

Q4

2021

Fourth quarter 2021

- Net sales amounted to SEK 31.1 million (32.6). PAYDAY accounted for SEK 30.2 million (30.7).
- EBITDA* amounted to SEK 15.6 million (5.3).
- Amortization, depreciation and impairments amounted to SEK 15.0 million (9.7).
- Profit before tax was SEK -13.0 million (-16.4).
- Basic and diluted earnings per share were SEK -0.02 (-0.02).

Full year 2021

- Net sales amounted to SEK 125.7 million (118.0). PAYDAY accounted for SEK 119.8 million (111.5).
- EBITDA* amounted to SEK 6.3 million (49.3).
- EBITDA**, adjusted for one-off effects related to PAYDAY Crime War license agreement, EBITDA amounted to SEK 74.9 million (49.3).
- Amortization, depreciation and impairments amounted to SEK 60.0 million (38.4).
- Profit before tax was SEK -105.2 million (-130.5).
- Basic and diluted earnings per share were SEK -0.14 (-0.28).
- Cash and cash equivalents amounted to SEK 128.6 million (157.4).

KEY FIGURES	2021	2020	2021	2020
	Q4	Q4	JAN-DEC	JAN-DEC
SEKk				
Net sales	31,053	32,592	125,689	118,006
EBITDA*	15,632	5,329	6,268	49,317
EBITDA adjusted **	15,632	5,329	74,940	49,317
Profit (-loss) before tax	-12,966	-16,356	-105,226	-130,473
Earnings per share, SEK	-0.02	-0.02	-0.14	-0.28
Cash flow from operations	12,446	-5,519	73,868	-24,640
Net sales per employee	225	265	931	959

* See page 19 for definitions of key ratios.

** 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

PAYDAY – 10 YEARS

PAYDAY – 10 years of dedicated players and continued strong growth.

In the last quarter of the year, we had reason to celebrate the 10th anniversary of our most valued brand as a gaming franchise. PAYDAY: The Heist was launched in October 2011 and the PAYDAY franchise has since then generated net revenue to Starbreeze approximately SEK 1.0 billion. It is with both admiration and a certain degree of humility that I can report that, a decade later, our average MAU was no less than 788,000 players. This clearly shows how popular the game is.

During the year, we generated PAYDAY-related revenue of approximately SEK 120 million, a 15.8% rise in net sales compared to 2020 on PC. Growth in sales of base games and DLC on Steam was 13% and 17% respectively. However, our console revenue is on a downward trend as we are not releasing new content on these platforms linked to PAYDAY 2. For PAYDAY 3, we have an updated development plan which means that PC and console will be updated continuously with the same content. The profits for the year were strong and we increased EBITDA, adjusted for one-off effects, with over 50% to SEK 74.9 million.

I am very confident that the PAYDAY success story will continue for at least as many more years to come. With products such as PAYDAY 3, PAYDAY Crime War and other future games, the development of both the gaming experience and the universe created by the PAYDAY brand is continuing.

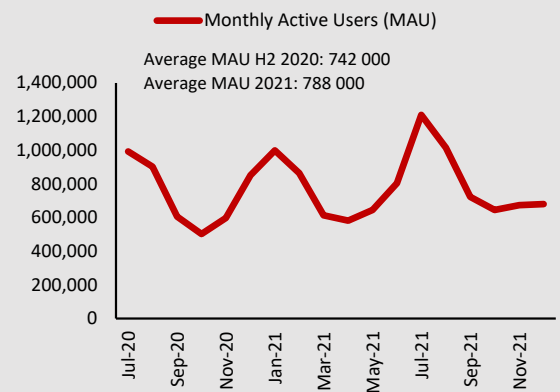
In October, we successfully released Black Cat Heist, the third chapter of four in the City of Gold series. This, together with our 10th anniversary celebrations, helped make October the second best month for sales in 2021.

The development of PAYDAY 3 is proceeding according to plan and it's wonderful to see the game, now in full production, developing week by week. We are continuing to strengthen our game development team with the addition of new employees, and in 2021 we welcomed 60 new employees. Our team currently consists of employees from around 25 different countries, who have a wide range of skills and cultural knowledge that puts us as a team in a good position to create gaming experiences that are appreciated globally,

Our community is our most important asset, and members will have many new and innovative opportunities to interact with us and other players through our new player portal, "Starbreeze Accounts", which was launched in October. This portal connects our different products, and when the user logs into the game, they gain access to additional features and content. Work on developing the service is in full swing, and our strategy is to launch features on an ongoing basis up to and after the release of PAYDAY 3. Our ambition is to provide our players with the best possible service and content – regardless of platform and game.

