

## Third quarter 2019

- Net sales amounted to SEK 21.1 million (33.9). PAYDAY accounted for SEK 17.5 million (20.9).
- EBITDA\* amounted to SEK -10.9 million (-37.9).
- Depreciation, amortization and impairments totalled SEK 94.9 million (49.5).
- Costs related to the reconstruction amounted to SEK 4.5 million for the quarter.
- The loss before tax was SEK -68.4 million (-102.3).
- Basic and diluted earnings per share were SEK -0.21 (-0.26).
- The Stockholm District Court ruled that the reconstruction of Starbreeze was permitted to continue through 3 December 2019.

## Nine-month period 2019

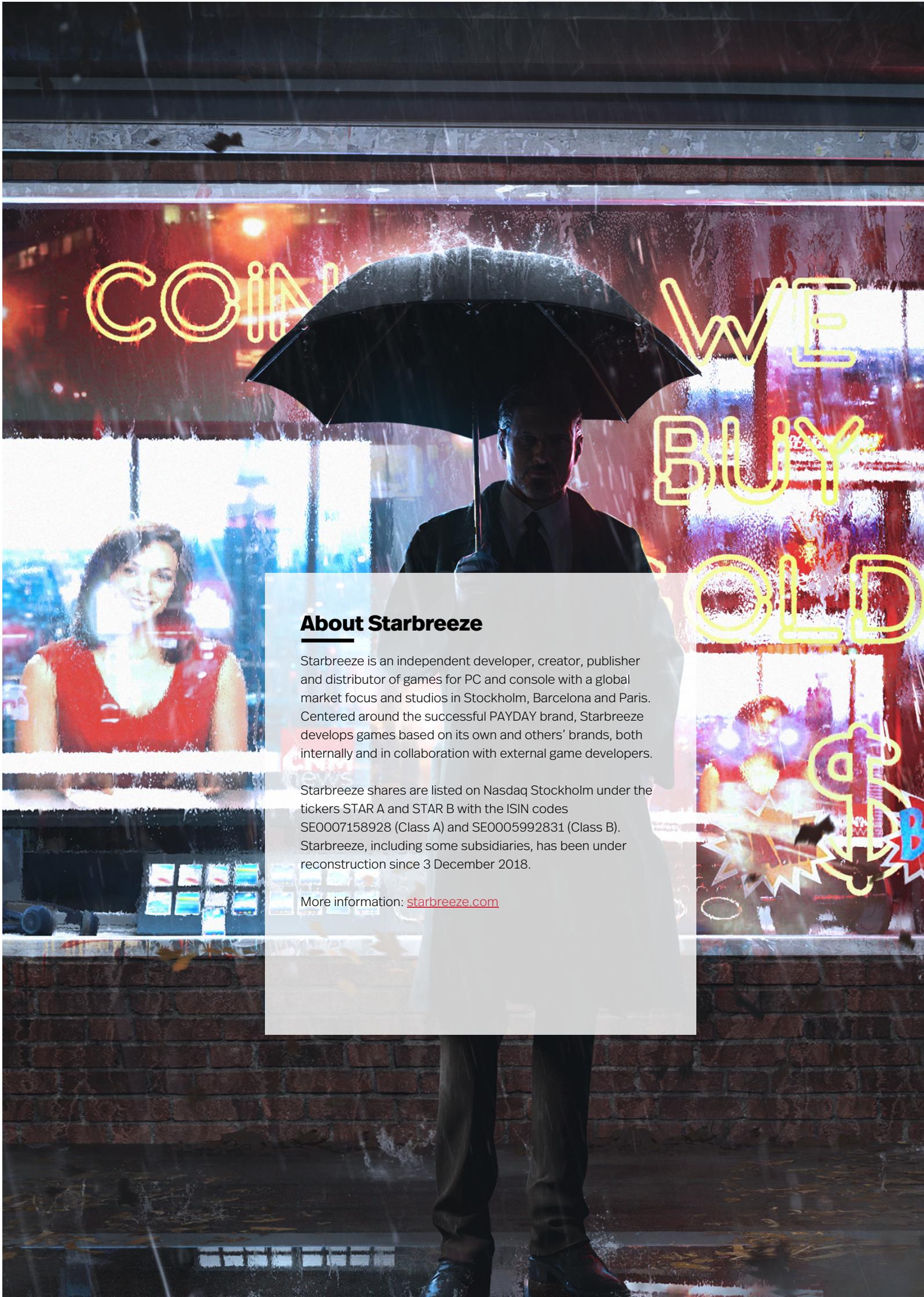
- Net sales decreased by 14 percent to SEK 228.9 million (267.5). PAYDAY accounted for SEK 58.6 million (77.3)
- EBITDA\* amounted to SEK -143.3 million (63.4).
- The loss before tax was SEK -295.7 million (-82.5).
- Basic and diluted earnings per share were SEK -0.92 (-0.15).
- Cash and cash equivalents at the end of the period amounted to SEK 113.2 million (147.5).

## After the end of the period

- As a part of the reorganisation, the company has issued an estimate of future cash flows from operations for the business. In the company's judgment, these cash flows will be positive, based on expected new publishing agreements for PAYDAY 3 and PAYDAY: Crime War in the first half of 2020 and the anticipated release of PAYDAY 3 in 2022-2023.
- Also as a part of the reconstruction process, an external accounting firm has valued the company's assets. The assets (mainly IP rights to PAYDAY) were valued at SEK 1,600 million. Corresponding assets were recognized on the consolidated balance sheet of SEK 341 million as of 30 September 2019.

KEY FIGURES	2019	2018	2019	2018	2018
SEKk	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
Net sales	21 120	33 882	228 894	267 496	349 955
EBITDA*	-10 854	-37 868	-143 286	63 374	-10 342
Profit (-loss) before tax	-68 354	-102 310	-295 689	-82 519	-1 347 249
Earnings per share, SEK	-0,21	-0,26	-0,92	-0,15	-4,20
Cash flow from operations	-13 715	-57 168	53 012	72 637	49 905
Net sales per employee	118	53	569	420	552

\* See page 22 for definitions of key figures.



## **About Starbreeze**

Starbreeze is an independent developer, creator, publisher and distributor of games for PC and console with a global market focus and studios in Stockholm, Barcelona and Paris. Centered around the successful PAYDAY brand, Starbreeze develops games based on its own and others' brands, both internally and in collaboration with external game developers.

Starbreeze shares are listed on Nasdaq Stockholm under the tickers STAR A and STAR B with the ISIN codes SE0007158928 (Class A) and SE0005992831 (Class B). Starbreeze, including some subsidiaries, has been under reconstruction since 3 December 2018.

More information: [starbreeze.com](http://starbreeze.com)

## The CEO remarks on the report

# PAYDAY – THE CORE BUSINESS

Our work to re-focus the business on games with in-house IP is continuing apace and PAYDAY – our biggest asset – is central to our efforts. In parallel, we can see that our cost savings across the Group have begun to have effects during the quarter. We have also determined that it will be possible to further reduce administrative expenses once we are out of reconstruction. Reconstruction efforts progressed with the same focus in the third quarter and we requested, and was granted, an additional extension in September up until December.

With the focusing of the business, and primarily on PAYDAY, our goal is clear. Our focused efforts are showing effect all over our organization, which is already shown in what is being produced. The work with PAYDAY 3, our most important future product, has intensified and we are re-working the design phase.

We are preparing to find a good publishing partner in 2020. The key word here is *partner*. We are looking for someone as committed to PAYDAY as we are, a company that can help us further develop the brand over the next ten years. Our contacts with potential publishing partners in recent years, and especially in the last 12 months, have demonstrated the strength of the brand and I am confident that we are going to find the right ally for the future.

Universal, our publishing partner for the mobile game PAYDAY: Crime War, decided during the quarter to discontinue its mobile game publishing business. We are now working together to end the collaboration in the best way possible. We have assessed whether Starbreeze should publish the game independently, but have determined that we are likely to achieve a better outcome with a partner that is adept at user acquisition for this type of mobile game.

Within the framework of the reconstruction process, a letter to creditors was sent in mid-October to all creditors of Starbreeze AB and the five subsidiaries that are under construction. In the letter we laid out a suggestion on how Starbreeze plans to repay the debt in full. I hope that all our creditors will accept the suggested terms.

The company's future and further development is my continued primary focus. A publishing deal for PAYDAY 3 and PAYDAY: Crime War are key components, but also making sure that we deliver products with high quality. It will be achieved by creating an environment where the company can focus on its task, something which we are seeing the start of. After almost a year in reconstruction and as the CEO of the company, my colleagues and I are focusing on bringing the reconstruction to a close in a positive way. As we are nearing the end of this year I look towards the future with optimism. A future where PAYDAY is our top priority.

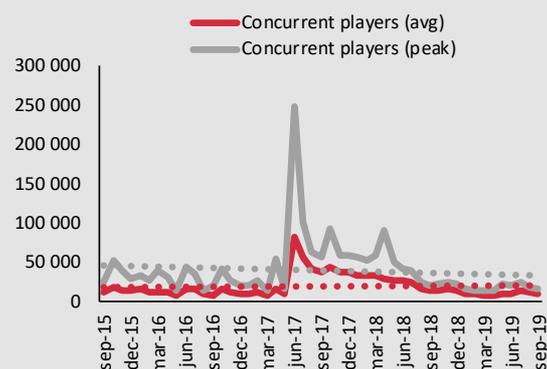
### Mikael Nermark

Acting CEO Starbreeze

# Q3

2019

## PAYDAY 2



Source: steamcharts.com

At peak

# 23,207

**Played PAYDAY 2 concurrently  
in Q3**

## SIGNIFICANT EVENTS DURING THE QUARTER

A summary of significant events during the quarter follows. Please visit [Starbreeze.com](http://Starbreeze.com) for detailed information about events during the quarter.

### **Extended reconstruction**

The Stockholm District Court ruled on 10 September that the reconstruction of Starbreeze was permitted to continue through 3 December 2019. Starbreeze AB (publ) and the Swedish subsidiaries, Starbreeze Publishing, Starbreeze Production, Starbreeze Studios, Enterspace and Enterspace International have been in reconstruction since December 2018.

### **Discontinued partnership with Universal Games and Digital Platforms regarding PAYDAY: Crime War**

Universal Games and Digital Platforms have decided to shut down the majority of its mobile games publishing business. Starbreeze has been informed that the partnership will be discontinued and that talks have consequently been initiated on the termination of the dealings between the parties related to the publishing contract for PAYDAY: Crime War that was signed in February 2019. Starbreeze will be evaluating the potential for alternative publishing partners for the game.

# SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

A summary of significant events after the end of the quarter follows. Please visit [Starbreeze.com](http://Starbreeze.com) for detailed information about events during the quarter.

## **Estimate of future cash flows & the reconstruction**

By reason of the ongoing reconstruction efforts, the company has issued an estimate of future cash flows from operations for the business. In the company's judgment, these cash flows will be positive, based on expected new publishing agreements for PAYDAY 3 and PAYDAY: Crime War in the first half of 2020 and the anticipated release of PAYDAY 3 in 2022–2023.

As part of the reconstruction, assets and employees related to the core business have been transferred to two new companies, New Starbreeze Publishing AB and New Starbreeze Studios AB. IP rights comprise the bulk of the assets and have been transferred to New Starbreeze Publishing AB. The group's cash flows will be generated in New Starbreeze Publishing AB.

In another aspect of the reconstruction process, one of the four major multinational accounting firms have valued the company's assets. The valuation was the basis for the transfer of assets to the subsidiary New Starbreeze Publishing AB. The assets (mainly the IP rights to PAYDAY) were valued at SEK 1,600 million. The corresponding assets were recognized on the consolidated balance sheet in the amount of SEK 341 million as of 30 September 2019.

The company is now waiting for the necessary responses to the letters to creditors. The company intends to submit all documents to the district court in due time before 3 December 2019. After the reconstruction plan has been submitted, the district court will call to composition negotiations.

# SALES AND PROFIT

The comparison period for sales and profit and loss is the corresponding period in the preceding year.

## Third quarter 2019

### Revenue

Net sales for the third quarter of 2019 amounted to SEK 21.1 million (33.9), of which PAYDAY 2 accounted for SEK 17.5 million (20.9). The decrease is due primarily to that Dhruva had sales of SEK 8.8 million in the third quarter of 2018.

### Gross profit or loss

Direct costs amounted to SEK 115.2 million (78.9) and consist of costs related to game production and game development. Direct costs include depreciation, amortization and impairments of SEK 93.0 million (47.8). The value of StarVR was impaired by SEK 37.8 million and the value of the PresenZ technology was impaired by SEK 38.8 million during the quarter. Neither StarVR nor PresenZ are part of Starbreeze's core assets. The IP rights to the Cinemaware library were also impaired by SEK 3.9 million, to zero.

Capitalized development costs reduced direct costs by SEK 8.2 million (81.2) and refer to the PAYDAY: Crime War, Crossfire and PAYDAY 3 games.

The gross loss was SEK -94.1 million (-45.1).

### Costs

Sales and marketing costs amounted to SEK 2.2 million (20.8) and refer mainly to employee benefits expense. The reduction is mainly attributable to lower employee benefits expense for marketing staff and to that there were no launch costs charged against profit. OVERKILL'S The Walking Dead was launched in November of the preceding year and profits for the third quarter of 2018 were reduced by the costs of the launch.

Administrative expenses amounted to SEK 19.7 million (21.1) and refer to items including office costs and payroll for employees who do not work in game production or marketing, as well as costs related to the reconstruction process. Reconstruction costs for the quarter amounted to SEK 4.5 million. Administrative expenses include amortization of SEK 1.9 million (1.3). Capitalized development costs reduced costs by SEK 6.9 million (14.6) and refer to the PAYDAY: Crime War, Crossfire and PAYDAY 3 games.

Other operating revenue/operating expenses amounted to SEK 10.1 million (-0.5) and consist mainly of currency effects consequent upon changes in the USD and EUR rates against SEK.

### Operating loss

The operating loss (EBITDA) amounted to SEK -10.9 million (-37.9). This corresponds to an EBITDA margin of -51 percent (-112 percent).

### Net financial income/expenses

Net financial income amounted to SEK 37.4 million (-14.9). See the specification in the table on the next page. Remeasurement of earnouts amounted to SEK 43.4 million (2.4) and were adjusted downwards upon valuation of intangible assets impaired during the quarter. The share of profit and loss in the joint venture StarVR Corporation amounted to SEK

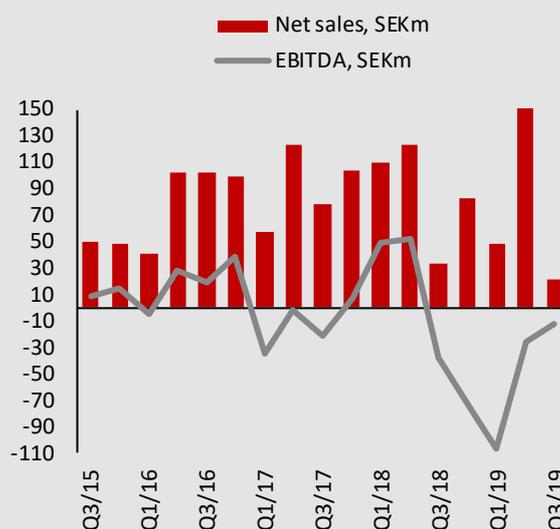
# Q3

2019

## Sales and profit

	2019	2018
SEKk	Q3	Q3
Net sales	21 120	33 882
EBITDA *	-10 854	-37 868
Profit (-loss) before tax	-68 354	-102 310
Net profit (-loss) for the period	-70 348	-85 051
Earnings per share, SEK	-0,21	-0,26
Net sales growth, %	-37,7	-56,4
EBITDA margin, %	-51,4	-111,8

\*See page 22 for the derivation of the key figure.



-0.5 million (-6.1). Net financial income was reduced during the quarter by interest on lease liabilities of SEK 0.4 million (0.0), which is an effect of the new IFRS 16 reporting standard.

### Profit or loss before tax and profit or loss for the period

The loss before tax and appropriations was SEK -68.4 million (-102.3) and the loss for the period was SEK -70.3 million (-85.1).

Basic and diluted earnings per share were SEK -0.21 (-0.26).

### Nine-month period 2019

#### Revenues

Net sales increased by 14 percent to SEK 228.9 million (267.5), of which PAYDAY 2 accounted for SEK 58.6 million (77.3). Sales include the sale of the publishing rights to Psychonauts 2, 10 Crowns and System Shock 3 for a total of SEK 140.8 million. The comparative figures include income of SEK 133.5 million from Dead by Daylight. External income of SEK 14.7 million (23.5) from Dhruva was also included.

#### Gross profit or loss

Direct costs amounted to SEK 436.1 million (230.0), including amortization, depreciation and impairments of SEK 149.4 million (138.8).

The negative change is mainly attributable to that development costs reduced profits during the year to a higher extent than in the preceding year, when a large portion of such costs could be capitalized in the balance sheet. Development work this year has consisted mainly of updates and adjustments to existing games. Total development costs have decreased compared to the preceding year.

The increase of amortization, depreciation and impairments compared with the preceding year is due mainly to the impairment of intangible assets. The increase was offset by lower amortization and depreciation due to the sale of companies and assets.

Capitalized development costs reduced direct costs by SEK 36.4 million (218.6).

The gross loss was SEK -207.2 million (37.5).

The gross loss includes the net realizable value of the sold publishing rights to System Shock 3, Psychonauts 2 and 10 Crowns at a cost of SEK 28.4 million.

#### Costs

Sales and marketing costs amounted to SEK 10.0 million (55.9). The reduction is mainly due to lower employee benefits expenses for marketing staff. No major projects driving marketing costs have been launched this year, unlike the preceding year when profits were reduced by the launch costs for OVERKILL'S The Walking Dead.

Administrative expenses amounted to SEK 85.2 million (73.6), including amortization and depreciation of SEK 17.4 million (4.4). The increase in amortization and depreciation is due mainly to the application of IFRS 16, which required amortization and depreciation of SEK 13.2 million. Capitalized development costs reduced administrative expenses by SEK 28.7 million (38.3). Reconstruction costs for 2019 amount to SEK 26.0 million.

Other operating revenue/operating expenses amounted to SEK -7.8 million (16.5). The reduction is primarily attributable to capital losses of SEK 30.6 million resulting from the sales of the subsidiaries Dhruva and Nozon. Exchange differences are also included.

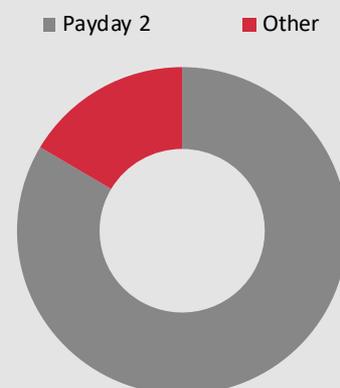
#### Operating profit or loss

EBITDA amounted to SEK -143.3 million (63.4).

### Specification of net financial income/expenses

	2019	2018	2019	2018
SEKk	Q3	Q3	JAN-SEP	JAN-SEP
Remeasurement of earnouts	43 435	2 415	37 916	42 119
Interest on convertible bonds	-4 541	-5 676	-13 422	-16 962
Remeasurement of derivatives attributable to convertible bonds		-4 374	42	-8 277
Interest on loan to StarVR Corp.	-	502	-	-4 306
Net profit (-loss) from StarVR Corp.	-509	-6 102	-419	-14 619
Interest on short-term investments	-	-88		716
Interest on bank overdraft facility	-1 052	-1 345	-3 085	-4 585
amortized loan		-	-5 000	-
Interest on lease liability	-409	-	-1 549	-
Other items	499	-246	-20	-1 145
<b>Total</b>	<b>37 423</b>	<b>-14 914</b>	<b>14 463</b>	<b>-7 059</b>

Distribution of net sales for the quarter between PAYDAY and Other



**Net financial income/expenses**

Net financial income amounted to SEK 14.5 million (-7.1). See the specification in the table at the right on page 7.

Net financial income and expenses consisted largely of the remeasurement of earnouts of SEK 37.9 million (42.1) of which SEK -3.9 million (-14.1) in exchange losses. The earnout of SEK 4.5 million for Dhruva has been removed from the closing balance, as the subsidiary was sold in May 2019. Interest expense on convertible bonds amounted to SEK 13.4 million (17.0); the share in the loss of the joint venture company StarVR Corporation was SEK -0.4 million (-14.6) and remeasurement of derivatives attributable to the Smilegate bond amounted to SEK 0.0 million (-8.3). The cost of borrowing including interest on short-term financing raised during the reconstruction amounted to SEK 5.0 million (0.0). Interest expense on the bank overdraft facility was SEK 3.0 million (4.6). See the specification in the table on the preceding page.

