

# Q2

2020

## Second quarter 2020

- Net sales were SEK 31.3 million (160.0). PAYDAY accounted for SEK 28.1 million (14.4).
- EBITDA\* amounted to SEK 15.5 million (-25.8).
- Amortization and depreciation totalled SEK 10.5 million (22.0).
- Costs related to the reconstruction were SEK 3.8 million (12.6).
- Loss before tax of SEK -8.6 million (-60.1). Basic and diluted earnings per share were SEK -0.02 (-0.20).
- The summer sale run by digital distribution platform Steam had positive impact on sales during the quarter.

## First half 2020

- Net sales were SEK 53.3 million (207.8). PAYDAY accounted for SEK 49.7 million (41.1).
- EBITDA\* amounted to SEK 26.0 million (-132.4).
- Amortization and depreciation totalled SEK 20.9 million (71.9).
- Costs related to the reconstruction were SEK 7.4 million (23.6).
- Loss before tax of SEK -105.9 million (-227.3).
- Basic and diluted earnings per share were SEK -0.31 (-0.71).
- Cash and cash equivalents totalled SEK 90.9 million (137.8).
- The board of directors decided to execute a rights issue of approximately SEK 250 million, due to the delay in closing a publishing agreement for PAYDAY 3 caused by the Covid-19 pandemic.
- The annual general meeting of shareholders in Starbreeze was held 13 May and elected directors as proposed by the nomination committee.

| KEY FIGURES               | 2020   | 2019    | 2020     | 2019     | 2019      |
|---------------------------|--------|---------|----------|----------|-----------|
| SEKk                      | Q2     | Q2      | JAN-JUN  | JAN-JUN  | JAN - DEC |
| Net sales                 | 31 281 | 159 982 | 53 318   | 207 774  | 280 002   |
| EBITDA*                   | 15 507 | -25 758 | 25 982   | -132 432 | -116 457  |
| Profit (-loss) before tax | -8 586 | -60 051 | -105 923 | -227 335 | -452 424  |
| Earnings per share, SEK   | -0,02  | -0,20   | -0,31    | -0,71    | -1,22     |
| Cash flow from operations | 10 507 | 94 642  | 14 325   | 66 727   | 49 508    |
| Net sales per employee    | 242    | 396     | 423      | 499      | 1 239     |

\* See page 17 for definitions of key figures.



## About Starbreeze

Starbreeze is an independent developer, creator, publisher and distributor of games for PC and console with a global market focus and studios in Stockholm, Barcelona and Paris. Centered around the successful PAYDAY brand, Starbreeze develops games based on its own and others' brands, both internally and in collaboration with external game developers.

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

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

## The CEO remarks on the report

# EFFICIENCY MEASURES ARE PAYING OFF

We maintained our focus during the quarter on enhancing the organization and improving efficiency while continuing to work with all things PAYDAY.

We released two updates to PAYDAY 2 in June, which were enthusiastically received by our players and sales of the game remain good.

As a result of the persistently strong demand for PAYDAY 2 and the ongoing efficiency improvements, underlying earnings are showing a positive trend adjusted for costs related to the reconstruction.

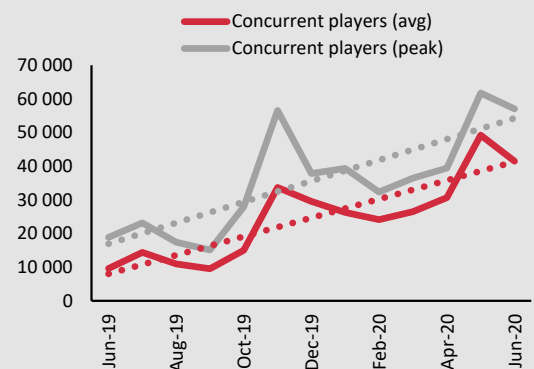
Dialogue with several leading publishers regarding a publishing agreement for PAYDAY 3 are ongoing and negotiations have come a long way. However, the date and the time required to finalize the negotiations on an attractive publishing deal have been affected by factors including travel restrictions and the general downturn in worldwide business activity during the Covid-19 pandemic.

The decision on a fully guaranteed rights issue of approximately SEK 250 million will give us time to close the publishing agreements and improve our capacity to continue developing PAYDAY 3 as planned.

As we move forward, focus will remain on our intense efforts to reach a publishing agreement for PAYDAY 3, which we hope will be achieved in 2020.

**Mikael Nermark**  
CEO Starbreeze

## PAYDAY 2



Source: steamcharts.com

At peak

# 61,765

**played PAYDAY 2 concurrently in Q2**

## SIGNIFICANT EVENTS DURING THE QUARTER

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

### **Steam summer sale**

Steam held its annual summer sale from 25 June to 9 July, an event that has huge impact on game sales on the platform. The effect on PAYDAY 2 was positive.

### **Annual General Meeting**

The annual general meeting of shareholders in Starbreeze AB was held 13 May 2020. As proposed by the nomination committee, the AGM elected Anna Lagerborg to the board for the first time and reelected Jan Benjaminson, Tobias Hellström, Tobias Sjögren and Kerstin Sundberg. Torgny Hellström was reelected chairman of the board.

### **Fully guaranteed rights issue**

The board of directors of Starbreeze AB decided on 30 June in favor of a new issue of Class A and Class B shares of approximately SEK 250 million with preemptive rights for existing shareholders. The issue proceeds will be used to strengthen the financial position and for operational purposes, enabling the company to fully focus on the continued development of PAYDAY 3 and meet its obligations to its creditors in accordance with the reconstruction plan and the public composition with creditors. The rights issue is supported by the largest shareholders in Starbreeze, who control about 40 percent of share capital and about 57 percent of voting rights in the company, through subscription and voting commitments and a declaration of intent. The remainder of the issue is fully guaranteed through agreements via the guarantee consortium. The board decisions on the rights issue and its terms and conditions were approved by an EGM held 13 August. The rights issue is expected to be executed in September.

### **PAYDAY 2: Silk Road - Family Matters**

Silk Road - Family Matters for PAYDAY 2 was released on 30 June, including a free update for all owners of the game and three DLCs, Breakfast in Tijuana Heist (\$6.99), Fugitive Weapon Pack (\$2.99) and Weapon Color Pack 2 (\$2.99).

### **Impact of Covid-19**

Starbreeze has continuously monitored the impact of the ongoing Covid-19 pandemic on the business. There have been no disruptions to ongoing revenue-generating operations as the majority of revenues are generated by a digital distribution model in which product availability and interaction among players is uninterrupted regardless of general public measures related to social distancing. All employees are currently working from home. The company has assessed the short-term effect on ongoing projects as minor, but the long-term effects on future business and the efficiency of the project organisations could result in delayed deliveries. The effect on the company's revenues has been positive.

# SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Q2  
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## **Extraordinary general meeting**

An EGM was held on 13 August, which resolved to execute a rights issue of approximately SEK 250 million and decided the terms and conditions of the issue.

No other significant events occurred after the end of the period.

