

Q3

2020

Third quarter 2020

- Net sales were SEK 32.1 million (21.1). PAYDAY accounted for SEK 31.1 million (17.5).
- EBITDA* amounted to SEK 11.7 million (-10.9).
- Amortization and depreciation totalled SEK 7.8 million (94.9).
- Loss before tax of SEK -8.2 million (-68.4).
- Basic and diluted earnings per share were SEK -0.02 (-0.21).
- The summer sale run by digital distribution platform Steam had positive impact on sales during the quarter.
- An extraordinary general meeting of shareholders in Starbreeze was held on 13 August. The EGM endorsed the board decision to execute a rights issue of Class A and B shares, which was carried out in September.

Nine-month period 2020

- Net sales were SEK 85.4 million (228.9). PAYDAY accounted for SEK 80.8 million (58.6).
- EBITDA* amounted to SEK 44.0 million (-143.3).
- Amortization and depreciation totalled SEK 28.7 million (166.9).
- Costs related to the reconstruction were SEK 8.9 million (28.1).
- Loss before tax of SEK -114.1 million (-295.7).
- Basic and diluted earnings per share were SEK -0.30 (-0.92).
- Cash and cash equivalents totalled SEK 193.2 million (113.2).

KEY FIGURES	2020	2019	2020	2019	2019
	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
Net sales	32,096	21,120	85,414	228,894	280,002
EBITDA*	11,651	-10,854	43,987	-143,286	-116,457
Profit (-loss) before tax	-8,194	-68,354	-114,117	-295,689	-452,424
Earnings per share, SEK	-0.02	-0.21	-0.30	-0.92	-1.22
Cash flow from operations	-33,446	-13,715	-19,121	53,012	49,508
Net sales per employee	263	118	694	569	1,239

* See page 16 for definitions of key figures.

The background of the entire page features four characters from the PAYDAY game franchise. They are wearing gold, skull-like masks and dark suits with patterned ties and pocket squares. They are standing in a futuristic, industrial environment with a large, glowing yellow archway behind them. The lighting is dramatic, with strong highlights and deep shadows.

About Starbreeze

Starbreeze is an independent developer, creator and distributor of games for PC and console with a global market focus and studios in Stockholm, Barcelona and Paris. 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

The CEO remarks on the report

REINFORCED PAYDAY IP GENERATES STABILITY

The positive trend persisted in the third quarter, characterized by healthy demand for PAYDAY 2 and an oversubscribed rights issue. Net issue proceeds of about SEK 220 million will enable reinforcement of the development team and equip the company to pass further project milestones according to the PAYDAY development plan.

The continued strengthened PAYDAY 2 sales demonstrate the power of PAYDAY and its community, which gives us a stable foundation for PAYDAY 3's launch in the coming years. Our overall judgment is that development capital for development of PAYDAY franchise will now be sufficient through the end of 2021. It also enables us to close a publishing agreement for PAYDAY 3 in the best possible way.

In line with the reorganization plan, we carried out the first payments to creditors after the end of the period. The payments were a key step on the path towards reducing current financial expenses and strengthening the company's financial position.

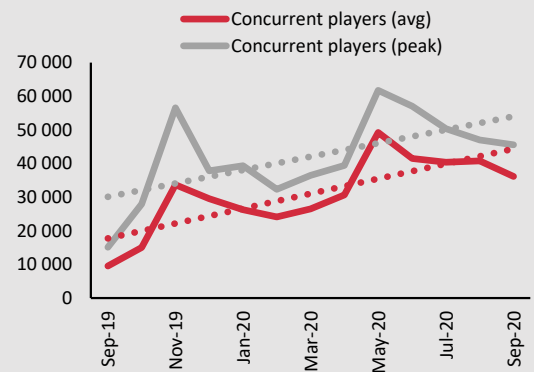
After the end of the period, CEO Mikael Nermark notified the company of his resignation, citing personal reasons. The board of directors has commenced an executive search process to find a permanent CEO.

I am truly looking forward to contributing to further developing the company and working with the highly skilled and goal-oriented team at Starbreeze. The strength of PAYDAY and completed and forthcoming content releases have created good conditions for continued and successful development of PAYDAY 3. With this, Starbreeze is taking further steps in the right direction with every day that passes, and I look to the future with confidence as we continue our journey ahead.

Tobias Sjögren

Acting CEO Starbreeze

PAYDAY 2



Source: Steam

At peak

50,374

played PAYDAY 2 concurrently in Q3

SIGNIFICANT EVENTS DURING THE QUARTER

A summary of significant events during the quarter follows. Please visit 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. As in Q2, the effect on PAYDAY 2 was positive in Q3.