We continued the work on developing and implementing a long-term strategy for Starbreeze during the fall. We have previously announced

PAYDAY 2



Source: PAYDAY 2 game data through Starbreeze telemetry

Peak number of monthly active users
(MAU)

679,074

for PAYDAY 2 during Q4

Q4 2021

our ambition to have more games on the market, self-published and self-developed or based on licensed IP, by 2025. We will make regular announcements on how and when we are broadening our IP portfolio with more strong IP and partnerships. In addition, we are also working to broaden the business model around the PAYDAY IP to create additional revenue streams when PAYDAY 3 launches in 2023.

Overall, we are continuing to see a growing community for PAYDAY 2, while the development of PAYDAY 3 is on track. The fact that we are continuing to improve our financial 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 work together and take part in creating their gaming experience, and on creating a basis for the launch of more games in the future.

Tobias Sjögren
CEO Starbreeze

SIGNIFICANT EVENTS DURING THE QUARTER



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

Black Cat Heist

On October 13, Black Cat Heist, the third chapter of four in the City of Gold series, was successfully released.

10th anniversary

On October 18, PAYDAY celebrated its 10th anniversary as a game series; PAYDAY: The Heist was originally released in October 2011.

Launch of new player platform

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

Resignation of Board member Jan Benjaminson from Starbreeze Board

The Board member Jan Benjaminson chose, on November 19, to leave the Starbreeze Board at his own request to take up an operational position.

Winter Wonderland Update

On December 15, the annual free update, Winter Wonderland, was released along with new DLC, the Winter Ghost Tailor Pack.

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. The majority of employees worked from home in the fourth quarter. 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

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

Q4
2021

SALES AND PROFIT

Q4

2021

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

Fourth quarter 2021

Sales

Net sales for the fourth quarter of 2021 amounted to SEK 31.1 million (32.6), of which PAYDAY accounted for SEK 30.2 million (30.7). Net sales was SEK 25.9 million (24.5) for PC and SEK 4.4 million (7.0) for Console. Net sales for the base game PAYDAY 2 on Steam increased by 9% (SEK 0.5 million) compared to the fourth quarter of 2020, and net sales of DLC (sale of add-on bundles) increased by 6% (SEK 1.0 million).

Console revenue is SEK 2.3 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 positive impact on net sales of SEK 1.5 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 0.2%.

In the period, SEK 0.7 million of net sales was related to sales revenue generated by previously released games defined as non-core activities, mainly attributable to the game Ten Crowns. In the corresponding period of the preceding year, this revenue amounted to SEK 1.1 million.

Expenses

Direct costs amounted to SEK 15.1 million (8.7) and consist of expenses related to game production and game development. Direct costs include depreciation and amortization of SEK 10.8 million (5.6). 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 20.2 million (17.8) and relates to the games PAYDAY 2 and PAYDAY 3.

Selling and marketing expenses amounted to SEK 5.5 million (2.2) and relate to marketing activities and employee benefit expenses. The increase is mainly attributable to marketing activities.

Administrative expenses amounted to SEK 13.1 million (16.1) 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. The decrease mainly relates to lower external expenses, office expenses and salaries.

Administrative expenses include amortization of SEK 4.2 million (4.1). Capitalized development expenditure reduced administrative expenses by SEK 8.0 million (6.1) and relates to the games PAYDAY 2 and PAYDAY 3.