**Profit or loss before tax and profit or loss for the period**

The loss before tax and appropriations was SEK -295.7 million (-82.5). The loss for the period amounted to SEK -302.8 million (-47.8).

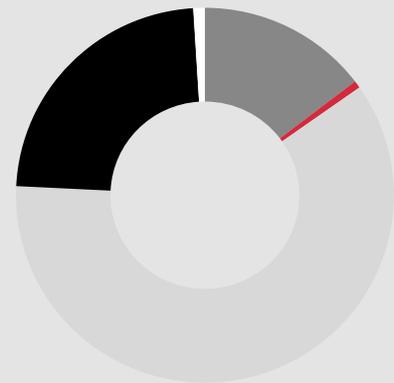
Basic and diluted earnings per share were SEK -0.92 (-0.15).

**Segment reporting**

Starbreeze operations are reported in the following segments: Starbreeze Games, Publishing, and VR Tech & Operations. See Note 5. Reporting is provided down to operating profit or loss, and assets and liabilities are not reported by segment.

Distribution of net sales for the quarter per category

- License deals
- Console
- Services
- VR centers
- PC



# STARBREEZE GAMES

# Q3

2019

The Starbreeze Games business area consists of Starbreeze's own games portfolio. Revenues currently comprise sales revenue and royalties for the rights to PAYDAY. The business area also includes OVERKILL's The Walking Dead and the Crossfire game project.

## Third quarter 2019

Net sales were SEK 17.7 million (30.7) and consist mainly of sales of game products within the PAYDAY franchise of SEK 17.5 million (20.9). PAYDAY 2 Switch contributed SEK 0.5 million (1.0) during the quarter, related to digital and retail sales. Net sales include external income of SEK 0.0 million (8.8) from Starbreeze's Indian studio, Dhruva. Dhruva was sold in May 2019.

Direct costs amounted to SEK 28.0 million (21.8). The cost increase is due partly to that development work during the quarter consisted mainly of updates to PAYDAY 2 that were not capitalized.

Operating costs amounted to SEK 9.7 million (27.0). The decrease is due mainly to a trimmed marketing organization and reduced marketing costs as no games were released during the quarter or shortly thereafter.

The operating loss was SEK -20.0 million (-18.1).

## Nine-month period 2019

Net sales amounted to SEK 76.2 million (102.3), of which PAYDAY, developed by Starbreeze, accounted for SEK 58.6 million (77.3). External income of SEK 14.6 million (23.5) from Dhruva was also included.

Direct costs amounted to SEK 109.8 million (71.3). The increase is primarily attributable to the costs for OVERKILL's The Walking Dead, which were not capitalized this year as they were last year when the game was released in November 2018. Development costs during the year have instead been recognized in the statement of comprehensive income.

Operating costs amounted to SEK 58.2 million (50.7).

EBITDA amounted to SEK -91.8 million (-19.7).

## After the end of the period

Revenues from sales of PAYDAY 2 via the Steam platform in October 2019 amounted to SEK 2.9 million (5.2).

	2019	2018	2019	2018
SEKk	Q3	Q3	JAN-SEP	JAN-SEP
<b>Starbreeze Games</b>				
Net sales	17 694	30 704	76 202	102 260
Direct costs	-27 979	-21 787	-109 845	-71 330
<b>Gross profit (-loss)</b>	<b>-10 285</b>	<b>8 917</b>	<b>-33 643</b>	<b>30 930</b>
Operating costs	-9 683	-27 012	-58 207	-50 657
<b>Operating profit (-loss)</b>	<b>-19 968</b>	<b>-18 095</b>	<b>-91 850</b>	<b>-19 727</b>

## Profit and loss analysis

	2019	2018	2019
SEKm	Q3	Q3	Q2
Operating profit	-20,0	-18,1	-41,5
<b>Change</b>		<b>-1,9</b>	<b>21,5</b>
<b>Analysis of changes</b>			
Gross profit or loss, PAYDAY		-1,7	0,7
Gross profit or loss, Dhruva		1,5	-1,0
Impairment of IP rights, Cinemaware		-4,0	-4,0
Costs, OTWD (capitalized in preceding years)		-8,8	5,0
Allocated direct costs		-4,5	-7,9
Capital loss, sale of Dhruva		-	9,3
Reduced operating costs (premises, marketing, etc.)		17,3	21,2
Other		-1,7	-1,8
<b>Total</b>		<b>-1,9</b>	<b>21,5</b>

# PUBLISHING

# Q3

2019

The Publishing business area consists of Starbreeze's publishing operations with own games and games developed by third parties. The game projects Psychonauts 2 and 10 Crowns, which were sold during the second quarter, and the portfolio of published VR titles are included in the business area.

## Third quarter 2019

Net sales amounted to SEK 3.4 million (-4.1). Sales during the quarter consisted mainly of revenue sharing from the sold rights to 10 Crowns.

Direct costs amounted to SEK 1.2 million (28.7). Costs during the quarter refer mainly to payroll costs attributable to the publishing business. Amortization and impairments of SEK 25.1 million were recognized in the comparison period related to game projects such as RAID, John Wick and several minor game projects that have now been fully impaired.

Operating costs amounted to SEK 2.0 million (4.6). Within the Group, the amount refers mainly to allocated costs of rent and other office costs.

The operating loss was SEK 0.2 million (-37.4).

## Nine-month period 2019

Net sales amounted to SEK 146.2 million (132.7). The sale of publishing rights generated SEK 140.8 million, broken down as follows: Psychonauts 2, SEK 125.1 million, 10 Crowns SEK 15.1 million and System Shock 3, SEK 3.7 million.

Direct costs amounted to SEK 176.6 million (96.3). The increase is due primarily to the recognition of the carrying amounts for the above mentioned sold publishing rights as costs.

Operating costs amounted to SEK 15.1 million (18.2).

The operating result decreased to SEK -45.5 million (18.3) as a direct effect of the sale of Psychonauts 2, 10 Crowns and System Shock 3, which reduced profits by SEK 28.4 million. See Note 1 *Accounting and measurement policies* for further information about how these sales were accounted for.

SEkk	2019 Q3	2018 Q3	2019 JAN-SEP	2018 JAN-SEP
<b>Publishing</b>				
Net sales	3 393	-4 088	146 221	132 746
Direct costs	-1 171	-28 722	-176 639	-96 264
<b>Gross profit (-loss)</b>	<b>2 222</b>	<b>-32 810</b>	<b>-30 418</b>	<b>36 482</b>
Operating costs	-2 038	-4 619	-15 066	-18 219
<b>Operating profit (-loss)</b>	<b>184</b>	<b>-37 429</b>	<b>-45 484</b>	<b>18 263</b>

# OTHER

Other refers to the VR Tech & Operations business area, which consists of Starbreeze's virtual reality (VR) technology and software development and group-wide costs and projects not attributable to the other business areas.

## Third quarter 2019

Net sales for the period totaled SEK 0.0 million (7.2). Revenues from ticket sales in the VR parks in Dubai and Stockholm, which have been discontinued, were recognized in the comparison period, as were revenues attributable to the subsidiary Nozon, which has been sold.

Direct costs amounted to SEK 86.0 million (28.4) and refer primarily to impairments of the value of intangible assets of SEK 76.7 million. See Note 9. Depreciation and amortization amounted to SEK 6.3 million (24.5). The reduction in depreciation and amortization is primarily due to that the group is no longer amortizing or depreciating assets related to the VR parks in Dubai and Stockholm, which were impaired to zero in the first quarter of 2019.

Operating costs amounted to SEK 0.0 million (10.7).

The operating loss was SEK -86.0 million (-31.9).

## Nine-month period 2019

Net sales for the period of SEK 6.5 million (32.5) refer primarily to revenues generated by the previously owned Belgian subsidiary Nozon and the VR parks in Dubai and Stockholm. Nozon was sold in June and the VR parks have been discontinued. The comparison period includes compensation for marketing of the StarVR headset and which is part of the previously communicated financial support of USD 11.5 million in total received for the build-up of the VR park in Dubai.

Direct costs amounted to SEK 149.6 million (62.4).

The operating loss was SEK -172.8 million (-74.0) and was negatively affected by a capital loss of SEK 21.3 million on the sale of Nozon. Impairments of property, plant and equipment during the quarter also contributed to the negative profit performance.

# Q3

2019

	2019	2018	2019	2018
SEKk	Q3	Q3	JAN-SEP	JAN-SEP
<b>Övrigt</b>				
Net sales	33	7 266	6 471	32 490
Direct costs	-86 026	-28 430	-149 572	-62 400
<b>Gross profit (-loss)</b>	<b>-85 993</b>	<b>-21 164</b>	<b>-143 101</b>	<b>-29 910</b>
Operating costs	-	-10 708	-29 717	-44 086
<b>Operating profit (-loss)</b>	<b>-85 993</b>	<b>-31 872</b>	<b>-172 818</b>	<b>-73 996</b>

## OTHER FINANCIAL INFORMATION

### Cash flow and investments

The comparison figures refer to the corresponding period in the preceding year.

#### Third quarter 2019

##### Cash flow

Cash flow from (-used in) operating activities amounted to SEK -13.7 million (-57.2). The improvement is due primarily to an improved EBITDA and favorable development of working capital. Cash flow from (-used in) investing activities was SEK -16.1 million (-124.5). See also "Investments" below. Cash flow from (-used in) financing activities was SEK 5.1 million (61.6). No new loans or other credit facilities were raised during the period, which is the main reason for the large difference between the years. That there is a positive flow nevertheless is due to factors including exchange rate changes.

Total cash flow for (-used in) the quarter was SEK -24.7 million (-120.1). Cash and cash equivalents at the end of the period amounted to SEK 113.2 million (147.5)

##### Investments

Consolidated investments in property, plant and equipment during the quarter amounted to SEK 1.6 million (1.2). In addition, investments in own game and technology development totaled SEK 15.1 million (97.7), where the decrease is related mainly to completion of the OVERKILL's The Walking Dead game project and of the development of the StarVR headset in 2018 and that there have been no further investments in 2019. Investments in publishing projects amounted to SEK -0.1 million (29.3) and refer to exchange rate adjustments.

