



Q3

2016

KEY FIGURES	2016	2015	2016	2015	2015
KSEK	Q3	Q3	JAN - SEP	JAN - SEP	JAN - DEC
Net revenue	102 707	49 882	246 098	169 484	218 432
EBITDA	19 218	8 419	42 430	34 271	49 460
Net income	20 402	6 396	26 888	23 996	39 405
Earnings per share, SEK	0,08	0,03	0,11	0,11	0,20
Cash flow from operations	36 962	49 480	-747	42 231	39 440
Net revenue per employee	646	520	1 835	2 322	2 664

RECORD REVENUE

CEO BO ANDERSSON KLINT COMMENTS

Starbreeze third quarter net revenue of SEK 102.7 million is in line with the second quarter and is also the highest single-quarter revenue in our history. The effect of an aggregate business begins to appear. We are focused on delivering on our promises and one of them is to take the company to the fully regulated market in Stockholm during 2017. For Geminose we have up until very recently negotiated long and well with a very prominent potential partner in the toy industry, but has unfortunately not been able to agree on the conditions. However, with us we take good feedback on the franchise as a whole and is now aiming to deliver the product digitally while we continue to seek other solutions for the physical toys.

THIRD QUARTER

(JULY–SEPTEMBER 2016)

- Net revenue amounted to SEK 102.7 million (SEK 49.9 million), representing growth of 106 percent. Total revenue amounted to SEK 147.4 million (SEK 75.9 million).
- A minimum guarantee of SEK 32.5 million relating to RAID: World War II is included in net revenue.
- During the quarter, PAYDAY 2 accounted for SEK 20.2 million (SEK 48.4 million) of net revenue. Dead by Daylight accounted for SEK 49.2 million (SEK 0.0 million).
- Operating income before depreciation and amortization, EBITDA, amounted to SEK 19.2 million (SEK 8.4 million) equivalent to an EBITDA margin of 13.0 percent.
- Earnings per share before dilution amounted to SEK 0.08 (SEK 0.03) and earnings per share after dilution amounted to SEK 0.08 (SEK 0.03).
- As of september 30, cash and cash equivalents totaled SEK 376.0 million (SEK 123.7 million).

INTERIM PERIOD

(JANUARY–SEPTEMBER 2016)

- Net revenue amounted to SEK 246.1 million (SEK 169.5 million), representing growth of 45 percent. Total revenue amounted to SEK 357.6 million (SEK 229.9 million).
- During the period, PAYDAY 2 accounted for SEK 122.3 million (SEK 161.7 million) and Dead by Daylight for SEK 88.9 million (SEK 0.0 million) of net revenue.
- Operating income before depreciation and amortization, EBITDA, amounted to SEK 42.4 million (SEK 34.3 million) equivalent to an EBITDA margin of 11.9 percent.
- Earnings per share before dilution amounted to SEK 0.11 (SEK 0.11) and earnings per share after dilution amounted to SEK 0.11 (SEK 0.10).
- As of September 30, cash and cash equivalents totaled SEK 376.0 (SEK 123.7 million)

ABOUT STARBREEZE

Starbreeze is an independent creator, publisher and distributor of high quality entertainment products. With studios in Stockholm, Paris and Los Angeles, the company creates games and other virtual reality entertainment products, based on proprietary design and licensed content. Starbreeze's most recent games include PAYDAY 2®, the upcoming John Wick VR shooter and upcoming survival co-op FPS OVERKILL's The Walking Dead. Under its publishing initiative, Starbreeze has together with Canadian studio Behaviour Digital successfully launched horror thriller *Dead by Daylight*.

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

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

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

Q3
2016



RECORD REVENUE

CEO Bo Andersson Klint comments

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

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

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

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

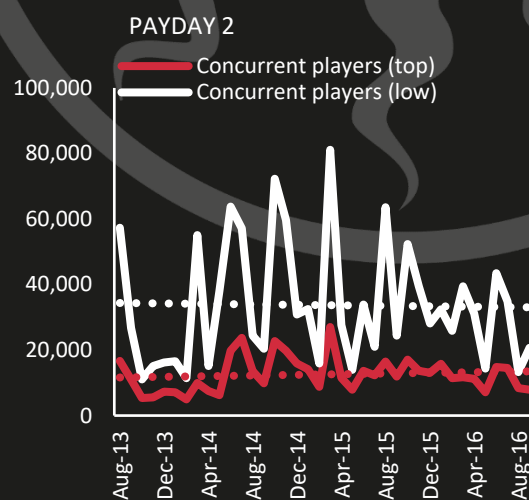
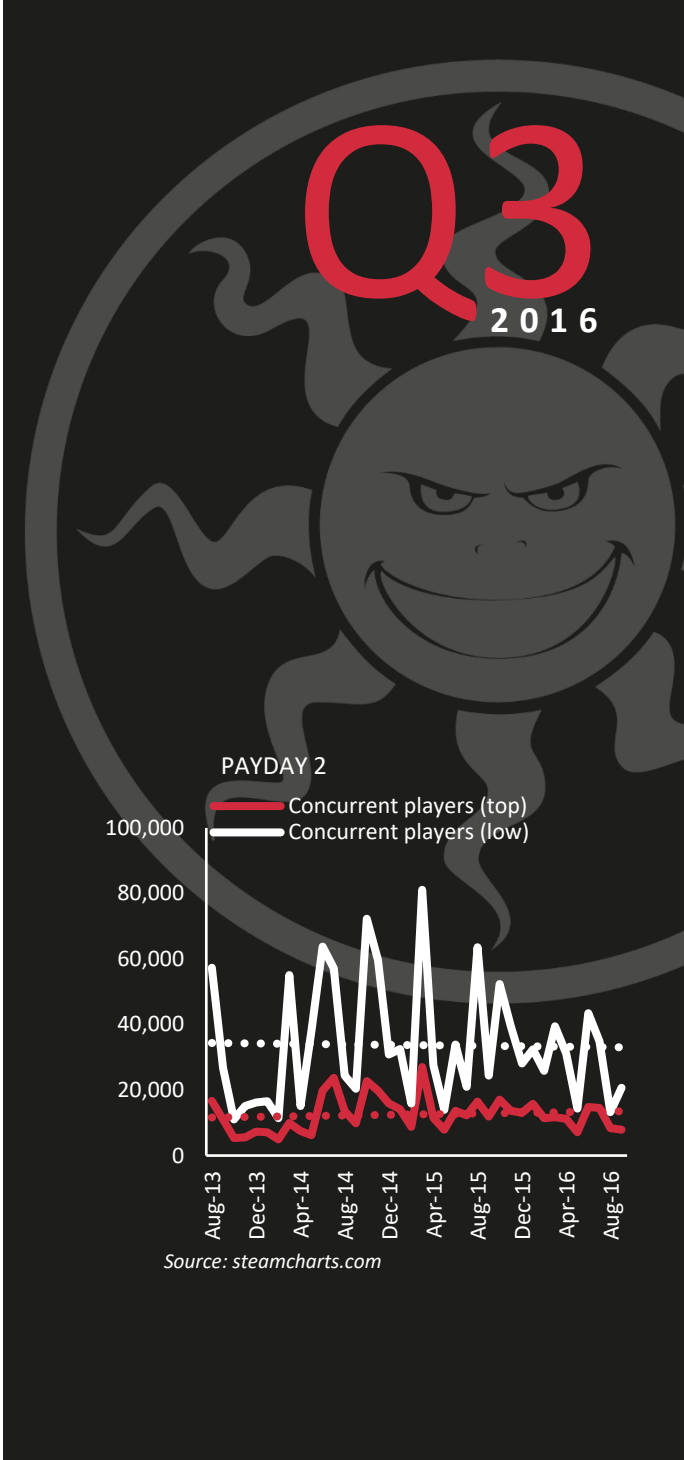
Starbreeze third quarter net revenues remain on a high-level amounting to 102.7 MSEK, which is on par with Q2 and the highest net revenue number in Starbreeze history. Compared to the corresponding quarter last year, Starbreeze has more than doubled its net revenues. The effect of an aggregated business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

