



Reorganisation Plan

Starbreeze AB (publ)
Starbreeze Studios AB

Starbreeze Publishing AB
Starbreeze Production AB



W	S	A
L	A	W

*This English version of the reorganisation plan is a translation from Swedish.
In case of inconsistencies, the Swedish version shall prevail*

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1 Abbreviations and definitions, etc.

Acer	Acer Inc.
Administrator	Advokat Lars Söderqvist, Wesslau Söderqvist Advokatbyrå
Reorganisation Companies	Starbreeze, Studios, Production and Publishing
Date of Reorganisation	December 3, 2018
Enterspace	Enterspace AB, reg.no. 559042-4064
Group	All companies in Starbreeze Group, see 2.2 below.
International	Enterspace International AB, reg.no. 559118-9443
Minor Supplier Creditors	The Reorganisation Creditors as defined in section 8.2.1 below.
New Publishing	New Starbreeze Publishing AB, reg.no. 559194-5471
New Studios	New Starbreeze Studios AB, reg.no. 559194-8897
Nordea	Nordea Bank Abp. branch office in Sweden, reg.no. 516411-1683
Production	Starbreeze Production AB, reg.no. 556292-1063
Publishing	Starbreeze Publishing AB, reg.no. 556779-9654
Smilegate	Smilegate Holdings Inc.
Starbreeze	Starbreeze AB (publ.), reg.no. 556551-8932
Studios	Starbreeze Studios AB, reg.no. 556558-4496
Supplier Creditors	The Reorganisation Creditors as defined in section 8.2.1 below.
Reorganisation Creditors	The creditors who has claims against one or more of the Reorganisation Companies as per the Date of Reorganisation as stated in section 3.1.2, 3.2.2, 3.3.2 and 3.4.2.

2 Background

2.1 Introduction

Pursuant to Chapter 2, section 12, first paragraph of the Company Reorganisation Act (1996:764) the Administrator shall, in consultation with the debtor, prepare a plan describing how the purpose of the company reorganisation is to be achieved (reorganisation plan). The plan shall be submitted to the district court which entered the order in respect of the company reorganisation and to the creditors. This document is intended to constitute such a reorganisation plan.

The information regarding exchange rates published on the website of the Swedish Riksbank (www.riksbank.se) has been used in the exchange rate conversions. Translation of currencies has been carried out as per the Date of Reorganisation unless otherwise stated.

2.2 Generally regarding the group structure

Starbreeze is the parent company of a group consisting of Starbreeze and a number of subsidiaries. The subsidiaries include, among others, the Reorganisation Companies. In addition, on the Date of Reorganisation, Starbreeze had additional subsidiaries of which two were in Sweden, three were in the US, two were in Luxembourg, two were in Belgium, and one each was in France, Spain, India and Dubai. On the Date of Reorganisation, Starbreeze had, furthermore, an affiliated company in Taiwan.

For a complete overview of the Group on the Date of Reorganisation, please refer to [appendix 1](#).

2.3 Description of the operation

In the following, a summary presentation is given of the Group's operations, etc.

2.3.1 *Operational overview*

The Group's operations consist of developing games and experiences based on proprietary and third-party rights under their own auspices and, in addition, in cooperation with leading game publishers. The Group has endeavoured to create exciting, fun and engaging game experiences. The operation has been conducted on a global game market. The games which have been developed have been primarily for PCs and consoles, but also other platforms such as VR platforms and mobile telephones, etc. The proprietary games have been primarily directed to devoted players with a focus on the core genre, so-called co-op first person shooters. *PAYDAY* has been the game which has been most successful, both as regards reception and in economic respects. Sales have been made via distributors and platform owners.

The Reorganisation Companies have had various responsibilities within the Group.

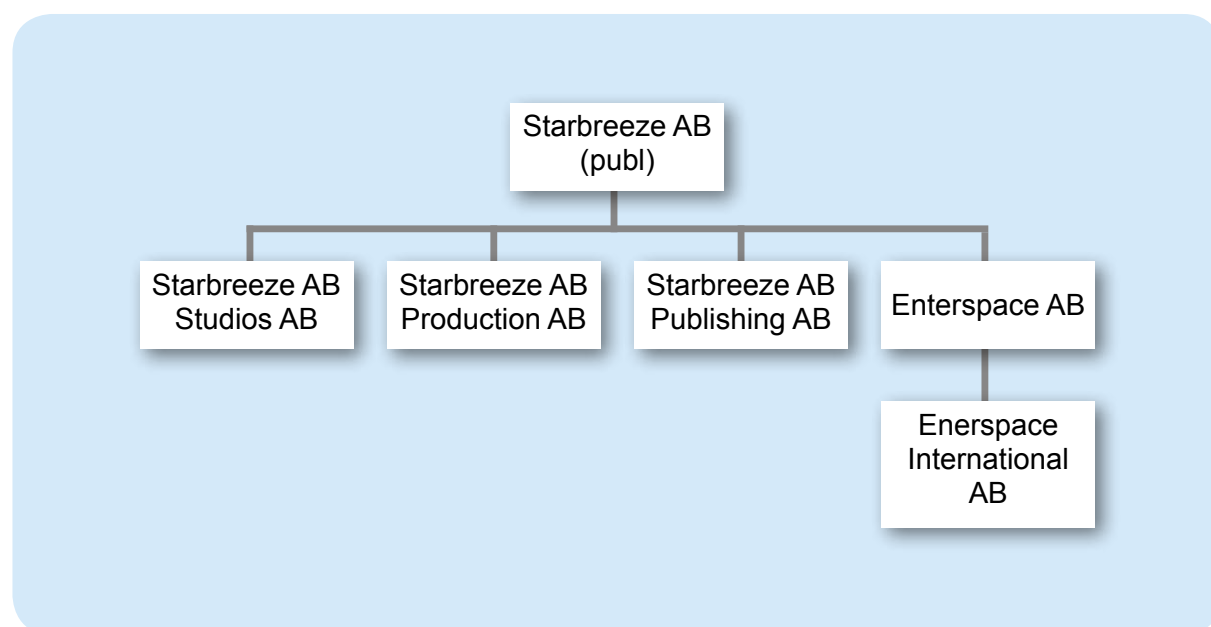
Publishing has acted in the role of publisher for both games developed within the Group as well as externally developed games.

Production has held large parts of the intellectual property rights to the proprietary games related to *PAYDAY*.

Studios is the company which has essentially employed all developers. Studios has been engaged primarily on behalf of Publishing and Production.

The operations in Enterspace have involved developing content and technology for virtual reality, and International has been involved in installation and operation of environments for the virtual business.

Please refer to the figure below for an overall view of the Reorganisation Companies.



2.3.2 Vision and business strategy

As stated above, the Group has conducted operations consisting of the creation, publication and distribution of games and other entertainment products based on proprietary designs and licensed content.

Revenue flows in the operations conducted in the Group have largely emanated from Publishing which held most of the relevant rights. Other companies in the Group have performed work and delivered services and issued internal invoices therefor. In addition, the operations have, to a certain extent, been financed by means of loans between group companies.

On the Date of Reorganisation, the Group raised external financing by means of two convertible issues and two loans as set forth below.

Emittent/ Borrower	Lender	Type	Amount	Interest	Collateral, etc.
Starbreeze	Smilegate	Convertible	215 MSEK	2 + 2 %*	No
Starbreeze	Acer	Convertible	75 MSEK	1 %	No**
Publishing	Nordea	Loan	150 MSEK	STIBOR 3M + 3,5 %	Pledge of shares in Publishing and Production, and guarantees from Starbreeze and Production***
International	Nordea	Loan	30 MSEK	STIBOR 3M + 4 %	Pledge of shares in Enterspace and International and guarantees from Enterspace and Starbreeze

* Fixed interest shall accrue at a rate of two per cent until the maturity date of the loan. In addition to the fixed interest, additional interest at a rate of two per cent shall accrue in the event conversion does not take place by the maturity date of the loan. In the event of conversion, the obligation to pay interest pursuant to the above shall cease on the day following conversion.

** Acer converted its claim for shares in April 2019.

*** Additional pledge of shares in New Starbreeze Publishing AB.

3 In brief concerning the Reorganisation Companies

3.1 Starbreeze AB (publ)

3.11 General information

Starbreeze was registered with the Swedish Companies Registration Office on 22 January 1998. In accordance with the articles of association, the operations of Starbreeze have consisted, directly or through subsidiaries or affiliated companies, of joint ventures and other collaborations, development, marketing, licensing, publishing, sales and/or distribution of software, equipment and/or software relating to interactive entertainment and/or products and services within the area of “virtual reality”, both for consumers and for professional users.

Registered number of shares: 329,367,849
Registered share capital: SEK 6,587,357.006236

3.1.2 Creditors, etc.

As of the Date of Reorganisation, Starbreeze’s liabilities amounted to SEK 520,225,223. Reorganisation Creditors within the Group (internal Reorganisation Creditors) and the amount of the claims are set forth in appendix 2.

Reorganisation Creditors who are not part of the Group (external Reorganisation Creditors) and the amount of the claims are set forth in sections 8.5.1 and 8.5.2 of appendix 3.

3.1.3 Board of directors and senior executives and auditors

On the Date of Reorganisation:

<u>Board of directors:</u>	Michael Hjorth (chairman) Bo Andersson Klint Ulrika Hagdahl Hyung Nam Kim (Harold Kim) Matias Myllyrinne Åsa Virén
<u>Managing director:</u>	Bo Andersson Klint
<u>Vice managing director:</u>	Mikael Nermark
<u>Auditors:</u>	Öhrlings PricewaterhouseCoopers AB (PwC) Nicklas Kullberg (principal auditor)

The board of directors and senior executives have undergone certain changes since the Date of Reorganisation.

In conjunction with the initiation of reorganisation, a number of persons chose to resign from the board of directors, as a consequence of which the board of directors was no longer quorate. In response, an extraordinary general meeting was convened on 8 February 2019. In such context, the board of directors was augmented and once again became quorate. In addition, certain minor changes were implemented on the board of directors in conjunction with the annual general meeting of the shareholders of 4 June 2019.

Mention may be made in this context of the fact that the board members who chose to resign from the board of directors had participated in the resolution to petition for company reorganisation. In connection with their appointment by the general meeting, they declared their willingness to assume the engagement until the expiry of the following general meeting of the shareholders. Unilaterally concluding the engagement prematurely and thereby placing Starbreeze in a situation in which various decisions could not be taken, while rendering more difficult the execution of the reorganisation which they initiated, is remarkable. It is likely that this behaviour on the part of the relevant persons forms the basis of liability.

At the time of the submission of the reorganisation plan, the officers of Starbreeze consist of the persons listed below.

<u>Board of directors:</u>	Torgny Hellström (chairman) Tobias Andersson Sjögren Jan Benjaminson Harold Kim Stefano Salbe Kerstin Sundberg
<u>Managing director:</u>	Mikael Nermark (external)
<u>Auditors:</u>	Öhrlings PricewaterhouseCoopers AB (PwC) Nicklas Kullberg (principal auditor)

3.1.4 Regarding the shares, etc.

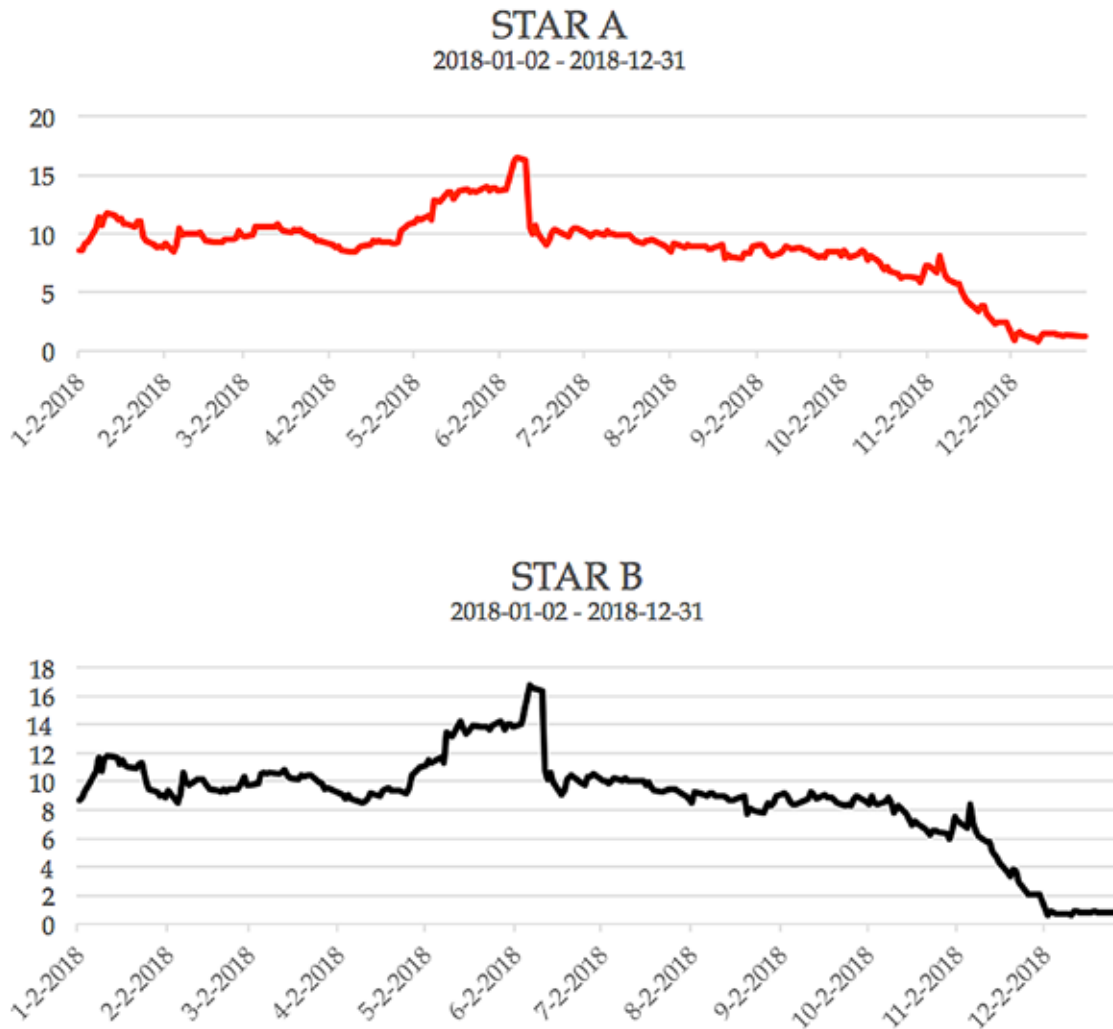
Starbreeze has issued shares in two classes, class-A and class-B. Class-A shares carry ten votes and class-B shares carry one vote. All shares entitle the holders thereof to an equal right to dividends and profits.

Both class-A shares and class-B shares are admitted to trading on NASDAQ Nordic, Stockholm Market (Mid Cap segment), with ticker symbols STAR A and STAR B respectively.

The ISIN number for class-A shares is SE 0007158928 and, for class-B shares, ISIN SE0005992831.

Starbreeze shares were previously listed on First North but were subsequently listed on Nasdaq Stockholm in the Mid Cap segment on 2 October 2017.

The diagram below illustrates the price trends for the aforementioned shares for the period 1 January – 3 December 2018.



3.1.5 Händelseutveckling

In the summer of 2012, Starbreeze acquired the company which is currently Production. The acquisition took place by means of acquiring all shares. The financing of the acquisition was carried out through a directed new issue of shares.

On 1 March 2013, certain changes were made to the management group for the Group according to which Bo Andersson Klint assumed the position as new CEO, while Mikael Nermark was appointed deputy CEO.

Publishing acquired an option regarding the game, *OVERKILL's The Walking Dead*, in 2014. The option entailed a licence to develop, publish and distribute the game. In order to create the game, *OVERKILL's The Walking Dead*, a long-term cooperation with the American

company Skybound was announced on 1 August 2014. In April 2015, a publishing agreement was reached with 505 Games which pertained the console distribution rights for the game. The launch was planned for the autumn of 2018 but, due to delays, the date was postponed and it was finally determined that launch would take place on 6 November 2018 for the PC version and February 2019 for the console versions.

In 2015, the company expanded its operations to include investments in the "VR" (Virtual reality) segment. Starbreeze expanded within this area through several acquisitions of technology and expertise during the 2015-2018 period. Following the acquisition of the French company, Infinite Eye, which focuses on developing VR headsets, an agreement was entered into with Acer to create a joint venture company in Taiwan, StarVR Inc., for the production of headsets.

3.1.6 Price trends regarding the stock price

The following contains certain comments on price trends in 2019.

As reported above, it was planned that the game, *OVERKILL's The Walking Dead*, would be launched in the autumn of 2018. By the spring of 2018, Starbreeze had gradually heightened expectations prior to the impending game fair, E3, in the US through, among other things, releases of so-called trailers. However, these trailers did not show anything from the game itself. Nonetheless, parts of the game were shown at the relevant game fair in the US. The showing was poorly received by the stock market, and the stock price subsequently fell by approximately 20%.

On 21 August 2018, a decision was taken to postpone the launch of *OVERKILL's The Walking Dead* for consoles until February 2019. The launch of the PC version, however, was to take place according to plan in November 2018. In connection therewith, the stock price fell by approximately 14 per cent.

On 11 October 2018, Starbreeze's CFO, Sebastian Ahlskog, gave notice that he chose to resign his position for a new position outside the company. Mika Reini, who was CFO for 17 years at the game company, Remedy Entertainment, was then appointed CFO of Starbreeze. In October, a beta version of *OVERKILL's The Walking Dead* was released for PCs. In October, Starbreeze further announced that the company was looking into the possibility of diversifying the company's capital supply by replacing the then existing bank financing by turning to the Nordic bond market. Following this announcement, the stock price fell further.

The Q3 2018 report was published on 6 November 2018. This report revealed that the Group's revenues had fallen by 56 per cent to MSEK 34 and a negative result of MSEK 85.1. The report also showed that, at the beginning of Q3, there was MSEK 269.6 in liquid funds and that MSEK 148 remained at the end of the quarter. Starbreeze reported an unchanged target entailing a positive EBITDA commencing in Q4. According to the report, it was *OVERKILL's The Walking Dead* which was to take Starbreeze out of the red during the current quarter. The stock price climbed by 25 per cent on the launch date for *OVERKILL's The Walking Dead*, 6 November 2018, but the price fell 10 per cent as early as the following day. On the game platform, Steam, the game quickly made the bestseller list of over 10,000 online players. The day after the launch, however, the number of players fell to slightly more than 6,000.

On 14 November 2018, *OVERKILL's The Walking Dead* had been on the market for just over a week and, in that period, the stock price fell by 40 per cent. According to the summary created by Nyhetsbyrån Direkt, one week after the game was released, the review from critics and players was "somewhat lukewarm".

On 19 November 2018, Starbreeze announced that departing CFO Sebastian Ahlskog had sold all of his shares in the company at a value of nearly MSEK 3.3, as a consequence of which the stock price fell by 14.5 per cent. The price had then fallen to the same level as the spring of 2015, and had been halved since the beginning of November 2018. In addition, it was announced that CEO Bo Andersson Klint sold approximately 4.35 million Starbreeze shares for a total of MSEK 18.6. These circumstances were also apparent from the report to the Swedish Financial Supervisory Authority's insider list. According to a press release from Starbreeze, the sale was not an active choice but, rather, a consequence of the price development of the Starbreeze share. The sale was carried out in order to repay loans which financed the previous year's purchase of class-B shares in Starbreeze. Bo Andersson Klint Holdings went from slightly less than 5.4 million shares to 1.3 million class-B shares; he also sold class-A shares but, viewed as a whole, his voting strength was reduced relatively marginally from 24.6 per cent to 23.7 per cent following the transaction.

On 23 November 2018, Starbreeze announced that the company intended to review its cost structure and focus on the core operation following weaker revenues than expected from the game, *OVERKILL's The Walking Dead*. In addition, the goal of attaining a positive result for 2019 was abandoned. The press release included a statement from chairman Michael Hjorth and CFO Sebastian Ahlskog, but not from the CEO. The stock price fell by just over 20 per cent upon initial trading following the press release.

On 30 November 2018, it was announced that the price of the game, *OVERKILL's The Walking Dead*, fell by 50 per cent. Following launch of *OVERKILL's The Walking Dead* slightly more than three weeks earlier, the stock price had then fallen by 75 per cent.

On 3 December 2018, it was published that Bo Andersson Klint was resigning both his position as CEO and his seat on the board of directors. Mikael Nermark, then deputy CEO, was appointed CEO. At the same time, it was announced that Starbreeze and other Reorganisation Companies petitioned for reorganisation due to insufficient liquidity. Prior thereto, on 23 November 2018, the board of directors had instructed the CEO to review the operations, and Starbreeze had initiated a programme in order to reduce costs and focus on the core business. The most recent statistic relating to *OVERKILL's The Walking Dead* influenced the earlier presumed sales which reduced the forecasted short-term cash flow. The result was an expected liquidity shortfall in January 2019. Starbreeze announced that the group companies - Nozon, Parallaxter, Starbreeze LA Inc, Starbreeze USA Inc, Starbreeze Paris, Starbreeze Barcelona, Starbreeze IP LUX, Starbreeze IP Lux II Sarl and Dhruva Infotech Ltd - could be indirectly affected by the reorganisation since they were somewhat dependent on financing from Starbreeze. It was announced that other group companies were not affected by the company reorganisation decision. The share fell by approximately 60 per cent on the news from this press release.

3.1.7 Equity financing

For several years, Starbreeze has obtained financing from the stock market. In the absence of such financing, the Group would not have been able to conduct operations to the same extent and in the same form. Set forth below is a compilation of such financing starting in 2015 and what Starbreeze had published that this financing was to be used for.

2015

In July 2015, two directed new issues of shares were carried out, one with respect to 3,600,000 class-B shares, and the other involving 1,665,000 class-A shares and 3,330,000 class-B shares. The shares were used as payment for ownership of Orange Grove Media LLX and Valhalla S.a.r.l. The purchase price for Orange Grove Media LLX amounted to approximately MSEK 44.1 (3,600,000 class-B shares). The purchase price for Valhalla S.a.r.l. amounted to approximately MSEK 74.6 (1,665,000 class-A shares and 3,330,000 class-B shares).

2016

During the year, a directed new issue of shares was made to institutional investors in the amount of MSEK 385. Funds from the issue were intended to be used for the development of several revenue-generating products and secure software and hardware technologies for the future.

In conjunction with the convertible issues to Smilegate, a directed new issue of shares was made to Smilegate for a subscription amount of approximately MSEK 129. In conjunction therewith, an agreement was entered into which provided Starbreeze with the rights to develop and distribute a new game based on Smilegate's game, *Crossfire*, for a period of 10 years.

At the same period in time, Starbreeze also received the distribution rights to Smilegate's platform, and the games, *PAYDAY 2* and *OVERKILL's The Walking Dead*, were to be launched on the Asian markets via that platform.

During the year, Starbreeze carried out another directed new issue of shares as a consequence of an acquisition of Nozon SPRL. The purchase price was MEUR 7.1, of which MEUR 4.6 was paid in cash and MEUR 2.5 was paid by means of a new issue of class-B shares.

2017

In 2017, shares were issued on two occasions; on the first such occasion, 1,071,203 shares were issued (in conjunction with the acquisition of Enterspace) and, during the second, 1,007,578 shares (in conjunction with an acquisition of Dhruva Interactive).

2018

In January 2018, a directed new issue of shares was carried out in the amount of MSEK 238 as well as a preferential issue of MSEK 152. The subscription amounts were intended to be used to secure financing for the existing business plan and were allocated as follows:

- MSEK 75 for the launch of the game, *OVERKILL's The Walking Dead*;
- MSEK 50 for expanded marketing of *OVERKILL's The Walking Dead*;
- MSEK 50 for new publishing titles which were not included in the previous business plan;
- MSEK 35 for expansion of the existing game portfolio on to new geographic markets and platforms;
- MSEK 30 for *PAYDAY 2* for 2019;
- MSEK 50 for the accelerated production plan for *PAYDAY 3*; and
- MSEK 70 in order to strengthen Starbreeze's financial position with such investments, thus creating substantial additional value for the shareholders in accordance with the prospectus.

3.1.8 Major shareholders

The major shareholders as of November 30, 2018 are listed below.

Shareholders	Star A	Star B	Capital (%)	Votes (%)
Swedbank Robur	533 333	47 453 877	14.75	6.54
Första AP-Fonden	0	35 370 596	10.87	4.38
Försäkringsaktiebolaget, Avanza Pens-ion	1 858 922	20 581 590	6.9	4.85
Bo Andersson Klint *	19 021 641	1 305 142	6.25	23.72
Smilegate Holdings Inc.	3 601 083	6 018 948	2.96	5.21
Nordnet Pensionsförsäkring AB	544 749	7 605 637	2.51	1.62
Netfonds ASA, NQI	558 108	2 239 051	0.86	0.97
Michael Hjorth **	1 579 931	860 851	0.75	2.06
Societe Generale, Securities Services SpA ***	1 513 140	0	0.47	1.87
Stefan Johansson	650 000	62 932	0.22	0.81

* Directly and indirectly through Varotre AB

** Michael Hjorth owns shares via Indian Nation Aktiebolag

*** Holding on behalf of the customer

3.1.9 Generally regarding the reorganisation investigation

Pursuant to Chapter 3, section 11 of the Company Reorganisation Act, a report from the administrator must be attached to a debtor's request for composition proceedings. The report shall include a description of the reasons for the debtor's payment difficulties, an overview of assets and liabilities, information regarding the payment which can be expected in a bankruptcy, information regarding whether there have been any prebankruptcy transactions which may be avoided, whether there is cause to believe that the debtor is guilty of any crimes against the creditors, and whether the debtor has fulfilled its bookkeeping obligations. The administrator's report, including the description of the reasons for the debtor's payment difficulties and insolvency, is submitted for the purpose of providing the creditors with a basis on which to form a decision in respect of the debtor's composition proposal.

As a consequence of the investigation in the aforementioned respects, the Administrator has obtained information primarily from the persons listed below.

