



Press release August 25th 2016

Starbreeze AB (publ) Half Year report April 1 2016 – June 30 2016

The full Q2 report is available at www.starbreeze.com/investor-relations/. 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 second quarterly report after changing the company's fiscal year to calendar year. The comparative period Q2 2015 corresponds to April-June 2015, previously named Q4 2014/2015.

The next report to be issued will thus be Q3 2016 and will be released on 24 November 2016.

SECOND QUARTER (APRIL - JUNE 2016)

- Net revenue amounted to SEK 102.6 million (SEK 71.9 million), an increase of 43% compared to the second quarter last year. Total revenue amounted to SEK 143.6 million (SEK 92.5 million).
- During the quarter, PAYDAY 2 revenue amounted to SEK 62.6 million (SEK 71.1 million) of net revenue, whereof SEK 19.9 million is attributable to extraordinary items.
- During the quarter, Dead by Daylight revenue amounted to SEK 39.9 million (SEK 0.0 million) of net revenue.
- Operating income before depreciation and amortization, EBITDA, amounted to SEK 27.5 million (SEK 11.9 million), implying a margin of 19.1%.
- Pretax income amounted to SEK 27.5 million (SEK 11.1 million).
- Net income amounted to SEK 21.3 million (9.5 million).
- Earnings per share before dilution were SEK 0.09 (SEK 0.04) and earnings per share after dilution were SEK 0.09 (SEK 0.04).
- Cash flow from operating activities amounted to SEK -41.8 million (SEK 5.7 million).
- As of June 30 2016, the cash balance amounted to SEK 328.4 million (SEK 110.6 million).

THE PERIOD (JANUARY – JUNE 2016)

- Net revenue amounted to SEK 143.4 million (SEK 119.6 million), an increase of 20% compared to the same period last year. Total revenue amounted to SEK 210.2 million (SEK 153.9 million).
- Operating income before depreciation and amortization, EBITDA, amounted to SEK 23.2 million (SEK 25.9 million), implying a margin of 11.0%.
- Pretax income amounted to SEK 12.5 million (SEK 21.9 million).
- Net income amounted to SEK 6.5 million (17.6 million).
- Earnings per share before dilution were SEK 0.03 (SEK 0.08) and earnings per share after dilution were SEK 0.03 (SEK 0.08).

KEY EVENTS DURING SECOND QUARTER (APRIL – JUNE 2016)

- In April Starbreeze, together with the Canadian studio Behaviour, announced the release date for Dead by Daylight and that pre-order was available on Steam from the day of the announcement.
- In May, at the film festival in Cannes, Starbreeze announced its first internally produced cinematic Virtual Reality experience titled “Cockatoo Spritz” directed by Stephane Barbato. Cockatoo Spritz dives into the film world and presents the new medium from a cinematic perspective. It is a VR experience designed to inspire creative filmmakers to create VR content.
- In connection with the Cannes Film Festival Starbreeze and Acer signed a letter of intent to form a joint venture for the StarVR Virtual Reality (VR) Head-Mounted Display (HMD). The two companies aim to cooperate on the design, manufacturing, promotion, marketing and sales of the StarVR HMD to the professional- and location-based entertainment market.
- In May IMAX chose Starbreeze as partner for its investment in location-based Virtual Reality. Both parties have signed a letter of intent to form a joint venture with the intention of creating a concept for location-based VR experiences under the IMAX brand. The companies will be equal partners under the agreement. If the project is successful, the intention is to roll out the concept globally.
- Starbreeze and Smilegate signed a letter of intent in May to form a joint venture for a virtual reality (VR) content distribution platform for the StarVR Head-Mounted Display (HMD). The two companies aim to cooperate on developing and promoting the platform for distribution of electronic entertainment content for the StarVR HMD.
- In May Starbreeze announced its agreement with 505 Games to acquire the full rights to the PAYDAY games. The consideration for the acquisition amounts to 10.9 million B-shares in Starbreeze, equivalent to 30 MUSD (approx. 249 MSEK). In June, shares were issued in accordance with the mandate given by the AGM on 25 May. The deal was closed in June.
- In May Starbreeze announced its acquisition of the intellectual property (IP) rights to the entire Cinemaware library of titles from CW Entertainment USA LLC D/B/A CINEMAWARE, including titles “Defender of the Crown” and “Wings”, for a total consideration of 525,000 EUR in cash.

