



Q4

2016

KEY FIGURES	2016	2015	2016	2015
KSEK	Q4	Q4	JAN - DEC	JAN - DEC
Net revenue	99 365	48 948	345 463	218 432
EBITDA	38 793	15 190	81 220	49 460
Income after tax	30 206	15 409	57 091	39 405
Earnings per share, SEK	0,11	0,07	0,22	0,20
Cash flow from operations	12 938	-3 034	15 291	39 440
Net revenue per employee	494	437	2 288	2 664

CORE BUSINESS KEEPS DELIVERING

CEO BO ANDERSSON KLINT COMMENTS

Dead by Daylight has now sold over 1.8 million units on PC and contributes with SEK 54.6 million to Starbreeze revenue in Q4, which also marks the single best quarter during the game's lifetime. The IMAX cooperation continues in the VR pilot center in Los Angeles and we are still renegotiating conditions regarding how the continued collaboration should look like. We are strengthened in our faith in location-based entertainment consumption of virtual reality and we look forward to deliver to more partners in the future. Our publishing business continue to deliver new and exciting projects and recently we announced our collaboration with Double Fine regarding Psychonauts 2, which Starbreeze will act as publisher for.

FOURTH QUARTER (OCTOBER–DECEMBER 2016)

- Net revenue amounted to SEK 99.4 million (SEK 48.9 million), representing 103 % growth.
- During the quarter, PAYDAY 2 accounted for SEK 37.2 million (SEK 47.7 million) of net revenue. Dead by Daylight accounted for SEK 54.6 million (SEK 0.0 million).
- Operating income before depreciation and amortization, EBITDA, amounted to SEK 38.8 million (SEK 15.2 million) equivalent to an EBITDA margin of 23.4 %.
- Earnings per share before dilution amounted to SEK 0.11 (SEK 0.07) and earnings per share after dilution amounted to SEK 0.11 (SEK 0.07).
- As of December 31, 2016, cash and cash equivalents totaled SEK 669.4 million (SEK 85.4 million).

FISCAL YEAR (JANUARY–DECEMBER)

- Net revenue amounted to SEK 345.5 million (SEK 218.4 million), representing 58 % growth
- During the period, PAYDAY 2 accounted for SEK 159.5 million (SEK 210.0 million) and Dead by Daylight accounted for SEK 143.5 million (SEK 0.0 million) of net revenue.
- Operating income before depreciation and amortization, EBITDA, amounted to SEK 81.2 million (SEK 49.5 million) equivalent to an EBITDA margin of 15.5 %.
- Earnings per share before dilution amounted to SEK 0.22 (SEK 0.20) and earnings per share after dilution amounted to SEK 0.22 (SEK 0.20).
- As of December 31, 2016, cash and cash equivalents totaled SEK 669.4 million (SEK 85.4 million).

ABOUT STARBREEZE

Starbreeze is an independent creator, publisher and distributor of high quality entertainment products. With studios in Stockholm, Paris, Los Angeles, Barcelona and Brussels, 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*[®], 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, which is 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. The first IMAX VR center opened in Los Angeles in January 2017.

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>

Q4

2016

Year-End-Report fiscal year 2016

PAYDAY 2
SCARFACETM
PACKS

OVERKILL



SCARFACE IS A TRADEMARK AND COPYRIGHT OF UNIVERSAL STUDIOS.
LICENSED BY UNIVERSAL STUDIOS LICENSING LLC. ALL RIGHTS RESERVED.



STARBREEZE KEEPS DELIVERING

CEO BO ANDERSSON KLINT GIVES HIS COMMENT

We're proud to yet again show a triple digit growth for this quarter and the highest EBITDA since the launch of PAYDAY 2. It is a solid performance that shows our ability to deliver profitability while we are scaling our business to secure future growth.

PAYDAY

The PAYDAY franchise generated SEK 37.2 million (SEK 47.7 million) in total whereof SEK 0.0 million (SEK 14.4 million) in production support. As the sole owner of the PAYDAY IP, we no longer receive any production support revenues. We're additionally still awaiting 505 to recoup USD 5 million on console, while we get 100% of the healthy PC sales. Moreover, we expect 505 to have reached their USD 5 million recoup in Q1 2017 as we see impressive PAYDAY performance through digital distribution on consoles following the latest update.

DEAD BY DAYLIGHT

We're over the moon with Dead by Daylight, a complete success both strategically and financially. The game has now sold over 1.8 million units on PC and contributes with SEK 54.6 million to Starbreeze net revenues in Q4, making it the best quarter through the game's lifetime. An impressive trend that we, together with Behavior, will nurse carefully as we expand the product to consoles in Q2 2017. To date, the game has generated over 267 MSEK in gross sales on Steam.

STARBREEZE FINANCES

We're also delighted to see that both our acquisitions, ePawn and Nozon, for the first time are contributing to top-line. Both businesses are now fully integrated and run at full speed within Starbreeze.

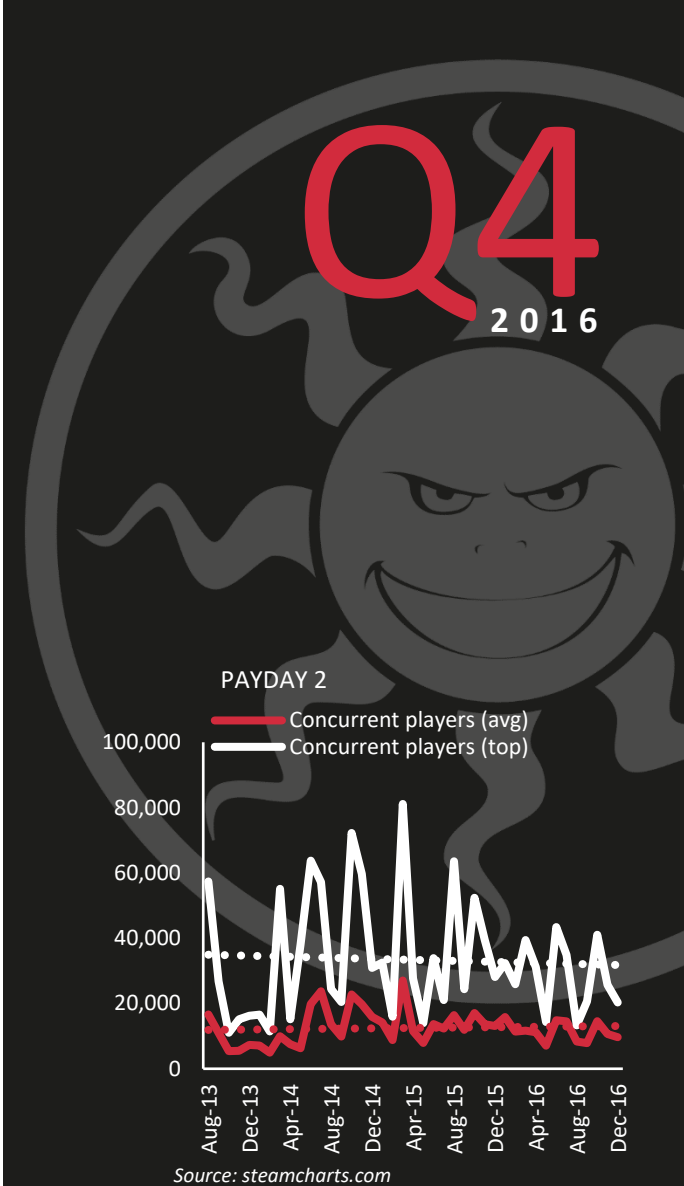
As we continue our steady growth we need to invest in our key assets PAYDAY, OVERKILL's The Walking Dead, Valhalla engine, StarVR and in our very important publishing business. Consequently, our operating expenses, excluding royalties to publishing partners, have increased with SEK 46.7 million or 78 % compared to Q4 2015. The incremental spend is in all material aspects still derived from employee related expenses as we continue to ramp up the teams for delivering on our plans. Despite the increase in costs we show a remarkable profitability with an EBITDA margin reaching 23.4% underpinned by a strong development of our top line but also boosted by a stronger US dollar.

