

# Q2

2021

## Second quarter 2021

- Net sales amounted to SEK 32.0 million (31.3). PAYDAY accounted for SEK 31.5 million (28.1).
- EBITDA\* amounted to SEK -51.8 million (15.5).
- EBITDA\*\*, adjusted for one-off effects related to PAYDAY Crime War license agreement, EBITDA amounted to SEK 16.8 million (15.5).
- Amortization, depreciation and impairments amounted to SEK 15.5 million (10.6).
- Profit before tax was SEK -80.0 million (-8.6).
- Basic and diluted earnings per share were SEK -0.11 (-0.02).
- The second chapter of PAYDAY 2: City of Gold was successfully launched during the quarter.

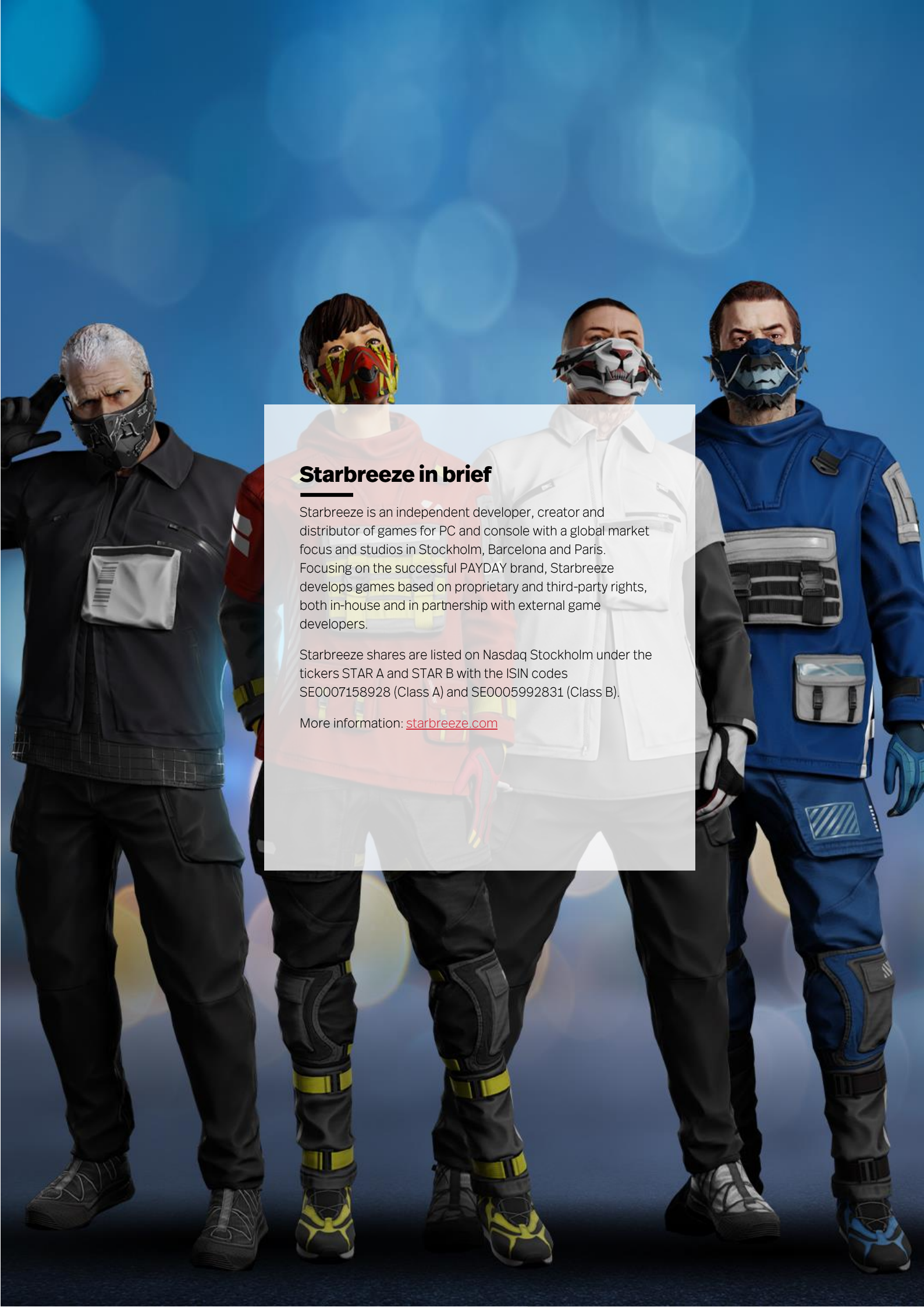
## First half 2021

- Net sales amounted to SEK 59.9 million (53.3). PAYDAY accounted for SEK 58.4 million (49.7).
- EBITDA\* amounted to SEK -29.3 million (32.3).
- EBITDA\*\*, adjusted for one-off effects related to PAYDAY Crime War license agreement, EBITDA amounted to SEK 39.4 million (32.3).
- Amortization, depreciation and impairments amounted to SEK 30.0 million (20.9).
- Profit before tax was SEK -84.3 million (-105.9).
- Basic and diluted earnings per share were SEK -0.11 (-0.31).
- Cash and cash equivalents amounted to SEK 113.6 million (90.9).

KEY FIGURES	2021	2020	2021	2020	2020
	Q2	Q2	JAN-JUN	JAN-JUN	JAN - DEC
Net sales	32,010	31,281	59,933	53,318	118,006
EBITDA*	-51,849	15,507	-29,255	32,337	49,317
EBITDA adjusted **	16,823	15,507	39,417	32,337	49,317
Profit (-loss) before tax	-80,032	-8,586	-84,280	-105,923	-130,473
Earnings per share, SEK	-0.11	-0.02	-0.11	-0.31	-0.28
Cash flow from operations	9,328	10,507	37,852	14,325	-24,640
Net sales per employee	241	242	454	423	959

\* See page 19 for definitions of key ratios.

\*\* Adjusted for one-off effects related to PAYDAY Crime War license agreement.



## **Starbreeze in brief**

Starbreeze is an independent developer, creator and distributor of games for PC and console with a global market focus and studios in Stockholm, Barcelona and Paris. Focusing on the successful PAYDAY brand, Starbreeze develops games based on proprietary and third-party rights, both in-house and in partnership with external game developers.

Starbreeze shares are listed on Nasdaq Stockholm under the tickers STAR A and STAR B with the ISIN codes SE0007158928 (Class A) and SE0005992831 (Class B).