Other revenue amounted to SEK 3.3 million (-10.0). 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

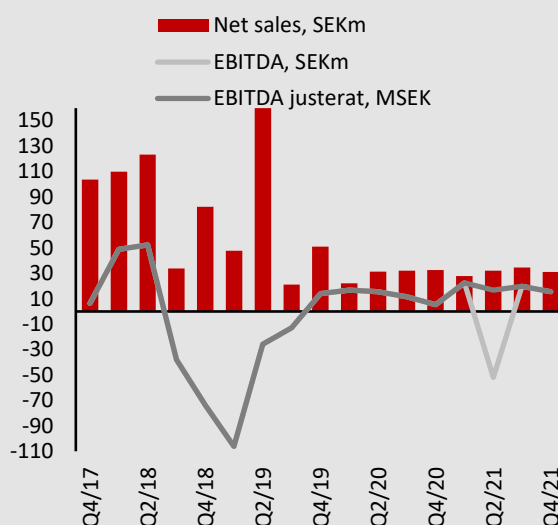
Earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to SEK 15.6 million (5.3).

Sales and profit

	2021	2020	2021	2020
SEKk	Q4	Q4	JAN-DEC	JAN-DEC
Net sales	31,053	32,592	125,689	118,006
EBITDA *	15,632	5,329	6,268	49,317
EBITDA adjusted **	15,632	5,329	74,940	49,317
Profit (-loss) before tax	-12,966	-16,356	-105,226	-130,473
Net profit (-loss) for the	-14,548	-16,594	-103,468	-130,280
Earnings per share, SEK	-0.02	-0.02	-0.14	-0.28
Net sales growth, %	-4.7	-36.2	6.5	-57.9
EBITDA margin, %	50.3	16.4	5.0	41.8
EBITDA margin, % adjusted**	50.3	16.4	59.6	41.8

*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).

During the quarter, net financial income was charged with interest expense on lease liability of SEK 0.2 million (0.3), which is an effect of the IFRS 16 reporting standard.

Net financial income/expense

Net financial income/expense amounted to SEK -13.6 million (-12.0). The expenses are attributable mainly to the company's convertible loan and associated liability of SEK -13.3 million (-11.2).

Profit before tax and net profit for the period

Profit before tax for the quarter amounted to SEK -13.0 million (-16.4). Net profit for the quarter amounted to SEK -14.5 million (-16.6). Basic and diluted earnings per share were SEK -0.02 (-0.02).

Full year 2021

Sales

Net sales amounted to SEK 125.7 million (118.0), of which PAYDAY accounted for 119.8 million (111.5). Net sales was SEK 102.5 million (88.9) for PC and SEK 18.1 million (24.0) for Console.

Net sales for the base game PAYDAY 2 on Steam increased by 13% (SEK 2.9 million) compared to the corresponding period in 2020 and net sales of DLC (sale of add-on bundles) increased by 17% (SEK 9.4 million). Console revenue is SEK 5.9 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 5.0 million of net sales was related to sales revenue generated by previously published games defined as non-core activities, mainly attributable to the game Ten Crowns. In the corresponding period of the preceding year, this revenue amounted to SEK 5.0 million.

The change in the exchange rate against the dollar had a negative impact on net sales of SEK 6.1 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 20%.

Expenses

Direct costs amounted to SEK 56.3 million (31.1) and consist of expenses related to game production and game development. The increase is mainly due to increased amortization of intangible assets of SEK 22.8 million as the depreciation plan for the company's assets has been revised for 2021 onwards. Direct costs include depreciation and amortization of SEK 42.4 million (21.7).

Capitalized development expenditure reduced direct costs by SEK 81.6 million (71.0) and relates to the games PAYDAY Crime War, PAYDAY 2 and PAYDAY 3.

Selling and marketing expenses amounted to SEK 12.9 million (8.5) and relate mainly to employee benefit expenses and marketing activities. The increase is mainly attributable to marketing activities.

Administrative expenses amounted to SEK 51.2 million (69.4) 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, office expenses and salaries.

Administrative expenses include amortization of SEK 17.6 million (16.8). Capitalized development expenditure reduced administrative

expenses by SEK 29.9 million (23.5) and relates to the games PAYDAY Crime War, PAYDAY 2 and PAYDAY 3.

Other revenue amounted to SEK 9.7 million (1.8). This item consists mainly of currency effects due to changes in the USD and EUR exchange rates against SEK. The preceding year was positively impacted by net profit attributable to subsidiaries sold of SEK 6.4 million.

Other expenses amount to SEK -68.7 million (0.0) and concern 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 6.3 million (49.3). Adjusted for one-off effects related to the license agreement for PAYDAY Crime War, EBITDA was SEK 74.9 million (49.3).