Boosted by successful financing activities during the third quarter, we're ending the year with a cash position of SEK 669.4 million (SEK 85.4 million). To be clear, these funds will not be put in the bank to rest, they will continue to build our momentum. Hence we expect it to be reduced over time. Worth noting is also that we now have positive cash flow from our operating activities amounting to SEK 12.9 million (SEK -3.0 million).

When closing the fourth quarter we also close the financial year 2016 where net revenues reached SEK 345.5 MSEK (SEK 218.4 million) which is 62 % better than the financial year when we launched PAYDAY 2. EBITDA reached SEK 81.2 million (SEK 49.5 million) and net profit SEK 57.1 million (SEK 39.4 million). Our core business is doing very well .

VR-CENTER IN LOS ANGELES

As the first phase of building and operating a pilot VR center, mimicking our VR arcade concept StarCade, with IMAX is underway, we have entered into negotiations with IMAX about the future sale of content and StarVR-headsets into this business. At the VR center, we operate under our original agreement and have two pods equipped with the latest iteration of our StarVR HMD showcasing John Wick Chronicles Arcade Edition in



At its peak
41,053
gamers played PAYDAY 2
simultaneously during Q4

collaboration with Lionsgate. Since January, we have thoroughly enjoyed having customers and potential partners visit the center to experience both the hardware as well as our content, something that has strengthened our view that location-based VR at this time is the best way for consumers to experience high-quality VR.

Our goal is to sell StarVR systems to as many different location-based businesses, theme parks and B2B projects as possible. Our aim is to sell a broader range of headsets and systems through our joint venture with Acer under the brand StarVR.

STARVR EVOLUTION

While we, just as planned, have not yet started shipping larger volumes of StarVR, the current interest from multiple markets and from prominent brands and business sets us up well for the mass production phase beginning later in 2017. We focus on distributing and prioritizing the current development version of the headset to key partners, ensuring that we are compatible with leading industry systems and standards to fully enable us to lead the charge once we deliver the first full production unit. We estimate approximately two more development iterations during the year, where we trust that the third iteration will include Tobii's proprietary eye tracking. Durability, field of view, hygiene, resolution, refresh rates and weight are all key aspects that we improve constantly and according to plan. The roadmap of StarVR is clear, we're still targeting B2B partners as our primary business, and we keep delivering as planned at our decided phase.

We aim to make the development of StarVR and sales of VR content a significant business for us down the line. We secure this through making early investments and strategic collaborations. This will educate us internally how to master the experience design and optimize our production. Once the market is mature, we'll be in a pole position. For the fourth quarter StarVR with related activities account for less than 10% of Starbreeze operating expenses.

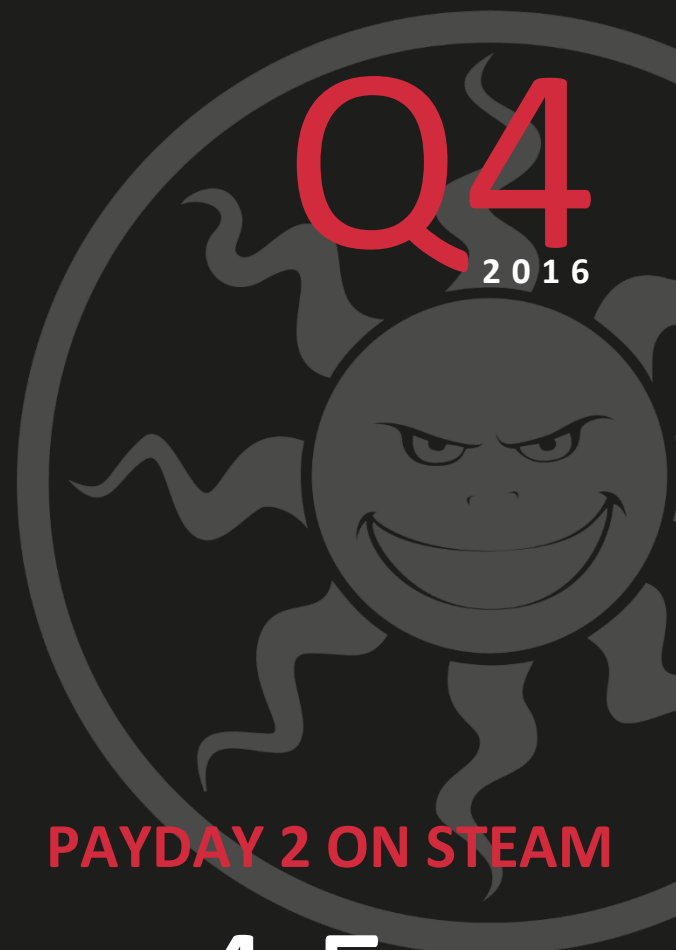
NOZON'S PRESENZ

While we're integrating all of our recent acquisitions with Starbreeze vision to build future ecosystems, Nozon's Presenz technology is generating quite the buzz in Hollywood. Nozon is now working hard together with our business development team to produce its first showcase VR short movie that we believe will build the foundation for a major cogwheel in our VR offering. Using Presenz, movie studios can use their CG assets from feature films repurposing them easily for VR movies without losing visual fidelity. We strongly believe that together with the high-resolution of StarVR, this can be a groundbreaking technology for movie and entertainment production everywhere.

PAYDAY MOBILE, BCN STUDIO

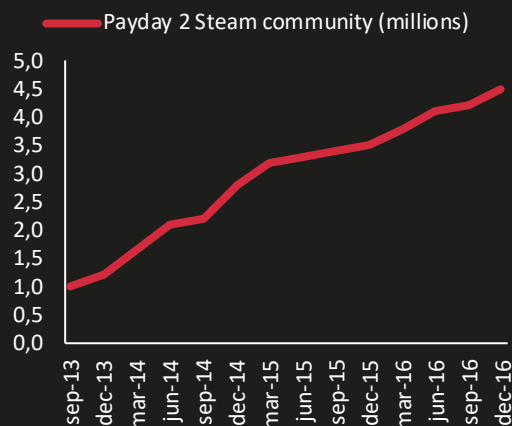
As a separate note to this report, we also just announced that we've opened a new office in Barcelona, Spain. The Barcelona studio consists of a handful of very talented individuals that have been with us in Stockholm for quite some time. Together with old friends and now new colleagues joining us from a prominent mobile developer, they form our task force to steer our mobile projects with a 100% focus. The bulk of the development will mainly be outsourced but we require a dedicated team from Starbreeze to make sure we are on point and deliver with the same focus as our other products.

Starbreeze Barcelona will closely monitor the wrap up of Geminose and also focus its efforts on PAYDAY: Crime War. After a due diligence of the progress on the mobile version of our beloved PAYDAY franchise, we found a lack of focus on our product. As we want to see this game realized as badly as many of our fans, we've moved production to another studio, BadFly Interactive. As part of a work-for-hire partnership, BadFly have hit the ground running and we look forward to sharing more from the game in the months to come. The project has already accelerated considerably and is now fully playable in multiplayer with the games backend in place. The following months will be dedicated to building more content and polishing the gameplay format to maximize the fun of the final product.



PAYDAY 2 ON STEAM

4.5 million members



In 2017 we also continue our full productions of RAID, OVERKILLS The Walking Dead, CROSSFIRE Co-Op and Geminose. Our lineup is strong and our teams dedicate their full energy in making the games as high-quality as recent products such as the PAYDAY and Dead by Daylight DLC releases.

Our success is of course shared by and thanks to our partners. Lately we had the pleasure to work with Universal on our PAYDAY Scarface DLCs in December. Additionally, we've continued our extremely successful partnership with Lionsgate on two DLCs for PAYDAY and the release of the stand-alone VR game John Wick Chronicles on Steam and in the IMAX VR center. These collaborations are tremendously important to us as we establish Starbreeze as a trusted partner for top-tier brands as well as it gives us an ever-growing community of fans from near and far enjoying and talking about Starbreeze products.

Our publishing portfolio has grown to secure a steady flow of products, big and small, for the upcoming year. We are proud to have signed up Double Fine with Tim Shafer leading the development of their new AAA game Psychonauts 2. We are constantly looking to attract leading teams to our publishing business and 2017 will see a number of these projects initiated by Starbreeze.