#### Nine-month period 2019

##### Cash flow

Cash flow from (-used in) operating activities amounted to SEK 53.0 million (72.6). The decrease is attributable to deterioration in the operating result. Cash flow from (-used in) from investing activities was SEK -1.9 million (-554.2). See also the "Investments" section below. Cash flow from (-used in) financing activities was SEK -7.5 million (395.1). The negative change is due mainly to the new share issues executed in the comparison period.

Total cash flow for (-used in) the period was SEK 43.6 million (-86.5). Cash and cash equivalents at the end of the period amounted to SEK 113.2 million (147.5)

##### Investments

Consolidated investments in property, plant and equipment during the period amounted to SEK 2.1 million (91.1). Investments in own game and technology development totaled SEK 64.1 million (290.8), of which OVERKILL's The Walking Dead accounted for a large portion in the comparison period. Investments in publishing projects amounted to SEK 8.4 million (92.3). Investments in short-term placements were SEK 0.0 mil-

## Cash and cash equivalents at

30 September 2019

# SEK 113.2 million

## The equity to assets ratio

was

# 13.5

percent as of 30 September 2019

lion (75.0). During the comparison period, the Group placed SEK 75 million in a deposit account as collateral and these funds were classified as a short-term placement.

### Financial position

*The comparison figures refer to the closing balance on 31 December 2018.*

*The comparison figures for 2018 have been restated as regards parts of the long-term debt to Nordea, the earnout for ePawn and the convertible debt to Smilegate. These have been classified as current liabilities.*

#### Non-current assets

Goodwill at the end of the period amounted to SEK 45.7 million (57.2).

Goodwill is recognized using the exchange rate on the reporting date.

Other intangible assets, which consist primarily of IP rights to PAYDAY and PresenZ, amounted to SEK 341.7 million (356.1).

Capitalized costs for own game and technology development totaled SEK 168.7 million (170.9).

The carrying amount of investments in publishing projects was SEK 26.5 million (188.0). The decrease is due to the Group's sale of the publishing rights to System Shock 3, Psychonauts 2 and 10 Crowns at a total carrying amount of SEK 169.2 million in the first half of 2019.

Amortizations and impairments of intangible assets amounted to SEK 113.1 million (108.1) during the nine-month period.

#### Current assets

Trade and other receivables amounted to SEK 14.2 million (39.5). Pre-paid expenses and accrued income at the end of the period amounted to SEK 12.4 million (46.6). SEK 2.3 million (17.6) refers to the receivable for digital sales, mainly via Steam, PlayStation Store, Xbox Live and Switch.

#### Available-for-sale assets

Available-for-sale assets amounted to SEK 0.0 million (78.2) at the reporting date. The company sold the subsidiary Dhruva in May 2019 and no longer intends to sell the IP rights to the Cinemaware library. The IP rights were impaired in the third quarter.

#### Equity

Consolidated equity on the reporting date amounted to SEK 108.6 million (339.0) and the equity to assets ratio was 13.5 percent (59.5).

#### Non-current liabilities

Non-current liabilities for earnouts decreased to SEK 46.0 million (88.6).

The balance sheet item relates to earnouts for business acquisitions, primarily Parallaxter. The balance sheet item is measured at fair value and the change is recognized in net financial income and expenses on the statement of comprehensive income (see page 7). The associated earnout was adjusted downward in conjunction with the impairment of intangible assets related to the PresenZ technology during the quarter. As the subsidiary Dhruva has been sold, total liabilities have been reduced by the liability for the earnouts related to this company.

Other non-current liabilities amounted to SEK 14.1 million (14.5). The balance consists mainly of a loan liability to Unity of SEK 9.8 million (9.0). The Group has adjusted these figures for 31 December 2018 by reclassifying SEK 377.8 million to current liabilities.

#### Current liabilities

Trade and other payables at the end of the period amounted to SEK 441.4 million (519.4), of which SEK 213.6 million (200.4) refers to the convertible debt to Smilegate, which was reclassified as a current liability as of 31 December 2018. The bank overdraft facility of SEK 77.1 million (75.8) and the loan of SEK 30.0 million (30.0) from Nordea are also

included in this item. Accrued expenses and deferred income at the end of the period amounted to SEK 47.7 million (63.9).

## Leases

IFRS Leases has been applied since 1 January 2019. IFRS 15 Leases replaces the earlier standard, IAS 17 Leases. Starbreeze has elected to implement the standard according to the modified transition approach, which means that identified leases have not been retroactively restated and there has thus been no effect on the comparison figures for reporting periods before 2019.

There were no leases accounted for according to IAS 17 Leases as of 1 January 2018.

Upon adaptation of accounting to IFRS, the Group has reported an asset class called right-of-use buildings. The opening balance for both the asset and the current and non-current liabilities was SEK 111.5 million upon initial recognition in the first quarter. The Group had a closing balance for right-of-use assets at the reporting date of SEK 67.5 million. Certain existing leases were reclassified during the quarter as short-term leases after reassessment of the remaining term of the lease. A sublease was also signed during the quarter, leading to recognition by the Group of a non-current receivable of SEK 6.8 million and a current receivable of SEK 3.2 million. On the liability side, the Group has recognized a non-current liability of SEK 60.1 million and a current liability of SEK 19.3 million. The value of right-of-use assets declined by SEK 13.2 million as a direct consequence of depreciation taken during the nine-month period. Net financial income was reduced by interest expenses of SEK 1.5 million. The deposit paid for the premises in Stockholm has been reported as a non-current financial asset on the balance sheet.

Starbreeze has applied the incremental borrowing rate per country as the discount rate for discounting future lease payments. The incremental borrowing rate is based on the lessee's financial strength, country and the term of the relevant lease.

The interim report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act (SFS 1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The interim report for the parent company has been prepared using the same accounting policies and calculation methods applied in the 2018 annual report (Note 1, pages 30–36) except that the parent company applies the exception permitted under RFR2 and reports all lease obligations as operating leases.

## Parent company

The Group's business is conducted in the parent company Starbreeze AB (publ) and the following subsidiaries: Dhruva Infotech Ltd, Starbreeze Production AB, Starbreeze Studios AB, Starbreeze Publishing AB, Starbreeze VR AB, Starbreeze Ventures AB, Starbreeze USA Inc, Starbreeze LA Inc, Starbreeze IP LUX, Starbreeze IP LUX II Sarl, Starbreeze Barcelona SL, Starbreeze Middle East FZE and Starbreeze Paris SAS, New Starbreeze Studios AB, New Starbreeze Publishing AB, Nozon, Parallaxter and Enterspace AB. Dhruva Infotech Ltd and Nozon were sold in the second quarter of 2019.

The parent company's net sales during the quarter amounted to SEK 11.5 million (19.2). Sales refer primarily to allocation of management fees.

The loss before tax was SEK -13.6 million (-6.5) and the loss after tax was SEK -13.6 million (-2.7).

Cash and cash equivalents at the end of the period amounted to SEK 12.3 million (95.4) and parent company equity was SEK 577.6 million (1,562.2).

Non-current liabilities, which consist of earnouts, decreased to SEK 46.1 million (613.0).

## Employees

The number of employees at the end of the period amounted to 149 (639), of whom 132 men and 17 women. The reduction in the number of employees is attributable primarily to the sale of Dhruva and the restructuring of the company. The average number of full-time employees for the quarter amounted to 179 (643). The average age was 37 (32).

## The share

The Starbreeze share has been listed in the Mid Cap segment of Nasdaq Stockholm since 2 October 2017. The shares are traded under the tickers STAR A, ISIN code SE 007158928, and STAR B, SE0005992831. The closing price on 30 September 2019 was SEK 0.98 for the Class A share, compared to SEK 8.51 on 28 September 2018, and SEK 1.08 for the Class B share, compared to SEK 8.95. At the end of the quarter, total market capitalization was approximately SEK 350.4 million, compared to approximately SEK 2,886 million in the preceding year.

## Share capital

Share capital at the end of the period amounted to SEK 6,587 thousand (6,506 thousand at 30 September 2018) distributed among 329,367,849 shares (325,295,554), of which 53,342,077 Class A shares (54,025,862) and 276,025,772 Class B shares (271,269,692).

Equity increased by SEK 71.7 million and the number of Class B shares increased by 4,072,295 in the second quarter of 2019 when Acer exercised its convertibles. During the quarter, 55,600 Class A shares were converted to Class B shares.

## Shareholders

Starbreeze had 28,389 shareholders (28,907 at 30 September 2018) at the end of the period. A list of the company's largest shareholders is updated monthly on the company's website at starbreeze.com under Investors.

## Risks and uncertainties

The preparation of interim reports and annual reports in accordance with generally accepted accounting practices requires management to make estimates, judgments and assumptions that affect the value of assets, liabilities and revenue reported in the financial statements. Actual outcomes may differ from these estimates and judgments.

## Employee key data

	2019	2018
	Q3	Q3
Employees	149	639
Men	132	561
Women	17	78
Net profit (-loss) per employee	-321 TSEK	-133 TSEK

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## Employees at Starbreeze

The short-term effect on profit and loss from fluctuations in exchange rates can be positive or negative, depending on the current currency exposure from trade receivables, bank balances and other assets and liabilities in foreign currency. However, a falling dollar rate in the longer term always has a negative impact on profit margins. Due to acquisitions of several foreign subsidiaries, the Group also has translation exposure.

The largest risks and uncertainties are low revenues in connection with game releases and project delays. These and other risks such as copyright infringements, loss of key people and exchange rate fluctuations are described in Starbreeze's Annual Report 2018 in the Report of the Board of Directors on page 54, and in Note 3. Furthermore, the value of certain assets and liabilities is based on expected outcomes. Consequently, these items must be regularly remeasured and thus may affect future profit and loss.

Starbreeze and a number of subsidiaries have been in reconstruction since 3 December 2018. The company sharply reduced the workforce during the second quarter, which generated cost savings that will have full effect as of November 2019. The sale of the subsidiary Dhruva in India and the 10 Crowns and Psychonauts 2 publishing projects also entailed an increase in liquidity during the quarter of SEK 193.6 million. That notwithstanding, there is risk that the company will not have sufficient secured funds to guarantee continued operations for the next 12 months. Without additional financing, liquidity injections from divestitures or new distribution deals, the company expects a liquidity shortfall in the second quarter of 2020.

The board of directors has evaluated whether the going concern assumption has been met and in the company's judgment, it will be possible to conclude the ongoing reconstruction of the parent company and some subsidiaries to the effect that the businesses can continue operating.

