

STARBREEZE
STUDIOS



Interim report Q2
April – June 2022

Stepping up...
...to the next level





Second quarter 2022

- Net sales totaled SEK 31.8 million (32.0). PAYDAY accounted for SEK 30.0 million (31.5).
- EBITDA* totaled SEK 18.1 million (-51.8).
- Depreciation, amortization and impairment totaled SEK 14.8 million (15.5).
- Profit/loss before tax was SEK -10.8 million (-80.0).
- Basic and diluted earnings per share totaled SEK -0.02 (-0.11).
- On June 21, Midland Ranch Heist was successfully released as part of the Texas Heat campaign.

First half-year of 2022

- Net sales totaled SEK 55.3 million (59.9). PAYDAY accounted for SEK 53.4 million (58.4).
- EBITDA* totaled SEK 22.7 million (-29.3).
- Depreciation, amortization and impairment totaled SEK 29.2 million (30.0).
- Profit/loss before tax was SEK -34.6 million (-84.3).
- Basic and diluted earnings per share totaled SEK -0.05 (-0.11).
- Cash and cash equivalents amounted to SEK 86.3 million (113.6).

Significant events after the end of the period

- There were no significant events after the end of the period.

KEY FIGURES	2022	2021	2022	2021	2021
SEKk	Q2	Q2	JAN-JUN	JAN-JUN	JAN-DEC
Net sales	31,764	32,010	55,296	59,933	125,689
EBITDA*	18,106	-51,849	22,659	-29,255	6,268
EBITDA adjusted **	18,106	16,823	22,659	39,417	74,940
Profit (-loss) before tax	-10,838	-80,032	-34,611	-84,280	-105,226
Earnings per share, SEK	-0.02	-0.11	-0.05	-0.11	-0.14
Cash flow from operations	15,441	9,328	24,135	37,852	73,868
Net sales per employee	212	241	374	454	931

For definitions of alternative performance measures, see page 20.

** Adjusted for non-recurring items related to the PAYDAY Crime War licensing agreement.

CEO'S MESSAGE

WE CONTINUE ACCORDING TO OUR STRATEGY TO DEVELOP STARBREEZE

The games market in the first half of 2022 was generally strong, but showed some volatility and changes. In the world around us, we see rising interest rates and inflation, falling stock prices, the war in Ukraine, Covid-19 and a generally high level of uncertainty. However, the industry continues to see high player activity and strong demand for employees, although like most other gaming companies, our sales volumes were down on last year. The development of PAYDAY 3 continues according to our development plan, sales of PAYDAY 2 remain strong and we continued to attract and recruit the right people in the first half of 2022. Despite this, we are naturally cautious about the uncertainty we see in the world around us and the fact that the economy has moved from being buoyant to a more uncertain future in a

short period of time. To ensure long-term and profitable activity, delivering high quality content to our players, growing and nurturing our community and being the best employer for game developers are our top priorities.

The work on developing new content for PAYDAY 2 continues to be very ambitious. This is to ensure the high level of interest in the game and to maintain good sales, and also to provide the best possible conditions for the launch of PAYDAY 3. June saw the successful release of Midland Ranch Heist, part of our new Texas Heat campaign, and we have also had other smaller releases and updates throughout the quarter. During the quarter, our MAU peaked at 585,000 players, which remains a high level of engagement, although



the second quarter's highest measured level is slightly lower than that of the first quarter of the year.

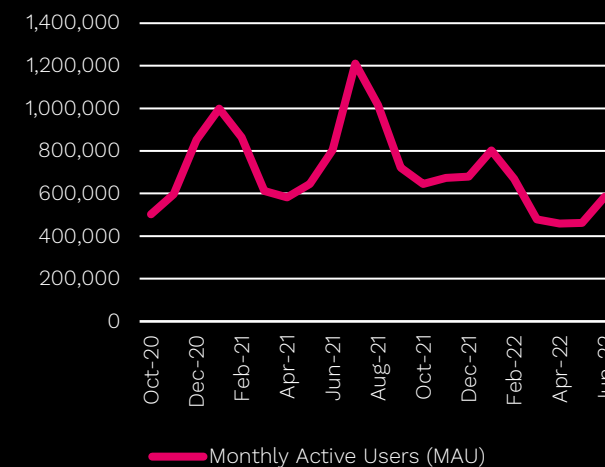
In terms of sales, PC sales during the quarter amounted to SEK 24.7 million (27.3), a decrease of approximately 9 percent, and in console sales we saw an increase of approximately 19 percent to SEK 5.5 million (4.6). Overall, net sales for the quarter amounted to SEK 31.8 million (32.0). Underlying sales for the quarter are good compared to those seen in recent years, and we also experienced a positive impact from the stronger USD currency. The decrease in sales compared to strong sales on Steam in USD in the same period last year amounted to approximately 25 percent, which is in line with the previous quarter. In line with the rest of the market, PAYDAY 2 sales fell more at the end of the quarter than at the beginning of the quarter, indicating a likely decline in sales in the third quarter as well, as we face strong comparative figures from the third quarter of 2021.

EBITDA for the quarter amounted to SEK 18.1 million, compared to adjusted earnings of SEK 16.8 million for the same quarter previous year.

The decline in PC sales is due to several factors, as mentioned earlier, but the market seems to be returning to the more normal state and volumes which preceded the earlier positive sales effects related to Covid and restrictions. The number of competing game releases was high in the first half of the year, which meant competition for players' attention. However, as PAYDAY 2 is a game that, due to its age, has a relatively low price tag compared to the new games, we are well positioned. And as always, we have several PAYDAY 2 releases which will contribute positively to sales in the coming quarter. Our large and committed community and the interest in PAYDAY 2 is one of the keys to the strong and successful launch of PAYDAY 3 next year.