It is with great satisfaction that we also can announce that PAYDAY 3 production is officially initiated and at a full design stage. I'd like to especially clarify, that this project will enjoy as much time as we deem needed. It will be done when it's done. This is our single most important brand today and the cornerstone of our business and we will treat it accordingly. Updates in the near future might be scares and far between. You simply don't rush PAYDAY 3.

With a team of over 550 talented developers, post the acquisition of Dhruva, we are well staffed for the full productions going forward. With this strategic acquisition our capacity is very satisfying, meanwhile we keep recruiting more game developers to secure quality and talent for the future. Our AAA game productions and our innovative VR pipeline is providing our developers with real challenges and exciting careers. At Starbreeze, we look forward to keep delivering on our games, services and strategy for 2017 and beyond.

Let's do this!
Bo



OPERATIONS OCT-DEC 2016

Q4 2016

DIRECTED SHARE ISSUE TO INSTITUTIONAL INVESTORS

In October, Starbreeze carried out a direct share issue to institutional investors, where Första AP-fonden, a major Swedish pension fund, subscribed for a 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.

In connection with the new issue, Första AP-fonden also acquired 1,850,000 shares from Indian Nation AB, the company of Starbreeze Chairman Michael Hjorth.

ACQUISITION OF BELGIAN COMPANY NOZON

In October, Starbreeze acquired Nozon, a Belgian Visual Effects (VFX) studio and the developer of the PresenZ technology. The PresenZ technology, which was released in 2015, makes it possible to convert 3D films to VR films, and thereby overcome the technical differences between film and game environments. This occurs through interactive parallax in virtual reality and delivers high quality blockbuster computer graphics with true immersive feeling. Since 1998, Nozon has steadily grown to become a well-known, and award winning VFX studio thanks to the company's creative/artistic approach and technology development.

The consideration amounted to EUR 7.1 million, of which EUR 4.6 million was in cash and EUR 2.5 million in newly issued Starbreeze B shares. In addition, the parties also agreed on a 10-year earnout period, based on revenue from the PrezenZ technology. After the acquisition, Starbreeze has deepened its analysis of the PresenZ technology, which has resulted in the decision to include all the potential earnout in the calculation of goodwill from the acquisition. The goodwill is estimated at SEK 257.5 million as of December 31, 2016.

ACQUISITION OF INDIAN COMPANY DHRUVA INTERACTIVE

In December, Starbreeze agreed to acquire 90.5 percent of the shares in the Indian production company Dhruva Interactive. The total consideration amounted to USD 8.5 million, of which USD 7.0 million was in cash and USD 1.5 million in newly issued Starbreeze B shares. The deal is planned to be completed in 2017 and had no impact on earnings during 2016.

Dhruva Interactive is a highly reputed and best-of-breed art production house, with whom Starbreeze has a long-standing relationship. Founded in 1997, Dhruva is India's leading game developer with over 320 employees, providing art production services to the global games industry. Dhruva has three studios in the country.

WORK INITIATED FOR RELISTING ON THE MAIN MARKET

During the quarter, Carnegie Investment Bank was appointed as advisor for the company's relisting to Nasdaq Stockholm's main market. Starbreeze intends to complete the relisting during 2017.

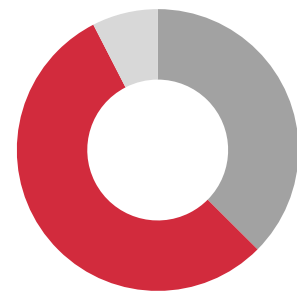
NEW PUBLISHING LABEL LAUNCHED

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

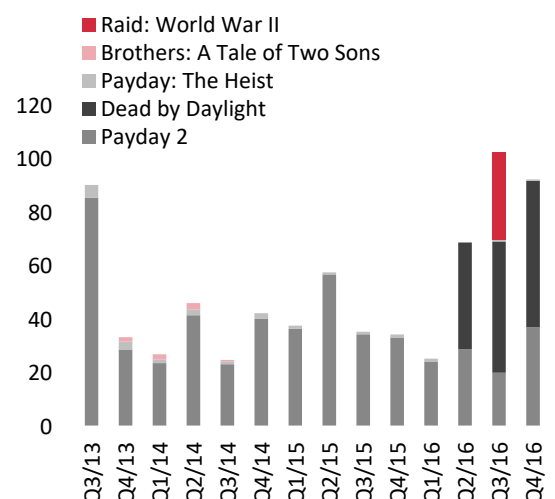
Together with the Croatian studio Lion Game Lion, Starbreeze has agreed that the company will invest USD 300,000 to bring the game AntiSphere to PC and other platforms. Per the agreement Starbreeze will receive 30 percent of revenues, after the initial investment has been fully recouped by

Distribution: Net revenue in Q4

■ Payday 2 ■ Dead by Daylight ■ Other



Revenue from game sales



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, and win the match.

SECOND PROJECT FOR STARBREEZE INDIELABS

In November, Starbreeze entered its second IndieLabs project with the Dutch studio KeokeN Interactive to publish the title "Deliver Us The Moon". Starbreeze will invest USD 500,000 to bring the game to PC and other platforms. Starbreeze will be able to recoup 120 % of its investment, and will subsequently retain 50 percent of the revenues after distribution fees. KeokeN will retain 100 % of the IP rights.

Deliver Us The Moon is set in the near future where the earth's resources are nearly depleted. A brave astronaut will take the great step and travel to the moon in a do-or-die secret mission to save humanity.

PAYDAY 2

During the quarter, PAYDAY 2 accounted for SEK 37.2 million (SEK 47.7 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 concurrent players. At its peak, 41,053 gamers played PAYDAY 2 simultaneously during the quarter.

The following campaigns were conducted for PAYDAY 2 on Steam during the quarter:

- Hoxton Housewarming Party – October 7 - 16
- Halloween sale – October 28 - November 1
- Steam autumn sale – November 23 - 29
- Steam winter sale – December 21 – 31

The following major updates were released during the quarter:

- Scarface character pack and heist
- 10 days of free content during Hoxton Housewarming Party

PUBLISHING

DEAD BY DAYLIGHT

During the quarter, Dead by Daylight accounted for SEK 54.6 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. At its peak, 42,895 games played Dead by Daylight simultaneously during the quarter. The game's community group on Steam exceeded 500,000 members at the end of the quarter. Revenues from Dead by Daylight during the fourth quarter were the highest generated by the game during a single quarter since its release.

The following campaigns were conducted for Dead by Daylight on Steam during the quarter :

- Halloween sale – October 28 - November 1
- Steam autumn sale – November 23 - 29
- Free-to-play weekend and sale - December 15 - 19
- Steam winter sale – December 21 - 31

The following major updates were completed during the quarter:

- In October, The Halloween chapter DLC was released, featuring Michael Myers, and was very well received by gamers
- In November, The Bloodstained Sack cosmetics DLC was released
- The quarter's third DLC, Of Flesh and Mud, was released in December

Q4
2016



AFTER THE QUARTER

FIRST IMAX VR EXPERIENCE CENTER OPENED IN LOS ANGELES

In early January, Starbreeze announced that the first pilot center for IMAX VR Experience had opened in Los Angeles, in close proximity to the popular shopping area - The Grove and Farmers Market.

In the center, visitors are able to test high-quality VR experiences in StarVR, which is produced in collaboration with Acer. Experiences available for StarVR include John Wick Chronicles: Arcade Edition and the range will be gradually extended as new VR experiences in both film and games become available.

StarVR was positively received by visitors and along with John Wick Arcade Edition it is currently one of the most popular VR experiences in the center.

NEGOTIATIONS ABOUT PREMIUM EXPERIENCE IN IMAX VR CENTER

After the opening of the first IMAX VR Experience center in Los Angeles, Starbreeze announced that the company is negotiating with IMAX regarding the continuation of the agreement on premium experiences in IMAX VR Centers, which was announced in May 2016. In light of the decision of IMAX to broaden its offering to include widely available VR experiences during the launch of the center, Starbreeze anticipates that the form of collaboration will be adapted accordingly.

JOHN WICK CHRONICLES RELEASED ON STEAM

The VR game John Wick: Chronicles was released on Steam for HTC Vive on February 9, in connection with the premiere of the movie John Wick: Chapter 2. The game was available for pre-order for USD 19.99 via the platform from October 6, 2016.

