

Q4

| KEY FIGURES | 2017 | 2016 | 2017 | 2016 |
|---------------------------|---------|--------|-----------|-----------|
| SEK | Q4 | Q4 | JAN - DEC | JAN - DEC |
| Net sales | 103,753 | 99,365 | 361,447 | 345,463 |
| EBITDA | 6,352 | 38,793 | -53,523 | 81,220 |
| Profit (-loss) before tax | -67,852 | 32,341 | -176,185 | 55,900 |
| Earnings per share, SEK | -0.22 | 0.11 | -0.55 | 0.22 |
| Cash flow from operations | -44,341 | 12,938 | -21,086 | 15,291 |
| Net sales per employee | 302 | 494 | 1,329 | 2,288 |

A STRONG FINISH TO 2017 AND HIGH EXPECTATIONS FOR 2018

CEO BO ANDERSSON KLINT REMARKS ON THE REPORT

We are closing the year with our best fourth quarter to date in terms of revenue, with net sales above SEK 100 million. Even though RAID was a disappointment, we delivered sales growth of 4.4 percent and positive EBITDA of SEK 6.4 million in the fourth quarter. 2017 was an eventful year, with many important milestones in the rearview mirror. We are now looking forward to 2018 when OVERKILLS's The Walking Dead will be our biggest release ever and all I can say is that our expectations for the game are high.

FOURTH QUARTER 2017

- Net sales increased by 4.4 percent to SEK 103.8 million (99.4).
- PAYDAY generated SEK 20.4 million (37.8) and Dead by Daylight accounted for SEK 67.6 million (54.6) of net sales.
- EBITDA amounted to SEK 6.4 million (38.8).
- The loss before tax amounted to SEK -67.9 million (32.3).
- Basic and diluted earnings per share were SEK -0.22 (0.11).
- New financing plan for StarVR Corporation.
- Completion of the acquisition of Indian production company Dhruva.
- Impairment loss on RAID: World War II of SEK 20.2 million.
- Starbreeze is reporting a loss before tax of SEK -176.2 million (55.9).
- Basic and diluted earnings per share were SEK -0.55 (0.22).
- Cash and cash equivalents at the end of the period amounted to SEK 233.8 million (669.4)
- The board of directors is proposing no dividend for the 2017 financial year.

FULL YEAR 2017

- Net sales increased by 4.6 percent to SEK 361.4 million (345.5).
- PAYDAY generated SEK 120.3 million (162.4) and Dead by Daylight accounted for SEK 201.5 million (143.7).
- EBITDA amounted to SEK -53.5 million (81.2).
- Directed issue of new shares to Swedish and international investors raised approximately SEK 238 million before transaction costs.
- Decision in favor of a rights issue of SEK 150 million (see separate press release).

ABOUT STARBREEZE

Starbreeze is a global game company whose vision is to be a leading provider in the entertainment industry by creating world-class experiences. Starbreeze was founded in 1998 and has since evolved into a well-established developer and publisher of PC and console games and VR products aimed at the global market. With offices in Stockholm, Paris, Los Angeles, Barcelona, Brussels and India, Starbreeze develops high-quality entertainment products based on proprietary and third-party rights, both in-house and in partnership with external game developers. Operations are organized in three business areas: Starbreeze Games, Publishing and VR Tech & Operations.

Headquartered in Stockholm, Sweden, the Starbreeze share is listed on Nasdaq Stockholm under the tickers STAR A and STAR B, ISIN codes SE0007158928 (class A) and SE0005992831 (class B-).

More information: starbreeze.com

Q4
2017

> 15

MILLION VIEWERS WATCHED

**OVERKILL'S THE
WALKING DEAD**

TRAILER ON YOUTUBE AND FACEBOOK
IN THE FIRST WEEK.



A STRONG FINISH TO 2017 AND HIGH EXPECTATIONS FOR 2018

CEO Bo Andersson Klint remarks on the report:

SUSTAINED GROWTH AND POSITIVE EBITDA

We are closing the year with our best fourth quarter to date in terms of revenue, with net sales above SEK 100 million. Even though RAID: World War II (RAID) was a disappointment, we delivered sales growth of 4.4 percent and positive EBITDA of SEK 6.4 million in the fourth quarter. As previously communicated, we may show negative EBITDA and/or cash flow until we release OVERKILL's The Walking Dead (OTWD).

In the quarter, we continued to add vital components to our business. As of December 22, the acquired Indian production company Dhruva is included in the financial statements. We also invested in building our VR centers in Dubai and Stockholm during the period.

We expanded our game development teams during the year, resulting in substantially higher employee benefits expense than in the preceding year. Notably, there was an increase in depreciation, amortization and impairments during the quarter, year-on-year. This is due to our having more games available in the market, such as Dead by Daylight and RAID, which we are thus amortizing. An impairment loss on RAID of SEK 20.2 million was also recognized during the quarter to match the asset to the anticipated cash flow as game sales have been poorer than expected.

ONE OF THE MOST-PLAYED GAMES IN THE WORLD

PAYDAY 2 is still a highly relevant product and was one of the most frequently played games on the digital platform Steam in 2017. The VR version of the game – the biggest VR game in the world in terms of content – is currently in beta testing. With only a week or two to go, the release for Nintendo Switch is fast approaching and we are already accepting preorders. Based on the undiminished interest in PAYDAY 2, we have also decided to extend the development period of PAYDAY 2 into 2019, as a bridge to PAYDAY 3.

GAAS AND THE MULTIPLATFORM STRATEGY ARE DELIVERING

Our most important publishing title Dead by Daylight was a star performer during the quarter and the full year of 2017, proof of the strength of our Games as a Service concept. The game generated revenue of SEK 202 million in 2017, up from SEK 144 million in 2016 when the game was released. We successfully released the game for the Xbox One and PlayStation 4 platforms in 2017 and released no fewer than seven updates, which took prominent brands like *Leatherface* and *A Nightmare on Elm Street* into the homes of our players. The latest update, *The Saw Chapter*, was released simultaneously for all platforms in January, becoming our fastest-selling DLC ever.

PHASE THREE IN THE VR VENTURE

We successfully established Starbreeze and StarVR as leading brands in VR and location-based entertainment during the year. We are now in phase three of the VR venture we began in 2014 by building the technical platform in the StarVR HMD. In 2017, we continued to invest in location-based VR in order to reach the final goal: to produce and sell games and experiences for external operators of location-based VR operators, such as amusement parks and shopping centers. We have invested time and resources in building the VR locations in Dubai and Stockholm as full-on concept stores to demonstrate how our content and headset can work together to create a superior concept.

The image features a large, stylized sun character with a smiling face and a red 'Q4 2017' logo. Below the sun is a line chart showing concurrent players for PAYDAY 2 on Steam from December 2014 to December 2017. The chart has two lines: a red line for 'Concurrent players (avg)' and a white line for 'Concurrent players (peak)'. The y-axis ranges from 0 to 300,000. The x-axis shows quarterly intervals from Dec-14 to Dec-17. A significant peak in the white line occurs in June 2017, reaching approximately 250,000 players. The red line shows a steady increase over time, peaking in late 2017 at around 92,426 players.

Q4 2017

PAYDAY 2

— Concurrent players (avg)
— Concurrent players (peak)

300,000
250,000
200,000
150,000
100,000
50,000
0

Dec-14 Mar-15 Jun-15 Sep-15 Dec-15 Mar-16 Jun-16 Sep-16 Dec-16 Mar-17 Jun-17 Sep-17 Dec-17

Source: steamcharts.com

At peak

92,426

gamers played PAYDAY 2 concurrently in Q4

Our initiative as the main partner to the brand-new VR Park under construction in the Dubai Mall, is in its polishing phase and we're very excited to deploy more than 100 VR stations throughout the 7,000 square meter center. As a whole, the VR Park will quite possibly be the largest high-end indoor VR Park in the world.

We are convinced that location-based VR is the optimal business model for VR for the masses in the foreseeable future. IMAX and SEGA are already customers of both Starbreeze and StarVR Corporation.

STARVR JOINT VENTURE TAKES THE HEADSET TO MARKET

As of our latest agreement, Acer has taken on the majority of the financing of the joint venture StarVR Corporation, enabling us to concentrate our resources on producing content. StarVR Corporation has already delivered on the promise to put the headset into serialized production in the current version before Christmas to meet the demands of customers such as SEGA and the Dubai VR park. The next version of our VR headset for a professional customer base will be presented later in the year. The joint venture will move forward as an increasingly independent organization and we are in talks with Acer on the possibility of an IPO for StarVR. We're in agreement with Acer that this is an excellent way to propel the business into becoming the leading global VR company we set out to create from the beginning.

FOCUS ON VR CONTENT

Our VR publishing partners are ready, and we will continue building the LBE content catalog to ensure the capacity of our new and existing customers. APEX, a VR experience developed by Lucky Hammers, is part of the opening offer in Dubai and proof of the knowledge we have accumulated over the years, and how we can take VR content to new heights, with the right partners. Another example of the value of our content catalog is the license agreement with StarVR Corporation for *The Mummy*, a VR experience that gave us SEK 5.3 million in revenue for the quarter and will also generate royalties on future revenue.