The share of profit and loss in the joint venture StarVR Corporation amounted to SEK 0.1 million (-2.1). Net financial income/expense was reduced during the period by interest on lease liabilities of SEK -1.1 million (-1.5), an effect of the IFRS 16 reporting standard.

Net financial income/expense

Net financial income/expense amounted to SEK -51.5 million (-141.3).

The expenses are attributable mainly to the company's convertible loan and associated liability of SEK -49.4 million (-41.9). 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 -105.2 million (-130.5).

Net profit for the period amounted to SEK -103.5 million (-130.3).

Basic and diluted earnings per share were SEK -0.14 (-0.28).

Specification of net financial income/expense

	2021	2020	2021	2020
SEkk	Q4	Q4	JAN-DEC	JAN-DEC
Interest on convertible bonds	-7,483	-6,369	-27,980	-22,766
Net profit (-loss) from StarVR Corp.	-119	-366	50	-2,112
Renegotiation loss convertible bond	-	-	-	-90,934
Implicit interest	-5,771	-4,830	-21,450	-19,148
Interest Nordea	-	-565	-1,035	-3,974
Interest on lease liability	-243	-340	-1,116	-1,509
Interest on non-current liabilities according composition proposal	-	-	-	-1,563
Other items	14	495	25	658
Total	-13,602	-11,975	-51,506	-141,348

OTHER FINANCIAL INFORMATION

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

Fourth quarter 2021

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 12.0 million (10.2), with an operating profit of SEK 0.6 million (-4.4) and adjustments for non-cash items of SEK 12.2 million (14.6), of which depreciation of assets amounts to SEK 15.0 million and currency effects to SEK -1.6 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 9.7 million for the corresponding period of the preceding year.

Cash flow from operating activities before changes in working capital amounted to SEK 12.4 million (-5.5) in the period. The comparative period was affected by payments of SEK -14.0 million in respect of restructuring-related trade payables.

Cash flow from investing activities was SEK -28.6 million (-24.5), of which investments in proprietary game development amounted to SEK -28.2 million (-23,9).

Cash flow from financing activities amounted to SEK 36.4 million (-5.7), of which the effect of IFRS 16 Leases amounted to SEK -4.8 million (-4,7). During the quarter, the company received funding for game development from Koch Media Group in an amount of SEK 40.9 million.

Total cash flow for the period was SEK 20.2 million (-35.6). Cash and cash equivalents at the end of the quarter amounted to SEK 128.6 million (157.4).

Investments

Group investments in property, plant and equipment during the period amounted to SEK 0.7 million (0.5). Investments in proprietary game and technology development amounted to SEK 28.2 million (23.9).

Full year 2021

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 61.3 million (47.5), with an operating profit/loss of SEK -53.7 million (10.9) and adjustments for non-cash items of SEK 121.6 million (37.1), of which depreciation amounted to SEK 60.0 million (38.4). These items also include an accounting loss on sale of non-current 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 were transferred to the licensee, with the consequence that previously made investments in development that have been capitalized were expensed.

Cash flow from operating activities after changes in working capital amounted to SEK 73.9 million (-24.6). The comparative period was affected by payments of SEK -76.8 million in respect of reconstruction-related trade payables.

Q4

2021

Cash and cash equivalents

as of December 31, 2021

SEK 128.6 million

Cash flow from investing activities was SEK -109.0 million (-96.2), of which investments in proprietary game development amounted to SEK -111.5 million (-94.5). 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 6.2 million (195.6) 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 79.3 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 -19.1 million (-18.8). In 2020, two new issues totaling SEK 301.3 million were made, which had a positive impact on the cash flow 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 -29.0 million (74.7). Cash and cash equivalents at the end of the period amounted to SEK 128.6 million (157.4).

Investments

Group investments in property, plant and equipment during the period amounted to SEK 1.0 million (0.9). Investments in proprietary game and technology development amounted to SEK 111.5 million (94.5).

Financial position

Non-current assets

Goodwill at the end of the period amounted to SEK 42.4 million (38.8). Intangible assets, which consist primarily of IP rights, amounted to SEK 199.9 million (228.5).

Capitalized expenditure on proprietary game and technology development amounted to SEK 201.6 million (171.4).

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

Amortization and impairments of intangible assets amounted to SEK 39.5 million (16.6) during the period.

