

Q4

2020

Fourth quarter 2020


- Net sales amounted to SEK 32.6 million (51.1). PAYDAY accounted for SEK 30.6 million (50.8).
- PAYDAY adjusted growth in net sales of 39.7%.
- EBITDA* amounted to SEK 5.3 million (26.8).
- Amortization, depreciation and impairments totalled SEK 9.7 million (221.0).
- Costs related to the reconstruction amounted to SEK 0.5 million (8.6).
- The loss before tax amounted to SEK -16.4 million (-156.7).
- Basic and diluted earnings per share were SEK -0.02 (-0.30).
- Digital distribution platform Steam ran a winter sale, which made a positive contribution to sales during the quarter.

Full year 2020

- Net sales amounted to SEK 118.0 million (280.0). PAYDAY accounted for SEK 111.5 million (109.4).
- PAYDAY adjusted growth in net sales of 66.7%.
- EBITDA* amounted to SEK 49.3 million (-116.5).
- Amortization, depreciation and impairments totalled SEK 38.4 million (387.9).
- Costs related to the reconstruction amounted to SEK 9.1 million (36.5).
- The loss before tax was SEK -130.5 million (-452.4).
- Basic and diluted earnings per share were SEK -0.28 (-1.22).
- Cash and cash equivalents totaled SEK 157.4 million (82.8).

KEY FIGURES	2020	2019	2020	2019
SEKk	Q4	Q4	JAN-DEC	JAN-DEC
Net sales	32,592	51,108	118,006	280,002
EBITDA*	5,329	26,829	49,317	-116,457
Profit (-loss) before tax	-16,356	-156,735	-130,473	-452,424
Earnings per share, SEK	-0.02	-0.30	-0.28	-1.22
Cash flow from operations	-5,519	3,072	-24,640	49,508
Net sales per employee	265	370	959	846

* See page 17 for definitions of key figures.



About Starbreeze

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

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

More information: starbreeze.com

The CEO remarks on the report

STRONG GROWTH - PAYDAY

The fourth quarter concluded an eventful 2020 for Starbreeze. Our PAYDAY franchise and “games as a service model” really showed their muscles during the year with several successful releases of content for PAYDAY 2. By late December, PAYDAY 2 had become the biggest game community on Steam, with 7.1 million members. We have executed two capital raises during the year and paid off a large proportion of our debts, strengthened our financial position and thus enabling the continued successful development of PAYDAY 3 in 2021 – all key steps in putting Starbreeze back on the map as an industry leader.

I have implemented changes during the quarter to strengthen our organization within marketing and business development and continued to recruit the best developers to our studios and in so doing create the best possible conditions for the company’s journey ahead.

Another season of PAYDAY 2 wrapped in the fourth quarter with the launch of Silk Road: Crimson Shore. Work on the next season is moving swiftly and we are looking forward to launching the first part this quarter. Our ambition is to achieve steady growth for PAYDAY 2, not only in terms of games sold but also in daily activity among our gamers. I am incredibly proud to report that we now own the biggest community on Steam – an achievement that demonstrates the strength of the game and our community team and is a fantastic position from which to continue growing.

Sales and underlying earnings showed a positive trend during the year arising from sustained strong demand for PAYDAY 2 and ongoing efficiency improvements.

Through the proven strength of the PAYDAY franchise and a highly dedicated development team we now have a stable platform that supports the continued successful development of PAYDAY 3. We are standing strong and confident in our efforts to close a publishing agreement with a partner that is as passionate about games as a service as Starbreeze is and ready to join us in the successful launch of PAYDAY 3.

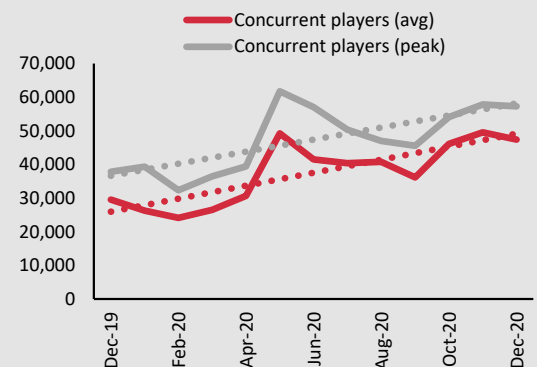
We also completed payments to our supplier creditors during the quarter, which was a key milestone in the reconstruction plan and important to us as a company in the effort to strengthen our financial position.

Starbreeze is a much stronger company today than it was one year ago. We are hugely confident, thirsting for revenge and thrilled to be able to focus to the max on developing our IP with PAYDAY front and center. With expanded development capacity and continued good demand for everything PAYDAY, we are in prime position for future growth. I am truly looking forward to continuing the work with Starbreeze and the opportunities that lie before us.

