



## Press release November 24th 2016

### Starbreeze AB (publ) Q3 report July 1 2016 – September 30 2016

The full Q3 report in Swedish is available at [www.starbreeze.com/investor-relations/](http://www.starbreeze.com/investor-relations/). The English version of the report will be available within a week. Financial statements in English are available at the end of this document.

#### CHANGED FISCAL YEAR

Note that in accordance with the decision taken on the Annual General Meeting in November 2015, this is the third quarterly report after changing the company's fiscal year to calendar year. The comparative period Q3 2015 corresponds to July-September 2015, previously named Q1 2015/2016.

The next report to be issued will thus be Q4 2016 and released on 16 February 2017.

#### THIRD QUARTER (JULY - SEPTEMBER 2016)

- Net revenue amounted to SEK 102.7 million (SEK 49.9 million), representing a growth of 106 percent. Total revenue amounted to SEK 147.4 million (SEK 75.9 million).
- Net revenue includes a minimum guarantee of SEK 32.5 million relating to RAID: World War II.
- During the quarter, PAYDAY 2 represented SEK 20.2 million (SEK 48.4 million) of net revenue.
- During the quarter, Dead by Daylight represented SEK 49.2 million (SEK 0.0 million) of net revenue.
- Operating income before depreciation and amortization, EBITDA, amounted to SEK 19.2 million (SEK 8.4 million), implying a margin of 13.0 percent.
- Pretax income amounted to SEK 11.0 million (SEK 7.2 million).
- Net income amounted to SEK 20.4 million (6.4 million).
- Earnings per share before dilution were SEK 0.08 (SEK 0.03) and earnings per share after dilution were SEK 0.08 (SEK 0.03).
- Cash flow from operating activities amounted to SEK 37.0 million (SEK 49.5 million).
- As of September 30, cash and cash equivalents totaled SEK 376.0 million (SEK 123.7 million).

### **INTERIM PERIOD (JANUARY – SEPTEMBER 2016)**

- Net revenue amounted to SEK 246.1 million (SEK 169.5 million), representing growth of 45 percent. Total revenue amounted to SEK 357.6 million (SEK 229.9 million).
- Operating income before depreciation and amortization, EBITDA, amounted to SEK 42.4 million (SEK 34.3 million) equivalent to an EBITDA margin of 11.9 percent.
- Pretax income amounted to SEK 23.6 million (SEK 29.1 million).
- Net income amounted to SEK 26.9 million (24.0 million).
- Earnings per share before dilution were SEK 0.11 (SEK 0.11) and earnings per share after dilution were SEK 0.11 (SEK 0.10).

### **KEY EVENTS DURING THIRD QUARTER (JULY – SEPTEMBER 2016)**

- In September, Starbreeze and Digital Bros reached an agreement on worldwide and exclusive distribution rights relating to RAID: World War II for consoles. The rights only cover physical console games and are granted to 505 Games, a subsidiary of Digital Bros. Accordingly, Starbreeze retains the digital distribution rights for both PC and Console.

The agreement includes payment of a minimum guarantee, relating to royalties of USD 4 million (SEK 32.5 million) in total that will accrue in full to Starbreeze.

Besides the distribution agreement signed with Digital Bros, it was also announced that the game will be released on PC, Xbox One and Playstation 4 during summer 2017.

- Starbreeze has come to an agreement with Smilegate Holdings Inc., the holder of the convertible bond of SEK 215 million that was issued in February 2016, to modify the terms of the bond to increase financial transparency for Starbreeze. The agreed changes are of a technical nature and does not alter the original commercial agreement. This information was earlier presented in the half-year report.
- During the quarter Starbreeze held an extraordinary general meeting. The meeting decided to issue a convertible loan of SEK 75.5 million to Acer. Given that the general issue authorization, which the Board received at the Annual General Meeting on May 25 2016, had essentially been used in significant part due to technical reasons surrounding the Smilegate convertible bond, the meeting also decided to give the Board a renewed authorization to issue shares not exceeding ten percent of outstanding shares at each time.
- In August during Acer's product presentation in Berlin, Starbreeze and Acer announced that the first delivery of StarVR HMD to IMAX had been shipped, in preparation for the opening of the first IMAX VR Center in Los Angeles.