Extraordinary General Meeting

An extraordinary general meeting of shareholders in Starbreeze AB was held on 13 August 2020. The EGM endorsed the board decision to execute a rights issue of Class A and B shares, which was carried out in September. The outcome of the rights issue in Starbreeze was that 81,087,339 Class A shares and 262,210,018 Class B shares, corresponding to approximately 95 percent of the offered shares, were subscribed for through the exercise of subscription rights. Applications for subscription without subscription rights corresponding to approximately 146 percent of the offered shares were also received. A total of 3,641,745 Class A shares and 15,365,531 Class B shares, corresponding to about 5 percent of the offered shares, were allotted to investors who subscribed for shares without subscription rights. As subscriptions under subscription rights and applications for subscription without subscription rights combined totalled approximately 241 percent of the shares offered, there was no need to utilize guarantee commitments.

Payments to creditors

In accordance with the reconstruction plan and the public composition with creditors affirmed by the Stockholm District Court on 6 December 2019, Starbreeze completed its first payments to certain groups of creditors and settled a portion of other long-term debt.

Geminose

In order to intensify the company's focus on PAYDAY, the Geminose brand has been licensed to a third party, including distribution rights to related games. In the event of future releases, the company has the right to revenue based on the revenue generated by the brand under a revenue-sharing agreement.

Impact of Covid-19

Starbreeze is continuously monitoring the impact of the Covid-19 pandemic on the business. Ongoing revenue-generating operations have shown no disruptions because the majority of revenues are generated by a digital distribution model in which product availability and interaction among players is uninterrupted regardless of general public measures related to reducing physical social contacts. All employees are still working from home. The company's assessment that the short-term effect on ongoing projects will be minor still stands, 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

The fourth chapter of PAYDAY 2: Silk Road

In November, the fourth chapter of PAYDAY 2 Silk Road will be released which will include a free core game update for all owners of PAYDAY 2 and three new DLCs.

Resignation of Starbreeze CEO

Starbreeze CEO Mikael Nermark resigned effective 26 October, citing personal reasons. The board of directors has appointed director Tobias Sjögren as Acting CEO and an executive search process has been initiated.

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

REVENUE AND PROFIT

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.

Third quarter 2020

Sales

Net sales for the third quarter of 2020 were SEK 32.1 million (SEK 21.1), of which PAYDAY accounted for SEK 31.1 million (17.5). Net sales from Steam sales of the base game PAYDAY 2 increased by 59% (SEK 2.1 million) compared to Q3 2019, net sales from DLC sales have increased by 113% (SEK 8.7 million). SEK 1.6 million of net sales for the period are attributable to the increased revenue sharing achieved during the first quarter of this year, with Starbreeze receiving 75% of steam revenue (70% in Q3 2019). This results in increased revenue attributable to PAYDAY 2 of SEK 12.4 million in the period. Console revenue has had a positive development and increased by 31% (SEK 1.5 million) compared to the corresponding period last year. The exchange rate change against the dollar has had a negative impact on net sales of -9% compared to Q3 2019.

Costs

Direct costs amounted to SEK 6.6 million (115.2) 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 3.7 million (93.0). Depreciation and amortization in Q3 2019 mainly comprised impairments linked to projects unrelated to the core business.

Capitalized development costs reduced direct costs by SEK 16.0 million (8.2) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3. A larger share of development costs was capitalized in 2020 than in 2019. The increase is related mainly to PAYDAY 2.

Sales and marketing costs of SEK 2.0 million (2.2) were related primarily to employee benefits expenses.

Administrative expenses amounted to SEK 14.4 million (19.7) 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 as well as a reduction in force.

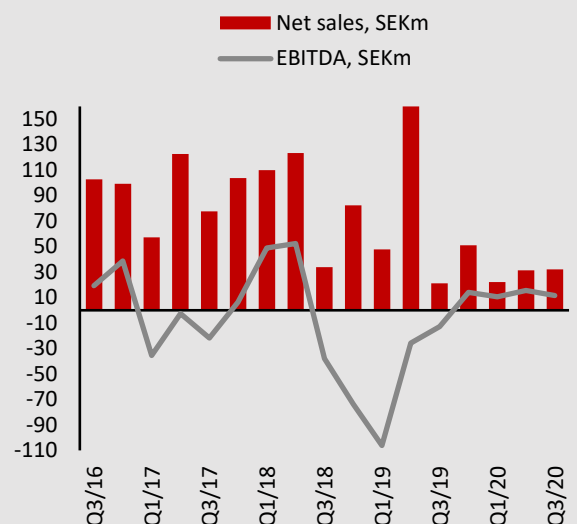
Administrative expenses include amortization of SEK 4.2 million (1.9). Capitalized development costs reduced administrative costs by SEK 5.2 million (6.9) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3.

Other income amounted to SEK -5.4 million (10.1). The item consists mainly of currency effects due to changes in the USD and EUR exchange rates against SEK. The currency effects had negative effect on the individual quarter.

