

STARBREEZE

ENTERTAINMENT

Q2

Interim Report

April - June 2023



Second quarter 2023

- Net sales totaled SEK 43.2 million (31.8). PAYDAY 2 amounted for SEK 42,7 million (30.0).
- EBITDA* totaled SEK 14.1 million (18.1).
- Depreciation, amortization, and impairment totaled SEK 17.0 million (14.8).
- Profit/loss before taxes amounted to SEK 24.1 million (-10.8).
- Basic and diluted earnings per share totaled SEK 0.03 (-0.02).
- April 28, Starbreeze decided on a rights issue of SEK 453 million. On June 21, Starbreeze announced the outcome of the oversubscribed rights issue.
- May 22, it was announced that Starbreeze is negotiating to license an IP for use as a base in game production.
- June 11, the release date of Payday 3 - September 21, 2023 - was announced.
- June 28, the Crude Awakening Heist, which is the fourth and final part of the Texas Heat campaign, was released.

January-June 2023

- Net sales amounted to SEK 69.9 million (55.3). PAYDAY 2 amounted for SEK 69.1 million (53.4).
- EBITDA* totaled SEK 18.1 million (22.7).
- Depreciation, amortization, and impairment totaled SEK 32.7 million (29.2).
- Profit/loss before taxes amounted to SEK -0.6 million (-34.6).
- Basic and diluted earnings per share amounted to SEK -0.0 (-0.05).
- Cash and cash equivalents amounted to SEK 498.8 million (86.3).

Significant events after the end of the period

- July 19, Digital Bros initiated the conversion of its convertible loan of SEK 215 million, at a conversion rate of SEK 1.45.
- July 24, Starbreeze' Nomination Committee proposed that the board be strengthened with two gaming veterans to support Starbreeze' strategy and growth.
- August 10, Starbreeze announced that it will publish Roboquest by RyseUp Studios.

KEY FIGURES	2023	2022	2023	2022	2022
SEKk	Q2	Q2	JAN-JUN	JAN-JUN	JAN-DEC
Net sales	43,238	31,764	69,899	55,296	127,602
EBITDA*	14,094	18,106	18,145	22,659	66,380
Profit (-loss) before tax	24,124	-10,838	-601	-34,611	-54,403
Earnings per share, SEK	0.03	-0.02	-0.00	-0.05	-0.08
Cash flow from operations	20,092	15,441	40,782	24,135	57,825
Net sales per employee	242	212	397	374	829

*For definitions of performance measures, see page 25

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CEO's message

Imminent launch of PAYDAY 3, and more on the way

Starbreeze has worked, and delivered, on a clear strategy for the past few years. We have created the best possible prerequisites for a successful launch of PAYDAY 3 in 2023, while also continuing to deliver high-quality content for PAYDAY 2. With both of these completed, it was time to look ahead and ensure that we create the best possible environment to take the next step. We have one of the gaming industry's strongest brands in PAYDAY, and it will continue to be an important part of our growth, with more products and broader entertainment based on it. But Starbreeze will also grow beyond PAYDAY - by having several games in production and on the market simultaneously and by expanding our publishing activities for both third parties and our own titles. We have a proven business model, long experience in building and maintaining strong communities and a game strategy with a focus on cooperative multiplayer games.

RESULTS

Net sales for the quarter amounted to SEK 43 million and consisted to 99 percent of PAYDAY 2. In terms of units, sales were slightly lower than the same quarter last year but were positively affected by marketing activities (Humble Bundle), strong sales during Steam's summer sale, one-off revenue from platform owners and stronger dollar exchange rate.

PAYDAY 3

In June, it was finally time to show the world what we have been working on. At the Xbox Showcase we released the first gameplay trailer and the release date for PAYDAY 3. Although many would have liked information sooner, we knew that the impact the event would have was well worth the wait. On September 21st, the game will be made available on all major platforms and 2023 will, as promised, be "The Year of PAYDAY". The reception has been fantastic,

especially from our large PAYDAY-community, which makes us very happy as it is incredibly important to have our most dedicated PAYDAY fans excited about the new game. The strength of our brand was clearly seen in the attention from both traditional and social media. In mid-June, we invited around a hundred journalists and influencers from all over the world to try out PAYDAY 3 - with a very positive response. The interest in PAYDAY has also accelerated the membership growth of our own portal, Starbreeze Nebula, which has now reached over a million members. With just over a month until launch, we have long since begun development of upcoming DLCs and content updates for the game - both free and paid.

PROJECT "BAXTER"

The game carrying the internal working name "BAXTER", is the next AAA title in our niche of cooperative multiplayer games. In May, we announced that we are in advanced negotiations to



license an iconic brand characterized by collaborative experiences and storytelling in an expansive world. Fans of our games will recognize themselves, but at the same time it is a completely new project, in a completely new genre, compared to PAYDAY.

The budget for the project is split into three parts - 1) development of the base game, 2) marketing around launch and 3) development of DLCs and content. Until launch, the development cost is estimated to amount to approximately 60 percent of the total budget. Starbreeze will act as both developer and publisher, but we will continually evaluate opportunities to add external partners for the project - for example for physical and digital distribution - to achieve a good balance between risk and margin in the project.

PAYDAY 2

Together with Epic Games, we celebrated "The Year of PAYDAY" by offering the world's premier heisting experience - the base game of PAYDAY 2 - one week free on the Epic Games Store in June. It is, of course, part of the strategy to let more people experience PAYDAY as a game and brand ahead of the launch of PAYDAY 3 in September. More than 12 million people downloaded the game, and we launched sales of all DLCs on the Epic Games Store at the same time. The successful campaign

contributed to June's MAU reaching 1,541,309. During the quarter, our team delivered three additional DLCs for PAYDAY 2, culminating in the Crude Awakening heist that launched at the end of June. 10 years after launch, the game now contains close to ninety heists and has received hundreds of updates with both new content and new features. Continuous development with lots of new content is a pillar of all games Starbreeze develop.

THIRD PARTY PUBLISHING

Our strategy for the publishing arm of our business is to find games that are fantastic on their own, but also fit into our philosophy and the community we built over the past decade. Roboquest - developed by RyseUp Studios - is one of those games. The game is toady available through Steam Early Access and currently enjoys an average rating of around 95 percent positive. Our strengths as a publisher, combined with a community connected through Starbreeze Nebula, will enable us and our games to reach new audiences.

