

STARBREEZE
ENTERTAINMENT

Starbreeze Annual Report 2022



The power of community

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This is Starbreeze

Video games and beyond

Starbreeze is developing a game portfolio of strong brands with the flagship PAYDAY at its core. Our brands and games deliver long-term value through our Games as a Service model and an engaged community.

Starbreeze is an independent developer, publisher and distributor of PC and console games targeting the global market, with studios in Stockholm, Barcelona, Paris and London. Starbreeze develops games based on proprietary and third-party rights, both in-house and in partnership with external game developers. Starbreeze shares are listed on Nasdaq Stockholm.

- Owns one of the strongest brands in the games industry – PAYDAY.
- Has the industry's largest community on Steam – 8.6 million members.
- Direct contact with the community through the Starbreeze Nebula membership platform.
- Focuses on its core business of developing great games with long life for PC and console.
- Proven track record in creating engagement and developing long-term content for our games.
- Experienced management team and a growing, international game development organization.
- Stable financial foundation and positive cash flow.
- Restarted publishing activities, and from 2023 will publish games as a third-party publisher

A key factor in PAYDAY's success and the success of other games in the portfolio is to involve the players in the product through close dialog between the game's developers and fans.



165 employees in
four countries

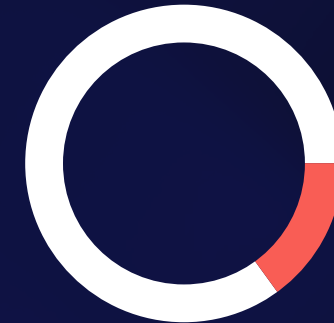
Net sales in 2022

Net sales
by business area



Starbreeze games
96%
Other
4%

Net sales
by platform



PC
85%
Console
15%

Net sales
by product
category



DLC
77%
Base game
23%

The year in brief

Focus on PAYDAY 3 and third-party publishing

- Continued releasing a large number of expansion and content packs for PAYDAY 2 – a total of 13 in 2022.
- Agreement with developer Walking Tree Games to publish the game The Tribe Must Survive, and announcement that Starbreeze is making a return to third-party publishing.
- New project under own management to develop a game with planned release in 2025.
- Our partner PopReach carried out a test release of the mobile game PAYDAY Crime War, and is preparing the global release in 2023.
- In December, we announced that Starbreeze was expanding and opening a new studio in the UK. The UK studio will work with two newly acquired IPs and contribute to work on PAYDAY 3.
- December saw the launch of the next generation of our membership platform: Starbreeze Nebula.

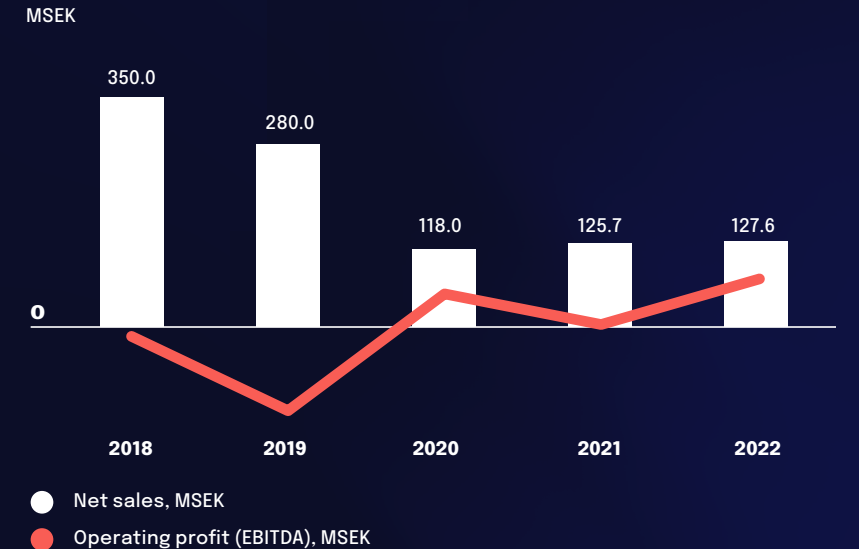
2022

Key figures

SEK	2022	2021
Net sales	127 602	125 689
EBITDA	66 380	6 268
EBITDA adjusted ¹⁾	66 380	74 940
Profit/loss before tax	-54 403	-105 226
Earnings per share	-0,08	-0,14
Cash and cash equivalents	108 217	128 572

1) Adjusted for non-recurring items related to PAYDAY Crime War licensing agreement. The Board of Directors proposes that no dividend be distributed for the 2022 financial year.

Sales and profit



Message from the CEO

A stable place for Starbreeze to grow from

The conditions are in place for Starbreeze to step up to the next level. We have a proven business model in Games as a Service, and both one of the gaming world's largest communities and strongest gaming brands. The release of the much-anticipated PAYDAY 3 is a milestone on our roadmap to grow as a game developer and publisher – and to increase the pace at which we deliver strong game experiences.

2023 is the year of PAYDAY 3

It feels great that we will soon be able to reveal the results of our hard work on PAYDAY 3 in recent years, and meet the huge expectations that our community has for the game. With PAYDAY 3, we have created the basis for further developing our business model to include long-term revenue-generating games, and introducing it to a new generation of players on PC and console. The game's development has gone to plan and together with our co-publishing partner Plaion, we are working intensively towards a successful release of PAYDAY 3 in 2023.

Along with additional activity around the PAYDAY brand, through our partnership with Stockholm Syndrome and the ambition to take PAYDAY to TV or film production, and the upcoming release of the licensed mobile game PAYDAY Crime War, we are taking the first of several steps to cement PAYDAY as one of the strongest game brands in the world, and further develop our IP as a cross-media brand.

We develop Games as a Service

The ultimate proof of the strength of our Games as a Service model is PAYDAY 2's longevity. Since its inception, our team has delivered 75 different

Tobias Sjögren





expansions and content packs, DLCs, 13 of which just in the past year. After almost ten years, it is extremely pleasing to see that our community is expanding to include new players, but at the same time we still have people who have been with us from the very beginning.

Our number of unique active users each month (MAU) peaked at just over 800,000 players during the year, demonstrating the high level of engagement that underpins Starbreeze's sales. PAYDAY 2's community page on Steam passed 8.6 million members – the highest of any game on the Steam platform.

Overall, net sales for the year were up approximately 2 percent year-on-year and amounted to just under SEK 130 million. Given the strong comparison year in 2021, the underlying sales for the year in US dollars were slightly lower, but were impacted positively by a favorable exchange rate.

Added value through Starbreeze Nebula

Starbreeze has had one of the most engaged communities in the gaming world for a long time. During my years at Starbreeze, I have seen it continue to grow at an impressive rate, and our dedicated player base is one of our greatest assets. A community that constantly contributes to the PAYDAY universe and the actual game development. The Starbreeze Nebula membership platform has and will allow us to create more opportunities to get even closer to our PAYDAY players on PC, console and mobile devices, and will do the

same for the games we publish in the future. To create added value for all our customers is the clear purpose in everything we do.

Return as a game publisher

One of the year's most important strategic decisions for Starbreeze was to resume the role of third-party publisher. Our previous experience as a publisher and our foundation in game development creates a solid basis for good partnerships with other developers, and in recent years we have strengthened and developed both the organization and platform that make us a strong game publisher. The area will be an important aspect of our growth going forward. As a publisher, we will focus on games that complement our current set of customers by offering a strong focus on community, and on playing and shared experiences with other players.

Starbreeze is growing

In 2022, Starbreeze grew from 138 to 165 employees, who together represent a total of 28 nationalities. We recruited employees in the UK during year, and we now have operations in a total of four countries. The skill shortage is a real challenge for the industry as a whole, and consequently, it is a source of pride that we continue to attract committed and talented employees. We have achieved this by establishing Starbreeze as an attractive employer where our employees are given the opportunity to grow, and we have also made several efforts

during the year to increase social sustainability at Starbreeze. Not least through leadership training for all employees in order to enhance leadership and cohesion within the company.

We are well equipped to efficiently deliver several in-house developed games over the next five years. The goal is to release games based on either own or licensed IPs. We are currently planning to release larger games in 2025 and 2027, and the expanded IP portfolio will allow the release of more games and promote a diversified revenue stream.

We're taking the next step

Uncertainty in the world around us is increasing, but the games market remains strong, and historically has demonstrated its resilience regardless of economic cycles. We are now looking forward to a year in which we can capitalize fully on the strength of our entire organization, where our future game development projects will be in place and where we can cement the conditions for Starbreeze's future growth and profitability. A future that is based on delivering engaging game experiences to a continuously growing community, where Games as a Service and long-term revenue-generating games is the engine behind this growth.

First up: PAYDAY 3.

Tobias Sjögren
CEO

The games market in 2022

A long-term strong game market

Starbreeze is a well-known name on the global games market, and its games are played all over the world. After several years of strong growth, the market decreased slightly in 2022.

Our products are sold through platforms such as Steam, PlayStation Store and Xbox Games Store. Of the total sales revenue generated in 2022, North America accounted for 47 percent, Europe 24 percent and Asia 15 percent.

2022 marked a clear return to a more normal life after the COVID-19 pandemic. This has had a downward effect on the games market, after the gaming industry was one of the industries that flourished during the pandemic. An increase in remote working and disruptions to supply chains meant that the market continued to be characterized by project delays and postponed release dates in 2022. This slowed market growth.

Strong sales growth is expected in the gaming industry in the long term, with forecasts varying from 3.4 percent to 8 percent annual growth by 2026. Sales growth will be driven by a higher number of players and the expected release of a large number of attractive games titles over the next few years. Inflation and higher interest rates may have a negative impact on the industry, but the gaming industry has historically proven to be resilient in times of economic uncertainty.

SIZE AND GROWTH

The global games market grew by 32 percent between 2019 and 2021 and generated revenue of USD 192.7 billion in 2021. Global sales were expected

The global playerbase, including console-, PC- and mobile games, is estimated at nearly 3.2 billion players who collectively spend nearly \$200 billion per year.

to slow down slightly in 2022 with the return to normal after the pandemic and an uncertain macroeconomic situation that has led to disruptions in supply chains. The global games market is forecast to generate USD 184.4 billion in 2022, which represents a decline of 4.3 percent. The PC games market is due to increase slightly, while console and mobile games will see a slight decline. The stable PC games market is explained by the fact that, in terms of sales, the platform's strongest titles have generally been in the market for several years, while the console games market is more dependent on new game releases, and the impact of delayed releases is therefore more noticeable in the console market.

GEOGRAPHIC AREAS

Asia-Pacific is still the largest global games market, accounting for 48 percent of total sales in 2022. This market is important to us and we see it as a long-term growth area. Growth in the Asia-Pacific region was weak in 2022 (-5.6 percent), and Latin America (3.4 percent) and the Middle East and Africa (6.6 percent) saw the clearest growth in the games market. Starbreeze games are sold primarily in Europe and North America. The European games market generated USD 32.9 billion in 2022 (-3.5 percent) and the US market generated USD 48.4 billion (-5.1 percent). China and the USA are the largest national markets for the games industry as a whole and together account for half of total sales.

SEGMENTS

Historically, games segments have been completely separate from each other, but with advances in cross-platform gaming, subscriptions and various franchise agreements linking the segments, the boundaries of cross-platform gaming have gradually become blurred. Cross-platform has become an increasingly important factor in the release of games. Newly released games, which are largely played online, now include some cross-platform features.

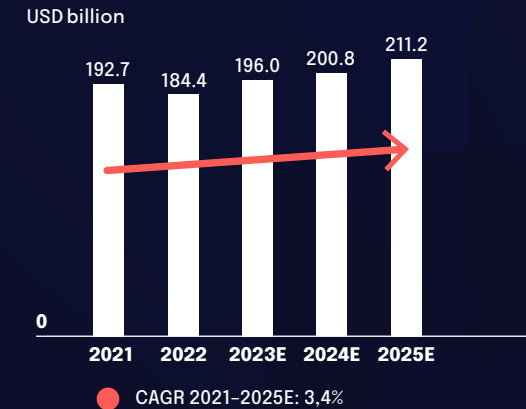
Console games

Console games are played on a fixed or handheld console – a device specifically designed for gaming. PlayStation 5 and Xbox Series S/X are the latest generation of consoles that hit the market at the end of 2020. These consoles have significantly superior capabilities, offering new opportunities for game developers and new experiences for gamers. Console games are distributed online through digital downloads and in retail outlets. Games developed for consoles typically have larger production budgets and take longer to produce than mobile games, and are more likely than mobile games to be designed for longer gaming sessions. The segment accounted for 28 percent of the games market in 2022, with revenues of USD 51.8 billion and growth of -4.2 percent.

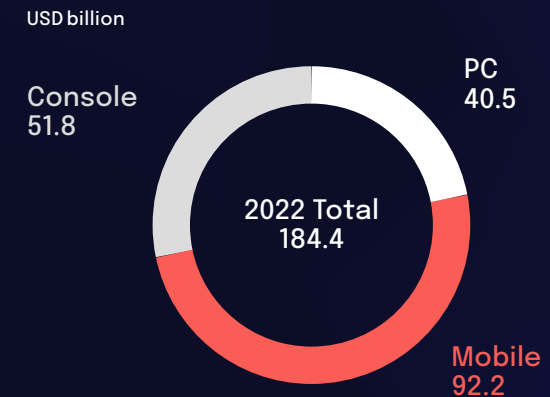
Due to component shortages, Sony and Microsoft have had limited opportunities to meet demand for consoles in the early years. This was also the case in 2022.

Global games market

Overview of the global games market, 2020-2024



Overview of the global games market by segment



PC games

PC games include all games that can be played on a PC (personal computer). Digital sales have grown steadily in this segment over recent years, on platforms such as Steam and Epic Games Store, while new forms of distribution based on streaming technology are attracting increasing interest. The segment accounted for 22 percent of the games market in 2022, with revenues of USD 38.2 billion and growth of 1.8 percent.

Mobile games

Mobile games are played on a mobile device, such as a smartphone or tablet. These games are often designed for shorter gaming sessions than PC and console games. Mobile games also generally require lower development budgets and shorter production times than games developed for PC and console. The mobile games market relies exclusively on digital distribution via platforms such as the App Store and Google Play. Revenue in the segment fell by 6.4 percent in 2022, but it still represents half of the global games market.

REVENUE MODELS

Revenue models vary considerably across the industry. Revenue models for mobile games are often very different from models for PC and console games, but even within PC and console games they can vary widely.

One-time sales

Most PC and console games are sold through the revenue model of one-time sales. Through the model, a majority of the revenues come soon after the game is released, generally within one year. Many games sold with this model, especially single-player games, have limited game development and DLC support after their release.

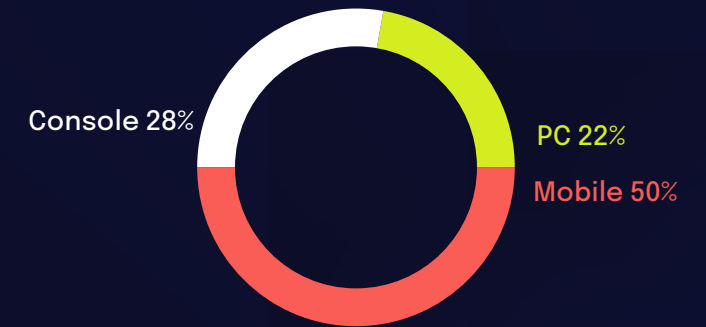
Games as a Service (GaaS)

Unlike one-time sold games, games released under the GaaS model typically generate a long or indefinite revenue stream. GaaS is either a subscription or streaming model that requires digital distribution and where the player has access to an individual game or platform for a monthly fee. It can also include add-on purchases (DLC) that add additional content to a game beyond what the user can access when the game is first purchased. Examples of subscription services in the games market include Xbox Game Pass, PlayStation Now, and EA Access.

Add-on purchases (DLC) have been an established part of the games industry longer than games as a subscription, but have seen a new resurgence due to the increased distribution of games via digital download. Add-on purchases give game developers and publishers the opportunity to make a game relevant to the end customer for a longer period of time, and in so doing increase the life of the game. The continuous development and sale of new game content is

Global games market

Revenue distribution in the global games market by segment in 2022



often based on an analysis of user data and constant communication with the player base. Historically, Starbreeze has been a pioneer of this revenue model with the PAYDAY game.

Free-to-play

Free-to-play is a generic term for games where all or a significant part of the game is available to players for free. Revenue comes from in-game purchases or the purchase of currency or other in-game content, for example advertising revenue. These games can also generate revenue from in-game advertising. Free-to-play is common for mobile games, but also exists for console and PC games. Free-to-play needs a recurring customer base (retention) for the game to generate revenue – consequently heavy, ongoing investments in marketing and promotions are often necessary.

THE GAME INDUSTRY'S VALUE CHAIN

Developers

Developers are directly involved in creating and developing games. The size and structure of game development teams varies greatly depending on the type of game they are working on, and teams can range from just a couple of people to thousands of developers. Game developers, who work on behalf of someone else, perform "work for hire", which provides stability as a business model, but usually without a big monetary upside. Working with your own IP, or on a project where you partly finance it, improves the upside but increases the

risk. A challenge for the gaming industry in general is shortages and competition for labor. This has led to several studios now having offices all over the world and employees who work entirely remotely. The outsourcing and utilization of specialized suppliers is very common. The gaming industry is defined by an international culture and teams often consist of people from several different parts of the world.

Intellectual property owners (IP owners)

IP owners are the entities that own the rights to the trademarks used in games. IP owners may be game developers who own the rights to proprietary games, publishers who have acquired a portfolio of trademarks, or copyright holders of film or book titles on which games are based. Intellectual property rights can be traded within the gaming industry and it is not uncommon for a game developer to acquire the rights to a title from the work's copyright holder, for example. In recent years, the entertainment industry has also shown an increased interest in buying IP from the gaming world as a basis for development.

Publishers

The publisher's role in publishing a game can vary between each publication. This may include financing game development, overseeing production and controlling quality, customizing products and, above all, distributing and marketing the game to retailers and end customers. The game's IP is often owned by the publisher, while develop-

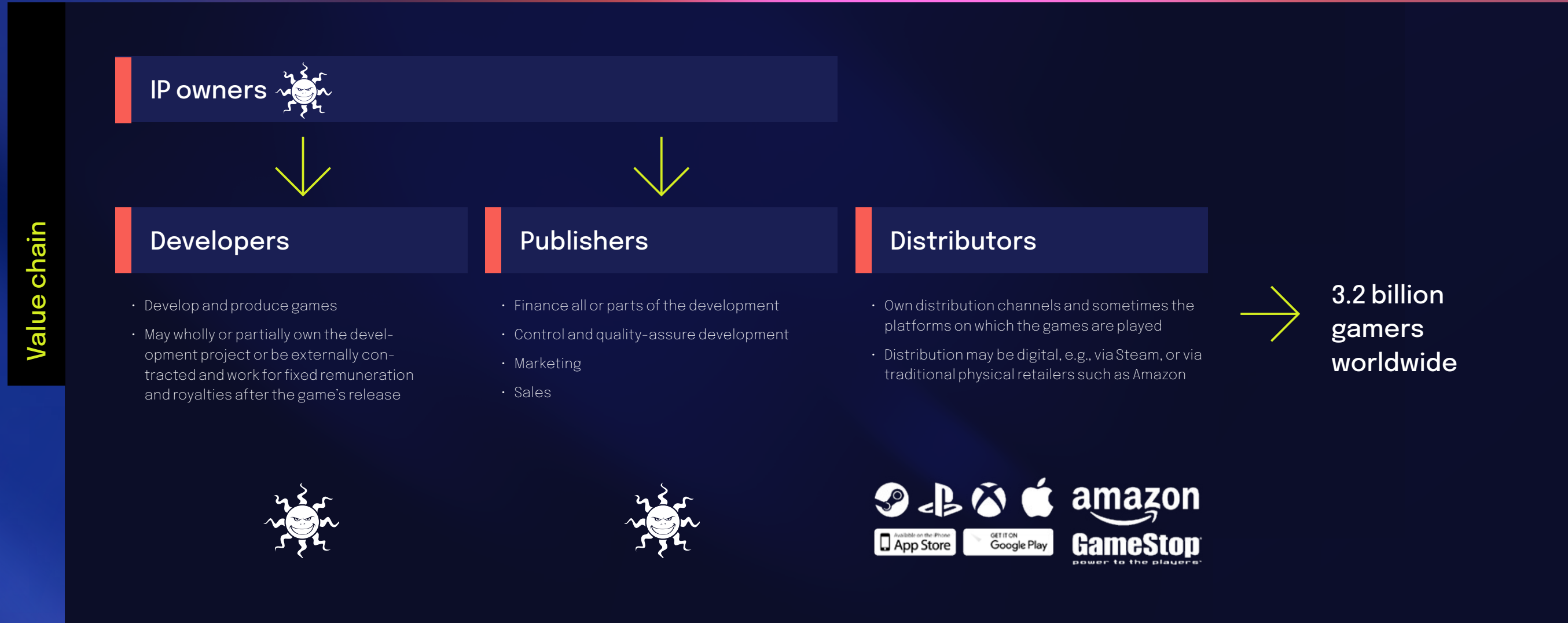
ment and production are carried out either by independent developers, or by the publisher's in-house team. In some cases, the developer may also own rights to the game and in these cases the publisher is responsible primarily for the marketing and distribution of the game.

Retailers

Retailers are the final link in the value chain before a game reaches the end customer. Retailers, or distributors, own the channels through which the games are sold and/or the platforms on which the games are played. Retailers may be physical and/or digital. While games are still sold through traditional retailers, such as Walmart, Amazon or Gamestop, the majority are now sold through digital channels such as Steam, Epic Store, App Store, Google Play, as well as Sony and Microsoft's gaming platforms for consoles.

Starbreeze's role in the value chain

We are now present in several stages of the value chain in our capacity as owner, publisher and IP owner. Today, our games are mainly sold and distributed digitally, where Steam is the most prominent platform. Our long-term goal is to adopt an even stronger position in the value chain and be able to self-publish games of the same size as PAYDAY 3, or bigger. The Starbreeze Nebula platform will play an important role in achieving this ambition. In order to limit risk, we are investigating the opportunities to build a portfolio of games that also include licensed IPs.



OUR COMPETITORS

The competitive situation in the gaming industry is obviously global and we are competing with large and small competitors for the attention of players in a global market. This requires a high level of competence in both game development and in the entertainment industry in general. It lays the foundation for strong brands in several segments and product categories. Consolidation has continued in the Swedish games market. Large corporations such as Embracer and Still-front Group have a large number of subsidiaries and therefore significant operations also outside Sweden.



Swedish gaming industry – 8,000 employees in Sweden

The gaming industry, which has been described as a new basic industry in Sweden, experienced strong growth in the 2000s. In 2021, the Swedish computer games industry generated around SEK 27.5 billion and employed just under 8,000 people in Sweden, and Swedish game companies had a further 11,158 employees abroad. According to estimates based on downloads, every fourth person in the world has played a game developed in Sweden.

Business model

Value creation over the long term with focus on core business

REVENUE MODEL

When we own IP and the game is self-financed, we receive all revenues (after deducting taxes and distribution costs). If the game has been financed by third parties, they will receive a share of the revenue under a profit-sharing arrangement. When a game is based on IP that Starbreeze does not own, the IP owner also gets a share of the revenue. In the case of self-financed games, distribution and marketing costs are met by Starbreeze. Where there is a co-financier, these costs are shared between the parties involved.

A PLATFORM TO STEP UP FROM

PAYDAY: The Heist and PAYDAY 2 have been commercially successful for over a decade and have established a committed community. The games' success stories have given us the opportunity to further develop the company's GaaS model and create the conditions for a worthy successor. Unlike the previous games, PAYDAY 3 will be released simultaneously on console and PC, which means that even more players will be able

to benefit from the company's GaaS model. Spear-headed by PAYDAY 3, we will work to maintain our position as a leader in GaaS, but also on console platforms as well.

A FORCE TO BE RECKONED WITH

Our return to being a third-party publisher means that Starbreeze will have a wider reach with its brand. Our high level of credibility in the market, strong platforms and expanded publishing capabilities mean we can publish fully-developed games and broaden the games portfolio effectively. Hot on the heels of PAYDAY 3, we are planning to release two more in-house developed games, one on pre-release in 2025 and the other in 2027. The five-year plan means that not only are we growing with PAYDAY, but also beyond PAYDAY, giving us the opportunity to establish ourselves in the market as a diversified game developer and publisher. Games will be developed through continued close relationships with players through Starbreeze Nebula and other channels - while maintaining a focus on the Games as a Service model.



Strategy

Starbreeze grows together with its community

PAYDAY 3 is a milestone in the future growth strategy to develop and publish games that create value and revenue streams beyond the gaming experience. Our aim is to offer more Starbreeze to more players.

We have a successful history of developing games with strong brands in close collaboration with our player base. Almost ten years after the release of PAYDAY 2, player activity continues at record levels and the game generates stable cash flows. With the upcoming release of PAYDAY 3, we are ready to take value creation that goes beyond the gaming experience to the next level. This work will continue to be based on building long-term, strong player engagement by continuously delivering new, high-quality content in close collaboration with our players, as well as facilitating co-created content.

Future growth will come from new development partnerships that leverage our expertise in Games as a Service. Our aim is to grow PAYDAY

into a broad entertainment brand with multiple revenue-generating products on the market, in addition to PC and console games with continuous DLC releases and mobile games. We also aim to grow the IP portfolio across our own and other brands by continuing to strengthen both development and publishing activities within the company.

An expanded games portfolio with strong IPs will create the conditions that allow the community to grow. The Starbreeze Nebula membership platform will be an important platform for marketing and direct communication with the player base, but above all a way of creating added value for our customers through various services and collaborations.



How value is created beyond the gaming experience

To create value for the company's stakeholders in the short and long term, our work is guided by four strategic pillars.

Developing games, IP and beyond

We are experts in creating action-packed, long-lasting gaming experiences for dedicated players. Our skilled studio teams create characters and storylines that are not only engaging, but also take the brand beyond the game to create new experiences, customer environments and consequently revenue.



A co-creating community

Providing space for an enthusiastic community that clearly contributes to the gaming experience is a powerful tool for building engagement and strengthening relationships between players, games and the company. Today, co-creation includes game modding, streamers and influencers, as well as cosplay.



The place to be

We want to offer the best and most inspiring studio to work at for game developers from all over the world. This is Starbreeze's ultimate ambition and we will achieve this through a culture where we work as a team. A culture and a studio where employees have the opportunity to evolve and achieve a balance between their professional and private life. We believe this is how Starbreeze will build the best gaming experiences in the long run.



Games as a Service

We are committed to developing games that engage and deliver value even many years after their release. A plan is made in the early stages of game development for how each game should be updated after its release, i.e. the pace at which DLC and additional purchases should be released in order to enhance the gaming experience. In addition to game add-ons, we work actively to strengthen long-term relationships with customers - for both PAYDAY and new brands.



How Starbreeze will reach more people

In 2022, work continued on developing and completing PAYDAY 3, whilst adding further value for our player base in PAYDAY 2. Starbreeze's experienced management team, stable financial position and increased studio capacity mean that it is in a good position to broaden its offering to include more game titles and peripheral gaming products over the next few years. We will be focusing on developing new IPs for the games market over the next few years, where the next major IP after PAYDAY 3 is due to be launched in 2025. Alongside this, strategic work within our publishing activities will provide an effective way of rapidly broadening the games portfolio and reaching more customers.

Roadmap

2022

Core focus creates capacity for growth ...

- ✓ Ensure development and quality of PAYDAY 3
- ✓ Continue monetization of PAYDAY 2 through DLC
- ✓ Develop and implement Starbreeze Nebula - enhanced, multi-platform community
- ✓ Expand game production capabilities
- ✓ Expand IP portfolio

2023-2024

... into a broader IP portfolio ...

- Release of PAYDAY 3 and creation of high LTV (life-time value)
- New IPs in production (developed, acquired and/or licensed)
- Multi-IP-community
- Establish and leverage partnerships to create cross-media brands

2025 and beyond

... a leader in GaaS - build games, IPs and value beyond the gaming experience

- Self-publish games, control over the entire value chain
- Multiple games on the market
- Continuous monetization of PAYDAY 3
- Content development with the community (co-creation)
- Build franchises beyond our games

Third-party publishing

Starbreeze's as a publisher

When we release *The Tribe Must Survive* in 2023, it will signal the start of a new publishing venture. This venture will bring new ways for us to broaden our games portfolio, whilst at the same allow innovative game developers to benefit from Starbreeze's well-established channels.