- At the annual E3 trade fair in June Starbreeze and the Croatian studio Lion Game Lion together showcased RAID: World War II. It was the first time the game was shown to the public and a short video teaser was released simultaneously. Starbreeze also showcased the newly released Dead by Daylight together with Behaviour.
- In June Starbreeze announced that Dead by Daylight had sold more than 270,000 units, one week after release, subsequently recouping Starbreeze development cost and beyond. The game has now sold more than 1,000,000 units.
- In June Starbreeze announced its acquisition of the French toys-to-life, VR and AR technology company ePawn. The acquisition is made through an issuance of shares for a value of EUR 4.0 million (SEK 37.8 million) and through EUR 1.5 million (SEK 14.2 million) in cash.

With ePawn Starbreeze significantly diversifies its VR and toys-to-life offering. Starbreeze also receives a strong patent portfolio that will be of great benefit to the company for years to come. Starbreeze sees great opportunities in combining VR- and AR gaming experiences with ePawn's game boards and carpets.

AFTER THE PERIOD

- In July, revenue for PAYDAY 2 sales via the PC platform Steam amounted to SEK 9.3 million (SEK 4.9 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. In July 2015 Starbreeze had a 50/50 revenue split with 505 Games.
- In July, revenue for Dead by Daylight sales via the PC platform Steam amounted to SEK 24.2 million (SEK 0.0 million).
- 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 make some changes in the terms to clarify Starbreeze finance and financial reporting, and ultimately support future partnerships and additional funding. Besides that some terms are replaced with warrants the agreed changes are of technical in nature and does not change the original commercial agreement.
- The convertible bond that was issued to Smilegate got restructured in August without changing the economic relation between the two parties. The restructuring was done by replacing certain loan covenants with warrants. The change, which is of a purely technical nature was conducted by the Board's mandate from the AGM. To restore this mandate, the Board has decided to, through an EGM, seek a renewed mandate to issue new shares equivalent to 10% of the share capital. Also, negotiations regarding the convertible loan with Acer was completed in August. The Board therefore found it appropriate to submit this decision to the EGM.

CEO BO ANDERSSON KLINT GIVES HIS COMMENT

A PUBLISHING SUCCESS

Starbreeze closes its second quarter at all-time-high net revenues of 102.6 MSEK. We have now broadened our revenue base to also include revenues from our first game launched as a publisher, Dead by Daylight, contributing with 39.9 MSEK to our top line. We are super proud about how we're converting plans and initiatives into real revenues.

DEAD BY DAYLIGHT

At the big entertainment show E3 in Los Angeles in June, we released our first publishing title, Dead by Daylight, on Steam. In less than two weeks, we announced that we had sold more than 270,000 units and thereby recouping Starbreeze part of the development costs. As of today, both Starbreeze and developer Behaviour have fully recouped their investment, and beyond, in Dead by Daylight and the game has now surpassed an impressive number of 1,000,000 million units sold.

We've received great feedback from the community and both companies have been committed to pushing updates to the game in response. As always, we follow our main pillars for games development; we look to make the games focus on gameplay first, that they are entertaining with friends and are re-playable for longevity. Those are key values which we are also looking to impart to our partners. We're looking forward to keep Dead by Daylight relevant and already on 18th of August we released our first free downloadable content to expand the game.

STRATEGIC DEALS FOR THE FUTURE

We continue to show our ability to execute on strategic deals. This quarter we acquired the outstanding rights to the PAYDAY games giving us full control of any future developments or commercialization of PAYDAY 2 and PAYDAY for mobile platforms. The deal brought extraordinary revenues of 19.9 MSEK during the quarter and changes our revenue structure from the game.

In addition, we restructured the convertible loan that we have with Smilegate, resulting in a positive extraordinary item on our financial net of 7.5 MSEK and more importantly, improving transparency of our financial reporting

Starbreeze will continue to make strategic deals as we leverage our deep knowledge of exploring intellectual property as a means to build out a full ecosystem of gaming.

PROFITABLE GROWTH

Our ultimate financial goal is profitable growth, something that is far more difficult to achieve than to preach. We report a growth in net revenues of 43% and an EBITDA reaching 27.5 MSEK or 19.1% of total revenues. Despite extraordinary items, the numbers still show that PAYDAY 2 is generating revenues, three years after its release, and that Dead by Daylight significantly contributes to our top line and profitability.