## AFTER THE PERIOD

- In October, revenue from PAYDAY 2 sales via the PC platform Steam amounted to SEK 16.3 million (SEK 10.9 million). Note that Starbreeze, after the changed terms of the contract with 505 Games, now receives 100% of revenues generated by PAYDAY 2 on Steam.
- During October, revenue from Dead by Daylight sales via the PC platform Steam amounted to SEK 17.8 million (SEK 0.0 million).
- In October Starbreeze conducted a directed share issue targeted towards institutional investors, where Första AP-fonden acquired the majority of the shares issued. A total of 16,452,991 shares were issued at a price of SEK 23.40, equivalent to a total amount issued of SEK 385 million.
- In October, Starbreeze announced the acquisition of Nozon, a Belgian Visual Effects (VFX) studio and the developer behind the PresenZ technology. The consideration amounted to EUR 7.1 million, of which EUR 4.6 million was in cash (about SEK 44.6 million) and EUR 2.5 million in Starbreeze B shares. In addition, the parties also agreed on a 10-year earnout, based on PrezenZ's financial performance, which only takes effect after Starbreeze has recouped EUR 2 million of the consideration.
- After the period's end Starbreeze chose Carnegie Investment Bank as advisor for its relisting to Nasdaq Stockholm's main list. Starbreeze intention is to complete the relisting during 2017.
- In November, a new brand was announced in the Publishing division. The new label "Starbreeze IndieLabs" aims to help projects, which are smaller in scope to reach the market.

Together with the Croatian studio Lion Game Lion, Starbreeze has agreed that the company will invest USD 300,000 to bring the game "AntiSphere" to PC and other platforms. The agreement means that Starbreeze will receive 30 percent of the sales revenues, after the initial investment has been fully recouped. Lion Game Lion and Soap Interactive in turn will retain 100 percent of the IP rights.

Antisphere is a top-down competitive arena battle game in which players use their skills in order to catch each other out, and win the match.

- During New York Comic Con, Starbreeze and Lionsgate showcased the upcoming VR first person shooter John Wick Chronicles. Attendees had the opportunity to demo a 7-minute preview of the first mission. The experience and game were very positively received with good reviews from gamers and gaming journalists.

The game John Wick Chronicles will be released on Steam in February 2017 and is compatible with HTC Vive. It is already available for pre-order for USD 19.99 via the platform.

# REVENUE RECORD

## CEO BO ANDERSSON KLINT GIVES HIS COMMENT

Starbreeze Publishing has completed its first sales pulses for Dead by Daylight. We have successfully invested, published and marketed both the base game and following DLCs including the tie in with famous movie franchise “John Carpenter’s Halloween”. The game has now generated over 20 MUSD in gross sales on Steam, which has given Starbreeze and Behaviour a total return on investment of several hundred percent.

This is a great first chapter for our Starbreeze Publishing business unit. With investment in third party IP’s such as RAID, Antisphere and others, we see this as a growing and exciting segment for the company. A segment that will bridge our cash flow between our own future large scale releases such as OVERKILL’s The Walking Dead, CROSSFIRE, PAYDAY 3. We will continue to be on the lookout for new projects, also under the new Starbreeze publishing label, IndieLabs. With these smaller in scope IndieLabs projects to complement the larger Publishing business, we will create the bedrock for a future flow of content into our publishing business and overall eco systems.

The significance of this third quarter was even greater than the release quarter for Dead by Daylight. Our PAYDAY business model has been tested and proven on an external IP with our fantastic partner, Behaviour. Today’s industry has had a hard time adapting its mind-set to this model, but we have created it, we are in the driving seat and we are successful.

For us, it is now full steam ahead along the road we have staked out, in collaboration with our many external partners for upcoming PC- and console games, IMAX VR centers and mobile game efforts.

Starbreeze third quarter net revenues remain on a high-level amounting to 102.7 MSEK, which is on par with Q2 and the highest net revenue number in Starbreeze history. Compared to the corresponding quarter last year, Starbreeze has more than doubled its net revenues. The effect of an aggregated business is starting to show, and it serves as an important reminder for the company to retain its long-term focus when it comes to investment in its product strategy.

The main driver for the growth is the broadening of our revenue base where RAID: World War 2 contributed with 32.5 MSEK from the minimum guarantee received when we signed the agreement for the physical console distribution rights to Digital Bros and their subsidiary 5050 Games. Another great footprint of how we can create financial leverage of game IPs both pre- and post-release.

