

First quarter 2019

- Net sales amounted to SEK 47.8 million (110.1). Of the total, SEK 2.1 million (0.0) was generated by OVERKILL's The Walking Dead (OTWD) and SEK 26.7 million (25.1) by PAYDAY.
- EBITDA* amounted to SEK -106.7 million (48.8).
- Depreciation, amortization and impairments totaled SEK 49.9 million (42.6).
- Costs related to the reconstruction amounted to SEK 11.0 million for the quarter.
- The loss before tax was SEK -167.3 million (-6.4).
- Basic and diluted earnings per share were SEK -0.52 (-0.02).
- The reconstruction of Starbreeze was extended through 3 June 2019 by order of the Stockholm District Court.
- The extraordinary general meeting held 7 March 2019 elected Jan Benjaminson, Torgny Hellström and Kerstin Sundberg as new regular directors for a term ending at the close of the next annual general meeting. Torgny Hellström was elected chairman of the board.
- The rights owner, Skybound, terminated the license agreement for the title Overkill's The Walking Dead. Starbreeze disputes the termination.

After the end of the period

- Starbreeze and some of its subsidiaries have been in reconstruction since December 3, 2018. The company currently lacks sufficient secured funds to continue operating for the coming 12 months and a liquidity shortfall is expected before mid-year 2019 if no additional funds are provided.
- Acer Inc. called for conversion of the outstanding convertible bond loan.
- Starbreeze sold back the publishing rights to the game "10 Crowns" to Mohawk Games.
- Shareholders were notified of the annual general meeting to be held 4 June 2019.
- The company has decided to reclassify certain non-current liabilities to current liabilities as per 31 December 2018.

KEY FIGURES

SEKk	2019	2018	2018
	Q1	Q1	JAN - DEC
Net sales	47,792	110,066	349,955
EBITDA*	-106,674	48,840	-10,342
Profit (-loss) before tax	-167,284	-6,417	-1,347,249
Earnings per share, SEK	-0.52	-0.02	-4.20
Cash flow from operations	-27,915	27,768	49,905
Net sales per employee	82	174	552

* See pages 22 and 23 and Note 6 concerning derivation of the key figure.

Q1

2019

COIN

WE

BUY

SOLD

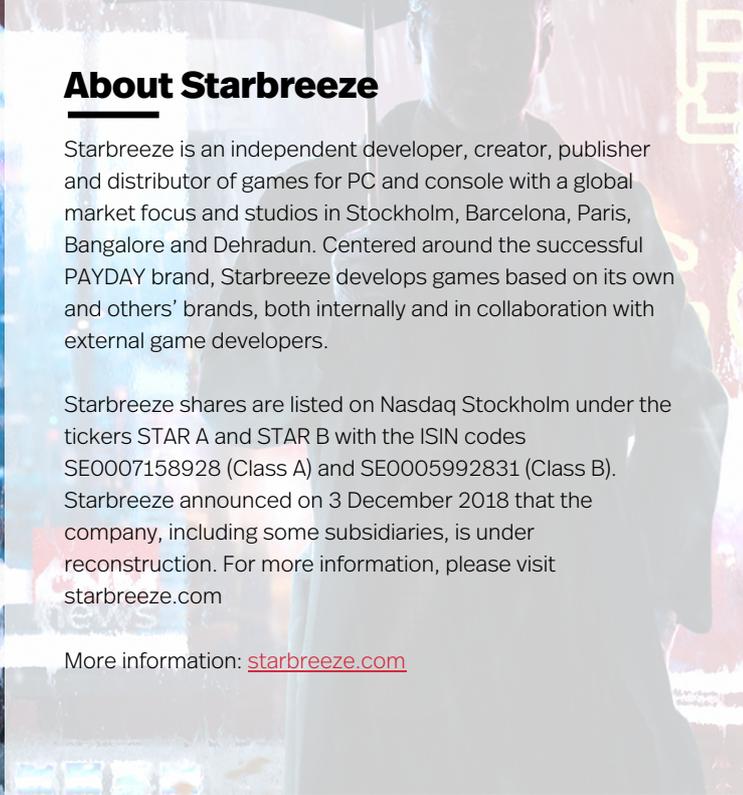
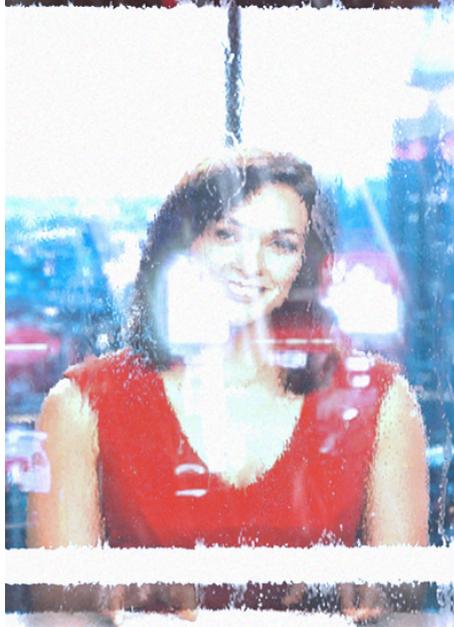
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About Starbreeze

Starbreeze is an independent developer, creator, publisher and distributor of games for PC and console with a global market focus and studios in Stockholm, Barcelona, Paris, Bangalore and Dehradun. 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). Starbreeze announced on 3 December 2018 that the company, including some subsidiaries, is under reconstruction. For more information, please visit starbreeze.com

More information: starbreeze.com



The CEO remarks on the report

FOCUS ON GAMES

We decided in December 2018 to streamline operations and are now focused exclusively on the core business: game development and publishing of own and third-party games.

Sales in the first quarter amounted to SEK 47.8 million (110.1), of which PAYDAY 2 accounted for SEK 26.7 million (25.1). EBITDA amounted to SEK -106.7 million (48.8). The decrease in earnings is due primarily to lower net sales, higher administrative costs related to the reconstruction and the negative accounting effect of the sale of System Shock 3 amounting to SEK 68.1 million.

My main task is to secure financing for the company's future operations. This involves both long-term financing we can use to build the Starbreeze of the future, but also making sure that the assets we have determined are unrelated to the core business are managed in a commercially viable way. Once this financing has been secured, we will be able to look ahead and present a more detailed strategy for the future.

In order to clarify the company's business and value a restructuring of the company's assets and simplification of the legal structure is in progress as par of the reconstruction. All assets have been valued by an external party and the majority of core business assets were consolidated into two new legal entities. One includes employees and the other includes assets and the publishing business for titles developed by Starbreeze and third-party developers.

We are in a challenging situation. I stand united with the entire Starbreeze team in the efforts to get the business in order. We have a very strong asset in Payday, which is the foundation upon which we will build Starbreeze future.