We continue to expand our development team according to plan, and in the quarter our team got two new members to reach a total of 152 employees at the end of the quarter. In line with our development plan, our organization related to PAYDAY 3 will be at its peak in the fall of 2022 while, in line with our strategy, we continue to strengthen the organization in order to develop more games and new business opportunities. As mentioned earlier, this will be achieved by acquiring other businesses and brands, publishing third-party games, and developing more entertainment products and games based on the PAYDAY IP. During the quarter, we started projects to develop new IP:s and new games and we are working on several fronts to develop our next game with a view to release in 2025. Our strategy for new games is to use our experience in games as a service, and our ability to build strong communities that create long-term entertainment value for our players and long-term revenue for Starbreeze. More games and proprietary IPs means that we are ensuring that there is a long-term and differentiated revenue model to help strengthen Starbreeze as a company.

Tobias Sjögren, CEO



Source: PAYDAY 2 game data via Starbreeze telemetry

Highest number of monthly active users (MAU)

585,000

for PAYDAY 2 during Q2 2022

SIGNIFICANT EVENTS DURING THE QUARTER

Midland Ranch Heist

On June 21, Midland Ranch Heist was successfully released as part of the Texas Heat campaign.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

There were no significant events after the end of the period.



NET SALES AND EARNINGS

For net sales and earnings, the comparison period refers to the corresponding period of the previous year.

SECOND QUARTER 2022

Sales

Net sales for the second quarter of 2022 amounted to SEK 31.8 million (32.0), of which PAYDAY accounted for SEK 30.0 million (31.5), which is a decrease of 4.7% compared to the previous year. PC net sales amounted to SEK 24.7 million (27.3) and Console net sales to SEK 5.5 million (4.6). Net sales of the base game PAYDAY 2 on Steam decreased by 33% (SEK 2.5 million) compared to the second quarter of 2021 and DLC sales (sales of add-on packs) increased by 1% (SEK 0.2 million), which in total corresponds to approximately 9% lower sales on Steam for PAYDAY compared to the same period in the previous year. Console sales increased by 19% (SEK 0.9 million) compared to the same period last year.

Exchange rate fluctuations against the US dollar had a positive impact on net sales of SEK 3.5 million compared to the average exchange rate for the corresponding

period last year. Adjusted for exchange rate fluctuations, the decrease in sales on Steam was approx. 25%.

SEK 1.6 million of net sales during the period were related to sales revenue generated by previously published games defined as non-core games, mainly the game Ten Crowns. This revenue amounted to SEK 0.0 million in the corresponding period last year.

Costs

Direct costs amounted to SEK 15.1 million (14.2) and comprise costs related to the production and development of games. Direct costs include amortization of SEK 10.9 million (10.5). The increase is also due to higher non-capitalized personnel costs.

Capitalized development expenditure reduced direct costs by SEK 27.7 million (22.1) and concerns the games PAYDAY 2 and PAYDAY 3.

Sales and marketing expenses amounted to SEK 3.9 million (3.0) and are primarily related to marketing activities and personnel costs. The increase is mainly attributable to marketing activities.

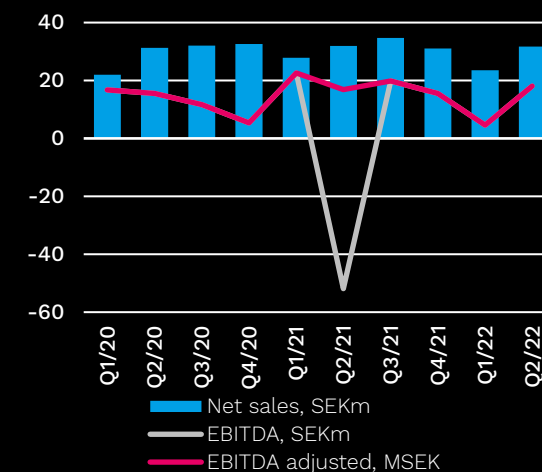


Net sales and earnings

SEKk	2022 Q2	2021 Q2	2022 JAN-JUN	2021 JAN-JUN
Net sales	31,764	32,010	55,296	59,933
EBITDA *	18,106	-51,849	22,659	-29,255
EBITDA adjusted **	18,106	16,823	22,659	39,417
Profit (-loss) before tax	-10,838	-80,032	-34,611	-84,280
Net profit (-loss) for the period	-11,237	-76,490	-35,262	-80,871
Earnings per share, SEK	-0.02	-0.11	-0.05	-0.11
Net sales growth, %	-0.8	2.3	-7.7	12.4
EBITDA margin, %	57.0	-162.0	41.0	-48.8
EBITDA margin, % adjusted**	57.0	52.6	41.0	65.8

*See page 20 for the definitions of key figures

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



Administrative expenses amounted to SEK 15.7 million (12.6) and include office expenses and salaries for personnel who don't work in game production or marketing, as well as other external costs. The higher costs are mainly due to increased costs for personnel and premises. The higher personnel costs are due to the provision for future costs of the long-term incentive program for staff related to PAYDAY 3.

Administrative expenses include amortization of SEK 3.8 million (5.0). Capitalized development expenditure reduced administrative expenses by SEK 7.5 million (7.9) and concerns the games PAYDAY 2 and PAYDAY 3.

Other revenues totaled SEK 6.3 million (-0.9). This item consists of exchange rate effects and rental income. Exchange rate effects are related to the revaluation of assets and liabilities denominated in foreign currencies.

Other costs totaled SEK 0.0 million (-68.7). Last year, previously capitalized development expenses related to PAYDAY Crime War were expensed in connection with the signing of the license agreement with PopReach.

Earnings

Earnings before interest, taxes, depreciation, and amortization (EBITDA) totaled SEK 18.1 million (-51.8). Adjusted for non-recurring items related to the license agreement for PAYDAY Crime War, earnings for Q2 2021 amounted to SEK 16.8 million.