Tobias Sjögren
Acting CEO Starbreeze

Q4 2020

PAYDAY 2



Source: Steam

At peak

57,837

played PAYDAY 2 concurrently in Q4

SIGNIFICANT EVENTS DURING THE QUARTER

Q4
2020

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

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

Steam winter sale
Steam held its annual winter sale from 22 December to 5 January, an event that has huge impact on game sales on the platform. The effect on PAYDAY 2 was also positive in during the period.

Final payment to creditors
In accordance with the reconstruction plan and the public composition with creditors affirmed by the Stockholm District Court on 6 December 2019, Starbreeze completed its payments to segments of its creditors. With these payments, Starbreeze has settled all debts to large and small supplier creditors in accordance with the reconstruction plan.

The fourth chapter of PAYDAY 2: Silk Road
The fourth chapter of PAYDAY 2 Silk Road was released in November, including a free core game update for all owners of the game and three new DLCs.

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

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Q4
2020

No significant events occurred after the end of the period.

REVENUE AND PROFIT

Q4

2020

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

Segment reporting

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

Fourth quarter 2020

Sales

Net sales for the fourth quarter of 2020 amounted to SEK 32.6 million. (SEK 51.1), of which PAYDAY accounted for SEK 30.6 million (50.8). Adjusted for extraordinary items of 28.9 million, related to previous publishing agreement with Universal regarding PAYDAY: Crime War, the net sales growth for PAYDAY was 39.7%. Net sales were distributed among PC at SEK 23.9 million (17.3) and console at SEK 6.8 million (4.5). Net sales for the base game PAYDAY 2 on Steam increased by 9% (SEK 0.5m) compared to the fourth quarter of 2019 and net sales of DLC (downloadable content bundles) increased by 38% (SEK 4.2m). The higher revenue share achieved during the first quarter of this year, in which Starbreeze receives 75% of revenues from Steam (70% in Q4 2019), accounted for SEK 1.5 million of net sales for the period. This resulted in an increase of SEK 6.2 million in Steam revenues generated by PAYDAY 2 for the period. In a positive trend, console revenues grew by 67% (SEK 2.6m) compared to the corresponding period last year. Changes in the exchange rate against the dollar had negative effect on net sales of SEK 3.3 million compared to the average exchange rate in the corresponding period in 2019.

Costs

Direct costs amounted to SEK 8.7 million (225.5) and consist of costs related to game production and game development. Direct costs include depreciation and amortization of SEK 5.6 million (215.4). The decrease is attributable mainly to capitalized development costs of SEK 191.6 million for sold publishing rights that were expensed in 2019. The decrease in direct costs, adjusted for extraordinary items in the preceding year amounts to SEK 25.2 million and is attributable mainly to a reduction in the number of employees and capitalization of a larger share of development work in 2020.

Capitalized development costs reduced direct costs by SEK 17.8 million (14.5) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3. A larger share of development costs related to PAYDAY 2 was capitalized in 2020 compared to 2019.

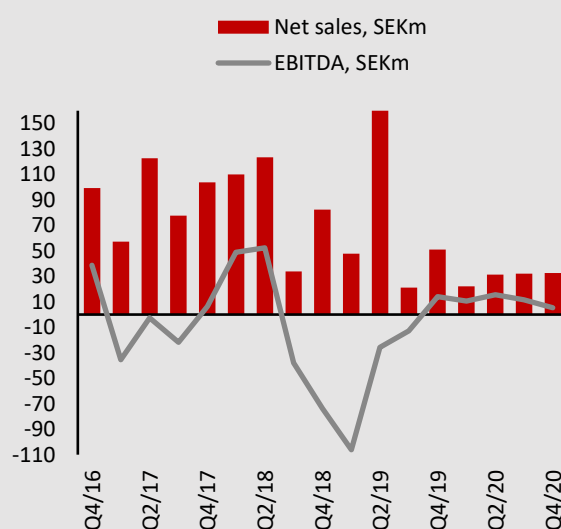
Sales and marketing costs amounted to SEK 2.2 million (2.1), related primarily to employee benefits expenses.

Administrative expenses amounted to SEK 16.1 million (24.5) and refer to items including office costs and payroll for employees who do not work in game production or marketing, as well as costs related to the reconstruction process. The reduction is mainly due to lower costs related to the reconstruction process and a reduction in number of employees. Administrative expenses include extraordinary employee expenses of SEK 6.3 million.