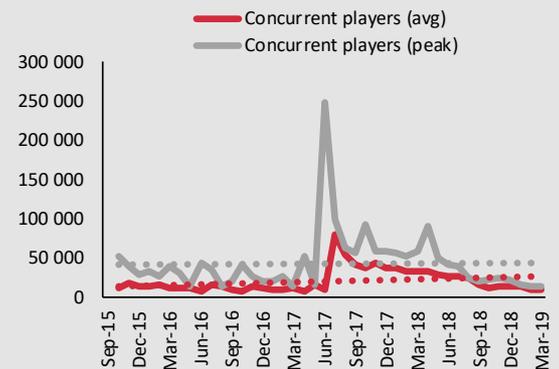
Mikael Nermark

Acting CEO Starbreeze

Q1

2019

PAYDAY 2



Source: steamcharts.com

At peak

15,172

**Played PAYDAY 2 concurrently
in Q1**

SIGNIFICANT EVENTS DURING THE QUARTER

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

Extraordinary general meeting

The extraordinary general meeting held 7 March 2019 elected Jan Benjaminson, Torgny Hellström and Kerstin Sundberg as new regular directors for a term ending at the close of the next annual general meeting. Torgny Hellström was elected chairman of the board.

Starbreeze AB and five subsidiaries in continued reconstruction

The reconstruction of Starbreeze was extended through 3 June 2019 by order of the Stockholm District Court rendered on 1 March. Starbreeze AB (publ) and the Swedish subsidiaries, Starbreeze Publishing, Starbreeze Production, Starbreeze Studios, Enterspace and Enterspace International have been in reconstruction since December 2018.

Publishing agreement with Universal Games and Digital Platforms

Starbreeze Production AB, a subsidiary of Starbreeze, has signed a binding agreement on the terms of a five-year distribution agreement with Universal Games and Digital Platforms for its mobile title PAYDAY: Crime War.

Starbreeze selling back the publishing rights to System Shock 3

Starbreeze and OtherSide Entertainment have jointly agreed to sell the publishing rights to the System Shock 3 game back to OtherSide Entertainment. Starbreeze expects to be fully compensated for the costs the company has incurred in connection with development of the game.

OVERKILL's The Walking Dead

Skybound, which owns the rights to the title OVERKILL's The Walking Dead (OTWD), has terminated the license agreement with Starbreeze relating to OTWD. The game is consequently no longer available for sale. If Starbreeze and Skybound do not come to a resolution, the product will not be listed for sale on Steam again and a console version will not be released. Starbreeze disputes the termination.

Q1

2019

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Conversion of convertible bond

Acer Inc. has called for the conversion of its convertible 2016/2018 in Starbreeze AB (publ). The outstanding debt was SEK 71,713,114 including interest. In accordance with the agreement, the conversion price is SEK 17.61 per share, and 4,072,295 Class B shares in Starbreeze have been issued to Acer Inc.

Starbreeze sold back the publishing rights to 10 Crowns

Starbreeze has sold back the publishing rights to the 10 Crowns game to Mohawk Games. Starbreeze expects to be fully compensated for the costs the company has incurred in connection with development of the game. The sale is expected to generate initial revenue of USD 1.3 million in the second quarter.

VR Park Dubai operations discontinued

The discontinuation of the VR park in Dubai is estimated to be concluded in the second quarter.

Notice of annual general meeting

The board of directors of Starbreeze AB (publ) notified shareholders of the annual general meeting to be held 4 June 2019.

SALES AND PROFIT

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

Sales and direct costs

First quarter 2019

Net sales for the first quarter of 2019 amounted to SEK 47.8 million (110.1), of which PAYDAY accounted for SEK 26.7 million (25.1). Starbreeze had no revenues for Dead by Daylight during the quarter. Revenues from Dead by Daylight during the comparison period amounted to SEK 62.0 million. Starbreeze Indian studio Dhruva contributed external income of SEK 9.1 million (7.0). OVERKILL's The Walking Dead (OTWD) generated sales of SEK 2.1 million (0.0). The publishing rights to System Shock 3 were sold during the quarter and generated initial revenue of SEK 3.7 million.

Direct costs amounted to SEK 170.6 million (77.0) and comprised costs related to game production and development. Direct costs include depreciation, amortization and impairments of SEK 41.8 million (40.2). Impairments during the period total SEK 26.5 million on property, plant and equipment. See Note 8. The impairments refer to non-current assets in the VR parks in Dubai and in Stockholm at Sveavägen 14. Direct costs SEK 68.1 million corresponding to the cost of the sold asset System Shock 3. As the Group previously communicated, Starbreeze is expected to, under the terms of the agreement, be compensated for the Group's costs. However, under IFRS, the Group is permitted to disaggregate only a portion of the entire contract amount but must recognize the entire cost of the sold asset.

Costs and profit or loss

First quarter 2019

Sales and marketing costs amounted to SEK 4.4 million (9.8), where items include trade show costs and employee benefits expenses. The reduction is primarily due to lower trade show costs.

Administrative expenses amounted to SEK 37.8 million (25.5) and refer to items including office costs and payroll for employees who do not work in game production or marketing. The item includes amortization of SEK 8.1 million (1.9). The increase in administrative costs is primarily due to an increase in consultancy and legal expenses related to the company's reconstruction and higher costs for rental of premises due to termination costs related to cancellation of rental agreements.

Other operating revenue/operating expenses, consisting mainly of currency effects, amounted to SEK 8.3 million (8.5), due to appreciation of the dollar and euro rates against the Swedish krona.

EBITDA amounted to SEK -106.7 million (48.8). The decrease in earnings is due primarily to lower net sales, higher administrative costs related to the reconstruction and the negative accounting effect of the sale of System Shock 3.

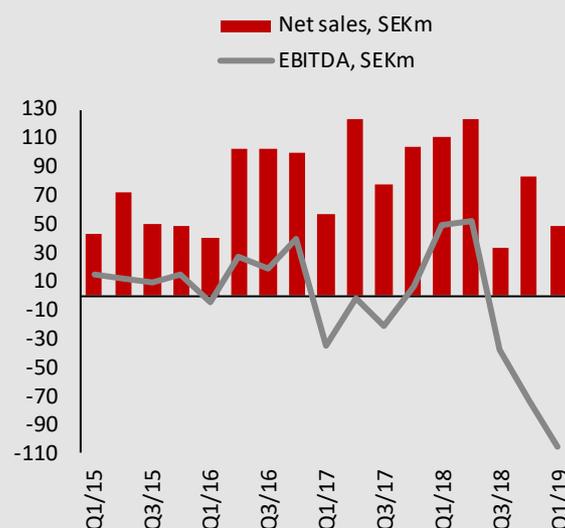
Q1

2019

Sales and profit

	2019	2018
SEKk	Q1	Q1
Net sales	47,792	110,066
EBITDA *	-106,674	48,840
Profit (-loss) before tax	-167,284	-6,417
Net profit (-loss) for the period	-5,208	-5,208
Earnings per share, SEK	-0.52	-0.02
Net sales growth, %	-56.6	92.2
EBITDA margin, %	-223.2	44.4

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



Net financial expense amounted to SEK -10.7 million (-12.7). See the specification in the table at the right. Remeasurement of earnouts amounted to SEK -2.1 million (1.9). The share of profit and loss in the joint venture StarVR Corporation was SEK -1.9 million (-1.9). The majority of net financial income/expense for the quarter had no effect on cash flow. Net financial income was reduced during the quarter by interest on lease liabilities of SEK 0.6 million (0.0), which is an effect of the new IFRS 16 reporting standard.