OTHER PROJECTS

In early June, our partner PopReach launched the mobile game PAYDAY Crime War, globally. It enables more people to get a taste of our brand, and of course play more PAYDAY on more platforms. Our collaboration with Stockholm Syndrome to develop a film

or TV series based on PAYDAY is progressing according to plan. The current strike among writers and actors currently underway in the US does not affect the project in its current phase.

ORGANIZATION

During the quarter, the number of employees increased by 8, primarily within game production to have capacity to develop content for PAYDAY 3 and BAXTER in parallel. We are also incredibly proud to, as a studio, have achieved HBTQI-certification by RFSL. The equal rights of all people, and the right to equal treatment, is something we as a company, and I personally, take very seriously.

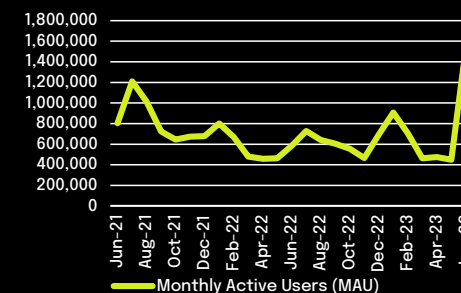
In connection with the oversubscribed rights issue, Starbreeze received capital and trust to pursue or stated strategy. At the same time, we resolved SEK 380 million in debt on our balance sheet, in the form of a loan and a convertible loan - a heavy legacy from the reconstruction is thus resolved. We now have the necessary conditions to build Starbreeze even stronger and we will continue the hard and long-term work to achieve our goals.

TOBIAS SJÖGREN, CEO

Highest number of monthly active users (MAU)

1 541 309

for PAYDAY 2 during Q2 2023



Source: PAYDAY 2 game data via Starbreeze telemetry

Significant events during the quarter

Rights issue and transaction

April 28, Starbreeze decided on a rights issue to accelerate growth initiatives and strengthen the balance sheet and published preliminary financial information for the first quarter of 2023. The issue was oversubscribed and Starbreeze received approximately SEK 453 million before transaction costs. [Read more.](#)

Starbreeze in negotiations to license IP for upcoming game

May 22, it was announced that Starbreeze is negotiating to license an IP for use as a base in game production. The IP consists of an iconic brand characterized by collaborative experiences and storytelling in an expansive world, which Starbreeze intends to use in the production of a cooperative multiplayer game. [Read more.](#)

Starbreeze' partner PopReach launched the mobile game "PAYDAY Crime War" globally

June 6, the global launch of "PAYDAY Crime War" was announced on Google Play and the Apple App Store. [Read more.](#)

PAYDAY 2 available on Epic Games Store

June 8, it was announced that PAYDAY 2 was made available on Epic Games Store. [Read more.](#)

PAYDAY 3 will be released on September 21st 2023

June 11, Starbreeze announced that PAYDAY 3 will launch on September 21, 2023. The game will be available Day-1 on Xbox Game Pass, on Xbox Series X|S, Playstation®5, Epic Games Store and Steam®. [Read more.](#)

Significant events after the end of the period

Conversion of convertible loan

July 19, Digital Bros called for the conversion of its convertible loan of SEK 215 million at the rate of SEK 1.45. [Read more.](#)

Proposal to strengthen Starbreeze' board

Starbreeze' Nomination Committee proposed that the board be strengthened with two gaming veterans to support Starbreeze's strategy and growth, and it was announced that Martin Walfisz is leaving the board at his own request as he takes up a new operational position. [Read more.](#)

Starbreeze to publish Roboquest by RyseUp Studios

August 10, Starbreeze Entertainment announced that it will be publisher by name and support Roboquest and RyseUp Studios with its expertise in release management, marketing, community management, live service operations, continued development, and data management and analytics. [Read more.](#)



Net sales and earnings 02

Net sales and earnings

For Net sales and earnings, the comparison period refers to the corresponding period last year.

Second quarter 2023

Sales

Net sales for the second quarter of 2023 amounted to SEK 43.2 million (31.8), which is an increase of approximately 36 percent compared to the corresponding period last year. PAYDAY accounted for SEK 42.7 million (30.0), which is an increase of approximately 42 percent compared to the corresponding period last year. Of the net sales, PC amounted to SEK 39.7 million (24.7) and Console to SEK 3.2 million (5.5). Net sales from Steam sales amounted to SEK 24.8 million compared to SEK 24.1 million in the same period last year. Steam sales of the PAYDAY 2 base game decreased during the quarter by approximately 6 percent (SEK 0.3 million), while DLC sales (sales of add-on packages) increased by approximately 5 percent (SEK 1.0 million), which in total corresponds to approximately 3 percent higher net revenue from Steam sales for PAYDAY compared to the corresponding period of the previous year. During the quarter, PAYDAY 2 was launched on the Epic Games platform and Starbreeze also ran a campaign on the charity platform Humble Bundle.

Exchange rate fluctuations against the US dollar have had a positive impact on net sales of SEK 2.6 million compared to the average exchange rate for the corresponding period the previous year. Adjusted for the exchange rate change, revenue from Steam decreased by approximately 8 percent and revenue from consoles by approximately 48 percent in the quarter.

Costs

Direct costs amounted to SEK 17.5 million (15.1) and consist of costs linked to game production and game development. Direct costs include depreciation of SEK 13.2 million (10.9).

Capitalized development expenditure reduced the direct costs by SEK 36.7 million (27.7) and refer to the games PAYDAY 2, PAYDAY 3 and development of new IPs.

Sales and marketing costs amounted to SEK 7.5 million (3.9) and refer to marketing activities and personnel costs. The increase is mainly attributable to more marketing activities during the period regarding PAYDAY 3 and increased personnel costs.

Administrative costs amounted to SEK 20.8 million (15.7) and refer, among other things, to office costs and salaries to personnel who do not work in game production or marketing, as well as other external costs. The higher costs are mainly attributable to higher personnel-related costs where the main part consists of reserved salary costs related to the company's long-term incentive program regarding PAYDAY 3 the main part is related to as well as external costs.

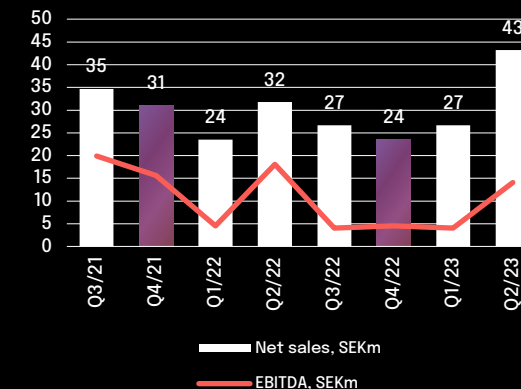
The administrative costs include depreciation of SEK 3.8 million (3.8). Capitalized development expenses reduced administration costs by SEK 9.6 million (7.5) and refer to the games PAYDAY 2, PAYDAY 3 and other IPs.