We have earlier announced that Dead by Daylight quickly reached over 1,000,000 units sold and the positive reception generated 49.2 MSEK in revenue during the quarter as a whole. Last but not least, PAYDAY, for which we after the repurchase from Digital Bros get full digital distribution royalty on, contributed with 20.9 MSEK.

As we continue our growth, our operating expenses excluding royalties to publishing partners has increased with 36.2 MSEK or 54 % compared to Q3 2015. The incremental spend is in all material aspects derived from employee related expenses as we’re ramping up the teams for delivering according to our ambitious plans for our own games, our publishing business and our establishment in the VR industry. Despite the increase in costs we stay positive on bottom line and the EBITDA margin reaches 13 %.

Bold plans need the right partners and appropriate funding. Acer has not only partnered with Starbreeze for the manufacturing, marketing and sales of StarVR, they did also invest 75.5 MSEK during the third quarter and we’re exiting the period with a solid cash position of 376.0 MSEK.

After the end of the quarter Första AP-fonden, one of the major Swedish Pension funds, amongst others participated in a new share issue amounting to 385 MSEK, which leaves our total cash position at more than 700 MSEK. These funds will be put to good use in building revenue generating products and strengthen the future technology base in the company.

## **RELISTING IN 2017**

Starbreeze is fully focused on delivering on our promises and one of these is to take the company to the next level in its public offering. In 2017, we will aim to bring Starbreeze to the fully regulated main market in Stockholm. As our plans grow and expand outside of the traditional games developer role, we feel that the time is right to take a step up and expand our horizons. A relisting to the main market will also ease the process for foreign investors wanting to invest in Starbreeze.

## **GEMINOSE**

We initially intended to bring the kids game Geminose to market with a full set of physical toys in the same mindset as we always have; by finding a strong partner with the right complementary competencies. We've been in numerous discussions with respectable companies, including major toy manufacturers, distribution and production partners. Unfortunately, the climate for toys-to-life with inventory requirements are colder than it was just two years ago. We have been negotiating with a prominent potential partner in the toys manufacturing business long and well up until very recently, but has jointly agreed not to proceed. This will make it challenging for us to release Geminose on the timeline we earlier proposed together with a physical toy offering.

The positive out of these many conversations we've had in the past months, is the well-received feedback we've gotten in regards to the IP and gameplay. We believe that there are other ways and opportunities for us to deliver on the physical toys component of Geminose and be true to the initial vision for the franchise, but we need time to re-start the process. In the meantime, we are contemplating the possibility to re-tune the current working version of the game to function as a stand-alone product, without the physical toys. Production of the game is outsourced to our great partner Behaviour Interactive in Canada, and we will continue to work diligently to bring Geminose to market and will in the short-term focus to launch the game digitally first and then consider the physical toy part as an extra component to the product.

## **TECH**

In Los Angeles, the last coat of paint is being put on the pilot IMAX VR Center, which has had a sneak-preview opening in the past few days for friends and partners in preparation for the public opening, now taking place shortly after the New Year. We're fully operational with the Acer joint venture and focused on setting the manufacturing process for full scale production in 2017. For now, the first batch have been delivered to IMAX, where we further aim to have two iterations of development kits produced for close partners before the final specifications are locked in for the full production run and larger availability. As previously noted, we aim to be the premiere high definition brand of the VR industry, and as such our HMD will continuously evolve to stay on the top of the scale in the fast-moving specification focused tech industry.

For our location based initiative, we are as eager as our partners to roll out the concept but are also aware of the need to establish the pilot center, test the setup, venue design, customer flows and onboarding thoroughly and secure the volume of HMDs needed to support the global rollout in the next phase. We're in close dialogue with all partners to establish understanding of our goals and to ensure that we deliver in line with the high-quality bar we set out for our VR initiatives. The roll-out schedule apart from the pilot center is still fluid and under discussion.

## DEVELOPMENT PROGRESS

In terms of our in-house game development, OVERKILL's The Walking Dead is taking shape and we're in full production speed in Stockholm. The general concept is locked and we're working diligently to iron out gameplay mechanics, level designs and systems. As always, the primary goal is to make the game fun to play with friends, being re-playable, with an engaging story taking a page out of the wealth of stories available in the Walking Dead comics and with just the right amount of scary.

