

Q3

2021

Third quarter 2021

- Net sales amounted to SEK 34.7 million (32.1). PAYDAY accounted for SEK 31.2 million (31.1).
- EBITDA* amounted to SEK 19.9 million (11.7).
- Amortization, depreciation and impairments amounted to SEK 15.0 million (7.8).
- Profit before tax was SEK -8.0 million (-8.2).
- Basic and diluted earnings per share was SEK -0.01 (-0.02).

Nine-month period 2021

- Net sales amounted to SEK 94.6 million (85.4). PAYDAY accounted for SEK 89.6 million (80.8).
- EBITDA* amounted to SEK -9.4 million (44.0).
- EBITDA**, adjusted for one-off effects related to PAYDAY Crime War license agreement amounted to SEK 59.3 million (44.0).
- Amortization, depreciation and impairments amounted to SEK 45.0 million (28.7).
- Profit before tax was SEK -92.3 million (-114.1).
- Basic and diluted earnings per share was SEK -0.12 (-0.30).
- Cash and cash equivalents amounted to SEK 108.4 million (193.2).

KEY FIGURES	2021	2020	2021	2020	2020
	Q3	Q3	JAN-SEP	JAN-SEP	JAN-DEC
Net sales	34,703	32,096	94,636	85,414	118,006
EBITDA*	19,890	11,651	-9,364	43,987	49,317
EBITDA adjusted **	19,890	11,651	59,308	43,987	49,317
Profit (-loss) before tax	-7,980	-8,194	-92,260	-114,117	-130,473
Earnings per share, SEK	-0.01	-0.02	-0.12	-0.30	-0.28
Cash flow from operations	23,571	-33,446	61,422	-19,121	-24,640
Net sales per employee	251	263	706	694	959

* See page 19 for definitions of key figures.

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



Starbreeze in brief

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

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

More information: starbreeze.com

CEO's comments

8 YEARS WITH PAYDAY 2

A strong quarter with the PAYDAY anniversary and our highest ever MAU.

I can report that the interest in PAYDAY remains strong and player activity is high. The number of monthly active users (MAU), reached 1.2 million in one of the months of the third quarter. This is the highest level since we started tracking the number of active players in PAYDAY 2 and 200 000 more players than in the third quarter of 2020. At the same time, we increased net sales on Steam, against a strong third quarter of the preceding year. Successful sales during Steam's summer sale made some contribution. During the quarter, sales of the base game increased by 10% and of DLC (add-on bundles) by 4%, and in the first nine months of the year, sales increased by 29% compared to the same period in 2020. In line with our development plan, we released further exciting content from the City of Gold season in the third quarter.

We also saw a substantial improvement in our financial performance in the third quarter. EBITDA was SEK 19.9 million, an increase of SEK 8.2 million on the same period of the preceding year. For the period to September, EBITDA, adjusted for one-off effects, amounted to SEK 59.3 million against SEK 44.0 million in the same period in 2020.

PAYDAY: The Heist was launched in 2011, and the sequel PAYDAY 2 was launched on PC in the third quarter of 2013. This means that so far we have had eight fantastic years with PAYDAY 2 and a full ten years with PAYDAY as a franchise. In August and October, we ran campaigns to mark these two anniversaries. In addition to the usual launch of new content for PAYDAY 2, we treated our fans to a much-appreciated four-part documentary series detailing key events in the life of the game. To date, PAYDAY has been installed by nearly 36 million players worldwide, and we have released over 220 add-on bundles. This is a tremendous level of development and a journey that is still ongoing, along with 7.6 million members of the PAYDAY 2 community on Steam – the highest number for any game on the platform. We are continuing to develop new content for PAYDAY 2 and are planning a series of new activities leading up to the launch of PAYDAY 3 in 2023. I see the high number of monthly active users and the increased sales as clear evidence that the team at Starbreeze has mastered the games-as-a-service model.

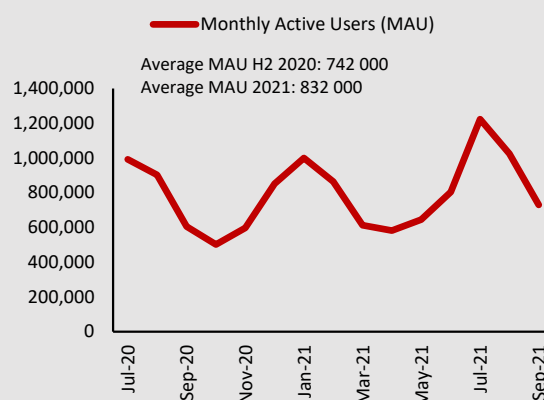
At the same time, the development of PAYDAY 3 is proceeding according to plan. We have strengthened and expanded our game development team and are continuously recruiting new staff for our studios in Stockholm and Paris. But we also have several new employees working in other locations and in other countries. Since the beginning of the year, we have welcomed 56 new employees from eight countries to our team.

In order to offer our players even more content and better service, while enabling us to tailor our communication to different customer segments, we launched the first version of our new customer portal - Starbreeze Accounts - in October. Through this system, we can offer our players exclusive in-game objects and incentives linked to current and future games regardless of the gaming platform. The community is the most important resource we have, and we will continue to offer them new and innovative ways to interact with us and other players.