### **Related party transactions**

There were no related party transactions during the period other than payment of salaries and other compensation and intragroup transactions.

## Investor relations

Up-to-date information about Starbreeze is available on the company's website at [starbreeze.com](http://starbreeze.com). You may contact the company via email: [ir@starbreeze.com](mailto:ir@starbreeze.com), phone: or mail: Box 7731, 103 95 Stockholm, Sweden

## For further information

### Mikael Nermark, Acting CEO

+46 8-209 208

[mikaelnermark@starbreeze.com](mailto:mikaelnermark@starbreeze.com)

### Claes Wentzel, Acting CFO

+46 8-209 208

[claes.wentzel@starbreeze.com](mailto:claes.wentzel@starbreeze.com)

The reports are published on the company's website, [starbreeze.com](http://starbreeze.com).

Stockholm, 5 November 2019

### Torgny Hellström

*Chairman of the Board*

*Directors*

**Kerstin Sundberg**

**Hyung Nam Kim (Harold Kim)**

**Tobias Sjögren**

**Jan Benjaminson**

**Stefano Salbe**

## Financial calendar

Year-end report 2019 .....	<b>11 February 2020</b>
Annual Report 2019 .....	<b>7 April 2020</b>
Interim report Q1 2020 .....	<b>12 May 2020</b>
Interim report Q2 2020 .....	<b>18 August 2020</b>
Interim report Q3 2020 .....	<b>10 November 2020</b>
Year-end report 2020 .....	<b>16 February 2021</b>

*Starbreeze AB is required to disclose this information under the EU Market Abuse Regulation and the Securities Market Act. The information was provided by the above contact persons for publication on 05 November 2019 at 08:00 CET.*

## Consolidated statement of comprehensive income

SEKk	NOTE	2019	2018	2019	2018	2018
		Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
Net sales	5, 6	21 120	33 882	228 894	267 496	349 955
Direct costs	9	-115 176	-78 939	-436 056	-229 994	-1 733 903
<b>Gross profit (-loss)</b>		<b>-94 056</b>	<b>-45 057</b>	<b>-207 162</b>	<b>37 502</b>	<b>-1 383 948</b>
Selling and marketing costs		-2 155	-20 811	-9 998	-55 910	-91 397
Administrative expenses		-19 652	-21 062	-85 156	-73 624	-115 722
Other revenue		10 086	-466	22 763	16 572	13 262
Other expenses		-	-	-30 599	-	-
<b>Operating profit (-loss)</b>	7	<b>-105 777</b>	<b>-87 396</b>	<b>-310 152</b>	<b>-75 460</b>	<b>-1 577 805</b>
Financial income		46 772	2 326	46 814	42 835	295 817
Financial expenses	8	-8 840	-11 138	-31 932	-35 275	-28 028
Share in profit or loss of holdings accounted for using the equity method		-509	-6 102	-419	-14 619	-37 233
<b>Profit (-loss) before tax</b>		<b>-68 354</b>	<b>-102 310</b>	<b>-295 689</b>	<b>-82 519</b>	<b>-1 347 249</b>
Income tax		-1 994	17 259	-7 131	34 747	10 897
<b>Net profit (-loss) for the period</b>		<b>-70 348</b>	<b>-85 051</b>	<b>-302 820</b>	<b>-47 772</b>	<b>-1 336 352</b>
<i>Other comprehensive income that may subsequently be reclassified to profit and loss</i>						
Impairment of unlisted shares		-	-	-	-	-11 501
Exchange differences		-1 586	25 306	3 132	61 756	23 526
<b>Total comprehensive income for the period</b>		<b>-71 935</b>	<b>-59 745</b>	<b>-299 689</b>	<b>13 984</b>	<b>-1 324 327</b>
Total comprehensive income for the period attributable to:						
Owners of the parent		-71 935	-60 046	-299 839	13 688	-1 324 992
Non-controlling interests		-	301	150	296	665
<i>Earnings per share attributable to owners of the parent during the period (SEK):</i>						
- Basic		-0,21	-0,26	-0,92	-0,15	-4,20
- Diluted		-0,21	-0,26	-0,92	-0,15	-4,20

## Consolidated statement of financial position

SEKk	NOTE	2019-09-30	2018-09-30	2018-12-31
<b>ASSETS</b>				
<i>Intangible assets</i>				
Goodwill		45 664	560 738	57 169
Other non-current assets		320 584	591 937	356 071
Capitalized development cost for own games and technology development		168 655	720 428	170 919
Investments in publishing projects		26 458	220 335	187 970
<i>Financial assets</i>				
Financial assets	10	6 505	43 179	10 348
Investments in joint ventures	8	4 237	27 271	4 656
Non-current lease receivable		6 777	-	-
Deferred tax assets		-	176 657	326
<i>Property, plant and equipment</i>				
VR facilities, IT equipment and other equipment	10	17 087	160 728	60 499
Right-of-Use asset-Buildings		67 528	-	-
<b>Total non-current assets</b>		<b>663 495</b>	<b>2 501 273</b>	<b>847 958</b>
<i>Current assets</i>				
Inventories	10	35	55	44
Trades and other receivables		9 528	35 340	39 536
Current lease receivable		3 240	-	-
Prepaid expenses and accrued income		12 416	57 414	46 599
Current investments		-	75 000	-
Cash and cash equivalents		113 192	147 488	69 289
<b>Total current assets</b>		<b>138 411</b>	<b>315 297</b>	<b>155 468</b>
Assets held for sale		-	-	78 204
<b>Total assets held for sale</b>			<b>0</b>	<b>78 204</b>
<b>TOTAL ASSETS</b>		<b>801 906</b>	<b>2 816 570</b>	<b>1 081 630</b>
<b>EQUITY AND LIABILITIES</b>				
<i>Equity attributable to owners of the parent</i>				
Share capital		6 587	6 506	6 506
Other contributed capital		1 711 148	1 639 419	1 639 516
Reserves		17 414	66 829	17 098
Retained earnings including net profit or loss for the period		-1 626 508	-37 132	-1 326 061
Non-controlling interests		-	1 483	1 947
<b>Total equity</b>		<b>108 641</b>	<b>1 677 105</b>	<b>339 006</b>
<i>Non-current liabilities</i>				
Non-current liabilities, earnouts	10	46 048	305 742	88 586
Deferred tax liability	3	66 003	167 837	56 269
Non-current lease liability		60 148	-	-
Other non-current liabilities		14 096	511 719	14 459
<b>Total non-current liabilities</b>		<b>186 295</b>	<b>985 298</b>	<b>159 314</b>
<i>Current liabilities</i>				
Trade and other payables	10	439 984	96 742	519 421
Current lease liability		19 267	-	-
Accrued expenses and deferred income		47 719	57 425	63 889
<b>Total current liabilities</b>		<b>506 970</b>	<b>154 167</b>	<b>583 310</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>801 906</b>	<b>2 816 570</b>	<b>1 081 630</b>

## Consolidated statement of changes in equity

SEKk	Share capital	Other contributed capital	Reserves	Retained earnings	Total	Non controlling interest	Total equity
Balance at 1 January 2019	6 506	1 639 516	17 098	-1 326 061	337 059	1 947	339 006
Correction of error referring to 2018			140	-429	-289	-	-289
<b>Adjusted opening balance at 1 January 2019</b>			<b>17 238</b>	<b>-1 326 490</b>	<b>336 770</b>	<b>1 947</b>	<b>338 717</b>
Net profit (-loss) for the period	-	-	-	-302 970	-302 970	150	-302 820
<b>Other comprehensive income for the period</b>							
Impairment of unlisted shares	-	-	-	-	-	-2 123	-2 123
Exchange differences	-	-	3 132	-	3 132	26	3 158
<b>Total comprehensive income</b>	<b>6 506</b>	<b>1 639 516</b>	<b>20 369</b>	<b>-1 629 460</b>	<b>36 931</b>	<b>-</b>	<b>36 931</b>
<b>Transactions with shareholders:</b>							
New issue through exercise of convertible bonds	81	71 632	-	-	71 713	-	-
Issue cost recognized in equity	-	-	-	-2	-2	-	-2
<b>Total contribution from and value transfers to shareholders, recognized directly in equity</b>	<b>81</b>	<b>71 632</b>	<b>-</b>	<b>-2</b>	<b>71 711</b>	<b>-</b>	<b>71 711</b>
<b>Balance at 30 September 2019</b>	<b>6 587</b>	<b>1 711 148</b>	<b>20 369</b>	<b>-1 629 462</b>	<b>108 642</b>		<b>108 642</b>
Balance at 1 January 2018	5 661	1 243 573	5 073	27 748	1 282 055	344	1 282 399
Net profit (-loss) for the period	-	-	-	-1 337 017	-1 337 017	665	-1 336 352
<b>Other comprehensive income for the period</b>							
Omräkningsdifferenser			-11 501		-11 501	-	-11 501
Omräkningsdifferenser	-	-	23 526	-	23 526	-36	23 490
<b>Total comprehensive income</b>	<b>5 661</b>	<b>1 243 573</b>	<b>17 098</b>	<b>-1 309 269</b>	<b>-42 937</b>	<b>973</b>	<b>-41 964</b>
<b>Transactions with shareholders:</b>							
New issue through exercise of stock options	26	7 529	-	-	7 555	-	7 555
Minority share of shareholder contributions to subsidiaries	-	-974	-	-	-974	974	-
Vested employee stock options	-	40	-	-	40	-	40
Sales of equity instruments	-	282	-	-	282	-	282
Tax effect on sale of equity instruments	-	-62	-	-	-62	-	-62
New issue	819	389 128	-	-	389 947	-	389 947
Issue costs recognized in equity	-	-	-	-21 546	-21 546	-	-21 546
Deferred tax effect of issue costs recognized in equity	-	-	-	4 754	4 754	-	4 754
<b>Total contribution from and value transfers to shareholders, recognized directly in equity</b>	<b>845</b>	<b>395 943</b>	<b>-</b>	<b>-16 792</b>	<b>379 996</b>	<b>974</b>	<b>380 970</b>
<b>Balance at 31 December 2018</b>	<b>6 506</b>	<b>1 639 516</b>	<b>17 098</b>	<b>-1 326 061</b>	<b>337 059</b>	<b>1 947</b>	<b>339 006</b>
					<b>2019</b>		<b>2018</b>
<b>CHANGE IN NUMBER OF OUTSTANDING SHARES</b>					<b>JAN-SEP</b>		<b>JAN - DEC</b>
<b>Number of shares at the beginning of the period</b>					<b>325 295 554</b>		<b>283 037 940</b>
Subscription of shares through exercise of options					-		1 327 836
New subscription of shares through exercise of convertibles					4 072 295		
New issue					-		40 929 778
<b>Total shares outstanding at the end of the period</b>					<b>329 367 849</b>		<b>325 295 554</b>