The design phase of Crossfire is ongoing in close collaboration with Smilegate. We're still working on scope and overall concept to ensure that we pay homage to the original game, but at the same time tuning it for the western audiences.

With our latest acquisition of Belgian visual effects company Nozon, we look forward to bringing high quality trailers to our games as well as creating new exciting computer generated movies for the IMAX VR centers. Using the PresenZ technology together with the rest of our technology stack will propel our VR offering forward into the premium content space and on par with the best competitors in the world.

Our collaboration with Lionsgate on John Wick VR and PAYDAY is steadily following its plan with great reception from gamers worldwide. We look forward to launching the John Wick VR experience online and in IMAX VR centers during 2017.

Lastly I want to thank our growing global team for their great efforts and congratulate them on a yet another well done quarter.

Let's do this!

###

*This information is information that Starbreeze AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act.*

*The information was submitted for publication, through the agency of the contact person set out below, at 08:30 a.m. CET on 24 November, 2016*

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### **About Starbreeze**

Starbreeze is an independent creator, publisher and distributor of high quality entertainment products. With studios in Stockholm, Paris and Los Angeles, the company creates games and other virtual reality entertainment products, based on proprietary design and licensed content.

Starbreeze's most recent games include PAYDAY 2®, the upcoming John Wick VR shooter and upcoming survival co-op FPS OVERKILL's The Walking Dead. Under its publishing initiative, Starbreeze

has together with Canadian studio Behaviour Digital successfully launched horror thriller Dead by Daylight.

Starbreeze has set out to develop truly immersive virtual reality experiences, by integrating software and hardware in its StarVR® head mounted display, to be produced together with Acer, displaying a unique field of view and a mission to bring top-end VR to large audiences. Together with IMAX, Starbreeze aspires to dominate the location based VR market with the IMAX VR centers, set to premiere in its first location in Los Angeles during 2016.

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>, <http://www.starvr.com>, <http://www.overkillsoftware.com>



## Starbreeze Studios and Starbreeze Publishing Title Release Schedule

<b>STARBREEZE &amp; OVERKILL</b>	<b>PLATFORM</b>	<b>DEVELOPMENT PHASE</b>	<b>TIMING</b>
PAYDAY: The Heist	PSN & PC	Released	2011
PAYDAY 2	PC	Released	2013
PAYDAY 2: Crimewave Edition	PS4 & XBONE	Released	2015
PAYDAY 2: The Big Score	PS4 & XBONE	Released	2016
OVERKILL's The Walking Dead	PC, PS4 & XBONE	In Production	Q4 2017
Geminose	Mobile	In Production	TBC
PAYDAY Crime War	Mobile	In Production	TBC
Project Crossfire	PC	In Pre-Production	TBC
Storm	PC	In Pre-Production	TBC
PAYDAY 3	PC	TBA	TBA
<b>STARBREEZE PUBLISHING</b>			
Dead by Daylight	PC	Released	2016
RAID: World War II	PC, PS4 & XBONE	In Production	Summer 2017
John Wick Chronicles	VR PC & LBE	In Production	Feb 2017
Antisphere	PC and Consoles	In Production	TBC
Elementerra	VR PC	In Production	TBC

*Titles and dates are subject to change. Latest update: November 24, 2016. TBC means To be Confirmed. TBA means To be Announced.*