Sales and profit

SEK	2020	2019	2020	2019
	Q4	Q4	JAN-DEC	JAN-DEC
Net sales	32,592	51,108	118,006	280,002
EBITDA *	5,329	26,829	49,317	-116,457
Profit (-loss) before tax	-16,356	-156,735	-130,473	-452,424
Net profit (-loss) for the period	-16,594	-98,279	-130,280	-401,099
Earnings per share, SEK	-0.02	-0.30	-0.28	-1.22
Net sales growth, %	-36.2	-38.0	-57.9	-20.0
EBITDA margin, %	16.4	52.5	41.8	-41.6

*See page 22-23 and Note 6 for the derivation of the key figure.



Administrative expenses include amortization of SEK 4.1 million (5.6). Capitalized development costs reduced administrative costs by SEK 6.1 million (10.4) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3.

Other income/expenses amounted to SEK -10.0 million (6.6). The item consists mainly of currency effects due to changes in the USD and EUR exchange rates against SEK. The currency effects had negative effect on the individual quarter.

Operating results

EBITDA amounted to SEK 5.3 million (26.8).

Remeasurement of earnouts amounted to SEK 0.0 million (46.2). The share of profit and loss in the joint venture StarVR Corporation amounted to SEK -0.4 million (-1.0).

Net financial income was reduced during the quarter by interest on lease liabilities of SEK 0.3 million (0.4), an effect of the IFRS 16 reporting standard.

Net financial income or expense

Net financial expense amounted to SEK -12.0 million (37.5). The costs are attributable mainly to the company's convertible debt and related debt of SEK 11.2 million (4.6). In the corresponding period in 2019, there was a positive effect of SEK 46.2 million related to the remeasurement of earnouts.

Loss before tax and net loss for the period

The loss before tax for the quarter was SEK -16.4 million (-156.7). The net loss for the quarter was SEK -16.6 million (-98.3).

Basic and diluted earnings per share were SEK -0.02 (-0.3).

Full year 2020

Sales

Net sales amounted to SEK 118.0 million (280.0), of which PAYDAY accounted for SEK 111.5 million (109.4). Adjusted for extraordinary items of 42.5 million, related to previous publishing agreement with Universal regarding PAYDAY: Crime War, the net sales growth for PAYDAY was 66.7%. Net sales were distributed among PC at SEK 87.7 million (54.3) and console at SEK 23.7 million (14.7). The corresponding period in 2019 included extraordinary items of SEK 186.5 million mainly related to Psychonauts, 10 Crowns, PAYDAY: Crime War and other non-core business.

Net sales for the base game PAYDAY 2 on Steam increased by 37% (SEK 6.2m) compared to the corresponding period in 2019 and net sales of DLC (downloadable content bundles) increased by 69% (SEK 23.3m). The higher revenue share achieved during the first quarter of this year, in which Starbreeze receives 75% of revenues from Steam, accounted for SEK 5.6 million of net sales for the period. This resulted in an increase of SEK 35.1 million in Steam revenues generated by PAYDAY 2 for the period. In a positive trend, console revenues grew by 61% (SEK 9.1m) compared to the corresponding period last year.

Changes in the exchange rate against the dollar had negative effect on net sales of SEK 4.2 million compared to the average exchange rate for the corresponding period last year.

Costs

Direct costs amounted to SEK 31.1 million (661.5) and consist of costs related to game production and game development. The decrease is attributable mainly to capitalized development costs and costs for sold publishing rights of SEK 464 million that were expensed in 2019, but also to a significant reduction in the number of employees and capitalization of a larger share of development work in 2020.

Direct costs include depreciation and amortization of SEK 21.7 million (364.8).

Depreciation and amortization during the corresponding period in 2019 refer mainly to amortization and impairments of projects that were sold or discontinued during the period.

Capitalized development costs reduced direct costs by SEK 71.0 million (51.0) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3.

Sales and marketing costs amounted to SEK 8.5 million (12.0) and are related primarily to employee benefits expenses.

Administrative expenses amounted to SEK 69.4 million (109.6) and refer to items including office costs and payroll for employees who do not work in game production or marketing, as well as costs related to the reconstruction process. The reduction is mainly due to lower costs related to the reconstruction process and cost of premises.

Administrative expenses include amortization of SEK 16.8 million (23.1). Capitalized development costs reduced administrative costs by SEK 23.5 million (39.1) and refer to PAYDAY: Crime War, PAYDAY 2 and PAYDAY 3.

Other income/expenses amounted to SEK 1.8 million (-1.2). The item consists of currency effects due to changes in the USD and EUR exchange rates against SEK and the net gain of SEK 6.4 million attributable to divested subsidiaries.

Operating results

EBITDA amounted to SEK 49.3 million (-116.5).