Sales and profit

SEKk	2020	2019	2020	2019
	Q3	Q3	JAN-SEP	JAN-SEP
Net sales	32,096	21,120	85,414	228,894
EBITDA *	11,651	-10,854	43,987	-143,286
Profit (-loss) before tax	-8,194	-68,354	-114,117	-295,689
Net profit (-loss) for the period	-8,053	-70,348	-113,686	-302,820
Earnings per share, SEK	-0.02	-0.21	-0.30	-0.92
Net sales growth, %	52.0	-37.7	-62.7	-14.4
EBITDA margin, %	36.3	-51.4	51.5	-62.6

*See page 16 for the derivation of the key figure.



Operating results

EBITDA amounted to SEK 11.7 million (-10.9). Remeasurement of earnouts amounted to SEK 0.0 million (43.4). The share of profit and loss in the joint venture StarVR Corporation was SEK -0.4 million (-0.5).

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

Net financial income or expenses

Net financial items amounted to SEK -12.0 million (37.4). The increase is mainly due to costs relating to the company's convertible loans and remeasurement of earnouts made in 2019.

Loss before tax and net loss for the period

The loss before tax for the quarter was SEK -8.2 million (-68.4). The net loss for the quarter was SEK -8.1 million (-70.3).

Basic and diluted earnings per share were SEK -0.02 (-0.21).

Nine-month period 2020

Sales

Net sales were SEK 85.4 million (228.9), of which PAYDAY accounted for SEK 80.8 million (58.6). The corresponding period in 2019 included extraordinary items of SEK 158 million mainly related to the sale of operations linked to Psychonauts, 10 Crowns and other non-core business. Net sales from Steam sales of the base game PAYDAY 2 increased by 51% (SEK 5.6 million) compared to the corresponding period in 2019, net sales from DLC sales have increased by 89% (19.1 MSEK). 4.1 million of net sales for the period is attributable to the increased revenue sharing achieved during the first quarter of this year, where Starbreeze receives 75% of revenue from Steam. This results in increased revenue related to PAYDAY 2 of SEK 28.6 million in the period. Console revenue has had a positive development and increased by 67% (SEK 6.8 million) compared to the corresponding period last year. The change in exchange rates against the dollar has had a negative impact on net sales of -2% compared to the corresponding period last year.

Costs

Direct costs amounted to SEK 22.3 million (436.1) 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 significant reduction in force and capitalization of a larger share of development work in 2020. Direct costs include depreciation and amortization of SEK 16.1 million (149.4).

Capitalized development costs reduced direct costs by SEK 53.3 million (36.4) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3.

Sales and marketing costs of SEK 6.3 million (10.0) were related primarily to employee related expenses.

Administrative expenses amounted to SEK 53.3 million (85.2) 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 and cost of premises.

Administrative expenses include amortization of SEK 12.6 million (17.4). Capitalized development costs reduced administrative costs by SEK 17.4 million (28.7) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3.

Other income amounted to SEK 11.8 million (-7.8). The item consists of currency effects due to changes in the USD and EUR exchange rates against SEK and the net gain of SEK 6.4 million on the sale of subsidiaries.

Operating results

EBITDA amounted to SEK 44.0 million (-143.3).

Remeasurement of earnouts amounted to SEK 0.0 million (37.9). The share of profit and loss in the joint venture StarVR Corporation amounted to SEK -1.7 million (-0.4). Net financial income was reduced during the quarter by interest on lease liabilities of SEK 1.2 million (1.5), which is an effect of the IFRS 16 reporting standard.

Net financial income or expense

Net financial expense amounted to SEK -129.4 million (14.5). The increase is mainly 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 105.3 million. This has not affected liquidity.

Loss before tax and net loss for the period

The loss before tax for the period was SEK -114.1 million (-295.7). The loss for the period was SEK -113.7 million (-302.8).

Basic and diluted earnings per share were SEK -0.30 (-0.92).

Specification of net financial income/expense

	2020	2019	2020	2019	2019
SEKk	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
Remeasurement of earnouts	-	43,435	-	37,916	84,099
Interest on convertible bonds	-6,116	-4,541	-16,397	-13,422	-18,016
Remeasurement of derivatives attributable to convertible bonds	-	-	-	42	42
Net profit (-loss) from StarVR Corp.	-380	-509	-1,746	-419	-1,462
Renegotiation loss convertible bond	-	-	-90,934	-	-
Implicit interest	-4,618	-	-14,318	-	-4,138
Credit cost including interest for fully amortized loan	-	-	-	-5,000	-5,000
Interest Nordea	125	-1,052	-3,409	-3,085	-
Interest on lease liability	-366	-409	-1,169	-1,549	-1,987
Interest on non-current liabilities according composition proposal	-800	-	-1,563	-	-1,767
Other items	143	499	161	-20	167
Total	-12,011	37,423	-129,373	14,463	51,938

OTHER FINANCIAL INFORMATION

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

Third quarter 2020

Cash flow

Cash flow from operating activities was SEK -33.4 million (-13.7). Adjustments for non-cash items amounted to SEK 13.3 million (92.1), comprised mainly of depreciation and amortization.