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

During the quarter, net financial income/expense was charged with interest expense on lease liabilities of SEK 0.2 million (0.3), which is due to the IFRS 16 accounting standard.

Net financial income/expense

Net financial income/expense totaled SEK -14.2 million (-12.6). These expenses are mainly related to the company's convertible loan and related debt of SEK -14.1 million (-11.9).

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

Profit/loss before tax for the quarter amounted to SEK -10.8 million (-80.0).

Profit/loss for the quarter amounted to SEK -11.2 million (-76.5).

Basic and diluted earnings per share totaled SEK -0.02 (-0.11).

FIRST HALF-YEAR OF 2022

Sales

Net sales for the first six months of 2022 amounted to SEK 55.3 million (59.9), of which PAYDAY accounted for SEK 53.4 million (58.4), which is a decrease of 9% compared to the previous year. PC net sales amounted to SEK 43.7 million (49.9) and Console net sales to SEK 9.9 million (9.0). Net sales of the base game PAYDAY 2 on Steam decreased by 31% (SEK 4.1 million) compared to the first six months of 2021 and DLC sales (sales of add-on packs) decreased by 5% (SEK 1.8 million), which in total corresponds to approximately 12% lower sales on Steam compared to the same period in the previous year. Console sales increased by 10% (SEK 0.9 million) compared to the same period last year.

Exchange rate fluctuations against the US dollar had a positive impact on net sales of SEK 5.2 million compared to the average exchange rate for the corresponding period last year. Adjusted for exchange rate fluctuations, the decrease in sales on Steam was approx. 24%.



Specification of net financial income/expense

	2022	2021	2022	2021
SEKk	Q2	Q2	IAN-JUN	IAN-JUN
Interest on convertible bonds	-7,846	-6,679	-15,640	-13,312
Net profit (-loss) from StarVR Corp.	93	39	123	70
Implicit interest	-6,246	-5,223	-12,146	-10,161
Interest Nordea	-	-508	-	-1,035
Interest on lease liability	-193	-291	-412	-607
Other items	1	28	17	44
Total	-14,191	-12,634	-28,058	-25,001

SEK 1.6 million of net sales during the period were related to sales revenue generated by previously published games defined as non-core games, mainly the game Ten Crowns. This revenue amounted to SEK 0.9 million in the corresponding period last year.

Costs

Direct costs amounted to SEK 29.1 million (25.8) and comprise costs related to the production and development of games. Direct costs include amortization of SEK 21.4 million (20.7). The increase is also due to higher non-capitalized salary costs.

Capitalized development expenditure reduced direct costs by SEK 53.0 million (43.7) and concerns the games PAYDAY 2 and PAYDAY 3.

Sales and marketing expenses amounted to SEK 7.2 million (5.3) and are primarily related to marketing activities and personnel costs. The increase is mainly attributable to marketing activities.

Administrative expenses amounted to SEK 33.3 million (23.4) and include office expenses and salaries for personnel who don't work in game production or marketing, as well as other external costs. The higher costs are mainly due to increased costs for personnel and premises. The higher personnel costs are due to the provision for future costs of the long-term incentive program for staff related to PAYDAY 3, and one-off restructuring costs.

Administrative expenses include amortization of SEK 7.8 million (9.3). Capitalized development expenditure reduced administrative expenses by SEK 14.4 million (14.5) and concerns the games PAYDAY 2 and PAYDAY 3.

Other revenues totaled SEK 7.8 million (4.0). This item consists of exchange rate effects and rental income. Exchange rate effects are related to the revaluation of assets and liabilities denominated in foreign currencies.

Other costs totaled SEK 0.0 million (-68.7). Last year, previously capitalized development expenses related to PAYDAY Crime War were reversed in connection with the signing of the license agreement with PopReach.

Earnings

Earnings before interest, taxes, depreciation, and amortization (EBITDA) totaled SEK 22.7 million (-29.3).

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

During the quarter, net financial income/expense was charged with interest expense on lease liabilities of SEK 0.4 million (0.6), which is due to the IFRS 16 accounting standard.

Net financial income/expense

Net financial income/expense totaled SEK -28.1 million (-25.0). These expenses are mainly related to the company's convertible loan and related debt of SEK -27.8 million (-23.5).

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

Profit/loss before tax for the quarter amounted to SEK -34.6 million (-84.3).

Profit/loss for the quarter amounted to SEK -35.3 million (-80.9).

Basic and diluted earnings per share totaled SEK -0.05 (-0.11).



OTHER FINANCIAL INFORMATION

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

SECOND QUARTER 2022

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 15.0 million (13.7) with positive earnings of SEK 3.4 million (-67.4), and adjustments for items not included in cash flow totaling SEK 12.4 million (85.4). Adjustments for items not included in cash flow consist of the depreciation/amortization of assets of SEK 14.8 million and currency effects of SEK -2.3 million.

Cash flow from operating activities after changes in working capital amounted to SEK 15.4 million (9.3).

Cash flow from investing activities totaled SEK -34.8 million (-27.6), of which investments in proprietary game development accounted for SEK -35.3 million (-30.0).

Cash flow from financing activities was SEK -7.0 (-16.6), of which IFRS 16 Leases accounted for SEK -6.9 million (-4.8). During the quarter, the company issued invoices

totaling SEK 33.9 million for game development financing. The invoices were not settled at the end of the period and the cash flow has consequently been adjusted by the corresponding amount of SEK 33.9 million. Payment was received after the close of the period and will therefore have a positive impact on cash flow in the third quarter.

Total cash flow for the period was SEK -26.4 million (-34.8). Cash and cash equivalents at the end of the quarter amounted to SEK 86.3 million (113.6).

Investments

During the period, the Group's investments in property, plant and equipment amounted to SEK -0.3 million (-0.1). Investments in proprietary game and technology development totaled SEK -35.3 million (-30.0).