Remeasurement of earnouts amounted to SEK 0.0 million (84.1). The share of profit and loss in the joint venture StarVR Corporation amounted to SEK -2.1 million (-1.5). Net financial income was reduced during the quarter by interest on lease liabilities of SEK 1.5 million (2.0), an effect of the IFRS 16 reporting standard.

Net financial income or expense

Net financial expense amounted to SEK -141.3 million (51.9). The decrease is mainly due to the costs related to extending the company's convertible bond. The total cost charged against net financial income due to the extension of the convertible bond was SEK 110.1 million. This has not affected liquidity. In the corresponding period in 2019, there was a positive effect of SEK 84.1 million related to the remeasurement of earnouts.

Loss before tax and net loss for the period

The loss before tax for the period was SEK -130.5 million (-452.4).

The loss for the period amounted to SEK -130.3 million (-401.1).

Basic and diluted earnings per share were SEK -0.28 (-1.22).

Specification of net financial income/expense

SEK	2020	2019	2020	2019
	Q4	Q4	JAN-DEC	JAN-DEC
Remeasurement of earnouts	-	46,183	-	84,099
Interest on convertible bonds	-6,369	-4,594	-22,766	-18,016
Remeasurement of derivatives attributable to convertible bonds	-	-	-	42
Net profit (-loss) from StarVR Corp.	-366	-1,043	-2,112	-1,462
Renegotiation loss convertible bond	-	-	-90,934	-
Implicit interest	-4,830	-	-19,148	-
Credit cost including interest for fully amortized loan	-	-	-	-5,000
Interest Nordea	-565	-1,053	-3,974	-4,138
Interest on lease liability	-340	-438	-1,509	-1,987
Interest on non-current liabilities according composition proposal	-	-1,767	-1,563	-1,767
Other items	495	187	658	167
Total	-11,975	37,475	-141,348	51,938

OTHER FINANCIAL INFORMATION

Q4

2020

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

Fourth quarter 2020

Cash flow

Cash used in operating activities amounted to SEK -5.5 million (3.1). Adjustments for non-cash items amounted to SEK 14.6 million (225.4), including amortization and depreciation of SEK 9.7 million. In the fourth quarter of 2019, amortization related to sold or discontinued projects amounted to SEK 191.1 million.

Cash used in investing activities was SEK -24.5 million (-34.3), including investments in own game development of SEK 23.9 million.

Cash used in financing activities amounted to SEK -5.7 million (1.0), including IFRS 16 Leases in the amount of SEK 4.7 million.

Total cash used in the quarter was SEK -35.6 million (-30.3), with the increase attributable mainly to final settlement of reconstruction debts in the amount of SEK 14 million. Cash and cash equivalents at the end of the quarter amounted to SEK 157.4 million (82.8).

Investments

Consolidated investments in property, plant and equipment during the quarter amounted to SEK 0.0 million (0.0). Investments in own game and technology development totaled SEK 23.9 million (28.3).

Full year 2020

Cash flow

Cash used in operating activities amounted to SEK -24.6 million (49.5). Adjustments for non-cash items amounted to SEK 37.1 million (586.9), including depreciation and amortization of SEK 38.4 million. Cash used in investing activities was SEK -96.2 million (-36.2), including investments in own game development of SEK -94.5 million. Divestments of businesses in the amount of SEK 67.2 million were included in the corresponding period in the preceding year. See also "Investments" below.

Cash flow from financing activities has increased to SEK 195.6 million (0.0) mainly attributed to executed rights issues of SEK 271 million, amortization of long-term liabilities in the amount of SEK -55 million and IFRS 16 Leases of SEK -18.8 million.

Total cash flow for the period was SEK 74.7 million (13.3) and final settlement of reconstruction debts amounted to SEK -76.8 million. Cash and cash equivalents at the end of the period amounted to SEK 157.4 million (82.8)

Investments

Consolidated investments in property, plant and equipment during the period amounted to SEK 1.0 million (2.1). Investments in own game and technology development totaled SEK 94.5 million (92.4).

Cash and cash equivalents

as of 31 December 2020

SEK 157.4 million

Financial position

Non-current assets

Goodwill at the end of the period amounted to SEK 38.8 million (43.6). Intangible assets, which consist primarily of IP rights, amounted to SEK 228.5 million (240.2).

Capitalized costs for own game and technology development totaled SEK 171.4 million (81.5).

Investments in publishing projects amounted to SEK 4.0 million (4.1).

Amortization and impairments of intangible assets amounted to SEK 16.6 million (326.9) during the period.

Current assets

Trade and other receivables amounted to SEK 4.1 million (10.4).

Prepaid expenses and accrued income at the end of the period amounted to SEK 34.7 million (33.4), of which SEK 16.0 million (13.4) related to receivables for digital sales, primarily via Steam, PlayStationStore, Xbox Live and Switch.