Q3

2021

PAYDAY 2



Source: PAYDAY 2 game data through Starbreeze telemetry

Peak number of monthly active users
(MAU)

1,223,104

for PAYDAY 2 during Q3



Overall, we see continued strong growth for PAYDAY 2 and on-track development of PAYDAY 3. With the launch of our customer portal, we are working hard to create the best possible foundation for the successful launch of PAYDAY 3 and other future games. The fact that we are continuing to improve our finance performance demonstrates the strength of our strategy and the skills of our team. We are continuing to work on delivering on our long-term goals: to create games where players can collaborate and take part in creating their gaming experience, and to create a basis for launching additional games in the future.

Tobias Sjögren

CEO Starbreeze

SIGNIFICANT EVENTS DURING THE QUARTER

Q3
2021

A summary of significant events during the quarter follows below. Please visit Starbreeze.com for detailed information about events during the quarter.

Impact of COVID-19

Starbreeze is continuously monitoring the impact of the ongoing COVID-19 pandemic on the business. Ongoing revenue-generating operations have not shown any disruption, because the majority of revenues are generated by a digital distribution model in which product availability and interaction among players is uninterrupted regardless of general public social distancing measures. All the employees continued to work from home during the third quarter but starting from October, all employees are welcome back to the office. The company's assessment that the short-term impact on ongoing projects will be minor still stands, but the long-term effects on future business and the impact on the efficiency of the project organizations may result in delayed deliveries. The impact on the company's revenues has so far been positive.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

On October 28, the company launched its new player platform under the working name Starbreeze Accounts.

No other significant events have occurred since end of the period.

SALES AND PROFIT

Q3

2021

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

Third quarter 2021

Sales

Net sales for the third quarter of 2021 amounted to SEK 34.7 million (32.1), of which PAYDAY accounted for SEK 31.2 million (31.1). Net sales for PAYDAY increased by 0.4% compared to the corresponding period of the preceding year. Net sales was SEK 26.7 million (25.0) for PC and SEK 4.7 million (6.4) for Console. Net sales for the base game PAYDAY 2 on Steam increased by 10% (SEK 0.6 million) compared to the third quarter of 2020, and net sales of DLC (sale of add-on bundles) increased by 4% (SEK 0.7 million).

Console revenues are SEK 1.6 million lower than the corresponding period of the preceding year, related to lower sales volume in the period. The change in the exchange rate against the dollar had a negative impact on net sales of SEK 0.5 million compared to the average exchange rate for the corresponding period of the preceding year. Adjusted for exchange rate fluctuations, the increase in sales on Steam was about 8%.

In the period, SEK 3.3 million of net sales was related to sales revenue generated by previously released games defined as non-core activities, mainly related to the game Ten Crowns. In the corresponding period of the preceding year, this revenue amounted to SEK 0.7 million.

Expenses

Direct costs amounted to SEK 15.4 million (6.6) and consist of expenses related to game production and game development. Direct costs include depreciation and amortization of SEK 10.9 million (3.7). The increase is mainly due to increased amortization of intangible assets as the depreciation plan for the company's assets has been revised for 2021 onwards.

Capitalized development expenditure reduced direct costs by SEK 17.8 million (16.0) and relates to the games PAYDAY 2 and PAYDAY 3.

Selling and marketing expenses amounted to SEK 2.1 million (2.0) and relate mainly to employee expenses.

Administrative expenses amounted to SEK 14.7 million (14.4) and relate to items including office expenses and salaries of employees who do not work in game production or marketing, as well as external expenses.

Administrative expenses include amortization of SEK 4.1 million (4.2). Capitalized development expenditure reduced administrative expenses by SEK 7.3 million (5.2) and relates to the games PAYDAY 2 and PAYDAY 3.

Other revenue amounted to SEK 2.4 million (-5.4). This item consists mainly of currency effects due to changes in the USD and EUR exchange rates against SEK. The currency effect had a positive impact on the individual quarter.

Profit

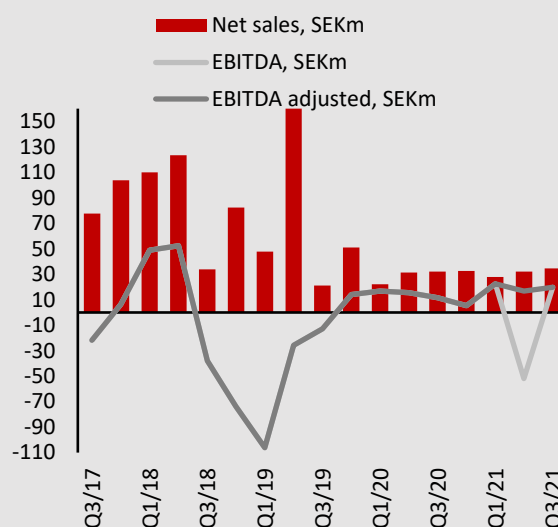
Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to SEK 19.9 million (11.7).