I am convinced that we are on the right track for the future, as evidenced by the welcoming reception of Dead by Daylight among gamers. And with PAYDAY not only still showing to be a strong revenue generator but also a repeatable model as shown with Dead by Daylight, I am confident that our next big release RAID: World War 2 from our partners Lion Game Lion will further solidify the Starbreeze business model.

Our liquidity remains in good shape with a solid cash balance of 328.4 MSEK when exiting the quarter, making us well equipped to continue our expansion of the company.

NURTURING OUR VR-ECOSYSTEM

Last quarter we proudly noted the first step on our path of building the next generation digital studio and immersing ourselves into VR with our Acer collaboration. Shortly after the last quarterly report, we reached two more significant agreements; one with IMAX for our location-based VR initiative and one with Smilegate for a content distribution system especially tailored for VR. All initiatives are set up as joint ventures and our StarVR headset is the crown jewel connecting the dots. We're hard at work setting up each of these separate organizations to ensure the future success of our VR initiatives.

The acquisition of the French technology company ePawn neatly adds another dimension to our ecosystem as well and diversifies both our toys-to-life and VR offerings. We can't wait to put the technology to use in our VR centers and elsewhere in the future.

ADAPTING OUR ORGANIZATION

As we evolve our business, so must our organization. Our presence in Los Angeles is now more important for our VR and business development teams than ever. LA being the entertainment and VR hub of the western world, the home to our pilot IMAX VR Center and with its proximity to Silicon Valley, is now a true base of operations for our technical- and business development-teams. The investment we've made in both the office and the people has been crucial to our continued success and have paid off several times over.

As we progress the company, we're optimizing the use of our resources and are refining every aspect. In LA the VR team is being transformed from a prototype team to a developer relations and research and development team. To head this effort we have made a key recruitment in Brooks Brown, our newly appointed Global Director of VR. Brooks have had many successful years in the gaming industry with Lucas Arts, as well as leading digital development at James Cameron's Lightstorm during the past few years. With his extensive entertainment experience, he will be a great asset to Starbreeze continued success.

With an increase of team size for VR production of John Wick and for OVERKILL's The Walking Dead the development of these are moved to Stockholm where we add another 1,500 square meters of office space to make room for our new co-workers.

While production of our games are running on track, we're continuously evaluating the best go to market strategy for Geminose and looking to maximize the impact of John Wick in VR.

Last but not least I would like to thank our great team for working hard and dedicated to bring us to success. Starbreeze is made up of many great people and is not a simple machine. With all our new developers on board we feel very confident about our future building the next generation of entertainment.

Let's do this!

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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 25 August, 2016

For more information, please contact:

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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>

KEY FIGURES, GROUP

	2016	2015	2016	2015	2015
	Q2	Q2	JAN - JUN	JAN - JUN	JAN - DEC
Net revenue, KSEK	102 589	71 872	143 391	119 602	218 432
EBITDA, KSEK	27 459	11 902	23 211	25 852	49 460
EBIT, KSEK	22 731	11 077	13 232	21 845	42 878
Pretax income, KSEK	27 484	11 139	12 530	21 944	43 135
Net income, KSEK	21 258	9 539	6 485	17 600	39 405
EBITDA margin, %	19,1	12,9	11,0	17,3	16,5
EBIT margin, %	15,8	12,0	6,3	14,6	14,3
Net profit margin, %	19,1	12,0	6,0	14,7	14,4
Solidity, %	70,2	68,3	70,2	68,3	70,1
Cash flow per share, SEK *	-0,17	0,03	-0,15	-0,03	0,21
Equity per share before dilution, SEK *	3,68	1,17	3,68	1,17	2,06
Equity per share after dilution, SEK *	3,64	1,12	3,64	1,12	2,02
A-share closing price for the period, SEK *	19,90	11,40	19,90	11,40	15,60
B-share closing price for the period, SEK *	19,80	11,75	19,80	11,75	15,70
Earnings per share before dilution, SEK *	0,09	0,04	0,03	0,08	0,20
Earnings per share after dilution, SEK *	0,09	0,04	0,03	0,08	0,20
Number of shares at end of period before dilution	251 644 490	217 477 987	251 644 490	217 477 987	230 361 091
Number of shares at end of period after dilution	257 040 569	226 793 596	257 040 569	226 793 596	234 449 769
Options outstanding **	4 867 493	9 108 911	4 867 493	9 108 911	10 811 420
Average number of shares before dilution	247 338 353	217 477 987	243 420 559	217 477 987	193 534 509
Average number of shares after dilution	249 734 431	226 793 596	245 816 638	226 793 596	197 623 187
Average number of employees	130	66	122	60	82
Number of employees at end of the period	139	76	139	76	109