# SALES AND PROFIT

# Q2

2020

The comparison period for sales and profit and loss is the corresponding period in the preceding year.

## Segment reporting

Game development, with PAYDAY front and center, is Starbreeze's core business. As of the 2020 financial year, the company has only one segment, which accounts for the absolute majority of all sales and profits. Consequently, no historical figures are reported according to the previous division into operating segments. Any revenues and costs unrelated to the core business are classified as other income and expenses.

## Second quarter 2020

### Sales

Net sales for the second quarter of 2020 were SEK 31.3 million (SEK 160.0), of which PAYDAY accounted for SEK 28.1 million (14.4). The corresponding period in 2019 included extraordinary items of SEK 137 million, mainly related to the sale of operations linked to Psychonauts and 10 Crowns.

### Costs

Direct costs amounted to SEK 6.3 million (150.3) and consist of costs related to game production and game development. The decrease is attributable mainly to capitalized development costs for sold publishing rights that were expensed in 2019, but also to a reduction in the number of employees and capitalization of a larger share of development work in 2020. Direct costs include depreciation and amortization of SEK 6.1 million (14.6).

Capitalized development costs reduced direct costs by SEK 19.7 million (18.0) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3.

Sales and marketing costs of SEK 2.3 million (3.4) were related primarily to employee benefits expenses.

Administrative expenses amounted to SEK 19.4 million (27.7) and refer to items including office costs and payroll for employees who do not work in game production or marketing, as well as costs related to the reconstruction process. The reduction is mainly due to lower costs related to the reconstruction process.

Administrative expenses include amortization of SEK 4.4 million (7.4). Capitalized development costs reduced administrative costs by SEK 5.4 million (12.8) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3.

Other income amounted to SEK 1.7 million (4.4). The item consists mainly of currency effects due to changes in the USD and EUR exchange rates against SEK.

### Operating results

EBITDA amounted to SEK 15.5 million (-25.8).

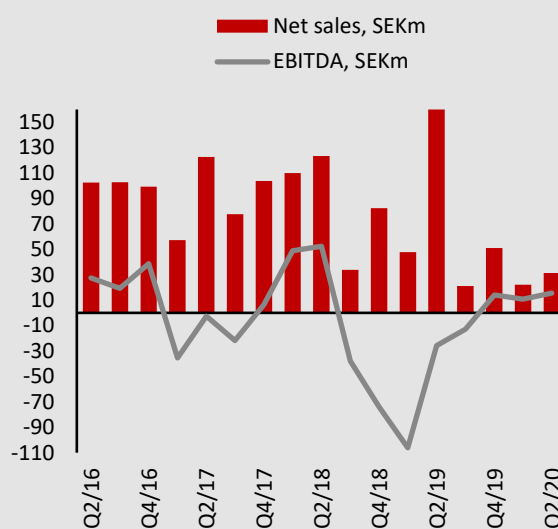
Remeasurement of earnouts amounted to SEK 0.0 million (-3.4). The share of profit and loss in the joint venture StarVR Corporation was SEK -1.1 million (2.0).

Net financial income was reduced during the quarter by interest on lease liabilities of SEK 0.4 million (0.5), an effect of the IFRS 16 reporting standard.

## Sales and profit

|                                   | 2020   | 2019    | 2020     | 2019     |
|-----------------------------------|--------|---------|----------|----------|
| SEKk                              | Q2     | Q2      | JAN-JUN  | JAN-JUN  |
| Net sales                         | 31 281 | 159 982 | 53 318   | 207 774  |
| EBITDA *                          | 15 507 | -25 758 | 25 982   | -132 432 |
| Profit (-loss) before tax         | -8 586 | -60 051 | -105 923 | -227 335 |
| Net profit (-loss) for the period | -8 771 | -64 376 | -105 633 | -232 472 |
| Earnings per share, SEK           | -0,02  | -0,20   | -0,31    | 0,71     |
| Net sales growth, %               | -80,4  | 29,5    | -74,3    | -12,4    |
| EBITDA margin, %                  | 49,6   | -16,1   | 48,7     | -63,7    |

\*See page 16 and 18 for the derivation of the key figure.



## Loss before tax and net loss for the period

The loss before tax for the quarter was SEK -8.6 million (-60.1). The net loss for the quarter was SEK -8.8 million (-64.4).

Basic and diluted earnings per share were SEK -0.02 (-0.20).

## First half 2020

### Sales

Net sales were SEK 53.3 million (207.8), of which PAYDAY accounted for SEK 49.7 million (41.1). The corresponding period in 2019 included extraordinary items of SEK 137 million, mainly related to the sale of operations linked to Psychonauts and 10 Crowns.

### Costs

Direct costs amounted to SEK 15.8 million (320.9) and consist of costs related to game production and game development. The decrease is attributable mainly to capitalized development costs for sold publishing rights that were expensed in 2019, but also to a reduction in the number of employees and capitalization of a larger share of development work in 2020. Direct costs include depreciation and amortization of SEK 12.4 million (56.4).

Capitalized development costs reduced direct costs by SEK 37.3 million (28.2) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3.

Sales and marketing costs of SEK 4.4 million (7.8) were related primarily to employee benefits expenses.

Administrative expenses amounted to SEK 38.9 million (65.5) and refer to items including office costs and payroll for employees who do not work in game production or marketing, as well as costs related to the reconstruction process. The reduction is mainly due to lower costs related to the reconstruction process.

Administrative expenses include amortization of SEK 8.5 million (23.1). Capitalized development costs reduced administrative costs by SEK 12.2 million (21.8) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3.

Other income amounted to SEK 10.9 million (12.7). The item consists mainly of currency effects due to changes in the USD and EUR exchange rates against SEK.

### Operating results

EBITDA amounted to SEK 26.0 million (-132.4).

Remeasurement of earnouts amounted to SEK 0.0 million (-5.5). The share of profit and loss in the joint venture StarVR Corporation was SEK -1.4 million (0.1). Net financial income was reduced during the quarter by interest on lease liabilities of SEK -0.8 million (-1.1), an effect of the IFRS 16 reporting standard.

### Net financial income or expense

Net financial expense amounted to SEK -117.4 million (-23.0). The increase is due to the costs of extending the convertible bond. The total cost charged against net financial income due to the extension of the convertible bond was SEK 97.8 million. This has not affected liquidity.

### Loss before tax and net loss for the period

The loss before tax for the period was SEK -105.9 million (-227.3). The net loss for the period was SEK -105.6 million (-232.5)

Basic and diluted earnings per share were SEK -0.31 (-0.71).