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

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

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

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



Source: steamcharts.com

At its peak,
34 862
gamers played PAYDAY 2
simultaneously during the
period July-September

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

RELISTING IN 2017

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

GEMINOSE

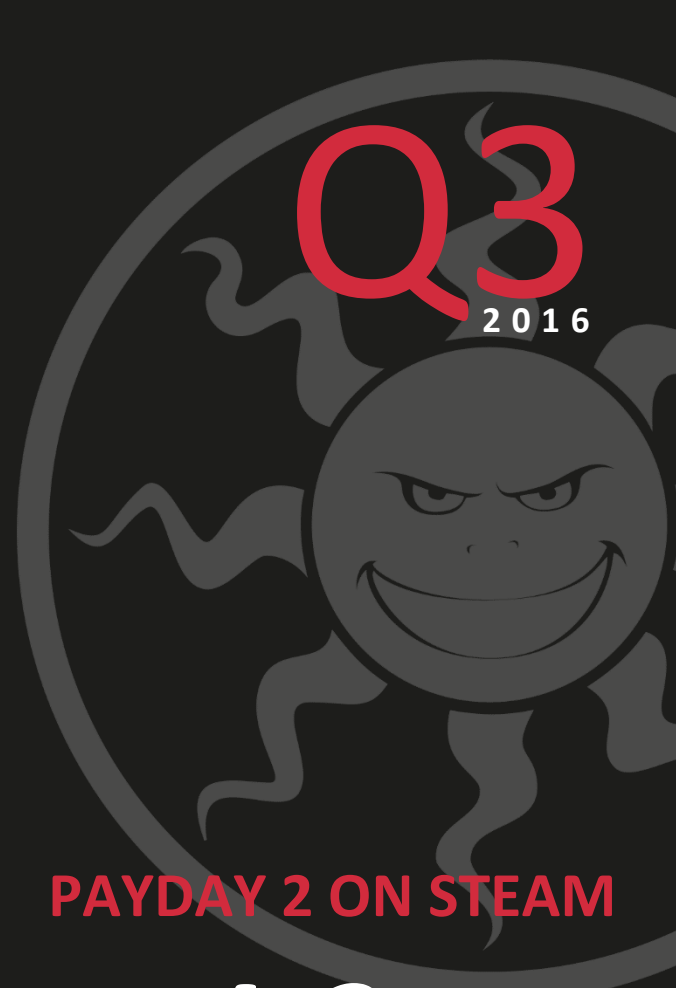
We initially intended to bring the kids game Geminose to market with a full set of physical toys in the same mindset as we always have; by finding a strong partner with the right complementary competencies. We've been in numerous discussions with respectable companies, including major toy manufacturers,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

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

TECHNOLOGY

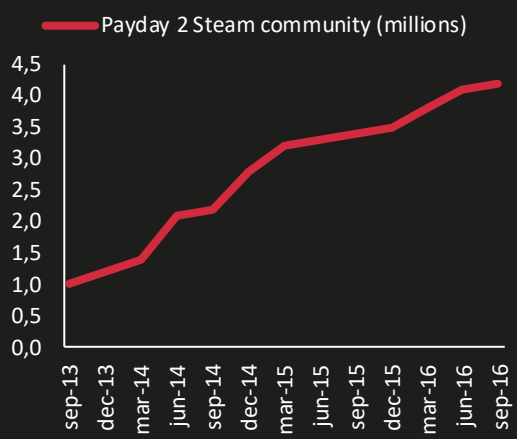
In Los Angeles, the last coat of paint is being put on the pilot IMAX VR Center, which has had a sneak-preview opening in the past few days for friends and partners in preparation for the public opening, now taking place shortly after the New Year. We're fully operational with the Acer joint venture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

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



PAYDAY 2 ON STEAM

4,2 million members



DEVELOPMENT PROGRESS

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

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

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

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

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

Let's do this!

Bo



OPERATIONS JUL-SEP 2016

Q3 2016

DISTRIBUTION AGREEMENT WITH DIGITAL BROS REGARDING RAID: WORLD WAR II

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

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

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

NEW CONVERTIBLE LOAN TERMS FOR IMPROVED FINANCIAL TRANSPARENCY

Starbreeze has come to an agreement with Smilegate Holdings Inc., the holder of the convertible loan for SEK 215 million that was issued in February 2016, to make certain changes to the terms in order to clarify Starbreeze financial reporting. The agreed changes are of a technical nature and do not change the original commercial agreement as such.

This information was earlier presented in the company's report for the second quarter, which was released on August 25, 2016.