Publishing games is not new to us, as the most recent game published from an external game developer was in 2018.

Today, there is a wide range of skilled, smaller game developers who want to focus solely on game development. Companies that currently lack the financial strength and access to the platforms required for an individual game to reach the audience it deserves. Starbreeze Nebula allows us to offer a distinct marketing channel, where new games can be communicated to our community through cross-marketing and special deals. Starbreeze Nebula therefore not only adds value for players, but also for published game developers.

Starbreeze provides security for partners not only through its long and broad experience gained

from in-house game development, but also specifically in terms of co-op and multiplayer games with a planned long life. Our publishing team works mainly with the PAYDAY brand but has the capacity to grow and work with multiple smaller games, which is a good way to scale up the organization in order to work with multiple larger games in the future.

The venture is based on our previous experience of being a publisher, but will be supplemented by new employees who will focus specifically on this. As our publishing activities grow, our organization will grow too, and our argument for third-party publishing is that these activities must be scalable.

What is third-party publishing

Third-party publishing is when a publisher publishes a game that has been developed by an external game developer. The strength of this form of publication is that smaller game developers have the opportunity to use an established publisher's platform to reach out more widely with their games, whilst at the same time broadening the publisher's games portfolio to include attractive titles.

About *The Tribe Must Survive*

The Tribe Must Survive will be the game that marks Starbreeze's return to publishing games that it has not developed itself. Set in the Stone Age, the game is a strategy game where players must find ways to grow and protect their tribe from the dangers around it. A demo version of the game was released in 2022 and it generated a great deal of interest among players. *The Tribe Must Survive* was developed by German company Walking Tree Games GmbH and will be published on Steam Early Access in 2023.

Game development process

Holistic game development with the gaming experience in focus

Starbreeze honed its game development process in 2022. A structure and approach has been established to provide clear direction and delivery – and ultimately an enriching gaming experience for our community.

Starbreeze Studios has around 140 employees. In 2022, most of our studio, together with external stakeholders, focused on PAYDAY 3, while a small number of employees worked on pitches for future potential game titles and IPs. The development process was clarified during the year in order to find a common way of working, the major goal being to get the large organization that works in the development of a game to work even more closely together, and where all decisions made along the way are made with the players' experience in mind.

Production method

Game development at Starbreeze is based on a clear allocation of roles in the development process, where delivery goals are set for each role in each phase. Creativity is encouraged in the context of the goals in each development cycle through a holistic approach to development work,

where all processes are based on the player and the gaming experience.

Starbreeze's approach has always been, and still is, dynamic and involves cross-functional teams where a high level of interaction and collaboration is required. But the setting of clear goals for delivery at all stages of game development across all teams creates a focused work environment where the team has greater ownership and the opportunity to work on what they enjoy doing and do best. Strategic leadership keep projects on track and the game concept intact.

Project organization

The Head of Development is ultimately responsible for the product portfolio and ensuring that projects are delivered successfully. The Head of Development is also organizationally responsible for collaboration within the production team. The

Head of Development, together with the Executive Producer, is responsible for each product. The Executive Producer, together with the Design Director, is ultimately responsible for the game's concept and its communication to all parties. Each project also has a Project Leader, who has overall responsibility for ensuring that the game project meets its quality objectives, stays within budget and is delivered on time. This allows the Executive Producer and Design Director to focus fully on delivering the game concept.

The studio is collectively overseen by a management team consisting of a VP Studio, Head of Operations, Executive Producer(s), and Creative, Animation, Technology, Art, Design, Audio and QA Directors. Each project also has a leadership structure for each sub-area where domain experts have specialists reporting to them. Production is led by Producers with varying seniority levels.

A game is born

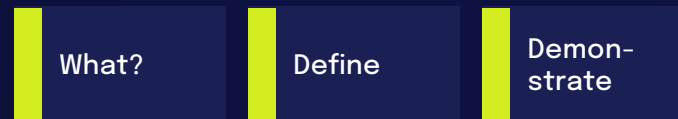
The process

The game development process framework aims to create scope for creative ideas to grow in which distinct roles are allocated and clear goals set for each stage of production.

Bridges between the development processes are marked by several milestones. The first milestone is reached when the team delivers a concept from which a fun game can be developed. The next milestone involves a shorter segment of the game being presented in its intended end quality. Once an Alpha version of the game is released internally, all the main features of the game are finished, but not all the cosmetic elements. These are finished in the final internal version of the game: Beta.

The process flow describes our general approach to game development, but each game has unique conditions that mean the process looks different in individual cases.

Pre-production



Start

We identify what the game will be, what potential there is in the market and how it fits in with the strategy.

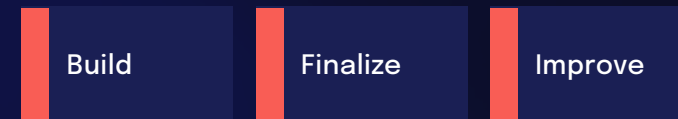
Design and planning

The game concept is defined and a clear plan made for how the game will be produced, what it will look like, and what it will contain.

First playable version

The concept is translated into a fun game. Quality objectives are set and Starbreeze's resources are assigned based on ambition level and audience expectations.

Production



Features completed

All the key aspects of the game work and the game can be played from start to finish. We decide on the release date.

Content finished

The whole game can be played through and all the content is finished. Only bugs and fine adjustments are outstanding.

Fine-tuning

The game is ready for release to the market and changes are only made in exceptional cases. Marketing is stepped up.

Live



Post-release

The game generates revenue and Starbreeze works to drive engagement among the players. Further planning for future DLC and improvements to the game experience.

Management

We ensure that the game continues to generate revenue and engagement among the players.

The PAYDAY™ brand

Starbreeze's flagship to the future

Starbreeze has been strongly associated with the PAYDAY brand since 2011 when PAYDAY: The Heist was released. Even though it is almost ten years since the sequel PAYDAY 2 was released, the brand is gathering a bigger community than ever. With PAYDAY 3, we are looking to offer a loyal player base new engaging experiences and at the same time introduce the PAYDAY universe to a new generation of players.

ABOUT PAYDAY

The first game in the PAYDAY series was released in 2011 – PAYDAY: The Heist. The game sold more than one million copies and development of PAYDAY 2 began shortly afterwards. PAYDAY 2 was released in August 2013 and recovered its development costs within one month. The brand has now existed for over 10 years, and has over 38 million base games and more than 240 updates and add-on packs on the market.

PAYDAY represents strong IP and is a popular first-person shooter (FPS) – a computer game genre where the screen corresponds to the char-

acter's field of vision. Firearms play a major role in FPS games and have been one of several factors that have attracted players over a long period of time to games like PAYDAY.

PAYDAY is a classic movie-inspired action experience where players act as a bank robbers working alone or with up to three other online players. Players are given various contracts such as robbing banks in true Hollywood style. PAYDAY 2 is still one of the most popular PC games on Steam and can reach over 75,000 active players daily. Over the past nine years, the game has had more than 240 updates, featuring a mix of free and paid content.

PAYDAY 2

At its peak, PAYDAY 2 had

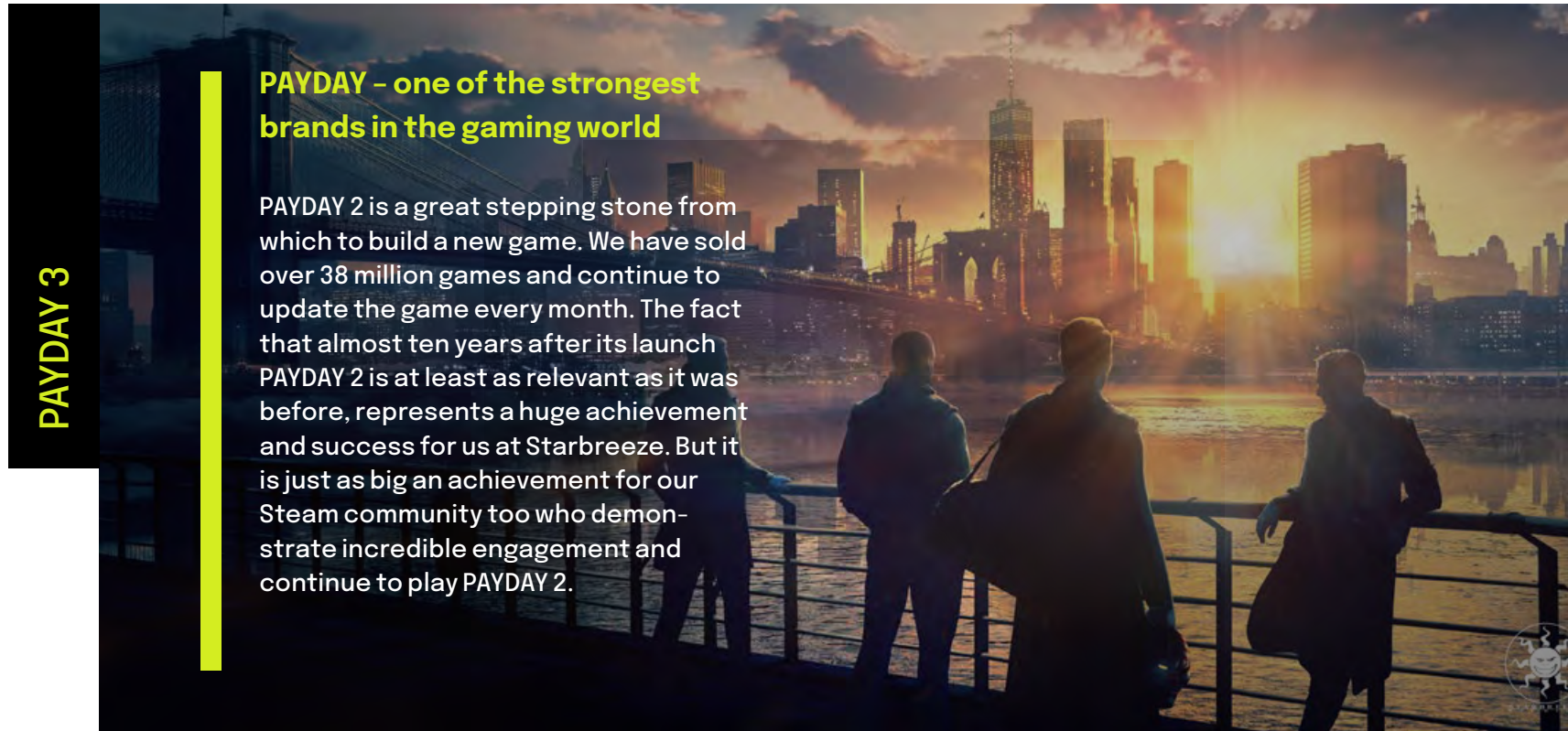
802 000
unique players per month
in 2022



The frequent updates are a distinct part of our Games as a Service strategy and increase the incentive for players to stay engaged with the product and the experience. The contracts in the game have a high degree of replay value, with some elements constantly changing, which also contributes to the longevity of the content that is released.

PAYDAY 3, which is due to be released in 2023, will mark the next step for the series. In 2022, the development of PAYDAY 3 continued full steam ahead, and most of Starbreeze Studios' 140 or so employees are actively working to deliver a game that is at least as engaging and long-lasting as its predecessor. The ambition is to release a game that the dedicated community can recognize clearly, but at the same time give PAYDAY 3 a modern makeover and make the transition between the games a natural one.

This is because noticeable progress has been made in gaming and game development during the ten years that will have passed between the release of PAYDAY 2 and PAYDAY 3. New consoles like PlayStation 5 and Xbox X/S with significantly improved capacity offer new opportunities in game development. To take advantage of these opportunities, we use the powerful game engine Unreal Engine, developed by Epic Games, in PAYDAY 3. This game engine will not only provide a more graphically impactful game, its broad user base will make continuous improvements to the game much easier to implement, compared with PAYDAY 2.



PAYDAY 3

PAYDAY - one of the strongest brands in the gaming world

PAYDAY 2 is a great stepping stone from which to build a new game. We have sold over 38 million games and continue to update the game every month. The fact that almost ten years after its launch PAYDAY 2 is at least as relevant as it was before, represents a huge achievement and success for us at Starbreeze. But it is just as big an achievement for our Steam community too who demonstrate incredible engagement and continue to play PAYDAY 2.

As game development has progressed, players' demands in terms of new game releases have increased. Several games have been groundbreaking in offering players a lot of scope to customize the game in order to create their own world in it. This is something that will be part of Starbreeze's work to successfully introduce a new generation of players who engage in the PAYDAY

community. Even though PAYDAY's player base has grown continuously over the past ten years, the number of active players worldwide has also increased significantly. Introducing new heists to the PAYDAY universe is an inspiring task that will help PAYDAY 3 modernize the image of the PAYDAY brand.



PAYDAY: The Heist

PAYDAY: The Heist was released in 2011 and immediately established the brand's position in the market, with steadily growing interest in the concept laying the foundation for the development of PAYDAY 2. The first game was released on PlayStation and Steam.

PAYDAY 2

PAYDAY 2 – released in August 2013 on PC and June 2015 on console – is a fast-paced, four-player co-op first-person shooter. Players again assume the roles of Dallas, Hoxton, Wolf and Chain in the elusive PAYDAY gang, as a new crime wave ravages the city of Washington D.C. Over 200 updates of the game have been released since it came out. These include new heists, new functionalities, additional playable characters, more weapons, masks, costumes and new challenges.

PAYDAY 2: Crimewave Edition

PAYDAY 2: Crimewave Edition was released in retail and digital markets in June 2015. The title was released by Starbreeze's partner, 505 games, for PlayStation 4 and Xbox One consoles. Updates have been provided on a number of occasions and the game is available for purchase digitally for consoles as well as in stores.

PAYDAY 2 for Switch

PAYDAY 2 for Nintendo's Switch platform was released in February 2018.

PAYDAY 2 VR

The VR version of PAYDAY 2 was released in March 2018 and is part of the main game on Steam.

PAYDAY Crime War

PAYDAY: Crime War is the ongoing development project of the mobile game in the PAYDAY series, licensed to PopReach Corporation. Expected launch is during 2023.

PAYDAY 3

PAYDAY 3 is our next game in the PAYDAY series. The game will be released in 2023.

Agreement with PLAION

Starbreeze and PLAION signed a co-publishing agreement for the release of PAYDAY 3.

Launch of SB Accounts

Starbreeze Accounts was an important step in the development of a dedicated player platform for current and future players.

Launch of Starbreeze Nebula

The new membership platform – Starbreeze Nebula – was launched in December 2022 as a continuation on the development of Starbreeze Accounts. This platform extends the functionality for all Starbreeze games.

Community

Starbreeze Nebula – our membership platform

The opportunity for players to deepen their experience of our game portfolio was updated at the end of 2022. Starbreeze Nebula builds on our ambition to create a strong community between Starbreeze and its players. At the end of March 2023, the membership platform attracted approximately 400 000 affiliated players.

Starbreeze Nebula updated its graphic profile in December 2022 establishing a clear channel for communicating with our players. The membership platform was born out of its predecessor Starbreeze Accounts, but aims higher and has more features.

Players can receive rewards for progress in their gameplay through Starbreeze Nebula, including new cosmetic add-ons. The rewards vary and include cross-title promotions, for example, where a player performs tasks in one game and is then rewarded in another. The reward

system is one example of the new opportunities offered by Starbreeze Nebula for marketing the entire Starbreeze game portfolio. Starbreeze Nebula also opens up opportunities for cross-platform gaming (cross-play).

One of the long-term ambitions with Nebula is to provide the opportunity to transfer progress within a game on one platform to another platform. All things considered, our ambition and hope with Starbreeze Nebula is that players will become aware of more Starbreeze titles, and also that it will help extend the life of each game.

Nebula

~400 000
players have joined Starbreeze
Nebula so far

STARBREEZE
NEBULA

Until Starbreeze Nebula was introduced, the opportunities to capitalize on the strength and size of our entire community were limited. Introducing the platform has created new commercial opportunities allowing us to communicate news about our game portfolio directly to players via Starbreeze Nebula's landing page, and market titles directly via Nebula or by email. This means that Starbreeze Nebula is not only a powerful tool for us to communicate with our players, but will also help make Starbreeze an attractive publisher of third-party games.

Currently, Starbreeze Nebula can be linked to a player's Steam account making Nebula available in connection with PC games. With the launch of PAY-DAY 3 in 2023, Starbreeze Nebula will be available for multiple platforms, including PlayStation and Xbox.

Nebula

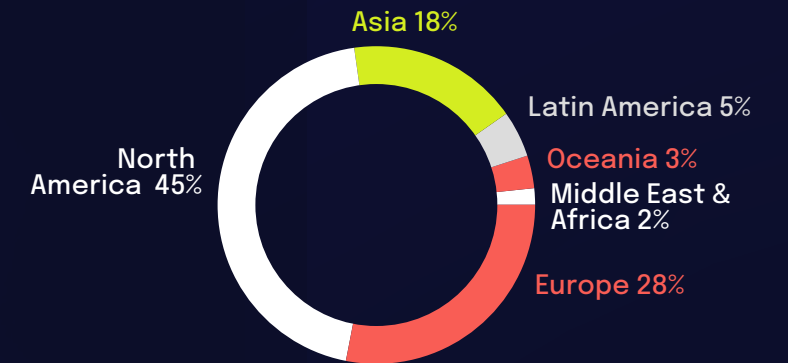
STARBREEZE
NEBULA

“From a commercial perspective, it’s super important to keep track of your user database. Hundreds of thousands of players play our games each month and until Nebula we had no way of talking to them outside social media. Now we have a great chance to reach them”.

Starbreeze - biggest on Steam

In 2022, we had more than 8 million community members, and at 8.6 million members, the Starbreeze community is the platform’s largest. It has been the largest since 2018. The PAYDAY 2 forum is also the platform’s largest. Steam is our most important platform for game sales and digital distribution. The number of members clearly demonstrates the popularity of our products, but also provides an opportunity for interaction with our players on Steam. The close dialog has resulted in us developing some of the add-on packs that the members appreciate the most.

Breakdown of Starbreeze’s revenues from Steam by region in 2022



TheKknowley, Youtuber and PAYDAY partner

“After all these years, the PAYDAY 2 community is still growing”

For those who don't know you already, can you tell us who you are?

My name is Harry, but I'm better known online as TheKknowley. I've been creating content for PAYDAY 2 since the 2013 beta version. I've spent thousands of hours on the game, but I'm probably best known for creating the Story of Payday series which culminated in a four-hour video explaining the brilliant story behind the game!

Why do you play PAYDAY?

The reason I play today is very different from the reason why I started playing almost ten years ago.

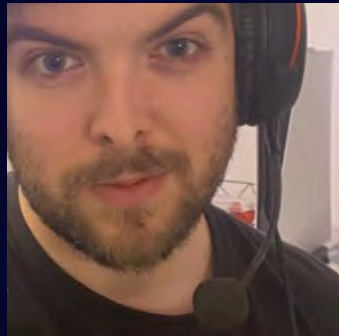
I was initially drawn to the cool aesthetics, unique characters and opportunities to collaborate. These days, what really keeps me hooked is the seemingly endless ways to play through the game and all the new challenges the game continues to offer with each new update.

How do you collaborate with Starbreeze today?

I've been lucky to receive support from Starbreeze since 2014 when some of the first content creator initiatives were launched. I will never forget the day my name was immortalized in the game on a billboard in the "The Diamond" heist. I now have an

TheKknowley





even more active relationship with many members of the team, who have been directly instrumental in helping me complete my more “research-heavy” video projects! And of course, I can always count on support from the developers when discussing my content on social media – especially from PAYDAY Twitter Man!

What is it with PAYDAY Twitter Man?

We stick together like birds of a feather! I recently asked how the world would be without PAYDAY Twitter Man. The consensus was that it would be “a much darker place”. I tend to agree.

For those who don't know, who is PAYDAY Twitter Man?

He's not just a ray of sunshine on social media, he's also the heart of PAYDAY's online community. His role is to spread the PAYDAY gospel by sharing content from across the internet and adding weight to the voices of PAYDAY creators on Twitter!

In 2023, PAYDAY 2 will enter its 10th year. What do you think makes the game still so successful among the player base?

PAYDAY 2 is quite simply a timeless title. Everything that was good about the game in 2013 is still good today. It's one of the few games out there that has a game structure that upstages all the technological advances made by the gaming industry as a whole over the years. Heisting will always be fun. Flying helmets will always go over big and the characters will always be iconic. We're also lucky to have a team of developers that has supported the game with consistent updates over the years, and I should also mention our highly talented modding community, which I imagine will be coming up with new stuff for another decade to come!

Starbreeze's launch of Starbreeze Nebula raises the level of ambition for the member platform. How would you like to see the platform evolve?

So far, the addition of Twitch Drops to the account system has been brilliant for both streamers and viewers. I would like to see this expand. Of course,

I would also love to see the platform evolve into an engine that brings PAYDAY into the cross-play world, and finally brings PC heisters and console heisters together!

What's the mood like in the PAYDAY community these days and what are people talking about?

It's hard to believe, but after all these years the PAYDAY community is still growing and I have felt the excitement building since 2019. PAYDAY 3 has just been a whisper for as long as I can remember, but now it's temptingly close and we can't wait to see more of it!

Finally, the elephant in the room, PAYDAY 3. It will be released in 2023. How excited are you, based on what you already know?

At the moment I know just enough to start speculating about the game, but not enough to allow me to speculate wildly about anything I want to. Can it get more exciting than that? Let's see what the teaser trailer does to me.

Employees

The place to be!

Engagement comes from freedom, creativity and involvement. In order to grow as a company, we must support each individual employee and allow them to grow and develop at Starbreeze. Action creates culture, and at Starbreeze we work on the basis of the following behaviours:

Smarter Together

We use our different experiences, skills and backgrounds to achieve the best possible results.

Learn & Develop

We learn from our mistakes - giving and receiving feedback is part of our day-to-day routine.

Accountability

We are committed and hold ourselves and others accountable for delivering great results.

Enabling creativity

We explore new ideas and opportunities through fun, passion and creativity.

Starbreeze depends on the creativity, knowledge and engagement of its employees to create great experiences for its players and community, and to contribute to profitable and sustainable growth. We offer stimulating challenges and an open and creative workplace with dedicated employees in a multinational and multicultural environment.

Starbreeze's head office is in Stockholm, and the majority of the company's employees are based there. We have studios in Stockholm, Paris, Barcelona and London. The company strengthened its organization during the year through 27 new recruitments, which means that the business is growing in order to accelerate the development of several games for PC and console. A total of more than 30 different nationalities are represented at Starbreeze.

Working together and interaction is key

Starbreeze is an organization where employees assume responsibility and meet challenges through working together and interacting throughout the product development process. The company operates under a model where each specialist area or discipline is responsible for its own areas of expertise across all products, ensuring attention to detail and solving design problems using its combined expertise. This is done in cross-functional groups by focusing on problem solving where quality is a high priority. This model makes the most of the company's senior development expertise, while allowing

the company to take advantage of the instincts of young developers who are at the heart of the product's user base at the same time.

In 2022, Starbreeze introduced a new remote working policy. This policy ensures that we continue to be a modern workplace with a flexible working environment. The starting point is that employees should work from the office, but different degrees of remote working are possible depending on the individual employee's circumstances. At Starbreeze, we are extremely experienced in offering a digital workplace, but we also see that physical meetings are key to successful creative processes.

There were 165 employees as at December 31, 2022 (138). The average age was 43 years (40) on the same date, and the gender breakdown was 84 percent (82) men and 16 percent (18) women. In 2022, we continued to focus on training initiatives for everyone in leadership positions at Starbreeze. In 2023, there will be an emphasis

Starbreeze - for a stimulating and sustainable work life

Starbreeze offers a workplace that is physically, mentally and socially safe and stimulating for all employees, where risks of work-related injuries and illness are prevented. We continuously evaluate our efforts in the area of health and safety in order to make constant improvements to our management of the daily work environment. Monitoring and improving the working environment is

More women in the gaming industry

In 2022, a total of 1,775 women in Sweden worked in games development. This corresponds to 22.1 percent of the industry as a whole. This is 345 more than in the previous year. The number of women in Swedish-owned game companies abroad increased even more, by 51 percent. Gender distribution is currently at its most balanced in game development companies that specialize in VR and mobile platforms.

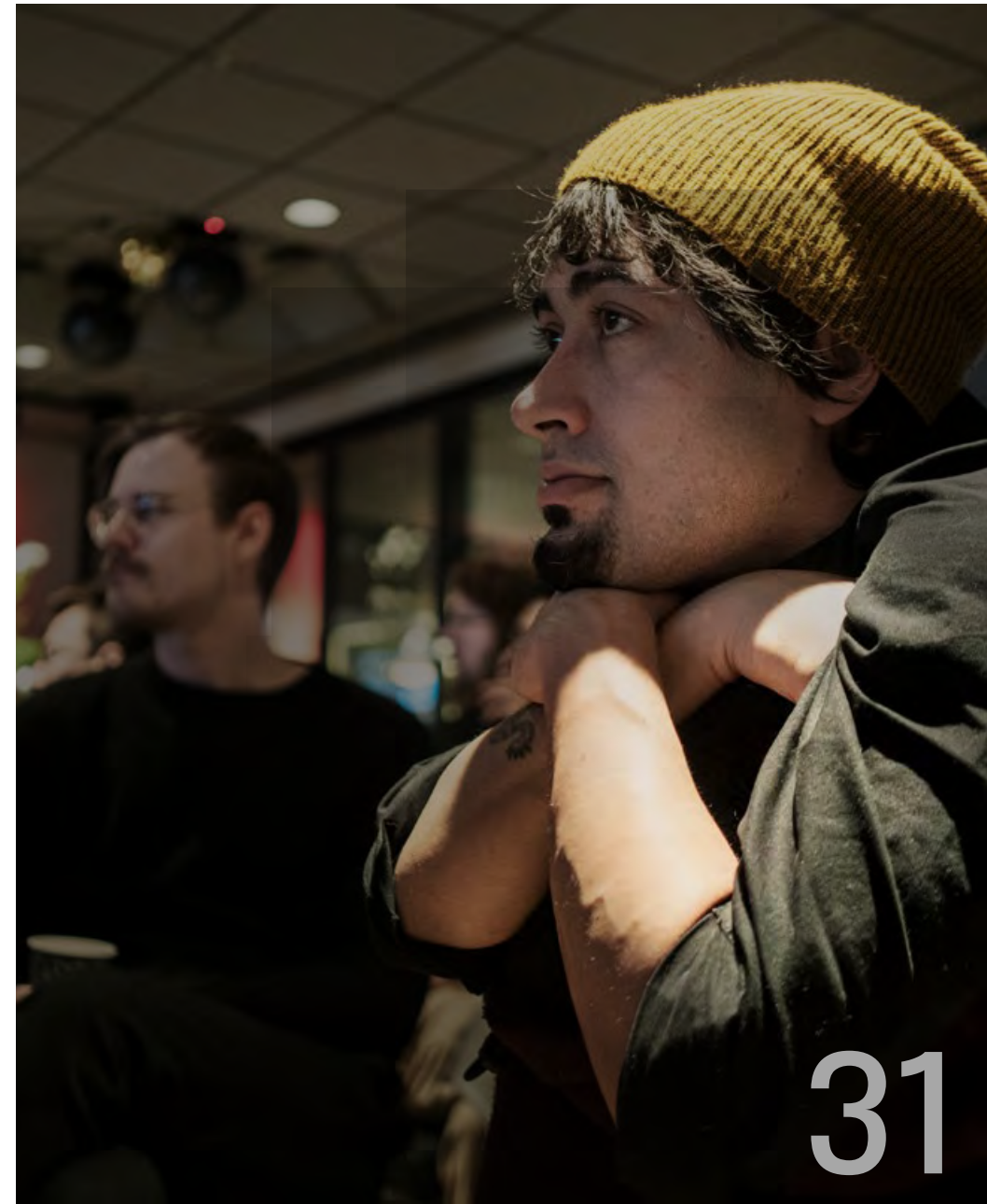
an integral part of all activities within the company. Employees need to know not only what risks exist, but also how to avoid them.