Sales and profit

	2021	2020	2021	2020
SEKk	Q3	Q3	JAN-SEP	JAN-SEP
Net sales	34,703	32,096	94,636	85,414
EBITDA *	19,890	11,651	-9,364	43,987
EBITDA adjusted **	19,890	11,651	59,308	43,987
Profit (-loss) before tax	-7,980	-8,194	-92,260	-114,117
Net profit (-loss) for the	-8,049	-8,053	-88,920	-113,686
Earnings per share, SEK	-0.01	-0.02	-0.12	-0.30
Net sales growth, %	8.1	52.0	10.8	-62.7
EBITDA margin, %	57.3	36.3	-9.9	51.5
EBITDA margin, % adjusted**	57.3	36.3	62.7	51.5

*See page 19 for the definitions of key figures

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



The share of profit and loss in the joint venture StarVR Corporation amounted to SEK 0.1 million (-0.4). Net financial income/expense was reduced during the quarter by interest on lease liabilities of SEK 0.3 million (0.4), an effect of the reporting standard IFRS 16.

Net financial income/expense

Net financial income/expense amounted to SEK -12.9 million (-12.0). The expenses are attributable mainly to the company's convertible loan and associated liability of SEK -12.7 million (-10.7).

Profit before tax and net profit for the period

Profit before tax for the quarter amounted to SEK -8.0 million (-8.2). Net profit for the quarter amounted to SEK -8.0 million (-8.1). Basic and diluted earnings per share was SEK -0.01 (-0.02).

Nine-month period 2021

Sales

Net sales amounted to SEK 94.6 million (85.4), of which PAYDAY accounted for 89.6 million (80.8). Net sales was SEK 76.5 million (64.4) for PC and SEK 13.7 million (17.0) for Console.

Net sales for the base game PAYDAY 2 on Steam increased by 14% (SEK 2.4 million) compared to the corresponding period in 2020 and net sales of DLC (sale of add-on bundles) increased by 21% (SEK 8.4 million). Console revenues are SEK 3.3 million lower than the corresponding period of the preceding year, related to negative currency effects and lower sales volume in the period. In the period, SEK 4.2 million of net sales was related to sales revenue generated by previously released games defined as non-core activities, mainly related to the game Ten Crowns. In the corresponding period of the preceding year, this revenue amounted to SEK 3.6 million.

The change in the exchange rate against the dollar had a negative impact on net sales of SEK 7.6 million compared to the average exchange rate for the corresponding period of the preceding year. Adjusted for exchange rate fluctuations, the increase in sales on Steam was about 29%.

Expenses

Direct costs amounted to SEK 41.2 million (22.3) and consist of expenses related to game production and game development. The increase is mainly due to increased amortization of intangible assets of SEK 15.5 million as the depreciation plan for the company's assets has been revised for 2021 onwards. Direct costs include depreciation and amortization of SEK 31.6 million (16.1).

Capitalized development expenditure reduced direct costs by SEK 61.4 million (53.3) and relates to the games PAYDAY Crime War, PAYDAY 2 and PAYDAY 3.

Selling and marketing expenses amounted to SEK 7.4 million (6.3) and relate mainly to employee expenses.

Administrative expenses amounted to SEK 38.1 million (53.3) and relate to items including office expenses and salaries of employees who do not work in game production or marketing, as well as expenses related to external services. The decrease in administrative expenses is mainly due to lower costs of external services and the reconstruction process.

Administrative expenses include amortization of SEK 13.4 million (12.6). Capitalized development expenditure reduced administrative expenses by SEK 21.9 million (17.4) and relates to the games PAYDAY Crime War, PAYDAY 2 and PAYDAY 3.

Other revenue amounted to SEK 6.4 million (11.8). This item consists mainly of currency effects due to changes in the USD and EUR exchange rates against SEK. The comparative figure includes net profit attributable to divested subsidiaries of SEK 6.4 million.

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

Profit

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to SEK -9.4 million (44.0). Adjusted for one-off effects related to the license agreement for PAYDAY Crime War, EBITDA was SEK 59.3 million (44.0).

The share of profit and loss in the joint venture StarVR Corporation amounted to SEK 0.2 million (-1.7). Net financial income/expense was reduced during the period by interest on lease liabilities of SEK 0.9 million (-1.2), an effect of the IFRS 16 reporting standard.

Net financial income/expense

Net financial income/expense amounted to SEK -37.9 million (-129.4). The expenses are attributable mainly to the company's convertible loan and associated liability of SEK -36.2 million (-30.7). In the corresponding period of the preceding year, we had a negative impact of SEK 90.9 million related to the renegotiation loss on convertible loan.

Profit before tax and net profit for the period

Profit before tax for the period was SEK -92.3 million (-114.1). Net profit for the period amounted to SEK -88.9 million (-113.7). Basic and diluted earnings per share was SEK -0.12 (-0.30).

Specification of net financial income/expense

	2021	2020	2021	2020	2020
SEKk	Q3	Q3	JAN-SEP	JAN-SEP	JAN-DEC
Interest on convertible bonds	-7,185	-6,116	-20,497	-16,397	-22,766
Net profit (-loss) from StarVR Corp.	99	-380	169	-1,746	-2,112
Renegotiation loss convertible bond	-	-	-	-90,934	-90,934
Implicit interest	-5,518	-4,618	-15,679	-14,318	-19,148
Interest Nordea	-	125	-1,035	-3,409	-3,974
Interest on lease liability	-267	-366	-874	-1,169	-1,509
Interest on non-current liabilities according composition proposal	-	-800	-	-1,563	-1,563
Other items	-32	143	12	161	658
Total	-12,903	-12,011	-37,904	-129,373	-141,348

OTHER FINANCIAL INFORMATION

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

Third quarter 2021

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 17.4 million (16.7), with an operating profit of SEK 4.9 million (3.8) and adjustments for non-cash items of SEK 12.9 million (13.3), of which depreciation of assets amounts to SEK 15.0 million and currency effects to SEK -2.0 million. The depreciation plan for the company's assets has been revised, with the result that depreciation for the period increased to SEK 15.0 million against SEK 7.8 million for the corresponding period of the preceding year.