EXTRAORDINARY GENERAL MEETING

Starbreeze held an Extraordinary General Meeting on September 9, 2016. The meeting resolved to issue a convertible loan to Acer of SEK 75.5 million. The loan may be converted to new Class B shares at a conversion rate (before possible recalculation) of SEK 17.82 per share.

In light of the fact that the general mandate to issue shares that the Board received at the Annual General Meeting on May 25, 2016 has been substantially used, largely for technical reasons, the meeting decided to give the Board an equivalent renewed mandate to issue new shares of not more than 10 percent of the number of outstanding shares at any given time.

PAYDAY 2

During the quarter, PAYDAY 2 accounted for SEK 20.2 million (SEK 48.4 million) of net revenue.

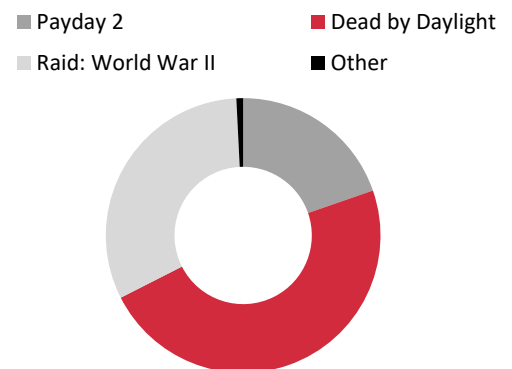
PAYDAY 2, which was released during 2013 continues to generate substantial revenues and the growing player base is still delivering healthy levels of contemporary players. At its peak, 34,862 gamers played PAYDAY 2 at the same time during the quarter.

The following campaigns were conducted during parts of the quarter:

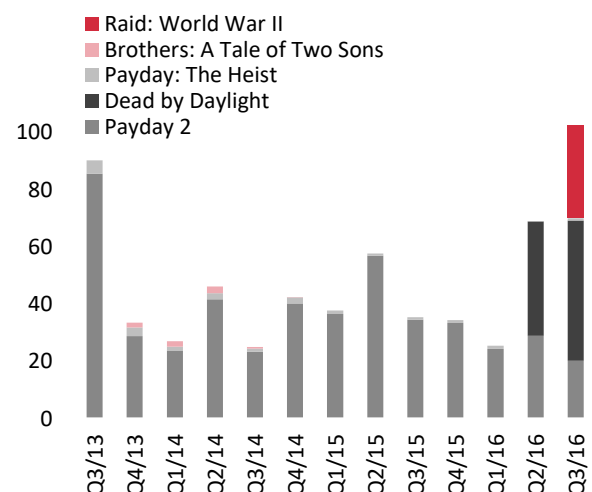
- June 21 until July 4 – Free-to-play campaign
- June 23 until July 4 – Steam Summer Sale

The following major updates were completed during the quarter:

Distribution: Net revenue in Q3



Revenue from game sales



- PAYDAY 2 Workshop
- The Big Score, a major content update for the console version PAYDAY2: Crimewave Edition. Owners of the console version may now, for the first time, buy separate updates of the game.

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PUBLISHING

DEAD BY DAYLIGHT

During the quarter, Dead by Daylight accounted for SEK 49.2 million (SEK 0.0 million) of net revenue.

Dead by Daylight, which is developed by the Canadian games studio Behaviour and released in June 2016, is Starbreeze first publishing release in the new Publishing unit.

The following events took place relating to Dead by Daylight during the quarter:

- In August, the game's first free update, The Last Breath, was released
- A free-to-play weekend campaign was held in connection with the first update
- In September, the game's first paid update, The 80's Pack, was released
- The game's community group on Steam exceeded 400,000 members at the end of the quarter.

TECH

STARVR

In August, at Acer's product presentation in Berlin, Starbreeze and Acer announced that the first delivery of StarVR HMD was shipped to IMAX in preparation for the opening of the first IMAX VR center in Los Angeles.

The joint venture, which was started between Starbreeze and Acer intends to initiate full-scale production during 2017.

SIGNIFICANT EVENTS AFTER THE PERIOD

DIRECTED SHARE ISSUE TO INSTITUTIONAL INVESTORS

In October, Starbreeze conducted a direct share issue targeted towards institutional investors, where Första AP-fonden acquired the majority of the shares issued. A total of 16,452,991 shares were issued at a price of SEK 23.40, equivalent to a total amount issued of SEK 385 million.

ACQUISITION OF BELGIAN COMPANY NOZON

In October, Starbreeze announced the acquisition of Nozon, a Belgian Visual Effects (VFX) studio and the developer behind the PresenZ technology. The consideration amounted to EUR 7.1 million, of which EUR 4.6 million was in cash (about SEK 44.6 million) and EUR 2.5 million in Starbreeze B shares. In addition, the parties also agreed on a 10-year earnout, based on PresenZ financial performance, which only takes effect after Starbreeze has recouped EUR 2 million of its consideration.

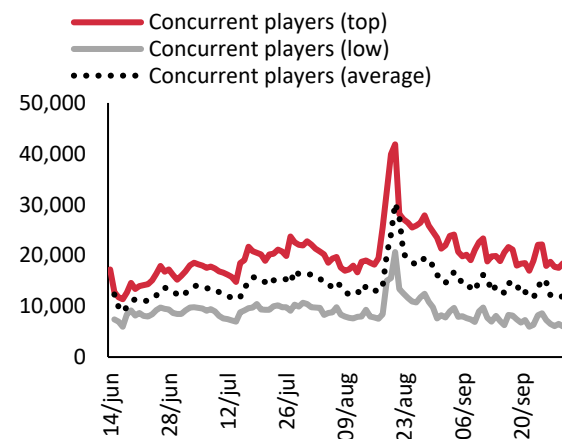
Since 1998, Nozon has steadily grown to become a well-known, award winning and established reference in VFX quality thanks to the company's artistic approach and strong R&D development. In 2015, Nozon launched the new PresenZ technology, which allows for interactive parallax in virtual reality and delivers high quality computer graphics combined with a true immersive feeling.

WORK INITIATED FOR RELISTING ON THE MAIN MARKET NEXT YEAR

After the period's end Starbreeze chose Carnegie Investment Bank as advisor for its relisting to Nasdaq Stockholm's main list. Starbreeze intention is to complete the relisting during 2017.