At Starbreeze, we continuously work with diversity, equality and development opportunities for all coworkers. This has a high priority among all managers, and equality issues are considered and carried out in the daily work. There are three fundamental goals for Starbreeze's gender equality work:

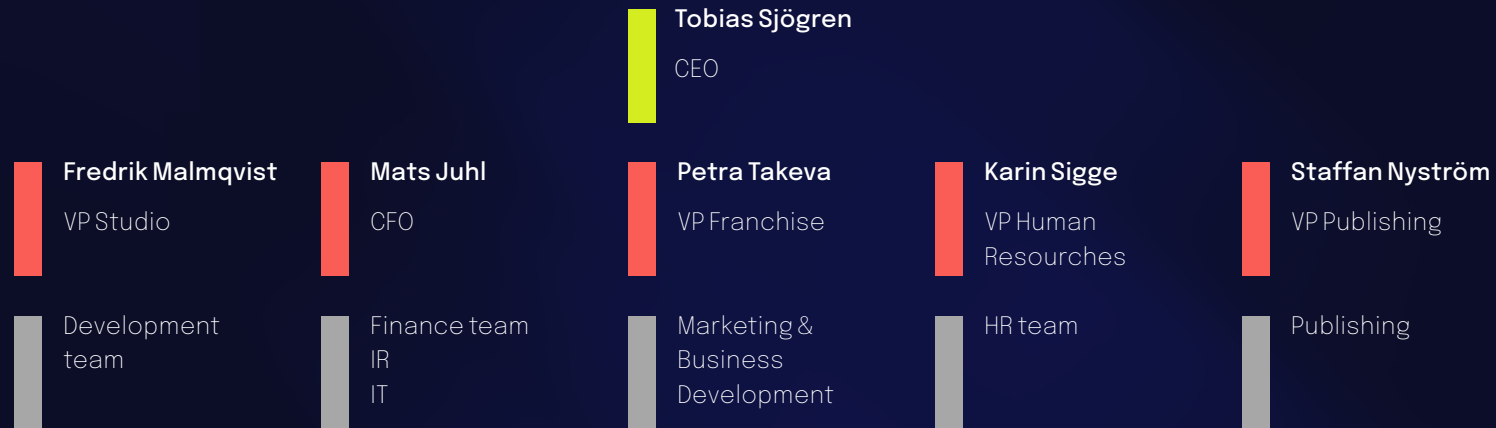
- All employees' skills shall be nurtured and utilized
- All employees must be given the same working conditions and opportunities for advancement
- All employees must be given the same opportunities to combine work and family life

Starbreeze attracts, retains and motivates employees through fair pay and benefits. Salaries are set individually, taking into account the nature and complexity of the position, and the employee's qualifications and performance. Pay and benefits are in line with applicable labor law and collective agreements.

- Market-based salaries and incentive schemes (LTI)
- Opportunities for advancement and career development
- Skills development, both at managerial and employee level
- A workplace with an open atmosphere, positive attitude and strong camaraderie
- A multinational and multicultural workplace offering exciting interaction and new perspectives
- Opportunities to develop skills through collaboration with colleagues from many different countries, cultures and backgrounds
- A focus on mental and physical health through individual and collective initiatives



Organization



Key figures

Number of employees as at December 31, 2022

Country	Total
Sweden	144
France	16
Spain	3
UK	2
Total	165

Average number of employees

	Full year 2022	Full year 2021	Full year 2020	Full year 2019
Average number of employees	154	135	123	331
Number of employees at end of year	165	138	124	127
Average age, years	42	40	37	34
Net sales per employee, SEK thousand	827	931	959	846

Filip Blom, Art Producer at Starbreeze

“We can push the boundaries of what’s possible”

What is your role at Starbreeze?

I'm an Art Producer at Starbreeze. Generally speaking, this means that I oversee the creation of the visual elements in our games, such as characters, weapons and environments. I also head up large parts of our Art Outsourcing pipeline, which involves negotiating with potential partners, but I also make sure that cooperation with our existing external colleagues is as good as it can be.

What made you decide to work for Starbreeze?

When I was in high school, I started graphically modifying games, which later led me to apply for a three-year game development course in Stockholm to hone my skills further. I had long been a

fan of Starbreeze games, and joined their recruitment service while I was a student. When a suitable position was advertised at the end of 2017, I applied for it right away and got an interview. So that's how I ended up getting my dream job!

There's a lot going on around PAYDAY 3 now. Based on your role: what are you most excited about?

I look forward to seeing how we can tie it all up together with PAYDAY 2. The game has a long history and faithful followers, so we need to manage it well. But of course I'm also looking forward to releasing a new PAYDAY in a new game engine for all our fans after ten years. This feeling is mixed

Filip Blom





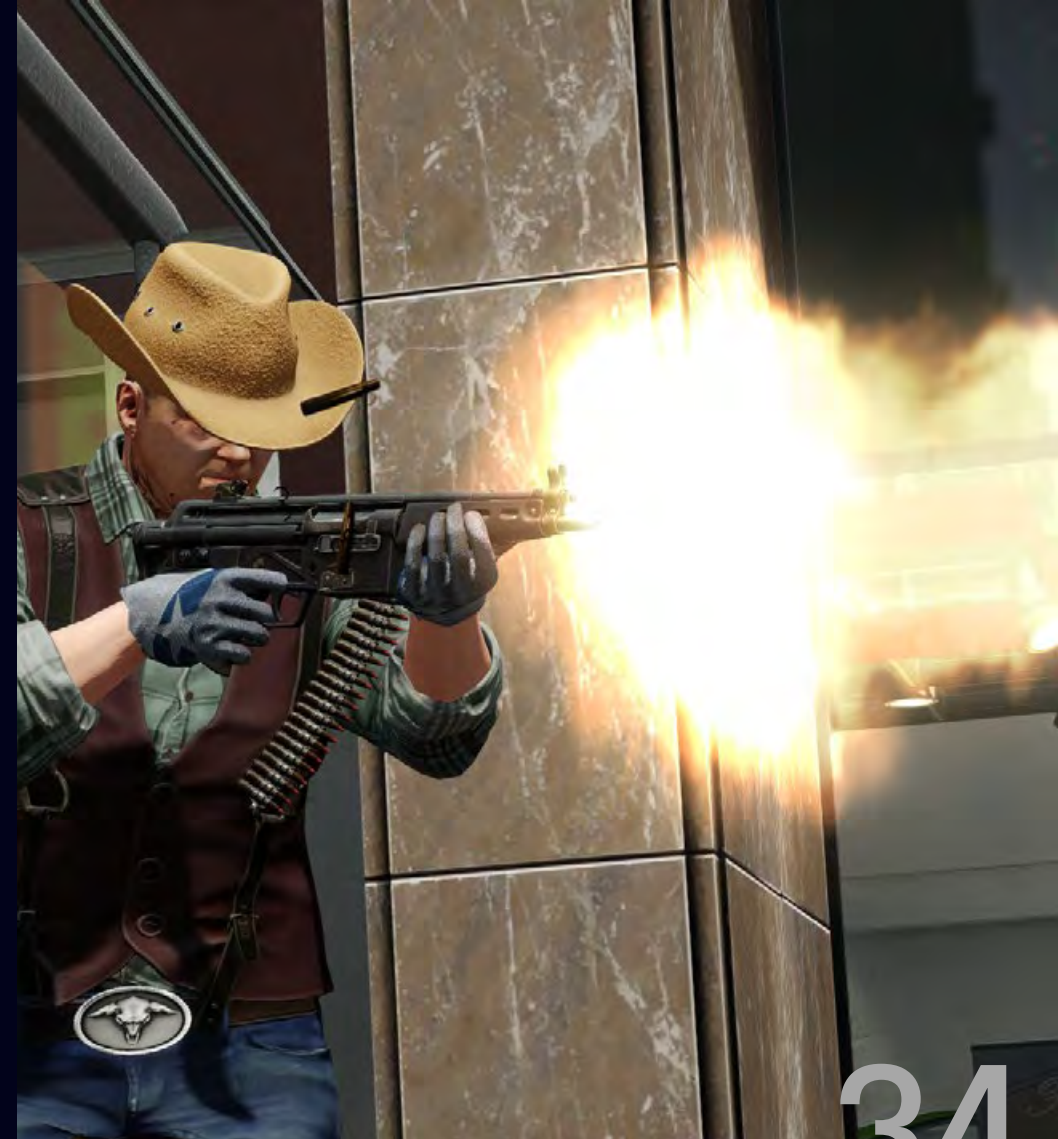
with terror though about releasing a sequel to a game that's gone so extremely well and is as much appreciated as PAYDAY 2 is!

What's it like working in such a big team on a single product?

Working with a large team of developers on a single product can be both challenging and rewarding. On the one hand, having many talented individuals working together leads to faster progress and a high-quality product. Many perspectives and ideas coming together means we can push the envelope and create truly exceptional experiences. On the other hand, it can be difficult to coordinate and lead such a large team, and good interpersonal skills are required. But I think we've found our way through this, and most of all I see the benefits of working with a large team of developers.

When is being at Starbreeze most fun?

It's fun most of the time as we have a lively and collaborative working environment where we are constantly working on exciting and innovative projects. Whether it's attending studio events or social gatherings, or simply enjoying time with all of our wonderful team members who come from all over the world. There's never a dull moment at Starbreeze. I would also like to stress that Starbreeze really prioritizes work-life balance. This means that everyone in our team can enjoy a rewarding private life outside of work as well.



Sustainability

A sustainable and responsible game player

As a game developer, Starbreeze is responsible for how its products and the company's game development affect the environment, the climate, people and society in general. We are committed to ensuring a responsible approach and behavior both within our own operations and in the value chain.

Corporate governance

Sustainability, based on social, environmental and economic responsibility, underpins our business. Our vision, mission, values, code of conduct and other governance documents guide employees and managers in their day-to-day and strategic work, and cover HR and social issues, human rights, the environment and anti-corruption. Starbreeze's management team is responsible for the company's sustainability work, where the buck stops with the CEO.

Environment and climate

The game industry has a relatively low impact on the environment and climate, since most operations are carried out digitally, and games are dis-

tributed primarily through digital channels. Our greatest environmental and climate impact comes from the energy consumption of server rooms and business travel by air.

Server operation and digital distribution

Most of our products are sold via downloads. We seek to promote sales through digital channels over retail sales in stores, as digital management reduces impact on the climate. Running servers and hardware has an environmental and climate impact, and the company actively seeks more climate-friendly server rooms and other solutions in order to minimize the company's negative environmental and climate footprint.



Business travel

We aim wherever possible to replace physical travel and gatherings with digital alternatives, such as digital conferences and meetings. In 2022, we produced a business travel policy to ensure that our employees use the most sustainable travel solution available. The policy states that priority must be given to transport with the least possible climate impact. The challenge for us lies mainly in flights to the USA, where most global trade fairs and game development conferences take place.

Facilities

Starbreeze rents all its premises, which means limited opportunities for influence and control over things such as the proportion of renewable electricity, waste management and recycling options. We engage in active dialog with our landlords to ensure that our premises are as environmentally and climate-friendly as possible, and have associated services.

Employees

Starbreeze is a skills-based company, where the success of the company depends on well-being and creative employees. Our goal is to be a model workplace and employer in terms of diversity, engagement and career opportunities.

Employees in several countries

We have employees in several countries, and it is of the utmost importance that we conduct our

business fairly and transparently, showing respect for local practices. Our governance documents apply to all employees and we comply with all laws and regulations in the countries in which we operate.

Health and safety

The goal of Starbreeze's health and safety efforts is to create a safe and health-promoting workplace. Active measures are in place to prevent risks of physical and psychosocial occupational illnesses. We continuously evaluate initiatives in order to improve our day-to-day work.

The game development industry is characterized largely by sedentary work and often by a high level of stress. We launched several different initiatives in 2022 designed to increase physical activity and reduce the risk of work-related stress. We delivered leadership courses aimed at psychosocial health, lunch lectures for all staff on various health-promoting subjects, such as self-leadership. We also issued a health challenge to all staff in all the countries in the form of an app-based digital wellness initiative. Another example of our initiatives aimed at ensuring creativity and health-promoting working methods was the introduction of "focus time" between 8.30 and 15.30 during busy periods, when no meetings could be scheduled, and employees were given the opportunity to focus fully on their respective tasks.

In 2022, we worked on adjusting to a return to more office-based working after a few years of



working from home due to the pandemic. In 2022, we developed policies and guidelines for working from home and hybrid meetings, which apply to all employees.

Diversity, equality and inclusion

We value all our colleagues and prospective colleagues equally, regardless of gender, trans-gender identity or expression, ethnic origin, religion or other belief, disability, sexual orientation or age. It is important that no employee feels discriminated against or intimidated, and we have zero tolerance for this.

Our diversity and equality work aims to create an inclusive and informed culture, both among employees and in the business relationships and activities that we initiate and conduct. We have employed more women in the company in recent years as a result of our systematic work.

Starbreeze carries out a number of different types of initiatives and activities in this area. When conferences are arranged, for example, we try as far as possible to ensure a wide range of speakers based on different factors such as gender.

Attract and retain talent

There is a shortage of game developers in Sweden, which means that the ability to attract and retain talent is a key issue for Starbreeze. In order to attract skills, we worked actively in 2022 to ensure a well-functioning recruitment and

onboarding process. This resulted in a greater number and wider range of applicants.

To ensure that talented employees stay with us, we focus on offering good career opportunities and scope for personal development, regardless of where in the organization the employee works. See the Skills development section for more information. Employee surveys are conducted twice a year and pulse measurements follow in between to measure and monitor employee engagement over time. This fall's (2022) employee survey returned a high score for the engagement KPI eNPS showing a high level of employee engagement.

Skills development

The technical skills of Starbreeze's game developers is ensured through a variety of skills development training courses. Good leadership is key to ensuring that the business functions optimally, and that employees' well-being and engagement are maximized. In 2022, all staff completed training in self-leadership delivered by external parties. A management meeting focusing on learning and development has also been held; this work will continue during 2023. In 2022, an assessment activity was conducted for all staff, and in December a conference was held for all staff on the theme of enabling creativity. The presentations given at this conference covered various topics, including master suppression techniques.

"Our workplaces must be defined by job satisfaction, development and competent colleagues. Motivation, engagement, clarity and cooperation are behaviors that define our culture."

Karin Sigge, VP Human Resources

Social commitment

Taking social responsibility and contributing to the positive development of society where it can be important to Starbreeze.

Our strongest game brand, PAYDAY, has an age limit of 18, which means that we are unable to take on interns who are under 18. Consequently, we have no close practical partnerships with high schools, but we do have partnerships with universities and colleges in Sweden. Starbreeze, and specifically the CEO, regularly speaks at various different labor market days and other events linked to Swedish universities and colleges.

As a result of Russia's invasion of Ukraine, we offered game developers in both Russia and Ukraine employment with Starbreeze in Sweden. Five people in all chose to move to Sweden with our help to work for the company.

Business ethics

Our operations are defined by good business ethics in all aspects of our operations and business activities. Applicable laws, regulations and standards are complied with in the countries in which we operate.

Anti-corruption and fair competition

Our Code of Conduct sets out the basic principles for how the company should do business. This Code provides an ethical compass for employees, the organization and its partners and suppliers. It includes regulation of how we and our partners/

suppliers should act with regard to corruption and bribery, and promote fair competition.

All employees and managers read and sign the Code of Conduct as part of the recruitment and onboarding process. Each manager is responsible for ensuring that the Code of Conduct is followed in everyday practice by members of their team.

Good marketing


We follow the regulations and recommendations in force in each geographical market for the labeling and marketing of games. The company follows the EU and US PEGI and ESRB rating systems for content and age limits. Marketing is ethical, accurate, honest and reflects generally accepted social product standards.

Human rights

Supporting and abiding by human rights is seen as a matter of course, both in our own operations and in the value chain.

We consider the risk of not abiding by human rights in our own operations to be low, given that we actively follow a Code of Conduct and adhere to core values, and that we consciously avoid risk geographies. We only conduct our own operations in countries where employees have good protection under national labor law, and this includes the working environment.

There is always a risk that our partners and suppliers operate in risk geographies. In order to avoid any possible risk of parties in the supply



Starbreeze has a zero-tolerance policy against corruption. No suspected cases were identified in 2022.

chain violating human rights, we impose contractual requirements which are based on the Code of Conduct and national laws and regulations.

Risks

Our risks related the business are reported in the Risk section on pages 40–41.

About the Sustainability Report

The Sustainability Report relates to the financial year January 1 - December 31, 2022 and concerns Starbreeze AB and all the subsidiaries within the Group. The Board of Directors is responsible for ensuring that the Sustainability Report has been prepared in accordance with the provisions in Chapter 6 of the Swedish Annual Accounts Act.

The Sustainability Report is included in this document, which also includes the company's statutory financial statements for 2022.



Risk

Risks and uncertainties

Starbreeze's approach to internal control and risk management is described in the Corporate Governance Report. The most material business risks for Starbreeze are described below, in no particular order.

Risks related to external developers

Starbreeze's publishing activities are dependent on the studios who produce the contracted work honouring the agreements entered.

Project delays

Delays can occur to both in-house projects and projects where external partners are managing the development. Completion of a project may also require more resources than originally estimated, in which case the costs will usually have to be borne by Starbreeze, particularly in the case of in-house projects.

Low revenues when releasing games or other products

Whenever new games or projects are released, there is a risk that they will not be well received by the market. This applies to self-financed projects as well as games where Starbreeze acts as the publisher and provides a significant proportion of the financing. Capitalized development expenditure may have to be impaired in such cases.

Key-person dependency

Starbreeze is a knowledge-intensive company and is dependent on its ability to continue to recruit, train and retain several keypersons to achieve success across all functions at the locations in which it operates. Important knowledge includes commercial experience, an understand-

ing of player preferences and expertise in game development and technology. The business is also dependent on keypersons at management level.

Financing needs and capital

In the context of Starbreeze's operations, revenues are often spread unevenly over time, which affects liquidity. Consequently, there is a risk that the company will need to be capitalized in the future. There is also a risk that, at any given time, the company may not be able to raise additional capital or that it may not be raised in a manner that is favourable to existing shareholders. The company considers that the going concern assumption is met. For more information, see Note 3 D.

Intellectual property rights issues

Intellectual property is a significant part of Starbreeze's assets, mainly in the form of copyrights for proprietary games and software, publisher licenses for games whose rights are owned by third parties, patents and patent applications, trademarks, and company-specific knowledge and expertise. It is therefore of great importance that the assets developed within the Group remain the property of Starbreeze. There is also a risk that third parties may infringe the company's intellectual property rights or that the company may infringe others' intellectual property rights.

Currency risks

Starbreeze operates in an international market. A large percentage of Starbreeze's revenue is earned in USD, while costs are primarily in SEK and in EUR. Starbreeze is therefore exposed to currency market fluctuations and changes in exchange rates.

Risk of impairment of goodwill and other intangible assets

The consolidated balance sheet consists largely of goodwill and other intangible assets totalling SEK 554.8 million as of December 31, 2022.

Starbreeze continuously monitors relevant circumstances affecting the company's business and general financial position and the possible impact such circumstances may have on the valuation of the company's goodwill and other intangible assets. It is possible that changes in such circumstances, or in the many factors that the company considers in making judgments, assumptions and estimates in connection with the valuation of goodwill and other intangible assets, may require the company to record impairment losses on goodwill and other intangible assets in the future.

Risk related to convertible loan

The Company's current convertible loan and renegotiation debt include the condition that certain financial ratios must be maintained over the term of the loan. The Company has undertaken not to pay a dividend exceeding SEK 0.15 per share per year, to maintain at least SEK 360,000,000 as total equity, to ensure that the Company's operating profit in relation to net financial expenses for certain periods does not fall below the ratio of 1.0 and to maintain a ratio between total equity and total equity including interest-bearing liabilities of 0.5 in accordance with the most recently issued annual report. This limits the Company's ability to raise

additional loans and the ability to pay dividends. The Holder of the Convertible Note has the right to request immediate repayment of the Convertible Loan including accrued unpaid interest and the renegotiation debt, including (i) in the event of a breach of these commitments regarding financial ratios, (ii) in the event of a certain defined change of control in the Company, (iii) in the event that the Company's shares are delisted from Nasdaq Stockholm, (iv) in the event that the Company is to go into liquidation or (v) if Starbreeze does not repay overdue debt in another financing.

The share

Shares and shareholders

The Starbreeze share has been listed on Nasdaq Stockholm in the Small Cap segment since October 2, 2017. The shares are traded under the tickers STAR A and STAR B with the ISIN codes SE007158928 and SE0005992831. At the end of the year, the closing price was SEK 1.56 (1.01) for class A shares and SEK 1.58 (1.00) for class B shares, and their combined market cap was SEK 1,140 (726) million.

Share capital

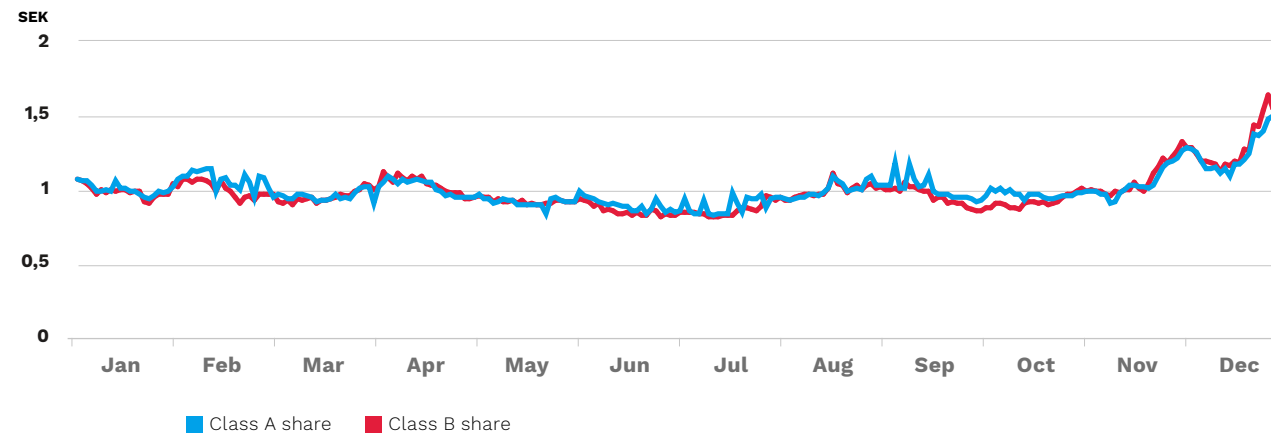
According to Starbreeze's Articles of Association, share capital must be no less than SEK 7,000,000 and no more than SEK 28,000,000. The number of shares must be no less than 350,000,000 and no more than 1,400,000,000. There are two classes of shares - class A shares and class B shares. According to the Articles of Association, owners of class A shares can request that they are converted into class B shares. The Articles of Association do not contain any specific provisions regarding redemption. All shares are freely transferable. As at December 31, 2022, the number of outstanding shares was 724,609,266 (724,609,266), each with a quotient value of SEK 0.02, corresponding to a share capital of SEK 14,492 thousand (14,492). As at December 31, 2022, the number of class A shares was 166,261,344 (166,371,768) and the number of class B shares was 558,347,922 (558,237,498). One class A share carries ten votes and one class B share carries one vote.

Each shareholder with voting rights may vote at the Annual General Meeting for the full number of shares they own and represent shares without any limitation on voting rights. All shares carry equal rights to a share in Starbreeze's assets and profits.

Shareholders

Starbreeze had 32,298 shareholders (32,085) as at December 31, 2022, of which 18.6 percent were from outside Sweden.

Performance of Starbreeze Class A and Class B shares from January 3, 2022 to December 30, 2022



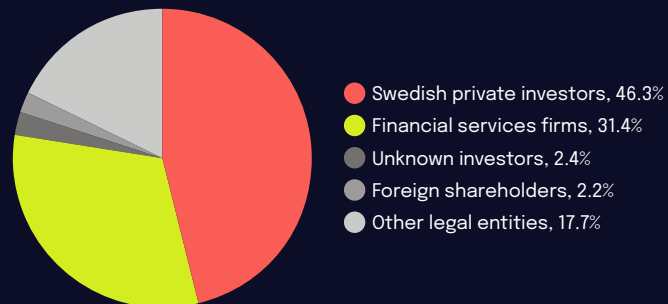
Largest shareholders as at December 31, 2022

Shareholders	Class A shares	Class B shares	Total	Holding, %	Voting rights, %
Digital Bros S.P.A	61,758,625	24,890,329	86,648,954	11.96	28.93
Swedbank Robur ¹⁾	20,360,306	86,655,786	107,016,092	14.77	13.07
Första AP-Fonden	15,590,358	58,000,000	73,590,358	10.16	9.63
Fjärde AP-Fonden	21,241,790	1,400,000	22,641,790	3.12	9.63
Avanza Pension	4,018,821	43,313,658	43,513,700	6.53	3.76
Allba Holding AB	2,928,499	0	5,170,000	0.40	1.32
Michael Hjorth ²⁾	2,858,210	290,600	2,998,810	0.42	1.30
Nordnet Pensionsförsäkring AB	1,421,391	13,692,598	14,982,574	2.09	1.26
Bengt Westman	1,104,360	3,181,614	3,768,768	0.59	0.64
Swedbank Försäkring	261,378	7,589,814	8,070,572	1.08	0.46
Others	34,717,606	319,333,523	356,207,648	48.90	30.00
Total	166,261,344	558,347,922	724,609,266	100.00	100.00

1) Swedbank Robur consists of Ny Teknik BTI.

2) Via Indian Nation Aktiebolag.

Distribution of shares, December 31, 2022, grouped



Holding	Number of shareholders	Number of shares	Holding, %	Voting rights, %
1-500	13,365	2,129,402	0.29	0.32
501-1 000	3,955	3,118,125	0.43	0.43
1 001-5 000	7,998	20,192,980	2.79	2.48
5 001-10 000	2,668	20,058,060	2.77	2.14
10 001-20 000	1,855	27,172,633	3.75	2.72
20 001-	2,457	634,193,962	87.53	90.80
Unknown holding size	0	17,744,104	2.44	1.10
Total	32,298	724,609,266	100.00	100.00

Share capital history

As at January 1, 2015, the company's registered share capital amounted to SEK 2,899,707 divided into 144,985,325 shares, each with a quotient value of SEK 0.02. Subsequently, the following changes in share capital have taken place:

År	Transaction	Increase in share capital	Total share capital	Increase in number of shares	Total shares	Quotient value (SEK)
2015	New share issue	1,449,853	4,349,560	72,492,662	217,477,987	0.02
2015	New share issue	203,462	4,553,022	10,173,120	227,651,107	0.02
2015	Exercise of warrants	54,200	4,607,222	2,709,984	230,361,091	0.02
2016	New share issue	799,155	5,406,377	39,957,732	270,318,823	0.02
2016	Exercise of warrants	132,218	5,538,594	6,610,890	276,929,713	0.02
2017	New share issue	41,576	5,580,170	2,078,781	279,008,494	0.02
2017	Exercise of warrants	80,589	5,660,759	4,029,447	283,037,941	0.02
2018	New share issue	818,596	6,479,355	40,929,778	323,967,719	0.02
2018	Exercise of warrants	26,557	6,505,911	1,327,836	325,295,555	0.02
2019	Conversion of convertible loans	81,446	6,587,357	4,072,295	329,367,849	0.02
2020	New share issue	7,904,828	14,492,185	395,241,417	724,609,266	0.02

Corporate governance report

General information about corporate governance

Starbreeze is a Swedish limited liability company that is listed on Nasdaq Stockholm. Starbreeze's corporate governance is based on Nasdaq's rules for issuers, the Swedish Corporate Governance Code (the "Code"), the Swedish Companies Act, good stock market practice, the company's Articles of Association, internal governance documents and other applicable laws, regulations and recommendations.

The internal control documents mainly comprise the Board's rules of procedure, the CEO's instructions, instructions for financial reporting, and the authorization and financial policies. Starbreeze also has a number of policy documents and manuals containing rules and recommendations, which set out principles and provide guidance for the company's operations and for its employees.

Companies applying the Code are not obliged to comply with every one of the Code's rules at all times. If the company finds that a particular rule is

not appropriate in that company's particular circumstances, the company may choose an alternative solution, provided that the company then discloses the deviation and the alternative solution (in accordance with the "comply or explain" principle). Starbreeze has applied the Code since October 2, 2017, when the company was listed on Nasdaq Stockholm.