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

## CEO's comments

# WE ARE CONTINUING TO GROW WITH PAYDAY

*Interest in PAYDAY 2 is growing and we are gaining many new players every month, while development work on PAYDAY 3 is going according to plan.*

During the quarter, we signed a license agreement with the Canadian mobile game publisher PopReach for the mobile game PAYDAY Crime War. PopReach has taken over all the remaining development of the game before the launch. The agreement reduces our development expenses, while we continue to see good opportunities for future licensing revenue. The team at PopReach has an impressive track record in the mobile games market, and we are excited about partnership with them in order to make Crime War a successful mobile version of PAYDAY 2.

Our sales on Steam continued to rise in the second quarter, and we saw a growth of 22% compared to the same period of the preceding year. Our growth was 38% adjusted for the negative impact of currency movements.

The profit for the quarter is partly affected by one-off effects related to the agreement regarding PAYDAY Crime War. Adjusted for these, we see an adjusted EBITDA of SEK 16.8 million, an increase of SEK 1.3 million during the quarter compared to same quarter previous year.

The number of monthly active users (MAU) peaked at 804,029 during the quarter, an increase of 35% on the second quarter of 2020. The number of daily active users (DAU) also increased, by 16%. This points to a growing commitment in our community and the creative work by our development organization in their efforts to continuously delivering high-quality experiences.

During the quarter, we successfully released the second add-on pack, Ukrainian Prisoner Heist, out of a total of four from the new City of Gold season. The strength of the PAYDAY IP in continuing to attract many new players while we are seeing increased sales of DLC (downloadable content) shows that we are developing the game in the right direction, which gives us great confidence for the future launch of PAYDAY 3.

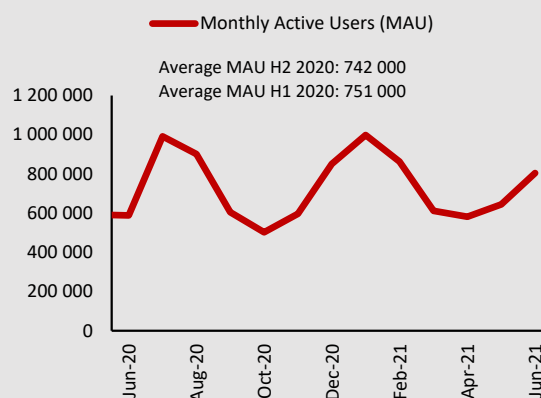
Development of PAYDAY 3 is progressing, and we have reached the production phase, which means that the team is focused on creating the content that will be included in the game at launch. The Unreal engine provides us with a strong foundation thanks to our own and our co-publisher Koch Media's favourable experience of working on multiple hardware platforms simultaneously. We have continued to strengthen our development organization both in Paris and in Stockholm and so far, we have welcomed 37 new employees from 8 different countries in 2021.

Building brands that appeal to a broad and global market requires a team that, in addition to skill and experience, have relevant knowledge

# Q2

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## PAYDAY 2



Source: Payday 2 game data through Starbreeze telemetry

Peak number of monthly active users (MAU)

# 804,029

for PAYDAY 2 during Q2

from different parts of the world and instinctively understands differences in cultures and expectations. We believe that to be part of the process of producing entertainment products for millions of different players, we need to be able to collaborate effectively and in the best possible way with all our colleagues. Only then can we create the very best gaming experiences. For Starbreeze, it's a matter of continuing to develop our inclusive and results-oriented culture and never resting on our laurels, but constantly striving to improve. The goal is for Starbreeze culture to be clear and attract new employees as well as new players.

To sum up, we are continuing to grow with PAYDAY and we are building a solid foundation for the launch of PAYDAY 3. The development of PAYDAY 3 along with our partner is going according to plan, and we look forward to all the exciting content we will be launching for PAYDAY 2 and the work on continuing to develop PAYDAY 3.

**Tobias Sjögren**

CEO Starbreeze

# SIGNIFICANT EVENTS DURING THE QUARTER

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

On April 14, Starbreeze signed a license agreement with PopReach Corporation for PAYDAY Crime War, the mobile game version of PAYDAY 2. Starbreeze receives a license fee based on future sales and an initial onetime payment in connection with the transfer of the source code.

## **Impact of COVID-19**

Starbreeze is continuously monitoring the impact of the ongoing COVID-19 pandemic on the business. Ongoing revenue-generating operations have shown any disruptions because the majority of revenues are generated by a digital distribution model in which product availability and interaction among players is uninterrupted regardless of general public social distancing measures. All the employees are continuing to work from home. The company's assessment that the short-term impact on ongoing projects will be minor still stands, but the long-term effects on future business and the impact on the efficiency of the project organizations may result in delayed deliveries. The impact on the company's revenues has so far been positive.

# SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

No significant events occurred after the end of the period.

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# SALES AND PROFIT

The comparative period for sales and profit is the corresponding period of the preceding year.

## Second quarter 2021

### Sales

Net sales for the second quarter of 2021 amounted to SEK 32.0 million (31.3), of which PAYDAY accounted for SEK 31.5 million (28.1). Net sales for PAYDAY increased by 12.1% over the corresponding period of the preceding year. Net sales were SEK 26.9 million (22.1) for PC and SEK 4.6 million (6.0) for Console. Net sales for the base game PAYDAY 2 on Steam increased by 21% (SEK 1.4 million) compared to the second quarter of 2020, and net sales of DLC (sale of downloadable content) increased by 29% (SEK 3.8 million).

Console revenues are SEK 1.4 million lower than the corresponding period of the preceding year, where sales are mostly unchanged, but a weaker Swedish krona has a negative impact. Changes in the dollar exchange rate had a negative impact on net sales of SEK 3.0 million compared to the average exchange rate in the corresponding period of the preceding year. Adjusted for exchange rate fluctuations, the increase in sales on Steam was about 38%.

In the corresponding period of the preceding year, SEK 3.0 million of net sales was related to non-core activities.

### Expenses

Direct costs amounted to SEK 14.2 million (6.3) and consist of expenses related to game production and game development. Direct costs include depreciation and amortization of SEK 10.5 million (6.1). The increase is mainly due to increased amortization of intangible assets as the depreciation plan for the company's assets has been revised for 2021 onwards.

Capitalized development expenditure reduced direct costs by SEK 22.1 million (19.7) and relates to the games PAYDAY 2 and PAYDAY 3.

Selling and marketing expenses amounted to SEK 3.0 million (2.3) and relate mainly to employee benefit expenses.