## KEY FIGURES, GROUP

	2016	2015	2016	2015	2015
	Q3	Q3	JAN - SEP	JAN - SEP	JAN - DEC
Net revenue, KSEK	102 707	49 882	246 098	169 484	218 432
EBITDA, KSEK	19 218	8 419	42 430	34 271	49 460
EBIT, KSEK	11 419	7 186	24 652	29 031	42 878
Pretax income, KSEK	11 032	7 175	23 562	29 119	43 135
Net income, KSEK	20 402	6 396	26 888	23 996	39 405
EBITDA margin, %	13,0	11,1	11,9	14,9	16,5
EBIT margin, %	7,7	9,5	6,9	12,6	14,3
Net profit margin, %	7,5	9,4	6,6	12,7	14,4
Solidity, %	67,3	71,3	67,3	70,1	70,1
Cash flow per share, SEK *	0,14	0,22	0,00	0,00	0,21
Equity per share before dilution, SEK *	3,77	1,96	3,77	1,96	2,06
Equity per share after dilution, SEK *	3,36	1,89	3,36	1,89	2,02
A-share closing price for the period, SEK *	23,30	11,90	23,30	11,90	15,60
B-share closing price for the period, SEK *	23,20	12,35	23,30	12,35	15,70
Earnings per share before dilution, SEK *	0,08	0,03	0,11	0,11	0,20
Earnings per share after dilution, SEK *	0,08	0,03	0,11	0,10	0,20
Number of shares at end of period before dilution	258 256 576	230 361 091	258 256 576	230 361 091	230 361 091
Number of shares at end of period after dilution ***	286 911 079	236 338 780	286 911 079	236 338 780	234 449 769
Options outstanding (excl. hedge) **	3 650 840	6 119 249	4 867 493	6 119 249	10 811 420
Average number of shares before dilution	258 256 576	229 642 076	248 365 898	197 368 463	193 534 509
Average number of shares after dilution	261 579 196	235 619 764	250 914 146	203 881 617	197 623 187
Average number of employees	159	96	134	73	82
Number of employees at end of the period	176	117	176	117	109

\* Key figures and share price is calculated based on the number of shares after the issue in June 2015.

\*\* For 3,266,840 options two options give the right to subscribe for three shares.

\*\*\* Starting in Q3 2016 the convertible loans are included in the calculation of share dilution. The, according to special conversion cases, possible dilution if additional 12,146,871 B shares, which arose as a result of the warrant issued by the realignment of the Smilegate convertible, is not considered in the calculation.

## KEY RATIOS, GROUP

### EBITDA

Earnings before interest, taxes, depreciation and amortization.

### EBIT

Earnings before interest and taxes.

### EBITDA margin (from Q1 2016 calculated as a percentage of total revenue)

Earnings before interest, taxes, depreciation and amortization as percentage of total revenue.

### EBIT margin (from Q1 2016 calculated as a percentage of total revenue)

Earnings before interest and taxes as percentage of total revenue.

### Net profit margin (from Q1 2016 calculated as a percentage of total revenue)

Net profit as percentage of total revenue.

### Solidity

Equity as percentage of total capital.

### Cash flow per share

Cash flow from operating activities divided by the average number of shares during the period.

### Equity per share

Equity divided by the average number of shares for the year.

### Earnings per share

Income after tax divided by the average number of shares during the period.

### Equity

Reported equity including 78 percent of untaxed reserves.

### Capital employed

Total assets less non-interest-bearing liabilities.

## DEFINITIONS

### Location-based entertainment (LBE)

Location-based entertainment (LBE), is various forms of entertainment linked to specific places. LBE is often used as a broad expression for entertainment such as theme parks, movie theaters, bowling alleys, arcades or where visitors go to play computer games and so on. The offer that Starbreeze and IMAX will provide for visitors is a typical example of LBE.

## CONSOLIDATED INCOME STATEMENT

KSEK	2016	2015	2016	2015	2015
	Q3	Q3	JAN - SEP	JAN - SEP	JAN - DEC
Net revenue	102 707	49 882	246 098	169 484	218 432
Capitalized development	38 797	24 737	101 789	52 872	78 383
Other revenue	5 875	1 317	9 670	7 504	2 757
<b>Sum of revenues</b>	<b>147 379</b>	<b>75 936</b>	<b>357 556</b>	<b>229 860</b>	<b>299 572</b>
Other external expenses	-79 003	-36 704	-201 006	-126 467	-155 155
Employee expenses	-47 512	-30 505	-112 475	-64 420	-93 627
Depreciation of intangible fixed assets	-6 402	-335	-14 144	-3 622	-3 957
Depreciation of tangible fixed assets	-1 397	-898	-3 635	-1 618	-2 625
Other expenses	-1 645	-308	-1 645	-4 702	-1 330
<b>EBIT</b>	<b>11 419</b>	<b>7 186</b>	<b>24 652</b>	<b>29 031</b>	<b>42 878</b>
Financial income	3 826	33	11 878	297	550
Financial expenses	-4 182	-44	-12 936	-209	-293
Share of profit after tax from associated companies	-31	-	-31	-	-
<b>Pretax income</b>	<b>11 032</b>	<b>7 175</b>	<b>23 562</b>	<b>29 119</b>	<b>43 135</b>
Tax	9 370	-779	3 326	-5 123	-3 730
<b>Net income</b>	<b>20 402</b>	<b>6 396</b>	<b>26 888</b>	<b>23 996</b>	<b>39 405</b>
FX differences	4 523	4 728	5 960	7 208	3 400
<b>Total comprehensive result</b>	<b>24 925</b>	<b>11 124</b>	<b>32 848</b>	<b>31 204</b>	<b>42 805</b>

When the group has no non-controlling interest the entire net income and comprehensive income for the period is the parent company's results.