At its peak,
42 268
gamers played Dead by Daylight simultaneously during the quarter

Dead by Daylight



Source: steamcharts.com

Lasting success on Twitch

During the third quarter, Dead by Daylight remained in the top 10 list of the most watched games.

SALES

Sales during the first month of the fourth quarter have been favorable for the company. This was due to successful sales campaigns and the DLC release in connection with Halloween.

During October 2016, revenues from sales of PAYDAY 2, via the Steam PC distribution platform, amounted to SEK 16.3 million (SEK 10.9 million). The increase was partly due to the fact that Starbreeze, after the changed terms of the agreement with 505 Games, now receives 100 percent of the revenues from PAYDAY 2 on the PC platform Steam.

In October 2016, revenues from Dead by Daylight, via the Steam PC platform, amounted to SEK 17.8 million (SEK 0.0 million).

NEW PUBLISHING LABEL LAUNCHED

In November, a new brand was announced in the Publishing business segment. The new label "Starbreeze IndieLabs" aims to help projects, which are smaller in scope, to reach the market.

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

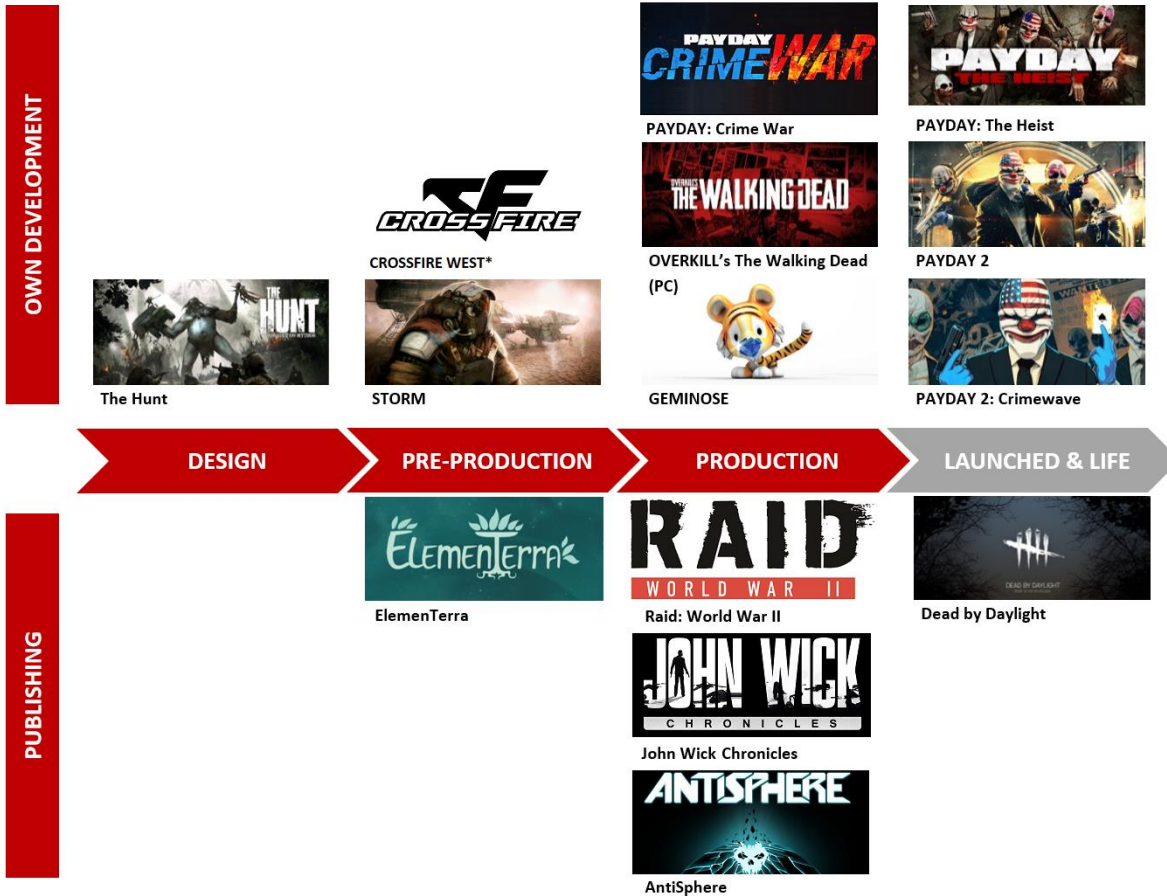
Antisphere is a top-down competitive arena battle game in which players use their skills in order to catch each other out, and win the match.

JOHN WICK CHRONICLES AT NEW YORK COMIC CON

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

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

PRODUCTION OVERVIEW AS OF SEPTEMBER 30



*Product name pending

PERFORMANCE JUL–SEP 2016

Q3 2016

REVENUE AND PERFORMANCE

All figures in parenthesis refer to the corresponding quarter of the previous calendar year.

THIRD QUARTER (JULY - SEPTEMBER 2016)

Net revenue during the third quarter amounted to SEK 102.7 million (SEK 49.9 million), of which SEK 32.5 million refers to a minimum guarantee relating to royalties for the physical console version of the game RAID: World War II for 505 Games. Of the net revenue, PAYDAY 2 accounted for SEK 20.2 million (SEK 48.4 million), Dead by Daylight accounted for SEK 49.2 million (SEK 0.0 million) and PAYDAY: The Heist accounted for SEK 0.7 million (SEK 0.9 million).

Revenue from the publishing business area is reported gross before sharing of profits with the parties involved. Payment to these parties is carried in the item "other external expenses".

After having repurchased the PAYDAY rights during the second quarter of 2016 Starbreeze will receive 100% of the revenue generated by PAYDAY 2 on the distribution platform Steam, instead of the previous 50/50 split. 505 Games receives all proceeds from sales of the PAYDAY 2 console version, up to USD 5.0 million. This resulted in that Starbreeze during the third quarter does not report any income from console sales. Furthermore, the agreement means that Starbreeze no longer receives financial production support for PAYDAY 2.