## Specification of net financial income/expense

|  | 2020           | 2019           | 2020            | 2019           | 2019          |
|--|----------------|----------------|-----------------|----------------|---------------|
| SEKk   | Q2             | Q2             | JAN-JUN         | JAN-JUN        | JAN - DEC     |
| Remeasurement of earnouts  | -              | -3 381         | -               | -5 519         | 84 099        |
| Interest on convertible bonds                                      | -5 747         | -4 396         | -10 281         | -8 881         | -18 016       |
| Remeasurement of derivatives attributable to convertible bonds     | -              | 31             | -               | 42             | 42            |
| Net profit (-loss) from StarVR Corp.                               | -1 088         | 2 004          | -1 366          | 90             | -1 462        |
| Renegotiation loss convertible bond                                | -              | -              | -90 934         | -              | -             |
| Implicit interest  | -1 559         | -              | -6 873          | -              | -4 138        |
| Credit cost including interest for fully amortized loan            | -1 737         | -              | -3 534          | -              | -5 000        |
| Interest on lease liability  | -389           | -546           | -803            | -1 140         | -1 987        |
| Interest on non-current liabilities according composition proposal | -340           | -              | -763            | -              | -1 767        |
| Other items  | 205            | 18             | 19              | -519           | 167           |
| <b>Total</b>   | <b>-13 483</b> | <b>-12 295</b> | <b>-117 363</b> | <b>-22 960</b> | <b>51 938</b> |

# OTHER FINANCIAL INFORMATION

# Q2

2020

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

## Second quarter 2020

### Cash flow

Cash flow from operating activities was SEK 10.5 million (94.6). Adjustments for non-cash items amounted to SEK 13.2 million (151.0).

Cash used in investing activities was SEK -24.6 million (34.8). The proceeds of sales of businesses in the amount of SEK 67.5 million were included in the corresponding period in the preceding year.

Cash used in financing activities was SEK -2.5 million (-6.0).

Total cash used in the quarter was SEK -16.5 million (123.5). The decrease is attributable mainly to the transfer of publishing rights during the corresponding period in 2019. Cash and cash equivalents at the end of the quarter amounted to SEK 90.9 million (137.8).

### Investments

Consolidated investments in property, plant and equipment during the quarter amounted to SEK 0 million (0.2). Investments in own game and technology development totaled SEK 24.3 million (29.5).

## First half 2020

### Cash flow

Cash flow from operating activities was SEK 14.3 million (66.7). Adjustments for non-cash items amounted to SEK 15.5 million (269.4). Cash used in investing activities was SEK -49.5 million (14.2). The proceeds of sales of businesses in the amount of SEK 41.7 million were included in the corresponding period in the preceding year. See also "Investments" below.

Cash flow from financing activities has increased to SEK 43.0 million (-12.7) mainly attributed to the executed rights issue.

Total cash flow for the period was SEK 7.9 million (68.2). The decrease is attributable mainly to the transfer of publishing rights during the corresponding period in 2019. Cash and cash equivalents at the end of the period amounted to SEK 90.9 million (137.8)

### Investments

Consolidated investments in property, plant and equipment during the period amounted to SEK 0 million (0.5). Investments in own game and technology development totaled SEK 48.7 million (49.0).

## Financial position

### Non-current assets

Goodwill at the end of the period amounted to SEK 43.7 million (43.4). Intangible assets, consisting primarily of IP rights, totaled SEK 233.3 million (346.2).

Capitalized costs for own game and technology development totaled SEK 128.8 million (212.4). The decrease is due mainly to the impairment of Crossfire during the fourth quarter of 2019.

## Cash and cash equivalents

on 30 June 2019

**SEK**  
**90.9**  
**million**



Investments in publishing projects amounted to SEK 0 million (8.5). The decrease is attributable to the sale of the publishing rights to System Shock 3, Psychonauts 2 and 10 Crowns in 2019.

Amortization and impairments of intangible assets amounted to SEK 9.4 million (21.7) during the period.

#### **Current assets**

Trade and other receivables amounted to SEK 22.4 million (12.9). Pre-paid expenses and accrued income at the end of the period were SEK 31.8 million (22.1), including SEK 14.9 million (6.2) related to receivables for digital sales, primarily via Steam, PlayStationStore, Xbox Live and Switch.

#### **Available-for-sale assets**

Available-for-sale assets amounted to SEK 0.0 million (4.0) at the reporting date.

#### **Equity**

Consolidated equity amounted to SEK 24.7 million (180.9) at the reporting date.

#### **Non-current liabilities**

Non-current liabilities amounted to SEK 332.6 million (231.0), including the convertible debt of SEK 209.1 million and debts to Nordea of SEK 15.9 million. The non-current component of lease liabilities was SEK 46.2 million (63.8). The deferred tax liability was SEK 8.5 million (63.7).

#### **Current liabilities**

Trade and other payables at the end of the period totaled SEK 214.5 million (434.0). Of that amount, SEK 95 refers to Nordea and SEK 48.4 million relates to frozen liabilities in accordance with the reconstruction plan. SEK 19.4 million (25.1) refers to current liabilities for lease contracts. Accrued expenses and deferred income at the end of the period amounted to SEK 43.1 million (54.3).

#### **Leases**

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

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

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

The interim report for the parent company has been prepared using the same accounting policies and calculation methods applied in the 2019 annual report (Note 1, pages 56-64) except that the parent company applies the exception permitted under RFR2 and reports all lease obligations as operating leases.

#### **Share capital**

Share capital at the end of the period amounted to SEK 7,246,000 thousand (6,587,000) distributed among 362,304,633 shares (329,367,849), of which 85,444,417 Class A shares (53,397,677) and 276,860,216 Class B shares (275,970,972).

## Risks and uncertainties

The preparation of interim reports and annual reports in accordance with generally accepted accounting practices requires management to make estimates, judgments and assumptions that affect the value of assets, liabilities and revenue reported in the financial statements. Actual outcomes may differ from these estimates and judgments.

The short-term effect on profit and loss from fluctuations in exchange rates can be positive or negative, depending on the current currency exposure from trade receivables, bank balances and other assets and liabilities in foreign currency. However, a falling dollar rate in the longer term always has a negative impact on profit margins. As the Starbreeze Group includes foreign subsidiaries, there is also translation exposure.

The largest risks and uncertainties are low revenues in connection with game releases and project delays. These and other risks such as copyright infringements, loss of key people and exchange rate fluctuations are described in Starbreeze's Annual Report 2019 in the Report of the Board of Directors on page 47, and in Note 3. Furthermore, the value of certain assets and liabilities is based on expected outcomes. Consequently, these items must be regularly remeasured and thus may affect future profit and loss.

Starbreeze exited reconstruction in December 2019 and in January 2020 the outstanding convertible bond was extended to December 2024. Without additional financing, liquidity injections from divestitures or distribution agreements for Payday 3, the company expects a liquidity shortfall in the fourth quarter of 2020. This entails risk that the company will not have sufficient secured funds to guarantee continued operations for the next 12 months.

In the opinion of the board of directors, Starbreeze will be able to close a publishing agreement for PAYDAY 3 and PAYDAY: Crime War. In response to the delay in closing the publishing agreements due to Covid-19 and to improve our capacity to continue the development of PAYDAY 3, the board of directors has decided to execute a rights issue of approximately SEK 250 million. The board's decision and the terms and conditions of the rights issue were approved by an EGM held 13 August.