Cash flow from operating activities after changes in working capital amounted to SEK 23.6 million (-33.4) in the period, the corresponding period of the preceding year was affected by the payment of reorganization-related accounts payable debt of SEK -63,0 million.

Cash flow from investing activities was SEK -24.9 million (-22.2), of which investments in proprietary game development amounted to SEK -25.1 million.

Cash flow from financing activities amounted to SEK -4.0 million (158.2), of which the effect of IFRS 16 Leases amounted to SEK -4.8 million.

Total cash flow for the period was SEK -5.3 million (102.5). Cash and cash equivalents at the end of the quarter amounted to SEK 108.4 million (193.2).

Investments

Consolidated investments in property, plant and equipment during the period amounted to SEK 0.1 million (0.4). Investments in proprietary game and technology development amounted to SEK 25.1 million (22.0).

Nine-month period 2021

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 49.3 million (37.4), with an operating loss of SEK -54.4 million (15.3) and adjustments for non-cash items of SEK 109.4 million (22.5), of which depreciation amounted to SEK 45.0 million (28.7). This item also includes an accounting loss on sale of fixed assets of SEK 68.7 million, which relates to previously capitalized development expenditure on PAYDAY Crime War. In connection with the signing of a license agreements for PAYDAY Crime War, the rights to the game was transferred to the licensee, with the consequence that previously made investments in development was expensed.

Cash flow from operating activities after changes in working capital amounted to SEK 61.4 million (-19.1), the corresponding period of the preceding year was affected by the payment of reorganization-related accounts payable debt of SEK -63,0 million.

Cash flow from investing activities was SEK -80.4 million (-71.8), of which investments in proprietary game development amounted to SEK -

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Cash and cash equivalents

at 30 September 2021

108.4 SEKm

83.3 million. This item also includes the one-off revenue received by Starbreeze in connection with the signing of the PAYDAY Crime War license agreement of SEK 2.1 million.

Cash flow from financing activities amounted to SEK -30.2 million (201.3), and was mainly impacted by final repayment of loans to Nordea of SEK -55.9 million and financing received for game development from Koch Media Group of SEK 38.4 million. During the period, the company raised a new overdraft facility with Nordea with a limit of SEK 15 million, of which SEK 1.1 million had been drawn down at the end of the period. The effect of IFRS 16 Leases amounts to SEK -14.3 million (-14.0). In 2020, two new rights issues totaling SEK 301.3 million were carried out, which had a positive impact in the preceding year of SEK 271.0 million, and loans to Nordea of SEK -55.0 million were repaid.

Total cash flow for the period was SEK -49.2 million (110.4). Cash and cash equivalents at the end of the period amounted to SEK 108.4 million (193.2).

Investments

Group investments in property, plant and equipment during the period amounted to SEK 0.3 million (0.5). Investments in proprietary game and technology development amounted to SEK 83.3 million (70.7).

Financial position

Non-current assets

Goodwill at the end of the period amounted to SEK 41.4 million (42.2). Intangible assets, which consist primarily of IP rights, amounted to SEK 207.1 million (231.6).

Capitalized expenditure on proprietary game and technology development amounted to SEK 176.6 million (149.1).

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

Amortization and impairments of intangible assets amounted to SEK 29.0 million (12.2) during the period.

Current assets

Trade and other receivables amounted to SEK 25.3 million (14.9).

Prepaid expenses and accrued income at the end of the period amounted to SEK 32.9 million (32.4), of which SEK 14.5 million (13.6) relates to receivables for digital sales, primarily through Steam, PlayStation Store, Xbox Live and Switch.

Equity

Group equity amounted to SEK 137.9 million (237.4) at the reporting date.

Non-current liabilities

Non-current liabilities amounted to SEK 402.2 million (331.2), of which convertible loans and related liability amounted to SEK 306.3 million and liability to Koch Media for game financing received amounted to SEK 58.7 million. Non-current liability related to game financing will increase as financing is obtained and the liability will be credited in connection with future revenue sharing of PAYDAY 3 sale revenues. The non-current component of lease liability amounted to SEK 25.1 million (41.8). Deferred tax liability amounted to SEK 0.0 million (6.9).

Current liabilities

Current liabilities totaled SEK 112.4 million (175.0). Trade payables and other liabilities at the end of the period amounted to SEK 62.0 million (127.8). Repayment of loans to Nordea including interest was made during the period in an amount of SEK 59.1 million. Current liability for lease contracts amounted to SEK 18.1 million (19.6). Accrued expenses and deferred income at the end of the period amounted to SEK 32.2 million (27.6).

Leases

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

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

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

The interim report of the Parent Company has been prepared in accordance with the same accounting policies and methods of calculation as the annual report for 2020 (Note 2, pages 55-60).