- Mikael Nermark, CEO
- Maeva Sponbergs, EVP Communication
- Claes Wentzel, acting CFO
- Charlotte Albertsson, Financial Controller
- Johanna Wikland, Human Resources Manager

The accounts for the Reorganisation Companies for the period 2 September 2018 up to and including the day of the reorganisation decision and in summary for previous periods have been examined. Bank account statements, tax account statements, minutes, etc., have also been examined.

The aforementioned examination was carried out with the assistance of Grant Thornton.

3.1.10 The arrangement and state of the accounting

3.1.10.1 Performance of bookkeeping

Starbreeze has performed day-to-day bookkeeping internally. Starbreeze has used the Xledger accounting system. The accounting, etc., may be described as follows.

The accounts receivable ledger has been wholly integrated with the general ledger and other subsystems. The invoicing module has been directly integrated with the accounts receivable ledger. All transactions have been processed and approved directly in the business system, and the accounting personnel have not been required to log on to the Internet bank or make file transfers with payment advices to the bank in order to instruct payments. All transactions on the bank account have been reported back, which makes it possible for the system to automatically reconcile all relevant bank accounts with the general ledger on a daily basis and automatically report bank fees and other transactions.

Furthermore, Xledger contains built-in functions in order to scan and OCR-read invoices. Vendor invoices have been scanned into the system, all invoices have been OCR-read, and vouchers have been created automatically. Following scanning and automatic assignment of account codes, the accounting personnel have been able to go in and, where necessary, supplement the vouchers before they are booked. All payments of vendor invoices have been made automatically on the due date. The payments have been approved in a special function, and the system has also handled joint two-person payment approvals. All executed payments have been reconfirmed automatically, and the ledger has been automatically updated when payment has been made.

Xledger contains built-in functions for electronic payment approvals and workflows. When invoices have been scanned and read, they have been sent out in the organisation for electronic payment approval.

W	S	A
L	A	W

Revenue and expenses accrual has been carried out on an ongoing basis and revenues and expenses have been allocated to particular periods immediately upon receipt of the invoice. Adjustment of accrued revenues and costs has been carried out automatically on a monthly basis.

Vouchers, including customer and vendor invoices, have been available in electronic form in the Xledger accounting program.

For the period reviewed, Starbreeze has used various voucher series for:

- Allocations/ Accruals (AD)
- Banking documents (BA)
- General ledger (GL)
- Direct remittance-LEV (DR)
- Opening invoice (AP)
- OCR payment (OCR)
- Sales invoice (SO)
- Amortisation voucher (AM)
- Value added tax (VAT)

With respect to completeness, it has been verified that the accounts have been maintained without interruption or empty vouchers during the period 2018-09-02 – 2018-12-03.

3.1.10.2 Cost centres and projects

The Reorganisation Companies have employed project accounting which was connected to external projects in the Group. Upon closer analysis of expenses relating to the largest project, Games OVERKILL's The Walking Dead Sweden, it has been noted that the largest external provider is Black Studios AB (approximately MSEK 40) and Dhruva Infotech Ltd (approximately MSEK 27).

In the table below, the 10 largest projects are listed based on total cost.

Name	Purchase of goods	Ext. costs 1	Ext. costs 2	Personnel costs	Total costs	Owner
9213 – Games OTWD Sweden	161 553 754	39 736 676	15 370 794		216 661 224	Publishing
929 – CrossFire	47 226 984	44 550	12 648 020		59 919 554	Publishing
919 – PAYDAY 2	46 979 874	1 148 551	8 700 009		56 828 433	Production
1000 – Publishing	47 360 463	689 546			48 050 010	Publishing
9213 – Games OTWD Sweden	948 290	3 308 051	1 495 812	37 142 287	42 894 440	Studios
27000 – Prince	16 398 529	2 515 917	7 706 698		26 621 145	International
919 – PAYDAY 2	853 673	628 593	448 988	20 184 293	22 115 547	Studios
91912 – PAYDAY Mobile	11 014 856		1 550 117		12 564 973	Production
25810 – SV14 Venue	2 045 358	3 968 968	300 742		6 315 068	Enterspace
3041 – StarVR Corporation	4 224 230	59 490	1 609 468		5 893 189	Starbreeze

3.1.10.3 Review of general ledger

By means of data analysis, a so-called Journal Entry Test (JET) has been carried out. The purpose of the test has been to determine the completeness, as well as illuminate any non-conformities in the bookkeeping, regarding, among other things, authority, approvals and non-conforming accounting.

The analysis was carried out by the Reorganisation Companies and pertains to accounting for the period 2018-09-01 up to and including 2018-12-31. All vouchers included in the accounting materials have been reviewed. In conjunction with follow-up on random samplings of the outcome of the analysis, only vouchers within the interval 2018-09-02 up to and including 2018-12-03 were selected. The bookkeeping file and supplemental material were obtained directly from Xledger and from the various persons responsible for accounting.

The review presents results regarding the following matters:

- The completeness test for transactions.
- The number of entries per account and amounts.
- Summary of the entries per user and matching with employment.
- Entries with unusual dates and times.
- Entries without a description.
- Verification of entries in even SEK 100,000, 10,000 and 1,000 amounts.

A verification has been carried out regarding the completeness of the transactions in the general ledger, which resulted in no comments regarding nonconformities.

The accounts in the accounting materials which have had the most entries and accounts which had the largest balances in terms of amount were reviewed. The largest entries have consisted of normal operational accounts such as accounts payable, bank and various VAT accounts as well as the depreciation account for inventory in which the depreciation is automatic in respect of each asset. In addition, 750 entries have been made on the revenue account, VR Sveavägen, in the Enterspace subsidiary. In conjunction with a verification of the largest number of entries, it has emerged that no daily cash accounting was carried out but, rather, Starbreeze booked, for example, each babs, stripe, lets deal and ticketing hub sale individually, which can generate up to approximately 5 entries per day. The accounts in the materials which were of greatest significance in terms of amount relate primarily to shares in subsidiaries, clearing accounts with group companies, share capital, bank accounts and convertible debentures.

A summary has also been made of entries per user at the Reorganisation Companies and has been matched against employee lists. No note has been made of any non-conforming entries and/or payment approvals relative to the employee list.

In conjunction with a review of entries with unusual dates or unusual times, 67 entries which were carried out on weekends and pertain to entries relating to bank accounts were noted. Of these, 11 entries related to an account level exceeding SEK 100,000, of which eight entries pertain to exchange rate adjustments which are considered normal in the operation. The remaining three entries of the 11 pertain to payments of vendor invoices. In conjunction with a verification of these against the supporting information for the invoices, it was noted that

these payments may be regarded as ordinary, day-to-day operational expenses such as rent, transportation costs and insurance.

There are 2,534 vouchers which have matched the criteria, “entry with no description”.

There are 257 vouchers which have matched the criterion for even amounts of 1,000, and 83 vouchers which have even amounts of 10,000 in vouchers. For the even-100,000s criterion, there have been 44 vouchers. In conjunction with a verification of even-100,000s transactions, vouchers which were booked with a credit at the bank were chosen. Following the selection, there remained ten vouchers of which four pertained to transfers between the companies’ own bank accounts, and the remaining six vouchers related to loans to group companies.

3.1.10.4 Monthly reconciliation

The Swedish Accounting Standards Board (BFNAR 2001:2, section 9, Current Recording) states that it is necessary to perform regular reconciliations of the accounts during the year for the sake of reliability and as the basis for decision-taking. Reconciliation should be carried out in accordance with established routines which are described in the systems documentation. Noted discrepancies are to be adjusted as soon as possible (BFL 5:10).

According to the accounting handbook, monthly reconciliations shall be carried out in accordance with instructions and checklists. Monthly reconciliations have been carried out by the respective persons responsible for accounting per company and reported in Xledger. Consolidation of the companies has subsequently been carried out in the Cognos Controller program. Monthly reconciliations have been carried out on a group level.

According to the accounting handbook, quarterly reports are also to be generated. The board of directors receives all quarterly reports.

3.1.10.5 Impairment test – short description

Starbreeze has employed a routine in connection with the accounting work involving a so-called impairment test relating to assets which include intangible assets in the form of various games which have been reported in the group accounts. According to information, no regular, planned impairment test has been carried out during the financial year with the exception, however, in the case of unplanned events.

Starbreeze has used a WACC (Weighted Average Cost of Capital) of 12 per cent which, in 2018, was raised 3 percentage points to 15 per cent. According to Starbreeze, the basis for the use of WACC has been a standard produced by E&Y. According to information, increase of 3 per cent was to have been an extra risk premium about which Starbreeze learned from PWC. Models have been received and approved by Starbreeze and accordingly used.

A template for executing the impairment test has been available which was used consistently throughout Starbreeze’s operations. Input for the calculation template itself has come from Starbreeze’s accounts department. Since all of Starbreeze’s intangible assets have been games under development (with the exception of PAYDAY), no actual sales statistics have been

W	S	A
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available from which to proceed. Instead, forecasts have been prepared based on knowledge of the industry and internal assessments.

For the game, *PAYDAY*, the actual sales history has been used in the test.

The decision-making routine for determining Starbreeze's asset value has formerly been such that the CFO produced data and made recommendations. The board of directors has subsequently taken decisions on the issue.

In conjunction with impairment testing per the outcome of the 2018 financial year, a couple of changes have been made:

- The forecasts produced for the games under development were subject to a more conservative approach.
- A check was made to ensure that the forecasted market value exceeded the future estimated, final book value when the product was fully developed.

As a result, most of the Reorganisation Companies' intangible assets were written down.

The impairment test was based on accepted principles, but was simplified with the attendant risk that they did not unambiguously highlight the values in the Reorganisation Companies. The cash flows which formed the basis of the calculations have been allocated in accordance with an index rather than grouping the assets in line with the various cash flows. Furthermore, the various cash flows have been assumed to carry the same risk, which corresponds to the stated WACC. The chosen WACC as an average variable is reasonable, but it would have been more correct to weigh the cash flows following a more careful risk assessment. As the operations have been organised, some cash flows could have been ascribed a WACC of 5-7 per cent, and others a WACC of 20-25 per cent.

3.1.10.6 Internal reporting and board work

Pursuant to Chapter 8, section 5 of the Swedish Companies Act, the board of directors must issue written instructions regarding the manner and timing of reporting necessary for the board of directors to be able to perform its principal tasks in following the development of the company and the group.

Internal reporting from Xledger has consisted of, among other things, balance sheets and income statements at the company level and for the entire Group. It has also been possible in Xledger to produce internal reports per segment, project and cost centre. These include internal group transactions. There are no reports derived directly from Xledger in which internal group eliminations have occurred. Starbreeze consolidates the Group in a separate program, Cognos Controller. Based on the consolidated reports, a monthly report has been prepared, which presents revenues and expenses including margins, EBITDA, etc., as well as a balance sheet and cash flow for the month. The board of directors has also received quarterly reports structured in a similar manner.

Minutes of meetings of the boards of directors of the Reorganisation Companies have been reviewed and there is nothing that indicates non-compliance with Chapter 8, section 5 of the Swedish Companies Act.



3.1.10.7 annual report and reports per Date of Reorganisation

Starbreeze's most recently presented annual report per the Date of Reorganisation related to the 2017 financial year. The audit report which was presented was unmodified, meaning that the auditor had no comments.

The most recently presented quarterly report as per the Date of Reorganisation pertained to Q3 2018 and was signed by the board of directors and the Starbreeze's auditor on 6 November 2018.

It may be noted that the consolidated financial statements for Starbreeze were prepared in accordance with the Annual Accounts Act; RFR 1 Supplementary Accounting Regulations for Corporate Groups issued by the Swedish Financial Accounting Standards Council, and International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. The consolidated financial statements were prepared in accordance with the purchase method, with the exception of remeasurement of liabilities which instead has been measured at fair value through profit or loss.

3.1.10.8 Annual report

Following the Date of Reorganisation, Starbreeze presented an annual report for the 2018 financial year. The auditor's report relating to that annual report recommends the adoption of the income statement and balance sheet for Starbreeze and the report of the consolidated income and balance sheet for the group. Taking into account the ongoing reorganisation and a situation in which Starbreeze's continued operation can no longer be presumed, it may be said that there is a substantial risk of a need to write down the group assets and the parent company's reported values on claims against group companies and investments in group companies. It has also been noted that, as a consequence of disbursements, there is a claim against the previous CEO which may have come about in contravention of Chapter 21 of the Swedish Companies Act.

The valuation of the assets in the final accounts has been conducted in accordance with the going-concern principle.

3.1.10.9 Conclusion regarding the accounting system

Starbreeze's Xledger accounting system is an accounting system which has been deemed well suited to Starbreeze's operations. Bookkeeping routines and monthly accounts have been deemed to be normal for Starbreeze's operation and scale. Starbreeze has been deemed to have an accounting system adapted to the operation and functioning routines for monthly reconciliations. Accordingly, there is no impediment to following Starbreeze's results and financial position on a regular basis and, accordingly, the assessment is that the principal requirement has been met.

3.1.11 Overview of assets and shareholders' equity and liabilities

Set forth below is a summary of Starbreeze's assets and shareholders' equity and liabilities per 31 December 2018. The stated amounts equal the booked amounts.

Assets	TSEK	TEUR	TUSD
<u>Non-current assets</u>			
<i>Tangible assets</i>			
Computers and other equipment	587	57	65
<i>Financial assets</i>			
Investments in group companies	514 595	50 107	56 924
Investment in associates	4 656	453	515
Other financial assets	585	57	65
Total non-current assets	520 423	50 674	57 569
<u>Current assets</u>			
Trade receivables	37	4	4
Receivables from group companies	387 141	37 696	42 825
Other receivables	5 816	566	643
Prepaid expenses and accrued income	950	93	105
Cash and cash equivalents	8 002	779	885
Total current assets	401 946	39 138	44 462
Total assets	922 369	89 812	102 031
Equity and liabilities			
<u>Equity</u>			
<i>Restricted equity</i>			
Share capital	6 506	633	720
<i>Non-restricted equity</i>			
Share premium reserve	1 577 401	153 593	174 491
Retained earnings	9 007	877	996
Net profit (-loss) for the year	-1 063 397	-103 544	-117 632
Total equity	529 517	51 559	58 575
<u>Non-current liabilities</u>			
Non-current liabilities	88 586	8 626	9 799
Total non-current liabilities	88 586	8 626	9 799

Assets	TSEK	TEUR	TUSD
<u>Current liabilities</u>			
Tangible assets	7.849	764	868
Liabilities to group companies	4.860	473	538
Other liabilities	275 405	26 816	30 465
Accrued expenses and deferred income	16 152	1 573	1 787
Total current liabilities	304 266	29 626	33 658
Total equity and liabilities	922 369	89 811	102 032

For additional information, reference is made to the annual report for the financial year of 2018 appendix 4.

Set forth below is a summary of Starbreeze's assets and shareholders' equity and liabilities per 30 June 2019. The stated amounts equal the book values, and translation of currencies has been carried out per 28 June 2019. The information below has not been audited.

Assets	TSEK	TEUR	TUSD
<u>Non-current assets</u>			
<i>Tangible assets</i>			
Computers and other equipment	468	44	50
<i>Financial assets</i>			
Investments in group companies	440 450	41 709	47 513
Investment in associates	4 656	441	502
Other financial assets	585	55	63
Total non-current assets			
<u>Current assets</u>			
Trade and other receivables	6 118	579	660
Receivables from group companies	455 998	43 182	49 191
Prepaid expenses and accrued income	1 174	111	127
Cash and cash equivalents	13.007	1.232	1 403
Total current assets	476 297	45 104	51 381
Total assets	922 456	87 353	99 509

Assets	TSEK	TEUR	TUSD
Equity and liabilities			
<u>Equity</u>			
<i>Restricted equity</i>			
Share capital	6 587	624	711
<i>Non-restricted equity</i>			
Share premium reserve	1 649.033	156 158	177 889
Retained earnings	-1 054.390	-99 848	-113 742
Net profit (-loss) for the period	-10 067	-953	-1 086
Total equity	591 163	55 981	63 772
<u>Non-current liabilities</u>			
Other non-current liabilities	90 065	8 529	9 716
Total non-current liabilities	90 065	8 529	9 716
<u>Current liabilities</u>			
Trade payables	8.267	783	892
Liabilities to group companies	6.188	586	668
Other liabilities	214 454	20 308	23 134
Accrued expenses and deferred income	12.319	1.167	1 329
Total current liabilities	241 228	22 844	26 023
Total equity and liabilities	922 456	87 354	99 511

For additional information, reference is made to the Half Year Report 2019 Q2, [appendix 5](#).

3.1.12 Date of, and reasons for, Starbreeze's payment difficulties and insolvency

"Insolvency" means that a debtor cannot duly pay its liabilities and such inability is not merely temporary. In order to determine the time of insolvency, an assessment must be made of the entire economic situation.

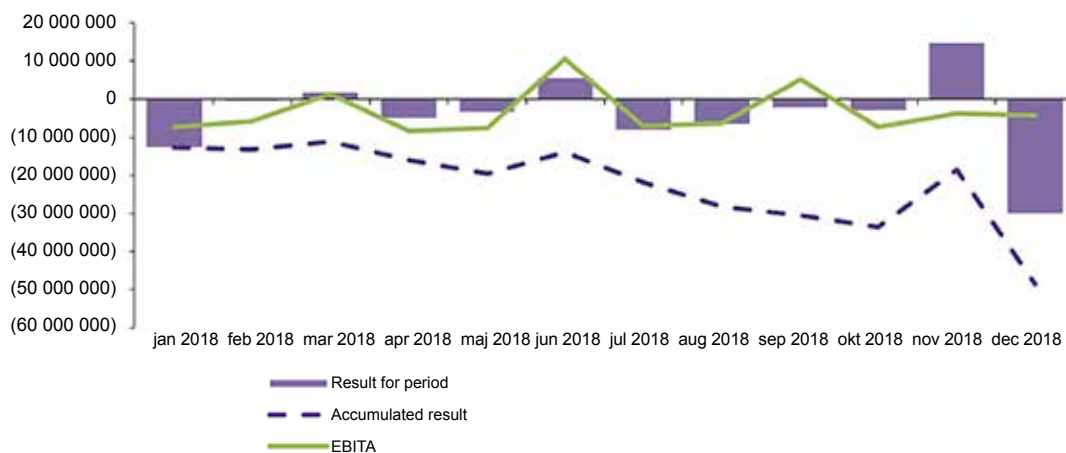
The administrator has analysed the earnings performance, cash liquidity and loans. The review has also covered any records of non-payment and orders and other company-specific circumstances affecting the time of insolvency.

3.1.12.1 Earnings performance

Turnover and results constitute two important measures of a company's performance. In conjunction with high turnover growth, a temporary fall in profitability is acceptable since growth is often coupled with market investments.

Starbreeze's turnover has been comprised entirely of invoicing group companies. Each quarter, Starbreeze has invoiced a management fee to other group companies. Invoicing has been based on wage costs and turnover with a mark-up of 5 per cent. Starbreeze has enjoyed a positive EBITDA each quarter with the exception of December. Pre-tax results have varied substantially since the convertible debenture has had a major effect on the financial items in the income statement. The substantial negative result after tax in December 2018 was primarily due to the fact that Starbreeze re-booked deferred taxes in the amount of MSEK 35 in conjunction with the company reorganisation which had been reported regularly throughout the year.

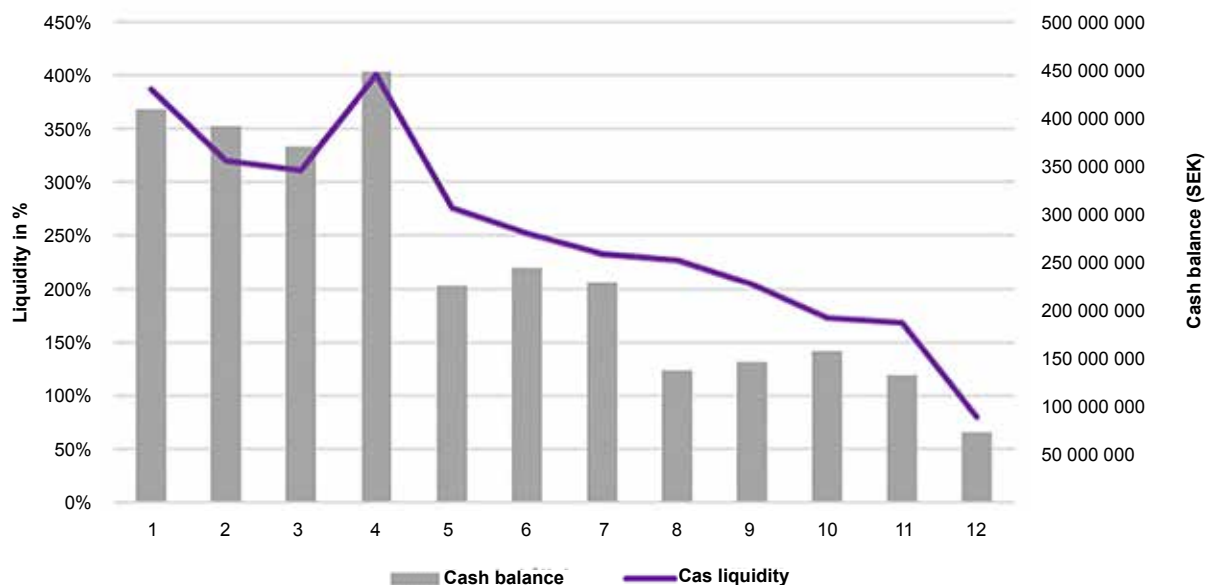
Earnings performance



3.1.12.2 Cash liquidity and cash balances

Key ratios indicate short-term readiness to pay. In the event cash liquidity is 100 per cent or more, this means that the company can pay all of its current liabilities immediately. In the event cash liquidity is lower than 100 per cent, the company may be forced to liquidate assets or raise new loans in order to pay its current liabilities. In the table below, the ratio has been calculated as a per cent of current assets/current liabilities.

Cash liquidity



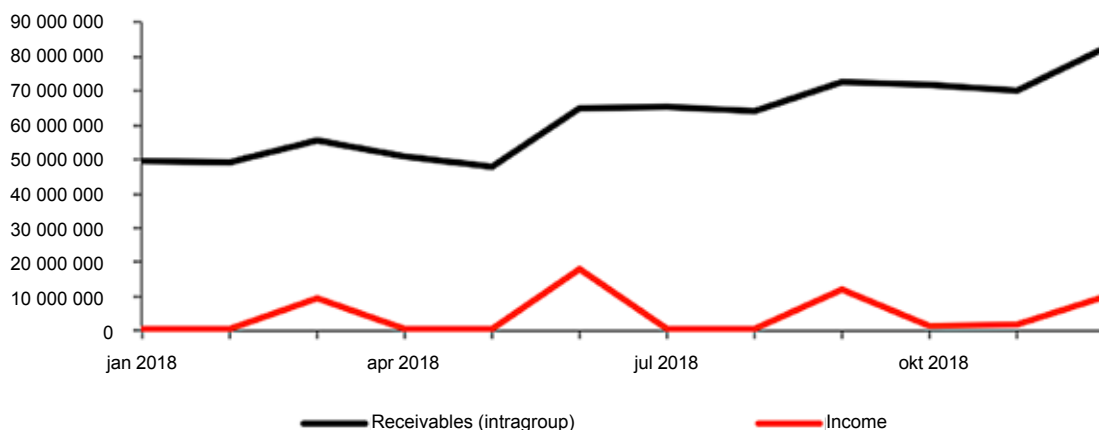
As stated above, in January – April 2018, Starbreeze carried out a directed new issue of shares and a preferential issue which brought in a total of approximately MSEK 238 in liquid funds. Thereafter, Starbreeze had sound cash balances which gradually declined during the year. In the calculation of cash liquidity above, consideration has been given to internal group claims/liabilities which have been excluded in the calculation. Cash liquidity declined at the same rate as cash balances.

3.1.12.2.1 Total cash liquidity in the Group

The graph below illustrates cash liquidity for the entire Group. The compilation has been created on the basis of Starbreeze's own monthly reports at a group level. As set forth in the graph below, cash liquidity for the entire Group largely follows the same pattern as for Starbreeze.

3.1.12.3 Trade receivables and revenues

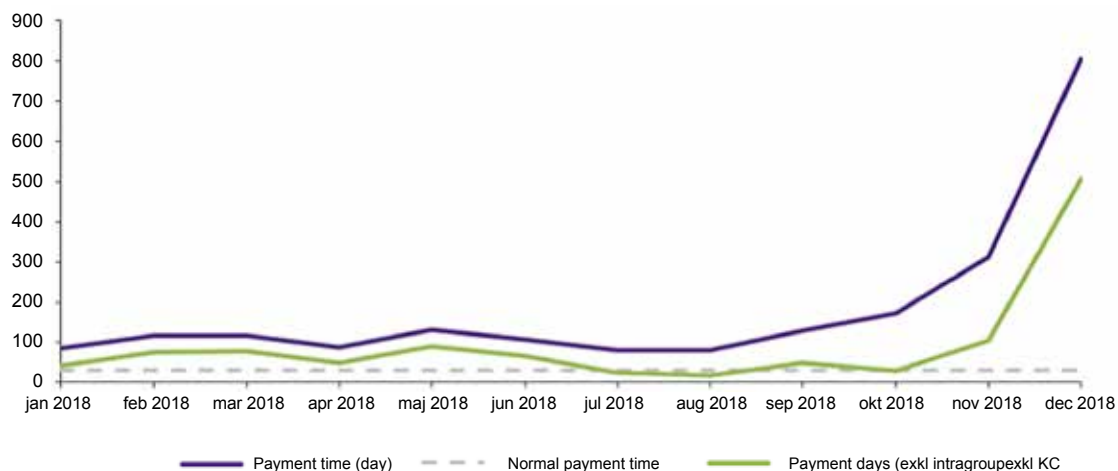
Trade receivables in group companies have increased gradually (see the graph below). This is an effect of the fact that group companies did not settle their liabilities to Starbreeze regularly in 2018. The graph below shows that certain payments were made until May 2018, but that the trade receivables gradually grew in keeping with invoicing. Accordingly, Starbreeze was dependent on obtaining funds from sources other than those derived from internal invoicing.