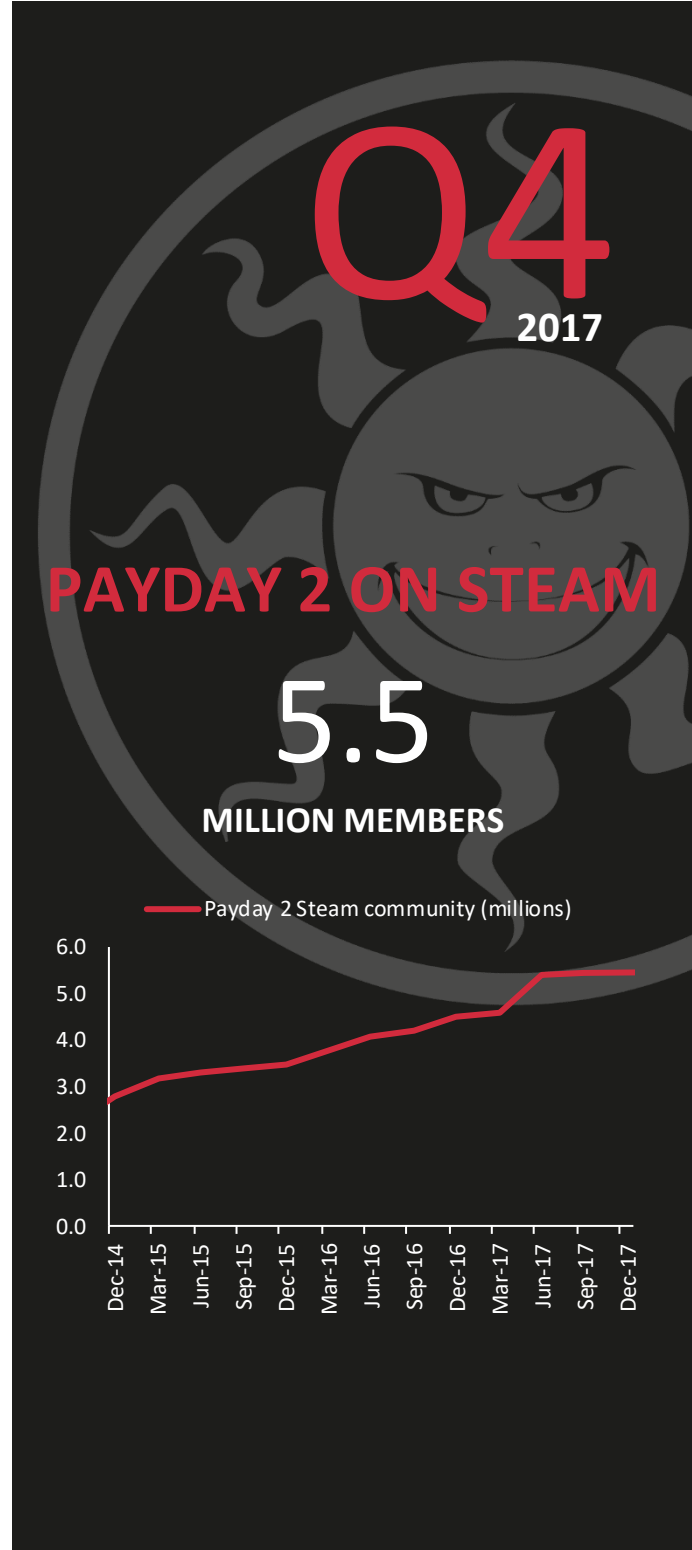
STRENGTHENING THE WAR CHEST

A little less than a year ago, we decided to adjust the promised release date of OVERKILL's *The Walking Dead* (OTWD) from 2017 to 2018 to assure the quality of the game. Combined with poorer than expected sales of RAID, this created a need to secure the financing of our current business plan to the tune of about SEK 75 million until the release of OTWD. Toward that end, we successfully executed a new share issue of some SEK 238 million directed at a number of Swedish and international institutions, with Robur and Första AP-fonden in the lead. We are deeply gratified by the trust they have shown us. We would also like to give our current shareholders the opportunity to participate in a rights issue of SEK 150 million, an issue resolved by the board today, and an EGM will follow. After this capital raising, we have the funds we need to both execute our plan to achieve revenue of at least SEK 2 billion in 2020 and grasp several business opportunities that we believe are going to create significant value for our shareholders. We will, including expanding the marketing campaign for OTWD, be extending the development period of PAYDAY 2 to 2019 and accelerating the production plan for PAYDAY 3. I am also extremely pleased that we have now been able to sign the publishing project *10 Crowns*, which is being developed by some of the brains behind *Civilization IV* and *Civilization V*.

2018 BELONGS TO THE WALKING DEAD

Looking in the rearview mirror, 2017 was an eventful year, with many milestones achieved. We are now looking forward to 2018 when OTWD will be our biggest release ever and all I can say is that our expectations for the game are high. When we started the campaign at the end of the year, proof of massive interest from the worldwide gaming community was instant, which made our team even more pumped. We are looking forward to revealing more of the game, step by step, and introducing the other main characters ahead of the release this fall.

Bo Andersson Klint



SIGNIFICANT EVENTS DURING THE QUARTER

Q4 2017

LISTING ON NASDAQ STOCKHOLM

The first day of trading in the Starbreeze share in the Mid Cap segment on Nasdaq Stockholm was 2 October 2017.

NEW FINANCING PLAN FOR STARVR CORPORATION

In October, Starbreeze and Acer agreed a new financing plan for the joint venture StarVR Corporation, under which Starbreeze was released from its commitment to provide an additional USD 7.5 million and Acer will instead make a capital injection of USD 5 million to StarVR Corporation. Following the new agreement, Starbreeze's stake in the joint venture is 33.3 percent. Starbreeze still owns the related intellectual property and will continue the further development of the VR headset.

CLOSING OF DHRUVA ACQUISITION

Starbreeze and the owners of Indian production company Dhruva agreed in August to finalize the acquisition of 90.5 percent of the shares in the company against cash consideration of USD 8.5 million. In conjunction, part of the seller group committed to acquiring newly issued Class B shares in Starbreeze to a value of USD 1.5 million. The agreement also contained a five-year earnout capped at USD 0.5 million. The acquisition was finalized on 22 December 2017 and Dhruva is included in the financial statements of Starbreeze as of that date.

RELEASE OF RAID FOR CONSOLE

Starbreeze, Lion Game Lion and 505 Games jointly released the publishing title RAID: World War II for console in October. In spite of corrective measures taken, reception and sales of the PC (released September 2017) and console versions of the game have been significantly below expectations since the release. As a result, an impairment loss on RAID of SEK 20.2 million was charged against earnings for the fourth quarter to match the future cash flows the game is expected to generate.

OTWD MARKETING BEGINS

Starbreeze, Skybound Entertainment and 505 Games released a trailer for the own game OVERKILL's The Walking Dead (OTWD) in December that introduced the four main characters of the game. Advance interest in the game is huge, and more than 15 million viewers watched the trailer on YouTube and Facebook in the first week. Game development is on schedule and the release is planned for fall 2018.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Directed issue for continued expansion

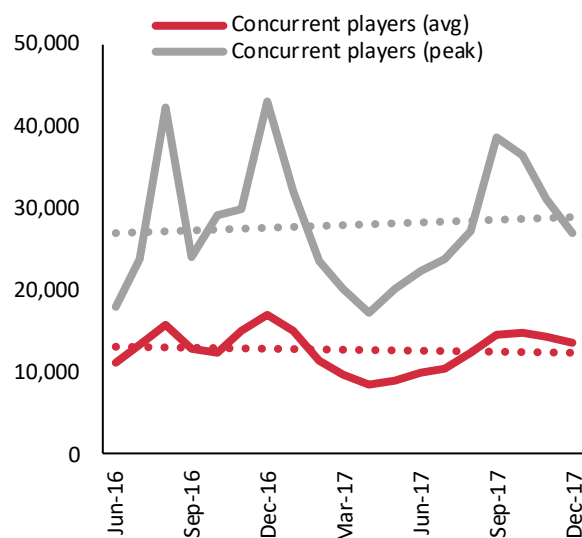
Supported by the authorization of the 2017 AGM, a directed issue to Swedish and international institutional investors was executed on 25 January. The issue of 20,681,797 new Class B shares was priced at SEK 11.52 per share, corresponding to the closing price on 24 January 2018. The issue was oversubscribed and raised approximately SEK 238 million for the company before transaction costs. In addition, the board of directors today decided to offer existing shareholders the opportunity to participate in a rights issue of approximately SEK 150 million, subject to the approval of the subsequent general meeting. The purpose of the issues is to secure financing of the current business plan in the amount of about SEK 75 million until the release of OTWD. The company has also identified several business opportunities in addition to the current business plan, which it has assessed will create substantial value for shareholders.

At peak,

36,343

DEAD BY DAYLIGHT

gamers played concurrently during the quarter



Source: steamcharts.com

SALES AND PROFIT

Q4

2017

The comparison period for profit and loss is the corresponding period in the preceding year. The acquired Indian production company Dhruva is included in the financial statements as of 22 December 2017.

SALES

Fourth quarter 2017

Net sales increased by 4.4 percent to SEK 103.8 million (99.4). PAYDAY generated SEK 20.4 million (37.8) and Dead by Daylight SEK 67.6 million (54.6). The total also includes revenue of SEK 5.3 million (0.0) for *The Mummy* through a licensing deal with the joint venture, StarVR Corporation.

Capitalized development costs for the quarter amounted to SEK 67.0 million (52.7). The increase was driven mainly by higher activity in the production of OVERKILL's *The Walking Dead* and the *Crossfire* game project, for which capitalization began during the quarter.

Other operating revenue, consisting of currency effects, amounted to SEK 0.0 million (13.5). See the remarks on other operating costs below.

Consolidated net sales, capitalized development costs and other operating revenue totaled SEK 170.8 million (165.5).

Full year 2017

Net sales increased by 4.6 percent to SEK 361.4 million (345.5). PAYDAY generated SEK 120.3 million (162.4) and Dead by Daylight SEK 201.5 million (143.7). The growth is mainly attributable to the release of the console versions of *Dead by Daylight* in the second quarter of 2017. Starbreeze also received non-recurring income of SEK 22.0 million during the year for the sale of the game's physical console rights.

Capitalized development costs for the quarter amounted to SEK 231.9 million (154.5). The increase was driven primarily by higher activity in the production of OVERKILL's *The Walking Dead* (OTWD), development of the StarVR headset and the mobile project PAYDAY *Crime War*, the *Crossfire* game project and the build-up of the VR centers in Dubai and Stockholm.

Other operating revenue, consisting of currency effects, decreased to SEK 0.0 million (23.1). See the remarks on other operating costs below.

Consolidated net sales, capitalized development costs and other operating revenue totaled SEK 593.4 million (523.0).

COSTS AND PROFIT

Fourth quarter 2017

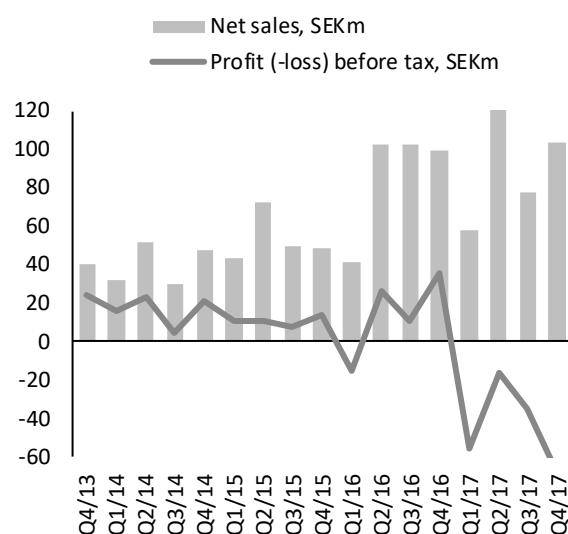
Other external expenses increased to SEK 108.6 million (91.1), including SEK 32.9 million (27.2) in royalties to partners in the Publishing business. Costs for purchased services related to game development increased to SEK 44.0 million (36.2). Costs for office and production space also increased to SEK 11.3 million (6.3) due to expansion of premises in Stockholm, Los Angeles and Redwood City.