Current assets

Trade and other receivables amounted to SEK 16.2 million (4.1).

Prepaid expenses and accrued income at the end of the period amounted to SEK 29.0 million (34.7), of which SEK 14.6 million (16.0) relates to receivables for digital sales, primarily through Steam, PlayStation Store, Xbox Live and Switch.

Equity

Group equity amounted to SEK 122.8 million (228.5) at the reporting date.

Non-current liabilities

Non-current liabilities amounted to SEK 442.7 million (329.8), of which convertible loans and related liability amounted to SEK 319.5 million and liability to Koch Media for game financing received amounted to SEK 91.0 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 revenue. The non-current component of lease liability amounted to SEK 21.0 million (37.1).

Current liabilities

Current liabilities totaled SEK 108.6 million (150.3). Trade payables and other liabilities at the end of the period amounted to SEK 59.9 million (103.3). 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 17.8 million (19.1). Accrued expenses and deferred income at the end of the period amounted to SEK 30.8 million (27.9).

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 year-end report 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 year-end 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 166,371,768 Class A shares (169,321,548) and 558,237,498 Class B shares (555,287,718).

Risks and uncertainties

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

The short-term effect on profit and loss from fluctuations in exchange rates can be positive or negative, depending on the current currency exposure from trade receivables, bank balances and other assets and liabilities in foreign currency. However, a falling dollar rate in the longer term always has a negative impact on profit margins. As the 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
	Q4	Q4
Employees	138	124
Men	113	103
Women	25	21

138

employees at Starbreeze

The Parent Company's net sales during the quarter amounted to SEK 7.2 million (7.3). Sales relate primarily to allocation of management fees. In the quarter, a reversal of a previously made impairment of inter-company receivables was made, which had a positive effect on other operating income of SEK 28.4 million; the reversal has no impact on the Group.

Profit before and after tax was SEK 12.5 million (-9.7).

Cash and cash equivalents at the end of the quarter amounted to SEK 7.6 million (10.9) and Parent Company equity was SEK 758.0 million (784.5).

Non-current liabilities increased during the period to SEK 319.5 million (270.1).

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 year-end report has not been reviewed by the company's statutory auditors.

Investor Relations contact

Up-to-date information about Starbreeze is available on the company's website [starbreeze.com](https://www.starbreeze.com). You may contact the company by email: 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](https://www.starbreeze.com).

The Board of Directors and the CEO offer their assurance that this year-end 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, February 16, 2022

Torgny Hellström
Chairman of the Board

Kerstin Sundberg
Director

Mike Gamble
Director

Anna Lagerborg
Director

Thomas Lindgren
Director

Tobias Sjögren
Chief Executive Officer

This information is information that Starbreeze AB is required to disclose under the EU Market Abuse Regulation and the Securities Market Act. The information was provided, through the above contact persons, for publication on February 16, 2022 at 8.00 am CET.