Earnings per share attributable to parent company's shareholders during the year (expressed in SEK):

- before dilution	0,08	0,03	0,11	0,11	0,20
- after dilution	0,08	0,03	0,11	0,10	0,20

## CONSOLIDATED BALANCE SHEET

KSEK	NOTE	2016-09-30	2015-09-30	2015-12-31
<b>ASSETS</b>				
Goodwill		144 573	74 972	74 314
Other intangible fixed assets		483 864	198 743	200 202
Capitalized expenditure for game and technology development		237 112	66 575	114 913
Fixed financial assets		38 831	15 436	15 623
Deferred tax assets		28 914	-	5 252
Computers and other equipment		19 845	13 397	16 773
<b>Sum of fixed assets</b>		<b>953 139</b>	<b>369 123</b>	<b>427 077</b>
Inventory		2	426	2
Account receivables		30 296	35 581	33 000
Prepaid expenses and accrued income		30 841	12 570	22 697
Cash and cash equivalents		375 967	123 650	85 354
<b>Sum of current assets</b>		<b>437 106</b>	<b>172 227</b>	<b>141 053</b>
<b>SUM OF ASSETS</b>		<b>1 390 245</b>	<b>541 350</b>	<b>568 130</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		5 165	4 607	4 607
Other contributed capital		14 006	256 786	257 352
Reserves		761 176	11 853	8 046
Retained earnings including the period's net income		155 248	112 951	128 360
<b>Sum of equity</b>		<b>935 595</b>	<b>386 197</b>	<b>398 365</b>
Provision		40 978	8 271	8 227
Other long-term liabilities		330 128	42 524	42 356
<b>Sum of long-term liabilities</b>		<b>371 106</b>	<b>50 795</b>	<b>50 583</b>
Accounts payable and other liabilities		31 358	56 369	53 923
Accrued expenses and deferred income		52 186	47 989	65 259
<b>Sum of short-term liabilities</b>		<b>83 544</b>	<b>104 358</b>	<b>119 182</b>
<b>SUM OF EQUITY AND LIABILITIES</b>		<b>1 390 245</b>	<b>541 350</b>	<b>568 130</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	Share capital	Other contributed capital	Reserves	Retained earnings	Sum of equity
Balance at 1 January 2016	4 607	257 352	8 046	128 360	398 365
Net income of the period	-	-	-	26 888	26 888
FX differences	-	-	5 960	-	5 960
<b>Total comprehensive income</b>	<b>4 607</b>	<b>257 352</b>	<b>14 006</b>	<b>155 248</b>	<b>431 213</b>
Share issue through exercise of stock options	97	46 765	-	-	46 862
Non-registered share capital	50	-	-	-	50
Non-issued shares	-	1 782	-	-	1 782
Shareholder's contributions	-	2 087	-	-	2 087
Earned employee stock options	-	1 152	-	-	1 152
Issue of convertible*	-	38 093	-	-	38 093
Share issue**	192	128 839	-	-	129 031
Non-cash issue***	219	285 106	-	-	285 325
<b>Total contributions by- and distributions to shareholders, recognized directly in equity</b>	<b>558</b>	<b>503 824</b>	<b>-</b>	<b>-</b>	<b>504 382</b>
<b>Closing balance as of 30 June 2016</b>	<b>5 165</b>	<b>761 176</b>	<b>14 006</b>	<b>155 248</b>	<b>935 595</b>