The loss before tax was SEK -167.3 million (-6.4). The loss for the period amounted to SEK -168.1 million (-5.2). The decline is primarily attributable to impairment losses, see Note 8, and the decline in revenue due to the absence of Dead by Daylight and the sale of System Shock 3.

Basic and diluted earnings per share were SEK -0.52 (-0.02).

Segment reporting

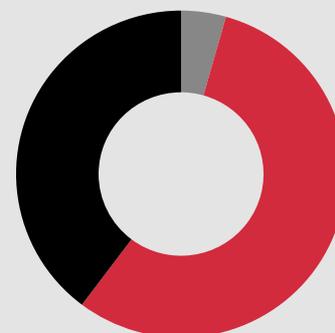
Starbreeze operations are reported in the following segments: Starbreeze Games, Publishing, and VR Tech & Operations. See the following section. Reporting is provided down to operating profit or loss, and assets and liabilities are not reported.

Specification of net financial income/expense

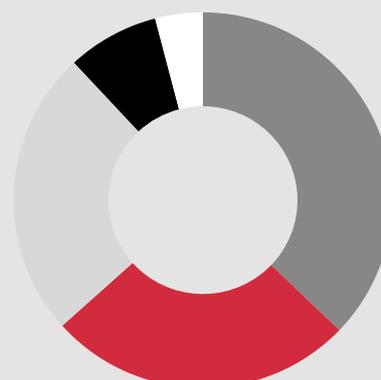
	2019	2018
SEKk	Q1	Q1
Remeasurement of earnouts	-2,138	1,891
Interest on convertible bonds	-4,485	-5,574
Remeasurement of derivatives attributable to convertible bonds	11	-2,512
Interest on loan to StarVR Corp.	-	-2,421
Net profit (-loss) from StarVR Corp.	-1,914	-1,938
Interest on short-term investments	-	90
Interest on bank overdraft facility	-1,008	-1,692
Interest on lease liability	-594	-
Other items	-537	-521
Total	-10,665	-12,677

Distribution of net sales for the quarter

■ OTWD ■ Payday 2 ■ Other



■ License deals ■ Services ■ PC
■ Console ■ VR centers



STARBREEZE GAMES

The Starbreeze Games business area consists of Starbreeze own games portfolio. Revenues currently comprise sales revenue and royalties for the rights to PAYDAY and OVERKILL's The Walking Dead. The ongoing Crossfire game project is also included in the business area.

First quarter 2019

Net sales were SEK 38.4 million (32.1), of which the main contributor was the PAYDAY-franchise games, for which sales were SEK 26.7 million (25.1). Revenues for the quarter include non-recurring income of SEK 13.6 million for the sale of the publishing rights to PAYDAY: Crime War to Universal. Sales of OVERKILL's the Walking Dead amounted to SEK 2.1 million (0.0). PAYDAY 2 Switch contributed SEK 1.6 million (7.9) during the quarter, related to digital sales. Net sales include external income of SEK 9.1 million (7.0) from Starbreeze Indian studio, Dhruva.

Direct costs amounted to SEK 51.2 million (27.7). The increase was driven primarily by direct costs arising from OVERKILL's The Walking Dead of SEK 24.9 million. In the comparison period, these costs were capitalized on the balance sheet instead of being recognized in profit and loss. Operating costs amounted to SEK 17.6 million (2.3). The increase was primarily caused by the Group's increased administrative costs due to the company reconstruction. The operating loss was SEK -30.4 million (2.1). The decline is explained mainly by costs related to OVERKILL's The Walking Dead that were capitalized last year. Ongoing improvements of completed games are not capitalized, but costs are recognized as direct cost.

After the end of the period

Revenues from sales of PAYDAY 2 via the Steam platform in April 2019 amounted to SEK 2.6 million (9.2).

Q1

2019

	2019	2018
SEKk	Q1	Q1
Starbreeze Games		
Net sales	38,371	32,099
Direct costs	-51,161	-27,682
Gross profit (-loss)	-12,790	4,417
Operating costs	-17,596	-2,337
Operating profit (-loss)	-30,386	2,080

PUBLISHING

The Publishing business area consists of Starbreeze publishing operations with games developed by third parties. The ongoing game projects Psychonauts 2, 10 Crowns and the portfolio of published VR titles are included in the business area.

Starbreeze sold the publishing rights to System Shock 3 during the first quarter of 2019. Under the terms of the agreement, Starbreeze will recover its investment over time. In accordance with IFRS, the Group will initially recognize a loss, 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. As a result, revenue of SEK 3.7 million and a cost of SEK 68.1 million have been recognized in the quarter. In future periods, revenues related to this transaction will be recognized without associated costs.

First quarter 2019

Net sales amounted to SEK 5.0 million (62.7). Compared to the preceding year, Starbreeze had no revenues from Dead by Daylight (SEK 62.0 million). SEK 3.7 million of revenue for the quarter was generated by the sale of the publishing rights to System Shock 3.

Direct costs amounted to SEK 70.9 million (36.4). The reason for the increase is that the entire carrying amount of System Shock 3 was recognized as a cost of SEK 68.1 million. The Group also had impairment losses in the comparison period of SEK 27.7 million related to game projects including Raid, John Wick and several minor game projects that were fully impaired.

The operating loss was SEK -73.7 million (17.1).

After the end of the period, Starbreeze sold back the publishing rights to the 10 Crowns game to Mohawk Games. Starbreeze expects to be fully compensated for the costs the company has incurred in connection with development of the game. The sale is expected to generate initial revenue of USD 1.3 million in the second quarter.

Q1

2019

	2019	2018
SEkk	Q1	Q1
Publishing		
Net sales	4,992	62,709
Direct costs	-70,863	-36,391
Gross profit (-loss)	-65,871	26,318
Operating costs	-7,829	-9,188
Operating profit (-loss)	-73,700	17,130

VR TECH & OPERATIONS

Q1

2019

The VR Tech & Operations business area consists of Starbreeze technology and software development in virtual reality (VR), which includes the development of the StarVR headset and the VR movie format PresenZ, as well as revenues and costs for VR parks. Profit or loss from the joint venture, StarVR Corporation, is recognized as financial income or expense and thus not included in operating profit or loss.

First quarter 2019

Net sales in the business area consist of revenue from VR parks.

Net sales for the period of SEK 1.8 million (12.8) refer primarily to revenue generated by ticket sales at the VR parks in Dubai and Stockholm. The comparison period includes income in compensation for marketing of the StarVR headset and which is part of the previously communicated financial support of USD 11.5 million in total received for the build-up of the VR park in Dubai.

Direct costs amounted to SEK 41.1 million (2.1), including amortizations of SEK 26.5 million (0.0) on investments in the VR parks. See Note 8. The amortizations amounted to SEK 9.6 million (1.6). The increase is explained primarily by that the Group had not begun to amortize the PresenZ technology and StarVR during the comparison period. Operating costs amounted to SEK 7.2 million (5.1).