Cash used in investing activities was SEK -22.2 million (-16.1).

Cash flow from financing activities amounted to SEK 158.2 million (5.1). A rights issue executed during the quarter raised cash of approximately SEK 220 million. Loan debt was also amortized during the quarter in the amount of SEK 55 million.

Total cash flow for the quarter was SEK 102.5 million (-24.7), with the increase attributable mainly to the rights issue. Cash and cash equivalents at the end of the quarter amounted to SEK 193.2 million (113.2).

Investments

Consolidated investments in property, plant and equipment during the quarter amounted to SEK 0.4 million (1.6). Investments in own game and technology development totalled SEK 22.0 million (15.1).

Nine-month period 2020

Cash flow

Cash flow from operating activities was SEK -19.1 million (53.0). Adjustments for non-cash items amounted to SEK 22.5 million (361.5), comprised mainly of depreciation and amortization. Cash used in investing activities was SEK -71.8 million (-1.9). Proceeds from sales of businesses in the amount of SEK 67.5 million were included in the corresponding period in the preceding year. See also "Investments" below.

Cash flow from financing activities increased to SEK 201.3 million (-7.5) mainly attributable to the executed rights issues.

Total cash flow for the period was SEK 110.4 million (43.6). Cash and cash equivalents at the end of the period amounted to SEK 193.2 million (113.2)

Investments

Consolidated investments in property, plant and equipment during the period amounted to SEK 0.5 million (2.1). Investments in own game and technology development totalled SEK 70.7 million (64.1).

Financial position

Non-current assets

Goodwill at the end of the period amounted to SEK 42.2 million (45.7). Intangible assets, which consist primarily of IP rights, totalled SEK 231.6 million (320.6).

Capitalized costs for own game and technology development totalled SEK 149.1 million (168.7). The decrease is due mainly to the impairment of Crossfire during the fourth quarter of 2019.

Cash and cash equivalents

as of 30 September 2020

SEK
193.2
million

Investments in publishing projects amounted to SEK 4.0 million (26.5). The decrease is attributable to the sale of publishing rights in 2019.

Amortization and impairments of intangible assets amounted to SEK 12.2 million (113.1) during the period.

Current assets

Trade and other receivables amounted to SEK 14.9 million (9.5). Prepaid expenses and accrued income at the end of the period were SEK 32.4 million (12.4), including SEK 13.6 million (2.3) related to receivables for digital sales, primarily via Steam, PlayStationStore, Xbox Live and Switch.

Equity

Consolidated equity amounted to SEK 237.4 million (108.6) at balance sheet date.

Non-current liabilities

Non-current liabilities amounted to SEK 331.2 million (186.3), including the convertible debt and related debt of SEK 258.9 million and the debts to Nordea of SEK 11.0 million. The non-current component of the lease liability was SEK 41.8 million (60.1 million). The deferred tax liability was SEK 6.9 million (66.0).

Current liabilities

Current liabilities amounted to SEK 175.0 million (507.0). Trade and other payables at the end of the period totalled SEK 127.8 million (440.0). Of that amount, SEK 44.9 refers to Nordea and SEK 14.0 million relates to frozen liabilities in accordance with the reconstruction plan. SEK 19.6 million (19.3) refers to current liabilities for lease contracts. Accrued expenses and deferred income at the end of the period amounted to SEK 27.6 million (47.7).

Leases

IFRS 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 14,492,185.37 (6,587,357) distributed among 724,609,266 shares (329,367,849), of which 169,443,708 Class A shares (53,342,077) and 555,165,558 Class B shares (276,025,772).

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 2021. 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 the company's project. 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 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 and the issue was carried out in September.

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 Enterspace AB. The Belgian subsidiary Parallaxter was divested during the period.

The parent company had net sales during the quarter of SEK 5.3 million (11.5). Sales refer primarily to allocation of management fees.

The loss before and after tax was SEK -16.5 million (-13.6)

Cash and cash equivalents at the end of the quarter amounted to SEK 17.2 million (12.3) and parent company equity was SEK 794.2 million (577.6).

Non-current liabilities increased during the period to SEK 258.9 million (46.1). 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.

Auditor's review

This report has been reviewed by the company's statutory auditors.