General Meeting of Shareholders

Shareholders exercise their influence in the company at the General Meeting of Shareholders, which is the company's highest decision-making body. Any shareholder who, on the record date for the General Meeting, is entered in the share register kept by Euroclear Sweden AB and registered in a CSD register or CSD account is entitled to attend, in person or by proxy. The general meeting of shareholders may pass resolutions on all matters concerning the company which do not expressly fall within the exclusive competence of another corporate body under the Companies Act or the Articles of Association. The meeting may, for the

Corporate governance structure



share capital, amend the Articles of Association or liquidate the company. In the case of new share issues, convertible bonds or warrants, the general meeting of shareholders may authorize the Board of Directors to decide on the issue, in addition to taking the decision itself. Each shareholder, irrespective of the size of their shareholding, has the right to have a specific matter dealt with at the General Meeting. Shareholders wishing to exercise this right must submit a written request to the company's Board of Directors. Such requests must normally be received by the Board of Directors in sufficient time for the matter to be included in the notice convening the General Meeting.

The Annual General Meeting (AGM) is held annually within six months of the end of the financial year. The meeting's chair is nominated by the Nomination Committee and elected by the meeting. The tasks of the AGM include electing the company's Board of Directors and auditors, adopting the Group's and the company's balance sheets and income statements, deciding on the appropriation of the company's profit or loss in accordance with the adopted balance sheet, and discharging the Board members and the CEO from liability. The AGM also decides on the fees to be paid to the members of the Board of Directors and the company's auditors.

An Extraordinary General Meeting (EGM) may be convened by the Board of Directors when the Board of Directors considers that there is reason to hold a meeting before the next AGM. The Board

of Directors must also convene an EGM when an auditor or a shareholder holding more than ten percent of the shares in the company requests in writing that a meeting be held to consider a specific matter.

Notice of the general meeting is published in the Post- och Inrikes Tidningar (Official Gazette) and on the company's website. At the time of convening the meeting, information that the meeting has been convened is published in the Dagens Industri newspaper. Notice of AGMs and EGMs at which amendments to the Articles of Association are to be considered are issued no earlier than six (6) and no later than four (4) weeks before the General Meeting. Notice of other EGMs are issued no earlier than six (6) weeks and no later than three (3) weeks before the General Meeting. The meeting minutes will be available on the company's website no later than two weeks after the meeting.

The AGM for the 2022 financial year was held on May 12, 2022. The next AGM is scheduled to take place on May 11, 2023.

Nomination Committee

On May 13, 2020, the AGM resolved to adopt a procedure for the appointment of a Nomination Committee for future AGMs.

According to this procedure, the Nomination Committee shall consist of the Board Chair and a maximum of four members, who shall be appointed by the largest shareholders or groups of shareholders in terms of voting rights. The four largest shareholders in terms of voting rights

based on the company's list of registered shareholders as at the last business day in August, provided by Euroclear, will be contacted. Shareholders who are not registered with Euroclear and who wish to be represented on the Nomination Committee must notify the Board Chair no later than September 1, and provide proof of ownership. For the purposes of determining who constitutes the four largest shareholders in terms of voting rights, a group of shareholders shall be deemed to constitute one shareholder if they (i) have been grouped together in the Euroclear system or (ii) have publicly disclosed and notified the company in writing that they have reached a written agreement to adopt a long-term common approach to the company's governance through the coordinated exercise of voting rights. As soon as possible after the last business day in August, the Board Chair shall convene the four largest shareholders of the company in terms of voting rights to form the Nomination Committee. If any of the four largest shareholders in terms of voting rights waives their right to appoint a member of the Nomination Committee, the next largest shareholder will be given the opportunity to appoint a member, but no more than ten shareholders need be consulted. The Nomination Committee's Chair is the member representing the largest shareholder unless the members agree otherwise. The names of the committee members and the names of the shareholders who appointed them, as well as how to contact the Nomination Committee, will be announced as soon as the Nomination Committee

Composition of the Board

Name	Audit and Remuneration Committee	Position held since	Independent of company/shareholders	Attendance Board meetings	Attendance Audit Committee	Attendance Remuneration Committee
Torgny Hellström	Audit and Remuneration Committee	2019	Yes/Yes	14/14	8/8	3/3
Kerstin Sundberg	Audit Committee (chair)	2019	Yes/Yes	13/14	8/8	
Mike Gamble		2021	Yes/Yes	12/14		
Thomas Lindgren	Audit Committee	2021	Yes/Yes	14/14	8/8	
Anna Lagerborg	Remuneration Committee	2021	Yes/Yes	14/14		3/3

Board of Directors remuneration

2022 (TSEK)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expense	Total
Torgny Hellström, Board Chair	833	-	-	-	833
Kerstin Sundberg, Director	461	-	-	-	461
Anna Lagerborg, Director May 13, 2020	295	-	-	-	291
Thomas Lindgren, Director May 12, 2021	332	-	-	-	332
Mike Gamble, Director May 12, 2021	250	-	-	-	250
Tobias Sjögren, CEO	3,038	-	-	530	3,568
Other senior managers, average 1 person, at year-end 1 person	6,400	-	143	1,092	7,635
Total	11,608	-	143	1,622	13,373

Starbreeze's annual cycle for auditing and control

Annual cycle



has been appointed, which must be no later than six months before the AGM.

The Nomination Committee's term of office runs until a new Nomination Committee has been appointed. Fees are not paid to Nomination Committee members. However, the company is responsible for reasonable costs associated with the performance of the Nomination Committee's duties.

The Nomination Committee's tasks are to submit proposals to the AGM and, where appropriate, to the EGM, concerning the number of Directors to be elected by the meeting, Directors' fees, the composition of the Board, the Board Chair, the AGM Chair, the election of auditors and auditors' fees and the appointment of the Nomination Committee.

The composition of the Nomination Committee shall be published on the company's website no later than six months before the AGM.

The company's Nomination Committee for the 2022 AGM and for the period until a new Nomination Committee is appointed comprises: Michael Hjorth (Digital Bros and Indian Nation), Caroline Sjösten (Swedbank Robur Fonder AB), Ossian Ekdahl (Första AP-fonden), and Torgny Hellström (Board Chair).

Board of Directors

The Board of Directors' duties

The Board of Directors bears ultimate responsibility for the company's organization and for manag-

ing the company's activities in the interests of the company and all its shareholders. Some of the Board's main tasks include managing strategic issues relating to the company's operations, financing, business establishments, growth, results and financial position, and continuously evaluating the company's economic position. The Board also ensures that there are effective systems for monitoring and controlling the company's activities and that the company's information is transparent, accurate, relevant and reliable.

Composition of the Board

According to Starbreeze's Articles of Association, the Board of Directors must consist of a minimum of three and a maximum of eight Directors with a maximum of two alternates. Directors are normally elected annually at the AGM to serve until the end of the next AGM, but additional Directors may be elected during the year at an EGM.

At the time of publication of this Annual Report, the Board of Directors consists of five ordinary Directors: Torgny Hellström (Chair), Kerstin Sundberg, Mike Gamble, Thomas Lindgren and Anna Lagerborg.

At the 2022 AGM, members Torgny Hellström, Kerstin Sundberg, Anna Lagerborg, Mike Gamble and Thomas Lindgren were re-elected.

All Directors are elected to serve until the end of the next AGM, which will be held on May 12, 2022. However, each Director is entitled to step down at any time.

The Nomination Committee has made the assessment that Torgny Hellström, Kerstin Sundberg, Mike Gamble, Thomas Lindgren and Anna Lagerborg are independent in relation to the company and its management as well as its major shareholders. The composition of the Board therefore meets the independence requirements set out in the Code.

The company's Directors are presented in more detail in the section titled "The Board of Directors and the auditors" on page 55.

The table on page 47 lists each Director's participation in the various committees, when the Director took up their position and the Board's assessment of the independence of each Director

Board Chair

The Board Chair has numerous responsibilities, including directing the work of the Board and ensuring that the Board operates effectively and fulfills its duties. Through their contacts with the CEO, the Board Chair continuously receives the necessary information to follow the company's position, financial planning and development. The Board Chair also liaises with the CEO on strategic issues and ensures that the Board's decisions are implemented effectively

The Board Chair is responsible for liaising with shareholders on ownership issues and for communicating the views of shareholders to the Board. The Board Chair is elected by the General Meeting.

The Board's working methods

The Board follows written rules of procedure which are reviewed annually and adopted at the inaugural Board meeting following the AGM. The rules of procedure regulate matters such as the Board's working methods and tasks, decision-making procedures within the company, the Board's meeting procedures, the Board Chair's tasks and the division of tasks between the Board and the CEO. Financial reporting instructions and instructions to the CEO are also set at the inaugural Board meeting.

14 minuted meetings were held during the 2022 financial year. Each Director's attendance at Board and Committee meetings is shown in a table on page 47.

The CEO is the spokesperson on strategic matters, and the Group's CFO is responsible for economic and financial matters. The Board met with the auditor on a number of occasions during the financial year.

Board committees

The company's Board of Directors has established two committees, the Audit Committee and the Remuneration Committee. The Board has adopted rules of procedure for both committees.

Audit Committee

The Audit Committee's task is to prepare the Board's work with regard to quality assuring the company's financial reporting. In addition, the Audit Committee establishes guidelines for any

services other than auditing that the company may procure from its auditors. The Audit Committee is also responsible for submitting its evaluation of the audit work to the Nomination Committee in preparation of the Nomination Committee's proposal to the AGM for the election of auditors and the audit fee. During the 2022 financial year, the Audit Committee consulted with the company's auditors on matters including the existing accounting assessments. Furthermore, the Audit Committee has proposed actions to ensure that the company continuously improves its internal controls.

Since the inaugural Board meeting after the 2022 AGM, the Audit Committee has comprised: Kerstin Sundberg (Chair), Torgny Hellström and Thomas Lindgren.

Remuneration Committee

The main task of the Remuneration Committee is to consider matters relating to the remuneration and other terms of employment of the CEO and other senior managers. The Remuneration Committee also monitors and evaluates ongoing variable remuneration programs for the management team as well as programs completed during the year, and evaluates the application of the Remuneration Guidelines adopted by the AGM for senior managers.

Since the inaugural Board meeting after the 2022 AGM, the Remuneration Committee has comprised: Torgny Hellström (Chair) and Anna Lagerborg.

Remuneration of Directors

Remuneration paid to Directors elected by the General Meeting is decided by the General Meeting. At the AGM 2022, it was resolved that a fee of SEK 650,000 would be paid to the Board Chair and SEK 260,000 to each of the other Directors who are not company employees.

In addition, the AGM set a fee of SEK 175,000 for the Chair and SEK 65,000 for the other member of the Audit Committee, a fee of SEK 50,000 for the Chair and SEK 40,000 for the members of the Remuneration Committee was also approved. Auditor's fees are paid according to approved invoices.

See page 47 for the fees paid to the members of the Board of Directors in 2022.

Evaluation of the Board's work

The Board's work is evaluated annually to improve its working methods and efficiency. The Board Chair is responsible for this evaluation and for presenting it to the Nomination Committee. The evaluation is intended to provide an assessment of the views of the Directors on how Board work is conducted and what actions can be taken to improve efficiency, and whether the Board is well balanced in terms of skills. The evaluation is an important document for the Nomination Committee ahead of the AGM.

During 2022, an evaluation of the Board's work was conducted and presented to the Nomination Committee. The Nomination Committee discussed the experience and skills needed on the Board.

particularly in the light of the now completed corporate restructuring and the core business defined by the company.

The CEO and other senior managers

Duties of the CEO and corporate management

The CEO is appointed by the Board of Directors and manages the Group's day-to-day business in accordance with the Board's guidelines and instructions. The CEO is responsible for keeping the Board informed of the company's progress and reporting on significant deviations from established business plans as well as any events that have a major impact on the company's performance and operations, and for providing the Board with relevant decision-making information, for example regarding business establishments, investments and other strategic issues. Corporate management, headed by the company's CEO, consists of people with responsibility for key business areas within Starbreeze.

Remuneration of the CEO and senior managers

A total of SEK 11,203 thousand (6,048) was paid to senior managers, including the CEO, to cover salary, variable remuneration and other benefits in 2022. Share-related remuneration amounted to SEK 0 (0). Defined contribution pension premiums are paid for senior managers, corresponding to the cost set out in the ITP plan.

No costs of stock options granted to employees were charged against profit and loss SEK 0 (0). See Note 13 for more details.

Guidelines for the remuneration of senior managers

These guidelines apply to Starbreeze's senior managers, defined as employees who are part of the company's management team on occasion. These guidelines apply to any remuneration agreed, and any changes made to remuneration already agreed, after the guidelines have been adopted by the AGM. The guidelines do not cover any remuneration that is determined by the General Meeting.

In the case of employment relationships governed by regulations other than Swedish regulations, appropriate adjustments may be made to comply with any mandatory regulations or local practices, while still meeting the overall objectives of these guidelines.

The guidelines promote the company's business strategy, long-term interests and longevity.

The company's business strategy in brief is as follows:

Starbreeze is an independent developer, creator, publisher and distributor of PC and console games targeting the global market, with studios in Stockholm, Barcelona, Paris and London. With the successful PAYDAY brand at its core, Starbreeze develops games based on proprietary and third-party rights, both in-house and in partnership with external game developers.

Starbreeze's main activity is the development of proprietary video and computer games, which are wholly or partly financed by the company. The

majority of the company's employees are primarily engaged in the development of the company's products. The games are then distributed, mainly via digital platforms such as Steam, or in partnership with other companies for retail distribution. The company's end customers are the consumers who purchase the games via the various gaming platforms or retailers.

Visit www.starbreeze.com to find out more about the company's business strategy.

The company offers market conditions that enable it to recruit and retain competent staff.

The variable remuneration covered by these guidelines is aimed at promoting the company's business strategy and long-term interests, including its longevity.

Forms of remuneration, etc.

Remuneration to the management team may consist of a fixed salary, variable remuneration, pension and other customary benefits. In addition, the Board evaluates whether share-based or share-price based incentive schemes should be proposed to the AGM on an annual basis. Such share-based or share-price based incentive schemes are determined by the Annual Meeting and are therefore not covered by these guidelines.

As a rule, fixed salaries are reviewed once a year and must take each individual's qualitative performance into account. The remuneration of the CEO and other senior managers must be market-based.

The Board of Directors is also entitled to determine variable remuneration in the form of a cash bonus for the company's senior managers. All variable remuneration is linked to predetermined and measurable criteria. Maximum annual variable remuneration may not exceed 75 percent of the CEO's fixed annual salary, and 50 percent of fixed annual salary for other senior managers.

Defined contribution pension premiums are paid for the CEO and senior managers, corresponding to the cost set out in the ITP plan. Other customary benefits may not total more than ten percent of the fixed annual salary.

In the case of employment relationships governed by regulations other than Swedish regulations, appropriate adjustments may be made to pensions and other benefits to comply with any mandatory regulations or local practices, while still meeting the overall objectives of these guidelines.

Termination of employment

The CEO is required to give six months' notice when resigning, and the company is required to give the CEO six months' notice of termination of employment with the addition of six months provision for severance pay. Other senior managers have a notice period of three to nine months. Remuneration may be paid for a non-compete obligation. This is designed to compensate for any loss of income, and is only payable when the former manager is not entitled to severance pay. This remuneration may not exceed 60 percent of the fixed

cash salary at the time of termination, subject to any mandatory provisions in the collective agreement, and is paid for the duration of the non-compete obligation, which may not exceed 18 months after employment ends.

Salary and employment terms for employees

In preparing the Board's proposal for these Remuneration Guidelines, the remuneration and employment terms of the company's employees have been taken into account by including data on the total remuneration of employees, the components of this remuneration and the increase and rate of increase of remuneration over time. This is used in the Remuneration Committee's and the Board's decision-making process when evaluating the appropriateness of the guidelines and their limitations.

The decision-making process for adopting, reviewing and implementing the guidelines

The Board has established a Remuneration Committee. The Committee's tasks include preparing the Board's decision on proposed guidelines for the remuneration of senior managers. The Board drafts new guidelines at least every four years and submits them to the AGM for approval.

The guidelines apply until new guidelines are adopted by the General Meeting. The Remuneration Committee also monitors and evaluates variable remuneration programs for the management team, the application of the guidelines for the remuneration of senior managers, and the cur-

rent remuneration structures and levels in the company. The CEO and other members of the management team are not present when the Board discusses and decides on remuneration-related matters if they are affected by them.

Departure from the guidelines

The Board of Directors has the right to depart from the above guidelines in whole or in part if it considers that, in a particular case, there are special reasons justifying it and a departure is necessary to meet the long-term interests of the company, including its longevity, or to ensure the financial viability of the company. As stated above, the Remuneration Committee is responsible for preparing the Board's decisions on remuneration matters, including decisions on departures from the guidelines.

Auditing and control

External auditor

The company's auditor is appointed by the General Meeting. The auditor examines the company's annual accounts and financial statements and how the company has been managed by the Board of Directors and the CEO.

In addition to the auditor's report, the auditor also normally produces a reviser's report at the same time as the interim report for the third quarter.

At the AGM on May 11, 2022, audit firm Öhrlings PricewaterhouseCoopers AB, (Torsgatan 21, 113 21 Stockholm) was re appointed as the company's auditors until the end of the AGM to be held in 2023.

Öhrlings PricewaterhouseCoopers AB has been the company's auditor for the years 2015–2022 and up to the end of the AGM in 2022. The auditor in charge is Alexander Lyckow, Authorized Public Accountant.

Alexander Lyckow is a member of FAR (the institute for the accountancy profession in Sweden). The auditor's report is signed by Alexander Lyckow.

Remuneration of auditors

The auditor's remuneration is decided by the General Meeting, following a proposal from the Nomination Committee. At the AGM on May 12, 2022, it was decided that the auditor's fee would be paid according to the approved invoice.

Internal auditing and control

The Board's responsibility for internal control is governed by the Swedish Companies Act and the Swedish Annual Accounts Act, which require that information on the key elements of Starbreeze's systems for internal control and risk management in connection with financial reporting be included in the Corporate Governance Report each year. The Board's responsibility for internal control is also governed by the Code. The Board of Director's duties include ensuring that Starbreeze has good internal control and formalized procedures that ensure compliance with established principles for financial reporting and internal control, and that there are appropriate systems for monitoring and controlling the company's operations and the

risks associated with the company and its operations. The overall objective of internal control is to provide reasonable assurance that the company's operational strategies and objectives are followed up and that the shareholders' investment is protected. In addition, internal control ensures that external financial reporting is reliable with reasonable assurance and prepared in accordance with generally accepted accounting principles, that disclosed requirements are met in accordance with internal policies, and that applicable laws and regulations and requirements for listed companies are complied with.

Control environment

Internal control at Starbreeze is based on a control environment that includes organization, decision paths, powers and responsibilities. The Board has written rules of procedure that clarify its responsibilities and regulate the division of labor. The rules of procedure also specify the issues to be submitted to the Board for decision. The division of roles between the Board and the CEO is communicated in the Board's rules of procedure and in its instructions to the CEO. In addition, the CEO manages the business based on the Swedish Companies Act, other laws and regulations, regulations for stock market companies, the Swedish Code of Corporate Governance, etc. The Board monitors compliance with established financial reporting and internal control principles and maintains appropriate relations with the compa-

ny's auditors. The management team is responsible for the system of internal controls necessary to manage material risks in day-to-day operations. In addition, the Audit Committee prepares matters for the Board to consider in order to ensure effective control.

Risk assessment and control activities

A clear organizational and decision-making structure aims to create a good risk awareness among employees and a balanced approach to risk-taking. Embedded control points aim to minimize the risk of accounting errors. There are also documented procedures for the management of the company's financial and consolidation systems. Monitoring is carried out on an ongoing basis in order to maintain good internal control and thus prevent and detect risks.

Risk management

The material risks affecting internal control over financial reporting and operational controls are identified and managed at Group, business area and subsidiary level. Within the Board, the Audit Committee is responsible for identifying material financial risks and risks of misstatement in the financial reporting, and preparing for decisions on possible actions by the Board to ensure accurate financial reporting. A particular priority is to identify processes where the risk of material misstatement is relatively high due to the complexity of the process, or in contexts where large amounts are involved.

The Board instructs the management team to analyze the business and identify and quantify the risks to which the Group is exposed. Once the risks have been identified, they are ranked according to their probability and impact. From this process, the company has developed a large number of controls in the areas of Finance, Management, IT, HR, and Game Development, as well as in Marketing, PR, and IR. Scheduled self-assessment procedures are carried out according to a defined plan and the results are reported to the Audit Committee and the Board, which ensures that the controls have been carried out. The results, analysis and actions of this process are reported directly to the Audit Committee and the Board.

Follow-up

The Board continuously evaluates the information presented by the management team and the Audit Committee. The Board's work also includes ensuring that action is taken on any deficiencies or measures recommended in connection with the external audit and the internal monitoring of internal control implemented by the company. After

the Board has received the internal control analysis, the Audit Committee prepares proposals for adoption by the Board to remedy the deficiencies and weaknesses identified.

At the end of the year, the Audit Committee receives a final report on the outcome and status of the internal control. Based on this, the Audit Committee prepares proposals for improvement actions to be submitted to the Board. This is a continuous process according to the annual audit and control cycle illustrated above.

The Board also receives regular reports on the Group's financial position and performance. After the end of each quarter, the Group's financial position is reviewed and the management team analyzes the monthly performance in detail. A summarized report is then provided to the Board on a monthly basis. The Audit Committee monitors the financial statements at its meetings and the Audit Committee together with the Board receives a specific report from the auditors on their observations once per financial year.



Torgny Hellström

Board Chair since the EGM in 2019.

Born 1958.

Education Education: LL.M Stockholm University, Executive education Thunderbird (University of Phoenix).

Principal occupation Torgny Hellström is active as a Board Director and Management Consultant and has held senior positions as Chairman of DDM Holding AG and MagComp AB, Board Director of True Heading AB and Seapilot AB, within Anoto Group, and most recently as CEO and previously as COO and lead legal counsel. Torgny's previous experience also includes positions such as Vice President Litigation at Ericsson Group, and positions within IBM Europe and IBM Nordic.

Other appointments Board Chair for Precise Biometrics, Drupps Group AB and Swipp AB. Director on the Board of ImagnineCare AB.

Holdings in the company Directly owns 500,000 class B shares.

Torgny Hellström is independent in relation to the company, its management and the major shareholders.



Mike Gamble

Director since 2021.

Born 1964.

Education Ministry of Defense, Mechanical and Production Engineer.

Principal occupation Owner and Director of RH45 Game Consulting Ltd, specializing in working with video game developers on strategy, finance and development. Industry veteran with experience spanning more than 25 years, previously held senior roles at Epic, THQ and Microsoft as well as a number of middleware start-ups. Mike's experience ranges from senior positions in development to pure business development with a technical slant.

Other appointments Director RH45 Game Consulting Ltd.

Holdings in the company -

Mike Gamble is independent in relation to the company, its management and the major shareholders.



Kerstin Sundberg

Director since the EGM in 2019.

Born 1954.

Education Degree in Economics, Stockholm University.

Principal occupation Kerstin Sundberg has been an active member of corporate boards since 2017. She has previous experience as an authorized auditor and financial advisor, her most recent position being as a partner at Deloitte. Her industry focus includes Media and Telecommunications as well as M/A and Transaction services.

Other appointments Director and Chair of the audit committee for the World Wide Fund for Nature (WWF) and Director for Impero Software and Skogsaktiebolaget Eternali AB.

Holdings in the company -

Kerstin Sundberg is independent in relation to the company, its management and the major shareholders.



Thomas Lindgren

Director since 2021.

Born 1971.

Education Double Master of Science in Finance and Managerial Accounting, Stockholm School of Economics.

Principal occupation Investor and mentor with several board assignments. Previous managerial positions at Fatshark, Goodbye Kansas Game Invest and ISD. Former CEO of Glorious Games (Stardoll), Gamefederation and ISD, founder of Wanderword, TNTX, Nortify and Boden Intressenter Fastighets AB.

Other appointments Board Chair for Wanderword, Ecobloom and Boden Intressenter Fastighets AB, Board member of Northify, Rahms Ståd and TNTX.

Holdings in the company Directly or indirectly owns 400,000 class B shares and 261,879 class A shares.

Thomas Lindgren is independent in relation to the company, its management and the major shareholders.



Anna Lagerborg

Director since 2020.

Born 1966.

Education Bachelor's degree in Systems Engineering.

Principal occupation Anna currently works in the field of executive search and business development at Safemind, a recruitment company specializing in tech and digitalization. Anna has a long background in leading tech organizations, including at NetEnt where she was Chief Development Officer and a member of the corporate management team, and at Hemnet where she held roles as CTO, Acting CEO and Deputy CEO.

Other appointments -

Holdings in the company Directly or indirectly 100,000 class B shares.

Anna Lagerborg is independent in relation to the company, its management and the major shareholders.

Auditors

Auditing firm Öhrlings PricewaterhouseCoopers AB has been elected as the company's auditor.

Alexander Lyckow

Auditor in charge

Auditor of Starbreeze AB (publ) since 2022.

Born: 1980.

Authorized Public Accountant.

Senior managers



Tobias Sjögren

CEO since March 2021.

Born 1975.

Education EMBA Gruppen.

Background Former CEO of White Wolf Entertainment, previous positions at Paradox Interactive, Stardoll and international video game agency DDM Agency. Head of DICE Stockholm's studio while the first Battlefield game was released.

Holdings in the company Directly or indirectly owns 830 000 shares of series B and 30 000 shares of series A.



Mats Juhl

CFO since May 2020.

Born 1973.

Education Master's Degree in Finance, Lund University.

Background CFO of Mips AB (publ), CFO of Tengbomgruppen AB, CFO of Sweden Arena Management KB (Friends Arena), Finance Director at Ticnet AB, Finance at Manager Enea AB (publ).

Holdings in the company Directly or indirectly owns 1 035 000 Class B shares.



Fredrik Malmqvist

VP Studio since 2021.

Born 1979.

Education Bachelor of Science – Computer Science, Karlstad University.

Background Fredrik has extensive experience in the games industry, spending the last ten years as Development Director at DICE where he worked on live and box products in their Battlefield franchise. He also has eight years' experience in software development.

Holdings in the company Directly owns 100 000 shares of series B.



Karin Sigge

VP Human Resources since 2022.

Born 1981.

Education Master in International Business, Gothenburg School of Economics.

Background Has worked with HR and recruitment since 2007. Most recently as a consultant and previously as Head of HR at Netlight Consulting and Digpro Solutions.

Holdings in the company Directly owns 82 666 shares of series B.



Petra Takeva

VP Franchise since 2021.

Born 1977.

Education IHM Business School, Forsberg's School, Bergs School of Communication.

Background Petra has over 18 years' experience working in marketing and business development for both agencies and clients. She has developed concepts and formats for products, services and marketing, primarily in the technology and entertainment industries.

Holdings in the company Directly or indirectly owns 100 000 Class B shares.



Staffan Nyström

VP Publishing since 2021.

Born 1978.

Education Master of Science – Industrial Economics, Luleå Technical University.

Background Over 18 years' experience in marketing for both agencies and clients. Staffan previously ran the internal full-service agency at Wargaming and prior to that was Head of Marketing for Expansive Worlds at Avalanche Studios.

Holdings in the company Directly owns 620 154 shares of series B.

Directors' report

The Board of Directors and CEO of Starbreeze AB (publ), 556551 8932, hereby present the Annual Report and Consolidated Financial Statements for the financial year from January 1 to December 31, 2022, Starbreeze's twenty-fifth financial year. Unless otherwise stated, the information given in the Annual Report refers to the Group. Figures in brackets refer to the previous year.

General information about the business

Starbreeze is an independent developer, publisher and creator of PC and console games targeting the global market.

Starbreeze was founded in 1998 and has since become a well-established game developer and publisher of computer and video games with offices in several countries around the world and its main business in Stockholm. In 2022, business activities focused primarily on Starbreeze Games, with in-house game development and publishing operations focusing on the proprietary PAYDAY IP.

Other activities are part of what is defined as non-core activities, and no resources were allocated to these activities during the year.

The Starbreeze Group includes the Parent Company Starbreeze AB (publ) and subsidiaries Starbreeze Production AB, Starbreeze Studios AB, Starbreeze Publishing AB, New Starbreeze Publishing PD IP AB, Starbreeze VR AB, Starbreeze USA Inc, Starbreeze LA Inc, Starbreeze IP LUX, Starbreeze IP LUX II Sarl, Starbreeze Barcelona SL, Starbreeze Paris SAS, New Starbreeze Studios AB, New Starbreeze Publishing AB, Enterspace AB, Starbreeze IP AB and Starbreeze Studios UK Ltd.

The Group also owns 33.3 percent of the joint venture company StarVR Corporation.

Significant events during the year

On December 8 2022, the company announced that it is expanding with a new studio and team in Great Britain, through the recruitment of two British gaming veterans. The British studio will serve as a hub for recruitment of developers, with focus on developing and publishing acquired IP and future projects.