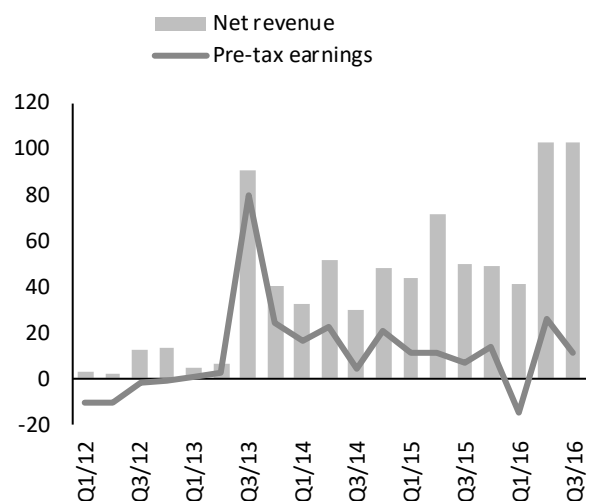
Capitalization of development projects during the period amounted to SEK 38.8 million (SEK 24.7 million). The increase was driven by more projects and higher activity in projects such as OVERKILL's The Walking Dead. The technology project StarVR is also affecting the size of the capitalization.

Total revenue during the quarter amounted to SEK 147.4 million (SEK 75.9 million), including capitalized development work of SEK 38.8 million (SEK 24.7 million).

The increase in costs during the quarter continued to be driven by a well thought-out acceleration of game development projects, both proprietary projects as well as projects in the publishing business segment. Marketing costs also increased due to greater activity before the launch of titles such as John Wick Chronicles and RAID World War II. Other external expenses increased to SEK 79.0 million (SEK 36.7 million) and of these, royalties to partners in the company's publishing business segment accounted for SEK 24.2 million (SEK 0,0 million). SEK 18.0 million relates to increased costs for services purchased in connection with production of games.

Employee expenses during the quarter amounted to SEK 47.5 million (SEK 30.5 million) and were mainly explained by additional personnel from acquired companies, and also by increased recruitment in Sweden. These recruitments aim to meet the increased number of projects that will be completed and launched in the coming years. Personnel expenses also include costs of SEK 13.9 million (SEK 12.3 million) related to employee stock options. The cash flow effect on exercise of the options is hedged by 2,049,000 warrants that can be sold in the market.

KSEK	Q3	
	2016	2015
Net revenue	102 707	49 882
EBITDA	19 218	8 419
Pretax income	11 032	7 175
Net income	20 402	6 396
Earnings per share, SEK	0,08	0,03
FX differences	4 523	4 728
Net revenue growth, %	105,9	66,1
EBITDA margin, %	13,0	11,1



+106 %
net revenue

Currency gains during the quarter amounted to SEK 4.8 million (SEK 1.3 million), mainly driven by a stronger dollar. This means a positive effect on income of SEK 3.5 million compared to the year-earlier period. Currency gains are recognized as other operating revenues in the income statement.

After the realignment of the terms for the Smilegate convertible bond, which was carried out and came into effect from the second quarter of 2016, financial income will be affected by the revaluation of the related warrants, also derivative, which is part of the updated structure. For the third quarter the revaluation had a positive effect of SEK 2.5 million on financial income.

Operating income before depreciation and amortization, EBITDA, amounted to SEK 19.2 million (SEK 8.4 million), an increase of 128.6 percent.

Pretax income rose to SEK 11.0 million (SEK 7.2 million).

Income after tax, net income, increased to SEK 20.4 million (SEK 6.4 million). During the third quarter, the Group recognized accrued tax revenue due to recognition of the loss carryforwards of foreign subsidiaries as a tax asset. This is due to the assessment that it will be possible to use this deficit against future profits.

Earnings per share before dilution amounted to SEK 0.08 (SEK 0.03). Earnings per share after dilution amounted to SEK 0.08 (SEK 0.03).

FINANCIAL POSITION

Goodwill at the end of the quarter amounted to SEK 144.6 million (SEK 75.0 million). The goodwill is carried at the closing day exchange rate. The increase in goodwill largely relates to the acquisition of ePawn, which amounted to SEK 67.8 million.

Other intangible assets at the end of the quarter amounted to SEK 483.9 million (SEK 198.7 million). The increase was mainly related to the repurchase of the PAYDAY rights from 505 Games for SEK 248 million. These assets are carried at the closing day exchange rate. The intangible assets were depreciated by SEK 6.4 million (SEK 0.3 million) during the quarter.

Capitalized development expenditure increased by SEK 38.8 million during the quarter, compared to the previous quarter, and amounted to SEK 237.1 million (SEK 66.6 million). The capitalized development work during the quarter of SEK 38.8 million consisted of proprietary game development projects such as OVERKILL's The Walking Dead and Geminose as well as StarVR. In addition to this, development of the Group's publishing projects is also entered in the balance sheet. The publishing projects are entered directly in the balance sheet and are therefore not included in the item capitalized development work in the income statement but affect cash flow.

Trade receivables and other receivables amounted to SEK 30.3 million (SEK 35.6 million). Prepaid expenses and accrued income at the end of the quarter amounted to SEK 30.8 million (SEK 12.6 million), of which SEK 14.9 million relates to a receivable for sales on Steam.

Deferred tax assets, relating to outstanding loss carryforwards in the parent company Starbreeze AB, amounted to SEK 6.6 million (SEK 68.6 million). Deferred tax assets, relating to outstanding loss carryforwards in the foreign subsidiaries, amounted to SEK 38.4 million (SEK 0.0 million). The increase is due to the assessment that it will be possible to use these deficits against future profits.

Cash and cash equivalents amounted to SEK 376.0 million (SEK 123.7 million) at the end of the quarter.

Q3
2016

+129 %
EBITDA compared
to third quarter 2015



On the balance sheet date, consolidated equity amounted to SEK 935.6 million (SEK 386.2 million) and the equity/assets ratio fell to 67.3 percent (71.3 percent). Equity per share before dilution amounted to SEK 3.77 (SEK 1.96) at the end of the quarter. Equity per share after dilution amounted to SEK 3.36 (SEK 1,89) at the end of the quarter.

In February 2016, a convertible loan was obtained from Smilegate. The carrying amount of the convertible amounted to SEK 187.4 million as of September 30, 2016. The annual interest rate on the non-current interest-bearing liability to Smilegate, SEK 215 million, amounts to 2%. In September, a further convertible loan was received from Acer. The carrying amount of the Acer convertible amounted to SEK 65.1 million as of September 30. The annual interest rate on the non-current interest-bearing liability to Acer, SEK 75,5 million, amounts to 1%. Total non-current liabilities thus amounted to SEK 371.1 million (SEK 50.8 million), including deferred tax liabilities of SEK 74.0 million (SEK 42.5 million).