Other revenue amounted to -0.4 MSEK (6.3). The item consists of invoiced costs relating to PAYDAY 3 of SEK 2.9 million, exchange rate effects relating to the revaluation of assets and liabilities in foreign currency - SEK 4.3 million and rental income of SEK 0.9 million.

Net sales and earnings

	2023	2022	2023	2022
SEKk	Q2	Q2	JAN-JUN	JAN-JUN
Net sales	43,238	31,764	69,899	55,296
EBITDA *	14,094	18,106	18,145	22,659
Profit (-loss) before tax	24,124	-10,838	-601	-34,611
Net profit (-loss) for the period	24,740	-11,237	-194	-35,262
Earnings per share, SEK	0.03	-0.02	-0.00	-0.05
Net sales growth, %	36.1	-0.8	26.4	-7.7
EBITDA margin, %	32.6	57.0	26.0	41.0

*See page 25 for the definitions of key figures



Earnings

Earnings before interest, taxes, depreciation and amortization, EBITDA, amounted to SEK 14.1 million (18.1). The decrease is mainly attributable to higher personnel-related costs and negative currency effects. The increased personnel-related costs are primarily attributable to the fact that the number of employees has increased by 8 people.

Profit share from the joint venture StarVR Corporation amounted to SEK 0.1 million (0.1).

Net financial income/expenses

Net financial income/expenses amounted to SEK 27.1 million (-14.2). In connection with the rights issue, the terms of the convertible loan were renegotiated. The renegotiation meant that interest would not be paid during the term of the convertible and that conversion would take place in July, which resulted in a one-time positive income effect of SEK 13.3 million as previously expensed interest was reversed. Taking into account the period's interest expense for the convertible, the net effect amounted to SEK 12.9 million.

Other related debt of SEK 165.0 million was amortized in full in July with SEK 150 million, taking into consideration a discount of SEK 15.0 million. The negotiated discount resulted in a positive profit effect in the period of SEK 15.0 million, as the recorded debt amounted to the full value of SEK 165 million, which was adjusted down to SEK 150 million. Taking into account the period's cost of the loan, the net effect amounted to SEK 13.2 million.

During the period, the game financing that will be obtained regarding the development of PAYDAY 3 has been currency hedged through the purchase of currency derivatives. The future derivatives are market valued monthly and in the period this valuation has had a positive impact on the result through an unrealized increase in value of SEK 1.0 million.

During the quarter, the financial net was affected by interest expense on leasing debt of SEK -0.1 million (-0.2), which is an effect of the accounting standard IFRS 16.

Profit/loss before taxes and profit/loss for the quarter

Profit/loss before tax for the quarter amounted to SEK 24.1 million (-10.8).

Profit/loss for the quarter amounted to SEK 24.7 million (-11.2).

Basic and diluted earnings per share amounted to SEK 0.03 (-0.02).

Specification of net financial income/expenses

SEKk	2023 Q2	2022 Q2	2023 JAN-JUN	2022 JAN-JUN
Interest on convertible bonds	12,948	-7,846	5,803	-15,640
Net profit (-loss) from StarVR Corp.	58	93	33	123
Implicit interest	13,153	-6,246	7,150	-12,146
Interest on lease liability	-101	-193	-225	-412
Unrealized change in value of derivatives	1,012	-	1,173	-
Other items	5	1	13	17
Total	27,075	-14,191	13,947	-28,058

January–June 2023

Sales

Net sales for the first half of 2023 amounted to SEK 69.9 million (55.3), which is an increase of approximately 26 percent compared to the corresponding period last year. PAYDAY accounted for SEK 69.1 million (53.4), which is an increase of approximately 29 percent compared to the corresponding period last year. PC net sales amounted to SEK 63.8 million (43.7) and Console to SEK 5.8 million (9.9). Net sales from Steam sales amounted to SEK 48.0 million (42.8). Steam sales of the PAYDAY 2 base game decreased during the period by approximately 5 percent (SEK 0.5 million), while DLC sales (sales of add-on packages) increased by approximately 17 percent (SEK 5.7 million), which in total corresponds to approximately 5.23 percent higher net sales from Steam sales for PAYDAY compared to the corresponding period last year.

Exchange rate fluctuations against the US dollar had a positive impact on net sales of SEK 5.2 million compared to the average exchange rate corresponding to the previous year. Adjusted for the exchange rate change, revenue from Steam increased by approximately 1 percent and decreased on console by approximately 48 percent.

Costs

Direct costs amounted to SEK 33.3 million (29.1) and consist of costs linked to game production and game development. Direct costs include depreciation of SEK 25.0 million (21.4). The increase is mainly related to higher depreciation.

Capitalized development expenditure has reduced the direct costs by SEK 73.5 million (53.0) and refer to the games PAYDAY 2, PAYDAY 3 and development of the other IPs.

Sales and marketing costs amounted to SEK 13.2 million (7.2) and refer to marketing activities and personnel costs. The increase is mainly attributable to more completed market activities during the period attributable to PAYDAY 3 and increased personnel costs.

Administration costs amounted to SEK 39.2 million (33.3) and refer, among other things, to office costs and salaries to personnel who do not work in game production or marketing, as well as other external costs. The higher costs are mainly attributable to higher personnel-related costs where the main part consists of reserved salary costs related to the company's long-term incentive program regarding PAYDAY 3 the main part is related to as well as external costs.

The administration costs include depreciation of SEK 7.7 million (7.8). Capitalized development expenses reduced administration costs by SEK 18.2 million (14.4) and refer to the games PAYDAY 2, PAYDAY 3 and other IPs.

Other income amounted to SEK 1.2 million (7.8). The item consists of invoiced costs related to Payday 3, SEK 5.8 million, exchange rate effects regarding the revaluation of assets and liabilities in foreign currency - SEK 6.5 million, and rental income of SEK 1.8 million.