CONSOLE AGREEMENT SIGNED FOR DEAD BY DAYLIGHT

In January, Starbreeze signed an agreement with Behaviour Digital regarding a digital version of Dead by Daylight for PlayStation 4 and Xbox One. To date, more than 1.8 million copies of the game's PC version have been sold on Steam.

The development costs for the modifications required for the console version will be shared equally between the parties. The revenue sharing model follows the existing agreement.

In February, Starbreeze signed a distribution agreement with Digital Bros' subsidiary 505 Games regarding physical distribution of Dead by Daylight for PlayStation 4 and Xbox One. Furthermore, this means that 505 Games will pay an advance royalty of USD 2.5 million, which will be shared between Starbreeze and Behaviour. The agreement does not cover the Asian and Nordic markets.

The console version of the game is expected to be released during the second quarter of 2017.

NEW PUBLISHING AGREEMENT – PSYCHONAUTS 2

In February, Starbreeze signed an agreement with Double Fine Productions to publish the game Psychonauts 2. Starbreeze will invest USD 8 million to bring the game to PC and console together with Double Fine Productions. The release is expected to occur sometime during 2018. The development of the game was previously funded by Double Fine Productions and also through equity crowdfunding via the Fig service.

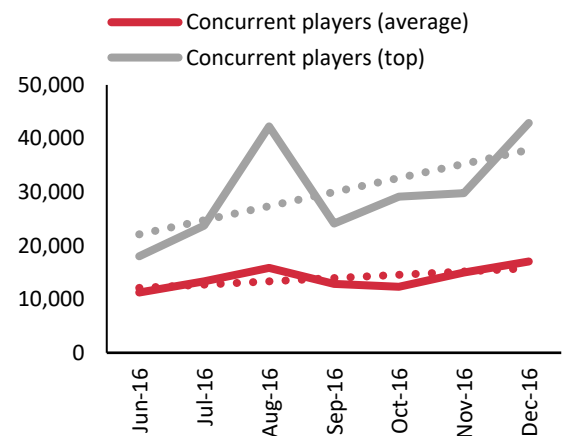
Starbreeze will be able to recoup 100 % of its full investment including marketing costs and will receive an initial revenue share of 85 % after distribution fees and Fig crowdfunding revenue share. Starbreeze share of revenues will become 60 % after the investment is recouped, after distribution fees and Fig crowdfunding revenue share.

Psychonauts 2 is a third-person action/adventure game where players control Razputin Aquato, a newly graduated Psychonaut with powerful psychic abilities.

Q4 2016

At its peak
42,895
played Dead by Daylight
simultaneously during Q4

Dead by Daylight



Source: steamcharts.com

Lasting success on Twitch

Dead by Daylight is still being streamed frequently on Twitch. On average there are about 150-170 active channels simultaneously

SALES

During January 2017, revenues from sales of PAYDAY 2, via the Steam PC distribution platform, amounted to SEK 6.5 million (SEK 10.9 million).

In January 2017, revenues from Dead by Daylight, via the Steam PC platform, amounted to SEK 10.2 million (SEK 0.0 million).

Apart from the above sales in January, Starbreeze also sold PAYDAY 2, Dead by Daylight and John Wick: Chronicles in a package campaign for three days via the Humble Bundle service, where a part of the revenues went to a charity selected by the buyer. The campaign was successful and generated more than SEK 2 million in revenue to Starbreeze.

Q4

2016



PERFORMANCE OCT–DEC 2016

Q4 2016

REVENUE AND PERFORMANCE

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

FOURTH QUARTER (OCTOBER–DECEMBER) 2016

Net revenue during the fourth quarter amounted to SEK 99.4 million (SEK 48.9 million). Of the net revenue, PAYDAY 2 accounted for SEK 37.2 million (SEK 47.7 million), Dead by Daylight accounted for SEK 54.6 million (SEK 0.0 million) and SEK 6.8 million came from Nozon, which was acquired in October.

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 the repurchase of the PAYDAY rights during the second quarter of 2016, Starbreeze receives 100 percent of the revenue generated by PAYDAY 2 on the distribution platform Steam instead of the previous 50/50 split. 505 Games receive all proceeds from sales of the PAYDAY 2 console version, up to USD 5.0 million. This meant that Starbreeze did not report any income from console sales during the fourth quarter. Furthermore, the agreement means that Starbreeze no longer receives any financial production support for PAYDAY 2.

Under the revenue standard IAS 18, advance royalty payments are not recognized as revenue at the time of payment but are entered as a liability in the balance sheet, and only recognized as income when the game has been released on the market. Royalties in the form of an irrevocable minimum guarantee, which for example 505 Digital Bros paid for RAID WW2 during the third quarter, are recognized as revenue in their entirety when all the business conditions are met.

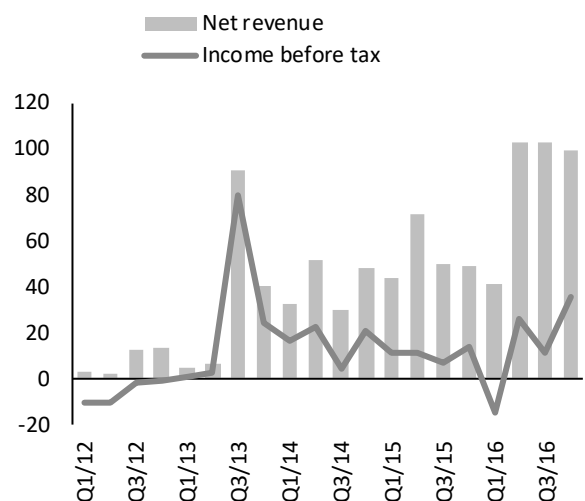
Other revenue during the quarter amounted to SEK 13.5 million (SEK -0.8 million). The profit/loss item relates to translation of operating assets in foreign currency and the positive effects are mainly due to the strengthening of the US dollar against the Swedish krona. Fluctuations in exchange rates have also been reported among financial income relating to the exchange rate effects on earnouts, arising on acquisitions. We recognized income of SEK 9.0 million (SEK 0.2 million) for these items during the quarter.

Capitalization of development projects during the period amounted to SEK 52.7 million (SEK 25.5 million). The increase was driven by more projects and higher activity in projects such as OVERKILL's The Walking Dead and the StarVR technology project.

Sum of revenues and capitalized development during the quarter amounted to SEK 165.5 million (SEK 73.6 million).

The increase in costs during the quarter continued to relate to an acceleration of the company's game development projects, both proprietary projects as well as projects in the publishing business segment. Marketing costs also increased due to the release of more titles and DLCs. Other external expenses increased to SEK 91.1 million (SEK 28.7 million) and of these, royalties to partners in the company's publishing business segment accounted for SEK 27.2 million (SEK 0.0 million). Costs for services purchased in connection with production for games development increased to SEK 36.2 million (SEK 7.6 million).

KSEK	Q4	
	2016	2015
Net revenue	99 365	48 948
EBITDA	38 793	15 190
Income before tax	32 341	14 017
Income after tax	30 206	15 409
Earnings per share, SEK	0,11	0,07
Exchange difference	-10 335	-3 807
Net revenue growth, %	103,0	2,6
EBITDA margin, %	23,4	20,6



+103 %
net revenue

Personnel expenses during the fourth quarter amounted to SEK 36.0 million (SEK 29.2 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 should be completed and launched in the coming years. Personnel expenses also include a cost reduction of SEK 12.3 million related to employee stock options. One of the reasons for the positive development in this quarter compared to the previous quarter is the price of the underlying share, Starbreeze B, decreased the benefit value of the options and thus the accrued expenses relating to the associated social security expenses. The cash flow effect on the exercise of options is hedged by 1,366,000 warrants that can be sold in the market.

Operating income before depreciation and amortization, EBITDA, amounted to SEK 38.8 million (SEK 15.2 million), an increase of 155.3 percent.

Income before tax rose to SEK 32.3 million (SEK 14.0 million).

Income after tax, net income, increased to SEK 30.2 million (SEK 15.4 million).

Earnings per share before dilution amounted to SEK 0.11 (SEK 0.07). Earnings per share after dilution amounted to SEK 0.11 (SEK 0.07).