Financial calendar

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKk	NOTE	2021	2020	2021	2020
		Q4	Q4	JAN-DEC	JAN-DEC
Net sales	3	31,053	32,592	125,689	118,006
Direct costs	4	-15,092	-8,730	-56,302	-31,074
Gross profit (-loss)		15,961	23,862	69,387	86,932
Selling and marketing costs		-5,525	-2,160	-12,946	-8,464
Administrative expenses		-13,087	-16,110	-51,159	-69,428
Other revenue		3,287	-9,973	9,670	1,835
Other expenses		-	-	-68,672	-
Operating profit (-loss)		636	-4,381	-53,720	10,875
Financial income		36	300	82	628
Financial expenses		-13,519	-11,910	-51,638	-139,864
Share in profit or loss of holdings accounted for using the equity method		-119	-365	50	-2,112
Profit (-loss) before tax		-12,966	-16,356	-105,226	-130,473
Income tax		-1,582	-238	1,758	193
Net profit (-loss) for the period		-14,548	-16,594	-103,468	-130,280
<i>Other comprehensive income that may subsequently be reclassified to profit and loss</i>					
Exchange differences		-572	3,047	-2,213	246
Total comprehensive income for the period		-15,120	-13,547	-105,681	-130,034
Total comprehensive income for the period attributable to:					
Owners of the parent		-15,120	-13,547	-105,681	-130,034
Earnings per share attributable to owners of the parent during the period (SEK):					
- Basic		-0.02	-0.02	-0.14	-0.28
- Diluted		-0.02	-0.02	-0.14	-0.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEKk	NOTE	2021-12-31	2020-12-31
ASSETS			
<i>Intangible assets</i>			
Goodwill		42,445	38,827
Other intangible assets		199,903	228,514
Capitalized development cost for own games and technology development		201,569	171,435
Investments in publishing projects		3,974	3,974
<i>Financial assets</i>			
Financial assets		8,011	7,683
Investments in joint ventures	5	1,133	1,083
Non-current lease receivable		1,181	2,612
Deferred tax assets		4,278	161
<i>Property, plant and equipment</i>			
IT equipment and other equipment		2,045	6,704
Right-of-Use asset-Buildings		33,968	48,866
Total non-current assets		498,507	509,859
<i>Current assets</i>			
Trades and other receivables		16,190	4,061
Current lease receivable		1,845	2,627
Prepaid expenses and accrued income		29,033	34,736
Cash and cash equivalents		128,572	157,423
Total current assets		175,640	198,847
TOTAL ASSETS		674,147	708,706
EQUITY AND LIABILITIES			
<i>Equity attributable to owners of the parent</i>			
Share capital		14,492	14,492
Other contributed capital		1,979,111	1,979,111
Reserves		19,433	21,646
Retained earnings including net profit or loss for the period		-1,890,219	-1,786,751
Total equity		122,817	228,498
<i>Non-current liabilities</i>			
Non-current lease liability		21,001	37,147
Other non-current liabilities		421,742	292,702
Total non-current liabilities		442,743	329,849
<i>Current liabilities</i>			
Current liabilities, earnouts		-	18
Trade and other payables		59,936	103,345
Current lease liability		17,806	19,135
Accrued expenses and deferred income		30,845	27,861
Total current liabilities		108,587	150,359
TOTAL EQUITY AND LIABILITIES		674,147	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	-	-	-	-103,468	-103,468
Other comprehensive income for the period					
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
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-DEC	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
		Q4	Q4	JAN-DEC	JAN-DEC
<i>Operating activities</i>					
Cash flow from operations		636	-4,381	-53,720	10,875
Adjustment for non-cash items		12,205	14,561	121,610	37,053
Interest paid		-	-	-3,394	-385
Income taxes paid		-862	-	-3,169	-
Cash flow from (-used in) operating activities before changes in working capital		11,979	10,180	61,327	47,543
<i>Cash flow from changes in working capital</i>					
Increase (+)/decrease (-) in operating receivables		4,121	8,735	7,298	66,851
Increase (+)/decrease (-) in operating liabilities		-3,654	-24,434	5,243	-139,034
Cash flow from (-used in) operating activities after changes in working capital		12,446	-5,519	73,868	-24,640
<i>Investing activities</i>					
Purchase of property, plant and equipment		-669	-493	-993	-944
Sold non-current assets		-	25	70	51
Sold intangible assets		-	-	2,103	-
Divested subsidiaries		-	-	-	-472
Purchase of intangible assets		-	-	-91	-
Change in other financial assets		215	-	1,393	-
Investments in own games and technology		-28,174	-23,862	-111,488	-94,541
Investments in publishing projects		-	-132	-	-309
Cash flow from (-used in) investing activities		-28,628	-24,462	-109,006	-96,215
<i>Financing activities</i>					
New issue		-	-	-	301,273
Costs related to new issues		-	-	-	-30,274
Increase in non-current liabilities		-	-884	-	-1,598
Repayment of loans		-	-	-55,887	-55,000
Financing game development		41,146	-	79,999	-
Overdraft facility		1	-	1,115	-
Effect of financial lease		-4,753	-4,775	-19,055	-18,802
Cash flow from financing activities		36,394	-5,659	6,172	195,599
Cash flow for (-used in) the period		20,212	-35,640	-28,966	74,744
Cash and cash equivalents at the beginning of the period		108,350	193,200	157,423	82,787
Exchange difference in cash and cash equivalents		10	-137	115	-108
Cash and cash equivalents at the end of the period		128,572	157,423	128,572	157,423