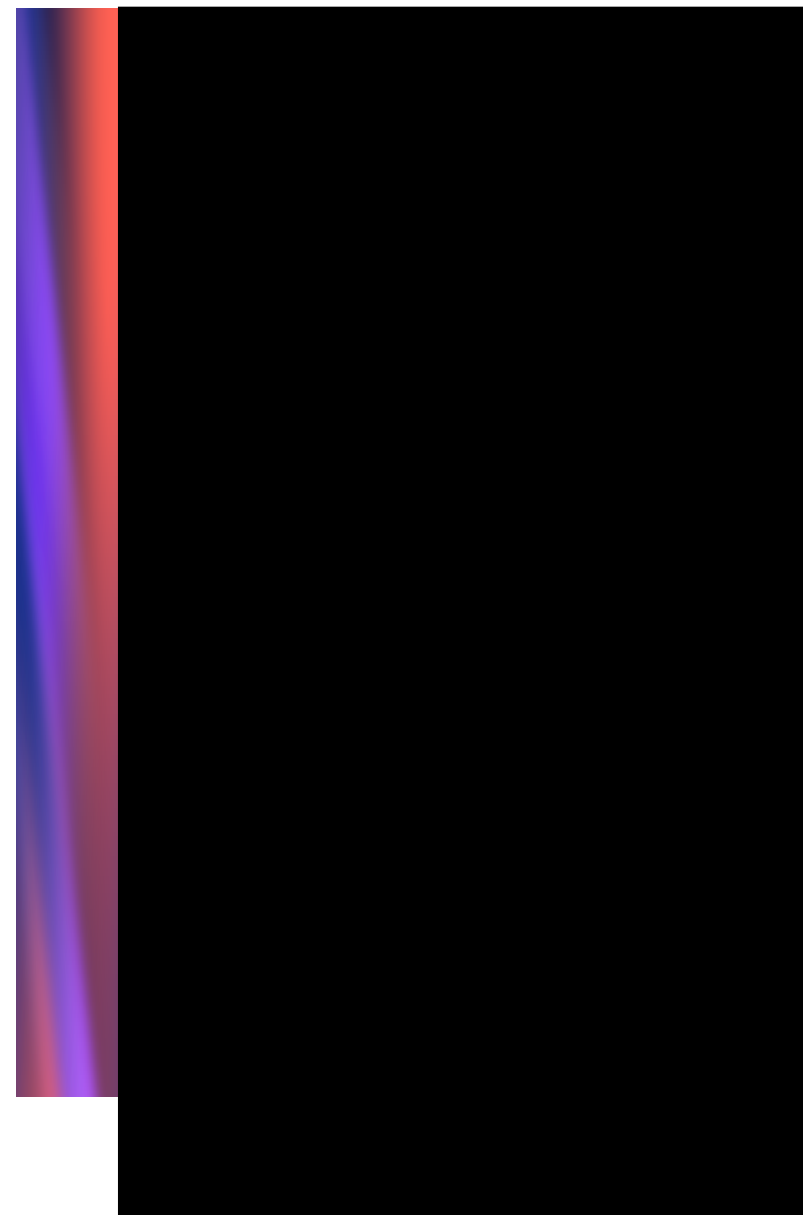
Earnings

Earnings before depreciation and write-downs, EBITDA, amounted to SEK 18.1 million (22.7). The reduction is primarily related to higher personnel-related costs and negative currency effects, which is partially compensated for by higher sales during the period.

Profit share from the joint venture company StarVR Corporation amounted to SEK 0.0 million (0.1).

Net financial income/expenses

The financial net amounted to SEK 13.4 million (-28.1). The income is mainly attributable to the renegotiation of the



company's convertible loan and corresponding debt of SEK 28.3 million. The net effect, taking into account the period's cost of the loans, amounted to SEK 13.0 million (-27.8). During July, the convertible was converted and the debt amortized.

During the period, the game financing that will be obtained regarding the development of PAYDAY 3 has been currency hedged through the purchase of currency derivatives. The future derivatives are market valued monthly and in the period this valuation has had a positive impact on the result through an unrealized change in value of SEK 1.2 million.

During the period, the financial net was burdened by interest expense on leasing debt of SEK -0.2 million (-0.4), which is an effect of the accounting standard IFRS 16.

Profit/loss before tax and profit/loss for the period

Profit before tax amounted to SEK -0.6 million for the quarter (-34.6).

Profit for the period amounted to SEK -0.2 million (-35.3).

Earnings per share, before and after dilution, amounted to SEK -0.0 (-0.05).



Other financial information

03

Other financial information

For financial information, the comparison period refers to the corresponding period of the previous year.

Second quarter 2023

Cash flow

Cash flow from current operations before changes in working capital amounted to SEK 17.6 million (15.0), where a negative operating profit amounted to SEK -3.0 million (3.4) and adjustment for items not included in the cash flow amounted to SEK 20.5 million (12.4). Adjustment for items not included in the cash flow consists of depreciation on assets of SEK 17.0 million (14.8) and exchange rate effects of SEK 4.8 million (-2.3).

Cash flow from current operations after changes in working capital amounted to SEK 20.1 million (15.4).

Cash flow from investment activities amounted to SEK -48.2 million (-34.8), of which investments in own game development amounted to SEK -46.3 million (-35.3).

Cash flow from financing activities amounted to 448.9 (-7.0), which is a result of the rights issue that was carried out during the second quarter, which resulted in

a positive effect on cash flow of SEK 416.8 million. During the period, the company received gaming financing from Plaion of SEK 36.3 million (0.0). During the quarter, the company has issued invoices for a total of SEK 11.5 million regarding the financing of game development. The invoices were not settled at the close of the period and the cash flow has accordingly been adjusted by the equivalent of SEK 11.5 million. Payment was received after the close of the period and thus has a positive effect on the cash flow during the third quarter. IFRS 16 Leasing amounted to SEK -3.8 million (-6.9).

The period's total cash flow was SEK 420.8 million (-26.4). Cash and cash equivalents at the end of the quarter amounted to SEK 498.8 million (86.3).

Investments

During the period, the group's investments in tangible fixed assets amounted to SEK -0.7 million (-0.3). Investments in own game and technology development amounted to SEK -46.3 million (-35.3).

Cash and cash equivalents at June 30th 2023

SEK 498,8m

Period January-June 2023

Cash flow

Cash flow from current operations before changes in working capital amounted to SEK 24.4 million (18.9), where a negative operating profit amounted to SEK -14.5 million (-6.6) and adjustment for items not included in the cash flow amounted to SEK 39, 2 million (26.5). Adjustment for items not included in the cash flow consists of depreciation on assets of SEK 32.7 million (29.2) and exchange rate effects of SEK 7.4 million (-2.9).

Cash flow from current operations after changes in working capital amounted to SEK 40.8 million (24.1).