## Consolidated statement of cash flows

SEKk	NOTE	2019	2018	2019	2018	2018
		Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
<i>Operating activities</i>						
Cash flow from operations		-105 777	-87 396	-310 152	-75 460	-1 577 805
Adjustment for non-cash items	4	92 070	51 208	361 451	135 258	1 570 700
Interest paid		-3 375	-1 846	-12 064	-7 344	-14 441
Interest received		79	110	125	763	-
Income taxes paid		-	-1 793	-	-9 129	-473
<b>Cash flow from (-used in) operating activities before change in working capital</b>		<b>-17 003</b>	<b>-39 717</b>	<b>39 360</b>	<b>44 088</b>	<b>-22 019</b>
<i>Cash flow from changes in working capital</i>						
Increase (+)/decrease (-) in operating liabilities		9 765	2 917	50 678	60 990	63 110
Cash flow from (-used in) operating activities		-6 477	-20 368	-37 026	-32 441	8 814
<b>Cash flow from (-used in) operating activities</b>		<b>-13 715</b>	<b>-57 168</b>	<b>53 012</b>	<b>72 637</b>	<b>49 905</b>
<i>Investing activities</i>						
Purchase of property, plant and equipment		-1 567	-1 236	-2 092	-91 086	-92 071
Divested subsidiaries		-	-	67 502	-	-
Investments in other financial assets		498	3 655	5 138	-4 968	-6 607
Investments in own games and technology		-15 113	-97 661	-64 072	-290 785	-333 947
Investments in publishing projects		100	-29 277	-8 387	-92 330	-126 599
Increase (-) / decrease (+) in short-term investments		-	-	-	-75 000	-
<b>Cash flow from (-used in) investing activities</b>		<b>-16 082</b>	<b>-124 519</b>	<b>-1 911</b>	<b>-554 169</b>	<b>-559 224</b>
<i>Financing activities</i>						
New issue		-	-	-	390 114	390 114
Costs related to new issues		-	2 000	-	-16 812	-16 879
Payments for stock options		-	-	-	7 304	7 304
Increase in non-current liabilities		455	66 029	1 371	131 505	159 476
Repayment of loans		4 672	-6 426	-8 918	-117 049	-195 681
<b>Cash flow from financing activities</b>		<b>5 127</b>	<b>61 603</b>	<b>-7 547</b>	<b>395 062</b>	<b>344 334</b>
<b>Cash flow for (-used in) the period</b>		<b>-24 670</b>	<b>-120 084</b>	<b>43 554</b>	<b>-86 470</b>	<b>-164 984</b>
Cash and cash equivalents at the beginning of the period		137 750	269 555	69 289	233 757	233 757
Exchange difference in cash and cash equivalents		112	-1 983	349	201	516
<b>Cash and cash equivalents at the end of the period</b>		<b>113 192</b>	<b>147 488</b>	<b>113 192</b>	<b>147 488</b>	<b>69 289</b>

## Key data, Group

	2019	2018	2019	2018	2018
	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
Net sales, SEKk	21 120	33 882	228 894	267 496	349 955
EBITDA, SEKk	-10 854	-37 868	-143 286	63 374	-10 342
EBIT, SEKk	-105 777	-87 396	-310 152	-75 460	-1 577 805
Profit (-loss) before tax, SEKk	-68 354	-102 310	-295 689	-82 519	-1 347 249
Profit (-loss) after tax, SEKk	-70 348	-85 051	-302 820	-47 772	-1 336 352
EBITDA margin, %	-51,4	-111,8	-62,6	23,7	-3,0
EBIT margin, %	-500,8	-257,9	-135,5	-28,2	-450,9
Profit margin, %	-323,6	-302,0	-129,2	-30,8	-385,0
Equity to assets ratio, %	13,5	59,5	13,5	59,5	31,3
Closing price of A share for the period, SEK	0,98	8,51	0,98	8,51	1,23
Closing price of B share for the period, SEK	1,08	8,95	1,08	8,95	0,82
Basic earnings per share, SEK	-0,21	-0,26	-0,92	-0,15	-4,20
Diluted earnings per share, SEK	-0,21	-0,26	-0,92	-0,15	-4,20
Number of shares at end of period before dilution	329 367 849	325 295 554	329 367 849	325 295 554	325 295 554
Number of shares at end of period after dilution	329 367 849	347 871 874	329 367 849	347 871 874	345 864 665
Average number of shares before dilution	329 367 849	325 295 554	328 010 417	315 510 563	317 956 811
Average number of shares after dilution	329 367 849	325 295 554	328 010 417	315 510 563	317 956 811
Average number of employees	179	643	402	637	634
Number of employees at the end of the period	149	639	149	639	604

## Key data, Group

### EBITDA

Operating profit or loss before depreciation, amortization and impairments (Earnings Before Interest, Taxes, Depreciation and Amortization).

### EBIT

Operating profit or loss after depreciation and amortization (Earnings Before Interest and Taxes).

### EBITDA margin

Operating profit or loss before depreciation, amortization and impairments (Earnings Before Interest, Taxes, Depreciation and Amortization) as a percentage of net sales.

### EBIT margin

Operating profit or loss as a percentage of net sales.

### Profit margin

Profit or loss after net financial income/expense as a percentage of the sum of net sales.

### Equity to assets ratio

Equity as a percentage of total assets.

### Earnings per share

Profit or loss after tax divided by the average number of shares during the period.

### Equity

Recognized equity including 78 percent of untaxed reserves.

## Reconciliation of Alternative Performance Measures

	2019	2018	2019	2018	2018
	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
<i>EBITDA</i>					
Operating profit (-loss), SEKk	-105 777	-87 396	-310 152	-75 460	-1 577 805
Less: Amortization of intangible assets, SEKk	91 388	37 432	113 133	108 093	1 438 469
Less: Depreciation of property, plant and equipment, SEKk	3 535	12 096	53 733	30 741	128 994
EBITDA	-10 854	-37 868	-143 286	63 374	-10 342
<i>EBITDA margin, %</i>					
EBITDA, SEKk	-10 854	-37 868	-143 286	63 374	-10 342
Net sales, SEKk	21 120	33 882	228 894	267 496	349 955
EBITDA margin, %	-51,4	-111,8	-62,6	23,7	-3,0
<i>EBIT margin, %</i>					
Operating profit (-loss), SEKk	-105 777	-87 396	-310 152	-75 460	-1 577 805
Net sales, SEKk	21 120	33 882	228 894	267 496	349 955
EBIT margin, %	-500,8	-257,9	-135,5	-28,2	-450,9
<i>Profit margin, %</i>					
Profit (-loss) before tax, SEKk	-68 354	-102 310	-295 689	-82 519	-1 347 249
Net sales, SEKk	21 120	33 882	228 894	267 496	349 955
Profit margin, %	-323,6	-302,0	-129,2	-30,8	-385,0
<i>Equity to assets ratio, %</i>					
Total equity	108 641	1 677 105	108 641	1 677 105	339 006
Total equity and liabilities, SEKk	801 906	2 816 570	801 906	2 816 570	1 081 630
Equity to assets ratio, %	13,5	59,5	13,5	59,5	31,5

Alternative Performance Measures (APMs) are financial indicators of performance, financial position and cash flow not defined in the applicable reporting framework (IFRS). These are considered to be important additional key figures for the Group's performance. Since not all entities calculate financial measurements in the same way, they are not always comparable to those used by other entities.

## Parent company income statement

	2019	2018	2019	2018	2018
SEKk	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
Net sales	11 547	19 163	46 362	29 680	55 304
Other operating revenue	5 775	5 335	30 812	11 087	9 277
<b>Total sales</b>	<b>17 322</b>	<b>24 498</b>	<b>77 174</b>	<b>40 767</b>	<b>64 581</b>
Other external expenses	-12 207	-8 872	-46 073	-19 189	-41 891
Employee benefit expense	-5 582	-15 667	-26 673	-27 509	-53 835
Depreciation of property, plant and equipment	-50	-163	-170	-327	-579
Other operating expenses	-	-	-	-	-
<b>Operating profit (-loss)</b>	<b>-517</b>	<b>-204</b>	<b>4 258</b>	<b>-6 258</b>	<b>-31 724</b>
Profit from holdings in group companies	-10 927	-	-10 927	-	-978 508
Other financial income	492	1 013	1 428	1 676	28 338
Financial expenses	-2 650	-7 282	-18 428	-15 443	-63 077
<b>Profit (-loss) after net financial income/expense</b>	<b>-13 602</b>	<b>-6 473</b>	<b>-23 669</b>	<b>-20 025</b>	<b>-1 044 971</b>
Appropriations	-	-	-	-	5 007
<b>Profit (-loss) before tax</b>	<b>-13 602</b>	<b>-6 473</b>	<b>-23 669</b>	<b>-20 025</b>	<b>-1 039 964</b>
Income tax	-	3 734	-	6 151	-23 433
<b>Net profit (-loss) for the period</b>	<b>-13 602</b>	<b>-2 739</b>	<b>-23 669</b>	<b>-13 874</b>	<b>-1 063 397</b>

For the parent company, net profit or loss for the period corresponds to comprehensive income.