Employee benefits expense increased by 80 percent to SEK 64.9 million (36.0), driven mainly by staff additions in the Starbreeze Games business area.

Other operating costs, consisting of currency effects, amounted to SEK 9.1 million (13.5, recognized as revenue), due to depreciation of the dollar and euro rates against the Swedish krona.

SALES AND PROFIT

| | 2017 | 2016 |
|---------------------------|---------|---------|
| SEKk | Q4 | Q4 |
| Net sales | 103,753 | 99,365 |
| EBITDA | 6,352 | 38,793 |
| Profit (-loss) before tax | -67,852 | 32,341 |
| Profit (-loss) after tax | -63,040 | 30,206 |
| Earnings per share, SEK | -0.22 | 0.11 |
| Exchange differences | 14,526 | -10,335 |
| Net sales growth, % | 4.4 | 103.0 |
| EBITDA margin, % | 3.7 | 23.4 |



Compared to Q4 2016, costs excluding royalties to partners increased by 70 percent, driven mainly by higher activity in game development.

EBITDA amounted to SEK 6.4 million (38.8). The loss before tax was SEK -67.9 million (32.3). Depreciation, amortization and impairments of SEK 49.4 million (7.0) were charged to earnings, the majority of which consists of amortizations of the released titles RAID: World War II (RAID) and John Wick. Amortization for RAID includes an impairment loss of SEK 20.2 million. The loss after tax was SEK -63.0 million (30.2).

Net financial income and expense consisted largely of the remeasurement of earnouts of SEK -15.8 million (9.0), of which SEK -8.1 million in exchange losses. Interest on convertible bonds increased to SEK -5.6 million (-5.2). The share in the loss of the joint venture StarVR Corporation was SEK -0.7 million (0.2). Remeasurement of derivatives attributable to the Smilegate bond amounted to SEK -1.3 million (-2.2) and interest on the bank overdraft facility with Nordea was SEK -1.3 million (0,0). See the table at the right. The majority of net financial income and expense for the quarter had no impact on cash flow.

Basic and diluted earnings per share were SEK -0.22 (0.11).

Full year 2017

Other external expenses increased to SEK 415.8 million (292.1), including SEK 91.1 million (72.6) in royalties to partners in the Publishing business. Costs for purchased services related to game development increased to SEK 178.0 million (110.6). Office costs increased to SEK 40.7 million (22.3) as a consequence of acquisitions and expansion of premises mainly in Stockholm.

Employee benefits expense increased to SEK 229.9 million (148.5), driven mainly by acquisitions and staff additions in the Starbreeze Games business area.

Other operating costs, consisting of currency effects, were on par with the preceding year and amounted to SEK 1.2 million (1.2).

Earnings were further impacted by costs that cannot be capitalized because the projects have not reached a sufficient percentage of completion. EBITDA amounted to SEK -53.5 million (81.2). The loss before tax was SEK -176.2 million (55.9). Depreciation, amortization and impairments of SEK 97.9 million (24.8) were charged to earnings, the majority of which consists of amortizations of the released titles RAID and John Wick. Amortization for RAID includes an impairment loss of SEK 20.2 million. The loss after tax was SEK -155.3 million (57.1).

Net financial income and expense consisted largely of the remeasurement of earnouts (see page 11) of SEK -10.1 million (8.8), of which SEK -5.3 million (7.1) in exchange losses. Interest on convertible bonds increased to SEK -21.7 million (-14.8); the share in the loss of the joint venture StarVR Corporation was SEK -4.2 million (0.1); remeasurement of derivatives attributable to the Smilegate convertible bond amounted to SEK -8.4 million (4.7) and interest on the bank overdraft facility with Nordea was SEK -1.3 million (0.0). See the table at the right. The majority of net financial income and expense for the period had no impact on cash flow.

Basic and diluted earnings per share were SEK -0.55 (0.22).

Q4

2017

DISTRIBUTION OF NET SALES FOR THE QUARTER

■ Dead by Daylight ■ Payday 2 ■ Other



■ PC ■ Console



SPECIFICATION OF NET FINANCIAL INCOME AND EXPENSE

| | 2017 | 2016 | 2017 | 2016 |
|--|----------------|------------|----------------|-------------|
| SEkk | Q4 | Q4 | JAN - DEC | JAN - DEC |
| Remeasurement of earnouts | -15,867 | 9,034 | 10,105 | 8,787 |
| Interest on convertible bonds | -5,577 | -5,221 | -21,678 | -14,788 |
| Remeasurement of derivatives attributable to convertible bonds | -1,304 | -2,244 | -8,380 | 4,737 |
| Net profit (-loss) from StarVR Corporation | -749 | 162 | -4,200 | 131 |
| Interest on short-term investments | - | -303 | 862 | 1,561 |
| Interest on bank overdraft facility | -1,255 | - | -1,255 | - |
| Other items | -80 | -893 | -180 | -982 |
| Total | -24,832 | 535 | -24,726 | -554 |

SEGMENT REPORTING

Q4

2017

As of the second quarter of 2017, Starbreeze reports according to the following segments: Starbreeze Games, Publishing and VR Tech & Operations. Reporting is provided down to operating profit or loss, and assets and liabilities are not reported. The comparative figures for 2016 have been restated and full year figures reported in the earlier stock market prospectus have been allocated between the Starbreeze Games and VR Tech & Operations segments. No changes have been made to the quarterly figures for 2016 reported in previous interim reports.

STARBREEZE GAMES

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 Starbreeze's ongoing game projects, including OVERKILL's The Walking Dead and Crossfire.

Fourth quarter 2017

Net sales amounted to SEK 22.2 million (37.9), with the own game PAYDAY 2, released in 2013, accounting for the lion's share.

Development costs of SEK 60.2 million (28.1) were capitalized during the quarter. The increase was driven mainly by higher activity in the production of OVERKILL's The Walking Dead (OTWD). The item includes development costs for the Crossfire game and the Ringwalker VR experience, capitalized as of the fourth quarter of 2017.

The operating loss was SEK -8.6 million (25.5). Operating costs increased by SEK 43.4 million year-on-year, due primarily to higher activity in the production of OTWD. Earnings were also affected by exchange losses of SEK-3.1 million (gain: 7.0 million).

Full year 2017

Net sales amounted to SEK 122.1 million (162.4), with PAYDAY 2 accounting for the lion's share. The figures for 2016 include a non-recurring effect of SEK 19.9 million arising from the buy-back of the rights to PAYDAY.

Development costs of SEK 148.2 million (82.4) were capitalized during the period. The increase was mainly driven by higher activity in the production of OTWD, as well as the Crossfire game project and the PAYDAY Crime War mobile game project.

The operating loss was SEK -0.6 million (85.5). Operating costs increased by SEK 99.5 million year-on-year, driven primarily by higher activity in the OTWD project and the Crossfire game project and PAYDAY Crime War mobile game project having moved into a more intensive phase. Earnings were also affected by exchange losses of SEK -17.6 million (12.0).

After the end of the period

Revenues from sales of PAYDAY 2 via the Steam platform in January 2018 amounted to SEK 4.7 million (6.5).

| | 2017 | 2016 | 2017 | 2016 |
|---------------------------------|---------------|---------------|----------------|----------------|
| SEKk | Q4 | Q4 | JAN - DEC | JAN - DEC |
| Starbreeze Games | | | | |
| Net sales | 22,166 | 37,931 | 122,074 | 162,442 |
| Capitalized development costs | 60,168 | 28,132 | 148,196 | 82,443 |
| Other operating revenue | - | 6,970 | - | 11,977 |
| Total | 82,334 | 73,033 | 270,270 | 256,862 |
| Operating costs | -90,980 | -47,558 | -270,820 | -171,328 |
| Operating profit (-loss) | -8,646 | 25,475 | -550 | 85,534 |



PUBLISHING

The Publishing business area consists of Starbreeze's publishing operations with games developed by third parties. Revenues currently comprise mainly royalties for the rights to *Dead by Daylight*.

Fourth quarter 2017

Net sales amounted to SEK 74.6 million (54.6), of which *Dead by Daylight* accounted for SEK 67.6 million (54.6) and *RAID: World War II* for SEK 1.7 million (0.0). This also includes revenue of SEK 5.3 million (0.0) for *The Mummy* through a licensing deal with the joint venture company, StarVR Corporation.

Development costs of SEK 1.1 million (7.9) were capitalized during the quarter, which refer to production costs for publishing titles. The costs to further develop released games are recognized as costs when they are incurred. The decrease compared to 2016 is due primarily to the release of the publishing title *RAID: World War II*.

The operating loss amounted to SEK -31.3 million (15.6). Earnings were affected by costs of SEK 27.5 million (25.9) in royalties to partners and costs of SEK 11.7 million (5.2) for further development of *Dead by Daylight*. Earnings were also reduced by exchange losses of SEK -1.6 million (gain: 4.7 million) and amortization and impairments of intangible assets of SEK 39.6 million (2.2), including an impairment loss on *RAID* of SEK 20.2 million.

Full year 2017

Net sales amounted to SEK 219.9 million (176.1), of which *Dead by Daylight* accounted for SEK 201.5 million (143.7), *RAID* for SEK 4.6 million (32.5) and *John Wick: Chronicles* for SEK 8.3 million (0.0). The growth is primarily attributable the release of *Dead by Daylight* for console in Q2 2017 and sale of the game's physical console rights for SEK 22.0 million. During the third quarter of 2016, Starbreeze received a minimum guarantee of SEK 32.5 million in royalties for the physical console version of *RAID*, which should be considered in a comparison. Development costs of SEK 26.1 million (32.4) were capitalized during the period.

The operating loss amounted to SEK -42.5 million (64.6). Earnings were affected by costs of SEK 90.0 million (68.2) in royalties to partners and costs of SEK 36.7 million (12.6) for further development of *Dead by Daylight* and the VR game *The Mummy*. Earnings were also reduced by exchange losses of SEK -6.8 million (gain: 12.8 million) and amortization and impairments of intangible assets of SEK 63.5 million (5.3), including an impairment loss on *RAID* of SEK 20.2 million.

After the end of the period

Revenues from sales of *Dead by Daylight* via the Steam platform in January 2018 amounted to SEK 11.4 million (0.0).