Administrative expenses amounted to SEK 12.6 million (19.4) and relate to items including office expenses and salaries of employees who do not work in game production or marketing, as well as external expenses related to legal work. The decrease in administrative expenses is mainly attributable to lower consultancy and legal expenses. Administrative expenses include amortization of SEK 5.0 million (4.4). Capitalized development expenditure reduced administrative expenses by SEK 7.9 million (5.4) and relates to the games PAYDAY 2 and PAYDAY 3.

Other revenue amounted to SEK -0.9 million (1.7). This item consists mainly of currency effects due to changes in the USD and EUR exchange rates against SEK. The currency effect had a negative impact on the individual quarter.

Other expenses amount to SEK -68.7 million (0.0) and relate to previously capitalized development expenditure related to PAYDAY Crime War, which were reversed with the signing of a license agreement with PopReach for launch of the game. These expenses are non-cash items.

# Q2

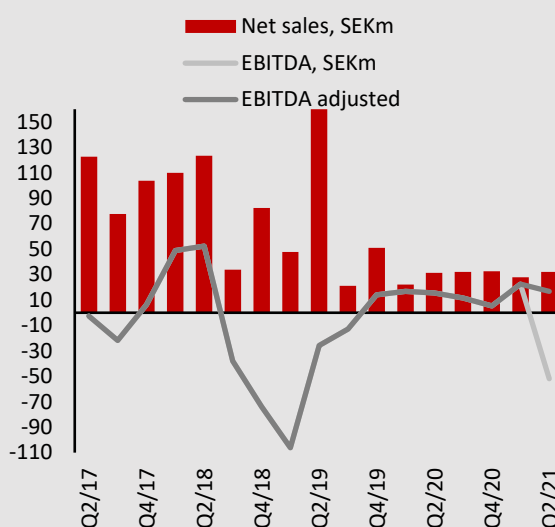
2021

### Sales and profit

	2021	2020	2021	2020
SEKk	Q2	Q2	JAN-JUN	JAN-JUN
Net sales	32,010	31,281	59,933	53,318
EBITDA *	-51,849	15,507	-29,255	32,337
EBITDA adjusted **	16,823	15,507	39,417	32,337
Profit (-loss) before tax	-80,032	-8,586	-84,280	-105,923
Net profit (-loss) for the period	-76,490	-8,771	-80,871	-105,633
Earnings per share, SEK	-0.11	-0.02	-0.11	-0.31
Net sales growth, %	2.3	-80.4	12.4	-74.3
EBITDA margin, %	-162.0	49.6	-48.8	60.6
EBITDA margin, % adjusted	52.6	49.6	65.8	60.6

\*See page 19 for the definitions of key figures

\*\* Adjustment for on-off effects related to PAYDAY Crime War licence agreement



## **Net profit**

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to SEK 51.8 million (15.5). Adjusted for one-off effects related to the license agreement for PAYDAY Crime War, EBITDA was SEK 16.8 million (15.5).

The share of profit and loss in the joint venture StarVR Corporation amounted to SEK 0.0 million (-1.1).

Net financial income/expense was reduced during the quarter by interest on lease liabilities of SEK 0.3 million (0.4), an effect of the reporting standard IFRS 16.

## **Net financial income/expense**

Net financial expense/expense amounted to SEK -12.6 million (-13.5).

The expenses are attributable mainly to the company's convertible loan and associated liability of SEK -11.9 million (7.3).

## **Profit before tax and net profit for the period**

Profit before tax for the quarter amounted to SEK -80.0 million (-8.6).

Net profit for the quarter amounted to SEK -76.5 million (-8.8).

Basic and diluted earnings per share were SEK -0.11 (-0.02).

## **First half 2021**

### **Sales**

Net sales amounted to SEK 59.9 million (53.3), of which PAYDAY accounted for 58.4 million (49.7). Net sales were SEK 49.2 million (39.0) for PC and SEK 9.2 million (10.6) for Console.

Net sales for the base game PAYDAY 2 on Steam increased by 17% (SEK 1.8m) compared to the corresponding period in 2020 and net sales of DLC (sale of downloadable content bundles) increased by 34% (SEK 8.0m). Console revenue is SEK 1.4 million lower than the corresponding period of the preceding year.

The change in the exchange rate against the dollar had a negative impact on net sales of SEK 7.2 million compared to the average exchange rate for the corresponding period of the preceding year.

### **Expenses**

Direct costs amounted to SEK 25.8 million (15.8) and consist of expenses related to game production and game development. The increase is mainly due to increased amortization of intangible assets of SEK 8.3 million as the depreciation plan for the company's assets has been revised for 2021 onwards. Direct costs include depreciation and amortization of SEK 20.7 million (12.4).

Capitalized development expenditure reduced direct costs by SEK 43.7 million (37.3) and relates to the games PAYDAY Crime War, PAYDAY 2 and PAYDAY 3.

Selling and marketing expenses amounted to SEK 5.3 million (4.4) and relate mainly to employee benefit expenses.

Administrative expenses amounted to SEK 23.4 million (38.9) and relate to items including office expenses and salaries of employees who do not work in game production or marketing, as well as expenses related to the reconstruction process. The decrease in administrative expenses is mainly attributable to lower consultancy and legal expenses, as well as costs of premises.

Administrative expenses include amortization of SEK 9.3 million (8.5). Capitalized development expenditure reduced administrative expenses by SEK 14.5 million (12.2) and relates to the games PAYDAY Crime War, PAYDAY 2 and PAYDAY 3.



Other revenue amounted to SEK 4.0 million (10.9). This item consists mainly of currency effects due to changes in the USD and EUR exchange rates against SEK. The comparative figure includes net profit attributable to divested subsidiaries of SEK 6.4 million.

Other expenses amount to SEK -68.7 million (0.0) and relate to previously capitalized development expenditure related to PAYDAY Crime War, which was reversed when a license agreement was signed with PopReach for launch of the game. These expenses are non-cash items.

### Net profit

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to SEK -29.3 million (32.3).

The share of profit and loss in the joint venture StarVR Corporation amounted to SEK 0.0 million (-1.4). Net financial income/expense was reduced during the period by interest on lease liabilities of SEK 0.6 million (-0.8), an effect of the IFRS 16 reporting standard.

### Net financial income/expense

Net financial income/expense amounted to SEK -25.0 million (-117.4).

The expenses are attributable mainly to the company's convertible loan and associated liability of SEK 23.5 million. In the corresponding period of the preceding year, we had a negative impact of SEK 90.9 million related to the renegotiation loss on convertible loan.