The operating loss was SEK -46.5 million (5.6).

Part of non-core business

When Starbreeze AB and a number of subsidiaries entered into reconstruction on 3 December 2018, it was also announced that operations had been divided into core business and non-core business. All parts of the VR Tech & Operations business area have been classified as non-core business. Starbreeze has commenced seeking external collaborative partners to ensure that these operations develop in a positive manner.

	2019	2018
SEKk	Q1	Q1
VR Tech & Operations		
Net sales	1,797	12,767
Direct costs	-41,057	-2,115
Gross profit (-loss)	-39,260	10,652
Operating costs	-7,198	-5,054
Operating profit (-loss)	-46,458	5,598

OTHER

Group-wide costs and projects that are not attributable to the above segments are reported under Other.

First quarter 2019

Net sales amounted to SEK 2.6 million (2.5) and consist primarily of the Group's Belgian VFX business, Nozon.

Direct costs amounted to SEK 7.5 million (10.8).

Operating costs amounted to SEK 1.2 million (10.3). The decrease is related mainly to positive currency effects during the current period.

The operating loss was SEK -6.1 million (-18.5).

Q1

2019

	2019	2018
SEKk	Q1	Q1
Other		
Net sales	2,632	2,491
Direct costs	-7,484	-10,762
Gross profit (-loss)	-4,852	-8,271
Operating costs	-1,223	-10,277
Operating profit (-loss)	-6,075	-18,548

OTHER FINANCIAL INFORMATION

The comparison period for cash flow is the corresponding period in the preceding year. The comparison period for balance sheet items is the balance on 31 December 2018. The comparison figures for 2018 have been restated as regards parts of the long-term debt to Nordea, the earnout for ePawn and the debt for the Smilegate and Acer convertibles. These have been classified as current liabilities. Assets held for sale have also been restated, in that all assets and liabilities in Dhruva have been included in the held for sale asset class. Previously, the balance sheet item for Dhruva included only intangible assets. None of these reclassifications have had any effect on profit and loss or equity. For further information see Note 10.

Financial position

Non-current assets

Goodwill at the end of the period amounted to SEK 58.7 million (57.2). Goodwill is recognized using the exchange rate on the reporting date. Other intangible assets, which consist primarily of acquired IP and the buy-back of PAYDAY, amounted to SEK 351.3 million (356.1).

Capitalized game and technology development costs amounted to SEK 186.2 million (170.9) and refer to own game development projects and technology development within the VR Tech & Operations business area.

Investments in publishing projects were SEK 130.4 million (188.0). The decrease is due to the Group's sale of the publishing rights to System Shock 3 at the carrying amount of SEK 68.1 million.

Amortizations and impairments of intangible assets amounted to SEK 11.0 million (37.2) during the quarter.

Current assets

Trade and other receivables amounted to SEK 4.3 million (29.9). Prepaid expenses and accrued income at the end of the period amounted to SEK 31.7 million (46.6). SEK 6.2 million (17.6) refers to the receivable for digital sales, mainly via Steam, PlayStation Store, Xbox Live and Switch.

Assets held for sale

Assets held for sale amounted to SEK 80.3 million (78.2) at the reporting date. The balance sheet item consists of the consolidated carrying amount of net assets in the Dhruva subsidiary and IP rights to the Cinemaware library.

Equity

Consolidated equity on the reporting date amounted to SEK 177.0 million (339.0) and the equity to assets ratio was 17.5 percent (31.5).

Non-current liabilities

Non-current liabilities for earnouts increased to SEK 91.2 million (88.6). The balance sheet item relates to earnouts for business acquisitions, primarily of Nozon and Parallaxter. The balance sheet item is measured at fair value and the change is recognized in net financial income and expense on the income statement (see page 7). The decrease is related to a revised estimate of future revenue inflows and thus the assessment that most of the earnouts will not be triggered.

Other non-current liabilities amounted to SEK 14.3 million (14.5). The balance consists mainly of a loan with Unity of SEK 9.3 million (9.0). The

Q1

2019

The equity to assets ratio

was

17.5

percent as of 31 March 2019

Group has adjusted these figures for 31 December 2018 by reclassifying SEK 377.8 million to current liabilities.

Current liabilities

Trade and other payables at the end of the period amounted to SEK 504.7 million (519.4), of which SEK 71.7 million (71.5) refers to the convertible debt to Acer and SEK 204.7 million (200.4) refers to the convertible debt to Smilegate which are classified as a current liability. This is a reclassification that has been made on both the opening balance and the quarter's closing balance, see Note 10. The bank overdraft facility of SEK 76.2 million (75.8) and the loan of SEK 30,0 million (30,0) from Nordea are also included in this item. Accrued expenses and deferred income at the end of the period amounted to SEK 52.7 million (63.9).

Leases

The Group is reporting leases in accordance with IFRS 16 for the first quarter. Accordingly, the Group has reported an asset class called Right-of-Use Asset – Building. The Group had a closing balance at the reporting date of SEK 118.4 million. As permitted under the relief rule, the Group has not restated the figures for 2018. On the liability side, the Group has recognized a non-current liability of SEK 91.6 million and a current liability of SEK 20.1 million. The comparative figures have not been restated. The opening balance for both the asset and the current and non-current liabilities was SEK 111.5 million. The asset was impaired by SEK 6.9 million during the quarter and the liability has been amortized in the amount of SEK 6.6 million. Net financial income was reduced by interest expenses of SEK 0.6 million.

Cash flow

First quarter 2019

Cash and cash equivalents at the beginning of the quarter amounted to SEK 69.3 million (233.8).

Cash flow from (-used in) operating activities amounted to SEK -27.9 million (27.8). The decline is due primarily to the negative operating result. Cash flow from (-used in) investing activities was SEK -20.6 million (-252.1). See also "Investments" below. Cash flow from (-used in) financing activities was SEK -6.7 million (285.4). The new share issue was the most significant item in the figures for the comparison period.

Total cash flow for (-used in) the quarter was SEK -55.2 million (61.2). Cash and cash equivalents at the end of the period amounted to SEK 14.5 million (295.3)

Investments

Consolidated investments in property, plant and equipment during the quarter amounted to SEK 0.3 million (70.7). The decrease is related to investments in VR parks made in the preceding year. In addition, investments in own game and technology development totaled SEK 19.4 million (74.0), where the decrease is related mainly to completion of the OVERKILL's The Walking Dead game project and the development of the StarVR headset in the fourth quarter of 2018. Investments in publishing projects amounted to SEK 3.7 million (33.0). The decrease is due primarily to a slowdown in investments because the company is under reconstruction. No investments in short-term investments has been made during the period. In the comparison period, the Group deposited SEK 75 million in an escrow account as collateral therefore these funds were classified as short-term investments and not cash.