Cash flow from investment activities amounted to SEK -95.0 million (-66.0), of which investments in own game development amounted to SEK -91.7 million (-67.4).

Cash flow from financing activities amounted to SEK 444.8 million (-0.6) and is a result of the rights issue that was carried out during the second quarter of 2023, which had a positive effect on cash flow of SEK 416.8 million. During the period, the company received gaming financing from Plaion of SEK 36.3 million (11.8). IFRS 16 Leasing amounted to SEK -7.6 million (-11.2).

The period's total cash flow was SEK 390.5 million (-42.4). Cash and cash equivalents at the end of the quarter amounted to SEK 498.8 million (86.3).

Investments

During the period, the group's investments in tangible fixed assets amounted to SEK -1.0 million (-0.8). Investments in own game and technology development amounted to SEK -91.7 million (-67.4).

Financial position

Non-current assets

Goodwill at the end of the period amounted to SEK 50.1 million (47.4). The increase in goodwill is attributable to revaluation of assets in foreign currency.

Intangible assets, which mainly consist of IP rights, amounted to SEK 161.7 million (185.9).

Capitalized expenditure for own game and technology development amounted to SEK 407.4 million (261.8).

Investments in publishing projects amounted to SEK 6.3 million (4.0).

Depreciation and write-downs regarding intangible assets amounted to SEK 25.1 million (21.3) during the period.

Current assets

Trade receivables and other receivables amounted to SEK 33.2 million (40.5), of which trade receivables relating to gaming financing amounted to SEK 11.5 million.

Prepaid costs and accrued income amounted to SEK 45.0 million (38.9) at the end of the period, of which SEK 19.2 million (17.2) refers to receivables for digital sales via mainly Steam, PlayStation Store, Xbox Live and Switch.

Equity

On the balance sheet date, the group's equity amounted to SEK 469.7 million (83.5). The increase in equity is a result of the rights issue that was made in the second quarter of 2023.

Non-current liabilities

Non-current liabilities amounted to SEK 2.6 million (501.8). Convertible loans and related debt are classified as short-term debt as amortization and

conversion are carried out in July 2023. Corresponding debt in Q2 2022 was 347.3. Long-term part of lease liability amounted to SEK 0.3 million (12.5) and deferred tax liability amounted to SEK 1.3 million (0.0).

Current liabilities

Current liabilities totaled SEK 755.0 million (121.4). Current liabilities relating to convertible loans and related debt amounted to SEK 362.6 million. Conversion of convertible loans and final amortization of debt was carried out in July 2023. Accounts payable and other liabilities at the end of the period amounted to SEK 315.1 million (67.8), of which debt relating to game financing received amounted to SEK 237.6 million. In Q2 2022, debt relating to received game financing was classified as non-current debt and amounted to SEK 129.8 million. Current liabilities regarding game financing will increase as financing is obtained and the debt will be credited in connection with future revenue sharing of the sales revenue from PAYDAY 3. As the crediting takes place through revenue sharing, this means that the crediting does not affect cash flow. Current liabilities for leasing contracts amounted to SEK 13.9 million (15.8). Accrued costs and prepaid income amounted to SEK 62.5 million (37.8) at the end of the period.

Share capital

At the end of the period, the share capital amounted to SEK 26,569,006 (14,492,185) distributed over 1,328,450,316 shares (724,609,266), of which 301,210,042 A shares (166,321,768) and 1,027,240,274 B shares (557,731,701).

Risks and uncertainties

In order to prepare interim reports and annual reports in accordance with good accounting practice, company management must make assessments and assumptions that affect the assets, liabilities and income reported in the financial statements. Actual results may differ from these estimates.

No. of employees

	2023	2022
	Q2	Q2
Employees	179	152
Men	150	126
Women	29	26

No. of employees

179

The biggest risks and uncertainty factors are low revenue when launching games and project delays. These and other risks such as copyright infringement, loss of key personnel and exchange rate changes are described in Starbreeze' annual report 2022 in the management report on pages 59-60 and in note 3. Furthermore, the value of certain assets and liabilities is based on an expected outcome, which means that these items must be revalued on an ongoing basis and thus may affect future results.

The short-term profit impact from exchange rate changes can be positive or negative, depending on the current currency exposure from accounts receivable, bank funds and other assets and liabilities in foreign currency. In the long term, however, a falling US dollar rate leads to a negative impact on the profit margin. As the group has foreign subsidiaries, there is also a translation exposure.

Parent company

During the quarter, the group's operations have been conducted in the parent company Starbreeze AB (publ), the subsidiaries Starbreeze Production AB, Starbreeze Studio AB, Starbreeze Publishing AB, New Starbreeze Publishing PD IP 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, Enterspace AB, Starbreeze IP AB and Starbreeze Studios UK Ltd. During the period, Enterspace International AB and Starbreeze Ventures AB were liquidated.

The parent company's net sales during the quarter amounted to SEK 9.6 million (7.6) and for the period to SEK 17.0 million (15.1). Turnover primarily refers to the allocation of management fees.

Profit before and after tax was SEK 32.4 million (-8.4) for the quarter and SEK 17.3 million (-23.3) for the period.

At the end of the period, cash and cash equivalents amounted to SEK 428.5 million (8.6) and the parent company's equity was SEK 1,139.2 million (734.7).

Non-current liabilities regarding convertible and related debt, a total of SEK 362.6 million (347.3), were reclassified during the period to current liabilities.

Related-party transactions

In addition to salaries and allowances and intra-group transactions, there have been no related party transactions during the period.

Auditor's review

This interim report has not been subject to review by the company's auditor.

The Board of Directors and CEO declare that this interim report gives a true and fair view of the Group's and Parent Company's activities, financial position and

earnings from operations, and describes the material risks and uncertainties facing the Group and the Parent Company.