## Parent company

The group's business was conducted during the year in the parent company Starbreeze AB (publ) and the following subsidiaries: Starbreeze Production AB, Starbreeze Studio AB, Starbreeze Publishing AB, Starbreeze VR AB, Starbreeze USA Inc, Starbreeze LA Inc, Starbreeze IP LUX, Starbreeze IP LUX II Sarl, Starbreeze Barcelona SL, Starbreeze Paris SAS, New Starbreeze Studios AB, New Starbreeze Publishing AB and Enter-space AB. The Belgian subsidiary Parallaxter was divested during the period.

The parent company had net sales during the quarter of SEK 7.2 million (15.0). Sales refer primarily to allocation of management fees.

The loss before and after tax was SEK -24.5 million (-11.0)

Cash and cash equivalents at the end of the quarter amounted to SEK 11.9 million (13.0) and parent company equity was SEK 590.4 million (591.2).

Non-current liabilities increased during the period to SEK 248.2 million (90.1). The increase is due primarily to the extension of the company's convertible bond, which is now classified as non-current.

## Related party transactions

There were no related party transactions during the period other than payment of salaries and other compensation and intragroup transactions.

|           | 2020 | 2019 |
|-----------|------|------|
|           | Q2   | Q2   |
| Employees | 125  | 221  |
| Men       | 108  | 195  |
| Women     | 17   | 26   |

# 125

## employees at Starbreeze

**Auditor's review**

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

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## Investor relations

Up-to-date information about Starbreeze is available on the company's website at [starbreeze.com](http://starbreeze.com). You may contact the company via email: [ir@starbreeze.com](mailto:ir@starbreeze.com), phone: or mail: Box 7731, 103 95 Stockholm, Sweden

## For further information

**Mikael Nermark, CEO**

+46 8-209 208  
[mikaelnermark@starbreeze.com](mailto:mikaelnermark@starbreeze.com)

**Mats Juhl, CFO**

+46 8-209 208  
[ir@starbreeze.com](mailto:ir@starbreeze.com)

The reports are published on the company's website, [starbreeze.com](http://starbreeze.com).