Q4

2017

| | 2017 | 2016 | 2017 | 2016 |
|---------------------------------|----------------|---------------|----------------|----------------|
| SEKk | Q4 | Q4 | JAN - DEC | JAN - DEC |
| Publishing | | | | |
| Net sales | 74,649 | 54,577 | 219,925 | 176,142 |
| Capitalized development costs | 1,073 | 7,966 | 26,137 | 32,440 |
| Other operating revenue | - | 4,627 | - | 7,951 |
| Total | 75,722 | 67,170 | 246,062 | 216,533 |
| Operating costs | -107,051 | -51,568 | -288,527 | -151,943 |
| Operating profit (-loss) | -31,329 | 15,602 | -42,465 | 64,590 |

VR TECH & OPERATIONS

The VR Tech & Operations business area consists of Starbreeze's technology and software development in virtual reality (VR), which includes the development of the StarVR headset and the VR movie format PresenZ. Revenues and costs for VR centers are also included as of the third quarter of 2017. Profit or loss from the joint venture company with Acer, Star VR Corporation, are reported as financial income or expense and are thus not included in results of operations.

Fourth quarter 2017

Net sales, primarily comprising license revenues from the various technologies and revenues generated by VR centers, have not yet reached full commercialization or have not yet opened. Net sales for the period of SEK 3.9 million (0.0) are mainly attributable to income from StarVR Corporation in compensation for marketing of the StarVR headset and are part of the previously communicated financial support received of USD 8 million in total received from them for the build-up of the VR center in Dubai. The portion of the financial support not recognized in revenue has been recognized as a liability and will decline as StarVR Corporation receives its share of ticket revenues from the center. If the forecast for the VR center changes, the liability will be adjusted and recognized in net consolidated financial income and expense.

Development costs of SEK 5.8 million (16.6) were capitalized during the quarter and refer mainly to development of the StarVR headset. Other operating revenue, consisting of currency effects, amounted to SEK 0.0 million (3.5).

The operating profit was SEK 5.2 million (-7,9). Currency effects of SEK 3.5 million (0.0) had positive impact on operating costs. The majority of costs for the build-up of the VR centers in Dubai and Stockholm are posted directly to the balance sheet as non-current assets and thus do not affect profit and loss until the asset has been amortized.

Full year 2017

Net sales amounted to SEK 3.9 million (0.0). Development costs of SEK 57.6 million (39.3) were capitalized and refer mainly to development of the StarVR headset. Other operating revenue, consisting of currency effects, amounted to SEK 0.0 million (6.0). The operating loss was SEK -0.4 million (-31.9).

OTHER

Group-wide costs and projects that are not attributable to the above segments are reported under Other.

Fourth quarter 2017

Net sales amounted to SEK 3.1 million (6.9) and consist primarily of the Group's Belgian VFX business, Nozon. Development costs of SEK 0.0 million (0.0) were capitalized during the quarter. Other operating revenue, consisting of currency effects, amounted to SEK 0.0 million (-1.6). The operating loss was SEK -8.2 million (-1.4).

Full year 2017

Net sales amounted to SEK 15.6 million (6.9). Development costs of SEK 0.0 million (0.3) were capitalized during the period. Other operating revenue, consisting of currency effects, amounted to SEK 0.0 million (-2.8). The operating loss was SEK -108.0 million (-61.8). Earnings were reduced by non-recurring acquisition costs, listing costs and consultancy costs.

Q4

2017

| | 2017 | 2016 | 2017 | 2016 |
|---------------------------------|--------------|---------------|---------------|----------------|
| SEkk | Q4 | Q4 | JAN - DEC | JAN - DEC |
| VR Tech & Operations | | | | |
| Net sales | 3,883 | - | 3,883 | - |
| Capitalized development costs | 5,761 | 16,563 | 57,601 | 39,264 |
| Other operating revenue | - | 3,482 | - | 5,983 |
| Total | 9,644 | 20,045 | 61,484 | 45,247 |
| Operating costs | -4,460 | -27,905 | -61,895 | -77,153 |
| Operating profit (-loss) | 5,184 | -7,860 | -411 | -31,906 |

| | 2017 | 2016 | 2017 | 2016 |
|---------------------------------|---------------|---------------|-----------------|----------------|
| SEkk | Q4 | Q4 | JAN - DEC | JAN - DEC |
| Other | | | | |
| Net sales | 3,055 | 6,857 | 15,565 | 6,879 |
| Capitalized development costs | - | - | - | 303 |
| Other operating revenue | - | -1,617 | - | -2,779 |
| Total | 3,055 | 5,240 | 15,565 | 4,403 |
| Operating costs | -11,284 | -6,651 | -123,598 | -66,167 |
| Operating profit (-loss) | -8,229 | -1,411 | -108,033 | -61,764 |

OTHER FINANCIAL INFORMATION

The comparison period for cash flow is the corresponding period in the preceding year. The comparison period for balance sheet items is the balance on 31 December 2016.

FINANCIAL POSITION

Goodwill at the end of the period amounted to SEK 545.0 million (404.5). The acquisitions of Enterspace and Dhruva increased this item in the balance sheet by SEK 68.8 million and SEK 72.9 million, respectively, as of acquisition date. Goodwill is recognized using the exchange rate on the reporting date. The preliminary acquisition analysis for Starbreeze Paris (formerly ePawn) was completed, which resulted in a downwards adjustment of the acquisition price and goodwill by SEK 5.0 million. The adjustment had no impact on profit and loss. Other non-current assets totaled SEK 597.5 million (594.7).

Capitalized development costs increased by SEK 339.0 million to SEK 642.8 million (303.8) and refer to own game development projects, such as OVERKILL's The Walking Dead, and technology development in VR Tech & Operations. Investments in Publishing projects of SEK 187.5 million (71.7), which are posted directly to the balance sheet and are therefore not included in capitalized development costs on the income statement, are also included but do not affect cash flow.

Intangible assets were amortized during the year by SEK 82.3 million (20.6), including an impairment loss of SEK 20.2 million on RAID: World War II. Trade and other receivables amounted to SEK 27.8 million (25.6).

Prepaid expenses and accrued income at the end of the quarter amounted to SEK 125.3 million (56.2), of which SEK 57.1 million (35.1) related to receivables for digital sales, primarily via Steam, PlayStationStore and Xbox Live. The increase is also attributable to the build-up of the VR center in Dubai, including advance payments of SEK 27.7 million and prepaid issue expenses of SEK 6.0 million.

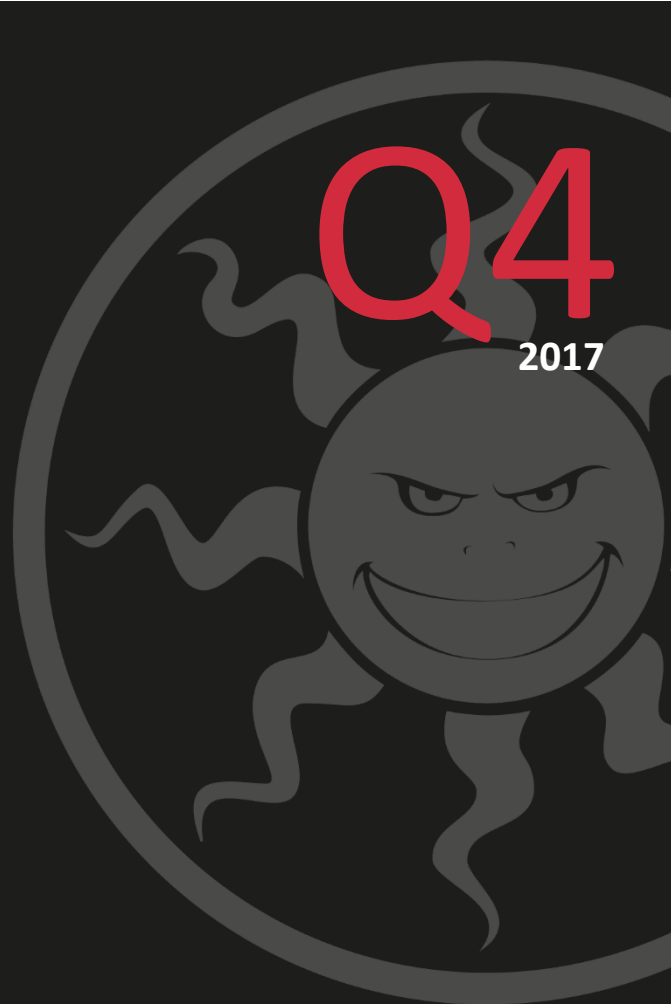
Deferred tax assets relating to outstanding loss carryforwards in the parent company Starbreeze AB amounted to SEK 23.1 million (5.3) at the end of the quarter. Deferred tax assets relating to outstanding loss carryforwards in foreign subsidiaries amounted to SEK 37.8 million (12.1). In the Swedish subsidiaries, deferred tax assets relating to loss carryforwards amounted to SEK 47.3 million (13.4). The increase is due to the Group having reported a loss.

Consolidated equity on the reporting date amounted to SEK 1,282.4 million (1,370.2) and the equity to assets ratio was 52.1 percent (63.8).

Non-current liabilities for earnouts increased to SEK 347.9 million (307.1). The balance sheet item relates to earnouts for completed company acquisitions, primarily Nozon and Parallaxter. The acquisition of Enterspace increased this item in the balance sheet by SEK 46.8 million. The 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).

Other non-current liabilities increased to SEK 466.6 million (265.5). The majority of this balance sheet item consists of the new bank overdraft facility from Nordea of SEK 141.0 million (0.0) and the convertible bond loans, from Acer in the amount of SEK 71.5 million (66.5) and from Smilegate in the amount of SEK 213.2 million (193.4).

Trade and other payables at the end of the quarter amounted to SEK 122.4 million (42.0), of which SEK 41.6 million relates to development advances for OVERKILL's The Walking Dead. Development advances of this type are recognized as a liability when the advance is received and recognized in



CASH AND CASH EQUIVALENTS

SEK 233.8 M

AS OF 31 DECEMBER 2017

revenue when the game is released. Accrued expenses and deferred income at the end of the quarter amounted to SEK 70.6 million (45.0). The increase was driven primarily by the acquired company Enterspace and refers mainly to the build-up of the VR center in Dubai. The revenue share liability for Dead by Daylight increased from SEK 13.1 million to SEK 19.0 million, driven by increased sales.

CASH FLOW

Fourth quarter 2017

Cash and cash equivalents at the beginning of the quarter amounted to SEK 431.5 million (376.0).