### Profit before tax and net profit for the period

The profit/loss before tax for the period was SEK -84.3 million (-105.9).

The profit/loss for the period amounted to SEK -80.9 million (-105.6).

Basic and diluted earnings per share were SEK -0.11 (-0.31).

### Specification of net financial income/expense

	2021	2020	2021	2020	2020
SEKk	Q2	Q2	JAN-JUN	JAN-JUN	JAN - DEC
Interest on convertible bonds	-6,679	-5,747	-13,312	-10,281	-22,766
Net profit (-loss) from StarVR Corp.	39	-1,088	70	-1,366	-2,112
Renegotiation loss convertible bond	-	-	-	-90,934	-90,934
Implicit interest	-5,223	-1,559	-10,161	-6,873	-19,148
Interest on bank overdraft facility	-	-2,827	-	-2,827	-
Interest Nordea	-508	-1,737	-1,035	-3,534	-3,974
Interest on lease liability	-291	-389	-607	-803	-1,509
Interest on non-current liabilities according composition proposal	-	-340	-	-763	-1,563
Other items	28	175	44	19	658
<b>Total</b>	<b>-12,634</b>	<b>-13,512</b>	<b>-25,001</b>	<b>-117,363</b>	<b>-141,348</b>

# OTHER FINANCIAL INFORMATION

# Q2

2021

*The comparison period for financial information is the corresponding period of the preceding year.*

## Second quarter 2021

### Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 9.3 million (10.5) in the period. Cash flow from operating activities for the period was impacted by interest expenses related to repayment of loans of SEK -3.4 million and a decrease in operating receivables of SEK -3.4 million.

Adjustments for non-cash items amounted to SEK 85.4 million (13.2), of which depreciation of assets is SEK 15.5 million and currency effects are SEK -1.1 million. The depreciation plan for the company's assets has been revised, with the result that depreciation for the period increased to SEK 15.5 million against SEK 10.6 million for the corresponding period of the preceding year. This item also includes an accounting loss on sale of fixed assets of SEK 68.7 million, which relates to previously capitalized development expenditure on PAYDAY Crime War. In connection with the signing of a license agreements for PAYDAY Crime War, the rights to the game are transferred to the licensee, with the consequence that previously made investments in development are to be expensed.

Cash flow from investing activities was SEK -27.6 million (-24.6), of which investments in proprietary game development amounted to SEK -30.0 million. This item also includes the one-off revenue received by Starbreeze in connection with the signing of the PAYDAY Crime War license agreement of SEK 2.1 million.

Cash flow from financing activities amounted to SEK -16.6 million (-2.5), of which the effect of IFRS 16 Leases amounted to SEK -4.8 million. Loans have been repaid to Nordea in the sum of SEK -51.0 million, which means that all Nordea loans have now been fully amortized. During the period, the company raised an overdraft facility with Nordea with a limit of SEK 15 million on market terms. During the quarter, SEK 1.1 million was used from the overdraft facility.

During Q2, the company received funding for the game development of Payday 3 from our co-publishing partner Koch amounting to SEK 37.8 million.

Total cash flow for the period was SEK -34.8 million (-16.5). Cash and cash equivalents at the end of the quarter amounted to SEK 133.6 million (90.9).

### Investments

Consolidated investments in property, plant and equipment during the period amounted to SEK 0.1 million (0.0). Investments in proprietary game and technology development amounted to SEK 30.0 million (24.3).

## Cash and cash equivalents

as of June 30, 2021

# 113.6

# SEKm

## First half 2021

### Cash flow

Cash flow from operating activities, before changes in working capital, amounted to SEK -37.9 million (14.3). The increase is mainly attributable to a better operating profit in the first quarter. Adjustments for non-cash items amounted to SEK 96.5 million (9.2) of which depreciation and amortization amounted to SEK 30.0 million and an accounting loss on sale of fixed assets to SEK 68.7 million, which is attributable to previously capitalized development expenditure on PAYDAY Crime War.

Cash flow from investing activities was SEK -55.5 million (-49.5), of which investments in proprietary game development amounted to SEK -58.2 million.

Cash flow from financing activities has decreased to SEK -26.2 million (43.1), mainly due to repayment of loans to Nordea of SEK -55.9 million and financing received for game development from Koch of SEK 37.8 million. In addition, the company has raised a new overdraft facility with Nordea with a limit of SEK 15 million, of which SEK 1.1 million had been drawn down at the end of the period. The impact of IFRS 16 Leases amounts to SEK -9.5 million. In Q1 2020, a new share issue of SEK 50.7 million was made, which had a positive impact in the corresponding period of the preceding year.

Total cash flow for the period was SEK -43.9 million (7.9). Cash and cash equivalents at the end of the period amounted to SEK 113.6 million (90.9).

### Investments

Group investments in property, plant and equipment during the period amounted to SEK 0.3 million (0.0). Investments in proprietary game and technology development amounted to SEK 58.2 million (48.7).

### Financial position

#### Non-current assets

Goodwill at the end of the period amounted to SEK 40.2 million (43.7). Intangible assets, which consist primarily of IP rights, amounted to SEK 214.2 million (233.3).

Capitalized expenditure on proprietary game and technology development amounted to SEK 154.3 million (128.8).

Investments in publishing projects amounted to SEK 4.0 million (4.0).

Amortization and impairments of intangible assets amounted to SEK 19.0 million (9.4) during the period.

#### Current assets

Trade and other receivables amounted to SEK 5.3 million (22.4).

Prepaid expenses and accrued income at the end of the period amounted to SEK 34.0 million (31.8), of which SEK 16.2 million (14.9) relates to receivables for digital sales, primarily through Steam, PlayStation Store, Xbox Live and Switch.

#### Equity

Group equity amounted to SEK 146.8 million (24.7) at the reporting date.

#### Non-current liabilities

Non-current liabilities amounted to SEK 372.4 million (332.6), of which convertible loans and related liability amounted to SEK 293.6 million and financing liability to Koch to SEK 37.8 million. The non-current component of lease liability amounted to SEK 29.1 million (46.2). Deferred tax liability amounted to SEK 0.0 million (8.5).

### Current liabilities

Current liabilities amounted to SEK 108.5 million (277.1). Trade payables and other liabilities at the end of the period amounted to SEK 61.6 million (214.5). Repayment of loans to Nordea including interest were made during the period in an amount of SEK 59.1 million. Current liability for lease contracts amounted to SEK 18.5 million (19.4). Accrued expenses and deferred income at the end of the period amounted to SEK 28.4 million (43.1).