3.1.12.4 Average time to pay vendors

Set forth below is a diagram depicting the average payment time for vendor invoices based on Starbreeze's accounts for the year of 2018.

Payment time (days)



The diagram contains both external trade payables as well as internal group trade payables. With respect to the external vendors, it is apparent that, following October 2018, the average credit period grew. In the diagram, the average payment period for Starbreeze's vendor invoices has been calculated. The normal payment period is 30 days, which is included as a reference indicated by a dotted line.

3.1.12.5 Record of non-payment

It has been noted that no record of non-payment or late charges are registered in respect of Starbreeze.

3.1.12.6 Alternative financing

On the Date of Reorganisation, Starbreeze had two large convertible loans, a loan to Acer and one to Smilegate. The loan to Smilegate amounted, as per 30 November 2018, i.e. three days prior to the reorganisation, to MSEK 199 while the loan to Acer amounted, as per 30 November 2018, to MSEK 71.5. The loan to Smilegate is due for payment in 2021 with fixed interest charged at a rate of 2 per cent, where applicable up to and including the day of conversion. In the event conversion does not occur, additional interest at a rate of 2 per cent accrues, which is not charged in the event of conversion. Acer converted its claim to shares in April 2019 as a consequence of which Starbreeze's indebtedness to Acer was settled.

In January – April 2018, Starbreeze carried out a directed new issue of shares and a preferential issue which generated approximately MSEK 238 prior to transaction costs.

In August 2018, the board discussed alternative financing. Following a meeting with the audit committee, new data was presented regarding future cash flow. This showed that the lowest level of cash flow, prior to the launch of *OVERKILL's The Walking Dead*, would be in November 2018. Alternative data showed the cash flow in the event Starbreeze sold its interest in Star VR. The board of directors concluded that there was a going-concern assumption, particularly assuming a sale of shares in Star VR.

3.1.12.7 Summary analysis of causes of insolvency and the timing of insolvency

Starbreeze's revenues have been comprised in their entirety of management fees. Starbreeze has reported negative results before tax throughout 2018, but positive EBITDA each quarter when management fees were invoiced. Trade receivables in group companies gradually increased in 2018, which means that the group companies had not regularly paid their invoices. Accordingly, Starbreeze has been dependent on sources of liquid funds other than as derived from invoices. During the period January – April 2018, a capital contribution was received in the amount of MSEK 238 via share issues. However, this contribution was insufficient to maintain positive liquidity for the Group throughout the year. In 2018, Starbreeze had on average a longer payment time for its internal group trade payables than for external payables. However, it may be gleaned that Starbreeze markedly increased its credit period relative to all suppliers after October 2018.

Starbreeze has had strong liquidity which was highly dependent on the directed new issues of shares and preferential issues carried out at the beginning of 2018. These issues were anticipated to secure Starbreeze's financing until the autumn of 2018. A large part of the financing has been committed to the development of the game, *OVERKILL's The Walking Dead*, which was carried out by one of the subsidiaries. Starbreeze had great expectations regarding *OVERKILL's The Walking Dead*, and Starbreeze was dependent on the cash flow which was expected to be generated following the launch of the game. Liquidity became everweaker in the summer of 2018 and, in August 2018, the board of directors accordingly raised the going-concern issue and made the assessment that Starbreeze had financing for not less than the twelve months going forward.

When the launch of *OVERKILL's The Walking Dead* did not perform as expected, work got underway of identifying new financing. The situation became urgent when, in November of 2018, it became apparent that Starbreeze would be strapped for cash at the beginning of 2019, which was due to the loss of revenues relating to *OVERKILL's The Walking Dead*. This, together with other events which affected the Starbreeze's overall financial position, led the board of directors to believe that Starbreeze needed to petition for reorganisation in order to take the necessary steps and secure the operations for the long term. Against this background, the board of directors thus resolved that Starbreeze would petition for reorganisation and simultaneously noted that the same also pertained to the subsidiaries, Studios, Publishing, Production, Enterspace and International, but that such decision needed to be formally taken by the boards of directors of the respective companies.

Against the aforementioned background, it is the Administrator's opinion that insolvency occurred in conjunction with Starbreeze's petition for reorganisation.

3.1.13 Estate inventory

A list of the estate assets and liabilities shall be appended to the report in accordance with Chapter 3, section 14 of the Swedish Company Reorganisation Act not later than three months prior to the petition for composition negotiations and the most recent balance sheet.

The Administrator has prepared an estate inventory with respect to Starbreeze, see [appendix 6](#).

3.1.14 Forecast dividend in the event of bankruptcy

According to Chapter 3, section 11 of the Company Reorganisation Act, the Administrator's report which is to be appended to the debtor's request for composition proceedings shall include information regarding the dividend which can be expected in the event the debtor is placed into bankruptcy.

The information as to which dividend can be expected is intended to be approximate and based on a forecast regarding the outcome of a bankruptcy. The Administrator's report, including the Administrator's information regarding the dividend which can be expected in a bankruptcy, is intended to provide the basis for a comparison between the proposed composition and the dividend in a possible bankruptcy.

As further described in section 6, the assets belonging to the Group's core business were transferred to New Publishing and New Studios, which has been paid by means of the issuance of vendor notes. Both the assets and vendor notes have been valued at SEK 1.6 billion in accordance with valuations from Ernst & Young.

Agreements such as employment agreements, certain agreements regarding the premises and equipments have been assigned from Studios to New Studios. The assignment was carried out on the basis of an assumed market value of MSEK 6.

Det som anförts ovan kan sammanfattas i tabellerna nedan.

Assignments, etc., to New Publishing

Company	Amount of the respective vendor note and the actual value of equity	Share of cash flow from New Publishing
Starbreeze	MSEK 38	2,7 per cent
Publishing	MSEK 801	56 per cent
Production	MSEK 750	39,3 per cent* (0,75 x 750)
Studios	MSEK 28	2 per cent

* Cf. section 6.3.3 below.

Assignment from Studios to New Studios

Company	Amount of the respective vendor note and the actual value of equity	Share of cash flow from New Publishing
Studios	MSEK 6	per cent

W	S	A
L	A	W

The probability that New Publishing or New Studios will be placed into insolvent liquidation is quite small.

The insolvent liquidation of Starbreeze and/or any other Reorganisation Company would, however, probably complicate discussions with future financiers and cooperation partners to a significant extent. It is also probable that disputes with cooperation partners and other contracting partners could arise. There is a not insignificant risk that the operation will be affected, among other things, by a limitation of the number of potential collaboration partners, a deterioration of the commercial terms and conditions relating to various collaborations, and a deterioration of Starbreeze's possibilities to obtain various potential resources. Furthermore, this would likely affect the Reorganisation Companies in so far as the payments under the vendor notes would be postponed.

As regards Publishing, it may be added that, in conjunction with insolvent liquidation, and additional substantial liability will be taken into account as a consequence of an agreement between Publishing and 505 Games Spa (hereinafter "505") from 2011 with respect to a division of profits between Publishing and 505 related to the future sale of *Payday 3*. The amount which could be claimed by 505 under certain conditions is USD 40 million. It is highly likely that, in an insolvent liquidation situation, this conditional claim will be asserted.

The economic outcome the insolvent liquidation in the Reorganisation Companies will thereby be affected, in any case, over time. The actual effect is difficult to quantify. Even if the risk that the operation would be negatively affected to such an extent that the value is reduced to a level below the creditors' claims, the risk still may not be regarded as negligible.

In the event an administrator in bankruptcy does not wish to await payment from New Publishing and/or New Studios, it remains to liquidate the respective assets of the Reorganisation Companies.

The assets which may be liquidated by the administrator in insolvent liquidation in the respective Reorganisation Company are shares, vendor notes and other claims.

The shareholdings are principally concentrated in Starbreeze and Production and, in an insolvent liquidation scenario, relate primarily to the shares in Production, New Studios and New Publishing. The assessed value of these companies in conjunction with insolvent liquidation is presented below.

The payment obligation under the vendor notes is conditional and dependent on the net cash flows arising – principally – in New Publishing. The notes, furthermore, contain a subordination term and a capital deficiency guarantee which affect payment liability to the holder of the notes. These terms probably affect the value of the vendor notes in the event of an assignment. However, it may be noted that the vendor notes are not intended for the most part in order to be transferred but, rather, to ensure that payment flows are, to the largest possible extent, provided to the creditors in the Reorganisation Companies.

As regards the value of the vendor notes, it is also probable that, in conjunction with insolvent liquidation, it would be commercially best for the creditors to await payment from the respective debtor companies, i.e. New Publishing and New Studios. Sales in conjunction with the failure to obtain financing of the operations would generate very limited amounts. This means that, in the event the administrator chooses to wait on payment under the notes,

W	S	A
L	A	W

a considerable amount of time will transpire before a distribution in the insolvent liquidations may be obtained by the creditors. Provided that an insolvent liquidation in any of the Reorganisation Companies would substantially complicate the possibilities for New Publishing's operation, it may be assumed that the time for repayment, all things being equal, will be longer than is the case without such insolvent liquidations - disregarding the fact that the investigation in the insolvent liquidation will require time and money (more about that below).

As regards the claims, these are primarily internal within the group. The value of these claims will be limited in the event of the insolvent liquidation of the Reorganisation Companies.

There are shares in subsidiaries in Starbreeze (the Reorganisation Companies and New Studios are wholly owned by Starbreeze), and in Production (New Publishing is largely wholly owned by Production).

In an insolvent liquidation situation in Production, as mentioned above, it is probable that New Publishing will be negatively affected. As regards New Publishing, in terms of valuation, the situation is rendered more difficult by the fact that the shares in the company are pledged to Nordea as security for the bank's claim against Publishing.

In the event Starbreeze is placed into insolvent liquidation, it is believed that the shares in the Reorganisation Companies will essentially be valueless, with a reservation for Production, which owns shares in New Publishing.

The Reorganisation Companies carry out (Starbreeze) and have carried out (all Reorganisation Companies) a complex operation largely with international ties. In the light of the aforementioned, inter alia, it may be assumed that the investigation in the insolvent liquidation will be extensive and last several years notwithstanding the above.

Furthermore, from the amounts received in a sale in insolvent liquidation, the costs for the insolvent liquidation proceedings will be deducted. The costs incurred in the insolvent liquidation are difficult to estimate but, by way of estimation, they may reach as much as, in the event of Reorganisation Companies are placed into insolvent liquidation, the costs of insolvent liquidation may amount to SEK 20-30 million, to be divided up amongst the respective Reorganisation Companies.

As regards the date of any distribution in an insolvent liquidations, it is to be noted that an administrator in the insolvent liquidation will normally exercise extreme caution in making advance payments of the funds to be distributed and, where such occurs, only in limited amounts. This means that non-prioritised creditors will need to await conclusion of the insolvent liquidation before a distribution is obtained.

It is difficult to assess what percentile distribution may be realised on the respective creditors' capital claims in an insolvent liquidation and the amount of time that would transpire before the creditors received a distribution. The reason therefor is primarily the uncertainty pertaining to the indirect effect an insolvent liquidation in one or several of the Reorganisation Companies will have on the new operating companies, New Publishing a New Studios. However, it is reasonable to assume that payments to non-prioritised creditors will take place on a date significantly later than that which follows from the composition proposal in section 8.

3.1.15 Voidable transactions

Pursuant to Chapter 3, section 11 of the Company Reorganisation Act, the Administrator's report which is to be attached to the debtor's request for composition proceedings shall contain information as to whether property has been relinquished by the debtor under such circumstances that the property may be recovered. The provision of information regarding voidable transactions is intended to provide the creditors with a basis on which to take a decision in respect of the debtor's composition proposal. The existence of voidable transactions may affect the allocation of the debtor's funds between the creditors and affect the debtor's possibilities to implement the composition.

Avoidance of a legal act means, in brief, that property which has been released by the debtor under a contract is recovered. If the debtor's counterparty obtained any rights, e.g. security interests, the avoidance means that such rights lapse. At the same time, the debtor is obliged to return any consideration received from the counterparty through the rescinded legal act.

The conditions for avoidance of transactions are primarily set forth in Chapter 4, sections 5-13 of the Insolvency Act. The rules are extensive and will not be reproduced here. Generally, it might be said that the avoidance rules are aimed at legal acts which were disadvantageous for the creditors and which were carried out within a certain period of time prior to the application for a company reorganisation order.

Avoidance of transactions during a company reorganisation can take place only if a judicial composition, i.e. a financial arrangement between the debtor and the creditors, is confirmed by the court.

An action for avoidance of a transaction may be brought either by the administrator or by a creditor whose claim is covered by a judicial composition. Actions are brought by means of a writ of summons in a court of general jurisdiction. Such actions must be brought prior to the meeting regarding composition proceedings which must be held pursuant to Chapter 3, section 13 of the Company Reorganisation Act. A creditor who wishes to bring an action for avoidance during the company reorganisation must notify the administrator thereof, failing which a request for avoidance will not be entertained. Any amount obtained through an avoidance action inures to the creditors covered by the judicial composition, after the claimant in the action has received compensation for costs. If a creditor's action for avoidance is dismissed by the court, the claimant in the action is liable to compensate the opposing party's litigation costs.

The Administrator has investigated whether any voidable transactions have taken place in Starbreeze. The investigation has primarily been focused on legal acts involving amounts which are significant in relation to the Company's assets and operations and has primarily been conducted by reviewing the Company's accounts and through contacts with representatives of Starbreeze and other companies in the Group. Against this background, the review has been made of payments exceeding SEK 100,000, and the review covers the period 2018-09-02 – 2018-12-03.

The investigation has been performed by the Administrator and, as stated above, partly with the assistance of Grant Thornton. As regards the assessment of recovery, it is noted that, as stated above, the time of Starbreeze' insolvency is deemed to have occurred in conjunction with the company's application for the company reorganisation.

No transactions which are deemed to be subject of avoidance have been identified.

3.1.16 Other review of payments compatibility with law

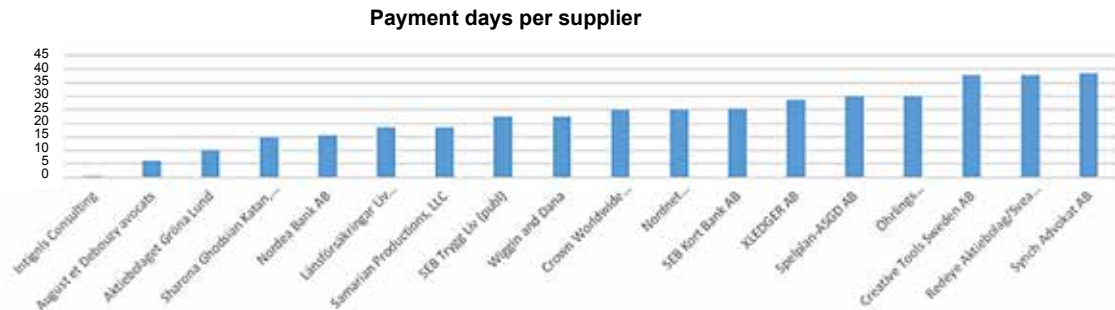
In conjunction with the aforementioned examination relating to recovery, a review has been carried out in respect of payments made three months prior to the Date of Reorganisation. In conjunction with this review, an examination has also been carried out in respect of the conformity of the payments to other applicable legislation such as the Swedish Companies Act and as relates to the commission of crimes in the business.

Payments to suppliers in accordance with the accounts for the period 2018-09-02 – 2018-12-03 have been compiled below. As regards this examination, the selection consists of payments which individually exceed SEK 100,000 or regarding which payment was made to the same supplier in total amounts exceeding SEK 100,000.

Supplier	Account	Invoice date	Payment date	Currency	Invoice amount	Paid amount SEK	Note
AB Gröna Lunds Tivoli	2440	2018-08-23	2018-09-02	SEK	341 704,00	341 704,00	
						341 704,00	
August et Debouzy avocats	2440	2018-10-18	2018-10-24	EUR	12 625,00	130 668,75	
						130 668,75	
Creative Tools SweAB	2440	2018-09-07	2018-10-15			1 000 716,00	
						1 000 716,00	
Crown Worldwide AB	2440	2018-09-27	2018-10-22			101 502,00	
						101 502,00	
SEB Trygg Liv (publ)	2440	2018-10-08	2018-10-29			62 254,00	
SEB Trygg Liv (publ)	2440	2018-09-07	2018-10-01			55 779,00	
						118 033,00	
Intignis Consulting	2440	2018-10-30	2018-10-30	USD	25 684,42	234 830,08	1
Intignis Consulting	2440	2018-11-26	2018-11-28	USD	25 401,03	229 820,90	1
Intignis Consulting	2440	2018-10-12	2018-10-12	USD	10 589,04	96 311,55	1
Intignis Consulting	2440	2018-09-27	2018-09-27	USD	30 089,04	266 016,55	1
						826 979,08	
Länsförsäkringar Liv	2440	2018-09-12	2018-10-01			52 320,00	
Länsförsäkringar Liv	2440	2018-10-12	2018-10-30			55 248,00	
						107 568,00	
Nordea Bank AB	2440	2018-09-15	2018-10-01			82 846,00	
Nordea Bank Abp,	2440	2018-10-15	2018-10-30			59 336,00	
						142 182,00	
Nordnet Pension	2440	2018-10-05	2018-10-29			69 601,00	
Nordnet Pension	2440	2018-09-05	2018-10-01			69 601,00	
						139 202,00	
Redeye Aktiebolag	2440	2018-10-26	2018-11-23			8 148,00	
Redeye Aktiebolag	2440	2018-08-30	2018-10-17			112 560,00	

Supplier	Account	Invoice date	Payment date	Currency	Invoice amount	Paid amount SEK	Note
Samarian Productions, LLC	2440	2018-10-15	2018-10-30	USD	10 000,00	89 816,00	
Samarian Productions, LLC	2440	2018-08-15	2018-09-06	USD	10 000,00	91 889,77	
Samarian Productions, LLC	2440	2018-10-01	2018-10-22	USD	2 262,97	20 164,42	
Samarian Productions, LLC	2440	2018-09-17	2018-10-03	USD	10 000,00	90 377,00	
					292 247,19		
SEB Kort Bank AB	2440	2018-10-30	2018-11-22			16 417,48	
SEB Kort Bank AB	2440	2018-10-01	2018-11-21			74 306,41	
SEB Kort Bank AB	2440	2018-08-29	2018-09-18			65 988,52	
SEB Kort Bank AB	2440	2018-10-01	2018-10-09			276,99	
					156 989,40		
Sharona Ghodsian Katan, Attorney at law	2440	2018-08-18	2018-09-06	USD	2 924,23	26 939,12	2
Sharona Ghodsian Katan, Attorney at law	2440	2018-08-18	2018-09-06	USD	2 985,00	27 498,96	2
Sharona Ghodsian Katan, Attorney at law	2440	2018-09-25	2018-10-03	USD	3 902,00	34 244,73	2
Sharona Ghodsian Katan, Attorney at law	2440	2018-09-25	2018-10-03	USD	1 588,00	13 936,61	2
Sharona Ghodsian Katan, Attorney at law	2440	2018-09-26	2018-10-03	USD	2 270,00	19 921,97	2
Sharona Ghodsian Katan, Attorney at law	2440	2018-10-31	2018-11-28	USD	5 487,54	50 292,21	2
					172 833,60		
Spelplan-ASGD AB	2440	2018-09-18	2018-10-18			156 000,00	
					156 000,00		
Synch Advokat AB	2440	2018-09-01	2018-10-02			250 000,00	
Synch Advokat AB	2440	2018-08-31	2018-09-27			3 176,88	
Synch Advokat AB	2440	2018-08-01	2018-09-06			250 000,00	
Synch Advokat AB	2440	2018-09-30	2018-12-03			408 747,83	
Synch Advokat AB	2440	2018-10-31	2018-12-03			227 150,81	
Synch Advokat AB	2440	2018-10-31	2018-12-03			149 924,25	
Synch Advokat AB	2440	2018-10-01	2018-11-16			250 000,00	
					1 538 999,77		
Wiggin and Dana	2440	2018-10-12	2018-10-30	USD	1 647,92	14 748,55	
Wiggin and Dana	2440	2018-08-10	2018-09-06	USD	15 199,50	138 321,43	
					153 069,98		
XLEDGER AB	2440	2018-09-01	2018-10-01			55 110,45	
XLEDGER AB	2440	2018-10-01	2018-10-29			12 406,25	
XLEDGER AB	2440	2018-10-01	2018-10-29			55 905,45	
					123 422,15		
PWC	2440	2018-10-03	2018-11-02			146 883,00	

The table below shows the average number of days before the respective vendor received payment on its invoice. The purpose of the graph is to examine whether the average payment to a vendor has been preferential relative to any other vendor.



Starbreeze has stated that, prior to the petition for reorganisation, the company paid its invoices on the due date set forth on the invoice and that no vendor has received preferential treatment at the expense of any other. As a rule, invoices, originating abroad have had shorter due dates. Upon review, no transactions/payments to vendors have come to light which are incompatible with law.

Even a review of the transactions carried out before the reorganisation decision with affiliated parties has been conducted in respect of the period 2018-09-03 – 2018-12-03. This was done in light of the fact that the Group has been principally financed through Starbreeze.

The following payments over SEK 100,000 have been carried out on behalf of group companies according to the accounts.

Ver.	Date	Account	Amount	Text	Note
BA-243	2018-08-07	1930	-1,038,632	Loan to SBZ IP Lux II for taxes and vendor invoices, EUR 100,000	1
BA-243	2018-08-07	16608	1,038,632	Loan to SBZ IP Lux II for taxes and vendor invoices, EUR 100,000	
BA-244	2018-08-08	16620	1,224,634	Loan to Dhruva Interactive USD 136,363	2
BA-244	2018-08-08	1930	-1,224,634	Loan to Dhruva Interactive USD 136,363	
BA-361	2018-10-29	16603	20,000,000	Loan to SBZ Publishing AB	2
BA-361	2018-10-29	1930	-20,000,000	Loan to SBZ Publishing AB	
BA-376	2018-11-08	1930	-10,000,000	Loan to SBZ Production to pay IC invoices from SBZ Studios MSEK 10	3
BA-376	2018-11-08	16600	10,000,000	Loan to SBZ Production to pay invoices to SBZ Studios MSEK 10	
BA-377	2018-11-08	1930	-1,806,685	Loan to Production to pay part of an invoice from LGL, USD 200,000	1
BA-377	2018-11-08	16600	1,806,685	Loan to Production to pay part of an invoice from LGL	
BA-386	2018-11-16	1930	-2,376,765	Loan to Enterspace International EUR 230,123.81	3
BA-386	2018-11-16	16617	2,376,765	Loan to Enterspace International EUR 230,123.81	

Ver.	Date	Account	Amount	Text	Note
BA-387	2018-11-20	1930	-1,194,149	Loan to Parallaxter EUR 115,000	2
BA-387	2018-11-20	16615	1,194,149	Loan to Parallaxter EUR 115,000	
BA-388	2018-11-21	1930	-1,827,485	Loan to SBZ Production to pay part of an invoice from LGL	1
BA-388	2018-11-21	16600	1,827,485	Loan to SBZ Production to pay part of an invoice from LGL	
BA-250	2018-08-20	1930	-921,489	Loan to SBZ USA Inc USD 100,000, exchange rate 9.214891	2
BA-250	2018-08-20	16604	921,489	Loan to SBZ USA Inc USD 100,000, exchange rate 9.214891	
BA-264	2018-08-29	16600	12,000,000	Loan to SBZ Production	2
BA-264	2018-08-29	1930	-12,000,000	Loan to SBZ Production	
BA-279	2018-09-04	1931	-828,736	Loan to Dhruva Interactive	2
BA-279	2018-09-04	16620	828,736	Loan to Dhruva Interactive	
BA-286	2018-09-10	1931	-1,809,120	Loan to SBZ IP Lux II USD 200,000	2
BA-286	2018-09-10	16608	1,809,120	Loan to SBZ IP Lux II USD 200,000	
BA-290	2018-09-12	1930	-1,058,760	Loan to Parallaxter EUR 100,000, exchange rate 10.5876	2
BA-290	2018-09-12	16615	1,058,760	Loan to Parallaxter EUR 100 000, exchange rate 10.5876	
BA-292	2018-09-12	1930	-913,940	Loan to SBZ USA Inc. USD 100,000, exchange rate 9.1394	2
BA-292	2018-09-12	16604	913,940	Loan to SBZ USA Inc. USD 100,000, exchange rate 9.1394	
BA-310	2018-09-24	16611	229,755	Paid\Letter of consent\	4
BA-310	2018-09-24	1931	-229,755	Paid\Letter of consent\	
BA-311	2018-09-26	16617	6,000,000	Loan to Enterspace International SEK 6,000,000	2
BA-311	2018-09-26	1930	-6,000,000	Loan to Enterspace International SEK 6,000,000	
BA-312	2018-09-27	16608	10,000,000	Loan to SBZ IP Lux to pay IC invoices in SBZ Studios MSEK 10	3
BA-312	2018-09-27	1930	-10,000,000	Loan to SBZ IP Lux to pay IC invoices in SBZ Studios MSEK 10	
BA-313	2018-09-27	1930	-2,000,000	Loan to Enterspace AB	2
BA-313	2018-09-27	16616	2,000,000	Loan to Enterspace AB	
BA-321	2018-10-01	16620	816,963	Deposition Dhruva Interactive USD 90909, exchange rate 8.9866	4
BA-321	2018-10-01	1930	-816,963	Deposition Dhruva Interactive USD 90909, exchange rate 8.9866	
BA-327	2018-10-01	1930	-560,473	Loan to SBZ IP Lux II to pay invoice 10073 to SBZ Barcelona	3
BA-327	2018-10-01	16608	560,473	Loan to SBZ IP Lux II to pay invoice 10073 to SBZ Barcelona	

Ver.	Date	Account	Amount	Text	Note
BA-328	2018-10-01	16608	5,670,809	Loan to IP Lux II to pay invoice 10095 and part of 10104, SBZ Paris SAS	3
BA-328	2018-10-01	1930	-5,670,809	Loan to IP Lux II to pay invoice 10095 and part of 10104, SBZ Paris SAS	
BA-340	2018-10-12	16615	1,201,554	Loan to Parallaxter EUR 115,000	2
BA-340	2018-10-12	1930	-1,201,554	Loan to Parallaxter EUR 115,000	
BA-353	2018-10-19	1930	-1,040,190	Loan to SBZ IP Lux II EUR 100,000, exchange rate 10.401898	2
BA-353	2018-10-19	16608	1,040,190	Loan to SBZ IP Lux II EUR 100,000, exchange rate 10.401898	
BA-354	2018-10-19	1930	-4,547,108	Loan to SBZ IP Lux USD 500,000, exchange rate 9.094216 to pay invoices to SBZ LA Inc	3
BA-354	2018-10-19	16608	4,547,108	Loan to SBZ IP Lux USD 500,000, exchange rate 9.094216 to pay invoices to SBZ LA Inc	
BA-355	2018-10-19	1930	-10,000,000	Loan to Enterspace AB SEK 10,000,000	2
BA-355	2018-10-19	16616	10,000,000	Loan to Enterspace AB SEK 10,000,000	
BA-412	2018-12-03	1930	-1,240,349	Loan to Dhruva Interactive USD 136,363	2
BA-412	2018-12-03	16620	1,240,349	Loan to Dhruva Interactive USD 136,363	

Note 1 – Voucher text states payment of vendor invoice, external

Note 2 – Voucher text states loan

Note 3 – Voucher text states payment of group invoice

Note 4 – Voucher text states other

Upon review, no transactions/payments to group companies have come to light which are incompatible with law.