Cash flow used in operating activities amounted to SEK -44.3 million (12.9) and had negative impact on operating profit. Cash flow used in investing activities was SEK -219.1 million. See also the "Investments" section below. Cash flow from financing activities was SEK 65.8 million (389.9). The change is due mainly to the new share issue executed in the fourth quarter of 2016.

Total cash flow (-used in) for the quarter was SEK -197.7 million (286.9). Cash and cash equivalents at the end of the period amounted to SEK 233.8 million (669.4)

Full year 2017

Cash and cash equivalents on 1 January 2017 amounted to SEK 669.4 million (85.4).

Cash flow used in operating activities amounted to SEK -21.1 million (15.3). Cash flow used in investing activities was SEK -620.1 million (-289.8). Cash flow from financing activities was SEK 208.9 million (853.9). The change is due mainly to the new share issues executed in 2016.

Total cash flow (-used in) the period was SEK -432.3 million (579.0). Cash and cash equivalents at the end of the period amounted to SEK 233.8 million (669.4)

INVESTMENTS

Group investments in property, plant and equipment during the fourth quarter amounted to SEK 42.9 million (3.4), of which SEK 9.9 million refers to the build-up of the VR center in Dubai. Furthermore, investments in the form of capitalized game development costs amounted to SEK 116.3 million (66.9) and investments through corporate acquisitions amounted to SEK 59.4 million (44.9).

For the full year, Group investments in property, plant and equipment amounted to SEK 87.3 million (9.4), investments in the form of capitalized game development costs amounted to SEK 412.1 million (194.9) and investments through corporate acquisitions amounted to SEK 59.1 million (60.4). Investments in other non-current financial assets increased to SEK 61.6 million (9.7), including SEK 37.5 million in the joint venture StarVR Corporation and SEK 21.8 million in loan receivables, primarily in Enterspace AB and an American start-up company.

PARENT COMPANY

The Group's operations are conducted in the parent company Starbreeze AB (publ), the subsidiaries Dhruva Infotech, 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 and Starbreeze Paris SAS, Nozon, Parallaxter and Enterspace AB.

The parent company's net sales for the fourth quarter of 2017 amounted to SEK 16.2 million (36.7). Sales refer primarily to allocation of management fees. The loss before tax for the same period was SEK -5.7 million (15.0) and the loss after tax was SEK -2.6 million (13.7).



**DIRECTED ISSUE RAISES
APPROXIMATELY**

SEK 238 M

AFTER THE END OF THE YEAR

The parent company's net sales for the full year amounted to SEK 63.2 million (101.9). The loss before tax for the same period was SEK -74.6 million (8.0) and the loss after tax was SEK -56.7 million (8.0).

Cash and cash equivalents at the end of the period amounted to SEK 75.4 million (540.1) and parent company equity was SEK 1,212.5 million (1,222.0).

Investments in subsidiaries increased by SEK 591.0 million to SEK 1,281.1 million (690.1), with the increase consisting mainly of shareholder contributions to subsidiaries of SEK 384.4 million, the acquisitions of Enterspace and Dhruva and the internal purchase of Starbreeze IP Lux II, for a total of SEK 219.6 million. Investments in joint ventures increased by SEK 37.5 million to SEK 46.0 million (8.5) through a capital injection to StarVR Corporation.

Non-current liabilities consisting of convertible bonds and earnouts increased by SEK 67.6 million to SEK 632.8 million (565.2), primarily due to the acquisitions of Enterspace and Dhruva, where the earnouts were estimated at SEK 49.1 million and SEK 4.1 million, respectively, as of the reporting date.

EMPLOYEES

The number of employees at the end of the period was 650 (212), of whom 570 men and 80 women. The increase is mainly due to the acquisition of the Indian production company Dhruva, but is also a consequence of staff additions in game development in Stockholm. The average number of full-time employees for the quarter amounted to 343 (201). The average age was 31 (34).

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 same ticker and ISIN code as before: STAR A, SE007158928 and STAR B, SE0005992831. At the end of the period, the closing price was SEK 8.15 (19.20) for the Class A share and SEK 8.40 (19.30) for the Class B share. Total market capitalization amounted to SEK 2,364 million (5,300).

SHARE CAPITAL

At the end of the period, share capital was SEK 5,661 thousand (5,538) distributed among 283,037,940 shares (276,879,720), of which 55,146,615 Class A shares (55,971,982) and 227,891,325 Class B shares (220,907,738).

During the period, the number of Class B shares increased by 1,007,578 through a non-cash issue in connection with the acquisition of Dhruva and an issue of 12,504 Class B shares through exercise of warrants.

SHAREHOLDERS

Starbreeze had 26,894 shareholders (27,155) at the end of the period. A list of the company's ten largest shareholders is updated monthly on the company's website at starbreeze.com.

DIVIDENDS

The board of directors is proposing that no dividend (0) be distributed for the 2017 financial year.

ANNUAL GENERAL MEETING 2018

The annual general meeting of shareholders in Starbreeze will be held at the Rival Hotel, Mariatorget 3, Stockholm on 9 May 2018 at 16:00 CET. Notice of the meeting will be published in *Post- och Inrikes Tidningar* and published on Starbreeze's website by 11 April. Notification that notice of the meeting has been made will be published in *Dagens Industri*. The proposals of the board of directors and nomination committee for decision by the general meeting will also be posted on the company's website, where interested parties will also be able to register to attend the meeting.

THE NOMINATION COMMITTEE'S PROPOSAL TO THE AGM

Prior to the 2018 annual general meeting, the members of the nomination committee for Starbreeze are: Åsa Nisell, Swedbank Robur Fonder; Olof



EMPLOYEE KEY DATA

| | 2017 | 2016 |
|---------------------------------|----------|----------|
| | Q4 | Q4 |
| Employees | 650 | 212 |
| Men | 570 | 177 |
| Women | 80 | 35 |
| Net profit (-loss) per employee | -97 SEKk | 142 SEKk |

650

EMPLOYEES AT STARBREEZE

Jonasson, Första AP-fonden; and Michael Hjorth, Indian Nation AB and chairman of the board of Starbreeze AB. The nomination committee's proposals for election to the board of directors was presented in a press release on 12 January 2018 and other proposals will be presented in the notice of the annual general meeting.

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 2016. As of the second quarter of 2017, Starbreeze reports by operating segment. See the Segment Reporting section.

The interim 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.

Impact of forthcoming standards

IFRS 15: The analysis has changed in certain respects from that presented in the 2016 Annual Report. As regards disaggregation of revenue, the Group has found no material non-conformances and Starbreeze will thus not be assigned opening balances on equity in the figures for 2018. The analysis of the impact that the standard could have on Starbreeze as to whether Starbreeze is regarded as the principal and not the agent in the relationship with Steam has, however, been changed. In future, Starbreeze will continue to recognize revenue from Steam net of royalty expenses, i.e., will continue to be regarded as an agent.

IFRS 9 governs classification, measurement and recognition of financial assets and liabilities and introduces new rules for hedge accounting. The complete version of IFRS 9 was issued in July 2014. It supersedes the parts of IAS 39 that governed classification and measurement of financial instruments and introduces a new impairment model. IFRS 9 has been adopted by the EU.

The Group will begin applying IFRS 9 in the reporting period that begins 1 January 2018. The Group will not be restating comparison figures for the 2017 financial year, in accordance with the transition rules for the standard.

A project was carried out in the fall of 2017 that included discussions of classification and measurement of financial instruments owned by the Group. After the workshops, it was determined that the new rules for classification and measurement will have no material impact on the Group's financial position as of the transition date because the rules will not entail any change regarding measurement of the financial instruments included in the consolidated balance sheet as of that date.

IFRS 9 introduces a new impairment model that is based on expected credit losses and takes forward-looking information into account. As the Group has historically had no material credit losses, the Group's model has been based primarily on current credit risk in financial receivables, and changes in macroeconomic variables. The new model has no material impact with regard to expected credit losses on financial instruments at the date of transition to IFRS 9. Accordingly, there has been no adjustment of carrying amounts as of 1 January 2018.

The Group does not apply hedge accounting in accordance with IAS 39. Accordingly, the new rules in IFRS 9 concerning hedge accounting will have no impact on the Group as of the date of transition.

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.

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 the acquisition 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 2016 in the Report of the Board of Directors on page 57, 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.

Based upon the sales trend for PAYDAY 2 and Dead by Daylight, the release of new games and the capital raised by the new issues announced in 2018, the company estimates that current financing is sufficient to operate the business at its current scope for at least the next 12 months. The company's board and management continually evaluate the Group's long-term capital requirements and financing options.

RELATED PARTY TRANSACTIONS

A greater need to address systems, processes and policies for internal control and corporate governance arose in preparation for the switch of the stock exchange listing to Nasdaq Stockholm. In this connection, the company engaged Eva Redhe, who is also a director and chair of the audit committee, to assist with this work, for which Redhe, through her company, billed SEK 200,000 in consultant fees during the quarter. In addition, the Group received a marketing contribution of SEK 47.8 million from the joint venture StarVR Corporation during the year, of which SEK 3.7 million has been recognized as income during the quarter. Other than this and the transactions specified in the above report, there were no transactions with related parties during the period.

AUDITOR'S REVIEW

This report has been reviewed by the company's statutory auditor.

INVESTOR RELATIONS

Up-to-date information about Starbreeze is available on the company's website at www.starbreeze.com You may contact the company via email: ir@starbreeze.com, phone: +46 8 209 208 or by mail: Box 7731, 103 95 Stockholm, Sweden

FOR FURTHER INFORMATION

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The reports are published on the company's website, starbreeze.com.



The Board of Directors and CEO certify that this report provides a true and fair overview of the operations, financial position and results of the parent company and the Group and describes the significant risks and uncertainties faced by the parent company and the companies included in the Group.