Trade payables and other liabilities at the end of the quarter amounted to SEK 31.4 million (SEK 56.4 million).

Accrued expenses and deferred income amounted to SEK 52.2 million (SEK 48.0 million) at the end of the quarter. The balance sheet items have historically been impacted by cash settlements and other transactions with 505 Games, which have now ended by the repurchase of the PAYDAY rights.

CASH FLOW

Cash and cash equivalents at the start of the period amounted to SEK 328.4 million (SEK 110.6 million).

Cash flow from operating activities for the period was SEK 37.0 million (SEK 49.5 million). Cash flow from investing activities was SEK -60.8 million (SEK -47.1 million).

Cash flow from financing activities was SEK 70.1 million (SEK 10.6 million). This includes the convertible loan from Acer of SEK 65 million.

Total cash flow for the period was SEK 46.3 million (SEK 12.9 million). Cash and cash equivalents at the end of the period totaled SEK 376.0 million (SEK 123.7 million).

The differences between revenue and income in the income statement and in the cash flow from operations were due to depreciation, investments and to changes in working capital, which were mainly related to cash settlements with partners such as Valve Corporation (Steam) and Behaviour Interactive.

INVESTMENTS AND DEPRECIATION/AMORTIZATION

During the quarter, the Group's investments in tangible fixed assets amounted to SEK 3.3 million (SEK 4.6 million) and investment in the form of capitalized expenditure for games development, amounted to SEK 38.9 million (SEK 35.8 million) and investments through corporate acquisitions amounted to SEK 0.0 million (SEK 4.3 million). Investments in intangible assets amounted to SEK 10.0 million (SEK 0.5 million).

Depreciation of fixed tangible assets amounted to SEK 1.4 million (SEK 0.9 million) during the quarter and amortization of intangible assets and capitalized development projects amounted to SEK 6.4 million (SEK 0.3 million).

PARENT COMPANY

The Group's operations are conducted in the parent company Starbreeze AB (publ), and in the subsidiaries Starbreeze Production AB, Starbreeze Studios AB, Starbreeze Publishing AB, Starbreeze USA Inc, Starbreeze LA Inc, Starbreeze Paris, Starbreeze IP LUX, Starbreeze IP LUX II Sarl and ePawn.

The parent company's net revenue for the third quarter amounted to SEK 0.5 million (SEK 22.4 million) and pretax income was SEK -5.2 million (SEK 0.2 million). Net income was SEK -3.9 million (SEK 0.2 million).

As of September 30, 2016, cash and cash equivalents totaled SEK 231.2 million (SEK 45.8 million).

The parent company's equity at the end of the quarter was SEK 794.0 million (SEK 243.1 million).

Q3
2016

OTHER INFORMATION

Q3

2016

PERSONNEL

The number of employees amounted to 176 persons (117 persons) as of September 30, 2016. The average number of full time employees in the quarter amounted to 159 persons (94 persons). The average age is 33 years and the gender distribution is 153 men and 23 women.

MARKET

The gaming industry is similar in structure to other sectors where the product is based on creative content. Like in the film and music industries, the gaming industry is focused on creating, publishing and distributing intellectual property rights.

SIZE & GROWTH

The industry will continue to grow and is expected to generate global sales of almost USD 88.5 billion by 2019, compared to an estimated just over USD 76 billion this year, according to a survey conducted by PwC (Outlook insights - An analysis of the Global entertainment & media outlook: 2015-2019, PwC, 2015).

The gaming market is usually divided into three categories; console games, PC games and mobile games. The production budget and product times vary largely depending on what type of game is developed, regardless of game category. A console game usually has the highest development budget and the longest production time, whereas a mobile game can be developed much cheaper and faster. In the case of console and PC games, the future market growth is expected to come mainly from digital sales, while sales in stores are expected to continue falling slightly year-on-year. The market for mobile games, which is exclusively based on digital distribution, is expected to continue growing.

Developers are increasingly choosing to publish their games themselves via digital distribution channels. This means that good understanding and business acumen is ever more important for the individual developer as the publisher has traditionally provided this. Steam, Appstore, Google Play and Amazon will thus continue to grow.

ACCOUNTING AND VALUATION PRINCIPLES

This interim report is prepared in accordance with IAS 34, Interim Financial Reporting. The accounting policies correspond to the principles applied in the annual financial statements for 2015/2016.

In the parent company, the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities was applied in preparation of this interim report.

No new or revised IFRS standards became effective, which are expected to have any material impact on the Group.

For all financial assets and liabilities, the carrying amount is a good approximation of fair value.

	Q3	
	2016	2015
Employees	176	117
Men	153	104
Women	23	13
Net income per employee	116 TSEK	55 TSEK

116 KSEK

net profit per employee

RISK AND UNCERTAINTIES

In order to prepare interim and annual reports according to generally accepted accounting principles, the company management have to make judgements and assumptions that affect the value of assets, liabilities and revenue reported in the annual financial statements. Actual outcomes may differ from these estimates.

The short-term effect on income from fluctuations in exchange rates can be positive or negative, depending on the current currency exposure from trade receivables, bank balances etc. 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 launches and project delays. These and other risks such as copyright infringements, loss of key persons and exchange rate fluctuations are described in Starbreeze's Annual Report 2015/2016 in the Report of the Board of Directors on page 54 and in Note 3.

The sales trend for PAYDAY 2 and Dead by Daylight, the launch of new games and the funds that Acer has invested in Starbreeze during the period, and that Första AP-fonden amongst others invested after the period's end, entails that the company estimates that the current financing is sufficient to conduct the business in its current size at least during the present and next fiscal year. The company's Board and Management continually evaluate the Group's long-term capital requirements and financing alternatives.

Q3
2016

THE STARBREEZE SHARE

THE SHARE AND OWNERS

Starbreeze's share is listed on Nasdaq Stockholm First North Premier. In June 2015, a share structure involving A and B shares was introduced through a bonus issue, whereupon trading on First North now includes both A- and B shares. This share structure is considered to promote liquidity and flexibility in connection with corporate acquisitions using own shares. A- and B shares carry the same rights in other respects, and A shares, upon request, can be converted to B shares. The A share has the ticker STAR A with ISIN SE0007158928 and the B share has ticker STAR B with ISIN SE0005992831.