Stockholm, August 17th, 2023

Torgny Hellström
Chairman of the Board

Anna Lagerborg
Board member

Thomas Lindgren
Board member

Christine Rankin
Board member

Tobias Sjögren
CEO



Financial reports

04

Consolidated statement of comprehensive income

SEKk	NOTE	2023 Q2	2022 Q2	2023 JAN-JUN	2022 JAN-JUN	2022 JAN-DEC
Net sales	3	43,238	31,764	69,899	55,296	127,602
Direct costs	4	-17,482	-15,142	-33,273	-29,107	-60,527
Gross profit (-loss)		25,756	16,622	36,626	26,189	67,075
Selling and marketing costs	4	-7,537	-3,894	-13,162	-7,213	-15,795
Administrative expenses	4	-20,775	-15,667	-39,247	-33,301	-64,074
Other revenue		-395	6,292	1,235	7,772	19,540
Operating profit (-loss)		-2,951	3,353	-14,548	-6,553	6,746
Financial income		14	6	22	21	39
Financial expenses		27,003	-14,290	13,892	-28,202	-61,356
Share in profit or loss of holdings accounted for using the equity method		58	93	33	123	168
Profit (-loss) before tax		24,124	-10,838	-601	-34,611	-54,403
Income tax		616	-399	407	-651	-5,405
Net profit (-loss) for the period		24,740	-11,237	-194	-35,262	-59,808
Other comprehensive income that may subsequently be reclassified to profit and loss						
Exchange differences		-3,231	-3,179	-3,654	-4,017	-6,223
Total comprehensive income for the period		21,509	-14,416	-3,848	-39,279	-66,031
Total comprehensive income for the period attributable to: Owners of the parent		21,509	-14,416	-3,848	-39,279	-66,031
Earnings per share attributable to owners of the parent during the period (SEK):						
- Basic		0.03	-0.02	-0.00	-0.05	-0.08
- Diluted		0.03	-0.02	-0.00	-0.05	-0.08

Consolidated statement of financial position, Group

SEKk	NOTE	2023-06-30	2022-06-30	2022-12-31
ASSETS				
<i>Intangible assets</i>				
Goodwill		50,090	47,418	48,339
Other intangible assets		161,721	185,917	174,310
Capitalized development cost for own games and technology development		407,363	261,819	328,190
Investments in publishing projects		6,282	3,974	3,974
<i>Financial assets</i>				
Financial assets		7,471	7,174	7,291
Investments in joint ventures	5	1,335	1,257	1,302
Deferred tax assets		-	4,388	-
<i>Property, plant and equipment</i>				
IT equipment and other equipment		2,734	2,285	2,157
Right-of-Use asset-Buildings		13,264	26,894	20,363
Total non-current assets		650,260	541,126	585,926
<i>Current assets</i>				
Trades and other receivables		33,218	40,527	11,622
Prepaid expenses and accrued income		45,020	38,854	40,640
Cash and cash equivalents		498,821	86,288	108,217
Total current assets		577,059	165,669	160,479
TOTAL ASSETS		1,227,319	706,795	746,405

Consolidated statement of financial position, Group (cont.)

SEKK	NOTE	2023-06-30	2022-06-30	2022-12-31
EQUITY AND LIABILITIES				
<i>Equity attributable to owners of the parent</i>				
Share capital		26,569	14,492	14,492
Other contributed capital		2,383,793	1,979,111	1,979,111
Reserves		9,556	15,416	13,210
Retained earnings including net profit or loss for the period		-1,950,221	-1,925,481	-1,950,027
Total equity		469,697	83,538	56,786
<i>Non-current liabilities</i>				
Deferred tax liability		1,338	-	1,383
Non-current lease liability		314	12,549	5,432
Other non-current liabilities		987	489,287	379,647
Total non-current liabilities		2,639	501,836	386,462
<i>Current liabilities</i>				
Current liabilities, convertible loan and related debt		362,570	-	-
Trade and other payables		315,065	67,794	245,708
Derivatives		929	-	2,102
Current lease liability		13,886	15,832	16,187
Accrued expenses and deferred income		62,533	37,795	39,160
Total current liabilities		754,983	121,421	303,157
TOTAL EQUITY AND LIABILITIES		1,227,319	706,795	746,405

Consolidated statement of changes in equity

SEKk	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2023	14,492	1,979,111	13,210	-1,950,027	56,786
Net profit (-loss) for the period	-	-	-	-194	-194
<i>Other comprehensive income for the period</i>					
Translation differences	-	-	-3,654	-	-3,654
Total comprehensive income	-	-	-3,654	-194	-3,848
New issue	12,077	440,804	-	-	452,881
Issue cost recognized in equity	-	-36,122	-	-	-36,122
Total contribution from and value transfers to shareholders, recognized directly in equity	12,077	404,682	-	-	416,759
Balance at 30 June 2023	26,569	2,383,793	9,556	-1,950,221	469,697
Balance at 1 January 2022	14,492	1,979,111	19,433	-1,890,219	122,817
Net profit (-loss) for the period	-	-	-	-59,808	-59,808
<i>Other comprehensive income for the period</i>					
Translation differences	-	-	-6,223	-	-6,223
Total comprehensive income	-	-	-6,223	-59,808	-66,031
Balance at 31 December 2022	14,492	1,979,111	13,210	-1,950,027	56,786
				2023	2022
CHANGE IN NUMBER OF OUTSTANDING SHARES				JAN-JUN	JAN-DEC
Number of shares at the beginning of the period				724,609,266	724,609,266
New issue				603,841,050	-
Total shares outstanding at the end of the period				1,328,450,316	724,609,266

Consolidated statement of cash flows, Group

SEKk	NOTE	2023 Q2	2022 Q2	2023 JAN-JUN	2022 JAN-JUN	2022 JAN-DEC
<i>Operating activities</i>						
Cash flow from operations		-2,951	3,353	-14,548	-6,553	6,746
Adjustment for non-cash items		20,491	12,426	39,198	26,517	59,945
Interest received		14	-	22	-	-
Income taxes paid		56	-785	-232	-1,032	-1,268
Cash flow from (-used in) operating activities before changes in working capital		17,610	14,994	24,440	18,932	65,423
<i>Cash flow from changes in working capital</i>						
Increase (+)/decrease (-) in operating receivables		-16,141	-7,468	-13,696	-9,427	-15,925
Increase (+)/decrease (-) in operating liabilities		18,623	7,915	30,038	14,630	8,327
Cash flow from (-used in) operating activities after changes in working capital		20,092	15,441	40,782	24,135	57,825
<i>Investing activities</i>						
Purchase of property, plant and equipment		-723	-282	-1,030	-847	-1,271
Purchase of intangible assets		-	-	-	-	-1,771
Change in other financial assets		-	740	-	2,217	2,224
Investments in own games and technology		-46,311	-35,285	-91,669	-67,389	-143,118
Investments in publishing projects		-1,186	-	-2,308	-	-
Cash flow from (-used in) investing activities		-48,220	-34,827	-95,007	-66,019	-143,936
<i>Financing activities</i>						
New issue		416,759	-	416,759	-	-
Repayment of loans		-348	-114	-688	-229	-673
Financing game development		36,334	-	36,334	11,761	86,119
Overdraft facility		-	-	-	-860	-860
Effect of financial lease		-3,823	-6,927	-7,644	-11,232	-19,064
Cash flow from financing activities		448,922	-7,041	444,761	-560	65,522
Cash flow for (-used in) the period		420,794	-26,427	390,536	-42,444	-20,589
Cash and cash equivalents at the beginning of the period		77,966	112,610	108,217	128,572	128,572
Exchange difference in cash and cash equivalents		61	105	68	160	234
Cash and cash equivalents at the end of the period		498,821	86,288	498,821	86,288	108,217

