



**Press Release January 21, 2016**

## **STARBREEZE and Smilegate in long term strategic partnership**

**Smilegate invests 40 MUSD (344 MSEK) in Starbreeze, Starbreeze to develop an all-new co-op version of the CROSSFIRE franchise and Starbreeze titles to be published in Asia.**

- The leading Korean game company Smilegate has undertaken to invest a total of 40 MUSD (344 MSEK) in Starbreeze, 15 MUSD (129 MSEK) in equity, combined with 25 MUSD (215 MSEK) in a convertible bond.
- Starbreeze receives a 10 year right to develop, publish and distribute an all-new first person co-op game on Smilegate's CROSSFIRE franchise for western markets. CROSSFIRE is the world's largest grossing online first-person-shooter (FPS) game with 500 million users.
- Starbreeze receives distribution rights on the Smilegate platform, and will launch PAYDAY 2 and OVERKILL's The Walking Dead on Asian markets via the platform.
- A representative from Smilegate will be proposed to Starbreeze's Board of Directors.
- Starbreeze to call an Extra General Meeting on February 22 2016 to approve the share issues. The share issues are a prerequisite for the transaction.

Starbreeze AB, an independent creator, publisher and distributor of high quality entertainment products, has entered into a long term strategic partnership with the leading Korean game company Smilegate. Smilegate will invest a total of 40 MUSD (344 MSEK) in Starbreeze. Starbreeze will develop and, in the west, publish an original game based on Smilegate's CROSSFIRE franchise.

The long term strategic partnership allows Starbreeze to publish and distribute Starbreeze games, including PAYDAY 2 and OVERKILL's The Walking Dead, into the Asian PC and Mobile markets.

"The Eastern entertainment market has been an enigma for western game developers and vice versa. This in-depth collaboration uniquely positions Starbreeze and Smilegate to bridge the gap between the two markets. Starbreeze gains an extraordinary market position for our present and future products," said Bo Andersson Klint, Starbreeze CEO.

"The innovative and financially strong Smilegate with its billion-dollar CROSSFIRE franchise is a perfect partner for us. This strategic move will propel Starbreeze several years ahead in our evolution as a producer and publisher of truly global digital entertainment products.

I am genuinely excited to have the opportunity to work together with the successful, agile and smart team at Smilegate. We will create a powerhouse of a partnership for the next decade."

### **Smilegate invests 40 MUSD (344 MSEK) in Starbreeze**

Starbreeze will issue new shares equivalent to 129 MSEK (15 MUSD) to Smilegate, pending approval from the Extra General Meeting. In total, 3,376,016 A shares will be issued at 13.27 SEK and 6,244,015 B shares will be issued at 13.49 SEK, representing 4.9 percent of votes and 3.5 percent of capital in Starbreeze on a fully diluted basis.

After the share issues, the total number of A shares in Starbreeze will amount to 59,851,123 and the total number of B shares to 180,129,999.

Starbreeze will also issue 25 MUSD (215 MSEK) in a five year convertible bond to Smilegate under the Board's mandate. The bond will have a coupon of 2 percent per year. Smilegate may convert the bond into B shares at a conversion price of 13.49 SEK per share or if the actual share price is lower, at the 60 day average share price with a minimum conversion price of 9.35 SEK per share.

When certain pre-defined milestones are met, Starbreeze may also convert the bond into B shares, at a conversion price of 13.49 SEK per share or if the actual share price is lower, at the 60 day average share price with a minimum conversion price of 9.35 SEK per share.

If fully converted at 13.49 SEK, Smilegate's holding in Starbreeze will increase by 15,941,586 B shares, to 6.9 percent of votes and 9.4 percent of capital on a fully diluted basis.

The bond is issued together with the rights to develop and publish an all-new game title based on the blockbuster CROSSFIRE in western markets. Starbreeze will hold a 10 year right to publish and service the title.

The issue prices of A shares at 13.27 SEK and B shares at 13.49 SEK, represent a 4.2 percent and 3.8 percent discount to the respective average share price during the last 60 trading days.

The deal documentation includes a lock-up clause for Starbreeze CEO Bo Andersson Klint, COO Mikael Nermark and CTO Emmanuel Marquez. Additionally, the documentation includes a change-of-control clause as is customary in game development deals, as well as certain penalty clauses that primarily apply if Starbreeze materially fail to perform.

### **Starbreeze to create premium co-op PC FPS game based on the CROSSFIRE franchise**

Starbreeze will develop an all new premium first-person-shooter (FPS) co-op game for PC based on Smilegate's CROSSFIRE franchise, aimed to attract western gamers in particular.

Starbreeze will leverage its knowledge and expertise to create a game that can be further expanded over time to attract long term interest from players. The new game will be based on Starbreeze's game engine Valhalla. The game's release date will be announced at a later date.