Number of employees

	2020	2019
	Q3	Q3
Employees	122	149
Men	103	132
Women	19	17

122

Employees at Starbreeze

Investor relations

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

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

Stockholm, 10 November 2020

Torgny Hellström

Chairman of the Board

Directors

Kerstin Sundberg

Anna Lagerborg

Tobias Sjögren

Jan Benjaminson

Financial calendar

Year-end report 2020.....	16 February 2021
Annual report 2020.....	15 April 2021
Interim report Q1 2021.....	11 May 2021
Interim report Q2 2021.....	18 August 2021
Interim report Q3 2021.....	12 November 2021
Year-end report 2021.....	16 February 2022

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 10 November 2020 at 08:00 CET.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKk	NOTE	2020	2019	2020	2019	2019
		Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
Net sales	3	32,096	21,120	85,414	228,894	280,002
Direct costs	4	-6,555	-115,176	-22,344	-436,056	-661,520
Gross profit (-loss)		25,541	-94,056	63,070	-207,162	-381,518
Selling and marketing costs		-1,951	-2,155	-6,304	-9,998	-12,048
Administrative expenses		-14,370	-19,652	-53,318	-85,156	-109,609
Other revenue		-5,404	10,086	11,808	22,763	19,221
Other expenses		-	-	-	-30,599	-20,408
Operating profit (-loss)		3,816	-105,777	15,256	-310,152	-504,362
Financial income		102	46,772	328	46,814	84,266
Financial expenses		-11,732	-8,840	-127,955	-31,932	-30,866
Share in profit or loss of holdings accounted for using the equity method		-380	-509	-1,746	-419	-1,462
Profit (-loss) before tax		-8,194	-68,354	-114,117	-295,689	-452,424
Income tax		141	-1,994	431	-7,131	51,325
Net profit (-loss) for the period		-8,053	-70,348	-113,686	-302,820	-401,099
<i>Other comprehensive income that may subsequently be reclassified to profit and loss</i>						
Exchange differences		482	-1,586	-2,801	3,132	4,162
Total comprehensive income for the period		-7,571	-71,935	-116,487	-299,688	-396,937
Total comprehensive income for the period attributable to:						
Owners of the parent		-7,571	-71,935	-116,487	-299,838	-397,087
Non-controlling interests		-	-	-	150	150
Earnings per share attributable to owners of the parent during the period (SEK):						
- Basic		-0.02	-0.21	-0.30	-0.92	-1.22
- Diluted		-0.02	-0.21	-0.30	-0.92	-1.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEKk	NOTE	2020-09-30	2019-09-30	2019-12-31
ASSETS				
<i>Intangible assets</i>				
Goodwill		42,210	45,664	43,601
Other intangible assets		231,565	320,584	240,221
Capitalized development cost for own games and technology development		149,078	168,655	81,518
Investments in publishing projects		3,974	26,458	4,056
<i>Financial assets</i>				
Financial assets		7,867	6,505	6,258
Investments in joint ventures	5	1,448	4,237	3,195
Non-current lease receivable		3,381	6,777	5,716
<i>Property, plant and equipment</i>				
IT equipment and other equipment		7,886	17,087	12,850
Right-of-Use asset-Buildings		52,623	67,528	63,764
Total non-current assets		500,032	663,495	461,179
<i>Current assets</i>				
Inventories		-	35	-
Trades and other receivables		14,901	9,528	10,391
Current lease receivable		3,063	3,240	3,106
Prepaid expenses and accrued income		32,387	12,416	33,425
Cash and cash equivalents		193,200	113,192	82,787
Total current assets		243,551	138,411	129,709
Assets held for sale		-	-	1,084
Total assets held for sale		-	-	1,084
TOTAL ASSETS		743,583	801,906	591,972
EQUITY AND LIABILITIES				
<i>Equity attributable to owners of the parent</i>				
Share capital		14,492	6,587	6,587
Other contributed capital		1,974,428	1,711,148	1,711,334
Reserves		18,599	17,414	21,400
Retained earnings including net profit or loss for the period		-1,770,157	-1,626,508	-1,733,163
Total equity		237,362	108,641	6,158
<i>Non-current liabilities</i>				
Non-current liabilities, earnouts		18	46,048	62
Deferred tax liability		6,866	66,003	7,853
Non-current lease liability		41,788	60,148	55,272
Other non-current liabilities		282,543	14,096	121,009
Total non-current liabilities		331,215	186,295	184,196
<i>Current liabilities</i>				
Trade and other payables		127,782	439,984	342,468
Current lease liability		19,578	19,267	19,181
Accrued expenses and deferred income		27,646	47,719	38,506
Total current liabilities		175,006	506,970	400,155
Liabilities held for sale		-	-	1,463
Total liabilities held for sale		-	-	1,463
TOTAL EQUITY AND LIABILITIES		743,583	801,906	591,972