KEY PERFORMANCE INDICATORS, GROUP

	2021	2020	2021	2020
	Q4	Q4	JAN-DEC	JAN-DEC
Net sales, SEKk	31,053	32,592	125,689	118,006
EBITDA, SEKk	15,632	5,329	6,268	49,317
EBITDA adjusted, SEKk	15,632	5,329	74,940	49,317
EBIT, SEKk	636	-4,381	-53,720	10,875
Profit (-loss) before tax, SEKk	-12,966	-16,356	-105,226	-130,473
Profit (-loss) after tax, SEKk	-14,548	-16,594	-103,468	-130,280
EBITDA margin, %	50.3	16.4	5.0	41.8
EBITDA margin, % adjusted	50.3	16.4	59.6	41.8
EBIT margin, %	2.0	-13.4	-42.7	9.2
Profit margin, %	-41.8	-50.2	-83.7	-110.6
Equity to assets ratio, %	18.2	32.2	18.2	32.2
Closing price of A share for the period, SEK	1.01	1.06	1.01	1.06
Closing price of B share for the period, SEK	1.00	1.09	1.00	1.09
Basic earnings per share, SEK	-0.02	-0.02	-0.14	-0.28
Diluted earnings per share, SEK	-0.02	-0.02	-0.14	-0.28
Number of shares at end of period before dilution	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
Average number of shares before dilution	724,609,266	724,609,266	724,609,266	469,754,144
Average number of shares after dilution	724,609,266	724,609,266	724,609,266	469,754,144
Average number of employees	138	123	135	123
Number of employees at the end of the period	138	124	138	124

Key performance indicators, 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 Payday Crime War license agreements.

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
	Q4	Q4	JAN-DEC	JAN-DEC
<i>EBITDA</i>				
Operating profit (-loss), SEKk	636	-4,381	-53,720	10,875
Amortization of intangible assets, SEKk	10,440	4,476	39,456	16,628
Depreciation of property, plant and equipment, SEKk	4,556	5,234	20,532	21,814
EBITDA	15,632	5,329	6,268	49,317
EBITDA adjusted, SEKk	15,632	5,329	74,940	49,317
<i>EBITDA margin, %</i>				
EBITDA, SEKk	15,632	5,329	6,268	49,317
EBITDA adjusted, SEKk	15,632	5,329	74,940	49,317
Net sales, SEKk	31,053	32,592	125,689	118,006
EBITDA margin, %	50.3	16.4	5.0	41.8
EBITDA margin, % adjusted	50.3	16.4	59.6	41.8
<i>EBIT margin, %</i>				
Operating profit (-loss), SEKk	636	-4,381	-53,720	10,875
Net sales, SEKk	31,053	32,592	125,689	118,006
EBIT margin, %	2.0	-13.4	-42.7	9.2
<i>Profit margin, %</i>				
Profit (-loss) before tax, SEKk	-12,966	-16,356	-105,226	-130,473
Net sales, SEKk	31,053	32,592	125,689	118,006
Profit margin, %	-41.8	-50.2	-83.7	-110.6
<i>Equity to assets ratio, %</i>				
Total equity	122,817	228,498	122,817	228,498
Total equity and liabilities, SEKk	674,147	708,706	674,147	708,706
Equity to assets ratio, %	18.2	32.2	18.2	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
SEKk	Q4	Q4	JAN-DEC	JAN-DEC
Net sales	7,197	7,310	24,100	29,762
Other operating revenue	30,028	9,177	35,116	8,542
Total sales	37,225	16,487	59,216	38,304
Other external expenses	-4,528	-4,110	-12,500	-24,374
Employee benefit expense	-8,323	-10,913	-28,597	-29,961
Depreciation of property, plant and equipment	-60	-46	-244	-188
Operating profit (-loss)	24,314	1,418	17,875	-16,219
Profit from holdings in group companies	-	-921	19	-
Other financial income	1,422	1,356	5,599	6,508
Financial expenses	-13,255	-11,518	-50,008	-134,561
Profit (-loss) after net financial income/expense	12,481	-9,665	-26,515	-144,272
Profit (-loss) before tax	12,481	-9,665	-26,515	-144,272
Income tax	-	-	-	-
Net profit (-loss) for the period	12,481	-9,665	-26,515	-144,272