FINANCIAL POSITION

Goodwill at the end of the quarter amounted to SEK 404.5 million (SEK 74.3 million). The goodwill is carried at the closing day exchange rate. The increase in goodwill is largely due to the acquisition of the Belgian subsidiaries Nozon and Parallaxter (Parallaxter was part of the Nozon acquisition), which generated SEK 257.5 million in goodwill. The preliminary calculation for how the consideration was allocated is shown in Note 3. The largest component consists of the earnout, which was valued at SEK 266.6 million on the closing date. The size of the earnout depends on how much licensing revenues are generated by the PresenZ technology over the next 10 years. Upon preparation of the preliminary acquisition analysis, Starbreeze assessment was that the sellers could receive the full earnout, in other words EUR 50 million, during this 10-year period. Thus, the assumed payments have been completed at present value, which in turn, resulted in a value on the acquisition date of EUR 27.9 million. It is worth noting that the value of goodwill and the liability in the balance sheet will fluctuate with the SEK/EUR exchange rate. In accordance with IFRS rules, both the size of the goodwill item and the liability will be tested on a regular basis, which can result in adjusted values.

Other intangible assets at the end of the quarter amounted to SEK 594.7 million (SEK 200.2 million). The increase was mainly related to the repurchase of the PAYDAY rights from 505 Games for SEK 244.9 million and the PresenZ technology, which was acquired via Nozon and Parallaxter, for SEK 106.5 million. The preliminary acquisition analysis for Nozon and Parallaxter is shown in Note 3. These assets are carried at the closing day exchange rate. The intangible assets were amortized by SEK 6.5 million (SEK 0.3 million) during the quarter.

Capitalized development expenditure increased by SEK 66.7 million during the quarter, compared to the previous quarter, and amounted to SEK 303.8 million (SEK 114.9 million). The capitalized development work during the quarter of SEK 66.9 million consisted of proprietary game development projects such as OVERKILL's The Walking Dead and Geminose as well as the StarVR technology development project. The Group's investments in publishing projects are also included 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.

Q4

2016

+155 %

EBITDA compared to Q4 2015



Trade receivables and other receivables amounted to SEK 25.6 million (SEK 33.0 million). Prepaid expenses and accrued income at the end of the quarter amounted to SEK 56.2 million (SEK 22.7 million), of which SEK 35.1 million (SEK 14.3 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 5.3 million (SEK 5.3 million) at the end of the quarter. Deferred tax assets, relating to outstanding loss carryforwards in foreign subsidiaries, amounted to SEK 12.1 million (SEK 0.0 million). In the Swedish subsidiaries, deferred tax assets, relating to loss carryforwards, amounted to SEK 13.4 million (SEK 0.0 million). The increase is due to the updated assessment that it will be possible to use these deficits against future profits.

Cash and cash equivalents amounted to SEK 669.4 million (SEK 85.4 million) at the end of the quarter.

On the balance sheet date, consolidated equity amounted to SEK 1,370.2 million (SEK 398.4 million) and the equity/assets ratio was 63.8 percent (70.1 percent). Equity per share before dilution amounted to SEK 5.37 (SEK 2.06) at the end of the quarter. Equity per share after dilution amounted to SEK 5.33 (SEK 2.02) at the end of the quarter.

In February 2016, a convertible loan was obtained from Smilegate. The carrying amount of the convertible totaled SEK 193.4 million (SEK 0.0 million) as of December 31, 2016. The annual interest rate on the non-current interest-bearing liability to Smilegate, SEK 215 million, amounts to 2 percent.

In September 2016, a convertible loan was received from Acer. The carrying amount of the Acer convertible amounted to SEK 66.5 million as of December 31, 2016. The annual interest rate on the non-current interest-bearing liability to Acer, SEK 75.5 million, amounts to 1 percent. Total other non-current liabilities thus amounted to SEK 382.2 million (SEK 42.4 million), including deferred tax liabilities of SEK 119.1 million (SEK 42.4 million).

Provisions for earnouts increased to SEK 309.5 million (SEK 8.2 million). The balance sheet item relates to earnouts for the acquisitions carried out by the Group. The increase mainly relates to ePawn of SEK 32.7 million and the earnouts for Nozon and Parallaxter of SEK 266.6 million. For details, see Note 3. The provisions are measured at the closing day rate.

Trade payables and other liabilities at the end of the quarter amounted to SEK 42.0 million (SEK 53.9 million).

Accrued expenses and deferred income amounted to SEK 45.0 million (SEK 65.3 million) at the end of the quarter. The balance sheet item has historically been impacted by cash settlements and other transactions with 505 Games, which have now ended with the repurchase of the PAYDAY rights.

CASH FLOW

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

Cash flow from operating activities during the quarter amounted to SEK 12.9 million (SEK -3.0 million). Cash flow from investing activities was SEK -115.8 million (SEK -35.9 million). Cash flow from financing activities was SEK 389.9 million (SEK 0.0 million).

Total cash flow for the period was SEK 287.0 million (SEK -38.9 million). Cash and cash equivalents at the end of the period totaled SEK 669.4 million (SEK 85.4 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), Behaviour Interactive and Digital Bros.

Q4
2016

INVESTMENTS AND DEPRECIATION/AMORTIZATION

During the quarter, the Group's investments in tangible fixed assets amounted to SEK 3.4 million (SEK 4.4 million) and investment in the form of capitalized expenditure for games development, amounted to SEK 66.9 million (SEK 31.5 million) and investments through corporate acquisitions amounted to SEK 44.9 million (SEK 0.0 million).

Depreciation of tangible fixed assets amounted to SEK 0.5 million (SEK 1.0 million) during the quarter and amortization of intangible assets and capitalized development projects amounted to SEK 6.5 million (SEK 0.3 million).

PARENT COMPANY

The Group's operations are conducted in the parent company Starbreeze AB (publ), the subsidiaries Starbreeze Production AB, Starbreeze Studios AB, Starbreeze Publishing AB, Starbreeze VR AB, Starbreeze Ventures AB, Starbreeze USA Inc, Starbreeze LA Inc, Starbreeze IP LUX, Starbreeze IP LUX II Sarl, Starbreeze Barcelona, ePawn, Nozon and Parallaxter. During the quarter, the subsidiaries Starbreeze Paris and ePawn were merged into one company. The merged company will operate under the name ePawn.

The parent company's net revenue for the fourth quarter amounted to SEK 36.7 million (SEK 25.8 million) and income before tax was SEK 15.0 million (SEK 44.5 million). Income after tax, net income, was SEK 13.7 million (SEK 49.8 million).

As of December 31, 2016, cash and cash equivalents totaled SEK 540.1 million (SEK 20.3 million).

The parent company's equity at the end of the quarter was SEK 1,222.0 million (SEK 292.2 million).

OTHER INFORMATION

Q4

2016

PERSONNEL

The number of employees amounted to 212 persons (109 persons) as of December 31, 2016. The average number of full time employees during the quarter amounted to 201 persons (112 persons). The average age is 34 years and the gender distribution is 177 men and 35 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, future market growth is expected to mainly come 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 and calculation methods 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. The interim report has been prepared according to the Swedish Annual Accounts Act.

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.

Our share in profits from the joint venture company with Acer has been carried in the consolidated financial statements using the equity method .

	Q4	
	2016	2015
Employees	212	109
Men	177	96
Women	35	13
Net income per employee	142 TSEK	141 TSEK

142 KSEK

net income per employee

The company has issued convertible debt instruments, so-called compound financial instruments, where the holder can demand that they are converted to shares, and where the number of shares to be issued is not affected by changes in the fair value of the shares. The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability, which does not carry the right of conversion to shares. The complete terms of these convertibles debt instruments are available on the company's website.

The equity component is initially recognized as the difference between the fair value for the whole of the compound financial instrument and the fair value of the liability component. Directly attributable transaction expenses are allocated to the liability and equity components in proportion to their initial carrying amounts.

After the acquisition dates, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition, except on conversion or redemption.

RISKS 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 and other assets and liabilities in foreign currency. However, a falling dollar rate in the longer term always has a negative impact on profit margins. Due to the acquisition of several foreign subsidiaries, the Group also has translation exposure.