3.1.16.1 Suppliers payments to affiliated companies

A separate examination has been carried out in respect of transactions with companies in which the board members or majority owners have/have had an interest. The list of affiliated persons has been checked against registered, affiliated companies at the Swedish Companies Registration Office. A search was conducted in the general ledger for transactions containing the company names from the list. It may be noted that Starbreeze has itself drawn attention to the transactions with closely affiliated parties which were reported in the Q3 report which were consultancy engagements prior to listing on Nasdaq carried out by the then member of the board, Eva Redhe. Otherwise, no non-conformities have been noted and, when checked against the general ledger, no transactions with affiliated companies have been noted.

3.1.16.2 Review of transactions three months prior to the Date of Reorganisation

3.1.16.2 Granskning av andra transaktioner tre månader före Rekonstruktionstidpunkten

Large manual bank disbursements have been checked. In order to examine such transactions, manual payments exceeding SEK 100,000 have been sorted from the accounts which have not been included in other searches. "Manual payment" means direct payments in cash or from bank accounts which do not relate to settlement of vendor invoices. In the compilation below, payments to the Swedish Tax Agency, payments of regular salaries (salary runs), monthly exchange rate adjustments to currency accounts, and interest payments on convertible loans have been excluded.

The following bank payments have been identified:

Ver.	Date	Account	Amount	Note
BA-284	2018-09-03	1930	-169 606	Disbursements to Bo Andersson Klint
BA-397	2018-11-26	1930	-188 955	Lön Mika Reini

The following vouchers have been cursorily reviewed relative to the supporting accounting material:

BA-284 – Pertains to disbursement reporting for Bo Andersson Klint and associated receipts. Prior to the reorganisation decision, Starbreeze entered into an agreement with Bo Andersson Klint regarding repayment of part of the disbursements.

BA-397 – Payment relating to salary should, according to information, be finally settled in conjunction with the termination by the employee of his employment with Starbreeze. In summary, it may be noted that the review does not indicate that any transaction has been improper.

3.1.17 Suspicions of fraud on the creditors

Pursuant to Chapter 3, section 11 of the Company Reorganisation Act, the report from the Administrator which is to be appended to the debtor's request for composition proceedings must contain information as to whether there is any reasonable cause to believe that the debtor is guilty of fraud on its creditors and, if so, also information regarding the grounds for the suspicion. The information shall relate to any suspected criminal offence pursuant to Chapter 11 of the Criminal Code, i.e. dishonesty against creditors, interference with executive action, negligence towards creditors, improper favoring of creditors, and bookkeeping crimes. Pursuant to section 22 of the Company Reorganisation Ordinance, the administrator shall also notify the public prosecutor whether there is reasonable cause to suspect fraud on the creditors. The provision of information regarding the criminal investigation is intended to provide the creditors with a basis on which to take a decision in respect of the debtor's composition proposal.

In light of the above, the Administrator has investigated whether there is reasonable cause to suspect fraud against Starbreeze's creditors. The investigation has primarily been carried out by reviewing Starbreeze's accounts and through interviews with company management of Starbreeze and other companies in the Group. The investigation has been carried out by the

Administrator, in part with the assistance of Grant Thornton.

In the investigation carried out, no circumstances have come to light which provide reasonable cause to assume the perpetration of any fraud on the creditors.

3.2 Starbreeze Studios AB

3.2.1 General information

Studios was registered with the Swedish Companies Registration Office on 14 July 1998. Studios is a subsidiary in the Group which, on the Date of Reorganisation, was in possession of the majority of the production resources such as, among other things, personnel, equipment and lease agreements. The operations consisted principally of performing work on behalf of the other group companies.

Registered number of shares: 10 000

Registered share capital: SEK 100 000

3.2.2 Creditors, etc.

On the date of reorganisation, Studios' liabilities amounted to SEK 139,469,479. Reorganisation Creditors within the Group (internal Reorganisation Creditors) and the amount of the claims are set forth in appendix 7.

Reorganisation Creditors who are not part of the Group (external Reorganisation Creditors) and the amount of the claims are set forth in appendix 8.

3.2.3 Board of directors and senior executives and auditors

On the Date of Reorganisation.

Board of directors: Bo Andersson Klint (chairman)
Michael Hjorth
Mikael Nermark

Managing director: Bo Andersson Klint

Auditors: Öhrlings PricewaterhouseCoopers AB (PwC)
Nicklas Kullberg (principal auditor)

The board of directors and managing director have undergone certain changes since the Date of Reorganisation. At the time for the submission of the reorganisation plan, the functionaries of Studios consist of the following persons.

Board of directors: Torgny Hellström (chairman)
Jan Benjaminson
Kerstin Sundberg

Managing director: Mikael Nermark

Auditors: Öhrlings PricewaterhouseCoopers AB (PwC)
Nicklas Kullberg (principal auditor)

3.2.4 *Developments*

For a general description of the developments, see section 3.1.5.

3.2.5 *Generally regarding the reorganisation investigation*

For information regarding measures taken in conjunction with the reorganisation investigation, see section 3.1.9 above.

3.2.6 *Accounting, monthly reconciliation, internal reporting, etc.*

Studios has used the same accounting systems, routines and monthly reconciliations as Star-breeze. Routines for internal reporting and board work have also been the same. Accordingly, refer to the account in the aforementioned respects in section 3.1.10.

The Administrator's assessment is that Studios's account system, Xledger, is an account system which is well adapted to the operations. Bookkeeping routines and monthly accounts have been deemed to be normal for the company's operation and scale. Accordingly, there is no impediment to following the company's results and financial position on a regular basis and, accordingly, the Administrator's assessment is that the principal requirement has been met.

3.2.6.1 *Annual reports for 2017 and 2018*

Studios' most recently presented annual report per the Date of Reorganisation related to the 2017 financial year. The audit report which was presented was unmodified, meaning that the auditor had no comments.

Following the Date of Reorganisation, Studios presented an annual report for the 2018 financial year. In the audit report which was presented, the auditor noted that deducted taxes, employer payroll taxes and value-added taxes were not timely paid on several occasions. It has also been noted that, as a consequence of disbursements, there is a claim against the previous CEO which may have come about in contravention of Chapter 21 of the Swedish Companies Act.

The valuation of assets has been carried out in accordance with the going-concern principle.

3.2.7 Overview of assets and shareholder's equity and liabilities

Set forth below is a summary of Studios' assets and shareholders' equity and liabilities per 31 December 2018. The stated amounts equal the booked amounts.

Assets	TSEK	TEUR	TUSD
<u>Non-current assets</u>			
<i>Tangible assets</i>			
Fixtures, tools and installations	15,264	1,486	1,689
<i>Financial assets</i>			
Investments in group companies	12	1	1
Other non-current assets	4,600	448	509
Total non-current assets	19,876	1,935	2,199
<u>Current assets</u>			
Current receivables			
Tax assets	1,193	116	132
Trade receivables	410	40	45
Receivables from group companies	131,034	12,759	14,495
Other receivables	1,192	116	132
Prepaid expenses and accrued income	10,108	984	1,118
<i>Cash and bank</i>			
Cash and cash equivalents	750	73	83
Total current assets	144,687	14,088	16,005
Total assets	164,563	16,023	18,204
Equity and liabilities			
<u>Equity</u>			
<i>Restricted equity</i>			
Share capital	100	10	11
Reserves	16	2	2
<i>Non-restricted equity</i>			
Share premium reserve	27,048	2,634	2,992
Retained earnings	8,814	858	975
Net profit (-loss) for the year	-34,506	-3,360	-3,817
Total equity	1,472	144	163

Assets	TSEK	TEUR	TUSD
<u>Untaxed reserves</u>			
Accumulated excess depreciation	434	42	48
Total untaxed reserves	434	42	48
<u>Current liabilities</u>			
Trade payables	14,503	1,412	1,604
Liabilities to group companies	104,996	10,224	11,615
Other liabilities	25,911	2,523	2,866
Accrued expenses and deferred income	17,249	1,680	1,908
Total current liabilities	162,659	15,839	17,993
Total equity and liabilities	164,565	16,025	18,204

For additional information, reference is made to the annual report for the financial year of 2018 (appendix 9).

Set forth below is a summary of Studios' assets and shareholders' equity and liabilities per 30 June 2019. The stated amounts equal the book values, and translation of currencies has been carried out per 28 June 2019. The information provided below, has not been audited.

Assets	TSEK	TEUR	TUSD
<u>Non-current assets</u>			
<i>Financial assets</i>			
Other non-current assets	4,000	379	431
Total non-current assets	4,000	379	431
<u>Current assets</u>			
<i>Current receivables</i>			
Tax assets	-17,428	-1,650	-1,880
Trade receivables	203	19	22
Receivables from group companies	211,479	20,026	22,813
Other receivables	902	85	97
Prepaid expenses and accrued income	5,495	520	593
<i>Cash and bank</i>			
Cash and cash equivalents	263	25	28
Total current assets	200,914	19,025	21,673
Total assets	204,914	19,404	22,104

Assets	TSEK	TEUR	TUSD
Equity and liabilities			
<u>Equity</u>			
<i>Restricted equity</i>			
Share capital	100	9	11
Reserves	16	2	2
<i>Non-restricted equity</i>			
Capital contributions	38,431	3,639	4,146
Retained earnings	-27,692	-2,622	-2,987
Net profit (-loss) for the period	81,642	7,731	8,807
Total equity	92,497	8,759	9,979
<u>Untaxed reserves</u>			
Accumulated excess depreciation	434	41	47
Total untaxed reserves	434	41	47
<u>Non-current liabilities</u>			
Other non-current liabilities	-34,002	-3,220	-3,668
Total non-current liabilities	-34,002	-3,220	-3,668
<u>Current liabilities</u>			
Trade payables	10,459	990	1,128
Liabilities to group companies	124,145	11,756	13,392
Other liabilities	-747	-71	-81
Accrued expenses and deferred income	12,127	1,148	1,308
Total current liabilities	145,984	13,823	15,747
Total equity and liabilities	204,913	19,403	22,105

3.2.8 Date of, and reasons for, Studios' payment difficulties and insolvency

For general starting points, as well as circumstances and assessments, relating to the payment difficulties and insolvency, refer to section 3.1.12 above.

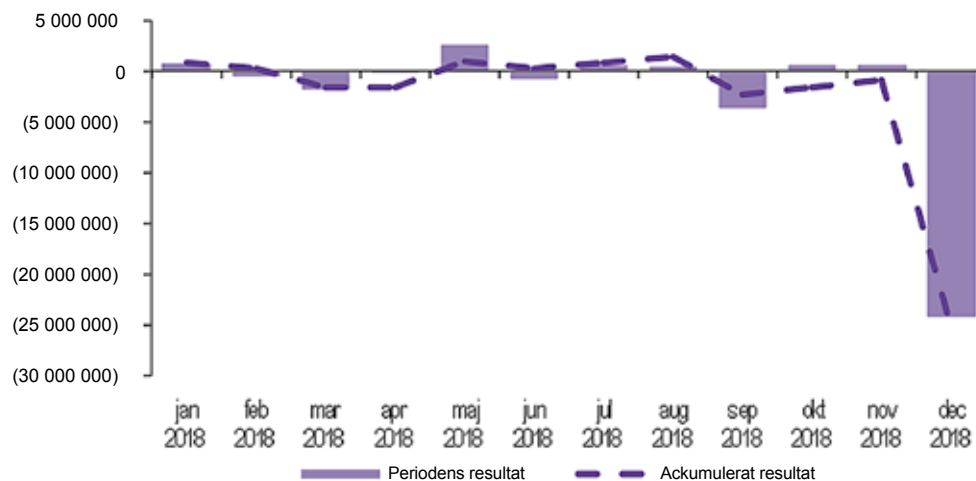
3.2.8.1 Earnings performance

For general starting points underlying the assessment in this respect, refer to section 3.1.12.1 above.

Studios' revenues have essentially consisted of income from other companies in the Group. Since the operations consist of the development and production of games for the Group and with companies which collaborate with the Group, turnover is affected directly by sales of games. The companies which have represented the largest share of revenues are Publishing, Valve Corporation Operating act (through agreements with Publishing and Production), Starbreeze IP LUX II and Production.

The graph below depicts Studios' month-by-month results in 2018. As may be gleaned from the graph below, Studios has had fluctuating results in which the result is markedly negative at the end of 2018 due to a write-down of the tax receivable of MSEK 19.

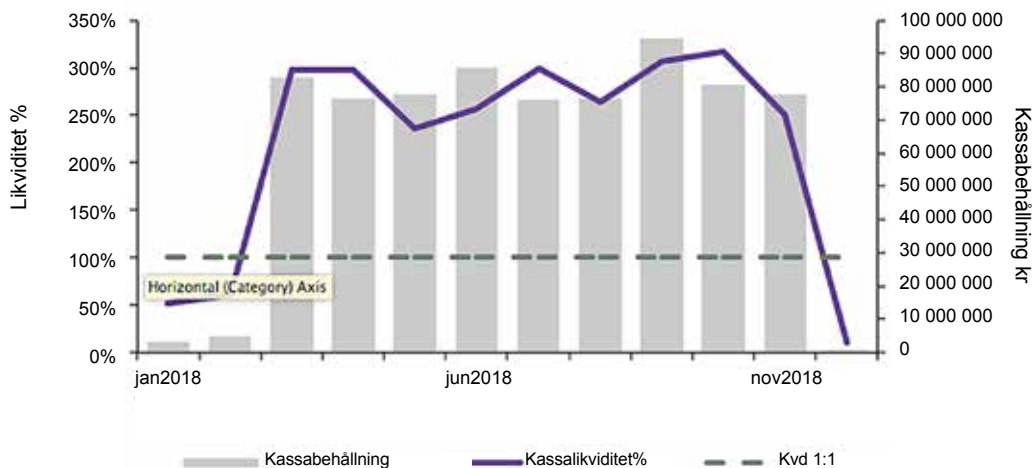
Every third month, Studios has been invoiced for a management fee by the parent company, Starbreeze, which has affected the result and may be noted in the graph below.



3.2.8.2 Cash liquidity and cash balances

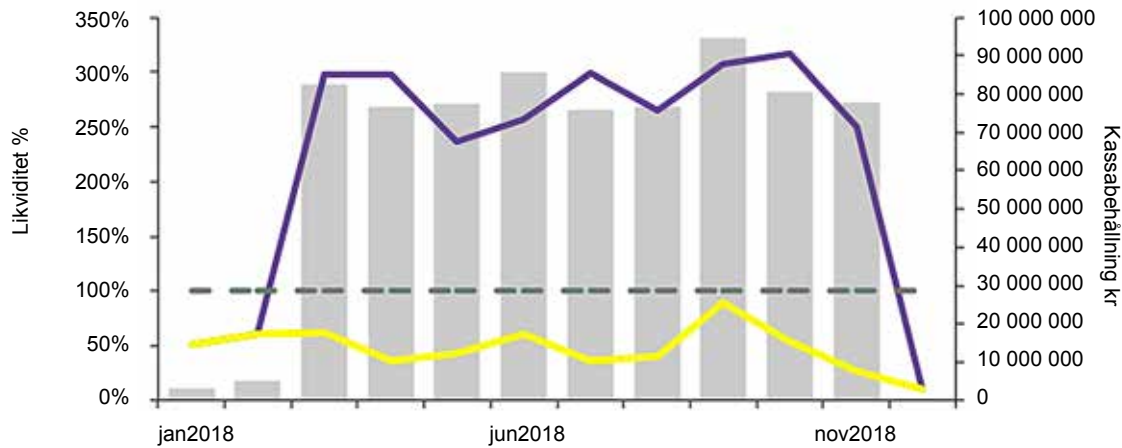
For general starting points underlying the assessment in this respect, refer to section 3.1.12.2 above.

2018 cash liquidity and cash balances for Studios are set forth below in graph (a)



W S A
L A W

Liquidity as a per cent excluding internal borrowing in the amount of MSEK 75 is depicted by the yellow line below in graph (b).



Set forth below is an extract from the accounts which show that Studios received MSEK 75 on 31 March which was disbursed on the last day of December 2018.

Ver.	Datum	Trans-/Ver.text	Konto	Belopp	Saldo	Obj	Komment
		KONTO: Bank SEK manual reconciliation 1934			0,00		
BA-114	2018-03-31	Nordea bankh�ndelser mars	1934	75 000 000,00	75 000 000,00		
GL-384	2018-12-31	Uttag 75 MKR Nordea	1934	-75 000 000,00	0,00		

The reason for the payment was that the funds were pledged to Nordea, and the bank offset/ exercised its right of recourse on 31 December 2018.

Set forth below is an extract from the bank account statement 1509 43 03600 03600 SEK Nordea SE.

Avs�ndare/Mottagare	Bokf�ringsdag	Valutadag	Referens	Belopp
0	21.12.2018	21.12.2018	Uttag	-75.000.000,00
15094303597	21.03.2018	21.03.2018	Egen �f	-50.000.000,00
15094303597	01.03.2018	01.03.2018	STARBREEZE AB,	125.000.000,00

As can be gleaned from graph (a) above, cash balances were low until March when Studios received MSEK 125 in funds (of which MSEK 50 were repaid shortly thereafter) from the parent company, Starbreeze. These funds were treated as blocked funds. The amount was subsequently booked on a settlement account on the balance sheet. The liquidity contribution of MSEK 75 generated a sound cash balance during the year since these funds were not used. In December, MSEK 75 was repaid, which explains the fall depicted in the graph. The Administrator has checked this transaction against the balance sheet in Starbreeze in which the company's claim against Studios was reduced by MSEK 75. The Administrator has noted

that the payment from Studios pursuant to the accounts was paid to the sister subsidiary, Publishing, on 21 December 2018. This may be explained by the fact that Starbreeze made a loan of MSEK 75 to Publishing which, in turn, used the same in order to reduce the overdraft at Nordea by a comparable amount.

Cash liquidity has changed at the same rate as the cash balances. The Administrator has also noted in graph (b) that cash liquidity follows the rate of borrowing. Excluding borrowings of MSEK 75 in light of the fact that the amount was not available for use, one obtains the yellow line in the calculation of cash liquidity which shows liquidity near 0 per cent commencing March 2018.

3.2.8.3 Record of non-payment

It has been noted that no record of non-payment or late charges are registered in respect of Studios.

3.2.8.4 Summary analysis of causes of insolvency and the timing of insolvency

For a general description of the assessment of the date of insolvency, refer to section 3.1.12.7.

Studios has been wholly dependent on the parent company's financing. Furthermore, other Reorganisation Companies have been Studios' largest individual customers, as a consequence of which it is the opinion of the Administrator that Studios has also been directly dependent on the performance of the rest of the Group. As a result, it is the Administrator's conclusion that the timing of insolvency for Studios occurred in conjunction with the timing of the parent company's insolvency, i.e. in conjunction with the application for reorganisation.

3.2.9 Estate inventory

For general starting points, refer to section 3.1.13 above.

The Administrator has prepared an estate inventory with respect to Studios (see appendix 10).

3.2.10 Forecast dividend in the event of bankruptcy

Reference is made to section 3.1.14 above.

3.2.11 Återvinningsbara transaktioner

For general starting points and information regarding the conduct of the examination relating to voidable transactions, see section 3.1.15.

No transactions which are deemed to be subject of avoidance have been identified.

3.2.12 Other review of payments compatibility with law

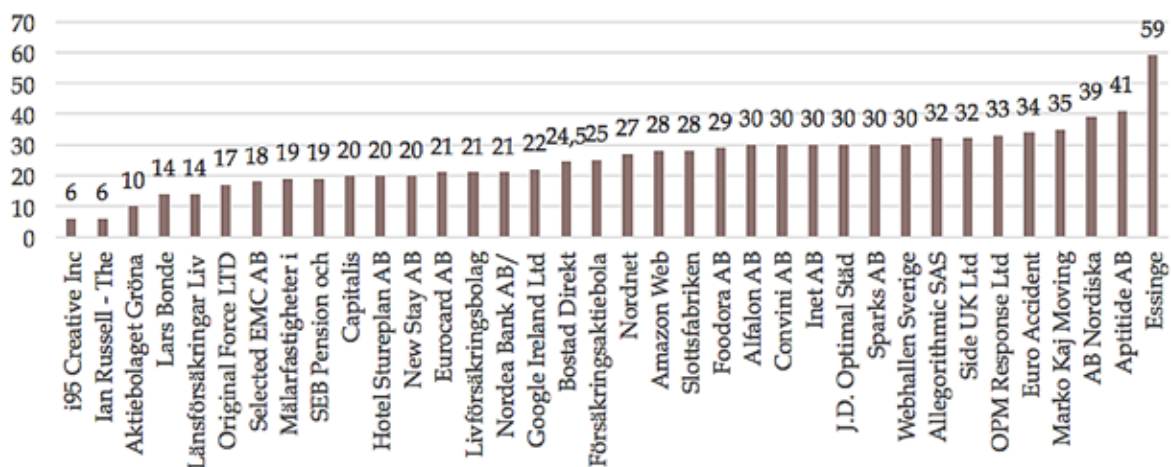
In conjunction with the aforementioned examination relating to recovery, a review has been carried out in respect of payments made three months prior to the Date of Reorganisation. In conjunction with this review, an examination has also been carried out in respect of the conformity of the payments to other applicable legislation such as the Swedish Companies Act and as relates to the commission of any crimes in the business.

Payments to suppliers in accordance with the accounts for the period 2018-09-02 – 2018-12-03 have been compiled below. As regards this examination, the selection consists of payments which individually exceed SEK 100,000 or regarding which payment was made to the same supplier in total amounts exceeding SEK 100,000. For a summary of the selection, please refer to appendix 11.

Disposition

The table below shows the average number of days before the respective vendor received payment on its invoice. The purpose of the graph is to examine whether a vendor has been preferential relative to any other vendor. The graph below depicts shorter payment times generally as regards foreign invoices, which accords with the statement that foreign invoices as a rule have shorter payment terms.

Payment days per supplier



In the graph above, it may also be noted that some of the suppliers have also been paid relatively soon after the invoice was received. All suppliers have been paid on average within 20 days. Invoices from all suppliers have also been checked in Studios' business system in 2018 in order to determine whether transactions occurred between the relevant suppliers and the other Reorganisation Companies.

The general ledger had been checked for transactions with affiliated parties carried out during the period 2018-09-03 – 2018-12-03.

Transactions with group companies (excluding loans)

According to the accounts, the following payments over SEK 100,000 have been made on behalf of group companies during the period reviewed.

Note 1 relates to payment of invoices.

Supplier	Voucher type	Date of payment	Currency	Amount (SEK)	Note
Starbreeze AB	GL	2018-09-27	SEK	1,777,860.50	1

Studios has had only one transaction with an affiliated company which relates to the parent company, Starbreeze. According to the text of the voucher, the booking relates to a set-off of inter-company invoices between Studios and Starbreeze. However, there is no supporting documentation. The disbursement is internal within the group and should not be the subject of further review.

Studios has also paid SEK 75 million to Starbreeze in accordance with the above account in section 3.2.8.2

Supplier payments to affiliated companies

An examination has been carried out in respect of transactions with companies in which the board members or owners have had an interest. A search was conducted in the general ledger for transactions containing company names in accordance with a list of affiliated companies. The list of affiliated parties has been checked against affiliated companies registered with the Swedish Companies Registration Office. No discrepancies have been noted between the Swedish Companies Registration Office list and Studios' list.

Upon review, no transactions/ payments to vendors have come to light which are incompatible with law.

An examination has also been conducted in respect of the transactions carried out prior to the reorganisation decision involving affiliated parties, and large manual transactions have been reviewed for the period 2018-09-03 – 2018-12-03.

In order to identify suspected transactions, manual payments in excess of SEK 100,000 have been sorted from the accounts and which have not been covered by other searches. "Manual payment" means direct payments in cash or from bank accounts which do not relate to settlement of vendor invoices. Bank account statements have been looked through to identify large disbursements made during the period. Payments to the Swedish Tax Agency, payments of regular salaries (salary runs), monthly exchange rate adjustments to currency accounts, and interest payments on convertible loans have been excluded.

Manual payments during the period which, according to the text of the vouchers, pertain to rent payment have been noted (see below). This has been brought to the attention of Studios' company representatives who have explained that these transactions relate to rent for personnel residences. Studios has paid rents directly to the landlord which have been subsequently deducted from employee wages. The invoices have been aggregated invoices since the same landlord has provided most of the residences. The provision of residences has been essential to attracting competent foreign personnel, a substantial population of Studios' employees.