Stockholm, 18 August 2020

**Torgny Hellström**

*Chairman of the Board*

*Directors*

**Kerstin Sundberg**

**Anna Lagerborg**

**Tobias Sjögren**

**Jan Benjaminson**

## Financial calendar

Interim report Q3 2020 .....**10 November 2020**

Year-end report 2020.....**16 February 2021**

*Starbreeze AB is required to disclose this information under the EU Market Abuse Regulation and the Securities Market Act. The information was provided by the above contact persons for publication on 18 August 2020 at 08:00 CET.*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| SEKk   | NOTE | 2020          | 2019           | 2020            | 2019            | 2019            |
|--|------|---------------|----------------|-----------------|-----------------|-----------------|
|  |      | Q2            | Q2             | JAN-JUN         | JAN-JUN         | JAN - DEC       |
| Net sales  | 3    | 31 281        | 159 982        | 53 318          | 207 774         | 280 002         |
| Direct costs   | 4    | -6 281        | -150 315       | -15 789         | -320 880        | -661 520        |
| <b>Gross profit (-loss)</b>  |      | <b>25 000</b> | <b>9 667</b>   | <b>37 529</b>   | <b>-113 106</b> | <b>-381 518</b> |
| Selling and marketing costs  |      | -2 334        | -3 451         | -4 353          | -7 843          | -12 048         |
| Administrative expenses  |      | -19 407       | -27 723        | -38 948         | -65 504         | -109 609        |
| Other revenue  |      | 1 667         | 4 350          | 10 857          | 12 677          | 19 221          |
| Other expenses   |      | -             | -30 599        | -               | -30 599         | -20 408         |
| <b>Operating profit (-loss)</b>  |      | <b>4 926</b>  | <b>-47 756</b> | <b>5 085</b>    | <b>-204 375</b> | <b>-504 362</b> |
| Financial income   |      | 196           | 31             | 226             | 42              | 84 266          |
| Financial expenses   | -    | -12 342       | -14 330        | -116 223        | -23 092         | -30 866         |
| Net result sold subsidiaries   | -    | -             | -              | 6 355           | -               | -               |
| Share in profit or loss of holdings accounted for using the equity method                  |      | -1 366        | 2 004          | -1 366          | 90              | -1 462          |
| <b>Profit (-loss) before tax</b>   |      | <b>-8 586</b> | <b>-60 051</b> | <b>-105 923</b> | <b>-227 335</b> | <b>-452 424</b> |
| Income tax   |      | -185          | -4 325         | 290             | -5 137          | 51 325          |
| <b>Net profit (-loss) for the period</b>   |      | <b>-8 771</b> | <b>-64 376</b> | <b>-105 633</b> | <b>-232 472</b> | <b>-401 099</b> |
| <i>Other comprehensive income that may subsequently be reclassified to profit and loss</i> |      |               |                |                 |                 |                 |
| Exchange differences   |      | 2 957         | -1 255         | -3 283          | 4 718           | 4 162           |
| <b>Total comprehensive income for the period</b>   |      | <b>-5 814</b> | <b>-65 631</b> | <b>-108 916</b> | <b>-227 754</b> | <b>-396 937</b> |
| <b>Total comprehensive income for the period attributable to:</b>                          |      |               |                |                 |                 |                 |
| Owners of the parent   |      | -5 814        | -65 802        | -108 916        | -227 903        | -397 087        |
| Non-controlling interests  |      | -             | 171            | -               | 149             | 150             |
| <b>Earnings per share attributable to owners of the parent during the period (SEK):</b>    |      |               |                |                 |                 |                 |
| - Basic  |      | -0,02         | -0,20          | -0,31           | -0,71           | -1,22           |
| - Diluted  |      | -0,02         | -0,20          | -0,31           | -0,71           | -1,22           |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| SEKK  | NOTE | 2020-06-30     | 2019-06-30     | 2019-12-31     |
|---|------|----------------|----------------|----------------|
| <b>ASSETS</b>   |      |                |                |                |
| <i>Intangible assets</i>  |      |                |                |                |
| Goodwill  |      | 43 736         | 43 408         | 43 601         |
| Other non-current assets  |      | 233 294        | 346 249        | 240 221        |
| Capitalized development cost for own games and technology development |      | 128 815        | 212 449        | 81 518         |
| Investments in publishing projects                                    |      | 4 039          | 27 259         | 4 056          |
| <i>Financial assets</i>   |      |                |                |                |
| Financial assets  |      | 7 891          | 6 651          | 6 258          |
| Investments in joint ventures   | 5    | 1 828          | 4 746          | 3 195          |
| Non-current lease receivable  |      | 4 259          | -              | 5 716          |
| <i>Property, plant and equipment</i>                                  |      |                |                |                |
| VR facilities, IT equipment and other equipment                       |      | 8 863          | 19 243         | 12 850         |
| Right-of-Use asset-Buildings  |      | 56 335         | 88 404         | 63 764         |
| <b>Total non-current assets</b>                                       |      | <b>489 060</b> | <b>748 409</b> | <b>461 179</b> |
| <i>Current assets</i>   |      |                |                |                |
| Inventories   |      | -              | 35             | -              |
| Trades and other receivables  |      | 22 488         | 12 924         | 10 391         |
|   |      | -              | -              | 3 106          |
| Prepaid expenses and accrued income                                   |      | 31 827         | 22 141         | 33 425         |
| Cash and cash equivalents   |      | 90 891         | 137 750        | 82 787         |
| <b>Total current assets</b>   |      | <b>145 206</b> | <b>172 850</b> | <b>129 709</b> |
| Assets held for sale  |      | -              | 3 991          | 1 084          |
| <b>Total assets held for sale</b>                                     |      | <b>-</b>       | <b>3 991</b>   | <b>1 084</b>   |
| <b>TOTAL ASSETS</b>   |      | <b>634 266</b> | <b>925 250</b> | <b>591 972</b> |
| <b>EQUITY AND LIABILITIES</b>   |      |                |                |                |
| <i>Equity attributable to owners of the parent</i>                    |      |                |                |                |
| Share capital   |      | 7 246          | 6 587          | 6 587          |
| Other contributed capital   |      | 1 761 398      | 1 711 148      | 1 711 334      |
| Reserves  |      | 18 118         | 21 816         | 21 400         |
| Retained earnings including net profit or loss for the period         |      | -1 762 105     | -1 558 683     | -1 733 163     |
| <b>Total equity</b>   |      | <b>24 657</b>  | <b>180 868</b> | <b>6 158</b>   |
| <i>Non-current liabilities</i>  |      |                |                |                |
| Non-current liabilities, earnouts                                     |      | 64             | 89 886         | 62             |
| Deferred tax liability  |      | 8 468          | 63 706         | 7 853          |
| Non-current lease liability   |      | 46 261         | 63 798         | 55 272         |
| Other non-current liabilities   |      | 277 766        | 13 571         | 121 009        |
| <b>Total non-current liabilities</b>                                  |      | <b>332 559</b> | <b>230 961</b> | <b>184 196</b> |
| <i>Current liabilities</i>  |      |                |                |                |
| Trade and other payables  |      | 214 553        | 434 035        | 342 468        |
| Current lease liability   |      | 19 440         | 25 083         | 19 181         |
| Accrued expenses and deferred income                                  |      | 43 057         | 54 303         | 38 506         |
| <b>Total current liabilities</b>                                      |      | <b>277 050</b> | <b>513 421</b> | <b>400 155</b> |
| Liabilities held for sale   |      | -              | -              | 1 463          |
| <b>Total liabilities held for sale</b>                                |      | <b>-</b>       | <b>-</b>       | <b>1 463</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                   |      | <b>634 266</b> | <b>925 250</b> | <b>591 972</b> |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| SEKk  | Share capital | Other contributed capital | Reserves      | Retained earnings | Total              | Non controlling interest | Total equity       |
|---|---------------|---------------------------|---------------|-------------------|--------------------|--------------------------|--------------------|
| Balance at 1 January 2020   | 6 587         | 1 711 334                 | 21 400        | -1 733 163        | 6 158              | -                        | 6 158              |
| Net profit (-loss) for the period   | -             | -                         | -             | -105 633          | -105 633           | -                        | -105 633           |
| <b>Other comprehensive income for the period</b>  |               |                           |               |                   |                    |                          |                    |
| Translation differences   | -             | -                         | -3 282        | -                 | -3 282             | -                        | -3 282             |
| <b>Total comprehensive income</b>   | <b>6 587</b>  | <b>1 711 334</b>          | <b>18 118</b> | <b>-1 838 796</b> | <b>-102 757</b>    | <b>-</b>                 | <b>-102 757</b>    |
| <b>Transactions with shareholders:</b>  |               |                           |               |                   |                    |                          |                    |
| New issue through exercise of convertible bonds   | 659           | 50 064                    | -             | -                 | 50 723             | -                        | 50 723             |
| Shareholders' contributions from composition proposal   | -             | 0                         | -             | 76 692            | 76 692             | -                        | 76 692             |
| <b>Total contribution from and value transfers to shareholders, recognized directly in equity</b> | <b>659</b>    | <b>50 064</b>             | <b>-</b>      | <b>76 692</b>     | <b>127 415</b>     | <b>-</b>                 | <b>127 415</b>     |
| <b>Balance at 31 March 2020</b>   | <b>7 246</b>  | <b>1 761 398</b>          | <b>18 118</b> | <b>-1 762 105</b> | <b>24 657</b>      | <b>-</b>                 | <b>24 657</b>      |
| Balance at 1 January 2019   | 6 506         | 1 639 516                 | 17 098        | -1 326 061        | 337 059            | 1 947                    | 339 006            |
| Correction 2018   | -             | -                         | 140           | -429              | -289               | -                        | -289               |
| Net profit (-loss) for the period   | -             | -                         | -             | -401 249          | -401 249           | 150                      | -401 099           |
| <b>Other comprehensive income for the period</b>  |               |                           |               |                   |                    |                          |                    |
| Sale of subsidiary with minority interest   | -             | -                         | -             | -                 | -                  | -2 123                   | -2 123             |
| Translation differences   | -             | -                         | 4 162         | -                 | 4 162              | 26                       | 4 188              |
| <b>Total comprehensive income</b>   | <b>6 506</b>  | <b>1 639 516</b>          | <b>21 400</b> | <b>-1 727 739</b> | <b>-397 376</b>    | <b>-1 947</b>            | <b>-399 323</b>    |
| <b>Transactions with shareholders:</b>  |               |                           |               |                   |                    |                          |                    |
| New issue through exercise of stock options   | 81            | 71 632                    | -             | -                 | 71 713             | -                        | 71 713             |
| Shareholders' contributions received  | -             | 186                       | -             | -                 | 186                | -                        | 186                |
| Issue costs recognized in equity  | -             | -                         | -             | -5 424            | -5 424             | -                        | -5 424             |
| <b>Total contribution from and value transfers to shareholders, recognized directly in equity</b> | <b>81</b>     | <b>71 818</b>             | <b>-</b>      | <b>-5 424</b>     | <b>66 475</b>      | <b>-</b>                 | <b>66 475</b>      |
| <b>Balance at 31 December 2019</b>  | <b>6 587</b>  | <b>1 711 334</b>          | <b>21 400</b> | <b>-1 733 163</b> | <b>6 158</b>       | <b>-</b>                 | <b>6 158</b>       |
|   |               |                           |               |                   | <b>2020</b>        |                          | <b>2019</b>        |
| <b>CHANGE IN NUMBER OF OUTSTANDING SHARES</b>   |               |                           |               |                   | <b>JAN-JUN</b>     |                          | <b>JAN - DEC</b>   |
| <b>Number of shares at the beginning of the period</b>  |               |                           |               |                   | <b>329 367 849</b> |                          | <b>325 295 554</b> |
| New subscription of shares through exercise of convertibles                                       |               |                           |               |                   | -                  |                          | 4 072 295          |
| New issue   |               |                           |               |                   | 32 936 784         |                          | -                  |
| <b>Total shares outstanding at the end of the period</b>  |               |                           |               |                   | <b>362 304 633</b> |                          | <b>329 367 849</b> |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| SEKk  | NOTE | 2020           | 2019           | 2020           | 2019           | 2019           |
|---|------|----------------|----------------|----------------|----------------|----------------|
|   |      | Q2             | Q2             | JAN-JUN        | JAN-JUN        | JAN - DEC      |
| <i>Operating activities</i>                               |      |                |                |                |                |                |
| Cash flow from operations                                 |      | 4 926          | -47 756        | 5 085          | -204 375       | -504 362       |
| Adjustment for non-cash items                             |      | 13 250         | 151 075        | 15 533         | 269 381        | 586 897        |
| Interest paid   |      | -              | -6 681         | -              | -8 689         | -9 301         |
| Interest received   |      | -              | 46             | -              | 42             | -              |
| Income taxes paid   |      | -              | -748           | -              | -8 139         | -              |
| <b>Cash flow from (-used in) operating activities</b>     |      | <b>18 176</b>  | <b>95 936</b>  | <b>20 618</b>  | <b>48 220</b>  | <b>73 234</b>  |
| <i>Cash flow from changes in working capital</i>          |      |                |                |                |                |                |
| Increase (+)/decrease (-) in operating liabilities        |      | -5 863         | 2 245          | 73 800         | 40 917         | 32 538         |
| Cash flow from (-used in) operating activities            |      | -1 806         | -3 539         | -80 093        | -22 410        | -56 264        |
| <b>Cash flow from (-used in) operating activities</b>     |      | <b>10 507</b>  | <b>94 642</b>  | <b>14 325</b>  | <b>66 727</b>  | <b>49 508</b>  |
| <i>Cash flow from changes in working capital</i>          |      |                |                |                |                |                |
| Purchase of property, plant and equipment                 |      | -17            | -230           | -32            | -525           | -2 092         |
| Sold non-current assets                                   |      | -226           | -              | -226           | -              | -              |
| Divested subsidiaries                                     |      | -              | 67 502         | -480           | 67 502         | 67 202         |
| Investments in other financial assets                     |      | -              | 1 874          | -86            | 4 640          | -1 067         |
| Investments in own games and technology                   |      | -24 328        | -29 549        | -48 724        | -48 959        | -92 412        |
| Investments in publishing projects                        |      | -              | -4 800         | -              | -8 487         | -8 087         |
| <b>Cash flow from (-used in) investing activities</b>     |      | <b>-24 571</b> | <b>34 797</b>  | <b>-49 548</b> | <b>14 171</b>  | <b>-36 239</b> |
| <i>Investments in other financial assets</i>              |      |                |                |                |                |                |
| New issue   |      | -              | -              | 50 723         | -              | -              |
| Increase in non-current liabilities                       |      | 2 270          | 444            | 1 604          | 916            | -              |
| Effect of financial lease                                 |      | -4 755         | -6 432         | -9 244         | -13 590        | -              |
| <b>Cash flow from financing activities</b>                |      | <b>-2 485</b>  | <b>-5 988</b>  | <b>43 083</b>  | <b>-12 674</b> | <b>-</b>       |
| <b>Cash flow for (-used in) the period</b>                |      | <b>-16 549</b> | <b>123 451</b> | <b>7 860</b>   | <b>68 224</b>  | <b>13 269</b>  |
| Cash and cash equivalents at the beginning of the period  |      | 107 936        | 14 466         | 82 787         | 69 289         | 69 289         |
| Exchange difference in cash and cash equivalents          |      | -496           | -167           | 244            | 237            | 229            |
| <b>Cash and cash equivalents at the end of the period</b> |      | <b>90 891</b>  | <b>137 750</b> | <b>90 891</b>  | <b>137 750</b> | <b>82 787</b>  |