## Parent company balance sheet

SEKk	2019-09-30	2018-09-30	2018-12-31
<b>ASSETS</b>			
<i>Non-current assets</i>			
<i>Intangible assets</i>			
Other non-current assets	-	-	-
<i>Tangible assets</i>			
Computers and other equipment	468	687	587
<i>Financial assets</i>			
Investments in group companies	402 658	1 432 897	514 595
Deferred tax assets	-	32 562	-
Investments in associates	4 656	45 958	4 656
Other financial assets	585	585	585
<b>Total non-current assets</b>	<b>408 367</b>	<b>1 512 689</b>	<b>520 423</b>
<i>Current assets</i>			
Trade and other receivables	20	294	5 853
Receivables from group companies	455 801	872 406	387 141
Other receivables	4 474	-	-
Prepaid expenses and accrued income	775	1 468	950
Cash and cash equivalents	12 259	95 390	8 002
<b>Total current assets</b>	<b>473 329</b>	<b>969 558</b>	<b>401 946</b>
<b>TOTAL ASSETS</b>	<b>881 696</b>	<b>2 482 247</b>	<b>922 369</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	6 587	6 506	6 506
Share premium reserve	1 649 033	1 577 271	1 577 401
Retained earnings	-1 054 390	9 013	9 007
Net profit (-loss) for the period	-23 669	-30 543	-1 063 397
<b>Total equity</b>	<b>577 561</b>	<b>1 562 247</b>	<b>529 517</b>
<i>Untaxed reserves</i>			
Accumulated excess depreciation	-	16	-
<b>Total untaxed reserves</b>		<b>16</b>	
<i>Non-current liabilities</i>			
Other non-current liabilities	46 110	613 046	88 586
<b>Total non-current liabilities</b>	<b>46 110</b>	<b>613 046</b>	<b>88 586</b>
<i>Current liabilities</i>			
Trade payables	9 636	1 382	7 849
Liabilities to group companies	21 952	295 454	4 860
Other liabilities	217 209	-876	275 405
Accrued expenses and deferred income	9 228	10 978	16 152
<b>Total current liabilities</b>	<b>258 025</b>	<b>306 938</b>	<b>304 266</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>881 696</b>	<b>2 482 247</b>	<b>922 369</b>

# NOTES

## Note 1: Accounting and measurement policies

This interim report has been prepared in accordance IAS 34, Interim Financial Reporting. The accounting policies and calculation methods are the same as those applied in the Annual Report 2018, other than that the Group began applying and IFRS 16 Leases as of 1 January 2019. The Group has chosen to report the transition to the new standard using the modified retrospective approach and not to restate comparative figures, as permitted under the relief rule.

The size of the right to control the use of the asset has been measured as corresponding to the size of the lease liability as of the transition date.

An incremental borrowing rate has been determined for each country. Leases where the term is less than 12 months or that will end within 12 months of the transition date are classified as short-term leases and are thus not included in the recognized liabilities or rights to control the use of assets. In addition, a right to control the use of an asset (with a cost below USD 5,000) has been classified as a low-value lease and is not included in the recognized liabilities or rights to control the use of assets.

The report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

No new or revised IFRSs have entered into force that are expected to have any material impact on the Group. The carrying amount of all financial assets and liabilities is a good approximation of fair value.

The sale of the publishing rights to System Shock 3 and Psychonauts 2 was arranged so that Starbreeze will recover its investment over time. In accordance with IFRS reporting rules, the Group has initially recognized a loss on the deal, as IFRS 15 does not permit recognition of future royalties in revenue even if these are directly connected to the sale of the publishing rights; instead, the carrying amount of the sold asset must be immediately expensed. In future periods, only revenues related to these transactions will be recognized, as all costs have thus been absorbed.

Costs for ongoing updates of completed games are recognized as direct costs and are not capitalized.

## Note 2: Pledged assets

### Consolidated pledged assets and contingent liabilities

Consolidated pledged assets refer to rent guarantees and pledged shares in subsidiaries and bank accounts related to loans from Nordea.

SEKk	2019-09-30	2018-09-30	2018-12-31
Pledged assets	222 249	298 046	165 956
Contingent liabilities	-	-	-

## Note 3: Financial instruments

### Financial instruments measured at fair value

SEKk	2019-09-30	2018-09-30	2018-12-31	Level
<i>Assets at fair value through comprehensive income</i>				
Financial assets, shares in Cmune	-	11 502	-	2
<i>Financial assets at fair value through profit or loss</i>				
Investments in convertible loans	-	17 553	-	2
<i>Financial liabilities at fair value through profit or loss</i>				
Earnouts	46 110	305 742	88 662	3
Convertible loans	-	33 515	42	2

*Conditional earnout related to acquisition*

Balance at 31 December 2017	88 662
Exchangerate differences	3 924
Remeasurement of liability	-41 990
Avyttring av verksamhet	-4 486
<b>Balance at 31 December 2018</b>	<b>46 110</b>

**Note 4: Cash flow from operations**

	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
SEKk	2019	2018	2019	2018	2018
<i>Adjustments for non-cash items</i>					
-Amortization of intangible assets	10 802	37 561	32 547	108 222	1 438 469
-Depreciation of property, plant and equipment	3 527	12 096	53 733	30 741	128 994
-Impairments of intangible assets	80 586	-	80 586	-	-
-Other unrealized exchange losses	-2 845	1 551	-6 189	-3 705	3 237
-Realized cost due to sold asset	-	-	170 175	-	-
-Capital loss on sale of subsidiaries	-	-	30 599	-	-
	<b>92 070</b>	<b>51 208</b>	<b>361 451</b>	<b>135 258</b>	<b>1 570 700</b>

## Note 5: Segment reporting, Group

	2019	2018	2019	2018	2018
SEKk	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
<b>Starbreeze Games</b>					
Net sales	17 694	30 704	76 202	102 260	168 554
Direct costs	-27 979	-21 787	-109 845	-71 330	-733 612
<b>Gross profit (-loss)</b>	<b>-10 285</b>	<b>8 917</b>	<b>-33 643</b>	<b>30 930</b>	<b>-565 058</b>
Operating costs	-9 683	-27 012	-58 207	-50 657	-111 769
<b>Operating profit (-loss)</b>	<b>-19 968</b>	<b>-18 095</b>	<b>-91 850</b>	<b>-19 727</b>	<b>-676 827</b>
<b>Publishing</b>					
Net sales	3 393	-4 088	146 221	132 746	135 145
Direct costs	-1 171	-28 722	-176 639	-96 264	-177 702
<b>Gross profit (-loss)</b>	<b>2 222</b>	<b>-32 810</b>	<b>-30 418</b>	<b>36 482</b>	<b>-42 557</b>
Operating costs	-2 038	-4 619	-15 066	-18 219	-19 768
<b>Operating profit (-loss)</b>	<b>184</b>	<b>-37 429</b>	<b>-45 484</b>	<b>18 263</b>	<b>-62 325</b>
<b>VR Tech &amp; Operations</b>					
Net sales	13	3 749	2 228	24 075	33 654
Direct costs	-85 909	-17 042	-138 398	-29 503	-599 982
<b>Gross profit (-loss)</b>	<b>-85 896</b>	<b>-13 293</b>	<b>-136 170</b>	<b>-5 428</b>	<b>-566 328</b>
Operating costs	-	-9 799	-7 198	-30 813	-45 540
<b>Operating profit (-loss)</b>	<b>-85 896</b>	<b>-23 092</b>	<b>-143 368</b>	<b>-36 241</b>	<b>-611 868</b>
<b>Other</b>					
Net sales	20	3 517	4 243	8 415	12 602
Direct costs	-117	-11 388	-11 174	-32 897	-222 607
<b>Gross profit (-loss)</b>	<b>-97</b>	<b>-7 871</b>	<b>-6 931</b>	<b>-24 482</b>	<b>-210 005</b>
Operating costs	-	-909	-22 519	-13 273	-16 779
<b>Operating profit (-loss)</b>	<b>-97</b>	<b>-8 780</b>	<b>-29 450</b>	<b>-37 755</b>	<b>-226 784</b>
<b>Total</b>					
Net sales	21 120	33 882	228 894	267 496	349 955
Direct costs	-115 176	-78 939	-436 056	-229 994	-1 733 903
<b>Gross profit (-loss)</b>	<b>-94 056</b>	<b>-45 057</b>	<b>-207 162</b>	<b>37 502</b>	<b>-1 383 948</b>
Operating costs	-11 721	-42 339	-102 990	-112 962	-193 856
<b>Operating profit (-loss)</b>	<b>-105 777</b>	<b>-87 396</b>	<b>-310 152</b>	<b>-75 460</b>	<b>-1 577 804</b>

There are no revenues from internal transactions between the segments. All stated net sales are derived from external customers.

Profit or loss is allocated among the segments down to operating profit or loss.

*Operating profit or loss is reconciled with profit or loss before tax as follows:*

Starbreeze Games	-19 968	-18 095	-91 850	-19 727	-676 827
Publishing	184	-37 429	-45 484	18 263	-62 325
VR Tech & Operations	-85 896	-23 092	-143 368	-36 241	-611 868
Other	-97	-8 780	-29 450	-37 755	-226 784
<b>Total</b>	<b>-105 777</b>	<b>-87 396</b>	<b>-310 152</b>	<b>-75 460</b>	<b>-1 577 804</b>
Net financial income (-expense)	37 423	-14 914	14 463	-7 059	230 556
<b>Profit (-loss) before tax</b>	<b>-68 354</b>	<b>-102 310</b>	<b>-295 689</b>	<b>-82 519</b>	<b>-1 347 248</b>

## Note 6: Net sales by category

SEKk Q3 2019	Starbreeze Games	Publishing	VR Tech & Operations	Other	Total
PC	12 557	124	-	-	12 681
Consoles, Digital	4 428	37	-	-	4 465
Consoles, Retail	404	-	-	-	404
VR parks	24	172	11	-	207
Services	113	-	-	20	133
Licensing	-	3 060	2	-	3 062
<b>Total net sales</b>	<b>17 694</b>	<b>3 393</b>	<b>13</b>	<b>20</b>	<b>21 120</b>

SEKk JAN-SEP 2019	Starbreeze Games	Publishing	VR Tech & Operations	Other	Total
PC	36 915	539	-	-	37 454
Consoles, Digital	8 042	168	-	-	8 210
Consoles, Retail	2 108	-	-	-	2 108
VR parks	653	1 638	1 063	-	3 354
Services	14 685	-	738	4 243	19 666
Licensing	13 631	143 876	427	-	157 934
Other	168	-	-	-	168
<b>Total net sales</b>	<b>76 202</b>	<b>146 221</b>	<b>2 228</b>	<b>4 243</b>	<b>228 894</b>

## Note 7: Consolidated depreciation and amortization by function

SEKk	2019 Q3	2018 Q3	2019 JAN-SEP	2018 JAN-SEP	2018 JAN-DEC
<b>Depreciation and impairment of property, plant and equipment</b>					
Direct costs	1 649	10 319	36 471	24 660	121 644
Selling and marketing costs	3	475	19	1 632	1 700
Administrative expenses	1 883	1 302	17 243	4 449	5 650
<b>Total depreciation and impairment of property, plant and equipment</b>	<b>3 535</b>	<b>12 096</b>	<b>53 733</b>	<b>30 741</b>	<b>128 994</b>
<b>Amortization and impairment of intangible assets</b>					
Direct costs	91 323	37 432	112 946	108 093	1 438 469
Selling and marketing costs	-	-	-	-	-
Administrative expenses	65	-	187	-	-
<b>Total amortization and impairment of intangible assets</b>	<b>91 388</b>	<b>37 432</b>	<b>113 133</b>	<b>108 093</b>	<b>1 438 469</b>
<b>Total depreciation and amortization and impairment</b>	<b>94 923</b>	<b>49 528</b>	<b>166 866</b>	<b>138 834</b>	<b>1 567 463</b>

## Note 8: Joint venture company StarVR Corporation

The company's joint venture with Acer, StarVR Corporation, is a sales and marketing company for the StarVR One headset. The company manages sales and marketing, primarily to the B2B market, as well as support and aftermarket support. Starbreeze owns the intellectual property, such as patents, source code and brands related to StarVR, while Acer is responsible for manufacturing the product. R&D and reference design work for the StarVR headset is carried out jointly by Starbreeze and Acer. StarVR Corporation bears all costs for selling and marketing the StarVR headset. Starbreeze was responsible for R&D-related costs until September 2018, but these costs have been transferred to StarVR Corporation. Production costs will be paid by Acer, which is also an exclusive supplier to StarVR Corporation.