Parent company

The Group's operations are conducted in the parent company Starbreeze AB (publ), the subsidiaries Dhruva Infotech Ltd, Starbreeze Production AB, Starbreeze Studios AB, Starbreeze Publishing AB, Starbreeze VR AB, Starbreeze Ventures AB, Starbreeze USA Inc, Starbreeze LA Inc, Starbreeze IP LUX, Starbreeze IP LUX II Sarl, Starbreeze Barcelona SL, Starbreeze Middle East FZE and Starbreeze Paris SAS, New Starbreeze Studios AB, New Starbreeze Publishing AB, Nozon, Parallaxer and Enterspace AB.

The parent company's net sales during the quarter amounted to SEK 19.8 million (10.5). Sales refer primarily to allocation of management fees.

The profit/loss before tax was SEK 0.9 million (-13.6) and the profit/loss after tax was SEK 0.9 million (-11.1).

Cash and cash equivalents at the end of the period amounted to SEK 1.0 million (8.0) and parent company equity was SEK 530.4 million (529.5).

Non-current liabilities consisting of earnouts increased to SEK 91.2 million (88.6). The comparison figures have changed as the convertible debts to Acer and Smilegate have been reclassified as current liabilities.

Employees

The number of employees at the end of the period amounted to 580 (622), of whom 516 men and 64 women. The average number of full-time employees for the quarter amounted to 586 (633). The average age was 32 (31).

The share

The Starbreeze shares have been listed in the Mid Cap segment of Nasdaq Stockholm since 2 October 2017. The shares are traded under the tickers STAR A, ISIN code SE 007158928, and STAR B, SE0005992831. Nasdaq notified the market during the period that the Starbreeze Class A share (STAR A) are traded on Nasdaq's Auction Only

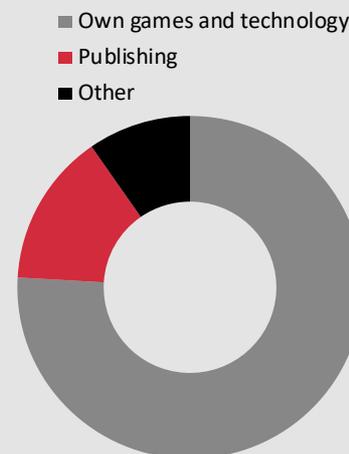
Cash and cash equivalents at

31 March 2019

14.5

SEKm

Distribution of investments during the quarter



segment by reason of low trading volume. The closing price on 31 March 2019 was SEK 0.97 for the Class A share, compared to SEK 9.36 on 31 March 2018, and SEK 0.85 for the Class B share, compared to SEK 9.55. At the end of the quarter, total market capitalization was approximately SEK 282.9 million, compared to approximately SEK 2,890 million in the preceding year.

Share capital

Comparative figures refer to 31 March 2018. Share capital at the end of the period amounted to SEK 6,506 thousand (6,074) distributed among 325,295,554 shares (303,719,737), of which 53,397,677 Class A shares (54,170,260) and 271,897,877 Class B shares (249, 549,477).

Shareholders

Starbreeze had 29 680 shareholders at the end of the period (27,152 at 31 March 2018). A list of the company's ten largest shareholders is updated monthly on the company's website at starbreeze.com under Investors.

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 the Annual Report 2018, other than that the Group began applying and IFRS 16 as of 1 January 2019. The group has chosen to report the transition using the modified retrospective approach. The optional transition relief, where entities are not required to restate comparative figures for 2018, has been applied.

The size of the right-of-use asset has been measured as corresponding to the size of the lease liability as of the transition date.

A marginal borrowing rate has been determined for each country. Leases where the term is less than 12 months or that will end within 12 months of the transition date are classified as short-term leases and are thus not included in the recognized liabilities or right-of-use assets. In addition, a right-of-use asset (with a cost below USD 5,000) has been classified as a low-value lease and is not included in the recognized liabilities or right-of-use assets.

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.

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. Due to acquisitions of several foreign subsidiaries, the Group also has 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 Annual Report 2017 in the Report of the Board of Directors on page 64, and in Note 3. Furthermore, the value

Employee key data

	2019	2018
	Q1	Q1
Employees	580	622
Men	516	548
Women	64	74
Net profit (-loss) per employee	-9 TSEK	-8 TSEK

580
Employees at
Starbreeze

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 and some of its subsidiaries have been in reconstruction since 3 December 2018. The company currently lacks sufficient secured funds to guarantee continued operations for the next 12 months and is expected to have a liquidity shortfall before mid-year 2019 if no additional funds are provided. These conditions indicate that there are significant uncertainties that can lead to significant doubts about the company's ability to continue its business.

The board of directors has evaluated whether the going concern principle has been fulfilled. The main measures and assumptions upon which the company's assessment was based follow:

The company has decided to focus on its core business. In the areas regarded as core business, negotiations have commenced concerning partnerships aimed at strengthening project financing by arranging long-term loans and/or spreading the ownership of these projects. Supported by this financing, the company expects to be able to carry out successful product launches in the future. The company has assessed this as possible.

For those parts of operations that do not constitute core business, the effort is ongoing to find external collaborative partners to ensure that these operations develop in a positive manner or are divested. The work with the assets to be divested is ongoing. In the company's judgment, it will be possible to achieve these collaborations and carry out these sales with positive contributions to the business.

The company has initiated a plan to implement ongoing cost savings within the framework of existing operations. In the company's judgment, it is possible to achieve positive effects from these savings programs.

The company has external loans with Smilegate and Nordea amounting to SEK 310,9 million. These loans are included in the reconstruction.

In the company's judgment, it will be possible to conclude the ongoing reconstructions of the parent company and the relevant subsidiaries to the effect that the businesses can continue operating.

The best assessment of the board of directors is that it is probable that the company will be able to implement the measures above. The company therefore deems the going concern principle to have been met.

Related party transactions

Other than salaries, remunerations and intra-group transactions, no related party transactions have occurred during the period.

Investor relations

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

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

Stockholm, 7 May 2019

Torgny Hellström

Chairman of the Board

Directors

Kerstin Sundberg

Hyung Nam Kim (Harold Kim)

Matias Myllyrinne

Jan Benjaminson

Financial calendar

Annual Report 2018 (Swedish) **14 May 2019**

Annual General Meeting 2019 **4 June 2019**

Interim report Q2 2019 **20 August 2019**

Interim report Q3 2019 **5 November 2019**

Year-end report 2019 **4 February 2020**

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 7 May 2019 at 08:00 CET.