The largest risks and uncertainties are low revenues in connection with game launches and project delays. These and other risks such as copyright infringements, loss of key people and exchange rate fluctuations are described in Starbreeze's Annual Report 2015/2016 in the Report of the Board of Directors on page 54 and in Note 3.

Furthermore, the value of certain assets and liabilities is based on expected outcomes, which means that these items should be regularly re-measured and thus may affect future results.

The sales trend for PAYDAY 2 and Dead by Daylight, the launch of new games and the funds that Smilegate, Acer and Första AP-fonden and others provided during the year, means that the company estimates that the current financing is sufficient to conduct the business in its current size at least during the next 18 months. The company's Board and Management continually evaluate the Group's long-term capital requirements and financing alternatives.

STARBREEZE SHARE

SHARE AND OWNERS

Starbreeze share is listed on Nasdaq Stockholm First North Premier. In June, 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's ticker is STAR A with ISIN SE0007158928 and the B share's ticker is STAR B with ISIN SE0005992831.

On December 31, 2016, the closing price of the A share was SEK 19.20 and the closing price of the B share was SEK 19.30. The total market capitalization was about SEK 5,300 million. During the quarter, the value of the B share fell by -16.8 percent and the value of the A share fell by -17.6 percent. During the same period, the Nasdaq OMXSPI index rose by 3.2 percent.

On December 31, 2016, the number of outstanding shares amounted to 276,879,720 each one with a quota value of SEK 0.02, equivalent to a share capital of SEK 5,537,594. Meanwhile, the number of A shares amounted to 55,971,982 and the number of B shares amounted to 220,907,738. In view of the issued convertibles, an assumed conversion of the Smilegate convertible will provide an additional 15,941,586 shares and an assumed conversion of the Acer convertible will provide 4,237,677 shares. The total number of shares after dilution thus amounts to 304,352,451. The total number of outstanding options, excluding stock options issued during the rescheduling of the Smilegate convertible, totaled 5,445,646, of which 1,366,000 stock options may be used for hedging of employee stock option programs. These stock options give the right to subscribe for 7,293,468 shares, of which 2,049,000 million can be used for hedging of employee stock option programs.

Table of largest owner as of December 31, 2016:

OWNERS AS OF 31 DECEMBER 2016	HOLDINGS %	VOTES %
VARVTRE AB 1)	9,73	22,59
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	11,14	7,68
SWEDBANK ROBUR 2)	9,10	6,11
HSBC-FUND SERV CLIENTS A/C 006-KR 3)	3,47	5,12
GARNET GROUP 4)	1,76	4,23
FORSTA AP-FONDEN	9,21	3,27
CBLDN-BFCM FULLTX THIRD PARTY ASSET	1,33	2,07
INDIAN NATION AB 5)	0,67	1,77
CBNY-NATIONAL FINANCIAL SERVICES LL	1,63	1,68
NORDNET PENSIONS FÖRSÄKRING AB	1,52	1,28
Sum (%)	49,55	55,80

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

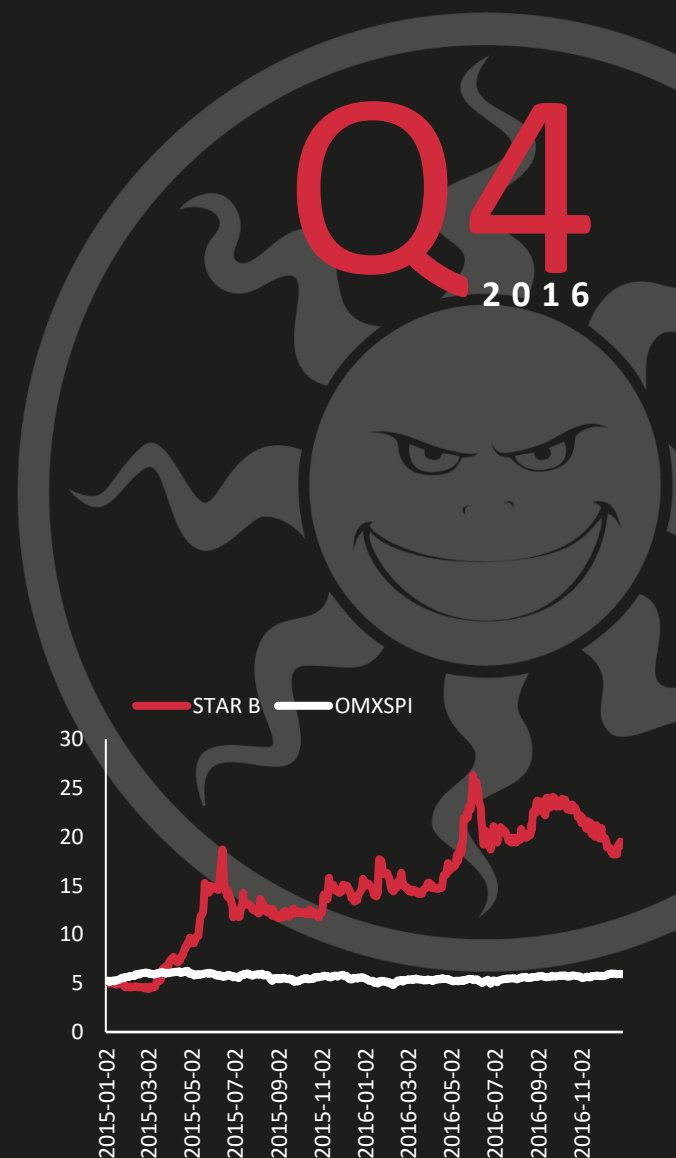
2) Swedbank Robur consists of three mutual funds

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 27,100
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.

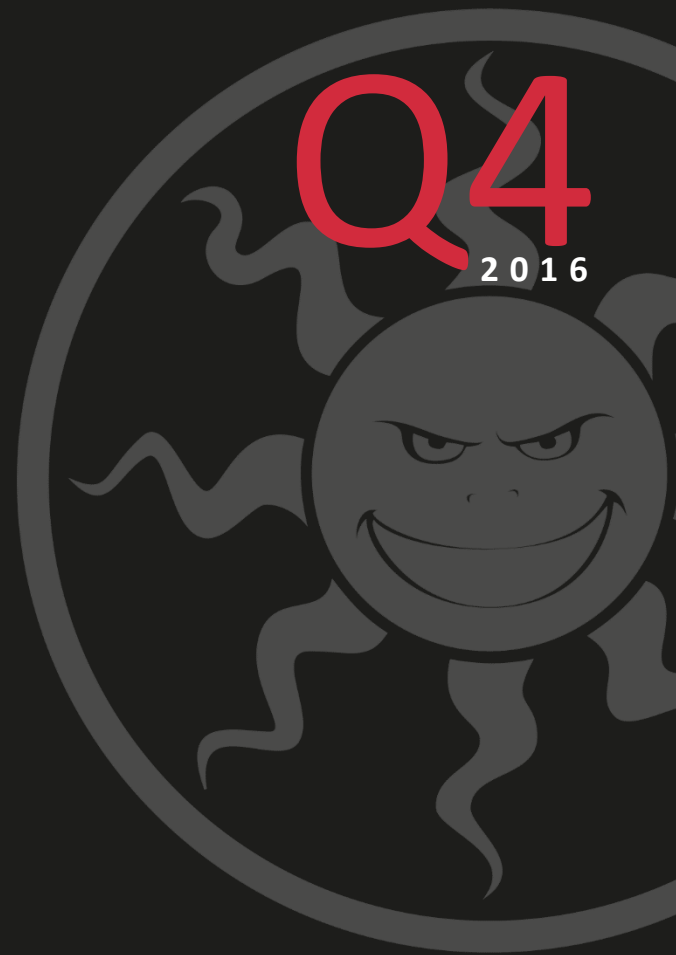
The board options were also issued free of charge and will be vested over 1, 2 and 3 years, respectively, (calculated from the Annual General Meeting in November 2013) but lapse if the Board member resigns, is dismissed or does not stand for re-election. After the bonus issue in June 2015, two stock 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 persons. 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 & 2015/2019

The Annual General Meeting in November 2015 passed a resolution on another special share-based incentive program for senior executives and certain other key persons, 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 June 30, 2016, 1,780,000 of these warrants had been allotted.