Cash and cash equivalents at
June 30, 2022

SEK 86.3 M

FIRST HALF-YEAR OF 2022

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 18.9 million (31.9) with negative earnings of SEK -6.6 million (-59.3), and adjustments for items not included in cash flow totaling SEK 26.5 million (96.5). Adjustments for items not included in cash flow consist of the depreciation/amortization of assets of SEK 29.2 million and currency effects of SEK -2.9 million.

Cash flow from operating activities after changes in working capital amounted to SEK 24.1 million (37.9).

Cash flow from investing activities totaled SEK -66.0 million (-55.5), of which investments in proprietary game development accounted for SEK -67.4 million (-58.2).

Cash flow from financing activities was SEK -0.6 (-26.2), of which IFRS 16 Leases accounted for SEK -11.2 million (-9.5). The company received gaming financing from Koch Media group of SEK 11.8 million during the period. A further SEK 33.9 million was invoiced but not settled at the close of the period and consequently had no impact on cash flow. Payment was received after the close of the period and will therefore have a positive impact on cash flow in the third quarter.

Total cash flow for the period was SEK -42.4 million (-43.9). Cash and cash equivalents at the end of the quarter amounted to SEK 86.3 million (113.6).

Investments

During the period, the Group's investments in property, plant and equipment amounted to SEK -0.8 million (-0.3). Investments in proprietary game and technology development totaled SEK -67.4 million (-58.2).

Financial position

Non-current assets

Goodwill at the end of the period amounted to SEK 47.4 million (40.2).

Intangible assets, consisting mainly of IP rights, totaled SEK 185.9 million (214.2).

Capitalized expenditure on proprietary game and technology development amounted to SEK 261.8 million (154.3).

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

Amortization and impairment of intangible assets totaled SEK 21.3 million (19.0) during the period.

Current assets

Trade and other receivables amounted to SEK 40.5 million (5.3), of which the receivable for game financing was SEK 33.9 million.

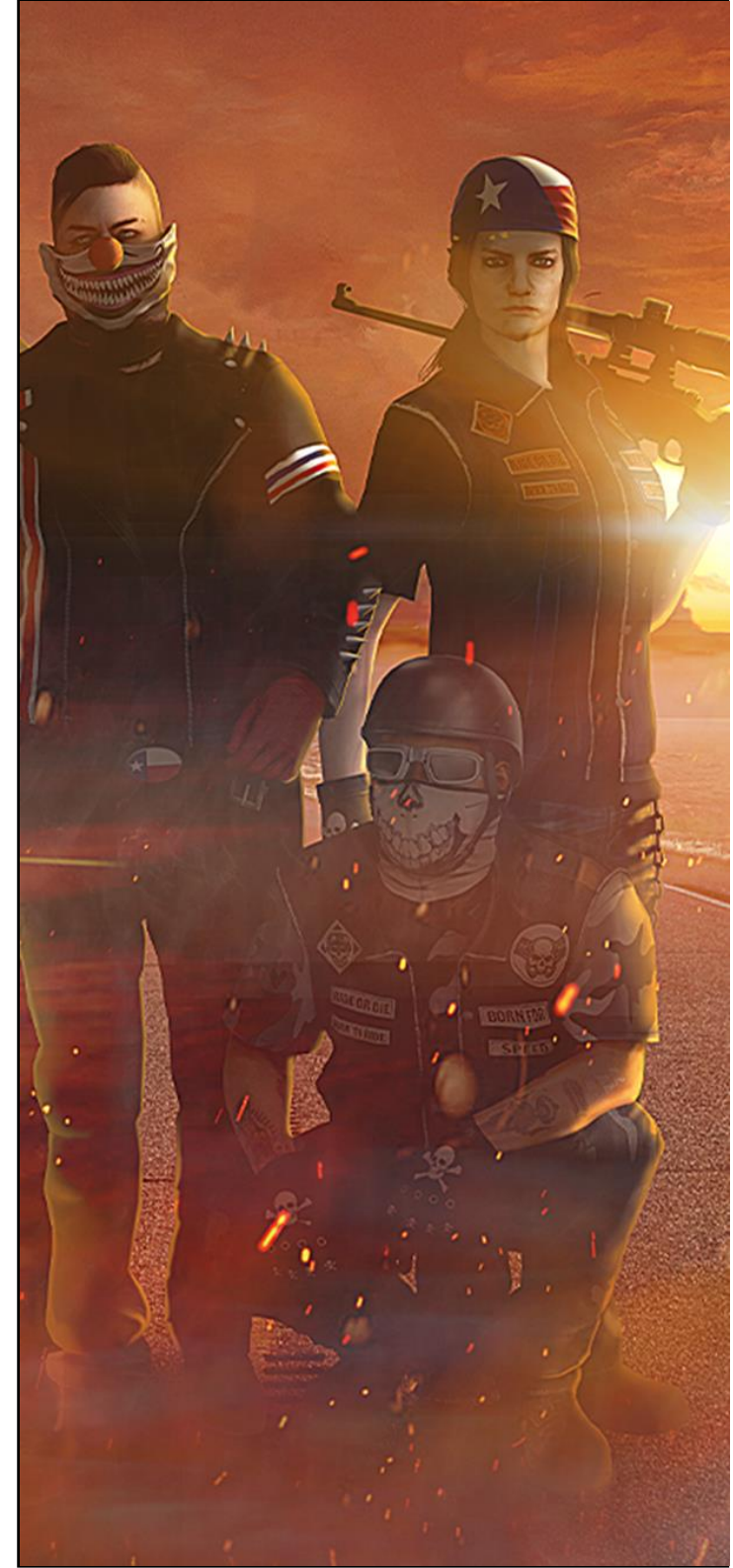
Prepaid expenses and accrued income at the end of the period was SEK 38.9 million (34.0), of which SEK 17.2 million (16.2) pertains to receivables for digital sales, primarily through Steam, PlayStation Store, Xbox Live and Switch.