Consolidated statement of comprehensive income

SEKk	NOTE	2019	2018	2018
		Q1	Q1	JAN - DEC
Net sales	5	47,792	110,066	349,955
Direct costs		-170,565	-76,950	-1,733,903
Gross profit (-loss)		-122,773	33,116	-1,383,948
Selling and marketing costs		-4,392	-9,856	-91,397
Administrative expenses		-37,781	-25,492	-115,722
Other revenue		8,327	8,492	13,262
Other expenses		-	-	-
Operating profit (-loss)	6, 8	-156,619	6,260	-1,577,805
Financial income		11	1,981	295,817
Financial expenses		-8,762	-12,720	-28,028
Share in profit or loss of holdings accounted for using the equity method		-1,914	-1,938	-37,233
Profit (-loss) before tax		-167,284	-6,417	-1,347,249
Income tax		-812	1,209	10,897
Net profit (-loss) for the period		-168,096	-5,208	-1,336,352
<i>Other comprehensive income that may subsequently be reclassified to profit and loss</i>				
Impairment of unlisted shares		-	-	-11,501
Exchange differences		5,973	22,117	23,526
Total comprehensive income for the period		-162,123	16,909	-1,324,327
Total comprehensive income for the period attributable to:				
Owners of the parent		-162,102	17,053	-1,324,992
Non-controlling interests		-21	-144	665
Earnings per share attributable to owners of the parent during the period (SEK):				
- Basic		-0.52	-0.02	-4.20
- Diluted		-0.52	-0.02	-4.20

Consolidated balance sheet

SEKk	NOTE	2019/03/31	2018/03/31	2018/12/31
ASSETS				
<i>Intangible assets</i>				
Goodwill		58,700	560,404	57,169
Other non-current assets		351,349	601,285	356,071
Capitalized development cost for own games and technology development		186,193	522,775	170,919
Investments in publishing projects		130,438	199,311	187,970
<i>Financial assets</i>				
Financial assets	10	9,780	37,655	10,348
Investments in joint ventures	7	2,742	39,952	4,656
Deferred tax assets		16	124,789	326
<i>Property, plant and equipment</i>				
VR facilities, IT equipment and other equipment	10	28,563	163,352	60,499
Right-of-Use asset-Buildings		111,520	-	-
Total non-current assets		879,301	2,249,523	847,958
<i>Current assets</i>				
Inventories	10	50	36	44
Trades and other receivables		4,325	51,742	39,536
Prepaid expenses and accrued income		31,711	89,108	46,599
Current investments		-	75,000	-
Cash and cash equivalents		14,466	295,237	69,289
Total current assets		50,552	511,123	155,468
Assets held for sale	9,10	80,290	-	78,204
Total assets held for sale		80,290	-	78,204
TOTAL ASSETS		1,010,143	2,760,646	1,081,630
EQUITY AND LIABILITIES				
<i>Equity attributable to owners of the parent</i>				
Share capital		6,506	6,074	6,506
Other contributed capital		1,639,516	1,480,809	1,639,516
Reserves		23,071	27,190	17,098
Retained earnings including net profit or loss for the period		-1,494,136	17,035	-1,326,061
Non-controlling interests		2,016	801	1,947
Total equity		176,973	1,531,909	339,006
<i>Non-current liabilities</i>				
Non-current liabilities, earnouts	10	91,221	345,970	88,586
Deferred tax liability		58,539	187,909	56,269
Non-current lease liability		91,694	-	-
Other non-current liabilities		14,253	530,749	14,459
Total non-current liabilities		255,707	1,064,628	159,314
<i>Current liabilities</i>				
Trade and other payables	10	504,687	92,449	519,421
Current lease liability		20,106	-	-
Accrued expenses and deferred income		52,670	71,660	63,889
Total current liabilities		577,463	164,109	583,310
TOTAL EQUITY AND LIABILITIES		1,010,143	2,760,646	1,081,630

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 2019	6,506	1,639,516	17,098	-1,326,061	337,059	1,947	339,006
Net profit (-loss) for the period	-	-	-	-168,075	-168,075	-21	-168,096
Other comprehensive income for the period							
Exchange differences	-	-	5,973	-	5,973	90	6,063
Total comprehensive income	6,506	1,639,516	23,071	-1,494,136	174,957	2,016	176,973
Balance at 31 March 2019	6,506	1,639,516	23,071	-1,494,136	174,957	2,016	176,973
<hr/>							
Balance at 1 January 2018	5,661	1,243,573	5,073	27,748	1,282,055	344	1,282,399
Net profit (-loss) for the period	-	-	-	-1,337,017	-1,337,017	665	-1,336,352
Other comprehensive income for the period							
Exchange differences	-	-	23,526	-	23,526	-36	23,490
Total comprehensive income	5,661	1,243,573	17,098	-1,309,269	-42,937	973	-41,964
Transactions with shareholders:							
New issue through exercise of stock options	26	7,529	-	-	7,555	-	7,555
Minority share of shareholder contributions to subsidiaries	-	-974	-	-	-974	974	-
Vested employee stock options	-	40	-	-	40	-	40
Sales of equity instruments	-	282	-	-	282	-	282
Tax effect on sale of equity instruments	-	-62	-	-	-62	-	-62
New issue	819	389,128	-	-	389,947	-	389,947
Issue costs recognized in equity	-	-	-	-21,546	-21,546	-	-21,546
Deferred tax effect of issue costs recognized in equity	-	-	-	4,754	4,754	-	4,754
Total contribution from and value transfers to shareholders, recognized directly in equity	845	395,943	-	-16,792	379,996	974	380,970
Balance at 31 December 2018	6,506	1,639,516	17,098	-1,326,061	337,059	1,947	339,006
<hr/>							
					2019		2018
CHANGE IN NUMBER OF OUTSTANDING SHARES					JAN-MAR		JAN - DEC
Number of shares at the beginning of the period					325,295,554		283,037,940
Subscription of shares through exercise of options					-		1,327,836
New issue					-		40,929,778
Total shares outstanding at the end of the period					325,295,554		325,295,554

Consolidated statement of cash flows

SEKk	NOT	2019	2018	2018
		Q1	Q1	JAN - DEC
Operating activities				
Cash flow from operations	3	-18,516	32,932	64,819
Interest paid		-2,008	-1,829	-14,441
Interest received		-	90	-
Income taxes paid		-7,391	-3,425	-473
Cash flow from (-used in) operating activities		-27,915	27,768	49,905
Investing activities				
Purchase of property, plant and equipment		-295	-70,667	-92,071
Investments in other financial assets		2,766	628	-6,607
Investments in own games and technology		-19,410	-74,010	-333,947
Investments in publishing projects		-3,687	-33,008	-126,599
Increase (-) / decrease (+) in short-term investments		-	-75,000	-
Cash flow from (-used in) investing activities		-20,626	-252,057	-559,224
Financing activities				
New issue		-	237,841	390,114
Costs related to new issues		-	-5,649	-16,879
Payments for stock options		-	414	7,304
Increase in non-current liabilities		472	53,185	159,476
Repayment of loans		-7,158	-345	-195,681
Cash flow from financing activities		-6,686	285,446	344,334
Cash flow for (-used in) the period		-55,227	61,157	-164,985
Cash and cash equivalents at the beginning of the period		69,289	233,757	233,757

Key data, Group

	2019	2018	2018
	Q1	Q1	JAN - DEC
Net sales, SEKk	47,792	110,066	349,955
EBITDA, SEKk	-106,674	48,840	-10,342
EBIT, SEKk	-156,619	6,260	-1,577,805
Profit (-loss) before tax, SEKk	-167,284	-6,417	-1,347,249
Profit (-loss) after tax, SEKk	-168,096	-5,208	-1,336,352
EBITDA margin, %	-223.2	44.4	-3.0
EBIT margin, %	-327.7	5.7	-450.9
Profit margin, %	-350.0	-5.8	-385.0
Equity to assets ratio, %	17.5	55.5	31.3
Closing price of A share for the period, SEK	0.97	9.36	1.23
Closing price of B share for the period, SEK	0.85	9.55	0.82
Basic earnings per share, SEK	-0.52	-0.02	-4.20
Diluted earnings per share, SEK	-0.52	-0.02	-4.20
Number of shares at end of period before dilution	325,295,554	303,719,737	325,295,554
Number of shares at end of period after dilution	345,965,083	327,125,520	345,864,665
Average number of shares before dilution	325,295,554	283,365,463	317,956,811
Average number of shares after dilution	325,295,554	283,365,463	317,956,811
Average number of employees	586	633	634
Number of employees at the end of the period	580	622	604

Key data, Group

EBITDA

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

EBIT

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

EBITDA margin

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

EBIT margin

Operating profit or loss as a percentage of net sales.