Share capital

Share capital at the end of the period amounted to SEK 14,492,185 (14,492,185) divided into 724,609,266 shares (724,609,266), of which 166,373,988 Class A shares (169,443,708) and 558,235,278 Class B shares (555,165,558).

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 declining dollar rate in the longer term always has a negative impact on profit margins. As the Group includes foreign subsidiaries, there is also translation exposure.

The largest risks and uncertainties are low revenues in connection with game releases and project delays. These and other risks such as copyright infringements, loss of key individuals and exchange rate fluctuations are described in Starbreeze's Annual Report 2020 in the Directors' Report on page 46, and in Note 3. Furthermore, the value of certain assets and liabilities is based on expected outcomes. Consequently, these items have to be regularly remeasured and thus may affect future profit and loss.

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

Parent company

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

Number of employees

	2021	2020
	Q3	Q3
Employees	138	122
Men	114	103
Women	24	19

138

employees at Starbreeze

The parent company's net sales during the quarter amounted to SEK 6.6 million (5.3). Sales relate primarily to allocation of management fees.

Profit before and after tax was SEK -12.0 million (-16.5).

Cash and cash equivalents at the end of the quarter amounted to SEK 8.6 million (17.2) and parent company's equity was SEK 745.5 million (794.2).

Non-current liabilities increased during the period to SEK 306.3 million (258.9).

Related-party transactions

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

Auditor's review

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



Investor relations contact

Up-to-date information about Starbreeze is available on the company's website at starbreeze.com. The company can be contacted by e-mail: ir@starbreeze.com, telephone: +46 (0)8-209 229 or mail: Box 7731, 103 95 Stockholm, Sweden.

For further information

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

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

Stockholm, November 12, 2021

Torgny Hellström

Chairman of the Board

Mike Gamble

Director

Anna Lagerborg

Director

Jan Benjaminson

Director

Thomas Lindgren

Director

Kerstin Sundberg

Director

Tobias Sjögren

Chief Executive Officer

Financial calendar

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

Annual Report 2021.....April 14, 2022

Interim Report Q1 2022.....May 11, 2022

Interim Report Q2 2022.....August 18, 2022

Interim -Report Q3 2022.....November 17, 2022

Year-end Report 2022.....February 16, 2023

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 November 12, 2021 at 8.00 am CET.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKk	NOTE	2021	2020	2021	2020	2020
		Q3	Q3	JAN-SEP	JAN-SEP	JAN-DEC
Net sales	3	34,703	32,096	94,636	85,414	118,006
Direct costs	4	-15,419	-6,555	-41,210	-22,344	-31,074
Gross profit (-loss)		19,284	25,541	53,426	63,070	86,932
Selling and marketing costs		-2,078	-1,951	-7,421	-6,304	-8,464
Administrative expenses		-14,698	-14,370	-38,072	-53,318	-69,428
Other revenue		2,415	-5,404	6,383	11,808	1,835
Other expenses		-	-	-68,672	-	-
Operating profit (-loss)		4,923	3,816	-54,356	15,256	10,875
Financial income		14	102	46	328	628
Financial expenses		-13,016	-11,732	-38,119	-127,955	-139,864
Share in profit or loss of holdings accounted for using the equity method		99	-380	169	-1,746	-2,112
Profit (-loss) before tax		-7,980	-8,194	-92,260	-114,117	-130,473
Income tax		-69	141	3,340	431	193
Net profit (-loss) for the period		-8,049	-8,053	-88,920	-113,686	-130,280
<i>Other comprehensive income that may subsequently be reclassified to profit and loss</i>						
Exchange differences		-788	482	-1,641	-2,801	246
Total comprehensive income for the period		-8,837	-7,571	-90,561	-116,487	-130,034
Total comprehensive income for the period attributable to:						
Owners of the parent		-8,837	-7,571	-90,561	-116,487	-130,034
Earnings per share attributable to owners of the parent during the period (SEK):						
- Basic		-0.01	-0.02	-0.12	-0.30	-0.28
- Diluted		-0.01	-0.02	-0.12	-0.30	-0.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEKk	NOTE	2021-09-30	2020-09-30	2020-12-31
ASSETS				
<i>Intangible assets</i>				
Goodwill		41,376	42,210	38,827
Other intangible assets		207,050	231,565	228,514
Capitalized development cost for own games and technology development		176,646	149,078	171,435
Investments in publishing projects		3,974	3,974	3,974
<i>Financial assets</i>				
Financial assets		7,767	7,867	7,683
Investments in joint ventures	5	1,252	1,448	1,083
Non-current lease receivable		1,567	3,381	2,612
Deferred tax assets		4,474	-	161
<i>Property, plant and equipment</i>				
IT equipment and other equipment		2,153	7,886	6,704
Right-of-Use asset-Buildings		37,740	52,623	48,866
Total non-current assets		483,999	500,032	509,859
<i>Current assets</i>				
Trades and other receivables		25,337	14,901	4,061
Current lease receivable		1,972	3,063	2,627
Prepaid expenses and accrued income		32,861	32,387	34,736
Cash and cash equivalents		108,350	193,200	157,423
Total current assets		168,520	243,551	198,847
TOTAL ASSETS		652,519	743,583	708,706
EQUITY AND LIABILITIES				
<i>Equity attributable to owners of the parent</i>				
Share capital		14,492	14,492	14,492
Other contributed capital		1,979,111	1,974,428	1,979,111
Reserves		20,005	18,599	21,646
Retained earnings including net profit or loss for the period		-1,875,671	-1,770,157	-1,786,751
Total equity		137,937	237,362	228,498
<i>Non-current liabilities</i>				
Non-current liabilities, earnouts		-	18	-
Deferred tax liability		-	6,866	-
Non-current lease liability		25,079	41,788	37,147
Other non-current liabilities		377,092	282,543	292,702
Total non-current liabilities		402,171	331,215	329,849
<i>Current liabilities</i>				
Current liabilities, earnouts		-	-	18
Trade and other payables		62,029	127,782	103,345
Current lease liability		18,137	19,578	19,135
Accrued expenses and deferred income		32,245	27,646	27,861
Total current liabilities		112,411	175,006	150,359
TOTAL EQUITY AND LIABILITIES		652,519	743,583	708,706