### Leases

IFRS 16 Leases has been applied since 1 January 2019. The deposit paid for the premises in Stockholm is recognized as a financial asset on the balance sheet.

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

The parent company has prepared its parent company in accordance with the Swedish Annual Accounts Act (SFS 1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The interim report for the parent company has been prepared using the same accounting policies and calculation methods as for the 2020 annual report (Note 1, pages 55-60) except that the parent company applies the exception permitted under RFR2 and recognizes all lease obligations as operating leases.

### Share capital

Share capital at the end of the period amounted to SEK 14,492,185 (7,246,093) divided into 724,609,266 shares (362,304,633), of which 166,877,565 Class A shares (85,444,417) and 557,731,701 Class B shares (276,860,216).

### 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. As the Group includes foreign subsidiaries, there is also 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 individuals and exchange rate fluctuations are described in Starbreeze's Annual Report 2020 in the Report of the Board of Directors on page 46, and in Note 3. Furthermore, the value of certain assets and liabilities is based on expected outcomes. Consequently, these items have to be regularly remeasured and thus may affect future profit and loss.

The company continuously monitors the Group's liquidity and capital requirement for the next twelve months. The Board of Directors has assessed whether the assumption of going concern is fulfilled. The factors underlying the Board's assessment are described below: The Company has signed publishing agreements for PAYDAY 3 with Koch Media which mean that game development for PAYDAY 3 is funded until and after launch in 2023. The Company will receive ongoing revenues from sales linked to PAYDAY 2. Based on the above, the assumption of going concern is judged to be fulfilled.

### Number of employees

	2021	2020
	Q2	Q2
Employees	136	125
Men	114	108
Women	22	17

# 136

## employees at Starbreeze

## **Parent company**

The Group's business was conducted during the quarter in the parent company Starbreeze AB (publ) and the following subsidiaries: Starbreeze Production AB, Starbreeze Studio AB, Starbreeze Publishing AB, Starbreeze VR AB, Starbreeze USA Inc, Starbreeze LA Inc, Starbreeze IP LUX, Starbreeze IP LUX II Sarl, Starbreeze Barcelona SL, Starbreeze Paris SAS, New Starbreeze Studios AB, New Starbreeze Publishing AB and Enterspace AB.

The parent company's net sales during the quarter amounted to SEK 5.3 million (7.2). Sales relate primarily to allocation of management fees.

Profit before and after tax was SEK -17.7 million (-24.5).

Cash and cash equivalents at the end of the quarter amounted to SEK 7.5 million (11.9) and parent company equity was SEK 757.6 million (590.4).

Non-current liabilities increased during the period to SEK 293.6 million (248.2).

## **Related-party transactions**

There were no related party transactions during the period other than payment of salaries and other remuneration and intra-Group transactions.

## **Auditor's review**

This report has not been reviewed by the company's statutory auditors.



### Investor relations contact

Up-to-date information about Starbreeze is available on the company's website [starbreeze.com](http://starbreeze.com). The company can be contacted by e-mail: [ir@starbreeze.com](mailto:ir@starbreeze.com), telephone: +46 (0)8-209 208 or 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](http://starbreeze.com).

The Board of Directors and the CEO offer their assurance that this interim report gives a true and fair view of the Group's and Parent Company's operations, financial position and results of operations and describes the significant risks and uncertainties facing the Group and the Parent Company.

Stockholm, August 18, 2021

**Torgny Hellström**

*Chairman of the Board*

*Directors and CEO*

Jan Benjaminson

Mike Gamble

Kerstin Sundberg

Anna Lagerborg

Thomas Lindgren

Tobias Sjögren

*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 August 18, 2021 at 8.00 CET.*

## Financial calendar

Interim -Report Q3 2021.....November 12, 2021

Year-end Report 2021.....February 16, 2022

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKk	NOTE	2021	2020	2021	2020	2020
		Q2	Q2	JAN-JUN	JAN-JUN	JAN - DEC
Net sales	3	32,010	31,281	59,933	53,318	118,006
Direct costs	4	-14,201	-6,281	-25,791	-15,789	-31,074
<b>Gross profit (-loss)</b>		<b>17,809</b>	<b>25,000</b>	<b>34,142</b>	<b>37,529</b>	<b>86,932</b>
Selling and marketing costs		-2,957	-2,334	-5,343	-4,353	-8,464
Administrative expenses		-12,630	-19,407	-23,374	-38,948	-69,428
Other revenue		-948	1,667	3,968	17,212	1,835
Other expenses		-68,672	-	-68,672	-	-
<b>Operating profit (-loss)</b>		<b>-67,398</b>	<b>4,926</b>	<b>-59,279</b>	<b>11,440</b>	<b>10,875</b>
Financial income		14	196	32	226	628
Financial expenses		-12,687	-12,342	-25,103	-116,223	-139,864
Share in profit or loss of holdings accounted for using the equity method		39	-1,366	70	-1,366	-2,112
<b>Profit (-loss) before tax</b>		<b>-80,032</b>	<b>-8,586</b>	<b>-84,280</b>	<b>-105,923</b>	<b>-130,473</b>
Income tax		3,542	-185	3,409	290	193
<b>Net profit (-loss) for the period</b>		<b>-76,490</b>	<b>-8,771</b>	<b>-80,871</b>	<b>-105,633</b>	<b>-130,280</b>
<i>Other comprehensive income that may subsequently be reclassified to profit and loss</i>						
Exchange differences		727	2,957	-853	-3,283	246
<b>Total comprehensive income for the period</b>		<b>-75,763</b>	<b>-5,814</b>	<b>-81,724</b>	<b>-108,916</b>	<b>-130,034</b>
<b>Total comprehensive income for the period attributable to:</b>						
Owners of the parent		-75,763	-5,814	-81,724	-108,916	-130,034
<b>Earnings per share attributable to owners of the parent during the period (SEK):</b>						
- Basic		-0.11	-0.02	-0.11	-0.31	-0.28
- Diluted		-0.11	-0.02	-0.11	-0.31	-0.28