The reconciliation below reflects adjustments made by the Group upon application of the equity method, including adjustments to fair value at acquisition date and adjustments for differences in accounting policies.

<b>SEKk</b>	<b>2019-09-30</b>
<i>Reconciliation of net carrying amount:</i>	
Balance of net assets at 1 January	14 110
Net profit (-loss) for the period	-1 288
Exchange differences	17
<b>Closing balance net assets</b>	<b>12 839</b>
Group's share	33%
Group's share in SEKk	4 237
<b>Net carrying amount</b>	<b>4 237</b>

The table below provides condensed financial information for the holding in the joint venture (StarVR Corporation) that the Group has deemed material. The information shows the amounts recognized in the financial reports for the joint venture and not Starbreeze's share of these amounts. The reconciliation of Starbreeze's share is shown above.

<b>SEKk</b>	<b>2019-09-30</b>
<i>Balance sheet in summary:</i>	
Current assets	18 894
Non-current assets	2 523
Current liabilities	8 368
<b>Net assets</b>	<b>12 839</b>
<i>Statement of comprehensive income in summary:</i>	
Sales	2 310
Net profit (-loss) for the period	-1 288
<b>Total comprehensive income for the period</b>	<b>-1 288</b>

## Note 9: Impairments

Effective 31 March 2019, the Group decided to recognize an impairment loss on the non-current assets in the VR parks in Dubai and in Stockholm at Sveavägen 14. Both of these VR parks are now discontinued. As of 30 September, the value of the PresenZ technology and StarVR was impaired by a total of SEK 76.7 million. The IP rights to Cinemaware were also impaired during the quarter as these games have not generated any revenue and are not expected to do so. It has also been determined that sale of the asset is not possible.

Impairments by asset class, SEKk	Starbreeze Games	Publishing	VR Tech & Operations	Other	Total
Goodwill	-	-	-	-	-
Other non-current assets	-	3 689	-	-	3 689
Capitalized development cost for own games and technology developme	-	-	55 625	-	55 625
Investments in publishing projects	-	-	21 092	-	21 092
Financial assets	-	-	-	-	-
VR facilities, IT equipment and other equipment	-	-	26 465	-	26 465
<b>Total</b>	<b>0</b>	<b>3 689</b>	<b>103 182</b>	<b>0</b>	<b>106 871</b>
<b>Impairments in profit and loss and other comprehensive income for the period, SEKk</b>	<b>Starbreeze Games</b>	<b>Publishing</b>	<b>VR Tech &amp; Operations</b>	<b>Other</b>	<b>Total</b>
Direct costs	-	3 689	103 182	-	106 871
Finance net	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
<b>Total net sales</b>	<b>0</b>	<b>3 689</b>	<b>103 182</b>	<b>0</b>	<b>106 871</b>

## Note 10: Divested subsidiaries

*Net assets at date of sale of the companies*

The shares in Dhruva Infotech Private Ltd and Nozon sprl were sold during the period. The transactions resulted in a capital loss for the Group of SEK 30.6 million in total. The net assets in the subsidiaries at the sale date, the consolidated losses on the sales and the effect of the transactions on cash flow are shown in the table below.

	<b>Dhruva Infotech Private Limited</b>	<b>Nozon sprl</b>
<b>Net assets disposed</b>	<b>17 maj 2019</b>	<b>30 juni 2019</b>
Goodwill	60 326	15 562
Other non-current assets	735	218
Capitalized development cost for own games and technology develop	-	-
Financial assets	4 602	1 978
Fixed assets	3 607	5 295
Trades and other receivables	20 488	13 090
Prepaid expenses and accrued income	1 954	340
Cash and cash equivalents	229	-
<b>Total asset</b>	<b>91 941</b>	<b>36 483</b>
Other non-current liabilities	2 098	862
Other current interest-bearing liabilities	-	5 109
Trade and other payables	5 391	8 762
Accrued expenses and deferred income	867	-
<b>Total liabilities</b>	<b>8 356</b>	<b>14 733</b>
Net assets disposed	83 585	21 750
<b>Net result incl amortizaton of intercompany receivables</b>	<b>-9 303</b>	<b>-21 296</b>
<b>Selling price</b>	<b>74 282</b>	<b>454</b>
Liquid funds in in divested operations	-229	-
Claims on the tax authority	-7 305	-
<b>TOTAL CASH FLOW IMPACT</b>	<b>66 748</b>	<b>454</b>

Income statements for the sold subsidiaries

The effects of the sales on the income statements of both companies are shown on the table below.

SEKk	2019	2018	2019	2018	2018
	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
Net sales	-	12 266	18 795	31 945	47 433
Direct costs	-	-17 507	-28 992	-50 369	-110 161
<b>Gross profit (-loss)</b>	-	<b>-5 241</b>	<b>-10 197</b>	<b>-18 424</b>	<b>-62 728</b>
Selling and marketing costs	-	-	-	-	-
Administrative expenses	-	-	-520	-	-
Other revenue	-	134	375	518	485
Other expenses	-	-	-50	-	-1 883
	-	-	-	-	-
<b>Operating profit (-loss)</b>	-	<b>-5 107</b>	<b>-10 392</b>	<b>-17 906</b>	<b>-64 126</b>
Financial income	-	2 008	-	2 028	19 801
Financial expenses	-	33 996	-131	33 501	-654
Share in profit or loss of holdings accounted for using the equity method	-	-	-	-	-
<b>Profit (-loss) before tax</b>	-	<b>30 897</b>	<b>-10 523</b>	<b>17 623</b>	<b>-44 979</b>
Income tax	-	1 799 904	651	1 801 273	-1 948
<b>Net profit (-loss) for the period</b>	-	<b>1 830 801</b>	<b>-9 872</b>	<b>1 818 896</b>	<b>-46 927</b>
<i>Profit (-loss) including sales expenses</i>	-	-	-30 599	-	-
<b>Profit (-loss) for the period</b>	-	<b>1 830 801</b>	<b>-40 471</b>	<b>1 818 896</b>	<b>-46 927</b>
Hänförligt till:					
Owners of the parent	0	1 830 833	-40 322	1 819 004	-46 262
Non-controlling interests	-	-32	-149	-108	-665

## Note 11: Reclassifications of opening balances from Q4 2018.

Reclassification of opening balances for assets held for sale, SEKk	New amounts for Dhruva	Previously reported for Dhruva	Difference
Goodwill	-56 783	-56 783	-
Other non-current assets	-	-	-
Capitalized development cost for own games and technology develop	-417	-417	-
Financial assets	-6 373	-	-6 373
VR facilities, IT equipment and other equipment	-2 951	-	-2 951
Trades and other receivables	-7 066	-	-7 066
Prepaid expenses and accrued income	-2 179	-	-2 179
Cash and cash equivalents	-3 063	-	-3 063
Assets held for sale	73 968	57 200	16 768
<b>Total asset</b>	<b>-4 864</b>	<b>-</b>	<b>-4 864</b>
Other non-current liabilities	-2 188	-	-2 188
Trade and other payables	1 223	-	1 223
Accrued expenses and deferred income	-3 899	-	-3 899
<b>Total liabilities</b>	<b>-4 864</b>	<b>-</b>	<b>-4 864</b>

Reclassification of opening balances for non-current liabilities and current liabilities, SEKk	Reclassified amounts	Reclassified amounts
	Group	Parent company
Trades and other receivables	9 685	-
Trade and other payables	9 685	-
Non-current liabilities, earnouts, ePawn	-76	-76
Other non-current liabilities, Smilegate	-200 440	-200 440
Other non-current liabilities, Acer	-71 529	-71 529
Other non-current liabilities, bank overdraft	-75 770	-
Other non-current liabilities, bank loan	-30 000	-
Trade and other payables	377 815	272 045
<b>Total</b>	<b>0</b>	<b>0</b>

# AUDITOR'S REVIEW REPORT

Starbreeze AB (publ), corporate reg. no. 556551-8932

## Introduction

We have reviewed the summarized interim financial information for Starbreeze AB (publ) as of 30 September 2019 and the nine-month period then ended. The directors and management are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

## Focus and scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review differs from and is substantially less in scope than an audit conducted in accordance with ISA and generally accepted auditing practices otherwise and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion expressed based on a review therefore does not provide the same level of assurance as an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information was not prepared, with regard to the Group, in accordance with IAS 34 and the Annual Accounts Act and, with regard to the parent company, in accordance with the Annual Accounts Act.

## Material uncertainties concerning the going concern assumption

Without prejudice to our opinions above, we wish to draw attention to the section "Risks and uncertainties" concerning the company's financing situation. As stated in the interim report, Starbreeze AB (publ) has been in reconstruction since 3 December 2018 and at present does not have sufficient secured funds to guarantee continuing operation for the next twelve months. These circumstances indicate that there are material uncertainties that may cast significant doubt on the company's ability to continue as a going concern.

In a situation where the company's continued operation can no longer be assumed, there is material risk that there will be a need to impair the Group's assets and the parent company's carrying amounts for receivables due from Group companies and for financial assets.

Stockholm, 5 November 2019.

Öhrlings PricewaterhouseCoopers AB

**Nicklas Kullberg**

Authorized Public Accountant

