IT equipment and other equipment ..... 15 768		<i>Untaxed reserves</i>
<b>Total non-current assets</b> ..... <b>40 039</b>		Accumulated excess depreciation ..... 434
<i>Current assets</i>		<b>Total untaxed reserves</b> ..... <b>434</b>
Trades and other receivables ..... 1 405		<i>Current liabilities</i>
Receivables from group companies ..... 125 716		Trade and other payables ..... 17 214
Prepaid expenses and accrued income ..... 4 620		Liabilities to group companies ..... 180 722
Current investments ..... 75 000		Accrued expenses and deferred income ..... 16 289
Cash and cash equivalents ..... 2 978		<b>Total current liabilities</b> ..... <b>214 225</b>
<b>Total current assets</b> ..... <b>209 718</b>		
<b>TOTAL ASSETS</b> ..... <b>249 757</b>		<b>TOTAL EQUITY AND LIABILITIES</b> ..... <b>249 757</b>

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# COMPANY IN RECONSTRUCTION - STARBREEZE PUBLISHING AB

## COMPANY STRUCTURE

- **Company:** Starbreeze Publishing AB
- **Org.Reg.No:** 556779-9654
- **Description:** Publishing conducts business in the form of publishing and holds the majority of the group's intellectual property rights. All other companies in the group has worked for and delivered services to Starbreeze Publishing AB, using internal invoicing.

## COMPANY OFFICERS

### Board of Directors<sup>1)</sup>

- Michael Hjorth, ordförande
- Mikael Nermark

### Acting CEO

- Mikael Nermark

### Auditor

- Öhrlings Pricewaterhouse Coopers AB
- with Nicklas Kullberg as chief auditor

1) Bo Andersson Klint has resigned and an application for change of board members has been submitted.



# BALANCE SHEET STARBREEZE PUBLISHING AB

## BALANCE SHEET, Starbreeze Publishing AB

SEKk	2018-11-30		2018-11-30
<b>ASSETS</b>		<b>EQUITY AND LIABILITIES</b>	
<i>Intangible assets</i>		Share capital	100
Other non-current assets	25 171	Other contributed capital	332 400
Investments in publishing projects	276 520	Retained earnings including net profit or loss for the period	-298 283
<i>Financial assets</i>		<b>Total equity</b>	<b>34 217</b>
Investments in group companies	12	<i>Untaxed reserves</i>	
Deferred tax assets	65 044	Accumulated excess depreciation	3 353
<i>Property, plant and equipment</i>		<b>Total untaxed reserves</b>	<b>3 353</b>
VR facilities, IT equipment and other equipment	54	<i>Non-current liabilities</i>	
<b>Total non-current assets</b>	<b>366 802</b>	Other non-current liabilities	158 238
<i>Current assets</i>		<b>Total non-current liabilities</b>	<b>158 238</b>
Trades and other receivables	28 371	<i>Current liabilities</i>	
Receivables from group companies	172 593	Trade and other payables	77 159
Prepaid expenses and accrued income	35 138	Liabilities to group companies	337 930
Cash and cash equivalents	22 987	Accrued expenses and deferred income	14 993
<b>Total current assets</b>	<b>259 088</b>	<b>Total current liabilities</b>	<b>430 082</b>
<b>TOTAL ASSETS</b>	<b>625 890</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>625 890</b>

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# COMPANY IN RECONSTRUCTION— ENTERSPACE AB

## COMPANY STRUCTURE

- **Company:** Enterspace AB
- **Org.Reg.No:** 559042-4064
- **Description:** Enterspace has a facility for Location Based Entertainment, i.e. a VR Center, located at Sveavägen 14, Stockholm. The premises also host a cafe, bar and restaurant.

## COMPANY OFFICERS

### Board of Directors<sup>1)</sup>

- Michael Hjorth, ordförande
- Mikael Nermark

### Acting CEO

- Mikael Nermark

### Auditor

- Öhrlings Pricewaterhouse Coopers AB
- with Nicklas Kullberg as chief auditor

1) Changes to the company's board of directors is ongoing, above states the intended board composition going forward.