Performance measures, Group

	2023 Q2	2022 Q2	2023 JAN-JUN	2022 JAN-JUN	2022 JAN-DEC
Net sales, SEKk	43,238	31,764	69,899	55,296	127,602
EBITDA, SEKk	14,094	18,106	18,145	22,659	66,380
EBIT, SEKk	-2,951	3,353	-14,548	-6,553	6,746
Profit (-loss) before tax, SEKk	24,124	-10,838	-601	-34,611	-54,403
Profit (-loss) after tax, SEKk	24,740	-11,237	-194	-35,262	-59,808
EBITDA margin, %	32.6	57.0	26.0	41.0	52.0
EBIT margin, %	-6.8	10.6	-20.8	-11.9	5.3
Profit margin, %	55.8	-34.1	-0.9	-62.6	-42.6
Equity to assets ratio, %	38.3	11.8	38.3	11.8	7.6
Closing price of A share for the period, SEK *	0.82	0.90	0.82	0.90	1.56
Closing price of B share for the period, SEK *	0.88	0.67	0.88	0.67	1.28
Basic earnings per share, SEK	0.03	-0.02	-0.00	-0.05	-0.08
Diluted earnings per share, SEK	0.03	-0.02	-0.00	-0.05	-0.08
Number of shares at end of period before dilution	1,328,450,316	724,609,266	1,328,450,316	724,609,266	724,609,266
Number of shares at end of period after dilution	1,328,450,316	724,609,266	1,328,450,316	724,609,266	724,609,266
Average number of shares before dilution	731,244,882	724,609,266	727,945,404	724,609,266	724,609,266
Average number of shares after dilution	731,244,882	724,609,266	727,945,404	724,609,266	724,609,266
Average number of employees	179	150	176	148	154
Number of employees at the end of the period	182	152	182	152	165

Performance measures, Group

EBITDA

Earnings before interest, tax, depreciation, and amortization.

Adjusted EBITDA

Earnings before interest, tax, depreciation, and amortization adjusted for non-recurring items related to the licensing agreement for PAYDAY Crime War.

EBIT

Earnings before interest and taxes.

EBITDA-margin

Operating income before depreciation and amortization as a percentage of net sales.

Operating margin

Earnings after depreciation and amortization as a percentage of net sales.

Profit margin

Profit after financial items as a percentage of total net sales.

Equity/assets ratio

Equity as a percentage of capital employed.

Earnings per share

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

Equity

Reported equity including 78 percent of untaxed reserves.

Reconciliation of alternative performance measures

	2023 Q2	2022 Q2	2023 JAN-JUN	2022 JAN-JUN	2022 JAN-DEC
<i>EBITDA</i>					
Operating profit (-loss), SEKk	-2,951	3,353	-14,548	-6,553	6,746
Amortization of intangible assets, SEKk	13,247	10,975	25,134	21,308	44,080
Depreciation of property, plant and equipment, SEKk	3,798	3,778	7,559	7,904	15,554
EBITDA	14,094	18,106	18,145	22,659	66,380
<i>EBITDA margin, %</i>					
EBITDA, SEKk	14,094	18,106	18,145	22,659	66,380
Net sales, SEKk	43,238	31,764	69,899	55,296	127,602
EBITDA margin, %	32.6	57.0	26.0	41.0	52.0
<i>EBIT margin, %</i>					
Operating profit (-loss), SEKk	-2,951	3,353	-14,548	-6,553	6,746
Net sales, SEKk	43,238	31,764	69,899	55,296	127,602
EBIT margin, %	-6.8	10.6	-20.8	-11.9	5.3
<i>Profit margin, %</i>					
Profit (-loss) before tax, SEKk	24,124	-10,838	-601	-34,611	-54,403
Net sales, SEKk	43,238	31,764	69,899	55,296	127,602
Profit margin, %	55.8	-34.1	-0.9	-62.6	-42.6
<i>Equity to assets ratio, %</i>					
Total equity	469,697	83,538	469,697	83,538	56,786
Total equity and liabilities, SEKk	1,227,319	706,795	1,227,319	706,795	746,405
Equity to assets ratio, %	38.3	11.8	38.3	11.8	7.6

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

Parent Company income statement

SEKk	2023 Q2	2022 Q2	2023 JAN-JUN	2022 JAN-JUN	2022 JAN-DEC
Net sales	9,597	7,574	16,978	15,110	28,773
Other operating revenue	9,812	9,012	10,857	11,422	17,181
Total sales	19,409	16,586	27,835	26,532	45,954
Other external expenses	-5,981	-3,656	-10,319	-6,322	-12,910
Employee benefit expense	-9,983	-9,115	-18,617	-19,072	-35,265
Depreciation of property, plant and equipment	-9	-40	-17	-80	-112
Operating profit (-loss)	3,436	3,775	-1,118	1,058	-2,333
Other financial income	2,880	1,931	5,448	3,396	7,917
Financial expenses	26,113	-14,085	12,965	-27,779	-58,502
Profit (-loss) after net financial income/expense	32,429	-8,379	17,295	-23,325	-52,918
Appropriations	-	-	-	-	-
Profit (-loss) before tax	32,429	-8,379	17,295	-23,325	-52,918
Income tax	-	-	-	-	-
Net profit (-loss) for the period	32,429	-8,379	17,295	-23,325	-52,918

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

Parent company balance sheet

SEKk	2023-06-30	2022-06-30	2022-12-31
ASSETS			
<i>Non-current assets</i>			
<i>Property, plant and equipment</i>			
Computers and other equipment	16	65	33
<i>Financial assets</i>			
Investments in group companies	331,873	325,923	331,373
Investments in associates	4,656	4,656	4,656
Other financial assets	2,347	2,126	2,215
Total non-current assets	338,892	332,770	338,277
<i>Current assets</i>			
Trade and other receivables	1,211	1,211	1,094
Receivables from group companies	1,345,392	1,360,524	1,366,562
Prepaid expenses and accrued income	718	591	516
Cash and cash equivalents	428,514	8,577	2,782
Total current assets	1,775,835	1,370,903	1,370,954
TOTAL ASSETS	2,114,727	1,703,673	1,709,231

Parent company balance sheet (cont.)