Profit margin

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

Equity to assets ratio

Equity as a percentage of total assets.

Earnings per share

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

Equity

Recognized equity including 78 percent of untaxed reserves.

Reconciliation of Alternative Performance Measures

	2019	2018	2018
	Q1	Q1	JAN - DEC
EBITDA			
Operating profit (-loss), SEKk	-156,619	6,260	-1,577,805
Less: Amortization of intangible assets, SEKk	11,019	35,328	1,438,469
Less: Depreciation of property, plant and equipment, SEKk	38,926	7,252	128,994
EBITDA	-106,674	48,840	-10,342
EBITDA margin, %			
EBITDA, SEKk	-106,674	48,840	-10,342
Net sales, SEKk	47,792	110,066	349,955
EBITDA margin, %	-223.2	44.4	-3.0
EBIT margin, %			
Operating profit (-loss), SEKk	-156,619	6,260	-1,577,805
Net sales, SEKk	47,792	110,066	349,955
EBIT margin, %	-327.7	5.7	-450.9
Profit margin, %			
Profit (-loss) before tax, SEKk	-167,284	-6,417	-1,347,249
Net sales, SEKk	47,792	110,066	349,955
Profit margin, %	-350.0	-5.8	-385.0
Equity to assets ratio, %			
Total equity	176,973	1,531,909	339,006
Total equity and liabilities, SEKk	1,010,143	2,760,646	1,081,630
Equity to assets ratio, %	17.5	55.5	31.3

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

	2019	2018	2018
SEKk	Q1	Q1	JAN - DEC
Net sales	19,849	10,517	55,304
Other operating revenue	3,265	5,752	9,277
Total sales	23,114	16,269	64,581
Other external expenses	-18,750	-10,317	-41,891
Employee benefit expense	-9,356	-11,842	-53,835
Depreciation of property, plant and equipment	-60	-164	-579
Operating profit (-loss)	-5,052	-6,054	-31,724
Profit from holdings in group companies	-	-	-978,508
Other financial income	466	663	28,338
Financial expenses	-4,533	-8,161	-63,077
Profit (-loss) after net financial income/expense	-9,119	-13,552	-1,044,971
Appropriations	10,002	-	5,007
Profit (-loss) before tax	883	-13,552	-1,039,964
Income tax	-	2,417	-23,433
Net profit (-loss) for the period	883	-11,135	-1,063,397

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

Parent company balance sheet

SEKk	2019/03/31	2018/03/31	2018/12/31
ASSETS			
<i>Non-current assets</i>			
<i>Tangible assets</i>			
Computers and other equipment	527	944	587
<i>Financial assets</i>			
Investments in group companies	517,481	1,285,797	514,595
Deferred tax assets	-	25,543	-
Investments in associates	4,656	45,958	4,656
Other financial assets	585	562	585
Total non-current assets	523,249	1,358,804	520,423
<i>Current assets</i>			
Trade and other receivables	7,123	-	5,853
Receivables from group companies	399,372	807,144	387,141
Other receivables	-	-	-
Prepaid expenses and accrued income	983	3,256	950
Cash and cash equivalents	968	215,716	8,002
Total current assets	408,446	1,026,116	401,946
TOTAL ASSETS	931,695	2,384,920	922,369
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	6,506	6,074	6,506
Fair value reserve	-	328	-
Share premium reserve	1,577,401	1,418,560	1,577,401
Retained earnings	-1,054,388	20,163	9,007
Net profit (-loss) for the period	883	-11,135	-1,063,397
Total equity	530,402	1,433,990	529,517
<i>Untaxed reserves</i>			
Accumulated excess depreciation	-	16	-
Total untaxed reserves		16	
<i>Non-current liabilities</i>			
Other non-current liabilities	91,220	639,027	88,586
Total non-current liabilities	91,220	639,027	88,586
<i>Current liabilities</i>			
Trade payables	11,483	3,238	7,849
Liabilities to group companies	5,386	294,449	4,860
Other liabilities	279,722	946	275,405
Accrued expenses and deferred income	13,482	13,254	16,152
Total current liabilities	310,073	311,887	304,266
TOTAL EQUITY AND LIABILITIES	931,695	2,384,920	922,369

NOTES

Note 1: 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	3/31/2019	3/31/2018	12/31/2018
Pledged assets	171,224	229,229	165,956
Contingent liabilities	-	-	-

Note 2: Financial instruments

Financial instruments measured at fair value

SEKk	3/31/2019	12/31/2018	Level
<i>Assets at fair value through comprehensive income</i>			
Financial assets, shares in Cmune	-	-	2
<i>Financial assets at fair value through profit or loss</i>			
Investments in convertible loans	-	-	2
<i>Financial liabilities at fair value through profit or loss</i>			
Earnouts	91,221	88,662	3
Convertible loans	31	42	2

There has been no material change in the liabilities measured at level 3 of the fair value hierarchy (conditional earnouts) during the period. These are measured as described in the 2017 Annual Report. Information concerning fair value estimates and how they

are calculated based on the respective level in the fair value hierarchy and disclosure of how the fair value of financial liabilities (earnouts) was calculated at level 3 of the fair value hierarchy is provided in the 2017 Annual Report.