## KEY FIGURES, GROUP

|   | 2020        | 2019        | 2020        | 2019        | 2019        |
|---|-------------|-------------|-------------|-------------|-------------|
|   | Q2          | Q2          | JAN-JUN     | JAN-JUN     | JAN - DEC   |
| Net sales, SEKk                                   | 31 281      | 159 982     | 53 318      | 207 774     | 280 002     |
| EBITDA, SEKk                                      | 15 507      | -25 758     | 25 982      | -132 432    | -116 457    |
| EBIT, SEKk  | 4 926       | -47 756     | 5 085       | -204 375    | -504 362    |
| Profit (-loss) before tax, SEKk                   | -8 586      | -60 051     | -105 923    | -227 335    | -452 424    |
| Profit (-loss) after tax, SEKk                    | -8 771      | -64 376     | -105 633    | -232 472    | -401 099    |
| EBITDA margin, %                                  | 49,6        | -16,1       | 48,7        | -63,7       | -41,6       |
| EBIT margin, %                                    | 15,7        | -29,9       | 9,5         | -98,4       | -180,1      |
| Profit margin, %                                  | -27,4       | -37,5       | -198,7      | -109,4      | -161,6      |
| Equity to assets ratio, %                         | 3,9         | 19,5        | 3,9         | 19,5        | 1,0         |
| Closing price of A share for the period, SEK      | 1,47        | 1,29        | 1,47        | 1,29        | 1,85        |
| Closing price of B share for the period, SEK      | 1,45        | 1,33        | 1,45        | 1,33        | 1,86        |
| Basic earnings per share, SEK                     | -0,02       | -0,20       | -0,31       | -0,71       | -1,22       |
| Diluted earnings per share, SEK                   | -0,02       | -0,20       | -0,31       | -0,71       | -1,22       |
| Number of shares at end of period before dilution | 362 304 633 | 329 367 849 | 362 304 633 | 329 367 849 | 329 367 849 |
| Number of shares at end of period after dilution  | 362 304 633 | 329 367 849 | 362 304 633 | 329 367 849 | 329 367 849 |
| Average number of shares before dilution          | 353 437 037 | 325 295 554 | 344 569 441 | 327 331 702 | 328 349 775 |
| Average number of shares after dilution           | 353 437 037 | 325 295 554 | 344 569 441 | 327 331 702 | 328 349 775 |
| Average number of employees                       | 129         | 405         | 126         | 417         | 331         |
| Number of employees at the end of the period      | 125         | 221         | 125         | 221         | 127         |

### Key data, Group

#### EBITDA

Operating profit or loss before depreciation, amortization and impairments (Earnings Before Interest, Taxes, Depreciation and Amortization)

#### Profit margin

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

#### EBIT

Operating profit or loss after depreciation and amortization (Earnings Before Interest and Taxes).

#### Equity to assets ratio

Equity as a percentage of total assets.

#### EBITDA margin

Operating profit or loss before depreciation, amortization and impairments (Earnings Before Interest, Taxes, Depreciation and Amortization) as a percentage of net sales.

#### Earnings per share

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

#### EBIT margin

Operating profit or loss as a percentage of net sales.

#### Equity

Recognized equity including 78 percent of untaxed reserves.

## RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

|   | 2020    | 2019    | 2020     | 2019     | 2019      |
|---|---------|---------|----------|----------|-----------|
|   | Q2      | Q2      | JAN-JUN  | JAN-JUN  | JAN - DEC |
| <i>EBITDA</i>   |         |         |          |          |           |
| Operating profit (-loss), SEKk                            | 4 926   | -47 756 | 5 085    | -204 375 | -504 362  |
| Less: Amortization of intangible assets, SEKk             | 4 913   | 10 726  | 9 414    | 21 745   | 326 860   |
| Less: Depreciation of property, plant and equipment, SEKk | 5 668   | 11 272  | 11 483   | 50 198   | 61 045    |
| EBITDA  | 15 507  | -25 758 | 25 982   | -132 432 | -116 457  |
| <i>EBITDA margin, %</i>                                   |         |         |          |          |           |
| EBITDA, SEKk  | 15 507  | -25 758 | 25 982   | -132 432 | -116 457  |
| Net sales, SEKk   | 31 281  | 159 982 | 53 318   | 207 774  | 280 002   |
| EBITDA margin, %  | 49,6    | -16,1   | 48,7     | -63,7    | -41,6     |
| <i>EBIT margin, %</i>                                     |         |         |          |          |           |
| Operating profit (-loss), SEKk                            | 4 926   | -47 756 | 5 085    | -204 375 | -504 362  |
| Net sales, SEKk   | 31 281  | 159 982 | 53 318   | 207 774  | 280 002   |
| EBIT margin, %  | 15,7    | -29,9   | 9,5      | -98,4    | -180,1    |
| <i>Profit margin, %</i>                                   |         |         |          |          |           |
| Profit (-loss) before tax, SEKk                           | -8 586  | -60 051 | -105 923 | -227 335 | -452 424  |
| Net sales, SEKk   | 31 281  | 159 982 | 53 318   | 207 774  | 280 002   |
| Profit margin, %  | -27,4   | -37,5   | -198,7   | -109,4   | -161,6    |
| <i>Equity to assets ratio, %</i>                          |         |         |          |          |           |
| Total equity  | 24 657  | 180 868 | 24 657   | 180 868  | 6 158     |
| Total equity and liabilities, SEKk                        | 634 266 | 925 250 | 634 266  | 925 250  | 591 972   |
| Equity to assets ratio, %                                 | 3,9     | 19,5    | 3,9      | 19,5     | 1,0       |

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

|  | 2020           | 2019           | 2020            | 2019           | 2019            |
|--|----------------|----------------|-----------------|----------------|-----------------|
| SEKk   | Q2             | Q2             | JAN–JUN         | JAN–JUN        | JAN - DEC       |
| Net sales  | 7 208          | 14 966         | 17 126          | 34 815         | 58 990          |
| Other operating revenue                                  | -9 995         | 21 772         | 924             | 25 037         | 25 037          |
| <b>Total sales</b>                                       | <b>-2 787</b>  | <b>36 738</b>  | <b>18 050</b>   | <b>59 852</b>  | <b>84 027</b>   |
| Other external expenses                                  | -7 321         | -15 116        | -15 760         | -33 866        | -59 586         |
| Employee benefit expense                                 | -6 207         | -11 735        | -13 090         | -21 091        | -38 574         |
| Depreciation of property, plant and equipment            | -36            | -60            | -96             | -120           | -217            |
| Other operating expenses                                 | 579            | -              | -               | -              | -7 078          |
| <b>Operating profit (-loss)</b>                          | <b>-15 771</b> | <b>9 827</b>   | <b>-10 896</b>  | <b>4 775</b>   | <b>-21 428</b>  |
| Profit from holdings in group companies                  | -              | -              | 902             | -              | -224 439        |
| Other financial income                                   | 1 738          | 470            | 3 499           | 936            | 98 039          |
| Financial expenses                                       | -10 475        | -11 245        | -111 662        | -15 778        | -54 260         |
| <b>Profit (-loss) after net financial income/expense</b> | <b>-24 508</b> | <b>-948</b>    | <b>-118 157</b> | <b>-10 067</b> | <b>-202 088</b> |
| Appropriations   | -              | -10 002        | -               | -              | 187 393         |
| <b>Profit (-loss) before tax</b>                         | <b>-24 508</b> | <b>-10 950</b> | <b>-118 157</b> | <b>-10 067</b> | <b>-14 695</b>  |
| Income tax   | -              | -              | -               | -              | -               |
| <b>Net profit (-loss) for the period</b>                 | <b>-24 508</b> | <b>-10 950</b> | <b>-118 157</b> | <b>-10 067</b> | <b>-14 695</b>  |

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

## PARENT COMPANY BALANCE SHEET

| SEKk                                 | 2020-06-30       | 2019-06-30     | 2019-12-31       |
|--------------------------------------|------------------|----------------|------------------|
| <b>ASSETS</b>                        |                  |                |                  |
| <i>Non-current assets</i>            |                  |                |                  |
| <i>Property, plant and equipment</i> |                  |                |                  |
| Computers and other equipment        | 330              | 468            | 421              |
| <i>Financial assets</i>              |                  |                |                  |
| Investments in group companies       | 322 749          | 440 450        | 295 806          |
| Deferred tax assets                  | -                | -              | -                |
| Investments in associates            | 4 656            | 4 656          | 4 656            |
| Other financial assets               | 2 671            | 585            | 585              |
| <b>Total non-current assets</b>      | <b>330 406</b>   | <b>446 159</b> | <b>301 468</b>   |
| <i>Current assets</i>                |                  |                |                  |
| Trade and other receivables          | 407              | 6 118          | -                |
| Receivables from group companies     | 1 123 937        | 455 998        | 1 080 277        |
| Prepaid expenses and accrued income  | 582              | 1 174          | 837              |
| Cash and cash equivalents            | 11 919           | 13 007         | 12 009           |
| <b>Total current assets</b>          | <b>1 136 845</b> | <b>476 297</b> | <b>1 093 123</b> |
| <b>TOTAL ASSETS</b>                  | <b>1 467 251</b> | <b>922 456</b> | <b>1 394 591</b> |
| <b>EQUITY AND LIABILITIES</b>        |                  |                |                  |
| <i>Equity</i>                        |                  |                |                  |
| Share capital                        | 7 246            | 6 587          | 6 587            |
| Share premium reserve                | 1 699 097        | 1 649 033      | 1 649 033        |
| Retained earnings                    | 2 171 310        | -1 054 390     | -1 059 812       |
| Net profit (-loss) for the period    | -118 157         | -10 067        | -14 695          |
| <b>Total equity</b>                  | <b>590 370</b>   | <b>591 163</b> | <b>581 113</b>   |
| <i>Provisions</i>                    |                  |                |                  |
| Other provisions                     | 31 937           | -              | 31 230           |
| <b>Total provisions</b>              | <b>31 937</b>    | <b>-</b>       | <b>31 230</b>    |
| <i>Non-current liabilities</i>       |                  |                |                  |
| Other non-current liabilities        | 248 151          | 90 065         | 260              |
| <b>Total non-current liabilities</b> | <b>248 151</b>   | <b>90 065</b>  | <b>306 125</b>   |
| <i>Current liabilities</i>           |                  |                |                  |
| Trade payables                       | 6 787            | 8 267          | 8 060            |
| Liabilities to group companies       | 366 107          | 6 188          | 239 012          |
| Other liabilities                    | 3 233            | 214 454        | 218 022          |
| Accrued expenses and deferred income | 220 666          | 12 319         | 11 029           |
| <b>Total current liabilities</b>     | <b>596 793</b>   | <b>241 228</b> | <b>476 123</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>1 467 251</b> | <b>922 456</b> | <b>1 394 591</b> |

# NOTES

## Note 1: Accounting and measurement policies

This interim report has been prepared in accordance IAS 34, Interim Financial Reporting. The accounting policies and calculation methods are the same as those applied in 2019.