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKk	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2021	14,492	1,979,111	21,646	-1,786,751	228,498
Net profit (-loss) for the period	-	-	-	-88,920	-88,920
Other comprehensive income for the period					
Translation differences	-	-	-1,641	-	-1,641
Total comprehensive income	-	-	-1,641	-88,920	-90,561
Balance at 30 September 2021	14,492	1,979,111	20,005	-1,875,671	137,937
Balance at 1 January 2020	6,587	1,711,334	21,400	-1,733,163	6,158
Net profit (-loss) for the period	-	-	-	-130,280	-130,280
Translation differences	-	-	246	-	246
Total comprehensive income	-	-	246	-130,280	-130,034
Transactions with shareholders:					
New issue	7,905	293,368	-	-	301,273
Issue costs recognized in equity	-	-30,273	-	-	-30,273
Shareholders' contributions from composition proposal	-	-	-	76,692	76,692
Other	-	4,683	-	-	4,683
Total contribution from and value transfers to shareholders, recognized directly in equity	7,905	267,777	-	76,692	352,374
Balance at 31 December 2020	14,492	1,979,111	21,646	-1,786,751	228,498
				2021	2020
CHANGE IN NUMBER OF OUTSTANDING SHARES				JAN-SEP	JAN - DEC
Number of shares at the beginning of the period				724,609,266	329,367,849
New issue				-	395,241,417
Total shares outstanding at the end of the period				724,609,266	724,609,266

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKk	NOTE	2021	2020	2021	2020	2020
		Q3	Q3	JAN-SEP	JAN-SEP	JAN-DEC
<i>Operating activities</i>						
Cash flow from operations		4,923	3,816	-54,356	15,256	10,875
Adjustment for non-cash items		12,949	13,314	109,405	22,492	37,053
Interest paid		-	-385	-3,394	-385	-385
Income taxes paid		-461	-	-2,307	-	-
Cash flow from (-used in) operating activities before changes in working capital		17,411	16,745	49,348	37,363	47,543
<i>Cash flow from changes in working capital</i>						
Increase (+)/decrease (-) in operating receivables		2,107	-15,684	3,177	58,116	66,851
Increase (+)/decrease (-) in operating liabilities		4,053	-34,507	8,897	-114,600	-139,034
Cash flow from (-used in) operating activities after changes in working capital		23,571	-33,446	61,422	-19,121	-24,640
<i>Investing activities</i>						
Purchase of property, plant and equipment		-57	-419	-324	-451	-944
Sold non-current assets		-28	252	70	26	51
Sold intangible assets		-	-	2,103	-	-
Divested subsidiaries		-	5	-	-475	-472
Purchase of intangible assets		-53	-	-91	-	-
Investments in other financial assets		-	86	-	-	-
Change in other financial assets		388	-	1,177	-	-
Investments in own games and technology		-25,109	-21,952	-83,314	-70,676	-94,541
Investments in publishing projects		-	-177	-	-177	-309
Cash flow from (-used in) investing activities		-24,859	-22,205	-80,379	-71,753	-96,215
<i>Financing activities</i>						
New issue		-	220,276	-	301,273	301,273
Costs related to new issues		-	-	-	-30,274	-30,274
Increase in non-current liabilities		-	-2,318	-	-714	-1,598
Repayment of loans		-	-55,000	-55,887	-55,000	-55,000
Financing game development		780	-	38,853	-	-
Overdraft facility		-	-	1,114	-	-
Effect of financial lease		-4,789	-4,783	-14,302	-14,027	-18,802
Cash flow from financing activities		-4,009	158,175	-30,222	201,258	195,599
Cash flow for (-used in) the period		-5,297	102,524	-49,179	110,384	74,744
Cash and cash equivalents at the beginning of the period		113,581	90,891	157,423	82,787	82,787
Exchange difference in cash and cash equivalents		66	-215	106	29	-108
Cash and cash equivalents at the end of the period		108,350	193,200	108,350	193,200	157,423