Note 3: Cash flow from operations

SEKk	Q1 2019	Q1 2018	JAN - DEC 2018
Operating profit (-loss)	-156,619	6,260	-1,577,805
<i>Adjustments for non-cash items</i>			
-Amortization of intangible assets	11,019	35,328	1,438,469
-Depreciation of property, plant and equipment	38,926	7,252	128,994
-Net financial income (-expense)	-	-	-
-Other unrealized exchange losses	216	-3,175	3,237
<i>Adjustments for:</i>			
Increase (-) / decrease (+) of current receivables	38,668	12,637	63,110
Increase (+) / decrease (-) of current liabilities	-18,871	-25,370	8,814
Cash flow from operations	-18,516	32,932	64,819

Note 4: Segment reporting, Group

	2019	2018	2018
SEKk	Q1	Q1	JAN - DEC
Starbreeze Games			
Net sales	38,371	32,099	168,554
Direct costs	-51,161	-27,682	-733,612
Gross profit (-loss)	-12,790	4,417	-565,058
Operating costs	-17,596	-2,337	-111,769
Operating profit (-loss)	-30,386	2,080	-676,827
Publishing			
Net sales	4,992	62,709	135,145
Direct costs	-70,863	-36,391	-177,702
Gross profit (-loss)	-65,871	26,318	-42,557
Operating costs	-7,829	-9,188	-19,768
Operating profit (-loss)	-73,700	17,130	-62,325
VR Tech & Operations			
Net sales	1,797	12,767	33,654
Direct costs	-41,057	-2,115	-599,982
Gross profit (-loss)	-39,260	10,652	-566,328
Operating costs	-7,198	-5,054	-45,540
Operating profit (-loss)	-46,458	5,598	-611,868
Other			
Net sales	2,632	2,491	12,602
Direct costs	-7,484	-10,762	-222,607
Gross profit (-loss)	-4,852	-8,271	-210,005
Operating costs	-1,223	-10,277	-16,779
Operating profit (-loss)	-6,075	-18,548	-226,784
Total			
Net sales	47,792	110,066	349,955
Direct costs	-170,565	-76,950	-1,733,903
Gross profit (-loss)	-122,773	33,116	-1,383,948
Operating costs	-33,846	-26,856	-193,856
Operating profit (-loss)	-156,619	6,260	-1,577,804

There are no revenues from internal transactions between the segments. All stated net sales are derived from external customers.

Profit or loss is allocated among the segments down to operating profit or loss.

Operating profit or loss is reconciled with profit or loss before tax as follows:

Starbreeze Games	-30,386	2,080	-676,827
Publishing	-73,700	17,130	-62,325
VR Tech & Operations	-46,458	5,598	-611,868
Other	-6,075	-18,548	-226,784
Total	-156,619	6,260	-1,577,804
Net financial income (-expense)	-10,665	-12,677	230,556
Profit (-loss) before tax	-167,284	-6,417	-1,347,248

Note 5: Net sales by category

SEKk Q4	Starbreeze Games	Publishing	VR Tech & Operations	Other	Total
PC	11,492	329	-	-	11,821
Consoles, Digital	2,657	74	-	-	2,731
Consoles, Retail	1,023	-	-	-	1,023
VR parks	435	874	636	-	1,945
Services	9,135	-	738	2,632	12,505
Licensing	13,629	3,714	423	-	17,766
Total net sales	38,371	4,992	1,797	2,632	47,792

Note 6: Consolidated depreciation, amortization and impairments by function

SEKk	2019 Q1	2018 Q1	2018 JAN-DEC
<i>Depreciation and impairment of property, plant and equipment</i>			
Direct costs	30,880	4,823	121,644
Selling and marketing costs	14	-	1,700
Administrative expenses	8,032	2,429	5,650
Total depreciation and impairment of property, plant and equipment	38,926	7,252	128,994
<i>Amortization and impairment of intangible assets</i>			
Direct costs	10,957	35,328	1,438,469
Selling and marketing costs	-	-	-
Administrative expenses	62	-	-
Total amortization and impairment of intangible assets	11,019	35,328	1,438,469
Total depreciation and amortization and impairment	49,945	42,580	1,567,463

Note 7: Joint venture

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	3/31/2019
<i>Reconciliation of net carrying amount:</i>	
Balance of net assets at 1 January	14,110
Net profit (-loss) for the period	-5,962
Exchange differences	161
Closing balance net assets	8,309
Group's share	33%
Group's share in SEKk	2,742
Net carrying amount	2,742

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 share of these amounts. The reconciliation of Starbreeze share is shown above.

SEKk	3/31/2019
<i>Balance sheet in summary:</i>	
Current assets	11,700
Non-current assets	13,996
Current liabilities	17,172
Net assets	8,309
<i>Statement of comprehensive income in summary:</i>	
Sales	2,006
Net profit (-loss) for the period	-5,962
Total comprehensive income for the period	-5,962

Note 8: Impairments

Effective 31 March 2019, the Group decided to recognize an impairment loss on the non-current assets in the VR parks in Dubai and in Stockholm at Sveavägen 14. Emaar terminated the contract related to the VR park in Dubai in March and the costs of removal, disassembly and storage were estimated to exceed possible proceeds from the sale of the assets, whereupon the company decided to fully impair the non-current assets. The VR-center in Stockholm does not constitute part of the core business. In the company's judgment, any proceeds from the sale of the assets would not exceed the ongoing losses that the company is generating and the company therefore decided to fully impair the non-current assets.

Impairments by asset class, SEKk	Starbreeze Games	Publishing	VR Tech & Operations	Other	Total
Goodwill	-	-	-	-	-
Other non-current assets	-	-	-	-	-
Capitalized development cost for own games and technology developme	-	-	-	-	-
Investments in publishing projects	-	-	-	-	-
Financial assets	-	-	-	-	-
VR facilities, IT equipment and other equipment	-	-	26,465	-	26,465
Total	0	0	26,465	0	26,465
Impairments in profit and loss and other comprehensive income for the period, SEKk	Starbreeze Games	Publishing	VR Tech & Operations	Other	Total
Direct costs	-	-	26,465	-	26,465
Finance net	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total net sales	0	0	26,465	0	26,465

Note 9: Assets held for sale

The Group has identified certain assets that are unrelated to the core business, which have been reclassified as assets held for sale. The assets are recognized at the lower of the carrying amount and net realizable value. The assets consist of the consolidated carrying amount of the net assets in the Dhruva subsidiary and the OP rights to the Cinemaware library, which includes several titles including Defender of the Crown and Wings. Both assets belong to the Starbreeze Games segment.

Note 10: Reclassifications of opening balances from Q4 2018

Reclassification of opening balances for assets held for sale, SEKk	Nya belopp för Dhruva	Tidigare rapporterat för Dhruva	Skillnad
Goodwill	-56,783	-56,783	-
Other non-current assets	-	-	-
Capitalized development cost for own games and technology develop	-417	-417	-
Financial assets	-6,373	-	-6,373
VR facilities, IT equipment and other equipment	-2,951	-	-2,951
Trades and other receivables	-7,066	-	-7,066
Prepaid expenses and accrued income	-2,179	-	-2,179
Cash and cash equivalents	-3,063	-	-3,063
Assets held for sale	73,968	57,200	16,768
Total asset	-4,864	-	-4,864
Other non-current liabilities	-2,188	-	-2,188
Trade and other payables	1,223	-	1,223
Accrued expenses and deferred income	-3,899	-	-3,899
Total liabilities	-4,864	-	-4,864

Reclassification of opening balances for non-current liabilities and current liabilities, SEKk	Omklassificerade belopp Koncernen	Omklassificerade belopp Moderbolag
Trades and other receivables	9,685	-
Trade and other payables	9,685	-
Non-current liabilities, earnouts, ePawn	-76	-76
Other non-current liabilities, Smilegate	-200,440	-200,440
Other non-current liabilities, Acer	-71,529	-71,529
Other non-current liabilities, bank overdraft	-75,770	-
Other non-current liabilities, bank loan	-30,000	-
Trade and other payables	377,815	272,045
Total	0	0