On May 12 2022, Annual General Meeting was held. The annual general meeting re-elected, according to the nomination committees proposal, the board as a whole and Torgny Hellström was re-elected as chairman of the board.

In February 2022, Russia launched a war of aggression against Ukraine. Starbreeze has no exposure to Russia or Ukraine. The group has no operations or direct consumer sales in Ukraine, Russia or Belarus. Consumer sales take place through digital intermediaries and have historically represented approximately 7 percent of revenue.

Warrant programs

As at December 31, 2022 there are no outstanding employee stock options or allocated outstanding warrants. For more information, see Note 30.

Significant events after the end of the financial year

There have been no significant events since the end of the financial year. For more information about the latest events, visit [Starbreeze.com](https://www.starbreeze.com).

Net sales and earnings

The financial year covers 12 months (January–December 2022).

Net sales amounted to SEK 127.6 million (125.7), of which PAYDAY accounted for SEK 121.9 million (119.8). PC net sales amounted to SEK 103.9 million (102.5) and Console net sales to SEK 18.9 million (18.1).

Net sales of the base game PAYDAY 2 on Steam decreased 14 percent (SEK 3.8 million) compared to the corresponding period in 2021 and net sales of DLC (sales of add-on packs) increased 1 percent (SEK 0.5 million). PC-sales through other platforms amounted to SEK 7.3 million for the period compared to SEK 2.7 million the previous year.

Exchange rate fluctuations against the US dollar had a positive impact on net sales of SEK 14.3 million compared to the average exchange rate in the corresponding period in the previous year.

Direct costs amounted to SEK 60.5 million (56.3) and comprise costs related to the production and development of games as well as higher non-activatable wage costs. In direct costs, depreciation to the amount of SEK 44.2 million (42.2) are included.

Capitalized development expenditure reduced direct costs by SEK 112.5 million (81.6) and refer to the games PAYDAY 2, PAYDAY 3 and new IP.

Sales and marketing expenses amounted to SEK 15.8 million (12.9) and largely relate to personnel costs and marketing activities. The increase is mainly attributable to the market activities performed.

Administrative expenses amounted to SEK 64.1 million (51.2) and include office expenses and salaries for personnel who don't work in game production or marketing, as well as costs related to external services. The increase in expenses are mainly attributable to a increased personnel and cost of premises. The higher personnel costs are also due to provisions for future costs linked to the starff's long-term incentive program linked to PAYDAY 3 as well as restructuring costs of a one-off nature.

Administrative expenses include amortization of SEK 15.4 million (17.6). Capitalized development expenditure reduced administrative expenses by SEK 30.6 million (29.9) and concerns the games PAYDAY 2, PAYDAY 3 and new IP.

Other revenues totaled SEK 19.5 million (9.7). This item is primarily composed of exchange rate effects due to fluctuations in the dollar, revaluation of long-term debt, exchange rates effects and rental income. The exchange rate effect is attributable to revaluation of assets and liabilities in foreign currency.

Other expenses amount to SEK 0.0 million (-68.7). During 2021, previously capitalized development expenditure related to PAYDAY Crime War was reversed following the signing of a licensing agreement with PopReach.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) totaled SEK 66.4 million (6.3). Adjusted for one-off effects related to the license agreement for PAYDAY Crime War, EBITDA totaled SEK 66.4 million (74.9). Profit share from the joint venture StarVR Corporation amounted to SEK 0.2 million (0.1). Net financial income/expense totaled SEK -61.1 million (-51.5). These expenses largely relate to the company's convertible loan and related debt of SEK -58.5 million (-51.5). During the year, the game financing that will be received regarding the development of PAYDAY 3 has been currency hedged through the purchase of currency derivatives. The future derivatives are market valued monthly and in the period this valuation had a negative impact on the result through an unrealized change of SEK -2.1 million.

During the period, financial net was effected by interest expense on leasing debt with SEK -0.7 million (-1.1), which is an effect of the IFRS 16 accounting standard.

Profit/loss before tax for the period amounted to SEK -54.4 million (-105.2). Earnings for the period were SEK -59.8 million (-103.5). Basic and diluted earnings per share totaled SEK -0.08 (-0.14).

Financial position

Non-current assets

Goodwill at the end of the period amounted to SEK 48.3 million (42.4). Intangible assets, consisting mainly of IP rights, totaled SEK 174.3 million (199.9).

Capitalized expenditure on proprietary game and technology development amounted to SEK 328.2 million (201.6).

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

Amortization and impairment of intangible assets totaled SEK 44.1 million (39.5) during the period.

Current assets

Trade and other receivables totaled SEK 11.6 million (16.2) and consist mainly of VAT and tax receivables.

Prepaid expenses and accrued income at the end of the period was SEK 40.6 million (29.0), of which SEK 16.8 million (14.6) pertains to receivables for digital sales, primarily through Steam, PlayStation Store, Xbox Live and Switch.

Equity

Group equity at the balance sheet date amounted to SEK 56.8 million (122.8).

Non-current liabilities

Non-current liabilities totaled SEK 386.5 million (442.7), of which convertible loans and related liabilities amounted to SEK 378.0 (319.5). The non-current portion of lease liabilities amounted to SEK 5.4 million (21.0).

Current liabilities

Current liabilities totaled SEK 303.2 (108.6) million. Trade payables and other liabilities at the end of the period amounted to SEK 245.7 million (59.9). As PAYDAY 3 is planned to be released during 2023, liabilities related to game financing received of SEK 176.9 (91.0) has been reclassified from non-current to current liabilities. Current liabilities regarding game financing will increase as financing is obtained and the debt will be credited in connection with future revenue sharing of the sales revenue from PAYDAY 3. As the crediting takes place through revenue sharing, this does not affect cash flow.

Current liabilities for leases amounted to SEK 16.2 million (17.8). Accrued expenses and deferred income at the end of the period was SEK 39.2 million (30.8).

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 65.4 million (61.3) with earnings of SEK 6.7 million (-53.7), and adjustments for items not included in cash flow totaling SEK 59.9 million (121.6). During 2021, an accounting loss on the sale of fixed assets of SEK 68.7 million, which related to previously capitalized development expenditure on PAYDAY Crime War. Adjustment for items not included in cash flow consist mainly of depreciation on assets of SEK 59.6 million and exchange rate effects of SEK 1.1 million.

Cash flow from operating activities after changes in working capital amounted to SEK 57.8 million (73.9).

Cash flow from investing activities was SEK -143.9 million (-109.0), of which investments in proprietary game development accounted for SEK -143.1 million (-111.5)

Cash flow from financing activities amounted to SEK 65.5 million (6.2) of which IFRS 16 Leasing amounted to SEK -19.1 million (-19.1). Financing received for game development from Plaion amounted to SEK 86.1 million.

Total cash flow for the period was SEK -20.6 million (-29.0).

Cash and cash equivalents at the end of the period amounted to SEK 108.2 million (128.6).

Investments

During the period, the Group's investments in property, plant and equipment amounted to SEK -1.3 million (-1.0). Investments in proprietary game and technology development totaled SEK -143.1 million (111.5).

Impairment

Starbreeze regularly performs impairment tests on assets without a fixed useful life to ensure that the carrying amount does not exceed its fair value. During the financial year, these impairment tests did not result in any impairment.

Research and development

The Group conducts R&D in game development. The majority of the company's R&D expenditure is spent on developing and updating games and associated developments and primarily comprises personnel costs. Most of the work is specific to individual games, but some of the development relates to features and mechanics common to several games. These costs are incurred throughout the research phase, i.e. until it is technically possible to complete the product and make it commercially viable. When the project reaches this stage and moves into a development phase, the expenses are capitalized and recognized as an intangible asset. Once the asset is completed, it is amortized on a straight-line basis over the useful life of the asset.

Environmental impact

None of the Group's companies conduct any activities requiring a permit under the Swedish Environmental Code. Despite this, Starbreeze has a clear ambition to minimize the negative impact of its operations on the environment and has established a number of guidelines in this regard.

Sustainability

Starbreeze's Sustainability Report can be found on pages 35–39 in this annual report. Ensuring a safe and healthy working environment is an important sustainability issue for Starbreeze. The goal of Starbreeze's health and safety efforts is to create a workplace that is physically, mentally and socially healthy and stimulating for all its employees.

The company's Code of Conduct sets out the basic principles of how Starbreeze does business. The Code of Conduct also sets out what employees can expect from Starbreeze as an employer in terms of work environment, safety, human rights, gender equality, health and personal privacy.

The Group's marketing efforts aim to be ethical, honest and to reflect generally accepted social standards of good taste and decency.

Employees

The number of employees at the end of the year was 165 (138) with 139 men and 26 women. The average age at December 31, 2022 was 43 (40). For more information, see Notes 11 and 12 and the Sustainability Report which can be found on the pages 35–39 in this report.

Remuneration of the Board of Directors and senior managers

The adopted guidelines for remuneration of the Board of Directors and senior managers proposed to the 2022 AGM can be found in the Corporate Governance Report on page 31. Expenses in 2022 for remuneration to senior managers are shown in Note 13 and in the Remuneration Report for 2022.

Parent Company

Starbreeze AB (publ) is the Group's Parent Company. The management team and other key group structures are centralized at the Parent Company.

The Parent Company's net sales in 2022 amounted to SEK 28.8 million (24.1) and profit before tax amounted to SEK -52.9 million (-26.5). Earnings after tax were SEK -52.9 million (-26.5).

Shares in subsidiaries amounted to SEK 326 million (325.9).

At the end of the period, cash and cash equivalents amounted to SEK 2.8 million (7.6) and the Parent Company's equity was SEK 705.1 million (758.0).

Non-current liabilities increased to SEK 378.0 million (319.5). This increase is due to increased liabilities in connection with the financing of game development.

Shares and ownership structure

Starbreeze shares have been listed on Nasdaq Stockholm in the Small Cap segment since October 2, 2017. The shares are traded under the tickers STAR A and STAR B with ISIN codes SE007158928 and SE0005992831.

At the end of the year, the total market capitalization was approximately SEK 1 140 million, compared to approximately SEK 726 million in the previous year.

Under the company's conversion program, 110,424 class A shares were converted to class B shares during the year.

Starbreeze had 32 299 shareholders (32,085) at the end of the year. The three largest shareholders at the end of the year were Digital Bros S.P.A with 11.96 percent of the share capital and 28.93 percent of the votes, Swedbank Robur with 14.77 percent of the share capital and 13.07 percent of the votes and Första AP-fonden with 10.16 percent of the share capital and 9.63 percent of the votes. For more information on the share and our shareholders, see the Share and shareholders section.

Risks and uncertainties

Starbreeze's approach to internal control and risk management is described in the Corporate Governance Report. The most material business risks for Starbreeze are described below in no particular order.

Risks related to external developers

Starbreeze's publishing activities are dependent on the studios that produce the contracted work honoring the agreements entered into.

Project delays

Delays can occur in both in-house projects and projects where external partners are managing development. Completion of a project may also require more resources than originally estimated, in which case the costs will usually have to be borne by Starbreeze, primarily in the case of in-house projects.

Low revenue when releasing games or other products

Whenever new games or other products are released, there is a risk that they will not be well received by the market. This applies to self-financed projects as well as games where Starbreeze acts as the publisher and provides a significant proportion of the financing. Capitalized development expenditure may have to be impaired in such cases.

Dependency on key people

Starbreeze is a knowledge-intensive company and is dependent on its ability to continue to recruit, train and retain a number of key people in order to achieve success across all functions at the locations in which it operates. Important knowledge includes commercial experience, an understanding of player preferences and expertise in game development and technology. The business is also dependent on key people at management level.

Financing needs and capital

In the context of Starbreeze's operations, revenues are often spread unevenly over time, which affects liquidity. Consequently, there is a risk that the company will need to be capitalized in the future. There is also a risk that, at any given time, the company may not be able to raise additional capital or that it may not be raised in a manner that is favorable to existing shareholders.

The company considered that the going concern assumption is met. For more information, see Note 3.

Intellectual property rights issues

Intellectual property is a significant part of Starbreeze's assets, mainly in the form of copyright for proprietary games and software, publisher licenses for games whose rights are owned by third parties, patents and patent applications, trademarks, and company-specific knowledge and expertise. It is therefore of great importance that the assets developed within the Group remain the property of Starbreeze.

There is also a risk that third parties may infringe the company's intellectual property rights or that the company may infringe others' intellectual property rights.

Currency risks

Starbreeze operates in an international market. A large percentage of Starbreeze's revenue is earned in USD, while costs are primarily in SEK and also in EUR. Starbreeze is therefore exposed to currency market fluctuations and changes in exchange rates.

Risk of impairment of goodwill and other intangible assets

The consolidated balance sheet consists largely of goodwill and other intangible assets totaling SEK 554.8 million as at December 31, 2022. Starbreeze continuously monitors relevant circumstances affecting the company's business and general financial position and the possible impact such circumstances may have on the valuation of the company's goodwill and other intangible assets. It is possible that changes in such circumstances, or in the many factors that the company considers in making judgments, assumptions and estimates in connection with the valuation of goodwill and other intangible assets, may require the company to record impairment losses on goodwill and other intangible assets in the future.

Proposed appropriation of profits

The Board of Directors proposes that the retained earnings of SEK 690,606,941 be carried forward.

SEK	Parent Company Dec. 31, 2022
Retained earnings	-1,168,602,269
Share premium reserve	1,912,127,083
Net profit/loss for the year	-52,917,873
Carried forward	690,606,941

Dividend

The Board of Directors proposes that no dividend (0) be distributed for the 2022 financial year.

Annual General Meeting (AGM)

The Annual General Meeting of Starbreeze AB (publ), 556551 8932, will be held on Thursday May 11, 2023.

Financial overview

Condensed consolidated statement of comprehensive income

SEK thousand	2022	2021	2020	2019
Operating revenue				
Net sales	127,602	125,689	118,006	280,002
Operating expenses	-120,856	-179,409	-107,131	-784,364
Operating profit/loss (EBIT)	6,746	-53,720	10,875	-504,362
Net financial income/expense	-61,149	-51,506	-141,348	51,938
Profit/loss before tax	-54,403	-105,226	-130,473	-452,424
Income tax	-5,405	1,758	193	51,325
Earnings for the period	-59,808	-103,468	-130,280	-401,099

Condensed consolidated balance sheet

January 1 to December 31, SEK thousand	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Assets				
Non-current assets				
Intangible assets	563,406	462,494	454,289	384,565
Property, plant and equipment	22,520	36,013	55,570	76,614
Total non-current assets	585,926	498,507	509,859	461,179
Current assets	160,479	175,640	198,847	129,709
Available-for-sale assets	-	-	-	1,084
Total assets	746,405	674,147	708,706	591,972
Equity and liabilities				
Equity	56,786	122,817	228,498	6,158
Liabilities				
Non-current liabilities	386,462	442,743	329,849	184,196
Current liabilities	303,157	108,587	150,359	400,155
Available-for-sale liabilities	-	-	-	1,463
Total liabilities	689,619	551,330	480,208	585,814
Total equity and liabilities	746,405	674,147	708,706	591,972

Condensed consolidated statement of cash flows

SEK thousand	2022	2021	2020	2019
Cash flow from operating activities	57,825	73,868	-24,640	49,508
Cash flow from investing activities	-143,936	-109,006	-96,215	-36,239
Cash flow from financing activities	65,522	6,172	195,599	-
Cash flow for the period	-20,589	-28,966	74,744	13,269
Cash and cash equivalents at the start of the period	128,572	157,423	82,787	69,289
Exchange rate difference in cash and cash equivalents	234	115	-108	229
Cash and cash equivalents at the end of the period	108,217	128,572	157,423	82,787

The Group's performance measures

SEK thousand	2022	2021	2020	2019
EBITDA margin, %	52.0	5.0	41.8	-41.6
EBITDA margin, % adjusted ¹⁾	52.0	59.6	41.8	-41.6
Profit margin, %	-42.6	-83.7	-110.6	-161.6
Basic earnings per share, SEK	-0.08	-0.14	-0.28	-1.22
Diluted earnings per share, SEK	-0.08	-0.14	-0.28	-1.22
Equity/assets ratio, %	7.6	18.2	32.2	1.0
Number of shares at the end of the period before dilution	724,609,266	724,609,266	724,609,266	329,367,849
Number of shares at the end of the period after dilution	724,609,266	724,609,266	724,609,266	329,367,849
Average number of shares before dilution	724,609,266	724,609,266	469,754,144	328,349,775
Average number of shares after dilution	724,609,266	724,609,266	469,754,144	328,349,775
Average number of employees	154	135	123	331
Number of employees at the end of the period	165	138	124	127

¹ Operating profit before depreciation, amortization and impairment as a percentage of net sales adjusted for one-off effects related to PAYDAY Crime War licensing agreement.

Financial information

Definitions for the Group's performance measures

The Annual Report refers to a number of non-IFRS performance measures that are used to help both investors and the management team to analyze the company's operations. The measures presented in this report may differ from similarly named measurements in other companies.

EBITDA

Earnings before interest, tax, depreciation and amortization.

EBITDA margin

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

EBITDA adjusted

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

Adjusted EBITDA margin

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

Profit margin

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

Earnings per share

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

Equity/assets ratio

Equity as a percentage of capital employed.

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Consolidated statement of comprehensive income

SEK thousand	NOTE	2022	2021
Net sales	5, 6	127,602	125,689
Direct costs	5, 8	-60,527	-56,302
Gross profit/loss	5	67,075	69,387
Sales and marketing costs	8, 10, 12, 13	-15,795	-12,946
Administrative expenses	8, 9, 10, 12, 13	-64,074	-51,159
Other operating income	7	19,540	9,670
Other operating expenses	8, 14	-	-68,672
Operating profit/loss (EBIT)		6,746	-53,720
Financial income	15	39	82
Financial expenses	15	-61,356	-51,638
Share of profit or loss from holdings recognized using the equity method of accounting	39	168	50
Profit/loss before tax		-54,403	-105,226
Income tax	17	-5,405	1,758
Net profit/loss for the year		-59,808	-103,468
Net income attributable to:			
Parent Company's shareholders		-59,808	-103,468
Other comprehensive income that may subsequently be reclassified to profit and loss			
Exchange differences		-6,223	-2,213
Total comprehensive income for the year		-66,031	-105,681
Total comprehensive income for the year attributable to:			
Parent Company's shareholders		-66,031	-105,681
Earnings per share attributable to the Parent Company's shareholders during the period (SEK):			
Basic earnings per share, SEK	18	-0.08	-0.14
Diluted earnings per share	18	-0.08	-0.14

Consolidated statement of financial position

SEK thousand	NOTE	Dec. 31, 2022	Dec. 31, 2021
Assets	1, 2, 3, 4		
Non-current assets			
Intangible assets			
Goodwill	20	48,339	42,445
Other intangible assets	20	174,310	199,903
Capitalized development cost for proprietary game and technology development	20	328,190	201,569
Investments in publishing projects	20	3,974	3,974
Financial assets	24, 25		
Financial assets	22	7,291	8,011
Shares in joint ventures	39	1,302	1,133
Non-current lease receivable	10	-	1,181
Deferred tax assets	17	-	4,278
Property, plant and equipment			
Computers and other equipment	21	2,157	2,045
Right-of-use assets - buildings	10	20,363	33,968
Total non-current assets		585,926	498,507
Current assets	24, 25		
Trade and other receivables	26	11,622	16,190
Current lease receivable	10	-	1,845
Prepaid expenses and accrued income	27	40,640	29,033
Cash and cash equivalents	28, 40	108,217	128,572
Total current assets		160,479	175,640
Total assets		746,405	674,147

SEK thousand	NOTE	Dec. 31, 2022	Dec. 31, 2021
Equity and liabilities			
Equity attributable to Parent Company's shareholders	19, 29, 30		
Share capital		14,492	14,492
Other contributed capital		1,979,111	1,979,111
Reserves		13,210	19,433
Retained earnings including profit/loss for the year		-1,950,027	-1,890,219
Total equity		56,786	122,817
Non-current liabilities	24		
Deferred tax liabilities	17	1,383	-
Non-current lease liability	10	5,432	21,001
Other non-current liabilities	38	379,647	421,742
Total non-current liabilities		386,462	442,743
Current liabilities	24		
Trade and other payables	31, 38, 40	245,708	59,936
Derivatives	3	2,102	-
Current lease liability	10	16,187	17,806
Accrued expenses and prepaid income	32	39,160	30,845
Total current liabilities		303,157	108,587
Total liabilities		689,619	551,330
Total equity and liabilities		746,405	674,147

Consolidated statement of changes in equity

SEK thousand	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
Opening balance, January 1, 2022	14,492	1,979,111	19,433	-1,890,219	122,817
Net profit/loss for the year	-	-	-	-59,808	-59,808
Other comprehensive income for the year					
Exchange differences	-	-	-6,223	-	-6,223
Total comprehensive income	-	-	-6,223	-59,808	-66,031
Closing balance, December 31, 2022	14,492	1,979,111	13,210	-1,950,027	56,786
Opening balance, January 1, 2021	14,492	1,979,111	21,646	-1,786,751	228,498
Net profit/loss for the year	-	-	-	-103,468	-103,468
Other comprehensive income for the year					
Exchange differences	-	-	-2,213	-	-2,213
Total comprehensive income	-	-	-2,213	-103,468	-105,681
Closing balance, December 31, 2021	14,492	1,979,111	19,433	-1,890,219	122,817

Consolidated statement of cash flows

SEK thousand	NOTE	2022	2021
Cash flow from operating activities			
Operating profit/loss		6,746	-53,720
Adjustment for non-cash items	36	59,945	121,610
Credit cost paid including interest	36	-	-3,394
Income tax paid		-1,268	-3,169
Cash flow from operating activities before changes in working capital		65,423	61,327
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		-15,925	7,298
Increase (+)/decrease (-) in operating liabilities		8,327	5,243
Cash flow from operating activities after changes in working capital		57,825	73,868
Investing activities			
Purchase of property, plant and equipment	21	-1,271	-993
Sale of property, plant and equipment		-	70
Sale of intangible assets		-	2,103
Purchase of intangible assets	20	-1,771	-91
Change in financial assets		2,224	1,393
Investments in proprietary game and technology development	20	-143,118	-111,488
Cash flow from investing activities		-143,936	-109,006
Financing activities			
Repayment of loans		-673	-55,887
Financing for game development		86,119	79,999
Overdraft facility		-860	1,115
Effect of financial lease		-19,064	-19,055
Cash flow from financing activities		65,552	6,172
Cash flow for the year		-20,589	-28,966
Cash and cash equivalents at the beginning of the year		128,572	157,423
Exchange rate difference in cash and cash equivalents		234	115
Cash and cash equivalents at the end of the year	28	108,217	128,572

Parent Company income statement

SEK thousand	NOTE	2022	2021
	1, 2, 3, 4		
Net sales	6	28,773	24,100
Other operating income	7	17,181	35,116
Total revenue		45,954	59,216
Other external costs	8, 9	-12,910	-12,500
Personnel costs	8, 11, 12, 13	-35,265	-28,597
Depreciation of property, plant and equipment	8, 21	-112	-244
Operating profit/loss		-2,333	17,875
Profit from holdings in Group companies		-	19
Other financial income	15	7,917	5,599
Financial expenses	15	-58,502	-50,008
Profit/loss after financial items		-52,918	-26,515
Appropriations	16	-	-
Profit/loss before tax		-52,918	-26,515
Income tax	17	-	-
Net profit/loss for the year		-52,918	-26,515

Parent Company balance sheet

SEK thousand	NOTE	Dec. 31, 2022	Dec. 31, 2021
Assets	1, 2, 3, 4		
Non-current assets			
Property, plant and equipment			
Computers and other equipment	21	33	145
Financial assets	24		
Shares in Group companies	23	331,373	325,924
Shares in joint ventures	39	4,656	4,656
Other financial assets	22	2,215	2,621
Total non-current assets		338,277	333,346
Current assets	24		
Trade and other receivables	26	1,094	1,223
Receivables from Group companies	26, 35	1,366,562	1,346,719
Prepaid expenses and accrued income	27	516	629
Cash and cash equivalents	28	2,782	7,594
Total current assets		1,370,954	1,356,165
Total assets		1,709,231	1,689,511

SEK thousand	NOTE	Dec. 31, 2022	Dec. 31, 2021
Equity and liabilities			
Equity	19, 29, 30		
Share capital		14,492	14,492
Unrestricted equity			
Share premium reserve		1,912,128	1,912,128
Profit/loss carried forward		-1,168,603	-1,142,088
Net profit/loss for the year		-52,918	-26,515
Total equity		705,099	758,017
Non-current liabilities	24		
Other non-current liabilities, convertible loan	38	220,855	187,982
Other non-current liabilities	38	157,161	131,532
Total non-current liabilities		378,016	319,514
Current liabilities	24		
Trade payables	31	756	1,531
Liabilities to Group companies	31, 35	605,239	598,807
Other liabilities	31	2,508	2,452
Accrued expenses and prepaid income	32	17,613	9,190
Total current liabilities		626,116	611,980
Total equity and liabilities		1,709,231	1,689,511

Parent company statement of changes in equity

SEK thousand	Restricted reserves		Unrestricted reserves		Total equity
	Share capital	Fair value reserve	Share premium reserve	Retained earnings	
Opening balance, January 1, 2022	14,492	–	1,912,128	-1,168,603	758,017
Net profit/loss for the year	–	–	–	-52,918	-52,918
Closing balance, December 31, 2022	14,492	–	1,912,128	-1,221,521	705,099

SEK thousand	Restricted reserves		Unrestricted reserves		Total equity
	Share capital	Fair value reserve	Share premium reserve	Retained earnings	
Opening balance, January 1, 2021	14,492	–	1,912,128	-1,142,087	784,532
Net profit/loss for the year	–	–	–	-26,515	-26,515
Closing balance, December 31, 2021	14,492	–	1,912,128	-1,168,603	758,017

Parent company statement of cash flows

SEK thousand	NOTE	2022	2021
Operating activities			
Operating profit/loss		-2,333	17,875
Adjustments for items not included in operating activities	36	112	-2,975
Cost of borrowing including interest	36	–	-1,392
Cash flow from operating activities before changes in working capital		-2,221	13,508
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		-11,685	-9,155
Increase (+)/decrease (-) in operating liabilities		8,738	24,394
Cash flow from operating activities		-5,168	28,747
Investing activities			
Purchase of property, plant and equipment		–	-121
Investments in subsidiaries	23	-50	–
Increase (-)/decrease (+) in short-term investments		406	–
Cash flow from investing activities		356	-121
Financing activities			
Repayment of loans		–	-31,938
Cash flow from financing activities		–	-31,938
Cash flow for the year		-4,812	-3,312
Cash and cash equivalents at the beginning of the year		7,594	10,906
Exchange rate difference in cash and cash equivalents		–	–
Cash and cash equivalents at the end of the year		2,782	7,594
Total available cash and cash equivalents	28	2,782	7,594

Notes

1 General information

Starbreeze AB (publ) is an independent developer, creator, publisher and distributor of PC and console games targeting the global market.

Starbreeze was founded in 1998 and has since become a well-established developer and publisher of computer and video games with offices in several countries around the world and its main business in Stockholm.

The Parent Company, registration number 556551-8932, is a registered limited liability company domiciled in Stockholm, Sweden. The company's address is Regeringsgatan 38, Box 7731, 103 95 Stockholm, Sweden. Starbreeze AB (publ) is listed on Nasdaq Stockholm in the Small Cap segment.

The Board of Directors has approved these consolidated financial statements for publication on April 13, 2023.

2 Summary of key accounting policies

The key accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently for all years presented, unless otherwise stated.

2.1 Basis for preparing the Parent Company's and the Group's consolidated financial statements

The consolidated financial statements for Starbreeze AB have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, as well as International Financial Reporting Standards (IFRS) and IFRIC interpretations, as adopted by the EU. They were prepared using the cost method, with the exception of the revaluation of liabilities at fair value through profit or loss.

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the Parent Company and the Group. The financial statements are therefore presented in Swedish kronor. Unless otherwise stated, all amounts are rounded to the nearest thousand.

Preparation of financial statements in accordance with IFRS requires the application of a number of key accounting estimates. It also requires the management team to make certain assessments when applying the company's accounting policies. Estimates and assumptions are based on historical experience and a number of factors that are considered reasonable under the prevailing circumstances. The results of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities that are not otherwise readily apparent from other sources. Actual outcomes may differ from these estimates and assessments. Areas involving a high degree of estimation that are complex or where assumptions and estimates are of material significance for the consolidated financial statements are disclosed in Note 4. The Parent Company's accounting policies are set out in Note 2.26.