Account	Period	Voucher date	##	Text	Amount
1930 - Bank SEK	Sep/2018	2018-09-20	361	October rent	-130,600.00
1930 - Bank SEK	Oct/2018	2018-10-22	406	November rent	-118,600.00
1930 - Bank SEK	Nov/2018	2018-11-23	457	December rent	-118,600.00

No other payments have been identified during the review based on the aforementioned circumstances.

As regards payments to closely affiliated parties, only one payment has been made to the parent company, Starbreeze.

In summary, it may be noted that the review does not indicate that any transaction has been improper.

3.2.13 Suspicious of fraud on the creditors

Allmänna utgångspunkter, se avsnitt 3.1.17 ovan.

The Administrator has examined whether there is reasonable cause to suspect crimes against Studios' creditors.

In the investigation carried out, no circumstances have come to light which provide reasonable cause to assume the perpetration of any fraud on the creditors.

3.3 Starbreeze Publishing AB

3.3.1 General information

Publishing was registered with the Swedish Companies Registration Office on 25 March 2009. Publishing has performed publishing operations relating to computer and TV games. Other group companies have performed work for, and delivered services to, Publishing. Thereafter, Publishing was invoiced internally for these services. In 2017, Publishing has, among other things, published the game, *Dead by Daylight*, on consoles and the VR game, *John Wick*.

In 2018, Publishing released, among other things, the game, *OVERKILL's The Walking Dead*, for PC.

Registered number of shares: 1,000

Registered share capital: SEK 100,000

3.3.2 Creditors, etc.

On the Date of Reorganisation, Publishing's liabilities amounted to SEK 447,196,636. Reorganisation Creditors within the Group and the amount of the claims are set forth in appendix 12.

Reorganisation Creditors who are not part of the Group (external Reorganisation Creditors) and the amount of the claims are set forth in appendix 13.

3.3.3 Board of directors and senior executives and auditors

On the Date of Reorganisation:

Board of directors: Bo Andersson Klint (chairman)
Michael Hjorth
Mikael Nermark

Managing director: Bo Andersson Klint

Auditors: Öhrlings PricewaterhouseCoopers AB (PwC)
Nicklas Kullberg (principal auditor)

The board of directors and managing director have undergone certain changes since the Date of Reorganisation. At the time for the submission of the reorganisation plan, the functionaries of Publishing consist of the following persons.

Board of directors: Torgny Hellström (chairman)
Jan Benjaminson
Kerstin Sundberg

Managing director: Mikael Nermark

Auditors: Öhrlings PricewaterhouseCoopers AB (PwC)
Nicklas Kullberg (principal auditor)



3.3.4 *Developments*

For a general description of the developments, see section 3.1.5.

3.3.5 *Generally regarding the reorganisation investigation*

For information regarding measures taken in conjunction with the reorganisation investigation, see section 3.1.9 above.

3.3.6 *Accounting, monthly reconciliation, internal reporting, etc.*

Publishing has used the same accounting systems, routines and monthly reconciliations as Starbreeze. Routines for internal reporting and board work have also been the same. Accordingly, refer to the account in the aforementioned respects in section 3.1.10 with respect to Starbreeze.

The Administrator's assessment is that Publishing's account system, Xledger, is an account system which is well adapted to the operations. Bookkeeping routines and monthly accounts have been deemed to be normal for Publishing's operation and scale. Accordingly, there is no impediment to following Publishing's results and financial position on a regular basis and, accordingly, the Administrator's assessment is that the principal requirement has been met.

3.3.6.1 *Annual reports for 2017 and 2018*

Publishing's most recently presented annual report per the Date of Reorganisation related to the 2017 financial year. The audit report which was presented was unmodified, meaning that the auditor had no comments.

Following the Date of Reorganisation, Publishing presented an annual report for the 2018 financial year. The auditor had no comments in the audit report which was presented. The valuation of assets has been carried out in accordance with the going-concern principle.

3.3.7 Overview of assets and shareholder's equity and liabilities

Set forth below is a summary of Publishing's assets and shareholders' equity and liabilities per 31 December 2018. The stated amounts equal the booked amounts.

Tillgångar	TSEK	TEUR	TUSD
<u>Non-current assets</u>			
<i>Intangible assets</i>			
Other intangible assets	203,600	19,825	22,522
<i>Tangible assets</i>			
Fixtures, tools and installations	50	5	6
<i>Financial assets</i>			
Participation interest in other companies	12	1	1
Total non-current assets	203,662	19,831	22,529
<u>Current assets</u>			
<i>Current receivables</i>			
Trade receivables	24,105	2,347	2,666
Receivables from group companies	31,773	3,094	3,515
Other receivables	6,587	641	729
Prepaid expenses and accrued income	17,184	1,673	1,901
<i>Cash and bank</i>			
Cash and cash equivalents	40,433	3,937	4,473
Total current assets	120,082	11,692	13,284
Total assets	323,744	31,523	35,813
Equity and liabilities			
<u>Equity</u>			
<i>Restricted equity</i>			
Share capital	100	10	11
Revaluation reserve	56,100	5,463	6,206
<i>Non-restricted equity</i>			
Retained earnings	133,764	13,025	14,797
Net profit (-loss) for the year	-358,284	-34,887	-39,633
Total equity	-168,320	-16,389	-18,619

Assets	TSEK	TEUR	TUSD
<u>Untaxed reserves</u>			
Accumulated excess depreciation	3,353	326	371
Total untaxed reserves	3,353	326	371
<u>Non-current liabilities</u>			
Other non-current liabilities	8,971	874	992
Total non-current liabilities	8,971	874	992
<u>Current liabilities</u>			
Bank overdraft	75,770	7,378	8,382
Advances from clients	65,056	6,335	7,196
Trade payables	39,691	3,865	4,391
Liabilities to group companies	295,656	28,788	32,705
Other liabilities	210	20	23
Accrued expenses and deferred income	3,358	327	372
Total current liabilities	479,741	46,713	53,069
Total equity and liabilities	323,744	31,524	35,813

For additional information, reference is made to the annual report for the financial year of 2018 (appendix 14).

Set forth below is a summary of Publishing's assets and shareholders' equity and liabilities per 30 June 2019. The stated amounts equal the book values, and translation of currencies has been carried out per 28 June 2019. The information below has not been audited.

Assets	TSEK	TEUR	TUSD
<u>Non-current assets</u>			
<i>Intangible assets</i>			
Other intangible assets	34,264	3,245	3,696
Total non-current assets	34,264	3,245	3,696
<u>Current assets</u>			
<i>Current receivables</i>			
Trade receivables	-778	-74	-84
Receivables from group companies	-28,690	-2,717	-3,095
Prepaid expenses and accrued income	12,639	1,197	1,363
<i>Cash and bank</i>			
Cash and cash equivalents	6,498	615	701
Total current assets	-10,331	-979	-1,115
Total assets	23,933	2,266	2,581
Equity and liabilities			
<u>Equity</u>			
<i>Restricted equity</i>			
Share capital	100	9	11
<i>Non-restricted equity</i>			
Capital contributions	332,400	31,477	35,858
Retained earnings	-498,597	-47,216	-53,786
Net profit (-loss) for the period	435,552	41,245	46,985
Total equity	269,455	25,515	29,068
<u>Untaxed reserves</u>			
Accumulated excess depreciation	3,353	317	362
Total untaxed reserves	3,353	317	362

Assets	TSEK	TEUR	TUSD
<u>Non-current liabilities</u>			
Other non-current liabilities	-724,315	-68,590	-78,135
Total non-current liabilities	-724,315	-68,590	-78,135
<u>Current liabilities</u>			
Advances from clients	41,576	3,937	4,485
Trade payables	34,147	3,234	3,684
Liabilities to group companies	398,557	37,742	42,994
VAT payable	-1.226	-116	-132
Employee withholding taxes	99	9	11
Other liabilities	-6	-1	-1
Accrued expenses and deferred income	2.293	217	247
Total current liabilities	475,440	45,022	51,288
Total equity and liabilities	23,933	2,264	2,583

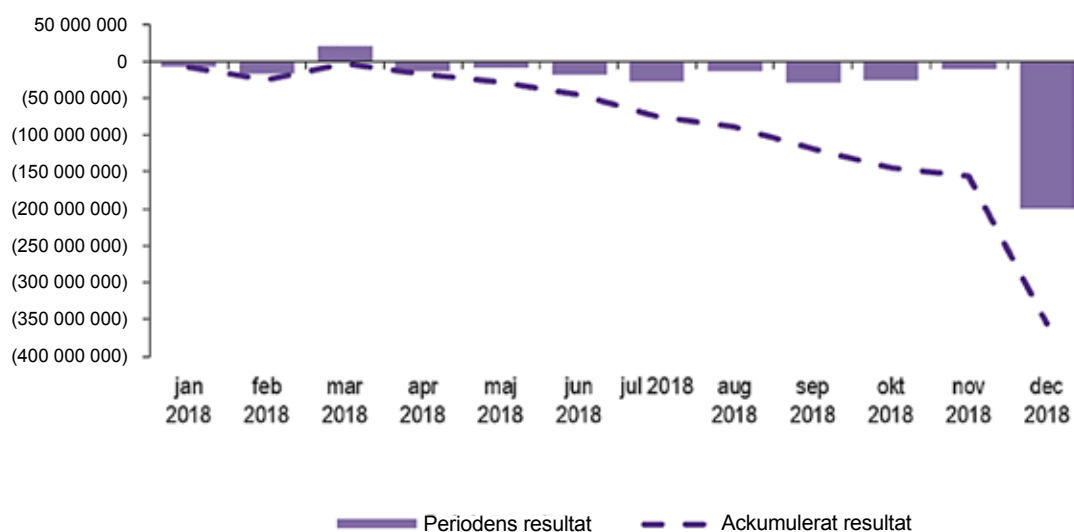
3.3.8 Date of, and reasons for, Publishing's payment difficulties and insolvency

For general starting points, as well as circumstances and assessments, relating to the payment difficulties and insolvency, refer to section 3.1.12 above.

3.3.8.1 Earnings performance

For general starting points underlying the assessment in this respect, refer to section 3.1.12.1 above.

Resultatutveckling



Publishing’s revenues have primarily consisted of income from Steam, which is the world’s largest sales portal for downloading electronic games. On average, income from downloads comprised 40 per cent of the total income in Publishing. For 2018, Publishing also had large one-off revenues when they sold the publishing rights for the game, *Dead by Daylight*, to the developer, Behaviour Interactive, for approximately MSEK 33 million. Revenues from one-off items amounted to approximately 20 per cent of turnover. The remaining sales revenues were generated from sales of console games, e.g. Xbox and PlayStation. Total revenues for 2018 amounted to approximately MSEK 194.

Publishing generated positive gross profits for three months. The remaining months and the total level for the gross result was negative. Publishing had a negative result for every month with the exception of March, at which time the revenues for the rights for *Dead by Daylight* were booked.

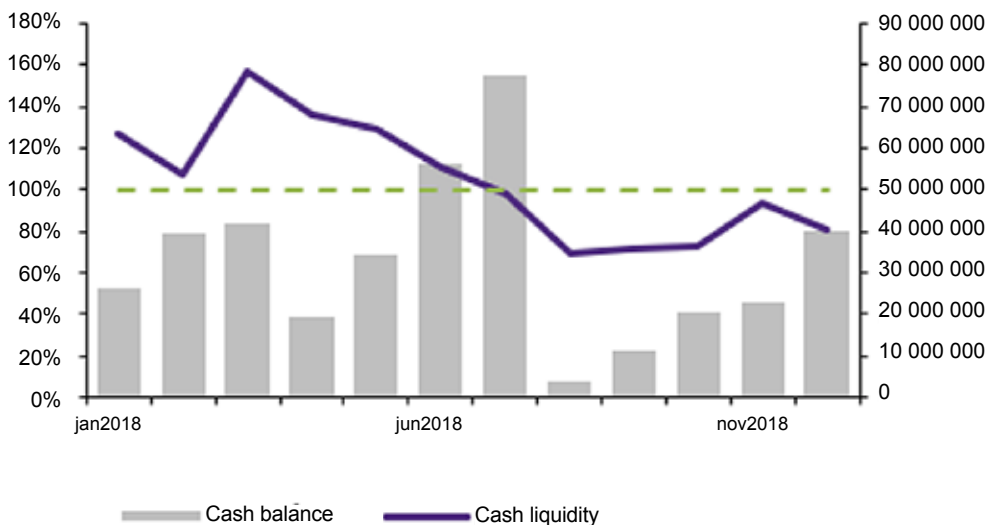
Direct expenses were comprised primarily of internal group expenses including invoices from Dhruva (totalling approximately 25 per cent of the expenses). Other expenses were comprised of, among other things, costs for trailers which were capitalised on the balance sheet until the release date on which the cost was booked in its entirety.

In addition, Publishing purchased other services in the form of illustrations, etc. Publishing has also written down its intangible assets in 2018 by the amount of approximately MSEK 121; MSEK 8 was written down in March, after which MSEK 5 was written down in September and MSEK 108 was written down in December.

3.3.8.2 Cash liquidity and cash balances

For general starting points underlying the assessment in this respect, refer to section 3.1.12.2 above

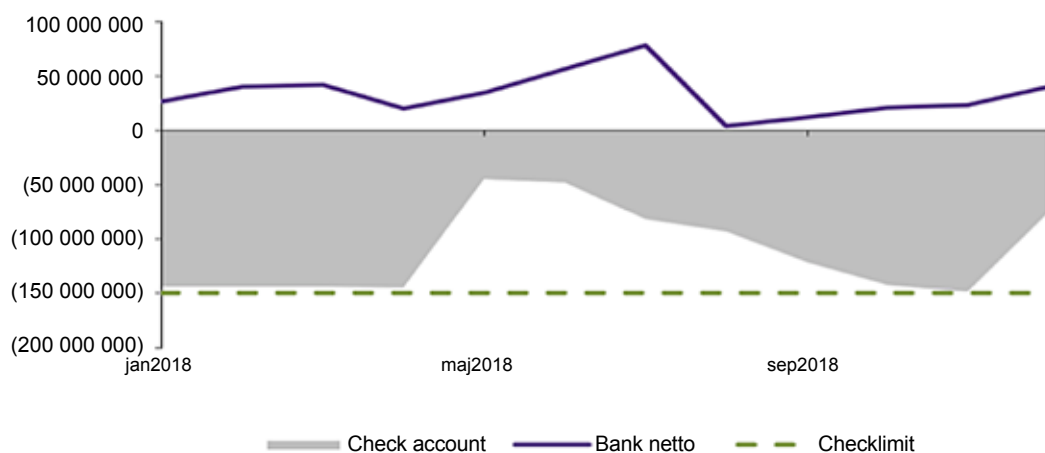
Cash liquidity



Publishing has had a relatively uneven payment flow from its customers. In June, a large payment was received from, among others, Behaviour Interactive. In August, a large payment was made to Behaviour Interactive, which affected cash balances for the rest of the year. Cash liquidity fell below 100 per cent after July, and did not recover for the remainder of the year.

Publishing has maintained an overdraft facility which has also been used up to the maximum of MSEK 150 (see the graph below). In May, Publishing repaid approximately MSEK 100 on its overdraft, which has thereafter been used again. This was done by means of the funds received through a shareholder contribution from Starbreeze.

Borrowing



3.3.8.3 Record of non-payment

It has been noted that no record of non-payment or late charges are registered in respect of Publishing.

3.3.8.4 Alternative financing

Publishing has had an overdraft facility with Nordea amounting to MSEK 150. Starbreeze has provided security for Publishing's payment obligation according to the overdraft facility in the form of shares in subsidiaries. During the year, approximately MSEK 4.5 has been paid in interest on the overdraft. On the Date of Reorganisation, Publishing also had approximately MSEK 339 in liabilities to group companies of which the indebtedness to Starbreeze amounted to approximately MSEK 23.

3.3.8.5 Summary analysis of causes of insolvency and the timing of insolvency

For a general description of the assessment of the date of insolvency, refer to section 3.1.12.7. Publishing reported negative results before tax throughout 2018, including negative gross results for all months with the exception of three. Publishing's revenues are comprised primarily of revenues from the sale of games via download services and various consoles. Publishing's overdraft facility was exhausted for most of the year. Furthermore, Publishing

has had uneven income flows and has required security in the form of an overdraft facility. A large repayment on the overdraft was made during the year in the amount of approximately MSEK 100 via a loan from Starbreeze. After the end of June, cash liquidity fell below 100 per cent and remained there for the remainder of the year.

Since Publishing was a wholly-owned subsidiary of Starbreeze, which also guaranteed Publishing's credit with the bank and contributed funds, the assessment has been made that the company was directly dependent on the performance of the parent company. As a result, it is our conclusion that the timing of insolvency for Publishing occurred in conjunction with the timing of the parent company's insolvency, i.e. in conjunction with the application for reorganisation.

3.3.9 Estate inventory

For general starting points, refer to section 3.1.13 above.

The Administrator has prepared an estate inventory with respect to Publishing (see appendix 15).

3.3.10 Forecast dividend in the event of bankruptcy

Reference is made to section 3.1.14 above.

3.3.11 Voidable transactions

For general starting points and information regarding the conduct of the examination relating to voidable transactions, see section 3.1.15.

No transactions which are deemed to be subject of avoidance have been identified.

3.3.12 Other review of payments compatibility with law

In conjunction with the aforementioned examination relating to recovery, a review has been carried out in respect of payments made three months prior to the Date of Reorganisation. In conjunction with this review, an examination has also been carried out in respect of the conformity of the payments to other applicable legislation such as the Swedish Companies Act and as relates to the commission of any crimes in the business.

Payments to suppliers in accordance with the accounts for the period 2018-09-02 – 2018-12-03 have been compiled below. As regards this examination, the selection consists of payments which individually exceed SEK 100,000 or regarding which payment was made to the same supplier in total amounts exceeding SEK 100,000.

Disposition

Note 1 below is comprised of payments made within 20 days of the invoice date (date of receipt).

Note 2 below is comprised of payments made more than 20 days after the invoice date (date of receipt).

Note 3 below pertains to payments of invoices which are advance invoices.

Note 4 below pertains to annotation regarding late registration of receipt of invoice.

In conjunction with the verification of other invoices, no non-conformities have been identified in respect of the time of payment.

Supplier	Account	Invoice date	Payment date	Currency	Invoice amount	Payment amount SEK	Note
Adspree Media GmbH	2440	18-10-19	18-10-31	EUR	123 858	1 279 817	1
Adspree Media GmbH	2440	18-09-21	18-10-01	EUR	123 858	1 292 619	1,3
						2 572 387	
Aktiebolaget Fido Film Stockholm/Goodbye Kansas	2440	18-08-21	18-09-20	SEK	1 235 438	1 235 438	
Aktiebolaget Fido Film Stockholm/Goodbye Kansas		18-09-17	18-10-18	SEK	2 873 125	2 873 125	
Aktiebolaget Fido Film Stockholm/Goodbye Kansas		18-10-05	18-11-09	SEK	2 579	2 579	
					4 111 142	4 111 142	2
Amazon Web Services, Inc	2440	18-09-03	18-10-01	USD	1 622	14 762	
Amazon Web Services, Inc		18-09-03	18-10-01	USD	67	608	
Amazon Web Services, Inc		18-10-03	18-10-30	USD	118	1 047	
Amazon Web Services, Inc		18-10-03	18-10-30	USD	9 706	85 971	
					11 513	102 388	2
Ate Ao Film Do Mundo	2440	18-09-13	18-10-03	EUR	32 780	342 430	
					32 780	342 430	1
Badfly Interactive, A.S.	2440	18-08-06	18-09-18	USD	101 410	923 277	
Badfly Interactive, A.S.		18-09-03	18-09-13	USD	101 410	924 224	
Badfly Interactive, A.S.		18-08-06	18-09-25	USD	36 082	328 504	
Badfly Interactive, A.S.		18-09-03	18-10-05	USD	36 082	328 842	
Badfly Interactive, A.S.		18-10-08	18-10-30	USD	101 410	922 951	
Badfly Interactive, A.S.		18-10-08	18-11-28	USD	36 082	328 389	
					412 476	3 756 187	2
Black Cell Og	2440	18-09-03	18-09-12	EUR	15 000	159 658	1
					15 000	159 658	
Brain & Behavior Research Foundation	2440	18-08-20	18-09-04	USD	191 010	1 754 789	1
					191 010	1 754 789	
D3t Ltd		18-08-18	18-09-18	GBP	56 600	657 348	
D3t Ltd		18-08-31	18-10-01	GBP	95 000	1 108 638	
D3t Ltd		18-08-31	18-10-01	GBP	57 600	683 044	
D3t Ltd		18-09-30	18-10-30	GBP	55 100	640 157	
D3t Ltd		18-09-30	18-10-30	GBP	95 000	1 103 719	
					359 300	4 192 908	2

Supplier	Account	Invoice date	Payment date	Currency	Invoice amount	Payment amount SEK	Note
Double Fine Productions, Inc.		18-08-31	18-09-25	USD	312 500	2 844 872	
Double Fine Productions, Inc.		18-10-01	18-10-23	USD	312 500	2 767 906	
Double Fine Productions, Inc.		18-10-31	18-11-28	USD	312 500	2 864 000	
					937 500	8 476 778	2
Elite 3D		18-08-31	18-09-12	EUR	98 340	1 046 720	
Elite 3D		18-09-30	18-11-04	EUR	89 400	920 328	
					1 967 048	2	
Freeform Labs		18-08-19	18-09-06	USD	72 000	654 228	1
						654 228	
Gameco Studios Sarl	2440	18-08-31	18-10-03	EUR	60 352	642 375	
Gameco Studios Sarl		18-09-30	18-10-22	EUR	60 069	618 378	
Gameco Studios Sarl		18-10-05	18-10-22	EUR	25 000	261 096	
Gameco Studios Sarl		18-11-04	18-11-27	EUR	50 000	520 195	
						1 399 669	2
I am Spartacus Entertainment LLC	2440	18-09-16	18-10-01	USD	12 617	113 839	1
I am Spartacus Entertainment LLC		18-10-15	18-11-09	USD	10 500	93 982	2,4
I am Spartacus Entertainment LLC		18-10-13	18-11-22	USD	9 000	80 556	2
					19 500	288 377	2
ISBIT GAMES AB	2440	18-08-10	18-09-10	SEK	139 188	139 188	
ISBIT GAMES AB		18-08-31	18-10-02	SEK	331 500	331 500	
ISBIT GAMES AB		18-09-30	18-10-30	SEK	201 875	201 875	
					672 563	672 563	2
Little Red Zombies Studios PVT L	2440	18-10-03	18-11-01	USD	6 000	53 929	
Little Red Zombies Studios PVT L		18-10-15	18-11-16	USD	19 400	174 082	
						228 011	2
Luckyhammers Entertainment Inc.	2440	18-10-28	18-11-08	USD	84 000	770 196	1,4
Luckyhammers Entertainment Inc.		18-10-28	18-11-08	USD	15 250	139 827	1,4
Luckyhammers Entertainment Inc.		18-10-28	18-11-08	USD	10 000	91 690	1,4
Luckyhammers Entertainment Inc.		18-10-31	18-11-15	USD	42 000	385 994	1,4
Luckyhammers Entertainment Inc.		18-10-31	18-11-15	USD	50 000	459 517	1,4
						1 847 224	
Mohawk Games LLC	2440	18-09-03	18-10-01	USD	218 273	1 989 283	
Mohawk Games LLC		18-10-01	18-11-01	USD	193 273	1 711 877	
						3 701 160	2
Nordic Morning Sweden AB		18-08-31	18-10-02	SEK	218 750	218 750	
Nordic Morning Sweden AB		18-08-31	18-10-02	SEK	717 741	717 741	

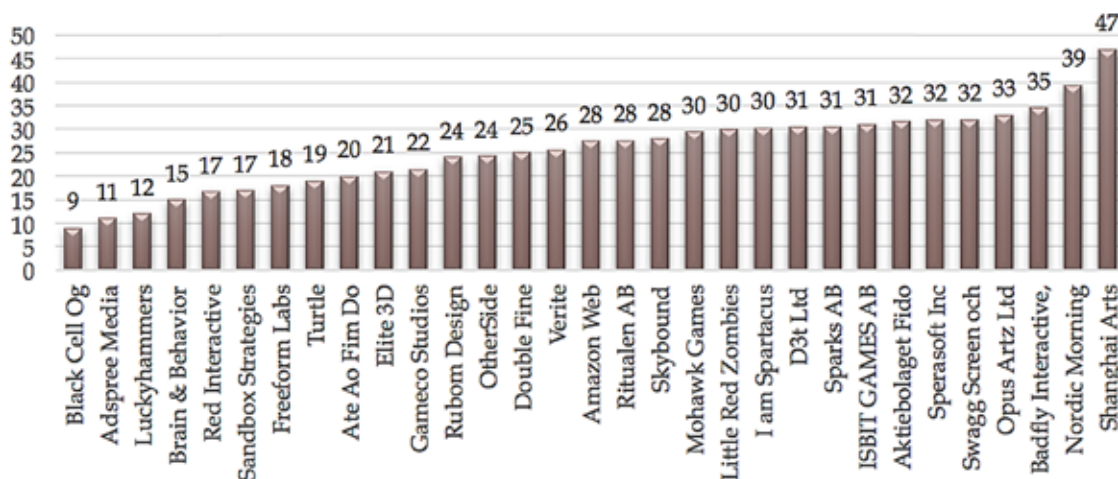
Supplier	Account	Invoice date	Payment date	Currency	Invoice amount	Payment amount SEK	Note
Nordic Morning Sweden AB	2440	18-09-30	18-11-23	SEK	280 386	280 386	
					1 216 877	1 216 877	2
Opus Artz Ltd	2440	18-08-28	18-10-01	GBP	8 740	102 565	
Opus Artz Ltd		18-08-28	18-10-01	GBP	8 375	98 282	
						200 846	2
OtherSide Entertainment, Inc.	2440	18-10-01	18-11-15	USD	1 540 000	13 640 242	
OtherSide Entertainment, Inc.		18-11-14	18-11-28	USD	313 889	2 853 375	
OtherSide Entertainment, Inc.		18-11-14	18-11-28	USD	313 889	2 853 375	
						19 346 991	2
Red Interactive Agency, LLC	2440	18-09-04	18-09-20	USD	104 000	946 858	1
Red Interactive Agency, LLC		18-10-01	18-10-18	USD	104 000	921 159	1
Red Interactive Agency, LLC		18-10-19	18-11-13	USD	30 000	273 505	2
Red Interactive Agency, LLC		18-10-19	18-11-29	USD	165 000	1 486 804	1
						3 628 326	
Ritualen AB	2440	18-08-12	18-09-04	SEK	726 500	726 500	
Ritualen AB		18-08-31	18-10-01	SEK	162 500	162 500	
Ritualen AB		18-10-30	18-11-29	SEK	11 250	11 250	
						900 250	2
Rubom Design Handelsbolag		18-08-31	18-09-24	SEK	112 500	112 500	
						112 500	2
Sandbox Strategies LLC		18-09-01	18-10-01	USD	3 500	31 865	2
Sandbox Strategies LLC		18-09-01	18-10-30	USD	5 000	44 287	2
Sandbox Strategies LLC		18-10-30	18-11-02	USD	100 000	913 840	1
Sandbox Strategies LLC		18-11-07	18-11-15	USD	100 000	916 480	1
Sandbox Strategies LLC		18-11-19	18-11-29	USD	100 000	899 766	1
						2 806 237	
Shanghai Arts United	2440	18-09-30	18-11-16	USD	87 400	774 128	
Software Co						774 128	2
Skybound Interactive LLC		18-08-07	18-09-04	USD	100 000	889 860	
Skybound Interactive LLC		18-09-05	18-10-01	USD	100 000	910 440	
Skybound Interactive LLC		18-10-01	18-11-01	USD	100 000	885 730	
						2 686 030	2
Sparks AB	2440	18-09-03	18-10-03	SEK	55 813	55 813	
Sparks AB		18-09-30	18-10-30	SEK	116 031	116 031	
						171 844	2
Sperasoft Inc		18-09-01	18-10-01	USD	30 000	273 132	2
Sperasoft Inc		18-09-30	18-10-15	USD	349 450	3 095 183	2
Sperasoft Inc		18-10-01	18-10-26	USD	138 500	1 226 736	2
Sperasoft Inc		18-10-01	18-10-26	USD	63 300	560 667	4
						5 155 718	
Swagg Screen och Textil AB	2440	18-08-16	18-09-18	SEK	558 067	558 067	
						558 067	2

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Supplier	Account	Invoice date	Payment date	Currency	Invoice amount	Payment amount SEK	Note
Turtle Entertainment GmbH	2440	18-09-01	18-09-20	EUR	182 222	1 938 336	
						1 938 336	2
Verite Entertainment LLC		18-10-23	18-11-16	USD	32 245	291 073	
Verite Entertainment LLC		18-11-07	18-11-22	USD	25 614	230 373	
Verite Entertainment LLC		18-10-15	18-11-22	USD	66 403	605 385	
						1 126 831	2

The table below shows the average number of days before the respective vendor received payment on its invoice. The purpose of the graph is to examine whether the average payment to a vendor has been preferential relative to any other vendor. The graph below depicts shorter payment times generally as regards foreign invoices, which accords with the statement that foreign invoices as a rule have shorter payment terms. It may also be noted in the graph below that some suppliers have been paid relatively soon following receipt of the invoice.