Equity

Consolidated equity amounted to SEK 228.5 million (6.2) at the reporting date.

Non-current liabilities

Non-current liabilities amounted to SEK 329.8 million (184.2), including the convertible debt and related debt of SEK 270.1 million and the debt to Nordea of SEK 11.0 million. The non-current component of the lease liability was SEK 37.1 million (55.3 million). The deferred tax liability was SEK 0 million (7.9).

Current liabilities

Current liabilities amounted to SEK 150.3 million (400.2). Trade and other payables at the end of the period totaled SEK 103.3 million (342.5), of which SEK 44.9 million refers to Nordea. Current liabilities for lease contracts amounted to SEK 19.1 million (19.2). Accrued expenses and deferred income at the end of the period totaled SEK 27.9 million (38.5). The decrease is mainly related to payment of debts to creditors in accordance with the reconstruction plan.

Leases

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

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

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

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

Share capital

Share capital at the end of the period amounted to SEK 14,492,185.37 (6,587,357) distributed among 724,609,266 shares (329,367,849), of which 169,321,548 Class A shares (53,001,992) and 555,287,718 Class B shares (276,465,857).

Risks and uncertainties

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

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

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

Starbreeze exited reconstruction in December 2019 and in January 2020 the outstanding convertible bond was extended to December 2024. Without additional financing, liquidity injections from divestitures or distribution agreements for PAYDAY 3, the company could experience a liquidity shortfall in the fourth quarter of 2021. This entails risk that the company will not have sufficient secured funds to guarantee continued operations for the next 12 months.

In the opinion of the board of directors, Starbreeze will be able to close a publishing agreement for the company's projects.

Parent company

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

The parent company's net sales during the quarter amounted to SEK 7.3 million (12.6). Sales refer primarily to allocation of management fees.

The loss before and after tax was SEK -9.7 million (9.0)

Cash and cash equivalents at the end of the quarter amounted to SEK 10.9 million (12.0) and parent company equity was SEK 784.6 million (581.1).

Non-current liabilities decreased during the period to SEK 270.1 million (306.1).

Related party transactions

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

Auditor's review

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

Number of employees

	2020	2019
	Q4	Q4
Employees	124	127
Men	103	112
Women	21	15

SEK 124

Employees at Starbreeze

Investor relations

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

For further information

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

Stockholm, 16 February 2021

Torgny Hellström
Chairman of the Board

Directors

Kerstin Sundberg	Anna Lagerborg
Tobias Sjögren	Jan Benjaminson

Financial calendar

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

Starbreeze AB is required to disclose this information under the EU Market Abuse Regulation and the Securities Market Act. The information was provided by the above contact persons for publication on 16 February 2021 at 08:00 CET.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	2020	2019	2020	2019
SEKk		Q4	Q4	JAN-DEC	JAN - DEC
Net sales	3	32,592	51,108	118,006	280,002
Direct costs	4	-8,730	-225,464	-31,074	-661,520
Gross profit (-loss)		23,862	-174,356	86,932	-381,518
Selling and marketing costs		-2,160	-2,050	-8,464	-12,048
Administrative expenses		-16,110	-24,453	-69,428	-109,609
Other revenue		-9,973	10,191	1,835	19,221
Other expenses		-	-3,542	-	-20,408
Operating profit (-loss)	-	-4,381	-194,210	10,875	-504,362
Financial income		300	46,757	628	84,266
Financial expenses	-	-11,910	-8,239	-139,864	-30,866
Share in profit or loss of holdings accounted for using the equity method		-365	-1,043	-2,112	-1,462
Profit (-loss) before tax		-16,356	-156,735	-130,473	-452,424
Income tax		-238	58,456	193	51,325
Net profit (-loss) for the period		-16,594	-98,279	-130,280	-401,099
Other comprehensive income that may subsequently be reclassified to profit and loss					
Exchange differences		3,047	1,030	246	4,162
Total comprehensive income for the period		-13,547	-97,249	-130,034	-396,937
Total comprehensive income for the period attributable to:					
Owners of the parent		-13,547	-97,249	-130,034	-397,087
Non-controlling interests		-	-	-	150
Earnings per share attributable to owners of the parent during the period (SEK):					
- Basic		-0.02	-0.30	-0.28	-1.22
- Diluted		-0.02	-0.30	-0.28	-1.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEKk	NOTE	2020-12-31	2019-12-31
ASSETS			
<i>Intangible assets</i>			
Goodwill		38,827	43,601
Other intangible assets		228,514	240,221
Capitalized development cost for own games and technology development		171,435	81,518
Investments in publishing projects		3,974	4,056
<i>Financial assets</i>			
Financial assets		7,683	6,258
Investments in joint ventures	5	1,083	3,195
Non-current lease receivable		2,612	5,716
Deferred tax assets		161	-
<i>Property, plant and equipment</i>			
IT equipment and other equipment		6,704	12,850
Right-of-Use asset-Buildings		48,866	63,764
Total non-current assets		509,859	461,179
<i>Current assets</i>			
Trades and other receivables		4,061	10,391
Current lease receivable		2,627	3,106
Prepaid expenses and accrued income		34,736	33,425
Cash and cash equivalents		157,423	82,787
Total current assets		198,847	129,709
Assets held for sale		-	1,084
Total assets held for sale		-	1,084
TOTAL ASSETS		708,706	591,972
EQUITY AND LIABILITIES			
<i>Equity attributable to owners of the parent</i>			
Share capital		14,492	6,587
Other contributed capital		1,979,111	1,711,334
Reserves		21,646	21,400
Retained earnings including net profit or loss for the period		-1,786,751	-1,733,163
Total equity		228,498	6,158
<i>Non-current liabilities</i>			
Non-current liabilities, earnouts		-	62
Deferred tax liability		-	7,853
Non-current lease liability		37,147	55,272
Other non-current liabilities		292,702	121,009
Total non-current liabilities		329,849	184,196
<i>Current liabilities</i>			
Current liabilities, earnouts		18	-
Trade and other payables		103,345	342,468
Current lease liability		19,135	19,181
Accrued expenses and deferred income		27,861	38,506
Total current liabilities		150,359	400,155
Liabilities held for sale		-	1,463
Total liabilities held for sale		-	1,463
TOTAL EQUITY AND LIABILITIES		708,706	591,972