Stockholm, 15 February 2018

Michael Hjorth
Chairman

Directors

Ulrika Hagdahl

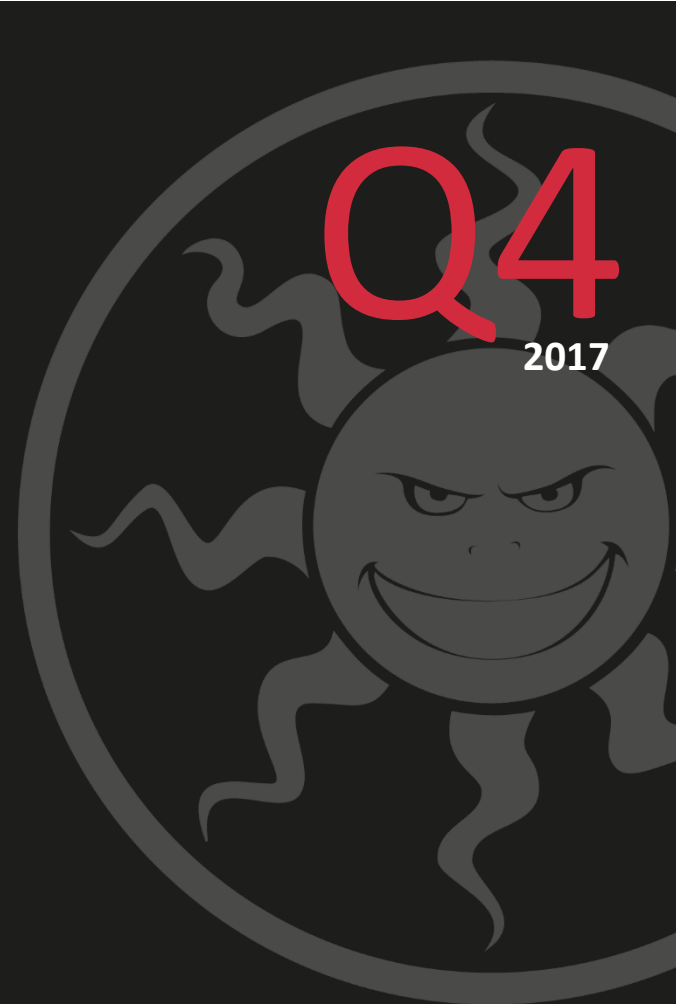
Hyung Nam Kim (Harold Kim)

Matias Myllyrinne

Eva Redhe

Bo Andersson Klint
CEO

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 15 February 2018 at 08:00 CET.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| SEKk | 2017 | 2016 | 2017 | 2016 |
|--|----------------|----------------|-----------------|----------------|
| | Q4 | Q4 | JAN - DEC | JAN - DEC |
| Net sales | 103,753 | 99,365 | 361,447 | 345,463 |
| Capitalized development costs | 67,002 | 52,661 | 231,934 | 154,450 |
| Other operating revenue | - | 13,462 | - | 23,132 |
| Total | 170,755 | 165,488 | 593,381 | 523,045 |
| Other external expenses | -108,561 | -91,096 | -415,780 | -292,106 |
| Employee benefits expense | -64,926 | -36,042 | -229,938 | -148,517 |
| Amortization of intangible assets | -44,581 | -6,456 | -82,294 | -20,600 |
| Depreciation of property, plant and equipment | -4,791 | -531 | -15,642 | -4,166 |
| Other operating expenses | 9,084 | 443 | -1,186 | -1,202 |
| Operating profit (-loss) | -43,020 | 31,806 | -151,459 | 56,454 |
| Financial income | -15,824 | 5,633 | 10,105 | 17,511 |
| Financial expenses | -8,259 | -5,260 | -30,631 | -18,196 |
| Share of profit or loss after tax from associates | -749 | 162 | -4,200 | 131 |
| Profit (-loss) before tax | -67,852 | 32,341 | -176,185 | 55,900 |
| Income tax | 4,812 | -2,135 | 20,855 | 1,191 |
| Net profit (-loss) for the period | -63,040 | 30,206 | -155,330 | 57,091 |
| Other comprehensive income that may subsequently be reclassified to profit and loss | | | | |
| Exchange differences | 14,526 | -10,335 | 1,402 | -4,375 |
| Total comprehensive income for the period | -48,514 | 19,871 | -153,928 | 52,716 |
| Total comprehensive income for the period attributable to: | | | | |
| Owners of the parent | -48,608 | 19,871 | -154,022 | 52,716 |
| Non-controlling interests | 94 | - | 94 | - |
| Earnings per share attributable to owners of the parent during the period (SEK): | | | | |
| - Basic | -0.22 | 0.11 | -0.55 | 0.22 |
| - Diluted | -0.22 | 0.11 | -0.55 | 0.22 |

CONSOLIDATED BALANCE SHEET

| SEKk | NOTE | 2017/12/31 | 2016/12/31 |
|---|------|------------------|------------------|
| ASSETS | | | |
| <i>Intangible assets</i> | | | |
| Goodwill | | 544,971 | 404,530 |
| Other non-current assets | | 597,467 | 594,728 |
| Capitalized expenditure for games and technology development | | 642,767 | 303,763 |
| <i>Financial assets</i> | | | |
| Financial assets | | 38,156 | 31,971 |
| Investments in joint ventures | 7 | 41,890 | 8,638 |
| Deferred tax assets | | 108,153 | 30,712 |
| <i>Property, plant and equipment</i> | | | |
| Computers and other equipment | | 98,901 | 23,458 |
| Total non-current assets | | 2,072,305 | 1,397,800 |
| <i>Current assets</i> | | | |
| Inventories | | 22 | 2 |
| Trades and other receivables | | 27,821 | 25,576 |
| Prepaid expenses and accrued income | | 125,259 | 56,183 |
| Cash and cash equivalents | | 233,757 | 669,380 |
| Total current assets | | 386,859 | 751,141 |
| TOTAL ASSETS | | 2,459,164 | 2,148,941 |
| EQUITY AND LIABILITIES | | | |
| <i>Equity attributable to owners of the parent</i> | | | |
| Share capital | | 5,661 | 5,538 |
| Other contributed capital | | 1,243,573 | 1,175,563 |
| Reserves | | 5,073 | 3,671 |
| Retained earnings including net profit or loss for the period | | 27,748 | 185,451 |
| Non-controlling interests | | 344 | - |
| Total equity | | 1,282,399 | 1,370,223 |
| <i>Non-current liabilities</i> | | | |
| Non-current liabilities, earnouts | | 347,862 | 307,099 |
| Deferred tax liability | | 169,346 | 119,134 |
| Other non-current liabilities | | 466,557 | 265,535 |
| Total non-current liabilities | | 983,765 | 691,768 |
| <i>Current liabilities</i> | | | |
| Trade and other payables | | 122,396 | 41,990 |
| Accrued expenses and deferred income | | 70,604 | 44,960 |
| Total current liabilities | | 193,000 | 86,950 |
| TOTAL EQUITY AND LIABILITIES | | 2,459,164 | 2,148,941 |

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 2017 | 5,538 | 1,175,563 | 3,671 | 185,451 | 1,370,223 | - | 1,370,223 |
| Net profit (-loss) for the period | - | - | - | -155,330 | -155,330 | - | -155,330 |
| Other comprehensive income for the period | | | | | | | |
| Exchange differences | - | - | 1,402 | - | 1,402 | - | 1,402 |
| Total comprehensive income | 5,538 | 1,175,563 | 5,073 | 30,121 | 1,216,295 | - | 1,216,295 |
| Transactions with shareholders: | | | | | | | |
| New issue through exercise of stock options | 81 | 21,853 | - | - | 21,934 | - | 21,934 |
| Acquired subsidiary with non controlling interest | - | - | - | - | - | 344 | 344 |
| Vested employee stock options | - | 586 | - | - | 586 | - | 586 |
| Sales of equity instruments | - | 21,288 | - | - | 21,288 | - | 21,288 |
| Tax effect on sale of equity instruments | - | -4,683 | - | - | -4,683 | - | -4,683 |
| Non-cash issue | 42 | 28,966 | - | - | 29,008 | - | 29,008 |
| Issue cost recognized in equity | - | - | - | -3,041 | -3,041 | - | -3,041 |
| Deferred tax effect of issue cost recognized in equity | - | - | - | 668 | 668 | - | 668 |
| Total contribution from and value transfers to shareholders, recognized directly in equity | 123 | 68,010 | - | -2,373 | 65,760 | 344 | 66,104 |
| Balance at 31 December 2017 | 5,661 | 1,243,573 | 5,073 | 27,748 | 1,282,055 | 344 | 1,282,399 |

| | | | | | | | |
|---|--------------|------------------|--------------|----------------|------------------|----------|------------------|
| Balance at 1 January 2016 | 4,607 | 257,352 | 8,046 | 128,360 | 398,365 | - | 398,365 |
| Net profit for the period | - | - | - | 57,091 | 57,091 | - | 57,091 |
| Other comprehensive income for the period | | | | | | | |
| Exchange differences | - | - | -4,375 | - | -4,375 | - | -4,375 |
| Total comprehensive income | 4,607 | 257,352 | 3,671 | 185,451 | 451,081 | - | 451,081 |
| Transactions with shareholders: | | | | | | | |
| New issue through exercise of stock options | 132 | 53,544 | - | - | 53,676 | - | 53,676 |
| Vested employee stock options | - | 1,302 | - | - | 1,302 | - | 1,302 |
| Issue of convertible | - | 38,093 | - | - | 38,093 | - | 38,093 |
| New issue | 521 | 514,178 | - | - | 514,699 | - | 514,699 |
| Non-cash issue | 278 | 311,094 | - | - | 311,372 | - | 311,372 |
| Issue expenses | - | - | - | - | - | - | - |
| Total contribution from and value transfers to shareholders, recognized directly in equity | 931 | 918,211 | - | - | 919,142 | - | 919,142 |
| Balance at 31 December 2017 | 5,538 | 1,175,563 | 3,671 | 185,451 | 1,370,223 | - | 1,370,223 |

| | 2017 | 2016 |
|--|--------------------|--------------------|
| CHANGE IN NUMBER OF OUTSTANDING SHARES | JAN - DEC | JAN - DEC |
| Number of shares at the beginning of the period | 276,879,720 | 230,361,091 |
| Non-cash issue | 2,078,781 | 13,834,717 |
| Subscription of shares through exercise of options | 4,079,439 | 6,610,890 |
| New issue | - | 26,073,022 |
| Total shares outstanding at the end of the period | 283,037,940 | 276,879,720 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| SEKk | NOTE | 2017 | 2016 | 2017 | 2016 |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | Q4 | Q4 | JAN - DEC | JAN - DEC |
| Operating activities | | | | | |
| Cash flow from operations | 3 | -45,685 | 11,167 | -11,167 | 8,868 |
| Interest paid | | -2,318 | -52 | -5,325 | -2,682 |
| Interest received | | - | 5,396 | 9 | 5,410 |
| Income taxes paid | | 3,662 | -3,573 | -4,603 | 3,695 |
| Cash flow from (-used in) operating activities | | -44,341 | 12,938 | -21,086 | 15,291 |
| Investing activities | | | | | |
| Purchase of property, plant and equipment | | -42,889 | -3,368 | -87,338 | -9,449 |
| Investments in subsidiaries | | -59,421 | -44,855 | -59,076 | -60,412 |
| Purchase of intangible assets | | | | | -15,354 |
| Investments in other financial assets | | -525 | -739 | -61,590 | -9,668 |
| Capitalized game development costs | | -116,280 | -66,857 | -412,103 | -194,871 |
| Cash flow from (-used in) investing activities | | -219,115 | -115,819 | -620,107 | -289,754 |
| Financing activities | | | | | |
| New issue | | - | 383,582 | - | 554,906 |
| Payments for stock options | | - | 6,800 | 43,073 | 14,128 |
| Increase in non-current liabilities | | 68,662 | - | 169,209 | 284,945 |
| Repayment of loans | | -2,910 | -516 | -3,369 | -516 |
| Cash flow from financing activities | | 65,752 | 389,866 | 208,913 | 853,463 |
| Cash flow for (-used in) the period | | -197,704 | 286,985 | -432,280 | 579,000 |
| Cash and cash equivalents at the beginning of the period | | 431,452 | 375,967 | 669,380 | 85,354 |
| Exchange difference in cash and cash equivalents | | 9 | 6,428 | -3,343 | 5,026 |
| Cash and cash equivalents at the end of the period | | 233,757 | 669,380 | 233,757 | 669,380 |