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	-	-	-	-113,686	-113,686	-	-113,686
Other comprehensive income for the period							
Translation differences	-	-	-2,801	-	-2,801	-	-2,801
Total comprehensive income	6,587	1,711,334	18,599	-1,846,849	-110,329	-	-110,329
Transactions with shareholders:							
New issue through exercise of convertible bonds	7,905	293,368	-	-	301,273	-	301,273
Issue cost recognized in equity	-	-30,273	-	-	-30,273	-	-30,273
Shareholders' contributions from composition proposal	-	-	-	76,692	76,692	-	76,692
Total contribution from and value transfers to shareholders, recognized directly in equity	7,905	263,094	-	76,692	347,691	-	347,691
Balance at 30 September 2020	14,492	1,974,428	18,599	-1,770,157	237,362	-	237,362
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
Other comprehensive income for the period							
Sale of subsidiary with minority interest	-	-	-	-	-	-2,123	-2,123
Translation differences	-	-	4,162	-	4,162	26	4,188
Total comprehensive income	6,506	1,639,516	21,400	-1,727,739	-60,317	-	-60,317
Transactions with shareholders:							
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
Total contribution from and value transfers to shareholders, recognized directly in equity	81	71,818	-	-5,424	66,475	-	66,475
Balance at 31 December 2019	6,587	1,711,334	21,400	-1,733,163	6,158	-	6,158
					2020		2019
CHANGE IN NUMBER OF OUTSTANDING SHARES					JAN-SEP		JAN - DEC
Number of shares at the beginning of the period					329,367,849		325,295,554
New subscription of shares through exercise of convertibles					-		4,072,295
New issue					395,241,417		-
Total shares outstanding at the end of the period					724,609,266		329,367,849

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKk	NOTE	2020	2019	2020	2019	2019
		Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
<i>Operating activities</i>						
Cash flow from operations		3,816	-105,777	15,256	-310,152	-504,362
Adjustment for non-cash items		13,314	92,070	22,492	361,451	586,897
Interest paid		-385	-3,375	-385	-12,064	-9,301
Interest received		-	79	-	125	-
Cash flow from (-used in) operating activities		16,745	-17,003	37,363	39,360	73,234
<i>Cash flow from changes in working capital</i>						
Increase (+)/decrease (-) in operating receivables		-15,684	9,765	58,116	50,678	32,538
Increase (+)/decrease (-) in operating liabilities		-34,507	-6,477	-114,600	-37,026	-56,264
Cash flow from (-used in) operating activities		-33,446	-13,715	-19,121	53,012	49,508
<i>Cash flow from changes in working capital</i>						
Purchase of property, plant and equipment		-419	-1,567	-451	-2,092	-2,092
Sold non-current assets		252	-	26	-	217
Divested subsidiaries		5	-	-475	67,502	67,202
Investments in other financial assets		86	498	-	5,138	-1,067
Investments in own games and technology		-21,952	-15,113	-70,676	-64,072	-92,412
Investments in publishing projects		-177	100	-177	-8,387	-8,087
Cash flow from (-used in) investing activities		-22,205	-16,082	-71,753	-1,911	-36,239
<i>Investments in other financial assets</i>						
New issue		220,276	-	270,999	-	-
Increase in non-current liabilities		-2,318	455	-714	1,371	-
Repayment of loans		-55,000	4,672	-55,000	-8,918	-
Effect of financial lease		-4,783	-	-14,027	-	-
Cash flow from financing activities		158,175	5,127	201,258	-7,547	-
Cash flow for (-used in) the period		102,524	-24,670	110,384	43,554	13,269
Cash and cash equivalents at the beginning of the period		90,891	137,750	82,787	69,289	69,289
Exchange difference in cash and cash equivalents		-215	112	29	349	229
Cash and cash equivalents at the end of the period		193,200	113,192	193,200	113,192	82,787

KEY FIGURES, GROUP

	2020	2019	2020	2019	2019
	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
Net sales, SEKk	32,096	21,120	85,414	228,894	280,002
EBITDA, SEKk	11,651	-10,854	43,987	-143,286	-116,457
EBIT, SEKk	3,816	-105,777	15,256	-310,152	-504,362
Profit (-loss) before tax, SEKk	-8,194	-68,354	-114,117	-295,689	-452,424
Profit (-loss) after tax, SEKk	-8,053	-70,348	-113,686	-302,820	-401,099
EBITDA margin, %	36.3	-51.4	51.5	-62.6	-41.6
EBIT margin, %	11.9	-500.8	17.9	-135.5	-180.1
Profit margin, %	-25.5	-323.6	-133.6	-129.2	-161.6
Equity to assets ratio, %	31.9	13.5	31.9	13.5	1.0
Closing price of A share for the period, SEK	1.16	0.98	1.16	0.98	1.85
Closing price of B share for the period, SEK	1.23	1.08	1.23	1.08	1.86
Basic earnings per share, SEK	-0.02	-0.21	-0.30	-0.92	-1.22
Diluted earnings per share, SEK	-0.02	-0.21	-0.30	-0.92	-1.22
Number of shares at end of period before dilution	724,609,266	329,367,849	724,609,266	329,367,849	329,367,849
Number of shares at end of period after dilution	724,609,266	329,367,849	724,609,266	329,367,849	329,367,849
Average number of shares before dilution	445,004,604	329,367,849	384,182,351	328,010,417	328,349,775
Average number of shares after dilution	445,004,604	329,367,849	384,182,351	328,010,417	328,349,775
Average number of employees	122	179	123	402	331
Number of employees at the end of the period	121	149	121	149	127

Key data, Group

EBITDA

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

EBIT

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

EBITDA margin

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

EBIT margin

Operating profit or loss as a percentage of net sales.