2.1.1 Changes to accounting policies and disclosures

A. New and amended standards applied by the Group

No IFRS or IFRIC interpretations that became mandatory for the first time for the financial year beginning on January 1, 2022 have had a material impact on the Group.

B. New standards, amendments and interpretations of existing standards that are not yet effective and for which the Group has not chosen early application.

A number of new standards and interpretations are effective for financial years beginning on or after January 1, 2022. These standards have not been applied in the preparation of this financial report and are not expected to have a material impact on the Group's financial statements.

2.2 Consolidated financial statements

Subsidiaries are all companies over which the Group has a controlling influence. The Group controls a company when it is exposed to or has the right to variable returns from its holding in the company and has the ability to affect those returns through its influence in the company. The Group also determines whether it has a controlling influence in cases where its shareholdings carry less than half of the voting rights, but it still has the ability to exercise a controlling influence through de-facto control. De-facto control may arise in circumstances where the proportion of the Group's voting rights in relation to the size and distribution of other shareholders' voting rights enables the Group to direct financial and operational strategies, etc.

Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence is transferred to the Group. They are not included in the consolidated financial statements as of the date on which the controlling interest ceases.

The acquisition method is used for recognition of the Group's business combinations. The purchase price for the acquisition of a subsidiary consists of the fair value of the assets transferred, the liabilities incurred by the Group to the previous owners of the acquired company and the shares issued by the Group. The purchase price also includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at their fair value at the date of purchase. The Group determines for each acquisition, on an acquisition-by-acquisition basis, whether holdings where there is a non-controlling interest in the acquired company should be recognized at fair value or at the holding's proportionate share of the carrying amount of the acquired company's identifiable net assets.

Acquisition-related costs are recognized as they arise.

Every contingent consideration to be transferred by the Group is recognized at fair value at the time of purchase. Subsequent changes in the fair value of a contingent consideration classified as a liability are recognized in the income statement in accordance with IFRS 9.

Goodwill is initially measured at the amount by which the total purchase price and fair value of non-controlling interests exceeds the fair value of the identifiable assets acquired and liabilities assumed. If the purchase price is less than the fair value of the acquired company's net assets, the difference is recognized directly through profit or loss. Intra-Group transactions, balance sheet items, income and expenses on transactions between Group companies are eliminated. Gains and losses resulting from intra-Group transactions that are recognized in assets are also eliminated. Where appropriate, subsidiaries' accounting policies have been changed to ensure consistent application of the Group's policies.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management team. The management team is responsible for allocating resources and assessing the performance of the company's operating segments.

Starbreeze's core business is game development where PAYDAY is at the forefront. As of the 2020 financial year, the company has only one segment, which accounts for the absolute majority of total sales and earnings. Any income and expenses that are not related to the core business are classified as other income and expenses. The

› NOTE 2 CONTINUED

Starbreeze Games segment consists of Starbreeze's proprietary games. Revenue for the year relates mainly to sales revenue and royalties for the rights to PAYDAY. The Other segment includes Group-wide costs and projects that are not attributable to the above segment.

2.4 Foreign currency translation

Functional currency and presentation currency.

Items included in the consolidated financial statements are measured in the currency used in the economic environment in which the respective company primarily operates (functional currency). The consolidated financial statements are presented in SEK, which is the Parent Company's functional currency and presentation currency.

Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing at the transaction date. Exchange rate gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing day rate are recognized in the income statement as Other operating income and Other operating expenses, respectively.

Group companies

Earnings and the financial position of all Group companies (none of which have a hyperinflationary currency as their functional currency) that have a functional currency other than the presentation currency are translated into the Group's presentation currency as follows:

1. assets and liabilities for each of the balance sheets are translated at the closing day rate
2. income and expenses for each of the income statements are translated at the average exchange rate (provided this average rate constitutes a reasonable approximation of the accumulated effect of the exchange rates applicable at the transaction date, otherwise income and expenses are translated at the exchange rate prevailing at the transaction date), and
3. all exchange rate differences arising are recognized in Other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of that operation and translated at the closing day rate. Exchange rate differences are recognized in Other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are measured at cost less depreciation. Cost includes expenses directly attributable to the acquisition of the asset. Incremental expenses are added to the carrying amount of the asset or are recognized as a separate asset,

depending on which is most suitable, only when it is probable that the future economic benefits associated with the asset will benefit the Group and the cost of the asset can be reliably measured. All other forms of repairs and maintenance are recognized as an expense in the period in which they arise.

Assets are depreciated on a straight-line basis over their estimated useful lives as follows:

- Computers – 3 years
- Other inventory – 5 years

The residual value and useful life of the assets are reviewed at each balance sheet date and adjusted as needed.

An asset's carrying amount is written down immediately to its net realizable value if the asset's carrying amount exceeds its estimated recoverable amount (paragraph 2.7).

Gains and losses on disposals are determined by comparing the proceeds from the sale with the carrying amount at the time of the sale.

2.6 Intangible assets

A. Goodwill

Goodwill arises on the acquisition of subsidiaries and relates to the amount by which the purchase price exceeds Starbreeze's share of the fair value of identifiable assets, liabilities and contingent liabilities of the acquired company and the fair value of non-controlling interests in the acquired company.

For the purpose of testing impairment, goodwill acquired in business combinations is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored for each cash-generating unit. There is currently one cash-generating unit.

Goodwill is not amortized, but it is tested for impairment annually or more frequently if events or changes in circumstances indicate the possibility of diminished value. The carrying amount of goodwill is compared to its recoverable amount, which is the higher of its value in use and its fair value less selling costs. Any impairment is recognized immediately as an expense and is not reversed.

B. Capitalized expenditure for game and technology development

Software maintenance costs are expensed as they arise. Development expenditure that is directly attributable to the development and testing of identifiable and unique software products (usually game development projects) controlled by the Group is recognized as an intangible asset when the following criteria are met:

- it is technically possible to complete the software so that it can be used
- the company intends to complete the software for sale or use

- there are conditions for selling or using the software,
- the company is able to demonstrate how the software will generate probable future economic benefits
- adequate technical, economic and other resources to complete development and use or sell the software are available, and
- the expenditure attributable to the software during development can be measured reliably.

Development projects that are considered to meet all criteria for capitalization are capitalized in the balance sheet and reported as "Capitalized development cost for proprietary game and technology development". Starbreeze expenses development costs if the above criteria are not met.

During the year, the Group capitalized game development expenses for PAYDAY 2, PAYDAY 3 and new IPs.

Capitalization is recognized net in the income statement, which means that the costs capitalized reduce the costs in the income statement on the line where the original cost was recognized. The asset is amortized from the game's release date and over its estimated useful life, which is typically between 18 and 120 months.

C. Rights to software

Game rights, game engines and other software licenses (technology) acquired in business combinations are recognized at fair value at the acquisition date.

Acquired software licenses are capitalized on the basis of the costs incurred when the relevant software is acquired and put into use. These capitalized costs are amortized over the estimated useful life, which is typically between 18 and 60 months. As amortization periods should reflect economic life, depreciation periods are not always on a straight-line basis.

D. Licenses and other rights

Licenses and other rights acquired separately are stated at cost. Licenses acquired in business combinations are stated at fair value at the acquisition date. Licenses and rights have a determinable useful life and are stated at cost less accumulated amortization. Amortization is used to allocate the cost of licenses over their estimated useful life of 3-10 years.

2.7 Impairments of non-financial assets

Assets with an indefinite useful life are not written off but are tested annually for impairment. Assets that are being written off are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized at the amount by which the carrying

> NOTE 2 CONTINUED

amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. During the year, the Group wrote off non-financial assets of SEK 0 million (0).

2.8 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes party to the contractual terms of the financial instrument. Financial assets are derecognized from the statement of financial position when the contractual rights relating to the financial asset cease, or when the financial asset and all significant risks and benefits are transferred. Financial liabilities are derecognized from the statement of financial position when they are extinguished, i.e. when the obligation is discharged, canceled or expires.

Classification and measurement of financial assets at initial recognition

With the exception of trade receivables that do not contain a significant financing component and are measured at transaction cost in accordance with IFRS 15, all financial assets are initially measured at fair value, adjusted for any transaction costs.

Subsequent measurement of financial assets

Financial assets, other than those identified and effective as hedging instruments, are classified in the following categories:

- amortized cost
- fair value through profit or loss
- fair value through other comprehensive income

The Group has no financial assets in the fair value through profit or loss or fair value through other comprehensive income categories in 2022. The classification is determined by both:

- the company's business model for managing the financial asset, and
- the characteristics of the contractual cash flows from the financial asset

All income and expenses relating to financial assets that are recognized in the income statement are classified as financial expenses or financial income, except for the impairment of trade receivables classified as selling costs.

Financial assets are measured at amortized cost if the assets meet the following conditions and are not recognized at fair value through profit or loss:

- they are held within the framework of a business model whose objective is to hold the financial assets and collect contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of the principal and interest on the outstanding principal.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted if the effect of discounting is immaterial.

The Group's cash and cash equivalents, trade receivables and most other receivables belong to this category of financial instruments.

Classification and measurement of financial liabilities

The Group's financial liabilities include trade payables and other liabilities, other long-term liabilities and liability for earnout.

Financial liabilities are initially measured at fair value, adjusted for transaction costs, unless the Group has classified the financial liability at fair value through profit or loss.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading and comprise the Group's contingent consideration. Liabilities in this category are classified as current liabilities if they are expected to be settled within twelve months, otherwise they are classified as non-current liabilities.

All interest-related fees and, where applicable, changes in the fair value of an instrument that are recognized in profit or loss are included in Financial expenses or Financial income, or Other operating income or Other operating expenses.

2.9 Impairment of financial assets

The Group assesses the value of its financial assets by evaluating the strengths and weaknesses of customers and other contracting parties based on the information available. Since the company's other receivables relate to a small number of counterparties who are financially sound and pay according to plan or past payment patterns, and the Group has not historically experienced significant credit losses, it is considered that any loss provisions in addition to the receivables already provided for do not need to be recognized because the amounts involved are insignificant.

2.10 Trade receivables

Trade receivable are amounts due from customers for goods sold or services rendered in the ordinary course of business. If payment is expected within one year, they are classified as current assets. If not, they are recognized as non-current assets. Trade receivables are initially recognized at fair value and subsequently at amortized cost using the effective interest method, less any provision for a decline in value.

The Group's customers consist of a limited number of large customers who are financially sound, which means that the Group's credit risk is low. Revenues do not come from end customers. Receivables that are more than six months overdue relate to the old VRtech and Operations segment and have been provided for in full.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and current investments maturing within three months of the acquisition date.

2.12 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options are recognized in equity as a deduction from the proceeds of the issue, net of any tax.

2.13 Trade payables

Trade payables are obligations to pay for goods or services acquired in the course of ordinary operating activities. Trade payables are classified as current liabilities if they fall due within one year or less. If not, they are recognized as non-current liabilities.

Trade payables are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

2.14 Borrowings

The company has issued a convertible debt instrument, known as a compound financial instrument, where the holder can demand conversion to shares, and where the number of shares to be issued is not affected by changes in the fair value of the shares. The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not carry a right to conversion into shares. The full terms and conditions of these convertible debt instruments are available on the company's website.

The equity component is initially recognized as the difference between the fair value of the entire compound financial instrument and the fair value of the instrument if no conversion option were available. Directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. The equity component is recognized in equity net of tax.

After the acquisition date, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after the acquisition date.

2.15 Current and deferred tax

Tax expenses for the year include current and deferred tax. Tax is recognized in the income statement. The current tax expense is calculated on the basis of the tax regulations that have been adopted or substantively adopted on the balance sheet date in the countries where the Parent Company and its subsidiaries operate and generate taxable revenue. The management team regularly evaluates the claims

> NOTE 2 CONTINUED

made in self-assessments for situations where applicable tax regulations are subject to interpretation. Where appropriate, it makes provisions for amounts that are likely to be payable to the tax authorities.

Deferred tax is recognized in full using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. However, it is not recognized if the deferred tax arises from a transaction that represents the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither accounting or taxable earnings or losses. Similarly, deferred tax is not recognized if it arises from the initial recognition of goodwill. Deferred tax is calculated using tax rates (and laws) that have been enacted or announced at the balance sheet date and are expected to apply when the deferred tax asset in question is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Loss carryforwards cannot be utilized between companies in different countries, and the remaining Swedish loss carryforwards have a Group contribution restriction with regard to Enterspace AB and the other Swedish Group companies, which is applicable to losses generated up to December 31, 2016 and cannot be utilized until 2023 at the earliest. For loss carryforwards generated up to and including 2019, there is also a Group contribution restriction relating to the two new companies in the Group, New Starbreeze Studios AB and New Starbreeze Publishing AB. These carryforwards cannot be utilized until 2026 at the earliest. For loss carryforwards generated up to and including 2021, there is also a Group contribution restriction relating to one new company in the Group, New Starbreeze Publishing PD IP AB. These carryforwards cannot be utilized until 2028 at the earliest. For loss carryforwards generated up to and including 2022, there is also a Group contribution restriction relating to one new company in the Group, Starbreeze IP AB. These carryforwards cannot be utilized until 2029 at the earliest.

2.16 Employee benefits

Pension obligations

Within the Group, pension plans are predominantly defined contribution plans. In defined contribution plans, the company pays fixed contributions to a separate legal entity and has no obligation to pay further contributions in the future. Expenses in the form of personnel costs are charged against the Group's earnings as the benefits are vested.

Post-employment benefits

Post-employment benefits are paid when an employee's employment is terminated by the Group before the standard retirement date or when the employee accepts

voluntary redundancy in exchange for such benefits. Severance pay is not recognized until the Group has offered voluntary redundancy or when a formal plan that cannot be withdrawn has been established.

Profit sharing and bonus plans

The Group recognizes a liability and an expense for bonus plans and variable remuneration. For bonus plans linked to sales royalties, the liability and expense are recognized only when the conditions for receiving the royalties are met. The cost and liability for variable remuneration are based on estimates of expected outcomes.

2.17 Share-based remuneration

As at December 31, 2022, the Group has no outstanding employee stock option programs.

The Group has a share warrant plan for senior managers and certain other key employees, in order to manage new recruitments and promotions. The plan is described in Note 30.

2.18 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. No provision is made for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation. For this purpose, a pre-tax discount rate is used that reflects a current market assessment of the time-dependent monetary value and the risks associated with the provision. The increase in the provision due to time passing is reported as an interest expense. As at December 31, there are no provisions in the Group.

2.19 Revenue recognition

The Group's recurring revenues come mainly from end customers who pay a one-off price for games and from the sale of DLCs (e.g., add-on packs). These models are described in more detail on page 12. 76 percent of the Group's sales in 2022 were via the Steam platform. Revenues from Steam and other platforms are invoiced monthly or quarterly in the month following the sales period. Payment terms vary from immediate payment upon receipt of invoice to 30 days from the invoice date.

Revenue from customers who buy games is often shared among more than one party, depending on the role of the party in the transaction. According to whether a party is a distributor, publisher, developer or owns the game rights, it receives different shares of the gross revenue from the customer. For each contract entered into by the Group, the role and the accounting implications of acting as principal or agent in the revenue stream are analyzed. Where the Group is assessed as the principal for

a revenue flow, the revenue is recognized gross as net sales, and the revenue shares passed on to other parties are recognized as costs in the income statement. At present, the Group is classified as the agent in all contracts and thus recognizes the net of revenues and shares passed on to the principal as net sales.

Where the sale of publishing rights or any licensing deals take place, these must be disclosed. No such transactions occurred during the year. For more information, see Notes 5 and 6.

In order to determine whether the Group is the principal or agent in revenue transactions when multiple parties are involved in delivering a game to the final customer, the question of whether the Group has control of the asset purchased by the customer before it is transferred is assessed. When the Group sells through a third party, the assessment is that it does not control the sales service involved in selling the game to the end customer. The Group also considers that it does not control the game (product) itself at the stage where it is sold to the end customer via another party. Starbreeze sets the price when sales are made through digital channels. In cases where the game is a physical product sold through a retailer, it is also assessed whether the retailer has assumed the inventory risk of the game, as is the case in all such sales. Starbreeze's overall assessment is that in the various transaction chains it does not have control over the final sales stage and therefore recognizes its revenues net of partners and retailers' share of the customer's payment for a game.

Royalties on games sold are recognized as revenue in the period in which the sale takes place in accordance with the rules of IFRS 15. Under certain agreements, Starbreeze sells the right to distribute a game IP for a specific platform. This usually occurs during the game's development. Starbreeze recognizes this payment as a liability until the game is completed and delivered. After delivery of the base game, which is performance commitment 1, the liability is taken up as revenue. Any future revenue sharing, which may benefit Starbreeze, will be recognized as revenue on an ongoing basis. This revenue stream relates to performance commitment 2, which is future DLC that will be provided under contract if the game is successful.

When selling games to retailers, the Group receives royalties only after the end consumer has purchased the game and not when the product is delivered to the retailer. Stores cannot return any products sold.

Interest income is recognized over the period using the effective interest method.

2.20 Leases

The company applies IFRS 16 Leases.

All leased premises are accounted for in accordance with IFRS 16. Other leases fall under the exemption rules for low-value or short-term leases and relate mainly to the rental of office equipment.

› NOTE 2 CONTINUED

The company has one car that is accounted for in accordance with IFRS 16.

As at the balance sheet date, the Group's carrying amount of right-of-use assets was SEK 20.4 million (34.0). A non-current receivable of SEK 0.0 million (1.2) and a current receivable of SEK 0.0 million (1.8) were recognized in accordance with the standard for sublease contracts. In terms of liabilities, the Group recognized a non-current liability of SEK 5.4 million (21.0) and a current liability of SEK 16.2 million (17.8). The value of right-of-use assets decreased by SEK 14.2 million (14.9) as a direct consequence of the amortization of right-of-use assets during the year. Net financial income was negatively impacted by SEK 0.7 million (1.1). The deposit paid for the premises in Stockholm is recorded as a financial fixed asset in the balance sheet.

No rental fees had been paid in advance at the end of the year.

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

As it is considered unlikely that these will be used, any renewal options in the contracts were not taken into account in the calculations. Non-lease components such as electricity costs were not included in the calculations. See also Note 10 Right-of-use assets.

2.21 Statement of cash flows

The statement of cash flows has been prepared using the indirect method. Reported cash flows include transactions involving cash receipts or payments only. The company's cash and cash equivalents consist of cash and bank balances at the balance sheet date.

2.22 Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to the Parent Company's shareholders by a weighted average number of ordinary shares outstanding during the period, excluding any repurchased shares held as treasury shares by the Parent Company.

Diluted

To calculate diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted for the dilutive effect of all potential ordinary shares. There was no such dilutive effect for the 2022 financial year. The company has an outstanding convertible which, in the event of a possible future conversion, could result in a dilution of up to 131.9 million shares.

2.23 Joint ventures

Under IFRS 11, an interest in a collaborative arrangement shall be classified as either a joint operation or a joint venture depending on the contractual rights and obligations

of each investor. The Group only has joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method, investments in joint ventures are initially recognized at acquisition cost in the consolidated balance sheet. The carrying amount is subsequently increased or decreased to reflect the Group's share of profit or loss and other comprehensive income from its joint ventures after the acquisition date. The Group's share of profit or loss is included in the consolidated income statement and the Group's share of other comprehensive income is included in the Group's other comprehensive income. Dividends from joint ventures are recognized as a reduction of the carrying amount of the investment. Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction constitutes an indication of impairment of the asset being transferred. The accounting policies for joint ventures were adjusted where necessary to ensure compliance with the Group's accounting policies.

2.24 Earnouts

Earnouts are measured at fair value and at the closing day rate. The revaluation is charged to the income statement and recognized in net financial income/expense. For more information, see Notes 4 and 32.

2.25 Available-for-sale assets and liabilities

Balance sheet items are valued at the lower of the carrying amount and fair value. Foreign assets are valued at the exchange rate on the balance sheet date.

2.26 Parent Company accounting policies

Presentation format

The presentation format of the income statement and balance sheet complies with the Swedish Annual Accounts Act. This means that there are differences compared to the consolidated financial statements, mainly with regard to financial income and expenses, provisions and the statement of changes in equity.

The annual accounts for Starbreeze AB, the Parent Company, have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2. RFR 2 states that parent companies must apply International Financial Reporting Standards (IFRS) as adopted by the EU in their annual accounts, to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and taking into account the relationship between accounting and taxation. The recommendation specifies the exceptions and amendments required in relation to IFRS.

Accordingly, the Parent Company applies the principles set out in Note 2 to the consolidated financial statements, with the exceptions indicated below. The policies

have been consistently applied for all years presented, unless otherwise stated. The same accounting policies were applied as in the previous year.

Shares and investments in subsidiaries and associates

Shares and investments in subsidiaries and associates are recognized at cost less any impairments. Dividends received are recognized as income.

When there is an indication that shares and investments in subsidiaries or associates have declined in value, the recoverable amount is calculated. If this is lower than the carrying amount, an impairment loss is recognized. Impairment losses are recognized under Impairment of shares in subsidiaries.

The Parent Company does not apply the Group's accounting for acquisition costs. In the Parent Company, costs relating to the acquisition of shares in Group companies are included under the item Non-current assets.

Financial instruments

The notes on financial assets show how the items in the balance sheet relate to the classification used in the consolidated balance sheet and in the Group's accounting policies. The company applies fair value measurement in accordance with the Swedish Annual Accounts Act, Chapter 4, Section 14 (a)-(d) and the description of accounting policies in Note 2.8 of the Group therefore also applies to the Parent Company.

Group contributions

Group contributions are recognized as appropriations.

Deferred income tax

Amounts allocated to untaxed reserves represent taxable temporary differences. Due to the relationship between accounting and taxation, however, deferred tax liabilities on untaxed reserves in a legal entity are recognized as a component of untaxed reserves. Appropriations in the income statement are also reported including deferred tax.

Leases

All leases, whether they are financial or operating leases, are recorded as operating leases.

3 Financial risk management

The Group is exposed to a number of different financial risks in its operations: market risks (primarily currency risk and a non-material interest rate risk), credit risks, liquidity risks and capital risks. The Group's global risk management policy focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Group's performance. Risk management is carried out by the Finance Department and the CEO in accordance with the decisions taken by the Board of Directors. A more detailed description of the Group's risks and their management can be found in the Directors' report.

A. Market risk

Currency risk

The Group operates internationally and is exposed to currency risks from various currency exposures. Currency risk arises from future business transactions, recognized assets and liabilities and net investments in foreign operations. In order to manage the foreign exchange risk arising from future business transactions, recognized assets and liabilities, the Group has the option to use forward contracts. Before entering into foreign currency contracts, the CEO or CFO discusses possible hedging with the Board of Directors and the Board decides whether hedging should take place. The Group matches, as far as possible, cash inflows and outflows in the different currencies, thereby obtaining a natural form of hedging. Currency flows are continuously monitored and followed up by the Finance Department. In 2022, the company used currency derivatives linked to expected future game financing from Plaion (previously Koch Media Group). Currency derivatives are used to hedge the foreign exchange risk for the expected future financing. Derivatives are reported at fair value through profit or loss, and as at December 31, 2022, this valuation had a negative impact on profit or loss through an unrealized change in value of SEK -2.1 million (0). The Group receives royalties on games sold and other revenues in USD.

Currency risks arise when future business transactions or recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Decisions on forward cover are taken by the Board of Directors.

If the USD exchange rate had been 10 percent higher against the SEK with all other variables held constant, revenue for the year ending December 31, 2022 would have been SEK 12.2 million (13.9) higher and expenses for the year would have been SEK 2.6 million (1.5) higher.

If the USD exchange rate had been 10 percent lower against the SEK with all other variables held constant, revenue for the year ending December 31, 2022 would have been SEK 12.2 million (13.9) lower and expenses for the year would have been SEK 2.6 million (1.5) lower.

If the EUR exchange rate had been 10 percent higher against the SEK with all other variables held constant, revenue for the year ending December 31, 2022 would have been SEK 0.4 million (0.3) higher and expenses for the year would have been SEK 1.7 million (2.3) higher.

If the EUR exchange rate had been 10 percent lower against the SEK with all other variables held constant, revenue for the year ending December 31, 2022 would have been SEK 0.4 million (0.3) lower and expenses for the year would have been SEK 1.7 million (2.3) lower.

Of the net assets denominated in foreign currencies at the balance sheet date of December 31, 2022, approximately SEK 12.7 million (0.4) were denominated in USD. If the USD exchange rate had been 10 percent higher/lower compared to the exchange rate prevailing at December 31, 2022, the Group's result/equity after tax would have been positively/negatively impacted by approximately SEK 1.6 million (0.0).

Of the net assets denominated in foreign currencies at the balance sheet date of December 31, 2022, approximately SEK -172.0 million (-72.7) was denominated in EUR. If the EUR exchange rate had been 10 percent higher/lower compared with the exchange rate prevailing at December 31, 2022, the Group's result/equity after tax would have been negatively/positively impacted by approximately SEK 17.2 million (7.3).

If the Swedish krona had weakened/strengthened by 10 percent in against the EUR with all other variables held constant, the restated profit after tax as at December 31, 2022 would have been SEK 0.3 million (0.5) lower/higher.

If the Swedish krona had weakened/strengthened by 10 percent in against the USD, with all other variables held constant, the restated profit after tax as at December 31, 2022 would have been SEK 0.1 million (0.1) lower/higher.

The Parent Company also has receivables from its subsidiaries, mainly in EUR and USD. These receivables are revalued at the exchange rate prevailing on the balance sheet date and changes are recorded in the Parent Company's operating profit/loss.

Interest rate risk relating to cash flow and fair values

The company currently has interest-bearing liabilities in the form of convertible loan as well as an overdraft facility with an overdraft rate linked to STIBOR. An increased interest rate can mean an increased cost if the overdraft is used. The convertible loan has a fixed interest rate of 2 percent. The fixed interest rate means that there is no interest rate risk. There are no interest-bearing assets.

A. Price risk

The Group is exposed to price risk if investments, which are classified as assets at fair value through profit or loss, are held by the Group. As at December 31, 2022, the company had no short-term investments.

B. Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions and credit exposures to customers, including outstanding receiv-

ables and contractual transactions. The Group has no significant concentration of credit risk. The maximum credit risk exposure corresponds to the carrying amount of the financial assets.

Only banks and financial institutions with a minimum credit rating of "A" awarded by independent assessors are accepted and the approved financial institutions are named in the company's financial policy. A decision by the Board of Directors is required if another institution is to be used. The main bank funds are held in a Swedish commercial bank.

In order to minimize credit risks, the creditworthiness of partners is assessed on an ongoing basis. Any unpaid amounts are followed up immediately and customers are contacted. We follow the industry and have regular, close contact with our customers. The Group's customers consist of a limited number of large customers who are financially sound, which means that the Group's credit risk is low. Revenues do not come from end customers. For more information, see Note 2.9 Impairment of financial assets.

The remaining intra-Group liabilities are expected to be paid when all claims are settled according to the agreed restructuring plan.

C. Liquidity risk

Cash flow forecasts are prepared for the Group as a whole. The Finance Department regularly prepares and evaluates forecasts for the Group's cash reserve. The CFO is responsible for ensuring that these are prepared and reported to the CEO and Board of Directors in accordance with the Group's finance policy.

The Group's policy is that if investments are made, they should be safe, low-risk investments with short maturities, thus reducing the risk of liquidity shortfalls.

The table below shows the Group's financial liabilities broken down by the time remaining until the maturity date on the balance sheet. The amounts shown in the table are the contractual, undiscounted cash flows. The company has external loans from Digital Bros (which took over the receivable from Smilegate in March 2020). SEK 215 million corresponds to a convertible loan (which can be converted into shares with an exercise price of SEK 1.63 per share). External liabilities total SEK 320 million. Loans are repaid when the respective borrowing company has available funds and a positive cash flow. The convertible loan and the renegotiation loss have a maturity date of December 6, 2024. For description regarding risk associated with convertible loan, see page 41.