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

PARENT COMPANY BALANCE SHEET

SEKk	2021-12-31	2020-12-31
ASSETS		
<i>Non-current assets</i>		
<i>Property, plant and equipment</i>		
Computers and other equipment	145	268
<i>Financial assets</i>		
Investments in group companies	325,924	322,702
Investments in associates	4,656	4,656
Other financial assets	2,621	2,594
Total non-current assets	333,346	330,220
<i>Current assets</i>		
Trade and other receivables	1,223	933
Receivables from group companies	1,346,719	1,332,388
Prepaid expenses and accrued income	629	524
Cash and cash equivalents	7,594	10,906
Total current assets	1,356,165	1,344,751
TOTAL ASSETS	1,689,511	1,674,971
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	14,492	14,492
Share premium reserve	1,912,128	1,912,128
Retained earnings	-1,142,088	-997,816
Net profit (-loss) for the period	-26,515	-144,272
Total equity	758,017	784,532
<i>Non-current liabilities</i>		
Other non-current liabilities	319,514	270,084
Total non-current liabilities	319,514	270,084
<i>Current liabilities</i>		
Trade payables	1,531	1,013
Liabilities to group companies	598,807	576,994
Other liabilities	2,452	34,545
Accrued expenses and deferred income	9,190	7,803
Total current liabilities	611,980	620,355
TOTAL EQUITY AND LIABILITIES	1,689,511	1,674,971

NOTES

Note 1: Accounting and measurement policies

This year-end 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	2021-12-31	2020-12-31
Pledged assets	585	585

Note 3: Net sales by category

SEKk Q4 2021	Starbreeze Games	Other	Total
PC	25,806	128	25,934
Consoles, Digital	4,324	16	4,340
Consoles, Retail	42	-	42
VR parks	-	-	-
Licensing	2	694	696
Other	41	-	41
Total net sales	30,215	838	31,053

SEKk Q4 2020	Starbreeze Games	Other	Total
PC	23,900	631	24,531
Consoles, Digital	6,701	198	6,899
Consoles, Retail	53	-	53
VR parks	-	-	-
Licensing	11	1,063	1,074
Other	35	-	35
Total net sales	30,700	1,892	32,592

SEKk JAN-DEC 2021	Starbreeze Games	Other	Total
PC	101,600	879	102,479
Consoles, Digital	18,028	-149	17,879
Consoles, Retail	208	-	208
VR parks	16	90	106
Licensing	227	4,656	4,883
Other	134	-	134
Total net sales	120,213	5,476	125,689

SEKk JAN-DEC 2020	Starbreeze Games	Other	Total
PC	87,728	1,204	88,932
Consoles, Digital	23,384	273	23,657
Consoles, Retail	337	-	337
VR parks	12	56	68
Licensing	11	4,894	4,905
Other	107	-	107
Total net sales	111,579	6,427	118,006

Note 4: Group depreciation and amortization by function

SEKk	2021	2020	2021	2020
	Q4	Q4	JAN-DEC	JAN-DEC
Depreciation and impairment of property, plant and equipment				
Direct costs	-441	-1,155	-3,233	-5,302
Selling and marketing costs	-2	-	-8	-
Administrative expenses	-4,113	-4,079	-17,291	-16,512
Total depreciation and impairment of property, plant and equipment	-4,556	-5,234	-20,532	-21,814
Amortization and impairment of intangible assets				
Direct costs	-10,370	-4,407	-39,179	-16,353
Administrative expenses	-70	-69	-277	-275
Total amortization and impairment of intangible assets	-10,440	-4,476	-39,456	-16,628
Total depreciation and amortization and impairment	-14,996	-9,710	-59,988	-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	2021-12-31
<i>Balance sheet in summary:</i>	
Current assets	11,241
Non-current assets	65
Current liabilities	-7,872
Net assets	3,434
<i>Statement of comprehensive income in summary:</i>	
Sales	602
Net profit (-loss) for the period	-154
Total comprehensive income for the period	-154

SEKk	2021-12-31
<i>Reconciliation of net carrying amount:</i>	
Balance of net assets at 1 January	3,282
Net profit (-loss) for the period	-154
Exchange differences	306
Closing balance net assets	3,434
Group's share	33%
Group's share in SEKk	1,133
Net carrying amount	1,133