KEY RATIOS, GROUP

	2021	2020	2021	2020	2020
	Q3	Q3	JAN-SEP	JAN-SEP	JAN-DEC
Net sales, SEKk	34,703	32,096	94,636	85,414	118,006
EBITDA, SEKk	19,890	11,651	-9,364	43,987	49,317
EBITDA adjusted, SEKk	19,890	11,651	59,308	43,987	49,317
EBIT, SEKk	4,923	3,816	-54,356	15,256	10,875
Profit (-loss) before tax, SEKk	-7,980	-8,194	-92,260	-114,117	-130,473
Profit (-loss) after tax, SEKk	-8,049	-8,053	-88,920	-113,686	-130,280
EBITDA margin, %	57.3	36.3	-9.9	51.5	41.8
EBITDA margin, % adjusted	57.3	36.3	62.7	51.5	41.8
EBIT margin, %	14.2	11.9	-57.4	17.9	9.2
Profit margin, %	-23.0	-25.5	-97.5	-133.6	-110.6
Equity to assets ratio, %	21.1	31.9	21.1	31.9	32.2
Closing price of A share for the period, SEK	1.26	1.16	1.26	1.16	1.06
Closing price of B share for the period, SEK	1.21	1.23	1.21	1.23	1.09
Basic earnings per share, SEK	-0.01	-0.02	-0.12	-0.30	-0.28
Diluted earnings per share, SEK	-0.01	-0.02	-0.12	-0.30	-0.28
Number of shares at end of period before dilution	724,609,266	724,609,266	724,609,266	724,609,266	724,609,266
Number of shares at end of period after dilution	724,609,266	724,609,266	724,609,266	724,609,266	724,609,266
Average number of shares before dilution	724,609,266	445,004,604	724,609,266	384,182,351	469,754,144
Average number of shares after dilution	724,609,266	445,004,604	724,609,266	384,182,351	469,754,144
Average number of employees	138	122	134	123	123
Number of employees at the end of the period	138	121	138	121	124

Key ratios, Group

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization.

EBITDA Adjusted

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

EBIT

Earnings Before Interest and Taxes.

EBITDA margin

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

Adjusted EBITDA margin

Operating profit before depreciation, amortization and impairment as a percentage of net sales adjusted for one-off effects related to license agreements concerning PAYDAY Crime War.

Operating margin

Operating profit as a percentage of net sales.

Profit margin

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

Equity/assets ratio

Equity as a percentage of capital employed.

Earnings per share

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

Equity

Recognized equity including 78 percent of untaxed reserves.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

	2021	2020	2021	2020	2020
	Q3	Q3	JAN-SEP	JAN-SEP	JAN-DEC
<i>EBITDA</i>					
Operating profit (-loss), SEKk	4,923	3,816	-54,356	15,256	10,875
Amortization of intangible assets, SEKk	10,031	2,737	29,016	12,151	16,628
Depreciation of property, plant and equipment, SEKk	4,936	5,098	15,976	16,580	21,814
EBITDA	19,890	11,651	-9,364	43,987	49,317
EBITDA adjusted, SEKk	19,890	11,651	59,308	43,987	49,317
<i>EBITDA margin, %</i>					
EBITDA, SEKk	19,890	11,651	-9,364	43,987	49,317
EBITDA adjusted, SEKk	19,890	11,651	59,308	43,987	49,317
Net sales, SEKk	34,703	32,096	94,636	85,414	118,006
EBITDA margin, %	57.3	36.3	-9.9	51.5	41.8
EBITDA margin, % adjusted	57.3	36.3	62.7	51.5	41.8
<i>EBIT margin, %</i>					
Operating profit (-loss), SEKk	4,923	3,816	-54,356	15,256	10,875
Net sales, SEKk	34,703	32,096	94,636	85,414	118,006
EBIT margin, %	14.2	11.9	-57.4	17.9	9.2
<i>Profit margin, %</i>					
Profit (-loss) before tax, SEKk	-7,980	-8,194	-92,260	-114,117	-130,473
Net sales, SEKk	34,703	32,096	94,636	85,414	118,006
Profit margin, %	-23.0	-25.5	-97.5	-133.6	-110.6
<i>Equity to assets ratio, %</i>					
Total equity	137,937	237,362	137,937	237,362	228,498
Total equity and liabilities, SEKk	652,519	743,583	652,519	743,583	708,706
Equity to assets ratio, %	21.1	31.9	21.1	31.9	32.2

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

PARENT COMPANY INCOME STATEMENT

	2021	2020	2021	2020	2020
SEKk	Q3	Q3	JAN-SEP	JAN-SEP	JAN-DEC
Net sales	6,569	5,326	16,903	22,452	29,762
Other operating revenue	2,394	-1,559	5,088	-635	8,542
Total sales	8,963	3,767	21,991	21,817	38,304
Other external expenses	-1,900	-4,504	-7,972	-20,264	-24,374
Employee benefit expense	-7,808	-5,958	-20,274	-19,048	-29,961
Depreciation of property, plant and equipment	-44	-46	-184	-142	-188
Other operating expenses	-	-	-	-	-
Operating profit (-loss)	-789	-6,741	-6,439	-17,637	-16,219
Profit from holdings in group companies	-	19	19	921	-
Other financial income	1,462	1,653	4,177	5,152	6,508
Financial expenses	-12,703	-11,381	-36,753	-123,043	-134,561
Profit (-loss) after net financial income/expense	-12,030	-16,450	-38,996	-134,607	-144,272
Profit (-loss) before tax	-12,030	-16,450	-38,996	-134,607	-144,272
Income tax	-	-	-	-	-
Net profit (-loss) for the period	-12,030	-16,450	-38,996	-134,607	-144,272