KEY FIGURES, GROUP

| | 2017 | 2016 | 2017 | 2016 |
|---|-------------|-------------|-------------|-------------|
| | Q4 | Q4 | JAN - DEC | JAN - DEC |
| Net sales, SEKk | 103,753 | 99,365 | 361,447 | 345,463 |
| EBITDA, SEKk | 6,352 | 38,793 | -53,523 | 81,220 |
| EBIT, SEKk | -43,020 | 31,806 | -151,459 | 56,454 |
| Profit (-loss) before tax, SEKk | -67,852 | 32,341 | -176,185 | 55,900 |
| Profit (-loss) after tax, SEKk | -63,040 | 30,206 | -155,330 | 57,091 |
| EBITDA margin, % | 3.7 | 23.4 | -9.0 | 15.5 |
| EBIT margin, % | -25.2 | 19.2 | -25.5 | 10.8 |
| Profit margin, % | -39.7 | 19.5 | -29.7 | 10.7 |
| Equity to assets ratio, % | 52.1 | 63.8 | 52.1 | 63.8 |
| Closing price of A share for the period, SEK | 8.15 | 19.20 | 8.15 | 19.20 |
| Closing price of B share for the period, SEK | 8.40 | 19.30 | 8.40 | 19.30 |
| Basic earnings per share, SEK | -0.22 | 0.11 | -0.55 | 0.22 |
| Diluted earnings per share, SEK | -0.22 | 0.11 | -0.55 | 0.22 |
| Number of shares at end of period before dilution | 283,037,940 | 276,879,720 | 283,037,940 | 276,879,720 |
| Number of shares at end of period after dilution | 306,443,723 | 304,352,451 | 306,443,723 | 304,352,451 |
| Average number of shares before dilution | 283,365,463 | 276,008,183 | 280,309,967 | 255,276,469 |
| Average number of shares after dilution | 283,365,463 | 278,100,440 | 280,309,967 | 257,234,798 |
| Average number of employees | 343 | 201 | 272 | 151 |
| Number of employees at the end of the period | 650 | 212 | 650 | 212 |

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

EBITDA as a percentage of the sum of revenue and capitalized development costs.

EBIT margin

EBIT as a percentage of the sum of revenue and capitalized development costs.

Profit margin

Profit or loss after net financial income or loss as a percentage of the sum of revenue and capitalized development costs.

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

| | 2017 | 2016 | 2017 | 2016 |
|---|-----------|-----------|-----------|-----------|
| | Q4 | Q4 | JAN - DEC | JAN - DEC |
| <i>EBITDA</i> | | | | |
| Operating profit (-loss), SEKk | -43,020 | 31,806 | -151,459 | 56,454 |
| Less: Amortization of intangible assets, SEKk | 44,581 | 6,456 | 82,294 | 20,600 |
| Less: Depreciation of property, plant and equipment, SEKk | 4,791 | 531 | 15,642 | 4,166 |
| EBITDA | 6,352 | 38,793 | -53,523 | 81,220 |
| <i>EBITDA margin, %</i> | | | | |
| EBITDA, SEKk | 6,352 | 38,793 | -53,523 | 81,220 |
| Sum of net sales, capitalized development costs and other operating revenue | 170,755 | 165,488 | 593,381 | 523,045 |
| EBITDA margin, % | 3.7 | 23.4 | -9.0 | 15.5 |
| <i>EBIT margin, %</i> | | | | |
| Operating profit (-loss), SEKk | -43,020 | 31,806 | -151,459 | 56,454 |
| Sum of net sales, capitalized development costs and other operating revenue | 170,755 | 165,488 | 593,381 | 523,045 |
| EBIT margin, % | -25.2 | 19.2 | -25.5 | 10.8 |
| <i>Profit margin, %</i> | | | | |
| Profit (-loss) before tax, SEKk | -67,852 | 32,341 | -176,185 | 55,900 |
| Sum of net sales, capitalized development costs and other operating revenue | 170,755 | 165,488 | 593,381 | 523,045 |
| Profit margin, % | -39.7 | 19.5 | -29.7 | 10.7 |
| <i>Equity to assets ratio, %</i> | | | | |
| Total equity | 1,282,399 | 1,370,223 | 1,282,399 | 1,370,223 |
| Total equity and liabilities, SEKk | 2,459,164 | 2,148,941 | 2,459,164 | 2,148,941 |
| Equity to assets ratio, % | 52.1 | 63.8 | 52.1 | 63.8 |

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

| SEKk | 2017 | 2016 | 2017 | 2016 |
|--|---------------|---------------|----------------|----------------|
| | Q4 | Q4 | JAN - DEC | JAN - DEC |
| Net sales | 16,153 | 36,730 | 63,217 | 101,935 |
| Other operating revenue | 1,752 | 7,265 | 1,752 | 13,905 |
| Total sales | 17,905 | 43,995 | 64,969 | 115,840 |
| Other external expenses | -11,650 | -12,005 | -68,230 | -97,970 |
| Employee benefit expense | -9,581 | -5,259 | -45,534 | -35,498 |
| Depreciation of property, plant and equipment | -206 | -181 | -757 | -703 |
| Other operating expenses | 3,997 | - | - | - |
| Operating profit (-loss) | 465 | 26,550 | -49,552 | -18,331 |
| Other financial income | 1,710 | -1,008 | 4,130 | 13,870 |
| Financial expenses | -7,829 | -5,221 | -29,202 | -17,794 |
| Profit (-loss) after net financial income | -5,654 | 20,321 | -74,624 | -22,255 |
| Appropriations | - | -5,283 | - | 30,247 |
| Profit (-loss) before tax | -5,654 | 15,038 | -74,624 | 7,992 |
| Income tax | 3,005 | -1,336 | 17,875 | -1 |
| Net profit (-loss) for the period | -2,649 | 13,702 | -56,749 | 7,991 |

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

PARENT COMPANY BALANCE SHEET

| SEKk | 2017/12/31 | 2016/12/31 |
|--------------------------------------|------------------|------------------|
| ASSETS | | |
| <i>Non-current assets</i> | | |
| <i>Tangible assets</i> | | |
| Computers and other equipment | 1,109 | 1,265 |
| <i>Financial assets</i> | | |
| Investments in group companies | 1,281,195 | 690,126 |
| Deferred tax assets | 23,126 | 5,252 |
| Investments in associates | 45,958 | 8,507 |
| Other financial assets | 562 | - |
| Total non-current assets | 1,351,950 | 705,150 |
| <i>Current assets</i> | | |
| Trade receivables | 23 | |
| Receivables from group companies | 724,234 | 761,308 |
| Other receivables | 1,771 | 549 |
| Prepaid expenses and accrued income | 7,087 | 1,295 |
| Cash and cash equivalents | 75,353 | 540,118 |
| Total current assets | 808,468 | 1,303,270 |
| TOTAL ASSETS | 2,160,418 | 2,008,420 |
| EQUITY AND LIABILITIES | | |
| <i>Equity</i> | | |
| Share capital | 5,661 | 5,538 |
| Fair value reserve | 328 | 2,054 |
| Share premium reserve | 1,180,697 | 1,129,465 |
| Retained earnings | 82,562 | 76,945 |
| Net profit (-loss) for the period | -56,749 | 7,991 |
| Total equity | 1,212,499 | 1,221,993 |
| <i>Untaxed reserves</i> | | |
| Accumulated excess depreciation | 16 | 16 |
| Total untaxed reserves | 16 | 16 |
| <i>Non-current liabilities</i> | | |
| <i>Other non-current liabilities</i> | 632,832 | 565,179 |
| Total non-current liabilities | 632,832 | 565,179 |
| <i>Current liabilities</i> | | |
| Trade payables | 6,829 | 3,391 |
| Liabilities to group companies | 294,581 | 195,499 |
| Other liabilities | 4,439 | 6,664 |
| Accrued expenses and deferred income | 9,222 | 15,678 |
| Total current liabilities | 315,071 | 221,232 |
| TOTAL EQUITY AND LIABILITIES | 2,160,418 | 2,008,420 |

NOTES

NOTE 1: PLEDGED ASSETS

Consolidated pledged assets and contingent liabilities

Consolidated pledged assets refer to rent guarantees and pledged shares in subsidiaries related to loans from Nordea amounting to SEK 483.9 million (0).

| SEKk | 31/12/2017 | 31/12/2016 |
|------------------------|------------|------------|
| Pledged assets | 507,879 | 5,387 |
| Contingent liabilities | - | - |

NOTE 2: FINANCIAL INSTRUMENTS

Financial instruments measured at fair value

| SEKk | 31/12/2017 | 31/12/2016 | Level |
|--|------------|------------|-------|
| <i>Assets classified as available for sale</i> | | | |
| Financial assets, shares in Cmune | 11,502 | 11,502 | 2 |
| <i>Financial assets at fair value through profit or loss</i> | | | |
| Investments in convertible loans | 15,641 | 14,183 | 2 |
| <i>Financial liabilities</i> | | | |
| Earnouts | 347,862 | 307,099 | 3 |
| Convertible loans | 25,237 | 16,857 | 2 |

There has been no material change in liabilities measured at level 3 of the fair value hierarchy (conditional earnouts) during the period. The increase in conditional earnouts refers mainly to the acquisition of Enterspace. These are measured as described in the 2016 Annual Report. Information concerning fair value

estimates and how they are calculated based on the respective level in the fair value hierarchy and disclosure of how the fair value of financial liabilities (earnouts) was calculated at level 3 of the fair value hierarchy is provided in the 2016 Annual Report.