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

** For 4 483 493 options two options give the right to subscribe for three shares.

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 number of shares at year end.

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.

CONSOLIDATED INCOME STATEMENT

KSEK	2016	2015	2016	2015	2015
	Q2	Q2	JAN - JUN	JAN - JUN	JAN - DEC
Net revenue	102 589	71 872	143 391	119 602	218 432
Capitalized development	33 698	20 582	62 991	28 135	78 383
Other revenue	7 353	-	3 795	6 187	2 757
Sum of revenues	143 640	92 454	210 177	153 924	299 572
Other external expenses	-77 574	-57 626	-122 003	-89 763	-155 155
Employee expenses	-38 607	-18 532	-64 963	-33 915	-93 627
Depreciation of intangible fixed assets	-3 557	-335	-7 742	-3 287	-3 957
Depreciation of tangible fixed assets	-1 171	-490	-2 237	-720	-2 625
Other expenses	-	-4 394	-	-4 394	-1 330
EBIT	22 731	11 077	13 232	21 845	42 878
Financial income	108	135	118	264	550
Financial expenses	4 645	-73	-820	-165	-293
Pretax income	27 484	11 139	12 530	21 944	43 135
Tax	-6 226	-1 600	-6 045	-4 344	-3 730
Net income	21 258	9 539	6 485	17 600	39 405
Other comprehensive income that may be transferred to the period's net income					
FX differences	2 090	-2 770	1 439	2 480	3 400
Total comprehensive result	23 348	6 769	6 705	20 080	42 805

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	0,09	0,04	0,03	0,08	0,20
- after dilution	0,09	0,04	0,03	0,08	0,20

CONSOLIDATED BALANCE SHEET

KSEK	NOTE	2016-06-30	2015-06-30	2015-12-31
ASSETS				
Goodwill		141 807	38 806	74 314
Other intangible fixed assets		483 801	114 772	200 202
Capitalized expenditure for game and technology development		186 484	30 787	114 913
Fixed financial assets		20 331	13 480	15 623
Deferred tax assets		5 252	-	5 252
Computers and other equipment		17 258	9 688	16 773
Sum of fixed assets		854 933	207 533	427 077
Inventory		2	426	2
Account receivables		22 059	18 578	33 000
Prepaid expenses and accrued income		69 946	34 234	22 697
Cash and cash equivalents		328 356	110 606	85 354
Sum of current assets		420 363	163 844	141 053
SUM OF ASSETS		1 275 296	371 377	568 130
EQUITY AND LIABILITIES				
Share capital		5 093	4 350	4 607
Non-registered share capital		50	-	
Other contributed capital		745 180	135 561	257 352
Reserves		9 484	7 125	8 046
Retained earnings including the period's net income		134 845	106 555	128 360
Sum of equity		894 652	253 591	398 365
Provision		40 638	8 281	8 227
Other long-term liabilities		244 940	39 603	42 356
Sum of long-term liabilities		285 578	47 884	50 583
Accounts payable and other liabilities		45 716	36 473	53 923
Accrued expenses and deferred income		49 350	33 429	65 259
Sum of short-term liabilities		95 066	69 902	119 182
SUM OF EQUITY AND LIABILITIES		1 275 296	371 377	568 130

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	-	-	-	6 485	6 485
Other comprehensive income					
FX differences	-	-	1 438		1 438
Total comprehensive income	4 607	257 352	9 484	134 845	406 288
Share issue through exercise of stock options	75	42 204	-	-	42 279
Non-registered share capital	50				50
Non-issued shares		1 782			1 782
Shareholder's contributions	-	2 144	-	-	2 144
Earned employee stock options	-	282	-	-	282
Issue of convertible*		27 471			27 471
Share issue**	-	128 839	-	-	128 839
Non-cash issue***	411	285 106	-	-	285 517
Total contributions by- and distributions to shareholders, recognized directly in equity	536	487 828	-	-	488 364
Closing balance as of 30 June 2016	5 143	745 180	9 484	134 845	894 652