Equity

Group equity at the balance sheet date amounted to SEK 83.5 million (146.8).

Non-current liabilities

Non-current liabilities totaled SEK 501.8 million (372.4), of which convertible loans and related liabilities amounted to SEK 347.3 million, and liabilities to Koch Media for



game financing amounted to SEK 129.8 million. Non-current liabilities related to game financing will increase as financing is obtained and the liability will be credited in connection with the future distribution of PAYDAY 3 sales revenues. The non-current portion of lease liabilities amounted to SEK 12.5 million (29.1).

Current liabilities

Current liabilities totaled SEK 121.4 million (108.5). Trade payables and other liabilities at the end of the period amounted to SEK 67.8 million (61.6). Current liabilities for leases amounted to SEK 15.8 million (18.5). Accrued expenses and deferred income at the end of the period was SEK 37.8 million (28.4).

Leases

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

When discounting future lease payments, Starbreeze uses the marginal lending facility rate per country as the discount rate. The marginal borrowing rate is based on the lessee's financial strength, the country and the length of the current lease.

The Parent Company has prepared the year-end report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities.

The Parent Company's year-end report has been prepared in accordance with the same accounting principles and calculation methods as the 2021 Annual Report (Note 2, p. 68–73).

Share capital

The share capital at the end of the period totaled SEK 14,492,185 (14,492,185) divided into 724,609,266 shares (724,609,266), with 166,321,768 Class A shares (166,877,565) and 558,287,498 Class B shares (557,731,701).

Risks and uncertainties

In order to prepare interim and annual reports in accordance with generally accepted accounting principles, the management team must make assumptions and estimates that affect the assets, liabilities and income recognized in the financial statements. Actual outcomes may differ from these estimates.

The short-term impact on earnings from exchange rate fluctuations may be positive or negative, depending on the current currency exposure from trade receivables, bank balances and other assets and liabilities denominated in foreign currencies. In the long term, a falling dollar will always have a negative impact on profit margins. Since the Group has foreign subsidiaries, there is also translation exposure.

The main risks and uncertainties are low game launch revenues and delays to projects. These and other risks such as copyright infringement, loss of key-persons and exchange rate fluctuations are described in the Director's Report of the Starbreeze Annual Report 2021 on page 52 and in Note 3. Furthermore, the value of certain assets and liabilities is based on an expected outcome, which means that these items must be revalued on an ongoing basis and may therefore affect future results.

The company continuously monitors the Group's liquidity and capital requirements for the year ahead. The Board of Directors has assessed whether the going concern assumption is met. The factors underlying the Board's



Number of employees

	2022	2021
	Q2	Q2
Employees	152	136
Men	126	114
Women	26	22

Number of employees

152

assessment are as follows: The company has signed a publishing agreement for PAYDAY 3 with Koch Media, which means that the game development for PAYDAY 3 is financed up to and after its launch in 2023. The company will receive ongoing revenue from sales linked to PAYDAY 2. Based on the above, the assumption of going concern is deemed to be met.

Parent Company

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

The Parent Company's net sales for the quarter amounted to SEK 7.6 million (5.3). Net sales mainly relate to the allocation of management fees.

Earnings before and after tax were SEK -8.4 million (-17.7).

At the end of the quarter, cash and cash equivalents amounted to SEK 8.6 million (7.5) and the Parent Company's equity was SEK 734.7 million (757.6).

Non-current liabilities increased during the period to SEK 347.3 million (293.6).

Related-party transactions

Other than salaries and benefits and intra-group transactions, there were no related-party transactions during the period.

Auditor's examination

This interim report has not been examined by the company's auditors.



The Board of Directors and CEO declare that this interim report gives a true and fair view of the Group's and Parent Company's activities, financial position and earnings from operations and describes the significant risks and uncertainties facing the Group and the Parent Company.

Stockholm, August 18, 2022

Torgny Hellström
Board Chair

Kerstin Sundberg
Director

Mike Gamble
Director

Anna Lagerborg
Director

Thomas Lindgren
Director

Tobias Sjögren
Chief Executive Officer





Consolidated statement of comprehensive income

SEKk	NOTE	2022 Q2	2021 Q2	2022 JAN-JUN	2021 JAN-JUN	2021 JAN-DEC
Net sales	3	31,764	32,010	55,296	59,933	125,689
Direct costs	4	-15,142	-14,201	-29,107	-25,791	-56,302
Gross profit (-loss)		16,622	17,809	26,189	34,142	69,387
Selling and marketing costs	4	-3,894	-2,957	-7,213	-5,343	-12,946
Administrative expenses	4	-15,667	-12,630	-33,301	-23,374	-51,159
Other revenue		6,292	-948	7,772	3,968	9,670
Other expenses		-	-68,672	-	-68,672	-68,672
Operating profit (-loss)		3,353	-67,398	-6,553	-59,279	-53,720
Financial income		6	14	21	32	82
Financial expenses		-14,290	-12,687	-28,202	-25,103	-51,638
Share in profit or loss of holdings accounted for using the equity method		93	39	123	70	50
Profit (-loss) before tax		-10,838	-80,032	-34,611	-84,280	-105,226
Income tax		-399	3,542	-651	3,409	1,758
Net profit (-loss) for the period		-11,237	-76,490	-35,262	-80,871	-103,468
Other comprehensive income that may subsequently be reclassified to profit and loss						
Exchange differences		-3,179	727	-4,017	-853	-2,213
Total comprehensive income for the period		-14,416	-75,763	-39,279	-81,724	-105,681
Total comprehensive income for the period attributable to:						
Owners of the parent		-14,416	-75,763	-39,279	-81,724	-105,681
Earnings per share attributable to owners of the parent during the period (SEK):						
- Basic		-0.02	-0.11	-0.05	-0.11	-0.14
- Diluted		-0.02	-0.11	-0.05	-0.11	-0.14