\* Smilegate and Acer convertible bond

\*\* Issued shares for Smilegate

\*\*\* Acquisition of PAYDAY rights and ePawn

Balance at 1 July 2015	4 350	135 561	7 125	106 555	253 591
Net income of the period	-	-	-	21 805	21 805
FX differences	-	-	921	-	921
<b>Total comprehensive income</b>	<b>4 350</b>	<b>135 561</b>	<b>8 046</b>	<b>128 360</b>	<b>276 317</b>
Share issue through exercise of stock options	85	10 494	-	-	10 579
Earned employee stock options	-	1 184	-	-	1 184
Non-cash issue	172	110 113	-	-	110 285
<b>Total contributions by- and distributions to shareholders, recognized directly in equity</b>	<b>257</b>	<b>121 791</b>	<b>-</b>	<b>-</b>	<b>122 048</b>
<b>Closing balance as of 31 December 2016</b>	<b>4 607</b>	<b>257 352</b>	<b>8 046</b>	<b>128 360</b>	<b>398 365</b>

	2016 Q1-Q3	2015 Q1-Q3	2015 JAN - DEC
<b>CHANGE IN NUMBER OF SHARES</b>			
Number of shares at beginning of the period	230 361 091	144 985 325	144 985 325
Non-cash issue	-	8 595 000	8 595 000
Subscription for shares through exercise of stock options	5 529 130	4 288 104	4 288 104
Bonus issue	-	72 492 662	72 492 662
Share issue	22 366 355	-	-
<b>Number of shares at end of the period</b>	<b>258 256 576</b>	<b>230 361 091</b>	<b>230 361 091</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

KSEK	2016	2015	2016	2015	2015
	Q3	Q3	JAN - SEP	JAN - SEP	JAN - DEC
Operating activities					
Cash flow from operations	25 878	50 848	-5 399	44 381	43 881
Interest paid	-2 156	-2	-2 630	-4	-131
Interest received	4	33	14	98	125
Taxes paid	13 236	-1 399	7 268	-2 244	-4 435
<b>Cash flow from operating activities</b>	<b>36 962</b>	<b>49 480</b>	<b>-747</b>	<b>42 231</b>	<b>39 440</b>
Investing activities					
Acquisitions of tangible fixed assets	-3 345	-4 563	-6 081	-12 992	-17 375
Investments in subsidiaries	-	-4 305	-12 457	-21 547	-21 547
Acquisitions of intangible fixed assets	-10 029	-525	-15 354	-8 078	-525
Investment in other fixed financial assets	-8 507	-1 956	-8 929	-13 506	-13 506
Investment in capitalized development costs	-38 897	-35 788	-128 014	-56 370	-95 451
<b>Cash flow from investing activities</b>	<b>-60 778</b>	<b>-47 137</b>	<b>-170 835</b>	<b>-112 493</b>	<b>-148 404</b>
Financing activities					
Share issue	-	10 579	171 324	10 579	10 579
Payments for stock options	5 184	-	7 328	-	-
Decrease in long-term liabilities	64 893	-	284 945	-	-
<b>Cash flow from financing activities</b>	<b>70 077</b>	<b>10 579</b>	<b>463 597</b>	<b>10 579</b>	<b>10 579</b>
<b>The period's cash flow</b>	<b>46 261</b>	<b>12 922</b>	<b>292 015</b>	<b>-59 683</b>	<b>-98 385</b>
Cash and cash equivalents at beginning of period	328 356	110 606	85 354	184 414	184 414
FX differences in cash and cash equivalents	1 350	122	-1 402	-1 081	-675
<b>Cash and cash equivalents at end of period</b>	<b>375 967</b>	<b>123 650</b>	<b>375 967</b>	<b>123 650</b>	<b>85 354</b>