Profit margin

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

Equity to assets ratio

Equity as a percentage of total assets.

Earnings per share

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

Equity

Recognized equity including 78 percent of untaxed reserves.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

	2020	2019	2020	2019	2019
	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
<i>EBITDA</i>					
Operating profit (-loss), SEKk	3,816	-105,777	15,256	-310,152	-504,362
Less: Amortization of intangible assets, SEKk	2,737	91,388	12,151	113,133	326,860
Less: Depreciation of property, plant and equipment, SEKk	5,098	3,535	16,580	53,733	61,045
EBITDA	11,651	-10,854	43,987	-143,286	-116,457
<i>EBITDA margin, %</i>					
EBITDA, SEKk	11,651	-10,854	43,987	-143,286	-116,457
Net sales, SEKk	32,096	21,120	85,414	228,894	280,002
EBITDA margin, %	36.3	-51.4	51.5	-62.6	-41.6
<i>EBIT margin, %</i>					
Operating profit (-loss), SEKk	3,816	-105,777	15,256	-310,152	-504,362
Net sales, SEKk	32,096	21,120	85,414	228,894	280,002
EBIT margin, %	11.9	-500.8	17.9	-135.5	-180.1
<i>Profit margin, %</i>					
Profit (-loss) before tax, SEKk	-8,194	-68,354	-114,117	-295,689	-452,424
Net sales, SEKk	32,096	21,120	85,414	228,894	280,002
Profit margin, %	-25.5	-323.6	-133.6	-129.2	-161.6
<i>Equity to assets ratio, %</i>					
Total equity	237,362	108,641	237,362	108,641	6,158
Total equity and liabilities, SEKk	743,583	801,906	743,583	801,906	591,972
Equity to assets ratio, %	31.9	13.5	31.9	13.5	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	Q3	Q3	JAN-SEP	JAN-SEP	JAN - DEC
Net sales	5,326	11,547	22,452	46,362	58,990
Other operating revenue	-1,559	5,775	-635	30,812	25,037
Total sales	3,767	17,322	21,817	77,174	84,027
Other external expenses	-4,504	-12,207	-20,264	-46,073	-59,586
Employee benefit expense	-5,958	-5,582	-19,048	-26,673	-38,574
Depreciation of property, plant and equipment	-46	-50	-142	-170	-217
Other operating expenses	-	-	-	-	-7,078
Operating profit (-loss)	-6,741	-517	-17,637	4,258	-21,428
Profit from holdings in group companies	19	-10,927	921	-10,927	-224,439
Other financial income	1,653	492	5,152	1,428	98,039
Financial expenses	-11,381	-2,650	-123,043	-18,428	-54,260
Profit (-loss) after net financial income/expense	-16,450	-13,602	-134,607	-23,669	-202,088
Appropriations	-	-	-	-	187,393
Profit (-loss) before tax	-16,450	-13,602	-134,607	-23,669	-14,695
Income tax	-	-	-	-	-
Net profit (-loss) for the period	-16,450	-13,602	-134,607	-23,669	-14,695

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

PARENT COMPANY BALANCE SHEET

SEKk	2020-09-30	2019-09-30	2019-12-31
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>			
Computers and other equipment	312	468	421
<i>Financial assets</i>			
Investments in group companies	322,702	402,658	295,806
Investments in associates	4,656	4,656	4,656
Other financial assets	2,683	585	585
Total non-current assets	330,353	408,367	301,468
Current assets			
Trade and other receivables	1,981	20	-
Receivables from group companies	1,339,782	455,801	1,080,277
Other receivables	-	4,474	-
Prepaid expenses and accrued income	413	775	837
Cash and cash equivalents	17,169	12,259	12,009
Total current assets	1,359,345	473,329	1,093,123
TOTAL ASSETS	1,689,698	881,696	1,394,591
EQUITY AND LIABILITIES			
Equity			
Share capital	14,492	6,587	6,587
Share premium reserve	1,912,127	1,649,033	1,649,033
Retained earnings	-997,816	-1,054,390	-1,059,812
Net profit (-loss) for the period	-134,607	-23,669	-14,695
Total equity	794,196	577,561	581,113
Provisions			
Other provisions	-	-	31,230
Total provisions	-	-	31,230
Non-current liabilities			
Non-current liabilities to group companies	-	-	305,865
Other non-current liabilities	258,903	46,110	260
Total non-current liabilities	258,903	46,110	306,125
Current liabilities			
Trade payables	12,301	9,636	8,060
Liabilities to group companies	567,681	21,952	239,012
Other liabilities	34,185	217,209	218,022
Accrued expenses and deferred income	22,432	9,228	11,029
Total current liabilities	636,599	258,025	476,123
TOTAL EQUITY AND LIABILITIES	1,689,698	881,696	1,394,591