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEkk	Share capital	Other contributed capital	Reserves	Retained earnings	Total	Non controlling interest	Total equity
Balance at 1 January 2020	6,587	1,711,334	21,400	-1,733,163	6,158	-	6,158
Net profit (-loss) for the period	-	-	-	-130,280	-130,280	-	-130,280
Other comprehensive income for the period							
Translation differences	-	-	246	-	246	-	246
Total comprehensive income	-	-	246	-130,280	-130,034	-	-130,034
Transactions with shareholders:							
New issue through exercise of convertible bonds	7,905	293,368	-	-	301,273	-	301,273
Issue cost recognized in equity	-	-30,273	-	-	-30,273	-	-30,273
Shareholders' contributions from composition proposal	-	-	-	76,692	76,692	-	76,692
Other	-	4,683	-	-	4,683	-	4,683
Total contribution from and value transfers to shareholders, recognized directly in equity	7,905	267,777	-	76,692	352,374	-	352,374
Balance at 31 December 2020	14,492	1,979,111	21,646	-1,786,751	228,498	-	228,498
Balance at 1 January 2019	6,506	1,639,516	17,098	-1,326,061	337,059	1,947	339,006
Correction 2018	-	-	140	-429	-289	-	-289
Justerad ingående balans per 1 januari 2019	6,506	1,639,516	17,238	-1,326,490	336,770	1,947	338,717
Net profit (-loss) for the period	-	-	-	-401,249	-401,249	150	-401,099
Sale of subsidiary with minority interest	-	-	-	-	-	-2,123	-2,123
Translation differences	-	-	4,162	-	4,162	26	4,188
Total comprehensive income	-	-	4,162	-401,249	-397,087	-1,947	-399,034
Transactions with shareholders:							
New issue through exercise of stock options	81	71,632	-	-	71,713	-	71,713
Shareholders' contributions received	-	186	-	-	186	-	186
Issue costs recognized in equity	-	-	-	-5,424	-5,424	-	-5,424
Total contribution from and value transfers to shareholders, recognized directly in equity	81	71,818	-	-5,424	66,475	-	66,475
Balance at 31 December 2019	6,587	1,711,334	21,400	-1,733,163	6,158	-	6,158
					2020		2019
CHANGE IN NUMBER OF OUTSTANDING SHARES					JAN-DEC		JAN - DEC
Number of shares at the beginning of the period					329,367,849		325,295,554
New subscription of shares through exercise of convertibles					-		4,072,295
New issue					395,241,417		-
Total shares outstanding at the end of the period					724,609,266		329,367,849