**PARENT COMPANY INCOME STATEMENT**

	2016	2015	2016	2015	2015
KSEK	Q3	Q3	JAN - SEP	JAN - SEP	JAN - DEC
Net revenue	461	22 386	65 205	74 889	100 686
Other revenue	3 377	-	6 640	1 213	
<b>Sum of revenues</b>	<b>3 838</b>	<b>22 386</b>	<b>71 845</b>	<b>76 102</b>	<b>100 686</b>
Other external expenses	-8 745	-17 760	-85 965	-64 681	-86 811
Employee expenses	-12 011	-5 267	-30 239	-14 420	-19 921
Depreciation of tangible fixed assets	-178	-105	-522	-296	-432
Other expenses	-	-51	-	-2 620	-2 342
<b>EBIT</b>	<b>-17 096</b>	<b>-797</b>	<b>-44 881</b>	<b>-5 915</b>	<b>-8 820</b>
Other financial income	13 334	630	14 878	1 067	2 041
Financial expenses	-12 175		-12 573	-	-432
<b>Income after financial items</b>	<b>-15 937</b>	<b>-167</b>	<b>-42 576</b>	<b>-4 848</b>	<b>-7 211</b>
Appropriations	10 709	317	35 530	4 932	51 887
<b>Pretax income</b>	<b>-5 228</b>	<b>150</b>	<b>-7 046</b>	<b>84</b>	<b>44 676</b>
Tax	1 336		1 335	6	5 258
<b>Net income</b>	<b>-3 892</b>	<b>150</b>	<b>-5 711</b>	<b>90</b>	<b>49 934</b>

For the parent company the net income for the period complies with total comprehensive income.

## PARENT COMPANY BALANCE SHEET

KSEK	2016-09-30	2015-09-30	2015-12-31
<b>ASSETS</b>			
Computers and other equipment	1 352	1 153	1 479
Holdings in Group companies	249 457	151 172	151 588
Deferred tax assets	6 588	-	5 252
Shares in associated companies	8 507	-	-
<b>Sum of fixed assets</b>	<b>265 904</b>	<b>152 325</b>	<b>158 319</b>
Accounts receivable			5 429
Receivables from Group companies	759 570	126 255	211 376
Other receivables	12 382	2 282	2 248
Prepaid expenses and accrued income	753	628	659
Cash and cash equivalents	231 211	45 755	20 281
Sum of current assets	1 003 916	174 920	239 993
<b>SUM OF ASSETS</b>	<b>1 269 820</b>	<b>327 245</b>	<b>398 312</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	5 165	4 607	4 607
Fair value reserve	2 519	666	-637
Share premium reserve	715 079	210 690	211 255
Retained earnings	76 945	27 043	26 950
Net income	-5 711	75	49 995
<b>Sum of equity</b>	<b>793 997</b>	<b>243 081</b>	<b>292 170</b>
Accumulated excess depreciation	16	89	16
<b>Untaxed reserves</b>	<b>16</b>	<b>89</b>	<b>16</b>
Other long-term liabilities	291 993	7 049	7 049
<b>Sum of long-term liabilities</b>	<b>291 993</b>	<b>7 049</b>	<b>7 049</b>
Accounts payable	1 454	3 834	2 519
Liabilities to Group companies	163 645	22 199	38 865
Other liabilities	2 680	11 210	6 995
Accrued expenses and deferred income	16 035	39 783	50 698
<b>Sum of short-term liabilities</b>	<b>183 814</b>	<b>77 026</b>	<b>99 077</b>
<b>SUM OF EQUITY AND LIABILITIES</b>	<b>1 269 820</b>	<b>327 245</b>	<b>398 312</b>



## CONSOLIDATED PLEDGED ASSETS AND LIABILITIES

KSEK	2016-09-30	2015-09-30	2015-12-31
Pledged assets	4 644	3 934	4 121
Contingent liabilities	-	6 300	33 410

# NOTES

## NOT 1: FINANCIAL INSTRUMENTS PER CATEGORY

GROUP, 30 SEPTEMBER 2016

### KSEK

Assets in balance sheet	Other loan receivables and accounts receivable	Assets at fair value in the income statement	Assets available for sale	Sum
	-	-	28 832	28 832
Accounts receivable	9 278	-	-	9 278
Other receivables	16 851	-	-	16 851
Kortfristiga placeringar	-	152 878	-	152 878
Cash and cash equivalents	223 089	-	-	223 089
<b>Sum</b>	<b>249 218</b>	<b>152 878</b>	<b>28 832</b>	<b>430 928</b>

Liabilities on balance sheet	Other financial liabilities	Liabilities at fair value in the income statement	Liabilities available for sale	Sum
Trade payables and other payables excluding non-financial liabilities	31 359	-	-	31 359
Earnout Geminose Inc	-	8 050	-	8 050
Earnout ePawn	-	32 927	-	32 927
Convertible loan	237 892	14 613	-	252 505
Other long-term liabilities	77 622	-	-	77 622
<b>Sum</b>	<b>346 873</b>	<b>55 590</b>		<b>402 463</b>