Payment days per suppliers



3.3.12.1 Payments to affiliated parties three months prior to the Date of Reorganisation

The general ledger had been checked for transactions with affiliated parties carried out during the period 2018-09-03 – 2018-12-03.

Transactions with group companies

According to the accounts, the following payments exceeding SEK 100,000 have been made on behalf of group companies during the period of review.

Note 1 pertains to payment of issued invoices.

Supplier	Voucher type	Payment date	Currency	Invoice amount	Paid amount	Note
Dhruva Infotech Ltd	BA	18-09-25	USD	205 438,00	1 877 106,53	1
Dhruva Infotech Ltd	BA	18-09-27	USD	5 170,75	47 245,63	1
Dhruva Infotech Ltd	BA	18-09-27	USD	97 442,00	890 336,81	1
Dhruva Infotech Ltd	BA	18-10-23	USD	199 586,00	1 767 793,08	1
Dhruva Infotech Ltd	BA	18-10-30	USD	54 293,00	480 889,39	1
Dhruva Infotech Ltd	DR	18-11-21	USD	54 293,00	498 970,64	1
Dhruva Infotech Ltd	DR	18-11-21	USD	217 171,00	1 995 873,38	1
Dhruva Infotech Ltd	BA	18-11-20	USD	17 585,00	160 554,60	1
Dhruva Infotech Ltd	BA	18-12-21	USD	93 234,75	851 277,26	1
Dhruva Infotech Ltd	BA	18-12-21	USD	32 056,50	292 690,97	1
Starbreeze AB	GL	18-10-15	SEK	244 672,23	244 672,23	1
Starbreeze AB	GL	18-10-15	SEK	1 745 556,25	1 745 556,25	1
Starbreeze LA Inc	DR	18-08-10	USD	203 900,84	1 784 560,54	1
Starbreeze LA Inc	BA	18-09-12	USD	198 959,11	1 811 403,32	1
Starbreeze LA Inc	BA	18-10-09	USD	193 561,61	1 714 433,25	1
Starbreeze LA Inc	DR	18-11-09	USD	188 389,24	1 726 549,71	1
Starbreeze Paris SAS	BA	18-08-30	EUR	10 746,71	110 308,53	1
Starbreeze Paris SAS	BA	18-10-01	EUR	9 914,46	105 462,09	1
Starbreeze Paris SAS	DR	18-10-23	EUR	7 989,10	82 243,79	1
Starbreeze Paris SAS	BA	18-10-29	EUR	10 169,03	104 685,08	1
Starbreeze Paris SAS	DR	18-11-16	EUR	14 130,24	147 009,60	1

All payments to group companies appear to have related to payment of internal group invoices. It does not appear that any loans were granted.

Supplier payments to affiliated companies

An examination has been carried out in respect of transactions with companies in which the board members or owners have had an interest. A search was conducted in the general ledger for transactions containing company names in accordance with a list of affiliated companies. The list of affiliated parties has been checked against affiliated companies registered with the Swedish Companies Registration Office. No discrepancies have been noted between the Swedish Companies Registration Office list and Publishing's list. A check of the general ledger discloses that no transactions with affiliated companies have been noted.

Upon review, no transactions/payments to vendors have come to light which are incompatible with law.

An examination has also been conducted in respect of the transactions carried out prior to the reorganisation decision involving affiliated parties, and large manual transactions have been reviewed for the period 2018-09-03 – 2018-12-03.

In order to identify suspected transactions, manual payments in excess of SEK 100,000 have been sorted from the accounts and which have not been covered by other searches. “Manual payment” means direct payments in cash or from bank accounts which do not relate to settlement of vendor invoices. Payments to the Swedish Tax Agency, payments of regular salaries (salary runs), monthly exchange rate adjustments to currency accounts, and interest payments on convertible loans have been excluded. As regards payments to suppliers, refer to section 3.3.12. As regards payments to group companies, refer to section 3.3.12.1. No payments have been identified during the review on the basis of the aforementioned conditions.

As regards payment to affiliated parties, it appears that the payment transactions which took place with group companies consist of payments of internal group invoices. No loans appear to have been made.

In summary, it may be noted that the review does not indicate that any transaction has been improper.

3.3.13 Suspicion of fraud on the creditors

For general starting points, refer to section 3.1.17 above.

The Administrator has examined whether there is reasonable cause to suspect crimes against Publishing’s creditors.

In the investigation carried out, no circumstances have come to light which provide reasonable cause to assume the perpetration of any fraud on the creditors.

3.4 Starbreeze Production AB

3.4.1 *General information*

Production was registered with the Swedish Companies Registration Office on 21 January 1987. The operations have consisted of game development, marketing and sales of game development. In 2016, Production repurchased the rights to the *PAYDAY* game from 505 Games for 10.9 million class-B shares, equal to MSEK 249, and thereby acquired the rights to the *PAYDAY* game for future development and commercialisation. Until the Date of Reorganisation, the operations revolved around the main franchise of the game, *PAYDAY 2*, which has over 24 million players worldwide. Production has also been responsible for launching game updates.

Production has had no employees. Game development has instead been carried out in the group's games studio and in other external studios. The company principally generated revenues in USD.

Registered number of shares: 1.000
Registered share capital: SEK 100,000

3.4.2 *Creditors, etc.*

On the Date of Reorganisation, Production's liabilities amounted to SEK 523,835,229. Reorganisation Creditors within the Group and the amount of the claims are set forth in appendix 16.

Reorganisation Creditors who are not part of the Group (external Reorganisation Creditors) and the amount of the claims are set forth in appendix 17.

3.4.3 *Board of directors and senior executives and auditors*

On the Date of Reorganisation:

Board of directors: Bo Andersson Klint (chairman)
Michael Hjorth
Mikael Nermark

Managing director: Bo Andersson Klint

Auditors: Öhrlings PricewaterhouseCoopers AB (PwC)
Nicklas Kullberg (principal auditor)

The board of directors and managing director have undergone certain changes since the Date of Reorganisation. At the time for the submission of the reorganisation plan, the functionaries of Production consisted of the following persons.

Board of directors: Torgny Hellström (chairman)
Jan Benjaminson
Kerstin Sundberg

Managing director: Mikael Nermark

Auditors: Öhrlings PricewaterhouseCoopers AB (PwC)
Nicklas Kullberg (principal auditor)

3.4.4 *Developments*

For a general description of the developments, see section 3.1.5.

In the summer of 2012, Starbreeze acquired the shares in Production (then with the company name, Overkill Software). The acquisition was financed via a directed new issue of shares. Following the acquisition, Mikael Nermark, who came from Starbreeze, was CEO of the company. Bo Andersson Klint, who came from Production, was deputy CEO. On 1 March 2013, Bo Andersson took over as the new CEO for Production while Mikael Nermark was appointed deputy CEO.

3.4.5 *Generally regarding the reorganisation investigation*

For information regarding measures taken in conjunction with the reorganisation investigation, see section 3.1.9 above.

3.4.6 *Accounting, monthly reconciliation, internal report, etc.*

Production has used the same accounting systems, routines and monthly reconciliations as Starbreeze. Routines for internal reporting and board work have also been the same. Accordingly, refer to the account in the aforementioned respects in section 3.1.10 with respect to Starbreeze.

The Administrator's assessment is that Production's account system, Xledger, is an account system which is well adapted to the operations. Bookkeeping routines and monthly accounts have been deemed to be normal for Production's operation and scale. Accordingly, there is no impediment to following Production's results and financial position on a regular basis and, accordingly, the Administrator's assessment is that the principal requirement has been met.

3.4.6.1 Annual reports for 2017 och 2018

Production's most recently presented annual report per the Date of Reorganisation related to the 2017 financial year. The audit report which was presented was unmodified, meaning that the auditor had no comments.

Following the Date of Reorganisation, Production presented an annual report for the 2018 financial year. The auditor had no comments in the audit report which was presented. The valuation of assets has been carried out in accordance with the going-concern principle.

3.4.7 Overview of assets and shareholder's equity and liabilities

Set forth below is a summary of Production's assets and shareholders' equity and liabilities per 31 December 2018. The stated amounts equal the booked amounts.

Assets	TSEK	TEUR	TUSD
<u>Non-current assets</u>			
<i>Intangible assets</i>			
Intellectual property	237,657	23,141	26,289
<i>Financial assets</i>			
Participating interest in other companies	12	1	1
Total non-current assets	237,669	23,142	26,290
<u>Current assets</u>			
<i>Current receivables</i>			
Trade receivables	26	3	3
Receivables from group companies	129,156	12,576	14,287
Tax assets	2,907	283	322
Other receivables	1,678	163	185
Prepaid expenses and accrued income	14,055	1,369	1,555
<i>Cash and bank</i>			
Cash and cash equivalents	9,355	911	1,035
Total current assets	157,177	15,305	17,387
Total assets	394,846	38,447	43,677
Equity and liabilities			
<u>Equity</u>			
<i>Restricted equity</i>			
Share capital	100	10	11
Reserves	16	2	2
<i>Non-restricted equity</i>			
Retained earnings	129,503	12,610	14,326
Net profit (-loss) for the year	-3,890	-379	-430
Total equity	125,729	12,243	13,909

Assets	TSEK	TEUR	TUSD
<u>Current liabilities</u>			
Trade payables	4.009	390	443
Liabilities to group companies	263.383	25.646	29.135
Accrued expenses and deferred income	1.727	168	191
Total current liabilities	269.119	26.204	29.769
Total equity and liabilities	394.848	38.447	43.678

For additional information, reference is made to the annual report for the financial year 2018 (appendix 18).

Set forth below is a summary of Production's assets and shareholders' equity and liabilities per 30 June 2019. The stated amounts equal the book values, and translation of currencies has been carried out per 28 June 2019. The information below has not been audited.

Assets	TSEK	TEUR	TUSD
<u>Non-current assets</u>			
<i>Intangible assets</i>			
Intellectual property	1,679	159	181
<i>Financial assets</i>			
Shares subsidiary	235,978	22,346	25,456
Total non-current assets	237,657	22,505	25,637
<u>Current assets</u>			
<i>Current receivables</i>			
Trade receivables	2.405	228	259
Receivables from group companies	153,303	14,517	16,538
Prepaid expenses and accrued income	-7,214	-683	-778
<i>Cash and bank</i>			
Cash and cash equivalents	3,645	345	393
Total current assets	152,139	14,407	16,412
Total assets	389,796	36,912	42,049

Assets	TSEK	TEUR	TUSD
Equity and liabilities			
<u>Equity</u>			
<i>Restricted equity</i>			
Share capital	100	9	11
Reserves	16	2	2
<i>Non-restricted equity</i>			
Capital contributions	490	46	53
Retained earnings	125,123	11,849	13,498
Net profit (-loss) for the period	-403	-38	-43
Total equity	125,326	11,868	13,521
<u>Current liabilities</u>			
Trade payables	5,988	567	646
Liabilities to group companies	263,932	24,994	28,472
Tax liabilities	-4,493	-425	-485
VAT payable	-1,482	-140	-160
Accrued expenses and deferred income	525	50	57
Total current liabilities	264,470	25,046	28,530
Total equity and liabilities	389,796	36,914	42,051

3.4.8 Timing and reasons for Production's payment difficulties and insolvency

For general starting points, as well as circumstances and assessments, relating to the payment difficulties and insolvency, refer to section 3.1.12 above.

3.4.8.1 Earnings performance

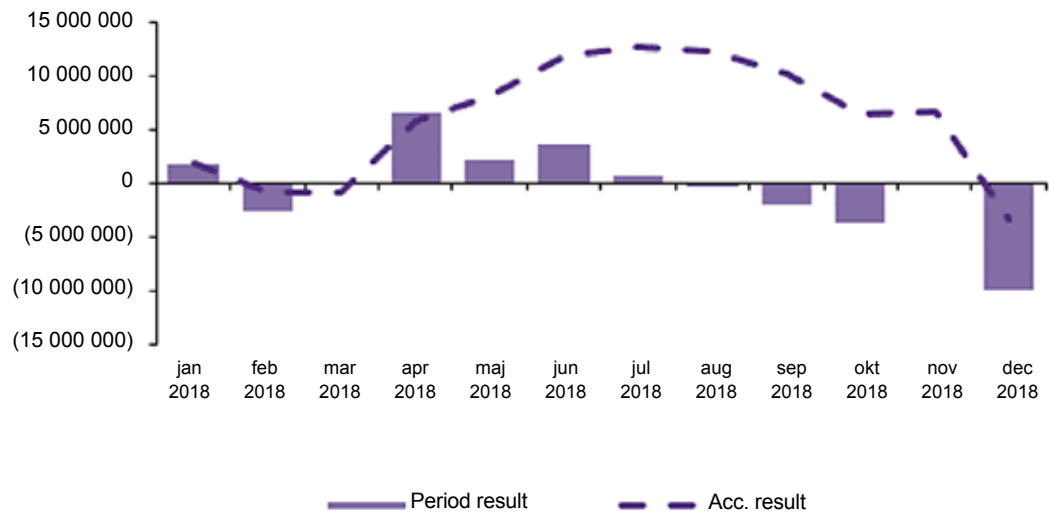
For general starting points underlying the assessment in this respect, refer to section 3.1.12.1 above.

Production's revenues have primarily consisted of income from Steam, which is the world's largest sales portal for downloading electronic games. On average, income from downloads comprised 70 per cent of the total income, of which 10 per cent of the revenues were generated from sales within the Group, primarily with respect to services performed for Publishing. The remaining sales revenues were generated from sales of console games, e.g. Xbox and PlayStation. Total revenues for 2018 amounted to approximately MSEK 94.

The direct costs were comprised primarily of internal group costs, approximately 75 per cent. The remaining costs pertain to royalties paid to partners, approximately MSEK 13 in which the costs to Lion Game Lion Doo amounted to approximately MSEK 8. EBITDA was reduced substantially in 2018 and amounted to 16 per cent relative to 2017 (29 per cent) and 2016 (36 per cent).

In December, a write-down was booked of the shares in the affiliated company, Cmun (Chinese software development company) by 6.33 per cent, equal to approximately MSEK 11.5. This negatively affected the result, which can be noted in the graph below.

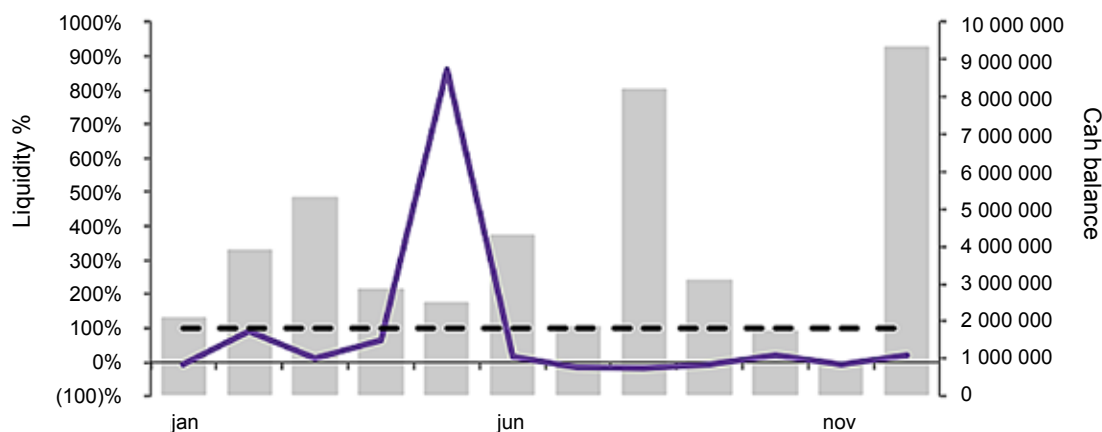
Earnings performance



3.4.8.2 Cash liquidity and cash balances

For general starting points underlying the assessment in this respect, refer to section 3.1.12.2 above.

The graph below excludes internal group transactions in their entirety. In 2018, Production had negative cash liquidity throughout the year, as a consequence of which current receivables exceeded current liabilities each month with the exception of March, in which the company's short-term liabilities declined substantially (the company had only one trade payable booked for the month). Cash balances climbed in August when Production received a loan of MSEK 12 from Starbreeze. In 2018, Production borrowed a total of MSEK 36 from Starbreeze in order to be able to pay off its trade payables. Production has a clearing account with Starbreeze which, per 2018-12-31, amounted to MSEK 220. In December, cash balances climbed when Production, among other things, received payment on a customer invoice from 505 Games S.R.L in the amount of MSEK 4.4.



Set forth below is an extract from the accounts which show loans from Starbreeze in 2018.

ver.	Datum	trans-/ver.text	konto	belopp	saldo
		KONTO: Clearing Account Starbreeze AB	28601		-376 526 752,30
L-48	2018-03-31	Tilldelade Dhruva aktier	28601	-12 323,00	-376 539 075,30 1-5
L-49	2018-04-10	Lån från SBZ AB, för att betala Studios IC-fakturor	28601	-10 000 000,00	-386 539 075,30 1-5
A-77	2018-08-29	Lån från SBZ AB för att betala IC leverantörsfakturor	28601	-12 000 000,00	-398 539 075,30 1-5
L-158	2018-11-08	Lån från SBZ AB för att betala IC fakturor från Studios, 10 MSEK	28601	-10 000 000,00	-408 539 075,30 1-5
L-159	2018-11-08	Lån från SBZ AB för att delbetala LGL faktura	28601	-1 806 684,80	-410 345 760,10 1-5
L-160	2018-11-16	Omföring konto 2087 mot skuld till SBZ AB	28601	-287 626,78	-410 633 386,88 1-5
L-161	2018-11-21	Lån från SBZ AB för delbetalning till LGL	28601	-1 827 485,40	-412 460 872,28 1-5
L-179	2018-12-31	Omföring skuld/fordran mellan svenska dotterbolag	28601	193 247 284,54	-219 213 587,74 1-5

3.4.8.3 Record of non-payment

It has been noted that no record of non-payment or late charges are registered in respect of Production.

3.4.8.4 Summary analysis of causes of insolvency and the timing of insolvency

For a general description of the assessment of the date of insolvency, refer to section 3.1.12.7. Production was entirely dependent on the development of the parent company. Production is deemed to have been directly dependent on financing from the parent company (see above). As a consequence, it is the conclusion of the Administrator that the date of insolvency of Production was the same as that of the parent company, i.e. in conjunction with the petition for company reorganisation

3.4.9 *Estate inventory*

For general starting points, refer to section 3.1.13 above.

The Administrator has prepared an estate inventory with respect to Production (see appendix 19).

3.4.10 *Forecast dividend in the event of bankruptcy*

Reference is made to section 3.1.14 above.

3.4.11 *Voidable transactions*

For general starting points and information regarding the conduct of the examination relating to voidable transactions, see section 3.1.15.

No transactions which are deemed to be subject of avoidance have been identified.

3.4.12 *Other review of payments compatibility with law*

In conjunction with the aforementioned examination relating to recovery, a review has been carried out in respect of payments made three months prior to the Date of Reorganisation. In conjunction with this review, an examination has also been carried out in respect of the conformity of the payments to other applicable legislation such as the Swedish Companies Act and as relates to the commission of any crimes in the business.

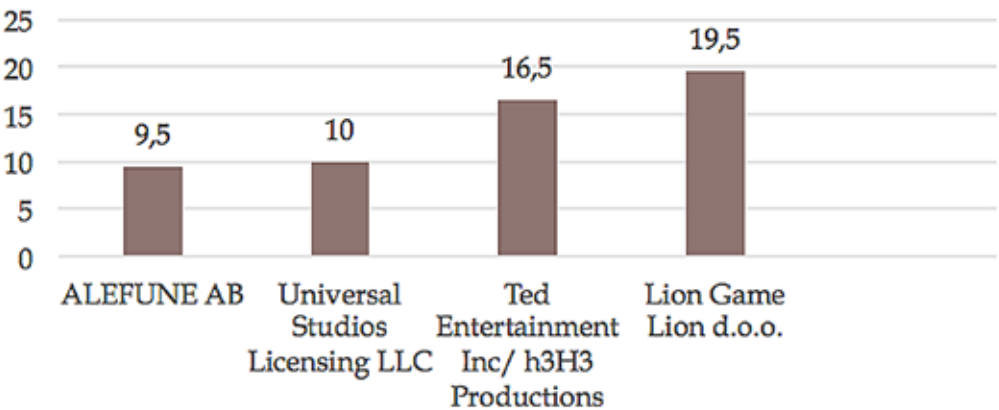
Payments to suppliers in accordance with the accounts for the period 2018-09-02 – 2018-12-03 have been compiled below. As regards this examination, the selection consists of payments which individually exceed SEK 100,000 or regarding which payment was made to the same supplier in total amounts exceeding SEK 100,000. The normal payment time is 30 days,

which has been used as the reference point. It is noted that Production did not have many supplier transactions during the period.

Disposition

The table below shows the average number of days before the respective vendor received payment on its invoice. The purpose of the graph is to examine whether the average payment to a vendor has been preferential relative to any other vendor.

Payment days per supplier



It may be noted in the graph that all invoices pertain to foreign suppliers who were paid relatively soon following receipt of the invoice, which accords with the statement that foreign invoices as a rule have shorter payment terms.

3.4.12.1 Payments to affiliated parties three months prior to the Date of Reorganisation

The general ledger had been checked for transactions with affiliated parties carried out during the period 2018-09-03 – 2018-12-03.

Transactions with group companies (excluding loans)

Internal group payments exceeding SEK 100,000 are found in appendix 20. According to the accounts, the payments were made on behalf of group companies. All transactions between Production and affiliated companies have pertained to payments of supplier invoices. Note was made of transactions with affiliated companies which are not part of the reorganisation. The average number of days until payment with these companies has been as follows: Sprl Nozon (average of 14 days), Starbreeze Barcelona (average of 21.5 days) and Starbreeze LA (average of 34.5 days).

W	S	A
L	A	W

The search also noted that outstanding invoices to affiliated parties which have not yet been paid. However, no deviations have been noted, as a consequence of which the transactions reasonably need not be subjected to further investigation.

Supplier payments to affiliated companies

An examination has been carried out in respect of transactions with companies in which the board members or owners have had an interest. A search was conducted in the general ledger for transactions containing company names in accordance with a list of affiliated companies. The list of affiliated parties has been checked against affiliated companies registered with the Swedish Companies Registration Office. No discrepancies have been noted between the Swedish Companies Registration Office list and Production's list. A check of the general ledger discloses that no transactions with affiliated companies have been noted.

Upon review, no transactions/payments to vendors have come to light which are incompatible with law.

An examination has also been conducted in respect of the transactions carried out prior to the reorganisation decision involving affiliated parties, and large manual transactions have been reviewed for the period 2018-09-03 – 2018-12-03.

In order to identify suspected transactions, manual payments in excess of SEK 100,000 have been sorted from the accounts and which have not been covered by other searches. "Manual payment" means direct payments in cash or from bank accounts which do not relate to settlement of vendor invoices. Payments to the Swedish Tax Agency, payments of regular salaries (salary runs), monthly exchange rate adjustments to currency accounts, and interest payments on convertible loans have been excluded. As regards payments to suppliers, refer to section 3.4.12. As regards payments to group companies, refer to section 3.4.12.1. This search disclosed no transactions which fulfil the established criterion.