SEKk	2023-06-30	2022-06-30	2022-12-31
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	26,569	14,492	14,492
Share premium reserve	2,316,810	1,889,898	1,912,128
Retained earnings	-1,221,521	-1,146,373	-1,168,603
Net profit (-loss) for the period	17,295	-23,325	-52,918
Total equity	1,139,152	734,692	705,099
<i>Non-current liabilities</i>			
Other non-current liabilities	-	347,294	378,016
Total non-current liabilities	-	347,294	378,016
<i>Current liabilities</i>			
Trade payables	11,569	1,579	756
Liabilities to group companies	574,766	603,915	605,239
Other liabilities	363,522	2,639	2,508
Accrued expenses and deferred income	25,718	13,554	17,613
Total current liabilities	975,575	621,687	626,116
TOTAL EQUITY AND LIABILITIES	2,114,727	1,703,673	1,709,231

Notes

Not 1 Accounting and valuation principles

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting principles and calculation methods are consistent with the principles applied in 2022.

For the parent company, the report has been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for legal entities and according to the same accounting principles and calculation methods as the annual report for 2022 (Note 2, pp. 70-74).

No new or revised IFRS rules have entered into force that are expected to have any significant impact on the group. For all financial assets and liabilities, reported value is a good approximation of fair value.

Not 2 Pledged assets

In March 2021, Starbreeze entered into a co-publishing agreement with Plaion (formerly Koch Media) regarding PAYDAY 3. The agreement covers both product development and marketing of PAYDAY 3 as well as continued development and marketing of the game according to the Starbreeze GaaS model. All development of the game is done by Starbreeze, which owns the brand and all other rights associated with the brand, and Plaion will distribute and actively assist in promoting the game and managing local communities. In order to secure investments made by Plaion under the agreement, all shares in Starbreeze's wholly owned subsidiary, New Starbreeze Publishing PD IP AB, have been pledged in favor of Plaion.

SEKk	2023-06-30	2022-06-30	2022-12-31
Pledged assets	239,978	240,563	239,978

Not 3 Net sales per category

SEKk Q2 2022	Starbreeze Games	Other	Total
PC	39,594	143	39,737
Consoles, Digital	3,069	90	3,159
Consoles, Retail	34	-	34
Licensing	-	289	289
Other	19	-	19
Total net sales	42,716	522	43,238

SEKk Q2 2021	Starbreeze Games	Other	Total
PC	24,557	126	24,683
Consoles, Digital	5,445	17	5,462
Consoles, Retail	34	-	34
Licensing	-	1,585	1,585
Other	-	-	-
Total net sales	30,036	1,728	31,764

SEKk JAN-JUN 2022	Starbreeze Games	Other	Total
PC	63,336	462	63,798
Consoles, Digital	5,659	109	5,768
Consoles, Retail	63	-	63
Licensing	-	179	179
Other	91	-	91
Total net sales	69,149	750	69,899

SEKk JAN-JUN 2021	Starbreeze Games	Other	Total
PC	43,465	263	43,728
Consoles, Digital	9,789	30	9,819
Consoles, Retail	75	-	75
Licensing	-	1,637	1,637
Other	37	-	37
Total net sales	53,366	1,930	55,296

Not 4 Group depreciation and amortization by function

SEKk	2023 Q2	2022 Q2	2023 JAN-JUN	2022 JAN-JUN	2022 JAN-DEC
Depreciation and impairment of property, plant and equipment					
Direct costs	-24	-46	-49	-240	-397
Selling and marketing costs	-6	-6	-12	-12	-24
Administrative expenses	-3,768	-3,726	-7,498	-7,652	-15,133
Total depreciation and impairment of property, plant and equipment	-3,798	-3,778	-7,559	-7,904	-15,554
Amortization and impairment of intangible assets					
Direct costs	-13,169	-10,903	-24,980	-21,165	-43,788
Administrative expenses	-78	-72	-154	-143	-292
Total amortization and impairment of intangible assets	-13,247	-10,975	-25,134	-21,308	-44,080
Total depreciation and amortization and impairment	-17,045	-14,753	-32,693	-29,212	-59,634

Not 5 Joint venture StarVR Corporation

The company's joint venture with Acer, StarVR Corporation, is a sales and marketing company for StarVR's StarVR One headset. The company provides marketing and sales to the corporate market, as well as support and after-sales services. Starbreeze owns the intellectual property rights, such as patents, source codes and trademarks related to StarVR, while Acer is responsible for manufacturing the product. Development and the reference design work for the StarVR headset is performed by Starbreeze and Acer jointly. StarVR Corporation is responsible for all costs associated with the marketing and sale of the StarVR headset. Up until September 2018, Starbreeze incurred R&D-related costs, but these have since been transferred to StarVR Corporation. Manufacturing costs are borne by Acer, the exclusive supplier to StarVR Corporation.

The following reconciliation reflects adjustments made by the Group in applying the equity method, including fair value adjustments at the time of acquisition, and adjustments for differences in accounting policies.

SEKk	2023-06-30
<i>Reconciliation of net carrying amount:</i>	
Balance of net assets at 1 January	3,945
Net profit (-loss) for the period	60
Exchange differences	40
Closing balance net assets	4,045
<i>Group's share</i>	
Group's share	33%
Group's share in SEKk	1,335
Net carrying amount	1,335

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

SEKk	2023-06-30
<i>Balance sheet in summary:</i>	
Current assets	12,320
Current liabilities	-8,275
Net assets	4,045
<i>Statement of comprehensive income in summary:</i>	
Sales	30
Net profit (-loss) for the period	60
Total comprehensive income for the period	60

Other
information

05

About Starbreeze

Starbreeze is an independent developer, publisher, and distributor of PC and consoles targeting the global market, with studios in Stockholm, Barcelona, Paris and London. Housing the smash hit IP PAYDAY™, 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

Read more on www.starbreeze.com and corporate.starbreeze.com

This information is information that Starbreeze AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, via the contact persons set out above, at 7:30 am CEST on August 17, 2023.

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Financial calendar

Interim report Q3 2023 November 16, 2023

Year-end report 2022 February 15, 2024

Presentation

The company will hold a webcast at 11am, August 17th. To join the presentation – [click here](#).

STARBREEZE

ENTERTAINMENT