# BALANCE SHEET ENTERSPACE AB

## BALANCE SHEET, Enterspace AB

SEKk	2018-11-30		2018-11-30
<b>ASSETS</b>		<b>EQUITY AND LIABILITIES</b>	
<i>Intangible assets</i>		Share capital	87
Capitalized expenditure for own games and technology development	2 497	Other contributed capital	57 846
Investments in group companies	40 736	Retained earnings including net profit or loss for the period	-23 221
Deferred tax assets	8 634	<b>Total equity</b>	<b>34 711</b>
Other financial assets	802		
<i>Property, plant and equipment</i>		<i>Non-current liabilities</i>	
VR facilities, IT equipment and other equipment	15 036	Other non-current liabilities	33 919
<b>Total non-current assets</b>	<b>67 704</b>	<b>Total non-current liabilities</b>	<b>33 919</b>
		<i>Current liabilities</i>	
<i>Current assets</i>		Trade and other payables	876
Inventory	45	Liabilities to group companies	1 393
Trades and other receivables	233	Accrued expenses and deferred income	11 981
Receivables from group companies	14 268	<b>Total current liabilities</b>	<b>14 250</b>
Prepaid expenses and accrued income	194		
Cash and cash equivalents	436		
<b>Total current assets</b>	<b>15 175</b>		
		<b>TOTAL EQUITY AND LIABILITIES</b>	<b>82 880</b>
<b>TOTAL ASSETS</b>	<b>82 880</b>		

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# COMPANY IN RECONSTRUCTION— STARBREEZE PRODUCTION AB

## COMPANY STRUCTURE

- **Company:** Starbreeze Production AB
- **Org.Reg.No.:** 556292-1063
- **Description:** Production develops the group's proprietary products, such as the Payday series.

## COMPANY OFFICERS

### Board of Director<sup>1)</sup>

- Michael Hjorth, ordförande
- Mikael Nermark

### Acting CEO

- Mikael Nermark

### Auditor

- Öhrlings Pricewaterhouse Coopers AB
- with Nicklas Kullberg as chief auditor

1) Bo Andersson Klint has resigned and an application for change of board members has been submitted.

# BALANCE SHEET STARBREEZE PRODUCTION AB

## BALANCE SHEET, Starbreeze Production AB

SEKk	2018-11-30		2018-11-30
<b>ASSETS</b>		<b>EQUITY AND LIABILITIES</b>	
<i>Intangible assets</i>		Share capital	100
Other non-current assets	238 280	Reserves	16
<i>Financial assets</i>		Retained earnings including net profit or loss for the period	135 614
Investments in group companies	12	<b>Total equity</b>	<b>135 730</b>
Deferred tax assets	352	<i>Current liabilities</i>	
Investments in associates	11 502	Trade and other payables	3 808
<b>Total non-current assets</b>	<b>250 146</b>	Liabilities to group companies	519 961
<i>Current assets</i>		Accrued expenses and deferred income	527
Trades and other receivables	12 677	<b>Total current liabilities</b>	<b>524 296</b>
Receivables from group companies	384 530	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>660 026</b>
Prepaid expenses and accrued income	11 766		
Cash and cash equivalents	908		
<b>Total current assets</b>	<b>409 880</b>		
<b>TOTAL ASSETS</b>	<b>660 026</b>		

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# COMPANY IN RECONSTRUCTION— ENTERSPACE INT. AB

## COMPANY STRUCTURE

- **Company:** Enterspace International AB
- **Org.Reg.No:** 556558-4496
- **Description:** International have facilities for Location Based Entertainment in and conducts the installation and operation of virtual reality environments.

## COMPANY OFFICERS

### Board of Directors <sup>1)</sup>

- Michael Hjorth, ordförande
- Mikael Nermark

### Acting CEO

- Mikael Nermark

### Auditor

- Öhrlings Pricewaterhouse Coopers AB
- with Nicklas Kullberg as chief auditor

1) Changes to the company's board of directors is ongoing, above states the intended board composition going forward.