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKk	NOTE	2020	2019	2020	2019
		Q4	Q4	JAN-DEC	JAN-DEC
<i>Operating activities</i>					
Cash flow from operations		-4,381	-194,210	10,875	-504,362
Adjustment for non-cash items		14,561	225,446	37,053	586,897
Interest paid		-	-7,947	-385	-9,301
Interest received		-	709	-	-
Cash flow from (-used in) operating activities		10,180	23,998	47,543	73,234
<i>Cash flow from changes in working capital</i>					
Increase (+)/decrease (-) in operating receivables		8,735	-98,784	66,851	32,538
Increase (+)/decrease (-) in operating liabilities		-24,434	77,858	-139,034	-56,264
Cash flow from (-used in) operating activities		-5,519	3,072	-24,640	49,508
<i>Investing activities</i>					
Purchase of property, plant and equipment		-493	-	-944	-2,092
Sold non-current assets		25	217	51	217
Divested subsidiaries		-	-	-472	67,202
Investments in other financial assets		-	-6,205	-	-1,067
Investments in own games and technology		-23,862	-28,340	-94,541	-92,412
Investments in publishing projects		-132	-	-309	-8,087
Cash flow from (-used in) investing activities		-24,462	-34,328	-96,215	-36,239
<i>Financing activities</i>					
New issue		-	-	270,999	-
Increase in non-current liabilities		-884	2,185	-1,598	-
Repayment of loans		-	-	-55,000	-
Effect of financial lease		-4,775	-1,214	-18,802	-
Cash flow from financing activities		-5,659	971	195,599	-
Cash flow for (-used in) the period		-35,640	-30,285	74,744	13,269
Cash and cash equivalents at the beginning of the period		193,200	113,192	82,787	69,289
Exchange difference in cash and cash equivalents		-137	-120	-108	229
Cash and cash equivalents at the end of the period		157,423	82,787	157,423	82,787

KEY FIGURES, GROUP

	2020	2019	2020	2019
	Q4	Q4	JAN-DEC	JAN - DEC
Net sales, SEKk	32,592	51,108	118,006	280,002
EBITDA, SEKk	5,329	26,829	49,317	-116,457
EBIT, SEKk	-4,381	-194,210	10,875	-504,362
Profit (-loss) before tax, SEKk	-16,356	-156,735	-130,473	-452,424
Profit (-loss) after tax, SEKk	-16,594	-98,279	-130,280	-401,099
EBITDA margin, %	16.4	52.5	41.8	-41.6
EBIT margin, %	-13.4	-380.0	9.2	-180.1
Profit margin, %	-50.2	-306.7	-110.6	-161.6
Equity to assets ratio, %	32.2	1.0	32.2	1.0
Closing price of A share for the period, SEK	1.06	1.85	1.06	1.85
Closing price of B share for the period, SEK	1.09	1.86	1.09	1.86
Basic earnings per share, SEK	-0.02	-0.30	-0.28	-1.22
Diluted earnings per share, SEK	-0.02	-0.30	-0.28	-1.22
Number of shares at end of period before dilution	724,609,266	329,367,849	724,609,266	329,367,849
Number of shares at end of period after dilution	724,609,266	329,367,849	724,609,266	329,367,849
Average number of shares before dilution	724,609,266	329,367,849	469,754,144	328,349,775
Average number of shares after dilution	724,609,266	329,367,849	469,754,144	328,349,775
Average number of employees	123	138	123	331
Number of employees at the end of the period	124	127	124	127

Key figures, Group

EBITDA

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

EBIT

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

EBITDA margin

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

EBIT margin

Operating profit or loss as a percentage of net sales.

Profit margin

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

Equity to assets ratio

Equity as a percentage of total assets.

Earnings per share

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

Equity

Recognized equity including 78 percent of untaxed reserves.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

	2020	2019	2020	2019
	Q4	Q4	JAN-DEC	JAN - DEC
<i>EBITDA</i>				
Operating profit (-loss), SEKk	-4,381	-194,210	10,875	-504,362
Amortization of intangible assets, SEKk	4,476	213,727	16,628	326,860
Depreciation of property, plant and equipment, SEKk	5,234	7,312	21,814	61,045
EBITDA	5,329	26,829	49,317	-116,457
<i>EBITDA margin, %</i>				
EBITDA, SEKk	5,329	26,829	49,317	-116,457
Net sales, SEKk	32,592	51,108	118,006	280,002
EBITDA margin, %	16.4	52.5	41.8	-41.6
<i>EBIT margin, %</i>				
Operating profit (-loss), SEKk	-4,381	-194,210	10,875	-504,362
Net sales, SEKk	32,592	51,108	118,006	280,002
EBIT margin, %	-13.4	-380.0	9.2	-180.1
<i>Profit margin, %</i>				
Profit (-loss) before tax, SEKk	-16,356	-156,735	-130,473	-452,424
Net sales, SEKk	32,592	51,108	118,006	280,002
Profit margin, %	-50.2	-306.7	-110.6	-161.6
<i>Equity to assets ratio, %</i>				
Total equity	228,498	6,158	228,498	6,158
Total equity and liabilities, SEKk	708,706	591,972	708,706	591,972
Equity to assets ratio, %	32.2	1.0	32.2	1.0