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 amount of all financial assets and liabilities is 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	2020-09-30	2019-09-30	2019-12-31
Pledged assets	585	222,249	6,594

Note 3: Net sales by category

SEKk Q3 2020	Starbreeze Games	Other	Total
PC	24,754	270	25,024
Consoles, Digital	6,215	28	6,243
Consoles, Retail	118	-	118
VR parks	-	-	-
Licensing	-	700	700
Other	11	-	11
Total net sales	31,098	998	32,096

SEKk JAN-SEP 2020	Starbreeze Games	Other	Total
PC	63,828	573	64,401
Consoles, Digital	16,683	74	16,757
Consoles, Retail	284	-	284
VR parks	12	57	69
Licensing	-	3,831	3,831
Other	72	-	72
Total net sales	80,879	4,535	85,414

Note 4: Consolidated depreciation and amortization by function

SEKk	2020	2019	2020	2019	2019
	Q3	Q3	JAN-SEP	JAN-SEPT	JAN-DEC
Depreciation and impairment of property, plant and equipment					
Direct costs	-986	-1,649	-4,147	-36,471	-38,217
Selling and marketing costs	-	-3	-	-19	-28
Administrative expenses	-4,112	-1,883	-12,433	-17,243	-22,800
Total depreciation and impairment of property, plant and equipment	-5,098	-3,535	-16,580	-53,733	-61,045
Amortization and impairment of intangible assets					
Direct costs	-2,668	-91,323	-11,945	-112,946	-326,606
Administrative expenses	-69	-65	-206	-187	-254
Total amortization and impairment of intangible assets	-2,737	-91,388	-12,151	-113,133	-326,860
Total depreciation and amortization and impairment	-7,835	-94,923	-28,731	-166,866	-387,905

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.

SEKk	2020-09-30
<i>Reconciliation of net carrying amount:</i>	
Balance of net assets at 1 January	9,681
Net profit (-loss) for the period	-11,641
Exchange differences	6,349
Closing balance net assets	4,389
Group's share	33%
Group's share in SEKk	1,448
Net carrying amount	1,448

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.

SEKk	2020-09-30
<i>Balance sheet in summary:</i>	
Current assets	11,284
Non-current assets	790
Current liabilities	7,685
Net assets	4,389
<i>Statement of comprehensive income in summary:</i>	
Sales	-2,028
Net profit (-loss) for the period	-11,641
Total comprehensive income for the period	-11,641

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.

	Parallaxter
Net assets disposed	31 januari 2020
Intangible assets	-15
Capitalized development cost for own games and technology develop	-192
Financial assets	343
Fixed assets	199
Trades and other receivables	393
Cash and cash equivalents	480
Total asset	1,208
Other current interest-bearing liabilities	1,596
Trade and other payables	2,166
Total liabilities	3,762
Net assets disposed	-2,554
Net result incl amortizaton of intercompany receivables	5,454
Selling price	1
Liquid funds in in divested operations	-480
TOTAL CASH FLOW IMPACT	-479

Auditor's review report

Starbreeze AB (publ), corporate reg. no. 556551-8932

Introduction

We have reviewed the interim financial information for Starbreeze AB (publ) as of 30 September 2020 and the nine-month period then ended. The directors and management are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

Focus and scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review differs from and is substantially less in scope than an audit conducted in accordance with ISA and generally accepted auditing practices otherwise and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion expressed based on a review therefore does not provide the same level of assurance as an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information was not prepared, with regard to the group, in accordance with IAS 34 and the Annual Accounts Act and, with regard to the parent company, in accordance with the Annual Accounts Act.

Material uncertainties concerning the going concern assumption

Without prejudice to our opinions above, we wish to draw attention to the section "Risks and uncertainties" concerning the company's financing situation. As stated in the interim report, Starbreeze AB (publ) does not at present have sufficient secured funds at present to guarantee continuing operation for the next twelve months. These circumstances indicate that there are material uncertainties that may cast significant doubt on the company's ability to continue as a going concern.

In a situation where the company's continued operation can no longer be assumed, there is material risk of needs to impair the group's assets and the parent company's carrying amounts for receivables due from group companies and for financial assets.

Stockholm, 10 November 2020

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