On September 30, 2016, the closing price of the A share was SEK 23.30 and the closing price of the B share was SEK 23.20. The total market capitalization was about SEK 5,997 million.

During the quarter, the value of the B share rose by 17.2 percent and the value of the A share rose by 17.1 percent. During the same period, the Nasdaq OMXSPI index rose by 10.0 percent.

On September 30, 2016, the number of outstanding shares amounted to 258,256,576, each one with a quota value of SEK 0.02, equivalent to a share capital of SEK 5,165,132. Meanwhile, the number of A shares amounted to 57,465,828 and the number of B shares amounted to 200,790,748. In view of the convertibles issued to Smilegate and Acer, among other things, the total number of shares after dilution amounts to 286,911,079. As of September 30 the number of outstanding options totaled 5,016,840, of which 1,366,000 options may be used for hedging the employee stock option program. These stock options give the right to subscribe for 6,675,267 shares, of which 2,049,000 can be used for hedging of the employee stock option program.

The company's 10 largest owners are presented in the table below.

OWNERS AS OF 30 SEPTEMBER 2016	HOLDINGS %	VOTES %
VARVTRE AB 1)	10,45	22,75
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	11,90	7,51
SWEDBANK ROBUR 2)	9,09	5,93
HSBC-FUND SERV CLIENTS A/C 006-KR 3)	3,72	5,16
GARNET GROUP 4)	1,92	4,21
CBLDN-BFCM FULLTX THIRD PARTY ASSET	1,43	2,09
INDIAN NATION AB 5)	1,43	2,02
AVANZA BANK AB	0,57	1,89
CBNY-NATIONAL FINANCIAL SERVICES	1,86	1,72
NORDNET PENSIONS FÖRSÄKRING AB	1,60	1,35
Sum (%)	43,97	54,63

1) Varvtre AB is since April 30 2015 wholly-owned by Bo Andersson Klint

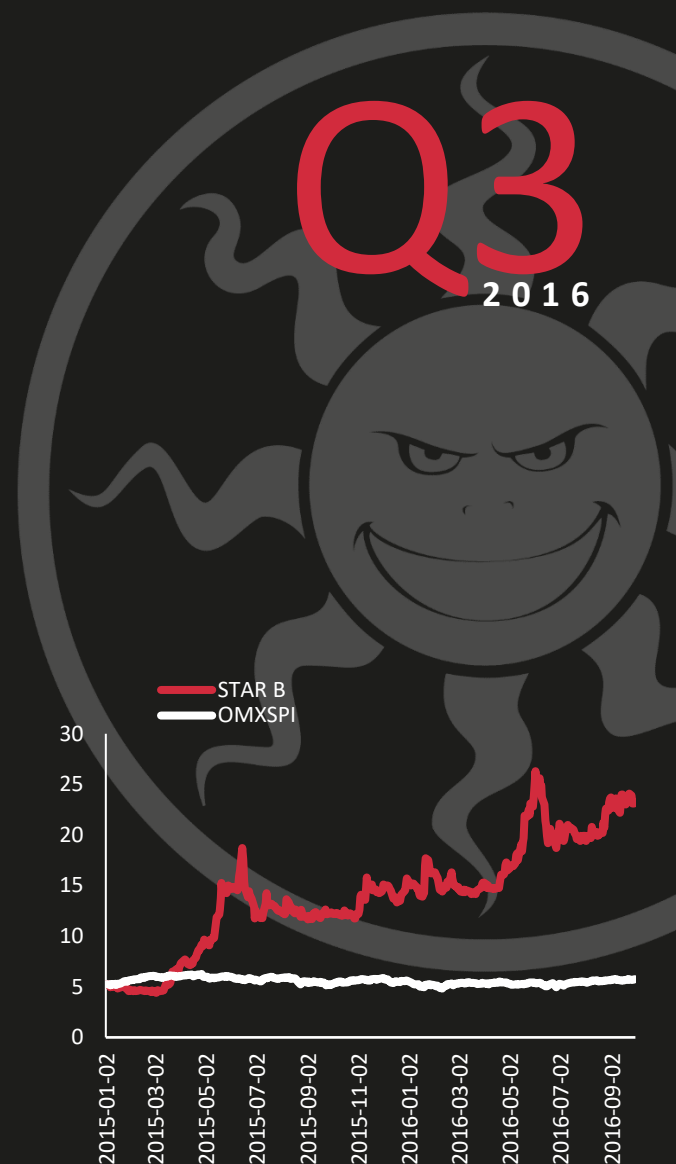
2) Swedbank Robur consists of three mutual funds

3) Smilegate Holdings Inc.

4) Garnet Group consists of Viktor Vallin, Marcus Wass, David Wallsten and Stefan Johansson

5) Indian Nation AB is owned by Michael Hjorth

Source: Euroclear



**MORE THAN 26,400
SHAREHOLDERS**

STOCK OPTIONS

EMPLOYEE & BOARD STOCK OPTION PROGRAMS 2014/2018

In June 2014, the company issued a total of 4,775,000 stock options to employees and in addition issued 534,000 so-called board options to two Board members. The options were issued free of charge to employees and will be vested over 1, 2 and 3 years, respectively, provided that the employee remains employed by the Group and provided that the set performance criteria are met.