> NOTE 3 CONTINUED

	1-6 months	7-12 months	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As at December 31, 2022					
Trade payables	15,816	-	-	-	-
Lease liability	7,418	8,769	5,263	169	-
Convertible loan	-	-	215,000	-	-
Liability, renegotiation loss	-	-	165,000	-	-
Other liabilities	4,732	48,222	3,012	-	-
Total	27,966	56,991	388,275	169	-

	1-6 months	7-12 months	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As at December 31, 2021					
Trade payables	6,746	-	-	-	-
Lease liability	8,174	9,631	14,802	6,199	-
Convertible loan	-	-	-	215,000	-
Liability, renegotiation loss	-	-	-	165,000	-
Other liabilities	4,685	48,505	11,208	-	-
Total	19,605	58,136	26,010	386,199	-

D. Capital risk

The CFO continuously monitors the Group's liquidity and capital requirements for the year ahead.

The Board of Directors has assessed whether the going concern assumption is met. The factors underlying the Board's assessment are as follows:

- The company has signed a publishing agreement for PAYDAY 3 with Plaion, which means that the game development for PAYDAY 3 is financed up to its release in 2023.
- The company will receive ongoing revenue from sales linked to PAYDAY 2 and PAYDAY 3.
- Non-current liabilities related to game financing from Plaion will increase as financing is obtained and the liability will be credited in connection with the future distribution of PAYDAY 3 sales revenues.
- The company signed a licensing agreement with PopReach Corporation for PAYDAY CrimeWar, the mobile game version of PAYDAY 2.

Based on the above, the assumption of going concern is deemed to be met.

E. Fair value calculation

The table below shows financial instruments at fair value based on classification in the fair value hierarchy. The various levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Observable data for the asset or liability other than quoted prices included in Level 1, either directly (i.e. as price quotations) or indirectly (i.e. derived from price quotations) (Level 2).
- Input for the asset or liability that is not based on observable market data (i.e. unobservable data) (Level 3)

The table on the next page shows the Group's financial assets and liabilities measured at fair value as at December 31, 2022. There were no transfers between levels during the year.

Level 2 financial instruments

Measurement techniques are used to determine the fair value of financial instruments that are not traded in an active market (for example, OTC derivatives). Market information is used as much as possible where it is available, while company-specific information is used as little as possible. For this, the Group includes convertible loans and an embedded derivative contained in the Digital Bros convertible loan. For the convertible loan receivables, the cost is estimated to equal fair value due to the short maturity of the convertible. The embedded derivative in the convertible loan to Digital Bros is measured at fair value based on the prevailing share price, share volatility and risk-free interest rate.

Where one or more significant inputs are not based on observable market information, the instrument concerned is assigned to Level 3.

Level 3 financial instruments

Fair value has been estimated by calculating the present value of expected future cash flows. The calculations are based on a discount rate of nine percent and assumed probability-adjusted revenues.

Fair value calculation, Group 2022	Level 2	Level 3
Financial assets and liabilities valued at fair value through profit or loss as at December 31, 2022		
Financial liabilities		
Derivatives	2,102	--
Fair value calculation, Group 2021	Level 2	Level 3
Financial assets and liabilities valued at fair value through profit or loss as at December 31, 2021		
Financial liabilities		
Derivatives	-	-

4 Key accounting estimates and judgments

Estimates and judgments are evaluated regularly and are based on historical experience and other factors, including expectations of future events considered reasonable under prevailing circumstances.

The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes will, by definition, rarely correspond to actual outcomes. The estimates and assumptions that entail a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income tax

Deferred tax assets are recognized in respect of tax loss carryforwards to the extent that it is probable that they can be utilized against future taxable profits.

Since the company's future estimated profits cannot be calculated satisfactorily, as at December 31, 2022 the Group has no reported tax assets linked to loss carryforwards. Loss carryforwards cannot be utilized between companies in different countries, and the remaining Swedish loss carryforwards have a Group contribution restriction with regard to Enterspace AB and the other Swedish Group companies, which is applicable to losses generated up to December 31, 2016 and cannot be utilized until 2023 at the earliest. Losses generated up to and including 2019 are subject to a Group restriction relating to the two new companies in the Group, New Starbreeze Publishing AB and New Starbreeze Studios AB. For loss carryforwards generated up to and including 2021, there is also a Group contribution restriction relating to one new company in the Group, New Starbreeze Publishing PD IP AB. These carryforwards cannot be utilized until 2028 at the earliest. For loss carryforwards generated up to and including 2022, there is also a Group contribution restriction relating to one new company in the Group, Starbreeze IP AB. These carryforwards cannot be utilized until 2029 at the earliest.

Starbreeze also has companies located in Luxembourg, where future profits may be taxed at a lower tax rate than in Sweden. Should this tax arrangement not be approved by the tax authorities, any future profits may adversely affect Starbreeze.

Revenue recognition

Proprietary games are sold digitally and physically via external distributors for PC as well as game consoles, such as PS4, Xbox Live and Nintendo Switch. In all cases, the gross payment stream goes through the platform distributor. Starbreeze has deter-

> NOTE 4 CONTINUED

mined that agreements concerning the sale of proprietary games should be classed as revenue-sharing agreements, meaning that Starbreeze only recognizes its share of the revenue, its royalties, in its income statement. For agreements where Starbreeze is instead deemed to be a party to the end customer, the company is required to account for the entire revenue on a gross basis and the publisher's share of the revenue is accounted for as a deductible cost item, which means the same net profit or loss as with the current accounting. Net sales also include sales of licenses, game franchises or other similar rights, where such transactions are of a recurring nature for the company. No such transactions occurred during 2022.

Capitalization of game development expenses

The Group's expenditure on game development is capitalized when an assessment of the game's commercial potential can be made. The assessment of commercial viability and return is based on factors including previously released games.

Earnout, ePaw

For the earnout, which is linked to the revenues related to the technology acquired in 2016, the probability has been assessed and the liability is recognized as a liability in the Parent Company and the Group. As at December 31, 2022, the earnout is 0.

Leases

The company continuously reviews its need for premises, and it is uncertain whether any renewal options on the leases recognized under IFRS16 will be exercised. These have therefore not been taken into account in the calculations.

Impairment testing of intangible assets

The Group tests annually for impairment of goodwill and other intangible assets with indefinite useful lives, in accordance with IFRS and IAS 36. Testing is performed more often if there is an indication of decline in value. This year's impairment test did not show any need for impairment. If the planned release of Payday 3 is not successful, it might lead to the impairment of capitalized expenses in the future.

See Note 20, Intangible assets for information regarding the sensitivity analysis.

Valuation of subsidiary shares and receivables from subsidiaries

The Parent Company assesses each year whether there is any need for impairment of shares in subsidiaries and receivables from subsidiaries. No impairment losses were recorded in the financial year.

Going concern

For more information, see Note 3 D.

5 Segment information

During the financial year, Starbreeze presented its results according to the segments Starbreeze Games and Other. Reporting is done down to operating profit and no reporting is done on assets and liabilities.

Operating segments are reported in a manner consistent with the internal reporting provided to the management team responsible for allocating resources and assessing the operating segment's performance. Management assesses the business broken down into two segments.

Refer also to section 2.3 under accounting policies for further information on the company's segments.

Segment reporting, Group	2022	2021
Starbreeze Games		
Net sales	121,904	120,213
Direct costs	-60,322	-55,442
Gross profit/loss	61,582	64,771
Operating costs	-43,379	-109,020
Operating profit/loss	18,203	-44,249
	2022	2021
Other		
Net sales	5,698	5,476
Direct costs	-205	-860
Gross profit/loss	5,493	4,616
Operating costs	-16,950	-14,087
Operating profit/loss	-11,457	-9,471
	2022	2021
Total		
Net sales	127,602	125,689
Direct costs	-60,527	-56,302
Gross profit/loss	67,075	69,387
Operating costs	-60,329	-123,107
Operating profit/loss	6,746	-53,720

There is no revenue from inter-segment transactions so the net revenue presented relates to revenue from external customers. Profit or loss per segment is distributed through operating profit or loss.

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

	2022	2021
Starbreeze Games	18,203	-44,249
Other	-11,457	-9,471
Total	6,746	-53,720
Financial items, net	-61,149	-51,506
Profit/loss before tax	-54,403	-105,226

The Group's revenue comes from four different regions as shown below. The Group sells its products to distributors/platform owners rather than directly to end customers. The largest distributor/platform owner, Steam, accounted for 76 percent of sales in 2022.

> NOTE 5 CONTINUED

Segment reporting, Group

Net sales in 2022	Starbreeze Games	Other	Total
Games (PC and console)			
Europe	20,797	825	21,622
North America	98,512	152	98,664
Asia	2,508	–	2,508
Rest of the world	–	–	–
Services			
Europe	–	–	–
North America	–	–	–
Licenses			
Europe	–	–	–
North America	–	4,721	4,721
Other			
Europe	87	–	87
Total net sales	121,904	5,698	127,602
Net sales in 2021	Starbreeze Games	Other	Total
Games (PC and console)			
Europe	33,746	–	33,746
North America	53,549	730	54,279
Asia	21,104	–	21,104
Rest of the world	11,437	–	11,437
Services			
Europe	–	90	90
North America	16	–	16
Licenses			
Europe	227	–	227
North America	–	4,656	4,656
Other			
Europe	134	–	134
Total net sales	120,213	5,476	125,689

Assets and investments, distribution at December 31, 2022.

	Sweden	USA	France	Spain	Total Group
Intangible assets	509,283	45,530	–	–	554,813
Financial assets	7,516	810	7	260	8,593
Property, plant and equipment	22,492	–	26	2	22,520
Total	539,291	46,340	33	262	585,926

Assets and investments, distribution at December 31, 2021.

	Sweden	USA	France	Spain	Total Group
Intangible assets	408,140	39,750	–	–	447,890
Financial assets	6,296	1,410	6,658	239	14,603
Property, plant and equipment	35,659	310	37	8	36,014
Total	450,095	41,470	6,695	247	498,507

6 Net sales

Revenue recognition occurs as follows: Revenue is recognized for development projects in the period in which the service is rendered, and for royalties in the period in which the end customer acquires the product.

Other services are recognized as revenue in the period in which the service is rendered.

Contract assets and contract liabilities

The Group has no contract assets. Within the Group, in addition to trade receivables, there are receivables from contracts with customers where the remuneration for services depends only on the time elapsed. Receivables from contracts with customers are recorded as part of Prepaid expenses and accrued income on the Royalties line.

Remaining unfulfilled performance obligations

All contracts for the sale of services included in development projects have an initial term of one year or less or are invoiced based on time spent.

	Group		Parent Company	
	2022	2021	2022	2021
Royalties	122,794	120,672	–	–
Other services	4,808	5,017	28,773	24,100
Total	127,602	125,689	28,773	24,100

7 Other operating income

	Group		Parent Company	
	2022	2021	2022	2021
Exchange rate gains	4,137	6,554	17,178	6,772
Reinvoicing of publishing costs	3,596	–	–	–
Other income	11,807	3,116	3	28,344
Total	19,540	9,670	17,181	35,116

8 Costs broken down by cost type

	Group		Parent Company	
	2022	2021	2022	2021
Capitalized development work	-143,118	-111,488	–	–
External services	56,195	38,609	12,910	12,500
Personnel costs	160,996	131,874	35,265	28,597
Cost of premises	6,689	1,424	–	–
Other expenses	–	68,672	–	–
Depreciation, amortization and impairment	59,634	59,988	112	244
Total	140,396	189,079	48,287	41,341

9 Remuneration of auditors

PwC	Group		Parent Company	
	2022	2021	2022	2021
Statutory audit	1,202	1,294	1,202	1,294
Audit activities in addition to the statutory audit	160	262	160	262
Tax advisory services	205	268	205	268
Other services	131	27	131	27
Other auditors				
Statutory audit	70	76	–	–
Total	1,768	1,927	1,698	1,851

Group: Of the amount for auditing activities other than the statutory audit, SEK 0.2 million (0.3) relates to PwC Sweden. Of fees for tax advisory services, SEK 0.2 million (0.3) relates to PwC Sweden and of the amount for other services, SEK 0.1 million (0.0) relates to PwC Sweden.

The total audit fee for the Group is in line with the previous year.

Parent Company: In the Parent Company, audit activities other than the statutory audit relate to SEK 0.2 million (0.3) to PwC Sweden, of fees for tax advisory services, SEK 0.2 million (0.3) relates to PwC Sweden, and of the amount for other services, SEK 0.1 million (0.0) relates to PwC Sweden.

10 Right-of-use assets

The Group applies IFRS 16. The contracts that fall under the standard refer to leases for premises in Sweden. Other leases e.g., for office equipment, fall under the exemption rules for short-term or low-value leases and continue to be recognized in the income statement on a straight-line basis.

When discounting future lease payments, Starbreeze uses the marginal lending facility rate per country as the discount rate. The marginal borrowing rate is based on the lessee's financial strength, the country, and the length of the current lease. For more information, see Note 2.20

Right-of-use assets in the balance sheet	Dec. 31, 2022	Dec. 31, 2021
Leased premises, Stockholm	20,363	33,968
Total right-of-use assets	20,363	33,968

Change in right-of-use assets during the year	Dec. 31, 2022	Dec. 31, 2021
Opening right-of-use assets, January 1, 2021	33,968	48,866
Additional right-of-use assets	557	-
Exchange rate adjustments	-	14
Depreciation for the year	-14,162	-14,912
Carrying amount, December 31, 2021	20,363	33,968

Maturity analysis of lease liability	Dec. 31, 2022	Dec. 31, 2021
Within one year	16,187	17,806
Later than one year but within five years	5,432	21,001
Later than five years	-	-
Total	21,619	38,807

Maturity analysis of lease receivables	Dec. 31, 2022	Dec. 31, 2021
Within one year	-	1,845
Later than one year but within five years	-	1,181
Later than five years	-	-
Total	-	3,026

11 Average number of employees

Average number of employees	2022		2021	
	Total	Of which men	Total	Of which men
Parent Company				
Sweden	12	5	12	6
Subsidiaries				
Sweden	123	101	105	85
France	15	14	12	11
USA	-	-	1	-
Spain	4	4	5	5
Total	154	124	135	107

Board directors and senior managers	2022		2021	
	Number on the balance sheet date	Of which men	Number on the balance sheet date	Of which men
Group				
Board directors	5	3	5	3
CEO and senior managers	6	4	2	2
Parent Company				
Board directors	5	3	5	3
CEO and senior managers	6	4	2	2

12 Employee benefits expenses

Board of Directors

The Board Chair and Board Directors receive fees in accordance with a resolution passed by the AGM. The Board of Directors' fee for the period up to the next AGM, as decided by the AGM on May 12, 2022 is SEK 2,085 thousand (2,525). The Board Chair receives SEK 650 thousand (750) and the Board Directors receive SEK 260 thousand

(225). In addition, the AGM set a fee of SEK 50 thousand (70) for the Chair of the Remuneration Committee and SEK 40 thousand (60) to each of the other committee members. A fee of SEK 175 thousand (280) for the Chair of the Audit Committee and SEK 65 thousand (120) for the committee members was approved.

Chief Executive Officer

The Board Chair negotiates with the CEO regarding the CEO's salary and other terms of employment. The Chair then reports the outcome of these negotiations to the whole Board prior to a final decision being made. Salaries and remuneration to the Board of Directors and CEO include salaries and benefits for the CEO during the year of SEK 3,038 thousand (3,001) and pension expenses of SEK 530 thousand (645). The CEO is required to provide six months' notice of resignation and the company is required to provide six months' notice in the event of termination. According to the agreement, the severance pay amounts to six months..

Defined contribution pension premiums are paid for the CEO, corresponding to the cost set out in the ITP plan.

Senior managers

Remuneration of other senior managers is decided by the CEO.

Employee benefits expenses

Total	Group		Parent Company	
	2022	2021	2022	2021
Salaries and other remuneration	108,227	88,073	24,055	18,408
Social security expenses	46,449	37,115	10,056	8,856
(of which pension expenses)	11,165	8,839	2,802	2,786
Total	154,676	125,188	34,111	27,264

Salaries and remuneration allocated to the Board of Directors, the CEO and other employees

Total	Board of Directors and CEO		Other employees	
	2022	2021	2022	2021
Group	5,209	5,411	103,018	82,662
Parent Company	5,209	5,411	18,846	12,997

During the year, the company accounted for an accrual relating to the ongoing long-term incentive program amounting to a total of SEK 15,064 thousand (7,200).

13 Remuneration of the Board of Directors and senior managers

Principles

The principles for the remuneration of senior managers were adopted at the AGM in May 2022. The remuneration to the CEO and other senior managers is composed of a fixed salary. The Board of Directors is also authorized to decide on variable remuneration in the form of a cash bonus in an amount not exceeding, on an annual basis, 75 percent of the fixed annual salary for the CEO and 50 percent of the fixed annual salary for other senior managers.

Defined contribution pension premiums are paid for the CEO and senior managers, corresponding to the cost set out in the ITP plan. The CEO is required to provide six months' notice of resignation and the company is also required to provide six months' notice of termination. Other senior executives have a notice period of three to nine months. According to the agreement, the severance pay amounts to six months for the CEO.

Other senior managers refers to the management team as summarized in the section Senior managers.

Remuneration and other benefits during the financial year

A total of SEK 11,203 thousand (6,048) was paid to senior managers, including the CEO, to cover salary, variable remuneration and other benefits. Senior managers, including the CEO, increased from two people in 2021 to six people in 2022. Defined contribution pension premiums are paid for senior managers, corresponding to the cost set out in the ITP plan.

Board of Directors and senior managers in 2022

	Basic pay/ director's fee	Variable remuneration and royalties	Other benefits	Pension expense	Total
Torgny Hellström, Board Chair	833	–	–	–	833
Kerstin Sundberg, Director	461	–	–	–	461
Anna Lagerborg, Director	295	–	–	–	295
Mike Gamble, Director	250	–	–	–	250
Thomas Lindgren, Director	332	–	–	–	332
Tobias Sjögren, CEO	3,038	–	–	530	3,568
Other senior managers, average 5 people, at year-end 5 people	6,400	–	143	1,092	7,635
Total	11,609	–	143	1,622	13,374

Board of Directors and senior managers in 2021

	Basic pay/ director's fee	Variable remuneration and royalties	Other benefits	Pension expense	Total
Torgny Hellström, Board Chair	971	–	–	–	971
Jan Benjaminson, Director January 1, 2021 – November 19, 2021	336	–	–	–	336
Kerstin Sundberg, Director	539	–	–	–	539
Anna Lagerborg, Director	272	–	–	–	272
Mike Gamble, Director May 12, 2021	140	–	–	–	140
Thomas Lindgren, Director December 5, 2021	152	–	–	–	152
Tobias Sjögren, CEO	3,001	–	–	645	3,646
Other senior managers, average 2 people, year-end 2 people	1,563	250	200	389	2,402
Total	6,974	250	200	1,034	8,458

14 Other operating expenses

	Group		Parent Company	
	2022	2021	2022	2021
Capital loss on disposal of intangible fixed assets	-	-68,672	-	-
Total	-	-68,672	-	-

15 Financial income and expenses

	Group		Parent Company	
	2022	2021	2022	2021
Interest income	-	-	7,917	5,599
Other	39	82	-	-
Total financial income	39	82	7,917	5,599
Interest expenses	-	-1,035	-	-578
Interest expenses, convertible loan	-32,873	-27,980	-32,873	-27,980
Interest expenses, leases	-723	-1,116	-	-
Unrealized change in value of derivatives	-2,102	-	-	-
Implicit interest	-25,653	-21,450	-25,629	-21,450
Other financial expenses	-5	-57	-	-
Total financial expenses	-61,356	-51,638	-58,502	-50,008

16 Appropriations

The company has no appropriations as at December 31, 2022.

17 Income tax and deferred tax

The applicable tax rate is the Group income tax rate. The average weighted tax rate is 20.8 percent. Temporary differences occur in cases where the respective tax bases of assets or liabilities differ. Temporary differences at Starbreeze have mainly arisen through tax losses. Deferred tax assets are recognized in respect of tax loss carryforwards to the extent that it is probable that they can be utilized against future taxable profits and to the extent that they can be offset against deferred tax liabilities on temporary differences.

As at December 31, 2022, no deferred tax assets relating to loss carryforwards had been recognized. As at the balance sheet date, the unrecognized loss carryforwards for the parent company and the Swedish subsidiaries amount to SEK 653.3 million (599.5). Loss carryforwards cannot be utilized between companies in different countries, and the remaining Swedish loss carryforwards have a Group contribution restriction with regard to Enterspace AB and the other Swedish Group companies, which is applicable to losses generated up to December 31, 2016 and cannot be utilized until 2023 at the earliest. For losses generated up to and including 2019, there is also a Group contribution restriction relating to the two new companies in the Group, New Starbreeze Studios AB and New Starbreeze Publishing AB. These carryforwards cannot be utilized until 2026 at the earliest.

> NOTE 17 CONTINUED

	Group		Parent Company	
	2022	2021	2022	2021
Recognized profit/loss before tax	-54,403	-105,226	-52,918	-26,515
Tax at applicable tax rate	24,367	21,413	10,901	5,462
Tax effect of other non-deductible costs	-11,920	627	-10,497	9,234
Tax effect of other non-taxable income	2,737	9,262	14	-6,561
Foreign withholding tax	-861	-877	-	-
Change in unrecognized tax assets relating to tax loss carryforwards	-19,728	-25,772	-418	-8,135
Adjustment of previous year's tax	-	-2,895	-	-
Tax on profit for the year according to the income statement	-5,405	1,758	-	-

Distribution of income tax, Group

	2022	2021
Current tax	-1,300	-3,870
Deferred tax	-4,105	5,628
Tax on profit for the year according to the income statement	-5,405	1,758

Group

	Dec. 31, 2022	Dec. 31, 2021
Opening balance, deferred tax liability/assets	4,278	161
Change through the income statement in temporary differences for capitalized development work	-19	242
Change in temporary differences on surplus values in the Group	-	5,139
Change in previously capitalized deficits	-5,485	-1,197
Lease IFRS 16	-157	-67
Closing balance, deferred tax liability/assets	-1,383	4,278

Specification, deferred tax liability/assets

	Dec. 31, 2022	Dec. 31, 2021
Lease IFRS 16	208	365
Temporary differences on surplus values in the Group	4,486	4,486
Reclassification of previously capitalized deficits	1,167	6,652
Change in temporary differences for capitalized development work	-7,243	-7,225
Total deferred tax liability/assets	-1,383	4,278

18 Earnings per share

Basic and diluted earnings per share are calculated by dividing earnings attributable to the Parent Company's shareholders by the weighted average number of outstanding shares during the period.

To calculate diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted for the dilutive effect of all potential ordinary shares.

	2022	2021
Earnings per share		
Basic, SEK	-0.08	-0.14
Diluted, SEK	-0.08	-0.14
Number of shares at the end of the period		
Basic	724,609,266	724,609,266
Diluted ¹⁾	724,609,266	724,609,266
Average number of shares		
Basic	724,609,266	724,609,266
Diluted ¹⁾	724,609,266	724,609,266

Group

1. The dilution effect attributable to a potential conversion of the convertible loan held by Digital Bros has not been taken into account in the above calculation as no conversion has been invoked.

19 Dividend per share

No dividend will be proposed.

20 Intangible assets

Goodwill consists of synergies and other intangible assets such as market position and personnel from the acquisitions of Overkill Software in June 2012, Orange Grove Media LLC in July 2015 and Payday Production LLC in September 2015.

The Group regularly tests goodwill and other intangible assets in the course of construction for impairment in accordance with IAS 36. Impairment tests are performed on completed intangible assets that are being amortized if the Group receives indications that the fair value may be less than the carrying amount.

The recoverable amounts of cash-generating units were determined by calculating value in use. For these calculations, sales forecasts have been estimated for the Group as a whole and for individual game development projects. Cash flows are based on a conservative forecast.

Impairment tests were performed on goodwill and shares in subsidiaries for the period ending December 31, 2022. The game development project for which costs have been capitalized were tested separately. These tests have not resulted in any impairment losses in 2022.

The remaining assets relate mainly to the core business of game development, i.e. the Starbreeze Games segment.

The remaining goodwill of SEK 48.3 million is in the Starbreeze Games segment. The recoverable amount consists mainly of cash flows related to PAYDAY.

For assets in the Starbreeze Games segment and other based, impairment assessments have been made within the Group based on discounted future cash flows.

The assets have been divided into different cash-generating units (CGUs). The classification of CGUs is based on their commercialization rather than on the platform to which they belong. For example, PAYDAY is its own CGU. The PAYDAY CGU includes PAYDAY, PAYDAY 2 and PAYDAY 3. In other words, it is not the platform that counts, but the IP itself that generates the cash flow. When assets are tested for impairment, this is done from a CGU perspective. No impairment losses were recorded in 2022.

Remaining CGUs after impairment testing

CGU	Description of CGU	Goodwill	Other intangible assets	Capitalized development cost for proprietary game and technology development	Investments in publishing projects	Total
Payday	Game IP	48,339	172,537	324,898	–	545,774
Hype	Game IP	–	–	–	3,974	3,974
Other	Game IP	–	1,773	3,292	–	5,065
Total		48,339	174,310	328,190	3,974	554,813

Goodwill

A traditional cash flow model was used to calculate value in use. A tax rate of 20.6 percent was used, which is assumed to correspond to the Group average. In addition, a pre-tax discount rate of 20–25 percent was applied. A sensitivity analysis shows that margin would be maintained even with a five percent adjustment of the discount rate. The impairment test did not give rise to any impairment losses in 2022. The average EBITDA margin for the forecast period was 34 percent.

Key assumptions in the impairment test are the quantification of future revenues, growth and cost of capital.

Acquired goodwill breaks down by segment as shown in the table below.

Segment	Dec. 31, 2022	Dec. 31, 2021
Starbreeze Games	48,339	42,445
Total	48,339	42,445

Game and technology development projects

For game development projects, the impairment test was based on the respective game's estimated future cash flows and results based on the management team's forecasts and budgets for the next seven years. PAYDAY 2 was assumed to have lower sales than at present and the expected cash flows for PAYDAY 3 are based on the history of previous PAYDAY games. PAYDAY 3 is expected to be released in 2023 and sales are expected to be the strongest in the first few months after release. Refer also to section D. Capital risk in Note 3 Financial risk management for more information. The discount rate used in the impairment tests is 20–25 percent. It has been assessed that the discount rate for the remaining assets is the same for all assets. This assumption is based, among other things, on an external valuation of the assets. A sensitivity analysis shows that a margin remains even with an increased discount rate of five percent for proprietary games.

> NOTE 20 CONT'D.

Group

	Goodwill	IP/Technology	Capitalized develop- ment cost for propri- etary game and technol- ogy development	Investments in publishing projects	Other	Total
Opening cost, January 1, 2022	216,004	522,182	1,045,394	187,326	6,705	1,977,610
Ongoing development						
– Proprietary game development	–	1,771	143,118	–	–	144,889
Exchange rate differences	16,211	24,935	942	–	–	42,088
Closing cost, December 31, 2022	232,215	548,888	1,189,454	187,326	6,705	2,164,587
Opening depreciation/amortization and impairment, January 1, 2022	-173,559	-322,279	-843,825	-183,352	-6,705	-1,529,719
Depreciation for the year	–	-27,584	-16,497	–	–	-44,081
Exchange rate differences	-10,317	-24,715	-942	–	–	-35,974
Closing depreciation, amortization and impairment at December 31, 2022	-183,876	-374,578	-861,264	-183,352	-6,705	-1,609,774
Total carrying amount, December 31, 2022	48,339	174,310	328,190	3,974	–	554,813
Opening cost, January 1, 2021	209,085	510,098	1,004,484	187,326	6,705	1,917,697
Sale of publishing rights	–	–	-70,776	–	–	-70,776
Ongoing development						
– Proprietary game development	–	–	111,488	–	–	111,488
– Proprietary technology development	–	91	–	–	–	91
Exchange rate differences	6,919	11,993	198	–	–	19,110
Closing cost, December 31, 2021	216,004	522,182	1,045,394	187,326	6,705	1,977,610
Opening depreciation/amortization and impairment, January 1, 2021	-170,258	-281,584	-833,049	-183,352	-6,705	-1,474,947
Depreciation for the year	–	-28,878	-10,579	–	–	-39,457
Exchange rate differences	-3,301	-11,817	-197	–	–	-15,315
Closing depreciation/amortization and impairment, 31 December 2021	-173,559	-322,279	-843,825	-183,352	-6,705	-1,529,719
Total carrying amount, December 31, 2021	42,445	199,903	201,569	3,974	–	447,891

21 Property, plant and equipment

	Group		Parent Company	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Computers and other equipment				
Opening cost	166,300	187,106	2,753	3,690
Purchases	1,631	993	–	121
Retirements and disposals	-37,154	-23,092	–	-1,058
Exchange rate differences	1,686	1,293	–	–
Closing accumulated cost	132,463	166,300	2,753	2,753
Opening amortization	-164,255	-180,402	-2,608	-3,422
Retirements and disposals	36,988	22,073	–	1,058
Planned depreciation for the year	-1,396	-4,677	-112	-244
Exchange rate differences	-1,643	-1,249	–	–
Closing accumulated depreciation	-130,306	-164,255	-2,720	-2,608
Closing planned residual value	2,157	2,045	33	145

There were no impairment losses on the Group's property, plant and equipment during the year.