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

PARENT COMPANY BALANCE SHEET

SEKk	2021-09-30	2020-09-30	2020-12-31
ASSETS			
<i>Non-current assets</i>			
<i>Property, plant and equipment</i>			
Computers and other equipment	169	312	268
<i>Financial assets</i>			
Investments in group companies	322,685	322,702	322,702
Investments in associates	4,656	4,656	4,656
Other financial assets	2,612	2,683	2,594
Total non-current assets	330,122	330,353	330,220
<i>Current assets</i>			
Trade and other receivables	1,434	1,981	933
Receivables from group companies	1,343,801	1,339,782	1,332,388
Prepaid expenses and accrued income	350	413	524
Cash and cash equivalents	8,604	17,169	10,906
Total current assets	1,354,189	1,359,345	1,344,751
TOTAL ASSETS	1,684,311	1,689,698	1,674,971
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	14,492	14,492	14,492
Share premium reserve	1,912,127	1,912,127	1,912,128
Retained earnings	-1,142,087	-997,816	-997,816
Net profit (-loss) for the period	-38,996	-134,607	-144,272
Total equity	745,536	794,196	784,532
<i>Non-current liabilities</i>			
Other non-current liabilities	306,260	258,903	270,084
Total non-current liabilities	306,260	258,903	270,084
<i>Current liabilities</i>			
Trade payables	508	12,301	1,013
Liabilities to group companies	621,870	567,681	576,994
Other liabilities	3,442	34,185	34,545
Accrued expenses and deferred income	6,695	22,432	7,803
Total current liabilities	632,515	636,599	620,355
TOTAL EQUITY AND LIABILITIES	1,684,311	1,689,698	1,674,971

NOTES

Note 1: Accounting and measurement policies

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

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

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

Note 2: Pledged assets

Consolidated pledged assets and contingent liabilities

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

SEKk	2021-09-30	2020-09-30	2020-12-31
Pledged assets	585	585	585

Note 3: Net sales by category

SEKk Q3 2021	Starbreeze Games	Other	Total
PC	26,519	177	26,696
Consoles, Digital	4,632	-	4,632
Consoles, Retail	67	-	67
VR parks	-	-	-
Licensing	2	3,281	3,283
Other	25	-	25
Total net sales	31,245	3,458	34,703

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-SEPT 2021	Starbreeze Games	Other	Total
PC	75,794	751	76,545
Consoles, Digital	13,705	-166	13,539
Consoles, Retail	166	-	166
VR parks	16	90	106
Licensing	224	3,963	4,187
Other	93	-	93
Total net sales	89,998	4,638	94,636

SEKk JAN-SEPT 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: Group depreciation and amortization by function

SEKk	2021	2020	2021	2020	2020
	Q3	Q3	JAN-SEP	JAN-SEP	JAN-DEC
Depreciation and impairment of property, plant and equipment					
Direct costs	-891	-986	-2,792	-4,147	-5,302
Selling and marketing costs	-1	-	-6	-	-
Administrative expenses	-4,044	-4,112	-13,178	-12,433	-16,512
Total depreciation and impairment of property, plant and equipment	-4,936	-5,098	-15,976	-16,580	-21,814
Amortization and impairment of intangible assets					
Direct costs	-9,961	-2,668	-28,809	-11,945	-16,353
Administrative expenses	-70	-69	-207	-206	-275
Total amortization and impairment of intangible assets	-10,031	-2,737	-29,016	-12,151	-16,628
Total depreciation and amortization and impairment	-14,967	-7,835	-44,992	-28,731	-38,442

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 rights, such as patents, source code and trademarks, related to StarVR, while Acer is responsible for manufacturing the product. Development and reference design work for headsets is carried out jointly by Starbreeze and Acer. StarVR Corporation bears all expenses for marketing and sale of the StarVR headset. Starbreeze was responsible for R&D-related expenses until September 2018, but these have been transferred to StarVR Corporation. Production expenses are borne by Acer, which is also an exclusive supplier to StarVR Corporation.

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

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

SEKk	2021-09-30
<i>Balance sheet in summary:</i>	
Current assets	11,602
Non-current assets	62
Current liabilities	-7,871
Net assets	3,793
<i>Statement of comprehensive income in summary:</i>	
Sales	471
Net profit (-loss) for the period	335
Total comprehensive income for the period	335

SEKk	2021-09-30
<i>Reconciliation of net carrying amount:</i>	
Balance of net assets at 1 January	3,282
Net profit (-loss) for the period	335
Exchange differences	177
Closing balance net assets	3,794
Group's share	33%
Group's share in SEKk	1,252
Net carrying amount	1,252



Auditor's report

Starbreeze AB (publ) corp. reg. no. 556551-8932

Introduction

We have reviewed the condensed interim financial information (interim report) of Starbreeze AB (publ) as of 30 September 2021 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Disclosure of particular importance

Without affecting our statements above, we would like to draw attention to the section "Risks and uncertainties". If the future launch of Payday 3 does not become profitable, there is a risk of impairment of intangible assets, shares in subsidiaries and receivables from Group companies.

Stockholm, 12 November 2021

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