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

PARENT COMPANY INCOME STATEMENT

	2020	2019	2020	2019
SEKk	Q4	Q4	JAN-DEC	JAN - DEC
Net sales	7,310	12,628	29,762	58,990
Other operating revenue	9,177	-5,775	8,542	25,037
Total sales	16,487	6,853	38,304	84,027
Other external expenses	-4,110	-13,513	-24,374	-59,586
Employee benefit expense	-10,913	-11,901	-29,961	-38,574
Depreciation of property, plant and equipment	-46	-47	-188	-217
Other operating expenses	-	-7,078	-	-7,078
Operating profit (-loss)	1,418	-25,686	-16,219	-21,428
Profit from holdings in group companies	-921	-213,512	-	-224,439
Other financial income	1,356	96,611	6,508	98,039
Financial expenses	-11,518	-35,832	-134,561	-54,260
Profit (-loss) after net financial income/expense	-9,665	-178,420	-144,272	-202,089
Appropriations	-	187,394	-	187,394
Profit (-loss) before tax	-9,665	8,974	-144,272	-14,695
Income tax	-	-	-	-
Net profit (-loss) for the period	-9,665	8,974	-144,272	-14,695

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

PARENT COMPANY BALANCE SHEET

SEKk	2020-12-31	2019-12-31
ASSETS		
<i>Non-current assets</i>		
<i>Property, plant and equipment</i>		
Computers and other equipment	268	421
<i>Financial assets</i>		
Investments in group companies	322,702	295,806
Investments in associates	4,656	4,656
Other financial assets	2,594	585
Total non-current assets	330,220	301,468
<i>Current assets</i>		
Trade and other receivables	933	-
Receivables from group companies	1,332,388	1,080,277
Prepaid expenses and accrued income	524	837
Cash and cash equivalents	10,906	12,009
Total current assets	1,344,751	1,093,123
TOTAL ASSETS	1,674,971	1,394,591
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	14,492	6,587
Share premium reserve	1,912,127	1,649,033
Retained earnings	-997,796	-1,059,812
Net profit (-loss) for the period	-144,272	-14,695
Total equity	784,551	581,113
<i>Provisions</i>		
Other provisions	-	31,230
Total provisions	-	31,230
<i>Non-current liabilities</i>		
Non-current liabilities to group companies	-	305,865
Other non-current liabilities	270,085	260
Total non-current liabilities	270,085	306,125
<i>Current liabilities</i>		
Trade payables	1,013	8,060
Liabilities to group companies	576,975	239,012
Other liabilities	34,544	218,022
Accrued expenses and deferred income	7,803	11,029
Total current liabilities	620,335	476,123
TOTAL EQUITY AND LIABILITIES	1,674,971	1,394,591

NOTES

Note 1: Accounting and measurement policies

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

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

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

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

Note 2: Pledged assets

Consolidated pledged assets and contingent liabilities

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

SEKk	2020-12-31	2019-12-31
Pledged assets	585	6,594

Note 3: Net sales by category

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

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: Consolidated depreciation and amortization by function

	2020	2019	2020	2019
SEKk	Q4	Q4	JAN-DEC	JAN-DEC
Depreciation and impairment of property, plant and equipment				
Direct costs	-1,155	-1,746	-5,302	-38,217
Selling and marketing costs	-	-9	-	-28
Administrative expenses	-4,079	-5,557	-16,512	-22,800
Total depreciation and impairment of property, plant and equipment	-5,234	-7,312	-21,814	-61,045
Amortization and impairment of intangible assets				
Direct costs	-4,407	-213,660	-16,353	-326,606
Administrative expenses	-69	-67	-275	-254
Total amortization and impairment of intangible assets	-4,476	-213,727	-16,628	-326,860
Total depreciation and amortization and impairment	-9,710	-221,039	-38,442	-387,905

Note 5: Joint venture company StarVR Corporation

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

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

SEKk	2020-12-31
<i>Reconciliation of net carrying amount:</i>	
Balance of net assets at 1 January	9,681
Net profit (-loss) for the period	-18,180
Exchange differences	11,781
Closing balance net assets	3,282
Group's share	33%
Group's share in SEKk	1,083
Net carrying amount	1,083

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

SEKk	2020-12-31
<i>Balance sheet in summary:</i>	
Current assets	10,867
Non-current assets	59
Current liabilities	-7,644
Net assets	3,282
<i>Statement of comprehensive income in summary:</i>	
Sales	-2,130
Net profit (-loss) for the period	-18,180
Total comprehensive income for the period	-18,180

Note 6: Divested subsidiary

Net assets at date of sale of the companies

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

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