Starbreeze and Smilegate have agreed on a substantial revenue share from the first unit, Smilegate will retain the rights to the IP.

Joon Ho Sung, CIO of Smilegate Group, said: "Asian, European and US gamers have a lot to look forward to as a result of this collaboration. The aim for both of us is to bring the best from our home markets to new audiences. With its impressive PAYDAY track record, Starbreeze is an ideal partner for bringing the CROSSFIRE franchise to western markets and new titles to our home markets. This is a long term strategic partnership for us."

The original CROSSFIRE franchise has more than 500 million users with six million concurrent players and is one of the top grossing online games worldwide, generating over 1,300 MUSD in sales during 2014, of which a large part is originating from China. The first-person-shooter (FPS) game applies a free-to-play model.

Expanding and attracting further interest to the franchise, the CROSSFIRE movie will premiere in three to five years with “Fast and the Furious” producer Neal Moritz as the movie creator. The movie will represent a valuable marketing opportunity for Starbreeze all new CROSSFIRE title.

### **Distribution in the Asian market**

As part of the strategic partnership, Starbreeze receives distribution rights on the Smilegate platform, enabling it to distribute its titles, including PAYDAY 2 and OVERKILL’s The Walking Dead, in Asia.

OVERKILL’s The Walking Dead will be expanded with more content where an Asian version will be developed for simultaneous launch with the western version. To maximize the new opportunities, Starbreeze, 505 Games and Skybound have decided to release the game in all markets during the second half of 2017. The partners are convinced this will pave the way to success, maximize revenues and cement it as a tent pole product for the next decade to come.

“What the Starbreeze team has achieved in the last few years is amazing. This partnership with Smilegate with an upfront cash injection secures our plans, opens new markets and proves yet again that we have an expansive and ambitious business plan focusing on creating long term value. This deal creates a new paradigm for independent developers in the digital market that we are excited to pioneer,” said Michael Hjorth, Starbreeze Chairman of the Board.

### **Extraordinary General Meeting on February 22**

Starbreeze has decided to call an Extraordinary General Meeting to be held on 22 February 2016 in order to resolve on the equity issues.

At the meeting, a representative from Smilegate will be proposed as new member of the Board. The proposed will be presented well in advance of the General Meeting.

For more information, see the notice to the Extraordinary General Meeting also separately released today. Meeting materials will be made available from February 8 on Starbreeze website [www.starbreeze.com](http://www.starbreeze.com).

### **Smilegate – Creators of CROSSFIRE**

Smilegate is the game company behind CROSSFIRE, one of the most played first-person-shooter games with over 500 million users and six million concurrent players across the globe. CROSSFIRE is currently serviced in 80 countries throughout Asia, Europe, South and North American regions.

Smilegate invests heavily in companies that show potential and encourage partnership. This approach not only creates a robust, sustainable corporate structure, but also broadens the ability to provide industry leading level of entertainment and service.

At Smilegate, the passion for digital entertainment is key to provide world-class gaming entertainment. By working with partners, Smilegate continuously strives to serve players with quality content.

Founded in 2002, Smilegate has increased its annual revenue by over double for the past five years. With regional offices in the U.S., China and Southeast Asia, the company is well positioned for global growth as it expands its business areas from software development to publishing and investment. Total revenue for 2014 was approximately 531 billion KRW (approx. 425 MUSD, based on consolidated revenues), and 90 percent of the revenue was generated from global export and distribution of the company’s digital gaming contents.

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## Media information

Press kit for Starbreeze and Smilegate can be found on [www.starbreeze.com/presskit](http://www.starbreeze.com/presskit)

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### **About Starbreeze**

*Starbreeze AB is an independent creator, publisher and distributor of high quality entertainment products. With studios in Stockholm, Paris and Los Angeles, the company creates games by own design and through licensed content, aiming to create franchises that prosper as games and elsewhere. We live and die by gameplay.*

*Starbreeze's most recent games include PAYDAY 2, the adrenaline fueled bank robbing co-op game and the upcoming survival co-op FPS OVERKILL's The Walking Dead based on the hit comic series. Starbreeze is pioneering digital self-publishing, inviting developers to leverage its self-publishing knowhow on Steam, having one of the largest communities on the digital distribution platform.*

*Next, Starbreeze is set to develop truly immersive virtual reality experiences, integrating software and hardware in the Project StarVR and the StarVR head mounted display.*

*Headquartered in Stockholm, Sweden, Starbreeze's shares are listed on Nasdaq Stockholm First North Premier under the tickers STAR A and STAR B with the ISIN-codes SE0007158928 (A-share) and SE0005992831 (B-share). Remium Nordic is the company's Certified Adviser.*

*For more information, please visit <http://www.starbreeze.com>.*