DECISION ON DIVIDEND

The Board of Directors suggest that no dividend will be distributed to the shareholders for fiscal year of 2016.

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

Annual report 2016	20 April 2017
Interim report Q1 2017	11 May 2017
Starbreeze annual general meeting at Hotel Rival	11 May 2017

CHANGED FISCAL YEAR

Note that in accordance with the decision taken at the Annual General Meeting in November 2015, this is the fourth interim report since the change to the calendar year.

FOR FURTHER INFORMATION

Bo Andersson Klint, CEO
Tel: +46 8 209 208
bo.andersson-klint@starbreeze.com

Sebastian Ahlskog, CFO
sebastian.ahlskog@starbreeze.com

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

Michael Hjorth
Chairman

Directors

Christoffer Saidac Matias Myllyrinne Eva Redhe Harold Kim

Bo Andersson Klint
CEO

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 February 16, 2017 at 08:30 CET.

Q4

2016

CALENDAR

Annual report 2016
20 April 2017

Interim report Q1 2017
11 May 2017

Annual General Meeting
11 May 2017

HALLOWEEN[®]



DEAD BY DAYLIGHT

NEW SURVIVOR
LAURIE STRODE

NEW KILLER
MICHAEL MYERS

NEW MAP
HADDONFIELD

DEADBYDAYLIGHT.COM/HALLOWEEN

KEY RATIOS, GROUP

Note that the comparative figures in all tables and statements refer to the calendar year 2015 and not the figures from the annual financial statements for the shortened fiscal year 2015.

	2016	2015	2016	2015
	Q4	Q4	JAN - DEC	JAN - DEC
Net revenue, KSEK	99 365	48 948	345 463	218 432
EBITDA, KSEK	38 793	15 190	81 220	49 460
EBIT, KSEK	31 806	13 848	56 454	42 878
Income before tax, KSEK	32 341	14 017	55 900	43 135
Income after tax, KSEK	30 206	15 409	57 091	39 405
EBITDA margin, %	23,4	20,6	15,5	16,5
EBIT margin, %	19,2	18,8	10,8	14,3
Profit margin, %	19,5	19,0	10,7	14,4
Equity/asset ratio, %	63,8	70,1	63,8	70,1
Cash flow per share, SEK *	0,06	-0,01	0,06	0,21
Equity per share before dilution, SEK *	5,37	2,06	5,37	2,06
Equity per share after dilution, SEK *	5,33	2,02	5,33	2,02
Closing price of A share for the period, SEK	19,20	15,60	19,20	15,60
Closing price of B share for the period, SEK	19,30	15,70	19,30	15,70
Earnings per share before dilution, SEK *	0,11	0,07	0,22	0,20
Earnings per share after dilution, SEK *	0,11	0,07	0,22	0,20
Number of shares at end of period before dilution	276 879 720	230 361 091	276 879 720	230 361 091
Number of shares at end of period after dilution, ***	304 352 451	234 449 769	304 352 451	234 449 769
Outstanding options (excl. hedge), **	4 079 646	7 754 247	4 079 646	7 754 247
Average number of shares before dilution	276 008 183	230 361 091	255 276 469	193 534 509
Average number of shares after dilution	278 100 440	234 449 769	257 234 798	197 623 187
The average number of employees	201	112	151	82
The number of employees at the end of the period	212	109	212	109

* Key ratios and the closing price of the share were computed based on the number of shares after the bonus issue completed in June 2015.

** For 2,329,646 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 scenarios, possible dilution of 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.

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

Profit as percentage of total revenue.

Equity/assets ratio

Equity as a 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. IMAX VR center is a typical example of LBE.

CONSOLIDATED INCOME STATEMENT

KSEK	2016	2015	2016	2015
	Q4	Q4	JAN - DEC	JAN - DEC
Net revenue	99 365	48 948	345 463	218 432
Capitalized development work	52 661	25 511	154 450	78 383
Other operating revenue	13 462	-836	23 132	2 757
Total revenue	165 488	73 623	523 045	299 572
Other external expenses	-91 096	-28 687	-292 106	-155 155
Employee expenses	-36 042	-29 207	-148 517	-93 627
Amortization of intangible assets	-6 456	-335	-20 600	-3 957
Depreciation of property, plant and equipment	-531	-1 007	-4 166	-2 625
Other operating expenses	443	-539	-1 202	-1 330
Operating income	31 806	13 848	56 454	42 878
Financial income	5 633	253	17 511	550
Financial expenses	-5 260	-84	-18 196	-293
Participation in income after tax from associated companies	162	-	131	-
Income before tax	32 341	14 017	55 900	43 135
Income tax	-2 135	1 392	1 191	-3 730
Net income for the period	30 206	15 409	57 091	39 405
Other comprehensive income that may be reclassified to net income				
Exchange differences	-10 335	-3 807	-4 375	3 400
Total comprehensive income for the period	19 871	11 602	52 716	42 805

As there are no non-controlling interests in the Group, the entire net income and comprehensive income for the period represents the parent company's income.

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

- before dilution	0,11	0,07	0,22	0,20
- after dilution	0,11	0,07	0,22	0,20

CONSOLIDATED BALANCE SHEET

KSEK	NOTE	2016-12-31	2015-12-31
NOTE			
ASSETS			
<i>Intangible assets</i>			
Goodwill		404 530	74 314
Other intangible fixed assets		594 728	200 202
Capitalized expenditure for games and technology development		303 763	114 913
<i>Financial assets</i>			
Financial assets		40 609	15 623
Deferred tax assets		30 712	5 252
<i>Tangible assets</i>			
Computers and other equipment		23 458	16 773
Total non-current assets		1 397 800	427 077
<i>Current assets</i>			
Inventories		2	2
Trade receivables and other receivables		25 576	33 000
Prepaid expenses and accrued income		56 183	22 697
Cash and cash equivalents		669 380	85 354
Total current assets		751 141	141 053
TOTAL ASSETS		2 148 941	568 130
EQUITY AND LIABILITIES			
<i>Equity attributable to parent company shareholders</i>			
Share capital		5 538	4 607
Other contributed capital		1 175 563	257 352
Reserves		3 671	8 046
Retained earnings including net income for the period		185 451	128 360
Total equity		1 370 223	398 365
<i>Non-current liabilities</i>			
Non-current liabilities, additional	3	309 547	8 227
Other non-current liabilities		382 222	42 356
Total non-current liabilities		691 768	50 583
<i>Current liabilities</i>			
Trade payables and other liabilities		41 990	53 923
Accrued expenses and deferred income		44 960	65 259
Total current liabilities		86 950	119 182
TOTAL EQUITY AND LIABILITIES		2 148 941	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 for the period	-	-	-	57 091	57 091
Exchange differences	-	-	-4 375	-	-4 375
Total comprehensive income	4 607	257 352	3 671	185 451	451 081
New issue through exercise of stock options	132	53 544	-	-	53 676
Non-registered share capital	-	-	-	-	-
Non-issued shares	-	-	-	-	-
Shareholders' contributions received	-	2 087	-	-	2 087
Vested employee stock options	-	1 302	-	-	1 302
Issue of convertible*	-	38 093	-	-	38 093
New issue**	521	512 091	-	-	512 612
Non-cash issue***	278	311 094	-	-	311 372
Total contribution from and value transfers to shareholders, recognized directly in equity	931	918 211	-	-	919 142
Closing balance at December 31, 2016	5 538	1 175 563	3 671	185 451	1 370 223

* Refers to Smilegate and Acer convertibles

** Refers to new issue of shares for Smilegate and Första AP-fonden

*** Refers to acquisitions of PAYDAY rights and ePawn

Opening balance at January 1, 2015	4 350	135 561	7 125	106 555	253 591
Net income for the period	-	-	-	21 805	21 805
Exchange differences	-	-	921	-	921
Total comprehensive income	4 350	135 561	8 046	128 360	276 317
New issue through exercise of stock options	85	10 494	-	-	10 579
Vested employee stock options	-	1 184	-	-	1 184
Non-cash issue	172	110 113	-	-	110 285
Total contribution from and value transfers to shareholders, recognized directly in equity	257	121 791	-	-	122 048
Closing balance at December 31, 2015	4 607	257 352	8 046	128 360	398 365