* Smilegate convertible bond

** Issued shares for Smilegate's convertible loan

*** Acquisition of PAYDAY rights

Balance at 1 July 2015	4 350	135 561	7 125	106 555	253 591
Net income of the period	-	-	-	21 805	21 805
Other comprehensive income					
FX differences	-	-	921	-	921
Total comprehensive income	4 350	135 561	8 046	128 360	276 317
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
Total contributions by- and distributions to shareholders, recognized directly in equity	257	121 791	-	-	122 048
Closing balance as of 31 December 2016	4 607	257 352	8 046	128 360	398 365

	2016	2015	2015
CHANGE IN NUMBER OF SHARES	Q1-Q2	Q1-Q2	JAN - DEC
Number of shares at beginning of the period	230 361 091	144 985 325	144 985 325
Non-cash issue	-	-	8 595 000
Subscription for shares through exercise of stock options	3 729 157	-	4 288 104
Bonus issue	-	72 492 662	72 492 662
Share issue	20 554 242	-	
Number of shares at end of the period	254 644 490	217 477 987	230 361 091

CONSOLIDATED CASH FLOW ANALYSIS

KSEK	2016	2015	2016	2015	2015
	Q2	Q2	JAN - JUN	JAN - JUN	JAN - DEC
Operating activities					
Cash flow from operations	-40 919	6 100	-31 277	-6 467	43 881
Interest paid	-65		-474	-2	-131
Interest received	1	32	10	65	125
Taxes paid	-768	-418	-5 968	-845	-4 435
Cash flow from operating activities	-41 751	5 714	-37 709	-7 249	39 440
Investing activities					
Acquisitions of tangible fixed assets	-1 175	-5 045	-2 736	-8 429	-17 375
Investments in subsidiaries	-12 457	-17 242	-12 457	-17 242	-21 547
Acquisitions of intangible fixed assets	-5 325	-	-5 325	-7 553	-525
Investment in other fixed financial assets	-44	-11 460	-422	-11 550	-13 506
Investment in capitalized development costs	-36 871	-20 582	-89 117	-20 582	-95 451
Cash flow from investing activities	-55 872	-54 329	-110 057	-65 356	-148 404
Financing activities					
Share issue	8 483	-	171 324		10 579
Payments for stock options	152	-	2 144		-
Decrease in long-term liabilities		-	220 052		-
Cash flow from financing activities	8 635		393 520		10 579
The period's cash flow	-88 988	-48 615	245 754	-72 605	-98 385
Cash and cash equivalents at beginning of period	416 466	165 393	85 354	184 414	184 414
FX differences in cash and cash equivalents	878	-6 172	-2 752	-1 203	-675
Cash and cash equivalents at end of period	328 356	110 606	328 356	110 606	85 354

PARENT COMPANY INCOME STATEMENT

	2016	2015	2016	2015	2015
KSEK	Q2	Q2	JAN - JUN	JAN - JUN	JAN - DEC
Net revenue	48 425	29 468	64 744	52 503	100 686
Other revenue	3 263		3 263	1 213	
Sum of revenues	51 688	29 468	68 007	53 716	100 686
Other external expenses	-55 242	-29 140	-77 220	-46 921	-86 811
Employee expenses	-12 269	-5 697	-18 228	-9 153	-19 921
Depreciation of tangible fixed assets	-178	-99	-344	-191	-432
Other expenses	2 238	-2 569		-2 569	-2 342
EBIT	-13 763	-8 037	-27 785	-5 118	-8 820
Profit from holdings in group companies					
Other financial income	735	352	1 544	437	2 041
Financial expenses	5 010		-398		-432
Income after financial items	-8 018	-7 685	-26 639	-4 681	-7 211
Appropriations	11 108	6 298	24 821	4 615	51 887
Pretax income	3 090	-1 387	-1 818	-66	44 676
Tax	-1 101		-1	6	5 258
Net income	1 989	-1 387	-1 819	-60	49 934