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEKk	NOTE	2021-06-30	2020-06-30	2020-12-31
<b>ASSETS</b>				
<i>Intangible assets</i>				
Goodwill		40,188	43,736	38,827
Other intangible assets		214,197	233,294	228,514
Capitalized development cost for own games and technology development		154,312	128,815	171,435
Investments in publishing projects		3,974	4,039	3,974
<i>Financial assets</i>				
Financial assets		7,717	7,891	7,683
Investments in joint ventures	5	1,153	1,828	1,083
Non-current lease receivable		1,918	4,259	2,612
Deferred tax assets		4,390	-	161
<i>Property, plant and equipment</i>				
IT equipment and other equipment		3,298	8,863	6,704
Right-of-Use asset-Buildings		41,449	56,335	48,866
<b>Total non-current assets</b>		<b>472,596</b>	<b>489,060</b>	<b>509,859</b>
<i>Current assets</i>				
Trades and other receivables		5,321	22,488	4,061
Current lease receivable		2,184	-	2,627
Prepaid expenses and accrued income		34,046	31,827	34,736
Cash and cash equivalents		113,581	90,891	157,423
<b>Total current assets</b>		<b>155,132</b>	<b>145,206</b>	<b>198,847</b>
<b>TOTAL ASSETS</b>		<b>627,728</b>	<b>634,266</b>	<b>708,706</b>
<b>EQUITY AND LIABILITIES</b>				
<i>Equity attributable to owners of the parent</i>				
Share capital		14,492	7,246	14,492
Other contributed capital		1,979,111	1,761,398	1,979,111
Reserves		20,793	18,118	21,646
Retained earnings including net profit or loss for the period		-1,867,622	-1,762,105	-1,786,751
<b>Total equity</b>		<b>146,774</b>	<b>24,657</b>	<b>228,498</b>
<i>Non-current liabilities</i>				
Non-current liabilities, earnouts		-	64	-
Deferred tax liability		-	8,468	-
Non-current lease liability		29,123	46,261	37,147
Other non-current liabilities		343,294	277,766	292,702
<b>Total non-current liabilities</b>		<b>372,417</b>	<b>332,559</b>	<b>329,849</b>
<i>Current liabilities</i>				
Current liabilities, earnouts		-	-	18
Trade and other payables		61,638	214,553	103,345
Current lease liability		18,472	19,440	19,135
Accrued expenses and deferred income		28,427	43,057	27,861
<b>Total current liabilities</b>		<b>108,537</b>	<b>277,050</b>	<b>150,359</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>627,728</b>	<b>634,266</b>	<b>708,706</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKk	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2021	14,492	1,979,111	21,646	-1,786,751	228,498
Net profit (-loss) for the period	-	-	-	-80,871	-80,871
<b>Other comprehensive income for the period</b>					
Translation differences	-	-	-853	-	-853
<b>Total comprehensive income</b>	-	-	-853	-80,871	-81,724
<b>Balance at 30 June 2021</b>	<b>14,492</b>	<b>1,979,111</b>	<b>20,793</b>	<b>-1,867,622</b>	<b>146,774</b>
Balance at 1 January 2020	6,587	1,711,334	21,400	-1,733,163	6,158
Net profit (-loss) for the period	-	-	-	-130,280	-130,280
Translation differences	-	-	246	-	246
<b>Total comprehensive income</b>	-	-	<b>246</b>	<b>-130,280</b>	<b>-130,034</b>
<b>Transactions with shareholders:</b>					
New issue	7,905	293,368	-	-	301,273
Issue costs recognized in equity	-	-30,273	-	-	-30,273
Shareholders' contributions from composition proposal	-	-	-	76,692	76,692
Other	-	4,683	-	-	4,683
<b>Total contribution from and value transfers to shareholders, recognized directly in equity</b>	<b>7,905</b>	<b>267,777</b>	-	<b>76,692</b>	<b>352,374</b>
<b>Balance at 31 December 2020</b>	<b>14,492</b>	<b>1,979,111</b>	<b>21,646</b>	<b>-1,786,751</b>	<b>228,498</b>
				<b>2021</b>	<b>2020</b>
<b>CHANGE IN NUMBER OF OUTSTANDING SHARES</b>				<b>JAN-JUN</b>	<b>JAN - DEC</b>
Number of shares at the beginning of the period				724,609,266	329,367,849
New issue				-	395,241,417
<b>Total shares outstanding at the end of the period</b>				<b>724,609,266</b>	<b>724,609,266</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEKk	NOTE	2021	2020	2021	2020	2020
		Q2	Q2	JAN-JUN	JAN-JUN	JAN - DEC
<i>Operating activities</i>						
Cash flow from operations		-67,398	4,926	-59,279	11,440	10,875
Adjustment for non-cash items		85,350	13,250	96,457	9,178	37,053
Interest paid		-3,394	-	-3,394	-	-385
Income taxes paid		-852	-	-1,846	-	-
<b>Cash flow from (-used in) operating activities before changes in working capital</b>		<b>13,706</b>	<b>18,176</b>	<b>31,938</b>	<b>20,618</b>	<b>47,543</b>
<i>Cash flow from changes in working capital</i>						
Increase (+)/decrease (-) in operating receivables		-3,422	-5,863	1,070	73,800	66,851
Increase (+)/decrease (-) in operating liabilities		-956	-1,806	4,844	-80,093	-139,034
<b>Cash flow from (-used in) operating activities</b>		<b>9,328</b>	<b>10,507</b>	<b>37,852</b>	<b>14,325</b>	<b>-24,640</b>
<i>Investing activities</i>						
Purchase of property, plant and equipment		-145	-17	-266	-32	-944
Sold non-current assets		31	-226	98	-226	51
Sold intangible assets		2,103	-	2,103	-	-
Divested subsidiaries		-	-	-	-480	-472
Investments in other financial assets		-	-	-39	-86	-
Change in other financial assets		424	-	789	-	-
Investments in own games and technology		-29,990	-24,328	-58,205	-48,724	-94,541
Investments in publishing projects		-	-	-	-	-309
<b>Cash flow from (-used in) investing activities</b>		<b>-27,577</b>	<b>-24,571</b>	<b>-55,520</b>	<b>-49,548</b>	<b>-96,215</b>
<i>Financing activities</i>						
New issue		-	-	-	50,723	301,273
Costs related to new issues		-	-	-	-	-30,274
Increase in non-current liabilities		-	2,270	-	1,604	-1,598
Repayment of loans		-51,015	-	-55,887	-	-55,000
Financing game development		38,074	-	38,074	-	-
Overdraft facility		1,114	-	1,114	-	-
Effect of financial lease		-4,761	-4,755	-9,512	-9,244	-18,802
<b>Cash flow from financing activities</b>		<b>-16,588</b>	<b>-2,485</b>	<b>-26,211</b>	<b>43,083</b>	<b>195,599</b>
<b>Cash flow for (-used in) the period</b>		<b>-34,837</b>	<b>-16,549</b>	<b>-43,879</b>	<b>7,860</b>	<b>74,744</b>
Cash and cash equivalents at the beginning of the period		148,463	107,936	157,423	82,787	82,787
Exchange difference in cash and cash equivalents		-45	-496	37	244	-108
<b>Cash and cash equivalents at the end of the period</b>		<b>113,581</b>	<b>90,891</b>	<b>113,581</b>	<b>90,891</b>	<b>157,423</b>