No other transactions which may be the subject of recovery have been identified in the review.

As regards payment to affiliated parties, it appears that transactions with affiliated parties took place three months prior to the reorganisation in respect of which all pertain to payments of invoices. Sprl Nozon, Starbreeze Barcelona and Starbreeze LA are not involved in the reorganisation but, rather, are active companies. It is noted that Sprl Nozon (average of 14 days) and Starbreeze Barcelona (average of 21.5 days) have received payment relatively soon after receipt of the invoice.

In summary, it may be noted that the review does not indicate that any transaction has been improper.

3.4.13 Suspected crimes against creditors

For general starting points, refer to section 3.1.17 above.

For general starting points, refer to section 3.1.17 above.

The Administrator has examined whether there is reasonable cause to suspect crimes against Production's creditors.

In the investigation carried out, no circumstances have come to light which provide reasonable cause to assume the perpetration of any fraud on the creditors.

4 Reasons for the company reorganisations

4.1 Lack of liquidity

4.1.1 *Applicable rules*

The Swedish Company Reorganisation Act provides, among other things, the following: Chapter 1.

Chapter 1.

Section 1 An undertaking which has difficulty fulfilling payment obligations may, pursuant to this Act and following an order by a court, commence specific proceedings in order to reorganise its business (company reorganisation).

Section 2 In conjunction with a company reorganisation, an administrator appointed by the court shall investigate whether the business which the debtor is operating is capable of continuing, in whole or in part, and if so, the manner in which such can take place and whether there exists a possibility for the debtor to reach a financial agreement with its creditors (composition). In carrying out his duties pursuant to his appointment, the creditor shall act in order to ensure that the interests of creditors are not neglected.

Chapter 2.

Section 6 The grant of an order for company reorganisation shall be conditional upon the assumption that the debtor cannot pay due debts or will be unable to do so in the near future.

4.1.2 *The Group*

The Group has been in a build-up phase involving a high rate of investment. The reason for the Reorganisation Companies' payment problems is primarily related to previous decisions regarding investments and new development projects outside the Group's core business, which subsequently proved to entail higher costs and lower or delayed revenues relative to expectations. Enterspace and International are examples of such non-core operations which involved large costs without corresponding revenues. The Group has also been burdened by delays and additional expenses as a consequence of the lack of resources, primarily in respect of personnel. Several of the investments decided by the group have been early in the sense

that they have required additional investments and development in order to make them commercially viable, i.e. in order to generate positive cash flow corresponding to the investment. It may be questioned, in part, whether the result of the investments has been tradeable and, in part, whether the funds were available internally or externally in order to render the investments commercial stable. Judging from the material which is available, it appears that several investment decisions have been taken without customary analysis.

The liquidity situation for the Group has become acute as a result of the fact that a very substantial game launch of "OVERKILL's The Walking Dead" in November did not generate the sales results expected, with a loss of revenues as a consequence.

As a consequence thereof, the Reorganisation Companies applied for company reorganisation on 3 December 2018.

4.1.3 *Starbreeze AB (publ)*

The application for and the decision of the Stockholm District Court regarding company reorganisation is appended as appendix 21.

The application to extend reorganisation and the decision of the Stockholm District Court regarding such extension are appended as appendices 22, 23 and 24 and appendices 25, 26 and 27.

4.1.4 *Starbreeze Studios AB*

The application for and the decision of the Stockholm District Court regarding company reorganisation is appended as appendix 28.

The application to extend reorganisation and the decision of the Stockholm District Court regarding such extension are appended as appendices 22, 23 and 24 and appendices 29, 30 and 31.

4.1.5 *Starbreeze Publishing AB*

Ansökan och Stockholms tingsrätts beslut om företagsrekonstruktion bifogas som bilaga 32.

Ansökan och Stockholms tingsrätts beslut om förlängning av rekonstruktion, se bilagorna 22, 23 och 24 respektive bilagorna 33, 34 och 35.

4.1.6 *Starbreeze Production AB*

The application for and the decision of the Stockholm District Court regarding company reorganisation is appended as appendix 36.

The application to extend reorganisation and the decision of the Stockholm District Court regarding such extension are appended as appendices 22, 23 and 24 and appendices 37, 38 and 39.

W	S	A
L	A	W

4.2 Assessment of the Reorganisation Companies' capital strength

"Capital strength" means a company's long-term ability to withstand financial pressures. One method for determining capital strength is to calculate the company's debt to equity ratio (= Liabilities + 22 per cent of the untaxed reserves)/(Equity + 78 per cent of untaxed reserves).¹

As set forth in appendix 4, the Reorganisation Companies had on the Date of Reorganisation significant capital strength. Accordingly, the Reorganisation Companies were sufficient and there was no capital inadequacy.

By virtue of the restructuring which was carried out within the context of the reorganisation, all of the aforementioned companies have garnered additional, significantly increased capital strength. This coincides with the valuation carried out in respect of assets relating to the core business and the transfer which occurred, as a consequence of which the Reorganisation Companies received claims equal to the assessed market value of the assets based on a valuation in accordance with the going concern principle, i.e. that the operations will continue for the foreseeable future.

The future obligations which may be expected to be assumed by the Reorganisation Companies are limited in size since the operations in these companies only pertained to the handling of financial assets and certain administrative tasks. The actual operational activities are carried out in New Publishing and New Studios.

5 Measures within the context of the reorganisation proceedings

5.1 Examination of the liabilities, etc., of the Reorganisation Companies

Together with employees of the Reorganisation Companies, the Administrator has reviewed the circumstances relating to, among other things, suppliers and other cooperation partners. The purpose of the aforementioned review has been to establish the suppliers' claims in respect of compensation for goods and services delivered per the Date of Reorganisation and to clarify which of the counterparties has been critical to the operations.

As regards establishing the liabilities of the Reorganisation Companies, the Companies' respective accounts payable have been reviewed and quality checked. In conjunction therewith, extensive contacts have been taken with relevant counterparties and they have also been informed of the purport of the company reorganisation, among other things, that a decided reorganisation imposes limitations on the right of the suppliers to terminate agreements due to delays or anticipated delays in payment or other performance and that a supplier may not terminate an agreement if the administrator, within a reasonable time, requests that the agreement be honoured.

¹ This formula is adapted to calculate the debt to equity ratio in Swedish limited companies which have been taxed at a corporate rate which is currently 22 per cent.

5.2 Employees, wage guarantees, etc.

At the time of the Date of Reorganisation, the Reorganisation Companies had approximately 24 employees in Starbreeze, approximately 228 employees in Studios and approximately four employees in Publishing. As of 1 October 2019, there are 116 employees who are still in service. The Reorganisation Companies have made the assessment that remaining employees are necessary for the continued operation. The Administrator has come to the same conclusion.

In connection with the decisions regarding reorganisation, the employees have received information regarding the decisions and the reasons therefor. The employees have also received information regarding the consequences of the decisions for the employees, among other things, that employees of the Reorganisation Companies are entitled to a wage guarantee in conjunction with reorganisation, and that the wage guarantee covers salaries and/or other compensation due to employment earned during the three months immediately preceding the application for company reorganisation filed with the District Court as well as during the first month after the decision regarding company reorganisation. The employees have also been informed that holiday pay and pensions may, to a certain extent, also be covered by the wage guarantee in conjunction with company reorganisation.

Information meetings have been held with the employees.

Contacts have also been made with union organisations which organise the employees in the Reorganisation Companies.

On 7 December 2018, the Administrator took a decision regarding a wage guarantee for employees in Starbreeze, Studios and Publishing in respect of December 2018, divided in accordance with the table below. The translation of currencies has taken place as per 7 December 2018.

Company	Number of employees	Gross (SEK)	Net (SEK)
Starbreeze ²	22	1,963,578	1,071,499
Studios ³	225	8,623,339	5,197,609
Publishing ⁴	4	159,449	116,622

5.3 Information to the creditors on the Date of Reorganisation

On 10 December 2018, the Administrator informed the creditors of the Reorganisation Companies in writing that the reorganisation had been decided and that the District Court had

² Ca EUR 191,943 and USD 218,418 gross and ca EUR 104,741 and USD 119,188 net respectively.

³ Ca EUR 842,946 and USD 959,215 gross and ca EUR 508,075 and USD 578,155 net respectively.

⁴ Ca EUR 15,586 and USD 17,736 gross and ca EUR 11,400 and USD 12,972 net respectively.

scheduled the creditors meeting, and provided certain additional information (see appendices 40 and 41). In conjunction therewith, the Administrator has also provided a brief account of the Reorganisation Companies' financial position and the conditions for reorganisation of the Reorganisation Companies' respective operations.

5.4 Creditors meeting

On 21 December 2018, the Stockholm District Court held the creditors meeting of the creditors in the Reorganisation Companies. At the meeting, a preliminary reorganisation plan was presented and certain supplemental oral information was provided. In addition, questions from the creditors were answered.

At the creditors meeting, the District Court decided that a creditors committee would be established for the reorganisation of Starbreeze in which Member of the Swedish Bar Association Magdalena Berg, in the capacity as representative of Smilegate Holdings Inc, and Martin Wigforss, in the capacity as representative of Nordea Bank would be included. The minutes of the creditors meeting is appended as appendix 42.

The written information which was reviewed at the meeting is appended as appendix 43.

5.5 Examination of collateral, etc.

5.5.1 *Generally*

The Group has largely financed its operations via Starbreeze, which has raised financing through share issues and convertible loans without security.

5.5.2 *Collateral, etc.*

Within the Group, financing has been primarily obtained through internal group loans. Disregarding the aforementioned convertible loans, only two external loans have been raised, both from Nordea, namely Publishing's loans in the amount of MSEK 150 and International's loans in the amount of MSEK 30. It is only the loans from Nordea which have been secured, as a consequence of which the collateral investigation has concentrated on these. For a more thorough account of the Group's financing, reference is made to section 3 above.

The only claim holder who has secured for its claims is, as stated, Nordea, which acquired security in the form of pledges in shares in group companies (Publishing, Production, Enter-space and International) and guarantee undertakings from group companies. In this context, it has been noted that not only Starbreeze, but also Production, has guaranteed Publishing's loan from Nordea. In addition, a number of group companies have subordinated the claims against Publishing and Production for the benefit of Nordea. The group companies which have subordinated their claims are Starbreeze, Studios, Starbreeze IP Lux SÀRL, Starbreeze IP Lux 2 SÀRL, Starbreeze Paris, Starbreeze USA Inc. and Starbreeze LA Inc. As will be developed below in section 8, the subordination is relevant to the allocation of the payment flows within the context of the implementation of the reorganisation proposal. Within the context

of a subsequent negotiation regarding a reduction of its exposure before the Date of Reorganisation, Nordea has also received security in the form of a pledge of the claim against a current account at Nordea. This pledge also appears to have been given by a sister company of Publishing. Within the context of the review, it has not been possible to assess with certainty whether, at the time of entering into the various agreements, it was commercially justified for the subsidiaries to make the arrangements they did. A closer analysis in this respect has not been deemed necessary due to the manner in which the composition proposal and the agreements which were necessary for the reorganisation plan developed, i.e., notwithstanding of the assessment, the relevant creditors have not been negatively affected.

During the company reorganisation, Nordea has had recourse to the collateral mentioned above by way of set-off. The Administrator has found no cause to question this recourse to pledged security.

Within the context of the reorganisation work, pledges and guarantee documents and completion of pledges have been reviewed and verified. No discrepancies or deficiencies could be noted within the context of this examination. As regards the question of any recoverable transactions, reference is made to section 3.

5.6 Contacts with mass media

There has been great interest in the reorganisation and what is occurring in the Group. The media has regularly reported on the Reorganisation Companies' operations, and the Administrator has had repeated contacts with the mass media during the reorganisation period. In addition, Starbreeze has regularly issued press releases via the company's website, <https://www.starbreeze.com/news>.

5.7 Contacts with shareholders

The Administrator was present at the extraordinary general meeting of the shareholders of Starbreeze on 8 February 2019 and Starbreeze's annual general meeting on 4 June 2019.

The Administrator has had contact with the nomination committee of Starbreeze in respect of the election of board members in Starbreeze in conjunction with the aforementioned general meetings.

5.8 Contacts with the exchange

The Administrator has submitted instructions as regards the impact of the company reorganisations on Starbreeze's communications with NASDAQ and, during the initial phase of the reorganisation, has also had contacts with NASDAQ.

5.9 Advice and support to the management, etc., of the Reorganisation Companies concerning operational issues

The reorganisation has had, and continues to have, a major role in the organisation and operations of the Reorganisation Companies.

The Administrator has had continuous telephone contact and meetings with the respective management bodies and boards of directors of the Reorganisation Companies. These contacts and meetings have primarily pertained to operational issues, including, amongst other things, preparation of a new business plan, operational changes, issues regarding financing needs, contractual negotiations and liquidity.

5.10 Contacts with creditors

During the reorganisation period, regular contacts have been made with the creditors of the Reorganisation Companies. In the main, these contacts have pertained to the exchange of information regarding the basis for the claims and issues regarding the reorganisation. In addition, extensive negotiations have been carried out with the major creditors of the Reorganisation Companies.

5.11 Contacts with external parties

The contacts which have been made with external parties primarily pertain to operational issues, but have also included financial issues.

5.12 Internal Group financing

In order to secure operations and the value of various assets during the reorganisation, internal group loans have been raised and provided. Each loan has been scrutinised from a commercial perspective, a legal perspective, and to ensure that the transaction did not take place to the disadvantage of an individual creditor. To some extent, certain negotiations have also been conducted and, in such cases, where a conflicting interest might be present.

6 Structural and financial measures during the reorganisations

6.1 Starting points

The deficiencies which has been identified and which gave rise to the difficulties encountered by the Group may be summarised as follows.

The structure of the Group is difficult to fathom, with inadequate congruency between the operational organisation and legal structure, and a lack of transparency. The transparency issue and the structure which is difficult to grasp have given rise to difficulties in

comprehending the operation, something which in turn rendered the acquisition of additional external financing more difficult.

The number of ongoing projects outside the core business have given rise to any inadequacy in financial and operational resources. The lack of resources has, in turn, caused delays which led to corresponding delays in cash flows as well as quality problems which negatively affected the cash flows. For a more detailed analysis of the manner in which the liquidity in the Reorganisation Companies have developed, refer to sections 3.1.11, 3.2.7, 3.3.7 and 3.4.7 above.

6.2 Reorganisation

In order to rectify existing problems, work got underway immediately following the reorganisation decision to analyse the management functions of the Reorganisation Companies for the purpose of rendering process management and leadership structure more efficient and set the stage for project financing. The work has been carried out by the Administrator in cooperation with Mikael Nermark, who was appointed CEO on the day of the reorganisation decision, and the board of directors, on which personnel changes have also occurred in conjunction with the commencement of the company reorganisation. On the basis of the analysis carried out, a new organisation for process and project management has been implemented.

Furthermore, the Reorganisation Companies and the Administrator have examined the various projects in the Group as of the Date of Reorganisation. As a result of this examination, all projects have been divided into two categories, core operation and non-core operation. The core operation is comprised of the activities in respect of which a concentration of the group's financial and operational resources is deemed necessary in order to achieve optimal operational and earnings performance.

Non-core operations are comprised of various projects which are not deemed to constitute a part of the core operation and in respect of which a decision has been made in principle not to provide additional financial or operational resources from the Group. Primarily, an attempt has instead been made to identify resources within the context of collaborations and other market participants for the purpose of ensuring that the projects can positively develop or, where the conditions for collaboration have not existed, to take decision to scuttle the project.

Set forth below is an initial account of the measures taken within the core operation. Thereafter, a description shall be provided in respect of the non-core operation.

6.2.1 *The core operation*

The Group's financial and operational resources have, as noted above, been concentrated on that part which comprises the core operation and which is the basis for the Group's future operations.

Within that part of the operation, which is generated through internal development, the core operation, following the initial analysis, primarily consisted of the following titles:

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

Within the publishing operation, the following were primarily attributed to the core operation, namely:

- *Psychonauts*
- *10 Crowns*
- *System Shock 3*

During the continued reorganisation, an agreement was entered into in February 2019 with Universal Studios in respect of the distribution of *PAYDAY: Crime War*. During the same period, the publication rights relating to *System Shock 3* were sold back to OtherSide Entertainment. The right to compensation for the development costs has been received from future revenue flows from the title. In March, the development work in respect of *Walking Dead* ceased. Furthermore, in April 2019, additional publishing rights to the title, *10 Crowns*, was sold back to Mohawk Games. The sale generated an initial liquidity enhancement of MUS\$ 1.3 and future revenue flows are expected, as a consequence of which full compensation for the expended costs in conjunction with the development of the game is expected. In addition, in June 2019, an agreement was entered into with Microsoft Corporation according to which all publishing rights and undertakings related to the title, *Psychonauts 2*, were sold in exchange for cash compensation in the amount of MUS\$ 13.2. The continued development work in respect of *Crossfire* has been the subject of continuing negotiations with Smilegate throughout the reorganisation period.

6.2.2 Cash flow forecast in respect of the core operation

A cash flow forecast has been produced for the core operation on the basis of the breakdown which was carried out. The forecast covers a five-year period commencing at the beginning of 2019, and is intended to provide an assessment of incoming and outgoing payments as a basis for assessing overall liquidity needs during the period. The forecast is intentionally conservative, and the assumptions and conditions forming the basis thereof have been checked with external sources. In the forecast, the need for liquidity has related to the core operation and that part of the overhead costs borne by the core operation. The forecast has been the subject of continuing updates based on events and measures which have affected the liquidity situation.

6.2.3 Valuation of the core operation

The assets and rights which have been identified as belonging to the core operation have been valued with the assistance of well-reputed external specialists. An essential condition for being able to carry out the same has been that the operation was consolidated in the manner described in section 6.2.4 below. The valuation was carried out on a going concern basis.

For the valuation, the aforementioned cash flow forecast was produced internally, and other materials from the Reorganisation Companies and the rest of the Group have been provided without restriction, and the valuation engagement has also included the verification of the reasonableness of assumptions made via external sources.

6.2.4 Restructuring of the core operation

The assets and rights included in the core operation have, for the purpose of achieving increased transparency and congruence between the legal and operational structures, been transferred to two new companies created for the purpose, New Publishing and New Studios, which are owned by Starbreeze.

The transfers have included all assets and rights and obligations relating to the core operation. The group companies which previously held the rights have transferred such rights to New Publishing for compensation equal to the assessed market value of the respective asset in accordance with the valuation described above in section 6.2.3. In the new structure, the legal and operational structures coincide. New Publishing and New Studios are themselves holders of all assets relating to the core operation, and do not have any assets or rights or liabilities or undertakings which are not included in the core operation. The transparency and clarity which was lacking under the former structure has thus been recreated within the context of the reorganisation. The purchase price has been based on a careful valuation which ensures that the reorganisation does not entail any redistribution of values to the benefit of certain claimholders at the cost of others.

The assignment has been made in consideration of vendor notes. As regards the assumption of assets and rights from Production, however, the transfer has instead been carried out in the form of an in-kind issue of assets and rights to New Publishing due to the tax situation in the transferor company. The terms and conditions of the vendor notes have been determined with a view to achieving a neutral cash flow between the vendor notes and the share issue in order to avoid treating the creditors differently as a consequence the choice of a legal-technical solution for the assignment. The terms and conditions of the notes have been determined such that the payment obligation is dictated by the cash flow in the operation. This entails that the operations in the new companies are financed under the auspices of the seller companies while the new companies are subject to an unconditional obligation to earmark the entire net cash flow in order to pay off the liabilities to the seller companies as soon as the conditions therefor exist. Thereby, the seller companies may, in turn, pay off the indebtedness to external claimholders who existed at the time of the reorganisation decision. Ernst & Young has appraised the vendor notes as well as the relationship between the notes and equity in order to ensure that the transferor companies have received full payment and that they are treated equally as regards the right to payment.

It is to be added that New Publishing intends to replace the aforementioned internal group financing with external financing when such financing may be obtained on market terms and conditions.

In section 6.3 below, a detailed description will be provided regarding the manner in which the operation in New Publishing is financed and how the cash flow generated in the operation in New Publishing is to be allocated for payment to the selling group companies.

By means of the agreement entered into between New Publishing and New Studios, there is no independent financing need on the part of New Studios.

6.2.5 Non-core operation

Starbreeze has identified assets which are not part of the core operation, and the company has initiated work in order to identify collaborations with external parties in order to ensure that these operations develop in a positive way. These assets cover, but are not limited to:

- Enterspace
- Other VR LBE initiatives
- StarVR
- Nozon
- PresenZ
- Dhruva
- ePawn

As stated above, a decision has been taken according to which the Group will not need to commit additional personal or financial resources to the projects ascribed to the non-core operation. In order to handle the projects, project managers have instead been appointed who are responsible for conducting an inventory of the status of the respective projects, consolidating assets and rights, conducting negotiations with various interested parties and presenting proposals for solutions in the form of, for example, strategic collaborations with external parties in different forms. Status reports from the project managers have been provided weekly to the CEO and the Administrator. The project managers have had no decision-making authority but, rather, final decisions regarding management were to be taken by the CEO and the Administrator.

The work has resulted in the disposal of two projects as well as the subsidiary in India, Dhruva, which was concluded in May 2019 and in respect of which the total preliminary purchase price is USD 7,900,000, of which 90 per cent will inure to the parent company, and of Nozon, which took place in June 2019 and generated a purchase price of EUR 250,000. In addition, the operations on Enterspace's premises on Sveavägen are not considered to have the conditions for continuation and have thus been terminated.

The Reorganisation Companies' efforts to identify collaborations with external parties in order to ensure that these operations can develop in an optimum way continues.

6.3 Short and long-term financing

6.3.1 Introduction

As stated above, the Group's financing up to the reorganisation has primarily been internal, i.e. the operations of the group companies have principally been financed via internal group loans. Starbreeze has raised financing via the stock market and in the form of convertible debentures, and the funds received have been distributed to other group companies.

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Within the context of the reorganisation, negotiations have been held in respect of both long-term and short-term financing. To some extent, short-term loans have also been raised and subsequently repaid. The sale of assets and the assignment of rights within both the core operation (agreements in respect of *Psychonauts* and *Ten Crowns*) as well as non-core operations (sale of Dhruva and Nozon) have also had positive effects on liquidity.

By means of the reorganisation described above in section 6.2.4, the financing need for New Publishing and New Studios has been addressed in part by making payment of the purchase price conditional upon these companies possessing net cash flow at the requisite level on each payment instalment date. A more detailed description of the manner in which the net cash flow is determined and allocated to the transferor companies is found in section 6.3.3 below. Prior thereto, in section 6.3.2, a description is provided of the set-off liability which arose in conjunction with the reorganisation and the manner in which it will be repaid.

The internal financing in accordance with the above is sufficient to cover the liquidity need for operational expenses in accordance with the cash flow forecast. The forecast is based on certain assumptions, among other things, that new agreements will be entered into in respect of *PAYDAY 3* and *PAYDAY: Crime War*, which will make possible some payment to the transferor companies. As stated above in section 6.2.4, it is also the intention that New Publishing will raise external financing as soon as such financing can be obtained subject to commercial terms and conditions. When this has occurred, payment of the set-off liability to the Reorganisation Companies and other transferor companies in the Group will be able to take place which, in turn, makes it possible to pay those companies' claimholders at a point in time earlier than that which follows from the cash flow forecast for the core business.

6.3.2 The settlement debt

As between the parties, the reorganisation of the Group has been carried out with a date of completion at the end of the year, 31 December 2018. Since the actual transfer of the assets and liabilities took place at a later time, April 2019, the parties have, according to agreement, claims against one another within the context of the set-off of revenues and expenses which is to be effected. In this case, the result is that the new operating companies have liabilities in relation to the transferor companies as a consequence of the set-off. In total, the settlement debt amount to approximately MSEK 62.

The transferor companies have granted a respite for the settlement of the settlement debt and, as a consequence, the financing need for the core business during the initial part of 2019 in accordance with the cash flow forecast described in section 6.2.2 has been solved by means of internal financing.

Terms and conditions regarding the payment may be summarised briefly as follows.

Interest is charged at a rate of 5 per cent per year. The payment of interest and principal shall be quarterly. The term to maturity is 18 months, but will be extended in the event the debt is not fully paid on the due date as a consequence of the terms and conditions set forth below in respect of the performance of the payment obligation.

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The payment obligation is conditional on the purchasing companies having access to the financing necessary to cover needs pursuant to the cash flow forecast, i.e. payment will take place from the cash flow remaining following coverage of the liquidity need. That part of the liability which is not paid on a certain due date as a consequence of the condition shall, instead, be paid on the immediately following due date.

To the extent the new operating companies have access to liquidity necessary for financing the operation and, furthermore, for payment of principal and interest, that part of the capital indebtedness equal to the liquidity surplus is due for early payment.

6.3.3 More specifically regarding the payment terms and conditions for the vendor notes and dividends

The vendor notes which were issued by the new operating companies pertain to a total amount of approximately MSEK 850. As stated above, there is an additional amount of MSEK 750 which corresponds to the shares issued by New Publishing to Production within the context of the in-kind issue which was carried out and whereby the rights to the PAYDAY titles were transferred.

As stated above in section 6.2.4, the net cash flow generated in the operation shall be allocated to payments of interest and principal on the vendor notes and dividends on shares. The distribution shall be carried out in such a manner as to create neutrality between the payment streams since the choice of technique for payment should not affect the amount which the transferor companies – and, by extension, their claims holders – receive nor the time for payment.

In accordance with the above, the terms and conditions of the promissory notes provide that the net cash flow which is to be used for payment shall be divided between promissory notes and share capital. In order to compensate the difference between equity and liabilities (equity is not paid down), the terms and conditions prescribe that the share capital is downweighted somewhat in conjunction with the allocation. In consultation with Ernest & Young, the weight ascribed to share capital has been set at 75 per cent as opposed to 100 per cent for the vendor notes.