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

No new or revised IFRSs have entered into force that are expected to have any material impact on the Group. The carrying amounts of all financial assets and liabilities are a good approximation of fair value.

The sale of the publishing rights to System Shock 3 and Psychonauts 2 was arranged so that Starbreeze will recover its investment over time. In accordance with IFRS reporting rules, the Group has initially recognized a loss on the deal, as IFRS 15 does not permit recognition of future royalties in revenue even if these are directly connected to the sale of the publishing rights; instead, the carrying amount of the sold asset must be immediately expensed. In future periods, only revenues related to these transactions will be recognized, as all costs have thus been absorbed.

## Note 2: Pledged assets

### Consolidated pledged assets and contingent liabilities

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

| SEKk           | 2020-06-30 | 2019-06-30 | 2019-12-31 |
|----------------|------------|------------|------------|
| Pledged assets | 585        | 315 997    | 6 594      |

### Note 3: Net sales by category

| SEKk Q2 2020           | Starbreeze Games | Other        | Total         |
|------------------------|------------------|--------------|---------------|
| PC                     | 22 090           | 121          | 22 211        |
| Consoles, Digital      | 5 922            | 27           | 5 949         |
| Consoles, Retail       | 102              | -            | 102           |
| VR parks               | 52               | 6            | 58            |
| Licensing              | -                | 2 948        | 2 948         |
| Other                  | 12               | -            | 12            |
| <b>Total net sales</b> | <b>28 178</b>    | <b>3 102</b> | <b>31 280</b> |

| SEKk JAN-JUN 2020      | Starbreeze Games | Other        | Total         |
|------------------------|------------------|--------------|---------------|
| PC                     | 39 073           | 303          | 39 376        |
| Consoles, Digital      | 10 468           | 47           | 10 515        |
| Consoles, Retail       | 167              | -            | 167           |
| VR parks               | 12               | 48           | 60            |
| Licensing              | -                | 3 131        | 3 131         |
| Other                  | 61               | -            | 61            |
| <b>Total net sales</b> | <b>49 781</b>    | <b>3 529</b> | <b>53 310</b> |

### Note 4: Consolidated depreciation and amortization by function

| SEKk  | 2020           | 2019           | 2020           | 2019           | 2019            |
|---|----------------|----------------|----------------|----------------|-----------------|
|   | Q2             | Q2             | JAN-JUN        | JAN-JUN        | JAN-DEC         |
| <b>Depreciation and impairment of property, plant and equipment</b>       |                |                |                |                |                 |
| Direct costs  | -1 574         | -3 942         | -3 161         | -34 822        | -38 217         |
| Selling and marketing costs   | -              | -2             | -              | -16            | -28             |
| Administrative expenses   | -4 093         | -7 328         | -8 322         | -15 360        | -22 800         |
| <b>Total depreciation and impairment of property, plant and equipment</b> | <b>-5 668</b>  | <b>-11 272</b> | <b>-11 483</b> | <b>-50 198</b> | <b>-61 045</b>  |
| <b>Amortization and impairment of intangible assets</b>                   |                |                |                |                |                 |
| Direct costs  | -4 728         | -10 666        | -9 278         | -21 623        | -326 606        |
| Administrative expenses   | -185           | -60            | -136           | -122           | -254            |
| <b>Total amortization and impairment of intangible assets</b>             | <b>-4 913</b>  | <b>-10 726</b> | <b>-9 414</b>  | <b>-21 745</b> | <b>-326 860</b> |
| <b>Total depreciation and amortization and impairment</b>                 | <b>-10 581</b> | <b>-21 998</b> | <b>-20 897</b> | <b>-71 943</b> | <b>-387 905</b> |

## Note 5: Joint venture company StarVR Corporation

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

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

| <b>SEKk</b>                                   | <b>2020-06-30</b> |
|---|-------------------|
| <i>Reconciliation of net carrying amount:</i> |                   |
| Balance of net assets at 1 January            | 8 839             |
| Net profit (-loss) for the period             | -4 562            |
| Exchange differences                          | 1 263             |
| <b>Closing balance net assets</b>             | <b>5 540</b>      |
| <br>  |                   |
| Group's share                                 | 33%               |
| Group's share in SEKk                         | 1 828             |
| <b>Net carrying amount</b>                    | <b>1 828</b>      |

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

| <b>SEKk</b>  | <b>2020-06-30</b> |
|--|-------------------|
| <i>Balance sheet in summary:</i>                     |                   |
| Current assets                                       | 12 043            |
| Non-current assets                                   | 1 305             |
| Current liabilities                                  | 7 808             |
| <b>Net assets</b>                                    | <b>5 540</b>      |
| <br>   |                   |
| <i>Statement of comprehensive income in summary:</i> |                   |
| Sales  | -4 149            |
| Net profit (-loss) for the period                    | -4 561            |
| <b>Total comprehensive income for the period</b>     | <b>-4 561</b>     |

## Note 6: Divested subsidiary

### Net assets at date of sale of the companies

Shares in the Belgian company Parallaxter were sold during the period. The transactions resulted in a capital gain for the Group of SEK 5.5 million in total. The net assets in the subsidiaries at the sale date, the consolidated gain or loss on the sales and the effect of the transactions on cash flow are shown in the table below.

|   | <b>Parallaxter</b>     |
|---|------------------------|
| <b>Net assets disposed</b>  | <b>31 januari 2020</b> |
| Intangible assets   | -15                    |
| Capitalized development cost for own games and technology develop | -192                   |
| Financial assets  | 343                    |
| Fixed assets  | 199                    |
| Trades and other receivables                                      | 8                      |
| Prepaid expenses and accrued income                               | 385                    |
| Cash and cash equivalents   | 480                    |
| <b>Total asset</b>  | <b>1 208</b>           |
| Trade and other payables  | 2 166                  |
| <b>Total liabilities</b>  | <b>3 762</b>           |
| Net assets disposed   | -2 554                 |
| <b>Net result incl amortizatton of intercompany receivables</b>   | <b>5 454</b>           |
| <b>Selling price</b>  | <b>1</b>               |
| Liquid funds in in divested operations                            | -480                   |
| <b>TOTAL CASH FLOW IMPACT</b>                                     | <b>-479</b>            |