## KEY RATIOS, GROUP

	2021	2020	2021	2020	2020
	Q2	Q2	JAN-JUN	JAN-JUN	JAN - DEC
Net sales, SEKk	32,010	31,281	59,933	53,318	118,006
EBITDA, SEKk	-51,849	15,507	-29,255	32,337	49,317
EBITDA adjusted, SEKk	16,823	15,507	39,417	32,337	49,317
EBIT, SEKk	-67,398	4,926	-59,279	11,440	10,875
Profit (-loss) before tax, SEKk	-80,032	-8,586	-84,280	-105,923	-130,473
Profit (-loss) after tax, SEKk	-76,490	-8,771	-80,871	-105,633	-130,280
EBITDA margin, %	-162.0	49.6	-48.8	60.6	41.8
EBITDA margin, % adjusted	52.6	49.6	65.8	60.6	41.8
EBIT margin, %	-210.6	15.7	-98.9	21.5	9.2
Profit margin, %	-250.0	-27.4	-140.6	-198.7	-110.6
Equity to assets ratio, %	23.4	3.9	23.4	3.9	32.2
Closing price of A share for the period, SEK	1.25	1.47	1.25	1.47	1.06
Closing price of B share for the period, SEK	1.26	1.45	1.26	1.45	1.09
Basic earnings per share, SEK	-0.11	-0.02	-0.11	-0.31	-0.28
Diluted earnings per share, SEK	-0.11	-0.02	-0.11	-0.31	-0.28
Number of shares at end of period before dilution	724,609,266	362,304,633	724,609,266	362,304,633	724,609,266
Number of shares at end of period after dilution	724,609,266	362,304,633	724,609,266	362,304,633	724,609,266
Average number of shares before dilution	724,609,266	353,437,037	724,609,266	344,569,441	469,754,144
Average number of shares after dilution	724,609,266	353,437,037	724,609,266	344,569,441	469,754,144
Average number of employees	133	129	132	126	123
Number of employees at the end of the period	136	125	136	125	124

### Key ratios, Group

#### EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization.

#### EBITDA Adjusted

Operating profit before depreciation, amortization and impairment adjusted for one-off effects related to Payday Crime War license agreements.

#### EBIT

Earnings Before Interest and Taxes.

#### EBITDA margin

Operating profit before depreciation, amortization and impairments as a percentage of net sales.

#### Adjusted EBITDA margin

Operating profit before depreciation, amortization and impairment as a percentage of net sales adjusted for one-off effects related to license agreements with PopReach

#### Operating margin

Operating profit as a percentage of net sales.

#### Profit margin

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

#### Equity/assets ratio

Equity as a percentage of capital employed.

#### Earnings per share

Profit 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

	2021	2020	2021	2020	2020
	Q2	Q2	JAN-JUN	JAN-JUN	JAN - DEC
<i>EBITDA</i>					
Operating profit (-loss), SEKk	-67,398	4,926	-59,279	11,440	10,875
Amortization of intangible assets, SEKk	9,630	4,913	18,984	9,414	16,628
Depreciation of property, plant and equipment, SEKk	5,919	5,668	11,040	11,483	21,814
EBITDA	-51,849	15,507	-29,255	32,337	49,317
EBITDA adjusted, SEKk	16,823	15,507	39,417	32,337	49,317
<i>EBITDA margin, %</i>					
EBITDA, SEKk	-51,849	15,507	-29,255	32,337	49,317
EBITDA adjusted, SEKk	16,823	15,507	39,417	32,337	49,317
Net sales, SEKk	32,010	31,281	59,933	53,318	118,006
EBITDA margin, %	-162.0	49.6	-48.8	60.6	41.8
EBITDA margin, % adjusted	52.6	49.6	65.8	60.6	41.8
<i>EBIT margin, %</i>					
Operating profit (-loss), SEKk	-67,398	4,926	-59,279	11,440	10,875
Net sales, SEKk	32,010	31,281	59,933	53,318	118,006
EBIT margin, %	-210.6	15.7	-98.9	21.5	9.2
<i>Profit margin, %</i>					
Profit (-loss) before tax, SEKk	-80,032	-8,586	-84,280	-105,923	-130,473
Net sales, SEKk	32,010	31,281	59,933	53,318	118,006
Profit margin, %	-250.0	-27.4	-140.6	-198.7	-110.6
<i>Equity to assets ratio, %</i>					
Total equity	146,774	24,657	146,774	24,657	228,498
Total equity and liabilities, SEKk	627,728	634,266	627,728	634,266	708,706
Equity to assets ratio, %	23.4	3.9	23.4	3.9	32.2

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

	2021	2020	2021	2020	2020
SEKk	Q2	Q2	JAN–JUN	JAN–JUN	JAN - DEC
Net sales	5,305	7,208	10,334	17,126	29,762
Other operating revenue	-2,352	-9,995	2,694	924	8,542
<b>Total sales</b>	<b>2,953</b>	<b>-2,787</b>	<b>13,028</b>	<b>18,050</b>	<b>38,304</b>
Other external expenses	-3,029	-7,321	-6,072	-15,760	-24,374
Employee benefit expense	-6,788	-6,207	-12,466	-13,090	-29,961
Depreciation of property, plant and equipment	-60	-36	-140	-96	-188
Other operating expenses	-	579	-	-	-
<b>Operating profit (-loss)</b>	<b>-6,924</b>	<b>-15,771</b>	<b>-5,650</b>	<b>-10,896</b>	<b>-16,219</b>
Profit from holdings in group companies	-	-	19	902	-
Other financial income	1,415	1,738	2,715	3,499	6,508
Financial expenses	-12,184	-10,475	-24,050	-111,662	-134,561
<b>Profit (-loss) after net financial income/expense</b>	<b>-17,693</b>	<b>-24,508</b>	<b>-26,966</b>	<b>-118,157</b>	<b>-144,272</b>
<b>Profit (-loss) before tax</b>	<b>-17,693</b>	<b>-24,508</b>	<b>-26,966</b>	<b>-118,157</b>	<b>-144,272</b>
Income tax	-	-	-	-	-
<b>Net profit (-loss) for the period</b>	<b>-17,693</b>	<b>-24,508</b>	<b>-26,966</b>	<b>-118,157</b>	<b>-144,272</b>