This means that the available, free cash flow is allocated in the amount of approximately (MSEK 750 x 75%=) MSEK 562 for shares and (MSEK 850 x 100%=) MSEK 850 for the vendor notes. Thus, the shares receive $(562 / (562 + 850)) = 39.8$ per cent and the vendor notes $(850 / (562 + 850)) = 60.2$ per cent of the available net cash flow.

The net cash flow to be allocated in accordance with the above is defined as consolidated, free cash flow in New Publishing after tax but prior to consideration of the obligation to make payment in respect of the promissory notes/equity in accordance with the above in the financial statements adopted 31 December, 31 March, 30 June and 30 September immediately preceding the relevant due date, prepared in accordance with International Financial Reporting Standards (IFRS), less (i) a buffer which essentially equals the immediately following calendar quarter's net liquidity requirement in accordance with the established liquidity forecast, provided that New Publishing or New Studios cannot provide for this liquidity requirement via external lenders, and (ii) the working capital credit need in SEK, comprised of an amount equal to that part of cash balances generated from payments of borrowed funds from externally raised loans, payment from sales of assets or rights, payment for shares or

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share-related instruments, or otherwise received by the companies through New Publishing or New Studios' liquidity supply, which is necessary to cover New Publishing's total financing needs for five years calculated commencing 1 January 2019, up to a total maximum amount of MSEK 250, in accordance with a produced liquidity forecast. As a consequence of the changes described above, the financing need is currently less than MSEK 250.

As a consequence of the aforementioned, among other things, the settlement debt in accordance with section 6.3.2 has priority over payment pursuant on the vendor notes and dividends on shares in accordance with the above, and is deducted when the net cash flow in accordance with the above is calculated.

In respect of other terms and conditions, it may be noted that interest on the notes is charged at a rate of 12 per cent per year, and that payment of interest and principal is to be made quarterly. As stated above, the interest rate has been determined in consultation with Ernest & Young in order to give a correct compensation for the risk and time delays for the holders of the vendor notes.

The indebtedness under the vendor notes may also be used to cover losses in the event an operating company is confronted by a capital deficiency. It should be noted that restricted equity in New Publishing is quite limited, as a consequence of which the probability that the indebtedness under the vendor notes needs to be used to cover losses is extremely low. This similarly applies in respect of New Studios.

7 Summary review of composition within the context of company reorganisation

7.1 Generally

The purpose of the account in this section is to provide a brief description of a composition and the consequences of a composition.

7.2 Generally regarding composition

In a company reorganisation, the District Court may, at the request of the debtor, grant an order for composition.

Creditors, whose claims arose prior to the application for reorganisation participate in composition negotiations. Claims with preferential rights do not participate. Creditors may participate in the composition negotiation even if the claim is not due for payment and notwithstanding that it is subject to special terms and conditions.

A composition may involve a reduction of the claims of creditors who may participate in the composition negotiations and payment in a specific manner. The composition is to provide all equally entitled creditors to the same right and not less than 25 per cent of the amount of the claims. The prescribed minimum distribution is to be paid within one year after the composition has been determined. A lower composition percent and a payment period in excess of one year may be applied in the event all of the aforementioned creditors approve

the longer payment period. A composition may also involve only granting the debtor a payment respite or other specific concession.

Irrespective of the above, a composition may contain terms and conditions according to which the creditors receive full payment up to a certain amount, provided the deviation is deemed reasonable. A deviation which is disadvantageous to a certain creditor may also be implemented provided such creditor has consented thereto. In the event the composition proposal contains a provision according to which creditors who do not have a preferential right will receive full payment up to a certain amount, their claims in the composition proceedings shall be deemed preferential to a corresponding extent. Accordingly, this means that these creditors may not participate in the composition negotiation.

Oberoende av det som framgår av föregående stycke får ett offentligt ackord innehålla villkor att borgenärerna får full betalning intill visst belopp, om avvikelsen kan anses skälig. En avvikelse till nackdel för viss borgenär får också äga rum, om borgenären har medgivit det. Innehåller ackordsförslaget en bestämmelse om att borgenärer som inte har förmånsrätt ska få full betalning intill ett visst belopp, ska deras fordringar i ackordsförfarandet anses som förmånsberättigade i motsvarande mån. Detta innebär således att dessa borgenärer inte deltar i ackordsförhandlingen.

7.3 Application for composition negotiation

An application for composition negotiation must be submitted in writing by the company in reorganisation. The request shall contain a composition proposal stating the amount offered in payment by the debtor, when the payment can be made, whether security is provided for the composition and of what, in such case, the security consists.

The application must contain:

- a) an estate inventory and the most recent balance sheet;
- b) a statement by the administrator which describes, among other things, the reasons for the payment difficulties, information regarding the distribution which may be expected in an insolvent liquidation and information regarding property of which the debtor has been dispossessed under such conditions that it may be subject to recovery, or whether there is reasonable cause to assume that the debtor has acted criminally towards creditors and, in such case, on what basis, and how the debtor has performed its accounting obligation;
- c) a statement by the administrator as to whether the administrator is of the opinion that the composition proposal should be accepted by the creditors;
- d) an affirmation by the administrator that not less than two-fifths of the creditors covered by the composition, who together hold not less than two-fifths of the total amount of the claims have stated that they are of the opinion that the composition is acceptable; and
- e) evidence that the composition proposal and the administrator's account and statement have been sent to all creditors listed in the inventory.

The requirements of a)-c) are fulfilled by virtue of this reorganisation plan. The administrator's affirmation in accordance with d) is set forth below in section 11. The evidence described in e) will be submitted in due order.

7.4 Approval of the composition negotiation, etc.

After a request for composition negotiations has been submitted to the District Court, the Court shall immediately issue a decision regarding the composition negotiations, determine the time for a meeting of the creditors before the court and summon the debtor, administrator and creditors to the meeting.

The meeting shall be held not earlier than three, and not more than five, weeks following the decision regarding the composition negotiation.

The creditors shall vote on the composition proposal at the meeting.

7.5 Composition negotiation

Affected creditors may be present at the composition negotiation. Representatives of the Reorganisation Companies, among others, are also present at the composition negotiation. The Administrator and the Administrator's assistants will also participate. During the composition negotiation, the Reorganisation Companies and the Administrator will present the composition proposal.

7.6 Creditor majority for composition, etc.

A composition proposal which pays not less than 50 per cent of the claim amounts is deemed accepted by the creditors where three-fifths of those voting have approved the proposal and their claims amount to three-fifths of the total amount of the claims entitled to vote.

In the event the composition percentage is lower, the proposal shall be deemed approved provided three quarters of the votes agree on the proposal and their claims amount to three-quarters of the total amount of the claims entitled to vote.

7.7 Effects of composition

An established composition is binding on all creditors, both known and unknown, who are entitled to participate in the composition negotiation. A creditor with a preferential right to certain property is bound by the composition in respect of amounts which cannot be obtained from the property.

8 The composition proposal, etc.

8.1 Introduction

In this section a description is given of the composition proposals for the creditors of the Reorganisation Companies. The proposals themselves are set forth in sections 8.3, 8.4 and 8.5.

In order to facilitate an understanding of the composition proposals, certain general starting points are described in section 8.2 below.

8.2 General starting points

8.2.1 *Division of creditors*

The creditors are divided into two groups in addition to Nordea and Smilegate. Nordea and Smilegate are treated separately since these companies – unlike the other creditors – have provided financing to the operation by means of loans; Nordea, furthermore, essentially has security for its claim.

Suppliers and other parties who have claims against the Reorganisation Companies as per the Date of Reorganisation are hereinafter referred to jointly as the Supplier Creditors. The Supplier Creditors with claims up to and including SEK 1,048,687 are hereinafter jointly referred to as the Minor Supplier Creditors.

The division into Supplier Creditors and Minor Supplier Creditors is due to the fact that the Reorganisation Companies have set aside an amount which is available and sufficient for full payment of the Minor Supplier Creditors' respective claims; the amount is to be paid out within a year.

8.2.2 *Regarding financing of the composition payment, etc.*

As set forth above in section 8.2.1, an amount has been set aside and made available to pay the Minor Supplier Creditors. This amount is not necessary to finance any operating costs.

As set forth in section 6, the positive net cash flow related to the assets which are linked to the core operation will be generated by New Publishing. In addition, the same section also states that New Publishing has financing for operating costs. New Publishing is thus not dependent on external financing for the operations. The financing has been secured by means of disposals, the receipt by New Publishing of internal group loans, and by the cash flow which is expected to be generated in New Publishing over time.

The positive cash flow in accordance with the definition below which is generated within New Publishing will, first of all, be used to finance the company's operations, primarily to develop the game, *PAYDAY 3*.

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According to the cash flow forecast produced within the context of the reorganisations, cash flow in New Publishing for the period 2019-2023 is expected as set forth below.

8.2.3 Internal group claims

As during the period of time prior to the reorganisation, as stated in section 2.3.2, the Reorganisation Companies and other companies in the Group have been financed during the reorganisation period by means of internal group loans and internal invoicing. As a consequence, there are claim and debt relationships between the relevant companies. In addition, within the context of the day-to-day operations, liabilities have been incurred following the Date of Reorganisation. In order to create neutrality for the relevant creditors, these claim relationships will be settled before payment may be made to the Reorganisation Creditors.

A set-off cannot be made in respect of the internal group claim relationship since the cash flow in respect of a claim does not equal the cash flow on a counterclaim.

Example: Assume that Reorganisation Company A has a claim against Reorganisation Company B in the amount of MSEK 1, and that Reorganisation Company B has an equally large claim against Reorganisation company A. In the event Reorganisation Company A's claim entails cash flow in the amount SEK 100,000, while Reorganisation Company B's counterclaim only entails cash flow of SEK 20,000, Reorganisation Company A and its creditors would be disadvantaged in a set-off.

For the reasons described above, a settlement of internal group liabilities would thus entail that the position between the various creditors inter se would be affected. In order to avoid this, it is necessary that the payments be distributed without set-off in keeping with the generation and allocation of cash flow.

Within the group, as also stated above, there have been claim and debt relationships between the various companies. As regards dealings between the Swedish group companies and the foreign companies, written agreements have been entered into in which the terms and conditions governing the dealings, e.g. interest rates, have been documented, something which has been necessary in order to comply with the applicable rules and regulations pertaining to, among other things, transfer pricing. Essentially, the dealings between the various Group Companies within Sweden have also been documented in a similar manner.

In the reorganisation proposal, the intention is that the holders of the internal group claims, to the extent it is legally possible, will subordinate their right to payment in relation to:

- (i) Supplier Creditors and the Minor Supplier Creditors,
- (ii) Nordea, and
- (iii) Smilegate,

in all cases, however, with the exception of the amounts necessary for each creditor company in order for it to be possible to implement the composition proposal.

The aforementioned entails that, first of all, the holders of the internal group claims abstain from their share of the cash flow for the benefit of the minor and medium-sized creditors until such time as they have been fully paid for their claims. Thereafter, they similarly abstain from payment for the benefit of Nordea and, subsequently, of Smilegate until such time as the respective creditor's claim is fully paid.

The exception entails that subordination does not apply to the extent payment must be made in respect of an internal group claim in order for the liability of another group company to an external creditor in the relevant category to be paid, i.e., in order to comply with the requirement of equal treatment of the creditors within the respective category.

8.3 Nordea composition proposal

Nordea has received a proposed settlement. Without attempting to be complete, the proposal to Nordea, in summary, is as follows:

- a) Payment of Nordea's claim against Publishing per the Date of Reorganisation.
- b) Payment of Nordea's claim against Starbreeze per the Date of Reorganisation.
- c) Interest and other compensation is charged on the claimed amounts in accordance with a) and b) according to agreement.
- d) The principal amount in accordance with a) and b) and interest in accordance with c) shall be due for payment quarterly on 31 January, 30 April, 31 July and 31 October each year for the first time on 31 January 2020. In the event a due date in accordance with the above is not a bank day, payment shall be made on the immediately following bank day.
- e) Payment of the liability in accordance with a) shall, on the due date, be in an amount equal to Nordea's share of the total amount of the liabilities in Publishing per the Date of Reorganisation, whereupon it is noted that Nordea is entitled to payment before the companies in the Group in accordance with the provisions of section 5.5 above.
- f) Nordea's right to payment of the liability in accordance with b) is subordinate to the Supplier Creditors and the Minor Supplier Creditors.
- g) The payment obligations shall be conditional and shall, on each due date in accordance with d), be paid in an amount equal to the entire free net cash flow in accordance with the definition in h) below.
- h) The net cash flow to be allocated in accordance with g) is defined as consolidated free cash flow in Starbreeze and Publishing, after tax and other liabilities tied to net cash flow as defined in this section, in the financial statements adopted 31 December, 31 March, 30 June and 30 September immediately preceding the relevant due date, prepared in accordance with the International Financial Reporting Standards (IFRS), less a buffer corresponding to an amount equal to the net liquidity requirement

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during the immediately following calendar quarter in accordance with the established liquidity forecast.

- i) Irrespective of the provisions of d)-h) above, the claim shall be due, including any accrued interest, five years following the composition negotiation.
- j) Starbreeze and Production pledge the companies' respective shares in New Publishing also as security for Starbreeze's payment obligation to Nordea based on the guarantee for International's liability.
- k) Nordea's right of recourse to the pledge in accordance with j) shall be conditional.
- l) As regards Nordea's remaining claim in relation to Starbreeze, the right of subrogation due to the security provided for Enterspace and International's undertakings to Nordea are subordinate to Starbreeze's subrogation claim against Enterspace and International in relation to Nordea and other creditors of Enterspace and International.

8.4 Smilegate

Smilegate has a claim against Starbreeze in accordance with the convertible (MSEK 215). Fixed interest accrues on the convertible at a rate of 2% per year. The term of the convertible is five years commencing on the date of registration, as a consequence of which the convertible shall be due for payment when the entire principal amount and accrued, unpaid interest is due for payment in January 2021, provided that neither conversion nor premature termination has occurred prior thereto. The fixed interest shall be due for payment on a half-yearly basis on 31 March and 30 September respectively, for the first time on 30 April 2016.

The holder of the convertible shall be entitled, in addition to fixed interest in accordance with the above, to supplemental interest ("YTM") provided that conversion does not take place. The YTM is calculated as 2% annual interest on the principal amount, adjusted upwards at an interest rate of 4% per year. The YTM shall be due for payment on the principal maturity date, provided that conversion has not occurred prior thereto. The payment obligations under the convertible shall be subordinate to, and ranked pari passu with, Starbreeze's other obligations with subordinated right to payment and for which collateral has not been provided.

8.5 Composition proposal for Supplier Creditors and the Minor Supplier Creditors

8.5.1 *General starting points*

The following provides a description of some of the conditions relevant to both the Supplier Creditors and the Minor Supplier Creditors.

- a) All Supplier Creditors and the Minor Supplier Creditors receive full payment for their respective claims as per the Date of Reorganisation.
- b) All Supplier Creditors and the Minor Supplier Creditors are treated equally irrespective of which Reorganisation Company is the debtor.

The reason underlying the aforementioned in a) is that – taking into account the capital strength of the Reorganisation Companies – there is no reason to propose any write-down of the liabilities. As regards b), it is noted that the assets regarding the core business have been fragmented and that, in those cases, the identity of the Reorganisation Company which was the creditor's counterparty is merely coincidental.

In the following, the term, "Consolidated Level", is used as a description for Starbreeze, Production, Publishing and Studios. In addition, the term, "Consolidated Debt", is used to designate the liabilities at the Consolidated Level excluding liabilities to Nordea and Smi-legate as per the Date of Reorganisation. The Consolidated Debt amounts to approximately MSEK 74.

8.5.2 *The proposal to the Supplier Creditors*

- a) Payment of the respective Supplier Creditors' claim as per the Date of Reorganisation.
- b) Annual interest accrues on the claim amount in accordance with a) at a rate of 5 per cent commencing on the Date of Reorganisation. Interest is not capitalised.
- c) The principal amount in accordance with a) and interest in accordance with b) shall be due for payment quarterly on 31 January, 30 April, 31 July and 31 October each year commencing 31 January 2020. In the event a due date in accordance with the above is not a banking day, payment shall be made on the immediately following banking day.
- d) On the due date, payment in respect of the claim shall be for an amount equal to the share of the claim of the consolidated debt.
- e) The respective Reorganisation Companies' payment obligation shall be conditional and shall, on each due date in accordance with c), be paid in an amount equal to the entire free net cash flow in accordance with the definition in f) below at a consolidated level.

- f) The net cash flow to be allocated in accordance with e) is defined as consolidated free cash flow at a consolidated level, after tax and other liabilities tied to net cash flow as defined in this section, in the financial statements adopted 31 December, 31 March, 30 June and 30 September immediately preceding the relevant due date, prepared in accordance with the International Financial Reporting Standards (IFRS), less a buffer corresponding to an amount equal to the net liquidity requirement during the immediately following calendar quarter in accordance with the established liquidity forecast.
- g) Irrespective of the provisions of c)-f) above, the claim shall be due, including any accrued interest, five years following the composition negotiation.
- h) The proposal is conditional upon the Reorganisation Companies respectively fulfilling its obligations in accordance with the reorganisation plan which will be presented at the composition negotiation. The aforementioned condition shall be deemed to have been met when the respective Supplier Creditors have been paid in full.

8.5.3 *Proposal to the Minor Supplier Creditors*

The Minor Supplier Creditors receive – in addition to the proposal in section 8.5.2 (in which references to Supplier Creditors shall instead pertain to Minor Supplier Creditors) – an alternative proposal.

The alternative proposal is comprised of the following.

- a) Payment of the Minor Supplier Creditors' claim as per the Date of Reorganisation.
- b) The claim does not carry interest.
- c) The claim is due for payment 364 days following the District Court's composition negotiation.

8.6 Distribution of cash flow for repayment

8.6.1 *Introduction*

This section describes the distribution of payments from the cash flow generated in the operational activities carried out by New Publishing and how the payment arrangement described above in section 6.3 and 8.1-8.5 is applied in practice.

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8.6.2 New Publishing's performance of its payment obligation to the Reorganisation Companies

In conjunction with the distribution of the cash flow generated at the times at which the principal amount in accordance with sections 8.3, 8.4 och 8.5.2 is due for payment, i.e. quarterly for the first time on 31 January 2020, the following shall apply.

The net cash flow in accordance with the definition in section 6.3 to be distributed from New Publishing for the relevant payment period is calculated.

In the event the calculation shows positive net cash flow, payment shall be made. In order to ensure the correct accounting and that it is subsequently passable to validate the payment flows, payment is made to special reorganisation accounts, one for each of the Reorganisation Companies which receive payments from New Publishing, i.e. Starbreeze, Production, Publishing and Studios.

8.6.2.1 Order of priority of the payments

1. The payments from New Publishing pertain first to payment of the settlement debt described in section 6.3.2 above and any additional internal group financing which the Reorganisation Companies may have provided to New Publishing. Settlement debt and internal group financing have the same priority inter se. It is likely that, at the time of the examination of the composition proposal, there will be no outstanding, additional internal group financing, whereupon all payments from New Publishing will first pertain to the settlement debt until such time as it is fully paid.
2. Once the set-off liabilities and the internal group financing in accordance with subsection 1, including interest, have been fully paid, the following payments from New Publishing will subsequently pertain to interest and payment of principal on the vendor notes and dividends on shares in accordance with the allocation described in section 6.3.3 above.

8.6.3 Performance of the payment obligation by the Reorganisation Companies

In a manner comparable to that described in section 8.6.2 above, the net cash flow to be used for payment from the respective Reorganisation Company to the creditors is calculated.

8.6.3.1 Order of priority of the payments

1. All internal group and external liabilities which arose during the period of time following the reorganisation decision shall first be paid since these are to be paid regularly when due.
2. Given that the absolute majority of the liabilities in the Reorganisation Companies which arose during the period of time following the reorganisation decision are comprised of internal group liabilities, the payment of liabilities in a Reorganisation Company means that another Reorganisation Company can thereby pay its liabilities

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to another Reorganisation Company which, in turn, can pay its liabilities to the first payor Reorganisation Company. For the reasons described in section 8.2.3 above, it is not possible to settle the internal group claim and debt relationships by means of set off given that the relationship between the creditors would then be disrupted. The procedure described in this section is thus repeated until such time as payments reach a limit which, for practical reasons, has been established at SEK 20,000; the repetition of amounts of less than SEK 20,000 is not deemed to have any material effect. The stated residual amount remains and is included in the immediately following allocation.

3. Since New Publishing has also contributed financing of other Reorganisation Companies during the period of reorganisation, new cash flow is generated in conjunction with payment in accordance with subsection 2 for distribution in accordance with subsection 1 which, once again, is distributed in accordance with subsection 2.

8.6.3.2 Specifically regarding payment of liabilities which existed on the Date of Reorganisation

Once all the liabilities in the Reorganisation Companies which arose after the Date of Reorganisation are fully paid, available net cash flow shall thereafter be used for payment of liabilities which arose during the period of time prior to the Date of Reorganisation as follows.

1. As stated above in section 5.5.2, a number of group companies have subordinated the right to payment for the benefit of Nordea, as a consequence of which the allocation of payments between the creditors whose liabilities arose prior to the Date of Reorganisation are addressed separately as regards Publishing. This is done in that the creditors of the company are first divided into four categories:
 - Supplier Creditors;
 - Nordea;
 - internal group liabilities which are subordinate to the rights of Nordea; and
 - internal group liabilities which are subordinate to the rights of the Supplier Creditors.

The aforementioned subordination is taken into account in that the share which relates to the group company which subordinated its claims for the benefit of Nordea, are added to Nordea's share of the total amount of the liabilities in Publishing. Accordingly, Nordea receives a share of the distributed cash flow equal to Nordea's own percentage share increased by the percentage share relating to the group company which subordinated its right to payment.

2. The share that remains thereafter is to be used for payment to the Supplier Creditors since Nordea, Smilegate and the group companies have subordinated the right to payment for the benefit thereof. Since all of the Supplier Creditors are to be treated equally, irrespective of the Reorganisation Company which is the debtor, the distribution of payments is common to all of the Reorganisation Companies. In order to achieve the same, the total remaining amount is allocated to the Reorganisation Companies in proportion to the respective Reorganisation Company's share of the

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total indebtedness to the Supplier Creditors. Where necessary, internal group loans will be used to effect payment in accordance with the intended allocation.

3. When all of the supplier creditors have been fully paid, payment is made to Nordea and thereafter to Smilegate. This is the case given that all internal group liabilities or subordinated in accordance with section 8.2.3 above.

The calculations necessary to manage the payment flows reported above have been summarised in formulas which have been compiled in spreadsheets for the purpose of making validation of the quarterly allocations [distributions?] possible. A copy of the spreadsheet with examples of a fictitious allocation which illustrates the above is appended as appendix 44.

9 Supervision and control

Pursuant to the provisions of Chapter 3, section 26 of the Swedish Company Reorganisation Act, the Reorganisation Companies have engaged Lars Söderqvist to monitor the performance by the Reorganisation Companies of their undertakings pursuant to the reorganisation plan during the reorganisation and following conclusion of the reorganisation if the Reorganisation Companies have remaining obligations in accordance with the reorganisation plan.

The engagement includes ensuring that the Company's calculation of the cash flow to be allocated to the creditors in accordance with section 8.6 is correct as well as compliance with the payment arrangement set forth above in section 8.6.

Within the context of the above-referenced engagement, Lars Söderqvist shall also assist in the implementation of the structure required in order for the payment arrangement in section 8 above to work effectively.

The Reorganisation Companies' project, operating and liquidity budgets as well as the results of follow-ups on such budgets are to be approved by Lars Söderqvist.

10 Statement

Pursuant to Chapter 3, section 11, first paragraph, sub-section 2 of the Swedish Company Reorganisation Act, the administrator shall provide a statement as to whether the administrator is of the opinion that the creditors should accept the composition proposal.

By virtue of the signing of this reorganisation plan, the undersigned administrator of the Reorganisation Companies appointed by the Stockholm District Court is of the opinion that the creditors should adopt the proposal as stated in section 8.

11 Affirmation

Pursuant to Chapter 3, section 11, first paragraph, sub-section 3 of the Swedish Company Reorganisation Act, the administrator shall affirm that not less than two-fifths of the creditors listed in the estate inventory whose claims are to be covered by the composition and who together hold not less than two-fifths of the total amount of such claims have declared the composition to be acceptable.

By virtue of signing this reorganisation plan, the undersigned administrator of the Reorganisation Companies appointed by the Stockholm District Court affirms that not less than two-fifths of the creditors listed in the estate inventory for each of the Reorganisation Companies, the claims of which are to be covered by the composition and together hold not less than two-fifths of the total amount of such claims, have declared that the composition is acceptable.

W	S	A
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12 Ordlista

Composition = A financial arrangement between a debtor and the debtor's creditors whereby the payment conditions for an indebtedness are altered by means of, for example, a write-down of the debt amount or a change in the repayment period. A composition may be a voluntary arrangement between the debtor and the debtor's creditors (voluntary composition) or a so-called public composition (involuntary composition) which has been decided by a majority of the creditors.

EUR = Euro.

ISIN = International Securities Identification Number, a unique identification number for securities. ISIN is defined in ISO 6166. Examples of types of securities which may have an ISIN code include, among others, bonds, shares and warrants. The ISIN code of a security serves as a uniform identification standard in conjunction with trading and settlement irrespective of the marketplace on which trading occurs.

Insolvency = A term used when a company can no longer pay its debts as they become due and such inability to pay is not merely temporary.

Recovery = A legally correct legal act taken by a company prior to an insolvency, e.g., a payment, recovered by the company.

SEK = Swedish kronor.

Suspension of payments = The purpose is to provide the company in financial distress the time to take the steps necessary to prevent insolvency. A suspension of payments, which is often part of a company reorganisation, takes place under orderly forms and in close dialogue with the company's creditors.

USD = American dollars.

13 Contact information

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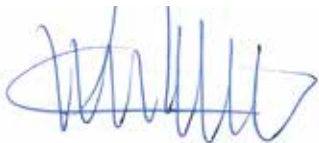
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Stockholm den 11 november 2019



Lars Söderqvist