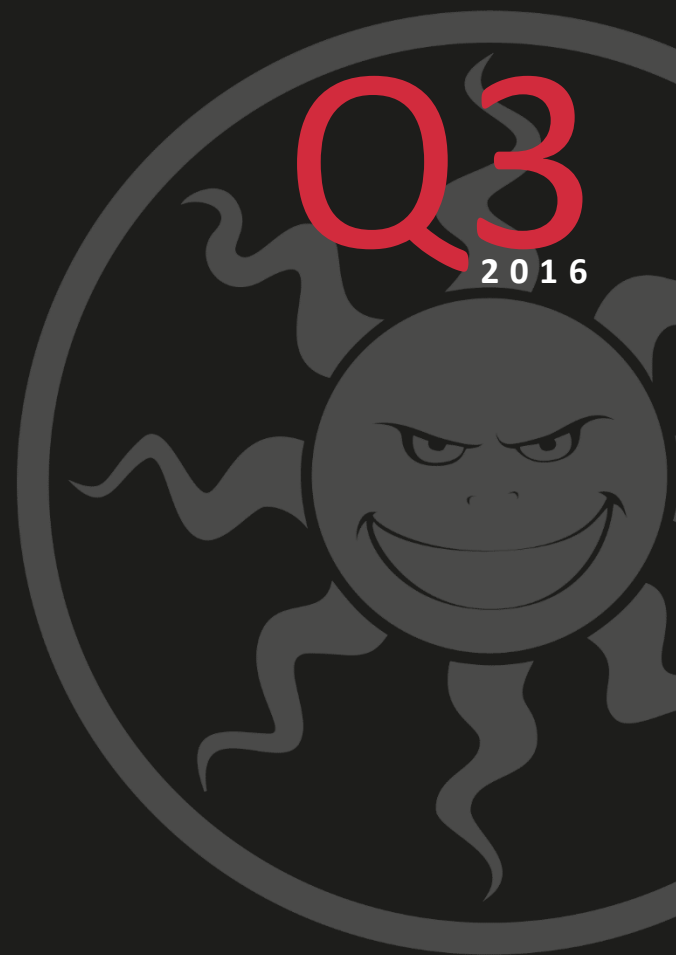
The board options were also issued free of charge and will be vested over 1, 2 and 3 years, respectively, (calculated from the Annual General Meeting in November 2013) but lapse if the Board member resigns, is dismissed or does not stand for re-election. After the bonus issue in June 2015, two stock options give the right to subscribe for three B shares. The strike price per share has been recalculated on account of the bonus issue. The new strike price corresponds to 2/3 of the previous strike price and for the original allotment now amounts to SEK 4.8 per share.

WARRANT PROGRAM 2014/2017

In May/June, the company issued a total of 1,999,999 warrants to employees, of which 1,000,000 to the CEO and 999,999 to management/key employees. In addition, 267,000 warrants were issued on similar terms to a Board member, provided that the member's assignment does not terminate before the 2015 Annual General Meeting. The warrants were issued on market-related terms. After the bonus issue in June 2015, two warrants give the right to subscribe for three B shares. The strike price per share has been recalculated on account of the bonus issue. The new strike price corresponds to 2/3 of the previous strike price and now amounts to SEK 8 per share.

WARRANT PROGRAM 2015/2018

The Annual General Meeting in November 2015 passed a resolution on another special share-based incentive program for senior executives and certain other key employees, with the aim of handling new recruitments and promotions. In total, up to 3,500,000 warrants, giving the right to subscribe for 3,500,000 Class B shares, may be issued within the framework of the special incentive program, where approximately half will have a term of three years and half a term of four years, with a strike price equivalent to 200 percent and 240 percent, respectively, of the current share price. On September 30, 2016, 1,750,000 of these warrants had been allotted.



INVESTOR CONTACT

Up-to-date information about Starbreeze is available on the company's website 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.

UPCOMING EVENTS

Interim Report Q4 2016	February 16, 2017
Annual Report year 2016	April 20, 2017
Interim Report Q1 2017	May 11, 2017

CHANGED FISCAL YEAR

Note that in accordance with the decision taken at the Annual General Meeting in November 2015, this is the third interim report since the change to the calendar year. The next interim report from the company will therefore be Q4 2016 and will be presented on February 16, 2017.

FOR FURTHER INFORMATION

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

The reports are published at the company's website www.starbreeze.com

Michael Hjorth
Chairman of the Board

Christoffer Saidac Matias Myllyrinne Eva Redhe Harold Kim

Bo Andersson Klint
Chief Executive Officer

This information is such that Starbreeze AB is required to disclose according to the EU's Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the above contact person, on November 24, 2016 at 08:30 CET

Q3

2016

CALENDAR

Interim Report Q4 2016
February 16, 2017

Annual Report
April 20, 2017

Interim Report Q1 2017
May 11, 2017



KEY FIGURES, GROUP

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

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

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

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

KEY RATIOS, GROUP

EBITDA

Earnings before interest, taxes, depreciation and amortization.

EBIT

Earnings before interest and taxes.

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

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

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

Earnings before interest and taxes as percentage of total revenue.

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

Net profit as percentage of total revenue.

Solidity

Equity as percentage of total capital.

Cash flow per share

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

Equity per share

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

Earnings per share

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

Equity

Reported equity including 78 percent of untaxed reserves.

Capital employed

Total assets less non-interest-bearing liabilities.

DEFINITIONS

Location-based entertainment (LBE)

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

CONSOLIDATED INCOME STATEMENT

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

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

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

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

CONSOLIDATED BALANCE SHEET

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

* Smilegate and Acer convertible bond

** Issued shares for Smilegate

*** Acquisition of PAYDAY rights and ePawn

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

PARENT COMPANY INCOME STATEMENT

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

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

PARENT COMPANY BALANCE SHEET

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

CONSOLIDATED PLEDGED ASSETS AND LIABILITIES

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

NOTES

NOT 1: FINANCIAL INSTRUMENT PER CATEGORY

GROUP, 30 SEPTEMBER 2016

KSEK

Assets in balance sheet	Other loan receivables and accounts receivable	Assets at fair value in the income statement	Assets available for sale	Sum
Financial assets available for sale	-	-	28 832	28 832
Accounts receivable	9 278	-	-	9 278
Other receivables	16 851	-	-	16 851
Short-term investments	-	152 878	-	152 878
Cash and cash equivalents	223 089	-	-	223 089
Sum	249 218	152 878	28 832	430 928

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

Auditor's Report on Review of Condensed Interim Financial Information (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act.



Introduction

We have reviewed the condensed interim financial information (Interim Report) of Starbreeze AB (publ) as of September 30, 2016 and the nine-month period that ended on this date. The Board of Directors and the CEO are responsible for the preparation and 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 report based on our review.

The focus and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of the interim report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not constitute the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report, in all material respects, is not prepared for the Group in compliance with IAS 34 and the Swedish Annual Accounts Act and for the Parent Company in compliance with the Swedish Annual Accounts Act.

Stockholm, November 24, 2016

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant



DEAD BY DAYLIGHT
death is not an escape

This document is a translation of the original interim report in Swedish. For the original version in Swedish, please visit <http://www.starbreeze.com>