Consolidated statement of financial position

SEKk	NOTE	2022-06-30	2021-06-30	2021-12-31
ASSETS				
<i>Intangible assets</i>				
Goodwill		47,418	40,188	42,445
Other intangible assets		185,917	214,197	199,903
Capitalized development cost for own games and technology development		261,819	154,312	201,569
Investments in publishing projects		3,974	3,974	3,974
<i>Financial assets</i>				
Financial assets		7,174	7,717	8,011
Investments in joint ventures	5	1,257	1,153	1,133
Non-current lease receivable		-	1,918	1,181
Deferred tax assets		4,388	4,390	4,278
<i>Property, plant and equipment</i>				
IT equipment and other equipment		2,285	3,298	2,045
Right-of-Use asset-Buildings		26,894	41,449	33,968
Total non-current assets		541,126	472,596	498,507
<i>Current assets</i>				
Trades and other receivables		40,527	5,321	16,190
Current lease receivable		-	2,184	1,845
Prepaid expenses and accrued income		38,854	34,046	29,033
Cash and cash equivalents		86,288	113,581	128,572
Total current assets		165,669	155,132	175,640
TOTAL ASSETS		706,795	627,728	674,147

Consolidated statement of financial position (cont.)

SEkk	NOTE	2022-06-30	2021-06-30	2021-12-31
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	1,979,111	1,979,111
Reserves		15,416	20,793	19,433
Retained earnings including net profit or loss for the period		-1,925,481	-1,867,622	-1,890,219
Total equity		83,538	146,774	122,817
<i>Non-current liabilities</i>				
Non-current lease liability		12,549	29,123	21,001
Other non-current liabilities		489,287	343,294	421,742
Total non-current liabilities		501,836	372,417	442,743
<i>Current liabilities</i>				
Trade and other payables		67,794	61,638	59,936
Current lease liability		15,832	18,472	17,806
Accrued expenses and deferred income		37,795	28,427	30,845
Total current liabilities		121,421	108,537	108,587
TOTAL EQUITY AND LIABILITIES		706,795	627,728	674,147





Consolidated statement of changes in equity

SEKk	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2022	14,492	1,979,111	19,433	-1,890,219	122,817
Net profit (-loss) for the period	-	-	-	-35,262	-35,262
<i>Other comprehensive income for the period</i>					
Translation differences	-	-	-4,017	-	-4,017
Total comprehensive income	-	-	-4,017	-35,262	-39,279
Balance at 30 June 2022	14,492	1,979,111	15,416	-1,925,481	83,538
Balance at 1 January 2021	14,492	1,979,111	21,646	-1,786,751	228,498
Net profit (-loss) for the period	-	-	-	-103,468	-103,468
<i>Other comprehensive income for the period</i>					
Translation differences	-	-	-2,213	-	-2,213
Total comprehensive income	-	-	-2,213	-103,468	-105,681
Balance at 31 December 2021	14,492	1,979,111	19,433	-1,890,219	122,817
				2022	2021
CHANGE IN NUMBER OF OUTSTANDING SHARES				JAN-JUN	JAN-DEC
Number of shares at the beginning of the period				724,609,266	724,609,266
Total shares outstanding at the end of the period				724,609,266	724,609,266



Consolidated statement of cash flows

SEKk	NOTE	2022 Q2	2021 Q2	2022 JAN-JUN	2021 JAN-JUN	2021 JAN-DEC
<i>Operating activities</i>						
Cash flow from operations		3,353	-67,398	-6,553	-59,279	-53,720
Adjustment for non-cash items		12,426	85,350	26,517	96,457	121,610
Interest paid		-	-3,394	-	-3,394	-3,394
Income taxes paid		-785	-852	-1,032	-1,846	-3,169
Cash flow from (-used in) operating activities before changes in working capital		14,994	13,706	18,932	31,938	61,327
<i>Cash flow from changes in working capital</i>						
Increase (+)/decrease (-) in operating receivables		-7,468	-3,422	-9,427	1,070	7,298
Increase (+)/decrease (-) in operating liabilities		7,915	-956	14,630	4,844	5,243
Cash flow from (-used in) operating activities after changes in working capital		15,441	9,328	24,135	37,852	73,868
<i>Investing activities</i>						
Purchase of property, plant and equipment		-282	-145	-847	-266	-993
Sold non-current assets		-	31	-	98	70
Sold intangible assets		-	2,103	-	2,103	2,103
Purchase of intangible assets		-	-	-	-	-91
Investments in other financial assets		-	-	-	-39	-
Change in other financial assets		740	424	2,217	789	1,393
Investments in own games and technology		-35,285	-29,990	-67,389	-58,205	-111,488
Cash flow from (-used in) investing activities		-34,827	-27,577	-66,019	-55,520	-109,006
<i>Financing activities</i>						
Repayment of loans		-114	-51,015	-229	-55,887	-55,887
Financing game development		-	38,074	11,761	38,074	79,999
Overdraft facility		-	1,114	-860	1,114	1,115
Effect of financial lease		-6,927	-4,761	-11,232	-9,512	-19,055
Cash flow from financing activities		-7,041	-16,588	-560	-26,211	6,172
Cash flow for (-used in) the period		-26,427	-34,837	-42,444	-43,879	-28,966
Cash and cash equivalents at the beginning of the period		112,610	148,463	128,572	157,423	157,423
Exchange difference in cash and cash equivalents		105	-45	160	37	115
Cash and cash equivalents at the end of the period		86,288	113,581	86,288	113,581	128,572