# BALANCE SHEET ENTERSPACE INTERNATIONAL AB

## BALANCE SHEET, Enterspace International AB

SEKk	2018-11-30		2018-11-30
<b>ASSETS</b>		<b>EQUITY AND LIABILITIES</b>	
<i>Financial assets</i>		Share capital	50
Investments in group companies	12	Other contributed capital	40 674
Deferred tax assets	19 601	Retained earnings including net profit or loss for the period	-71 965
<i>Property, plant and equipment</i>		<b>Total equity</b>	<b>-31 241</b>
VR facilities, IT equipment and other equipment	25 650	<i>Non-current liabilities</i>	
<b>Total non-current assets</b>	<b>45 263</b>	Other non-current liabilities	30 000
<i>Current assets</i>		<b>Summa långfristiga skulder</b>	<b>30 000</b>
Trades and other receivables	1 542	<i>Current liabilities</i>	
Prepaid expenses and accrued income	666	Liabilities to group companies	50 494
Cash and cash equivalents	2 086	Accrued expenses and deferred income	303
<b>Total current assets</b>	<b>4 294</b>	<b>Summa kortfristiga skulder</b>	<b>50 797</b>
<b>TOTAL ASSETS</b>	<b>49 557</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>49 557</b>

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# CONTACTS

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**Wesslau Söderqvist**  
**Law firm:**

**Lars Söderqvist,**  
**Administrator**

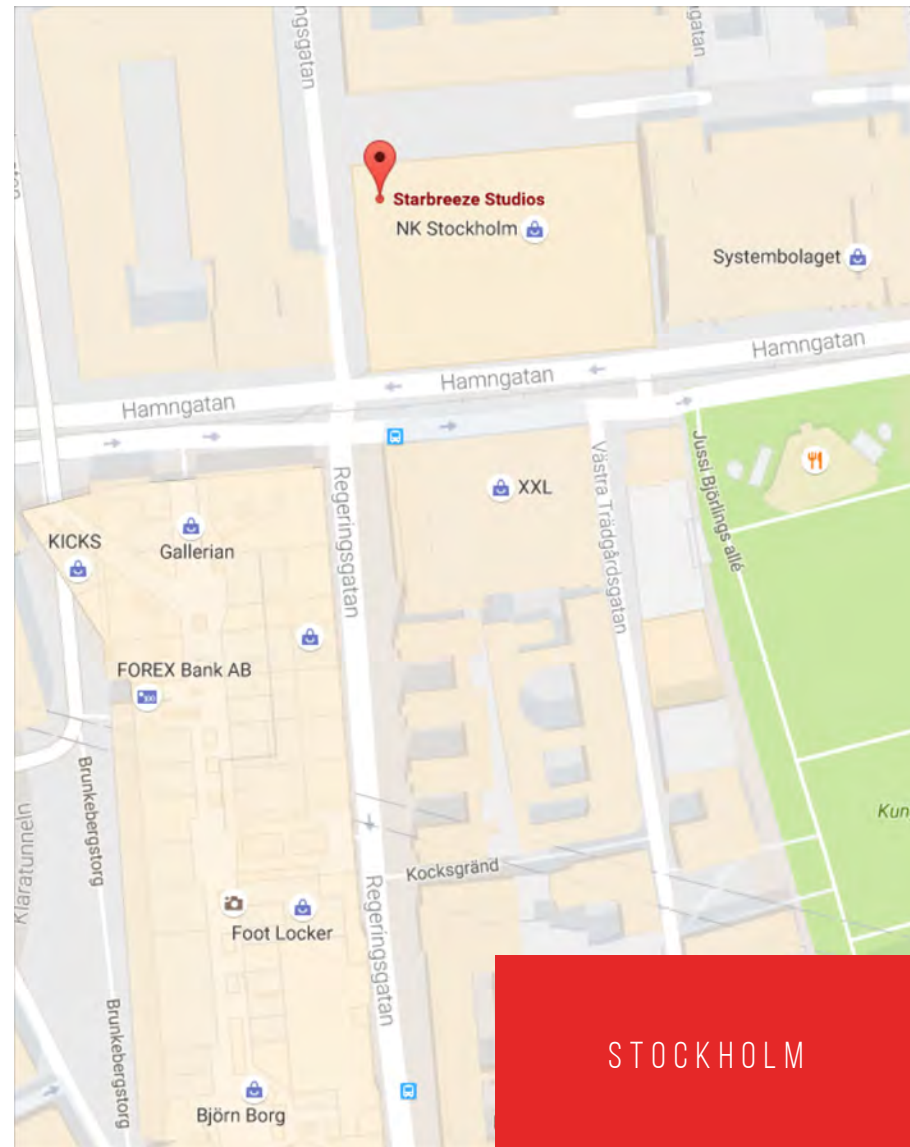
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**THANKS!**