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

## PARENT COMPANY BALANCE SHEET

SEKk	2021-06-30	2020-06-30	2020-12-31
<b>ASSETS</b>			
<i>Non-current assets</i>			
<i>Property, plant and equipment</i>			
Computers and other equipment	213	330	268
<i>Financial assets</i>			
Investments in group companies	322,685	322,749	322,702
Investments in associates	4,656	4,656	4,656
Other financial assets	2,592	2,671	2,594
<b>Total non-current assets</b>	<b>330,146</b>	<b>330,406</b>	<b>330,220</b>
<i>Current assets</i>			
Trade and other receivables	1,211	407	933
Receivables from group companies	1,339,086	1,123,937	1,332,388
Prepaid expenses and accrued income	439	582	524
Cash and cash equivalents	7,468	11,919	10,906
<b>Total current assets</b>	<b>1,348,204</b>	<b>1,136,845</b>	<b>1,344,751</b>
<b>TOTAL ASSETS</b>	<b>1,678,350</b>	<b>1,467,251</b>	<b>1,674,971</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	14,492	7,246	14,492
Share premium reserve	1,912,127	1,699,097	1,912,127
Retained earnings	-1,142,087	-997,816	-997,796
Net profit (-loss) for the period	-26,966	-118,157	-144,272
<b>Total equity</b>	<b>757,566</b>	<b>590,370</b>	<b>784,551</b>
<i>Provisions</i>			
Other provisions	-	31,937	-
<b>Total provisions</b>	<b>-</b>	<b>31,937</b>	<b>-</b>
<i>Non-current liabilities</i>			
Other non-current liabilities	293,556	248,151	270,085
<b>Total non-current liabilities</b>	<b>293,556</b>	<b>248,151</b>	<b>270,085</b>
<i>Current liabilities</i>			
Trade payables	1,227	6,787	1,013
Liabilities to group companies	619,497	366,107	576,975
Other liabilities	2,084	3,233	34,544
Accrued expenses and deferred income	4,420	220,666	7,803
<b>Total current liabilities</b>	<b>627,228</b>	<b>596,793</b>	<b>620,335</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,678,350</b>	<b>1,467,251</b>	<b>1,674,971</b>

# NOTES

## Note 1: Accounting and measurement policies

This interim report has been prepared in accordance IAS 34, Interim Financial Reporting. The accounting policies and calculation methods are the same as those applied in 2020.

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

No new or revised IFRS regulations 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.

## Note 2: Pledged assets

### Consolidated pledged assets and contingent liabilities

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

SEKk	2021-06-30	2020-06-30	2020-12-31
Pledged assets	585	585	585

### Note 3: Net sales by category

SEKk Q2 2020	Starbreeze Games	Other	Total
PC	26,934	333	27,267
Consoles, Digital	4,577	8	4,585
Consoles, Retail	38	-	38
VR parks	16	90	106
Licensing	-14	-	-14
Other	28	-	28
<b>Total net sales</b>	<b>31,579</b>	<b>431</b>	<b>32,010</b>

SEKk Q2 2020	Starbreeze Games	Other	Total
PC	22,091	121	22,212
Consoles, Digital	5,922	27	5,949
Consoles, Retail	102	-	102
VR parks	52	6	58
Licensing	-	2,948	2,948
Other	12	-	12
<b>Total net sales</b>	<b>28,179</b>	<b>3,102</b>	<b>31,281</b>

SEKk JAN-JUN 2021	Starbreeze Games	Other	Total
PC	49,275	575	49,850
Consoles, Digital	9,074	-166	8,908
Consoles, Retail	98	-	98
VR parks	16	90	106
Licensing	221	682	903
Other	68	-	68
<b>Total net sales</b>	<b>58,752</b>	<b>1,181</b>	<b>59,933</b>

SEKk JAN-JUN 2020	Starbreeze Games	Other	Total
PC	39,073	303	39,376
Consoles, Digital	10,468	47	10,515
Consoles, Retail	167	-	167
VR parks	12	56	68
Licensing	-	3,131	3,131
Other	61	-	61
<b>Total net sales</b>	<b>49,781</b>	<b>3,537</b>	<b>53,318</b>



## Note 4: Group depreciation and amortization by function

	2021	2020	2021	2020	2020
SEKk	Q2	Q2	JAN-JUN	JAN-JUN	JAN-DEC
<b>Depreciation and impairment of property, plant and equipment</b>					
Direct costs	-954	-1,574	-1,901	-3,161	-5,302
Selling and marketing costs	-4	-	-5	-	-
Administrative expenses	-4,961	-4,093	-9,134	-8,322	-16,512
<b>Total depreciation and impairment of property, plant and equipment</b>	<b>-5,919</b>	<b>-5,668</b>	<b>-11,040</b>	<b>-11,483</b>	<b>-21,814</b>
<b>Amortization and impairment of intangible assets</b>					
Direct costs	-9,561	-4,728	-18,848	-9,278	-16,353
Administrative expenses	-69	-185	-136	-136	-275
<b>Total amortization and impairment of intangible assets</b>	<b>-9,630</b>	<b>-4,913</b>	<b>-18,984</b>	<b>-9,414</b>	<b>-16,628</b>
<b>Total depreciation and amortization and impairment</b>	<b>-15,549</b>	<b>-10,581</b>	<b>-30,024</b>	<b>-20,897</b>	<b>-38,442</b>

## Note 5: Joint venture company StarVR Corporation

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

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

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

SEKk	2021-06-30
<i>Balance sheet in summary:</i>	
Current assets	11,300
Non-current assets	62
Current liabilities	-7,869
<b>Net assets</b>	<b>3,493</b>
<i>Statement of comprehensive income in summary:</i>	
Sales	171
Net profit (-loss) for the period	51
<b>Total comprehensive income for the period</b>	<b>51</b>

SEKk	2021-06-30
<i>Reconciliation of net carrying amount:</i>	
Balance of net assets at 1 January	3,282
Net profit (-loss) for the period	51
Exchange differences	160
<b>Closing balance net assets</b>	<b>3,493</b>
Group's share	33%
Group's share in SEKk	1,153
<b>Net carrying amount</b>	<b>1,153</b>