Alternative performance measures, Group

	2022 Q2	2021 Q2	2022 JAN-JUN	2021 JAN-JUN	2021 JAN-DEC
Net sales, SEKk	31,764	32,010	55,296	59,933	125,689
EBITDA, SEKk	18,106	-51,849	22,659	-29,255	6,268
EBITDA adjusted, SEKk	18,106	16,823	22,659	39,417	74,940
EBIT, SEKk	3,353	-67,398	-6,553	-59,279	-53,720
Profit (-loss) before tax, SEKk	-10,838	-80,032	-34,611	-84,280	-105,226
Profit (-loss) after tax, SEKk	-11,237	-76,490	-35,262	-80,871	-103,468
EBITDA margin, %	57.0	-162.0	41.0	-48.8	5.0
EBITDA margin, % adjusted	57.0	52.6	41.0	65.8	59.6
EBIT margin, %	10.6	-210.6	-11.9	-98.9	-42.7
Profit margin, %	-34.1	-250.0	-62.6	-140.6	-83.7
Equity to assets ratio, %	11.8	23.4	11.8	23.4	18.2
Closing price of A share for the period, SEK	0.90	1.25	0.90	1.25	1.01
Closing price of B share for the period, SEK	0.83	1.26	0.83	1.26	1.00
Basic earnings per share, SEK	-0.02	-0.11	-0.05	-0.11	-0.14
Diluted earnings per share, SEK	-0.02	-0.11	-0.05	-0.11	-0.14
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	724,609,266	724,609,266	724,609,266	724,609,266
Average number of shares after dilution	724,609,266	724,609,266	724,609,266	724,609,266	724,609,266
Average number of employees	150	133	148	132	135
Number of employees at the end of the period	152	136	152	136	138



ALTERNATIVE PERFORMANCE MEASURES, GROUP

EBITDA

Earnings before interest, tax, depreciation and amortization.

Adjusted EBITDA

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

EBIT

Earnings before interest and taxes.

EBITDA margin

Earnings before interest, tax, depreciation and amortization as a percentage of net sales

Adjusted EBITDA margin

Earnings before interest, tax, depreciation and amortization as a percentage of net sales adjusted for non-recurring items related to the license agreement for PAYDAY Crime War.

Operating margin

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

Profit margin

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

Equity/assets ratio

Equity as a percentage of capital employed

Earnings per share

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

Equity

Reported equity including 78 percent of untaxed reserves.



Reconciliation of alternative performance measures

	2022 Q2	2021 Q2	2022 JAN-JUN	2021 JAN-JUN	2021 JAN-DEC
<i>EBITDA</i>					
Operating profit (-loss), SEKk	3,353	-67,398	-6,553	-59,279	-53,720
Amortization of intangible assets, SEKk	10,975	9,630	21,308	18,984	39,456
Depreciation of property, plant and equipment, SEKk	3,778	5,919	7,904	11,040	20,532
EBITDA	18,106	-51,849	22,659	-29,255	6,268
EBITDA adjusted, SEKk	18,106	16,823	22,659	39,417	74,940
<i>EBITDA margin, %</i>					
EBITDA, SEKk	18,106	-51,849	22,659	-29,255	6,268
EBITDA adjusted, SEKk	18,106	16,823	22,659	39,417	74,940
Net sales, SEKk	31,764	32,010	55,296	59,933	125,689
EBITDA margin, %	57.0	-162.0	41.0	-48.8	5.0
EBITDA margin, % adjusted	57.0	52.6	41.0	65.8	59.6
<i>EBIT margin, %</i>					
Operating profit (-loss), SEKk	3,353	-67,398	-6,553	-59,279	-53,720
Net sales, SEKk	31,764	32,010	55,296	59,933	125,689
EBIT margin, %	10.6	-210.6	-11.9	-98.9	-42.7
<i>Profit margin, %</i>					
Profit (-loss) before tax, SEKk	-10,838	-80,032	-34,611	-84,280	-105,226
Net sales, SEKk	31,764	32,010	55,296	59,933	125,689
Profit margin, %	-34.1	-250.0	-62.6	-140.6	-83.7
<i>Equity to assets ratio, %</i>					
Total equity	83,538	146,774	83,538	146,774	122,817
Total equity and liabilities, SEKk	706,795	627,728	706,795	627,728	674,147
Equity to assets ratio, %	11.8	23.4	11.8	23.4	18.2

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

SEKk	2022 Q2	2021 Q2	2022 JAN-JUN	2021 JAN-JUN	2021 JAN-DEC
Net sales	7,574	5,305	15,110	10,334	24,100
Other operating revenue	9,012	-2,352	11,422	2,694	35,116
Total sales	16,586	2,953	26,532	13,028	59,216
Other external expenses	-3,656	-3,029	-6,322	-6,072	-12,500
Employee benefit expense	-9,115	-6,788	-19,072	-12,466	-28,597
Depreciation of property, plant and equipment	-40	-60	-80	-140	-244
Other operating expenses	-	-	-	-	-
Operating profit (-loss)	3,775	-6,924	1,058	-5,650	17,875
Profit from holdings in group companies	-	-	-	19	19
Other financial income	1,931	1,415	3,396	2,715	5,599
Financial expenses	-14,085	-12,184	-27,779	-24,050	-50,008
Profit (-loss) after net financial income/expense	-8,379	-17,693	-23,325	-26,966	-26,515
Appropriations	-	-	-	-	-
Profit (-loss) before tax	-8,379	-17,693	-23,325	-26,966	-26,515
Income tax	-	-	-	-	-
Net profit (-loss) for the period	-8,379	-17,693	-23,325	-26,966	-26,515

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



Parent Company balance sheet

SEKK	2022-06-30	2021-06-30	2021-12-31
ASSETS			
<i>Non-current assets</i>			
<i>Property, plant and equipment</i>			
Computers and other equipment	65	213	145
<i>Financial assets</i>			
Investments in group companies	325,923	322,685	325,924
Investments in associates	4,656	4,656	4,656
Other financial assets	2,126	2,592	2,621
Total non-current assets	332,770	330,146	333,346
<i>Current assets</i>			
Trade and other receivables	1,211	1,211	1,223
Receivables from group companies	1,360,524	1,339,086	1,346,719
Prepaid expenses and accrued income	591	439	629
Cash and cash equivalents	8,577	7,468	7,594
Total current assets	1,370,903	1,348,204	1,356,165
TOTAL ASSETS	1,703,673	1,678,350	1,689,511



Parent Company balance sheet (cont.)