	2016	2015
CHANGE IN NUMBER OF OUTSTANDING SHARES	JAN - DEC	JAN - DEC
Number of shares at the start of the period	230 361 091	144 985 325
Non-cash issue	1 138 385	8 595 000
Subscription of shares through exercise of options	6 560 898	4 288 104
Bonus issue	-	72 492 662
New issue	38 819 346	-
Number of shares at the end of the period	276 879 720	230 361 091

CONSOLIDATED STATEMENT OF CASH FLOWS

KSEK	2016	2015	2016	2015
	Q4	Q4	JAN - DEC	JAN - DEC
Operating activities				
Cash flow from operations	11 167	-743	8 868	43 881
Interest paid	-52	-127	-2 682	-131
Interest received	5 396	27	5 410	125
Income taxes paid	-3 573	-2 191	3 695	-4 435
Cash flow from operating activities	12 938	-3 034	15 291	39 440
Investing activities				
Purchase of property, plant and equipment	-3 368	-4 383	-9 449	-17 375
Investments in subsidiaries	-44 855	-	-60 412	-21 547
Purchase of intangible assets	-	-	-15 354	-525
Investment in other financial assets	-739	-	-9 668	-13 506
Investment in capitalized expenditure for games development	-66 857	-31 529	-194 871	-95 451
Cash flow from investing activities	-115 819	-35 912	-289 754	-148 404
Financing activities				
New issue	383 582	-	554 906	10 579
Payments for stock options	6 800,00	-	14 128,00	-
Increase in non-current liabilities	-	-	284 945,00	-
Repayment of loans	-516,00	-	-516,00	-
Cash flow from financing activities	389 866	-	853 463	10 579
Cash flow for the period	286 985	-38 946	579 000	-98 385
Cash and cash equivalents at the beginning of the period	375 967	123 650	85 354	184 414
Exchange difference in cash and cash equivalents	6 428	650	5 026	-675
Cash and cash equivalents at the end of the period	669 380	85 354	669 380	85 354

PARENT COMPANY INCOME STATEMENT

KSEK	2016	2015	2016	2015
	Q4	Q4	JAN - DEC	JAN - DEC
Net revenue	36 730	25 797	101 935	100 686
Other operating revenue	7 265	-	13 905	
Total revenue	43 995	25 797	115 840	100 686
Other external expenses	-12 005	-22 130	-97 970	-86 811
Employee benefit expenses	-5 259	-5 501	-35 498	-19 921
Depreciation of property, plant and equipment	-181	-136	-703	-432
Other operating expenses	-	-935	-	-2 342
Operating income	26 550	-2 905	-18 331	-8 820
Profit from holdings in group companies		46 882		
Other financial income	-1 008	974	13 870	2 041
Financial expenses	-5 221	-432	-17 794	-432
Income after financial items	20 321	44 519	-22 255	-7 211
Appropriations	-5 283	73	30 247	51 887
Income before tax	15 038	44 592	7 992	44 676
Income tax	-1 336	5 252	-1	5 258
Net income for the period	13 702	49 844	7 991	49 934

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

PARENT COMPANY BALANCE SHEET

KSEK	2016-12-31	2015-12-31
ASSETS		
<i>Fixes assets</i>		
<i>Tangible assets</i>		
Computers and other equipment	1 265	1 479
Participations in group companies	690 126	151 588
Deferred tax assets	5 252	5 252
Participations in associated companies	8 507	-
Total non-current assets	705 150	158 319
<i>Current assets</i>		
Trade receivables		5 429
Receivables from Group companies	761 308	211 376
Other receivables	549	2 248
Prepaid expenses and accrued income	1 295	659
Cash and cash equivalents	540 118	20 281
Total current assets	1 303 270	239 993
TOTAL ASSETS	2 008 420	398 312
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	5 538	4 607
Fair value reserve	2 054	-637
Share premium reserve	1 129 465	211 255
Retained earnings	76 945	26 950
Net income for the period	7 991	49 995
Total equity	1 221 993	292 170
<i>Untaxed reserves</i>		
Accumulated excess depreciation	16	16
Total untaxed reserves	16	16
<i>Non-current liabilities</i>		
Other non-current liabilities	565 179	7 049
Total non-current liabilities	565 179	7 049
<i>Current liabilities</i>		
Trade payables	3 391	2 519
Liabilities to Group companies	195 499	38 865
Other liabilities	6 664	6 995
Accrued expenses and deferred income	15 678	50 698
Total current liabilities	221 232	99 077
TOTAL EQUITY AND LIABILITIES	2 008 420	398 312

NOTES

NOT 1: FINANCIAL INSTRUMENTS PER CATEGORY

GROUP, 31 DECEMBER 2016

KSEK

Assets in the balance sheet	Other loan receivables and accounts receivable	Assets at fair value in the income statement	Assets available for sale	Sum
Available-for-sale financial assets	-	-	40 609	40 609
Trade receivables	16 673	-	-	16 673
Other receivables	11 633	-	-	11 633
Investments in securities	-	202 576	-	202 576
Cash and cash equivalents	466 804	-	-	466 804
Total	495 110	202 576	40 609	738 295

Liabilities in the balance sheet	Other financial liabilities	Liabilities at fair value in the income statement	Sum
Trade payables and other liabilities excluding non-financial liabilities	41 945	-	41 945
Earnout provision Geminose Inc	-	7 842	7 842
Earnout provision ePawn	-	32 705	32 705
Earnout provision Nozon & Parallaxter	-	266 553	266 553
Convertible loan	243 113	16 857	259 970
Other non-current liabilities	122 251	2 447	124 698
Total	407 309	326 404	733 713

NOTE 2: PLEDGED ASSETS AND LIABILITIES

CONSOLIDATED PLEDGED ASSETS AND LIABILITIES

During 2014/2015, the company entered into an agreement with a distribution partner where the distributor has the opportunity to obtain a bonus if certain sales targets are achieved. The company made the assessment last year that it was unlikely that these targets would be met, and therefore the commitment of SEK 33.4 million had been entered as a contingent liability and not as a liability in the balance sheet. The agreement has now been renegotiated, which means that the contingent liability no longer remains.

KSEK	2016-12-31	2015-12-31
Pledged assets	5 387	4 121
Contingent liabilities	-	33 410

NOT 3: NOZON & PARALLAXTER

NOZON & PARALLAXTER ACQUISITION

On October 24, 2016, 100 percent of the shares in the Belgian companies Nozon and Parallaxter were acquired for a preliminary SEK 343.8 million through a non-cash issue of 1,048,842 newly issued B shares in Starbreeze AB with a value of SEK 24.2 million and cash consideration of SEK 44.9 million. In addition to this, there is an earnout, linked to future revenue, which is measured at EUR 27.9 million and may fall due over the next 10 years. EUR 27.9 million is the present value of the maximum earnout of EUR 50.0 million, which is calculated using a discount rate of 12 percent. The goodwill arising through the acquisition mainly consists of the company's staff and the know-how secured by the company through the acquisition and technology for converting 3D films into VR films.

The effect on consolidated cash flow from the acquisition in the second quarter will be SEK 44.9 million in total, consisting of the cash consideration of SEK 44.9 million.

Expenses for the acquisition of Nozon and Parallaxter amounted preliminarily to SEK 1.2 million and affected the Group's results in the fourth quarter of 2016 by SEK 0.8 million. The acquisition analysis is preliminary. Information about the preliminary value of the acquired net assets and goodwill in Nozon and Parallaxter on the acquisition date, SEK '000:

Total consideration:	
Cash consideration	44 855
Shares in Starbreeze AB (publ)	24 228
Earnout	274 758
Fair value of assets acquired as follows	-29 726
Excess value of existing assets	108 096
Goodwill	265 471
<hr/>	
Assets and liabilities included in the acquisition	
Patents	1 844
Other assets	7 399
Cash and cash equivalents	3 505
Deffered tax	-37 582
Liabilities	-4 892
Identifiable net assets acquired	-29 726



KEOKEN INTERACTIVE
PRESENTS

DELIVER_{US} THE MOON

DeliverUsTheMoon.com



STARBREEZE



Keoken
INTERACTIVE