NOTE 3: CASH FLOW FROM OPERATIONS

CASH FLOW FROM OPERATIONS

| SEKk | 2017 Q4 | 2016 Q4 | 2017 JAN-DEC | 2016 JAN-DEC |
|--|------------|------------|-----------------|-----------------|
| Operating profit (-loss) | -43,020 | 31,806 | -151,459 | 56,454 |
| <i>Adjustments for non-cash items</i> | | | | |
| -Amortization of intangible assets | 44,581 | 6,456 | 82,294 | 20,600 |
| -Depreciation of property, plant and equipment | 4,791 | 531 | 15,642 | 4,166 |
| -Net financial income (-expense) | 0 | 0 | 0 | 0 |
| -Unrealized exchange rate differences | -188 | 13,420 | -2,508 | 19,332 |
| <i>Adjustments for:</i> | | | | |
| Increase (-) decrease (+) of current receivables | -26,185 | -34,738 | -45,458 | -49,337 |
| Increase (+) decrease (-) of current liabilities | -25,664 | -6,308 | 90,322 | -42,347 |
| Cash flow from operations | -45,685 | 11,167 | -11,167 | 8,868 |

NOTE 4: SEGMENT REPORTING, GROUP

| | 2017 | 2016 | 2017 | 2016 |
|---------------------------------|----------------|----------------|-----------------|----------------|
| SEKk | Q4 | Q4 | JAN - DEC | JAN - DEC |
| Starbreeze Games | | | | |
| Net sales | 22,166 | 37,931 | 122,074 | 162,442 |
| Capitalized development costs | 60,168 | 28,132 | 148,196 | 82,443 |
| Other operating revenue | - | 6,970 | - | 11,977 |
| Total | 82,334 | 73,033 | 270,270 | 256,862 |
| Operating costs | -90,980 | -47,558 | -270,820 | -171,328 |
| Operating profit (-loss) | -8,646 | 25,475 | -550 | 85,534 |
| Publishing | | | | |
| Net sales | 74,649 | 54,577 | 219,925 | 176,142 |
| Capitalized development costs | 1,073 | 7,966 | 26,137 | 32,440 |
| Other operating revenue | - | 4,627 | - | 7,951 |
| Total | 75,722 | 67,170 | 246,062 | 216,533 |
| Operating costs | -107,051 | -51,568 | -288,527 | -151,943 |
| Operating profit (-loss) | -31,329 | 15,602 | -42,465 | 64,590 |
| VR Tech & Operations | | | | |
| Net sales | 3,883 | - | 3,883 | - |
| Capitalized development costs | 5,761 | 16,563 | 57,601 | 39,264 |
| Other operating revenue | - | 3,482 | - | 5,983 |
| Total | 9,644 | 20,045 | 61,484 | 45,247 |
| Operating costs | -4,460 | -27,905 | -61,895 | -77,153 |
| Operating profit (-loss) | 5,184 | -7,860 | -411 | -31,906 |
| Other | | | | |
| Net sales | 3,055 | 6,857 | 15,565 | 6,879 |
| Capitalized development costs | - | - | - | 303 |
| Other operating revenue | - | -1,617 | - | -2,779 |
| Total | 3,055 | 5,240 | 15,565 | 4,403 |
| Operating costs | -11,284 | -6,651 | -123,598 | -66,167 |
| Operating profit (-loss) | -8,229 | -1,411 | -108,033 | -61,764 |
| Total | | | | |
| Net sales | 103,753 | 99,365 | 361,447 | 345,463 |
| Capitalized development costs | 67,002 | 52,661 | 231,934 | 154,450 |
| Other operating revenue | - | 13,462 | - | 23,132 |
| Total | 170,755 | 165,488 | 593,381 | 523,045 |
| Operating costs | -213,775 | -133,682 | -744,840 | -466,591 |
| Operating profit (-loss) | -43,020 | 31,806 | -151,459 | 56,454 |

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 | -8,646 | 25,475 | -550 | 85,534 |
| Publishing | -31,329 | 15,602 | -42,465 | 64,590 |
| VR Tech & Operations | 5,184 | -7,860 | -411 | -31,906 |
| Other | -8,229 | -1,411 | -108,033 | -61,764 |
| Total | -43,020 | 31,806 | -151,459 | 56,454 |
| Net financial income (-expense) | -24,832 | 535 | -24,726 | -554 |
| Profit (-loss) before tax | -67,852 | 32,341 | -176,185 | 55,900 |

NOTE 5: ACQUISITION OF ENTERSPACE

On 30 June 2017, 100 percent of the shares in Enterspace AB were acquired for preliminary consideration of SEK 66.8 million through a non-cash issue of 1,071,203 new Class B shares in Starbreeze AB worth SEK 17.0 million, cash consideration of SEK 3.0 million and a conditional earnout linked to future revenues, which is estimated at SEK 46.8 million and may be triggered within the next six years. The figure of SEK 46.8 million is the present value of the maximum purchase consideration of SEK 75 million, calculated at a discount rate of 12 percent. Enterspace develops technology and content for location-based entertainment. The goodwill that arose in connection with the acquisition consists mainly of the company's commercial relationships.

The effect of the acquisition on cash flow at the consolidated level totals SEK 0.2 million, comprising cash consideration of SEK 3.0 million, acquisition costs of SEK 0.5 million and acquired cash and cash equivalents of SEK 3.3 million.

If Enterspace had been acquired on 1 January 2017, the company would have contributed a revenue stream of SEK 9.3 million and a loss after tax of SEK -3.0 million. The recognized goodwill for this acquisition is not expected to be tax deductible.

Preliminary costs for the acquisition of Enterspace of SEK 0.5 million have been charged to consolidated profit and are included in "Other external expenses." Information on the preliminary value of acquired net assets and goodwill in Enterspace as of acquisition date, SEKk:

| Total consideration: | |
|--|--------|
| Cash consideration | 3,000 |
| Shares in Starbreeze AB (publ) | 17,000 |
| Earnout | 46,831 |
| Fair value of assets acquired as below | -5,762 |
| Excess value of intangible assets | 3,762 |
| Goodwill | 68,831 |

| <i>Assets and liabilities included in the acquisition</i> | |
|---|---------------|
| Intangible assets/capitalized development costs | 10,406 |
| Other assets | 4,728 |
| Cash and cash equivalents | 3,344 |
| Deferred tax | -828 |
| Liabilities | -23,412 |
| Identifiable net assets acquired | -5,762 |

NOTE 6: ACQUISITION OF DHRUVA

On 22 December 2017, the acquisition of 90.45 percent of equity in Dhruva Infotech was finalized for preliminary consideration of SEK 75.6 million through a non-cash issue of 1,007,578 new Class B shares in Starbreeze AB worth SEK 12.0 million, cash consideration of SEK 59.5 million and a conditional earnout linked to future revenues, which is estimated at SEK 4.1 million and may be triggered within the next four years. Dhruva is a well-reputed production company with a long history as a subcontractor to Starbreeze. Founded in 1997, the company is India's leading game developer with more than 320 employees, which provides production services to the global games industry. Dhruva has three studios in India. The goodwill that arose in connection with the acquisition consists mainly of the company's commercial relationships and industry know-how.

The effect of the acquisition on cash flow at the consolidated level totals SEK -60.85 million, comprising cash consideration of SEK 59.5 million, acquisition costs of SEK 1.4 million and acquired cash and cash equivalents of SEK 0.05 million.

If Dhruva had been acquired on 1 January 2017, the company would have contributed a revenue stream of SEK 54.6 million and a loss after tax of SEK -9.9 million. The recognized goodwill for this acquisition is not expected to be tax deductible.

Preliminary costs for the acquisition of Dhruva of SEK 1.4 million have been charged to consolidated profit and are included in "Other external expenses." Information on the preliminary value of acquired net assets and goodwill in Dhruva as of acquisition date, SEKk:

| Total consideration: | |
|--|--------|
| Cash consideration | 59,472 |
| Shares in Starbreeze AB (publ) | 12,008 |
| Earnout | 4,116 |
| Fair value of assets acquired as below | 2,674 |
| Excess value of intangible assets | - |
| Goodwill | 72,922 |

| <i>Assets and liabilities included in the acquisition</i> | |
|---|--------------|
| Intangible assets/capitalized development costs | 1,244 |
| Other assets | 12,087 |
| Cash and cash equivalents | 51 |
| Deferred tax | - |
| Liabilities | -10,708 |
| Identifiable net assets acquired | 2,674 |

NOTE 7: JOINT VENTURES

StarVR Corporation

StarVR Corporation, the company's joint venture with Acer, is a sales and marketing company that manages sales and marketing, primarily to the B2B market, as well as support and aftermarket support for the StarVR HMD (Head-Mounted Display). Under the terms of the joint venture, Starbreeze owns and controls IP rights related to StarVR, while Acer manufactures the product. R&D and reference design work for the StarVR headset is carried out mainly by Starbreeze, but also by Acer. StarVR Corporation absorbs all costs of marketing and selling StarVR, but as long as Starbreeze retains the IP rights, Starbreeze will bear R&D-related costs. 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.

| SEKk | 12/31/2017 |
|---|-------------------|
| <i>Reconciliation of net carrying amount:</i> | |
| Opening balance of net assets 1 January | 17,276 |
| Net profit for the period | -6,418 |
| Exchange differences | -3,261 |
| Capital injection | 119,341 |
| Closing balance net assets | 126,938 |
| Group's share in % | 33% |
| Group's share in SEKk | 41,890 |
| Net carrying amount | 41,890 |

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

| SEKk | 31/12/2017 |
|--|-------------------|
| <i>Balance sheet in summary:</i> | |
| Current assets | 66,048 |
| Non-current assets | 88,834 |
| Current liabilities | 27,944 |
| Net assets | 126,938 |
| <i>Income statement in summary:</i> | |
| Sales | 36,612 |
| Net profit (-loss) for the period | -6,418 |
| Total comprehensive income for the period | -6,418 |

AUDITOR'S REVIEW REPORT

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

INTRODUCTION

We have reviewed the summarized interim financial information (the interim report) for Starbreeze AB (publ) as of 31 December 2017 and the twelve-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 THE 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.

Stockholm, 15 February 2018

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg

Authorized Public Accountant



DEAD BY DAYLIGHT

A NIGHTMARE
ON ELM STREET™