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

PARENT COMPANY BALANCE SHEET

KSEK	2016-06-30	2015-06-30	2015-12-31
ASSETS			
Computers and other equipment	1 530	1 083	1 479
Holdings in Group companies	249 122	104 434	151 588
Deferred tax assets	5 252	-	5 252
Sum of fixed assets	255 904	105 517	158 319
Accounts receivable			5 429
Receivables from Group companies	644 701	40 947	211 376
Other receivables	1 163	733	2 248
Prepaid expenses and accrued income	711	3 144	659
Cash and cash equivalents	227 137	23 980	20 281
Sum of current assets	873 712	68 804	239 993
SUM OF ASSETS	1 129 616	174 321	398 312
EQUITY AND LIABILITIES			
Share capital	5 093	4 350	4 607
Non-registered share capital	50		
Fair value reserve	981	-	-637
Share premium reserve	699 083	89 464	211 255
Retained earnings	76 945	27 010	26 950
Net income	-1 819	-60	49 995
Sum of equity	780 333	120 764	292 170
Accumulated excess depreciation	16	89	16
Untaxed reserves	16	89	16
Other long-term liabilities	227 610	7 007	7 049
Sum of long-term liabilities	227 610	7 007	7 049
Accounts payable	2 059	1 168	2 519
Liabilities to Group companies	101 742	25 585	38 865
Other liabilities	2 225	8 635	6 995
Accrued expenses and deferred income	15 631	11 073	50 698
Sum of short-term liabilities	121 657	46 461	99 077
SUM OF EQUITY AND LIABILITIES	1 129 616	174 321	398 312

CONSOLIDATED PLEDGED ASSETS AND LIABILITIES

KSEK	2016-06-30	2015-06-30	2015-12-31
Pledged assets	4 644	2 067	4 121
Contingent liabilities		3 100	33 410

NOTES

NOTE 1: FINANCIAL INSTRUMENT PER CATEGORY

GROUP, 30 JUNE 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
	-	-	11 502	11 502
Accounts receivable	2 973	-	-	2 973
Other receivables	19 086	-	-	19 086
Kortfristiga placeringar	-	153 271	-	153 271
Cash and cash equivalents	175 085	-	-	175 085
Sum	197 144	153 271	11 502	361 917

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	45 716	-	-	45 716
Earnout Geminose Inc	-	8 447	-	8 447
Earnout ePawn	-	32 190	-	32 190
Convertible loan	171 179	17 100	-	188 279
Other long-term liabilities	56 662	-	-	56 662
Sum	273 557	57 737		331 294

NOTE 2: ACQUISITIONS

EPAWN ACQUISITION

On 30 June 2016 Starbreeze acquisition of the French technology company ePawn was announced. ePawn is a toys-to-life, VR- and AR technology company and the acquisition is part of Starbreeze investments in VR and toys-to-life offering.

The Group acquired 100% of shares in ePawn for preliminary SEK 84.3 million through a non-cash issue of 1,901,656 newly issued B shares in Starbreeze AB to a value of SEK 37.8 million and a cash consideration of SEK 14.2 million. There is an earnout linked to future revenues, which has been valued at EUR 3.4 million and may be distributed during the next 5 years. The goodwill arising from the acquisition consists primarily of the company's staff and the know-how that Starbreeze ensures through the acquisition. The acquisition also includes seven registered patents.

The cash flow effect in the of the acquisition on Group level in the second quarter totals SEK 12.5 million, consisting of the cash consideration of SEK 12.9 million, costs of the acquisition of SEK 2.4 million and SEK 2.8 million of cash acquired.

Expenditures related to the acquisition of ePawn preliminarily amounted to SEK 2.4 million, of which SEK 0 million is charged during the third quarter 2016. Information on the preliminary value of net assets acquired and goodwill in ePawn at the time of acquisition, KSEK:

Total consideration:	
Cash consideration	12 879
Outstanding cash consideration	1 342
Shares in Starbreeze AB (publ)	36 061
Shares in Starbreeze AB (publ), not issued	1 782
Earnout	32 190
Fair value of assets acquired as follows	17 866
Goodwill	66 388
Assets and liabilities included in the acquisition	
Patents	31 833
Other assets	3 482
Cash and cash equivalents	2 836
Liabilities	-10 557
Deferred tax	-9 727
Identifiable net assets acquired	17 866