22 Financial assets

	Group		Parent Company	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Deposits, rent guarantees	5,076	5,976	–	585
Other financial assets	2,215	2,035	2,215	2,036
Total	7,291	8,011	2,215	2,621

Outstanding deposits relate essentially to deposits for the rental of premises.

23 Shares in Group companies

	Country of registration and operation	Activity	Capital share held by Parent Company	Capital share held by Group	Share of votes	Number of shares	Carrying amount in Parent Company	Equity excluding net profit/loss for the year	Net profit/loss for the year	Total equity
Starbreeze Studios AB	Sweden	Game development	100.0%	100.0%	100.0%	10,000	16,948	37,256	5,449	42,705
Starbreeze Publishing AB	Sweden	Game development	100.0%	100.0%	100.0%	1,000	276,400	457,917	88,498	546,415
Starbreeze Production AB	Sweden	Game development	100.0%	100.0%	100.0%	1,000	10 985	162,682	3,185	165,867
Starbreeze USA Inc	USA	Game development	100.0%	100.0%	100.0%	100	–	-110,406	-1,151	-111,557
Starbreeze IP LUX	Luxembourg	Technology development	100.0%	100.0%	100.0%	12,500	–	-40,353	-1,485	-41,838
Starbreeze LA Inc	USA	Game development	0.0%	100.0%	100.0%	100	–	51,628	-272	51,356
Starbreeze VR AB	Sweden	Technology development	100.0%	100.0%	100.0%	50,000	–	34	-4	30
Starbreeze Ventures AB in liquidation	Sweden	Investing activities	100.0%	100.0%	100.0%	50,000	–	-15,594	–	-15,594
Starbreeze Paris SAS	France	Technology development	100.0%	100.0%	100.0%	58,281	–	8,056	-1,748	6,308
Starbreeze Barcelona SL	Spain	Game development	100.0%	100.0%	100.0%	3,000	–	-5,086	231	-4,855
New Starbreeze Publishing AB	Sweden	Game development	0.0%	100.0%	100.0%	2,360,777	–	376,492	-146,135	230,357
New Starbreeze Studios AB	Sweden	Game development	100.0%	100.0%	100.0%	500	26,990	2,735	3,875	6,610
Enterspace AB	Sweden	Technology development	100.0%	100.0%	100.0%	50,000	–	363	-8	355
Enterspace International AB in liquidation	Sweden	Technology development	0.0%	100.0%	100.0%	1,733	–	29	69	97
Starbreeze IP LUX II Sarl	Luxembourg	Investing activities	100.0%	100.0%	100.0%	230,000	–	-134,432	-11,885	-146,317
New Starbreeze Publishing PD IP AB	Sweden	Game development	0.0%	100.0%	100.0%	500	–	377	438	815
Starbreeze IP AB	Sweden	Game development	100.0%	100.0%	100.0%	500	50	50	-20	30
Starbreeze Studios UK Ltd	UK	Game development	100.0%	100.0%	100.0%	500	–	–	6	6
							331,373	791,749	-60,958	730,791

	Dec. 31, 2022	Dec. 31, 2021
Opening cost	325,924	322,702
Shareholder contributions	5 449	3,239
Adjustment of earnout	–	-17
Closing accumulated cost	331,373	325,924

24 Financial instruments by category

Group, December 31, 2022

Assets in the balance sheet	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Derivatives	Total
Financial assets	7,291	–	–	–	7,291
Trade and other receivables	11,622	–	–	–	11,622
Cash and cash equivalents	108,217	–	–	–	108,217
Total assets	127,130	–	–	–	127,130

Liabilities in the balance sheet	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Derivatives	Total
Other non-current liabilities	1,631	–	–	–	1,631
Convertible loan	220,855	–	–	–	220,855
Liability, renegotiation loss	157,161	–	–	–	157,161
Trade and other payables	245,708	2,102	–	–	247,810
Total liabilities	625,355	2,102	–	–	627,457

Group, December 31, 2021

Assets in the balance sheet	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Derivatives	Total
Financial assets	8,011	–	–	–	8,011
Trade and other receivables	16,190	–	–	–	16,190
Cash and cash equivalents	128,572	–	–	–	128,572
Total assets	152,773	–	–	–	152,773

Liabilities in the balance sheet	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Derivatives	Total
Other non-current liabilities	102,228	–	–	–	102,228
Convertible loan	187,982	–	–	–	187,982
Liability, renegotiation loss	131,532	–	–	–	131,532
Trade and other payables	59,936	–	–	–	59,936
Total liabilities	481,678	–	–	–	481,678

> NOTE 24 CONT'D.

Parent Company, December 31, 2022

Assets in the balance sheet	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Derivatives	Total
Financial assets	2,215	–	–	–	2,215
Trade and other receivables	1,367,656	–	–	–	1,367,656
Cash and cash equivalents	2,782	–	–	–	2,782
Total	1,372,653	–	–	–	1,372,653

Liabilities in the balance sheet	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Derivatives	Total
Liability, renegotiation loss	157,161	–	–	–	157,161
Convertible loan	220,855	–	–	–	220,855
Trade and other payables	603,103	–	–	–	603,103
Total	981,119	–	–	–	981,119

Parent company, December 31, 2021

Assets in the balance sheet	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Derivatives	Total
Financial assets	2,621	–	–	–	2,621
Trade and other receivables	1,347,942	–	–	–	1,347,942
Cash and cash equivalents	7,594	–	–	–	7,594
Total	1,358,157	–	–	–	1,358,157

Liabilities in the balance sheet	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Derivatives	Total
Liability, renegotiation loss	131,532	–	–	–	131,532
Convertible loan	187,982	–	–	–	187,982
Trade and other payables	602,790	–	–	–	602,790
Total	922,304	–	–	–	922,304

25 Credit quality of financial assets

	Dec. 31, 2022	Dec. 31, 2021
Group 1	196	12,237
Group 2	9,946	8,240
Total	10,142	20,477

As at December 31, 2022, past due and unpaid trade receivables amounted to SEK 9.9 million (8.2).

Group 1: Existing customers (more than six months) with no previous missed payments.

Group 2: Existing customers (more than six months) with some previous missed payments.

Credit risk is managed at Group level. Only banks and credit institutions that have been awarded a minimum credit rating "A" from an independent rating agency are accepted.

26 Trade and other receivables

	Group		Parent Company	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Accounts receivable	10,142	20,477	–	–
Provision for doubtful accounts	-8,948	-8,008	–	–
Receivables from Group companies	–	–	1,366,562	1,346,719
Other receivables	10,428	3,721	1,094	1,223
Total	11,622	16,190	1,367,656	1,347,942

Maturity analysis	Dec. 31, 2022	Dec. 31, 2021
Not overdue	196	12,237
1–90 days	900	108
3 to 6 months	–	–
More than 6 months	9,046	8,132
Total	10,142	20,477

Trade and other receivables by currency	Dec. 31, 2022	Dec. 31, 2021
SEK	10,463	15,647
EUR	1,019	417
USD	140	126
Total	11,622	16,190

As the Group has not experienced any material credit losses historically and believes that the same conditions will prevail in the future, it is assessed that any provision for possible future credit losses is not material. For more information, see Note 2.9 Impairment of financial assets.

27 Prepaid expenses and accrued income

	Group		Parent Company	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Other interim receivables	7,105	3,807	516	629
Accrued royalty income	33,535	25,226	–	–
Total	40,640	29,033	516	629

28 Cash and cash equivalents

	Group		Parent Company	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Cash and bank balances	108,217	128,572	2,782	7,594
Total	108,217	128,572	2,782	7,594

Cash and cash equivalents include short-term investments maturing within three months from the date of acquisition that are readily convertible to cash without incurring interest expenses.

29 Change in the number of shares

The share capital, SEK 14,492 thousand, is divided into 724,609,266 shares, giving a quota value of SEK 0.02 per share. One class A share carries ten (10) votes and one class B share carries one (1) vote. All shares issued by the Parent Company are fully paid up.

At the AGM in May 2022, a resolution was passed authorizing the Board of Directors to resolve, on one or more occasions until the end the next AGM, with or without derogation from the shareholders' preferential rights, to issue new class B shares, or convertible bonds or warrants granting entitlement to class B shares, corresponding (in the event of intended exercise of such convertible bonds or warrants) to a maximum of ten (10) percent of the number of shares outstanding at any given time, against payment in cash, by offset, or for a non-cash consideration.

Number of shares	Class B shares	Class A shares
Number of shares, December 31, 2020	555,287,718	169,321,548
Conversion	2,949,780	-2,949,780
Number of shares, December 31, 2021	558,237,498	166,371,768
Conversion	110,424	-110,424
Number of shares, December 31, 2022	558,347,922	166,261,344

30 Share-based remuneration

As of December 31, 2022, there is no employee share warrant plan. The most recent warrant plan, warrants 2018/2021, expired in June 2021. Other employee and share warrant plans have expired. A summary of the share warrant plan is presented below.

Share warrant plan 2018/2021

The AGM held in May 2018 resolved in favor of an additional special share-based incentive program for senior managers and certain other key individuals aimed at managing new recruitments and promotions. A total of up to 3,000,000 warrants, entitling the holder to subscribe for 3,000,000 class B shares, may be issued under the special incentive program with a term of three years, at an exercise price equal to 200 percent of the current market price. As at December 31, 2019, 625,275 of these warrants had been allocated, all with a maturity date of June 2021. The warrants were issued on market terms.

For the 2018/2021 warrant program, the weighted average fair value of warrants allocated during the financial year, determined using the Black-Scholes valuation model, was SEK 22.73 per warrant. Key inputs to the model were the share price on the allocation date, volatility of 48.6 percent, expected dividend yield of 0 percent, expected warrant life of three years and annual risk-free interest of -0.39 percent.

Share warrant program 2018/2021 (4 years)

	Dec. 31, 2022		Dec. 31, 2021	
	Average redemption price per share (SEK)	Carrying rights to number of shares	Average redemption price per share (SEK)	Carrying rights to number of shares
Opening balance	-	-	-	625,275
Expired warrants		-		-625,275
Closing balance		-		-

31 Trade and other payables

	Group		Parent Company	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Trade payables	15,816	6,747	756	1,531
Liabilities to Group companies	-	-	599,839	598,807
Other liabilities	46,146	46,199	1,594	1,534
Social security contributions and similar charges	6,282	5,856	914	918
Current portion of game financing	176,940	-	-	-
Overdraft facility	524	1,134	-	-
Total	245,708	59,936	603,103	602,790

32 Accrued expenses and prepaid income

	Group		Parent Company	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Accrued salaries	22,895	7,860	11,415	3,750
Accrued vacation pay	10,719	8,933	2,050	1,372
Accrued social security contributions, vacation pay	3,504	2,887	696	431
Other accrued expenses	2,042	11,164	3,452	3,637
Total	39,160	30,845	17,613	9,190

33 Pledged assets

	Group		Parent Company	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Pledged shares in subsidiaries for loan credit with Nordea	235,978	235,978	-	-
Deposits, rent guarantees	4,000	4,585	-	-
Total	239,978	240,563	-	-

In March 2021, Starbreeze entered into a co-publishing agreement with Plaion (formerly Koch Media) regarding PAYDAY 3. The agreement covers both product development and marketing of PAYDAY 3 as well as continued development and marketing of the game according to the Starbreeze GaaS model. All development of the game is done by Starbreeze, which owns the brand and all other rights associated with the brand, and Plaion will distribute and actively assist in promoting the game and managing local communities. In order to secure investments made by Plaion under the agreement, all shares in Starbreeze's wholly owned subsidiary, New Starbreeze Publishing PD IP AB, have been pledged in favor of Plaion.

34 Contingent liabilities

The Group has no contingent liabilities.

35 Related-party transactions

The Parent Company Starbreeze AB, which is the ultimate parent company in the Group, has invoiced SEK 28.8 million (29.8) to Group companies for game development costs and part of joint costs. Billing by other Group companies to Group companies is shown in the table below: The Parent Company, Starbreeze AB, purchased services for SEK 0.2 million (1.0) from Group companies. Purchases by other Group companies from Group companies are shown in the table below:

Remuneration to senior managers is specified in Note 13.

Receivables and liabilities	Dec. 31, 2022	Dec. 31, 2021
Receivables		
Parent Company Starbreeze AB	1,366,562	1,346,719
Liabilities		
Parent Company Starbreeze AB	605,239	592,124
Group company billing	2022	2021
Starbreeze AB	28,774	24,100
Starbreeze Studios AB	67	312
Starbreeze Paris SAS	18,047	14,295
Starbreeze Barcelona	4,252	7,211
Starbreeze LA	2,071	2,809
New Starbreeze Publishing AB	124,677	57,616
New Starbreeze Studios AB	151,577	116,013
New Starbreeze Publishing PD IP	9,200	6,857
Starbreeze Studios UK Ltd	130	-
Total	338,795	229,213

Purchases from Group companies	2022	2021
Starbreeze AB	221	245
Starbreeze Production AB	-	-
Starbreeze Publishing AB	-	-
Starbreeze Studios AB	-	-
Starbreeze Paris SAS	846	586
Starbreeze IP LUX II	-	-
Starbreeze Barcelona	270	245
Starbreeze LA	-	47
New Starbreeze Publishing AB	202,699	164,988
New Starbreeze Studios AB	6,730	5,504
New Starbreeze Publishing PD IP	124,583	57,597
Starbreeze IP AB	3,446	-
Total	338,795	229,213

36 Adjustment of items not included in cash flow

	Group		Parent Company	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Amortization of intangible assets	44,081	39,457	-	-
Depreciation of property, plant and equipment	15,554	20,532	112	244
Impairment of financial assets	-	-1,258	-	-3,238
Profit/loss from sale of assets	-4	68,700	-	-
Change in provisions	1,101	64	-	-
Dividend	-	-	-	19
Other unrealized exchange rate losses	1,315	-5,885	-	-
Unrealized change in value of derivatives	-2,102	-	-	-
Total	59,945	121,610	112	-2,975

Interest paid	Group	Parent Company
	2022	2022
Cost of borrowing including interest on unsecured loans	-	-
Interest on overdraft facilities	-	-
Total interest paid	-	-

37 Events after the balance sheet date

There are no significant events after the balance sheet date.

38 Interest-bearing liabilities

In February 2016, a convertible loan was obtained from Smilegate and subsequently transferred to Digital Bros. In January 2020, the EGM approved changes to the terms of the convertible loan. Under the new terms, the maturity date of the convertible loan was extended to December 2024, the original maturity date was February 2020. The interest rate remains unchanged at 2 percent. The conversion price was set at SEK 2.25 (13.49) per share, and after the issues completed in 2020 the conversion price was SEK 1.63 per share. The carrying amount of the convertible loan, measured at amortized cost, was SEK 220.9 million (SEK 188.0 million) as at December 31, 2022. Equity represents SEK 76.7 million and non-current liabilities represent SEK 138.3 million of the total value of the convertible loan.

Starbreeze's fee for these changes to the terms of the convertible loan, referred to as the renegotiation loss, amounted to SEK 165 million and is a subordinated loan under the convertible loan, recognized as a non-current liability, discounted to present value of SEK 157.2 million at an interest rate of zero (0) percent.

Repayment of the convertible loan and renegotiation loss will take place if and when the company has free available cash flow as defined in the 2018 Restructuring Plan.

All borrowing is in SEK. Besides SEK, supplier invoices are mainly in USD.

Group	Dec. 31, 2022			Dec. 31, 2021		
	Non-current portion	Current portion included in current liabilities	Total	Non-current portion	Current portion included in current liabilities	Total
Convertible loan	220,855	–	220,855	187,982	–	187,982
Liability, renegotiation loss	157,161	–	157,161	131,532	–	131,532
Overdraft facility, Nordea	–	524	524	–	1,134	1,134
Financing for game development	–	176,940	176,940	91,019	–	91,019
Other non-current liabilities	1,631	–	1,631	11,208	–	11,208
Total	379,647	177,464	557,111	421,742	1,134	422,876

Parent Company	Dec. 31, 2022			Dec. 31, 2021		
	Non-current portion	Current portion included in current liabilities	Total	Non-current portion	Current portion included in current liabilities	Total
Convertible loan	220,855	–	220,855	187,982	–	187,982
Liability, renegotiation loss	157,161	–	157,161	131,532	–	131,532
Total	378,016	–	378,016	319,514	–	319,514

39 Shares in joint ventures

Group	Country of operation	Activity	Share of equity	Share of votes	Number of shares	Carrying amount
StarVR Corporation	Taiwan	Technology development	33%	33%	16,000,000	1,302

The company's joint venture with Acer, StarVR Corporation, is a sales and marketing company that manages the sales process for business customers, as well as support and after-sales services. As a result of the partnership, Starbreeze owns and controls the IP rights related to StarVR while Acer manufactures the product. R&D and reference design work for the StarVR headset is performed by Starbreeze and Acer jointly. StarVR Corporation bears all marketing and sales costs of StarVR but as long as Starbreeze retains the IP rights, Starbreeze bears the R&D related costs. Manufacturing costs are borne by Acer. The following reconciliation reflects adjustments made by the Group in applying the equity method, including fair value adjustments at the time of acquisition and adjustments for differences in accounting policies.

Group	Dec. 31, 2022	Dec. 31, 2021
Reconciliation against net carrying amounts:		
Opening net assets, January 1	3,434	3,282
Profit/loss for the period	238	-154
Exchange rate differences	273	306
Closing net assets	3,945	3,434
Group share	33%	33%
Group share in SEK thousand	1,302	1,133
Carrying amount	1,302	1,133

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

	Dec. 31, 2022	Dec. 31, 2021
Condensed balance sheet:		
Current assets	12,099	11,241
Current assets	-	65
Current liabilities	-8,154	-7,872
Net assets	3,945	3,434
Condensed statement of comprehensive income:		
Revenue	15	602
Earnings for the period	238	-154
Total comprehensive income	238	-154

40 Net debt

Group	Other assets		Liabilities relating to financing activities		
	Cash and cash equivalents	Convertible loans	Renegotiation loss and other non-current liabilities	Other current liabilities	Total financing activities
Opening balance, January 1, 2022	128,572	-187,982	-254,762	-1,135	-443,878
Cash flow	-20,589	-	673	-66,195	-65,522
Exchange rate differences	234	-	-	-	-
Reclassification	-	-	91,019	-91,019	-
Other non-cash items	-	-32,873	-2,539	-19,115	-54,526
Closing balance, December 31, 2022	108,217	-220,855	-165,607	-177,464	-563,926

Group	Other assets		Liabilities relating to financing activities		
	Cash and cash equivalents	Convertible loans	Renegotiation loss and other non-current liabilities	Other current liabilities	Total financing activities
Opening balance, January 1, 2021	157,423	-160,002	-169,847	-44,887	-374,736
Cash flow	-28,966	-	-79,797	43,772	-36,025
Exchange rate differences	115	-	-	-	-
Reclassification	-	-	1,258	-	1,258
Other non-cash items	-	-27,980	-6,375	-20	-34,375
Closing balance, December 31, 2021	128,572	-187,982	-254,762	-1,135	-443,878

Net debt	Dec. 31, 2022	Dec. 31, 2021
Cash and cash equivalents	108,217	128,572
Current loan liabilities	-177,464	-1,135
Non-current loan liabilities	-386,462	-442,743
Net debt	-455,709	-315,306

The income statements and balance sheets will be presented to the AGM on May 11, 2022 for approval.

The Board of Directors and the Chief Executive Officer declare that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's position and earnings. The annual accounts have been prepared in accordance with generally accepted accounting principles and provide a true and fair view of the Parent Company's position and earnings.

The Directors' report for the Group and Parent Company provides a true and fair view of the development of the Group's and Parent Company's business, position and performance, and describes the material risks and uncertainties that the Parent Company and its subsidiaries may face.

Stockholm, 14 April 2023 Starbreeze AB (publ)

Torgny Hellström
Board Chair

Directors

Mike Gamble

Kerstin Sundberg

Thomas Lindgren

Anna Lagerborg

Tobias Sjögren
CEO

Our audit report was submitted on 14 April 2023

Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant

Auditor's report

Unofficial translation - in case of discrepancy the Swedish version shall prevail
To the general meeting of the shareholders of Starbreeze AB (publ), corporate
identity number 556551-8932

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Starbreeze AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 57-96 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section.

We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

Starbreeze is an independent developer, creator, publisher and distributor of PC and console games with a global market focus.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Valuation of shares in subsidiaries, goodwill and other intangible assets

Goodwill and other intangible fixed assets including balanced expenses for game and technology development in the group amount to SEK 555 million as of December 31, 2022. About 99% of the value is related to Payday. In the parent company, shares in subsidiaries amount to SEK 326 million, which is also largely related to values in Payday. The company has tested the need for write-downs in connection with the annual accounts. Significant assumptions in the impairment tests appear in note 20 in the annual report and include, among other things, estimates of future cash flows. Due to the degree of estimation, we have judged that the valuation of goodwill and other intangible assets is a particularly significant area of the audit.

The company's impairment test has not led to an impairment.

As shown in the annual report, the launch of Payday 3 is estimated to take place in 2023. As shown in note 4, the valuation of shares in subsidiaries, goodwill and other intangible assets presupposes a successful launch. If the game should not live up to expectations, it may result in a write-down of shares in subsidiaries, goodwill and other intangible assets.

Recognition of capitalized expenditure on game and technology development and investments in publishing projects

As can be seen from the management report and note 20, Starbreeze invests substantial amounts in game and technology development. Note 20 shows that SEK 145 million has been capitalized in 2022 and in total capitalized expenses for game and technology development and investments in publishing projects amount to SEK 1,377 million and book value to SEK 332 million. The majority of this amount is investment in the game Payday 3. Due to the size of the amount and the fact that capitalization of balanced expenses for game and technology development involves judgments by the company management regarding whether the expenses meet the criteria for capitalization, for example that it is possible to reliably measure the expenses attributable to the asset and that it can be shown that the asset will generate future financial benefits, this is a particularly significant area in the audit. As shown in the annual report, the launch of Payday 3 is estimated to take place in 2023. As shown in note 4, the accounting of balanced expenses for game and technology development as well as investments in publishing projects assumes a successful launch. If the game should not live up to expectations, it could lead to a write-down of balanced expenses for game and technology development as well as investments in publishing projects.

How our audit addressed the key audit matter

We have reviewed the company management's examination of whether there is any need to write down shares in subsidiaries, goodwill and other intangible assets. We evaluated the company's process for establishing forecasted cash flows and the mathematical accuracy of the models used. We have assessed significant assumptions in the impairment test and the reasonableness of the company's forecasts and, when applicable, compared these with external data. We have also assessed the sensitivity of the calculations. Finally, we have assessed whether the information provided in the notes to the annual report is compatible with IFRS. We found that the company's method and assumptions were applied consistently.

We have reviewed the company's specification of ongoing development projects which have been accounted for as intangible assets during the financial year. We have taken random samples of the projects and tested the accuracy of capitalizing the expenses based on the criteria in IAS 38, among other things by assessing the routines to ensure that the costs are reported on the right project and randomly reviewed underlying expenses against supporting documents. We have also reviewed the calculation of future financial benefits.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-56 and 101-102. The Board of Directors and the Managing Director are responsible for this other information. The sustainability report and corporate governance report are published separately on the company's website in connection with the annual report and also constitute other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements**The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss****Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Starbreeze AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for ABC AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Starbreeze AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors (and the Managing Director) determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires me (us) to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Starbreeze AB (publ) by the general meeting of the shareholders on the 12 May 2022 and has been the company's auditor since the 25 September 2000.

Stockholm, 14 April 2023

Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant

Remuneration report

Introduction

This report describes how the guidelines for remuneration to senior managers of Starbreeze AB were applied in 2022. The report also contains information about remuneration to the CEO and a summary of the company's outstanding share and share price-related incentive programs in 2022. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board. *Rules on remuneration to senior managers and incentive programs.*

Further information on remuneration to senior managers can be found in Note 13 (Remuneration of the Board of Directors and senior managers) on page 83 of the 2022 Annual Report. Information on the Remuneration Committee's work in 2022 can be found in the Corporate Governance report on pages 40–48 of the 2022 Annual Report.

Remuneration to the Board is not covered by this report. A resolution on this remuneration is passed annually by the Annual General Meeting and is reported in Note 13 on page 83 in the 2022 Annual Report.

Development in 2022

The CEO summarizes the company's overall performance in his report on pages 7–8 of the 2022 Annual Report.

The company's remuneration guidelines: scope, purpose and deviations

A prerequisite for a successful implementation of the company's business strategy and the safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified employees. This requires that the company can offer competitive remuneration. The company's remuneration guidelines enable senior executives to be offered a competitive total remuneration. According to the remuneration guidelines, remuneration to senior executives shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. In addition, the Board of Directors shall annually evaluate whether share-based or share price-related incentive

programs should be proposed to the Annual General Meeting. The variable remuneration shall be paid in the form of a cash bonus and shall be linked to predetermined and measurable criteria. In addition to annual variable cash remuneration, variable cash remuneration may be paid in the form of a long term incentive bonus (LTI bonus) that shall comprise four financial years. The criteria for the payment of variable remuneration shall be designed to promote the company's business strategy and long-term interests, including its sustainability.

The guidelines can be found on pages 42–45 of the Annual Report for 2022. During 2022 the Company has followed the applicable remuneration guidelines adopted by the General Meeting. No deviations from the guidelines have been made and no deviations have been made from the decision-making process to be applied in order to determine the remuneration. The auditor's opinion on the company's compliance with the guidelines is available on www.starbreeze.com. No compensation has been claimed back.

Table 1 - Total remuneration to the CEO in 2022 (SEK thousand)*

Name of CEO	Fixed remuneration		Variable remuneration			Total remuneration	Fixed/variable remuneration, %
	Basic salary, SEK thousand**	Other benefits (car, healthcare)	One-year variable	Multi-year variable	Pension		
Tobias Sjögren, CEO	SEK 3,038,000	SEK 0 thousand	N/A	SEK 0 thousand	SEK 530,000	SEK 3,568,000	100%/0%

* With the exception of multi-year variable remuneration, the table shows remuneration for 2022. Multi-year variable remuneration is recognized to the extent that it has been subject to vesting in 2022 and in this sense has been earned (see also under Variable remuneration below). This applies regardless of whether or not payment has been made in the same year.

** Including vacation pay of SEK 158 thousand.

Share-based remuneration

Outstanding share-based and share price-based incentive programs

Starbreeze did not have any share-based or share price-based incentive programs in the 2022 financial year.

Remuneration to the CEO in shares and stock options

No remuneration in the form of shares or stock options was paid to the CEO in 2022.

Variable remuneration

In 2022, there was no option for the CEO to receive annual variable remuneration in the form of a cash bonus, and the Board of Directors did not establish any criteria for the

payment of such remuneration in 2022 (see Table 1 above). In 2021, in accordance with the remuneration guidelines adopted at the 2021 Annual General Meeting, the Board of Directors introduced the option of multi-year variable cash remuneration in the form of a long-term incentive bonus (LTI bonus) covering a period of four financial years. The CEO is covered by this LTI bonus which is based on milestones related to the release, datametrics reviews and sales of PAYDAY 3 in the years covered by the LTI bonus. For the CEO, the total variable cash remuneration under the LTI bonus may amount to a maximum of 48 months' salary. Part of the LTI bonus is also subject to deferred payment for a certain period of time in order to assist long-term growth. No part of the LTI bonus was earned in 2022.

Comparative information regarding changes in remuneration and the company's performance

Table 2 - Changes in remuneration and the company's performance in the last three reported financial years (SEK thousand)

SEK thousand	RR 2020	RR 2021	RR 2022
Remuneration to the CEO	8,600	3,646	3,568
Change	+236 (+2.8%)	-4,954 (-57.6%)	-78 (-2.1%)
Operating profit/loss for the Group	10,875	-53,720	6,746
Change	+11,379	-64,595	+60,466
Employee remuneration on FTE basis*	652	657	637
Change	49.5%	0.8%	-3.0%

* Average remuneration based on average number of employees (excluding CEO).

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