SEKK	2022-06-30	2021-06-30	2021-12-31
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	14,492	14,492	14,492
Share premium reserve	1,889,898	1,912,127	1,912,128
Retained earnings	-1,146,373	-1,142,087	-1,142,088
Net profit (-loss) for the period	-23,325	-26,966	-26,515
Total equity	734,692	757,566	758,017
<i>Non-current liabilities</i>			
Other non-current liabilities	347,294	293,556	319,514
Total non-current liabilities	347,294	293,556	319,514
<i>Current liabilities</i>			
Trade payables	1,579	1,227	1,531
Liabilities to group companies	603,915	619,497	598,807
Other liabilities	2,639	2,084	2,452
Accrued expenses and deferred income	13,554	4,420	9,190
Total current liabilities	621,687	627,228	611,980
TOTAL EQUITY AND LIABILITIES	1,703,673	1,678,350	1,689,511



NOTES

NOT 1 ACCOUNTING AND VALUATION PRINCIPLES

This year-end report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting principles and methods are consistent with those applied in 2021.

The Parent Company's report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities.

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

NOT 2 PLEDGED ASSETS

Pledged assets in the Group relate to rental guarantees.

SEKk	2022-06-30	2021-06-30	2021-12-31
Pledged assets	585	585	585



NOT 3 NET SALES PER CATEGORY

SEKk Q2 2022	Starbreeze Games	Other	Total
PC	24,557	126	24,683
Consoles, Digital	5,445	17	5,462
Consoles, Retail	34	-	34
VR parks	-	-	-
Licensing	-	1,585	1,585
Other	-	-	-
Total net sales	30,036	1,728	31,764

SEKk Q2 2021	Starbreeze Games	Other	Total
PC	26,934	333	27,267
Consoles, Digital	4,577	8	4,585
Consoles, Retail	38	-	38
VR parks	16	90	106
Licensing	-14	-	-14
Other	28	-	28
Total net sales	31,579	431	32,010

SEKk JAN-JUN 2022	Starbreeze Games	Other	Total
PC	43,465	263	43,728
Consoles, Digital	9,789	30	9,819
Consoles, Retail	75	-	75
VR parks	-	-	-
Licensing	-	1,637	1,637
Other	37	-	37
Total net sales	53,366	1,930	55,296

SEKk JAN-JUN 2021	Starbreeze Games	Other	Total
PC	49,275	575	49,850
Consoles, Digital	9,074	-166	8,908
Consoles, Retail	98	-	98
VR parks	16	90	106
Licensing	221	682	903
Other	68	-	68
Total net sales	58,752	1,181	59,933



NOT 4 GROUP DEPRECIATION AND AMORTIZATION BY FUNCTION

SEKk	2022 Q2	2021 Q2	2022 JAN-JUN	2021 JAN-JUN	2021 JAN-DEC
Depreciation and impairment of property, plant and equipment					
Direct costs	-46	-954	-240	-1,901	-3,233
Selling and marketing costs	-6	-4	-12	-5	-8
Administrative expenses	-3,726	-4,961	-7,652	-9,134	-17,291
Total depreciation and impairment of property, plant and equipment	-3,778	-5,919	-7,904	-11,040	-20,532
Amortization and impairment of intangible assets					
Direct costs	-10,903	-9,561	-21,165	-18,848	-39,179
Administrative expenses	-72	-69	-143	-136	-277
Total amortization and impairment of intangible assets	-10,975	-9,630	-21,308	-18,984	-39,456
Total depreciation and amortization and impairment	-14,753	-15,549	-29,212	-30,024	-59,988



NOT 5 JOINT VENTURES STARVR CORPORATION

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

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

SEKk	2022-06-30
Reconciliation of net carrying amount:	
Balance of net assets at 1 January	3,434
Net profit (-loss) for the period	128
Exchange differences	246
Closing balance net assets	3,808

Group's share	33%
Group's share in SEKk	1,257
Net carrying amount	1,257

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

SEKk	2022-06-30
<i>Balance sheet in summary:</i>	
Current assets	12,137
Non-current assets	69
Current liabilities	-8,398
Net assets	3,808

<i>Statement of comprehensive income in summary:</i>	
Sales	1
Net profit (-loss) for the period	128
period	128





Investor relations

Current information about Starbreeze is available on the company's website starbreeze.com. It is possible to contact the company by email: ir@starbreeze.com, by calling: +46 (0)8-209 229, or by mail: Box 7731, 103 95 Stockholm, Sweden.

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Reports are published on the company's website starbreeze.com.

The quarter will be presented on August 18, 2022 at 11.00 a.m. on <https://www.finwire.tv/webcast/starbreeze/q2-2022/>

Financial calendar

Interim report, Q3 2022

November 17, 2022

Year-end report 2022

February 16, 2023

This information is information that Starbreeze AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, via the contact persons set out above, at 7:30 am CET on August 18, 2022.

About Starbreeze

Starbreeze is an independent developer, creator and distributor of PC and console games targeting the global market, with studios in Stockholm, Barcelona and Paris. With the successful PAYDAY brand at its core, 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 ISIN codes SE007158928 (A share) and SE0005992831 (B share).



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